Annual report to contract holders for the year ended December 31, 2005

ANNUAL REPORT

FOR CONTRACT HOLDERS OF SCUDDER DESTINATIONS℠

AIM Variable Insurance Funds

The Alger American Fund

Credit Suisse Trust

Dreyfus Investment Portfolios

The Dreyfus Socially Responsible Growth Fund, Inc.

DWS Investments VIT Funds
(formerly Scudder Investments VIT Funds)

DWS Variable Series I
(formerly Scudder Variable Series I)

DWS Variable Series II
(formerly Scudder Variable Series II)

ONE GLOBAL FORCE. ONE FOCUS. YOU.

DWS SCUDDER
Deutsche Bank Group

PROSPECTUS SUPPLEMENTS

This section includes supplements to your current prospectus.

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

(Prospectus supplements are not part of this report.)

Scudder Variable Series I

- Bond Portfolio
- Capital Growth Portfolio
- Global Discovery Portfolio
- Growth and Income Portfolio
- Health Sciences Portfolio
- International Portfolio
- Money Market Portfolio

Scudder Variable Series II

- Scudder Blue Chip Portfolio
- Scudder Conservative Income Strategy Portfolio
- Scudder Fixed Income Portfolio
- Scudder Global Blue Chip Portfolio
- Scudder Government & Agency Securities Portfolio
- Scudder Growth & Income Strategy Portfolio
- Scudder Growth Strategy Portfolio
- Scudder High Income Portfolio
- Scudder Income & Growth Strategy Portfolio
- Scudder International Select Equity Portfolio
- Scudder Large Cap Value Portfolio
- Scudder Mercury Large Cap Core Portfolio
- Scudder Mid Cap Growth Portfolio
- Scudder Money Market Portfolio
- Scudder Salomon Aggressive Growth Portfolio
- Scudder Small Cap Growth Portfolio
- Scudder Strategic Income Portfolio
- Scudder Technology Growth Portfolio
- Scudder Templeton Foreign Value Portfolio
- Scudder Total Return Portfolio
- SVS Davis Venture Value Portfolio
- SVS Dreman Financial Services Portfolio
- SVS Dreman High Return Equity Portfolio
- SVS Dreman Small Cap Value Portfolio
- SVS Janus Growth And Income Portfolio
- SVS Janus Growth Opportunities Portfolio
- SVS MFS Strategic Value Portfolio
- SVS Oak Strategic Equity Portfolio
- SVS Turner Mid Cap Growth Portfolio

Scudder Investments VIT Funds

- Scudder Real Estate Securities Portfolio
- Scudder VIT Small Cap Index Fund
- Scudder VIT Equity 500 Index Fund

Market Timing Related Regulatory and Litigation Matters

Since at least July 2003, federal, state and industry regulators have been conducting ongoing inquiries and investigations ("inquiries") into the mutual fund industry, and have requested information from numerous mutual fund companies, including Scudder Investments. The Funds' advisors have been cooperating in connection with these inquiries and are in discussions with the regulators concerning proposed settlements. Publicity about mutual fund practices arising from these industry-wide inquiries serves as the general basis of a number of private lawsuits against the Scudder Funds. These lawsuits, which previously have been reported in the press, involve purported class action and derivative lawsuits, making various allegations and naming as defendants various persons, including certain Scudder funds, the Funds' investment advisors and their affiliates, and certain individuals, including in some cases Fund Trustees/Directors, officers, and other parties. Each Scudder Fund's investment advisor has agreed to indemnify the applicable Scudder Funds in connection with these lawsuits, or other lawsuits or regulatory actions that may be filed making allegations similar to these lawsuits regarding market timing, revenue sharing, fund valuation or other subjects arising from or related to the pending inquiries. It is not possible to determine with certainty what the outcome of these inquiries will be or what the effect, if any, would be on the Funds or their advisors.

With respect to the lawsuits, based on currently available information, the Funds' investment advisors believe the likelihood that the pending lawsuits will have a material adverse financial impact on a Scudder fund is remote and such actions are not likely to materially affect their ability to perform under their investment management agreements with the Scudder Funds.

With respect to the regulatory matters, Deutsche Asset Management ("DeAM") has advised the Funds as follows:

> DeAM expects to reach final agreements with regulators early in 2006 regarding allegations of improper trading in the Scudder Funds. DeAM expects that it will reach settlement agreements with the Securities and Exchange Commission (the "SEC"), the New York Attorney General and the Illinois Secretary of State providing for payment of disgorgement, penalties, and investor education contributions totaling approximately $134 million. Approximately $127 million of this amount would be distributed to shareholders of the affected Scudder Funds in accordance with a distribution plan to be developed by an independent distribution consultant. DeAM does not believe that any of the Scudder Funds will be named as respondents or defendants in any proceedings. The Funds' investment advisors do not believe these amounts will have a material adverse financial impact on them or materially affect their ability to perform under their investment management agreements with the Scudder Funds. The above-described amounts are not material to Deutsche Bank, and they have already been reserved.
>
> Based on the settlement discussions thus far, DeAM believes that it will be able to reach a settlement with the regulators on a basis that is generally consistent with settlements reached by other advisors, taking into account the particular facts and circumstances of market timing at DeAM and at the legacy Scudder and Kemper organizations prior to their acquisition by DeAM in April 2002. Among the terms of the expected settled orders, DeAM would be subject to certain undertakings regarding the conduct of its business in the future, including maintaining existing management fee reductions for certain funds for a period of five years. DeAM expects that these settlements would resolve regulatory allegations that it violated certain provisions of federal and state securities laws (i) by entering into trading arrangements that permitted certain investors to engage in market timing in certain Scudder Funds and (ii) by failing more generally to take adequate measures to prevent market timing in the Scudder Funds, primarily during the 1999-2001 period. With respect to the trading arrangements, DeAM expects that the settlement documents will include allegations related to one legacy DeAM arrangement, as well as three legacy Scudder and six legacy Kemper arrangements. All of these trading arrangements originated in businesses that existed prior to the current DeAM organization, which came together in April 2002 as a result of the various mergers of the legacy Scudder, Kemper and Deutsche Fund groups, and all of the arrangements were terminated prior to the start of the regulatory investigations that began in the summer of 2003. No current DeAM employee approved the trading arrangements.

There is no certainty that the final settlement documents will contain the foregoing terms and conditions. The independent trustees of the Scudder Funds have carefully monitored these regulatory investigations with the assistance of independent legal counsel and independent economic consultants. Additional information announced by DeAM regarding the terms of the expected settlements will be made available at *scudder.com/regulatory settlements*, which will also disclose the terms of any final settlement agreements once they are announced.

Other Regulatory Matters

DeAM is also engaged in settlement discussions with the Enforcement Staffs of the SEC and the NASD regarding DeAM's practices during 2001-2003 with respect to directing brokerage commissions for portfolio transactions by certain Scudder Funds to broker-dealers that sold shares in the Scudder Funds and provided enhanced marketing and distribution for shares in the Scudder Funds. In addition, on January 13, 2006, Scudder Distributors, Inc. received a Wells notice from the Enforcement Staff of the NASD regarding Scudder Distributors' payment of non-cash compensation to associated persons of NASD member firms, as well as Scudder Distributors' procedures regarding non-cash compensation regarding entertainment provided to such associated persons. Additional information announced by DeAM regarding the terms of the expected settlements will be made available at *scudder.com/regulatory settlements*, which will also disclose the terms of any final settlement agreements once they are announced.

Please Retain This Supplement for Future Reference

Printed on recycled paper

AIM V.I. Utilities Fund

Annual Report to Shareholders • December 31, 2005

AIM V.I. UTILITIES FUND seeks capital growth and current income.

Unless otherwise stated, information presented in this report is as of December 31, 2005, and is based on total net assets.

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's Web site, sec.gov. Copies of the Fund's Forms N-Q may be reviewed and copied at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549-0102. You can obtain information on the operation of the Public Reference Room, including information about duplicating fee charges, by calling 202-942-8090 or 800-732-0330, or by electronic request at the following E-mail address: publicinfo@sec.gov. The SEC file numbers for the Fund are 811-07452 and 33-57340. The Fund's most recent portfolio holdings, as filed on Form N-Q, have also been made available to insurance companies issuing variable annuity contracts and variable life insurance policies ("variable products") that invest in the Fund.

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

Information regarding how the Fund voted proxies related to its portfolio securities during the 12 months ended June 30, 2005, is available at our Web site. Go to AIMinvestments.com, access the About Us tab, click on Required Notices and then click on Proxy Voting Activity. Next, select the Fund from the drop-down menu. The information is also available on the SEC Web site, sec.gov.

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

Not FDIC insured	May lose value	No bank guarantee

Management's discussion of Fund performance

Performance Summary

An investor preference for dividend-paying equities boosted the performance of utilities stocks, helping your Fund post double-digit gains for the year ended December 31, 2005.

Your Fund outperformed the S&P 500 Index because utilities generally outperformed other sectors in that broad-based benchmark by a wide margin.

For long-term performance, please see Pages 4 and 5.

FUND VS. INDEXES

Total returns, 12/31/04–12/31/05, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	16.83%
Series II Shares	16.55
Standard & Poor's Composite Index of 500 Stocks (S&P 500 Index) (Broad market Index)	4.91
Lipper Utility Fund Index (Peer Group Index)	15.00

Source: Lipper, Inc.

How we invest

We invest primarily in natural gas, electricity and telecommunication services companies, selecting stocks based on quantitative and fundamental analysis of individual companies. Quantitative analysis focuses on positive cash flows and predictable earnings. Fundamental analysis seeks strong balance sheets, competent management and sustainable dividends and distributions.

We look for companies that could potentially benefit from industry trends, such as increased demand for certain products and deregulation of state markets, and that are attractively valued relative to the rest of the market. We also monitor and may adjust industry and position weights according to prevailing economic trends such as gross domestic product growth and interest rate changes.

We control risk by:

■ diversifying across most industries and sub-industries within the utilities sector

■ owning both regulated and unregulated utilities—unregulated companies provide greater growth potential, while regulated firms provide more stable dividends and principal

■ generally avoiding excessive concentration of assets in a small number of stocks

We may sell a stock for any of the following reasons:

■ earnings growth is threatened by deterioration in the firm's fundamentals or change in the operating environment

■ valuation becomes too high

■ corporate strategy changes

■ A company's fundamentals change (product failure, reduced pricing power, margin compression, etc.)

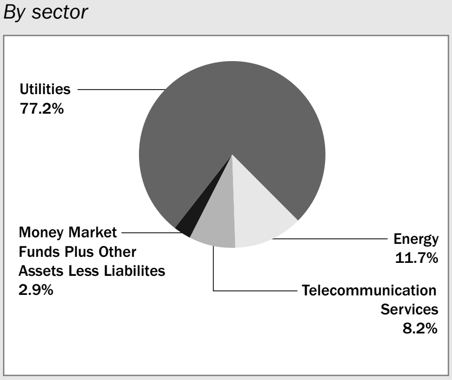
Market conditions and your Fund

Despite impressive corporate earnings, key domestic stock market indexes generally posted only modest gains for the reporting period amid concerns about rising interest rates and fuel costs and the long-term economic effects of two devastating Gulf Coast hurricanes. Energy and utilities were the best-performing sectors of the S&P 500 Index and the only ones to post double-digit gains for the year, although both sectors declined in the fourth quarter of 2005. Rising short-term interest rates hurt the performance of utilities stocks toward the close of the year. Other sectors generally recorded modest gains or losses for the year.

During the year, the Federal Reserve (the Fed) continued its tightening policy, raising the key federal funds rate to 4.25%. The Fed began raising short-term interest rates in 2004 to contain inflation. We observed that for much of the year utilities stocks tended to be more attractive than interest-paying, investment-grade bonds—another income option for investors—because of their generally greater price appreciation potential.

PORTFOLIO COMPOSITION

By sector



TOP 5 INDUSTRIES*

1. Electric Utilities	27.2%
2. Multi-Utilities	26.5
3. Independent Power Producers & Energy Traders	13.8
4. Oil & Gas Storage & Transportation	8.5
5. Integrated Telecommunication Services	7.8

TOTAL NET ASSETS	**$114.9 million**
TOTAL NUMBER OF HOLDINGS*	**37**

TOP 10 EQUITY HOLDINGS*

1. TXU Corp.	5.5%
2. Dominion Resources, Inc.	4.9
3. Exelon Corp.	4.5
4. Questar Corp.	4.4
5. Williams Cos., Inc. (The)	4.3
6. PG&E Corp.	4.2
7. Kinder Morgan, Inc.	4.2
8. Sempra Energy	3.8
9. Duke Energy Corp.	3.5
10. Peabody Energy Corp.	3.2

The Fund's holdings are subject to change, and there is no assurance that the Fund will continue to hold any particular security.

*Excluding money market fund holdings.

We believe utilities stocks also benefited from several other trends, including:

- hot summer weather over much of the country, which increased demand for electricity for climate control indoors
- the signing into law of the Energy Policy Act of 2005, which abolishes geographic constraints that have limited energy utilities to local markets
- a trend among utilities companies to divest themselves of outside businesses, allowing them to concentrate on their core operations

For the year, our holdings in electric utilities and oil, gas and consumable fuel companies had the most positive impact on Fund performance. We observed that rising energy prices had relatively little negative effect on utilities, particularly those that were relatively deregulated and had the ability to pass on fuel costs to their customers. Indeed, companies with this ability were among the better-performing stocks for the Fund.

One of these stocks was **TXU**, a Texas-based power company and the Fund's top holding. TXU has made an impressive turnaround through restructuring, going from unprofitable early in 2004 to profitable in 2005. Toward the end of the year, the company raised its earnings guidance for the remainder of 2005. TXU benefited from the deregulation of the electric industry in Texas, which enabled it to increase its customer base.

Peabody Energy, the world's largest private-sector coal company, was also a positive contributor to Fund performance. The company, which provides fuel for generating about 3% of the world's electricity, has benefited from increased coal demand. The firm reported its net income for the third quarter of 2005 increased 161% in comparison to the same quarter for the previous year.

Detracting from Fund performance was **Calpine**, a California-based power producer and marketer. The company was adversely affected by equipment outages in key markets and service agreement cancellations and was saddled with considerable debt. We no longer owned the stock when the company filed for bankruptcy toward the end of the year.

Our telecommunication services holdings, such as **Verizon Communications**, also detracted from Fund performance. We observed that Verizon, which already has significant debt, is expected to incur more with its acquisition of MCI (not a Fund holding). The firm, along with other major U.S. telephone companies, also is facing a loss of customers to cable television providers, which are offering competing services.

In closing

While some provisions of the Tax Relief Reconciliation Act of 2003 could be reconsidered, we believe the 15% tax rate for qualified dividends, which has made utilities stocks attractive to investors, will be extended. However, we are somewhat concerned about interest rate and inflation trends. Because utilities tend to underperform when interest rates and inflation are rising, we intend to maintain our focus on holding the favorably priced stocks of strong companies with reasonable growth prospects and attractive dividend yields. We thank you for your continued investment in AIM V.I. Utilities Fund.

The views and opinions expressed in management's discussion of Fund performance are those of A I M Advisors, Inc. These views and opinions are subject to change at any time based on factors such as market and economic conditions. These views and opinions may not be relied upon as investment advice or recommendations, or as an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but A I M Advisors, Inc. makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

John S. Segner, Mr. Segner, portfolio manager of AIM V.I. Utilities Fund, has more than 20 years of experience in the energy and investment industries. Before joining the Fund's advisor in 1997, he was managing director and principal with an investment management company that focused exclusively on publicly-traded energy stocks. Prior to that, he held positions with several energy companies. Mr. Segner holds a B.S. in civil engineering from the University of Alabama and an M.B.A. with a concentration in finance from The University of Texas at Austin.

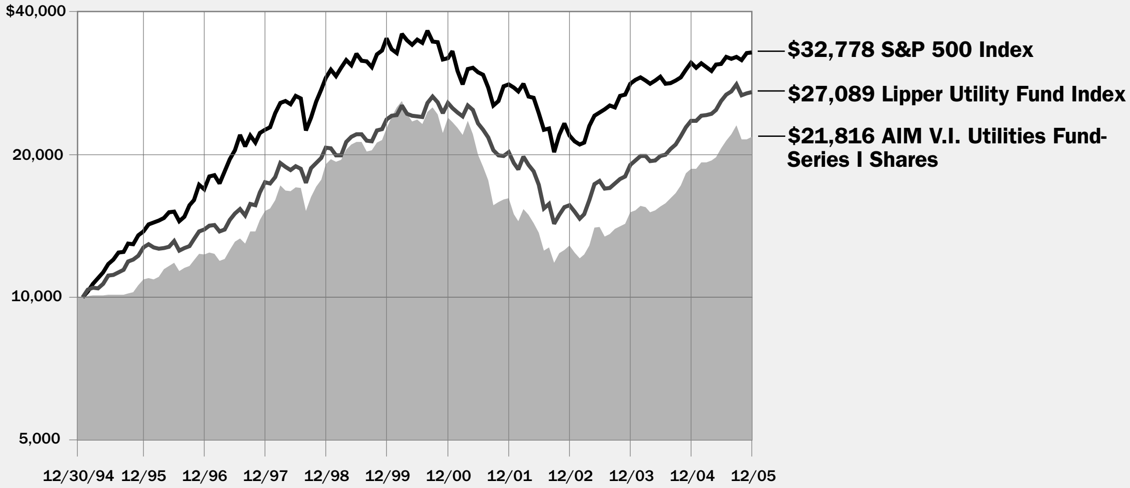
Assisted by the Energy/Gold/Utilities Team

For a discussion of the risks of investing in your Fund, indexes used in this report and your Fund's long-term performance, please turn to Pages 4 and 5.

Your Fund's long-term performance

RESULTS OF A $10,000 INVESTMENT

Fund data from 12/30/94, index data from 12/31/94



Source: Lipper, Inc.

Past performance cannot guarantee comparable future results.

This chart, which is a logarithmic chart, presents the fluctuations in the value of the Fund and its indexes. We believe that a logarithmic chart is more effective than other types of charts in illustrating changes in value during the early years shown in the chart. The vertical axis, the one that indicates the dollar value of an investment, is constructed with each segment representing a percent change in the value of the investment. In this chart, each segment represents a doubling, or 100% change, in the value of the investment. In other words, the space between $5,000 and $10,000 is the same size as the space between $10,000 and $20,000, and so on.

AVERAGE ANNUAL TOTAL RETURNS

As of 12/31/05

Series I Shares	
10 Years	7.18%
5 Years	–1.80
1 Year	16.83
Series II Shares	
10 Years	6.91%
5 Years	–2.04
1 Year	16.55

CUMULATIVE TOTAL RETURNS

Six months ended 12/31/05

Series I Shares	5.85%
Series II Shares	5.63

Returns since April 30, 2004, the inception date of Series II shares, are historical. All other returns are the blended returns of the historical performance of Series II shares since their inception and the restated historical performance of Series I shares (for periods prior to inception of Series II shares) adjusted to reflect the higher Rule 12b-1 fees applicable to Series II shares. Series I and Series II shares invest in the same portfolio of securities and will have substantially similar performance, except to the extent that expenses borne by each class differ.

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

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

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

Principal risks of investing in the Fund

Investing in a single-sector or single-region mutual fund involves greater risk and potential reward than investing in a more diversified fund.

The Fund may invest up to 25% of its assets in the securities of non-U.S. issuers. Securities of Canadian issuers and American Depositary Receipts are not subject to this 25% limitation. International investing presents certain risks not associated with investing solely in the United States. These include risks relating to fluctuations in the value of the U.S. dollar relative to the values of other currencies, the custody arrangements made for the Fund's foreign holdings, differences in accounting, political risks and the lesser degree of public information required to be provided by non-U.S. companies.

Investing in smaller companies involves greater risk than investing in more established companies, such as business risk, significant stock price fluctuations and illiquidity.

About indexes used in this report

The unmanaged Standard & Poor's Composite Index of 500 Stocks (the **S&P 500® Index**) is an index of common stocks frequently used as a general measure of U.S. stock market performance.

The unmanaged **Lipper Utility Fund Index** represents an average of the 30 largest utility funds tracked by Lipper, Inc., an independent mutual fund performance monitor.

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

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

Other information

The returns shown in the Management's Discussion of Fund Performance are based on net asset values calculated for shareholder transactions. Generally accepted accounting principles require adjustments to be made to the net assets of the Fund at period end for financial reporting purposes, and as such, the net asset value for shareholder transactions and the returns based on those net asset values may differ from the net asset values and returns reported in the Financial Highlights. Additionally, the returns and net asset values shown throughout this report are at the Fund level only and do not include variable product issuer charges. If such charges were included, the total returns would be lower.

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

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 July 1, 2005, through December 31, 2005.

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 Fund's actual cumulative total returns at net asset value after expenses for the six months ended December 31, 2005, appear in the table "Cumulative Total Returns" on Page 5.

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

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

		ACTUAL		HYPOTHETICAL (5% annual return before expenses)		
Share Class	Beginning Account Value (7/1/05)	Ending Account Value (12/31/05)[1]	Expenses Paid During Period[2]	Ending Account Value (12/31/05)	Expenses Paid During Period[2]	Annualized Expense Ratio
Series I	$1,000.00	$1,058.50	$4.83	$1,020.52	$4.74	0.93%
Series II	1,000.00	1,056.30	6.12	1,019.26	6.01	1.18

[1] The actual ending account value is based on the actual total return of the Fund for the period July 1, 2005, through December 31, 2005, 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. The Fund's actual cumulative total returns at net asset value after expenses for the six months ended December 31, 2005, appear in the table "Cumulative Total Returns" on Page 5.

[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 184/365 to reflect the most recent fiscal half year.

Approval of Investment Advisory Agreement and Summary of Independent Written Fee Evaluation

The Board of Trustees of AIM Variable Insurance Funds (the "Board") oversees the management of AIM V.I. Utilities Fund (the "Fund") and, as required by law, determines annually whether to approve the continuance of the Fund's advisory agreement with A I M Advisors, Inc. ("AIM"). Based upon the recommendation of the Investments Committee of the Board, which is comprised solely of independent trustees, at a meeting held on June 30, 2005, the Board, including all of the independent trustees, approved the continuance of the advisory agreement (the "Advisory Agreement") between the Fund and AIM for another year, effective July 1, 2005.

The Board considered the factors discussed below in evaluating the fairness and reasonableness of the Advisory Agreement at the meeting on June 30, 2005 and as part of the Board's ongoing oversight of the Fund. In their deliberations, the Board and the independent trustees did not identify any particular factor that was controlling, and each trustee attributed different weights to the various factors.

One of the responsibilities of the Senior Officer of the Fund, who is independent of AIM and AIM's affiliates, is to manage the process by which the Fund's proposed management fees are negotiated to ensure that they are negotiated in a manner which is at arm's length and reasonable. To that end, the Senior Officer must either supervise a competitive bidding process or prepare an independent written evaluation. The Senior Officer has recommended an independent written evaluation in lieu of a competitive bidding process and, upon the direction of the Board, has prepared such an independent written evaluation. Such written evaluation also considered certain of the factors discussed below. In addition, as discussed below, the Senior Officer made certain recommendations to the Board in connection with such written evaluation.

The discussion below serves as a summary of the Senior Officer's independent written evaluation and recommendations to the Board in connection therewith, as well as a discussion of the material factors and the conclusions with respect thereto that formed the basis for the Board's approval of the Advisory Agreement. After consideration of all of the factors below and based on its informed business judgment, the Board determined that the Advisory Agreement is in the best interests of the Fund and its shareholders and that the compensation to AIM under the Advisory Agreement is fair and reasonable and would have been obtained through arm's length negotiations.

■ The nature and extent of the advisory services to be provided by AIM. The Board reviewed the services to be provided by AIM under the Advisory Agreement. Based on such review, the Board concluded that the range of services to be provided by AIM under the Advisory Agreement was appropriate and that AIM currently is providing services in accordance with the terms of the Advisory Agreement.

■ The quality of services to be provided by AIM. The Board reviewed the credentials and experience of the officers and employees of AIM who will provide investment advisory services to the Fund. In reviewing the qualifications of AIM to provide investment advisory services, the Board reviewed the qualifications of AIM's investment personnel and considered such issues as AIM's portfolio and product review process, various back office support functions provided by AIM and AIM's equity and fixed income trading operations. Based on the review of these and other factors, the Board concluded that the quality of services to be provided by AIM was appropriate and that AIM currently is providing satisfactory services in accordance with the terms of the Advisory Agreement.

■ The performance of the Fund relative to comparable funds. The Board reviewed the performance of the Fund during the past one, three and five calendar years against the performance of funds advised by other advisors with investment strategies comparable to those of the Fund. The Board noted that the Fund's performance in such periods was below the median performance of such comparable funds. The Board also noted that AIM began serving as investment advisor to the Fund in April 2004. Based on this review, the Board concluded that no changes should be made to the Fund and that it was not necessary to change the Fund's portfolio management team at this time.

■ The performance of the Fund relative to indices. The Board reviewed the performance of the Fund during the past one, three and five calendar years against the performance of the Lipper Utility Fund Index. The Board noted that the Fund's performance for the one and three year periods was comparable to the performance of such Index and below such Index for the five year period. The Board also noted that AIM began serving as investment advisor to the Fund in April 2004. Based on this review, the Board concluded that no changes should be made to the Fund and that it was not necessary to change the Fund's portfolio management team at this time.

■ Meeting with the Fund's portfolio managers and investment personnel. With respect to the Fund, the Board is meeting periodically with such Fund's portfolio managers and/or other investment personnel and believes that such individuals are competent and able to continue to carry out their responsibilities under the Advisory Agreement.

■ Overall performance of AIM. The Board considered the overall performance of AIM in providing investment advisory and portfolio administrative services to the Fund and concluded that such performance was satisfactory.

■ Fees relative to those of clients of AIM with comparable investment strategies. The Board reviewed the advisory fee rate for the Fund under the Advisory Agreement. The Board noted that this rate was lower than the initial advisory fee rate for a mutual fund advised by AIM with investment strategies comparable to those of the Fund, although the advisory fee schedule for the mutual fund included breakpoints. The Board noted that AIM has agreed to waive advisory fees of the Fund and to limit the Fund's total operating expenses, as discussed below. Based on this review, the Board concluded that the advisory fee rate for the Fund under the Advisory Agreement was fair and reasonable.

■ Fees relative to those of comparable funds with other advisors. The Board reviewed the advisory fee rate for the Fund under the Advisory Agreement. The Board compared effective contractual advisory fee rates at a common asset level and noted that the Fund's rate was above the median rate of the funds advised by other advisors with investment strategies comparable to those of the Fund that the Board reviewed. The Board noted that AIM has agreed to waive advisory fees of the Fund and to limit the Fund's total operating expenses, as discussed below. Based on this review, the Board concluded that the advisory fee rate for the Fund under the Advisory Agreement was fair and reasonable.

■ Expense limitations and fee waivers. The Board noted that AIM has contractually agreed to waive advisory fees of the Fund through June 30, 2006 to the extent necessary so that the advisory fees payable by the Fund do not exceed a specified maximum advisory fee rate, which maximum rate includes breakpoints and is based on net asset levels. The Board considered the contractual nature of this fee waiver and noted that it remains in effect until June 30, 2006. The Board noted that AIM has contractually agreed to waive fees and/or limit expenses of the Fund through April 30, 2006 in an amount necessary to limit total annual operating expenses to a specified percentage of average daily net assets for each class of the Fund. The Board considered the contractual nature of this fee waiver/expense limitation and noted that it remains in effect until April 30, 2006. The Board considered the effect these fee waivers/expense limitations would have on the Fund's estimated expenses and concluded that the levels of fee waivers/expense limitations for the Fund were fair and reasonable.

■ Breakpoints and economies of scale. The Board reviewed the structure of the Fund's advisory fee under the Advisory Agreement, noting that it does not include any breakpoints. The Board considered whether it would be appropriate to add advisory fee breakpoints for the Fund or whether, due to the nature of the Fund and the advisory fee structures of comparable funds, it was reasonable to structure the advisory fee without breakpoints. Based on this review, the Board concluded that it was not necessary to add advi-

(continued)

sory fee breakpoints to the Fund's advisory fee schedule. The Board reviewed the level of the Fund's advisory fees, and noted that such fees, as a percentage of the Fund's net assets, would remain constant under the Advisory Agreement because the Advisory Agreement does not include any breakpoints. The Board noted that AIM has contractually agreed to waive advisory fees of the Fund through June 30, 2006 to the extent necessary so that the advisory fees payable by the Fund do not exceed a specified maximum advisory fee rate, which maximum rate includes breakpoints and is based on net asset levels. The Board concluded that the Fund's fee levels under the Advisory Agreement therefore would not reflect economies of scale, although the advisory fee waiver reflects economies of scale.

■ Investments in affiliated money market funds. The Board also took into account the fact that uninvested cash and cash collateral from securities lending arrangements (collectively, "cash balances") of the Fund may be invested in money market funds advised by AIM pursuant to the terms of an SEC exemptive order. The Board found that the Fund may realize certain benefits upon investing cash balances in AIM advised money market funds, including a higher net return, increased liquidity, increased diversification or decreased transaction costs. The Board also found that the Fund will not receive reduced services if it invests its cash balances in such money market funds. The Board noted that, to the extent the Fund invests in affiliated money market funds, AIM has voluntarily agreed to waive a portion of the advisory fees it receives from the Fund attributable to such investment. The Board further determined that the proposed securities lending program and related procedures with respect to the lending Fund is in the best interests of the lending Fund and its respective shareholders. The Board therefore concluded that the investment of cash collateral received in connection with the securities lending program in the money market funds according to the procedures is in the best interests of the lending Fund and its respective shareholders.

■ Independent written evaluation and recommendations of the Fund's Senior Officer. The Board noted that, upon their direction, the Senior Officer of the Fund, who is independent of AIM and AIM's affiliates, had prepared an independent written evaluation in order to assist the Board in determining the reasonableness of the proposed management fees of the AIM Funds, including the Fund. The Board noted that the Senior Officer's written evaluation had been relied upon by the Board in this regard in lieu of a competitive bidding process. In determining whether to continue the Advisory Agreement for the Fund, the Board considered the Senior Officer's written evaluation and the recommendation made by the Senior Officer to the Board that the Board consider implementing a process to assist them in more closely monitoring the performance of the AIM Funds. The Board concluded that it would be advisable to implement such a process as soon as reasonably practicable.

■ Profitability of AIM and its affiliates. The Board reviewed information concerning the profitability of AIM's (and its affiliates') investment advisory and other activities and its financial condition. The Board considered the overall profitability of AIM, as well as the profitability of AIM in connection with managing the Fund. The Board noted that AIM's operations remain profitable, although increased expenses in recent years have reduced AIM's profitability. Based on the review of the profitability of AIM's and its affiliates' investment advisory and other activities and its financial condition, the Board concluded that the compensation to be paid by the Fund to AIM under its Advisory Agreement was not excessive.

■ Benefits of soft dollars to AIM. The Board considered the benefits realized by AIM as a result of brokerage transactions executed through "soft dollar" arrangements. Under these arrangements, brokerage commissions paid by the Fund and/or other funds advised by AIM are used to pay for research and execution services. This research is used by AIM in making investment decisions for the Fund. The Board concluded that such arrangements were appropriate.

■ AIM's financial soundness in light of the Fund's needs. The Board considered whether AIM is financially sound and has the resources necessary to perform its obligations under the Advisory Agreement, and concluded that AIM has the financial resources necessary to fulfill its obligations under the Advisory Agreement.

■ Historical relationship between the Fund and AIM. In determining whether to continue the Advisory Agreement for the Fund, the Board also considered the prior relationship between AIM and the Fund, as well as the Board's knowledge of AIM's operations, and concluded that it was beneficial to maintain the current relationship, in part, because of such knowledge. The Board also reviewed the general nature of the non-investment advisory services currently performed by AIM and its affiliates, such as administrative, transfer agency and distribution services, and the fees received by AIM and its affiliates for performing such services. In addition to reviewing such services, the trustees also considered the organizational structure employed by AIM and its affiliates to provide those services. Based on the review of these and other factors, the Board concluded that AIM and its affiliates were qualified to continue to provide non-investment advisory services to the Fund, including administrative, transfer agency and distribution services, and that AIM and its affiliates currently are providing satisfactory non-investment advisory services.

■ Other factors and current trends. In determining whether to continue the Advisory Agreement for the Fund, the Board considered the fact that AIM, along with others in the mutual fund industry, is subject to regulatory inquiries and litigation related to a wide range of issues. The Board also considered the governance and compliance reforms being undertaken by AIM and its affiliates, including maintaining an internal controls committee and retaining an independent compliance consultant, and the fact that AIM has undertaken to cause the Fund to operate in accordance with certain governance policies and practices. The Board concluded that these actions indicated a good faith effort on the part of AIM to adhere to the highest ethical standards, and determined that the current regulatory and litigation environment to which AIM is subject should not prevent the Board from continuing the Advisory Agreement for the Fund.

Schedule of Investments

December 31, 2005

	Shares	Value
Domestic Common Stocks–86.48%		
Coal & Consumable Fuels–3.23%		
Peabody Energy Corp.	45,000	$ 3,708,900
Electric Utilities–22.31%		
Cinergy Corp.	44,000	1,868,240
Edison International	85,000	3,706,850
Entergy Corp.	50,000	3,432,500
Exelon Corp.	98,000	5,207,720
FirstEnergy Corp.	73,868	3,618,793
FPL Group, Inc.	87,068	3,618,546
PPL Corp.	105,539	3,102,847
Westar Energy, Inc.	50,000	1,075,000
		25,630,496
Gas Utilities–7.80%		
Equitable Resources, Inc.	85,000	3,118,650
Peoples Energy Corp.	22,164	777,292
Questar Corp.	67,000	5,071,900
		8,967,842
Independent Power Producers & Energy Traders–13.82%		
Constellation Energy Group	60,000	3,456,000
Duke Energy Corp.	145,000	3,980,250
NRG Energy, Inc.[(a)]	45,000	2,120,400
TXU Corp.	126,000	6,323,940
		15,880,590
Integrated Telecommunication Services–7.81%		
AT&T Inc.	93,000	2,277,570
BellSouth Corp.	125,000	3,387,500
Verizon Communications Inc.	110,000	3,313,200
		8,978,270
Multi-Utilities–21.17%		
Ameren Corp.	47,494	2,433,593
CenterPoint Energy, Inc.	126,624	1,627,118
Dominion Resources, Inc.	73,000	5,635,600
KeySpan Corp.	58,042	2,071,519
OGE Energy Corp.	36,937	989,542
Multi-Utilities–(continued)		
PG&E Corp.	130,000	$ 4,825,600
PNM Resources Inc.	45,000	1,102,050
SCANA Corp.	31,658	1,246,692
Sempra Energy	98,000	4,394,320
		24,326,034
Oil & Gas Storage & Transportation–8.50%		
Kinder Morgan, Inc.	52,000	4,781,400
Williams Cos., Inc. (The)	215,000	4,981,550
		9,762,950
Water Utilities–1.84%		
Aqua America Inc.	77,388	2,112,692
Total Domestic Common Stocks (Cost $77,715,748)		99,367,774
Foreign Stocks & Other Equity Interests–10.60%		
France–2.76%		
Veolia Environnement (Multi-Utilities)[(b)]	70,000	3,171,753
Germany–2.38%		
E.ON A.G. (Electric Utilities)[(b)]	26,387	2,730,891
Italy–1.48%		
Enel S.p.A. (Electric Utilities)	216,309	1,699,074
Spain–1.03%		
Endesa, S.A. (Electric Utilities)[(b)]	44,846	1,179,789
United Kingdom–2.95%		
National Grid PLC (Multi-Utilities)[(b)]	300,000	2,934,509
Vodafone Group PLC-ADR (Wireless Telecommunication Services)	21,424	459,973
		3,394,482
Total Foreign Stocks & Other Equity Interests (Cost $10,348,806)		12,175,989
Money Market Funds–4.54%		
Premier Portfolio-Institutional Class (Cost $5,216,837)[(c)]	5,216,837	5,216,837
TOTAL INVESTMENTS–101.62% (Cost $93,281,391)		116,760,600
OTHER ASSETS LESS LIABILITIES–(1.62%)		(1,856,008)
NET ASSETS–100.00%		$114,904,592

Investment Abbreviations:

ADR –American Depositary Receipt

Notes to Schedule of Investments:

(a) Non-income producing security.

(b) In accordance with the procedures established by the Board of Trustees, the foreign security is fair valued using adjusted closing market prices. The aggregate value of these securities at December 31, 2005 was $10,016,942, which represented 8.72% of the Fund's Net Assets. See Note 1A.

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

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

Statement of Assets and Liabilities

December 31, 2005

Assets:	
Investments, at value (cost $88,064,554)	$111,543,763
Investments in affiliated money market funds (cost $5,216,837)	5,216,837
Total investments (cost $93,281,391)	116,760,600
Receivables for:	
Fund shares sold	30,526
Dividends	350,947
Investment for trustee deferred compensation and retirement plans	46,090
Other assets	2,822
Total assets	117,190,985
Liabilities:	
Payables for:	
Fund shares reacquired	2,112,289
Trustee deferred compensation and retirement plans	51,016
Accrued administrative services fees	95,937
Accrued distribution fees—Series II	498
Accrued trustees' and officer's fees and benefits	109
Accrued transfer agent fees	1,495
Accrued operating expenses	25,049
Total liabilities	2,286,393
Net assets applicable to shares outstanding	$114,904,592
Net assets consist of:	
Shares of beneficial interest	$ 88,630,892
Undistributed net investment income	4,337,557
Undistributed net realized gain (loss) from investment securities and foreign currencies	(1,539,350)
Unrealized appreciation of investment securities and foreign currencies	23,475,493
	$114,904,592
Net Assets:	
Series I	$114,103,774
Series II	$ 800,818
Shares outstanding, $0.001 par value per share, unlimited number of shares authorized:	
Series I	6,400,615
Series II	45,081
Series I:	
Net asset value per share	$ 17.83
Series II:	
Net asset value per share	$ 17.76

Statement of Operations

For the year ended December 31, 2005

Investment income:	
Dividends (net of foreign withholding tax of $105,410)	$ 5,684,336
Dividends from affiliated money market funds	254,377
Interest	8,958
Total investment income	5,947,671
Expenses:	
Advisory fees	1,043,296
Administrative services fees	463,332
Custodian fees	26,896
Distribution fees—Series II	1,721
Transfer agent fees	17,986
Trustees' and officer's fees and benefits	20,224
Other	91,093
Total expenses	1,664,548
Less: Fees waived	(43,450)
Net expenses	1,621,098
Net investment income	4,326,573
Realized and unrealized gain (loss) from investment securities and foreign currencies:	
Net realized gain from:	
Investment securities	33,034,341
Foreign currencies	65,366
	33,099,707
Change in net unrealized appreciation (depreciation) of:	
Investment securities	(3,895,246)
Foreign currencies	(7,284)
	(3,902,530)
Net gain from investment securities and foreign currencies	29,197,177
Net increase in net assets resulting from operations	$33,523,750

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

Statement of Changes in Net Assets

For the years ended December 31, 2005 and 2004

	2005	2004
Operations:		
Net investment income	$ 4,326,573	$ 3,157,181
Net realized gain from investment securities and foreign currencies	33,099,707	4,136,977
Change in net unrealized appreciation (depreciation) of investment securities and foreign currencies	(3,902,530)	19,374,088
Net increase in net assets resulting from operations	33,523,750	26,668,246
Distributions to shareholders from net investment income:		
Series I	(2,617,447)	(1,790,572)
Series II	(17,260)	—
Decrease in net assets resulting from distributions	(2,634,707)	(1,790,572)
Share transactions–net:		
Series I	(76,258,358)	72,272,573
Series II	118,284	494,954
Net increase (decrease) in net assets resulting from share transactions	(76,140,074)	72,767,527
Net increase (decrease) in net assets	(45,251,031)	97,645,201
Net assets:		
Beginning of year	160,155,623	62,510,422
End of year (including undistributed net investment income of $4,337,557 and $2,579,006, respectively)	$114,904,592	$160,155,623

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

Notes to Financial Statements

December 31, 2005

NOTE 1—Significant Accounting Policies

AIM V.I. Utilities Fund, (the "Fund") is a series portfolio of AIM Variable Insurance Funds (the "Trust"). The Trust is a Delaware statutory trust registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end series management investment company consisting of twenty-seven separate portfolios. The Fund currently offers two classes of shares, Series I and Series II, both of which are offered to insurance company separate accounts funding variable annuity contracts and variable life insurance policies ("variable products"). Matters affecting each portfolio or class will be voted on exclusively by the shareholders of such portfolio 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 portfolio or class. The assets, liabilities and operations of each portfolio are accounted for separately. Information presented in these financial statements pertains only to the Fund.

The Fund's investment objective is to seek capital growth and current income.

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period including estimates and assumptions related to taxation. Actual results could differ from those estimates. 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 as of the close of the customary trading session on the exchange where the security is principally traded, or lacking any sales on a particular day, the security is valued at the closing bid price on that day. Each security traded in the over-the-counter market (but not securities reported on the NASDAQ National Market System) is valued on the basis of prices furnished by independent pricing services, which may be considered fair valued, or market makers. Each security reported on the NASDAQ National Market System is valued at the NASDAQ Official Closing Price ("NOCP") as of the close of the customary trading session on the valuation date or absent a NOCP, at the closing bid price.

Futures contracts are valued at the final settlement price set by an exchange on which they are principally traded. Listed options are valued at the mean between the last bid and the ask prices from the exchange on which they are principally traded. Options not listed on an exchange are valued by an independent source at the mean between the last bid and ask prices. For purposes of determining net asset value per share, futures and option contracts generally are valued 15 minutes after the close of the customary trading session of the New York Stock Exchange ("NYSE").

Investments in open-end registered investment companies 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 closed-end registered investment companies that trade on an exchange are valued at the last sales price as of the close of the customary trading session on the exchange where the security is principally traded.

Debt obligations (including convertible bonds) 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 having 60 days or less to maturity and commercial paper are recorded at amortized cost which approximates value.

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

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. Generally, trading in foreign securities is substantially completed each day at various times prior to the close of the NYSE. The values of such securities used in computing the net asset value of the Fund's shares are determined as of the close of the respective markets. Events affecting the values of such foreign securities may occur between the times at which the particular foreign market closes and the close of the customary trading session of the NYSE which would not ordinarily be reflected in the computation of the Fund's net asset value. If the event is likely to have affected the closing price of the security, the security will be valued at fair value in good faith using procedures approved by the Board of Trustees. Adjustments to closing prices to reflect fair value may also be based on a screening process of an independent pricing service to indicate the degree of certainty, based on historical data, that the closing price in the principal market where a foreign security trades is not the current market value as of the close of the NYSE. Foreign securities meeting the approved degree of certainty that the price is not reflective of current market value will be priced at the indication of fair value from the independent pricing service. Multiple factors may be considered by the independent pricing service in determining adjustments to reflect fair value and may include information relating to sector indices, ADRs and domestic and foreign index futures.

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.

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

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

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

C. Country Determination — For the purposes of making investment selection decisions and presentation in the Schedule of Investments, AIM may determine the country in which an issuer is located and/or credit risk exposure based on various factors. These factors include the laws of the country under which the issuer is organized, where the issuer maintains a principal office, the country in which the issuer derives 50% or more of its total revenues and the country that has the primary market for the issuer's securities, as well as other criteria. Among the other criteria that may be evaluated for making this determination are the country in which the issuer maintains 50% or more of its assets, the type of security, financial guarantees and enhancements, the nature of the collateral and the sponsor organization. Country of issuer and/or credit risk exposure has been determined to be 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, as such, will not be subject to federal income taxes on otherwise taxable income (including net realized capital gain) which is distributed to shareholders. Therefore, no provision for federal income taxes is recorded in the financial statements.

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

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

H. Foreign Currency Contracts — A foreign currency contract is an obligation to purchase or sell a specific currency for an agreed-upon price at a future date. The Fund may enter into a foreign currency contract to attempt to minimize the risk to the Fund from adverse changes in the relationship between currencies. The Fund may also enter into a foreign currency contract for the purchase or sale of a security denominated in a foreign currency in order to "lock in" the U.S. dollar price of that security. The Fund could be exposed to risk if counterparties to the contracts are unable to meet the terms of their contracts or if the value of the foreign currency changes unfavorably.

NOTE 2—Advisory Fees and Other Fees Paid to Affiliates

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

Effective September 23, 2005, AIM has contractually agreed to waive advisory fees and/or reimburse expenses to the extent necessary to limit total annual operating expenses (excluding certain items discussed below) of Series I shares to 0.93% and Series II shares to 1.18% of average daily net assets, through April 30, 2007. Prior to September 23, 2005, AIM had contractually agreed to waive advisory fees and/or reimburse expenses to the extent necessary to limit total annual operating expenses (excluding certain items discussed below) of Series I shares to 1.30% and Series II shares to 1.45% of average daily net assets. In determining the advisor's obligation to waive advisory fees and/or reimburse expenses, the following expenses are not taken into account, and could cause the total annual fund operating expenses to exceed the numbers reflected above: (i) interest; (ii) taxes; (iii) dividend expense on short sales; (iv) extraordinary items; (v) expenses related to a merger or reorganization, as approved by the Fund's Board of Trustees; and (vi) expenses that the Fund has incurred but did not actually pay because of an expense offset arrangement. Currently, in addition to the expense reimbursement arrangement with AMVESCAP PLC ("AMVESCAP") described more fully below, the only expense offset arrangements from which the Fund may benefit are in the form of credits that the Fund receives from banks where the Fund or its transfer agent has deposit accounts in which it holds uninvested cash. Those credits are used to pay certain expenses incurred by the Fund.

Further, AIM has voluntarily agreed to waive advisory fees of the Fund in the amount of 25% of the advisory fee AIM receives from the affiliated money market funds on investments by the Fund in such affiliated money market funds. AIM is also voluntarily waiving a portion of the advisory fee payable by the Fund equal to the difference between the income earned from investing in the affiliated money market fund and the hypothetical income earned from investing in an appropriate comparative benchmark. Voluntary fee waivers or reimbursements may be modified or discontinued at any time upon consultation with the Board of Trustees without further notice to investors.

For the year ended December 31, 2005, AIM waived fees of $43,450.

At the request of the Trustees of the Trust, AMVESCAP agreed to reimburse expenses incurred by the Fund in connection with market timing matters in the AIM Funds, which may include legal, audit, shareholder reporting, communications and trustee expenses. For the year ended December 31, 2005, AMVESCAP did not reimburse any expenses.

The Fund, pursuant to a master administrative services agreement with AIM, has agreed to pay AIM a fee for costs incurred in providing accounting services and fund administrative services to the Fund and to reimburse AIM for administrative services fees paid to insurance companies that have agreed to provide services to the participants of separate accounts. These administrative services provided by the insurance companies may include, among other things: the printing of prospectuses, financial reports and proxy statements and the delivery of the same to existing participants; the maintenance of master accounts; the facilitation of purchases and redemptions requested by the participants; and the servicing of participants' accounts. Pursuant to such agreement, for the year ended December 31, 2005, AIM was paid $50,000 for accounting and fund administrative services and reimbursed $413,332 for services provided by insurance companies.

The Fund, pursuant to a transfer agency and service agreement, has agreed to pay AIM Investment Services, Inc. ("AISI") a fee for providing transfer agency and shareholder services to the Fund and reimburse AISI for certain expenses incurred by AISI in the course of providing such services. For the year ended December 31, 2005, the Fund paid AISI $17,986.

The Trust has entered into a master distribution agreement with A I M Distributors, Inc. ("ADI") to serve as the distributor for the Fund. The Trust has adopted a plan pursuant to Rule 12b-1 under the 1940 Act with respect to the Fund's Series II shares (the "Plan"). The Fund, pursuant to the Plan, pays ADI compensation at the annual rate of 0.25% of the Fund's average daily net assets of Series II shares. Of this amount, 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. Pursuant to the Plan, for the year ended December 31, 2005, the Series II shares paid $1,721.

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

NOTE 3—Investments in Affiliates

The Fund is permitted, pursuant to an exemptive order from the SEC and approved procedures by the Board of Trustees, to invest daily available cash balances in affiliated money market funds. The Fund and the money market fund below have the same investment advisor and therefore, are considered to be affiliated. The table below shows the transactions in and earnings from investments in an affiliated money market fund for the year ended December 31, 2005.

Fund	Value 12/31/04	Purchases at Cost	Proceeds from Sales	Change in Unrealized Appreciation (Depreciation)	Value 12/31/05	Dividend Income	Realized Gain (Loss)
Premier Portfolio-Institutional Class	$6,951,654	$93,720,487	$(95,455,304)	$ —	$5,216,837	$254,377	$ —

NOTE 4—Trustees' and Officer's Fees and Benefits

"Trustees' and Officer's Fees and Benefits" include amounts accrued by the Fund to pay remuneration to each Trustee and Officer of the Fund who is not an "interested person" of AIM. Trustees have the option to defer compensation payable by the Fund, and "Trustees' and Officer's Fees and Benefits" also include amounts accrued by the Fund to fund such deferred compensation amounts. Those Trustees who defer compensation have the option to select various AIM Funds in which their deferral accounts shall be deemed to be invested. Finally, current Trustees are eligible to participate in a retirement plan that provides for benefits to be paid upon retirement to Trustees over a period of time based on the number of years of service. The Fund may have certain former Trustees who also participate in a retirement plan and receive benefits under such plan. "Trustees' and Officer's Fees and Benefits" include amounts accrued by the Fund to fund such retirement benefits. Obligations under the deferred compensation and retirement plans represent unsecured claims against the general assets of the Fund.

During the year ended December 31, 2005, the Fund paid legal fees of $4,581 for services rendered by Kramer, Levin, Naftalis & Frankel LLP as counsel to the Independent Trustees. A member of that firm is a Trustee of the Trust.

NOTE 5—Borrowings

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

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

During the year ended December 31, 2005, the Fund did not borrow or lend under the interfund lending facility or borrow under the uncommitted unsecured revolving credit facility.

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

NOTE 6—Distributions to Shareholders and Tax Components of Net Assets

Distributions to Shareholders:

The tax character of distributions paid during the years ended December 31, 2005 and 2004 was as follows:

	2005	2004
Distributions paid from ordinary income	$2,634,707	$1,790,572

Tax Components of Net Assets:

As of December 31, 2005, the components of net assets on a tax basis were as follows:

	2005
Undistributed ordinary income	$ 4,387,224
Undistributed long-term gain	2,709,304
Unrealized appreciation—investments	22,899,819
Temporary book/tax differences	(44,076)
Capital loss carryforward	(3,678,571)
Shares of beneficial interest	88,630,892
Total net assets	$114,904,592

The difference between book-basis and tax-basis unrealized appreciation (depreciation) is due to differences in the timing of recognition of gains and losses on investments for tax and book purposes. The Fund's unrealized appreciation (depreciation) difference is attributable primarily to the deferral of losses on wash sales and the treatment of defaulted bonds. The tax-basis unrealized appreciation (depreciation) on investments amount includes appreciation (depreciation) on foreign currencies of $(3,716).

The temporary book/tax differences are a result of timing differences between book and tax recognition of income and/or expenses. The Fund's temporary book/tax differences are the result of the trustee deferral of compensation and retirement plan expenses.

Capital loss carryforward is calculated and reported as of a specific date. Results of transactions and other activity after that date may affect the amount of capital loss carryforward actually available for the Fund to utilize. The ability to utilize capital loss carryforward in the future may be limited under the Internal Revenue Code and related regulations based on the results of future transactions. Under these limitation rules, the Fund is limited as of December 31, 2005 to utilizing $919,643 of capital loss carryforward in the fiscal year ended December 31, 2006.

The Fund utilized $5,603,621 of capital loss carryforward in the current period to offset net realized capital gain for federal income tax purposes. The Fund has a capital loss carryforward as of December 31, 2005 which expires as follows:

Expiration	Capital Loss Carryforward*
December 31, 2008	$ 441,827
December 31, 2009	3,236,744
Total capital loss carryforward	$3,678,571

* Capital loss carryforward as of the date listed above is reduced for limitations, if any, to the extent required by the Internal Revenue Code. To the extent that unrealized gains as of April 30, 2004, the date of the reorganization of AIM V.I. Global Utilities Fund into the Fund, are realized on securities held in each fund at such date, the capital loss carryforward may be further limited for up to five years from the date of the reorganization.

On September 23, 2005, 5,596,472 Series I shares valued at $104,933,842 were redeemed by a significant shareholder and settled through a redemption- in-kind transaction, which resulted in a realized gain of $24,838,897 to the Fund for book purposes. From a federal income tax perspective, the realized gains are not recognized. Furthermore, the redemption may trigger limitations under the Internal Revenue Code and related regulations regarding the amount of capital loss carryforward available for future utilization by the Fund.

NOTE 7—Investment Securities

The aggregate amount of investment securities (other than short-term securities and money market funds) purchased and sold by the Fund during the year ended December 31, 2005 was $79,555,242 and $150,346,290, respectively.

At the request of the Trustees, AIM recovered third party research credits during the year ended December 31, 2005, in the amount of $16,098. These research credits were recorded as realized gains.

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

Aggregate unrealized appreciation of investment securities	$23,923,906
Aggregate unrealized (depreciation) of investment securities	(1,020,371)
Net unrealized appreciation of investment securities	$22,903,535

Cost of investments for tax purposes is $93,857,065.

NOTE 8—Reclassification of Permanent Differences

Primarily as a result of differing book/tax treatment of redemption in kind transactions, defaulted bond, reorganization expenses and foreign currency transactions, on December 31, 2005, undistributed net investment income was increased by $66,685, undistributed net realized gain (loss) was decreased by $24,387,158 and shares of beneficial interest increased by $24,320,473. This reclassification had no effect on the net assets of the Fund.

NOTE 9—Share Information

Changes in Shares Outstanding

	Year ended December 31,			
	2005[(a)]		2004	
	Shares	Amount	Shares	Amount
Sold:				
Series I	6,323,063	$ 104,776,537	7,260,883	$ 98,809,827
Series II[(b)]	42,862	681,910	9,123	123,917
Issued as reinvestment of dividends:				
Series I	144,530	2,617,447	141,547	1,790,572
Series II[(b)]	956	17,260	—	—
Issued in connection with acquisitions:[(c)]				
Series I	—	—	1,651,306	20,891,460
Series II[(b)]	—	—	35,261	445,966
Reacquired:				
Series I	(10,289,904)	(183,652,342)	(3,656,840)	(49,219,286)
Series II[(b)]	(37,379)	(580,886)	(5,742)	(74,929)
	(3,815,872)	$ (76,140,074)	5,435,538	$ 72,767,527

(a) There are five entities that are each record owners of more than 5% of the outstanding shares of the Fund and in the aggregate they own 64% of the outstanding shares of the Fund. The Fund and the Fund's principal underwriter or advisor are parties to participation agreements with these entities whereby these entities sell units of interest in separate accounts funding variable products that are invested in the Fund. The Fund, AIM and/or AIM affiliates may make payments to these entities, which are considered to be related to the Fund, for providing services to the Fund, AIM and/or AIM affiliates including but not limited to services such as, securities brokerage, third party record keeping and account servicing and administrative services. The Trust has no knowledge as to whether all or any portion of the shares owned of record by these entities are also owned beneficially.

(b) Series II shares commenced sales on April 30, 2004.

(c) As of the opening of business on April 30, 2004, the Fund acquired all of the net assets of AIM V.I. Global Utilities Fund pursuant to a plan of reorganization approved by the Trustees of the Fund on December 9, 2003 and AIM V.I. Global Utilities Fund shareholders on April 2, 2004. The acquisition was accomplished by a tax free exchange of 1,686,567 shares of the Fund for 1,960,982 shares of AIM V.I. Global Utilities Fund outstanding as of the close of business on April 29, 2004. AIM V.I. Global Utilities Fund's net assets at that date of $21,337,426, including $1,651,275 of unrealized appreciation, were combined with those of the Fund. The aggregate net assets of the Fund immediately before the acquisition were $69,390,372.

NOTE 10—Financial Highlights

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

	Series I				
	Year ended December 31,				
	2005	2004	2003	2002	2001
Net asset value, beginning of period	$ 15.61	$ 12.95	$ 11.16	$ 14.08	$ 21.06
Income from investment operations:					
Net investment income	0.42[(a)]	0.42[(a)]	0.33[(a)]	0.19	0.00
Net gains (losses) on securities (both realized and unrealized)	2.21	2.57	1.60	(3.05)	(6.83)
Total from investment operations	2.63	2.99	1.93	(2.86)	(6.83)
Less distributions:					
Dividends from net investment income	(0.41)	(0.33)	(0.14)	(0.06)	(0.07)
Distributions from net realized gains	—	—	—	—	(0.08)
Total distributions	(0.41)	(0.33)	(0.14)	(0.06)	(0.15)
Net asset value, end of period	$ 17.83	$ 15.61	$ 12.95	$ 11.16	$ 14.08
Total return[(b)]	16.83%	23.65%	17.38%	(20.32)%	(32.41)%
Ratios/supplemental data:					
Net assets, end of period (000s omitted)	$114,104	$159,554	$62,510	$31,204	$20,947
Ratio of expenses to average net assets	0.93%[(c)(d)]	1.01%	1.08%	1.15%	1.15%
Ratio of net investment income to average net assets	2.49%[(c)]	3.09%	2.84%	2.59%	1.13%
Portfolio turnover rate	49%	52%	58%	102%	33%

(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 do not reflect charges assessed in connection with a variable product, which if included would reduce total returns.
(c) Ratios are based on average daily net assets of $173,194,374.
(d) After fee waivers and/or expense reimbursements. Ratio of expenses to average net assets prior to fee waivers and/or expense reimbursements was 0.96% for the year ended December 31, 2005.

	Series II	
	Year ended December 31, 2005	April 30, 2004 (Date sales commenced) to December 31, 2004
Net asset value, beginning of period	$15.57	$12.63
Income from investment operations:		
Net investment income	0.38[(a)]	0.26[(a)]
Net gains on securities (both realized and unrealized)	2.20	2.68
Total from investment operations	2.58	2.94
Less dividends from net investment income	(0.39)	—
Net asset value, end of period	$17.76	$15.57
Total return [(b)]	16.55%	23.28%
Ratios/supplemental data:		
Net assets, end of period (000s omitted)	$ 801	$ 602
Ratio of expenses to average net assets	1.18%[(c)(d)]	1.28%[(e)]
Ratio of net investment income to average net assets	2.24%[(c)]	2.82%[(e)]
Portfolio turnover rate	49%	52%

(a) Calculated using average shares outstanding.
(b) Includes adjustments in accordance with accounting principles generally accepted in the United States of America, and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Total returns are not annualized for periods less than one year and do not reflect charges assessed in connection with a variable product, which if included would reduce total returns.
(c) Ratios are based on average daily net assets of $688,281.
(d) After fee waivers and/or expense reimbursements. Ratio of expenses to average net assets prior to fee waivers and/or expense reimbursements was 1.21% for the year ended December 31, 2005.
(e) Annualized.

NOTE 11—Legal Proceedings

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

Settled Enforcement Actions and Investigations Related to Market Timing

On October 8, 2004, INVESCO Funds Group, Inc. ("IFG") (the former investment advisor to certain AIM Funds), AIM and A I M Distributors, Inc. ("ADI") (the distributor of the retail AIM Funds) reached final settlements with certain regulators, including the Securities and Exchange Commission ("SEC"), the New York Attorney General and the Colorado Attorney General, to resolve civil enforcement actions and/or investigations related to market timing and related activity in the AIM Funds, including those formerly advised by IFG. As part of the settlements, a $325 million fair fund ($110 million of which is civil penalties) has been created to compensate shareholders harmed by market timing and related activity in funds formerly advised by IFG. Additionally, AIM and ADI created a $50 million fair fund ($30 million of which is civil penalties) to compensate shareholders harmed by market timing and related activity in funds advised by AIM, which was done pursuant to the terms of the settlement. These two fair funds may increase as a result of contributions from third parties who reach final settlements with the SEC or other regulators to resolve allegations of market timing and/or late trading that also may have harmed applicable AIM Funds. These two fair funds will be distributed in accordance with a methodology to be determined by AIM's independent distribution consultant, in consultation with AIM and the independent trustees of the AIM Funds and acceptable to the staff of the SEC. As the methodology is unknown at the present time, management of AIM and the Fund are unable to estimate the impact, if any, that the distribution of these two fair funds may have on the Fund or whether such distribution will have an impact on the Fund's financial statements in the future.

At the request of the trustees of the AIM Funds, AMVESCAP PLC ("AMVESCAP"), the parent company of IFG and AIM, has agreed to reimburse expenses incurred by the AIM Funds related to market timing matters.

Pending Litigation and Regulatory Inquiries

On April 12, 2005, the Attorney General of the State of West Virginia ("WVAG") filed a civil lawsuit against AIM, IFG and ADI, as well as numerous unrelated mutual fund complexes and financial institutions. None of the AIM Funds has been named as a defendant in this lawsuit. The WVAG complaint, filed in the Circuit Court of Marshall County, West Virginia [Civil Action No. 05-C-81], alleges, in substance, that AIM, IFG and ADI engaged in unfair competition and/or unfair or deceptive trade practices by failing to disclose in the prospectuses for the AIM Funds, including those formerly advised by IFG, that they had entered into certain arrangements permitting market timing of such Funds. As a result of the foregoing, the WVAG alleges violations of W. Va. Code § 46A-1-101, et seq. (the West Virginia Consumer Credit and Protection Act). The WVAG complaint is seeking, among other things, injunctive relief, civil monetary penalties and a writ of quo warranto against the defendants.

If AIM is unsuccessful in its defense of the WVAG lawsuit, it could be barred from serving as an investment advisor for any investment company registered under the Investment Company Act of 1940, as amended (a "registered investment company"). Such results could affect the ability of AIM or any other investment advisor directly or indirectly owned by AMVESCAP from serving as an investment advisor to any registered investment company, including the Fund. The Fund has been informed by AIM that, if these results occur, AIM will seek exemptive relief from the SEC to permit it to continue to serve as the Fund's investment advisor. There is no assurance that such exemptive relief will be granted.

On October 19, 2005, this lawsuit was transferred for pretrial purposes to the MDL Court (as defined below). On July 7, 2005, the Supreme Court of West Virginia ruled in an unrelated lawsuit that is similar to this action that the WVAG does not have authority to bring an action based upon conduct that is ancillary to the purchase or sale of securities. AIM intends to seek dismissal of the WVAG's lawsuit against it, IFG and ADI in light of this ruling.

On August 30, 2005, the West Virginia Office of the State Auditor - Securities Commission ("WVASC") issued a Summary Order to Cease and Desist and Notice of Right to Hearing to AIM and ADI. The WVASC makes findings of fact that essentially mirror the WVAG's allegations mentioned above and conclusions of law to the effect that AIM and ADI violated the West Virginia securities laws. The WVASC orders AIM and ADI to cease any further violations and seeks to impose monetary sanctions to be determined by the Commissioner. Initial research indicates that these damages could be limited or capped by statute. AIM and ADI have the right to contest the WVASC's findings and conclusions, which they intend to do.

Civil lawsuits, including purported class action and shareholder derivative suits, have been filed against certain of the AIM Funds, IFG, AIM, ADI and/or related entities and individuals, depending on the lawsuit, alleging:

- that the defendants permitted improper market timing and related activity in the AIM Funds;
- that certain AIM Funds inadequately employed fair value pricing;
- that the defendants charged excessive advisory and/or distribution fees and failed to pass on to shareholders the perceived savings generated by economies of scale and that the defendants adopted unlawful distribution plans; and
- that the defendants improperly used the assets of the AIM Funds to pay brokers to aggressively promote the sale of the AIM Funds over other mutual funds and that the defendants concealed such payments from investors by disguising them as brokerage commissions.

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

NOTE 11—Legal Proceedings–(continued)

All lawsuits based on allegations of market timing, late trading and related activity have been transferred to the United States District Court for the District of Maryland (the "MDL Court"). Pursuant to an Order of the MDL Court, plaintiffs in these lawsuits consolidated their claims for pre-trial purposes into three amended complaints against various AIM- and IFG-related parties: (i) a Consolidated Amended Class Action Complaint purportedly brought on behalf of shareholders of the AIM Funds; (ii) a Consolidated Amended Fund Derivative Complaint purportedly brought on behalf of the AIM Funds and fund registrants; and (iii) an Amended Class Action Complaint for Violations of the Employee Retirement Income Securities Act ("ERISA") purportedly brought on behalf of participants in AMVESCAP's 401(k) plan.

On August 25, 2005, the MDL Court issued rulings on the common issues of law presented in motions to dismiss shareholder class action and derivative complaints that were filed in unrelated lawsuits. On November 3, 2005, the MDL Court issued short opinions for the most part applying these rulings to the AIM and IFG lawsuits. The MDL Court dismissed all derivative causes of action but one: the excessive fee claim under Section 36(b) of the Investment Company Act of 1940 (the "1940 Act"). The Court dismissed all claims asserted in the class action complaint but three: (i) the securities fraud claims under Section 10(b) of the Securities Exchange Act of 1934, (ii) the excessive fee claim under Section 36(b) of the 1940 Act (which survived only insofar as plaintiffs seek recovery of fees associated with the assets involved in market timing); and (iii) the MDL Court deferred ruling on the "control person liability" claim under Section 48 of the 1940 Act. The question whether the duplicative Section 36(b) claim properly belongs in the derivative complaint or in the class action complaint will be decided at a later date.

At the MDL Court's request, the parties submitted proposed orders implementing these rulings in the AIM and IFG lawsuits. The MDL Court has not entered any orders on the motions to dismiss in these lawsuits and it is possible the orders may differ in some respects from the rulings described above. Based on the MDL Court's opinion and both parties' proposed orders, however, all claims asserted against the Funds that have been transferred to the MDL Court will be dismissed, although certain Funds will remain nominal defendants in the derivative lawsuit.

On December 6, 2005, the MDL Court issued rulings on the common issues of law presented in defendants' omnibus motion to dismiss the ERISA complaints. The ruling was issued in unrelated lawsuits that are similar to the ERISA lawsuits brought against AIM and IFG and related entities. The MDL Court: (i) denied the motion to dismiss on the grounds that the plaintiffs lack standing or that the defendants' investments in company stock are entitled to a presumption of prudence; (ii) granted the motion to dismiss as to defendants not named in the employee benefit plan documents as fiduciaries but gave plaintiffs leave to replead facts sufficient to show that such defendants acted as de facto fiduciaries; and (iii) confirmed plaintiffs' withdrawal of their prohibited transactions and misrepresentations claims.

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

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

* *

As a result of the matters discussed above, investors in the AIM Funds might react by redeeming their investments. This might require the AIM Funds to sell investments to provide for sufficient liquidity and could also have an adverse effect on the investment performance of the AIM Funds.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of AIM Variable Insurance Funds
and Shareholders of AIM V.I. Utilities Fund:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of AIM V.I. Utilities Fund (one of the funds constituting AIM Variable Insurance Funds, hereafter referred to as the "Fund") at December 31, 2005, and the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2005 by correspondence with the custodian, provide a reasonable basis for our opinion.

PRICEWATERHOUSECOOPERS LLP

February 14, 2006
Houston, Texas

Trustees and Officers

As of December 31, 2005

The address of each trustee and officer of AIM Variable Insurance Funds (the "Trust"), is 11 Greenway Plaza, Suite 100, Houston, Texas 77046. Each trustee oversees 109 portfolios in the AIM Funds complex. The trustees serve for the life of the Trust, subject to their earlier death, incapacitation, resignation, retirement or removal as more specifically provided in the Trust's organizational documents. Column two below includes length of time served with predecessor entities, if any.

Name, Year of Birth and Positions(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Other Directorship(s) Held by Trustee
Interested Persons			
Robert H. Graham[1] — 1946 Trustee, Vice Chair, Principal Executive Officer and President	1993	Director and Chairman, A I M Management Group Inc. (financial services holding company); Director and Vice Chairman, AMVESCAP PLC and Chairman, AMVESCAP PLC — AIM Division (parent of AIM and a global investment management firm) Formerly: President and Chief Executive Officer, A I M Management Group Inc.; Director, Chairman and President, A I M Advisors, Inc. (registered investment advisor); Director and Chairman, A I M Capital Management, Inc. (registered investment advisor), A I M Distributors, Inc. (registered broker dealer), AIM Investment Services, Inc. (registered transfer agent), and Fund Management Company (registered broker dealer); and Chief Executive Officer, AMVESCAP PLC — Managed Products	None
Mark H. Williamson[2] — 1951 Trustee and Executive Vice President	2003	Director, President and Chief Executive Officer, A I M Management Group Inc.; Director and President, A I M Advisors, Inc.; Director, A I M Capital Management, Inc. and A I M Distributors, Inc.; Director and Chairman, AIM Investment Services, Inc., Fund Management Company and INVESCO Distributors, Inc. (registered broker dealer); and Chief Executive Officer, AMVESCAP PLC — AIM Division Formerly: Director, Chairman, President and Chief Executive Officer, INVESCO Funds Group, Inc.; President and Chief Executive Officer, INVESCO Distributors, Inc.; Chief Executive Officer, AMVESCAP PLC — Managed Products, and Chairman, A I M Advisors, Inc.	None
Independent Trustees			
Bruce L. Crockett — 1944 Trustee and Chair	1993	Chairman, Crockett Technology Associates (technology consulting company)	ACE Limited (insurance company); and Captaris, Inc. (unified messaging provider)
Bob R. Baker — 1936 Trustee	2004	Retired	None
Frank S. Bayley — 1939 Trustee	2001	Retired Formerly: Partner, law firm of Baker & McKenzie	Badgley Funds, Inc. (registered investment company (2 portfolios))
James T. Bunch — 1942 Trustee	2004	Co-President and Founder, Green, Manning & Bunch Ltd., (investment banking firm); and Director, Policy Studies, Inc. and Van Gilder Insurance Corporation	None
Albert R. Dowden — 1941 Trustee	2000	Director of a number of public and private business corporations, including the Boss Group Ltd. (private investment and management); Cortland Trust, Inc. (Chairman) (registered investment company (3 portfolios)); Annuity and Life Re (Holdings), Ltd. (insurance company); and CompuDyne Corporation (provider of products and services to the public security market); and Homeowners of America Holding Corporation Formerly: Director, President and Chief Executive Officer, Volvo Group North America, Inc.; Senior Vice President, AB Volvo; and director of various affiliated Volvo companies	None
Edward K. Dunn, Jr. — 1935 Trustee	1998	Retired	None
Jack M. Fields — 1952 Trustee	1997	Chief Executive Officer, Twenty First Century Group, Inc. (government affairs company) and Owner, Dos Angelos Ranch, L.P. Formerly: Chief Executive Officer, Texana Timber LP (sustainable forestry company)	Administaff and Discovery Global Education Fund (non-profit)
Carl Frischling — 1937 Trustee	1993	Partner, law firm of Kramer Levin Naftalis and Frankel LLP	Cortland Trust, Inc. (registered investment company (3 portfolios))
Prema Mathai-Davis — 1950 Trustee	1998	Formerly: Chief Executive Officer, YWCA of the USA	None
Lewis F. Pennock — 1942 Trustee	1993	Partner, law firm of Pennock & Cooper	None
Ruth H. Quigley — 1935 Trustee	2001	Retired	None
Larry Soll — 1942 Trustee	2004	Retired	None
Raymond Stickel, Jr. — 1944 Trustee	2005	Retired Formerly: Partner, Deloitte & Touche	None

[1] Mr. Graham is considered an interested person of the Trust because he is a director of AMVESCAP PLC, parent of the advisor to the Trust.

[2] Mr. Williamson is considered an interested person of the Trust because he is an officer and a director of the advisor to, and a director of the principal underwriter of, the Trust.

Trustees and Officers–(continued)

As of December 31, 2005

The address of each trustee and officer of AIM Variable Insurance Funds (the "Trust"), is 11 Greenway Plaza, Suite 100, Houston, Texas 77046. Each trustee oversees 109 portfolios in the AIM Funds complex. The trustees serve for the life of the Trust, subject to their earlier death, incapacitation, resignation, retirement or removal as more specifically provided in the Trust's organizational documents. Column two below includes length of time served with predecessor entities, if any.

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Other Directorship(s) Held by Trustee
Other Officers			
Lisa O. Brinkley — 1959 Senior Vice President and Chief Compliance Officer	2004	Senior Vice President, A I M Management Group Inc.; Senior Vice President and Chief Compliance Officer, A I M Advisors, Inc.; Vice President and Chief Compliance Officer, A I M Capital Management, Inc. and Vice President, A I M Distributors, Inc., AIM Investment Services, Inc. and Fund Management Company Formerly: Senior Vice President and Compliance Director, Delaware Investments Family of Funds and Chief Compliance Officer, A I M Distributors, Inc.	N/A
Russell C. Burk — 1958 Senior Vice President (Senior Officer)	2005	Formerly: Director of Compliance and Assistant General Counsel, ICON Advisers, Inc.; Financial Consultant, Merrill Lynch; General Counsel and Director of Compliance, ALPS Mutual Funds, Inc.	N/A
Kevin M. Carome — 1956 Senior Vice President, Secretary and Chief Legal Officer	2003	Director, Senior Vice President, Secretary and General Counsel, A I M Management Group Inc. and A I M Advisors, Inc.; Director and Vice President, INVESCO Distributors, Inc.; Vice President, A I M Capital Management, Inc., and AIM Investment Services, Inc. and Fund Management Company; and Senior Vice President, A I M Distributors, Inc. Formerly: Senior Vice President and General Counsel, Liberty Financial Companies, Inc.; Senior Vice President and General Counsel, Liberty Funds Group, LLC.; Vice President, A I M Distributors, Inc.; and Director and General Counsel, Fund Management Company	N/A
Sidney M. Dilgren — 1961 Vice President, Principal Financial Officer and Treasurer	2004	Vice President and Fund Treasurer, A I M Advisors, Inc. Formerly: Senior Vice President, AIM Investment Services, Inc.; and Vice President, A I M Distributors, Inc.	N/A
J. Phillip Ferguson — 1945 Vice President	2005	Senior Vice President and Chief Investment Officer, A I M Advisors Inc.; Director, Chairman, Chief Executive Officer, President and Chief Investment Officer, A I M Capital Management, Inc.; Executive Vice President, A I M Management Group Inc. Formerly: Senior Vice President, AIM Private Asset Management, Inc.; Chief Equity Officer, and Senior Investment Officer, A I M Capital Management, Inc.	N/A
Mark D. Greenberg — 1957 Vice President	2004	Senior Vice President and Senior Portfolio Manager, A I M Capital Management, Inc. Formerly: Senior Vice President and Senior Portfolio Manager, INVESCO Institutional (N.A.), Inc.	N/A
William R. Keithler — 1952 Vice President	2004	Senior Vice President and Senior Portfolio Manager, A I M Capital Management, Inc. Formerly: Senior Vice President, Director of Sector Management and Senior Portfolio Manager, INVESCO Institutional (N.A.), Inc.	N/A
Karen Dunn Kelley — 1960 Vice President	1993	Director of Cash Management, Managing Director and Chief Cash Management Officer, A I M Capital Management, Inc.; Director and President, Fund Management Company, and Vice President, A I M Advisors, Inc.	N/A

The Statement of Additional Information of the Trust includes additional information about the Fund's Trustees and is available upon request, without charge, by calling 1.800.410.4246.

Office of the Fund
11 Greenway Plaza
Suite 100
Houston, TX 77046-1173

Investment Advisor
A I M Advisors, Inc.
11 Greenway Plaza
Suite 100
Houston, TX 77046-1173

Distributor
A I M Distributors, Inc.
11 Greenway Plaza
Suite 100
Houston, TX 77046-1173

Auditors
PricewaterhouseCoopers LLP
1201 Louisiana Street
Suite 2900
Houston, Texas 77002-5678

Counsel to the Fund
Foley & Lardner LLP
300 K N.W., Suite 500
Washington, D.C. 20007-5111

Counsel to the Independent Trustees
Kramer, Levin, Naftalis & Frankel LLP
1177 Avenue of the Americas
New York, NY 10036-2714

Transfer Agent
AIM Investment Services, Inc.
P.O. Box 4739
Houston, TX 77210-4739

Custodian
State Street Bank and Trust Company
225 Franklin Street
Boston, MA 02110-2801

Required Federal Income Tax Information

Of ordinary dividends paid to shareholders during the Fund's tax year ended December 31, 2005, 96.41% is eligible for the dividends received deduction for corporations.

The Alger American Fund

Alger American
Balanced Portfolio

Annual Report

December 31, 2005

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Dear Shareholders,

January 24, 2006

The Year in Review

The past twelve months had more than their share of challenges. Hurricanes Katrina and Rita devastated the southern coast, leaving hundreds of thousands jobless and without homes, and prompting investor fears of high energy prices (which came true) and inflation (which did not). The war in Iraq entered its third year, and the domestic debate about the war intensified. The job market showed some improvement but job creation and wage growth remained sub-par relative to economic growth and corporate profitability. The Fed – concerned about inflation and the frothiness of the housing market – raised overnight lending rates eight times to 4.25%, a rate still low by historical standards. In response, anxious investors – and Wall Street professionals, in particular – remained skeptical, adopting a wait-and-see attitude. As a result, U.S. equity markets remained flat throughout the year.

Despite such understandable concerns, the U.S. equity markets have clearly emerged from the bear market of the early 2000s. In fact, since October of 2002, when the market made a post-bubble low, the major U.S. indices have been very strong. So has the economy, both domestically and globally. Over the past year, the U.S. economy showed steady growth of around 3.0%, core inflation excluding energy remained muted (below 2%), and corporate earnings stayed in double-digits, much to the surprise of most strategists. Growth companies in particular saw healthy stock appreciation. Going forward, we see even greater potential for the better growth managers to outperform their benchmarks and the overall markets.

Challenges for consumers did not necessarily translate into problems for investors. High energy prices created investment opportunities, and energy stocks outperformed all other sectors. Additionally, high gas prices prompted exploration into both alternative sources of energy and innovative solutions to reducing fuel consumption.

The twin effects of productivity and globalization continue to reshape the competitive landscape for dynamic companies. Information technologies no longer attract the same attention, but their effects on companies are more significant than ever. The result is higher productivity, which translates into higher profitability for many corporations. In addition, more businesses are operating on a global scale, and U.S. corporate profits rose dramatically from foreign sales. Emerging economies in Asia, Latin America and Eastern Europe are all contributing to global economic growth, and the China effect, both as a consumer of raw materials and finished goods, and as a producer of products for global consumption, shows no signs of diminishing.

Consumers have also been affected by these trends. In the United States, a critical mass of consumers adopted high-speed broadband technology. As a result, the Internet has become more fully integrated into day-to-day life as a ubiquitous resource for retail, services, entertainment, education, communication, and business needs. This has created opportunities for dynamic new business models, whether it is Google in the on-line search and advertising space, eBay and auctions, or Apple iPods and downloadable music files.

In sum, for the 12 months ended December 31, 2005, the equity markets were up with the Dow finishing at 10,717.50, the Nasdaq up 1.4% and the S&P 500 up 3.0%. While long-term treasury yields were markedly inconsistent with the Fed's overnight interest rate increases, the yield on the U.S. Treasury 10-year note was 4.39% on December 31, 2005, compared to 4.25% a year earlier.

The Alger American Balanced Portfolio gained 8.42% for the fiscal year, outperforming the Russell 1000 Growth Index return of 5.27%. Information technology represented an average weight of 21.50% of the Portfolio's equity holdings, an underweight compared to the benchmark, yet the Portfolio substantially outperformed in this sector. Strong performers included Apple Computer, Inc., Google Inc., Cl. A and Yahoo! Inc.

At an average weight of 20.88% our equity holdings in the health care sector were underweight in comparison to the benchmark, but still significantly outperformed it. The Portfolio's health care holdings were buoyed by strong performances from Genentech, Inc., CIGNA Corp., and Caremark Rx, Inc.

In the consumer discretionary sector, the Portfolio was overweight at 19.65% compared to the benchmark, but outperformed with solid returns from Netflix Inc., Hilton Hotels Corp. and Sirius Satellite Radio, Inc. While the Portfolio saw strong performances in consumer discretionary, we reduced our overall holdings in this sector during the year. In the financials sector, the Portfolio substantially outperformed the benchmark.

Energy stocks accounted for an average weight of 10.16% of the Portfolio's equity holdings. The Portfolio underperformed the benchmark in this sector.

The fixed-income portion of the Alger American Balanced Fund returned 2.19% for the year versus the Lehman Brothers Government/Credit Bond Index return of 2.36%. As of December 31, 2005, 13% of the fixed-income portfolio was in corporate securities, 4% in mortgage-backed securities, 2% in asset-backed securities, 10% in US Treasury, 5% in US Agency and 1% in cash.

Looking Ahead

At Alger, we look for dynamic, innovative companies regardless of whether the stock markets are dominated by bulls or bears. Our long-term success is not a product of momentum or fads, but that of a highly-disciplined approach grounded in fundamental, bottom-up research, and bolstered by the thorough conviction of our analysts. Looking ahead in 2006, we anticipate a year similar to 2005, with continued strong corporate earnings, and an equity market that increasingly recognizes growth…and responds in kind.

As we end another fiscal year, we'd like to take the opportunity to thank you for growing with us, and continuing to entrust us with your investment needs.

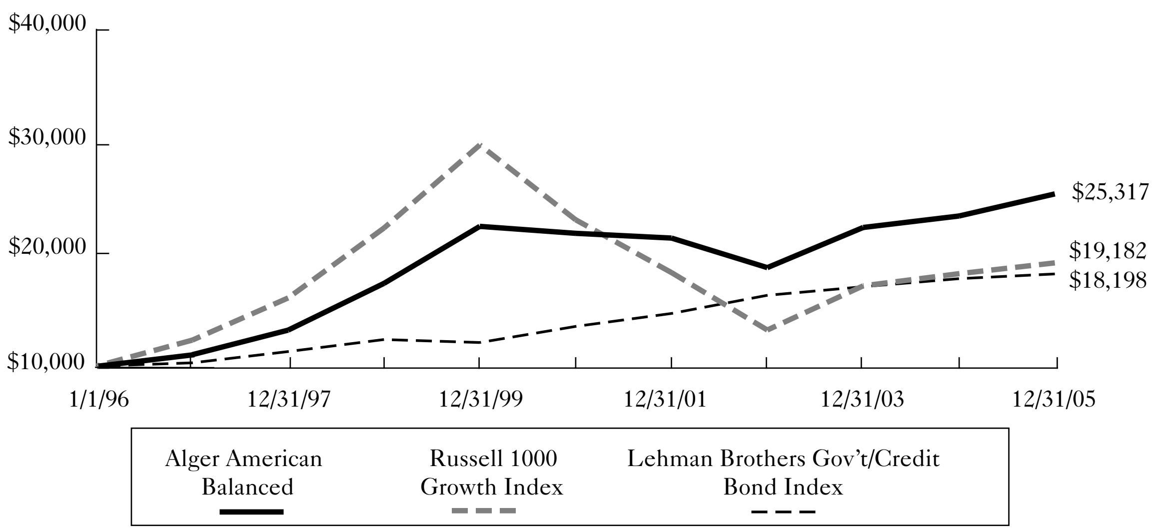
Respectfully submitted,

Daniel C. Chung
Chief Investment Officer

ALGER AMERICAN BALANCED PORTFOLIO

Portfolio Highlights Through December 31, 2005 (Unaudited)

HYPOTHETICAL $10,000 INVESTMENT—10 Years Ended December 31, 2005



The chart above illustrates the growth in value of a hypothetical $10,000 investment made in Alger American Balanced Class O shares, the Russell 1000 Growth Index, and the Lehman Brothers Government/Credit Bond Index for the ten years ended December 31, 2005. Figures for the Alger American Balanced Class O shares, the Russell 1000 Growth Index (an unmanaged index of common stocks), and the Lehman Brothers Government/Credit Bond Index (an unmanaged index of government and corporate bonds), include reinvestment of dividends and/or interest. Performance for the Alger American Balanced Class S shares will vary from the results shown above due to differences in expenses that class bears.

PERFORMANCE COMPARISON THROUGH December 31, 2005

	Average Annual Total Returns			
	1 Year	5 Years	10 Years	Since Inception
Class O (Inception 9/5/89)	8.42%	3.03%	9.73%	9.21%
Russell 1000 Growth Index	5.27%	(3.58%)	6.73%	9.25%
Lehman Brothers Gov't/Credit Bond Index	2.36%	6.11%	6.17%	7.53%
Class S (Inception 5/1/02)	8.15%	—	—	5.76%
Russell 1000 Growth Index	5.27%	—	—	4.38%
Lehman Brothers Gov't/Credit Bond Index	2.36%	—	—	5.61%

Performance figures do not reflect deduction of insurance charges against assets or annuities. If these charges were deducted, the total return figures would be lower. Past performance does not guarantee future results.

The Alger American Fund
Alger American Balanced Portfolio
Portfolio Summary* (Unaudited)

Sectors/Security Types	
Consumer Discretionary	11.1%
Consumer Staples	2.4
Energy	8.1
Financials	6.8
Health Care	11.6
Industrials	3.7
Information Technology	17.6
Materials	1.3
Telecommunications Services	2.5
Utilities	0.3
Total Common Stocks	65.4
Corporate Obligations	14.9
U.S. Agency Obligations	9.8
U.S. Treasury Obligations	8.9
Total Obligations	33.6
Cash and Net Other Assets	1.0
	100.0%

* Based on net assets.

The Alger American Fund
Alger American Balanced Portfolio
Schedule of Investments—December 31, 2005

Shares	COMMON STOCKS—65.4%	Value
	AEROSPACE & DEFENSE—.7%	
20,100	General Dynamics Corporation	$ 2,292,405
	BIOTECHNOLOGY—2.5%	
69,200	Amgen Inc.*	5,457,112
21,400	Gilead Sciences, Inc.*	1,126,282
56,700	MedImmune, Inc.*	1,985,634
		8,569,028
	CAPITAL MARKETS—1.6%	
9,600	Bear Stearns Companies Inc.	1,109,088
18,800	Legg Mason, Inc.	2,250,172
33,200	Merrill Lynch & Co., Inc.	2,248,636
		5,607,896
	COMMUNICATION EQUIPMENT—4.2%	
129,900	Cisco Systems, Inc.*	2,223,888
160,600	Corning Incorporated*	3,157,396
179,700	Motorola, Inc.	4,059,423
37,200	QUALCOMM Inc.	1,602,576
45,500	Research In Motion Limited*	3,003,455
		14,046,738
	COMMUNICATION TECHNOLOGY—1.3%	
161,500	Nextel Partners, Inc. Cl. A*	4,512,310
	COMPUTERS & PERIPHERALS—4.0%	
105,900	Apple Computer, Inc.*	7,613,151
117,800	Network Appliance, Inc.*	3,180,600
41,100	SanDisk Corporation*	2,581,902
		13,375,653
	DIVERSIFIED FINANCIAL SERVICES—1.8%	
45,700	Citigroup Inc.	2,217,821
34,300	Principal Financial Group (The)	1,626,849
29,500	Prudential Financial, Inc.	2,159,105
		6,003,775
	DIVERSIFIED TELECOMMUNICATION SERVICES—1.1%	
61,600	ALLTEL Corporation	3,886,960
	ELECTRIC UTILITIES—.3%	
21,000	Exelon Corporation	1,115,940
	ELECTRONIC EQUIPMENT & INSTRUMENTS—.3%	
14,800	Emerson Electric Co.	1,105,560
	ELECTRONICS—.5%	
113,100	Nintendo Co., Ltd. ADR#	1,706,849

Shares		Value
	ENERGY EQUIPMENT & SERVICES—3.8%	
29,500	BJ Services Company	$ 1,081,765
14,300	Nabors Industries Ltd.*	1,083,225
61,700	National-Oilwell Varco Inc.*	3,868,590
97,700	Transocean Inc.*	6,808,713
		12,842,293
	FINANCIAL INFORMATION SERVICES—.7%	
67,100	Genworth Financial Inc. Cl. A	2,320,318
	FINANCIAL SERVICES—.7%	
150,500	Schwab (Charles) Corporation (The)	2,207,835
	HEALTH CARE EQUIPMENT & SUPPLIES—1.1%	
33,000	Medtronic, Inc.	1,899,810
32,500	St. Jude Medical, Inc.*	1,631,500
		3,531,310
	HEALTH CARE PROVIDERS & SERVICES—3.6%	
67,100	Caremark Rx, Inc.*	3,475,109
104,600	Humana Inc.*	5,682,918
50,800	Medco Health Solutions, Inc.*	2,834,640
		11,992,667
	HOTELS, RESTAURANTS & LEISURE—1.2%	
34,800	Carnival Corporation	1,860,756
72,700	Starbucks Corporation*	2,181,727
		4,042,483
	HOUSEHOLD PRODUCTS—1.7%	
97,147	Procter & Gamble Company	5,622,868
	INDUSTRIAL CONGLOMERATES—1.7%	
160,200	General Electric Company	5,615,010
	INSURANCE—1.3%	
33,000	American International Group, Inc.	2,251,590
69,500	Marsh & McLennan Companies, Inc.	2,207,320
		4,458,910
	INTERNET & CATALOG RETAIL—3.7%	
204,200	eBay Inc.*	8,831,650
135,400	Netflix Inc.*	3,663,924
		12,495,574
	INTERNET SOFTWARE & SERVICES—4.7%	
22,000	Google Inc. Cl. A*	9,126,920
167,500	Yahoo! Inc.*	6,562,650
		15,689,570
	MACHINERY—1.0%	
58,100	Caterpillar Inc.	3,356,437

Shares	COMMON STOCKS—(Cont'd)	Value
	MEDIA—5.4%	
155,800	Disney (Walt) Company	$ 3,734,526
290,900	News Corporation Cl. A	4,523,495
421,100	Sirius Satellite Radio Inc.*	2,821,370
253,750	XM Satellite Radio Holdings Inc. Cl. A*	6,922,300
		18,001,691
	METALS & MINING—3.3%	
25,700	Companhia Vale do Rio Doce (CVRD) ADR#*	1,057,298
21,500	Freeport-McMoRan Copper & Gold, Inc.	1,156,700
80,100	Peabody Energy Corporation	6,601,842
15,400	Phelps Dodge Corporation	2,215,598
		11,031,438
	MULTILINE RETAIL—.2%	
12,000	Federated Department Stores, Inc.	795,960
	OIL & GAS—2.3%	
32,600	Sasol Ltd. ADR#	1,161,864
83,600	Talisman Energy Inc.	4,420,768
41,800	Valero Energy Corporation	2,156,880
		7,739,512
	PHARMACEUTICALS—4.4%	
55,800	IVAX Corporation*	1,748,214
41,100	Novartis AG ADR#	2,156,928
241,800	Schering-Plough Corporation	5,041,530
25,300	Teva Pharmaceutical Industries Ltd. ADR#	1,088,153
101,900	Wyeth	4,694,533
		14,729,358
	SAVINGS & LOANS—.7%	
34,200	Golden West Financial Corp.	2,257,200
	SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT—1.2%	
70,450	Intel Corporation	1,758,432
40,500	Marvell Technology Group Ltd.*	2,271,645
		4,030,077
	SOFTWARE—3.1%	
132,200	Check Point Software Technologies Ltd.*	2,657,220
167,500	Microsoft Corporation	4,380,125
194,800	Symantec Corporation*	3,409,000
		10,446,345
	SPECIALTY RETAIL—.6%	
53,800	Bed Bath & Beyond Inc.*	1,944,870
	TOBACCO—.7%	
30,800	Altria Group, Inc.	2,301,376
	Total Common Stocks (Cost $202,506,016)	219,676,216

Principal Amount	CORPORATE BONDS—14.9%	Value
	AEROSPACE & DEFENSE—.3%	
$ 832,135	Systems 2001 Asset Trust Cl. G, 6.664%, 9/15/13(a)	$ 885,517
	AUTOMOTIVE—.2%	
790,000	DaimlerChrysler N.A. Holdings Corp., 4.05%, 6/4/08	769,496
	BUILDING PRODUCTS—.1%	
350,000	Masco Corporation, 4.80%, 6/15/15	326,863
	CABLE—.4%	
1,350,000	Cox Communications, Inc., 5.45%, 12/15/14	1,319,632
	CAPITAL MARKETS—1.0%	
1,950,000	Goldman Sachs Group, Inc., 4.75%, 7/15/13	1,894,390
1,655,000	J.P. Morgan Chase & Co., 4.60%, 1/17/11	1,624,808
		3,519,198
	COMMERCIAL BANKS—1.3%	
1,575,000	Associates Corp. North America, 6.95%, 11/1/18	1,817,090
1,380,000	Key Bank NA, 4.95%, 9/15/15	1,348,537
600,000	Synovus Financial Corp., 5.125%, 6/15/17	592,321
525,000	Zions Bancorporation, 5.50%, 11/16/15	529,876
		4,287,824
	CONSUMER FINANCE—.4%	
1,300,000	MBNA Credit Card Master Note Trust, 4.50%, 1/15/13	1,295,176
	DIVERSIFIED TELECOMMUNICATION SERVICES—.8%	
1,865,000	Telecom Italia Capital, 4.95%, 9/30/14	1,784,342
1,000,000	Telecom Italia Capital, 5.25%, 10/1/15	973,105
		2,757,447
	ELECTRIC UTILITIES—1.0%	
1,500,000	Con Edison Company Of New York, 5.625%, 7/1/12	1,559,733
1,650,000	Ohio Edison Company, 5.647%, 6/15/09(a)	1,676,730
		3,236,463
	ELECTRONIC EQUIPMENT & INSTRUMENTS—.3%	
1,100,000	GE Equipment Small Ticket, 4.88%, 10/22/09(a)	1,100,649
	ELECTRONICS—.2%	
650,000	Centerpoint Ener Tran II, 4.97%, 8/1/14	650,525
	ENERGY EQUIPMENT & SERVICES—.4%	
1,500,000	Baker Hughes Inc., 6.25%, 1/15/09	1,559,253
	FINANCE—.8%	
1,565,000	Caterpillar Financial Services Corporation, 3.70%, 8/15/08	1,524,094
1,220,000	SLM Corp., 4.50%, 7/26/10	1,195,619
		2,719,713

Principal Amount	CORPORATE BONDS—(Cont'd)	Value
	FOOD & STAPLES RETAILING—.4%	
$1,400,000	CVS Corporation, 4.875%, 9/15/14	$ 1,353,666
	GAS UTILITIES—.4%	
1,000,000	Kinder Morgan Energy Partners, L.P., 5.80%, 3/15/35	959,883
440,000	Nisource Inc., 5.25%, 9/15/17	428,902
		1,388,785
	HEALTH CARE EQUIPMENT & SUPPLIES—.4%	
1,300,000	Medtronic, Inc. Senior Notes, 4.75%, 9/15/15(a)	1,265,930
	HEALTH CARE PROVIDERS & SERVICES—.8%	
650,000	Laboratory Corporation of America Holdings, 5.625%, 12/15/15	659,864
1,015,000	Manor Care, Inc., 6.25%, 5/1/13(a)	1,056,248
945,000	Omnicare, Inc., 6.75%, 12/15/13	960,356
		2,676,468
	HOTELS, RESTAURANTS & LEISURE—.2%	
650,000	Marriott International, 4.625%, 6/15/12	626,478
	INSURANCE—2.4%	
1,800,000	American International Group, 5.05%, 10/1/15(a)	1,769,929
1,850,000	Franklin Auto Trust Series 2005-1, 4.91%, 4/20/10	1,851,369
2,205,000	Markel Corp., 7.00%, 5/15/08	2,287,368
490,000	The Chubb Corporation, 4.934%, 11/16/07	489,895
1,300,000	USAA Auto Owner Trust Series 2005-4, 4.79%, 8/15/08	1,299,943
500,000	W. R. Berkley Corporation, 5.60%, 5/15/15	499,421
		8,197,925
	MEDIA—.3%	
284,000	Liberty Media Corporation Floating Rate Note, 5.37%, 9/17/06	286,005
650,000	News America Inc., 6.40%, 12/15/35(a)	657,346
		943,351
	METAL FABRICATING—.5%	
1,855,000	Timken Co., 5.75%, 2/15/10	1,862,604
	METALS & MINING—.4%	
1,250,000	Alcan Inc., 5.00%, 6/1/15	1,214,784
	MULTI-UTILITIES UNREGULATED POWER—.4%	
1,300,000	PG&E Energy Recovery Funding, LLC., 4.85%, 6/25/11	1,300,595
	OIL & GAS—.6%	
1,895,000	Canadian Natural Resources, 4.90%, 12/1/14	1,857,305
	OIL AND GAS EXTRACTION—.5%	
$1,200,000	Enterprise Products Partners Series B, 5.60%, 10/15/14	$ 1,201,122
500,000	Enterprise Products Partners, 5.00%, 3/1/15	477,150
		1,678,272
	PHARMACEUTICALS—.4%	
1,158,000	Wyeth, 5.50%, 2/15/16(a)	1,173,706
	Total Corporate Bonds (Cost $50,349,480)	49,967,625
	U.S. GOVERNMENT & AGENCY OBLIGATIONS—18.7%	
	Federal Home Loan Banks,	
3,200,000	4.10%, 6/13/08	3,153,901
1,000,000	3.375%, 7/21/08	968,425
850,000	3.75%, 8/15/08	830,301
1,400,438	4.75%, 10/25/10	1,388,534
2,206,695	4.84%, 1/25/12	2,192,904
1,230,000	5.50%, 5/18/15	1,219,097
	Federal Home Loan Mortgage Corporation,	
900,000	4.125%, 11/18/09	881,833
2,350,000	4.50%, 11/15/11	2,307,829
1,069,139	5.50%, 11/15/14	1,080,077
1,093,662	5.50%, 7/15/16	1,103,601
1,300,000	5.00%, 8/15/16	1,289,951
1,100,000	5.00%, 10/15/28	1,085,936
1,300,000	5.00%, 9/15/33	1,287,543
	Federal National Mortgage Association,	
500,000	6.96%, 4/2/07	513,210
1,230,000	4.25%, 7/15/07	1,221,286
1,380,000	3.25%, 8/15/08	1,331,305
1,515,000	4.40%, 3/8/10	1,495,844
1,900,000	5.00%, 4/19/10	1,897,832
1,796,223	4.80%, 4/25/10	1,787,803
1,100,000	6.00%, 1/25/15	1,128,061
1,350,000	5.00%, 1/25/20	1,345,771
508,000	6.625%, 11/15/30	628,480
	U.S. Treasury Bonds,	
2,094,000	7.50%, 11/15/16	2,630,916
1,000,000	5.25%, 11/15/28	1,091,016
4,443,000	5.375%, 2/15/31	4,992,128
	U.S. Treasury Notes,	
4,000,000	3.75%, 3/31/07	3,967,188
230,000	4.375%, 5/15/07	229,883
6,385,000	3.00%, 11/15/07	6,227,872
132,000	3.125%, 9/15/08	127,829
1,626,000	3.125%, 4/15/09	1,564,771
880,000	3.625%, 7/15/09	858,757
4,100,000	3.50%, 11/15/09	3,974,921
1,900,000	4.25%, 8/15/13	1,883,599
900,000	4.25%, 11/15/14	889,805
2,825,000	4.00%, 2/15/15	2,739,809
1,378,000	4.50%, 11/15/15	1,389,736
	Total U.S. Government & Agency Obligations (Cost $63,144,369)	62,707,754

Principal Amount	SHORT-TERM INVESTMENTS—.7%		Value
	U.S. AGENCY OBLIGATIONS—.7%		
$2,500,000	Federal National Mortgage Association, 3.15%, 1/3/06		$ 2,499,562
	SECURITIES HELD UNDER REPURCHASE AGREEMENTS		
	Securities Held Under Repurchase Agreements, 3.20%, 1/3/06, with Bear, Stearns & Co. Inc. dtd 12/30/05, repurchase price $124,431; collateralized by U.S. Treasury Notes (par Value $100,000 due 1/15/09)		124,387
	Total Short-Term Investments (Cost $2,623,949)		2,623,949
Total Investments (Cost $318,623,814)(b)		99.7%	334,975,544
Other Assets In Excess of Liabilities		.3	1,019,605
Net Assets		100.0%	$335,995,149

* Non-income producing security.
\# American Depositary Receipts.
(a) Pursuant to Securities and Exchange Commission Rule 144A, these securities may be sold prior to their maturity only to qualified institutional buyers. These securities are deemed to be liquid and represent 2.9% of net assets of the Portfolio.
(b) At December 31, 2005, the net unrealized appreciation on investments, based on cost for federal income tax purposes of $319,894,414 amounted to $15,081,130 which consisted of aggregate gross unrealized appreciation of $20,779,291 and aggregate gross unrealized depreciation of $5,698,161.

See Notes to Financial Statements.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2005

Assets:	
Investments in securities, at value (identified cost*)—see accompanying schedule of investments	$334,975,544
Receivable for shares of beneficial interest sold	155,973
Interest and dividends receivable	1,190,150
Prepaid expenses	4,614
Total Assets	336,326,281
Liabilities:	
Payable for shares of beneficial interest redeemed	46,033
Accrued investment management fees	216,228
Accrued expenses	68,871
Total Liabilities	331,132
Net Assets	$335,995,149
Net Assets Consist of:	
Paid-in capital	$300,612,883
Undistributed net investment income	4,445,955
Undistributed net realized gain	14,584,581
Net unrealized appreciation	16,351,730
Net Assets	$335,995,149
Class O	
Net Asset Value Per Share	$14.44
Class S	
Net Asset Value Per Share	$14.61
Shares of beneficial interest outstanding—Note 5	
Class O	20,243,415
Class S	2,982,685
*Identified cost	$318,623,814

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
STATEMENT OF OPERATIONS

For the year ended December 31, 2005

INVESTMENT INCOME	
Income:	
Interest	$ 5,103,090
Dividends (net of foreign withholding taxes*)	1,930,986
Total Income	7,034,076
Expenses:	
Management fees—Note 3(a)	2,509,177
Custodian fees	53,398
Professional fees	32,233
Distribution fees—Note 3(b) Class S	108,041
Trustees' fees	2,299
Miscellaneous	106,337
Total Expenses	2,811,485
Net Investment Income	4,222,591
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND OPTIONS	
Net realized gain on investments	32,650,466
Net change in unrealized appreciation (depreciation) on investments	(10,357,963)
Net realized and unrealized gain on investments	22,292,503
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$26,515,094
*Foreign withholding taxes	$ 7,962

See Notes to Financial Statements.

The Alger American Fund
Alger American Balanced Portfolio
Statement of Changes in Net Assets

For the year ended December 31, 2005

Net investment income	$ 4,222,591
Net realized gain on investments	32,650,466
Net change in unrealized appreciation (depreciation) on investments	(10,357,963)
Net increase in net assets resulting from operations	26,515,094
Dividends and distributions to shareholders from:	
Net investment income	
Class O	(4,826,274)
Class S	(623,154)
Total dividends to shareholders	(5,449,428)
Decrease from shares of beneficial interest transactions:	
Class O	(35,627,151)
Class S	(3,622,485)
Net decrease from shares of beneficial interest transactions—Note 5	(39,249,636)
Total decrease	(18,183,970)
Net Assets	
Beginning of year	354,179,119
End of year	$335,995,149
Undistributed net investment income	$ 4,445,955

The Alger American Fund
Alger American Balanced Portfolio
Statement of Changes in Net Assets

For the year ended December 31, 2004

Net investment income	$ 4,791,441
Net realized gain on investments	17,663,589
Net change in unrealized appreciation (depreciation) on investments	(7,195,886)
Net increase in net assets resulting from operations	15,259,144
Dividends to shareholders from:	
Net investment income	
Class O	(4,594,189)
Class S	(515,970)
Total dividends to shareholders	(5,110,159)
Increase (decrease) from shares of beneficial interest transactions:	
Class O	(8,131,316)
Class S	14,491,781
Net increase from shares of beneficial interest transactions—Note 5	6,360,465
Total increase	16,509,450
Net Assets	
Beginning of year	337,669,669
End of year	$354,179,119
Undistributed net investment income	$ 4,928,021

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
FINANCIAL HIGHLIGHTS

For a share outstanding throughout the period

	Net Asset Value, Beginning of Period	Income from Investment Operations: Net Investment Income	Income from Investment Operations: Net Realized and Unrealized Gain (Loss) on Investments	Total from Investment Operations	Dividends from Net Investment Income	Distributions from Net Realized Gains
Class O						
Year ended 12/31/05	$13.55	$0.20	$ 0.92	$1.12	$(0.23)	$ —
Year ended 12/31/04	13.16	0.19	0.40	0.59	(0.20)	—
Year ended 12/31/03	11.29	0.19	1.94	2.13	(0.26)	—
Year ended 12/31/02	13.08	0.20	(1.79)	(1.59)	(0.20)	—
Year ended 12/31/01	13.77	0.18	(0.43)	(0.25)	(0.20)	(0.24)
Class S						
Year ended 12/31/05	$13.71	$0.14	$ 0.96	$1.10	$(0.20)	$ —
Year ended 12/31/04	13.34	0.17	0.39	0.56	(0.19)	—
Year ended 12/31/03	11.47	0.23	1.90	2.13	(0.26)	—
Eight months ended 12/31/02(i)(ii)	12.50	0.02	(1.05)	(1.03)	—	—

(i) Ratios have been annualized; total return has not been annualized.
(ii) Commenced operations May 1, 2002.

See Notes to Financial Statements.

Total Distributions	Net Asset Value, End of Period	Total Return	Ratios/Supplemental Data Net Assets, End of Period (000's omitted)	Ratio of Expenses to Average Net Assets	Ratio of Net Investment Income to Average Net Assets	Portfolio Turnover Rate
$(0.23)	$14.44	8.42%	$292,412	0.81%	1.29%	218.77%
(0.20)	13.55	4.57	309,744	0.87	1.41	177.66
(0.26)	13.16	19.03	308,990	0.87	1.60	135.67
(0.20)	11.29	(12.29)	254,290	0.87	2.16	188.76
(0.44)	13.08	(1.93)	224,959	0.85	2.53	62.93
$(0.20)	$14.61	8.15%	$ 43,583	1.06%	1.05%	218.77%
(0.19)	13.71	4.27	44,435	1.12	1.20	177.66
(0.26)	13.34	18.73	28,680	1.11	1.25	135.67
—	11.47	(8.24)	494	1.17	1.67	188.76

NOTE 1—General:

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

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

NOTE 2—Significant Accounting Policies:

(a) ***Investment Valuation:*** Investments of the Portfolio are 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). Listed securities for which such information is regularly reported are valued at the last reported sales price or, in the absence of reported sales, at the mean between the bid and asked price or, in the absence of a recent bid or asked price, the equivalent as obtained from one or more of the major market makers for the securities to be valued. Securities included within the Nasdaq market are valued at the Nasdaq official closing price ("NOCP") on the day of valuation, or if there is no NOCP issued, at the last sale price on such day. Securities included within the Nasdaq market for which there is no NOCP and no last sale price on the day of valuation are valued at the mean between the last bid and asked prices on such day.

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

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

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

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

(d) ***Option Contracts:*** When the 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 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 put option is exercised, the premium reduces the cost basis of the securities purchased by the Portfolio. The Portfolio as writer of an option bears the market risk of an unfavorable change in the price of the security underlying the written option.

