Semiannual report to contract holders for the six months ended June 30, 2011

SEMIANNUAL REPORT

FOR CONTRACT HOLDERS OF SCUDDER DESTINATIONS℠

AIM Variable Insurance Funds (Invesco Variable Insurance Funds)

The Alger Portfolios

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 AND SUMMARY PROSPECTUSES

DWS Strategic Income VIP

(Effective on or about September 22, 2011: **DWS Unconstrained Income VIP)**

Effective on or about September 22, 2011, DWS Strategic Income VIP will change its name to DWS Unconstrained Income VIP.

Effective on or about September 22, 2011, the following sections of the prospectus and summary prospectus are supplemented as follows:

The following information replaces the last sentence of the first paragraph of the fund's summary prospectus:

The prospectus and Statement of Additional Information, both dated May 1, 2011, supplemented July 19, 2011, and as may be further supplemented from time to time, are incorporated by reference into this Summary Prospectus.

The following information replaces the existing disclosure contained in the "INVESTMENT OBJECTIVE" section of the fund's prospectuses and summary prospectuses:

The fund seeks a high total return.

The following information replaces the similar existing disclosure contained in the "Main investments" and "Management process" sub-sections of the "PRINCIPAL INVESTMENT STRATEGY" section of the fund's summary prospectus:

Main investments. Under normal circumstances, the fund invests mainly in fixed income securities issued by both US and foreign corporations and governments. The credit quality of the fund's investments may vary; the fund may invest up to 100% of total assets in either investment-grade fixed income securities or in junk bonds, which are those below the fourth highest credit rating category (that is, grade BB/Ba and below). The fund may also invest in emerging markets securities, mortgage and asset-backed securities and dividend-paying common stocks.

Management process. In deciding which types of securities to buy and sell, portfolio management typically weighs a number of factors against each other, from economic outlooks and possible interest rate movements to changes in supply and demand within the fixed income securities market. In choosing individual fixed income securities, portfolio management considers how they are structured and uses independent analysis of issuers' creditworthiness.

Portfolio management will not be constrained in the management of the fund relative to an index and may shift the allocations of the fund's holdings, favoring different types of securities at different times, while still maintaining variety in terms of the companies and industries represented in the fund's holdings. Total return is a combination of capital appreciation and current income.

The following information replaces the similar existing disclosure contained in the "Main investments" and "Management process" sub-sections of the "PRINCIPAL INVESTMENT STRATEGY" section of the "FUND DETAILS" section of the fund's prospectuses:

Main investments. Under normal circumstances, the fund invests mainly in fixed income securities issued by both US and foreign corporations and governments. The credit quality of the fund's investments may vary; the fund may invest up to 100% of total assets in either investment-grade fixed income securities or in junk bonds, which are those below the fourth highest credit rating category (that is, grade BB/Ba and below). The fund may also invest in emerging markets securities, mortgage and asset-backed securities and dividend-paying common stocks.

Because the fund may invest in fixed income securities of varying maturities, the fund's dollar-weighted average effective portfolio maturity will vary. As of December 31, 2010, the fund had a dollar-weighted average effective portfolio maturity of 7.28 years. In determining the fund's dollar weighted average effective portfolio maturity, portfolio management uses a security's stated maturity or, if applicable, an earlier date on which portfolio management believes it is probable that a maturity-shortening device (such as a call, put, pre-refunding, or prepayment provision) will cause the security to be repaid earlier than the stated maturity date. Portfolio management will manage duration depending on its forecast for interest rates.

Management process. In deciding which types of securities to buy and sell, portfolio management typically weighs a number of factors against each other, from economic outlooks and possible interest rate movements to changes in supply and demand within the bond market. In choosing individual bonds, portfolio management considers how they are structured and uses independent analysis of issuers' creditworthiness.

Portfolio management will not be constrained in the management of the fund relative to an index and may shift the allocations of the fund's holdings, favoring different types of securities at different times, while still maintaining variety in terms of the companies and industries represented in the fund's holdings. Total return is a combination of capital appreciation and current income.

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

Philip G. Condon, Managing Director. Portfolio Manager of the fund. Joined the fund in 2011.

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

Philip G. Condon, Managing Director. Portfolio Manager of the fund. Joined the fund in 2011.

- Head of US Retail Fixed Income Funds.
- Joined Deutsche Asset Management in 1983.
- Over 34 years of investment industry experience.
- BA and MBA, University of Massachusetts at Amherst.

Please Retain This Supplement for Future Reference

July 19, 2011
PROSTKR-99

Supplement to the Prospectuses and Statement of Additional Information

CREDIT SUISSE TRUST
U.S. Equity Flex I Portfolio
International Equity Flex III Portfolio

This supplement provides new and additional information beyond that contained in the Prospectuses and Statement of Additional Information of the above-listed portfolios.

On June 30, 2011, the Board of Trustees (the "Board") of Credit Suisse Trust (the "Trust") approved the liquidation of each of the U.S. Equity Flex I Portfolio and the International Equity Flex III Portfolio (each, a "Portfolio"), each a series of the Trust, pursuant to the terms of a Plan of Liquidation and Dissolution ("Plan") for each Portfolio.

The liquidations are being proposed, in part, because Credit Suisse Asset Management, LLC, each Portfolio's investment adviser ("Credit Suisse"), has determined that managing benchmark-driven, long-only and short-extension quantitative equity strategies is no longer consistent with its overall business strategy. The Portfolios' investment strategies are included in these categories.

Each Portfolio is available only as an investment option for variable annuity contracts and life insurance policies issued by insurance companies and tax qualified pension and retirement plans. Each Plan is subject to the approval of the relevant Portfolio's shareholders. Proxy materials describing the Plans will be mailed to variable contract holders in anticipation of a special meeting of shareholders to be held at a later date.

If a Plan is approved by shareholders of the relevant Portfolio, Credit Suisse anticipates liquidating the Portfolio on a date which will be specified in the Plan and the proxy materials (the "Liquidation Date"). In preparation for its liquidation, a Portfolio may deviate from its investment objective and principal investment strategies. Prior to the Liquidation Date, variable contract holders and qualified plan participants will be provided an opportunity to transfer their assets to the other investment portfolios available under their variable contracts or qualified plans, respectively. For more information about such investment options, variable contract holders should consult their variable contract prospectus and qualified plan participants should consult their qualified plan documents. Shareholders remaining in a Portfolio just prior to the Liquidation Date may bear increased transaction fees incurred in connection with the disposition of the Portfolio's portfolio holdings. The liquidation of each Portfolio will not result in tax implications for the Portfolio or the variable contract holders or qualified plan participants; however, withdrawals of contract value from a variable contract or withdrawals from a qualified plan may have adverse tax consequences, and variable contract holders and qualified plan participants should consult their personal tax advisor concerning their particular tax situation.

Please retain this supplement for future reference.

Dated: July 1, 2011

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TREMK-PRO
2011-004

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Invesco V.I. Utilities Fund

Semiannual Report to Shareholders ▪ June 30, 2011

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 800 959 4246 or at 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, 2011, is available at 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, 12/31/10 to 6/30/11, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	10.62%
Series II Shares	10.49
S&P 500 Index▼ (Broad Market Index)	6.01
S&P 500 Utilities Index▼ (Style-Specific Index)	9.06
Lipper VUF Utility Funds Category Average▼ (Peer Group)	9.25

▼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 index(es) defined here, and consequently, the performance of the Fund may deviate significantly from the performance of the index(es).

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 6/30/11

Series I Shares	
Inception (12/30/94)	6.93%
10 Years	4.23
5 Years	5.14
1 Year	27.81
Series II Shares	
10 Years	3.97%
5 Years	4.88
1 Year	27.56

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 0.93% and 1.18%, respectively.[1] The total annual Fund operating expense ratio set forth in the most recent Fund prospectus as of the date of this report for Series I and Series II shares was 1.04% and 1.29%, 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, 2012. See current prospectus for more information.

Schedule of Investments[a]

June 30, 2011
(Unaudited)

	Shares	Value
Common Stocks–95.37%		
Electric Utilities–47.86%		
American Electric Power Co., Inc.	85,826	$ 3,233,924
Duke Energy Corp.	99,961	1,882,266
E.ON AG (Germany)	53,357	1,515,872
Edison International	60,747	2,353,946
Entergy Corp.	35,959	2,455,281
Exelon Corp.	67,348	2,885,188
FirstEnergy Corp.	45,235	1,997,125
NextEra Energy, Inc.	15,815	908,730
Northeast Utilities	59,859	2,105,241
Pepco Holdings, Inc.	152,313	2,989,904
Pinnacle West Capital Corp.	12,064	537,813
Portland General Electric Co.	129,466	3,272,901
PPL Corp.	64,930	1,807,002
Progress Energy, Inc.	21,604	1,037,208
Southern Co.	79,108	3,194,381
		32,176,782
Gas Utilities–5.57%		
AGL Resources Inc.	33,123	1,348,437
Atmos Energy Corp.	16,927	562,823
ONEOK, Inc.	13,024	963,906
UGI Corp.	27,314	871,044
		3,746,210
Independent Power Producers & Energy Traders–7.34%		
Calpine Corp.[b]	100,072	1,614,161
Constellation Energy Group Inc.	29,165	1,107,104
NRG Energy, Inc.[b]	90,028	2,212,888
		4,934,153
Integrated Telecommunication Services–4.93%		
AT&T Inc.	27,454	$ 862,330
CenturyLink Inc.	18,924	765,097
Verizon Communications Inc.	45,357	1,688,641
		3,316,068
Multi-Utilities–27.68%		
CMS Energy Corp.	33,233	654,358
Consolidated Edison, Inc.	9,005	479,426
Dominion Resources, Inc.	75,724	3,655,198
DTE Energy Co.	17,824	891,557
National Grid PLC (United Kingdom)	320,668	3,155,892
NiSource Inc.	28,151	570,058
PG&E Corp.	34,327	1,442,764
Public Service Enterprise Group Inc.	51,477	1,680,209
Sempra Energy	36,439	1,926,894
TECO Energy, Inc.	53,152	1,004,041
Xcel Energy, Inc.	129,530	3,147,579
		18,607,976
Oil & Gas Storage & Transportation–1.99%		
Southern Union Co.	33,209	1,333,341
Total Common Stocks (Cost $52,255,582)		64,114,530
Money Market Funds–3.71%		
Liquid Assets Portfolio–Institutional Class[c]	1,247,361	1,247,361
Premier Portfolio–Institutional Class[c]	1,247,362	1,247,362
Total Money Market Funds (Cost $2,494,723)		2,494,723
TOTAL INVESTMENTS–99.08% (Cost $54,750,305)		66,609,253
OTHER ASSETS LESS LIABILITIES–0.92%		619,444
NET ASSETS–100.00%		$67,228,697

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, 2011

Utilities	90.5%
Telecommunication Services	4.9
Money Market Funds Plus Other Assets Less Liabilities	4.6

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

Statement of Assets and Liabilities

June 30, 2011
(Unaudited)

Assets:	
Investments, at value (Cost $52,255,582)	$64,114,530
Investments in affiliated money market funds, at value and cost	2,494,723
Total investments, at value (Cost $54,750,305)	66,609,253
Receivable for:	
Investments sold	446,275
Fund shares sold	12,569
Dividends	367,857
Investment for trustee deferred compensation and retirement plans	43,905
Other assets	121
Total assets	67,479,980
Liabilities:	
Payable for:	
Fund shares reacquired	101,342
Accrued fees to affiliates	73,135
Accrued other operating expenses	19,757
Trustee deferred compensation and retirement plans	57,049
Total liabilities	251,283
Net assets applicable to shares outstanding	$67,228,697
Net assets consist of:	
Shares of beneficial interest	$50,845,460
Undistributed net investment income	3,273,475
Undistributed net realized gain	1,245,887
Unrealized appreciation	11,863,875
	$67,228,697
Net Assets:	
Series I	$65,334,981
Series II	$ 1,893,716
Shares outstanding, $0.001 par value per share, with an unlimited number of shares authorized:	
Series I	3,972,836
Series II	115,979
Series I:	
Net asset value per share	$ 16.45
Series II:	
Net asset value per share	$ 16.33

Statement of Operations

For the six months ended June 30, 2011
(Unaudited)

Investment income:	
Dividends (net of foreign withholding taxes of $17,440)	$1,457,128
Dividends from affiliated money market funds	1,315
Total investment income	1,458,443
Expenses:	
Advisory fees	196,491
Administrative services fees	98,705
Custodian fees	3,038
Distribution fees — Series II	2,165
Transfer agent fees	10,556
Trustees' and officers' fees and benefits	9,280
Other	24,003
Total expenses	344,238
Less: Fees waived	(39,473)
Net expenses	304,765
Net investment income	1,153,678
Realized and unrealized gain from:	
Net realized gain (loss) from:	
Investment securities	2,939,500
Foreign currencies	(1,830)
	2,937,670
Change in net unrealized appreciation of:	
Investment securities	2,562,222
Foreign currencies	1,428
	2,563,650
Net realized and unrealized gain	5,501,320
Net increase in net assets resulting from operations	$6,654,998

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, 2011 and the year ended December 31, 2010
(Unaudited)

	June 30, 2011	December 31, 2010
Operations:		
Net investment income	$ 1,153,678	$ 2,154,889
Net realized gain	2,937,670	2,280,276
Change in net unrealized appreciation (depreciation)	2,563,650	(674,565)
Net increase in net assets resulting from operations	6,654,998	3,760,600
Distributions to shareholders from net investment income:		
Series I	—	(2,309,020)
Series II	—	(55,316)
Total distributions from net investment income	—	(2,364,336)
Share transactions–net:		
Series I	(5,091,391)	(8,086,914)
Series II	14,852	(32,168)
Net increase (decrease) in net assets resulting from share transactions	(5,076,539)	(8,119,082)
Net increase (decrease) in net assets	1,578,459	(6,722,818)
Net assets:		
Beginning of period	65,650,238	72,373,056
End of period (includes undistributed net investment income of $3,273,475 and $2,119,797, respectively)	$67,228,697	$65,650,238

Notes to Financial Statements

June 30, 2011
(Unaudited)

NOTE 1—Significant Accounting Policies

Invesco V.I. Utilities Fund (the "Fund") is a series portfolio of AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"). The Trust is a Delaware statutory trust registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end series management investment company consisting of twenty-eight 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 objective is 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 trade 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 (net of withholding tax, if any) 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 net realized and unrealized gain (loss) from investment securities reported in the Statement of Operations and the Statement of Changes in Net Assets and the net realized and unrealized 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 ("GAAP") 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, which may make the Fund more volatile.

The Fund may invest a large percentage of its assets in a limited number of securities or other instruments, which could negatively affect the value of the Fund.

The following factors may affect the Fund's investments in the utilities sector: governmental regulation, economic factors, ability of the issuer to obtain financing, prices of natural resources and risks associated with nuclear power.

J. Foreign Currency Translations — Foreign currency is valued at the close of the NYSE based on quotations posted by banks and major currency dealers. Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at date of valuation. Purchases and sales of portfolio securities (net of foreign taxes withheld on disposition) and income items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Fund does not separately account for the portion of the results of operations resulting from changes in foreign exchange rates on investments and the fluctuations arising from changes in market prices of securities held. The combined results of changes in foreign exchange rates and the fluctuation of market prices on investments (net of estimated foreign tax withholding) are included with the net realized and unrealized gain or loss from investments in the Statement of Operations. Reported net realized foreign currency gains or losses arise from (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.

K. 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 Canada Ltd. (formerly 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, 2012, to waive advisory fees and/or reimburse expenses to the extent necessary to limit total annual fund operating expenses after fee waiver and/or expense reimbursement (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 total annual fund operating expenses after fee waiver and/or expense reimbursement 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. Unless the Board of the Trustees and Invesco mutually agree to amend or continue the fee waiver agreement, it will terminate on April 30, 2012. 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 the end of each fiscal year.

Further, the Adviser has contractually agreed, through at least June 30, 2012, 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 in such affiliated money market funds.

For the six months ended June 30, 2011, the Adviser waived advisory fees of $39,473.

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, 2011, 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, 2011, Invesco was paid $24,795 for accounting and fund administrative services and reimbursed $73,910 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, 2011, 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, 2011, 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 the Adviser, Invesco Ltd., IIS and/or IDI.

NOTE 3—Additional Valuation Information

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, 2011. 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, 2011, there were no significant transfers between investment levels.

	Level 1	Level 2	Level 3	Total
Equity Securities	$63,453,361	$3,155,892	$—	$66,609,253

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, 2011, the Fund paid legal fees of $676 for services rendered by Kramer, Levin, Naftalis & Frankel LLP as counsel to the Independent Trustees. A partner 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, 2010 which expires as follows:

Expiration	Capital Loss Carryforward*
December 31, 2017	$1,436,392

* 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, 2011 was $4,549,433 and $8,697,456, 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	$12,720,157
Aggregate unrealized (depreciation) of investment securities	(1,116,600)
Net unrealized appreciation of investment securities	$11,603,557

Cost of investments for tax purposes is $55,005,696.

NOTE 8—Share Information

	Summary of Share Activity			
	Six months ended June 30, 2011[(a)]		Year ended December 31, 2010	
	Shares	Amount	Shares	Amount
Sold:				
Series I	227,643	$ 3,597,891	480,106	$ 6,843,415
Series II	10,902	173,825	7,837	110,711
Issued as reinvestment of dividends:				
Series I	—	—	160,460	2,309,020
Series II	—	—	3,865	55,316
Reacquired:				
Series I	(556,025)	(8,689,282)	(1,210,979)	(17,239,349)
Series II	(10,338)	(158,973)	(14,275)	(198,195)
Net increase (decrease) in share activity	(327,818)	$(5,076,539)	(572,986)	$ (8,119,082)

(a) There are entities that are record owners of more than 5% of the outstanding shares of the Fund and in the aggregate own 47% 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 06/30/11	$14.87	$0.27	$ 1.31	$ 1.58	$ —	$ —	$ —	$16.45	10.62%	$ 65,335	0.92%[(d)]	1.04%[(d)]	3.53%[(d)]	7%
Year ended 12/31/10	14.51	0.47	0.43	0.90	(0.54)	—	(0.54)	14.87	6.30	63,945	0.92	1.04	3.25	13
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
Series II														
Six months ended 06/30/11	14.78	0.25	1.30	1.55	—	—	—	16.33	10.49	1,894	1.17[(d)]	1.29[(d)]	3.28[(d)]	7
Year ended 12/31/10	14.43	0.43	0.42	0.85	(0.50)	—	(0.50)	14.78	6.01	1,706	1.17	1.29	3.00	13
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

(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) of $64,294 and $1,746 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, 2011 through June 30, 2011.

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 (01/01/11)	Ending Account Value (06/30/11)[1]	Expenses Paid During Period[2]	Ending Account Value (06/30/11)	Expenses Paid During Period[2]	Annualized Expense Ratio
Series I	$1,000.00	$1,106.20	$4.80	$1,020.23	$4.61	0.92%
Series II	1,000.00	1,104.90	6.11	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, 2011 through June 30, 2011, 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 Canada Ltd. (collectively, the Affiliated Sub-Advisers). During contract renewal meetings held on June 14-15, 2011, the Board as a whole, and the disinterested or "independent" Trustees, who comprise 80% 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, 2011. 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. The Board 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 the compensation to Invesco Advisers and the Affiliated Sub-Advisers under the agreements 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 Invesco Funds and other members of management to review the performance, investment objective(s), policies, strategies and limitations and investment risks 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 their assigned Invesco 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 Invesco Advisers and an independent company, Lipper, Inc. (Lipper). The Trustees also receive an independent written evaluation from the Senior Officer. The Senior Officer's evaluation 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 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 Trustees also considered information provided in connection with fund acquisitions approved by the Trustees to rationalize the Invesco Funds product range following the acquisition of the retail mutual fund business of Morgan Stanley (the Morgan Stanley Transaction). The Trustees recognized that the advisory fees for the Invesco Funds include advisory fees that are the result of years of review and negotiation between the Trustees and Invesco Advisers as well as advisory fees inherited from Morgan Stanley and Van Kampen funds acquired in the Morgan Stanley Transaction. 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. One Trustee may have weighed a particular piece of information differently than another Trustee.

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 15, 2011, 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, including the Fund's portfolio manager or managers, with whom the Board met during the year. The Board's review of the qualifications of Invesco Advisers to provide advisory services included the Board's consideration of Invesco Advisers' performance and investment process oversight, independent credit analysis and investment risk management.

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 services that Invesco Advisers and its affiliates provide to the Invesco Funds such as various back office support functions, equity and fixed income trading operations, internal audit, distribution and legal and compliance. The Board concluded that the nature, extent and quality of the services provided to the Fund by Invesco Advisers are appropriate and satisfactory and the advisory services are provided in accordance with the terms 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 noted that the Affiliated Sub-Advisers have offices and personnel that are located in financial centers around the world. As a result, the Affiliated Sub-Advisers 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. The Board concluded that the nature, extent and quality of the services provided by the Affiliated Sub-Advisers are appropriate and satisfactory and in accordance with the terms of the Fund's sub-advisory contracts.

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 funds in the Lipper performance universe and against the Lipper VA Underlying Funds – Utility Funds Index. The Board noted that performance of Series I shares of the Fund was in the fifth quintile of the Lipper performance universe for the one year period and the fourth quintile for the three and five year periods (the first quintile being the best performing funds and the fifth quintile being the worst performing funds). The Board noted that 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 at a common asset level. The Board noted that the contractual advisory fee rate for Series I shares of the Fund was below the median contractual advisory fee rate of funds in the expense group. The Board also reviewed the methodology used by Lipper in providing expense group information, 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 and including only one fund per investment adviser. The Board noted that comparative data is as of varying dates, which may affect the comparability of data during times of market volatility.

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. The Board noted that the Fund's effective fee rate was above the effective rate of the other mutual fund with comparable investment strategies.

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, 2012 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 Invesco Advisers provides services to sub-advised Invesco Funds, including oversight of the Affiliated Sub-Advisers as well as the additional services described above other than day-to-day portfolio management. The Board also 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.

Based upon the information and considerations described above, 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 does not benefit from economies of scale through contractual breakpoints, but does share directly in economies of scale through lower fees charged by third party service providers based on the combined size 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 from services Invesco Advisers and its subsidiaries provide to the Fund and the Invesco Funds. The Board concluded that the level of profits realized by Invesco Advisers and its affiliates from providing services to the Fund is not excessive given the nature, quality and extent of the services 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. The Board 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 from the relationship with the Fund, including the fees received 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 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; that the services are required for the operation of the Fund; that Invesco Advisers and its affiliates can provide services, the nature and quality of which are at least equal to those provided by others offering the same or similar services; and that the fees for such services are fair and reasonable in light of the usual and customary charges by others for services of the same nature and quality.

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 research and execution services from Invesco Advisers and the Affiliated Sub-Advisers to the Invesco 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 receives advisory fees from these affiliated money market funds attributable to such investments, although Invesco Advisers has contractually agreed to waive through varying periods the advisory fees payable by the Invesco Funds. The waiver is 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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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 Balanced Portfolio

SEMI-ANNUAL REPORT

June 30, 2011

(Unaudited)

Table of Contents

Dear Shareholders, *July 27, 2011*

Navigating the Crosscurrents of Change

In the 1990's, economic growth helped a broad swath of American businesses grow their earnings and share prices. For many companies, simply showing up at the table of U.S. commerce was all that was needed to succeed. In this new millennium, however, the environment of a rising tide that lifts all boats has been washed away, leaving in its trail a less forgiving eat-or-be-eaten business climate. Companies must innovate, adapt, or respond to quickly changing consumer or business tastes and needs or risk swift extinction. This is not a new phenomenon, but it is certainly a more acute risk. But with developed nations' slow growth balanced against emerging markets' rapid growth, and each battling economic and social issues that come with each "kind" of growth, investors and businesses today are caught in a crosscurrent of change. Just recently, for example, bookstore operator Borders Group, Inc. filed for bankruptcy protection, following in the footsteps of Blockbuster Inc. As older companies die, newer companies quickly fill the leadership void, some by reinventing old business and others by creating products that did not exist just 10 years ago. This is the creative destruction that Austrian-American economist and political scientist Joseph Alois Schumpeter wrote about 70 years ago.

For the professional investors at Fred Alger Management, Inc., it is an exciting time, one which creates meaningful rewards when, through our fundamental research process, we are able to uncover companies with excellent growth prospects and invest in money making ideas for our clients. Alger was founded in 1964 on an investment philosophy that is based on discovering companies undergoing Positive Dynamic Change, which we believe offer the best investment opportunities. It's a philosophy that recognizes that change within economic relationships, industries, and companies brings great stress on all affected by them, and that by identifying the companies that are taking advantage of change, we can find superior investments for our clients.

Market Recap

Markets exhibited considerable volatility during the six-month reporting period, but the S&P 500 Index managed to finish the period with a 6.02% gain. During the six-month period, the nature of headlines that focused on the economy didn't really change, nor did the potential causes of market volatility. After corporate earnings announcements concluded, investors found plenty of "macro" issues to justify selling off equities, with weaknesses continuing in the housing and job markets while the euro-zone's sovereign debt crisis and our homegrown budget challenge gained increased attention in May and June. The issues, of course, are not new, though we are hopeful that some signs of resolution and real progress might appear sooner than most expect, and could be a major catalyst for the stock market.

In April, investors reacted with enthusiasm to strong first-quarter earnings results. First-quarter profits climbed more than 30% year over year, reaching $26.63 for the S&P 500, according to First Call. That's a stunning gain on easy compares, but also a very strong absolute level of earnings. Forecasts for the first quarter from just a few months ago were closer to $23. Many of our holdings did exceptionally well fundamentally, which highlights the effect of strong investment research at a time when there are winners and losers as determined by the ability or failure of companies to develop products at prices that consumers find attractive. As an example of the disparity of results among businesses, Alger portfolio holding Apple, Inc. doubled its earnings on 80% revenue growth that resulted from strong sales of its iPhone and other Internet-connected devices, while Dell, Inc., which focuses on the personal computer market, struggled to post meaningful gains. Also among technology companies, VMware, Inc., the innovator of virtualization software for enterprise computing, grew revenues 50% and earnings 33%, while Symantec Corp.'s earnings growth, despite the tailwinds of a significant PC upgrade cycle, stalled on only 9% growth in revenues that, we think, are fading as that cycle matures. Success could also be found in the industrials sector, with earnings for construction equipment manufacturer Caterpillar Inc. growing 57% on strong international demand. Clearly, leading U.S. companies can do very well in today's global markets, despite economic concerns at home and abroad.

The six-month period, however, had some disturbing headline developments. In April, Standard & Poor's announced that there is a one-in-three chance that it will downgrade its AAA rating of U.S. Treasury debt because of the nation's ongoing deficit spending. Investors also grew fearful that the U.S. may default on debt payments and struggle to fund government operations if feuding factions in Congress fail to strike a deal by August 2 that would increase the nation's $14.3 trillion debt ceiling. We think Congress has no choice but to raise the debt ceiling. The longer-term question is if legislators will pass meaningful budget reform and tax legislation to address the real structural issues in our economy.

As April drew to an end, the Commerce Department set the tone for the remainder of the six-month period with a first-quarter GDP growth estimate of 1.8% on an annualized basis, a decline from 3.1% for the fourth quarter. Unemployment climbed to 9.0% in April from 8.8%. It was the first monthly increase since November of 2010. Another increase in May brought the rate to 9.1%. The problem remains the same: high rates of unemployment among workers who haven't completed college, or even worse, high school. We don't underestimate the problem, either economically or politically, of this large group of unemployed individuals, but we note that unemployment amongst college educated workers, in our view, is not high – i.e. workers with skills that are appropriate for both today's economy and the future are doing fine, if not well. Similarly, private employment continues to grow while government employment declines.

Continued weakness in the housing market during the second quarter also dampened investors' enthusiasm. In May, the macro data of existing home sales declined as did the S&P/Case-Shiller Home Price Index. We think the weakness in real estate is somewhat to be expected as the housing cycle finally bottoms. Our independent research and surveys indicate that certain significant regional housing markets in the U.S. are showing signs of finally "clearing" excess inventory. On a nationwide level, sagging prices and low interest rates have drastically increased the affordability of homes. The bottoming of the housing market was probably delayed by the foreclosure processing and "robo-signing" issues that arose last year, as well as, in our view, by the futile efforts, public and private, to pretend that housing wasn't an issue (i.e. the first-time homebuyers' credit and banks' unwillingness to sell foreclosed real estate, etc.). Access to credit is still a problem, with many banks reluctant to lend, and thus an unusually high proportion of sales requiring buyers to pay all or significantly in cash. We expect further price declines will be met with increased sales activity in many areas of the U.S. this year and will establish a cyclical bottom, with better news from housing in 2012.

Market Valuations and the Road Ahead

At Alger, we have an optimistic view of equity markets in the latter part of this year and into 2012. We think that corporate earnings will remain strong, continuing to support the attractive blend of high free-cash flow generation feeding increased dividend yields, stock buybacks, and corporate takeover activity. While earnings growth rates must temper given more difficult comparisons in the quarters ahead, we think that current U.S. equity valuations already reflect this and, more importantly, remain very attractive from the perspective of the absolute level of corporate profits for long-term investors. At the close of the second quarter, the price-to-earnings ratio of the S&P 500 was 13.88 based on estimated 12-month forward earnings of $95.70 per share, according to First Call. That is considerably lower than the 50-year S&P 500 average P/E ratio of 19.9 as calculated by Standard & Poor's. We maintain our view that the S&P 500 may reach 1500 or higher as the year draws to an end. Even at that level, we expect the valuation of the S&P 500 may be meaningfully lower than the 50-year average as measured by P/E ratios.

Free cash flow is another important metric that we carefully examine to assess valuations and quality of earnings. As of the end of May, the S&P 500 free cash-flow yield was 5.8%, according to Empirical Research Partners. We maintain that by this metric as well, U.S. equities are attractive, especially when compared to the approximate 3.17% yield of a 10-year Treasury. With core inflation of 1.6% and "real" inflation for many consumers likely higher (and heading higher), we think it is highly unlikely that conservative bond investing will produce acceptable inflation-adjusted returns for most investors.

We remind our investors that our investment philosophy is based on bottom up stock selection. While we believe the S&P 500 has substantial room to move up overall, our investment strategy is not based on making such broad judgments, but rather on the careful analysis of stocks within sectors. As we evaluate the crosscurrents of change, we continue to believe that the technology sector is an excellent case study and example of success within an industry despite a weak overall U.S. economy. Within this sector, major trends of growth in both the corporate and personal adoption of Internet-based computing, commerce, and communications continue unabated. But these are crosscurrents, not rising trends that benefit all companies. Why? Because more than ever, major growth trends with communications and the Internet are coming at the expense of dated or soon-to-be out-of-date products and services. The shift to e-tablets – synonymous with Apple's "iPad" – has clearly affected the laptop business of traditional market leaders. Digital media, furthermore, continue to expand and to force change in both advertising and media businesses. Earlier this year, for example, The New York Times Company launched its paid online subscription service in a new format at a time when print revenues remain in clear decline despite an overall recovery in advertising spending. Revenues at Google, Inc., meanwhile, are growing at a fast clip, benefitting from the recovery in advertising spending and also from the shift to more Internet-based advertising that has become far more sophisticated as well as increasingly targeted and effective. Investors are clearly focused on these trends.

That focus, as well as some of investors' still abnormally large amounts of cash and short-term bonds, found an echo of enthusiasm in a hitherto very small tidal pool: private company shares. During the second quarter, interest in companies like Facebook and Groupon created a new phenomenon within investing. In particular, private shares of Facebook, which can be bought and sold in a new form of online brokering or exchange, gave the company an estimated market cap of $75 billion to $100 billion. Groupon, meanwhile, is believed to be valued at as much as $25 billion. Investors' enthusiasm is also being displayed during initial public offerings, with LinkedIn Corporation's second-quarter IPO valuing the company at $7.8 billion. LinkedIn's stock price surged the day after the offering, creating a $10 billion market cap. HomeAway, Inc. also generated strong interest with an IPO that valued the company at $2 billion. After going public, its market cap quickly grew to $3 billion. The activity in IPOs and the valuations implied on private companies that have very high growth potential suggest that despite how the public markets may feel (i.e. uncertain), there is, in fact, a large amount of capital that investors are eager to deploy if the right opportunities present themselves. We think that investors will eventually find, in particular, that the stocks of leading U.S. growth companies offer attractive returns as well.

With that in mind, this is clearly an exciting time for us at Alger to serve our clients by focusing on our research-driven investment strategy that seeks out companies that are best suited to adapt to challenges and opportunities that are occurring every day, in every sector, and in every marketplace.

Portfolio Matters

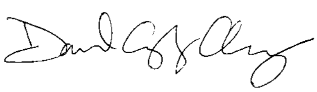
The Alger Balanced Portfolio returned 2.95% for the six-month period ended June 30, 2011, compared to the Russell 1000 Growth Index, which returned 6.83% and the Barclay's Capital U.S. Government/Credit Bond Index, which returned 2.61%.

During the period, the largest sector weightings in the equity portion of the Alger Balanced Portfolio were in the Information Technology and Energy sectors. The largest sector overweight for the period was in Financials and the largest sector underweight for the period was in Information Technology. Stock selection in the Health Care and Materials sectors had the most important contribution to relative performance. The Financials sector detracted from performance. Pfizer, Inc.; Aetna, Inc.; UnitedHealth Group, Inc.; Chevron Corp.; and Focus Media Holding Ltd. were the most important contributors to relative performance. Top detractors from relative performance for the period were Exxon Mobil Corp.; International Business Machines Corp.; Bank of America Corp.; Finisar Corp.; and Goldman Sachs Group, Inc.

With regard to the fixed-income portion of the Portfolio, as of June 30, 2011, 74% was in corporate securities and 26% was in U.S. Treasuries. Also, the number of securities held was reduced from 85 to 22. This structural change was partially in response to ongoing uncertainty in the world markets, particularly the euro-zone debt crisis, a U.S. economy that continues to produce inconsistent economic data, and a hostile political environment. The Portfolio now holds only the highest quality securities and the average maturity has been reduced as the added risk of going out on the curve is not sufficiently rewarded with higher returns.

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

The performance data quoted represent 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 Portfolio or otherwise, are considered in the context of the construction of an overall portfolio of securities and therefore reference to them should not be construed as a recommendation or offer to purchase or sell any such security. Inclusion of such securities in a Portfolio and transactions in such securities, if any, may be for a variety of reasons, including without limitation, in response to cash flows, inclusion in a benchmark, and risk control. The reference to a specific security should also be understood in such context and not viewed as a statement that the security is a significant holding in a Portfolio. Please refer to the Schedule of Investments for each Portfolio which is included in this report for a complete list of Portfolio holdings as of June 30, 2011. 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 Portfolios 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 can 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 Portfolio's investment objective, risks, charges, and expenses. For a prospectus or a summary prospectus containing this and other information about The Alger Portfolios 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:

- The S&P 500 Index is an unmanaged index generally representative of the U.S. stock market without regard to company size.

- 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 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.

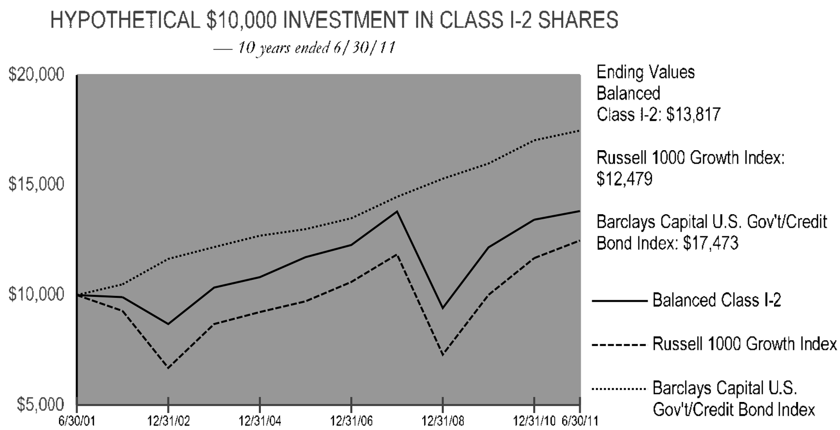
- The Barclays Capital U.S. Government/Credit Bond Index tracks the performance of government and corporate bonds.

- Standard & Poor's provides financial market research, debt credit ratings, and other services.

- First Call Corporation is a division of Thomson Reuters that provides broker-sourced research, earnings estimates, and other financial information.

- Empirical Research Partners is a broker-dealer that provides capital markets information and other research to institutional investors

- The S&P/Case-Shiller Home Price Index tracks the prices of homes across the United States.



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, 2011. 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 COMPARISON AS OF 6/30/11

AVERAGE ANNUAL TOTAL RETURNS	1 YEAR	5 YEARS	10 YEARS	Since 9/5/1989
Class I-2 (Inception 9/5/89)	17.07%	3.79%	3.29%	7.62%
Russell 1000 Growth Index	35.01%	5.33%	2.24%	8.07%
Barclays Capital U.S. Gov't/Credit Bond Index	3.68%	6.35%	5.74%	7.01%

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.

THE ALGER PORTFOLIOS | Alger Balanced Portfolio
Portfolio Summary†
June 30, 2011 *(Unaudited)*

SECTORS/SECURITY TYPES	
Consumer Discretionary	7.5%
Consumer Staples	3.6
Energy	7.0
Financials	4.7
Health Care	5.4
Industrials	6.8
Information Technology	16.9
Materials	3.1
Telecommunication Services	0.4
Total Equity Securities	55.4%
Corporate Bonds	28.5%
U.S. Government & Agency Obligations (excluding Mortgage Backed)	11.1
Total Debt Securities	39.6%
Short-Term and Net Other Assets	5.0%
	100.0%

† *Based on net assets for the Portfolio.*

COMMON STOCKS—55.4%	SHARES	VALUE
AEROSPACE & DEFENSE—0.8%		
Boeing Co., /The	5,100	$ 377,043
General Dynamics Corp.	7,900	588,708
		965,751
AIR FREIGHT & LOGISTICS—1.1%		
FedEx Corp.	6,400	607,040
United Parcel Service, Inc., Cl. B	8,600	627,198
		1,234,238
APPLICATION SOFTWARE—0.6%		
Adobe Systems, Inc. *	10,700	336,515
Intuit, Inc. *	6,400	331,904
		668,419
ASSET MANAGEMENT & CUSTODY BANKS—0.8%		
BlackRock, Inc.	1,900	364,439
Blackstone Group LP	33,200	549,792
		914,231
AUTO PARTS & EQUIPMENT—0.9%		
Johnson Controls, Inc.	15,600	649,896
Lear Corp.	6,800	363,664
		1,013,560
AUTOMOBILE MANUFACTURERS—0.8%		
Ford Motor Co. *	41,800	576,422
General Motors Co. *	12,100	367,356
		943,778
BIOTECHNOLOGY—1.1%		
Celgene Corp. *	5,300	319,696
Gilead Sciences, Inc. *	13,348	552,741
Human Genome Sciences, Inc. *	13,200	323,928
		1,196,365
BROADCASTING & CABLE TV—0.3%		
Discovery Communications, Inc., Series C*	9,300	**339,915**
CABLE & SATELLITE—0.3%		
Comcast Corp., Cl. A	14,700	**356,181**
CASINOS & GAMING—0.3%		
Las Vegas Sands Corp.*	7,800	**329,238**
COAL & CONSUMABLE FUELS—0.5%		
Peabody Energy Corp.	8,700	**512,517**
COMMUNICATIONS EQUIPMENT—3.3%		
Cisco Systems, Inc.	37,000	577,570
Corning, Inc.	36,400	660,660
F5 Networks, Inc. *	1,700	187,425
Finisar Corp. *	13,100	236,193
Juniper Networks, Inc. *	11,100	349,650
Qualcomm, Inc.	19,900	1,130,121
Riverbed Technology, Inc. *	14,500	574,055
		3,715,674

COMMON STOCKS—(CONT.)	SHARES	VALUE
COMPUTER HARDWARE—3.3%		
Apple, Inc. *	9,200	$ 3,088,164
Hewlett-Packard Co.	16,900	615,160
		3,703,324
COMPUTER STORAGE & PERIPHERALS—1.0%		
EMC Corp. *	29,100	801,705
SanDisk Corp. *	7,300	302,950
		1,104,655
CONSTRUCTION & FARM MACHINERY & HEAVY TRUCKS—1.8%		
Caterpillar, Inc.	7,200	766,512
Cummins, Inc.	5,200	538,148
Deere & Co.	4,000	329,800
Joy Global, Inc.	3,900	371,436
		2,005,896
DATA PROCESSING & OUTSOURCED SERVICES—0.4%		
Mastercard, Inc.	1,600	**482,144**
DIVERSIFIED BANKS—0.4%		
Wells Fargo & Co.	15,700	**440,542**
DIVERSIFIED CHEMICALS—0.5%		
EI Du Pont de Nemours & Co.	9,600	**518,880**
DIVERSIFIED METALS & MINING—0.8%		
Cliffs Natural Resources, Inc.	3,400	314,330
Freeport-McMoRan Copper & Gold, Inc.	11,000	581,900
		896,230
DRUG RETAIL—0.6%		
CVS Caremark Corp.	16,800	**631,344**
ELECTRICAL COMPONENTS & EQUIPMENT—0.3%		
Emerson Electric Co.	6,500	**365,625**
ENVIRONMENTAL & FACILITIES SERVICES—0.4%		
Republic Services, Inc.	15,100	**465,835**
FERTILIZERS & AGRICULTURAL CHEMICALS—0.8%		
Monsanto Co.	4,600	333,684
Mosaic Co., /The	10,200	690,846
		1,024,530
FINANCIALS—0.2%		
iPATH S&P 500 VIX Short-Term Futures*	12,301	**260,043**
FOOTWEAR—0.5%		
NIKE, Inc., Cl. B	5,800	**521,884**
GENERAL MERCHANDISE STORES—0.5%		
Target Corp.	12,900	**605,139**
GOLD—0.3%		
Goldcorp, Inc.	6,600	**318,582**
HEALTH CARE EQUIPMENT—0.3%		
Covidien PLC	4,400	234,212

COMMON STOCKS—(CONT.)	SHARES	VALUE
HEALTH CARE EQUIPMENT—(CONT.)		
Medtronic, Inc.	4,200	$ 161,826
		396,038
HEALTH CARE SERVICES—0.3%		
Quest Diagnostics, Inc.	5,600	**330,960**
HOME IMPROVEMENT RETAIL—0.6%		
Lowe's Companies, Inc.	28,900	**673,659**
HOTELS RESORTS & CRUISE LINES—0.7%		
Carnival Corp.	9,400	353,722
Starwood Hotels & Resorts Worldwide, Inc.	7,800	437,112
		790,834
HOUSEHOLD PRODUCTS—0.8%		
Procter & Gamble Co., /The	13,600	**864,552**
HYPERMARKETS & SUPER CENTERS—0.6%		
Wal-Mart Stores, Inc.	13,100	**696,134**
INDUSTRIAL CONGLOMERATES—1.3%		
3M Co.	6,200	588,076
General Electric Co.	21,700	409,262
Tyco International Ltd.	8,700	430,041
		1,427,379
INDUSTRIAL GASES—0.3%		
Air Products & Chemicals, Inc.	3,600	**344,088**
INDUSTRIAL MACHINERY—0.5%		
Eaton Corp.	10,900	**560,805**
INTEGRATED OIL & GAS—3.3%		
Chevron Corp.	9,500	976,980
Exxon Mobil Corp.	18,900	1,538,082
Petroleo Brasileiro SA #	10,400	352,144
Royal Dutch Shell PLC #	12,500	889,125
		3,756,331
INTEGRATED TELECOMMUNICATION SERVICES—0.2%		
Verizon Communications, Inc.	4,600	**171,258**
INTERNET RETAIL—1.3%		
Amazon.com, Inc. *	4,100	838,409
Expedia, Inc.	19,600	568,204
		1,406,613
INTERNET SOFTWARE & SERVICES—3.1%		
Baidu, Inc. #*	2,700	378,351
eBay, Inc. *	19,750	637,333
Google, Inc., Cl. A *	4,000	2,025,519
Mixi, Inc. L2	30	134,734
Yahoo! Inc. *	26,600	400,064
		3,576,001
INVESTMENT BANKING & BROKERAGE—0.4%		
Lazard Ltd., Cl. A	11,160	**414,036**

COMMON STOCKS—(CONT.)	SHARES	VALUE
IT CONSULTING & OTHER SERVICES—1.4%		
Cognizant Technology Solutions Corp., Cl. A *	5,300	$ 388,702
International Business Machines Corp.	6,900	1,183,695
		1,572,397
LIFE & HEALTH INSURANCE—0.3%		
MetLife, Inc.	8,600	**377,282**
LIFE SCIENCES TOOLS & SERVICES—0.5%		
Thermo Fisher Scientific, Inc.*	9,400	**605,266**
MANAGED HEALTH CARE—0.8%		
Aetna, Inc.	10,100	445,309
UnitedHealth Group, Inc.	8,100	417,798
		863,107
MOVIES & ENTERTAINMENT—0.7%		
Time Warner, Inc.	12,200	443,714
Walt Disney Co., /The	7,900	308,416
		752,130
OIL & GAS EQUIPMENT & SERVICES—1.4%		
Cameron International Corp. *	11,400	573,306
Schlumberger Ltd.	11,800	1,019,520
		1,592,826
OIL & GAS EXPLORATION & PRODUCTION—1.2%		
Anadarko Petroleum Corp.	4,800	368,448
Devon Energy Corp.	4,300	338,883
Nexen, Inc.	14,400	324,000
Plains Exploration & Production Co. *	10,000	381,200
		1,412,531
OIL & GAS STORAGE & TRANSPORTATION—0.6%		
El Paso Pipeline Partners LP	12,000	417,000
Enterprise Products Partners LP	6,800	293,828
		710,828
OTHER DIVERSIFIED FINANCIAL SERVICES—1.6%		
BM&F Bovespa SA	79,700	527,351
Citigroup, Inc.	11,190	465,952
JPMorgan Chase & Co.	20,900	855,646
		1,848,949
PAPER PRODUCTS—0.4%		
International Paper Co.	15,300	**456,246**
PHARMACEUTICALS—2.4%		
Bristol-Myers Squibb Co.	15,700	454,672
Johnson & Johnson	15,200	1,011,104
Mylan, Inc. *	22,400	552,608
Pfizer, Inc.	23,220	478,332
Teva Pharmaceutical Industries Ltd. #	6,500	313,430
		2,810,146
RAILROADS—0.6%		
CSX Corp.	27,600	**723,672**

COMMON STOCKS—(CONT.)	SHARES	VALUE
RESTAURANTS—0.4%		
McDonald's Corp.	4,800	$ **404,736**
SEMICONDUCTOR EQUIPMENT—0.3%		
Lam Research Corp.*	8,300	**367,524**
SEMICONDUCTORS—1.1%		
Broadcom Corp., Cl. A *	17,500	588,700
Intel Corp.	28,100	622,696
		1,211,396
SOFT DRINKS—1.6%		
Coca-Cola Co., /The	12,400	834,396
PepsiCo, Inc.	16,000	1,126,880
		1,961,276
SPECIALIZED FINANCE—1.0%		
CME Group, Inc.	1,828	533,027
Hong Kong Exchanges and Clearing Ltd. L2	15,700	330,793
IntercontinentalExchange, Inc. *	1,900	236,949
		1,100,769
SPECIALTY STORES—0.2%		
Staples, Inc.	14,900	**235,420**
SYSTEMS SOFTWARE—2.4%		
Check Point Software Technologies Ltd. *	3,200	181,920
Microsoft Corp.	31,750	825,500
Oracle Corp.	32,900	1,082,739
Symantec Corp. *	12,400	244,528
VMware, Inc., Cl. A *	4,100	410,943
		2,745,630
WIRELESS TELECOMMUNICATION SERVICES—0.2%		
American Tower Corp., Cl. A*	5,900	**308,747**
TOTAL COMMON STOCKS (Cost $57,175,520)		**63,004,086**

CORPORATE BONDS—28.5%	PRINCIPAL AMOUNT	VALUE
COMMUNICATIONS EQUIPMENT—1.9%		
Cisco Systems, Inc., 4.95%, 2/15/19 L2	2,000,000	**2,175,036**
COMPUTER HARDWARE—3.0%		
Dell, Inc., 5.88%, 6/15/19 L2	1,750,000	1,967,026
Hewlett-Packard Co., 2.13%, 9/13/15 L2	1,500,000	1,498,907
		3,465,933
CONSTRUCTION & FARM MACHINERY & HEAVY TRUCKS—1.8%		
John Deere Capital Corp., 5.75%, 9/10/18 L2	1,750,000	**2,011,931**
DIVERSIFIED BANKS—1.8%		
Wells Fargo & Co., 3.68%, 6/15/16 L2	2,000,000	**2,056,990**
HEALTH CARE EQUIPMENT—1.8%		
Baxter International, Inc., 4.50%, 8/15/19 L2	2,000,000	**2,117,738**

CORPORATE BONDS—(CONT.)	PRINCIPAL AMOUNT	VALUE
HOME IMPROVEMENT RETAIL—1.8%		
Home Depot, Inc., 4.40%, 4/1/21[L2]	$ 2,000,000	**$ 2,013,598**
HYPERMARKETS & SUPER CENTERS—1.8%		
Wal-Mart Stores, Inc., 2.80%, 4/15/16[L2]	2,000,000	**2,049,320**
INDUSTRIAL CONGLOMERATES—1.9%		
General Electric Capital Corp., 5.63%, 9/15/17[L2]	2,000,000	**2,210,956**
INTEGRATED OIL & GAS—3.6%		
Shell International Finance BV, 4.38%, 3/25/20[L2]	2,000,000	2,105,374
Total Capital SA, 4.13%, 1/28/21[L2]	2,000,000	2,027,126
		4,132,500
INTEGRATED TELECOMMUNICATION SERVICES—1.8%		
Verizon Communications, Inc., 6.10%, 4/15/18[L2]	1,800,000	**2,065,613**
IT CONSULTING & OTHER SERVICES—1.8%		
International Business Machines Corp., 8.38%, 11/1/19[L2]	1,525,000	**2,029,722**
OTHER DIVERSIFIED FINANCIAL SERVICES—1.9%		
Bank of America Corp., 5.88%, 1/5/21[L2]	2,000,000	**2,102,774**
PACKAGED FOODS & MEATS—1.8%		
Campbell Soup Co., 4.25%, 4/15/21[L2]	2,000,000	**2,047,648**
PHARMACEUTICALS—1.8%		
Pfizer, Inc., 6.20%, 3/15/19[L2]	1,725,000	**2,020,979**
TOTAL CORPORATE BONDS (Cost $32,478,947)		**32,500,738**

U.S. GOVERNMENT & AGENCY OBLIGATIONS (EXCLUDING MORTGAGE-BACKED)—11.1% [(a)]	PRINCIPAL AMOUNT	VALUE
U.S. GOVERNMENT NOTE/BOND—11.1%		
U.S. Treasury Notes		
5.00%, 8/15/11 [L2]	1,985,000	1,997,561
1.13%, 1/15/12 [L2]	2,000,000	2,011,094
1.50%, 12/31/13 [L2]	2,000,000	2,043,282
4.75%, 5/15/14 [L2]	2,052,000	2,284,934
4.50%, 2/15/16 [L2]	1,940,000	2,194,474
		10,531,345
(Cost $12,435,131)		
TOTAL U.S. GOVERNMENT & AGENCY OBLIGATIONS (EXCLUDING MORTGAGE-BACKED) (Cost $12,435,131)		**12,636,042**

Total Investments (Cost $102,089,598)[(b)]	95 .0%	108,140,866
Other Assets in Excess of Liabilities	5 .0	5,713,448
NET ASSETS	100.0%	**$ 113,854,314**

‡ *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) *Securities issued by these agencies, except for United States Treasury Notes and Bonds, are neither guaranteed nor issued by the United States Government.*
(b) *At June 30, 2011, the net unrealized appreciation on investments, based on cost for federal income tax purposes of $102,089,598, amounted to $6,051,268 which consisted of aggregate gross unrealized appreciation of $9,385,493 and aggregate gross unrealized depreciation of $3,334,225.*
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	$	108,140,866
Cash		4,980,019
Foreign Cash**		347
Receivable for investment securities sold		605,583
Receivable for shares of beneficial interest sold		98,055
Dividends and interest receivable		568,546
Prepaid expenses		20,762
Total Assets		114,414,178
LIABILITIES:		
Payable for investment securities purchased		346,916
Payable for foreign currency contracts		3
Payable for shares of beneficial interest redeemed		100,628
Accrued investment advisory fees		62,369
Accrued transfer agent fees		2,614
Accrued administrative fees		2,560
Accrued shareholder servicing fees		931
Accrued other expenses		43,843
Total Liabilities		559,864
NET ASSETS	**$**	**113,854,314**
Net Assets Consist of:		
Paid in capital		130,113,393
Undistributed net investment income		731,005
Accumulated net realized loss		(23,041,453)
Net unrealized appreciation on investments		6,051,369
NET ASSETS	**$**	**113,854,314**
Net Asset Value Per Share		
Class I-2		$11.63
Net Assets By Class		
Class I-2		113,854,314
Class S		—
Shares of Benefical Interest Outstanding— Note 6 (Par Value $.001)		
Class I-2		9,786,438
*Identified Cost	$	102,089,598
**Cost Foreign Cash	$	345

See Notes to Financial Statements.

Statement of Operations *(Unaudited)*

For the six months ended June 30, 2011

INCOME:		
Dividends (net of foreign withholding taxes*)	$	454,395
Interest		866,865
Total Income		1,321,260
EXPENSES		
Advisory fees—Note 3		416,451
Administrative fees—Note 3		16,130
Custodian fees		13,260
Transfer agent fees and expenses—Note 3		11,665
Printing fees		24,075
Professional fees		12,304
Registration fees		26,806
Trustee fees—Note 3		9,484
Miscellaneous		10,768
Total Expenses		540,943
Less, expense reimbursements/waivers—Note 3		(23,462)
Net Expenses		517,481
NET INVESTMENT INCOME		803,779
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, OPTIONS AND FOREIGN CURRENCY TRANSACTIONS:		
Net realized gain on investments and purchased options		4,923,617
Net realized loss on foreign currency transactions		(13,779)
Net change in unrealized appreciation (depreciation) on investments and foreign currency		(2,133,826)
Net realized and unrealized gain on investments, options and foreign currency		2,776,012
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$**	**3,579,791**
*Foreign withholding taxes	$	3,404

See Notes to Financial Statements.

	For the Six Months Ended June 30, 2011 (Unaudited)	For the Year Ended December 31, 2010
Net investment income	$ 803,779	$ 3,158,052
Net realized gain on investments, options and foreign currency transactions	4,909,838	1,897,601
Net change in unrealized appreciation (depreciation) on investments, options and foreign currency	(2,133,826)	6,662,845
Net increase in net assets resulting from operations	3,579,791	11,718,498
Dividends and distributions to shareholders from:		
Net investment income		
Class I-2	(3,172,728)	(3,115,203)
Class S	—	(5,390)
Net realized gains		
Class I-2	—	—
Class S	—	—
Total dividends and distributions to shareholders	(3,172,728)	(3,120,593)
Increase (decrease) from shares of beneficial interest transactions:		
Class I-2	(6,356,417)	(16,551,023)
Class S	—	(276,098)
Net decrease from shares of beneficial interest transactions— Note 6	(6,356,417)	(16,827,121)
Total decrease	(5,949,354)	(8,229,216)
Net Assets:		
Beginning of period	119,803,668	128,032,884
END OF PERIOD	**$ 113,854,314**	**$ 119,803,668**
Undistributed net investment income	$ 731,005	$ 3,099,954

Alger Balanced Portfolio

	Class I-2					
	Six months ended 6/30/2011(i)	Year ended 12/31/2010	Year ended 12/31/2009	Year ended 12/31/2008	Year ended 12/31/2007	Year ended 12/31/2006
Net asset value, beginning of period	$ 11.61	$ 10.79	$ 8.64	$ 14.61	$ 14.11	$ 14.44
INCOME FROM INVESTMENT OPERATIONS:						
Net investment income(ii)	0.08	0.28	0.25	0.26	0.26	0.24
Net realized and unrealized gain (loss) on investments	0.26	0.82	2.21	(4.35)	1.41	0.39
Total from investment operations	0.34	1.10	2.46	(4.09)	1.67	0.63
Dividends from net investment income	(0.32)	(0.28)	(0.31)	(0.33)	(0.31)	(0.22)
Distributions from net realized gains	—	—	—	(1.55)	(0.86)	(0.74)
Net asset value, end of period	$ 11.63	$ 11.61	$ 10.79	$ 8.64	$ 14.61	$ 14.11
Total return	2.95%	10.33%	29.25%	(31.76)%	12.37%	4.72%
RATIOS/SUPPLEMENTAL DATA:						
Net assets, end of period (000's omitted)	$ 113,854	$ 119,804	$ 127,756	$ 118,759	$ 224,090	$ 254,579
Ratio of gross expenses to average net assets	0.92%	0.91%	0.89%	0.85%	0.84%	0.86%
Ratio of expense reimbursements to average net assets	(0.04)%	(0.04)%	(0.04)%	(0.04)%	(0.04)%	0.00%
Ratio of net expenses to average net assets	0.88%	0.87%	0.85%	0.81%	0.80%	0.86%
Ratio of net investment income to average net assets	1.37%	2.60%	2.60%	2.19%	1.79%	1.71%
Portfolio turnover rate	54.84%	69.30%	104.04%	76.32%	103.77%	288.73%

(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"). 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. The Portfolio discontinued offering Class S shares on October 1, 2010 and the class was liquidated on November 23, 2010.

NOTE 2 — Significant Accounting Policies:

(a) Investment Valuation: The Portfolio values its financial instruments at fair value using independent dealers or pricing services under policies approved by the Funds Board of Trustees. 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 on the basis of last available bid prices or current market quotations provided by dealers or pricing services. In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrixes, market transactions in comparable investments, various relationships observed in the market between investments and calculated yield measures based on valuation technology commonly employed in the market for such investments. Asset-backed and mortgage-backed securities are valued by independent pricing services using models that consider estimated cash flows of each tranche of the security, establish a benchmark yield and develop an estimated tranche-specific spread to the benchmark yield based on the unique attributes of the tranche.

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) Cash and Cash Equivalents: Cash and cash equivalents include U.S. dollars and short-term securities maturing in sixty days or less. Such short-term securities are valued at amortized cost which approximates market value.

(c) 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.

(d) 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.

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

The Portfolio may also purchase put and call options. 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.

(f) Lending of Portfolio Securities: The Portfolio may lend its securities to financial institutions, provided that the market value of the securities loaned will not at any time exceed one third of the Portfolio's total assets. The Portfolio earns fees on the securities loaned. In order to protect against the risk of failure by the borrower to return the

securities loaned or any delay in the delivery of such securities, the loan is collateralized by cash, letters of credit or U.S. Government securities that are maintained in an amount equal to at least 100 percent of the current market value of the loaned securities. The "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, 2011.

(g) 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.

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 or 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.

(h) 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. No tax years are currently under investigation. The Portfolio files income tax returns in the U.S. Federal jurisdiction, as well as the New York State and New York City jurisdictions. The statute of limitations on the Portfolio's tax returns remains open for the tax years 2007-2010. Management does not believe there are any uncertain tax positions that require recognition of a tax liability.

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

net assets, with the exception of distribution fees and transfer agency fees.

(j) 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 present a fair statement of results for the interim period. 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"or "Manager"), 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 a settlement with the New York State Attorney General dated October 11, 2006, Alger Management has agreed to reduce its advisory fee listed above to 0.67% for the Portfolio, for the period from December 1, 2006 through November 30, 2011.

(b) Brokerage Commissions: During the six months ended June 30, 2011, the Portfolio paid Alger Inc. $27,194, in connection with securities transactions.

(c) Shareholder Administrative Fees: The Fund has entered into a shareholder administrative services agreement with Alger Management to compensate Alger Management for its liaison and administrative oversight of Boston Financial Data Services, Inc. the transfer agent, and other related services. The Portfolio compensates Alger Management at the annual rate of 0.01% of the average daily net assets for these services. For the six months ended June 30, 2011, the Portfolio incurred fees of $5,866, for these services, which are included in transfer agent fees and expenses in the Statement of Operations.

(d) Trustee Fees: 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.

(e) 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, 2011, the Portfolio had no interfund loans.

(f) 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, 2011, were as follows:

	PURCHASES	SALES
Alger Balanced Portfolio	$59,575,830	$68,008,814

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 Interbank Offered 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, 2011, the Portfolio had no borrowings.

NOTE 6 — Share Capital:

The Fund has an unlimited number of authorized shares of beneficial interest of $.001 par value for each share class. During the six months ended June 30, 2011 and the year ended December 31, 2010, transactions of shares of beneficial interest were as follows:

	FOR THE SIX MONTHS ENDED JUNE 30, 2011		FOR THE YEAR ENDED DECEMBER 31, 2010	
	SHARES	AMOUNT	SHARES	AMOUNT
Alger Balanced Portfolio				
Class I-2:				
Shares sold	221,848	$ 2,619,720	594,492	$ 6,504,085
Dividends reinvested	270,942	3,172,728	285,275	3,115,203
Shares redeemed	(1,029,640)	(12,148,865)	(2,397,137)	(26,170,311)
Net decrease	**(536,850)**	**$ (6,356,417)**	**(1,517,370)**	**$ (16,551,023)**
Class S:				
Shares sold	—	$ —	56	$ 698
Dividends reinvested	—	—	454	5,390
Shares redeemed	—	—	(24,051)	(282,186)
Net decrease	**—**	**$ —**	**(23,541)**	**$ (276,098)**

NOTE 7 — Income Tax Information:

At December 31, 2010, 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	$ 4,137,651
2017	23,783,661
Total	27,921,312

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.

Under the recently enacted Regulated Investment Company Modernization Act of 2010, capital losses incurred by the Portfolio on or after January 1, 2011 will not be subject to expiration. In addition, losses incurred on or after January 1, 2011 must be utilized prior to the utilization of capital loss carryforwards above.

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.

NOTE 8 — Fair Value Measurements:

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, 2011in valuing the Portfolio's investments carried at fair value. There were no significant transfers of investment assets between Levels 1 and 2 as of June 30, 2011.

Alger Balanced Portfolio	TOTAL FUND	LEVEL 1	LEVEL 2	LEVEL 3
COMMON STOCKS				
Consumer Discretionary	$ 8,373,087	$ 8,373,087	—	—
Consumer Staples	4,153,306	4,153,306	—	—
Energy	7,985,033	7,985,033	—	—
Financials	5,355,852	5,025,059	330,793	—
Health Care	6,201,882	6,201,882	—	—
Industrials	7,749,201	7,749,201	—	—
Information Technology	19,147,164	19,012,430	134,734	—
Materials	3,558,556	3,558,556	—	—
Telecommunication Services	480,005	480,005	—	—
TOTAL COMMON STOCKS	**$ 63,004,086**	**$ 62,538,559**	**$ 465,527**	**—**

Alger Balanced Portfolio	TOTAL FUND	LEVEL 1	LEVEL 2	LEVEL 3
CORPORATE BONDS				
Consumer Discretionary	$ 2,013,598	—	$ 2,013,598	—
Consumer Staples	4,096,968	—	4,096,968	—
Energy	4,132,500	—	4,132,500	—
Financials	4,159,764	—	4,159,764	—
Health Care	4,138,717	—	4,138,717	—
Industrials	4,222,887	—	4,222,887	—
Information Technology	7,670,691	—	7,670,691	—
Telecommunication Services	2,065,613	—	2,065,613	—
TOTAL CORPORATE BONDS	**$ 32,500,738**	**—**	**$ 32,500,738**	**—**
U.S. GOVERNMENT & AGENCY OBLIGATIONS (EXCLUDING MORTGAGE-BACKED)				
U.S. Treasury Notes	$ 10,531,345	—	$ 10,531,345	—
TOTAL INVESTMENTS IN SECURITIES	**$ 108,140,866**	**$ 62,538,559**	**$ 45,602,307**	**—**

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—The Portfolio seeks to capture the majority of the returns associated with equity market investments. To meet this investment goal, the Portfolio invests in a broadly diversified portfolio of common stocks, while also buying and selling call and put options on equities and equity indices. The Portfolio purchases call options to increase its exposure to stock market risk and also provide diversification of risk. The Portfolio purchases put options in order to protect from significant market declines that may occur over a short period of time. The Portfolio will write covered call and cash secured put options to generate cash flows while reducing the volatility of the portfolio. The cash flows may be an important source of the Portfolio's return, although written call options may reduce the Portfolio's ability to profit from increases in the value of the underlying security or equity portfolio. The value of a call option generally increases as the price of the underlying stock increases and decreases as the stock decreases in price. Conversely, the value of a put option generally increases as the price of the underlying stock decreases and decreases as the stock increases in price. The combination of the diversified stock portfolio and the purchase and sale of options is intended to provide the Portfolio with the majority of the returns associated with equity market investments but with reduced volatility and returns that are augmented with the cash flows from the sale of options.

During the six months ended June 30, 2011, the Portfolio had no derivative instruments.

NOTE 10 — Litigation:

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, including all claims against Alger Mutual Funds and their independent trustees, were dismissed by the court, the Alger-related class and derivative suits were settled. A Final Judgment and Order approving the settlement was entered on October 25, 2010. No appeals from the Final Judgment and Order were filed within the allotted time limit. The settlement was paid by insurance, and had no financial impact on the Alger Mutual Funds.

NOTE 11 — Recent Accounting Pronouncements:

In May 2011, the Financial Accounting Standards Board issued amended guidance to improve disclosure about fair value measurements which will require the following disclosures for fair value measurements categorized as Level 3: quantitative information about the unobservable inputs and assumptions used in the fair value measurement, a description of the valuation policies and procedures and a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs. In addition, the amounts and reasons for all transfers in and out of Level 1 and Level 2 will be required to be disclosed. The amended guidance is effective for financial statements for fiscal years beginning after December 15, 2011 and interim periods within those fiscal years. Management is evaluating the impact of this guidance on the Portfolio's financial statements and disclosures.

NOTE 12 — Subsequent Events:

Management of the Portfolio has evaluated events that have occurred subsequent to June 30, 2011. 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, 2011 and ending June 30, 2011.

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, 2011	Ending Account Value June 30, 2011	Expenses Paid During the Six Months Ended June 30, 2011(a)	Ratio of Expenses to Average Net Assets For the Six Months Ended June 30, 2011(b)
Alger Balanced Portfolio					
Class I-2	Actual	$ 1,000.00	$ 1,029.49	$ 4.44	0.88%
	Hypothetical(c)	1,000.00	1,020.42	4.42	0.88

(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

U.S. Consumer Privacy Notice Rev. 01/2011 3/31/11

FACTS	WHAT DOES ALGER DO WITH YOUR PERSONAL INFORMATION?
Why?	Financial companies choose how they share your personal information, which, under Federal law, means personally identifiable information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.
What?	The types of personal information we collect and share depend on the product or service you have with us. This information can include: • Social Security number • account balances, transaction history and credit information
How?	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Alger chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does Alger share?	Can you limit this sharing?
For our everyday business purposes — such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	**Yes**	**No**
For our marketing purposes — with service providers we use to offer our products and services to you	**Yes**	**No**
For joint marketing with other financial companies	**No**	**We don't share**
For our affiliates' everyday business purposes—information about your transactions and experiences	**Yes**	**No**
For our affiliates' everyday business purposes—information about your creditworthiness	**No**	**We don't share**
For nonaffiliates to market to you — for all credit card accounts	**No**	**We don't share**
For nonaffiliates to market to you — for accounts and services endorsed by another organization	**No**	**We don't share**
For nonaffiliates to market to you — for accounts other than credit card accounts and Sponsored Accounts, such as insurance, investments, deposit and lending	**No**	**We don't share**

What we do	
How does Alger protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings. For more information visit alger.com.
How does Alger collect my personal information?	We collect your personal information, for example, when you: • open an account or perform transactions • seek advice about your investments We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.
Why can't I limit all sharing?	Federal law gives you the right to limit some but not all sharing related to: • sharing for affiliates' everyday business purposes — information about your creditworthiness • affiliates from using your information to market to you • sharing for nonaffiliates to market to you State laws and individual companies may give you additional rights to limit sharing.

Definitions	
Affiliates	Companies related by common ownership or control. They can be financial and nonfinancial companies. • Our affiliates include Fred Alger Management, Inc. and Fred Alger & Company, Incorporated as well as the following funds: The Alger Funds, The Alger Funds II, The Alger Institutional Funds, The Alger Portfolios, and Alger China-U.S. Growth Fund.
Nonaffiliates	Companies not related by common ownership or control. They can be financial and nonfinancial companies
Joint marketing	A formal agreement between nonaffiliated financial companies that together market financial products or services to you.

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.

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THE ALGER PORTFOLIOS

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The Alger Portfolios

Alger Capital Appreciation Portfolio

SEMI-ANNUAL REPORT

June 30, 2011

(Unaudited)

Table of Contents

Dear Shareholders, *July 27, 2011*

Navigating the Crosscurrents of Change

In the 1990's, economic growth helped a broad swath of American businesses grow their earnings and share prices. For many companies, simply showing up at the table of U.S. commerce was all that was needed to succeed. In this new millennium, however, the environment of a rising tide that lifts all boats has been washed away, leaving in its trail a less forgiving eat-or-be-eaten business climate. Companies must innovate, adapt, or respond to quickly changing consumer or business tastes and needs or risk swift extinction. This is not a new phenomenon, but it is certainly a more acute risk. But with developed nations' slow growth balanced against emerging markets' rapid growth, and each battling economic and social issues that come with each "kind" of growth, investors and businesses today are caught in a crosscurrent of change. Just recently, for example, bookstore operator Borders Group, Inc. filed for bankruptcy protection, following in the footsteps of Blockbuster Inc. As older companies die, newer companies quickly fill the leadership void, some by reinventing old business and others by creating products that did not exist just 10 years ago. This is the creative destruction that Austrian-American economist and political scientist Joseph Alois Schumpeter wrote about 70 years ago.

For the professional investors at Fred Alger Management, Inc., it is an exciting time, one which creates meaningful rewards when, through our fundamental research process, we are able to uncover companies with excellent growth prospects and invest in money making ideas for our clients. Alger was founded in 1964 on an investment philosophy that is based on discovering companies undergoing Positive Dynamic Change, which we believe offer the best investment opportunities. It's a philosophy that recognizes that change within economic relationships, industries, and companies brings great stress on all affected by them, and that by identifying the companies that are taking advantage of change, we can find superior investments for our clients.

Market Recap

Markets exhibited considerable volatility during the six-month reporting period, but the S&P 500 Index managed to finish the period with a 6.02% gain. During the six-month period, the nature of headlines that focused on the economy didn't really change, nor did the potential causes of market volatility. After corporate earnings announcements concluded, investors found plenty of "macro" issues to justify selling off equities, with weaknesses continuing in the housing and job markets while the euro-zone's sovereign debt crisis and our homegrown budget challenge gained increased attention in May and June. The issues, of course, are not new, though we are hopeful that some signs of resolution and real progress might appear sooner than most expect, and could be a major catalyst for the stock market.

In April, investors reacted with enthusiasm to strong first-quarter earnings results. First-quarter profits climbed more than 30% year over year, reaching $26.63 for the S&P 500, according to First Call. That's a stunning gain on easy compares, but also a very strong absolute level of earnings. Forecasts for the first quarter from just a few months ago were closer to $23. Many of our holdings did exceptionally well fundamentally, which highlights the effect of strong investment research at a time when there are winners and losers as determined by the ability or failure of companies to develop products at prices that consumers find attractive. As an example of the disparity of results among businesses, Alger portfolio holding Apple, Inc. doubled its earnings on 80% revenue growth that resulted from strong sales of its iPhone and other Internet-connected devices, while Dell, Inc., which focuses on the personal computer market, struggled to post meaningful gains. Also among technology companies, VMware, Inc., the innovator of virtualization software for enterprise computing, grew revenues 50% and earnings 33%, while Symantec Corp.'s earnings growth, despite the tailwinds of a significant PC upgrade cycle, stalled on only 9% growth in revenues that, we think, are fading as that cycle matures. Success could also be found in the industrials sector, with earnings for construction equipment manufacturer Caterpillar Inc. growing 57% on strong international demand. Clearly, leading U.S. companies can do very well in today's global markets, despite economic concerns at home and abroad.

The six-month period, however, had some disturbing headline developments. In April, Standard & Poor's announced that there is a one-in-three chance that it will downgrade its AAA rating of U.S. Treasury debt because of the nation's ongoing deficit spending. Investors also grew fearful that the U.S. may default on debt payments and struggle to fund government operations if feuding factions in Congress fail to strike a deal by August 2 that would increase the nation's $14.3 trillion debt ceiling. We think Congress has no choice but to raise the debt ceiling. The longer-term question is if legislators will pass meaningful budget reform and tax legislation to address the real structural issues in our economy.

As April drew to an end, the Commerce Department set the tone for the remainder of the six-month period with a first-quarter GDP growth estimate of 1.8% on an annualized basis, a decline from 3.1% for the fourth quarter. Unemployment climbed to 9.0% in April from 8.8%. It was the first monthly increase since November of 2010. Another increase in May brought the rate to 9.1%. The problem remains the same: high rates of unemployment among workers who haven't completed college, or even worse, high school. We don't underestimate the problem, either economically or politically, of this large group of unemployed individuals, but we note that unemployment amongst college educated workers, in our view, is not high – i.e. workers with skills that are appropriate for both today's economy and the future are doing fine, if not well. Similarly, private employment continues to grow while government employment declines.

Continued weakness in the housing market during the second quarter also dampened investors' enthusiasm. In May, the macro data of existing home sales declined as did the S&P/Case-Shiller Home Price Index. We think the weakness in real estate is somewhat to be expected as the housing cycle finally bottoms. Our independent research and surveys indicate that certain significant regional housing markets in the U.S. are showing signs of finally "clearing" excess inventory. On a nationwide level, sagging prices and low interest rates have drastically increased the affordability of homes. The bottoming of the housing market was probably delayed by the foreclosure processing and "robo-signing" issues that arose last year, as well as, in our view, by the futile efforts, public and private, to pretend that housing wasn't an issue (i.e. the first-time homebuyers' credit and banks' unwillingness to sell foreclosed real estate, etc.). Access to credit is still a problem, with many banks reluctant to lend, and thus an unusually high proportion of sales requiring buyers to pay all or significantly in cash. We expect further price declines will be met with increased sales activity in many areas of the U.S. this year and will establish a cyclical bottom, with better news from housing in 2012.

Market Valuations and the Road Ahead

At Alger, we have an optimistic view of equity markets in the latter part of this year and into 2012. We think that corporate earnings will remain strong, continuing to support the attractive blend of high free-cash flow generation feeding increased dividend yields, stock buybacks, and corporate takeover activity. While earnings growth rates must temper given more difficult comparisons in the quarters ahead, we think that current U.S. equity valuations already reflect this and, more importantly, remain very attractive from the perspective of the absolute level of corporate profits for long-term investors. At the close of the second quarter, the price-to-earnings ratio of the S&P 500 was 13.88 based on estimated 12-month forward earnings of $95.70 per share, according to First Call. That is considerably lower than the 50-year S&P 500 average P/E ratio of 19.9 as calculated by Standard & Poor's. We maintain our view that the S&P 500 may reach 1500 or higher as the year draws to an end. Even at that level, we expect the valuation of the S&P 500 may be meaningfully lower than the 50-year average as measured by P/E ratios.

Free cash flow is another important metric that we carefully examine to assess valuations and quality of earnings. As of the end of May, the S&P 500 free cash-flow yield was 5.8%, according to Empirical Research Partners. We maintain that by this metric as well, U.S. equities are attractive, especially when compared to the approximate 3.17% yield of a 10-year Treasury. With core inflation of 1.6% and "real" inflation for many consumers likely higher (and heading higher), we think it is highly unlikely that conservative bond investing will produce acceptable inflation-adjusted returns for most investors.

We remind our investors that our investment philosophy is based on bottom up stock selection. While we believe the S&P 500 has substantial room to move up overall, our investment strategy is not based on making such broad judgments, but rather on the careful analysis of stocks within sectors. As we evaluate the crosscurrents of change, we continue to believe that the technology sector is an excellent case study and example of success within an industry despite a weak overall U.S. economy. Within this sector, major trends of growth in both the corporate and personal adoption of Internet-based computing, commerce, and communications continue unabated. But these are crosscurrents, not rising trends that benefit all companies. Why? Because more than ever, major growth trends with communications and the Internet are coming at the expense of dated or soon-to-be out-of-date products and services. The shift to e-tablets – synonymous with Apple's "iPad" – has clearly affected the laptop business of traditional market leaders. Digital media, furthermore, continueto expand and to force change in both advertising and media businesses. Earlier this year, for example, The New York Times Company launched its paid online subscription service in a new format at a time when print revenues remain in clear decline despite an overall recovery in advertising spending. Revenues at Google, Inc., meanwhile, are growing at a fast clip, benefitting from the recovery in advertising spending and also from the shift to more Internet-based advertising that has become far more sophisticated as well as increasingly targeted and effective. Investors are clearly focused on these trends.

That focus, as well as some of investors' still abnormally large amounts of cash and short-term bonds, found an echo of enthusiasm in a hitherto very small tidal pool: private company shares. During the second quarter, interest in companies like Facebook and Groupon created a new phenomenon within investing. In particular, private shares of Facebook, which can be bought and sold in a new form of online brokering or exchange, gave the company an estimated market cap of $75 billion to $100 billion. Groupon, meanwhile, is believed to be valued at as much as $25 billion. Investors' enthusiasm is also being displayed during initial public offerings, with LinkedIn Corporation's second-quarter IPO valuing the company at $7.8 billion. LinkedIn's stock price surged the day after the offering, creating a $10 billion market cap. HomeAway, Inc. also generated strong interest with an IPO that valued the company at $2 billion. After going public, its market cap quickly grew to $3 billion. The activity in IPOs and the valuations implied on private companies that have very high growth potential suggest that despite how the public markets may feel (i.e. uncertain), there is, in fact, a large amount of capital that investors are eager to deploy if the right opportunities present themselves. We think that investors will eventually find, in particular, that the stocks of leading U.S. growth companies offer attractive returns as well.

With that in mind, this is clearly an exciting time for us at Alger to serve our clients by focusing on our research-driven investment strategy that seeks out companies that are best suited to adapt to challenges and opportunities that are occurring every day, in every sector, and in every marketplace.

Portfolio Matters

The Alger Capital Appreciation Portfolio returned 7.22% for the six-month period ended June 30, 2011, compared to the Russell 3000 Growth Index return of 6.98%.

During the period, the largest sector weightings in the Alger Capital Appreciation Portfolio were in the Information Technology and Industrials sectors. The largest sector overweight for the period was in Financials and the largest sector underweight for the period was in Consumer Staples. Relative outperformance in the Consumer Discretionary and Information Technology sectors was the most important contributor to performance. Sectors that detracted from relative performance included Consumer Staples and Financials. Among the most important relative contributors were Focus Media Holding Ltd.; Aetna, Inc.; Bayerische Motoren Werke AG; SINA Corp.; and Molycorp, Inc. Top detractors from relative performance included International Business Machines Corp.; Peabody Energy Corp.; BM&F Bovespa SA; Abbott Laboratories; and Philip Morris International, 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 Alger Portfolios. This report is not authorized for distribution to prospective investors in the Portfolios unless proceeded or accompanied by an effective prospectus. Individual Portfolio returns represent the fiscal six-month period return of Class I-2 shares. Returns include reinvestment of dividends and distributions.

The performance data quoted represent 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 Alger 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 Portfolio or otherwise, are considered in the context of the construction of an overall portfolio of securities and therefore reference to them should not be construed as a recommendation or offer to purchase or sell any such security. Inclusion of such securities in a Portfolio and transactions in such securities, if any, may be for a variety of reasons, including without limitation, in response to cash flows, inclusion in a benchmark, and risk control. The reference to a specific security should also be understood in such context and not viewed as a statement that the security is a significant holding in a Portfolio. Please refer to the

Schedule of Investments for each Portfolio which is included in this report for a complete list of Portfolio holdings as of June 30, 2011. 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 Portfolios 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 can 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 Portfolio's investment objective, risks, charges, and expenses. For a prospectus or a summary prospectus containing this and other information about The Alger Portfolios 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:

- The S&P 500 Index is an unmanaged index generally representative of the U.S. stock market without regard to company size.

- 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. The Russell 3000 Growth Index is an unmanaged index designed to measure the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values.

- Standard & Poor's provides financial market research, debt credit ratings, and other services.

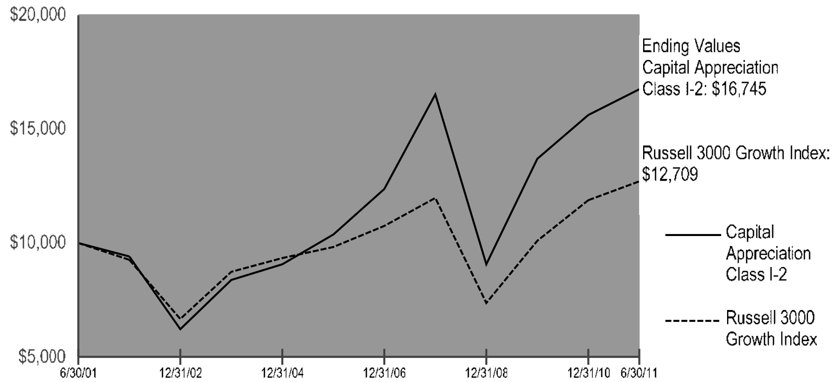
- First Call Corporation is a division of Thomson Reuters that provides broker-sourced research, earnings estimates, and other financial information.

- Empirical Research Partners is a broker-dealer that provides capital markets information and other research to institutional investors

- The S&P/Case-Shiller Home Price Index tracks the prices of homes across the United States.

HYPOTHETICAL $10,000 INVESTMENT IN CLASS I-2 SHARES

— 10 years ended 6/30/11



The chart above illustrates the change in value of a hypothetical $10,000 investment made in Alger Capital Appreciation Portfolio Class I-2 shares, the Russell 3000 Growth Index and the Russell 1000 Growth Index (unmanaged indexes of common stocks) for the ten years ended June 30, 2011. Figures for the Alger Capital Appreciation Portfolio Class I-2, shares the Russell 3000 Growth Index and the Russell 1000 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 6/30/11

AVERAGE ANNUAL TOTAL RETURNS

	1 YEAR	5 YEARS	10 YEARS	Since 1/25/1995
Class I-2 (Inception 1/25/95)	35.12%	9.40%	5.29%	12.94%
Class S (Inception 5/1/02)(i)	34.68%	9.09%	5.06%	12.69%
Russell 3000 Growth Index	35.68%	5.36%	2.43%	7.46%
Russell 1000 Growth Index	35.01%	5.33%	2.24%	7.63%

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.

(i) *Since inception returns are calculated from Class I-2 inception date. Class S shares returns prior to their commencement of operations are that of Class I-2 shares adjusted to reflect the higher expenses of Class S shares.*

Portfolio Summary†

June 30, 2010 *(Unaudited)*

SECTORS	
Consumer Discretionary	14.8%
Consumer Staples	5.4
Energy	10.2
Financials	4.7
Health Care	11.5
Industrials	16.6
Information Technology	27.4
Materials	5.5
Telecommunication Services	0.6
Short-Term and Net Other Assets	3.3
	100.0%

† *Based on net assets for the Portfolio*.

COMMON STOCKS—96.3%	SHARES	VALUE
ADVERTISING—1.4%		
Focus Media Holding Ltd.#*	140,700	**$ 4,375,770**
AEROSPACE & DEFENSE—1.1%		
Goodrich Corp.	37,000	**3,533,500**
AIR FREIGHT & LOGISTICS—3.1%		
FedEx Corp.	53,300	5,055,505
United Parcel Service, Inc., Cl. B	64,000	4,667,520
		9,723,025
AIRLINES—0.7%		
United Continental Holdings, Inc.*	99,100	**2,242,633**
APPAREL RETAIL—0.9%		
Abercrombie & Fitch Co., Cl. A	41,100	**2,750,412**
APPLICATION SOFTWARE—1.7%		
Informatica Corp. *	24,400	1,425,692
Nice Systems Ltd. #*	42,800	1,556,208
Salesforce.com, Inc. *	15,800	2,353,884
		5,335,784
AUTO PARTS & EQUIPMENT—0.6%		
Lear Corp.	34,800	**1,861,104**
AUTOMOBILE MANUFACTURERS—1.5%		
Bayerische Motoren Werke AG#	151,200	**4,997,160**
BIOTECHNOLOGY—0.7%		
Gilead Sciences, Inc. *	17,500	724,675
Human Genome Sciences, Inc. *	63,100	1,548,474
		2,273,149
BROADCASTING & CABLE TV—0.3%		
CBS Corp., Cl. B	29,300	**834,757**
CABLE & SATELLITE—0.6%		
Comcast Corporation, Cl. A	67,800	**1,718,052**
CASINOS & GAMING—1.0%		
Las Vegas Sands Corp.*	73,400	**3,098,214**
COAL & CONSUMABLE FUELS—1.4%		
Arch Coal, Inc.	92,900	2,476,714
Peabody Energy Corp.	29,700	1,749,627
		4,226,341
COMMODITY CHEMICALS—0.5%		
Celanese Corp.	29,200	**1,556,652**
COMMUNICATIONS EQUIPMENT—2.9%		
Ciena Corp. *	26,700	490,746
Cisco Systems, Inc.	98,800	1,542,268
Corning, Inc.	42,000	762,300
Qualcomm, Inc.	98,200	5,576,778
Riverbed Technology, Inc. *	12,700	502,793
		8,874,885

COMMON STOCKS—(CONT.)	SHARES	VALUE
COMPUTER HARDWARE—5.8%		
Apple, Inc. *	47,900	$ 16,078,594
Hewlett-Packard Co.	46,500	1,692,600
		17,771,194
COMPUTER STORAGE & PERIPHERALS—1.9%		
EMC Corp. *	127,800	3,520,890
Seagate Technology PLC	150,100	2,425,616
		5,946,506
CONSTRUCTION & ENGINEERING—0.4%		
Chicago Bridge & Iron Co., NV#	33,300	**1,295,370**
CONSTRUCTION & FARM MACHINERY & HEAVY TRUCKS—3.5%		
Caterpillar, Inc.	35,600	3,789,976
Cummins, Inc.	32,500	3,363,425
Deere & Co.	21,500	1,772,675
WABCO Holdings, Inc. *	26,938	1,860,338
		10,786,414
DATA PROCESSING & OUTSOURCED SERVICES—1.1%		
Mastercard, Inc.	11,700	**3,525,678**
DEPARTMENT STORES—0.7%		
Kohl's Corp.	42,200	**2,110,422**
DIVERSIFIED METALS & MINING—2.8%		
Cliffs Natural Resources, Inc.	20,600	1,904,470
Freeport-McMoRan Copper & Gold, Inc.	22,200	1,174,380
Molycorp, Inc. *	89,400	5,458,764
		8,537,614
DRUG RETAIL—1.3%		
CVS Caremark Corp.	111,000	**4,171,380**
EDUCATION SERVICES—0.6%		
New Oriental Education & Technology Group#*	15,500	**1,731,660**
ENVIRONMENTAL & FACILITIES SERVICES—0.7%		
Republic Services, Inc.	67,720	**2,089,162**
FERTILIZERS & AGRICULTURAL CHEMICALS—1.1%		
Mosaic Co., /The	51,600	**3,494,868**
FOOTWEAR—0.6%		
Salvatore Ferragamo Italia SpA*	116,100	**1,734,193**
HEALTH CARE EQUIPMENT—1.8%		
Covidien PLC	81,400	4,332,922
Insulet Corp. *	62,700	1,390,059
		5,722,981
HEALTH CARE FACILITIES—0.6%		
Universal Health Services, Inc., Cl. B	38,400	**1,978,752**
HEALTH CARE SERVICES—0.8%		
Express Scripts, Inc.*	45,200	**2,439,896**
HOME IMPROVEMENT RETAIL—0.8%		
Lowe's Companies, Inc.	101,000	**2,354,310**

COMMON STOCKS—(CONT.)	SHARES	VALUE
HOTELS RESORTS & CRUISE LINES—0.7%		
Wyndham Worldwide Corporation	64,500	**$ 2,170,425**
HOUSEHOLD PRODUCTS—1.2%		
Procter & Gamble Co., /The	57,900	**3,680,703**
HUMAN RESOURCE & EMPLOYMENT SERVICES—0.5%		
Towers Watson & Co.	21,700	**1,425,907**
INDUSTRIAL CONGLOMERATES—0.9%		
Tyco International Ltd.	58,200	**2,876,826**
INDUSTRIAL MACHINERY—3.1%		
Eaton Corp.	38,900	2,001,405
Flowserve Corp.	7,500	824,175
Ingersoll-Rand PLC	77,400	3,514,734
Stanley Black & Decker, Inc.	44,100	3,177,405
		9,517,719
INTEGRATED OIL & GAS—3.6%		
ConocoPhillips	75,100	5,646,769
Royal Dutch Shell PLC #	81,200	5,775,756
		11,422,525
INTEGRATED TELECOMMUNICATION SERVICES—0.2%		
Verizon Communications, Inc.	20,600	**766,938**
INTERNET RETAIL—2.1%		
Amazon.com, Inc. *	21,370	4,369,951
Expedia, Inc.	79,800	2,313,402
		6,683,353
INTERNET SOFTWARE & SERVICES—4.6%		
Baidu, Inc. #*	2,300	322,299
eBay, Inc. *	94,900	3,062,423
Google, Inc., Cl. A *	10,200	5,165,076
IAC/InterActiveCorp. *	70,600	2,694,802
Sina Corp. *	8,300	864,030
VistaPrint NV *	17,000	813,450
Yahoo! Inc. *	73,400	1,103,936
		14,026,016
INVESTMENT BANKING & BROKERAGE—0.4%		
Lazard Ltd., Cl. A	21,820	809,522
LPL Investment Holdings, Inc. *	12,100	413,941
		1,223,463
IT CONSULTING & OTHER SERVICES—3.0%		
Cognizant Technology Solutions Corp., Cl. A *	39,300	2,882,262
International Business Machines Corp.	38,200	6,553,210
		9,435,472
LEISURE PRODUCTS—1.5%		
Hanesbrands, Inc. *	66,500	1,898,575
Phillips-Van Heusen Corp.	45,000	2,946,150
		4,844,725
LIFE & HEALTH INSURANCE—0.5%		
MetLife, Inc.	38,200	**1,675,834**

COMMON STOCKS—(CONT.)	SHARES	VALUE
LIFE SCIENCES TOOLS & SERVICES—1.8%		
Thermo Fisher Scientific, Inc.*	85,300	$ **5,492,467**
MANAGED HEALTH CARE—3.1%		
Aetna, Inc.	148,000	6,525,320
CIGNA Corp.	25,200	1,296,036
UnitedHealth Group, Inc.	30,000	1,547,400
		9,368,756
MOVIES & ENTERTAINMENT—0.5%		
Walt Disney Co., /The	42,000	**1,639,680**
OIL & GAS EQUIPMENT & SERVICES—3.3%		
Baker Hughes, Inc.	100,000	7,256,000
Halliburton Company	31,800	1,621,800
National Oilwell Varco, Inc.	16,400	1,282,644
		10,160,444
OIL & GAS EXPLORATION & PRODUCTION—1.9%		
Newfield Exploration Co. *	24,000	1,632,480
Nexen, Inc.	40,700	915,750
Petrohawk Energy Corp. *	64,800	1,598,616
SM Energy Co.	22,600	1,660,648
		5,807,494
OTHER DIVERSIFIED FINANCIAL SERVICES—2.8%		
BM&F Bovespa SA	401,200	2,654,622
Citigroup, Inc.	37,410	1,557,752
JPMorgan Chase & Co.	103,200	4,225,008
		8,437,382
PHARMACEUTICALS—2.4%		
Allergan, Inc.	29,500	2,455,875
Auxilium Pharmaceuticals, Inc. *	28,400	556,640
Johnson & Johnson	33,400	2,221,768
Pfizer, Inc.	114,100	2,350,460
		7,584,743
PRECIOUS METALS & MINERALS—0.4%		
ETFS Palladium Trust *	6,000	453,000
Stillwater Mining Co. *	37,800	831,978
		1,284,978
RAILROADS—1.9%		
CSX Corp.	219,900	**5,765,778**
RESEARCH & CONSULTING SERVICES—0.2%		
Verisk Analytic, Inc., Cl. A*	19,100	**661,242**
RESTAURANTS—1.0%		
McDonald's Corp.	36,700	**3,094,544**
SEMICONDUCTOR EQUIPMENT—0.7%		
Lam Research Corp.*	52,100	**2,306,988**
SEMICONDUCTORS—4.0%		
Altera Corp.	32,800	1,520,280
Avago Technologies Ltd.	65,200	2,477,600
Broadcom Corp., Cl. A *	46,300	1,557,532

COMMON STOCKS—(CONT.)	SHARES	VALUE
SEMICONDUCTORS—(CONT.)		
Micron Technology, Inc. *	129,300	$ 967,164
ON Semiconductor Corp. *	131,200	1,373,664
Skyworks Solutions, Inc. *	121,500	2,792,070
Texas Instruments, Inc.	47,300	1,552,859
		12,241,169
SOFT DRINKS—2.2%		
Coca-Cola Co., /The	47,000	3,162,630
PepsiCo, Inc.	50,100	3,528,543
		6,691,173
SPECIALIZED FINANCE—1.0%		
CME Group, Inc.	11,100	**3,236,649**
SPECIALTY CHEMICALS—0.6%		
Rockwood Holdings, Inc.*	31,500	**1,741,635**
SYSTEMS SOFTWARE—1.7%		
Oracle Corp.	164,200	**5,403,822**
TOBACCO—0.7%		
Philip Morris International, Inc.	32,900	**2,196,733**
TRUCKING—0.5%		
Hertz Global Holdings, Inc.*	92,300	**1,465,724**
WIRELESS TELECOMMUNICATION SERVICES—0.4%		
SBA Communications Corp.*	26,600	**1,015,854**
TOTAL COMMON STOCKS		
(Cost $274,957,138)		**298,438,999**

CONVERTIBLE PREFERRED STOCK—0.3%	SHARES	VALUE
PHARMACEUTICALS—0.3%		
Merrimack Pharmaceuticals, Inc., Series G*,L3,(a)	129,055	**903,385**
(Cost $903,385)		

CONVERTIBLE CORPORATE BONDS—0.1%	PRINCIPAL AMOUNT	VALUE
DIVERSIFIED METALS & MINING—0.1%		
Molycorp, Inc., 3.25%, 6/15/16L2(b)		
(Cost $260,000)	260,000	**303,875**

Total Investments		
(Cost $276,120,523)(c)	96.7%	299,646,259
Other Assets in Excess of Liabilities	3.3	10,312,816
NET ASSETS	100.0%	**$ 309,959,075**

‡ *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) Restricted Security - Investment in security not registered under the Securities Act of 1933. The investment is deemed to be illiquid and may be sold only to qualified institutional buyers. Security was acquired on April 6, 2011 for a cost of 903,385 and represents 0.3% of the net assets of the Fund.
(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 0.1% of the net assets of the Fund.
(c) At June 30, 2011, the net unrealized appreciation on investments, based on cost for federal income tax purposes of $276,120,523, amounted to $23,525,736 which consisted of aggregate gross unrealized appreciation of $30,663,404 and aggregate gross unrealized depreciation of $7,137,668.
L2 Security classified as Level 2 for ASC 820 disclosure purposes based on valuation inputs.
L3 Security classified as Level 3 for ASC 820 disclosure purposes based on valuation inputs.

See Notes to Financial Statements.

Statement of Assets and Liabilities *(Unaudited)* **June 30, 2011**

ASSETS:		
Investments in securities, at value (Identified cost)* see accompanying schedule of investments	$	299,646,259
Cash		10,195,325
Receivable for investment securities sold		6,031,912
Receivable for shares of beneficial interest sold		36,298
Dividends and interest receivable		130,283
Prepaid expenses		18,827
Total Assets		316,058,904
LIABILITIES:		
Payable for investment securities purchased		5,166,329
Payable for shares of beneficial interest redeemed		643,342
Accrued investment advisory fees		192,574
Accrued transfer agent fees		6,212
Accrued distribution fees		2,549
Accrued administrative fees		6,833
Accrued shareholder servicing fees		2,485
Accrued other expenses		79,505
Total Liabilities		6,099,829
NET ASSETS	**$**	**309,959,075**
Net Assets Consist of:		
Paid in capital		315,871,630
Undistributed net investment income		62,719
Accumulated net realized loss		(29,501,342)
Net unrealized appreciation on investments		23,526,068
NET ASSETS	**$**	**309,959,075**
Net Asset Value Per Share		
Class I-2		$55.87
Class S		$54.64
Net Assets By Class		
Class I-2		297,256,834
Class S		12,702,241
Shares of Benefical Interest Outstanding— Note 6 (Par Value $.001)		
Class I-2		5,320,140
Class S		232,476
*Identified Cost	$	276,120,523

See Notes to Financial Statements.

INCOME:		
Dividends (net of foreign withholding taxes*)	$	1,643,997
Interest		1,801
Total Income		1,645,798
EXPENSES		
Advisory fees—Note 3		1,248,194
Distribution fees Class S—Note 3		15,951
Administrative fees—Note 3		42,377
Custodian fees		26,590
Transfer agent fees and expenses—Note 3		32,050
Printing fees		50,980
Professional fees		17,708
Registration fees		29,402
Trustee fees—Note 3		9,615
Miscellaneous		28,972
Total Expenses		1,501,839
Less, expense reimbursements/waivers—Note 3		(53,934)
Net Expenses		1,447,905
NET INVESTMENT INCOME		197,893
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, OPTIONS AND FOREIGN CURRENCY TRANSACTIONS:		
Net realized gain on investments and purchased options		23,278,941
Net realized loss on foreign currency transactions		(48,715)
Net change in unrealized appreciation (depreciation) on investments and foreign currency		(2,286,646)
Net realized and unrealized gain on investments, options and foreign currency		20,943,580
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$**	**21,141,473**
*Foreign withholding taxes	$	34,110

See Notes to Financial Statements.

		For the Six Months Ended June 30, 2011 (Unaudited)		For the Year Ended December 31, 2010
Net investment income	$	197,893	$	410,568
Net realized gain on investments, options and foreign currency transactions		23,230,226		28,451,180
Net change in unrealized appreciation (depreciation) on investments, options and foreign currency		(2,286,646)		6,552,324
Net increase in net assets resulting from operations		21,141,473		35,414,072
Dividends and distributions to shareholders from:				
Net investment income				
Class I-2		(309,449)		(1,008,170)
Class S		—		(27,573)
Net realized gains				
Class I-2		—		—
Class S		—		—
Total dividends and distributions to shareholders		(309,449)		(1,035,743)
Increase (decrease) from shares of beneficial interest transactions:				
Class I-2		(6,928,030)		1,833,933
Class S		(929,823)		(2,017,960)
Net decrease from shares of beneficial interest transactions— Note 6		(7,857,853)		(184,027)
Total increase		12,974,171		34,194,302
Net Assets:				
Beginning of period		296,984,904		262,790,602
END OF PERIOD	**$**	**309,959,075**	**$**	**296,984,904**
Undistributed net investment income	$	62,719	$	267,733

See Notes to Financial Statements.

Alger Capital Appreciation Portfolio

	Class I-2					
	Six months ended 6/30/2011(i)	Year ended 12/31/2010	Year ended 12/31/2009	Year ended 12/31/2008	Year ended 12/31/2007	Year ended 12/31/2006
Net asset value, beginning of period	$ 52.16	$ 45.92	$ 30.39	$ 55.39	$ 41.48	$ 34.78
INCOME FROM INVESTMENT OPERATIONS:						
Net investment income (loss)(ii)	0.04	0.08	0.18	0.05	(0.07)	(0.07)
Net realized and unrealized gain (loss) on investments	3.73	6.34	15.35	(25.05)	13.98	6.77
Total from investment operations	3.77	6.42	15.53	(25.00)	13.91	6.70
Dividends from net investment income	(0.06)	(0.18)	—	—	—	—
Net asset value, end of period	$ 55.87	$ 52.16	$ 45.92	$ 30.39	$ 55.39	$ 41.48
Total return	7.22%	14.03%	51.10%	(45.13)%	33.53%	19.26%
RATIOS/SUPPLEMENTAL DATA:						
Net assets, end of period (000's omitted)	$ 297,257	$ 284,225	$ 249,483	$ 183,335	$ 414,959	$ 298,024
Ratio of gross expenses to average net assets	0.96%	0.98%	0.99%	0.95%	0.97%	0.98%
Ratio of expense reimbursements to average net assets	(0.03)%	(0.04)%	(0.04)%	(0.04)%	(0.04)%	0.00%
Ratio of net expenses to average net assets	0.93%	0.94%	0.95%	0.91%	0.93%	0.98%
Ratio of net investment income to average net assets	0.14%	0.17%	0.49%	0.12%	(0.15)%	(0.19)%
Portfolio turnover rate	72.48%	203.56%	285.33%	317.72%	254.03%	245.58%

(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.*

Alger Capital Appreciation Portfolio

	Class S					
	Six months ended 6/30/2011(i)	Year ended 12/31/2010	Year ended 12/31/2009	Year ended 12/31/2008	Year ended 12/31/2007	Year ended 12/31/2006
Net asset value, beginning of period	$ 51.04	$ 45.01	$ 29.86	$ 54.57	$ 40.97	$ 34.44
INCOME FROM INVESTMENT OPERATIONS:						
Net investment income (loss)(ii)	(0.05)	(0.08)	0.08	(0.05)	(0.16)	(0.17)
Net realized and unrealized gain (loss) on investments	3.65	6.20	15.07	(24.66)	13.76	6.70
Total from investment operations	3.60	6.12	15.15	(24.71)	13.60	6.53
Dividends from net investment income	—	(0.09)	—	—	—	—
Net asset value, end of period	$ 54.64	$ 51.04	$ 45.01	$ 29.86	$ 54.57	$ 40.97
Total return	7.05%	13.63%	50.69%	(45.28)%	33.20%	18.96%
RATIOS/SUPPLEMENTAL DATA:						
Net assets, end of period (000's omitted)	$ 12,702	$ 12,760	$ 13,307	$ 9,369	$ 20,783	$ 23,845
Ratio of gross expenses to average net assets	1.30%	1.34%	1.24%	1.20%	1.22%	1.23%
Ratio of expense reimbursements to average net assets	(0.04)%	(0.04)%	(0.04)%	(0.04)%	(0.04)%	0.00%
Ratio of net expenses to average net assets	1.26%	1.30%	1.20%	1.16%	1.18%	1.23%
Ratio of net investment income to average net assets	(0.20)%	(0.18)%	0.23%	(0.12)%	(0.34)%	(0.45)%
Portfolio turnover rate	72.48%	203.56%	285.33%	317.72%	254.03%	245.58%

(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.

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"). 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: The Portfolio values its financial instruments at fair value using independent dealers or pricing services under policies approved by the Fund's Board of Trustees. 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 on the basis of last available bid prices or current market quotations provided by dealers or pricing services. In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrixes, market transactions in comparable investments, various relationships observed in the market between investments and calculated yield measures based on valuation technology commonly employed in the market for such investments. Asset-backed and mortgage-backed securities are valued by independent pricing services using models that consider estimated cash flows of each tranche of the security, establish a benchmark yield and develop an estimated tranche-specific spread to the benchmark yield based on the unique attributes of the tranche.

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) Cash and Cash Equivalents: Cash and cash equivalents include U.S. dollars and short-term securities maturing in sixty days or less. Such short-term securities are valued at amortized cost which approximates market value.

(c) 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.

(d) 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.

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

The Portfolio may also purchase put and call options. 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.

(f) Lending of Portfolio Securities: The Portfolio may lend its securities to financial institutions, provided that the market value of the securities loaned will not at any time exceed one third of the Portfolio's total assets. The Portfolio earns fees on the securities

loaned. In order to protect against the risk of failure by the borrower to return the securities loaned or any delay in the delivery of such securities, the loan is collateralized by cash, letters of credit or U.S. Government securities that are maintained in an amount equal to at least 100 percent of the current market value of the loaned securities. The "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, 2011.

(g) 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 from net investment income 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 or 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.

(h) 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. No tax years are currently under investigation. The Portfolio files income tax returns in the U.S. Federal jurisdiction, as well as the New York State and New York City jurisdictions. The statute of limitations on the Portfolio's tax returns remains open for the tax years 2007-2010. Management does not believe there are any uncertain tax positions that require recognition of a tax liability.

(i) Allocation Methods: The Fund accounts separately for the assets, liabilities and operations of each Portfolio. Expenses directly attributable to each Portfolio are charged

to that Portfolio's operations; expenses which are applicable to all Portfolios are allocated among them based on net assets. Income, realized and unrealized gains and losses, and expenses of each Portfolio are allocated among the Portfolio's classes based on relative net assets, with the exception of distribution fees 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 present a fair statement of results for the interim period. 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" or "Manager"), 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 a settlement with the New York State Attorney General dated October 11, 2006, Alger Management has agreed to reduce its advisory fee listed above 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" or "Alger Inc."), 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 Alger Inc. 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 Alger Inc.

(c) Brokerage Commissions: During the six months ended June 30, 2011, the Portfolio paid the Alger Inc. $130,424, in connection with securities transactions.

(d) Shareholder Administrative Fees: The Fund has entered into a shareholder administrative services agreement with Alger Management to compensate Alger Management for its liaison and administrative oversight of Boston Financial Data Services, Inc. the transfer agent, and other related services. The Portfolio compensates Alger Management at the annual rate of 0.01% of the average daily net assets for these services. For the six months ended June 30, 2011, the Portfolio incurred fees of $15,410, for these services, which are included in transfer agent fees and expenses in the Statement of Operations.

(e) Trustee Fees: 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, 2011, the Portfolio had no interfund loans.

(g) Other Transactions With Affiliates: Certain 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, 2011, were as follows:

	PURCHASES	SALES
Alger Capital Appreciation Portfolio	$218,747,310	$225,808,105

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 Interbank Offered 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, 2011, the Portfolio had no borrowings.

NOTE 6 — Share Capital:

The Fund has an unlimited number of authorized shares of beneficial interest of $.001 par value for each share class. During the six months ended June 30, 2011 and the year ended December 31, 2010, transactions of shares of beneficial interest were as follows:

	FOR THE SIX MONTHS ENDED JUNE 30, 2011		FOR THE YEAR ENDED DECEMBER 31, 2010	
	SHARES	AMOUNT	SHARES	AMOUNT
Alger Capital Appreciation Portfolio				
Class I-2:				
Shares sold	535,736	$ 29,400,733	1,334,855	$ 62,669,328
Dividends reinvested	5,448	309,449	21,423	1,008,170
Shares redeemed	(670,556)	(36,638,212)	(1,340,201)	(61,843,565)
Net increase (decrease)	**(129,372)**	**$ (6,928,030)**	**16,077**	**$ 1,833,933**
Class S:				
Shares sold	19,268	$ 1,045,483	44,732	$ 2,044,736
Dividends reinvested	—	—	597	27,573
Shares redeemed	(36,813)	(1,975,306)	(90,962)	(4,090,269)
Net decrease	**(17,545)**	**$ (929,823)**	**(45,633)**	**$ (2,017,960)**

NOTE 7 — Income Tax Information:

At December 31, 2010, 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
2016	$ 29,672,544
2017	21,764,876
Total	51,437,420

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.

Under the recently enacted Regulated Investment Company Modernization Act of 2010, capital losses incurred by the Portfolio on or after January 1, 2011 will not be subject to expiration. In addition, losses incurred on or after January 1, 2011 must be utilized prior to the utilization of capital loss carryforwards above.

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.

NOTE 8 — Fair Value Measurements:

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, 2011 in valuing the Portfolio's investments carried at fair value. There were no significant transfers of investment assets between Levels 1 and 2 as of June 30, 2011.

Alger Capital Appreciation Portfolio	TOTAL FUND	LEVEL 1	LEVEL 2	LEVEL 3
COMMON STOCKS				
Consumer Discretionary	$ 45,998,781	$ 45,998,781	—	—
Consumer Staples	16,739,989	16,739,989	—	—
Energy	31,616,804	31,616,804	—	—
Financials	14,573,328	14,573,328	—	—
Health Care	34,860,744	34,860,744	—	—
Industrials	51,383,300	51,383,300	—	—
Information Technology	84,867,514	84,867,514	—	—
Materials	16,615,747	16,615,747	—	—
Telecommunication Services	1,782,792	1,782,792	—	—
TOTAL COMMON STOCKS	**$ 298,438,999**	**$ 298,438,999**	**—**	**—**
CONVERTIBLE CORPORATE BONDS				
Materials	$ 303,875	—	$ 303,875	—
CONVERTIBLE PREFERRED STOCK				
Health Care	$ 903,385	—	—	$ 903,385
TOTAL INVESTMENTS IN SECURITIES	**$ 299,646,259**	**$ 298,438,999**	**$ 303,875**	**$ 903,385**

Alger Capital Appreciation Portfolio	FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL3) Convertible Preferred Stock
Opening balance at January 1, 2011	$ —
Transfers into Level 3	—
Transfers out of Level 3	—
Total gains or losses	
Included in net realized gain (loss) on investments	—
Included in net unrealized gain (loss) on investments	—
Purchases, issuances, sales, and settlements	
Purchases	903,385
Issuances	—
Sales	—
Settlements	—
Closing balance at June 30, 2011	903,385
The amount of total gains or losses for the period included in net realized and unrealized gain (loss) attributable to change in unrealized appreciation (depreciation) relating to investments still held at June 30, 2011	**$ —**

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—The Portfolio seeks to capture the majority of the returns associated with equity market investments. To meet this investment goal, the Portfolio invests in a broadly diversified portfolio of common stocks, while also buying and selling call and put options on equities and equity indices. The Portfolio purchases call options to increase its exposure to stock market risk and also provide diversification of risk. The Portfolio purchases put options in order to protect from significant market declines that may occur over a short period of time. The Portfolio will write covered call and cash secured put options to generate cash flows while reducing the volatility of the portfolio. The cash flows may be an important source of the Portfolio's return, although written call options may reduce the Portfolio's ability to profit from increases in the value of the underlying security or equity portfolio. The value of a call option generally increases as the price of the underlying stock increases and decreases as the stock decreases in price. Conversely, the value of a put option generally increases as the price of the underlying stock decreases and decreases as the stock increases in price. The combination of the diversified stock portfolio and the purchase and sale of options is intended to provide the Portfolio with the majority of the returns associated with equity market investments but with reduced volatility and returns that are augmented with the cash flows from the sale of options.

During the six months ended June 30, 2011, the Portfolio had no derivative instruments.

NOTE 10 — Litigation:

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, including all claims against Alger Mutual Funds and their independent trustees, were dismissed by the court, the Alger-related class and derivative suits were settled. A Final Judgment and Order approving the settlement was entered on October 25, 2010. No appeals from the Final Judgment and Order were filed within the allotted time limit. The settlement was paid by insurance, and had no financial impact on the Alger Mutual Funds.

NOTE 11 — Recent Accounting Pronouncements:

In May 2011, the Financial Accounting Standards Board issued amended guidance to improve disclosure about fair value measurements which will require the following disclosures for fair value measurements categorized as Level 3: quantitative information about the unobservable inputs and assumptions used in the fair value measurement, a description of the valuation policies and procedures and a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs. In addition, the amounts and reasons for all transfers in and out of Level 1 and Level 2 will be required to be disclosed. The amended guidance is effective for financial statements for fiscal years beginning after December 15, 2011 and interim periods within those fiscal years. Management is evaluating the impact of this guidance on the Portfolio's financial statements and disclosures.

NOTE 12 — Subsequent Events:

Management of the Portfolio has evaluated events that have occurred subsequent to June 30, 2011. 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, 2011 and ending June 30, 2011.

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, 2011	Ending Account Value June 30, 2011	Expenses Paid During the Six Months Ended June 30, 2011(a)	Ratio of Expenses to Average Net Assets For the Six Months Ended June 30, 2011(b)
Alger Capital Appreciation Portfolio					
Class I-2	Actual	$ 1,000.00	$ 1,072.21	$ 4.76	0.93%
	Hypothetical(c)	1,000.00	1,020.20	4.64	0.93
Class S	Actual	1,000.00	1,070.53	6.48	1.26
	Hypothetical(c)	1,000.00	1,018.54	6.32	1.26

(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

U.S. Consumer Privacy Notice Rev. 01/2011 3/31/11

FACTS	WHAT DOES ALGER DO WITH YOUR PERSONAL INFORMATION?
Why?	Financial companies choose how they share your personal information, which, under Federal law, means personally identifiable information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.
What?	The types of personal information we collect and share depend on the product or service you have with us. This information can include: • Social Security number • account balances, transaction history and credit information
How?	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Alger chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does Alger share?	Can you limit this sharing?
For our everyday business purposes — such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	**Yes**	**No**
For our marketing purposes — with service providers we use to offer our products and services to you	**Yes**	**No**
For joint marketing with other financial companies	**No**	**We don't share**
For our affiliates' everyday business purposes—information about your transactions and experiences	**Yes**	**No**
For our affiliates' everyday business purposes—information about your creditworthiness	**No**	**We don't share**
For nonaffiliates to market to you — for all credit card accounts	**No**	**We don't share**
For nonaffiliates to market to you — for accounts and services endorsed by another organization	**No**	**We don't share**
For nonaffiliates to market to you — for accounts other than credit card accounts and Sponsored Accounts, such as insurance, investments, deposit and lending	**No**	**We don't share**

What we do

How does Alger protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings. For more information visit alger.com.
How does Alger collect my personal information?	We collect your personal information, for example, when you: • open an account or perform transactions • seek advice about your investments We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.
Why can't I limit all sharing?	Federal law gives you the right to limit some but not all sharing related to: • sharing for affiliates' everyday business purposes — information about your creditworthiness • affiliates from using your information to market to you • sharing for nonaffiliates to market to you State laws and individual companies may give you additional rights to limit sharing.

Definitions	
Affiliates	Companies related by common ownership or control. They can be financial and nonfinancial companies. • Our affiliates include Fred Alger Management, Inc. and Fred Alger & Company, Incorporated as well as the following funds: The Alger Funds, The Alger Funds II, The Alger Institutional Funds, The Alger Portfolios, and Alger China-U.S. Growth Fund.
Nonaffiliates	Companies not related by common ownership or control. They can be financial and nonfinancial companies
Joint marketing	A formal agreement between nonaffiliated financial companies that together market financial products or services to you.

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.

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THE ALGER PORTFOLIOS

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Investment Advisor

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ALGER

Inspired by Change, Driven by Growth.

CREDIT SUISSE

CREDIT SUISSE FUNDS

Semiannual Report

June 30, 2011
(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 877-870-2874 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, 2011; these views and Portfolio holdings may have changed subsequent to these dates. Nothing in this document is a recommendation to purchase or sell securities.

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

Credit Suisse Trust — International Equity Flex III Portfolio
Semiannual Investment Adviser's Report
June 30, 2011 (unaudited)

July 20, 2011

Dear Shareholder:

For the period ended June 30, 2011, the Credit Suisse Trust — International Equity Flex III Portfolio (the "Portfolio") had a gain of 4.95%[1], versus an increase of 4.98% for the MSCI EAFE Index Net Dividends.[2]

Market Review: Positive performance despite global events

The six-month period ended June 30, 2011, was generally a positive one for international equities despite the antigovernment protests that spread throughout the Middle East. Central banking stimulus policies in the United States and Europe combined with encouraging economic data and growth early in the period to ease investor concerns of a double-dip recession. Stock prices also received a boost as a result of these developments. Additionally, the global markets received injections of liquidity from the Federal Reserve's anti-deflationary policy of implementing multiple quantitative easing measures and the cooperative action of G7 nations to stabilize the yen after it surged to an all-time high in the wake of the 8.9 magnitude earthquake.

Commodity prices fell across the board in May amid concerns of a decline in global economic growth expectations and the potential contraction of demand implied by China's tightening policies.

For the period, the MSCI World Index Net Dividends gained 5.28%, while the Nikkei Index Total Return dropped 3.02%.

At the end of June, the target U.S. Federal Funds rate was being maintained at 0.00%-0.25%, and the discount rate was 0.75%. The Conference Board Consumer Confidence Index experienced a slight decline and now stands at 58.50 (1985 = 100), down from a revised 63.40 in December.

Strategic Review and Outlook: Fundamentals increase in importance

For the six-month period ended June 30, 2011, the Portfolio was in line with the benchmark. Stock selection and sector weighting in industrials, materials and healthcare contributed positively to performance. Conversely, information technology, financials and telecommunication services detracted from performance due to a combination of stock selection and sector weighting.

In our opinion, company specific fundamentals are becoming increasingly important as the business cycle continues to strengthen. Additionally, although many macroeconomic risks have diminished over the past two years, there are still significant events on the horizon that could impact investors — including sovereign credit risk and the rebuilding of Japan's infrastructure.

Credit Suisse Quantitative Equities Group

Mika Toikka
Timothy Schwider

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.

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 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.

On June 30, 2011, the Trust's Board of Trustees approved the liquidation of the Portfolio, pursuant to the terms of a Plan of Liquidation and Dissolution ("Plan") for the Portfolio. For further information, please refer to the proxy materials filed with the SEC.

Average Annual Returns as of June 30, 2011[1]

1 Year	5 Years	10 Years	Since Inception	Inception Date
35.08%	5.46%	9.79%	7.32%	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 2.62%. The annualized net expense ratio after fee waivers and/or expense reimbursements is 2.33%.

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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, 2011.