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

(e) ***Lending of Portfolio Securities:*** The Portfolio lends its securities to financial institutions, provided that the market value of the securities loaned will not at any time exceed one third of the Portfolio's total assets. The Portfolio earns fees on the securities loaned. In order to protect against the risk of failure by the borrower to return the securities loaned or any delay in the delivery of such securities, the loan is collateralized by cash, letters of credit or U.S. Government securities that are maintained in an amount equal to at least 100 percent of the current market value of the loaned securities. The market value of the loaned securities is determined at the close of business of the Portfolio and any required additional collateral is delivered to the Portfolio on the next business day. As of December 31, 2005, there were no securities on loan.

(f) ***Dividends to Shareholders:*** Dividends payable to shareholders are recorded by the Portfolio on the ex-dividend date.

Dividends from net investment income are declared and paid annually.

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

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

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

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

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

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

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

(j) ***Other:*** These financial statements have been prepared using estimates and assumptions that affect the reported amounts therein. Actual results may differ from those estimates.

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

(a) ***Investment Management Fees:*** Fees incurred by the Portfolio, pursuant to the provisions of its Investment Management Agreement (the "Agreement") with Fred Alger Management, Inc. ("Alger Management"), are payable monthly and computed based on the average daily net assets of the Portfolio at the annual rate of .75%.

The Agreement further provides that if in any fiscal year the aggregate expenses, excluding interest, taxes, brokerage commissions, and extraordinary expenses, of the Portfolio exceeds 1.25% of the average daily net assets of the Portfolio, Alger Management will reimburse the Portfolio for the excess expenses.

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

(c) ***Brokerage Commissions:*** During the year ended December 31, 2005, the Portfolio paid the Distributor $854,411 in connection with securities transactions.

(d) ***Shareholder Administrative Fees:*** Effective February 28, 2005, the Fund has entered into a shareholder administrative service agreement with Alger Shareholder Services, Inc. ("Alger Services") to compensate Alger Services on a per account basis for its liaison and administrative oversight of the transfer agent and related services. During the year ended December 31, 2005, the Portfolio incurred fees of $91 for these services.

(e) ***Other:*** Certain trustees and officers of the Fund are directors and officers of Alger Management, the Distributor and Alger Services.

NOTE 4—Securities Transactions:

Purchases and sales of securities, other than short-term securities, for the year ended December 31, 2005, were $727,378,827 and $759,697,795, respectively.

NOTE 5—Share Capital:

The Fund has an unlimited number of authorized shares of beneficial interest of $.001 par value.

During the year ended December 31, 2005, transactions of shares of beneficial interest were as follows:

	Shares	Amount
Class O:		
Shares sold	1,273,869	$ 17,530,368
Dividends reinvested	369,829	4,826,274
Shares redeemed	(4,260,365)	(57,983,793)
Net decrease	(2,616,667)	$(35,627,151)
Class S:		
Shares sold	203,959	$ 2,819,665
Dividends reinvested	47,102	623,154
Shares redeemed	(510,049)	(7,065,304)
Net decrease	(258,988)	$ (3,622,485)

During the year ended December 31, 2004, transactions of shares of beneficial interest were as follows:

	Shares	Amount
Class O:		
Shares sold	2,185,658	$ 28,497,215
Dividends reinvested	364,618	4,594,189
Shares redeemed	(3,161,452)	(41,222,720)
Net decrease	(611,176)	$ (8,131,316)
Class S:		
Shares sold	1,344,767	$ 17,839,094
Dividends reinvested	40,405	515,970
Shares redeemed	(293,720)	(3,863,283)
Net increase	1,091,452	$ 14,491,781

NOTE 6—Tax Character of Distributions to Shareholders:

The tax character of distributions paid during the year ended December 31, 2005 and the year ended December 31, 2004 were as follows:

	Year Ended December 31, 2005	Year Ended December 31, 2004
Distributions paid from:		
Ordinary Income	$ 5,449,428	$ 5,110,159
Long-Term capital gains	—	—
Total distributions paid	$ 5,449,428	$ 5,110,159

As of December 31, 2005, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	$14,868,793
Undistributed long-term gain	5,432,348
Unrealized appreciation (depreciation)	15,081,130

The difference between book-basis and tax-basis unrealized appreciation (depreciation) is attributable primarily to the tax deferral of losses on wash sales and the tax treatment of premium/discount on debt securities.

NOTE 7—Litigation:

Alger Management has responded to inquiries, document requests and/or subpoenas from regulatory authorities, including the United States Securities and Exchange Commission ("SEC"), the Office of the New York State Attorney General, the Attorney General of New Jersey, and the West Virginia Securities Commissioner, in connection with their investigations of practices in the mutual fund industry identified as "market timing" and "late trading."

On December 16, 2005, Alger Management received from the staff of the SEC a "Wells Notice" which indicated that the staff intends to recommend that the Commission bring civil enforcement action for possible violations of the federal securities laws. "Wells Notices" also have been sent to certain companies affiliated with Alger Management, as well as certain present and former members of its senior management. The Wells Notices arose out of the SEC's staff ongoing investigation of market timing and late trading practices in the mutual fund industry. Alger Management and the other recipients have the opportunity to respond to the staff before the staff makes a formal recommendation. Alger Management plans to send a Wells submission to the staff in January 2006.

On August 31, 2005, the West Virginia Securities Commissioner in an ex parte Summary Order to Cease and Desist and Notice of Right to Hearing concluded that Alger Management and Alger Inc. had violated the West Virginia Uniform Securities Act, and ordered Alger Management and Alger Inc. to cease and desist from further violations of the Act 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 Commissioner. Other firms unaffiliated with Alger Management were served with similar orders. Alger Management and Alger Inc. intend to request a hearing for the purpose of seeking to vacate or modify the order.

In addition, in 2003 and 2004 several purported class actions and shareholder derivative suits were filed against various parties in the mutual fund industry, including Alger Management, certain mutual funds managed by Alger Management (the "Alger Mutual Funds"), and certain current and former Alger Mutual Fund trustees and officers, alleging wrongful conduct related to market-timing and late-trading by mutual fund shareholders. These cases were transferred to the U.S. District Court of Maryland by the Judicial Panel on Multidistrict Litigation for consolidated pre-trial proceedings. In September 2004, consolidated amended complaints involving these cases (not yet including the West Virginia action) — a Consolidated Amended Fund Derivative Complaint (the "Derivative Complaint") and two substantially identical Consolidated Amended Class Action Complaints (together, the "Class Action Complaint") — were filed in the Maryland federal district court under the caption number 1:04-MD-15863 (JFM). In April 2005, a civil lawsuit involving similar allegations was filed by the West Virginia Attorney General and also transferred to the Maryland District Court.

The Derivative Complaint alleged (i) violations, by Alger Management and, depending on the specific offense alleged, by its immediate parent, Alger Inc., which is the Distributor of the Alger Mutual Funds, and/or the fund trustee defendants, of Sections 36(a), 36(b), 47, and 48 of the Investment Company Act of 1940 (the "Investment Company Act") and of Sections 206 and 215 of the Investment Advisers Act of 1940, breach of fiduciary duty, and breach of contract, (ii) various offenses by other third-party defendants, and (iii) unjust enrichment by all the named defendants. The Class Action Complaint alleged, in addition to the offenses listed above, (i) violations, by Alger Management, Alger Inc., their affiliates, the funds named as defendants, and the current and former fund trustees and officers, of Sections 11, 12(a)(2), and 15 of the Securities Act of 1933, Sections 10(b) (and Rule 10b-5 thereunder) and 20(a) of the Securities Exchange Act of 1934 (the "1934 Act"), and Section 34(b) of the Investment Company Act of 1940, (ii) breach of contract by the funds named as defendants, and (iii) unjust enrichment of the defendants. The West Virginia attorney general action also alleges violations of the West Virginia Consumer Credit and Protection Act and other wrongful conduct.

Motions to dismiss the Class Action Complaint and the Derivative Complaint were subsequently filed. On November 3, 2005, the district court dismissed both complaints in their entirety with respect to the Alger Mutual Funds and dismissed all claims against the other Alger defendants other than the claims under the 1934 Act and Section 36(b) of the Investment Company Act, with leave to the class action plaintiffs to file amended complaints against those defendants with respect to claims under state law. It is anticipated that orders implementing the rulings will be entered in or about January 2006, and that motions for reconsideration will thereafter be filed.

Alger Management does not believe that the Alger Mutual Funds are themselves targets of the regulatory investigations as potential enforcement defendants.

The SEC and, in some cases, state government authorities have a variety of administrative and civil enforcement powers, including injunctive powers, authority to assess fines and penalties and order restitution, authority to limit the activities of a person or company and other enforcement powers, that may be exercised administratively or through the courts.

Under Section 9(a) of the Investment Company Act, if any of the various regulatory proceedings or lawsuits were to result in a court injunction against Alger Management or Alger Inc., Alger Management would, in the absence of exemptive relief granted by the SEC, be barred from serving as investment adviser/sub-adviser for any registered investment company, including the Fund. While exemptive relief from Section 9(a) has been granted in certain other cases, there is no assurance that such exemptive relief would be granted if sought. In addition, it is possible that these matters and/or other developments resulting from these matters could result in loss of Alger Management personnel, diversion of time and attention of Alger Management personnel, diminishment of financial resources of Alger Management, or other consequences potentially adverse to the Fund. Alger Management cannot predict the potential effect of such actions upon Alger Management or the Fund. There can be no assurance that the effect, if any, would not be material.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Trustees of The Alger American Fund:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of the Alger American Balanced Portfolio (the "Fund") (one of the portfolios comprising The Alger American Fund) as of December 31, 2005, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years then ended, and the financial highlights for each of the four years then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights for the year ended December 31, 2001 were audited by other auditors, whose report, dated January 24, 2002, expressed an unqualified opinion on the financial highlights.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2005, by correspondence with custodians and brokers or by other appropriate auditing procedures where replies from brokers were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above, and audited by us, present fairly, in all material respects, the financial position of the Alger American Balanced Portfolio at December 31, 2005, the results of its operations for the year then ended, the changes in its net assets for each of the two years then ended, and the financial highlights for each of the four years then ended, in conformity with U.S. generally accepted accounting principles.

ERNST & YOUNG LLP

New York, New York
January 31, 2006

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
ADDITIONAL INFORMATION (UNAUDITED)
SHAREHOLDER EXPENSE EXAMPLE (UNAUDITED)

As a shareholder of the 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 June 1, 2005 and ending December 31, 2005.

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 July 1, 2005	Ending Account Value December 31, 2005	Expenses Paid During the Period July 1, 2005 to December 31, 2005(b)	Ratio of Expenses to Average Net Assets For the Six Months Ended December 31, 2005(c)
Class O	**Actual**	$1,000.00	$1,068.80	$4.22	0.81%
	Hypothetical(a)	1,000.00	1,021.12	4.13	0.81
Class S	**Actual**	1,000.00	1,068.00	5.53	1.06
	Hypothetical(a)	1,000.00	1,019.86	5.40	1.06

(a) 5% annual return before expenses.
(b) Expenses are equal to the annualized expense ratio of the respective share class, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).
(c) Annualized.

Trustees and Officers of the Fund (Unaudited)

Information about the Trustees and officers of the Fund is set forth below. In the table the term “Alger American Fund Complex” refers to the Funds, Spectra Fund, The Alger Funds, The Alger Institutional Funds, The China-U.S. Growth Fund and Castle Convertible Fund, Inc., each of which is a registered investment company managed by Fred Alger Management, Inc. (“Alger Management”). Each Trustee serves until an event of termination, such as death or resignation, or until his successor is duly elected; each officer’s term of office is one year. Unless otherwise noted, the address of each person named below is 111 Fifth Avenue, New York, NY 10003.

Name, Age, Position with the Fund and Address	Principal Occupations	Trustee and/or Officer Since	Number of Portfolios in the Alger Fund Complex which are Overseen by Trustee
Interested Trustees			
Fred M. Alger III (70) Chairman of the Board	Chairman of the Board of Alger Associates, Inc. (“Associates”), Fred Alger & Company, Incorporated (“Alger Inc.”), Alger Management, Alger Properties, Inc. (“Properties”), Alger Shareholder Services, Inc. (“Services”), Alger Life Insurance Agency, Inc. (“Agency”), Fred Alger International Advisory S.A. (“International”), and five of the six funds in the Alger Fund Complex; Chairman of the Boards of Alger SICAV (“SICAV”) and Analysts Resources, Inc. (“ARI”).	1988	22
Dan C. Chung (43) President and Trustee	President, Director and Chief Investment Officer of Alger Management; President and Director of Associates, Alger Inc., Properties, Services, Agency, International, ARI and Trust; Trustee/Director of four of the six funds in the Alger Fund Complex.	2001	16
Non-Interested Trustees			
Stephen E. O’Neil (73) Trustee	Attorney; Private investor since 1981; Director of Brown-Forman Corporation; Trustee/Director of the six funds in the Alger Fund Complex; formerly of Counsel to the law firm of Kohler & Barnes.	1988	23
Nathan E. Saint-Amand, M.D. (67) Trustee	Medical doctor in private practice; Co-Partner Fishers Island Partners; Member of the Board of the Manhattan Institute; Trustee/Director of the six funds in the Alger Fund Complex. Formerly Co-Chairman Special Projects Committee of Memorial Sloan Kettering.	1988	23

Name, Age, Position with the Fund and Address	Principal Occupations	Trustee and/or Officer Since	Number of Portfolios in the Alger Fund Complex which are Overseen by Trustee
Officers			
Frederick A. Blum (52) Treasurer and Assistant Secretary	Executive Vice President and Treasurer of Alger Inc., Alger Management, Properties, Associates, ARI, Services and Agency since September 2003 and Senior Vice President prior thereto; Treasurer of each of the other five investment companies in the Alger Fund Complex since the later of 1996 or its inception. Director of SICAV and International and Chairman of the Board (and prior thereto, Senior Vice President) and Treasurer of Alger National Trust Company since 2003.	1996	N/A
Hal Liebes (41) Secretary and Chief Compliance Officer	Executive Vice President, Chief Legal Officer and Secretary of Alger Inc., Secretary of theother five investment companies in the Alger Fund Complex-2005. Formerly U.S. General Counsel 1994-2002 and Global General Counsel 2002-2004, Credit Suisse Asset Management; Global Chief Compliance Officer 2004, AMVESCAP PLC.	2005	N/A
Michael D. Martins (40) Assistant Treasurer and Assistant Secretary	Senior Vice President of Alger Management; Assistant Treasurer and Assistant Secretary of the other five investment companies in the Alger Fund Complex-2005. Formerly Vice President, Brown Brothers Harriman & Co. 1997-2004.	2005	N/A

Messrs. Alger and Chung are “interested persons” (as defined in the Investment Company Act) of the Fund because of their affiliations with Alger Management. Mr. Chung is Mr. Alger’s son-in-law. No Trustee is a director of any public company except as may be indicated under “Principal Occupations.”

The Statement of Additional Information contains additional information about the Fund’s Trustees and is available without charge upon request by calling (800) 992-3863.

Investment Management Agreement Renewal (Unaudited)

At an in-person meeting held on September 7, 2005, the Trustees of the Trust considered renewal of the Investment Management Agreement between the Trust in respect of the portfolio (the “Portfolio”) and Fred Alger Management, Inc. (the “Adviser”). The Trustees who are not “interested persons” of the Trust (the “Independent Trustees”) within the meaning of the Investment Company Act of 1940 (the “1940 Act”) also met separately with their counsel to consider the Agreement. In evaluating the Agreement, the Trustees drew on materials that they requested and which were provided to them in advance of the meeting by the Adviser and by counsel to the Trust. The materials covered, among other matters, (i) the nature, extent and quality of the services provided by the Adviser under the Agreement, (ii) the investment performance of the Portfolio, (iii) the costs to the Adviser of its services and the profits realized by the Adviser and its affiliates Fred Alger & Company, Incorporated and Alger Shareholder Services, Inc. from their relationship with the Portfolio, and (iv) the extent to which economies of scale would be realized if and as the Portfolio grows and whether the fee levels in the Agreement reflect these economies of scale. These materials included an analysis of the Portfolio and the Adviser’s services by Callan Associates Inc (“Callan”), an independent consulting firm whose specialties include assistance to fund trustees and directors in their review of advisory contracts pursuant to Section 15(c) of the 1940 Act. At the meeting, senior Callan personnel provided a presentation to the Trustees based on the Callan materials.

In deciding whether to renew the Agreement the Trustees considered various factors, including those enumerated above. They also considered other direct and indirect benefits to the Adviser and its affiliates from their relationship with the Trust.

Nature, extent and quality of services.

In considering the nature, extent and quality of services provided by the Adviser, the Trustees relied on their prior experience as Trustees of the Trust, their familiarity with the personnel and resources of Alger Management and its affiliates, and the materials provided at the meeting. They noted that under the Investment Management Agreement the Adviser is responsible for managing the investment operations of the Portfolio and for providing a full range of administrative, compliance, reporting and accounting services necessary for the conduct of the Portfolio's affairs. The Trustees reviewed the background and experience of the Adviser's senior investment management personnel, including those individuals responsible for the investment operations of the Portfolio. They also considered the resources, operational structures and practices of the Adviser in managing the Portfolio's investments and administering the Portfolio's affairs, as well as the Adviser's overall investment management business.

The Trustees concluded that the Adviser's experience, resources and strength in those areas of importance to the Portfolio are considerable. They noted especially the Adviser's history of expertise in managing portfolios of "growth" stocks like those of the Portfolio. They also took notice of the Adviser's ability to manage fixed-income instruments across the credit and credit quality spectra for the Balanced Portfolio. The Trustees also considered the level and depth of the Adviser's ability to execute portfolio transactions to effect investment decisions. They also noted the history of extremely favorable reviews of the Adviser's shareholder-relations representatives by an independent rating concern. Finally, the Trustees took notice of the enhancements to the control and compliance environment at the Adviser and within the Trust. On the basis of their review, the Trustees determined that the nature and extent of the services provided to the Portfolio by the Adviser (including the Portfolio's performance, as discussed below) were of high quality and could be expected to remain so.

Investment Performance of the Portfolio

Drawing upon information provided at the meeting by the Adviser as well as Callan and upon reports provided to the Trustees by the Adviser throughout the preceding year, the Trustees noted that the performance of the Portfolio had shown substantial recent improvement. For the year ended August 31, 2005, the Portfolio had beaten its benchmark index and had not placed below the median of its Callan peer group for 2005 through June 30. The Trustees acknowledged that the Adviser's recent efforts to improve the Portfolios' performance and, more generally, the firm's rebuilding of the investment team in response to the devastating events of September 11, 2001, were bearing fruit. Accordingly, they concluded that the recent performance of the Portfolio supported renewal of the Portfolio's Agreement.

Profitability to the Adviser and its Affiliates

The Trustees considered the profitability of the advisory arrangement with the Portfolio to the Adviser and the Adviser's affiliates and the methodology used by the Adviser in determining such profitability. The Trustees had been provided with data on the Portfolio's profitability to the Adviser and to the Adviser's affiliates for the Portfolio's most recent fiscal year. In addition, the Trustees reviewed the Portfolio's management fees and expense ratios and compared them with a group of comparable funds. In order to assist the Trustees in this comparison, Callan provided the Trustees with comparative information with respect to fees paid, and expense ratios incurred, by similar funds. That information indicated that the Portfolio's advisory fee was near the median for the Portfolio's Callan peer group. The Trustees determined that the fee information should be taken into account in weighing the size of the fees against the nature, extent and quality of the services provided to the Portfolios. The Trustees also noted that the expense ratio of the Portfolio was above the median for their Callan peer group, and determined that this information should be kept in mind during their deliberations regarding the Portfolio's profitability to the Adviser and its affiliates. After discussing with representatives of the Adviser and Callan the methodologies used in computing the costs that formed the bases of the profitability calculations, the Trustees turned to the profitability data provided. After analysis and discussion they concluded that, to the extent that the Adviser's and its affiliates' relationships with the Portfolio had been profitable to either or both of those entities, the profitability in each case was modest.

Economies of Scale

On the basis of their discussions with management and their analysis of information provided at the meeting, the Trustees determined that the nature of the Portfolio and its operations is such that the Adviser is likely to realize economies of scale in the management of the Portfolio at some point as it grows in size, but that in view of the current levels of profitability of the Portfolio to the Adviser and its affiliates, such economies as might already exist were subsumed in the level of the management fees, and that adoption of breakpoints in one or more advisory fees, while possibly appropriate at a later date, could await further analysis of the sources and potential scale of the economies and the fee structure that would best reflect them. Accordingly, the Trustees requested that the Adviser address this topic with the Trustees at future meetings.

Other Benefits to the Adviser

The Trustees considered whether the Adviser benefits in other ways from its relationship with the Portfolio. In that connection, they noted that the Adviser maintains soft-dollar arrangements in connection with the Portfolio's brokerage transactions, data on which is regularly supplied to the Trustees at their quarterly meetings. The Trustees also noted that the Trust's Distributor, Fred Alger & Company, Incorporated, provides a substantial portion of the Portfolio's equity brokerage and may receive a portion of the distribution and shareholder servicing fees paid by the Portfolio as well, and that Alger Shareholder Services, Inc. receives fees from the Portfolio under a shareholder services agreement. The Trustees had been provided with information regarding, and had considered, the brokerage, distribution and shareholder servicing fee benefits in connection with their review of the profitability to the Adviser and its affiliates of their relationships with the Portfolio. As to the benefits received from the soft-dollar arrangements, the Trustees decided that, in light of the nature and scale of the arrangements, they were not so significant as to render the Adviser's fees excessive.

Conclusion

After weighing the foregoing factors, the Trustees, including the Independent Trustees, approved the renewal of the Investment Management Agreement. They reasoned that, considered in themselves, the services provided by the Adviser were appropriate for the needs of the Portfolio and of high quality, that the recent performance of the Portfolio had been good, and that the Adviser could reasonably be expected to provide services of comparable quality in the future. The Trustees determined that the advisory fees were not so high as to be unreasonable when considered in relation to the nature, extent and high quality of the services currently provided, including the Portfolio's solid recent performance, that the Portfolio's relationship with the Adviser and its affiliates was not so profitable as to render the fee excessive, that any additional benefits to the Adviser and/or its affiliates other than those already considered in the profitability analysis were not of a magnitude materially to affect the Trustees' deliberations, and that the issue of sharing economies of scale with the Portfolio, while inviting future consideration, was not of major current importance.

Proxy Voting Policies

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

Quarterly Fund Holdings

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

The Alger American Fund

Alger American
Leveraged AllCap Portfolio

Annual Report

December 31, 2005

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Dear Shareholders,

January 24, 2006

The Year in Review

The past twelve months had more than their share of challenges. Hurricanes Katrina and Rita devastated the southern coast, leaving hundreds of thousands jobless and without homes, and prompting investor fears of high energy prices (which came true) and inflation (which did not). The war in Iraq entered its third year, and the domestic debate about the war intensified. The job market showed some improvement but job creation and wage growth remained sub-par relative to economic growth and corporate profitability. The Fed – concerned about inflation and the frothiness of the housing market – raised overnight lending rates eight times to 4.25%, a rate still low by historical standards. In response, anxious investors – and Wall Street professionals, in particular – remained skeptical, adopting a wait-and-see attitude. As a result, U.S. equity markets remained flat throughout the year.

Despite such understandable concerns, the U.S. equity markets have clearly emerged from the bear market of the early 2000s. In fact, since October of 2002, when the market made a post-bubble low, the major U.S. indices have been very strong. So has the economy, both domestically and globally. Over the past year, the U.S. economy showed steady growth of around 3.0%, core inflation excluding energy remained muted (below 2%), and corporate earnings stayed in double-digits, much to the surprise of most strategists. Growth companies in particular saw healthy stock appreciation. Going forward, we see even greater potential for the better growth managers to outperform their benchmarks and the overall markets.

Challenges for consumers did not necessarily translate into problems for investors. High energy prices created investment opportunities, and energy stocks outperformed all other sectors. Additionally, high gas prices prompted exploration into both alternative sources of energy and innovative solutions to reducing fuel consumption.

The twin effects of productivity and globalization continue to reshape the competitive landscape for dynamic companies. Information technologies no longer attract the same attention, but their effects on companies are more significant than ever. The result is higher productivity, which translates into higher profitability for many corporations. In addition, more businesses are operating on a global scale, and U.S. corporate profits rose dramatically from foreign sales. Emerging economies in Asia, Latin America and Eastern Europe are all contributing to global economic growth, and the China effect, both as a consumer of raw materials and finished goods, and as a producer of products for global consumption, shows no signs of diminishing.

Consumers have also been affected by these trends. In the United States, a critical mass of consumers adopted high-speed broadband technology. As a result, the Internet has become more fully integrated into day-to-day life as a ubiquitous resource for retail, services, entertainment, education, communication, and business needs. This has created opportunities for dynamic new business models, whether it is Google in the on-line search and advertising space, eBay and auctions, or Apple iPods and downloadable music files.

In sum, for the 12 months ended December 31, 2005, the equity markets were up with the Dow finishing at 10,717.50, the Nasdaq up 1.4% and the S&P 500 up 3.0%. While long-term treasury yields were markedly inconsistent with the Fed's overnight interest rate increases, the yield on the U.S. Treasury 10-year note was 4.39% on December 31, 2005, compared to 4.25% a year earlier.

The Alger American Leveraged AllCap Portfolio gained 14.45% for the fiscal year ended December 31, 2005, compared to the Russell 3000 Growth Index return of 5.17%. Information technology represented an average weight of 26.98% of the Portfolio's holdings, and considerably outperformed the benchmark. Strong IT performers included Google Inc., Cl. A, Apple Computer, Inc., and VeriFone Holdings Inc. Throughout the year we shifted our weight in this sector from software to internet services.

At an average weight of 23.56% our holdings in the health care sector also significantly outperformed the benchmark. The Portfolio's healthcare holdings were buoyed by strong performances from Genentech Inc., IVAX Corp., and Caremark Rx, Inc.

The Portfolio's industrial holdings, at an average weight of 10.30%, were underweight to the benchmark and also performed well. Strong performers included UTI Worldwide Inc. and the Burlington Northern Santa Fe Corporation.

In the consumer discretionary sector, the Portfolio was underweight at 10.65% compared to the benchmark, but outperformed with substantial returns by Pixar and Ambercrombie and Fitch Co. Cl. A. At an average weight of 6.78%, the Portfolio was markedly underweight in consumer staples but outperformed nonetheless. Poor performances by Wal-Mart Stores, Inc. and Avon Products Inc. were offset by healthy returns from CVS Corp. and Gillette Company. As we continued to observe similar strong performances, we increased our holdings in this sector by year end.

Energy stocks accounted for an average weight of 5.84%, and while rising energy prices saw solid returns in this sector the Portfolio underperformed. The materials sector also exploited high energy prices. While the Portfolio held only a minor average of 3.34% in this sector, the Portfolio markedly outperformed the benchmark with good returns from Peabody Energy Corp.

Looking Ahead

At Alger, we look for dynamic, innovative companies regardless of whether the stock markets are dominated by bulls or bears. Our long-term success is not a product of momentum or fads, but that of a highly-disciplined approach grounded in fundamental, bottom-up research, and bolstered by the thorough conviction of our analysts. Looking ahead in 2006, we anticipate a year similar to 2005, with continued strong corporate earnings, and an equity market that increasingly recognizes growth…and responds in kind.

As we end another fiscal year, we'd like to take the opportunity to thank you for growing with us, and continuing to entrust us with your investment needs.

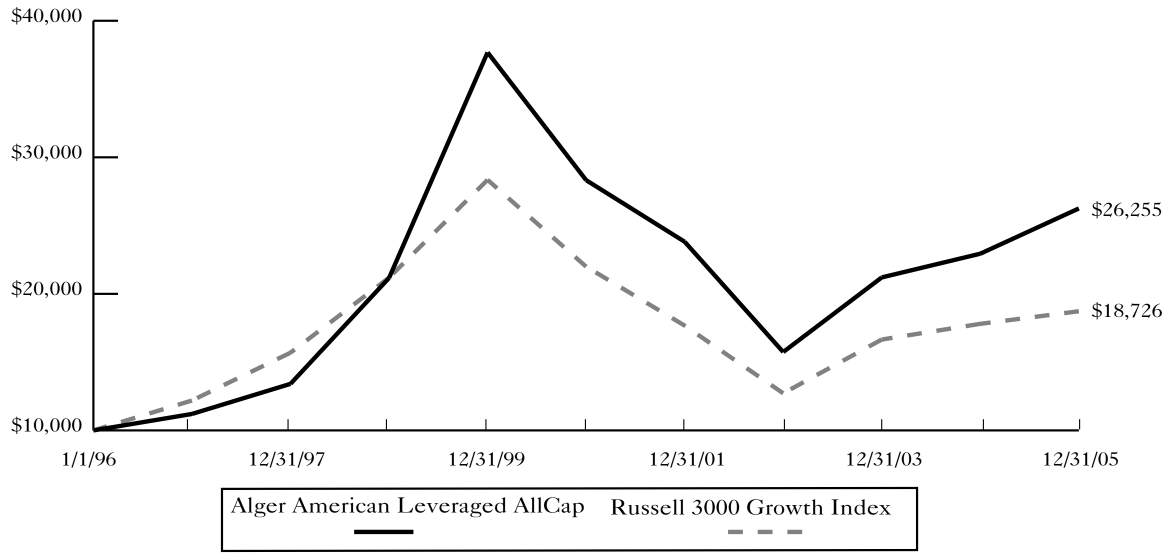
Respectfully submitted,

Daniel C. Chung
Chief Investment Officer

ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO

Portfolio Highlights Through December 31, 2005 (Unaudited)

HYPOTHETICAL $10,000 INVESTMENT—10 Years Ended December 31, 2005



The chart above illustrates the growth in value of a hypothetical $10,000 investment made in Alger American Leveraged AllCap Class O shares and the Russell 3000 Growth Index for the ten years ended December 31, 2005. Figures for the Alger American Leveraged AllCap Class O shares and the Russell 3000 Growth Index (an unmanaged index of common stocks), include reinvestment of dividends. Performance for Alger American Leveraged AllCap Class S shares will vary from the results shown above due to differences in expenses that class bears.

PERFORMANCE COMPARISON THROUGH December 31, 2005

	Average Annual Total Returns			
	1 Year	5 Years	10 Years	Since Inception
Class O (Inception 1/25/95)	14.45%	(1.51%)	10.13%	14.92%
Russell 3000 Growth Index	5.17%	(3.17%)	6.47%	8.83%
Class S (Inception 5/1/02)	14.15%	—	—	5.33%
Russell 3000 Growth Index	5.17%	—	—	4.58%

Performance figures do not reflect deduction of insurance charges against assets or annuities. If these charges were deducted, the total return figures would be lower. Past performance does not guarantee future results.

The Alger American Fund
Alger American Leveraged AllCap Portfolio
Portfolio Summary* (Unaudited)

Sectors	
Consumer Discretionary	12.9%
Consumer Staples	8.2
Energy	8.6
Financials	7.8
Health Care	17.5
Industrials	10.0
Information Technology	25.7
Materials	1.6
Telecommunication Services	5.4
Cash and Net Other Assets	2.5
	100.0%

* Based on net assets.

The Alger American Fund
Alger American Leveraged AllCap Portfolio
Schedule of Investments—December 31, 2005

Shares	COMMON STOCKS—97.5%	Value
	AEROSPACE & DEFENSE—2.2%	
126,100	BE Aerospace, Inc.*	$ 2,774,200
74,800	United Technologies Corporation	4,182,068
		6,956,268
	AIR FREIGHT & LOGISTICS—1.6%	
55,900	UTI Worldwide, Inc.	5,189,756
	BIOTECHNOLOGY—4.4%	
33,700	Amgen Inc.*	2,657,582
26,700	Celgene Corporation*	1,730,160
41,900	Genentech, Inc.*	3,875,750
44,300	Gilead Sciences, Inc.*	2,331,509
31,100	MedImmune, Inc.*	1,089,122
80,500	Vertex Pharmaceuticals Incorporated*	2,227,435
		13,911,558
	CAPITAL MARKETS—1.8%	
29,625	Ameritrade Holding Corporation*	711,000
27,200	Bear Stearns Companies Inc.	3,142,416
16,000	Legg Mason, Inc.	1,915,040
		5,768,456
	CHEMICALS—.9%	
64,700	Lubrizol Corporation	2,809,921
	COMMUNICATION EQUIPMENT—2.0%	
158,000	Motorola, Inc.	3,569,220
66,650	QUALCOMM Inc.	2,871,282
		6,440,502
	COMMUNICATION TECHNOLOGY—3.4%	
382,800	Nextel Partners, Inc. Cl. A*	10,695,432
	COMPUTERS & PERIPHERALS—2.7%	
22,800	Apple Computer, Inc.*	1,639,092
203,900	EMC Corporation*	2,777,118
138,500	Network Appliance, Inc.*	3,739,500
10,400	Palm, Inc.*	330,720
		8,486,430
	DIVERSIFIED FINANCIAL SERVICES—1.7%	
110,900	Citigroup Inc.	5,381,977
	ELECTRIC AND ELECTRONIC EQUIPMENT—.5%	
40,800	Roper Industries, Inc.	1,612,008
	ENERGY EQUIPMENT & SERVICES—2.8%	
127,400	National-Oilwell Varco Inc.*	7,987,980
9,800	Schlumberger Limited	952,070
		8,940,050
	FINANCE—.7%	
64,200	Nasdaq Stock Market Inc.*	2,258,556

Shares		Value
	FINANCIAL INFORMATION SERVICES—1.0%	
89,200	Genworth Financial Inc. Cl. A	$ 3,084,536
	FINANCIAL SERVICES—1.2%	
74,900	Hudson City Bancorp Inc.	907,788
109,400	International Securities Exchange, Inc.*	3,010,688
		3,918,476
	FOOD & STAPLES RETAILING—3.8%	
256,200	CVS Corporation	6,768,804
113,500	Wal-Mart Stores, Inc.	5,311,800
		12,080,604
	FREIGHT & LOGISTICS—1.0%	
30,300	FedEx Corp.	3,132,717
	HEALTH CARE—.9%	
36,400	WellPoint Inc.*	2,904,356
	HEALTH CARE EQUIPMENT & SUPPLIES—1.9%	
16,500	Hologic, Inc.*	625,680
52,300	Medtronic, Inc.	3,010,911
46,600	St. Jude Medical, Inc.*	2,339,320
		5,975,911
	HEALTH CARE PROVIDERS & SERVICES—3.2%	
60,900	Caremark Rx, Inc.*	3,154,011
68,200	Humana Inc.*	3,705,306
54,120	UnitedHealth Group Incorporated	3,363,017
		10,222,334
	HOTELS, RESTAURANTS & LEISURE—3.4%	
50,400	Carnival Corporation	2,694,888
105,300	GTECH Holdings Corporation	3,342,222
51,350	Orient-Express Hotels Ltd. Cl. A*	1,618,552
91,100	Penn National Gaming, Inc.*	3,001,745
		10,657,407
	HOUSEHOLD PRODUCTS—2.8%	
153,927	Procter & Gamble Company	8,909,295
	INDUSTRIAL CONGLOMERATES—2.1%	
175,800	General Electric Company	6,161,790
21,000	Tyco International Ltd.	606,060
		6,767,850
	INSURANCE—1.3%	
35,600	American International Group, Inc.	2,428,988
50,200	Endurance Specialty Holdings Limited	1,799,670
		4,228,658

Shares	COMMON STOCKS—(Cont'd)	Value
	INTERNET & CATALOG RETAIL—4.1%	
296,900	eBay Inc.*	$ 12,840,925
	INTERNET SOFTWARE & SERVICES—8.7%	
49,200	DealerTrack Holdings Inc.*	1,032,216
37,500	Google Inc. Cl. A*	15,557,250
192,100	Openwave Systems, Inc.*	3,355,987
195,800	Yahoo! Inc.*	7,671,444
		27,616,897
	MACHINERY—1.8%	
53,100	Caterpillar Inc.	3,067,587
43,000	Terex Corporation*	2,554,200
		5,621,787
	MACHINERY—OIL WELL EQUIPMENT & SERVICES—1.2%	
115,150	Patterson-UTI Energy, Inc.	3,794,193
	MANUFACTURING—.2%	
29,500	American Power Conversion Corp.	649,000
	MEDIA—3.1%	
120,600	Disney (Walt) Company	2,890,782
229,600	Time Warner Inc.	4,004,224
89,800	Viacom Inc. Cl. B	2,927,480
		9,822,486
	METALS & MINING—2.3%	
67,300	Peabody Energy Corporation	5,546,866
12,400	Phelps Dodge Corporation	1,783,988
		7,330,854
	MULTILINE RETAIL—.5%	
31,100	Kohl's Corporation*	1,511,460
	OIL & GAS—2.8%	
4,000	Energy Partners, Ltd.*	87,160
113,300	Talisman Energy Inc.	5,991,304
52,300	Valero Energy Corporation	2,698,680
		8,777,144
	PHARMACEUTICALS—5.7%	
17,300	AstraZeneca PLC Sponsored ADR#	840,780
163,025	IVAX Corporation*	5,107,573
39,900	Johnson & Johnson	2,397,990
54,400	Novartis AG ADR#	2,854,912
35,700	Sanofi-Aventis ADR#	1,567,230
146,500	Schering-Plough Corporation	3,054,525
40,000	Sepracor Inc.*	2,064,000
		17,887,010

Shares		Value
	PHARMACEUTICAL PREPARATIONS—1.4%	
109,100	Adams Respiratory Therapeutics, Inc.*	$ 4,436,006
	ROAD & RAIL—.5%	
22,400	Burlington Northern Santa Fe Corporation	1,586,368
	SEMICONDUCTORS—.1%	
66,100	Silicon Storage Technology Inc.*	333,805
	SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT—5.6%	
92,300	Advanced Micro Devices, Inc.*	2,824,380
88,400	Broadcom Corporation Cl. A*	4,168,060
42,900	Intel Corporation	1,070,784
59,800	Marvell Technology Group Ltd.*	3,354,182
158,800	Tessera Technologies Inc.*	4,104,980
114,700	Trident Microsystems, Inc.*	2,064,600
		17,586,986
	SOFTWARE—6.6%	
130,800	Check Point Software Technologies Ltd.*	2,629,080
397,900	Microsoft Corporation	10,405,085
125,300	Oracle Corporation*	1,529,913
247,550	VeriFone Holdings Inc.*	6,263,015
		20,827,093
	SPECIALTY RETAIL—1.9%	
63,600	Abercrombie & Fitch Co. Cl. A	4,145,448
28,250	Lowe's Companies, Inc.	1,883,145
		6,028,593
	TOBACCO—1.6%	
67,700	Altria Group, Inc.	5,058,544
	WIRELESS TELECOMMUNICATION SERVICES—2.1%	
27,300	America Movil S.A. de C.V. ADR Series L#	798,798
103,442	American Tower Corporation Cl. A*	2,803,278
65,400	NII Holdings Inc. Cl. B*	2,856,672
		6,458,748
	TOTAL COMMON STOCKS (Cost $272,224,016)	308,500,957

Principal Amount	SHORT-TERM INVESTMENTS—4.8%		Value
	U.S. AGENCY OBLIGATIONS—4.7%		
$15,000,000	Federal National Mortgage Association, 3.15%, 1/3/06		$ 14,997,374
	SECURITIES HELD UNDER REPURCHASE AGREEMENTS—.1%		
	Securities Held Under Repurchase Agreements, 3.20%, 1/3/06, with Bear, Stearns & Co. Inc. dtd 12/30/05, repurchase price $137,173; collateralized by U.S. Treasury Notes (par Value $110,000 due 1/15/09)		137,125
	Total Short-Term Investments (Cost $15,134,499)		15,134,499
Total Investments (Cost $287,358,515) (a)		102.3%	323,635,456
Liabilities in Excess of Other Assets		(2.3)	(7,338,321)
Net Assets		100.0%	$ 316,297,135

* Non-income producing security.
\# American Depositary Receipts.
(a) At December 31, 2005, the net unrealized appreciation on investments, based on cost for federal income tax purposes of $287,453,158 amounted to $36,182,298 which consisted of aggregate gross unrealized appreciation of $40,335,117 and aggregate gross unrealized depreciation of $4,152,819.

See Notes to Financial Statements.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2005

Assets:	
Investments in securities, at value	$323,635,456
(identified cost*)—see accompanying schedule of investments	
Receivable for investment securities sold	4,729,389
Receivable for shares of beneficial interest sold	52,348
Interest and dividends receivable	205,994
Prepaid expenses	3,528
Total Assets	328,626,715
Liabilities:	
Payable for investment securities purchased	11,558,666
Payable for shares of beneficial interest redeemed	459,833
Accrued investment management fees	231,628
Accrued expenses	79,453
Total Liabilities	12,329,580
Net Assets	$316,297,135
Net Assets Consist of:	
Paid-in capital	$448,448,198
Accumulated loss	(168,428,004)
Net unrealized appreciation	36,276,941
Net Assets	$316,297,135
Class O	
Net Asset Value Per Share	$34.78
Class S	
Net Asset Value Per Share	$34.44
Shares of beneficial interest outstanding—Note 6	
Class O	8,580,680
Class S	519,432
*Identified cost	$287,358,515

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
STATEMENT OF OPERATIONS

For the year ended December 31, 2005

INVESTMENT INCOME	
Income:	
Interest	$ 199,414
Dividends (net of foreign withholding taxes*)	2,737,668
Total Income	2,937,082
Expenses:	
Management fees—Note 3(a)	3,014,791
Custodian fees	51,232
Professional fees	31,063
Distribution fees—Note 3(b) Class S	36,638
Trustees' fees	2,299
Miscellaneous	137,677
Total Expenses	3,273,700
Net Investment Loss	(336,618)
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND OPTIONS	
Net realized gain on investments	44,931,990
Net realized gain on redemption-in-kind	13,194,253
Net realized loss on options	(2,178)
Net change in unrealized appreciation (depreciation) on investments	(11,579,064)
Net realized and unrealized gain on investments and options	46,545,001
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$46,208,383
*Foreign withholding taxes	$ 16,407

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
STATEMENT OF CHANGES IN NET ASSETS

For the year ended December 31, 2005

Net investment loss	$ (336,618)
Net realized gain on investments and options	58,124,065
Net change in unrealized appreciation (depreciation) on investments and options	(11,579,064)
Net increase in net assets resulting from operations	46,208,383
Increase (decrease) from shares of beneficial interest transactions:	
Class O*	(126,082,841)
Class S	2,063,932
Net decrease from shares of beneficial interest transactions—Note 6	(124,018,909)
Total decrease	(77,810,526)
Net Assets	
Beginning of year	394,107,661
End of year	$316,297,135
Undistributed net investment income	$ —
* Includes securities redeemed-in-kind, at value	$ 74,200,551

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
STATEMENT OF CHANGES IN NET ASSETS

For the year ended December 31, 2004

Net investment loss	$ (574,382)
Net realized gain on investments	36,696,484
Net change in unrealized appreciation (depreciation) on investments	(6,646,763)
Net increase in net assets resulting from operations	29,475,339
Increase (decrease) from shares of beneficial interest transactions:	
Class O	(30,503,604)
Class S	5,519,232
Net decrease from shares of beneficial interest transactions—Note 6	(24,984,372)
Total increase	4,490,967
Net Assets	
Beginning of year	389,616,694
End of year	$394,107,661
Undistributed net investment income	$ —

See Notes to Financial Statements.

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The Alger American Fund
Alger American Leveraged AllCap Portfolio
Financial Highlights

For a share outstanding throughout the period

	Net Asset Value, Beginning of Period	Income from Investment Operations		
		Net Investment Loss	Net Realized and Unrealized Gain (Loss) on Investments	Total from Investment Operations
Class O				
Year ended 12/31/05	$30.39	$(0.21)	$ 4.60	$ 4.39
Year ended 12/31/04	28.09	(0.07)	2.37	2.30
Year ended 12/31/03	20.85	(0.07)	7.31	7.24
Year ended 12/31/02	31.55	(0.14)	(10.56)	(10.70)
Year ended 12/31/01	38.80	0.00(iii)	(6.06)	(6.06)
Class S				
Year ended 12/31/05	$30.17	$(0.08)	$ 4.35	$ 4.27
Year ended 12/31/04	27.96	(0.04)	2.25	2.21
Year ended 12/31/03	20.83	(0.16)	7.29	7.13
Eight months ended 12/31/02(i)(ii)	28.46	(0.02)	(7.61)	(7.63)

(i) Ratios have been annualized; total return has not been annualized.
(ii) Commenced operations May 1, 2002.
(iii) Amount was computed based on average shares outstanding during the period.

See Notes to Financial Statements.

Distributions from Net Realized Gains	Net Asset Value, End of Period	Total Return	Net Assets, End of Period (000's omitted)	Ratio of Expenses to Average Net Assets	Ratio of Net Investment Loss to Average Net Assets	Portfolio Turnover Rate
			Ratios/Supplemental Data			
$ —	$34.78	14.45%	$298,410	0.91%	(0.08)%	130.14%
—	30.39	8.19	380,336	0.97	(0.14)	182.41
—	28.09	34.72	382,289	0.97	(0.36)	161.71
—	20.85	(33.91)	271,373	0.96	(0.49)	203.05
(1.19)	31.55	(15.93)	443,209	0.92	0.00	103.03
$ —	$34.44	14.15%	$ 17,887	1.16%	(0.33)%	130.14%
—	30.17	7.90	13,772	1.22	(0.31)	182.41
—	27.96	34.23	7,328	1.21	(0.63)	161.71
—	20.83	(26.81)	281	1.32	(0.92)	203.05

December 31, 2005

NOTE 1—General:

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

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

NOTE 2—Significant Accounting Policies:

(a) ***Investment Valuation:*** Investments of the Portfolio are 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). Listed securities for which such information is regularly reported are valued at the last reported sales price or, in the absence of reported sales, at the mean between the bid and asked price or, in the absence of a recent bid or asked price, the equivalent as obtained from one or more of the major market makers for the securities to be valued. Securities included within the Nasdaq market are valued at the Nasdaq official closing price ("NOCP") on the day of valuation, or if there is no NOCP issued, at the last sale price on such day. Securities included within the Nasdaq market for which there is no NOCP and no last sale price on the day of valuation are valued at the mean between the last bid and asked prices on such day.

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

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

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

(d) ***Option Contracts:*** When the 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 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 put option is exercised, the premium reduces the cost basis of the securities purchased by the Portfolio. The Portfolio as writer of an option bears the market risk of an unfavorable change in the price of the security underlying the written option.

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

(e) ***Lending of Portfolio Securities:*** The Portfolio lends its securities to financial institutions, provided that the market value of the securities loaned will not at any time exceed one third of the Portfolio's total assets. The Portfolio earns fees on the securities loaned. In order to protect against the risk of failure by the borrower to return the securities loaned or any delay in the delivery of such securities, the loan is collateralized by cash, letters of credit or U.S. Government securities that are maintained in an amount equal to at least 100 percent of the current market value of the loaned securities. The market value of the loaned securities is determined at the close of business of the Portfolio and any required additional collateral is delivered to the Portfolio on the next business day. As of December 31, 2005, there were no securities on loan.

(f) ***Dividends to Shareholders:*** Dividends payable to shareholders are recorded by the Portfolio on the ex-dividend date.

Dividends from net investment income are declared and paid annually.

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

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

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

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

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

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

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

(j) ***Other:*** These financial statements have been prepared using estimates and assumptions that affect the reported amounts therein. Actual results may differ from those estimates.

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

(a) ***Investment Management Fees:*** Fees incurred by the Portfolio, pursuant to the provisions of its Investment Management Agreement (the "Agreement") with Fred Alger Management, Inc. ("Alger Management"), are payable monthly and computed based on the average daily net assets of the Portfolio at the annual rate of .85%.

The Agreement further provides that if in any fiscal year the aggregate expenses, excluding interest, taxes, brokerage commissions, and extraordinary expenses exceed 1.50% of the average daily net assets of the Portfolio, Alger Management will reimburse that Portfolio for the excess expenses.

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

(c) ***Brokerage Commissions:*** During the year ended December 31, 2005, the Portfolio paid the Distributor $557,113 in connection with securities transactions.

(d) ***Shareholder Administrative Fees:*** Effective February 28, 2005, the Fund has entered into a shareholder administrative service agreement with Alger Shareholder Services, Inc. ("Alger Services") to compensate Alger Services on a per account basis for its liaison and administrative oversight of the transfer agent and related services. During the year ended December 31, 2005, the Portfolio incurred fees of $209 for these services.

(e) ***Other:*** Certain trustees and officers of the Fund are directors and officers of Alger Management, the Distributor and Alger Services.

December 31, 2005

NOTE 4—Securities Transactions:

Purchases and sales of securities, other than short-term securities of the Portfolio, for the year ended December 31, 2005, were $450,462,952 and $568,383,086, respectively.

Written call and put option activity for the year ended December 31, 2005 was as follows:

	Number of Contracts	Premiums Received
Options outstanding at December 31, 2004	—	—
Options written	480	$ 414,943
Options closed or expired	(480)	(414,943)
Options exercised	—	—
Options outstanding at December 31, 2005	—	$ —

During the year ended December 31, 2005, certain shareholders of the Portfolio redeemed securities in the amount of $74,200,551 at market value on the date of redemption, which resulted in gains of $13,194,253 and is included as net realized gain on redemption-in-kind in the Statement of Operations.

NOTE 5—Line of Credit:

The Portfolio has a line of credit with its custodian bank whereby it may borrow up to one-third of the value of its assets, up to a maximum of $25,000,000. Such borrowings have a variable interest rate and are payable on demand. To the extent the Portfolio borrows under this line, it must pledge securities with a total value of at least twice the amount borrowed. For the year ended December 31, 2005, the Portfolio had borrowings which averaged $418,726 at a weighted average interest rate of 4.37%.

NOTE 6—Share Capital:

The Fund has an unlimited number of authorized shares of beneficial interest of $.001 par value.

During the year ended December 31, 2005, transactions of shares of beneficial interest were as follows:

	Shares	Amount
Class O:		
Shares sold	1,040,839	$ 33,263,898
Shares redeemed	(4,973,709)	(159,346,739)
Net decrease	(3,932,870)	$(126,082,841)
Class S:		
Shares sold	137,584	$ 4,384,234
Shares redeemed	(74,576)	(2,320,302)
Net increase	63,008	$ 2,063,932

During the year ended December 31, 2004, transactions of shares of beneficial interest were as follows:

	Shares	Amount
Class O:		
Shares sold	1,900,609	$ 53,951,207
Shares redeemed	(2,996,553)	(84,454,811)
Net decrease	(1,095,944)	$ (30,503,604)
Class S:		
Shares sold	242,826	$ 6,844,614
Shares redeemed	(48,549)	(1,325,382)
Net increase	194,277	$ 5,519,232

NOTE 7—Tax Character of Distributions to Shareholders:

During the year ended December 31, 2005 and the year ended December 31, 2004, there were no distributions paid.

As of December 31, 2005, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	—
Undistributed long-term gain	—
Other loss deferral	(5,199)
Unrealized appreciation (depreciation)	36,182,298

The difference between book-basis and tax-basis unrealized appreciation (depreciation) is attributable primarily to the tax deferral of losses on wash sales and the tax treatment of premium/discount on debt securities.

At December 31, 2005, the Portfolio, for federal income tax purposes, had capital loss carryforwards which expire as set forth in the table below. These amounts may be applied against future net realized gains until the earlier of their utilization or expiration.

Expiration Date			
2009	2010	2011	Total
$ 70,340,391	97,987,772	—	$168,328,163

NOTE 8—Litigation:

Alger Management has responded to inquiries, document requests and/or subpoenas from regulatory authorities, including the United States Securities and Exchange Commission ("SEC"), the Office of the New York State Attorney General, the Attorney General of New Jersey, and the West Virginia Securities Commissioner, in connection with their investigations of practices in the mutual fund industry identified as "market timing" and "late trading."

On December 16, 2005, Alger Management received from the staff of the SEC a "Wells Notice" which indicated that the staff intends to recommend that the Commission bring civil enforcement action for

December 31, 2005

possible violations of the federal securities laws. "Wells Notices" also have been sent to certain companies affiliated with Alger Management, as well as certain present and former members of its senior management. The Wells Notices arose out of the SEC's staff ongoing investigation of market timing and late trading practices in the mutual fund industry. Alger Management and the other recipients have the opportunity to respond to the staff before the staff makes a formal recommendation. Alger Management plans to send a Wells submission to the staff in January 2006.

On August 31, 2005, the West Virginia Securities Commissioner in an ex parte Summary Order to Cease and Desist and Notice of Right to Hearing concluded that Alger Management and Alger Inc. had violated the West Virginia Uniform Securities Act, and ordered Alger Management and Alger Inc. to cease and desist from further violations of the Act 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 Commissioner. Other firms unaffiliated with Alger Management were served with similar orders. Alger Management and Alger Inc. intend to request a hearing for the purpose of seeking to vacate or modify the order.

In addition, in 2003 and 2004 several purported class actions and shareholder derivative suits were filed against various parties in the mutual fund industry, including Alger Management, certain mutual funds managed by Alger Management (the "Alger Mutual Funds"), and certain current and former Alger Mutual Fund trustees and officers, alleging wrongful conduct related to market-timing and late-trading by mutual fund shareholders. These cases were transferred to the U.S. District Court of Maryland by the Judicial Panel on Multidistrict Litigation for consolidated pre-trial proceedings. In September 2004, consolidated amended complaints involving these cases (not yet including the West Virginia action) — a Consolidated Amended Fund Derivative Complaint (the "Derivative Complaint") and two substantially identical Consolidated Amended Class Action Complaints (together, the "Class Action Complaint") — were filed in the Maryland federal district court under the caption number 1:04-MD-15863 (JFM). In April 2005, a civil lawsuit involving similar allegations was filed by the West Virginia Attorney General and also transferred to the Maryland District Court.

The Derivative Complaint alleged (i) violations, by Alger Management and, depending on the specific offense alleged, by its immediate parent, Alger Inc., which is the Distributor of the Alger Mutual Funds, and/or the fund trustee defendants, of Sections 36(a), 36(b), 47, and 48 of the Investment Company Act of 1940 (the "Investment Company Act") and of Sections 206 and 215 of the Investment Advisers Act of 1940, breach of fiduciary duty, and breach of contract, (ii) various offenses by other third-party defendants, and (iii) unjust enrichment by all the named defendants. The Class Action Complaint alleged, in addition to the offenses listed above, (i) violations, by Alger Management, Alger Inc., their affiliates, the funds named as defendants, and the current and former fund trustees and officers, of Sections 11, 12(a)(2), and 15 of the Securities Act of 1933, Sections 10(b) (and Rule 10b-5 thereunder) and 20(a) of the Securities Exchange Act of 1934 (the "1934 Act"), and Section 34(b) of the Investment Company Act of 1940, (ii) breach of contract by the funds named as defendants, and (iii) unjust enrichment of the defendants. The West Virginia attorney general action also alleges violations of the West Virginia Consumer Credit and Protection Act and other wrongful conduct.

Motions to dismiss the Class Action Complaint and the Derivative Complaint were subsequently filed. On November 3, 2005, the district court dismissed both complaints in their entirety with respect to the Alger Mutual Funds and dismissed all claims against the other Alger defendants other than the claims under the 1934 Act and Section 36(b) of the Investment Company Act, with leave to the class action plaintiffs to file amended complaints against those defendants with respect to claims under state law. It is anticipated that orders implementing the rulings will be entered in or about January 2006, and that motions for reconsideration will thereafter be filed.

Alger Management does not believe that the Alger Mutual Funds are themselves targets of the regulatory investigations as potential enforcement defendants.

The SEC and, in some cases, state government authorities have a variety of administrative and civil enforcement powers, including injunctive powers, authority to assess fines and penalties and order restitution, authority to limit the activities of a person or company and other enforcement powers, that may be exercised administratively or through the courts.

Under Section 9(a) of the Investment Company Act, if any of the various regulatory proceedings or lawsuits were to result in a court injunction against Alger Management or Alger Inc., Alger Management would, in the absence of exemptive relief granted by the SEC, be barred from serving as investment adviser/sub-adviser for any registered investment company, including the Fund. While exemptive relief from Section 9(a) has been granted in certain other cases, there is no assurance that such exemptive relief would be granted if sought. In addition, it is possible that these matters and/or other developments resulting from these matters could result in loss of Alger Management personnel, diversion of time and attention of Alger Management personnel, diminishment of financial resources of Alger Management, or other consequences potentially adverse to the Fund. Alger Management cannot predict the potential effect of such actions upon Alger Management or the Fund. There can be no assurance that the effect, if any, would not be material.

Report of Independent Registered Public Accounting Firm

**To the Shareholders and Board of Trustees
of The Alger American Fund:**

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of the Alger American Leveraged AllCap Portfolio (the "Fund") (one of the portfolios comprising The Alger American Fund) as of December 31, 2005, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years then ended, and the financial highlights for each of the four years then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights for the year ended December 31, 2001 were audited by other auditors, whose report, dated January 24, 2002, expressed an unqualified opinion on the financial highlights.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2005, by correspondence with custodians and brokers or by other appropriate auditing procedures where replies from brokers were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above, and audited by us, present fairly, in all material respects, the financial position of the Alger American Leveraged AllCap Portfolio at December 31, 2005, the results of its operations for the year then ended, the changes in its net assets for each of the two years then ended, and the financial highlights for each of the four years then ended, in conformity with U.S. generally accepted accounting principles.

ERNST & YOUNG LLP

New York, New York
January 31, 2006

The Alger American Fund
Alger American Leveraged AllCap Portfolio
Additional Information (Unaudited)
Shareholder Expense Example (Unaudited)

As a shareholder of the 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 June 1, 2005 and ending December 31, 2005.

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 July 1, 2005	Ending Account Value December 31, 2005	Expenses Paid During the Period July 1, 2005 to December 31, 2005(b)	Ratio of Expenses to Average Net Assets For the Six Months Ended December 31, 2005(c)
Class O	**Actual**	$1,000.00	$1,132.50	$4.89	0.91%
	Hypothetical(a)	1,000.00	1,020.62	4.63	0.91
Class S	**Actual**	1,000.00	1,131.00	6.23	1.16
	Hypothetical(a)	1,000.00	1,019.36	5.90	1.16

(a) 5% annual return before expenses.
(b) Expenses are equal to the annualized expense ratio of the respective share class, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).
(c) Annualized.

Trustees and Officers of the Fund (Unaudited)

Information about the Trustees and officers of the Fund is set forth below. In the table the term "Alger American Fund Complex" refers to the Funds, Spectra Fund, The Alger Funds, The Alger Institutional Funds, The China-U.S. Growth Fund and Castle Convertible Fund, Inc., each of which is a registered investment company managed by Fred Alger Management, Inc. ("Alger Management"). Each Trustee serves until an event of termination, such as death or resignation, or until his successor is duly elected; each officer's term of office is one year. Unless otherwise noted, the address of each person named below is 111 Fifth Avenue, New York, NY 10003.

Name, Age, Position with the Fund and Address	Principal Occupations	Trustee and/or Officer Since	Number of Portfolios in the Alger Fund Complex which are Overseen by Trustee
Interested Trustees			
Fred M. Alger III (70) Chairman of the Board	Chairman of the Board of Alger Associates, Inc. ("Associates"), Fred Alger & Company, Incorporated ("Alger Inc."), Alger Management, Alger Properties, Inc. ("Properties"), Alger Shareholder Services, Inc. ("Services"), Alger Life Insurance Agency, Inc. ("Agency"), Fred Alger International Advisory S.A. ("International"), and five of the six funds in the Alger Fund Complex; Chairman of the Boards of Alger SICAV ("SICAV") and Analysts Resources, Inc. ("ARI").	1988	22
Dan C. Chung (43) President and Trustee	President, Director and Chief Investment Officer of Alger Management; President and Director of Associates, Alger Inc., Properties, Services, Agency, International, ARI and Trust; Trustee/Director of four of the six funds in the Alger Fund Complex.	2001	16
Non-Interested Trustees			
Stephen E. O'Neil (73) Trustee	Attorney; Private investor since 1981; Director of Brown-Forman Corporation; Trustee/Director of the six funds in the Alger Fund Complex; formerly of Counsel to the law firm of Kohler & Barnes.	1988	23
Nathan E. Saint-Amand, M.D. (67) Trustee	Medical doctor in private practice; Co-Partner Fishers Island Partners; Member of the Board of the Manhattan Institute; Trustee/Director of the six funds in the Alger Fund Complex. Formerly Co-Chairman Special Projects Committee of Memorial Sloan Kettering.	1988	23

Name, Age, Position with the Fund and Address	Principal Occupations	Trustee and/or Officer Since	Number of Portfolios in the Alger Fund Complex which are Overseen by Trustee
Officers			
Frederick A. Blum (52) Treasurer and Assistant Secretary	Executive Vice President and Treasurer of Alger Inc., Alger Management, Properties, Associates, ARI, Services and Agency since September 2003 and Senior Vice President prior thereto; Treasurer of each of the other five investment companies in the Alger Fund Complex since the later of 1996 or its inception. Director of SICAV and International and Chairman of the Board (and prior thereto, Senior Vice President) and Treasurer of Alger National Trust Company since 2003.	1996	N/A
Hal Liebes (41) Secretary and Chief Compliance Officer	Executive Vice President, Chief Legal Officer and Secretary of Alger Inc., Secretary of theother five investment companies in the Alger Fund Complex-2005. Formerly U.S. General Counsel 1994-2002 and Global General Counsel 2002-2004, Credit Suisse Asset Management; Global Chief Compliance Officer 2004, AMVESCAP PLC.	2005	N/A
Michael D. Martins (40) Assistant Treasurer and Assistant Secretary	Senior Vice President of Alger Management; Assistant Treasurer and Assistant Secretary of the other five investment companies in the Alger Fund Complex-2005. Formerly Vice President, Brown Brothers Harriman & Co. 1997-2004.	2005	N/A

Messrs. Alger and Chung are “interested persons” (as defined in the Investment Company Act) of the Fund because of their affiliations with Alger Management. Mr. Chung is Mr. Alger’s son-in-law. No Trustee is a director of any public company except as may be indicated under “Principal Occupations.”

The Statement of Additional Information contains additional information about the Fund’s Trustees and is available without charge upon request by calling (800) 992-3863.

Investment Management Agreement Renewal (Unaudited)

At an in-person meeting held on September 7, 2005, the Trustees of the Trust considered renewal of the Investment Management Agreement between the Trust in respect of the portfolio (the “Portfolio”) and Fred Alger Management, Inc. (the “Adviser”). The Trustees who are not “interested persons” of the Trust (the “Independent Trustees”) within the meaning of the Investment Company Act of 1940 (the “1940 Act”) also met separately with their counsel to consider the Agreement. In evaluating the Agreement, the Trustees drew on materials that they requested and which were provided to them in advance of the meeting by the Adviser and by counsel to the Trust. The materials covered, among other matters, (i) the nature, extent and quality of the services provided by the Adviser under the Agreement, (ii) the investment performance of the Portfolio, (iii) the costs to the Adviser of its services and the profits realized by the Adviser and its affiliates Fred Alger & Company, Incorporated and Alger Shareholder Services, Inc. from their relationship with the Portfolio, and (iv) the extent to which economies of scale would be realized if and as the Portfolio grows and whether the fee levels in the Agreement reflect these economies of scale. These materials included an analysis of the Portfolio and the Adviser’s services by Callan Associates Inc (“Callan”), an independent consulting firm whose specialties include assistance to fund trustees and directors in their review of advisory contracts pursuant to Section 15(c) of the 1940 Act. At the meeting, senior Callan personnel provided a presentation to the Trustees based on the Callan materials.

In deciding whether to renew the Agreement the Trustees considered various factors, including those enumerated above. They also considered other direct and indirect benefits to the Adviser and its affiliates from their relationship with the Trust.

Nature, extent and quality of services.

In considering the nature, extent and quality of services provided by the Adviser, the Trustees relied on their prior experience as Trustees of the Trust, their familiarity with the personnel and resources of Alger Management and its affiliates, and the materials provided at the meeting. They noted that under the Investment Management Agreement the Adviser is responsible for managing the investment operations of the respective Portfolio and for providing a full range of administrative, compliance, reporting and accounting services necessary for the conduct of the Portfolio's affairs. The Trustees reviewed the background and experience of the Adviser's senior investment management personnel, including those individuals responsible for the investment operations of the Portfolio. They also considered the resources, operational structures and practices of the Adviser in managing the Portfolio's investments and administering the Portfolio's affairs, as well as the Adviser's overall investment management business.

The Trustees concluded that the Adviser's experience, resources and strength in those areas of importance to the Portfolio are considerable. They noted especially the Adviser's history of expertise in managing portfolios of "growth" stocks like those of the Portfolio. The Trustees also considered the level and depth of the Adviser's ability to execute portfolio transactions to effect investment decisions. They also noted the history of extremely favorable reviews of the Adviser's shareholder-relations representatives by an independent rating concern. Finally, the Trustees took notice of the enhancements to the control and compliance environment at the Adviser and within the Trust. On the basis of their review, the Trustees determined that the nature and extent of the services provided to the Portfolio by the Adviser (including the Portfolio's performance, as discussed below) were of high quality and could be expected to remain so.

Investment Performance of the Portfolio

Drawing upon information provided at the meeting by the Adviser as well as Callan and upon reports provided to the Trustees by the Adviser throughout the preceding year, the Trustees noted that the performance of the Portfolio had shown substantial recent improvement. For the year ended August 31, 2005, the Portfolio had beaten its benchmark index and had not placed below the median of its Callan peer group for 2005 through June 30. The Trustees acknowledged that the Adviser's recent efforts to improve the Portfolios' performance and, more generally, the firm's rebuilding of the investment team in response to the devastating events of September 11, 2001, were bearing fruit. Accordingly, they concluded that the recent performance of the Portfolio supported renewal of the Portfolio's Agreement.

Profitability to the Adviser and its Affiliates

The Trustees considered the profitability of the advisory arrangement with the Portfolio to the Adviser and the Adviser's affiliates and the methodology used by the Adviser in determining such profitability. The Trustees had been provided with data on the Portfolio's profitability to the Adviser and to the Adviser's affiliates for the Portfolio's most recent fiscal year. In addition, the Trustees reviewed the Portfolio's management fees and expense ratios and compared them with a group of comparable funds. In order to assist the Trustees in this comparison, Callan provided the Trustees with comparative information with respect to fees paid, and expense ratios incurred, by similar funds. That information indicated that the Portfolio's advisory fee was above the median for the Portfolio's Callan peer group. The Trustees determined that the fee information should be taken into account in weighing the size of the fees against the nature, extent and quality of the services provided to the Portfolios. The Trustees also noted that the expense ratio of the Portfolio was above the median for their Callan peer group, and determined that this information should be kept in mind during their deliberations regarding the Portfolio's profitability to the Adviser and its affiliates. After discussing with representatives of the Adviser and Callan the methodologies used in computing the costs that formed the bases of the profitability calculations, the Trustees turned to the profitability data provided. After analysis and discussion they concluded that, to the extent that the Adviser's and its affiliates' relationships with the Portfolio had been profitable to either or both of those entities, the profitability in each case was modest.

Economies of Scale

On the basis of their discussions with management and their analysis of information provided at the meeting, the Trustees determined that the nature of the Portfolio and its operations is such that the Adviser is likely to realize economies of scale in the management of the Portfolio at some point as it grows in size, but that in view of the current levels of profitability of the Portfolio to the Adviser and its affiliates, such economies as might already exist were subsumed in the level of the management fees, and that adoption of breakpoints in one or more advisory fees, while possibly appropriate at a later date, could await further analysis of the sources and potential scale of the economies and the fee structure that would best reflect them. Accordingly, the Trustees requested that the Adviser address this topic with the Trustees at future meetings.

Other Benefits to the Adviser

The Trustees considered whether the Adviser benefits in other ways from its relationship with the Portfolio. In that connection, they noted that the Adviser maintains soft-dollar arrangements in connection with the Portfolio's brokerage transactions, data on which is regularly supplied to the Trustees at their quarterly meetings. The Trustees also noted that the Trust's Distributor, Fred Alger & Company, Incorporated, provides a substantial portion of the Portfolio's equity brokerage and may receive a portion of the distribution and shareholder servicing fees paid by the Portfolio as well, and that Alger Shareholder Services, Inc. receives fees from the Portfolio under a shareholder services agreement. The Trustees had been provided with information regarding, and had considered, the brokerage, distribution and shareholder servicing fee benefits in connection with their review of the profitability to the Adviser and its affiliates of their relationships with the Portfolio. As to the benefits received from the soft-dollar arrangements, the Trustees decided that, in light of the nature and scale of the arrangement, they were not so significant as to render the Adviser's fees excessive.

Conclusion

After weighing the foregoing factors, the Trustees, including the Independent Trustees, approved the renewal of the Investment Management Agreement. They reasoned that, considered in themselves, the services provided by the Adviser were appropriate for the needs of the Portfolio and of high quality, that the recent performance of the Portfolio had been good, and that the Adviser could reasonably be expected to provide services of comparable quality in the future. The Trustees determined that the advisory fees, while higher than those charged by a majority of similar funds considered by Callan, were not so high as to be unreasonable when considered in relation to the nature, extent and high quality of the services currently provided, including the Portfolio's solid recent performance, that the Portfolio's relationship with the Adviser and its affiliates was not so profitable as to render the fee excessive, that any additional benefits to the Adviser and/or its affiliates other than those already considered in the profitability analysis were not of a magnitude materially to affect the Trustees' deliberations, and that the issue of sharing economies of scale with the Portfolio, while inviting future consideration, was not of major current importance.

Proxy Voting Policies

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

Quarterly Fund Holdings

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

CREDIT SUISSE

CREDIT SUISSE FUNDS

Annual Report

December 31, 2005

CREDIT SUISSE TRUST
■ EMERGING MARKETS PORTFOLIO

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

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

Credit Suisse Asset Management Securities, Inc., Distributor, is located at 466 Lexington Ave., New York, NY 10017-3140. 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 December 31, 2005; 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 risk, including loss of your investment.

Credit Suisse Trust—Emerging Markets Portfolio
Annual Investment Adviser's Report
December 31, 2005 (unaudited)

January 19, 2006

Dear Shareholder:

For the 12 months ended December 31, 2005, Credit Suisse Trust—Emerging Markets Portfolio[1] (the "Portfolio") had a gain of 27.84%, vs. an increase of 34.54% for the Morgan Stanley Capital International Emerging Markets Index.[2]

Market Overview: Emerging markets outperform in global rally

The period was a positive one for stock markets around the world, aided by optimism over global economic growth and generally favorable earnings reports. Emerging markets as a group had overall strong returns in absolute terms and as compared with developed stock markets, helped in part by high and rising commodity prices, which for many commodity-exporting emerging economies resulted in stronger financial profiles.

By region, Latin America outpaced the broad emerging market universe, reflecting strong returns from Brazil and Mexico. Asia was positive across the board, but as a region underperformed. The Europe/Middle East/Africa segment (EMEA) was in the middle of the pack, though certain of its smaller markets posted large gains for the period.

Strategic Review: Asian holdings underperform while EMEA stocks shine

The Portfolio participated in the broad rally in emerging markets, although it underperformed its benchmark, which we attribute in large part to its positioning in Asia. Most specifically, we were underweighted in Taiwanese technology-exporting companies, which outperformed the domestic companies we favored, and had limited exposure to certain South Korean stocks that had strong showings. Within Latin America, stock selection in Chile detracted from performance, countering good performance from the Portfolio's holdings in Mexico. Elsewhere, the Portfolio was aided by good stock selection within EMEA, in particular with regard to its Russian and South African holdings. This more than offset the Portfolio's underweighting in smaller EMEA markets, such as Egypt, that outperformed.

In terms of regional allocation, as of the end of the period we were modestly overweighted in Latin America, with a focus on Brazil and Mexico, where we believe earnings growth and interest rate reductions could support equities. We had an underweighting in EMEA as a whole, primarily due to our underweightings in the smaller central European markets, lack of exposure to smaller Middle Eastern markets and our underweighting in South Africa. We ended the period overweighted in Russia, which we think could benefit from high oil prices and a related improvement in domestic liquidity. We remain broadly neutral in Asia, with an emphasis on China, South Korea and, to a lesser extent, Thailand. As of the end of the period, Taiwan and India were underweighted positions in the Portfolio, as were certain smaller southeastern Asian markets.

In the wake of several years of strong absolute and relative performance, emerging markets could be vulnerable to any negative shocks (such as rising US short-term rates or unforeseen oil price spikes). Still, against what we expect to be a fairly benign global scenario this year, we believe that investors will continue find emerging markets compelling, given the valuation and earnings differentials with developed markets and the generally favorable domestic economic conditions prevailing in many developing countries.

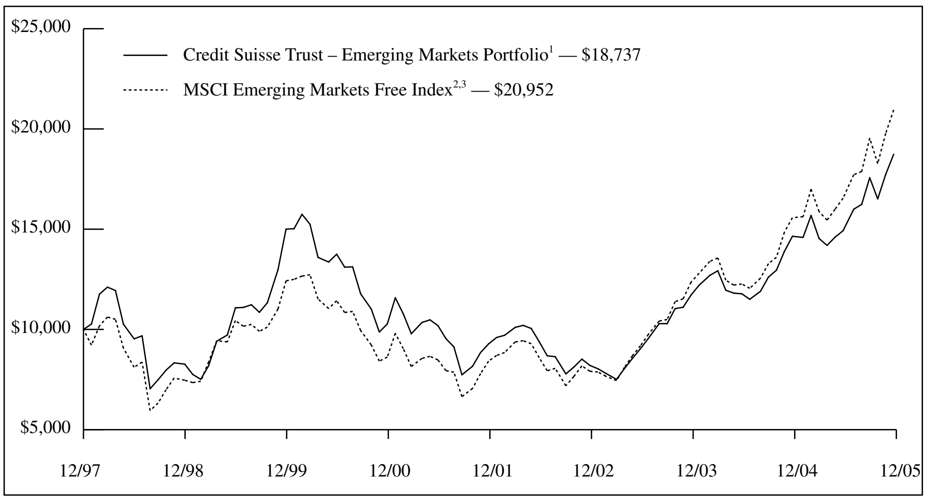
The Credit Suisse Emerging Markets Team

Annabel Betz
Neil Gregson
Matthew J.K. Hickman
Elizabeth H. Eaton
Jonathan S. Ong

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

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

Comparison of Change in Value of $10,000 Investment in the Credit Suisse Trust – Emerging Markets Portfolio[1] and the MSCI Emerging Markets Free Index[2] from Inception (12/31/97).



Average Annual Returns as of December 31, 2005[1]

1 Year	5 Years	Since Inception
27.84%	12.78%	8.16%

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

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

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

[3] Performance for the index is not available for the period beginning 12/31/97 (commencement of operations). For that reason, performance is shown for the period beginning 1/1/98.

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 December 31, 2005.

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

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

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

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

Expenses and Value of a $1,000 Investment
for the six month period ended December 31, 2005

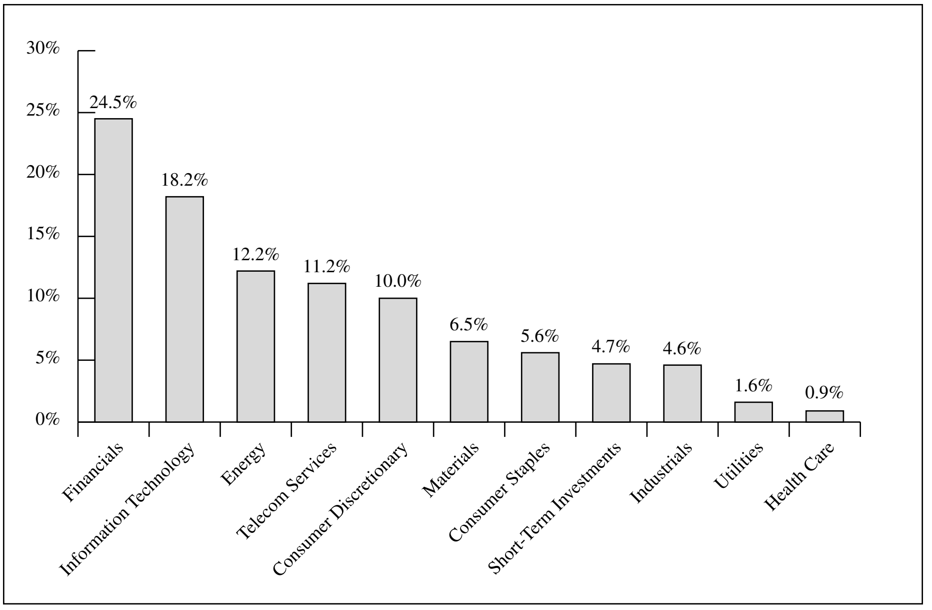
Actual Portfolio Return	
Beginning Account Value 7/1/05	$1,000.00
Ending Account Value 12/31/05	$1,255.60
Expenses Paid per $1,000*	$ 7.96
Hypothetical 5% Portfolio Return	
Beginning Account Value 7/1/05	$1,000.00
Ending Account Value 12/31/05	$1,018.15
Expenses Paid per $1,000*	$ 7.12
Annualized Expense Ratios*	1.40%

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

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

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

SECTOR BREAKDOWN*



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

Credit Suisse Trust—Emerging Markets Portfolio
Schedule of Investments
December 31, 2005

	Number of Shares	Value
COMMON STOCKS (88.8%)		
Argentina (0.4%)		
Oil & Gas (0.4%)		
Repsol YPF SA ADR §	24,500	$ 720,545
TOTAL ARGENTINA		720,545
Brazil (5.3%)		
Banks (0.9%)		
Unibanco - Uniao de Bancos Brasileiros SA GDR	27,300	1,735,461
Beverages (0.1%)		
Companhia de Bebidas das Americas ADR	4,640	151,728
Diversified Telecommunication Services (1.2%)		
Brasil Telecom Participacoes SA	42,900,000	436,439
Brasil Telecom Participacoes SA ADR §	12,600	470,610
Tele Norte Leste Participacoes SA	12,505	285,385
Tele Norte Leste Participacoes SA ADR §	56,000	1,003,520
		2,195,954
Electric Utilities (0.7%)		
Obrascon Huarte Lain Brasil SA *	82,600	898,680
Tractebel Energia SA	60,100	387,285
		1,285,965
Food Products (0.3%)		
Cosan SA Industria e Comercio *	19,700	574,678
Oil & Gas (2.1%)		
Petroleo Brasileiro SA - Petrobras ADR	60,200	3,875,074
TOTAL BRAZIL		9,818,860
Canada (0.6%)		
Energy Equipment & Services (0.6%)		
Niko Resources, Ltd.	24,900	1,177,056
TOTAL CANADA		1,177,056
Chile (1.6%)		
Beverages (0.4%)		
Compania Cervecerias Unidas SA ADR §	32,300	814,606
Diversified Telecommunication Services (0.4%)		
Compania de Telecomunicaciones de Chile SA ADR §	84,000	739,200
Electric Utilities (0.5%)		
Enersis SA ADR §	78,600	863,814

See Accompanying Notes to Financial Statements.

Credit Suisse Trust—Emerging Markets Portfolio
Schedule of Investments (continued)
December 31, 2005

	Number of Shares	Value
COMMON STOCKS		
Chile		
Water Utilities (0.3%)		
Inversiones Aguas Metropolitanas SA ADR Rule 144A*‡	30,100	$ 505,680
TOTAL CHILE		2,923,300
China (5.7%)		
Automobiles (0.3%)		
Dongfeng Motor Corporation, Ltd. Series H*	2,108,700	533,053
Banks (1.0%)		
China Construction Bank Series H *	5,687,000	1,962,034
Insurance (1.0%)		
China Life Insurance Company, Ltd. Series H *	2,051,000	1,808,108
Machinery (0.5%)		
Shanghai Electric Group Company, Ltd. Series H *	2,752,000	940,173
Oil & Gas (0.7%)		
China Petroleum & Chemical Corp. Series H	2,764,000	1,368,404
Real Estate (1.2%)		
Agile Property Holdings, Ltd. *	2,367,000	1,144,798
GZI Real Estate Investment Trust *	393,000	176,135
New World China Land, Ltd.	1,990,000	838,104
		2,159,037
Retail (0.4%)		
Parkson Retail Group, Ltd. *	440,000	794,475
Textiles & Apparel (0.6%)		
Ports Design, Ltd.	946,500	1,101,100
TOTAL CHINA		10,666,384
Hong Kong (3.1%)		
Automobiles (0.4%)		
Denway Motors, Ltd.	2,500,000	827,954
Internet Software & Services (0.6%)		
Tencent Holdings, Ltd.	957,000	1,022,142
Oil & Gas (0.6%)		
CNOOC, Ltd.	1,590,000	1,059,965
Wireless Telecommunication Services (1.5%)		
China Mobile (Hong Kong), Ltd.	584,500	2,766,410
TOTAL HONG KONG		5,676,471

See Accompanying Notes to Financial Statements.

Credit Suisse Trust—Emerging Markets Portfolio
Schedule of Investments (continued)
December 31, 2005

	Number of Shares	Value
COMMON STOCKS		
Hungary (0.8%)		
Banks (0.5%)		
OTP Bank Rt.	29,900	$ 973,937
Oil & Gas (0.3%)		
MOL Magyar Olaj-es Gazipari Rt.	5,000	467,544
TOTAL HUNGARY		1,441,481
India (4.7%)		
Chemicals (0.8%)		
Reliance Industries, Ltd. GDR Rule 144A ‡	39,300	1,553,529
Diversified Financials (0.4%)		
ICICI Bank, Ltd. ADR §	26,500	763,200
Diversified Telecommunication Services (1.0%)		
Bharti Tele-Ventures, Ltd. *	240,500	1,847,513
Electric Utilities (0.5%)		
National Thermal Power Corporation, Ltd.	358,400	893,959
Electrical Equipment (0.6%)		
Bharat Heavy Electricals, Ltd.	34,300	1,056,965
Gas Utilities (0.3%)		
Gail India, Ltd.	114,700	676,202
IT Consulting & Services (1.1%)		
Infosys Technologies, Ltd. ADR §	14,100	1,140,126
Tata Consultancy Services, Ltd.	22,622	854,277
		1,994,403
TOTAL INDIA		8,785,771
Israel (3.1%)		
Banks (0.8%)		
Bank Hapoalim, Ltd.	336,500	1,552,801
Electronic Equipment & Instruments (0.4%)		
Orbotech, Ltd. *	30,500	731,085
Insurance (0.4%)		
Harel Insurance Investments, Ltd.	16,800	752,459
Internet Software & Services (0.6%)		
Check Point Software Technologies, Ltd. *	52,100	1,047,210
Pharmaceuticals (0.9%)		
Teva Pharmaceutical Industries, Ltd. ADR §	39,000	1,677,390
TOTAL ISRAEL		5,760,945

See Accompanying Notes to Financial Statements.

Credit Suisse Trust—Emerging Markets Portfolio
Schedule of Investments (continued)
December 31, 2005

	Number of Shares	Value
COMMON STOCKS		
Malaysia (1.2%)		
Banks (0.4%)		
Commerce Asset-Holding Berhad	510,400	$ 769,753
Food Products (0.8%)		
IOI Corporation Berhad	439,100	1,440,624
TOTAL MALAYSIA		2,210,377
Mexico (7.2%)		
Beverages (0.5%)		
Fomento Economico Mexicano SA de CV ADR	12,777	926,460
Construction Materials (0.9%)		
Cemex SA de CV ADR	27,981	1,660,113
Diversified Telecommunication Services (0.5%)		
Telefonos de Mexico SA de CV ADR §	39,800	982,264
Food Products (1.0%)		
Gruma SA Series B	347,900	1,128,308
Grupo Bimbo SA de CV Series A	240,100	835,119
		1,963,427
Household Durables (0.5%)		
Consorcio ARA SA de CV	230,400	1,007,140
Media (0.6%)		
Grupo Televisa SA ADR	13,500	1,086,750
Metals & Mining (0.5%)		
Grupo Mexico SA de CV Series B	391,850	913,536
Multiline Retail (0.6%)		
Wal-Mart de Mexico SA de CV Series V	193,082	1,070,898
Real Estate (0.5%)		
Urbi Desarrollos Urbanos SA de CV *	131,324	907,373
Wireless Telecommunication Services (1.6%)		
America Movil SA de CV ADR Series L	83,874	2,454,153
America Telecom SA de CV Class A1 *	101,700	494,272
		2,948,425
TOTAL MEXICO		13,466,386
Oman (0.5%)		
Banks (0.5%)		
Bank Muscat SAOG GDR Rule 144A*‡	39,200	908,264
TOTAL OMAN		908,264

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
Russia (6.1%)		
Banks (1.4%)		
Sberbank RF	1,950	$ 2,557,208
Oil & Gas (3.7%)		
Gazprom ADR	30,000	2,151,983
Lukoil ADR	82,200	4,849,800
		7,001,783
Wireless Telecommunication Services (1.0%)		
AO VimpelCom ADR *§	40,600	1,795,738
TOTAL RUSSIA		11,354,729
South Africa (9.5%)		
Banks (1.9%)		
FirstRand, Ltd.	522,082	1,522,516
Standard Bank Group, Ltd.	168,800	2,021,074
		3,543,590
Diversified Financials (0.7%)		
African Bank Investments, Ltd.	359,200	1,389,287
Household Durables (0.6%)		
Steinhoff International Holdings, Ltd.	373,197	1,104,624
Industrial Conglomerates (0.5%)		
Bidvest Group, Ltd.	65,400	954,244
Insurance (0.9%)		
Sanlam, Ltd.	702,450	1,683,806
Media (0.8%)		
Naspers, Ltd. N Shares	87,900	1,555,201
Metals & Mining (1.6%)		
Impala Platinum Holdings, Ltd.	10,800	1,586,617
Mittal Steel South Africa, Ltd.	141,400	1,366,320
		2,952,937
Oil & Gas (1.1%)		
Sasol	56,700	2,037,210
Specialty Retail (1.4%)		
Edgars Consolidated Stores, Ltd.	211,660	1,175,067
JD Group, Ltd.	110,700	1,342,660
		2,517,727
TOTAL SOUTH AFRICA		17,738,626

See Accompanying Notes to Financial Statements.

Credit Suisse Trust—Emerging Markets Portfolio
Schedule of Investments (continued)
December 31, 2005

	Number of Shares	Value
COMMON STOCKS		
South Korea (20.5%)		
Auto Components (0.8%)		
Hyundai Mobis *	15,570	$ 1,411,508
Automobiles (2.3%)		
Hyundai Motor Company, Ltd. *	46,110	4,386,538
Banks (2.9%)		
Kookmin Bank *	53,110	4,002,722
Shinhan Financial Group Company, Ltd. *	36,260	1,458,368
		5,461,090
Construction & Engineering (0.8%)		
GS Engineering & Construction Corp. *	29,500	1,544,392
Diversified Financials (1.0%)		
Hana Financial Group, Inc.	39,895	1,823,365
Household Durables (1.2%)		
LG Electronics, Inc. *§	24,930	2,175,899
Industrial Conglomerates (0.5%)		
Daewoo Engineering & Construction Company, Ltd. *	76,400	999,673
Insurance (1.1%)		
Samsung Fire & Marine Insurance Company, Ltd.	15,920	2,000,702
Metals & Mining (0.9%)		
POSCO ADR §	33,400	1,653,634
Multiline Retail (1.6%)		
Shinsegae Company, Ltd. *	6,710	2,924,301
Oil & Gas (0.5%)		
S-Oil Corp.	13,500	942,263
Semiconductor Equipment & Products (6.3%)		
Samsung Electronics Company, Ltd.	18,260	11,747,723
Wireless Telecommunication Services (0.6%)		
SK Telecom Company, Ltd.	6,600	1,180,985
TOTAL SOUTH KOREA		38,252,073
Taiwan (13.6%)		
Banks (0.2%)		
Chinatrust Financial Holding Company, Ltd.	589,000	466,219
Chemicals (0.3%)		
Formosa Plastics Corp.	376,050	578,142

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
Taiwan		
Computers & Peripherals (3.3%)		
Advantech Company, Ltd.	502,650	$ 1,423,755
Asustek Computer, Inc.	515,000	1,579,476
Chi Mei Optoelectronics Corp.	585,542	863,675
Chi Mei Optoelectronics Corp. GDR Rule 144A ‡	109,941	1,627,124
Quanta Computer, Inc.	523,050	733,800
		6,227,830
Diversified Telecommunication Services (0.5%)		
Chunghwa Telecom Company, Ltd.	496,000	861,152
Electrical Equipment (0.5%)		
Cheng Uei Precision Industry Company, Ltd.	275,000	888,258
Electronic Equipment & Instruments (2.1%)		
AU Optronics Corp. ADR §	107,863	1,619,024
Hon Hai Precision Industry Company, Ltd.	414,747	2,277,776
		3,896,800
Insurance (1.7%)		
Cathay Financial Holding Company, Ltd.	1,057,000	1,910,095
Shin Kong Financial Holding Company, Ltd.	1,645,299	1,274,472
		3,184,567
Real Estate (0.3%)		
Cathay Real Estate Development Company, Ltd. *	1,159,000	511,349
Semiconductor Equipment & Products (4.7%)		
Advanced Semiconductor Engineering, Inc.	918,678	838,857
MediaTek, Inc.	61,000	713,241
Taiwan Semiconductor Manufacturing Company, Ltd.	3,125,642	5,952,464
United Microelectronics Corp.	2,125,359	1,195,558
		8,700,120
TOTAL TAIWAN		25,314,437
Thailand (2.3%)		
Banks (0.4%)		
Siam City Bank Public Company, Ltd.	1,225,000	724,038
Construction & Engineering (0.5%)		
Italian - Thai Development Public Company, Ltd.	4,877,200	981,388
Oil & Gas (0.6%)		
Thai Oil Public Company, Ltd.	670,900	1,039,077
Wireless Telecommunication Services (0.8%)		
Advanced Info Service Public Company, Ltd.	566,100	1,463,575
TOTAL THAILAND		4,208,078

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
Turkey (2.1%)		
Banks (1.6%)		
Akbank T.A.S.	211,999	$ 1,715,419
Turkiye Garanti Bankasi AS	343,733	1,235,313
		2,950,732
Wireless Telecommunication Services (0.5%)		
Turkcell Iletisim Hizmetleri AS	165,400	997,087
TOTAL TURKEY		3,947,819
United Arab Emirates (0.5%)		
Wireless Telecommunication Services (0.5%)		
Investcom LLC GDR*	67,800	952,590
TOTAL UNITED ARAB EMIRATES		952,590
TOTAL COMMON STOCKS (Cost $117,069,623)		165,324,192
PREFERRED STOCKS (6.2%)		
Brazil (6.2%)		
Banks (0.6%)		
Banco Itau Holding Financeira SA	45,800	1,104,063
Beverages (0.3%)		
Companhia de Bebidas das Americas ADR §	16,000	608,800
Diversified Telecommunication Services (1.1%)		
Telemar Norte Leste SA Class A	47,900	1,302,355
Telesp - Telecomunicacoes de Sao Paulo SA	32,400	665,202
		1,967,557
Electric Utilities (0.3%)		
AES Tiete SA	10,700,000	233,196
Braskem SA Class A	38,000	309,142
		542,338
Industrial Conglomerates (0.9%)		
Bradespar SA	31,800	807,424
Itausa - Investimentos Itau SA	280,496	888,748
		1,696,172
Internet Software & Services (0.1%)		
Universo Online SA	22,400	188,945
Metals & Mining (2.2%)		
Companhia Vale do Rio Doce ADR	85,300	3,092,125
Usinas Siderurgicas de Minas Gerais SA Series A	39,200	933,214
		4,025,339

Credit Suisse Trust—Emerging Markets Portfolio
Schedule of Investments (continued)
December 31, 2005

	Number of Shares	Value
PREFERRED STOCKS		
Brazil		
Oil & Gas (0.7%)		
Petroleo Brasileiro SA - Petrobras ADR	19,600	$ 1,396,892
TOTAL PREFERRED STOCKS (Cost $6,977,782)		11,530,106
RIGHTS (0.0%)		
Thailand (0.0%)		
Diversified Telecommunication Services (0.0%)		
True Corporation Public Company, Ltd. strike price $20.60, expires April 2008 ^* (Cost $0)	50,021	0
SHORT-TERM INVESTMENTS (11.6%)		
State Street Navigator Prime Fund §§	12,877,570	12,877,570
	Par (000)	
State Street Bank and Trust Co. Euro Time Deposit, 3.350%, 1/03/06	$ 8,677	8,677,000
TOTAL SHORT-TERM INVESTMENTS (Cost $21,554,570)		21,554,570
TOTAL INVESTMENTS AT VALUE (106.6%) (Cost $145,601,975)		198,408,868
LIABILITIES IN EXCESS OF OTHER ASSETS (-6.6%)		(12,218,709)
NET ASSETS (100.0%)		$186,190,159

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

* Non-income producing security.

‡ Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified Institutional buyers. At December 31, 2005, these securities amounted to a value of $4,594,597 or 2.47% of net assets.

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

§ Security or portion thereof is out on loan.

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

See Accompanying Notes to Financial Statements.

Credit Suisse Trust—Emerging Markets Portfolio
Statement of Assets and Liabilities
December 31, 2005

Assets	
Investments at value, including collateral for securities on loan of $12,877,570 (Cost $145,601,975) (Note 2)	$ 198,408,868[1]
Cash	956
Foreign currency at value (Cost $711,620)	717,811
Receivable for portfolio shares sold	419,743
Dividend and interest receivable	287,662
Receivable for investments sold	142,896
Prepaid expenses and other assets	7,149
Total Assets	199,985,085
Liabilities	
Advisory fee payable (Note 3)	187,886
Administrative services fee payable (Note 3)	35,313
Payable upon return of securities loaned (Note 2)	12,877,570
Payable for investments purchased	471,419
Deferred foreign tax liability (Note 2)	124,438
Payable for portfolio shares redeemed	19,956
Other accrued expenses payable	78,344
Total Liabilities	13,794,926
Net Assets	
Capital stock, $0.001 par value (Note 6)	11,069
Paid-in capital (Note 6)	130,479,092
Undistributed net investment income	953,171
Accumulated net realized gain on investments and foreign currency transactions	2,055,855
Net unrealized appreciation from investments and foreign currency translations	52,690,972
Net Assets	$ 186,190,159
Shares outstanding	11,069,191
Net asset value, offering price, and redemption price per share	$16.82

[1] Including $12,537,618 of securities on loan

See Accompanying Notes to Financial Statements.

Credit Suisse Trust—Emerging Markets Portfolio
Statement of Operations
For the Year Ended December 31, 2005

Investment Income (Note 2)	
Dividends	$ 3,745,761
Interest	107,085
Securities lending	22,883
Foreign taxes withheld	(485,287)
Total investment income	3,390,442
Expenses	
Investment advisory fees (Note 3)	1,686,255
Administrative services fees (Note 3)	241,832
Custodian fees	146,319
Printing fees (Note 3)	67,822
Audit and tax fees	25,293
Legal fees	18,036
Insurance expense	6,503
Transfer agent fees	6,035
Commitment fees (Note 4)	3,444
Registration fees	3,268
Trustees' fees	2,778
Miscellaneous expense	23,122
Total expenses	2,230,707
Less: fees waived (Note 3)	(342,098)
Net expenses	1,888,609
Net investment income	1,501,833
Net Realized and Unrealized Gain (Loss) from Investments and Foreign Currency Related Items	
Net realized gain from investments (including Thailand Capital Gain Tax of $163,166)	8,538,524
Net realized loss from foreign currency transactions	(327,729)
Net change in unrealized appreciation (depreciation) from investments	26,043,901
Net change in unrealized appreciation (depreciation) from foreign currency translations	105,208
Net realized and unrealized gain from investments and foreign currency related items	34,359,904
Net increase in net assets resulting from operations	$35,861,737

See Accompanying Notes to Financial Statements.

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

	For the Year Ended December 31, 2005	For the Year Ended December 31, 2004
From Operations		
Net investment income	$ 1,501,833	$ 1,061,862
Net realized gain from investments and foreign currency transactions	8,210,795	11,247,576
Net change in unrealized appreciation (depreciation) from investments and foreign currency translations	26,149,109	8,162,457
Net increase in net assets resulting from operations	35,861,737	20,471,895
From Dividends		
Dividends from net investment income	(986,165)	(257,121)
Net decrease in net assets resulting from dividends	(986,165)	(257,121)
From Capital Share Transactions (Note 6)		
Proceeds from sale of shares	67,779,637	48,651,946
Reinvestment of dividends	986,165	257,121
Net asset value of shares redeemed	(32,675,340)	(27,681,607)
Net increase in net assets from capital share transactions	36,090,462	21,227,460
Net increase in net assets	70,966,034	41,442,234
Net Assets		
Beginning of year	115,224,125	73,781,891
End of year	$186,190,159	$115,224,125
Undistributed net investment income	$ 953,171	$ 626,735

See Accompanying Notes to Financial Statements.

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

	For the Year Ended December 31,				
	2005	2004	2003	2002	2001
Per share data					
Net asset value, beginning of year	$ 13.25	$ 10.63	$ 7.44	$ 8.43	$ 9.33
INVESTMENT OPERATIONS					
Net investment income	0.14	0.12	0.07	0.01	0.06
Net gain (loss) on investments and foreign currency related items (both realized and unrealized)	3.53	2.53	3.12	(0.98)	(0.96)
Total from investment operations	3.67	2.65	3.19	(0.97)	(0.90)
LESS DIVIDENDS AND DISTRIBUTIONS					
Dividends from net investment income	(0.10)	(0.03)	—	(0.02)	—
Net asset value, end of year	$ 16.82	$ 13.25	$ 10.63	$ 7.44	$ 8.43
Total return[1]	27.84%	25.02%	42.88%	(11.56)%	(9.65)%
RATIOS AND SUPPLEMENTAL DATA					
Net assets, end of year (000s omitted)	$186,190	$115,224	$ 73,782	$ 43,867	$ 38,331
Ratio of expenses to average net assets	1.40%	1.40%	1.40%	1.40%	1.40%
Ratio of net investment income to average net assets	1.11%	1.21%	0.94%	0.13%	0.63%
Decrease reflected in above operating expense ratios due to waivers/reimbursements	0.25%	0.29%	0.41%	0.44%	0.49%
Portfolio turnover rate	77%	121%	167%	128%	130%

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

See Accompanying Notes to Financial Statements.

Note 1. Organization

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

Note 2. Significant Accounting Policies

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

Note 2. Significant Accounting Policies

the Board of Trustees to fair value certain securities. When fair-value pricing is employed, the prices of securities used by a fund to calculate its net asset value may differ from quoted or published prices for the same securities.

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

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

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

E) FEDERAL INCOME TAXES – No provision is made for federal taxes as it is the Trust's intention to have the Portfolio 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

Note 2. Significant Accounting Policies

its shareholders, which will be sufficient to relieve it from federal income and excise taxes.

F) USE OF ESTIMATES – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

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

H) FORWARD FOREIGN CURRENCY CONTRACTS – The Portfolio may enter into forward foreign currency contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date. Risks may arise upon entering into these contracts from the potential inability of counterparties to meet the terms of their contracts and from unanticipated movements in the value of a foreign currency. The Portfolio will enter into forward foreign currency contracts primarily for hedging purposes. Forward foreign currency contracts are adjusted by the daily forward exchange rate of the underlying currency, and any gains or losses are recorded for financial statement purposes as unrealized until the contract settlement date or an offsetting position is entered into. At December 31, 2005, the Portfolio had no open forward foreign currency contracts.

I) SECURITIES LENDING – Loans of securities are required at all times to be secured by collateral at least equal to 102% of the market value of domestic securities on loan (including any accrued interest thereon) and 105% of the market value of foreign securities on loan (including any accrued interest thereon). Cash collateral received by the Portfolio in connection with securities lending activity may be pooled together with cash collateral for other funds/portfolios advised by Credit Suisse and may be invested in a variety of investments, including certain Credit Suisse–advised funds, funds advised by

Note 2. Significant Accounting Policies

SSB, the Portfolio's securities lending agent, or money market instruments. However, in the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral may be subject to legal proceedings.

SSB has been engaged by the Portfolio to act as the Portfolio's securities lending agent. The Portfolio's securities lending arrangement provides that the Portfolio and SSB will share the net income earned from the securities lending activities. During the year ended December 31, 2005, total earnings from the Portfolio's investment in cash collateral received in connection with securities lending arrangements was $296,288, of which $263,518 was rebated to borrowers (brokers). The Portfolio retained $22,883 in income from the cash collateral investment and SSB, as lending agent, was paid $9,887. The Portfolio may also be entitled to certain minimum amounts of income from its securities lending activities. Securities lending income is accrued as earned.

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

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

Note 2. Significant Accounting Policies

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

Note 3. Transactions with Affiliates and Related Parties

Credit Suisse serves as investment adviser for the Portfolio. For its investment advisory services, Credit Suisse is entitled to receive a fee from the Portfolio at an annual rate of 1.25% of the Portfolio's average daily net assets. For the year ended December 31, 2005, investment advisory fees earned and voluntarily waived were $1,686,255 and $342,098, respectively. Credit Suisse will not recapture from the Portfolio any fees it waived during the fiscal year ended December 31, 2005. Fee waivers and reimbursements are voluntary and may be discontinued by Credit Suisse at any time.

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

Credit Suisse Asset Management Securities, Inc. ("CSAMSI"), an affiliate of Credit Suisse, and SSB serve as co-administrators to the Portfolio.

For its co-administrative services, CSAMSI currently receives a fee calculated at an annual rate of 0.10% of the Portfolio's average daily net assets. For the year ended December 31, 2005, co-administrative services fees earned by CSAMSI were $134,900.

For its co-administrative services, SSB receives a fee, exclusive of out-of-pocket expenses calculated in total for all the Credit Suisse funds/portfolios co-administered by SSB and allocated based upon relative average net assets of each fund/portfolio, subject to an annual minimum fee. For the year ended December 31, 2005, co-administrative services fees earned by SSB (including out-of-pocket expenses) were $106,932.

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

Note 3. Transactions with Affiliates and Related Parties

Merrill Corporation ("Merrill"), an affiliate of Credit Suisse, has been engaged by the Portfolio to provide certain financial printing and fulfillment services. For the year ended December 31, 2005, Merrill was paid $8,048 for its services to the Portfolio.

Note 4. Line of Credit

The Portfolio, together with other funds/portfolios advised by Credit Suisse (collectively, the "Participating Funds"), participates in a $75 million committed, unsecured line of credit facility ("Credit Facility") for temporary or emergency purposes with Deutsche Bank, A.G. as administrative agent and syndication agent and SSB as operations agent. Under the terms of the Credit Facility, the Participating Funds pay an aggregate commitment fee at a rate of 0.10% per annum on the average unused amount of the Credit Facility, which is allocated among the Participating Funds in such manner as is determined by the governing Boards of the Participating Funds. In addition, the Participating Funds pay interest on borrowings at the Federal Funds rate plus 0.50%. At December 31, 2005 and during the year ended December 31, 2005, the Portfolio had no borrowings under the Credit Facility.

Note 5. Purchases and Sales of Securities

For the year ended December 31, 2005, purchases and sales of investment securities (excluding short-term investments) were $133,149,699 and $100,785,041, 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 Year Ended December 31, 2005	For the Year Ended December 31, 2004
Shares sold	4,677,861	4,217,158
Shares issued in reinvestment of dividends	66,097	23,459
Shares redeemed	(2,371,979)	(2,483,712)
Net increase	2,371,979	1,756,905

Note 6. Capital Share Transactions

On December 31, 2005, the number of shareholders that held 5% or more of the outstanding shares was as follows:

Number of Shareholders	Approximate Percentage of Outstanding Shares
6	95%

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

Note 7. Federal Income Taxes

Income and capital gain distributions are determined in accordance with federal income tax regulations, which may differ from GAAP.

The tax characteristics of dividends paid during the years ended December 31, 2005, and 2004, respectively, by the Portfolio were as follows:

Ordinary Income	
2005	2004
$986,165	$257,121

The tax basis of components of distributable earnings differ from the amounts reflected in the Statement of Assets and Liabilities by temporary book/tax differences. These differences are primarily due to mark-to-market of foreign currency transactions, losses deferred due to wash sales, post-October losses and the mark-to-market income from Passive Foreign Investment Companies.

At December 31, 2005, the components of distributable earnings on a tax basis for the Portfolio was as follows:

Undistributed net investment income	$ 1,930,527
Accumulated net realized gain	2,149,933
Unrealized appreciation	51,697,471
Deferral of post-October currency losses	(77,933)
	$55,699,998

During the tax year ended December 31, 2005, the Portfolio utilized $5,569,803 of the capital loss carryforward.

Note 7. Federal Income Taxes

Under current tax law, certain capital losses realized after October 31 within a taxable year may be deferred and treated as occurring on the first day of the following tax year. For the tax period ended December 31, 2005, the Portfolio elected to defer net losses arising between November 1, 2005 and December 31, 2005 as follows:

Currency
$77,933

As of December 31, 2005, 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 as follows: $146,595,662 $53,837,534, $(2,024,328) and $51,813,206, respectively.

At December 31, 2005, the Portfolio reclassified $189,232 from undistributed net investment income to accumulated net realized loss from investments, to adjust for current year permanent book/tax differences which arose principally from differing book/tax treatments of foreign currency transactions, realized capital gains tax and security litigation, and the sale of Passive Foreign Investment Companies. Net assets were not affected by these reclassifications.

Note 8. Contingencies

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

Credit Suisse Trust—Emerging Markets Portfolio
Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Credit Suisse Trust and Shareholders of
Credit Suisse Trust – Emerging Markets Portfolio:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Emerging Markets Portfolio (the "Portfolio"), a portfolio of the Credit Suisse Trust, at December 31, 2005, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Portfolio's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2005 by correspondence with the custodian, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Baltimore, Maryland
February 6, 2006

In approving the Advisory and Sub-Advisory Agreements, the Board of Trustees, including the Independent Trustees, considered the following factors with respect to the Emerging Markets Portfolio (the "Portfolio"):

Investment Advisory Fee Rates

The Board reviewed and considered the contractual advisory fee rate of 1.25% for the Portfolio ("Contractual Advisory Fee") in light of the extent and quality of the advisory services provided by Credit Suisse Asset Management, LLC ("Credit Suisse") or Credit Suisse Asset Management Limited U.K. ("Credit Suisse U.K.") and Credit Suisse Asset Management Limited Australia ("Credit Suisse Australia"). The Board also reviewed and considered the fee waivers and/or expense reimbursement arrangements currently in place for the Portfolio and considered the actual fee rates of 0.96% paid by the Portfolio after taking waivers and reimbursements into account ("Net Advisory Fee"). The Board acknowledged that the fee waivers and reimbursements could be discontinued at any time. In addition, the Board noted that the compensation paid to Credit Suisse U.K. and Credit Suisse Australia (collectively, the "Sub-Advisers") does not increase the fees or expenses otherwise incurred by the Portfolio's shareholders.

Additionally, the Board received and considered information comparing the Portfolio's Contractual Advisory Fee and Net Advisory Fee and the Portfolio's overall expenses with those of funds in both the relevant expense group ("Peer Group") and universe of funds (the "Universe") provided by Lipper Inc., an independent provider of investment company data.