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, 2011**

Actual Portfolio Return	
Beginning Account Value 1/1/11	$1,000.00
Ending Account Value 6/30/11	$1,049.50
Expenses Paid per $1,000*	$ 11.84
Hypothetical 5% Portfolio Return	
Beginning Account Value 1/1/11	$1,000.00
Ending Account Value 6/30/11	$1,013.24
Expenses Paid per $1,000*	$ 11.63
Annualized Expense Ratio*	2.33%

* *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	26.8%	(4.1)%	22.7%
Industrials	18.3%	(3.9)%	14.4%
Health Care	12.4%	(0.9)%	11.5%
Materials	12.9%	(2.0)%	10.9%
Consumer Staples	11.2%	(1.5)%	9.7%
Energy	10.1%	(0.9)%	9.2%
Consumer Discretionary	10.7%	(4.0)%	6.7%
Information Technology	5.9%	(1.0)%	4.9%
Utilities	5.6%	(1.1)%	4.5%
Telecommunication Services	5.6%	(1.2)%	4.4%
Short-Term Investments	1.1%	(0.0)%	1.1%
Total	**120.6%**	**(20.6)%**	**100.0%**

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

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments
June 30, 2011 (unaudited)

	Number of Shares	Value
LONG STOCK POSITIONS (119.0%)		
COMMON STOCKS (118.4%)		
Asia (2.9%)		
Diversified Financial Services (2.9%)		
iShares MSCI Pacific ex-Japan Index Fund	77,303	$ 3,680,396
TOTAL ASIA		3,680,396
Australia (6.7%)		
Air Freight & Logistics (0.0%)		
Toll Holdings, Ltd.§	5,727	29,822
Airlines (0.0%)		
Qantas Airways, Ltd.*	9,568	18,949
Beverages (0.1%)		
Coca-Cola Amatil, Ltd.	4,837	59,242
Foster's Group, Ltd.	16,635	91,718
Treasury Wine Estates, Ltd.*§	5,544	20,180
		171,140
Biotechnology (0.1%)		
CSL, Ltd.	4,854	172,227
Capital Markets (0.1%)		
Macquarie Group, Ltd.	2,868	96,577
Chemicals (0.1%)		
DuluxGroup, Ltd.§	3,103	9,368
Incitec Pivot, Ltd.	13,901	57,789
Nufarm, Ltd.*§	1,630	7,875
Orica, Ltd.	3,103	89,797
		164,829
Commercial Banks (1.9%)		
Australia & New Zealand Banking Group, Ltd.§	21,593	510,927
Bendigo and Adelaide Bank, Ltd.	3,018	28,727
Commonwealth Bank of Australia	13,226	743,537
National Australia Bank, Ltd.§	18,065	498,543
Westpac Banking Corp.§	25,365	607,444
		2,389,178
Commercial Services & Supplies (0.1%)		
Brambles, Ltd.	12,173	94,475
Construction & Engineering (0.0%)		
Leighton Holdings, Ltd.§	1,285	28,934
Construction Materials (0.0%)		
Boral, Ltd.	5,132	24,287
Containers & Packaging (0.1%)		
Amcor, Ltd.	10,524	81,401

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
June 30, 2011 (unaudited)

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Australia		
Diversified Financial Services (0.3%)		
ASX, Ltd.	1,484	$ 48,532
iShares MSCI Australia Index Fund§	13,568	353,447
		401,979
Diversified Telecommunication Services (0.1%)		
Telstra Corp., Ltd.§	37,543	116,448
Electric Utilities (0.0%)		
SP AusNet	11,478	11,621
Energy Equipment & Services (0.0%)		
WorleyParsons, Ltd.	1,426	43,339
Food & Staples Retailing (0.6%)		
Metcash, Ltd.	6,596	29,383
Wesfarmers, Ltd.	8,665	296,425
Wesfarmers, Ltd.	1,309	45,311
Woolworths, Ltd.	10,684	318,196
		689,315
Food Products (0.0%)		
Goodman Fielder, Ltd.§	11,304	12,854
Health Care Equipment & Supplies (0.0%)		
Cochlear, Ltd.	485	37,470
Health Care Providers & Services (0.0%)		
Sonic Healthcare, Ltd.	3,181	43,940
Hotels, Restaurants & Leisure (0.1%)		
Aristocrat Leisure, Ltd.§	3,448	8,972
Crown, Ltd.	4,340	41,644
Echo Entertainment Group Ltd.*	5,239	23,052
TABCORP Holdings, Ltd.	5,239	18,500
Tatts Group, Ltd.	10,447	26,923
		119,091
Industrial Conglomerates (0.0%)		
CSR, Ltd.§	4,135	12,894
Insurance (0.4%)		
AMP, Ltd.	24,163	126,840
Insurance Australia Group, Ltd.	17,922	65,403
QBE Insurance Group, Ltd.	8,831	163,605
Suncorp-Metway, Ltd.	10,956	95,591
		451,439
IT Services (0.0%)		
Computershare, Ltd.	3,832	36,537
Media (0.0%)		
Fairfax Media, Ltd.§	18,247	19,227

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
June 30, 2011 (unaudited)

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Australia		
Metals & Mining (1.6%)		
Alumina, Ltd.	21,036	$ 48,091
BHP Billiton, Ltd.§	28,931	1,364,818
BlueScope Steel, Ltd.	15,718	20,418
Fortescue Metals Group, Ltd.	10,669	73,072
Newcrest Mining, Ltd.	4,169	168,619
OneSteel, Ltd.	11,451	22,826
OZ Minerals, Ltd.§	2,690	38,209
Rio Tinto, Ltd.	3,756	335,583
Sims Metal Management, Ltd.	1,389	26,362
		2,097,998
Multi-Utilities (0.1%)		
AGL Energy, Ltd.§	3,869	60,789
Multiline Retail (0.0%)		
Harvey Norman Holdings, Ltd.§	4,704	12,573
Oil, Gas & Consumable Fuels (0.4%)		
Caltex Australia, Ltd.	1,163	14,730
Dart Energy, Ltd.*	2,525	1,666
Energy Resources of Australia, Ltd.§	575	2,535
Origin Energy, Ltd.	7,570	128,477
Paladin Energy, Ltd.*§	5,564	15,139
Santos, Ltd.	7,170	104,353
Woodside Petroleum, Ltd.	4,689	206,488
		473,388
Real Estate Investment Trusts (0.4%)		
CFS Retail Property Trust§	14,987	29,161
Dexus Property Group§	41,087	38,855
Goodman Group§	52,342	39,609
GPT Group	15,995	54,272
Mirvac Group§	23,177	31,116
Stockland§	20,543	75,214
Westfield Group	17,905	166,581
Westfield Retail Trust	17,905	52,097
		486,905
Real Estate Management & Development (0.1%)		
Lend Lease Corp., Ltd.	5,378	51,843
Road & Rail (0.0%)		
Asciano Group	23,963	42,289
Textiles, Apparel & Luxury Goods (0.0%)		
Billabong International, Ltd.§	1,743	11,273

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
June 30, 2011 (unaudited)

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Australia		
Transportation Infrastructure (0.1%)		
Macquarie Airports	6,208	$ 22,252
Macquarie Atlas Roads Group*§	4,636	8,730
Transurban Group§	10,009	56,119
		87,101
TOTAL AUSTRALIA		8,592,132
Austria (1.3%)		
Air Freight & Logistics (0.3%)		
Oesterreichische Post AG	11,498	370,025
Construction & Engineering (0.2%)		
Strabag SE BR§	7,178	213,219
Machinery (0.2%)		
Andritz AG	2,559	263,800
Metals & Mining (0.4%)		
Voestalpine AG	9,062	499,709
Oil, Gas & Consumable Fuels (0.2%)		
OMV AG	7,430	324,523
Real Estate Management & Development (0.0%)		
Immofinanz Anspt Nachb§^	2,201	0
TOTAL AUSTRIA		1,671,276
Belgium (2.0%)		
Beverages (0.7%)		
Anheuser-Busch InBev NV	15,313	888,542
Chemicals (0.1%)		
Solvay SA	828	127,813
Commercial Banks (0.1%)		
KBC Groep NV	4,872	191,133
Diversified Telecommunication Services (0.3%)		
Belgacom SA	13,259	472,356
Electrical Equipment (0.1%)		
Bekaert SA§	938	71,410
Food & Staples Retailing (0.5%)		
Colruyt SA	4,034	201,780
Delhaize Group SA	5,538	415,460
		617,240
Insurance (0.1%)		
Ageas	29,358	79,503

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Belgium		
Pharmaceuticals (0.1%)		
UCB SA§	2,912	$ 130,824
Real Estate Investment Trusts (0.0%)		
Befimmo SCA Sicafi	410	36,410
TOTAL BELGIUM		2,615,231
Bermuda (0.2%)		
Insurance (0.2%)		
Catlin Group, Ltd.	42,468	273,886
TOTAL BERMUDA		273,886
Denmark (1.8%)		
Beverages (0.3%)		
Carlsberg AS Class B	3,816	415,400
Commercial Banks (0.0%)		
Danske Bank AS*	2,448	45,297
Health Care Equipment & Supplies (0.1%)		
Coloplast AS Class B§	880	133,790
Marine (0.7%)		
A P Moller - Maersk AS Class A§	52	430,646
A P Moller - Maersk AS Class B	59	509,229
		939,875
Pharmaceuticals (0.7%)		
H Lundbeck AS	11,880	313,220
Novo Nordisk AS Class B	4,019	503,380
		816,600
TOTAL DENMARK		2,350,962
Finland (1.9%)		
Communications Equipment (0.3%)		
Nokia Oyj	55,252	356,340
Food & Staples Retailing (0.2%)		
Kesko Oyj B Shares	5,374	249,879
Machinery (0.4%)		
Kone Oyj Class B	464	29,144
Metso Oyj	3,571	202,963
Wartsila Oyj	9,680	327,262
		559,369
Oil, Gas & Consumable Fuels (0.0%)		
Neste Oil Oyj	1,641	25,738

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Finland		
Paper & Forest Products (0.6%)		
Stora Enso Oyj R Shares	30,695	$ 322,273
UPM-Kymmene Oyj	23,531	430,438
		752,711
Pharmaceuticals (0.4%)		
Orion Oyj Class B§	18,630	480,439
TOTAL FINLAND		2,424,476
France (11.3%)		
Aerospace & Defense (0.2%)		
Safran SA	2,095	89,377
Zodiac Aerospace	1,321	114,993
		204,370
Auto Components (0.3%)		
Compagnie Generale des Etablissements Michelin Class B	967	94,688
Valeo SA§	3,367	230,281
		324,969
Automobiles (0.2%)		
PSA Peugeot Citroen§	7,171	321,633
Building Products (0.3%)		
Cie de Saint-Gobain	6,787	439,829
Chemicals (0.2%)		
Arkema SA	2,208	227,050
Commercial Banks (1.2%)		
BNP Paribas	7,296	562,470
Credit Agricole SA	4,163	62,530
Natixis	39,709	199,195
Societe Generale§	11,773	697,123
		1,521,318
Commercial Services & Supplies (0.0%)		
Societe BIC SA	590	56,984
Communications Equipment (0.1%)		
Alcatel-Lucent*	23,107	133,314
Construction & Engineering (1.1%)		
Bouygues SA	11,597	509,863
Eiffage SA	2,531	167,271
Vinci SA	12,217	783,893
		1,461,027
Construction Materials (0.2%)		
Lafarge SA§	3,038	193,540
Diversified Telecommunication Services (0.7%)		
France Telecom SA§	40,877	869,007

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
June 30, 2011 (unaudited)

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
France		
Electrical Equipment (0.4%)		
Legrand SA	5,662	$ 238,278
Schneider Electric SA§	1,827	304,994
		543,272
Food & Staples Retailing (0.2%)		
Carrefour SA*§	5,063	208,094
Food Products (0.3%)		
Danone	5,037	375,950
Industrial Conglomerates (0.2%)		
Wendel	2,110	259,060
Insurance (0.8%)		
AXA SA§	40,530	919,846
SCOR SE	3,962	112,435
		1,032,281
IT Services (0.2%)		
Atos Origin SA	1,026	57,945
Cap Gemini SA	4,206	246,242
		304,187
Media (0.8%)		
Publicis Groupe§	3,295	183,902
Vivendi SA§	29,367	818,375
		1,002,277
Multi-Utilities (0.8%)		
GDF Suez	22,489	821,748
Suez Environnement SA	4,744	94,519
Veolia Environnement SA	6,145	173,092
		1,089,359
Office Electronics (0.1%)		
Neopost SA§	1,674	143,799
Oil, Gas & Consumable Fuels (1.5%)		
Total SA§	32,238	1,863,404
Pharmaceuticals (1.1%)		
Ipsen SA	1,853	65,699
Sanofi§	17,023	1,369,056
		1,434,755
Real Estate Investment Trusts (0.0%)		
Mercialys SA	1	42

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
June 30, 2011 (unaudited)

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
France		
Textiles, Apparel & Luxury Goods (0.4%)		
Christian Dior SA	3,132	$ 492,073
LVMH Moet Hennessy Louis Vuitton SA	344	61,803
		553,876
TOTAL FRANCE		14,563,397
Germany (11.2%)		
Air Freight & Logistics (0.4%)		
Deutsche Post AG	30,590	587,960
Airlines (0.3%)		
Deutsche Lufthansa AG	21,249	462,731
Automobiles (1.0%)		
Bayerische Motoren Werke AG	7,901	788,822
Daimler AG	6,664	502,438
		1,291,260
Capital Markets (0.2%)		
Deutsche Bank AG	3,751	221,340
Chemicals (1.2%)		
BASF SE	12,484	1,223,444
Lanxess AG	1,835	150,491
Linde AG	229	40,169
Symrise AG	940	29,928
Wacker Chemie AG	247	53,341
		1,497,373
Commercial Banks (0.1%)		
Commerzbank AG*	29,361	126,437
Construction & Engineering (0.2%)		
Bilfinger Berger AG	1,615	159,910
Hochtief AG	859	71,764
		231,674
Diversified Telecommunication Services (0.3%)		
Deutsche Telekom AG	23,666	369,211
Electric Utilities (0.8%)		
E.ON AG	35,194	1,000,160
Food & Staples Retailing (0.1%)		
Metro AG	2,187	132,413
Food Products (0.2%)		
Suedzucker AG	9,045	321,999

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
June 30, 2011 (unaudited)

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Germany		
Health Care Providers & Services (0.4%)		
Fresenius SE	5,369	$ 560,303
Hotels, Restaurants & Leisure (0.2%)		
TUI AG*§	20,085	218,259
Household Products (0.1%)		
Henkel AG & Co. KGaA	2,822	161,924
Industrial Conglomerates (1.2%)		
Siemens AG§	11,079	1,522,169
Insurance (1.8%)		
Allianz SE	7,577	1,056,369
Hannover Rueckversicherung AG	8,608	447,575
Muenchener Rueckversicherungs AG	4,980	760,064
		2,264,008
Internet Software & Services (0.1%)		
United Internet AG	5,437	114,278
Life Sciences Tools & Services (0.2%)		
Gerresheimer AG	5,283	252,176
Machinery (0.1%)		
GEA Group AG	917	32,833
MAN SE	1,106	148,728
		181,561
Metals & Mining (0.2%)		
Aurubis AG	4,037	262,669
Multi-Utilities (0.1%)		
RWE AG	2,536	140,863
Pharmaceuticals (1.4%)		
Bayer AG§	14,489	1,163,465
Merck KGaA	4,459	484,723
Stada Arzneimittel AG	2,699	105,620
		1,753,808
Semiconductors & Semiconductor Equipment (0.2%)		
Infineon Technologies AG	19,995	224,624
Software (0.4%)		
SAP AG	4,284	259,678
Software AG	4,061	243,429
		503,107
TOTAL GERMANY		14,402,307

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Greece (0.7%)		
Beverages (0.1%)		
Coca Cola Hellenic Bottling Co. SA*	2,913	$ 78,230
Commercial Banks (0.2%)		
Bank of Greece	788	29,762
National Bank of Greece SA*	34,262	246,324
		276,086
Electric Utilities (0.1%)		
Public Power Corp. SA	11,614	166,486
Hotels, Restaurants & Leisure (0.2%)		
OPAP SA	18,011	281,238
Oil, Gas & Consumable Fuels (0.1%)		
Hellenic Petroleum SA	10,448	98,595
TOTAL GREECE		900,635
Hong Kong (2.1%)		
Diversified Financial Services (2.1%)		
iShares MSCI Hong Kong Index Fund§	144,678	2,679,437
TOTAL HONG KONG		2,679,437
Israel (0.6%)		
Chemicals (0.0%)		
Israel Chemicals, Ltd.	1,555	24,811
Commercial Banks (0.1%)		
Bank Hapoalim BM*	12,051	60,229
Bank Leumi Le-Israel BM	7,305	34,536
		94,765
Diversified Telecommunication Services (0.1%)		
Bezeq Israeli Telecommunication Corp., Ltd.	21,142	53,517
Pharmaceuticals (0.4%)		
Teva Pharmaceutical Industries, Ltd. ADR	11,700	564,174
TOTAL ISRAEL		737,267
Italy (3.5%)		
Aerospace & Defense (0.1%)		
Finmeccanica SpA	13,668	165,344
Auto Components (0.2%)		
Pirelli & C. SpA§	24,593	265,886
Automobiles (0.1%)		
Fiat SpA	10,362	113,835

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Italy		
Commercial Banks (0.1%)		
Intesa Sanpaolo SpA	33,371	$ 88,841
UniCredit SpA	24,124	51,053
		139,894
Construction Materials (0.1%)		
Italcementi SpA§	10,513	98,329
Diversified Financial Services (0.1%)		
Exor SpA	5,300	165,732
Diversified Telecommunication Services (0.2%)		
Telecom Italia SpA	223,089	310,250
Electric Utilities (0.7%)		
Enel SpA	136,950	894,669
Food Products (0.1%)		
Parmalat SpA*	18,402	69,208
Gas Utilities (0.1%)		
Snam Rete Gas SpA	12,264	72,576
Insurance (0.1%)		
Assicurazioni Generali SpA	9,156	192,991
Machinery (0.1%)		
Fiat Industrial SpA*	9,121	117,779
Media (0.1%)		
Mediaset SpA	32,591	153,180
Multi-Utilities (0.2%)		
ACEA SpA	30,418	311,905
Oil, Gas & Consumable Fuels (0.9%)		
ENI SpA	47,408	1,123,286
Transportation Infrastructure (0.3%)		
Atlantia SpA	16,473	350,709
TOTAL ITALY		4,545,573
Japan (25.1%)		
Auto Components (0.7%)		
Aisin Seiki Co., Ltd.	1,689	65,150
Alpha Corp.	1,500	17,838
Bridgestone Corp.§	9,300	213,600
Calsonic Kansei Corp.§	1,900	11,415
Denso Corp.	4,722	175,068
Exedy Corp.	1,100	37,598
Kayaba Industry Co., Ltd.§	2,000	15,125
Koito Manufacturing Co., Ltd.	2,000	34,841
NHK Spring Co., Ltd.	3,000	30,581

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Auto Components		
Nihon Tokushu Toryo Co., Ltd.	2,100	$ 8,353
Sanden Corp.§	3,000	15,500
Sumitomo Rubber Industries, Ltd.§	5,400	65,140
Takata Corp.§	400	12,230
The Yokohama Rubber Co., Ltd	13,609	78,267
Tokai Rika Co., Ltd.	1,700	32,770
Topre Corp.	2,833	30,082
Toyo Tire & Rubber Co., Ltd.	6,325	15,974
Toyota Boshoku Corp.§	400	6,625
Toyota Industries Corp.	500	16,456
TS Tech Co., Ltd.	2,100	39,805
		922,418
Automobiles (2.0%)		
Daihatsu Motor Co., Ltd.§	4,000	67,860
Fuji Heavy Industries, Ltd.	11,903	92,206
Honda Motor Co., Ltd.	16,892	648,742
Isuzu Motors, Ltd.	7,721	36,435
Mazda Motor Corp.*§	16,200	42,555
Mitsubishi Motors Corp.*§	22,000	26,756
Nissan Motor Co., Ltd.	27,800	291,234
Suzuki Motor Corp.§	4,731	106,307
Toyota Motor Corp.	30,045	1,233,322
Yamaha Motor Co., Ltd.*§	3,300	60,422
		2,605,839
Beverages (0.2%)		
Asahi Breweries, Ltd.§	2,300	46,184
Kirin Holdings Co., Ltd.§	6,823	94,818
Mikuni Coca-Cola Bottling Co., Ltd.	5,389	46,972
Oenon Holdings, Inc.§	7,900	17,731
		205,705
Building Products (0.3%)		
Asahi Glass Co., Ltd.	18,800	219,308
Daikin Industries, Ltd.	1,054	37,243
JS Group Corp.§	1,200	30,854
Komatsu Wall Industry Co., Ltd.	1,200	11,323
Nippon Sheet Glass Co., Ltd.§	13,326	41,303
Takasago Thermal Engineering Co., Ltd.§	2,000	15,578
Toli Corp.	6,900	14,988
		370,597
Capital Markets (0.2%)		
Daiwa Securities Group, Inc.§	11,481	50,424
Matsui Securities Co., Ltd.	2,200	10,580
Mizuho Securities Co., Ltd.*	14,400	34,596

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Capital Markets		
Nomura Holdings, Inc.	37,057	$ 182,288
Tokai Tokyo Financial Holdings, Inc.	9,273	28,040
		305,928
Chemicals (1.4%)		
ADEKA Corp.	1,300	13,152
Air Water, Inc.	3,900	46,834
Arakawa Chemical Industries, Ltd.	3,100	29,208
Asahi Kasei Corp.§	26,696	179,337
Chugoku Marine Paints, Ltd.§	8,759	68,422
Daicel Chemical Industries, Ltd.	5,900	38,854
Daiso Co., Ltd.	7,900	28,572
Denki Kagaku Kogyo KK	11,800	56,710
DIC Corp.	21,700	51,238
Kaneka Corp.	13,800	90,388
Konishi Co., Ltd.	1,700	24,749
Kuraray Co., Ltd.	3,000	43,811
Mitsubishi Chemical Holdings Corp.	19,209	135,688
Mitsubishi Gas Chemical Co., Inc.	5,124	37,423
Mitsui Chemicals, Inc.	18,900	68,651
Nippon Kayaku Co., Ltd.	2,000	21,030
Nippon Soda Co., Ltd.	2,254	9,945
Nissan Chemical Industries, Ltd.	2,000	22,081
Nitto Denko Corp.	1,700	86,106
Sakata INX Corp.	8,900	41,515
Sekisui Plastics Co., Ltd.	5,000	22,845
Shikoku Chemicals Corp.	3,393	19,356
Shin-Etsu Chemical Co., Ltd.§	4,300	229,760
Showa Denko KK	25,700	53,067
Sumitomo Bakelite Co., Ltd.	3,366	22,475
Sumitomo Chemical Co., Ltd.	19,084	94,987
Teijin, Ltd.§	14,000	61,515
Toray Industries, Inc.§	12,000	88,330
Tosoh Corp.§	16,061	64,292
Toyo Ink Manufacturing Co., Ltd.	7,900	38,026
Ube Industries, Ltd.	11,500	34,513
		1,822,880
Commercial Banks (2.3%)		
Chuo Mitsui Trust Holdings, Inc.	7,000	24,288
Fukuoka Financial Group, Inc.	21,800	90,827
Hokuhoku Financial Group, Inc.	47,393	93,584
Mitsubishi UFJ Financial Group, Inc.§	158,531	770,135
Mizuho Financial Group, Inc.§	276,654	453,280
Resona Holdings, Inc.§	24,103	113,042
Sapporo Hokuyo Holdings, Inc.	13,000	54,325
Sumitomo Mitsui Financial Group, Inc.	18,196	559,296

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Commercial Banks		
The Akita Bank, Ltd.	11,900	$ 34,450
The Bank of Nagoya, Ltd.	8,900	27,112
The Bank of Saga, Ltd.	12,900	32,202
The Bank of Yokohama, Ltd.§	18,800	93,685
The Chiba Bank, Ltd.§	9,892	61,711
The Chiba Kogyo Bank, Ltd.*	7,163	39,704
The Daishi Bank, Ltd.	22,739	68,346
The Ehime Bank, Ltd.	6,900	20,396
The Eighteenth Bank, Ltd.	18,566	50,789
The Fukui Bank, Ltd.	14,000	40,498
The Gunma Bank, Ltd.	1,000	5,269
The Hiroshima Bank, Ltd§	1,885	8,200
The Hokuetsu Bank, Ltd.	18,800	38,754
The Hyakugo Bank, Ltd.	6,900	27,864
The Joyo Bank, Ltd.	9,900	41,461
The Juroku Bank, Ltd	13,600	42,254
The Keiyo Bank, Ltd.	4,000	20,064
The Mie Bank, Ltd.	7,111	17,222
The Nishi-Nippon City Bank, Ltd.§	3,900	11,484
The Ogaki Kyoritsu Bank, Ltd.	1,800	5,547
The Toho Bank, Ltd.	12,000	26,545
The Tohoku Bank, Ltd.	6,418	9,484
The Yachiyo Bank, Ltd.	950	26,897
Yamaguchi Financial Group, Inc.	6,000	55,799
		2,964,514
Commercial Services & Supplies (0.4%)		
Central Security Patrols Co., Ltd.	600	6,061
Dai Nippon Printing Co., Ltd.§	12,900	144,929
Duskin Co., Ltd.	1,200	23,260
Itoki Corp.	3,037	6,486
Kyodo Printing Co., Ltd.	8,900	21,356
Nichiban Co., Ltd.	3,000	10,542
Nippon Kanzai Co., Ltd.	550	9,509
Nippon Kucho Service Co., Ltd.	800	7,339
Nissha Printing Co., Ltd.§	800	14,627
Secom Co., Ltd.§	1,353	64,667
Sohgo Security Services Co., Ltd.	3,976	44,553
Tokyu Community Corp.§	600	18,820
Toppan Forms Co., Ltd.	7,000	55,539
Toppan Printing Co., Ltd.	16,546	127,968
Tosho Printing Co., Ltd.	5,499	9,894
		565,550

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Communications Equipment (0.0%)		
Iwatsu Electric Co., Ltd.	15,000	$ 15,631
Maspro Denkoh Corp.	900	6,969
		22,600
Computers & Peripherals (0.4%)		
Fujitsu, Ltd.	29,700	169,226
NEC Corp.*§	27,260	62,054
Seiko Epson Corp.§	1,100	19,007
Toshiba Corp.§	37,471	196,936
		447,223
Construction & Engineering (0.5%)		
Ando Corp.	13,300	17,660
Asunaro Aoki Construction Co., Ltd.	2,500	12,423
Chugai Ro Co., Ltd.§	4,000	13,921
CTI Engineering Co., Ltd.	2,071	13,535
Hazama Corp.*	11,766	15,633
Hibiya Engineering, Ltd.	2,000	20,163
Ichiken Co., Ltd.	5,800	7,487
Kajima Corp.	14,300	40,896
Kandenko Co., Ltd.	6,000	29,174
Kyowa Exeo Corp.	1,000	10,114
Maeda Corp.	9,900	31,055
Mirait Holdings Corp.§	5,300	41,832
Nakano Corp.	3,500	7,727
Nippo Corp.	3,635	29,359
Nippon Koei Co., Ltd.	7,900	28,444
Nishimatsu Construction Co., Ltd.	22,568	33,123
Obayashi Corp.	11,692	50,907
Obayashi Road Corp.§	10,900	26,699
Sanki Engineering Co., Ltd.	1,000	5,582
Seibu Electric Industry Co., Ltd.	1,998	8,298
Shimizu Corp.§	3,600	14,956
Sumitomo Densetsu Co., Ltd.	5,058	29,463
Taisei Corp.§	24,679	56,457
The Nippon Road Co., Ltd.	6,800	20,449
Toda Corp.	15,700	56,893
Yahagi Construction Co., Ltd.	2,000	10,118
Yondenko Corp.	3,000	13,363
		645,731
Construction Materials (0.0%)		
Sumitomo Osaka Cement Co., Ltd.	3,515	9,841
Containers & Packaging (0.1%)		
Hokkan Holdings, Ltd.	6,333	18,793
Nihon Yamamura Glass Co., Ltd.	6,900	18,201

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
June 30, 2011 (unaudited)

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Containers & Packaging		
Tomoku Co., Ltd.	4,000	$ 10,638
Toyo Seikan Kaisha, Ltd.	1,260	21,147
		68,779
Distributors (0.1%)		
Canon Marketing Japan, Inc.§	1,000	11,297
Happinet Corp.	800	9,408
Nice Holdings, Inc.§	6,900	13,811
Sankyo Seiko Co., Ltd.	7,312	24,163
Yokohama Reito Co., Ltd.§	2,000	13,436
		72,115
Diversified Consumer Services (0.0%)		
Tac Co., Ltd.	3,400	8,817
Watabe Wedding Corp.	1,040	8,693
		17,510
Diversified Financial Services (0.1%)		
Century Tokyo Leasing Corp.	1,500	26,961
Daiko Clearing Services Corp.	2,066	7,288
ORIX Corp.§	1,300	126,054
		160,303
Diversified Telecommunication Services (0.3%)		
Nippon Telegraph & Telephone Corp.	6,800	326,941
Electric Utilities (0.6%)		
Chubu Electric Power Co., Inc.	6,697	130,371
Hokkaido Electric Power Co., Inc.	2,400	39,795
Hokuriku Electric Power Co.§	1,100	20,925
Kyushu Electric Power Co., Inc.	7,500	134,616
The Chugoku Electric Power Co., Inc§	1,100	18,986
The Kansai Electric Power Co., Inc.	15,400	305,703
The Tokyo Electric Power Co., Inc.§	23,300	94,024
		744,420
Electrical Equipment (0.4%)		
Fuji Electric Holdings Co., Ltd.§	4,900	15,259
Fujikura, Ltd.	3,000	13,704
Furukawa Electric Co., Ltd.§	7,000	29,133
Helios Techno Holdings Co., Ltd.	2,743	7,274
Mitsubishi Electric Corp.	18,454	213,687
Nidec Corp.§	800	74,452
Sumitomo Electric Industries, Ltd.	12,200	177,383
		530,892
Electronic Equipment, Instruments & Components (1.5%)		
Ai Holdings Corp.	7,348	29,895
Citizen Holdings Co., Ltd.	8,700	51,914

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
June 30, 2011 (unaudited)

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Electronic Equipment, Instruments & Components		
Daiwabo Holdings Co., Ltd.	2,900	$ 5,909
Elematec Corp.§	1,100	16,090
Excel Co., Ltd.	1,300	13,277
FUJIFILM Holdings Corp.	6,692	208,058
Hakuto Co., Ltd.	4,300	42,531
Hitachi, Ltd.§	61,874	366,063
Hochiki Corp.	3,000	15,270
Horiba, Ltd.§	800	25,852
Hosiden Corp.	7,980	72,387
HOYA Corp.	8,100	178,756
ITC Networks Corp.	2,654	16,610
JBCC Holdings, Inc.	3,234	21,707
Kaga Electronics Co., Ltd.	1,800	19,323
Kanematsu Electronics, Ltd.	1,600	16,568
Keyence Corp.	282	79,816
Kyocera Corp.	2,186	221,871
Murata Manufacturing Co., Ltd.§	2,018	134,494
Nippon Electric Glass Co., Ltd.	2,000	25,581
Nohmi Bosai, Ltd.	5,666	33,565
Omron Corp.§	1,000	27,721
ONO Sokki Co., Ltd.*	4,000	11,105
Optex Co., Ltd.	1,100	13,809
Ryosan Co., Ltd.	1,700	36,177
Ryoyo Electro Corp.	4,500	44,544
Sanshin Electronics Co., Ltd.	5,500	43,789
Shinko Shoji Co., Ltd.	3,396	26,797
Tachibana Eletech Co., Ltd.	1,965	19,501
TDK Corp.§	2,082	114,483
Tomen Electronics Corp.	1,680	20,567
		1,954,030
Food & Staples Retailing (0.7%)		
Aeon Co., Ltd.§	14,298	172,034
Arcs Co., Ltd.	700	10,963
Belc Co., Ltd.	2,200	26,743
Cawachi, Ltd.	2,700	53,055
Cocokara fine, Inc.§	500	12,643
Echo Trading Co., Ltd.	1,234	11,405
Itochu-Shokuhin Co., Ltd.	954	33,474
Kasumi Co., Ltd.§	7,493	42,269
Kato Sangyo Co., Ltd.	2,060	38,003
Kirindo Co., Ltd.	3,154	17,626
Matsumotokiyoshi Holdings Co., Ltd.	1,700	36,177
Okuwa Co., Ltd.	5,000	49,975
Ryoshoku, Ltd.	600	13,890
S Foods, Inc.	1,000	8,482
Seven & I Holdings Co., Ltd.§	9,200	246,643

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Food & Staples Retailing		
Universe Co., Ltd.	1,000	$ 18,567
UNY Co., Ltd.	6,000	55,579
Valor Co., Ltd.	2,100	29,355
		876,883
Food Products (0.4%)		
Chubu Shiryo Co., Ltd	2,333	15,896
Fuji Oil Co., Ltd.§	600	9,210
J-Oil Mills, Inc.	30,057	88,004
Kyodo Shiryo Co., Ltd.	22,700	25,933
Maruha Nichiro Holdings, Inc.	13,994	22,423
MEIJI Holdings Co., Ltd.	2,000	84,058
Morinaga & Co., Ltd.	15,128	34,723
Morinaga Milk Industry Co., Ltd.§	5,332	22,706
Nichimo Co., Ltd.*	5,000	8,953
Nippon Flour Mills Co., Ltd.	10,061	46,552
Nippon Meat Packers, Inc.	2,000	28,599
Nippon Suisan Kaisha, Ltd.	24,059	78,847
Prima Meat Packers, Ltd.	7,482	9,100
Showa Sangyo Co., Ltd.	4,000	11,165
Starzen Co., Ltd.	7,900	22,944
Warabeya Nichiyo Co., Ltd.	1,625	18,516
Yonekyu Corp.	6,136	46,485
		574,114
Gas Utilities (0.1%)		
Osaka Gas Co., Ltd.§	13,700	51,802
Tokyo Gas Co., Ltd.	7,700	34,643
		86,445
Health Care Equipment & Supplies (0.1%)		
Hogy Medical Co., Ltd.	600	26,974
Nipro Corp.§	4,000	72,337
Terumo Corp.	400	21,585
		120,896
Health Care Providers & Services (0.1%)		
Alfresa Holdings Corp.§	900	34,866
As One Corp.	1,133	23,595
Mediceo Paltac Holdings Co., Ltd.	7,424	65,593
Suzuken Co., Ltd.	2,000	45,993
		170,047
Hotels, Restaurants & Leisure (0.1%)		
Doutor Nichires Holdings Co., Ltd.	2,700	32,797
Hurxley Corp.	1,850	12,580
Kyoritsu Maintenance Co., Ltd.	1,826	26,662

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
June 30, 2011 (unaudited)

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Hotels, Restaurants & Leisure		
McDonald's Holdings Co. Japan, Ltd.§	700	$ 17,742
Resort Solution Co., Ltd.	4,000	6,851
		96,632
Household Durables (1.0%)		
Casio Computer Co., Ltd.§	3,442	24,215
Corona Corp.	2,420	26,789
Foster Electric Co., Ltd.	1,500	30,002
Fuji Corp.	3,600	16,357
Fujitsu General, Ltd.§	3,000	19,839
Hitachi Koki Co., Ltd.§	2,090	19,036
Mitsui Home Co., Ltd.	5,000	24,905
PanaHome Corp.	11,800	76,443
Panasonic Corp.§	24,080	293,551
Sangetsu Co., Ltd.	2,300	55,892
Sanyo Housing Nagoya Co., Ltd.	22	21,455
Sekisui Chemical Co., Ltd.	4,000	34,068
Sekisui House, Ltd.§	14,000	129,943
Sharp Corp.§	12,883	117,199
Sony Corp.	11,438	300,842
Sumitomo Forestry Co., Ltd.	3,300	30,157
Token Corp.§	580	20,999
		1,241,692
Household Products (0.0%)		
Lion Corp.§	2,000	11,059
Independent Power Producers & Energy Traders (0.1%)		
Electric Power Development Co., Ltd.§	4,600	123,944
Industrial Conglomerates (0.1%)		
Hankyu Hanshin Holdings, Inc.	19,000	74,973
Insurance (0.6%)		
Mitsui Sumitomo Insurance Group Holdings, Inc.§	5,181	120,888
NKSJ Holdings, Inc.	13,373	87,986
Sony Financial Holdings, Inc.	1,000	18,023
T&D Holdings, Inc.	4,500	106,771
The Dai-ichi Life Insurance Co., Ltd.	91	127,210
Tokio Marine Holdings, Inc.	9,548	266,446
		727,324
Internet & Catalog Retail (0.1%)		
Belluna Co., Ltd.	2,550	16,639
Rakuten, Inc.§	68	70,159
Scroll Corp.	13,683	45,869
Senshukai Co., Ltd.§	1,825	11,081
		143,748

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Internet Software & Services (0.0%)		
eAccess, Ltd.§	35	$ 15,638
Gree, Inc.*§	900	19,613
		35,251
IT Services (0.2%)		
Argo Graphics, Inc.	800	10,222
CAC Corp.	2,600	20,375
Ines Corp.	1,600	10,702
IT Holdings Corp.	3,500	31,009
Itochu Techno-Science Corp.§	500	17,693
JBIS Holdings, Inc.	2,368	8,085
NEC Fielding, Ltd.	1,300	15,658
Nihon Unisys, Ltd.§	3,700	22,081
NS Solutions Corp.	1,300	25,299
NTT Data Corp.	25	82,822
Panasonic Electric Works Information Systems Co., Ltd.	400	11,109
		255,055
Leisure Equipment & Products (0.4%)		
Daikoku Denki Co., Ltd.	1,100	10,934
GLOBERIDE, Inc.§	16,466	18,385
Heiwa Corp.	2,700	41,634
Mizuno Corp.	12,507	59,152
Namco Bandai Holdings, Inc.§	7,600	91,195
Nikon Corp.	2,900	68,364
Roland Corp.	600	5,917
Sankyo Co., Ltd.	1,254	64,586
Sega Sammy Holdings, Inc.§	3,200	61,663
SRI Sports, Ltd.	3,300	35,153
		456,983
Machinery (1.6%)		
Amada Co., Ltd.	5,279	40,463
Asahi Diamond Industrial Co., Ltd.	1,000	21,794
CKD Corp.	3,200	28,454
Daido Kogyo Co., Ltd.	4,000	8,056
Daifuku Co., Ltd.	2,000	12,882
Ebara Corp.	7,900	46,450
Fanuc, Ltd.	2,158	359,728
Hitachi Construction Machinery Co., Ltd.§	2,600	58,102
Hitachi Zosen Corp.§	31,758	49,328
IHI Corp.	35,800	92,213
JTEKT Corp.	2,992	43,947
Kawasaki Heavy Industries, Ltd.	16,000	63,547
Komatsu, Ltd.§	12,048	374,988
Kubota Corp.	10,000	88,436
Maezawa Kyuso Industries Co., Ltd.	632	9,196

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Machinery		
Makita Corp.§	1,389	$ 64,522
Minebea Co., Ltd.	6,778	36,049
Mitsubishi Heavy Industries, Ltd.§	31,900	149,527
Mitsuboshi Belting Co., Ltd.	2,000	9,893
Mitsui Engineering & Shipbuilding Co., Ltd.§	39,472	85,918
Nabtesco Corp.	1,000	24,149
Nippon Yusoki Co., Ltd.	3,666	9,059
NSK, Ltd.	3,480	34,632
NTN Corp.§	12,496	70,960
Obara Corp.	1,800	25,660
Oiles Corp.	400	7,907
Sasebo Heavy Industries Co., Ltd.§	8,790	16,292
Shinmaywa Industries, Ltd.	7,900	30,035
SMC Corp.§	193	34,682
Sumitomo Heavy Industries, Ltd.§	12,808	89,116
TOKYO KEIKI, Inc.	19,758	28,255
Tsurumi Manufacturing Co., Ltd.	2,000	14,530
		2,028,770
Marine (0.1%)		
Japan Transcity Corp.	7,400	22,958
Kawasaki Kisen Kaisha, Ltd.§	2,000	6,970
Mitsui OSK Lines, Ltd.	5,900	31,646
Nippon Yusen KK§	22,406	82,983
		144,557
Media (0.4%)		
Amuse, Inc.	800	8,957
Avex Group Holdings, Inc.	3,359	43,476
Dentsu, Inc.	2,900	85,570
Fuji Media Holdings, Inc.	12	17,707
Hakuhodo DY Holdings, Inc.	1,181	62,871
Horipro, Inc.	1,635	14,563
Jupiter Telecommunications Co., Ltd.	59	65,799
Nippon Television Network Corp.	600	85,171
SKY Perfect JSAT Holdings, Inc.§	184	75,707
Toei Co., Ltd.	4,000	18,317
Tow Co., Ltd.	2,666	14,726
TV Asahi Corp.	15	22,664
Zenrin Co., Ltd.	3,600	37,454
		552,982
Metals & Mining (0.7%)		
Dowa Holdings Co., Ltd.	13,000	80,428
JFE Holdings, Inc.	5,000	137,074
Kobe Steel, Ltd.§	11,000	24,936
Mitsubishi Materials Corp.	13,862	43,538

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Metals & Mining		
Mitsubishi Steel Manufacturing Co., Ltd.	6,000	$ 20,564
Mitsui Mining & Smelting Co., Ltd.	26,800	90,207
Nichia Steel Works, Ltd.	8,900	22,212
Nippon Denko Co., Ltd.	1,000	6,757
Nippon Steel Corp.§	57,577	186,198
Pacific Metals Co., Ltd.	2,000	14,754
Sumitomo Metal Industries, Ltd.	39,663	88,820
Sumitomo Metal Mining Co., Ltd.	11,000	180,151
Yodogawa Steel Works, Ltd.	4,000	16,807
		912,446
Office Electronics (0.8%)		
Brother Industries, Ltd.	6,500	95,843
Canon, Inc.§	14,614	692,939
Konica Minolta Holdings, Inc.	6,573	54,727
Ricoh Co., Ltd.§	14,785	163,498
		1,007,007
Oil, Gas & Consumable Fuels (0.5%)		
Cosmo Oil Co., Ltd.	17,602	49,954
Idemitsu Kosan Co., Ltd.§	800	85,109
INPEX Corp.	20	147,397
Itochu Enex Co., Ltd.	8,936	49,932
JX Holdings, Inc.	23,400	156,892
San-Ai Oil Co., Ltd.	3,700	21,139
Sinanen Co., Ltd.	6,000	26,047
TonenGeneral Sekiyu KK§	8,900	109,128
		645,598
Paper & Forest Products (0.0%)		
Chuetsu Pulp & Paper Co., Ltd.	6,900	11,556
Nakabayashi Co., Ltd.§	3,428	9,266
		20,822
Personal Products (0.2%)		
Kao Corp.	6,000	157,267
Shiseido Co., Ltd.	4,000	74,429
		231,696
Pharmaceuticals (1.1%)		
Astellas Pharma, Inc.	7,200	278,486
Daiichi Sankyo Co., Ltd.	9,991	194,618
Eisai Co., Ltd.§	5,200	202,241
Kaken Pharmaceutical Co., Ltd.	1,000	13,971
KYORIN Holdings, Inc.	3,000	59,500
Kyowa Hakko Kirin Co., Ltd.	1,000	9,509
Mitsubishi Tanabe Pharma Corp.	2,000	33,367
Mochida Pharmaceutical Co., Ltd.	2,900	31,005

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Pharmaceuticals		
Ono Pharmaceutical Co., Ltd.§	1,600	$ 85,327
Otsuka Holdings Co. Ltd.	2,900	76,494
Shionogi & Co., Ltd.	1,000	16,324
Takeda Pharmaceutical Co., Ltd.	9,800	451,495
		1,452,337
Professional Services (0.0%)		
Pasona Group, Inc.	23	21,239
Real Estate Investment Trusts (0.1%)		
Japan Real Estate Investment Corp.§	4	39,231
Japan Retail Fund Investment Corp.§	37	56,838
Nomura Real Estate Office Fund, Inc.	2	13,200
		109,269
Real Estate Management & Development (0.5%)		
Airport Facilities Co., Ltd.	6,600	25,327
Daito Trust Construction Co., Ltd.	1,593	134,818
Daiwa House Industry Co., Ltd.	3,000	37,736
Mitsubishi Estate Co., Ltd.	9,459	165,481
Mitsui Fudosan Co., Ltd.	6,810	116,917
Nomura Real Estate Holdings, Inc.	1,800	29,917
Sumitomo Realty & Development Co., Ltd.	1,000	22,279
Tokyo Tatemono Co., Ltd.§	9,700	35,280
Tokyu Land Corp.	14,511	61,457
		629,212
Road & Rail (0.7%)		
Central Japan Railway Co.	27	211,585
East Japan Railway Co.	4,300	245,487
Fukuyama Transporting Co., Ltd.§	5,000	26,543
ICHINEN HOLDINGS Co., Ltd.	4,050	20,194
Kintetsu Corp.§	6,000	19,208
KRS Corp.	960	10,212
Maruwn Corp.	2,300	5,643
Nippon Express Co., Ltd.	21,700	87,653
Sankyu, Inc.	9,900	46,142
Seino Holdings Corp.	8,900	63,813
Tonami Holdings Co., Ltd.	6,332	12,340
West Japan Railway Co.	3,900	151,771
		900,591
Semiconductors & Semiconductor Equipment (0.2%)		
Dainippon Screen Manufacturing Co., Ltd.§	3,000	25,535
Elpida Memory, Inc.*§	3,100	36,399
Mimasu Semiconductor Industry Co., Ltd.	1,300	15,314
Rohm Co., Ltd.	1,500	85,785
Tokyo Electron, Ltd.	1,966	107,167
		270,200

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Software (0.2%)		
Computer Engineering & Consulting, Ltd.	1,900	$ 9,715
Computer Institute of Japan, Ltd.	2,504	8,190
Jastec Co., Ltd.	1,088	6,446
Nintendo Co., Ltd.	1,200	224,634
SRA Holdings	2,884	28,465
Sumisho Computer Systems Corp.§	1,400	24,126
		301,576
Specialty Retail (0.4%)		
Alpen Co., Ltd.§	3,000	48,728
AOKI Holdings, Inc.	1,300	20,211
Aoyama Trading Co., Ltd.	2,333	40,105
Arc Land Sakamoto Co., Ltd.	2,052	32,595
Autobacs Seven Co., Ltd.§	800	33,635
DCM Holdings Co., Ltd.§	9,300	63,145
Fast Retailing Co., Ltd.	272	43,851
Geo Corp.§	25	31,024
Hard Off Corp. Co., Ltd.	1,600	7,938
Hikari Tsushin, Inc.	1,000	23,543
K's Holding Corp.§	500	21,551
Keiyo Co., Ltd.§	6,073	33,767
Right On Co., Ltd.*	3,307	17,114
T-Gaia Corp.§	33	61,348
Taka-Q, Ltd.	4,000	7,543
Top Culture Co., Ltd.	1,433	6,301
Yamada Denki Co., Ltd.	290	23,554
		515,953
Textiles, Apparel & Luxury Goods (0.2%)		
Atsugi Co., Ltd.	26,526	33,249
Daidoh, Ltd.§	1,036	10,384
Gunze, Ltd.	5,000	16,945
Japan Vilene Co., Ltd.	4,000	17,579
Kurabo Industries, Ltd.	36,918	73,851
Nisshinbo Holdings, Inc.	5,869	55,745
Onward Holdings Co., Ltd.§	3,000	25,220
Sanyo Shokai Ltd.	10,000	29,165
Tasaki Shinju Co., Ltd.*	7,579	5,737
The Japan Wool Textile Co., Ltd.	3,000	23,482
Toyobo Co., Ltd.	10,700	15,718
Yamato International, Inc.	1,600	7,326
		314,401
Thrifts & Mortgage Finance (0.0%)		
Asax Co., Ltd.	7	10,518

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Tobacco (0.1%)		
Japan Tobacco, Inc.	48	$ 184,698
Trading Companies & Distributors (1.2%)		
Furusato Industries, Ltd.	1,416	9,779
Inaba Denki Sangyo Co., Ltd	1,713	45,551
ITOCHU Corp.	13,221	137,076
Japan Pulp & Paper Co., Ltd.	9,173	31,324
JFE Shoji Holdings, Inc.	4,900	23,904
Kamei Corp.	5,000	20,921
Kanaden Corp.	1,000	6,280
Kuroda Electric Co., Ltd.	2,737	31,376
Kyokuto Boeki Kaisha, Ltd.	4,666	12,181
Marubeni Corp.	17,427	115,451
Mitsubishi Corp.	12,115	301,651
Mitsui & Co., Ltd.	18,683	322,011
Nagase & Co., Ltd.	2,000	24,540
NEC Capital Solutions Ltd.	955	12,697
Onoken Co., Ltd.	4,800	43,248
Sato Shoji Corp.	1,500	8,501
Seika Corp.	16,659	43,468
Shinwa Co., Ltd.	800	8,990
Sojitz Corp.	41,281	77,083
Sumikin Bussan Corp.	20,166	48,897
Sumitomo Corp.§	10,479	142,109
Tokyo Sangyo Co., Ltd.	2,500	7,727
Tsubakimoto Kogyo Co., Ltd.	4,000	10,670
		1,485,435
Transportation Infrastructure (0.0%)		
Nissin Corp.	10,400	26,108
The Yasuda Warehouse Co., Ltd.	3,000	17,908
		44,016
Wireless Telecommunication Services (0.6%)		
KDDI Corp.	26	186,478
NTT DoCoMo, Inc.	145	258,144
Softbank Corp.§	7,500	283,145
		727,767
TOTAL JAPAN		32,269,952
Luxembourg (0.3%)		
Metals & Mining (0.3%)		
ArcelorMittal§	10,388	361,181
TOTAL LUXEMBOURG		361,181

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
June 30, 2011 (unaudited)

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Netherlands (3.9%)		
Aerospace & Defense (0.2%)		
European Aeronautic Defence & Space Co. NV§	6,640	$ 222,179
Beverages (0.4%)		
Heineken Holding NV	7,730	395,643
Heineken NV	1,425	85,748
		481,391
Chemicals (0.7%)		
Akzo Nobel NV	7,285	460,176
Koninklijke DSM NV	7,736	501,935
		962,111
Construction & Engineering (0.2%)		
Koninklijke BAM Groep NV§	13,118	82,257
Koninklijke Boskalis Westminster NV	2,561	121,154
		203,411
Construction Materials (0.0%)		
James Hardie Industries NV*	3,734	23,614
Diversified Financial Services (0.2%)		
ING Groep NV*	20,482	252,358
Diversified Telecommunication Services (0.3%)		
Koninklijke KPN NV	27,638	401,911
Food & Staples Retailing (0.5%)		
Koninklijke Ahold NV	43,272	581,683
Food Products (1.1%)		
CSM	2,922	98,417
Nutreco Holding NV	4,491	330,019
Unilever NV	31,544	1,035,079
		1,463,515
Industrial Conglomerates (0.2%)		
Koninklijke Philips Electronics NV	7,813	200,753
Insurance (0.0%)		
Aegon NV*	7,528	51,285
Life Sciences Tools & Services (0.0%)		
QIAGEN NV*	1,968	37,732
Semiconductors & Semiconductor Equipment (0.1%)		
ASML Holding NV	1,501	55,353
STMicroelectronics NV	8,429	83,882
STMicroelectronics NV§	4,706	46,889
		186,124
TOTAL NETHERLANDS		5,068,067

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Norway (1.6%)		
Chemicals (0.2%)		
Yara International ASA	3,924	$ 221,691
Commercial Banks (0.3%)		
DnB NOR ASA	31,317	438,708
Diversified Telecommunication Services (0.4%)		
Telenor ASA	32,405	533,253
Energy Equipment & Services (0.1%)		
Aker Solutions ASA	2,915	58,563
Industrial Conglomerates (0.0%)		
Orkla ASA	1,304	12,483
Metals & Mining (0.1%)		
Norsk Hydro ASA	11,285	86,865
Oil, Gas & Consumable Fuels (0.5%)		
StatoilHydro ASA	25,771	656,030
TOTAL NORWAY		2,007,593
Portugal (0.6%)		
Commercial Banks (0.3%)		
Banco BPI SA*§	76,926	113,145
Banco Comercial Portugues SA R Shares*§	257,922	153,382
Banco Espirito Santo SA§	16,074	59,912
		326,439
Construction Materials (0.0%)		
Cimpor Cimentos de Portugal SGPS SA	5,535	42,249
Electric Utilities (0.1%)		
EDP - Energias de Portugal SA	54,796	194,422
Food & Staples Retailing (0.1%)		
Jeronimo Martins SGPS SA	5,695	109,353
Transportation Infrastructure (0.1%)		
Brisa Auto-Estradas de Portugal SA	17,821	108,706
TOTAL PORTUGAL		781,169
Singapore (1.3%)		
Diversified Financial Services (1.3%)		
iShares MSCI Singapore Index Fund§	117,181	1,608,895
TOTAL SINGAPORE		1,608,895

	Number of Shares	Value
LONG STOCK POSITIONS		
Spain (5.0%)		
Commercial Banks (1.7%)		
Banco Bilbao Vizcaya Argentaria SA§	58,956	$ 691,928
Banco Popular Espanol SA*§	6,590	478
Banco Popular Espanol SA§	6,590	37,071
Banco Santander SA	119,739	1,379,124
Bankinter SA§	14,162	96,051
		2,204,652
Construction & Engineering (0.8%)		
ACS Actividades de Construccion y Servicios SA§	6,137	289,595
Ferrovial SA§	37,719	476,501
Fomento de Construcciones y Contratas SA§	9,566	291,764
		1,057,860
Diversified Telecommunication Services (0.6%)		
Telefonica SA	33,403	815,657
Electric Utilities (0.7%)		
Endesa SA§	12,823	427,061
Iberdrola SA*	52,656	468,373
		895,434
Electrical Equipment (0.1%)		
Gamesa Corp. Tecnologica SA*§	6,642	53,651
Food Products (0.1%)		
Ebro Foods SA§	6,026	139,155
Gas Utilities (0.2%)		
Gas Natural SDG SA§	11,975	250,767
Insurance (0.1%)		
Mapfre SA§	18,206	67,534
IT Services (0.0%)		
Indra Sistemas SA§	1,268	26,151
Oil, Gas & Consumable Fuels (0.6%)		
Repsol YPF SA§	22,090	766,043
Specialty Retail (0.1%)		
Inditex SA	930	84,718
TOTAL SPAIN		6,361,622
Sweden (5.4%)		
Building Products (0.2%)		
Assa Abloy AB Class B	9,985	269,024
Capital Markets (0.1%)		
Ratos AB B Shares	2,296	44,238
Commercial Banks (0.2%)		
Svenska Handelsbanken AB A Shares	5,935	183,431
Commercial Services & Supplies (0.3%)		
Securitas AB B Shares	38,176	405,167

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Sweden		
Communications Equipment (0.5%)		
Telefonaktiebolaget LM Ericsson B Shares	46,311	$ 668,271
Construction & Engineering (0.4%)		
Skanska AB B Shares	28,907	519,429
Diversified Financial Services (0.0%)		
Industrivarden AB A Shares	558	9,797
Diversified Telecommunication Services (0.3%)		
Tele2 AB B Shares	3,613	71,485
TeliaSonera AB	48,486	356,523
		428,008
Health Care Equipment & Supplies (0.4%)		
Elekta AB B Shares	1,441	68,418
Getinge AB B Shares	16,093	433,803
		502,221
Household Durables (0.1%)		
Electrolux AB Series B§	3,617	86,712
Machinery (1.8%)		
Alfa Laval AB	374	8,085
Atlas Copco AB A Shares§	24,549	648,083
Atlas Copco AB B Shares	912	21,567
Scania AB B Shares	21,459	499,321
SKF AB B Shares§	1,711	49,661
Volvo AB A Shares	23,204	406,306
Volvo AB B Shares	39,310	689,824
		2,322,847
Metals & Mining (0.4%)		
Boliden AB	25,527	472,580
Paper & Forest Products (0.2%)		
Svenska Cellulosa AB B Shares	20,479	289,438
Pharmaceuticals (0.2%)		
Meda AB A Shares	26,308	287,259
Specialty Retail (0.1%)		
Hennes & Mauritz AB B Shares	3,304	114,336
Tobacco (0.2%)		
Swedish Match AB	8,575	288,607
TOTAL SWEDEN		6,891,365
Switzerland (7.0%)		
Biotechnology (0.1%)		
BB Biotech AG	1,860	141,573
Capital Markets (0.4%)		
UBS AG*§	29,606	539,494

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
June 30, 2011 (unaudited)

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Switzerland		
Chemicals (0.3%)		
Clariant AG*	7,122	$ 136,052
Syngenta AG*	727	245,325
		381,377
Construction Materials (0.1%)		
Holcim, Ltd.*	820	61,920
Diversified Financial Services (0.0%)		
Pargesa Holding SA BR	452	41,830
Electrical Equipment (0.3%)		
ABB, Ltd.*	17,202	446,284
Energy Equipment & Services (0.2%)		
Transocean, Ltd.	3,751	244,518
Food Products (1.8%)		
Nestle SA§	37,307	2,318,112
Health Care Providers & Services (0.1%)		
Galenica AG	179	114,562
Insurance (0.5%)		
Baloise Holding AG	245	25,243
Helvetia Holding AG	339	145,023
Zurich Financial Services AG*	1,671	422,202
		592,468
Life Sciences Tools & Services (0.0%)		
Lonza Group AG*	383	29,961
Machinery (0.2%)		
Georg Fischer AG*	151	83,004
Schindler Holding AG	1,010	122,659
		205,663
Pharmaceuticals (2.7%)		
Novartis AG	29,243	1,789,558
Roche Holding AG§	9,861	1,648,485
		3,438,043
Textiles, Apparel & Luxury Goods (0.3%)		
The Swatch Group AG	2,652	238,088
The Swatch Group AG BR Shares	322	162,274
		400,362
TOTAL SWITZERLAND		8,956,167
United Kingdom (22.0%)		
Aerospace & Defense (0.2%)		
BAE Systems PLC	51,584	263,968
Rolls-Royce Holdings PLC*	5,323	55,142
		319,110

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
United Kingdom		
Beverages (0.2%)		
Diageo PLC§	9,561	$ 195,669
Biotechnology (0.0%)		
Genus PLC	2,410	39,897
Capital Markets (0.5%)		
3i Group PLC	14,899	67,302
Aberdeen Asset Management PLC	709	2,540
Collins Stewart PLC	22,253	25,098
Intermediate Capital Group PLC	15,921	82,514
Man Group PLC§	34,391	130,856
Schroders PLC	14,896	369,959
		678,269
Chemicals (0.4%)		
Croda International PLC	11,183	338,807
Filtrona PLC	13,382	78,976
Yule Catto & Co. PLC	10,068	36,756
		454,539
Commercial Banks (2.9%)		
Barclays PLC	163,328	670,238
HSBC Holdings PLC§	195,323	1,937,179
Lloyds Banking Group PLC*	169,979	133,617
Royal Bank of Scotland Group PLC*§	122,888	76,037
Standard Chartered PLC	33,487	879,899
		3,696,970
Communications Equipment (0.1%)		
Spirent Communications PLC	49,379	118,303
Construction & Engineering (0.2%)		
Carillion PLC	30,670	185,201
Interserve PLC	7,096	36,735
		221,936
Containers & Packaging (0.1%)		
DS Smith PLC	26,039	105,273
Rexam PLC	7,026	43,209
		148,482
Distributors (0.1%)		
Inchcape PLC	11,753	78,947
Diversified Telecommunication Services (0.4%)		
BT Group PLC	158,505	514,097

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
June 30, 2011 (unaudited)

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
United Kingdom		
Electronic Equipment, Instruments & Components (0.3%)		
Diploma PLC	12,909	$ 77,697
Domino Printing Sciences	4,080	44,699
Electrocomponents PLC	16,786	73,437
Premier Farnell PLC	22,915	91,646
TT electronics PLC	23,115	74,498
		361,977
Energy Equipment & Services (0.1%)		
Petrofac, Ltd.	6,404	155,775
Food & Staples Retailing (0.4%)		
J Sainsbury PLC	47,552	251,973
Tesco PLC	39,089	252,632
		504,605
Food Products (0.3%)		
Unilever PLC	12,690	409,584
Health Care Providers & Services (0.0%)		
Synergy Health PLC	2,704	39,721
Hotels, Restaurants & Leisure (0.1%)		
Compass Group PLC	4,761	45,921
Rank Group PLC	25,848	62,039
		107,960
Household Durables (0.0%)		
Persimmon PLC	7,958	61,675
Household Products (0.1%)		
Reckitt Benckiser Group PLC	2,260	124,863
Independent Power Producers & Energy Traders (0.2%)		
International Power PLC	56,395	291,357
Industrial Conglomerates (0.1%)		
Cookson Group PLC	9,184	99,244
Smiths Group PLC	3,104	59,892
		159,136
Insurance (1.2%)		
Aviva PLC	47,328	333,247
Legal & General Group PLC	260,213	493,105
Old Mutual PLC	197,007	421,850
Prudential PLC	8,771	101,309
RSA Insurance Group PLC§	66,965	144,890
		1,494,401
IT Services (0.1%)		
Computacenter PLC§	12,316	94,909

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
June 30, 2011 (unaudited)

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
United Kingdom		
Machinery (0.4%)		
Fenner PLC§	18,625	$ 120,294
IMI PLC	14,043	237,478
Melrose PLC	12,741	74,042
Senior PLC	19,935	58,297
		490,111
Media (0.3%)		
Euromoney Institutional Investor PLC	5,536	58,052
Pearson PLC	13,527	255,973
Trinity Mirror PLC*	68,091	45,367
		359,392
Metals & Mining (2.8%)		
Anglo American PLC	8,303	411,907
BHP Billiton PLC	35,346	1,389,310
Hill & Smith Holdings PLC	8,340	46,562
Kazakhmys PLC	2,757	61,133
Rio Tinto PLC	19,699	1,422,824
Xstrata PLC	12,091	266,392
		3,598,128
Multi-Utilities (0.6%)		
Centrica PLC§	132,671	689,105
National Grid PLC	7,500	73,855
		762,960
Multiline Retail (0.2%)		
Next PLC	6,385	238,628
Oil, Gas & Consumable Fuels (5.0%)		
BG Group PLC§	22,819	518,288
BP PLC	224,215	1,651,407
Royal Dutch Shell PLC A Shares§	66,871	2,380,250
Royal Dutch Shell PLC A Shares	12,651	449,127
Royal Dutch Shell PLC B Shares	41,111	1,467,542
		6,466,614
Paper & Forest Products (0.4%)		
Mondi PLC	45,609	454,100
Pharmaceuticals (2.4%)		
AstraZeneca PLC	24,001	1,199,975
GlaxoSmithKline PLC	76,520	1,640,660
Shire PLC	9,599	300,222
		3,140,857
Real Estate Investment Trusts (0.0%)		
Hammerson PLC	114	882

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
United Kingdom		
Specialty Retail (0.3%)		
Kingfisher PLC	41,374	$ 177,781
WH Smith PLC	19,525	153,638
		331,419
Thrifts & Mortgage Finance (0.1%)		
Paragon Group of Cos. PLC	45,025	143,172
Tobacco (0.5%)		
British American Tobacco PLC	14,789	648,723
Trading Companies & Distributors (0.0%)		
Bunzl PLC	4,102	51,384
Wireless Telecommunication Services (1.0%)		
Vodafone Group PLC	481,635	1,277,521
TOTAL UNITED KINGDOM		28,236,073
TOTAL COMMON STOCKS (Cost $126,165,914)		151,979,059
PREFERRED STOCKS (0.6%)		
Germany (0.6%)		
Automobiles (0.2%)		
Porsche Automobil Holding SE	2,009	159,326
Volkswagen AG	265	54,790
		214,116
Household Products (0.4%)		
Henkel AG & Co. KGaA§	7,877	547,638
TOTAL GERMANY		761,754
TOTAL PREFERRED STOCKS (Cost $516,562)		761,754
TOTAL LONG STOCK POSITIONS (Cost $126,682,476)		152,740,813
SHORT-TERM INVESTMENTS (9.4%)		
State Street Navigator Prime Portfolio, 0.2299%§§	10,662,198	10,662,198
	Par (000)	
State Street Bank and Trust Co. Euro Time Deposit, 0.010%, 07/01/11	$1,375	1,375,000
TOTAL SHORT-TERM INVESTMENTS (Cost $12,037,198)		12,037,198
TOTAL INVESTMENTS AT VALUE (128.4%) (Cost $138,719,674)		164,778,011
TOTAL SECURITIES SOLD SHORT (-20.5%) (Proceeds $24,629,246)		(26,328,524)
LIABILITIES IN EXCESS OF OTHER ASSETS (-7.9%)		(10,099,662)
NET ASSETS (100.0%)		$128,349,825

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
June 30, 2011 (unaudited)

	Number of Shares	Value
SHORT STOCK POSITIONS (-20.5%)		
COMMON STOCKS (-20.5%)		
Austria (-0.4%)		
Diversified Telecommunication Services (-0.2%)		
Telekom Austria AG	(20,280)	$ (258,746)
Electric Utilities (-0.1%)		
Verbund AG	(2,328)	(101,334)
Metals & Mining (-0.1%)		
Randgold Resources, Ltd.	(851)	(71,701)
TOTAL AUSTRIA		(431,781)
Belgium (-0.7%)		
Chemicals (-0.2%)		
Umicore	(4,425)	(241,300)
Commercial Banks (-0.0%)		
Dexia SA*	(2,660)	(8,281)
Diversified Financial Services (-0.2%)		
Groupe Bruxelles Lambert SA	(3,529)	(313,438)
Wireless Telecommunication Services (-0.3%)		
Mobistar SA	(4,983)	(377,917)
TOTAL BELGIUM		(940,936)
Bermuda (0.0%)		
Energy Equipment & Services (-0.0%)		
Seadrill, Ltd.	(621)	(21,954)
TOTAL BERMUDA		(21,954)
Denmark (-0.6%)		
Chemicals (-0.2%)		
Novozymes AS B Shares	(1,829)	(297,941)
Electrical Equipment (-0.1%)		
Vestas Wind Systems AS*	(3,656)	(84,850)
Insurance (-0.2%)		
Topdanmark AS*	(44)	(8,214)
Tryg AS	(3,679)	(212,400)
		(220,614)
Road & Rail (-0.1%)		
DSV AS	(7,686)	(184,457)
TOTAL DENMARK		(787,862)
Finland (-1.3%)		
Auto Components (-0.1%)		
Nokian Renkaat Oyj	(1,730)	(86,851)
Diversified Financial Services (-0.3%)		
Pohjola Bank PLC	(29,037)	(375,552)

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Finland		
Diversified Telecommunication Services (-0.2%)		
Elisa Oyj	(14,474)	$ (311,444)
Electric Utilities (-0.2%)		
Fortum Oyj	(7,263)	(210,549)
Insurance (-0.2%)		
Sampo Oyj A Shares	(7,676)	(247,765)
Metals & Mining (-0.3%)		
Rautaruukki Oyj	(16,241)	(367,016)
TOTAL FINLAND		(1,599,177)
France (-4.7%)		
Aerospace & Defense (-0.2%)		
Thales SA	(5,968)	(256,971)
Automobiles (-0.2%)		
Renault SA	(5,241)	(310,886)
Diversified Financial Services (-0.1%)		
Eurazeo	(2,636)	(192,191)
Diversified Telecommunication Services (-0.3%)		
Iliad SA	(3,146)	(422,101)
Electric Utilities (-0.0%)		
Electricite de France	(1,282)	(50,250)
Food & Staples Retailing (-0.2%)		
Casino Guichard Perrachon SA	(2,207)	(207,967)
Health Care Equipment & Supplies (-0.2%)		
BioMerieux	(455)	(52,773)
Cie Generale d'Optique Essilor International SA	(3,123)	(253,344)
		(306,117)
Hotels, Restaurants & Leisure (-0.4%)		
Accor SA	(6,568)	(293,775)
Sodexo	(2,447)	(191,643)
		(485,418)
Media (-0.7%)		
Eutelsat Communications	(7,884)	(354,868)
JC Decaux SA*	(11,887)	(381,366)
Lagardere SCA	(760)	(32,155)
Societe Television Francaise 1	(4,556)	(83,092)
		(851,481)
Personal Products (-0.1%)		
L'Oreal SA	(620)	(80,443)
Professional Services (-0.3%)		
Bureau Veritas SA	(4,037)	(340,840)

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
June 30, 2011 (unaudited)

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
France		
Real Estate Investment Trusts (-1.0%)		
Gecina SA	(2,804)	$ (391,700)
ICADE	(3,055)	(376,254)
Klepierre	(8,459)	(349,188)
Unibail-Rodamco SE	(824)	(190,346)
		(1,307,488)
Software (-0.3%)		
Dassault Systemes SA	(4,301)	(365,683)
Textiles, Apparel & Luxury Goods (-0.2%)		
Hermes International	(945)	(279,030)
Transportation Infrastructure (-0.5%)		
Aeroports de Paris	(3,938)	(370,227)
Groupe Eurotunnel SA	(21,650)	(242,211)
		(612,438)
TOTAL FRANCE		(6,069,304)
Germany (-0.8%)		
Metals & Mining (-0.4%)		
Salzgitter AG	(3,637)	(277,250)
ThyssenKrupp AG	(5,263)	(273,397)
		(550,647)
Personal Products (-0.2%)		
Beiersdorf AG	(3,583)	(232,745)
Textiles, Apparel & Luxury Goods (-0.2%)		
Puma AG Rudolf Dassler Sport	(844)	(266,749)
TOTAL GERMANY		(1,050,141)
Italy (-0.7%)		
Capital Markets (-0.2%)		
Mediobanca SpA	(32,347)	(327,511)
Electric Utilities (-0.2%)		
Terna Rete Elettrica Nazionale SpA	(49,999)	(232,425)
Energy Equipment & Services (-0.2%)		
Saipem SpA	(4,802)	(247,925)
Multi-Utilities (-0.0%)		
A2A SpA	(20,691)	(32,221)
Oil, Gas & Consumable Fuels (-0.1%)		
Saras SpA*	(32,007)	(68,148)
TOTAL ITALY		(908,230)

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Japan (-5.6%)		
Air Freight & Logistics (-0.0%)		
Kintetsu World Express, Inc.	(700)	$ (22,916)
Yusen Air & Sea Service Co., Ltd.	(1,400)	(23,236)
		(46,152)
Auto Components (-0.2%)		
FCC Co., Ltd.	(800)	(19,130)
Futaba Industrial Co., Ltd.	(2,700)	(19,687)
Kanto Auto Works, Ltd.	(1,500)	(13,693)
Keihin Corp.	(700)	(14,767)
Mitsuba Corp.	(2,000)	(18,516)
Musashi Seimitsu Industry Co., Ltd.	(700)	(18,394)
Nifco, Inc.	(700)	(18,461)
Nissan Shatai Co., Ltd.	(3,000)	(23,091)
Nissin Kogyo Co., Ltd.	(1,100)	(19,820)
Press Kogyo Co., Ltd.	(5,000)	(25,280)
Showa Corp.*	(2,200)	(15,779)
Stanley Electric Co., Ltd.	(800)	(13,999)
T RAD Co., Ltd.	(7,000)	(33,719)
Tachi-S Co., Ltd.	(500)	(9,243)
Teikoku Piston Ring Co., Ltd.	(2,300)	(27,645)
Toyoda Gosei Co., Ltd.	(900)	(20,374)
		(311,598)
Beverages (-0.0%)		
Coca-Cola West Co., Ltd.	(900)	(17,190)
Ito En, Ltd.	(400)	(7,061)
Sapporo Holdings, Ltd.	(5,000)	(20,489)
		(44,740)
Building Products (-0.2%)		
Aica Kogyo Co., Ltd.	(2,000)	(27,309)
Bunka Shutter Co., Ltd.	(4,000)	(11,018)
Central Glass Co., Ltd.	(5,000)	(23,932)
Nichias Corp.	(2,000)	(11,778)
Nitto Boseki Co., Ltd.	(4,000)	(9,968)
Noritz Corp.	(1,100)	(20,187)
Sankyo-Tateyama Holdings, Inc.*	(15,000)	(22,039)
Sanwa Holdings Corp.	(5,000)	(17,406)
Sekisui Jushi Corp.	(2,000)	(20,358)
TOTO, Ltd.	(5,000)	(38,793)
		(202,788)
Capital Markets (-0.1%)		
Jafco Co., Ltd.	(800)	(19,999)
Marusan Securities Co., Ltd.	(2,900)	(11,816)
Mizuho Investors Securities Co., Ltd.	(27,000)	(24,532)
SBI Holdings, Inc.	(234)	(21,677)
		(78,024)

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Japan		
Chemicals (-0.3%)		
Achilles Corp.	(8,000)	$ (11,125)
Kansai Paint Co., Ltd.	(3,000)	(27,247)
KUREHA Corp.	(3,000)	(14,675)
Lintec Corp.	(600)	(16,875)
Nihon Parkerizing Co., Ltd.	(2,000)	(30,350)
Nippon Paint Co., Ltd.	(3,000)	(23,927)
Nippon Shokubai Co., Ltd.	(2,000)	(24,324)
NOF Corp.	(5,000)	(21,865)
Sanyo Chemical Industries, Ltd.	(1,000)	(7,894)
Sumitomo Seika Chemicals Co., Ltd.	(2,000)	(11,087)
T Hasegawa Co., Ltd.	(1,000)	(15,520)
Taiyo Ink Manufacturing Co., Ltd.	(600)	(17,756)
Taiyo Nippon Sanso Corp.	(3,000)	(23,816)
Takiron Co., Ltd.	(2,000)	(7,231)
Tenma Corp.	(1,400)	(13,986)
Toagosei Co., Ltd.	(4,000)	(20,084)
Tokai Carbon Co., Ltd.	(3,000)	(16,717)
Tokuyama Corp.	(3,000)	(15,062)
Tokyo Ohka Kogyo Co., Ltd.	(1,100)	(23,620)
		(343,161)
Commercial Banks (-0.5%)		
Bank of the Ryukyus, Ltd.	(2,500)	(31,634)
Kiyo Holdings, Inc.	(17,000)	(23,017)
Mizuho Trust & Banking Co., Ltd.	(8,700)	(7,684)
Seven Bank, Ltd.	(15)	(29,879)
Shinsei Bank, Ltd.	(15,000)	(14,956)
Suruga Bank, Ltd.	(3,000)	(26,073)
The 77 Bank, Ltd.	(6,000)	(26,096)
The Aichi Bank, Ltd.	(400)	(21,992)
The Awa Bank, Ltd.	(4,000)	(24,832)
The Bank of Kyoto, Ltd.	(5,000)	(45,891)
The Bank of Okinawa, Ltd.	(600)	(25,693)
The Chugoku Bank, Ltd.	(4,000)	(49,331)
The Chukyo Bank, Ltd.	(5,000)	(11,423)
The Fukushima Bank, Ltd.*	(33,000)	(15,991)
The Higashi-Nippon Bank, Ltd.	(6,000)	(12,147)
The Hyakujushi Bank, Ltd.	(7,000)	(24,970)
The Iyo Bank, Ltd.	(4,000)	(36,708)
The Kagoshima Bank, Ltd.	(2,000)	(12,993)
The Nanto Bank, Ltd.	(6,000)	(30,424)
The San-In Godo Bank, Ltd.	(3,000)	(21,455)
The Shiga Bank, Ltd.	(3,000)	(17,025)
The Shizuoka Bank, Ltd.	(1,000)	(9,166)
The Tokyo Tomin Bank, Ltd.	(1,800)	(22,413)
The Tsukuba Bank, Ltd.	(7,500)	(23,135)

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Japan		
Commercial Banks		
The Yamagata Bank, Ltd.	(6,000)	$ (28,545)
The Yamanashi Chuo Bank, Ltd.	(2,000)	(8,450)
		(601,923)
Commercial Services & Supplies (-0.0%)		
Moshi Moshi Hotline, Inc.	(1,100)	(17,826)
Park24 Co., Ltd.	(1,500)	(15,545)
Pilot Corp.	(10)	(19,598)
		(52,969)
Communications Equipment (-0.1%)		
Hitachi Kokusai Electric, Inc.	(3,000)	(24,853)
Icom, Inc.	(800)	(20,522)
NEC Mobiling, Ltd.	(500)	(16,833)
		(62,208)
Computers & Peripherals (-0.0%)		
Eizo Nanao Corp.	(400)	(7,530)
Japan Digital Laboratory Co., Ltd.	(2,200)	(25,936)
Roland DG Corp.	(1,300)	(17,472)
		(50,938)
Construction & Engineering (-0.3%)		
Chiyoda Corp.	(4,000)	(45,962)
Chudenko Corp.	(2,700)	(31,664)
COMSYS Holdings Corp.	(2,000)	(19,993)
Kinden Corp.	(1,166)	(9,945)
Maeda Road Construction Co., Ltd.	(3,000)	(29,101)
NEC Networks & System Integration Corp.	(2,400)	(33,459)
Nippon Densetsu Kogyo Co., Ltd.	(2,000)	(21,238)
SHO-BOND Holdings Co., Ltd.	(800)	(19,238)
Taihei Dengyo Kaisha, Ltd.	(3,000)	(22,546)
Taikisha, Ltd.	(1,900)	(37,595)
Toshiba Plant Systems & Services Corp.	(2,000)	(23,566)
Toyo Engineering Corp.	(4,000)	(15,881)
Yurtec Corp.	(3,000)	(14,781)
		(324,969)
Consumer Finance (-0.0%)		
Aeon Credit Service Co., Ltd.	(1,900)	(25,942)
Hitachi Capital Corp.	(1,200)	(16,224)
		(42,166)
Containers & Packaging (-0.0%)		
FP Corp.	(300)	(18,546)
Rengo Co., Ltd.	(4,000)	(26,349)
		(44,895)

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
June 30, 2011 (unaudited)

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Japan		
Distributors (-0.0%)		
Doshisha Co., Ltd.	(400)	$ (10,475)
Diversified Consumer Services (-0.0%)		
Benesse Holdings, Inc.	(700)	(29,978)
Diversified Financial Services (-0.1%)		
IBJ Leasing Co., Ltd.	(900)	(21,906)
Japan Securities Finance Co., Ltd.	(2,800)	(17,081)
Mitsubishi UFJ Lease & Finance Co., Ltd.	(640)	(24,691)
		(63,678)
Electric Utilities (-0.0%)		
Shikoku Electric Power Co., Inc.	(300)	(6,791)
The Okinawa Electric Power Co., Inc.	(500)	(22,614)
Tohoku Electric Power Co., Inc.	(900)	(12,947)
		(42,352)
Electrical Equipment (-0.1%)		
Cosel Co., Ltd.	(1,400)	(24,225)
Futaba Corp.	(900)	(16,521)
Hitachi Cable, Ltd.	(8,000)	(19,707)
Mabuchi Motor Co., Ltd.	(400)	(20,123)
Nippon Signal Co., Ltd.	(2,000)	(15,380)
Nitto Kogyo Corp.	(1,700)	(20,044)
Toyo Denki Seizo - Toyo Electric Manufacturing Co. Ltd.	(4,000)	(19,095)
Ushio, Inc.	(800)	(15,768)
		(150,863)
Electronic Equipment, Instruments & Components (-0.3%)		
Canon Electronics, Inc.	(300)	(8,168)
CMK Corp.*	(6,900)	(23,028)
Hamamatsu Photonics KK	(1,100)	(47,410)
Hirose Electric Co., Ltd.	(441)	(45,064)
Koa Corp.	(2,000)	(23,410)
Macnica, Inc.	(1,000)	(22,705)
Nichicon Corp.	(1,800)	(29,717)
Nippon Chemi-Con Corp.	(4,000)	(25,069)
Osaki Electric Co., Ltd.	(2,000)	(20,219)
Shimadzu Corp.	(3,000)	(27,391)
Star Micronics Co. Ltd.	(2,000)	(23,618)
Toyo Corp.	(1,600)	(17,323)
Yamatake Corp.	(400)	(8,892)
Yokogawa Electric Corp.*	(3,600)	(30,629)
		(352,643)
Energy Equipment & Services (-0.0%)		
Shinko Plantech Co., Ltd.	(2,100)	(22,627)
Toyo Kanetsu KK	(6,000)	(14,792)
		(37,419)

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Japan		
Food & Staples Retailing (-0.2%)		
Circle K Sunkus Co., Ltd.	(800)	$ (12,444)
FamilyMart Co., Ltd.	(700)	(25,621)
Heiwado Co., Ltd.	(1,700)	(21,032)
Lawson, Inc.	(600)	(31,377)
Ministop Co., Ltd.	(1,500)	(26,985)
Sugi Holdings Co., Ltd.	(1,400)	(36,423)
Sundrug Co., Ltd.	(1,100)	(34,800)
Tsuruha Holdings, Inc.	(400)	(19,075)
Yaoko Co., Ltd.	(800)	(25,038)
		(232,795)
Food Products (-0.2%)		
Dydo Drinco, Inc.	(600)	(22,198)
Hokuto Corp.	(800)	(17,502)
Itoham Foods, Inc.	(5,000)	(20,266)
Kikkoman Corp.	(2,000)	(21,011)
Nichirei Corp.	(3,000)	(12,776)
Nisshin Seifun Group, Inc.	(2,000)	(24,919)
QP Corp.	(2,500)	(31,707)
Sakata Seed Corp.	(2,400)	(34,892)
Toyo Suisan Kaisha, Ltd.	(2,000)	(47,166)
Yakult Honsha Co., Ltd.	(1,200)	(34,603)
Yamazaki Baking Co., Ltd.	(3,224)	(43,030)
		(310,070)
Gas Utilities (-0.1%)		
Shizuoka Gas Co., Ltd.	(3,500)	(19,749)
Toho Gas Co., Ltd.	(7,000)	(37,761)
		(57,510)
Health Care Equipment & Supplies (-0.1%)		
Hitachi Medical Corp.	(2,000)	(22,329)
Nihon Kohden Corp.	(1,000)	(24,820)
Olympus Corp.	(700)	(23,545)
Sysmex Corp.	(600)	(22,496)
		(93,190)
Health Care Providers & Services (-0.1%)		
BML, Inc.	(500)	(12,610)
Miraca Holdings, Inc.	(1,000)	(40,389)
Nichii Gakkan Co.	(2,600)	(23,028)
		(76,027)
Hotels, Restaurants & Leisure (-0.1%)		
HIS Co., Ltd.	(900)	(22,169)
Kisoji Co., Ltd.	(800)	(16,540)
Kura Corp.	(1,400)	(18,153)
Oriental Land Co. Japan, Ltd.	(600)	(50,736)

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Japan		
Hotels, Restaurants & Leisure		
Plenus Co., Ltd.	(2,000)	$ (32,106)
Saizeriya Co., Ltd.	(1,000)	(18,944)
		(158,648)
Household Durables (-0.1%)		
Alpine Electronics, Inc.	(1,600)	(22,097)
Cleanup Corp.	(2,800)	(17,259)
Funai Electric Co., Ltd.	(200)	(5,262)
Pioneer Corp.*	(5,600)	(25,052)
Rinnai Corp.	(500)	(35,993)
Takamatsu Construction Group Co., Ltd.	(700)	(9,918)
Touei Housing Corp.	(1,000)	(12,125)
		(127,706)
Household Products (-0.1%)		
Pigeon Corp.	(1,000)	(32,765)
Unicharm Corp.	(900)	(39,197)
		(71,962)
Internet & Catalog Retail (-0.0%)		
ASKUL Corp.	(1,300)	(21,176)
Internet Software & Services (-0.0%)		
Kakaku.com, Inc.	(3)	(21,029)
Macromill, Inc.	(2,300)	(23,698)
		(44,727)
IT Services (-0.1%)		
Information Services International-Dentsu, Ltd.	(2,300)	(14,135)
NET One Systems Co., Ltd.	(14)	(26,849)
TKC	(800)	(18,203)
		(59,187)
Leisure Equipment & Products (-0.1%)		
Mars Engineering Corp.	(1,500)	(23,492)
Nidec Copal Corp.	(1,300)	(15,904)
Shimano, Inc.	(800)	(43,872)
Tamron Co., Ltd.	(1,100)	(26,312)
		(109,580)
Machinery (-0.4%)		
Aichi Corp.	(4,000)	(19,989)
Daiwa Industries, Ltd.	(3,000)	(14,323)
Fujitec Co., Ltd.	(2,000)	(11,510)
Furukawa Co., Ltd.*	(21,000)	(21,403)
Glory, Ltd.	(700)	(15,717)
Hino Motors, Ltd.	(6,000)	(34,927)
Hosokawa Micron Corp.	(5,000)	(24,254)
Kitz Corp.	(3,000)	(17,466)

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Japan		
Machinery		
Kurita Water Industries, Ltd.	(700)	$ (20,817)
Makino Milling Machine Co., Ltd.	(1,000)	(9,277)
Miura Co., Ltd.	(700)	(20,228)
Nachi-Fujikoshi Corp.	(5,000)	(29,592)
NGK Insulators, Ltd.	(1,000)	(18,571)
Nitta Corp.	(1,300)	(25,407)
Noritake Co., Ltd.	(4,000)	(15,775)
OSG Corp.	(1,800)	(25,041)
Ryobi, Ltd.	(6,000)	(26,922)
Shima Seiki Manufacturing, Ltd.	(900)	(23,242)
Sintokogio, Ltd.	(2,400)	(24,562)
Tadano, Ltd.	(4,000)	(24,157)
Takuma Co., Ltd.*	(2,000)	(10,122)
The Japan Steel Works, Ltd.	(1,000)	(6,833)
THK Co., Ltd.	(400)	(10,190)
Tocalo Co., Ltd.	(1,100)	(27,090)
Toshiba Machine Co., Ltd.	(4,000)	(21,788)
Tsukishima Kikai Co., Ltd.	(2,000)	(17,373)
Union Tool Co.	(900)	(19,495)
		(536,071)
Marine (-0.0%)		
Inui Steamship Co., Ltd.	(5,700)	(28,183)
Media (-0.1%)		
Asatsu-DK, Inc.	(1,000)	(26,142)
Gakken Co., Ltd.	(10,000)	(18,116)
Toho Co., Ltd.	(1,400)	(23,173)
		(67,431)
Metals & Mining (-0.2%)		
Aichi Steel Corp.	(1,000)	(6,830)
Furukawa-Sky Aluminum Corp.	(4,000)	(14,291)
Maruichi Steel Tube, Ltd.	(1,400)	(34,598)
Neturen Co., Ltd.	(1,400)	(11,798)
Nippon Yakin Kogyo Co., Ltd.*	(10,500)	(28,261)
Nisshin Steel Co., Ltd.	(10,000)	(19,065)
Osaka Steel Co., Ltd.	(1,100)	(21,802)
OSAKA Titanium Technologies Co., Ltd.	(300)	(21,900)
Sanyo Special Steel Co., Ltd.	(3,000)	(18,991)
Tokyo Steel Manufacturing Co., Ltd.	(1,600)	(16,842)
Topy Industries, Ltd.	(9,000)	(25,558)
Toyo Kohan Co., Ltd.	(4,000)	(18,542)
Yamato Kogyo Co., Ltd.	(900)	(27,939)
		(266,417)

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Japan		
Multiline Retail (-0.1%)		
Don Quijote Co., Ltd.	(700)	$ (24,266)
Fuji Co., Ltd.	(1,600)	(32,981)
H2O Retailing Corp.	(2,000)	(15,499)
Isetan Mitsukoshi Holdings, Ltd.	(1,400)	(13,672)
Izumi Co., Ltd.	(1,200)	(17,959)
Marui Group Co., Ltd.	(3,304)	(25,014)
Takashimaya Co., Ltd.	(5,000)	(34,386)
		(163,777)
Oil, Gas & Consumable Fuels (-0.1%)		
Japan Petroleum Exploration Co.	(1,000)	(46,799)
Kanto Natural Gas Development, Ltd.	(3,000)	(17,162)
Nippon Gas Co., Ltd.	(1,500)	(20,506)
Showa Shell Sekiyu KK	(3,300)	(30,552)
		(115,019)
Paper & Forest Products (-0.1%)		
Daiken Corp.	(7,000)	(21,860)
Daio Paper Corp.	(2,000)	(15,937)
Hokuetsu Kishu Paper Co., Ltd.	(4,500)	(27,457)
Mitsubishi Paper Mills, Ltd.*	(24,000)	(24,749)
Nippon Paper Group, Inc.	(1,600)	(35,390)
OJI Paper Co., Ltd.	(8,000)	(38,248)
		(163,641)
Personal Products (-0.1%)		
Fancl Corp.	(1,500)	(20,363)
Kobayashi Pharmaceutical Co., Ltd.	(700)	(35,071)
Kose Corp.	(1,200)	(31,076)
Mandom Corp.	(700)	(19,181)
Milbon Co., Ltd.	(770)	(22,817)
		(128,508)
Pharmaceuticals (-0.2%)		
Chugai Pharmaceutical Co., Ltd.	(1,900)	(31,057)
Hisamitsu Pharmaceutical Co., Inc.	(800)	(33,973)
Kissei Pharmaceutical Co., Ltd.	(1,000)	(19,410)
Nippon Shinyaku Co., Ltd.	(2,000)	(25,405)
Rohto Pharmaceutical Co., Ltd.	(1,000)	(11,344)
Santen Pharmaceutical Co., Ltd.	(1,019)	(41,180)
Taisho Pharmaceutical Co., Ltd.	(1,339)	(30,071)
Torii Pharmaceutical Co., Ltd.	(1,000)	(18,816)
Towa Pharmaceutical Co., Ltd.	(400)	(24,053)
Tsumura & Co.	(1,400)	(44,615)
		(279,924)
Professional Services (-0.0%)		
Meitec Corp.	(1,300)	(28,332)

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Japan		
Real Estate Management & Development (-0.1%)		
Aeon Mall Co., Ltd.	(1,068)	$ (25,790)
Daibiru Corp.	(2,700)	(20,632)
Goldcrest Co., Ltd.	(730)	(15,135)
Iida Home Max	(2,400)	(20,928)
NTT Urban Development Corp.	(24)	(20,523)
Shoei Co., Ltd./Chiyoda-ku	(1,800)	(16,190)
TOC Co., Ltd.	(4,700)	(21,103)
		(140,301)
Road & Rail (-0.1%)		
Keihin Electric Express Railway Co., Ltd.	(5,983)	(43,007)
Keio Corp.	(5,000)	(27,491)
Keisei Electric Railway Co., Ltd.	(6,000)	(35,396)
Nippon Konpo Unyu Soko Co., Ltd.	(1,000)	(10,614)
Nishi-Nippon Railroad Co., Ltd.	(4,000)	(17,158)
Odakyu Electric Railway Co., Ltd.	(3,000)	(23,745)
		(157,411)
Semiconductors & Semiconductor Equipment (-0.1%)		
Advantest Corp.	(2,100)	(38,538)
Mitsui High-Tec, Inc.	(1,900)	(9,626)
Sanken Electric Co., Ltd.	(2,000)	(11,761)
Shibaura Mechatronics Corp.	(6,000)	(23,779)
Shinkawa, Ltd.	(1,900)	(15,362)
ULVAC, Inc.*	(600)	(14,726)
		(113,792)
Software (-0.1%)		
Capcom Co., Ltd.	(1,000)	(22,996)
Fuji Soft, Inc.	(800)	(11,689)
NSD Co., Ltd.	(1,600)	(13,412)
Oracle Corp.	(500)	(21,721)
Square Enix Co., Ltd.	(1,100)	(19,735)
Trend Micro, Inc.	(500)	(15,485)
		(105,038)
Specialty Retail (-0.2%)		
ABC-Mart, Inc.	(800)	(32,342)
Komeri Co., Ltd.	(1,000)	(27,180)
Nishimatsuya Chain Co., Ltd.	(2,500)	(20,591)
Nitori Co., Ltd.	(444)	(42,007)
Point, Inc.	(300)	(13,023)
Sanrio Co. Ltd.	(800)	(31,103)
Shimachu Co., Ltd.	(900)	(21,903)
Shimamura Co., Ltd.	(300)	(28,508)
Tsutsumi Jewelry Co., Ltd.	(600)	(14,365)
USS Co., Ltd.	(379)	(29,308)
		(260,330)

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Japan		
Textiles, Apparel & Luxury Goods (-0.1%)		
Asics Corp.	(2,051)	$ (30,517)
Wacoal Holdings Corp.	(2,000)	(24,892)
		(55,409)
Trading Companies & Distributors (-0.1%)		
Hanwa Co., Ltd.	(4,000)	(17,642)
Kanematsu Corp.*	(14,000)	(13,755)
MISUMI Corp.	(900)	(23,254)
Shinsho Corp.	(4,000)	(9,613)
Trusco Nakayama Corp.	(1,400)	(27,320)
Yamazen Corp.	(1,700)	(12,005)
Yuasa Trading Co., Ltd.	(21,000)	(32,935)
		(136,524)
Transportation Infrastructure (-0.1%)		
Japan Airport Terminal Co., Ltd.	(1,900)	(22,059)
Kamigumi Co., Ltd.	(3,964)	(36,930)
Mitsubishi Logistics Corp.	(2,000)	(22,428)
Mitsui-Soko Co., Ltd.	(5,000)	(19,555)
The Sumitomo Warehouse Co., Ltd.	(2,000)	(9,034)
		(110,006)
TOTAL JAPAN		(7,112,631)
Luxembourg (-0.2%)		
Energy Equipment & Services (-0.1%)		
Tenaris SA	(4,852)	(110,889)
Wireless Telecommunication Services (-0.1%)		
Millicom International Cellular SA	(1,628)	(170,974)
TOTAL LUXEMBOURG		(281,863)
Netherlands (-1.8%)		
Air Freight & Logistics (-0.2%)		
TNT Express NV*	(13,260)	(137,497)
TNT NV	(13,260)	(112,340)
		(249,837)
Energy Equipment & Services (-0.3%)		
Fugro NV	(4,110)	(295,972)
SBM Offshore NV	(6,270)	(165,748)
		(461,720)
Media (-0.5%)		
Reed Elsevier NV	(23,707)	(318,407)
Wolters Kluwer NV	(14,039)	(311,188)
		(629,595)
Professional Services (-0.2%)		
Randstad Holding NV	(5,493)	(253,932)

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Netherlands		
Real Estate Investment Trusts (-0.3%)		
Corio NV	(5,723)	$ (378,938)
Transportation Infrastructure (-0.3%)		
Koninklijke Vopak NV	(7,392)	(361,941)
TOTAL NETHERLANDS		(2,335,963)
Spain (-0.3%)		
Electric Utilities (-0.2%)		
Red Electrica Corp. SA	(5,686)	(342,937)
Independent Power Producers & Energy Traders (-0.1%)		
EDP Renovaveis SA*	(12,985)	(85,639)
TOTAL SPAIN		(428,576)
Sweden (-0.6%)		
Commercial Banks (-0.3%)		
Nordea Bank AB	(6,627)	(71,345)
Skandinaviska Enskilda Banken AB A Shares	(19,141)	(156,881)
Swedbank AB A Shares	(5,423)	(91,412)
		(319,638)
Diversified Financial Services (-0.2%)		
Kinnevik Investment AB	(11,185)	(249,037)
Household Durables (-0.0%)		
Husqvarna AB B Shares	(4,363)	(28,978)
Metals & Mining (-0.1%)		
SSAB AB A Shares	(10,460)	(156,646)
Paper & Forest Products (-0.0%)		
Holmen AB B Shares	(538)	(16,817)
TOTAL SWEDEN		(771,116)
Switzerland (-1.4%)		
Biotechnology (-0.1%)		
Actelion, Ltd.*	(1,592)	(78,439)
Electric Utilities (-0.1%)		
BKW FMB Energie AG	(2,228)	(137,049)
Food Products (-0.3%)		
Aryzta AG	(6,589)	(353,356)
Health Care Equipment & Supplies (-0.3%)		
Nobel Biocare Holding AG*	(6,244)	(127,140)
Sonova Holding AG*	(348)	(32,444)
Straumann Holding AG	(663)	(159,649)
Synthes, Inc.	(307)	(53,986)
		(373,219)

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
June 30, 2011 (unaudited)

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Switzerland		
Insurance (-0.2%)		
Swiss Life Holding AG*	(1,790)	$ (293,127)
Marine (-0.2%)		
Kuehne + Nagel International AG	(1,234)	(187,197)
Professional Services (-0.2%)		
Adecco SA*	(4,857)	(311,285)
Textiles, Apparel & Luxury Goods (-0.0%)		
Cie Financiere Richemont SA Class A	(390)	(25,520)
TOTAL SWITZERLAND		(1,759,192)
United Kingdom (-1.4%)		
Aerospace & Defense (-0.0%)		
Cobham PLC	(16,984)	(57,660)
Food & Staples Retailing (-0.1%)		
WM Morrison Supermarkets PLC	(42,076)	(201,311)
Hotels, Restaurants & Leisure (-0.1%)		
Carnival PLC	(796)	(30,853)
Thomas Cook Group PLC	(18,473)	(39,489)
		(70,342)
Household Durables (-0.2%)		
Berkeley Group Holdings PLC*	(16,298)	(337,208)
Independent Power Producers & Energy Traders (-0.1%)		
Drax Group PLC	(8,303)	(67,099)
Insurance (-0.1%)		
Admiral Group PLC	(2,922)	(77,947)
Internet & Catalog Retail (-0.0%)		
Home Retail Group PLC	(15,455)	(40,641)
Machinery (-0.1%)		
Invensys PLC	(13,872)	(71,776)
Media (-0.2%)		
Reed Elsevier PLC	(31,139)	(283,588)
Oil, Gas & Consumable Fuels (-0.1%)		
Tullow Oil PLC	(4,030)	(80,279)
Professional Services (-0.1%)		
The Capita Group PLC	(13,685)	(157,226)
Road & Rail (-0.0%)		
Firstgroup PLC	(9,292)	(50,905)

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
United Kingdom		
Software (-0.1%)		
Autonomy Corp. PLC*	(3,403)	$ (93,244)
The Sage Group PLC	(16,996)	(78,820)
		(172,064)
Textiles, Apparel & Luxury Goods (-0.1%)		
Burberry Group PLC	(3,708)	(86,255)
Water Utilities (-0.1%)		
United Utilities Group PLC	(7,847)	(75,497)
TOTAL UNITED KINGDOM		(1,829,798)
TOTAL COMMON STOCKS (Proceeds $24,629,246)		(26,328,524)
TOTAL SECURITIES SOLD SHORT (Proceeds $24,629,246)		$ (26,328,524)

INVESTMENT ABBREVIATION

ADR = American Depositary Receipt

* Non-income producing security.

§ Security or portion thereof is out on loan.

§§ Represents security purchased with cash collateral received for securities on loan. The rate shown is the annualized seven-day yield at June 30, 2011.

^ 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.

Credit Suisse Trust — International Equity Flex III Portfolio
Statement of Assets and Liabilities
June 30, 2011 (unaudited)

Assets	
Investments at value, including collateral for securities on loan of $10,662,198 (Cost $138,719,674)(Note 2)	$164,778,011[1]
Cash	412
Foreign currency at value (cost $454,738)	455,751
Cash segregated at brokers for short sales	26,727,344
Dividend and interest receivable	373,426
Receivable for portfolio shares sold	142,764
Receivable for investments sold	5,852
Prepaid expenses and other assets	12,114
Total Assets	192,495,674
Liabilities	
Advisory fee payable (Note 3)	73,760
Administrative services fee payable (Note 3)	48,938
Payable upon return of securities loaned (Note 2)	37,389,542
Securities sold short, at value (Proceeds $24,629,246)(Note 2)	26,328,524
Payable for portfolio shares redeemed	164,960
Dividend expense payable on securities sold short	44,299
Trustees' fee payable	2,880
Other accrued expenses payable	92,946
Total Liabilities	64,145,849
Net Assets	
Capital stock, $.001 par value (Note 6)	18,636
Paid-in capital (Note 6)	113,086,155
Undistributed net investment income	5,203,692
Accumulated net realized loss on investments, short sales and foreign currency transactions	(14,334,233)
Net unrealized appreciation from investments, short sales and foreign currency translations	24,375,575
Net Assets	$128,349,825
Shares outstanding	18,635,636
Net asset value, offering price and redemption price per share	$6.89

[1] Including $36,818,647 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, 2011 (unaudited)

Investment Income (Note 2)	
Dividends	$ 4,150,141
Interest	34
Securities lending	177,893
Foreign taxes withheld	(412,237)
Total investment income	3,915,831
Expenses	
Investment advisory fees (Note 3)	643,546
Administrative services fees (Note 3)	136,475
Dividend expense for securities sold short	568,007
Custodian fees	139,441
Short sales expense	74,522
Printing fees (Note 3)	35,243
Audit and tax fees	25,000
Trustees' fees	20,098
Transfer agent fees	15,198
Legal fees	14,965
Insurance expense	4,167
Commitment fees (Note 4)	300
Miscellaneous expense	8,454
Total expenses	1,685,416
Less: fees waived (Note 3)	(183,524)
Net expenses	1,501,892
Net investment income	2,413,939
Net Realized and Unrealized Gain (Loss) from Investments, Short Sales and Foreign Currency Related Items	
Net realized gain from investments	6,939,317
Net realized loss from short sales	(2,308,054)
Net realized loss from foreign currency transactions	(9,414)
Net change in unrealized appreciation (depreciation) from investments	(1,282,472)
Net change in unrealized appreciation (depreciation) from short sales	465,315
Net change in unrealized appreciation (depreciation) from foreign currency translations	4,086
Net realized and unrealized gain from investments, short sales and foreign currency related items	3,808,778
Net increase in net assets resulting from operations	$ 6,222,717

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, 2011 (unaudited)	For the Year Ended December 31, 2010
From Operations		
Net investment income	$ 2,413,939	$ 2,425,247
Net realized gain from investments, short sales and foreign currency transactions	4,621,849	5,496,797
Net change in unrealized appreciation (depreciation) from investments, short sales and foreign currency translations	(813,071)	5,851,907
Net increase in net assets resulting from operations	6,222,717	13,773,951
From Dividends		
Dividends from net investment income	(100,167)	(119,025)
From Capital Share Transactions *(Note 6)*		
Proceeds from sale of shares	9,803,995	16,551,125
Reinvestment of dividends	100,167	119,025
Net asset value of shares redeemed	(16,425,280)	(32,096,551)
Net decrease in net assets from capital share transactions	(6,521,118)	(15,426,401)
Net decrease in net assets	(398,568)	(1,771,475)
Net Assets		
Beginning of period	128,748,393	130,519,868
End of period	$128,349,825	$128,748,393
Undistributed net investment income	$ 5,203,692	$ 2,889,920

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, 2011 (unaudited)

Cash Flows from Operating Activities		
Dividends, interest and securities lending income received	$ 3,758,216	
Gain received from litigation	9,178	
Operating expenses paid	(955,267)	
Dividend expense paid on securities sold short	(542,816)	
Purchases of long-term securities	(41,489,008)	
Proceeds from sales of long-term securities	54,646,442	
Purchases to cover securities sold short	(32,713,724)	
Proceeds from securities sold short	24,785,565	
Purchases of short-term securities, net	(477,000)	
Net cash provided by operating activities		$ 7,021,586
Cash Flows from Financing Activities		
Proceeds from sale of shares	9,700,265	
Cost of shares redeemed	(16,309,428)	
Net cash used by financing activities		(6,609,163)
Effect of exchange rate on cash		(5,328)
Net increase in cash		407,095
Cash — beginning of period		49,068
Cash — end of period		$ 456,163
RECONCILIATION OF NET INCREASE IN NET ASSETS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net increase in net assets resulting from operations		$ 6,222,717
Adjustments to Reconcile Net Increase in Net Assets from Operations to Net Cash Provided by Operating Activities		
Change in dividends and interest receivable	$ (157,615)	
Change in accrued expenses	(42,509)	
Change in prepaid expenses and other assets	(4,007)	
Change in advisory fee payable	25,134	
Change in dividend expense payable on securities sold short	25,191	
Purchases of long-term securities	(41,489,008)	
Proceeds from sales of long-term securities	54,646,442	
Purchases to cover securities sold short	(32,713,724)	
Proceeds from securities sold short	24,785,565	
Purchases of short-term securities, net	(477,000)	
Net change in unrealized depreciation from investments, short sales and foreign currency translations	813,071	
Net realized gain from investments, short sales and foreign currency transactions	(4,612,671)	
Total adjustments		798,869
Net cash provided by operating activities		$ 7,021,586
Non-Cash Activity:		
Dividend reinvestments		$ 100,167

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, 2011 (unaudited)	For the Year Ended December 31,				
		2010	2009	2008	2007	2006
Per share data						
Net asset value, beginning of period	$ 6.57	$ 5.86	$ 4.08	$ 23.58	$ 21.85	$ 16.82
INVESTMENT OPERATIONS						
Net investment income	0.14	0.12	0.08	0.25	0.37	0.21
Net gain (loss) on investments, short sales and foreign currency related items (both realized and unrealized)	0.19	0.60	2.01	(10.11)[1]	5.58	5.19
Total from investment operations	0.33	0.72	2.09	(9.86)	5.95	5.40
LESS DIVIDENDS AND DISTRIBUTIONS						
Dividends from net investment income	(0.01)	(0.01)	(0.13)	(0.34)	(0.37)	(0.11)
Distributions from net realized gains	—	—	(0.18)	(9.30)	(3.85)	(0.26)
Total dividends and distributions	(0.01)	(0.01)	(0.31)	(9.64)	(4.22)	(0.37)
Net asset value, end of period	$ 6.89	$ 6.57	$ 5.86	$ 4.08	$ 23.58	$ 21.85
Total return[2]	4.95%	12.23%	51.62%	(54.80)%	29.44%	32.51%
RATIOS AND SUPPLEMENTAL DATA						
Net assets, end of period (000s omitted)	$128,350	$128,748	$130,520	$ 53,245	$179,817	$242,319
Ratio of expenses to average net assets	2.33%[3]	1.99%	1.14%	1.04%	1.30%	1.36%
Ratio of expenses to average net assets excluding short sales dividend expense	1.45%[3]	1.35%	1.08%	—%	—%	—%
Ratio of net investment income to average net assets	3.75%[3]	1.99%	1.57%	1.40%	0.94%	1.11%
Decrease reflected in above operating expense ratios due to waivers/reimbursements	0.29%[3]	0.44%	0.40%	0.25%	0.15%	0.23%
Portfolio turnover rate	38%	213%	196%	61%	62%	80%

[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. Equity investments are generally categorized as Level 1. 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. Debt securities are generally categorized as Level 2. Investments in open-end investment companies are valued at their net asset value each business day and are generally categorized as Level 1. 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

Note 2. Significant Accounting Policies

faith by, or under the direction of, the Board of Trustees under procedures established by the Board of Trustees and are generally categorized as Level 3. For certain international equity securities, in order to adjust for events which may occur between the close of the foreign stock exchanges and the close of the Exchange, the Portfolio may utilize a fair valuation service provided by an independent third party which has been approved by the Board of Trustees. Securities priced using this fair valuation model are generally categorized as Level 2. 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. 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

Note 2. Significant Accounting Policies

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 three-tier hierarchy of inputs is summarized in the three broad Levels listed below.

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

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

The following is a summary of the inputs used as of June 30, 2011 in valuing the Portfolio's investments carried at value:

	Level 1	Level 2	Level 3	Total
Investments In Securities				
Common Stocks				
Asia	$ 3,680,396	$ —	$—	$ 3,680,396
Australia	353,447	8,238,685	—	8,592,132
Austria	—	1,671,276	—	1,671,276
Belgium	—	2,615,231	—	2,615,231
Bermuda	—	273,886	—	273,886
Denmark	—	2,350,962	—	2,350,962
Finland	—	2,424,476	—	2,424,476
France	—	14,563,397	—	14,563,397
Germany	—	14,402,307	—	14,402,307
Greece	—	900,635	—	900,635
Hong Kong	2,679,437	—	—	2,679,437
Israel	564,174	173,093	—	737,267
Italy	—	4,545,573	—	4,545,573
Japan	—	32,269,952	—	32,269,952
Luxembourg	—	361,181	—	361,181
Netherlands	—	5,068,067	—	5,068,067
Norway	—	2,007,593	—	2,007,593
Portugal	—	781,169	—	781,169
Singapore	1,608,895	—	—	1,608,895
Spain	478	6,361,144	—	6,361,622
Sweden	—	6,891,365	—	6,891,365
Switzerland	—	8,956,167	—	8,956,167
United Kingdom	36,756	28,199,317	—	28,236,073

Note 2. Significant Accounting Policies

	Level 1	Level 2	Level 3	Total
Preferred Stocks				
Germany	—	761,754	—	761,754
Short-Term Investments	10,662,198	1,375,000	—	12,037,198
Securities Sold Short				
Common Stocks				
Austria	—	(431,781)	—	(431,781)
Belgium	—	(940,936)	—	(940,936)
Bermuda	—	(21,954)	—	(21,954)
Denmark	—	(787,862)	—	(787,862)
Finland	—	(1,599,177)	—	(1,599,177)
France	—	(6,069,304)	—	(6,069,304)
Germany	—	(1,050,141)	—	(1,050,141)
Italy	—	(908,230)	—	(908,230)
Japan	—	(7,112,631)	—	(7,112,631)
Luxembourg	—	(281,863)	—	(281,863)
Netherlands	—	(2,335,963)	—	(2,335,963)
Spain	—	(428,576)	—	(428,576)
Sweden	—	(771,116)	—	(771,116)
Switzerland	—	(1,759,192)	—	(1,759,192)
United Kingdom	—	(1,829,798)	—	(1,829,798)
Other Financial Instruments*	—	—	—	—
	$19,585,781	$118,863,706	$—	$138,449,487

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

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, 2011, 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. The only investment held by the Portfolio whose fair value was determined using Level 3 inputs had a value of $0 at June 30, 2011.

B) DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES — 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

Note 2. Significant Accounting Policies

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.

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.

Note 2. Significant Accounting Policies

The short-term time deposit issued by SSB is a variable rate account classified as a short-term investment.

H) SHORT SALES — The Portfolio enters into short sales transactions collateralized by cash deposits received from brokers in connection with securities lending activities (see note I) 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.

I) SECURITIES LENDING — Loans of securities are required at all times to be secured by collateral at least equal to 102% of the market value of domestic securities on loan (including any accrued interest thereon) and 105% of the market value of foreign securities on loan (including any accrued interest thereon). Cash collateral received by the Portfolio in connection with securities lending activity 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 may be 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

Note 2. Significant Accounting Policies

the Portfolio and SSB will share the net income earned from securities lending activities. During the six months ended June 30, 2011, total earnings from the Portfolio's investment in cash collateral received in connection with securities lending arrangements was $225,211, of which $7,965 was rebated to borrowers (brokers). The Portfolio retained $177,893 in income from the cash collateral investment, and SSB, as lending agent, was paid $39,353. Securities lending income is accrued as earned.

J) 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.

K) OTHER — The Portfolio invests in securities of foreign countries 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.

L) SUBSEQUENT EVENTS — In preparing the financial statements as of June 30, 2011, management considered the impact of subsequent events for potential recognition or disclosure in these financial statements.

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, 2011, investment advisory fees earned and

Note 3. Transactions with Affiliates and Related Parties

voluntarily waived were $643,546 and $183,524, respectively. Effective January 1, 2011, Credit Suisse waives fees and reimburses expenses so that the Portfolio's annual operating expenses, excluding dividend expense for securities sold short, will not exceed 1.45% of the Portfolio's average daily net assets. Fee waivers and 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, 2011, co-administrative services fees earned by CSAMSI were $57,919.

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, 2011, co-administrative services fees earned by SSB (including out-of-pocket expenses) were $78,556.

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, 2011, Merrill was paid $25,402 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, 2011,

Note 4. Line of Credit

and during the six months ended June 30, 2011, the Portfolio had no borrowings under the Credit Facility.

Note 5. Purchases and Sales of Securities

For the six months ended June 30, 2011, purchases and sales of investment securities (excluding short sales and short-term investments) were $41,429,922 and $54,560,199, respectively. Securities sold short and purchases to cover securities sold short were $22,877,229 and $30,626,984, respectively.

At June 30, 2011, the identified cost for federal income tax purposes, as well as the gross unrealized appreciation from investments for those securities having an excess of value over cost, gross unrealized depreciation from investments for those securities having an excess of cost over value and the net unrealized appreciation from investments were $138,719,674, $28,752,164, $(2,693,827) and $26,058,337, respectively.

At June 30, 2011, 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 depreciation from securities sold short were $(24,629,246), $725,977, $(2,425,255) and $(1,699,278), 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, 2011 (unaudited)	For the Year Ended December 31, 2010
Shares sold	1,438,612	2,807,356
Shares issued in reinvestment of dividends and distributions	14,839	20,557
Shares redeemed	(2,420,342)	(5,511,004)
Net decrease	(966,891)	(2,683,091)

Note 6. Capital Share Transactions

On June 30, 2011, 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. Contingencies

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

Note 8. Liquidation

On June 30, 2011, the Board of Trustees of Credit Suisse Trust — International Equity Flex III Portfolio (the "Portfolio") approved, subject to shareholder approval, a Plan of Liquidation and Dissolution (the "Plan") whereby all of the Portfolio's assets would be liquidated and the Portfolio would subsequently be dissolved.

If the Plan is approved on the date of the special meeting of shareholders, which is expected to take place on September 29, 2011, each shareholder of the Portfolio would receive a distribution in an amount equal to the net asset value per share on or about October 12, 2011. Each shareholder may also receive previously declared and unpaid dividends and distributions with respect to each of the shareholder's shares of the Portfolio. The liquidation and dissolution of the Portfolio is subject to the completion of certain conditions, including the approval of the Plan by the Portfolio's shareholders.

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. We do not disclose nonpublic personal information relating to individual investors to our affiliates for marketing purposes, nor do we use such information received from our affiliates to solicit individual investors for such purposes. 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 2, 2011.

Credit Suisse Trust — International Equity Flex III Portfolio
Proxy Voting and Portfolio Holdings Information (unaudited)

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

- By calling 1-877-870-2874
- 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, 2011

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, 2011, through June 30, 2011. 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.

Although 2011 began on an optimistic note amid encouraging economic data, by midyear investors returned to a more cautious outlook. The U.S. and global economies continued to grow over the reporting period, but at a relatively sluggish pace. First, manufacturing activity proved unsustainably strong in late 2010 and early 2011, leading to a subsequent slowdown in new orders. Second, turmoil in the Middle East drove oil prices higher and produced an inflationary drag on real incomes. Third, natural and nuclear disasters in Japan added to upward pressure on energy prices, and these unexpected events disrupted the global supply chain, especially in the automotive sector. Finally, in the United States, disappointing labor and housing markets weighed on investor sentiment. As a result, U.S. stocks generally produced only modest gains over the first half of the year.

We expect economic conditions to improve over the second half of 2011. Inflationary pressures appear to be peaking in most countries, including the United States, and we have already seen energy prices retreat from their highs. In addition, a successful resolution to the current debate regarding government spending and borrowing, without major fiscal tightening over the near term, should help avoid a serious disruption to the domestic economy. To assess how these and other developments may affect your investments, we encourage you, as always, to speak with your financial advisor.

Thank you for your continued confidence and support.

Sincerely,

Jonathan R. Baum
Chairman and Chief Executive Officer
The Dreyfus Corporation
July 15, 2011

DISCUSSION OF FUND PERFORMANCE

For the period of January 1, 2011, through June 30, 2011, as provided by Patrick Slattery and Langton Garvin, Portfolio Managers

Fund and Market Performance Overview

For the six-month period ended June 30, 2011, Dreyfus Investment Portfolios, MidCap Stock Portfolio's Initial shares produced a total return of 8.79%, and its Service shares produced a total return of 8.66%.[1] In comparison, the fund's benchmark, the Standard & Poor's MidCap 400 Index (the "S&P 400 Index"), produced a total return of 8.56% for the same period.[2]

Despite a number of macroeconomic headwinds, most broad stock market indices advanced during the reporting period on the strength of improving corporate earnings and revenues. Midcap stocks generally fared better than their large- and small-cap counterparts. The fund outperformed its benchmark's returns, with notably good performance in the health care and basic materials 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 Challenges Limited Market Gains

U.S. stocks posted strong gains during the first few months of 2011, when investors displayed confidence in the sustainability of the U.S. economic recovery. However, a persistently high unemployment rate along with a deeply troubled housing market and weak levels of consumer spending eroded that confidence in the spring. Furthermore, a variety of global economic challenges—including an intensifying sovereign debt crisis in Europe, political upheavals in the Middle East, intensifying inflationary pressures in some emerging markets and devastating natural and nuclear disasters in Japan—placed additional downward pressure on investor sentiment. As a result, in May and early June U.S. stocks gave back much of the ground they had gained earlier. However, stocks rallied again during the closing weeks of the reporting period, with the S&P 400 Index finishing the six-month period with strong overall performance.

Quantitative Factors Provided Mixed Results

Most of the quantitative modeling factors that drive the fund's stock selection process enhanced returns relative to the fund's benchmark during the first four months of 2011. And while virtually all these modeling factors proved less effective in May and June, the fund outperformed the S&P 400 Index for the six month period ending June 30, 2011. On balance, behavior factors such as fundamental momentum tended to enhance returns over the first six months of the year, while value-related factors proved neutral and quality-related factors such as earnings quality underperformed.

Strong Selections Among Health Care and Materials Stocks

Investments in health care companies produced particularly favorable returns relative to the benchmark. Managed care provider Humana rose nearly 50% during the reporting period. The company issued strong financial results, raised future guidance and reinstated a dividend for the first time in 18 years. Vision-related medical products maker Cooper and wound care technology developer Kinetic Concepts delivered robust gains on the strength of better-than-expected financial results and guidance.

The fund also outperformed its benchmark in the basic materials sector, particularly in the specialty chemicals industry. Top holdings included two petroleum products makers: *Lubrizol*, which received an attractive acquisition offer from Berkshire Hathaway, and NewMarket, which rallied in the wake of the Lubrizol deal and beat analysts' earnings and revenue estimates. Mergers-and-acquisitions activity bolstered returns in other areas as well. Energy and utility company Southern Union rose sharply after receiving takeover bids from two competitors, while footwear apparel maker Timberland and technology systems consultant *SRA International* both benefited from acquisition offers at a premium to the companies' then-prevailing stock prices.

On a more negative note, the fund's returns in the consumer staples sector suffered from a lack of exposure to high flyer Green Mountain

Coffee Roasters. The maker of single-cup brewing systems rose greater than 170% during the six-month period due to very strong financials and positive sentiment related to recently announced distribution deals. The underweight in this name served to detract from the fund's relative performance. In addition, household products maker Church & Dwight declined due to a disappointing financial report. In the technology sector, information technology services provider Computer Sciences Corporation and network optimization specialist F5 Networks delivered below-average returns after reporting weaker than expected financials and reducing guidance. Another notably weak performer, vehicle maker Oshkosh, was hurt by unexpectedly low revenues and concerns about reductions in defense spending.

Stock Selections Continue to Drive Our Process

During the first six months of 2011, we have seen indications that investors are returning to a more selective focus on business fundamentals. Such market conditions tend to favor our disciplined stock selection process. Our consistent commitment to this process across the full range of market cycles remains the cornerstone of our investment approach.

July 15, 2011

Please note, the position in any security highlighted in 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.

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.*

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, 2011 to June 30, 2011. 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, 2011

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.40	$ 5.69
Ending value (after expenses)	$1,087.90	$1,086.60

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, 2011

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.26	$ 5.51
Ending value (after expenses)	$1,020.58	$1,019.34

† *Expenses are equal to the fund's annualized expense ratio of .85% for Initial shares and 1.10% 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, 2011 (Unaudited)

Common Stocks—99.9%	Shares		Value ($)
Consumer Discretionary—16.4%			
Aeropostale	22,662	a,b	396,585
American Greetings, Cl. A	42,000	a	1,009,680
Ann	24,900	a,b	649,890
Autoliv	19,700	a	1,545,465
Bob Evans Farms	70,900	a	2,479,373
Brinker International	64,350	a	1,574,001
Cheesecake Factory	53,400	a,b	1,675,158
Collective Brands	29,500	a,b	433,355
Fossil	900	b	105,948
ITT Educational Services	24,100	a,b	1,885,584
KeyCorp	248,000		2,065,840
Meredith	58,600	a	1,824,218
O'Reilly Automotive	10,800	b	707,508
PetSmart	41,600		1,887,392
Scholastic	39,100	a	1,040,060
Signet Jewelers	20,000	b	936,200
Sotheby's	36,200	a	1,574,700
Timberland, Cl. A	7,800	a,b	335,166
TRW Automotive Holdings	11,900	a,b	702,457
Warnaco Group	31,450	a,b	1,643,262
Webster Financial	60,700	a	1,275,914
Williams-Sonoma	44,000		1,605,560
			27,353,316
Consumer Staples—5.7%			
Church & Dwight	73,400	a	2,975,636
Coca-Cola Enterprises	73,200		2,135,976
Constellation Brands, Cl. A	12,800	b	266,496
Dr. Pepper Snapple Group	42,400	a	1,777,832
Flowers Foods	4,500	a	99,180
Smithfield Foods	68,200	b	1,491,534
Tyson Foods, Cl. A	34,800	a	675,816
			9,422,470
Energy—10.0%			
Arch Coal	86,300	a	2,300,758
Cimarex Energy	28,700		2,580,704
Forest Oil	14,300	b	381,953

Common Stocks (continued)	Shares		Value ($)
Energy (continued)			
Oceaneering International	70,400	[a]	2,851,200
PNM Resources	91,900		1,538,406
SEACOR Holdings	21,400	[a]	2,139,144
Southern Union	3,400	[a]	136,510
Superior Energy Services	67,600	[a,b]	2,510,664
Valero Energy	81,500		2,083,955
Whiting Petroleum	1,700	[b]	96,747
			16,620,041
Financial—14.9%			
American Financial Group	54,775		1,954,920
Apartment Investment & Management, Cl. A	58,600	[a,c]	1,496,058
Cathay General Bancorp	138,900	[a]	2,276,571
Comerica	16,300	[a]	563,491
Eaton Vance	36,400	[a]	1,100,372
Equity One	6,400	[a,c]	119,296
Fifth Third Bancorp	50,300		641,325
Highwoods Properties	15,500	[a,c]	513,515
Hospitality Properties Trust	70,600	[c]	1,712,050
Huntington Bancshares	37,900	[a]	248,624
International Bancshares	6,000	[a]	100,380
Janus Capital Group	13,900		131,216
Jones Lang LaSalle	16,400		1,546,520
Liberty Property Trust	18,200	[a,c]	592,956
Macerich	7,947	[a,c]	425,165
Rayonier	28,700	[a,c]	1,875,545
Reinsurance Group of America	26,300		1,600,618
SEI Investments	115,600		2,602,156
SL Green Realty	19,100	[a,c]	1,582,817
StanCorp Financial Group	38,300	[a]	1,615,877
SVB Financial Group	23,000	[a,b]	1,373,330
Weingarten Realty Investors	31,500	[a,c]	792,540
			24,865,342
Health Care—10.1%			
Cooper	23,700		1,877,988
Endo Pharmaceuticals Holdings	36,900	[b]	1,482,273
Health Net	26,800	[b]	860,012

Common Stocks (continued)	Shares	Value ($)
Health Care (continued)		
Humana	18,400	1,481,936
IDEXX Laboratories	22,500 [a,b]	1,745,100
Kinetic Concepts	27,900 [a,b]	1,607,877
LifePoint Hospitals	12,600 [a,b]	492,408
Myriad Genetics	11,400 [b]	258,894
Techne	31,200	2,601,144
United Therapeutics	42,600 [a,b]	2,347,260
Watson Pharmaceuticals	31,200 [a,b]	2,144,376
		16,899,268
Industrial—13.3%		
Alaska Air Group	40,800 [b]	2,793,168
Copart	2,172 [a,b]	101,215
Corrections Corp. of America	51,000 [a,b]	1,104,150
Donaldson	10,300 [a]	625,004
Gardner Denver	15,600	1,311,180
Joy Global	24,600	2,342,904
Kansas City Southern	42,700 [b]	2,533,391
KBR	24,800	934,712
Kennametal	68,000 [a]	2,870,280
Nordson	2,900	159,065
Oshkosh	3,700 [b]	107,078
Owens Corning	2,600 [a,b]	97,110
Textron	52,700 [a]	1,244,247
Timken	53,000	2,671,200
Toro	15,000	907,500
URS	51,100 [b]	2,286,214
		22,088,418
Information Technology—17.8%		
ACI Worldwide	43,700 [b]	1,475,749
Advent Software	3,700 [b]	104,229
Amdocs	24,700 [b]	750,633
Broadridge Financial Solutions	41,900	1,008,533
CA	36,500	833,660
Computer Sciences	2,500	94,900
Convergys	51,600 [a,b]	703,824
DST Systems	43,244	2,283,283

Common Stocks (continued)	Shares		Value ($)
Information Technology (continued)			
F5 Networks	900	b	99,225
FactSet Research Systems	25,100	a	2,568,232
Fairchild Semiconductor International	130,000	b	2,172,300
IAC/InterActiveCorp	44,800	b	1,710,016
Lam Research	31,200	b	1,381,536
Lender Processing Services	70,700	a	1,478,337
Lexmark International, Cl. A	15,900	b	465,234
Parametric Technology	16,100	a,b	369,173
Plantronics	63,200	a	2,308,696
QLogic	107,900	a,b	1,717,768
SanDisk	24,500	b	1,016,750
Solera Holdings	20,600		1,218,696
Synopsys	70,700	b	1,817,697
Tech Data	34,700	b	1,696,483
Vishay Intertechnology	159,500	a,b	2,398,880
			29,673,834
Materials—5.0%			
Cabot	22,300		889,101
Domtar	26,800	a	2,538,496
Minerals Technologies	38,700		2,565,423
NewMarket	14,020	a	2,393,354
			8,386,374
Telecommunication Services—1.3%			
Telephone & Data Systems	71,000		**2,206,680**
Utilities—5.4%			
CMS Energy	25,700	a	506,033
Great Plains Energy	125,800	a	2,607,834
Hawaiian Electric Industries	96,700	a	2,326,602
NV Energy	37,300	a	572,555
Questar	146,500		2,594,515
Westar Energy	3,700	a	99,567
WGL Holdings	8,100	a	311,769
			9,018,875
Total Common Stocks (cost $144,154,950)			**166,534,618**

Other Investment—.4%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Preferred Plus Money Market Fund (cost $663,000)	663,000 [d]	**663,000**

Investment of Cash Collateral for Securities Loaned—32.5%		
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Fund (cost $54,138,826)	54,138,826 [d]	**54,138,826**

Total Investments (cost $198,956,776)	**132.8%**	**221,336,444**
Liabilities, Less Cash and Receivables	**(32.8%)**	**(54,622,388)**
Net Assets	**100.0%**	**166,714,056**

[a] *Security, or portion thereof, on loan. At June 30, 2011, the value of the fund's securities on loan was $53,111,651 and the value of the collateral held by the fund was $54,138,826.*
[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 (%)
Money Market Investments	32.9	Energy	10.0
Information Technology	17.8	Consumer Staples	5.7
Consumer Discretionary	16.4	Utilities	5.4
Financial	14.9	Materials	5.0
Industrial	13.3	Telecommunication Services	1.3
Health Care	10.1		**132.8**

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

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2011 (Unaudited)

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $53,111,651)—Note 1(b):		
Unaffiliated issuers	144,154,950	166,534,618
Affiliated issuers	54,801,826	54,801,826
Cash		32,273
Dividends and interest receivable		78,859
Prepaid expenses		1,550
		221,449,126
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(b)		111,217
Liability for securities on loan—Note 1(b)		54,138,826
Payable for shares of Beneficial Interest redeemed		420,496
Accrued expenses		64,531
		54,735,070
Net Assets ($)		**166,714,056**
Composition of Net Assets ($):		
Paid-in capital		185,899,179
Accumulated undistributed investment income—net		305,002
Accumulated net realized gain (loss) on investments		(41,869,793)
Accumulated net unrealized appreciation (depreciation) on investments		22,379,668
Net Assets ($)		**166,714,056**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	147,334,911	19,379,145
Shares Outstanding	10,331,730	1,359,885
Net Asset Value Per Share ($)	**14.26**	**14.25**

See notes to financial statements.

STATEMENT OF OPERATIONS

Six Months Ended June 30, 2011 (Unaudited)

Investment Income ($):	
Income:	
Cash dividends:	
Unaffiliated issuers	1,024,381
Affiliated issuers	633
Income from securities lending—Note 1(b)	22,976
Total Income	**1,047,990**
Expenses:	
Management fee—Note 3(a)	635,939
Professional fees	31,318
Distribution fees—Note 3(b)	24,709
Prospectus and shareholders' reports	23,718
Custodian fees—Note 3(b)	8,579
Shareholder servicing costs—Note 3(b)	6,280
Loan commitment fees—Note 2	1,779
Trustees' fees and expenses—Note 3(c)	1,454
Miscellaneous	8,007
Total Expenses	**741,783**
Less—reduction in fees due to earnings credits—Note 3(b)	(3)
Net Expenses	**741,780**
Investment Income—Net	**306,210**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	16,598,441
Net unrealized appreciation (depreciation) on investments	(2,614,661)
Net Realized and Unrealized Gain (Loss) on Investments	**13,983,780**
Net Increase in Net Assets Resulting from Operations	**14,289,990**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2011 (Unaudited)	Year Ended December 31, 2010
Operations ($):		
Investment income—net	306,210	793,366
Net realized gain (loss) on investments	16,598,441	17,733,437
Net unrealized appreciation (depreciation) on investments	(2,614,661)	18,149,709
Net Increase (Decrease) in Net Assets Resulting from Operations	**14,289,990**	**36,676,512**
Dividends to Shareholders from ($):		
Investment income—net:		
Initial Shares	(723,203)	(1,351,353)
Service Shares	(69,975)	(158,748)
Total Dividends	**(793,178)**	**(1,510,101)**
Beneficial Interest Transactions ($):		
Net proceeds from shares sold:		
Initial Shares	4,546,216	11,148,281
Service Shares	1,323,649	3,623,506
Dividends reinvested:		
Initial Shares	723,203	1,351,353
Service Shares	69,975	158,748
Cost of shares redeemed:		
Initial Shares	(17,025,397)	(28,547,371)
Service Shares	(3,161,265)	(4,212,318)
Increase (Decrease) in Net Assets from Beneficial Interest Transactions	**(13,523,619)**	**(16,477,801)**
Total Increase (Decrease) in Net Assets	**(26,807)**	**18,688,610**
Net Assets ($):		
Beginning of Period	166,740,863	148,052,253
End of Period	**166,714,056**	**166,740,863**
Undistributed investment income—net	305,002	791,970

	Six Months Ended June 30, 2011 (Unaudited)	Year Ended December 31, 2010
Capital Share Transactions:		
Initial Shares		
Shares sold	323,747	968,273
Shares issued for dividends reinvested	50,858	115,896
Shares redeemed	(1,216,104)	(2,528,129)
Net Increase (Decrease) in Shares Outstanding	**(841,499)**	**(1,443,960)**
Service Shares		
Shares sold	93,898	305,583
Shares issued for dividends reinvested	4,921	13,603
Shares redeemed	(227,007)	(369,298)
Net Increase (Decrease) in Shares Outstanding	**(128,188)**	**(50,112)**

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, 2011 (Unaudited)	Year Ended December 31, 2010	2009	2008	2007	2006
Per Share Data ($):						
Net asset value, beginning of period	13.17	10.46	7.85	15.52	17.39	19.15
Investment Operations:						
Investment income—net[a]	.03	.06	.11	.09	.12	.08
Net realized and unrealized gain (loss) on investments	1.13	2.76	2.62	(5.63)	.19	1.39
Total from Investment Operations	1.16	2.82	2.73	(5.54)	.31	1.47
Distributions:						
Dividends from investment income—net	(.07)	(.11)	(.12)	(.12)	(.07)	(.07)
Dividends from net realized gain on investments	–	–	–	(2.01)	(2.11)	(3.16)
Total Distributions	(.07)	(.11)	(.12)	(2.13)	(2.18)	(3.23)
Net asset value, end of period	14.26	13.17	10.46	7.85	15.52	17.39
Total Return (%)	8.79[b]	27.10	35.51	(40.42)	1.50	7.75
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	.85[c]	.84	.84	.82	.80	.80
Ratio of net expenses to average net assets	.85[c]	.84	.84	.81	.80	.80
Ratio of net investment income to average net assets	.39[c]	.54	1.22	.76	.73	.48
Portfolio Turnover Rate	37.29[b]	79.28	75.42	86.74	116.83	149.02
Net Assets, end of period ($ x 1,000)	147,335	147,155	131,962	125,701	277,602	338,081

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

Service Shares	Six Months Ended June 30, 2011 (Unaudited)	Year Ended December 31, 2010	2009	2008	2007	2006
Per Share Data ($):						
Net asset value, beginning of period	13.16	10.46	7.82	15.45	17.31	19.06
Investment Operations:						
Investment income—net [a]	.01	.05	.10	.08	.09	.06
Net realized and unrealized gain (loss) on investments	1.13	2.76	2.63	(5.60)	.21	1.39
Total from Investment Operations	1.14	2.81	2.73	(5.52)	.30	1.45
Distributions:						
Dividends from investment income—net	(.05)	(.11)	(.09)	(.10)	(.05)	(.04)
Dividends from net realized gain on investments	–	–	–	(2.01)	(2.11)	(3.16)
Total Distributions	(.05)	(.11)	(.09)	(2.11)	(2.16)	(3.20)
Net asset value, end of period	14.25	13.16	10.46	7.82	15.45	17.31
Total Return (%)	8.66[b]	26.94	35.33	(40.44)	1.39	7.68
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	1.10[c]	1.09	1.09	1.06	1.05	1.05
Ratio of net expenses to average net assets	1.10[c]	.97	.90	.90	.90	.91
Ratio of net investment income to average net assets	.14[c]	.40	1.16	.62	.58	.37
Portfolio Turnover Rate	37.29[b]	79.28	75.42	86.74	116.83	149.02
Net Assets, end of period ($ x 1,000)	19,379	19,586	16,090	13,881	39,009	85,277

[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 seek 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.

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).

	Level 1– Unadjusted Quoted Prices	Level 2–Other Significant Observable Inputs	Level 3– Significant Unobservable Inputs	Total
Assets ($)				
Investments in Securities:				
Equity Securities– Domestic†	164,052,953	–	–	**164,052,953**
Equity Securities– Foreign†	2,481,665	–	–	**2,481,665**
Mutual Funds	54,801,826	–	–	**54,801,826**

† *See Statement of Investments for additional detailed categorizations.*

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. No significant transfers between Level 1 or Level 2 fair value measurements occurred at June 30, 2011.

In May 2011, FASB issued ASU No. 2011-04 "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in GAAP and International Financial Reporting Standards ("IFRS")". ASU No. 2011-04 includes common requirements for measurement of and disclosure about fair value between GAAP and IFRS. ASU No. 2011-04 will require reporting entities to disclose the following information for fair value measurements categorized within Level 3 of the fair value hierarchy: quantitative information about the unobservable inputs used in the fair value measurement, the valuation processes used by the reporting entity and a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs. In addition, ASU No. 2011-04 will require reporting entities to make disclosures about amounts and reasons for all transfers in and out of Level 1 and Level 2 fair value measurements. The new and revised disclosures are effective for interim and annual reporting periods beginning after December 15, 2011. At this time, management is evaluating the implications of ASU No. 2011-04 and its impact on the financial statements.

(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.

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, 2011, The Bank of New York Mellon earned $9,847 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, 2011 were as follows:

Affiliated Investment Company	Value 12/31/2010 ($)	Purchases ($)	Sales ($)	Value 6/30/2011 ($)	Net Assets (%)
Dreyfus Institutional Preferred Plus Money Market Fund	912,000	12,033,000	12,282,000	663,000	.4
Dreyfus Institutional Cash Advantage Fund	2,072,631	150,586,143	98,519,948	54,138,826	32.5
Total	**2,984,631**	**162,619,143**	**110,801,948**	**54,801,826**	**32.9**

(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, 2011, 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, 2010 remains subject to examination by the Internal Revenue Service and state taxing authorities.

The fund has an unused capital loss carryover of $58,430,851 available for federal income tax purposes to be applied against future net securities profits, if any, realized subsequent to December 31, 2010. If not applied, $12,514,855 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, 2010 was as follows: ordinary income $1,510,101. 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 ended June 30, 2011, 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.

(b) Under the Distribution Plan (the "Plan") adopted pursuant to Rule 12b-1 under the Act, Service shares pay the Distributor for distributing its 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, 2011, Service shares were charged $24,709 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, 2011, the fund was charged $436 pursuant to the transfer agency agreement, which is included in Shareholder servicing costs in the Statement of Operations.

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.

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, 2011, the fund was charged $64 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 $3.

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, 2011, the fund was charged $8,579 pursuant to the custody agreement.

During the period ended June 30, 2011, the fund was charged $2,981 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 $100,434, Rule 12b-1 distribution plan fees $3,910, custodian fees $4,472, chief compliance officer fees $2,259 and transfer agency per account fees $142.

(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, 2011, amounted to $63,921,102 and $77,370,218, respectively.

At June 30, 2011, accumulated net unrealized appreciation on investments was $22,379,668, consisting of $27,857,357 gross unrealized appreciation and $5,477,689 gross unrealized depreciation.

At June 30, 2011, the cost of investments for federal income tax purposes was substantially the same as the cost for financial reporting purposes (see the Statement of Investments).

NOTES

For More Information

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

Investment Adviser

The Dreyfus Corporation
200 Park Avenue
New York, NY 10166

Custodian

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-DREYFUS.

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The Dreyfus Socially Responsible Growth Fund, Inc.

SEMIANNUAL REPORT June 30, 2011

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.

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THE FUND

FOR MORE INFORMATION

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, 2011, through June 30, 2011. 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.

Although 2011 began on an optimistic note amid encouraging economic data, by midyear investors returned to a more cautious outlook. The U.S. and global economies continued to grow over the reporting period, but at a relatively sluggish pace. First, manufacturing activity proved unsustainably strong in late 2010 and early 2011, leading to a subsequent slowdown in new orders. Second, turmoil in the Middle East drove oil prices higher and produced an inflationary drag on real incomes. Third, natural and nuclear disasters in Japan added to upward pressure on energy prices, and these unexpected events disrupted the global supply chain, especially in the automotive sector. Finally, in the United States, disappointing labor and housing markets weighed on investor sentiment. As a result, U.S. stocks generally produced only modest gains over the first half of the year.

We expect economic conditions to improve over the second half of 2011. Inflationary pressures appear to be peaking in most countries, including the United States, and we have already seen energy prices retreat from their highs. In addition, a successful resolution to the current debate regarding government spending and borrowing, without major fiscal tightening over the near term, should help avoid a serious disruption to the domestic economy. To assess how these and other developments may affect your investments, we encourage you, as always, to speak with your financial advisor.

Thank you for your continued confidence and support.

Sincerely,

Jonathan R. Baum
Chairman and Chief Executive Officer
The Dreyfus Corporation
July 15, 2011

DISCUSSION OF FUND PERFORMANCE

For the period of January 1, 2011, through June 30, 2011, as provided by Jocelin A. Reed, CFA, Portfolio Manager

Fund and Market Performance Overview

For the six-month period ended June 30, 2011, The Dreyfus Socially Responsible Growth Fund's Initial shares produced a total return of 6.70%, and the fund's Service shares returned 6.55%.[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 6.01% for the same period.[2]

Stocks rallied early in the year as an economic recovery appeared to gain traction, but renewed concerns later caused the market to give back some of its gains. The fund produced higher returns than its benchmark, mainly due to successful stock selections in the information technology, health care and financials sectors.

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.

Shifting Sentiment Sparked Heightened Volatility

Investors' outlook on the market had improved dramatically by the start of 2011 due to improvements in employment, consumer spending and corporate earnings. However, the market rally was interrupted in February when political unrest in the Middle East led to sharply rising crude oil prices, and again in March when natural and nuclear disasters in Japan threatened one of the world's largest economies. Nonetheless, investors proved resilient, and the U.S. stock market rebounded from these shocks.

In late April, investor sentiment began to deteriorate in earnest when Greece appeared headed for default on its debt, U.S. economic data proved disappointing and the debate regarding U.S. government spending and borrowing intensified. Stocks suffered heightened volatility as newly risk-averse investors shifted their focus from economically sensitive industry groups to those that historically have held up well under uncertain economic conditions.

Stock Selection Strategy Effective in Several Sectors

Our security selection strategy proved especially successful in the information technology sector. Microchip manufacturer National Semiconductor was acquired at a premium by Texas Instruments. Storage equipment specialist EMC benefited from rising demand for the corporate data centers used in the trend toward "cloud computing," in which businesses manage applications and data over the Internet. Consulting services provider Accenture gained value as corporations sought help in building the infrastructure required for cloud computing.

The fund's health care holdings exceeded market averages through an emphasis on biotechnology firms over large pharmaceutical companies. For example, Biogen Idec gained value when a new treatment for cerebral palsy appeared to be well received by European regulators. Managed care providers *Aetna* and Humana advanced due to higher profit margins as the rise of medical costs decelerated. In the consumer staples sector, organic grocer Whole Foods Market saw increased traffic and higher spending among higher-income customers. Although the financials sector fared relatively poorly overall, the fund scored successes by favoring asset managers over large banks.

Disappointments included underweighted exposure to the energy sector and lagging stock selections such as Forest Oil, which was hurt by a glut of natural gas, and Venoco, which encountered problems with a California shale oil project. Due to social responsibility considerations, the fund did not own some of the sector's better performers, such as ExxonMobil. The fund also avoided aerospace and defense contractors, such as Boeing, in the industrials sector, missing out on the industry's relatively strong returns.

Positioned for a More Selective Environment

Although a number of headwinds remain, we expect the economic recovery to persist. However, we believe that investors are likely to become more selective, favoring companies that can produce consistent revenues and earnings in a slow-growth economy. In our judgment, our bottom-up security selection process may be particularly well suited to such an environment.

Technology Companies Respond to Security Concerns

Our search for socially responsible businesses led us to a number of information technology companies with diverse workforces and sound environmental policies. In addition, with the advent of "cloud computing" in which data and applications are managed remotely, technology providers have paid greater attention to the security of users' information, including protecting sensitive financial information from hackers. Fund holdings such as Microsoft, International Business Machines, Accenture, Apple and Google are confronting the challenges of protecting the end user information and privacy in unique ways. We believe these issues will pose both significant risks and opportunities for technology companies for years to come.

July 15, 2011

Please note, the position in any security highlighted in 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, 2011 to June 30, 2011. 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, 2011

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.31	$ 5.58
Ending value (after expenses)	$1,067.00	$1,065.50

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, 2011

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.21	$ 5.46
Ending value (after expenses)	$1,020.63	$1,019.39

† *Expenses are equal to the fund's annualized expense ratio of .84% for Initial Shares and 1.09% 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, 2011 (Unaudited)

Common Stocks—99.6%	Shares		Value ($)
Consumer Discretionary—11.1%			
Best Buy	66,400	a	2,085,624
Discovery Communications, Cl. A	86,400	b	3,538,944
J.C. Penney	37,400		1,291,796
Limited Brands	69,850		2,685,733
McDonald's	26,775		2,257,668
McGraw-Hill	69,850		2,927,413
Nordstrom	27,100		1,272,074
O'Reilly Automotive	19,400	b	1,270,894
Staples	76,900		1,215,020
Target	40,300		1,890,473
TJX	74,625		3,920,051
Weight Watchers International	27,875		2,103,726
			26,459,416
Consumer Staples—8.7%			
Church & Dwight	82,800		3,356,712
Coca-Cola Enterprises	41,700		1,216,806
Costco Wholesale	69,800		5,670,552
Hershey	49,200		2,797,020
Kimberly-Clark	20,475		1,362,816
Procter & Gamble	42,625		2,709,671
Whole Foods Market	56,550		3,588,097
			20,701,674
Energy—6.1%			
Devon Energy	48,850		3,849,868
EnCana	34,900		1,074,571
Forest Oil	86,300	b	2,305,073
ION Geophysical	322,200	a,b	3,048,012
Nexen	144,725		3,256,312
Venoco	78,323	a,b	997,835
			14,531,671
Financial—13.3%			
Berkshire Hathaway, Cl. B	34,300	b	2,654,477
Comerica	72,300		2,499,411
Discover Financial Services	93,000		2,487,750
First Horizon National	175,820		1,677,323
Franklin Resources	21,200		2,783,348

Common Stocks (continued)	Shares		Value ($)
Financial (continued)			
Investment Technology Group	79,750	b	1,118,095
KeyCorp	305,600		2,545,648
Nasdaq OMX Group	75,800	b	1,917,740
PNC Financial Services Group	67,150		4,002,811
State Street	39,300		1,772,037
T. Rowe Price Group	44,700		2,697,198
Travelers	42,350		2,472,393
Waddell & Reed Financial, Cl. A	87,350		3,175,173
			31,803,404
Health Care—12.9%			
Amgen	31,575	b	1,842,401
AstraZeneca, ADR	41,950	a	2,100,437
Becton Dickinson & Co.	30,875		2,660,499
Biogen Idec	37,500	b	4,009,500
Bristol-Myers Squibb	137,900		3,993,584
CareFusion	48,900	b	1,328,613
DaVita	27,100	b	2,347,131
Gilead Sciences	59,850	b	2,478,389
Humana	41,800		3,366,572
Kinetic Concepts	44,700	b	2,576,061
Life Technologies	53,100	b	2,764,917
Novartis, ADR	22,600		1,381,086
			30,849,190
Industrial—11.1%			
Brink's	40,650		1,212,590
Caterpillar	34,800		3,704,808
Cummins	29,100		3,011,559
Donaldson	22,525		1,366,817
Eaton	46,600		2,397,570
Emerson Electric	52,025		2,926,406
Fluor	22,300		1,441,918
General Electric	299,700		5,652,342
Ryder System	37,825		2,150,351
United Technologies	29,775		2,635,385
			26,499,746
Information Technology—23.9%			
Accenture, Cl. A	20,000		1,208,400

Common Stocks (continued)	Shares		Value ($)
Information Technology (continued)			
Apple	13,950	b	4,682,597
Applied Materials	89,300		1,161,793
Avnet	44,375	b	1,414,675
CA	74,750		1,707,290
Cisco Systems	301,175		4,701,342
EMC	118,025	b	3,251,589
First Solar	9,600	a,b	1,269,792
Google, Cl. A	8,950	b	4,532,101
Hewlett-Packard	64,600		2,351,440
Intel	169,550		3,757,228
International Business Machines	46,475		7,972,786
Microsoft	318,600		8,283,600
Oracle	106,675		3,510,674
QUALCOMM	70,425		3,999,436
Symantec	76,950	b	1,517,454
Western Union	90,325		1,809,210
			57,131,407
Materials—7.0%			
Alcoa	289,100		4,585,126
Ball	75,000		2,884,500
Domtar	28,900		2,737,408
Ecolab	42,100		2,373,598
Reliance Steel & Aluminum	49,400		2,452,710
Sigma-Aldrich	24,500		1,797,810
			16,831,152
Telecommunications—3.0%			
Metropcs Communications	214,800	b	3,696,708
Verizon Communications	95,100		3,540,573
			7,237,281
Utilities—2.5%			
Consolidated Edison	35,800		1,905,992
Sempra Energy	55,650		2,942,772
WGL Holdings	26,575		1,022,872
			5,871,636
Total Common Stocks (cost $203,020,740)			**237,916,577**

Other Investment—.4%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Preferred Plus Money Market Fund (cost $923,000)	923,000 [c]	**923,000**
Investment of Cash Collateral for Securities Loaned—1.8%		
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Fund (cost $4,391,547)	4,391,547 [c]	**4,391,547**
Total Investments (cost $208,335,287)	**101.8%**	**243,231,124**
Liabilities, Less Cash and Receivables	**(1.8%)**	**(4,457,813)**
Net Assets	**100.0%**	**238,773,311**

ADR—American Depository Receipts

[a] *Security, or portion thereof, on loan. At June 30, 2011, the value of the fund's securities on loan was $4,299,766 and the value of the collateral held by the fund was $4,391,547.*

[b] *Non-income producing security.*

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

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Information Technology	23.9	Materials	7.0
Financial	13.3	Energy	6.1
Health Care	12.9	Telecommunications	3.0
Consumer Discretionary	11.1	Utilities	2.5
Industrial	11.1	Money Market Investments	2.2
Consumer Staples	8.7		**101.8**

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2011 (Unaudited)

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $4,299,766)—Note 1(b):		
Unaffiliated issuers	203,020,740	237,916,577
Affiliated issuers	5,314,547	5,314,547
Cash		28,294
Dividends receivable		291,698
Prepaid expenses		17,916
		243,569,032
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(c)		152,274
Liability for securities on loan—Note 1(b)		4,391,547
Payable for shares of Common Stock redeemed		175,016
Accrued expenses		76,884
		4,795,721
Net Assets ($)		**238,773,311**
Composition of Net Assets ($):		
Paid-in capital		223,085,209
Accumulated undistributed investment income—net		935,790
Accumulated net realized gain (loss) on investments		(20,143,525)
Accumulated net unrealized appreciation (depreciation) on investments		34,895,837
Net Assets ($)		**238,773,311**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	231,989,122	6,784,189
Shares Outstanding	7,334,619	215,715
Net Asset Value Per Share ($)	**31.63**	**31.45**

See notes to financial statements.

STATEMENT OF OPERATIONS

Six Months Ended June 30, 2011 (Unaudited)

Investment Income ($):	
Income:	
Cash dividends (net of $13,264 foreign taxes withheld at source):	
Unaffiliated issuers	1,922,979
Affiliated issuers	1,315
Income from securities lending—Note 1(b)	20,403
Total Income	**1,944,697**
Expenses:	
Management fee—Note 3(a)	890,573
Professional fees	41,949
Prospectus and shareholders' reports	33,277
Shareholder servicing costs—Note 3(c)	13,164
Distribution fees—Note 3(b)	8,353
Custodian fees—Note 3(c)	7,129
Directors' fees and expenses—Note 3(d)	2,534
Loan commitment fees—Note 2	1,367
Miscellaneous	9,837
Total Expenses	**1,008,183**
Less—reduction in fees due to earnings credits—Note 3(c)	(5)
Net Expenses	**1,008,178**
Investment Income—Net	**936,519**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	16,732,663
Net unrealized appreciation (depreciation) on investments	(2,265,513)
Net Realized and Unrealized Gain (Loss) on Investments	**14,467,150**
Net Increase in Net Assets Resulting from Operations	**15,403,669**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2011 (Unaudited)	Year Ended December 31, 2010
Operations ($):		
Investment income—net	936,519	2,035,275
Net realized gain (loss) on investments	16,732,663	9,806,504
Net unrealized appreciation (depreciation) on investments	(2,265,513)	18,869,439
Net Increase (Decrease) in Net Assets Resulting from Operations	**15,403,669**	**30,711,218**
Dividends to Shareholders from ($):		
Investment income—net:		
Initial Shares	(1,991,777)	(1,883,935)
Service Shares	(43,526)	(39,024)
Total Dividends	**(2,035,303)**	**(1,922,959)**
Capital Stock Transactions ($):		
Net proceeds from shares sold:		
Initial Shares	6,011,899	7,813,132
Service Shares	372,003	926,055
Dividends reinvested:		
Initial Shares	1,991,777	1,883,935
Service Shares	43,526	39,024
Cost of shares redeemed:		
Initial Shares	(16,895,628)	(32,411,083)
Service Shares	(505,995)	(1,322,352)
Increase (Decrease) in Net Assets from Capital Stock Transactions	**(8,982,418)**	**(23,071,289)**
Total Increase (Decrease) in Net Assets	**4,385,948**	**5,716,970**
Net Assets ($):		
Beginning of Period	234,387,363	228,670,393
End of Period	**238,773,311**	**234,387,363**
Undistributed investment income—net	935,790	2,034,574

	Six Months Ended June 30, 2011 (Unaudited)	Year Ended December 31, 2010
Capital Share Transactions:		
Initial Shares		
Shares sold	191,125	291,119
Shares issued for dividends reinvested	64,396	69,518
Shares redeemed	(541,663)	(1,215,789)
Net Increase (Decrease) in Shares Outstanding	**(286,142)**	**(855,152)**
Service Shares		
Shares sold	11,977	35,315
Shares issued for dividends reinvested	1,415	1,447
Shares redeemed	(16,276)	(50,731)
Net Increase (Decrease) in Shares Outstanding	**(2,884)**	**(13,969)**

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, 2011 (Unaudited)	Year Ended December 31, 2010	2009	2008	2007	2006
Per Share Data ($):						
Net asset value, beginning of period	29.90	26.26	19.86	30.50	28.45	26.08
Investment Operations:						
Investment income—net[a]	.12	.25	.21	.19	.17	.13
Net realized and unrealized gain (loss) on investments	1.88	3.62	6.40	(10.64)	2.04	2.27
Total from Investment Operations	2.00	3.87	6.61	(10.45)	2.21	2.40
Distributions:						
Dividends from investment income—net	(.27)	(.23)	(.21)	(.19)	(.16)	(.03)
Net asset value, end of period	31.63	29.90	26.26	19.86	30.50	28.45
Total Return (%)	6.70[b]	14.82	33.75	(34.42)	7.78	9.20
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	.84[c]	.89	.89	.85	.82	.83
Ratio of net expenses to average net assets	.84[c]	.89	.89	.85	.82	.83
Ratio of net investment income to average net assets	.80[c]	.93	.97	.72	.58	.50
Portfolio Turnover Rate	36.28[b]	32.75	34.00	31.74	22.71	32.19
Net Assets, end of period ($ x 1,000)	231,989	227,893	222,600	184,813	331,313	374,537

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

Service Shares	Six Months Ended June 30, 2011 (Unaudited)	Year Ended December 31, 2010	2009	2008	2007	2006
Per Share Data ($):						
Net asset value, beginning of period	29.71	26.10	19.71	30.25	28.21	25.90
Investment Operations:						
Investment income—net[a]	.08	.18	.16	.12	.10	.07
Net realized and unrealized gain (loss) on investments	1.86	3.60	6.37	(10.55)	2.02	2.24
Total from Investment Operations	1.94	3.78	6.53	(10.43)	2.12	2.31
Distributions:						
Dividends from investment income—net	(.20)	(.17)	(.14)	(.11)	(.08)	–
Net asset value, end of period	31.45	29.71	26.10	19.71	30.25	28.21
Total Return (%)	6.55[b]	14.54	33.44	(34.58)	7.49	8.96
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	1.09[c]	1.14	1.14	1.10	1.07	1.08
Ratio of net expenses to average net assets	1.09[c]	1.14	1.14	1.10	1.07	1.08
Ratio of net investment income to average net assets	.55[c]	.68	.72	.47	.33	.25
Portfolio Turnover Rate	36.28[b]	32.75	34.00	31.74	22.71	32.19
Net Assets, end of period ($ x 1,000)	6,784	6,494	6,070	5,008	8,924	11,372

[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:

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 seeks to provide capital growth. 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. The fund currently offers two 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 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, 2011 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†	230,104,171	–	–	**230,104,171**
Equity Securities– Foreign†	7,812,406	–	–	**7,812,406**
Mutual Funds	5,314,547	–	–	**5,314,547**

† *See Statement of Investments for additional detailed categorizations.*

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. No significant transfers between Level 1 or Level 2 fair value measurements occurred at June 30, 2011.

In May 2011, FASB issued ASU No. 2011-04 "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in GAAP and International Financial Reporting Standards ("IFRS")". ASU No. 2011-04 includes common requirements for measurement of and disclosure about fair value between GAAP and IFRS. ASU No. 2011-04 will require reporting entities to disclose the following information for fair value measurements categorized within Level 3 of the fair value hierarchy: quantitative information about the unobservable inputs used in the fair value measurement, the valuation processes used by the reporting entity and a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs. In addition, ASU No. 2011-04 will require reporting entities to make disclosures about amounts and reasons for all transfers in and out of Level 1 and Level 2 fair value measurements. The new and revised disclosures are effective for interim and annual reporting periods beginning after December 15, 2011. At this time, management is evaluating the implications of ASU No. 2011-04 and its impact on the financial statements.

(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.

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, 2011, The Bank of New York Mellon earned $8,744 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, 2011 were as follows:

Affiliated Investment Company	Value 12/31/2010 ($)	Purchases ($)	Sales ($)	Value 6/30/2011 ($)	Net Assets (%)
Dreyfus Institutional Preferred Plus Money Market Fund	772,000	12,394,000	12,243,000	923,000	.4
Dreyfus Institutional Cash Advantage Fund†	7,366,570	40,343,868	43,318,891	4,391,547	1.8
Total	**8,138,570**	**52,737,868**	**55,561,891**	**5,314,547**	**2.2**

† *On June 7, 2011, Dreyfus Institutional Cash Advantage Plus Fund was acquired by the Dreyfus Institutional Cash Advantage Fund, resulting in a transfer of shares.*

(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, 2011, 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, 2010 remains subject to examination by the Internal Revenue Service and state taxing authorities.

The fund has an unused capital loss carryover of $36,867,794 available for federal income tax purposes to be applied against future net securities profits, if any, realized subsequent to December 31, 2010. If not applied, $19,771,483 of the carryover 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, 2010 was as follows: ordinary income $1,922,959. 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 ended June 30, 2011, 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 its 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, 2011, Service shares were charged $8,353 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, 2011, Initial shares were charged $6,144 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, 2011, the fund was charged $710 pursuant to the transfer agency agreement, which is included in Shareholder servicing costs in the Statement of Operations.

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.

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, 2011, the fund was charged $107 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 $5.

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, 2011, the fund was charged $7,129 pursuant to the custody agreement.

During the period ended June 30, 2011, the fund was charged $2,981 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 $142,947, shareholder services plan fees $1,000, Rule 12b-1 distribution plan fees $1,348, custodian fees $4,500, chief compliance officer fees $2,259 and transfer agency per account fees $220.

(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, 2011, amounted to $86,960,162 and $97,312,248, respectively.

At June 30, 2011, accumulated net unrealized appreciation on investments was $34,895,837, consisting of $42,666,526 gross unrealized appreciation and $7,770,689 gross unrealized depreciation.

At June 30, 2011, 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-DREYFUS.

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JUNE 30, 2011

SEMIANNUAL REPORT

DWS INVESTMENTS VIT FUNDS

DWS Equity 500 Index VIP

DWS INVESTMENTS
Deutsche Bank Group

Contents

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, call (800) 728-3337 or your financial representative. We advise you to consider the Fund's objectives, risks, charges and expenses carefully before investing. The summary prospectus and prospectus contain this and other important information about the Fund. Please read the prospectus carefully before you invest.

Investing in derivatives entails special risks relating to liquidity, leverage and credit that may reduce returns and/or increase volatility. Various factors, including costs, cash flows and security selection, may cause the fund's performance to differ from that of the index. Any decline in value of a fund 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.

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.

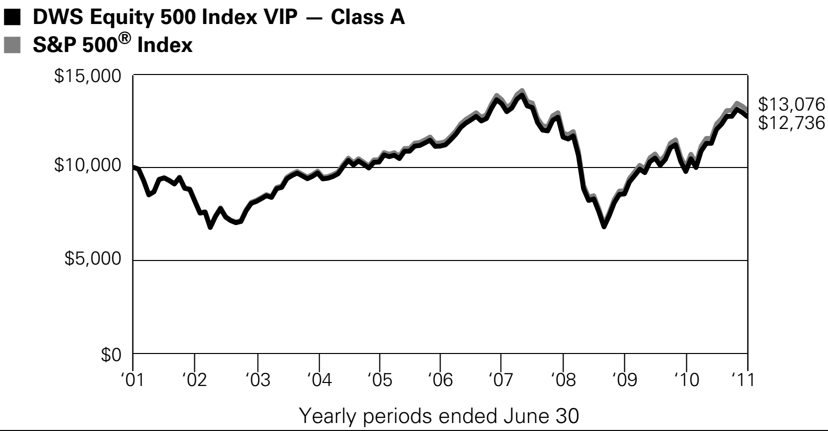
Performance Summary

June 30, 2011

Fund 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 Fund'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 Fund or any variable life insurance policy or variable annuity contract for which the Fund is an investment option. These charges and fees will reduce returns.

The gross expense ratios of the Fund, as stated in the fee table of the prospectus dated May 1, 2011 are 0.33%, 0.58% and 0.73% 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.

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 do not reflect any fees or expenses and it is not possible to invest directly into an index.

Comparative Results (as of June 30, 2011)

DWS Equity 500 Index VIP		**6-Month‡**	**1-Year**	**3-Year**	**5-Year**	**10-Year**
Class A	Growth of $10,000	$10,585	$13,028	$10,963	$11,433	$12,736
	Average annual total return	5.85%	30.28%	3.11%	2.71%	2.45%
S&P 500 Index	Growth of $10,000	$10,602	$13,069	$11,035	$11,561	$13,076
	Average annual total return	6.02%	30.69%	3.34%	2.94%	2.72%

DWS Equity 500 Index VIP		**6-Month‡**	**1-Year**	**3-Year**	**5-Year**	**Life of Class***
Class B	Growth of $10,000	$10,566	$12,992	$10,880	$11,289	$14,040
	Average annual total return	5.66%	29.92%	2.85%	2.45%	3.77%
S&P 500 Index	Growth of $10,000	$10,602	$13,069	$11,035	$11,561	$14,699
	Average annual total return	6.02%	30.69%	3.34%	2.94%	4.29%

DWS Equity 500 Index VIP		**6-Month‡**	**1-Year**	**3-Year**	**5-Year**	**Life of Class****
Class B2	Growth of $10,000	$10,566	$12,973	$10,831	$11,221	$11,626
	Average annual total return	5.66%	29.73%	2.70%	2.33%	2.64%
S&P 500 Index	Growth of $10,000	$10,602	$13,069	$11,035	$11,561	$12,121
	Average annual total return	6.02%	30.69%	3.34%	2.94%	3.40%

The growth of $10,000 is cumulative.

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

* *The Fund commenced offering Class B shares on April 30, 2002. Index returns began on April 30, 2002.*

** *The Fund commenced offering Class B2 shares on September 16, 2005. Index returns began on September 30, 2005.*

Information About Your Fund's Expenses

As an investor of the Fund, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Fund 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 Fund 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, 2011 to June 30, 2011).

The tables illustrate your Fund's expenses in two ways:

- **Actual Fund Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Fund using the Fund'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% Fund Return.** This helps you to compare your Fund's ongoing expenses (but not transaction costs) with those of other mutual funds using the Fund's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Fund return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. 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, 2011

Actual Fund Return	Class A	Class B	Class B2
Beginning Account Value 1/1/11	$1,000.00	$1,000.00	$1,000.00
Ending Account Value 6/30/11	$1,058.50	$1,056.60	$1,056.60
Expenses Paid per $1,000*	$ 1.68	$ 2.96	$ 3.72

Hypothetical 5% Fund Return	Class A	Class B	Class B2
Beginning Account Value 1/1/11	$1,000.00	$1,000.00	$1,000.00
Ending Account Value 6/30/11	$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 Fund'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 Fund's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund is an investment option.

Portfolio Summary

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/11**	**12/31/10**
Common Stocks	95%	99%
Cash Equivalents*	5%	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/11**	**12/31/10**
Information Technology	18%	19%
Financials	15%	16%
Energy	13%	12%
Health Care	12%	11%
Industrials	11%	11%
Consumer Discretionary	11%	10%
Consumer Staples	11%	11%
Materials	3%	4%
Utilities	3%	3%
Telecommunication Services	3%	3%
	100%	100%

Ten Largest Equity Holdings (18.1% of Net Assets)	
1. Exxon Mobil Corp. Explorer and producer of oil and gas	**3.3%**
2. Apple, Inc. Manufacturer of personal computers and communication solutions	**2.5%**
3. International Business Machines Corp. Manufacturer of computers and provider of information processing services	**1.7%**
4. Chevron Corp. Operator of petroleum exploration, delivery and refining facilities	**1.7%**
5. General Electric Co. A diversified company provider of services to the technology, media and financial industries	**1.6%**
6. Microsoft Corp. Developer of computer software	**1.6%**
7. AT&T, Inc. Provider of communications services	**1.5%**
8. Johnson & Johnson Provider of health care products	**1.5%**
9. Procter & Gamble Co. Manufacturer of diversified consumer products	**1.4%**
10. JPMorgan Chase & Co. Provider of global financial services	**1.3%**

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 Fund invests in futures contracts.*

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

Following the Fund'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. The Fund's portfolio holdings are also posted on www.dws-investments.com from time to time. Please see the Fund's current prospectus for more information.

	Shares	Value ($)
Common Stocks 98.3%		
Consumer Discretionary 10.5%		
Auto Components 0.3%		
Goodyear Tire & Rubber Co.*	15,452	259,130
Johnson Controls, Inc.	44,399	1,849,662
		2,108,792
Automobiles 0.5%		
Ford Motor Co.*	248,165	3,422,196
Harley-Davidson, Inc.	14,961	612,952
		4,035,148
Distributors 0.1%		
Genuine Parts Co.	10,004	**544,218**
Diversified Consumer Services 0.1%		
Apollo Group, Inc. "A"*	7,967	347,999
DeVry, Inc.	3,933	232,558
H&R Block, Inc.	19,258	308,898
		889,455
Hotels Restaurants & Leisure 1.8%		
Carnival Corp. (Units)	28,749	1,081,825
Chipotle Mexican Grill, Inc.*	1,967	606,210
Darden Restaurants, Inc.	8,872	441,471
International Game Technology	19,020	334,372
Marriott International, Inc. "A"	18,460	655,145
McDonald's Corp.	67,835	5,719,847
Starbucks Corp.	49,057	1,937,261
Starwood Hotels & Resorts Worldwide, Inc.	13,110	734,684
Wyndham Worldwide Corp.	11,116	374,053
Wynn Resorts Ltd.	4,817	691,432
Yum! Brands, Inc.	30,524	1,686,146
		14,262,446
Household Durables 0.4%		
D.R. Horton, Inc.	17,954	206,830
Fortune Brands, Inc.	10,485	668,628
Harman International Industries, Inc.	4,431	201,921
Leggett & Platt, Inc.	9,170	223,565
Lennar Corp. "A"	10,081	182,970
Newell Rubbermaid, Inc.	18,413	290,557
Pulte Group, Inc.*	21,117	161,756
Stanley Black & Decker, Inc.	11,329	816,255
Whirlpool Corp.	4,867	395,784
		3,148,266
Internet & Catalog Retail 0.9%		
Amazon.com, Inc.*	23,328	4,770,343
Expedia, Inc.	12,643	366,520
Netflix, Inc.*	2,782	730,804
Priceline.com, Inc.*	3,236	1,656,605
		7,524,272
Leisure Equipment & Products 0.1%		
Hasbro, Inc.	8,748	384,300
Mattel, Inc.	23,933	657,918
		1,042,218
Media 3.2%		
Cablevision Systems Corp. (New York Group) "A"	14,662	530,911
CBS Corp. "B"	44,474	1,267,064
Comcast Corp. "A"	180,719	4,579,419
DIRECTV "A"*	50,219	2,552,130
Discovery Communications, Inc. "A"*	17,870	731,955
Gannett Co., Inc.	15,090	216,089
Interpublic Group of Companies, Inc.	31,051	388,138
McGraw-Hill Companies, Inc.	19,609	821,813
News Corp. "A"	149,346	2,643,424
Omnicom Group, Inc.	18,013	867,506
Scripps Networks Interactive "A"	5,749	281,011
Time Warner Cable, Inc.	21,974	1,714,851
Time Warner, Inc.	69,964	2,544,591
Viacom, Inc. "B"	38,252	1,950,852
Walt Disney Co.	123,491	4,821,089
Washington Post Co. "B"	324	135,740
		26,046,583
Multiline Retail 0.7%		
Big Lots, Inc.*	4,795	158,954
Family Dollar Stores, Inc.	8,044	422,793
JC Penney Co., Inc.	13,708	473,474
Kohl's Corp.	18,479	924,135
Macy's, Inc.	28,615	836,703
Nordstrom, Inc.	10,621	498,550
Sears Holdings Corp.*	2,781	198,675
Target Corp.	45,038	2,112,732
		5,626,016
Specialty Retail 1.8%		
Abercrombie & Fitch Co. "A"	5,524	369,666
AutoNation, Inc.*	4,026	147,392
AutoZone, Inc.*	1,675	493,874
Bed Bath & Beyond, Inc.*	16,342	953,883
Best Buy Co., Inc.	20,825	654,113
CarMax, Inc.*	14,473	478,622
GameStop Corp. "A"*	8,935	238,296
Home Depot, Inc.	104,114	3,771,009
Limited Brands, Inc.	16,687	641,615
Lowe's Companies, Inc.	85,172	1,985,359
O'Reilly Automotive, Inc.*	8,957	586,773
Ross Stores, Inc.	7,558	605,547
Staples, Inc.	45,671	721,602
The Gap, Inc.	26,253	475,179
Tiffany & Co.	8,626	677,314
TJX Companies, Inc.	25,234	1,325,542
Urban Outfitters, Inc.*	7,966	224,243
		14,350,029
Textiles, Apparel & Luxury Goods 0.6%		
Coach, Inc.	19,584	1,252,005
NIKE, Inc. "B"	24,699	2,222,416
Polo Ralph Lauren Corp.	4,186	555,105
VF Corp.	5,953	646,258
		4,675,784
Consumer Staples 10.5%		
Beverages 2.5%		
Brown-Forman Corp. "B"	6,556	489,668
Coca-Cola Co.	149,454	10,056,760
Coca-Cola Enterprises, Inc.	20,934	610,854
Constellation Brands, Inc. "A"*	11,221	233,621
Dr. Pepper Snapple Group, Inc.	14,222	596,329
Molson Coors Brewing Co. "B"	11,107	496,927
PepsiCo, Inc.	103,187	7,267,460
		19,751,619

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

	Shares	Value ($)
Food & Staples Retailing 2.3%		
Costco Wholesale Corp.	28,567	2,320,783
CVS Caremark Corp.	88,637	3,330,978
Kroger Co.	39,762	986,098
Safeway, Inc.	23,354	545,783
SUPERVALU, Inc.	13,849	130,319
Sysco Corp.	38,613	1,203,953
Wal-Mart Stores, Inc.	124,604	6,621,457
Walgreen Co.	59,892	2,543,014
Whole Foods Market, Inc.	10,140	643,383
		18,325,768
Food Products 1.8%		
Archer-Daniels-Midland Co.	44,883	1,353,222
Campbell Soup Co.	11,644	402,300
ConAgra Foods, Inc.	27,920	720,615
Dean Foods Co.*	11,939	146,492
General Mills, Inc.	41,644	1,549,990
H.J. Heinz Co.	21,336	1,136,782
Hormel Foods Corp.	8,691	259,079
Kellogg Co.	16,867	933,082
Kraft Foods, Inc. "A"	114,634	4,038,556
McCormick & Co., Inc.	8,435	418,123
Mead Johnson Nutrition Co.	13,720	926,786
Sara Lee Corp.	39,282	745,965
The Hershey Co.	9,751	554,344
The JM Smucker Co.	7,567	578,422
Tyson Foods, Inc. "A"	18,916	367,349
		14,131,107
Household Products 2.1%		
Clorox Co.	8,777	591,921
Colgate-Palmolive Co.	31,932	2,791,176
Kimberly-Clark Corp.	25,668	1,708,462
Procter & Gamble Co.	182,277	11,587,349
		16,678,908
Personal Products 0.2%		
Avon Products, Inc.	29,076	814,128
Estee Lauder Companies, Inc. "A"	7,261	763,785
		1,577,913
Tobacco 1.6%		
Altria Group, Inc.	136,324	3,600,317
Lorillard, Inc.	9,351	1,018,043
Philip Morris International, Inc.	116,021	7,746,722
Reynolds American, Inc.	22,839	846,185
		13,211,267
Energy 12.5%		
Energy Equipment & Services 2.4%		
Baker Hughes, Inc.	28,358	2,057,657
Cameron International Corp.*	16,556	832,601
Diamond Offshore Drilling, Inc.	4,390	309,100
FMC Technologies, Inc.*	16,380	733,660
Halliburton Co.	59,681	3,043,731
Helmerich & Payne, Inc.	7,453	492,792
Nabors Industries Ltd.*	18,018	443,964
National Oilwell Varco, Inc.	27,600	2,158,596
Noble Corp.	16,017	631,230
Rowan Companies, Inc.*	8,019	311,217
Schlumberger Ltd.	88,615	7,656,336
		18,670,884
Oil, Gas & Consumable Fuels 10.1%		
Alpha Natural Resources, Inc.*	14,377	653,291
Anadarko Petroleum Corp.	32,457	2,491,399
Apache Corp.	25,016	3,086,724

	Shares	Value ($)
Cabot Oil & Gas Corp.	6,578	436,187
Chesapeake Energy Corp.	43,433	1,289,526
Chevron Corp.	131,165	13,489,009
ConocoPhillips	92,174	6,930,563
CONSOL Energy, Inc.	14,378	697,045
Denbury Resources, Inc.*	25,394	507,880
Devon Energy Corp.	27,576	2,173,265
El Paso Corp.	51,036	1,030,927
EOG Resources, Inc.	17,530	1,832,762
EQT Corp.	9,532	500,621
Exxon Mobil Corp.	321,646	26,175,551
Hess Corp.	19,739	1,475,688
Marathon Oil Corp.	46,341	2,441,244
Murphy Oil Corp.	13,000	853,580
Newfield Exploration Co.*	8,528	580,075
Noble Energy, Inc.	11,717	1,050,195
Occidental Petroleum Corp.	53,082	5,522,651
Peabody Energy Corp.	18,044	1,062,972
Pioneer Natural Resources Co.	7,953	712,350
QEP Resources, Inc.	11,243	470,295
Range Resources Corp.	11,066	614,163
Southwestern Energy Co.*	23,272	997,903
Spectra Energy Corp.	42,967	1,177,725
Sunoco, Inc.	7,685	320,541
Tesoro Corp.*	9,218	211,184
Valero Energy Corp.	38,110	974,473
Williams Companies, Inc.	38,898	1,176,665
		80,936,454
Financials 14.9%		
Capital Markets 2.3%		
Ameriprise Financial, Inc.	15,961	920,631
Bank of New York Mellon Corp.	81,357	2,084,366
BlackRock, Inc.	6,337	1,215,500
Charles Schwab Corp.	66,603	1,095,619
E*TRADE Financial Corp.*	16,189	223,408
Federated Investors, Inc. "B"	5,944	141,705
Franklin Resources, Inc.	9,214	1,209,706
Invesco Ltd.	29,445	689,013
Janus Capital Group, Inc.	12,271	115,838
Legg Mason, Inc.	9,690	317,445
Morgan Stanley	101,210	2,328,842
Northern Trust Corp.	15,757	724,192
State Street Corp.	33,167	1,495,500
T. Rowe Price Group, Inc.	17,312	1,044,606
The Goldman Sachs Group, Inc.	33,884	4,509,622
		18,115,993
Commercial Banks 2.6%		
BB&T Corp.	45,976	1,233,996
Comerica, Inc.	11,316	391,194
Fifth Third Bancorp.	62,156	792,489
First Horizon National Corp.	16,686	159,184
Huntington Bancshares, Inc.	54,953	360,492
KeyCorp	64,973	541,225
M&T Bank Corp.	8,262	726,643
Marshall & Ilsley Corp.	33,276	265,210
PNC Financial Services Group, Inc.	34,437	2,052,789
Regions Financial Corp.	80,768	500,762
SunTrust Banks, Inc.	35,523	916,493
US Bancorp.	125,931	3,212,500
Wells Fargo & Co.	345,549	9,696,105
Zions Bancorp.	11,519	276,571
		21,125,653

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

	Shares	Value ($)
Consumer Finance 0.8%		
American Express Co.	68,344	3,533,385
Capital One Financial Corp.	29,997	1,549,945
Discover Financial Services	36,456	975,198
SLM Corp.	33,423	561,840
		6,620,368
Diversified Financial Services 3.7%		
Bank of America Corp.	662,143	7,257,087
Citigroup, Inc.	190,793	7,944,621
CME Group, Inc. "A"	4,443	1,295,534
IntercontinentalExchange, Inc.*	4,671	582,520
JPMorgan Chase & Co.	259,697	10,631,995
Leucadia National Corp.	12,678	432,320
Moody's Corp.	12,667	485,779
NYSE Euronext	16,613	569,328
The NASDAQ OMX Group, Inc.*	9,426	238,478
		29,437,662
Insurance 3.7%		
ACE Ltd.	22,144	1,457,518
Aflac, Inc.	30,873	1,441,152
Allstate Corp.	34,345	1,048,553
American International Group, Inc.*	29,373	861,216
Aon Corp.	21,148	1,084,892
Assurant, Inc.	6,266	227,268
Berkshire Hathaway, Inc. "B"*	113,162	8,757,607
Chubb Corp.	18,726	1,172,435
Cincinnati Financial Corp.	10,538	307,499
Genworth Financial, Inc. "A"*	31,472	323,532
Hartford Financial Services Group, Inc.	30,160	795,319
Lincoln National Corp.	20,025	570,512
Loews Corp.	19,975	840,748
Marsh & McLennan Companies, Inc.	36,170	1,128,142
MetLife, Inc.	69,160	3,034,049
Principal Financial Group, Inc.	20,402	620,629
Progressive Corp.	41,802	893,727
Prudential Financial, Inc.	31,993	2,034,435
The Travelers Companies, Inc.	27,488	1,604,749
Torchmark Corp.	4,905	314,607
Unum Group	19,656	500,835
XL Group PLC	19,865	436,633
		29,456,057
Real Estate Investment Trusts 1.6%		
Apartment Investment & Management Co. "A" (REIT)	7,725	197,219
AvalonBay Communities, Inc. (REIT)	5,811	746,133
Boston Properties, Inc. (REIT)	9,513	1,009,900
Equity Residential (REIT)	19,479	1,168,740
HCP, Inc. (REIT)	26,780	982,558
Health Care REIT, Inc. (REIT)	11,165	585,381
Host Hotels & Resorts, Inc. (REIT)	46,283	784,497
Kimco Realty Corp. (REIT)	25,625	477,650
Plum Creek Timber Co., Inc. (REIT)	10,354	419,751
Prologis, Inc. (REIT)	30,123	1,079,608
Public Storage (REIT)	9,300	1,060,293
Simon Property Group, Inc. (REIT)	18,875	2,193,841
Ventas, Inc. (REIT)	10,318	543,862
Vornado Realty Trust (REIT)	10,908	1,016,408
Weyerhaeuser Co. (REIT)	36,429	796,338
		13,062,179
Real Estate Management & Development 0.1%		
CB Richard Ellis Group, Inc. "A"*	18,620	**467,548**

	Shares	Value ($)
Thrifts & Mortgage Finance 0.1%		
Hudson City Bancorp., Inc.	33,890	277,559
People's United Financial, Inc.	22,923	308,085
		585,644
Health Care 11.5%		
Biotechnology 1.2%		
Amgen, Inc.*	60,837	3,549,839
Biogen Idec, Inc.*	15,799	1,689,229
Celgene Corp.*	30,322	1,829,023
Cephalon, Inc.*	4,808	384,159
Gilead Sciences, Inc.*	51,526	2,133,692
		9,585,942
Health Care Equipment & Supplies 1.9%		
Baxter International, Inc.	37,224	2,221,901
Becton, Dickinson & Co.	14,021	1,208,190
Boston Scientific Corp.*	104,190	719,953
C.R. Bard, Inc.	5,850	642,681
CareFusion Corp.*	14,138	384,129
Covidien PLC	32,344	1,721,671
DENTSPLY International, Inc.	9,040	344,243
Edwards Lifesciences Corp.*	7,287	635,281
Intuitive Surgical, Inc.*	2,603	968,602
Medtronic, Inc.	69,865	2,691,898
St. Jude Medical, Inc.	21,700	1,034,656
Stryker Corp.	22,209	1,303,446
Varian Medical Systems, Inc.*	7,555	529,001
Zimmer Holdings, Inc.*	12,999	821,537
		15,227,189
Health Care Providers & Services 2.2%		
Aetna, Inc.	24,386	1,075,179
AmerisourceBergen Corp.	18,577	769,088
Cardinal Health, Inc.	23,304	1,058,468
CIGNA Corp.	18,158	933,866
Coventry Health Care, Inc.*	9,515	347,012
DaVita, Inc.*	6,111	529,274
Express Scripts, Inc.*	34,586	1,866,952
Humana, Inc.	11,300	910,102
Laboratory Corp. of America Holdings*	6,345	614,132
McKesson Corp.	16,401	1,371,943
Medco Health Solutions, Inc.*	26,101	1,475,228
Patterson Companies, Inc.	6,085	200,136
Quest Diagnostics, Inc.	10,748	635,207
Tenet Healthcare Corp.*	30,725	191,724
UnitedHealth Group, Inc.	70,715	3,647,480
WellPoint, Inc.	23,919	1,884,099
		17,509,890
Health Care Technology 0.1%		
Cerner Corp.*	9,190	**561,601**
Life Sciences Tools & Services 0.5%		
Agilent Technologies, Inc.*	22,890	1,169,908
Life Technologies Corp.*	11,424	594,848
PerkinElmer, Inc.	7,110	191,330
Thermo Fisher Scientific, Inc.*	25,039	1,612,261
Waters Corp.*	5,781	553,473
		4,121,820
Pharmaceuticals 5.6%		
Abbott Laboratories	101,437	5,337,615
Allergan, Inc.	19,996	1,664,667
Bristol-Myers Squibb Co.	110,961	3,213,431
Eli Lilly & Co.	66,182	2,483,810
Forest Laboratories, Inc.*	19,414	763,747

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

	Shares	Value ($)
Hospira, Inc.*	10,623	601,899
Johnson & Johnson	179,008	11,907,612
Merck & Co., Inc.	201,375	7,106,524
Mylan, Inc.*	29,937	738,546
Pfizer, Inc.	515,720	10,623,832
Watson Pharmaceuticals, Inc.*	7,992	549,290
		44,990,973
Industrials 11.0%		
Aerospace & Defense 2.8%		
Boeing Co.	48,098	3,555,885
General Dynamics Corp.	24,322	1,812,475
Goodrich Corp.	7,975	761,613
Honeywell International, Inc.	51,395	3,062,628
ITT Corp.	12,527	738,216
L-3 Communications Holdings, Inc.	6,880	601,656
Lockheed Martin Corp.	18,814	1,523,370
Northrop Grumman Corp.	19,212	1,332,352
Precision Castparts Corp.	9,413	1,549,850
Raytheon Co.	23,850	1,188,923
Rockwell Collins, Inc.	9,866	608,634
Textron, Inc.	17,618	415,961
United Technologies Corp.	59,738	5,287,410
		22,438,973
Air Freight & Logistics 1.0%		
C.H. Robinson Worldwide, Inc.	10,538	830,816
Expeditors International of Washington, Inc.	14,478	741,129
FedEx Corp.	20,609	1,954,763
United Parcel Service, Inc. "B"	64,413	4,697,640
		8,224,348
Airlines 0.1%		
Southwest Airlines Co.	52,642	**601,172**
Building Products 0.0%		
Masco Corp.	22,862	**275,030**
Commercial Services & Supplies 0.5%		
Avery Dennison Corp.	6,807	262,955
Cintas Corp.	7,834	258,757
Iron Mountain, Inc.	12,775	435,500
Pitney Bowes, Inc.	12,894	296,433
R.R. Donnelley & Sons Co.	13,003	254,989
Republic Services, Inc.	19,571	603,765
Stericycle, Inc.*	5,410	482,139
Waste Management, Inc.	31,563	1,176,353
		3,770,891
Construction & Engineering 0.2%		
Fluor Corp.	11,983	774,821
Jacobs Engineering Group, Inc.*	8,022	346,951
Quanta Services, Inc.*	13,679	276,316
		1,398,088
Electrical Equipment 0.5%		
Emerson Electric Co.	49,208	2,767,950
Rockwell Automation, Inc.	9,561	829,512
Roper Industries, Inc.	6,610	550,613
		4,148,075
Industrial Conglomerates 2.4%		
3M Co.	46,443	4,405,118
General Electric Co.	693,094	13,071,753
Tyco International Ltd.	30,609	1,513,003
		18,989,874
Machinery 2.3%		
Caterpillar, Inc.	42,135	4,485,692
Cummins, Inc.	13,044	1,349,923
Danaher Corp.	35,580	1,885,384
Deere & Co.	27,493	2,266,798
Dover Corp.	12,589	853,534
Eaton Corp.	22,599	1,162,718
Flowserve Corp.	3,513	386,044
Illinois Tool Works, Inc.	32,743	1,849,652
Ingersoll-Rand PLC	22,036	1,000,655
Joy Global, Inc.	6,628	631,251
PACCAR, Inc.	24,186	1,235,663
Pall Corp.	7,377	414,809
Parker Hannifin Corp.	10,835	972,333
Snap-on, Inc.	3,679	229,864
		18,724,320
Professional Services 0.1%		
Dun & Bradstreet Corp.	3,116	235,383
Equifax, Inc.	7,761	269,462
Robert Half International, Inc.	9,140	247,054
		751,899
Road & Rail 0.9%		
CSX Corp.	72,408	1,898,538
Norfolk Southern Corp.	23,067	1,728,410
Ryder System, Inc.	3,274	186,127
Union Pacific Corp.	32,008	3,341,635
		7,154,710
Trading Companies & Distributors 0.2%		
Fastenal Co.	20,111	723,795
W.W. Grainger, Inc.	3,694	567,583
		1,291,378
Information Technology 17.5%		
Communications Equipment 2.0%		
Cisco Systems, Inc.	359,375	5,609,844
F5 Networks, Inc.*	5,130	565,582
Harris Corp.	8,185	368,816
JDS Uniphase Corp.*	14,116	235,173
Juniper Networks, Inc.*	35,574	1,120,581
Motorola Mobility Holdings, Inc.*	18,628	410,561
Motorola Solutions, Inc.*	22,471	1,034,565
QUALCOMM, Inc.	109,095	6,195,505
Tellabs, Inc.	22,327	102,927
		15,643,554
Computers & Peripherals 4.2%		
Apple, Inc.*	60,416	20,279,839
Dell, Inc.*	107,278	1,788,324
EMC Corp.*	134,341	3,701,094
Hewlett-Packard Co.	135,537	4,933,547
Lexmark International, Inc. "A"*	4,849	141,882
NetApp, Inc.*	24,351	1,285,246
SanDisk Corp.*	16,268	675,122
Western Digital Corp.*	14,821	539,188
		33,344,242
Electronic Equipment, Instruments & Components 0.4%		
Amphenol Corp. "A"	11,170	603,068
Corning, Inc.	102,606	1,862,299
FLIR Systems, Inc.	10,143	341,920
Jabil Circuit, Inc.	12,484	252,177
Molex, Inc.	8,810	227,034
		3,286,498
Internet Software & Services 1.6%		
Akamai Technologies, Inc.*	11,908	374,745
eBay, Inc.*	74,638	2,408,568
Google, Inc. "A"*	16,425	8,317,292
Monster Worldwide, Inc.*	8,070	118,306

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

	Shares	Value ($)
VeriSign, Inc.	11,037	369,298
Yahoo!, Inc.*	86,507	1,301,065
		12,889,274
IT Services 3.2%		
Automatic Data Processing, Inc.	32,936	1,735,068
Cognizant Technology Solutions Corp. "A"*	19,979	1,465,260
Computer Sciences Corp.	9,926	376,791
Fidelity National Information Services, Inc.	18,475	568,845
Fiserv, Inc.*	9,329	584,275
International Business Machines Corp.	79,147	13,577,668
MasterCard, Inc. "A"	6,155	1,854,748
Paychex, Inc.	20,441	627,947
SAIC, Inc.*	18,530	311,675
Teradata Corp.*	11,474	690,735
Total System Services, Inc.	10,303	191,430
Visa, Inc. "A"	31,326	2,639,529
Western Union Co.	41,545	832,146
		25,456,117
Office Electronics 0.1%		
Xerox Corp.	93,727	**975,698**
Semiconductors & Semiconductor Equipment 2.4%		
Advanced Micro Devices, Inc.*	36,689	256,456
Altera Corp.	21,416	992,632
Analog Devices, Inc.	19,046	745,460
Applied Materials, Inc.	87,729	1,141,354
Broadcom Corp. "A"*	31,762	1,068,474
First Solar, Inc.*	3,414	451,570
Intel Corp.	346,340	7,674,894
KLA-Tencor Corp.	10,737	434,634
Linear Technology Corp.	14,415	475,983
LSI Corp.*	38,905	277,004
MEMC Electronic Materials, Inc.*	14,237	121,442
Microchip Technology, Inc.	13,200	500,412
Micron Technology, Inc.*	54,487	407,563
National Semiconductor Corp.	15,095	371,488
Novellus Systems, Inc.*	5,741	207,480
NVIDIA Corp.*	40,085	638,754
Teradyne, Inc.*	11,515	170,422
Texas Instruments, Inc.	75,772	2,487,595
Xilinx, Inc.	17,875	651,901
		19,075,518
Software 3.6%		
Adobe Systems, Inc.*	33,751	1,061,469
Autodesk, Inc.*	15,830	611,038
BMC Software, Inc.*	11,284	617,235
CA, Inc.	24,285	554,669
Citrix Systems, Inc.*	12,530	1,002,400
Compuware Corp.*	13,935	136,006
Electronic Arts, Inc.*	21,226	500,933
Intuit, Inc.*	18,238	945,823
Microsoft Corp.	484,956	12,608,856
Oracle Corp.	254,585	8,378,392
Red Hat, Inc.*	12,282	563,744
Salesforce.com, Inc.*	7,866	1,171,877
Symantec Corp.*	49,479	975,726
		29,128,168
Materials 3.6%		
Chemicals 2.1%		
Air Products & Chemicals, Inc.	13,904	1,328,944
Airgas, Inc.	4,746	332,410
CF Industries Holdings, Inc.	4,855	687,808
Dow Chemical Co.	76,808	2,765,088
E.I. du Pont de Nemours & Co.	60,677	3,279,592
Eastman Chemical Co.	4,493	458,601
Ecolab, Inc.	15,647	882,178
FMC Corp.	4,513	388,208
International Flavors & Fragrances, Inc.	5,109	328,202
Monsanto Co.	35,034	2,541,366
PPG Industries, Inc.	10,164	922,790
Praxair, Inc.	19,915	2,158,587
Sigma-Aldrich Corp.	7,749	568,622
The Sherwin-Williams Co.	5,674	475,878
		17,118,274
Construction Materials 0.0%		
Vulcan Materials Co.	8,170	**314,790**
Containers & Packaging 0.2%		
Ball Corp.	10,764	413,984
Bemis Co., Inc.	6,762	228,420
Owens-Illinois, Inc.*	10,444	269,560
Sealed Air Corp.	10,109	240,493
		1,152,457
Metals & Mining 1.1%		
AK Steel Holding Corp.	7,385	116,387
Alcoa, Inc.	70,709	1,121,445
Allegheny Technologies, Inc.	7,031	446,257
Cliffs Natural Resources, Inc.	9,717	898,337
Freeport-McMoRan Copper & Gold, Inc.	61,883	3,273,611
Newmont Mining Corp.	32,300	1,743,231
Nucor Corp.	20,132	829,841
Titanium Metals Corp.	6,057	110,964
United States Steel Corp.	9,072	417,675
		8,957,748
Paper & Forest Products 0.2%		
International Paper Co.	29,771	887,771
MeadWestvaco Corp.	10,649	354,718
		1,242,489
Telecommunication Services 3.0%		
Diversified Telecommunication Services 2.7%		
AT&T, Inc.	387,003	12,155,764
CenturyLink, Inc.	39,698	1,604,990
Frontier Communications Corp.	63,119	509,371
Verizon Communications, Inc.	184,792	6,879,806
Windstream Corp.	31,856	412,854
		21,562,785
Wireless Telecommunication Services 0.3%		
American Tower Corp. "A"*	26,172	1,369,581
MetroPCS Communications, Inc.*	16,760	288,439
Sprint Nextel Corp.*	199,653	1,076,130
		2,734,150
Utilities 3.3%		
Electric Utilities 1.8%		
American Electric Power Co., Inc.	31,817	1,198,865
Duke Energy Corp.	87,010	1,638,398
Edison International	21,954	850,718
Entergy Corp.	12,091	825,573
Exelon Corp.	43,131	1,847,732
FirstEnergy Corp.	27,655	1,220,968
NextEra Energy, Inc.	27,561	1,583,655
Northeast Utilities	11,254	395,803
Pepco Holdings, Inc.	14,360	281,887

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

	Shares	Value ($)
Pinnacle West Capital Corp.	6,854	305,551
PPL Corp.	37,566	1,045,462
Progress Energy, Inc.	19,666	944,165
Southern Co.	55,027	2,221,990
		14,360,767
Gas Utilities 0.1%		
Nicor, Inc.	2,902	158,855
ONEOK, Inc.	7,388	546,786
		705,641
Independent Power Producers & Energy Traders 0.2%		
AES Corp.*	42,440	540,686
Constellation Energy Group, Inc.	12,778	485,053
NRG Energy, Inc.*	15,647	384,603
		1,410,342
Multi-Utilities 1.2%		
Ameren Corp.	15,196	438,253
CenterPoint Energy, Inc.	27,107	524,521
CMS Energy Corp.	16,007	315,178
Consolidated Edison, Inc.	19,460	1,036,050
Dominion Resources, Inc.	37,282	1,799,602
DTE Energy Co.	10,758	538,115
Integrys Energy Group, Inc.	4,986	258,474
NiSource, Inc.	17,699	358,405
PG&E Corp.	26,346	1,107,322
Public Service Enterprise Group, Inc.	33,639	1,097,977
SCANA Corp.	7,226	284,488
Sempra Energy	16,180	855,598
TECO Energy, Inc.	13,649	257,830
Wisconsin Energy Corp.	14,715	461,315
Xcel Energy, Inc.	32,671	793,905
		10,127,033
Total Common Stocks (Cost $679,810,802)		**785,659,969**

	Principal Amount ($)	Value ($)

Government & Agency Obligation 0.2%

US Treasury Obligation

US Treasury Bill, 0.07%**, 11/17/2011 (b) (Cost $1,139,753)	1,140,000	**1,139,759**

	Shares	Value ($)

Cash Equivalents 4.7%

Central Cash Management Fund, 0.11% (a) (Cost $37,828,143)	37,828,143	**37,828,143**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $718,778,698)†	103.2	**824,627,871**
Other Assets and Liabilities, Net	(3.2)	**(25,369,598)**
Net Assets	100.0	**799,258,273**

* *Non-income producing security.*

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

† *The cost for federal income tax purposes was $747,391,360. At June 30, 2011, net unrealized appreciation for all securities based on tax cost was $77,236,511. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $194,242,119 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $117,005,608.*

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

(b) *At June 30, 2011, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.*

REIT: Real Estate Investment Trust

At June 30, 2011, open futures contracts purchased were as follows:

Futures	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Appreciation ($)
S&P 500 Index	USD	9/15/2011	43	14,141,625	**433,924**

Currency Abbreviation	
USD	United States Dollar

For information on the Fund's policy and additional disclosures regarding futures contracts, please refer to Note B in the accompanying Notes to Financial Statements.

Fair Value Measurements

Various inputs are used in determining the value of the Fund'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 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, 2011 in valuing the Fund's investments. For information on the Fund'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 (c)	$ 785,659,969	$ —	$ —	$ 785,659,969
Government & Agency Obligation (c)	—	1,139,759	—	1,139,759
Short-Term Investments (c)	37,828,143	—	—	37,828,143
Derivatives (d)	433,924	—	—	433,924
Total	**$ 823,922,036**	**$ 1,139,759**	**$ —**	**$ 825,061,795**

There have been no transfers in and out of Level 1 and Level 2 fair value measurements during the period ended June 30, 2011.

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

(d) *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, 2011 (Unaudited)

Assets		
Investments:		
Investments in non-affiliated securities, at value (cost $680,950,555)	$	786,799,728
Investment in Central Cash Management Fund (cost $37,828,143)		37,828,143
Total investments in securities, at value (cost $718,778,698)		824,627,871
Cash		10,000
Receivable for investments sold		89,854
Receivable for Fund shares sold		89,977
Dividends receivable		970,678
Interest receivable		1,056
Receivable for daily variation margin on futures contracts		120,411
Other assets		8,837
Total assets		825,918,684
Liabilities		
Payable for investments purchased		25,949,384
Payable for Fund shares redeemed		439,826
Accrued management fee		124,363
Other accrued expenses and payables		146,838
Total liabilities		26,660,411
Net assets, at value	**$**	**799,258,273**
Net Assets Consist of		
Undistributed net investment income		6,093,559
Net unrealized appreciation (depreciation) on:		
Investments		105,849,173
Futures		433,924
Accumulated net realized gain (loss)		(32,116,163)
Paid-in capital		718,997,780
Net assets, at value	**$**	**799,258,273**
Class A		
Net Asset Value, offering and redemption price per share ($729,065,363 ÷ 53,128,853 outstanding shares of beneficial interest, $.001 par value, unlimited number of shares authorized)	**$**	**13.72**
Class B		
Net Asset Value, offering and redemption price per share ($50,193,292 ÷ 3,655,091 outstanding shares of beneficial interest, $.001 par value, unlimited number of shares authorized)	**$**	**13.73**
Class B2		
Net Asset Value, offering and redemption price per share ($19,999,618 ÷ 1,456,505 outstanding shares of beneficial interest, $.001 par value, unlimited number of shares authorized)	**$**	**13.73**

Statement of Operations

for the six months ended June 30, 2011 (Unaudited)

Investment Income		
Income:		
Dividends	$	7,619,265
Interest		936
Income distributions — Central Cash Management Fund		4,281
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		9,110
Total income		7,633,592
Expenses:		
Management fee		777,780
Administration fee		389,552
Custodian fee		14,842
Distribution service fees (Class B and Class B2)		91,561
Recordkeeping fee (Class B2)		15,238
Services to shareholders		5,966
Professional fees		32,718
Trustees' fees and expenses		12,983
Reports to shareholders		24,251
Other		26,333
Total expenses		1,391,224
Net investment income (loss)		**6,242,368**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		8,081,838
Futures		308,094
		8,389,932
Change in net unrealized appreciation (depreciation) on:		
Investments		29,919,707
Futures		104,831
		30,024,538
Net gain (loss)		**38,414,470**
Net increase (decrease) in net assets resulting from operations	**$**	**44,656,838**

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, 2011 (Unaudited)	Year Ended December 31, 2010
Operations:		
Net investment income (loss)	$ 6,242,368	$ 12,547,750
Net realized gain (loss)	8,389,932	11,576,199
Change in net unrealized appreciation (depreciation)	30,024,538	78,148,670
Net increase (decrease) in net assets resulting from operations	44,656,838	102,272,619
Distributions to shareholders from:		
Net investment income:		
Class A	(11,499,201)	(12,705,478)
Class B	(693,566)	(822,134)
Class B2	(248,318)	(300,774)
Total distributions	(12,441,085)	(13,828,386)
Fund share transactions:		
Class A		
Proceeds from shares sold	42,549,750	34,225,993
Reinvestment of distributions	11,499,201	12,705,478
Payments for shares redeemed	(53,432,957)	(105,618,602)
Net increase (decrease) in net assets from Class A share transactions	615,994	(58,687,131)
Class B		
Proceeds from shares sold	2,625,562	3,731,491
Reinvestment of distributions	693,566	822,134
Payments for shares redeemed	(8,897,601)	(6,731,217)
Net increase (decrease) in net assets from Class B share transactions	(5,578,473)	(2,177,592)
Class B2		
Proceeds from shares sold	33,241	559,322
Reinvestment of distributions	248,318	300,774
Cost of shares redeemed	(1,384,448)	(3,426,496)
Net increase (decrease) in net assets from Class B2 share transactions	(1,102,889)	(2,566,400)
Increase (decrease) in net assets	26,150,385	25,013,110
Net assets at beginning of period	773,107,888	748,094,778
Net assets at end of period (including undistributed net investment income of $6,093,559 and $12,292,276, respectively)	**$ 799,258,273**	**$ 773,107,888**

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2011 (Unaudited)	Year Ended December 31, 2010
Class A		
Shares outstanding at beginning of period	53,096,781	58,025,792
Shares sold	3,122,656	2,918,830
Shares issued to shareholders in reinvestment of distributions	819,032	1,017,252
Shares redeemed	(3,909,616)	(8,865,093)
Net increase (decrease) in Class A shares	32,072	(4,929,011)
Shares outstanding at end of period	**53,128,853**	**53,096,781**
Class B		
Shares outstanding at beginning of period	4,060,194	4,245,476
Shares sold	191,937	314,546
Shares issued to shareholders in reinvestment of distributions	49,329	65,771
Shares redeemed	(646,369)	(565,599)
Net increase (decrease) in Class B shares	(405,103)	(185,282)
Shares outstanding at end of period	**3,655,091**	**4,060,194**
Class B2		
Shares outstanding at beginning of period	1,536,957	1,758,162
Shares sold	2,456	46,908
Shares issued to shareholders in reinvestment of distributions	17,661	24,042
Shares redeemed	(100,569)	(292,155)
Net increase (decrease) in Class B2 shares	(80,452)	(221,205)
Shares outstanding at end of period	**1,456,505**	**1,536,957**

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

Financial Highlights

Class A	Six Months Ended 6/30/11 (Unaudited)	2010	Years Ended December 31, 2009	2008	2007	2006
Selected Per Share Data						
Net asset value, beginning of period	**$13.17**	**$11.68**	**$ 9.55**	**$15.53**	**$14.97**	**$13.11**
Income (loss) from investment operations:						
Net investment income (loss)[a]	.11	.21	.21	.27	.27	.24
Net realized and unrealized gain (loss)	.67	1.51	2.20	(5.93)	.52	1.78
Total from investment operations	.78	1.72	2.41	(5.66)	.79	2.02
Less distributions from:						
Net investment income	(.23)	(.23)	(.28)	(.32)	(.23)	(.16)
Net asset value, end of period	**$13.72**	**$13.17**	**$11.68**	**$ 9.55**	**$15.53**	**$14.97**
Total Return (%)	5.85**	14.70	26.32[b]	(37.15)[b]	5.30[b]	15.52[b]
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	729	699	678	584	1,046	1,412
Ratio of expenses before expense reductions (%)	.33*	.33	.34	.33	.33	.28
Ratio of expenses after expense reductions (%)	.33*	.33	.32	.28	.30	.27
Ratio of net investment income (loss) (%)	1.63*	1.74	2.10	2.07	1.71	1.73
Portfolio turnover rate (%)	4**	5	8	6	7[c]	9

a *Based on average shares outstanding during the period.*

b *Total return would have been lower had certain expenses not been reduced.*

c *Excludes portfolio securities delivered as a result of processing redemption in-kind transactions.*

* *Annualized*

** *Not annualized*

Class B	Six Months Ended 6/30/11 (Unaudited)	2010	Years Ended December 31, 2009	2008	2007	2006
Selected Per Share Data						
Net asset value, beginning of period	**$13.17**	**$11.68**	**$ 9.54**	**$15.52**	**$14.96**	**$13.10**
Income (loss) from investment operations:						
Net investment income (loss)[a]	.09	.18	.18	.24	.23	.21
Net realized and unrealized gain (loss)	.66	1.51	2.22	(5.94)	.52	1.78
Total from investment operations	.75	1.69	2.40	(5.70)	.75	1.99
Less distributions from:						
Net investment income	(.19)	(.20)	(.26)	(.28)	(.19)	(.13)
Net asset value, end of period	**$13.73**	**$13.17**	**$11.68**	**$ 9.54**	**$15.52**	**$14.96**
Total Return (%)	5.66**	14.52	26.03[b]	(37.34)[b]	5.03[b]	15.24[b]
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	50	53	50	40	65	84
Ratio of expenses before expense reductions (%)	.58*	.58	.59	.58	.58	.53
Ratio of expenses after expense reductions (%)	.58*	.58	.57	.53	.55	.52
Ratio of net investment income (loss) (%)	1.38*	1.49	1.85	1.82	1.46	1.48
Portfolio turnover rate (%)	4**	5	8	6	7[c]	9

a *Based on average shares outstanding during the period.*

b *Total return would have been lower had certain expenses not been reduced.*

c *Excludes portfolio securities delivered as a result of processing redemption in-kind transactions.*

* *Annualized*

** *Not annualized*

Class B2	Six Months Ended 6/30/11 (Unaudited)	2010	Years Ended December 31, 2009	2008	2007	2006
Selected Per Share Data						
Net asset value, beginning of period	**$13.15**	**$11.67**	**$ 9.54**	**$15.51**	**$14.96**	**$13.09**
Income (loss) from investment operations:						
Net investment income (loss)[a]	.08	.16	.17	.22	.21	.19
Net realized and unrealized gain (loss)	.67	1.50	2.21	(5.93)	.52	1.79
Total from investment operations	.75	1.66	2.38	(5.71)	.73	1.98
Less distributions from:						
Net investment income	(.17)	(.18)	(.25)	(.26)	(.18)	(.11)
Net asset value, end of period	**$13.73**	**$13.15**	**$11.67**	**$ 9.54**	**$15.51**	**$14.96**
Total Return (%)	5.66**	14.29	25.79[b]	(37.36)[b]	4.85[b]	15.20[b]
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	20	20	21	19	48	57
Ratio of expenses before expense reductions (%)	.73*	.73	.74	.72	.72	.67
Ratio of expenses after expense reductions (%)	.73*	.73	.70	.63	.65	.63
Ratio of net investment income (loss) (%)	1.23*	1.34	1.72	1.72	1.36	1.37
Portfolio turnover rate (%)	4**	5	8	6	7[c]	9

a *Based on average shares outstanding during the period.*

b *Total return would have been lower had certain expenses not been reduced.*

c *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 "Fund") is a diversified series of the Trust offered to investors. The Fund 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 Fund 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 and recordkeeping fees equal to an annual rate up to 0.25% and 0.15%, respectively, of Class B and Class B2 shares average daily net assets. Class A shares are not subject to such fees.

Investment income, realized and unrealized gains and losses, and certain Fund-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 recordkeeping 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 Fund'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 Fund 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 Fund'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 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.

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 categorized 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.

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.

Futures contracts are generally valued at the settlement prices established each day on the exchange on which they are traded 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 Fund'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 Fund's Investment Portfolio.

Securities Lending. The Fund lends securities to certain financial institutions. The Fund 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 Fund requires the borrowers of the securities to maintain collateral with the Fund 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 Fund 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 Fund 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 Fund 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 Fund 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. The Fund had no securities on loan at June 30, 2011.

Federal Income Taxes. The Fund'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, 2010, the Fund had a net tax basis capital loss carryforward of approximately $11,647,000, including $1,072,000 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 ($1,072,000) and December 31, 2017 ($10,575,000), the respective expiration dates, whichever occurs first, subject to certain limitations under Sections 382–384 of the Internal Revenue Code.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the "Act") was enacted. Under the Act, net capital losses may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses. As a result of this ordering rule, pre-enactment capital loss carryforwards may expire unused, whereas under the previous rules these losses may have been utilized. This change is effective for fiscal years beginning after the date of enactment.

The Fund has reviewed the tax positions for the open tax years as of December 31, 2010 and has determined that no provision for income tax is required in the Fund's financial statements. The Fund'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 Fund, 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 Fund 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 Fund may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Fund.

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 Fund may enter into contracts with service providers that contain general 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 been made. However, based on experience, the Fund expects the risk of loss to be remote.

Expenses. Expenses of the Trust arising in connection with a specific Fund are allocated to that Fund. Other Trust expenses which cannot be directly attributed to a fund are apportioned among the funds 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 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 and may include proceeds from litigation.

B. Derivative Instruments

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). For the six months ended June 30, 2011, the Fund invested 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 Fund 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 Fund dependent upon the daily fluctuations in the value and are recorded for financial reporting purposes as unrealized gains or losses by the Fund. 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 Fund's ability to close out a futures contract prior to the settlement date and the risk that the futures contract is not well correlated with the security, index or currency to which it relates. Risk of loss may exceed amounts recognized in the Statement of Assets and Liabilities.

A summary of the open futures contracts as of June 30, 2011 is included in a table following the Fund's Investment Portfolio. For the six months ended June 30, 2011, the investment in futures contracts purchased had a total notional value generally indicative of a range from approximately $11,559,000 to $14,142,000.

The following tables summarize the value of the Fund's derivative instruments held as of June 30, 2011 and the related location in the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

Asset Derivative	**Futures Contracts**
Equity Contracts (a)	$ 433,924

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

(a) *Includes cumulative appreciation of futures contracts as disclosed in the Investment Portfolio. Unsettled variation margin is disclosed separately within the Statement of Assets and Liabilities.*

Additionally, the amount of unrealized and realized gains and losses on derivative instruments recognized in Fund earnings during the six months ended June 30, 2011 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)	$ 308,094

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)	$ 104,831

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

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

C. Purchases and Sales of Securities

During the six months ended June 30, 2011, purchases and sales of investment securities (excluding short-term investments) aggregated $35,023,148 and $49,346,598, respectively.

D. 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 Fund or delegates such responsibility to the Fund's sub-advisor. Pursuant to the Investment Management Agreement with the Advisor, the Fund pays an annual management fee based on the Fund's average daily net assets, computed and accrued daily and payable monthly, at the following annual rates:

First $1 billion of the Fund's average daily net assets	.200%
Next $1 billion of such net assets	.175%
Over $2 billion of such net assets	.150%

Accordingly, for the six months ended June 30, 2011, the fee pursuant to the management agreement was equivalent to an annualized effective rate of 0.20% of the Fund's average daily net assets.

Northern Trust Investments, Inc. ("NTI") serves as subadvisor. As a subadvisor to the Fund, NTI makes investment decisions and buys and sells securities for the Fund. NTI is paid by the Advisor for the services NTI provides to the Fund.

Administration Fee. Pursuant to the Administrative Services Agreement, DIMA provides most administrative services to the Fund. For all services provided under the Administrative Services Agreement, the Fund pays DIMA an annual fee ("Administration Fee") of 0.10% of the Fund's average daily net assets, computed and accrued daily and payable monthly. For the six months ended June 30, 2011, the Administration Fee was $389,552, of which $62,181 is unpaid.

Distribution Service Agreement. DWS Investments Distributors, Inc. ("DIDI"), an affiliate of the Advisor, is the Fund'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, 2011, the Distribution Service Fees were as follows:

Distribution Service Fees	Total Aggregated	Unpaid at June 30, 2011
Class B	$ 66,164	$ 10,088
Class B2	25,397	4,021
	$ 91,561	**$ 14,109**

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 Fund. 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 Fund. For the six months ended June 30, 2011, the amounts charged to the Fund by DISC were as follows:

Services to Shareholders	Total Aggregated	Unpaid at June 30, 2011
Class A	$ 313	$ 220
Class B	44	31
Class B2	22	15
	$ 379	**$ 266**

Typesetting and Filing Service Fees. Under an agreement with DIMA, DIMA is compensated for providing typesetting and certain regulatory filing services to the Fund. For the six months ended June 30, 2011, the amount charged to the Fund by DIMA included in the Statement of Operations under "reports to shareholders" aggregated $8,121, of which $311 is unpaid.

Trustees' Fees and Expenses. The Fund 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 Vehicle. The Fund may invest uninvested cash balances in Central Cash Management Fund, which is managed by the Advisor. The Fund indirectly bears its proportionate share of the expenses of Central Cash Management Fund. 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.

E. Line of Credit

The Fund and other affiliated funds (the "Participants") share in a $450 million revolving credit facility provided by a syndication of banks. The Fund may borrow for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated based on net assets, among each of the Participants.

Interest is calculated at 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 Fund may borrow up to a maximum of 33 percent of its net assets under the agreement. The Fund had no outstanding loans at June 30, 2011.

F. Ownership of the Fund

At June 30, 2011, two participating insurance companies were beneficial owners of record of 10% or more of the total outstanding Class A shares of the Fund, each owning 62% and 11%, respectively. At June 30, 2011, one participating insurance company was a beneficial owner of record of 10% or more of the total outstanding Class B shares of the Fund, owning 88%. At June 30, 2011, one participating insurance company was a beneficial owner of record of 100% of the total outstanding Class B2 shares of the Fund.

Proxy Voting

The Fund's policies and procedures for voting proxies for portfolio securities and information about how the Fund 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 Fund's policies and procedures without charge, upon request, call us toll free at (800) 728-3337.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 3, 2010

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 2010, 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, 2008, and 2009.

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 have served 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 118 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 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

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JUNE 30, 2011

SEMIANNUAL REPORT

DWS VARIABLE SERIES I

DWS Bond VIP

DWS INVESTMENTS
Deutsche Bank Group

Contents

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, call (800) 728-3337 or your financial representative. We advise you to consider the Fund's objectives, risks, charges and expenses carefully before investing. The summary prospectus and prospectus contain this and other important information about the Fund. Please read the prospectus carefully before you invest.

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.

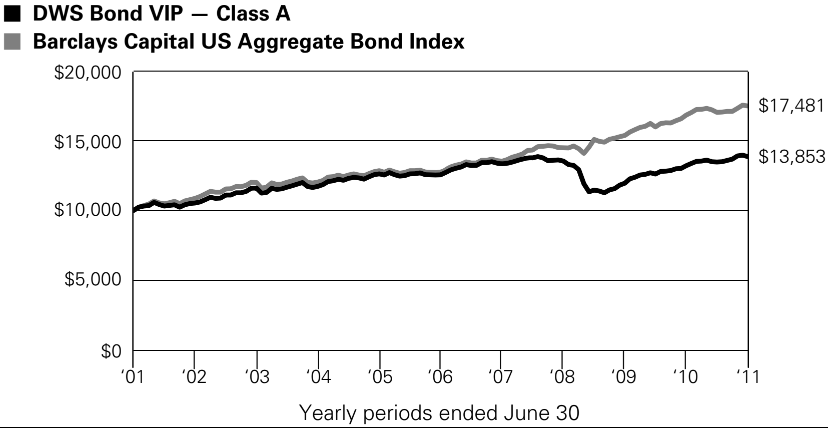
Performance Summary

June 30, 2011

Fund 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 Fund's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund is an investment option. These charges and fees will reduce returns.

The gross expense ratio of the Fund, as stated in the fee table of the prospectus dated May 1, 2011 is 0.59% for Class A shares and may differ from the expense ratio disclosed in the Financial Highlights table in this report.

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 do not reflect any fees or expenses and 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	$10,291	$10,495	$10,235	$11,038	$13,853
	Average annual total return	2.91%	4.95%	0.78%	1.99%	3.31%
Barclays Capital US Aggregate Bond Index	Growth of $10,000	$10,272	$10,390	$12,065	$13,715	$17,481
	Average annual total return	2.72%	3.90%	6.46%	6.52%	5.74%

The growth of $10,000 is cumulative.

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

Information About Your Fund's Expenses

As an investor of the Fund, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees and other Fund 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 Fund 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, 2011 to June 30, 2011).

The tables illustrate your Fund's expenses in two ways:

- **Actual Fund Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Fund using the Fund'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% Fund Return.** This helps you to compare your Fund's ongoing expenses (but not transaction costs) with those of other mutual funds using the Fund's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Fund return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. 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, 2011

Actual Fund Return	**Class A**
Beginning Account Value 1/1/11	$1,000.00
Ending Account Value 6/30/11	$1,029.10
Expenses Paid per $1,000*	$ 3.17

Hypothetical 5% Fund Return	**Class A**
Beginning Account Value 1/1/11	$1,000.00
Ending Account Value 6/30/11	$1,021.67
Expenses Paid per $1,000*	$ 3.16

* *Expenses are equal to the Fund'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	.63%

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

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund is an investment option.

Portfolio Summary

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/11**	**12/31/10**
Corporate Bonds	31%	31%
Mortgage-Backed Securities Pass-Throughs	23%	28%
Government & Agency Obligations	15%	21%
Commercial Mortgage-Backed Securities	10%	9%
Cash Equivalents	9%	2%
Municipal Bonds and Notes	6%	5%
Collateralized Mortgage Obligations	4%	4%
Asset-Backed	2%	—
	100%	100%

Quality (Excludes Cash Equivalents and Securities Lending Collateral)	**6/30/11**	**12/31/10**
US Government & Treasury Obligations	35%	47%
AAA	8%	5%
AA	6%	5%
A	12%	10%
BBB	24%	17%
BB or Below	12%	14%
Not Rated	3%	2%
	100%	100%

Interest Rate Sensitivity	**6/30/11**	**12/31/10**
Effective Maturity	7.1 years	7.3 years
Effective Duration	5.1 years	4.9 years

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

Effective duration is an approximate measure of the Fund's sensitivity to interest rate changes taking into consideration any maturity shortening features.

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 Fund's credit quality does not remove market risk.

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

Following the Fund'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. The Fund's portfolio holdings are also posted on www.dws-investments.com from time to time. Please see the Fund's current prospectus for more information.

	Principal Amount ($) (a)	Value ($)
Corporate Bonds 36.4%		
Consumer Discretionary 10.0%		
AMC Entertainment, Inc., 8.75%, 6/1/2019	900,000	949,500
CBS Corp., 5.9%, 10/15/2040	600,000	574,280
CCO Holdings LLC:		
6.5%, 4/30/2021	1,050,000	1,035,562
7.0%, 1/15/2019	1,300,000	1,339,000
DIRECTV Holdings LLC, 6.35%, 3/15/2040	815,000	857,309
Home Depot, Inc., 5.4%, 9/15/2040	420,000	400,480
JC Penney Co., Inc., 5.65%, 6/1/2020	1,100,000	1,089,000
Levi Strauss & Co., 7.625%, 5/15/2020	1,200,000	1,200,000
MGM Resorts International, 9.0%, 3/15/2020	550,000	602,250
NBCUniversal Media LLC:		
144A, 5.15%, 4/30/2020	500,000	527,951
144A, 5.95%, 4/1/2041	350,000	355,912
Norcraft Companies LP, 10.5%, 12/15/2015	100,000	101,500
Royal Caribbean Cruises Ltd., 7.25%, 6/15/2016	750,000	806,250
Time Warner Cable, Inc., 7.3%, 7/1/2038	40,000	46,497
Time Warner, Inc.:		
6.2%, 3/15/2040	400,000	409,791
7.625%, 4/15/2031	400,000	479,911
Yum! Brands, Inc., 3.875%, 11/1/2020	465,000	451,361
		11,226,554
Consumer Staples 2.4%		
Anheuser-Busch InBev Worldwide, Inc., 7.75%, 1/15/2019	750,000	943,533
CVS Caremark Corp., 5.75%, 5/15/2041	245,000	240,893
Kraft Foods, Inc., 5.375%, 2/10/2020	1,000,000	1,093,198
Kroger Co., 5.4%, 7/15/2040	375,000	360,351
		2,637,975
Energy 4.2%		
DCP Midstream LLC, 144A, 9.75%, 3/15/2019	480,000	627,348
Enterprise Products Operating LLC, 6.125%, 10/15/2039	460,000	467,794
Kinder Morgan Energy Partners LP:		
6.5%, 9/1/2039	500,000	519,190
6.95%, 1/15/2038	210,000	228,082
ONEOK Partners LP, 6.15%, 10/1/2016	557,000	640,909
Plains All American Pipeline LP, 8.75%, 5/1/2019	450,000	566,109
Reliance Holdings USA, Inc., 144A, 4.5%, 10/19/2020	650,000	607,308
Weatherford International Ltd., 5.125%, 9/15/2020	700,000	714,715
Williams Partners LP, 4.125%, 11/15/2020	300,000	287,968
		4,659,423

		Principal Amount ($) (a)	Value ($)
Financials 11.9%			
American Express Co., 7.0%, 3/19/2018		800,000	941,470
Bank of America Corp., 5.75%, 12/1/2017		710,000	754,927
Bunge Ltd. Finance Corp., 4.1%, 3/15/2016		205,000	213,542
Citigroup, Inc., 5.375%, 8/9/2020		1,000,000	1,043,563
CNA Financial Corp., 5.75%, 8/15/2021		598,000	617,489
Fifth Third Bancorp., 5.45%, 1/15/2017		751,000	804,413
Ford Motor Credit Co., LLC, 7.0%, 4/15/2015		900,000	972,143
General Electric Capital Corp., 5.3%, 2/11/2021		465,000	483,852
Hartford Financial Services Group, Inc., 5.95%, 10/15/2036		300,000	282,485
International Lease Finance Corp., 5.75%, 5/15/2016		395,000	388,963
JPMorgan Chase & Co., 5.125%, 9/15/2014		1,000,000	1,080,648
KeyCorp, 5.1%, 3/24/2021		800,000	814,794
Lincoln National Corp., 8.75%, 7/1/2019		500,000	630,949
MetLife, Inc., Series A, 6.817%, 8/15/2018		400,000	468,342
Morgan Stanley, 5.75%,1/25/2021		485,000	490,737
Nationwide Financial Services, Inc., 144A, 5.375%, 3/25/2021		227,000	228,008
Nordea Bank AB, 144A, 4.875%, 5/13/2021		440,000	422,563
PNC Bank NA, 6.875%, 4/1/2018		200,000	235,729
Prudential Financial, Inc.:			
6.2%, 1/15/2015		100,000	111,953
7.375%, 6/15/2019		120,000	142,309
Red Arrow International Leasing PLC, "A", 8.375%, 6/30/2012	RUB	602,122	21,798
Royal Bank of Scotland PLC, 6.125%, 1/11/2021		300,000	307,534
SunTrust Banks, Inc., 3.6%, 4/15/2016		185,000	186,795
The Goldman Sachs Group, Inc., 6.0%, 6/15/2020		800,000	860,790
Toll Brothers Finance Corp., 8.91%, 10/15/2017		200,000	234,397
Wells Fargo & Co., 4.6%, 4/1/2021		585,000	588,248
			13,328,441
Health Care 2.5%			
Amgen, Inc., 5.65%, 6/15/2042		179,000	179,290
Express Scripts, Inc., 7.25%, 6/15/2019		720,000	861,166
McKesson Corp., 4.75%, 3/1/2021		475,000	492,896
Quest Diagnostics, Inc.:			
4.7%, 4/1/2021		650,000	665,364
6.4%, 7/1/2017		500,000	576,886
			2,775,602

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

	Principal Amount ($) (a)	Value ($)
Industrials 1.5%		
CSX Corp.:		
6.15%, 5/1/2037	400,000	428,323
6.25%, 3/15/2018	800,000	923,066
Republic Services, Inc., 5.7%, 5/15/2041	310,000	302,628
		1,654,017
Information Technology 0.4%		
Applied Materials, Inc., 5.85%, 6/15/2041	500,000	**507,140**
Materials 2.0%		
ArcelorMittal, 6.125%, 6/1/2018	500,000	535,539
Corporacion Nacional del Cobre — Codelco, REG S, 7.5%, 1/15/2019	600,000	723,723
Dow Chemical Co., 4.25%, 11/15/2020	455,000	444,059
United States Steel Corp., 7.375%, 4/1/2020 (b)	550,000	565,125
		2,268,446
Telecommunication Services 0.2%		
Verizon Communications, Inc., 4.6%, 4/1/2021	224,000	**231,122**
Utilities 1.3%		
DTE Energy Co., 7.625%, 5/15/2014	152,000	175,449
Energy Future Competitive Holdings Co., 7.48%, 1/1/2017	26,811	22,957
FirstEnergy Solutions Corp., 6.8%, 8/15/2039	367,000	381,634
Majapahit Holding BV, REG S, 7.75%, 10/17/2016	100,000	115,884
Sempra Energy, 6.5%, 6/1/2016	650,000	752,759
		1,448,683
Total Corporate Bonds (Cost $39,117,204)		**40,737,403**

Mortgage-Backed Securities Pass-Throughs 26.0%

	Principal Amount ($) (a)	Value ($)
Federal Home Loan Mortgage Corp.:		
5.5%, with various maturities from 10/1/2023 until 8/1/2024	324,152	353,047
5.504%*, 2/1/2038	386,000	412,784
6.5%, 3/1/2026	669,200	756,357
7.0%, 1/1/2038	103,869	117,855
Federal National Mortgage Association:		
3.193%*, 8/1/2037	112,941	118,105
3.5%, 9/1/2025 (c)	2,500,000	2,545,312
4.0%, with various maturities from 11/1/2039 until 9/1/2040 (c)	5,479,216	5,482,161
4.5%, 3/1/2039 (c)	5,500,000	5,690,352
5.0%, with various maturities from 2/1/2021 until 8/1/2040 (c)	5,972,143	6,346,535
5.124%*, 9/1/2038	172,065	181,905
5.36%*, 1/1/2038	459,715	486,961
5.5%, with various maturities from 12/1/2032 until 4/1/2037	2,224,331	2,412,272
6.0%, with various maturities from 4/1/2024 until 3/1/2025	688,603	766,197
6.5%, with various maturities from 3/1/2017 until 12/1/2037	772,314	869,492
8.0%, 9/1/2015	13,376	14,516
Government National Mortgage Association, 4.5%, 7/1/2039 (c)	2,375,000	2,506,553
Total Mortgage-Backed Securities Pass-Throughs (Cost $28,587,538)		**29,060,404**

Asset-Backed 2.1%

Student Loans

	Principal Amount ($) (a)	Value ($)
Nelnet Student Loan Trust:		
"A1", Series 2007-1, 0.267%*, 11/27/2018	1,030,369	1,016,859
"A4", Series 2006-1, 0.349%*, 11/23/2022	1,375,000	1,349,601
Total Asset-Backed (Cost $2,369,621)		**2,366,460**

Commercial Mortgage-Backed Securities 12.0%

	Principal Amount ($) (a)	Value ($)
Banc of America Commercial Mortgage, Inc.:		
"A5A", Series 2005-4, 4.933%, 7/10/2045	1,600,000	1,706,746
"A4", Series 2006-3, 5.889%, 7/10/2044	975,000	1,072,106
Bear Stearns Commercial Mortgage Securities, Inc., "A4", Series 2007-PW18, 5.7%, 6/13/2050	700,000	760,860
Citigroup/Deutsche Bank Commercial Mortgage Trust, "A5", Series 2006-CD3, 5.617%, 10/15/2048	625,000	678,394
Commercial Mortgage Pass-Through Certificates, "A4", Series 2007-C9, 6.008%*, 12/10/2049	1,000,000	1,098,380
Greenwich Capital Commercial Funding Corp., "A4", Series 2007-GG9, 5.444%, 3/10/2039	1,000,000	1,072,696
JPMorgan Chase Commercial Mortgage Securities Corp.:		
"A4", Series 2005-CB12, 4.895%, 9/12/2037	1,500,000	1,614,196
"A4", Series 2006-CB16, 5.552%, 5/12/2045	640,000	696,971
"F", Series 2007-LD11, 6.005%*, 6/15/2049	650,000	82,584
"G", Series 2007-LD11, 144A, 6.005%*, 6/15/2049	760,000	62,487
"H", Series 2007-LD11, 144A, 6.005%*, 6/15/2049	460,000	25,211
LB-UBS Commercial Mortgage Trust:		
"A3", Series 2006-C7, 5.347%, 11/15/2038	1,750,000	1,883,854
"E", Series 2005-C2, 5.522%*, 4/15/2015	500,000	402,481
"A4", Series 2007-C6, 5.858%, 7/15/2040	490,000	531,624
Merrill Lynch Mortgage Trust, "ASB", Series 2007-C1, 6.02%*, 6/12/2050	590,000	633,030
Wachovia Bank Commercial Mortgage Trust:		
"A4", Series 2005-C22, 5.44%*, 12/15/2044	950,000	1,029,659
"H", Series 2007-C32, 144A, 5.932%*, 6/15/2049	770,000	92,862
Total Commercial Mortgage-Backed Securities (Cost $15,328,358)		**13,444,141**

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

Collateralized Mortgage Obligations 4.5%

	Principal Amount ($) (a)	Value ($)
Countrywide Home Loans, "A2", Series 2006-1, 6.0%, 3/25/2036	581,620	484,340
CS First Boston Mortgage Securities Corp., "10A3", Series 2005-10, 6.0%, 11/25/2035	156,178	97,928
Federal Home Loan Mortgage Corp., "PE", Series 2898, 5.0%, 5/15/2033	335,000	364,523
Federal National Mortgage Association:		
"IO", Series 2010-143, Interest Only, 5.0%, 12/25/2025	5,252,220	640,463
"EG", Series 2005-22, 5.0%, 11/25/2033	750,000	820,546
"TC", Series 2007-77, 5.5%, 9/25/2034	370,000	401,555
Government National Mortgage Association:		
"IU", Series 2010-164, Interest Only, 2.0%, 12/20/2013	2,895,453	111,937
"MI", Series 2010-85, Interest Only, 4.5%, 1/20/2036	1,896,849	246,278
"GI", Series 2010-89, Interest Only, 4.5%, 5/20/2039	1,274,662	247,665
"EI", Series 2010-134, Interest Only, 4.5%, 11/20/2039	663,894	131,437
"DI", Series 2011-40, Interest Only, 4.5%, 12/20/2040	3,444,248	559,766
"IM", Series 2010-87, Interest Only, 4.75%, 3/20/2036	1,871,268	263,902
"IA", Series 2010-58, Interest Only, 5.0%, 3/20/2039	2,368,596	509,165
"KI", Series 2010-130, Interest Only, 5.5%, 9/16/2040	431,484	74,778
MASTR Alternative Loans Trust, "8A1", Series 2004-3, 7.0%, 4/25/2034	12,218	11,651
Total Collateralized Mortgage Obligations (Cost $5,069,523)		**4,965,934**

Government & Agency Obligations 17.6%

Sovereign Bonds 6.8%

		Principal Amount ($) (a)	Value ($)
Eskom Holdings Ltd., REG S, 5.75%, 1/26/2021		400,000	413,000
Kingdom of Morocco, REG S, 4.5%, 10/5/2020	EUR	625,000	825,074
Republic of Argentina:			
GDP Linked Note, Zero Coupon, 12/15/2035 (d)		410,000	72,160
8.28%, 12/31/2033		658,639	581,249
Republic of Egypt, 9.1%, 9/20/2012	EGP	230,000	37,861
Republic of EL Salvador, REG S, 8.25%, 4/10/2032		40,000	44,700
Republic of Lithuania, REG S, 5.125%, 9/14/2017		200,000	205,750
Republic of Panama:			
5.2%, 1/30/2020		425,000	466,225
7.125%, 1/29/2026		220,000	271,150
7.25%, 3/15/2015		80,000	94,240
Republic of Poland, 6.375%, 7/15/2019		310,000	354,175
Republic of Serbia, REG S, 6.75%, 11/1/2024		463,500	465,818
Republic of South Africa, 6.25%, 3/8/2041		600,000	643,500
Republic of Sri Lanka, 144A, 6.25%, 10/4/2020		825,000	825,000
Republic of Venezuela, REG S, 7.75%, 10/13/2019		1,000,000	722,500
Russian Federation, 144A, 5.0%, 4/29/2020		1,600,000	1,654,000
			7,676,402

US Treasury Obligations 10.8%

	Principal Amount ($) (a)	Value ($)
US Treasury Bill, 0.135%**, 9/15/2011 (e)	969,000	968,959
US Treasury Bonds:		
4.75%, 2/15/2037	2,000,000	2,139,688
5.375%, 2/15/2031	1,000,000	1,172,031
7.125%, 2/15/2023	5,000,000	6,771,875
US Treasury Note, 0.875%, 1/31/2012	1,000,000	1,004,375
		12,056,928
Total Government & Agency Obligations (Cost $19,507,061)		**19,733,330**

Loan Participations and Assignments 0.3%

Sovereign Loans

	Principal Amount ($) (a)	Value ($)
Gazprom, 144A, 8.125%, 7/31/2014	205,000	233,187
Russian Agricultural Bank, REG S, 7.75%, 5/29/2018	100,000	114,500
Total Loan Participations and Assignments (Cost $302,858)		**347,687**

Municipal Bonds and Notes 6.7%

	Principal Amount ($) (a)	Value ($)
California, University Revenues, Build America Bonds, 5.946%, 5/15/2045 (f)	420,000	395,295
Gwinnett County, GA, Development Authority Revenue, Gwinnett Stadium Project, 6.4%, 1/1/2028 (f)	655,000	730,738
Jicarilla, NM, Sales & Special Tax Revenue, Apache Nation Revenue, 144A, 5.2%, 12/1/2013 (f)	410,000	408,585
Kentucky, Asset/Liability Commission, General Fund Revenue, 3.165%, 4/1/2018 (f)	1,300,000	1,305,941
Los Angeles, CA, Community Development Agency Tax Allocation Revenue, Adelante Eastside Project, Series C, 6.49%, 9/1/2037, INS: Radian (f)	315,000	258,149
Louisville & Jefferson County, KY, Metropolitan Sewer District & Drain Systems, Build America Bonds, 6.25%, 5/15/2043 (f)	400,000	419,384
Nashville & Davidson County, TN, Metropolitan Government, Convention Center Authority Revenue, Build America Bonds, Series B, 6.731%, 7/1/2043 (f)	400,000	418,436
New Jersey, Economic Development Authority Revenue, Series B, 6.5%, 11/1/2013, INS: AGC (f)	860,000	949,724
Port Authority New York & New Jersey, One Hundred Fiftieth Series, 4.75%, 9/15/2016 (f)	930,000	1,022,014
Rhode Island, Convention Center Authority Revenue, Civic Center, Series A, 6.06%, 5/15/2035, INS: AGMC (f)	515,000	507,862

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

	Principal Amount ($) (a)	Value ($)
Virgin Islands, Port Authority Marine Revenue, Series B, 5.08%, 9/1/2013, INS: AGMC (f)	755,000	767,420
Washington, Central Puget Sound Regional Transit Authority, Sales & Use Tax Revenue, Series A, 5.0%, 11/1/2036	285,000	290,950
Total Municipal Bonds and Notes (Cost $7,238,521)		**7,474,498**

	Shares	Value ($)

Securities Lending Collateral 0.3%

Daily Asset Fund Institutional 0.13% (g) (h) (Cost $371,700)	371,700	**371,700**

	Shares	Value ($)

Cash Equivalents 10.0%

Central Cash Management Fund, 0.11% (g) (Cost $11,215,052)	11,215,052	**11,215,052**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $129,107,436)†	115.9	**129,716,609**
Other Assets and Liabilities, Net	(15.9)	**(17,781,104)**
Net Assets	100.0	**111,935,505**

* *These securities are shown at their current rate as of June 30, 2011. 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 $129,126,228. At June 30, 2011, net unrealized appreciation for all securities based on tax cost was $590,381. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $3,555,693 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $2,965,312.*

(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, 2011 amounted to $359,625, which is 0.3% of net assets.*

(c) *When-issued or delayed delivery security included.*

(d) *Security is linked to Argentine Republic Gross Domestic Product (GDP). Security does not pay principal over life of security or at expiration. Payments are based on growth of Argentina GDP, subject to certain conditions.*

(e) *At June 30, 2011, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.*

(f) *Taxable issue.*

(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 Fund 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.

AGC: Assured Guaranty Corp.

AGMC: Assured Guaranty Municipal Corp.

GDP: Gross Domestic Product

INS: Insured

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.

Radian: Radian Asset Assurance, Inc.

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 Fund 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, 2011, open futures contracts sold were as follows:

Futures	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Appreciation (Depreciation) ($)
10 Year US Treasury Note	USD	9/21/2011	169	20,673,453	181,406
Federal Republic of Germany Euro-Bund	EUR	9/8/2011	39	7,096,626	(14,117)
Total net unrealized appreciation					**167,289**

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

As of June 30, 2011, open credit default swap contracts purchased were as follows:

Effective/ Expiration Date	Notional Amount ($)	Fixed Cash Flows Paid	Reference Entity	Value ($)	Upfront Payments Paid/ (Received) ($)	Unrealized Depreciation ($)
3/21/2011 6/20/2016	5,700,000[1]	1.00%	Markit CDX.NA.IG Index	(23,341)	(2,679)	**(20,662)**

Counterparty:

1 *Citigroup, Inc.*

As of June 30, 2011, the Fund had the following open forward currency exchange contracts:

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation ($)	Counterparty
EUR	625,000	USD	912,681	7/28/2011	7,067	Citigroup, Inc.
RUB	800,000	EUR	28,646	7/28/2011	81	JPMorgan Chase Securities, Inc.
Total unrealized appreciation					**7,148**	

Currency Abbreviations			
EGP	Egyptian Pound	RUB	Russian Ruble
EUR	Euro	USD	United States Dollar

For information on the Fund's policy and additional disclosures regarding futures contracts, credit default swap contracts and forward foreign currency exchange contracts, please refer to Note B in the accompanying Notes to Financial Statements.

Fair Value Measurements

Various inputs are used in determining the value of the Fund'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 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, 2011 in valuing the Fund's investments. For information on the Fund'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	$ —	$ 40,737,403	$ —	$ 40,737,403
Mortgage-Backed Securities Pass-Throughs	—	29,060,404	—	29,060,404
Asset-Backed	—	2,366,460	—	2,366,460
Commercial Mortgage-Backed Securities	—	13,444,141	—	13,444,141
Collateralized Mortgage Obligations	—	4,965,934	—	4,965,934
Government & Agency Obligations	—	19,733,330	—	19,733,330
Loan Participations and Assignments	—	347,687	—	347,687
Municipal Bonds and Notes	—	7,474,498	—	7,474,498
Short-Term Investments (i)	11,586,752	—	—	11,586,752
Derivatives (j)	181,406	7,148	—	188,554
Total	**$ 11,768,158**	**$ 118,137,005**	**$ —**	**$ 129,905,163**

Liabilities				
Derivatives (j)	$ (14,117)	$ (20,662)	$ —	$ (34,779)
Total	**$ (14,117)**	**$ (20,662)**	**$ —**	**$ (34,779)**

There have been no transfers between Level 1 and Level 2 fair value measurements during the period ended June 30, 2011.

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

(j) *Derivatives include unrealized appreciation (depreciation) on open futures contracts, credit default swap contracts and forward foreign currency exchange contracts.*

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

Statement of Assets and Liabilities

as of June 30, 2011 (Unaudited)

Assets		
Investments:		
Investments in non-affiliated securities, at value (cost $117,520,684) — including $359,625 of securities loaned	$	118,129,857
Investment in Daily Assets Fund Institutional (cost $371,700)*		371,700
Investment in Central Cash Management Fund (cost $11,215,052)		11,215,052
Total investments, at value (cost $129,107,436)		129,716,609
Cash		24,801
Foreign currency, at value (cost $60,268)		56,844
Deposit with broker for futures contracts		971
Receivable for Fund shares sold		18,032
Receivable for daily variation margin on futures contracts		155,990
Interest receivable		1,285,081
Unrealized appreciation on forward foreign currency exchange contracts		7,148
Foreign taxes recoverable		2,923
Other assets		1,270
Total assets		131,269,669

Liabilities		
Payable upon return of securities loaned		371,700
Payable for Investments purchased		112,386
Payable for investments purchased — when-issued/delayed delivery securities		18,527,711
Payable for Fund shares redeemed		44,480
Net payable for closed swap contracts		138,354
Unrealized depreciation on swap contracts		20,662
Upfront payments received on swap contracts		2,679
Accrued management fee		33,104
Accrued expenses		83,088
Total liabilities		19,334,164
Net assets, at value	**$**	**111,935,505**

Net Assets Consist of		
Undistributed net investment income		2,698,655
Net unrealized appreciation (depreciation) on:		
Investments		609,173
Futures		167,289
Foreign currency		6,807
Swap contracts		(20,662)
Accumulated net realized gain (loss)		(37,035,172)
Paid-in capital		145,509,415
Net assets, at value	**$**	**111,935,505**
Class A		
Net Asset Value, offering and redemption price per share ($111,935,505 ÷ 20,076,141 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**5.58**

* *Represents collateral of securities loaned.*

Statement of Operations

for the six months ended June 30, 2011 (Unaudited)

Investment Income		
Income:		
Interest	$	3,207,539
Income distributions — Central Cash Management Fund		5,520
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		1,806
Total income		3,214,865
Expenses:		
Management fee		242,893
Administration fee		62,280
Services to shareholders		2,302
Custodian fee		10,895
Legal fees		9,259
Audit and tax fees		20,242
Reports to shareholders		24,554
Trustees' fees and expenses		3,591
Other		13,481
Total expenses		389,497
Net investment income		**2,825,368**

Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		1,150,162
Futures		50,289
Foreign currency		(36,243)
Swap contracts		(134,946)
		1,029,262
Change in net unrealized appreciation (depreciation) on:		
Investments		579,593
Futures		(721,367)
Foreign currency		(39,653)
Swap contracts		(20,662)
		(202,089)
Net gain (loss)		**827,173**
Net increase (decrease) in net assets resulting from operations	**$**	**3,652,541**

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, 2011 (Unaudited)	Year Ended December 31, 2010
Operations:		
Net investment income (loss)	$ 2,825,368	$ 5,460,988
Net realized gain (loss)	1,029,262	5,014,458
Change in net unrealized appreciation (depreciation)	(202,089)	3,501
Net increase (decrease) in net assets resulting from operations	3,652,541	10,478,947
Distributions to shareholders from:		
Net investment income:		
Class A	(4,956,830)	(6,962,542)
Fund share transactions:		
Class A		
Proceeds from shares sold	4,907,629	16,049,365
Reinvestment of distributions	4,956,830	6,962,542
Payments for shares redeemed	(52,002,358)	(29,824,695)
Net increase (decrease) in net assets from Class A share transactions	(42,137,899)	(6,812,788)
Increase (decrease) in net assets	(43,442,188)	(3,296,383)
Net assets at beginning of period	155,377,693	158,674,076
Net assets at end of period (including undistributed net investment income of $2,698,655 and $4,830,117, respectively)	**$ 111,935,505**	**$ 155,377,693**

Other Information		
Class A		
Shares outstanding at beginning of period	27,458,970	28,638,100
Shares sold	866,073	2,857,267
Shares issued to shareholders in reinvestment of distributions	891,516	1,277,530
Shares redeemed	(9,140,418)	(5,313,927)
Net increase (decrease) in Class A shares	(7,382,829)	(1,179,130)
Shares outstanding at end of period	**20,076,141**	**27,458,970**

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

Financial Highlights

Class A	Six Months Ended 6/30/11 (Unaudited)	2010	Years Ended December 31, 2009	2008	2007	2006
Selected Per Share Data						
Net asset value, beginning of period	**$ 5.66**	**$ 5.54**	**$ 5.50**	**$ 6.98**	**$ 7.03**	**$ 6.99**
Income (loss) from investment operations:						
Net investment income[a]	.13	.19	.25	.37	.35	.33
Net realized and unrealized gain (loss)	.04	.18	.26	(1.48)	(.06)	(.01)
Total from investment operations	.17	.37	.51	(1.11)	.29	.32
Less distributions from:						
Net investment income	(.25)	(.25)	(.47)	(.37)	(.34)	(.27)
Net realized gains	—	—	—	—	—	(.01)
Total distributions	(.25)	(.25)	(.47)	(.37)	(.34)	(.28)
Net asset value, end of period	**$ 5.58**	**$ 5.66**	**$ 5.54**	**$ 5.50**	**$ 6.98**	**$ 7.03**
Total Return (%)	2.91**	6.79	10.07	(16.77)	4.18	4.72[b]
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	112	155	159	155	229	218
Ratio of expenses before expense reductions (%)	.63*	.59	.59	.59	.61	.66
Ratio of expenses after expense reductions (%)	.63*	.59	.59	.59	.61	.62
Ratio of net investment income (%)	4.54*	3.42	4.68	5.76	5.03	4.82
Portfolio turnover rate (%)	135**	357	284	196	185	186

a *Based on average shares outstanding during the period.*
b *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 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 five diversified funds: DWS Bond VIP, DWS Growth & Income VIP, DWS Capital Growth VIP, DWS Global Small Cap Growth VIP (formerly DWS Global Opportunities VIP) and DWS International VIP (individually or collectively hereinafter referred to as a "Fund" or the "Funds"). These financial statements report on DWS Bond VIP. 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").

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 Funds.

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 Fund'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 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.

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.

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.

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

Swap 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. Swap contracts are generally categorized as Level 2.

Forward currency contracts are valued at the prevailing forward exchange rate of the underlying currencies and are categorized as Level 2.

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 the Fund'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 Fund's Investment Portfolio.

Securities Lending. The Fund lends securities to certain financial institutions. The Fund 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 Fund requires the borrowers of the securities to maintain collateral with the Fund 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 Fund 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 Fund 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 Fund 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 Fund 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 Fund 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 acquisition and disposition of 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. The Fund may enter into mortgage dollar rolls in which the Fund 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 Fund 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 Fund is able to repurchase them. There can be no assurance that the Fund'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 Fund may purchase or sell securities with delivery or payment to occur at a later date beyond the normal settlement period. At the time the Fund enters into a commitment to purchase or sell a security, the transaction is recorded and the value of the transaction 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. At the time the Fund enters into a purchase 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 transactions from the potential inability of counterparties to meet the terms of their contracts or if the issuer does not issue the securities due to political, economic, or other factors. Additionally, losses may arise due to changes in the value of the underlying securities.

Federal Income Taxes. The Fund is treated as a separate taxpayer as provided for in the Internal Revenue Code, as amended. It is the Fund'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.

At December 31, 2010, the Fund had a net tax basis capital loss carryforward of approximately $37,157,000, 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.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the "Act") was enacted. Under the Act, net capital losses may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses. As a result of this ordering rule, pre-enactment capital loss carryforwards may expire unused, whereas under the previous rules these losses may have been utilized. This change is effective for fiscal years beginning after the date of enactment.

The Fund has reviewed the tax positions for the open tax years as of December 31, 2010 and has determined that no provision for income tax is required in the Fund's financial statements. The Fund'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. The Fund will declare and distribute dividends from its 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 the Fund 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, futures contracts, swap 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 Fund may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Fund.

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 Fund are allocated to that Fund. Other Series expenses which cannot be directly attributed to a Fund are apportioned among the Funds in the Series.

Contingencies. In the normal course of business, the Fund may enter into contracts with service providers that contain general 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 been made. However, based on experience, the Fund 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 net of foreign withholding taxes. Realized gains and losses from investment transactions are recorded on an identified cost basis and may include proceeds from litigation. All discounts and premiums are accreted/amortized for both tax and financial reporting purposes.

B. Derivative Instruments

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). For the six months ended June 30, 2011, the Fund invested in interest rate futures to gain exposure to different parts of the yield curve while managing the overall duration. The Fund also entered 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 Fund 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 Fund dependent upon the daily fluctuations in the value and are recorded for financial reporting purposes as unrealized gains or losses by the Fund. 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 Fund's ability to close out a futures contract prior to the settlement date and the risk that the futures contract is not well correlated with the security, index or currency to which it relates. Risk of loss may exceed amounts recognized in the Statement of Assets and Liabilities.

A summary of the open futures contracts as of June 30, 2011, is included in a table following the Fund's Investment Portfolio. For the six months ended June 30, 2011, the Fund's investment in futures contracts sold had a total notional value generally indicative of a range from approximately $27,770,000 to $48,873,000.

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. For the six months ended June 30, 2011, the Fund bought credit default swap contracts to gain exposure to an underlying reference entity's credit quality characteristics without directly investing in that reference entity, or to hedge the risk of default on Fund securities. As a seller in the credit default swap contract, the Fund 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 Fund. In return, the Fund 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 Fund keeps the stream of payments with no payment obligations. The Fund 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 Fund 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 Fund with the occurrence of a credit event. When the Fund 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 Fund.

The value of the credit default swap is adjusted daily and the change in value, if any, is recorded daily as unrealized appreciation or depreciation in the Statement of Assets and Liabilities. An upfront payment, if any, made by the Fund is recorded as an asset in the Statement of Assets and Liabilities. An upfront payment, if any, received by the Fund is recorded as a liability in the Statement of Assets and Liabilities. Under the terms of the credit default swap contracts, the Fund 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 in 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 in the Statement of Operations.

A summary of the open credit default swap contracts as of June 30, 2011 is included in a table following the Fund's Investment Portfolio. For the six months ended June 30, 2011, the investment in credit default swap contracts purchased had a total notional value generally indicative of a range from $0 to approximately $5,700,000.

Total Return Swap Contracts. Total return swaps involve commitments to pay interest in exchange for a market-linked return based on a notional amount. For the six months ended June 30, 2011, the Fund entered into total return swap transactions to enhance potential gains. 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 Fund 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 the underlying reference security or index. The value of the swap is adjusted daily and the change in value, if any, is recorded as unrealized appreciation or depreciation in the Statement of Assets and Liabilities. An upfront payment, if any, made by the Fund is recorded as an asset in the Statement of Assets and Liabilities. An upfront payment, if any, received by the Fund 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 in the Statement of Operations.

There are no open contracts as of June 30, 2011. For the six months ended June 30, 2011, the investment in total return swap contracts had a total notional amount generally indicative of a range from $0 to approximately $9,000,000.

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 Fund 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, the Fund may enter into forward foreign currency exchange contracts. For the six months ended June 30, 2011, the Fund 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. On the settlement date of the forward currency contract, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value of the contract at the time it was closed. 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 Fund is measured by the unrealized gain on appreciated contracts. Additionally, when utilizing forward currency contracts to hedge, the Fund 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, 2011, is included in a table following the Fund's Investment Portfolio. For the six months ended June 30, 2011, the investment in forward currency contracts US dollars purchased had a total contract value generally indicative of a range from approximately $902,000 to

$1,361,000, and the investment in forward currency contracts US dollars sold had a total contract value generally indicative of a range from $0 to approximately $360,000.

The following tables summarize the value of the Fund's derivative instruments held as of June 30, 2011 and the related location in the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

Asset Derivatives	**Forward Contracts**	**Futures Contracts**	**Total**
Interest Rate Contracts (a)	$ —	$ 181,406	$ 181,406
Foreign Exchange Contracts (b)	7,148	—	7,148
	$ 7,148	**$ 181,406**	**$ 188,554**

Each of the above derivatives is located in the following Statement of Assets and Liabilities accounts:

(a) *Includes cumulative appreciation of futures contracts as disclosed in the Investment Portfolio. Unsettled variation margin is disclosed separately within the Statement of Assets and Liabilities.*

(b) *Unrealized appreciation on forward foreign currency exchange contracts*

Liability Derivatives	**Swap Contracts**	**Futures Contracts**	**Total**
Credit contracts (a)	$ (20,662)	$ —	$ (20,662)
Interest Rate Contracts (b)	—	(14,117)	(14,117)
	$ (20,662)	**$ (14,117)**	**$ (34,779)**

Each of the above derivatives is located in the following Statement of Assets and Liabilities accounts:

(a) *Unrealized depreciation on swap contracts*

(b) *Includes cumulative depreciation of futures contracts as disclosed in the Investment Portfolio. Unsettled variation margin is disclosed separately within the Statement of Assets and Liabilities.*

Additionally, the amount of unrealized and realized gains and losses on derivative instruments recognized in Fund earnings during the six months ended June 30, 2011 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**	**Futures Contracts**	**Total**
Foreign Exchange Contracts (a) (b)	$ (40,641)	$ —	$ (535,187)	$ (575,828)
Interest Rate Contracts (b)	—	52,362	585,476	637,838
Credit Contracts (b)	—	(187,308)	—	(187,308)
	$ (40,641)	**$ (134,946)**	**$ 50,289**	**$ (125,298)**

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 swaps and futures, respectively*

Change in Net Unrealized Appreciation (Depreciation)	**Forward Contracts**	**Swap Contracts**	**Futures Contracts**	**Total**
Foreign Exchange Contracts (a) (b)	$ (40,878)	$ —	$ 23,390	$ (17,488)
Interest Rate Contracts (b)	—	—	(744,757)	(744,757)
Credit Contracts (b)	—	(20,662)	—	(20,662)
	$ (40,878)	**$ (20,662)**	**$ (721,367)**	**$ (782,907)**

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 swaps and futures, respectively*

C. Purchases and Sales of Securities

During the six months ended June 30, 2011, purchases and sales of investment securities (excluding short-term investments and US Treasury obligations) aggregated $171,314,598 and $221,381,969, respectively. Purchases and sales of US Treasury obligations aggregated $13,176,268 and $31,344,036, respectively.

D. 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 Fund 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 Fund.

Pursuant to the Investment Management Agreement with the Advisor, the Fund pays a monthly management fee based on the Fund's average daily net assets, computed and accrued daily and payable monthly, at the following annual rates:

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%

Accordingly, for the six months ended June 30, 2011, the fee pursuant to the Investment Management Agreement was equivalent to an annualized effective rate of 0.39% of the Fund's average daily net assets.

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, the Fund pays the Advisor an annual fee ("Administration Fee") of 0.10% of the Fund's average daily net assets, computed and accrued daily and payable monthly. For the six months ended June 30, 2011, the Administration Fee was $62,280, of which $9,295 is unpaid.

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 the Fund. For the six months ended June 30, 2011, the amounts charged to the Fund by DISC aggregated $340, of which $249 is unpaid.

Typesetting and Filing Service Fees. Under an agreement with DIMA, DIMA is compensated for providing typesetting and certain regulatory filing services to the Fund. For the six months ended June 30, 2011, the amount charged to the Fund by DIMA included in the Statement of Operations under "reports to shareholders" aggregated $5,913, of which $1,663 is unpaid.

Trustees' Fees and Expenses. The Fund 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 Vehicle. The Fund may invest uninvested cash balances in Central Cash Management Fund, which is managed by the Advisor. The Fund indirectly bears its proportionate share of the expenses of Central Cash Management Fund. 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.

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 more volatile or less easily assessed than those of comparable securities of issuers in developed markets.

F. Ownership of the Fund

Three participating insurance companies were owners of record of 10% or more of the total outstanding Class A shares of the Fund, owning 49%, 12% and 10%, respectively.

G. Line of Credit

The Fund and other affiliated funds (the "Participants") share in a $450 million revolving credit facility provided by a syndication of banks. The Fund may borrow for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated based on net assets, among each of the Participants. Interest is calculated at 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 Fund may borrow up to a maximum of 33 percent of its net assets under the agreement. The Fund had no outstanding loans at June 30, 2011.

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) 728-3337.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 3, 2010

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 2010, 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, 2008, and 2009.

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 have served 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 118 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 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

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222 South Riverside Plaza
Chicago, IL 60606
(800) 621-1148

VS1bond-3 (R-023163-1 8/11)

DWS INVESTMENTS
Deutsche Bank Group

JUNE 30, 2011

SEMIANNUAL REPORT

DWS VARIABLE SERIES I

DWS Capital Growth VIP

Deutsche Bank Group

Contents

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, call (800) 728-3337 or your financial representative. We advise you to consider the Fund's objectives, risks, charges and expenses carefully before investing. The summary prospectus and prospectus contain this and other important information about the Fund. Please read the prospectus carefully before you invest.

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.

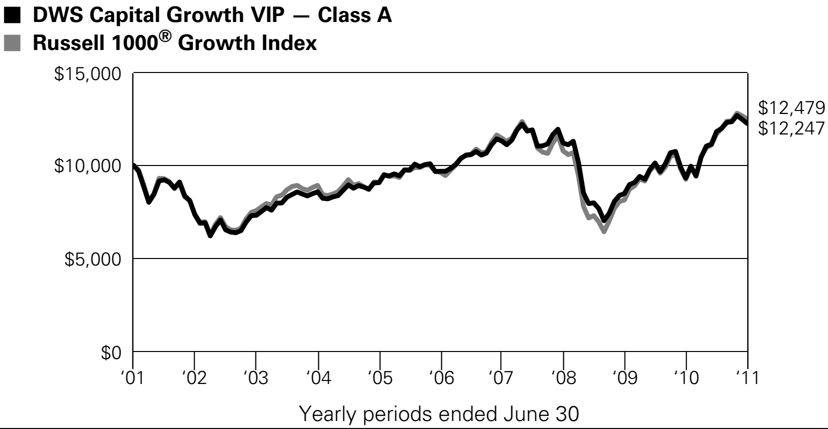
Performance Summary

June 30, 2011

Fund 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 Fund's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund 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 Fund, as stated in the fee table of the prospectus dated May 1, 2011 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.

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 do not reflect any fees or expenses and 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	$10,365	$13,143	$10,934	$12,656	$12,247
	Average annual total return	3.65%	31.43%	3.02%	4.82%	2.05%
Russell 1000 Growth Index	Growth of $10,000	$10,683	$13,501	$11,581	$12,965	$12,479
	Average annual total return	6.83%	35.01%	5.01%	5.33%	2.24%

DWS Capital Growth VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class B	Growth of $10,000	$10,348	$13,101	$10,827	$12,444	$11,831
	Average annual total return	3.48%	31.01%	2.68%	4.47%	1.70%
Russell 1000 Growth Index	Growth of $10,000	$10,683	$13,501	$11,581	$12,965	$12,479
	Average annual total return	6.83%	35.01%	5.01%	5.33%	2.24%

The growth of $10,000 is cumulative.

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

Information About Your Fund's Expenses

As an investor of the Fund, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Fund expenses. Examples of transaction costs include contract charges 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 Fund 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, 2011 to June 30, 2011).

The tables illustrate your Fund's expenses in two ways:

- **Actual Fund Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Fund using the Fund'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% Fund Return.** This helps you to compare your Fund's ongoing expenses (but not transaction costs) with those of other mutual funds using the Fund's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Fund return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. 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, 2011

Actual Fund Return	**Class A**	**Class B**
Beginning Account Value 1/1/11	$1,000.00	$1,000.00
Ending Account Value 6/30/11	$1,036.50	$1,034.80
Expenses Paid per $1,000*	$ 2.63	$ 4.34

Hypothetical 5% Fund Return	**Class A**	**Class B**
Beginning Account Value 1/1/11	$1,000.00	$1,000.00
Ending Account Value 6/30/11	$1,022.22	$1,020.53
Expenses Paid per $1,000*	$ 2.61	$ 4.31

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

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series I — DWS Capital Growth VIP	.52%	.86%

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

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund is an investment option.

Portfolio Summary

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/11**	**12/31/10**
Common Stocks	98%	100%
Cash Equivalents	2%	—
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/11**	**12/31/10**
Information Technology	30%	31%
Industrials	16%	14%
Energy	13%	12%
Consumer Discretionary	13%	16%
Health Care	10%	10%
Consumer Staples	6%	5%
Materials	6%	6%
Financials	4%	5%
Telecommunication Services	2%	1%
	100%	100%

Asset allocation and sector diversification are subject to change.

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

Following the Fund'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. The Fund's portfolio holdings are also posted on www.dws-investments.com from time to time. Please see the Fund's current prospectus for more information.