Nature, Extent and Quality of the Services under the Advisory and Sub-Advisory Agreements

The Board received and considered information regarding the nature, extent and quality of services provided to the Portfolio by Credit Suisse under the Advisory Agreement and by the Sub-Advisers under the Sub-Advisory Agreements. The Board also noted information received at regular meetings throughout the year related to the services rendered by Credit Suisse and the Sub-Advisers. The Board reviewed background information about Credit Suisse and the Sub-Advisers, including their respective Form ADV. The Board considered the background and experience of both Credit Suisse's and the Sub-Advisers' senior management and the expertise of, and the amount of attention given to the Portfolio by, senior personnel of Credit Suisse and the Sub-Advisers. With respect to the Sub-Advisers, the Board also considered their expertise in managing the types of global investments that the Portfolio utilizes in its investment strategy. In addition, the Board reviewed the qualifications, backgrounds and responsibilities of the portfolio management team primarily responsible for the day-to-day portfolio management of the Portfolio and the extent of the resources devoted to research and analysis of actual and potential investments. The Board also received and considered information about the nature, extent and quality of services and fee rates offered to other Credit Suisse clients for comparable services.

In approving the Sub-Advisory Agreements, the Board also considered the benefits of retaining Credit Suisse's United Kingdom and Australian affiliates given the increased complexity of the domestic and international securities markets, specifically that retention of Credit Suisse U.K. and Credit Suisse Australia expands the universe of companies and countries from which investment opportunities could be sought and enhances the ability of the Portfolio to obtain the best price and execution on trades in international markets.

Portfolio Performance

The Board received and considered the one-, two-, three-, four- and five-year performance of the Portfolio, along with comparisons, for all presented periods, both to the relevant performance group ("Performance Group") and universe of funds ("Performance Universe") for the Portfolio. The Board was provided with a description of the methodology used to arrive at the funds included in the Performance Group and the Performance Universe.

The Board reviewed information comparing the performance of various Credit Suisse Funds to performance benchmarks that the Board had previously established and progress that had been made in certain instances toward achieving those benchmarks. The Board also reviewed comparisons between the Portfolio and its identified benchmark over various time periods.

Credit Suisse Profitability

The Board received and considered a profitability analysis of Credit Suisse based on the fees payable under the Advisory Agreement for the Portfolio, including any fee waivers or fee caps, as well as other relationships between the Portfolio on the one hand and Credit Suisse affiliates on the other. The Board received profitability information for the other funds in the Credit Suisse family of funds.

Economies of Scale

The Board considered whether economies of scale in the provision of services to the Portfolio were being passed along to the shareholders. Accordingly, the Board considered whether alternative fee structures (such as breakpoint fee structures) would be more appropriate or reasonable taking into consideration economies of scale or other efficiencies that might accrue from increases in the Portfolio's asset levels.

Other Benefits to Credit Suisse

The Board considered other benefits received by Credit Suisse, the Sub-Advisers and their affiliates as a result of their relationship with the Portfolio. Such benefits include, among others, research arrangements with brokers who execute transactions on behalf of the Portfolio, administrative and brokerage relationships with affiliates of Credit Suisse and the Sub-Advisers and benefits potentially derived from an increase in Credit Suisse's and the Sub-Advisers' businesses as a result of their relationship with the Portfolio (such as the ability to market to shareholders other financial products offered by Credit Suisse, the Sub-Advisers and their affiliates).

The Board considered the standards applied in seeking best execution, whether and to what extent soft dollar credits are sought and how any such credits are utilized, any benefits that may be achieved by using an affiliated broker and the existence of quality controls applicable to brokerage allocation procedures. The Board also reviewed Credit Suisse's and the Sub-Advisers' method for allocating portfolio investment opportunities among their advisory clients.

Conclusions

In selecting Credit Suisse and the Sub-Advisers, and approving the Advisory Agreement and the investment advisory fee under such agreement and the Sub-Advisory Agreements, the Board concluded that:

- Although the Contractual Advisory Fee was greater than the median of the Portfolio's Peer Group, the Net Advisory Fee was lower than the median of the Portfolio's Peer Group. In addition, the Board recognized that Credit Suisse has historically evidenced a willingness to waive fees. The Board considered that the Net Advisory Fee would decrease to 0.91% when the additional voluntary fee waiver (described below) is taken into account. The Board considered the Net Advisory Fee to be reasonable.

- The Portfolio's one-, two-, three-, four- and five-year performance lagged that of the Portfolio's Performance Group and Performance Universe. The Board had previously identified the need to address the Portfolio's performance, and noted that Credit Suisse was in the process of addressing performance issues. After discussion with the Board, Credit Suisse had agreed to an additional one-year voluntary fee reduction of five basis points. The Board would continue to monitor steps undertaken by Credit Suisse to improve performance.

- Aside from performance (as described above), the Board was satisfied with the nature, extent and quality of the investment advisory services provided to the Portfolio by Credit Suisse and the Sub-Advisers and that, based on dialogue with management and counsel, the services provided by Credit Suisse under the Advisory Agreement and by the Sub-Advisers under the Sub-Advisory Agreements are typical of, and consistent with, those provided to mutual funds by other investment advisers. The Board understood that Credit Suisse was in the process of addressing performance issues.

- In light of the costs of providing investment management and other services to the Portfolio and Credit Suisse's ongoing commitment to the Portfolio and willingness to cap fees and expenses, the profits and other ancillary benefits that Credit Suisse and its affiliates received were considered reasonable.

- Credit Suisse's profitability based on fees payable under the Advisory Agreement was reasonable in light of the nature, extent and quality of the services provided to the Portfolio thereunder.

- In light of the relatively small size of the Portfolio, the amount of the Net Advisory Fee and the additional voluntary fee reduction, the Portfolio's current fee structure (without breakpoints) was considered reasonable.

No single factor reviewed by the Board was identified by the Board as the principal factor in determining whether to approve the Advisory Agreement and the Sub-Advisory Agreements. The Independent Trustees were advised by separate independent legal counsel throughout the process.

Credit Suisse Trust—Emerging Markets Portfolio
Information Concerning Trustees and Officers (unaudited)

Name, Address and Date of Birth	Position(s) Held with Trust	Term of Office[1] and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee
Independent Trustees					
Enrique Arzac c/o Credit Suisse Asset Management, LLC Attn: General Counsel 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 10/02/41	Trustee, Nominating Committee Member and Audit Committee Chairman	Since 2005	Professor of Finance and Economics, Graduate School of Business, Columbia University since 1971	47	Director of The Adams Express (a closed-end investment company); Director of Petroleum and Resources Corporation (a closed-end investment company)
Richard H. Francis c/o Credit Suisse Asset Management, LLC Attn: General Counsel 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 04/23/32	Trustee, Nominating and Audit Committee Member	Since 1999	Currently retired	41	None
Jeffrey E. Garten Box 208200 New Haven, Connecticut 06520-8200 Date of Birth: 10/29/46	Trustee, Nominating and Audit Committee Member	Since 1998[2]	The Juan Trippe Professor in the Practice of International Trade, Finance and Business from July 2005 to present; Partner and Chairman of Garten Rothkopf (consulting firm) from October 2005 to present; Dean of Yale School of Management from November 1995 to June 2005	40	Director of Aetna, Inc. (insurance company); Director of CarMax Group (used car dealers)
Peter F. Krogh 301 ICC Georgetown University Washington, DC 20057 Date of Birth: 02/11/37	Trustee, Nominating and Audit Committee Member	Since 2001	Dean Emeritus and Distinguished Professor of International Affairs at the Edmund A. Walsh School of Foreign Service, Georgetown University from June 1995 to present	40	Director of Carlisle Companies Incorporated (diversified manufacturing company)

[1] Each Trustee and Officer serves until his or her respective successor has been duly elected and qualified.
[2] Mr. Garten was initially appointed as a Trustee of the Trust on February 6, 1998. He resigned as Trustee on February 3, 2000, and was subsequently re-appointed on December 21, 2000.

Name, Address and Date of Birth	Position(s) Held with Trust	Term of Office[1] and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee
Independent Trustees					
James S. Pasman, Jr. c/o Credit Suisse Asset Management, LLC Attn: General Counsel 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 12/20/30	Trustee, Nominating and Audit Committee Member	Since 1999	Currently retired	42	Director of Education Management Corp.
Steven N. Rappaport Lehigh Court, LLC 40 East 52nd Street New York, New York 10022 Date of Birth: 07/10/48	Chairman of the Board of Trustees, Nominating Committee Chairman and Audit Committee Member	Trustee Since 1999 and Chairman since 2005	Partner of Lehigh Court, LLC and RZ Capital (private investment firms) from July 2002 to present; Transition Adviser to SunGard Securities Finance, Inc. from February 2002 to July 2002; President of SunGard Securities Finance, Inc. from 2001 to February 2002; President of Loanet, Inc. (on-line accounting service) from 1997 to 2001	46	Director of Presstek, Inc. (digital imaging technologies company); Director of Wood Resources, LLC. (plywood manufacturing company)
Interested Trustee					
Michael E. Kenneally [3,4] c/o Credit Suisse Asset Management, LLC Attn: General Counsel 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 03/30/54	Trustee	Since 2004	Chairman and Global Chief Executive Officer of Credit Suisse from March 2003 to July 2005; Chairman and Chief Investment Officer of Banc of America Capital Management from 1998 to March 2003	40	None

[3] Mr. Kenneally is a Trustee who is an "interested person" of the Trust as defined in the 1940 Act, because he was an officer of Credit Suisse within the last two fiscal years.

[4] Effective July 31, 2005, Steven B. Plump was appointed as Chief Executive Officer and President of the Trust. Mr. Kenneally, who previously held these positions, resigned effective July 31, 2005.

Name, Address and Date of Birth	Position(s) Held with Fund	Term of Office[1] and Length of Time Served	Principal Occupation(s) During Past Five Years
Officers			
Steven B. Plump[4] Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 02/08/59	Chief Executive Officer and President	Since 2005	Managing Director; Associated with Credit Suisse or its predecessor since 1995; Officer of other Credit Suisse Funds
Michael A. Pignataro Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 11/15/59	Chief Financial Officer and Treasurer	Since 1999	Director and Director of Fund Administration of Credit Suisse; Associated with Credit Suisse or its predecessors since 1984; Officer of other Credit Suisse Funds
Emidio Morizio Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 09/21/66	Chief Compliance Officer	Since 2004	Director and Global Head of Compliance of Credit Suisse; Associated with Credit Suisse since July 2000; Vice President and Director of Compliance of Forstmann-Leff Associates from 1998 to June 2000; Officer of other Credit Suisse Funds
Ajay Mehra Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 08/14/70	Chief Legal Officer	Since 2004	Director and Head of Legal Americas Traditional Asset Management and Hedge Funds; Associated with Credit Suisse since September 2004; Senior Associate of Shearman & Sterling LLP from September 2000 to September 2004; Senior Counsel of the SEC Division of Investment Management from June 1997 to September 2000; Officer of other Credit Suisse Funds
J. Kevin Gao Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 10/13/67	Vice President and Secretary	Since 2004	Director and Legal Counsel of Credit Suisse; Associated with Credit Suisse since July 2003; Associated with the law firm of Willkie Farr & Gallagher LLP from 1998 to 2003; Officer of other Credit Suisse Funds
Robert Rizza Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 12/09/65	Assistant Treasurer	Since 2002	Vice President of Credit Suisse; Associated with Credit Suisse since 1998; Officer of other Credit Suisse Funds

[4] Effective July 31, 2005, Steven B. Plump was appointed as Chief Executive Officer and President of the Trust. Mr. Kenneally, who previously held these positions, resigned effective July 31, 2005.

The Statement of Additional Information includes additional information about the Trustees and is available, without charge, upon request, by calling 800-222-8977.

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

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

- By calling 1-800-222-8977
- On the Portfolio's website, www.credit-suisse.com/us
- On the website of the Securities and Exchange Commission, http://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 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 SEC's Public Reference Room may be obtained by calling 1-800-SEC-0330.

CREDIT SUISSE

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

CREDIT SUISSE ASSET MANAGEMENT SECURITIES, INC., DISTRIBUTOR. TREMK-AR-1205

CREDIT SUISSE

CREDIT SUISSE FUNDS

Annual Report

December 31, 2005

CREDIT SUISSE TRUST
■ GLOBAL SMALL CAP PORTFOLIO

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

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

Credit Suisse Asset Management Securities, Inc., Distributor, is located at 466 Lexington Ave., New York, NY 10017-3140. 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 December 31, 2005; 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.

January 19, 2006

Dear Shareholder:

For the 12 months ended December 31, 2005, Credit Suisse Trust—Global Small Cap Portfolio[*,1] (the "Portfolio") had a gain of 16.14%, vs. an increase of 12.10% for the Russell MidCap® Growth Index[2], an increase of 14.25% for the Morgan Stanley Capital International World Small Cap Index (Price Only)[2], and an increase of 10.02% for the Morgan Stanley World Index.[2]

The Market: Foreign stocks outperform US equities

The year was a broadly positive one for equities globally, and most foreign markets handily outpaced US stocks, at least in local currency terms. European markets generally posted double-digit gains in euro terms, aided in part by a relatively benign interest-rate backdrop. Japan was a notable standout, up about 40% locally, amid signs that the world's second largest economy may be poised for a sustainable recovery at long last. For dollar-based investors, a decline in major currencies vs. the dollar reduced returns, though most foreign markets still outperformed the US on that basis. Emerging markets generally had the best dollar-based results in 2005.

From a sector standpoint, energy was the best performing area of the US stock market. Energy stocks also outperformed abroad, though materials and industrials stocks had even better returns overseas for the period. Consumer stocks generally underperformed globally.

Strategic Review: Aided by stock selection

The Portfolio was supported by the favorable environment for small caps globally, and its outperformance reflected good stock selection in a variety of sectors. Stocks that contributed positively to the Portfolio's absolute and relative performance included its materials, industrials, health care and consumer-related holdings. The Portfolio's technology and utilities holdings modestly underperformed in the period.

With respect to noteworthy recent portfolio activity, our purchases included Salesforce.com (1.4% of the Portfolio's net assets as of December 31, 2005), a software company that licenses its enterprise resource planning applications to a number of large companies. Our late-period sales included Colt Telecom, a UK based provider of business telecommunications services across Europe. The stock had rallied to reach our sell target. We also exited our position in Mega Bloks, a Canadian toy company, based on valuation along with our concerns regarding an acquisition the company made recently.

Going forward, we will continue to employ a bottom-up investment approach, seeking to identify companies trading at a discount to their projected growth rates or intrinsic asset values. Factors we incorporate include price/earnings growth, book value, strong returns on capital and reliability and effectiveness of management.

The Portfolio ordinarily holds equity securities of small companies from at least three countries, including the US, and we seek to take advantage of both growth and value opportunities. The Portfolio's investable universe is hence broad and large, and our focus remains on attempting to find innovative companies with unrecognized potential.

The Credit Suisse Global Small Cap Team

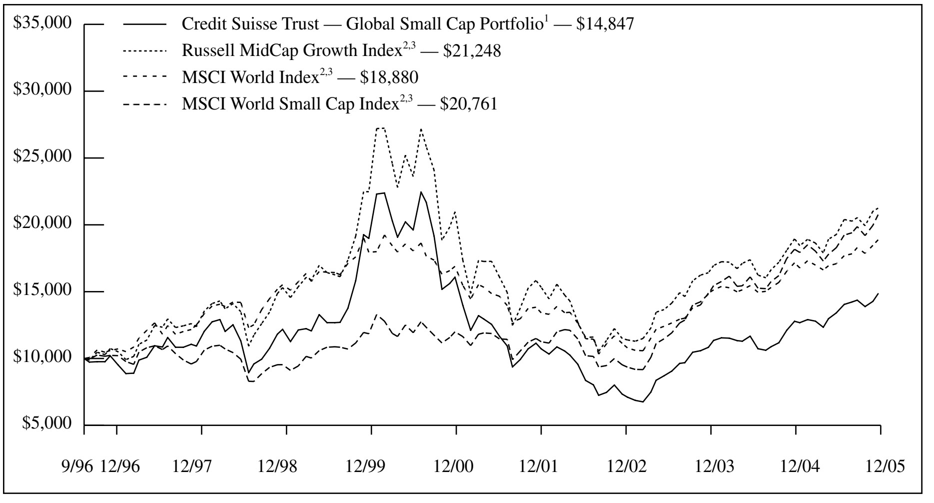
Calvin E. Chung
Leo M. Bernstein
Crispin Finn

* Effective February 21, 2005, the Portfolio changed its name to "Credit Suisse Trust – Global Small Cap Portfolio".

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

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

Comparison of Change in Value of $10,000 Investment in the Credit Suisse Trust—Global Small Cap Portfolio[1], the Russell MidCap® Growth Index[2], the MSCI World Index[2] and MSCI World Small Cap Index[2] from Inception (9/30/96).



Average Annual Returns as of December 31, 2005 [1]

1 Year	5 Years	Since Inception
16.14%	(1.00)%	4.36%

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

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

[2] The Russell MidCap® Growth Index and the Morgan Stanley Capital International World Index were benchmarks for the Global Small Cap Portfolio. The Russell MidCap® Growth Index measures the performance of those companies in the Russell MidCap® Index with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000® Growth Index. It is an unmanaged index of common stocks that includes reinvestment of dividends and is compiled by Frank Russell Company. The Morgan Stanley Capital International World Index is a free float-adjusted market-capitalization index that is designed to measure global developed-market equity performance. It is the exclusive property of Morgan Stanley Capital International Inc. The Morgan Stanley Capital International World Small Cap Index is an unmanaged broadbased index comprised of small cap companies from 23 developed markets. The index returns shown above are price only and do not reflect the reinvestment of dividends. It is the exclusive property of Morgan Stanley Capital International Inc. In order to reflect changes to the Portfolio's investment policy and name, the Morgan Stanley Capital International World Small Cap Index replaced the Morgan Stanley Capital International World Index and the Russell MidCap® Growth Index as the Portfolio's benchmark effective February 21, 2005. Investor cannot invest directly in an index.

[3] Performance for the index is not available for the period beginning 9/30/96 (inception date). For that reason, performance is shown for the period beginning 10/1/96.

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 December 31, 2005.

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

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical fund return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

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

Expenses and Value of a $1,000 Investment
for the six month period ended December 31, 2005

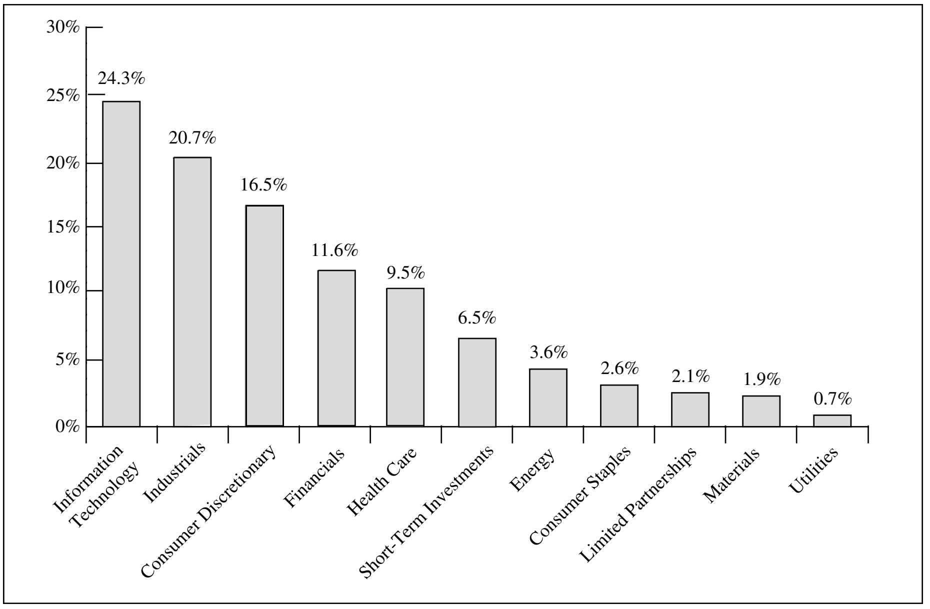
Actual Portfolio Return	
Beginning Account Value 7/1/05	$1,000.00
Ending Account Value 12/31/05	$1,106.80
Expenses Paid per $1,000*	$ 7.43
Hypothetical 5% Portfolio Return	
Beginning Account Value 7/1/05	$1,000.00
Ending Account Value 12/31/05	$1,018.15
Expenses Paid per $1,000*	$ 7.12
Annualized Expense Ratios*	1.40%

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

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

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

SECTOR BREAKDOWN*



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

	Number of Shares	Value
COMMON STOCKS (91.5%)		
Australia (3.9%)		
Chemicals (0.4%)		
Nufarm, Ltd.	58,000	$ 491,385
Commercial Services & Supplies (0.4%)		
Downer EDI, Ltd.	100,000	526,155
Distribution & Wholesale (0.4%)		
Metcash, Ltd.§	145,000	478,037
Diversified Financials (1.0%)		
Australian Infrastructure Fund	256,000	442,221
Babcock & Brown Infrastructure Group§	345,000	409,191
ConnectEast Group	480,000	403,159
		1,254,571
Healthcare Providers & Services (0.3%)		
DCA Group, Ltd.§	155,000	451,528
Machinery (1.1%)		
Bradken, Ltd.	449,431	1,449,986
Media (0.3%)		
STW Communications Group, Ltd.	205,000	457,535
TOTAL AUSTRALIA		5,109,197
Austria (0.7%)		
Electric Utilities (0.7%)		
EVN AG	11,180	903,489
TOTAL AUSTRIA		903,489
Belgium (0.6%)		
Healthcare Equipment & Supplies (0.6%)		
Omega Pharma SA	15,050	781,275
TOTAL BELGIUM		781,275
Bermuda (2.0%)		
Diversified Financials (1.1%)		
Assured Guaranty, Ltd.	54,700	1,388,833
Hotels, Restaurants & Leisure (0.9%)		
Orient-Express Hotels, Ltd. Class A§	37,100	1,169,392
TOTAL BERMUDA		2,558,225

	Number of Shares	Value
COMMON STOCKS		
Canada (1.6%)		
Specialty Retail (1.6%)		
Gildan Activewear, Inc. Class A*	48,000	$ 2,056,800
TOTAL CANADA		2,056,800
China (3.2%)		
Airlines (1.2%)		
Air China, Ltd. Series H*	4,940,000	1,574,265
Communications Equipment (0.9%)		
ZTE Corp. Series H	352,800	1,183,409
Internet Software & Services (1.1%)		
Netease.com, Inc. ADR*§	13,650	766,584
Shanda Interactive Entertainment, Ltd. ADR*§	37,095	565,328
		1,331,912
TOTAL CHINA		4,089,586
Denmark (0.9%)		
Household Durables (0.9%)		
Bang & Olufsen AS B Shares§	11,600	1,188,116
TOTAL DENMARK		1,188,116
Finland (0.7%)		
Communications Equipment (0.7%)		
Elcoteq Network Class A	40,850	970,514
TOTAL FINLAND		970,514
France (3.0%)		
Aerospace & Defense (0.8%)		
Zodiac SA*§	16,340	1,044,848
Computers & Peripherals (0.7%)		
Gemplus International SA*§	322,500	844,519
Hotels, Restaurants & Leisure (0.6%)		
Elior§	64,500	843,050
Real Estate (0.9%)		
Nexity	23,650	1,196,970
TOTAL FRANCE		3,929,387

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
Germany (2.3%)		
Building Products (0.7%)		
Pfleiderer AG*	47,300	$ 898,658
Commercial Services & Supplies (0.8%)		
CeWe Color Holding AG	21,500	1,048,649
Energy Equipment & Services (0.2%)		
Q-Cells AG*	4,737	275,186
Specialty Retail (0.6%)		
Fielmann AG*§	11,700	786,291
TOTAL GERMANY		3,008,784
Israel (0.9%)		
Internet Software & Services (0.9%)		
Check Point Software Technologies, Ltd.*	57,200	1,149,720
TOTAL ISRAEL		1,149,720
Japan (13.4%)		
Chemicals (1.6%)		
Kuraray Company, Ltd.§	194,000	2,008,671
Diversified Financials (4.2%)		
Asset Managers Company, Ltd.§	205	1,420,859
Creed Corp.	240	1,394,180
Nissin Company, Ltd.§	670,000	1,645,547
RHJ International*	39,909	917,534
		5,378,120
Electronic Equipment & Instruments (2.1%)		
NIDEC Corp.§	31,800	2,703,186
Hotels, Restaurants & Leisure (2.9%)		
Round One Corp.§	844	3,759,528
Media (1.5%)		
USEN Corp.§	71,000	1,966,472
Specialty Retail (1.1%)		
USS Company, Ltd.	23,250	1,482,687
TOTAL JAPAN		17,298,664

	Number of Shares	Value
COMMON STOCKS		
Norway (1.6%)		
Electronic Equipment & Instruments (0.7%)		
Tandberg ASA§	138,730	$ 844,818
Machinery (0.9%)		
Tomra Systems ASA§	172,000	1,226,101
TOTAL NORWAY		2,070,919
South Korea (2.5%)		
Machinery (2.3%)		
Samsung Heavy Industries Company, Ltd.*	167,700	2,899,564
Software (0.2%)		
Gravity Company, Ltd. ADR*§	39,400	283,680
TOTAL SOUTH KOREA		3,183,244
Spain (2.2%)		
Banks (0.8%)		
Banco Pastor SA§	21,500	1,028,421
Construction & Engineering (0.8%)		
Abengoa SA	73,100	1,072,470
Food Products (0.6%)		
Ebro Puleva SA§	47,300	782,334
TOTAL SPAIN		2,883,225
Sweden (3.6%)		
Commercial Services & Supplies (0.6%)		
Observer AB§	164,000	686,642
Food & Drug Retailing (0.7%)		
Axfood AB§	32,250	899,590
Healthcare Equipment & Supplies (0.8%)		
Getinge AB Class B§	77,200	1,062,175
Machinery (1.5%)		
Alfa Laval AB§	90,000	1,944,254
TOTAL SWEDEN		4,592,661

	Number of Shares	Value
COMMON STOCKS		
Switzerland (1.2%)		
Biotechnology (0.5%)		
Actelion, Ltd.*§	7,740	$ 637,629
Machinery (0.7%)		
Georg Fischer AG*	2,580	878,477
TOTAL SWITZERLAND		1,516,106
Taiwan (0.9%)		
Electronic Equipment & Instruments (0.9%)		
AU Optronics Corp. ADR§	76,191	1,143,627
TOTAL TAIWAN		1,143,627
United Kingdom (8.5%)		
Commercial Services & Supplies (2.5%)		
Enterprise PLC	140,000	944,382
Michael Page International PLC	229,073	1,061,397
Serco Group PLC	240,000	1,293,508
		3,299,287
Diversified Financials (0.8%)		
Melrose PLC*	400,000	974,594
Electronic Equipment & Instruments (0.8%)		
Laird Group PLC	144,419	1,040,619
Household Durables (0.8%)		
Bovis Homes Group PLC	75,000	1,026,012
Industrial Conglomerates (0.5%)		
Synergy Healthcare PLC	81,215	680,572
Insurance (0.9%)		
Admiral Group PLC	150,000	1,172,189
Software (1.6%)		
isoft Group PLC	140,000	936,220
Sage Group PLC	250,000	1,107,082
		2,043,302
Specialty Retail (0.6%)		
Halfords Group PLC	125,000	761,157
TOTAL UNITED KINGDOM		10,997,732

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
United States (37.8%)		
Banks (2.0%)		
NewAlliance Bancshares, Inc.§	80,900	$ 1,176,286
Susquehanna Bancshares, Inc.	57,900	1,371,072
		2,547,358
Commercial Services & Supplies (1.6%)		
Greenfield Online, Inc.*	120,100	703,786
Watson Wyatt Worldwide, Inc. Class A§	47,200	1,316,880
		2,020,666
Communications Equipment (1.1%)		
Kanbay International, Inc.*§	91,600	1,455,524
Computers & Peripherals (1.2%)		
Avid Technology, Inc.*	27,900	1,527,804
Distribution & Wholesale (1.1%)		
Beacon Roofing Supply, Inc.*§	49,200	1,413,516
Diversified Financials (1.6%)		
Affiliated Managers Group, Inc.*§	25,700	2,062,425
Electronic Equipment & Instruments (0.9%)		
Veeco Instruments, Inc.*	64,800	1,122,984
Energy Equipment & Services (1.2%)		
Unit Corp.*	28,700	1,579,361
Food Products (0.9%)		
Herbalife, Ltd.*	37,400	1,216,248
Healthcare Equipment & Supplies (1.1%)		
Immucor, Inc.*§	63,700	1,488,032
Healthcare Providers & Services (4.8%)		
Centene Corp.*§	73,900	1,942,831
Pediatrix Medical Group, Inc.*	16,500	1,461,405
Psychiatric Solutions, Inc.*§	24,176	1,420,098
United Surgical Partners International, Inc.*§	42,950	1,380,843
		6,205,177
Household Durables (0.9%)		
Knoll, Inc.§	68,300	1,168,613
Insurance (1.1%)		
Hanover Insurance Group, Inc.	33,300	1,390,941

	Number of Shares	Value
COMMON STOCKS		
United States		
Internet Software & Services (2.7%)		
Corillian Corp.*§	5,500	$ 14,960
Digitas, Inc.*§	118,300	1,481,116
Openwave Systems, Inc.*	73,300	1,280,551
ValueClick, Inc.*§	37,600	680,936
		3,457,563
IT Consulting & Services (1.0%)		
SI International, Inc.*§	42,800	1,308,396
Leisure Equipment & Products (1.4%)		
RC2 Corp.*§	51,300	1,822,176
Machinery (1.6%)		
NACCO Industries, Inc. Class A§	17,500	2,050,125
Oil & Gas (2.4%)		
Comstock Resources, Inc.*	47,100	1,437,021
W&T Offshore, Inc.§	55,600	1,634,640
		3,071,661
Real Estate (1.0%)		
HouseValues, Inc.*	104,500	1,361,635
Semiconductor Equipment & Products (2.8%)		
FormFactor, Inc.*§	44,400	1,084,692
Integrated Device Technology, Inc.*	90,400	1,191,472
Tessera Technologies, Inc.*§	52,200	1,349,370
		3,625,534
Software (3.2%)		
Salesforce.com, Inc.*§	54,900	1,759,545
Take-Two Interactive Software, Inc.*§	83,700	1,481,490
THQ, Inc.*§	37,650	897,952
		4,138,987
Specialty Retail (2.2%)		
Hot Topic, Inc.*§	118,400	1,687,200
PETCO Animal Supplies, Inc.*	54,000	1,185,300
		2,872,500
TOTAL UNITED STATES		48,907,226
TOTAL COMMON STOCKS (Cost $95,595,747)		118,338,497

	Number of Shares	Value
LIMITED PARTNERSHIPS (2.1%)		
United States (2.1%)		
Venture Capital (2.1%)		
Austin Ventures VIII L.P.*††	370,001	$ 273,243
CVC European Equity III L.P.*††	916,143	757,839
Madison Dearborn Capital Partners IV L.P.*††	756,640	725,951
Oak Investment Partners X L.P.*††	1,225,876	922,216
TOTAL LIMITED PARTNERSHIPS (Cost $2,483,984)		2,679,249
SHORT-TERM INVESTMENTS (35.3%)		
State Street Navigator Prime Fund§§	37,343,092	37,343,092
	Par (000)	
State Street Bank and Trust Co. Euro Time Deposit, 3.350%, 1/03/06	$ 8,348	8,348,000
TOTAL SHORT-TERM INVESTMENTS (Cost $45,691,092)		45,691,092
TOTAL INVESTMENTS AT VALUE (128.9%) (Cost $143,770,823)		166,708,838
LIABILITIES IN EXCESS OF OTHER ASSETS (-28.9%)		(37,400,858)
NET ASSETS (100.0%)		$129,307,980

INVESTMENT ABBREVIATION
ADR = American Depositary Receipt

* Non-income producing security.

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

§ Security or portion thereof is out on loan.

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

See Accompanying Notes to Financial Statements.

Credit Suisse Trust – Global Small Cap Portfolio
Statement of Assets and Liabilities
December 31, 2005

Assets	
Investments at value, including collateral for securities on loan of $37,343,092 (Cost $143,770,823) (Note 2)	$ 166,708,838[1]
Cash	865
Foreign currency at value (cost $205,586)	210,021
Dividend and interest receivable	49,831
Receivable for portfolio shares sold	29,188
Prepaid expenses and other assets	15,393
Total Assets	167,014,136
Liabilities	
Advisory fee payable (Note 3)	114,620
Administrative services fee payable (Note 3)	26,032
Payable upon return of securities loaned (Note 2)	37,343,092
Payable for portfolio shares redeemed	172,415
Other accrued expenses payable	49,997
Total Liabilities	37,706,156
Net Assets	
Capital stock, $0.001 par value (Note 7)	9,983
Paid-in capital (Note 7)	154,568,265
Accumulated net investment loss	(11,454)
Accumulated net realized loss on investments and foreign currency transactions	(48,201,486)
Net unrealized appreciation from investments and foreign currency translations	22,942,672
Net Assets	$ 129,307,980
Shares outstanding	9,982,651
Net asset value, offering price, and redemption price per share	$12.95

[1] Including $35,893,276 of securities on loan.

See Accompanying Notes to Financial Statements.

Statement of Operations

For the Year Ended December 31, 2005

Investment Income (Note 2)	
Dividends	$ 897,483
Interest	197,262
Securities lending	153,845
Net investment income allocated from partnerships	4,696
Foreign taxes withheld	(80,505)
Total investment income	1,172,781
Expenses	
Investment advisory fees (Note 3)	1,445,342
Administrative services fees (Note 3)	206,645
Custodian fees	52,350
Printing fees (Note 3)	50,355
Legal fees	20,113
Audit and tax fees	24,942
Transfer agent fees	6,058
Insurance expense	6,819
Commitment fees (Note 4)	2,947
Trustees' fees	2,778
Registration fees	1,766
Miscellaneous expense	16,034
Total expenses	1,836,149
Less: fees waived (Note 3)	(217,554)
Net expenses	1,618,595
Net investment loss	(445,814)
Net Realized and Unrealized Gain (Loss) from Investments and Foreign Currency Related Items	
Net realized gain from investments	24,419,097
Net realized loss on foreign currency transactions	(106,841)
Net change in unrealized appreciation (depreciation) from investments	(6,557,225)
Net change in unrealized appreciation (depreciation) from foreign currency translations	(8,566)
Net realized and unrealized gain from investments and foreign currency related items	17,746,465
Net increase in net assets resulting from operations	$ 17,300,651

See Accompanying Notes to Financial Statements.

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

	For the Year Ended December 31, 2005	For the Year Ended December 31, 2004
From Operations		
Net investment loss	$ (445,814)	$ (913,789)
Net realized gain on investments and foreign currency transactions	24,312,256	9,286,112
Net change in unrealized appreciation (depreciation) from investments and foreign currency translations	(6,5165,791)	7,355,743
Net increase in net assets resulting from operations	17,300,651	15,728,066
From Capital Share Transactions (Note 7)		
Proceeds from sale of shares	37,385,132	35,955,192
Net asset value of shares redeemed	(35,487,395)	(44,150,961)
Net increase (decrease) in net assets from capital share transactions	1,897,737	(8,195,769)
Net increase in net assets	19,198,388	7,532,297
Net Assets		
Beginning of Year	110,109,592	102,577,295
End of Year	$129,307,980	$110,109,592
Accumulated net investment loss	$ (11,454)	$ (6,484)

See Accompanying Notes to Financial Statements.

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

	For the Year Ended December 31,				
	2005	2004	2003	2002	2001
Per share data					
Net asset value, beginning of year	$ 11.15	$ 9.45	$ 6.40	$ 9.72	$ 13.62
INVESTMENT OPERATIONS					
Net investment loss	(0.04)	(0.09)	(0.06)	(0.08)	(0.09)
Net gain (loss) on investments and foreign currency related items (both realized and unrealized)	1.84	1.79	3.11	(3.24)	(3.81)
Total from investment operations	1.80	1.70	3.05	(3.32)	(3.90)
Net asset value, end of year	$ 12.95	$ 11.15	$ 9.45	$ 6.40	$ 9.72
Total return[1]	16.14%	17.99%	47.66%	(34.16)%	(28.63)%
RATIOS AND SUPPLEMENTAL DATA					
Net assets, end of year (000s omitted)	$129,308	$110,110	$102,577	$60,633	$160,658
Ratio of expenses to average net assets	1.40%	1.40%	1.40%	1.40%	1.40%
Ratio of net investment loss to average net assets	(0.39)%	(0.85)%	(0.94)%	(0.90)%	(0.84)%
Decrease reflected in above operating expense ratios due to waivers/reimbursements	0.19%	0.17%	0.23%	0.31%	0.21%
Portfolio turnover rate	75%	79%	86%	86%	121%

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

See Accompanying Notes to Financial Statements.

Note 1. Organization

Credit Suisse Trust, (the "Trust") is an open-end management investment company registered under the Investment Company Act of 1940, as amended, and currently offers eight managed investment portfolios of which one, the Global Small Cap Portfolio (the "Portfolio"), is included in this report. The Portfolio is a diversified investment fund that seeks long-term growth of capital. Shares of the Portfolio are not available directly to individual investors but may be offered only through (a) variable annuity contracts and variable life insurance contracts offered by separate accounts of certain insurance companies and (b) tax-qualified pension and retirement plans. The Portfolio may not be available in connection with a particular contract or plan. The Trust was organized under the laws of The Commonwealth of Massachusetts as a business trust on March 15, 1995. The name of the Portfolio was changed from Credit Suisse Trust – Global Post-Venture Capital Portfolio effective February 21, 2005.

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

The Portfolio initially values its investments in private-equity portfolios ("Private Funds") at the amount invested in the Private Funds, less related expenses, where identifiable, unless and until Credit Suisse Asset Management, LLC ("Credit Suisse") determines that such value does not represent fair value. Thereafter, investments in Private Funds held by the Portfolio are valued at their "fair values" using procedures approved by the Board of Trustees. Credit Suisse shall review daily the Portfolio's fair valued securities.

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

Note 2. Significant Accounting Policies

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

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

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

F) USE OF ESTIMATES - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues 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, an indirect, wholly-owned subsidiary of Credit Suisse Group, pools available cash into either a short-term variable rate time deposit issued by State Street Bank and Trust Company ("SSB"), the Portfolio's custodian, or a money market fund advised by Credit Suisse. The short-term time deposit issued by SSB is a variable rate account classified as a short-term investment.

H) FORWARD FOREIGN CURRENCY CONTRACTS - The Portfolio may enter into forward foreign currency contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date. Risks may arise upon entering into these contracts from the potential inability of counterparties to meet the terms of their contracts and from unanticipated movements in the value of a foreign currency. The Portfolio will enter into forward foreign currency contracts primarily for hedging purposes. Forward foreign currency contracts are adjusted by the daily forward exchange rate of the underlying currency and any gains or losses are recorded for financial statement purposes as unrealized until the contract settlement date or an offsetting position is entered into. At December 31, 2005, the Portfolio had no open forward foreign currency contracts.

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

SSB has been engaged by the Portfolio to act as the Portfolio's securities lending agent. The Portfolio's securities lending arrangement provides that the Portfolio and SSB will share the net income earned from securities lending activities. During the year ended December 31, 2005, total earnings from the Portfolio's investment in cash collateral received in connection with securities lending arrangements was $941,870, of which $722,872 was rebated to borrowers (brokers). The Portfolio retained $153,845 in income from the cash collateral investment, and SSB, as lending agent, was paid $65,153. The Portfolio

Note 2. Significant Accounting Policies

may also be entitled to certain minimum amounts of income from its securities lending activities. Securities lending income is accrued as earned.

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

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

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

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

Note 3. Transactions with Affiliates and Related Parties

Credit Suisse serves as investment adviser for the Portfolio. For its investment advisory services, Credit Suisse is entitled to receive a fee from the Portfolio at an annual rate of 1.25% of the Portfolio's average daily net assets. For the year ended December 31, 2005, investment advisory fees earned and voluntarily waived for the Portfolio were $1,445,342 and $217,554, respectively. Credit Suisse will not recapture from the Portfolio any fees it waived during the fiscal year ended December 31, 2005. Fee waivers and reimbursements are voluntary and may be discontinued by Credit Suisse at any time.

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

Credit Suisse Asset Management Securities, Inc. ("CSAMSI"), an affiliate of Credit Suisse, and SSB serve as co-administrators to the Portfolio.

For its co-administrative services, CSAMSI currently receives a fee calculated at an annual rate of 0.10% of the Portfolio's average daily net assets. For the year ended December 31, 2005, co-administrative services fees earned by CSAMSI were $115,628.

For its co-administrative services, SSB receives a fee, exclusive of out-of-pocket expenses, calculated in total for all the Credit Suisse funds/portfolios co-administered by SSB and allocated based upon relative average net assets of each fund/portfolio, subject to an annual minimum fee. For the year ended December 31, 2005, co-administrative services fees earned by SSB (including out-of-pocket expenses) were $91,017.

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

Note 3. Transactions with Affiliates and Related Parties

Merrill Corporation ("Merrill"), an affiliate of Credit Suisse, has been engaged by the Portfolio to provide certain financial printing and fulfillment services. For the year ended December 31, 2005, Merrill was paid $8,778 for its services to the Portfolio.

Note 4. Line of Credit

The Portfolio, together with other funds/portfolios advised by Credit Suisse (collectively, the "Participating Funds"), participates in a $75 million committed, unsecured line of credit facility ("Credit Facility") for temporary or emergency purposes with Deutsche Bank, A.G. as administrative agent and syndication agent and SSB as operations agent. Under the terms of the Credit Facility, the Participating Funds pay an aggregate commitment fee at a rate of 0.10% per annum on the average unused amount of the Credit Facility, which is allocated among the Participating Funds in such manner as is determined by the governing Boards of the Participating Funds. In addition, the Participating Funds pay interest on borrowings at the Federal Funds rate plus 0.50%. At December 31, 2005, and during the year ended December 31, 2005, the Portfolio had no borrowings under the Credit Facility.

Note 5. Purchases and Sales of Securities

For the year ended December 31, 2005, purchases and sales of investment securities (excluding short-term investments) were $81,690,819 and $81,110,193, respectively.

Note 6. Restricted Securities

Certain investments of the Portfolio are restricted as to resale and are valued at fair value as determined in good faith by, or under the direction of, the Board of Trustees under procedures established by the Board of Trustees. The Portfolio does not have the right to demand that such securities be registered.

Security	Security Type	Number of Shares	Acquisition Date	Cost	Fair Value	Value per Share	Percentage of Net Assets	Distributions Received	Open Commitments
Austin Ventures VIII L.P.	Ltd. Partnership	370,001	7/13/01	$307,223	$273,243	$0.74	0.21%	$ 53,755	$ 183,332
CVC European Equity III L.P.	Ltd. Partnership	916,143	9/04/01	628,791	757,839	0.83	0.59%	639,614	83,857
Madison Dearborn Capital Partners, IV,L.P.	Ltd. Partnership	756,640	4/02/01	591,169	725,951	0.96	0.56%	239,267	243,360
Oak Investment Partners X L.P.	Ltd. Partnership	1,225,876	1/18/01	956,801	922,216	0.75	0.71%	283,490	274,124
				$2,483,984	$2,679,249		2.07%	$1,216,126	$ 784,673

Note 7. 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 Year Ended December 31, 2005	For the Year Ended December 31, 2004
Shares sold	3,149,654	3,577,338
Shares redeemed	(3,040,456)	(4,558,615)
Net increase (decrease)	109,198	(981,277)

Note 7. Capital Share Transactions

On December 31, 2005, the number of shareholders that held 5% or more of the outstanding shares of the Portfolio was as follows:

Number of Shareholders	Approximate Percentage of Outstanding Shares
4	75%

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

Note 8. Federal Income Taxes

Income and capital gain distributions are determined in accordance with federal income tax regulations, which may differ from GAAP.

The tax basis of components of distributable earnings differ from the amounts reflected in the Statement of Assets and Liabilities by temporary book/tax differences. These differences are primarily due to post-October losses.

At December 31, 2005, the components of distributable earnings on a tax basis for the Portfolio was as follows:

Accumulated net realized loss	$(48,201,486)
Unrealized appreciation	22,942,672
Deferral of post-October currency losses	(11,454)
	$(25,270,268)

At December 31, 2005, the Portfolio had capital loss carryforwards available to offset possible future capital gains as follows:

Expires December 31,		
2009	2010	2011
$23,847,620	$19,475,667	$4,878,199

During the tax year ended December 31, 2005, the Portfolio utilized $24,420,041 of the capital loss carryforward.

Under current tax law, certain capital losses realized after October 31 within a taxable year may be deferred and treated as occurring on the first day of the following tax year. For the tax period ended December 31, 2005 the Portfolio elected to defer net losses arising between November 1, 2005 and December 31, 2005 as follows:

Currency	Capital
$11,454	$—

At December 31, 2005, 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 as follows: $143,770,823, $26,060,414, $(3,122,399) and $ 22,938,015, respectively.

At December 31, 2005, the Portfolio reclassified $440,844 to accumulated net investment loss and $107,785 to accumulated net realized loss from investments from paid-in capital, to adjust for current period permanent book/tax differences which arose principally from differing book/tax treatments of net operating losses, foreign currency transactions and security litigation. Net assets were not affected by these reclassifications.

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.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Credit Suisse Trust and Shareholders of
Credit Suisse Trust – Global Small Cap Portfolio:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Global Small Cap Portfolio (the "Portfolio"), a portfolio of the Credit Suisse Trust, at December 31, 2005, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Portfolio's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2005 by correspondence with the custodian and issuers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Baltimore, Maryland
February 6, 2006

In approving the Advisory and Sub-Advisory Agreements, the Board of Trustees, including the Independent Trustees, considered the following factors with respect to the Global Small Cap Portfolio (the "Portfolio"):

Investment Advisory Fee Rates

The Board reviewed and considered the contractual advisory fee rate of 1.25% paid by the Portfolio ("Contractual Advisory Fee") to Credit Suisse Asset Management LLC ("Credit Suisse") in light of the extent and quality of the advisory services provided by Credit Suisse or Credit Suisse Asset Management Limited U.K. ("Credit Suisse U.K.") and Credit Suisse Asset Management Australia ("Credit Suisse Australia"). The Board also reviewed and considered the fee waivers and/or expense reimbursement arrangements currently in place for the Portfolio and considered the actual fee rate of 1.08% paid by the Portfolio after taking waivers and reimbursements into account ("Net Advisory Fee"). The Board acknowledged that the fee waivers and reimbursements could be discontinued at any time. In addition, the Board noted that the compensation paid to Credit Suisse U.K. and Credit Suisse Australia (collectively, the "Sub-Advisers") does not increase the fees or expenses otherwise incurred by the Portfolio's shareholders because the Sub-Advisers are paid by Credit Suisse, not the Portfolio.

Additionally, the Board received and considered information comparing each Portfolio's Contractual Advisory Fee and Net Advisory Fee and the Portfolio's overall expenses with those of funds in both the relevant expense group ("Peer Group") and universe of funds (the "Universe") provided by Lipper Inc., an independent provider of investment company data.

Nature, Extent and Quality of the Services under the Advisory and Sub-Advisory Agreements

The Board received and considered information regarding the nature, extent and quality of services provided to the Portfolio by Credit Suisse under the Advisory Agreement and by the Sub-Advisers under the Sub-Advisory Agreements. The Board also noted information received at regular meetings throughout the year related to the services rendered by Credit Suisse and the Sub-Advisers. The Board reviewed background information about Credit Suisse and the Sub-Advisers, including their respective Forms ADV. The Board considered the background and experience of both Credit Suisse's and the Sub-Advisers' senior management and the expertise of, and the amount of attention given to the Portfolio by, senior personnel of Credit Suisse and the Sub-Advisers. With respect to the Sub-Advisers, the Board also considered their expertise in managing the types of global investments that the Portfolio utilizes in its investment strategy. In addition, the Board reviewed the qualifications, backgrounds and responsibilities of the portfolio management team primarily responsible for the day-to-day portfolio management of the Portfolio and the extent of the resources devoted to research and analysis of actual and potential investments. The Board also received and considered information about the nature, extent and quality of services and fee rates offered to other Credit Suisse clients for comparable services.

In approving the Sub-Advisory Agreements, the Board also considered the benefits of retaining Credit Suisse's United Kingdom and Australian affiliates given the increased complexity of the domestic and international securities markets, specifically that retention of Credit Suisse U.K. and Credit Suisse Australia expands the universe of companies and countries from which investment opportunities could be sought and enhances the ability of the Portfolio to obtain the best price and execution on trades in international markets.

Portfolio Performance

The Board received and considered the one-, two-, three-, four- and five-year performance of the Portfolio, along with comparisons, for all presented periods, both to the relevant performance group ("Performance Group") and universe of funds ("Performance Universe") for the Portfolio. The Board was provided with a description of the methodology used to arrive at the funds included in the Performance Group and the Performance Universe.

The Board reviewed information comparing the performance of various Credit Suisse Funds to performance benchmarks that the Board had previously established and progress that had been made in certain instances toward achieving those benchmarks. The Board also reviewed comparisons between the Portfolio and its identified benchmark over various time periods.

Credit Suisse Profitability

The Board received and considered a profitability analysis of Credit Suisse based on the fees payable under the Advisory Agreement for the Portfolio, including any fee waivers or fee caps, as well as other relationships between the Portfolio on the one hand and Credit Suisse affiliates on the other. The Board received profitability information for the other funds in the Credit Suisse family of funds.

Economies of Scale

The Board considered whether economies of scale in the provision of services to the Portfolio were being passed along to the shareholders. Accordingly, the Board considered whether alternative fee structures (such as breakpoint fee structures) would be more appropriate or reasonable taking into consideration economies of scale or other efficiencies that might accrue from increases in the Portfolio's asset levels.

Other Benefits to Credit Suisse

The Board considered other benefits received by Credit Suisse, the Sub-Advisers and their affiliates as a result of their relationships with the Portfolio. Such benefits include, among others, research arrangements with brokers who execute transactions on behalf of the Portfolio, administrative and brokerage relationships with affiliates of Credit Suisse and the Sub-Advisers and benefits potentially derived from an increase in Credit Suisse's and the Sub-Advisers' businesses as a result of their relationship with the Portfolio (such as the ability to market to shareholders other financial products offered by Credit Suisse, the Sub-Advisers and their affiliates).

The Board considered the standards applied in seeking best execution, whether and to what extent soft dollar credits are sought and how any such credits are utilized, any benefits that may be achieved by using an affiliated broker and the existence of quality controls applicable to brokerage allocation procedures. The Board also reviewed Credit Suisse's and the Sub-Advisers' method for allocating portfolio investment opportunities among their advisory clients.

Conclusions

In selecting Credit Suisse and the Sub-Advisers, and approving the Advisory Agreement and the investment advisory fee under such agreement and the Sub-Advisory Agreements, the Board concluded that:

- Although both the Contractual and Net Advisory Fees were higher than the median of the Portfolio's Peer Group, the Board recognized that Credit Suisse has historically evidenced a willingness to waive fees.
- The Portfolio's one-, two- and three-year performance was above the Performance Universe's median and the highest in its Performance Group. The Portfolio's four-year performance was at the median for its Performance Group and below the median in its Performance Universe, while its five-year performance was the lowest in its Performance Group and below the median in its Performance Universe. The Board noted that Credit Suisse had made changes to the Portfolio's investment strategies and management team in response to performance issues previously raised by the Board.
- The Board was satisfied with the nature, extent and quality of the investment advisory services provided to the Portfolio by Credit Suisse and the Sub-Advisers and that, based on dialogue with management and counsel, the services provided by Credit Suisse under the Advisory Agreement and by the Sub-Advisers under the Sub-Advisory Agreements are typical of, and consistent with, those provided to mutual funds by other investment advisers.
- In light of the costs of providing investment management and other services to the Portfolio and Credit Suisse's ongoing commitment to the Portfolio and willingness to cap fees and expenses, the profits and other ancillary benefits that Credit Suisse and its affiliates received were considered reasonable.
- Credit Suisse's profitability based on fees payable under the Advisory Agreement was reasonable in light of the nature, extent and quality of the services provided to the Portfolio thereunder.
- In light of the relatively small size of the Portfolio and the amount of the Net Advisory Fees, the Portfolio's current fee structure (without breakpoints) was considered reasonable.

No single factor reviewed by the Board was identified by the Board as the principal factor in determining whether to approve the Advisory Agreement and the Sub-Advisory Agreements. The Independent Trustees were advised by separate independent legal counsel throughout the process.

Credit Suisse Trust – Global Small Cap Portfolio
Information Concerning Trustees and Officers (unaudited)

Name, Address and Date of Birth	Position(s) Held with Trust	Term of Office[1] and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee
Independent Trustees					
Enrique Arzac c/o Credit Suisse Asset Management, LLC Attn: General Counsel 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 10/02/41	Trustee, Nominating Committee Member and Audit Committee Chairman	Since 2005	Professor of Finance and Economics, Graduate School of Business, Columbia University since 1971	47	Director of The Adams Express (a closed-end investment company); Director of Petroleum and Resources Corporation (a closed-end investment company)
Richard H. Francis c/o Credit Suisse Asset Management, LLC Attn: General Counsel 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 04/23/32	Trustee, Nominating and Audit Committee Member	Since 1999	Currently retired	41	None
Jeffrey E. Garten Box 208200 New Haven, Connecticut 06520-8200 Date of Birth: 10/29/46	Trustee, Nominating and Audit Committee Member	Since 1998[2]	The Juan Trippe Professor in the Practice of International Trade, Finance and Business from July 2005 to present; Partner and Chairman of Garten Rothkopf (consulting firm) from October 2005 to present; Dean of Yale School of Management from November 1995 to June 2005	40	Director of Aetna, Inc. (insurance company); Director of CarMax Group (used car dealers)
Peter F. Krogh 301 ICC Georgetown University Washington, DC 20057 Date of Birth: 02/11/37	Trustee, Nominating and Audit Committee Member	Since 2001	Dean Emeritus and Distinguished Professor of International Affairs at the Edmund A. Walsh School of Foreign Service, Georgetown University from June 1995 to present	40	Director of Carlisle Companies Incorporated (diversified manufacturing company)

[1] Each Trustee and Officer serves until his or her respective successor has been duly elected and qualified.

[2] Mr. Garten was initially appointed as a Trustee of the Trust on February 6, 1998. He resigned as Trustee on February 3, 2000, and was subsequently re-appointed on December 21, 2000.

Name, Address and Date of Birth	Position(s) Held with Trust	Term of Office[1] and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee
Independent Trustees					
James S. Pasman, Jr. c/o Credit Suisse Asset Management, LLC Attn: General Counsel 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 12/20/30	Trustee, Nominating and Audit Committee Member	Since 1999	Currently retired	42	Director of Education Management Corp.
Steven N. Rappaport Lehigh Court, LLC 40 East 52nd Street New York, New York 10022 Date of Birth: 07/10/48	Chairman of the Board of Trustees, Nominating Committee Chairman and Audit Committee Member	Trustee Since 1999 and Chairman since 2005	Partner of Lehigh Court, LLC and RZ Capital (private investment firms) from July 2002 to present; Transition Adviser to SunGard Securities Finance, Inc. from February 2002 to July 2002; President of SunGard Securities Finance, Inc. from 2001 to February 2002; President of Loanet, Inc. (on-line accounting service) from 1997 to 2001	46	Director of Presstek, Inc. (digital imaging technologies company); Director of Wood Resources, LLC. (plywood manufacturing company)
Interested Trustee					
Michael E. Kenneally [3,4] c/o Credit Suisse Asset Management, LLC Attn: General Counsel 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 03/30/54	Trustee	Since 2004	Chairman and Global Chief Executive Officer of Credit Suisse from March 2003 to July 2005; Chairman and Chief Investment Officer of Banc of America Capital Management from 1998 to March 2003	40	None

[3] Mr. Kenneally is a Trustee who is an "interested person" of the Trust as defined in the 1940 Act, because he was an officer of Credit Suisse within the last two fiscal years.
[4] Effective July 31, 2005, Steven B. Plump was appointed as Chief Executive Officer and President of the Trust. Mr. Kenneally, who previously held these positions, resigned effective July 31, 2005.

Name, Address and Date of Birth	Position(s) Held with Trust	Term of Office[1] and Length of Time Served	Principal Occupation(s) During Past Five Years
Officers			
Steven B. Plump[4] Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 02/08/59	Chief Executive Officer and President	Since 2005	Managing Director; Associated with Credit Suisse or its predecessor since 1995; Officer of other Credit Suisse Funds
Michael A. Pignataro Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 11/15/59	Chief Financial Officer and Treasurer	Since 1999	Director and Director of Fund Administration of Credit Suisse; Associated with Credit Suisse or its predecessors since 1984; Officer of other Credit Suisse Funds
Emidio Morizio Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 09/21/66	Chief Compliance Officer	Since 2004	Director and Global Head of Compliance of Credit Suisse; Associated with Credit Suisse since July 2000; Vice President and Director of Compliance of Forstmann-Leff Associates from 1998 to June 2000; Officer of other Credit Suisse Funds
Ajay Mehra Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 08/14/70	Chief Legal Officer	Since 2004	Director and Head of Legal Americas Traditional Asset Management and Hedge Funds; Associated with Credit Suisse since September 2004; Senior Associate of Shearman & Sterling LLP from September 2000 to September 2004; Senior Counsel of the SEC Division of Investment Management from June 1997 to September 2000; Officer of other Credit Suisse Funds
J. Kevin Gao Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 10/13/67	Vice President and Secretary	Since 2004	Director and Legal Counsel of Credit Suisse; Associated with Credit Suisse since July 2003; Associated with the law firm of Willkie Farr & Gallagher LLP from 1998 to 2003; Officer of other Credit Suisse Funds
Robert Rizza Credit Suisse Asset Management, LLC 466 Lexington Avenue New York, New York 10017-3140 Date of Birth: 12/09/65	Assistant Treasurer	Since 2002	Vice President of Credit Suisse; Associated with Credit Suisse since 1998; Officer of other Credit Suisse Funds

[4] Effective July 31, 2005, Steven B. Plump was appointed as Chief Executive Officer and President of the Trust. Mr. Kenneally, who previously held these positions, resigned effective July 31, 2005.

The Statement of Additional Information includes additional information about the Trustees and is available, without charge, upon request, by calling 800-222-8977.

Important Tax Information for Corporate Shareholders

Corporate Shareholders should note for the year ended December 31, 2005, the percentage of the Fund's investment income (i.e., net investment income plus short-term capital gains) that qualified for the intercorporate dividends received deduction is 0.0%.

Proxy Voting and Portfolio Holdings Information

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

- By calling 1-800-222-8977
- On the Portfolio's website, www.credit-suisse.com/us
- On the website of the Securities and Exchange Commission, http://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 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 SEC's Public Reference Room may be obtained by calling 1-800-SEC-0330.

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

CREDIT SUISSE ASSET MANAGEMENT SECURITIES, INC., DISTRIBUTOR. TRGSC-AR-1205

Dreyfus Investment Portfolios, MidCap Stock Portfolio

ANNUAL REPORT December 31, 2005

YOU, YOUR ADVISOR AND

Dreyfus

A MELLON FINANCIAL COMPANY℠

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

Contents

THE PORTFOLIO

FOR MORE INFORMATION

LETTER FROM THE CHAIRMAN

Dear Shareholder:

We are pleased to present this annual report for Dreyfus Investment Portfolios, MidCap Stock Portfolio, covering the 12-month period from January 1, 2005, through December 31, 2005. Inside, you'll find valuable information about how the portfolio was managed during the reporting period, including a discussion with the portfolio manager, John O'Toole.

Stocks generally absorbed both good and bad news in 2005 to post modestly positive total returns. On the plus side, an expanding U.S. economy and low inflation helped support corporate earnings in most industry groups. Negative influences included rising short-term interest rates and escalating energy prices, which many analysts feared might erode corporate profits. In addition, hurricanes Katrina, Rita and Wilma disrupted economic activity along the Gulf Coast.

We expect the U.S. economy to continue its moderate expansion in 2006, fueled in part by a rebound in corporate capital spending and exports. The labor market likely will remain relatively strong while inflation should stay low, supporting consumers' real incomes. Risks in the new year include the possible end of the boom in the housing market, where we believe prices are more likely to stall than plunge.

As always, we encourage you to speak with your financial consultant about how these and other market forces may affect your investments. Thank you for your continued confidence and support.

Sincerely,

Stephen E. Canter
Chairman and Chief Executive Officer
The Dreyfus Corporation
January 17, 2006

DISCUSSION OF PERFORMANCE

John O'Toole, Portfolio Manager

How did Dreyfus Investment Portfolios, MidCap Stock Portfolio perform relative to its benchmark?

For the 12-month period ended December 31, 2005, the portfolio's Initial shares produced a total return of 9.17%, and its Service shares produced a total return of 8.93%.[1] This compares with the total return of 12.56% provided by the portfolio's benchmark, the Standard & Poor's MidCap 400 Index (the "S&P 400), for the same period.[2]

We attribute the market's rise primarily to sustained U.S. economic growth and better-than-expected corporate earnings reports. The stock market responded favorably to these conditions, with midcap stocks outperforming their small- and large-cap counterparts. The portfolio benefited from the trend in favor of midcap stocks, capturing particularly strong gains in the energy and technology sectors. However, the portfolio's performance was hindered by relatively light exposure to high-flying coal stocks, the purchase of a few producer goods holdings and by declines in some interest-rate-sensitive financial investments. As a result, the portfolio delivered more modest returns than its benchmark.

What is the portfolio's investment approach?

The portfolio normally invests at least 80% of its assets in growth and value stocks of midsize companies, which are chosen through a disciplined process that combines computer modeling techniques, fundamental analysis and risk management.

In selecting securities, our investment team uses a computer model to identify and rank stocks within an industry or sector, based on:

- *Value,* or how a stock is priced relative to its perceived intrinsic worth;
- *Growth,* in this case the sustainability or growth of earnings; and
- *Financial Profile,* which measures the financial health of the company.

We then use fundamental analysis to select the most attractive of the higher ranked securities, drawing on a variety of sources, including internal as well as Wall Street research and company management. We attempt to manage risk by diversifying across companies and industries, limiting the potential adverse impact from any one stock or industry. The portfolio is structured so that its sector weightings and risk characteristics, such as growth, size, quality and yield, are similar to those of the S&P 400.

What other factors influenced the portfolio's performance?

Higher oil and gas prices amid robust industrial demand for energy fueled record profits for many energy-related companies during 2005. As a result, energy stocks generated greater gains than other market sectors within the portfolio's benchmark. What's more, the portfolio's energy-related results exceeded those of the benchmark's energy components due to favorable individual stock selections, such as refinery operator Tesoro and diversified oil and gas company Energen.

Our security selection strategy also enabled the portfolio to outperform its benchmark in the technology sector. Top technology performers in 2005 included computer disk drive maker Western Digital, communication product developer Harris, and digital storage system maker Storage Technology, which benefited from a buyout offer from Sun Microsystems. Other holdings that notably contributed to the portfolio's gains included medical services provider Coventry Health Care and natural foods supermarket chain Whole Foods Market, which rose on the strength of its successful program of geographic expansion. Both of these issues were sold during the reporting period.

On the negative side, the portfolio limited its exposure to the coal industry where certain individual stock prices failed to meet the portfolio's disciplined, valuation-conscious investment criteria. However, coal stocks continued to rise as energy users looked for alternatives to high oil and gas prices. As a result, the portfolio's performance in the producer goods sector suffered relative to the benchmark. Among other producer goods companies, purchase of shares in two residential construction firms, Toll Brothers and Standard-Pacific, which was sold after the reporting period, proved disappointing. Finally, in the financials sector, a few holdings further detracted from relative performance.

These included mortgage lender New Century Financial, which was undermined by rising short-term interest rates; and Puerto Rican-based savings and loan Doral Financial, which declined in response to accounting issues. Both of these issues were sold during the reporting period.

What is the portfolio's current strategy?

The U.S. economy recently has shown signs of shifting from the early, recovery part of its cycle to a slower, steadier growth phase. In light of this development, the stock market currently appears to be favoring companies that historically have provided clear earnings visibility and the ability to deliver consistently positive financial results over the long term. We believe that this environment favors the portfolio's disciplined investment approach. Specifically, we have continued to maintain a highly diversified and sector-neutral portfolio that seeks to invest in companies with consistent earnings histories and solid business prospects. At the same time, we also have remained fully committed to the portfolio's midcap investment focus, where we have continued to find attractive investment opportunities among companies offering the high growth potential of smaller enterprises with the track record and management expertise of larger, better-established firms.

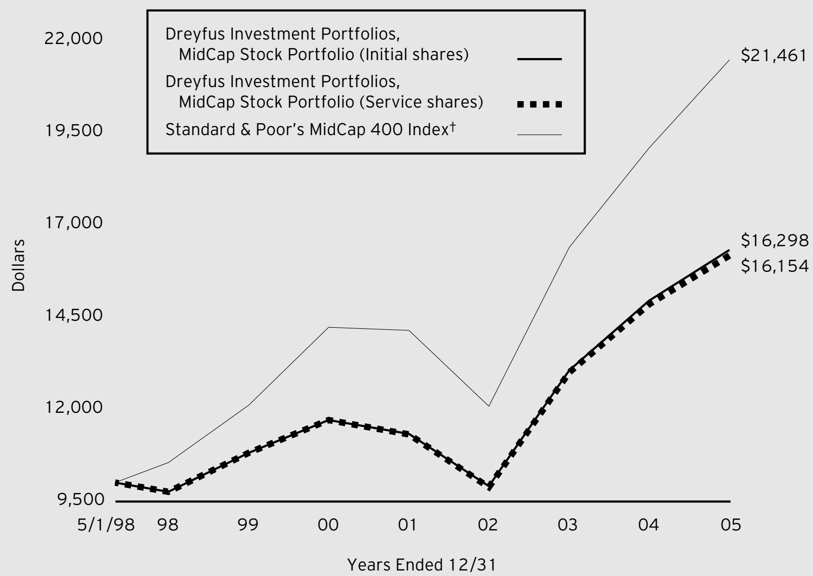
January 17, 2006

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

1 *Total return includes reinvestment of dividends and any capital gains paid. Past performance is no guarantee of future results. Share price and investment return fluctuate such that upon redemption, portfolio shares may be worth more or less than their original cost. The portfolio's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts, which will reduce returns. Return figures provided reflect the absorption of certain portfolio expenses by The Dreyfus Corporation pursuant to an agreement in effect through January 31, 2006, at which time it may be extended, terminated or modified. Had these expenses not been absorbed, the portfolio's returns would have been lower.*

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

PORTFOLIO PERFORMANCE



Comparison of change in value of $10,000 investment in Dreyfus Investment Portfolios, MidCap Stock Portfolio Initial shares and Service shares and the Standard & Poor's MidCap 400 Index

Average Annual Total Returns *as of 12/31/05*

	Inception Date	1 Year	5 Years	From Inception
Initial shares	**5/1/98**	**9.17%**	**6.86%**	**6.58%**
Service shares	**5/1/98**	**8.93%**	**6.67%**	**6.45%**

The data for Service shares includes the results of Initial shares for the period prior to December 31, 2000 (inception date of Service shares). Actual Service shares' average annual total return and hypothetical growth results would have been lower. See notes below.

† Source: Lipper Inc.

Past performance is not predictive of future performance. The portfolio's performance shown in the graph and table does not reflect the deduction of taxes that a shareholder would pay on portfolio distributions or the redemption of portfolio shares. ***The portfolio's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts which will reduce returns.***

The above graph compares a $10,000 investment made in Initial and Service shares of Dreyfus Investment Portfolios, MidCap Stock Portfolio on 5/1/98 (inception date of Initial shares) to a $10,000 investment made in the Standard & Poor's MidCap 400 Index (the "Index") on that date.

The portfolio's Initial shares are not subject to a Rule 12b-1 fee. The portfolio's Service shares are subject to a 0.25% annual Rule 12b-1 fee. The performance figures for Service shares reflect the performance of the portfolio's Initial shares from their inception date through December 30, 2000, and the performance of the portfolio's Service shares from December 31, 2000 (inception date of Service shares) to December 31, 2005 (blended performance figures). The performance figures for each share class reflect certain expense reimbursements, without which the performance of each share class would have been lower. In addition, the blended performance figures have not been adjusted to reflect the higher operating expenses of the Service shares. If these expenses had been reflected, the blended performance figures would have been lower. All dividends and capital gain distributions are reinvested.

The portfolio's performance shown in the line graph takes into account all applicable portfolio fees and expenses (after any expense reimbursements). The Index is a widely accepted, unmanaged total return index measuring the performance of the midsize company segment of the U.S. stock market and does not take into account charges, fees and other expenses. Further information relating to portfolio performance, including expense reimbursements, if applicable, is contained in the Financial Highlights section of the prospectus and elsewhere in this report.

UNDERSTANDING YOUR PORTFOLIO'S EXPENSES (Unaudited)

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

Review your portfolio's expenses

The table below shows the expenses you would have paid on a $1,000 investment in Dreyfus Investment Portfolios, MidCap Stock Portfolio from July 1, 2005 to December 31, 2005. 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 December 31, 2005

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.12	$ 5.21
Ending value (after expenses)	$1,069.80	$1,068.40

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

Using the SEC's method to compare expenses

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

Expenses and Value of a $1,000 Investment
assuming a hypothetical 5% annualized return for the six months ended December 31, 2005

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.02	$ 5.09
Ending value (after expenses)	$1,021.22	$1,020.16

† *Expenses are equal to the portfolio's annualized expense ratio of .79% for Initial shares and 1.00% for Service shares, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).*

STATEMENT OF INVESTMENTS

December 31, 2005

Common Stocks—97.7%	Shares		Value ($)
Consumer Cyclical—13.9%			
Abercrombie & Fitch, Cl. A	66,200		4,314,916
Aeropostale	77,500	a	2,038,250
American Eagle Outfitters	155,900		3,582,582
Applebee's International	105,800		2,390,022
Autoliv	47,400		2,152,908
Barnes & Noble	69,800		2,978,366
BorgWarner	35,800		2,170,554
CDW	83,500		4,807,095
Chico's FAS	77,700	a	3,413,361
Choice Hotels International	70,400	b	2,939,904
Claire's Stores	116,800		3,412,896
Domino's Pizza	81,100		1,962,620
Genuine Parts	37,300		1,638,216
Guitar Center	43,900	a	2,195,439
Harman International Industries	36,600		3,581,310
Hibbett Sporting Goods	57,650	a	1,641,872
HNI	42,200		2,318,046
K-Swiss, Cl. A	52,700		1,709,588
Michaels Stores	112,600		3,982,662
Pacific Sunwear of California	79,300	a	1,976,156
Penn National Gaming	78,400	a	2,583,280
Polaris Industries	34,800	b	1,746,960
Sonic	54,200	a	1,598,900
Toro	43,600		1,908,372
			63,044,275
Consumer Staples—2.0%			
Gold Kist	158,000	a	2,362,100
Hormel Foods	141,900		4,637,292
Pilgrim's Pride	62,000	b	2,055,920
			9,055,312
Energy—10.0%			
Energen	46,400		1,685,248
Hydril	45,200	a	2,829,520
Lone Star Technologies	46,900	a	2,422,854
Newfield Exploration	83,300	a	4,170,831
NiSource	97,900		2,042,194
Noble Energy	80,900		3,260,270

Common Stocks (continued)	Shares		Value ($)
Energy (continued)			
Oneok	74,100		1,973,283
Pioneer Natural Resources	66,400	b	3,404,328
Plains Exploration & Production	82,000	a	3,257,860
Pride International	174,000	a	5,350,500
Questar	48,700		3,686,590
Southwestern Energy	67,100	a	2,411,574
Tesoro	45,000		2,769,750
UGI	109,400		2,253,640
Unit	18,700	a	1,029,061
Veritas DGC	77,700	a	2,757,573
			45,305,076
Health Care—11.4%			
Alkermes	124,500	a	2,380,440
Apria Healthcare Group	29,300	a	706,423
Barr Pharmaceuticals	77,400	a	4,821,246
Covance	51,400	a	2,495,470
Dade Behring Holdings	54,400		2,224,416
Edwards Lifesciences	54,800	a	2,280,228
Endo Pharmaceuticals Holdings	59,500	a	1,800,470
Hospira	68,900	a	2,947,542
Humana	53,500	a	2,906,655
Invitrogen	55,100	a,b	3,671,864
Kindred Healthcare	47,700	a	1,228,752
King Pharmaceuticals	68,300	a	1,155,636
Laboratory Corp. of America Holdings	61,100	a	3,290,235
Magellan Health Services	97,500	a	3,066,375
Sepracor	70,400	a,b	3,632,640
Sybron Dental Specialties	56,300	a	2,241,303
Thermo Electron	89,400	a	2,693,622
United Therapeutics	25,500	a,b	1,762,560
Varian Medical Systems	87,100	a	4,384,614
WellCare Health Plans	46,400	a	1,895,440
			51,585,931
Interest Sensitive—18.6%			
AG Edwards	70,800		3,317,688
AMB Property	50,800		2,497,836

Common Stocks (continued)	Shares		Value ($)
Interest Sensitive (continued)			
American Capital Strategies	54,500		1,973,445
American Financial Group/OH	116,000		4,443,960
AmeriCredit	154,800	a,b	3,967,524
Bank of Hawaii	75,000		3,865,500
CBL & Associates Properties	76,900		3,038,319
City National/Beverly Hills, CA	24,900		1,803,756
Colonial BancGroup	144,900		3,451,518
Colonial Properties Trust	23,300		978,134
Dime Bancorp (Warrants)	19,900	a	2,587
Downey Financial	32,200	b	2,202,158
Essex Property Trust	23,000		2,120,600
Federated Investors, Cl. B	71,000		2,629,840
First Marblehead	25,700	b	844,502
FirstFed Financial	57,500	a	3,134,900
Hanover Insurance Group	89,300		3,730,061
IndyMac Bancorp	64,900		2,532,398
Janus Capital Group	117,000		2,179,710
Kimco Realty	50,500		1,620,040
Legg Mason	18,000		2,154,420
Lincoln National	60,400		3,203,012
Mercury General	35,000		2,037,700
Pennsylvania Real Estate Investment Trust	66,600		2,488,176
Philadelphia Consolidated Holding	26,000	a,b	2,513,940
Selective Insurance Group	42,200		2,240,820
State Auto Financial	66,400		2,420,944
SVB Financial Group	57,200	a	2,679,248
Synovus Financial	121,600		3,284,416
Unitrin	55,400		2,495,770
Weingarten Realty Investors	108,500	b	4,102,385
Wilmington Trust	101,500		3,949,365
			83,904,672
Producer Goods—15.4%			
Brady, Cl. A	56,500		2,044,170
CH Robinson Worldwide	132,400	b	4,902,772
Commercial Metals	40,900		1,535,386
Eagle Materials	20,900	b	2,557,324

Common Stocks (continued)	Shares	Value ($)
Producer Goods (continued)		
Energizer Holdings	49,300 [a]	2,454,647
Florida Rock Industries	37,650	1,847,109
FMC	63,000 [a]	3,349,710
Graco	52,300	1,907,904
Joy Global	74,550	2,982,000
Kennametal	36,300	1,852,752
Landstar System	51,900	2,166,306
Lennar, Cl. A	51,000	3,112,020
Overseas Shipholding Group	58,300	2,937,737
Packaging Corp. of America	89,800	2,060,910
Peabody Energy	65,000	5,357,300
Quanex	36,300	1,813,911
Scotts Miracle-Gro, Cl. A	60,900	2,755,116
Sherwin-Williams	42,600	1,934,892
Sigma-Aldrich	36,400	2,303,756
Silgan Holdings	53,100	1,917,972
Standard-Pacific	65,400	2,406,720
Stanley Works	57,800	2,776,712
Teledyne Technologies	58,800 [a]	1,711,080
Teleflex	32,800	2,131,344
Temple-Inland	33,300	1,493,505
Toll Brothers	54,800 [a]	1,898,272
Watsco	37,500	2,242,875
Yellow Roadway	69,000 [a]	3,078,090
		69,532,292
Services—8.9%		
Bright Horizons Family Solutions	39,600 [a]	1,467,180
Catalina Marketing	69,000	1,749,150
Cognizant Technology Solutions, Cl. A	98,200 [a]	4,944,370
Copart	125,200 [a]	2,887,112
Corporate Executive Board	30,900	2,771,730
Education Management	65,600 [a]	2,198,256
Equifax	70,500	2,680,410
Getty Images	31,200 [a]	2,785,224
Global Payments	69,700	3,248,717
ITT Educational Services	53,800 [a]	3,180,118
John H. Harland	43,600	1,639,360

Common Stocks (continued)	Shares		Value ($)
Services (continued)			
NAVTEQ	28,200	a	1,237,134
Republic Services	95,100		3,571,005
Rollins	66,600		1,312,686
Washington Post, Cl. B	5,900		4,513,500
			40,185,952
Technology—12.3%			
Adtran	37,100		1,103,354
Amphenol, Cl. A	82,100		3,633,746
Arrow Electronics	159,600	a	5,111,988
Avnet	124,000	a	2,968,560
Cadence Design Systems	188,500	a	3,189,420
Cymer	56,800	a	2,016,968
Harris	147,300		6,335,373
Imation	55,200		2,543,064
Lam Research	71,000	a	2,533,280
MEMC Electronic Materials	114,500	a	2,538,465
Microchip Technology	68,000		2,186,200
Novell	290,100	a	2,561,583
SanDisk	72,600	a	4,560,732
Silicon Laboratories	75,700	a	2,775,162
Sybase	156,800	a	3,427,648
Tech Data	66,200	a	2,626,816
Transaction Systems Architects	88,300	a	2,542,157
Western Digital	153,400	a	2,854,774
			55,509,290
Utilities—5.2%			
Black Hills	83,400		2,886,474
CenturyTel	83,800		2,778,808
Great Plains Energy	105,800		2,958,168
NRG Energy	63,600	a,b	2,996,832
Pinnacle West Capital	54,100		2,237,035
SCANA	101,400		3,993,132
TECO Energy	117,600		2,020,368
WPS Resources	69,900	b	3,866,169
			23,736,986
Total Common Stocks (cost $394,306,310)			**441,859,786**

Short-Term Investment—1.2%	Principal Amount ($)	Value ($)
Repurchase Agreement;		
Greenwich Capital Markets, 3.45%, dated 12/30/2005, due 1/3/2006 in the amount of $5,452,089 (fully collateralized by $4,355,000 Federal Home Loan Mortgage Corp., Bonds, 6.75%, due 3/15/2031, value $5,559,452) (cost $5,450,000)	5,450,000	**5,450,000**

Investment of Cash Collateral for Securities Loaned—3.6%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Fund (cost $16,235,817)	16,235,817 [c]	**16,235,817**

Total Investments (cost $415,992,127)	**102.5%**	**463,545,603**
Liabilities, Less Cash and Receivables	**(2.5%)**	**(11,492,241)**
Net Assets	**100.0%**	**452,053,362**

[a] *Non-income producing.*

[b] *All or a portion of these securities are on loan. At December 31, 2005, the total market value of the portfolio's securities on loan is $18,295,067 and the total market value of the collateral held by the portfolio is $18,915,106, consisting of cash collateral of $16,235,817 and U.S. Government and agency securities valued at $2,679,289.*

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

Portfolio Summary†

	Value (%)		Value (%)
Interest Sensitive	18.6	Services	8.9
Producer Goods	15.4	Utilities	5.2
Consumer Cyclical	13.9	Short-Term/Money	
Technology	12.3	Market Investments	4.8
Health Care	11.4	Consumer Staples	2.0
Energy	10.0		**102.5**

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2005

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $18,295,067)—Note 1(b):		
Unaffiliated issuers	399,756,310	447,309,786
Affiliated issuers	16,235,817	16,235,817
Cash		51,303
Receivable for investment securities sold		9,251,946
Dividends and interest receivable		406,734
Receivable for shares of Beneficial Interest subscribed		14,438
Prepaid expenses		10,124
		473,280,148
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(b)		318,535
Liability for securities on loan—Note 1(b)		16,235,817
Payable for investment securities purchased		4,125,975
Payable for shares of Beneficial Interest redeemed		488,125
Accrued expenses		58,334
		21,226,786
Net Assets ($)		**452,053,362**
Composition of Net Assets ($):		
Paid-in capital		330,370,552
Accumulated undistributed investment income—net		1,562,813
Accumulated net realized gain (loss) on investments		72,566,521
Accumulated net unrealized appreciation (depreciation) on investments		47,553,476
Net Assets ($)		**452,053,362**

Net Asset Value Per Share	Initial Shares	Service Shares
Net Assets ($)	362,789,279	89,264,083
Shares Outstanding	18,940,176	4,682,700
Net Asset Value Per Share ($)	**19.15**	**19.06**

See notes to financial statements.

STATEMENT OF OPERATIONS

Year Ended December 31, 2005

Investment Income ($):	
Income:	
Cash dividends (net of $1,051 foreign taxes withheld at source)	5,107,193
Interest	146,339
Income from securities lending	28,108
Total Income	**5,281,640**
Expenses:	
Investment advisory fee—Note 3(a)	3,246,675
Distribution fees—Note 3(b)	210,152
Prospectus and shareholders' reports	63,003
Professional fees	51,150
Custodian fees—Note 3(b)	40,549
Trustees' fees and expenses—Note 3(c)	10,069
Shareholder servicing costs—Note 3(b)	3,997
Registration fees	1,930
Miscellaneous	13,659
Total Expenses	**3,641,184**
Less—waiver of fees due to undertaking—Note 3(a)	(37,454)
Less—reduction in custody fees due to earnings credits—Note 1(b)	(1,063)
Net Expenses	**3,602,667**
Investment Income—Net	**1,678,973**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	72,458,985
Net unrealized appreciation (depreciation) on investments	(35,672,859)
Net Realized and Unrealized Gain (Loss) on Investments	**36,786,126**
Net Increase in Net Assets Resulting from Operations	**38,465,099**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended December 31,	
	2005	2004
Operations ($):		
Investment income—net	1,678,973	1,483,312
Net realized gain (loss) on investments	72,458,985	35,312,341
Net unrealized appreciation (depreciation) on investments	(35,672,859)	16,976,570
Net Increase (Decrease) in Net Assets Resulting from Operations	**38,465,099**	**53,772,223**
Dividends to Shareholders from ($):		
Investment income—net:		
Initial shares	(105,741)	(1,247,333)
Service shares	–	(140,525)
Net realized gain on investments:		
Initial shares	(1,407,926)	(8,014,833)
Service shares	(339,127)	(1,899,359)
Total Dividends	**(1,852,794)**	**(11,302,050)**
Beneficial Interest Transactions ($):		
Net proceeds from shares sold:		
Initial shares	33,046,475	38,662,714
Service shares	11,856,989	26,036,803
Dividends reinvested:		
Initial shares	1,513,667	9,262,166
Service shares	339,127	2,039,884
Cost of shares redeemed:		
Initial shares	(46,371,291)	(39,708,550)
Service shares	(11,602,504)	(12,581,127)
Increase (Decrease) in Net Assets from Beneficial Interest Transactions	**(11,217,537)**	**23,711,890**
Total Increase (Decrease) in Net Assets	**25,394,768**	**66,182,063**
Net Assets ($):		
Beginning of Period	426,658,594	360,476,531
End of Period	**452,053,362**	**426,658,594**
Undistributed investment income—net	1,562,813	117,705

	Year Ended December 31,	
	2005	2004
Capital Share Transactions:		
Initial Shares		
Shares sold	1,864,146	2,387,774
Shares issued for dividends reinvested	87,850	531,785
Shares redeemed	(2,589,219)	(2,450,805)
Net Increase (Decrease) in Shares Outstanding	**(637,223)**	**468,754**
Service Shares		
Shares sold	668,722	1,619,530
Shares issued for dividends reinvested	19,751	117,505
Shares redeemed	(655,124)	(778,615)
Net Increase (Decrease) in Shares Outstanding	**33,349**	**958,420**

See notes to financial statements.

FINANCIAL HIGHLIGHTS

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

	Year Ended December 31,				
Initial Shares	2005	2004	2003	2002	2001
Per Share Data ($):					
Net asset value, beginning of period	17.62	15.82	12.04	13.80	14.29
Investment Operations:					
Investment income–net[a]	.08	.07	.04	.04	.03
Net realized and unrealized gain (loss) on investments	1.53	2.22	3.78	(1.76)	(.50)
Total from Investment Operations	1.61	2.29	3.82	(1.72)	(.47)
Distributions:					
Dividends from investment income–net	(.01)	(.07)	(.04)	(.04)	(.02)
Dividends from net realized gain on investments	(.07)	(.42)	–	–	–
Total Distributions	(.08)	(.49)	(.04)	(.04)	(.02)
Net asset value, end of period	19.15	17.62	15.82	12.04	13.80
Total Return (%)	9.17	14.48	31.72	(12.49)	(3.26)
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	.79	.78	.82	.85	.89
Ratio of net expenses to average net assets	.79	.78	.82	.85	.89
Ratio of net investment income to average net assets	.43	.43	.32	.32	.24
Portfolio Turnover Rate	99.27	79.75	74.15	69.15	76.37
Net Assets, end of period ($ x 1,000)	362,789	344,979	302,253	218,387	181,028

[a] *Based on average shares outstanding at each month end.*
See notes to financial statements.

	Year Ended December 31,				
Service Shares	2005	2004	2003	2002	2001
Per Share Data ($):					
Net asset value, beginning of period	17.57	15.77	12.02	13.78	14.29
Investment Operations:					
Investment income—net [a]	.04	.04	.02	.02	.01
Net realized and unrealized gain (loss) on investments	1.52	2.21	3.75	(1.75)	(.50)
Total from Investment Operations	1.56	2.25	3.77	(1.73)	(.49)
Distributions:					
Dividends from investment income—net	–	(.03)	(.02)	(.03)	(.02)
Dividends from net realized gain on investments	(.07)	(.42)	–	–	–
Total Distributions	(.07)	(.45)	(.02)	(.03)	(.02)
Net asset value, end of period	19.06	17.57	15.77	12.02	13.78
Total Return (%)	8.93	14.23	31.48	(12.64)	(3.36)
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	1.04	1.03	1.06	1.10	1.17
Ratio of net expenses to average net assets	1.00	1.00	1.00	1.00	1.00
Ratio of net investment income to average net assets	.22	.22	.12	.15	.07
Portfolio Turnover Rate	99.27	79.75	74.15	69.15	76.37
Net Assets, end of period ($ x 1,000)	89,264	81,680	58,224	18,320	9,764

[a] *Based on average shares outstanding at each month end.*

See notes to financial statements.

NOTE 1—Significant Accounting Policies:

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

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

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

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

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

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

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

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

Pursuant to a securities lending agreement with Mellon Bank, N.A., an affiliate of the Manager, the portfolio may lend securities to qualified institutions. At origination, all loans are secured by collateral of at least 102% of the value of U.S. securities loaned and 105% of the value of foreign securities loaned. Collateral equivalent to at least 100% of the market value of securities on loan will be maintained at all times. Cash collateral is invested in certain money market mutual funds managed by the Manager. The portfolio will be entitled to receive all income on securities loaned, in addition to income earned as a result of the lending transaction. Although each security loaned is fully collateralized, the portfolio would bear 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.

The portfolio may enter into repurchase agreements with financial institutions, deemed to be creditworthy by the Manager, subject to the seller's agreement to repurchase and the portfolio's agreement to resell such securities at a mutually agreed upon price. Securities purchased subject to repurchase agreements are deposited with the portfolio's custodian and, pursuant to the terms of the repurchase agreement, must have an aggregate market value greater than or equal to the repurchase price plus accrued interest at all times. If the value of the underlying securities falls below the value of the repurchase price plus accrued interest, the portfolio will require the seller to deposit additional collateral by the next business day. If the request for additional collateral is not met, or the seller defaults on its repurchase obligation, the portfolio maintains the right to sell the underlying securities at market value and may claim any resulting loss against the seller.

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

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

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

At December 31, 2005, the components of accumulated earnings on a tax basis were as follows: undistributed ordinary income $25,722,338, undistributed capital gains $48,384,854 and unrealized appreciation $47,575,618.

The tax character of distributions paid to shareholders during the fiscal periods ended December 31, 2005 and December 31, 2004 were as follows: ordinary income $105,741 and $1,387,858 and long-term capital gains $1,747,053 and $9,914,192, respectively.

During the period ended December 31, 2005, as a result of permanent book to tax differences, primarily due to the tax treatment for real estate investment trusts, the portfolio decreased accumulated undistributed investment income-net by $128,124 and increased accumulated net realized gain (loss) on investments by the same amount.

NOTE 2—Bank Line of Credit:

The portfolio participates with other Dreyfus-managed funds in a $100 million unsecured line of credit primarily to be utilized for temporary or emergency purposes, including the financing of redemptions. Interest is charged to the portfolio based on prevailing market rates in effect at the time of borrowing. During the period ended December 31, 2005, the portfolio did not borrow under the line of credit.

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

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

The Manager had agreed, from January 1, 2005 to January 31, 2006, to waive receipt of its fees and/or assume the expenses of the portfolio so that the expenses of neither class, exclusive of taxes, brokerage fees, interest on borrowings and extraordinary expenses, exceed 1% of the value of the average daily net assets of their class. The Manager has agreed from February 1, 2006 to July 31, 2006, to waive receipt of its fees and/or assume the expenses of the portfolio so that the expenses of neither class, exclusive of certain expenses as described above, exceed .90% of the value of the average daily net assets of their class. During the period ended December 31, 2005, the Manager waived receipt of fees of $37,454, pursuant to the undertaking.

(b) Under the Distribution Plan (the "Plan") adopted pursuant to Rule 12b-1 under the Act, Service shares pay the Distributor for distributing their shares, for servicing and/or maintaining Service shares shareholder accounts and for advertising and marketing for Service shares. The Plan provides for payments to be made at an annual rate of .25% of the value of the Service shares' average daily net assets. The Distributor may make payments to Participating Insurance Companies and to brokers and dealers acting as principal underwriter for their variable insurance products. The fees payable under the Plan are payable without regard to actual expenses incurred. During the period ended December 31, 2005, Service shares were charged $210,152 pursuant to the Plan.

The portfolio compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of the Manager, under a transfer agency agreement for providing personnel and facilities to perform transfer agency services for the portfolio. During the period ended December 31, 2005, the portfolio was charged $787 pursuant to the transfer agency agreement.

The portfolio compensates Mellon Bank, N.A., an affiliate of the Manager, under a custody agreement for providing custodial services for the portfolio. During the period ended December 31, 2005, the portfolio was charged $40,549 pursuant to the custody agreement.

During the period ended December 31, 2005, the portfolio was charged $3,762 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 $291,065, Rule 12b-1 distribution plan fees $19,113, custodian fees $9,697, chief compliance officer fees $1,858 and transfer agency per account fees $137, which are offset against an expense reimbursement currently in effect in the amount of $3,335.

(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 December 31, 2005, amounted to $425,370,349 and $439,998,988, respectively.

At December 31, 2005, the cost of investments for federal income tax purposes was $415,969,985; accordingly, accumulated net unrealized appreciation on investments was $47,575,618, consisting of $61,990,492 gross unrealized appreciation and $14,414,874 gross unrealized depreciation.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Trustees
Dreyfus Investment Portfolios, MidCap Stock Portfolio

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Dreyfus Investment Portfolios, MidCap Stock Portfolio (one of the funds comprising Dreyfus Investment Portfolios) as of December 31, 2005, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and financial highlights for each of the years indicated therein. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included verification by examination of securities held by the custodian as of December 31, 2005 and confirmation of securities not held by the custodian by correspondence with others. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Dreyfus Investment Portfolios, MidCap Stock Portfolio at December 31, 2005, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the indicated years, in conformity with U. S. generally accepted accounting principles.

Ernst + Young LLP

New York, New York
February 6, 2006

IMPORTANT TAX INFORMATION (Unaudited)

For federal tax purposes, the portfolio hereby designates $.0719 per share as a long-term capital gain distribution paid on March 31, 2005 and also the portfolio hereby designates 98.62% of the ordinary dividends paid during the fiscal year ended December 31, 2005 as qualifying for the corporate dividends received deduction. Shareholders will receive notification in January 2006 of the percentage applicable to the preparation of their 2005 income tax returns.

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

At separate meetings of the Board of Trustees of Dreyfus Investment Portfolios (the "Company") held on July 12-13, 2005, the Board considered the re-approval of the portfolio's Investment Advisory Agreement for another one-year term, pursuant to which the Manager provides the portfolio with investment advisory and administrative services. The Board members, none of whom are "interested persons" (as defined in the Investment Company Act of 1940, as amended) of the Company, were assisted in their review by independent legal counsel and met with counsel in executive session separate from representatives of the Manager.

Analysis of Nature, Extent and Quality of Services Provided to the Portfolio. The Board members received a presentation from representatives of the Manager regarding services provided to the portfolio and other funds in the Dreyfus fund complex, and discussed the nature, extent and quality of the services provided to the portfolio pursuant to the portfolio's Investment Advisory Agreement. The Manager's representatives reviewed the portfolio's distribution of accounts and the relationships the Manager has with various intermediaries and the different needs of each. The Board members noted that the portfolio's shares are offered only to separate accounts established by insurance companies to fund variable annuity contracts and variable life insurance policies. The Manager's representatives noted the diversity of distribution among the funds in the Dreyfus fund complex, and the Manager's corresponding need for broad, deep and diverse resources to be able to provide ongoing shareholder services to each distribution channel, including that of the portfolio. The Board also reviewed the number of shareholder accounts in the portfolio, as well as the portfolio's asset size.

The Board members also considered the Manager's research and portfolio management capabilities and that the Manager also provides oversight of day-to-day portfolio operations, including portfolio accounting and administration and assistance in meeting legal and regulatory requirements. The Board members also considered the Manager's extensive administrative, accounting and compliance infrastructure.

Comparative Analysis of the Portfolio's Performance, Investment Advisory Fee and Expense Ratio. The Board members reviewed the portfolio's performance, advisory fee and expense ratio and placed significant emphasis on comparisons to two groups of comparable funds and to Lipper averages (with respect to performance only). The Manager's representatives advised the Board members that the first comparison group of funds includes funds in the applicable Lipper category that are not subject to a Rule 12b-1 plan (collectively, "Comparison Group I") and that the second comparison group of funds includes funds in the applicable Lipper category that are subject to a Rule 12b-1 plan (collectively, "Comparison Group II"). Each group of comparable funds was previously approved by the Board for this purpose, and was prepared using a Board-approved selection methodology that was based, in part, on selecting non-affiliated funds reported in the same Lipper category as the portfolio. The Board members did not rely on comparisons to Lipper averages with respect to the portfolio's expense ratio because the average expense ratio of the applicable Lipper category for variable insurance products reflects not only expenses of mutual funds offered to fund variable annuity contracts and variable life insurance policies but also expenses of the separate accounts in which this type of mutual fund is offered.

The Board members discussed the results of the comparisons for various periods ended May 31, 2005, and noted that the total return performance of the portfolio's Initial shares (which are not subject to a Rule 12b-1 plan) was below the averages of Comparison Group I for the one-, three- and five-year periods, and that the total return performance of the portfolio's Service shares (which are subject to a Rule 12b-1 plan) was above the averages of Comparison Group II for the one- and five-year periods and was below the average of Comparison Group II for the three-year period. It was noted that the five-year total return performance of the portfolio's Service shares reflects the performance of the portfolio's Initial shares prior to December 31, 2000 (at which time the portfolio began offering Service shares) and reflects the performance of the portfolio's Service shares thereafter. The Board members noted that the portfolio's performance was showing a trend of improvement, and also noted management's efforts to improve performance by reassessing the factors included in the model used for selecting stocks for the portfolio. The Board noted that the total return performance of the portfolio's Initial shares and Service shares was below the Comparison Group I and Comparison Group II Lipper category averages, respectively, for the one-, three- and five-year periods.

The Board members also discussed the portfolio's expense ratios, noting that the expense ratio of the portfolio's Initial shares was lower than the average expense ratio of Comparison Group I and that the current fee waiver and expense reimbursement arrangement undertaken by the Manager had caused the expense ratio of the portfolio's Service shares to be comparable to the average expense ratio of Comparison Group II. The Board reviewed the range of management fees in each comparison group, noting that the portfolio's advisory fee ranked in the middle in each comparison group, with several funds having the same or higher management fees. The Board members also considered the Manager's contractual undertaking for the portfolio in effect through December 31, 2005.

Representatives of the Manager reviewed with the Board members the fees paid to the Manager or its affiliates by mutual funds managed by the Manager or its affiliates with similar investment objectives, policies and strategies as the portfolio (the "Similar Funds"), and by other accounts managed or sub-advised by the Manager or its affiliates with similar investment objectives, policies and strategies as the portfolio (collectively with the Similar Funds, the "Similar Accounts"). The Manager's representatives explained the nature of the Similar Accounts and the differences, from the Manager's perspective, in management of the Similar Accounts as compared to managing and providing services to the portfolio; it was noted that the Similar Funds were mutual funds included in the "mid-cap core" funds category by Lipper. The Manager's representatives also reviewed the costs associated with distribution through intermediaries. The Board analyzed the differences in fees paid to the Manager and discussed the relationship of the advisory fees paid in light of the Manager's performance and the services provided; it was noted that the Similar Funds generally had management fees that were comparable to the fee borne by the portfolio or reflected the pricing of a "unitary fee" fund and a fund that imposes a separate administration fee. The Board members considered the relevance of the fee information provided for the Similar Accounts managed by the Manager to evaluate the appropriateness and reasonableness of the portfolio's advisory fees. The Board acknowledged that differences in fees paid by the Similar Accounts seemed to be consistent with the services provided.

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

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

At the conclusion of these discussions, each Board member expressed the opinion that he or she had been furnished with sufficient information to make an informed business decision with respect to continuation of the portfolio's Investment Advisory Agreement. Based on their discussions and considerations as described above, the Board made the following conclusions and determinations with respect to the portfolio.

- The Board concluded that the nature, extent and quality of the services provided by the Manager to the portfolio are adequate and appropriate.
- While the Board was concerned with the portfolio's total return performance, the Board members noted that the portfolio's short-term performance is showing a trend of improvement, the underperformance of the portfolio's total return versus its comparison groups may be attributable, in part, to the outperformance of lower-quality holdings of some funds in the comparison groups, and management is reassessing the factors included in the model used for selecting stocks for the portfolio.

- The Board concluded that the fee paid to the Manager by the portfolio was reasonable in light of comparative performance and expense and advisory fee information, including the Manager's current undertaking to limit the portfolio's expense ratio, costs of the services provided and profits to be realized and benefits derived or to be derived by the Manager from its relationship with the portfolio.
- The Board determined that the economies of scale which may accrue to the Manager and its affiliates in connection with the management of the portfolio had been adequately considered by the Manager in connection with the advisory fee rate charged to the portfolio, and that, to the extent in the future it were determined that material economies of scale had not been shared with the portfolio, the Board would seek to have those economies of scale shared with the portfolio.

The Board members considered these conclusions and determinations, along with the information received on a routine and regular basis throughout the year, and, without any one factor being dispositive, the Board determined that re-approval of the portfolio's Investment Advisory Agreement was in the best interests of the portfolio and its shareholders and that the Investment Advisory Agreement would be renewed until February 28, 2006, prior to which the Board will reconsider the renewal for the remainder of the annual period (through August 31, 2006).

Joseph S. DiMartino (62)
Chairman of the Board (1998)

Principal Occupation During Past 5 Years:
• Corporate Director and Trustee

Other Board Memberships and Affiliations:
• The Muscular Dystrophy Association, Director
• Levcor International, Inc., an apparel fabric processor, Director
• Century Business Services, Inc., a provider of outsourcing functions for small and medium size companies, Director
• The Newark Group, a provider of a national market of paper recovery facilities, paperboard mills and paperboard converting plants, Director
• Sunair Services Corporation, engages in the design, manufacture and sale of high frequency systems for long-range voice and data communications, as well as providing certain outdoor-related services to homes and businesses, Director

No. of Portfolios for which Board Member Serves: 193

Clifford L. Alexander, Jr. (72)
Board Member (1998)

Principal Occupation During Past 5 Years:
• President of Alexander & Associates, Inc., a management consulting firm (January 1981-present)
• Chairman of the Board of Moody's Corporation (October 2000-October 2003)
• Chairman of the Board and Chief Executive Officer of The Dun and Bradstreet Corporation (October 1999-September 2000)

Other Board Memberships and Affiliations:
• Mutual of America Life Insurance Company, Director

No. of Portfolios for which Board Member Serves: 66

Lucy Wilson Benson (78)
Board Member (1998)

Principal Occupation During Past 5 Years:
• President of Benson and Associates, consultants to business and government (1980-present)

Other Board Memberships and Affiliations:
• The International Executive Services Corps., Director Emeritus
• Citizens Network for Foreign Affairs, Vice Chairperson
• Council on Foreign Relations, Member
• Lafayette College Board of Trustees, Trustee Emeritus
• Atlantic Council of the U.S., Director

No. of Portfolios for which Board Member Serves: 40

David W. Burke (69)
Board Member (2003)

Principal Occupation During Past 5 Years:
• Corporate Director and Trustee

Other Board Memberships and Affiliations:
• John F. Kennedy Library Foundation, Director
• U.S.S. Constitution Museum, Director

No. of Portfolios for which Board Member Serves: 84

Whitney I. Gerard (71)
Board Member (2003)

Principal Occupation During Past 5 Years:
• Partner of Chadbourne & Parke LLP

No. of Portfolios for which Board Member Serves: 38

Arthur A. Hartman (79)
Board Member (2003)

Principal Occupation During Past 5 Years:
• Chairman of First NIS Regional Fund (ING/Barings Management) and New Russia Fund
• Advisory Council Member to Barings-Vostok

Other Board Memberships and Affiliations:
• APCO Associates Inc., Senior Consultant

No. of Portfolios for which Board Member Serves: 38

George L. Perry (71)
Board Member (2003)

Principal Occupation During Past 5 Years:
• Economist and Senior Fellow at Brookings Institution

No. of Portfolios for which Board Member Serves: 38

Once elected all Board Members serve for an indefinite term. The address of the Board Members and Officers is in c/o The Dreyfus Corporation, 200 Park Avenue, New York, New York 10166. Additional information about the Board Members is available in the fund's Statement of Additional Information which can be obtained from Dreyfus free of charge by calling this toll free number: 1-800-554-4611.

OFFICERS OF THE FUND (Unaudited)

STEPHEN E. CANTER, President since March 2000.

Chairman of the Board, Chief Executive Officer and Chief Operating Officer of the Manager, and an officer of 90 investment companies (comprised of 184 portfolios) managed by the Manager. Mr. Canter also is a Board member and, where applicable, an Executive Committee Member of the other investment management subsidiaries of Mellon Financial Corporation, each of which is an affiliate of the Manager. He is 60 years old and has been an employee of the Manager since May 1995.

STEPHEN R. BYERS, Executive Vice President since November 2002.

Chief Investment Officer, Vice Chairman and a director of the Manager, and an officer of 90 investment companies (comprised of 184 portfolios) managed by the Manager. Mr. Byers also is an officer, director or an Executive Committee Member of certain other investment management subsidiaries of Mellon Financial Corporation, each of which is an affiliate of the Manager. He is 52 years old and has been an employee of the Manager since January 2000.

MARK N. JACOBS, Vice President since March 2000.

Executive Vice President, Secretary and General Counsel of the Manager, and an officer of 91 investment companies (comprised of 200 portfolios) managed by the Manager. He is 59 years old and has been an employee of the Manager since June 1977.

MICHAEL A. ROSENBERG, Vice President and Secretary since August 2005.

Associate General Counsel of the Manager, and an officer of 91 investment companies (comprised of 200 portfolios) managed by the Manager. He is 45 years old and has been an employee of the Manager since October 1991.

JAMES BITETTO, Vice President and Assistant Secretary since August 2005.

Assistant General Counsel and Assistant Secretary of the Manager, and an officer of 91 investment companies (comprised of 200 portfolios) managed by the Manager. He is 39 years old and has been an employee of the Manager since December 1996.

JONI LACKS CHARATAN, Vice President and Assistant Secretary since August 2005.

Associate General Counsel of the Manager, and an officer of 91 investment companies (comprised of 200 portfolios) managed by the Manager. She is 50 years old and has been an employee of the Manager since October 1988.

JOSEPH M. CHIOFFI, Vice President and Assistant Secretary since August 2005.

Assistant General Counsel of the Manager, and an officer of 91 investment companies (comprised of 200 portfolios) managed by the Manager. He is 44 years old and has been an employee of the Manager since June 2000.

JANETTE E. FARRAGHER, Vice President and Assistant Secretary since August 2005.

Associate General Counsel of the Manager, and an officer of 91 investment companies (comprised of 200 portfolios) managed by the Manager. She is 43 years old and has been an employee of the Manager since February 1984.

JOHN B. HAMMALIAN, Vice President and Assistant Secretary since August 2005.

Associate General Counsel of the Manager, and an officer of 91 investment companies (comprised of 200 portfolios) managed by the Manager. He is 42 years old and has been an employee of the Manager since February 1991.

ROBERT R. MULLERY, Vice President and Assistant Secretary since August 2005.

Associate General Counsel of the Manager, and an officer of 91 investment companies (comprised of 200 portfolios) managed by the Manager. He is 53 years old and has been an employee of the Manager since May 1986.

JEFF PRUSNOFSKY, Vice President and Assistant Secretary since August 2005.

Associate General Counsel of the Manager, and an officer of 91 investment companies (comprised of 200 portfolios) managed by the Manager. He is 40 years old and has been an employee of the Manager since October 1990.

JAMES WINDELS, Treasurer since November 2001.

Director – Mutual Fund Accounting of the Manager, and an officer of 91 investment companies (comprised of 200 portfolios) managed by the Manager. He is 47 years old and has been an employee of the Manager since April 1985.

ERIK D. NAVILOFF, Assistant Treasurer since December 2002.

Senior Accounting Manager – Taxable Fixed Income Funds of the Manager, and an officer of 91 investment companies (comprised of 200 portfolios) managed by the Manager. He is 37 years old and has been an employee of the Manager since November 1992.

ROBERT ROBOL, Assistant Treasurer since August 2005.

Senior Accounting Manager – Money Market and Municipal Bond Funds of the Manager, and an officer of 91 investment companies (comprised of 200 portfolios) managed by the Manager. He is 41 years old and has been an employee of the Manager since October 1988.

ROBERT SVAGNA, Assistant Treasurer since December 2002.

Senior Accounting Manager – Equity Funds of the Manager, and an officer of 91 investment companies (comprised of 200 portfolios) managed by the Manager. He is 38 years old and has been an employee of the Manager since November 1990.

GAVIN C. REILLY, Assistant Treasurer since December 2005.

Tax Manager of the Investment Accounting and Support Department of the Manager, and an officer of 91 investment companies (comprised of 200 portfolios) managed by the Manager. He is 37 years old and has been an employee of the Manager since April 1991.

JOSEPH W. CONNOLLY, Chief Compliance Officer since October 2004.

Chief Compliance Officer of the Manager and The Dreyfus Family of Funds (91 investment companies, comprised of 200 portfolios). From November 2001 through March 2004, Mr. Connolly was first Vice-President, Mutual Fund Servicing for Mellon Global Securities Services. In that capacity, Mr. Connolly was responsible for managing Mellon's Custody, Fund Accounting and Fund Administration services to third-party mutual fund clients. He is 48 years old and has served in various capacities with the Manager since 1980, including manager of the firm's Fund Accounting Department from 1997 through October 2001.

WILLIAM GERMENIS, Anti-Money Laundering Compliance Officer since September 2002.

Vice President and Anti-Money Laundering Compliance Officer of the Distributor, and the Anti-Money Laundering Compliance Officer of 87 investment companies (comprised of 196 portfolios) managed by the Manager. He is 35 years old and has been an employee of the Distributor since October 1998.

NOTES

For More Information

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

Investment Adviser

The Dreyfus Corporation
200 Park Avenue
New York, NY 10166

Custodian

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

Transfer Agent &
Dividend Disbursing Agent

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

Distributor

Dreyfus Service Corporation
200 Park Avenue
New York, NY 10166

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

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

The portfolio files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The portfolio's Forms N-Q are available on the SEC's website at http://www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

A description of the policies and procedures that the portfolio uses to determine how to vote proxies relating to portfolio securities, and information regarding how the portfolio voted these proxies for the 12-month period ended June 30, 2005, is available at http://www.dreyfus.com and on the SEC's website at http://www.sec.gov. The description of the policies and procedures is also available without charge, upon request, by calling 1-800-645-6561.

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The Dreyfus Socially Responsible Growth Fund, Inc.

ANNUAL REPORT December 31, 2005

YOU, YOUR ADVISOR AND

Dreyfus

A MELLON FINANCIAL COMPANY℠

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THE FUND

FOR MORE INFORMATION

LETTER FROM THE CHAIRMAN

Dear Shareholder:

We are pleased to present this annual report for The Dreyfus Socially Responsible Growth Fund, Inc., covering the 12-month period from January 1, 2005, through December 31, 2005. Inside, you'll find valuable information about how the fund was managed during the reporting period, including a discussion with the fund's portfolio managers, John O'Toole and Jocelin Reed.

Stocks generally absorbed both good and bad news in 2005 to post modestly positive total returns. On the plus side, an expanding U.S. economy and low inflation helped support corporate earnings in most industry groups. Negative influences included rising short-term interest rates and escalating energy prices, which many analysts feared might erode corporate profits. In addition, hurricanes Katrina, Rita and Wilma disrupted economic activity along the Gulf Coast.

We expect the U.S. economy to continue its moderate expansion in 2006, fueled in part by a rebound in corporate capital spending and exports. The labor market likely will remain relatively strong while inflation should stay low, supporting consumers' real incomes. Risks in the new year include the possible end of the boom in the housing market, where we believe prices are more likely to stall than plunge.

As always, we encourage you to speak with your financial consultant about how these and other market forces may affect your investments. Thank you for your continued confidence and support.

Sincerely,

Stephen E. Canter
Chairman and Chief Executive Officer
The Dreyfus Corporation
January 17, 2006

DISCUSSION OF FUND PERFORMANCE

John O'Toole and Jocelin Reed, Portfolio Managers

How did The Dreyfus Socially Responsible Growth Fund, Inc. perform relative to its benchmark?

For the 12-month period ended December 31, 2005, the fund's Initial shares produced a 3.62% total return, and the fund's Service shares produced a 3.35% total return.[1] In comparison, the fund's benchmark, the Standard & Poor's 500 Composite Stock Price Index ("S&P 500 Index"), produced a 4.91% total return for the same period.[2]

We attribute these results to continued economic growth, which drove the stock market higher despite the countervailing forces of high energy prices and rising interest rates. However, uncertainty regarding the impact of these forces on future economic growth led investors to favor traditionally defensive, value-oriented issues over their growth-oriented counterparts. The fund's growth-oriented investment approach responded less favorably to these conditions than the benchmark, which includes both value-oriented and growth-oriented issues. As a result, the fund's returns lagged slightly behind the benchmark.

On a separate note, John O'Toole and Jocelin Reed became the fund's co-primary portfolio managers, effective December 1, 2005, for both the selection of portfolio securities and the fund's areas of social concern.

What is the fund's investment approach?

The fund seeks to provide 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 the opinion of the fund's management, meet traditional investment standards while simultaneously conducting their businesses in a manner that contributes to the enhancement of the quality of life in America.

Effective December 1, 2005, the fund modified its investment approach. The fund's investment strategy combines a disciplined investment process that consists of computer modeling techniques, fundamental analysis and risk management with a social investment process.

In selecting stocks, the portfolio managers begin by using quantitative research to identify and rank stocks within an industry or sector, based on several characteristics, including:

- value, or how a stock is priced relative to its perceived intrinsic worth
- growth, in this case the sustainability or growth of earnings
- financial profile, which measures the financial health of the company

Next, based on fundamental analysis, the portfolio managers designate the most attractive of the higher ranked securities as potential purchase candidates, drawing on a variety of sources, including company management and internal as well as Wall Street research.

The portfolio managers then evaluate each stock considered to be a potential purchase candidate, by industry or sector, to determine whether the company enhances the quality of life in America by considering its record in the areas of:

- protection and improvement of the environment and the proper use of our natural resources
- occupational health and safety
- consumer protection and product purity
- equal employment opportunity

Consistent with its consumer protection screen, the fund will not purchase shares in a company that manufactures tobacco products.

If the portfolio managers determine that a company fails to meet the fund's social criteria, the stock will not be purchased, or if it is already owned, it will be sold as soon as reasonably possible, consistent with the best interests of the fund. If the portfolio managers' assessment does not reveal a negative pattern of conduct in these social areas, the company's stock is eligible for purchase or retention.

The portfolio managers then further examine the companies determined to be eligible for purchase, by industry or sector, and select investments from those companies the portfolio managers consider to be the most attractive based on financial considerations. If there is more than one company to choose from, the portfolio managers can select stocks of companies that they consider to have records that exhibit positive accomplishments in the fund's areas of social concern.

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

What other factors influenced the fund's performance?

High oil and gas prices affected the economy and the stock market significantly, generating exceptional earnings for energy companies. Utilities also fared well in an environment of constrained supply and strong industrial demand. In fact, energy and utilities proved to be the market's two best-performing sectors for the reporting period as a whole. However, because these are traditionally value-oriented areas, the fund held no utilities stocks and allocated less than 3% of its assets to energy stocks, a group that made up more than 9% of the benchmark. Accordingly, while a small number of energy holdings, such as Anadarko Petroleum, generated strong gains for the fund, its relative lack of exposure to energy and utilities stocks detracted significantly from its relative performance.

Similarly, the fund's relatively overweighted exposure to traditionally growth-oriented sectors, including technology, consumer discretionary and health care, also took a toll on its relative performance. However, strong individual stock selections in each of these sectors enabled the fund to more than offset any allocation-related weakness. In the health care sector, the fund generally avoided troubled large-cap pharmaceutical manufacturers, focusing instead on biotechnology firms, such as Genzyme, and equipment and supply companies, such as Alcon. Among consumer discretionary holdings, the fund emphasized high-end and specialty retailers, such as Chico's FAS, Coach and Advance

Auto Parts, that were largely unaffected by the impact of rising interest rates and energy prices on lower-income consumers. Finally, in the technology sector, gains among some holdings, such as Motorola and Texas Instruments, helped balance the impact of declines in others, such as Dell, Cognos and International Business Machines.

What is the fund's current strategy?

The fund is currently maintaining its growth-oriented investment approach and will consider opportunities under the fund's modified investment approach as they arise. At the same time, during the final month of the reporting period we have made modest changes to the fund's holdings to manage risk, including enhancing diversification and bringing the fund's sector concentrations more closely in line with our desired growth strategy. As of the end of the reporting period, the fund has slightly overweight positions in the technology and health care sectors, and somewhat less exposure than the S&P 500 to financial stocks, particularly those that tend to be more sensitive to rising interest rates.

Can you highlight some of the fund's socially responsible investing activities?

Our commitment to socially responsible investing remains as strong and focused as ever, relying on the same screening procedures and being conscious of the same issues as at the time of the fund's last report. We believe the recent strength in the market's energy sector calls particular attention to the impact of the fund's socially responsible criteria on investing in energy stocks.

Energy companies face singular environmental challenges, with some companies more successful than others in minimizing the environmental impact of their activities and in focusing on renewable energy resources that promote sustainability. Rather than reduce the fund's exposure to the sector, we largely mirror the percentage of energy stocks in the growth index, taking positions in those companies that meet our quantitative investment criteria while emphasizing relatively clean-burning fuels, such as natural gas. For example, during the final month of the reporting period, the fund initiated a position in Pioneer Natural Resources, an independent exploration and production company with significant natural gas facilities in the United States and around the world.

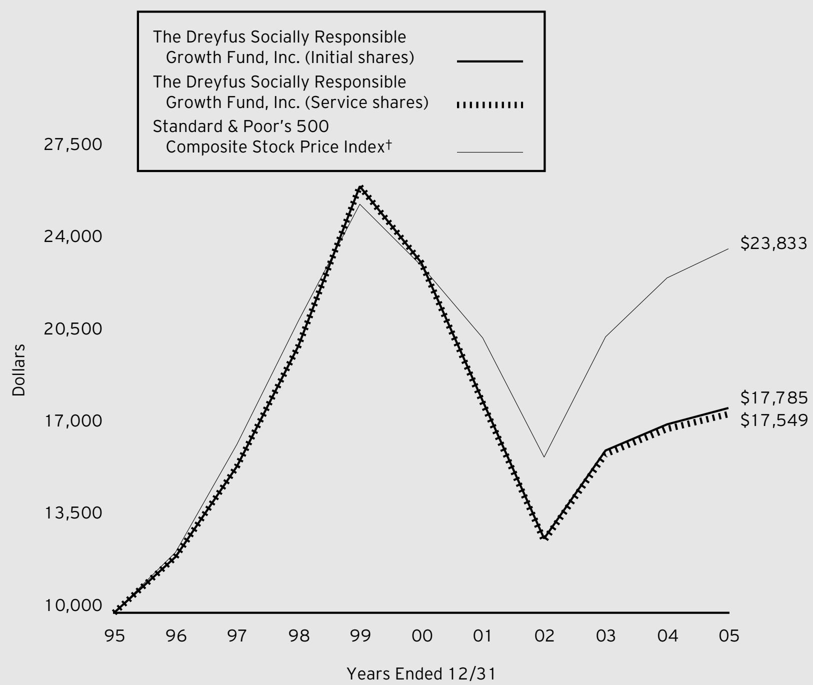
For further information regarding the fund's approach to socially responsible investing, search for "SRI" on the Dreyfus website (www.dreyfus.com) or consult the fund's prospectus.

January 17, 2006

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

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

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



Comparison of change in value of $10,000 investment in The Dreyfus Socially Responsible Growth Fund, Inc. Initial shares and Service shares and the Standard and Poor's 500 Composite Stock Price Index

Average Annual Total Returns *as of 12/31/05*

	1 Year	5 Years	10 Years
Initial shares	**3.62%**	**(5.27)%**	**5.93%**
Service shares	**3.35%**	**(5.52)%**	**5.79%**

The data for Service shares includes the results of Initial shares for the period prior to December 31, 2000 (inception date of Service shares). Actual Service shares' average annual total return and hypothetical growth results would have been lower. See notes below.

† Source: Lipper Inc.

Past performance is not predictive of future performance. The fund's performance shown in the graph and table does not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

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.

The above graph compares a $10,000 investment made in Initial and Service shares of The Dreyfus Socially Responsible Growth Fund, Inc. on 12/31/95 to a $10,000 investment made in the Standard & Poor's 500 Composite Stock Price Index (the "Index") on that date.

The fund's Initial shares are not subject to a Rule 12b-1 fee. The fund's Service shares are subject to a 0.25% annual Rule 12b-1 fee. The performance figures for Service shares reflect the performance of the fund's Initial shares from their inception date through December 30, 2000, and the performance of the fund's Service shares from December 31, 2000 (inception date of Service shares) to December 31, 2005 (blended performance figures). The blended performance figures have not been adjusted to reflect the higher operating expenses of the Service shares. If these expenses had been reflected, the blended performance figures would have been lower. All dividends and capital gain distributions are reinvested.

The fund's performance shown in the line graph takes into account all applicable fund fees and expenses. The Index is a widely accepted, unmanaged index of U.S. stock market performance, which does not take into account charges, fees and other expenses. Further information relating to fund performance, including expense reimbursements, if applicable, is contained in the Financial Highlights section of the prospectus and elsewhere in this report.

UNDERSTANDING YOUR FUND'S EXPENSES (Unaudited)

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

Review your fund's expenses

The table below shows the expenses you would have paid on a $1,000 investment in The Dreyfus Socially Responsible Growth Fund, Inc. from July 1, 2005 to December 31, 2005. 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 December 31, 2005

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.15	$ 5.45
Ending value (after expenses)	$1,059.30	$1,057.60

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 December 31, 2005

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.08	$ 5.35
Ending value (after expenses)	$1,021.17	$1,019.91

† *Expenses are equal to the fund's annualized expense ratio of .80% for Initial shares and 1.05% for Service shares; multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).*

STATEMENT OF INVESTMENTS

December 31, 2005

Common Stocks—98.8%	Shares		Value ($)
Consumer Cyclical—10.5%			
Advance Auto Parts	122,200	a	5,310,812
Chico's FAS	176,900	a	7,771,217
Claire's Stores	128,200		3,746,004
Coach	177,000	a	5,901,180
Costco Wholesale	89,000		4,402,830
Home Depot	237,700		9,622,096
Mattel	255,100		4,035,682
Nordstrom	117,400		4,390,760
			45,180,581
Consumer Services—2.1%			
Target	165,900		**9,119,523**
Energy—3.4%			
Anadarko Petroleum	69,600		6,594,600
Pioneer Natural Resources	86,100		4,414,347
Pride International	115,500	a	3,551,625
			14,560,572
Finance—1.1%			
SLM	83,000		**4,572,470**
Health Care—17.5%			
Aetna	47,000		4,432,570
Alcon	30,700		3,978,720
Amgen	65,100	a	5,133,786
Baxter International	113,900		4,288,335
Becton, Dickinson & Co.	77,500		4,656,200
Genzyme	87,100	a	6,164,938
Gilead Sciences	67,600	a	3,557,788
Johnson & Johnson	368,100		22,122,810
Novartis, ADR	158,100		8,297,088
WellPoint	103,200	a	8,234,328
Zimmer Holdings	69,600	a	4,693,824
			75,560,387
Hotels, Resorts & Cruise Lines—1.1%			
Marriott International, Cl. A	67,300		**4,507,081**

Common Stocks (continued)	Shares	Value ($)
Information Technology—4.0%		
Microsoft	657,400	**17,191,010**
Interest Sensitive—9.8%		
American Express	137,800	7,091,188
Capital One Financial	86,900	7,508,160
CIT Group	44,900	2,324,922
Goldman Sachs Group	79,000	10,089,090
JPMorgan Chase & Co.	173,900	6,902,091
Lincoln National	42,500	2,253,775
Radian Group	105,500	6,181,245
		42,350,471
Medical Services—.7%		
Quest Diagnostics	62,100	**3,196,908**
Producer Goods—10.4%		
Air Products & Chemicals	44,800	2,651,712
Burlington Northern Santa Fe	67,600	4,787,432
Eaton	45,500	3,052,595
Ecolab	181,900	6,597,513
Emerson Electric	123,800	9,247,860
Rockwell Automation	54,300	3,212,388
3M	59,000	4,572,500
Tyco International	129,500	3,737,370
United Technologies	123,600	6,910,476
		44,769,846
Services—14.9%		
Accenture, Cl. A	107,400	3,100,638
Kimberly-Clark	74,700	4,455,855
Manpower	82,300	3,826,950
McGraw-Hill Cos.	83,500	4,311,105
Moody's	74,300	4,563,506
News, Cl. B	398,800 [b]	6,624,068
PepsiCo	250,600	14,805,448
Procter & Gamble	266,300	15,413,444

Common Stocks (continued)	Shares		Value ($)
Services (continued)			
Walt Disney	303,800		7,282,086
			64,383,100
Technology—23.3%			
Apple Computer	62,300	a	4,478,747
Cisco Systems	517,100	a	8,852,752
Cognizant Technology Solutions, Cl. A	98,600	a	4,964,510
Danaher	78,700		4,389,886
Dell	275,500	a	8,262,245
EMC/Massachusetts	360,900	a	4,915,458
Google, Cl. A	10,800	a	4,480,488
Intel	328,600		8,201,856
International Business Machines	135,300		11,121,660
Microchip Technology	163,800		5,266,170
Motorola	502,800		11,358,252
National Semiconductor	132,900		3,452,742
Qualcomm	194,900		8,396,292
Texas Instruments	240,300		7,706,421
Yahoo!	121,900	a	4,776,042
			100,623,521
Total Common Stocks (cost $389,253,431)			**426,015,470**

Short-Term Investments—1.4%	Principal Amount ($)	Value ($)
Certificate of Deposit—.0%		
Self Help Credit Union, 4.49%, 3/14/2006	100,000	**100,000**
U.S. Treasury Bills—1.4%		
3.71%, 3/2/2006	3,487,000	3,465,311
3.87%, 3/23/2006	2,600,000	2,577,536
		6,042,847
Total Short-Term Investments (cost $6,142,777)		**6,142,847**

Investment of Cash Collateral for Securities Loaned–.9%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Plus Fund (cost $3,987,333)	3,987,333 [c]	**3,987,333**
Total Investments (cost $399,383,541)	**101.1%**	**436,145,650**
Liabilities, Less Cash and Receivables	**(1.1%)**	**(4,918,611)**
Net Assets	**100.0%**	**431,227,039**

ADR—American Depository Receipts.

[a] *Non-income producing.*

[b] *All or a portion of this security is on loan. At December 31, 2005, the total market value of the fund's security on loan is $3,895,859 and the total market value of the collateral held by the fund is $3,987,333.*

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

Portfolio Summary†

	Value (%)		Value (%)
Technology	23.3	Interest Sensitive	9.8
Health Care	17.5	Information Technology	4.0
Services	14.9	Energy	3.4
Consumer Cyclical	10.5	Other	7.3
Producer Goods	10.4		**101.1**

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2005

	Cost	Value
Assets ($):		
Investments in securities—		
See Statement of Investments (including securities on loan, valued at $3,895,859)—Note 1(b):		
Unaffiliated issuers	395,396,208	432,158,317
Affiliated issuers	3,987,333	3,987,333
Cash		2,621
Dividends and interest receivable		323,966
Receivable for shares of Common Stock subscribed		11,098
Prepaid expenses		10,127
		436,493,462
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(c)		293,263
Liability for securities on loan—Note 1(b)		3,987,333
Payable for shares of Common Stock redeemed		904,005
Accrued expenses		81,822
		5,266,423
Net Assets ($)		**431,227,039**
Composition of Net Assets ($):		
Paid-in capital		610,844,382
Accumulated undistributed investment income—net		425,025
Accumulated net realized gain (loss) on investments		(216,804,477)
Accumulated net unrealized appreciation (depreciation) on investments		36,762,109
Net Assets ($)		**431,227,039**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	418,915,548	12,311,491
Shares Outstanding	16,061,765	475,301
Net Asset Value Per Share ($)	**26.08**	**25.90**

See notes to financial statements.

STATEMENT OF OPERATIONS

Year Ended December 31, 2005

Investment Income ($):	
Income:	
Cash dividends (net of $53,604 foreign taxes withheld at source)	3,975,433
Interest	151,631
Income from securities lending	13,486
Total Income	**4,140,550**
Expenses:	
Investment advisory fee—Note 3(a)	3,409,195
Prospectus and shareholders' reports	81,384
Professional fees	75,690
Shareholder servicing costs—Note 3(c)	46,920
Custodian fees—Note 3(c)	40,209
Distribution fees—Note 3(b)	32,412
Directors' fees and expenses—Note 3(d)	14,936
Loan commitment fees—Note 2	2,049
Registration fees	309
Miscellaneous	15,501
Total Expenses	**3,718,605**
Less—reduction in custody fees due to earnings credits—Note 1(b)	(3,080)
Net Expenses	**3,715,525**
Investment Income—Net	**425,025**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	66,981,589
Net unrealized appreciation (depreciation) on investments	(52,689,108)
Net Realized and Unrealized Gain (Loss) on Investments	**14,292,481**
Net Increase in Net Assets Resulting from Operations	**14,717,506**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended December 31, 2005	2004
Operations ($):		
Investment income—net	425,025	1,874,645
Net realized gain (loss) on investments	66,981,589	19,989,769
Net unrealized appreciation (depreciation) on investments	(52,689,108)	7,654,122
Net Increase (Decrease) in Net Assets Resulting from Operations	**14,717,506**	**29,518,536**
Dividends to Shareholders from ($):		
Investment income—net:		
Initial shares	–	(1,891,537)
Service shares	–	(19,888)
Total Dividends	**–**	**(1,911,425)**
Capital Stock Transactions ($):		
Net proceeds from shares sold:		
Initial shares	17,384,093	30,639,929
Service shares	1,656,359	2,361,742
Dividends reinvested:		
Initial shares	–	1,891,537
Service shares	–	19,888
Cost of shares redeemed:		
Initial shares	(101,794,701)	(91,661,913)
Service shares	(3,222,562)	(1,835,549)
Increase (Decrease) in Net Assets from Capital Stock Transactions	**(85,976,811)**	**(58,584,366)**
Total Increase (Decrease) in Net Assets	**(71,259,305)**	**(30,977,255)**
Net Assets ($):		
Beginning of Period	502,486,344	533,463,599
End of Period	**431,227,039**	**502,486,344**
Undistributed investment income—net	425,025	–

	Year Ended December 31,	
	2005	2004
Capital Share Transactions:		
Initial Shares		
Shares sold	695,015	1,268,633
Shares issued for dividends reinvested	–	75,115
Shares redeemed	(4,060,531)	(3,826,643)
Net Increase (Decrease) in Shares Outstanding	**(3,365,516)**	**(2,482,895)**
Service Shares		
Shares sold	66,883	99,344
Shares issued for dividends reinvested	–	793
Shares redeemed	(129,971)	(76,854)
Net Increase (Decrease) in Shares Outstanding	**(63,088)**	**23,283**

See notes to financial statements.

FINANCIAL HIGHLIGHTS

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

	Year Ended December 31,				
Initial Shares	2005	2004	2003	2002	2001
Per Share Data ($):					
Net asset value, beginning of period	25.17	23.79	18.90	26.67	34.47
Investment Operations:					
Investment income—net[a]	.03	.09	.02	.05	.02
Net realized and unrealized gain (loss) on investments	.88	1.39	4.89	(7.77)	(7.80)
Total from Investment Operations	.91	1.48	4.91	(7.72)	(7.78)
Distributions:					
Dividends from investment income—net	–	(.10)	(.02)	(.05)	(.02)
Net asset value, end of period	26.08	25.17	23.79	18.90	26.67
Total Return (%)	3.62	6.21	26.00	(28.94)	(22.57)
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	.81	.82	.84	.80	.78
Ratio of net expenses to average net assets	.81	.82	.84	.80	.78
Ratio of net investment income to average net assets	.10	.38	.12	.20	.06
Portfolio Turnover Rate	94.99	55.54	63.17	90.07	110.82
Net Assets, end of period ($ x 1,000)	418,916	488,994	521,262	456,014	779,063

[a] *Based on average shares outstanding at each month end.*

See notes to financial statements.

	Year Ended December 31,				
Service Shares	2005	2004	2003	2002	2001
Per Share Data ($):					
Net asset value, beginning of period	25.06	23.69	18.84	26.59	34.47
Investment Operations:					
Investment income (loss)—net [a]	(.04)	.04	(.03)	(.00)[b]	(.06)
Net realized and unrealized gain (loss) on investments	.88	1.37	4.88	(7.75)	(7.82)
Total from Investment Operations	.84	1.41	4.85	(7.75)	(7.88)
Distributions:					
Dividends from investment income—net	—	(.04)	(.00)[b]	(.00)[b]	(.00)[b]
Net asset value, end of period	25.90	25.06	23.69	18.84	26.59
Total Return (%)	3.35	5.94	25.75	(29.14)	(22.85)
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	1.06	1.06	1.09	1.03	1.09
Ratio of net expenses to average net assets	1.06	1.06	1.09	1.03	1.09
Ratio of net investment income (loss) to average net assets	(.15)	.17	(.14)	(.01)	(.20)
Portfolio Turnover Rate	94.99	55.54	63.17	90.07	110.82
Net Assets, end of period ($ x 1,000)	12,311	13,492	12,202	8,115	8,275

[a] *Based on average shares outstanding at each month end.*

[b] *Amount represents less than $.01 per share.*

See notes to financial statements.

NOTE 1—Significant Accounting Policies:

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

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

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

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

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

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

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

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

Pursuant to a securities lending agreement with Mellon Bank, N.A., an affiliate of the Manager, the fund may lend securities to qualified institutions. At origination, all loans are secured by collateral of at least 102% of the value of U.S. securities loaned and 105% of the value of foreign securities loaned. Collateral equivalent to at least 100% of the market value of securities on loan will be maintained at all times. Cash collateral is invested in certain money market mutual funds managed by the Manager. The fund will be 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 would bear the risk of delay in recovery of, or loss of rights in, the securities loaned should a borrower fail to return the securities in a timely manner.

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

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

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

At December 31, 2005, the components of accumulated earnings on a tax basis were as follows: undistributed ordinary income $425,025, accumulated capital losses $216,800,088 and unrealized appreciation $36,757,720.

The accumulated capital loss carryover is available to be applied against future net securities profits, if any, realized subsequent to December 31, 2005. If not applied, $93,194,872 of the carryover expires in fiscal 2009, $103,833,733 expires in fiscal 2010 and $19,771,483 expires in fiscal 2011.

The tax character of distributions paid to shareholders during the fiscal periods ended December 31, 2005 and December 31, 2004 were as follows: ordinary income $0 and $1,911,425, respectively.

NOTE 2—Bank Line of Credit:

The fund participates with other Dreyfus-managed funds in a $350 million redemption credit facility (the "Facility") to be utilized for temporary or emergency purposes, including the financing of redemptions. In connection therewith, the fund has agreed to pay commitment fees on its pro rata portion of the Facility. Interest is charged to the fund based on prevailing market rates in effect at the time of borrowings. During the period ended December 31, 2005, the fund did not borrow under the Facility.

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

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

(b) Under the Distribution Plan (the "Plan") adopted pursuant to Rule 12b-1 under the Act, Service shares pay the Distributor for distributing their shares, for servicing and/or maintaining Service shares shareholder accounts and for advertising and marketing for Service shares. The Plan provides for payments to be made at an annual rate of .25% of the value of the Service shares' average daily net assets. The Distributor may make payments to Participating Insurance Companies and to brokers and dealers acting as principal underwriter for their variable insurance products. The fees payable under the Plan are payable without regard to actual expenses incurred. During the period ended December 31, 2005, Service shares were charged $32,412 pursuant to the Plan.

(c) Under the Shareholder Services Plan, Initial shares reimburse the Distributor an amount not to exceed an annual rate of .25% of the value of Initial shares' average daily net assets for certain allocated expenses with respect to servicing and/or maintaining Initial shares shareholder accounts. During the period ended December 31, 2005, Initial shares were charged $13,410 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 December 31, 2005, the fund was charged $1,250 pursuant to the transfer agency agreement.

The fund compensates Mellon Bank, N.A., an affiliate of the Manager, under a custody agreement for providing custodial services for the fund. During the period ended December 31, 2005, the fund was charged $40,209 pursuant to the custody agreement.

During the period ended December 31, 2005, the fund was charged $3,762 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 $278,934, Rule 12b-1 distribution plan fees $2,655, custodian fees $9,600, chief compliance officer fees $1,858 and transfer agency per account fees $216.

(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 December 31, 2005, amounted to $426,662,099 and $510,409,813, respectively.

At December 31, 2005, the cost of investments for federal income tax purposes was $399,387,930; accordingly, accumulated net unrealized appreciation on investments was $36,757,720, consisting of $44,669,442 gross unrealized appreciation and $7,911,722 gross unrealized depreciation.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors
The Dreyfus Socially Responsible Growth Fund, Inc.

We have audited the accompanying statement of assets and liabilities of The Dreyfus Socially Responsible Growth Fund, Inc., including the statement of investments, as of December 31, 2005, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and financial highlights for each of the years indicated therein. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included verification by examination of securities held by the custodian as of December 31, 2005 and confirmation of securities not held by the custodian by correspondence with others. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of The Dreyfus Socially Responsible Growth Fund, Inc. at December 31, 2005, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the indicated years, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

New York, New York
January 25, 2006

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

At separate meetings of the Board of Directors of the fund held on July 12-13, 2005, the Board considered the re-approval of the fund's Investment Advisory Agreement for another one year term, pursuant to which the Manager provides the fund with investment advisory and administrative services. The Board members, none of whom are "interested persons" (as defined in the Investment Company Act of 1940, as amended) of the fund, were assisted in their review by independent legal counsel and met with counsel in executive session separate from representatives of the Manager.

Analysis of Nature, Extent and Quality of Services Provided to the Fund. The Board members received a presentation from representatives of the Manager regarding services provided to the fund and other funds in the Dreyfus fund complex, and discussed the nature, extent and quality of the services provided to the fund pursuant to the fund's Investment Advisory Agreement. The Manager's representatives reviewed the types of shareholder accounts and the relationships the Manager has with various intermediaries and the different needs of each. The Board members noted that the fund's shares are offered only to separate accounts established by insurance companies to fund variable annuity contracts and variable life insurance policies. The Manager's representatives noted the diversity of distribution among the funds in the Dreyfus fund complex, and the Manager's corresponding need for broad, deep and diverse resources to be able to provide ongoing shareholder services to each distribution channel, including that of the fund. The Board also reviewed the number of shareholder accounts in the fund, as well as the fund's asset size.

The Board members also considered the Manager's research and portfolio management capabilities and that the Manager also provides oversight of day-to-day fund operations, including fund accounting and administration and assistance in meeting legal and regulatory requirements. The Board members also considered the Manager's extensive administrative, accounting and compliance infrastructure.

Comparative Analysis of the Fund's Performance and Investment Advisory Fee and Expense Ratio. The Board members reviewed the fund's performance, investment advisory fee and expense ratio and placed significant emphasis on comparisons to three groups of funds and Lipper averages (as to performance for the second and third groups of funds only). The first comparison group of funds includes only funds that use one or more social screens when choosing securities for the funds' portfolios (collectively, "Comparison Group I"), the second comparison group of funds includes only funds in the fund's Lipper category that are not subject to a Rule 12b-1 plan (collectively, "Comparison Group II") and the third group of funds includes only funds in the applicable Lipper category that are subject to a Rule 12b-1 plan (collectively, "Comparison Group III"). Each group of funds was previously approved by the Board for this purpose, and was prepared using a Board-approved list with respect to the socially responsible funds (as to Comparison Group I) and a Board-approved selection methodology that was based, in part, on selecting non-affiliated funds reported in the same Lipper category as the fund (as to Comparison Group II and Comparison Group III). The Board members did not rely on comparisons to Lipper averages with respect to the fund's expense ratio because the average expense ratio of the applicable Lipper category for variable insurance products reflects not only expenses of mutual funds offered to fund variable annuity contracts and variable life insurance policies but also expenses of the separate accounts in which this type of mutual fund is offered.

The Board members discussed the results of the comparisons for various periods ended May 31, 2005, and noted that the total return performance of the fund's Initial shares (which are not subject to a Rule 12b-1 plan) was below the Comparison Group I averages for the one-, three- and five-year periods, was below the Comparison Group II averages for the one- and three-year periods and was above the Comparison Group II average for the five-year period, and that the total return performance of the fund's Service shares (which are subject to a Rule 12b-1 plan) was below the Comparison Group III averages for the one-, three- and five-year periods. The Board noted that the fund's total return performance was below the Comparison Group II and Comparison Group III Lipper category averages for the one-, three- and five-year periods. The Board members also noted that the fund's short-term performance was showing a trend of improvement, and that management is making efforts to improve performance by reviewing the fund's investment processes and preparing a recommendation to be presented to the Board at a later date.

The Board members also discussed the fund's expense ratio, noting that it was lower than the averages of Comparison Group I and Comparison Group II and higher than the average of Comparison Group III. The Board reviewed the range of investment advisory fees in each comparison group, noting that the fund's investment advisory fee was higher than most of the fees paid by the funds in Comparison Group I and was lower than several others in each of Comparison Group II and Comparison Group III.

Representatives of the Manager reviewed with the Board members the fees paid to the Manager or its affiliates by mutual funds managed by the Manager or its affiliates with similar investment objectives, policies and strategies, and in the same Lipper category, as the fund (the "Similar Funds"), noting that not all of the Similar Funds have a social screen when choosing securities for their portfolios. Representatives of the Manager also noted that there were no other accounts managed or sub-advised by the Manager or its affiliates with substantially similar investment objectives, policies and strategies as the fund. The Board analyzed the differences in fees paid to the Manager and discussed the relationship of the advisory fees paid in light of the Manager's performance and the services provided; it was noted that the Similar Funds had comparable or lower investment advisory fees than the fee borne by the fund. The Board members considered the relevance of the fee information provided for the Similar Funds managed by the Manager to evaluate the appropriateness and reasonableness of the fund's advisory fees.

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

It was noted that the Board members should consider the Manager's profitability with respect to the fund as part of their evaluation of whether the fee under the Investment Advisory Agreement bears a reasonable relationship to the mix of services provided by the Manager, including the nature, extent and quality of such services and that discussions of economies of scale historically have been predicated on increasing assets and that, if a fund's assets had been decreasing, the extent to which the Manager may have realized any economies of scale would be less. The Board members also discussed the profitability percentage ranges determined by appropriate court cases to be reasonable given the services rendered to investment companies. It was noted that the profitability percentage for managing the fund was not unreasonable given the fund's overall performance and generally superior service levels provided.

At the conclusion of these discussions, each Board member expressed the opinion that he or she had been furnished with sufficient information to make an informed business decision with respect to continuation of the fund's Investment Advisory Agreement. Based on their discussions and considerations as described above, the Board made the following conclusions and determinations with respect to the fund.

- The Board concluded that the nature, extent and quality of the services provided by the Manager to the fund are adequate and appropriate.
- While the Board was concerned with the fund's one-, three- and five-year total return performance, the Board members noted that the fund's short-term performance is showing a trend of improvement and that management is making efforts to improve the fund's performance by reviewing the fund's investment processes and preparing a recommendation to be presented to the Board.
- The Board concluded that the fee paid to the Manager by the fund was reasonable in light of comparative performance and expense and advisory fee information, costs of the services provided and profits to be realized and benefits derived or to be derived by the Manager from its relationship with the fund.
- The Board determined that the economies of scale which may accrue to the Manager and its affiliates in connection with the management of the fund had been adequately considered by the Manager in connection with the investment advisory fee rate charged to the fund, and that, to the extent in the future it were determined that material economies of scale had not been shared with the fund, the Board would seek to have those economies of scale shared with the fund.

The Board members considered these conclusions and determinations, along with the information received on a routine and regular basis throughout the year, and, without any one factor being dispositive, the Board determined that re-approval of the fund's Investment Advisory Agreement was in the best interests of the fund and its shareholders and that it would be renewed until January 31, 2006, prior to which the Board will reconsider the renewal for the remainder of the annual period (through July 29, 2006).

BOARD MEMBERS INFORMATION (Unaudited)

Joseph S. DiMartino (62)
Chairman of the Board (1998)

Principal Occupation During Past 5 Years:
- Corporate Director and Trustee

Other Board Memberships and Affiliations:
- The Muscular Dystrophy Association, Director
- Levcor International, Inc., an apparel fabric processor, Director
- Century Business Services, Inc., a provider of outsourcing functions for small and medium size companies, Director
- The Newark Group, a provider of a national market of paper recovery facilities, paperboard mills and paperboard converting plants, Director
- Sunair Services Corporation, engages in the design, manufacture and sale of high frequency systems for long-range voice and data communications, as well as providing certain outdoor-related services to homes and businesses, Director

No. of Portfolios for which Board Member Serves: 193

Clifford L. Alexander, Jr. (72)
Board Member (1998)

Principal Occupation During Past 5 Years:
- President of Alexander & Associates, Inc., a management consulting firm (January 1981-present)
- Chairman of the Board of Moody's Corporation (October 2000-October 2003)
- Chairman of the Board and Chief Executive Officer of The Dun and Bradstreet Corporation (October 1999-September 2000)

Other Board Memberships and Affiliations:
- Mutual of America Life Insurance Company, Director

No. of Portfolios for which Board Member Serves: 66

Lucy Wilson Benson (78)
Board Member (1998)

Principal Occupation During Past 5 Years:
- President of Benson and Associates, consultants to business and government (1980-present)

Other Board Memberships and Affiliations:
- The International Executive Services Corps., Director Emeritus
- Citizens Network for Foreign Affairs, Vice Chairperson
- Council on Foreign Relations, Member
- Lafayette College Board of Trustees, Trustee Emeritus
- Atlantic Council of the U.S., Director

No. of Portfolios for which Board Member Serves: 40

David W. Burke (69)
Board Member (2003)

Principal Occupation During Past 5 Years:
• Corporate Director and Trustee

Other Board Memberships and Affiliations:
• John F. Kennedy Library Foundation, Director
• U.S.S. Constitution Museum, Director

No. of Portfolios for which Board Member Serves: 84

Whitney I. Gerard (71)
Board Member (2003)

Principal Occupation During Past 5 Years:
• Partner of Chadbourne & Parke LLP

No. of Portfolios for which Board Member Serves: 38

Arthur A. Hartman (79)
Board Member (2003)

Principal Occupation During Past 5 Years:
• Chairman of First NIS Regional Fund (ING/Barings Management) and New Russia Fund
• Advisory Council Member to Barings-Vostok

Other Board Memberships and Affiliations:
• APCO Associates Inc., Senior Consultant

No. of Portfolios for which Board Member Serves: 38

George L. Perry (71)
Board Member (2003)

Principal Occupation During Past 5 Years:
• Economist and Senior Fellow at Brookings Institution

No. of Portfolios for which Board Member Serves: 38

Once elected all Board Members serve for an indefinite term. The address of the Board Members and Officers is in c/o The Dreyfus Corporation, 200 Park Avenue, New York, New York 10166. Additional information about the Board Members is available in the fund's Statement of Additional Information which can be obtained from Dreyfus free of charge by calling this toll free number: 1-800-554-4611.

OFFICERS OF THE FUND (Unaudited)

STEPHEN E. CANTER, President since March 2000.

Chairman of the Board, Chief Executive Officer and Chief Operating Officer of the Manager, and an officer of 90 investment companies (comprised of 184 portfolios) managed by the Manager. Mr. Canter also is a Board member and, where applicable, an Executive Committee Member of the other investment management subsidiaries of Mellon Financial Corporation, each of which is an affiliate of the Manager. He is 60 years old and has been an employee of the Manager since May 1995.

STEPHEN R. BYERS, Executive Vice President since November 2002.

Chief Investment Officer, Vice Chairman and a director of the Manager, and an officer of 90 investment companies (comprised of 184 portfolios) managed by the Manager. Mr. Byers also is an officer, director or an Executive Committee Member of certain other investment management subsidiaries of Mellon Financial Corporation, each of which is an affiliate of the Manager. He is 52 years old and has been an employee of the Manager since January 2000.

MARK N. JACOBS, Vice President since March 2000.

Executive Vice President, Secretary and General Counsel of the Manager, and an officer of 91 investment companies (comprised of 200 portfolios) managed by the Manager. He is 59 years old and has been an employee of the Manager since June 1977.

MICHAEL A. ROSENBERG, Vice President and Secretary since August 2005.

Associate General Counsel of the Manager, and an officer of 91 investment companies (comprised of 200 portfolios) managed by the Manager. He is 45 years old and has been an employee of the Manager since October 1991.

JAMES BITETTO, Vice President and Assistant Secretary since August 2005.

Assistant General Counsel and Assistant Secretary of the Manager, and an officer of 91 investment companies (comprised of 200 portfolios) managed by the Manager. He is 39 years old and has been an employee of the Manager since December 1996.

JONI LACKS CHARATAN, Vice President and Assistant Secretary since August 2005.

Associate General Counsel of the Manager, and an officer of 91 investment companies (comprised of 200 portfolios) managed by the Manager. She is 50 years old and has been an employee of the Manager since October 1988.

JOSEPH M. CHIOFFI, Vice President and Assistant Secretary since August 2005.

Assistant General Counsel of the Manager, and an officer of 91 investment companies (comprised of 200 portfolios) managed by the Manager. He is 44 years old and has been an employee of the Manager since June 2000.

JANETTE E. FARRAGHER, Vice President and Assistant Secretary since August 2005.

Associate General Counsel of the Manager, and an officer of 91 investment companies (comprised of 200 portfolios) managed by the Manager. She is 43 years old and has been an employee of the Manager since February 1984.

JOHN B. HAMMALIAN, Vice President and Assistant Secretary since August 2005.

Associate General Counsel of the Manager, and an officer of 91 investment companies (comprised of 200 portfolios) managed by the Manager. He is 42 years old and has been an employee of the Manager since February 1991.

ROBERT R. MULLERY, Vice President and Assistant Secretary since August 2005.

Associate General Counsel of the Manager, and an officer of 91 investment companies (comprised of 200 portfolios) managed by the Manager. He is 53 years old and has been an employee of the Manager since May 1986.

JEFF PRUSNOFSKY, Vice President and Assistant Secretary since August 2005.

Associate General Counsel of the Manager, and an officer of 91 investment companies (comprised of 200 portfolios) managed by the Manager. He is 40 years old and has been an employee of the Manager since October 1990.

JAMES WINDELS, Treasurer since November 2001.

Director-Mutual Fund Accounting of the Manager, and an officer of 91 investment companies (comprised of 200 portfolios) managed by the Manager. He is 47 years old and has been an employee of the Manager since April 1985.

ERIK D. NAVILOFF, Assistant Treasurer since December 2002.

Senior Accounting Manager - Taxable Fixed Income Funds of the Manager, and an officer of 91 investment companies (comprised of 200 portfolios) managed by the Manager. He is 37 years old and has been an employee of the Manager since November 1992.

ROBERT ROBOL, Assistant Treasurer since August 2005.

Senior Accounting Manager — Money Market and Municipal Bond Funds of the Manager, and an officer of 91 investment companies (comprised of 200 portfolios) managed by the Manager. He is 41 years old and has been an employee of the Manager since October 1988.

ROBERT SVAGNA, Assistant Treasurer since December 2002.

Senior Accounting Manager - Equity Funds of the Manager, and an officer of 91 investment companies (comprised of 200 portfolios) managed by the Manager. He is 38 years old and has been an employee of the Manager since November 1990.

GAVIN C. REILLY, Assistant Treasurer since December 2005.

Tax Manager of the Investment Accounting and Support Department of the Manager, and an officer of 91 investment companies (comprised of 200 portfolios) managed by the Manager. He is 37 years old and has been an employee of the Manager since April 1991.

JOSEPH W. CONNOLLY, Chief Compliance Officer since October 2004.

Chief Compliance Officer of the Manager and The Dreyfus Family of Funds (91 investment companies, comprised of 200 portfolios). From November 2001 through March 2004, Mr. Connolly was first Vice-President, Mutual Fund Servicing for Mellon Global Securities Services. In that capacity, Mr. Connolly was responsible for managing Mellon's Custody, Fund Accounting and Fund Administration services to third-party mutual fund clients. He is 48 years old and has served in various capacities with the Manager since 1980, including manager of the firm's Fund Accounting Department from 1997 through October 2001.

WILLIAM GERMENIS, Anti-Money Laundering Compliance Officer since September 2002.

Vice President and Anti-Money Laundering Compliance Officer of the Distributor, and the Anti-Money Laundering Compliance Officer of 87 investment companies (comprised of 196 portfolios) managed by the Manager. He is 35 years old and has been an employee of the Distributor since October 1998.

For More Information

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

Investment Adviser

The Dreyfus Corporation
200 Park Avenue
New York, NY 10166

Custodian

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

Transfer Agent & Dividend Disbursing Agent

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

Distributor

Dreyfus Service Corporation
200 Park Avenue
New York, NY 10166

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

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

The fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The fund's Forms N-Q are available on the SEC's website at http://www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

A description of the policies and procedures that the fund uses to determine how to vote proxies relating to portfolio securities, and information regarding how the fund voted these proxies for the 12-month period ended June 30, 2005, is available at http://www.dreyfus.com and on the SEC's website at http://www.sec.gov. The description of the policies and procedures is also available without charge, upon request, by calling 1-800-645-6561.

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DECEMBER 31, 2005

ANNUAL REPORT

DWS INVESTMENTS VIT FUNDS

(formerly Scudder Investments VIT Funds)

DWS Equity 500 Index VIP

(formerly Scudder VIT Equity 500 Index Fund)

ONE GLOBAL FORCE. ONE FOCUS. YOU.

DWS SCUDDER

Deutsche Bank Group

Contents

This report must be preceded or accompanied by a prospectus. To obtain a prospectus, call (800) 778-1482 or your financial representative. We advise you to consider the portfolio's objectives, risks, charges and expenses carefully before investing. The prospectus contains this and other important information about the portfolio. Please read the prospectus carefully before you invest.

The portfolio is not insured by the FDIC and is not a deposit, obligation of or guaranteed by Deutsche Bank AG. The portfolio is subject to investment risks, including possible loss of principal amount invested. There is no guarantee that the portfolio will be able to mirror the S&P 500® Index closely enough to track its performance. Please read the prospectus for specific details regarding its investments and risk profile.

DWS Scudder is part of Deutsche Asset Management, which is the marketing name in the US for the asset management activities of Deutsche Bank AG, Deutsche Bank Trust Company Americas, Deutsche Asset Management, Inc., 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

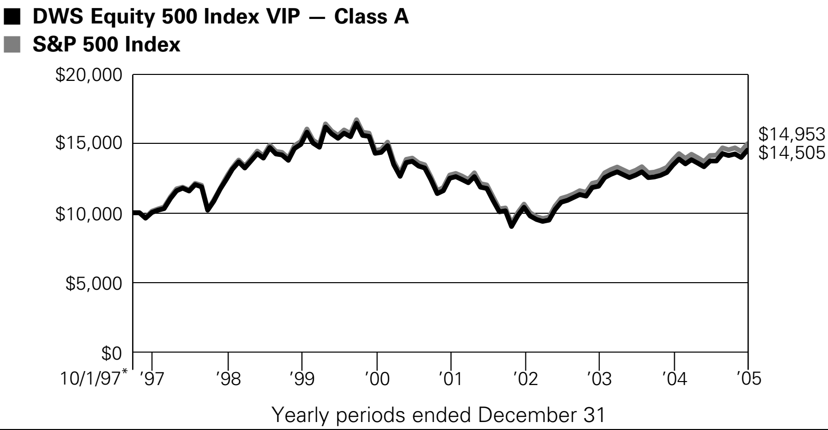
Performance Summary

December 31, 2005

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when sold, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. For the Portfolio's most recent month-end performance call 1-800-621-1048. Performance figures for Classes A and B differ because each class maintains a distinct expense structure. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Portfolio returns for Class B2 shares during the period reflect a fee waiver/and or reimbursement, without this waiver/reimbursement, returns would have been lower.

Growth of an Assumed $10,000 Investment in DWS Equity 500 Index VIP from 10/1/1997 to 12/31/2005



The Standard & Poor's (S&P) 500 Index is an unmanaged, capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. "Standard & Poor's," "S&P 500," "Standard & Poor's 500" and "500" are trademarks of The McGraw-Hill Companies Inc., and have been licensed for use by the Portfolio's investment advisor. Index returns assume reinvestment of dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results (as of December 31, 2005)

DWS Equity 500 Index VIP		1-Year	3-Year	5-Year	Life of Class*
Class A	Growth of $10,000	$10,468	$14,836	$10,121	$14,505
	Average annual total return	4.68%	14.05%	.24%	4.61%
S&P 500 Index	Growth of $10,000	$10,491	$14,970	$10,275	$14,953
	Average annual total return	4.91%	14.39%	.54%	5.00%

DWS Equity 500 Index VIP		1-Year	3-Year	Life of Class**
Class B	Growth of $10,000	$10,442	$14,725	$12,139
	Average annual total return	4.42%	13.77%	5.43%
S&P 500 Index	Growth of $10,000	$10,491	$14,970	$12,380
	Average annual total return	4.91%	14.39%	6.00%

DWS Equity 500 Index VIP		Life of Class***
Class B2	Growth of $10,000	$10,116
	Total return	1.16%
S&P 500 Index	Growth of $10,000	$10,209
	Total return	2.09%

The growth of $10,000 is cumulative.

* *The Portfolio commenced operations on October 1, 1997. Index returns begin September 30, 1997.*

** *The Portfolio commenced offering Class B shares on April 30, 2002. Index returns begin April 30, 2002.*

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

Information concerning portfolio holdings of the Portfolio as of a month end is available upon request no earlier than 15 days after the month end.

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. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual portfolios. In the most recent period, the Portfolio limited these expenses for Class B2 shares; had it not done so, expenses would have been higher. The tables are based on an investment of $1,000 made at the beginning of the six-month period ended December 31, 2005.

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

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

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

Expenses and Value of a $1,000 Investment for the six months ended December 31, 2005

Actual Portfolio Return	Class A	Class B	Class B2**
Beginning Account Value 7/1/05 (9/16/05 for Class B2)	$1,000.00	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,056.40	$1,055.60	$1,011.60
Expenses Paid per $1,000*	$ 1.40	$ 2.69	$ 1.81

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365. For Class B2 shares the average account value over the period was multiplied by the number of days since September 16, 2005 (commencement of operations), then divided by 365.*

** *For the period September 16, 2005 (commencement of Class B2 shares) to December 31, 2005.*

Expenses and Value of a $1,000 Investment for the six months ended December 31, 2005

Hypothetical 5% Portfolio Return	Class A	Class B	Class B2
Beginning Account Value 7/1/05	$1,000.00	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,023.84	$1,022.58	$1,022.03
Expenses Paid per $1,000***	$ 1.38	$ 2.65	$ 3.21

*** *Expenses (hypothetical expenses for Class B2 if the class had been in existence from July 1, 2005) are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	Class A	Class B	Class B2
DWS Equity 500 Index VIP	.27%	.52%	.63%

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

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

Management Summary

December 31, 2005

Almost all measures of economic activity moved upward during 2005. Gross domestic product has increased at a rate of more than 3% for nearly three years, and recent polls indicate that economists expect a solid expansion to last into 2006. Employment, home ownership and consumer net worth increased, and consumer spending remained relatively strong, despite the effect of rising energy prices on consumer sentiment. Business trends were also positive during the year, with gains in corporate profits, business investment, manufacturing activity and productivity. Expressing concern about inflation, the Federal Reserve Board (the Fed) continued to raise the federal funds rate during the year.

Both stocks and bonds had positive returns in 2005, and returns of most asset classes were close to one another. The broad equity market, as measured by the S&P 500 Index, had a return of 4.91%.

The Portfolio returned 4.68% (Class A shares, unadjusted for contract charges). Since the Portfolio's investment strategy is to replicate, as closely as possible, before the deduction of expenses, the performance of the S&P 500 Index, the Portfolio's return is normally close to the return of the index.

In 2005, eight of the 10 industry sectors within the S&P 500 had positive returns. Driven by rising oil prices, energy was the strongest sector by far, with a return of 31.35%, followed by utilities, which had a return of 16.84%. Financials had a return of 6.48% and health care returned 6.46%. Materials, consumer staples, industrials and information technology also had positive returns. The two weakest sectors were telecommunications (–5.63%) and consumer discretionary (–6.28%).

Chad M. Rakvin, CFA

Vice President
Northern Trust Investments, N.A. (NTI), Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when sold, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. For the portfolio's most recent month-end performance call 1-800-621-1048. Performance figures for Classes A and B differ because each class maintains a distinct expense structure. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the portfolio or any variable life insurance policy or variable annuity contract for which the portfolio is an investment option. These charges and fees will reduce returns.

Portfolio returns for Class B2 shares during the period reflect a fee waiver and/or reimbursement; without this waiver/reimbursement, returns would have been lower.

Risk Considerations

The Portfolio is not insured by the FDIC and is not a deposit, obligation of or guaranteed by Deutsche Bank AG. The Portfolio is subject to investment risks, including possible loss of principal amount invested. There is no guarantee that the Portfolio will be able to mirror the S&P 500® Index closely enough to track its performance. Please read both the contract and underlying prospectus for specific details regarding the portfolio's investments and risk profile.

The Standard & Poor's 500 (S&P 500) Index is an unmanaged, capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. It is not possible to invest directly into an index.

"Standard & Poor's," "S&P 500," "Standard & Poor's 500" and "500" are trademarks of The McGraw-Hill Companies, Inc., and have been licensed for use by the portfolio's investment advisor. This portfolio is not sponsored, endorsed, sold or promoted by Standard & Poor's, and Standard & Poor's makes no representation regarding the advisability of investing in the portfolio.

Portfolio management market commentary is as of December 31, 2005, and may not come to pass. This information is subject to change at any time based on market and other conditions and should not be construed as a recommendation.

Portfolio Summary

Asset Allocation (Excludes Securities Lending Collateral)	**12/31/05**	**12/31/04**
Common Stocks	98%	98%
Cash Equivalents	2%	2%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**12/31/05**	**12/31/04**
Financials	22%	21%
Information Technology	15%	15%
Health Care	13%	12%
Industrials	11%	13%
Consumer Discretionary	11%	12%
Consumer Staples	10%	11%
Energy	9%	7%
Telecommunication Services	3%	3%
Utilities	3%	3%
Other	3%	3%
	100%	100%

Ten Largest Equity Holdings (19.8% of Net Assets)	
1. General Electric Co. Industrial conglomerate	**3.2%**
2. ExxonMobil Corp. Explorer and producer of oil and gas	**3.1%**
3. Citigroup, Inc. Provider of diversified financial services	**2.1%**
4. Microsoft Corp. Developer of computer software	**2.1%**
5. Procter & Gamble Co. Manufacturer of diversified consumer products	**1.7%**
6. Bank of America Corp. Provider of commercial banking services	**1.6%**
7. Johnson & Johnson Provider of health care products	**1.6%**
8. American International Group, Inc. Provider of insurance services	**1.5%**
9. Pfizer, Inc. Manufacturer of prescription pharmaceuticals and non-prescription self medications	**1.5%**
10. Altria Group, Inc. Parent company operating in the tobacco and food industries	**1.4%**

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

For more complete details about the Portfolio's investment portfolio, see page 7. A quarterly fact sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on the 15th day of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

	Shares	Value ($)
Common Stocks 98.3%		
Consumer Discretionary 10.6%		
Auto Components 0.2%		
Cooper Tire & Rubber Co.	6,549	100,331
Dana Corp.	14,748	105,890
Goodyear Tire & Rubber Co.* (a)	18,794	326,640
Johnson Controls, Inc.	20,646	1,505,300
		2,038,161
Automobiles 0.3%		
Ford Motor Co.	198,175	1,529,911
General Motors Corp. (a)	60,866	1,182,018
Harley-Davidson, Inc.	29,386	1,513,085
		4,225,014
Distributors 0.1%		
Genuine Parts Co.	17,909	**786,563**
Diversified Consumer Services 0.1%		
Apollo Group, Inc. "A"*	15,644	945,836
H&R Block, Inc.	34,696	851,787
		1,797,623
Hotels Restaurants & Leisure 1.5%		
Carnival Corp.	46,146	2,467,427
Darden Restaurants, Inc.	14,954	581,412
Harrah's Entertainment, Inc.	19,519	1,391,509
Hilton Hotels Corp.	35,032	844,622
International Game Technology	36,156	1,112,882
Marriott International, Inc. "A"	18,320	1,226,890
McDonald's Corp.	133,691	4,508,061
Starbucks Corp.*	82,228	2,467,662
Starwood Hotels & Resorts Worldwide, Inc.	23,025	1,470,376
Wendy's International, Inc.	12,411	685,832
YUM! Brands, Inc.	30,258	1,418,495
		18,175,168
Household Durables 0.7%		
Black & Decker Corp.	8,322	723,681
Centex Corp.	13,535	967,617
D.R. Horton, Inc.	29,100	1,039,743
Fortune Brands, Inc.	15,555	1,213,601
KB Home	8,292	602,497
Leggett & Platt, Inc.	19,064	437,709
Lennar Corp. "A"	14,300	872,586
Maytag Corp.	8,729	164,280
Newell Rubbermaid, Inc.	28,397	675,281
Pulte Homes, Inc.	22,882	900,636
Snap-on, Inc.	4,993	187,537
The Stanley Works	9,056	435,050
Whirlpool Corp.	7,245	606,841
		8,827,059
Internet & Catalog Retail 0.5%		
Amazon.com, Inc.*	29,528	1,392,245
eBay, Inc.*	122,168	5,283,766
		6,676,011
Leisure Equipment & Products 0.2%		
Brunswick Corp.	9,606	390,580
Eastman Kodak Co.	30,707	718,544
Hasbro, Inc.	17,986	362,958
Mattel, Inc.	41,998	664,408
		2,136,490
Media 3.3%		
Clear Channel Communications, Inc.	57,952	1,822,590
Comcast Corp. "A"*	234,858	6,096,914
Dow Jones & Co., Inc.	7,561	268,340
E.W. Scripps Co. "A"	9,100	436,982
Gannett Co., Inc.	26,142	1,583,421
Interpublic Group of Companies, Inc.*	45,497	439,046
Knight Ridder, Inc.	8,600	544,380
McGraw-Hill Companies, Inc.	39,964	2,063,341
Meredith Corp.	4,124	215,850
New York Times Co. "A"	14,510	383,790
News Corp. "A"	262,054	4,074,940
Omnicom Group, Inc.	19,416	1,652,884
Time Warner, Inc. (a)	502,130	8,757,147
Tribune Co.	28,383	858,870
Univision Communications, Inc. "A"*	24,593	722,788
Viacom, Inc. "B"*	169,574	5,528,112
Walt Disney Co.	205,670	4,929,910
		40,379,305
Multiline Retail 1.1%		
Big Lots, Inc.*	10,092	121,205
Dillard's, Inc. "A"	7,751	192,380
Dollar General Corp.	34,684	661,424
Family Dollar Stores, Inc.	17,670	438,039
Federated Department Stores, Inc.	28,454	1,887,354
J.C. Penney Co., Inc.	26,722	1,485,743
Kohl's Corp.*	37,078	1,801,991
Nordstrom, Inc.	24,048	899,395
Sears Holdings Corp.*	10,943	1,264,245
Target Corp.	94,610	5,200,711
		13,952,487
Specialty Retail 2.2%		
AutoNation, Inc.*	19,300	419,389
AutoZone, Inc.*	5,991	549,674
Bed Bath & Beyond, Inc.*	31,616	1,142,918
Best Buy Co., Inc.	43,236	1,879,901
Circuit City Stores, Inc.	17,630	398,262
Home Depot, Inc.	228,899	9,265,832
Limited Brands, Inc.	37,370	835,220
Lowe's Companies, Inc. (a)	83,350	5,556,111
Office Depot, Inc.*	33,803	1,061,414
OfficeMax, Inc.	7,541	191,240
RadioShack Corp.	14,545	305,881
Staples, Inc.	78,589	1,784,756
The Gap, Inc.	63,932	1,127,761
The Sherwin-Williams Co.	12,189	553,624
Tiffany & Co.	14,900	570,521
TJX Companies, Inc.	50,258	1,167,493
		26,809,997
Textiles, Apparel & Luxury Goods 0.4%		
Coach, Inc.*	40,600	1,353,604
Jones Apparel Group, Inc.	11,394	350,024
Liz Claiborne, Inc.	10,724	384,134
NIKE, Inc. "B"	20,475	1,777,025
Reebok International Ltd.	5,577	324,749

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

	Shares	Value ($)
VF Corp.	9,587	530,544
		4,720,080
Consumer Staples 9.4%		
Beverages 2.1%		
Anheuser-Busch Companies, Inc.	83,309	3,578,955
Brown-Forman Corp. "B"	9,780	677,950
Coca-Cola Co.	222,114	8,953,415
Coca-Cola Enterprises, Inc.	32,850	629,734
Constellation Brands, Inc. "A"*	20,600	540,338
Molson Coors Brewing Co. "B"	6,792	454,996
Pepsi Bottling Group, Inc.	17,011	486,685
PepsiCo, Inc.	178,646	10,554,406
		25,876,479
Food & Staples Retailing 2.4%		
Albertsons, Inc.	39,391	840,998
Costco Wholesale Corp.	51,245	2,535,090
CVS Corp.	86,934	2,296,796
Kroger Co.*	77,463	1,462,501
Safeway, Inc.	47,727	1,129,221
SUPERVALU, Inc.	13,570	440,754
Sysco Corp.	67,857	2,106,960
Wal-Mart Stores, Inc.	267,127	12,501,543
Walgreen Co.	109,296	4,837,441
Whole Foods Market	14,700	1,137,633
		29,288,937
Food Products 1.0%		
Archer-Daniels-Midland Co.	69,807	1,721,441
Campbell Soup Co.	19,785	588,999
ConAgra Foods, Inc.	54,505	1,105,361
General Mills, Inc.	39,128	1,929,793
H.J. Heinz Co.	35,479	1,196,352
Kellogg Co.	27,432	1,185,611
McCormick & Co., Inc.	13,114	405,485
Sara Lee Corp.	83,939	1,586,447
The Hershey Co.	19,646	1,085,442
Tyson Foods, Inc. "A"	26,500	453,150
William Wrigley Jr. Co.	19,247	1,279,733
		12,537,814
Household Products 2.3%		
Clorox Co.	16,230	923,325
Colgate-Palmolive Co.	55,621	3,050,812
Kimberly-Clark Corp.	51,047	3,044,953
Procter & Gamble Co.	358,255	20,735,799
		27,754,889
Personal Products 0.1%		
Alberto-Culver Co.	8,155	373,091
Avon Products, Inc.	50,270	1,435,209
		1,808,300
Tobacco 1.5%		
Altria Group, Inc.	221,970	16,585,599
Reynolds American, Inc.	9,164	873,604
UST, Inc.	17,535	715,954
		18,175,157
Energy 9.1%		
Energy Equipment & Services 1.7%		
Baker Hughes, Inc.	36,471	2,216,708
BJ Services Co.	34,486	1,264,602
Halliburton Co.	54,391	3,370,066
Nabors Industries Ltd.*	16,548	1,253,511
National-Oilwell Varco, Inc.*	18,400	1,153,680
Noble Corp.	14,595	1,029,531
Rowan Companies, Inc.	11,682	416,347
Schlumberger Ltd.	62,909	6,111,609
Transocean, Inc.*	35,203	2,453,297
Weatherford International Ltd.*	35,244	1,275,833
		20,545,184
Oil, Gas & Consumable Fuels 7.4%		
Amerada Hess Corp.	8,550	1,084,311
Anadarko Petroleum Corp.	25,207	2,388,363
Apache Corp.	35,153	2,408,684
Burlington Resources, Inc.	40,740	3,511,788
Chevron Corp.	240,882	13,674,871
ConocoPhillips	148,858	8,660,558
Devon Energy Corp.	48,492	3,032,690
El Paso Corp.	69,854	849,425
EOG Resources, Inc.	25,657	1,882,454
ExxonMobil Corp.	665,204	37,364,509
Kerr-McGee Corp.	12,154	1,104,312
Kinder Morgan, Inc.	10,222	939,913
Marathon Oil Corp.	39,171	2,388,256
Murphy Oil Corp.	17,400	939,426
Occidental Petroleum Corp.	42,744	3,414,391
Sunoco, Inc.	14,616	1,145,602
Valero Energy Corp.	65,372	3,373,195
Williams Companies, Inc.	61,187	1,417,703
XTO Energy, Inc.	38,408	1,687,647
		91,268,098
Financials 20.9%		
Banks 6.2%		
AmSouth Bancorp.	36,028	944,294
Bank of America Corp. (a)	429,719	19,831,532
BB&T Corp.	58,234	2,440,587
Comerica, Inc.	18,837	1,069,188
Compass Bancshares, Inc.	12,200	589,138
Fifth Third Bancorp.	59,506	2,244,566
First Horizon National Corp.	14,298	549,615
Golden West Financial Corp.	27,387	1,807,542
Huntington Bancshares, Inc.	22,560	535,800
KeyCorp	43,429	1,430,117
M&T Bank Corp.	8,950	975,998
Marshall & Ilsley Corp.	21,254	914,772
National City Corp.	63,376	2,127,532
North Fork Bancorp., Inc.	50,146	1,371,995
PNC Financial Services Group, Inc.	31,326	1,936,887
Regions Financial Corp.	48,433	1,654,471
Sovereign Bancorp, Inc.	37,618	813,301
SunTrust Banks, Inc.	38,771	2,820,978
Synovus Financial Corp.	31,803	858,999
US Bancorp	195,554	5,845,109
Wachovia Corp.	168,697	8,917,323
Washington Mutual, Inc.	107,658	4,683,123
Wells Fargo & Co. (a)	180,524	11,342,323
Zions Bancorp	10,711	809,323
		76,514,513
Capital Markets 3.2%		
Ameriprise Financial, Inc.	26,505	1,086,705
Bank of New York Co., Inc.	82,884	2,639,855
Bear Stearns Companies, Inc.	12,030	1,389,826
Charles Schwab Corp.	111,189	1,631,143
E*TRADE Financial Corp.*	39,600	826,056
Federated Investors, Inc. "B"	8,900	329,656

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

	Shares	Value ($)
Franklin Resources, Inc.	15,852	1,490,246
Janus Capital Group, Inc.	22,371	416,772
Lehman Brothers Holdings, Inc.	29,221	3,745,256
Mellon Financial Corp.	44,775	1,533,544
Merrill Lynch & Co., Inc.	99,072	6,710,146
Morgan Stanley	116,140	6,589,784
Northern Trust Corp.	20,549	1,064,849
State Street Corp.	34,865	1,932,916
T. Rowe Price Group, Inc.	13,860	998,336
The Goldman Sachs Group, Inc.	48,233	6,159,836
		38,544,926
Consumer Finance 1.3%		
American Express Co.	132,725	6,830,028
Capital One Financial Corp.	31,037	2,681,597
MBNA Corp.	134,492	3,651,458
SLM Corp.	44,678	2,461,311
		15,624,394
Diversified Financial Services 4.6%		
CIT Group, Inc.	21,624	1,119,691
Citigroup, Inc.	540,831	26,246,528
Countrywide Financial Corp.	63,638	2,175,783
Fannie Mae	103,550	5,054,276
Freddie Mac	75,163	4,911,902
JPMorgan Chase & Co.	375,762	14,913,994
MGIC Investment Corp.	9,442	621,472
Moody's Corp.	27,052	1,661,534
		56,705,180
Insurance 4.9%		
ACE Ltd.	30,476	1,628,637
AFLAC, Inc.	53,637	2,489,830
Allstate Corp.	72,456	3,917,696
Ambac Financial Group, Inc.	12,178	938,437
American International Group, Inc.	277,581	18,939,352
Aon Corp.	33,883	1,218,094
Chubb Corp.	20,985	2,049,185
Cincinnati Financial Corp.	17,609	786,770
Genworth Financial, Inc. "A"	40,300	1,393,574
Hartford Financial Services Group, Inc.	33,234	2,854,468
Jefferson-Pilot Corp.	13,508	769,010
Lincoln National Corp.	19,038	1,009,585
Loews Corp.	14,490	1,374,376
Marsh & McLennan Companies, Inc.	57,413	1,823,437
MBIA, Inc.	15,164	912,266
MetLife, Inc. (a)	83,032	4,068,568
Progressive Corp.	20,964	2,448,176
Principal Financial Group, Inc.	29,611	1,404,450
Prudential Financial, Inc.	54,863	4,015,423
Safeco Corp.	14,518	820,267
The St. Paul Travelers Companies, Inc.	72,271	3,228,346
Torchmark Corp.	10,310	573,236
UnumProvident Corp.	32,365	736,304
XL Capital Ltd. "A"	18,577	1,251,718
		60,651,205
Real Estate 0.7%		
Apartment Investment & Management Co. "A" (REIT)	9,600	363,552
Archstone-Smith Trust (REIT)	21,800	913,202
Equity Office Properties Trust (REIT)	46,620	1,413,984

	Shares	Value ($)
Equity Residential (REIT)	31,830	1,245,190
Plum Creek Timber Co., Inc. (REIT)	18,700	674,135
ProLogis (REIT)	26,400	1,233,408
Public Storage, Inc. (REIT)	8,800	595,936
Simon Property Group, Inc. (REIT)	19,641	1,505,090
Vornado Realty Trust (REIT)	12,600	1,051,722
		8,996,219
Health Care 13.1%		
Biotechnology 1.5%		
Amgen, Inc.*	132,016	10,410,782
Applera Corp. — Applied Biosystems Group	20,829	553,218
Biogen Idec, Inc.*	36,360	1,648,199
Chiron Corp.*	11,660	518,404
Genzyme Corp.*	27,503	1,946,662
Gilead Sciences, Inc.*	48,786	2,567,607
MedImmune, Inc.*	26,375	923,652
		18,568,524
Health Care Equipment & Supplies 2.1%		
Bausch & Lomb, Inc.	5,736	389,474
Baxter International, Inc.	66,603	2,507,603
Becton, Dickinson & Co.	26,878	1,614,830
Biomet, Inc.	26,743	977,992
Boston Scientific Corp.*	63,165	1,546,911
C.R. Bard, Inc.	11,198	738,172
Fisher Scientific International, Inc.*	12,708	786,117
Guidant Corp.	35,286	2,284,768
Hospira, Inc.*	16,720	715,282
Medtronic, Inc.	129,525	7,456,754
Millipore Corp.*	5,115	337,795
PerkinElmer, Inc.	12,836	302,416
St. Jude Medical, Inc.*	39,088	1,962,218
Stryker Corp.	31,082	1,380,973
Thermo Electron Corp.*	16,605	500,309
Waters Corp.*	11,800	446,040
Zimmer Holdings, Inc.*	26,484	1,786,081
		25,733,735
Health Care Providers & Services 3.2%		
Aetna, Inc.	31,036	2,927,005
AmerisourceBergen Corp.	21,782	901,775
Cardinal Health, Inc.	45,600	3,135,000
Caremark Rx, Inc.*	48,177	2,495,087
CIGNA Corp.	13,735	1,534,199
Coventry Health Care, Inc.*	16,995	968,035
Express Scripts, Inc.*	15,834	1,326,889
HCA, Inc.	38,800	1,959,400
Health Management Associates, Inc. "A"	25,402	557,828
Humana, Inc.*	17,375	943,984
IMS Health, Inc.	24,030	598,828
Laboratory Corp. of America Holdings*	13,991	753,415
Manor Care, Inc.	9,638	383,303
McKesson Corp.	33,015	1,703,244
Medco Health Solutions, Inc.*	32,564	1,817,071
Patterson Companies, Inc.*	15,100	504,340
Quest Diagnostics, Inc.	18,116	932,612
Tenet Healthcare Corp.*	48,500	371,510
UnitedHealth Group, Inc.	146,208	9,085,365
WellPoint, Inc.*	70,688	5,640,196
		38,539,086

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

	Shares	Value ($)
Pharmaceuticals 6.3%		
Abbott Laboratories	166,282	6,556,499
Allergan, Inc.	13,962	1,507,338
Bristol-Myers Squibb Co.	209,262	4,808,841
Eli Lilly & Co.	121,237	6,860,802
Forest Laboratories, Inc.*	36,495	1,484,617
Johnson & Johnson	318,134	19,119,853
King Pharmaceuticals, Inc.*	25,286	427,839
Merck & Co., Inc. (a)	235,559	7,493,132
Mylan Laboratories, Inc.	25,336	505,707
Pfizer, Inc.	788,389	18,385,231
Schering-Plough Corp.	157,950	3,293,257
Watson Pharmaceuticals, Inc.*	12,055	391,908
Wyeth	143,476	6,609,939
		77,444,963
Industrials 11.2%		
Aerospace & Defense 2.2%		
Boeing Co.	87,808	6,167,634
General Dynamics Corp.	21,467	2,448,311
Goodrich Corp.	13,061	536,807
Honeywell International, Inc.	91,447	3,406,401
L-3 Communications Holdings, Inc.	12,500	929,375
Lockheed Martin Corp.	39,293	2,500,214
Northrop Grumman Corp.	38,331	2,304,076
Raytheon Co.	47,796	1,919,009
Rockwell Collins, Inc.	18,331	851,842
United Technologies Corp.	109,600	6,127,736
		27,191,405
Air Freight & Logistics 1.0%		
FedEx Corp.	32,365	3,346,217
Ryder System, Inc.	5,952	244,151
United Parcel Service, Inc. "B"	118,458	8,902,119
		12,492,487
Airlines 0.1%		
Southwest Airlines Co.	74,095	**1,217,381**
Building Products 0.2%		
American Standard Companies, Inc.	19,464	777,587
Masco Corp.	46,065	1,390,702
		2,168,289
Commercial Services & Supplies 0.7%		
Allied Waste Industries, Inc.*	26,975	235,762
Avery Dennison Corp.	11,186	618,250
Cendant Corp.	111,885	1,930,016
Cintas Corp.	15,242	627,666
Equifax, Inc.	13,291	505,324
Monster Worldwide, Inc.*	12,985	530,048
Pitney Bowes, Inc.	23,746	1,003,268
R.R. Donnelley & Sons Co.	22,129	757,033
Robert Half International, Inc.	17,700	670,653
Waste Management, Inc.	60,069	1,823,094
		8,701,114
Construction & Engineering 0.1%		
Fluor Corp.	9,525	**735,901**
Electrical Equipment 0.4%		
American Power Conversion Corp.	19,714	433,708
Cooper Industries Ltd. "A"	9,464	690,872
Emerson Electric Co.	44,152	3,298,154
Rockwell Automation, Inc.	19,147	1,132,737
		5,555,471
Industrial Conglomerates 4.3%		
3M Co.	81,836	6,342,290
General Electric Co.	1,133,932	39,744,317
Textron, Inc.	14,141	1,088,574
Tyco International Ltd.	216,453	6,246,833
		53,422,014
Machinery 1.4%		
Caterpillar, Inc.	72,336	4,178,851
Cummins, Inc.	4,978	446,676
Danaher Corp.	25,365	1,414,860
Deere & Co.	25,912	1,764,866
Dover Corp.	21,702	878,714
Eaton Corp.	15,305	1,026,812
Illinois Tool Works, Inc.	22,347	1,966,312
Ingersoll-Rand Co. Ltd. "A"	36,022	1,454,208
ITT Industries, Inc.	9,897	1,017,610
Navistar International Corp.*	6,571	188,062
PACCAR, Inc.	18,334	1,269,263
Pall Corp.	12,353	331,802
Parker Hannifin Corp.	12,679	836,307
		16,774,343
Road & Rail 0.7%		
Burlington Northern Santa Fe Corp.	39,938	2,828,409
CSX Corp.	23,674	1,201,929
Norfolk Southern Corp.	43,286	1,940,512
Union Pacific Corp.	28,181	2,268,852
		8,239,702
Trading Companies & Distributors 0.1%		
W.W. Grainger, Inc.	8,809	**626,320**
Information Technology 14.8%		
Communications Equipment 2.7%		
ADC Telecommunications, Inc.*	12,630	282,154
Andrew Corp.*	19,080	204,728
Avaya, Inc.*	45,392	484,333
CIENA Corp.*	63,560	188,773
Cisco Systems, Inc.*	656,595	11,240,907
Comverse Technologies, Inc.*	21,506	571,845
Corning, Inc.*	157,422	3,094,917
JDS Uniphase Corp.*	176,331	416,141
Lucent Technologies, Inc.*	478,885	1,273,834
Motorola, Inc. (a)	264,080	5,965,567
QUALCOMM, Inc. (a)	174,420	7,514,014
Scientific-Atlanta, Inc. (a)	15,877	683,822
Tellabs, Inc.*	47,816	521,194
		32,442,229
Computers & Peripherals 3.6%		
Apple Computer, Inc.*	88,762	6,381,100
Dell, Inc.*	256,409	7,689,706
EMC Corp.*	257,867	3,512,149
Gateway, Inc.*	28,177	70,724
Hewlett-Packard Co.	306,427	8,773,005
International Business Machines Corp.	170,702	14,031,704
Lexmark International, Inc. "A"*	12,868	576,873
NCR Corp.*	19,451	660,167
Network Appliance, Inc.*	39,384	1,063,368
QLogic Corp.*	9,709	315,640
Sun Microsystems, Inc.*	364,781	1,528,432
		44,602,868

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

	Shares	Value ($)
Electronic Equipment & Instruments 0.3%		
Agilent Technologies, Inc.*	43,897	1,461,331
Jabil Circuit, Inc.*	18,147	673,072
Molex, Inc.	17,617	457,161
Sanmina-SCI Corp.*	59,017	251,412
Solectron Corp.*	101,707	372,248
Symbol Technologies, Inc.	26,250	336,525
Tektronix, Inc.	7,924	223,536
		3,775,285
Internet Software & Services 0.4%		
Yahoo!, Inc.*	134,088	**5,253,568**
IT Consulting & Services 1.0%		
Affiliated Computer Services, Inc. "A"*	13,073	773,660
Automatic Data Processing, Inc.	62,108	2,850,136
Computer Sciences Corp.*	19,344	979,580
Convergys Corp.*	13,472	213,531
Electronic Data Systems Corp.	55,491	1,334,004
First Data Corp.	82,512	3,548,841
Fiserv, Inc.*	21,642	936,449
Paychex, Inc.	36,511	1,391,799
Sabre Holdings Corp.	12,752	307,451
Unisys Corp.*	34,080	198,687
		12,534,138
Office Electronics 0.1%		
Xerox Corp.*	102,888	**1,507,309**
Semiconductors & Semiconductor Equipment 3.2%		
Advanced Micro Devices, Inc.*	42,560	1,302,336
Altera Corp.*	39,786	737,235
Analog Devices, Inc.	39,635	1,421,707
Applied Materials, Inc.	173,530	3,113,128
Applied Micro Circuits Corp.*	37,800	97,146
Broadcom Corp. "A"*	30,281	1,427,749
Freescale Semiconductor, Inc. "B"*	43,287	1,089,534
Intel Corp. (a)	651,745	16,267,555
KLA-Tencor Corp.	21,145	1,043,083
Linear Technology Corp.	32,814	1,183,601
LSI Logic Corp.*	39,813	318,504
Maxim Integrated Products, Inc.	35,101	1,272,060
Micron Technology, Inc.*	65,320	869,409
National Semiconductor Corp.	36,426	946,347
Novellus Systems, Inc.*	14,814	357,314
NVIDIA Corp.*	18,107	661,992
PMC-Sierra, Inc.*	22,410	172,781
Teradyne, Inc.*	21,004	306,028
Texas Instruments, Inc.	173,579	5,566,679
Xilinx, Inc.	37,346	941,493
		39,095,681
Software 3.5%		
Adobe Systems, Inc.	63,810	2,358,418
Autodesk, Inc.	24,448	1,050,042
BMC Software, Inc.*	22,706	465,246
Citrix Systems, Inc.*	19,198	552,518
Computer Associates International, Inc.	49,559	1,397,068
Compuware Corp.*	41,046	368,183
Electronic Arts, Inc.*	32,458	1,697,878
Intuit, Inc.*	20,485	1,091,851
Mercury Interactive Corp.*	9,241	256,807
Microsoft Corp.	985,501	25,770,851
Novell, Inc.*	44,836	395,902
Oracle Corp.*	403,378	4,925,245
Parametric Technology Corp.*	26,791	163,425
Siebel Systems, Inc.	55,881	591,221
Symantec Corp.*	115,652	2,023,910
		43,108,565
Materials 2.9%		
Chemicals 1.5%		
Air Products & Chemicals, Inc.	23,739	1,405,111
Ashland, Inc.	7,708	446,293
Dow Chemical Co.	103,161	4,520,515
E.I. du Pont de Nemours & Co.	98,312	4,178,260
Eastman Chemical Co.	8,730	450,381
Ecolab, Inc.	22,366	811,215
Engelhard Corp.	11,700	352,755
Hercules, Inc.*	9,507	107,429
International Flavors & Fragrances, Inc.	8,143	272,790
Monsanto Co.	28,858	2,237,361
PPG Industries, Inc.	17,650	1,021,935
Praxair, Inc.	34,285	1,815,734
Rohm & Haas Co.	15,494	750,219
Sigma-Aldrich Corp.	8,220	520,244
		18,890,242
Construction Materials 0.1%		
Vulcan Materials Co.	10,625	**719,844**
Containers & Packaging 0.2%		
Ball Corp.	11,636	462,182
Bemis Co., Inc.	9,772	272,346
Pactiv Corp.*	14,819	326,018
Sealed Air Corp.*	8,448	474,524
Temple-Inland, Inc.	12,736	571,209
		2,106,279
Metals & Mining 0.8%		
Alcoa, Inc.	93,381	2,761,276
Allegheny Technologies, Inc.	9,017	325,333
Freeport-McMoRan Copper & Gold, Inc. "B"	18,996	1,021,985
Newmont Mining Corp.	47,732	2,548,889
Nucor Corp.	16,665	1,111,889
Phelps Dodge Corp.	10,420	1,499,126
United States Steel Corp.	12,259	589,290
		9,857,788
Paper & Forest Products 0.3%		
International Paper Co.	52,418	1,761,769
Louisiana-Pacific Corp.	13,173	361,862
MeadWestvaco Corp.	19,559	548,239
Weyerhaeuser Co.	26,145	1,734,459
		4,406,329
Telecommunication Services 3.0%		
Diversified Telecommunication Services 2.2%		
AT&T, Inc.	420,047	10,286,951
BellSouth Corp.	196,041	5,312,711
CenturyTel, Inc.	13,919	461,554
Citizens Communications Co.	34,490	421,813
Qwest Communications International, Inc.*	163,140	921,741
Verizon Communications, Inc.	295,749	8,907,960
		26,312,730

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

	Shares	Value ($)
Wireless Telecommunication Services 0.8%		
ALLTEL Corp.	40,808	2,574,985
Sprint Nextel Corp.	313,668	7,327,284
		9,902,269
Utilities 3.3%		
Electric Utilities 1.6%		
Allegheny Energy, Inc.*	17,010	538,367
American Electric Power Co., Inc.	42,316	1,569,500
Cinergy Corp.	22,049	936,201
Edison International	34,867	1,520,550
Entergy Corp.	22,156	1,521,009
Exelon Corp.	71,742	3,812,370
FirstEnergy Corp.	35,254	1,727,093
FPL Group, Inc.	41,684	1,732,387
Pinnacle West Capital Corp.	9,508	393,156
PPL Corp.	39,928	1,173,883
Progress Energy, Inc.	26,631	1,169,634
Southern Co.	83,904	2,897,205
		18,991,355
Gas Utilities 0.0%		
Nicor, Inc.	3,884	152,680
Peoples Energy Corp.	3,228	113,206
		265,886
Independent Power Producers & Energy Traders 0.6%		
AES Corp.*	69,848	1,105,694
Constellation Energy Group	18,710	1,077,696
Duke Energy Corp.	99,087	2,719,938
Dynegy, Inc. "A"*	34,972	169,265
TXU Corp.	51,312	2,575,349
		7,647,942
Multi-Utilities 1.1%		
Ameren Corp.	21,169	1,084,699
CenterPoint Energy, Inc.	31,321	402,475
CMS Energy Corp.*	24,072	349,285
Consolidated Edison, Inc.	27,922	1,293,626
Dominion Resources, Inc.	36,417	2,811,392
DTE Energy Co.	18,157	784,201
KeySpan Corp.	19,114	682,179
NiSource, Inc.	27,508	573,817
PG&E Corp.	36,549	1,356,699
Public Service Enterprise Group, Inc.	25,875	1,681,099
Sempra Energy	29,187	1,308,745
TECO Energy, Inc.	20,700	355,626
Xcel Energy, Inc.	41,557	767,142
		13,450,985
Total Common Stocks (Cost $1,074,289,379)		**1,207,097,280**

	Principal Amount ($)	Value ($)
US Treasury Obligations 0.1%		
US Treasury Bills:		
3.931%**, 4/6/2006 (b)	30,000	29,689
3.938%**, 4/6/2006 (b)	1,265,000	1,251,856
3.945%**, 4/6/2006 (b)	65,000	64,323
Total US Treasury Obligations (Cost $1,345,868)		**1,345,868**

	Shares	Value ($)
Securities Lending Collateral 5.1%		
Daily Assets Fund Institutional, 4.28% (c) (d) (Cost $62,650,000)	62,650,000	**62,650,000**
Cash Equivalents 1.5%		
Cash Management QP Trust, 4.26% (e) (Cost $19,203,177)	19,203,177	**19,203,177**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $1,157,488,424)†	105.0	**1,290,296,325**
Other Assets and Liabilities, Net	(5.0)	**(61,942,244)**
Net Assets	100.0	**1,228,354,081**

* *Non-income producing security.*

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

† *The cost for federal income tax purposes was $1,181,320,046. At December 31, 2005, net unrealized appreciation for all securities based on tax cost was $108,976,279. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $205,286,622 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $96,310,343.*

(a) *All or a portion of these securities were on loan (See Notes to Financial Statements). The value of all securities loaned at December 31, 2005 amounted to $60,895,269 which is 5.0% of net assets.*

(b) *At December 31, 2005, this security, in part or in whole, has been segregated to cover initial margin requirements for open futures contracts.*

(c) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(d) *Represents collateral held in connection with securities lending.*

(e) *Cash Management QP Trust is managed by Deutsche Investment Management Americas, Inc. The rate shown is the annualized seven-day yield at period end.*

REIT: Real Estate Investment Trust

At December 31,2005, open future contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregate Face Value ($)	Value ($)	Unrealized Depreciation ($)
S&P 500 Index	3/16/2006	71	22,484,171	22,272,700	**(211,471)**

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2005

Assets	
Investments:	
Investments in securities, at value (cost $1,075,635,247) — including $60,895,269 of securities loaned	$ 1,208,443,148
Investment in Daily Assets Fund Institutional (cost $62,650,000)*	62,650,000
Investment in Cash Management QP Trust (cost $19,203,177)	19,203,177
Total investments in securities, at value (cost $1,157,488,424)	1,290,296,325
Cash	4,270
Receivable for investments sold	1,394,359
Dividends receivable	1,594,179
Interest receivable	70,404
Receivable for Portfolio shares sold	434,654
Other assets	71,678
Total assets	1,293,865,869

Liabilities	
Payable upon return of securities loaned	62,650,000
Payable for Portfolio shares redeemed	719,904
Payable for investments purchased	1,537,618
Payable for daily variation margin on open futures contracts	103,402
Accrued advisory fee	161,549
Other accrued expenses and payables	339,315
Total liabilities	65,511,788
Net assets, at value	**$ 1,228,354,081**

Net Assets	
Net assets consist of:	
Undistributed net investment income	14,832,109
Net unrealized appreciation (depreciation) on:	
Investments	132,807,901
Futures	(211,471)
Accumulated net realized gain (loss)	(91,987,667)
Paid-in capital	1,172,913,209
Net assets, at value	**$ 1,228,354,081**
Class A	
Net Asset Value, offering and redemption price per share ($1,101,837,776 ÷ 84,067,247 outstanding shares of beneficial interest, $.001 par value, unlimited number of shares authorized)	**$ 13.11**
Class B	
Net Asset Value, offering and redemption price per share ($67,523,325 ÷ 5,155,670 outstanding shares of beneficial interest, $.001 par value, unlimited number of shares authorized)	**$ 13.10**
Class B2	
Net Asset Value, offering and redemption price per share ($58,992,980 ÷ 4,506,034 outstanding shares of beneficial interest, $.001 par value, unlimited number of shares authorized)	**$ 13.09**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2005

Investment Income	
Income:	
Dividends	$ 17,632,548
Interest	103,980
Interest — Cash Management QP Trust	260,076
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	41,653
Total Income	18,038,257
Expenses:	
Advisory fee	1,890,261
Administrative service fee	286,511
Custodian fee	47,058
Distribution service fees (Class B and B2)	188,493
Record keeping fee (Class B2)	25,568
Services to shareholders	136,870
Auditing	40,400
Legal	31,366
Trustees' fees and expenses	38,258
Reports to shareholders	71,922
Other	33,921
Total expenses before expense reductions	2,790,628
Expense reductions	(6,029)
Total expenses after expense reductions	2,784,599
Net investment income (loss)	**15,253,658**

Realized and Unrealized Gain (Loss) on Investment Transactions	
Net realized gain (loss) from:	
Investments	(14,091,182)
Futures	(77,188)
	(14,168,370)
Net unrealized appreciation (depreciation) during the period on:	
Investments	42,117,145
Futures	(272,396)
	41,844,749
Net gain (loss) on investment transactions	**27,676,379**
Net increase (decrease) in net assets resulting from operations	**$ 42,930,037**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2005	2004
Operations:		
Net investment income (loss)	$ 15,253,658	$ 12,737,520
Net realized gain (loss) on investment transactions	(14,168,370)	1,928,675
Net unrealized appreciation (depreciation) during the period on investment transactions	41,844,749	62,935,869
Net increase (decrease) in net assets resulting from operations	42,930,037	77,602,064
Distributions to shareholders from:		
Net investment income:		
Class A	(12,006,950)	(7,389,469)
Class B	(714,321)	(217,946)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	176,934,741	204,875,496
Proceeds from tax-free reorganization	311,282,616	—
Reinvestment of distributions	12,006,950	7,389,469
Cost of shares redeemed	(216,433,043)	(114,827,674)
Net increase (decrease) in net assets from Class A share transactions	283,791,264	97,437,291
Class B		
Proceeds from shares sold	29,079,301	57,585,613
Reinvestment of distributions	714,321	217,946
Cost of shares redeemed	(17,678,251)	(25,884,728)
Net increase (decrease) in net assets from Class B share transactions	12,115,371	31,918,831
Class B2		
Proceeds from shares sold	71,422,580	—
Proceeds from tax-free reorganization	69,769,766	—
Cost of shares redeemed	(82,593,913)	—
Net increase (decrease) in net assets from Class B2 share transactions	58,598,433	—
Increase (decrease) in net assets	384,713,834	199,350,771
Net assets at beginning of period	843,640,247	644,289,476
Net assets at end of period (including undistributed net investment income of $14,832,109 and $12,401,640, respectively)	**$ 1,228,354,081**	**$ 843,640,247**

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

Statement of Changes in Net Assets (continued)

Other Information	Years Ended December 31, 2005	2004
Class A		
Shares outstanding at beginning of period	62,064,495	53,842,448
Shares sold	14,056,786	17,356,257
Share issued in tax-free reorganization	24,054,780	—
Shares issued to shareholders in reinvestment of distributions	1,010,686	638,123
Shares redeemed	(17,119,500)	(9,772,333)
Net increase (decrease) in Class A shares	22,002,752	8,222,047
Shares outstanding at end of period	**84,067,247**	**62,064,495**
Class B		
Shares outstanding at beginning of period	4,191,602	1,488,624
Shares sold	2,301,387	4,853,521
Shares issued to shareholders in reinvestment of distributions	60,077	18,805
Shares redeemed	(1,397,396)	(2,169,348)
Net increase (decrease) in Class B shares	964,068	2,702,978
Shares outstanding at end of period	**5,155,670**	**4,191,602**
Class B2		
Shares outstanding at beginning of period	—	—
Shares sold	5,522,164	—
Share issued in tax-free reorganization	5,392,081	—
Shares redeemed	(6,408,211)	—
Net increase (decrease) in Class B2 shares	4,506,034	—
Shares outstanding at end of period	**4,506,034**	**—**

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

Financial Highlights

Class A

Years Ended December 31,	2005	2004	2003	2002	2001
Selected Per Share Data					
Net asset value, beginning of period	**$12.73**	**$11.64**	**$ 9.20**	**$11.98**	**$13.77**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.21	.21	.15	.14	.09
Net realized and unrealized gain (loss) on investment transactions	.37	1.01	2.41	(2.81)	(1.77)
Total from investment operations	.58	1.22	2.56	(2.67)	(1.68)
Less distributions from:					
Net investment income	(.20)	(.13)	(.12)	(.11)	(.10)
Net realized gain on investment transactions	—	—	—	—	(.01)
Total distributions	(.20)	(.13)	(.12)	(.11)	(.11)
Net asset value, end of period	**$13.11**	**$12.73**	**$11.64**	**$ 9.20**	**$11.98**
Total Return (%)	4.68	10.59[b]	28.16[b]	(22.31)[b]	(12.18)[b]
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	1,102	790	627	395	466
Ratio of expenses before expense reductions and/or recoupments (%)	.27	.28	.30	.32	.31
Ratio of expenses after expense reductions and/or recoupments (%)	.27	.29	.30	.30	.30
Ratio of net investment income (loss) (%)	1.62	1.76	1.50	1.33	1.06
Portfolio turnover rate (%)	15	1	1	10	2[c]

[a] *Based on average shares outstanding during the period.*
[b] *Total return would have been lower had certain expenses not been reduced.*
[c] *Portfolio turnover excludes the impact of redemption in kind.*

Class B

Years Ended December 31,	2005	2004	2003	2002[a]
Selected Per Share Data				
Net asset value, beginning of period	**$12.72**	**$11.63**	**$ 9.20**	**$11.27**
Income (loss) from investment operations:				
Net investment income (loss)[b]	.17	.20	.14	.09
Net realized and unrealized gain (loss) on investment transactions	.38	.99	2.40	(2.07)
Total from investment operations	.55	1.19	2.54	(1.98)
Less distributions from:				
Net investment income	(.17)	(.10)	(.11)	(.09)
Net asset value, end of period	**$13.10**	**$12.72**	**$11.63**	**$ 9.20**
Total Return (%)	4.42	10.32[c]	27.83	(17.56)**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	68	53	17	3
Ratio of expenses before expense reductions and/or recoupments (%)	.52	.53	.55	.55*
Ratio of expenses after expense reductions and/or recoupments (%)	.52	.54	.55	.55*
Ratio of net investment income (loss) (%)	1.37	1.71	1.29	1.45*
Portfolio turnover rate (%)	15	1	1	10

[a] *For the period April 30, 2002 (commencement of operations) to December 31, 2002.*
[b] *Based on average shares outstanding during the period.*
[c] *Total return would have been lower had certain expenses not been reduced.*
* *Annualized*
** *Not annualized*

Class B2

Years Ended December 31,	2005[a]
Selected Per Share Data	
Net asset value, beginning of period	**$12.94**
Income (loss) from investment operations:	
Net investment income (loss)[b]	.05
Net realized and unrealized gain (loss) on investment transactions	.10
Total from investment operations	.15
Net asset value, end of period	**$13.09**
Total Return (%)	1.16**c
Ratios to Average Net Assets and Supplemental Data	
Net assets, end of period ($ millions)	59
Ratio of expenses before expense reductions (%)	.66*
Ratio of expenses after expense reductions (%)	.63*
Ratio of net investment income (loss) (%)	1.34*
Portfolio turnover rate (%)	15

a *For the period September 16, 2005 (commencement of operations) to December 31, 2005.*
b *Based on average shares outstanding during the period.*
c *Total return would have been lower had certain expenses not been reduced.*
* *Annualized*
** *Not annualized*

Notes to Financial Statements

A. Significant Accounting Policies

DWS Investments VIT Funds (formerly Scudder Investments VIT Funds) (the "Trust") is registered under the Investment Company Act of 1940 as amended, (the "1940 Act"), as a diversified, open-end management investment company. The Trust is organized as a Massachusetts business trust. The Trust is comprised of several portfolios. DWS Equity 500 Index VIP (formerly Scudder VIT Equity 500 Index Fund) (the "Portfolio") is one of the series the Trust offers to investors. The Portfolio is intended to be the underlying investment vehicle for variable annuity contracts and variable life insurance policies to be offered by the separate accounts of certain life insurance companies ("Participating Insurance Companies").

Multiple Classes of Shares of Beneficial Interest. The Portfolio offers three classes of shares to investors: Class A Shares, Class B Shares and Class B2 shares. On September 16, 2005, the Portfolio commenced offering Class B2 shares. Class B and Class B2 Shares are subject to Rule 12b-1 distribution fees under the 1940 Act equal to an annual rate up to 0.25% of average daily net assets. In addition, Class B2 shares are subject to record keeping fees equal to an annual rate of up to 0.15% of average daily net assets. Class A shares are not subject to such fees.

Investment income, realized and unrealized gains and losses, and certain Portfolio-level expenses and expense reductions, if any, are borne pro rata on the basis of relative net assets by the holders of all classes of shares, except that each class bears certain expenses unique to that class (including the applicable 12b-1 distribution fee). Differences in class-level expenses may result in payment of different per share dividends by class. All shares have equal rights with respect to voting subject to class-specific arrangements.

The Trust's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America which require the use of management estimates. Actual results could differ from those estimates. The policies described below are followed consistently by the Portfolio in the preparation of its financial statements.

Security Valuation. Investments are stated at value determined as of the close of regular trading on the New York Stock Exchange on each day the exchange is open for trading. Equity securities are valued at the most recent sale price or official closing price reported on the exchange (US or foreign) or over-the-counter market on which the security is traded most extensively. Securities for which no sales are reported are valued at the calculated mean between the most recent bid and asked quotations on the relevant market or, if a mean cannot be determined, at the most recent bid quotation.

Money market instruments purchased with an original or remaining maturity of sixty days or less, maturing at par, are valued at amortized cost. Investments in open-end investment companies and Cash Management QP Trust are valued at their net asset value each business day.

Securities and other assets for which market quotations are not readily available or for which the above valuation procedures are deemed not to reflect fair value are valued in a manner that is intended to reflect their fair value as determined in accordance with procedures approved by the Trustees.

Futures Contracts. A futures contract is an agreement between a buyer or seller and an established futures exchange or its clearinghouse in which the buyer or seller agrees to take or make a delivery of a specific amount of a financial instrument at a specified price on a specific date (settlement date). The Portfolio may enter into futures contracts as a hedge against anticipated interest rate changes and for duration management, risk management and return enhancement purposes.

Upon entering into a futures contract, the Portfolio is required to deposit with a financial intermediary an amount ("initial margin") equal to a certain percentage of the face value indicated in the futures contract. Subsequent payments ("variation margin") are made or received by the Portfolio dependent upon the daily fluctuations in the value of the underlying security and are recorded for financial reporting purposes as unrealized gains or losses by the Portfolio. When entering into a closing transaction, the Portfolio will realize a gain or loss equal to the difference between the value of the futures contract to sell and the futures contract to buy. Futures contracts are valued at the most recent settlement price.

Certain risks may arise upon entering into futures contracts, including the risk that an illiquid secondary market will limit the Portfolio's ability to close out a futures contract prior to the settlement date and that a change in the value of a futures contract may not correlate exactly with the changes in the value of the securities or currencies hedged. When utilizing futures contracts to hedge, the Portfolio gives up the opportunity to profit from favorable price movements in the hedged positions during the term of the contract.

Federal Income Taxes. The Portfolio's policy is to comply with the requirements of the Internal Revenue Code, as amended, which are applicable to regulated investment companies, and to distribute all of its taxable and tax-exempt income to its shareholders. Accordingly, the Portfolio paid no federal income taxes and no federal income tax provision was required.

At December 31, 2005, the Portfolio had a net tax basis capital loss carryforward of approximately $66,871,000 which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2008 ($3,215,000), December 31, 2009 ($9,116,000), December 31, 2010 ($17,081,000), December 31, 2011 ($4,052,000), and December 31, 2012 ($33,407,000), the respective, the expiration dates, whichever occurs first, which may be subject to certain limitations under sections 382–384 of the Internal Revenue Code. In addition, from November 1, 2005 through December 31, 2005, the Portfolio incurred approximately $1,511,000 of net realized capital losses. As permitted by tax regulations, the Portfolio intends to elect to defer these losses and treat them as arising in the fiscal year end December 31, 2006.

The DWS Equity 500 Index VIP inherited approximately $53,808,000 of its capital loss carryforward from its merger with the SVS II Index 500 Portfolio (Note H), which may be applied against any net realized taxable gains. During the year ended December 31, 2005 the Portfolio utilized approximately $500,000 of the inherited amount. At December 31, 2005 the Portfolio had a remaining net tax basis capital loss carryforward of $53,308,000 inherited from the merger which may be applied against any net realized taxable gains of each succeeding year until fully utilized or until December 31, 2008 ($3,215,000), December 31, 2009 ($9,116,000), December 31, 2010 ($3,518,000), December 31, 2011 ($4,052,000), and December 31, 2012 ($33,407,000), the respective expiration dates, whichever occurs first.

During the year ended December 31, 2005, the Portfolio utilized $3,505,000 of prior year capital loss carryforward.

Distribution of Income and Gains. Net investment income of the Portfolio, if any, is distributed to shareholders annually. Net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to the Portfolio if not distributed, and, therefore, will be distributed to shareholders at least annually.

The timing and characterization of certain income and capital gains distributions are determined annually in accordance with federal tax regulations which may differ from accounting principles generally accepted in the United States of America. These differences primarily relate to investments in futures contracts and certain securities sold at a loss. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, the Portfolio may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Portfolio.

At December 31, 2005, the Portfolio's components of distributable earnings (accumulated gains) on a tax-basis were as follows:

Undistributed ordinary income*	$ 14,832,109
Capital loss carryforwards	$ (66,871,000)
Unrealized appreciation (depreciation) on investments	$108,976,279

In addition, the tax character of distributions paid to shareholders by the Portfolio is summarized as follows:

	Years Ended December 31, 2005	2004
Distributions from ordinary income*	$ 12,721,271	$ 7,607,415

* *For tax purposes short-term capital gains distributions are considered ordinary income distributions.*

Securities Lending. The Portfolio may lend securities to financial institutions. The Portfolio retains beneficial ownership of the securities it has loaned and continues to receive interest and dividends paid by the securities and to participate in any changes in their market value. The Portfolio requires the borrowers of the securities to maintain collateral with the Portfolio consisting of liquid, unencumbered assets having a value at least equal to the value of the securities loaned. The Portfolio may invest the cash collateral into a joint trading account in an affiliated money market fund pursuant to Exemptive Orders issued by the SEC. The Portfolio receives compensation for lending its securities either in the form of fees or by earning interest on invested cash collateral net of fees paid to a lending agent. Either the Portfolio or the borrower may terminate the loan. The Portfolio is subject to all investment risks associated with the value of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

Contingencies. In the normal course of business, the Portfolio may enter into contracts with service providers that contain general indemnification clauses. The Portfolio's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Portfolio that have not yet been made. However, based on experience, the Portfolio expects the risk of loss to be remote.

Expenses. Expenses of the Trust arising in connection with a specific portfolio are allocated to that portfolio. Other Trust expenses which cannot be directly attributed to a portfolio are apportioned among the portfolios in the Trust.

Other. Investment transactions are accounted for on a trade date plus one basis for daily net asset valuation calculations. However, for financial reporting purposes, investment security transactions are reported on trade date. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date net of foreign withholding taxes. Certain dividends from foreign securities may be recorded subsequent to the ex-dividend as soon as the Portfolio is informed of such dividends. Realized gains and losses from investment transactions are recorded on an identified cost basis.

B. Purchases and Sales of Securities

During the year ended December 31, 2005, purchases and sales of investment securities (excluding short-term investments) aggregated $142,314,318 and $166,526,901, respectively.

C. Related Parties

Deutsche Asset Management, Inc. ("DeAM" or "Advisor"), an indirect, wholly-owned subsidiary of Deutsche Bank AG, is the Portfolio's Advisor. Under the investment advisory agreement, for the period from January 1, 2005 through September 18, 2005, the Portfolio paid the Advisor an annual fee based on its average daily net assets, which was calculated daily and paid monthly at the annual rate of 0.20%. Effective September 19, 2005, the Portfolio pays the Advisor an annual fee equal to an annual rate of 0.20% of the first $1,000,000,000 of the Portfolio's average daily net assets, 0.175% of the next $1,000,000,000 of the Portfolio's average daily net assets and 0.150% of such net assets in excess of $2,000,000,000, which is calculated daily and paid monthly. The fee was equivalent to an annualized effective rate of 0.19%.

Northern Trust Investments, N.A. ("NTI") acts as investment sub-advisor for the Portfolio. As the Portfolio's investment sub-advisor, NTI makes the Portfolio's investment decisions. It buys and sells securities for the Portfolio and conducts the research that leads to these purchase and sale decisions. DeAM, Inc. pays a fee to NTI for acting as investment sub-advisor to the Portfolio.

The Advisor has contractually agreed to waive its fees and/or reimburse expenses of the Portfolio, to the extent necessary, to maintain operating expenses at 0.30% of average daily net assets for Class A shares and 0.55% of average daily net assets for Class B shares for the period from January 1, 2005 through September 18, 2005. Effective September 19, 2005, the Advisor has contractually agreed to waive its fees and/or reimburse expenses of the Portfolio, to the extent necessary, to limit all expenses to 0.28% of average daily net assets for Class A, 0.53% of average daily net assets for Class B and 0.63% of average daily net assets for Class B2 shares until April 30, 2009.

The Advisor may recoup any of its waived investment advisory fees within the following three years if the Portfolio is able to make the repayment without exceeding its contractual expense limits during the period of waiver/reimbursement. At December 31, 2005, there were no amounts subject to repayment to the Advisor.

Investment Company Capital Corp. ("ICCC" or the "Administrator"), an affiliate of the Advisor, is the Portfolio's Administrator. The Portfolio pays the Administrator an annual fee ("Administrative service fee") based on its average daily net assets which is accrued daily and payable monthly at an annual rate of 0.03%. For the year ended December 31, 2005, ICCC received an administrative service fee of $286,511, of which $29,836 is unpaid.

ICCC has entered into a sub-accounting agreement with DWS Scudder Fund Accounting Corporation ("DWS-SFAC"), a wholly owned subsidiary of Deutsche Bank AG. Under the agreement, DWS-SFAC performs accounting services and other related services to the Portfolio. Pursuant to a sub-accounting agreement between DWS-SFAC and State Street Bank and Trust Company, DWS-SFAC has delegated certain accounting functions to State Street Corporation. The costs and expenses of such delegation are borne by ICCC, not by the Portfolio.

DWS Scudder Distributors, Inc. ("DWS-SDI"), also an affiliate of the Advisor, is the Portfolio's Distributor. In accordance with the Distribution Plan, DWS-SDI receives 12b-1 fees of up to 0.25% of average daily net assets of Class B and B2 shares. For the period ended December 31, 2005, the Distribution Service Fees were as follows:

Distribution Service Fee	Total Aggregated	Waived	Unpaid at December 31, 2005
Class B	$ 144,324	$ —	$14,277
Class B2	44,169	4,896	9,915
	$ 188,493	**$ 4,896**	**$ 24,192**

Service Provider Fees. DWS Scudder Investments Service Company ("DWS-SISC"), an affiliate of the Advisor, is the transfer, dividend-paying and shareholder service agent for the Portfolio. Pursuant to a sub-transfer agency agreement between DWS-SISC and DST Systems, Inc. ("DST"), DWS-SISC has delegated certain transfer agent and dividend paying agent functions to DST. DWS-SISC compensates DST out of the shareholder servicing fee it receives from the Portfolio. For the year ended December 31, 2005, the amount charged to the Portfolio by DWS-SISC aggregated $134,914, all of which is unpaid at December 31, 2005.