	Shares	Value ($)
Common Stocks 99.2%		
Consumer Discretionary 12.7%		
Auto Components 2.2%		
Autoliv, Inc. (a)	110,264	8,650,211
BorgWarner, Inc.* (a)	118,765	9,595,024
		18,245,235
Hotels Restaurants & Leisure 4.1%		
Darden Restaurants, Inc. (a)	209,730	10,436,165
McDonald's Corp. (a)	123,835	10,441,767
Starwood Hotels & Resorts Worldwide, Inc. (a)	229,918	12,884,605
		33,762,537
Multiline Retail 1.6%		
Dollar General Corp.* (a)	142,866	4,841,729
Nordstrom, Inc. (a)	172,002	8,073,774
		12,915,503
Specialty Retail 2.9%		
Dick's Sporting Goods, Inc.*	245,666	9,445,858
Limited Brands, Inc. (a)	385,330	14,815,938
		24,261,796
Textiles, Apparel & Luxury Goods 1.9%		
NIKE, Inc. "B"	179,980	**16,194,600**
Consumer Staples 6.2%		
Beverages 1.4%		
PepsiCo, Inc. (a)	174,442	**12,285,950**
Food & Staples Retailing 3.1%		
Costco Wholesale Corp.	151,166	12,280,726
Wal-Mart Stores, Inc. (a)	174,355	9,265,224
Whole Foods Market, Inc.	65,844	4,177,802
		25,723,752
Food Products 1.7%		
Kellogg Co.	253,352	**14,015,433**
Energy 12.7%		
Energy Equipment & Services 5.0%		
Halliburton Co. (a)	126,541	6,453,591
National Oilwell Varco, Inc.	176,441	13,799,451
Oil States International, Inc.* (a)	82,334	6,579,310
Schlumberger Ltd.	170,007	14,688,605
		41,520,957
Oil, Gas & Consumable Fuels 7.7%		
Anadarko Petroleum Corp. (a)	173,974	13,354,244
EOG Resources, Inc. (a)	128,390	13,423,174
Exxon Mobil Corp.	140,975	11,472,546
Marathon Oil Corp.	121,715	6,411,946
Occidental Petroleum Corp. (a)	123,129	12,810,341
Plains Exploration & Production Co.*	177,881	6,780,824
		64,253,075
Financials 4.4%		
Capital Markets		
Ameriprise Financial, Inc.	94,307	5,439,628
Charles Schwab Corp. (a)	377,927	6,216,899
Morgan Stanley	379,297	8,727,624
T. Rowe Price Group, Inc. (a)	272,116	16,419,479
		36,803,630

	Shares	Value ($)
Health Care 10.0%		
Biotechnology 3.7%		
Amgen, Inc.* (a)	75,112	4,382,785
Celgene Corp.* (a)	298,428	18,001,177
Gilead Sciences, Inc.*	207,522	8,593,486
		30,977,448
Health Care Equipment & Supplies 1.5%		
CareFusion Corp.*	233,629	6,347,700
Edwards Lifesciences Corp.* (a)	72,585	6,327,960
		12,675,660
Health Care Providers & Services 3.7%		
Express Scripts, Inc.*	319,263	17,233,817
McKesson Corp.	158,770	13,281,111
		30,514,928
Life Sciences Tools & Services 1.1%		
Thermo Fisher Scientific, Inc.*	135,015	**8,693,616**
Industrials 16.1%		
Aerospace & Defense 3.5%		
TransDigm Group, Inc.*	102,936	9,386,734
United Technologies Corp.	226,401	20,038,752
		29,425,486
Commercial Services & Supplies 1.0%		
Stericycle, Inc.* (a)	87,989	**7,841,580**
Electrical Equipment 3.1%		
AMETEK, Inc.	301,507	13,537,664
Roper Industries, Inc. (a)	147,055	12,249,682
		25,787,346
Machinery 6.0%		
Dover Corp.	112,692	7,640,518
Meritor, Inc.* (a)	312,013	5,004,688
Navistar International Corp.* (a)	167,878	9,478,392
Parker Hannifin Corp. (a)	216,882	19,462,991
SPX Corp. (a)	103,493	8,554,731
		50,141,320
Road & Rail 2.5%		
Norfolk Southern Corp. (a)	280,226	**20,997,334**
Information Technology 29.9%		
Communications Equipment 3.7%		
QUALCOMM, Inc.	466,531	26,494,295
Riverbed Technology, Inc.* (a)	102,173	4,045,029
		30,539,324
Computers & Peripherals 8.5%		
Apple, Inc.*	138,313	46,427,525
EMC Corp.* (a)	893,537	24,616,944
		71,044,469
Internet Software & Services 1.2%		
Google, Inc. "A"*	19,252	**9,748,828**
IT Services 4.2%		
Accenture PLC "A"	218,454	13,198,991
International Business Machines Corp. (a)	65,648	11,261,914
VeriFone Systems, Inc.* (a)	242,271	10,744,719
		35,205,624

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

	Shares	Value ($)
Semiconductors & Semiconductor Equipment 3.2%		
Intel Corp. (a)	817,066	18,106,183
Skyworks Solutions, Inc.*	379,933	8,730,860
		26,837,043
Software 9.1%		
Adobe Systems, Inc.*	132,928	4,180,585
Check Point Software Technologies Ltd.* (a)	162,682	9,248,472
Concur Technologies, Inc.* (a)	132,711	6,644,840
Microsoft Corp.	712,689	18,529,914
Oracle Corp.	844,212	27,783,017
Solera Holdings, Inc.	150,405	8,897,960
		75,284,788
Materials 5.6%		
Chemicals 3.4%		
Huntsman Corp. (a)	924,713	17,430,840
The Mosaic Co.	157,470	10,665,443
		28,096,283
Containers & Packaging 0.7%		
Owens-Illinois, Inc.*	242,076	**6,247,981**
Metals & Mining 1.5%		
Freeport-McMoRan Copper & Gold, Inc.	237,634	**12,570,839**
Telecommunication Services 1.6%		
Wireless Telecommunication Services		
American Tower Corp. "A"*	254,061	**13,295,013**
Total Common Stocks (Cost $583,281,627)		**825,907,378**
Securities Lending Collateral 27.3%		
Daily Assets Fund Institutional, 0.13% (b) (c) (Cost $227,048,807)	227,048,807	**227,048,807**
Cash Equivalents 1.7%		
Central Cash Management Fund, 0.11% (b) (Cost $13,846,777)	13,846,777	**13,846,777**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $824,177,211)†	128.2	**1,066,802,962**
Other Assets and Liabilities, Net	(28.2)	**(234,407,694)**
Net Assets	100.0	**832,395,268**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $827,129,683. At June 30, 2011, net unrealized appreciation for all securities based on tax cost was $239,673,279. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $251,036,181 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $11,362,902.*

(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, 2011 amounted to $225,149,671, which is 27.0% of net assets.*

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

(c) *Represents collateral held in connection with securities lending. Income earned by the Fund is net of borrower rebates.*

Fair Value Measurements

Various inputs are used in determining the value of the Fund'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 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, 2011 in valuing the Fund's investments. For information on the Fund'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)	$ 825,907,378	$ —	$ —	$ 825,907,378
Short-Term Investments (d)	240,895,584	—	—	240,895,584
Total	**$ 1,066,802,962**	**$ —**	**$ —**	**$ 1,066,802,962**

There have been no transfers between Level 1 and Level 2 fair value measurements during the period ended June 30, 2011.

(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, 2011 (Unaudited)

Assets	
Investments:	
Investments in non-affiliated securities, at value (cost $583,281,627) — including $225,149,671 of securities loaned	$ 825,907,378
Investment in Daily Assets Fund Institutional (cost $227,048,807)*	227,048,807
Investment in Central Cash Management Fund (cost $13,846,777)	13,846,777
Total investments in securities, at value (cost $824,177,211)	1,066,802,962
Cash	11,068
Foreign currency, at value (cost $3,846)	3,887
Receivable for Fund shares sold	20,419
Dividends receivable	630,432
Interest receivable	7,739
Foreign taxes recoverable	52,713
Other assets	990
Total assets	1,067,530,210

Liabilities	
Payable upon return of securities loaned	227,048,807
Payable for investments purchased	6,574,518
Payable for Fund shares redeemed	818,478
Accrued management fee	251,723
Other accrued expenses and payables	441,416
Total liabilities	235,134,942
Net assets, at value	**$ 832,395,268**

Net Assets Consist of	
Undistributed net investment income	2,420,579
Net unrealized appreciation (depreciation) on:	
Investments	242,625,751
Foreign currency	11,333
Accumulated net realized gain (loss)	(125,898,280)
Paid-in capital	713,235,885
Net assets, at value	**$ 832,395,268**
Class A	
Net Asset Value, offering and redemption price per share ($817,551,420 ÷ 40,560,109 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 20.16**
Class B	
Net Asset Value, offering and redemption price per share ($14,843,848 ÷ 738,253 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 20.11**

* *Represents collateral of securities loaned.*

Statement of Operations

for the six months ended June 30, 2011 (Unaudited)

Investment Income	
Income:	
Dividends	$ 4,520,569
Income distributions — Central Cash Management Fund	2,855
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	56,926
Total income	4,580,350
Expenses:	
Management fee	1,468,529
Administration fee	385,150
Services to shareholders	6,136
Distribution service fee (Class B)	16,319
Record keeping fee (Class B)	5,679
Custodian fee	29,015
Professional fees	35,976
Reports to shareholders	39,423
Trustees' fees and expenses	13,083
Other	20,859
Total expenses	2,020,169
Net investment income (loss)	**2,560,181**

Realized and Unrealized Gain (Loss)	
Net realized gain (loss) from:	
Investments	40,257,242
Foreign currency	266
	40,257,508
Change in net unrealized appreciation (depreciation) on:	
Investments	(20,797,394)
Foreign currency	7,010
	(20,790,384)
Net gain (loss)	**19,467,124**
Net increase (decrease) in net assets resulting from operations	**$ 22,027,305**

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, 2011 (Unaudited)	Year Ended December 31, 2010
Operations:		
Net investment income (loss)	$ 2,560,181	$ 5,440,265
Net realized gain (loss)	40,257,508	56,939,552
Change in net unrealized appreciation (depreciation)	(20,790,384)	46,062,994
Net increase (decrease) in net assets resulting from operations	22,027,305	108,442,811
Distributions to shareholders from:		
Net investment income:		
Class A	(5,283,454)	(6,317,623)
Class B	(48,050)	(67,783)
Total distributions	(5,331,504)	(6,385,406)
Fund share transactions:		
Class A		
Proceeds from shares sold	6,977,977	12,396,402
Net assets acquired in tax-free reorganization*	126,872,037	—
Reinvestment of distributions	5,283,454	6,317,623
Payments for shares redeemed	(66,910,154)	(105,101,955)
Net increase (decrease) in net assets from Class A share transactions	72,223,314	(86,387,930)
Class B		
Proceeds from shares sold	335,771	1,077,251
Net assets acquired in tax-free reorganization*	3,304,909	—
Reinvestment of distributions	48,050	67,783
Payments for shares redeemed	(1,268,637)	(2,881,286)
Net increase (decrease) in net assets from Class B share transactions	2,420,093	(1,736,252)
Increase (decrease) in net assets	91,339,208	13,933,223
Net assets at beginning of period	741,056,060	727,122,837
Net assets at end of period (including undistributed net investment income of $2,420,579 and $5,191,902, respectively)	**$ 832,395,268**	**$ 741,056,060**

Other Information		
Class A		
Shares outstanding at beginning of period	37,210,167	42,229,316
Shares sold	344,950	714,318
Shares issued in tax-free reorganization*	6,079,145	—
Shares issued to shareholders in reinvestment of distributions	254,870	348,655
Shares redeemed	(3,329,023)	(6,082,122)
Net increase (decrease) in Class A shares	3,349,942	(5,019,149)
Shares outstanding at end of period	**40,560,109**	**37,210,167**
Class B		
Shares outstanding at beginning of period	623,731	725,636
Shares sold	16,721	62,186
Shares issued in tax-free reorganization*	158,668	—
Shares issued to shareholders in reinvestment of distributions	2,322	3,749
Shares redeemed	(63,189)	(167,840)
Net increase (decrease) in Class B shares	114,522	(101,905)
Shares outstanding at end of period	**738,253**	**623,731**

* *On April 29, 2011 DWS Health Care VIP and DWS Technology VIP were acquired by the Fund through a tax-free reorganization (see Note F).*

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

Financial Highlights

Class A	Six Months Ended 6/30/11 (Unaudited)	2010	Years Ended December 31, 2009	2008	2007	2006
Selected Per Share Data						
Net asset value, beginning of period	**$19.59**	**$16.93**	**$13.55**	**$20.41**	**$18.24**	**$16.90**
Income (loss) from investment operations:						
Net investment income (loss)[a]	.07	.14[d]	.14	.16	.17[d]	.13[c]
Net realized and unrealized gain (loss)	.65	2.68	3.43	(6.83)	2.12	1.31
Total from investment operations	.72	2.82	3.57	(6.67)	2.29	1.44
Less distributions from:						
Net investment income	(.15)	(.16)	(.19)	(.19)	(.12)	(.10)
Net asset value, end of period	**$20.16**	**$19.59**	**$16.93**	**$13.55**	**$20.41**	**$18.24**
Total Return (%)	3.65**	16.71[b]	26.87[b]	(32.98)[b]	12.59[b]	8.53[b,c]
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	818	729	715	594	1,058	1,131
Ratio of expenses before expense reductions (%)	.52*	.51	.51	.50	.53	.52
Ratio of expenses after expense reductions (%)	.52*	.51	.49	.49	.52	.49
Ratio of net investment income (loss) (%)	.67*	.78[d]	.98	.89	.86[d]	.73[c]
Portfolio turnover rate (%)	24**	42	76	21	30	16

a *Based on average shares outstanding during the period.*

b *Total return would have been lower had certain expenses not been reduced.*

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 $0.007 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.*

d *Net investment income per share and ratio of net investment income include non-recurring dividend income amounting to $0.05 and $0.03 per share and 0.28% and 0.17% of average daily net assets for the years ended December 31, 2010 and 2007, respectively.*

* *Annualized* ** *Not annualized*

Class B	Six Months Ended 6/30/11 (Unaudited)	2010	Years Ended December 31, 2009	2008	2007	2006
Selected Per Share Data						
Net asset value, beginning of period	**$19.51**	**$16.86**	**$13.49**	**$20.31**	**$18.15**	**$16.81**
Income (loss) from investment operations:						
Net investment income (loss)[a]	.03	.08[d]	.09	.10	.09[d]	.06[c]
Net realized and unrealized gain (loss)	.65	2.67	3.43	(6.81)	2.12	1.31
Total from investment operations	.68	2.75	3.52	(6.71)	2.21	1.37
Less distributions from:						
Net investment income	(.08)	(.10)	(.15)	(.11)	(.05)	(.03)
Net asset value, end of period	**$20.11**	**$19.51**	**$16.86**	**$13.49**	**$20.31**	**$18.15**
Total Return (%)	3.48**	16.33[b]	26.49[b]	(33.20)[b]	12.18[b]	8.17[b,c]
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	15	12	12	10	19	107
Ratio of expenses before expense reductions (%)	.86*	.85	.85	.85	.94	.91
Ratio of expenses after expense reductions (%)	.86*	.84	.82	.82	.90	.86
Ratio of net investment income (loss) (%)	.33*	.45[d]	.65	.56	.48[d]	.36[c]
Portfolio turnover rate (%)	24**	42	76	21	30	16

a *Based on average shares outstanding during the period.*

b *Total return would have been lower had certain expenses not been reduced.*

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 $0.007 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.*

d *Net investment income per share and ratio of net investment income include non-recurring dividend income amounting to $0.05 and $0.03 per share and $0.28% and 0.17% of average daily net assets for the years ended December 31, 2010 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 five diversified funds: DWS Bond VIP, DWS Growth & Income VIP, DWS Capital Growth VIP, DWS Global Small Cap Growth VIP (formerly DWS Global Opportunities VIP) and DWS International VIP (individually or collectively hereinafter referred to as a "Fund" or the "Funds"). These financial statements report on DWS Capital Growth VIP. The Series is intended to be the underlying investment vehicle for variable annuity contracts and variable life insurance policies to be offered by the separate accounts of certain life insurance companies ("Participating Insurance Companies").

Multiple Classes of Shares of Beneficial Interest. The Fund offers 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 Fund. Class A shares are not subject to such fees.

Investment income, realized and unrealized gains and losses, and certain fund-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 Funds.

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 Fund'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 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.

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 categorized 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 Trustees and are generally categorized as Level 3. In accordance with the Fund'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 Fund's Investment Portfolio.

Securities Lending. The Fund lends securities to certain financial institutions. The Fund 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 Fund requires the borrowers of the securities to maintain collateral with the Fund 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 Fund 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 Fund 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 Fund 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 Fund 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 Fund 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 acquisition and disposition of 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.

Federal Income Taxes. The Fund is treated as a separate taxpayer as provided for in the Internal Revenue Code, as amended. It is the Fund'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.

At December 31, 2010, the Fund had a net tax basis capital loss carryforward of approximately $163,203,000, including $31,237,000 inherited from its mergers with affiliated funds in fiscal years 2005, 2006 and 2009, which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2011 ($69,353,000), December 31, 2012 ($28,616,000), December 31, 2015 ($6,163,000), December 31, 2016 ($20,912,000) and December 31, 2017 ($38,159,000), the respective expiration dates, whichever occurs first, and which may be subject to certain limitations under Sections 382–384 of the Internal Revenue Code.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the "Act") was enacted. Under the Act, net capital losses may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses. As a result of this ordering rule, pre-enactment capital loss carryforwards may expire unused, whereas under the previous rules these losses may have been utilized. This change is effective for fiscal years beginning after the date of enactment.

The Fund has reviewed the tax positions for the open tax years as of December 31, 2010 and has determined that no provision for income tax is required in the Fund's financial statements. The Fund'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. The Fund will declare and distribute dividends from its 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 the Fund 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 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 Fund may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Fund.

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 Fund are allocated to that Fund. Other Series expenses which cannot be directly attributed to a Fund are apportioned among the Funds in the Series.

Contingencies. In the normal course of business, the Fund may enter into contracts with service providers that contain general 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 been made. However, based on experience, the Fund 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 Fund is informed of such dividends. Realized gains and losses from investment transactions are recorded on an identified cost basis and may include proceeds from litigation.

B. Purchases and Sales of Securities

During the six months ended June 30, 2011, purchases and sales of investment securities (excluding short-term investments) aggregated $190,644,597 and $272,483,077, respectively.

C. Related Parties

Management Agreement. Under the Investment Management Agreement with Deutsche Investment Management Americas Inc. ("DIMA" or the "Advisor"), an indirect, wholly owned subsidiary of Deutsche Bank AG, the Advisor directs the investments of the Fund 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 Fund.

Pursuant to the Investment Management Agreement with the Advisor, the Fund pays a monthly management fee based on the Fund's average daily net assets, computed and accrued daily and payable monthly at the following annual rates:

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%

Accordingly, for the six months ended June 30, 2011, the fee pursuant to the Investment Management Agreement was equivalent to an annualized effective rate of 0.38% of the Fund's average daily net assets.

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, the Fund pays the Advisor an annual fee ("Administration Fee") of 0.10% of the Fund's average daily net assets, computed and accrued daily and payable monthly. For the six months ended June 30, 2011, the Administration Fee was $385,150, of which $67,552 is unpaid.

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 the Fund. For the six months ended June 30, 2011, the amounts charged to the Fund by DISC were as follows:

Services to Shareholders	Total Aggregated	Unpaid at June 30, 2011
Class A	$ 410	$ 349
Class B	70	70
	$ 480	**$ 419**

Distribution Service Agreement. 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. For the six months ended June 30, 2011, the Distribution Service Fee aggregated $16,319, of which $2,358 is unpaid.

Typesetting and Filing Service Fees. Under an agreement with DIMA, DIMA is compensated for providing typesetting and certain regulatory filing services to the Fund. For the six months ended June 30, 2011, the amount charged to the Fund by DIMA included in the Statement of Operations under "reports to shareholders" aggregated $7,762, of which $386 is unpaid.

Trustees' Fees and Expenses. The Fund 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 Vehicle. The Fund may invest uninvested cash balances in Central Cash Management Fund, which is managed by the Advisor. The Fund indirectly bears its proportionate share of the expenses of Central Cash Management Fund. 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 Fund

Three participating insurance companies were owners of record of 10% or more of the total outstanding Class A shares of the Fund, each owning 37%, 28% and 14%. Two participating insurance companies were owners of record of 10% or more of the total outstanding Class B shares of the Fund, each owning 84% and 14%.

E. Line of Credit

The Fund and other affiliated funds (the "Participants") share in a $450 million revolving credit facility provided by a syndication of banks. The Fund may borrow for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated based on net assets, among each of the Participants. Interest is calculated at 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 Fund may borrow up to a maximum of 33 percent of its net assets under the agreement. The Fund had no outstanding loans at June 30, 2011.

F. Acquisition of Assets

On April 29, 2011, the Fund acquired all of the net assets of DWS Health Care VIP and DWS Technology VIP pursuant to a plan of reorganization approved by shareholders on April 11, 2011. The purpose of the transaction was to combine three funds managed by DWS with comparable investment objectives and strategies.

The acquisition was accomplished by a tax-free exchange as follows:

	Class A shares	Class B shares
DWS Health Care VIP	5,605,448	377,495
DWS Technology VIP	6,613,518	10,454

The above shares were exchanged for the following shares outstanding on the date acquired of the DWS Capital Growth VIP Fund:

	Class A shares	Class B shares
DWS Health Care VIP	2,358,210	152,955
DWS Technology VIP	3,720,935	5,713

The net assets at acquired date were as follows:

DWS Health Care VIP	$ 52,398,965
DWS Technology VIP	$ 77,777,981

The net unrealized appreciation included in the net assets above were as follows:

DWS Health Care VIP	$ 4,928,832
DWS Technology VIP	$ 13,786,077

The aggregate net assets of DWS Capital Growth VIP immediately before the acquisition were $754,712,975. The combined net assets of DWS Capital Growth VIP immediately following the acquisition were $884,889,922.

The financial statements reflect the operations of the DWS Capital Growth VIP for the period prior to the acquisition and the combined portfolio for the period subsequent to the Fund merger. Assuming the acquisition had been completed on January 1, 2011, DWS Capital Growth VIP's pro forma results of operations for the period ending June 30, 2011, are as follows:

Net investment income*	$	2,467,086
Net gain (loss) on investments		31,145,502
Net increase (decrease) in net assets resulting from operations		33,612,588

* *Net investment income includes $157,183 of pro forma eliminated expenses.*

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) 728-3337.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 3, 2010

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 2010, 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, 2008, and 2009.

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 have served 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 118 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 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

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VS1capgro-3 (R-023164-1 8/11)

JUNE 30, 2011

SEMIANNUAL REPORT

DWS VARIABLE SERIES I

DWS Global Small Cap Growth VIP

(formerly DWS Global Opportunities VIP)

DWS INVESTMENTS

Deutsche Bank Group

Contents

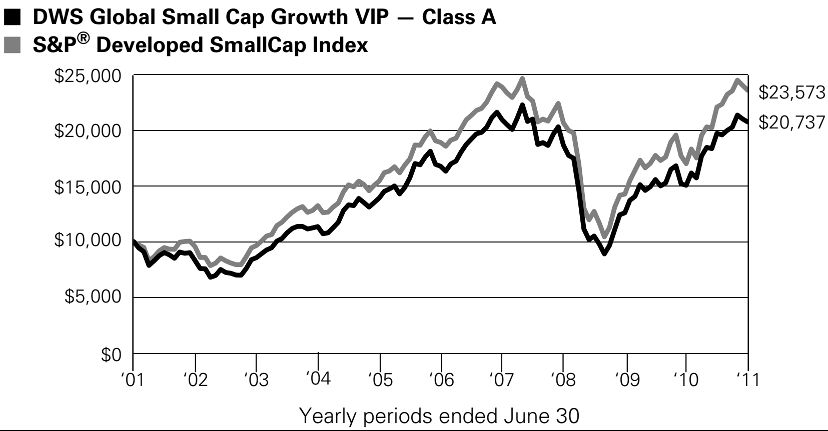
Performance Summary

June 30, 2011

Fund 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 Fund's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund 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 Fund, as stated in the fee table of the prospectus dated May 1, 2011 are 1.12% 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.

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 do not reflect any fees or expenses and it is not possible to invest directly into an index.

Comparative Results

DWS Global Small Cap Growth VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$10,518	$13,779	$11,119	$12,374	$20,737
	Average annual total return	5.18%	37.79%	3.60%	4.35%	7.57%
S&P Developed SmallCap Index	Growth of $10,000	$10,681	$13,870	$11,413	$12,470	$23,573
	Average annual total return	6.81%	38.70%	4.50%	4.51%	8.95%

DWS Global Small Cap Growth VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class B	Growth of $10,000	$10,508	$13,753	$11,015	$12,180	$20,221
	Average annual total return	5.08%	37.53%	3.27%	4.02%	7.29%
S&P Developed SmallCap Index	Growth of $10,000	$10,681	$13,870	$11,413	$12,470	$23,573
	Average annual total return	6.81%	38.70%	4.50%	4.51%	8.95%

The growth of $10,000 is cumulative.

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

Information About Your Fund's Expenses

As an investor of the Fund, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Fund 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 Fund 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 Fund 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, 2011 to June 30, 2011).

The tables illustrate your Fund's expenses in two ways:

- **Actual Fund Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Fund using the Fund'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% Fund Return.** This helps you to compare your Fund's ongoing expenses (but not transaction costs) with those of other mutual funds using the Fund's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Fund return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. 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, 2011

Actual Fund Return	**Class A**	**Class B**
Beginning Account Value 1/1/11	$1,000.00	$1,000.00
Ending Account Value 6/30/11	$1,051.80	$1,050.80
Expenses Paid per $1,000*	$ 5.09	$ 6.41
Hypothetical 5% Fund Return	**Class A**	**Class B**
Beginning Account Value 1/1/11	$1,000.00	$1,000.00
Ending Account Value 6/30/11	$1,019.84	$1,018.55
Expenses Paid per $1,000*	$ 5.01	$ 6.31

* *Expenses are equal to the Fund'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 Small Cap Growth VIP	1.00%	1.26%

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

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund is an investment option.

Portfolio Summary

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/11**	**12/31/10**
Common Stocks	97%	99%
Cash Equivalents	3%	1%
	100%	100%

Geographical Diversification (As a % of Investment Portfolio excluding Cash Equivalents and Securities Lending Collateral)	**6/30/11**	**12/31/10**
United States	43%	40%
Continental Europe	22%	21%
Pacific Basin	13%	15%
United Kingdom	8%	9%
Japan	7%	8%
Australia	2%	2%
Canada	2%	2%
Latin America	1%	1%
Other	2%	2%
	100%	100%

Sector Diversification (As a % of Investment Portfolio excluding Cash Equivalents and Securities Lending Collateral)	**6/30/11**	**12/31/10**
Industrials	22%	22%
Consumer Discretionary	18%	18%
Health Care	17%	14%
Information Technology	15%	15%
Financials	10%	12%
Energy	9%	8%
Consumer Staples	5%	5%
Materials	4%	6%
	100%	100%

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

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

Following the Fund'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. The Fund's portfolio holdings are also posted on www.dws-investments.com from time to time. Please see the Fund's current prospectus for more information.

	Shares	Value ($)
Common Stocks 96.8%		
Australia 1.5%		
Austal Ltd.	317,365	948,056
Lynas Corp., Ltd.*	622,982	1,356,424
(Cost $977,234)		**2,304,480**
Austria 0.9%		
Andritz AG (Cost $1,240,572)	14,123	**1,454,202**
Bermuda 0.6%		
Lazard Ltd. "A" (a) (Cost $656,160)	26,900	**997,990**
Brazil 1.0%		
Fleury SA (Cost $1,245,600)	106,204	**1,546,802**
Canada 1.5%		
SunOpta, Inc.*	230,568	1,639,339
Thompson Creek Metals Co., Inc.*	73,091	729,448
(Cost $2,459,110)		**2,368,787**
Channel Islands 1.1%		
Charter International PLC	63,580	808,259
Randgold Resources Ltd. (ADR) (b)	11,627	977,249
(Cost $1,508,076)		**1,785,508**
China 2.4%		
Charm Communications, Inc. (ADR)*	72,867	867,117
Minth Group Ltd.	1,173,988	1,905,122
NetQin Mobile, Inc. (ADR)* (c)	34,911	192,011
VanceInfo Technologies, Inc. (ADR)*	34,175	789,784
(Cost $1,937,890)		**3,754,034**
Cyprus 0.5%		
ProSafe SE (d) (Cost $668,450)	102,813	**774,059**
France 1.6%		
Flamel Technologies SA (ADR)*	167,113	894,055
JC Decaux SA*	44,410	1,422,653
Meetic*	10,627	230,574
(Cost $3,407,282)		**2,547,282**
Germany 6.4%		
Fresenius Medical Care AG & Co. KGaA	69,091	5,165,641
M.A.X. Automation AG	232,043	1,682,307
Rational AG	5,948	1,567,592
United Internet AG (Registered)	77,391	1,626,686
(Cost $2,434,825)		**10,042,226**
Gibraltar 0.3%		
Bwin.Party Digital Entertainment PLC* (Cost $874,189)	211,754	**510,778**
Hong Kong 4.7%		
Dah Sing Banking Group Ltd.	518,739	730,108
EVA Precision Industrial Holdings Ltd. (e)	5,174,015	1,590,398
K Wah International Holdings Ltd.	3,498,956	1,296,231
Kingboard Chemical Holdings Ltd.	286,377	1,335,082
REXLot Holdings Ltd. (e)	15,603,668	1,509,066
Shui On Construction & Materials Ltd.	648,348	872,097
(Cost $5,267,679)		**7,332,982**
India 0.0%		
Magma Fincorp Ltd. (Cost $12,952)	8,821	**14,444**

	Shares	Value ($)
Ireland 3.5%		
C&C Group PLC (f)	144,956	756,337
C&C Group PLC (f)	185,737	966,592
Paddy Power PLC	38,975	2,118,171
Ryanair Holdings PLC (f)	2,200	11,335
Ryanair Holdings PLC (f)	307,920	1,577,159
(Cost $3,032,718)		**5,429,594**
Israel 0.6%		
EZchip Semiconductor Ltd.* (a) (Cost $805,984)	23,811	**880,293**
Italy 0.6%		
Prysmian SpA (Cost $837,686)	46,571	**936,755**
Japan 7.1%		
Digital Garage, Inc.*	231	943,611
Hajime Construction Co., Ltd.	42,681	1,129,006
Internet Initiative Japan, Inc.	293	1,135,773
JFE Shoji Holdings, Inc.	178,014	872,284
MISUMI Group, Inc.	63,107	1,634,084
Nippon Seiki Co., Ltd.	104,513	1,386,432
Star Micronics Co., Ltd.	76,798	910,767
Sumikin Bussan Corp.	371,764	902,485
Universal Entertainment Corp.	67,834	2,266,071
(Cost $7,932,190)		**11,180,513**
Korea 0.8%		
DGB Financial Group, Inc.* (Cost $1,287,209)	86,307	**1,309,580**
Luxembourg 0.6%		
L'Occitane International SA* (Cost $672,957)	335,532	**898,321**
Netherlands 4.1%		
Brunel International NV	22,689	1,000,907
Chicago Bridge & Iron Co. NV (g)	47,789	1,858,992
Koninklijke Vopak NV	32,153	1,575,603
SBM Offshore NV	73,545	1,945,455
(Cost $2,597,813)		**6,380,957**
Philippines 0.5%		
Cebu Air, Inc. (Cost $1,093,752)	403,406	**849,001**
Singapore 2.3%		
Amtek Engineering Ltd.*	1,482,234	1,197,197
UOB-Kay Hian Holdings Ltd.	578,390	763,405
Venture Corp., Ltd.	165,438	1,151,876
Yongnam Holdings Ltd.	2,665,927	577,128
(Cost $3,233,713)		**3,689,606**
South Africa 0.4%		
Northam Platinum Ltd. (Cost $724,060)	106,933	**672,983**
Spain 0.5%		
Tecnicas Reunidas SA (Cost $812,339)	13,884	**714,465**
Switzerland 1.0%		
Partners Group Holding AG (Cost $521,648)	8,555	**1,514,133**
Taiwan 0.9%		
E Ink Holdings, Inc.* (Cost $1,473,862)	742,989	**1,400,947**

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

	Shares	Value ($)
Thailand 0.5%		
Kiatnakin Bank PCL (Foreign Registered) (Cost $623,990)	741,741	**796,662**
United Arab Emirates 0.8%		
Lamprell PLC (Cost $659,259)	217,457	**1,317,265**
United Kingdom 8.2%		
Aegis Group PLC	273,649	702,370
ARM Holdings PLC	174,989	1,654,971
Ashmore Group PLC	313,127	2,001,332
Babcock International Group PLC	178,266	2,036,907
Burberry Group PLC	50,916	1,183,797
Domino's Pizza UK & IRL PLC	142,859	925,644
ICAP PLC	98,470	747,247
John Wood Group PLC	121,019	1,258,323
Rotork PLC	45,773	1,238,659
Serco Group PLC	118,277	1,048,223
(Cost $6,918,978)		**12,797,473**
United States 41.9%		
Accuray, Inc.*	123,995	993,200
Advance Auto Parts, Inc.	17,884	1,046,035
Aecom Technology Corp.*	47,758	1,305,704
Aeropostale, Inc.*	53,258	932,015
Affiliated Managers Group, Inc.*	9,854	999,688
Altra Holdings, Inc.*	43,108	1,034,161
Approach Resources, Inc.*	32,177	729,453
BE Aerospace, Inc.*	41,384	1,688,881
BorgWarner, Inc.*	20,696	1,672,030
Cardtronics, Inc.*	70,944	1,663,637
Centene Corp.*	48,940	1,738,838
Central European Distribution Corp. (h)	23,827	266,862
Cliffs Natural Resources, Inc.	9,557	883,545
Cloud Peak Energy, Inc.*	41,811	890,574
Cognex Corp.	30,503	1,080,721
Complete Production Services, Inc.*	40,209	1,341,372
CONMED Corp.*	29,715	846,283
Deckers Outdoor Corp.*	29,553	2,604,801
Diamond Foods, Inc.	34,586	2,640,295
Dresser-Rand Group, Inc.*	27,393	1,472,374
FSI International, Inc.*	193,500	530,190
Green Mountain Coffee Roasters, Inc.*	17,602	1,571,155
Guess?, Inc.	30,700	1,291,242
Harris Corp.	23,156	1,043,409
hhgregg, Inc.*	50,566	677,584
Itron, Inc.*	26,506	1,276,529
Jarden Corp.	23,400	807,534
Jefferies Group, Inc.	56,400	1,150,560
Joy Global, Inc.	9,018	858,874
Kinetic Concepts, Inc.*	23,454	1,351,654
Lam Research Corp.*	14,827	656,540
Life Technologies Corp.*	29,757	1,549,447
Merit Medical Systems, Inc.*	22,210	399,114
Metabolix, Inc.*	45,129	322,221
NIC, Inc.	78,307	1,054,012
Northern Oil & Gas, Inc.*	38,325	848,899
NxStage Medical, Inc.*	65,965	1,373,391
Oil States International, Inc.*	10,395	830,665
Onyx Pharmaceuticals, Inc.*	22,124	780,977
Pacira Pharmaceuticals. Inc.*	110,748	1,328,976
Prosperity Bancshares, Inc.	28,851	1,264,251
Questcor Pharmaceuticals, Inc.*	100,242	2,415,832
Rovi Corp.*	22,959	1,316,928
Schweitzer-Mauduit International, Inc.	24,006	1,347,937
Sirona Dental Systems, Inc.*	17,953	953,304
Stericycle, Inc.*	17,342	1,545,519
STR Holdings, Inc.*	43,575	650,139
SXC Health Solutions Corp.*	34,777	2,049,061
Sycamore Networks, Inc.	30,900	687,216
Thoratec Corp.*	56,361	1,849,768
TiVo, Inc.*	72,127	742,187
Ultra Petroleum Corp.*	16,871	772,692
Urban Outfitters, Inc.*	41,483	1,167,747
VeriFone Systems, Inc.*	16,789	744,592
VIVUS, Inc.*	86,066	700,577
Waddell & Reed Financial, Inc. "A"	26,407	959,895
Zions Bancorp.	41,408	994,206
(Cost $44,364,345)		**65,695,293**
Total Common Stocks (Cost $100,282,522)		**151,897,415**

Warrants 0.0%

	Shares	Value ($)
Hong Kong		
Kingboard Chemical Holdings Ltd. Expiration Date 10/31/2012* (Cost $0)	39,014	**20,305**

Securities Lending Collateral 0.2%

	Shares	Value ($)
Daily Assets Fund Institutional, 0.13% (i) (j) (Cost $183,350)	183,350	**183,350**

Cash Equivalents 2.7%

	Shares	Value ($)
Central Cash Management Fund, 0.11% (i) (Cost $4,251,033)	4,251,033	**4,251,033**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $104,716,905)†	99.7	**156,352,103**
Other Assets and Liabilities, Net	0.3	**548,446**
Net Assets	100.0	**156,900,549**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $107,370,223. At June 30, 2011, net unrealized appreciation for all securities based on tax cost was $48,981,880. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $57,856,526 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $8,874,646.*

(a) *Listed on the NASDAQ Stock Market, Inc.*

(b) *Security is listed in country of domicile. Significant business activities of the company are in Africa.*

(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, 2011 amounted to $175,379, which is 0.1% of net assets.*

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

(d) *Security is listed in country of domicile. Significant business activities of the company are in Norway.*

(e) *Security is listed in country of domicile. Significant business activities of the company are in China.*

(f) *Securities with the same description are the same corporate entity but trade on different stock exchanges.*

(g) *Listed on the New York Stock Exchange.*

(h) *Security is listed in country of domicile. Significant business activities of the company are in Poland.*

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

(j) *Represents collateral held in connection with securities lending. Income earned by the Fund is net of borrower rebates.*

ADR: American Depositary Receipt

Fair Value Measurements

Various inputs are used in determining the value of the Fund'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 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, 2011 in valuing the Fund's investments. For information on the Fund'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	$ —	$ 2,304,480	$ —	$ 2,304,480
Austria	—	1,454,202	—	1,454,202
Bermuda	997,990	—	—	997,990
Brazil	1,546,802	—	—	1,546,802
Canada	2,368,787	—	—	2,368,787
Channel Islands	977,249	808,259	—	1,785,508
China	1,848,912	1,905,122	—	3,754,034
Cyprus	—	774,059	—	774,059
France	894,055	1,653,227	—	2,547,282
Germany	—	10,042,226	—	10,042,226
Gibraltar	—	510,778	—	510,778
Hong Kong	—	7,353,287	—	7,353,287
India	—	14,444	—	14,444
Ireland	—	5,429,594	—	5,429,594
Israel	880,293	—	—	880,293
Italy	—	936,755	—	936,755
Japan	—	11,180,513	—	11,180,513
Korea	—	1,309,580	—	1,309,580
Luxembourg	—	898,321	—	898,321
Netherlands	1,858,992	4,521,965	—	6,380,957
Philippines	—	849,001	—	849,001
Singapore	—	3,689,606	—	3,689,606
South Africa	—	672,983	—	672,983
Spain	—	714,465	—	714,465
Switzerland	—	1,514,133	—	1,514,133
Taiwan	—	1,400,947	—	1,400,947
Thailand	—	796,662	—	796,662
United Arab Emirates	—	1,317,265	—	1,317,265
United Kingdom	—	12,797,473	—	12,797,473
United States	65,695,293	—	—	65,695,293
Short-Term Investments (k)	4,434,383	—	—	4,434,383
Total	**$ 81,502,756**	**$ 74,849,347**	**$ —**	**$ 156,352,103**

There have been no transfers between Level 1 and Level 2 fair value measurements during the period ended June 30, 2011.

(k) *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, 2011 (Unaudited)

Assets		
Investments:		
Investments in non-affiliated securities, at value (cost $100,282,522) — including $175,379 of securities loaned	$	151,917,720
Investment in Daily Assets Fund Institutional (cost $183,350)*		183,350
Investment in Central Cash Management Fund (cost $4,251,033)		4,251,033
Total investments, at value (cost $104,716,905)		156,352,103
Foreign currency, at value (cost $269,188)		272,687
Receivable for investments sold		875,277
Receivable for Fund shares sold		2,753
Interest receivable		6,419
Dividends receivable		75,600
Foreign taxes recoverable		55,385
Other assets		1,146
Total assets		157,641,370
Liabilities		
Payable upon return of securities loaned		183,350
Payable for investments purchased		130,858
Payable for Fund shares redeemed		268,119
Accrued management fee		78,353
Other accrued expenses and payables		80,141
Total liabilities		740,821
Net assets, at value	**$**	**156,900,549**
Net Assets Consist of		
Distributions in excess of net investment income		(1,423,330)
Net unrealized appreciation (depreciation) on:		
Investments		51,635,198
Foreign currency		7,977
Accumulated net realized gain (loss)		3,775,736
Paid-in capital		102,904,968
Net assets, at value	**$**	**156,900,549**
Class A		
Net Asset Value, offering and redemption price per share ($154,570,059 ÷ 10,450,758 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**14.79**
Class B		
Net Asset Value, offering and redemption price per share ($2,330,490 ÷ 160,187 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**14.55**

* *Represents collateral of securities loaned.*

Statement of Operations

for the six months ended June 30, 2011 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $83,705)	$	1,078,968
Income distributions — Central Cash Management Fund		2,774
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		64,748
Total income		1,146,490
Expenses:		
Management fee		704,743
Administration fee		78,977
Services to shareholders		2,325
Custodian fee		19,493
Distribution service fee (Class B)		2,862
Professional fees		26,737
Reports to shareholders		17,812
Trustees' fees and expenses		3,440
Other		34,171
Total expenses before expense reductions		890,560
Expense reductions		(97,829)
Total expenses after expense reductions		792,731
Net investment income (loss)		**353,759**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		14,097,798
Foreign currency		12,617
		14,110,415
Change in net unrealized appreciation (depreciation) on:		
Investments (including deferred foreign taxes credit of $664)		(6,478,634)
Foreign currency		1,307
		(6,477,327)
Net gain (loss)		**7,633,088**
Net increase (decrease) in net assets resulting from operations	**$**	**7,986,847**

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, 2011 (Unaudited)	Year Ended December 31, 2010
Operations:		
Net investment income (loss)	$ 353,759	$ 589,628
Net realized gain (loss)	14,110,415	13,410,313
Change in net unrealized appreciation (depreciation)	(6,477,327)	20,284,923
Net increase (decrease) in net assets resulting from operations	7,986,847	34,284,864
Distributions to shareholders from:		
Net investment income:		
Class A	(2,513,532)	(567,314)
Class B	(31,935)	(5,306)
Total distributions	(2,545,467)	(572,620)
Fund share transactions:		
Class A		
Proceeds from shares sold	4,786,111	13,029,724
Reinvestment of distributions	2,513,532	567,314
Payments for shares redeemed	(15,808,183)	(27,999,087)
Net increase (decrease) in net assets from Class A share transactions	(8,508,540)	(14,402,049)
Class B		
Proceeds from shares sold	77,779	260,167
Reinvestment of distributions	31,935	5,306
Payments for redeemed	(159,311)	(5,280,324)
Net increase (decrease) in net assets from Class B share transactions	(49,597)	(5,014,851)
Increase (decrease) in net assets	(3,116,757)	14,295,344
Net assets at beginning of period	160,017,306	145,721,962
Net assets at end of period (including distributions in excess of investment income of $1,423,330 and undistributed net investment income of $768,378, respectively)	**$ 156,900,549**	**$ 160,017,306**

Other Information		
Class A		
Shares outstanding at beginning of period	11,043,518	12,301,988
Shares sold	331,440	1,052,936
Shares issued to shareholders in reinvestment of distributions	165,582	46,236
Shares redeemed	(1,089,782)	(2,357,642)
Net increase (decrease) in Class A shares	(592,760)	(1,258,470)
Shares outstanding at end of period	**10,450,758**	**11,043,518**
Class B		
Shares outstanding at beginning of period	163,772	586,186
Shares sold	5,488	22,014
Shares issued to shareholders in reinvestment of distributions	2,139	439
Shares redeemed	(11,212)	(444,867)
Net increase (decrease) in Class B shares	(3,585)	(422,414)
Shares outstanding at end of period	**160,187**	**163,772**

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

Financial Highlights

Class A	Six Months Ended 6/30/11 (Unaudited)	2010	Years Ended December 31, 2009	2008	2007	2006
Selected Per Share Data						
Net asset value, beginning of period	**$14.28**	**$11.32**	**$ 7.79**	**$18.28**	**$18.15**	**$15.00**
Income (loss) from investment operations:						
Net investment income (loss)[a]	.03	.05	.04	.20[d]	.08[d]	.03[c]
Net realized and unrealized gain (loss)	.72	2.96	3.64	(8.18)	1.61	3.28
Total from investment operations	.75	3.01	3.68	(7.98)	1.69	3.31
Less distributions from:						
Net investment income	(.24)	(.05)	(.15)	(.04)	(.23)	(.16)
Net realized gains	—	—	—	(2.47)	(1.33)	—
Total distributions	(.24)	(.05)	(.15)	(2.51)	(1.56)	(.16)
Net asset value, end of period	**$14.79**	**$14.28**	**$11.32**	**$ 7.79**	**$18.28**	**$18.15**
Total Return (%)	5.18[b]**	26.64[b]	48.20[b]	(49.96)[b]	9.33[b]	22.08[c]
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	155	158	139	117	310	331
Ratio of expenses before expense reductions (%)	1.12*	1.12	1.11	1.11	1.14	1.12
Ratio of expenses after expense reductions (%)	1.00*	1.04	.99	.99	1.12	1.12
Ratio of net investment income (loss) (%)	.45*	.42	.47	1.53[d]	.45[d]	.16[c]
Portfolio turnover rate (%)	15**	39	53	21	19	28

[a] *Based on average shares outstanding during the period.*

[b] *Total return would have been lower had certain expenses not been reduced.*

[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 $0.002 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.*

[d] *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	Six Months Ended 6/30/11 (Unaudited)	2010	Years Ended December 31, 2009	2008	2007	2006
Selected Per Share Data						
Net asset value, beginning of period	**$14.03**	**$11.11**	**$ 7.65**	**$18.03**	**$17.93**	**$14.84**
Income (loss) from investment operations:						
Net investment income (loss)[a]	.02	.03	.02	.16[d]	.01[d]	(.00)[c]***
Net realized and unrealized gain (loss)	.70	2.90	3.57	(8.07)	1.61	3.24
Total from investment operations	.72	2.93	3.59	(7.91)	1.62	3.24
Less distributions from:						
Net investment income	(.20)	(.01)	(.13)	—	(.19)	(.15)
Net realized gains	—	—	—	(2.47)	(1.33)	—
Total distributions	(.20)	(.01)	(.13)	(2.47)	(1.52)	(.15)
Net asset value, end of period	**$14.55**	**$14.03**	**$11.11**	**$ 7.65**	**$18.03**	**$17.93**
Total Return (%)[b]	5.08**	26.38	47.66	(50.16)	8.92	21.88[c]
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	2	2	7	5	12	37
Ratio of expenses before expense reductions (%)	1.38*	1.34	1.42	1.42	1.53	1.51
Ratio of expenses after expense reductions (%)	1.26*	1.26	1.30	1.30	1.50	1.31
Ratio of net investment income (loss) (%)	.19*	.20	.16	1.21[d]	.07[d]	(.03)[c]
Portfolio turnover rate (%)	15**	39	53	21	19	28

[a] *Based on average shares outstanding during the period.*

[b] *Total return would have been lower had certain expenses not been reduced.*

[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 $0.002 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.*

[d] *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* *** *Amount is less than $.005.*

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 five diversified funds: DWS Bond VIP, DWS Growth & Income VIP, DWS Capital Growth VIP, DWS Global Small Cap Growth VIP (formerly DWS Global Opportunities VIP) and DWS International VIP (individually or collectively hereinafter referred to as a "Fund" or the "Funds"). These financial statements report on DWS Global Small Cap Growth VIP. The Series is intended to be the underlying investment vehicle for variable annuity contracts and variable life insurance policies to be offered by the separate accounts of certain life insurance companies ("Participating Insurance Companies").

Multiple Classes of Shares of Beneficial Interest. The Fund offers 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.

Investment income, realized and unrealized gains and losses, and certain fund-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). 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 Funds.

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 Fund'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 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.

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 categorized 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 categorized 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 the Fund'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 Fund's Investment Portfolio.

Securities Lending. The Fund lends securities to certain financial institutions. The Fund 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 Fund requires the borrowers of the securities to maintain collateral with the Fund 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 Fund 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 Fund 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 Fund 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 Fund 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 Fund 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 acquisition and disposition of 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.

Taxes. The Fund is treated as a separate taxpayer as provided for in the Internal Revenue Code, as amended. It is the Fund'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 the Fund invests, the Fund will provide for foreign taxes, and where appropriate, deferred foreign taxes.

At December 31, 2010, the Fund had a net tax basis capital loss carryforward of approximately $9,364,000, 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.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the "Act") was enacted. Under the Act, net capital losses may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses. As a result of this ordering rule, pre-enactment capital loss carryforwards may expire unused, whereas under the previous rules these losses may have been utilized. This change is effective for fiscal years beginning after the date of enactment.

The Fund has reviewed the tax positions for the open tax years as of December 31, 2010 and has determined that no provision for income tax is required in the Fund's financial statements. The Fund'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. The Fund will declare and distribute dividends from its 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 the Fund 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, 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 Fund may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Fund.

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 Fund are allocated to that Fund. Other Series expenses which cannot be directly attributed to a Fund are apportioned among the Funds in the Series.

Contingencies. In the normal course of business, the Fund may enter into contracts with service providers that contain general 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 been made. However, based on experience, the Fund 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 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 Fund is informed of such dividends. Realized gains and losses from investment transactions are recorded on an identified cost basis and may include proceeds from litigation.

B. Purchases and Sales of Securities

During the six months ended June 30, 2011, purchases and sales of investment securities (excluding short-term investments) aggregated $23,103,690 and $37,514,779, respectively.

C. Related Parties

Management Agreement. Under the Investment Management Agreement with Deutsche Investment Management Americas Inc. ("DIMA" or the "Advisor"), an indirect, wholly owned subsidiary of Deutsche Bank AG, the Advisor directs the investments of the Fund 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 Fund.

Pursuant to the Investment Management Agreement with the Advisor, the Fund pays a monthly management fee based on the Fund's average daily net assets, computed and accrued daily and payable monthly, at the following annual rates:

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%

For the period from January 1, 2011 through September 30, 2011, 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 (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest) of each class as follows:

Class A	1.00%
Class B	1.40%

Accordingly, for the six months ended June 30, 2011, the Advisor waived a portion of its management fee pursuant to the Investment Management Agreement aggregating $97,582, and the amount charged aggregated $607,161, which was equivalent to an annualized effective rate of 0.77% of the Fund's average daily net assets.

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, the Fund pays the Advisor an annual fee ("Administration Fee") of 0.10% of the Fund's average daily net assets, computed and accrued daily and payable monthly. For the six months ended June 30, 2011, the Administration Fee was $78,977, of which $12,675 is unpaid.

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 the Fund. For the six months ended June 30, 2011, the amounts charged to the Fund by DISC were as follows:

Services to Shareholders	Total Aggregated	Waived	Unpaid at June 30, 2011
Class A	$ 247	247	$ —
Class B	57	—	37
	$ 304	**$ 247**	**$ 37**

Distribution Service Agreement. 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. For the six months ended June 30, 2011, the Distribution Service Fee aggregated $2,862, of which $467 is unpaid.

Typesetting and Filing Service Fees. Under an agreement with DIMA, DIMA is compensated for providing typesetting and certain regulatory filing services to the Fund. For the six months ended June 30, 2011, the amount charged to the Fund by DIMA included in the Statement of Operations under "reports to shareholders" aggregated $8,855, of which $801 is unpaid.

Trustees' Fees and Expenses. The Fund 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 Vehicle. The Fund may invest uninvested cash balances in Central Cash Management Fund, which is managed by the Advisor. The Fund indirectly bears its proportionate share of the expenses of Central Cash Management Fund. 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 more volatile or less easily assessed than those of comparable securities of issuers in developed markets.

E. Ownership of the Fund

Three participating insurance companies were owners of record of 10% or more of the total outstanding Class A shares of the Fund, each owning 48%, 20% and 11%. One participating insurance company was an owner of record of 10% or more of the total outstanding Class B shares of the Fund, owning 92%.

F. Line of Credit

The Fund and other affiliated funds (the "Participants") share in a $450 million revolving credit facility provided by a syndication of banks. The Fund may borrow for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated based on net assets, among each of the Participants. Interest is calculated at 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 Fund may borrow up to a maximum of 33 percent of its net assets under the agreement. The Fund had no outstanding loans at June 30, 2011.

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) 728-3337.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 3, 2010

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 2010, 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, 2008, and 2009.

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 have served 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 118 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 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

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VS1gloscg-3 (R-023284-1 8/11)

DWS INVESTMENTS
Deutsche Bank Group

JUNE 30, 2011

SEMIANNUAL REPORT

DWS VARIABLE SERIES I

DWS Growth & Income VIP

DWS INVESTMENTS
Deutsche Bank Group

Contents

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, call (800) 728-3337 or your financial representative. We advise you to consider the Fund's objectives, risks, charges and expenses carefully before investing. The summary prospectus and prospectus contain this and other important information about the Fund. Please read the prospectus carefully before you invest.

Fund 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.

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

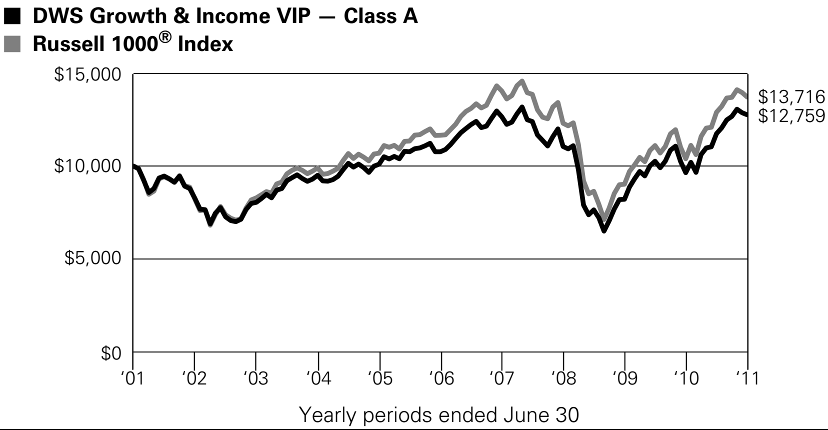
Performance Summary

June 30, 2011

Fund 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 Fund's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund 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 Fund, as stated in the fee table of the prospectus dated May 1, 2011 are 0.63% and 0.88% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

Growth of an Assumed $10,000 Investment



The Russell 1000® Index is an unmanaged index that measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index.

Index returns do not reflect any fees or expenses and 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	$10,869	$13,232	$11,540	$11,848	$12,759
	Average annual total return	8.69%	32.32%	4.89%	3.45%	2.47%
Russell 1000 Index	Growth of $10,000	$10,637	$13,193	$11,145	$11,763	$13,716
	Average annual total return	6.37%	31.93%	3.68%	3.30%	3.21%

DWS Growth & Income VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class B	Growth of $10,000	$10,856	$13,199	$11,486	$11,716	$12,423
	Average annual total return	8.56%	31.99%	4.73%	3.22%	2.19%
Russell 1000 Index	Growth of $10,000	$10,637	$13,193	$11,145	$11,763	$13,716
	Average annual total return	6.37%	31.93%	3.68%	3.30%	3.21%

The growth of $10,000 is cumulative.

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

Information About Your Fund's Expenses

As an investor of the Fund, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Fund 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 Fund 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, 2011 to June 30, 2011).

The tables illustrate your Fund's expenses in two ways:

- **Actual Fund Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Fund using the Fund'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% Fund Return.** This helps you to compare your Fund's ongoing expenses (but not transaction costs) with those of other mutual funds using the Fund's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Fund return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. 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, 2011

Actual Fund Return	**Class A**	**Class B**
Beginning Account Value 1/1/11	$1,000.00	$1,000.00
Ending Account Value 6/30/11	$1,086.90	$1,085.60
Expenses Paid per $1,000*	$ 3.21	$ 4.55
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/11	$1,000.00	$1,000.00
Ending Account Value 6/30/11	$1,021.72	$1,020.43
Expenses Paid per $1,000*	$ 3.11	$ 4.41

* *Expenses are equal to the Fund'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	.62%	.88%

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

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund is an investment option.

Portfolio Summary

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/11**	**12/31/10**
Common Stocks	99%	99%
Cash Equivalents	1%	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/11**	**12/31/10**
Information Technology	17%	19%
Financials	15%	17%
Health Care	15%	14%
Industrials	13%	12%
Energy	12%	11%
Consumer Discretionary	11%	11%
Consumer Staples	7%	7%
Materials	6%	5%
Telecommunication Services	2%	2%
Utilities	2%	2%
	100%	100%

Asset allocation and sector diversification are subject to change.

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

Following the Fund'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. The Fund's portfolio holdings are also posted on www.dws-investments.com from time to time. Please see the Fund's current prospectus for more information.

	Shares	Value ($)
Common Stocks 98.5%		
Consumer Discretionary 11.2%		
Auto Components 0.1%		
Dana Holding Corp.*	700	12,810
TRW Automotive Holdings Corp.*	1,900	112,157
		124,967
Diversified Consumer Services 0.1%		
Weight Watchers International, Inc. (a)	1,800	**135,846**
Hotels Restaurants & Leisure 1.4%		
Chipotle Mexican Grill, Inc.*	300	92,457
Marriott International, Inc. "A"	5,000	177,450
Wynn Resorts Ltd.	8,000	1,148,320
		1,418,227
Internet & Catalog Retail 0.8%		
Priceline.com, Inc.* (a)	1,500	**767,895**
Leisure Equipment & Products 0.1%		
Polaris Industries, Inc.	500	**55,585**
Media 5.0%		
CBS Corp. "B"	54,100	1,541,309
Comcast Corp. "A"	70,200	1,778,868
McGraw-Hill Companies, Inc.	2,700	113,157
Omnicom Group, Inc.	1,300	62,608
Time Warner, Inc.	20,000	727,400
Viacom, Inc. "B"	16,500	841,500
		5,064,842
Multiline Retail 1.3%		
Dillard's, Inc. "A" (a)	20,007	1,043,165
Macy's, Inc.	10,400	304,096
		1,347,261
Specialty Retail 1.5%		
Aaron's, Inc.	1,600	45,216
Abercrombie & Fitch Co. "A"	1,100	73,612
Bed Bath & Beyond, Inc.*	1,400	81,718
Dick's Sporting Goods, Inc.*	3,400	130,730
Foot Locker, Inc.	2,600	61,776
Limited Brands, Inc.	12,400	476,780
TJX Companies, Inc.	13,000	682,890
Tractor Supply Co.	200	13,376
		1,566,098
Textiles, Apparel & Luxury Goods 0.9%		
VF Corp. (a)	8,700	**944,472**
Consumer Staples 7.0%		
Beverages 0.2%		
Coca-Cola Enterprises, Inc.	6,200	**180,916**
Food & Staples Retailing 2.0%		
Costco Wholesale Corp.	9,300	755,532
Kroger Co.	10,500	260,400
Safeway, Inc. (a)	23,400	546,858
Walgreen Co.	8,700	369,402
Whole Foods Market, Inc. (a)	2,000	126,900
		2,059,092
Food Products 2.2%		
ConAgra Foods, Inc.	2,500	64,525
Corn Products International, Inc.	2,500	138,200
Fresh Del Monte Produce, Inc.	4,900	130,683
Hormel Foods Corp. (a)	5,900	175,879
Smithfield Foods, Inc.*	6,600	144,342
The Hershey Co.	9,700	551,445
The JM Smucker Co.	500	38,220
Tyson Foods, Inc. "A" (a)	51,900	1,007,898
		2,251,192
Household Products 0.3%		
Church & Dwight Co., Inc.	900	36,486
Colgate-Palmolive Co.	2,500	218,525
		255,011
Personal Products 0.6%		
Herbalife Ltd.	10,600	**610,984**
Tobacco 1.7%		
Lorillard, Inc.	1,700	185,079
Philip Morris International, Inc.	22,700	1,515,679
		1,700,758
Energy 11.8%		
Energy Equipment & Services 0.6%		
Complete Production Services, Inc.*	9,800	326,928
National Oilwell Varco, Inc.	2,400	187,704
Patterson-UTI Energy, Inc.	3,400	107,474
		622,106
Oil, Gas & Consumable Fuels 11.2%		
Anadarko Petroleum Corp.	6,300	483,588
Chevron Corp.	23,200	2,385,888
ConocoPhillips	28,600	2,150,434
CVR Energy, Inc.*	6,000	147,720
Devon Energy Corp.	3,000	236,430
Exxon Mobil Corp.	19,800	1,611,324
Hess Corp.	6,400	478,464
Marathon Oil Corp.	30,600	1,612,008
Murphy Oil Corp.	8,000	525,280
Stone Energy Corp.*	1,200	36,468
Tesoro Corp.*	12,900	295,539
Valero Energy Corp.	50,400	1,288,728
W&T Offshore, Inc.	2,400	62,688
		11,314,559
Financials 15.0%		
Capital Markets 0.8%		
American Capital Ltd.*	10,700	106,251
BlackRock, Inc.	800	153,448
Franklin Resources, Inc. (a)	4,300	564,547
		824,246
Commercial Banks 2.8%		
KeyCorp	67,000	558,110
M&T Bank Corp. (a)	1,500	131,925
Marshall & Ilsley Corp.	10,500	83,685
Regions Financial Corp.	37,800	234,360
SunTrust Banks, Inc.	52,200	1,346,760
Zions Bancorp. (a)	19,500	468,195
		2,823,035
Consumer Finance 2.5%		
Capital One Financial Corp.	30,200	1,560,434
Discover Financial Services	37,700	1,008,475
		2,568,909
Diversified Financial Services 2.7%		
CME Group, Inc. "A"	800	233,272
JPMorgan Chase & Co.	55,900	2,288,546
The NASDAQ OMX Group, Inc.* (a)	7,500	189,750
		2,711,568

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

	Shares	Value ($)
Insurance 5.0%		
ACE Ltd.	10,800	710,856
Allied World Assurance Co. Holdings AG	3,300	190,014
American International Group, Inc.* (a)	23,700	694,884
Chubb Corp.	12,600	788,886
Hartford Financial Services Group, Inc. (a)	9,000	237,330
Lincoln National Corp.	1,800	51,282
Progressive Corp.	8,700	186,006
Prudential Financial, Inc.	4,900	311,591
Reinsurance Group of America, Inc.	1,800	109,548
RenaissanceRe Holdings Ltd. (a)	500	34,975
The Travelers Companies, Inc. (a)	30,400	1,774,752
		5,090,124
Real Estate Investment Trusts 1.0%		
HCP, Inc. (REIT)	1,700	62,373
Public Storage (REIT)	2,900	330,629
Rayonier, Inc. (REIT)	3,200	209,120
Vornado Realty Trust (REIT)	4,700	437,946
		1,040,068
Thrifts & Mortgage Finance 0.2%		
People's United Financial, Inc.	12,500	**168,000**
Health Care 14.9%		
Biotechnology 1.9%		
Biogen Idec, Inc.*	12,600	1,347,192
Cephalon, Inc.*	7,500	599,250
		1,946,442
Health Care Providers & Services 6.7%		
Aetna, Inc.	4,400	193,996
AmerisourceBergen Corp. (a)	10,700	442,980
Cardinal Health, Inc.	11,600	526,872
CIGNA Corp.	6,900	354,867
Coventry Health Care, Inc.*	20,700	754,929
Health Net, Inc.*	2,600	83,434
Humana, Inc.	18,800	1,514,152
McKesson Corp.	2,400	200,760
UnitedHealth Group, Inc.	42,600	2,197,308
WellPoint, Inc.	6,400	504,128
		6,773,426
Pharmaceuticals 6.3%		
Bristol-Myers Squibb Co.	50,700	1,468,272
Eli Lilly & Co.	43,800	1,643,814
Endo Pharmaceuticals Holdings, Inc.*	4,900	196,833
Forest Laboratories, Inc.*	34,600	1,361,164
Johnson & Johnson (a)	2,200	146,344
Medicis Pharmaceutical Corp. "A" (a)	3,600	137,412
Merck & Co., Inc.	25,500	899,895
Par Pharmaceutical Companies, Inc.*	5,200	171,496
Pfizer, Inc.	9,100	187,460
Warner Chilcott PLC "A" (a)	3,700	89,281
Watson Pharmaceuticals, Inc.*	1,500	103,095
		6,405,066
Industrials 12.3%		
Aerospace & Defense 4.7%		
General Dynamics Corp.	11,500	856,980
Honeywell International, Inc.	15,400	917,686
Lockheed Martin Corp.	4,100	331,977
Northrop Grumman Corp. (a)	24,100	1,671,335
Raytheon Co.	10,800	538,380
United Technologies Corp.	4,900	433,699
		4,750,057
Air Freight & Logistics 0.8%		
FedEx Corp.	8,700	**825,195**
Airlines 0.4%		
Alaska Air Group, Inc.*	3,800	260,148
Southwest Airlines Co.	11,300	129,046
		389,194
Commercial Services & Supplies 0.2%		
R.R. Donnelley & Sons Co. (a)	12,000	**235,320**
Construction & Engineering 0.5%		
EMCOR Group, Inc.*	4,300	126,033
Fluor Corp.	3,100	200,446
KBR, Inc.	4,200	158,298
		484,777
Industrial Conglomerates 0.9%		
General Electric Co.	11,200	211,232
Tyco International Ltd.	14,500	716,735
		927,967
Machinery 3.0%		
Caterpillar, Inc.	18,000	1,916,280
Cummins, Inc.	2,600	269,074
Dover Corp.	1,200	81,360
Eaton Corp.	12,500	643,125
Joy Global, Inc.	1,700	161,908
Oshkosh Corp.*	500	14,470
		3,086,217
Professional Services 0.1%		
Manpower, Inc.	2,900	**155,585**
Road & Rail 1.1%		
CSX Corp.	7,300	191,406
Norfolk Southern Corp.	2,600	194,818
Ryder System, Inc.	12,500	710,625
		1,096,849
Trading Companies & Distributors 0.6%		
W.W. Grainger, Inc. (a)	3,800	**583,870**
Information Technology 16.9%		
Communications Equipment 0.4%		
Motorola Solutions, Inc.*	3,300	151,932
Polycom, Inc.*	1,700	109,310
Riverbed Technology, Inc.*	1,600	63,344
Telefonaktiebolaget LM Ericsson (ADR)	6,500	93,470
		418,056
Computers & Peripherals 2.6%		
Apple, Inc.*	3,200	1,074,144
Dell, Inc.*	30,200	503,434
Lexmark International, Inc. "A"*	12,300	359,898
SanDisk Corp.*	4,000	166,000
Western Digital Corp.*	14,600	531,148
		2,634,624
Electronic Equipment, Instruments & Components 3.1%		
Anixter International, Inc. (a)	2,700	176,418
Arrow Electronics, Inc.*	19,200	796,800
Avnet, Inc.*	10,900	347,492
Ingram Micro, Inc. "A"* (a)	10,700	194,098
Jabil Circuit, Inc.	1,300	26,260
TE Connectivity Ltd.	15,200	558,752
Tech Data Corp.* (a)	9,200	449,788

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

	Shares	Value ($)
Vishay Intertechnology, Inc.* (a)	37,400	562,496
		3,112,104
Internet Software & Services 0.8%		
AOL, Inc.* (a)	9,000	178,740
IAC/InterActiveCorp.* (a)	16,700	637,439
		816,179
IT Services 5.2%		
Automatic Data Processing, Inc.	19,600	1,032,528
Computer Sciences Corp. (a)	20,124	763,907
Fiserv, Inc.*	5,000	313,150
International Business Machines Corp.	18,400	3,156,520
SAIC, Inc.*	3,100	52,142
VeriFone Systems, Inc.* (a)	500	22,175
		5,340,422
Semiconductors & Semiconductor Equipment 2.0%		
Altera Corp.	17,400	806,490
Analog Devices, Inc.	7,500	293,550
Applied Materials, Inc.	10,200	132,702
Cypress Semiconductor Corp.*	3,500	73,990
GT Solar International, Inc.* (a)	13,700	221,940
Intel Corp.	10,000	221,600
Micron Technology, Inc.*	26,500	198,220
NVIDIA Corp.* (a)	7,300	116,325
		2,064,817
Software 2.8%		
Activision Blizzard, Inc.	12,900	150,672
CA, Inc.	2,400	54,816
Citrix Systems, Inc.*	200	16,000
Oracle Corp.	66,300	2,181,933
Symantec Corp.*	11,200	220,864
TIBCO Software, Inc.*	6,400	185,728
		2,810,013
Materials 5.8%		
Chemicals 3.6%		
Dow Chemical Co.	24,600	885,600
E.I. du Pont de Nemours & Co.	27,400	1,480,970
Eastman Chemical Co.	4,400	449,108
Georgia Gulf Corp.*	1,300	31,382
Lubrizol Corp.	100	13,427
OM Group, Inc.*	400	16,256
Potash Corp. of Saskatchewan, Inc.	2,400	136,776
PPG Industries, Inc.	3,400	308,686
Rockwood Holdings, Inc.*	3,200	176,928
Westlake Chemical Corp. (a)	2,000	103,800
		3,602,933
Metals & Mining 1.0%		
Barrick Gold Corp.	13,900	629,531
Cliffs Natural Resources, Inc.	4,300	397,535
		1,027,066
Paper & Forest Products 1.2%		
Domtar Corp.	6,300	596,736
International Paper Co.	20,100	599,382
MeadWestvaco Corp.	800	26,648
		1,222,766
Telecommunication Services 2.1%		
Diversified Telecommunication Services 2.0%		
AT&T, Inc.	7,700	241,857
Verizon Communications, Inc.	48,400	1,801,932
		2,043,789
Wireless Telecommunication Services 0.1%		
Vodafone Group PLC (ADR)	3,100	**82,832**
Utilities 1.5%		
Electric Utilities 0.5%		
Duke Energy Corp. (a)	24,500	461,335
Pepco Holdings, Inc.	2,700	53,001
		514,336
Independent Power Producers & Energy Traders 0.8%		
NRG Energy, Inc.* (a)	32,641	**802,316**
Multi-Utilities 0.2%		
Ameren Corp.	8,100	**233,604**
Total Common Stocks (Cost $86,459,204)		**100,031,583**

Securities Lending Collateral 13.7%

Daily Assets Fund Institutional, 0.13% (b) (c) (Cost $13,956,868)	13,956,868	**13,956,868**

Cash Equivalents 1.3%

Central Cash Management Fund, 0.11% (b) (Cost $1,295,771)	1,295,771	**1,295,771**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $101,711,843)†	113.5	**115,284,222**
Other Assets and Liabilities, Net (a)	(13.5)	**(13,687,584)**
Net Assets	100.0	**101,596,638**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $102,587,208. At June 30, 2011, net unrealized appreciation for all securities based on tax cost was $12,697,014. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $14,498,524 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $1,801,510.*

(a) *All or a portion of these securities were on loan amounting to $13,530,392. In addition, included in other assets and liabilities, net are pending sales, amounting to $240,963, that are also on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2011 amounted to $13,771,355, which is 13.6% of net assets.*

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

(c) *Represents collateral held in connection with securities lending. Income earned by the Fund is net of borrower rebates.*

ADR: American Depositary Receipt

REIT: Real Estate Investment Trust

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

At June 30, 2011, open futures contracts purchased were as follows:

Futures	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Appreciation ($)
S&P 500 E-Mini Index	USD	9/16/2011	21	1,381,275	**52,530**

Currency Abbreviation	
USD	United States Dollar

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

Fair Value Measurements

Various inputs are used in determining the value of the Fund'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 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, 2011 in valuing the Fund's investments. For information on the Fund'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)	$ 100,031,583	$ —	$ —	$ 100,031,583
Short-Term Investments (d)	15,252,639	—	—	15,252,639
Derivatives (e)	52,530	—	—	52,530
Total	**$ 115,336,752**	**$ —**	**$ —**	**$ 115,336,752**

There have been no transfers between Level 1 and Level 2 fair value measurements during the period ended June 30, 2011.

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

(e) *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, 2011 (Unaudited)

Assets		
Investments:		
Investments in non-affiliated securities, at value (cost $86,459,204) — including $13,530,392 of securities loaned	$	100,031,583
Investment in Daily Assets Fund Institutional (cost $13,956,868)*		13,956,868
Investment in Central Cash Management Fund (cost $1,295,771)		1,295,771
Total investments in securities, at value (cost $101,711,843)		115,284,222
Foreign currency, at value (cost $1,777)		1,904
Deposits with broker for futures contracts		103,005
Receivable for investments sold		351,834
Receivable for Fund shares sold		113,125
Dividends receivable		119,519
Interest receivable		433
Receivable for variation margin on futures contracts		52,530
Other assets		662
Total assets		116,027,234

Liabilities		
Cash overdraft		339,991
Payable upon return of securities loaned		13,956,868
Payable for Fund shares redeemed		40,540
Accrued management fee		31,628
Other accrued expenses and payables		61,569
Total liabilities		14,430,596
Net assets, at value	**$**	**101,596,638**

Net Assets Consist of		
Undistributed net investment income		528,198
Net unrealized appreciation (depreciation) on:		
Investments		13,572,379
Futures		52,530
Foreign currency		127
Accumulated net realized gain (loss)		(39,771,686)
Paid-in capital		127,215,090
Net assets, at value	**$**	**101,596,638**
Class A		
Net Asset Value, offering and redemption price per share ($99,649,543 ÷ 12,273,303 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**8.12**
Class B		
Net Asset Value, offering and redemption price per share ($1,947,095 ÷ 239,832 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**8.12**

* *Represents collateral of securities loaned.*

Statement of Operations

for the six months ended June 30, 2011 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $409)	$	883,886
Income distributions — Central Cash Management Fund		623
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		11,121
Total income		895,630
Expenses:		
Management fee		197,255
Administration fee		50,857
Services to shareholders		1,944
Distribution service fee (Class B)		2,465
Custodian fee		10,473
Audit and tax fees		21,358
Legal fees		9,344
Reports to shareholders		17,636
Trustees' fees and expenses		2,565
Other		4,565
Total expenses		318,462
Net investment income		**577,168**

Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		7,998,887
Futures		68,817
		8,067,704
Change in net unrealized appreciation (depreciation) on:		
Investments		(223,718)
Futures		38,020
Foreign currency		57
		(185,641)
Net gain (loss)		**7,882,063**
Net increase (decrease) in net assets resulting from operations	**$**	**8,459,231**

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, 2011 (Unaudited)	Year Ended December 31, 2010
Operations:		
Net investment income	$ 577,168	$ 1,286,371
Net realized gain (loss)	8,067,704	10,731,923
Change in net unrealized appreciation (depreciation)	(185,641)	860,787
Net increase (decrease) in net assets resulting from operations	8,459,231	12,879,081
Distributions to shareholders from:		
Net investment income:		
Class A	(1,231,321)	(1,597,628)
Class B	(19,225)	(27,222)
Total distributions	(1,250,546)	(1,624,850)
Fund share transactions:		
Class A		
Proceeds from shares sold	3,648,557	5,336,052
Reinvestment of distributions	1,231,321	1,597,628
Payments for shares redeemed	(10,640,413)	(20,642,306)
Net increase (decrease) in net assets from Class A share transactions	(5,760,535)	(13,708,626)
Class B		
Proceeds from shares sold	37,241	68,140
Reinvestment of distributions	19,225	27,222
Payments for shares redeemed	(187,801)	(453,581)
Net increase (decrease) in net assets from Class B share transactions	(131,335)	(358,219)
Increase (decrease) in net assets	1,316,815	(2,812,614)
Net assets at beginning of period	100,279,823	103,092,437
Net assets at end of period (including undistributed net investment income of $528,198 and $1,201,576, respectively)	**$ 101,596,638**	**$ 100,279,823**

Other Information		
Class A		
Shares outstanding at beginning of period	13,004,152	15,048,001
Shares sold	455,328	774,532
Shares issued to shareholders in reinvestment of distributions	148,352	219,153
Shares redeemed	(1,334,529)	(3,037,534)
Net increase (decrease) in Class A shares	(730,849)	(2,043,849)
Shares outstanding at end of period	**12,273,303**	**13,004,152**
Class B		
Shares outstanding at beginning of period	256,466	309,228
Shares sold	4,681	10,025
Shares issued to shareholders in reinvestment of distributions	2,316	3,734
Shares redeemed	(23,631)	(66,521)
Net increase (decrease) in Class B shares	(16,634)	(52,762)
Shares outstanding at end of period	**239,832**	**256,466**

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

Financial Highlights

Class A	Six Months Ended 6/30/11 (Unaudited)	2010	Years Ended December 31, 2009	2008	2007	2006
Selected Per Share Data						
Net asset value, beginning of period	**$ 7.56**	**$ 6.71**	**$ 5.12**	**$10.81**	**$10.94**	**$ 9.72**
Income (loss) from investment operations:						
Net investment income (loss)[a]	.05	.09	.10	.10	.13	.13[c]
Net realized and unrealized gain (loss)	.61	.87	1.61	(3.45)	.02	1.19
Total from investment operations	.66	.96	1.71	(3.35)	.15	1.32
Less distributions from:						
Net investment income	(.10)	(.11)	(.12)	(.18)	(.13)	(.10)
Net realized gains	—	—	—	(2.16)	(.15)	—
Total distributions	(.10)	(.11)	(.12)	(2.34)	(.28)	(.10)
Net asset value, end of period	**$ 8.12**	**$ 7.56**	**$ 6.71**	**$ 5.12**	**$10.81**	**$10.94**
Total Return (%)	8.69**	14.40[b]	34.15[b]	(38.31)[b]	1.36[b]	13.63[b,c]
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	100	98	101	94	196	280
Ratio of expenses before expense reductions (%)	.62*	.63	.63	.60	.57	.56
Ratio of expenses after expense reductions (%)	.62*	.60	.54	.54	.56	.54
Ratio of net investment income (loss) (%)	1.14*	1.32	1.74	1.34	1.18	1.24[c]
Portfolio turnover rate (%)	98**	145	82	130	310	105

a *Based on average shares outstanding during the period.*

b *Total return would have been lower had certain expenses not been reduced.*

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 $0.007 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	Six Months Ended 6/30/11 (Unaudited)	2010	Years Ended December 31, 2009	2008	2007	2006
Selected Per Share Data						
Net asset value, beginning of period	**$ 7.55**	**$ 6.70**	**$ 5.12**	**$10.77**	**$10.90**	**$ 9.68**
Income (loss) from investment operations:						
Net investment income (loss)[a]	.04	.07	.08	.08	.09	.09[c]
Net realized and unrealized gain (loss)	.61	.87	1.60	(3.42)	.02	1.19
Total from investment operations	.65	.94	1.68	(3.34)	.11	1.28
Less distributions from:						
Net investment income	(.08)	(.09)	(.10)	(.15)	(.09)	(.06)
Net realized gains	—	—	—	(2.16)	(.15)	—
Total distributions	(.08)	(.09)	(.10)	(2.31)	(.24)	(.06)
Net asset value, end of period	**$ 8.12**	**$ 7.55**	**$ 6.70**	**$ 5.12**	**$10.77**	**$10.90**
Total Return (%)	8.56**	14.12[b]	33.64[b]	(38.29)[b]	1.00[b]	13.28[b,c]
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	2	2	2	2	15	52
Ratio of expenses before expense reductions (%)	.88*	.88	.89	.82	.95	.94
Ratio of expenses after expense reductions (%)	.88*	.85	.80	.77	.92	.89
Ratio of net investment income (loss) (%)	.89*	1.07	1.48	1.12	.82	.89[c]
Portfolio turnover rate (%)	98**	145	82	130	310	105

a *Based on average shares outstanding during the period.*

b *Total return would have been lower had certain expenses not been reduced.*

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 $0.007 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*

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 five diversified funds: DWS Bond VIP, DWS Growth & Income VIP, DWS Capital Growth VIP, DWS Global Small Cap Growth VIP (formerly DWS Global Opportunities VIP) and DWS International VIP (individually or collectively hereinafter referred to as a "Fund" or the "Funds"). These financial statements report on DWS Growth & Income VIP. The Series is intended to be the underlying investment vehicle for variable annuity contracts and variable life insurance policies to be offered by the separate accounts of certain life insurance companies ("Participating Insurance Companies").

Multiple Classes of Shares of Beneficial Interest. The Fund offers 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 recordkeeping 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 Fund. Class A shares are not subject to such fees.

Investment income, realized and unrealized gains and losses, and certain fund-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 recordkeeping 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 Funds.

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 Fund'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 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.

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 categorized 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.

Futures contracts are generally valued at the settlement prices established each day on the exchange on which they are traded 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 the Fund'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 Fund's Investment Portfolio.

Securities Lending. The Fund lends securities to certain financial institutions. The Fund 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 Fund requires the borrowers of the securities to maintain collateral with the Fund 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 Fund 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 Fund 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 Fund 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 Fund 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 Fund 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 acquisition and disposition of 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.

Federal Income Taxes. The Fund is treated as a separate taxpayer as provided for in the Internal Revenue Code, as amended. It is the Fund'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.

At December 31, 2010, the Fund had a net tax basis capital loss carryforward of approximately $46,950,000, which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2016 ($17,829,000) and December 31, 2017 ($29,121,000), the respective expiration dates, whichever occurs first.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the "Act") was enacted. Under the Act, net capital losses may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses. As a result of this ordering rule, pre-enactment capital loss carryforwards may expire unused, whereas under the previous rules these losses may have been utilized. This change is effective for fiscal years beginning after the date of enactment.

The Fund has reviewed the tax positions for the open tax years as of December 31, 2010 and has determined that no provision for income tax is required in the Fund's financial statements. The Fund'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. The Fund will declare and distribute dividends from its 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 the Fund 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 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 Fund may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Fund.

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 Fund are allocated to that Fund. Other Series expenses which cannot be directly attributed to a Fund are apportioned among the Funds in the Series.

Contingencies. In the normal course of business, the Fund may enter into contracts with service providers that contain general 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 been made. However, based on experience, the Fund 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 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 Fund is informed of such dividends. Realized gains and losses from investment transactions are recorded on an identified cost basis and may include proceeds from litigation. All discounts and premiums are accreted/amortized for both tax and financial reporting purposes.

B. Derivative Instruments

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). For the six months ended June 30, 2011, the Fund entered into futures contracts in circumstances where portfolio management believed they offered 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.

Futures contracts are valued at the most recent settlement price. Upon entering into a futures contract, the Fund 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 Fund dependent upon the daily fluctuations in the value and are recorded for financial reporting purposes as unrealized gains or losses by the Fund. 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 Fund's ability to close out a futures contract prior to the settlement date and the risk that the futures contract is not well correlated with the security, index or currency to which it relates. Risk of loss may exceed amounts recognized in the Statement of Assets and Liabilities.

A summary of the open futures contracts as of June 30, 2011, is included in a table following the Fund's Investment Portfolio. For the six-month ended June 30, 2011, the investment in futures contracts purchased had a total notional value generally indicative of a range from approximately $1,002,000 to $1,381,000.

The following table summarizes the value of the Fund's derivative instruments held as of June 30, 2011 and the related location in the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

Asset Derivative	Futures Contracts
Equity Contracts (a)	$ 52,530

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

(a) *Includes cumulative appreciation of futures contracts as disclosed in the Investment Portfolio. Unsettled variation margin is disclosed separately within the Statement of Assets and Liabilities.*

Additionally, the amount of unrealized and realized gains and losses on derivative instruments recognized in Fund earnings during the six months ended June 30, 2011 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)	$ 68,817

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)	$ 38,020

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

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

C. Purchases and Sales of Securities

During the six months ended June 30, 2011, purchases and sales of investment securities (excluding short-term investments) aggregated $100,089,737 and $107,157,278, respectively.

D. 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 Fund 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 Fund or delegates such responsibility to the Fund's subadvisor.

QS Investors, LLC ("QS Investors") serves as subadvisor. As a subadvisor to the Fund, QS Investors makes investment decisions and buys and sells securities for the Fund. QS Investors is paid by the Advisor for the services QS Investors provides to the Fund.

Pursuant to the Investment Management Agreement with the Advisor, the Fund pays a monthly management fee based on the Fund's average daily net assets, computed and accrued daily and payable monthly, at the following annual rates:

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%

Accordingly, for the six months ended June 30, 2011, the fee pursuant to the Investment Management Agreement was equivalent to an annualized effective rate of 0.39% of the Fund's average daily net assets.

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, the Fund pays the Advisor an annual fee ("Administration Fee") of 0.10% of the Fund's average daily net assets, computed and accrued daily and payable monthly. For the six months ended June 30, 2011, the Administration Fee was $50,857, of which $8,110 is unpaid.

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 the Fund. For the six months ended June 30, 2011, the amounts charged to the Fund by DISC were as follows:

Services to Shareholders	Total Aggregated	Unpaid at June 30, 2011
Class A	$ 269	$ 192
Class B	46	28
	$ 315	**$ 220**

Distribution Service Agreement. 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. For the six months ended June 30, 2011, the Distribution Service Fee aggregated $2,465, of which $392 is unpaid.

Typesetting and Filing Service Fees. Under an agreement with DIMA, DIMA is compensated for providing typesetting and certain regulatory filing services to the Fund. For the six months ended June 30, 2011, the amount charged to the Fund by DIMA included in the Statement of Operations under "reports to shareholders" aggregated $8,100, of which $1,149 is unpaid.

Trustees' Fees and Expenses. The Fund 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 Vehicle. The Fund may invest uninvested cash balances in Central Cash Management Fund, which is managed by the Advisor. The Fund indirectly bears its proportionate share of the expenses of Central Cash Management Fund. 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.

E. Ownership of the Fund

Three participating insurance companies were owners of record of 10% or more of the total outstanding Class A shares of the Fund, each owning 34%, 27% and 15%. Two participating insurance companies were owners of record of 10% or more of the total outstanding Class B shares of the Fund, each owning 85% and 12%.

F. Line of Credit

The Fund and other affiliated funds (the "Participants") share in a $450 million revolving credit facility provided by a syndication of banks. The Fund may borrow for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated based on net assets, among each of the Participants. Interest is calculated at 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 Fund may borrow up to a maximum of 33 percent of its net assets under the agreement. The Fund had no outstanding loans at June 30, 2011.

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) 728-3337.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 3, 2010

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 2010, 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, 2008, and 2009.

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 have served 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 118 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 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

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JUNE 30, 2011

SEMIANNUAL REPORT

DWS VARIABLE SERIES I

DWS International VIP

DWS INVESTMENTS
Deutsche Bank Group

Contents

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, call (800) 728-3337 or your financial representative. We advise you to consider the Fund's objectives, risks, charges and expenses carefully before investing. The summary prospectus and prospectus contain this and other important information about the Fund. Please read the prospectus carefully before you invest.

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.

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

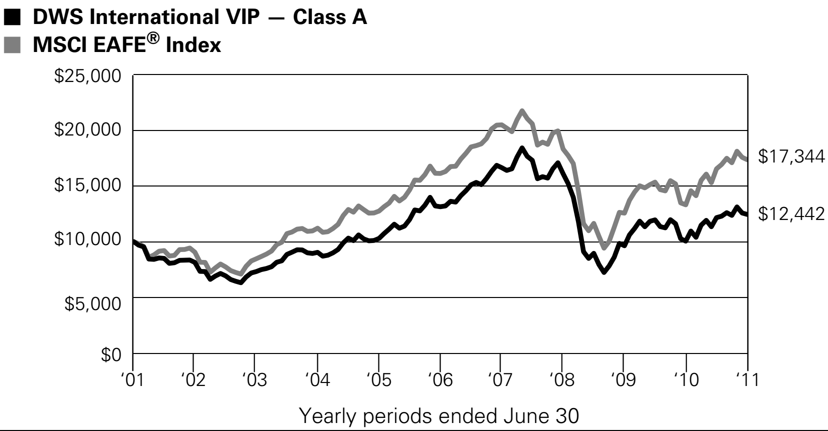
Performance Summary

June 30, 2011

Fund 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 Fund's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund 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 Fund, as stated in the fee table of the prospectus dated May 1, 2011 are 1.00% and 1.27% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

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 do not reflect any fees or expenses and 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	$10,237	$12,375	$7,727	$9,471	$12,442
	Average annual total return	2.37%	23.75%	–8.24%	–1.08%	2.21%
MSCI EAFE® Index	Growth of $10,000	$10,498	$13,036	$9,478	$10,760	$17,344
	Average annual total return	4.98%	30.36%	–1.77%	1.48%	5.66%

DWS International VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class B	Growth of $10,000	$10,221	$12,338	$7,669	$9,339	$12,134
	Average annual total return	2.21%	23.38%	–8.47%	–1.36%	1.95%
MSCI EAFE® Index	Growth of $10,000	$10,498	$13,036	$9,478	$10,760	$17,344
	Average annual total return	4.98%	30.36%	–1.77%	1.48%	5.66%

The growth of $10,000 is cumulative.

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

Information About Your Fund's Expenses

As an investor of the Fund, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Fund 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 Fund 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, 2011 to June 30, 2011).

The tables illustrate your Fund's expenses in two ways:

- **Actual Fund Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Fund using the Fund'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% Fund Return.** This helps you to compare your Fund's ongoing expenses (but not transaction costs) with those of other mutual funds using the Fund's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Fund return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. 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, 2011

Actual Fund Return	**Class A**	**Class B**
Beginning Account Value 1/1/11	$1,000.00	$1,000.00
Ending Account Value 6/30/11	$1,023.70 ,	$1,022.10
Expenses Paid per $1,000*	$ 5.02	$ 6.42
Hypothetical 5% Fund Return	**Class A**	**Class B**
Beginning Account Value 1/1/11	$1,000.00	$1,000.00
Ending Account Value 6/30/11	$1,019.84	$1,018.45
Expenses Paid per $1,000*	$ 5.01	$ 6.41

* *Expenses are equal to the Fund'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	1.00%	1.28%

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

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund is an investment option.

Investment Management Update

Effective April 11, 2011, the main investments, management process and portfolio team are as follows.

Main investments. Although the Fund can invest in companies of any size and from any country, it invests mainly in common stocks of established companies in countries with developed economies (other than the United States).

Management process. Portfolio management aims to add value through stock selection. The investment team utilizes a proprietary investment process designed to identify attractive investment candidates from an extensive pool of fundamental research resources, which identify investments that may offer the potential for price appreciation. The investment process also takes into consideration various factors — including country and sector weightings, style and other risk targets relative to the benchmark — and assists portfolio management in devising allocations among particular securities. Portfolio management may buy a security when its research resources indicate the potential for future upside price appreciation or their investment process identifies an attractive investment opportunity. Conversely, portfolio management may sell a security when its research resources indicate limited future upside or their investment process identifies more attractive investment opportunities elsewhere.

Portfolio Management Team

Thomas Voecking, Managing Director. Portfolio Manager of the Fund. Joined the Fund in 2011.

Jason E. Inzer, Director. Portfolio Manager of the Fund. Joined the Fund in 2011.

Portfolio Summary

Asset Allocation (As a % of Investment Portfolio)	6/30/11	12/31/10
Common Stocks	95%	96%
Preferred Stocks	2%	4%
Cash Equivalents	3%	—
	100%	100%

Geographical Diversification (As a % of Investment Portfolio excluding Cash Equivalents)	6/30/11	12/31/10
Continental Europe	57%	41%
Japan	18%	20%
United Kingdom	14%	15%
Australia	6%	8%
Pacific Basin	4%	11%
Latin America	—	4%
Africa	—	1%
Other	1%	—
	100%	100%

Sector Diversification (As a % of Investment Portfolio excluding Cash Equivalents)	6/30/11	12/31/10
Financials	27%	19%
Industrials	15%	16%
Information Technology	13%	6%
Consumer Staples	11%	15%
Health Care	9%	6%
Energy	8%	10%
Consumer Discretionary	6%	9%
Utilities	5%	2%
Telecommunication Services	4%	6%
Materials	2%	11%
	100%	100%

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

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

Following the Fund'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. The Fund's portfolio holdings are also posted on www.dws-investments.com from time to time. Please see the Fund's current prospectus for more information.

	Shares	Value ($)
Common Stocks 93.7%		
Australia 5.8%		
Australia & New Zealand Banking Group Ltd.	52,879	1,248,819
Foster's Group Ltd.	185,000	1,024,145
National Australia Bank Ltd.	94,207	2,599,200
Newcrest Mining Ltd.	62,592	2,540,644
Origin Energy Ltd.	79,000	1,343,394
Treasury Wine Estates Ltd.*	61,666	224,876
Wesfarmers Ltd.	38,691	1,325,950
Westfield Group (REIT) (Units)	143,000	1,332,583
Woodside Petroleum Ltd.	27,708	1,222,252
Woolworths Ltd.	97,000	2,892,506
(Cost $15,151,580)		**15,754,369**
Belgium 0.9%		
Anheuser-Busch InBev NV (Cost $2,727,874)	44,000	**2,551,345**
Bermuda 0.5%		
Seadrill Ltd. (Cost $1,369,442)	40,000	**1,408,035**
Denmark 1.9%		
Carlsberg AS "B"	23,639	2,572,247
Novo Nordisk AS "B"	21,908	2,746,677
(Cost $4,488,608)		**5,318,924**
Finland 0.3%		
Nokia Corp. (Cost $1,333,235)	151,000	**975,249**
France 18.7%		
AXA SA	359,857	8,170,196
Cap Gemini	46,000	2,695,130
Compagnie de Saint-Gobain	115,000	7,447,578
Dassault Systemes SA	137,000	11,664,517
GDF Suez	68,797	2,517,755
Klepierre (REIT)	34,000	1,403,057
Schneider Electric SA	15,974	2,668,807
Societe Generale	198,032	11,737,659
Technip SA	25,102	2,688,892
(Cost $52,337,538)		**50,993,591**
Germany 13.9%		
Allianz SE (Registered)	87,000	12,155,398
Beiersdorf AG	21,500	1,395,181
Continental AG*	27,800	2,918,839
Lanxess AG	30,300	2,484,066
Merck KGaA	13,200	1,434,432
SAP AG	289,050	17,482,355
(Cost $38,476,321)		**37,870,271**
Hong Kong 1.7%		
BOC Hong Kong (Holdings) Ltd.	1,230,000	3,571,517
Li & Fung Ltd.	548,000	1,102,151
(Cost $5,111,663)		**4,673,668**
Italy 1.5%		
Luxottica Group SpA	43,000	1,378,402
Snam Rete Gas SpA	450,000	2,664,008
(Cost $4,287,406)		**4,042,410**
Japan 17.4%		
Daikin Industries Ltd.	44,000	1,559,360
Eisai Co., Ltd.	78,000	3,046,424
Honda Motor Co., Ltd.	71,792	2,767,121
INPEX Corp.	380	2,805,437
Kawasaki Kisen Kaisha Ltd.	410,000	1,434,268
Kyushu Electric Power Co., Inc.	76,000	1,370,415
Mitsubishi Corp.	500,909	12,550,245
Mitsubishi Electric Corp.	254,000	2,949,870
Mitsubishi Estate Co., Ltd.	159,000	2,791,219
Mitsui Fudosan Co., Ltd.	160,000	2,758,480
Mitsui O.S.K Lines Ltd.	287,119	1,545,096
Nabtesco Corp.	55,000	1,333,509
Nippon Electric Glass Co., Ltd.	94,000	1,204,173
Resona Holdings, Inc.	257,000	1,210,271
SMC Corp.	4,700	846,787
Softbank Corp.	69,000	2,613,358
Sumitomo Realty & Development Co., Ltd.	42,000	938,998
Terumo Corp.	50,000	2,701,916
Tokyo Electric Power Co., Inc.	266,000	1,092,601
(Cost $49,119,489)		**47,519,548**
Netherlands 6.3%		
European Aeronautic Defence & Space Co. NV	136,000	4,552,114
Heineken NV	125,000	7,518,371
ING Groep NV (CVA)*	210,857	2,600,984
Royal Dutch Shell PLC "B"	72,000	2,570,132
(Cost $16,469,483)		**17,241,601**
Norway 0.9%		
DnB NOR ASA (Cost $2,801,279)	172,000	**2,397,535**
Singapore 2.2%		
CapitaMall Trust (REIT)	2,970,000	4,529,798
Golden Agri-Resources Ltd.	2,590,000	1,439,372
(Cost $6,059,607)		**5,969,170**
Spain 1.5%		
Industria de Diseno Textil SA	15,700	1,433,675
Red Electrica Corporacion SA	44,000	2,658,799
(Cost $4,273,080)		**4,092,474**
Sweden 3.1%		
Hennes & Mauritz AB "B"	25,000	861,599
TeliaSonera AB	1,020,000	7,482,705
(Cost $9,202,094)		**8,344,304**
Switzerland 3.6%		
Nestle SA (Registered)	18,110	1,125,523
Novartis AG (Registered)	23,700	1,451,802
Zurich Financial Services AG*	28,800	7,279,101
(Cost $10,273,675)		**9,856,426**
United Kingdom 13.5%		
AMEC PLC	70,338	1,229,204
AstraZeneca PLC	28,227	1,409,422
BAE Systems PLC	154,000	787,256
BP PLC	1,032,000	7,603,772
Centrica PLC	263,000	1,364,724
GlaxoSmithKline PLC	558,000	11,947,151
Inmarsat PLC	138,000	1,231,875
Lloyds Banking Group PLC*	1,420,000	1,115,784
National Grid PLC	137,000	1,348,177
Old Mutual PLC	608,041	1,301,916
Reckitt Benckiser Group PLC	44,000	2,429,385

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

	Shares	Value ($)
Tesco PLC	420,000	2,712,563
Unilever PLC	43,000	1,387,644
William Morrison Supermarkets PLC	196,000	936,517
(Cost $37,783,369)		**36,805,390**
Total Common Stocks (Cost $261,265,743)		**255,814,310**

Preferred Stocks 2.2%

Germany

	Shares	Value ($)
Porsche Automobil Holding SE	39,000	3,093,555
Volkswagen AG	14,114	2,909,955
Total Preferred Stocks (Cost $5,406,815)		**6,003,510**

Cash Equivalents 2.6%

	Shares	Value ($)
Central Cash Management Fund, 0.11% (a) (Cost $6,990,530)	6,990,530	**6,990,530**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $273,663,088)†	98.5	**268,808,350**
Other Assets and Liabilities, Net	1.5	**4,098,591**
Net Assets	100.0	**272,906,941**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $274,836,944. At June 30, 2011, net unrealized depreciation for all securities based on tax cost was $6,028,594. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $6,131,392 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $12,159,986.*

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

CVA: Certificaten Van Aandelen

REIT: Real Estate Investment Trust

At June 30, 2011, open futures contracts purchased were as follows:

Futures	Currency	Expiration Date	Contracts	Value ($)	Unrealized Appreciation ($)
S&P 500 E-Mini Index	USD	9/16/2011	150	9,866,250	**232,125**

Fair Value Measurements

Various inputs are used in determining the value of the Fund'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 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, 2011 in valuing the Fund's investments. For information on the Fund'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 and Preferred Stocks (b)				
Australia	$ —	$ 15,754,369	$ —	$ 15,754,369
Belgium	—	2,551,345	—	2,551,345
Bermuda	—	1,408,035	—	1,408,035
Denmark	—	5,318,924	—	5,318,924
Finland	—	975,249	—	975,249
France	—	50,993,591	—	50,993,591
Germany	—	43,873,781	—	43,873,781
Hong Kong	—	4,673,668	—	4,673,668
Italy	—	4,042,410	—	4,042,410
Japan	—	47,519,548	—	47,519,548
Netherlands	—	17,241,601	—	17,241,601
Norway	—	2,397,535	—	2,397,535
Singapore	—	5,969,170	—	5,969,170
Spain	—	4,092,474	—	4,092,474
Sweden	—	8,344,304	—	8,344,304
Switzerland	—	9,856,426	—	9,856,426
United Kingdom	—	36,805,390	—	36,805,390
Short-Term Investments (b)	6,990,530	—	—	6,990,530
Derivatives (c)	232,125	—	—	232,125
Total	**$ 7,222,655**	**$ 261,817,820**	**$ —**	**$ 269,040,475**

There have been no transfers between Level 1 and Level 2 fair value measurements during the period ended June 30, 2011.

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

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

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

Statement of Assets and Liabilities

as of June 30, 2011 (Unaudited)

Assets		
Investments:		
Investments in non-affiliated securities, at value (cost $266,672,558)	$	261,817,820
Investment in Central Cash Management Fund (cost $6,990,530)		6,990,530
Total investments, at value (cost $273,663,088)		268,808,350
Cash		155,875
Foreign currency, at value (cost $3,046,671)		3,040,236
Deposit with broker for future contracts		600,000
Receivable for Fund shares sold		12,493
Interest receivable		71,731
Dividends receivable		419,751
Foreign taxes recoverable		267,853
Other assets		1,824
Total assets		273,378,113
Liabilities		
Payable for Fund shares redeemed		175,895
Accrued management fee		158,726
Other accrued expenses and payables		136,551
Total liabilities		471,172
Net assets, at value	**$**	**272,906,941**
Net Assets Consist of		
Undistributed net investment income		3,414,608
Net unrealized appreciation (depreciation) on:		
Investments		(4,854,738)
Futures		232,125
Foreign currency		38,666
Accumulated net realized gain (loss)		(106,453,124)
Paid-in capital		380,529,404
Net assets, at value	**$**	**272,906,941**
Class A		
Net Asset Value, offering and redemption price per share ($272,579,966 ÷ 32,939,418 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**8.28**
Class B		
Net Asset Value, offering and redemption price per share ($326,975 ÷ 39,429 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**8.29**

Statement of Operations

for the six months ended June 30, 2011 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $612,083)	$	4,812,300
Interest		23,516
Income distributions — Central Cash Management Fund		5,679
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		243,437
Total income		5,084,932
Expenses:		
Management fee		1,103,467
Administration fee		139,679
Services to shareholders		6,569
Custodian fee		40,588
Distribution service fee (Class B)		424
Professional fees		32,245
Reports to shareholders		38,944
Trustees' fees and expenses		5,704
Other		34,743
Total expenses		1,402,363
Net investment income (loss)		**3,682,569**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		45,307,510
Futures		(427,635)
Foreign currency		(94,743)
		44,785,132
Change in net unrealized appreciation (depreciation) on:		
Investments		(41,947,406)
Futures		232,125
Foreign currency		11,132
		(41,704,149)
Net gain (loss)		**3,080,983**
Net increase (decrease) in net assets resulting from operations	**$**	**6,763,552**

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, 2011 (Unaudited)	Year Ended December 31, 2010
Operations:		
Net investment income (loss)	$ 3,682,569	$ 5,139,006
Net realized gain (loss)	44,785,132	32,033,390
Change in net unrealized appreciation (depreciation)	(41,704,149)	(35,483,954)
Net increase (decrease) in net assets resulting from operations	6,763,552	1,688,442
Distributions to shareholders from:		
Net investment income:		
Class A	(4,647,186)	(6,697,099)
Class B	(4,542)	(8,035)
Total distributions	(4,651,728)	(6,705,134)
Fund share transactions:		
Class A		
Proceeds from shares sold	3,483,481	11,044,552
Reinvestment of distributions	4,647,186	6,697,099
Payments for shares redeemed	(25,951,761)	(68,414,073)
Net increase (decrease) in net assets from Class A share transactions	(17,821,094)	(50,672,422)
Class B		
Proceeds from shares sold	8,385	28,325
Reinvestment of distributions	4,542	8,035
Payments for shares redeemed	(55,499)	(124,745)
Net increase (decrease) in net assets from Class B share transactions	(42,572)	(88,385)
Increase (decrease) in net assets	(15,751,842)	(55,777,499)
Net assets at beginning of period	288,658,783	344,436,282
Net assets at end of period (including undistributed net investment income of $3,414,608 and $4,383,767, respectively)	**$ 272,906,941**	**$ 288,658,783**

Other Information		
Class A		
Shares outstanding at beginning of period	35,091,522	41,648,336
Shares sold	419,816	1,324,213
Shares issued to shareholders in reinvestment of distributions	539,117	845,593
Shares redeemed	(3,111,037)	(8,726,620)
Net increase (decrease) in Class A shares	(2,152,104)	(6,556,814)
Shares outstanding at end of period	**32,939,418**	**35,091,522**
Class B		
Shares outstanding at beginning of period	44,527	56,405
Shares sold	1,002	3,694
Shares issued to shareholders in reinvestment of distributions	525	1,012
Shares redeemed	(6,625)	(16,584)
Net increase (decrease) in Class B shares	(5,098)	(11,878)
Shares outstanding at end of period	**39,429**	**44,527**

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

Financial Highlights

Class A	Six Months Ended 6/30/11 (Unaudited)	2010	Years Ended December 31, 2009	2008	2007	2006
Selected Per Share Data						
Net asset value, beginning of period	**$ 8.22**	**$ 8.26**	**$ 6.52**	**$15.01**	**$13.42**	**$10.85**
Income (loss) from investment operations:						
Net investment income (loss)[a]	.11	.13	.12	.29[c]	.21[c]	.28[c]
Net realized and unrealized gain (loss)	.09	(.00)***	1.93	(6.46)	1.73	2.51
Total from investment operations	.20	.13	2.05	(6.17)	1.94	2.79
Less distributions from:						
Net investment income	(.14)	(.17)	(.31)	(.17)	(.35)	(.22)
Net realized gains	—	—	—	(2.15)	—	—
Total distributions	(.14)	(.17)	(.31)	(2.32)	(.35)	(.22)
Net asset value, end of period	**$ 8.28**	**$ 8.22**	**$ 8.26**	**$ 6.52**	**$15.01**	**$13.42**
Total Return (%)	2.37**	1.62[b]	33.52	(48.21)[b,d]	14.59	25.91
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	273	288	344	297	702	702
Ratio of expenses before expense reductions (%)	1.00*	.99	.94	1.01	.98	.98
Ratio of expenses after expense reductions (%)	1.00*	.99	.94	.97	.98	.98
Ratio of net investment income (loss) (%)	2.64*	1.68	1.69	2.74[c]	1.48[c]	2.32[c]
Portfolio turnover rate (%)	118**	228	81	123	108	105

a *Based on average shares outstanding during the period.*
b *Total return would have been lower had certain expenses not been reduced.*
c *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.*
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 0.06% lower.*
* *Annualized* ** *Not annualized* *** *Amount is less than $.005.*

Class B	Six Months Ended 6/30/11 (Unaudited)	2010	Years Ended December 31, 2009	2008	2007	2006
Selected Per Share Data						
Net asset value, beginning of period	**$ 8.22**	**$ 8.26**	**$ 6.52**	**$14.98**	**$13.38**	**$10.82**
Income (loss) from investment operations:						
Net investment income (loss)[a]	.10	.11	.10	.23[c]	.16[c]	.24[c]
Net realized and unrealized gain (loss)	.09	(.00)***	1.94	(6.43)	1.73	2.50
Total from investment operations	.19	.11	2.04	(6.20)	1.89	2.74
Less distributions from:						
Net investment income	(.12)	(.15)	(.30)	(.11)	(.29)	(.18)
Net realized gains	—	—	—	(2.15)	—	—
Total distributions	(.12)	(.15)	(.30)	(2.26)	(.29)	(.18)
Net asset value, end of period	**$ 8.29**	**$ 8.22**	**$ 8.26**	**$ 6.52**	**$14.98**	**$13.38**
Total Return (%)	2.21**	1.33[b]	32.89	(48.25)[b,d]	14.25[b]	25.44[b]
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	.33	.36	.50	.40	12	51
Ratio of expenses before expense reductions (%)	1.28*	1.26	1.22	1.33	1.41	1.37
Ratio of expenses after expense reductions (%)	1.28*	1.26	1.22	1.28	1.39	1.36
Ratio of net investment income (loss) (%)	2.36*	1.41	1.42	2.42[c]	1.07[c]	1.94[c]
Portfolio turnover rate (%)	118**	228	81	123	108	105

a *Based on average shares outstanding during the period.*
b *Total return would have been lower had certain expenses not been reduced.*
c *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.*
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 0.06% lower.*
* *Annualized* ** *Not annualized* *** *Amount is less than $.005.*

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 five diversified funds: DWS Bond VIP, DWS Growth & Income VIP, DWS Capital Growth VIP, DWS Global Small Cap Growth VIP (formerly DWS Global Opportunities VIP) and DWS International VIP (individually or collectively hereinafter referred to as a "Fund" or the "Funds"). These financial statements report on DWS International VIP. The Series is intended to be the underlying investment vehicle for variable annuity contracts and variable life insurance policies to be offered by the separate accounts of certain life insurance companies ("Participating Insurance Companies").

Multiple Classes of Shares of Beneficial Interest. The Fund offers 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 recordkeeping 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 Fund. Class A shares are not subject to such fees.

Investment income, realized and unrealized gains and losses, and certain fund-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 recordkeeping 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 Funds.

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 Fund'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 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.

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 categorized 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 categorized 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.

Futures contracts are generally valued at the settlement prices established each day on the exchange on which they are traded 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 the Fund'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 Fund's Investment Portfolio.

Securities Lending. The Fund lends securities to certain financial institutions. The Fund 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 Fund requires the borrowers of the securities to maintain collateral with the Fund 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 Fund 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 Fund 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 Fund 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 Fund 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. The Fund had no securities on loan as of June 30, 2011.

Foreign Currency Translations. The books and records of the Fund 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 acquisition and disposition of 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.

Taxes. The Fund is treated as a separate taxpayer as provided for in the Internal Revenue Code, as amended. It is the Fund'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 the Fund invests, the Fund will provide for foreign taxes, and where appropriate, deferred foreign taxes.

At December 31, 2010, the Fund had a net tax basis capital loss carryforward of approximately $150,205,000, which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2016 ($51,383,000) and December 31, 2017 ($98,822,000), the respective expiration dates, whichever occurs first.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the "Act") was enacted. Under the Act, net capital losses may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses. As a result of this ordering rule, pre-enactment capital loss carryforwards may expire unused, whereas under the previous rules these losses may have been utilized. This change is effective for fiscal years beginning after the date of enactment.

The Fund has reviewed the tax positions for the open tax years as of December 31, 2010 and has determined that no provision for income tax is required in the Fund's financial statements. The Fund'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. The Fund will declare and distribute dividends from its 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 the Fund 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, futures contracts, 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 Fund may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Fund.

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 Fund are allocated to that Fund. Other Series expenses which cannot be directly attributed to a Fund are apportioned among the Funds in the Series.

Contingencies. In the normal course of business, the Fund may enter into contracts with service providers that contain general 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 been made. However, based on experience, the Fund 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 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 Fund is informed of such dividends. Realized gains and losses from investment transactions are recorded on an identified cost basis and may include proceeds from litigation.

B. Derivative Instruments

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). For the six months ended June 30, 2011, the Fund entered into futures contracts in circumstances where portfolio management believed they offered 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.

Futures contracts are valued at the most recent settlement price. Upon entering into a futures contract, the Fund 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 Fund dependent upon the daily fluctuations in the value and are recorded for financial reporting purposes as unrealized gains or losses by the Fund. 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 Fund's ability to close out a futures contract prior to the settlement date and the risk that the futures contract is not well correlated with the security, index or currency to which it relates. Risk of loss may exceed amounts recognized in the Statement of Assets and Liabilities.

A summary of the open futures contracts as of June 30, 2011 is included in a table following the Fund's Investment Portfolio. For the six months ended June 30, 2011, the investment in futures contracts purchased had a total notional value generally indicative of a range from $0 to approximately $9,866,000.

Asset Derivative	Futures Contracts
Equity Contracts (a)	$ 232,125

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

(a) *Includes cumulative appreciation of futures contracts as disclosed in the Investment Portfolio. Unsettled variation margin is disclosed separately within the Statement of Assets and Liabilities.*

Additionally, the amount of unrealized and realized gains and losses on derivative instruments recognized in Fund earnings during the six months ended June 30, 2011 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)	$ (427,635)

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)	$ 232,125

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

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

C. Purchases and Sales of Securities

During the six months ended June 30, 2011, purchases and sales of investment securities (excluding short-term investments) aggregated $325,053,153 and $355,400,702, respectively.

D. 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 Fund 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 Fund.

Pursuant to the Investment Management Agreement with the Advisor, the Fund pays a monthly management fee based on the Fund's average daily net assets, computed and accrued daily and payable monthly, at the following annual rates:

First $500 million of average daily net assets	.790%
Over $500 million of average daily net assets	.640%

Accordingly, for the six months ended June 30, 2011, the fee pursuant to the Investment Management Agreement was equivalent to an annualized effective rate of 0.79% of the Fund's average daily net assets.

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, the Fund pays the Advisor an annual fee ("Administration Fee") of 0.10% of the Fund's average daily net assets, computed and accrued daily and payable monthly. For the six months ended June 30, 2011, the Administration Fee was $139,679, of which $22,001 is unpaid.

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 the Fund. For the six months ended June 30, 2011, the amounts charged to the Fund by DISC were as follows:

Services to Shareholders	Total Aggregated	Unpaid at June 30, 2011
Class A	$ 397	$ 282
Class B	46	29
	$ 443	**$ 311**

Distribution Service Agreement. 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. For six months ended June 30, 2011, the Distribution Service Fee aggregated $424, of which $66 is unpaid.

Typesetting and Filing Service Fees. Under an agreement with DIMA, DIMA is compensated for providing typesetting and certain regulatory filing services to the Fund. For the six months ended June 30, 2011, the amount charged to the Fund by DIMA included in the Statement of Operations under "reports to shareholders" aggregated $10,501, of which $3,339 is unpaid.

Trustees' Fees and Expenses. The Fund 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 Vehicle. The Fund may invest uninvested cash balances in Central Cash Management Fund, which is managed by the Advisor. The Fund indirectly bears its proportionate share of the expenses of Central Cash Management Fund. 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.

E. Ownership of the Fund

Two participating insurance companies were owners of record of 10% or more of the total outstanding Class A shares of the Fund, each owning 41% and 13%. One participating insurance company was an owner of record of 10% or more of the total outstanding Class B shares of the Fund, owning 86%.

F. Line of Credit

The Fund and other affiliated funds (the "Participants") share in a $450 million revolving credit facility provided by a syndication of banks. The Fund may borrow for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated based on net assets, among each of the Participants. Interest is calculated at 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 Fund may borrow up to a maximum of 33 percent of its net assets under the agreement. The Fund had no outstanding loans at June 30, 2011.

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) 728-3337.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 3, 2010

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 2010, 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, 2008, and 2009.

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 have served 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 118 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 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

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VS1int-3 (R-023286-1 8/11)

JUNE 30, 2011

SEMIANNUAL REPORT

DWS VARIABLE SERIES II

DWS Balanced VIP

Contents

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, call (800) 728-3337 or your financial representative. We advise you to consider the Fund's objectives, risks, charges and expenses carefully before investing. The summary prospectus and prospectus contain this and other important information about the Fund. Please read the prospectus carefully before you invest.

Although allocation among different asset categories generally limits risk, fund management 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 Fund may use derivatives, including as part of its Global Tactical Asset Allocation (GTAA) 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

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

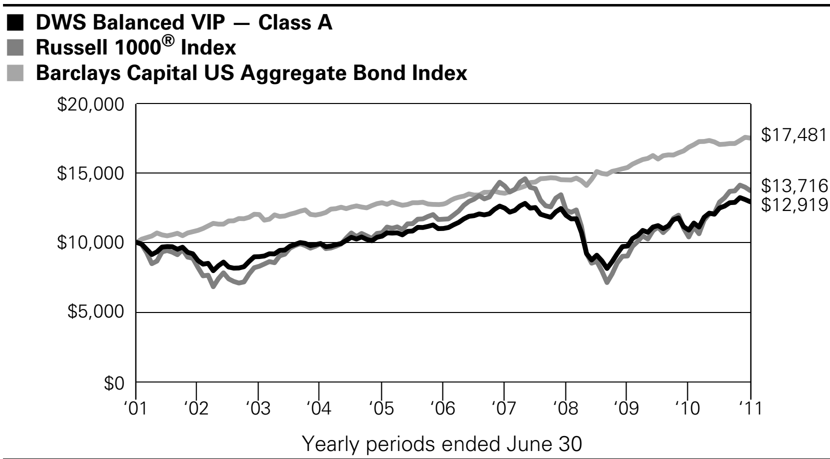
Performance Summary

June 30, 2011

Fund 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 Fund's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund is an investment option. These charges and fees will reduce returns.

The gross expense ratio of the Fund, as stated in the fee table of the prospectus dated May 1, 2011 is 0.67% for Class A shares and may differ from the expense ratio disclosed in the Financial Highlights table in this report.

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.

Index returns do not reflect any fees or expenses and 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	$10,362	$11,875	$10,822	$11,751	$12,919
	Average annual total return	3.62%	18.75%	2.67%	3.28%	2.59%
Russell 1000 Index	Growth of $10,000	$10,637	$13,193	$11,145	$11,763	$13,716
	Average annual total return	6.37%	31.93%	3.68%	3.30%	3.21%
Barclays Capital US Aggregate Bond Index	Growth of $10,000	$10,272	$10,390	$12,065	$13,715	$17,481
	Average annual total return	2.72%	3.90%	6.46%	6.52%	5.74%

The growth of $10,000 is cumulative.

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

Information About Your Fund's Expenses

As an investor of the Fund, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees and other Fund 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 Fund 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, 2011 to June 30, 2011).

The tables illustrate your Fund's expenses in two ways:

- **Actual Fund Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Fund using the Fund'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% Fund Return.** This helps you to compare your Fund's ongoing expenses (but not transaction costs) with those of other mutual funds using the Fund's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Fund return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. 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, 2011

Actual Fund Return	**Class A**
Beginning Account Value 1/1/11	$1,000.00
Ending Account Value 6/30/11	$1,036.20
Expenses Paid per $1,000*	$ 3.03

Hypothetical 5% Fund Return	**Class A**
Beginning Account Value 1/1/11	$1,000.00
Ending Account Value 6/30/11	$1,021.82
Expenses Paid per $1,000*	$ 3.01

* *Expenses are equal to the Fund'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	.60%

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

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund is an investment option.

Portfolio Summary

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/11**	**12/31/10**
Common Stocks	53%	55%
Exchange-Traded Funds — Equity	5%	5%
Total Equity	**58%**	**60%**
Government & Agency Obligations	10%	9%
Exchange-Traded Funds — Fixed income	8%	7%
Corporate Bonds	6%	7%
Mortgage-Backed Securities Pass-Throughs	6%	7%
Commercial Mortgage-Backed Securities	3%	2%
Asset-Backed	1%	0%
Municipal Bonds and Notes	0%	1%
Preferred Stocks	0%	1%
Total Fixed Income	**34%**	**34%**
Cash Equivalents	**8%**	**6%**
	100%	100%

Sector Diversification (As a % of Equities, Corporate Bonds, Senior Loans and Preferred Securities)	**6/30/11**	**12/31/10**
Information Technology	16%	16%
Financials	15%	13%
Energy	12%	14%
Health Care	12%	10%
Industrials	11%	11%
Consumer Discretionary	11%	12%
Consumer Staples	9%	9%
Materials	5%	6%
Utilities	5%	4%
Telecommunication Services	4%	5%
	100%	100%

Asset allocation and sector diversification exclude derivatives and are subject to change.

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

Following the Fund'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. The Fund's portfolio holdings are also posted on www.dws-investments.com from time to time. Please see the Fund's current prospectus for more information.