Typesetting and Filing Service Fees. Under an agreement with Deutsche Investment Management Americas Inc. ("DeIM"), an indirect, wholly owned subsidiary of Deutsche Bank AG, DeIM is compensated for providing typesetting and regulatory filing services to the Portfolio. For the year ended December 31, 2005, the amount charged to the Portfolio by DeIM included in the reports to shareholders aggregated $8,160, of which $2,400 is unpaid at December 31, 2005.

Trustees Fees and Expenses. The Portfolio pays each Trustee not affiliated with the Advisor retainer fees specified amounts for attended board and committee meetings.

Cash Management QP Trust. Pursuant to an Exemptive Order issued by the SEC, the Portfolio may invest in the Cash Management QP Trust (the "QP Trust") and other affiliated funds managed by the Manager or Advisor. The QP Trust seeks to provide as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity. The QP Trust does not pay the Manager or Advisor a management fee for the affiliated funds' investments in the QP Trust.

D. Expense Reductions

The Portfolio has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Portfolio's custodian expenses. During the year ended December 31, 2005, the Portfolio's custodian fees were reduced by $1,133 for custody credits earned.

E. Line of Credit

The Portfolio and several other affiliated funds (the "Participants") share in a $1.1 billion revolving credit facility administered by J.P. Morgan Chase Bank for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated, based upon net assets, among each of the Participants. Interest is calculated at the Federal Funds Rate plus 0.5%. The Portfolio may borrow up to a maximum of 33% of its net assets under the agreement.

F. Ownership of the Portfolio

At December 31, 2005, three participating insurance companies were beneficial owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 35%, 19% and 18%, respectively. At December 31, 2005, three participating insurance companies were beneficial owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 48%, 21% and 18%, respectively. At December 31, 2005, two participating insurance companies were beneficial owners of record of 10% or more of the outstanding Class B2 shares of the Portfolio, each owning 81% and 11%, respectively.

G. Regulatory Matters and Litigation

Market Timing Related Regulatory and Litigation Matters. Since at least July 2003, federal, state and industry regulators have been conducting ongoing inquiries and investigations ("inquiries") into the mutual fund industry, and have requested information from numerous mutual fund companies, including DWS Scudder. The DWS funds' advisors have been cooperating in connection with these inquiries and are in discussions with the regulators concerning proposed settlements. Publicity about mutual fund practices arising from these industry-wide inquiries serves as the general basis of a number of private lawsuits against the DWS funds. These lawsuits, which previously have been reported in the press, involve purported class action and derivative lawsuits, making various allegations and naming as defendants various persons, including certain DWS funds, the funds' investment advisors and their affiliates, and certain individuals, including in some cases fund Trustees/Directors, officers, and other parties. Each DWS fund's investment advisor has agreed to indemnify the applicable DWS funds in connection with these lawsuits, or other lawsuits or regulatory actions that may be filed making allegations similar to these lawsuits regarding market timing, revenue sharing, fund valuation or other subjects arising from or related to the pending inquiries. It is not possible to determine with certainty what the outcome of these inquiries will be or what the effect, if any, would be on the funds or their advisors.

With respect to the lawsuits, based on currently available information, the funds' investment advisors believe the likelihood that the pending lawsuits will have a material adverse financial impact on a DWS fund is remote and such actions are not likely to materially affect their ability to perform under their investment management agreements with the DWS funds.

With respect to the regulatory matters, Deutsche Asset Management ("DeAM") has advised the funds as follows:

> DeAM expects to reach final agreements with regulators early in 2006 regarding allegations of improper trading in the DWS funds. DeAM expects that it will reach settlement agreements with the Securities and Exchange Commission, the New York Attorney General and the Illinois Secretary of State providing for payment of disgorgement, penalties, and investor education contributions totaling approximately $134 million. Approximately $127 million of this amount would be distributed to shareholders of the affected DWS funds in accordance with a distribution plan to be developed by an independent distribution consultant. DeAM does not believe that any of the DWS funds will be named as respondents or defendants in any proceedings. The funds' investment advisors do not believe these amounts will have a material adverse financial impact on them or materially affect their ability to perform under their investment management agreements with the DWS funds. The above-described amounts are not material to Deutsche Bank, and they have already been reserved.
>
> Based on the settlement discussions thus far, DeAM believes that it will be able to reach a settlement with the regulators on a basis that is generally consistent with settlements reached by other advisors, taking into account the particular facts and circumstances of market timing at DeAM and at the legacy Scudder and Kemper organizations prior to their acquisition by DeAM in April 2002. Among the terms of the expected settled orders, DeAM would be subject to certain undertakings regarding the conduct of its business in the future, including maintaining existing management fee reductions for certain funds for a period of five years. DeAM expects that these settlements would resolve regulatory allegations that it violated certain provisions of federal and state securities laws (i) by entering into trading arrangements that permitted certain investors to engage in market timing in certain DWS funds and (ii) by failing more generally to take adequate measures to prevent market timing in the DWS funds, primarily during the 1999–2001 period. With respect to the trading arrangements, DeAM expects that the settlement documents will include allegations related to one legacy DeAM arrangement, as well as three legacy Scudder and six legacy Kemper arrangements. All of these trading arrangements originated in businesses that existed prior to the current DeAM organization, which came together in April 2002 as a result of the various mergers of the legacy Scudder, Kemper and Deutsche fund groups, and all of the arrangements were terminated prior to the start of the regulatory investigations that began in the summer of 2003. No current DeAM employee approved the trading arrangements.

There is no certainty that the final settlement documents will contain the foregoing terms and conditions. The independent Trustees/Directors of the DWS funds have carefully monitored these regulatory investigations with the assistance of independent legal counsel and independent economic consultants. Additional information announced by DeAM regarding the terms of the expected settlements will be made available at www.dws-scudder.com/regulatory_settlements, which will also disclose the terms of any final settlement agreements once they are announced.

Other Regulatory Matters. DeAM is also engaged in settlement discussions with the Enforcement Staffs of the SEC and the NASD regarding DeAM's practices during 2001–2003 with respect to directing brokerage commissions for portfolio transactions by certain DWS funds to broker-dealers that sold shares in the DWS funds and provided enhanced marketing and distribution for shares in the DWS funds. In addition, on January 13, 2006, DWS Scudder Distributors, Inc. received a Wells notice from the Enforcement Staff of the NASD regarding DWS Scudder Distributors' payment of non-cash compensation to associated persons of NASD member firms, as well as DWS Scudder Distributors' procedures regarding non-cash compensation regarding entertainment provided to such associated persons. Additional information announced by DeAM regarding the terms of the expected settlements will be made available at www.dws-scudder.com/regulatory_settlements, which will also disclose the terms of any final settlement agreements once they are announced.

H. Acquisition of Assets

On September 16, 2005, the DWS Equity 500 Index VIP acquired all of the net assets of Scudder SVS II Index 500 Portfolio pursuant to a plan of reorganization approved by shareholders on September 2, 2005. The acquisition was accomplished by a tax-free exchange of 33,992,448 Class A shares and 7,616,366 Class B2 shares of the Scudder SVS II Index 500 Portfolio, respectively, for 24,054,780 Class A shares and 5,392,081 Class B2 shares of DWS Equity 500 Index VIP, respectively, outstanding on September 16, 2005. Scudder SVS II Index 500 Portfolio's net assets at that date of $381,052,382, including $69,449,584 of net unrealized appreciation, were combined with those of the DWS Equity 500 Index VIP. The aggregate net assets of the DWS Equity 500 Index VIP immediately before the acquisition were $859,731,509. The combined net assets of the DWS Equity 500 Index VIP immediately following the acquisition were $1,240,783,891.

I. Subsequent Event

Effective February 6, 2006, Scudder Investments changed its name to DWS Scudder and Scudder funds were renamed DWS funds. The DWS Scudder name represents the alignment of Scudder with all of Deutsche Bank's mutual fund operations around the globe.

Report of Independent Registered Public Accounting Firm

To the Trustees of DWS Investments VIT Funds (formerly Scudder Investments VIT Funds) and the Shareholders of DWS Equity 500 Index VIP (formerly Scudder VIT Equity 500 Index Fund):

In our opinion, the accompanying statement of assets and liabilities, including the investment portfolio, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of DWS Equity 500 Index VIP (the "Portfolio") at December 31, 2005, and the results of its operations, the changes in its net assets and the financial highlights for the year then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Portfolio's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit, which included confirmation of securities at December 31, 2005 by correspondence with the custodian and brokers, provides a reasonable basis for our opinion. The statement of changes in net assets and the financial highlights of the Portfolio for each of the periods ended on or prior to December 31, 2004 were audited by another Independent Registered Public Accounting Firm whose report dated February 8, 2005 expressed an unqualified opinion on those statements.

Boston, Massachusetts
February 27, 2006

PricewaterhouseCoopers LLP

Tax Information

(Unaudited)

Please consult a tax advisor if you have questions about federal or state income tax laws, or on how to prepare your tax returns. If you have specific questions about your account, please call 1-800-728-3337

For corporate shareholders, 100% of the income dividends paid during the Portfolio's fiscal year ended December 31, 2005 qualified as a dividend received deduction.

Proxy Voting

A description of the Portfolio's policies and procedures for voting proxies for portfolio securities and information about how the Portfolio voted proxies related to its portfolio securities during the 12-month period ended June 30 is available on our Web site — www.dws-scudder.com (click on "proxy voting"at the bottom of the page) — or on the SEC's Web site — www.sec.gov. To obtain a written copy of the Portfolio's policies and procedures without charge, upon request, call us toll free at 1-800-621-1048.

Change in Independent Registered Public Accounting Firm (Unaudited)

On September 30, 2005, Ernst & Young LLP ("E&Y") resigned as the Portfolio's independent registered public accounting firm. During the two most recent fiscal years, E&Y's audit reports contained no adverse opinion or disclaimer of opinion; nor were its reports qualified or modified as to uncertainty, audit scope, or accounting principle. Further, in connection with its audits for the two most recent fiscal years and through September 30, 2005, there were no disagreements between the Portfolio and E&Y on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which if not resolved to the satisfaction of E&Y would have caused it to make reference to the disagreement in its report on the financial statements for such years. Effective September 30, 2005, PricewaterhouseCoopers LLP was appointed by the Board of Trustees as the independent registered public accounting firm of the Portfolio for the fiscal year ended December 31, 2005.

Investment Management Agreement Approval

The Board of Trustees of the DWS Investments VIT Funds (the "Trust") approved the continuation of the current investment management agreement with Deutsche Asset Management, Inc. (the "Advisor") and the current sub-advisory agreement between the Advisor and Northern Trust Investments, N.A. (the "Sub-Advisor") for investment advisory services for the DWS Equity 500 Index VIP (the "Portfolio"), a series of the Trust, in September 2005. In terms of the process the Trustees followed prior to approving the contracts, shareholders should know that:

- At the present time, all but one of your Portfolio's Trustees are independent of the Advisor and Sub-Advisor and their affiliates.
- The Trustees meet frequently to discuss Portfolio matters. Each year, the Trustees dedicate part or all of several meetings to contract review matters.
- The Trustees regularly meet privately with their independent counsel (and, as needed, other advisors) to discuss contract review and other matters.
- The fee paid to the Sub-Advisor is paid by the Advisor out of its fee and not directly by the Portfolio.

The Advisor or the Sub-Advisor and their predecessors have managed the Portfolio since inception, and the Trustees believe that a long-term relationship with a capable, conscientious advisor is in the best interest of shareholders. As you may know, the Advisor is part of Deutsche Bank, a major global banking institution that is engaged in a wide range of financial services. The Trustees believe that there are significant advantages to being part of a global asset management business with extensive investing expertise and resources, including hundreds of portfolio managers and analysts with research capabilities in many countries throughout the world.

Shareholders may focus only on Portfolio performance and fees, but the Portfolio's Trustees consider these and many other factors, including the quality and integrity of the Advisor's and Sub-Advisor's personnel and back-office operations, Portfolio valuations, and compliance policies and procedures. The Trustees noted that the Advisor has also implemented new, forward-looking policies and procedures in many important areas, such as those involving brokerage commissions and so-called "soft dollars," even when not obligated to do so by law or regulation.

In determining to approve the continuation of the Portfolio's current investment management agreement, the Board considered factors that it believes relevant to the interests of shareholders, including:

- **The investment management fee schedule for the Portfolio, including (i) comparative information provided by Lipper regarding investment management fee rates paid to other investment advisors by similar funds and (ii) fee rates paid to the Advisor by similar funds and institutional accounts advised by the Advisor.** With respect to management fees paid to other investment advisors by similar funds, the Trustees noted that the fee rate paid by the Portfolio (Class A shares) was lower than the median (2nd quartile) of the applicable Lipper universe as of December 31, 2004. The Board gave only limited consideration to fees paid by similar institutional accounts advised by the Advisor, in light of the material differences in the scope of services provided to mutual funds as compared to those provided to institutional accounts. The Board concluded that the fee schedule in effect for the Portfolio represented reasonable compensation in light of the nature, extent and quality of the services being provided to the Portfolio, the performance of the Portfolio and fees paid by similar funds.
- **The extent to which economies of scale would be realized as the Portfolio grows.** In this regard, the Board noted that the Portfolio's investment management fee schedule includes fee breakpoints. The Board concluded that the Portfolio's fee schedule represents an appropriate sharing between shareholders and the Advisor of such economies of scale as may exist in the management of the Portfolio at current asset levels.
- **The total operating expense of the Portfolio relative to the Portfolio's peer group as determined by Lipper.** In this regard, the Board noted that the total expenses of the Portfolio (Class A shares) for the year ending December 31, 2004 were lower than the median (1st quartile) of the applicable Lipper universe. The Board also considered the expense limitations agreed to by the Advisor that serve to ensure that the Portfolio's total operating expenses would be competitive relative to the applicable Lipper universe.
- **The investment performance of the Portfolio and the Advisor relative to industry peer groups.** The Board noted that for the one- and three-year periods ending June 30, 2005, the Portfolio's (Class A shares) performance was in the 1st quartile, and for the five-year period was in the 2nd quartile, of the applicable Lipper universe. The Board also observed that on a gross return basis, the Portfolio outperformed its

benchmark in the one- and three-year periods, and underperformed its benchmark in the five-year period. The Board recognized that the Advisor has made significant changes in its investment personnel and processes in recent years in an effort to improve long-term performance.

- **The nature, extent and quality of the advisory services provided by the Advisor and Sub-Advisor.** The Board considered extensive information regarding the Advisor and Sub-Advisor, including the Advisor's and Sub-Advisor's personnel, particularly those personnel with responsibilities for providing services to the Portfolio, resources, policies and investment processes. The Board also considered the terms of the current investment management agreement and sub-advisory agreement, including the scope of services provided under the agreements. In this regard, the Board concluded that the quality and range of services provided by the Advisor and Sub-Advisor have benefited, and should continue to benefit, the Portfolio and its shareholders.
- **The costs of the services to, and profits realized by, the Advisor and its affiliates from their relationships with the Portfolio.** The Board reviewed information concerning the costs incurred and profits realized by the Advisor during 2004 from providing investment management services to the Portfolio and, separately, to the entire DWS fund complex, and reviewed with the Advisor the cost allocation methodology used to determine its profitability. In analyzing the Advisor's costs and profits, the Board also reviewed the fees paid to, and services provided by, the Advisor and its affiliates with respect to administrative services, fund accounting, shareholder servicing and distribution (including fees paid pursuant to 12b-1 plans). As part of this review, the Board considered information provided by an independent accounting firm engaged to review the Advisor's cost allocation methodology and calculations. The Board concluded that the Portfolio's investment management fee schedule represented reasonable compensation in light of the costs incurred by the Advisor and its affiliates in providing services to the Portfolio. The Board also reviewed information regarding the profitability of certain similar investment management firms. The Board noted that while information regarding the profitability of such firms is limited, the Advisor's overall profitability with respect to the DWS fund complex (after taking into account distribution and other services provided by the Advisor and its affiliates) was lower than the overall profitability levels of most comparable firms for which such data was available.
- **The practices of the Advisor and Sub-Advisor regarding the selection and compensation of brokers and dealers executing portfolio transactions for the Portfolio, including the Advisor's and Sub-Advisor's soft dollar practices.** In this regard, the Board observed that the Advisor had voluntarily terminated the practice of allocating brokerage commissions to acquire research services from third-party service providers. The Board indicated that it would continue to monitor the Portfolio's trading activities to ensure that the principle of "best price and execution" remains paramount in the fund trading process.
- **The Advisor's and Sub-Advisor's commitment to, and record of, compliance including its written compliance policies and procedures.** In this regard, the Board considered the Advisor's commitment to indemnify the Portfolio against any costs and liabilities related to lawsuits or regulatory actions making allegations regarding market timing, revenue sharing, Portfolio valuation or other subjects arising from or relating to pending regulatory inquiries. The Board also considered the significant attention and resources dedicated by the Advisor to documenting and enhancing its compliance processes in recent years. The Board noted in particular (i) the experience and seniority of the Advisor's chief compliance officer, who reports to the Board; (ii) the large number of compliance personnel who report to the Advisor's chief compliance officer; and (iii) the substantial commitment of resources by the Advisor to compliance matters.
- **Deutsche Bank's commitment to restructuring and growing its US mutual fund business.** The Board considered recent and ongoing efforts by Deutsche Bank to restructure its US mutual fund business to improve efficiency and competitiveness and to reduce compliance and operational risk. The Board considered assurances received from Deutsche Bank that it would commit the resources necessary to maintain high quality services to the Portfolio and its shareholders while various organizational initiatives are being implemented. The Board also considered Deutsche Bank's strategic plans for investing in the growth of its US mutual fund business and the potential benefits to the Portfolio's shareholders.

Based on all of the foregoing, the Board determined to continue the Portfolio's current investment management agreement and sub-advisory agreement, and concluded that the continuation of such agreements was in the best interests of shareholders. In reaching this conclusion the Board did not give particular weight to any single factor identified above. The Board considered these factors over the course of numerous meetings, many of which were in executive session with only the Independent Trustees and their counsel present. It is possible that individual Trustees may have weighed these factors differently in reaching their individual decisions to approve the continuation of the current agreement.

Trustees and Officers

Independent Trustees

Name, Date of Birth, Position with the Fund and Length of Time Served[1,2]	Business Experience and Directorships During the Past 5 Years	Number of Funds in the Fund Complex Overseen
Richard R. Burt 2/3/47 Trustee since 2002	Chairman, Diligence Inc. (international information collection and risk-management firm (since September 2002); Chairman, IEP Advisors, Inc. (July 1998–present); Member of the Board, Hollinger International, Inc.[3] (publishing) (September 1995 to present), HCL Technologies Limited (information technology) (since April 1999), UBS Mutual Funds (formerly known as Brinson and Mitchell Hutchins families of funds) (registered investment companies) (September 1995 to present); and Member, Textron Inc.[3] International Advisory Council (since July 1996); Director, The European Equity Fund, Inc. (since 2000), The New Germany Fund, Inc. (since 2004), The Central Europe and Russia Fund, Inc. (since 2000), Scudder Global High Income Fund, Inc. (since 2005), Scudder Global Commodities Stock Fund, Inc. (since 2005). Formerly, Partner, McKinsey & Company (consulting) (1991–1994) and US Chief Negotiator in Strategic Arms Reduction Talks (START) with former Soviet Union and US Ambassador to the Federal Republic of Germany (1985–1991); Member of the Board, Homestake Mining[3] (mining and exploration) (1998–February 2001), Archer Daniels Midland Company[3] (agribusiness operations) (October 1996–June 2001) and Anchor Gaming (gaming software and equipment) (March 1999–December 2001); Chairman of the Board, Weirton Steel Corporation[3] (April 1996–2004).	54
Martin J. Gruber 7/15/37 Trustee since 2002	Nomura Professor of Finance, Leonard N. Stern School of Business, New York University (since September 1965); Director, Japan Equity Fund, Inc. (since January 1992), Thai Capital Fund, Inc. (since January 2000) and Singapore Fund, Inc. (since January 2000) (registered investment companies), Scudder Global High Income Fund, Inc. (since 2005), Scudder Global Commodities Stock Fund, Inc. (since 2005). Formerly, Trustee, TIAA (pension funds) (January 1996–January 2000); Trustee, CREF and CREF Mutual Funds (January 2000–March 2005); Chairman, CREF and CREF Mutual Funds, (February 2004–March 2005) and Director, S.G. Cowen Mutual Funds (January 1985–January 2001).	51
Richard J. Herring 2/18/46 Trustee since 2002	Jacob Safra Professor of International Banking and Professor, Finance Department, The Wharton School, University of Pennsylvania (since July 1972); Director, Lauder Institute of International Management Studies (since July 2000); Co-Director, Wharton Financial Institutions Center (since July 2000). Formerly, Vice Dean and Director, Wharton Undergraduate Division (July 1995–June 2000).	51
Graham E. Jones 1/31/33 Trustee since 2002	Senior Vice President, BGK Realty, Inc. (commercial real estate) (since 1995); Director, Scudder Global High Income Fund, Inc. (since 2005), Scudder Global Commodities Stock Fund, Inc. (since 2005). Formerly, Trustee, Morgan Stanley Asset Management, various funds (1985–2001); Trustee, Weiss, Peck and Greer, various funds (1985–2005); Trustee, 7 open-end mutual funds managed by Sun Capital Advisers, Inc. (since 1998).	51
Rebecca W. Rimel 4/10/51 Trustee since 2002	President and Chief Executive Officer, The Pew Charitable Trusts (charitable foundation) (1994–present); Trustee, Thomas Jefferson Foundation (charitable organization) (1994–present); Trustee, Executive Committee, Philadelphia Chamber of Commerce (2001–present); Director, Scudder Global High Income Fund, Inc. (since 2005), Scudder Global Commodities Stock Fund, Inc. (since 2005). Formerly, Executive Vice President, The Glenmede Trust Company (investment trust and wealth management) (1983–2004); Board Member, Investor Education (charitable organization) (2004–2005).	51
Philip Saunders, Jr. 10/11/35 Trustee since 2002	Principal, Philip Saunders Associates (economic and financial consulting) (since November 1988). Formerly, Director, Financial Industry Consulting, Wolf & Company (consulting) (1987–1988); President, John Hancock Home Mortgage Corporation (1984–1986); Senior Vice President of Treasury and Financial Services, John Hancock Mutual Life Insurance Company, Inc. (1982–1986).	51
William N. Searcy, Jr. 9/3/46 Trustee since 2002	Private investor (since October 2003); Trustee of 18 open-end mutual funds managed by Sun Capital Advisers, Inc. (since October 1998). Formerly, Pension & Savings Trust Officer, Sprint Corporation[3] (telecommunications) (November 1989–October 2003).	51

Interested Trustee

Name, Date of Birth, Position with the Fund and Length of Time Served[1,2]	Business Experience and Directorships During the Past 5 Years	Number of Funds in the Fund Complex Overseen
William N. Shiebler[4] 2/6/42 Trustee since 2004	Vice Chairman, Deutsche Asset Management ("DeAM") and a member of the DeAM Global Executive Committee (since 2002); Vice Chairman of Putnam Investments, Inc. (1999); Director and Senior Managing Director of Putnam Investments, Inc. and President, Chief Executive Officer, and Director of Putnam Mutual Funds Inc. (1990–1999).	120

Officers

Name, Date of Birth, Position with the Fund and Length of Time Served[1,2]	Business Experience and Directorships During the Past 5 Years
Vincent J. Esposito[6] 6/8/56 President since 2005	Managing Director[5], Deutsche Asset Management (since 2003); President and Chief Executive Officer of The Central Europe and Russia Fund, Inc., The European Equity Fund, Inc., The New Germany Fund, Inc. (since 2003) (registered investment companies); Vice Chairman and Director of The Brazil Fund, Inc. (2004–present); formerly, Managing Director, Putnam Investments (1991–2002)
Paul H. Schubert[6] 1/11/63 Chief Financial Officer since 2004 Treasurer since June 2005	Managing Director[5], Deutsche Asset Management (since July 2004); formerly, Executive Director, Head of Mutual Fund Services and Treasurer for UBS Family of Funds (1998-2004); Vice President and Director of Mutual Fund Finance at UBS Global Asset Management (1994-1998)
John Millette[7] 8/23/62 Secretary since 2003	Director[5], Deutsche Asset Management.
Patricia DeFilippis[6] 6/21/63 Assistant Secretary since 2005	Vice President, Deutsche Asset Management (since June 2005); Counsel, New York Life Investment Management LLC (2003–2005); legal associate, Lord, Abbett & Co. LLC (1998–2003)
Elisa D. Metzger 9/15/62 Assistant Secretary since 2005	Director[5], Deutsche Asset Management (since September 2005); Counsel, Morrison and Foerster LLP (1999–2005)
Caroline Pearson[7] 4/1/62 Assistant Secretary since 2002	Managing Director[5], Deutsche Asset Management.
Scott M. McHugh[7] 9/13/71 Assistant Treasurer since 2005	Director[5], Deutsche Asset Management.
Kathleen Sullivan D'Eramo[7] 1/25/57 Assistant Treasurer since 2003	Director[5], Deutsche Asset Management.
John Robbins[6] 4/8/66 Anti-Money Laundering Compliance Officer since 2005	Managing Director[5], Deutsche Asset Management (since 2005); formerly, Chief Compliance Officer and Anti-Money Laundering Compliance Officer for GE Asset Management (1999–2005)
Philip Gallo[6] 8/2/62 Chief Compliance Officer since 2004	Managing Director[5], Deutsche Asset Management (2003–present). Formerly, Co-Head of Goldman Sachs Asset Management Legal (1994–2003)
A. Thomas Smith[6,8] 12/14/56 Chief Legal Officer, since 2005	Managing Director[5], Deutsche Asset Management (2004–present); formerly, General Counsel, Morgan Stanley and Van Kampen and Investments (1999–2004); Vice President and Associate General Counsel, New York Life Insurance Company (1994–1999); senior attorney, The Dreyfus Corporation (1991–1993); senior attorney, Willkie Farr & Gallagher (1989–1991); staff attorney, US Securities & Exchange Commission and the Illinois Securities Department (1986–1989)

1 *Unless otherwise indicated, the mailing address of each Trustee and officer with respect to fund operations is One South Street, Baltimore, MD 21202.*

2 *Length of time served represents the date that each Trustee or officer first began serving in that position with DWS Scudder VIT Funds of which this fund is a series.*

3 *A publicly held company with securities registered pursuant to Section 12 of the Securities Exchange Act of 1934.*

4 *Mr. Shiebler is a Trustee who is an "interested person" within the meaning of Section 2(a)(19) of the 1940 Act. Mr. Shiebler is a Managing Director of Deutsche Asset Management, the US asset management unit of Deutsche Bank AG and its affiliates. Mr. Shiebler's business address is 345 Park Avenue, New York, New York 10154.*

5 *Executive title, not a board directorship*

6 *Address: 345 Park Avenue, New York, New York 10154*

7 *Address: Two International Place, Boston, Massachusetts 02110*

8 *Elected on December 2, 2005*

The fund's Statement of Additional Information includes additional information about the fund's Trustees. To receive your free copy of the Statement of Additional Information, call toll-free: 1-800-621-1048.

Notes

About the Portfolio's Advisor

Deutsche Asset Management, Inc., an indirect, wholly owned subsidiary of Deutsche Bank AG, is the Portfolio's Advisor.

DWS Scudder is part of Deutsche Asset Management, which is the marketing name in the US for the asset management activities of Deutsche Bank AG, Deutsche Bank Trust Company Americas, Deutsche Asset Management, Inc., Deutsche Investment Management Americas Inc. and DWS Trust Company.

The views expressed in this report reflect those of the portfolio managers only through the end of the period of the report as stated on the cover. The managers' views are subject to change at any time based on market and other conditions and should not be construed as a recommendation.

This information must be preceded or accompanied by a current prospectus.

Portfolio changes should not be considered recommendations for action by individual investors.

DWS Scudder Distributors, Inc.
222 South Riverside Plaza
Chicago, IL 60606
(800) 778-1482

vit-equ500-2 (2/06) 43021

DECEMBER 31, 2005

ANNUAL REPORT

DWS VARIABLE SERIES I

(formerly Scudder Variable Series I)

DWS Bond VIP

(formerly Bond Portfolio)

This report must be preceded or accompanied by a prospectus. To obtain a prospectus, call (800) 778-1482 or your financial representative. We advise you to carefully consider the product's objectives, risks, charges and expenses before investing. The prospectus contains this and other important information about the product. Please read the prospectus carefully before you invest.

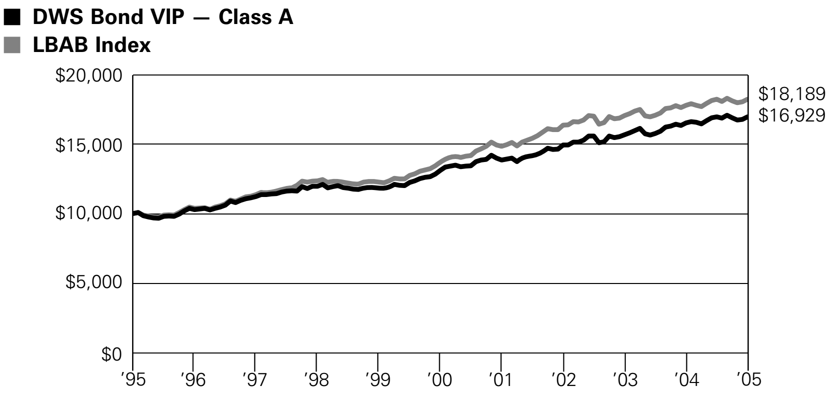
DWS Bond VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

Investments by the portfolio in lower-rated bonds present greater risk to principal and income than investments in higher-quality securities. This portfolio invests in individual bonds whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Bond investments are subject to interest-rate risk such that when interest rates rise, the prices of the bonds, and thus the value of the investment, can decline and the investor can lose principal value. Additionally, investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation and changes in political/economic conditions and market risks. All of these factors may result in greater share price volatility. Please see this portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed $10,000 Investment



The Lehman Brothers Aggregate Bond (LBAB) Index is an unmanaged, market value-weighted measure of Treasury issues, agency issues, corporate bond issues and mortgage securities. Index returns assume the reinvestment of dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Bond VIP		1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$10,260	$11,360	$12,932	$16,929
	Average annual total return	2.60%	4.34%	5.28%	5.41%
LBAB Index	Growth of $10,000	$10,243	$11,126	$13,303	$18,189
	Average annual total return	2.43%	3.62%	5.87%	6.16%

DWS Bond VIP		Life of Class*
Class B	Growth of $10,000	$10,131
	Total return	1.31%
LBAB Index	Growth of $10,000	$10,155
	Total return	1.55%

The growth of $10,000 is cumulative.

* *The Portfolio commenced offering Class B shares on May 2, 2005. Index returns begin April 30, 2005.*

Information About Your Portfolio's Expenses

DWS Bond VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include sales charges (loads), redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The tables are based on an investment of $1,000 made at the beginning of the six-month period ended December 31, 2005.

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

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

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

Expenses and Value of a $1,000 Investment for the six months ended December 31, 2005

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,000.00	$ 997.10
Expenses Paid per $1,000*	$ 3.73	$ 5.24
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,021.48	$1,019.96
Expenses Paid per $1,000*	$ 3.77	$ 5.30

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

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series I — DWS Bond VIP	.74%	1.04%

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

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

Management Summary

DWS Bond VIP

Despite several rounds of bond market speculation to the contrary, the Federal Open Market Committee has remained surprisingly consistent in their tightening regimen, raising rates 25 basis points at every meeting in 2005. The Fed target rate finished the year 2.00% higher at 4.25%. The Treasury market, for its part, has been less consistent with periods of rate volatility. Still, the flattening yield curve trend continued and intensified in 2005, even ending the year slightly inverted as measured by the 2- to 10-year Treasuries (-2 basis points). Against this backdrop, the Portfolio returned 2.60% (Class A shares, unadjusted for contract charges) for the year, outpacing the 2.43% return of its benchmark, the Lehman Brothers Aggregate Bond Index. Please see page 2 for standardized performance as of December 31, 2005.

Spread sector[1] performance for the year was mixed. Credit,[1] after outperforming treasuries[1] every year since 2002, reversed course and underperformed by 85 basis points due largely to the meltdown in auto sector bonds.[1] Our underweight strategy in autos, therefore, benefited performance, as did our holdings in insurance and utilities. Mortgage-backed securities[1] also underperformed comparable treasuries. On balance, our MBS holdings detracted from returns, although our emphasis on more structured CMOs, which are less prepayment sensitive than the pass-throughs that comprise the index, fared better as volatility increased. The other high quality sectors, ABS and CMBS, delivered the best performance for the year, and our overweight to these sectors aided returns. Our allocations to plus sectors did not materially impact performance. Emerging debt, high yield and international bonds made modest contributions to performance, while currency detracted slightly.

The following members of the management team handle the day-to-day operations of the core bond and active fixed income portion of the portfolio:

Senior Portfolio Managers:

Gary W. Bartlett, CFA
Warren S. Davis, III
Thomas J. Flaherty
J. Christopher Gagnier
Daniel R. Taylor, CFA
Timothy C. Vile, CFA

The following portfolio managers are responsible for the day-to-day management of the foreign securities, foreign currencies and related investments for the portfolio:

Portfolio Managers:

Brett Diment
Annette Fraser
Anthony Fletcher
Nik Hart
Stephen Ilott
William T. Lissenden
Ian Winship
Matthew Cobon

The following portfolio manager handles the day-to-day management of the high yield portion of the portfolio.

Andrew P. Cestone
Co-Lead Portfolio Manager

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

Investments by the Portfolio in lower-rated bonds present greater risk to principal and income than investments in higher-quality securities. This Portfolio invests in individual bonds whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Bond investments are subject to interest-rate risk such that when interest rates rise, the prices of the bonds, and thus the value of the investment fund, can decline and the investor can lose principal value. Additionally, investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation and changes in political/economic conditions and market risks. All of these factors may result in greater share price volatility. Please see this Portfolio's prospectus for specific details regarding its investments and risk profile.

1 *As measured by the Lehman Brothers Aggregate Bond Index (defined below).*

The Lehman Brothers Aggregate Bond (LBAB) Index is an unmanaged, market value-weighted measure of Treasury issues, agency issues, corporate bond issues and mortgage securities. Index returns assume the reinvestment of dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

The yield curve is a graph with a left-to-right line that shows how high or low yields are, from the shortest to the longest maturities. Typically (and when the yield curve is characterized as "steep" this is especially true), the line rises from left to right as investors who are willing to tie up their money for a longer period of time are rewarded with higher yields.

Portfolio management market commentary is as of December 31, 2005, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Bond VIP

Asset Allocation (Excludes Securities Lending Collateral)	**12/31/05**	**12/31/04**
Commercial and Non-Agency Mortgage-Backed Securities	19%	8%
US Treasury Obligations	18%	15%
Corporate Bonds	17%	21%
Collateralized Mortgage Obligations	15%	23%
Foreign Bonds — US$ Denominated	8%	9%
Asset Backed	7%	6%
US Government Agency Sponsored Pass-Throughs	7%	6%
Municipal Bonds and Notes	5%	4%
Cash Equivalents	3%	2%
Foreign Bonds — Non US$ Denominated	1%	5%
Government National Mortgage Association	—	1%
	100%	100%

Quality (Excludes Securities Lending Collateral)	**12/31/05**	**12/31/04**
US Government & Treasury Obligations	40%	45%
AAA*	32%	21%
AA	2%	4%
A	7%	9%
BBB	12%	13%
BB or Below	7%	8%
	100%	100%

Effective Maturity (Excludes Cash Equivalents and Securities Lending Collateral)	**12/31/05**	**12/31/04**
Under 1 year	10%	7%
1 – 4.99 years	33%	48%
5 – 9.99 years	39%	24%
10 – 14.99 years	7%	9%
15 + years	11%	12%
	100%	100%

* *Category includes cash equivalents*

Asset allocation, quality and effective maturity are subject to change.

The quality ratings represent the lower of Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Corporation ("S&P") credit ratings. The ratings of Moody's and S&P represent their opinions as to the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality. The Portfolio's credit quality does not remove market risk.

For more complete details about the Portfolio's investment portfolio, see page 6. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month-end will be posted to www.dws-scudder.com on the 15th day of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Bond VIP

	Principal Amount ($)(a)	Value ($)
Corporate Bonds 17.0%		
Consumer Discretionary 2.9%		
155 East Tropicana LLC, 8.75%, 4/1/2012 (b)	10,000	9,625
Adesa, Inc., 7.625%, 6/15/2012	15,000	14,925
Auburn Hills Trust, 12.375%, 5/1/2020	70,000	104,085
AutoNation, Inc., 9.0%, 8/1/2008	15,000	16,106
Aztar Corp., 7.875%, 6/15/2014 (b)	25,000	26,188
Cablevision Systems Corp., Series B, 8.716%*, 4/1/2009	10,000	10,100
Caesars Entertainment, Inc.:		
7.875%, 3/15/2010	125,000	134,375
8.875%, 9/15/2008	10,000	10,813
9.375%, 2/15/2007	10,000	10,413
Comcast Cable Communications Holdings, Inc., 9.455%, 11/15/2022	92,000	120,538
Comcast MO of Delaware, Inc., 9.0%, 9/1/2008	400,000	437,026
Cooper-Standard Automotive, Inc., 8.375%, 12/15/2014 (b)	30,000	22,800
CSC Holdings, Inc.:		
7.25%, 7/15/2008	20,000	19,950
7.875%, 12/15/2007	25,000	25,438
DaimlerChrysler NA Holding Corp.:		
4.75%, 1/15/2008	481,000	476,612
Series E, 4.78%*, 10/31/2008 (b)	320,000	320,179
Dex Media East LLC/Financial, 12.125%, 11/15/2012	49,000	57,330
Dura Operating Corp., Series B, 8.625%, 4/15/2012	10,000	8,250
EchoStar DBS Corp., 6.625%, 10/1/2014	10,000	9,588
Foot Locker, Inc., 8.5%, 1/15/2022	30,000	31,725
Goodyear Tire & Rubber Co., 11.25%, 3/1/2011	25,000	28,000
GSC Holdings Corp., 144A, 8.0%, 10/1/2012 (b)	20,000	18,800
Harrah's Operating Co., Inc., 5.75%, 10/1/2017	840,000	817,569
Hertz Corp., 144A, 8.875%, 1/1/2014	210,000	213,937
ITT Corp., 7.375%, 11/15/2015	10,000	10,850
Jacobs Entertainment, Inc., 11.875%, 2/1/2009	35,000	37,144
Mandalay Resort Group:		
6.5%, 7/31/2009 (b)	94,000	95,057
Series B, 10.25%, 8/1/2007	15,000	15,994
Mediacom Broadband LLC, 144A, 8.5%, 10/15/2015	10,000	9,263
MGM MIRAGE:		
6.0%, 10/1/2009	195,000	193,781
6.625%, 7/15/2015	70,000	69,825
8.375%, 2/1/2011 (b)	20,000	21,400
9.75%, 6/1/2007	15,000	15,806
MTR Gaming Group, Inc., Series B, 9.75%, 4/1/2010	20,000	21,350
NCL Corp., 10.625%, 7/15/2014	10,000	10,325
News America, Inc., 144A, 6.4%, 12/15/2035	410,000	413,254

	Principal Amount ($)(a)	Value ($)
Petro Stopping Centers, 9.0%, 2/15/2012 (b)	15,000	15,075
Premier Entertainment Biloxi LLC/Finance, 10.75%, 2/1/2012	15,000	14,475
PRIMEDIA, Inc.:		
8.875%, 5/15/2011	10,000	9,225
9.715%*, 5/15/2010	20,000	19,225
Resorts International Hotel & Casino, Inc., 11.5%, 3/15/2009	40,000	44,300
Schuler Homes, Inc., 10.5%, 7/15/2011	45,000	48,375
Sinclair Broadcast Group, Inc., 8.75%, 12/15/2011	35,000	36,837
TCI Communications, Inc., 8.75%, 8/1/2015	608,000	736,710
Tele-Communications, Inc., 10.125%, 4/15/2022	168,000	229,838
Time Warner, Inc.:		
6.625%, 5/15/2029	105,000	104,852
7.625%, 4/15/2031	845,000	941,033
TRW Automotive, Inc., 11.0%, 2/15/2013	25,000	28,062
United Auto Group, Inc., 9.625%, 3/15/2012	20,000	21,050
		6,107,478
Consumer Staples 0.1%		
Alliance One International, Inc., 144A, 11.0%, 5/15/2012	15,000	13,200
Delhaize America, Inc.:		
8.05%, 4/15/2027	10,000	10,260
9.0%, 4/15/2031	10,000	11,756
Harry & David Holdings, Inc., 9.41%*, 3/1/2012	10,000	10,075
Swift & Co.:		
10.125%, 10/1/2009	10,000	10,325
12.5%, 1/1/2010	15,000	15,788
Viskase Co., Inc., 11.5%, 6/15/2011	30,000	31,950
		103,354
Energy 1.5%		
Chaparral Energy, Inc., 144A, 8.5%, 12/1/2015	20,000	20,700
Chesapeake Energy Corp.:		
6.375%, 6/15/2015	180,000	180,000
6.625%, 1/15/2016	115,000	116,437
6.875%, 1/15/2016	20,000	20,500
Dynegy Holdings, Inc., 144A, 9.875%, 7/15/2010	55,000	60,294
El Paso Production Holding Corp., 7.75%, 6/1/2013	15,000	15,563
Energy Transfer Partners LP:		
144A, 5.65%, 8/1/2012	230,000	227,364
5.95%, 2/1/2015	180,000	179,367
Enterprise Products Operating LP:		
Series B, 5.0%, 3/1/2015	125,000	119,073
7.5%, 2/1/2011	347,000	377,510
Frontier Oil Corp., 6.625%, 10/1/2011	10,000	10,200
Newpark Resources, Inc., Series B, 8.625%, 12/15/2007	15,000	15,000
Sempra Energy, 4.621%, 5/17/2007	760,000	754,614

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

	Principal Amount ($)(a)	Value ($)
Southern Natural Gas, 8.875%, 3/15/2010	20,000	21,374
Stone Energy Corp.:		
6.75%, 12/15/2014	35,000	33,162
8.25%, 12/15/2011	20,000	20,650
Tri-State Generation & Transmission Association, 144A, 6.04%, 1/31/2018	880,000	906,039
Williams Companies, Inc.:		
8.125%, 3/15/2012	65,000	70,850
8.75%, 3/15/2032	15,000	17,400
		3,166,097

Financials 7.2%

	Principal Amount ($)(a)	Value ($)
American General Finance Corp.:		
2.75%, 6/15/2008	1,145,000	1,084,017
Series I, 4.875%, 5/15/2010	105,000	104,098
AmeriCredit Corp., 9.25%, 5/1/2009	35,000	36,838
Ashton Woods USA LLC, 144A, 9.5%, 10/1/2015	20,000	18,025
ASIF Global Finance XVIII, 144A, 3.85%, 11/26/2007	1,101,000	1,079,739
Downey Financial Corp., 6.5%, 7/1/2014	365,000	366,170
Duke Capital LLC, 4.302%, 5/18/2006	237,000	236,436
E*TRADE Financial Corp.:		
144A, 7.375%, 9/15/2013 (b)	10,000	10,125
8.0%, 6/15/2011	30,000	31,200
Erac USA Finance Co.:		
144A, 5.6%, 5/1/2015	455,000	453,111
144A, 8.0%, 1/15/2011	330,000	368,688
ERP Operating LP, 6.95%, 3/2/2011	305,000	327,354
Farmers Exchange Capital, 144A, 7.2%, 7/15/2048	385,000	400,753
Ford Motor Credit Co.:		
6.5%, 1/25/2007	942,000	911,357
6.875%, 2/1/2006	1,561,000	1,557,644
7.25%, 10/25/2011	55,000	47,512
7.375%, 10/28/2009	50,000	44,344
General Motors Acceptance Corp.:		
4.375%, 12/10/2007	98,000	87,083
5.22%*, 3/20/2007	15,000	14,168
6.125%, 9/15/2006 (b)	100,000	97,136
6.125%, 2/1/2007	757,000	722,668
6.125%, 8/28/2007	985,000	913,072
6.15%, 4/5/2007	95,000	89,732
6.875%, 9/15/2011	25,000	22,799
8.0%, 11/1/2031 (b)	130,000	124,525
H&E Equipment/Finance, 11.125%, 6/15/2012	15,000	16,575
HSBC Bank USA, 5.625%, 8/15/2035	306,000	299,292
HSBC Finance Capital Trust IX, 5.911%, 11/30/2035	600,000	605,104
ILFC E-Capital Trust I, 144A, 5.9%, 12/21/2065	1,085,000	1,089,263
JPMorgan Chase Capital XV, 5.875%, 3/15/2035	45,000	44,740
JPMorgan Chase XVII, 5.85%, 8/1/2035 (b)	60,000	59,364
Merrill Lynch & Co., Inc., Series C, 4.79%, 8/4/2010	317,000	313,434
NLV Financial Corp., 144A, 6.5%, 3/15/2035	734,000	709,913
Ohio Casualty Corp., 7.3%, 6/15/2014	125,000	134,352
Pennsylvania Mutual Life Insurance Co., 144A, 6.65%, 6/15/2034	505,000	564,406
Poster Financial Group, Inc., 8.75%, 12/1/2011	20,000	20,600
PXRE Capital Trust I, 8.85%, 2/1/2027	30,000	29,475
R.H. Donnelly Finance Corp., 10.875%, 12/15/2012	40,000	45,100
Reinsurance Group of America, Inc., 6.75%, 12/15/2065	440,000	443,904
Simon Property Group LP, 144A, 5.75%, 12/1/2015	225,000	228,321
TIG Capital Holdings Trust, 144A, 8.597%, 1/15/2027	30,000	23,850
Triad Acquisition Corp., 144A, 11.125%, 5/1/2013	10,000	9,900
UGS Corp., 10.0%, 6/1/2012	15,000	16,350
Universal City Development, 11.75%, 4/1/2010	25,000	28,031
Verizon Global Funding Corp., 7.75%, 12/1/2030	180,000	213,958
ZFS Finance USA Trust I:		
144A, 6.15%, 12/15/2065	500,000	503,634
144A, 6.45%, 12/15/2065	500,000	506,950
		15,055,110

Health Care 0.0%

	Principal Amount ($)(a)	Value ($)
HEALTHSOUTH Corp., 10.75%, 10/1/2008 (b)	30,000	30,000
Tenet Healthcare Corp., 144A, 9.25%, 2/1/2015	25,000	24,812
		54,812

Industrials 2.1%

	Principal Amount ($)(a)	Value ($)
Allied Waste North America, Inc., Series B, 9.25%, 9/1/2012	25,000	27,063
America West Airlines, Inc., Series 99-1, 7.93%, 1/2/2019	252,105	269,324
BAE System 2001 Asset Trust, "B", Series 2001, 144A, 7.156%, 12/15/2011	367,547	385,117
Beazer Homes USA, Inc.:		
8.375%, 4/15/2012	40,000	41,600
8.625%, 5/15/2011	15,000	15,675
Browning-Ferris Industries:		
7.4%, 9/15/2035	25,000	22,125
9.25%, 5/1/2021	10,000	10,300
Case New Holland, Inc., 9.25%, 8/1/2011	25,000	26,750
Centex Corp., 5.45%, 8/15/2012	655,000	643,836
Cenveo Corp., 7.875%, 12/1/2013	15,000	14,475
Collins & Aikman Floor Cover, Series B, 9.75%, 2/15/2010 (b)	10,000	8,800
Columbus McKinnon Corp., 10.0%, 8/1/2010	7,000	7,753
Compression Polymers Corp.:		
144A, 10.5%, 7/1/2013	25,000	24,250
144A, 11.46%*, 7/1/2012	15,000	14,700
D.R. Horton, Inc., 5.375%, 6/15/2012	995,000	961,817
Dana Corp., 7.0%, 3/1/2029 (b)	20,000	14,350
DRS Technologies, Inc., 6.875%, 11/1/2013	10,000	9,563
ISP Chemco, Inc., Series B, 10.25%, 7/1/2011	25,000	26,625

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	Principal Amount ($)(a)	Value ($)
K. Hovnanian Enterprises, Inc.:		
6.25%, 1/15/2015	345,000	324,682
6.25%, 1/15/2016	25,000	23,196
8.875%, 4/1/2012	20,000	20,782
Kansas City Southern, 9.5%, 10/1/2008	35,000	37,887
Millennium America, Inc., 9.25%, 6/15/2008	30,000	32,362
Northwest Airlines Corp., Series 02-1, 6.264%, 11/20/2021	1,196,370	1,217,677
Securus Technologies, Inc., 11.0%, 9/1/2011 (b)	20,000	17,000
Ship Finance International Ltd., 8.5%, 12/15/2013	15,000	14,025
Standard Pacific Corp., 6.5%, 8/15/2010	130,000	123,987
Technical Olympic USA, Inc.:		
7.5%, 3/15/2011 (b)	20,000	17,825
10.375%, 7/1/2012	15,000	14,756
The Brickman Group Ltd., Series B, 11.75%, 12/15/2009	10,000	11,075
United Rentals North America, Inc., 7.0%, 2/15/2014	15,000	14,025
Xerox Capital Trust I, 8.0%, 2/1/2027	15,000	15,450
		4,408,852

Information Technology 0.2%

	Principal Amount ($)(a)	Value ($)
Activant Solutions, Inc.:		
10.5%, 6/15/2011	15,000	16,425
144A, 10.054%*, 4/1/2010	15,000	15,469
L-3 Communications Corp.:		
5.875%, 1/15/2015	70,000	67,900
144A, 6.375%, 10/15/2015	10,000	9,975
7.625%, 6/15/2012	145,000	152,612
Lucent Technologies, Inc., 6.45%, 3/15/2029	35,000	30,013
Sanmina-SCI Corp.:		
6.75%, 3/1/2013 (b)	25,000	23,781
10.375%, 1/15/2010	28,000	30,940
		347,115

Materials 0.5%

	Principal Amount ($)(a)	Value ($)
ARCO Chemical Co., 9.8%, 2/1/2020	45,000	50,512
Caraustar Industries, Inc., 9.875%, 4/1/2011 (b)	20,000	20,400
Dayton Superior Corp., 10.75%, 9/15/2008	20,000	19,300
GEO Specialty Chemicals, Inc., 12.565%*, 12/31/2009	48,000	39,840
Georgia-Pacific Corp.:		
8.0%, 1/15/2024 (b)	25,000	23,875
8.875%, 5/15/2031	435,000	436,087
Huntsman LLC, 11.625%, 10/15/2010	21,000	23,914
IMC Global, Inc., 10.875%, 8/1/2013	30,000	34,462
International Steel Group, Inc., 6.5%, 4/15/2014	15,000	15,000
Massey Energy Co.:		
6.625%, 11/15/2010	10,000	10,163
144A, 6.875%, 12/15/2013	10,000	10,088
Omnova Solutions, Inc., 11.25%, 6/1/2010	50,000	52,125
Oregon Steel Mills, Inc., 10.0%, 7/15/2009	20,000	21,400
Pliant Corp., 11.625%, 6/15/2009 (PIK)	7	7
Rockwood Specialties Group, Inc., 10.625%, 5/15/2011	11,000	12,059
TriMas Corp., 9.875%, 6/15/2012	20,000	16,500
UAP Holding Corp., Step-up Coupon, 0% to 1/15/2008, 10.75% to 7/15/2012	10,000	8,663
United States Steel Corp., 9.75%, 5/15/2010	20,000	21,750
Weyerhaeuser Co.:		
7.125%, 7/15/2023	100,000	105,724
7.375%, 3/15/2032	76,000	84,490
		1,006,359

Telecommunication Services 0.5%

	Principal Amount ($)(a)	Value ($)
AirGate PCS, Inc., 7.9%*, 10/15/2011	25,000	25,813
Anixter International, Inc., 5.95%, 3/1/2015	153,000	138,454
Bell Atlantic New Jersey, Inc., Series A, 5.875%, 1/17/2012	620,000	625,584
Cincinnati Bell, Inc.:		
7.25%, 7/15/2013	15,000	15,600
8.375%, 1/15/2014 (b)	15,000	14,756
Insight Midwest LP, 9.75%, 10/1/2009	25,000	25,750
LCI International, Inc., 7.25%, 6/15/2007	15,000	15,075
MCI, Inc., 8.735%, 5/1/2014	50,000	55,312
Nextel Communications, Inc., Series D, 7.375%, 8/1/2015	60,000	63,319
Nextel Partners, Inc., 8.125%, 7/1/2011	30,000	32,063
Qwest Corp.:		
7.25%, 9/15/2025	25,000	24,875
144A, 7.741%*, 6/15/2013	15,000	16,181
SBA Telecom, Inc., Step-up Coupon, 0% to 12/15/2007, 9.75% to 12/15/2011	10,000	9,275
		1,062,057

Utilities 2.0%

	Principal Amount ($)(a)	Value ($)
AES Corp., 144A, 8.75%, 5/15/2013	35,000	38,106
Allegheny Energy Supply Co. LLC, 144A, 8.25%, 4/15/2012	35,000	39,462
CC Funding Trust I, 6.9%, 2/16/2007	758,000	772,580
CMS Energy Corp.:		
8.5%, 4/15/2011	20,000	21,775
9.875%, 10/15/2007	25,000	26,750
Consumers Energy Co., Series F, 4.0%, 5/15/2010	980,000	930,661
DPL, Inc., 6.875%, 9/1/2011	22,000	23,183
Entergy Louisiana, Inc., 6.3%, 9/1/2035	180,000	176,219
NorthWestern Corp., 5.875%, 11/1/2014	10,000	10,019
NRG Energy, Inc., 8.0%, 12/15/2013	30,000	33,450
Progress Energy, Inc., 6.75%, 3/1/2006	1,400,000	1,404,396
PSE&G Energy Holdings LLC, 10.0%, 10/1/2009	45,000	49,500
TXU Corp., Series 0, 4.8%, 11/15/2009	498,000	479,012

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	Principal Amount ($)(a)	Value ($)
TXU Energy Co., 7.0%, 3/15/2013	235,000	250,431
		4,255,544
Total Corporate Bonds (Cost $36,248,086)		**35,566,778**

Foreign Bonds — US$ Denominated 7.5%

	Principal Amount ($)(a)	Value ($)
Consumer Discretionary 0.2%		
Jafra Cosmetics International, Inc., 10.75%, 5/15/2011	24,000	26,280
Royal Caribbean Cruises Ltd., 8.75%, 2/2/2011	350,000	395,500
Shaw Communications, Inc., 8.25%, 4/11/2010	15,000	16,106
		437,886
Energy 0.0%		
Secunda International Ltd., 12.15%*, 9/1/2012	15,000	**15,750**
Financials 2.6%		
Banco Do Estado De Sao Paulo, 144A, 8.7%, 9/20/2049	135,000	139,050
BNP Paribas SA, 144A, 5.186%, 6/29/2049	40,000	38,805
Chuo Mitsui Trust & Banking Co., Ltd, 144A, 5.506%, 12/29/2049	670,000	649,238
DBS Capital Funding Corp., 144A, 7.657%, 3/31/2049	181,000	200,268
Doral Financial Corp., 5.004%*, 7/20/2007	30,000	29,161
Mantis Reef Ltd., 144A, 4.692%, 11/14/2008	1,330,000	1,306,762
Mizuho Financial Group, (Cayman), 8.375%, 12/29/2049	1,320,000	1,430,220
Nordea Bank AB, 144A, 5.424%, 12/29/2049	505,000	500,595
Royal Bank of Scotland Group PLC, Series 1, 9.118%, 3/31/2049	364,000	416,999
SPI Electricity & Gas Australia Holdings Property Ltd., 144A, 6.15%, 11/15/2013	635,000	677,860
		5,388,958
Health Care 0.0%		
Biovail Corp., 7.875%, 4/1/2010 (b)	20,000	**20,725**
Industrials 1.0%		
Grupo Transportacion Ferroviaria Mexicana SA de CV:		
144A, 9.375%, 5/1/2012	15,000	16,425
10.25%, 6/15/2007	40,000	42,200
12.5%, 6/15/2012	30,000	34,200
LeGrand SA, 8.5%, 2/15/2025	25,000	30,062
Stena AB, 9.625%, 12/1/2012	10,000	10,863
Tyco International Group SA:		
6.375%, 10/15/2011	960,000	997,051
6.75%, 2/15/2011	996,000	1,047,183
7.0%, 6/15/2028	36,000	39,603
		2,217,587
Materials 1.0%		
Alcan, Inc., 5.75%, 6/1/2035	79,000	76,920
Cascades, Inc., 7.25%, 2/15/2013	30,000	27,300
Celulosa Arauco y Constitucion SA, 5.625%, 4/20/2015	385,000	382,191
ISPAT Inland ULC, 9.75%, 4/1/2014	21,000	23,783
Novelis, Inc.:		
144A, 7.5%, 2/15/2015	35,000	32,638
Series WI, 7.5%, 2/15/2015	10,000	9,325
Sino-Forest Corp., 144A, 9.125%, 8/17/2011	10,000	10,725
Sociedad Concesionaria Autopista Central, 144A, 6.223%, 12/15/2026	1,365,000	1,433,018
Tembec Industries, Inc.:		
8.5%, 2/1/2011	25,000	13,875
8.625%, 6/30/2009	30,000	17,100
Vale Overseas Ltd., 8.25%, 1/17/2034	146,000	168,082
		2,194,957
Sovereign Bonds 1.3%		
Aries Vermogensverwaltung GmbH, Series C, Series REG S, 9.6%, 10/25/2014	250,000	322,372
Government of Ukraine, Series REG S, 7.65%, 6/11/2013	100,000	107,910
Republic of Argentina:		
Zero Coupon, 12/15/2035	536,083	27,876
Step-up Coupon, 1.33% to 3/31/2009, 2.5% to 3/31/2019, 3.75% to 3/31/2029, 5.25% to 12/31/2038	180,000	59,400
8.28%, 12/31/2033 (PIK)	127,926	106,499
Republic of Bulgaria, 8.25%, 1/15/2015	640,000	772,864
Republic of Ecuador, Series REG S, 9.375%, 12/15/2015	100,000	93,250
Republic of Philippines:		
9.375%, 1/18/2017	70,000	80,150
10.625%, 3/16/2025	60,000	76,200
Republic of Turkey, 7.25%, 3/15/2015 (b)	15,000	15,788
Republic of Venezuela:		
7.65%, 4/21/2025	90,000	91,913
10.75%, 9/19/2013	60,000	73,800
Russian Federation, Step-up Coupon, 5.0% to 3/31/2007, 7.5% to 3/31/2030	150,000	169,335
Russian Ministry of Finance, Series V, 3.0%, 5/14/2008	300,000	284,520
State of Qatar, Series REG S, 9.75%, 6/15/2030	260,000	396,578
United Mexican States, 8.375%, 1/14/2011	40,000	45,600
		2,724,055
Telecommunication Services 1.0%		
British Telecommunications PLC, 8.875%, 12/15/2030	540,000	722,489
Embratel, Series B, 11.0%, 12/15/2008	10,000	11,325
Intelsat Bermuda Ltd., 144A, 8.695%*, 1/15/2012	10,000	10,162
Mobifon Holdings BV, 12.5%, 7/31/2010	60,000	69,600
Nortel Networks Ltd., 6.125%, 2/15/2006	60,000	60,000
Telecom Italia Capital:		
4.0%, 1/15/2010	175,000	166,678
4.95%, 9/30/2014	370,000	353,383
5.25%, 11/15/2013	445,000	436,667
Telefonos de Mexico SA de CV, 4.75%, 1/27/2010	235,000	230,864
		2,061,168

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		Principal Amount ($)(a)	Value ($)
Utilities 0.4%			
Scottish Power PLC, 5.81%, 3/15/2025		745,000	**755,636**
Total Foreign Bonds — US$ Denominated (Cost $15,655,489)			**15,816,722**

Foreign Bonds — Non-US$ Denominated 1.4%

Financials 0.1%			
European Investment Bank, 10.0%, 1/28/2011	TRY	210,000	**155,265**
Sovereign Bonds 1.3%			
Government of Malaysia, 4.305%, 2/27/2009	MYR	3,901,208	1,053,763
Mexican Bonds:			
Series MI-10, 8.0%, 12/19/2013	MXN	10,412,600	965,510
Series M-20, 8.0%, 12/7/2023	MXN	4,510,000	399,103
Series MI-10, 9.5%, 12/18/2014	MXN	1,000,000	101,208
Republic of Argentina:			
Zero Coupon, 12/15/2035	ARS	1,246,291	19,898
5.83%, 12/31/2033 (PIK)	ARS	420,000	162,375
Republic of Uruguay, 17.75%, 2/4/2006	UYU	6,500,000	127,276
			2,829,133
Total Foreign Bonds — Non-US$ Denominated (Cost $2,758,368)			**2,984,398**

Asset Backed 6.9%

	Principal Amount ($)(a)	Value ($)
Automobile Receivables 0.8%		
Drive Auto Receivables Trust, "A2", Series 2005-2, 144A, 4.12%, 1/15/2010	460,000	454,563
MMCA Automobile Trust:		
"A4", Series 2002-3, 3.57%, 8/17/2009	101,032	100,771
"A4", Series 2002-2, 4.3%, 3/15/2010	639,371	637,499
"B", Series 2002-1, 5.37%, 1/15/2010	236,900	236,270
Onyx Acceptance Owner Trust, "A3", Series 2003-D, 2.4%, 12/15/2007	292,011	291,240
		1,720,343
Home Equity Loans 6.0%		
Aegis Asset Backed Securities Trust, "N1", Series 2005-5N, 144A, 4.5%, 12/25/2023	699,180	693,499
Bear Stearns Asset Backed Securities NIM, "A1", Series 2005-HE2N, 144A, 5.0%, 2/25/2035	206,138	205,719
Credit-Based Asset Servicing and Securities, "AV2", Series 2005-CB5, 4.639%*, 8/25/2035	788,000	787,991
First Franklin Mortgage Loan NIM, "N4", Series 2004-FFH2, 144A, 5.926%, 8/25/2034	750,000	755,625
Merrill Lynch Mortgage Investors, Inc., "A1A", Series 2005-NCB, 5.451%, 7/25/2036	756,376	756,035
New Century Home Equity Loan Trust, "A2", Series 2005-A, 4.461%, 8/25/2035	1,120,000	1,106,537
Park Place Securities NIM Trust, "A", Series 2004-WHQ2, 144A, 4.0%, 2/25/2035	137,266	136,908
Popular ABS Mortgage Pass-Through Trust, "A1", Series 2005-6, 5.5%, 1/25/2036	1,877,000	1,877,000
Renaissance Home Equity Loan Trust:		
"AF3", Series 2004-2, 4.464%, 7/25/2034	820,000	811,926
"AF6", Series 2005-2, 4.781%, 8/25/2035	147,000	140,992
Renaissance NIM Trust:		
"NOTE", Series 2004-C, 144A, 4.458%, 12/25/2034	163,380	162,870
"NOTE", Series 2004-D, 144A, 4.459%, 2/25/2035	724,847	721,527
Residential Asset Mortgage Products, Inc.:		
"A3", Series 2003-RZ4, 3.38%, 2/25/2030	784,602	779,367
"AI3", Series 2004-RS4, 4.003%, 1/25/2030	1,032,243	1,025,987
Residential Asset Securities Corp., "AI6", Series 2000-KS1, 7.905%, 2/25/2031	1,003,029	1,007,635
Terwin Mortgage Trust, "AF2", Series 2005-14HE, 4.85%, 8/25/2036	1,525,000	1,510,227
		12,479,845
Industrials 0.1%		
Northwest Airlines, Inc., "G", Series 1999-3, 7.935%, 4/1/2019	155,272	**157,087**
Total Asset Backed (Cost $14,526,792)		**14,357,275**

Convertible Bond 0.0%

Consumer Discretionary		
HIH Capital Ltd., 144A, Series DOM, 7.5%, 9/25/2006 (Cost $9,969)	10,000	**9,900**

US Government Agency Sponsored Pass-Throughs 6.9%

Federal Home Loan Mortgage Corp.:		
5.0%, 2/1/2034 (g)	995,000	962,973
5.5%, with various maturities from 11/15/2016 until 8/1/2024	2,321,398	2,334,721
Federal National Mortgage Association:		
4.5%, with various maturities from 7/1/2018 until 6/1/2034 (g)	2,387,617	2,270,961
5.0%, with various maturities from 3/1/2025 until 5/1/2034	2,679,623	2,612,887
5.5%, with various maturities from 7/1/2023 until 3/1/2035	2,060,171	2,052,728
6.0%, with various maturities from 3/1/2025 until 10/1/2035	1,759,715	1,772,525
6.31%, 6/1/2008	1,700,000	1,734,235
6.5%, with various maturities from 3/1/2017 until 6/1/2017	528,203	542,693

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	Principal Amount ($)(a)	Value ($)
8.0%, 9/1/2015	61,899	66,101
Total US Government Agency Sponsored Pass-Throughs (Cost $14,508,233)		**14,349,824**

Commercial and Non-Agency Mortgage-Backed Securities 19.2%

	Principal Amount ($)(a)	Value ($)
Adjustable Rate Mortgage Trust, "3A31", Series 2005-10, 5.437%, 1/25/2036	820,000	814,625
American Home Mortgage Investment Trust, "5A3", Series 2005-2, 5.077%, 9/25/2035	1,050,000	1,034,958
Banc of America Mortgage Securities:		
"2A6", Series 2004-F, 4.156%*, 7/25/2034	1,180,000	1,155,868
"2A8", Series 2003-J, 4.209%*, 11/25/2033	820,000	805,156
"2A6", Series 2004-G, 4.657%*, 8/25/2034	825,000	816,089
Bear Stearns Adjustable Rate Mortgage Trust, "2A3", Series 2005-4, 4.45%*, 8/25/2035	580,000	563,281
Chase Commercial Mortgage Securities Corp., "A2", Series 1996-2, 6.9%, 11/19/2028	300,393	299,905
Citigroup Mortgage Loan Trust, Inc.:		
"1A3", Series 2004-NCM1, 6.75%, 7/25/2034	441,032	452,057
"1CB2", Series 2004-NCM2, 6.75%, 8/25/2034	955,864	984,241
Commercial Mortgage Asset Trust, "A2", Series 1999-C1, 6.585%, 1/17/2032	796,266	804,882
Countrywide Alternative Loan Trust:		
"1A1", Series 2004-2CB, 4.25%, 3/25/2034	700,170	691,431
"A1", Series 2004-1T1, 5.0%, 2/25/2034	774,775	766,830
"A2", Series 2002-18, 5.25%, 2/25/2033	1,209,097	1,205,196
"A2", Series 2003-21T1, 5.25%, 12/25/2033	910,627	907,983
"A2", Series 2004-1T1, 5.5%, 2/25/2034	514,557	514,090
"4A3", Series 2005-43, 5.763%, 10/25/2035	702,387	703,050
"A1", Series 2004-35T2, 6.0%, 2/25/2035	869,910	872,271
CS First Boston Mortgage Securities Corp.:		
"AMFX", Series 2005-C2, 4.877%, 4/15/2037	840,000	818,615
"AM", Series 2005-C5, 5.1%, 8/15/2038	1,154,000	1,143,103
GMAC Commercial Mortgage Securities, Inc., "A3", Series 1997-C1, 6.869%, 7/15/2029	442,670	452,475
GMAC Mortgage Corp. Loan Trust, "A2", Series 2003-GH2, 3.69%, 7/25/2020	405,939	403,881
Greenwich Capital Commercial Funding Corp., "AM", Series 2005-GG5, 5.277%, 4/10/2037	840,000	844,448
GS Mortgage Securities Corp. II, "AJ", Series 2005-GG4, 4.782%, 7/10/2039	1,501,000	1,443,927
GSR Mortgage Loan Trust, "4A5", Series 2005-AR6, 4.556%*, 9/25/2035	845,000	824,482
Harborview Mortgage Loan Trust, "3A1B", Series 2004-10, 5.097%, 1/19/2035	521,912	522,205
JPMorgan Chase Commercial Mortgage Securities, "B", Series 2005-CB12, 5.014%, 9/12/2037	835,000	817,654
JPMorgan Mortgage Trust, "2A1", Series 2005-A8, 4.969%, 11/25/2035	758,479	752,810
Master Alternative Loans Trust:		
"5A1", Series 2005-1, 5.5%, 1/25/2020	1,180,188	1,182,299
"3A1", Series 2004-5, 6.5%, 6/25/2034	109,198	111,109
"5A1", Series 2005-2, 6.5%, 12/25/2034	231,355	233,253
"8A1", Series 2004-3, 7.0%, 4/25/2034	134,538	135,689
Master Asset Securitization Trust:		
"8A1", Series 2003-6, 5.5%, 7/25/2033	645,411	634,520
"2A7", Series 2003-9, 5.5%, 10/25/2033	647,951	641,052
RAAC Series, "2A5", Series 2005-SP1, 5.25%, 9/25/2034	1,150,000	1,149,007
Residential Accredit Loans, Inc., "CB", Series 2004-QS2, 5.75%, 2/25/2034	838,429	832,927
Residential Asset Securitization Trust, "A1", Series 2003-A11, 4.25%, 11/25/2033	36,650	36,542
Structured Adjustable Rate Mortgage Loan:		
"6A3", Series 2005-21, 5.4%, 11/25/2035	740,000	735,149
"5A1", Series 2005-18, 5.608%*, 9/25/2035	770,569	773,314
"1A1", Series 2005-17, 5.729%, 8/25/2035	1,379,073	1,383,235
Structured Asset Securities Corp., "2A1", Series 2003-1, 6.0%, 2/25/2018	16,053	16,197
Wachovia Bank Commercial Mortgage Trust:		
"AMFX", Series 2005-C20, 5.179%, 7/15/2042	1,550,000	1,540,295
"A4", Series 2005-C21, 5.195%, 10/15/2044	1,220,000	1,230,064
Washington Mutual:		
"A6", Series 2004-AR7, 3.946%*, 7/25/2034	740,000	715,858
"A6", Series 2003-AR11, 3.985%, 10/25/2033	740,000	718,591
"A6", Series 2003-AR10, 4.067%*, 10/25/2033	1,130,000	1,104,317
"A7", Series 2004-AR9, 4.181%*, 8/25/2034	737,000	721,855
"2A1", Series 2002-S8, 4.5%, 1/25/2018	209,967	208,710
"A1", Series 2005-AR3, 4.65%, 3/25/2035	617,552	608,058
"1A6", Series 2005-AR12, 4.844%, 10/25/2035	1,540,000	1,515,266
"1A1", Series 2005-AR14, 5.082%, 12/25/2035	790,485	785,556
"1A3", Series 2005-AR16, 5.132%, 12/25/2035	825,000	814,358

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

	Principal Amount ($)(a)	Value ($)
Wells Fargo Mortgage Backed Securities Trust:		
"2A17", Series 2005-AR10, 3.5%*, 6/25/2035	190,000	182,873
"B1", Series 2005-AR12, 4.326%*, 7/25/2035	768,185	738,832
Total Commercial and Non-Agency Mortgage-Backed Securities (Cost $40,593,836)		**40,164,439**

Collateralized Mortgage Obligations 14.9%

	Principal Amount ($)(a)	Value ($)
Fannie Mae Whole Loan:		
"2A3", Series 2003-W15, 4.71%, 8/25/2043	8,138	8,114
"1A1", Series 2004-W15, 6.0%, 8/25/2044	750,550	758,489
Federal Home Loan Mortgage Corp.:		
"NR", Series 2638, 4.0%, 2/15/2020	1,185,000	1,172,686
"KB", Series 2552, 4.25%, 6/15/2027	1,104,517	1,096,009
"LC", Series 2682, 4.5%, 7/15/2032	570,000	539,382
"PC", Series 3026, 4.5%, 1/15/2034	450,000	418,358
"MD", Series 3057, 4.5%, 8/15/2034	570,000	531,164
"WJ", Series 2557, 5.0%, 7/15/2014	895,000	894,433
"OL", Series 2840, 5.0%, 11/15/2022	1,335,000	1,331,708
"PE", Series 2721, 5.0%, 1/15/2023	2,425,000	2,327,316
"EW", Series 2545, 5.0%, 3/15/2029	702,439	700,535
"PD", Series 2844, 5.0%, 12/15/2032	1,580,000	1,522,725
"EG", Series 2836, 5.0%, 12/15/2032	1,580,000	1,522,484
"PD", Series 2783, 5.0%, 1/15/2033	761,000	735,348
"TE", Series 2780, 5.0%, 1/15/2033	1,150,000	1,111,014
"NE", Series 2802, 5.0%, 2/15/2033	1,580,000	1,526,355
"PD", Series 2893, 5.0%, 2/15/2033	800,000	769,635
"OG", Series 2889, 5.0%, 5/15/2033	685,000	661,196
"PE", Series 2898, 5.0%, 5/15/2033	335,000	322,242
"ND", Series 2950, 5.0%, 6/15/2033	1,140,000	1,095,654
"BG", Series 2869, 5.0%, 7/15/2033	185,000	178,058
"PD", Series 2939, 5.0%, 7/15/2033	535,000	514,259
"KD", Series 2915, 5.0%, 9/15/2033	1,140,000	1,096,419
"HD", Series 3056, 5.0%, 2/15/2034	845,000	810,428
"ND", Series 3036, 5.0%, 5/15/2034	855,000	821,050
"KG", Series 2987, 5.0%, 12/15/2034	1,470,000	1,411,549
"CH", Series 2390, 5.5%, 12/15/2016	200,000	202,073
"Z", Series 2173, 6.5%, 7/15/2029	872,572	902,424
Federal National Mortgage Association:		
"WB", Series 2003-106, 4.5%, 10/25/2015	1,290,000	1,278,779
"PE", Series 2005-44, 5.0%, 7/25/2033	300,000	287,821
"ME", Series 2005-14, 5.0%, 10/25/2033	1,525,000	1,463,841
"EG", Series 2005-22, 5.0%, 11/25/2033	750,000	719,808
"OG", Series 2001-69, 5.5%, 12/25/2016	750,000	761,142
"PG", Series 2002-3, 5.5%, 2/25/2017	500,000	507,765
"QC", Series 2002-11, 5.5%, 3/25/2017	290,000	294,233
"MC", Series 2002-56, 5.5%, 9/25/2017	508,929	514,260
"VD", Series 2002-56, 6.0%, 4/25/2020	78,128	78,441
"PM", Series 2001-60, 6.0%, 3/25/2030	91,065	91,163
"ZQ", Series G92-9, 7.0%, 12/25/2021	201,327	203,509
Government National Mortgage Association, "KA", Series 2002-5, 6.0%, 8/16/2026	110,419	110,458
Total Collateralized Mortgage Obligations (Cost $31,683,958)		**31,292,327**

Municipal Bonds and Notes 4.8%

	Principal Amount ($)(a)	Value ($)
California, Statewide Communities Development Authority Revenue, Series A-1, 4.0%, 11/15/2006 (c)	750,000	744,105
Clark-Pleasant, IN, General Obligation, Community School Corp., 5.7%, 1/5/2026 (c)	1,190,000	1,219,643
Hoboken, NJ, Core City General Obligation, 6.5%, 4/1/2026 (c)	1,900,000	2,176,488
Illinois, State General Obligation, 4.95%, 6/1/2023	195,000	191,334
Jicarilla, NM, Apache Nation Revenue, 144A, 3.85%, 12/1/2008	680,000	659,178
Jicarilla, NM, Sales & Tax Revenue, Apache Nation Revenue, 144A, 5.2%, 12/1/2013	670,000	672,647
Los Angeles, CA, Community Redevelopment Agency, Financing Authority Revenue, Bunker Hill Project, Series B, 4.99%, 12/1/2012 (c)	680,000	682,101
Trenton, NJ, Core City General Obligation, School District Revenue, 4.7%, 4/1/2013 (c)	745,000	731,046
Union County, NJ, Improvement Authority, Student Loan Revenue, 5.29%, 4/1/2018 (c)	940,000	948,620
Virgin Islands, Port Authority Marine Revenue, Series B, 5.08%, 9/1/2013 (c)	1,420,000	1,428,406
Washington, State Economic Development Finance Authority Revenue, CSC Tacoma LLC Project, Series A, 3.8%, 10/1/2011 (c)	550,000	523,270
Total Municipal Bonds and Notes (Cost $9,709,148)		**9,976,838**

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

	Principal Amount ($)(a)	Value ($)
US Treasury Obligations 18.2%		
US Treasury Bonds:		
6.0%, 2/15/2026 (b)	4,473,000	5,274,647
7.5%, 11/15/2016	405,000	508,718
US Treasury Notes:		
3.0%, 12/31/2006	1,790,000	1,764,758
3.0%, 2/15/2008	700,000	680,285
3.375%, 2/15/2008 (b)	4,000,000	3,917,656
4.75%, 5/15/2014 (b)	2,860,000	2,929,601
5.0%, 2/15/2011	940,000	968,163
5.0%, 8/15/2011 (b)	20,397,000	21,052,105
5.75%, 8/15/2010	970,000	1,026,191
Total US Treasury Obligations (Cost $38,316,136)		**38,122,124**

	Shares	Value ($)
Preferred Stock 0.2%		
Axis Capital Holdings Ltd., Series B, 7.5%	1,700	176,906
Farm Credit Bank of Texas, Series 1	164,000	179,874
Markel Capital Trust I, Series B, 8.71%	88,000	94,588
Total Preferred Stocks (Cost $440,359)		**451,368**

	Units	Value ($)
Other Investments 0.0%		
Hercules, Inc. (Bond Unit), 6.5%, 6/30/2029 (Cost $17,129)	20,000	**15,000**

	Shares	Value ($)
Securities Lending Collateral 16.9%		
Daily Assets Fund Institutional, 4.28% (d) (e) (Cost $35,392,881)	35,392,881	**35,392,881**
Cash Equivalents 2.7%		
Cash Management QP Trust, 4.26% (f) (Cost $5,687,193)	5,687,193	**5,687,193**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $245,547,577)†	116.6	**244,187,067**
Other Assets and Liabilities, Net	(16.6)	**(34,822,329)**
Net Assets	100.0	**209,364,738**

* *Floating rate notes are securities whose yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury bill rate. These securities are shown at their current rate as of December 31, 2005.*

† *The cost for federal income tax purposes was $245,657,073. At December 31, 2005, net unrealized depreciation for all securities based on tax cost was $1,470,006. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $1,106,918 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $2,576,924.*

(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 December 31, 2005 amounted to $34,080,097 which is 16.3% of net assets.*

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

Insurance Coverage	As a % of Total Investment Portfolio
Ambac Financial Group	0.3%
Financial Guaranty Insurance Co.	0.3%
Financial Security Assurance, Inc.	1.3%
MBIA Corp.	1.1%
XL Capital Assurance, Inc.	0.5%

(d) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(e) *Represents collateral held in connection with securities lending.*

(f) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(g) *Mortgage dollar rolls included.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

PIK: Denotes that all or a portion of the income is paid in kind.

Included in the portfolio are investments in mortgage or asset-backed securities which are interests in separate pools of mortgages or assets. Effective maturities of these investments may be shorter than stated maturities due to prepayments. Some separate investments in the Federal National Mortgage Association and Federal Home Loan Mortgage Corp. issues have similar coupon rates and have been aggregated for presentation purposes in the investment portfolio.

Currency Abbreviations

ARS	Argentine Peso	MYR	Malaysian Ringgit	UYU	Uruguay Peso
MXN	Mexican Peso	TRY	New Turkish Lira		

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2005

Assets		
Investments:		
Investments in securities, at value (cost $204,467,503), including $34,080,097 of securities loaned	$	203,106,993
Investment in Daily Assets Fund Institutional (cost $35,392,881)*		35,392,881
Investment in Cash Management QP Trust (cost $5,687,193)		5,687,193
Total investments in securities, at value (cost $245,547,577)		244,187,067
Cash		16,038
Foreign currency, at value (cost $161,070)		159,987
Net receivable on closed forward currency exchange contracts		42,465
Interest receivable		2,060,494
Receivable for Portfolio shares sold		191,973
Unrealized appreciation on forward foreign currency exchange contracts		199,541
Other assets		5,023
Total assets		246,862,588

Liabilities		
Payable for Portfolio shares redeemed		37,656
Payable for investments purchased		149,151
Payable for investments purchased — mortgage dollar rolls		1,502,082
Payable upon return of securities loaned		35,392,881
Deferred mortgage dollar roll income		343
Unrealized depreciation on forward foreign currency exchange contracts		225,754
Accrued management fee		81,139
Accrued distribution service fees (Class B)		87
Other accrued expenses and payables		108,757
Total liabilities		37,497,850
Net assets, at value	**$**	**209,364,738**

Net Assets		
Net assets consist of:		
Undistributed net investment income		8,003,780
Net unrealized appreciation (depreciation) on:		
Investments		(1,360,510)
Foreign currency related transactions		14,754
Accumulated net realized gain (loss)		2,692
Paid-in capital		202,704,022
Net assets, at value	**$**	**209,364,738**
Class A		
Net Asset Value, offering and redemption price per share ($208,904,294 ÷ 29,892,841 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**6.99**
Class B		
Net Asset Value, offering and redemption price per share ($460,444 ÷ 66,058 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**6.97**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2005

Investment Income		
Income:		
Interest	$	8,476,114
Mortgage dollar roll income		16,783
Interest — Cash Management QP Trust		183,543
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		37,232
Dividends		6,418
Total Income		8,720,090
Expenses:		
Management fee		865,302
Custodian and accounting fees		187,099
Distribution service fees (Class B)		427
Record keeping fees (Class B)		182
Auditing		33,994
Legal		28,181
Trustees' fees and expenses		5,869
Reports to shareholders		36,931
Pricing service fees		62,253
Other		25,427
Total expenses before expense reductions		1,245,665
Expense reductions		(4,902)
Total expenses after expense reductions		1,240,763
Net investment income		**7,479,327**

Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		113,422
Foreign currency related transactions		(232,491)
Net increase from payments made by affiliates and net gains (losses) realized on the disposal of investments in violation of restrictions		—
		(119,069)
Net unrealized appreciation (depreciation) during the period on:		
Investments		(3,290,040)
Foreign currency related transactions		768,930
		(2,521,110)
Net gain (loss) on investment transactions		**(2,640,179)**
Net increase (decrease) in net assets resulting from operations	**$**	**4,839,148**

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

Statement of Changes in Net Assets

	Years Ended December 31,	
Increase (Decrease) in Net Assets	**2005**	**2004**
Operations:		
Net investment income	$ 7,479,327	$ 7,264,637
Net realized gain (loss) on investment transactions	(119,069)	1,908,061
Net unrealized appreciation (depreciation) during the period on investment transactions	(2,521,110)	(100,566)
Net increase (decrease) in net assets resulting from operations	4,839,148	9,072,132
Distributions to shareholders from:		
Net investment income:		
Class A	(6,383,141)	(6,665,081)
Net realized gains:		
Class A	(1,627,075)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	52,731,670	30,276,293
Reinvestment of distributions	8,010,216	6,665,081
Cost of shares redeemed	(25,921,871)	(38,484,371)
Net increase (decrease) in net assets from Class A share transactions	34,820,015	(1,542,997)
Class B*		
Proceeds from shares sold	473,041	—
Reinvestment of distributions	—	—
Cost of shares redeemed	(15,935)	—
Net increase (decrease) in net assets from Class B share transactions	457,106	—
Increase (decrease) in net assets	32,106,053	864,054
Net assets at beginning of period	177,258,685	176,394,631
Net assets at end of period (including undistributed net investment income of $8,003,780 and $7,130,843, respectively)	**$ 209,364,738**	**$ 177,258,685**

Other Information		
Class A		
Shares outstanding at beginning of period	24,873,210	25,068,858
Shares sold	7,554,171	4,299,192
Shares issued to shareholders in reinvestment of distributions	1,165,970	981,603
Shares redeemed	(3,700,510)	(5,476,443)
Net increase (decrease) in Class A shares	5,019,631	(195,648)
Shares outstanding at end of period	**29,892,841**	**24,873,210**
Class B*		
Shares outstanding at beginning of period	—	—
Shares sold	68,350	—
Shares issued to shareholders in reinvestment of distributions	—	—
Shares redeemed	(2,292)	—
Net increase (decrease) in Class B shares	66,058	—
Shares outstanding at end of period	**66,058**	**—**

* *For the period May 2, 2005 (commencement of operations of Class B shares) to December 31, 2005.*

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

Financial Highlights

Class A

Years Ended December 31,	2005	2004	2003	2002	2001[a]
Selected Per Share Data					
Net asset value, beginning of period	**$ 7.13**	**$ 7.04**	**$ 6.98**	**$ 6.89**	**$ 6.78**
Income (loss) from investment operations:					
Net investment income[b]	.29	.29	.26	.34	.38
Net realized and unrealized gain (loss) on investment transactions	(.10)	.08	.09	.17	.00[c]
Total from investment operations	.19	.37	.35	.51	.38
Less distributions from:					
Net investment income	(.26)	(.28)	(.29)	(.42)	(.27)
Net realized gain on investment transactions	(.07)	—	—	—	—
Total distributions	(.33)	(.28)	(.29)	(.42)	(.27)
Net asset value, end of period	**$ 6.99**	**$ 7.13**	**$ 7.04**	**$ 6.98**	**$ 6.89**
Total Return (%)	2.60	5.38	5.06	7.66	5.75
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	209	177	176	165	182
Ratio of expenses before expense reductions (%)	.68	.60	.58	.55	.58[d]
Ratio of expenses after expense reductions (%)	.68	.60	.58	.55	.57[d]
Ratio of net investment income (%)	4.11	4.18	3.78	5.03	5.47
Portfolio turnover rate (%)	187[e]	223[e]	242[e]	262[e]	169[e]

a *As required, effective January 1, 2001, the Portfolio adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities.*

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

c *The amount of net realized and unrealized gain shown for a share outstanding for the year ended December 31, 2001 does not correspond with the aggregate net loss on investments for the period due to the timing of sales and repurchases of Portfolio shares in relation to fluctuating market values of the investments of the Portfolio.*

d *The ratios of operating expenses excluding costs incurred in connection with a fund complex reorganization before and after expense reductions were .57% and .57%, respectively.*

e *The portfolio turnover rate including mortgage dollar roll transactions was 197%, 245%, 286%, 276% and 193% for the years ended December 31, 2005, December 31, 2004, December 31, 2003, December 31, 2002 and December 31, 2001, respectively.*

Class B

	2005[a]
Selected Per Share Data	
Net asset value, beginning of period	**$ 6.88**
Income (loss) from investment operations:	
Net investment income[b]	.18
Net realized and unrealized gain (loss) on investment transactions	(.09)
Total from investment operations	.09
Net asset value, end of period	**$ 6.97**
Total Return (%)	1.31**
Ratios to Average Net Assets and Supplemental Data	
Net assets, end of period ($ millions)	.5
Ratio of expenses (%)	1.04*
Ratio of net investment income (%)	3.86*
Portfolio turnover rate (%)	187[c]

a *For the period May 2, 2005 (commencement of operations of Class B shares) to December 31, 2005.*

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

c *The portfolio turnover rate including mortgage dollar roll transactions was 197% for the year ended December 31, 2005.*

* *Annualized*

** *Not annualized*

Notes to Financial Statements

A. Significant Accounting Policies

DWS Variable Series I (formerly Scudder 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 seven diversified portfolios: Money Market VIP, DWS Bond VIP, DWS Growth & Income VIP, DWS Capital Growth VIP, DWS Global Opportunities VIP, DWS International VIP and DWS Health Care VIP (individually or collectively hereinafter referred to as a "Portfolio" or the "Portfolios" and formerly known as Money Market Portfolio, Bond Portfolio, Growth and Income Portfolio, Capital Growth Portfolio, Global Discovery Portfolio, International Portfolio and Health Sciences Portfolio, respectively). These financial statements report on the 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").

Multiple Classes of Shares of Beneficial Interest. The Series offers one class of shares for the Money Market VIP and two classes of shares (Class A shares and Class B shares) for each of the other Portfolios. On May 2, 2005, the DWS Bond VIP commenced offering Class B shares. Class B shares are subject to Rule 12b-1 distribution fees under the 1940 Act and record keeping fees equal to an annual rate of 0.25% and up to 0.15%, respectively, of the average daily net assets of the Class B shares of the applicable Portfolio. Class A shares are not subject to such fees.

Investment income, realized and unrealized gains and losses, and certain portfolio-level expenses and expense reductions, if any, are borne pro rata on the basis of relative net assets by the holders of all classes of shares except that each class bears certain expenses unique to that class (including the applicable 12b-1 distribution fee and record keeping fees). Differences in class-level expenses may result in payment of different per share dividends by class. All shares have equal rights with respect to voting subject to class-specific arrangements.

The Series' financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which require the use of management estimates. Actual results could differ from those estimates. The policies described below are followed consistently by the Series in the preparation of the financial statements for its Portfolios.

Security Valuation. Investments are stated at value determined as of the close of regular trading on the New York Stock Exchange on each day the exchange is open for trading. Equity securities are valued at the most recent sale price or official closing price reported on the exchange (US or foreign) or over-the-counter market on which the security is traded most extensively. Securities for which no sales are reported are valued at the calculated mean between the most recent bid and asked quotations on the relevant market or, if a mean cannot be determined, at the most recent bid quotation.

Debt securities are valued by independent pricing services approved by the Trustees of the Series. If the pricing services are unable to provide valuations, securities are valued at the most recent bid quotation or evaluated price, as applicable, obtained from a broker-dealer. Such services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes.

Money market instruments purchased with an original or remaining maturity of sixty days or less, maturing at par, are valued at amortized cost. Investments in open-end investment companies and Cash Management QP Trust are valued at their net asset value each business day.

Securities and other assets for which market quotations are not readily available or for which the above valuation procedures are deemed not to reflect fair value are valued in a manner that is intended to reflect their fair value as determined in accordance with procedures approved by the Trustees. The Series may use a fair valuation model to value international equity securities in order to adjust for events which may occur between the close of the foreign exchanges and the close of the New York Stock Exchange.

Securities Lending. The Portfolio, may lend securities to financial institutions. The Portfolio retains beneficial ownership of the securities it has loaned and continues to receive interest and dividends paid by the securities and to participate in any changes in their market value. The Portfolio requires the borrowers of the securities to maintain collateral with the Portfolio consisting of liquid, unencumbered assets having a value at least equal to the value of the securities loaned. The Portfolio may invest the cash collateral into a joint trading account in an affiliated money market fund pursuant to an Exemptive Order issued by the SEC. The Portfolio receives compensation for lending its securities either in the form of fees or by earning interest on invested cash collateral net of fees paid to a lending agent. Either the Portfolio or the borrower may terminate the loan. The Portfolio is subject to all investment risks associated with the value of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

Foreign Currency Translations. The books and records of the Portfolio are maintained in US dollars. Investment securities and other assets and liabilities denominated in a foreign currency are translated into US dollars at the prevailing exchange rates at period end. Purchases and sales of investment securities, income and expenses are translated into US dollars at the prevailing exchange rates on the respective dates of the transactions.

Net realized and unrealized gains and losses on foreign currency transactions represent net gains and losses between trade and settlement dates on securities transactions, the disposition of forward foreign currency exchange contracts and foreign currencies, and the difference between the amount of net investment income accrued and the US dollar amount actually received. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed but is included with net realized and unrealized gains and losses on investment securities.

Forward Foreign Currency Exchange Contracts. A forward foreign currency exchange contract (forward currency contract) is a commitment to purchase or sell a foreign currency at the settlement date at a negotiated rate. The Portfolio may enter into forward currency contracts in order to hedge its exposure to changes in foreign currency exchange rates on its foreign currency denominated portfolio holdings and to facilitate transactions in foreign currency denominated securities.

Forward currency contracts are valued at the prevailing forward exchange rate of the underlying currencies and unrealized gain (loss) is recorded daily. Sales and purchases of forward currency contracts having the same settlement date and broker are offset and any gain (loss) is realized on the date of offset; otherwise, gain (loss) is realized on settlement date. Realized and unrealized gains and losses which represent the difference between the value of a forward currency contract to buy and a forward currency contract to sell are included in net realized and unrealized gain (loss) from foreign currency related transactions.

Certain risks may arise upon entering into forward currency contracts from the potential inability of counterparties to meet the terms of their contracts. Additionally, when utilizing forward currency contracts to hedge, the Portfolio gives up the opportunity to profit from favorable exchange rate movements during the term of the contract.

Repurchase Agreements. The Portfolio may enter into repurchase agreements with certain banks and broker/dealers whereby the Portfolio, through its custodian or sub-custodian bank, receives delivery of the underlying securities, the amount of which at the time of purchase and each subsequent business day is required to be maintained at such a level that the value is equal to at least the principal amount of the repurchase price plus accrued interest. The custodial bank holds the collateral in a separate account until the agreement matures. If the value of the securities falls below the principal amount of the repurchase agreement plus accrued interest, the financial institution deposits additional collateral by the following business day. If the financial institution either fails to deposit the required additional collateral or fails to repurchase the securities as agreed, the Portfolio has the right to sell the securities and recover any resulting loss from the financial institution. If the financial institution enters into bankruptcy, the Portfolio's claims on the collateral may be subject to legal proceedings.

Mortgage Dollar Rolls. The DWS Bond VIP may enter into mortgage dollar rolls in which the Portfolio sells mortgage-backed securities for delivery in the current month and simultaneously contracts to repurchase similar, but not identical, securities on a fixed date. The Portfolio receives compensation as consideration for entering into the commitment to repurchase. The compensation is paid in the form of a lower price for the security upon its repurchase or, alternatively, a fee. Mortgage dollar rolls may be renewed with a new sale and repurchase price and a cash settlement made at each renewal without physical delivery of the securities subject to the contract.

Certain risks may arise upon entering into mortgage dollar rolls from the potential inability of counterparties to meet the terms of their commitments. Additionally, the value of such securities may change adversely before the Portfolio is able to repurchase them.

At the time the Portfolio enters into this type of transaction it is required to segregate cash or other liquid assets at least equal to the amount of the commitment.

When-Issued/Delayed Delivery Securities. The Portfolio may purchase securities with delivery or payment to occur at a later date beyond the normal settlement period. At the time the Portfolio enters into a commitment to purchase a security, the transaction is recorded and the value of the security is reflected in the net asset value. The price of such security and the date when the security will be delivered and paid for are fixed at the time the transaction is negotiated. The value of the security may vary with market fluctuations. No interest accrues to the Portfolio until payment takes place. At the time the Portfolio enters into this type of transaction it is required to segregate cash or other liquid assets at least equal to the amount of the commitment.

Certain risks may arise upon entering into when-issued or delayed delivery securities from the potential inability of counterparties to meet the terms of their contracts or if the issuer does not issue the securities due to political, economic, or other factors. Additionally, losses may arise due to changes in the value of the underlying securities.

Loan Participations/Assignments. The DWS Bond VIP may invest in US dollar-denominated fixed and floating rate loans ("Loans") arranged through private negotiations between a foreign sovereign entity and one or more financial institutions ("Lenders"). The Portfolio invests in such Loans in the form of participations in Loans ("Participations") or assignments of all or a portion of loans from third parties ("Assignments"). Participations typically result in the Portfolio having a contractual relationship only with the Lender, not with the sovereign borrower. The Portfolio has the right to receive payments of principal, interest and any fees to which it is entitled from the Lender selling the Participation and only upon receipt by the Lender of the payments from the borrower. In connection with purchasing Participations, the Portfolio generally has no right to enforce compliance by the borrower with the terms of the loan agreement relating to the Loan, nor any rights of set-off against the borrower, and the Portfolio will not benefit directly from any collateral supporting the Loan in which it has purchased the Participation. As a result, the Portfolio assumes the credit risk of both the borrower and the Lender that is selling the Participation.

Federal Income Taxes. The Portfolio is treated as a separate taxpayer as provided for in the Internal Revenue Code, as amended. It is the Portfolio's policy to comply with the requirements of the Internal Revenue Code, which are applicable to regulated investment companies, and to distribute all of its taxable income to the separate accounts of the Participating Insurance Companies which hold its shares. Accordingly, the Portfolio paid no federal income taxes and no federal income tax provision was required.

Additionally, based on the Series' understanding of the tax rules and rates related to income, gains and transactions for the foreign jurisdictions in which the Portfolio invests, the Series will provide for foreign taxes, and where appropriate, deferred foreign taxes.

From November 1, 2005 through December 31, 2005, DWS Bond VIP incurred approximately $31,400 of net realized currency losses. In addition, DWS Bond VIP incurred approximately $152,900 of net realized capital losses. As permitted by tax regulations, the Portfolio intends to elect to defer these losses and treat them as arising in the fiscal year ended December 31, 2006.

Distribution of Income and Gains. The Portfolio will declare and distribute dividends from its net investment income, if any, in April, 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 Portfolio if not distributed, and, therefore, will be distributed to shareholders at least annually.

The timing and characterization of certain income and capital gains distributions are determined annually in accordance with federal tax regulations which may differ from accounting principles generally accepted in the United States of America. These differences primarily relate to investments in forward foreign currency exchange contracts, post October loss deferrals and certain securities sold at a loss. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, the Portfolio may periodically make reclassifications among certain of its capital accounts without impacting the its asset value of the Portfolio.

At December 31, 2005, the Portfolio's components of distributable earnings (accumulated losses) on a tax-basis are as follows:

Portfolio	Undistributed Ordinary Income ($)*	Undistributed Net Long-Term Capital Gains ($)	Net Unrealized Gain (Loss) on Investments ($)
DWS Bond VIP	8,194,250	67,901	(1,470,006)

In addition, the tax character of distributions paid to shareholders by the Portfolio are summarized as follows:

	Distributions from Ordinary Income ($)* Years Ended December 31,		Distributions from Long-Term Capital Gains ($) Years Ended December 31,	
Portfolio	2005	2004	2005	2004
DWS Bond VIP	6,958,800	6,665,081	1,051,416	—

* *For tax purposes short-term capital gains distributions are considered ordinary income distributions.*

Contingencies. In the normal course of business, the Portfolio may enter into contracts with service providers that contain general indemnification clauses. The Portfolio's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Portfolio that have not yet been made. However, based on experience, the Portfolio expects the risk of loss to be remote.

Expenses. Expenses of the Series arising in connection with a specific portfolio are allocated to that portfolio. Other Series expenses which cannot be directly attributed to a portfolio are apportioned among the portfolios in the Series.

Other. The Portfolio investment transactions are accounted for on a trade date plus one basis for daily net asset value calculations. However, for financial reporting purposes, investment transactions are reported on trade date. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date net of foreign withholding taxes. Certain dividends from foreign securities may be recorded subsequent to the ex-dividend date as soon as the Portfolio is informed of such dividends. Realized gains and losses from investment transactions are recorded on an identified cost basis. All discounts and premiums are accreted/amortized for both tax and financial reporting purposes.

B. Purchases and Sales of Securities

During the year ended December 31, 2005, purchases and sales of investment securities (excluding short-term investments) were as follow:

Portfolio	Purchases ($)	Sales ($)
DWS Bond VIP		
excluding US Treasury Obligations and mortgage dollar roll transactions	201,504,071	179,865,410
US Treasury Obligations	164,280,702	151,765,440
mortgage dollar roll transactions	16,753,582	17,212,507

C. Related Parties

Under the Management Agreement with Deutsche Investment Management Americas Inc. ("DeIM" or the "Advisor"), an indirect, wholly owned subsidiary of Deutsche Bank AG, the Advisor directs the investments of the Portfolio in accordance with their investment objectives, policies and restrictions. The Advisor determines the securities, instruments and other contracts relating to investments to be purchased, sold or entered into by the Portfolio. In addition to portfolio management services, the Advisor provides certain administrative services in accordance with the Management Agreement.

Under the Series' Management Agreement with the Advisor, the Portfolio pays a monthly investment management fee, based on the average daily net assets of the Portfolio, payable monthly, at the annual rate shown below:

Portfolio	Annual Management Fee Rate
DWS Bond VIP	0.475%

Prior to December 2, 2005, Deutsche Asset Management Investment Services Ltd. ("DeAMIS"), an affiliate of the Advisor, served as subadvisor with respect to the investment and reinvestment of assets in DWS Bond VIP. The Advisor compensated DeAMIS out of the management fee it receives from DWS Bond VIP. On December 1, 2005, Aberdeen Asset Management PLC ("Aberdeen PLC") acquired from Deutsche Bank AG, the parent company of the Advisor, parts of its asset management business and related assets based in London and Philadelphia. As of December 2, 2005, and pursuant to a written contract with the Advisor (the "Sub-Advisory Agreement"), Aberdeen Asset Management Inc. ("AAMI"), a direct wholly-owned subsidiary of Aberdeen PLC, serves as subadvisor to the Fund. AAMI is paid by the Advisor for its services.

In addition, for the period January 1, 2005 through April 30, 2006 (DWS Bond VIP Class B commenced operations on May 2, 2005), the Advisor, the underwriter and accounting agent contractually agreed to waive a portion of their fee to the extent necessary to maintain the operating expenses of each class (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest) as follows:

Portfolio	Operating Expense Ratio
DWS Bond VIP Class A	0.71%
DWS Bond VIP Class B	1.11%

Service Provider Fees. DWS Scudder Fund Accounting Corporation ("DWS-SFAC"), a subsidiary of the Advisor, is responsible for determining the daily net asset value per share and maintaining the portfolio and general accounting records of the portfolio. In turn, DWS-SFAC has delegated certain fund accounting functions to a third-party service provider. For the year ended December 31, 2005, DWS-SFAC received the following fee for its services:

Portfolio	Total Aggregated ($)	Unpaid at December 31, 2005 ($)
DWS Bond VIP	135,150	6,200

DWS Scudder Investments Service Company, an affiliate of the Advisor, is the transfer agent and dividend-paying agent of the Series. These affiliated entities have in turn entered into various agreements with third-party service providers to provide these services.

DWS Scudder Distributors, Inc. ("DWS-SDI"), also an affiliate of the Advisor, is the Series' Distributor. In accordance with the Master Distribution Plan, DWS-SDI receives 12b-1 fees of 0.25% of average daily net assets of Class B shares. Pursuant to the Master Distribution Plan, DWS-SDI remits these fees to the Participating Insurance Companies for various costs incurred or paid by these companies in connection with marketing and distribution of Class B shares. These fees are detailed in the Portfolio's Statement of Operations.

Typesetting and Filing Service Fees. Under an agreement with DeIM, the Advisor is compensated for providing typesetting and regulatory filing services to the Portfolio. For the year ended December 31, 2005, the amount charged to the Portfolio by DeIM included in the reports to shareholders was as follows:

Portfolio	Amount ($)	Unpaid at December 31, 2005 ($)
DWS Bond VIP	4,114	1,303

Trustees' Fees and Expenses. The Portfolio pays each Trustee not affiliated with the Advisor retainer fees plus specified amounts for attended board and committee meetings. Allocated Trustees' fees and expenses for the Portfolio for the year ended December 31, 2005 are detailed in the Portfolio's Statement of Operations.

Cash Management QP Trust. Pursuant to an Exemptive Order issued by the SEC, the Series may invest in the Cash Management QP Trust (the "QP Trust"), and other affiliated funds managed by the Advisor. The QP Trust seeks to provide as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity. The QP Trust does not pay the Advisor a management fee for the affiliated funds' investments in the QP Trust.

D. Investing in Emerging Markets

Investing in emerging markets may involve special risks and considerations not typically associated with investing in the United States of America. These risks include revaluation of currencies, high rates of inflation, repatriation restrictions on income and capital, and future adverse political, social and economic developments. Moreover, securities issued in these markets may be less liquid, subject to government ownership controls, delayed settlements and their prices more volatile than those of comparable securities in the United States of America.

E. Expense Reductions

For the year ended December 31, 2005, the Advisor agreed to reimburse the Portfolio a portion of the fee savings expected to be realized by the Advisor related to the outsourcing by the Advisor of certain administrative services to an unaffiliated service provider as follows:

Portfolio	Amount ($)
DWS Bond VIP	3,716

In addition, DWS Bond VIP entered into an arrangement with their custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Portfolios' expenses. During the year ended December 31, 2005, the custodian fees were reduced as follows:

Portfolio	Custody Credits ($)
DWS Bond VIP	1,186

F. Forward Foreign Currency Exchange Contracts

As of December 31, 2005, the DWS Bond VIP had entered into the following open forward foreign currency exchange contracts:

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation (US$)
CHF	1,790,000	EUR	1,163,426	1/25/2006	4,779
CHF	1,790,000	EUR	1,163,426	1/25/2006	8,763
EUR	797,033	CHF	1,230,000	1/25/2006	3,288
EUR	420,534	GBP	290,000	1/25/2006	1,129
EUR	401,670	SEK	3,800,000	1/25/2006	7,521

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation (US$)
EUR	400,490	SEK	3,760,000	1/25/2006	4,348
EUR	1,940,000	USD	2,359,079	1/25/2006	59,048
EUR	372,000	USD	442,806	1/25/2006	1,770
EUR	60,000	USD	72,089	1/25/2006	954
GBP	515,496	EUR	759,000	1/25/2006	10,537
GBP	515,496	EUR	759,000	1/25/2006	2,516
JPY	110,000,000	USD	942,951	1/25/2006	7,239
JPY	56,000,000	USD	484,995	1/25/2006	8,633
MXN	10,300,000	USD	974,770	1/25/2006	9,224
NZD	1,322,250	AUD	1,230,000	1/25/2006	24,138
NZD	660,445	AUD	613,000	1/25/2006	10,048
USD	1,012,233	EUR	857,000	1/25/2006	3,812
USD	897,242	EUR	763,000	1/25/2006	7,357
USD	511,098	JPY	61,100,000	1/25/2006	8,647
USD	443,060	RUB	12,800,000	1/25/2006	1,839
USD	78,071	RUB	2,250,000	1/25/2006	134
USD	451,951	SGD	760,000	1/25/2006	5,529
USD	462,613	SGD	778,000	1/25/2006	5,702
USD	77,011	SGD	130,000	1/25/2006	1,242
USD	77,368	TRY	107,000	1/25/2006	1,344
Total unrealized appreciation					**199,541**

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Depreciation (US$)
EUR	797,033	CHF	1,230,000	1/25/2006	(9,730)
EUR	420,534	GBP	290,000	1/25/2006	(822)
EUR	401,670	SEK	3,800,000	1/25/2006	(4,489)
EUR	400,490	SEK	3,760,000	1/25/2006	(4,960)
EUR	760,000	USD	890,515	1/25/2006	(10,528)
EUR	274,000	USD	323,560	1/25/2006	(1,290)
EUR	41,000	USD	48,270	1/25/2006	(339)
MXN	2,540,000	USD	230,553	1/25/2006	(7,553)
MXN	1,100,000	USD	101,196	1/25/2006	(1,921)
MXN	830,000	USD	77,762	1/25/2006	(44)
NZD	1,322,250	AUD	1,230,000	1/25/2006	(23,964)
NZD	660,445	AUD	613,000	1/25/2006	(10,963)
SEK	7,100,000	EUR	738,279	1/25/2006	(15,849)
SEK	7,100,000	EUR	738,279	1/25/2006	(4,293)
SGD	1,668,000	USD	980,061	1/25/2006	(23,987)
SGD	130,000	USD	76,384	1/25/2006	(1,870)
TRY	210,000	USD	154,253	1/25/2006	(228)
USD	78,333	ARS	235,000	1/25/2006	(1,475)
USD	86,288	BRL	202,000	1/25/2006	(572)
USD	77,261	BRL	176,000	1/25/2006	(2,578)
USD	1,414,718	CHF	1,790,000	1/25/2006	(48,922)
USD	926,482	EUR	767,000	1/25/2006	(17,140)
USD	510,043	EUR	423,000	1/25/2006	(8,541)
USD	76,926	RUB	2,200,000	1/25/2006	(459)

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Depreciation (US$)
USD	1,384,043	SEK	10,790,000	1/25/2006	(23,237)
Total unrealized depreciation					**(225,754)**

Currency Abbreviations

ARS	Argentine Peso	GBP	Pound Sterling	SEK	Swedish Krona
AUD	Australian Dollar	JPY	Japanese Yen	SGD	Singapore Dollar
BRL	Brazilian Real	MXN	Mexican Peso	TRY	New Turkish Lira
CHF	Swiss Franc	NZD	New Zealand Dollar	USD	United States Dollar
EUR	Euro Currency	RUB	Russian Ruble		

G. Ownership of the Portfolios

At the end of the period, the beneficial ownership in the Portfolio was as follows:

DWS Bond VIP: One participating insurance company was owner of record of 10% or more of the total outstanding Class A shares of the Portfolio, owning 66%. Two participating insurance companies were owners of record each owning 75% and 25% of the total outstanding Class B shares of the Portfolio.