	Shares	Value ($)
Common Stocks 53.8%		
Consumer Discretionary 5.4%		
Auto Components 0.9%		
Autoliv, Inc.	8,231	645,722
BorgWarner, Inc.*	10,596	856,051
Continental AG*	2,940	308,683
Minth Group Ltd.	90,486	146,839
Nippon Seiki Co., Ltd.	8,574	113,740
TRW Automotive Holdings Corp.*	7,920	467,517
		2,538,552
Automobiles 0.1%		
Honda Motor Co., Ltd.	7,567	**291,659**
Distributors 0.2%		
Genuine Parts Co.	11,463	623,587
Li & Fung Ltd.	56,000	112,629
		736,216
Diversified Consumer Services 0.3%		
H&R Block, Inc.	54,638	**876,394**
Hotels Restaurants & Leisure 1.3%		
Bwin.Party Digital Entertainment PLC*	15,660	37,774
Carnival Corp. (Units)	26,529	998,286
Darden Restaurants, Inc.	15,717	782,078
Domino's Pizza UK & IRL PLC	10,905	70,658
McDonald's Corp.	9,344	787,886
Paddy Power PLC	3,140	170,649
REXLot Holdings Ltd.	1,202,664	116,312
Starwood Hotels & Resorts Worldwide, Inc.	17,344	971,958
Trump Entertainment Resorts, Inc.*	2	37
		3,935,638
Household Durables 0.1%		
Hajime Construction Co., Ltd.	3,264	86,340
Jarden Corp.	1,779	61,393
		147,733
Leisure Equipment & Products 0.1%		
Universal Entertainment Corp.	5,166	**172,576**
Media 0.4%		
Aegis Group PLC	23,040	59,137
Charm Communications, Inc. (ADR)*	5,970	71,043
Dex One Corp.*	245	620
JC Decaux SA*	3,392	108,661
News Corp. "A"	58,237	1,030,795
SuperMedia, Inc.*	43	161
Vertis Holdings, Inc.*	111	1,969
		1,272,386
Multiline Retail 0.3%		
Dollar General Corp.*	10,690	362,284
Nordstrom, Inc.	12,830	602,240
		964,524
Specialty Retail 1.1%		
Advance Auto Parts, Inc.	1,691	98,907
Aeropostale, Inc.*	4,315	75,512
AutoZone, Inc.*	1,707	503,309
Best Buy Co., Inc.	10,732	337,092
Dick's Sporting Goods, Inc.*	18,212	700,251
Guess?, Inc.	2,261	95,098
Hennes & Mauritz AB "B"	3,500	120,624
hhgregg, Inc.*	3,791	50,799
Industria de Diseno Textil SA	1,660	151,586
L'Occitane International SA*	24,785	66,357
Limited Brands, Inc.	28,706	1,103,746
Urban Outfitters, Inc.*	3,012	84,788
		3,388,069
Textiles, Apparel & Luxury Goods 0.6%		
Burberry Group PLC	4,013	93,302
Deckers Outdoor Corp.*	2,239	197,346
Luxottica Group SpA	4,500	144,251
NIKE, Inc. "B"	13,382	1,204,112
		1,639,011
Consumer Staples 5.1%		
Beverages 1.2%		
Anheuser-Busch InBev NV	4,600	266,731
C&C Group PLC	27,420	142,696
Carlsberg AS "B"	2,500	272,034
Central European Distribution Corp.*	1,961	21,963
Foster's Group Ltd.	19,600	108,504
Heineken NV	14,200	854,087
PepsiCo, Inc.	28,509	2,007,889
Treasury Wine Estates Ltd.*	6,533	23,824
		3,697,728
Food & Staples Retailing 1.7%		
Costco Wholesale Corp.	11,429	928,492
CVS Caremark Corp.	29,327	1,102,109
Kroger Co.	25,886	641,973
Tesco PLC	44,000	284,173
Wal-Mart Stores, Inc.	24,840	1,319,998
Wesfarmers Ltd.	4,077	139,720
Whole Foods Market, Inc.	4,958	314,585
William Morrison Supermarkets PLC	23,100	110,375
Woolworths Ltd.	10,200	304,160
		5,145,585
Food Products 1.3%		
Diamond Foods, Inc.	2,594	198,026
General Mills, Inc.	14,715	547,692
Golden Agri-Resources Ltd.	274,000	152,273
Green Mountain Coffee Roasters, Inc.*	1,362	121,572
Kellogg Co.	31,919	1,765,759
Mead Johnson Nutrition Co.	9,016	609,031
Nestle SA (Registered)	2,006	124,672
SunOpta, Inc.*	17,401	123,721
Unilever PLC	4,600	148,446
		3,791,192
Household Products 0.1%		
Reckitt Benckiser Group PLC	5,400	**298,152**
Personal Products 0.1%		
Beiersdorf AG	2,270	**147,305**
Tobacco 0.7%		
Altria Group, Inc.	44,430	1,173,396
Philip Morris International, Inc.	13,750	918,088
		2,091,484

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

	Shares	Value ($)
Energy 6.7%		
Energy Equipment & Services 2.0%		
AMEC PLC	7,384	129,040
Complete Production Services, Inc.*	3,070	102,415
Dresser-Rand Group, Inc.*	2,009	107,984
Halliburton Co.	9,600	489,600
John Wood Group PLC	10,486	109,031
Lamprell PLC	16,170	97,951
National Oilwell Varco, Inc.	13,484	1,054,584
Noble Corp.	22,458	885,070
Oil States International, Inc.*	7,043	562,806
ProSafe SE	8,450	63,618
SBM Offshore NV	5,583	147,685
Schlumberger Ltd.	12,763	1,102,723
Seadrill Ltd.	4,200	147,844
Technip SA	2,660	284,936
Tecnicas Reunidas SA	1,045	53,775
Transocean Ltd.	9,784	631,655
		5,970,717
Oil, Gas & Consumable Fuels 4.7%		
Anadarko Petroleum Corp.	12,421	953,436
Approach Resources, Inc.*	2,573	58,330
BP PLC	121,700	896,685
Canadian Natural Resources Ltd.	20,140	843,060
Chevron Corp.	11,582	1,191,093
Cloud Peak Energy, Inc.*	3,229	68,778
ConocoPhillips	10,952	823,481
EOG Resources, Inc.	9,618	1,005,562
Exxon Mobil Corp.	10,516	855,792
INPEX Corp.	40	295,309
Marathon Oil Corp.	36,926	1,945,262
Nexen, Inc.	29,198	656,955
Northern Oil & Gas, Inc.*	2,904	64,324
Occidental Petroleum Corp.	20,458	2,128,450
Origin Energy Ltd.	8,300	141,141
Plains Exploration & Production Co.*	13,306	507,225
Royal Dutch Shell PLC "B"	7,700	274,861
Suncor Energy, Inc.	28,257	1,104,849
Ultra Petroleum Corp.*	1,274	58,349
Woodside Petroleum Ltd.	2,931	129,292
		14,002,234
Financials 6.5%		
Capital Markets 1.2%		
Affiliated Managers Group, Inc.*	837	84,914
Ameriprise Financial, Inc.	7,094	409,182
Ashmore Group PLC	24,681	157,747
Charles Schwab Corp.	28,274	465,107
ICAP PLC	7,822	59,358
Jefferies Group, Inc.	4,267	87,047
Lazard Ltd. "A"	1,701	63,107
Morgan Stanley	29,583	680,705
Partners Group Holding AG	691	122,299
T. Rowe Price Group, Inc.	21,449	1,294,233
UOB-Kay Hian Holdings Ltd.	44,575	58,833
Waddell & Reed Financial, Inc. "A"	2,092	76,044
		3,558,576
Commercial Banks 1.0%		
Australia & New Zealand Banking Group Ltd.	5,618	132,678
BOC Hong Kong (Holdings) Ltd.	146,000	423,936

	Shares	Value ($)
Dah Sing Banking Group Ltd.	39,579	55,706
DGB Financial Group, Inc.*	6,545	99,311
DnB NOR ASA	18,200	253,693
Lloyds Banking Group PLC*	151,000	118,650
National Australia Bank Ltd.	9,961	274,827
Prosperity Bancshares, Inc.	2,109	92,416
Resona Holdings, Inc.	27,200	128,091
Societe Generale	23,364	1,384,820
Zions Bancorp.	3,112	74,719
		3,038,847
Consumer Finance 0.0%		
Kiatnakin Bank PCL (Foreign Registered)	56,609	60,800
Magma Fincorp Ltd.	663	1,086
		61,886
Diversified Financial Services 0.4%		
ING Groep NV (CVA)*	22,326	275,398
JPMorgan Chase & Co.	22,122	905,675
		1,181,073
Insurance 3.3%		
Allianz SE (Registered)	10,280	1,436,293
Assurant, Inc.	22,130	802,655
AXA SA	42,424	963,195
Fidelity National Financial, Inc. "A"	43,138	678,992
HCC Insurance Holdings, Inc.	21,261	669,722
Lincoln National Corp.	39,101	1,113,987
MetLife, Inc.	14,617	641,248
Old Mutual PLC	63,969	136,968
PartnerRe Ltd.	14,850	1,022,423
Prudential Financial, Inc.	16,947	1,077,660
Transatlantic Holdings, Inc.	12,227	599,245
Zurich Financial Services AG*	3,400	859,338
		10,001,726
Real Estate Investment Trusts 0.3%		
CapitaMall Trust (REIT)	350,000	533,815
Klepierre (REIT)	3,600	148,559
Westfield Group (REIT) (Units)	15,100	140,713
		823,087
Real Estate Management & Development 0.3%		
K Wah International Holdings Ltd.	266,509	98,732
Mitsubishi Estate Co., Ltd.	17,600	308,965
Mitsui Fudosan Co., Ltd.	17,000	293,088
Sumitomo Realty & Development Co., Ltd.	4,000	89,428
		790,213
Health Care 6.5%		
Biotechnology 1.2%		
Amgen, Inc.*	5,649	329,619
Celgene Corp.*	22,199	1,339,044
Gilead Sciences, Inc.*	41,865	1,733,630
Metabolix, Inc.*	3,431	24,497
Onyx Pharmaceuticals, Inc.*	1,688	59,586
		3,486,376
Health Care Equipment & Supplies 1.3%		
Accuray, Inc.*	9,687	77,593
Baxter International, Inc.	20,984	1,252,535
Becton, Dickinson & Co.	9,573	824,906
CareFusion Corp.*	17,624	478,844
CONMED Corp.*	2,230	63,510
Edwards Lifesciences Corp.*	5,620	489,952
Kinetic Concepts, Inc.*	1,792	103,273

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

	Shares	Value ($)
Merit Medical Systems, Inc.*	1,705	30,639
NxStage Medical, Inc.*	5,004	104,183
Sirona Dental Systems, Inc.*	1,420	75,402
Terumo Corp.	5,300	286,403
Thoratec Corp.*	4,537	148,904
		3,936,144
Health Care Providers & Services 2.0%		
Aetna, Inc.	11,051	487,239
Centene Corp.*	4,013	142,582
Express Scripts, Inc.*	23,774	1,283,321
Fleury SA	9,033	131,561
Fresenius Medical Care AG & Co. KGaA	5,241	391,847
Humana, Inc.	7,952	640,454
McKesson Corp.	26,028	2,177,242
WellPoint, Inc.	7,999	630,081
		5,884,327
Health Care Technology 0.1%		
SXC Health Solutions Corp.*	2,659	**156,668**
Life Sciences Tools & Services 0.2%		
Life Technologies Corp.*	2,261	117,730
Thermo Fisher Scientific, Inc.*	10,400	669,656
		787,386
Pharmaceuticals 1.7%		
AstraZeneca PLC	2,942	146,899
Eisai Co., Ltd.	9,000	351,510
Flamel Technologies SA (ADR)*	11,590	62,007
GlaxoSmithKline PLC	65,900	1,410,963
Merck & Co., Inc.	31,487	1,111,176
Merck KGaA	1,390	151,050
Novartis AG (Registered)	2,510	153,756
Novo Nordisk AS "B"	2,317	290,490
Pacira Pharmaceuticals. Inc.*	8,434	101,208
Questcor Pharmaceuticals, Inc.*	7,602	183,208
Teva Pharmaceutical Industries Ltd. (ADR)	21,887	1,055,391
VIVUS, Inc.*	6,982	56,834
		5,074,492
Industrials 6.7%		
Aerospace & Defense 1.8%		
BAE Systems PLC	16,300	83,326
BE Aerospace, Inc.*	3,097	126,389
European Aeronautic Defence & Space Co. NV	15,500	518,807
Northrop Grumman Corp.	12,413	860,842
Raytheon Co.	16,466	820,830
TransDigm Group, Inc.*	7,739	705,719
United Technologies Corp.	26,072	2,307,633
		5,423,546
Airlines 0.1%		
Cebu Air, Inc.	33,058	69,573
Ryanair Holdings PLC (ADR)	3,097	90,866
		160,439
Building Products 0.4%		
Compagnie de Saint-Gobain	13,500	874,281
Congoleum Corp.*	190,000	0
Daikin Industries Ltd.	4,600	163,024
		1,037,305
Commercial Services & Supplies 0.3%		
Babcock International Group PLC	13,356	152,609
Quad Graphics, Inc.	38	1,477

	Shares	Value ($)
Serco Group PLC	8,918	79,035
Stericycle, Inc.*	8,102	722,050
		955,171
Construction & Engineering 0.1%		
Aecom Technology Corp.*	3,513	96,045
Chicago Bridge & Iron Co. NV	3,765	146,459
Shui On Construction & Materials Ltd.	48,522	65,267
Yongnam Holdings Ltd.	204,514	44,274
		352,045
Electrical Equipment 0.9%		
AMETEK, Inc.	22,259	999,429
Mitsubishi Electric Corp.	28,900	335,635
Prysmian SpA	3,288	66,137
Roper Industries, Inc.	10,892	907,303
Schneider Electric SA	1,695	283,187
		2,591,691
Industrial Conglomerates 0.0%		
Keppel Corp., Ltd.	1	**9**
Machinery 1.9%		
Altra Holdings, Inc.*	3,363	80,678
Amtek Engineering Ltd.*	114,245	92,275
Andritz AG	1,127	116,044
Austal Ltd.	25,013	74,721
Charter International PLC	5,093	64,745
Dover Corp.	22,913	1,553,501
EVA Precision Industrial Holdings Ltd.	404,394	124,303
Joy Global, Inc.	678	64,573
Meritor, Inc.*	23,973	384,527
Nabtesco Corp.	5,800	140,625
Navistar International Corp.*	12,553	708,742
Parker Hannifin Corp.	15,975	1,433,596
Rational AG	449	118,334
Rotork PLC	3,404	92,115
SMC Corp.	400	72,067
SPX Corp.	7,757	641,194
		5,762,040
Marine 0.1%		
Kawasaki Kisen Kaisha Ltd.	43,000	150,423
Mitsui O.S.K Lines Ltd.	31,229	168,055
		318,478
Professional Services 0.0%		
Brunel International NV	1,933	**85,273**
Road & Rail 0.5%		
Norfolk Southern Corp.	20,575	**1,541,685**
Trading Companies & Distributors 0.6%		
JFE Shoji Holdings, Inc.	13,581	66,548
MISUMI Group, Inc.	5,366	138,946
Mitsubishi Corp.	58,967	1,477,415
Sumikin Bussan Corp.	27,841	67,586
		1,750,495
Transportation Infrastructure 0.0%		
Koninklijke Vopak NV	2,560	**125,449**
Information Technology 9.4%		
Communications Equipment 1.2%		
Brocade Communications Systems, Inc.*	72,290	466,993
Cisco Systems, Inc.	37,759	589,418
Harris Corp.	1,867	84,127
Nokia Corp.	16,000	103,338

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

	Shares	Value ($)
QUALCOMM, Inc.	35,395	2,010,082
Riverbed Technology, Inc.*	8,971	355,162
Sycamore Networks, Inc.	2,491	55,400
		3,664,520
Computers & Peripherals 2.0%		
Apple, Inc.*	10,432	3,501,709
EMC Corp.*	69,445	1,913,210
Hewlett-Packard Co.	13,344	485,722
		5,900,641
Electronic Equipment, Instruments & Components 0.2%		
Cognex Corp.	2,280	80,781
E Ink Holdings, Inc.*	56,742	106,990
Itron, Inc.*	2,224	107,108
Kingboard Chemical Holdings Ltd.	19,661	91,659
Nippon Electric Glass Co., Ltd.	9,000	115,293
Star Micronics Co., Ltd.	5,833	69,175
Venture Corp., Ltd.	12,752	88,787
		659,793
Internet Software & Services 0.3%		
Google, Inc. "A"*	1,288	652,217
Internet Initiative Japan, Inc.	23	89,156
Meetic*	879	19,072
NIC, Inc.	6,210	83,587
United Internet AG (Registered)	5,689	119,577
		963,609
IT Services 1.1%		
Accenture PLC "A"	16,691	1,008,470
Cap Gemini	4,900	287,090
Cardtronics, Inc.*	5,271	123,605
Digital Garage, Inc.*	18	73,528
International Business Machines Corp.	4,928	845,398
VeriFone Systems, Inc.*	19,430	861,721
		3,199,812
Semiconductors & Semiconductor Equipment 1.1%		
ARM Holdings PLC	13,511	127,781
EZchip Semiconductor Ltd.*	1,906	70,465
FSI International, Inc.*	14,306	39,198
Intel Corp.	101,555	2,250,459
Lam Research Corp.*	1,127	49,904
Skyworks Solutions, Inc.*	28,826	662,421
		3,200,228
Software 3.5%		
Adobe Systems, Inc.*	10,005	314,657
Check Point Software Technologies Ltd.*	12,150	690,727
Concur Technologies, Inc.*	10,171	509,262
Dassault Systemes SA	16,200	1,379,308
Microsoft Corp.	94,287	2,451,462
NetQin Mobile, Inc. "A" (ADR)* (b)	2,799	15,394
Oracle Corp.	64,547	2,124,242
Rovi Corp.*	1,674	96,021
SAP AG	34,098	2,062,319
Solera Holdings, Inc.	11,561	683,949
TiVo, Inc.*	5,675	58,396
VanceInfo Technologies, Inc. (ADR)*	2,712	62,674
		10,448,411

	Shares	Value ($)
Materials 2.8%		
Chemicals 1.6%		
Air Products & Chemicals, Inc.	12,865	1,229,637
Huntsman Corp.	68,938	1,299,481
Lanxess AG	3,200	262,343
Praxair, Inc.	8,859	960,227
STR Holdings, Inc.*	3,279	48,923
The Mosaic Co.	11,742	795,286
		4,595,897
Containers & Packaging 0.5%		
Owens-Illinois, Inc.*	18,058	466,077
Sonoco Products Co.	29,658	1,054,045
		1,520,122
Metals & Mining 0.7%		
Cliffs Natural Resources, Inc.	718	66,379
Freeport-McMoRan Copper & Gold, Inc.	27,432	1,451,153
Lynas Corp., Ltd.*	47,284	102,952
Newcrest Mining Ltd.	6,550	265,868
Northam Platinum Ltd.	7,994	50,310
Randgold Resources Ltd. (ADR)	921	77,410
Thompson Creek Metals Co., Inc.*	5,513	55,020
		2,069,092
Paper & Forest Products 0.0%		
Schweitzer-Mauduit International, Inc.	1,793	**100,677**
Telecommunication Services 2.0%		
Diversified Telecommunication Services 1.3%		
AT&T, Inc.	46,605	1,463,863
CenturyLink, Inc.	36,937	1,493,363
Inmarsat PLC	14,600	130,329
TeliaSonera AB	115,800	849,507
		3,937,062
Wireless Telecommunication Services 0.7%		
American Tower Corp. "A"*	19,137	1,001,439
Softbank Corp.	7,300	276,486
Vodafone Group PLC (ADR)	33,702	900,517
		2,178,442
Utilities 2.7%		
Electric Utilities 2.0%		
American Electric Power Co., Inc.	21,326	803,564
Duke Energy Corp.	37,361	703,508
Entergy Corp.	12,976	886,001
Exelon Corp.	25,175	1,078,497
FirstEnergy Corp.	29,293	1,293,286
Kyushu Electric Power Co., Inc.	8,100	146,057
Red Electrica Corporacion SA	4,600	277,965
Southern Co.	19,094	771,016
Tokyo Electric Power Co., Inc.	28,100	115,421
		6,075,315
Gas Utilities 0.1%		
Snam Rete Gas SpA	50,800	**300,737**
Multi-Utilities 0.6%		
Centrica PLC	27,800	144,256
GDF Suez	7,294	266,938
National Grid PLC	14,500	142,690
PG&E Corp.	25,175	1,058,105
		1,611,989
Total Common Stocks (Cost $130,132,762)		**160,417,929**

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

	Shares	Value ($)
Preferred Stocks 0.2%		
Consumer Discretionary		
Porsche Automobil Holding SE	4,100	325,220
Volkswagen AG	1,496	308,438
Total Preferred Stocks (Cost $571,209)		**633,658**
Warrants 0.0%		
Consumer Discretionary 0.0%		
Reader's Digest Association, Inc., Expiration Date 2/19/2014*	80	**2**
Information Technology 0.0%		
Kingboard Chemical Holdings Ltd., Expiration Date 10/31/2012*	3,400	**1,770**
Materials 0.0%		
Hercules Trust II, Expiration Date 3/31/2029*	170	**1,708**
Total Warrants (Cost $30,283)		**3,480**

	Principal Amount ($) (a)	Value ($)
Corporate Bonds 6.2%		
Consumer Discretionary 0.9%		
AMC Entertainment, Inc.:		
8.0%, 3/1/2014	35,000	35,087
8.75%, 6/1/2019	35,000	36,925
Asbury Automotive Group, Inc., 7.625%, 3/15/2017	35,000	34,738
Avis Budget Car Rental LLC, 8.25%, 1/15/2019	15,000	15,188
CanWest LP, 144A, 9.25%, 8/1/2015*	25,000	4,250
Carrols Corp., 9.0%, 1/15/2013	15,000	15,038
CBS Corp., 5.9%, 10/15/2040	270,000	258,426
DineEquity, Inc., 144A, 9.5%, 10/30/2018	10,000	10,850
DIRECTV Holdings LLC:		
6.0%, 8/15/2040	530,000	537,364
6.35%, 3/15/2040	51,000	53,648
DISH DBS Corp.:		
6.625%, 10/1/2014	40,000	42,100
7.125%, 2/1/2016	35,000	36,925
Fontainebleau Las Vegas Holdings LLC, 144A, 11.0%, 6/15/2015*	25,000	13
Great Canadian Gaming Corp., 144A, 7.25%, 2/15/2015	30,000	30,675
Home Depot, Inc.:		
5.4%, 9/15/2040	125,000	119,190
5.875%, 12/16/2036	50,000	51,172
Mediacom Broadband LLC, 8.5%, 10/15/2015	20,000	20,500
NBCUniversal Media LLC, 144A, 5.95%, 4/1/2041	247,000	251,172
Penske Automotive Group, Inc., 7.75%, 12/15/2016	50,000	51,000
Sears Holdings Corp., 144A, 6.625%, 10/15/2018	10,000	9,275
TCI Communications, Inc., 8.75%, 8/1/2015	135,000	165,705
Time Warner, Inc.:		
5.875%, 11/15/2016	147,000	168,027
6.2%, 3/15/2040	175,000	179,283
7.625%, 4/15/2031	175,000	209,961
Travelport LLC, 4.879%**, 9/1/2014	20,000	17,050
Unitymedia Hessen GmbH & Co., KG, 144A, 8.125%, 12/1/2017	100,000	106,250
Yum! Brands, Inc.:		
3.875%, 11/1/2020	210,000	203,840
5.3%, 9/15/2019	65,000	69,867
		2,733,519
Consumer Staples 0.5%		
Anheuser-Busch InBev Worldwide, Inc., 7.75%, 1/15/2019	500,000	629,022
CVS Caremark Corp., 5.75%, 5/15/2041	130,000	127,820
Kraft Foods, Inc., 5.375%, 2/10/2020	600,000	655,919
Kroger Co., 5.4%, 7/15/2040	110,000	105,703
North Atlantic Trading Co., 144A, 10.0%, 3/1/2012	108,750	106,847
SUPERVALU, Inc., 8.0%, 5/1/2016	10,000	10,200
		1,635,511
Energy 0.7%		
BreitBurn Energy Partners LP, 8.625%, 10/15/2020	10,000	10,550
Bristow Group, Inc., 7.5%, 9/15/2017	30,000	31,425
DCP Midstream LLC, 144A, 9.75%, 3/15/2019	200,000	261,395
El Paso Corp., 7.25%, 6/1/2018	20,000	22,464
Enterprise Products Operating LLC, 6.125%, 10/15/2039	230,000	233,897
Kinder Morgan Energy Partners LP:		
6.5%, 9/1/2039	50,000	51,919
7.3%, 8/15/2033	360,000	410,165
ONEOK Partners LP, 6.15%, 10/1/2016	201,000	231,280
Petrohawk Energy Corp., 7.875%, 6/1/2015	15,000	15,712
Plains All American Pipeline LP, 8.75%, 5/1/2019	300,000	377,406
Stone Energy Corp., 6.75%, 12/15/2014	25,000	24,875
Weatherford International Ltd., 5.125%, 9/15/2020	300,000	306,306
Williams Partners LP, 4.125%, 11/15/2020	253,000	242,853
		2,220,247
Financials 2.4%		
American Express Co., 7.0%, 3/19/2018	390,000	458,966
Ashton Woods USA LLC, 144A, Step-up Coupon, 0% to 6/30/2012, 11.0% to 6/30/2015	36,400	22,022
Bank of America Corp., Series L, 7.625%, 6/1/2019	410,000	474,941
Bunge Ltd. Finance Corp., 4.1%, 3/15/2016	110,000	114,584
Calpine Construction Finance Co., LP, 144A, 8.0%, 6/1/2016	30,000	32,400
CIT Group, Inc.:		
7.0%, 5/1/2015	355	355
144A, 7.0%, 5/4/2015	65,000	65,081
Citigroup, Inc., 5.375%, 8/9/2020	500,000	521,781
CNA Financial Corp., 5.75%, 8/15/2021	365,000	376,895
Fifth Third Bancorp., 5.45%, 1/15/2017	429,000	459,511

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		Principal Amount ($) (a)	Value ($)
General Electric Capital Corp., 5.3%, 2/11/2021		185,000	192,500
Hartford Financial Services Group, Inc., 5.95%, 10/15/2036		150,000	141,242
JPMorgan Chase & Co., 2.6%, 1/15/2016		700,000	690,360
KeyCorp, 5.1%, 3/24/2021		250,000	254,623
Lincoln National Corp., 8.75%, 7/1/2019		190,000	239,761
MetLife, Inc.:			
6.75%, 6/1/2016		113,000	131,527
7.717%, 2/15/2019		250,000	302,606
Morgan Stanley:			
3.45%, 11/2/2015		45,000	44,576
5.75%, 1/25/2021		260,000	263,076
Nationwide Financial Services, Inc., 144A, 5.375%, 3/25/2021		119,000	119,528
Navios Maritime Acquisition Corp., 8.625%, 11/1/2017		10,000	9,850
Nielsen Finance LLC, 144A, 7.75%, 10/15/2018		10,000	10,500
PNC Bank NA, 6.875%, 4/1/2018		300,000	353,594
Prudential Financial, Inc.:			
Series B, 5.1%, 9/20/2014		100,000	108,718
6.2%, 1/15/2015		100,000	111,954
7.375%, 6/15/2019		30,000	35,577
Royal Bank of Scotland PLC, 6.125%, 1/11/2021		210,000	215,274
Santander US Debt SA Unipersonal, 144A, 2.991%, 10/7/2013		500,000	498,862
SunTrust Banks, Inc., 3.6%, 4/15/2016		98,000	98,951
The Goldman Sachs Group, Inc., 6.15%, 4/1/2018		400,000	435,337
Tropicana Entertainment LLC, 9.625%, 12/15/2014*		75,000	38
Wells Fargo & Co., 4.6%, 4/1/2021		310,000	311,721
			7,096,711
Health Care 0.5%			
Amgen, Inc., 5.65%, 6/15/2042		89,000	89,144
Express Scripts, Inc.:			
6.25%, 6/15/2014		250,000	281,531
7.25%, 6/15/2019		320,000	382,741
HCA, Inc., 8.5%, 4/15/2019		10,000	11,050
McKesson Corp., 4.75%, 3/1/2021		200,000	207,535
Quest Diagnostics, Inc.:			
4.7%, 4/1/2021		300,000	307,091
6.4%, 7/1/2017		250,000	288,443
			1,567,535
Industrials 0.3%			
Actuant Corp., 6.875%, 6/15/2017		20,000	20,450
ARAMARK Corp., 8.5%, 2/1/2015		10,000	10,388
BE Aerospace, Inc., 8.5%, 7/1/2018		50,000	54,562
Belden, Inc., 7.0%, 3/15/2017		25,000	25,625
Cenveo Corp., 144A, 10.5%, 8/15/2016		10,000	9,825
Congoleum Corp., 9.0%, 12/31/2017 (PIK)		62,700	40,755
Corrections Corp. of America, 7.75%, 6/1/2017		10,000	10,888
CSX Corp.:			
6.15%, 5/1/2037		150,000	160,621
6.25%, 3/15/2018		190,000	219,228

		Principal Amount ($) (a)	Value ($)
Owens Corning, Inc., 9.0%, 6/15/2019		10,000	11,944
Republic Services, Inc., 5.7%, 5/15/2041		155,000	151,314
United Rentals North America, Inc., 10.875%, 6/15/2016		35,000	39,156
			754,756
Information Technology 0.3%			
Alcatel-Lucent USA, Inc., 6.45%, 3/15/2029		30,000	27,000
Applied Materials, Inc., 5.85%, 6/15/2041		260,000	263,713
eBay, Inc., 1.625%, 10/15/2015		500,000	488,565
MasTec, Inc., 7.625%, 2/1/2017		35,000	35,613
Vangent, Inc., 9.625%, 2/15/2015		15,000	15,150
			830,041
Materials 0.3%			
Appleton Papers, Inc., 11.25%, 12/15/2015		15,000	15,150
Crown Americas LLC, 7.625%, 5/15/2017		10,000	10,713
Domtar Corp., 10.75%, 6/1/2017		20,000	26,025
Dow Chemical Co., 4.25%, 11/15/2020		185,000	180,552
GEO Specialty Chemicals, Inc.:			
7.5%, 3/31/2015 (PIK)		209,283	192,540
10.0%, 3/31/2015		206,080	204,019
Graphic Packaging International, Inc., 9.5%, 6/15/2017		30,000	32,850
NewMarket Corp., 7.125%, 12/15/2016		65,000	67,763
Owens-Brockway Glass Container, Inc., 7.375%, 5/15/2016		10,000	10,875
Radnor Holdings Corp., 11.0%, 3/15/2010*		40,000	4
Silgan Holdings, Inc., 7.25%, 8/15/2016		20,000	21,100
Wolverine Tube, Inc., 15.0%, 3/31/2012 (PIK)*		43,120	20,805
			782,396
Telecommunication Services 0.1%			
American Tower Corp., 7.25%, 5/15/2019		175,000	197,429
Cincinnati Bell, Inc., 8.375%, 10/15/2020		20,000	19,950
Cricket Communications, Inc., 10.0%, 7/15/2015		50,000	53,875
ERC Ireland Preferred Equity Ltd., 144A, 8.42%**, 2/15/2017 (PIK)	EUR	112,944	819
Verizon Communications, Inc., 4.6%, 4/1/2021		116,000	119,688
West Corp., 144A, 8.625%, 10/1/2018		10,000	10,100
Windstream Corp., 7.0%, 3/15/2019		25,000	25,250
			427,111
Utilities 0.2%			
AES Corp.:			
8.0%, 10/15/2017		35,000	37,100
8.0%, 6/1/2020		30,000	31,950
DTE Energy Co., 7.625%, 5/15/2014		81,000	93,496
FirstEnergy Solutions Corp., 6.8%, 8/15/2039		234,000	243,330

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

	Principal Amount ($) (a)	Value ($)
Sempra Energy, 6.5%, 6/1/2016	135,000	156,342
		562,218
Total Corporate Bonds (Cost $18,045,716)		**18,610,045**

Asset-Backed 0.5%

Automobile Receivables 0.1%

Ford Credit Auto Owner Trust, "B", Series 2007-B, 5.69%, 11/15/2012	379,000	**388,109**

Student Loans 0.4%

Nelnet Student Loan Trust:		
"A1", Series 2007-1, 0.267%**, 11/27/2018	543,285	536,162
"A4", Series 2006-1, 0.349%**, 11/23/2022	675,000	662,531
		1,198,693
Total Asset-Backed (Cost $1,579,235)		**1,586,802**

Mortgage-Backed Securities Pass-Throughs 5.6%

Federal Home Loan Mortgage Corp.:		
4.0%, 8/1/2039	1,702,881	1,709,600
6.0%, 3/1/2038	32,027	35,172
Federal National Mortgage Association:		
3.193%**, 8/1/2037	158,426	165,669
3.5%, 8/1/2025 (c)	2,275,000	2,316,234
4.0%, 5/1/2039	1,674,953	1,683,917
4.5%, with various maturities from 9/1/2035 until 5/1/2041 (c)	3,544,157	3,668,905
5.0%, with various maturities from 7/1/2036 until 3/1/2040 (c)	3,708,897	3,937,988
6.0%, with various maturities from 1/1/2024 until 8/1/2037	1,845,748	2,037,918
6.5%, with various maturities from 5/1/2017 until 1/1/2038	49,434	54,819
8.0%, 9/1/2015	58,203	63,164
Government National Mortgage Association, 4.5%, 6/1/2039 (c)	875,000	923,467
Total Mortgage-Backed Securities Pass-Throughs (Cost $16,549,579)		**16,596,853**

Commercial Mortgage-Backed Securities 2.6%

	Principal Amount ($) (a)	Value ($)
Banc of America Commercial Mortgage, Inc.:		
"A5A", Series 2005-4, 4.933%, 7/10/2045	575,000	613,362
"A4", Series 2006-3, 5.889%, 7/10/2044	750,000	824,697
Bear Stearns Commercial Mortgage Securities, Inc., "A4", Series 2007-PW18, 5.7%, 6/11/2050	400,000	434,777
Citigroup/Deutsche Bank Commercial Mortgage Trust, "A5", Series 2006-CD3, 5.617%, 10/15/2048	350,000	379,900
Commercial Mortgage Pass-Through Certificates, "A4", Series 2007-C9, 6.008%**, 12/10/2049	550,000	604,109
Greenwich Capital Commercial Funding Corp., "A4", Series 2007-GG9, 5.444%, 3/10/2039	550,000	589,983
GS Mortgage Securities Corp. II, "A4A", Series 2005-GG4, 4.751%, 7/10/2039	750,000	799,459
LB-UBS Commercial Mortgage Trust:		
"A2", Series 2005-C2, 4.821%, 4/15/2030	7,765	7,771
"A4", Series 2006-C1, 5.156%, 2/15/2031	1,250,000	1,352,457
"A3", Series 2006-C7, 5.347%, 11/15/2038	700,000	753,542
"A4", Series 2007-C6, 5.858%, 7/15/2040	260,000	282,086
Wachovia Bank Commercial Mortgage Trust, "A4", Series 2005-C22, 5.44%**, 12/15/2044	885,000	959,208
Total Commercial Mortgage-Backed Securities (Cost $7,444,405)		**7,601,351**

Collateralized Mortgage Obligations 0.2%

Federal Home Loan Mortgage Corp., "H", Series 2278, 6.5%, 1/15/2031	5,380	6,047
Government National Mortgage Association:		
"IU", Series 2010-164, Interest Only, 2.0%, 12/20/2013	1,640,757	63,431
"PI", Series 2010-84, Interest Only, 4.5%, 2/20/2033	3,392,789	319,157
"IA", Series 2010-58, Interest Only, 5.0%, 3/20/2039	1,054,753	226,735
Total Collateralized Mortgage Obligations (Cost $614,601)		**615,370**

Government & Agency Obligations 10.1%

Sovereign Bonds 2.8%

Federal Republic of Germany-Inflation Linked Note, 2.25%, 4/15/2013	EUR	219,896	329,054
Government of Canada-Inflation Linked Bond, 4.0%, 12/1/2031	CAD	275,274	444,869
Government of France-Inflation Linked Bonds:			
1.0%, 7/25/2017	EUR	247,523	364,724
2.25%, 7/25/2020	EUR	645,266	1,022,474
3.15%, 7/25/2032	EUR	496,877	908,248
Government of Japan-Inflation Linked Bond, Series 9, 1.1%, 9/10/2016	JPY	41,790,000	537,526
Government of Sweden-Inflation Linked Bond, Series 3105, 3.5%, 12/1/2015	SEK	2,650,000	572,508
Republic of Italy-Inflation Linked Bond, 2.1%, 9/15/2017	EUR	89,394	126,717
Republic of Poland, 6.375%, 7/15/2019		100,000	114,250
State of Qatar, 144A, 6.4%, 1/20/2040		100,000	110,500

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		Principal Amount ($) (a)	Value ($)
United Kingdom Treasury-Inflation Linked Bonds:			
1.125%, 11/22/2037	GBP	556,171	996,797
1.875%, 11/22/2022	GBP	524,147	964,807
2.0%, 1/26/2035	GBP	190,000	529,712
2.5%, 8/16/2013	GBP	75,000	345,237
2.5%, 7/26/2016	GBP	112,000	593,495
2.5%, 4/16/2020	GBP	71,000	381,293
			8,342,211

US Treasury Obligations 7.3%

	Principal Amount ($) (a)	Value ($)
US Treasury Bill, 0.135%***, 9/15/2011 (d)	221,000	220,991
US Treasury Bonds:		
4.75%, 2/15/2037	1,500,000	1,604,766
5.375%, 2/15/2031	1,000,000	1,172,031
7.125%, 2/15/2023	2,800,000	3,792,250
US Treasury Inflation-Indexed Bonds:		
2.125%, 2/15/2040	88,429	96,229
2.375%, 1/15/2025	799,232	918,618
3.625%, 4/15/2028	618,657	814,645
3.875%, 4/15/2029	218,850	299,875
US Treasury Inflation-Indexed Notes:		
1.875%, 7/15/2015	190,743	210,324
2.375%, 1/15/2017	752,632	858,588
2.5%, 7/15/2016	495,476	567,011
3.0%, 7/15/2012	133,814	139,627
US Treasury Notes:		
1.0%, 1/15/2014	605,000	610,341
1.75%, 1/31/2014	8,000,000	8,221,872
3.125%, 5/15/2019	500,000	516,250
4.5%, 11/15/2015	1,500,000	1,693,359
		21,736,777
Total Government & Agency Obligations (Cost $28,069,461)		**30,078,988**

Loan Participations and Assignments 0.0%

Senior Loans**

	Principal Amount ($) (a)	Value ($)
Hawker Beechcraft Acquisition Co., LLC:		
Term Loan, 2.186%, 3/26/2014	21,604	18,234
Letter of Credit, 2.246%, 3/26/2014	1,336	1,127
Total Loan Participations and Assignments (Cost $22,428)		**19,361**

Municipal Bonds and Notes 0.3%

	Principal Amount ($) (a)	Value ($)
California, University Revenues, Build America Bonds, 5.946%, 5/15/2045 (e)	125,000	117,648
Chicago, IL, Transit Authority, Sales Tax Receipts Revenue, Build America Bonds, Series B, 6.2%, 12/1/2040 (e)	185,000	186,894
Kentucky, Asset/Liability Commission, General Fund Revenue, 3.165%, 4/1/2018 (e)	500,000	502,285
Louisville & Jefferson County, KY, Metropolitan Sewer District & Drain System, Build America Bonds, 6.25%, 5/15/2043 (e)	150,000	157,269
Total Municipal Bonds and Notes (Cost $960,265)		**964,096**

Preferred Securities 0.1%

Financials 0.1%

	Principal Amount ($) (a)	Value ($)
Farm Credit Bank of Texas, Series 1, 7.561%, 12/15/2013 (f)	218,000	**228,440**

Materials 0.0%

	Principal Amount ($) (a)	Value ($)
Hercules, Inc., 6.5%, 6/30/2029	40,000	**33,800**
Total Preferred Securities (Cost $243,668)		**262,240**

Other Investments 0.0%

Consumer Discretionary

	Units	Value ($)
AOT Bedding Super Holdings LLC* (Cost $2,000)	2	**2,000**

Exchange-Traded Funds 13.5%

	Shares	Value ($)
iShares JPMorgan USD Emerging Markets Bond Fund	40,448	4,421,775
iShares Russell 2000 Value Index Fund	81,296	5,967,939
SPDR Barclays Capital International Treasury Bond	71,890	4,440,645
Vanguard MSCI Emerging Markets	185,417	9,014,975
Vanguard Total Bond Market Fund	200,217	16,249,612
Total Exchange-Traded Funds (Cost $33,830,689)		**40,094,946**

Securities Lending Collateral 0.0%

	Shares	Value ($)
Daily Assets Fund Institutional, 0.13% (g) (h) (Cost $14,479)	14,479	**14,479**

Cash Equivalents 8.1%

	Shares	Value ($)
Central Cash Management Fund, 0.11% (g) (Cost $24,016,675)	24,016,675	**24,016,675**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $262,127,455)†	101.2	**301,518,273**
Other Assets and Liabilities, Net	(1.2)	**(3,501,249)**
Net Assets	100.0	**298,017,024**

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

The following table represents bonds that are in default:

	Coupon	Maturity Date	Principal Amount ($)		Acquisition Cost ($)	Value ($)
CanWest LP*	9.25%	8/1/2015	25,000	USD	25,000	4,250
Fontainebleau Las Vegas Holdings LLC*	11.0%	6/15/2015	25,000	USD	25,000	13
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	38
Wolverine Tube, Inc.*	15.0%	3/31/2012	43,120	USD	43,120	20,805
					174,140	**25,110**

* *Non-income producing security. In the case of a bond, generally denotes that the issuer has defaulted on the payment of principal or interest or has filed for bankruptcy.*

** *These securities are shown at their current rate as of June 30, 2011. 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 $265,206,582. At June 30, 2011, net unrealized appreciation for all securities based on tax cost was $36,311,691. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $42,887,291 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $6,575,600.*

(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, 2011 amounted to $13,849, which is 0.0% of net assets.*

(c) *When-issued or delayed delivery security included.*

(d) *At June 30, 2011, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.*

(e) *Taxable issue.*

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

(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 Fund 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

CVA: Certificaten Van Aandelen

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.

MSCI: Morgan Stanley Capital International

PIK: Denotes that all or a portion of the income is paid in-kind.

REIT: Real Estate Investment Trust

SPDR: Standard & Poor's Depositary Receipt

Included in the portfolio are investments in mortgage- or asset-backed securities which are interests in separate pools of mortgages or assets. Effective maturities of these investments may be shorter than stated maturities due to prepayments. Some separate investments in the Federal National Mortgage Association issues which have similar coupon rates have been aggregated for presentation purposes in this investment portfolio.

At June 30, 2011, open futures contracts purchased were as follows:

Futures	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Appreciation/ (Depreciation) ($)
10 Year Australian Treasury Bond	AUD	9/15/2011	17	1,933,777	(4,383)
10 Year Canadian Government Bond	CAD	9/21/2011	31	3,985,370	(28,928)
10 Year Japanese Government Bond	JPY	9/8/2011	12	21,023,290	10,434
2 Year US Treasury Note	USD	9/30/2011	51	11,186,531	26,297
S&P 500 E-Mini Index	USD	9/16/2011	20	1,315,500	30,950
United Kingdom Long Gilt Bond	GBP	9/28/2011	4	771,339	(3,964)
Total net unrealized appreciation					**30,406**

At June 30, 2011, open futures contracts sold were as follows:

Futures	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Appreciation/ (Depreciation) ($)
10 Year US Treasury Note	USD	9/21/2011	189	23,120,016	(29,707)
30 Year US Treasury Bond	USD	9/21/2011	20	2,460,625	63,750
Federal Republic of Germany Euro-Bund	EUR	9/8/2011	30	5,458,943	(16,097)
Federal Republic of Germany Euro-Schatz	EUR	9/8/2011	209	32,597,907	(59,101)
Total net unrealized depreciation					**(41,155)**

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

As of June 30, 2011, the Fund had the following open forward foreign currency exchange contracts:

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation ($)	Counterparty
USD	2,654,108	EUR	1,860,000	7/19/2011	41,697	UBS AG
USD	8,833,594	AUD	8,320,000	7/19/2011	67,864	UBS AG
USD	346,778	CAD	340,000	7/19/2011	5,581	UBS AG
USD	2,860,037	NZD	3,540,000	7/19/2011	68,970	UBS AG
USD	9,182,782	SEK	59,000,000	7/19/2011	134,434	UBS AG
Total unrealized appreciation					**318,546**	

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Depreciation ($)	Counterparty
CAD	5,530,000	USD	5,681,322	7/19/2011	(49,693)	UBS AG
CHF	11,720,000	USD	13,786,362	7/19/2011	(155,147)	UBS AG
JPY	170,200,000	USD	2,106,631	7/19/2011	(7,724)	UBS AG
NOK	12,670,000	USD	2,296,441	7/19/2011	(49,149)	UBS AG
AUD	4,280,000	USD	4,526,802	7/19/2011	(52,313)	UBS AG
EUR	1,940,000	USD	2,764,894	7/19/2011	(46,860)	UBS AG
USD	625,334	JPY	50,210,000	7/19/2011	(1,587)	UBS AG
USD	4,624,619	GBP	2,860,000	7/19/2011	(35,564)	UBS AG
NZD	9,600,000	USD	7,784,928	7/19/2011	(158,143)	UBS AG
Total unrealized depreciation					**(556,180)**	

Currency Abbreviations

AUD	Australian Dollar	JPY	Japanese Yen
CAD	Canadian Dollar	NOK	Norwegian Krone
CHF	Swiss Franc	NZD	New Zealand Dollar
EUR	Euro	SEK	Swedish Krona
GBP	British Pound	USD	United States Dollar

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

Fair Value Measurements

Various inputs are used in determining the value of the Fund'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 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, 2011 in valuing the Fund's investments. For information on the Fund'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 (i)				
Consumer Discretionary	$ 13,588,975	$ 3,005,435	$ 2,008	$ 16,596,418
Consumer Staples	11,794,294	3,377,152	—	15,171,446
Energy	17,201,783	2,771,168	—	19,972,951
Financials	10,839,081	8,616,327	—	19,455,408
Health Care	16,142,475	3,182,918	—	19,325,393
Industrials	14,193,538	5,910,088	0	20,103,626
Information Technology	23,303,941	4,734,843	—	28,038,784
Materials	7,604,315	681,473	1,708	8,287,496
Telecommunication Services	4,859,182	1,256,322	—	6,115,504
Utilities	6,593,977	1,394,064	—	7,988,041

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

Assets	Level 1	Level 2	Level 3	Total
Fixed Income Investments (i)				
Corporate Bonds	—	18,168,477	441,568	18,610,045
Asset Backed	—	1,586,802	—	1,586,802
Mortgage-Backed Securities Pass-Throughs	—	16,596,853	—	16,596,853
Commercial Mortgage-Backed Securities	—	7,601,351	—	7,601,351
Collateralized Mortgage Obligations	—	615,370	—	615,370
Government & Agency Obligations	—	30,078,988	—	30,078,988
Loan Participations and Assignments	—	19,361	—	19,361
Municipal Bonds and Notes	—	964,096	—	964,096
Preferred Securities	—	262,240	—	262,240
Other Investments	—	—	2,000	2,000
Exchange-Traded Funds	40,094,946	—	—	40,094,946
Short-Term Investments (i)	24,031,154	—	—	24,031,154
Derivatives (j)	131,431	318,546	—	449,977
Total	**$ 190,379,092**	**$ 111,141,874**	**$ 447,284**	**$ 301,968,250**
Liabilities				
Derivatives (j)	$ (142,180)	$ (556,180)	$ —	$ (698,360)
Total	**$ (142,180)**	**$ (556,180)**	**$ —**	**$ (698,360)**

There have been no transfers between Level 1 and Level 2 fair value measurements during the period ended June 30, 2011.

(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 Fund's Level 3 investments for which significant unobservable inputs were used in determining value:

	Common Stocks and/or Other Equity Investments					
	Consumer Discretionary	**Industrials**	**Materials**	**Corporate Bonds**	**Other Investments**	**Total**
Balance as of December 31, 2010	$ 39	$ 0	$ 1,934	$ 414,996	$ 2,000	**$ 418,969**
Realized gains (loss)	—	—	—	(121,142)	—	**(121,142)**
Change in unrealized appreciation (depreciation)	947	0	(226)	145,989	0	**146,710**
Amortization premium/discount	—	—	—	1,725	—	**1,725**
Purchases	1,022	—	—	—	—	**1,022**
(Sales)	—	—	—	0	—	**0**
Transfers into Level 3	—	—	—	—	—	**—**
Transfers (out) of Level 3	—	—	—	—	—	**—**
Balance as of June 30, 2011	**$ 2,008**	**$ 0**	**$ 1,708**	**$ 441,568**	**$ 2,000**	**$ 447,284**
Net change in unrealized appreciation (depreciation) from investments still held as of June 30, 2011	**$ 947**	**$ 0**	**$ (226)**	**$ 25,334**	**$ 0**	**$ 26,055**

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, 2011 (Unaudited)

Assets		
Investments:		
Investments in non-affiliated securities, at value (cost $238,096,301) — including $13,849 of securities loaned	$	277,487,119
Investment in Daily Assets Fund Institutional (cost $14,479)*		14,479
Investment in Central Cash Management Fund (cost $24,016,675)		24,016,675
Total investments in securities, at value (cost $262,127,455)		301,518,273
Cash		88,040
Foreign currency, at value (cost $489,939)		493,467
Deposits with broker for futures contracts		1,305,784
Cash held as collateral for forward foreign currency exchange contracts		1,770,000
Receivable for investments sold		1,410,273
Receivable for Fund shares sold		27,049
Dividends receivable		256,568
Interest receivable		690,678
Unrealized appreciation on forward foreign currency exchange contracts		318,546
Foreign taxes recoverable		67,705
Other assets		2,115
Total assets		307,948,498

Liabilities		
Payable upon return of securities loaned		14,479
Payable for investments purchased		571,637
Payable for investments purchased — when issued/delayed delivery securities		8,279,884
Payable for Fund shares redeemed		131,481
Payable for daily variation margin on futures contracts		79,166
Unrealized depreciation on forward foreign currency exchange contracts		556,180
Deferred foreign taxes payable		1,570
Accrued management fee		88,960
Other accrued expenses and payables		208,117
Total liabilities		9,931,474
Net assets, at value	**$**	**298,017,024**

Net Assets Consist of		
Undistributed net investment income		2,637,225
Net unrealized appreciation (depreciation) on:		
Investments (net of deferred foreign taxes of $1,570)		39,389,248
Futures		(10,749)
Foreign currency		(220,126)
Accumulated net realized gain (loss)		(42,805,158)
Paid-in capital		299,026,584
Net assets, at value	**$**	**298,017,024**
Class A		
Net Asset Value, offering and redemption price per share ($298,017,024 ÷ 13,194,914 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**22.59**

* *Represents collateral of securities loaned.*

Statement of Operations

for the six months ended June 30, 2011 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $68,243)	$	2,129,907
Interest		1,666,450
Income distributions — Central Cash Management Fund		18,589
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		18,539
Total income		3,833,485
Expenses:		
Management fee		542,016
Administration fee		151,513
Services to shareholders		1,976
Custodian fee		73,390
Professional fees		45,493
Reports to shareholders		37,925
Trustees' fees and expenses		6,247
Other		49,086
Total expenses		907,646
Net investment income		**2,925,839**

Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments (net of foreign taxes of $869)		12,139,313
Swap contracts		267
Futures		(18,311)
Foreign currency		(772,384)
		11,348,885
Change in net unrealized appreciation (depreciation) on:		
Investments (net of deferred foreign taxes credit of $4,028)		(3,244,891)
Futures		144,929
Foreign currency		(300,241)
		(3,400,203)
Net gain (loss)		**7,948,682**
Net increase (decrease) in net assets resulting from operations	**$**	**10,874,521**

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, 2011 (Unaudited)	Year Ended December 31, 2010
Operations:		
Net investment income (loss)	$ 2,925,839	$ 5,817,509
Net realized gain (loss)	11,348,885	18,663,004
Change in net unrealized appreciation (depreciation)	(3,400,203)	7,951,045
Net increase (decrease) in net assets resulting from operations	10,874,521	32,431,558
Distributions to shareholders from:		
Net investment income:		
Class A	(4,612,028)	(9,827,154)
Total distributions	(4,612,028)	(9,827,154)
Fund share transactions:		
Class A		
Proceeds from shares sold	2,574,414	4,966,734
Shares issued to shareholders in reinvestment of distributions	4,612,028	9,827,154
Payments for shares redeemed	(23,704,106)	(48,195,061)
Net increase (decrease) in net assets from Class A share transactions	(16,517,664)	(33,401,173)
Increase (decrease) in net assets	(10,255,171)	(10,796,769)
Net assets at beginning of period	308,272,195	319,068,964
Net assets at end of period (including undistributed net investment income of $2,637,225 and $4,323,414, respectively)	**$ 298,017,024**	**$ 308,272,195**

Other Information		
Class A		
Shares outstanding at beginning of period	13,930,205	15,551,177
Shares sold	113,816	238,427
Shares issued to shareholders in reinvestment of distributions	200,697	467,070
Shares redeemed	(1,049,804)	(2,326,469)
Net increase (decrease) in Class A shares	(735,291)	(1,620,972)
Shares outstanding at end of period	13,194,914	13,930,205

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

Financial Highlights

Class A	Six Months Ended 6/30/11 (Unaudited)	2010	Years Ended December 31, 2009	2008	2007	2006
Selected Per Share Data						
Net asset value, beginning of period	**$22.13**	**$20.52**	**$17.35**	**$24.81**	**$24.46**	**$22.75**
Income (loss) from investment operations:						
Net investment income[a]	.22	.39	.44	.61	.74	.69[c]
Net realized and unrealized gain (loss)	.59	1.88	3.43	(7.20)	.42	1.60
Total from investment operations	.81	2.27	3.87	(6.59)	1.16	2.29
Less distributions from:						
Net investment income	(.35)	(.66)	(.70)	(.87)	(.81)	(.58)
Net asset value, end of period	**$22.59**	**$22.13**	**$20.52**	**$17.35**	**$24.81**	**$24.46**
Total Return (%)	3.62**	11.22	23.43	(27.33)[b]	4.84[b]	10.24[b,c]
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	298	308	319	307	528	600
Ratio of expenses before expense reductions (%)	.60*	.65	.60	.64	.52	.55
Ratio of expenses after expense reductions (%)	.60*	.65	.60	.62	.51	.51
Ratio of net investment income (%)	1.93*	1.89	2.40	2.83	3.00	2.99[c]
Portfolio turnover rate (%)	53**	203	207	263	199	108

[a] *Based on average shares outstanding during the period.*

[b] *Total return would have been lower had certain expenses not been reduced.*

[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 $0.024 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 Balanced VIP (the "Fund") is a diversified series of DWS Variable Series II (the "Trust"), which 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 Fund'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 Fund 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 Fund'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 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.

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 categorized 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 categorized as Level 2.

Debt securities and senior loans 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.

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.

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

Forward currency contracts are valued at the prevailing forward exchange rate of the underlying currencies and are categorized as Level 2.

Swap 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. Swap contracts are generally categorized as Level 2.

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 Fund'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 Fund's Investment Portfolio.

Foreign Currency Translations. The books and records of the Fund 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 acquisition and disposition of 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 Fund lends securities to certain financial institutions. The Fund 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 Fund requires the borrowers of the securities to maintain collateral with the Fund 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 Fund 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 Fund 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 Fund 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 Fund 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. Senior loans 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 Fund invests, are arranged through private negotiations between the borrower and one or more financial institutions ("Lenders"). The Fund 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 Fund having a contractual relationship only with the Lender, not with the borrower. The Fund 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 Fund generally has no right to enforce compliance by the borrower with the terms of the loan agreement relating to the Loan, nor any rights of set-off against the borrower, and the Fund will not benefit directly from any collateral supporting the Loan in which it has purchased the Participation. As a result, the Fund assumes the credit risk of both the borrower and the Lender that is selling the Participation. Assignments typically result in the Fund having a direct contractual relationship with the borrower, and the Fund may enforce compliance by the borrower with the terms of the loan agreement. All Senior Loans involve interest rate risk, liquidity risk and credit risk, including the potential default or insolvency of the borrower.

Mortgage Dollar Rolls. The Fund may enter into mortgage dollar rolls in which the Fund 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 Fund 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 Fund is able to repurchase them. There can be no assurance that the Fund'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 Fund may purchase or sell securities with delivery or payment to occur at a later date beyond the normal settlement period. At the time the Fund enters into a commitment to purchase or sell a security, the transaction is recorded and the value of the transaction 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. At the time the Fund enters into a purchase 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 transactions from the potential inability of counterparties to meet the terms of their contracts or if the issuer does not issue the securities due to political, economic, or other factors. Additionally, losses may arise due to changes in the value of the underlying securities.

Taxes. The Fund'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 Fund's understanding of the tax rules and rates related to income, gains and transactions for the foreign jurisdictions in which it invests, the Fund will provide for foreign taxes, and where appropriate, deferred foreign taxes.

At December 31, 2010, the Fund had a net tax basis capital loss carryforward of approximately $51,528,000, which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2016 ($6,483,000) and December 31, 2017 ($45,045,000), the respective expiration dates, whichever occurs first.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the "Act") was enacted. Under the Act, net capital losses may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses. As a result of this ordering rule, pre-enactment capital loss carryforwards may expire unused, whereas under the previous rules these losses may have been utilized. This change is effective for fiscal years beginning after the date of enactment.

The Fund has reviewed the tax positions for the open tax years as of December 31, 2010 and has determined that no provision for income tax is required in the Fund's financial statements. The Fund'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 Fund, if any, are made annually. Net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to the Fund if not distributed and, therefore, will be distributed to shareholders at least annually. The Fund 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, forward currency contracts, 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 Fund may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Fund.

The tax character of current year distributions will be determined at the end of the current fiscal year.

Expenses. Expenses of the Trust arising in connection with a specific fund are allocated to that fund. Other Trust expenses which cannot be directly attributed to a fund are apportioned among the funds in the Trust.

Contingencies. In the normal course of business, the Fund may enter into contracts with service providers that contain general 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 been made. However, based on experience, the Fund 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 Fund is informed of such dividends. Realized gains and losses from investment transactions are recorded on an identified cost basis and may include proceeds from litigation. All discounts and premiums are accreted/amortized for both tax and financial reporting purposes, with the exception of securities in default of principal.

B. Derivative Instruments

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. For the six months ended June 30, 2011, the Fund bought 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 Fund securities. As a seller in the credit default swap contract, the Fund 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 Fund. In return, the Fund 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 Fund keeps the stream of payments with no payment obligations. The Fund 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 Fund 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 Fund with the occurrence of a credit event. When the Fund 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 Fund.

The value of the credit default swap is adjusted daily and the change in value, if any, is recorded daily as unrealized appreciation or depreciation in the Statement of Assets and Liabilities. An upfront payment, if any, made by the Fund is recorded as an asset in the Statement of Assets and Liabilities. An upfront payment, if any, received by the Fund is recorded as a liability in the Statement of Assets and Liabilities. Under the terms of the credit default swap contracts, the Fund 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 in 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 in the Statement of Operations.

There were no open credit default swap contracts as of June 30, 2011. For the six months ended June 30, 2011, the investment in credit default swap contracts purchased had a total notional value generally indicative of a range from $0 to approximately $15,000.

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). For the six months ended June 30, 2011, the Fund used futures contracts to gain exposure to different parts of the yield curve while managing overall duration, and to gain an exposure to a particular asset class or to keep cash on hand to meet shareholder redemptions or other needs while maintaining exposure to the stock market. In addition, the Fund seeks to enhance returns by employing a global tactical asset allocation overlay strategy by entering into futures contracts on fixed-income securities, including on bond and equity indices. For the six months ended June 30, 2011, as part of this strategy, the Fund used futures contracts to attempt to take advantage of inefficiencies within the global equity and bond markets.

Futures contracts are valued at the most recent settlement price. Upon entering into a futures contract, the Fund 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 Fund dependent upon the daily fluctuations in the value and are recorded for financial reporting purposes as unrealized gains or losses by the Fund. 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 Fund's ability to close out a futures contract prior to the settlement date and the risk that the futures contract is not well correlated with the security, index or currency to which it relates. Risk of loss may exceed amounts recognized in the Statement of Assets and Liabilities.

A summary of the open futures contracts as of June 30, 2011 is included in a table following the Fund's Investment Portfolio. For the six months ended June 30, 2011, the investment in futures contracts purchased had a total notional value generally indicative of a range from approximately $40,216,000 to $118,748,000, and the investment in futures contracts sold had a total notional value generally indicative of a range from approximately $55,224,000 to $95,480,000.

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. For the six months ended June 30, 2011, the Fund entered into forward currency contracts in order to hedge its exposure to changes in foreign currency exchange rates on its foreign currency denominated portfolio holdings, to facilitate transactions in foreign currency denominated securities and to enhance total returns. The Fund also entered into forward currency contracts as part of its global tactical asset allocation overlay strategy.

Forward currency contracts are valued at the prevailing forward exchange rate of the underlying currencies and unrealized gain (loss) is recorded daily. On the settlement date of the forward currency contract, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value of the contract at the time it was closed. 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 Fund is measured by the unrealized gain on appreciated contracts. Additionally, when utilizing forward currency contracts to hedge, the Fund 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, 2011 is included in a table following the Fund's Investment Portfolio. For the six months ended June 30, 2011, the investment in forward currency contracts short vs. US dollars had a total contract value generally indicative of a range from approximately $21,862,000 to $38,947,000, and the investment in forward currency contracts long vs. US dollars had a total contract value generally indicative of a range from approximately $29,127,000 to $33,480,000.

The following tables summarize the value of the Fund's derivative instruments held as of June 30, 2011 and the related location in the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

Asset Derivatives	**Forward Contracts**	**Future Contracts**	**Total**
Equity Contracts (a)	$ —	$ 30,950	$ 30,950
Interest Rate Contracts (a)	—	100,481	100,481
Foreign Exchange Contracts (b)	318,546	—	318,546
	$ 318,546	**$ 131,431**	**$ 449,977**

Each of the above derivatives is located in the following Statement of Assets and Liabilities accounts:

(a) *Includes cumulative appreciation of future contracts as disclosed in the Investment Portfolio. Unsettled variation margin is disclosed separately within the Statement of Assets and Liabilities.*

(b) *Unrealized appreciation on forward foreign currency exchange contracts*

Liability Derivatives	**Forward Contracts**	**Futures Contracts**	**Total**
Interest Rate Contracts (a)	$ —	$ (142,180)	$ (142,180)
Foreign Exchange Contracts (b)	(556,180)	—	(556,180)
	$ (556,180)	**$ (142,180)**	**$ (698,360)**

Each of the above derivatives is located in the following Statement of Assets and Liabilities accounts:

(a) *Includes cumulative depreciation of future contracts as disclosed in the Investment Portfolio. Unsettled variation margin is disclosed separately within the Statement of Assets and Liabilities.*

(b) *Unrealized depreciation on forward foreign currency exchange contracts*

Additionally, the amount of unrealized and realized gains and losses on derivative instruments recognized in Fund earnings during the six months ended June 30, 2011 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**	**Swap Contracts**	**Total**
Equity Contracts (a)	$ —	$ 22,771	$ —	$ 22,771
Interest Rate Contracts (a)	—	(41,082)	—	(41,082)
Credit Contracts (a)	—	—	267	267
Foreign Exchange Contracts (b)	(758,134)	—	—	(758,134)
	$ (758,134)	**$ (18,311)**	**$ 267**	**$ (776,178)**

Each of the above derivatives is located in the following Statement of Operations accounts:

(a) *Net realized gain (loss) from futures and swap contracts, 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)	Forward Contracts	Futures Contracts	Total
Equity Contracts (a)	$ —	$ (81,898)	$ (81,898)
Interest Rate Contracts (a)	—	226,827	226,827
Foreign Exchange Contracts (b)	(320,281)	—	(320,281)
	$ (320,281)	**$ 144,929**	**$ (175,352)**

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)*

C. Purchases and Sales of Securities

During the six months ended June 30, 2011, purchases and sales of investment transactions (excluding short-term investments and US Treasury obligations) aggregated $142,907,195 and $170,965,529, respectively. Purchases and sales of US Treasury obligations aggregated $8,090,148 and $7,844,852, respectively.

D. 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 Fund 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 Fund or delegates such responsibility to the Fund's subadvisor.

QS Investors, LLC ("QS Investors") acts as an investment subadvisor to the Fund. QS Investors renders strategic asset allocation services and manages the portion of assets allocated to the Fund's global tactical asset allocation overlay strategy. QS Investors is paid by the Advisor for the services QS Investors provides to the Fund.

Pursuant to a written contract with the Advisor, Deutsche Asset Management International GmbH ("DeAMi"), a direct, wholly owned subsidiary of Deutsche Bank AG, serves as a subadvisor to the Fund and is responsible for portfolio management of a portion of the large cap value allocation of the Fund. DeAMi is paid for its services by the Advisor from its fee as Investment Advisor to the Fund.

Pursuant to the Investment Management Agreement with the Advisor, the Fund pays a monthly management fee based on the Fund's average daily net assets, computed and accrued daily and payable monthly, at the following annual rates:

$0–$250 million	.370%
Next $750 million	.345%
Over $1 billion	.310%

Accordingly, for the six months ended June 30, 2011, the fee pursuant to the Investment Management Agreement was equivalent to an annualized effective rate of 0.36% of the Fund's average daily net assets.

Administration Fee. Pursuant to an Administrative Services Agreement, DIMA provides most administrative services to the Fund. For all services provided under the Administrative Services Agreement, the Fund pays DIMA an annual fee ("Administration Fee") of 0.10% of the Fund's average daily net assets, computed and accrued daily and payable monthly. For the six months ended June 30, 2011, the Administration Fee was $151,513, of which $24,296 is unpaid.

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 Fund. 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 Fund. For the six months ended June 30, 2011, the amounts charged to the Fund by DISC aggregated $226, of which $171 is unpaid.

Typesetting and Filing Service Fees. Under an agreement with DIMA, DIMA is compensated for providing typesetting and certain regulatory filing services to the Fund. For the six months ended June 30, 2011, the amount charged to the Fund by DIMA included in the Statement of Operations under "reports to shareholders" aggregated $5,612, of which $2,573 is unpaid.

Trustees' Fees and Expenses. The Fund 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 Vehicle. The Fund may invest uninvested cash balances in Central Cash Management Fund, which is managed by the Advisor. The Fund indirectly bears its proportionate share of the expenses of Central Cash Management Fund. 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.

E. Investing in High-Yield Securities

The Fund'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 Fund may invest in securities not paying current interest or in securities already in default, these risks may be more pronounced.

F. Ownership of the Fund

At June 30, 2011, three Participating Insurance Companies were owners of record of 10% or more of the total outstanding shares of the Fund, each owning 45%, 22% and 14%.

G. Line of Credit

The Fund and other affiliated funds (the "Participants") share in a $450 million revolving credit facility provided by a syndication of banks. The Fund may borrow for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated based on net assets, among each of the Participants. Interest is calculated at 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 Fund may borrow up to a maximum of 33 percent of its net assets under the agreement. The Fund had no outstanding loans at June 30, 2011.

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) 728-3337.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 3, 2010

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 2010, 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, 2008, and 2009.

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 have served 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 118 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 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

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DWS INVESTMENTS
Deutsche Bank Group

JUNE 30, 2011

SEMIANNUAL REPORT

DWS VARIABLE SERIES II

DWS Blue Chip VIP

DWS INVESTMENTS
Deutsche Bank Group

Contents

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, call (800) 728-3337 or your financial representative. We advise you to consider the Fund's objectives, risks, charges and expenses carefully before investing. The summary prospectus and prospectus contain this and other important information about the Fund. Please read the prospectus carefully before you invest.

Any Fund that focuses 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.

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

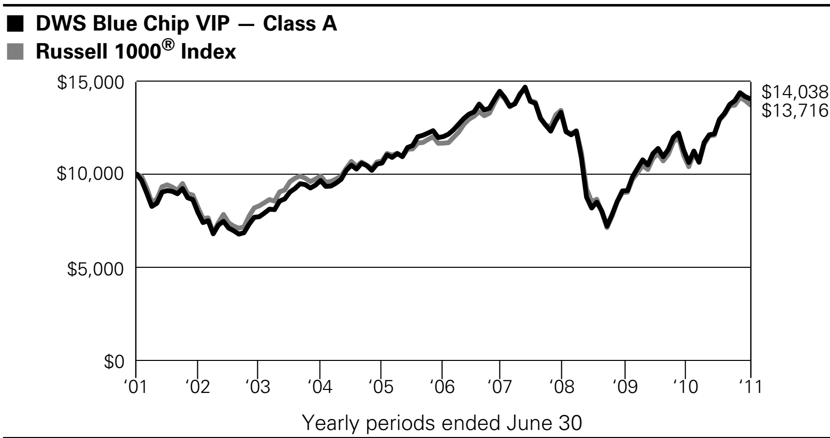
Performance Summary

June 30, 2011

Fund 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 Fund's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund 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 Fund, as stated in the fee table of the prospectus dated May 1, 2011 are 0.76% 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.

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 do not reflect any fees or expenses and 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	$10,850	$13,221	$11,441	$11,692	$14,038
	Average annual total return	8.50%	32.21%	4.59%	3.18%	3.45%
Russell 1000 Index	Growth of $10,000	$10,637	$13,193	$11,145	$11,763	$13,716
	Average annual total return	6.37%	31.93%	3.68%	3.30%	3.21%

DWS Blue Chip VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$10,839	$13,184	$11,389	$11,556	$17,544
	Average annual total return	8.39%	31.84%	4.43%	2.93%	6.45%
Russell 1000 Index	Growth of $10,000	$10,637	$13,193	$11,145	$11,763	$16,703
	Average annual total return	6.37%	31.93%	3.68%	3.30%	5.87%

The growth of $10,000 is cumulative.

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

* *The Fund commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

Information About Your Fund's Expenses

As an investor of the Fund, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Fund expenses. Examples of transaction costs include contract charges 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 Fund 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, 2011 to June 30, 2011).

The tables illustrate your Fund's expenses in two ways:

- **Actual Fund Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Fund using the Fund'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% Fund Return.** This helps you to compare your Fund's ongoing expenses (but not transaction costs) with those of other mutual funds using the Fund's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Fund return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. 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, 2011

Actual Fund Return	Class A	Class B
Beginning Account Value 1/1/11	$1,000.00	$1,000.00
Ending Account Value 6/30/11	$1,085.00	$1,083.90
Expenses Paid per $1,000*	$ 3.93	$ 5.32
Hypothetical 5% Fund Return	**Class A**	**Class B**
Beginning Account Value 1/1/11	$1,000.00	$1,000.00
Ending Account Value 6/30/11	$1,021.03	$1,019.69
Expenses Paid per $1,000*	$ 3.81	$ 5.16

* *Expenses are equal to the Fund'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	.76%	1.03%

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

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund is an investment option.

Portfolio Summary

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/11**	**12/31/10**
Common Stocks	99%	99%
Cash Equivalents*	1%	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/11**	**12/31/10**
Information Technology	17%	19%
Financials	15%	17%
Health Care	15%	14%
Industrials	12%	12%
Energy	12%	11%
Consumer Discretionary	12%	11%
Consumer Staples	7%	7%
Materials	6%	5%
Telecommunication Services	2%	2%
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 Fund invests in futures contracts.*

Asset allocation and sector diversification are subject to change.

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

Following the Fund'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. The Fund's portfolio holdings are also posted on www.dws-investments.com from time to time. Please see the Fund's current prospectus for more information.

	Shares	Value ($)
Common Stocks 98.5%		
Consumer Discretionary 11.2%		
Auto Components 0.1%		
Dana Holding Corp.*	800	14,640
TRW Automotive Holdings Corp.*	2,100	123,963
		138,603
Diversified Consumer Services 0.1%		
Weight Watchers International, Inc.	2,000	**150,940**
Hotels Restaurants & Leisure 1.4%		
Chipotle Mexican Grill, Inc.*	300	92,457
Marriott International, Inc. "A"	5,600	198,744
Wynn Resorts Ltd.	8,800	1,263,152
		1,554,353
Internet & Catalog Retail 0.8%		
Priceline.com, Inc.* (a)	1,700	**870,281**
Leisure Equipment & Products 0.1%		
Polaris Industries, Inc.	500	**55,585**
Media 5.0%		
CBS Corp. "B"	59,800	1,703,702
Comcast Corp. "A"	77,500	1,963,850
McGraw-Hill Companies, Inc.	3,000	125,730
Omnicom Group, Inc.	1,500	72,240
Time Warner, Inc. (a)	22,033	801,340
Viacom, Inc. "B"	18,300	933,300
		5,600,162
Multiline Retail 1.3%		
Dillard's, Inc. "A" (a)	22,108	1,152,711
Macy's, Inc.	11,500	336,260
		1,488,971
Specialty Retail 1.5%		
Aaron's, Inc.	1,700	48,042
Abercrombie & Fitch Co. "A"	1,200	80,304
Bed Bath & Beyond, Inc.*	1,600	93,392
Dick's Sporting Goods, Inc.*	3,700	142,265
Foot Locker, Inc.	2,900	68,904
Limited Brands, Inc.	13,700	526,765
TJX Companies, Inc.	14,300	751,179
Tractor Supply Co.	200	13,376
		1,724,227
Textiles, Apparel & Luxury Goods 0.9%		
VF Corp.	9,600	**1,042,176**
Consumer Staples 6.9%		
Beverages 0.2%		
Coca-Cola Enterprises, Inc.	6,900	**201,342**
Food & Staples Retailing 2.0%		
Costco Wholesale Corp.	10,300	836,772
Kroger Co.	11,600	287,680
Safeway, Inc. (a)	25,800	602,946
Walgreen Co.	9,600	407,616
Whole Foods Market, Inc. (a)	2,200	139,590
		2,274,604
Food Products 2.2%		
ConAgra Foods, Inc.	2,800	72,268
Corn Products International, Inc.	2,800	154,784
Fresh Del Monte Produce, Inc.	5,500	146,685
Hormel Foods Corp.	6,500	193,765
Smithfield Foods, Inc.*	7,300	159,651

	Shares	Value ($)
The Hershey Co.	10,700	608,295
The JM Smucker Co.	600	45,864
Tyson Foods, Inc. "A" (a)	57,300	1,112,766
		2,494,078
Household Products 0.2%		
Church & Dwight Co., Inc.	1,000	40,540
Colgate-Palmolive Co.	2,800	244,748
		285,288
Personal Products 0.6%		
Herbalife Ltd.	11,700	**674,388**
Tobacco 1.7%		
Lorillard, Inc.	1,800	195,966
Philip Morris International, Inc.	25,100	1,675,927
		1,871,893
Energy 11.8%		
Energy Equipment & Services 0.6%		
Complete Production Services, Inc.*	10,800	360,288
National Oilwell Varco, Inc.	2,600	203,346
Patterson-UTI Energy, Inc. (a)	3,800	120,118
		683,752
Oil, Gas & Consumable Fuels 11.2%		
Anadarko Petroleum Corp.	7,000	537,320
Chevron Corp.	25,700	2,642,988
ConocoPhillips	31,600	2,376,004
CVR Energy, Inc.*	6,600	162,492
Devon Energy Corp.	3,300	260,073
Exxon Mobil Corp.	21,900	1,782,222
Hess Corp.	7,100	530,796
Marathon Oil Corp.	33,800	1,780,584
Murphy Oil Corp.	8,800	577,808
Stone Energy Corp.*	1,400	42,546
Tesoro Corp.*	14,200	325,322
Valero Energy Corp.	55,700	1,424,249
W&T Offshore, Inc.	2,700	70,524
		12,512,928
Financials 15.0%		
Capital Markets 0.8%		
American Capital Ltd.*	11,800	117,174
BlackRock, Inc.	800	153,448
Franklin Resources, Inc. (a)	4,800	630,192
		900,814
Commercial Banks 2.8%		
KeyCorp	74,000	616,420
M&T Bank Corp. (a)	1,700	149,515
Marshall & Ilsley Corp.	11,600	92,452
Regions Financial Corp.	41,700	258,540
SunTrust Banks, Inc.	57,700	1,488,660
Zions Bancorp. (a)	21,600	518,616
		3,124,203
Consumer Finance 2.5%		
Capital One Financial Corp.	33,300	1,720,611
Discover Financial Services	41,700	1,115,475
		2,836,086
Diversified Financial Services 2.7%		
CME Group, Inc. "A"	900	262,431
JPMorgan Chase & Co.	61,800	2,530,092
The NASDAQ OMX Group, Inc.* (a)	8,300	209,990
		3,002,513

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

	Shares	Value ($)
Insurance 5.0%		
ACE Ltd.	11,900	783,258
Allied World Assurance Co. Holding, AG	3,700	213,046
American International Group, Inc.* (a)	26,100	765,252
Chubb Corp.	13,900	870,279
Hartford Financial Services Group, Inc.	9,900	261,063
Lincoln National Corp.	2,000	56,980
Progressive Corp.	9,700	207,386
Prudential Financial, Inc.	5,400	343,386
Reinsurance Group of America, Inc.	2,000	121,720
RenaissanceRe Holdings Ltd. (a)	600	41,970
The Travelers Companies, Inc.	33,600	1,961,568
		5,625,908
Real Estate Investment Trusts 1.0%		
HCP, Inc. (REIT)	1,900	69,711
Public Storage (REIT)	3,200	364,832
Rayonier, Inc. (REIT)	3,500	228,725
Vornado Realty Trust (REIT)	5,200	484,536
		1,147,804
Thrifts & Mortgage Finance 0.2%		
People's United Financial, Inc. (a)	13,800	**185,472**
Health Care 14.9%		
Biotechnology 1.9%		
Biogen Idec, Inc.*	13,900	1,486,188
Cephalon, Inc.*	8,300	663,170
		2,149,358
Health Care Providers & Services 6.7%		
Aetna, Inc.	4,900	216,041
AmerisourceBergen Corp. (a)	11,800	488,520
Cardinal Health, Inc.	12,800	581,376
CIGNA Corp.	7,600	390,868
Coventry Health Care, Inc.*	22,900	835,163
Health Net, Inc.*	2,900	93,061
Humana, Inc.	20,700	1,667,178
McKesson Corp.	2,600	217,490
UnitedHealth Group, Inc.	47,000	2,424,260
WellPoint, Inc.	7,000	551,390
		7,465,347
Pharmaceuticals 6.3%		
Bristol-Myers Squibb Co.	56,000	1,621,760
Eli Lilly & Co.	48,400	1,816,452
Endo Pharmaceuticals Holdings, Inc.*	5,400	216,918
Forest Laboratories, Inc.*	38,300	1,506,722
Johnson & Johnson	2,400	159,648
Medicis Pharmaceutical Corp. "A"	4,000	152,680
Merck & Co., Inc.	28,200	995,178
Par Pharmaceutical Companies, Inc.*	5,800	191,284
Pfizer, Inc.	10,000	206,000
Warner Chilcott PLC "A"	4,000	96,520
Watson Pharmaceuticals, Inc.*	1,700	116,841
		7,080,003
Industrials 12.4%		
Aerospace & Defense 4.7%		
General Dynamics Corp.	12,700	946,404
Honeywell International, Inc.	17,000	1,013,030
Lockheed Martin Corp.	4,600	372,462
Northrop Grumman Corp.	26,600	1,844,710
Raytheon Co.	12,476	621,929
United Technologies Corp.	5,500	486,805
		5,285,340
Air Freight & Logistics 0.8%		
FedEx Corp.	9,600	**910,560**
Airlines 0.4%		
Alaska Air Group, Inc.*	4,200	287,532
Southwest Airlines Co.	12,500	142,750
		430,282
Commercial Services & Supplies 0.2%		
R.R. Donnelley & Sons Co. (a)	13,200	**258,852**
Construction & Engineering 0.5%		
EMCOR Group, Inc.*	4,800	140,688
Fluor Corp.	3,400	219,844
KBR, Inc.	4,700	177,143
		537,675
Industrial Conglomerates 0.9%		
General Electric Co.	12,300	231,978
Tyco International Ltd.	16,000	790,880
		1,022,858
Machinery 3.0%		
Caterpillar, Inc.	19,800	2,107,908
Cummins, Inc.	2,900	300,121
Dover Corp.	1,300	88,140
Eaton Corp.	13,800	710,010
Joy Global, Inc.	1,900	180,956
Oshkosh Corp.*	500	14,470
		3,401,605
Professional Services 0.2%		
Manpower, Inc.	3,200	**171,680**
Road & Rail 1.1%		
CSX Corp.	8,100	212,382
Norfolk Southern Corp.	2,900	217,297
Ryder System, Inc.	13,800	784,530
		1,214,209
Trading Companies & Distributors 0.6%		
W.W. Grainger, Inc.	4,200	**645,330**
Information Technology 16.9%		
Communications Equipment 0.4%		
Motorola Solutions, Inc.*	3,700	170,348
Polycom, Inc.*	1,900	122,170
Riverbed Technology, Inc.*	1,800	71,262
Telefonaktiebolaget LM Ericsson (ADR)	7,200	103,536
		467,316
Computers & Peripherals 2.6%		
Apple, Inc.*	3,500	1,174,845
Dell, Inc.*	33,400	556,778
Lexmark International, Inc. "A"*	13,600	397,936
SanDisk Corp.*	4,500	186,750
Western Digital Corp.*	16,100	585,718
		2,902,027
Electronic Equipment, Instruments & Components 3.1%		
Anixter International, Inc. (a)	3,000	196,020
Arrow Electronics, Inc.*	21,200	879,800
Avnet, Inc.*	12,000	382,560
Ingram Micro, Inc. "A"* (a)	11,800	214,052
Jabil Circuit, Inc.	1,500	30,300
TE Connectivity Ltd.	16,700	613,892

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

	Shares	Value ($)
Tech Data Corp.* (a)	10,100	493,789
Vishay Intertechnology, Inc.* (a)	41,400	622,656
		3,433,069
Internet Software & Services 0.8%		
AOL, Inc.* (a)	9,900	196,614
IAC/InterActiveCorp.* (a)	18,400	702,328
		898,942
IT Services 5.2%		
Automatic Data Processing, Inc. (a)	21,600	1,137,888
Computer Sciences Corp.	22,136	840,283
Fiserv, Inc.*	5,500	344,465
International Business Machines Corp.	20,300	3,482,465
SAIC, Inc.*	3,400	57,188
VeriFone Systems, Inc.*	600	26,610
		5,888,899
Semiconductors & Semiconductor Equipment 2.0%		
Altera Corp.	19,200	889,920
Analog Devices, Inc.	8,300	324,862
Applied Materials, Inc.	11,200	145,712
Cypress Semiconductor Corp.*	3,900	82,446
GT Solar International, Inc.* (a)	15,100	244,620
Intel Corp.	11,000	243,760
Micron Technology, Inc.*	29,300	219,164
NVIDIA Corp.* (a)	8,100	129,073
		2,279,557
Software 2.8%		
Activision Blizzard, Inc.	14,300	167,024
CA, Inc.	2,600	59,384
Citrix Systems, Inc.*	200	16,000
Oracle Corp.	73,300	2,412,303
Symantec Corp.*	12,300	242,556
TIBCO Software, Inc.*	7,100	206,042
		3,103,309
Materials 5.8%		
Chemicals 3.6%		
Dow Chemical Co.	27,200	979,200
E.I. du Pont de Nemours & Co.	30,300	1,637,715
Eastman Chemical Co.	4,800	489,936
Georgia Gulf Corp.*	1,400	33,796
Lubrizol Corp.	200	26,854
OM Group, Inc.*	500	20,320
Potash Corp. of Saskatchewan, Inc.	2,700	153,873
PPG Industries, Inc.	3,700	335,923
Rockwood Holdings, Inc.*	3,500	193,515
Westlake Chemical Corp. (a)	2,200	114,180
		3,985,312
Metals & Mining 1.0%		
Barrick Gold Corp.	15,400	697,466
Cliffs Natural Resources, Inc.	4,700	434,515
		1,131,981
Paper & Forest Products 1.2%		
Domtar Corp.	6,900	653,568
International Paper Co.	22,200	662,004
MeadWestvaco Corp.	900	29,979
		1,345,551
Telecommunication Services 2.1%		
Diversified Telecommunication Services 2.0%		
AT&T, Inc.	8,500	266,985
Verizon Communications, Inc.	53,500	1,991,805
		2,258,790
Wireless Telecommunication Services 0.1%		
Vodafone Group PLC (ADR)	3,400	**90,848**
Utilities 1.5%		
Electric Utilities 0.5%		
Duke Energy Corp. (a)	27,100	510,293
Pepco Holdings, Inc.	3,000	58,890
		569,183
Independent Power Producers & Energy Traders 0.8%		
NRG Energy, Inc.* (a)	36,108	**887,535**
Multi-Utilities 0.2%		
Ameren Corp. (a)	9,000	**259,560**
Total Common Stocks (Cost $95,070,858)		**110,521,349**

Securities Lending Collateral 10.5%

Daily Assets Fund Institutional, 0.13% (b) (c) (Cost $11,794,940)	11,794,940	**11,794,940**

Cash Equivalents 1.4%

Central Cash Management Fund, 0.11% (b) (Cost $1,529,877)	1,529,877	**1,529,877**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $108,395,675)†	110.4	**123,846,166**
Other Assets and Liabilities, Net (a)	(10.4)	**(11,678,224)**
Net Assets	100.0	**112,167,942**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $109,348,446. At June 30, 2011, net unrealized appreciation for all securities based on tax cost was $14,497,720. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $16,473,451 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $1,975,731.*

(a) *All or a portion of these securities were on loan amounting to $11,626,913. In addition, included in other assets and liabilities, net is a pending sale, amounting to $14,903, that is also on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2011 amounted to $11,641,816, which is 10.4% 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 Fund is net of borrower rebates.*

ADR: American Depositary Receipt

REIT: Real Estate Investment Trust

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

At June 30, 2011, open futures contracts purchased were as follows:

Futures	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Appreciation ($)
S&P 500 E-Mini Index	USD	9/16/2011	23	1,512,825	**53,820**

Currency Abbreviation	
USD	United States Dollar

Fair Value Measurements

Various inputs are used in determining the value of the Fund'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 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, 2011 in valuing the Fund's investments. For information on the Fund'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)	$ 110,521,349	$ —	$ —	$ 110,521,349
Short-Term Investments (d)	13,324,817	—	—	13,324,817
Derivatives (e)	53,820	—	—	53,820
Total	**$ 123,899,986**	**$ —**	**$ —**	**$ 123,899,986**

There have been no transfers between Level 1 and Level 2 fair value measurements during the period ended June 30, 2011.

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

(e) *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, 2011 (Unaudited)

Assets		
Investments:		
Investments in non-affiliated securities, at value (cost $95,070,858) — including $11,626,913 of securities loaned	$	110,521,349
Investment in Daily Assets Fund Institutional (cost $11,794,940)*		11,794,940
Investment in Central Cash Management Fund (cost $1,529,877)		1,529,877
Total investments in securities, at value (cost $108,395,675)		123,846,166
Foreign currency, at value (cost $2,134)		2,302
Deposit with brokers for futures contracts		102,283
Receivable for investments sold		65,795
Receivable for Fund shares sold		4,984
Receivable for variation margin on futures contracts		53,820
Dividends receivable		132,493
Interest receivable		392
Other assets		672
Total assets		124,208,907

Liabilities		
Cash overdraft		53,750
Payable upon return of securities loaned		11,794,940
Payable for Fund shares redeemed		99,254
Accrued management fee		49,455
Other accrued expenses and payables		43,566
Total liabilities		12,040,965
Net assets, at value	**$**	**112,167,942**

Net Assets Consist of		
Undistributed net investment income		524,401
Net unrealized appreciation (depreciation) on:		
Investments		15,450,491
Futures		53,820
Foreign currency		168
Accumulated net realized gain (loss)		(40,972,932)
Paid-in capital		137,111,994
Net assets, at value	**$**	**112,167,942**
Class A **Net Asset Value,** offering and redemption price per share ($111,995,123 ÷ 9,792,989 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**11.44**
Class B **Net Asset Value,** offering and redemption price per share ($172,819 ÷ 15,046 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**11.49**

* *Represents collateral of securities loaned.*

Statement of Operations

for the six months ended June 30, 2011 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $455)	$	976,208
Interest		13
Income distributions — Central Cash Management Fund		804
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		11,768
Total income		988,793
Expenses:		
Management fee		312,274
Administration fee		56,191
Services to shareholders		1,178
Distribution service fee (Class B)		215
Custodian fee		9,654
Legal fees		4,193
Audit and tax fees		25,008
Reports to shareholders		12,369
Trustees' fees and expenses		2,685
Other		4,561
Total expenses		428,328
Net investment income (loss)		**560,465**

Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		8,581,437
Futures		137,064
		8,718,501
Change in net unrealized appreciation (depreciation) on:		
Investments		(181,019)
Futures		38,602
Foreign currency		69
		(142,348)
Net gain (loss)		**8,576,153**
Net increase (decrease) in net assets resulting from operations	**$**	**9,136,618**

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, 2011 (Unaudited)	Year Ended December 31, 2010
Operations:		
Net investment income (loss)	$ 560,465	$ 1,225,775
Net realized gain (loss)	8,718,501	11,654,348
Change in net unrealized appreciation (depreciation)	(142,348)	528,773
Net increase (decrease) in net assets resulting from operations	9,136,618	13,408,896
Distributions to shareholders from:		
Net investment income:		
Class A	(1,181,666)	(1,575,913)
Class B	(1,333)	(1,920)
Total distributions	(1,182,999)	(1,577,833)
Fund share transactions:		
Class A		
Proceeds from shares sold	5,545,578	4,447,701
Reinvestment of distributions	1,181,666	1,575,913
Payments for shares redeemed	(11,166,281)	(20,221,768)
Net increase (decrease) in net assets from Class A share transactions	(4,439,037)	(14,198,154)
Class B		
Proceeds from shares sold	133	1,931
Reinvestment of distributions	1,333	1,920
Payments for shares redeemed	(7,805)	(19,529)
Net increase (decrease) in net assets from Class B share transactions	(6,339)	(15,678)
Increase (decrease) in net assets	3,508,243	(2,382,769)
Net assets at beginning of period	108,659,699	111,042,468
Net assets at end of period (including undistributed net investment income of $524,401 and $1,146,935, respectively)	**$ 112,167,942**	**$ 108,659,699**

Other Information		
Class A		
Shares outstanding at beginning of period	10,190,728	11,688,302
Shares sold	496,243	457,619
Shares issued to shareholders in reinvestment of distributions	101,084	153,448
Shares redeemed	(995,066)	(2,108,641)
Net increase (decrease) in Class A shares	(397,739)	(1,497,574)
Shares outstanding at end of period	**9,792,989**	**10,190,728**
Class B		
Shares outstanding at beginning of period	15,598	17,241
Shares sold	12	199
Shares issued to shareholders in reinvestment of distributions	113	186
Shares redeemed	(677)	(2,028)
Net increase (decrease) in Class B shares	(552)	(1,643)
Shares outstanding at end of period	**15,046**	**15,598**

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

Financial Highlights

Class A	Six Months Ended 6/30/11 (Unaudited)	2010	Years Ended December 31, 2009	2008	2007	2006
Selected Per Share Data						
Net asset value, beginning of period	**$10.65**	**$ 9.49**	**$ 7.25**	**$14.65**	**$16.17**	**$14.88**
Income (loss) from investment operations:						
Net investment income[a]	.06	.11	.12	.12	.17	.17[c]
Net realized and unrealized gain (loss)	.85	1.19	2.27	(4.97)	.36	2.07
Total from investment operations	.91	1.30	2.39	(4.85)	.53	2.24
Less distributions from:						
Net investment income	(.12)	(.14)	(.15)	(.21)	(.18)	(.14)
Net realized gains	—	—	—	(2.34)	(1.87)	(.81)
Total distributions	(.12)	(.14)	(.15)	(2.55)	(2.05)	(.95)
Net asset value, end of period	**$11.44**	**$10.65**	**$ 9.49**	**$ 7.25**	**$14.65**	**$16.17**
Total Return (%)	8.50**	13.77	33.97	(38.49)[b]	3.50	15.65[c]
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	112	108	111	106	242	314
Ratio of expenses before expense reductions (%)	.76*	.76	.75	.76	.71	.71
Ratio of expenses after expense reductions (%)	.76*	.76	.75	.76	.71	.71
Ratio of net investment income (%)	1.00*	1.16	1.54	1.12	1.13	1.12[c]
Portfolio turnover rate (%)	99**	146	82	127	275	226

a *Based on average shares outstanding during the period.*
b *Total return would have been lower had certain expenses not been reduced.*
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.*
* *Annualized* ** *Not annualized*

Class B	Six Months Ended 6/30/11 (Unaudited)	2010	Years Ended December 31, 2009	2008	2007	2006
Selected Per Share Data						
Net asset value, beginning of period	**$10.68**	**$ 9.51**	**$ 7.26**	**$14.61**	**$16.12**	**$14.83**
Income (loss) from investment operations:						
Net investment income[a]	.04	.09	.10	.04	.11	.11[c]
Net realized and unrealized gain (loss)	.86	1.19	2.27	(4.89)	.36	2.07
Total from investment operations	.90	1.28	2.37	(4.85)	.47	2.18
Less distributions from:						
Net investment income	(.09)	(.11)	(.12)	(.16)	(.11)	(.08)
Net realized gains	—	—	—	(2.34)	(1.87)	(.81)
Total distributions	(.09)	(.11)	(.12)	(2.50)	(1.98)	(.89)
Net asset value, end of period	**$11.49**	**$10.68**	**$ 9.51**	**$ 7.26**	**$14.61**	**$16.12**
Total Return (%)	8.39**	13.55	33.46	(38.48)[b]	3.15	15.19[c]
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	.17	.17	.16	.13	11	46
Ratio of expenses before expense reductions (%)	1.03*	1.02	1.02	1.22	1.09	1.09
Ratio of expenses after expense reductions (%)	1.03*	1.02	1.02	1.21	1.09	1.09
Ratio of net investment income (%)	.73*	.90	1.27	.67	.75	.74[c]
Portfolio turnover rate (%)	99**	146	82	127	275	226

a *Based on average shares outstanding during the period.*
b *Total return would have been lower had certain expenses not been reduced.*
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.*
* *Annualized* ** *Not annualized*

Notes to Financial Statements (Unaudited)

A. Organization and Significant Accounting Policies

DWS Blue Chip VIP (the "Fund") is a diversified series of DWS Variable Series II (the "Trust"), which 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.

Multiple Classes of Shares of Beneficial Interest. The Fund offers two classes of shares (Class A shares and Class B shares). Sales of Class B shares are subject to recordkeeping 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 Fund. Class A shares are not subject to such fees.

Investment income, realized and unrealized gains and losses, and certain fund-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 recordkeeping 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 Fund'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 Fund 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 Fund'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 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.

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 categorized 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.

Futures contracts are generally valued at the settlement prices established each day on the exchange on which they are traded 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 Fund'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 Fund's Investment Portfolio.

Foreign Currency Translations. The books and records of the Fund 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 acquisition and disposition of 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 Fund lends securities to certain financial institutions. The Fund 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 Fund requires the borrowers of the securities to maintain collateral with the Fund 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 Fund 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 Fund 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 Fund 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 Fund 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.

Federal Income Taxes. The Fund'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, 2010, the Fund had a net tax basis capital loss carryforward of approximately $48,723,000, which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2016 ($15,813,000) and December 31, 2017 ($32,910,000), the respective expiration dates, whichever occurs first.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the "Act") was enacted. Under the Act, net capital losses may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses. As a result of this ordering rule, pre-enactment capital loss carryforwards may expire unused, whereas under the previous rules these losses may have been utilized. This change is effective for fiscal years beginning after the date of enactment.

The Fund has reviewed the tax positions for the open tax years as of December 31, 2010 and has determined that no provision for income tax is required in the Fund's financial statements. The Fund'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 Fund, 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 Fund if not distributed and, therefore, will be distributed to shareholders at least annually. The Fund 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 Fund may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Fund.

The tax character of current year distributions will be determined at the end of the current fiscal year.

Expenses. Expenses of the Trust arising in connection with a specific fund are allocated to that fund. Other Trust expenses which cannot be directly attributed to a fund are apportioned among the funds in the Trust.

Contingencies. In the normal course of business, the Fund may enter into contracts with service providers that contain general 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 been made. However, based on experience, the Fund 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 and may include proceeds from litigation.

B. Derivative Instruments

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). For the six months ended June 30, 2011, the Fund used 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 Fund 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 Fund dependent upon the daily fluctuations in the value and are recorded for financial reporting purposes as unrealized gains or losses by the Fund. 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 Fund's ability to close out a futures contract prior to the settlement date and the risk that the futures contract is not well correlated with the security, index or currency to which it relates. Risk of loss may exceed amounts recognized in the Statement of Assets and Liabilities.

A summary of the open futures contracts as of June 30, 2011 is included in a table following the Fund's Investment Portfolio. For the six months ended June 30, 2011, the Fund's investment in futures contracts purchased had a total notional value generally indicative of a range from approximately $1,065,000 to $1,585,000.

The following table summarizes the value of the Fund's derivative instruments held as of June 30, 2011 and the related location in the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

Asset Derivative	**Futures Contracts**
Equity Contracts (a)	$ 53,820

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

(a) *Includes cumulative appreciation of futures contracts as disclosed in the Investment Portfolio. Unsettled variation margin is disclosed separately within the Statement of Assets and Liabilities.*

Additionally, the amount of unrealized and realized gains and losses on derivative instruments recognized in Fund earnings during the six months ended June 30, 2011 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)	$ 137,064

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)	$ 38,602

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

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

C. Purchases and Sales of Securities

During the six months ended June 30, 2011, purchases and sales of investment transactions (excluding short-term investments) aggregated $111,920,772 and $117,166,748, respectively.

D. 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 Fund 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 Fund or delegates such responsibility to the Fund's subadvisor.

QS Investors, LLC ("QS Investors") serves as subadvisor. As a subadvisor to the Fund, QS Investors makes investment decisions and buys and sells securities for the Fund. QS Investors is paid by the Advisor for the services QS Investors provides to the Fund.

Pursuant to the Investment Management Agreement with the Advisor, the Fund pays a monthly management fee based on the Fund's average daily net assets, computed and accrued daily and payable monthly, at the following annual rates:

$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%

Accordingly, for the six months ended June 30, 2011, the fee pursuant to the Investment Management Agreement was equivalent to an annualized effective rate of 0.55% of the Fund's average daily net assets.

Administration Fee. Pursuant to an Administrative Services Agreement, DIMA provides most administrative services to the Fund. For all services provided under the Administrative Services Agreement, the Fund pays DIMA an annual fee ("Administration Fee") of 0.10% of the Fund's average daily net assets, computed and accrued daily and payable monthly. For the six months ended June 30, 2011, the Administration Fee was $56,191, of which $8,992 is unpaid.

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 Fund. 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 Fund. For the six months ended June 30, 2011, the amounts charged to the Fund by DISC were as follows:

Services to Shareholders	**Total Aggregated ($)**	**Unpaid at June 30, 2011**
Class A	$ 110	$ 78
Class B	12	6
	$ 122	**$ 84**

Distribution Service Agreement. Under the Fund'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, 2011, the Distribution Service Fee aggregated $215, of which $196 is unpaid.

Typesetting and Filing Service Fees. Under an agreement with DIMA, DIMA is compensated for providing typesetting and certain regulatory filing services to the Fund. For the six months ended June 30, 2011, the amount charged to the Fund by DIMA included in the Statement of Operations under "reports to shareholders" aggregated $6,587, of which $624 is unpaid.

Trustees' Fees and Expenses. The Fund 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 Vehicle. The Fund may invest uninvested cash balances in Central Cash Management Fund, which is managed by the Advisor. The Fund indirectly bears its proportionate share of the expenses of Central Cash Management Fund. 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.

E. Ownership of the Fund

At June 30, 2011, two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Fund, each owning 52% and 37%. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Fund, owning 100%.

F. Line of Credit

The Fund and other affiliated funds (the "Participants") share in a $450 million revolving credit facility provided by a syndication of banks. The Fund may borrow for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated based on net assets, among each of the Participants. Interest is calculated at 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 Fund may borrow up to a maximum of 33 percent of its net assets under the agreement. The Fund had no outstanding loans at June 30, 2011.

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) 728-3337.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 3, 2010

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 2010, 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, 2008, and 2009.

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 have served 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 118 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 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

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VS2BC-3 (R-023290-1 8/11)

DWS
INVESTMENTS
Deutsche Bank Group

JUNE 30, 2011

SEMIANNUAL REPORT

DWS VARIABLE SERIES II

DWS Core Fixed Income VIP

DWS INVESTMENTS
Deutsche Bank Group

Contents

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, call (800) 728-3337 or your financial representative. We advise you to consider the Fund's objectives, risks, charges and expenses carefully before investing. The summary prospectus and prospectus contain this and other important information about the Fund. Please read the prospectus carefully before you invest.

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.

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

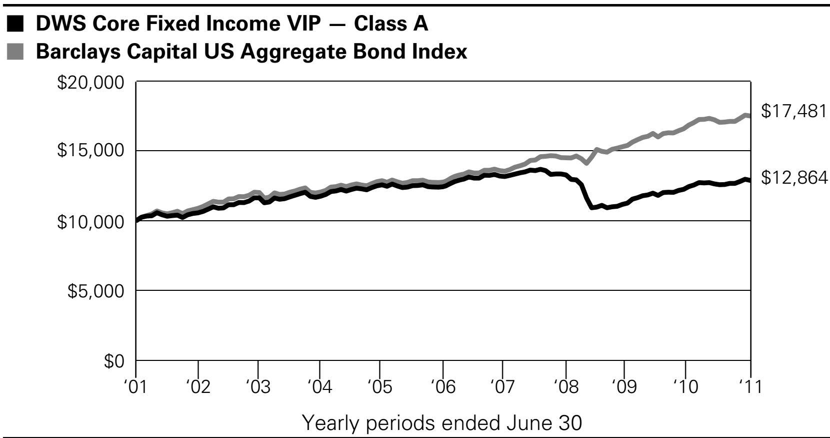
Performance Summary

June 30, 2011

Fund 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 Fund's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund is an investment option. These charges and fees will reduce returns.

The gross expense ratios of the Fund, as stated in the fee table of the prospectus dated May 1, 2011 is 0.72% for Class A shares, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

Growth of an Assumed $10,000 Investment in DWS Core Fixed Income VIP



Barclays Capital US Aggregate Bond Index is an unmanaged index representing domestic taxable investment-grade bonds, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities with average maturities of one year or more.

Index returns do not reflect any fees or expenses and 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	$10,241	$10,360	$9,701	$10,364	$12,864
	Average annual total return	2.41%	3.60%	–1.01%	0.72%	2.55%
Barclays Capital US Aggregate Bond Index	Growth of $10,000	$10,272	$10,390	$12,065	$13,715	$17,481
	Average annual total return	2.72%	3.90%	6.46%	6.52%	5.74%

The growth of $10,000 is cumulative.

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

Information About Your Fund's Expenses

As an investor of the Fund, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, and other Fund expenses. Examples of transaction costs include contract charges 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 Fund 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 Fund 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, 2011 to June 30, 2011).

- **Actual Fund Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Fund using the Fund'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% Fund Return.** This helps you to compare your Fund's ongoing expenses (but not transaction costs) with those of other mutual funds using the Fund's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Fund return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. 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, 2011

Actual Fund Return	**Class A**
Beginning Account Value 1/1/11	$1,000.00
Ending Account Value 6/30/11	$1,024.10
Expenses Paid per $1,000*	$ 3.56

Hypothetical 5% Fund Return	**Class A**
Beginning Account Value 1/1/11	$1,000.00
Ending Account Value 6/30/11	$1,021.27
Expenses Paid per $1,000*	$ 3.56

* *Expenses are equal to the Fund'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	.71%

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

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund is an investment option.

Portfolio Summary

Asset Allocation (As a % of Net Assets)	**6/30/11**	**12/31/10**
Corporate Bonds	31%	29%
Mortgage-Backed Securities Pass-Throughs	26%	38%
Government & Agency Obligations	16%	34%
Commercial Mortgage-Backed Securities	13%	9%
Municipal Bonds and Notes	7%	8%
Collateralized Mortgage Obligations	4%	2%
Asset-Backed	3%	2%
Cash Equivalents and Other Assets and Liabilities, net	0%	(22)%
	100%	100%

Quality (Excludes Cash Equivalents and Securities Lending Collateral)	**6/30/11**	**12/31/10**
US Government and Agencies	41%	59%
AAA	8%	3%
AA	7%	7%
A	17%	13%
BBB	21%	15%
BB	1%	2%
B	1%	—
Not Rated	4%	1%
	100%	100%

Interest Rate Sensitivity	**6/30/11**	**12/31/10**
Effective Maturity	7.7 years	7.0 years
Effective Duration	5.4 years	5.0 years

Asset allocation and Interest Rate Sensitivity are subject to change.

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

Effective duration is an approximate measure of the Fund's sensitivity to interest rate changes taking into consideration any maturity shortening features.

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 Fund's credit quality does not remove market risk and is subject to change.

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

Following the Fund'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. The Fund's portfolio holdings are also posted on www.dws-investments.com from time to time. Please see the Fund's current prospectus for more information.

	Principal Amount ($)	Value ($)
Corporate Bonds 31.0%		
Consumer Discretionary 4.5%		
AMC Entertainment, Inc., 8.75%, 6/1/2019	143,000	150,865
CBS Corp., 5.9%, 10/15/2040	380,000	363,711
CCO Holdings LLC, 7.0%, 1/15/2019	400,000	412,000
Comcast Cable Holdings LLC, 10.125%, 4/15/2022	180,000	248,965
DIRECTV Holdings LLC:		
3.125%, 2/15/2016	200,000	202,901
6.35%, 3/15/2040	312,000	328,197
Home Depot, Inc.:		
5.4%, 9/15/2040	175,000	166,867
5.875%, 12/16/2036	75,000	76,759
MGM Resorts International, 9.0%, 3/15/2020	500,000	547,500
NBCUniversal Media LLC, 144A, 5.95%, 4/1/2041	172,000	174,905
Time Warner, Inc.:		
6.2%, 3/15/2040	250,000	256,119
7.625%, 4/15/2031	250,000	299,945
Yum! Brands, Inc.:		
3.875%, 11/1/2020	300,000	291,200
5.3%, 9/15/2019	100,000	107,487
		3,627,421
Consumer Staples 2.4%		
Anheuser-Busch InBev Worldwide, Inc., 7.75%, 1/15/2019	400,000	503,218
CVS Caremark Corp., 5.75%, 5/15/2041	190,000	186,815
Kellogg Co., 4.0%, 12/15/2020	200,000	199,700
Kraft Foods, Inc., 5.375%, 2/10/2020	825,000	901,888
Kroger Co., 5.4%, 7/15/2040	150,000	144,140
		1,935,761
Energy 3.6%		
DCP Midstream LLC, 144A, 9.75%, 3/15/2019	280,000	365,953
Enterprise Products Operating LLC, 4.6%, 8/1/2012	500,000	519,288
Kinder Morgan Energy Partners LP, 6.5%, 9/1/2039	300,000	311,514
ONEOK Partners LP, 6.15%, 10/1/2016	321,000	369,357
Plains All American Pipeline LP, 8.75%, 5/1/2019	350,000	440,307
Weatherford International Ltd., 5.125%, 9/15/2020	550,000	561,562
Williams Partners LP, 4.125%, 11/15/2020	360,000	345,561
		2,913,542
Financials 12.4%		
American Express Co., 7.0%, 3/19/2018	700,000	823,786
Bank of America Corp.:		
5.65%, 5/1/2018	865,000	911,996
6.5%, 8/1/2016	80,000	89,220
Bunge Ltd. Finance Corp., 4.1%, 3/15/2016	145,000	151,042
Citigroup, Inc., 5.375%, 8/9/2020	800,000	834,851
CNA Financial Corp., 5.75%, 8/15/2021	553,000	571,022
Fifth Third Bancorp., 5.45%, 1/15/2017	430,000	460,583
General Electric Capital Corp., 5.3%, 2/11/2021	285,000	296,555
Hartford Financial Services Group, Inc., 5.95%, 10/15/2036	270,000	254,236
JPMorgan Chase & Co., 5.125%, 9/15/2014	800,000	864,519
KeyCorp, 5.1%, 3/24/2021	300,000	305,548
Lincoln National Corp., 8.75%, 7/1/2019	350,000	441,664
MetLife, Inc., 7.717%, 2/15/2019	395,000	478,117
Morgan Stanley, 5.75%, 1/25/2021	400,000	404,732
National Rural Utilities Cooperative Finance Corp., 10.375%, 11/1/2018	200,000	276,985
Nationwide Financial Services, Inc., 144A, 5.375%, 3/25/2021	183,000	183,812
Nordea Bank AB, 144A, 4.875%, 5/13/2021	350,000	336,130
PNC Funding Corp., 5.25%, 11/15/2015	450,000	490,325
Prudential Financial, Inc.:		
Series B, 5.1%, 9/20/2014	130,000	141,333
6.2%, 1/15/2015	90,000	100,758
7.375%, 6/15/2019	50,000	59,295
Royal Bank of Scotland PLC, 6.125%, 1/11/2021	325,000	333,162
SunTrust Banks, Inc., 3.6%, 4/15/2016	150,000	151,455
The Goldman Sachs Group, Inc., 6.0%, 6/15/2020	550,000	591,793
Wells Fargo & Co., 4.6%, 4/1/2021	475,000	477,637
		10,030,556
Health Care 2.6%		
Amgen, Inc., 5.65%, 6/15/2042	156,000	156,253
Express Scripts, Inc.:		
6.25%, 6/15/2014	205,000	230,855
7.25%, 6/15/2019	405,000	484,406
Quest Diagnostics, Inc.:		
4.7%, 4/1/2021	650,000	665,364
6.4%, 7/1/2017	500,000	576,886
		2,113,764
Industrials 1.2%		
CSX Corp.:		
6.15%, 5/1/2037	250,000	267,702
6.25%, 3/15/2018	380,000	438,456
Republic Services, Inc., 5.7%, 5/15/2041	245,000	239,174
		945,332
Information Technology 0.5%		
Applied Materials, Inc., 5.85%, 6/15/2041	400,000	**405,712**
Materials 1.6%		
ArcelorMittal, 6.125%, 6/1/2018	500,000	535,539
Corp Nacional del Cobre de Chile, 144A, 3.75%, 11/4/2020	550,000	522,540
Dow Chemical Co., 4.25%, 11/15/2020	285,000	278,147
		1,336,226

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

	Principal Amount ($)	Value ($)
Telecommunication Services 1.2%		
American Tower Corp., 7.25%, 5/15/2019	250,000	282,041
Frontier Communications Corp., 7.875%, 4/15/2015	500,000	542,500
Verizon Communications, Inc., 4.6%, 4/1/2021	187,000	192,945
		1,017,486
Utilities 1.0%		
DTE Energy Co., 7.625%, 5/15/2014	148,000	170,832
FirstEnergy Solutions Corp., 6.8%, 8/15/2039	292,000	303,643
Sempra Energy, 6.5%, 6/1/2016	290,000	335,846
		810,321
Total Corporate Bonds (Cost $24,018,328)		**25,136,121**

Mortgage-Backed Securities Pass-Throughs 25.8%

	Principal Amount ($)	Value ($)
Federal Home Loan Mortgage Corp.:		
4.0%, 8/1/2039	1,254,755	1,259,705
6.0%, with various maturities from 12/1/2034 until 3/1/2038	705,694	779,558
Federal National Mortgage Association:		
3.193%*, 8/1/2037	192,347	201,141
3.5%, 8/1/2025 (a)	2,487,500	2,532,586
4.0%, 9/1/2040	2,409,752	2,415,118
4.5%, with various maturities from 10/1/2033 until 2/1/2039 (a)	4,374,328	4,529,406
5.0%, with various maturities from 7/1/2036 until 8/1/2040 (a)	3,284,795	3,481,770
5.124%*, 9/1/2038	134,152	141,825
5.5%, with various maturities from 12/1/2032 until 9/1/2036	2,152,103	2,340,460
6.0%, 4/1/2024	618,914	690,109
6.5%, with various maturities from 3/1/2017 until 4/1/2037	936,022	1,058,069
8.0%, 9/1/2015	10,484	11,377
Government National Mortgage Association, 4.5%, 6/1/2039 (a)	1,450,000	1,530,316
Total Mortgage-Backed Securities Pass-Throughs (Cost $20,611,038)		**20,971,440**

Asset-Backed 2.6%

Student Loans

	Principal Amount ($)	Value ($)
Nelnet Student Loan Trust:		
"A1", Series 2007-1, 0.267%*, 11/27/2018	843,029	831,975
"A4", Series 2006-1, 0.349%*, 11/23/2022	1,300,000	1,275,986
Total Asset-Backed (Cost $2,110,732)		**2,107,961**

Commercial Mortgage-Backed Securities 12.8%

	Principal Amount ($)	Value ($)
Banc of America Merrill Lynch Commercial Mortgage, Inc.:		
"A5A", Series 2005-4, 4.933%, 7/10/2045	1,100,000	1,173,388
"A2", Series 2007-2, 5.634%, 4/10/2049	216,986	218,944
"A4", Series 2006-3, 5.889%, 7/10/2044	795,000	874,178
Bear Stearns Commercial Mortgage Securities, Inc., "A4", Series 2007-PW18, 5.7%, 6/11/2050	1,000,000	1,086,943
Citigroup/Deutsche Bank Commercial Mortgage Trust:		
"A4", Series 2006-CD2, 5.524%*, 1/15/2046	250,000	270,641
"A5", Series 2006-CD3, 5.617%, 10/15/2048	1,035,000	1,123,420
Commercial Mortgage Pass-Through Certificates, "A4", Series 2007-C9, 6.008%*, 12/10/2049	825,000	906,164
Greenwich Capital Commercial Funding Corp., "A4", Series 2007-GG9, 5.444%, 3/10/2039	850,000	911,792
GS Mortgage Securities Corp. II, "A4A", Series 2005-GG4, 4.751%, 7/10/2039	1,300,000	1,385,730
LB-UBS Commercial Mortgage Trust:		
"A3", Series 2006-C7, 5.347%, 11/15/2038	400,000	430,595
"A4", Series 2007-C6, 5.858%, 7/15/2040	400,000	433,978
Merrill Lynch Mortgage Trust, "ASB", Series 2007-C1, 6.02%*, 6/12/2050	900,000	965,639
Wachovia Bank Commercial Mortgage Trust, "A4", Series 2005-C22, 5.44%*, 12/15/2044	600,000	650,311
Total Commercial Mortgage-Backed Securities (Cost $10,252,893)		**10,431,723**

Collateralized Mortgage Obligations 4.1%

	Principal Amount ($)	Value ($)
Federal National Mortgage Association:		
"IO", Series 2010-143, Interest Only, 5.0%, 12/25/2025	82,194	10,023
"QD", Series 2005-29, 5.0%, 8/25/2033	435,000	475,719
Government National Mortgage Association:		
"IU", Series 2010-164, Interest Only, 2.0%, 12/20/2013	2,412,877	93,281
"CI", Series 2010-145, Interest Only, 4.0%, 11/20/2035	630,615	75,491
"MI", Series 2010-85, Interest Only, 4.5%, 1/20/2036	1,069,948	138,917
"GI", Series 2010-89, Interest Only, 4.5%, 5/20/2039	936,661	181,992
"EI", Series 2010-134, Interest Only, 4.5%, 11/20/2039	487,501	96,515
"DI", Series 2011-40, Interest Only, 4.5%, 12/20/2040	1,968,142	319,866
"IM", Series 2010-87, Interest Only, 4.75%, 3/20/2036	1,230,359	173,516
"JI", Series 2010-67, Interest Only, 5.0%, 10/20/2033	1,757,017	171,626
"IA", Series 2010-58, Interest Only, 5.0%, 3/20/2039	1,894,877	407,332
"BI", Series 2010-168, Interest Only, 5.0%, 4/20/2040	6,178,651	871,219
MASTR Alternative Loans Trust, "5A1", Series 2005-1, 5.5%, 1/25/2020	285,530	292,333
Total Collateralized Mortgage Obligations (Cost $3,533,549)		**3,307,830**

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

	Principal Amount ($)	Value ($)
Government & Agency Obligations 16.4%		
Sovereign Bonds 1.2%		
Republic of Poland, 6.375%, 7/15/2019	500,000	571,250
Republic of South Africa, 6.25%, 3/8/2041	400,000	429,000
		1,000,250
US Treasury Obligations 15.2%		
US Treasury Bill, 0.135%**, 9/15/2011 (b)	391,000	390,984
US Treasury Bonds:		
4.75%, 2/15/2037 (c)	2,000,000	2,139,688
5.375%, 2/15/2031	2,500,000	2,930,077
7.125%, 2/15/2023	2,400,000	3,250,500
US Treasury Notes:		
1.0%, 1/15/2014	955,000	963,431
3.625%, 2/15/2020 (c)	2,500,000	2,644,727
		12,319,407
Total Government & Agency Obligations (Cost $13,329,477)		**13,319,657**
Municipal Bonds and Notes 7.4%		
California, University Revenues, Build America Bonds, 5.946%, 5/15/2045 (d)	180,000	169,412
Chicago, IL, Transit Authority, Sales Tax Receipts Revenue, Build America Bonds, Series B, 6.2%, 12/1/2040 (d)	265,000	267,714
Glendale, AZ, Municipal Property Corp., Excise Tax Revenue, Series B, 6.157%, 7/1/2033, INS: AGMC (d)	420,000	427,480
Jicarilla, NM, Sales & Special Tax Revenue, Apache Nation Revenue, 144A, 5.2%, 12/1/2013 (d)	575,000	573,016
Kentucky, Asset/Liability Commission, General Fund Revenue, 3.165%, 4/1/2018 (d)	775,000	778,542
Louisville & Jefferson County, KY, Metropolitan Sewer District & Drain System, Build America Bonds, 6.25%, 5/15/2043 (d)	200,000	209,692
Miami-Dade County, FL, Educational Facilities Authority Revenue, University of Miami, Series B, 6.1%, 4/1/2015 (d)	680,000	706,867
Michigan, Western Michigan University Revenue, 4.41%, 11/15/2014, INS: AMBAC (d)	620,000	630,986
Nashville & Davidson County, TN, Metropolitan Government, Convention Center Authority Revenue, Build America Bonds, Series A2, 7.431%, 7/1/2043 (d)	250,000	280,448
New Jersey, Economic Development Authority Revenue, Series B, 6.5%, 11/1/2014, INS: AGC (d)	585,000	663,706
New Jersey, State Educational Facilities Authority Revenue, NJ City University, Series F, 6.85%, 7/1/2036, INS: AGC (d)	395,000	427,659
Newark, NJ, Pension Obligation, 5.853%, 4/1/2022, INS: AGMC (d)	865,000	866,548
Total Municipal Bonds and Notes (Cost $5,836,690)		**6,002,070**

	Shares	Value ($)
Securities Lending Collateral 5.3%		
Daily Assets Fund Institutional, 0.13% (e) (f) (Cost $4,305,743)	4,305,743	**4,305,743**
Cash Equivalents 13.1%		
Central Cash Management Fund, 0.11% (e) (Cost $10,598,158)	10,598,158	**10,598,158**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $94,596,608)†	118.5	**96,180,703**
Other Assets and Liabilities, Net	(18.5)	**(15,045,058)**
Net Assets	100.0	**81,135,645**

* *These securities are shown at their current rate as of June 30, 2011. 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 $94,602,993. At June 30, 2011, net unrealized appreciation for all securities based on tax cost was $1,577,710. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $2,257,163 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $679,453.*

(a) *When-issued or delayed delivery security included.*

(b) *At June 30, 2011, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.*

(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, 2011 amounted to $4,148,485, which is 5.1% of net assets.*

(d) *Taxable issue.*

(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 Fund 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.

AGC: Assured Guaranty Corp.

AGMC: Assured Guaranty Municipal Corp.

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

AMBAC: Ambac Financial Group, Inc.

INS: Insured

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.

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, 2011, open futures contracts sold were as follows:

Securities	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Appreciation ($)
10 Year US Treasury Note	USD	9/21/2011	65	7,951,328	34,141
30 Year US Treasury Bond	USD	9/21/2011	25	3,075,781	52,062
Total unrealized appreciation					**86,203**

At June 30, 2011, open credit default swap contracts purchased were as follows:

Effective/ Expiration Date	Notional Amount ($) (g)	Fixed Cash Flows Paid	Reference Entity	Value ($)	Upfront Payment (Received) ($)	Unrealized Depreciation ($)
3/21/2011 6/20/2016	4,200,000[1]	1.0%	Markit CDX.NA.IG Index	(17,198)	(1,974)	**(15,224)**

(g) *The maximum potential amount of future undiscounted payments that the Fund 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 Fund for the same referenced debt obligation.*

Counterparty:

1 *Citigroup, Inc.*

Currency Abbreviation	
USD	United States Dollar

For information on the Fund's policy and additional disclosures regarding futures contracts and credit default swap contracts, please refer to Note B in the accompanying Notes to Financial Statements.

Fair Value Measurements

Various inputs are used in determining the value of the Fund'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 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, 2011 in valuing the Fund's investments. For information on the Fund'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	$ —	$ 25,136,121	$ —	$ 25,136,121
Mortgage-Backed Securities Pass-Throughs	—	20,971,440	—	20,971,440
Asset-Backed	—	2,107,961	—	2,107,961
Commercial Mortgage-Backed Securities	—	10,431,723	—	10,431,723
Collateralized Mortgage Obligations	—	3,307,830	—	3,307,830
Government & Agency Obligations	—	13,319,657	—	13,319,657
Municipal Bonds and Notes	—	6,002,070	—	6,002,070
Short-Term Investments (h)	14,903,901	—	—	14,903,901
Derivatives (i)	86,203	—	—	86,203
Total	**$ 14,990,104**	**$ 81,276,802**	**$ —**	**$ 96,266,906**

Liabilities				
Derivatives (i)	$ —	$ (15,224)	$ —	$ (15,224)
Total	**$ —**	**$ (15,224)**	**$ —**	**$ (15,224)**

There have been no transfers between Level 1 and Level 2 fair value measurements during the period ended June 30, 2011.

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

(i) *Derivatives include unrealized appreciation (depreciation) on futures contracts and credit default swap contracts.*

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

Statement of Assets and Liabilities

as of June 30, 2011 (Unaudited)

Assets		
Investments:		
Investments in non-affiliated securities, at value (cost $79,692,707) — including $4,148,485 of securities loaned	$	81,276,802
Investment in Daily Assets Fund Institutional (cost $4,305,743)*		4,305,743
Investment in Central Cash Management Fund (cost $10,598,158)		10,598,158
Total investments in securities, at value (cost $94,596,608)		96,180,703
Cash		10,000
Receivable for Fund shares sold		43,593
Interest receivable		835,905
Receivable for daily variation margin on futures contracts		35,956
Foreign taxes recoverable		1,880
Other assets		575
Total assets		97,108,612
Liabilities		
Payable upon return of securities loaned		4,305,743
Payable for investment purchased		93,499
Payable for investments purchased — delayed delivery securities		11,431,833
Payable for Fund shares redeemed		20,575
Net payable for closed swap contracts		30,215
Unrealized depreciation on swap contracts		15,224
Upfront payments received on swap contracts		1,974
Accrued management fee		34,932
Other accrued expenses and payables		38,972
Total liabilities		15,972,967
Net assets, at value	**$**	**81,135,645**
Net Assets Consist of		
Undistributed net investment income		1,434,359
Net unrealized appreciation (depreciation) on:		
Investments		1,584,095
Swap contracts		(15,224)
Futures		86,203
Accumulated net realized gain (loss)		(52,603,582)
Paid-in capital		130,649,794
Net assets, at value	**$**	**81,135,645**
Class A		
Net Asset Value, offering and redemption price per share ($81,135,645 ÷ 9,317,353 outstanding shares of beneficial interest, no par value, 24,742,586 shares authorized)	**$**	**8.71**

* *Represents collateral of securities loaned.*

Statement of Operations

for the six months ended June 30, 2011 (Unaudited)

Investment Income		
Income:		
Interest	$	1,755,969
Income distributions — Central Cash Management Fund		6,156
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		2,309
Total income		1,764,434
Expenses:		
Management fee		208,315
Administration fee		41,663
Services to shareholders		1,091
Custodian fee		6,062
Audit and tax fees		22,655
Legal fees		4,615
Reports to shareholders		11,525
Trustees' fees and expenses		2,625
Other		4,400
Total expenses before expense reductions		302,951
Expense reductions		(7,088)
Total expenses after expense reductions		295,863
Net investment income (loss)		**1,468,571**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		1,470,737
Swap contracts		(38,597)
Futures		295,848
		1,727,988
Change in net unrealized appreciation (depreciation) on:		
Investments		(689,990)
Swap contracts		(15,224)
Futures		(531,188)
		(1,236,402)
Net gain (loss)		**491,586**
Net increase (decrease) in net assets resulting from operations	**$**	**1,960,157**

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, 2011 (Unaudited)	Year Ended December 31, 2010
Operations:		
Net investment income (loss)	$ 1,468,571	$ 2,528,721
Net realized gain (loss)	1,727,988	4,071,997
Change in net unrealized appreciation (depreciation)	(1,236,402)	(457,850)
Net increase (decrease) in net assets resulting from operations	1,960,157	6,142,868
Distributions to shareholders from:		
Net investment income:		
Class A	(2,313,385)	(5,749,285)
Total distributions	(2,313,385)	(5,749,285)
Fund share transactions:		
Class A		
Proceeds from shares sold	2,060,344	26,314,018
Shares converted*	—	53,582
Reinvestment of distributions	2,313,385	5,749,285
Payments for shares redeemed	(10,733,108)	(38,312,024)
Net increase (decrease) in net assets from Class A share transactions	(6,359,379)	(6,195,139)
Class B		
Proceeds from shares sold	—	785
Shares converted*	—	(53,582)
Payments for shares redeemed	—	(78)
Net increase (decrease) in net assets from Class B share transactions	—	(52,875)
Increase (decrease) in net assets	(6,712,607)	(5,854,431)
Net assets at beginning of period	87,848,252	93,702,683
Net assets at end of period (including undistributed net investment income of $1,434,359 and $2,279,173, respectively)	**$ 81,135,645**	**$ 87,848,252**

Other Information		
Class A		
Shares outstanding at beginning of period	10,037,687	10,676,602
Shares sold	235,645	3,026,894
Shares converted*	—	5,994
Shares issued to shareholders in reinvestment of distributions	268,063	681,204
Shares redeemed	(1,224,042)	(4,353,007)
Net increase (decrease) in Class A shares	(720,334)	(638,915)
Shares outstanding at end of period	**9,317,353**	**10,037,687**
Class B		
Shares outstanding at beginning of period	—	5,948
Shares sold	—	89
Shares converted*	—	(6,028)
Shares issued to shareholders in reinvestment of distributions	—	(9)
Net increase (decrease) in Class B shares	—	(5,948)
Shares outstanding at end of period	**—**	**—**

* *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	Six Months Ended 6/30/11 (Unaudited)	2010	Years Ended December 31, 2009	2008	2007	2006
Selected Per Share Date						
Net asset value, beginning of period	**$ 8.75**	**$ 8.77**	**$ 8.90**	**$11.82**	**$11.86**	**$11.81**
Income (loss) from investment operations:						
Net investment income[a]	.15	.23	.39	.57	.56	.53
Net realized and unrealized gain (loss)	.06	.32	.24	(2.72)	(.08)	(.05)
Total from investment operations	.21	.55	.63	(2.15)	.48	.48
Less distributions from:						
Net investment income	(.25)	(.57)	(.76)	(.77)	(.52)	(.43)
Net realized gains	—	—	—	—	—	(.00)***
Total distributions	(.25)	(.57)	(.76)	(.77)	(.52)	(.43)
Net asset value, end of period	**$ 8.71**	**$ 8.75**	**$ 8.77**	**$ 8.90**	**$11.82**	**$11.86**
Total Return (%)	2.41[b]**	6.51	7.72[c]	(19.33)[b]	4.17	4.26
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	81	88	94	110	186	277
Ratio of expenses before expense reductions (%)	.73*	.72	.59	.70	.66	.68
Ratio of expenses after expense reductions (%)	.71*	.72	.59	.70	.66	.68
Ratio of net investment income (%)	3.52*	2.62	4.50	5.36	4.78	4.56
Portfolio turnover rate (%)	142**	356	222	215	209	198

[a] *Based on average shares outstanding during the period.*

[b] *Total returns would have been lower had certain expenses not been reduced.*

[c] *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 Core Fixed Income VIP (the "Fund") is a diversified series of DWS Variable Series II (the "Trust"), which 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 Fund'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 Fund 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 Fund'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 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.

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.

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.

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

Swap 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. Swap contracts are generally categorized as Level 2.

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 Fund'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 Fund's Investment Portfolio.

Securities Lending. The Fund lends securities to certain financial institutions. The Fund 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 Fund requires the borrowers of the securities to maintain collateral with the Fund 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 Fund 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 Fund 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 Fund 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 Fund 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 Fund may enter into mortgage dollar rolls in which the Fund 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 Fund 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 Fund is able to repurchase them. There can be no assurance that the Fund'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 Fund may purchase or sell securities with delivery or payment to occur at a later date beyond the normal settlement period. At the time the Fund enters into a commitment to purchase or sell a security, the transaction is recorded and the value of the transaction 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. At the time the Fund enters into a purchase 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 transactions from the potential inability of counterparties to meet the terms of their contracts or if the issuer does not issue the securities due to political, economic, or other factors. Additionally, losses may arise due to changes in the value of the underlying securities.

Federal Income Taxes. The Fund'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, 2010, the Fund had net tax basis capital loss carryforward of approximately $53,707,000, which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2016 ($5,512,000) and December 31, 2017 ($48,195,000), the respective expiration dates, whichever occurs first.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the "Act") was enacted. Under the Act, net capital losses may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses. As a result of this ordering rule, pre-enactment capital loss carryforwards may expire unused, whereas under the previous rules these losses may have been utilized. This change is effective for fiscal years beginning after the date of enactment.

The Fund has reviewed the tax positions for the open tax years as of December 31, 2010 and has determined that no provision for income tax is required in the Fund's financial statements. The Fund'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 Fund, if any, are made annually. Net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to the Fund if not distributed and, therefore, will be distributed to shareholders at least annually. The Fund 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, swap 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 Fund may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Fund.

The tax character of current year distributions will be determined at the end of the current fiscal year.

Expenses. Expenses of the Trust arising in connection with a specific fund are allocated to that fund. Other Trust expenses which cannot be directly attributed to a fund are apportioned among the funds in the Trust.

Contingencies. In the normal course of business, the Fund may enter into contracts with service providers that contain general 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 been made. However, based on experience, the Fund 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 and may include proceeds from litigation. All discounts and premiums are accreted/amortized for both tax and financial reporting purposes for the Fund.

B. Derivative Instruments

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. For the six months ended June 30, 2011, the Fund bought credit default swap contracts to gain exposure to an underlying reference entity's credit quality characteristics without directly investing in that reference entity, or to hedge the risk of default on Fund securities. As a seller in the credit default swap contract, the Fund 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 Fund. In return, the Fund 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 Fund keeps the stream of payments with no payment obligations. The Fund 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 Fund 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 Fund with the occurrence of a credit event. When the Fund 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 Fund.

The value of the credit default swap is adjusted daily and the change in value, if any, is recorded daily as unrealized appreciation or depreciation in the Statement of Assets and Liabilities. An upfront payment, if any, made by the Fund is recorded as an asset in the Statement of Assets and Liabilities. An upfront payment, if any, received by the Fund is recorded as a liability in the Statement of Assets and Liabilities. Under the terms of the credit default swap contracts, the Fund 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 in 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 in the Statement of Operations.

A summary of the open credit default swap contracts as of June 30, 2011 is included in a table following the Fund's Investment Portfolio. For the six months ended June 30, 2011, the Fund's investment in credit default swap contracts purchased had a total notional value generally indicative of a range from $0 to approximately $4,200,000.

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). For the six months ended June 30, 2011, the Fund entered 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 Fund 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 Fund dependent upon the daily fluctuations in the value and are recorded for financial reporting purposes as unrealized gains or losses by the Fund. 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 Fund's ability to close out a futures contract prior to the settlement date and the risk that the futures contract is not well correlated with the security, index or currency to which it relates. Risk of loss may exceed amounts recognized in the Statement of Assets and Liabilities.

A summary of the open futures contracts as of June 30, 2011 is included in a table following the Fund's Investment Portfolio. For the six months ended June 30, 2011, the Fund's investment in futures contracts sold had a total notional value generally indicative of a range from approximately $11,027,000 to $23,345,000.

The following tables summarize the value of the Fund's derivative instruments held as of June 30, 2011 and the related location in the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

Asset Derivative	**Futures Contracts**
Interest Rate Contracts (a)	$ 86,203

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

(a) *Includes cumulative appreciation of futures contracts as disclosed in the Investment Portfolio. Unsettled variation margin is disclosed separately within the Statement of Assets and Liabilities.*

Liability Derivative	**Swap Contracts**
Credit Contracts (a)	$ (15,224)

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

(a) *Unrealized depreciation on swap contracts*

Additionally, the amount of unrealized and realized gains and losses on derivative instruments recognized in Fund earnings during the six months ended June 30, 2011 and the related location in the accompanying Statement of Operations is summarized in the following tables by primary underlying risk exposure:

Realized Gain (Loss)	**Swap Contracts**	**Futures Contracts**	**Total**
Interest Rate Contracts (a)	$ —	$ 295,848	$ 295,848
Credit Contracts (a)	(38,597)	—	(38,597)
	$ (38,597)	**$ 295,848**	**$ 257,251**

Each of the above derivatives is located in the following Statement of Operations accounts:

(a) *Net realized gain (loss) from swap contracts and futures, respectively*

Change in Net Unrealized Appreciation (Depreciation)	**Swap Contracts**	**Futures Contracts**	**Total**
Interest Rate Contracts (a)	$ —	$ (531,188)	$ (531,188)
Credit Contracts (a)	(15,224)	—	(15,224)
	$ (15,224)	**$ (531,188)**	**$ (546,412)**

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*

C. Purchases and Sales of Securities

During the six months ended June 30, 2011, purchases and sales of investment transactions (excluding short-term investments and US Treasury obligations) aggregated $108,700,006 and $118,448,131, respectively. Purchases and sales of US Treasury obligations aggregated $14,032,509 and $31,059,586, respectively.

D. 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 Fund 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 Fund.

Pursuant to the Investment Management Agreement with the Advisor, the Fund pays a monthly management fee based on the Fund's average daily net assets, computed and accrued daily and payable monthly, at the following annual rates:

$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, 2011 through September 30, 2011, 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) at 0.71%.

Accordingly, for the six months ended June 30, 2011, the Advisor waived a portion of its management fee pursuant to the Investment Management Agreement aggregating $7,023, and the amount charged aggregated $201,292, which was equivalent to an annualized effective rate of 0.48% of the Fund's average daily net assets.

Administration Fee. Pursuant to an Administrative Services Agreement, DIMA provides most administrative services to the Fund. For all services provided under the Administrative Services Agreement, the Fund pays DIMA an annual fee ("Administration Fee") of 0.10% of the Fund's average daily net assets, computed and accrued daily and payable monthly. For the six months ended June 30, 2011, the Administration Fee was $41,663, of which $6,777 is unpaid.

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 Fund. 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 Fund. For the six months ended June 30, 2011, the amounts charged to the Fund by DISC aggregated $65, all of which was waived.