H. Line of Credit

The Series and several other affiliated funds (the "Participants") share in a $1.1 billion revolving credit facility administered by J.P. Morgan Chase Bank for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated, based upon net assets, among each of the Participants. Interest is calculated at the Federal Funds Rate plus 0.5 percent. The Portfolio may borrow up to a maximum of 33 percent of its net assets under the agreement.

I. Regulatory Matters and Litigation

Market Timing Related Regulatory and Litigation Matters. Since at least July 2003, federal, state and industry regulators have been conducting ongoing inquiries and investigations ("inquiries") into the mutual fund industry, and have requested information from numerous mutual fund companies, including DWS Scudder. The DWS funds' advisors have been cooperating in connection with these inquiries and are in discussions with the regulators concerning proposed settlements. Publicity about mutual fund practices arising from these industry-wide inquiries serves as the general basis of a number of private lawsuits against the DWS funds. These lawsuits, which previously have been reported in the press, involve purported class action and derivative lawsuits, making various allegations and naming as defendants various persons, including certain DWS funds, the funds' investment advisors and their affiliates, and certain individuals, including in some cases fund Trustees/Directors, officers, and other parties. Each DWS fund's investment advisor has agreed to indemnify the applicable DWS funds in connection with these lawsuits, or other lawsuits or regulatory actions that may be filed making allegations similar to these lawsuits regarding market timing, revenue sharing, fund valuation or other subjects arising from or related to the pending inquiries. It is not possible to determine with certainty what the outcome of these inquiries will be or what the effect, if any, would be on the funds or their advisors.

With respect to the lawsuits, based on currently available information, the funds' investment advisors believe the likelihood that the pending lawsuits will have a material adverse financial impact on a DWS fund is remote and such actions are not likely to materially affect their ability to perform under their investment management agreements with the DWS funds.

With respect to the regulatory matters, Deutsche Asset Management ("DeAM") has advised the funds as follows:

> DeAM expects to reach final agreements with regulators early in 2006 regarding allegations of improper trading in the DWS funds. DeAM expects that it will reach settlement agreements with the Securities and Exchange Commission, the New York Attorney General and the Illinois Secretary of State providing for payment of disgorgement, penalties, and investor education contributions totaling approximately $134 million. Approximately $127 million of this amount would be distributed to shareholders of the affected DWS funds in accordance with a distribution plan to be developed by an independent distribution consultant. DeAM does not believe that any of the DWS funds will be named as respondents or defendants in any proceedings. The funds' investment advisors do not believe these amounts will have a material adverse financial impact on them or materially affect their ability to perform under their investment management agreements with the DWS funds. The above-described amounts are not material to Deutsche Bank, and they have already been reserved.

Based on the settlement discussions thus far, DeAM believes that it will be able to reach a settlement with the regulators on a basis that is generally consistent with settlements reached by other advisors, taking into account the particular facts and circumstances of market timing at DeAM and at the legacy Scudder and Kemper organizations prior to their acquisition by DeAM in April 2002. Among the terms of the expected settled orders, DeAM would be subject to certain undertakings regarding the conduct of its business in the future, including maintaining existing management fee reductions for certain funds for a period of five years. DeAM expects that these settlements would resolve regulatory allegations that it violated certain provisions of federal and state securities laws (i) by entering into trading arrangements that permitted certain investors to engage in market timing in certain DWS funds and (ii) by failing more generally to take adequate measures to prevent market timing in the DWS funds, primarily during the 1999–2001 period. With respect to the trading arrangements, DeAM expects that the settlement documents will include allegations related to one legacy DeAM arrangement, as well as three legacy Scudder and six legacy Kemper arrangements. All of these trading arrangements originated in businesses that existed prior to the current DeAM organization, which came together in April 2002 as a result of the various mergers of the legacy Scudder, Kemper and Deutsche fund groups, and all of the arrangements were terminated prior to the start of the regulatory investigations that began in the summer of 2003. No current DeAM employee approved the trading arrangements.

There is no certainty that the final settlement documents will contain the foregoing terms and conditions. The independent Trustees/Directors of the DWS funds have carefully monitored these regulatory investigations with the assistance of independent legal counsel and independent economic consultants. Additional information announced by DeAM regarding the terms of the expected settlements will be made available at www.dws-scudder.com/regulatory_settlements, which will also disclose the terms of any final settlement agreements once they are announced.

Other Regulatory Matters. DeAM is also engaged in settlement discussions with the Enforcement Staffs of the SEC and the NASD regarding DeAM's practices during 2001–2003 with respect to directing brokerage commissions for portfolio transactions by certain DWS funds to broker-dealers that sold shares in the DWS funds and provided enhanced marketing and distribution for shares in the DWS funds. In addition, on January 13, 2006, DWS Scudder Distributors, Inc. received a Wells notice from the Enforcement Staff of the NASD regarding DWS Scudder Distributors' payment of non-cash compensation to associated persons of NASD member firms, as well as DWS Scudder Distributors' procedures regarding non-cash compensation regarding entertainment provided to such associated persons. Additional information announced by DeAM regarding the terms of the expected settlements will be made available at www.dws-scudder.com/regulatory_settlements, which will also disclose the terms of any final settlement agreements once they are announced.

J. Payments Made by Affiliates

During the year ended December 31, 2005, the Advisor fully reimbursed the DWS Bond VIP $517 for losses incurred for a trade executed in error.

K. Subsequent Event

Effective February 6, 2006, Scudder Investments changed its name to DWS Scudder and the Scudder funds were renamed DWS funds. The DWS Scudder name represents the alignment of Scudder with all of Deutsche Bank's mutual fund operations around the globe. In addition, the Web site for all Scudder funds changed to www.dws-scudder.com.

Report of Independent Registered Public Accounting Firm

To the Trustees of DWS Variable Series I and Shareholders of DWS Bond VIP:

In our opinion, the accompanying statement of assets and liabilities, including the investment portfolio, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of DWS Bond VIP (formerly Bond Portfolio) of DWS Variable Series I (formerly Scudder Variable Series I) (the "Series") at December 31, 2005 and the results of its operations, the changes in its net assets, and the financial highlights for the periods indicated therein, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Series' management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2005 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

Boston, Massachusetts
February 22, 2006

PricewaterhouseCoopers LLP

Tax Information

(Unaudited)

The DWS Bond VIP paid distributions of $0.042 per share from net long-term capital gains during its year ended December 31, 2005, of which 100% represents 15% rate gains.

Pursuant to Section 852 of the Internal Revenue Code, the DWS Bond VIP designate approximately $141,600 as capital gain dividends for its year ended December 31, 2005, of which 100% represents 15% rate gains.

Please consult a tax advisor if you have questions about federal or state income tax laws, or on how to prepare your tax returns. If you have specific questions about your account, please call 1-800-728-3337.

Proxy Voting

A description of the series' policies and procedures for voting proxies for portfolio securities and information about how the series voted proxies related to its portfolio securities during the 12-month period ended June 30 is available on our Web site — www.dws-scudder.com (type "proxy voting" in the search field) — 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 1-800-621-1048.

Shareholder Meeting Results

A Special Meeting of Shareholders (the “Meeting”) of DWS Bond VIP (the “Portfolio”) was held on November 18, 2005 at the offices of Deutsche Investment Management Americas Inc. (“DeIM”), which is part of Deutsche Asset Management, 345 Park Avenue, New York, NY 10154. At the Meeting, the following matters were voted upon by the shareholders (the resulting votes are presented below):

1. To approve an Amended and Restated Investment Management Agreement between DWS Variable Series I, on behalf of the Portfolio, and DeIM:

	Number of Votes:	
Affirmative	**Against**	**Abstain**
22,755,884	798,631	2,580,662

2. To approve a new Sub-advisory Agreement between DeIM and Aberdeen Asset Management, Inc. (“AAMI”):

	Number of Votes:	
Affirmative	**Against**	**Abstain**
22,625,443	829,471	2,680,264

3. To approve a new Sub-sub-advisory Agreement between AAMI and Aberdeen Asset Management Investment Services Limited:

	Number of Votes:	
Affirmative	**Against**	**Abstain**
22,515,990	810,567	2,808,620

Investment Management Agreement Approvals

DWS Bond VIP

Background

Prior to December 2, 2005, Deutsche Asset Management Investment Services Limited ("DeAMIS"), an affiliate of Deutsche Investment Management Americas Inc. ("DeIM" or the "Advisor"), the investment advisor of the Portfolio, was the subadvisor for the Portfolio and was responsible for managing the Portfolio's assets. DeAMIS rendered investment advisory and management services, including services related to foreign securities, foreign currency transactions and related investments with regard to the portion of the portfolio that is allocated to it by DeIM from time-to-time for management. DeAMIS provided a full range of international investment advisory services to institutional and retail clients.

On December 1, 2005, Aberdeen Asset Management PLC ("Aberdeen PLC") acquired from Deutsche Bank AG, the parent company of DeIM, parts of its asset management business and related assets based in London and Philadelphia (the "Aberdeen Transaction"). As of that date, DeAMIS became a direct wholly owned subsidiary of Aberdeen PLC and was renamed Aberdeen Asset Management Investment Services Limited ("AAMISL"), and the individuals at the Advisor's Philadelphia-based Fixed Income team who managed all or a portion of the assets of the Portfolio became employees of Aberdeen Asset Management, Inc. ("AAMI"). AAMI and AAMISL are each a direct wholly owned subsidiary of Aberdeen PLC and each a registered investment advisor under the Investment Advisors Act of 1940, as amended.

As of December 2, 2005, AAMI became the subadvisor to the Portfolio pursuant to a written contract with the Advisor ("Aberdeen Sub-Advisory Agreement"). As the subadvisor and pursuant to the Aberdeen Sub-Advisory Agreement, AAMI may delegate certain of its duties and responsibilities with respect to the services it is contacted to provide to the Portfolio. Pursuant to such authority, AAMI has entered into an investment sub-sub-advisory agreement with AAMISL to provide investment services to the Portfolio ("Sub-Sub-Advisory Agreement"). Aberdeen PLC and its asset management subsidiaries, including AAMI and AAMISL, are known as "Aberdeen."

Prior to December 2, 2005, DeIM served as investment advisor to the Portfolio pursuant to an Investment Management Agreement between DeIM and the Portfolio (the "Previous Investment Management Agreement"). On December 2, 2005, DeIM began serving as investment advisor to the Portfolio pursuant to an Amended and Restated Investment Management Agreement, which contains provisions substantially identical to the Previous Investment Management Agreement, except that the Amended and Restated Investment Management Agreement contains a specific provision authorizing DeIM to delegate some or all of its duties under the Amended and Restated Investment Management Agreement to non-affiliated sub-advisors, such as AAMI and AAMISL.

Board Considerations — Aberdeen Transaction

The Board of Trustees of the Portfolio held a meeting on August 9, 2005 to consider information about Aberdeen PLC, Aberdeen, AAMI, AAMISL and the Aberdeen Transaction. To assist the Board in its consideration of the Aberdeen Sub-Advisory Agreement and the Sub-Sub-Advisory Agreement, as discussed below, the Board received and considered extensive information about Aberdeen PLC and AAMISL and AAMI and the resources that they intended to commit to the Portfolio. The Board conducted a thorough review of the potential implications of the Aberdeen Sub-Advisory Agreement and the Sub-Sub-Advisory Agreement on the Portfolio's shareholders and was assisted in this review by its independent legal counsel. On September 9, 2005, the Board, including its Independent Trustees, approved the Amended and Restated Investment Management Agreement, the Aberdeen Sub-Advisory Agreement and the Sub-Sub-Advisory Agreement, and directed that these agreements be submitted to the Portfolio's shareholders for approval.

In approving the terms of the Aberdeen Sub-Advisory Agreement and the Sub-Sub-Advisory Agreement, the Board considered the following factors, among others:

- DeIM and Aberdeen PLC have advised the Board that the same London-based and/or Philadelphia-based Fixed Income team that managed the Portfolio prior to the Aberdeen Transaction would become employees of Aberdeen and would continue to manage the Portfolio as employees of an Aberdeen PLC subsidiary. In this regard, the Board also considered Aberdeen PLC's assurances regarding the arrangements and incentives that had been established to ensure continued employment with Aberdeen of key members of this investment team. The Board concluded that continued access to the services provided by this team was in the best interests of the Portfolio and its shareholders.
- The advisory fees paid by the Portfolio would not change as a result of implementing the Aberdeen Sub-Advisory Agreement and the Sub-Sub-Advisory Agreement, and the overall scope of services provided to the Portfolio and the standard of care applicable to those services would not be adversely affected. In this regard, the Board also considered DeIM's and Aberdeen PLC's representations that they do not expect any diminution in the nature or quality of services provided to the Portfolio after the Aberdeen Transaction.
- The terms of the Aberdeen Sub-Advisory Agreement and the Sub-Sub-Advisory Agreement are consistent with other sub-advisory agreements considered by the Board and determined to be in the best interests of shareholders. The Board considered the fees payable to AAMISL by DeIM under the Aberdeen Sub-Advisory Agreement and the fees payable to AAMISL by AAMI under the Sub-Sub-Advisory Agreement, including relative to the fees paid to sub-advisors of other similar funds, and concluded that such fees are fair and reasonable. The Board also considered the portion of the fees retained by DeIM under the Amended and Restated Investment Management Agreement in light of the services DeIM will continue to provide and its estimated costs of providing such services and concluded that such fees are fair and reasonable.
- The benefits to DeIM, Aberdeen PLC and their respective affiliates from the Aberdeen Transaction, including DeIM's conflicts of interest in recommending to the Board that they approve the Aberdeen Sub-Advisory Agreement and the Sub-Sub-Advisory Agreement.
- The resources and operations of Aberdeen, including the experience and professional qualifications of Aberdeen personnel that would be providing compliance and other services to the Portfolio. The Board noted that, pursuant to the Amended and Restated Investment Management Agreement, DeIM will oversee the management of the Portfolio's portfolio by AAMI and AAMISL and will continue to provide the same administrative services that it currently provides.
- DeIM's commitment to pay all costs associated with obtaining shareholder approval of the Amended and Restated Investment Management Agreement and the Aberdeen Sub-Advisory Agreement and the Sub-Sub-Advisory Agreement.

The Board evaluated the Amended and Restated Investment Management Agreement in conjunction with its broader annual review of all contractual arrangements between the Portfolio and DeIM and its affiliates. With regard to the Amended and Restated Investment Management Agreement for the Portfolio, the Board considered in particular that its terms are substantially identical to the terms of the Previous Investment Management Agreement for the Portfolio, except that the Amended and Restated Investment Management Agreement contains a provision specifically authorizing DeIM to delegate some or all of its advisory duties to an unaffiliated sub-advisor (such as AAMI). At the conclusion of this review, the Board unanimously voted to continue the current contractual arrangements between the Portfolio and DeIM and its affiliates, pending shareholder approval of the Amended and Restated Investment Management Agreement, the Aberdeen Sub-Advisory Agreement and the Sub-Sub-Advisory Agreement. The factors considered by the Board in connection with their general contract review, which are also pertinent to its approval of the Amended and Restated Investment Management Agreement, the Aberdeen Sub-Advisory Agreement and the Sub-Sub-Advisory Agreement, are set forth below.

Board Considerations — General Contract Review

In terms of the process the Trustees followed prior to approving the Previous Investment Management Agreement, shareholders should know that:

- At the present time, all of the Portfolio's Trustees — including the chair of the board — are independent of DeIM and its affiliates.

- The Trustees meet frequently to discuss fund matters. Each year, the Trustees dedicate part or all of several meetings to contract review matters.
- The Trustees regularly meet privately with their independent counsel (and, as needed, other advisors) to discuss contract review and other matters.

DeIM and its predecessors (Deutsche Bank acquired Scudder in 2002) have managed the Portfolio since inception, and the Trustees believe that a long-term relationship with a capable, conscientious advisor is in the best interest of shareholders. DeIM is part of Deutsche Bank, a major global banking institution that is engaged in a wide range of financial services. The Trustees believe that there are significant advantages to being part of a global asset management business that offers a wide range of investing expertise and resources, including hundreds of portfolio managers and analysts with research capabilities in many countries throughout the world.

Shareholders may focus primarily on fund performance and fees, but the Portfolio's Trustees consider these and many other factors, including the quality and integrity of DeIM's personnel and such other issues as back-office operations, fund valuations, and compliance policies and procedures. The Trustees note approvingly that DeIM has worked with them to implement new, forward-looking policies and procedures in many important areas, such as those involving brokerage commissions and so-called "soft dollars," even when not obligated to do so by law or regulation.

In determining whether to provide the continuation of the Portfolio's Previous Investment Management Agreement, the Board considered factors that it believes are relevant to the interests of Portfolio shareholders, including:

- **The investment management fee schedule for the Portfolio, including (i) comparative information provided by Lipper regarding investment management fee rates paid to other investment advisors by similar funds and (ii) fee rates paid to DeIM by similar funds and institutional accounts advised by DeIM.** With respect to management fees paid to other investment advisors by similar funds, the Trustees noted that the fee rates paid by the Portfolio (Class A shares) were higher than the median (3rd quartile) of the applicable Lipper universe as of December 31, 2004. The Board gave only limited consideration to fees paid by similar institutional accounts advised by DeIM, in light of the material differences in the scope of services provided to mutual funds as compared to those provided to institutional accounts. Taking into account the foregoing, the Board concluded that the fee schedule in effect for the Portfolio represents reasonable compensation in light of the nature, extent and quality of the investment services being provided to the Portfolio.
- **The extent to which economies of scale would be realized as the Portfolio grows.** The Board noted that the Fund's management fee does not contain breakpoints and determined that, at the present time and at current asset levels and management fee rates, fee breakpoints are not warranted. The Board continues to monitor the Fund's management fees and asset levels to determine if any breakpoints are appropriate.
- **The total operating expenses of the Portfolio, including relative to the Portfolio's peer group as determined by Lipper.** In this regard, the Board noted that the total expenses of the Portfolio (Class A shares) for the year ending December 31, 2004 were lower than the median (2nd quartile) of the applicable Lipper universe. The Board also considered that the various expense limitations agreed to by DeIM effectively limit the ability of the Portfolio to experience a material increase in total expenses prior to the Board's next annual review of the Portfolio's contractual arrangements, and also serve to ensure that the Portfolio's total operating expenses would be competitive relative to the applicable Lipper universe.
- **The investment performance of the Portfolio and DeIM, both absolute and relative to various benchmarks and industry peer groups.** The Board noted that for the one-, three- and five-year periods ended June 30, 2005, the Portfolio's performance (Class A shares) was in the 1st quartile, 2nd quartile and 3rd quartile, respectively, of the applicable Lipper universe. The Board also observed that the Portfolio has outperformed its benchmark in the one- and three-year periods ended June 30, 2005 and underperformed its benchmark in the five-year period ended June 30, 2005. The Board recognized that DeIM has made significant changes in its investment personnel and processes in recent years in an effort to improve long-term performance.
- **The nature, extent and quality of the advisory services provided by DeIM.** The Board considered extensive information regarding DeIM, including DeIM's personnel (including particularly those personnel with

responsibilities for providing services to the Portfolio), resources, policies and investment processes. The Board also considered the terms of the current investment management agreement, including the scope of services provided under the agreement. In this regard, the Board concluded that the quality and range of services provided by DeIM have benefited and should continue to benefit the Portfolio and its shareholders.

- **The costs of the services to, and profits realized by, DeIM and its affiliates from their relationships with the Portfolio.** The Board reviewed information concerning the costs incurred and profits realized by DeIM during 2004 from providing investment management services to the Portfolio (and, separately, to the entire Scudder fund complex), and reviewed with DeIM the cost allocation methodology used to determine DeIM's profitability. In analyzing DeIM's costs and profits, the Board also reviewed the fees paid to and services provided by DeIM and its affiliates with respect to administrative services, fund accounting, shareholder servicing and distribution (including fees paid pursuant to 12b-1 plans). As part of this review, the Board considered information provided by an independent accounting firm engaged to review DeIM's cost allocation methodology and calculations. The Board concluded that the Portfolio's investment management fee schedule represented reasonable compensation in light of the costs incurred by DeIM and its affiliates in providing services to the Portfolio. The Board also reviewed information regarding the profitability of certain similar investment management firms. The Board noted that while information regarding the profitability of such firms is limited, Deutsche Asset Management's overall profitability with respect to the Scudder fund complex (after taking into account distribution and other services provided to the funds by DeIM and its affiliates) was lower than the overall profitability levels of most comparable firms for which such data was available.
- **The practices of DeIM regarding the selection and compensation of brokers and dealers executing portfolio transactions for the Portfolio, including DeIM's soft dollar practices.** In this regard, the Board observed that DeIM had voluntarily terminated the practice of allocating brokerage commissions to acquire research services from third-party service providers. The Board indicated that it would continue to monitor the allocation of the Portfolio's brokerage to ensure that the principle of "best price and execution" remains paramount in the portfolio trading process.
- **DeIM's commitment to and record of compliance, including its written compliance policies and procedures.** In this regard, the Board considered DeIM's commitment to indemnify the Portfolio against any costs and liabilities related to lawsuits or regulatory actions making allegations regarding market timing, revenue sharing, fund valuation or other subjects arising from or relating to pending regulatory inquiries. The Board also considered the significant attention and resources dedicated by DeIM to documenting and enhancing its compliance processes in recent years. The Board noted in particular (i) the experience and seniority of DeIM's chief compliance officer, who reports to the Board; (ii) the large number of compliance personnel who report to DeIM's chief compliance officer; and (iii) the substantial commitment of resources by Deutsche Asset Management to compliance matters.
- **Deutsche Bank's commitment to restructuring and growing its US mutual fund business.** The Board considered recent and ongoing efforts by Deutsche Bank to restructure its US mutual fund business to improve efficiency and competitiveness and to reduce compliance and operational risk. The Board considered assurances received from Deutsche Bank that it would commit the resources necessary to maintain high quality services to the Portfolio and its shareholders while various organizational initiatives are being implemented. The Board also considered Deutsche Bank's strategic plans for investing in the growth of its US mutual fund business, the potential benefits to Portfolio shareholders and Deutsche Bank's management of the DWS fund group, one of Europe's most successful fund groups.

Based on all of the foregoing, the Board concluded that the Amended and Restated Investment Management Agreement, the Aberdeen Sub-Advisory Agreement and the Sub-Sub-Advisory Agreement were in the best interests of the Portfolio's shareholders.

In reaching this conclusion the Board did not give particular weight to any single factor identified above. The Board considered these factors over the course of numerous meetings, many of which were in executive session with only the Independent Trustees and their counsel present. It is possible that individual Trustees may have weighed these factors differently in reaching their individual decisions to approve the continuation of the current agreement.

Trustees and Officers

The following table presents certain information regarding the Trustees and Officers of the fund as of December 31, 2005. Each individual's year of birth is set forth in parentheses after his or her name. Unless otherwise noted, (i) each individual has engaged in the principal occupation(s) noted in the table for at least the most recent five years, although not necessarily in the same capacity, and (ii) the address of each Trustee is c/o Dawn-Marie Driscoll, PO Box 100176, Cape Coral, FL 33904. Unless otherwise indicated, the address of each Officer is Two International Place, Boston, Massachusetts 02110. The term of office for each Trustee is until the next meeting of shareholders called for the purpose of electing Trustees and until the election and qualification of a successor, or until such Trustee sooner dies, resigns, retires or is removed as provided in the governing documents of the fund. Because the fund does not hold an annual meeting of shareholders, each Trustee will hold office for an indeterminate period. The Trustees of the fund may also serve in similar capacities with other funds in the fund complex.

Independent Trustees

Name, Year of Birth, Position(s) Held with the Fund and Length of Time Served[1]	Principal Occupation(s) During Past 5 Years and Other Directorships Held	Number of Funds in Fund Complex Overseen
Dawn-Marie Driscoll (1946) Chairman, 2004–present Trustee, 1987–present	President, Driscoll Associates (consulting firm); Executive Fellow, Center for Business Ethics, Bentley College; formerly, Partner, Palmer & Dodge (1988–1990); Vice President of Corporate Affairs and General Counsel, Filene's (1978–1988). Directorships: Advisory Board, Center for Business Ethics, Bentley College; Board of Governors, Investment Company Institute; Member, Executive Committee of the Independent Directors Council of the Investment Company Institute, Southwest Florida Community Foundation (charitable organization)	41
Henry P. Becton, Jr. (1943) Trustee, 1990–present	President, WGBH Educational Foundation. Directorships: Becton Dickinson and Company (medical technology company); The A.H. Belo Company (media company); Concord Academy; Boston Museum of Science; Public Radio International. Former Directorships: American Public Television; New England Aquarium; Mass. Corporation for Educational Telecommunications; Committee for Economic Development; Public Broadcasting Service	41
Keith R. Fox (1954) Trustee, 1996–present	Managing General Partner, Exeter Capital Partners (private equity funds). Directorships: Progressive Holding Corporation (kitchen importer and distributor); Cloverleaf Transportation Inc. (trucking); Natural History, Inc. (magazine publisher); Box Top Media Inc. (advertising)	41
Kenneth C. Froewiss (1945) Trustee 2005–present	Clinical Professor of Finance, NYU Stern School of Business; Director, Scudder Global High Income Fund, Inc. (since 2001), Scudder Global Commodities Stock Fund, Inc. (since 2004), Scudder New Asia Fund, Inc. (since 1999), The Brazil Fund, Inc. (since 2000) and The Korea Fund, Inc. (since 2000); Member, Finance Committee, Association for Asian Studies (2002-present); Director, Mitsui Sumitomo Insurance Group (US) (2004–present); prior thereto, Managing Director, J.P. Morgan (investment banking firm) (until 1996)	46
Jean Gleason Stromberg (1943) Trustee, 1999–present	Retired. Formerly, Consultant (1997–2001); Director, US Government Accountability Office (1996–1997); Partner, Fulbright & Jaworski, L.L.P. (law firm) (1978–1996). Directorships: The William and Flora Hewlett Foundation; Service Source, Inc.; DWS Global High Income Fund, Inc. (since October 2005), DWS Global Commodities Stock Fund, Inc. (since October 2005); Former Directorships: Mutual Fund Directors Forum (2002–2004), American Bar Retirement Association (funding vehicle for retirement plans) (1987–1990 and 1994–1996)	41
Carl W. Vogt (1936) Trustee, 2002–present	Senior Partner, Fulbright & Jaworski, L.L.P. (law firm); formerly, President (interim) of Williams College (1999–2000); President, certain funds in the Deutsche Asset Management Family of Funds (formerly, Flag Investors Family of Funds) (registered investment companies) (1999–2000). Directorships: Yellow Corporation (trucking); American Science & Engineering (x-ray detection equipment); ISI Family of Funds (registered investment companies, 4 funds overseen); National Railroad Passenger Corporation (Amtrak); formerly, Chairman and Member, National Transportation Safety Board	41

Officers[2]

Name, Year of Birth, Position(s) Held with the Fund and Length of Time Served[1]	Principal Occupation(s) During Past 5 Years and Other Directorships Held
Vincent J. Esposito[4] (1956) President, 2005–present	Managing Director[3], Deutsche Asset Management (since 2003); President and Chief Executive Officer of The Central Europe and Russia Fund, Inc., The European Equity Fund, Inc., The New Germany Fund, Inc. (since 2003) (registered investment companies); Vice Chairman and Director of The Brazil Fund, Inc. (2004–present); formerly, Managing Director, Putnam Investments (1991–2002)
John Millette (1962) Vice President and Secretary, 1999–present	Director[3], Deutsche Asset Management
Paul H. Schubert[4] (1963) Chief Financial Officer, 2004–present Treasurer, since 2005	Managing Director[3], Deutsche Asset Management (since July 2004); formerly, Executive Director, Head of Mutual Fund Services and Treasurer for UBS Family of Funds (1998-2004); Vice President and Director of Mutual Fund Finance at UBS Global Asset Management (1994-1998)

Name, Year of Birth, Position(s) Held with the Fund and Length of Time Served[1]	Principal Occupation(s) During Past 5 Years and Other Directorships Held
Patricia DeFilippis[4] (1963) Assistant Secretary, 2005–present	Vice President[3], Deutsche Asset Management (since June 2005); Counsel, New York Life Investment Management LLC (2003–2005); legal associate, Lord, Abbett & Co. LLC (1998–2003)
Elisa D. Metzger (1962) Assistant Secretary 2005–present	Director[3], Deutsche Asset Management (since September 2005); Counsel, Morrison and Foerster LLP (1999–2005)
Caroline Pearson (1962) Assistant Secretary, 1997–present	Managing Director[3], Deutsche Asset Management
Scott M. McHugh (1971) Assistant Treasurer, 2005–present	Director[3], Deutsche Asset Management
Kathleen Sullivan D'Eramo (1957) Assistant Treasurer, 2003–present	Director[3], Deutsche Asset Management
John Robbins[4] (1966) Anti-Money Laundering Compliance Officer, 2005–present	Managing Director[3], Deutsche Asset Management (since 2005); formerly, Chief Compliance Officer and Anti-Money Laundering Compliance Officer for GE Asset Management (1999–2005)
Philip Gallo[4] (1962) Chief Compliance Officer, 2004–present	Managing Director[3], Deutsche Asset Management (2003–present); formerly, Co-Head of Goldman Sachs Asset Management Legal (1994–2003)
A. Thomas Smith[4] (1956) Chief Legal Officer, since 2005	Managing Director[3], Deutsche Asset Management (2004–present); formerly, General Counsel, Morgan Stanley and Van Kampen and Investments (1999–2004); Vice President and Associate General Counsel, New York Life Insurance Company (1994–1999); senior attorney, The Dreyfus Corporation (1991–1993); senior attorney, Willkie Farr & Gallagher (1989–1991); staff attorney, US Securities & Exchange Commission and the Illinois Securities Department (1986–1989)

1 *Length of time served represents the date that each Trustee was first elected to the common board of Trustees which oversees a number of investment companies, including the fund, managed by the Advisor. For the Officers of the fund, the length of time served represents the date that each officer was first elected to serve as an officer of any fund overseen by the aforementioned common board of Trustees.*

2 *As a result of their respective positions held with the Advisor, these individuals are considered "interested persons" of the Advisor within the meaning of the 1940 Act. Interested persons receive no compensation from the funds.*

3 *Executive title, not a board directorship*

4 *Address: 345 Park Avenue, New York, New York 10154*

5 *Address: One South Street, Baltimore, Maryland 21202*

The fund's Statement of Additional Information ("SAI") includes additional information about the Trustees. The SAI is available, without charge, upon request. If you would like to request a copy of the SAI, you may do so by calling the following toll-free number: 1-800-SCUDDER.

About the Series' Advisor

DWS Scudder is part of Deutsche Asset Management, which is the marketing name in the US for the asset management activities of Deutsche Bank AG, Deutsche Bank Trust Company Americas, Deutsche Asset Management, Inc., Deutsche Investment Management Americas Inc. and DWS Trust Company.

The views expressed in this report reflect those of the portfolio managers only through the end of the period of the report as stated on the cover. The managers' views are subject to change at any time based on market and other conditions and should not be construed as a recommendation.

This information must be preceded or accompanied by a current prospectus.

Portfolio changes should not be considered recommendations for action by individual investors.

DWS Scudder Distributors, Inc.
222 South Riverside Plaza
Chicago, IL 60606
(800) 778-1482

VS1bond-2 (2/06)

DWS SCUDDER
Deutsche Bank Group

DECEMBER 31, 2005

ANNUAL REPORT

DWS VARIABLE SERIES I

(formerly Scudder Variable Series I)

DWS Growth & Income VIP

DWS Capital Growth VIP

DWS Global Opportunities VIP

DWS International VIP

DWS Health Care VIP

ONE GLOBAL FORCE. ONE FOCUS. YOU.

DWS SCUDDER
Deutsche Bank Group

Contents

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

This report must be preceded or accompanied by a prospectus. To obtain a prospectus, call (800) 778-1482 or your financial representative. We advise you to consider the product's objectives, risks, charges and expenses carefully before investing. The prospectus contains this and other important information about the investment product. Please read the prospectus carefully before you invest.

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

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

DWS Scudder is part of Deutsche Asset Management, which is the marketing name in the US for the asset management activities of Deutsche Bank AG, Deutsche Bank Trust Company Americas, Deutsche Asset Management, Inc., Deutsche Investment Management Americas Inc. and DWS Trust Company.

Performance Summary

December 31, 2005

DWS Growth & Income VIP

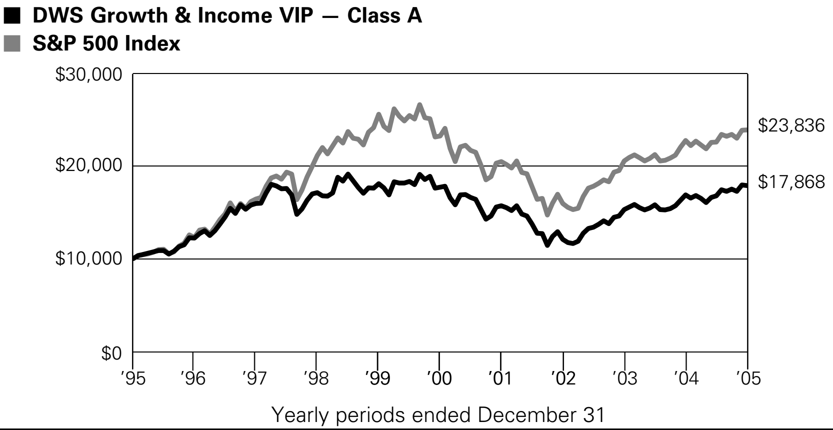
All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

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

Risk Considerations

The portfolio is subject to stock market risk, meaning stocks in the portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Bond investments are subject to interest-rate risk such that when interest rates rise, the prices of the bonds, and thus the value of the investments, can decline and the investor can lose principal value. Please read this portfolio's prospectus for specific information regarding its investments and risk profile.

Growth of an Assumed $10,000 Investment



The Standard & Poor's 500 (S&P 500) Index is an unmanaged capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Index returns assume the reinvestment of dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Growth & Income VIP		1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$10,607	$14,809	$10,098	$17,868
	Average annual total return	6.07%	13.98%	.20%	5.98%
S&P 500 Index	Growth of $10,000	$10,491	$14,970	$10,275	$23,836
	Average annual total return	4.91%	14.39%	.54%	9.07%

DWS Growth & Income VIP		1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$10,573	$14,689	$9,951	$13,473
	Average annual total return	5.73%	13.67%	-.10%	3.50%
S&P 500 Index	Growth of $10,000	$10,491	$14,970	$10,275	$17,816
	Average annual total return	4.91%	14.39%	.54%	6.89%

The growth of $10,000 is cumulative.

* *The Portfolio commenced selling Class B shares on May 1, 1997. Index returns begin April 30, 1997.*

Information About Your Portfolio's Expenses

DWS Growth & Income VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include sales charges (loads), redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The tables are based on an investment of $1,000 made at the beginning of the six-month period ended December 31, 2005.

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

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

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

Expenses and Value of a $1,000 Investment for the six months ended December 31, 2005

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,065.80	$1,063.70
Expenses Paid per $1,000*	$ 2.81	$ 4.58
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,022.48	$1,020.77
Expenses Paid per $1,000*	$ 2.75	$ 4.48

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

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series I — DWS Growth & Income VIP	.54%	.89%

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

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

DWS Growth & Income VIP

The US economy posted positive growth for all four quarters of 2005, and concerns about inflation and the sustainability of the economic expansion seemed to abate as the year progressed. The US stock market was up modestly in 2005; the return of the S&P 500 Index was 4.91%. The Portfolio returned 6.07% (Class A shares, unadjusted for contract charges), ahead of the S&P 500 Index. The Portfolio's return was also above the 5.77% average of its peers in the Lipper Large-Cap Core Funds category.

On April 1, 2005, we applied a new investment process to the Portfolio that has served us well with other DWS products. The Portfolio's solid performance resulted from the successful application of our investment process, which combines quantitative modeling techniques with rigorous fundamental analysis. Since the Portfolio's sector weights are maintained close to those of the S&P 500 Index, essentially all differences between returns of the Portfolio and the index results from stock selection. However, in order to align the Portfolio with the new process, we had to significantly restructure the Portfolio's existing holdings, which led to a one-time, higher Portfolio turnover rate in 2005.

The energy sector, which was the strongest of the 10 sectors in the S&P 500 Index, made a major contribution to absolute return. One of the strongest contributors in this sector was Amerada Hess Corp., which is one of the largest positions in the Portfolio. Also positive were ExxonMobil Corp., Burlington Resources, Inc. and Devon Energy Corp.; we sold these last two securities during the fourth quarter after their prices reached levels that no longer appeared attractive relative to other companies in the industry.

Another strong performer was TXU Corp., an electric utility in Texas, which has reported excellent earnings this year, reflecting the success of its comprehensive restructuring program.

In the consumer discretionary sector, relative performance benefited from our decision not to own the automobile manufacturers, which performed poorly. Nordstrom, Inc. is a holding in this sector that performed well for the Portfolio. However, we sold this stock in November because we saw more upside potential in Target Corp., the new position that replaced Nordstrom.

Holdings that detracted from performance include Coca-Cola Co., which reported disappointing earnings, and Tyco International Ltd., which has had management issues and is currently undergoing restructuring.

Theresa Gusman
Lead Portfolio Manager

Sal Bruno
Gregory Y. Sivin, CFA
Portfolio Managers

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

The Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Bond investments are subject to interest-rate risk such that when interest rates rise, the prices of the bonds, and thus the value of the bond investment, can decline and the investor can lose principal value. Please read this Portfolio's prospectus for specific information regarding its investments and risk profile.

The Standard & Poor's 500 (S&P 500) Index is an unmanaged capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Index returns assume the reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

The Lipper Large-Cap Core Funds category is an unmanaged group of mutual funds that, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) of greater than 300% of the dollar-weighted median market capitalization of the S&P Mid-Cap 400 Index. It is not possible to invest directly into a Lipper Category.

Portfolio management market commentary is as of December 31, 2005, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Growth & Income VIP

Asset Allocation	12/31/05	12/31/04
Common Stocks	99%	97%
Cash Equivalents	1%	3%
	100%	100%

Sector Diversification (As a % of Common Stocks)	12/31/05	12/31/04
Financials	21%	18%
Information Technology	15%	18%
Health Care	13%	12%
Industrials	12%	14%
Consumer Discretionary	11%	11%
Consumer Staples	10%	9%
Energy	9%	8%
Utilities	3%	3%
Materials	3%	4%
Telecommunication Services	3%	3%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 7. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month-end will be posted to www.dws-scudder.com on the 15th day of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

Investment Portfolio

December 31, 2005

DWS Growth & Income VIP

	Shares	Value ($)
Common Stocks 99.0%		
Consumer Discretionary 10.5%		
Auto Components 0.6%		
Johnson Controls, Inc.	28,160	**2,053,146**
Household Durables 1.6%		
Black & Decker Corp.	41,190	3,581,882
Pulte Homes, Inc.	44,750	1,761,360
		5,343,242
Internet & Catalog Retail 0.7%		
eBay, Inc.*	55,210	**2,387,832**
Media 1.9%		
CCE Spinco, Inc.*	6,901	90,406
Clear Channel Communications, Inc.	55,210	1,736,355
Viacom, Inc. "B"*	137,780	4,491,628
		6,318,389
Multiline Retail 3.6%		
Federated Department Stores, Inc.	50,900	3,376,197
J.C. Penney Co., Inc.	77,930	4,332,908
Kohl's Corp.*	46,560	2,262,816
Target Corp.	43,770	2,406,037
		12,377,958
Specialty Retail 1.2%		
Home Depot, Inc.	53,520	2,166,489
Staples, Inc.	91,135	2,069,676
		4,236,165
Textiles, Apparel & Luxury Goods 0.9%		
Coach, Inc.*	42,520	1,417,617
Polo Ralph Lauren Corp.	32,420	1,820,059
		3,237,676
Consumer Staples 9.4%		
Beverages 3.8%		
Coca-Cola Co.	214,870	8,661,410
PepsiCo, Inc.	74,720	4,414,457
		13,075,867
Food & Staples Retailing 0.9%		
Costco Wholesale Corp.	62,070	**3,070,603**
Food Products 1.8%		
General Mills, Inc.	63,710	3,142,177
Kellogg Co.	69,700	3,012,434
		6,154,611
Household Products 2.9%		
Procter & Gamble Co.	171,000	**9,897,480**
Energy 9.3%		
Energy Equipment & Services 0.7%		
Cooper Cameron Corp.*	16,520	683,928
Schlumberger Ltd.	18,090	1,757,444
		2,441,372
Oil, Gas & Consumable Fuels 8.6%		
Amerada Hess Corp.	46,790	5,933,908
Chevron Corp.	110,240	6,258,325
ConocoPhillips	34,360	1,999,065
ExxonMobil Corp.	208,294	11,699,874
Occidental Petroleum Corp.	19,790	1,580,825
Talisman Energy, Inc.	31,120	1,645,625
		29,117,622
Financials 21.0%		
Banks 7.4%		
Bank of America Corp.	245,600	11,334,440
US Bancorp.	68,900	2,059,421
Wachovia Corp.	103,400	5,465,724
Wells Fargo & Co.	63,990	4,020,491
Zions Bancorp.	33,500	2,531,260
		25,411,336
Capital Markets 6.3%		
Lehman Brothers Holdings, Inc.	62,180	7,969,611
Merrill Lynch & Co., Inc.	72,990	4,943,613
The Goldman Sachs Group, Inc.	66,660	8,513,148
		21,426,372
Diversified Financial Services 2.1%		
Citigroup, Inc.	50,590	2,455,133
Countrywide Financial Corp.	66,330	2,267,823
JPMorgan Chase & Co.	62,950	2,498,485
		7,221,441
Insurance 5.2%		
AFLAC, Inc.	87,650	4,068,713
Allstate Corp.	77,710	4,201,780
Hartford Financial Services Group, Inc.	19,550	1,679,149
Lincoln National Corp.	16,350	867,041
MetLife, Inc.	140,920	6,905,080
		17,721,763
Health Care 13.0%		
Biotechnology 2.3%		
Amgen, Inc.*	40,850	3,221,431
Genzyme Corp.*	36,940	2,614,613
Invitrogen Corp.*	29,790	1,985,206
		7,821,250
Health Care Equipment & Supplies 1.5%		
C.R. Bard, Inc.	29,850	1,967,712
Medtronic, Inc.	54,770	3,153,109
		5,120,821
Health Care Providers & Services 5.5%		
Aetna, Inc.	28,590	2,696,323
Cardinal Health, Inc.	40,470	2,782,312
Caremark Rx, Inc.*	37,050	1,918,819
UnitedHealth Group, Inc.	134,390	8,350,995
WellPoint, Inc.*	35,690	2,847,705
		18,596,154
Pharmaceuticals 3.7%		
Allergan, Inc.	32,430	3,501,143
Johnson & Johnson	108,040	6,493,204
Pfizer, Inc.	118,790	2,770,183
		12,764,530

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

	Shares	Value ($)
Industrials 11.4%		
Aerospace & Defense 5.8%		
Boeing Co.	92,670	6,509,141
Goodrich Corp.	75,230	3,091,953
Lockheed Martin Corp.	45,570	2,899,619
United Technologies Corp.	132,730	7,420,934
		19,921,647
Electrical Equipment 1.4%		
Emerson Electric Co.	64,070	**4,786,029**
Industrial Conglomerates 4.2%		
General Electric Co.	169,830	5,952,542
Tyco International Ltd.	285,470	8,238,664
		14,191,206
Information Technology 14.9%		
Communications Equipment 2.2%		
Cisco Systems, Inc.*	205,370	3,515,934
Motorola, Inc.	182,650	4,126,064
		7,641,998
Computers & Peripherals 3.8%		
Apple Computer, Inc.*	30,340	2,181,143
EMC Corp.*	357,860	4,874,053
International Business Machines Corp.	71,900	5,910,180
		12,965,376
IT Consulting & Services 2.1%		
Accenture Ltd. "A"	141,060	4,072,402
Affiliated Computer Services, Inc. "A"*	52,990	3,135,948
		7,208,350
Semiconductors & Semiconductor Equipment 4.6%		
Applied Materials, Inc.	117,860	2,114,408
Intel Corp.	239,620	5,980,915
Texas Instruments, Inc.	231,340	7,419,074
		15,514,397
Software 2.2%		
Microsoft Corp.	217,680	5,692,332
Oracle Corp.*	160,790	1,963,246
		7,655,578
Materials 3.1%		
Chemicals		
Dow Chemical Co.	108,780	4,766,740
Monsanto Co.	32,630	2,529,804
PPG Industries, Inc.	55,420	3,208,818
		10,505,362
Telecommunication Services 2.9%		
Wireless Telecommunication Services		
ALLTEL Corp.	25,380	1,601,478
Sprint Nextel Corp.	354,280	8,275,981
		9,877,459
Utilities 3.5%		
Electric Utilities 1.9%		
Allegheny Energy, Inc.*	44,810	1,418,237
Edison International	50,950	2,221,929
Exelon Corp.	52,850	2,808,449
		6,448,615
Independent Power Producers & Energy Traders 1.6%		
Constellation Energy Group	47,990	2,764,224
TXU Corp.	54,700	2,745,393
		5,509,617
Total Common Stocks (Cost $304,098,538)		**338,021,264**

	Shares	Value ($)
Cash Equivalents 1.2%		
Cash Management QP Trust, 4.26% (a) (Cost $4,108,184)	4,108,184	**4,108,184**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $308,206,722)†	100.2	**342,129,448**
Other Assets and Liabilities, Net	(0.2)	**(536,609)**
Net Assets	100.0	**341,592,839**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $310,579,908. At December 31, 2005, net unrealized appreciation for all securities based on tax cost was $31,549,540. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $36,248,456 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $4,698,916.*

(a) *Cash Management QP Trust, an affiliated fund, is 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.

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2005

Assets		
Investments:		
Investments in securities, at value (cost $304,098,538)	$	338,021,264
Investment in Cash Management QP Trust (cost $4,108,184)		4,108,184
Total investments in securities, at value (cost $308,206,722)		342,129,448
Cash		10,000
Receivable for Portfolio shares sold		2,400
Dividends receivable		355,794
Interest receivable		15,382
Foreign taxes recoverable		13,302
Other assets		7,785
Total assets		342,534,111
Liabilities		
Payable for Portfolio shares redeemed		723,799
Accrued management fee		117,887
Accrued distribution service fees (Class B)		9,903
Other accrued expenses and payables		89,683
Total liabilities		941,272
Net assets, at value	**$**	**341,592,839**
Net Assets		
Net assets consist of:		
Undistributed net investment income		2,776,543
Net unrealized appreciation (depreciation) on investments		33,922,726
Accumulated net realized gain (loss)		(32,601,115)
Paid-in capital		337,494,685
Net assets, at value	**$**	**341,592,839**
Class A		
Net Asset Value, offering and redemption price per share ($294,320,825 ÷ 30,277,518 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**9.72**
Class B		
Net Asset Value, offering and redemption price per share ($47,272,014 ÷ 4,883,742 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**9.68**

Statement of Operations

for the year ended December 31, 2005

Investment Income		
Income:		
Dividends	$	4,448,496
Interest — Cash Management QP Trust		194,026
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		5,216
Total Income		4,647,738
Expenses:		
Management fee		1,335,546
Custodian and accounting fees		122,198
Distribution service fees (Class B)		104,192
Record keeping fees (Class B)		54,767
Auditing		35,884
Legal		23,901
Trustees' fees and expenses		8,019
Reports to shareholders		62,019
Other		21,795
Total expenses before expense reductions		1,768,321
Expense reductions		(82,526)
Total expenses after expense reductions		1,685,795
Net investment income (loss)		**2,961,943**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		23,958,487
Written options		31,358
		23,989,845
Net unrealized appreciation (depreciation) during the period on:		
Investments		(2,131,545)
Written options		(9,086)
		(2,140,631)
Net gain (loss) on investment transactions		**21,849,214**
Net increase (decrease) in net assets resulting from operations	**$**	**24,811,157**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2005	2004
Operations:		
Net investment income (loss)	$ 2,961,943	$ 2,438,934
Net realized gain (loss) on investment transactions	23,989,845	6,835,797
Net unrealized appreciation (depreciation) during the period on investment transactions	(2,140,631)	8,951,633
Net increase (decrease) in net assets resulting from operations	24,811,157	18,226,364
Distributions to shareholders from:		
Net investment income:		
Class A	(2,208,887)	(1,239,211)
Class B	(336,934)	(112,919)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	45,563,045	22,740,822
Net assets acquired in tax-free reorganization	99,119,857	—
Reinvestment of distributions	2,208,887	1,239,211
Cost of shares redeemed	(43,761,424)	(27,224,855)
Net increase (decrease) in net assets from Class A share transactions	103,130,365	(3,244,822)
Class B		
Proceeds from shares sold	16,893,009	16,908,894
Net assets acquired in tax-free reorganization	10,376,860	—
Reinvestment of distributions	336,934	112,919
Cost of shares redeemed	(16,154,081)	(4,470,402)
Net increase (decrease) in net assets from Class B share transactions	11,452,722	12,551,411
Increase (decrease) in net assets	136,848,423	26,180,823
Net assets at beginning of period	204,744,416	178,563,593
Net assets at end of period (including undistributed net investment income of $2,776,543 and $2,360,421, respectively)	**$ 341,592,839**	**$ 204,744,416**

Other Information		
Class A		
Shares outstanding at beginning of period	18,483,989	18,896,518
Shares sold	4,876,623	2,601,316
Shares issued in tax-free reorganization	11,366,540	—
Shares issued to shareholders in reinvestment of distributions	253,023	146,478
Shares redeemed	(4,702,657)	(3,160,323)
Net increase (decrease) in Class A shares	11,793,529	(412,529)
Shares outstanding at end of period	**30,277,518**	**18,483,989**
Class B		
Shares outstanding at beginning of period	3,576,021	2,114,110
Shares sold	1,896,063	1,958,270
Shares issued in tax-free reorganization	1,191,379	—
Shares issued to shareholders in reinvestment of distributions	38,684	13,379
Shares redeemed	(1,818,405)	(509,738)
Net increase (decrease) in Class B shares	1,307,721	1,461,911
Shares outstanding at end of period	**4,883,742**	**3,576,021**

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

Financial Highlights

Class A

Years Ended December 31,	2005	2004	2003	2002	2001
Selected Per Share Data					
Net asset value, beginning of period	**$ 9.29**	**$ 8.50**	**$ 6.77**	**$ 8.90**	**$10.38**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.10	.12	.07	.07	.09
Net realized and unrealized gain (loss) on investment transactions	.45	.74	1.74	(2.12)	(1.23)
Total from investment operations	.55	.86	1.81	(2.05)	(1.14)
Less distributions from:					
Net investment income	(.12)	(.07)	(.08)	(.08)	(.12)
Net realized gain on investment transactions	—	—	—	—	(.22)
Total distributions	(.12)	(.07)	(.08)	(.08)	(.34)
Net asset value, end of period	**$ 9.72**	**$ 9.29**	**$ 8.50**	**$ 6.77**	**$ 8.90**
Total Return (%)	6.07[c]	10.16	26.74	(23.13)	(11.30)
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	294	172	161	135	185
Ratio of expenses before expense reductions (%)	.57	.56	.59	.57	.57[b]
Ratio of expenses after expense reductions (%)	.54	.56	.59	.57	.56[b]
Ratio of net investment income (loss) (%)	1.10	1.37	.91	.92	.94
Portfolio turnover rate (%)	115	33	37	66	67

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

b *The ratios of operating expenses excluding costs incurred in connection with a fund complex reorganization before and after expense reductions were .56% and .56%, respectively.*

c *Total return would have been less had certain expenses not been reduced.*

Class B

Years Ended December 31,	2005	2004	2003	2002	2001
Selected Per Share Data					
Net asset value, beginning of period	**$ 9.25**	**$ 8.47**	**$ 6.75**	**$ 8.87**	**$10.35**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.07	.09	.05	.05	.06
Net realized and unrealized gain (loss) on investment transactions	.45	.73	1.73	(2.12)	(1.23)
Total from investment operations	.52	.82	1.78	(2.07)	(1.17)
Less distributions from:					
Net investment income	(.09)	(.04)	(.06)	(.05)	(.09)
Net realized gain on investment transactions	—	—	—	—	(.22)
Total distributions	(.09)	(.04)	(.06)	(.05)	(.31)
Net asset value, end of period	**$ 9.68**	**$ 9.25**	**$ 8.47**	**$ 6.75**	**$ 8.87**
Total Return (%)	5.73[c]	9.78	26.55	(23.40)	(11.56)
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	47	33	18	7	10
Ratio of expenses before expense reductions (%)	.95	.89	.85	.82	.82[b]
Ratio of expenses after expense reductions (%)	.89	.89	.85	.82	.81[b]
Ratio of net investment income (loss) (%)	.75	1.04	.65	.67	.69
Portfolio turnover rate (%)	115	33	37	66	67

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

b *The ratios of operating expenses excluding costs incurred in connection with a fund complex reorganization before and after expense reductions were .81% and .81%, respectively.*

c *Total return would have been less had certain expenses not been reduced.*

Performance Summary

December 31, 2005

DWS Capital Growth VIP

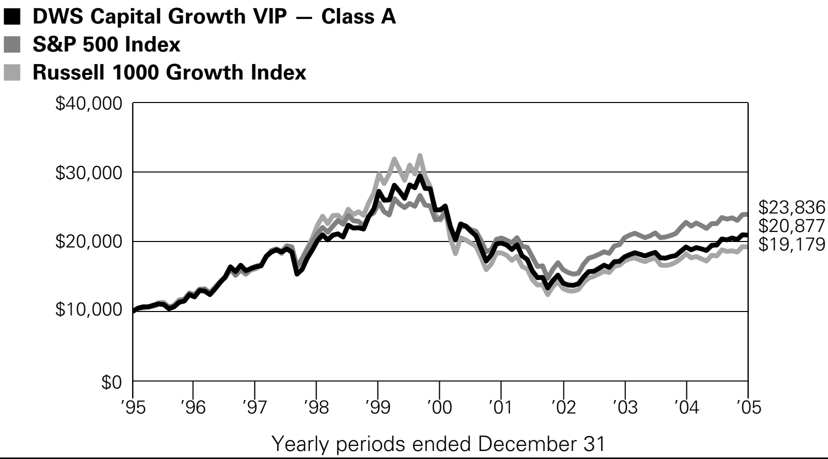
All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

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

Risk Considerations

The portfolio is subject to stock market risk, meaning stocks in the portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Please read this portfolio's prospectus for specific information regarding its investments and risk profile.

Growth of an Assumed $10,000 Investment



The Standard & Poor's (S&P) 500 Index is an unmanaged capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The Russell 1000 Growth Index is an unmanaged capitalization-weighted index containing those securities in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth values.

Index returns assume the reinvestment of all distributions and do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Capital Growth VIP		1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$10,896	$14,929	$8,526	$20,877
	Average annual total return	8.96%	14.29%	-3.14%	7.64%
S&P 500 Index	Growth of $10,000	$10,491	$14,970	$10,275	$23,836
	Average annual total return	4.91%	14.39%	.54%	9.07%
Russell 1000 Growth Index	Growth of $10,000	$10,526	$14,518	$8,332	$19,179
	Average annual total return	5.26%	13.23%	-3.58%	6.73%

DWS Capital Growth VIP		1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$10,851	$14,766	$8,381	$14,736
	Average annual total return	8.51%	13.87%	-3.47%	4.59%
S&P 500 Index	Growth of $10,000	$10,491	$14,970	$10,275	$16,793
	Average annual total return	4.91%	14.39%	.54%	6.23%
Russell 1000 Growth Index	Growth of $10,000	$10,526	$14,518	$8,332	$13,551
	Average annual total return	5.26%	13.23%	-3.58%	3.60%

The growth of $10,000 is cumulative.

* *The Portfolio commenced selling Class B shares on May 12, 1997. Index returns begin May 31, 1997.*

Information About Your Portfolio's Expenses

DWS Capital Growth VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include sales charges (loads), redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The tables are based on an investment of $1,000 made at the beginning of the six-month period ended December 31, 2005.

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

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

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

Expenses and Value of a $1,000 Investment for the six months ended December 31, 2005

Actual Portfolio Return	Class A	Class B
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,074.40	$1,072.10
Expenses Paid per $1,000*	$ 2.56	$ 4.44
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,022.74	$1,020.92
Expenses Paid per $1,000*	$ 2.50	$ 4.33

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

Annualized Expense Ratios	Class A	Class B
DWS Variable Series I — DWS Capital Growth VIP	.49%	.86%

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

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

DWS Capital Growth VIP

A generally high level of uncertainty led to a lack of conviction that tempered equity market returns in 2005. Investors weighed robust corporate earnings growth and strong corporate balance sheets against a backdrop of tightening monetary policy, horrible natural disasters, soaring energy prices and geopolitical risks. In the end, however, the equity market proved resilient, posting positive returns for the year, as the Portfolio's two benchmark indices, the S&P 500 and the Russell 1000 Growth, returned 4.91% and 5.26%, respectively. DWS Capital Growth VIP's diversified, high-quality approach to large-cap growth management enabled the Portfolio to outperform its benchmarks by posting an 8.96% annual return (Class A shares, unadjusted for contract charges).

Both sector allocation and stock selection contributed to the Portfolio's outperformance. Most significant was the Portfolio's strategic overweight in the energy sector, based on our belief that chronic underinvestment in the exploration for and production of new oil reserves creates long-term growth opportunities. Our emphasis within the energy group is on energy equipment and services and oil and gas exploration. Energy holdings that were particularly strong in 2005 include EOG Resources, Inc., Devon Energy Corp., Valero Energy Corp. and XTO Energy, Inc.

Positioning in the health care sector produced mixed results in 2005, as some of the largest contributors and detractors were found in this sector. On the positive side, holdings in the biotechnology industry, a space that reconciles well with the Portfolio managers' emphasis on innovation, were extremely additive to returns. Genentech, Inc., and Gilead Sciences, Inc., were up significantly. Additionally, UnitedHealth Group, Inc. showed a strong gain rewarding the Portfolio's overweight position. Detracting from returns were holdings in the pharmaceuticals and health care equipment industries. Pfizer, Inc., Zimmer Holdings, Inc. and Boston Scientific Corp. were examples of this weakness.

Stock selection within the consumer discretionary sector detracted from the Portfolio's returns, as Harley-Davidson, Inc. stock dropped at midyear after the company reduced production and earnings estimates; we continue to hold this stock, which has recovered significantly from its low point. Also negative was stock selection in the technology sector, where EMC Corp. and Electronic Arts, Inc., underperformed.

While there has been no significant change to our strategic sector allocation, we have attempted to find companies that reconcile well with our key selection criteria of quality and growth and that are well-positioned to perform in the latter stages of an economic expansion. We believe that the ability to deliver consistent earnings growth will be critical to success in 2006. We continue to place a significant premium on innovation across market sectors. We feel innovation will continue to separate growth companies from value companies and winners from losers. We believe that the companies in this Portfolio possess these attributes, and we therefore believe that the Portfolio is well-positioned for continued success.

Julie M. Van Cleave, CFA
Lead Portfolio Manager

Jack A. Zehner
Thomas J. Schmid, CFA
Portfolio Managers

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

The Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Please read this Portfolio's prospectus for specific information regarding its investments and risk profile.

The Standard & Poor's 500 (S&P 500) index is an unmanaged capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Russell 1000 Growth Index is an unmanaged, capitalization-weighted index containing those securities in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth values.

Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly in an index.

Portfolio management market commentary is as of December 31, 2005, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Capital Growth VIP

Asset Allocation (Excludes Securities Lending Collateral)	**12/31/05**	**12/31/04**
Common Stocks	98%	97%
Cash Equivalents	2%	2%
Exchange Traded Fund	—	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**12/31/05**	**12/31/04**
Information Technology	25%	23%
Health Care	21%	21%
Energy	14%	10%
Consumer Staples	12%	11%
Consumer Discretionary	11%	16%
Industrials	9%	8%
Financials	7%	9%
Materials	1%	1%
Telecommunication Services	—	1%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 16. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month-end will be posted to www.dws-scudder.com on the 15th day of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

Investment Portfolio

DWS Capital Growth VIP

	Shares	Value ($)
Common Stocks 98.4%		
Consumer Discretionary 11.1%		
Automobiles 0.9%		
Harley-Davidson, Inc. (a)	204,000	**10,503,960**
Hotels Restaurants & Leisure 0.8%		
Starbucks Corp.*	292,800	**8,786,928**
Household Durables 0.7%		
Fortune Brands, Inc.	101,300	**7,903,426**
Internet & Catalog Retail 1.0%		
eBay, Inc.*	256,400	**11,089,300**
Media 2.7%		
McGraw-Hill Companies, Inc.	301,900	15,587,097
Omnicom Group, Inc.	171,540	14,603,200
		30,190,297
Multiline Retail 2.7%		
Kohl's Corp.*	195,300	9,491,580
Target Corp.	361,200	19,855,164
		29,346,744
Specialty Retail 2.3%		
Bed Bath & Beyond, Inc.*	128,800	4,656,120
Home Depot, Inc.	71,875	2,909,500
Lowe's Companies, Inc.	106,300	7,085,958
Staples, Inc.	472,400	10,728,204
		25,379,782
Consumer Staples 11.6%		
Beverages 2.9%		
Diageo PLC	299,553	4,342,087
PepsiCo, Inc.	464,250	27,427,890
		31,769,977
Food & Staples Retailing 3.0%		
Wal-Mart Stores, Inc.	369,390	17,287,452
Walgreen Co.	363,300	16,079,658
		33,367,110
Food Products 2.2%		
Dean Foods Co.*	169,900	6,398,434
Kellogg Co.	234,700	10,143,734
The Hershey Co.	138,700	7,663,175
		24,205,343
Household Products 3.5%		
Colgate-Palmolive Co.	164,440	9,019,534
Kimberly-Clark Corp.	79,700	4,754,105
Procter & Gamble Co.	423,800	24,529,544
		38,303,183
Energy 13.9%		
Energy Equipment & Services 6.0%		
Baker Hughes, Inc.	281,200	17,091,336
Halliburton Co.	102,100	6,326,116
Noble Corp.	79,200	5,586,768
Schlumberger Ltd.	197,900	19,225,985
Transocean, Inc.*	254,840	17,759,799
		65,990,004

	Shares	Value ($)
Oil, Gas & Consumable Fuels 7.9%		
ConocoPhillips	301,660	17,550,579
Devon Energy Corp.	361,200	22,589,448
EOG Resources, Inc.	302,000	22,157,740
Valero Energy Corp.	291,600	15,046,560
XTO Energy, Inc.	225,766	9,920,158
		87,264,485
Financials 7.3%		
Banks 1.2%		
Bank of America Corp.	297,500	**13,729,625**
Capital Markets 2.9%		
Lehman Brothers Holdings, Inc.	107,400	13,765,458
Merrill Lynch & Co., Inc.	99,300	6,725,589
The Goldman Sachs Group, Inc.	90,400	11,544,984
		32,036,031
Consumer Finance 0.9%		
American Express Co.	195,400	**10,055,284**
Diversified Financial Services 1.1%		
Citigroup, Inc.	243,999	**11,841,271**
Insurance 1.2%		
AFLAC, Inc.	277,200	**12,867,624**
Health Care 20.1%		
Biotechnology 5.9%		
Amgen, Inc.*	181,450	14,309,147
Genentech, Inc.*	337,200	31,191,000
Gilead Sciences, Inc.*	383,500	20,183,605
		65,683,752
Health Care Equipment & Supplies 5.1%		
Baxter International, Inc.	258,100	9,717,465
Boston Scientific Corp.*	281,300	6,889,037
C.R. Bard, Inc.	111,700	7,363,264
Medtronic, Inc.	281,300	16,194,441
Zimmer Holdings, Inc.*	232,240	15,662,266
		55,826,473
Health Care Providers & Services 3.3%		
UnitedHealth Group, Inc.	587,800	**36,525,892**
Pharmaceuticals 5.8%		
Abbott Laboratories	409,100	16,130,813
Eli Lilly & Co.	133,300	7,543,447
Johnson & Johnson	587,186	35,289,878
Pfizer, Inc.	224,177	5,227,808
		64,191,946
Industrials 9.0%		
Aerospace & Defense 2.2%		
United Technologies Corp.	434,000	**24,264,940**
Air Freight & Logistics 1.3%		
FedEx Corp.	140,100	**14,484,939**
Electrical Equipment 1.2%		
Emerson Electric Co.	184,900	**13,812,030**
Industrial Conglomerates 3.4%		
General Electric Co.	1,072,190	**37,580,260**

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

	Shares	Value ($)
Machinery 0.9%		
Caterpillar, Inc.	165,400	**9,555,158**
Information Technology 24.5%		
Communications Equipment 2.5%		
Cisco Systems, Inc.*	757,320	12,965,318
QUALCOMM, Inc.	345,100	14,866,908
		27,832,226
Computers & Peripherals 5.1%		
Apple Computer, Inc.*	217,700	15,650,453
Dell, Inc.*	347,950	10,435,021
EMC Corp.*	1,297,600	17,673,312
International Business Machines Corp.	156,200	12,839,640
		56,598,426
Internet Software & Services 1.4%		
Google, Inc. "A"*	7,200	2,986,992
Yahoo!, Inc.*	311,050	12,186,940
		15,173,932
IT Consulting & Services 2.3%		
Accenture Ltd. "A"	373,900	10,794,493
Fiserv, Inc.*	203,900	8,822,753
Paychex, Inc.	143,600	5,474,032
		25,091,278
Semiconductors & Semiconductor Equipment 6.9%		
Broadcom Corp. "A"*	343,500	16,196,025
Intel Corp.	912,490	22,775,750
Linear Technology Corp.	307,930	11,107,035
Maxim Integrated Products, Inc.	294,800	10,683,552
Texas Instruments, Inc.	494,350	15,853,805
		76,616,167
Software 6.3%		
Adobe Systems, Inc.	309,000	11,420,640
Electronic Arts, Inc.*	214,200	11,204,802
Microsoft Corp.	1,568,180	41,007,907
Oracle Corp.*	495,800	6,053,717
		69,687,066
Materials 0.9%		
Chemicals		
Ecolab, Inc.	261,700	**9,491,859**
Total Common Stocks (Cost $811,254,532)		**1,087,046,718**
Securities Lending Collateral 0.6%		
Daily Assets Fund Institutional, 4.28% (b) (c) (Cost $6,539,400)	6,539,400	**6,539,400**
Cash Equivalents 1.6%		
Cash Management QP Trust, 4.26% (d) (Cost $18,109,690)	18,109,690	**18,109,690**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $835,903,622)†	100.6	**1,111,695,808**
Other Assets and Liabilities, Net	(0.6)	**(7,010,102)**
Net Assets	100.0	**1,104,685,706**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $841,356,883. At December 31, 2005, net unrealized appreciation for all securities based on tax cost was $270,338,925. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $297,840,430 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $27,501,505.*

(a) *All or a portion of these securities were on loan (See Notes to Financial Statements). The value of all securities loaned at December 31, 2005 amounted to $6,235,439 which is 0.6% of net assets.*

(b) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

(d) *Cash Management QP Trust, an affiliated fund, is 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.

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2005

Assets	
Investments:	
Investments in securities, at value (cost $811,254,532), including $6,235,439 of securities loaned	$ 1,087,046,718
Investment in Daily Assets Fund Institutional (cost $6,539,400)*	6,539,400
Investment in Cash Management QP Trust (cost $18,109,690)	18,109,690
Total investments in securities, at value (cost $835,903,622)	1,111,695,808
Dividends receivable	800,054
Interest receivable	70,215
Receivable for investments sold	3,300,825
Receivable for Portfolio shares sold	111,130
Other assets	32,228
Total assets	1,116,010,260

Liabilities	
Payable upon return of securities loaned	6,539,400
Payable for investments purchased	3,292,982
Payable for Portfolio shares redeemed	1,024,459
Accrued management fee	406,046
Accrued distribution fees (Class B)	15,196
Other accrued expenses and payables	46,471
Total liabilities	11,324,554
Net assets, at value	**$ 1,104,685,706**

Net Assets	
Net assets consist of:	
Undistributed net investment income	5,517,479
Net unrealized appreciation (depreciation) on investments	275,792,186
Accumulated net realized gain (loss)	(370,857,451)
Paid-in capital	1,194,233,492
Net assets, at value	**$ 1,104,685,706**
Class A	
Net Asset Value, offering and redemption price per share ($1,031,481,514 ÷ 61,042,375 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$ 16.90**
Class B	
Net Asset Value, offering and redemption price per share ($73,204,192 ÷ 4,353,863 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$ 16.81**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2005

Investment Income	
Income:	
Dividends	$ 10,072,806
Interest — Cash Management QP Trust	535,599
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	13,757
Total Income	10,622,162
Expenses:	
Management fee	4,421,003
Custodian and accounting fees	206,366
Distribution service fees (Class B)	138,501
Record keeping fees (Class B)	78,741
Auditing	36,339
Legal	37,205
Trustees' fees and expenses	25,734
Reports to shareholders	40,270
Other	53,533
Total expenses before expense reductions	5,037,692
Expense reductions	(56,901)
Total expenses after expense reductions	4,980,791
Net investment income (loss)	**5,641,371**

Realized and Unrealized Gain (Loss) on Investment Transactions	
Net realized gain (loss) from:	
Investments	28,746,725
Foreign currency related transactions	(5,714)
	28,741,011
Net unrealized appreciation (depreciation) during the period on investments	68,936,129
Net gain (loss) on investment transactions	**97,677,140**
Net increase (decrease) in net assets resulting from operations	**$ 103,318,511**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2005	2004
Operations:		
Net investment income (loss)	$ 5,641,371	$ 6,855,154
Net realized gain (loss) on investment transactions	28,741,011	(47,247,081)
Net unrealized appreciation (depreciation) during the period on investment transactions	68,936,129	94,779,509
Net increase (decrease) in net assets resulting from operations	103,318,511	54,387,582
Distributions to shareholders from:		
Net investment income:		
Class A	(6,678,103)	(3,764,724)
Class B	(143,508)	(32,841)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	32,068,877	32,110,324
Net assets acquired in tax-free reorganization	335,682,359	—
Reinvestment of distributions	6,678,103	3,764,724
Cost of shares redeemed	(130,607,217)	(92,227,827)
Net increase (decrease) in net assets from Class A share transactions	243,822,122	(56,352,779)
Class B		
Proceeds from shares sold	47,750,588	8,550,042
Net assets acquired in tax-free reorganization	44,685,282	—
Reinvestment of distributions	143,508	32,841
Cost of shares redeemed	(49,704,968)	(1,806,233)
Net increase (decrease) in net assets from Class B share transactions	42,874,410	6,776,650
Increase (decrease) in net assets	383,193,432	1,013,888
Net assets at beginning of period	721,492,274	720,478,386
Net assets at end of period (including undistributed net investment income of $5,517,479 and $6,697,719, respectively)	**$ 1,104,685,706**	**$ 721,492,274**

Other Information		
Class A		
Shares outstanding at beginning of period	44,544,616	48,332,734
Shares sold	1,996,443	2,172,282
Shares issued in tax-free reorganization	22,200,595	—
Shares issued to shareholders in reinvestment of distributions	441,966	255,928
Shares redeemed	(8,141,245)	(6,216,328)
Net increase (decrease) in Class A shares	16,497,759	(3,788,118)
Shares outstanding at end of period	**61,042,375**	**44,544,616**
Class B		
Shares outstanding at beginning of period	1,503,725	1,044,792
Shares sold	3,152,024	579,183
Shares issued in tax-free reorganization	2,963,218	—
Shares issued to shareholders in reinvestment of distributions	9,523	2,239
Shares redeemed	(3,274,627)	(122,489)
Net increase (decrease) in Class B shares	2,850,138	458,933
Shares outstanding at end of period	**4,353,863**	**1,503,725**

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

Financial Highlights

Class A

Years Ended December 31,	2005	2004	2003	2002	2001
Selected Per Share Data					
Net asset value, beginning of period	**$15.67**	**$14.59**	**$11.54**	**$16.36**	**$23.07**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.10	.14	.08	.05	.05
Net realized and unrealized gain (loss) on investment transactions	1.29	1.02	3.03	(4.82)	(4.21)
Total from investment operations	1.39	1.16	3.11	(4.77)	(4.16)
Less distributions from:					
Net investment income	(.16)	(.08)	(.06)	(.05)	(.08)
Net realized gain on investment transactions	—	—	—	—	(2.47)
Total distributions	(.16)	(.08)	(.06)	(.05)	(2.55)
Net asset value, end of period	**$16.90**	**$15.67**	**$14.59**	**$11.54**	**$16.36**
Total Return (%)	8.96[c]	7.99	26.89	(29.18)	(19.36)
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	1,031	698	705	558	866
Ratio of expenses before expense reductions (%)	.50	.50	.51	.51	.52[b]
Ratio of expenses after expense reductions (%)	.49	.50	.51	.51	.50[b]
Ratio of net investment income (loss) (%)	.61	.98	.61	.38	.27
Portfolio turnover rate (%)	17	15	13	25	33

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

b *The ratios of operating expenses excluding costs incurred in connection with a fund complex reorganization before and after expense reductions were .50% and .50%, respectively.*

c *Total return would have been less had certain expenses not been reduced.*

Class B

Years Ended December 31,	2005	2004	2003	2002	2001
Selected Per Share Data					
Net asset value, beginning of period	**$15.59**	**$14.52**	**$11.49**	**$16.29**	**$23.00**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.04	.09	.03	.02	.00[b]
Net realized and unrealized gain (loss) on investment transactions	1.28	1.01	3.02	(4.81)	(4.21)
Total from investment operations	1.32	1.10	3.05	(4.79)	(4.21)
Less distributions from:					
Net investment income	(.10)	(.03)	(.02)	(.01)	(.03)
Net realized gain on investment transactions	—	—	—	—	(2.47)
Total distributions	(.10)	(.03)	(.02)	(.01)	(2.50)
Net asset value, end of period	**$16.81**	**$15.59**	**$14.52**	**$11.49**	**$16.29**
Total Return (%)	8.51[d]	7.56	26.51	(29.37)	(19.64)
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	73	23	15	.89	.71
Ratio of expenses before expense reductions (%)	.89	.88	.87	.76	.77[c]
Ratio of expenses after expense reductions (%)	.86	.88	.87	.76	.75[c]
Ratio of net investment income (loss) (%)	.24	.60	.25	.13	.02
Portfolio turnover rate (%)	17	15	13	25	33

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

b *Amount is less than $.005.*

c *The ratios of operating expenses excluding costs incurred in connection with a fund complex reorganization before and after expense reductions were .75% and .75%, respectively.*

d *Total return would have been less had certain expenses not been reduced.*

DWS Global Opportunities VIP

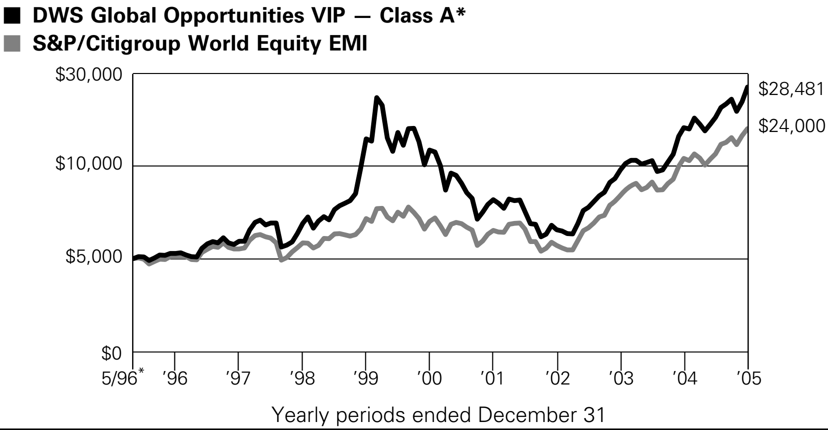
All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Returns shown for the life of class periods reflect a fee waiver and/or reimbursement. Without this waiver/reimbursement, returns would have been lower.

Risk Considerations

This Portfolio is subject to stock market risk. Investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuations, political and economic changes and market risks. Additionally, stocks of small-sized companies involve greater risk as they often have limited product lines, markets, or financial resources and may be sensitive to erratic and abrupt market movements more so than securities of larger, more-established companies. All of these factors may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed $10,000 Investment



The S&P/Citigroup World Equity Extended Market Index (Citigroup World Equity EMI), is an unmanaged index of small-capitalization stocks within 27 countries around the globe. Index returns assume the reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Global Opportunities VIP		1-Year	3-Year	5-Year	Life of Class*
Class A	Growth of $10,000	$11,819	$21,734	$13,130	$28,481
	Average annual total return	18.19%	29.53%	5.60%	11.44%
S&P/Citigroup World Equity EMI	Growth of $10,000	$11,543	$21,024	$17,148	$24,000
	Average annual total return	15.43%	28.11%	11.39%	9.48%

DWS Global Opportunities VIP		1-Year	3-Year	5-Year	Life of Class**
Class B	Growth of $10,000	$11,806	$21,625	$12,971	$26,920
	Average annual total return	18.06%	29.32%	5.34%	12.11%
S&P/Citigroup World Equity EMI	Growth of $10,000	$11,543	$21,024	$17,148	$24,313
	Average annual total return	15.43%	28.11%	11.39%	10.79%

The growth of $10,000 is cumulative.

* *The Portfolio commenced operations on May 1,1996. Index returns begin April 30, 1996.*

** *The Portfolio commenced selling Class B shares on May 2, 1997. Index returns begin April 30, 1997.*

Information About Your Portfolio's Expenses

DWS Global Opportunities VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include sales charges (loads), redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Class B shares limited these expenses; had it not done so, expenses would have been higher. The tables are based on an investment of $1,000 made at the beginning of the six-month period ended December 31, 2005.

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

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

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

Expenses and Value of a $1,000 Investment for the six months ended December 31, 2005

Actual Portfolio Return	Class A	Class B
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,130.40	$1,130.20
Expenses Paid per $1,000*	$ 6.44	$ 6.66

Hypothetical 5% Portfolio Return	Class A	Class B
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,019.16	$1,018.95
Expenses Paid per $1,000*	$ 6.11	$ 6.31

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

Annualized Expense Ratios	Class A	Class B
DWS Variable Series I — DWS Global Opportunities VIP	1.20%	1.24%

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

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

DWS Global Opportunities VIP

DWS Global Opportunities VIP provided a total return of 18.19% for 2005 (Class A shares, unadjusted for contract charges), ahead of the 15.43% return of its benchmark, the Citigroup World Equity Extended Market Index. The Portfolio's performance was the third-best among the 37 comparable annuity Portfolios in Lipper's Global Growth Funds category for the one-year period. For the same category, the Portfolio ranked three of 29 for the three-year period and five of 19 for the five-year period.

We continue to employ a disciplined, research-oriented approach to construct the Portfolio one stock at a time. Our best relative performance was in the financials sector, where top contributors included Legg Mason, Inc. (United States), Deutsche Boerse AG (Germany) and Sumitomo Realty & Development Co., Ltd. (Japan). Our stock picking in the energy sector also added value. The Portfolio's holding in EOG Resources, Inc. (United States) delivered a gain, and we elected to take profits in the position and roll the proceeds into Ultra Petroleum Corp. (United States), which subsequently doubled in price. A position in Spinnaker Exploration Co. (United States) (not held in the Portfolio at the end of the reporting period) also paid off when the company was taken over at a premium by Norsk Hydro ASA (Norway) in September. Stock selection was also strong in the utilities sector, where the top contributor was Allegheny Energy, Inc. (United States) The two largest factors detracting from the Portfolio's return were an overweight in technology stocks and an underweight in industrials.

Although small caps' long stretch of outperformance (as measured by the Citigroup World Equity Extended Market Index) raises the risk that the asset class will begin to lag, we believe our broad investment universe-which encompasses micro-, small- and mid-cap companies anywhere in the world-provides us with fertile ground in which to find the approximately 100 "best ideas" that typically make up the Portfolio.

Joseph Axtell, CFA	Terrence S. Gray, CFA
Lead Portfolio Manager	*Portfolio Manager*

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

This Portfolio is subject to stock market risk. Investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuations, political and economic changes and market risks. Additionally, stocks of small-sized companies involve greater risk as they often have limited product lines, markets or financial resources and may be sensitive to erratic and abrupt market movements more so than securities of larger, more established companies. All of these factors may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The S&P/Citigroup World Equity Extended Market Index (Citigroup World Equity EMI) is an unmanaged index of small-capitalization stocks within 27 countries around the globe. Index returns assume the reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

The Lipper Global Growth includes funds that, by portfolio practice, invest at least 75% of their equity assets in companies both inside and outside of the U.S. with market capitalizations (on a three-year weighted basis) greater than the 500th-largest company in the S&P/Citigroup World Broad Market Index. Large-cap growth funds typically have an above-average price-to-cash flow ratio, price-to-book ratio, and three-year sales-per-share growth value compared to the S&P/Citigroup World BMI. It is not possible to invest directly into a Lipper category.

Source: Lipper Inc. Rankings are historical and do not guarantee future results. Rankings are based on the Portfolio's total return unadjusted for contract charges with distributions reinvested. If contract charges had been included, results might have been less favorable. Rankings are for Class A shares; other share classes may vary.

Portfolio management market commentary is as of December 31, 2005, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Global Opportunities VIP

Asset Allocation (Excludes Securities Lending Collateral)	**12/31/05**	**12/31/04**
Common Stocks and Warrants	99%	94%
Cash Equivalents	1%	6%
	100%	100%

Geographical Diversification (Excludes Cash Equivalents and Securities Lending Collateral)	**12/31/05**	**12/31/04**
Europe	38%	41%
United States	37%	35%
Japan	8%	7%
Pacific Basin	7%	5%
United Kingdom	4%	5%
Australia	2%	2%
Latin America	2%	2%
Canada	1%	2%
Other	1%	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**12/31/05**	**12/31/04**
Financials	25%	25%
Consumer Discretionary	17%	21%
Industrials	14%	15%
Health Care	14%	12%
Information Technology	14%	16%
Energy	5%	3%
Materials	4%	3%
Utilities	3%	2%
Consumer Staples	2%	2%
Telecommunication Services	2%	1%
	100%	100%

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

For more complete details about the Portfolio's investment portfolio, see page 25. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month-end will be posted to www.dws-scudder.com on the 15th day of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

Investment Portfolio

December 31, 2005

DWS Global Opportunities VIP

	Shares	Value ($)
Common Stocks 98.8%		
Australia 2.4%		
Macquarie Bank Ltd.	82,011	4,097,334
QBE Insurance Group Ltd.	109,098	1,567,603
Sigma Pharmaceuticals Ltd.	863,938	1,976,062
(Cost $3,537,175)		**7,640,999**
Bermuda 0.5%		
Orient-Express Hotels Ltd. "A" (Cost $1,474,197)	47,700	**1,503,504**
Brazil 1.6%		
Aracruz Celulose SA "B" (ADR)	71,400	2,856,714
Empresa Brasiliera de Aeronautica SA (Preferred) (ADR)	61,418	2,401,444
(Cost $3,225,777)		**5,258,158**
Canada 1.4%		
OPTI Canada, Inc.*	60,000	1,970,149
ZENON Environmental, Inc.*	166,000	2,401,927
(Cost $4,057,639)		**4,372,076**
Denmark 1.1%		
GN Store Nord AS (GN Great Nordic) (Cost $2,726,276)	267,500	**3,501,864**
France 3.9%		
Autoroutes du Sud de la France	61,108	3,617,288
Business Objects SA*	29,188	1,181,458
Business Objects SA (ADR)* (a)	63,900	2,582,199
Flamel Technologies SA (ADR)* (a)	118,900	2,244,832
JC Decaux SA*	123,622	2,883,215
(Cost $8,478,688)		**12,508,992**
Germany 12.2%		
AWD Holding AG (a)	128,163	3,558,119
Deutsche Boerse AG	62,352	6,389,732
Fresenius Medical Care AG (a)	77,847	8,202,512
Hypo Real Estate Holding AG	97,269	5,064,594
Puma AG	11,665	3,404,212
Rational AG	15,511	2,061,667
Stada Arzneimittel AG	106,086	3,472,708
United Internet AG (Registered) (a)	87,167	3,328,103
Wincor Nixdorf AG	32,876	3,478,450
(Cost $23,189,117)		**38,960,097**
Greece 4.9%		
Alpha Bank AE	53,512	1,562,281
Coca-Cola Hellenic Bottling Co. SA	100,100	2,948,489
Dryships, Inc.	122,800	1,500,604
Germanos SA	148,800	2,505,056
Piraeus Bank SA	213,900	4,578,510
Titan Cement Co.	62,900	2,569,122
(Cost $12,132,340)		**15,664,062**
Hong Kong 2.5%		
Kingboard Chemical Holdings Ltd.	1,343,500	3,638,738
Midland Realty Holdings Ltd.	2,285,800	1,179,212
Wing Hang Bank Ltd.	428,700	3,085,187
(Cost $5,230,233)		**7,903,137**

	Shares	Value ($)
India 0.7%		
Mahindra & Mahindra Ltd. (Cost $1,072,406)	192,800	**2,182,739**
Indonesia 0.5%		
PT Indosat Tbk (ADR) (Cost $1,501,550)	51,400	**1,495,226**
Ireland 6.2%		
Anglo Irish Bank Corp. PLC	758,416	11,510,932
FBD Holdings PLC	56,400	2,447,860
ICON PLC (ADR)*	27,900	1,147,806
Irish Continental Group PLC*	65,360	834,153
Paddy Power PLC	143,100	2,049,934
Ryanair Holdings PLC*	170,600	1,676,379
(Cost $7,470,452)		**19,667,064**
Italy 0.5%		
Safilo SpA* (Cost $1,681,420)	291,000	**1,667,452**
Japan 8.0%		
AEON Credit Services Co., Ltd.	33,600	3,179,514
AEON Mall Co., Ltd.	80,000	3,900,454
JAFCO Co., Ltd.	22,100	1,973,231
Matsui Securities Co., Ltd. (a)	186,000	2,581,778
Nidec Corp.	25,600	2,177,199
Park24 Co., Ltd. (a)	122,000	4,365,456
Sumitomo Realty & Development Co., Ltd.	223,000	4,850,087
UFJ Central Leasing Co., Ltd.	46,000	2,285,666
(Cost $14,514,236)		**25,313,385**
Korea 1.2%		
Daewoo Shipbuilding & Marine Engineering Co., Ltd.	112,200	3,032,964
Korea Information Service, Inc.	35,000	677,753
(Cost $2,760,432)		**3,710,717**
Netherlands 3.7%		
Chicago Bridge & Iron Co., NV (New York Shares)	143,500	3,617,635
SBM Offshore NV	51,485	4,160,048
Vedior NV	264,008	3,913,239
(Cost $7,472,173)		**11,690,922**
Norway 0.8%		
Prosafe ASA (a)	35,600	1,511,179
Tandberg ASA (a)	170,800	1,045,151
(Cost $2,526,848)		**2,556,330**
Russia 0.8%		
Mobile TeleSystems (ADR)	48,900	1,711,500
Pyaterochka Holding NV (GDR) 144A*	55,700	804,865
(Cost $1,172,385)		**2,516,365**
Sweden 1.7%		
Brostrom AB "B" (a)	87,700	1,766,253
Eniro AB	201,300	2,533,829
Micronic Laser Systems AB*	82,800	1,172,509
(Cost $3,557,186)		**5,472,591**

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

	Shares	Value ($)
Switzerland 1.3%		
Advanced Digital Broadcast Holdings SA*	27,040	2,469,313
EFG International*	20,800	554,012
Micronas Semiconductor Holdings AG (Foreign Registered)*	35,101	1,161,975
(Cost $3,232,607)		**4,185,300**
Taiwan 2.4%		
Optimax Technology Corp.	1,028,000	1,756,837
Powerchip Semiconductor Corp.	2,955,000	1,948,905
Siliconware Precision Industries Co.	2,809,537	3,941,303
(Cost $5,395,752)		**7,647,045**
Thailand 0.5%		
Bangkok Bank PCL (Foreign Registered) (Cost $1,528,960)	609,900	**1,709,653**
United Kingdom 3.6%		
Aegis Group PLC	610,239	1,280,899
ARM Holdings PLC	754,483	1,570,688
Group 4 Securicor PLC	454,660	1,284,187
John Wood Group PLC	306,492	1,075,732
Misys PLC	453,860	1,864,319
Taylor Nelson Sofres PLC	586,931	2,269,560
Viridian Group PLC	133,625	2,056,473
(Cost $12,056,523)		**11,401,858**
United States 36.4%		
Adams Respiratory Therapeutics, Inc.*	66,600	2,707,956
Advance Auto Parts, Inc.*	97,350	4,230,831
Advanced Medical Optics, Inc.*	70,600	2,951,080
Aeropostale, Inc.*	139,900	3,679,370
Allegheny Energy, Inc.* (a)	218,000	6,899,700
AMERIGROUP Corp.*	122,200	2,378,012
Caribou Coffee Co., Inc.* (a)	55,400	556,216
Carter's, Inc.*	47,900	2,818,915
Celgene Corp.*	75,800	4,911,840
Diamond Foods, Inc.*	87,900	1,737,783
Dresser-Rand Group, Inc.*	81,200	1,963,416
Euronet Worldwide, Inc.*	110,500	3,071,900
Fiserv, Inc.*	67,800	2,933,706
Foundation Coal Holdings, Inc.	71,900	2,732,200
FTI Consulting, Inc.*	84,650	2,322,796
Gentex Corp.	115,700	2,256,150
GTECH Holdings Corp.	157,100	4,986,354
Harman International Industries, Inc.	29,800	2,915,930
Harris Interactive, Inc.*	146,700	632,277
Invitrogen Corp.*	38,200	2,545,648
Joy Global, Inc.	102,375	4,095,000
Kenneth Cole Productions, Inc. "A"	68,200	1,739,100
Lam Research Corp.*	46,700	1,666,256
LECG Corp.*	79,400	1,379,972
Legg Mason, Inc.	60,950	7,295,106
NeuStar, Inc. "A"*	79,000	2,408,710
New York & Co., Inc.*	146,700	3,110,040
NxStage Medical, Inc.*	112,100	1,340,716
P.F. Chang's China Bistro, Inc.*	64,500	3,201,135
Rowan Companies, Inc.	58,800	2,095,632
Symbol Technologies, Inc.	122,148	1,565,937
Telik, Inc.*	114,300	1,941,957
The First Marblehead Corp.	108,200	3,555,452
Thoratec Corp.*	136,800	2,830,392
THQ, Inc.*	197,100	4,700,835
Ultra Petroleum Corp.*	120,700	6,735,060
Waters Corp.*	65,800	2,487,240
Zions Bancorp.	57,600	4,352,257
(Cost $83,898,810)		**115,732,877**
Total Common Stocks (Cost $213,893,182)		**314,262,413**

Warrants 0.0%

	Shares	Value ($)
Hong Kong		
Kingboard Chemical Holdings Ltd.* (Cost $849)	91,640	**31,911**

Securities Lending Collateral 9.0%

	Shares	Value ($)
Daily Assets Fund Institutional, 4.28% (b) (c) (Cost $28,727,151)	28,727,151	**28,727,151**

Cash Equivalents 1.4%

	Shares	Value ($)
Cash Management QP Trust, 4.26% (d) (Cost $4,509,408)	4,509,408	**4,509,408**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $247,130,590)†	109.2	**347,530,883**
Other Assets and Liabilities, Net	(9.2)	**(29,312,480)**
Net Assets	100.0	**318,218,403**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $251,568,347. At December 31, 2005, net unrealized appreciation for all securities based on tax cost was $95,962,536. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $107,113,761 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $11,151,225.*

(a) *All or a portion of these securities were on loan (See Notes to Financial Statements). The value of all securities loaned at December 31, 2005 amounted to $27,782,850 which is 8.7% of net assets.*

(b) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

(d) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

ADR: American Depositary Receipt

GDR: Global Depositary Receipt

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2005

Assets		
Investments:		
Investments in securities, at value (cost $213,894,031), including $27,782,850 of securities loaned	$	314,294,324
Investment in Daily Assets Fund Institutional (cost $28,727,151)*		28,727,151
Investment in Cash Management QP Trust (cost $4,509,408)		4,509,408
Total investments in securities, at value (cost $247,130,590)		347,530,883
Foreign currency, at value (cost $773)		792
Dividends receivable		258,496
Interest receivable		38,763
Receivable for Portfolio shares sold		31,318
Foreign taxes recoverable		19,575
Other assets		9,013
Total assets		347,888,840

Liabilities		
Payable upon return of securities loaned		28,727,151
Payable for Portfolio shares redeemed		509,812
Deferred foreign taxes		731
Accrued management fee		310,101
Other accrued expenses and payables		122,642
Total liabilities		29,670,437
Net assets, at value	**$**	**318,218,403**

Net Assets		
Net assets consist of:		
Accumulated distributions in excess of net investment income		(621,811)
Net unrealized appreciation (depreciation) on:		
Investments (net of deferred foreign taxes of $731)		100,399,562
Foreign currency related transactions		279
Accumulated net realized gain (loss)		(397,370)
Paid-in capital		218,837,743
Net assets, at value	**$**	**318,218,403**
Class A		
Net Asset Value, offering and redemption price per share ($285,223,759 ÷ 19,013,655 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**15.00**
Class B		
Net Asset Value, offering and redemption price per share ($32,994,644 ÷ 2,223,191 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**14.84**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2005

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $300,200)	$	3,605,712
Interest		1,060
Interest — Cash Management QP Trust		363,573
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		231,157
Total Income		4,201,502
Expenses:		
Management fee		2,754,030
Custodian and accounting fees		380,323
Distribution service fees (Class B)		68,421
Record keeping fees (Class B)		31,465
Auditing		42,909
Legal		31,895
Trustees' fees and expenses		10,347
Reports to shareholders		57,179
Other		30,789
Total expenses before expense reductions		3,407,358
Expense reductions		(86,264)
Total expenses after expense reductions		3,321,094
Net investment income (loss)		**880,408**

Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		29,238,124
Foreign currency related transactions		(61,285)
		29,176,839
Net unrealized appreciation (depreciation) during the period on:		
Investments (net of deferred foreign taxes of $731)		18,683,790
Foreign currency related transactions		(10,266)
		18,673,524
Net gain (loss) on investment transactions		**47,850,363**
Net increase (decrease) in net assets resulting from operations	**$**	**48,730,771**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2005	2004
Operations:		
Net investment income (loss)	$ 880,408	$ 160,121
Net realized gain (loss) on investment transactions	29,176,839	13,182,071
Net unrealized appreciation (depreciation) during the period on investment transactions	18,673,524	33,488,081
Net increase (decrease) in net assets resulting from operations	48,730,771	46,830,273
Distributions to shareholders from:		
Net investment income:		
Class A	(1,475,427)	(501,729)
Class B	(100,297)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	36,509,577	33,267,780
Reinvestment of distributions	1,475,427	501,729
Cost of shares redeemed	(27,263,254)	(26,576,758)
Net increase (decrease) in net assets from Class A share transactions	10,721,750	7,192,751
Class B		
Proceeds from shares sold	8,447,459	9,197,327
Reinvestment of distributions	100,297	—
Cost of shares redeemed	(3,892,529)	(3,074,994)
Net increase (decrease) in net assets from Class B share transactions	4,655,227	6,122,333
Increase (decrease) in net assets	62,532,024	59,643,628
Net assets at beginning of period	255,686,379	196,042,751
Net assets at end of period (including accumulated distributions in excess of net investment income and undistributed net investment income of $621,811 and $111,958, respectively)	**$ 318,218,403**	**$ 255,686,379**

Other Information		
Class A		
Shares outstanding at beginning of period	18,170,922	17,610,512
Shares sold	2,735,197	2,966,838
Shares issued to shareholders in reinvestment of distributions	116,727	46,673
Shares redeemed	(2,009,191)	(2,453,101)
Net increase (decrease) in Class A shares	842,733	560,410
Shares outstanding at end of period	**19,013,655**	**18,170,922**
Class B		
Shares outstanding at beginning of period	1,871,933	1,289,405
Shares sold	635,797	862,506
Shares issued to shareholders in reinvestment of distributions	8,017	—
Shares redeemed	(292,556)	(279,978)
Net increase (decrease) in Class B shares	351,258	582,528
Shares outstanding at end of period	**2,223,191**	**1,871,933**

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

Financial Highlights

Class A

Years Ended December 31,	2005	2004	2003	2002	2001
Selected Per Share Data					
Net asset value, beginning of period	**$12.77**	**$10.38**	**$ 6.97**	**$ 8.70**	**$11.76**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.04	.01	.02	(.00)[b]	(.00)[b]
Net realized and unrealized gain (loss) on investment transactions	2.27	2.41	3.40	(1.73)	(2.87)
Total from investment operations	2.31	2.42	3.42	(1.73)	(2.87)
Less distributions from:					
Net investment income	(.08)	(.03)	(.01)	—	—
Net realized gain on investment transactions	—	—	—	—	(.19)
Total distributions	(.08)	(.03)	(.01)	—	(.19)
Net asset value, end of period	**$15.00**	**$12.77**	**$10.38**	**$ 6.97**	**$ 8.70**
Total Return (%)	18.19	23.35	49.09	(19.89)	(24.59)
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	285	232	183	121	150
Ratio of expenses before expense reductions (%)	1.17	1.18	1.18	1.19	1.23[c]
Ratio of expenses after expense reductions (%)	1.17	1.18	1.18	1.19	1.22[c]
Ratio of net investment income (loss) (%)	.32	.09	.28	(.03)	.00[d]
Portfolio turnover rate (%)	30	24	41	47	56

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

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

[c] *The ratios of operating expenses excluding costs incurred in connection with a fund complex reorganization before and after expense reductions were 1.22% and 1.22%, respectively.*

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

Class B

Years Ended December 31,	2005	2004	2003	2002	2001
Selected Per Share Data					
Net asset value, beginning of period	**$12.62**	**$10.25**	**$ 6.89**	**$ 8.62**	**$11.69**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.03	(.01)	.00[b]	(.02)	(.02)
Net realized and unrealized gain (loss) on investment transactions	2.24	2.38	3.36	(1.71)	(2.86)
Total from investment operations	2.27	2.37	3.36	(1.73)	(2.88)
Less distributions from:					
Net investment income	(.05)	—	—	—	—
Net realized gain on investment transactions	—	—	—	—	(.19)
Total distributions	(.05)	—	—	—	(.19)
Net asset value, end of period	**$14.84**	**$12.62**	**$10.25**	**$ 6.89**	**$ 8.62**
Total Return (%)	18.06[d]	23.12[d]	48.77	(20.07)	(24.96)
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	33	24	13	4	7
Ratio of expenses before expense reductions (%)	1.54	1.52	1.43	1.44	1.48[c]
Ratio of expenses after expense reductions (%)	1.24	1.39	1.43	1.44	1.47[c]
Ratio of net investment income (loss) (%)	.25	(.12)	.03	(.28)	(.25)
Portfolio turnover rate (%)	30	24	41	47	56

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

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

[c] *The ratios of operating expenses excluding costs incurred in connection with a fund complex reorganization before and after expense reductions were 1.47% and 1.47%, respectively.*

[d] *Total return would have been less had certain expenses not been reduced.*

DWS International VIP

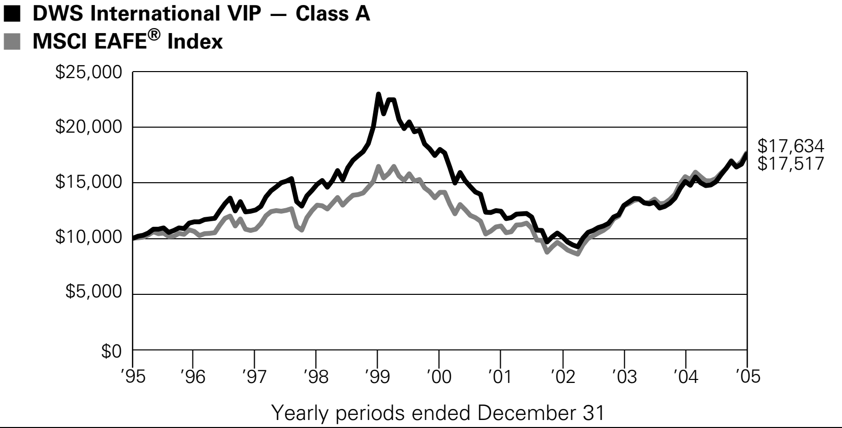
All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Returns shown for the all periods for Class B reflect a fee waiver and/or reimbursement. Without this waiver/reimbursement, returns would have been lower.

Risk Considerations

This Portfolio is subject to stock market risk. Investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. This may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed $10,000 Investment



The Morgan Stanley Capital International (MSCI) Europe, Australasia and Far East (EAFE) Index is an unmanaged capitalization-weighted measure of stock markets in Europe, Australasia and the Far East. The index is calculated using closing local market prices and converts to US dollars using the London close foreign exchange rates.

Index returns assume the reinvestment of dividends net of withholding tax and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS International VIP		1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$11,617	$17,294	$9,762	$17,517
	Average annual total return	16.17%	20.03%	-.48%	5.77%
MSCI EAFE® Index	Growth of $10,000	$11,354	$18,920	$12,494	$17,634
	Average annual total return	13.54%	23.68%	4.55%	5.84%

DWS International VIP		1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$11,571	$17,152	$9,658	$14,071
	Average annual total return	15.71%	19.70%	-.69%	4.03%
MSCI EAFE® Index	Growth of $10,000	$11,354	$18,920	$12,494	$15,777
	Average annual total return	13.54%	23.68%	4.55%	5.46%

The growth of $10,000 is cumulative.

* *The Portfolio commenced selling Class B shares on May 8, 1997. Index returns begin May 31, 1997.*

Information About Your Portfolio's Expenses

DWS International VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include sales charges (loads), redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Class B shares limited these expenses; had it not done so, expenses would have been higher. The tables are based on an investment of $1,000 made at the beginning of the six-month period ended December 31, 2005.

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

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

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

Expenses and Value of a $1,000 Investment for the six months ended December 31, 2005

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,164.20	$1,162.20
Expenses Paid per $1,000*	$ 5.62	$ 7.47
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,020.01	$1,018.30
Expenses Paid per $1,000*	$ 5.24	$ 6.97

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

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series I — DWS International VIP	1.03%	1.37%

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

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

DWS International VIP

International equities delivered strong performance in 2005 relative to most other asset classes. The MSCI EAFE® Index returned 13.54% in US dollar terms and was even stronger in local currency terms with a gain of 29.00%. All developed regions reported positive returns for the year, with Japan producing the best return among the countries represented in the MSCI EAFE® Index. The Portfolio gained 16.17% (Class A shares, unadjusted for contract charges), outperforming the benchmark.

The Portfolio's return was bolstered by outperformance in eight of 10 market sectors. The most notable contributors to return stemmed from the energy and financials sectors. Within energy, key positions including OAO Gazprom (Russia), Statoil ASA (Norway), Petroleo Brasileiro SA (Brazil), Total SA (France) and Eni SpA (Italy), were beneficiaries of the rising price of oil in 2005. Among financials, the Portfolio's positions in Mizuho Financial Group, Inc. (Japan), Mitsui Fudosan Co., Ltd. (Japan) and Credit Saison Co., Ltd. (Japan) were lifted by Japan's economic recovery. Several emerging-markets positions, including ICICI Bank Ltd. (India) and OTP Bank Rt (Hungary), ascended throughout 2005 as the need for financial services within developing economies continued to increase. The only lagging sector of note within the Portfolio was industrials, particularly stocks with homebuilding and real estate exposure such as Wienerberger (Austria) and Grafton Group (United Kingdom) (both securities were not held at the end of the reporting period).

Looking ahead, management believes investors will increasingly reward those companies that can command higher prices for their products and services based on their brand, technological capability, market position or cost advantage, as well as those which have the ability to grow amid a potentially slower global macroeconomic environment.

Matthias Knerr, CFA
Manager

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

This Portfolio is subject to stock market risk. Investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. This may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Morgan Stanley Capital International (MSCI) Europe, Australasia and Far East (EAFE) Index is an unmanaged, capitalization-weighted measure of stock markets in Europe, Australasia and the Far East. The index is calculated using closing local market prices and converts to US dollars using the London close foreign exchange rates.

Index returns assume the reinvestment of dividends net of withholding tax and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of December 31, 2005, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS International VIP

Asset Allocation (Excludes Securities Lending Collateral)	**12/31/05**	**12/31/04**
Common Stocks	99%	100%
Cash Equivalents	1%	—
	100%	100%

Geographical Diversification (Excludes Cash Equivalents and Securities Lending Collateral)	**12/31/05**	**12/31/04**
Europe (excluding United Kingdom)	50%	47%
Japan	22%	23%
United Kingdom	17%	21%
Pacific Basin	5%	6%
Latin America	3%	2%
Australia	2%	1%
Other	1%	—
	100%	100%

Sector Diversification (As a % of Common Stocks)	**12/31/05**	**12/31/04**
Financials	34%	30%
Consumer Discretionary	15%	13%
Energy	11%	10%
Industrials	8%	7%
Consumer Staples	7%	5%
Materials	7%	6%
Information Technology	6%	7%
Health Care	6%	9%
Telecommunication Services	4%	8%
Utilities	2%	5%
	100%	100%

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

For more complete details about the Portfolio's investment portfolio, see page 34. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month-end will be posted to www.dws-scudder.com on the 15th day of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS International VIP

	Shares	Value ($)
Common Stocks 98.6%		
Australia 1.8%		
Australia & New Zealand Banking Group Ltd.	338,192	5,937,891
Macquarie Airports	2,089,800	4,856,544
(Cost $9,747,839)		**10,794,435**
Brazil 1.7%		
Companhia Vale do Rio Doce (ADR)	141,806	5,833,899
Petroleo Brasileiro SA (ADR)	59,800	4,261,946
(Cost $3,440,902)		**10,095,845**
Finland 3.3%		
Fortum Oyj	276,400	5,183,322
Neste Oil Oyj*	150,900	4,266,174
Nokia Oyj	182,757	3,342,855
Nokia Oyj (ADR)	72,590	1,328,397
Nokian Renkaat Oyj (a)	435,610	5,492,403
(Cost $21,070,233)		**19,613,151**
France 8.3%		
Axa	236,932	7,646,533
BNP Paribas SA	104,268	8,437,320
Pernod Ricard SA	36,392	6,350,653
Schneider Electric SA	47,568	4,243,392
Total SA	67,284	16,903,326
Vivendi Universal SA	199,731	6,256,772
(Cost $36,039,117)		**49,837,996**
Germany 12.9%		
Adidas-Salomon AG	35,342	6,694,623
Allianz AG (Registered)	59,210	8,968,429
BASF AG	88,649	6,791,414
Bayer AG	153,513	6,413,747
Commerzbank AG	239,036	7,363,522
Continental AG	62,772	5,572,196
Deutsche Boerse AG	50,067	5,130,785
E.ON AG	97,867	10,125,419
Fresenius Medical Care AG (a)	50,240	5,293,643
Hypo Real Estate Holding AG	201,286	10,480,543
Siemens AG (Registered)	48,920	4,193,146
(Cost $59,370,936)		**77,027,467**
Greece 2.1%		
Alpha Bank AE	165,308	4,826,162
Hellenic Telecommunications Organization SA*	350,320	7,465,389
(Cost $8,129,933)		**12,291,551**
Hong Kong 1.1%		
Esprit Holdings Ltd. (Cost $4,197,496)	895,748	**6,365,481**
Hungary 0.5%		
OTP Bank Rt (GDR) (REG S) (Cost $1,614,557)	47,857	**3,139,419**
India 1.2%		
ICICI Bank Ltd. (Cost $3,992,104)	522,802	**7,133,380**
Indonesia 1.1%		
PT Telekomunikasi Indonesia (ADR) (Cost $5,674,309)	265,300	**6,330,058**
Ireland 2.0%		
Anglo Irish Bank Corp. PLC	429,040	6,511,796
CRH PLC	185,410	5,454,746
(Cost $10,270,239)		**11,966,542**
Italy 5.4%		
Assicurazioni Generali SpA	152,400	5,326,186
Banca Intesa SpA	1,974,260	10,459,535
Capitalia SpA	1,081,500	6,261,096
Eni SpA	367,620	10,197,328
(Cost $23,799,147)		**32,244,145**
Japan 21.6%		
AEON Co., Ltd.	234,000	5,952,431
Aiful Corp.	55,106	4,602,485
Astellas Pharma, Inc.	143,300	5,589,350
Canon, Inc.	191,500	11,204,053
Credit Saison Co., Ltd.	110,700	5,528,664
Dai Nippon Printing Co., Ltd.	210,862	3,754,697
Daito Trust Construction Co., Ltd.	89,900	4,649,934
Mitsubishi Corp.	541,000	11,972,782
Mitsui & Co., Ltd.	425,000	5,459,575
Mitsui Fudosan Co., Ltd.	400,000	8,123,119
Mitsui Sumitomo Insurance Co., Ltd.	344,000	4,209,030
Mizuho Financial Group, Inc.	1,631	12,944,554
Nishimatsuya Chain Co., Ltd.	16,000	736,677
Nissan Motor Co., Ltd.	549,157	5,564,443
Sega Sammy Holdings, Inc.	271,800	9,103,405
Shinsei Bank Ltd.	843,000	4,874,940
Takefuji Corp.	69,200	4,699,979
Toyota Motor Corp.	301,300	15,635,359
Yamada Denki Co., Ltd.	34,500	4,317,802
(Cost $83,531,791)		**128,923,279**
Korea 2.2%		
POSCO (ADR) (a)	91,500	4,530,165
Samsung Electronics Co., Ltd.	13,617	8,771,494
(Cost $8,299,221)		**13,301,659**
Mexico 1.0%		
Fomento Economico Mexicano SA de CV (ADR) (Cost $5,857,721)	86,400	**6,264,864**
Norway 1.0%		
Statoil ASA (Cost $3,370,796)	266,968	**6,131,012**
Russia 1.3%		
AFK Sistema (GDR) (REG S)	145,892	3,428,462
OAO Gazprom (ADR) (REG S) (b)	57,107	4,094,572
OAO Gazprom (ADR) (REG S) (b)	4,193	300,638
(Cost $4,750,449)		**7,823,672**
Spain 1.1%		
ACS, Actividades de Construccion y Servicios SA (Cost $5,394,466)	213,000	**6,861,564**
Sweden 1.7%		
ForeningsSparbanken AB	114,360	3,116,488
Telefonaktiebolaget LM Ericsson "B"	2,024,637	6,957,340
(Cost $4,923,390)		**10,073,828**

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

	Shares	Value ($)
Switzerland 7.6%		
Baloise Holding AG "R"	74,543	4,353,849
Nestle SA (Registered)	38,002	11,365,463
Novartis AG (Registered)	139,514	7,331,107
Roche Holding AG (Genusschein)	70,775	10,626,618
UBS AG (Registered)	121,441	11,561,409
(Cost $26,994,411)		**45,238,446**
Taiwan 0.6%		
Hon Hai Precision Industry Co., Ltd. (Cost $2,278,194)	698,091	**3,827,895**
United Kingdom 19.1%		
AstraZeneca PLC	98,384	4,788,642
BHP Billiton PLC	660,454	10,789,281
Hammerson PLC	338,895	5,958,968
Hilton Group PLC	900,446	5,631,409
HSBC Holdings PLC	483,680	7,764,165
Imperial Tobacco Group PLC	341,990	10,220,407
Informa PLC	658,685	4,915,551
National Grid PLC	508,474	4,973,409
Prudential PLC	633,048	5,990,379
Punch Taverns PLC	439,530	6,420,239
Reckitt Benckiser PLC	181,990	6,011,789
Royal Bank of Scotland Group PLC	432,478	13,058,585
Royal Dutch Shell PLC "B"	402,405	12,863,645
Smiths Group PLC	368,771	6,636,564
Vodafone Group PLC	3,886,031	8,390,830
(Cost $89,524,304)		**114,413,863**
Total Common Stocks (Cost $422,271,555)		**589,699,552**

	Principal Amount ($)	Value ($)
Other Investments 0.0%		
Brazil		
Companhia Vale do Rio Doce SA* (Cost $0)	219,880	**4,579**

	Shares	Value ($)
Securities Lending Collateral 2.0%		
Daily Assets Fund Institutional, 4.28% (c) (d) (Cost $11,892,100)	11,892,100	**11,892,100**
Cash Equivalents 1.5%		
Cash Management QP Trust, 4.26% (e) (Cost $8,744,948)	8,744,948	**8,744,948**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $442,908,603)†	102.1	**610,341,179**
Other Assets and Liabilities, Net	(2.1)	**(12,270,495)**
Net Assets	100.0	**598,070,684**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $450,056,662. At December 31, 2005, net unrealized appreciation for all securities based on tax cost was $160,284,517. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $163,338,650 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $3,054,133.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at December 31, 2005 amounted to $11,322,939 which is 1.9% of net assets.*

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

(c) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(d) *Represents collateral held in connection with securities lending.*

(e) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

ADR: American Depositary Receipt

GDR: Global Depositary Receipt

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2005

Assets	
Investments:	
Investments in securities, at value (cost $422,271,555), including $11,322,939 of securities loaned	$ 589,704,131
Investment in Daily Assets Fund Institutional (cost $11,892,100)*	11,892,100
Investment in Cash Management QP Trust (cost $8,744,948)	8,744,948
Total investments in securities, at value (cost $442,908,603)	610,341,179
Cash	63
Foreign currency, at value (cost $46,258)	46,139
Receivable for investments sold	3,540,353
Dividends receivable	914,645
Interest receivable	46,661
Receivable for Portfolio shares sold	181,301
Foreign taxes recoverable	115,517
Other assets	17,244
Total assets	615,203,102

Liabilities	
Payable upon return of securities loaned	11,892,100
Payable for investments purchased	3,575,642
Payable for Portfolio shares redeemed	935,053
Deferred foreign taxes	156,933
Accrued management fee	424,572
Accrued distribution service fees (Class B)	3,686
Other accrued expenses and payables	144,432
Total liabilities	17,132,418
Net assets, at value	**$ 598,070,684**

Net Assets	
Net assets consist of:	
Undistributed net investment income	6,301,420
Net unrealized appreciation (depreciation) on:	
Investments (net of deferred foreign taxes of $156,933)	167,275,643
Foreign currency related transactions	28
Accumulated net realized gain (loss)	(170,682,258)
Paid-in capital	595,175,851
Net assets, at value	**$ 598,070,684**
Class A	
Net Asset Value, offering and redemption price per share ($557,616,582 ÷ 51,410,562 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$ 10.85**
Class B	
Net Asset Value, offering and redemption price per share ($40,454,102 ÷ 3,739,529 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$ 10.82**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2005

Investment Income	
Income:	
Dividends (net of foreign taxes withheld of $1,540,052)	$ 14,084,189
Interest	28,260
Interest — Cash Management QP Trust	215,350
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	411,399
Total Income	14,739,198
Expenses:	
Management fee	4,841,891
Custodian and accounting fees	709,799
Distribution service fees (Class B)	93,098
Record keeping fees (Class B)	53,601
Auditing	50,498
Legal	24,066
Trustees' fees and expenses	14,766
Reports to shareholders	48,425
Other	67,263
Total expenses before expense reductions	5,903,407
Expense reductions	(23,983)
Total expenses after expense reductions	5,879,424
Net investment income (loss)	**8,859,774**

Realized and Unrealized Gain (Loss) on Investment Transactions	
Net realized gain (loss) from:	
Investments (net of foreign taxes of $120,259)	54,149,154
Foreign currency related transactions	(362,287)
	53,786,867
Net unrealized appreciation (depreciation) during the period on:	
Investments (net of deferred foreign taxes of $156,933)	21,913,257
Foreign currency related transactions	(232,522)
	21,680,735
Net gain (loss) on investment transactions	**75,467,602**
Net increase (decrease) in net assets resulting from operations	**$ 84,327,376**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2005	2004
Operations:		
Net investment income (loss)	$ 8,859,774	$ 5,345,381
Net realized gain (loss) on investment transactions	53,786,867	34,381,716
Net unrealized appreciation (depreciation) during the period on investment transactions	21,680,735	41,874,166
Net increase (decrease) in net assets resulting from operations	84,327,376	81,601,263
Distributions to shareholders from:		
Net investment income:		
Class A	(8,620,538)	(6,363,976)
Class B	(480,677)	(312,686)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	58,844,328	57,653,358
Reinvestment of distributions	8,620,538	6,363,976
Cost of shares redeemed	(112,841,762)	(86,826,684)
Net increase (decrease) in net assets from Class A share transactions	(45,376,896)	(22,809,350)
Class B		
Proceeds from shares sold	4,971,389	19,706,198
Reinvestment of distributions	480,677	312,686
Cost of shares redeemed	(5,251,206)	(13,535,303)
Net increase (decrease) in net assets from Class B share transactions	200,860	6,483,581
Increase (decrease) in net assets	30,050,125	58,598,832
Net assets at beginning of period	568,020,559	509,421,727
Net assets at end of period (including undistributed net investment income of $6,301,420 and $7,025,372, respectively)	**$ 598,070,684**	**$ 568,020,559**

Other Information		
Class A		
Shares outstanding at beginning of period	56,078,328	58,747,179
Shares sold	5,966,433	6,770,517
Shares issued to shareholders in reinvestment of distributions	946,272	763,983
Shares redeemed	(11,580,471)	(10,203,351)
Net increase (decrease) in Class A shares	(4,667,766)	(2,668,851)
Shares outstanding at end of period	**51,410,562**	**56,078,328**
Class B		
Shares outstanding at beginning of period	3,699,485	2,910,661
Shares sold	510,934	2,359,763
Shares issued to shareholders in reinvestment of distributions	52,764	37,537
Shares redeemed	(523,654)	(1,608,476)
Net increase (decrease) in Class B shares	40,044	788,824
Shares outstanding at end of period	**3,739,529**	**3,699,485**

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

Financial Highlights

Class A

Years Ended December 31,	2005	2004	2003	2002	2001
Selected Per Share Data					
Net asset value, beginning of period	**$ 9.50**	**$ 8.26**	**$ 6.52**	**$ 8.05**	**$14.26**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.15	.09	.09	.05	.06
Net realized and unrealized gain (loss) on investment transactions	1.36	1.26	1.70	(1.52)	(3.97)
Total from investment operations	1.51	1.35	1.79	(1.47)	(3.91)
Less distributions from:					
Net investment income	(.16)	(.11)	(.05)	(.06)	(.05)
Net realized gain on investment transactions	—	—	—	—	(2.25)
Total distributions	(.16)	(.11)	(.05)	(.06)	(2.30)
Net asset value, end of period	**$10.85**	**$ 9.50**	**$ 8.26**	**$ 6.52**	**$ 8.05**
Total Return (%)	16.17	16.53	27.75	(18.37)	(30.86)
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	558	533	485	412	513
Ratio of expenses before expense reductions (%)	1.02	1.04	1.05	1.03	1.01[b]
Ratio of expenses after expense reductions (%)	1.02	1.04	1.05	1.03	1.00[b]
Ratio of net investment income (loss) (%)	1.59	1.05	1.32	.73	.64
Portfolio turnover rate (%)	59	73	119	123	105

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

b *The ratios of operating expenses excluding costs incurred in connection with a fund complex reorganization before and after expense reductions were 1.00% and 1.00%, respectively.*

Class B

Years Ended December 31,	2005	2004	2003	2002	2001
Selected Per Share Data					
Net asset value, beginning of period	**$ 9.48**	**$ 8.24**	**$ 6.50**	**$ 8.03**	**$14.19**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.12	.06	.07	.04	.05
Net realized and unrealized gain (loss) on investment transactions	1.35	1.27	1.71	(1.53)	(3.94)
Total from investment operations	1.47	1.33	1.78	(1.49)	(3.89)
Less distributions from:					
Net investment income	(.13)	(.09)	(.04)	(.04)	(.02)
Net realized gain on investment transactions	—	—	—	—	(2.25)
Total distributions	(.13)	(.09)	(.04)	(.04)	(2.27)
Net asset value, end of period	**$10.82**	**$ 9.48**	**$ 8.24**	**$ 6.50**	**$ 8.03**
Total Return (%)	15.71[c]	16.24[c]	27.52	(18.62)	(30.81)
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	40	35	24	8	3
Ratio of expenses before expense reductions (%)	1.41	1.38	1.32	1.28	1.26[b]
Ratio of expenses after expense reductions (%)	1.37	1.35	1.32	1.28	1.25[b]
Ratio of net investment income (loss) (%)	1.24	.74	1.05	.48	.39
Portfolio turnover rate (%)	59	73	119	123	105

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

b *The ratios of operating expenses excluding costs incurred in connection with a fund complex reorganization before and after expense reductions were 1.25% and 1.25%, respectively.*

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

DWS Health Care VIP

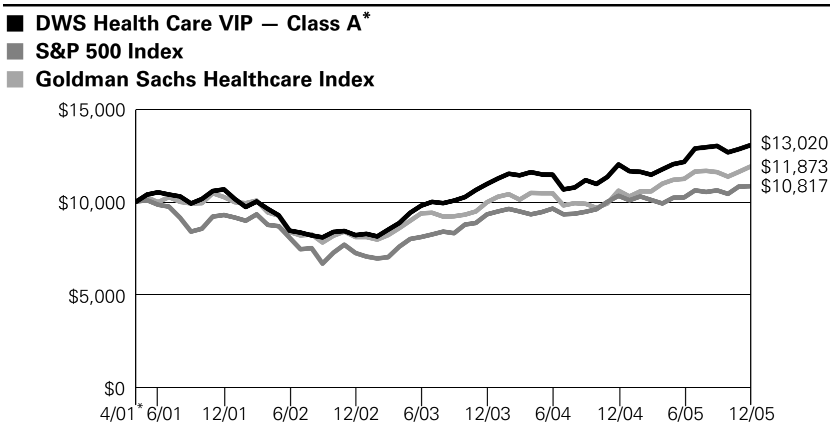
All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

The returns shown for the life of class period for Class A reflect a fee waiver and/or reimbursement. Without this waiver/reimbursement, returns would have been lower.

Risk Considerations

This Portfolio is subject to stock market risk. The Portfolio may focus its investments on certain industry sectors, thereby increasing its vulnerability to any single industry or regulatory development. All of these factors may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed $10,000 Investment



The Standard & Poor's 500 (S&P 500) Index is an unmanaged capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The Goldman Sachs Healthcare Index is a market capitalization-weighted index of 114 stocks designed to measure the performance of companies in the health care sector.

Index returns assume the reinvestment of dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Health Care VIP		1-Year	3-Year	Life of Class*
Class A	Growth of $10,000	$10,850	$15,897	$13,020
	Average annual total return	8.50%	16.71%	5.82%
S&P 500 Index	Growth of $10,000	$10,491	$14,970	$10,817
	Average annual total return	4.91%	14.39%	1.70%
Goldman Sachs Healthcare Index	Growth of $10,000	$11,212	$14,680	$11,873
	Average annual total return	12.12%	13.65%	3.75%

DWS Health Care VIP		1-Year	3-Year	Life of Class*
Class B	Growth of $10,000	$10,806	$15,714	$15,909
	Average annual total return	8.06%	16.26%	14.19%
S&P 500 Index	Growth of $10,000	$10,491	$14,970	$13,428
	Average annual total return	4.91%	14.39%	8.79%
Goldman Sachs Healthcare Index	Growth of $10,000	$11,212	$14,680	$14,214
	Average annual total return	12.12%	13.65%	10.55%

The growth of $10,000 is cumulative.

* *The Portfolio commenced operations on May 1, 2001. Index returns begin April 30, 2001.*

** *The Portfolio commenced selling Class B shares on July 1, 2002. Index returns begin June 30, 2002.*

Information About Your Portfolio's Expenses

DWS Health Care VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include sales charges (loads), redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The tables are based on an investment of $1,000 made at the beginning of the six-month period ended December 31, 2005.

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

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

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

Expenses and Value of a $1,000 Investment for the six months ended December 31, 2005

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,072.50	$1,069.80
Expenses Paid per $1,000*	$ 4.65	$ 6.73
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,020.72	$1,018.70
Expenses Paid per $1,000*	$ 4.53	$ 6.56

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

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series I — DWS Health Care VIP	.89%	1.29%

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

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

Management Summary

December 31, 2005

DWS Health Care VIP

Owing in part to the strong performance of managed care stocks, DWS Health Care VIP posted an 8.50% return for its most recent year ended December 31, 2005 (Class A shares, unadjusted for contract charges). In comparison, the S&P 500 Index returned 4.91%, and the Goldman Sachs Healthcare Index returned 12.12%.

Two positive performers for the Portfolio during the period were Amgen, Inc., from the biotechnology area, and UnitedHealth Group, Inc., within health care services. Investors have become more positive about Amgen's pipeline of drugs in development and seem especially enthusiastic about the company's new product designed to treat osteoporosis. UnitedHealth was the leader among several managed care companies that performed well for the Portfolio during the period. Managed care companies benefited from several major trends, including lower cost due to slower growth in drug and hospital expenditures. A major detractor from performance during the period was Abbott Laboratories, which received unfavorable clinical results on several significant products under development.

We believe some of the best opportunities in health care continue to be in the service areas such as managed care companies, which we think will continue to show strength. Major pharmaceuticals are facing major patent expirations and are lacking meaningful new product pipelines. Thus, we underweighted this sector. We believe that our focus on individual company research will enable us to build a portfolio of the most attractive companies within this industry.

James E. Fenger
Lead Portfolio Manager

Leefin Lai, CFA, CPA
Portfolio Manager

Thomas Bucher, CFA
Consultant to the Portfolio

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when 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 visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

This Portfolio is subject to stock market risk. The Portfolio may focus its investments on certain industry sectors, thereby increasing its vulnerability to any single industry or regulatory development. All of these factors may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Standard & Poor's 500 (S&P 500) Index is an unmanaged capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Goldman Sachs Healthcare Index is an unmanaged market-capitalization-weighted index of 114 stocks designed to measure the performance of companies in the health care sector.

Index returns assume the reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of December 31, 2005, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Health Care VIP

Asset Allocation (Excludes Securities Lending Collateral)	**12/31/05**	**12/31/04**
Common Stocks	96%	97%
Cash Equivalents	4%	3%
	100%	100%

Industry Diversification (As a % of Common Stocks)	**12/31/05**	**12/31/04**
Pharmaceuticals	35%	33%
Biotechnology	23%	27%
Health Care Services	19%	16%
Medical Supply & Specialty	17%	17%
Hospital Management	3%	4%
Life Sciences Equipment	3%	3%
	100%	100%

Asset allocation and industry diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 43. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month-end will be posted to www.dws-scudder.com on the 15th day of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Health Care VIP

	Shares	Value ($)
Common Stocks 95.6%		
Health Care 95.6%		
Biotechnology 22.0%		
Amgen, Inc.*	64,750	5,106,185
Amylin Pharmaceuticals, Inc.*	14,500	578,840
Biogen Idec, Inc.*	48,920	2,217,544
Celgene Corp.*	23,200	1,503,360
Discovery Laboratories, Inc.*	98,800	659,984
DOV Pharmaceutical, Inc.*	72,600	1,065,768
Encysive Pharmaceuticals, Inc.*	39,700	313,233
Gen-Probe, Inc.*	27,800	1,356,362
Genentech, Inc.*	40,700	3,764,750
Genzyme Corp.*	42,900	3,036,462
Gilead Sciences, Inc.*	44,200	2,326,246
GPC Biotech AG (ADR)*	60,512	746,113
ImClone Systems, Inc.*	21,600	739,584
Keryx Biopharmaceuticals, Inc.*	46,400	679,296
Medicines Co.*	59,000	1,029,550
MedImmune, Inc.*	25,200	882,504
MGI Pharma, Inc.*	59,900	1,027,884
Millennium Pharmaceuticals, Inc.*	56,700	549,990
Myogen, Inc.*	29,000	874,640
Rigel Pharmaceuticals, Inc.* (a)	69,000	576,840
		29,035,135
Health Care Services 18.6%		
Aetna, Inc.	26,900	2,536,939
Caremark Rx, Inc.*	65,900	3,412,961
Covance, Inc.*	11,400	553,470
DaVita, Inc.*	18,200	921,648
Fisher Scientific International, Inc.*	27,500	1,701,150
Fresenius Medical Care AG	8,729	919,749
Humana, Inc.*	400	21,732
Medco Health Solutions, Inc.*	23,984	1,338,307
Omnicare, Inc.	16,700	955,574
UnitedHealth Group, Inc.	104,200	6,474,988
WellPoint, Inc.*	70,700	5,641,153
		24,477,671
Hospital Management 3.2%		
Community Health Systems, Inc.*	65,600	2,515,104
Triad Hospitals, Inc.*	42,600	1,671,198
		4,186,302
Life Sciences Equipment 2.7%		
Charles River Laboratories International, Inc.*	18,100	766,897
Invitrogen Corp.*	11,800	786,352
PerkinElmer, Inc.	51,800	1,220,408
Serologicals Corp.*	41,200	813,288
		3,586,945

	Shares	Value ($)
Medical Supply & Specialty 15.7%		
ArthroCare Corp.*	23,100	973,434
Bausch & Lomb, Inc.	8,100	549,990
Baxter International, Inc.	52,800	1,987,920
Biomet, Inc.	45,800	1,674,906
C.R. Bard, Inc.	23,000	1,516,160
Cardinal Health, Inc.	37,800	2,598,750
Cytyc Corp.*	46,400	1,309,872
Elekta AB “B”	62,000	920,889
IntraLase Corp.* (a)	33,800	602,654
Kyphon, Inc.*	30,800	1,257,564
Medtronic, Inc.	62,500	3,598,125
Nobel Biocare Holding AG	800	175,944
St. Jude Medical, Inc.*	8,700	436,740
Stryker Corp.	17,600	781,968
The Cooper Companies, Inc.	18,900	969,570
Zimmer Holdings, Inc.*	20,300	1,369,032
		20,723,518
Pharmaceuticals 33.4%		
Abbott Laboratories	50,900	2,006,987
Allergan, Inc.	7,900	852,884
Astellas Pharma, Inc.	46,000	1,794,209
AstraZeneca PLC	28,980	1,410,543
AVANIR Pharmaceuticals “A”*	211,000	725,840
Barrier Therapeutics, Inc.*	45,600	373,920
Cardiome Pharma Corp.*	81,900	827,190
Eli Lilly & Co.	23,400	1,324,206
Forest Laboratories, Inc.*	21,500	874,620
Johnson & Johnson	85,000	5,108,500
Medicis Pharmaceutical Corp. “A” (a)	24,700	791,635
New River Pharmaceuticals, Inc.* (a)	16,600	861,208
Novartis AG (Registered)	69,696	3,662,348
Pfizer, Inc.	127,940	2,983,561
Roche Holding AG (Genusschein)	23,298	3,498,113
Sanofi-Aventis	27,250	2,387,334
Schering-Plough Corp.	180,200	3,757,170
Schwarz Pharma AG	28,200	1,790,490
Sepracor, Inc.*	26,900	1,388,040
Shire Pharmaceuticals Group PLC (ADR)	24,800	961,992
Teva Pharmaceutical Industries Ltd. (ADR)	32,100	1,380,621
ViroPharma, Inc.*	31,300	580,615
Wyeth	103,100	4,749,817
		44,091,843
Total Common Stocks (Cost $94,012,368)		**126,101,414**

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

Securities Lending Collateral 1.9%

	Shares	Value ($)
Daily Assets Fund Institutional, 4.28% (b) (c) (Cost $2,559,800)	2,559,800	**2,559,800**

Cash Equivalents 4.3%

	Shares	Value ($)
Cash Management QP Trust, 4.26% (d) (Cost $5,628,061)	5,628,061	**5,628,061**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $102,200,229)†	101.8	**134,289,275**
Other Assets and Liabilities, Net	(1.8)	**(2,362,941)**
Net Assets	100.0	**131,926,334**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $102,791,519. At December 31, 2005, net unrealized appreciation for all securities based on tax cost was $31,497,756. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $35,056,735 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $3,558,979.*

(a) *All or a portion of these securities were on loan (See Notes to Financial Statements). The value of all securities loaned at December 31, 2005 amounted to $2,491,772 which is 1.9% of net assets.*

(b) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

(d) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

ADR: American Depositary Receipt

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2005

Assets		
Investments:		
Investments in securities, at value (cost $94,012,368), including $2,491,772 of securities loaned	$	126,101,414
Investment in Daily Assets Fund Institutional (cost $2,559,800)*		2,559,800
Investment in Cash Management QP Trust (cost $5,628,061)		5,628,061
Total investments in securities, at value (cost $102,200,229)		134,289,275
Cash		10,000
Foreign currency, at value (cost $105,565)		99,672
Receivable for investments sold		261,971
Dividends receivable		30,189
Interest receivable		21,096
Foreign taxes recoverable		6,232
Other assets		1,366
Total assets		134,719,801

Liabilities		
Payable upon return of securities loaned		2,559,800
Payable for Portfolio shares redeemed		91,971
Accrued management fee		83,202
Accrued distribution service fees (Class B)		6,831
Other accrued expenses and payables		51,663
Total liabilities		2,793,467
Net assets, at value	**$**	**131,926,334**

Net Assets		
Net assets consist of:		
Accumulated net investment loss		(8,982)
Net unrealized appreciation (depreciation) on:		
Investments		32,089,046
Foreign currency related transactions		(6,390)
Accumulated net realized gain (loss)		(113,846)
Paid-in capital		99,966,506
Net assets, at value	**$**	**131,926,334**
Class A		
Net Asset Value, offering and redemption price per share ($109,111,132 ÷ 8,377,800 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**13.02**
Class B		
Net Asset Value, offering and redemption price per share ($22,815,202 ÷ 1,772,301 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**12.87**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2005

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $38,227)	$	759,842
Interest		408
Interest — Cash Management QP Trust		97,680
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		35,233
Total Income		893,163
Expenses:		
Management fee		959,087
Custodian fees		85,944
Distribution service fees (Class B)		52,676
Record keeping fees (Class B)		29,017
Auditing		34,866
Legal		1,448
Trustees' fees and expenses		5,818
Reports to shareholders		21,990
Other		17,448
Total expenses before expense reductions		1,208,294
Expense reductions		(3,270)
Total expenses after expense reductions		1,205,024
Net investment income (loss)		**(311,861)**

Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		5,797,819
Foreign currency related transactions		(33,499)
		5,764,320
Net unrealized appreciation (depreciation) during the period on:		
Investments		4,959,885
Foreign currency related transactions		(7,516)
		4,952,369
Net gain (loss) on investment transactions		**10,716,689**
Net increase (decrease) in net assets resulting from operations	**$**	**10,404,828**

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

Statement of Changes in Net Assets

	Years Ended December 31,	
Increase (Decrease) in Net Assets	**2005**	**2004**
Operations:		
Net investment income (loss)	$ (311,861)	$ (424,014)
Net realized gain (loss) on investment transactions	5,764,320	5,571,554
Net unrealized appreciation (depreciation) during the period on investment transactions	4,952,369	5,777,481
Net increase (decrease) in net assets resulting from operations	10,404,828	10,925,021
Portfolio share transactions:		
Class A		
Proceeds from shares sold	8,840,510	14,603,543
Cost of shares redeemed	(17,288,593)	(16,500,791)
Net increase (decrease) in net assets from Class A share transactions	(8,448,083)	(1,897,248)
Class B		
Proceeds from shares sold	4,364,689	9,015,887
Cost of shares redeemed	(3,728,727)	(1,312,710)
Net increase (decrease) in net assets from Class B share transactions	635,962	7,703,177
Increase (decrease) in net assets	2,592,707	16,730,950
Net assets at beginning of period	129,333,627	112,602,677
Net assets at end of period (including accumulated net investment loss of $8,982 and $283, respectively)	**$ 131,926,334**	**$ 129,333,627**

Other Information		
Class A		
Shares outstanding at beginning of period	9,070,686	9,253,001
Shares sold	715,380	1,284,769
Shares redeemed	(1,408,266)	(1,467,084)
Net increase (decrease) in Class A shares	(692,886)	(182,315)
Shares outstanding at end of period	**8,377,800**	**9,070,686**
Class B		
Shares outstanding at beginning of period	1,720,377	1,034,876
Shares sold	357,712	802,351
Shares redeemed	(305,788)	(116,850)
Net increase (decrease) in Class B shares	51,924	685,501
Shares outstanding at end of period	**1,772,301**	**1,720,377**

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

Financial Highlights

Class A

Years Ended December 31,	2005	2004	2003	2002	2001[a]
Selected Per Share Data					
Net asset value, beginning of period	**$12.00**	**$10.95**	**$ 8.19**	**$10.65**	**$10.00**
Income (loss) from investment operations:					
Net investment income (loss)[b]	(.02)	(.03)	(.02)	(.03)	(.02)
Net realized and unrealized gain (loss) on investment transactions	1.04	1.08	2.78	(2.43)	.67
Total from investment operations	1.02	1.05	2.76	(2.46)	.65
Net asset value, end of period	**$13.02**	**$12.00**	**$10.95**	**$ 8.19**	**$10.65**
Total Return (%)	8.50	9.59	33.70	(23.10)	6.50[c]**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	109	109	101	69	56
Ratio of expenses before expense reductions (%)	.88	.88	.87	.91	1.40*
Ratio of expenses after expense reductions (%)	.88	.88	.87	.91	.95*
Ratio of net investment income (loss) (%)	(.18)	(.29)	(.24)	(.38)	(.25)*
Portfolio turnover rate (%)	43	77	64	53	34*

a *For the period May 1, 2001 (commencement of operations of Class A shares) to December 31, 2001.*
b *Based on average shares outstanding during the period.*
c *Total return would have been lower had certain expenses not been reduced.*
* *Annualized*
** *Not annualized*

Class B

Years Ended December 31,	2005	2004	2003	2002[a]
Selected Per Share Data				
Net asset value, beginning of period	**$11.91**	**$10.91**	**$ 8.19**	**$ 8.09**
Income (loss) from investment operations:				
Net investment income (loss)[b]	(.07)	(.08)	(.07)	(.04)
Net realized and unrealized gain (loss) on investment transactions	1.03	1.08	2.79	.14
Total from investment operations	.96	1.00	2.72	.10
Net asset value, end of period	**$12.87**	**$11.91**	**$10.91**	**$ 8.19**
Total Return (%)	8.06	9.17	33.21	1.24**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	23	20	11	.3
Ratio of expenses (%)	1.27	1.27	1.26	1.16*
Ratio of net investment income (loss) (%)	(.57)	(.68)	(.63)	(.92)*
Portfolio turnover rate (%)	43	77	64	53

a *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
b *Based on average shares outstanding during the period.*
* *Annualized*
** *Not annualized*

Notes to Financial Statements

A. Significant Accounting Policies

DWS Variable Series I (formerly Scudder 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 seven diversified portfolios: Money Market VIP, DWS Bond VIP, DWS Growth & Income VIP, DWS Capital Growth VIP, DWS Global Opportunities VIP, DWS International VIP and DWS Health Care VIP (individually or collectively hereinafter referred to as a "Portfolio" or the "Portfolios" and formerly known as Money Market Portfolio, Bond Portfolio, Growth and Income Portfolio, Capital Growth Portfolio, Global Discovery Portfolio, International Portfolio and Health Sciences Portfolio, respectively). These financial statements report on DWS Growth & Income VIP, DWS Capital Growth VIP, DWS Global Opportunities VIP, DWS International VIP and DWS Health Care 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 Series offers one class of shares for the Money Market VIP and two classes of shares (Class A shares and Class B shares) for each of the other Portfolios. Class B shares are subject to Rule 12b-1 distribution fees under the 1940 Act and record keeping fees equal to an annual rate of 0.25% and up to 0.15%, respectively, of the average daily net assets of the Class B shares of the applicable Portfolio. Class A shares are not subject to such fees.

Investment income, realized and unrealized gains and losses, and certain portfolio-level expenses and expense reductions, if any, are borne pro rata on the basis of relative net assets by the holders of all classes of shares except that each class bears certain expenses unique to that class (including the applicable 12b-1 distribution fee and record keeping fees). Differences in class-level expenses may result in payment of different per share dividends by class. All shares have equal rights with respect to voting subject to class-specific arrangements.

The Series' financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which require the use of management estimates. Actual results could differ from those estimates. The policies described below are followed consistently by the Series in the preparation of the financial statements for its Portfolios.

Security Valuation. Investments are stated at value determined as of the close of regular trading on the New York Stock Exchange on each day the exchange is open for trading. Equity securities are valued at the most recent sale price or official closing price reported on the exchange (US or foreign) or over-the-counter market on which the security is traded most extensively. Securities for which no sales are reported are valued at the calculated mean between the most recent bid and asked quotations on the relevant market or, if a mean cannot be determined, at the most recent bid quotation.

Debt securities are valued by independent pricing services approved by the Trustees of the Series. If the pricing services are unable to provide valuations, securities are valued at the most recent bid quotation or evaluated price, as applicable, obtained from a broker-dealer. Such services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes.

Money market instruments purchased with an original or remaining maturity of sixty days or less, maturing at par, are valued at amortized cost. Investments in open-end investment companies and Cash Management QP Trust are valued at their net asset value each business day.

Securities and other assets for which market quotations are not readily available or for which the above valuation procedures are deemed not to reflect fair value are valued in a manner that is intended to reflect their fair value as determined in accordance with procedures approved by the Trustees. The Series may use a fair valuation model to value international equity securities in order to adjust for events which may occur between the close of the foreign exchanges and the close of the New York Stock Exchange.

Securities Lending. Each Portfolio may lend securities to financial institutions. The Portfolio retains beneficial ownership of the securities it has loaned and continues to receive interest and dividends paid by the securities and to participate in any changes in their market value. The Portfolio requires the borrowers of the securities to maintain collateral with the Portfolio consisting of liquid, unencumbered assets having a value at least equal to the value of the securities loaned. The Portfolio may invest the cash collateral into a joint trading account in an affiliated money market fund pursuant to an Exemptive Order issued by the SEC. The Portfolio receives compensation for lending its securities either in the form of fees or by earning interest on invested cash collateral net of fees paid to a lending agent. Either the Portfolio or the borrower may terminate the loan. The Portfolio is subject to all investment risks associated with the value of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

Options. An option contract is a contract in which the writer of the option grants the buyer of the option the right to purchase from (call option), or sell to (put option), the writer a designated instrument at a specified price within a specified period of time. Certain options, including options on indices, will require cash settlement by the Portfolio if the option is exercised. Each Portfolio, except for Money Market VIP, may enter into option contracts in order to hedge against potential adverse price movements in the value of portfolio assets; as a temporary substitute for selling selected investments; to lock in the purchase price of a security or currency which it expects to purchase in the near future; as a temporary substitute for purchasing selected investments; and to enhance potential gain.

The liability representing the Portfolio's obligation under an exchange traded written option or investment in a purchased option is valued at the last sale price or, in the absence of a sale, the mean between the closing bid and asked prices or at the most recent asked price (bid for purchased options) if no bid and asked prices are available. Over-the-counter written or purchased options are valued using dealer supplied quotations. Gain or loss is recognized when the option contract expires or is closed.

If the Portfolio writes a covered call option, the Portfolio foregoes, in exchange for the premium, the opportunity to profit during the option period from an increase in the market value of the underlying security above the exercise price. If the Portfolio writes a put option it accepts the risk of a decline in the market value of the underlying security below the exercise price. Over-the-counter options have the risk of the potential inability of counterparties to meet the terms of their contracts. The Portfolio's maximum exposure to purchased options is limited to the premium initially paid. In addition, certain risks may arise upon entering into option contracts including the risk that an illiquid secondary market will limit the Portfolio's ability to close out an option contract prior to the expiration date and that a change in the value of the option contract may not correlate exactly with changes in the value of the securities or currencies hedged.

Foreign Currency Translations. The books and records of the Portfolios are maintained in US dollars. Investment securities and other assets and liabilities denominated in a foreign currency are translated into US dollars at the prevailing exchange rates at period end. Purchases and sales of investment securities, income and expenses are translated into US dollars at the prevailing exchange rates on the respective dates of the transactions.

Net realized and unrealized gains and losses on foreign currency transactions represent net gains and losses between trade and settlement dates on securities transactions, the disposition of forward foreign currency exchange contracts and foreign currencies, and the difference between the amount of net investment income accrued and the US dollar amount actually received. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed but is included with net realized and unrealized gains and losses on investment securities.

Forward Foreign Currency Exchange Contracts. A forward foreign currency exchange contract (forward currency contract) is a commitment to purchase or sell a foreign currency at the settlement date at a negotiated rate. The Portfolios may enter into forward currency contracts in order to hedge their exposure to changes in foreign currency exchange rates on their foreign currency denominated portfolio holdings and to facilitate transactions in foreign currency denominated securities.

Forward currency contracts are valued at the prevailing forward exchange rate of the underlying currencies and unrealized gain (loss) is recorded daily. Sales and purchases of forward currency contracts having the same settlement date and broker are offset and any gain (loss) is realized on the date of offset; otherwise, gain (loss) is realized on settlement date. Realized and unrealized gains and losses which represent the difference between the value of a forward currency contract to buy and a forward currency contract to sell are included in net realized and unrealized gain (loss) from foreign currency related transactions.

Certain risks may arise upon entering into forward currency contracts from the potential inability of counterparties to meet the terms of their contracts. Additionally, when utilizing forward currency contracts to hedge, the Portfolio gives up the opportunity to profit from favorable exchange rate movements during the term of the contract.

Repurchase Agreements. Each Portfolio may enter into repurchase agreements with certain banks and broker/dealers whereby the Portfolio, through its custodian or sub-custodian bank, receives delivery of the underlying securities, the amount of which at the time of purchase and each subsequent business day is required to be maintained at such a level that the value is equal to at least the principal amount of the repurchase price plus accrued interest. The custodial bank holds the collateral in a separate account until the agreement matures. If the value of the securities falls below the principal amount of the repurchase agreement plus accrued interest, the financial institution deposits additional collateral by the following business day. If the financial institution either fails to deposit the required additional collateral or fails to repurchase the securities as agreed, the Portfolio has the right to sell the securities and recover any resulting loss from the financial institution. If the financial institution enters into bankruptcy, the Portfolio's claims on the collateral may be subject to legal proceedings.

Federal Income Taxes. Each Portfolio is treated as a separate taxpayer as provided for in the Internal Revenue Code, as amended. It is each Portfolio's policy to comply with the requirements of the Internal Revenue Code, which are applicable to regulated investment companies, and to distribute all of its taxable income to the separate accounts of the Participating Insurance Companies which hold its shares. Accordingly, the Portfolios paid no federal income taxes and no federal income tax provision was required.

Additionally, based on the Series' understanding of the tax rules and rates related to income, gains and transactions for the foreign jurisdictions in which each Portfolio invests, the Series will provide for foreign taxes, and where appropriate, deferred foreign taxes.

At December 31, 2005, the following Portfolios had an approximate net tax basis capital loss carryforward which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until the following expiration dates, whichever occurs first:

Portfolio	Capital Loss Carryforwards Utilized ($)†	Capital Loss Carryforwards ($)	Expiration Date
DWS Growth & Income VIP	24,492,000	7,548,000	12/31/2009
		15,651,000	12/31/2010
		7,030,000	12/31/2011
DWS Capital Growth VIP	10,884,000	647,000	12/31/2007
		83,834,000	12/31/2008
		51,869,000	12/31/2009
		132,940,000	12/31/2010
		67,497,000	12/31/2011
		28,617,000	12/31/2012
DWS Global Opportunities VIP	29,221,000	8,289,000	12/31/2010
		5,230,000	12/31/2011
DWS International VIP	52,487,000	49,645,000	12/31/2009
		105,374,000	12/31/2010
		13,952,000	12/31/2011
DWS Health Care VIP	5,204,000	—	—

† *Represents the amount of prior year capital loss carryforwards utilized during the year ended December 31, 2005.*

The DWS Capital Growth VIP inherited approximately $176,061,000 of its capital loss carryforward from its merger with the SVS II Eagle Focused Large Cap Growth Portfolio ($22,474,000) and SVS II Growth Portfolio ($153,587,000) (Note I), which is included in the table above and may be applied against net realized taxable gains. The Portfolio utilized approximately $456,000 and $10,428,000 of the inherited amounts from SVS II Eagle Focused Large Cap Growth Portfolio and SVS II Growth Portfolio, respectively, which is also included in the table above. Due to certain limitations under Sections 381–384 of the Internal Revenue Code, approximately $32,647,000 of the losses from SVS II Growth Portfolio cannot be used. At December 31, 2005 the Portfolio had a remaining net tax basis capital loss carryforward of $132,529,000 inherited from its mergers, which may be applied against any net realized taxable gains of each succeeding year until fully utilized or until December 31, 2007 ($647,000), December 31, 2008 ($83,834,000), December 31, 2009 ($33,831,000), December 31, 2010 ($11,910,000) and December 31, 2011 ($2,307,000), the respective expiration dates, whichever occurs first.

The DWS Growth & Income VIP inherited approximately $18,794,000 of its capital loss carryforward from its merger with the SVS II Focus Value & Growth Portfolio (Note I), which is included in the table above and may be applied against net realized taxable gains. The Portfolio utilized approximately $3,700,000 of the inherited amount which is also included in the table above. At December 31, 2005 the Portfolio had a remaining net tax basis capital loss carryforward of $15,094,000 inherited from its merger, which may be applied against any net realized taxable gains of each succeeding year until fully utilized or until December 31, 2009 ($7,548,000), and December 31, 2010 ($7,546,000) the respective expiration dates, whichever occurs first.

In addition, from November 1, 2005 through December 31, 2005, DWS Capital Growth VIP, DWS Global Opportunities VIP, DWS International VIP and DWS Health Care VIP incurred approximately $5,800, $12,000, $96,000 and $8,982, respectively, of net realized currency losses. As permitted by tax regulations, the Portfolios intend to elect to defer these losses and treat them as arising in the fiscal year ended December 31, 2006.

Distribution of Income and Gains. The Portfolios will declare and distribute dividends from their net investment income, if any, in April, although additional distributions may be made if necessary. Net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to each Portfolio if not distributed, and, therefore, will be distributed to shareholders at least annually.

The timing and characterization of certain income and capital gains distributions are determined annually in accordance with federal tax regulations which may differ from accounting principles generally accepted in the United States of America. These differences primarily relate to investments in forward foreign currency exchange contracts, passive foreign investment companies, post October loss deferrals and certain securities sold at a loss. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, each Portfolio may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Portfolio.

At December 31, 2005, the Portfolios' components of distributable earnings (accumulated losses) on a tax-basis are as follows:

Portfolio	Undistributed Ordinary Income ($)*	Undistributed Net Long-Term Capital Gains ($)	Capital Loss Carryforwards ($)	Net Unrealized Gain (Loss) on Investments ($)
DWS Growth & Income VIP	2,776,543	—	(30,229,000)	31,549,540
DWS Capital Growth VIP	5,517,479	—	(365,404,000)	270,338,925
DWS Global Opportunities VIP	3,418,577	—	(13,519,000)	95,962,536
DWS International VIP	11,838,678	—	(168,971,000)	160,284,517
DWS Health Care VIP	—	477,444	—	31,497,756

In addition, the tax character of distributions paid to shareholders by the Portfolios is summarized as follows:

	Distributions from Ordinary Income ($)* Years Ended December 31,		Distributions from Long-Term Capital Gains ($) Years Ended December 31,	
Portfolio	2005	2004	2005	2004
DWS Growth & Income VIP	2,545,821	1,352,130	—	—
DWS Capital Growth VIP	6,821,611	3,797,565	—	—
DWS Global Opportunities VIP	1,575,724	501,729	—	—
DWS International VIP	9,101,215	6,676,662	—	—
DWS Health Care VIP	—	—	—	—

* *For tax purposes short-term capital gains distributions are considered ordinary income distributions.*

Contingencies. In the normal course of business, each Portfolio may enter into contracts with service providers that contain general indemnification clauses. Each Portfolio's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against each Portfolio that have not yet been made. However, based on experience, each Portfolio expects the risk of loss to be remote.

Expenses. Expenses of the Series arising in connection with a specific portfolio are allocated to that portfolio. Other Series expenses which cannot be directly attributed to a portfolio are apportioned among the portfolios in the Series.

Other. The Portfolios investment transactions are accounted for on a trade date plus one basis for daily net asset value calculations. However, for financial reporting purposes, investment transactions are reported on trade date. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date net of foreign withholding taxes. Certain dividends from foreign securities may be recorded subsequent to the ex-dividend date as soon as the Portfolio is informed of such dividends. Realized gains and losses from investment transactions are recorded on an identified cost basis. All discounts and premiums are accreted/amortized for both tax and financial reporting purposes.

B. Purchases and Sales of Securities

During the year ended December 31, 2005, purchases and sales of investment securities (excluding short-term investments) were as follow:

Portfolio	Purchases ($)	Sales ($)
DWS Growth & Income VIP	420,132,427	316,238,132
DWS Capital Growth VIP	164,670,736	261,220,617
DWS Global Opportunities VIP	107,023,480	81,233,299
DWS International VIP	327,151,600	372,568,000
DWS Health Care VIP	53,711,178	63,520,618

For the year ended December 31, 2005, transactions for written options were as follows for the DWS Growth & Income VIP:

	Contract Amounts	Premium ($)
Beginning of period	119	9,684
Options written	487	27,816
Options exercised	(222)	(5,778)
Options closed	(29)	(2,920)
Options expired	(355)	(28,802)
End of period	—	—

C. Related Parties

Under the Management Agreement with Deutsche Investment Management Americas Inc. ("DeIM" or the "Advisor"), an indirect, wholly owned subsidiary of Deutsche Bank AG, the Advisor directs the investments of the Portfolios in accordance with their investment objectives, policies and restrictions. The Advisor determines the securities, instruments and other contracts relating to investments to be purchased, sold or entered into by the Portfolios. In addition to portfolio management services, the Advisor provides certain administrative services in accordance with the Management Agreement.

Under the Series' Management Agreement with the Advisor, the Portfolios pay a monthly investment management fee, based on the average daily net assets of each Portfolio, payable monthly, at the annual rates shown below:

Portfolio	Annual Management Fee Rate
DWS Global Opportunities VIP	0.975%

For the period January 1, 2005 through April 29, 2005, the DWS Growth & Income VIP paid the Advisor a monthly investment management fee, based on the average daily net assets of the Portfolio, payable monthly, at the annual rate shown below:

Portfolio	Annual Management Fee Rate
DWS Growth & Income VIP	0.475%

Effective April 30, 2005, the DWS Growth & Income VIP pays the Advisor a graduated investment management fee, based on the average daily net assets of the Portfolio, payable monthly, at the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
first $250 million	0.475%
next $750 million	0.450%
over $1 billion	0.425%

For the year ended December 31, 2005, the DWS Growth & Income VIP waived a portion of its management fees pursuant to the Management Agreement aggregating $57,047 and the amount charged aggregated $1,278,499, which was equivalent to an annual effective rate of 0.450% of the Portfolio's average daily net assets.

From January 1, 2005 through April 29, 2005, the DWS Capital Growth VIP paid the Advisor a graduated investment management fee, based on the average daily net assets of the Portfolio, payable monthly, at the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
first $500 million	0.475%
next $500 million	0.450%
over $1 billion	0.425%

Effective April 30, 2005, the DWS Capital Growth VIP pays the Advisor a graduated investment management fee, based on the average daily net assets of the Portfolio, payable monthly, at the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
first $250 million	0.475%
next $750 million	0.450%
over $1 billion	0.425%

For the year ended December 31, 2005, the DWS Capital Growth VIP waived a portion of its management fees pursuant to the Management Agreement aggregating $31,311 and the amount charged aggregated $4,389,692, which was equivalent to an annual effective rate of 0.454% of the Portfolio's average daily net assets.

DWS International VIP pays the Advisor a graduated investment management fee, based on the average daily net assets of the Portfolio, payable monthly, at the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
first $500 million	0.875%
over $500 million	0.725%

For the year ended December 31, 2005, DWS International VIP incurred a management fee equivalent to an annualized effective rate of 0.858% of the Portfolio's average daily net assets. Prior to September 30, 2005, Deutsche Asset Management Investment Services Limited ("DeAMIS"), an indirect wholly owned subsidiary of Deutsche Bank AG, was the subadvisor for the Fund. The subadvisor was paid by the Advisor for its services. Effective October 1, 2005, DeIM performs the services previously performed by DeAMIS.

The DWS Health Care VIP pays the Advisor a graduated investment management fee, based on the average daily net assets of the Portfolio, payable monthly, at the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
first $250 million	0.750%
next $750 million	0.725%
next $1.5 billion	0.700%
next $2.5 billion	0.680%
next $2.5 billion	0.650%
next $2.5 billion	0.640%
next $2.5 billion	0.630%
over $12.5 billion	0.620%

For the year ended December 31, 2005, DWS Health Care VIP incurred a management fee equivalent to an annual effective rate of 0.750% of the Portfolio's average daily net assets.

In addition, for the period January 1, 2005 through April 30, 2006, the Advisor, the underwriter and accounting agent contractually agreed to waive a portion of their fee to the extent necessary to maintain the operating expenses of each class (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest) as follows:

Portfolio	Operating Expense Ratio
DWS Global Opportunities VIP Class A	1.24%
DWS Global Opportunities VIP Class B	1.24%
DWS International VIP Class A	1.37%
DWS International VIP Class B	1.37%
DWS Health Care VIP Class A	0.95%
DWS Health Care VIP Class B	1.35%

Also, for the period from January 1, 2005 through April 30, 2005, the Advisor contractually agreed to waive a portion of its fee to the extent necessary to maintain the operating expenses of each class as follows:

Portfolio	Operating Expense Ratio
DWS Capital Growth VIP Class A	1.08%
DWS Capital Growth VIP Class B	1.08%
DWS Growth & Income VIP Class A	1.09%
DWS Growth & Income VIP Class B	1.09%

Effective May 1, 2005 through April 30, 2008, the Advisor contractually agreed to waive a portion of its fee to the extent necessary to maintain the operating expenses of each class (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest) as follows:

Portfolio	Operating Expense Ratio
DWS Capital Growth VIP Class A	0.49%
DWS Capital Growth VIP Class B	0.86%
DWS Growth & Income VIP Class A	0.54%
DWS Growth & Income VIP Class B	0.89%

Under these arrangements, the Advisor reimbursed DWS Growth & Income VIP, DWS Capital Growth VIP, DWS Global Opportunities VIP and DWS International VIP $12,854, $11,870, $81,355 and $16,354, respectively, for expenses.

Service Provider Fees. DWS Scudder Fund Accounting Corporation ("DWS-SFAC"), a subsidiary of the Advisor, is responsible for determining the daily net asset value per share and maintaining the portfolio and general accounting records of each portfolio. In turn, DWS-SFAC has delegated certain fund accounting functions to a third-party service provider. For the year ended December 31, 2005, DWS-SFAC received the following fee for its services for the following portfolios:

Portfolio	Total Aggregated ($)	Unpaid at December 31, 2005 ($)
DWS Growth & Income VIP	93,605	9,330
DWS Capital Growth VIP	146,442	12,889
DWS Global Opportunities VIP	226,558	21,042
DWS International VIP	374,978	30,499
DWS Health Care VIP	63,666	5,685

DWS Scudder Investments Service Company, an affiliate of the Advisor, is the transfer agent and dividend-paying agent of the Series. These affiliated entities have in turn entered into various agreements with third-party service providers to provide these services.

DWS Scudder Distributors, Inc. ("DWS-SDI"), also an affiliate of the Advisor, is the Series' Distributor. In accordance with the Master Distribution Plan, DWS-SDI receives 12b-1 fees of 0.25% of average daily net assets of Class B shares. Pursuant to the Master Distribution Plan, DWS-SDI remits these fees to the Participating Insurance Companies for various costs incurred or paid by these companies in connection with marketing and distribution of Class B shares. These fees are detailed in each Portfolio's Statement of Operations.

Typesetting and Filing Service Fees. Under an agreement with DeIM, the Advisor is compensated for providing typesetting and regulatory filing services to the Portfolios. For the year ended December 31, 2005, the amount charged to the Portfolios by DeIM included in the reports to shareholders were as follows:

Portfolio	Amount ($)	Unpaid at December 31, 2005 ($)
DWS Growth & Income VIP	4,114	1,303
DWS Capital Growth VIP	4,114	1,303
DWS Global Opportunities VIP	4,114	1,303
DWS International VIP	4,114	1,303
DWS Health Care VIP	4,114	1,303

Trustees' Fees and Expenses. The Portfolios pay each Trustee not affiliated with the Advisor retainer fees plus specified amounts for attended board and committee meetings. Allocated Trustees' fees and expenses for each Portfolio for the year ended December 31, 2005 are detailed in each Portfolio's Statement of Operations.

Cash Management QP Trust. Pursuant to an Exemptive Order issued by the SEC, the Series may invest in the Cash Management QP Trust (the "QP Trust"), and other affiliated funds managed by the Advisor. The QP Trust seeks to provide as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity. The QP Trust does not pay the Advisor a management fee for the affiliated funds' investments in the QP Trust.

D. Investing in Emerging Markets

Investing in emerging markets may involve special risks and considerations not typically associated with investing in the United States of America. These risks include revaluation of currencies, high rates of inflation, repatriation restrictions on income and capital, and future adverse political, social and economic developments. Moreover, securities issued in these markets may be less liquid, subject to government ownership controls, delayed settlements and their prices more volatile than those of comparable securities in the United States of America.

E. Expense Reductions

For the year ended December 31, 2005, the Advisor agreed to reimburse the Portfolios a portion of the fee savings expected to be realized by the Advisor related to the outsourcing by the Advisor of certain administrative services to an unaffiliated service provider as follows:

Portfolio	Amount ($)
DWS Growth & Income VIP	5,181
DWS Capital Growth VIP	13,590
DWS Global Opportunities VIP	4,909
DWS International VIP	7,629
DWS Health Care VIP	3,200

In addition, DWS Growth & Income VIP, DWS Capital Growth VIP and DWS Health Care VIP have entered into an arrangement with their custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Portfolios' expenses. During the year ended December 31, 2005, the custodian fees were reduced as follows:

Portfolio	Custody Credits ($)
DWS Growth & Income VIP	7,444
DWS Capital Growth VIP	130
DWS Health Care VIP	70

F. Ownership of the Portfolios

At the end of the period, the beneficial ownership in the Portfolios was as follows:

DWS Growth & Income VIP: Four participating insurance companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 27%, 27%, 16% and 11%. Two participating insurance companies were owners of record, each owning 67% and 23% of the total outstanding Class B shares of the Portfolio.

DWS Capital Growth VIP: Three participating insurance companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 40%, 18% and 12%. Two participating insurance companies were owners of record, each owning 84% and 15% of the total outstanding Class B shares of the Portfolio.

DWS Global Opportunities VIP: Three participating insurance companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 58%, 20% and 10%. Three participating insurance companies were owners of record, each owning 64%, 19% and 16% of the total outstanding Class B shares of the Portfolio.

DWS International VIP: Two participating insurance companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 31% and 21%. Two participating insurance companies were owners of record, each owning 83% and 16% of the total outstanding Class B shares of the Portfolio.

DWS Health Care VIP: Two participating insurance companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 78% and 21%. Two participating insurance companies were owners of record, each owning 75% and 25% of the total outstanding Class B shares of the Portfolio.

G. Line of Credit

The Series and several other affiliated funds (the "Participants") share in a $1.1 billion revolving credit facility administered by J.P. Morgan Chase Bank for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated, based upon net assets, among each of the Participants. Interest is calculated at the Federal Funds Rate plus 0.5 percent. Each Portfolio may borrow up to a maximum of 33 percent of its net assets under the agreement.

H. Regulatory Matters and Litigation

Market Timing Related Regulatory and Litigation Matters. Since at least July 2003, federal, state and industry regulators have been conducting ongoing inquiries and investigations ("inquiries") into the mutual fund industry, and have requested information from numerous mutual fund companies, including DWS Scudder. The DWS funds' advisors have been cooperating in connection with these inquiries and are in discussions with the regulators concerning proposed settlements. Publicity about mutual fund practices arising from these industry-wide inquiries serves as the general basis of a number of private lawsuits against the DWS funds. These lawsuits, which previously have been reported in the press, involve purported class action and derivative lawsuits, making various allegations and naming as defendants various persons, including certain DWS funds, the funds' investment advisors and their affiliates, and certain individuals, including in some cases fund Trustees/Directors, officers, and other parties. Each DWS fund's investment advisor has agreed to indemnify the applicable DWS funds in connection with these lawsuits, or other lawsuits or regulatory actions that may be filed making allegations similar to these lawsuits regarding market timing, revenue sharing, fund valuation or other subjects arising from or related to the pending inquiries. It is not possible to determine with certainty what the outcome of these inquiries will be or what the effect, if any, would be on the funds or their advisors.

With respect to the lawsuits, based on currently available information, the funds' investment advisors believe the likelihood that the pending lawsuits will have a material adverse financial impact on a DWS fund is remote and such actions are not likely to materially affect their ability to perform under their investment management agreements with the DWS funds.

With respect to the regulatory matters, Deutsche Asset Management ("DeAM") has advised the funds as follows:

> DeAM expects to reach final agreements with regulators early in 2006 regarding allegations of improper trading in the DWS funds. DeAM expects that it will reach settlement agreements with the Securities and Exchange Commission, the New York Attorney General and the Illinois Secretary of State providing for payment of disgorgement, penalties, and investor education contributions totaling approximately $134 million. Approximately $127 million of this amount would be distributed to shareholders of the affected DWS funds in accordance with a distribution plan to be developed by an independent distribution consultant. DeAM does not believe that any of the DWS funds will be named as respondents or defendants in any proceedings. The funds' investment advisors do not believe these amounts will have a material adverse financial impact on them or materially affect their ability to perform under their investment management agreements with the DWS funds. The above-described amounts are not material to Deutsche Bank, and they have already been reserved.
>
> Based on the settlement discussions thus far, DeAM believes that it will be able to reach a settlement with the regulators on a basis that is generally consistent with settlements reached by other advisors, taking into account the particular facts and circumstances of market timing at DeAM and at the legacy Scudder and Kemper organizations prior to their acquisition by DeAM in April 2002. Among the terms of the expected settled orders, DeAM would be subject to certain undertakings regarding the conduct of its business in the future, including maintaining existing management fee reductions for certain funds for a period of five years. DeAM expects that these settlements would resolve regulatory allegations that it violated certain provisions of federal and state securities laws (i) by entering into trading arrangements that permitted certain investors to engage in market timing in certain DWS funds and (ii) by failing more generally to take adequate measures to prevent market timing in the DWS funds, primarily during the 1999–2001 period. With respect to the trading arrangements, DeAM expects that the settlement documents will include allegations related to one legacy DeAM arrangement, as well as three legacy Scudder and six legacy Kemper arrangements. All of these trading arrangements originated in businesses that existed prior to the current DeAM organization, which came together in April 2002 as a result of the various mergers of the legacy Scudder, Kemper and Deutsche fund

groups, and all of the arrangements were terminated prior to the start of the regulatory investigations that began in the summer of 2003. No current DeAM employee approved the trading arrangements.

There is no certainty that the final settlement documents will contain the foregoing terms and conditions. The independent Trustees/Directors of the DWS funds have carefully monitored these regulatory investigations with the assistance of independent legal counsel and independent economic consultants. Additional information announced by DeAM regarding the terms of the expected settlements will be made available at www.dws-scudder.com/regulatory_settlements, which will also disclose the terms of any final settlement agreements once they are announced.

Other Regulatory Matters. DeAM is also engaged in settlement discussions with the Enforcement Staffs of the SEC and the NASD regarding DeAM's practices during 2001–2003 with respect to directing brokerage commissions for portfolio transactions by certain DWS funds to broker-dealers that sold shares in the DWS funds and provided enhanced marketing and distribution for shares in the DWS funds. In addition, on January 13, 2006, DWS Scudder Distributors, Inc. received a Wells notice from the Enforcement Staff of the NASD regarding DWS Scudder Distributors' payment of non-cash compensation to associated persons of NASD member firms, as well as DWS Scudder Distributors' procedures regarding non-cash compensation regarding entertainment provided to such associated persons. Additional information announced by DeAM regarding the terms of the expected settlements will be made available at www.dws-scudder.com/regulatory_settlements, which will also disclose the terms of any final settlement agreements once they are announced.

I. Acquisition of Assets

On April 29, 2005, the DWS Growth & Income VIP acquired all of the net assets of SVS Focus Value+Growth Portfolio pursuant to a plan of reorganization approved by shareholders on April 20, 2005. The acquisition was accomplished by a tax-free exchange of 7,630,195 Class A shares and 797,917 Class B shares of the SVS Focus Value+Growth Portfolio, respectively, for 11,366,540 Class A shares and 1,191,379 Class B shares of DWS Growth & Income VIP, respectively, outstanding on April 29, 2005. SVS Focus Value+Growth Portfolio's net assets at that date of $109,496,717, including $2,627,352 of net unrealized appreciation, were combined with those of the DWS Growth & Income VIP. The aggregate net assets of the DWS Growth & Income VIP immediately before the acquisition were $196,724,411. The combined net assets of the DWS Growth & Income VIP immediately following the acquisition were $306,221,128.

On April 29, 2005, the DWS Capital Growth VIP acquired all of the net assets of Scudder Growth Portfolio and SVS Eagle Focused Large Cap Growth Portfolio pursuant to a plan of reorganization approved by shareholders on April 20, 2005. The acquisition was accomplished by a tax-free exchange of 13,922,674 Class A shares and 864,495 Class B shares of the Scudder Growth Portfolio and 9,460,787 Class A shares and 3,575,054 Class B shares of the SVS Eagle Focused Large Cap Growth Portfolio, respectively, for 17,164,853 Class A shares and 1,066,401 Class B shares and 5,035,742 Class A shares and 1,896,817 of Class B shares of the DWS Capital Growth VIP, respectively, outstanding on April 29, 2005. Scudder Growth Portfolio and SVS Eagle Focused Large Cap Growth Portfolio's net assets at that date of $275,619,467 and $104,748,174, respectively, including $53,072,812 and $4,059,393, respectively, of net unrealized appreciation, were combined with those of the DWS Capital Growth VIP. The aggregate net assets of the DWS Capital Growth VIP immediately before the acquisition were $680,032,918. The combined net assets of the DWS Capital Growth VIP immediately following the acquisition were $1,060,400,559.

J. Subsequent Event

Effective February 6, 2006, Scudder Investments changed its name to DWS Scudder and the Scudder funds were renamed DWS funds. The DWS Scudder name represents the alignment of Scudder with all of Deutsche Bank's mutual fund operations around the globe. In addition, the Web site for all Scudder funds changed to www.dws-scudder.com.

Report of Independent Registered Public Accounting Firm

To the Trustees of DWS Variable Series I and Shareholders of DWS Growth & Income VIP, DWS Capital Growth VIP, DWS Global Opportunities VIP, DWS International VIP and DWS Health Care VIP:

In our opinion, the accompanying statements of assets and liabilities, including the investment portfolios, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of the five Portfolios (identified in Note A) of DWS Variable Series I (formerly Scudder Variable Series I) (the "Series") at December 31, 2005 and the results of each of their operations, the changes in each of their net assets, and the financial highlights for the periods indicated therein, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Series' management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2005 by correspondence with the custodians and brokers, provide a reasonable basis for our opinion.

Boston, Massachusetts PricewaterhouseCoopers LLP
February 22, 2006

Tax Information

(Unaudited)

Pursuant to Section 852 of the Internal Revenue Code, DWS Health Care VIP designates approximately $525,100 as capital gain dividends for its year ended December 31, 2005, of which 100% represents 15% rate gains.

For corporate shareholders of DWS Growth & Income VIP, DWS Capital Growth VIP and DWS Global Opportunities VIP, had 100%, 100% and 50% of their respective income dividends paid during the Portfolios fiscal years ended December 31, 2005, qualified for the dividends received deduction.

DWS International VIP paid foreign taxes of $1,171,329 and earned $15,624,241 of foreign source income during the year ended December 31, 2005. Pursuant to Section 853 of the Internal Revenue Code, DWS International VIP designates $0.03 per share as foreign taxes paid and $0.29 per share as income earned from foreign sources for the year ended December 31, 2005.

DWS Global Opportunities VIP paid foreign taxes of $282,556 and earned $1,679,405 of foreign source income during the year ended December 31, 2005. Pursuant to Section 853 of the Internal Revenue Code, DWS Global Opportunities VIP designates $0.01 per share as foreign taxes paid and $0.08 per share as income earned from foreign sources for the year ended December 31, 2005.

Please consult a tax advisor if you have questions about federal or state income tax laws, or on how to prepare your tax returns. If you have specific questions about your account, please call 1-800-728-3337.

Proxy Voting

A description of the series' policies and procedures for voting proxies for portfolio securities and information about how the series voted proxies related to its portfolio securities during the 12-month period ended June 30 is available on our Web site — www.dws-scudder.com (type "proxy voting" in the search field) — 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 1-800-621-1048.

Investment Management Agreement Approvals

DWS Growth & Income VIP

The Portfolio's Trustees approved the continuation of the Portfolio's current investment management agreement with DeIM in September 2005.

In terms of the process the Trustees followed prior to approving the contract, shareholders should know that:

- At the present time, all of your Portfolio's Trustees — including the chair of the board — are independent of DeIM and its affiliates.
- The Trustees meet frequently to discuss fund matters. Each year, the Trustees dedicate part or all of several meetings to contract review matters.
- The Trustees regularly meet privately with their independent counsel (and, as needed, other advisors) to discuss contract review and other matters.

DeIM and its predecessors (Deutsche Bank acquired Scudder in 2002) have managed the Portfolio since inception, and the Trustees believe that a long-term relationship with a capable, conscientious advisor is in the best interest of shareholders. As you may know, DeIM is part of Deutsche Bank, a major global banking institution that is engaged in a wide range of financial services. The Trustees believe that there are significant advantages to being part of a global asset management business that offers a wide range of investing expertise and resources, including hundreds of portfolio managers and analysts with research capabilities in many countries throughout the world.

Shareholders may focus primarily on fund performance and fees, but the Portfolio's Trustees consider these and many other factors, including the quality and integrity of DeIM's personnel and such other issues as back-office operations, fund valuations, and compliance policies and procedures. The Trustees note approvingly that DeIM has worked with them to implement new, forward-looking policies and procedures in many important areas, such as those involving brokerage commissions and so-called "soft dollars," even when not obligated to do so by law or regulation.

In determining to approve the continuation of the Portfolio's current investment management agreement, the Board considered factors that it believes relevant to the interests of Portfolio shareholders, including:

- **The investment management fee schedule for the Portfolio, including (i) comparative information provided by Lipper regarding investment management fee rates paid to other investment advisors by similar funds and (ii) fee rates paid to DeIM by similar funds and institutional accounts advised by DeIM.** With respect to management fees paid to other investment advisors by similar funds, the Trustees noted that the fee rates paid by the Portfolio (Class A shares) were lower than the median (1st quartile) of the applicable Lipper universe as of December 31, 2004. The Board gave only limited consideration to fees paid by similar institutional accounts advised by DeIM, in light of the material differences in the scope of services provided to mutual funds as compared to those provided to institutional accounts. Taking into account the foregoing, the Board concluded that the fee schedule in effect for the Portfolio represents reasonable compensation in light of the nature, extent and quality of the investment services being provided to the Portfolio.
- **The extent to which economies of scale would be realized as the Portfolio grows.** In this regard, the Board noted that the Portfolio's investment management fee schedule includes fee breakpoints. The Board concluded that the Portfolio's fee schedule represents an appropriate sharing between Portfolio shareholders and DeIM of such economies of scale as may exist in the management of the Portfolio at current asset levels.
- **The total operating expenses of the Portfolio, including relative to the Portfolio's peer group as determined by Lipper.** In this regard, the Board noted that the total expenses of the Portfolio (Class A shares) for the year ending December 31, 2004 were lower than the median (1st quartile) of the applicable Lipper universe. The Board also considered that the various expense limitations agreed to by DeIM effectively limit the ability of the Portfolio to experience a material increase in total expenses prior to the Board's next annual review of the Portfolio's contractual arrangements, and also serve to ensure that the Portfolio's total operating expenses would be competitive relative to the applicable Lipper universe.

- **The investment performance of the Portfolio and DeIM, both absolute and relative to various benchmarks and industry peer groups.** The Board noted that for the one-, three- and five-year periods ended June 30, 2005, the Portfolio's performance (Class A shares) was in the 2nd quartile of the applicable Lipper universe for each of the one-, three- and five-year periods. The Board also observed that the Portfolio has outperformed its benchmark in the five-year period ended June 30, 2005 and underperformed its benchmark in the one- and three-year periods ended June 30, 2005. The Board recognized that DeIM has made significant changes in its investment personnel and processes in recent years in an effort to improve long-term performance.
- **The nature, extent and quality of the advisory services provided by DeIM.** The Board considered extensive information regarding DeIM, including DeIM's personnel (including particularly those personnel with responsibilities for providing services to the Portfolio), resources, policies and investment processes. The Board also considered the terms of the current investment management agreement, including the scope of services provided under the agreement. In this regard, the Board concluded that the quality and range of services provided by DeIM have benefited and should continue to benefit the Portfolio and its shareholders.
- **The costs of the services to, and profits realized by, DeIM and its affiliates from their relationships with the Portfolio.** The Board reviewed information concerning the costs incurred and profits realized by DeIM during 2004 from providing investment management services to the Portfolio (and, separately, to the entire Scudder fund complex), and reviewed with DeIM the cost allocation methodology used to determine DeIM's profitability. In analyzing DeIM's costs and profits, the Board also reviewed the fees paid to and services provided by DeIM and its affiliates with respect to administrative services, fund accounting, shareholder servicing and distribution (including fees paid pursuant to 12b-1 plans). As part of this review, the Board considered information provided by an independent accounting firm engaged to review DeIM's cost allocation methodology and calculations. The Board concluded that the Portfolio's investment management fee schedule represented reasonable compensation in light of the costs incurred by DeIM and its affiliates in providing services to the Portfolio. The Board also reviewed information regarding the profitability of certain similar investment management firms. The Board noted that while information regarding the profitability of such firms is limited, Deutsche Asset Management's overall profitability with respect to the Scudder fund complex (after taking into account distribution and other services provided to the funds by DeIM and its affiliates) was lower than the overall profitability levels of most comparable firms for which such data was available.
- **The practices of DeIM regarding the selection and compensation of brokers and dealers executing portfolio transactions for the Portfolio, including DeIM's soft dollar practices.** In this regard, the Board observed that DeIM had voluntarily terminated the practice of allocating brokerage commissions to acquire research services from third-party service providers. The Board indicated that it would continue to monitor the allocation of the Portfolio's brokerage to ensure that the principle of "best price and execution" remains paramount in the portfolio trading process.
- **DeIM's commitment to and record of compliance, including its written compliance policies and procedures.** In this regard, the Board considered DeIM's commitment to indemnify the Portfolio against any costs and liabilities related to lawsuits or regulatory actions making allegations regarding market timing, revenue sharing, fund valuation or other subjects arising from or relating to pending regulatory inquiries. The Board also considered the significant attention and resources dedicated by DeIM to documenting and enhancing its compliance processes in recent years. The Board noted in particular (i) the experience and seniority of DeIM's chief compliance officer, who reports to the Board; (ii) the large number of compliance personnel who report to DeIM's chief compliance officer; and (iii) the substantial commitment of resources by Deutsche Asset Management to compliance matters.
- **Deutsche Bank's commitment to restructuring and growing its US mutual fund business.** The Board considered recent and ongoing efforts by Deutsche Bank to restructure its US mutual fund business to improve efficiency and competitiveness and to reduce compliance and operational risk. The Board considered assurances received from Deutsche Bank that it would commit the resources necessary to maintain high quality services to the Portfolio and its shareholders while various organizational initiatives are being implemented. The Board also considered Deutsche Bank's strategic plans for investing in the growth of its US mutual fund business, the potential benefits to Portfolio shareholders and Deutsche Bank's management of the DWS fund group, one of Europe's most successful fund groups.

Based on all of the foregoing, the Board determined to continue the Portfolio's current investment management agreement, and concluded that the continuation of such agreement was in the best interests of the Portfolio's shareholders.

In reaching this conclusion the Board did not give particular weight to any single factor identified above. The Board considered these factors over the course of numerous meetings, many of which were in executive session with only the Independent Trustees and their counsel present. It is possible that individual Trustees may have weighed these factors differently in reaching their individual decisions to approve the continuation of the current agreement.

DWS Capital Growth VIP

The Portfolio's Trustees approved the continuation of the Portfolio's current investment management agreement with DeIM in September 2005.

In terms of the process the Trustees followed prior to approving the contract, shareholders should know that:

- At the present time, all of your Portfolio's Trustees — including the chair of the board — are independent of DeIM and its affiliates.
- The Trustees meet frequently to discuss fund matters. Each year, the Trustees dedicate part or all of several meetings to contract review matters.
- The Trustees regularly meet privately with their independent counsel (and, as needed, other advisors) to discuss contract review and other matters.

DeIM and its predecessors (Deutsche Bank acquired Scudder in 2002) have managed the Portfolio since inception, and the Trustees believe that a long-term relationship with a capable, conscientious advisor is in the best interest of shareholders. As you may know, DeIM is part of Deutsche Bank, a major global banking institution that is engaged in a wide range of financial services. The Trustees believe that there are significant advantages to being part of a global asset management business that offers a wide range of investing expertise and resources, including hundreds of portfolio managers and analysts with research capabilities in many countries throughout the world.

Shareholders may focus primarily on fund performance and fees, but the Portfolio's Trustees consider these and many other factors, including the quality and integrity of DeIM's personnel and such other issues as back-office operations, fund valuations, and compliance policies and procedures. The Trustees note approvingly that DeIM has worked with them to implement new, forward-looking policies and procedures in many important areas, such as those involving brokerage commissions and so-called "soft dollars," even when not obligated to do so by law or regulation.

In determining to approve the continuation of the Portfolio's current investment management agreement, the Board considered factors that it believes relevant to the interests of Portfolio shareholders, including:

- **The investment management fee schedule for the Portfolio, including (i) comparative information provided by Lipper regarding investment management fee rates paid to other investment advisors by similar funds and (ii) fee rates paid to DeIM by similar funds and institutional accounts advised by DeIM.** With respect to management fees paid to other investment advisors by similar funds, the Trustees noted that the fee rates paid by the Portfolio (Class A shares) were lower than the median (1st quartile) of the applicable Lipper universe as of December 31, 2004. The Board gave only limited consideration to fees paid by similar institutional accounts advised by DeIM, in light of the material differences in the scope of services provided to mutual funds as compared to those provided to institutional accounts. Taking into account the foregoing, the Board concluded that the fee schedule in effect for the Portfolio represents reasonable compensation in light of the nature, extent and quality of the investment services being provided to the Portfolio.
- **The extent to which economies of scale would be realized as the Portfolio grows.** In this regard, the Board noted that the Portfolio's investment management fee schedule includes fee breakpoints. The Board concluded that the Portfolio's fee schedule represents an appropriate sharing between Portfolio shareholders and DeIM of such economies of scale as may exist in the management of the Portfolio at current asset levels.

- **The total operating expenses of the Portfolio, including relative to the Portfolio's peer group as determined by Lipper.** In this regard, the Board noted that the total expenses of the Portfolio (Class A shares) for the year ending December 31, 2004 were lower than the median (1st quartile) of the applicable Lipper universe. The Board also considered that the various expense limitations agreed to by DeIM effectively limit the ability of the Portfolio to experience a material increase in total expenses prior to the Board's next annual review of the Portfolio's contractual arrangements, and also serve to ensure that the Portfolio's total operating expenses would be competitive relative to the applicable Lipper universe.

- **The investment performance of the Portfolio and DeIM, both absolute and relative to various benchmarks and industry peer groups.** The Board noted that for the one-, three- and five-year periods ended June 30, 2005, the Portfolio's performance (Class A shares) was in the 2nd quartile of the applicable Lipper universe for each of the one-, three- and five-year periods. The Board also observed that the Portfolio has outperformed its benchmark in the one-year period ended June 30, 2005 and underperformed its benchmark in the three- and five-year periods ended June 30, 2005. The Board recognized that DeIM has made significant changes in its investment personnel and processes in recent years in an effort to improve long-term performance.

- **The nature, extent and quality of the advisory services provided by DeIM.** The Board considered extensive information regarding DeIM, including DeIM's personnel (including particularly those personnel with responsibilities for providing services to the Portfolio), resources, policies and investment processes. The Board also considered the terms of the current investment management agreement, including the scope of services provided under the agreement. In this regard, the Board concluded that the quality and range of services provided by DeIM have benefited and should continue to benefit the Portfolio and its shareholders.

- **The costs of the services to, and profits realized by, DeIM and its affiliates from their relationships with the Portfolio.** The Board reviewed information concerning the costs incurred and profits realized by DeIM during 2004 from providing investment management services to the Portfolio (and, separately, to the entire Scudder fund complex), and reviewed with DeIM the cost allocation methodology used to determine DeIM's profitability. In analyzing DeIM's costs and profits, the Board also reviewed the fees paid to and services provided by DeIM and its affiliates with respect to administrative services, fund accounting, shareholder servicing and distribution (including fees paid pursuant to 12b-1 plans). As part of this review, the Board considered information provided by an independent accounting firm engaged to review DeIM's cost allocation methodology and calculations. The Board concluded that the Portfolio's investment management fee schedule represented reasonable compensation in light of the costs incurred by DeIM and its affiliates in providing services to the Portfolio. The Board also reviewed information regarding the profitability of certain similar investment management firms. The Board noted that while information regarding the profitability of such firms is limited, Deutsche Asset Management's overall profitability with respect to the Scudder fund complex (after taking into account distribution and other services provided to the funds by DeIM and its affiliates) was lower than the overall profitability levels of most comparable firms for which such data was available.

- **The practices of DeIM regarding the selection and compensation of brokers and dealers executing portfolio transactions for the Portfolio, including DeIM's soft dollar practices.** In this regard, the Board observed that DeIM had voluntarily terminated the practice of allocating brokerage commissions to acquire research services from third-party service providers. The Board indicated that it would continue to monitor the allocation of the Portfolio's brokerage to ensure that the principle of "best price and execution" remains paramount in the portfolio trading process.

- **DeIM's commitment to and record of compliance, including its written compliance policies and procedures.** In this regard, the Board considered DeIM's commitment to indemnify the Portfolio against any costs and liabilities related to lawsuits or regulatory actions making allegations regarding market timing, revenue sharing, fund valuation or other subjects arising from or relating to pending regulatory inquiries. The Board also considered the significant attention and resources dedicated by DeIM to documenting and enhancing its compliance processes in recent years. The Board noted in particular (i) the experience and seniority of DeIM's chief compliance officer, who reports to the Board; (ii) the large number of compliance personnel who report to DeIM's chief compliance officer; and (iii) the substantial commitment of resources by Deutsche Asset Management to compliance matters.

- **Deutsche Bank's commitment to restructuring and growing its US mutual fund business.** The Board considered recent and ongoing efforts by Deutsche Bank to restructure its US mutual fund business to improve efficiency and competitiveness and to reduce compliance and operational risk. The Board considered assurances received from Deutsche Bank that it would commit the resources necessary to maintain high quality services to the Portfolio and its shareholders while various organizational initiatives are being implemented. The Board also considered Deutsche Bank's strategic plans for investing in the growth of its US mutual fund business, the potential benefits to Portfolio shareholders and Deutsche Bank's management of the DWS fund group, one of Europe's most successful fund groups.

Based on all of the foregoing, the Board determined to continue the Portfolio's current investment management agreement, and concluded that the continuation of such agreement was in the best interests of the Portfolio's shareholders.

In reaching this conclusion the Board did not give particular weight to any single factor identified above. The Board considered these factors over the course of numerous meetings, many of which were in executive session with only the Independent Trustees and their counsel present. It is possible that individual Trustees may have weighed these factors differently in reaching their individual decisions to approve the continuation of the current agreement.

DWS Global Opportunities VIP

The Portfolio's Trustees approved the continuation of the Portfolio's current investment management agreement with DeIM in September 2005.

In terms of the process the Trustees followed prior to approving the contract, shareholders should know that:

- At the present time, all of your Portfolio's Trustees — including the chair of the board — are independent of DeIM and its affiliates.
- The Trustees meet frequently to discuss fund matters. Each year, the Trustees dedicate part or all of several meetings to contract review matters.
- The Trustees regularly meet privately with their independent counsel (and, as needed, other advisors) to discuss contract review and other matters.

DeIM and its predecessors (Deutsche Bank acquired Scudder in 2002) have managed the Portfolio since inception, and the Trustees believe that a long-term relationship with a capable, conscientious advisor is in the best interest of shareholders. As you may know, DeIM is part of Deutsche Bank, a major global banking institution that is engaged in a wide range of financial services. The Trustees believe that there are significant advantages to being part of a global asset management business that offers a wide range of investing expertise and resources, including hundreds of portfolio managers and analysts with research capabilities in many countries throughout the world.

Shareholders may focus primarily on fund performance and fees, but the Portfolio's Trustees consider these and many other factors, including the quality and integrity of DeIM's personnel and such other issues as back-office operations, fund valuations, and compliance policies and procedures. The Trustees note approvingly that DeIM has worked with them to implement new, forward-looking policies and procedures in many important areas, such as those involving brokerage commissions and so-called "soft dollars," even when not obligated to do so by law or regulation.

In determining to approve the continuation of the Portfolio's current investment management agreement, the Board considered factors that it believes relevant to the interests of Portfolio shareholders, including:

- **The investment management fee schedule for the Portfolio, including (i) comparative information provided by Lipper regarding investment management fee rates paid to other investment advisors by similar funds and (ii) fee rates paid to DeIM by similar funds and institutional accounts advised by DeIM.** With respect to management fees paid to other investment advisors by similar funds, the Trustees noted that the fee rates paid by the Portfolio (Class A shares) were higher than the median (4th quartile) of the applicable Lipper universe as of December 31, 2004. The Board gave only limited consideration to fees paid by similar institutional accounts advised by DeIM, in light of the material differences in the scope of services provided to mutual funds as compared to those provided to institutional accounts. Taking into account the foregoing, the Board concluded that the fee schedule in effect for the Portfolio represents reasonable compensation in light of the nature, extent and quality of the investment services being provided to the Portfolio.

- **The extent to which economies of scale would be realized as the Portfolio grows.** The Board noted that the Fund's management fee does not contain breakpoints and determined that, at the present time and at current asset levels and management fee rates, fee breakpoints are not warranted. The Board continues to monitor the Fund's management fees and asset levels to determine if any breakpoints are appropriate.
- **The total operating expenses of the Portfolio, including relative to the Portfolio's peer group as determined by Lipper.** In this regard, the Board noted that the total expenses of the Portfolio (Class A shares) for the year ending December 31, 2004 were higher than the median (3rd quartile) of the applicable Lipper universe. The Board also considered that the various expense limitations agreed to by DeIM effectively limit the ability of the Portfolio to experience a material increase in total expenses prior to the Board's next annual review of the Portfolio's contractual arrangements, and also serve to ensure that the Portfolio's total operating expenses would be competitive relative to the applicable Lipper universe.
- **The investment performance of the Portfolio and DeIM, both absolute and relative to various benchmarks and industry peer groups.** The Board noted that for the one-, three- and five-year periods ended June 30, 2005, the Portfolio's performance (Class A shares) was in the 1st quartile, 1st quartile and 2nd quartile, respectively, of the applicable Lipper universe. The Board also observed that the Portfolio has outperformed its benchmark in the one- and three-year periods ended June 30, 2005 and underperformed its benchmark in the five-year period ended June 30, 2005. The Board recognized that DeIM has made significant changes in its investment personnel and processes in recent years in an effort to improve long-term performance.
- **The nature, extent and quality of the advisory services provided by DeIM.** The Board considered extensive information regarding DeIM, including DeIM's personnel (including particularly those personnel with responsibilities for providing services to the Portfolio), resources, policies and investment processes. The Board also considered the terms of the current investment management agreement, including the scope of services provided under the agreement. In this regard, the Board concluded that the quality and range of services provided by DeIM have benefited and should continue to benefit the Portfolio and its shareholders.
- **The costs of the services to, and profits realized by, DeIM and its affiliates from their relationships with the Portfolio.** The Board reviewed information concerning the costs incurred and profits realized by DeIM during 2004 from providing investment management services to the Portfolio (and, separately, to the entire Scudder fund complex), and reviewed with DeIM the cost allocation methodology used to determine DeIM's profitability. In analyzing DeIM's costs and profits, the Board also reviewed the fees paid to and services provided by DeIM and its affiliates with respect to administrative services, fund accounting, shareholder servicing and distribution (including fees paid pursuant to 12b-1 plans). As part of this review, the Board considered information provided by an independent accounting firm engaged to review DeIM's cost allocation methodology and calculations. The Board concluded that the Portfolio's investment management fee schedule represented reasonable compensation in light of the costs incurred by DeIM and its affiliates in providing services to the Portfolio. The Board also reviewed information regarding the profitability of certain similar investment management firms. The Board noted that while information regarding the profitability of such firms is limited, Deutsche Asset Management's overall profitability with respect to the Scudder fund complex (after taking into account distribution and other services provided to the funds by DeIM and its affiliates) was lower than the overall profitability levels of most comparable firms for which such data was available.
- **The practices of DeIM regarding the selection and compensation of brokers and dealers executing portfolio transactions for the Portfolio, including DeIM's soft dollar practices.** In this regard, the Board observed that DeIM had voluntarily terminated the practice of allocating brokerage commissions to acquire research services from third-party service providers. The Board indicated that it would continue to monitor the allocation of the Portfolio's brokerage to ensure that the principle of "best price and execution" remains paramount in the portfolio trading process.

- **DeIM's commitment to and record of compliance, including its written compliance policies and procedures.** In this regard, the Board considered DeIM's commitment to indemnify the Portfolio against any costs and liabilities related to lawsuits or regulatory actions making allegations regarding market timing, revenue sharing, fund valuation or other subjects arising from or relating to pending regulatory inquiries. The Board also considered the significant attention and resources dedicated by DeIM to documenting and enhancing its compliance processes in recent years. The Board noted in particular (i) the experience and seniority of DeIM's chief compliance officer, who reports to the Board; (ii) the large number of compliance personnel who report to DeIM's chief compliance officer; and (iii) the substantial commitment of resources by Deutsche Asset Management to compliance matters.
- **Deutsche Bank's commitment to restructuring and growing its US mutual fund business.** The Board considered recent and ongoing efforts by Deutsche Bank to restructure its US mutual fund business to improve efficiency and competitiveness and to reduce compliance and operational risk. The Board considered assurances received from Deutsche Bank that it would commit the resources necessary to maintain high quality services to the Portfolio and its shareholders while various organizational initiatives are being implemented. The Board also considered Deutsche Bank's strategic plans for investing in the growth of its US mutual fund business, the potential benefits to Portfolio shareholders and Deutsche Bank's management of the DWS fund group, one of Europe's most successful fund groups.

Based on all of the foregoing, the Board determined to continue the Portfolio's current investment management agreement, and concluded that the continuation of such agreement was in the best interests of the Portfolio's shareholders.

In reaching this conclusion the Board did not give particular weight to any single factor identified above. The Board considered these factors over the course of numerous meetings, many of which were in executive session with only the Independent Trustees and their counsel present. It is possible that individual Trustees may have weighed these factors differently in reaching their individual decisions to approve the continuation of the current agreement.

DWS International VIP

The Portfolio's Trustees approved the continuation of the Portfolio's current investment management agreement with DeIM in September 2005.

In terms of the process the Trustees followed prior to approving the contract, shareholders should know that:

- At the present time, all of your Portfolio's Trustees — including the chair of the board — are independent of DeIM and its affiliates.
- The Trustees meet frequently to discuss fund matters. Each year, the Trustees dedicate part or all of several meetings to contract review matters.
- The Trustees regularly meet privately with their independent counsel (and, as needed, other advisors) to discuss contract review and other matters.

DeIM and its predecessors (Deutsche Bank acquired Scudder in 2002) have managed the Portfolio since inception, and the Trustees believe that a long-term relationship with a capable, conscientious advisor is in the best interest of shareholders. As you may know, DeIM is part of Deutsche Bank, a major global banking institution that is engaged in a wide range of financial services. The Trustees believe that there are significant advantages to being part of a global asset management business that offers a wide range of investing expertise and resources, including hundreds of portfolio managers and analysts with research capabilities in many countries throughout the world.

Shareholders may focus primarily on fund performance and fees, but the Portfolio's Trustees consider these and many other factors, including the quality and integrity of DeIM's personnel and such other issues as back-office operations, fund valuations, and compliance policies and procedures. The Trustees note approvingly that DeIM has worked with them to implement new, forward-looking policies and procedures in many important areas, such as those involving brokerage commissions and so-called "soft dollars," even when not obligated to do so by law or regulation.

In determining to approve the continuation of the Portfolio's current investment management agreement, the Board considered factors that it believes relevant to the interests of Portfolio shareholders, including:

- **The investment management fee schedule for the Portfolio, including (i) comparative information provided by Lipper regarding investment management fee rates paid to other investment advisors by similar funds and (ii) fee rates paid to DeIM by similar funds and institutional accounts advised by DeIM.** With respect to management fees paid to other investment advisors by similar funds, the Trustees noted that the fee rates paid by the Portfolio (Class A shares) were higher than the median (3rd quartile) of the applicable Lipper universe as of December 31, 2004. The Board gave only limited consideration to fees paid by similar institutional accounts advised by DeIM, in light of the material differences in the scope of services provided to mutual funds as compared to those provided to institutional accounts. Taking into account the foregoing, the Board concluded that the fee schedule in effect for the Portfolio represents reasonable compensation in light of the nature, extent and quality of the investment services being provided to the Portfolio.

- **The extent to which economies of scale would be realized as the Portfolio grows.** In this regard, the Board noted that the Portfolio's investment management fee schedule includes fee breakpoints. The Board concluded that the Portfolio's fee schedule represents an appropriate sharing between Portfolio shareholders and DeIM of such economies of scale as may exist in the management of the Portfolio at current asset levels.

- **The total operating expenses of the Portfolio, including relative to the Portfolio's peer group as determined by Lipper.** In this regard, the Board noted that the total expenses of the Portfolio (Class A shares) for the year ending December 31, 2004 were higher than the median (4th quartile) of the applicable Lipper universe. The Board also considered that the various expense limitations agreed to by DeIM effectively limit the ability of the Portfolio to experience a material increase in total expenses prior to the Board's next annual review of the Portfolio's contractual arrangements, and also serve to ensure that the Portfolio's total operating expenses would be competitive relative to the applicable Lipper universe.

- **The investment performance of the Portfolio and DeIM, both absolute and relative to various benchmarks and industry peer groups.** The Board noted that for the one-, three- and five-year periods ended June 30, 2005, the Portfolio's performance (Class A shares) was in the 2nd quartile, 4th quartile and 4th quartile, respectively, of the applicable Lipper universe. The Board also observed that the Portfolio has outperformed its benchmark in the one-year period ended June 30, 2005 and underperformed its benchmark in the three- and five-year periods ended June 30, 2005. The Board recognized that DeIM has made significant changes in its investment personnel and processes in recent years in an effort to improve long-term performance.

- **The nature, extent and quality of the advisory services provided by DeIM.** The Board considered extensive information regarding DeIM, including DeIM's personnel (including particularly those personnel with responsibilities for providing services to the Portfolio), resources, policies and investment processes. The Board also considered the terms of the current investment management agreement, including the scope of services provided under the agreement. In this regard, the Board concluded that the quality and range of services provided by DeIM have benefited and should continue to benefit the Portfolio and its shareholders.

- **The costs of the services to, and profits realized by, DeIM and its affiliates from their relationships with the Portfolio.** The Board reviewed information concerning the costs incurred and profits realized by DeIM during 2004 from providing investment management services to the Portfolio (and, separately, to the entire Scudder fund complex), and reviewed with DeIM the cost allocation methodology used to determine DeIM's profitability. In analyzing DeIM's costs and profits, the Board also reviewed the fees paid to and services provided by DeIM and its affiliates with respect to administrative services, fund accounting, shareholder servicing and distribution (including fees paid pursuant to 12b-1 plans). As part of this review, the Board considered information provided by an independent accounting firm engaged to review DeIM's cost allocation methodology and calculations. The Board concluded that the Portfolio's investment management fee schedule represented reasonable compensation in light of the costs incurred by DeIM and its affiliates in providing services to the Portfolio. The Board also reviewed information regarding the profitability of certain similar investment management firms. The Board noted that while information regarding the profitability of such firms is limited, Deutsche Asset Management's overall profitability with respect to the Scudder fund complex (after taking into account distribution and other services provided to the funds by DeIM and its affiliates) was lower than the overall profitability levels of most comparable firms for which such data was available.

- **The practices of DeIM regarding the selection and compensation of brokers and dealers executing portfolio transactions for the Portfolio, including DeIM's soft dollar practices.** In this regard, the Board observed that DeIM had voluntarily terminated the practice of allocating brokerage commissions to acquire research services from third-party service providers. The Board indicated that it would continue to monitor the allocation of the Portfolio's brokerage to ensure that the principle of "best price and execution" remains paramount in the portfolio trading process.
- **DeIM's commitment to and record of compliance, including its written compliance policies and procedures.** In this regard, the Board considered DeIM's commitment to indemnify the Portfolio against any costs and liabilities related to lawsuits or regulatory actions making allegations regarding market timing, revenue sharing, fund valuation or other subjects arising from or relating to pending regulatory inquiries. The Board also considered the significant attention and resources dedicated by DeIM to documenting and enhancing its compliance processes in recent years. The Board noted in particular (i) the experience and seniority of DeIM's chief compliance officer, who reports to the Board; (ii) the large number of compliance personnel who report to DeIM's chief compliance officer; and (iii) the substantial commitment of resources by Deutsche Asset Management to compliance matters.
- **Deutsche Bank's commitment to restructuring and growing its US mutual fund business.** The Board considered recent and ongoing efforts by Deutsche Bank to restructure its US mutual fund business to improve efficiency and competitiveness and to reduce compliance and operational risk. The Board considered assurances received from Deutsche Bank that it would commit the resources necessary to maintain high quality services to the Portfolio and its shareholders while various organizational initiatives are being implemented. The Board also considered Deutsche Bank's strategic plans for investing in the growth of its US mutual fund business, the potential benefits to Portfolio shareholders and Deutsche Bank's management of the DWS fund group, one of Europe's most successful fund groups.

Based on all of the foregoing, the Board determined to continue the Portfolio's current investment management agreement, and concluded that the continuation of such agreement was in the best interests of the Portfolio's shareholders.

In reaching this conclusion the Board did not give particular weight to any single factor identified above. The Board considered these factors over the course of numerous meetings, many of which were in executive session with only the Independent Trustees and their counsel present. It is possible that individual Trustees may have weighed these factors differently in reaching their individual decisions to approve the continuation of the current agreement.

DWS Health Care VIP

The Portfolio's Trustees approved the continuation of the Portfolio's current investment management agreement with DeIM in September 2005.

In terms of the process the Trustees followed prior to approving the contract, shareholders should know that:

- At the present time, all of your Portfolio's Trustees — including the chair of the board — are independent of DeIM and its affiliates.
- The Trustees meet frequently to discuss fund matters. Each year, the Trustees dedicate part or all of several meetings to contract review matters.
- The Trustees regularly meet privately with their independent counsel (and, as needed, other advisors) to discuss contract review and other matters.

DeIM and its predecessors (Deutsche Bank acquired Scudder in 2002) have managed the Portfolio since inception, and the Trustees believe that a long-term relationship with a capable, conscientious advisor is in the best interest of shareholders. As you may know, DeIM is part of Deutsche Bank, a major global banking institution that is engaged in a wide range of financial services. The Trustees believe that there are significant advantages to being part of a global asset management business that offers a wide range of investing expertise and resources, including hundreds of portfolio managers and analysts with research capabilities in many countries throughout the world.

Shareholders may focus primarily on fund performance and fees, but the Portfolio's Trustees consider these and many other factors, including the quality and integrity of DeIM's personnel and such other issues as back-office operations, fund valuations, and compliance policies and procedures. The Trustees note approvingly that DeIM has worked with them to implement new, forward-looking policies and procedures in many important areas, such as those involving brokerage commissions and so-called "soft dollars," even when not obligated to do so by law or regulation.

In determining to approve the continuation of the Portfolio's current investment management agreement, the Board considered factors that it believes relevant to the interests of Portfolio shareholders, including:

- **The investment management fee schedule for the Portfolio, including (i) comparative information provided by Lipper regarding investment management fee rates paid to other investment advisors by similar funds and (ii) fee rates paid to DeIM by similar funds and institutional accounts advised by DeIM.** With respect to management fees paid to other investment advisors by similar funds, the Trustees noted that the fee rates paid by the Portfolio (Class A shares) were lower than the median (2nd quartile) of the applicable Lipper universe as of December 31, 2004. The Board gave only limited consideration to fees paid by similar institutional accounts advised by DeIM, in light of the material differences in the scope of services provided to mutual funds as compared to those provided to institutional accounts. Taking into account the foregoing, the Board concluded that the fee schedule in effect for the Portfolio represents reasonable compensation in light of the nature, extent and quality of the investment services being provided to the Portfolio.

- **The extent to which economies of scale would be realized as the Portfolio grows.** In this regard, the Board noted that the Portfolio's investment management fee schedule includes fee breakpoints. The Board concluded that the Portfolio's fee schedule represents an appropriate sharing between Portfolio shareholders and DeIM of such economies of scale as may exist in the management of the Portfolio at current asset levels.

- **The total operating expenses of the Portfolio, including relative to the Portfolio's peer group as determined by Lipper.** In this regard, the Board noted that the total expenses of the Portfolio (Class A shares) for the year ending December 31, 2004 were lower than the median (1st quartile) of the applicable Lipper universe. The Board also considered that the various expense limitations agreed to by DeIM effectively limit the ability of the Portfolio to experience a material increase in total expenses prior to the Board's next annual review of the Portfolio's contractual arrangements, and also serve to ensure that the Portfolio's total operating expenses would be competitive relative to the applicable Lipper universe.

- **The investment performance of the Portfolio and DeIM, both absolute and relative to various benchmarks and industry peer groups.** The Board noted that for the one- and three-year periods ended June 30, 2005, the Portfolio's performance (Class A shares) was in the 2nd quartile and 1st quartile, respectively, of the applicable Lipper universe. The Board also observed that the Portfolio has outperformed its benchmark in the three-year period ended June 30, 2005 and underperformed its benchmark in the one-year period ended June 30, 2005. The Board recognized that DeIM has made significant changes in its investment personnel and processes in recent years in an effort to improve long-term performance.

- **The nature, extent and quality of the advisory services provided by DeIM.** The Board considered extensive information regarding DeIM, including DeIM's personnel (including particularly those personnel with responsibilities for providing services to the Portfolio), resources, policies and investment processes. The Board also considered the terms of the current investment management agreement, including the scope of services provided under the agreement. In this regard, the Board concluded that the quality and range of services provided by DeIM have benefited and should continue to benefit the Portfolio and its shareholders.

- **The costs of the services to, and profits realized by, DeIM and its affiliates from their relationships with the Portfolio.** The Board reviewed information concerning the costs incurred and profits realized by DeIM during 2004 from providing investment management services to the Portfolio (and, separately, to the entire Scudder fund complex), and reviewed with DeIM the cost allocation methodology used to determine DeIM's profitability. In analyzing DeIM's costs and profits, the Board also reviewed the fees paid to and services provided by DeIM and its affiliates with respect to administrative services, fund accounting, shareholder servicing and distribution (including fees paid pursuant to 12b-1 plans). As part of this review, the Board considered information provided by an independent accounting firm engaged to review DeIM's cost allocation methodology and calculations. The Board concluded that the Portfolio's investment management fee schedule represented reasonable compensation in light of the costs incurred by DeIM and its affiliates in providing services to the Portfolio. The Board also reviewed information regarding the profitability of certain similar investment management firms. The Board noted that while information regarding the profitability of such firms is limited, Deutsche Asset Management's overall profitability with respect to the Scudder fund complex (after taking into account distribution and other services provided to the funds by DeIM and its affiliates) was lower than the overall profitability levels of most comparable firms for which such data was available.

- **The practices of DeIM regarding the selection and compensation of brokers and dealers executing portfolio transactions for the Portfolio, including DeIM's soft dollar practices.** In this regard, the Board observed that DeIM had voluntarily terminated the practice of allocating brokerage commissions to acquire research services from third-party service providers. The Board indicated that it would continue to monitor the allocation of the Portfolio's brokerage to ensure that the principle of "best price and execution" remains paramount in the portfolio trading process.
- **DeIM's commitment to and record of compliance, including its written compliance policies and procedures.** In this regard, the Board considered DeIM's commitment to indemnify the Portfolio against any costs and liabilities related to lawsuits or regulatory actions making allegations regarding market timing, revenue sharing, fund valuation or other subjects arising from or relating to pending regulatory inquiries. The Board also considered the significant attention and resources dedicated by DeIM to documenting and enhancing its compliance processes in recent years. The Board noted in particular (i) the experience and seniority of DeIM's chief compliance officer, who reports to the Board; (ii) the large number of compliance personnel who report to DeIM's chief compliance officer; and (iii) the substantial commitment of resources by Deutsche Asset Management to compliance matters.
- **Deutsche Bank's commitment to restructuring and growing its US mutual fund business.** The Board considered recent and ongoing efforts by Deutsche Bank to restructure its US mutual fund business to improve efficiency and competitiveness and to reduce compliance and operational risk. The Board considered assurances received from Deutsche Bank that it would commit the resources necessary to maintain high quality services to the Portfolio and its shareholders while various organizational initiatives are being implemented. The Board also considered Deutsche Bank's strategic plans for investing in the growth of its US mutual fund business, the potential benefits to Portfolio shareholders and Deutsche Bank's management of the DWS fund group, one of Europe's most successful fund groups.

Based on all of the foregoing, the Board determined to continue the Portfolio's current investment management agreement, and concluded that the continuation of such agreement was in the best interests of the Portfolio's shareholders.

In reaching this conclusion the Board did not give particular weight to any single factor identified above. The Board considered these factors over the course of numerous meetings, many of which were in executive session with only the Independent Trustees and their counsel present. It is possible that individual Trustees may have weighed these factors differently in reaching their individual decisions to approve the continuation of the current agreement.

Trustees and Officers

The following table presents certain information regarding the Trustees and Officers of the fund as of December 31, 2005. Each individual's year of birth is set forth in parentheses after his or her name. Unless otherwise noted, (i) each individual has engaged in the principal occupation(s) noted in the table for at least the most recent five years, although not necessarily in the same capacity, and (ii) the address of each Trustee is c/o Dawn-Marie Driscoll, PO Box 100176, Cape Coral, FL 33904. Unless otherwise indicated, the address of each Officer is Two International Place, Boston, Massachusetts 02110. The term of office for each Trustee is until the next meeting of shareholders called for the purpose of electing Trustees and until the election and qualification of a successor, or until such Trustee sooner dies, resigns, retires or is removed as provided in the governing documents of the fund. Because the fund does not hold an annual meeting of shareholders, each Trustee will hold office for an indeterminate period. The Trustees of the fund may also serve in similar capacities with other funds in the fund complex.