Typesetting and Filing Service Fees. Under an agreement with DIMA, DIMA is compensated for providing typesetting and certain regulatory filing services to the Fund. For the six months ended June 30, 2011, the amount charged to the Fund by DIMA included in the Statement of Operations under "reports to shareholders" aggregated $4,315, of which $659 is unpaid.

Trustees' Fees and Expenses. The Fund 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 Vehicle. The Fund may invest uninvested cash balances in Central Cash Management Fund, which is managed by the Advisor. The Fund indirectly bears its proportionate share of the expenses of Central Cash Management Fund. 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.

E. Ownership of the Fund

At June 30, 2011, three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Fund, each owning 44%, 41% and 13%.

F. Line of Credit

The Fund and other affiliated funds (the "Participants") share in a $450 million revolving credit facility provided by a syndication of banks. The Fund may borrow for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated based on net assets, among each of the Participants. Interest is calculated at 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 Fund may borrow up to a maximum of 33 percent of its net assets under the agreement. The Fund had no outstanding loans at June 30, 2011.

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) 728-3337.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 3, 2010

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 2010, 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, 2008, and 2009.

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 have served 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 118 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 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

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VS2CFI-3 (R-023292-1 8/11)

DWS
INVESTMENTS
Deutsche Bank Group

JUNE 30, 2011

SEMIANNUAL REPORT

DWS VARIABLE SERIES II

DWS Diversified International Equity VIP

DWS INVESTMENTS
Deutsche Bank Group

Contents

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, call (800) 728-3337 or your financial representative. We advise you to consider the Fund's objectives, risks, charges and expenses carefully before investing. The summary prospectus and prospectus contain this and other important information about the Fund. Please read the prospectus carefully before you invest.

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.

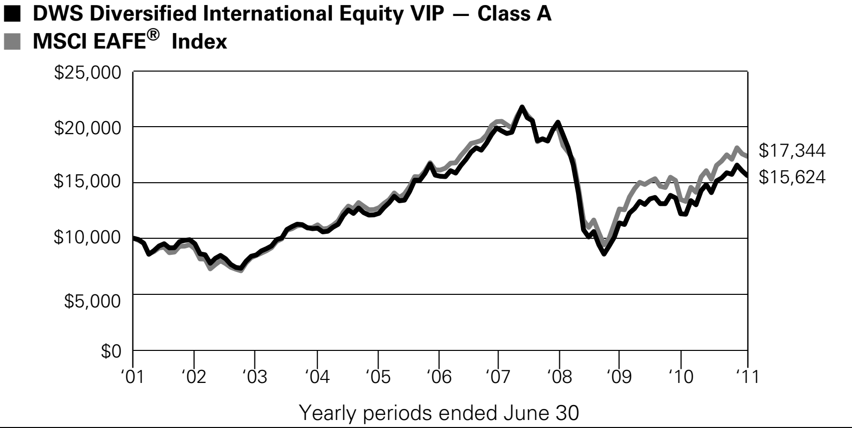
Performance Summary

June 30, 2011

Fund 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 Fund's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund is an investment option. These charges and fees will reduce returns.

The gross expense ratio of the Fund, as stated in the fee table of the prospectus dated May 1, 2011 is 0.99% for Class A shares and may differ from the expense ratio disclosed in the Financial Highlights table in this report.

Growth of an Assumed $10,000 Investment in DWS Diversified International Equity VIP



The Morgan Stanley Capital International (MSCI) Europe, Australasia and the Far East 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 index is calculated using closing local market prices and translates into US dollars using the London close foreign exchange rates.

Index returns do not reflect any fees or expenses and 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	$10,493	$13,064	$8,201	$10,304	$15,624
	Average annual total return	4.93%	30.64%	–6.40%	0.60%	4.56%
MSCI EAFE Index	Growth of $10,000	$10,498	$13,036	$9,478	$10,760	$17,344
	Average annual total return	4.98%	30.36%	–1.77%	1.48%	5.66%

The growth of $10,000 is cumulative.

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

Information About Your Fund's Expenses

As an investor of the Fund, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees and other Fund expenses. Examples of transaction costs include contract charges 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 Fund 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, 2011 to June 30, 2011).

The tables illustrate your Fund's expenses in two ways:

- **Actual Fund Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Fund using the Fund'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% Fund Return.** This helps you to compare your Fund's ongoing expenses (but not transaction costs) with those of other mutual funds using the Fund's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Fund return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. 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, 2011

Actual Fund Return	**Class A**
Beginning Account Value 1/1/11	$1,000.00
Ending Account Value 6/30/11	$1,049.30
Expenses Paid per $1,000*	$ 5.08

Hypothetical 5% Fund Return	**Class A**
Beginning Account Value 1/1/11	$1,000.00
Ending Account Value 6/30/11	$1,019.84
Expenses Paid per $1,000*	$ 5.01

* *Expenses are equal to the Fund'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	1.00%

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

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund is an investment option.

Portfolio Summary

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/11**	**12/31/10**
Common Stocks	87%	87%
Exchange-Traded Funds	10%	9%
Cash Equivalents*	2%	3%
Preferred Stocks	1%	1%
	100%	100%

Sector Diversification (As a % of Common and Preferred Stocks)	**6/30/11**	**12/31/10**
Telecommunication Services	14%	16%
Consumer Staples	13%	12%
Health Care	12%	9%
Financials	11%	10%
Utilities	11%	8%
Consumer Discretionary	10%	8%
Materials	9%	11%
Industrials	8%	11%
Information Technology	7%	6%
Energy	5%	9%
	100%	100%

Geographical Diversification (As a % of Investment Portfolio excluding Cash Equivalents and Securities Lending Collateral)	**6/30/11**	**12/31/10**
Continental Europe	49%	49%
Japan	13%	21%
Canada	11%	5%
Emerging Markets	11%	10%
United Kingdom	7%	7%
Asia (excluding Japan)	5%	4%
Australia	4%	4%
	100%	100%

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

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

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

Following the Fund'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. The Fund's portfolio holdings are also posted on www.dws-investments.com from time to time. Please see the Fund's current prospectus for more information.

	Shares	Value ($)
Common Stocks 86.4%		
Australia 3.7%		
AGL Energy Ltd.	18,406	289,695
Asciano Ltd.	17,279	30,585
Australia & New Zealand Banking Group Ltd.	2,823	66,669
BHP Billiton Ltd.	4,758	224,879
Brambles Ltd.	13,105	101,812
Coca-Cola Amatil Ltd.	2,294	28,148
Cochlear Ltd.	674	52,027
Commonwealth Bank of Australia	1,574	88,588
Crown Ltd.	9,187	88,210
CSL Ltd.	5,197	184,208
Fairfax Media Ltd. (a)	54,011	57,047
Foster's Group Ltd.	7,671	42,466
Leighton Holdings Ltd.	1,643	36,893
National Australia Bank Ltd. (a)	2,600	71,735
Newcrest Mining Ltd.	1,231	49,967
Origin Energy Ltd.	6,869	116,807
Qantas Airways Ltd.*	18,444	36,560
QBE Insurance Group Ltd.	2,063	38,300
QR National Ltd.*	14,433	52,435
Rio Tinto Ltd.	735	65,714
Santos Ltd.	6,168	89,877
Sonic Healthcare Ltd.	4,124	56,896
SP AusNet	58,973	59,797
TABCORP Holdings Ltd.	15,130	53,594
Tatts Group Ltd.	24,689	63,705
Telstra Corp., Ltd.	88,649	275,275
Toll Holdings Ltd.	7,945	41,500
Transurban Group (Units)	14,907	83,935
Wesfarmers Ltd.	3,054	104,661
Westfield Group (REIT) (Units)	3,912	36,455
Westpac Banking Corp.	2,569	61,625
Woodside Petroleum Ltd.	3,950	174,242
Woolworths Ltd.	3,431	102,311
WorleyParsons Ltd.	1,721	52,255
(Cost $1,947,949)		**2,978,873**
Austria 0.5%		
Erste Group Bank AG (a)	3,560	186,471
Immofinanz AG* (a)	21,500	91,637
Raiffeisen Bank International AG (a)	881	45,344
Vienna Insurance Group AG Wiener Versicherung Gruppe (a)	1,323	72,720
(Cost $228,099)		**396,172**
Belgium 1.1%		
Ageas	34,376	93,218
Anheuser-Busch InBev NV	3,696	214,313
Compagnie Nationale a Portefeuille*	539	38,198
Delhaize Group	593	44,460
Dexia SA* (a)	10,150	31,582
Groupe Bruxelles Lambert SA (a)	588	52,269
KBC Groep NV (a)	2,458	96,553
Solvay SA (a)	1,159	179,084
Umicore SA	2,235	121,819
(Cost $581,785)		**871,496**
Bermuda 0.1%		
Seadrill Ltd. (a) (Cost $31,566)	3,016	**106,166**

	Shares	Value ($)
Canada 11.2%		
Agnico-Eagle Mines Ltd.	700	44,259
Alimentation Couche-Tard, Inc. "B"	3,600	104,963
Bank of Montreal	1,300	82,695
Bank of Nova Scotia	2,500	150,604
Barrick Gold Corp. (a)	2,300	104,429
BCE, Inc. (a)	6,300	247,049
Bell Aliant, Inc.	2,300	68,491
Bombardier, Inc. "B"	19,900	143,403
Brookfield Asset Management, Inc. "A"	1,700	56,564
CAE, Inc.	3,800	51,260
Canadian Imperial Bank of Commerce	1,000	78,957
Canadian National Railway Co. (a)	6,400	511,894
Canadian Natural Resources Ltd.	1,800	75,456
Canadian Pacific Railway Ltd.	2,600	162,208
Canadian Tire Corp., Ltd. "A"	1,700	111,224
Canadian Utilities Ltd. "A"	5,900	342,701
CGI Group, Inc. "A"*	11,100	274,033
Empire Co., Ltd. "A"	900	52,164
EnCana Corp.	1,500	46,317
Finning International, Inc.	2,600	77,101
Fortis, Inc.	11,900	399,155
George Weston Ltd.	1,400	101,525
Gildan Activewear, Inc.	2,500	88,107
Goldcorp, Inc.	1,800	87,065
Imperial Oil Ltd.	1,000	46,576
Kinross Gold Corp.	2,300	36,320
Loblaw Companies Ltd.	2,900	117,119
Magna International, Inc. "A"	4,506	243,650
Manulife Financial Corp.	4,700	83,235
Metro, Inc. "A"	2,800	139,325
National Bank of Canada	600	48,662
Open Text Corp.* (a)	2,800	179,505
Potash Corp. of Saskatchewan, Inc. (a)	1,800	102,813
Research In Motion Ltd.*	21,100	609,952
Ritchie Bros. Auctioneers, Inc. (a)	1,600	44,062
Rogers Communications, Inc. "B" (a)	10,900	431,615
Royal Bank of Canada	3,300	188,635
Saputo, Inc.	3,800	183,253
Shaw Communications, Inc. "B"	7,800	177,844
Shoppers Drug Mart Corp.	5,700	234,631
SNC-Lavalin Group, Inc.	2,200	134,311
Sun Life Financial, Inc.	2,000	60,242
Suncor Energy, Inc.	2,420	94,848
Teck Resources Ltd. "B"	1,200	60,992
Telus Corp.	1,600	88,092
Telus Corp. (Non-Voting Shares) (a)	4,000	210,773
Thomson Reuters Corp. (b)	6,100	229,023
Thomson Reuters Corp. (b)	1,158	43,494
Tim Hortons, Inc.	3,600	175,773
Toronto-Dominion Bank	2,100	178,068
TransAlta Corp.	14,500	309,560
Valeant Pharmaceuticals International, Inc.	19,000	987,972
Viterra, Inc.	10,100	109,750
Yellow Media, Inc. (a)	11,800	29,364
(Cost $7,800,152)		**9,041,083**

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

	Shares	Value ($)
Cyprus 0.1%		
Bank of Cyprus Public Co., Ltd. (Cost $92,968)	21,752	**64,190**
Denmark 2.4%		
A P Moller-Maersk AS "A"	7	57,929
A P Moller-Maersk AS "B" (a)	15	129,424
Carlsberg AS "B"	4,596	500,108
Coloplast AS "B" (a)	299	45,457
Danske Bank AS*	14,587	270,907
DSV AS	2,622	62,917
Novo Nordisk AS "B"	6,131	768,663
Tryg AS	621	35,805
Vestas Wind Systems AS*	2,251	52,331
William Demant Holding AS* (a)	427	38,528
(Cost $1,426,185)		**1,962,069**
Finland 3.1%		
Fortum Oyj	11,788	341,390
Kone Oyj "B" (a)	1,991	125,012
Metso Corp. (a)	1,709	97,066
Nokia Corp. (a)	52,222	337,281
Outokumpu Oyj (a)	7,460	98,748
Pohjola Bank PLC (a)	5,199	67,231
Rautaruukki Oyj	4,708	106,371
Sampo Oyj "A"	9,439	304,761
Stora Enso Oyj "R" (a)	34,707	364,145
UPM-Kymmene Oyj (a)	31,076	568,271
Wartsila Corp. (a)	2,307	77,843
(Cost $1,981,271)		**2,488,119**
France 6.8%		
Air Liquide SA (a)	1,503	215,443
Alcatel-Lucent*	19,719	113,841
Atos Origin SA (a)	697	39,385
AXA SA (a)	3,081	69,951
BNP Paribas	1,550	119,544
Bouygues SA	734	32,270
Cap Gemini	1,341	78,569
Carrefour SA* (a)	4,540	186,461
Casino Guichard-Perrachon SA (a)	794	74,845
Compagnie de Saint-Gobain	755	48,895
Credit Agricole SA	1,831	27,538
DANONE SA (a)	4,560	340,242
Dassault Systemes SA	830	70,668
Electricite de France	2,181	85,621
Essilor International SA (a)	3,351	271,799
France Telecom SA (a)	32,122	683,342
GDF Suez	11,364	415,887
Iliad SA (a)	426	57,163
L'Oreal SA (a)	1,857	241,195
Lafarge SA (a)	1,230	78,385
LVMH Moet Hennessy Louis Vuitton SA	420	75,591
Pernod Ricard SA	1,706	168,164
Sanofi	14,584	1,172,175
Schneider Electric SA (a)	447	74,681
Societe Generale	1,069	63,361
Suez Environnement Co.	1,869	37,251
Total SA	6,374	368,647
Unibail-Rodamco SE (REIT) (a)	265	61,240
Vallourec SA (a)	299	36,410
Veolia Environnement	2,754	77,594
Vinci SA	944	60,471
Vivendi	2,577	71,663
(Cost $4,074,471)		**5,518,292**
Germany 5.9%		
Adidas AG	1,331	105,575
Allianz SE (Registered)	1,458	203,708
BASF SE	1,618	158,338
Bayer AG	6,352	510,676
Bayerische Motoren Werke (BMW) AG	2,347	233,870
Beiersdorf AG	2,600	168,719
Commerzbank AG*	10,242	44,042
Continental AG* (a)	632	66,356
Daimler AG (Registered)	6,253	470,606
Deutsche Boerse AG	688	52,215
Deutsche Post AG (Registered)	3,555	68,269
Deutsche Telekom AG (Registered)	48,743	764,538
E.ON AG	7,336	208,254
Fresenius Medical Care AG & Co. KGaA	1,256	93,906
Fresenius SE & Co. KGaA	632	65,965
HeidelbergCement AG	310	19,762
Henkel AG & Co. KGaA	3,480	199,452
Infineon Technologies AG (a)	6,144	68,943
K+S AG	447	34,354
Kabel Deutschland Holding AG*	519	31,911
Linde AG	332	58,208
Merck KGaA	430	46,728
Metro AG	3,345	202,494
Muenchener Rueckversicherungs-Gesellschaft AG (Registered) (a)	598	91,294
RWE AG	1,527	84,511
SAP AG	6,095	368,638
Siemens AG (Registered) (a)	1,513	207,742
Suedzucker AG	2,222	78,958
ThyssenKrupp AG	776	40,255
Volkswagen AG	228	41,890
(Cost $3,401,032)		**4,790,177**
Greece 0.4%		
Alpha Bank AE*	13,183	66,621
EFG Eurobank Ergasias*	8,459	39,803
National Bank of Greece SA*	24,508	176,087
(Cost $435,030)		**282,511**
Hong Kong 2.5%		
AIA Group Ltd.*	23,000	80,197
Cathay Pacific Airways Ltd.	15,000	34,888
Cheung Kong (Holdings) Ltd.	5,000	73,531
Cheung Kong Infrastructure Holdings Ltd.	7,000	36,369
CLP Holdings Ltd.	27,000	239,686
Esprit Holdings Ltd.	14,495	45,153
Genting Singapore PLC* (a)	178,000	280,882
Hang Seng Bank Ltd.	2,200	35,185
Hong Kong & China Gas Co., Ltd. (a)	56,650	128,905
Hong Kong Exchanges & Clearing Ltd. (a)	3,500	73,729
Hutchison Whampoa Ltd.	31,000	336,102
Li & Fung Ltd.	42,000	84,471
MTR Corp., Ltd.	28,500	101,360
Noble Group Ltd.	29,363	47,273
NWS Holdings Ltd.	30,000	40,199
Power Assets Holdings Ltd.	17,500	131,998
Shangri-La Asia Ltd. (a)	18,000	44,424

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

	Shares	Value ($)
SJM Holdings Ltd.	12,000	28,679
Sun Hung Kai Properties Ltd.	5,000	72,777
Swire Pacific Ltd. "A"	3,500	51,700
Yue Yuen Industrial (Holdings) Ltd. (a)	10,500	33,493
(Cost $1,400,594)		**2,001,001**
Ireland 1.6%		
CRH PLC (b)	20,956	464,056
CRH PLC (b)	34,837	774,721
Experian PLC	5,338	67,984
(Cost $1,132,104)		**1,306,761**
Italy 3.4%		
A2A SpA	20,926	32,578
Assicurazioni Generali SpA	3,242	68,369
Atlantia SpA	5,777	122,987
Enel Green Power SpA	16,188	44,651
Enel SpA	64,634	422,176
Eni SpA	11,687	277,058
Fiat Industrial SpA*	9,511	122,956
Fiat SpA (a)	12,889	141,504
Finmeccanica SpA	7,959	96,320
Intesa Sanpaolo	32,101	85,369
Luxottica Group SpA	2,649	84,916
Mediaset SpA (a)	10,870	51,106
Pirelli & C. SpA	4,802	51,888
Prysmian SpA	3,602	72,453
Saipem SpA	1,672	86,323
Snam Rete Gas SpA	9,753	57,738
Telecom Italia SpA	337,823	470,074
Telecom Italia SpA (RSP)	223,543	260,159
Terna — Rete Elettrica Nationale SpA	14,939	69,420
UBI Banca — Unione di Banche Italiane ScpA (a)	3,919	22,063
UniCredit SpA	41,574	87,934
(Cost $2,253,559)		**2,728,042**
Japan 12.5%		
AEON Co., Ltd. (a)	10,100	121,902
Ajinomoto Co., Inc.	10,000	118,916
Alfresa Holdings Corp.	1,000	38,923
Asahi Breweries Ltd.	5,900	118,883
Asahi Kasei Corp.	7,000	47,267
Astellas Pharma, Inc.	4,800	185,603
Bridgestone Corp.	2,100	48,331
Canon, Inc.	1,800	85,836
Central Japan Railway Co.	3	23,580
Chubu Electric Power Co., Inc.	13,700	268,119
Chugai Pharmaceutical Co., Ltd.	2,900	47,579
Chugoku Electric Power Co., Inc.	6,000	104,085
Dai-ichi Life Insurance Co., Ltd. (a)	35	49,006
Daiichi Sankyo Co., Ltd.	7,900	154,523
Daiwa House Industry Co., Ltd.	2,000	25,181
Daiwa Securities Group, Inc. (a)	10,000	44,055
Denso Corp.	1,100	40,842
East Japan Railway Co.	726	41,719
Eisai Co., Ltd.	2,900	113,264
Electric Power Development Co., Ltd.	2,600	70,225
FamilyMart Co., Ltd.	1,000	36,758
FANUC Corp.	300	50,025
FUJIFILM Holdings Corp.	1,800	56,105
Hisamitsu Pharmaceutical Co., Inc. (a)	900	38,373
Hitachi Ltd. (a)	9,000	53,201
Hokkaido Electric Power Co., Inc.	3,900	64,975
Hokuriku Electric Power Co.	2,800	53,550
Honda Motor Co., Ltd.	4,600	177,301
HOYA Corp.	1,400	31,031
Idemitsu Kosan Co., Ltd. (a)	400	42,724
INPEX Corp.	21	155,037
Japan Tobacco, Inc.	55	212,258
JFE Holdings, Inc.	2,300	63,288
JX Holdings, Inc.	22,920	154,775
Kansai Electric Power Co., Inc.	14,800	295,396
Kao Corp.	7,300	191,850
KDDI Corp.	40	287,804
Keyence Corp.	100	28,361
Kikkoman Corp.	3,000	31,577
Kirin Holdings Co., Ltd.	12,000	167,774
Komatsu Ltd.	1,300	40,447
Kyocera Corp.	500	50,864
Kyowa Hakko Kirin Co., Ltd.	5,000	47,693
Kyushu Electric Power Co., Inc.	8,100	146,057
Lawson, Inc. (a)	900	47,268
MEIJI Holdings Co., Ltd.	1,200	50,569
Miraca Holdings, Inc.	1,000	40,570
Mitsubishi Chemical Holdings Corp.	6,500	46,110
Mitsubishi Corp.	2,400	60,132
Mitsubishi Estate Co., Ltd.	5,000	87,774
Mitsubishi Tanabe Pharma Corp.	3,000	50,335
Mitsubishi UFJ Financial Group, Inc.	48,300	235,138
Mitsui & Co., Ltd.	3,200	55,338
Mitsui Fudosan Co., Ltd.	3,000	51,721
Mitsui O.S.K Lines Ltd.	7,000	37,670
Mizuho Financial Group, Inc.	77,200	127,273
MS&AD Insurance Group Holdings, Inc.	2,400	56,294
Nintendo Co., Ltd.	200	37,664
Nippon Meat Packers, Inc.	3,000	43,015
Nippon Steel Corp. (a)	21,000	68,150
Nippon Telegraph & Telephone Corp.	6,809	331,091
Nishi-Nippon City Bank Ltd.	13,000	38,489
Nissan Motor Co., Ltd.	6,000	62,984
Nisshin Seifun Group, Inc.	3,000	37,483
Nissin Foods Holdings Co., Ltd.	700	25,475
NKSJ Holdings, Inc.	7,000	46,185
Nomura Holdings, Inc. (a)	12,000	59,371
NTT DoCoMo, Inc.	213	379,980
Olympus Corp. (a)	2,900	97,743
Ono Pharmaceutical Co., Ltd.	1,200	64,058
Oriental Land Co., Ltd.	500	42,384
Osaka Gas Co., Ltd.	30,000	113,951
Otsuka Holdings Co., Ltd.	2,000	53,019
Panasonic Corp.	4,600	56,210
Resona Holdings, Inc.	6,900	32,494
Santen Pharmaceutical Co., Ltd.	1,000	40,651
Seven & I Holdings Co., Ltd.	10,200	274,399
Sharp Corp.	3,000	27,361
Shikoku Electric Power Co., Inc.	3,800	86,316
Shin-Etsu Chemical Co., Ltd.	1,500	80,459
Shionogi & Co., Ltd.	4,200	68,804
Shiseido Co., Ltd.	5,000	93,508
SOFTBANK Corp. (a)	11,900	450,710
Sony Corp.	2,100	55,586

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

	Shares	Value ($)
Sumitomo Chemical Co., Ltd.	10,000	49,946
Sumitomo Corp.	4,200	57,246
Sumitomo Mitsui Financial Group, Inc.	5,200	160,035
Sumitomo Mitsui Trust Holdings, Inc.	13,410	46,782
Sumitomo Realty & Development Co., Ltd. (a)	2,000	44,714
Suzuken Co., Ltd.	1,300	30,043
Sysmex Corp.	1,200	45,137
T&D Holdings, Inc.	1,800	42,760
Taisho Pharmaceutical Co., Ltd. (a)	2,000	45,090
Takeda Pharmaceutical Co., Ltd.	8,200	379,258
Terumo Corp.	2,000	108,077
Tohoku Electric Power Co., Inc.	9,100	131,295
Tokio Marine Holdings, Inc.	2,200	61,807
Tokyo Electric Power Co., Inc. (a)	29,000	119,118
Tokyo Gas Co., Ltd.	50,000	226,183
TonenGeneral Sekiyu KK (a)	4,000	49,183
Toray Industries, Inc. (a)	6,000	44,404
Toshiba Corp.	8,000	42,340
Toyo Suisan Kaisha Ltd.	1,000	23,636
Toyota Motor Corp.	7,400	311,561
Tsumura & Co.	1,500	47,994
Unicharm Corp.	1,500	65,552
Yakult Honsha Co., Ltd. (a)	1,700	49,219
(Cost $8,842,471)		**10,120,175**
Luxembourg 0.4%		
ArcelorMittal	4,154	144,548
Millicom International Cellular SA (SDR) (a)	1,194	124,575
Tenaris SA	2,802	63,976
(Cost $178,537)		**333,099**
Macau 0.1%		
Sands China Ltd.*	20,800	56,404
Wynn Macau Ltd. (a)	13,600	44,895
(Cost $50,091)		**101,299**
Netherlands 6.3%		
AEGON NV* (a)	10,987	74,879
Akzo Nobel NV	2,534	159,852
ASML Holding NV (a)	30,585	1,126,829
Fugro NV (CVA)	2,406	173,486
Heineken Holding NV	913	46,721
Heineken NV	3,364	202,334
ING Groep NV (CVA)*	19,810	244,362
Koninklijke (Royal) KPN NV	49,296	716,570
Koninklijke Ahold NV (a)	14,948	200,864
Koninklijke DSM NV	1,774	115,137
Koninklijke Philips Electronics NV	6,373	163,558
PostNL NV	2,825	23,970
Randstad Holding NV (a)	918	42,426
Reed Elsevier NV	35,902	482,147
Royal Dutch Shell PLC "A"	3,949	140,712
Royal Dutch Shell PLC "B"	3,179	113,479
SBM Offshore NV	6,192	163,794
TNT Express NV*	3,139	32,556
Unilever NV (CVA)	16,399	537,232
Wolters Kluwer NV (a)	15,248	337,887
(Cost $4,003,221)		**5,098,795**
Norway 1.7%		
Aker Solutions ASA	1,915	38,337
DnB NOR ASA	16,840	234,735
Norsk Hydro ASA (a)	22,115	169,337
Statoil ASA	8,941	226,392
Telenor ASA	28,434	465,653
Yara International ASA	3,979	224,895
(Cost $697,313)		**1,359,349**
Portugal 0.7%		
EDP — Energias de Portugal SA (Cost $536,855)	152,492	**541,380**
Singapore 2.5%		
CapitaLand Ltd. (a)	20,000	47,564
DBS Group Holdings Ltd.	10,000	119,696
Fraser & Neave Ltd.	15,000	70,815
Golden Agri-Resources Ltd.	173,000	96,143
Hutchison Port Holdings Trust (Units)*	63,000	53,324
Jardine Cycle & Carriage Ltd.	3,000	105,440
Keppel Corp., Ltd.	15,400	139,343
Olam International Ltd.	35,000	77,833
Oversea-Chinese Banking Corp., Ltd.	14,000	106,834
SembCorp Industries Ltd.	19,000	77,475
SembCorp Marine Ltd.	8,000	34,661
Singapore Airlines Ltd.	6,000	69,361
Singapore Exchange Ltd. (a)	7,000	42,973
Singapore Press Holdings Ltd.	37,000	117,602
Singapore Technologies Engineering Ltd.	15,000	36,889
Singapore Telecommunications Ltd.	185,000	476,375
United Overseas Bank Ltd.	7,000	112,465
Wilmar International Ltd.	47,000	207,801
(Cost $1,316,141)		**1,992,594**
Spain 3.5%		
Abertis Infraestructuras SA (a)	4,785	106,901
Acciona SA (a)	263	27,915
ACS, Actividades de Construccion y Servicios SA (a)	2,437	114,931
Banco Bilbao Vizcaya Argentaria SA (a)	7,473	87,589
Banco Santander SA	14,432	166,523
EDP Renovaveis SA*	17,487	115,363
Enagas (a)	2,258	54,754
Ferrovial SA (a)	7,222	91,193
Gas Natural SDG SA	2,049	42,959
Iberdrola Renovables SA (a)	11,066	48,882
Iberdrola SA*	39,318	349,930
Industria de Diseno Textil SA	2,942	268,654
Mediaset Espana Comunicacion SA (a)	2,352	20,435
Red Electrica Corporacion SA	1,144	69,129
Repsol YPF SA (a)	12,042	418,084
Telefonica SA (a)	31,343	766,460
Zardoya Otis SA	3,050	44,918
(Cost $2,016,364)		**2,794,620**
Sweden 2.4%		
Assa Abloy AB "B"	1,207	32,440
Atlas Copco AB "A"	2,084	54,862
Boliden AB	5,037	93,111
Electrolux AB "B" (a)	1,929	46,030
Hennes & Mauritz AB "B" (a)	5,804	200,029
Holmen AB "B"	1,214	37,849
Husqvarna AB "B"	4,852	32,108
Modern Times Group "B" (a)	537	35,482
Nordea Bank AB	10,270	110,358

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

	Shares	Value ($)
Sandvik AB (a)	3,095	54,268
Skandinaviska Enskilda Banken AB "A"	6,486	53,018
Skanska AB "B"	1,724	30,855
SKF AB "B" (a)	1,279	37,006
SSAB AB "A"	2,870	42,904
Svenska Cellulosa AB "B" (a)	9,672	136,190
Svenska Handelsbanken AB "A"	2,807	86,585
Swedbank AB "A"	2,295	38,546
Tele2 AB "B" (a)	4,023	79,508
Telefonaktiebolaget LM Ericsson "B"	34,517	496,442
TeliaSonera AB (a)	28,839	211,562
Volvo AB "B"	3,948	68,976
(Cost $1,263,795)		**1,978,129**
Switzerland 6.6%		
ABB Ltd. (Registered)*	7,290	189,039
Adecco SA (Registered)* (a)	824	52,830
Compagnie Financiere Richemont SA "A"	3,148	206,140
Credit Suisse Group AG (Registered)*	1,994	77,503
Geberit AG (Registered)* (a)	246	58,288
Givaudan SA (Registered)* (a)	61	64,537
Holcim Ltd. (Registered)*	1,480	111,695
Lonza Group AG (Registered)*	466	36,471
Nestle SA (Registered) (a)	19,933	1,238,821
Novartis AG (Registered) (a)	10,620	650,554
Roche Holding AG (Genusschein)	3,411	570,657
Sika AG (a)	19	45,780
Sonova Holding AG (Registered)*	289	27,052
STMicroelectronics NV (a)	5,378	53,599
Swatch Group AG (Bearer) (a)	214	107,971
Swiss Re Ltd.* (a)	723	40,598
Swisscom AG (Registered)	2,899	1,328,580
Syngenta AG (Registered)*	467	157,650
UBS AG (Registered)*	6,394	116,595
Wolseley PLC	1,218	39,725
Xstrata PLC	2,858	63,030
Zurich Financial Services AG*	398	100,593
(Cost $3,085,191)		**5,337,708**
United Kingdom 6.9%		
Anglo American PLC	1,947	96,489
ARM Holdings PLC	26,763	253,113
AstraZeneca PLC	8,743	436,553
Autonomy Corp. PLC*	4,292	117,592
BAE Systems PLC	10,946	55,957
Barclays PLC	8,467	34,852
BG Group PLC	3,267	74,146
BHP Billiton PLC	3,282	128,640
BP PLC	18,151	133,736
British American Tobacco PLC	3,987	174,764
British Sky Broadcasting Group PLC	4,941	67,107
BT Group PLC	44,070	142,948
Burberry Group PLC	1,367	31,783
Capita Group PLC	2,676	30,731
Centrica PLC	43,037	223,322
Compass Group PLC	7,663	73,919
Diageo PLC	4,423	90,371
GlaxoSmithKline PLC	32,547	696,853
HSBC Holdings PLC	12,924	128,213
Imperial Tobacco Group PLC	1,820	60,512
Inmarsat PLC	3,673	32,787
International Consolidated Airlines Group SA* (a)	9,009	36,532
International Power PLC	9,966	51,458
Kingfisher PLC	9,477	40,644
Lloyds Banking Group PLC*	35,330	27,761
Marks & Spencer Group PLC	6,157	35,714
National Grid PLC	28,023	275,766
Next PLC (a)	876	32,715
Pearson PLC	2,885	54,649
Reckitt Benckiser Group PLC	1,170	64,600
Reed Elsevier PLC (a)	4,792	43,580
Rio Tinto PLC	2,033	146,802
Rolls-Royce Holdings PLC*	6,738	69,756
SABMiller PLC	1,731	63,109
Scottish & Southern Energy PLC	7,747	173,278
Severn Trent PLC	2,133	50,361
Shire PLC	4,174	130,303
Smith & Nephew PLC	6,163	65,751
Smiths Group PLC	1,710	32,963
Standard Chartered PLC	1,687	44,330
Subsea 7 SA* (a)	1,418	36,273
Tesco PLC	15,136	97,756
The Sage Group PLC	30,436	141,129
Unilever PLC	1,529	49,342
United Utilities Group PLC	6,323	60,751
Vodafone Group PLC	225,520	599,349
William Morrison Supermarkets PLC (a)	8,072	38,569
WPP PLC	4,824	60,395
(Cost $3,922,681)		**5,608,024**
Total Common Stocks (Cost $52,699,425)		**69,800,124**

Preferred Stocks 0.8%

	Shares	Value ($)
Germany		
Bayerische Motoren Werke (BMW) AG	634	40,299
Henkel AG & Co. KGaA (a)	4,546	315,176
Porsche Automobil Holding SE	1,116	88,523
Volkswagen AG (a)	1,019	210,092
Total Preferred Stocks (Cost $379,528)		**654,090**

Exchange-Traded Funds 10.3%

	Shares	Value ($)
Emerging Markets		
iShares MSCI Emerging Markets Index Fund (a)	86,500	4,117,400
Vanguard MSCI Emerging Markets Fund	85,600	4,161,872
Total Exchange-Traded Funds (Cost $5,737,007)		**8,279,272**

Securities Lending Collateral 20.0%

	Shares	Value ($)
Daily Assets Fund Institutional, 0.13% (c) (d) (Cost $16,119,202)	16,119,202	**16,119,202**

Cash Equivalents 1.8%

	Shares	Value ($)
Central Cash Management Fund, 0.11% (d) (Cost $1,487,886)	1,487,886	**1,487,886**

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

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $76,423,048)†	119.3	**96,340,574**
Other Assets and Liabilities, Net	(19.3)	**(15,571,952)**
Net Assets	100.0	**80,768,622**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $76,885,148. At June 30, 2011, net unrealized appreciation for all securities based on tax cost was $19,455,426. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $21,520,593 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $2,065,167.*

(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, 2011 amounted to $15,630,453, which is 19.4% of net assets.*

(b) *Securities with the same description are the same corporate entity but trade on different stock exchanges.*

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

(d) *Represents collateral held in connection with securities lending. Income earned by the Fund 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, 2011, open futures contracts purchased were as follows:

Futures	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Appreciation ($)
ASX SPI 200 Index	AUD	9/15/2011	2	246,740	912
DJ Euro Stoxx 50 Index	EUR	9/16/2011	29	1,197,708	25,233
FTSE 100 Index	GBP	9/16/2011	1	94,732	1,990
Nikkei 225 Index	USD	9/8/2011	6	297,000	15,150
S&P TSX 60 Index	CAD	9/15/2011	1	158,059	4,286
Total net unrealized appreciation					**47,571**

Currency Abbreviations

AUD	Australian Dollar	EUR	Euro	USD	United States Dollar
CAD	Canadian Dollar	GBP	British Pound		

For information on the Fund's policy and additional disclosures regarding futures contracts, please refer to Note B 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 Fund'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 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, 2011 in valuing the Fund's investments. For information on the Fund'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 and Preferred Stocks (e)				
Australia	$ —	$ 2,978,873	$ —	$ 2,978,873
Austria	—	396,172	—	396,172
Belgium	—	871,496	—	871,496
Bermuda	—	106,166	—	106,166
Canada	8,997,589	43,494	—	9,041,083
Cyprus	—	64,190	—	64,190
Denmark	—	1,962,069	—	1,962,069
Finland	—	2,488,119	—	2,488,119
France	—	5,518,292	—	5,518,292
Germany	—	5,444,267	—	5,444,267
Greece	—	282,511	—	282,511
Hong Kong	—	2,001,001	—	2,001,001
Ireland	—	1,306,761	—	1,306,761
Italy	—	2,728,042	—	2,728,042
Japan	—	10,120,175	—	10,120,175
Luxembourg	—	333,099	—	333,099
Macau	—	101,299	—	101,299
Netherlands	—	5,098,795	—	5,098,795
Norway	—	1,359,349	—	1,359,349
Portugal	—	541,380	—	541,380
Singapore	—	1,992,594	—	1,992,594
Spain	—	2,794,620	—	2,794,620
Sweden	—	1,978,129	—	1,978,129
Switzerland	—	5,337,708	—	5,337,708
United Kingdom	—	5,608,024	—	5,608,024
Exchange-Traded Funds	8,279,272	—	—	8,279,272
Short-Term Investments (e)	17,607,088	—	—	17,607,088
Derivatives (f)	47,571	—	—	47,571
Total	**$ 34,931,520**	**$ 61,456,625**	$ —	**$ 96,388,145**

(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, 2011 (Unaudited)

Assets		
Investments:		
Investments in non-affiliated securities, at value (cost $58,815,960) — including $15,630,453 of securities loaned	$	78,733,486
Investment in Daily Assets Fund Institutional (cost $16,119,202)*		16,119,202
Investment in Central Cash Management Fund (cost $1,487,886)		1,487,886
Total investments in securities, at value (cost $76,423,048)		96,340,574
Foreign currency, at value (cost $351,694)		357,499
Deposits with broker for futures contracts		215,092
Receivable for investments sold		1,576
Dividends receivable		108,314
Interest receivable		21,800
Receivable for daily variation margin on futures contracts		47,571
Foreign taxes recoverable		33,701
Other assets		450
Total assets		97,126,577

Liabilities		
Payable upon return of securities loaned		16,119,202
Payable for Fund shares redeemed		114,110
Accrued management fee		53,352
Other accrued expenses and payables		71,291
Total liabilities		16,357,955
Net assets, at value	**$**	**80,768,622**

Net Assets Consist of		
Undistributed net investment income		1,189,359
Net unrealized appreciation (depreciation) on:		
Investments		19,917,526
Futures		47,571
Foreign currency		8,877
Accumulated net realized gain (loss)		(64,672,730)
Paid-in capital		124,278,019
Net assets, at value	**$**	**80,768,622**
Class A		
Net Asset Value, offering and redemption price per share ($80,768,622 ÷ 9,697,843 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**8.33**

* *Represents collateral of securities loaned.*

Statement of Operations

for the six months ended June 30, 2011 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $206,252)	$	1,718,393
Interest		1,060
Income distributions — Central Cash Management Fund		1,186
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		57,573
Other income		211
Total income		1,778,423
Expenses:		
Management fee		268,394
Administration fee		41,291
Services to shareholders		955
Custodian fee		32,697
Legal fees		4,276
Audit and tax fees		29,044
Reports to shareholders		15,290
Trustees' fees and expenses		2,798
Other		19,024
Total expenses		413,769
Net investment income (loss)		**1,364,654**

Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		4,917,960
Futures		(53,965)
Foreign currency		28,588
		4,892,583
Change in net unrealized appreciation (depreciation) on:		
Investments		(2,308,200)
Futures		86,598
Foreign currency		6,495
		(2,215,107)
Net gain (loss)		**2,677,476**
Net increase (decrease) in net assets resulting from operations	**$**	**4,042,130**

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, 2011 (Unaudited)	Year Ended December 31, 2010
Operations:		
Net investment income (loss)	$ 1,364,654	$ 1,519,774
Net realized gain (loss)	4,892,583	3,056,365
Change in net unrealized appreciation (depreciation)	(2,215,107)	3,397,247
Net increase (decrease) in net assets resulting from operations	4,042,130	7,973,386
Distributions to shareholders from:		
Net investment income:		
Class A	(1,512,225)	(1,843,687)
Total distributions	(1,512,225)	(1,843,687)
Fund share transactions:		
Class A		
Proceeds from shares sold	1,623,224	3,841,591
Reinvestment of distributions	1,512,225	1,843,687
Payments for shares redeemed	(8,069,165)	(14,779,706)
Net increase (decrease) in net assets from Class A share transactions	(4,933,716)	(9,094,428)
Increase (decrease) in net assets	(2,403,811)	(2,964,729)
Net assets at beginning of period	83,172,433	86,137,162
Net assets at end of period (including undistributed net investment income of $1,189,359 and $1,336,930, respectively)	**$ 80,768,622**	**$ 83,172,433**

Other Information		
Class A		
Shares outstanding at beginning of period	10,297,508	11,562,525
Shares sold	195,055	508,055
Shares issued to shareholders in reinvestment of distributions	175,432	252,215
Shares redeemed	(970,152)	(2,025,287)
Net increase (decrease) in Class A shares	(599,665)	(1,265,017)
Shares outstanding at end of period	**9,697,843**	**10,297,508**

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

Financial Highlights

Class A	Six Months Ended 6/30/11 (Unaudited)	2010	Years Ended December 31, 2009	2008	2007	2006
Selected Per Share Data						
Net asset value, beginning of period	**$ 8.08**	**$ 7.45**	**$ 6.22**	**$16.76**	**$16.31**	**$13.25**
Income (loss) from investment operations:						
Net investment income[a]	.14	.14	.12	.33[d]	.25	.24[b]
Net realized and unrealized gain (loss)	.26	.66	1.51	(6.67)	2.24	3.11
Total from investment operations	.40	.80	1.63	(6.34)	2.49	3.35
Less distributions from:						
Net investment income	(.15)	(.17)	(.40)	(.13)	(.46)	(.29)
Net realized gains	—	—	—	(4.07)	(1.58)	—
Total distributions	(.15)	(.17)	(.40)	(4.20)	(2.04)	(.29)
Net asset value, end of period	**$ 8.33**	**$ 8.08**	**$ 7.45**	**$ 6.22**	**$16.76**	**$16.31**
Total Return (%)	4.93**	10.93	29.36	(48.81)[c,e]	16.71	25.56
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	81	83	86	91	236	223
Ratio of expenses before expense reductions (%)	1.00*	.99	.94	1.02	.93	.88
Ratio of expenses after expense reductions (%)	1.00*	.99	.94	1.01	.93	.88
Ratio of net investment income (%)	1.64[f]**	1.90	1.89	3.04[d]	1.53	1.65[b]
Portfolio turnover rate (%)	19**	14	139	132	117	122

a *Based on average shares outstanding during the period.*

b *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.*

c *Total return would have been lower had certain expenses not been reimbursed.*

d *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.*

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 0.14% lower.*

f *The ratio for the six months ended June 30, 2011 has not been annualized since the Fund believes it would not be appropriate because the Fund's dividend income is not earned ratably throughout the fiscal year.*

* *Annualized*

** *Not annualized*

A. Organization and Significant Accounting Policies

DWS Diversified International Equity VIP (the "Fund") is a diversified series of DWS Variable Series II (the "Trust"), which 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 Fund'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 Fund 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 Fund'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 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.

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 categorized 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 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 categorized 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 Fund'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 Fund's Investment Portfolio.

Securities Lending. The Fund lends securities to certain financial institutions. The Fund 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 Fund requires the borrowers of the securities to maintain collateral with the Fund 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 Fund 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 Fund 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 Fund 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 Fund 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 Fund 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 acquisition and disposition of 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.

Federal Income Taxes. The Fund'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 Fund's understanding of the tax rules and rates related to income, gains and transactions for the foreign jurisdictions in which it invests, the Fund will provide for foreign taxes, and where appropriate, deferred foreign taxes.

At December 31, 2010, the Fund had a net tax basis capital loss carryforward of approximately $69,239,000, which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until the December 31, 2016 ($30,075,000) and December 31, 2017 ($39,164,000), the respective expiration dates, whichever occurs first.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the "Act") was enacted. Under the Act, net capital losses may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses. As a result of this ordering rule, pre-enactment capital loss carryforwards may expire unused, whereas under the previous rules these losses may have been utilized. This change is effective for fiscal years beginning after the date of enactment.

The Fund has reviewed the tax positions for the open tax years as of December 31, 2010 and has determined that no provision for income tax is required in the Fund's financial statements. The Fund'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 Fund, 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 Fund 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 futures contracts, income received from passive foreign investment companies and 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 Fund may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Fund.

The tax character of current year distributions will be determined at the end of the current fiscal year.

Expenses. Expenses of the Trust arising in connection with a specific fund are allocated to that fund. Other Trust expenses which cannot be directly attributed to a fund are apportioned among the funds in the Trust.

Contingencies. In the normal course of business, the Fund may enter into contracts with service providers that contain general 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 been made. However, based on experience, the Fund 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 Fund is informed of such dividends. Realized gains and losses from investment transactions are recorded on an identified cost basis and may include proceeds from litigation.

B. Derivative Instruments

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). For the six months ended June 30, 2011, the Fund used futures contracts as a 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.

Futures contracts are valued at the most recent settlement price. Upon entering into a futures contract, the Fund 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 Fund dependent upon the daily fluctuations in the value and are recorded for financial reporting purposes as unrealized gains or losses by the Fund. 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 Fund's ability to close out a futures contract prior to the settlement date and the risk that the futures contract is not well correlated with the security, index or currency to which it relates. Risk of loss may exceed amounts recognized in the Statement of Assets and Liabilities.

A summary of the open futures contracts as of June 30, 2011 is included in a table following the Fund's Investment Portfolio. For the six months ended June 30, 2011, the Fund's investment in futures contracts purchased had a total notional value generally indicative of a range from approximately $1,994,000 to $2,905,000.

The following table summarizes the value of the Fund's derivative instruments held as of June 30, 2011 and the related location in the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

Asset Derivative	Futures Contracts
Equity Contracts (a)	$ 47,571

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

(a) *Includes cumulative appreciation of futures contracts as disclosed in the Investment Portfolio. Unsettled variation margin is disclosed separately within the Statement of Assets and Liabilities.*

Additionally, the amount of unrealized and realized gains and losses on derivative instruments recognized in Fund earnings during the six months ended June 30, 2011 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)	$ (53,965)

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)	$ 86,598

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

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

C. Purchases and Sales of Securities

During the six months ended June 30, 2011, purchases and sales of investment transactions (excluding short-term investments) aggregated $15,205,816 and $19,379,665, respectively.

D. 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 Fund 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 Fund or delegates such responsibility to the Fund's subadvisor.

QS Investors, LLC ("QS Investors") serves as subadvisor. As a subadvisor to the Fund, QS Investors makes investment decisions and buys and sells securities for the Fund. QS Investors is paid by the Advisor for the services QS Investors provides to the Fund.

Pursuant to the Investment Management Agreement with the Advisor, the Fund pays a monthly management fee based on the Fund's average daily net assets, computed and accrued daily and payable monthly, at the following annual rates:

$0–$1.5 billion	.650%
Next $1.75 billion	.635%
Next $1.75 billion	.620%
Over $5 billion	.605%

Accordingly, for the six months ended June 30, 2011, the fee pursuant to the Investment Management Agreement was equivalent to an annualized effective rate of 0.65% of the Fund's average daily net assets.

Administration Fee. Pursuant to an Administrative Services Agreement, DIMA provides most administrative services to the Fund. For all services provided under the Administrative Services Agreement, the Fund pays DIMA an annual fee ("Administration Fee") of 0.10% of the Fund's average daily net assets, computed and accrued daily and payable monthly. For the six months ended June 30, 2011, the Administration Fee was $41,291, of which $6,560 is unpaid.

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 Fund. 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 Fund. For the six months ended June 30, 2011, the amounts charged to the Fund by DISC aggregated $65, of which $46 is unpaid.

Typesetting and Filing Service Fees. Under an agreement with DIMA, DIMA is compensated for providing typesetting and certain regulatory filing services to the Fund. For the six months ended June 30, 2011, the amount charged to the Fund by DIMA included in the Statement of Operations under "reports to shareholders" aggregated $7,350, of which $3,799 is unpaid.

Trustees' Fees and Expenses. The Fund 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 Vehicle. The Fund may invest uninvested cash balances in Central Cash Management Fund, which is managed by the Advisor. The Fund indirectly bears its proportionate share of the expenses of Central Cash Management Fund. 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.

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 Fund

At June 30, 2011, three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Fund, each owning 42%, 30% and 27%.

G. Line of Credit

The Fund and other affiliated funds (the "Participants") share in a $450 million revolving credit facility provided by a syndication of banks. The Fund may borrow for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated based on net assets, among each of the Participants. Interest is calculated at 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 Fund may borrow up to a maximum of 33 percent of its net assets under the agreement. The Fund had no outstanding loans at June 30, 2011.

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) 728-3337.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 3, 2010

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 2010, 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, 2008, and 2009.

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 have served 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 118 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 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 Distributors, Inc.
222 South Riverside Plaza
Chicago, IL 60606
(800) 621-1148

VS2DIE-3 (R-023293-1 8/11)

DWS
INVESTMENTS
Deutsche Bank Group

JUNE 30, 2011

SEMIANNUAL REPORT

DWS VARIABLE SERIES II

DWS Dreman Small Mid Cap Value VIP

Deutsche Bank Group

Contents

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, call (800) 728-3337 or your financial representative. We advise you to consider the Fund's objectives, risks, charges and expenses carefully before investing. The summary prospectus and prospectus contain this and other important information about the Fund. Please read the prospectus carefully before you invest.

Any Fund that focuses 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 Fund security that is out on loan by the Fund 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.

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

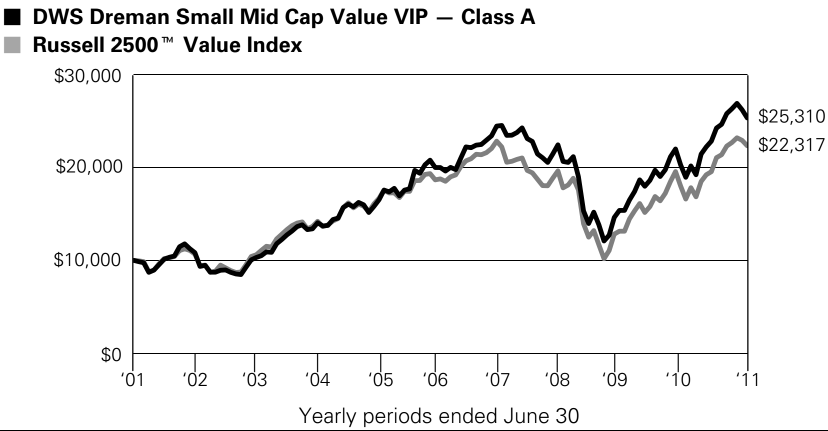
Performance Summary

June 30, 2011

Fund 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 Fund's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund 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 Fund, as stated in the fee table of the prospectus dated May 1, 2011 are 0.87% and 1.22% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

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 do not reflect any fees or expenses and 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	$10,450	$13,375	$12,271	$12,667	$25,310
	Average annual total return	4.50%	33.75%	7.06%	4.84%	9.73%
Russell 2500 Value Index	Growth of $10,000	$10,610	$13,454	$12,550	$11,902	$22,317
	Average annual total return	6.10%	34.54%	7.87%	3.54%	8.36%

DWS Dreman Small Mid Cap Value VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$10,439	$13,335	$12,151	$12,447	$23,042
	Average annual total return	4.39%	33.35%	6.71%	4.48%	9.72%
Russell 2500 Value Index	Growth of $10,000	$10,610	$13,454	$12,550	$11,902	$20,937
	Average annual total return	6.10%	34.54%	7.87%	3.54%	8.56%

The growth of $10,000 is cumulative.

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

* *The Fund commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

Information About Your Fund's Expenses

As an investor of the Fund, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Fund expenses. Examples of transaction costs include contract charges 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 Fund 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, 2011 to June 30, 2011).

The tables illustrate your Fund's expenses in two ways:

- **Actual Fund Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Fund using the Fund'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% Fund Return.** This helps you to compare your Fund's ongoing expenses (but not transaction costs) with those of other mutual funds using the Fund's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Fund return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. 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, 2011

Actual Fund Return	**Class A**	**Class B**
Beginning Account Value 1/1/11	$1,000.00	$1,000.00
Ending Account Value 6/30/11	$1,045.00	$1,043.90
Expenses Paid per $1,000*	$ 4.11	$ 5.83

Hypothetical 5% Fund Return	**Class A**	**Class B**
Beginning Account Value 1/1/11	$1,000.00	$1,000.00
Ending Account Value 6/30/11	$1,020.78	$1,019.09
Expenses Paid per $1,000*	$ 4.06	$ 5.76

* *Expenses are equal to the Fund'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	.81%	1.15%

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

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund is an investment option.

Portfolio Summary

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/11**	**12/31/10**
Common Stocks	96%	99%
Cash Equivalents	4%	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/11**	**12/31/10**
Financials	22%	19%
Information Technology	15%	14%
Industrials	14%	13%
Consumer Discretionary	13%	11%
Health Care	11%	11%
Energy	10%	11%
Materials	6%	9%
Consumer Staples	5%	6%
Utilities	4%	6%
	100%	100%

Asset allocation and sector diversification are subject to change.

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

Following the Fund'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. The Fund's portfolio holdings are also posted on www.dws-investments.com from time to time. Please see the Fund's current prospectus for more information.

	Shares	Value ($)
Common Stocks 95.9%		
Consumer Discretionary 12.5%		
Auto Components 1.1%		
Cooper Tire & Rubber Co.	154,275	**3,053,102**
Diversified Consumer Services 1.0%		
Regis Corp. (a)	187,925	**2,879,011**
Hotels Restaurants & Leisure 3.2%		
Brinker International, Inc. (a)	156,300	3,823,098
International Speedway Corp. "A"	113,475	3,223,825
LIFE TIME FITNESS, Inc.* (a)	48,596	1,939,466
		8,986,389
Household Durables 1.3%		
Whirlpool Corp. (a)	42,825	**3,482,529**
Leisure Equipment & Products 1.3%		
Mattel, Inc. (a)	131,425	**3,612,873**
Media 1.2%		
Meredith Corp. (a)	105,125	**3,272,541**
Multiline Retail 1.1%		
Big Lots, Inc.*	91,179	**3,022,584**
Textiles, Apparel & Luxury Goods 2.3%		
Hanesbrands, Inc.* (a)	129,900	3,708,645
The Jones Group, Inc.	239,790	2,601,722
		6,310,367
Consumer Staples 4.9%		
Beverages 1.2%		
Constellation Brands, Inc. "A"*	160,525	**3,342,131**
Food & Staples Retailing 1.1%		
SUPERVALU, Inc. (a)	332,525	**3,129,060**
Food Products 1.3%		
Ralcorp Holdings, Inc.* (a)	40,500	**3,506,490**
Household Products 1.3%		
Energizer Holdings, Inc.* (a)	50,975	**3,688,551**
Energy 9.2%		
Energy Equipment & Services 6.0%		
Atwood Oceanics, Inc.* (a)	96,040	4,238,245
Cal Dive International, Inc.*	575,100	3,439,098
McDermott International, Inc.*	126,125	2,498,536
Superior Energy Services, Inc.* (a)	93,500	3,472,590
Tidewater, Inc. (a)	57,775	3,108,873
		16,757,342
Oil, Gas & Consumable Fuels 3.2%		
Arch Coal, Inc. (a)	98,550	2,627,343
Forest Oil Corp.* (a)	102,800	2,745,788
Ultra Petroleum Corp.* (a)	77,022	3,527,608
		8,900,739
Financials 21.0%		
Capital Markets 2.3%		
Raymond James Financial, Inc. (a)	104,600	3,362,890
Apollo Investment Corp.	302,775	3,091,333
		6,454,223
Commercial Banks 6.5%		
Associated Banc-Corp.	251,475	3,495,503
Bank of Hawaii Corp. (a)	73,675	3,427,361
BOK Financial Corp. (a)	69,500	3,806,515
East West Bancorp., Inc. (a)	190,200	3,843,942
Zions Bancorp. (a)	149,500	3,589,495
		18,162,816
Insurance 4.7%		
Allied World Assurance Co. Holdings AG	62,450	3,595,871
Argo Group International Holdings Ltd.	104,813	3,115,042
Axis Capital Holdings Ltd.	93,800	2,904,048
Everest Re Group Ltd. (a)	40,225	3,288,394
		12,903,355
Real Estate Investment Trusts 7.5%		
CBL & Associates Properties, Inc. (REIT) (a)	196,250	3,558,013
CommonWealth REIT (REIT)	126,756	3,275,375
Hospitality Properties Trust (REIT)	146,750	3,558,687
Medical Properties Trust, Inc. (REIT) (a)	298,300	3,430,450
MFA Financial, Inc. (REIT)	411,975	3,312,279
Weingarten Realty Investors (REIT) (a)	149,400	3,758,904
		20,893,708
Health Care 11.0%		
Biotechnology 0.8%		
Cephalon, Inc.*	28,600	**2,285,140**
Health Care Equipment & Supplies 2.4%		
Alere, Inc.* (a)	88,500	3,240,870
Teleflex, Inc. (a)	57,050	3,483,473
		6,724,343
Health Care Providers & Services 5.2%		
Amedisys, Inc.* (a)	115,050	3,063,782
Healthspring, Inc.* (a)	84,675	3,904,364
LifePoint Hospitals, Inc.* (a)	88,825	3,471,281
Owens & Minor, Inc.	114,350	3,943,931
		14,383,358
Life Sciences Tools & Services 1.3%		
Charles River Laboratories International, Inc.*	93,375	**3,795,694**
Pharmaceuticals 1.3%		
Endo Pharmaceuticals Holdings, Inc.* (a)	87,700	**3,522,909**
Industrials 13.3%		
Aerospace & Defense 2.3%		
Alliant Techsystems, Inc. (a)	45,250	3,227,682
Spirit AeroSystems Holdings, Inc. "A"*	137,150	3,017,300
		6,244,982
Commercial Services & Supplies 3.5%		
Pitney Bowes, Inc. (a)	143,600	3,301,364
R.R. Donnelley & Sons Co. (a)	175,000	3,431,750
The Brink's Co.	101,475	3,026,999
		9,760,113
Construction & Engineering 2.4%		
Tutor Perini Corp. (a)	155,900	2,990,162
URS Corp.*	81,850	3,661,969
		6,652,131
Electrical Equipment 1.3%		
Hubbell, Inc. "B" (a)	57,425	**3,729,754**
Machinery 2.7%		
Crane Co.	74,500	3,681,045
Oshkosh Corp.*	131,500	3,805,610
		7,486,655

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

	Shares	Value ($)
Trading Companies & Distributors 1.1%		
Textainer Group Holdings Ltd. (a)	99,500	**3,058,630**
Information Technology 14.1%		
Communications Equipment 1.2%		
Arris Group, Inc.* (a)	292,375	**3,394,474**
Computers & Peripherals 1.8%		
NCR Corp.*	185,925	3,512,123
Synaptics, Inc.* (a)	59,211	1,524,091
		5,036,214
Electronic Equipment, Instruments & Components 2.4%		
Arrow Electronics, Inc.*	79,215	3,287,423
Jabil Circuit, Inc. (a)	165,475	3,342,595
		6,630,018
IT Services 4.0%		
Amdocs Ltd.*	125,900	3,826,101
DST Systems, Inc.	66,125	3,491,400
ManTech International Corp. "A" (a)	85,625	3,803,463
		11,120,964
Semiconductors & Semiconductor Equipment 3.4%		
Microsemi Corp.*	156,150	3,201,075
PMC-Sierra, Inc.*	452,625	3,426,371
Teradyne, Inc.* (a)	191,775	2,838,270
		9,465,716
Software 1.3%		
Synopsys, Inc.* (a)	138,575	**3,562,763**
Materials 5.9%		
Chemicals 1.6%		
Lubrizol Corp.	32,900	**4,417,483**

	Shares	Value ($)
Containers & Packaging 1.0%		
Owens-Illinois, Inc.*	108,925	**2,811,354**
Metals & Mining 3.3%		
Coeur d'Alene Mines Corp.* (a)	116,350	2,822,651
IAMGOLD Corp.	158,475	2,972,991
Reliance Steel & Aluminum Co. (a)	68,800	3,415,920
		9,211,562
Utilities 4.0%		
Electric Utilities 1.4%		
Portland General Electric Co.	150,350	**3,800,848**
Gas Utilities 1.4%		
AGL Resources, Inc. (a)	94,875	**3,862,361**
Multi-Utilities 1.2%		
Ameren Corp. (a)	121,650	**3,508,386**
Total Common Stocks (Cost $216,050,685)		**266,823,663**
Securities Lending Collateral 40.1%		
Daily Assets Fund Institutional, 0.13% (b) (c) (Cost $111,665,965)	111,665,965	**111,665,965**
Cash Equivalents 4.1%		
Central Cash Management Fund, 0.11% (b) (Cost $11,439,080)	11,439,080	**11,439,080**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $339,155,730)†	140.1	**389,928,708**
Other Assets and Liabilities, Net	(40.1)	**(111,627,763)**
Net Assets	100.0	**278,300,945**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $340,118,310. At June 30, 2011, net unrealized appreciation for all securities based on tax cost was $49,810,398. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $62,341,834 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $12,531,436.*

(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, 2011 amounted to $110,095,962, which is 39.6% of net assets.*

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

(c) *Represents collateral held in connection with securities lending. Income earned by the Fund is net of borrower rebates.*

REIT: Real Estate Investment Trust

Fair Value Measurements

Various inputs are used in determining the value of the Fund'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 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, 2011 in valuing the Fund's investments. For information on the Fund'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)	$ 266,823,663	$ —	$ —	$ 266,823,663
Short-Term Investments (d)	123,105,045	—	—	123,105,045
Total	**$ 389,928,708**	**$ —**	**$ —**	**$ 389,928,708**

There have been no transfers between Level 1 and Level 2 fair value measurements during the period ended June 30, 2011.

(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, 2011 (Unaudited)

Assets		
Investments:		
Investments in non-affiliated securities, at value (cost $216,050,685) — including $110,095,962 of securities loaned	$	266,823,663
Investment in Daily Assets Fund Institutional (cost $111,665,965)*		111,665,965
Investment in Central Cash Management Fund (cost $11,439,080)		11,439,080
Total investments in securities, at value (cost $339,155,730)		389,928,708
Cash		10,000
Receivable for investments sold		54,489
Receivable for Fund shares sold		353,593
Dividends receivable		297,602
Interest receivable		6,389
Other assets		1,802
Total assets		390,652,583
Liabilities		
Payable upon return of securities loaned		111,665,965
Payable for Fund shares redeemed		434,959
Accrued management fee		158,990
Accrued expenses and payables		91,724
Total liabilities		112,351,638
Net assets, at value	**$**	**278,300,945**
Net Assets Consist of:		
Undistributed net investment income		1,070,064
Net unrealized appreciation (depreciation) on investments		50,772,978
Accumulated net realized gain (loss)		(83,070,722)
Paid-in capital		309,528,625
Net assets, at value	**$**	**278,300,945**
Class A		
Net Asset Value, offering and redemption price per share ($252,284,899 ÷ 19,956,897 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**12.64**
Class B		
Net Asset Value, offering and redemption price per share ($26,016,046 ÷ 2,055,404 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**12.66**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2011 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes witheld of $2,375)	$	2,236,813
Income distributions — Central Cash Management Fund		7,649
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		36,336
Total income		2,280,798
Expenses:		
Management fee		906,528
Administration fee		140,216
Services to shareholders		4,063
Distribution service fee (Class B)		32,966
Record keeping fees (Class B)		11,384
Custodian fee		6,848
Professional fees		31,675
Trustees fees and expenses		4,918
Reports to shareholders		33,105
Other		7,617
Total expenses		1,179,320
Net investment income (loss)		**1,101,478**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from investments		21,393,064
Change in net unrealized appreciation (depreciation) on investments		(9,922,300)
Net gain (loss)		**11,470,764**
Net increase (decrease) in net assets resulting from operations	**$**	**12,572,242**

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, 2011 (Unaudited)	Year Ended December 31, 2010
Operations:		
Net investment income (loss)	$ 1,101,478	$ 2,826,446
Net realized gain (loss)	21,393,064	30,809,807
Change in net unrealized appreciation (depreciation)	(9,922,300)	18,581,828
Net increase (decrease) in net assets resulting from operations	12,572,242	52,218,081
Distributions to shareholders from:		
Net investment income:		
Class A	(2,506,080)	(3,068,046)
Class B	(161,946)	(217,515)
Total distributions	(2,668,026)	(3,285,561)
Fund share transactions:		
Class A		
Proceeds from shares sold	20,769,273	28,003,012
Reinvestment of distributions	2,506,080	3,068,046
Payments for shares redeemed	(27,424,088)	(62,437,627)
Net increase (decrease) in net assets from Class A share transactions	(4,148,735)	(31,366,569)
Class B		
Proceeds from shares sold	2,095,735	3,472,987
Reinvestment of distributions	161,946	217,515
Payments for shares redeemed	(3,417,429)	(5,804,013)
Net increase (decrease) in net assets from Class B share transactions	(1,159,748)	(2,113,511)
Increase (decrease) in net assets	4,595,733	15,452,440
Net assets at beginning of period	273,705,212	258,252,772
Net assets at end of period (including undistributed net investment income of $1,070,064 and $2,636,612, respectively)	**$ 278,300,945**	**$ 273,705,212**

Other Information		
Class A		
Shares outstanding at beginning of period	20,271,172	23,383,684
Shares sold	1,635,347	2,611,387
Shares issued to shareholders in reinvestment of distributions	187,021	271,509
Shares redeemed	(2,136,643)	(5,995,408)
Net increase (decrease) in Class A shares	(314,275)	(3,112,512)
Shares outstanding at end of period	**19,956,897**	**20,271,172**
Class B		
Shares outstanding at beginning of period	2,147,844	2,341,698
Shares sold	163,074	327,236
Shares issued to shareholders in reinvestment of distributions	12,067	19,214
Shares redeemed	(267,581)	(540,304)
Net increase (decrease) in Class B shares	(92,440)	(193,854)
Shares outstanding at end of period	**2,055,404**	**2,147,844**

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

Financial Highlights

Class A	Six Months Ended 6/30/11 (Unaudited)	2010	Years Ended December 31, 2009	2008	2007	2006
Selected Per Share Data						
Net asset value, beginning of period	**$12.21**	**$10.04**	**$ 7.93**	**$20.12**	**$22.93**	**$19.98**
Income (loss) from investment operations:						
Net investment income[a]	.05	.12	.16	.13	.18	.15
Net realized and unrealized gain (loss)	.51	2.19	2.11	(4.92)	.54	4.69
Total from investment operations	.56	2.31	2.27	(4.79)	.72	4.84
Less distributions from:						
Net investment income	(.13)	(.14)	(.16)	(.29)	(.23)	(.18)
Net realized gains	—	—	—	(7.11)	(3.30)	(1.71)
Total distributions	(.13)	(.14)	(.16)	(7.40)	(3.53)	(1.89)
Net asset value, end of period	**$12.64**	**$12.21**	**$10.04**	**$ 7.93**	**$20.12**	**$22.93**
Total Return (%)	4.50**	23.07	29.70	(33.42)[b]	3.06	25.06
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	252	247	235	223	468	562
Ratio of expenses before expense reductions (%)	.81*	.82	.79	.83	.78	.79
Ratio of expenses after expense reductions (%)	.81*	.82	.79	.82	.78	.79
Ratio of net investment income (%)	.82*	1.14	1.92	1.13	.85	.71
Portfolio turnover rate (%)	20**	38	72	49	110	52

[a] *Based on average shares outstanding during the period.*
[b] *Total return would have been lower had certain expenses not been reduced.*
* *Annualized*
** *Not annualized*

Class B	Six Months Ended 6/30/11 (Unaudited)	2010	Years Ended December 31, 2009	2008	2007	2006
Selected Per Share Data						
Net asset value, beginning of period	**$12.20**	**$10.03**	**$ 7.92**	**$20.08**	**$22.88**	**$19.93**
Income (loss) from investment operations:						
Net investment income[a]	.03	.08	.13	.09	.10	.07
Net realized and unrealized gain (loss)	.51	2.19	2.12	(4.92)	.54	4.67
Total from investment operations	.54	2.27	2.25	(4.83)	.64	4.74
Less distributions from:						
Net investment income	(.08)	(.10)	(.14)	(.22)	(.14)	(.08)
Net realized gains	—	—	—	(7.11)	(3.30)	(1.71)
Total distributions	(.08)	(.10)	(.14)	(7.33)	(3.44)	(1.79)
Net asset value, end of period	**$12.66**	**$12.20**	**$10.03**	**$ 7.92**	**$20.08**	**$22.88**
Total Return (%)	4.39**	22.66	29.28	(33.67)[b]	2.67	24.59
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	26	26	23	24	34	90
Ratio of expenses before expense reductions (%)	1.15*	1.17	1.14	1.18	1.16	1.17
Ratio of expenses after expense reductions (%)	1.15*	1.17	1.14	1.17	1.16	1.17
Ratio of net investment income (%)	.48*	.79	1.57	.78	.47	.33
Portfolio turnover rate (%)	20**	38	72	49	110	52

[a] *Based on average shares outstanding during the period.*
[b] *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 Dreman Small Mid Cap Value VIP (the "Fund") is a diversified series of DWS Variable Series II (the "Trust"), which 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.

Multiple Classes of Shares of Beneficial Interest. The Fund offers two classes of shares (Class A shares and Class B shares). Sales of Class B shares are subject to recordkeeping 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 Fund. Class A shares are not subject to such fees.

Investment income, realized and unrealized gains and losses, and certain fund-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 recordkeeping 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 Fund'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 Fund 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 Fund'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 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.

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 categorized 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 Fund'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 Fund's Investment Portfolio.

Foreign Currency Translations. The books and records of the Fund 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 acquisition and disposition of 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 Fund lends securities to certain financial institutions. The Fund 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 Fund requires the borrowers of the securities to maintain collateral with the Fund 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 Fund 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 Fund 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 Fund 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 Fund 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.

Federal Income Taxes. The Fund'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, 2010, the Fund had a net tax basis capital loss carryforward of approximately $103,501,000, which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2016 ($10,090,000) and December 31, 2017 ($93,411,000), the respective expiration dates, whichever occurs first.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the "Act") was enacted. Under the Act, net capital losses may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses. As a result of this ordering rule, pre-enactment capital loss carryforwards may expire unused, whereas under the previous rules these losses may have been utilized. This change is effective for fiscal years beginning after the date of enactment.

The Fund has reviewed the tax positions for the open tax years as of December 31, 2010 and has determined that no provision for income tax is required in the Fund's financial statements. The Fund'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 Fund, 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 Fund if not distributed and, therefore, will be distributed to shareholders at least annually. The Fund 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 Fund may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Fund.

The tax character of current year distributions will be determined at the end of the current fiscal year.

Expenses. Expenses of the Trust arising in connection with a specific fund are allocated to that fund. Other Trust expenses which cannot be directly attributed to a fund are apportioned among the funds in the Trust.

Contingencies. In the normal course of business, the Fund may enter into contracts with service providers that contain general 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 been made. However, based on experience, the Fund expects the risk of loss to be remote.

Real Estate Investment Trusts. The Fund periodically recharacterizes 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 for financial reporting purposes and a recharacterization will be made to the accounting records 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 Fund 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 return of capital.

Other. Investment transactions are accounted for on a trade date plus one basis for daily net asset value calculations. However, for financial reporting purposes, investment transactions are reported on trade date. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date net of foreign withholding taxes. Realized gains and losses from investment transactions are recorded on an identified cost basis and may include proceeds from litigation.

B. Purchases and Sales of Securities

During the six months ended June 30, 2011, purchases and sales of investment transactions (excluding short-term investments) aggregated $55,002,638 and $70,624,642, respectively.

C. Related Parties

Management Agreement. Under the Investment Management Agreement with Deutsche Investment Management Americas Inc. ("DIMA" or the "Advisor"), an indirect, wholly owned subsidiary of Deutsche Bank AG, the Advisor directs the investments of the Fund 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 Fund or delegates such responsibility to the Fund's subadvisor.

Dreman Value Management, L.L.C. ("DVM") serves as subadvisor. As a subadvisor to the Fund, DVM makes investment decisions and buys and sells securities for the Fund. DVM is paid by the Advisor for the services DVM provides to the Fund.

Pursuant to the Investment Management Agreement with the Advisor, the Fund pays a monthly management fee based on the Fund's average daily net assets, computed and accrued daily and payable monthly, at the following annual rates:

$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%

Accordingly, for the six months ended June 30, 2011, the fee pursuant to the Investment Management Agreement was equivalent to an annualized effective rate of 0.65% of the Fund's average daily net assets.

Administration Fee. Pursuant to an Administrative Services Agreement, DIMA provides most administrative services to the Fund. For all services provided under the Administrative Services Agreement, the Fund pays DIMA an annual fee ("Administration Fee") of 0.10% of the Fund's average daily net assets, computed and accrued daily and payable monthly. For the six months ended June 30, 2011, the Administration Fee was $140,216, of which $22,449 is unpaid.

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 Fund. 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 Fund. For the six months ended June 30, 2011, the amounts charged to the Fund by DISC were as follows:

Service to Shareholders	Total Aggregated	Unpaid at June 30, 2011
Class A	$ 313	$ 225
Class B	194	134
	$ 507	**$ 359**

Distribution Service Agreement. Under the Fund'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, 2011, the Distribution Service Fee aggregated $32,966, of which $5,242 is unpaid.

Typesetting and Filing Service Fees. Under an agreement with DIMA, DIMA is compensated for providing typesetting and certain regulatory filing services to the Fund. For the six months ended June 30, 2011, the amount charged to the Fund by DIMA included in the Statement of Operations under "reports to shareholders" aggregated $10,031, of which $3,367 is unpaid.

Trustees' Fees and Expenses. The Fund 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 Vehicle. The Fund may invest uninvested cash balances in Central Cash Management Fund, which is managed by the Advisor. The Fund indirectly bears its proportionate share of the expenses of Central Cash Management Fund. 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 Fund

At June 30, 2011, three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Fund, each owning 38%, 25% and 14%. Four participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Fund, each owning 39%, 18%, 11% and 11%.

E. Line of Credit

The Fund and other affiliated funds (the "Participants") share in a $450 million revolving credit facility provided by a syndication of banks. The Fund may borrow for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated based on net assets, among each of the Participants. Interest is calculated at 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 Fund may borrow up to a maximum of 33 percent of its net assets under the agreement. The Fund had no outstanding loans at June 30, 2011.

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) 728-3337.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 3, 2010

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 2010, 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, 2008, and 2009.

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 have served 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 118 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 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

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VS2DSMC-3 (R-023294-1 8/11)

DWS INVESTMENTS
Deutsche Bank Group

JUNE 30, 2011

SEMIANNUAL REPORT

DWS VARIABLE SERIES II

DWS Global Thematic VIP

Deutsche Bank Group

Contents

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, call (800) 728-3337 or your financial representative. We advise you to consider the Fund's objectives, risks, charges and expenses carefully before investing. The summary prospectus and prospectus contain this and other important information about the Fund. Please read the prospectus carefully before you invest.

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 Fund security that is out on loan by the Fund 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.

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.

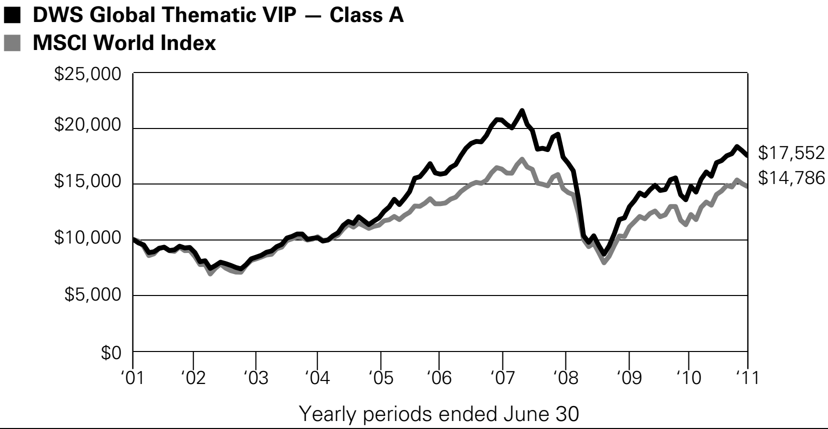
Performance Summary

June 30, 2011

Fund 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 Fund's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund 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 Fund, as stated in the fee table of the prospectus dated May 1, 2011 are 1.41% and 1.76% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

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 do not reflect any fees or expenses and 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	$10,382	$12,932	$10,082	$11,060	$17,552
	Average annual total return	3.82%	29.32%	0.27%	2.04%	5.79%
MSCI World Index	Growth of $10,000	$10,529	$13,051	$10,140	$11,194	$14,786
	Average annual total return	5.29%	30.51%	0.47%	2.28%	3.99%

DWS Global Thematic VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$10,356	$12,880	$9,967	$10,854	$19,480
	Average annual total return	3.56%	28.80%	–0.11%	1.65%	7.69%
MSCI World Index	Growth of $10,000	$10,529	$13,051	$10,140	$11,194	$17,439
	Average annual total return	5.29%	30.51%	0.47%	2.28%	6.37%

The growth of $10,000 is cumulative.

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

* *The Fund commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

Information About Your Fund's Expenses

As an investor of the Fund, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Fund 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 Fund 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 Fund 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, 2011 to June 30, 2011).

The tables illustrate your Fund's expenses in two ways:

- **Actual Fund Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Fund using the Fund'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% Fund Return.** This helps you to compare your Fund's ongoing expenses (but not transaction costs) with those of other mutual funds using the Fund's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Fund return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. 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, 2011

Actual Fund Return	**Class A**	**Class B**
Beginning Account Value 1/1/11	$1,000.00	$1,000.00
Ending Account Value 6/30/11	$1,038.20	$1,035.60
Expenses Paid per $1,000*	$ 5.21	$ 6.97
Hypothetical 5% Fund Return	**Class A**	**Class B**
Beginning Account Value 1/1/11	$1,000.00	$1,000.00
Ending Account Value 6/30/11	$1,019.69	$1,017.95
Expenses Paid per $1,000*	$ 5.16	$ 6.90

* *Expenses are equal to the Fund'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	1.03%	1.38%

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

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund is an investment option.

Portfolio Summary

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/11**	**12/31/10**
Common Stocks	95%	94%
Participatory Notes	2%	3%
Preferred Stocks	2%	1%
Cash Equivalents	1%	2%
	100%	100%

Sector Diversification (As a % of Investment Portfolio excluding Cash Equivalents and Securities Lending Collateral)	**6/30/11**	**12/31/10**
Financials	22%	21%
Information Technology	15%	14%
Health Care	12%	12%
Consumer Discretionary	11%	6%
Industrials	11%	11%
Materials	9%	9%
Energy	7%	5%
Consumer Staples	6%	11%
Telecommunication Services	4%	7%
Utilities	3%	4%
	100%	100%

Geographical Diversification (As a % of Investment Portfolio excluding Cash Equivalents and Securities Lending Collateral)	**6/30/11**	**12/31/10**
United States	36%	32%
Continental Europe	28%	23%
Asia (excluding Japan)	9%	8%
Latin America	8%	8%
Japan	7%	9%
United Kingdom	4%	8%
Middle East	3%	4%
Africa	3%	4%
Bermuda	1%	1%
Other	1%	3%
	100%	100%

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

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

Following the Fund'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. The Fund's portfolio holdings are also posted on www.dws-investments.com from time to time. Please see the Fund's current prospectus for more information.

	Shares	Value ($)
Common Stocks 94.6%		
Australia 0.4%		
Centamin Egypt Ltd.* (a) (Cost $312,232)	148,825	**301,385**
Austria 2.5%		
Erste Group Bank AG	24,981	1,308,491
Raiffeisen Bank International AG	6,975	358,994
(Cost $1,121,668)		**1,667,485**
Bahrain 0.4%		
Aluminium Bahrain (GDR) 144A (Cost $263,463)	21,937	**241,088**
Bermuda 0.7%		
Frontline Ltd. (b) (c)	14,347	211,475
Lazard Ltd. "A" (b)	7,284	270,236
(Cost $571,717)		**481,711**
Brazil 3.4%		
All America Latina Logistica	72,817	612,621
Gol Linhas Aereas Inteligentes SA (ADR) (Preferred) (c)	26,956	327,515
Itau Unibanco Holding SA (ADR) (Preferred)	15,612	367,663
SLC Agricola SA	63,318	750,168
Tam SA (ADR) (Preferred) (c)	11,749	256,481
(Cost $2,207,042)		**2,314,448**
Cayman Islands 0.4%		
Herbalife Ltd. (b) (Cost $100,710)	4,946	**285,087**
China 2.3%		
Home Inns & Hotels Management, Inc. (ADR)*	7,418	282,181
Li Ning Co., Ltd. (c)	101,452	175,612
Mindray Medical International Ltd. (ADR) (c)	22,649	635,304
Trina Solar Ltd. (ADR)* (c)	19,840	444,813
(Cost $1,739,635)		**1,537,910**
Colombia 0.4%		
Bancolombia SA (ADR) (Preferred) (Cost $230,654)	4,248	**283,469**
Denmark 0.9%		
Vestas Wind Systems AS* (Cost $811,836)	26,326	**612,023**
Egypt 0.5%		
Orascom Telecom Holding SAE (GDR) REG S* (Cost $177,339)	97,029	**335,929**
France 0.8%		
Carrefour SA* (c) (Cost $640,011)	13,166	**540,737**
Germany 10.2%		
Axel Springer AG	13,694	676,345
Commerzbank AG*	231,496	995,458
Deutsche Lufthansa AG (Registered)	69,505	1,513,805
Deutsche Post AG (Registered)	29,139	559,576
E.ON AG	24,872	706,066
Muenchener Rueckversicherungs-Gesellschaft AG (Registered)	6,498	992,018
RWE AG	9,398	520,128
Siemens AG (Registered)	7,218	991,067
(Cost $6,624,138)		**6,954,463**

	Shares	Value ($)
Greece 0.3%		
Hellenic Exchanges SA (Cost $204,528)	28,382	**202,451**
India 3.2%		
ICICI Bank Ltd. (ADR)	16,810	828,733
Larsen & Toubro Ltd.	10,052	413,291
Mahindra & Mahindra Ltd.	30,627	481,559
Reliance Industries Ltd.	22,566	453,200
(Cost $2,066,130)		**2,176,783**
Indonesia 0.5%		
PT Semen Gresik (Persero) Tbk (Cost $236,713)	305,993	**343,226**
Israel 1.6%		
NICE Systems Ltd. (ADR)*	5,702	207,324
Teva Pharmaceutical Industries Ltd. (ADR)	18,558	894,867
(Cost $1,064,304)		**1,102,191**
Japan 6.6%		
Dai-ichi Life Insurance Co., Ltd.	193	270,233
FANUC Corp.	1,900	316,828
Hitachi Ltd.	126,000	744,821
INPEX Corp.	181	1,336,274
Mitsubishi UFJ Financial Group, Inc.	121,600	591,982
Toyota Motor Corp.	25,200	1,060,991
Toyota Motor Corp. (ADR)	1,736	143,081
(Cost $3,627,928)		**4,464,210**
Kazakhstan 0.0%		
Kazakhstan Kagazy PLC (GDR)* (Cost $886,300)	174,800	**12,236**
Korea 2.6%		
NHN Corp.*	2,018	357,980
Samsung Electronics Co., Ltd.	1,843	1,432,452
(Cost $1,660,241)		**1,790,432**
Luxembourg 0.2%		
Ternium SA (ADR) (d) (Cost $119,285)	3,529	**104,211**
Malaysia 0.4%		
Axiata Group Bhd. (Cost $196,103)	169,800	**281,908**
Mexico 0.9%		
Grupo Aeroportuario del Sureste SAB de CV (ADR)	4,205	247,843
Grupo Financiero Banorte SAB de CV "O"	86,640	393,371
(Cost $584,002)		**641,214**
Netherlands 4.3%		
Koninklijke (Royal) KPN NV	39,955	580,789
QIAGEN NV*	22,841	437,872
Unilever NV (CVA)	36,614	1,199,476
VimpelCom Ltd. (ADR) (e)	55,206	704,429
(Cost $2,955,511)		**2,922,566**
Panama 1.7%		
Copa Holdings SA "A" (Cost $750,332)	16,997	**1,134,380**
Peru 0.4%		
Credicorp Ltd. (Cost $300,398)	3,065	**263,896**

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

	Shares	Value ($)
Puerto Rico 1.4%		
Popular, Inc.* (c) (Cost $978,172)	336,183	**927,865**
Russia 0.9%		
Aeroflot-Russian Airlines	122,917	304,808
VTB Bank OJSC (GDR) REG S	53,416	329,020
(Cost $652,052)		**633,828**
South Africa 2.6%		
MTN Group Ltd.	31,639	674,138
Murray & Roberts Holdings Ltd.	62,871	279,125
Standard Bank Group Ltd.	37,732	558,330
Tiger Brands Ltd.	9,049	264,474
(Cost $1,546,951)		**1,776,067**
Sweden 2.1%		
Telefonaktiebolaget LM Ericsson "B" (Cost $1,118,046)	97,949	**1,408,756**
Switzerland 1.9%		
Julius Baer Group Ltd.*	12,607	520,372
Roche Holding AG (Genusschein)	4,789	801,195
(Cost $1,215,793)		**1,321,567**
Thailand 0.1%		
Seamico Securities PCL (Foreign Registered)* (Cost $153,906)	1,403,300	**79,014**
Turkey 1.3%		
Turkiye Garanti Bankasi AS	147,649	669,792
Turkiye Vakiflar Bankasi TAO "D"	86,720	196,135
(Cost $880,513)		**865,927**
United Kingdom 3.5%		
African Minerals Ltd.* (f)	14,153	117,666
Anglo American PLC	6,722	333,127
Barratt Developments PLC*	200,908	368,399
GlaxoSmithKline PLC	37,163	795,685
Tesco PLC	113,551	733,367
(Cost $2,075,008)		**2,348,244**
United States 35.2%		
Abbott Laboratories	13,475	709,055
Advanced Micro Devices, Inc.* (c)	81,702	571,097
AGCO Corp.*	1,182	58,344
Allscripts Healthcare Solutions, Inc.* (c)	27,878	541,391
Apple, Inc.*	6,059	2,033,825
Bank of America Corp.	104,443	1,144,695
Calpine Corp.* (c)	40,228	648,878
Chevron Corp.	5,310	546,080
Cisco Systems, Inc.	30,572	477,229
DreamWorks Animation SKG, Inc. "A"* (c)	12,409	249,421
Electronic Arts, Inc.*	14,543	343,215
Exxon Mobil Corp.	8,938	727,374
General Motors Co.*	35,460	1,076,566
Harris Corp. (c)	12,188	549,191
Interpublic Group of Companies, Inc. (c)	49,863	623,288
iRobot Corp.* (c)	2,970	104,811
JPMorgan Chase & Co.	31,914	1,306,559
Kinetic Concepts, Inc.* (c)	12,582	725,101
Laboratory Corp. of America Holdings*	9,464	916,021
Life Technologies Corp.*	20,881	1,087,274
Medco Health Solutions, Inc.*	6,415	362,576
Monsanto Co.	13,280	963,331
Morgan Stanley (c)	52,902	1,217,275
NCR Corp.*	33,724	637,046
New York Times Co. "A"* (c)	33,206	289,556
Newmont Mining Corp.	17,051	920,242
RadioShack Corp. (c)	26,308	350,159
Schlumberger Ltd.	6,503	561,859
Symantec Corp.*	36,009	710,097
The Mosaic Co.	23,398	1,584,747
WebMD Health Corp.* (c)	4,388	200,005
Whirlpool Corp. (c)	10,964	891,592
Williams Companies, Inc. (c)	24,191	731,778
(Cost $22,423,883)		**23,859,678**
Total Common Stocks (Cost $60,496,544)		**64,216,385**

Preferred Stock 1.6%

	Shares	Value ($)
Germany		
Volkswagen AG (Cost $811,860)	5,070	**1,045,308**

Participatory Notes 2.2%

	Shares	Value ($)
Jordan 0.2%		
Arab Bank PLC (issuer HSBC Bank PLC), Expiration Date 4/12/2013* (Cost $162,698)	10,256	**121,118**
Nigeria 0.5%		
Bank of Nigeria (issuer HSBC Bank PLC), Expiration Date 11/5/2013*	2,034,569	166,767
Guaranty Trust Bank PLC (issuer Morgan Stanley BV), Expiration Date 3/25/2013*	536,764	54,838
Zenith Bank Ltd. (issuer Morgan Stanley BV), Expiration Date 3/25/2013*	1,015,714	97,642
(Cost $307,700)		**319,247**
Pakistan 0.2%		
National Bank of Pakistan (issuer Merrill Lynch International & Co.), Expiration Date 2/25/2015* (Cost $200,357)	296,691	**174,005**
Saudi Arabia 1.3%		
Saudi Basic Industrial Corp. (issuer HSBC Bank PLC), Expiration Date 3/26/2012*	18,969	526,059
Yanbu National Petrochemicals Co. (issuer HSBC Bank PLC), Expiration Date 1/7/2013	28,701	362,006
(Cost $829,726)		**888,065**
Total Participatory Notes (Cost $1,500,481)		**1,502,435**

Securities Lending Collateral 13.6%

	Shares	Value ($)
Daily Assets Fund Institutional, 0.13% (g) (h) (Cost $9,252,532)	9,252,532	**9,252,532**

Cash Equivalents 1.5%

	Shares	Value ($)
Central Cash Management Fund, 0.11% (g) (Cost $1,012,516)	1,012,516	**1,012,516**

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

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $73,073,933)[†]	113.5	**77,029,176**
Other Assets and Liabilities, Net	(13.5)	**(9,150,490)**
Net Assets	100.0	**67,878,686**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $73,473,607. At June 30, 2011, net unrealized appreciation for all securities based on tax cost was $3,555,569. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $7,048,493 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $3,492,924.*

(a) *Security is listed in country of domicile. Significant business activities of company are in Egypt.*

(b) *Listed on the New York Stock Exchange.*

(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, 2011 amounted to $9,129,036, which is 13.4% of net assets.*

(d) *Security is listed in country of domicile. Significant business activities of company are in Argentina, Mexico and Venezuela.*

(e) *Security is listed in country of domicile. Significant business activities of company are in Eastern Europe and South Asia.*

(f) *Security is listed in country of domicile. Significant business activities of company are in Africa.*

(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 Fund 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

CVA: Certificaten Van Aandelen

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 Fund'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 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, 2011 in valuing the Fund's investments. For information on the Fund'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 & Preferred Stock (i)				
Australia	$ —	$ 301,385	$ —	$ 301,385
Austria	—	1,667,485	—	1,667,485
Bahrain	—	241,088	—	241,088
Bermuda	481,711	—	—	481,711
Brazil	2,314,448	—	—	2,314,448
Cayman Islands	285,087	—	—	285,087
China	1,362,298	175,612	—	1,537,910
Colombia	283,469	—	—	283,469
Denmark	—	612,023	—	612,023
Egypt	—	335,929	—	335,929
France	—	540,737	—	540,737
Germany	—	7,999,771	—	7,999,771
Greece	—	202,451	—	202,451
India	828,733	1,348,050	—	2,176,783
Indonesia	—	343,226	—	343,226
Israel	1,102,191	—	—	1,102,191
Japan	143,081	4,321,129	—	4,464,210
Kazakhstan	—	12,236	—	12,236
Korea	—	1,790,432	—	1,790,432
Luxembourg	104,211	—	—	104,211
Malaysia	—	281,908	—	281,908
Mexico	641,214	—	—	641,214
Netherlands	704,429	2,218,137	—	2,922,566

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

Assets	Level 1	Level 2	Level 3	Total
Panama	1,134,380	—	—	1,134,380
Peru	263,896	—	—	263,896
Puerto Rico	927,865	—	—	927,865
Russia	—	633,828	—	633,828
South Africa	—	1,776,067	—	1,776,067
Sweden	—	1,408,756	—	1,408,756
Switzerland	—	1,321,567	—	1,321,567
Thailand	—	79,014	—	79,014
Turkey	—	865,927	—	865,927
United Kingdom	—	2,348,244	—	2,348,244
United States	23,859,678	—	—	23,859,678
Participatory Notes (i)	—	1,502,435	—	1,502,435
Short-Term Investments (i)	10,265,048	—	—	10,265,048
Total	**$ 44,701,739**	**$ 32,327,437**	**$ —**	**$ 77,029,176**

There have been no transfers between Level 1 and Level 2 fair value measurements during the period ended June 30, 2011.

(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, 2011 (Unaudited)

Assets		
Investments:		
Investments in non-affiliated securities, at value (cost $62,808,885) — including $9,129,036 of securities loaned	$	66,764,128
Investment in Daily Assets Fund Institutional (cost $9,252,532)*		9,252,532
Investment in Central Cash Management Fund (cost $1,012,516)		1,012,516
Total investments in securities, at value (cost $73,073,933)		77,029,176
Foreign currency, at value (cost $86,043)		87,072
Receivable for investments sold		395,812
Receivable for Fund shares sold		16,462
Dividends receivable		114,430
Interest receivable		1,642
Foreign taxes recoverable		19,921
Other assets		444
Total assets		77,664,959
Liabilities		
Payable upon return of securities loaned		9,252,532
Payable for investments purchased		322,707
Payable for Fund shares redeemed		97,112
Accrued management fee		29,092
Other accrued expenses and payables		84,830
Total liabilities		9,786,273
Net assets, at value	**$**	**67,878,686**
Net Assets Consist of		
Undistributed net investment income		592,982
Net unrealized appreciation (depreciation) on:		
Investments		3,955,243
Foreign currency		482
Accumulated net realized gain (loss)		(48,711,711)
Paid-in capital		112,041,690
Net assets, at value	**$**	**67,878,686**
Class A		
Net Asset Value, offering and redemption price per share ($63,773,789 ÷ 6,659,301 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**9.58**
Class B		
Net Asset Value, offering and redemption price per share ($4,104,897 ÷ 427,416 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**9.60**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2011 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $100,814)	$	971,842
Income distributions — Central Cash Management Fund		519
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		35,500
Total income		1,007,861
Expenses:		
Management fee		324,753
Administration fee		35,492
Services to shareholders		1,499
Distribution service fee (Class B)		5,740
Record keeping fees (Class B)		2,273
Custodian fee		65,657
Audit and tax fees		31,313
Legal fees		4,282
Reports to shareholders		10,011
Trustees' fees and expenses		2,445
Other		19,646
Total expenses before expense reductions		503,111
Expense reductions		(128,529)
Total expenses after expense reductions		374,582
Net investment income (loss)		**633,279**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		4,804,780
Foreign currency		(62,483)
		4,742,297
Change in net unrealized appreciation (depreciation) on:		
Investments		(2,663,021)
Foreign currency		(1,626)
		(2,664,647)
Net gain (loss)		**2,077,650**
Net increase (decrease) in net assets resulting from operations	**$**	**2,710,929**

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, 2011 (Unaudited)	Year Ended December 31, 2010
Operations:		
Net investment income (loss)	$ 633,279	$ 514,123
Net realized gain (loss)	4,742,297	7,206,315
Change in net unrealized appreciation (depreciation)	(2,664,647)	899,469
Net increase (decrease) in net assets resulting from operations	2,710,929	8,619,907
Distributions to shareholders from:		
Net investment income:		
Class A	(391,766)	(621,927)
Class B	(9,700)	(28,358)
Total distributions	(401,466)	(650,285)
Fund share transactions:		
Class A		
Proceeds from shares sold	1,408,415	5,854,566
Reinvestment of distributions	391,766	621,927
Payments for shares redeemed	(7,948,644)	(12,215,497)
Net increase (decrease) in net assets from Class A share transactions	(6,148,463)	(5,739,004)
Class B		
Proceeds from shares sold	24,012	308,827
Reinvestment of distributions	9,700	28,358
Payments for shares redeemed	(933,653)	(1,123,823)
Net increase (decrease) in net assets from Class B share transactions	(899,941)	(786,638)
Increase (decrease) in net assets	(4,738,941)	1,443,980
Net assets at beginning of period	72,617,627	71,173,647
Net assets at end of period (including undistributed net investment income of $592,982 and $361,169, respectively)	**$ 67,878,686**	**$ 72,617,627**

Other Information		
Class A		
Shares outstanding at beginning of period	7,301,949	8,018,621
Shares sold	146,685	692,269
Shares issued to shareholders in reinvestment of distributions	39,334	72,065
Shares redeemed	(828,667)	(1,481,006)
Net increase (decrease) in Class A shares	(642,648)	(716,672)
Shares outstanding at end of period	**6,659,301**	**7,301,949**
Class B		
Shares outstanding at beginning of period	519,624	617,302
Shares sold	2,486	36,659
Shares issued to shareholders in reinvestment of distributions	971	3,275
Shares redeemed	(95,665)	(137,612)
Net increase (decrease) in Class B shares	(92,208)	(97,678)
Shares outstanding at end of period	**427,416**	**519,624**

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

Financial Highlights

Class A	Six Months Ended 6/30/11 (Unaudited)	2010	Years Ended December 31, 2009	2008	2007	2006
Selected Per Share Data						
Net asset value, beginning of period	**$ 9.28**	**$ 8.24**	**$ 5.84**	**$15.66**	**$17.39**	**$14.44**
Income (loss) from investment operations:						
Net investment income[a]	.09	.06	.08	.11	.14	.15[c]
Net realized and unrealized gain (loss)	.27	1.06	2.42	(5.83)	.88	4.02
Total from investment operations	.36	1.12	2.50	(5.72)	1.02	4.17
Less distributions from:						
Net investment income	(.06)	(.08)	(.10)	(.19)	(.11)	(.09)
Net realized gains	—	—	—	(3.91)	(2.64)	(1.13)
Total distributions	(.06)	(.08)	(.10)	(4.10)	(2.75)	(1.22)
Net asset value, end of period	**$ 9.58**	**$ 9.28**	**$ 8.24**	**$ 5.84**	**$15.66**	**$17.39**
Total Return (%)[b]	3.82**	13.65	43.82	(47.75)	6.29	30.14[c]
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	64	68	66	59	151	143
Ratio of expenses before expense reductions (%)	1.39*	1.41	1.38	1.47	1.44	1.38
Ratio of expenses after expense reductions (%)	1.03*	1.05	1.04	1.09	1.11	1.04
Ratio of net investment income (%)	1.81*	.77	1.23	1.09	.82	.92[c]
Portfolio turnover rate (%)	71**	165	190	229	191	136

[a] *Based on average shares outstanding during the period.*

[b] *Total return would have been lower had certain expenses not been reduced.*

[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 $0.004 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	Six Months Ended 6/30/11 (Unaudited)	2010	Years Ended December 31, 2009	2008	2007	2006
Selected Per Share Data						
Net asset value, beginning of period	**$ 9.29**	**$ 8.25**	**$ 5.85**	**$15.66**	**$17.38**	**$14.43**
Income (loss) from investment operations:						
Net investment income[a]	.07	.04	.06	.07	.07	.09[c]
Net realized and unrealized gain (loss)	.26	1.05	2.42	(5.83)	.90	4.02
Total from investment operations	.33	1.09	2.48	(5.76)	.97	4.11
Less distributions from:						
Net investment income	(.02)	(.05)	(.08)	(.14)	(.05)	(.03)
Net realized gains	—	—	—	(3.91)	(2.64)	(1.13)
Total distributions	(.02)	(.05)	(.08)	(4.05)	(2.69)	(1.16)
Net asset value, end of period	**$ 9.60**	**$ 9.29**	**$ 8.25**	**$ 5.85**	**$15.66**	**$17.38**
Total Return (%)[b]	3.56**	13.24	43.23	(47.87)	5.84	29.65[c]
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	4	5	5	4	10	25
Ratio of expenses before expense reductions (%)	1.75*	1.76	1.73	1.82	1.81	1.76
Ratio of expenses after expense reductions (%)	1.38*	1.40	1.39	1.45	1.47	1.43
Ratio of net investment income (%)	1.46*	.42	.88	.73	.46	.53[c]
Portfolio turnover rate (%)	71**	165	190	229	191	136

[a] *Based on average shares outstanding during the period.*

[b] *Total return would have been lower had certain expenses not been reduced.*

[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 $0.004 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*

Notes to Financial Statements (Unaudited)

A. Organization and Significant Accounting Policies

DWS Global Thematic VIP (the "Fund") is a diversified series of DWS Variable Series II (the "Trust"), which 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.

Multiple Classes of Shares of Beneficial Interest. The Fund offers two classes of shares (Class A shares and Class B shares). Sales of Class B shares are subject to recordkeeping 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 for Class B shares of the Fund. Class A shares are not subject to such fees.

Investment income, realized and unrealized gains and losses, and certain fund-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 recordkeeping 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 Fund'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 Fund 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 Fund'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 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.

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 categorized 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 categorized 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 Fund'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 Fund's Investment Portfolio.

Foreign Currency Translations. The books and records of the Fund 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 acquisition and disposition of 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 Fund lends securities to certain financial institutions. The Fund 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 Fund requires the borrowers of the securities to maintain collateral with the Fund 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 Fund 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 Fund 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 Fund 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 Fund 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.

Participatory Notes. The Fund invests in Participatory Notes (P-Notes). P-Notes are promissory notes designed to offer a return linked to the performance of a particular underlying equity security or market. P-Notes are issued by banks or broker-dealers and allow the Fund to gain exposure to local shares in foreign markets. Investments in P-Notes involve the same risks associated with a direct investment in the underlying foreign companies or foreign markets that they seek to replicate. Although each participation note is structured with a defined maturity date, early redemption may be possible. Risks associated with participation notes include the possible failure of a counterparty to perform in accordance with the terms of the agreement and potential delays or an inability to redeem before maturity under certain market conditions.

Taxes. The Fund'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 Fund's understanding of the tax rules and rates related to income, gains and transactions for the foreign jurisdictions in which it invests, the Fund will provide for foreign taxes and, where appropriate, deferred foreign taxes.

At December 31, 2010, the Fund had a net tax basis capital loss carryforward of approximately $53,053,000, which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2016 ($35,242,000) and December 31, 2017 ($17,811,000), the respective expiration dates, whichever occurs first.

In addition, from November 1, 2010 through December 31, 2010, the Fund incurred $43,000 of net realized capital losses. As permitted by tax regulations, the Fund intends to elect to defer these losses and treat them as arising in the fiscal year ended December 31, 2011.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the "Act") was enacted. Under the Act, net capital losses may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses. As a result of this ordering rule, pre-enactment capital loss carryforwards may expire unused, whereas under the previous rules these losses may have been utilized. This change is effective for fiscal years beginning after the date of enactment.

The Fund has reviewed the tax positions for the open tax years as of December 31, 2010 and has determined that no provision for income tax is required in the Fund's financial statements. The Fund'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 Fund, if any, are made annually. Net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to the Fund if not distributed and, therefore, will be distributed to shareholders at least annually. The Fund 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 Fund may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Fund.

The tax character of current year distributions will be determined at the end of the current fiscal year.

Expenses. Expenses of the Trust arising in connection with a specific fund are allocated to that fund. Other Trust expenses which cannot be directly attributed to a fund are apportioned among the funds in the Trust.

Contingencies. In the normal course of business, the Fund may enter into contracts with service providers that contain general 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 been made. However, based on experience, the Fund 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 Fund is informed of such dividends. Realized gains and losses from investment transactions are recorded on an identified cost basis and may include proceeds from litigation.

B. Purchases and Sales of Securities

During the six months ended June 30, 2011, purchases and sales of investment transactions (excluding short-term investments) aggregated $50,034,729 and $57,332,573, respectively.

C. Related Parties

Management Agreement. Under the Investment Management Agreement with Deutsche Investment Management Americas Inc. ("DIMA" or the "Advisor"), an indirect, wholly owned subsidiary of Deutsche Bank AG, the Advisor directs the investments of the Fund 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 Fund or delegates such responsibility to the Fund's subadvisor.

Global Thematic Partners, LLC ("GTP") serves as subadvisor. As a subadvisor to the Fund, GTP makes investment decisions and buys and sells securities for the Fund. GTP is paid by the Advisor for the services GTP provides to the Fund.

Pursuant to the Investment Management Agreement with the Advisor, the Fund pays a monthly management fee based on the Fund's average daily net assets, computed and accrued daily and payable monthly, at the following annual rates:

$0–$250 million	.915%
Next $500 million	.865%
Next $750 million	.815%
Next $1.5 billion	.765%
Over $3 billion	.715%

For the period from January 1, 2011 through September 30, 2011, 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:

Class A	1.03%
Class B	1.43%

Accordingly, for the six months ended June 30, 2011, the Advisor waived a portion of its management fee pursuant to the Investment Management Agreement aggregating $128,362, and the amount charged aggregated $196,391, which was equivalent to an annualized effective rate of 0.55% of the Fund's average daily net assets.

Administration Fee. Pursuant to an Administrative Services Agreement, DIMA provides most administrative services to the Fund. For all services provided under the Administrative Services Agreement, the Fund pays DIMA an annual fee ("Administration Fee") of 0.10% of the Fund's average daily net assets, computed and accrued daily and payable monthly. For the six months ended June 30, 2011, the Administration Fee was $35,492, of which $5,534 is unpaid.

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 Fund. 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 Fund. For the six months ended June 30, 2011, the amounts charged to the Fund by DISC were as follows:

Services to Shareholders	Total Aggregated	Waived	Unpaid at June 30, 2011
Class A	$ 167	$ 167	$ —
Class B	35	—	21
	$ 202	**$ 167**	**$ 21**

Distribution Service Agreement. Under the Fund'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, 2011, the Distribution Service Fee aggregated $5,740, of which $837 is unpaid.

Typesetting and Filing Service Fees. Under an agreement with DIMA, DIMA is compensated for providing typesetting and certain regulatory filing services to the Fund. For the six months ended June 30, 2011, the amount charged to the Fund by DIMA included in the Statement of Operations under "reports to shareholders" aggregated $8,090, of which $333 is unpaid.

Trustees' Fees and Expenses. The Fund 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 Vehicle. The Fund may invest uninvested cash balances in Central Cash Management Fund, which is managed by the Advisor. The Fund indirectly bears its proportionate share of the expenses of Central Cash Management Fund. 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 Fund

At June 30, 2011, two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Fund, each owning 58% and 32%. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Fund, owning 98%.

F. Line of Credit

The Fund and other affiliated funds (the "Participants") share in a $450 million revolving credit facility provided by a syndication of banks. The Fund may borrow for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated based on net assets, among each of the Participants. Interest is calculated at 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 Fund may borrow up to a maximum of 33 percent of its net assets under the agreement. The Fund had no outstanding loans at June 30, 2011.

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) 728-3337.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 3, 2010

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 2010, 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, 2008, and 2009.

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 have served 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 118 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 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

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VS2GT-3 (R-023295-1 8/11)

DWS INVESTMENTS
Deutsche Bank Group

JUNE 30, 2011

SEMIANNUAL REPORT

DWS VARIABLE SERIES II

DWS Government & Agency Securities VIP

Deutsche Bank Group

Contents

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, call (800) 728-3337 or your financial representative. We advise you to consider the Fund's objectives, risks, charges and expenses carefully before investing. The summary prospectus and prospectus contain this and other important information about the Fund. Please read the prospectus carefully before you invest.

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.

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

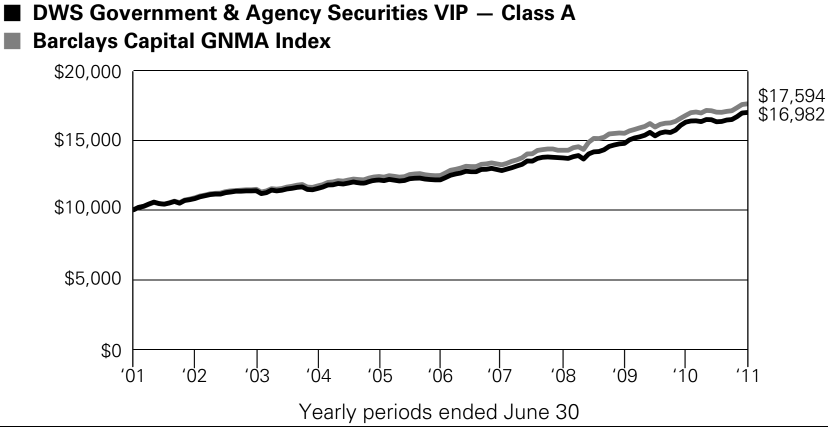
Performance Summary

June 30, 2011

Fund 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 Fund's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund 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 Fund, as stated in the fee table of the prospectus dated May 1, 2011 are 0.64% and 0.99% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

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 do not reflect any fees or expenses and 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	$10,411	$10,427	$12,385	$13,986	$16,982
	Average annual total return	4.11%	4.27%	7.39%	6.94%	5.44%
Barclays Capital GNMA Index	Growth of $10,000	$10,352	$10,491	$12,326	$14,122	$17,594
	Average annual total return	3.52%	4.91%	7.22%	7.15%	5.81%

DWS Government & Agency Securities VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$10,396	$10,388	$12,262	$13,723	$15,190
	Average annual total return	3.96%	3.88%	7.03%	6.54%	4.76%
Barclays Capital GNMA Index	Growth of $10,000	$10,352	$10,491	$12,326	$14,122	$16,207
	Average annual total return	3.52%	4.91%	7.22%	7.15%	5.51%

The growth of $10,000 is cumulative.

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

* *The Fund commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

Information About Your Fund's Expenses

As an investor of the Fund, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Fund 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 Fund 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, 2011 to June 30, 2011).

The tables illustrate your Fund's expenses in two ways:

- **Actual Fund Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Fund using the Fund'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% Fund Return.** This helps you to compare your Fund's ongoing expenses (but not transaction costs) with those of other mutual funds using the Fund's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Fund return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. 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, 2011

Actual Fund Return	**Class A**	**Class B**
Beginning Account Value 1/1/11	$1,000.00	$1,000.00
Ending Account Value 6/30/11	$1,041.10	$1,039.60
Expenses Paid per $1,000*	$ 3.49	$ 5.21
Hypothetical 5% Fund Return	**Class A**	**Class B**
Beginning Account Value 1/1/11	$1,000.00	$1,000.00
Ending Account Value 6/30/11	$1,021.37	$1,019.69
Expenses Paid per $1,000*	$ 3.46	$ 5.16

* *Expenses are equal to the Fund'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	.69%	1.03%

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

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund is an investment option.

Portfolio Summary

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/11**	**12/31/10**
Mortgage-Backed Securities Pass-Throughs	62%	69%
Government & Agency Obligations	19%	14%
Collateralized Mortgage Obligation	19%	15%
Cash Equivalents	0%	2%
	100%	100%

Coupons*	**6/30/11**	**12/31/10**
Less than 4.5%	52%	4%
4.5%–5.49%	31%	50%
5.5%–6.49%	10%	40%
6.5%–7.49%	5%	4%
7.5% and Greater	2%	2%
	100%	100%

Interest Rate Sensitivity	**6/30/11**	**12/31/10**
Effective Maturity	5.5 years	5.9 years
Effective Duration	5.4 years	5.0 years

* *Excludes Cash Equivalents, Securities Lending Collateral, US Treasury Bills and Options Purchased.*

Asset allocation, coupons and interest rate sensitivity are subject to change.

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

Effective duration is an approximate measure of the Fund's sensitivity to interest rate changes taking into consideration any maturity shortening features.

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

Following the Fund'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. The Fund's portfolio holdings are also posted on www.dws-investments.com from time to time. Please see the Fund's current prospectus for more information.

	Principal Amount ($)	Value ($)
Mortgage-Backed Securities Pass-Throughs 66.8%		
Federal Home Loan Mortgage Corp.:		
4.5%, 3/1/2039 (a)	12,000,000	12,396,563
5.0%, 11/1/2036 (a)	3,000,000	3,182,344
7.0%, with various maturities from 6/1/2032 until 8/1/2035	204,258	227,692
Federal National Mortgage Association:		
4.0%, 10/1/2039 (a)	12,000,000	12,000,000
4.5%, with various maturities from 2/1/2039 until 5/1/2041 (a)	11,667,884	12,074,048
5.0%, with various maturities from 10/1/2033 until 7/1/2036 (a)	364,943	389,662
Government National Mortgage Association:		
4.5%, with various maturities from 2/15/2039 until 5/20/2041 (a)	11,168,865	11,781,275
5.0%, with various maturities from 12/15/2032 until 5/20/2041 (a) (b)	5,601,634	6,280,272
5.5%, with various maturities from 3/15/2029 until 7/20/2040 (a)	12,135,156	13,478,774
6.0%, with various maturities from 7/15/2014 until 7/20/2039	18,854,844	21,067,874
6.5%, with various maturities from 4/15/2031 until 2/15/2039	4,979,903	5,626,830
7.0%, with various maturities from 2/20/2027 until 11/15/2038	862,829	979,583
7.5%, with various maturities from 4/15/2026 until 1/15/2037	727,913	839,252
Total Mortgage-Backed Securities Pass-Throughs (Cost $93,881,789)		**100,324,169**
Collateralized Mortgage Obligations 20.4%		
Fannie Mae Benchmark Remic, "ZA", Series 2007-B2, 5.5%, 6/25/2037	1,751,622	1,913,463
FannieMae Whole Loan, "1A6", Series 2007-W8, 6.482%*, 9/25/2037	746,276	784,807
Federal Home Loan Mortgage Corp.:		
"OA", Series 3179, Principal Only, Zero Coupon, 7/15/2036	810,057	687,663
"FO", Series 2418, 1.087%*, 2/15/2032	463,839	471,713
"FA", Series 2419, 1.187%*, 2/15/2032	382,914	390,618
"FA", Series 2436, 1.187%*, 3/15/2032	364,615	371,830
"IK", Series 3754, Interest Only, 3.5%, 6/15/2025	2,456,890	324,056
"NI", Series 3657, Interest Only, 4.5%, 8/15/2027	2,258,386	239,106
"ZK", Series 3382, 5.0%, 7/15/2037	1,195,775	1,232,393
"22", Series 243, Interest Only, 5.239%**, 6/15/2021	1,989,430	231,412
"PI", Series 2535, Interest Only, 6.0%, 9/15/2032	847,620	59,091
"WS", Series 2877, Interest Only, 6.413%**, 10/15/2034	913,423	78,468
"A", Series 172, Interest Only, 6.5%, 1/1/2024	43,683	7,857
"S", Series 2416, Interest Only, 7.913%**, 2/15/2032	573,715	109,074
"ST", Series 2411, Interest Only, 8.563%**, 6/15/2021	2,127,944	315,754
"KS", Series 2064, Interest Only, 9.963%**, 5/15/2022	529,222	105,552
Federal National Mortgage Association:		
"FA", Series G92-53, 0.969%*, 9/25/2022	1,201,680	1,215,477
"OF", Series 2001-60, 1.136%*, 10/25/2031	193,561	196,845
"FB", Series 2002-30, 1.186%*, 8/25/2031	419,857	428,262
"FG", Series 2002-66, 1.186%*, 9/25/2032	639,459	652,205
"25", Series 351, Interest Only, 4.5%, 5/1/2019	436,034	44,577
"HI", Series 2009-77, Interest Only, 4.5%, 9/25/2027	1,878,999	274,352
"20", Series 334, Interest Only, 5.0%, 3/1/2018	317,093	31,598
"21", Series 334, Interest Only, 5.0%, 3/1/2018	212,599	22,044
''23", Series 339, Interest Only, 5.0%, 7/1/2018	448,044	43,953
"ZA", Series 2008-24, 5.0%, 4/25/2038	617,433	659,272
"PI", Series 2009-14, Interest Only, 5.5%, 3/25/2024	1,526,754	172,019
"ZQ", Series G93-39, 6.5%, 12/25/2023	416,322	467,268
"SA", Series G92-57, IOette, 82.85%**, 10/25/2022	66,978	130,955
Government National Mortgage Association:		
"FB", Series 2001-28, 0.686%*, 6/16/2031	450,621	454,182
"JY", Series 2010-20, 4.0%, 12/20/2033	1,822,500	1,767,099
"LI", Series 2009-104, Interest Only, 4.5%, 12/16/2018	521,601	53,701
"NI", Series 2010-44, Interest Only, 4.5%, 10/20/2037	923,050	132,273
"CI", Series 2010-87, Interest Only, 4.5%, 11/20/2038	1,251,588	391,775
"MI", Series 2010-169, Interest Only, 4.5%, 8/20/2040	1,186,353	201,583
"VB", Series 2010-26, 5.0%, 1/20/2024	600,000	650,691
"KE", Series 2004-19, 5.0%, 3/16/2034	500,000	539,770
"ZM", Series 2004-24, 5.0%, 4/20/2034	2,144,816	2,302,116
"Z", Series 2004-61, 5.0%, 8/16/2034	1,054,719	1,098,268
"LE", Series 2004-87, 5.0%, 10/20/2034	1,000,000	1,057,478
"ZB", Series 2005-15, 5.0%, 2/16/2035	1,508,807	1,614,585
"GZ", Series 2005-24, 5.0%, 3/20/2035	457,594	450,623
"ZA", Series 2005-75, 5.0%, 10/16/2035	514,785	539,687
"CK", Series 2007-31, 5.0%, 5/16/2037	1,000,000	1,090,825

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

	Principal Amount ($)	Value ($)
"MZ", Series 2009-98, 5.0%, 10/16/2039	923,709	951,815
"AI", Series 2008-46, Interest Only, 5.5%, 5/16/2023	498,651	63,974
"AI", Series 2008-51, Interest Only, 5.5%, 5/16/2023	1,034,249	128,100
"GI", Series 2003-19, Interest Only, 5.5%, 3/16/2033	1,090,909	325,010
"ZA", Series 2006-7, 5.5%, 2/20/2036	2,277,985	2,539,112
"IB", Series 2010-130, Interest Only, 5.5%, 2/20/2038	1,964,508	147,559
"NZ", Series 2009-65, 5.5%, 8/20/2039	367,138	404,490
"KZ", Series 2009-78, 5.5%, 9/16/2039	336,842	357,178
"DI", Series 2009-10, Interest Only, 6.0%, 4/16/2038	552,833	98,817
"PY", Series 2009-122, 6.0%, 12/20/2039	561,709	619,260
"SA", Series 2008-44, Interest Only, 6.214%**, 5/20/2038	1,239,406	168,520
"QA", Series 2007-57, Interest Only, 6.314%**, 10/20/2037	752,524	102,810
"IP", Series 2009-118, Interest Only, 6.5%, 12/16/2039	230,829	45,338
"SA", Series 2006-69, Interest Only, 6.614%**, 12/20/2036	1,348,781	204,338
"PS", Series 2004-34, Interest Only, 6.964%**, 4/16/2034	314,168	53,799
"IC", Series 1997-4, Interest Only, 7.5%, 3/16/2027	892,755	198,045
"SK", Series 2003-11, Interest Only, 7.514%**, 2/16/2033	818,559	149,828
Total Collateralized Mortgage Obligations (Cost $27,496,088)		**30,564,333**

Government & Agency Obligations 20.4%

US Government Sponsored Agency 11.4%

	Principal Amount ($)	Value ($)
Federal Home Loan Bank, 3.625%, 10/18/2013	16,000,000	**17,077,024**

US Treasury Obligations 9.0%

	Principal Amount ($)	Value ($)
US Treasury Bill, 0.135%***, 9/15/2011 (c)	1,045,000	1,044,956
US Treasury Notes:		
0.75%, 6/15/2014	10,000,000	9,988,280
0.875%, 2/29/2012	2,500,000	2,512,100
		13,545,336
Total Government & Agency Obligations (Cost $30,672,485)		**30,622,360**

Call Options Purchased 0.0%

	Contracts	Value ($)
Floating Rate — LIBOR, Effective Date 6/28/2011, Expiration Date 9/28/2011, Cap Rate 3.205% (Cost $14,756)	3,261,000	**14,756**

Put Options Purchased 0.0%

	Contracts	Value ($)
10 Year US Treasury Note Future, Expiration Date 8/26/2011, Strike Price $122.0	35	44,297
Floating Rate — LIBOR, Effective Date 6/27/2011, Expiration Date 9/17/2011, Cap Rate 3.178%	3,261,000	14,674
Total Put Options Purchased (Cost $41,424)		**58,971**

Securities Lending Collateral 5.7%

	Shares	Value ($)
Daily Assets Fund Institutional, 0.13% (d) (e) (Cost $8,614,278)	8,614,278	**8,614,278**

Cash Equivalents 0.0%

	Shares	Value ($)
Central Cash Management Fund, 0.11% (d) (Cost $11,974)	11,974	**11,974**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $160,732,794)†	113.3	**170,210,841**
Other Assets and Liabilities, Net (b)	(13.0)	**(19,951,241)**
Net Assets	100.0	**150,259,600**

* *These securities are shown at their current rate as of June 30, 2011. 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, 2011.*

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

† *The cost for federal income tax purposes was $160,732,834. At June 30, 2011, net unrealized appreciation for all securities based on tax cost was $9,478,007. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $9,965,884 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $487,877.*

(a) *When-issued or delayed delivery securities included.*

(b) *All or a portion of these securities were on loan amounting to $6,280,272 (see Notes to Financial Statements). In addition, included in other assets and liabilities, net are pending sales, amounting to $2,178,861, that is also on loan. The value of all securities loaned at June 30, 2011 amounted to $8,437,424, which is 5.6% of net assets.*

(c) *At June 30, 2011, 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.*

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

(e) *Represents collateral held in connection with securities lending. Income earned by the Fund is net of borrower rebates.*

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, 2011, open futures contracts sold were as follows:

Futures	**Currency**	**Expiration Date**	**Contracts**	**Notional Value ($)**	**Unrealized Depreciation ($)**
10 Year US Treasury Note	USD	9/21/2011	3	366,984	**(328)**

Currency Abbreviation	
USD	United States Dollar

At June 30, 2011, open interest rate swap contracts were as follows:

Effective/ Expiration Dates	**Notional Amount ($)**	**Cash Flows Paid by the Fund**	**Cash Flows Received by the Fund**	**Value ($)**	**Upfront Payments Paid/ (Received) ($)**	**Unrealized Depreciation ($)**
10/28/2010 10/28/2025	320,000[1]	Floating — LIBOR	Floating — 4.154%[††]	(12,441)	—	(12,441)
11/1/2010 11/1/2025	540,000[2]	Floating — LIBOR	Floating — 4.123%[††]	(36,426)	—	(36,426)
11/12/2010 11/12/2025	640,000[1]	Floating — LIBOR	Floating — 4.264%[††]	(24,015)	—	(24,015)
11/15/2010 11/15/2025	640,000[2]	Floating — LIBOR	Floating — 4.560%[††]	(39,671)	—	(39,671)
11/16/2010 11/16/2025	320,000[1]	Floating — LIBOR	Floating — 4.560%[††]	(9,275)	—	(9,275)
11/19/2010 11/19/2025	320,000[2]	Floating — LIBOR	Floating — 5.072%[††]	(18,426)	—	(18,426)
11/23/2010 11/23/2025	150,000[1]	Floating — LIBOR	Floating — 4.808%[††]	(3,498)	—	(3,498)
Total unrealized depreciation						**(143,752)**

†† *These interest rate swaps are shown at their current rate as of June 30, 2011.*

At June 30, 2011, 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[3]	0.45%	Citi Global Interest Rate Strategy Index	(48,605)	—	**(48,605)**

Counterparties:

1 *Morgan Stanley*

2 *Barclays Capital Securities, Inc.*

3 *Citigroup, Inc.*

LIBOR: London Interbank Offered Rate

For information on the Fund's policy and additional disclosures regarding options purchased, futures contracts, options contracts, interest rate swap contracts and total return swap contracts, please refer to the Derivatives section of Note B 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 Fund'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 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, 2011 in valuing the Fund's investments. For information on the Fund'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 (f)				
Mortgage-Backed Securities Pass-Throughs	$ —	$ 100,324,169	$ —	$ 100,324,169
Collateralized Mortgage Obligations	—	30,564,333		30,564,333
Government & Agency Obligations	—	30,622,360	—	30,622,360
Short-Term Investments (f)	8,626,252	—	—	8,626,252
Derivatives (g)	44,297	—	29,430	73,727
Total	**$ 8,670,549**	**$ 161,510,862**	**$ 29,430**	**$ 170,210,841**

Liabilities	Level 1	Level 2	Level 3	Total
Derivatives (g)	$ (328)	$ (192,357)	$ —	$ (192,685)
Total	**$ (328)**	**$ (192,357)**	**$ —**	**$ (192,685)**

There have been no transfers between Level 1 and Level 2 fair value measurements during the period ended June 30, 2011.

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

(g) *Derivatives include value of options purchased, unrealized appreciation (depreciation) on open futures contracts, interest rate swap contracts and total return swap contracts.*

Level 3 Reconciliation

The following is a reconciliation of the Fund's Level 3 investments for which significant unobservable inputs were used in determining value:

	Collateralized Mortgage Obligations	Put Options Purchased	Total
Balance as of December 31, 2010	$ 518,128	$ —	**$ 518,128**
Realized gains (loss)	42,664	—	**42,664**
Change in unrealized appreciation (depreciation)	(44,578)	0	**(44,578)**
Amortization premium/discount	(9,779)	—	**(9,779)**
Purchases	—	29,430	**29,430**
(Sales)	(506,435)	—	**(506,435)**
Transfers into Level 3	—	—	**—**
Transfers (out) of Level 3	—	—	**—**
Balance as of June 30, 2011	**$ —**	**$ 29,430**	**$ 29,430**
Net change in unrealized appreciation (depreciation) from investments still held as of June 30, 2011	**$ —**	**$ 0**	**$ 0**

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, 2011 (Unaudited)

Assets		
Investments		
Investments in non-affiliated securities, at value (cost $152,106,542) — including $8,437,424 of securities loaned	$	161,584,589
Investment in Daily Assets Fund Institutional Fund (cost $8,614,278)*		8,614,278
Investment in Central Cash Management Fund (cost $11,974)		11,974
Total investments in securities, at value (cost $160,732,794)		170,210,841
Cash		10,310
Receivable for variation margin on futures contracts		69,842
Receivable for investments sold		17,355,350
Receivable for investments sold — when-issued/delayed delivery securities		76,126,530
Receivable for Fund shares sold		223
Interest receivable		717,739
Other assets		1,231
Total assets		264,492,066
Liabilities		
Payable upon return of securities loaned		8,614,278
Payable for investments purchased		11,672,929
Payable for investments purchased — when-issued/delayed delivery securities		92,841,642
Line of credit loan payable		500,000
Payable for Fund shares redeemed		271,082
Unrealized depreciation on swap contracts		192,357
Accrued management fee		59,403
Other accrued expenses and payables		80,775
Total liabilities		114,232,466
Net assets, at value	**$**	**150,259,600**
Net Assets Consist of		
Undistributed net investment income		2,957,833
Net unrealized appreciation (depreciation) on:		
Investments		9,478,047
Swap contracts		(192,357)
Futures		(328)
Accumulated net realized gain (loss)		1,819,265
Paid-in capital		136,197,140
Net assets, at value	**$**	**150,259,600**
Class A		
Net Asset Value, offering and redemption price per share ($144,473,331 ÷ 11,370,982 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**12.71**
Class B		
Net Asset Value, offering and redemption price per share ($5,786,269 ÷ 455,391 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**12.71**

* *Represents collateral on securities loaned*

Statement of Operations

for the six months ended June 30, 2011 (Unaudited)

Investment Income		
Income:		
Interest	$	3,518,878
Income distributions — Central Cash Management Fund		2,855
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		902
Total income		3,522,635
Expenses:		
Management fee		348,283
Administration fee		77,396
Services to shareholders		1,192
Distribution service fee (Class B)		7,195
Record keeping fees (Class B)		2,543
Custodian fee		23,094
Audit and tax fees		31,886
Legal fees		4,826
Reports to shareholders		20,566
Trustees' fees and expenses		3,893
Interest expense		1,187
Other		21,709
Total expenses		543,770
Net investment income		**2,978,865**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		1,728,061
Swap contracts		139,913
Futures		(115,531)
Written options		(16,517)
		1,735,926
Change in net unrealized appreciation (depreciation) on:		
Investments		1,343,891
Swap contracts		(33,822)
Futures		145,355
		1,455,424
Net gain (loss)		**3,191,350**
Net increase (decrease) in net assets resulting from operations	**$**	**6,170,215**

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, 2011 (Unaudited)	Year Ended December 31, 2010
Operations:		
Net investment income	$ 2,978,865	$ 6,744,096
Net realized gain (loss)	1,735,926	3,185,188
Change in net unrealized appreciation (depreciation)	1,455,424	1,407,447
Net increase (decrease) in net assets resulting from operations	6,170,215	11,336,731
Distributions to shareholders from:		
Net investment income:		
Class A	(6,311,902)	(7,785,441)
Class B	(230,895)	(277,185)
Net realized gain:		
Class A	(2,391,762)	—
Class B	(95,528)	—
Total distributions	(9,030,087)	(8,062,626)
Fund share transactions:		
Class A		
Proceeds from shares sold	15,071,235	38,574,553
Reinvestment of distributions	8,703,664	7,785,441
Payments for shares redeemed	(33,813,043)	(61,339,038)
Net increase (decrease) in net assets from Class A share transactions	(10,038,144)	(14,979,044)
Class B		
Proceeds from shares sold	150,198	653,336
Reinvestment of distributions	326,423	277,185
Payments for shares redeemed	(446,055)	(1,704,050)
Net increase (decrease) in net assets from Class B share transactions	30,566	(773,529)
Increase (decrease) in net assets	(12,867,450)	(12,478,468)
Net assets at beginning of period	163,127,050	175,605,518
Net assets at end of period (including undistributed net investment income of $2,957,833 and $6,521,765, respectively)	**$ 150,259,600**	**$ 163,127,050**

Other Information		
Class A		
Shares outstanding at beginning of period	12,120,178	13,231,519
Shares sold	1,173,826	2,996,102
Shares issued to shareholders in reinvestment of distributions	700,214	623,833
Shares redeemed	(2,623,236)	(4,731,276)
Net increase (decrease) in Class A shares	(749,196)	(1,111,341)
Shares outstanding at end of period	**11,370,982**	**12,120,178**
Class B		
Shares outstanding at beginning of period	452,192	510,999
Shares sold	11,742	50,683
Shares issued to shareholders in reinvestment of distributions	26,240	22,193
Shares redeemed	(34,783)	(131,683)
Net increase (decrease) in Class B shares	3,199	(58,807)
Shares outstanding at end of period	**455,391**	**452,192**

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

Financial Highlights

Class A	Six Months Ended 6/30/11 (Unaudited)	2010	Years Ended December 31, 2009	2008	2007	2006
Selected Per Share Data						
Net asset value, beginning of period	**$12.98**	**$12.78**	**$12.40**	**$12.38**	**$12.28**	**$12.26**
Income (loss) from investment operations:						
Net investment income[a]	.25	.50	.52	.56	.58	.55
Net realized and unrealized gain (loss)	.27	.32	.45	.04	.12	(.06)
Total from investment operations	.52	.82	.97	.60	.70	.49
Less distributions from:						
Net investment income	(.57)	(.62)	(.59)	(.58)	(.60)	(.47)
Net realized gains	(.22)	—	—	—	—	—
Total distributions	(.79)	(.62)	(.59)	(.58)	(.60)	(.47)
Net asset value, end of period	**$12.71**	**$12.98**	**$12.78**	**$12.40**	**$12.38**	**$12.28**
Total Return (%)	4.11**	6.61	8.08	4.93[b]	5.95[b]	4.16
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	144	157	169	211	199	211
Ratio of expenses before expense reductions (%)	.69*	.64	.58	.66	.66	.67
Ratio of expenses after expense reductions (%)	.69*	.64	.58	.65	.63	.67
Ratio of net investment income (%)	3.86*	3.86	4.16	4.58	4.77	4.56
Portfolio turnover rate (%)	315**	423	390	543	465	241

a *Based on average shares outstanding during the period.*

b *Total return would have been lower had certain expenses not been reduced.*

* *Annualized*

** *Not annualized*

Class B	Six Months Ended 6/30/11 (Unaudited)	2010	Years Ended December 31, 2009	2008	2007	2006
Selected Per Share Data						
Net asset value, beginning of period	**$12.95**	**$12.75**	**$12.37**	**$12.35**	**$12.25**	**$12.23**
Income (loss) from investment operations:						
Net investment income[a]	.23	.46	.48	.52	.53	.50
Net realized and unrealized gain (loss)	.27	.31	.45	.03	.12	(.06)
Total from investment operations	.50	.77	.93	.55	.65	.44
Less distributions from:						
Net investment income	(.52)	(.57)	(.55)	(.53)	(.55)	(.42)
Net realized gains	(.22)	—	—	—	—	—
Total distributions	(.74)	(.57)	(.55)	(.53)	(.55)	(.42)
Net asset value, end of period	**$12.71**	**$12.95**	**$12.75**	**$12.37**	**$12.35**	**$12.25**
Total Return (%)	3.96**	6.24	7.70	4.60[b]	5.43[b]	3.74
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	6	6	7	8	5	33
Ratio of expenses before expense reductions (%)	1.03*	.99	.92	1.00	1.04	1.07
Ratio of expenses after expense reductions (%)	1.03*	.99	.92	1.00	1.01	1.07
Ratio of net investment income (%)	3.52*	3.51	3.81	4.24	4.39	4.16
Portfolio turnover rate (%)	315**	423	390	543	465	241

a *Based on average shares outstanding during the period.*

b *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 Government & Agency Securities VIP (the "Fund") is a diversified series of DWS Variable Series II (the "Trust"), which 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.

Multiple Classes of Shares of Beneficial Interest. The Fund offers two classes of shares (Class A shares and Class B shares). Sales of Class B shares are subject to recordkeeping 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 Fund. Class A shares are not subject to such fees.

Investment income, realized and unrealized gains and losses, and certain fund-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 recordkeeping 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 Fund'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 Fund 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 Fund'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 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.

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.

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.

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

Swap 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. Swap contracts are generally categorized 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 categorized as Level 1. Over-the-counter written or purchased options are valued based upon a price provided by the broker-dealer with which the option, was traded and are generally categorized as Level 3.

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 Fund'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 Fund's Investment Portfolio.

Securities Lending. The Fund lends securities to certain financial institutions. The Fund 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 Fund requires the borrowers of the securities to maintain collateral with the Fund 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 Fund 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 Fund 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 Fund 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 Fund 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 Fund may enter into mortgage dollar rolls in which the Fund 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 Fund 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 Fund is able to repurchase them. There can be no assurance that the Fund'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 Fund may purchase or sell securities with delivery or payment to occur at a later date beyond the normal settlement period. At the time the Fund enters into a commitment to purchase or sell a security, the transaction is recorded and the value of the transaction 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. At the time the Fund enters into a purchase 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 transactions from the potential inability of counterparties to meet the terms of their contracts or if the issuer does not issue the securities due to political, economic, or other factors. Additionally, losses may arise due to changes in the value of the underlying securities.

Federal Income Taxes. The Fund'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.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the "Act") was enacted. Under the Act, net capital losses may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses. As a result of this ordering rule, pre-enactment capital loss carryforwards may expire unused, whereas under the previous rules these losses may have been utilized. This change is effective for fiscal years beginning after the date of enactment.

The Fund has reviewed the tax positions for the open tax years as of December 31, 2010 and has determined that no provision for income tax is required in the Fund's financial statements. The Fund'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 Fund, if any, are made annually. Net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to the Fund if not distributed and, therefore, will be distributed to shareholders at least annually. The Fund 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, investments in swap 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 Fund may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Fund.

The tax character of current year distributions will be determined at the end of the current fiscal year.

Expenses. Expenses of the Trust arising in connection with a specific fund are allocated to that fund. Other Trust expenses which cannot be directly attributed to a fund are apportioned among the funds in the Trust.

Contingencies. In the normal course of business, the Fund may enter into contracts with service providers that contain general 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 been made. However, based on experience, the Fund 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 and may include proceeds from litigation. All discounts and premiums are accreted/amortized for both tax and financial reporting purposes for the Fund.

B. Derivative Instruments

Interest Rate Swap Contracts. For the six months ended June 30, 2011, the Fund entered 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 Fund 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 Fund a variable rate payment, or the Fund agrees to receive from the counterparty a fixed rate payment in exchange for the counterparty agreeing to receive from the Fund 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 Fund, in addition to any related collateral posted to the counterparty by the Fund. This risk may be partially reduced by a master netting arrangement between the Fund and the counterparty. The value of the swap is adjusted daily and the change in value, if any, is recorded as unrealized appreciation or depreciation in the Statement of Assets and Liabilities. An upfront payment, if any, made by the Fund is recorded as an asset in the Statement of Assets and Liabilities. An upfront payment, if any, received by the Fund is recorded as a liability in the Statement of Assets and Liabilities. Payments received or made at the end of the measurement period are recorded as realized gain or loss in the Statement of Operations.

A summary of the open interest rate swap contracts as of June 30, 2011 is included in a table following the Fund's Investment Portfolio. For the six months ended June 30, 2011, the investment in interest rate swap contracts had a total notional amount of $2,930,000.

Total Return Swap Contracts. Total return swaps involve commitments to pay interest in exchange for a market-linked return based on a notional amount. For the six months ended June 30, 2011, the Fund entered into total return swap transactions to enhance potential gains. 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 Fund 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. The value of the swap is adjusted daily and the change in value, if any, is recorded as unrealized appreciation or depreciation in the Statement of Assets and Liabilities. An upfront payment, if any, made by the Fund is recorded as an asset in the Statement of Assets and Liabilities. An upfront payment, if any, received by the Fund 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 in the Statement of Operations.

A summary of the open total return swap contracts as of June 30, 2011 is included in a table following the Fund's Investment Portfolio.

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 Fund 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. For the six months ended June 30, 2011, the Fund entered into purchased option contracts on interest rates in order to hedge portfolio assets against potential adverse interest rate movements.

The liability representing the Fund'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 Fund writes a covered call option, the Fund 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 Fund 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 Fund'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 Fund'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 option contracts as of June 30, 2011 is included in the Fund's Investment Portfolio. During the six months ended June 30, 2011, the Fund's investment in written option contracts had a total value generally indicative of a range from $0 to approximately $26,000 and purchased option contracts had a total value generally indicative of a range from $0 to approximately $74,000.

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). For the six months ended June 30, 2011, the Fund entered 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 Fund 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 Fund dependent upon the daily fluctuations in the value and are recorded for financial reporting purposes as unrealized gains or losses by the Fund. 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 Fund's ability to close out a futures contract prior to the settlement date and the risk that the futures contract is not well correlated with the security, index or currency to which it relates. Risk of loss may exceed amounts recognized in the Statement of Assets and Liabilities.

A summary of the open futures contracts as of June 30, 2011, is included in a table following the Fund's Investment Portfolio. For the period ended June 30, 2011, the investment in futures contracts purchased had a total notional value generally indicative of a range from $0 to approximately $2,288,000, and the investment in futures contracts sold had a total notional value generally indicative of a range from approximately $367,000 to $16,307,000.

The following tables summarize the value of the Fund's derivative instruments held as of June 30, 2011 and the related location in the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

Asset Derivative	Purchased Options
Interest Rate Contracts (a)	$ 73,727

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

(a) *Investments in securities, at value (includes purchased options)*

Liability Derivatives	Futures Contracts	Swap Contracts	Total
Interest Rate Contracts (a)	$ (328)	$ (192,357)	$ (192,685)

Each of the above derivatives is located in the following Statement of Assets and Liabilities accounts:

(a) *Unrealized depreciation on futures and swap contracts. Includes cumulative depreciation of futures contracts as disclosed in the Investment Portfolio. Unsettled variation margin is disclosed separately within the Statement of Assets and Liabilities.*

Additionally, the amount of unrealized and realized gains and losses on derivative instruments recognized in Fund earnings during the six months ended June 30, 2011 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)	$ 51,730	$ (16,517)	$ 139,913	$ (115,531)	$ 59,595

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)	Purchased Options	Swap Contracts	Futures Contracts	Total
Interest Rate Contracts (a)	$ 17,547	$ (33,822)	$ 145,355	$ 129,080

Each of the above derivatives is located in the following Statement of Operations accounts:

(a) *Change in net unrealized appreciation (depreciation) from investments (includes purchased options), swap contracts and futures, respectively*

C. Purchases and Sales of Securities

During the six months ended June 30, 2011, purchases and sales of investment securities (excluding short-term investments and US Treasury obligations) aggregated $551,867,958 and $595,491,446, respectively. Purchases and sales of US Treasury obligations aggregated $10,034,018 and $0, respectively.

For the six months ended June 30, 2011, transactions for written options were as follows:

	Number of Contracts	Premiums
Outstanding, beginning of period	—	$ —
Options written	70	26,096
Options closed	(70)	(26,096)
Outstanding, end of period	**—**	**$ —**

D. 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 Fund 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 Fund.

Pursuant to the Investment Management Agreement with the Advisor, the Fund pays a monthly management fee based on the Fund's average daily net assets, computed and accrued daily and payable monthly, at the following annual rates:

$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, 2011, the fee pursuant to the Investment Management Agreement was equivalent to an annualized effective rate of 0.45% of the Fund's average daily net assets.

Administration Fee. Pursuant to an Administrative Services Agreement, DIMA provides most administrative services to the Fund. For all services provided under the Administrative Services Agreement, the Fund pays DIMA an annual fee ("Administration Fee") of 0.10% of the Fund's average daily net assets, computed and accrued daily and payable monthly. For the six months ended June 30, 2011, the Administration Fee was $77,396, of which $12,900 is unpaid.

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 Fund. 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 Fund. For the six months ended June 30, 2011, the amounts charged to the Fund by DISC were as follows:

	Total Aggregated	Unpaid at June 30, 2011
Class A	$ 144	$ 103
Class B	23	12
	$ 167	**$ 115**

Distribution Service Agreement. Under the Fund'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, 2011, the Distribution Service Fee aggregated $7,195, of which $1,206 is unpaid.

Typesetting and Filing Service Fees. Under an agreement with DIMA, DIMA is compensated for providing typesetting and certain regulatory filing services to the Fund. For the six months ended June 30, 2011, the amount charged to the Fund by DIMA included in the Statement of Operations under "reports to shareholders" aggregated $9,525, of which $3,483 is unpaid.

Trustees' Fees and Expenses. The Fund 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 Vehicle. The Fund may invest uninvested cash balances in Central Cash Management Fund, which is managed by the Advisor. The Fund indirectly bears its proportionate share of the expenses of Central Cash Management Fund. 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.

E. Ownership of the Fund

At June 30, 2011, three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Fund, each owning 40%, 38% and 16%. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Fund, owning 96%.

F. Line of Credit

The Fund and other affiliated funds (the "Participants") share in a $450 million revolving credit facility provided by a syndication of banks. The Fund may borrow for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated based on net assets, among each of the Participants. Interest is calculated at 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 Fund may borrow up to a maximum of 33 percent of its net assets under the agreement.

At June 30, 2011, DWS Government & Agency Securities VIP had a $500,000 outstanding loan. Interest expense incurred on the borrowing was $1,159 for the six months ended June 30, 2011. The average dollar amount of the borrowings was $2,640,909, the weighted average interest rate on these borrowings was 1.44% and the Fund had a loan outstanding for eleven days throughout the period. The borrowings were valued at cost, which approximates fair value.

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) 728-3337.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 3, 2010

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 2010, 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, 2008, and 2009.

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 have served 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 118 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 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

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VS2GAS-3 (R-023296-1 8/11)

DWS INVESTMENTS
Deutsche Bank Group

JUNE 30, 2011

SEMIANNUAL REPORT

DWS VARIABLE SERIES II

DWS High Income VIP

DWS INVESTMENTS
Deutsche Bank Group

Contents

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, call (800) 728-3337 or your financial representative. We advise you to consider the Fund's objectives, risks, charges and expenses carefully before investing. The summary prospectus and prospectus contain this and other important information about the Fund. Please read the prospectus carefully before you invest.

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.

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.

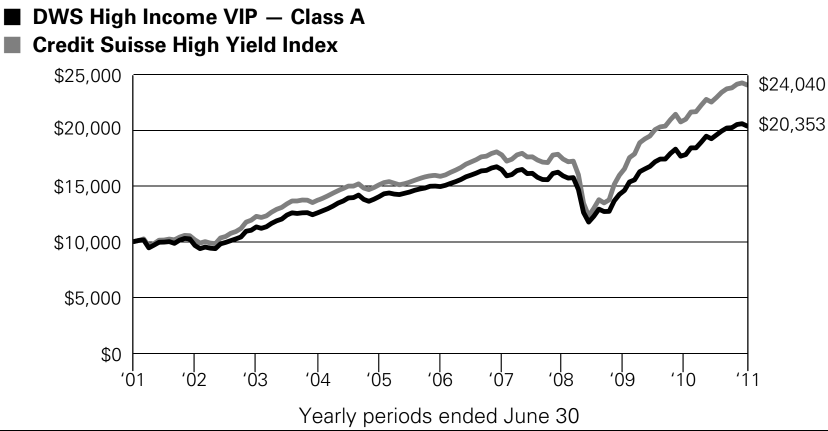
Performance Summary

June 30, 2011

Fund 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 Fund's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund 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 Fund, as stated in the fee table of the prospectus dated May 1, 2011 are 0.72% and 0.99% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

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 do not reflect any fees or expenses and 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	$10,400	$11,426	$12,796	$13,622	$20,353
	Average annual total return	4.00%	14.26%	8.56%	6.38%	7.36%
Credit Suisse High Yield Index	Growth of $10,000	$10,484	$11,459	$13,816	$15,161	$24,040
	Average annual total return	4.84%	14.59%	11.38%	8.68%	9.17%

DWS High Income VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$10,388	$11,409	$12,715	$13,406	$20,420
	Average annual total return	3.88%	14.09%	8.34%	6.04%	8.26%
Credit Suisse High Yield Index	Growth of $10,000	$10,484	$11,459	$13,816	$15,161	$23,657
	Average annual total return	4.84%	14.59%	11.38%	8.68%	10.03%

The growth of $10,000 is cumulative.

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

* *The Fund commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

Information About Your Fund's Expenses

As an investor of the Fund, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Fund 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 Fund 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, 2011 to June 30, 2011).

The tables illustrate your Fund's expenses in two ways:

- **Actual Fund Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Fund using the Fund'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% Fund Return.** This helps you to compare your Fund's ongoing expenses (but not transaction costs) with those of other mutual funds using the Fund's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Fund return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. 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, 2011

Actual Fund Return	**Class A**	**Class B**
Beginning Account Value 1/1/11	$1,000.00	$1,000.00
Ending Account Value 6/30/11	$1,040.00	$1,038.80
Expenses Paid per $1,000*	$ 3.64	$ 4.95

Hypothetical 5% Fund Return	**Class A**	**Class B**
Beginning Account Value 1/1/11	$1,000.00	$1,000.00
Ending Account Value 6/30/11	$1,021.22	$1,019.93
Expenses Paid per $1,000*	$ 3.61	$ 4.91

* *Expenses are equal to the Fund'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	.72%	.98%

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

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund is an investment option.

Portfolio Summary

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	6/30/11	12/31/10
Corporate Bonds	97%	87%
Loan Participations and Assignments	1%	4%
Preferred Stocks	1%	0%
Preferred Securities	1%	1%
Cash Equivalents	—	8%
	100%	100%

Sector Diversification (As a % of Investment Portfolio excluding Cash Equivalents and Securities Lending Collateral)	6/30/11	12/31/10
Consumer Discretionary	21%	20%
Financials	16%	19%
Materials	13%	12%
Industrials	12%	10%
Telecommunication Services	11%	11%
Energy	11%	12%
Information Technology	6%	4%
Consumer Staples	5%	4%
Utilities	4%	3%
Health Care	1%	5%
	100%	100%

Quality (As a % of Investment Portfolio excluding Cash Equivalents and Securities Lending Collateral)	6/30/11	12/31/10
BB	13%	15%
B	54%	54%
CCC	30%	26%
D	1%	1%
Not Rated	2%	4%
	100%	100%

Interest Rate Sensitivity	6/30/11	12/31/10
Effective Maturity	6.1 years	5.5 years
Effective Duration	4.1 years	3.5 years

Asset allocation, sector diversification 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 Fund's credit quality does not remove market risk and is subject to change.

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

Effective duration is an approximate measure of the Fund's sensitivity to interest rate changes taking into consideration any maturity shortening features.

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

Following the Fund'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. The Fund's portfolio holdings are also posted on www.dws-investments.com from time to time. Please see the Fund's current prospectus for more information.

	Principal Amount ($) (a)	Value ($)
Corporate Bonds 94.4%		
Consumer Discretionary 19.8%		
Allison Transmission, Inc., 144A, 7.125%, 5/15/2019	270,000	262,575
AMC Entertainment, Inc.:		
8.0%, 3/1/2014	590,000	591,475
8.75%, 6/1/2019	765,000	807,075
AMC Networks, Inc., 144A, 7.75%, 7/15/2021	80,000	83,600
American Achievement Corp., 144A, 10.875%, 4/15/2016	260,000	234,000
Asbury Automotive Group, Inc.:		
7.625%, 3/15/2017	590,000	585,575
144A, 8.375%, 11/15/2020	460,000	468,050
Avis Budget Car Rental LLC:		
8.25%, 1/15/2019	535,000	541,687
9.625%, 3/15/2018	260,000	277,550
Beazer Homes USA, Inc., 9.125%, 6/15/2018	135,000	116,438
Bon-Ton Department Stores, Inc., 10.25%, 3/15/2014	105,000	105,000
Burlington Coat Factory Warehouse Corp., 144A, 10.0%, 2/15/2019	250,000	247,500
Cablevision Systems Corp.:		
7.75%, 4/15/2018	65,000	69,306
8.0%, 4/15/2020	65,000	69,713
Caesar's Entertainment Operating Co., Inc.:		
10.0%, 12/15/2018	790,000	712,975
11.25%, 6/1/2017	715,000	789,181
12.75%, 4/15/2018	295,000	294,263
CanWest LP, 144A, 9.25%, 8/1/2015*	340,000	57,800
Carrols Corp., 9.0%, 1/15/2013	225,000	225,563
CCO Holdings LLC:		
6.5%, 4/30/2021	1,155,000	1,139,119
7.0%, 1/15/2019	120,000	123,600
7.25%, 10/30/2017	520,000	538,850
7.875%, 4/30/2018	225,000	237,094
8.125%, 4/30/2020	150,000	162,000
Cequel Communications Holdings I LLC, 144A, 8.625%, 11/15/2017	1,495,000	1,554,800
Claire's Stores, Inc.:		
144A, 8.875%, 3/15/2019	145,000	135,575
9.625%, 6/1/2015 (PIK)	115,706	112,524
Clear Channel Communications, Inc., 144A, 9.0%, 3/1/2021	140,000	134,050
Clear Channel Worldwide Holdings, Inc.:		
Series A, 9.25%, 12/15/2017	100,000	108,750
Series B, 9.25%, 12/15/2017	150,000	163,500
Cumulus Media, Inc., 144A, 7.75%, 5/1/2019	135,000	130,275
DineEquity, Inc., 144A, 9.5%, 10/30/2018	620,000	672,700
DISH DBS Corp.:		
144A, 6.75%, 6/1/2021	50,000	51,250
7.125%, 2/1/2016	465,000	490,575
7.875%, 9/1/2019	270,000	291,263
Dunkin' Brands, Inc., 144A, 9.625%, 12/1/2018	147,000	148,285
EH Holding Corp., 144A, 7.625%, 6/15/2021	230,000	234,600
Fontainebleau Las Vegas Holdings LLC, 144A, 11.0%, 6/15/2015*	490,000	245
Gannett Co., Inc., 9.375%, 11/15/2017	295,000	324,500
Great Canadian Gaming Corp., 144A, 7.25%, 2/15/2015	505,000	516,362
Hertz Corp.:		
144A, 6.75%, 4/15/2019	660,000	653,400
144A, 7.5%, 10/15/2018	905,000	932,150
J. Crew Group, Inc., 144A, 8.125%, 3/1/2019 (b)	190,000	182,875
Kabel BW Erste Beteiligungs GmbH, 144A, 7.5%, 3/15/2019	435,000	443,700
Lear Corp.:		
7.875%, 3/15/2018	235,000	252,625
8.125%, 3/15/2020	230,000	247,825
Lions Gate Entertainment, Inc., 144A, 10.25%, 11/1/2016	540,000	549,450
Macy's Retail Holdings, Inc., 8.125%, 7/15/2015	85,000	100,831
Mediacom Broadband LLC, 8.5%, 10/15/2015 (b)	635,000	650,875
Mediacom LLC, 9.125%, 8/15/2019 (b)	560,000	590,800
MGM Resorts International:		
7.5%, 6/1/2016	205,000	194,750
7.625%, 1/15/2017	560,000	539,000
9.0%, 3/15/2020	145,000	158,775
144A, 10.0%, 11/1/2016 (b)	225,000	238,500
11.125%, 11/15/2017	235,000	268,488
Michaels Stores, Inc., Step-up Coupon, 0% to 11/1/2011, 13.0% to 11/1/2016	150,000	155,250
Needle Merger Sub Corp., 144A, 8.125%, 3/15/2019	280,000	282,100
Neiman Marcus Group, Inc., 10.375%, 10/15/2015	155,000	162,750
Norcraft Companies LP, 10.5%, 12/15/2015	1,260,000	1,278,900
Palace Entertainment Holdings LLC, 144A, 8.875%, 4/15/2017	435,000	436,087
Penske Automotive Group, Inc., 7.75%, 12/15/2016	1,085,000	1,106,700
PETCO Animal Supplies, Inc., 144A, 9.25%, 12/1/2018	315,000	334,687
Phillips-Van Heusen Corp., 7.375%, 5/15/2020	160,000	171,200
Regal Entertainment Group, 9.125%, 8/15/2018	180,000	186,300
Sabre Holdings Corp., 8.35%, 3/15/2016	515,000	453,200
Sears Holdings Corp., 144A, 6.625%, 10/15/2018	345,000	319,988
Seminole Indian Tribe of Florida:		
144A, 7.75%, 10/1/2017	200,000	207,000
144A, 7.804%, 10/1/2020	450,000	442,260
Simmons Bedding Co., 144A, 11.25%, 7/15/2015	315,000	330,750
Sirius XM Radio, Inc., 144A, 8.75%, 4/1/2015	340,000	374,850

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

		Principal Amount ($) (a)	Value ($)
Sonic Automotive, Inc., Series B, 9.0%, 3/15/2018		565,000	594,662
Standard Pacific Corp.:			
8.375%, 5/15/2018		240,000	237,900
10.75%, 9/15/2016		440,000	498,300
Toys "R" Us, Inc., 7.375%, 10/15/2018		695,000	675,019
Toys "R" Us-Delaware, Inc., 144A, 7.375%, 9/1/2016		200,000	202,000
Travelport LLC:			
4.879%**, 9/1/2014		390,000	332,475
9.0%, 3/1/2016		390,000	348,075
UCI International, Inc., 8.625%, 2/15/2019		120,000	123,600
Unitymedia GmbH, 144A, 9.625%, 12/1/2019	EUR	550,000	865,377
Unitymedia Hessen GmbH & Co., KG, 144A, 8.125%, 12/1/2017		945,000	1,004,062
Univision Communications, Inc.:			
144A, 6.875%, 5/15/2019		60,000	59,400
144A, 7.875%, 11/1/2020		140,000	143,500
UPC Holding BV:			
144A, 8.375%, 8/15/2020	EUR	210,000	309,099
144A, 9.75%, 4/15/2018	EUR	425,000	656,374
Valassis Communications, Inc., 144A, 6.625%, 2/1/2021		180,000	178,200
Visant Corp., 10.0%, 10/1/2017		460,000	476,100
Visteon Corp., 144A, 6.75%, 4/15/2019		435,000	419,775
Yonkers Racing Corp., 144A, 11.375%, 7/15/2016		335,000	363,475
			33,542,702

Consumer Staples 4.9%

	Principal Amount ($) (a)	Value ($)
American Rock Salt Co., LLC, 144A, 8.25%, 5/1/2018	340,000	341,275
B&G Foods, Inc., 7.625%, 1/15/2018	230,000	242,075
Del Monte Foods Co., 144A, 7.625%, 2/15/2019	710,000	717,100
Dole Food Co., Inc., 144A, 8.0%, 10/1/2016	215,000	225,213
FAGE Dairy Industry SA, 144A, 9.875%, 2/1/2020	555,000	556,387
NBTY, Inc., 144A, 9.0%, 10/1/2018	140,000	147,700
North Atlantic Trading Co., 144A, 10.0%, 3/1/2012	2,081,750	2,045,319
Rite Aid Corp.:		
7.5%, 3/1/2017	295,000	292,788
8.0%, 8/15/2020	580,000	624,950
10.25%, 10/15/2019	230,000	253,000
Smithfield Foods, Inc., 7.75%, 7/1/2017	1,880,000	1,950,500
Stater Bros. Holdings, Inc., 144A, 7.375%, 11/15/2018	180,000	186,750
SUPERVALU, Inc., 8.0%, 5/1/2016 (b)	210,000	214,200
Tops Holding Corp., 10.125%, 10/15/2015	330,000	350,212
US Foodservice, 144A, 8.5%, 6/30/2019	200,000	194,000
		8,341,469

Energy 10.6%

	Principal Amount ($) (a)	Value ($)
Alpha Natural Resources, Inc., 6.0%, 6/1/2019	345,000	344,138
Arch Coal, Inc., 7.25%, 10/1/2020	110,000	111,925
Berry Petroleum Co., 6.75%, 11/1/2020	535,000	537,675
BreitBurn Energy Partners LP, 8.625%, 10/15/2020	300,000	316,500
Brigham Exploration Co., 144A, 6.875%, 6/1/2019	115,000	114,425
Bristow Group, Inc., 7.5%, 9/15/2017	485,000	508,037
Chaparral Energy, Inc., 8.25%, 9/1/2021	645,000	649,837
Cloud Peak Energy Resources LLC:		
8.25%, 12/15/2017	145,000	155,150
8.5%, 12/15/2019	150,000	162,188
CONSOL Energy, Inc.:		
144A, 6.375%, 3/1/2021	90,000	89,550
8.0%, 4/1/2017	655,000	713,950
8.25%, 4/1/2020	250,000	272,500
Continental Resources, Inc.:		
7.125%, 4/1/2021	175,000	184,625
7.375%, 10/1/2020	195,000	207,188
8.25%, 10/1/2019	105,000	114,713
Crestwood Midstream Partners LP, 144A, 7.75%, 4/1/2019	920,000	913,100
Crosstex Energy LP, 8.875%, 2/15/2018	365,000	388,725
Dresser-Rand Group, Inc., 144A, 6.5%, 5/1/2021	420,000	432,600
Eagle Rock Energy Partners LP, 144A, 8.375%, 6/1/2019	535,000	533,662
Energy Transfer Equity LP, 7.5%, 10/15/2020	215,000	227,900
Frontier Oil Corp., 6.875%, 11/15/2018	315,000	332,325
Genesis Energy LP, 144A, 7.875%, 12/15/2018	230,000	228,850
Global Geophysical Services, Inc., 10.5%, 5/1/2017	775,000	813,750
Harvest Operations Corp., 144A, 6.875%, 10/1/2017	140,000	144,550
Holly Corp., 9.875%, 6/15/2017	545,000	607,675
Holly Energy Partners LP, 8.25%, 3/15/2018	330,000	349,800
Linn Energy LLC:		
144A, 6.5%, 5/15/2019	285,000	282,150
144A, 7.75%, 2/1/2021	335,000	348,400
8.625%, 4/15/2020	305,000	330,925
MEG Energy Corp., 144A, 6.5%, 3/15/2021	235,000	236,175
Newfield Exploration Co., 7.125%, 5/15/2018	270,000	286,200
Oasis Petroleum, Inc., 144A, 7.25%, 2/1/2019	435,000	431,737
Offshore Group Investments Ltd.:		
11.5%, 8/1/2015	275,000	299,063
144A, 11.5%, 8/1/2015	30,000	32,625
Petrohawk Energy Corp.:		
7.25%, 8/15/2018	700,000	718,375
7.875%, 6/1/2015	220,000	230,450
10.5%, 8/1/2014	380,000	427,500
Plains Exploration & Production Co., 7.625%, 6/1/2018	320,000	336,000

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

	Principal Amount ($) (a)	Value ($)
Range Resources Corp., 6.75%, 8/1/2020	105,000	108,675
Regency Energy Partners LP, 6.875%, 12/1/2018	205,000	212,175
Sabine Pass LNG LP:		
7.25%, 11/30/2013	930,000	953,250
7.5%, 11/30/2016	355,000	363,875
SandRidge Energy, Inc., 144A, 7.5%, 3/15/2021	300,000	303,750
SESI LLC, 144A, 6.375%, 5/1/2019	235,000	232,650
Southwestern Energy Co., 7.5%, 2/1/2018	585,000	665,437
Stone Energy Corp.:		
6.75%, 12/15/2014	590,000	587,050
8.625%, 2/1/2017	125,000	128,750
Venoco, Inc., 144A, 8.875%, 2/15/2019	590,000	590,000
Xinergy Corp., 144A, 9.25%, 5/15/2019	335,000	338,350
		17,898,900
Financials 14.0%		
Abengoa Finance SAU, 144A, 8.875%, 11/1/2017	775,000	791,469
Algoma Acquisition Corp., 144A, 9.875%, 6/15/2015	450,000	418,500
Antero Resources Finance Corp., 9.375%, 12/1/2017	390,000	419,250
Ardagh Packaging Finance PLC, 144A, 7.375%, 10/15/2017	215,000	221,450
Ashton Woods USA LLC, 144A, Step-up Coupon, 0% to 6/30/2012, 11.0% to 6/30/2015	712,400	431,002
AWAS Aviation Capital Ltd., 144A, 7.0%, 10/15/2016	571,200	586,194
Bumble Bee Acquisition Corp., 144A, 9.0%, 12/15/2017	150,000	150,750
Calpine Construction Finance Co., LP, 144A, 8.0%, 6/1/2016	570,000	615,600
CIT Group, Inc.:		
7.0%, 5/1/2015	195	195
144A, 7.0%, 5/4/2015	623,000	623,779
144A, 7.0%, 5/2/2017	2,085,000	2,079,787
CPI International Acquisition, Inc., 144A, 8.0%, 2/15/2018	260,000	245,700
DuPont Fabros Technology LP, (REIT), 8.5%, 12/15/2017	435,000	475,237
E*TRADE Financial Corp.:		
6.75%, 6/1/2016	570,000	558,600
12.5%, 11/30/2017 (PIK)	632,000	739,440
Felcor Lodging LP, (REIT), 144A, 6.75%, 6/1/2019	410,000	393,600
Ford Motor Credit Co., LLC:		
6.625%, 8/15/2017	355,000	377,380
8.125%, 1/15/2020	100,000	115,841
Fresenius US Finance II, Inc., 144A, 9.0%, 7/15/2015	420,000	475,125
Giraffe Acquisition Corp., 144A, 9.125%, 12/1/2018	330,000	310,200
Hellas Telecommunications Finance SCA, 144A, 8.985%**, 7/15/2015 (PIK)*	EUR 322,107	280
Hexion US Finance Corp., 8.875%, 2/1/2018	2,000,000	2,080,000
Inmarsat Finance PLC, 144A, 7.375%, 12/1/2017	670,000	710,200
International Lease Finance Corp.:		
5.75%, 5/15/2016	105,000	103,395
6.25%, 5/15/2019	270,000	263,808
8.625%, 9/15/2015	235,000	254,681
8.75%, 3/15/2017	465,000	508,594
Level 3 Escrow, Inc., 144A, 8.125%, 7/1/2019	400,000	402,000
MPT Operating Partnership LP, (REIT), 144A, 6.875%, 5/1/2021	295,000	289,838
National Money Mart Co., 10.375%, 12/15/2016	790,000	867,025
Navios Maritime Acquisition Corp., 8.625%, 11/1/2017	150,000	147,750
Nielsen Finance LLC, 144A, 7.75%, 10/15/2018	50,000	52,500
NII Capital Corp., 7.625%, 4/1/2021	335,000	350,075
Nuveen Investments, Inc.:		
10.5%, 11/15/2015	725,000	741,312
144A, 10.5%, 11/15/2015	525,000	531,562
OMEGA Healthcare Investors, Inc., (REIT), 144A, 6.75%, 10/15/2022	305,000	300,806
Pinnacle Foods Finance LLC:		
8.25%, 9/1/2017	425,000	440,938
9.25%, 4/1/2015	695,000	721,062
Reynolds Group Issuer, Inc.:		
144A, 6.875%, 2/15/2021	540,000	526,500
144A, 7.125%, 4/15/2019	415,000	411,888
144A, 8.25%, 2/15/2021	225,000	210,375
144A, 8.5%, 10/15/2016	550,000	573,375
144A, 8.75%, 5/15/2018	610,000	599,325
144A, 9.0%, 4/15/2019	590,000	582,625
Susser Holdings LLC, 8.5%, 5/15/2016	175,000	184,188
Tomkins LLC, 144A, 9.0%, 10/1/2018	230,000	247,825
Tropicana Entertainment LLC, 9.625%, 12/15/2014*	1,220,000	610
UPCB Finance III Ltd., 144A, 6.625%, 7/1/2020	185,000	182,688
Virgin Media Finance PLC, Series 1, 9.5%, 8/15/2016	1,135,000	1,282,550
		23,596,874
Health Care 1.4%		
Aviv Healthcare Properties LP, 144A, 7.75%, 2/15/2019	235,000	240,288
HCA Holdings, Inc., 144A, 7.75%, 5/15/2021 (b)	605,000	627,687
Mylan, Inc., 144A, 7.875%, 7/15/2020	95,000	104,263
STHI Holding Corp., 144A, 8.0%, 3/15/2018	345,000	350,175
Vanguard Health Holding Co. II, LLC, 8.0%, 2/1/2018	590,000	609,175
Warner Chilcott Co., LLC, 144A, 7.75%, 9/15/2018	420,000	423,675
		2,355,263
Industrials 11.8%		
Accuride Corp., 9.5%, 8/1/2018	405,000	433,350
Actuant Corp., 6.875%, 6/15/2017	300,000	306,750
Aguila 3 SA, 144A, 7.875%, 1/31/2018	310,000	311,937

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		Principal Amount ($) (a)	Value ($)
American Airlines, Inc., 144A, 7.5%, 3/15/2016 (b)		490,000	480,200
AMGH Merger Sub, Inc., 144A, 9.25%, 11/1/2018		190,000	200,450
ARAMARK Corp., 8.5%, 2/1/2015		560,000	581,700
ARAMARK Holdings Corp., 144A, 8.625%, 5/1/2016 (PIK)		105,000	106,838
Armored Autogroup, Inc., 144A, 9.25%, 11/1/2018		610,000	603,900
B-Corp Merger Sub, Inc., 144A, 8.25%, 6/1/2019		335,000	331,650
BE Aerospace, Inc.:			
6.875%, 10/1/2020		210,000	219,975
8.5%, 7/1/2018		300,000	327,375
Belden, Inc., 7.0%, 3/15/2017		420,000	430,500
Boart Longyear Management Pty Ltd., 144A, 7.0%, 4/1/2021		190,000	194,275
Briggs & Stratton Corp., 6.875%, 12/15/2020		195,000	206,700
Casella Waste Systems, Inc., 144A, 7.75%, 2/15/2019		415,000	416,037
Cenveo Corp., 8.875%, 2/1/2018		1,055,000	1,023,350
CHC Helicopter SA, 144A, 9.25%, 10/15/2020		950,000	857,375
Congoleum Corp., 9.0%, 12/31/2017 (PIK)		396,000	257,400
Corrections Corp. of America, 7.75%, 6/1/2017		35,000	38,106
Delta Air Lines, Inc., 144A, 9.5%, 9/15/2014		99,000	105,559
Deluxe Corp., 144A, 7.0%, 3/15/2019		180,000	178,200
Ducommun, Inc., 144A, 9.75%, 7/15/2018		305,000	313,387
DynCorp International, Inc., 144A, 10.375%, 7/1/2017		490,000	502,250
Florida East Coast Railway Corp., 144A, 8.125%, 2/1/2017		225,000	232,313
FTI Consulting, Inc., 6.75%, 10/1/2020		195,000	196,950
Garda World Security Corp., 144A, 9.75%, 3/15/2017		375,000	396,562
H&E Equipment Services, Inc., 8.375%, 7/15/2016		615,000	628,837
Heckler & Koch GmbH, 144A, 9.5%, 5/15/2018	EUR	580,000	799,032
Huntington Ingalls Industries, Inc.:			
144A, 6.875%, 3/15/2018		180,000	184,500
144A, 7.125%, 3/15/2021		60,000	62,100
Interline Brands, Inc., 7.0%, 11/15/2018		295,000	298,688
K. Hovnanian Enterprises, Inc., 10.625%, 10/15/2016		365,000	364,087
Kansas City Southern de Mexico SA de CV, 8.0%, 2/1/2018		205,000	222,425
Meritor, Inc., 8.125%, 9/15/2015		280,000	291,900
Navios Maritime Holdings, Inc., 144A, 8.125%, 2/15/2019		760,000	729,600
Navios South American Logistics, Inc., 144A, 9.25%, 4/15/2019		295,000	297,213

	Principal Amount ($) (a)	Value ($)
Nortek, Inc., 144A, 8.5%, 4/15/2021	720,000	666,000
Ply Gem Industries, Inc.:		
144A, 8.25%, 2/15/2018	275,000	260,563
13.125%, 7/15/2014	515,000	540,750
RailAmerica, Inc., 9.25%, 7/1/2017	304,000	333,640
RBS Global, Inc. & Rexnord Corp.:		
8.5%, 5/1/2018	715,000	755,219
11.75%, 8/1/2016 (b)	120,000	126,900
Rearden G Holdings EINS GmbH, 144A, 7.875%, 3/30/2020	135,000	147,150
Sitel LLC, 11.5%, 4/1/2018	565,000	516,975
Spirit AeroSystems, Inc.:		
6.75%, 12/15/2020	205,000	208,075
7.5%, 10/1/2017	215,000	226,288
SPX Corp., 144A, 6.875%, 9/1/2017	130,000	139,100
Titan International, Inc., 144A, 7.875%, 10/1/2017	945,000	987,525
Triumph Group, Inc., 8.0%, 11/15/2017	75,000	78,938
Tutor Perini Corp., 7.625%, 11/1/2018	325,000	312,000
United Rentals North America, Inc.:		
9.25%, 12/15/2019	830,000	900,550
10.875%, 6/15/2016	390,000	436,312
USG Corp., 144A, 9.75%, 8/1/2014	220,000	233,200
		20,000,656

Information Technology 5.4%

	Principal Amount ($) (a)	Value ($)
Alcatel-Lucent USA, Inc., 6.45%, 3/15/2029	570,000	513,000
Allen Systems Group, Inc., 144A, 10.5%, 11/15/2016	210,000	211,050
Amkor Technology, Inc.:		
144A, 6.625%, 6/1/2021	50,000	48,125
7.375%, 5/1/2018	250,000	254,063
Aspect Software, Inc., 10.625%, 5/7/2017	350,000	376,250
Avaya, Inc., 144A, 7.0%, 4/1/2019	830,000	803,025
CDW LLC:		
144A, 8.5%, 4/1/2019	600,000	588,000
11.0%, 10/12/2015	52,000	54,730
CommScope, Inc., 144A, 8.25%, 1/15/2019	485,000	499,550
eAccess Ltd., 144A, 8.25%, 4/1/2018	335,000	334,162
Equinix, Inc., 8.125%, 3/1/2018	120,000	130,650
Fidelity National Information Services, Inc., 7.625%, 7/15/2017	95,000	100,819
First Data Corp.:		
144A, 7.375%, 6/15/2019	170,000	171,275
144A, 8.25%, 1/15/2021	785,000	769,300
144A, 8.875%, 8/15/2020	495,000	528,412
Freescale Semiconductor, Inc., 144A, 9.25%, 4/15/2018	990,000	1,066,725
Jabil Circuit, Inc., 7.75%, 7/15/2016	145,000	160,588
MasTec, Inc., 7.625%, 2/1/2017	610,000	620,675
MEMC Electronic Materials, Inc., 144A, 7.75%, 4/1/2019	240,000	237,000
Sanmina-SCI Corp., 144A, 7.0%, 5/15/2019	245,000	231,525

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		Principal Amount ($) (a)	Value ($)
Seagate HDD Cayman, 144A, 7.0%, 11/1/2021		290,000	290,000
Sensata Technologies BV, 144A, 6.5%, 5/15/2019		290,000	289,275
SunGard Data Systems, Inc.:			
7.375%, 11/15/2018		140,000	140,000
10.625%, 5/15/2015		365,000	395,112
Vangent, Inc., 9.625%, 2/15/2015		350,000	353,500
			9,166,811
Materials 11.8%			
Aleris International, Inc., 144A, 7.625%, 2/15/2018		220,000	219,450
APERAM:			
144A, 7.375%, 4/1/2016		215,000	216,075
144A, 7.75%, 4/1/2018		260,000	261,950
Appleton Papers, Inc., 11.25%, 12/15/2015		237,000	239,370
Berry Plastics Corp.:			
8.25%, 11/15/2015		660,000	696,300
9.5%, 5/15/2018		390,000	387,075
9.75%, 1/15/2021		460,000	445,050
Boise Paper Holdings LLC, 8.0%, 4/1/2020		170,000	178,500
BWAY Parent Co., Inc., 144A, 10.125%, 11/1/2015 (PIK)		242,853	242,853
Celanese US Holdings LLC:			
5.875%, 6/15/2021		165,000	168,713
6.625%, 10/15/2018		200,000	211,000
China Lumena New Materials Corp., 144A, 12.0%, 10/27/2014		1,120,000	1,096,200
Clearwater Paper Corp., 7.125%, 11/1/2018		390,000	399,750
Clondalkin Acquisition BV, 144A, 2.247%**, 12/15/2013		265,000	253,075
Crown Americas LLC, 144A, 6.25%, 2/1/2021		50,000	50,500
Domtar Corp., 10.75%, 6/1/2017		380,000	494,475
Essar Steel Algoma, Inc., 144A, 9.375%, 3/15/2015		1,410,000	1,413,525
Exopack Holding Corp., 144A, 10.0%, 6/1/2018		230,000	228,275
FMG Resources August 2006 Pty Ltd., 144A, 7.0%, 11/1/2015		140,000	142,800
GEO Specialty Chemicals, Inc.:			
144A, 7.5%, 3/31/2015 (PIK)		1,297,793	1,193,970
10.0%, 3/31/2015		1,277,440	1,264,666
Graham Packaging Co., LP, 8.25%, 10/1/2018		135,000	150,188
Graphic Packaging International, Inc.:			
7.875%, 10/1/2018		70,000	74,200
9.5%, 6/15/2017		810,000	886,950
Hexcel Corp., 6.75%, 2/1/2015		475,000	483,312
Huntsman International LLC:			
8.625%, 3/15/2020		330,000	359,700
8.625%, 3/15/2021		140,000	152,250
JMC Steel Group, 144A, 8.25%, 3/15/2018		350,000	355,250
Koppers, Inc., 7.875%, 12/1/2019		440,000	469,700
Longview Fibre Paper & Packaging, Inc., 144A, 8.0%, 6/1/2016		335,000	336,675
Lyondell Chemical Co., 144A, 8.0%, 11/1/2017		290,000	322,625
Momentive Performance Materials, Inc.:			
9.0%, 1/15/2021		385,000	392,700
9.5%, 1/15/2021	EUR	385,000	552,725
NewMarket Corp., 7.125%, 12/15/2016		1,005,000	1,047,712
OI European Group BV, 144A, 6.75%, 9/15/2020	EUR	130,000	187,577
Packaging Dynamics Corp., 144A, 8.75%, 2/1/2016		535,000	543,025
Phibro Animal Health Corp., 144A, 9.25%, 7/1/2018		70,000	73,850
Polymer Group, Inc., 144A, 7.75%, 2/1/2019		300,000	300,750
Radnor Holdings Corp., 11.0%, 3/15/2010*		265,000	27
Rain CII Carbon LLC, 144A, 8.0%, 12/1/2018		270,000	287,550
Silgan Holdings, Inc., 7.25%, 8/15/2016		415,000	437,825
Solo Cup Co., 10.5%, 11/1/2013		210,000	218,400
Texas Industries, Inc., 9.25%, 8/15/2020		465,000	449,887
United States Steel Corp., 7.375%, 4/1/2020 (b)		480,000	493,200
Verso Paper Holdings LLC, 144A, 8.75%, 2/1/2019		130,000	115,700
Viskase Companies, Inc., 144A, 9.875%, 1/15/2018		940,000	979,949
Wolverine Tube, Inc., 15.0%, 3/31/2012 (PIK)*		830,088	400,517
			19,875,816
Telecommunication Services 11.2%			
Buccaneer Merger Sub, Inc., 144A, 9.125%, 1/15/2019		130,000	135,200
Cincinnati Bell, Inc.:			
8.25%, 10/15/2017		1,020,000	1,025,100
8.375%, 10/15/2020		1,030,000	1,027,425
8.75%, 3/15/2018		350,000	332,500
Clearwire Communications LLC:			
144A, 12.0%, 12/1/2015		425,000	453,688
144A, 12.0%, 12/1/2015		465,000	498,131
Cricket Communications, Inc.:			
7.75%, 10/15/2020 (b)		1,795,000	1,759,100
10.0%, 7/15/2015		380,000	409,450
Digicel Group Ltd., 144A, 10.5%, 4/15/2018		495,000	554,400
Digicel Ltd., 144A, 8.25%, 9/1/2017		1,090,000	1,130,875
ERC Ireland Preferred Equity Ltd., 144A, 8.42%**, 2/15/2017 (PIK)	EUR	665,001	4,822
Frontier Communications Corp.:			
7.875%, 4/15/2015		65,000	70,525
8.25%, 4/15/2017		395,000	429,563
8.5%, 4/15/2020		195,000	212,550
8.75%, 4/15/2022		70,000	76,300
Intelsat Jackson Holdings SA:			
144A, 7.25%, 10/15/2020		695,000	691,525
144A, 7.5%, 4/1/2021		855,000	849,656
8.5%, 11/1/2019		580,000	614,800

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	Principal Amount ($) (a)	Value ($)
Intelsat Luxembourg SA:		
11.25%, 2/4/2017	1,450,000	1,556,937
11.5%, 2/4/2017 (PIK)	1,340,625	1,441,172
144A, 11.5%, 2/4/2017 (PIK)	445,000	478,375
MetroPCS Wireless, Inc.:		
6.625%, 11/15/2020	480,000	475,200
7.875%, 9/1/2018	420,000	444,675
Pacnet Ltd., 144A, 9.25%, 11/9/2015	225,000	214,875
Sprint Nextel Corp., 8.375%, 8/15/2017	590,000	648,262
Telesat Canada, 11.0%, 11/1/2015	1,545,000	1,689,844
West Corp.:		
144A, 7.875%, 1/15/2019	285,000	276,450
144A, 8.625%, 10/1/2018	75,000	75,750
Windstream Corp.:		
7.0%, 3/15/2019	430,000	434,300
7.5%, 4/1/2023	40,000	40,000
7.75%, 10/15/2020	180,000	188,550
7.875%, 11/1/2017	495,000	525,319
8.125%, 9/1/2018	180,000	190,800
		18,956,119
Utilities 3.5%		
AES Corp.:		
144A, 7.375%, 7/1/2021	540,000	548,100
8.0%, 10/15/2017	415,000	439,900
8.0%, 6/1/2020	525,000	559,125
Calpine Corp.:		
144A, 7.5%, 2/15/2021	485,000	494,700
144A, 7.875%, 7/31/2020	560,000	585,200
Edison Mission Energy, 7.0%, 5/15/2017	1,570,000	1,271,700
Energy Future Holdings Corp., Series Q, 6.5%, 11/15/2024	1,110,000	555,000
Energy Future Intermediate Holding Co. LLC, 10.0%, 12/1/2020	125,000	133,308
Ferrellgas LP, 144A, 6.5%, 5/1/2021	120,000	113,400
NRG Energy, Inc.:		
7.375%, 1/15/2017	320,000	335,200
144A, 7.625%, 1/15/2018	200,000	200,500
8.25%, 9/1/2020	220,000	224,400
Texas Competitive Electric Holdings Co., LLC:		
Series A, 10.25%, 11/1/2015	275,000	166,376
144A, 11.5%, 10/1/2020	360,000	353,700
		5,980,609
Total Corporate Bonds (Cost $159,590,828)		**159,715,219**

Loan Participations and Assignments 1.2%

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, 7.496%, 4/22/2015	96,058	77,087
Hawker Beechcraft Acquisition Co., LLC:		
Term Loan, 2.186%, 3/26/2014	980,677	827,677
Letter of Credit, 2.246%, 3/26/2014	60,643	51,181
Roundy's Supermarkets, Inc., Second Lien Term Loan, 10.0%, 4/18/2016	325,000	329,368
Tribune Co., Term Loan B, LIBOR plus 3.0%, 6/4/2014*	1,009,426	686,409
Total Loan Participations and Assignments (Cost $2,955,324)		**1,971,722**

Convertible Bonds 0.4%

Consumer Discretionary

	Principal Amount ($) (a)	Value ($)
Group 1 Automotive, Inc., 144A, 3.0%, 3/15/2020	375,000	467,344
Sonic Automotive, Inc., 5.0%, 10/1/2029	155,000	204,600
Total Convertible Bonds (Cost $530,313)		**671,944**

Preferred Security 0.6%

Materials

	Principal Amount ($) (a)	Value ($)
Hercules, Inc., 6.5%, 6/30/2029 (Cost $737,867)	1,135,000	**959,075**

	Units	Value ($)

Other Investments 0.0%

Consumer Discretionary

	Units	Value ($)
AOT Bedding Super Holdings LLC* (Cost $31,000)	31	**31,000**

Common Stocks 0.1%

	Shares	Value ($)
Consumer Discretionary 0.1%		
Buffets Restaurants Holdings, Inc.*	18,256	73,024
Dex One Corp.*	3,884	9,827
SuperMedia, Inc.*	726	2,722
Trump Entertainment Resorts, Inc.*	45	821
Vertis Holdings, Inc.	676	11,992
		98,386
Industrials 0.0%		
Congoleum Corp.*	1,200,000	1
Quad Graphics, Inc.	649	25,220
		25,221
Materials 0.0%		
GEO Specialty Chemicals, Inc.*	24,225	20,592
GEO Specialty Chemicals, Inc. 144A*	2,206	1,875
		22,467
Total Common Stocks (Cost $2,412,740)		**146,074**

Warrants 0.0%

	Shares	Value ($)
Consumer Discretionary 0.0%		
Reader's Digest Association, Inc., Expiration Date 2/19/2014*	1,115	**33**
Materials 0.0%		
Hercules Trust II, Expiration Date 3/31/2029*	1,100	**11,053**
Total Warrants (Cost $244,286)		**11,086**

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	Shares	Value ($)
Preferred Stocks 0.8%		
Financials		
Ally Financial, Inc. Series G, 144A, 7.0%	440	413,545
Ally Financial, Inc. Series A, 8.5%	18,090	454,104
GMAC Capital Trust I Series 2, 8.125%	19,000	486,400
Total Preferred Stocks (Cost $1,330,112)		**1,354,049**

	Shares	Value ($)
Securities Lending Collateral 3.0%		
Daily Assets Fund Institutional, 0.13% (c) (d) (Cost $5,138,221)	5,138,221	**5,138,221**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $172,970,691)†	100.5	**169,998,390**
Other Assets and Liabilities, Net (b)	(0.5)	**(856,604)**
Net Assets	100.0	**169,141,786**

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
CanWest LP*	9.25%	8/1/2015	340,000	USD	340,000	57,800
Fontainebleau Las Vegas Holdings LLC*	11.0%	6/15/2015	490,000	USD	495,963	245
Hellas Telecommunications Finance SCA*	8.985%	7/15/2015	322,107	EUR	92,199	280
Radnor Holdings Corp.*	11.0%	3/15/2010	265,000	USD	234,313	27
Tribune Co.*	LIBOR plus 3.0%	6/4/2014	1,009,426	USD	905,407	686,409
Tropicana Entertainment LLC*	9.625%	12/15/2014	1,220,000	USD	959,601	610
Wolverine Tube, Inc.*	15.0%	3/31/2012	830,088	USD	830,088	400,517
					4,557,571	**1,145,888**

* *Non-income producing security. In the case of a bond, generally denotes that the issuer has defaulted on the payment of principal or interest or has filed for bankruptcy.*

** *These securities are shown at their current rate as of June 30, 2011. 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 $172,970,724. At June 30, 2011, net unrealized depreciation for all securities based on tax cost was $2,972,334. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $6,337,420 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $9,309,754.*

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

(b) *All or a portion of these securities were on loan amounting to $4,925,225. In addition, included in other assets and liabilities, net is a pending sale, amounting to $43,313, that is also on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2011 amounted to $4,968,538, which is 2.9% of net assets.*

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

(d) *Represents collateral held in connection with securities lending. Income earned by the Fund is net of borrower rebates.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

LIBOR: London Interbank Offered Rate

PIK: Denotes that all or a portion of the income is paid in kind.

REIT: Real Estate Investment Trust

At June 30, 2011, open credit default swap contracts sold were as follows:

Effective/ Expiration Date	Notional Amount ($) (e)	Fixed Cash Flows Received	Underlying Debt Obligation/Quality Rating (f)	Value ($)	Upfront Payments Paid/ (Received) ($)	Unrealized Appreciation/ (Depreciation) ($)
3/21/2011 6/20/2016	610,000[1]	5.0%	Ally Financial Corp., 8.3%, 2/12/2015, B+	40,762	34,677	6,085
3/21/2011 6/20/2016	540,000[2]	5.0%	Ally Financial Corp., 6.75%, 12/1/2014, B+	36,085	58,646	(22,561)
6/21/2010 9/20/2013	1,230,000[1]	5.0%	Ford Motor Co., 6.5%, 8/1/2018, B+	109,934	(37,769)	147,703
6/21/2010 9/20/2013	380,000[3]	5.0%	Ford Motor Co., 6.5%, 8/1/2018, B+	33,963	4,657	29,306
6/21/2010 9/20/2015	175,000[4]	5.0%	Ford Motor Co., 6.5%, 8/1/2018, B+	19,051	(16,625)	35,676

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

Effective/ Expiration Date	Notional Amount ($) (e)	Fixed Cash Flows Received	Underlying Debt Obligation/Quality Rating (f)	Value ($)	Upfront Payments Paid/ (Received) ($)	Unrealized Appreciation/ (Depreciation) ($)
6/21/2010 9/20/2015	320,000[5]	5.0%	Ford Motor Co., 6.5%, 8/1/2018, B+	34,837	(27,750)	62,587
6/21/2010 9/20/2015	100,000[1]	5.0%	Ford Motor Co., 6.5%, 8/1/2018, B+	10,887	(6,896)	17,783
6/21/2010 9/20/2015	560,000[6]	5.0%	Ford Motor Co., 6.5%, 8/1/2018, B+	60,966	(9,982)	70,948
6/20/2011 9/20/2016	575,000[6]	5.0%	Ford Motor Co., 6.5%, 8/1/2018, B+	56,234	55,435	799
3/21/2011 6/20/2016	1,085,000[2]	5.0%	Ford Motor Credit Co., LLC, 7.25%, 10/25/2011, B+	124,793	129,387	(4,594)
6/20/2011 9/20/2015	1,145,000[1]	5.0%	HCA, Inc., 6.375%, 1/15/2015, B–	63,040	61,450	1,590
3/21/2011 6/20/2016	610,000[4]	5.0%	HCA, Inc., 6.375%, 1/15/2015, B–	28,871	22,713	6,158
6/20/2011 9/20/2016	1,145,000[7]	5.0%	International Lease Finance Corp., 8.25%, 12/15/2020, B+	39,329	37,739	1,590
6/20/2011 9/20/2016	1,145,000[3]	5.0%	Neiman Marcus Group, Inc., 7.12%, 06/01/2028, B	53,643	52,053	1,590
6/20/2011 9/20/2016	1,145,000[5]	5.0%	Smithfield Foods, Inc., 7.75%, 7/1/2017, B–	53,643	52,053	1,590
Total net unrealized appreciation						**356,250**

(e) *The maximum potential amount of future undiscounted payments that the Fund 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 Fund for the same referenced debt obligation.*

(f) *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 *Barclays Bank PLC*

3 *Citigroup, Inc.*

4 *JPMorgan Chase Securities, Inc.*

5 *Credit Suisse*

6 *Bank of America*

7 *Morgan Stanley*

At June 30, 2011, the Fund had the following open forward foreign currency exchange contracts:

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation ($)	Counterparty
USD	1,090,733	EUR	755,734	7/11/2011	4,848	JPMorgan Chase Securities, Inc.
USD	47,861	EUR	33,800	7/11/2011	1,138	Citigroup, Inc.
Total unrealized appreciation					**5,986**	

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Depreciation ($)	Counterparty
EUR	3,100,100	USD	4,464,532	7/11/2011	**(29,656)**	Citigroup, Inc.

Currency Abbreviations			
EUR	Euro	USD	United States Dollar

For information on the Fund's policy and additional disclosures regarding credit default swap contracts and forward foreign currency exchange contracts, please refer to 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 Fund'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 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, 2011 in valuing the Fund's investments. For information on the Fund'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 (g)				
Corporate Bonds	$ —	$ 156,941,356	$ 2,773,863	$ 159,715,219
Loan Participations and Assignments	—	1,971,722	0	1,971,722
Convertible Bonds	—	671,944	—	671,944
Preferred Securities	—	959,075	—	959,075
Other Investments	—	—	31,000	31,000
Common Stocks (g)	110,793	—	35,281	146,074
Preferred Stock	940,504	413,545	—	1,354,049
Warrants (g)	—	—	11,086	11,086
Short-Term Investments	5,138,221	—	—	5,138,221
Derivatives (h)	—	389,391	—	389,391
Total	**$ 6,189,518**	**$ 161,347,033**	**$ 2,851,230**	**$ 170,387,781**
Liabilities				
Derivatives (h)	$ —	$ (56,811)	$ —	$ (56,811)
Total	**$ —**	**$ (56,811)**	**$ —**	**$ (56,811)**

There have been no transfers between Level 1 and Level 2 fair value measurements during the period ended June 30, 2011.

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

(h) *Derivatives include unrealized appreciation (depreciation) on credit default swap contracts and forward foreign currency exchange contracts.*

Level 3 Reconciliation

The following is a reconciliation of the Fund's Level 3 investments for which significant unobservable inputs were used in determining value:

	Corporate Bonds	Loan Participations and Assignments	Other Investments	Common Stocks	Warrants	Total
Balance as of December 31, 2010	$ 2,784,439	$ 0	$ 31,000	$ 23,288	$ 12,547	**$ 2,851,274**
Realized gains (loss)	(2,014,745)	—	—	—	—	**(2,014,745)**
Change in unrealized appreciation (depreciation)	2,166,957	0	0	5,767	(1,461)	**2,171,263**
Amortization premium/discount	12,234	—	—	—	—	**12,234**
Purchases	—	—	—	6,226	—	**6,226**
(Sales)	0	—	—	—	—	**0**
Transfers into Level 3	—	—	—	—	—	**—**
Transfers (out) of Level 3	(175,022) (i)	—	—	—	—	**(175,022)**
Balance as of June 30, 2011	**$ 2,773,863**	**$ 0**	**$ 31,000**	**$ 35,281**	**$ 11,086**	**$ 2,851,230**
Net change in unrealized appreciation (depreciation) from investments still held as of June 30, 2011	**$ 153,566**	**$ 0**	**$ 0**	**$ 5,767**	**$ (1,461)**	**$ 157,872**

Transfers between price levels are recognized at the beginning of the reporting period.

(i) *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, 2011 (Unaudited)

Assets		
Investments:		
Investments in non-affiliated securities, at value (cost $167,832,470) — including $4,925,225 of securities loaned	$	164,860,169
Investment in Daily Assets Fund Institutional (cost $5,138,221)*		5,138,221
Total investments in securities, at value (cost $172,970,691)		169,998,390
Foreign currency, at value (cost $70)		71
Deposit from broker on swap contracts		10,000
Receivable for investments sold		2,190,757
Receivable for Fund shares sold		47,763
Interest receivable		3,231,678
Unrealized appreciation on swap contracts		383,405
Unrealized appreciation on forward foreign currency exchange contracts		5,986
Upfront payments paid on swap contracts		508,810
Foreign taxes recoverable		588
Other assets		1,463
Total assets		176,378,911
Liabilities		
Cash overdraft		752,304
Payable upon return of securities loaned		5,138,221
Line of credit loan payable		650,000
Payable for Fund shares redeemed		83,475
Payable upon return of deposit for swap contracts		10,000
Net payable for open swap contracts		265,889
Unrealized depreciation on swap contracts		27,155
Unrealized depreciation on forward foreign currency exchange contracts		29,656
Upfront payments received on swap contracts		99,022
Accrued management fee		72,776
Other accrued expenses and payables		108,627
Total liabilities		7,237,125
Net assets, at value	**$**	**169,141,786**
Net Assets Consist of		
Undistributed net investment income		7,008,620
Net unrealized appreciation (depreciation) on:		
Investments		(2,972,301)
Swap contracts		356,250
Foreign currency		(21,987)
Accumulated net realized gain (loss)		(52,334,737)
Paid-in capital		217,105,941
Net assets, at value	**$**	**169,141,786**
Class A **Net Asset Value,** offering and redemption price per share ($168,996,214 ÷ 25,708,819 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**6.57**
Class B **Net Asset Value,** offering and redemption price per share ($145,572 ÷ 22,021 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**6.61**

* *Represents collateral of securities loaned.*

Statement of Operations

for the six months ended June 30, 2011 (Unaudited)

Investment Income		
Interest (net of foreign taxes withheld of $545)	$	8,066,103
Dividends		20,954
Income distributions — Central Cash Management Fund		4,059
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		8,578
Total income		8,099,694
Expenses:		
Management fee		478,886
Administration fee		95,777
Services to shareholders		2,863
Distribution service fee (Class B)		181
Custodian fee		17,814
Audit and tax fees		35,506
Legal fees		7,094
Reports to shareholders		19,574
Trustees' fees and expenses		4,316
Interest expense		2,987
Other		20,312
Total expenses		685,310
Net investment income (loss)		**7,414,384**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		1,433,918
Swap contracts		141,883
Foreign currency		(595,090)
		980,711
Change in net unrealized appreciation (depreciation) on:		
Investments		(608,534)
Swap contracts		(30,006)
Foreign currency		36,361
		(602,179)
Net gain (loss)		**378,532**
Net increase (decrease) in net assets resulting from operations	**$**	**7,792,916**

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, 2011 (Unaudited)	Year Ended December 31, 2010
Operations:		
Net investment income	$ 7,414,384	$ 14,943,059
Net realized gain (loss)	980,711	2,920,800
Change in net unrealized appreciation (depreciation)	(602,179)	6,951,753
Net increase (decrease) in net assets resulting from operations	7,792,916	24,815,612
Distributions to shareholders from:		
Net investment income:		
Class A	(16,387,608)	(15,325,538)
Class B	(11,864)	(11,524)
Total distributions	(16,399,472)	(15,337,062)
Fund share transactions:		
Class A		
Proceeds from shares sold	5,782,373	73,550,670
Reinvestment of distributions	16,387,608	15,325,538
Payments for shares redeemed	(39,447,282)	(100,347,223)
Net increase (decrease) in net assets from Class A share transactions	(17,277,301)	(11,471,015)
Class B		
Proceeds from shares sold	8,880	2,173
Reinvestment of distributions	11,864	11,524
Payments for shares redeemed	(13,027)	(27,277)
Net increase (decrease) in net assets from Class B share transactions	7,717	(13,580)
Increase (decrease) in net assets	(25,876,140)	(2,006,045)
Net assets at beginning of period	195,017,926	197,023,971
Net assets at end of period (including undistributed net investment income of $7,008,620 and $15,993,708, respectively)	**$ 169,141,786**	**$ 195,017,926**

Other Information		
Class A		
Shares outstanding at beginning of period	28,235,548	30,057,940
Shares sold	829,063	11,151,687
Shares issued to shareholders in reinvestment of distributions	2,479,215	2,379,742
Shares redeemed	(5,835,007)	(15,353,821)
Net increase (decrease) in Class A shares	(2,526,729)	(1,822,392)
Shares outstanding at end of period	**25,708,819**	**28,235,548**
Class B		
Shares outstanding at beginning of period	20,802	22,888
Shares sold	1,265	319
Shares issued to shareholders in reinvestment of distributions	1,784	1,778
Shares redeemed	(1,830)	(4,183)
Net increase (decrease) in Class B shares	1,219	(2,086)
Shares outstanding at end of period	**22,021**	**20,802**

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

Financial Highlights

Class A	Six Months Ended 6/30/11 (Unaudited)	2010	Years Ended December 31, 2009	2008	2007	2006
Selected Per Share Data						
Net asset value, beginning of period	**$ 6.90**	**$ 6.55**	**$ 5.30**	**$ 7.81**	**$ 8.38**	**$ 8.23**
Income (loss) from investment operations:						
Net investment income[a]	.27	.52	.51	.57	.63	.62
Net realized and unrealized gain (loss)	.01	.36	1.40	(2.29)	(.54)	.19
Total from investment operations	.28	.88	1.91	(1.72)	.09	.81
Less distributions from:						
Net investment income	(.61)	(.53)	(.66)	(.79)	(.66)	(.66)
Net asset value, end of period	**$ 6.57**	**$ 6.90**	**$ 6.55**	**$ 5.30**	**$ 7.81**	**$ 8.38**
Total Return (%)	4.00**	14.00	39.99	(23.94)[b]	.96	10.47
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	169	195	197	154	248	322
Ratio of expenses before expense reductions (%)	.72*	.72	.67	.80	.69	.71
Ratio of expenses after expense reductions (%)	.72*	.72	.67	.79	.69	.71
Ratio of net investment income (%)	7.74*	7.90	8.81	8.42	7.84	7.73
Portfolio turnover rate (%)	38**	93	66	38	61	93

a *Based on average shares outstanding during the period.*

b *Total return would have been lower had certain expenses not been reduced.*

* *Annualized*

** *Not annualized*

Class B	Six Months Ended 6/30/11 (Unaudited)	2010	Years Ended December 31, 2009	2008	2007	2006
Selected Per Share Data						
Net asset value, beginning of period	**$ 6.93**	**$ 6.58**	**$ 5.31**	**$ 7.81**	**$ 8.38**	**$ 8.22**
Income (loss) from investment operations:						
Net investment income[a]	.26	.50	.49	.53	.60	.59
Net realized and unrealized gain (loss)	.01	.36	1.42	(2.27)	(.54)	.20
Total from investment operations	.27	.86	1.91	(1.74)	.06	.79
Less distributions from:						
Net investment income	(.59)	(.51)	(.64)	(.76)	(.63)	(.63)
Net asset value, end of period	**$ 6.61**	**$ 6.93**	**$ 6.58**	**$ 5.31**	**$ 7.81**	**$ 8.38**
Total Return (%)	3.88**	13.64	39.64	(24.13)[b]	.54	10.11
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	.1	.1	.2	.1	10	53
Ratio of expenses before expense reductions (%)	.98*	.99	.94	1.25	1.08	1.10
Ratio of expenses after expense reductions (%)	.98*	.99	.94	1.23	1.08	1.10
Ratio of net investment income (%)	7.47*	7.63	8.54	7.98	7.45	7.34
Portfolio turnover rate (%)	38**	93	66	38	61	93

a *Based on average shares outstanding during the period.*

b *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 High Income VIP (the "Fund") is a diversified series of DWS Variable Series II (the "Trust"), which 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.

Multiple Classes of Shares of Beneficial Interest. The Fund offers two classes of shares (Class A shares and Class B shares). Sales of Class B shares are subject to 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 Fund. Class A shares are not subject to such fees.

Investment income, realized and unrealized gains and losses, and certain fund-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 recordkeeping 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 Fund'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 Fund 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 Fund'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 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.

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 categorized 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 and senior loans 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.

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.

Forward currency contracts are valued at the prevailing forward exchange rate of the underlying currencies and are categorized as Level 2.

Swap 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. Swap contracts are generally categorized as Level 2.

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 Fund'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 Fund's Investment Portfolio.

Foreign Currency Translations. The books and records of the Fund 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 acquisition and disposition of 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 Fund lends securities to certain financial institutions. The Fund 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 Fund requires the borrowers of the securities to maintain collateral with the Fund 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 Fund 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 Fund 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 Fund 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 Fund 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. Senior loans 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 Fund invests are arranged through private negotiations between the borrower and one or more financial institutions ("Lenders"). The Fund 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 Fund having a contractual relationship only with the Lender, not with the borrower. The Fund 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 Fund generally has no right to enforce compliance by the borrower with the terms of the loan agreement relating to the Loan, nor any rights of set-off against the borrower, and the Fund will not benefit directly from any collateral supporting the Loan in which it has purchased the Participation. As a result, the Fund assumes the credit risk of both the borrower and the Lender that is selling the Participation. Assignments typically result in the Fund having a direct contractual relationship with the borrower, and the Fund may enforce compliance by the borrower with the terms of the loan agreement. All senior loans involve interest rate risk, liquidity risk and credit risk, including the potential default or insolvency of the borrower.

When-Issued/Delayed Delivery Securities. The Fund may purchase or sell securities with delivery or payment to occur at a later date beyond the normal settlement period. At the time the Fund enters into a commitment to purchase or sell a security, the transaction is recorded and the value of the transaction 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. At the time the Fund enters into a purchase 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 transactions from the potential inability of counterparties to meet the terms of their contracts or if the issuer does not issue the securities due to political, economic, or other factors. Additionally, losses may arise due to changes in the value of the underlying securities.

Federal Income Taxes. The Fund'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, 2010, the Fund had a net tax basis capital loss carryforward of approximately $53,111,000, which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2011 ($13,877,000), December 31, 2014 ($3,844,000), December 31, 2015 ($858,000), December 31, 2016 ($17,300,000) and December 31, 2017 ($17,232,000), the respective expiration dates, whichever occurs first.

In addition, from November 1, 2010 through December 31, 2010, the Fund incurred $185,000 of net realized capital losses. As permitted by tax regulations, the Fund intends to elect to defer these losses and treat them as arising in the fiscal year ended December 31, 2011.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the "Act") was enacted. Under the Act, net capital losses may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses. As a result of this ordering rule, pre-enactment capital loss carryforwards may expire unused, whereas under the previous rules these losses may have been utilized. This change is effective for fiscal years beginning after the date of enactment.

The Fund has reviewed the tax positions for the open tax years as of December 31, 2010 and has determined that no provision for income tax is required in the Fund's financial statements. The Fund'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 Fund, if any, are made annually. Net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to the Fund if not distributed and, therefore, will be distributed to shareholders at least annually. The Fund 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 swap 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 Fund may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Fund.

The tax character of current year distributions will be determined at the end of the current fiscal year.

Expenses. Expenses of the Trust arising in connection with a specific fund are allocated to that fund. Other Trust expenses which cannot be directly attributed to a fund are apportioned among the funds in the Trust.

Contingencies. In the normal course of business, the Fund may enter into contracts with service providers that contain general 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 been made. However, based on experience, the Fund 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 and may include proceeds from litigation. All discounts and premiums are accreted/amortized for both tax and financial reporting purposes for the Fund, with the exception of securities in default of principal.

B. Derivative Instruments

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. For the six months ended June 30, 2011, the Fund bought or sold 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 Fund securities. As a seller in the credit default swap contract, the Fund 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 Fund. In return, the Fund 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 Fund keeps the stream of payments with no payment obligations. The Fund 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 Fund 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 Fund with the occurrence of a credit event. When the Fund 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 Fund.

The value of the credit default swap is adjusted daily and the change in value, if any, is recorded daily as unrealized appreciation or depreciation in the Statement of Assets and Liabilities. An upfront payment, if any, made by the Fund is recorded as an asset in the Statement of Assets and Liabilities. An upfront payment, if any, received by the Fund is recorded as a liability in the Statement of Assets and Liabilities. Under the terms of the credit default swap contracts, the Fund 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 in 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 in the Statement of Operations.

A summary of the open credit default swap contracts as of June 30, 2011 is included in a table following the Fund's Investment Portfolio. For the six months ended June 30, 2011, the Fund's investment in credit default swap contracts purchased had a total notional value generally indicative of a range from $0 to $280,000, and the investment in credit default swap contracts sold had a total notional value generally indicative of a range from approximately $2,765,000 to $10,765,000.

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. For the six months ended June 30, 2011, the Fund entered 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. On the settlement date of the forward currency contract, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value of the contract at the time it was closed. 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 Fund is measured by the unrealized gain on appreciated contracts. Additionally, when utilizing forward currency contracts to hedge, the Fund 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, 2011 is included in a table following the Fund's Investment Portfolio. For the six months ended June 30, 2011, the Fund's investment in forward currency contracts short vs. US dollars had a total contract value generally indicative of a range from approximately $4,465,000 to $7,198,000. The Fund's investment in forward currency contracts long vs. US dollars had a total contract value generally indicative of a range from $0 to approximately $1,139,000.

The following tables summarize the value of the Fund's derivative instruments held as of June 30, 2011 and the related location in the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

Asset Derivatives	**Forward Contracts**	**Swap Contracts**	**Total**
Credit Contracts (a)	$ —	$ 383,405	$ 383,405
Foreign Exchange Contracts (b)	5,986	—	5,986
	$ 5,986	**$ 383,405**	**$ 389,391**

Each of the above derivatives is located in the following Statement of Assets and Liabilities accounts:

(a) *Unrealized appreciation on swap contracts*

(b) *Unrealized appreciation on forward foreign currency exchange contracts*

Liability Derivatives	**Forward Contracts**	**Swap Contracts**	**Total**
Credit Contracts (a)	$ —	$ (27,155)	$ (27,155)
Foreign Exchange Contracts (b)	(29,656)	—	(29,656)
	$ (29,656)	**$ (27,155)**	**$ (56,811)**

Each of the above derivatives is located in the following Statement of Assets and Liabilities accounts:

(a) *Unrealized depreciation on swap contracts*

(b) *Unrealized depreciation on forward foreign currency exchange contracts*

Additionally, the amount of unrealized and realized gains and losses on derivative instruments recognized in Fund earnings during the six months ended June 30, 2011 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)	$ —	$ 141,883	$ 141,883
Foreign Exchange Contracts (b)	(581,356)	—	(581,356)
	$ (581,356)	**$ 141,883**	**$ (439,473)**

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)	$ —	$ (30,006)	$ (30,006)
Foreign Exchange Contracts (b)	34,761	—	34,761
	$ 34,761	**$ (30,006)**	**$ 4,755**

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)*

C. Purchases and Sales of Securities

During the six months ended June 30, 2011, purchases and sales of investment transactions (excluding short-term investments) aggregated $69,260,296 and $82,300,868, respectively.

D. 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 Fund 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 Fund.

Pursuant to the Investment Management Agreement with the Advisor, the Fund pays a monthly management fee based on the Fund's average daily net assets, computed and accrued daily and payable monthly, at the following annual rates:

$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%

Accordingly, for the six months ended June 30, 2011, the fee pursuant to the Investment Management Agreement was equivalent to an annualized effective rate of 0.50% of the Fund's average daily net assets.

Administration Fee. Pursuant to an Administrative Services Agreement, DIMA provides most administrative services to the Fund. For all services provided under the Administrative Services Agreement, the Fund pays DIMA an annual fee ("Administration Fee") of 0.10% of the Fund's average daily net assets, computed and accrued daily and payable monthly. For the six months ended June 30, 2011, the Administration Fee was $95,777, of which $14,664 is unpaid.

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 Fund. 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 Fund. For the six months ended June 30, 2011, the amounts charged to the Fund by DISC were as follows:

Services to Shareholders	Total Aggregated	Unpaid at June 30, 2011
Class A	$ 135	$ 97
Class B	13	6
	$ 148	**$ 103**

Distribution Service Agreement. Under the Fund'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, 2011, the Distribution Service Fee aggregated $181, of which $30 is unpaid.

Typesetting and Filing Service Fees. Under an agreement with DIMA, DIMA is compensated for providing typesetting and certain regulatory filing services to the Fund. For the six months ended June 30, 2011, the amount charged to the Fund by DIMA included in the Statement of Operations under "reports to shareholders" aggregated $7,110, of which $370 is unpaid.

Trustees' Fees and Expenses. The Fund 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 Vehicle. The Fund may invest uninvested cash balances in Central Cash Management Fund, which is managed by the Advisor. The Fund indirectly bears its proportionate share of the expenses of Central Cash Management Fund. 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.

E. Investing in High-Yield Securities

The Fund'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 Fund may invest in securities not paying current interest or in securities already in default, these risks may be more pronounced.

F. Ownership of the Fund

At June 30, 2011, three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Fund, each owning 32%, 31% and 30%. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Fund, owning 100%.

G. Line of Credit

The Fund and other affiliated funds (the "Participants") share in a $450 million revolving credit facility provided by a syndication of banks. The Fund may borrow for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated based on net assets, among each of the Participants. Interest is calculated at 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 Fund may borrow up to a maximum of 33 percent of its net assets under the agreement.

At June 30, 2011, the Fund had a $650,000 outstanding loan. Interest expense incurred on the borrowings was $2,987 for the six months ended June 30, 2011. The average dollar amount of the borrowings was $1,898,718, the weighted average interest rate on these borrowings was 1.45% and the Fund had a loan outstanding for thirty-nine days throughout the period. The borrowings were valued at cost, which approximates fair value.

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) 728-3337.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 3, 2010

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 2010, 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, 2008, and 2009.

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 have served 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 118 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 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

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DWS
INVESTMENTS
Deutsche Bank Group

JUNE 30, 2011

SEMIANNUAL REPORT

DWS VARIABLE SERIES II

DWS Large Cap Value VIP

DWS INVESTMENTS
Deutsche Bank Group

Contents

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, call (800) 728-3337 or your financial representative. We advise you to consider the Fund's objectives, risks, charges and expenses carefully before investing. The summary prospectus and prospectus contain this and other important information about the Fund. Please read the prospectus carefully before you invest.

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.

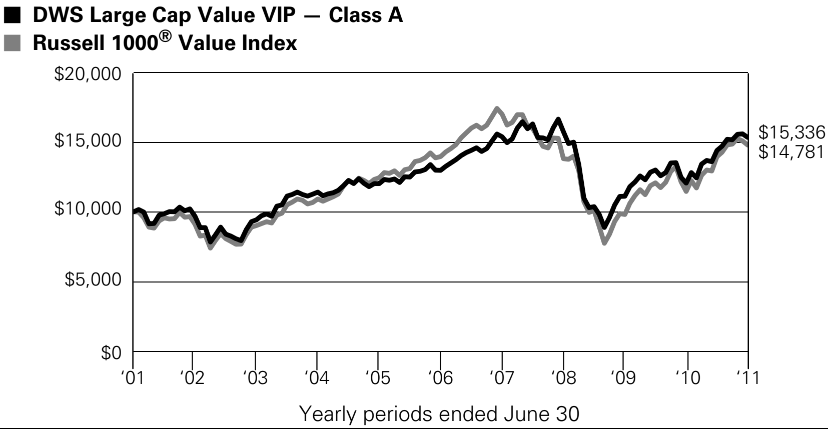
Performance Summary

June 30, 2011

Fund 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 Fund's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund 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 Fund, as stated in the fee table of the prospectus dated May 1, 2011 are 0.82% 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.

Growth of an Assumed $10,000 Investment in DWS Large Cap Value VIP



The Russell 1000® Value Index is an unmanaged index that consists of those stocks in the Russell 1000 Index with less-than-average growth orientation. Russell 1000® Index is an unmanaged price-only index of the 1,000 largest capitalized companies that are domiciled in the US and whose common stocks are traded.

Index returns do not reflect any fees or expenses and 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	$10,650	$12,720	$9,736	$11,822	$15,336
	Average annual total return	6.50%	27.20%	–0.89%	3.40%	4.37%
Russell 1000 Value Index	Growth of $10,000	$10,592	$12,894	$10,699	$10,590	$14,781
	Average annual total return	5.92%	28.94%	2.28%	1.15%	3.99%

DWS Large Cap Value VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$10,636	$12,688	$9,648	$11,620	$15,608
	Average annual total return	6.36%	26.88%	–1.19%	3.05%	5.07%
Russell 1000 Value Index	Growth of $10,000	$10,592	$12,894	$10,699	$10,590	$16,234
	Average annual total return	5.92%	28.94%	2.28%	1.15%	5.53%

The growth of $10,000 is cumulative.

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

* *The Fund commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

Information About Your Fund's Expenses

As an investor of the Fund, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Fund expenses. Examples of transaction costs include contract charges 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 Fund 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, 2011 to June 30, 2011).

The tables illustrate your Fund's expenses in two ways:

- **Actual Fund Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Fund using the Fund'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% Fund Return.** This helps you to compare your Fund's ongoing expenses (but not transaction costs) with those of other mutual funds using the Fund's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Fund return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. 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, 2011

Actual Fund Return	**Class A**	**Class B**
Beginning Account Value 1/1/11	$1,000.00	$1,000.00
Ending Account Value 6/30/11	$1,065.00	$1,063.60
Expenses Paid per $1,000*	$ 4.10	$ 5.58

Hypothetical 5% Fund Return	**Class A**	**Class B**
Beginning Account Value 1/1/11	$1,000.00	$1,000.00
Ending Account Value 6/30/11	$1,020.83	$1,019.39
Expenses Paid per $1,000*	$ 4.01	$ 5.46

* *Expenses are equal to the Fund'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	.80%	1.09%

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

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund is an investment option.

Portfolio Summary

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/11**	**12/31/10**
Common Stocks	94%	98%
Cash Equivalents	6%	2%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/11**	**12/31/10**
Energy	15%	18%
Health Care	14%	12%
Financials	13%	13%
Consumer Staples	13%	12%
Utilities	11%	10%
Consumer Discretionary	8%	7%
Telecommunication Services	7%	9%
Materials	7%	5%
Industrials	6%	6%
Information Technology	6%	8%
	100%	100%

Asset allocation and sector diversification are subject to change.

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

Following the Fund'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. The Fund's portfolio holdings are also posted on www.dws-investments.com from time to time. Please see the Fund's current prospectus for more information.

	Shares	Value ($)
Common Stocks 94.2%		
Consumer Discretionary 7.8%		
Auto Components 0.8%		
TRW Automotive Holdings Corp.*	60,706	**3,583,475**
Distributors 1.0%		
Genuine Parts Co.	87,404	**4,754,778**
Diversified Consumer Services 1.4%		
H&R Block, Inc.	418,772	**6,717,103**
Hotels Restaurants & Leisure 1.6%		
Carnival Corp. (Units)	201,697	**7,589,858**
Media 1.7%		
News Corp. "A"	439,358	**7,776,637**
Specialty Retail 1.3%		
AutoZone, Inc.*	12,934	3,813,590
Best Buy Co., Inc.	79,591	2,499,953
		6,313,543
Consumer Staples 12.0%		
Beverages 1.8%		
PepsiCo, Inc.	117,687	**8,288,695**
Food & Staples Retailing 3.9%		
CVS Caremark Corp.	224,691	8,443,888
Kroger Co.	194,356	4,820,029
Wal-Mart Stores, Inc.	90,153	4,790,730
		18,054,647
Food Products 3.0%		
General Mills, Inc.	111,180	4,138,120
Kellogg Co.	96,060	5,314,039
Mead Johnson Nutrition Co.	68,763	4,644,941
		14,097,100
Tobacco 3.3%		
Altria Group, Inc.	335,875	8,870,459
Philip Morris International, Inc.	102,032	6,812,676
		15,683,135
Energy 14.3%		
Energy Equipment & Services 2.5%		
Noble Corp.	170,405	6,715,661
Transocean Ltd.	74,573	4,814,433
		11,530,094
Oil, Gas & Consumable Fuels 11.8%		
Canadian Natural Resources Ltd.	152,938	6,401,985
Chevron Corp.	88,802	9,132,398
ConocoPhillips	83,415	6,271,974
Marathon Oil Corp.	213,883	11,267,356
Nexen, Inc.	223,844	5,036,490
Occidental Petroleum Corp.	85,791	8,925,695
Suncor Energy, Inc.	215,019	8,407,243
		55,443,141
Financials 12.2%		
Diversified Financial Services 1.4%		
JPMorgan Chase & Co.	160,129	**6,555,681**
Insurance 10.7%		
Assurant, Inc.	165,254	5,993,763
Fidelity National Financial, Inc. "A"	329,427	5,185,181
HCC Insurance Holdings, Inc.	163,173	5,139,949
Lincoln National Corp.	298,871	8,514,835
MetLife, Inc.	113,575	4,982,535
PartnerRe Ltd.	112,743	7,762,356
Prudential Financial, Inc.	128,129	8,147,723
Transatlantic Holdings, Inc.	91,161	4,467,801
		50,194,143
Thrifts & Mortgage Finance 0.1%		
Washington Mutual, Inc.*	1,394,944	**180,645**
Health Care 13.4%		
Biotechnology 1.8%		
Gilead Sciences, Inc.*	201,149	**8,329,580**
Health Care Equipment & Supplies 3.4%		
Baxter International, Inc.	160,977	9,608,717
Becton, Dickinson & Co.	72,578	6,254,046
		15,862,763
Health Care Providers & Services 4.7%		
Aetna, Inc.	83,536	3,683,102
Humana, Inc.	60,114	4,841,582
McKesson Corp.	104,862	8,771,706
WellPoint, Inc.	60,471	4,763,301
		22,059,691
Pharmaceuticals 3.5%		
Merck & Co., Inc.	235,416	8,307,831
Teva Pharmaceutical Industries Ltd. (ADR)	166,389	8,023,277
		16,331,108
Industrials 5.7%		
Aerospace & Defense 4.1%		
Northrop Grumman Corp.	94,141	6,528,678
Raytheon Co.	126,669	6,314,450
United Technologies Corp.	70,356	6,227,209
		19,070,337
Machinery 1.6%		
Dover Corp.	109,936	**7,453,661**
Information Technology 5.6%		
Communications Equipment 1.7%		
Brocade Communications Systems, Inc.*	564,336	3,645,611
Cisco Systems, Inc.	286,487	4,472,062
		8,117,673
Computers & Peripherals 0.8%		
Hewlett-Packard Co.	100,084	**3,643,058**
Semiconductors & Semiconductor Equipment 1.4%		
Intel Corp.	300,491	**6,658,880**
Software 1.7%		
Microsoft Corp.	307,643	**7,998,718**
Materials 6.1%		
Chemicals 3.6%		
Air Products & Chemicals, Inc.	98,147	9,380,891
Praxair, Inc.	67,262	7,290,528
		16,671,419
Containers & Packaging 1.7%		
Sonoco Products Co.	225,373	**8,009,756**
Metals & Mining 0.8%		
Freeport-McMoRan Copper & Gold, Inc.	72,320	**3,825,728**

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

	Shares	Value ($)
Telecommunication Services 6.3%		
Diversified Telecommunication Services 4.8%		
AT&T, Inc.	355,776	11,174,924
CenturyLink, Inc.	280,135	11,325,858
		22,500,782
Wireless Telecommunication Services 1.5%		
Vodafone Group PLC (ADR)	252,849	**6,756,126**
Utilities 10.8%		
Electric Utilities 9.0%		
American Electric Power Co., Inc.	165,290	6,228,127
Duke Energy Corp.	289,099	5,443,734
Entergy Corp.	96,989	6,622,409
Exelon Corp.	191,280	8,194,435
FirstEnergy Corp.	224,956	9,931,808
Southern Co.	143,460	5,792,915
		42,213,428
Multi-Utilities 1.8%		
PG&E Corp.	194,622	**8,179,962**
Total Common Stocks (Cost $382,582,979)		**440,445,345**

Cash Equivalents 5.8%

	Shares	Value ($)
Central Cash Management Fund, 0.11% (a) (Cost $26,971,272)	26,971,272	**26,971,272**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $409,554,251)†	100.0	**467,416,617**
Other Assets and Liabilities, Net	0.0	**170,628**
Net Assets	100.0	**467,587,245**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $411,650,680. At June 30, 2011, net unrealized appreciation for all securities based on tax cost was $55,765,937. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $73,040,564 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $17,274,627.*

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

ADR: American Depositary Receipt

Fair Value Measurements

Various inputs are used in determining the value of the Fund'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 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, 2011 in valuing the Fund's investments. For information on the Fund'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 (b)	$ 440,445,345	$ —	$ —	$ 440,445,345
Short-Term Investments (b)	26,971,272	—	—	26,971,272
Total	**$ 467,416,617**	**$ —**	**$ —**	**$ 467,416,617**

There have been no transfers between Level 1 and Level 2 fair value measurements during the period ended June 30, 2011.

(b) *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, 2011 (Unaudited)

Assets		
Investments:		
Investments in non-affiliated securities, at value (cost $382,582,979)	$	440,445,345
Investment in Central Cash Management Fund (cost $26,971,272)		26,971,272
Total investments in securities, at value (cost $409,554,251)		467,416,617
Cash		24,014
Foreign currency, at value (cost $31,425)		36,375
Receivable for Fund shares sold		20,224
Dividends receivable		1,007,666
Interest receivable		4,562
Foreign taxes recoverable		2,107
Other assets		6,313
Total assets		468,517,878
Liabilities		
Payable for Fund shares redeemed		536,948
Accrued management fee		251,766
Other accrued expenses and payables		141,919
Total liabilities		930,633
Net assets, at value	**$**	**467,587,245**
Net Assets Consist of		
Undistributed net investment income		3,041,277
Net unrealized appreciation (depreciation) on:		
Investments		57,862,366
Foreign currency		5,733
Accumulated net realized gain (loss)		(35,300,023)
Paid-in capital		441,977,892
Net assets, at value	**$**	**467,587,245**
Class A		
Net Asset Value, offering and redemption price per share ($464,586,946 ÷ 37,707,504 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**12.32**
Class B		
Net Asset Value, offering and redemption price per share ($3,000,299 ÷ 242,922 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**12.35**

Statement of Operations

for the six months ended June 30, 2011 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $17,969)	$	4,265,621
Income distributions — Central Cash Management Fund		9,709
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		7,583
Total income		4,282,913
Expenses:		
Management fee		955,384
Administration fee		147,458
Services to shareholders		5,428
Distribution service fee (Class B)		2,382
Record keeping fees (Class B)		353
Custodian fee		6,609
Professional fees		33,988
Reports to shareholders		19,995
Trustees' fees and expenses		5,543
Other		5,245
Total expenses		1,182,385
Net investment income		**3,100,528**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		7,878,919
Foreign currency		4,009
		7,882,928
Change in net unrealized appreciation (depreciation) on:		
Investments		(1,589,902)
Foreign currency		(519)
		(1,590,421)
Net gain (loss)		**6,292,507**
Net increase (decrease) in net assets resulting from operations	**$**	**9,393,035**

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, 2011 (Unaudited)	Year Ended December 31, 2010
Operations:		
Net investment income (loss)	$ 3,100,528	$ 4,298,825
Net realized gain (loss)	7,882,928	8,028,746
Change in net unrealized appreciation (depreciation)	(1,590,421)	7,889,692
Net increase (decrease) in net assets resulting from operations	9,393,035	20,217,263
Distributions to shareholders from:		
Net investment income:		
Class A	(4,120,416)	(4,108,146)
Class B	(23,046)	(14,019)
Total distributions	$ (4,143,462)	$ (4,122,165)
Fund share transactions:		
Class A		
Proceeds from shares sold	7,690,497	8,671,405
Net assets acquired in tax-free reorganization	273,358,779	—
Reinvestment of distributions	4,120,416	4,108,146
Payments for shares redeemed	(31,314,531)	(36,788,065)
Net increase (decrease) in net assets from Class A share transactions	253,855,161	(24,008,514)
Class B		
Proceeds from shares sold	327,344	506,629
Net assets acquired in tax-free reorganization	1,731,132	—
Reinvestment of distributions	23,046	14,019
Payments for shares redeemed	(357,751)	(88,091)
Net increase (decrease) in net assets from Class B share transactions	1,723,771	432,557
Increase (decrease) in net assets	260,828,505	(7,480,859)
Net assets at beginning of period	206,758,740	214,239,599
Net assets at end of period (including undistributed net investment income of $3,041,277 and $4,084,211, respectively)	**$ 467,587,245**	**$ 206,758,740**

Other Information		
Class A		
Shares outstanding at beginning of period	17,416,427	19,667,770
Shares sold	627,562	778,508
Shares issued in tax-free reorganization	21,886,687	—
Shares issued to shareholders in reinvestment of distributions	332,560	366,145
Shares redeemed	(2,555,732)	(3,395,996)
Net increase (decrease) in Class A shares	20,291,077	(2,251,343)
Shares outstanding at end of period	**37,707,504**	**17,416,427**
Class B		
Shares outstanding at beginning of period	105,172	66,594
Shares sold	26,654	45,434
Shares issued in tax-free reorganization	138,157	—
Shares issued to shareholders in reinvestment of distributions	1,855	1,246
Shares redeemed	(28,916)	(8,102)
Net increase (decrease) in Class B shares	137,750	38,578
Shares outstanding at end of period	**242,922**	**105,172**

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

Financial Highlights

Class A	Six Months Ended 6/30/11 (Unaudited)	2010	Years Ended December 31, 2009	2008	2007	2006
Selected Per Share Data						
Net asset value, beginning of period	**$11.80**	**$10.86**	**$ 8.92**	**$19.21**	**$17.96**	**$15.81**
Income (loss) from investment operations:						
Net investment income (loss)[a]	.13	.23	.21	.21	.26	.29[c]
Net realized and unrealized gain (loss)	.64	.93	1.97	(5.68)	1.98	2.12
Total from investment operations	.77	1.16	2.18	(5.47)	2.24	2.41
Less distributions from:						
Net investment income	(.25)	(.22)	(.24)	(.34)	(.32)	(.26)
Net realized gains	—	—	—	(4.48)	(.67)	—
Total distributions	(.25)	(.22)	(.24)	(4.82)	(.99)	(.26)
Net asset value, end of period	**$12.32**	**$11.80**	**$10.86**	**$ 8.92**	**$19.21**	**$17.96**
Total Return (%)	6.50**	10.77	25.37	(36.40)[b]	13.15[b,d]	15.41[c]
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	465	206	214	118	229	275
Ratio of expenses before expense reductions (%)	.80*	.82	.76	.87	.83	.83
Ratio of expenses after expense reductions (%)	.80*	.82	.76	.86	.82	.83
Ratio of net investment income (loss) (%)	2.10*	2.13	2.22	1.59	1.43	1.73[c]
Portfolio turnover rate (%)	14**	32	76	97	103	76

a *Based on average shares outstanding during the period.*
b *Total return would have been lower had certain expenses not been reduced.*
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 $0.008 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.*
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 0.04% lower.*
* *Annualized* ** *Not annualized*

Class B	Six Months Ended 6/30/11 (Unaudited)	2010	Years Ended December 31, 2009	2008	2007	2006
Selected Per Share Data						
Net asset value, beginning of period	**$11.81**	**$10.86**	**$ 8.92**	**$19.20**	**$17.94**	**$15.79**
Income (loss) from investment operations:						
Net investment income (loss)[a]	.11	.20	.19	.12	.19	.23[c]
Net realized and unrealized gain (loss)	.64	.93	1.96	(5.64)	1.99	2.11
Total from investment operations	.75	1.13	2.15	(5.52)	2.18	2.34
Less distributions from:						
Net investment income	(.21)	(.18)	(.21)	(.28)	(.25)	(.19)
Net realized gains	—	—	—	(4.48)	(.67)	—
Total distributions	(.21)	(.18)	(.21)	(4.76)	(.92)	(.19)
Net asset value, end of period	**$12.35**	**$11.81**	**$10.86**	**$ 8.92**	**$19.20**	**$17.94**
Total Return (%)	6.36**	10.53	24.86	(36.64)[b]	12.77[b,d]	14.96[c]
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	3	1	1	.29	8	40
Ratio of expenses before expense reductions (%)	1.09*	1.11	1.06	1.28	1.21	1.21
Ratio of expenses after expense reductions (%)	1.09*	1.11	1.06	1.26	1.20	1.21
Ratio of net investment income (loss) (%)	1.81*	1.84	1.92	1.20	1.06	1.35[c]
Portfolio turnover rate (%)	14**	32	76	97	103	76

a *Based on average shares outstanding during the period.*
b *Total return would have been lower had certain expenses not been reduced.*
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 $0.008 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.*
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 0.04% lower.*
* *Annualized* ** *Not annualized*

Notes to Financial Statements (Unaudited)

A. Organization and Significant Accounting Policies

DWS Large Cap Value VIP (the "Fund") is a diversified series of DWS Variable Series II (the "Trust"), which 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.

Multiple Classes of Shares of Beneficial Interest. The Fund offers two classes of shares (Class A shares and Class B shares). Sales of Class B shares are subject to recordkeeping 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 Fund. Class A shares are not subject to such fees.

Investment income, realized and unrealized gains and losses, and certain fund-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 recordkeeping 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 Fund'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 Fund 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 Fund'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 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.

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 categorized 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 Fund'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 Fund's Investment Portfolio.

Foreign Currency Translations. The books and records of the Fund 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 acquisition and disposition of 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.

Federal Income Taxes. The Fund'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, 2010, the Fund had a net tax basis capital loss carryforward of approximately $41,087,000, including $19,469,000 inherited from its merger with an affiliated fund in fiscal year 2009, which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2016 ($29,003,000) and December 31, 2017 ($12,084,000), the respective expiration dates, whichever occurs first, and which may be subject to certain limitations under Sections 381–384 of the Internal Revenue Code.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the "Act") was enacted. Under the Act, net capital losses may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses. As a result of this ordering rule, pre-enactment capital loss carryforwards may expire unused, whereas under the previous rules these losses may have been utilized. This change is effective for fiscal years beginning after the date of enactment.

The Fund has reviewed the tax positions for the open tax years as of December 31, 2010 and has determined that no provision for income tax is required in the Fund's financial statements. The Fund'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 Fund, 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 Fund if not distributed and, therefore, will be distributed to shareholders at least annually. The Fund 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 Fund may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Fund.

The tax character of current year distributions will be determined at the end of the current fiscal year.

Expenses. Expenses of the Trust arising in connection with a specific fund are allocated to that fund. Other Trust expenses which cannot be directly attributed to a fund are apportioned among the funds in the Trust.

Contingencies. In the normal course of business, the Fund may enter into contracts with service providers that contain general 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 been made. However, based on experience, the Fund 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 and may include proceeds from litigation.

B. Purchases and Sales of Securities

During the six months ended June 30, 2011, purchases and sales of investment transactions (excluding short-term investments) aggregated $43,777,742 and $75,079,022, respectively.

C. Related Parties

Management Agreement. Under the Investment Management Agreement with Deutsche Investment Management Americas Inc. ("DIMA" or the "Advisor"), an indirect, wholly owned subsidiary of Deutsche Bank AG, the Advisor directs the investments of the Fund 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 Fund or delegates such responsibility to the Fund's subadvisor.

Deutsche Asset Management International GmbH ("DeAMi"), an affiliate of the Advisor, serves as subadvisor. As a subadvisor to the Fund, DeAMi makes investment decisions and buys and sells securities for the Fund. DeAMi is paid by the Advisor for the services DeAMi provides to the Fund.

Pursuant to the Investment Management Agreement with the Advisor, the Fund pays a monthly management fee based on the Fund's average daily net assets, computed and accrued daily and payable monthly, at the following annual rates:

$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%

For the six months ended June 30, 2011, the fee pursuant to the Investment Management Agreement was equivalent to an annualized effective rate of 0.65% of the Fund's average daily net assets.

Administration Fee. Pursuant to an Administrative Services Agreement, DIMA provides most administrative services to the Fund. For all services provided under the Administrative Services Agreement, the Fund pays DIMA an annual fee ("Administration Fee") of 0.10% of the Fund's average daily net assets, computed and accrued daily and payable monthly. For the six months ended June 30, 2011, the Administration Fee was $147,458, of which $39,452 is unpaid.

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 Fund. 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 Fund. For the six months ended June 30, 2011, the amounts charged to the Fund by DISC were as follows:

Services to Shareholders	Total Aggregated	Unpaid at June 30, 2011
Class A	$ 190	$ 190
Class B	48	48
	$ 238	**$ 238**

Distribution Service Agreement. Under the Fund'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, 2011, the Distribution Service Fee aggregated $2,382, of which $665 is unpaid.

Typesetting and Filing Service Fees. Under an agreement with DIMA, DIMA is compensated for providing typesetting and certain regulatory filing services to the Fund. For the six months ended June 30, 2011, the amount charged to the Fund by DIMA included in the Statement of Operations under "reports to shareholders" aggregated $5,936, of which $540 is unpaid.

Trustees' Fees and Expenses. The Fund 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 Vehicle. The Fund may invest uninvested cash balances in Central Cash Management Fund, which is managed by the Advisor. The Fund indirectly bears its proportionate share of the expenses of Central Cash Management Fund. 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 Fund

At June 30, 2011, two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Fund, each owning 54% and 29%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Fund, each owning 52% and 16%.

E. Line of Credit

The Fund and other affiliated funds (the "Participants") share in a $450 million revolving credit facility provided by a syndication of banks. The Fund may borrow for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated based on net assets, among each of the Participants. Interest is calculated at 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 Fund may borrow up to a maximum of 33 percent of its net assets under the agreement. The Fund had no outstanding loans at June 30, 2011.

F. Acquisition of Assets

On April 29, 2011, the Fund acquired all of the net assets of DWS Strategic Value VIP pursuant to a plan of reorganization approved by shareholders on January 12, 2011. The acquisition was accomplished by a tax-free exchange of 31,515,416 Class A shares and 198,385 Class B shares of DWS Strategic Value VIP for 21,886,687 Class A shares and 138,157 Class B shares of the Fund, respectively, outstanding on April 29, 2011. DWS Strategic Value VIP's net assets at that date, $275,089,911, including $20,489,725 of net unrealized appreciation, were combined with those of the Fund. The aggregate net assets of the Fund immediately before the acquisition were $212,494,328. The combined net assets of the Fund immediately following the acquisition were $487,584,239.

The financial statements reflect the operations of the Fund for the period prior to the acquisition and the combined portfolio for the period subsequent to the portfolio merger. Assuming the acquisition had been completed on January 1, 2011, the Fund's pro forma results of operations for the six months ended June 30, 2011, are as follows:

	Total Aggregated
Net investment income*	$ 3,898,552
Net gain (loss) on investments	$ 27,675,421
Net increase (decrease) in net assets resulting from operations	$ 31,573,973

* *Net investment income includes $36,372 of pro forma eliminated expenses.*

Because the combined investment portfolio has been managed as a single integrated Fund since the acquisition was completed, it is not practicable to separate the amounts of revenue and earnings of DWS Strategic Value VIP that have been included in the Fund's Statement of Operations since April 29, 2011.

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) 728-3337.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 3, 2010

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 2010, 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, 2008, and 2009.

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 have served 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 118 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 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 Distributors, Inc.
222 South Riverside Plaza
Chicago, IL 60606
(800) 621-1148

VS2LCV-3 (R-023298-1 8/11)

JUNE 30, 2011

SEMIANNUAL REPORT

DWS VARIABLE SERIES II

DWS Money Market VIP

DWS INVESTMENTS
Deutsche Bank Group

Contents

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, call (800) 728-3337 or your financial representative. We advise you to consider the Fund's objectives, risks, charges and expenses carefully before investing. The summary prospectus and prospectus contain this and other important information about the Fund. Please read the prospectus carefully before you invest.

An investment in this Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or by any other government agency. Although the Fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the Fund. The share price of money market funds 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 Fund's $1.00 share price. The credit quality of the Fund's holdings can change rapidly in certain markets, and the default of a single holding could have an adverse impact on the Fund's share price. The Fund'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 Fund may have a significant adverse effect on the share price of the Fund. See the prospectus for specific details regarding the Fund's 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

Information About Your Fund's Expenses

As an investor of the Fund, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees and other Fund expenses. Examples of transaction costs include contract charges 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 Fund 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 Fund 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, 2011 to June 30, 2011).

The tables illustrate your Fund's expenses in two ways:

- **Actual Fund Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Fund using the Fund'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% Fund Return.** This helps you to compare your Fund's ongoing expenses (but not transaction costs) with those of other mutual funds using the Fund's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Fund return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. 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, 2011

Actual Fund Return	Class A
Beginning Account Value 1/1/11	$1,000.00
Ending Account Value 6/30/11	$1,000.05
Expenses Paid per $1,000*	$ 1.39

Hypothetical 5% Fund Return	Class A
Beginning Account Value 1/1/11	$1,000.00
Ending Account Value 6/30/11	$1,023.41
Expenses Paid per $1,000*	$ 1.40

* *Expenses are equal to the Fund'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	.28%

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

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund is an investment option.

Portfolio Summary

Asset Allocation (As a % of Investment Portfolio)	**6/30/11**	**12/31/10**
Repurchase Agreements	27%	20%
Commercial Paper	27%	31%
Short-Term Notes	22%	21%
Government & Agency Obligations	13%	14%
Certificates of Deposit and Bank Notes	11%	14%
	100%	100%

Weighted Average Maturity*		
DWS Variable Series II — DWS Money Market VIP	42 days	51 days
First Tier Retail Money Fund Average	39 days	39 days

* *The Fund is compared to its respective iMoneyNet Category: First Tier Retail Money Fund Average — Category includes a widely recognized composite of money market funds that invest in only first tier (highest rating) securities. Portfolio Holdings of First Tier funds include US Treasury, US Other, Repos, Time Deposits, Domestic Bank Obligations, Foreign Bank Obligations, First Tier Commercial Paper, Floating Rate Notes and Asset Backed Commercial Paper.*

Weighted average maturity, also known as effective maturity, is the weighted average of the bonds held by the Fund taking into consideration any available maturity shortening features.

Asset allocation and weighted average maturity are subject to change.

For more complete details about the Fund's investment portfolio, see page 5.

Following the Fund's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. In addition, each month, information about the Fund and its portfolio holdings is filed with the SEC on Form N-MFP. The SEC delays the public availability of the information filed on Form N-MFP for 60 days after the end of the reporting period included in the filing. These forms will be available on the SEC's Web site at www.sec.gov, and they may also 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. The Fund's portfolio holdings are also posted on www.dws-investments.com from time to time. Please see the Fund's current prospectus for more information.

	Principal Amount ($)	Value ($)
Certificates of Deposit and Bank Notes 11.4%		
Banco Del Estado De Chile, 0.32%, 8/17/2011	1,250,000	1,250,000
Bank Nederlandse Gemeenten NV, 6.0%, 3/26/2012	500,000	520,588
Bank of Montreal, 0.14%, 7/6/2011	1,800,000	1,800,001
BNP Paribas, 0.35%, 8/8/2011	1,500,000	1,500,000
Credit Agricole SA, 0.3%, 8/4/2011	1,000,000	1,000,000
Dexia Credit Local, 144A, 2.375%, 9/23/2011	665,000	667,689
International Finance Corp., 3.0%, 11/15/2011	500,000	504,852
Intesa Sanpaolo SpA, 0.25%, 7/5/2011	1,000,000	1,000,000
Mitsubishi UFJ Trust & Banking Corp., 0.32%, 8/19/2011	1,200,000	1,200,000
Mizuho Corporate Bank Ltd., 0.19%, 7/8/2011	2,000,000	2,000,000
Nederlandse Waterschapsbank NV, 1.375%, 2/17/2012	800,000	804,997
Nordea Bank Finland PLC, 0.28%, 7/5/2011	1,250,000	1,250,001
Skandinaviska Enskilda Banken AB:		
0.2%, 8/17/2011	1,000,000	1,000,000
0.21%, 7/8/2011	1,000,000	1,000,000
0.24%, 7/1/2011	2,300,000	2,300,000
Societe Generale:		
0.2%, 7/5/2011	1,000,000	1,000,000
0.24%, 9/1/2011	2,000,000	2,000,000
Sumitomo Mitsui Banking Corp.:		
0.19%, 7/6/2011	1,000,000	1,000,000
0.19%, 7/8/2011	1,800,000	1,800,000
Svenska Handelsbanken AB, 0.24%, 7/6/2011	1,500,000	1,500,000
Total Certificates of Deposit and Bank Notes (Cost $25,098,128)		**25,098,128**
Commercial Paper 26.8%		
Issued at Discount**		
Abbey National North America LLC, 0.35%, 8/29/2011	348,000	347,800
Argento Variable Funding, 144A, 0.26%, 8/1/2011	1,000,000	999,776
Bank of Montreal, 0.2%, 7/5/2011	5,000,000	4,999,889
Barclays Bank PLC, 0.22%, 9/1/2011	1,000,000	999,621
BPCE SA, 0.27%, 7/26/2011	1,000,000	999,813
Caisse d'Amortissement de la Dette Sociale, 0.22%, 8/5/2011	2,000,000	1,999,572
DnB NOR Bank ASA, 0.21%, 10/3/2011	1,000,000	999,452
Erste Abwicklungsanstalt:		
0.24%, 9/29/2011	2,500,000	2,498,500
0.37%, 1/9/2012	1,000,000	998,027
0.39%, 2/16/2012	1,200,000	1,197,010
0.4%, 3/9/2012	600,000	598,320
0.4%, 3/29/2012	800,000	797,582
Google, Inc., 0.4%, 9/16/2011	800,000	799,316
Grampian Funding LLC:		
144A, 0.22%, 9/8/2011	1,000,000	999,578
144A, 0.25%, 8/9/2011	1,000,000	999,729
144A, 0.26%, 7/19/2011	1,000,000	999,870
144A, 0.28%, 7/7/2011	500,000	499,977
144A, 0.28%, 7/8/2011	1,000,000	999,946
Johnson & Johnson, 144A, 0.19%, 8/22/2011	1,500,000	1,499,588
Kells Funding LLC:		
144A, 0.35%, 2/17/2012	800,000	798,203
144A, 0.37%, 3/19/2012	700,000	698,115
144A, 0.38%, 4/17/2012	700,000	697,850
144A, 0.39%, 7/5/2011	850,000	849,963
144A, 0.39%, 9/6/2011	1,750,000	1,748,730
144A, 0.4%, 7/1/2011	650,000	650,000
NRW.Bank:		
0.22%, 7/14/2011	1,000,000	999,921
0.24%, 11/1/2011	1,500,000	1,498,770
SBAB Bank AB:		
144A, 0.29%, 9/8/2011	1,000,000	999,444
144A, 0.39%, 7/5/2011	1,500,000	1,499,935
Scaldis Capital LLC, 0.21%, 8/1/2011	1,500,000	1,499,729
Straight-A Funding LLC:		
144A, 0.15%, 7/25/2011	2,000,000	1,999,800
144A, 0.17%, 8/9/2011	1,158,000	1,157,787
Swedbank AB:		
0.215%, 8/24/2011	1,500,000	1,499,516
0.27%, 7/11/2011	600,000	599,955
0.27%, 7/26/2011	800,000	799,850
0.34%, 7/5/2011	1,000,000	999,962
Tasman Funding, Inc., 144A, 0.23%, 9/6/2011	1,000,000	999,572
Total Capital Canada Ltd., 144A, 0.31%, 9/15/2011	800,000	799,476
Victory Receivables Corp.:		
144A, 0.18%, 7/5/2011	2,500,000	2,499,950
144A, 0.19%, 7/7/2011	1,500,000	1,499,953
144A, 0.2%, 7/26/2011	2,200,000	2,199,694
Wal-Mart Stores Inc., 0.08%, 7/29/2011	7,500,000	7,499,533
Total Commercial Paper (Cost $58,729,074)		**58,729,074**
Short-Term Notes* 21.7%		
Abbey National Treasury Services PLC, 0.38%, 9/2/2011	1,500,000	1,500,000
Australia & New Zealand Banking Group Ltd., 144A, 0.31%, 1/20/2012	1,200,000	1,200,000
Bank of Nova Scotia:		
0.2%, 8/25/2011	1,400,000	1,400,000
0.25%, 9/12/2011	800,000	800,000
0.3%, 7/10/2012	1,000,000	1,000,000
0.33%, 12/8/2011	800,000	800,000
Barclays Bank PLC, 0.505%, 7/19/2011	2,000,000	2,000,000
Caisse d'Amortissement de la Dette Sociale, 144A, 0.273%, 5/25/2012	2,000,000	1,999,801
Canadian Imperial Bank of Commerce, 0.265%, 4/26/2012	1,200,000	1,200,000
Commonwealth Bank of Australia:		
144A, 0.279%, 5/11/2012	2,000,000	2,000,000
144A, 0.288%, 2/3/2012	1,000,000	1,000,000
JPMorgan Chase Bank NA, 0.275%, 7/9/2012	2,000,000	2,000,000

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

	Principal Amount ($)	Value ($)
Kells Funding LLC:		
144A, 0.287%, 8/15/2011	1,200,000	1,200,000
144A, 0.291%, 2/27/2012	1,000,000	1,000,000
144A, 0.315%, 2/24/2012	1,750,000	1,750,000
144A, 0.331%, 12/1/2011	1,000,000	1,000,000
Landesbank Baden-Wuerttemberg, 144A, 0.465%, 6/22/2012	7,250,000	7,250,000
Lloyds TSB Bank PLC, 0.265%, 5/11/2012	2,000,000	2,000,000
Nordea Bank Finland PLC:		
0.574%, 10/20/2011	2,000,000	2,001,782
0.58%, 10/14/2011	2,000,000	2,001,680
Rabobank Nederland NV:		
0.269%, 1/10/2012	750,000	750,000
144A, 0.396%, 9/28/2011	1,000,000	1,000,365
Royal Bank of Canada, 0.29%, 8/12/2011	1,200,000	1,200,000
Societe Generale, 0.19%, 8/1/2011	2,000,000	2,000,000
Svenska Handelsbanken AB, 144A, 0.291%, 6/29/2012	750,000	750,000
Toronto-Dominion Bank, 0.209%, 5/11/2012	1,000,000	1,000,000
Westpac Banking Corp.:		
0.25%, 10/12/2011	1,000,000	1,000,000
0.278%, 7/11/2012	750,000	750,000
0.279%, 5/9/2012	1,500,000	1,500,000
144A, 0.323%, 10/28/2011	1,000,000	1,000,075
0.34%, 1/10/2012	1,500,000	1,500,000
Total Short-Term Notes (Cost $47,553,703)		**47,553,703**

Government & Agency Obligations 12.9%

Foreign Government Obligations 0.5%

	Principal Amount ($)	Value ($)
Kingdom of Denmark, 2.75%, 11/15/2011	1,000,000	**1,008,642**

Other Government Related 1.0%

	Principal Amount ($)	Value ($)
European Investment Bank, 2.625%, 11/15/2011 (a)	2,100,000	**2,117,706**

US Government Sponsored Agencies 6.5%

	Principal Amount ($)	Value ($)
Federal Farm Credit Bank:		
0.17%*, 11/2/2011	750,000	749,987
0.318%**, 12/16/2011	800,000	798,805
Federal Home Loan Bank:		
0.089%**, 9/21/2011	1,000,000	999,795
0.13%, 1/23/2012	2,000,000	1,999,628
0.24%, 10/28/2011	1,800,000	1,799,625
0.25%, 10/28/2011	750,000	749,980
0.267%**, 9/12/2011	2,500,000	2,498,631
Federal National Mortgage Association:		
0.086%*, 7/27/2011	1,200,000	1,199,944
0.149%**, 1/17/2012	2,500,000	2,497,917
0.159%**, 11/21/2011	1,000,000	999,365
		14,293,677

US Treasury Obligations 4.9%

	Principal Amount ($)	Value ($)
US Treasury Bill, 0.217%**, 10/20/2011	1,000,000	999,329
US Treasury Notes:		
0.875%, 1/31/2012	1,250,000	1,254,884
1.0%, 9/30/2011	2,000,000	2,003,611
1.0%, 10/31/2011	1,000,000	1,002,514
1.125%, 12/15/2011	1,200,000	1,204,494
4.625%, 8/31/2011	2,800,000	2,820,427
4.625%, 10/31/2011	1,500,000	1,521,729
		10,806,988
Total Government & Agency Obligations (Cost $28,227,013)		**28,227,013**

Repurchase Agreements 27.8%

	Principal Amount ($)	Value ($)
JPMorgan Securities, Inc., 0.0001%, dated 6/30/2011, to be repurchased at $39,000,000 on 7/1/2011 (b)	39,000,000	39,000,000
Merrill Lynch & Co., Inc., 0.05%, dated 6/30/2011, to be repurchased at $21,823,789 on 7/1/2011 (c)	21,823,759	21,823,759
Total Repurchase Agreements (Cost $60,823,759)		**60,823,759**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $220,431,677)†	100.6	**220,431,677**
Other Assets and Liabilities, Net	(0.6)	**(1,375,565)**
Net Assets	100.0	**219,056,112**

* *These securities are shown at their current rate as of June 30, 2011. 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 $220,431,677.*

(a) *Government-backed debt issued by financial companies or government sponsored enterprises.*

(b) *Collateralized by $39,825,000 US Treasury Note, 1.375% maturing on 11/30/2015 with a value of $39,825,864.*

(c) *Collateralized by:*

Principal Amount ($)	Security	Rate %	Maturity Date	Collateral Value ($)
18,400,000	Federal National Morgage Association	Zero Coupon	5/1/2012	18,371,848
3,890,000	Federal Home Loan Bank	0.136	11/26/2012	3,888,250
Total Collateral Value				**22,260,098**

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 Fund'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 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. Securities held by the Fund 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, 2011 in valuing the Fund's investments. For information on the Fund'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)	$ —	$ 159,607,918	$ —	$ 159,607,918
Repurchase Agreements	—	60,823,759	—	60,823,759
Total	**$ —**	**$ 220,431,677**	**$ —**	**$ 220,431,677**

There have been no transfers between Level 1 and Level 2 fair value measurements during the period ended June 30, 2011.

(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, 2011 (Unaudited)

Assets		
Investments:		
Investment in non-affiliated securities, valued at amortized cost	$	159,607,918
Repurchase agreements, valued at amortized cost		60,823,759
Total investments, valued at amortized cost		220,431,677
Cash		8
Receivable for Fund shares sold		382,406
Interest receivable		133,833
Due from Advisor		12,700
Other assets		1,216
Total assets		220,961,840

Liabilities		
Payable for investments purchased		1,498,770
Payable for Fund shares redeemed		347,601
Distributions payable		878
Other accrued expenses and payables		58,479
Total liabilities		1,905,728
Net assets, at value	**$**	**219,056,112**

Net Assets Consist of		
Distributions in excess of net investment income		(1,007)
Accumulated net realized gain (loss)		1,198
Paid-in capital		219,055,921
Net assets, at value	**$**	**219,056,112**
Class A		
Net Asset Value, offering and redemption price per share ($219,056,112 ÷ 219,139,637 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**1.00**

Statement of Operations

for the six months ended June 30, 2011 (Unaudited)

Investment Income		
Income:		
Interest	$	297,371
Expenses:		
Management fee		293,960
Administration fee		103,147
Services to shareholders		824
Custodian fee		11,922
Professional fees		28,329
Reports to shareholders		72,148
Trustees' fee and expenses		4,889
Other		6,488
Total expenses		521,707
Expense reductions		(234,654)
Total expenses after expense reductions		287,053
Net investment income		**10,318**
Net realized gain (loss)		**1,198**
Net increase (decrease) in net assets resulting from operations	**$**	**11,516**

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, 2011 (Unaudited)	Year Ended December 31, 2010
Operations:		
Net investment income	$ 10,318	$ 24,815
Net realized gain (loss)	1,198	1,201
Net increase (decrease) in net assets resulting from operations	11,516	26,016
Distributions to shareholders from:		
Net investment income		
Class A	(10,318)	(24,815)
Total distributions	$ (10,318)	$ (24,815)
Fund share transactions:		
Class A		
Proceeds from shares sold	54,737,578	111,590,276
Reinvestment of distributions	10,447	26,864
Payments for shares redeemed	(55,609,656)	(161,340,354)
Net increase (decrease) in net assets from Class A share transactions	(861,631)	(49,723,214)
Increase (decrease) in net assets	(860,433)	(49,722,013)
Net assets at beginning of period	219,916,545	269,638,558
Net assets at end of period (including distributions in excess of net investment income of $1,007 and $1,007, respectively)	**$ 219,056,112**	**$ 219,916,545**

Other Information		
Class A		
Shares outstanding at beginning of period	220,001,268	269,724,482
Shares sold	54,737,578	111,590,276
Shares issued to shareholders in reinvestment of distributions	10,447	26,864
Shares redeemed	(55,609,656)	(161,340,354)
Net increase (decrease) in Class A shares	(861,631)	(49,723,214)
Shares outstanding at end of period	**219,139,637**	**220,001,268**

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

Financial Highlights

Class A	Six Months Ended 6/30/11 (Unaudited)	2010	Years Ended December 31, 2009	2008	2007	2006
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***	.000***	.003	.026	.049	.046
Total from investment operations	.000***	.000***	.003	.026	.049	.046
Less distributions from:						
Net investment income	.000***	.000***	(.003)	(.026)	(.049)	(.046)
Net asset value, end of period	**$1.000**	**$1.000**	**$1.000**	**$1.000**	**$1.000**	**$1.000**
Total Return (%)	.00[a]**	.01[a]	.34	2.64[a]	5.00[a]	4.65[a]
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	219	220	270	398	355	294
Ratio of expenses before expense reductions (%)	.51*	.46	.43	.52	.46	.52
Ratio of expenses after expense reductions (%)	.28*	.34	.43	.50	.45	.51
Ratio of net investment income (%)	.01*	.01	.37	2.56	4.88	4.58

a *Total return would have been lower had certain expenses not been reduced.*

* *Annualized*

** *Not annualized*

*** *Amount is less than $.0005.*

Notes to Financial Statements (Unaudited)

A. Organization and Significant Accounting Policies

DWS Money Market VIP (the "Fund") is a diversified series of DWS Variable Series II (the "Trust"), which 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 Fund'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 Fund in the preparation of its financial statements.

Security Valuation. Various inputs are used in determining the value of the Fund'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 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 Fund 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 the Fund 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 Fund's Investment Portfolio.

Repurchase Agreements. The Fund may enter into repurchase agreements with certain banks and broker/dealers whereby the Fund, through its custodian or a 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 or another designated sub-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 Fund has the right to sell the securities and recover any resulting loss from the financial institution. If the financial institution enters into bankruptcy, the Fund's claim on the collateral may be subject to legal proceedings.

Federal Income Taxes. The Fund'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 Fund has reviewed the tax positions for the open tax years as of December 31, 2010 and has determined that no provision for income tax is required in the Fund's financial statements. The Fund'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 Fund is declared as a daily dividend and is distributed to shareholders monthly. The Fund may take into account capital gains and losses in its daily dividend declarations. The Fund may also make additional distributions for tax purposes if necessary.

Permanent book and tax differences relating to shareholder distributions will result in reclassifications to paid-in capital. Temporary book and tax differences will reverse in a subsequent period. There were no significant book to tax differences for the Fund.

The tax character of current year distributions will be determined at the end of the current fiscal year.

Expenses. Expenses of the Trust arising in connection with a specific fund are allocated to that fund. Other Trust expenses which cannot be directly attributed to a fund are apportioned among the funds in the Trust.

Contingencies. In the normal course of business, the Fund may enter into contracts with service providers that contain general 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 been made. However, based on experience, the Fund 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.

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 Fund 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 Fund.

Pursuant to the Investment Management Agreement with the Advisor, the Fund pays a monthly management fee based on the Fund's average daily net assets, computed and accrued daily and payable monthly, at the following annual rates:

$0–$500 million	.285%
next $500 million	.270%
next $1.0 billion	.255%
over $2.0 billion	.240%

For the period from January 1, 2011 through September 30, 2011, 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) at 0.51%.

Accordingly, for the six months ended June 30, 2011, the Advisor waived a portion of its management fee pursuant to the Investment Management Agreement aggregating $234,313, and the amount charged aggregated $59,647, which was equivalent to an annualized effective rate of 0.06% of the Fund's average daily net assets.

In addition, the Advisor has agreed to voluntarily waive additional expenses for the Fund. The waiver may be changed or terminated at any time without notice. Under this arrangement, the Advisor waived certain expenses of the Fund.

Administration Fee. Pursuant to an Administrative Services Agreement, DIMA provides most administrative services to the Fund. For all services provided under the Administrative Services Agreement, the Fund pays DIMA an annual fee ("Administration Fee") of 0.10% of the Fund's average daily net assets, computed and accrued daily and payable monthly. For the six months ended June 30, 2011, the Administration Fee was $103,147, of which $16,965 is unpaid.

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 Fund. 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 Fund. For the six months ended June 30, 2011, the amounts charged to the Fund by DISC aggregated $341, all of which was waived.

Typesetting and Filing Service Fees. Under an agreement with DIMA, DIMA is compensated for providing typesetting and certain regulatory filing services to the Fund. For the six months ended June 30, 2011, the amount charged to the Fund by DIMA included in the Statement of Operations under "reports to shareholders" aggregated $5,036, of which $496 is unpaid.

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

C. Ownership of the Fund

At June 30, 2011, three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Fund, each owning 31%, 22% and 14%.

D. Line of Credit

The Fund and other affiliated funds (the "Participants") share in a $450 million revolving credit facility provided by a syndication of banks. The Fund may borrow for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated based on net assets, among each of the Participants. Interest is calculated at 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 Fund may borrow up to a maximum of 33 percent of its net assets under the agreement: The Fund had no outstanding loans at June 30, 2011.

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) 728-3337.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 3, 2010

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 2010, 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, 2008, and 2009.

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 have served 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 118 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 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

Summary of Administrative Fee Evaluation by Independent Fee Consultant

October 4, 2010

Pursuant to an Order entered into by Deutsche Asset Management (DeAM) with the Attorney General of New York, I, Thomas H. Mack, have been appointed the Independent Fee Consultant for the DWS Funds and have as part of my duties evaluated the reasonableness of a proposed pass-through to the funds of certain reporting costs associated with new regulations for money funds. My evaluation considered the following:

- My recently completed annual evaluation (please see my summary report of October 3, 2010), concluding that the prospective fees and expenses of all the DWS-sponsored money funds are reasonable.
- The fact that in my opinion the services DWS would provide under the combination of the Advisory and proposed Administration Agreements continues to be comparable with those typically provided to competitive funds under their management agreements.
- Management's analysis showing that the maximum total expense ratio impact of this change on any fund share class would be 1.3 basis points, which in my opinion is not material to my conclusions about the reasonableness of expenses.

Based on the foregoing considerations, in my opinion the proposed fees and expenses for the affected DWS-sponsored money funds are reasonable.

Thomas H. Mack

Thomas H. Mack

Notes

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VS2MM-3 (R-023299-1 8/11)

DWS INVESTMENTS
Deutsche Bank Group

JUNE 30, 2011

SEMIANNUAL REPORT

DWS VARIABLE SERIES II

DWS Small Mid Cap Growth VIP

(formerly DWS Small Cap Growth VIP)

DWS INVESTMENTS

Deutsche Bank Group

Contents

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, call (800) 728-3337 or your financial representative. We advise you to consider the Fund's objectives, risks, charges and expenses carefully before investing. The summary prospectus and prospectus contain this and other important information about the Fund. Please read the prospectus carefully before you invest.

Stocks of smaller and medium-sized companies involve greater risk than securities of larger, more-established companies. 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.

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

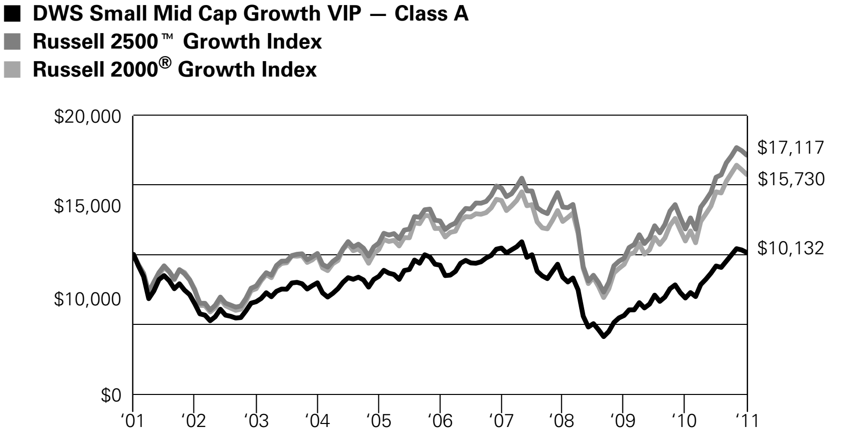
Performance Summary

June 30, 2011

Fund 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 Fund's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund is an investment option. These charges and fees will reduce returns.

The gross expense ratio of the Fund, as stated in the fee table of the prospectus dated May 1, 2011 is 0.78% for Class A shares and may differ from the expense ratio disclosed in the Financial Highlights table in this report.

Growth of an Assumed $10,000 Investment in DWS Small Mid Cap Growth VIP



Yearly periods ended June 30

The Russell 2500 ™ Growth Index is an unmanaged index that 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. Effective May 1, 2011, the Russell 2500 Growth Index replaces the Russell 2000 Growth Index as the fund's benchmark index because the Advisor believes that it better reflects the fund's investment strategy.

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 do not reflect any fees or expenses and it is not possible to invest directly into an index.

Comparative Results

DWS Small Mid Cap Growth VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$11,046	$14,725	$12,104	$10,975	$10,132
	Average annual total return	10.46%	47.25%	6.57%	1.88%	0.13%
Russell 2500 Growth Index	Growth of $10,000	$11,025	$14,471	$12,778	$13,810	$17,117
	Average annual total return	10.25%	44.71%	8.51%	6.67%	5.52%
Russell 2000 Growth Index	Growth of $10,000	$10,859	$14,350	$12,721	$13,252	$15,730
	Average annual total return	8.59%	43.50%	8.35%	5.79%	4.63%

The growth of $10,000 is cumulative.

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

Information About Your Fund's Expenses

As an investor of the Fund, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees and other Fund expenses. Examples of transaction costs include contract charges 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 Fund 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, 2011 to June 30, 2011).

The tables illustrate your Fund's expenses in two ways:

- **Actual Fund Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Fund using the Fund'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% Fund Return.** This helps you to compare your Fund's ongoing expenses (but not transaction costs) with those of other mutual funds using the Fund's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Fund return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. 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, 2011

Actual Fund Return	**Class A**
Beginning Account Value 1/1/11	$1,000.00
Ending Account Value 6/30/11	$1,104.60
Expenses Paid per $1,000*	$ 4.12

Hypothetical 5% Fund Return	**Class A**
Beginning Account Value 1/1/11	$1,000.00
Ending Account Value 6/30/11	$1,020.88
Expenses Paid per $1,000*	$ 3.96

* *Expenses are equal to the Fund'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 Mid Cap Growth VIP	.79%

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

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund is an investment option.

Portfolio Summary

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/11**	**12/31/10**
Common Stocks	98%	97%
Cash Equivalents	2%	3%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/11**	**12/31/10**
Information Technology	24%	25%
Consumer Discretionary	17%	16%
Health Care	15%	20%
Industrials	15%	16%
Energy	9%	9%
Financials	8%	6%
Consumer Staples	6%	3%
Materials	5%	5%
Telecommunication Services	1%	—
	100%	100%

Asset allocation and sector diversification are subject to change.

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

Following the Fund'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. The Fund's portfolio holdings are also posted on www.dws-investments.com from time to time. Please see the Fund's current prospectus for more information.

Investment Portfolio

June 30, 2011 (Unaudited)

	Shares	Value ($)
Common Stocks 98.4%		
Consumer Discretionary 16.3%		
Auto Components 2.0%		
BorgWarner, Inc.*	25,321	2,045,684
TRW Automotive Holdings Corp.*	27,381	1,616,300
		3,661,984
Hotels Restaurants & Leisure 1.5%		
Panera Bread Co. "A"*	21,889	**2,750,572**
Household Durables 1.0%		
Jarden Corp.	52,942	**1,827,028**
Internet & Catalog Retail 1.1%		
Shutterfly, Inc.*	36,621	**2,102,778**
Media 1.8%		
Cinemark Holdings, Inc.	94,221	1,951,317
Interpublic Group of Companies, Inc.	117,895	1,473,687
		3,425,004
Specialty Retail 6.3%		
Advance Auto Parts, Inc.	21,496	1,257,301
Children's Place Retail Stores, Inc.*	39,540	1,759,135
DSW, Inc. "A"*	43,305	2,191,666
Guess?, Inc.	47,672	2,005,084
PetSmart, Inc.	44,662	2,026,315
Ulta Salon, Cosmetics & Fragrance, Inc.*	36,806	2,376,931
		11,616,432
Textiles, Apparel & Luxury Goods 2.6%		
Deckers Outdoor Corp.*	31,900	2,811,666
Hanesbrands, Inc.*	68,923	1,967,752
		4,779,418
Consumer Staples 5.8%		
Food Products 3.0%		
Diamond Foods, Inc.	46,970	3,585,690
Green Mountain Coffee Roasters, Inc.*	20,866	1,862,499
		5,448,189
Household Products 1.3%		
Church & Dwight Co., Inc.	59,120	**2,396,725**
Personal Products 1.5%		
Herbalife Ltd.	49,349	**2,844,476**
Energy 8.4%		
Energy Equipment & Services 4.0%		
Complete Production Services, Inc.*	65,039	2,169,701
Core Laboratories NV	19,419	2,165,995
Dresser-Rand Group, Inc.*	35,943	1,931,936
Dril-Quip, Inc.*	15,983	1,084,127
		7,351,759
Oil, Gas & Consumable Fuels 4.4%		
Approach Resources, Inc.*	97,661	2,213,975
Clean Energy Fuels Corp.*	45,722	601,244
Cloud Peak Energy, Inc.*	65,425	1,393,553
Northern Oil & Gas, Inc.*	57,576	1,275,308
Rosetta Resources, Inc.*	35,422	1,825,650
Whiting Petroleum Corp.*	15,516	883,016
		8,192,746
Financials 8.3%		
Capital Markets 2.9%		
Affiliated Managers Group, Inc.*	26,690	2,707,700
Lazard Ltd. "A"	44,535	1,652,249

	Shares	Value ($)
Stifel Financial Corp.*	25,124	900,947
		5,260,896
Commercial Banks 0.9%		
Zions Bancorp.	69,716	**1,673,881**
Consumer Finance 1.0%		
Dollar Financial Corp.*	83,523	**1,808,273**
Diversified Financial Services 1.6%		
Portfolio Recovery Associates, Inc.*	34,236	**2,902,870**
Insurance 1.0%		
W.R. Berkley Corp.	59,059	**1,915,874**
Real Estate Management & Development 0.9%		
CB Richard Ellis Group, Inc. "A"*	68,596	**1,722,446**
Health Care 14.8%		
Biotechnology 0.8%		
Onyx Pharmaceuticals, Inc.*	41,813	**1,475,999**
Health Care Equipment & Supplies 3.8%		
Accuray, Inc.*	141,982	1,137,276
Kinetic Concepts, Inc.*	51,400	2,962,182
Merit Medical Systems, Inc.*	78,093	1,403,331
Sirona Dental Systems, Inc.*	30,013	1,593,690
		7,096,479
Health Care Providers & Services 3.4%		
Centene Corp.*	87,787	3,119,072
ExamWorks Group, Inc.*	125,496	3,186,344
		6,305,416
Health Care Technology 1.1%		
SXC Health Solutions Corp.*	34,806	**2,050,770**
Life Sciences Tools & Services 1.0%		
Life Technologies Corp.*	35,376	**1,842,028**
Pharmaceuticals 4.7%		
Hospira, Inc.*	37,110	2,102,653
Pacira Pharmaceuticals. Inc.*	76,306	915,672
Par Pharmaceutical Companies, Inc.*	51,389	1,694,809
Questcor Pharmaceuticals, Inc.*	161,403	3,889,812
		8,602,946
Industrials 14.5%		
Commercial Services & Supplies 1.0%		
United Stationers, Inc.	52,216	**1,850,013**
Construction & Engineering 2.0%		
Chicago Bridge & Iron Co. NV	46,140	1,794,846
MYR Group, Inc.*	78,695	1,841,463
		3,636,309
Electrical Equipment 2.3%		
General Cable Corp.*	52,198	2,222,591
Thomas & Betts Corp.*	37,093	1,997,458
		4,220,049
Machinery 6.3%		
Altra Holdings, Inc.*	83,109	1,993,785
Flowserve Corp.	12,703	1,395,933
Gardner Denver, Inc.	18,212	1,530,718
Joy Global, Inc.	17,452	1,662,128
Sauer-Danfoss, Inc.*	35,948	1,811,420
Terex Corp.*	41,995	1,194,758
Timken Co.	39,302	1,980,821
		11,569,563
Professional Services 0.9%		
Robert Half International, Inc.	62,533	**1,690,267**

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

	Shares	Value ($)
Road & Rail 1.2%		
Kansas City Southern*	39,042	**2,316,362**
Trading Companies & Distributors 0.8%		
United Rentals, Inc.*	59,021	**1,499,133**
Information Technology 23.8%		
Communications Equipment 7.0%		
Acme Packet, Inc.*	22,232	1,559,130
Aruba Networks, Inc.*	28,666	847,080
Ciena Corp.*	39,306	722,444
F5 Networks, Inc.*	19,910	2,195,078
Harris Corp.	37,215	1,676,908
Polycom, Inc.*	41,125	2,644,338
Riverbed Technology, Inc.*	62,483	2,473,702
Sycamore Networks, Inc.	39,696	882,839
		13,001,519
Computers & Peripherals 1.0%		
Western Digital Corp.*	48,570	**1,766,977**
Electronic Equipment, Instruments & Components 2.1%		
Cognex Corp.	65,952	2,336,679
Coherent, Inc.*	28,729	1,587,852
		3,924,531
IT Services 3.6%		
Cardtronics, Inc.*	96,542	2,263,910
Syntel, Inc.	33,421	1,975,850
VeriFone Systems, Inc.*	54,287	2,407,628
		6,647,388
Semiconductors & Semiconductor Equipment 2.4%		
Cavium, Inc.*	26,197	1,141,927
Cypress Semiconductor Corp.*	88,347	1,867,655
Netlogic Microsystems, Inc.*	34,597	1,398,411
		4,407,993
Software 7.7%		
Compuware Corp.*	112,517	1,098,166
Concur Technologies, Inc.*	25,287	1,266,120
MICROS Systems, Inc.*	40,634	2,019,916
NetQin Mobile, Inc. (ADR)* (a)	42,133	231,731
OPNET Technologies, Inc.	28,827	1,180,177
Red Hat, Inc.*	33,312	1,529,021
Rovi Corp.*	36,974	2,120,829
Taleo Corp. "A"*	52,290	1,936,299
Ultimate Software Group, Inc.*	35,354	1,924,318
VanceInfo Technologies, Inc. (ADR)*	41,579	960,891
		14,267,468
Materials 5.4%		
Chemicals 2.3%		
CF Industries Holdings, Inc.	10,420	1,476,201
Solutia, Inc.*	60,429	1,380,803
STR Holdings, Inc.*	97,236	1,450,761
		4,307,765
Containers & Packaging 1.2%		
Crown Holdings, Inc.*	57,325	**2,225,357**
Metals & Mining 1.9%		
Cliffs Natural Resources, Inc.	11,236	1,038,768
Molycorp, Inc.*	18,324	1,118,864
Thompson Creek Metals Co., Inc.*	128,882	1,286,242
		3,443,874
Telecommunication Services 1.1%		
Wireless Telecommunication Services		
MetroPCS Communications, Inc.*	112,065	**1,928,638**
Total Common Stocks (Cost $151,132,728)		**181,758,195**
Securities Lending Collateral 0.1%		
Daily Assets Fund Institutional, 0.13% (b) (c) (Cost $201,929)	201,929	**201,929**
Cash Equivalents 1.9%		
Central Cash Management Fund, 0.11% (b) (Cost $3,581,871)	3,581,871	**3,581,871**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $154,916,528)†	100.4	**185,541,995**
Other Assets and Liabilities, Net	(0.4)	**(810,044)**
Net Assets	100.0	**184,731,951**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $155,320,917. At June 30, 2011, net unrealized appreciation for all securities based on tax cost was $30,221,078. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $34,001,526 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $3,780,448.*

(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, 2011 amounted to $193,149, which is 0.1% 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 Fund is net of borrower rebates.*

ADR: American Depositary Receipt

Fair Value Measurements

Various inputs are used in determining the value of the Fund'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 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, 2011 in valuing the Fund's investments. For information on the Fund'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)	$ 181,758,195	$ —	$ —	$ 181,758,195
Short-Term Investments (d)	3,783,800	—	—	3,783,800
Total	**$ 185,541,995**	**$ —**	**$ —**	**$ 185,541,995**

There have been no transfers between Level 1 and Level 2 fair value measurements during the period ended June 30, 2011.

(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, 2011 (Unaudited)

Assets		
Investments:		
Investments in non-affiliated securities, at value (cost $151,132,728) — including $193,149 of securities loaned	$	181,758,195
Investment in Daily Assets Fund Institutional (cost $201,929)*		201,929
Investment in Central Cash Management Fund (cost $3,581,871)		3,581,871
Total investments in securities, at value (cost $154,916,528)		185,541,995
Cash		1,961
Foreign currency, at value (cost $10,174)		10,223
Receivable for investments sold		93,601
Receivable for Fund shares sold		849
Dividends receivable		18,873
Interest receivable		7,683
Foreign taxes recoverable		319
Other assets		1,704
Total assets		185,677,208
Liabilities		
Payable upon return of securities loaned		201,929
Payable for Fund shares redeemed		485,172
Accrued management fee		83,922
Other accrued expenses and payables		174,234
Total liabilities		945,257
Net assets, at value	**$**	**184,731,951**
Net Assets Consist of		
Net investment loss		(310,859)
Net unrealized appreciation (depreciation) on:		
Investments		30,625,467
Foreign currency		49
Accumulated net realized gain (loss)		(25,323,085)
Paid-in capital		179,740,379
Net assets, at value	**$**	**184,731,951**
Class A		
Net Asset Value, offering and redemption price per share ($184,731,951 ÷ 12,135,791 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**15.22**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2011 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $731)	$	186,497
Income distributions — Central Cash Management Fund		2,081
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		19,031
Total income		207,609
Expenses:		
Management fee		341,202
Administration fee		62,281
Services to shareholders		1,640
Custodian fee		6,124
Audit and tax fees		28,779
Legal fees		4,403
Reports to shareholders		37,915
Trustees' fees and expenses		3,431
Other		3,750
Total expenses		489,525
Net investment income (loss)		**(281,916)**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		17,405,299
Foreign currency		(173)
Payments by affiliates (see Note F)		75,429
		17,480,555
Change in net unrealized appreciation (depreciation) on:		
Investments		(10,495,321)
Foreign currency		49
		(10,495,272)
Net gain (loss)		**6,985,283**
Net increase (decrease) in net assets resulting from operations	**$**	**6,703,367**

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, 2011 (Unaudited)	Year Ended December 31, 2010
Operations:		
Net investment income (loss)	$ (281,916)	$ (87,977)
Net realized gain (loss)	17,480,555	11,959,891
Change in net unrealized appreciation (depreciation)	(10,495,272)	8,823,086
Net increase (decrease) in net assets resulting from operations	6,703,367	20,695,000
Distributions to shareholders from:		
Net investment income:		
Class A	(545,355)	—
Total distributions	(545,355)	—
Fund share transactions:		
Class A		
Proceeds from shares sold	11,935,184	6,051,148
Net assets acquired in tax free reorganization	93,892,921	—
Reinvestment of distributions	545,355	—
Cost of shares redeemed	(16,228,784)	(17,902,129)
Net increase (decrease) in net assets from Class A share transactions	90,144,676	(11,850,981)
Increase (decrease) in net assets	96,302,688	8,844,019
Net assets at beginning of period	88,429,263	79,585,244
Net assets at end of period (including net investment loss and undistributed net investment income of $310,859 and $516,412, respectively)	**$ 184,731,951**	**$ 88,429,263**

Other Information		
Class A		
Shares outstanding at beginning of period	6,384,947	7,439,067
Shares sold	814,620	517,480
Shares issued in tax free reorganization	6,003,455	—
Shares issued to shareholders in reinvestment of distributions	34,959	—
Shares redeemed	(1,102,190)	(1,571,600)
Net increase (decrease) in Class A shares	5,750,844	(1,054,120)
Shares outstanding at end of period	**12,135,791**	**6,384,947**

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

Financial Highlights

Class A	Six Months Ended 6/30/11 (Unaudited)	2010	Years Ended December 31, 2009	2008	2007	2006
Selected Per Share Data						
Net asset value, beginning of period	**$13.85**	**$10.70**	**$ 7.61**	**$15.07**	**$14.19**	**$13.48**
Income (loss) from investment operations:						
Net investment income (loss)[a]	(.03)	(.01)	(.02)	(.01)	(.01)	(.04)[c]
Net realized and unrealized gain (loss)	1.48	3.16	3.11	(7.45)	.89	.75
Total from investment operations	1.45	3.15	3.09	(7.46)	.88	.71
Less distributions from:						
Net investment income	(.08)	—	—	—	—	—
Net asset value, end of period	**$15.22**	**$13.85**	**$10.70**	**$ 7.61**	**$15.07**	**$14.19**
Total Return (%)	10.46**	29.44	40.60	(49.50)[b]	6.20[b]	5.27[b,c]
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	185	88	80	69	174	208
Ratio of expenses before expense reductions (%)	.79*	.78	.77	.88	.75	.73
Ratio of expenses after expense reductions (%)	.79*	.78	.77	.85	.72	.72
Ratio of net investment income (loss) (%)	(.45)*	(.12)	(.22)	(.04)	(.09)	(.32)[c]
Portfolio turnover rate (%)	59**	64	93	67	67	73

a *Based on average shares outstanding during the period.*

b *Total return would have been lower had certain expenses not been reduced.*

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 $0.008 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 Small Mid Cap Growth VIP (the "Fund") is a diversified series of DWS Variable Series II (the "Trust"), which 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 Fund'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 Fund 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 Fund'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 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.

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 categorized 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 categorized 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 Fund'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 Fund's Investment Portfolio.

Securities Lending. The Fund lends securities to certain financial institutions. The Fund 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 Fund requires the borrowers of the securities to maintain collateral with the Fund 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 Fund 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 Fund 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 Fund 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 Fund 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.

Federal Income Taxes. The Fund'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, 2010, the Fund had a net tax basis capital loss carryforward of approximately $42,400,000, which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2016 ($8,113,000) and December 31, 2017 ($34,287,000), the respective expiration dates, whichever occurs first.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the "Act") was enacted. Under the Act, net capital losses may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses. As a result of this ordering rule, pre-enactment capital loss carryforwards may expire unused, whereas under the previous rules these losses may have been utilized. This change is effective for fiscal years beginning after the date of enactment.

The Fund has reviewed the tax positions for the open tax years as of December 31, 2010 and has determined that no provision for income tax is required in the Fund's financial statements. The Fund'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 Fund, 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 Fund if not distributed and, therefore, will be distributed to shareholders at least annually. The Fund 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 Fund may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Fund.

The tax character of current year distributions will be determined at the end of the current fiscal year.

Expenses. Expenses of the Trust arising in connection with a specific fund are allocated to that fund. Other Trust expenses which cannot be directly attributed to a fund are apportioned among the funds in the Trust.

Contingencies. In the normal course of business, the Fund may enter into contracts with service providers that contain general 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 been made. However, based on experience, the Fund 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 and may include proceeds from litigation.

B. Purchases and Sales of Securities

During the six months ended June 30, 2011, purchases and sales of investment transactions (excluding short-term investments) aggregated $78,701,900 and $81,717,360, respectively.

C. Related Parties

Management Agreement. Under the Investment Management Agreement with Deutsche Investment Management Americas Inc. ("DIMA" or the "Advisor"), an indirect, wholly owned subsidiary of Deutsche Bank AG, the Advisor directs the investments of the Fund 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 Fund.

Pursuant to the Investment Management Agreement with the Advisor, the Fund pays a monthly management fee based on the Fund's average daily net assets, computed and accrued daily and payable monthly, at the following annual rates:

$0–$250 million	.550%
next $750 million	.525%
over $1 billion	.500%

Accordingly, for the six months ended June 30, 2011, the fee pursuant to the Investment Management Agreement was equivalent to an annualized effective rate of 0.55% of the Fund's average daily net assets.

Administration Fee. Pursuant to an Administrative Services Agreement, DIMA provides most administrative services to the Fund. For all services provided under the Administrative Services Agreement, the Fund pays DIMA an annual fee ("Administration Fee") of 0.10% of the Fund's average daily net assets, computed and accrued daily and payable monthly. For the six months ended June 30, 2011, the Administration Fee was $62,281, of which $15,258 is unpaid.

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 Fund. 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 Fund. For the six months ended June 30, 2011, the amounts charged to the Fund by DISC aggregated $162, all of which is unpaid.

Typesetting and Filing Service Fees. Under an agreement with DIMA, DIMA is compensated for providing typesetting and certain regulatory filing services to the Fund. For the six months ended June 30, 2011, the amount charged to the Fund by DIMA included in the Statement of Operations under "reports to shareholders" aggregated $5,189, of which $1,435 is unpaid.

Trustees' Fees and Expenses. The Fund 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 Vehicle. The Fund may invest uninvested cash balances in Central Cash Management Fund, which is managed by the Advisor. The Fund indirectly bears its proportionate share of the expenses of Central Cash Management Fund. 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 Fund

At June 30, 2011, three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Fund, each owning 54%, 24% and 14%.

E. Line of Credit

The Fund and other affiliated funds (the "Participants") share in a $450 million revolving credit facility provided by a syndication of banks. The Fund may borrow for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated based on net assets, among each of the Participants. Interest is calculated at 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 Fund may borrow up to a maximum of 33 percent of its net assets under the agreement. The Fund had no outstanding loans at June 30, 2011.

F. Changes to Investment Strategy and Fund Name

On January 12, 2011, the Board approved changes to the name and strategy of the Fund. Effective May 1, 2011, the Fund's investment objective changed from maximum appreciation of investor's capital to long-term capital appreciation and the name changed from DWS Small Cap Growth VIP to DWS Small Mid Cap Growth VIP. The Advisor agreed to reimburse the Fund for transaction costs of $75,429 incurred in connection with the repositioning of the Fund's investments.

G. Acquisition of Assets

On April 29, 2011, the Fund acquired all of the net assets of DWS Mid Cap Growth VIP and DWS Turner Mid Cap Growth VIP pursuant to a plan of reorganization approved by shareholders on January 12, 2011. The acquisition was accomplished by a tax-free exchange of 2,029,578 Class A shares of DWS Mid Cap Growth VIP and 6,543,235 Class A shares of DWS Turner Mid Cap Growth VIP for 1,818,964 Class A shares and

4,184,491 Class A shares of the Fund, respectively, outstanding on April 29, 2011. DWS Mid Cap Growth VIP and DWS Turner Mid Cap Growth VIP's net assets at that date, $28,448,304 and $65,444,617, respectively, including $6,234,926 and $6,931,871 of net unrealized appreciation, respectively, were combined with those of the Fund. The aggregate net assets of the Fund immediately before the acquisition were $105,299,610. The combined net assets of the Fund immediately following the acquisition were $199,192,531.

The financial statements reflect the operations of the Fund for the period prior to the acquisition and the combined portfolio for the period subsequent to the portfolio merger. Assuming the acquisition had been completed on January 1, 2011, the Fund's pro forma results of operations for the six months ended June 30, 2011, are as follows:

Net investment income*	$ (495,648)
Net gain (loss) on investments	$ 18,139,716
Net increase (decrease) in net assets resulting from operations	$ 17,644,068

* *Net investment income includes $42,719 of pro forma eliminated expenses.*

Because the combined investment portfolio has been managed as a single integrated portfolio since the acquisitions were completed, it is not practicable to separate the amounts of revenue and earnings of DWS Mid Cap Growth VIP and DWS Turner Mid Cap Growth VIP that have been included in the Fund's Statement of Operations since April 29, 2011.

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) 728-3337.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 3, 2010

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 2010, 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, 2008, and 2009.

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 have served 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 118 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 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

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DWS
INVESTMENTS
Deutsche Bank Group

JUNE 30, 2011

SEMIANNUAL REPORT

DWS VARIABLE SERIES II

DWS Strategic Income VIP

(Effective on or about September 22, 2011: DWS Unconstrained Income Fund)

DWS INVESTMENTS

Deutsche Bank Group

Contents

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, call (800) 728-3337 or your financial representative. We advise you to consider the Fund's objectives, risks, charges and expenses carefully before investing. The summary prospectus and prospectus contain this and other important information about the Fund. Please read the prospectus carefully before you invest.

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 Fund may use derivatives, including as part of its Global Tactical Asset Allocation (GTAA) 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.

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.

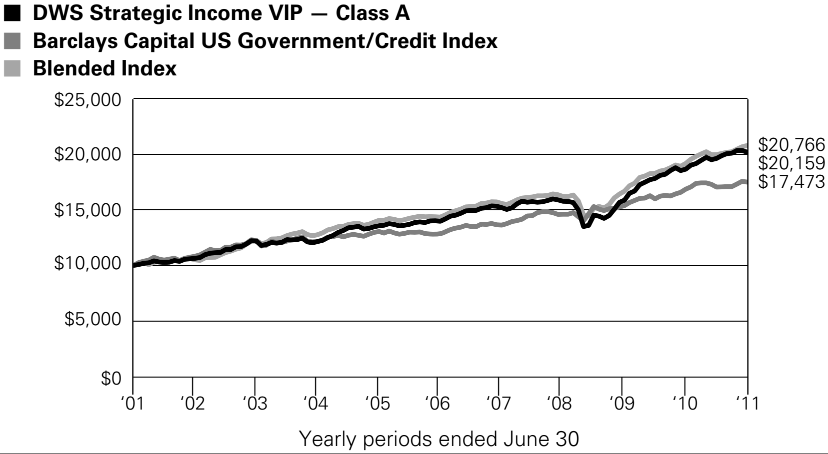
Performance Summary

June 30, 2011

Fund 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 Fund's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund is an investment option. These charges and fees will reduce returns.

The gross expense ratio of the Fund, as stated in the fee table of the prospectus dated May 1, 2011 is 0.95% for Class A shares and may differ from the expense ratio disclosed in the Financial Highlights table in this report.

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 do not reflect any fees or expenses and 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	$10,283	$10,817	$12,790	$14,439	$20,159
	Average annual total return	2.83%	8.17%	8.55%	7.62%	7.26%
Barclays Capital US Government/Credit Index	Growth of $10,000	$10,261	$10,368	$11,966	$13,603	$17,473
	Average annual total return	2.61%	3.68%	6.17%	6.35%	5.74%
Blended Index	Growth of $10,000	$10,339	$10,803	$12,833	$14,389	$20,766
	Average annual total return	3.39%	8.03%	8.67%	7.55%	7.58%

The growth of $10,000 is cumulative.

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

Information About Your Fund's Expenses

As an investor of the Fund, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees and other Fund expenses. Examples of transaction costs include contract charges 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 Fund 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 Fund 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, 2011 to June 30, 2011).

The tables illustrate your Fund's expenses in two ways:

- **Actual Fund Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Fund using the Fund'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% Fund Return.** This helps you to compare your Fund's ongoing expenses (but not transaction costs) with those of other mutual funds using the Fund's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Fund return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. 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, 2011

Actual Fund Return	**Class A**
Beginning Account Value 1/1/11	$1,000.00
Ending Account Value 6/30/11	$1,028.30
Expenses Paid per $1,000*	$ 3.97

Hypothetical 5% Fund Return	**Class A**
Beginning Account Value 1/1/11	$1,000.00
Ending Account Value 6/30/11	$1,020.88
Expenses Paid per $1,000*	$ 3.96

* *Expenses are equal to the Fund'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	.79%

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

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund is an investment option.

Portfolio Summary

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/11**	**12/31/10**
Corporate Bonds	68%	62%
Government & Agency Obligations	10%	17%
Cash Equivalents	9%	5%
Collateralized Mortgage Obligations	4%	3%
Loan Participations and Assignments	3%	4%
Convertible Bonds	3%	0%
Commercial Mortgage-Backed Securities	2%	3%
Preferred Securities	1%	1%
Mortgage-Backed Securities Pass-Throughs	—	5%
	100%	100%

Quality (Excludes Cash Equivalents and Securities Lending Collateral)	**6/30/11**	**12/31/10**
AAA	7%	20%
AA	2%	2%
A	7%	5%
BBB	17%	16%
BB	20%	16%
B	29%	28%
CCC	15%	11%
Not Rated	3%	2%
	100%	100%

Interest Rate Sensitivity	**6/30/11**	**12/31/10**
Effective Maturity	6.4 years	7.2 years
Effective Duration	4.6 years	4.7 years

Asset allocation 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 Fund's credit quality does not remove market risk and is subject to change.

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

Effective duration is an approximate measure of the Fund's sensitivity to interest rate changes taking into consideration any maturity shortening features.

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

Following the Fund'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. The Fund's portfolio holdings are also posted on www.dws-investments.com from time to time. Please see the Fund's current prospectus for more information.

	Principal Amount ($) (a)	Value ($)
Corporate Bonds 67.1%		
Consumer Discretionary 9.6%		
Allison Transmission, Inc., 144A, 7.125%, 5/15/2019	50,000	48,625
AMC Entertainment, Inc., 8.0%, 3/1/2014	105,000	105,262
AMC Networks, Inc., 144A, 7.75%, 7/15/2021	15,000	15,675
American Achievement Corp., 144A, 10.875%, 4/15/2016	45,000	40,500
Asbury Automotive Group, Inc.:		
7.625%, 3/15/2017	65,000	64,512
144A, 8.375%, 11/15/2020	80,000	81,400
Avis Budget Car Rental LLC:		
8.25%, 1/15/2019	95,000	96,187
9.625%, 3/15/2018	45,000	48,038
Beazer Homes USA, Inc., 9.125%, 6/15/2018	25,000	21,563
Bon-Ton Department Stores, Inc., 10.25%, 3/15/2014	50,000	50,000
Bresnan Broadband Holdings LLC, 144A, 8.0%, 12/15/2018	95,000	97,969
Burlington Coat Factory Warehouse Corp., 144A, 10.0%, 2/15/2019	45,000	44,550
Cablevision Systems Corp.:		
7.75%, 4/15/2018	10,000	10,663
8.0%, 4/15/2020	10,000	10,725
Caesar's Entertainment Operating Co., Inc.:		
10.0%, 12/15/2018	135,000	121,837
11.25%, 6/1/2017	240,000	264,900
12.75%, 4/15/2018	55,000	54,863
CanWest LP, 144A, 9.25%, 8/1/2015*	50,000	8,500
Carnival Corp., 6.65%, 1/15/2028	145,000	150,373
Carrols Corp., 9.0%, 1/15/2013	30,000	30,075
CCO Holdings LLC:		
6.5%, 4/30/2021	215,000	212,044
7.0%, 1/15/2019	20,000	20,600
7.25%, 10/30/2017	90,000	93,262
7.875%, 4/30/2018	40,000	42,150
8.125%, 4/30/2020	25,000	27,000
Cequel Communications Holdings I LLC, 144A, 8.625%, 11/15/2017	270,000	280,800
Claire's Stores, Inc.:		
144A, 8.875%, 3/15/2019	25,000	23,375
9.625%, 6/1/2015 (PIK)	21,037	20,458
Clear Channel Communications, Inc., 144A, 9.0%, 3/1/2021	25,000	23,938
Clear Channel Worldwide Holdings, Inc.:		
Series A, 9.25%, 12/15/2017	15,000	16,313
Series B, 9.25%, 12/15/2017	25,000	27,250
Crown Media Holdings, Inc., 144A, 10.5%, 7/15/2019 (b)	55,000	56,719
Cumulus Media, Inc., 144A, 7.75%, 5/1/2019	25,000	24,125
DineEquity, Inc., 144A, 9.5%, 10/30/2018	180,000	195,300
DIRECTV Holdings LLC, 6.375%, 3/1/2041	145,000	154,814
DISH DBS Corp.:		
6.625%, 10/1/2014	65,000	68,412
144A, 6.75%, 6/1/2021	10,000	10,250
7.125%, 2/1/2016	155,000	163,525
Dunkin' Brands, Inc., 144A, 9.625%, 12/1/2018	27,000	27,236
EH Holding Corp., 144A, 7.625%, 6/15/2021	40,000	40,800
Fontainebleau Las Vegas Holdings LLC, 144A, 11.0%, 6/15/2015*	65,000	33
Ford Motor Co., 7.45%, 7/16/2031	65,000	73,686
Great Canadian Gaming Corp., 144A, 7.25%, 2/15/2015	55,000	56,237
Hertz Corp.:		
144A, 6.75%, 4/15/2019	115,000	113,850
144A, 7.5%, 10/15/2018	155,000	159,650
8.875%, 1/1/2014	26,000	26,650
Hyundai Motor Manufacturing Czech, 144A, 4.5%, 4/15/2015	145,000	151,295
J. Crew Group, Inc., 144A, 8.125%, 3/1/2019	35,000	33,688
Kabel BW Erste Beteiligungs GmbH, 144A, 7.5%, 3/15/2019	150,000	153,000
Kia Motors Corp., 144A, 3.625%, 6/14/2016	200,000	197,839
Lear Corp.:		
7.875%, 3/15/2018	40,000	43,000
8.125%, 3/15/2020	40,000	43,100
Limited Brands, Inc., 7.0%, 5/1/2020	20,000	21,050
Lions Gate Entertainment, Inc., 144A, 10.25%, 11/1/2016	95,000	96,662
Macy's Retail Holdings, Inc., 8.125%, 7/15/2015	10,000	11,863
Mediacom Broadband LLC, 8.5%, 10/15/2015	110,000	112,750
Mediacom LLC, 9.125%, 8/15/2019 (c)	30,000	31,650
MGM Resorts International:		
7.5%, 6/1/2016	30,000	28,500
7.625%, 1/15/2017	100,000	96,250
9.0%, 3/15/2020	65,000	71,175
144A, 10.0%, 11/1/2016	45,000	47,700
10.375%, 5/15/2014	45,000	51,075
11.125%, 11/15/2017	50,000	57,125
Michaels Stores, Inc., Step-up Coupon, 0% to 11/1/2011, 13.0% to 11/1/2016	25,000	25,875
National CineMedia LLC, 144A, 7.875%, 7/15/2021	45,000	45,675
Needle Merger Sub Corp., 144A, 8.125%, 3/15/2019	50,000	50,375

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		Principal Amount ($) (a)	Value ($)
Neiman Marcus Group, Inc., 10.375%, 10/15/2015		25,000	26,250
Palace Entertainment Holdings LLC, 144A, 8.875%, 4/15/2017		75,000	75,187
Penske Automotive Group, Inc., 7.75%, 12/15/2016		175,000	178,500
PETCO Animal Supplies, Inc., 144A, 9.25%, 12/1/2018		60,000	63,750
Phillips-Van Heusen Corp., 7.375%, 5/15/2020		25,000	26,750
Regal Entertainment Group, 9.125%, 8/15/2018		35,000	36,225
Sabre Holdings Corp., 8.35%, 3/15/2016		90,000	79,200
Sears Holdings Corp., 144A, 6.625%, 10/15/2018		60,000	55,650
Seminole Indian Tribe of Florida:			
144A, 7.75%, 10/1/2017		40,000	41,400
144A, 7.804%, 10/1/2020		70,000	68,796
Servicios Corporativos Javer SAPI de CV, 144A, 9.875%, 4/6/2021		100,000	104,250
Simmons Bedding Co., 144A, 11.25%, 7/15/2015		50,000	52,500
Sirius XM Radio, Inc., 144A, 8.75%, 4/1/2015		155,000	170,887
Sonic Automotive, Inc., Series B, 9.0%, 3/15/2018		95,000	99,987
Standard Pacific Corp.:			
8.375%, 5/15/2018		100,000	99,125
10.75%, 9/15/2016		80,000	90,600
Toys "R" Us-Delaware, Inc., 144A, 7.375%, 9/1/2016		35,000	35,350
Travelport LLC:			
4.879%**, 9/1/2014		45,000	38,363
9.0%, 3/1/2016		65,000	58,012
UCI International, Inc., 8.625%, 2/15/2019		20,000	20,600
Unitymedia Hessen GmbH & Co., KG, 144A, 8.125%, 12/1/2017		200,000	212,500
Univision Communications, Inc.:			
144A, 6.875%, 5/15/2019		10,000	9,900
144A, 7.875%, 11/1/2020		25,000	25,625
144A, 8.5%, 5/15/2021		25,000	24,938
UPC Holding BV, 144A, 9.75%, 4/15/2018	EUR	100,000	154,441
Valassis Communications, Inc., 144A, 6.625%, 2/1/2021		30,000	29,700
Visant Corp., 10.0%, 10/1/2017		80,000	82,800
Visteon Corp., 144A, 6.75%, 4/15/2019		75,000	72,375
Wyndham Worldwide Corp., 5.75%, 2/1/2018		210,000	216,844
Wynn Las Vegas LLC, 7.75%, 8/15/2020		50,000	54,313
Yonkers Racing Corp., 144A, 11.375%, 7/15/2016		60,000	65,100
			7,064,259

Consumer Staples 2.7%

	Principal Amount ($) (a)	Value ($)
Alliance One International, Inc., 10.0%, 7/15/2016	25,000	24,125
Altria Group, Inc.:		
4.75%, 5/5/2021	155,000	154,894
9.95%, 11/10/2038	145,000	203,732
American Rock Salt Co., LLC, 144A, 8.25%, 5/1/2018	60,000	60,225
B&G Foods, Inc., 7.625%, 1/15/2018	35,000	36,837
Central Garden & Pet Co., 8.25%, 3/1/2018	35,000	36,138
Darling International, Inc., 144A, 8.5%, 12/15/2018	80,000	86,400
Del Monte Foods Co., 144A, 7.625%, 2/15/2019	130,000	131,300
Dole Food Co., Inc., 144A, 8.0%, 10/1/2016	35,000	36,663
FAGE Dairy Industry SA, 144A, 9.875%, 2/1/2020	85,000	85,212
NBTY, Inc., 144A, 9.0%, 10/1/2018	25,000	26,375
North Atlantic Trading Co., 144A, 10.0%, 3/1/2012	223,000	219,097
Reynolds American, Inc., 6.75%, 6/15/2017	200,000	230,915
Rite Aid Corp.:		
7.5%, 3/1/2017	60,000	59,550
8.0%, 8/15/2020	100,000	107,750
Smithfield Foods, Inc.:		
7.75%, 7/1/2017	220,000	228,250
10.0%, 7/15/2014	85,000	98,600
Stater Bros. Holdings, Inc., 144A, 7.375%, 11/15/2018	30,000	31,125
SUPERVALU, Inc., 8.0%, 5/1/2016	35,000	35,700
TreeHouse Foods, Inc., 7.75%, 3/1/2018	25,000	26,563
US Foodservice, 144A, 8.5%, 6/30/2019	35,000	33,950
		1,953,401

Energy 6.8%

	Principal Amount ($) (a)	Value ($)
Allis-Chalmers Energy, Inc., 9.0%, 1/15/2014	24,000	24,510
Alpha Natural Resources, Inc., 6.0%, 6/1/2019	60,000	59,850
Anadarko Petroleum Corp., 6.375%, 9/15/2017	215,000	246,462
Arch Coal, Inc.:		
144A, 7.0%, 6/15/2019	20,000	19,950
7.25%, 10/1/2020	20,000	20,350
144A, 7.25%, 6/15/2021	35,000	35,044
8.75%, 8/1/2016	90,000	97,650
Berry Petroleum Co., 6.75%, 11/1/2020	90,000	90,450
Bill Barrett Corp., 9.875%, 7/15/2016	40,000	44,800
BreitBurn Energy Partners LP, 8.625%, 10/15/2020	50,000	52,750
Brigham Exploration Co., 144A, 6.875%, 6/1/2019	20,000	19,900
Bristow Group, Inc., 7.5%, 9/15/2017	70,000	73,325
Chaparral Energy, Inc., 8.25%, 9/1/2021	115,000	115,862
CITGO Petroleum Corp., 144A, 11.5%, 7/1/2017	105,000	121,800

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	Principal Amount ($) (a)	Value ($)
CONSOL Energy, Inc.:		
144A, 6.375%, 3/1/2021	15,000	14,925
8.0%, 4/1/2017	115,000	125,350
8.25%, 4/1/2020	60,000	65,400
Continental Resources, Inc.:		
7.125%, 4/1/2021	30,000	31,650
7.375%, 10/1/2020	35,000	37,188
8.25%, 10/1/2019	20,000	21,850
Crestwood Midstream Partners LP, 144A, 7.75%, 4/1/2019	160,000	158,800
Crosstex Energy LP, 8.875%, 2/15/2018	55,000	58,575
Dresser-Rand Group, Inc., 144A, 6.5%, 5/1/2021	75,000	77,250
Eagle Rock Energy Partners LP, 144A, 8.375%, 6/1/2019	95,000	94,763
El Paso Corp., 7.25%, 6/1/2018	55,000	61,777
Energy Transfer Equity LP, 7.5%, 10/15/2020	35,000	37,100
Frontier Oil Corp., 6.875%, 11/15/2018	55,000	58,025
Genesis Energy LP, 144A, 7.875%, 12/15/2018	40,000	39,800
Global Geophysical Services, Inc., 10.5%, 5/1/2017	130,000	136,500
Harvest Operations Corp., 144A, 6.875%, 10/1/2017	25,000	25,813
Holly Energy Partners LP, 8.25%, 3/15/2018	55,000	58,300
Inergy LP:		
144A, 6.875%, 8/1/2021	10,000	10,000
7.0%, 10/1/2018	60,000	60,600
KazMunayGaz National Co., 144A, 6.375%, 4/9/2021	200,000	211,720
Linn Energy LLC:		
144A, 6.5%, 5/15/2019	50,000	49,500
144A, 7.75%, 2/1/2021	60,000	62,400
8.625%, 4/15/2020	55,000	59,675
Marathon Petroleum Corp., 144A, 5.125%, 3/1/2021	120,000	123,366
MEG Energy Corp., 144A, 6.5%, 3/15/2021	40,000	40,200
Newfield Exploration Co., 7.125%, 5/15/2018	90,000	95,400
Nexen, Inc., 5.875%, 3/10/2035	75,000	71,018
Niska Gas Storage US LLC, 8.875%, 3/15/2018	55,000	57,750
Oasis Petroleum, Inc., 144A, 7.25%, 2/1/2019	20,000	19,850
Offshore Group Investments Ltd., 144A, 11.5%, 8/1/2015	10,000	10,875
Petrohawk Energy Corp.:		
7.25%, 8/15/2018	125,000	128,281
7.875%, 6/1/2015	30,000	31,425
Plains All American Pipeline LP, 5.0%, 2/1/2021	170,000	172,864
Plains Exploration & Production Co., 7.625%, 6/1/2018	60,000	63,000
Quicksilver Resources, Inc., 11.75%, 1/1/2016	15,000	17,175
Range Resources Corp., 6.75%, 8/1/2020	20,000	20,700

	Principal Amount ($) (a)	Value ($)
Regency Energy Partners LP:		
6.875%, 12/1/2018	35,000	36,225
9.375%, 6/1/2016	115,000	128,225
Reliance Holdings USA, Inc., 144A, 6.25%, 10/19/2040	250,000	230,644
Sabine Pass LNG LP:		
7.25%, 11/30/2013	115,000	117,875
7.5%, 11/30/2016	100,000	102,500
SandRidge Energy, Inc.:		
144A, 7.5%, 3/15/2021	50,000	50,625
144A, 8.0%, 6/1/2018	45,000	45,900
SESI LLC, 144A, 6.375%, 5/1/2019	40,000	39,600
Southwestern Energy Co., 7.5%, 2/1/2018	85,000	96,688
Stone Energy Corp.:		
6.75%, 12/15/2014	95,000	94,525
8.625%, 2/1/2017	25,000	25,750
Transocean, Inc., 6.5%, 11/15/2020	215,000	240,421
Valero Energy Corp., 6.125%, 2/1/2020	160,000	175,830
Venoco, Inc., 144A, 8.875%, 2/15/2019	105,000	105,000
Xinergy Corp., 144A, 9.25%, 5/15/2019	60,000	60,600
		4,981,976
Financials 19.1%		
Akbank TAS, 144A, 5.125%, 7/22/2015	145,000	144,275
Algoma Acquisition Corp., 144A, 9.875%, 6/15/2015	85,000	79,050
Ally Financial, Inc.:		
144A, 6.25%, 12/1/2017	95,000	94,367
8.0%, 3/15/2020	115,000	122,187
8.3%, 2/12/2015	135,000	150,862
ALROSA Finance SA, 144A, REG S, 7.75%, 11/3/2020	200,000	217,500
American International Group, Inc., Series G, 5.6%, 10/18/2016	290,000	303,623
Antero Resources Finance Corp., 9.375%, 12/1/2017	30,000	32,250
Ashton Woods USA LLC, 144A, Step-up Coupon, 0% to 6/30/2012, 11.0% to 6/30/2015	75,400	45,617
Banco do Brasil SA, 144A, 5.875%, 1/26/2022	121,000	119,669
Banco Votorantim SA, 144A, 7.375%, 1/21/2020	100,000	106,000
Bank of America Corp., 5.0%, 5/13/2021	245,000	242,023
Barclays Bank PLC, 5.14%, 10/14/2020	140,000	132,778
BBVA Bancomer SA, 144A, 6.5%, 3/10/2021	290,000	295,800
BNP Paribas, 3.6%, 2/23/2016	145,000	146,620
BP Capital Markets PLC, 4.5%, 10/1/2020	120,000	122,375
Bumble Bee Acquisition Corp., 144A, 9.0%, 12/15/2017	55,000	55,275
Calpine Construction Finance Co., LP, 144A, 8.0%, 6/1/2016	200,000	216,000

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		Principal Amount ($) (a)	Value ($)
Case New Holland, Inc., 7.75%, 9/1/2013		45,000	48,713
CIT Group, Inc.:			
Series C, 144A, 5.25%, 4/1/2014		275,000	273,625
7.0%, 5/1/2015		970	971
144A, 7.0%, 5/4/2015		105,000	105,131
144A, 7.0%, 5/2/2017		355,000	354,112
Citigroup, Inc., 5.375%, 8/9/2020		145,000	151,317
CNA Financial Corp., 5.75%, 8/15/2021		75,000	77,444
Country Garden Holdings Co., 144A, 11.125%, 2/23/2018		200,000	206,000
CPI International Acquisition, Inc., 144A, 8.0%, 2/15/2018		45,000	42,525
Credit Agricole SA, 144A, 3.5%, 4/13/2015		171,000	171,492
Discover Bank, 7.0%, 4/15/2020		145,000	161,050
E*TRADE Financial Corp., 6.75%, 6/1/2016		105,000	102,900
Felcor Lodging LP, (REIT), 144A, 6.75%, 6/1/2019		70,000	67,200
Ford Motor Credit Co., LLC:			
7.25%, 10/25/2011		60,000	60,900
7.5%, 8/1/2012		500,000	523,202
9.875%, 8/10/2011		145,000	145,917
FUEL Trust, 144A, 3.984%, 6/15/2016		290,000	287,644
General Electric Capital Corp., 5.3%, 2/11/2021		75,000	78,041
Giraffe Acquisition Corp., 144A, 9.125%, 12/1/2018		55,000	51,700
Gruposura Finance, 144A, 5.7%, 5/18/2021		200,000	199,500
Hartford Financial Services Group, Inc., 5.5%, 3/30/2020		145,000	149,467
HCP, Inc., (REIT), 5.375%, 2/1/2021		143,000	147,494
Health Care REIT, Inc., (REIT), 5.25%, 1/15/2022		145,000	144,443
Hellas Telecommunications Finance SCA, 144A, 8.985%**, 7/15/2015 (PIK)*	EUR	109,187	95
Hexion US Finance Corp., 8.875%, 2/1/2018		340,000	353,600
Hospitality Properties Trust, (REIT), 7.875%, 8/15/2014		200,000	225,659
Host Hotels & Resorts LP, (REIT), 6.875%, 11/1/2014		165,000	169,125
HSBC Finance Corp., 144A, 6.676%, 1/15/2021		120,000	123,122
Intergas Finance BV, REG S, 6.875%, 11/4/2011		275,000	279,125
International Finance Corp., 5.75%, 3/16/2015	AUD	285,000	308,404
International Lease Finance Corp.:			
5.75%, 5/15/2016		20,000	19,694
6.25%, 5/15/2019		50,000	48,853
8.625%, 9/15/2015		40,000	43,350
8.75%, 3/15/2017		180,000	196,875
Intesa Sanpaolo SpA, 144A, 2.658%**, 2/24/2014		205,000	204,498
JBS Finance II Ltd., 144A, 8.25%, 1/29/2018		100,000	102,000
Jefferies Group, Inc., 5.125%, 4/13/2018		290,000	290,585
KeyCorp, 5.1%, 3/24/2021		130,000	132,404
Level 3 Escrow, Inc., 144A, 8.125%, 7/1/2019		75,000	75,375
Lincoln National Corp., 7.0%, 6/15/2040		145,000	163,509
Lloyds TSB Bank PLC, 144A, 6.5%, 9/14/2020		215,000	202,806
Lukoil International Finance BV, 144A, 7.25%, 11/5/2019		145,000	161,109
Macquarie Group Ltd., 144A, 6.25%, 1/14/2021		210,000	209,877
Manulife Financial Corp., 4.9%, 9/17/2020		135,000	134,911
Morgan Stanley, 5.75%, 1/25/2021		290,000	293,430
MPT Operating Partnership LP, (REIT), 144A, 6.875%, 5/1/2021		50,000	49,125
Navios Maritime Acquisition Corp., 8.625%, 11/1/2017		25,000	24,625
Nielsen Finance LLC:			
144A, 7.75%, 10/15/2018		25,000	26,250
11.5%, 5/1/2016		13,000	15,210
NII Capital Corp., 7.625%, 4/1/2021		60,000	62,700
Nomura Holdings, Inc., 6.7%, 3/4/2020		90,000	98,339
Nuveen Investments, Inc.:			
10.5%, 11/15/2015		140,000	143,150
144A, 10.5%, 11/15/2015		95,000	96,188
Odebrecht Finance Ltd., 144A, 6.0%, 4/5/2023		145,000	144,094
OMEGA Healthcare Investors, Inc., (REIT), 144A, 6.75%, 10/15/2022		55,000	54,244
Petrobras International Finance Co., 5.375%, 1/27/2021		145,000	148,887
Pinnacle Foods Finance LLC:			
8.25%, 9/1/2017		70,000	72,625
9.25%, 4/1/2015		35,000	36,313
PNC Bank NA, 6.875%, 4/1/2018		180,000	212,156
Qtel International Finance Ltd., 144A, 4.75%, 2/16/2021		200,000	195,000
Reynolds Group Issuer, Inc.:			
144A, 6.875%, 2/15/2021		100,000	97,500
144A, 7.125%, 4/15/2019		100,000	99,250
144A, 8.75%, 5/15/2018		195,000	191,587
144A, 9.0%, 4/15/2019		105,000	103,688
Santander US Debt SA Unipersonal, 144A, 3.724%, 1/20/2015		145,000	140,355
Shinhan Bank, 144A, 4.125%, 10/4/2016		145,000	147,656
Societe Generale, 144A, 3.5%, 1/15/2016		145,000	143,402
Susser Holdings LLC, 8.5%, 5/15/2016		30,000	31,575
Telecom Italia Capital SA, 4.95%, 9/30/2014		174,000	181,424
Telemovil Finance Co., Ltd., 144A, 8.0%, 10/1/2017		100,000	105,350

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	Principal Amount ($) (a)	Value ($)
The Goldman Sachs Group, Inc., 6.25%, 2/1/2041	155,000	156,267
Tomkins LLC, 144A, 9.0%, 10/1/2018	40,000	43,100
Toys "R" Us Property Co. I, LLC, 10.75%, 7/15/2017	50,000	55,625
Tropicana Entertainment LLC, 9.625%, 12/15/2014*	150,000	75
Virgin Media Finance PLC, Series 1, 9.5%, 8/15/2016	300,000	339,000
Virgin Media Secured Finance PLC, 6.5%, 1/15/2018	375,000	411,094
Wells Fargo & Co., 4.6%, 4/1/2021	170,000	170,944
Woori Bank, 144A, 5.875%, 4/13/2021	290,000	290,332
		14,002,595
Health Care 2.1%		
Aviv Healthcare Properties LP, 144A, 7.75%, 2/15/2019	40,000	40,900
Community Health Systems, Inc., 8.875%, 7/15/2015	80,000	82,400
Endo Pharmaceuticals Holdings, Inc.:		
144A, 7.0%, 7/15/2019	55,000	56,375
144A, 7.25%, 1/15/2022	50,000	50,750
HCA Holdings, Inc., 144A, 7.75%, 5/15/2021 (c)	105,000	108,938
HCA, Inc.:		
7.875%, 2/15/2020	365,000	396,025
8.5%, 4/15/2019	45,000	49,725
9.25%, 11/15/2016	310,000	328,987
9.625%, 11/15/2016 (PIK)	152,000	161,690
Mylan, Inc., 144A, 7.875%, 7/15/2020	15,000	16,463
STHI Holding Corp., 144A, 8.0%, 3/15/2018	60,000	60,900
Vanguard Health Holding Co. II, LLC, 8.0%, 2/1/2018	100,000	103,250
Warner Chilcott Co., LLC, 144A, 7.75%, 9/15/2018	75,000	75,656
		1,532,059
Industrials 6.1%		
Accuride Corp., 9.5%, 8/1/2018	75,000	80,250
Actuant Corp., 6.875%, 6/15/2017	40,000	40,900
American Airlines, Inc., 144A, 7.5%, 3/15/2016	85,000	83,300
AMGH Merger Sub, Inc., 144A, 9.25%, 11/1/2018	30,000	31,650
ARAMARK Corp., 8.5%, 2/1/2015	20,000	20,775
ARAMARK Holdings Corp., 144A, 8.625%, 5/1/2016 (PIK)	20,000	20,350
Armored Autogroup, Inc., 144A, 9.25%, 11/1/2018	105,000	103,950
B-Corp Merger Sub, Inc., 144A, 8.25%, 6/1/2019	60,000	59,400
BAA Funding Ltd., "A", 144A, 4.875%, 7/15/2021	290,000	282,519
BE Aerospace, Inc.:		
6.875%, 10/1/2020	35,000	36,663
8.5%, 7/1/2018	105,000	114,581

	Principal Amount ($) (a)	Value ($)
Belden, Inc.:		
7.0%, 3/15/2017	45,000	46,125
9.25%, 6/15/2019	40,000	44,500
Boart Longyear Management Pty Ltd., 144A, 7.0%, 4/1/2021	35,000	35,788
Bombardier, Inc., 144A, 7.75%, 3/15/2020	55,000	61,875
Briggs & Stratton Corp., 6.875%, 12/15/2020	35,000	37,100
Casella Waste Systems, Inc., 144A, 7.75%, 2/15/2019	110,000	110,275
Cenveo Corp.:		
8.875%, 2/1/2018	100,000	97,000
144A, 10.5%, 8/15/2016	55,000	54,037
CHC Helicopter SA, 144A, 9.25%, 10/15/2020	215,000	194,037
Congoleum Corp., 9.0%, 12/31/2017 (PIK)	41,250	26,813
Corrections Corp. of America, 7.75%, 6/1/2017	30,000	32,663
Deluxe Corp., 144A, 7.0%, 3/15/2019	30,000	29,700
Ducommun, Inc., 144A, 9.75%, 7/15/2018	65,000	66,787
DynCorp International, Inc., 144A, 10.375%, 7/1/2017	85,000	87,125
Florida East Coast Railway Corp., 144A, 8.125%, 2/1/2017	40,000	41,300
FTI Consulting, Inc., 6.75%, 10/1/2020	145,000	146,450
Garda World Security Corp., 144A, 9.75%, 3/15/2017	60,000	63,450
H&E Equipment Services, Inc., 8.375%, 7/15/2016	110,000	112,475
Huntington Ingalls Industries, Inc.:		
144A, 6.875%, 3/15/2018	30,000	30,750
144A, 7.125%, 3/15/2021	10,000	10,350
Interline Brands, Inc., 7.0%, 11/15/2018	50,000	50,625
Kansas City Southern de Mexico SA de CV, 8.0%, 2/1/2018	105,000	113,925
Kansas City Southern Railway Co., 8.0%, 6/1/2015	100,000	107,250
Masco Corp., 7.125%, 3/15/2020	145,000	148,427
Meritor, Inc.:		
8.125%, 9/15/2015	55,000	57,337
10.625%, 3/15/2018	60,000	67,350
Navios Maritime Holdings, Inc., 144A, 8.125%, 2/15/2019	135,000	129,600
Nortek, Inc., 144A, 8.5%, 4/15/2021	125,000	115,625
Oshkosh Corp.:		
8.25%, 3/1/2017	10,000	10,725
8.5%, 3/1/2020	25,000	27,063
Owens Corning, Inc., 9.0%, 6/15/2019	217,000	259,184
Ply Gem Industries, Inc.:		
144A, 8.25%, 2/15/2018	50,000	47,375
13.125%, 7/15/2014	95,000	99,750
RailAmerica, Inc., 9.25%, 7/1/2017	36,000	39,510

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

	Principal Amount ($) (a)	Value ($)
RBS Global, Inc. & Rexnord Corp., 8.5%, 5/1/2018	120,000	126,750
Republic Services, Inc., 5.7%, 5/15/2041	185,000	180,601
Sitel LLC, 11.5%, 4/1/2018	95,000	86,925
Spirit AeroSystems, Inc., 6.75%, 12/15/2020	75,000	76,125
SPX Corp., 144A, 6.875%, 9/1/2017	20,000	21,400
Titan International, Inc., 144A, 7.875%, 10/1/2017	160,000	167,200
TransDigm, Inc., 144A, 7.75%, 12/15/2018	65,000	68,250
Tutor Perini Corp., 7.625%, 11/1/2018	55,000	52,800
USG Corp., 144A, 9.75%, 8/1/2014	45,000	47,700
Votorantim Cimentos SA, 144A, 7.25%, 4/5/2041	145,000	143,187
		4,447,622
Information Technology 3.0%		
Alcatel-Lucent USA, Inc., 6.45%, 3/15/2029	70,000	63,000
Allen Systems Group, Inc., 144A, 10.5%, 11/15/2016	35,000	35,175
Amkor Technology, Inc.:		
144A, 6.625%, 6/1/2021	10,000	9,625
7.375%, 5/1/2018	45,000	45,731
Aspect Software, Inc., 10.625%, 5/15/2017	60,000	64,500
Avaya, Inc., 144A, 7.0%, 4/1/2019	145,000	140,287
CDW LLC:		
144A, 8.5%, 4/1/2019	110,000	107,800
11.0%, 10/12/2015	9,000	9,473
CommScope, Inc., 144A, 8.25%, 1/15/2019	85,000	87,550
eAccess Ltd., 144A, 8.25%, 4/1/2018	60,000	59,850
Equinix, Inc., 8.125%, 3/1/2018	140,000	152,425
Fidelity National Information Services, Inc., 7.625%, 7/15/2017	20,000	21,225
First Data Corp.:		
144A, 7.375%, 6/15/2019	30,000	30,225
144A, 8.25%, 1/15/2021	190,000	186,200
144A, 8.875%, 8/15/2020	85,000	90,737
Freescale Semiconductor, Inc.:		
144A, 8.05%, 2/1/2020	85,000	85,425
144A, 9.25%, 4/15/2018	190,000	204,725
Jabil Circuit, Inc., 7.75%, 7/15/2016	30,000	33,225
MasTec, Inc., 7.625%, 2/1/2017	65,000	66,138
MEMC Electronic Materials, Inc., 144A, 7.75%, 4/1/2019	40,000	39,500
Sanmina-SCI Corp., 144A, 7.0%, 5/15/2019	45,000	42,525
Seagate HDD Cayman, 144A, 7.0%, 11/1/2021	50,000	50,000
Sensata Technologies BV, 144A, 6.5%, 5/15/2019	50,000	49,875
SunGard Data Systems, Inc.:		
7.375%, 11/15/2018	25,000	25,000
10.25%, 8/15/2015	225,000	232,875

	Principal Amount ($) (a)	Value ($)
Unisys Corp., 144A, 12.75%, 10/15/2014	41,000	47,765
Vangent, Inc., 9.625%, 2/15/2015	35,000	35,350
Western Union Co., 6.2%, 6/21/2040	145,000	145,598
		2,161,804
Materials 6.7%		
Aleris International, Inc., 144A, 7.625%, 2/15/2018	40,000	39,900
APERAM, 144A, 7.375%, 4/1/2016	150,000	150,750
Appleton Papers, Inc., 11.25%, 12/15/2015	25,000	25,250
ArcelorMittal, 6.125%, 6/1/2018	250,000	267,769
Ball Corp.:		
7.125%, 9/1/2016	30,000	32,700
7.375%, 9/1/2019	25,000	27,313
Berry Plastics Corp.:		
9.5%, 5/15/2018	65,000	64,512
9.75%, 1/15/2021	80,000	77,400
Boise Paper Holdings LLC, 8.0%, 4/1/2020	30,000	31,500
BWAY Parent Co., Inc., 144A, 10.125%, 11/1/2015 (PIK)	42,235	42,235
Celanese US Holdings LLC:		
5.875%, 6/15/2021	30,000	30,675
6.625%, 10/15/2018	35,000	36,925
Cemex SAB de CV, 144A, 9.0%, 1/11/2018	150,000	152,625
China Oriental Group Co., Ltd., 144A, 8.0%, 8/18/2015	100,000	101,500
Clearwater Paper Corp., 7.125%, 11/1/2018	65,000	66,625
Cliffs Natural Resources, Inc., 6.25%, 10/1/2040	145,000	143,085
Clondalkin Acquisition BV, 144A, 2.247%**, 12/15/2013	75,000	71,625
Crown Americas LLC:		
144A, 6.25%, 2/1/2021	10,000	10,100
7.625%, 5/15/2017	30,000	32,138
Essar Steel Algoma, Inc., 144A, 9.375%, 3/15/2015	240,000	240,600
Exopack Holding Corp., 144A, 10.0%, 6/1/2018	40,000	39,700
FMG Resources August 2006 Pty Ltd., 144A, 7.0%, 11/1/2015	25,000	25,500
GEO Specialty Chemicals, Inc.:		
144A, 7.5%, 3/31/2015 (PIK)	120,175	110,561
10.0%, 3/31/2015	119,040	117,850
Georgia-Pacific LLC, 144A, 5.4%, 11/1/2020	145,000	147,774
Graham Packaging Co., LP, 8.25%, 10/1/2018	25,000	27,813
Graphic Packaging International, Inc.:		
7.875%, 10/1/2018	10,000	10,600
9.5%, 6/15/2017	130,000	142,350
Greif, Inc., 7.75%, 8/1/2019	195,000	210,600
Hexcel Corp., 6.75%, 2/1/2015	93,000	94,627

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	Principal Amount ($) (a)	Value ($)
Huntsman International LLC:		
8.625%, 3/15/2020	60,000	65,400
8.625%, 3/15/2021	25,000	27,188
International Paper Co., 7.95%, 6/15/2018	145,000	172,651
JMC Steel Group, 144A, 8.25%, 3/15/2018	60,000	60,900
Longview Fibre Paper & Packaging, Inc., 144A, 8.0%, 6/1/2016	60,000	60,300
Lyondell Chemical Co., 144A, 8.0%, 11/1/2017	100,000	111,250
Momentive Performance Materials, Inc., 9.0%, 1/15/2021	230,000	234,600
Nalco Co., 144A, 6.625%, 1/15/2019	45,000	46,125
NewMarket Corp., 7.125%, 12/15/2016	110,000	114,675
Novelis, Inc.:		
8.375%, 12/15/2017	140,000	149,450
8.75%, 12/15/2020	110,000	118,800
Owens-Brockway Glass Container, Inc., 7.375%, 5/15/2016	110,000	119,625
Packaging Dynamics Corp., 144A, 8.75%, 2/1/2016	90,000	91,350
Phibro Animal Health Corp., 144A, 9.25%, 7/1/2018	10,000	10,550
Polymer Group, Inc., 144A, 7.75%, 2/1/2019	55,000	55,137
Quadra FNX Mining Ltd., 144A, 7.75%, 6/15/2019	115,000	116,150
Radnor Holdings Corp., 11.0%, 3/15/2010*	25,000	3
Rain CII Carbon LLC, 144A, 8.0%, 12/1/2018	45,000	47,925
Silgan Holdings, Inc., 7.25%, 8/15/2016	50,000	52,750
Solo Cup Co., 10.5%, 11/1/2013	170,000	176,800
Texas Industries, Inc., 9.25%, 8/15/2020	75,000	72,562
United States Steel Corp., 7.375%, 4/1/2020	80,000	82,200
Verso Paper Holdings LLC, 144A, 8.75%, 2/1/2019	25,000	22,250
Viskase Companies, Inc.,		
Viskase Companies, Inc., 144A, 9.875%, 1/15/2018	145,000	151,162
Vulcan Materials Co., 6.5%, 12/1/2016	145,000	144,107
Wolverine Tube, Inc., 15.0%, 3/31/2012*	91,631	44,212
		4,920,724

Telecommunication Services 7.7%

		Principal Amount ($) (a)	Value ($)
American Tower Corp., 4.5%, 1/15/2018		125,000	124,942
Buccaneer Merger Sub, Inc., 144A, 9.125%, 1/15/2019		25,000	26,000
CC Holdings GS V LLC, 144A, 7.75%, 5/1/2017		350,000	378,875
CenturyLink, Inc., 6.45%, 6/15/2021		145,000	143,343
Cincinnati Bell, Inc.:			
8.25%, 10/15/2017		55,000	55,275
8.375%, 10/15/2020		180,000	179,550
8.75%, 3/15/2018		170,000	161,500
Clearwire Communications LLC, 144A, 12.0%, 12/1/2015		20,000	21,425
Cricket Communications, Inc.:			
7.75%, 10/15/2020		310,000	303,800
10.0%, 7/15/2015		100,000	107,750
Crown Castle International Corp., 9.0%, 1/15/2015		195,000	211,575
Digicel Group Ltd., 144A, 10.5%, 4/15/2018		100,000	112,000
Digicel Ltd., 144A, 8.25%, 9/1/2017		300,000	311,250
ERC Ireland Preferred Equity Ltd., 144A, 8.42%**, 2/15/2017 (PIK)	EUR	82,823	601
Frontier Communications Corp.:			
7.875%, 4/15/2015		10,000	10,850
8.25%, 4/15/2017		70,000	76,125
8.5%, 4/15/2020		90,000	98,100
8.75%, 4/15/2022		10,000	10,900
Hughes Network Systems LLC, 9.5%, 4/15/2014		150,000	153,750
Intelsat Jackson Holdings SA:			
144A, 7.25%, 10/15/2020		120,000	119,400
144A, 7.5%, 4/1/2021		150,000	149,062
8.5%, 11/1/2019		100,000	106,000
11.25%, 6/15/2016		60,000	63,600
Intelsat Luxembourg SA:			
11.25%, 2/4/2017		145,000	155,694
11.5%, 2/4/2017 (PIK)		304,218	327,034
144A, 11.5%, 2/4/2017 (PIK)		80,000	86,000
iPCS, Inc., 2.398%**, 5/1/2013		35,000	34,213
MetroPCS Wireless, Inc.:			
6.625%, 11/15/2020		90,000	89,100
7.875%, 9/1/2018		75,000	79,406
Qwest Communications International, Inc.:			
7.125%, 4/1/2018		55,000	59,056
8.0%, 10/1/2015		60,000	65,250
Qwest Corp., 7.5%, 10/1/2014		285,000	319,556
SBA Telecommunications, Inc.:			
8.0%, 8/15/2016		35,000	37,231
8.25%, 8/15/2019		25,000	26,750
Sprint Nextel Corp., 8.375%, 8/15/2017		115,000	126,356
Telefonica Emisiones SAU, 6.421%, 6/20/2016		290,000	323,797
Telesat Canada, 11.0%, 11/1/2015		190,000	207,812
Verizon Communications, Inc., 8.95%, 3/1/2039		110,000	155,283
VimpelCom Holdings BV, 144A, 7.504%, 3/1/2022		200,000	200,200
West Corp.:			
144A, 7.875%, 1/15/2019		50,000	48,500
144A, 8.625%, 10/1/2018		15,000	15,150
Windstream Corp.:			
7.0%, 3/15/2019		60,000	60,600
7.5%, 4/1/2023		60,000	60,000
7.75%, 10/15/2020		35,000	36,663
7.875%, 11/1/2017		135,000	143,269

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

	Principal Amount ($) (a)	Value ($)
8.125%, 9/1/2018	70,000	74,200
		5,656,793

Utilities 3.3%

AES Corp.:		
144A, 7.375%, 7/1/2021	100,000	101,500
8.0%, 10/15/2017	10,000	10,600
8.0%, 6/1/2020	175,000	186,375
Calpine Corp.:		
144A, 7.5%, 2/15/2021	80,000	81,600
144A, 7.875%, 7/31/2020	95,000	99,275
Centrais Eletricas Brasileiras SA, 144A, 6.875%, 7/30/2019	145,000	164,212
Edison Mission Energy, 7.0%, 5/15/2017	125,000	101,250
Energy Future Holdings Corp., Series Q, 6.5%, 11/15/2024	205,000	102,500
Energy Future Intermediate Holding Co., LLC, 10.0%, 12/1/2020	25,000	26,661
Ferrellgas LP, 144A, 6.5%, 5/1/2021	20,000	18,900
IPALCO Enterprises, Inc., 144A, 5.0%, 5/1/2018	290,000	283,288
Korea Gas Corp., 144A, 4.25%, 11/2/2020	185,000	175,970
Majapahit Holding BV, 144A, 8.0%, 8/7/2019	290,000	342,925
NRG Energy, Inc.:		
7.375%, 1/15/2017	90,000	94,275
144A, 7.625%, 1/15/2018	35,000	35,087
8.25%, 9/1/2020	45,000	45,900
San Diego Gas & Electric Co., 6.0%, 6/1/2026	180,000	202,633
Suburban Propane Partners LP, 7.375%, 3/15/2020	15,000	15,675
Texas Competitive Electric Holdings Co., LLC, Series A, 10.25%, 11/1/2015	50,000	30,250
Toledo Edison Co., 7.25%, 5/1/2020	230,000	277,144
		2,396,020
Total Corporate Bonds (Cost $48,012,575)		**49,117,253**

Commercial Mortgage-Backed Securities 2.3%

Citigroup Commercial Mortgage Trust, "AMP3", Series 2006-C5, 144A, 5.684%**, 10/15/2049	126,345	113,778
CS First Boston Mortgage Securities Corp., "H", Series 2002-CKP1, 144A, 7.418%**, 12/15/2035	290,000	290,986
Greenwich Capital Commercial Funding Corp., "AM", Series 2007-GG11, 5.867%, 12/10/2049	290,000	265,166
JPMorgan Chase Commercial Mortgage Securities Corp., "A4", Series 2006-LDP7, 6.067%**, 4/15/2045	140,000	155,379
LB-UBS Commercial Mortgage Trust:		
"A3", Series 2006-C7, 5.347%, 11/15/2038	440,000	473,655
"E", Series 2005-C2, 5.522%**, 4/15/2040	300,000	241,489
Wachovia Bank Commercial Mortgage Trust, "A4", Series 2005-C22, 5.44%**, 12/15/2044	140,000	151,739
Total Commercial Mortgage-Backed Securities (Cost $1,679,604)		**1,692,192**

Collateralized Mortgage Obligations 3.5%

Banc of America Mortgage Securities, "2A2", Series 2004-A, 2.848%**, 2/25/2034	174,498	151,931
Bear Stearns Adjustable Rate Mortgage Trust, "2A1", Series 2005-11, 3.301%**, 12/25/2035	243,748	226,662
Citicorp Mortgage Securities, Inc., "1A7", Series 2006-4, 6.0%, 8/25/2036	10,285	10,157
Countrywide Home Loans, "2A5", Series 2004-13, 5.75%, 8/25/2034	171,270	151,361
Federal National Mortgage Association, "BI", Series 2010-13, Interest Only, 5.0%, 12/25/2038	414,574	54,391
Government National Mortgage Association, "XA", Series 2009-118, 5.0%, 12/20/2039	321,571	325,367
JPMorgan Mortgage Trust, "2A1", Series 2006-A2, 5.655%**, 4/25/2036	574,194	500,789
Merrill Lynch Mortgage Investors Trust:		
"2A1A", Series 2005-A9, 2.655%**, 12/25/2035	56,127	55,277
"2A", Series 2003-A6, 3.188%**, 10/25/2033	126,607	119,701
Morgan Stanley Mortgage Loan Trust, "5A5", Series 2005-4, 5.5%, 8/25/2035	115,887	112,371
Vericrest Opportunity Loan Transferee, "M", Series 2010-NPL1, 144A, 6.0%, 5/25/2039	133,115	131,095
Washington Mutual Mortgage Pass-Through Certificates Trust, "1A1", Series 2005-AR12, 2.722%**, 10/25/2035	94,278	88,349
Wells Fargo Mortgage-Backed Securities Trust:		
"2A3",Series 2004-EE, 2.771%**, 12/25/2034	232,125	208,506
"A3", Series 2005-4, 5.0%, 4/25/2035	82,891	82,654
"B1", Series 2004-1, 5.5%, 2/25/2034	292,185	279,592
"A19", Series 2006-11, 6.0%, 9/25/2036	56,537	56,535
Total Collateralized Mortgage Obligations (Cost $2,543,873)		**2,554,738**

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

		Principal Amount ($) (a)	Value ($)
Government & Agency Obligations 10.2%			
Other Government Related (d) 2.0%			
Citibank NA, FDIC Guaranteed, 0.298%**, 5/7/2012		650,000	650,613
International Bank for Reconstruction & Development, 5.25%**, 4/9/2025		290,000	282,750
JPMorgan Chase & Co., Series 3, FDIC Guaranteed, 0.497%**, 12/26/2012		232,000	233,044
NAK Naftogaz Ukraine, 9.5%, 9/30/2014		100,000	110,125
Qatari Diar Finance QSC, 144A, 5.0%, 7/21/2020		150,000	153,750
			1,430,282
Sovereign Bonds 5.4%			
Dominican Republic, 144A, 7.5%, 5/6/2021		100,000	104,000
Federative Republic of Brazil, 12.5%, 1/5/2016	BRL	250,000	188,623
Government of Canada, 4.5%, 6/1/2015	CAD	350,000	395,479
Government of Ukraine, 144A, 7.75%, 9/23/2020		145,000	150,438
MDC-GMTN BV, 144A, 5.5%, 4/20/2021		200,000	200,455
Republic of Argentina:			
Series NY, 8.28%, 12/31/2033		131,728	116,250
Series 1, 8.75%, 6/2/2017		145,000	150,800
Republic of Argentina-Inflation Linked Bond, 5.83%, 12/31/2033	ARS	456	139
Republic of Belarus, REG S, 8.75%, 8/3/2015		145,000	130,500
Republic of Croatia, 144A, 6.375%, 3/24/2021		290,000	301,600
Republic of Greece, 4.5%, 9/20/2037	EUR	1,000,000	614,138
Republic of Lithuania, 144A, 7.375%, 2/11/2020		140,000	162,050
Republic of Peru, 8.75%, 11/21/2033		145,000	197,708
Republic of South Africa, 6.25%, 3/8/2041		250,000	268,125
Republic of Uruguay, 7.625%, 3/21/2036		60,000	75,600
Republic of Venezuela, 7.65%, 4/21/2025		290,000	188,500
Russian Federation, REG S, 7.5%, 3/31/2030		376,184	443,427
Wakala Global Sukuk Bhd., 144A, 4.646%, 7/6/2021 (b)		250,000	249,490
			3,937,322
US Government Sponsored Agency 0.1%			
Federal Home Loan Mortgage Corp., 1.125%, 12/15/2011		100,000	**100,450**
US Treasury Obligations 2.7%			
US Treasury Bills:			
0.01%***, 9/15/2011 (e)		56,000	55,998
0.135%***, 9/15/2011 (e)		143,000	142,994
US Treasury Bonds:			
3.875%, 8/15/2040		55,000	50,359
4.25%, 11/15/2040		115,000	112,412
US Treasury Notes:			
0.875%, 2/29/2012		1,500,000	1,507,260
3.625%, 2/15/2021		125,000	130,342
			1,999,365
Total Government & Agency Obligations (Cost $7,381,814)			**7,467,419**

	Principal Amount ($) (a)	Value ($)
Loan Participations and Assignments 2.8%		
Senior Loans 1.9%**		
Buffets, Inc., Letter of Credit, First Lien, 7.496%, 4/22/2015	12,198	9,788
Charter Communications Operating LLC:		
Replacement Term Loan, 2.19%, 3/6/2014	598	597
Term Loan, 3.5%, 9/6/2016	207,101	206,737
New Term Loan, 7.25%, 3/6/2014	3,106	3,122
Chrysler Group LLC, Term Loan, 6.0%, 5/24/2017	10,000	9,788
Clear Channel Communications, Inc., Term Loan B, 3.836%, 1/28/2016	106,043	90,136
Dunkin' Brands, Inc., Term Loan B, 4.25%, 11/23/2017	69,650	69,678
Ford Motor Co., Term Loan B1, 2.94%, 12/16/2013	79,840	79,905
Hawker Beechcraft Acquisition Co., LLC:		
Term Loan, 2.186%, 3/26/2014	160,140	135,156
Letter of Credit, 2.246%, 3/26/2014	9,903	8,358
Roundy's Supermarkets, Inc., Second Lien Term Loan, 10.0%, 4/18/2016	65,000	65,874
Syniverse Technologies, Inc., Term Loan B, 5.25%, 12/21/2017	49,750	50,061
Tomkins LLC, New Term Loan B, 4.25%, 9/29/2016	520,295	521,210
Tribune Co., Term Loan B, LIBOR plus 3.0%, 6/4/2014*	88,875	60,435
VML US Finance LLC:		
Term Delay Draw B, 4.69%, 5/25/2012	17,934	17,925
Term Loan B, 4.69%, 5/27/2013	31,049	31,033
		1,359,803
Sovereign Loans 0.9%		
Alfa Bank OJSC, 144A, 7.75%, 4/28/2021	200,000	201,760
Gazprom OAO, 144A, 9.25%, 4/23/2019	150,000	187,312
Russian Railways, 5.739%, 4/3/2017	145,000	154,063

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		Principal Amount ($) (a)	Value ($)
VTB Bank OJSC, 144A, 6.875%, 5/29/2018		145,000	155,585
			698,720
Total Loan Participations and Assignments (Cost $2,043,329)			**2,058,523**

Municipal Bonds and Notes 0.4%

Chicago, IL, O'Hare International Airport Revenue, Series B, 6.0%, 1/1/2041		145,000	151,785
Orlando & Orange County, FL, Expressway Authority Revenue, Series C, 5.0%, 7/1/2040		145,000	141,211
Total Municipal Bonds and Notes (Cost $292,404)			**292,996**

Convertible Bonds 2.6%

Consumer Discretionary 0.2%

Group 1 Automotive, Inc., 144A, 3.0%, 3/15/2020		65,000	81,006
Sonic Automotive, Inc., 5.0%, 10/1/2029		25,000	33,000
Virgin Media, Inc., 6.5%, 11/15/2016		17,000	30,409
			144,415

Consumer Staples 0.3%

AEON Co., Ltd., Series 7, 0.3%, 11/22/2013	JPY	2,000,000	28,073
Archer-Daniels-Midland Co., 0.875%, 2/15/2014		50,000	52,750
Molson Coors Brewing Co., 2.5%, 7/30/2013		40,000	43,900
TEM, Series DG, 4.25%, 1/1/2015	EUR	12,500	10,089
Tyson Foods, Inc., 3.25%, 10/15/2013		30,000	38,700
			173,512

Energy 0.0%

China Petroleum & Chemical Corp., Zero Coupon, 4/24/2014	HKD	70,000	**10,322**

Financials 0.9%

Billion Express Investments Ltd., 0.75%, 10/18/2015		100,000	116,950
Boston Properties LP, 144A, 3.625%, 2/15/2014		30,000	33,337
Glory River Holdings Ltd., 1.0%, 7/29/2015	HKD	100,000	13,573
Industrivarden AB, REG S, 1.875%, 2/27/2017	EUR	50,000	71,094
Kloeckner & Co. Financial Services SA, 1.5%, 7/27/2012	EUR	100,000	141,535
Lukoil International Finance BV, 2.625%, 6/16/2015		100,000	116,309
NASDAQ OMX Group, Inc., 2.5%, 8/15/2013		40,000	40,150
ORIX Corp., Series 3, 1.0%, 3/31/2014	JPY	5,000,000	77,724
			610,672

		Principal Amount ($) (a)	Value ($)

Health Care 0.4%

Amgen, Inc., Series B, 0.375%, 2/1/2013		50,000	50,187
Dendreon Corp., 2.875%, 1/15/2016		10,000	10,988
Gilead Sciences, Inc., Series C, 144A, 1.0%, 5/1/2014		50,000	55,625
Medtronic, Inc., Series B, 1.625%, 4/15/2013		50,000	51,125
Mylan, Inc., 1.25%, 3/15/2012		20,000	22,250
Shire PLC, 2.75%, 5/9/2014		100,000	116,600
			306,775

Industrials 0.1%

Asahi Glass Co., Ltd., Zero Coupon, 11/14/2014	JPY	5,000,000	**66,875**

Information Technology 0.5%

Advanced Micro Devices, Inc., 6.0%, 5/1/2015		50,000	50,687
EMC Corp., Series B, 1.75%, 12/1/2013		20,000	35,050
Hitachi Ltd., Series 8, 0.1%, 12/12/2014	JPY	3,000,000	56,363
Intel Corp., 2.95%, 12/15/2035		90,000	93,037
Microsoft Corp., 144A, Zero Coupon, 6/15/2013		60,000	61,350
SanDisk Corp., 1.0%, 5/15/2013		30,000	28,988
Symantec Corp., Series B, 1.0%, 6/15/2013		50,000	60,750
			386,225

Materials 0.0%

Newmont Mining Corp., Series A, 1.25%, 7/15/2014		17,000	**22,143**

Other Government Related (d) 0.2%

Kreditanstalt fuer Wiederaufbau, 3.25%, 6/27/2013	EUR	100,000	**151,613**
Total Convertible Bonds (Cost $1,838,487)			**1,872,552**

Preferred Securities 0.8%

Financials 0.7%

Capital One Capital VI, 8.875%, 5/15/2040		330,000	340,365
USB Capital XIII Trust, 6.625%, 12/15/2039		145,000	149,048
			489,413

Materials 0.1%

Hercules, Inc., 6.5%, 6/30/2029		95,000	**80,275**
Total Preferred Securities (Cost $527,345)			**569,688**

		Units	Value ($)

Other Investments 0.0%

Consumer Discretionary

AOT Bedding Super Holdings LLC* (Cost $4,000)		4	**4,000**

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

	Shares	Value ($)
Common Stocks 0.0%		
Consumer Discretionary 0.0%		
Buffets Restaurants Holdings, Inc.*	2,318	9,272
Dex One Corp.*	540	1,366
SuperMedia, Inc.*	99	371
Trump Entertainment Resorts, Inc.*	6	110
Vertis Holdings, Inc.*	63	1,118
		12,237
Industrials 0.0%		
Congoleum Corp.*	125,000	0
Quad Graphics, Inc.	69	2,681
		2,681
Materials 0.0%		
GEO Specialty Chemicals, Inc.*	2,058	**1,749**
Total Common Stocks (Cost $280,047)		**16,667**
Preferred Stock 0.1%		
Financials		
Ally Financial, Inc., Series G, 144A, 7.0% (Cost $99,895)	110	**103,386**
Warrants 0.0%		
Consumer Discretionary 0.0%		
Reader's Digest Association, Inc., Expiration Date 2/19/2014*	159	**5**
Materials 0.0%		
Hercules Trust II, Expiration Date 3/31/2029*	85	**854**
Total Warrants (Cost $17,432)		**859**

	Principal Amount ($) (a)	Value ($)
Call Options Purchased 0.0%		
Floating Rate — LIBOR, Effective Date 6/28/2011, Expiration Date 9/28/2011, Cap Rate 3.205% (Cost $6,760)	1,494,000	**6,760**
Put Options Purchased 0.0%		
Floating Rate — LIBOR, Effective Date 6/27/2011, Expiration Date 9/17/2011, Cap Rate 3.178% (Cost $6,723)	1,494,000	**6,723**

	Shares	Value ($)
Securities Lending Collateral 0.2%		
Daily Assets Fund Institutional, 0.13% (f) (g) (Cost $127,606)	127,606	**127,606**
Cash Equivalents 9.2%		
Central Cash Management Fund, 0.11% (f) (Cost $6,720,710)	6,720,710	**6,720,710**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $71,582,604)†	99.2	**72,612,072**
Other Assets and Liabilities, Net	0.8	**576,484**
Net Assets	100.0	**73,188,556**

The following table represents bonds and senior loans that are in default:

Securities	Coupon	Maturity Date	Principal Amount ($)		Acquisition Cost ($)	Value ($)
CanWest LP*	9.25%	8/1/2015	50,000	USD	50,000	8,500
Fontainebleau Las Vegas Holdings LLC*	11.0%	6/15/2015	65,000	USD	65,225	33
Hellas Telecommunications Finance SCA*	8.985%	7/15/2015	109,187	EUR	32,169	95
Radnor Holdings Corp.*	11.00%	3/15/2010	25,000	USD	15,888	3
Tribune Co.*	LIBOR plus 3.0%	6/4/2014	88,875	USD	88,819	60,435
Tropicana Entertainment LLC*	9.625%	12/15/2014	150,000	USD	122,979	75
Wolverine Tube, Inc.*	15.0%	3/31/2012	91,631	USD	91,631	44,212
					466,711	**113,353**

* *Non-income producing security. In the case of a bond, generally denotes that the issuer has defaulted on the payment of principal or interest or has filed for bankruptcy.*

** *These securities are shown at their current rate as of June 30, 2011. 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 $71,651,109. At June 30, 2011, net unrealized appreciation for all securities based on tax cost was $960,963. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $2,499,073 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $1,538,110.*

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

(b) *When-issued security.*

(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, 2011 amounted to $122,915, which is 0.2% of net assets.*

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

(d) *Government-backed debt issued by financial companies or government sponsored enterprises.*

(e) *At June 30, 2011, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.*

(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 Fund 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.

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.

LIBOR: London Interbank Offered Rate

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 of 1933.

REIT: Real Estate Investment Trust

At June 30, 2011, open futures contracts purchased were as follows:

Futures	**Currency**	**Expiration Date**	**Contracts**	**Notional Value ($)**	**Unrealized Appreciation/ (Depreciation) ($)**
10 Year Australian Treasury bond	AUD	9/15/2011	4	455,006	(1,031)
10 Year Canadian Government Bond	CAD	9/21/2011	7	899,922	(6,532)
10 Year Japanese Government Bond	JPY	9/8/2011	3	5,255,823	2,609
2 Year US Treasury Note	USD	9/30/2011	12	2,632,125	6,187
Federal Republic of Germany Euro-Bobl	EUR	9/8/2011	7	1,183,409	2,842
United Kingdom Long Gilt Bond	GBP	9/28/2011	17	3,278,193	3,631
Total net unrealized appreciation					**7,706**

At June 30, 2011, open futures contracts sold were as follows:

Futures	**Currency**	**Expiration Date**	**Contracts**	**Notional Value ($)**	**Unrealized Appreciation/ (Depreciation) ($)**
10 Year US Treasury Note	USD	9/21/2011	64	7,829,000	50,652
Federal Republic of Germany Euro-Bund	EUR	9/8/2011	7	1,273,753	(3,756)
Federal Republic of Germany Euro-Schatz	EUR	9/8/2011	49	7,642,571	(13,856)
Total net unrealized appreciation					**33,040**

At June 30, 2011, open credit default swap contracts sold were as follows:

Effective/ Expiration Date	**Notional Amount ($) (i)**	**Fixed Cash Flows Received**	**Underlying Debt Obligation/Quality Rating (h)**	**Value ($)**	**Upfront Payments Paid/ (Received) ($)**	**Unrealized Appreciation/ (Depreciation) ($)**
3/21/2011 6/20/2016	120,000[1]	5.0%	Ally Financial Corp., 8.3%, 02/12/2015, B+	8,019	6,822	1,197
9/21/2009 12/20/2014	290,000[2]	1.0%	Berkshire Hathaway Finance Corp., 4.625%, 10/15/2013, AA	2,384	(7,340)	9,724
3/21/2011 6/20/2016	120,000[2]	5.0%	HCA, Inc., 6.375%, 1/15/2015, B–	5,679	4,468	1,211
6/21/2010 9/20/2013	70,000[3]	5.0%	Ford Motor Co., 6.5%, 8/1/2018, B+	6,257	858	5,399
6/21/2010 9/20/2015	90,000[4]	5.0%	Ford Motor Co., 6.5%, 8/1/2018, B+	9,798	(1,605)	11,403
12/20/2010 3/20/2016	290,000[5]	1.0%	Freeport-McMoRan Copper & Gold, Inc., 8.375%, 4/1/2017, BBB–	(3,915)	(127)	(3,788)
Total net unrealized appreciation						**25,146**

(h) *The quality ratings represent the lower of Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Corporation ("S&P") credit ratings and are unaudited.*

(i) *The maximum potential amount of future undiscounted payments that the Fund 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 Fund for the same referenced debt obligation.*

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

At June 30, 2011, open interest rate swaps contracts were as follows:

Effective/ Expiration Date	Notional Amount ($)	Cash Flows Paid by the Fund	Cash Flows Received by the Fund	Value ($)	Upfront Payments Paid/ (Received) ($)	Unrealized Appreciation/ (Depreciation) ($)
4/13/2012 4/13/2016	1,500,000[6]	Floating — LIBOR	Fixed — 3.04%	45,889	135	45,754
6/23/2012 6/23/2022	2,000,000[6]	Fixed — 3.6%	Floating — LIBOR	23,696	(4,222)	27,918
10/28/2010 10/28/2025	140,000[5]	Floating — LIBOR	Floating — 4.154%††	(5,443)	—	(5,443)
11/1/2010 11/1/2025	240,000[7]	Floating — LIBOR	Floating — 4.123%††	(16,189)	—	(16,189)
11/12/2010 11/12/2025	280,000[5]	Floating — LIBOR	Floating — 4.264%††	(10,507)	—	(10,507)
11/15/2010 11/15/2025	280,000[7]	Floating — LIBOR	Floating — 4.56%††	(17,356)	—	(17,356)
11/16/2010 11/16/2025	140,000[5]	Floating — LIBOR	Floating — 4.56%††	(4,058)	—	(4,058)
11/19/2010 11/19/2025	140,000[7]	Floating — LIBOR	Floating — 5.072%††	(8,062)	—	(8,062)
11/23/2010 11/23/2025	70,000[5]	Floating — LIBOR	Floating — 4.808%††	(1,633)	—	(1,633)
Total net unrealized appreciation						**10,424**

†† These interest rate swaps are shown at their current rate as of June 30, 2011.

At June 30, 2011, open total return swap contracts were as follows:

Effective/ Expiration Date	Notional Amount ($)	Fixed Cash Flows Paid	Reference Entity	Value ($)	Upfront Payments Paid/ (Received) ($)	Unrealized Depreciation ($)
4/26/2011 4/26/2012	1,100,000[6]	.07%	BNP Paribas BPSTAR Enhanced Momentum Index	(236)	—	(236)
5/28/2010 6/1/2012	2,800,000[3]	.45%	Global Interest Rate Strategy Index	(19,724)	—	(19,724)
Total unrealized depreciation						**(19,960)**

Counterparties:

1 *The Goldman Sachs & Co.*
2 *JPMorgan Chase Securities, Inc.*
3 *Citigroup, Inc.*
4 *Bank of America NA*
5 *Morgan Stanley*
6 *BNP Paribas*
7 *Barclays Bank PLC*

At June 30, 2011, the Fund had the following open forward foreign currency exchange contracts:

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation ($)	Counterparty
USD	230,476	EUR	160,000	7/11/2011	1,474	JPMorgan Chase Securities, Inc.
USD	112,998	EUR	79,800	7/11/2011	2,687	Citigroup, Inc.
USD	2,155,617	SEK	13,850,000	7/19/2011	31,561	UBS AG
USD	2,070,374	AUD	1,950,000	7/19/2011	15,906	UBS AG
USD	627,854	EUR	440,000	7/19/2011	9,864	UBS AG
USD	670,574	NZD	830,000	7/19/2011	16,171	UBS AG
USD	81,595	CAD	80,000	7/19/2011	1,313	UBS AG
JPY	30,000,000	USD	374,768	7/21/2011	2,739	UBS AG
USD	285,195	EUR	200,000	8/15/2011	4,941	BNP Paribas
EUR	1,000,000	USD	1,459,200	8/15/2011	8,518	Nomura International PLC
GBP	1,075,000	USD	1,758,978	8/15/2011	32,543	Credit Suisse
Total unrealized appreciation					**127,717**	

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

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Depreciation ($)	Counterparty
EUR	346,000	USD	498,283	7/11/2011	(3,310)	Citigroup, Inc.
EUR	400,000	USD	571,096	7/19/2011	(9,620)	State Street Bank & Trust Co.
USD	1,083,375	GBP	670,000	7/19/2011	(8,317)	UBS AG
USD	146,712	JPY	11,780,000	7/19/2011	(372)	UBS AG
NOK	2,970,000	USD	538,312	7/19/2011	(11,522)	UBS AG
AUD	1,000,000	USD	1,057,664	7/19/2011	(12,223)	UBS AG
CHF	2,750,000	USD	3,234,868	7/19/2011	(36,391)	UBS AG
EUR	460,000	USD	655,593	7/19/2011	(11,111)	UBS AG
CAD	1,300,000	USD	1,335,573	7/19/2011	(11,682)	UBS AG
NZD	2,250,000	USD	1,824,593	7/19/2011	(37,065)	UBS AG
JPY	39,940,000	USD	494,353	7/19/2011	(1,812)	UBS AG
EUR	200,000	USD	287,459	8/15/2011	(2,678)	BNP Paribas
CAD	236,000	USD	240,733	8/15/2011	(3,767)	BNP Paribas
Total unrealized depreciation					**(149,870)**	

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 Fund's policy and additional disclosures regarding options purchased, futures contracts, credit default swap contracts, interest rate swap contracts, total return swap contracts and forward foreign currency exchange contracts, please refer to Note B in the accompanying Notes to Financial Statements.

Fair Value Measurements

Various inputs are used in determining the value of the Fund'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 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, 2011 in valuing the Fund's investments. For information on the Fund'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 (j)				
Corporate Bonds	$ —	$ 48,853,526	$ 263,727	$ 49,117,253
Commercial Mortgage-Backed Securities	—	1,692,192	—	1,692,192
Collateralized Mortgage Obligations	—	2,554,738	—	2,554,738
Government & Agency Obligations	—	7,184,669	282,750	7,467,419
Loan Participations and Assignments	—	2,058,523	—	2,058,523
Municipal Bonds and Notes	—	292,996	—	292,996
Convertible Bonds	—	1,872,552	—	1,872,552
Preferred Securities	—	569,688	—	569,688
Common Stocks (j)	13,690	—	2,977	16,667
Preferred Stock	—	103,386	—	103,386
Warrants (j)	—	—	859	859
Other Investments	—	—	4,000	4,000
Short-Term Investments (j)	6,848,316	—	—	6,848,316
Derivatives (k)	65,921	230,323	13,483	309,727
Total	**$ 6,927,927**	**$ 65,412,593**	**$ 567,796**	**$ 72,908,316**
Liabilities				
Derivatives (k)	$ (25,175)	$ (236,866)	$ —	$ (262,041)
Total	**$ (25,175)**	**$ (236,866)**	**$ —**	**$ (262,041)**

There have been no transfers between Level 1 and Level 2 fair value measurements during the period ended June 30, 2011.

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

(k) *Derivatives include value of options purchased, unrealized appreciation (depreciation) on futures contracts, credit default swap contracts, interest rate swap contracts, total return swap 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 Fund's Level 3 investments for which significant unobservable inputs were used in determining value:

	Corporate Bonds	Government & Agency Obligations	Common Stocks	Warrants	Call Options Purchased	Put Options Purchased	Other Investments	Total	Written Options
Balance as of December 31, 2010	$ 543,619	$ 284,461	$ 1,858	$ 972	$ 467	$ —	$ 4,000	**$ 835,377**	$ (35,163)
Total realized gain (loss)	(229,279)	—	—	—	(53,970)	—	—	**(283,249)**	(9,135)
Change in unrealized appreciation (depreciation)	240,022	(1,711)	538	(113)	53,993	0	0	**292,729**	4,423
Amortization premium/discount	4,365	—	—	—	—	—	—	**4,365**	—
Purchases	274,920	—	581	—	61,220	6,723	—	**343,444**	70,615
(Sales)	(569,920)	—	—	—	(54,950)	—	—	**(624,870)**	(30,740)
Transfers into Level 3	—	—	—	—	—	—	—	**—**	—
Transfers (out) of Level 3	—	—	—	—	—	—	—	**—**	—
Balance as of June 30, 2011	**$ 263,727**	**$ 282,750**	**$ 2,977**	**$ 859**	**$ 6,760**	**$ 6,723**	**$ 4,000**	**$ 567,796**	**$ —**
Net change in unrealized appreciation (depreciation) from investments still held as of June 30, 2011	**$ 14,478**	**$ (1,711)**	**$ 538**	**$ (113)**	**$ 0**	**$ 0**	**$ 0**	**$ 13,192**	**$ —**

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, 2011 (Unaudited)

Assets		
Investments:		
Investments in non-affiliated securities, at value (cost $64,734,288) — including $122,915 of securities loaned	$	65,763,756
Investment in Daily Assets Fund Institutional (cost $127,606)*		127,606
Investment in Central Cash Management Fund (cost $6,720,710)		6,720,710
Total investments in securities, at value (cost $71,582,604)		72,612,072
Cash		57,504
Foreign currency, at value (cost $130,708)		132,842
Deposit with broker for futures contracts		272,434
Receivable for investments sold		521,456
Receivable for Fund shares sold		65,761
Interest receivable		1,069,740
Unrealized appreciation on swap contracts		102,606
Unrealized appreciation on forward foreign currency exchange contracts		127,717
Upfront payments paid on swap contracts		12,283
Foreign taxes recoverable		1,591
Other assets		472
Total assets		74,976,478

Liabilities		
Payable upon return of securities loaned		127,606
Payable for investments purchased		952,633
Payable for investments purchased — when-issued securities		305,000
Payable for Fund shares redeemed		8,862
Payable for daily variation margin on open futures contracts		62,154
Unrealized depreciation on swap contracts		86,996
Unrealized depreciation on forward foreign currency exchange contracts		149,870
Upfront payments received on swap contracts		13,294
Accrued management fee		12,747
Other accrued expenses and payables		68,760
Total liabilities		1,787,922
Net assets, at value	**$**	**73,188,556**

Net Assets Consist of		
Undistributed net investment income		2,047,660
Net unrealized appreciation (depreciation) on:		
Investments		1,029,468
Swap contracts		15,610
Futures		40,746
Foreign currency		(6,171)
Accumulated net realized gain (loss)		(191,536)
Paid-in capital		70,252,779
Net assets, at value	**$**	**73,188,556**
Class A		
Net Asset Value, offering and redemption price per share ($73,188,556 ÷ 6,300,090 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**11.62**

* *Represents collateral of securities loaned.*

Statement of Operations

for the six months ended June 30, 2011 (Unaudited)

Investment Income		
Income:		
Interest (net of foreign taxes withheld of $1,100)	$	2,346,218
Dividends		3,885
Income distributions — Central Cash Management Fund		3,896
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		233
Total income		2,354,232
Expenses:		
Management fee		202,097
Administration fee		36,745
Services to shareholders		618
Custodian fee		32,345
Audit and tax fees		32,500
Legal fees		7,196
Reports to shareholders		9,682
Trustees' fees and expenses		2,586
Other		22,796
Total expenses before expense reductions		346,565
Expense reductions		(56,527)
Total expenses after expense reductions		290,038
Net investment income (loss)		**2,064,194**

Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		1,289,353
Swap contracts		(110,227)
Futures		127,344
Written options		(9,135)
Foreign currency		(544,033)
		753,302
Change in net unrealized appreciation (depreciation) on:		
Investments		(1,136,978)
Swap contracts		270,344
Futures		136,046
Written options		4,423
Foreign currency		(15,095)
		(741,260)
Net gain (loss)		**12,042**
Net increase (decrease) in net assets resulting from operations	**$**	**2,076,236**

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, 2011 (Unaudited)	Year Ended December 31, 2010
Operations:		
Net investment income	$ 2,064,194	$ 4,195,261
Net realized gain (loss)	753,302	2,382,740
Change in net unrealized appreciation (depreciation)	(741,260)	522,516
Net increase (decrease) in net assets resulting from operations	2,076,236	7,100,517
Distributions to shareholders from:		
Net investment income:		
Class A	(4,074,552)	(4,806,010)
Fund share transactions:		
Class A		
Proceeds from shares sold	3,807,805	11,245,997
Reinvestment of distributions	4,074,552	4,806,010
Payments for shares redeemed	(8,402,339)	(16,514,815)
Net increase (decrease) in net assets from Class A share transactions	(519,982)	(462,808)
Increase (decrease) in net assets	(2,518,298)	1,831,699
Net assets at beginning of period	75,706,854	73,875,155
Net assets at end of period (including undistributed net investment income of $2,047,660 and $4,058,018, respectively)	**$ 73,188,556**	**$ 75,706,854**

Other Information		
Class A		
Shares outstanding at beginning of period	6,329,747	6,362,456
Shares sold	320,957	957,272
Shares issued to shareholders in reinvestment of distributions	348,849	420,473
Shares redeemed	(699,463)	(1,410,454)
Net increase (decrease) in Class A shares	(29,657)	(32,709)
Shares outstanding at end of period	**6,300,090**	**6,329,747**

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

Financial Highlights

Class A	Six Months Ended 6/30/11 (Unaudited)	2010	Years Ended December 31, 2009	2008	2007	2006
Selected Per Share Data						
Net asset value, beginning of period	**$11.96**	**$11.61**	**$10.03**	**$11.70**	**$11.80**	**$11.50**
Income (loss) from investment operations:						
Net investment income[a]	.33	.66	.63	.55	.63	.62
Net realized and unrealized gain (loss)	.01	.47	1.50	(1.38)	(.01)	.36
Total from investment operations	.34	1.13	2.13	(.83)	.62	.98
Less distributions from:						
Net investment income	(.68)	(.78)	(.55)	(.69)	(.72)	(.57)
Net realized gains	—	—	—	(.15)	—	(.11)
Total distributions	(.68)	(.78)	(.55)	(.84)	(.72)	(.68)
Net asset value, end of period	**$11.62**	**$11.96**	**$11.61**	**$10.03**	**$11.70**	**$11.80**
Total Return (%)	2.83[b]**	10.05[b]	22.73[b]	(7.75)[b]	5.43[b]	8.98
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	73	76	74	73	100	86
Ratio of expenses before expense reductions (%)	.94*	.95	.86	.89	.84	.85
Ratio of expenses after expense reductions (%)	.79*	.86	.80	.87	.83	.85
Ratio of net investment income (%)	5.62*	5.62	5.96	5.06	5.50	5.47
Portfolio turnover rate (%)	97**	167	370	234	147	143

a *Based on average shares outstanding during the period.*

b *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 Strategic Income VIP (the "Fund") is a diversified series of DWS Variable Series II (the "Trust"), which 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 Fund'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 Fund 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 Fund'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 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.

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.

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 categorized 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.

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

Forward currency contracts are valued at the prevailing forward exchange rate of the underlying currencies and are categorized as Level 2.

Swap 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. Swap contracts are generally categorized 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 categorized as Level 1. Over-the-counter written or purchased options are valued based upon a price provided by the broker-dealer with which the option, was traded and are generally categorized as Level 3.

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 Fund'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 Fund's Investment Portfolio.

Foreign Currency Translations. The books and records of the Fund 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 acquisition and disposition of 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 Fund lends securities to certain financial institutions. The Fund 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 Fund requires the borrowers of the securities to maintain collateral with the Fund 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 Fund 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 Fund 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 Fund 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 Fund 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 Fund invests 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 Fund 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 Fund 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 Fund having a contractual relationship only with the Lender, not with the borrower. The Fund 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 Fund 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 Fund will not benefit directly from any collateral supporting the Loan in which it has purchased the Participation. As a result, the Fund assumes the credit risk of both the borrower and the Lender that is selling the Participation. Assignments typically result in the Fund having a direct contractual relationship with the borrower, and the Fund 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 Fund may purchase or sell securities with delivery or payment to occur at a later date beyond the normal settlement period. At the time the Fund enters into a commitment to purchase or sell a security, the transaction is recorded and the value of the transaction 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. At the time the Fund 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 transactions from the potential inability of counterparties to meet the terms of their contracts or if the issuer does not issue the securities due to political, economic, or other factors. Additionally, losses may arise due to changes in the value of the underlying securities.

Federal Income Taxes. The Fund'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 Fund's understanding of the tax rules and rates related to income, gains and transactions for the foreign jurisdictions in which it invests, the Fund will provide for foreign taxes, and where appropriate, deferred foreign taxes.

At December 31, 2010, the Fund had a net tax basis capital loss carryforward of approximately $543,000, 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.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the "Act") was enacted. Under the Act, net capital losses may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses. As a result of this ordering rule, pre-enactment capital loss carryforwards may expire unused, whereas under the previous rules these losses may have been utilized. This change is effective for fiscal years beginning after the date of enactment.

The Fund has reviewed the tax positions for the open tax years as of December 31, 2010 and has determined that no provision for income tax is required in the Fund's financial statements. The Fund'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 Fund, if any, are made annually. Net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to the Fund if not distributed and, therefore, will be distributed to shareholders at least annually. The Fund 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, forward currency contracts, futures contracts, swap 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 Fund may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Fund.

The tax character of current year distributions will be determined at the end of the current fiscal year.

Expenses. Expenses of the Trust arising in connection with a specific fund are allocated to that fund. Other Trust expenses which cannot be directly attributed to a fund are apportioned among the funds in the Trust.

Contingencies. In the normal course of business, the Fund may enter into contracts with service providers that contain general 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 been made. However, based on experience, the Fund 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 and may include proceeds from litigation. All discounts and premiums are accreted/amortized for both tax and financial reporting purposes for the Fund, with the exception of securities in default of principal.

B. Derivative Instruments

Interest Rate Swap Contracts. The value of the Fund's underlying bond investments is subject to interest rate risk. As interest rates increase, the value of the Fund's fixed rate bonds may fall. The longer the duration of the Fund's securities, the more sensitive the Fund will be to interest rate changes. For the six months ended June 30, 2011, the Fund entered 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 Fund 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 Fund a variable rate payment, or the Fund agrees to receive from the counterparty a fixed rate payment in exchange for the counterparty agreeing to receive from the Fund 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 Fund, in addition to any related collateral posted to the counterparty by the Fund. This risk may be partially reduced by a master netting arrangement between the Fund and the counterparty. The value of the swap is adjusted daily and the change in value, if any, is recorded as unrealized appreciation or depreciation in the Statement of Assets and Liabilities. An upfront payment, if any, made by the Fund is recorded as an asset in the Statement of Assets and Liabilities. An upfront payment, if any, received by the Fund is recorded as a liability in the Statement of Assets and Liabilities. Payments received or made at the end of the measurement period are recorded as realized gain or loss in the Statement of Operations.

A summary of the open interest rate swap contracts as of June 30, 2011 is included in a table following the Fund's Investment Portfolio. For the six months ended June 30, 2011, the investment in interest rate swap contracts had a total notional amount generally indicative of a range from approximately $2,540,000 to $4,790,000.

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. For the six months ended June 30, 2011, the Fund sold 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 Fund securities. As a seller in the credit default swap contract, the Fund 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 Fund. In return, the Fund 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 Fund keeps the stream of payments with no payment obligations. The Fund 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 Fund 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 Fund with the occurrence of a credit event. When the Fund 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 Fund.

The value of the credit default swap is adjusted daily and the change in value, if any, is recorded daily as unrealized appreciation or depreciation in the Statement of Assets and Liabilities. An upfront payment, if any, made by the Fund is recorded as an asset in the Statement of Assets and Liabilities. An upfront payment, if any, received by the Fund is recorded as a liability in the Statement of Assets and Liabilities. Under the terms of the credit default swap contracts, the Fund 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 in 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 in the Statement of Operations.

A summary of the open credit default swap contracts as of June 30, 2011 is included in a table following the Fund's Investment Portfolio. For the six months ended June 30, 2011, the investment in credit default swap contracts sold had a total notional value generally indicative of a range from approximately $740,000 to $2,370,000.

Total Return Swap Contracts. Total return swaps involve commitments to pay interest in exchange for a market-linked return based on a notional amount. For the six months ended June 30, 2011, the Fund entered into total return swap transactions to enhance potential gain. 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 Fund 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. The value of the swap is adjusted daily and the change in value, if any, is recorded as unrealized appreciation or depreciation in the Statement of Assets and Liabilities. An upfront payment, if any, made by the Fund is recorded as an asset in the Statement of Assets and Liabilities. An upfront payment, if any, received by the Fund 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 in the Statement of Operations.

A summary of the open total return swap contracts as of June 30, 2011 is included in a table following the Fund's Investment Portfolio. For the six months ended June 30, 2011, the investment in total return swap contracts had a total notional amount generally indicative of a range from approximately $2,800,000 to $3,900,000.

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 Fund 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. For the six months ended June 30, 2011, the Fund entered into purchased option contracts on interest rates in order to hedge portfolio assets against potential adverse interest rate movements.

The liability representing the Fund'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 Fund writes a covered call option, the Fund 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 Fund 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 Fund'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 Fund'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 written option contracts as of June 30, 2011. A summary of the open purchased option contracts as of June 30, 2011 is included in the Fund's Investment Portfolio. For the six months ended June 30, 2011, the Fund's investment in purchased option contracts had a total value generally indicative of a range from $0 to approximately $13,000.

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). For the six months ended June 30, 2011, the Fund entered into interest rate futures to gain exposure to different parts of the yield curve while managing overall duration. In addition, the Fund seeks to enhance returns by employing a global tactical asset allocation overlay strategy. The Fund enters into futures contracts on fixed-income securities, including on financial indices and security indices, as part of its global tactical asset allocation overlay strategy. For the six months ended June 30, 2011, as part of this strategy, the Fund used futures contracts to attempt to take advantage of short-term and medium-term inefficiencies within the global equity and bond markets.

Futures contracts are valued at the most recent settlement price. Upon entering into a futures contract, the Fund 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 Fund dependent upon the daily fluctuations in the value and are recorded for financial reporting purposes as unrealized gains or losses by the Fund. 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 Fund's ability to close out a futures contract prior to the settlement date and the risk that the futures contract is not well correlated with the security, index or currency to which it relates. Risk of loss may exceed amounts recognized in the Statement of Assets and Liabilities.

A summary of the open futures contracts as of June 30, 2011, is included in a table following the Fund's Investment Portfolio. For the six months ended June 30, 2011, the investment in futures contracts purchased had a total notional value generally indicative of a range from approximately $13,704,000 to $32,102,000, and the investment in futures contracts sold had a total notional value generally indicative of a range from approximately $10,173,000 to $21,385,000.

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. For the six months ended June 30, 2011, the Fund entered 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. In addition, the Fund seeks to enhance returns by employing a global tactical asset allocation overlay strategy. For the six months ended June 30, 2011, as part of this strategy, the Fund used forward currency contracts to gain exposure to changes in the value of foreign currencies to attempt to take advantage of inefficiencies within the currency markets.

Forward currency contracts are valued at the prevailing forward exchange rate of the underlying currencies and unrealized gain (loss) is recorded daily. On the settlement date of the forward currency contract, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value of the contract at the time it was closed. 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 Fund is measured by the unrealized gain on appreciated contracts. Additionally, when utilizing forward currency contracts to hedge, the Fund 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, 2011, is included in a table following the Fund's Investment Portfolio. For the six months ended June 30, 2011, the investment in forward currency contracts short vs. US dollars had a total contract value generally indicative of a range from approximately $13,330,000 to

$14,346,000, and the investment in forward currency contracts long vs. US dollars had a total contract value generally indicative of a range from approximately $7,465,000 to $11,548,000.

The following tables summarize the value of the Fund's derivative instruments held as of June 30, 2011 and the related location in the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

Asset Derivatives	**Purchased Options**	**Forward Contracts**	**Swap Contracts**	**Futures Contracts**	**Total**
Interest Rate Contracts (a) (b)	$ 13,483	$ —	$ 73,672	$ 65,921	$ 153,076
Credit Contracts (b)	—	—	28,934	—	28,934
Foreign Exchange Contracts (c)	—	127,717	—	—	127,717
	$ 13,483	**$ 127,717**	**$ 102,606**	**$ 65,921**	**$ 309,727**

Each of the above derivatives is located in the following Statement of Assets and Liabilities accounts:

(a) *Includes cumulative appreciation of futures contracts as disclosed in the Investment Portfolio. Unsettled variation margin is disclosed separately within the Statement of Assets and Liabilities.*

(b) *Investments in securities, at value (includes purchased options) and unrealized appreciation on swap contracts*

(c) *Unrealized appreciation on forward foreign currency exchange contracts*

Liability Derivatives	**Forward Contracts**	**Swap Contracts**	**Futures Contracts**	**Total**
Interest Rate Contracts (a) (b)	$ —	$ (83,208)	$ (25,175)	$ (108,383)
Credit Contracts (b)	—	(3,788)	—	(3,788)
Foreign Exchange Contracts (c)	(149,870)	—	—	(149,870)
	$ (149,870)	**$ (86,996)**	**$ (25,175)**	**$ (262,041)**

Each of the above derivatives is located in the following Statement of Assets and Liabilities accounts:

(a) *Includes cumulative depreciation of futures contracts as disclosed in the Investment Portfolio. Unsettled variation margin is disclosed separately within the Statement of Assets and Liabilities.*

(b) *Unrealized depreciation on swap contracts*

(c) *Unrealized depreciation on forward foreign currency exchange contracts*

Additionally, the amount of unrealized and realized gains and losses on derivative instruments recognized in Fund earnings during the six months ended June 30, 2011 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**	**Forward Contracts**	**Swap Contracts**	**Futures Contracts**	**Total**
Equity Contracts (a)	$ —	$ —	$ —	$ —	$ 28,637	$ 28,637
Interest Rate Contracts (a)	(53,970)	(9,135)	—	(111,648)	98,707	(76,046)
Credit Contracts (a)	—	—	—	1,421	—	1,421
Foreign Exchange Contracts (b)	—	—	(517,128)	—	—	(517,128)
	$ (53,970)	**$ (9,135)**	**$ (517,128)**	**$ (110,227)**	**$ 127,344**	**$ (563,116)**

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*

(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)	$ —	$ —	$ —	$ —	$ (31,298)	$ (31,298)
Interest Rate Contracts (a)	53,993	4,423	—	242,486	167,344	468,246
Credit contracts (a)	—	—	—	27,858	—	27,858
Foreign Exchange Contracts (b)	—	—	(18,822)	—	—	(18,822)
	$ 53,993	**$ 4,423**	**$ (18,822)**	**$ 270,344**	**$ 136,046**	**$ 445,984**

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)*

C. Purchases and Sales of Securities

During the six months ended June 30, 2011, purchases and sales of investment transactions (excluding short-term investments and US Treasury obligations) aggregated $61,616,899 and $67,254,088, respectively. Purchases and sales of US Treasury obligations aggregated $5,461,107 and $8,433,177, respectively.

For the six months ended June 30, 2011, transactions for written options on interest rate swaps were as follows:

	Contract Amount	Premiums
Outstanding, beginning of period	29,000,000	$ 30,740
Options written	29,000,000	30,740
Options closed	(58,000,000)	(61,480)
Outstanding, end of period	—	$ —

D. 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 Fund 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 Fund or delegates such responsibility to the Fund's subadvisor.

QS Investors, LLC ("QS Investors") serves as subadvisor to the Fund. As subadvisor to the Fund, QS Investors manages the assets attributable only to the Fund's global tactical asset allocation overlay strategy. QS Investors is paid by the Advisor for the services QS Investors provides to the Fund.

Pursuant to the Investment Management Agreement with the Advisor, the Fund pays a monthly management fee based on the Fund's average daily net assets, computed and accrued daily and payable monthly, at the following annual rates:

$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%

For the period from January 1, 2011 through September 30, 2011, 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) at 0.78%.

Accordingly, for the six months ended June 30, 2011, the Advisor waived a portion of its management fee pursuant to the Investment Management Agreement aggregating $56,473, and the amount charged aggregated $145,624, which was equivalent to an annualized effective rate of 0.40% of the Fund's average daily net assets.

Administration Fee. Pursuant to an Administrative Services Agreement, DIMA provides most administrative services to the Fund. For all services provided under the Administrative Services Agreement, the Fund pays DIMA an annual fee ("Administration Fee") of 0.10% of the Fund's average daily net assets, computed and accrued daily and payable monthly. For the six months ended June 30, 2011, the Administration Fee was $36,745, of which $6,008 is unpaid.

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 Fund. 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 Fund. For the six months ended June 30, 2011, the amounts charged to the Fund by DISC aggregated $54, all of which was waived.

Typesetting and Filing Service Fees. Under an agreement with DIMA, DIMA is compensated for providing typesetting and certain regulatory filing services to the Fund. For the six months ended June 30, 2011, the amount charged to the Fund by DIMA included in the Statement of Operations under "reports to shareholders" aggregated $5,513, of which $1,982 is unpaid.

Trustees' Fees and Expenses. The Fund 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 Vehicle. The Fund may invest uninvested cash balances in Central Cash Management Fund, which is managed by the Advisor. The Fund indirectly bears its proportionate share of the expenses of Central Cash Management Fund. 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.

E. Investing in High-Yield Securities

The Fund'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 Fund may invest in securities not paying current interest or in securities already in default, these risks may be more pronounced.

F. 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.

G. Ownership of the Fund

At June 30, 2011, two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Fund, each owning 59% and 39%.

H. Line of Credit

The Fund and other affiliated funds (the "Participants") share in a $450 million revolving credit facility provided by a syndication of banks. The Fund may borrow for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated based on net assets, among each of the Participants. Interest is calculated at 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 Fund may borrow up to a maximum of 33 percent of its net assets under the agreement. The Fund had no outstanding loans at June 30, 2011.

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) 728-3337.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 3, 2010

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 2010, 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, 2008, and 2009.

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 have served 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 118 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 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

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This report must be preceded or accompanied by the current prospectus. Read it carefully before investing.

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