Independent Trustees

Name, Year of Birth, Position(s) Held with the Fund and Length of Time Served[1]	Principal Occupation(s) During Past 5 Years and Other Directorships Held	Number of Funds in Fund Complex Overseen
Dawn-Marie Driscoll (1946) Chairman, 2004–present Trustee, 1987–present	President, Driscoll Associates (consulting firm); Executive Fellow, Center for Business Ethics, Bentley College; formerly, Partner, Palmer & Dodge (1988–1990); Vice President of Corporate Affairs and General Counsel, Filene's (1978–1988). Directorships: Advisory Board, Center for Business Ethics, Bentley College; Board of Governors, Investment Company Institute; Member, Executive Committee of the Independent Directors Council of the Investment Company Institute, Southwest Florida Community Foundation (charitable organization)	41
Henry P. Becton, Jr. (1943) Trustee, 1990–present	President, WGBH Educational Foundation. Directorships: Becton Dickinson and Company (medical technology company); The A.H. Belo Company (media company); Concord Academy; Boston Museum of Science; Public Radio International. Former Directorships: American Public Television; New England Aquarium; Mass. Corporation for Educational Telecommunications; Committee for Economic Development; Public Broadcasting Service	41
Keith R. Fox (1954) Trustee, 1996–present	Managing General Partner, Exeter Capital Partners (private equity funds). Directorships: Progressive Holding Corporation (kitchen importer and distributor); Cloverleaf Transportation Inc. (trucking); Natural History, Inc. (magazine publisher); Box Top Media Inc. (advertising)	41
Kenneth C. Froewiss (1945) Trustee 2005–present	Clinical Professor of Finance, NYU Stern School of Business; Director, Scudder Global High Income Fund, Inc. (since 2001), Scudder Global Commodities Stock Fund, Inc. (since 2004), Scudder New Asia Fund, Inc. (since 1999), The Brazil Fund, Inc. (since 2000) and The Korea Fund, Inc. (since 2000); Member, Finance Committee, Association for Asian Studies (2002-present); Director, Mitsui Sumitomo Insurance Group (US) (2004–present); prior thereto, Managing Director, J.P. Morgan (investment banking firm) (until 1996)	46
Jean Gleason Stromberg (1943) Trustee, 1999–present	Retired. Formerly, Consultant (1997–2001); Director, US Government Accountability Office (1996–1997); Partner, Fulbright & Jaworski, L.L.P. (law firm) (1978–1996). Directorships: The William and Flora Hewlett Foundation; Service Source, Inc.; DWS Global High Income Fund, Inc. (since October 2005), DWS Global Commodities Stock Fund, Inc. (since October 2005); Former Directorships: Mutual Fund Directors Forum (2002–2004), American Bar Retirement Association (funding vehicle for retirement plans) (1987–1990 and 1994–1996)	41
Carl W. Vogt (1936) Trustee, 2002–present	Senior Partner, Fulbright & Jaworski, L.L.P. (law firm); formerly, President (interim) of Williams College (1999–2000); President, certain funds in the Deutsche Asset Management Family of Funds (formerly, Flag Investors Family of Funds) (registered investment companies) (1999–2000). Directorships: Yellow Corporation (trucking); American Science & Engineering (x-ray detection equipment); ISI Family of Funds (registered investment companies, 4 funds overseen); National Railroad Passenger Corporation (Amtrak); formerly, Chairman and Member, National Transportation Safety Board	41

Officers[2]

Name, Year of Birth, Position(s) Held with the Fund and Length of Time Served[1]	Principal Occupation(s) During Past 5 Years and Other Directorships Held
Vincent J. Esposito[4] (1956) President, 2005–present	Managing Director[3], Deutsche Asset Management (since 2003); President and Chief Executive Officer of The Central Europe and Russia Fund, Inc., The European Equity Fund, Inc., The New Germany Fund, Inc. (since 2003) (registered investment companies); Vice Chairman and Director of The Brazil Fund, Inc. (2004–present); formerly, Managing Director, Putnam Investments (1991–2002)
John Millette (1962) Vice President and Secretary, 1999–present	Director[3], Deutsche Asset Management
Paul H. Schubert[4] (1963) Chief Financial Officer, 2004–present Treasurer, since 2005	Managing Director[3], Deutsche Asset Management (since July 2004); formerly, Executive Director, Head of Mutual Fund Services and Treasurer for UBS Family of Funds (1998-2004); Vice President and Director of Mutual Fund Finance at UBS Global Asset Management (1994-1998)

Name, Year of Birth, Position(s) Held with the Fund and Length of Time Served[1]	Principal Occupation(s) During Past 5 Years and Other Directorships Held
Patricia DeFilippis[4] (1963) Assistant Secretary, 2005–present	Vice President[3], Deutsche Asset Management (since June 2005); Counsel, New York Life Investment Management LLC (2003–2005); legal associate, Lord, Abbett & Co. LLC (1998–2003)
Elisa D. Metzger (1962) Assistant Secretary 2005–present	Director[3], Deutsche Asset Management (since September 2005); Counsel, Morrison and Foerster LLP (1999–2005)
Caroline Pearson (1962) Assistant Secretary, 1997–present	Managing Director[3], Deutsche Asset Management
Scott M. McHugh (1971) Assistant Treasurer, 2005–present	Director[3], Deutsche Asset Management
Kathleen Sullivan D'Eramo (1957) Assistant Treasurer, 2003–present	Director[3], Deutsche Asset Management
John Robbins[4] (1966) Anti-Money Laundering Compliance Officer, 2005–present	Managing Director[3], Deutsche Asset Management (since 2005); formerly, Chief Compliance Officer and Anti-Money Laundering Compliance Officer for GE Asset Management (1999–2005)
Philip Gallo[4] (1962) Chief Compliance Officer, 2004–present	Managing Director[3], Deutsche Asset Management (2003–present); formerly, Co-Head of Goldman Sachs Asset Management Legal (1994–2003)
A. Thomas Smith[4] (1956) Chief Legal Officer, since 2005	Managing Director[3], Deutsche Asset Management (2004–present); formerly, General Counsel, Morgan Stanley and Van Kampen and Investments (1999–2004); Vice President and Associate General Counsel, New York Life Insurance Company (1994–1999); senior attorney, The Dreyfus Corporation (1991–1993); senior attorney, Willkie Farr & Gallagher (1989–1991); staff attorney, US Securities & Exchange Commission and the Illinois Securities Department (1986–1989)

1 *Length of time served represents the date that each Trustee was first elected to the common board of Trustees which oversees a number of investment companies, including the fund, managed by the Advisor. For the Officers of the fund, the length of time served represents the date that each officer was first elected to serve as an officer of any fund overseen by the aforementioned common board of Trustees.*

2 *As a result of their respective positions held with the Advisor, these individuals are considered "interested persons" of the Advisor within the meaning of the 1940 Act. Interested persons receive no compensation from the funds.*

3 *Executive title, not a board directorship*

4 *Address: 345 Park Avenue, New York, New York 10154*

5 *Address: One South Street, Baltimore, Maryland 21202*

The fund's Statement of Additional Information ("SAI") includes additional information about the Trustees. The SAI is available, without charge, upon request. If you would like to request a copy of the SAI, you may do so by calling the following toll-free number: 1-800-SCUDDER.

Notes

About the Series' Advisor

DWS Scudder is part of Deutsche Asset Management, which is the marketing name in the US for the asset management activities of Deutsche Bank AG, Deutsche Bank Trust Company Americas, Deutsche Asset Management, Inc., Deutsche Investment Management Americas Inc. and DWS Trust Company.

The views expressed in this report reflect those of the portfolio managers only through the end of the period of the report as stated on the cover. The managers' views are subject to change at any time based on market and other conditions and should not be construed as a recommendation.

This information must be preceded or accompanied by a current prospectus.

Portfolio changes should not be considered recommendations for action by individual investors.

DWS Scudder Distributors, Inc.
222 South Riverside Plaza
Chicago, IL 60606
(800) 778-1482

VS1-V-2 (2/06)

DWS
SCUDDER
Deutsche Bank Group

DECEMBER 31, 2005

ANNUAL REPORT

DWS VARIABLE SERIES II

(formerly Scudder Variable Series II)

DWS Balanced VIP

DWS Blue Chip VIP

DWS Core Fixed Income VIP

DWS Davis Venture Value VIP

DWS Dreman Financial Services VIP

DWS Dreman High Return Equity VIP

DWS Dreman Small Cap Value VIP

DWS Global Thematic VIP

DWS Government & Agency Securities VIP

DWS High Income VIP

DWS International Select Equity VIP

DWS Janus Growth & Income VIP

DWS Janus Growth Opportunities VIP

DWS Large Cap Value VIP

DWS Mid Cap Growth VIP

DWS Money Market VIP

DWS Oak Strategic Equity VIP

DWS Salomon Aggressive Growth VIP

DWS Small Cap Growth VIP

DWS Strategic Income VIP

DWS Technology VIP

DWS Turner Mid Cap Growth VIP

ONE GLOBAL FORCE. ONE FOCUS. YOU.

DWS SCUDDER

Deutsche Bank Group

Contents

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

This report must be preceded or accompanied by a prospectus. To obtain a prospectus, call (800) 778-1482 or your financial representative. We advise you to carefully consider the product's objectives, risks, charges and expenses before investing. The prospectus contains this and other important information about the product. Please read the prospectus carefully before you invest.

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

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

DWS Scudder is part of Deutsche Asset Management, which is the marketing name in the US for the asset management activities of Deutsche Bank AG, Deutsche Bank Trust Company Americas, Deutsche Asset Management, Inc., Deutsche Investment Management Americas Inc. and DWS Trust Company.

Effective October 28, 2005, Scudder Aggressive Growth Portfolio changed its name to Scudder Mid Cap Growth Portfolio, and effective August 1, 2005, SVS INVESCO Dynamic Growth Portfolio changed its name to Scudder Salomon Aggressive Growth Portfolio.

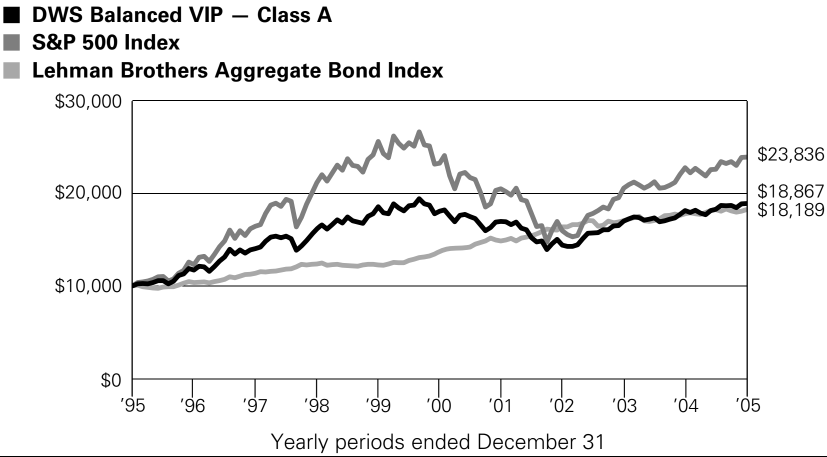
DWS Balanced VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

The Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. The Portfolio also invests in individual bonds whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Bond investments are subject to interest-rate risk such that when interest rates rise, the prices of the bonds, and thus the value of the bond portfolio, can decline and the investor can lose principal value. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

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

Growth of an Assumed $10,000 Investment in DWS Balanced VIP from 12/31/1995 to 12/31/2005



The Standard & Poor's (S&P) 500 Index is an unmanaged capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The Lehman Brothers Aggregate Bond Index is an unmanaged market value-weighted measure of treasury issues, agency issues, corporate and issues and mortgage securities.

Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Balanced VIP		1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$10,430	$13,136	$10,464	$18,867
	Average annual total return	4.30%	9.52%	.91%	6.55%
S&P 500 Index	Growth of $10,000	$10,491	$14,970	$10,275	$23,836
	Average annual total return	4.91%	14.39%	.54%	9.07%
Lehman Brothers Aggregate Bond Index	Growth of $10,000	$10,243	$11,126	$13,303	$18,189
	Average annual total return	2.43%	3.62%	5.87%	6.16%

DWS Balanced VIP		1-Year	3-Year	Life of Class*
Class B	Growth of $10,000	$10,390	$12,991	$12,444
	Average annual total return	3.90%	9.11%	6.45%
S&P 500 Index	Growth of $10,000	$10,491	$14,970	$13,428
	Average annual total return	4.91%	14.39%	8.79%
Lehman Brothers Aggregate Bond Index	Growth of $10,000	$10,243	$11,126	$11,819
	Average annual total return	2.43%	3.62%	4.89%

The growth of $10,000 is cumulative.

* *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.*

Information About Your Portfolio's Expenses

DWS Balanced VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include sales charges (loads), redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Advisor limited these expenses, had they not done so, expenses would have been higher. The tables are based on an investment of $1,000 made at the beginning of the six-month period ended December 31, 2005.

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

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

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

Expenses and Value of a $1,000 Investment for the six months ended December 31, 2005

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,035.00	$1,033.20
Expenses Paid per $1,000*	$ 2.62	$ 4.56

Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,022.63	$1,020.72
Expenses Paid per $1,000*	$ 2.60	$ 4.53

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

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Balanced VIP	.51%	.89%

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

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

DWS Balanced VIP

The US economy posted positive growth for all four quarters of 2005, with concerns about inflation and the sustainability of the economic expansion seeming to abate as the year progressed. All major asset classes — equities, bonds and cash — had positive returns for the year.

For the 12 months ended December 31, 2005, the return of DWS Balanced VIP (Class A shares, unadjusted for contract charges) was 4.30%. As expected, since this Portfolio invests in a blend of equity and bond securities, the Portfolio's return was between those of our major equity and bond benchmarks, the Standard & Poor's 500 (S&P 500) Index, which returned 4.91%, and the Lehman Brothers Aggregate Bond Index, with a return of 2.43%. The Portfolio's Lipper peer group of Balanced Funds had an average return of 4.69%.

During 2005, the Portfolio's asset allocation was close to the revised targets defined in the fourth quarter of 2004 for each of the major asset classes, which are large-cap growth, large-cap value, small cap, investment-grade bonds and high-yield bonds. Throughout the year, equities were overweight and bonds were underweight relative to the target allocations. For most of the year, large-cap growth stocks were the most tactically overweight asset class; this positioning contributed to performance. On balance, tactical asset allocations (that is, overweights or underweights of asset classes relative to the strategic targets) contributed marginally to performance.

Among the equity strategies, large-cap growth had an excellent year, largely because of an overweight in energy, which was the best-performing sector. The large-cap value portion of the Portfolio lagged, mainly because of an emphasis on high-quality large-cap stocks at a time that lower-quality mid-cap issues were performing better, and also because of an emphasis within the energy industry on large integrated oil companies, which performed well but not as well as oil service companies. The small-cap portion of the Portfolio also disappointed, with most of the underperformance occurring in the second half of the year when lower-quality stocks with little or no earnings rallied; this Portfolio's focus is on higher-quality issues. Performance of the high-yield bond portion of the fixed-income Portfolio was exceptionally strong. The core fixed-income sleeve also outperformed its benchmark, the Lehman Brothers Aggregate Bond Index.

Andrew P. Cestone
William Chepolis, CFA
Inna Okounkova
Thomas F. Sassi
Julie M. Van Cleave, CFA
Robert Wang
Portfolio Managers

Deutsche Investment Management Americas Inc.

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Risk Considerations

The Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. The Portfolio also invests in individual bonds whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Bond investments are subject to interest-rate risk such that when interest rates rise, the prices of the bonds, and thus the value of the bond portfolio, can decline and the investor can lose principal value. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Standard & Poor's 500 (S&P 500) Index is an unmanaged capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

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

Index returns assume reinvestment of all dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

The Lipper Balanced Fund category includes funds whose primary objective is to conserve principal by maintaining at all times a balanced portfolio of both stocks and bonds. Typically, the stock/bond ratio ranges around 60%/40%. It is not possible to invest directly in a Lipper category.

Portfolio management market commentary is as of December 31, 2005, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Balanced VIP

Asset Allocation (Excludes Securities Lending Collateral)	**12/31/05**	**12/31/04**
Common Stocks	58%	60%
Corporate Bonds	12%	11%
Commercial and Non-Agency Mortgage Backed Securities	7%	2%
Cash Equivalents	5%	3%
Collateralized Mortgage Obligations	5%	7%
US Treasury Obligations	3%	4%
Foreign Bonds — US$ Denominated	3%	5%
US Government Agency Sponsored Pass-Throughs	2%	1%
Asset Backed	2%	3%
Municipal Bonds and Notes	2%	2%
US Government Sponsored Agencies	1%	—
Foreign Bonds — Non US$ Denominated	—	1%
Government National Mortgage Association	—	1%
	100%	100%

Sector Diversification (As a % of Corporate Bonds and Foreign Bonds)	**12/31/05**	**12/31/04**
Financials	19%	19%
Information Technology	18%	19%
Consumer Discretionary	12%	12%
Energy	12%	9%
Health Care	12%	16%
Industrials	10%	11%
Consumer Staples	7%	8%
Materials	4%	4%
Utilities	3%	1%
Telecommunication Services	3%	1%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 7. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on the 15th of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

Investment Portfolio

December 31, 2005

DWS Balanced VIP

	Shares	Value ($)
Common Stocks 58.2%		
Consumer Discretionary 5.7%		
Auto Components 0.2%		
American Axle & Manufacturing Holdings, Inc.	20,800	381,264
ArvinMeritor, Inc.	24,500	352,555
CSK Auto Corp.*	23,200	349,856
Modine Manufacturing Co.	7,700	250,943
		1,334,618
Automobiles 0.3%		
Harley-Davidson, Inc.	34,000	**1,750,660**
Distributors 0.0%		
Audiovox Corp. "A"*	16,100	**223,146**
Diversified Consumer Services 0.1%		
Alderwoods Group, Inc.*	22,500	**357,075**
Hotels Restaurants & Leisure 0.4%		
Ameristar Casinos, Inc.	15,000	340,500
CKE Restaurants, Inc.	15,200	205,352
Luby's, Inc.*	9,700	129,010
MTR Gaming Group, Inc.*	4,600	47,886
Multimedia Games, Inc.*	27,900	258,075
RARE Hospitality International, Inc.*	12,800	388,992
Starbucks Corp.*	48,900	1,467,489
		2,837,304
Household Durables 0.2%		
American Woodmark Corp.	9,600	237,984
Fortune Brands, Inc.	17,000	1,326,340
		1,564,324
Internet & Catalog Retail 0.3%		
Blair Corp.	400	15,576
eBay, Inc.*	41,800	1,807,850
Stamps.com, Inc.*	7,400	169,904
		1,993,330
Leisure Equipment & Products 0.0%		
JAKKS Pacific, Inc.*	12,400	**259,656**
Media 0.9%		
LodgeNet Entertainment Corp.*	1,400	19,516
McGraw-Hill Companies, Inc.	52,100	2,689,923
Mediacom Communications Corp. "A"*	50,000	274,500
Omnicom Group, Inc.	28,700	2,443,231
Playboy Enterprises, Inc. "B"*	6,800	94,452
Sinclair Broadcast Group, Inc. "A"	36,400	334,880
		5,856,502
Multiline Retail 1.2%		
Federated Department Stores, Inc.	16,000	1,061,280
Kohl's Corp.*	71,600	3,479,760
Target Corp.	60,300	3,314,691
The Bon-Ton Stores, Inc.	10,900	208,517
		8,064,248
Specialty Retail 2.0%		
Bed Bath & Beyond, Inc.*	21,600	780,840
Cato Corp. "A"	3,550	76,147
Charming Shoppes, Inc.*	26,100	344,520
Home Depot, Inc.	12,200	493,856
Jos. A. Bank Clothiers, Inc.*	7,100	308,211
Limited Brands, Inc.	85,400	1,908,690
Lowe's Companies, Inc.	48,300	3,219,678
Pacific Sunwear of California, Inc.*	16,700	416,164
Payless ShoeSource, Inc.*	16,800	421,680
Select Comfort Corp.*	11,400	311,790
Staples, Inc.	79,000	1,794,090
TJX Companies, Inc.	163,500	3,798,105
Trans World Entertainment Corp.*	21,000	119,700
		13,993,471
Textiles, Apparel & Luxury Goods 0.1%		
Guess?, Inc.*	7,400	263,440
Steven Madden Ltd.	12,500	365,375
		628,815
Consumer Staples 4.8%		
Beverages 0.8%		
Diageo PLC	50,394	730,472
PepsiCo, Inc.	77,080	4,553,887
		5,284,359
Food & Staples Retailing 1.0%		
Casey's General Stores, Inc.	9,300	230,640
Longs Drug Stores Corp.	9,400	342,066
Nash-Finch Co.	8,100	206,388
Pantry, Inc.*	6,200	291,338
Wal-Mart Stores, Inc.	61,600	2,882,880
Walgreen Co.	60,600	2,682,156
		6,635,468
Food Products 1.4%		
Chiquita Brands International, Inc.	17,000	340,170
Dean Foods Co.*	28,400	1,069,544
General Mills, Inc.	50,400	2,485,728
Kellogg Co.	39,200	1,694,224
Ralcorp Holdings, Inc.*	5,600	223,496
Sanderson Farms, Inc.	10,100	308,353
Seaboard Corp.	100	151,100
The Hershey Co.	23,100	1,276,275
Unilever NV (NY Shares)	28,500	1,956,525
		9,505,415
Household Products 1.6%		
Colgate-Palmolive Co.	67,700	3,713,345
Kimberly-Clark Corp.	54,800	3,268,820
Procter & Gamble Co.	70,300	4,068,964
		11,051,129
Personal Products 0.0%		
USANA Health Sciences, Inc.*	7,000	**268,520**
Energy 7.9%		
Energy Equipment & Services 2.1%		
Baker Hughes, Inc.	79,100	4,807,698
Crosstex Energy, Inc.	600	37,836
Halliburton Co.	43,300	2,682,868
Noble Corp.	13,000	917,020
Parker Drilling Co.*	5,900	63,897

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

	Shares	Value ($)
Schlumberger Ltd.	32,900	3,196,235
Transocean, Inc.*	42,830	2,984,823
		14,690,377
Oil, Gas & Consumable Fuels 5.8%		
Berry Petroleum Co. "A"	700	40,040
BP PLC (ADR)	44,800	2,877,056
Cabot Oil & Gas Corp.	10,400	469,040
Chevron Corp.	78,400	4,450,768
Comstock Resources, Inc.*	10,900	332,559
ConocoPhillips	84,940	4,941,809
Devon Energy Corp.	59,400	3,714,876
Energy Partners Ltd.*	14,800	322,492
EOG Resources, Inc.	51,000	3,741,870
ExxonMobil Corp.	118,700	6,667,379
Frontier Oil Corp.	9,500	356,535
Giant Industries, Inc.*	5,100	264,996
Harvest Natural Resources, Inc.*	26,100	231,768
KCS Energy, Inc.*	12,200	295,484
Marathon Oil Corp.	41,100	2,505,867
Penn Virginia Corp.	6,700	384,580
PetroChina Co., Ltd. (ADR)	9,600	786,816
PetroQuest Energy, Inc.*	25,800	213,624
Remington Oil & Gas Corp.*	3,300	120,450
Royal Dutch Shell PLC "A" (ADR)	42,000	2,582,580
Swift Energy Co.*	8,700	392,109
Valero Energy Corp.	48,600	2,507,760
XTO Energy, Inc.	37,766	1,659,438
		39,859,896

Financials 9.7%

	Shares	Value ($)
Banks 4.0%		
AmSouth Bancorp.	89,600	2,348,416
BancFirst Corp.	600	47,400
Bank of America Corp.	160,400	7,402,460
Center Financial Corp.	15,900	400,044
City Holding Co.	3,700	133,015
Corus Bankshares, Inc.	2,200	123,794
CVB Financial Corp.	3,775	76,670
Fidelity Bancshares, Inc.	5,350	174,945
First Community Bancorp.	4,200	228,354
First Niagara Financial Group, Inc.	4,400	63,668
First Place Financial Corp.	1,100	26,455
FirstFed Financial Corp.*	3,100	169,012
Fremont General Corp.	16,100	374,003
Frontier Financial Corp.	2,050	65,600
Hanmi Financial Corp.	11,000	196,460
Macatawa Bank Corp.	900	32,742
Midwest Banc Holdings, Inc.	4,400	97,900
Oriental Financial Group, Inc.	31,400	388,104
Pacific Capital Bancorp.	3,200	113,856
PFF Bancorp., Inc.	4,450	135,814
PNC Financial Services Group, Inc.	35,000	2,164,050
Prosperity Bancshares, Inc.	8,500	244,290
Republic Bancorp., Inc.	450	5,355
Sterling Bancshares, Inc.	21,400	330,416
SunTrust Banks, Inc.	17,900	1,302,404
SVB Financial Group*	10,700	501,188
TierOne Corp.	7,600	223,516
Umpqua Holdings Corp.	1,000	28,530
US Bancorp.	57,300	1,712,697
Wachovia Corp.	78,900	4,170,654
Wells Fargo & Co.	60,800	3,820,064
West Coast Bancorp.	1,700	44,965
WSFS Financial Corp.	3,800	232,750
		27,379,591
Capital Markets 1.7%		
Bear Stearns Companies, Inc.	16,400	1,894,692
Investment Technology Group, Inc.*	9,300	329,592
Lehman Brothers Holdings, Inc.	18,000	2,307,060
Merrill Lynch & Co., Inc.	40,900	2,770,157
Morgan Stanley	32,500	1,844,050
Piper Jaffray Companies, Inc.*	12,400	500,960
The Goldman Sachs Group, Inc.	15,100	1,928,421
		11,574,932
Consumer Finance 0.3%		
American Express Co.	32,400	**1,667,304**
Diversified Financial Services 1.9%		
Apollo Investment Corp.	6,060	108,656
Citigroup, Inc.	118,732	5,762,064
CompuCredit Corp.*	7,100	273,208
Freddie Mac	33,200	2,169,620
JPMorgan Chase & Co.	111,100	4,409,559
Partners Trust Financial Group, Inc.	14,800	178,340
Santander BanCorp	3,000	75,360
TNS, Inc.*	13,600	260,848
		13,237,655
Insurance 1.2%		
AFLAC, Inc.	81,800	3,797,156
American International Group, Inc.	50,400	3,438,792
Bristol West Holdings, Inc.	6,100	116,083
Navigators Group, Inc.*	6,700	292,187
Tower Group, Inc.	22,500	494,550
Zenith National Insurance Corp.	3,000	138,360
		8,277,128
Real Estate 0.6%		
Brandywine Realty Trust (REIT)	7,000	195,370
Colonial Properties Trust (REIT)	4,700	197,306
Commercial Net Lease Realty (REIT)	9,100	185,367
Corporate Office Properties Trust (REIT)	4,900	174,146
Cousins Properties, Inc. (REIT)	5,700	161,310
EastGroup Properties, Inc. (REIT)	1,500	67,740
FelCor Lodging Trust, Inc. (REIT)	12,000	206,520
First Industrial Realty Trust, Inc. (REIT)	3,100	119,350
Glenborough Realty Trust, Inc. (REIT)	4,000	72,400
Glimcher Realty Trust (REIT)	3,800	92,416
Heritage Property Investment Trust (REIT)	4,900	163,660
Highwoods Properties, Inc. (REIT)	7,500	213,375
Home Properties, Inc. (REIT)	4,500	183,600
Jones Lang LaSalle, Inc. (REIT)	8,800	443,080
Kilroy Realty Corp. (REIT)	2,800	173,320
Lexington Corporate Properties Trust (REIT)	10,100	215,130
LTC Properties, Inc. (REIT)	1,300	27,339
Maguire Properties, Inc. (REIT)	200	6,180
Nationwide Health Properties, Inc. (REIT)	10,300	220,420
Newcastle Investment Corp. (REIT)	6,300	156,555
OMEGA Healthcare Investors, Inc. (REIT)	2,500	31,475
Parkway Properties, Inc. (REIT)	3,600	144,504

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

	Shares	Value ($)
Pennsylvania Real Estate Investment Trust (REIT)	2,900	108,344
Senior Housing Properties Trust (REIT)	11,700	197,847
Sun Communities, Inc. (REIT)	1,600	50,240
Taubman Centers, Inc. (REIT)	4,100	142,475
Town & Country Trust (REIT)	1,200	40,572
Urstadt Biddle Properties "A" (REIT)	1,200	19,452
Washington Real Estate Investment Trust (REIT)	7,500	227,625
		4,237,118
Health Care 8.1%		
Biotechnology 1.8%		
Albany Molecular Research, Inc.*	21,500	261,225
Alkermes, Inc.*	17,900	342,248
Amgen, Inc.*	30,300	2,389,458
Digene Corp.*	7,900	230,443
Genentech, Inc.*	56,300	5,207,750
Geron Corp.*	19,800	170,478
Gilead Sciences, Inc.*	66,700	3,510,421
ImmunoGen, Inc.*	32,000	164,160
		12,276,183
Health Care Equipment & Supplies 2.0%		
Align Technology, Inc.*	32,700	211,569
Alliance Imaging, Inc.*	35,600	211,820
American Medical Systems Holdings, Inc.*	18,800	335,204
Baxter International, Inc.	119,600	4,502,940
Boston Scientific Corp.*	46,700	1,143,683
C.R. Bard, Inc.	18,700	1,232,704
Cypress Bioscience, Inc.*	28,700	165,886
DJ Orthopedics, Inc.*	3,000	82,740
Integra LifeSciences Holdings*	9,300	329,778
Medtronic, Inc.	47,000	2,705,790
Mentor Corp.	7,400	340,992
Vital Images, Inc.*	6,900	180,435
Zimmer Holdings, Inc.*	38,600	2,603,184
		14,046,725
Health Care Providers & Services 1.3%		
Chemed Corp.	5,200	258,336
CorVel Corp.*	15,900	301,941
LCA-Vision, Inc.	800	38,008
Magellan Health Services, Inc.*	11,600	364,820
MedCath Corp.*	12,500	231,875
Odyssey HealthCare, Inc.*	14,200	264,688
Pediatrix Medical Group, Inc.*	4,200	371,994
Per-Se Technologies, Inc.*	11,900	277,984
United Surgical Partners International, Inc.*	10,300	331,145
UnitedHealth Group, Inc.	100,100	6,220,214
		8,661,005
Pharmaceuticals 3.0%		
Abbott Laboratories	152,400	6,009,132
Alpharma, Inc. "A"	10,000	285,100
Bentley Pharmaceuticals, Inc.*	11,800	193,638
Durect Corp.*	28,400	143,988
Eli Lilly & Co.	22,000	1,244,980
Encysive Pharmaceuticals, Inc.*	18,500	145,965
Hi-Tech Pharmacal Co., Inc.*	3,300	146,157
Johnson & Johnson	135,082	8,118,428
Mylan Laboratories, Inc.	46,500	928,140
Pfizer, Inc.	37,425	872,751
Progenics Pharmaceuticals, Inc.*	9,000	225,090
Rigel Pharmaceuticals, Inc.*	19,400	162,184
Salix Pharmaceuticals Ltd.*	11,500	202,170
SuperGen, Inc.*	30,500	154,025
United Therapeutics Corp.*	3,600	248,832
Wyeth	41,700	1,921,119
		21,001,699
Industrials 5.9%		
Aerospace & Defense 1.3%		
Honeywell International, Inc.	36,500	1,359,625
Kaman Corp.	1,300	25,597
L-3 Communications Holdings, Inc.	28,100	2,089,235
Teledyne Technologies, Inc.*	12,100	352,110
United Technologies Corp.	97,200	5,434,452
		9,261,019
Air Freight & Logistics 0.7%		
FedEx Corp.	45,400	**4,693,906**
Airlines 0.1%		
Continental Airlines, Inc. "B"*	11,200	238,560
Republic Airways Holdings, Inc.*	24,900	378,480
		617,040
Building Products 0.2%		
Eagle Materials, Inc.	3,600	440,496
LSI Industries, Inc.	14,400	225,504
Universal Forest Products, Inc.	6,700	370,175
Willian Lyon Homes, Inc.*	2,700	272,430
		1,308,605
Commercial Services & Supplies 0.5%		
Administaff, Inc.	5,700	239,685
aQuantive, Inc.*	5,100	128,724
Bright Horizons Family Solutions, Inc.*	1,700	62,985
Clean Harbors, Inc.*	7,000	201,670
Consolidated Graphics, Inc.*	2,600	123,084
Electro Rent Corp.*	22,000	328,020
infoUSA, Inc.	1,700	18,581
John H. Harland Co.	9,700	364,720
Labor Ready, Inc.*	14,700	306,054
LoJack Corp.*	7,100	171,323
Pitney Bowes, Inc.	38,000	1,605,500
SOURCECORP, Inc.*	2,500	59,950
TeleTech Holdings, Inc.*	23,100	278,355
		3,888,651
Construction & Engineering 0.1%		
EMCOR Group, Inc.*	5,000	337,650
Granite Construction, Inc.	10,100	362,691
URS Corp.*	8,500	319,685
		1,020,026
Electrical Equipment 0.4%		
C&D Technologies, Inc.	20,000	152,400
Emerson Electric Co.	30,900	2,308,230
Genlyte Group, Inc.*	4,700	251,779
		2,712,409
Industrial Conglomerates 1.4%		
Blount International, Inc.*	22,600	360,018
General Electric Co.	264,700	9,277,735
		9,637,753

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

	Shares	Value ($)
Machinery 1.0%		
Cascade Corp.	4,900	229,859
Caterpillar, Inc.	27,500	1,588,675
Dover Corp.	48,100	1,947,569
Ingersoll-Rand Co., Ltd. "A"	60,300	2,434,311
JLG Industries, Inc.	8,000	365,280
Mueller Industries, Inc.	300	8,226
Sauer-Danfoss, Inc.	12,400	233,244
		6,807,164
Road & Rail 0.1%		
Dollar Thrifty Automotive Group, Inc.*	2,200	79,354
US Xpress Enterprises, Inc. "A"*	16,700	290,246
		369,600
Trading Companies & Distributors 0.1%		
Applied Industrial Technologies, Inc.	11,200	**377,328**

Information Technology 12.5%

	Shares	Value ($)
Communications Equipment 1.7%		
Avocent Corp.*	7,400	201,206
Cisco Systems, Inc.*	315,100	5,394,512
Comtech Telecommunications Corp.*	2,400	73,296
Nokia Oyj (ADR)	207,100	3,789,930
QUALCOMM, Inc.	57,700	2,485,716
		11,944,660
Computers & Peripherals 2.5%		
Advanced Digital Information Corp.*	23,600	231,044
Apple Computer, Inc.*	36,300	2,609,607
Dell, Inc.*	57,900	1,736,421
EMC Corp.*	220,800	3,007,296
Hewlett-Packard Co.	109,400	3,132,122
Imation Corp.	8,600	396,202
Intergraph Corp.*	8,100	403,461
International Business Machines Corp.	62,400	5,129,280
Komag, Inc.*	7,200	249,552
		16,894,985
Electronic Equipment & Instruments 0.2%		
Agilysys, Inc.	12,200	222,284
Itron, Inc.*	6,400	256,256
MTS Systems Corp.	7,900	273,656
Plexus Corp.*	15,400	350,196
Technitrol, Inc.	18,800	321,480
Trident Microsystems, Inc.*	13,000	234,000
		1,657,872
Internet Software & Services 0.5%		
CNET Networks, Inc.*	15,100	221,819
EarthLink, Inc.*	17,200	191,092
eResearchTechnology, Inc.*	5,100	77,010
Google, Inc. "A"*	1,250	518,575
InfoSpace, Inc.*	2,300	59,386
j2 Global Communications, Inc.*	1,200	51,288
Online Resources Corp.*	9,900	109,395
ProQuest Co.*	4,500	125,595
Websense, Inc.*	2,800	183,792
Yahoo!, Inc.*	51,900	2,033,442
		3,571,394
IT Consulting & Services 1.4%		
Accenture Ltd. "A"	62,300	1,798,601
Automatic Data Processing, Inc.	57,900	2,657,031
Covansys Corp.*	14,500	197,345
CSG Systems International, Inc.*	13,500	301,320
First Data Corp.	45,000	1,935,450
Fiserv, Inc.*	34,000	1,471,180
Intrado, Inc.*	2,300	52,946
Paychex, Inc.	23,800	907,256
Sapient Corp.*	22,100	125,749
StarTek, Inc.	18,100	325,800
		9,772,678
Semiconductors & Semiconductor Equipment 3.8%		
Advanced Energy Industries, Inc.*	17,500	207,025
Applied Materials, Inc.	201,000	3,605,940
Broadcom Corp. "A"*	57,400	2,706,410
Cymer, Inc.*	7,200	255,672
Diodes, Inc.*	2,950	91,598
Emulex Corp.*	15,200	300,808
Fairchild Semiconductor International, Inc.*	19,700	333,127
Intel Corp.	357,400	8,920,704
IXYS Corp.*	18,000	210,420
Kopin Corp.*	11,500	61,525
Kulicke & Soffa Industries, Inc.*	13,800	121,992
Linear Technology Corp.	51,400	1,853,998
Maxim Integrated Products, Inc.	49,200	1,783,008
Micrel, Inc.*	21,700	251,720
MKS Instruments, Inc.*	13,200	236,148
OmniVision Technologies, Inc.*	9,600	191,616
Photronics, Inc.*	13,900	209,334
Texas Instruments, Inc.	141,400	4,534,698
		25,875,743
Software 2.4%		
Adobe Systems, Inc.	51,500	1,903,440
Altiris, Inc.*	13,500	228,015
Ansoft Corp.*	10,100	343,905
Blackbaud, Inc.	18,100	309,148
Electronic Arts, Inc.*	35,400	1,851,774
Internet Security Systems, Inc.*	7,600	159,220
Lawson Software, Inc.*	33,400	245,490
Microsoft Corp.	357,900	9,359,085
MicroStrategy, Inc., "A"*	22	1,820
Oracle Corp.*	82,700	1,009,767
Parametric Technology Corp.*	52,100	317,810
Quality Systems, Inc.*	2,600	199,576
SPSS, Inc.*	8,500	262,905
Witness Systems, Inc.*	12,700	249,809
		16,441,764

Materials 1.5%

	Shares	Value ($)
Chemicals 0.8%		
Air Products & Chemicals, Inc.	21,900	1,296,261
E.I. du Pont de Nemours & Co.	52,700	2,239,750
Ecolab, Inc.	43,400	1,574,118
Terra Industries, Inc.*	8,500	47,600
		5,157,729
Construction Materials 0.0%		
Texas Industries, Inc.	5,400	**269,136**
Containers & Packaging 0.3%		
Silgan Holdings, Inc.	11,000	397,320

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	Shares	Value ($)
Sonoco Products Co.	61,900	1,819,860
		2,217,180
Metals & Mining 0.4%		
Aleris International, Inc.*	8,000	257,920
Carpenter Technology Corp.	4,900	345,303
Century Aluminum Co.*	11,700	306,657
Cleveland-Cliffs, Inc.	1,600	141,712
Commercial Metals Co.	10,600	397,924
Intermet Corp.*	1,269	14,760
Metal Management, Inc.	8,200	190,732
Quanex Corp.	7,400	369,778
Reliance Steel & Aluminum Co.	6,100	372,832
USEC, Inc.	10,100	120,695
		2,518,313
Paper & Forest Products 0.0%		
Deltic Timber Corp.	5,400	**280,044**

Telecommunication Services 1.0%

	Shares	Value ($)
Diversified Telecommunication Services 0.9%		
Alaska Communications Systems Group, Inc.	25,300	257,048
AT&T, Inc.	99,100	2,426,959
CT Communications, Inc.	11,600	140,824
General Communication, Inc. "A"*	5,900	60,947
Golden Telecom, Inc.	11,100	288,156
North Pittsburgh Systems, Inc.	8,300	156,621
Premiere Global Services, Inc.*	29,500	239,835
Shenandoah Telecommunications Co.	1,600	63,744
TALK America Holdings, Inc.*	23,200	200,216
Verizon Communications, Inc.	79,200	2,385,504
		6,219,854
Wireless Telecommunication Services 0.1%		
Centennial Communications Corp.*	15,200	235,904
Dobson Communications Corp. "A"*	29,800	223,500
Syniverse Holdings, Inc.*	4,000	83,600
UbiquiTel, Inc.*	18,900	186,921
		729,925

Utilities 1.1%

	Shares	Value ($)
Electric Utilities 1.0%		
ALLETE, Inc.	200	8,800
Cleco Corp.	5,000	104,250
FPL Group, Inc.	41,200	1,712,272
Otter Tail Corp.	4,700	136,206
Progress Energy, Inc.	38,600	1,695,312
Sierra Pacific Resources*	33,200	432,928
Southern Co.	84,600	2,921,238
		7,011,006
Gas Utilities 0.1%		
South Jersey Industries, Inc.	10,200	**297,228**
Total Common Stocks (Cost $323,582,174)		**400,070,665**

Corporate Bonds 12.0%

Consumer Discretionary 2.7%

	Principal Amount ($)(b)	Value ($)
155 East Tropicana LLC, 8.75%, 4/1/2012	135,000	129,938
Adesa, Inc., 7.625%, 6/15/2012	40,000	39,800
Affinia Group, Inc., 9.0%, 11/30/2014	220,000	173,800
AMC Entertainment, Inc., 8.0%, 3/1/2014	285,000	257,925
AMFM, Inc., 8.0%, 11/1/2008	500,000	531,575
Auburn Hills Trust, 12.375%, 5/1/2020	131,000	194,788
AutoNation, Inc., 9.0%, 8/1/2008	150,000	161,063
Aztar Corp., 7.875%, 6/15/2014	315,000	329,962
Cablevision Systems Corp., Series B, 8.716%**, 4/1/2009	60,000	60,600
Caesars Entertainment, Inc.:		
8.875%, 9/15/2008	85,000	91,906
9.375%, 2/15/2007	75,000	78,094
Charter Communications Holdings LLC:		
9.625%, 11/15/2009	80,000	59,200
10.25%, 9/15/2010	510,000	507,450
144A, 11.0%, 10/1/2015	541,000	454,440
Comcast Cable Communications Holdings, Inc., 9.455%, 11/15/2022	220,000	288,243
Comcast MO of Delaware, Inc., 9.0%, 9/1/2008	150,000	163,885
Cooper-Standard Automotive, Inc., 8.375%, 12/15/2014	215,000	163,400
CSC Holdings, Inc.:		
7.25%, 7/15/2008	75,000	74,813
7.875%, 12/15/2007	305,000	310,337
DaimlerChrysler NA Holding Corp.:		
4.75%, 1/15/2008	250,000	247,719
Series E, 4.78%**, 10/31/2008	389,000	389,217
Dex Media East LLC/Financial, 12.125%, 11/15/2012	723,000	845,910
Dura Operating Corp., Series B, 8.625%, 4/15/2012	240,000	198,000
EchoStar DBS Corp., 6.625%, 10/1/2014	90,000	86,288
Foot Locker, Inc., 8.5%, 1/15/2022	135,000	142,763
Ford Motor Co., 7.45%, 7/16/2031	45,000	30,600
General Motors Corp., 8.25%, 7/15/2023	35,000	22,488
Goodyear Tire & Rubber Co., 11.0%, 3/1/2011	335,000	375,200
Gregg Appliances, Inc., 9.0%, 2/1/2013	60,000	54,300
GSC Holdings Corp., 144A, 8.0%, 10/1/2012	275,000	258,500
Harrah's Operating Co., Inc.:		
5.625%, 6/1/2015	668,000	656,258
5.75%, 10/1/2017	393,000	382,505
Hertz Corp., 144A, 8.875%, 1/1/2014	310,000	315,812
ITT Corp., 7.375%, 11/15/2015	80,000	86,800
Jacobs Entertainment, Inc., 11.875%, 2/1/2009	580,000	615,525
Levi Strauss & Co.:		
8.804%**, 4/1/2012	100,000	100,750
12.25%, 12/15/2012	30,000	33,450
Liberty Media Corp.:		
7.875%, 7/15/2009	10,000	10,537
8.5%, 7/15/2029	35,000	34,661
Mandalay Resort Group:		
6.5%, 7/31/2009	117,000	118,316
Series B, 10.25%, 8/1/2007	45,000	47,981
Mediacom Broadband LLC, 144A, 8.5%, 10/15/2015	95,000	87,994

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

	Principal Amount ($)(b)	Value ($)
Mediacom LLC, 9.5%, 1/15/2013	45,000	43,931
MGM MIRAGE:		
6.0%, 10/1/2009	235,000	233,531
6.625%, 7/15/2015	85,000	84,788
8.375%, 2/1/2011	275,000	294,250
9.75%, 6/1/2007	145,000	152,794
MTR Gaming Group, Inc., Series B, 9.75%, 4/1/2010	95,000	101,413
NCL Corp., 10.625%, 7/15/2014	120,000	123,900
Norcraft Holdings/Capital, Step-up Coupon, 0% to 9/1/2008, 9.75% to 9/1/2012	280,000	198,800
Paxson Communications Corp., Step-up Coupon, 0% to 1/15/2006, 12.25% to 1/15/2009	35,000	37,056
Petro Stopping Centers, 9.0%, 2/15/2012	185,000	185,925
Pinnacle Entertainment, Inc., 8.75%, 10/1/2013	280,000	298,200
Premier Entertainment Biloxi LLC/Finance, 10.75%, 2/1/2012	290,000	279,850
PRIMEDIA, Inc.:		
8.875%, 5/15/2011	100,000	92,250
9.715%**, 5/15/2010	310,000	297,988
Renaissance Media Group LLC, 10.0%, 4/15/2008	130,000	130,163
Resorts International Hotel & Casino, Inc., 11.5%, 3/15/2009	315,000	348,862
Schuler Homes, Inc., 10.5%, 7/15/2011	295,000	317,125
SGS International, Inc., 144A, 12.0%, 12/15/2013	80,000	80,131
Simmons Bedding Co.:		
144A, Step-up Coupon, 0% to 12/15/2009, 10.0% to 12/15/2014	335,000	180,900
7.875%, 1/15/2014	70,000	64,750
Sinclair Broadcast Group, Inc., 8.75%, 12/15/2011	560,000	589,400
Sirius Satellite Radio, Inc., 144A, 9.625%, 8/1/2013	350,000	344,750
TCI Communications, Inc., 8.75%, 8/1/2015	135,000	163,579
Tele-Communications, Inc.:		
9.875%, 6/15/2022	670,000	909,672
10.125%, 4/15/2022	28,000	38,306
Time Warner, Inc.:		
6.625%, 5/15/2029	95,000	94,867
7.625%, 4/15/2031	825,000	918,760
Toys "R" Us, Inc.:		
6.875%, 8/1/2006	40,000	39,800
7.375%, 10/15/2018	150,000	108,000
Trump Entertainment Resorts, Inc., 8.5%, 6/1/2015	610,000	594,750
TRW Automotive, Inc., 11.0%, 2/15/2013	425,000	477,062
United Auto Group, Inc., 9.625%, 3/15/2012	225,000	236,813
Wheeling Island Gaming, Inc., 10.125%, 12/15/2009	75,000	78,656
XM Satellite Radio, Inc., Step-up Coupon, 0% to 12/31/2005, 14.0% to 12/31/2009	415,000	441,975
Young Broadcasting, Inc.:		
8.75%, 1/15/2014	540,000	475,875
10.0%, 3/1/2011	60,000	56,175
		18,327,840

	Principal Amount ($)(b)	Value ($)
Consumer Staples 0.4%		
Agrilink Foods, Inc., 11.875%, 11/1/2008	40,000	40,800
Alliance One International, Inc., 144A, 11.0%, 5/15/2012	215,000	189,200
Altria Group, Inc., 7.0%, 11/4/2013	250,000	273,561
Del Laboratories, Inc., 8.0%, 2/1/2012	95,000	75,050
Delhaize America, Inc.:		
8.05%, 4/15/2027	30,000	30,780
9.0%, 4/15/2031	85,000	99,927
GNC Corp., 8.5%, 12/1/2010	25,000	21,500
Harry & David Holdings, Inc., 9.41%**, 3/1/2012	50,000	50,375
Kraft Foods, Inc., 6.25%, 6/1/2012	500,000	527,472
North Atlantic Trading Co., 9.25%, 3/1/2012	645,000	425,700
Swift & Co.:		
10.125%, 10/1/2009	110,000	113,575
12.5%, 1/1/2010	205,000	215,762
Viskase Co., Inc., 11.5%, 6/15/2011	385,000	410,025
		2,473,727
Energy 0.6%		
Belden & Blake Corp., 8.75%, 7/15/2012	330,000	336,600
Chaparral Energy, Inc., 144A, 8.5%, 12/1/2015	205,000	212,175
Chesapeake Energy Corp.:		
6.5%, 8/15/2017	100,000	100,500
6.875%, 1/15/2016	240,000	246,000
Dynegy Holdings, Inc.:		
6.875%, 4/1/2011	65,000	64,025
7.125%, 5/15/2018	100,000	89,000
7.625%, 10/15/2026	60,000	53,400
8.75%, 2/15/2012	30,000	32,400
144A, 9.875%, 7/15/2010	465,000	509,756
El Paso Production Holding Corp., 7.75%, 6/1/2013	150,000	155,625
Frontier Oil Corp., 6.625%, 10/1/2011	60,000	61,200
Mission Resources Corp., 9.875%, 4/1/2011	15,000	15,750
Newpark Resources, Inc., Series B, 8.625%, 12/15/2007	250,000	250,000
NGC Corp. Capital Trust I, Series B, 8.316%, 6/1/2027	300,000	265,500
Sonat, Inc., 7.0%, 2/1/2018	30,000	28,500
Southern Natural Gas, 8.875%, 3/15/2010	265,000	283,209
Stone Energy Corp.:		
6.75%, 12/15/2014	405,000	383,738
8.25%, 12/15/2011	205,000	211,663
Transmeridian, 12.0%**, 12/15/2010	80,000	92,800
Williams Companies, Inc.:		
8.125%, 3/15/2012	545,000	594,050
8.75%, 3/15/2032	180,000	208,800
		4,194,691
Financials 3.3%		
Alamosa Delaware, Inc.:		
8.5%, 1/31/2012	30,000	32,438
11.0%, 7/31/2010	105,000	118,388
12.0%, 7/31/2009	110,000	120,313
American General Finance Corp.:		
Series H, 4.0%, 3/15/2011	1,314,000	1,243,048

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

	Principal Amount ($)(b)	Value ($)
Series I, 4.875%, 5/15/2010	480,000	475,877
American General Institutional Capital, 144A, 8.125%, 3/15/2046	230,000	298,381
American International Group, Inc., 144A, 5.05%, 10/1/2015	700,000	687,001
AmeriCredit Corp., 9.25%, 5/1/2009	530,000	557,825
Ashton Woods USA LLC, 144A, 9.5%, 10/1/2015	230,000	207,288
Bear Stearns Companies, Inc., 5.3%, 10/30/2015	465,000	463,966
Dow Jones CDX HY:		
Series 5-T2, 144A, 7.25%, 12/29/2010	570,000	563,587
Series 5-T3, 144A, 8.25%, 12/29/2010	685,000	686,712
Series 5-T1, 144A, 8.75%, 12/29/2010 (a)	1,975,050	1,982,456
E*TRADE Financial Corp.:		
144A, 7.375%, 9/15/2013	185,000	187,313
7.875%, 12/1/2015	225,000	232,312
8.0%, 6/15/2011	130,000	135,200
ERAC USA Finance Co., 144A, 5.9%, 11/15/2015	493,000	501,479
ERP Operating LP, 6.95%, 3/2/2011	211,000	226,464
Exopack Holding Corp., 9.59%, 11/16/2006	500,000	500,000
Ford Motor Credit Co.:		
6.5%, 1/25/2007	414,000	400,533
6.875%, 2/1/2006	877,000	875,114
7.25%, 10/25/2011	770,000	665,169
7.375%, 10/28/2009	690,000	611,951
General Electric Capital Corp., Series A, 6.75%, 3/15/2032	500,000	586,925
General Motors Acceptance Corp.:		
4.375%, 12/10/2007	134,000	119,072
5.22%**, 3/20/2007	100,000	94,455
6.125%, 9/15/2006	184,000	178,729
6.125%, 2/1/2007	1,377,000	1,314,549
6.125%, 8/28/2007	622,000	576,580
6.875%, 9/15/2011	350,000	319,181
8.0%, 11/1/2031 (a)	2,124,000	2,034,539
H&E Equipment/Finance, 11.125%, 6/15/2012	235,000	259,675
HSBC Bank USA, 5.625%, 8/15/2035	374,000	365,801
HSBC Finance Capital Trust IX, 5.911%, 11/30/2035	800,000	806,806
JPMorgan Chase Capital XV, 5.875%, 3/15/2035	585,000	581,625
Merrill Lynch & Co., Inc., Series C, 4.79%, 8/4/2010	626,000	618,959
Ohio Casualty Corp., 7.3%, 6/15/2014	155,000	166,597
Poster Financial Group, Inc., 8.75%, 12/1/2011	280,000	288,400
PXRE Capital Trust I, 8.85%, 2/1/2027	135,000	132,638
R.H. Donnelly Finance Corp., 10.875%, 12/15/2012	255,000	287,512
Radnor Holdings Corp., 11.0%, 3/15/2010	195,000	157,950
Stripes Acquisition LLC/Susser Finance Corp., 144A, 10.625%, 12/15/2013	80,000	81,200
The Goldman Sachs Group, Inc., 5.5%, 11/15/2014	750,000	760,641
TIG Capital Holdings Trust, 144A, 8.597%, 1/15/2027	235,000	186,825
Triad Acquisition Corp., 144A, 11.125%, 5/1/2013	145,000	143,550
UGS Corp., 10.0%, 6/1/2012	200,000	218,000
Universal City Development, 11.75%, 4/1/2010	365,000	409,256
Verizon Global Funding Corp., 7.75%, 12/1/2030	170,000	202,072
		22,664,352
Health Care 0.3%		
Accellent, Inc., 144A, 10.5%, 12/1/2013	200,000	205,000
Health Care Service Corp., 144A, 7.75%, 6/15/2011	825,000	923,381
HEALTHSOUTH Corp., 10.75%, 10/1/2008 (a)	440,000	440,000
InSight Health Services Corp.:		
144A, 9.174%**, 11/1/2011	55,000	53,213
Series B, 9.875%, 11/1/2011 (a)	70,000	52,850
Tenet Healthcare Corp., 144A, 9.25%, 2/1/2015	460,000	456,550
		2,130,994
Industrials 1.3%		
Aavid Thermal Technologies, Inc., 12.75%, 2/1/2007	348,000	357,570
Allied Security Escrow Corp., 11.375%, 7/15/2011	210,000	202,449
Allied Waste North America, Inc.:		
Series B, 5.75%, 2/15/2011	115,000	108,963
Series B, 9.25%, 9/1/2012	295,000	319,337
American Color Graphics, 10.0%, 6/15/2010	210,000	146,737
Avondale Mills, Inc., 144A, 11.065%**, 7/1/2012	100,000	97,000
BAE System 2001 Asset Trust, "B", Series 2001, 144A, 7.156%, 12/15/2011	365,118	382,573
Beazer Homes USA, Inc.:		
6.875%, 7/15/2015	20,000	19,175
8.375%, 4/15/2012	165,000	171,600
8.625%, 5/15/2011	200,000	209,000
Browning-Ferris Industries:		
7.4%, 9/15/2035	345,000	305,325
9.25%, 5/1/2021	20,000	20,600
Case New Holland, Inc., 9.25%, 8/1/2011	370,000	395,900
Cenveo Corp., 7.875%, 12/1/2013	165,000	159,225
Collins & Aikman Floor Cover, Series B, 9.75%, 2/15/2010	280,000	246,400
Columbus McKinnon Corp., 10.0%, 8/1/2010	105,000	116,288
Compression Polymers Corp.:		
144A, 10.46%**, 7/1/2012	70,000	68,600
144A, 10.5%, 7/1/2013	255,000	247,350
Congoleum Corp., 8.625%, 8/1/2008*	190,000	189,287
Cornell Companies, Inc., 10.75%, 7/1/2012	105,000	108,675
D.R. Horton, Inc., 5.375%, 6/15/2012	1,355,000	1,309,811
Dana Corp., 7.0%, 3/1/2029 (a)	260,000	186,550
DRS Technologies, Inc., 6.875%, 11/1/2013	50,000	47,813

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

	Principal Amount ($)(b)	Value ($)
ISP Chemco, Inc., Series B, 10.25%, 7/1/2011	390,000	415,350
K. Hovnanian Enterprises, Inc.:		
6.25%, 1/15/2015	370,000	348,210
6.25%, 1/15/2016	210,000	194,843
8.875%, 4/1/2012	270,000	280,561
Kansas City Southern, 9.5%, 10/1/2008	435,000	470,887
Kinetek, Inc., Series D, 10.75%, 11/15/2006	300,000	288,000
Millennium America, Inc., 9.25%, 6/15/2008	345,000	372,169
Rainbow National Services LLC, 144A, 10.375%, 9/1/2014	160,000	179,200
Securus Technologies, Inc., 11.0%, 9/1/2011	120,000	102,000
Ship Finance International Ltd., 8.5%, 12/15/2013	225,000	210,375
Standard Pacific Corp., 6.5%, 8/15/2010	150,000	143,062
Technical Olympic USA, Inc.:		
7.5%, 3/15/2011	75,000	66,844
10.375%, 7/1/2012	185,000	181,994
The Brickman Group Ltd., Series B, 11.75%, 12/15/2009	125,000	138,437
United Rentals North America, Inc., 7.0%, 2/15/2014	210,000	196,350
Xerox Capital Trust I, 8.0%, 2/1/2027	120,000	123,600
		9,128,110
Information Technology 0.3%		
Activant Solutions, Inc.:		
144A, 10.054%**, 4/1/2010	20,000	20,625
10.5%, 6/15/2011	165,000	180,675
Eschelon Operating Co., 8.375%	126,000	116,550
International Business Machines Corp., 8.375%, 11/1/2019	250,000	324,628
L-3 Communications Corp.:		
5.875%, 1/15/2015	35,000	33,950
144A, 6.375%, 10/15/2015	75,000	74,813
Lucent Technologies, Inc., 6.45%, 3/15/2029	445,000	381,587
Sanmina-SCI Corp.:		
6.75%, 3/1/2013 (a)	255,000	242,569
10.375%, 1/15/2010	403,000	445,315
SS&C Technologies, Inc., 144A, 11.75%, 12/1/2013	65,000	66,625
SunGard Data Systems, Inc., 144A, 10.25%, 8/15/2015	235,000	235,000
		2,122,337
Materials 1.0%		
ARCO Chemical Co., 9.8%, 2/1/2020	580,000	651,050
Associated Materials, Inc.:		
Step-up Coupon, 0% to 3/1/2009, 11.25% to 3/1/2014	260,000	127,400
9.75%, 4/15/2012	85,000	82,025
Caraustar Industries, Inc., 9.875%, 4/1/2011	375,000	382,500
Constar International, Inc., 11.0%, 12/1/2012	60,000	43,800
Dayton Superior Corp.:		
10.75%, 9/15/2008	145,000	139,925
13.0%, 6/15/2009	200,000	151,000
GEO Specialty Chemicals, Inc., 12.565%**, 12/31/2009	446,000	370,180
Georgia-Pacific Corp.:		
8.0%, 1/15/2024	355,000	339,025
8.875%, 5/15/2031	45,000	45,113
Huntsman LLC, 11.625%, 10/15/2010	312,000	355,290
IMC Global, Inc., 10.875%, 8/1/2013	400,000	459,500
International Steel Group, Inc., 6.5%, 4/15/2014	95,000	95,000
Massey Energy Co.:		
6.625%, 11/15/2010	95,000	96,544
144A, 6.875%, 12/15/2013	75,000	75,656
MMI Products, Inc., Series B, 11.25%, 4/15/2007	335,000	314,900
Neenah Foundry Co.:		
144A, 11.0%, 9/30/2010	495,000	542,025
144A, 13.0%, 9/30/2013	40,000	40,800
Newmont Mining Corp., 5.875%, 4/1/2035	1,094,000	1,079,583
NewPage Corp., 10.5%**, 5/1/2012	145,000	143,550
Omnova Solutions, Inc., 11.25%, 6/1/2010	385,000	401,362
Oregon Steel Mills, Inc., 10.0%, 7/15/2009	90,000	96,300
Oxford Automotive, Inc., 144A, 12.0%, 10/15/2010*	257,130	23,142
Portola Packaging, Inc., 8.25%, 2/1/2012	125,000	91,875
Rockwood Specialties Group, Inc., 10.625%, 5/15/2011	51,000	55,909
TriMas Corp., 9.875%, 6/15/2012	370,000	305,250
UAP Holding Corp., Step-up Coupon, 0% to 1/15/2008, 10.75% to 7/15/2012	85,000	73,631
United States Steel Corp., 9.75%, 5/15/2010	273,000	296,887
		6,879,222
Telecommunication Services 0.6%		
AirGate PCS, Inc., 7.9%**, 10/15/2011	115,000	118,738
American Cellular Corp., Series B, 10.0%, 8/1/2011	85,000	92,225
Bell Atlantic New Jersey, Inc., Series A, 5.875%, 1/17/2012	745,000	751,709
Cincinnati Bell, Inc.:		
7.25%, 7/15/2013	230,000	239,200
8.375%, 1/15/2014	230,000	226,262
Dobson Communications Corp., 8.875%, 10/1/2013	120,000	119,700
Insight Midwest LP, 9.75%, 10/1/2009	45,000	46,350
LCI International, Inc., 7.25%, 6/15/2007	210,000	211,050
Level 3 Financing, Inc., 10.75%, 10/15/2011	35,000	31,063
MCI, Inc., 8.735%, 5/1/2014	570,000	630,562
Nextel Communications, Inc., Series D, 7.375%, 8/1/2015	855,000	902,297
Nextel Partners, Inc., 8.125%, 7/1/2011	150,000	160,312
Qwest Corp.:		
7.25%, 9/15/2025	155,000	154,225
144A, 7.741%**, 6/15/2013	50,000	53,938

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	Principal Amount ($)(b)	Value ($)
Rural Cellular Corp.:		
9.75%, 1/15/2010	30,000	30,300
9.875%, 2/1/2010	30,000	31,650
144A, 10.041%**, 11/1/2012	30,000	30,225
SBA Telecom, Inc., Step-up Coupon, 0% to 12/15/2007, 9.75% to 12/15/2011	102,000	94,605
Telex Communications Holdings, Inc., 11.5%, 10/15/2008	15,000	15,975
Triton PCS, Inc., 8.5%, 6/1/2013	20,000	18,600
Ubiquitel Operating Co., 9.875%, 3/1/2011	95,000	105,213
US Unwired, Inc., Series B, 10.0%, 6/15/2012	155,000	174,375
		4,238,574

Utilities 1.5%

	Principal Amount ($)(b)	Value ($)
AES Corp., 144A, 8.75%, 5/15/2013	495,000	538,931
Allegheny Energy Supply Co. LLC, 144A, 8.25%, 4/15/2012	525,000	591,938
CC Funding Trust I, 6.9%, 2/16/2007	179,000	182,443
CMS Energy Corp.:		
8.5%, 4/15/2011	245,000	266,744
9.875%, 10/15/2007	305,000	326,350
Consumers Energy Co.:		
Series F, 4.0%, 5/15/2010	1,590,000	1,509,950
5.0%, 2/15/2012	975,000	953,782
DPL, Inc., 6.875%, 9/1/2011	76,000	80,085
Entergy Louisiana, Inc., 6.3%, 9/1/2035	220,000	215,378
Mirant North America LLC, 144A, 7.375%, 12/31/2013	65,000	65,731
Mission Energy Holding Co., 13.5%, 7/15/2008	615,000	713,400
NorthWestern Corp., 5.875%, 11/1/2014	50,000	50,094
NRG Energy, Inc., 8.0%, 12/15/2013	408,000	454,920
Pedernales Electric Cooperative, Series2002-A, 144A, 6.202%, 11/15/2032	1,260,000	1,382,901
Progress Energy, Inc., 6.75%, 3/1/2006	1,495,000	1,499,694
PSE&G Energy Holdings LLC, 10.0%, 10/1/2009	635,000	698,500
TXU Energy Co., 7.0%, 3/15/2013	345,000	367,654
		9,898,495
Total Corporate Bonds (Cost $82,977,546)		**82,058,342**

Foreign Bonds — US$ Denominated 3.2%

Consumer Discretionary 0.3%

	Principal Amount ($)(b)	Value ($)
Cablemas SA de CV, 144A, 9.375%, 11/15/2015	30,000	30,750
IESY Repository GmbH, 144A, 10.375%, 2/15/2015	75,000	78,000
Jafra Cosmetics International, Inc., 10.75%, 5/15/2011	410,000	448,950
Kabel Deutschland GmbH, 144A, 10.625%, 7/1/2014	240,000	252,600
Royal Caribbean Cruises Ltd., 8.75%, 2/2/2011	422,000	476,860
Shaw Communications, Inc., 8.25%, 4/11/2010	160,000	171,800
Telenet Group Holding NV, 144A, Step-up Coupon, 0% to 12/15/2008, 11.5% to 6/15/2014	279,000	228,780
Vitro SA de CV, Series A, 144A, 12.75%, 11/1/2013	120,000	113,400
		1,801,140

Energy 0.1%

	Principal Amount ($)(b)	Value ($)
OAO Gazprom, 144A, 9.625%, 3/1/2013	300,000	361,875
Secunda International Ltd., 12.15%**, 9/1/2012	110,000	115,500
		477,375

Financials 1.1%

	Principal Amount ($)(b)	Value ($)
BNP Paribas SA, 144A, 5.186%, 6/29/2049	155,000	150,371
Chuo Mitsui Trust & Banking Co., Ltd, 144A, 5.506%, 12/29/2049	795,000	770,365
Conproca SA de CV, 12.0%, 6/16/2010	200,000	238,000
DBS Capital Funding Corp., 144A, 7.657%, 3/31/2049	198,000	219,077
Doral Financial Corp., 5.004%**, 7/20/2007	375,000	364,516
Mizuho Financial Group (Cayman), 8.375%, 12/29/2049	2,290,000	2,481,215
National Capital Trust II, 144A, 5.486%, 12/29/2049	383,000	382,743
New ASAT (Finance) Ltd., 9.25%, 2/1/2011	105,000	72,450
Nordea Bank AB, 144A, 5.424%, 12/29/2049	555,000	550,159
Pemex Finance Ltd., "A1", Series 2000-1, 9.03%, 2/15/2011	725,000	791,823
Royal Bank of Scotland Group PLC, Series 1, 9.118%, 3/31/2049	50,000	57,280
SPI Electricity & Gas Australia Holdings Property Ltd., 144A, 6.15%, 11/15/2013	905,000	966,084
Svenska Handelsbanken AB, 144A, 7.125%, 3/29/2049	330,000	337,505
		7,381,588

Health Care 0.0%

	Principal Amount ($)(b)	Value ($)
Biovail Corp., 7.875%, 4/1/2010	215,000	**222,794**

Industrials 0.3%

	Principal Amount ($)(b)	Value ($)
Grupo Transportacion Ferroviaria Mexicana SA de CV:		
144A, 9.375%, 5/1/2012	120,000	131,400
10.25%, 6/15/2007	450,000	474,750
12.5%, 6/15/2012	163,000	185,820
J. Ray McDermott SA, 144A, 11.5%, 12/15/2013	240,000	283,200
LeGrand SA, 8.5%, 2/15/2025	115,000	138,287
Stena AB, 9.625%, 12/1/2012	95,000	103,194
Tyco International Group SA, 7.0%, 6/15/2028	553,000	608,343
		1,924,994

Materials 0.8%

	Principal Amount ($)(b)	Value ($)
Cascades, Inc., 7.25%, 2/15/2013	435,000	395,850
ISPAT Inland ULC, 9.75%, 4/1/2014	249,000	281,993
Novelis, Inc., 144A, 7.25%, 2/15/2015	460,000	428,950
Rhodia SA, 8.875%, 6/1/2011 (a)	345,000	353,625

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		Principal Amount ($)(b)	Value ($)
Sino-Forest Corp., 144A, 9.125%, 8/17/2011		10,000	10,725
Sociedad Concesionaria Autopista Central, 144A, 6.223%, 12/15/2026		2,450,000	2,572,083
Tembec Industries, Inc.:			
8.5%, 2/1/2011		1,040,000	577,200
8.625%, 6/30/2009		455,000	259,350
Vale Overseas Ltd., 8.25%, 1/17/2034		178,000	204,923
			5,084,699
Sovereign Bonds 0.1%			
Federative Republic of Brazil, 8.875%, 10/14/2019		55,000	61,627
Republic of Argentina:			
Zero Coupon, 12/15/2035		2,177,924	113,252
Step-up Coupon, 1.33% to 3/31/2009, 2.5% to 3/31/2019, 3.75% to 3/31/2029, 5.25% to 12/31/2038		330,000	108,900
8.28%, 12/31/2033 (PIK)		663,886	552,685
United Mexican States, 8.375%, 1/14/2011		60,000	68,400
			904,864
Telecommunication Services 0.5%			
British Telecommunications PLC, 8.875%, 12/15/2030		658,000	880,366
Cell C Property Ltd., 144A, 11.0%, 7/1/2015		185,000	188,238
Embratel, Series B, 11.0%, 12/15/2008		104,000	117,780
Global Crossing UK Finance, 10.75%, 12/15/2014		165,000	151,800
Intelsat Bermuda Ltd., 144A, 8.695%**, 1/15/2012		105,000	106,706
Intelsat Ltd., 5.25%, 11/1/2008		155,000	141,244
Millicom International Cellular SA, 10.0%, 12/1/2013		80,000	82,600
Mobifon Holdings BV, 12.5%, 7/31/2010		265,000	307,400
Nortel Networks Ltd., 6.125%, 2/15/2006		370,000	370,000
Telecom Italia Capital:			
4.95%, 9/30/2014		470,000	448,891
5.25%, 11/15/2013		655,000	642,734
			3,437,759
Utilities 0.0%			
Scottish Power PLC, 5.81%, 3/15/2025		170,000	**172,427**
Total Foreign Bonds — US$ Denominated (Cost $21,241,448)			**21,407,640**

Foreign Bonds — Non US$ Denominated 0.1%

		Principal Amount ($)(b)	Value ($)
Consumer Discretionary 0.0%			
IESY Repository GmbH, 144A, 8.75%, 2/15/2015	EUR	160,000	**187,056**
Consumer Staples 0.0%			
Fage Dairy Industry SA, 144A, 7.5%, 1/15/2015	EUR	95,000	**97,568**
Industrials 0.0%			
Grohe Holdings GmbH, 144A, 8.625%, 10/1/2014	EUR	85,000	**93,336**
Sovereign Bonds 0.1%			
Republic of Argentina:			
Zero Coupon, 12/31/2035	EUR	988,353	15,780
Zero Coupon, 12/31/2035	EUR	178,011	10,223
5.83%, 12/31/2033 (PIK)	ARS	333,075	128,769
7.82%, 12/31/2033 (PIK)	EUR	63,738	63,009
			217,781
Total Foreign Bonds — Non US$ Denominated (Cost $599,103)			**595,741**

Asset Backed 1.8%

	Principal Amount ($)(b)	Value ($)
Automobile Receivables 0.4%		
Hertz Vehicle Financing LLC, "A6", Series 2005-2A, 144A, 5.08%, 11/25/2011	1,347,000	1,349,000
MMCA Automobile Trust:		
"A4", Series 2002-4, 3.05%, 11/16/2009	375,626	372,203
"A4", Series 2002-3, 3.57%, 8/17/2009	175,122	174,669
"A4", Series 2002-2, 4.3%, 3/15/2010	170,937	170,437
"B", Series 2002-2, 4.67%, 3/15/2010	75,452	74,450
"B", Series 2002-1, 5.37%, 1/15/2010	327,711	326,839
		2,467,598
Credit Card Receivables 0.5%		
Citibank Credit Card Issuance Trust, "A6" Series 2003-A6, 2.9%, 5/17/2010	2,000,000	1,914,716
MBNA Credit Card Master Note Trust, "A7", Series 2003-A7, 2.65%, 11/15/2010	1,500,000	1,426,301
		3,341,017
Home Equity Loans 0.6%		
Advanta Mortgage Loan Trust, "A6", Series 2000-2, 7.72%, 3/25/2015	251,420	255,269
Countrywide Asset-Backed Certificates, "1AF2", Series 2005-17, 5.363%, 5/25/2036	689,000	688,998
New Century Home Equity Loan Trust, "AII3", Series 2004-A, 4.45%, 8/25/2034	1,530,000	1,519,590
Renaissance Home Equity Loan Trust, "AF6", Series 2005-2, 4.781%, 8/25/2035	450,000	431,609
Residential Asset Securities Corp., "AI6", Series 2000-KS1, 7.905%, 2/25/2031	1,284,491	1,290,076
		4,185,542
Manufactured Housing Receivables 0.0%		
Vanderbilt Acquisition Loan Trust, "A2", Series 2002-1, 4.77%, 10/7/2018	110,512	**110,420**
Miscellaneous 0.3%		
PP&L Transition Bond Co. LLC, "A8", Series 1999-1, 7.15%, 6/25/2009	1,800,000	**1,894,465**
Total Asset Backed (Cost $12,159,359)		**11,999,042**

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	Principal Amount ($)(b)	Value ($)
Convertible Bond 0.1%		
Consumer Discretionary		
HIH Capital Ltd.:		
144A, Series DOM, 7.5%, 9/25/2006	210,000	207,900
144A, Series EURO, 7.5%, 9/25/2006	185,000	183,150
Total Convertible Bond (Cost $393,508)		**391,050**

	Shares	Value ($)
Warrants 0.0%		
Industrials		
MicroStrategy, Inc.*	96	13
TravelCenters of America, Inc.*	59	7
Total Warrants (Cost $251)		**20**
Preferred Stock 0.1%		
Financials		
Axis Capital Holdings Ltd., Series B, 7.5%	1,950	202,922
Farm Credit Bank of Texas, Series 1	198,000	217,164
Markel Capital Trust I, Series B, 8.71%	107,000	115,011
Paxson Communications Corp., 14.25% (PIK)	20	174,006
Total Preferred Stock (Cost $672,417)		**709,103**

	Principal Amount ($)(b)	Value ($)
US Government Sponsored Agencies 1.5%		
Federal Home Loan Mortgage Corp., 4.375%, 11/16/2007 (Cost $10,002,921)	10,000,000	**9,934,375**
US Government Agency Sponsored Pass-Throughs 2.1%		
Federal Home Loan Mortgage Corp.:		
5.0%, with various maturities from 11/1/2035 until 12/1/2035	534,999	517,946
6.0%, with various maturities from 8/1/2035 until 10/1/2035	2,285,894	2,292,691
Federal National Mortgage Association:		
4.5%, with various maturities from 7/1/2018 until 9/1/2035 (h)	4,854,782	4,647,190
5.0%, with various maturities from 4/1/2024 until 5/1/2034 (h)	3,322,738	3,240,217
5.5%, with various maturities from 7/1/2023 until 1/1/2034 (h)	3,231,356	3,214,897
6.0%, 1/1/2024	197,850	201,169
6.5%, 5/1/2017	114,779	117,927
7.13%, 1/1/2012	192,514	194,662

	Principal Amount ($)(b)	Value ($)
8.0%, 9/1/2015	269,343	287,627
Total US Government Agency Sponsored Pass-Throughs (Cost $14,936,784)		**14,714,326**
Commercial and Non-Agency Mortgage-Backed Securities 7.1%		
Adjustable Rate Mortgage Trust, "3A31", Series 2005-10, 5.437%**, 1/25/2036	1,000,000	993,445
Bank of America Mortgage Securities, "2A6", Series 2004-G, 4.657%**, 8/25/2034	2,275,000	2,250,428
Bear Stearns Adjustable Rate Mortgage Trust, "2A3", Series 2005-4, 4.45%**, 8/25/2035	705,000	684,678
Bear Stearns Commercial Mortgage Securities, "AJ", Series 2005-PW10, 5.464%, 12/11/2040	1,630,000	1,657,342
Chase Mortgage Finance Corp., "2A1", Series 2004-S3, 5.25%, 3/25/2034	681,160	679,867
Citigroup Commercial Mortgage Trust, "A5", Series 2004-C2, 4.733%, 10/15/2041	2,000,000	1,942,248
Citigroup Mortgage Loan Trust, Inc., "1CB2", Series 2004-NCM2, 6.75%, 8/25/2034	413,180	425,446
Commercial Mortgage Acceptance Corp., "A3", Series 1998-C2, 6.04%, 9/15/2030	1,510,000	1,544,612
Countrywide Alternative Loan Trust:		
"A1", Series 2004-1T1, 5.0%, 2/25/2034	940,903	931,255
"1A5", Series 2003-J1, 5.25%, 10/25/2033	880,537	877,801
"A2", Series 2004-1T1, 5.5%, 2/25/2034	621,878	621,314
"4A3", Series 2005-43, 5.763%**, 10/25/2035	973,976	974,897
"1A1", Series 2004-J1, 6.0%, 2/25/2034	391,892	392,809
"A1", Series 2004-35T2, 6.0%, 2/25/2035	1,061,291	1,064,171
Countrywide Home Loans, "A6", Series 2003-57, 5.5%, 1/25/2034	553,708	553,043
DLJ Mortgage Acceptance Corp., "A1B", Series 1997-CF2, 144A, 6.82%, 10/15/2030	139,851	142,858
First Union-Lehman Brothers Commercial Mortgage, "A3", Series 1997-C1, 7.38%, 4/18/2029	968,875	984,342
GMAC Commercial Mortgage Securities, Inc., "A3", Series 1997-C1, 6.869%, 7/15/2029	77,766	79,489
Greenwich Capital Commercial Funding Corp, "A4", Series 2005-GG3, 4.799%, 8/10/2042	2,000,000	1,948,623
GS Mortgage Securities Corp. II:		
"AJ", Series 2005-GG4, 4.782%, 7/10/2039	900,000	865,779
"C", Series 1998-C1, 6.91%, 10/18/2030	205,000	213,769
GSR Mortgage Loan Trust, "4A5", Series 2005-AR6, 4.556%**, 9/25/2035	1,025,000	1,000,112

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	Principal Amount ($)(b)	Value ($)
JPMorgan Chase Commercial Mortgage Securities Corp., "A3", Series 2001-CIBC, 6.26%, 3/15/2033	2,145,000	2,255,524
JPMorgan Mortgage Trust, "2A1", Series 2005-A8, 4.969%, 11/25/2035	952,961	945,838
LB-UBS Commercial Mortgage Trust:		
"AM", Series 2005-C3, 4.794%, 7/15/2040	905,000	877,072
"A2", Series 2005-C2, 4.821%, 4/15/2030	165,000	163,447
Master Alternative Loans Trust:		
"5A1", Series 2005-1, 5.5%, 1/25/2020	1,175,734	1,177,838
"3A1", Series 2004-5, 6.5%, 6/25/2034	292,266	297,381
"5A1", Series 2005-2, 6.5%, 12/25/2034	443,879	447,521
"8A1", Series 2004-3, 7.0%, 4/25/2034	198,092	199,787
Master Asset Securitization Trust, "8A1", Series 2003-6, 5.5%, 7/25/2033	994,301	977,522
Mortgage Capital Funding, Inc., "A3", Series 1997-MC1, 7.288%, 7/20/2027	207,262	209,854
Residential Accredit Loans, Inc., "CB", Series 2004-QS2, 5.75%, 2/25/2034	1,075,194	1,068,139
Residential Asset Mortgage Products, "2A6", Series 2005-SP1, 5.25%, 9/25/2034	1,250,300	1,244,315
Residential Asset Securities Corp., "AI", Series 2003-KS9, 4.71%, 11/25/2033	1,845,000	1,840,693
Structured Adjustable Rate Mortgage Loan Trust:		
"1A4", Series 2005-22, 5.25%, 12/25/2035	970,000	967,196
"6A3", Series 2005-21, 5.4%, 11/25/2035	900,000	894,100
"1A1", Series 2005-17, 5.729%**, 8/25/2035	1,678,871	1,683,938
Structured Asset Securities Corp.:		
"4A1", Series 2005-6, 5.0%, 5/25/2035	181,418	174,955
"2A1", Series 2003-1, 6.0%, 2/25/2018	132,439	133,625
Wachovia Bank Commercial Mortgage Trust, "AMFX", Series 2005-C20, 5.179%, 7/15/2042	1,890,000	1,878,166
Washington Mutual:		
"A6", Series 2004-AR4, 3.804%**, 6/25/2034	190,000	182,557
"A6", Series 2003-AR11, 3.985%, 10/25/2033	885,000	859,396
"A6", Series 2003-AR10, 4.067%**, 10/25/2033	1,620,000	1,583,180
"A7, Series 2004-AR9, 4.181%**, 8/25/2034	1,325,000	1,297,771
"1A6", Series 2005-AR12, 4.844%**, 10/25/2035	1,880,000	1,849,805
"1A3", Series 2005-AR16, 5.132%, 12/25/2035	1,005,000	992,036
Wells Fargo Mortgage Backed Securities Trust:		
"2A17", Series 2005-AR10, 3.5%**, 6/25/2035	230,000	221,373
"2A14", Series 2005-AR10, 4.11%**, 6/25/2035	1,355,000	1,317,054
"B1", Series 2005-AR12, 4.326%**, 7/25/2035	937,784	901,951
"4A2", Series 2005-AR16, 4.993%, 10/25/2035	1,470,000	1,450,253
Total Commercial and Non-Agency Mortgage-Backed Securities (Cost $49,480,906)		**48,920,615**

Collateralized Mortgage Obligations 4.9%

	Principal Amount ($)(b)	Value ($)
Fannie Mae Whole Loan:		
"3A2B", Series 2003-W10, 3.056%, 7/25/2037	371,318	368,959
"1A3", Series 2004-W1, 4.49%, 11/25/2043	575,631	573,534
"1A3", Series 2003-W18, 4.732%, 8/25/2043	76,933	76,706
"1A3", Series 2003-W19, 4.783%, 11/25/2033	396,053	394,106
"1A1", Series 2004-W15, 6.0%, 8/25/2044	1,125,825	1,137,734
Federal Home Loan Mortgage Corp.:		
"YN", Series 2852, 3.75%, 6/15/2024	410,000	397,003
"NB", Series 2750, 4.0%, 12/15/2022	1,558,000	1,527,569
"QC", Series 2836, 5.0%, 9/15/2022	2,220,000	2,215,162
"TK", Series 2693, 5.0%, 8/15/2027	1,655,000	1,642,127
"BG", Series 2640, 5.0%, 2/15/2032	510,000	496,777
"JD", Series 2778, 5.0%, 12/15/2032	290,000	279,968
"EG", Series 2836, 5.0%, 12/15/2032	455,000	438,437
"TE", Series 2780, 5.0%, 1/15/2033	1,685,000	1,627,876
"PD", Series 2783, 5.0%, 1/15/2033	975,000	942,134
"NE", Series 2802, 5.0%, 2/15/2033	460,000	444,382
"PD", Series 2893, 5.0%, 2/15/2033	370,000	355,956
"OG", Series 2889, 5.0%, 5/15/2033	2,115,000	2,041,504
"PE", Series 2898, 5.0%, 5/15/2033	1,715,000	1,649,686
"XD", Series 2941, 5.0%, 5/15/2033	1,830,000	1,758,472
"BG", Series 2869, 5.0%, 7/15/2033	213,000	205,007
"PD", Series 2939, 5.0%, 7/15/2033	1,105,000	1,062,160
"JG", Series 2937, 5.0%, 8/15/2033	1,705,000	1,650,674
"KD", Series 2915, 5.0%, 9/15/2033	1,177,000	1,132,005
"ND", Series 2938, 5.0%, 10/15/2033	170,000	163,426
"KG", Series 2987, 5.0%, 12/15/2034	1,360,000	1,305,923
"PE", Series 2512, 5.5%, 2/15/2022	420,000	427,587
"BD", Series 2453, 6.0%, 5/15/2017	1,869,590	1,915,793

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

	Principal Amount ($)(b)	Value ($)
"Z", Series 2173, 6.5%, 7/15/2029	67,594	69,906
"H", Series 2278, 6.5%, 1/15/2031	51,284	51,741
Federal National Mortgage Association:		
"TU", Series 2003-122, 4.0%, 5/25/2016	350,000	345,459
"WB", Series 2003-106, 4.5%, 10/25/2015	1,870,000	1,853,734
"NE", Series 2004-52, 4.5%, 7/25/2033	1,118,000	1,048,518
"PE", Series 2005-44, 5.0%, 7/25/2033	365,000	350,182
"QD", Series 2005-29, 5.0%, 8/25/2033	760,000	729,251
"EG", Series 2005-22, 5.0%, 11/25/2033	1,042,000	1,000,053
"PM", Series 2001-60, 6.0%, 3/25/2030	165,139	165,317
"HM", Series 2002-36, 6.5%, 12/25/2029	46,456	46,517
"A1", Series 2002-93, 6.5%, 3/25/2032	273,818	277,998
"C", Series 1997-M5, 6.74%, 8/25/2007	390,000	398,836
Government National Mortgage Association, "PD", Series 2004-30, 5.0%, 2/20/2033	1,115,000	1,078,727
Total Collateralized Mortgage Obligations (Cost $34,347,361)		**33,646,906**

Municipal Bonds and Notes 1.7%

	Principal Amount ($)(b)	Value ($)
Brockton, MA, General Obligation, Economic Development, Series A, 6.45%, 5/1/2017 (c)	560,000	608,423
Broward County, FL, Airport Revenue, Airport Systems Revenue, Series J-2, 6.13%, 10/1/2007 (c)	1,000,000	1,020,850
Charlotte-Mecklenberg, NC, Hospital Authority, Health Care System Revenue, ETM, 5.0%, 8/1/2015	510,000	513,142
Hoboken, NJ, General Obligation, Series B, 3.8%, 1/1/2008 (c)	185,000	182,782
Illinois, Higher Education Revenue, Educational Facilities Authority, Series C, 7.1%, 7/1/2012 (c)	1,000,000	1,118,890
Jersey City, NJ, Water & Sewer Revenue, Municipal Utilities Authority, Water Revenue, Series B, 4.91%, 5/15/2015 (c)	385,000	381,985
Jicarilla, NM, Sales & Tax Special Revenue, Apache Nation Revenue, 144A, 5.2%, 12/1/2013	215,000	215,849
Mashantucket, CT, Special Assessment Revenue, Western Pequot Tribe Special Revenue, Series A, 144A, 6.57%, 9/1/2013 (c)	1,285,000	1,358,939
Ohio, Sales & Special Tax Revenue, 7.6%, 10/1/2016 (c)	1,000,000	1,039,520
Passaic County, NJ, County General Obligation, 5.0%, 2/15/2017 (c)	1,120,000	1,127,347
Texas, American Campus Properties Student Housing Financing Ltd, 144A, 6.125%, 8/1/2023 (c)	1,040,000	1,122,025
Union County, NJ, Improvement Authority, Student Loan Revenue, 5.29%, 4/1/2018 (c)	1,185,000	1,195,866
Washington, State Economic Development Finance Authority Revenue, CSC Tacoma LLC Project, Series A, 3.5%, 10/1/2010 (c)	1,840,000	1,733,722
Yazoo County, MS, Sales & Special Tax Revenue, Series B, 4.3%, 9/1/2010 (c)	355,000	347,272
Total Municipal Bonds and Notes (Cost $11,930,483)		**11,966,612**

US Treasury Obligations 3.2%

	Principal Amount ($)(b)	Value ($)
US Treasury Bills, 3.75%***, 1/19/2006 (d)	675,000	673,732
US Treasury Bond, 6.0%, 2/15/2026	3,275,000	3,861,942
US Treasury Notes:		
3.375%, 2/15/2008	4,728,000	4,630,669
4.25%, 11/30/2007	3,800,000	3,788,866
4.5%, 11/15/2015	3,265,000	3,291,783
4.75%, 5/15/2014	250,000	256,084
5.0%, 8/15/2011	5,380,000	5,552,956
Total US Treasury Obligations (Cost $21,762,017)		**22,056,032**

Other Investments 0.0%

	Units	Value ($)
Hercules, Inc. (Bond Unit), 6.5%, 6/30/2029	230,000	172,500
IdleAire Technologies Corp., 144A, Step-up Coupon, 0% to 12/15/2009, 13.0% to 12/15/2012	220,000	161,307
Total Other Investments (Cost $325,185)		**333,807**

Securities Lending Collateral 1.5%

	Shares	Value ($)
Daily Assets Fund Institutional, 4.28% (e) (f) (Cost $10,432,555)	10,432,555	**10,432,555**

Cash Equivalents 5.1%

	Shares	Value ($)
Cash Management QP Trust, 4.26% (g) (Cost $35,179,405)	35,179,405	**35,179,405**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $630,023,423)†	102.6	**704,416,236**
Other Assets and Liabilities, Net	(2.6)	**(17,333,597)**
Net Assets	100.0	**687,082,639**

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

Notes to DWS Balanced VIP Portfolio of Investments

* *Non-income producing security. In the case of a bond, generally denotes that the issuer has defaulted on the payment of principal or the interest or has filed for bankruptcy. The following table represents bonds that are in default:*

Securities	Coupon	Maturity Date	Principal Amount		Acquisition Cost ($)	Value ($)
Congoleum Corp.	8.625%	8/1/2008	190,000	USD	190,156	189,287
Oxford Automotive, Inc.	12.0%	10/15/2010	257,130	USD	22,782	23,142
					$ 212,938	**$ 212,429**

** *Floating rate notes are securities whose yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury bill rate. These securities are shown at their current rate as of December 31, 2005.*

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

† *The cost for federal income tax purposes was $637,375,790. At December 31, 2005, net unrealized appreciation for all securities based on tax cost was $67,040,446. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $76,484,775 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $9,444,329.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at December 31, 2005 amounted to $10,207,529 which is 1.5% of net assets.*

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

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

Insurance Coverage	As a % of Total Investment Portfolio
Ambac Financial Group	0.7%
Financial Guarantee Insurance Company	0.1%
Financial Security Assurance, Inc.	0.3%
MBIA Corp.	0.5%

(d) *At December 31, 2005, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.*

(e) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(f) *Represents collateral held in connection with securities lending.*

(g) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

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

ETM: Bonds bearing the description ETM (escrow to maturity) are collateralized by US Treasury securities which are held in escrow and used to pay principal and interest on bonds so designated.

PIK: Denotes that all or a portion of the income is paid in-kind.

REIT: Real Estate Investment Trust

Included in the portfolio are investments in mortgage or asset-backed securities which are interests in separate pools of mortgages or assets. Effective maturities of these investments may be shorter than stated maturities due to prepayments. Some separate investments in the Federal National Mortgage Association and Federal Home Loan Corp. issues which have similar coupon rates have been aggregated for presentation purposes in this investment portfolio.

At December 31, 2005, open futures contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregated Face Value ($)	Value ($)	Unrealized Appreciation/ (Depreciation) ($)
10 Year Canada Government Bond	3/22/2006	29	2,842,739	2,853,473	10,734
10 Year Federal Germany Bond	3/8/2006	47	6,726,245	6,779,579	53,334
10 Year Japanese Government Bond	3/9/2006	4	4,673,856	4,658,498	(15,358)
Russell 2000 Index	3/16/2006	2	690,409	678,300	(12,109)
Total net unrealized appreciation					**36,601**

At December 31, 2005, open futures contracts sold were as follows:

Futures	Expiration Date	Contracts	Aggregated Face Value ($)	Value ($)	Unrealized Depreciation ($)
10 Year Australian Bond	3/15/2006	29	2,202,815	2,255,614	(52,799)
10 Year US Treasury Note	3/22/2006	58	6,309,575	6,345,562	(35,987)
10 Year United Kingdom Treasury Bond	3/29/2006	29	5,657,978	5,710,429	(52,451)
Total net unrealized depreciation					**(141,237)**

Currency Abbreviations			
ARS	Argentina Peso	EUR	Euro

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2005

Assets	
Investments:	
Investments in securities, at value (cost $584,411,463) — including $10,207,529 of securities loaned	$ 658,804,276
Investment in Daily Assets Fund Institutional (cost $10,432,555)*	10,432,555
Investment in Cash Management QP Trust (cost $35,179,405)	35,179,405
Total investments in securities, at value (cost $630,023,423)	704,416,236
Foreign currency, at value (cost $194,656)	195,054
Receivable for investments sold	1,045,566
Dividends receivable	363,703
Interest receivable	3,017,199
Receivable for Portfolio shares sold	19,901
Receivable for daily variation margin on open futures contracts	4,587
Unrealized appreciation on forward foreign currency exchange contracts	208,357
Foreign taxes recoverable	6,046
Due from Advisor	3,830
Other assets	22,414
Total assets	709,302,893
Liabilities	
Due to custodian bank	9,816,248
Payable for investments purchased	898,235
Payable for Portfolio shares redeemed	477,110
Payable upon return of securities loaned	10,432,555
Net payable on closed forward foreign currency exchange contracts	22,706
Unrealized depreciation on forward foreign currency exchange contracts	144,715
Accrued management fee	273,695
Other accrued expenses and payables	154,990
Total liabilities	22,220,254
Net assets, at value	**$ 687,082,639**
Net Assets	
Net assets consist of:	
Undistributed net investment income	16,253,135
Net unrealized appreciation (depreciation) on:	
Investments	74,392,813
Futures	(104,636)
Foreign currency related transactions	64,026
Accumulated net realized gain (loss)	(83,310,602)
Paid-in capital	679,787,903
Net assets, at value	**$ 687,082,639**
Class A	
Net Asset Value, offering and redemption price per share ($653,468,367 ÷ 28,729,438 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 22.75**
Class B	
Net Asset Value, offering and redemption price per share ($33,614,272 ÷ 1,479,683 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 22.72**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2005

Investment Income	
Income:	
Dividends (net of foreign taxes withheld of $52,845)	$ 6,512,590
Interest	14,257,081
Interest — Cash Management QP Trust	985,033
Mortgage dollar roll income	8,167
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	11,107
Total Income	21,773,978
Expenses:	
Management fee	3,294,501
Custodian fees	109,376
Distribution service fees (Class B)	82,992
Record keeping fees (Class B)	50,599
Auditing	48,698
Legal	6,390
Trustees' fees and expenses	55,000
Reports to shareholders	100,507
Other	131,579
Total expenses before expense reductions	3,879,642
Expense reductions	(117,893)
Total expenses after expense reductions	3,761,749
Net investment income (loss)	**18,012,229**

Realized and Unrealized Gain (Loss) on Investment Transactions	
Net realized gain (loss) from:	
Investments	15,943,902
Futures	393,288
Foreign currency related transactions	48,014
	16,385,204
Net unrealized appreciation (depreciation) during the period on:	
Investments	(2,066,610)
Futures	(102,802)
Foreign currency related transactions	158,401
	(2,011,011)
Net gain (loss) on investment transactions	**14,374,193**
Net increase (decrease) in net assets resulting from operations	**$ 32,386,422**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2005	2004
Operations:		
Net investment income (loss)	$ 18,012,229	$ 14,447,088
Net realized gain (loss) on investment transactions	16,385,204	39,912,342
Net unrealized appreciation (depreciation) during the period on investment and foreign currency transactions	(2,011,011)	(12,171,380)
Net increase (decrease) in net assets resulting from operations	32,386,422	42,188,050
Distributions to shareholders from:		
Net investment income:		
Class A	(14,467,177)	(10,706,370)
Class B	(715,158)	(287,648)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	6,832,194	8,149,762
Net assets acquired in tax free reorganization	118,997,707	—
Reinvestment of distributions	14,467,177	10,706,370
Cost of shares redeemed	(125,051,390)	(94,301,996)
Net increase (decrease) in net assets from Class A share transactions	15,245,688	(75,445,864)
Class B		
Proceeds from shares sold	5,663,125	12,535,568
Reinvestment of distributions	715,158	287,648
Cost of shares redeemed	(6,295,649)	(2,353,690)
Net increase (decrease) in net assets from Class B share transactions	82,634	10,469,526
Increase (decrease) in net assets	32,532,409	(33,782,306)
Net assets at beginning of period	654,550,230	688,332,536
Net assets at end of period (including undistributed net investment income of $16,253,135 and $13,460,556, respectively)	**$ 687,082,639**	**$ 654,550,230**

Other Information		
Class A		
Shares outstanding at beginning of period	27,789,320	31,305,397
Shares sold	311,313	380,053
Shares issued in tax free reorganization	5,591,767	—
Shares issued to shareholders in reinvestment of distributions	672,579	499,597
Shares redeemed	(5,635,541)	(4,395,727)
Net increase (decrease) in Class A shares	940,118	(3,516,077)
Shares outstanding at end of period	**28,729,438**	**27,789,320**
Class B		
Shares outstanding at beginning of period	1,477,597	988,869
Shares sold	254,860	584,945
Shares issued to shareholders in reinvestment of distributions	33,201	13,398
Shares redeemed	(285,975)	(109,615)
Net increase (decrease) in Class B shares	2,086	488,728
Shares outstanding at end of period	**1,479,683**	**1,477,597**

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

Financial Highlights

Class A

Years Ended December 31,	2005	2004	2003	2002	2001[a]
Selected Per Share Data					
Net asset value, beginning of period	**$22.37**	**$21.32**	**$18.66**	**$22.57**	**$25.91**
Income (loss) from investment operations:					
Net investment income (loss)[b]	.59	.47	.37	.47	.61
Net realized and unrealized gain (loss) on investment transactions	.34	.93	2.90	(3.81)	(2.20)
Total from investment operations	.93	1.40	3.27	(3.34)	(1.59)
Less distributions from:					
Net investment income	(.55)	(.35)	(.61)	(.57)	(.80)
Net realized gain on investment transactions	—	—	—	—	(.95)
Total distributions	(.55)	(.35)	(.61)	(.57)	(1.75)
Net asset value, end of period	**$22.75**	**$22.37**	**$21.32**	**$18.66**	**$22.57**
Total Return (%)	4.30[c]	6.64	18.10	(15.17)	(6.09)
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	653	622	667	640	861
Ratio of expenses before expense reduction (%)	.55	.59	.59	.58	.58
Ratio of expenses after expense reduction (%)	.53	.59	.59	.58	.58
Ratio of net investment income (%)	2.66	2.18	1.88	2.32	2.63
Portfolio turnover rate (%)	121[d]	131[d]	102[d]	140	115

a *As required, effective January 1, 2001, the Portfolio adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities.*

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

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

d *The portfolio turnover rate including mortgage dollar roll transactions was 122%, 140% and 108% for the periods ended December 31, 2005, December 31, 2004 and December 31, 2003, respectively.*

Class B

Years Ended December 31,	2005	2004	2003	2002[a]
Selected Per Share Data				
Net asset value, beginning of period	**$22.33**	**$21.28**	**$18.64**	**$19.46**
Income (loss) from investment operations:				
Net investment income (loss)[b]	.51	.39	.28	.18
Net realized and unrealized gain (loss) on investment transactions	.35	.92	2.92	(1.00)
Total from investment operations	.86	1.31	3.20	(.82)
Less distributions from:				
Net investment income	(.47)	(.26)	(.56)	—
Net asset value, end of period	**$22.72**	**$22.33**	**$21.28**	**$18.64**
Total Return (%)	3.90[d]	6.26	17.66	(4.21)**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	34	33	21	.8
Ratio of expenses before expense reductions (%)	.95	.97	.99	.86*
Ratio of expenses after expense reductions (%)	.91	.97	.99	.86*
Ratio of net investment income (%)	2.28	1.80	1.48	1.96*
Portfolio turnover rate (%)	121[c]	131[c]	102[c]	140

a *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

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

c *The portfolio turnover rate including mortgage dollar roll transactions was 122%, 140% and 108% for the periods ended December 31, 2005, December 31, 2004 and December 31, 2003, respectively.*

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

* *Annualized*

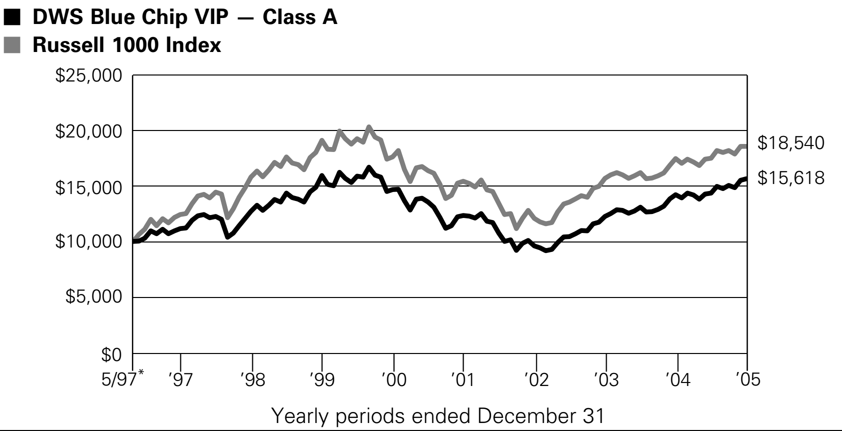
** *Not annualized*

DWS Blue Chip VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

This Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. It may focus its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Derivatives may be more volatile and less liquid than traditional securities, and the Portfolio could suffer losses on its derivative positions. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed $10,000 Investment in DWS Blue Chip VIP from 5/1/1997 to 12/31/2005



The Russell 1000 Index is an unmanaged index that measures the performance of the 1,000 largest companies in the Russell 3000 Index, which measures the performance of the 3,000 largest US companies based on total market capitalization. The Russell 1000 Index represents approximately 92% of the total market capitalization of the Russell 3000 Index. Index returns assume reinvested dividends and unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Blue Chip VIP		1-Year	3-Year	5-Year	Life of Portfolio*
Class A	Growth of $10,000	$11,006	$16,251	$10,656	$15,618
	Average annual total return	10.06%	17.57%	1.28%	5.28%
Russell 1000 Index	Growth of $10,000	$10,627	$15,377	$10,548	$18,540
	Average annual total return	6.27%	15.42%	1.07%	7.38%

DWS Blue Chip VIP		1-Year	3-Year	Life of Class**
Class B	Growth of $10,000	$10,968	$16,066	$14,613
	Average annual total return	9.68%	17.12%	11.45%
Russell 1000 Index	Growth of $10,000	$10,627	$15,377	$13,819
	Average annual total return	6.27%	15.42%	9.68%

The growth of $10,000 is cumulative.

* *The Portfolio commenced operations on May 1, 1997. Index returns begin April 30, 1997.*

** *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.*

Information About Your Portfolio's Expenses

DWS Blue Chip VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include sales charges (loads), redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The tables are based on an investment of $1,000 made at the beginning of the six-month period ended December 31, 2005.

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

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

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

Expenses and Value of a $1,000 Investment for the six months ended December 31, 2005

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,088.50	$1,086.40
Expenses Paid per $1,000*	$ 3.68	$ 5.89
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,021.68	$1,019.56
Expenses Paid per $1,000*	$ 3.57	$ 5.70

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

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Blue Chip VIP	.70%	1.12%

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

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

DWS Blue Chip VIP

The US stock market was up modestly in 2005; the return of the S&P 500 Index was 4.91%. The Portfolio returned 10.06% (Class A shares, unadjusted for contract charges), ahead of the 6.27% return of its benchmark, the Russell 1000 Index.

The Portfolio's solid performance resulted from a combination of value and growth factors among the nine stock selection signals that guide our stock selection, which uses a combination of quantitative processes and fundamental analysis applied across 24 distinct industry groups. Among these 24 industry groups, the Portfolio outperformed the index in 15 during the period. From a sector perspective, we achieved the strongest relative performance in energy, health care, materials and consumer discretionary. Holdings that performed especially well were energy companies Burlington Resources, Inc. and Sunoco, Inc., the latter of which was sold in October after the price increased to the point that it began to appear expensive relative to its peers. Other contributors to performance included copper producer Phelps Dodge Corp., in the materials group, and Apple Computer, Inc., in the information technology group. In retailing, performance benefited from Safeway, Inc. and Nordstrom, Inc., two holdings that were in the Portfolio during the year but were sold when our selection criteria indicated they no longer offered good value. Detractors included Cree, Inc., LifePoint Hospitals, Inc. and Ryder System, Inc. Except for Cree, a developer and supplier of semiconductors, which we sold in May, we continue to own these stocks, as we believe they offer good value relative to peers and have the potential for revenue and earnings growth.

Overall, we are pleased with the Portfolio's performance and its current positioning. We believe our stock selection process provides a good balance between value and growth, and has proven to work well in many different market conditions.

Janet Campagna
Robert Wang

Portfolio Managers
Deutsche Investment Management Americas Inc.

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

This Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. It may focus its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Derivatives may be more volatile and less liquid than traditional securities, and the Portfolio could suffer losses on its derivative positions. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Standard & Poor's 500 (S&P 500) Index is an unmanaged, capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Russell 1000 Index is an unmanaged index that measures the performance of the 1,000 largest companies in the Russell 3000 Index, which measures the performance of the 3,000 largest US companies based on total market capitalization. The Russell 1000 Index represents approximately 92% of the total market capitalization of the Russell 3000 Index.

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

Portfolio management market commentary is as of December 31, 2005, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Blue Chip VIP

Asset Allocation	12/31/05	12/31/04
Common Stocks	98%	96%
Cash Equivalents	2%	4%
	100%	100%

Sector Diversification (As a % of Common Stocks)	12/31/05	12/31/04
Financials	19%	19%
Information Technology	17%	14%
Health Care	15%	15%
Consumer Discretionary	13%	12%
Industrials	10%	13%
Energy	9%	8%
Consumer Staples	8%	8%
Materials	4%	5%
Utilities	3%	2%
Telecommunication Services	2%	4%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 28. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on the 15th of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Blue Chip VIP

	Shares	Value ($)
Common Stocks 98.3%		
Consumer Discretionary 12.5%		
Auto Components 0.3%		
TRW Automotive Holdings Corp.*	41,600	**1,096,160**
Hotels Restaurants & Leisure 2.2%		
Brinker International, Inc.	59,200	2,288,672
Darden Restaurants, Inc.	15,000	583,200
YUM! Brands, Inc.	98,000	4,594,240
		7,466,112
Internet & Catalog Retail 0.6%		
eBay, Inc.*	44,100	**1,907,324**
Media 3.4%		
Cablevision Systems Corp. (New York Group) "A"*	124,300	2,917,321
McGraw-Hill Companies, Inc.	43,400	2,240,742
R.H. Donnelley Corp.*	17,600	1,084,512
Viacom, Inc. "B"*	162,500	5,297,500
		11,540,075
Multiline Retail 1.7%		
Federated Department Stores, Inc.	56,100	3,721,113
J.C. Penney Co., Inc.	19,100	1,061,960
Target Corp.	20,200	1,110,394
		5,893,467
Specialty Retail 2.2%		
American Eagle Outfitters, Inc.	129,500	2,975,910
Barnes & Noble, Inc.	83,700	3,571,479
Claire's Stores, Inc.	30,000	876,600
		7,423,989
Textiles, Apparel & Luxury Goods 2.1%		
Coach, Inc.*	105,600	3,520,704
Polo Ralph Lauren Corp.	60,700	3,407,698
		6,928,402
Consumer Staples 7.9%		
Beverages 2.3%		
PepsiCo, Inc.	128,800	**7,609,504**
Food & Staples Retailing 1.2%		
Kroger Co.*	217,600	4,108,288
Wal-Mart Stores, Inc.	100	4,680
		4,112,968
Food Products 1.9%		
Pilgrim's Pride Corp.	100,600	3,335,896
Tyson Foods, Inc. "A"	186,000	3,180,600
		6,516,496
Household Products 1.4%		
Procter & Gamble Co.	81,300	**4,705,644**
Tobacco 1.1%		
Altria Group, Inc.	19,200	1,434,624
Loews Corp. — Carolina Group	55,200	2,428,248
		3,862,872
Energy 8.9%		
Oil, Gas & Consumable Fuels		
Burlington Resources, Inc.	51,800	4,465,160
ConocoPhillips	100,800	5,864,544
ExxonMobil Corp.	214,440	12,045,095
Occidental Petroleum Corp.	52,800	4,217,664
Pogo Producing Co.	74,100	3,690,921
XTO Energy, Inc.	1	44
		30,283,428
Financials 19.0%		
Banks 5.3%		
Bank of America Corp.	14,700	678,405
KeyCorp	55,200	1,817,736
PNC Financial Services Group, Inc.	38,800	2,399,004
US Bancorp.	187,400	5,601,386
Wells Fargo & Co.	118,400	7,439,072
		17,935,603
Capital Markets 3.1%		
Franklin Resources, Inc.	10,700	1,005,907
Mellon Financial Corp.	90,200	3,089,350
Merrill Lynch & Co., Inc.	9,300	629,889
Morgan Stanley	28,200	1,600,068
The Goldman Sachs Group, Inc.	33,800	4,316,598
		10,641,812
Diversified Financial Services 4.1%		
Citigroup, Inc.	240,600	11,676,318
Fannie Mae	25,400	1,239,774
Moody's Corp.	15,900	976,578
		13,892,670
Insurance 4.8%		
AFLAC, Inc.	29,000	1,346,180
American Financial Group, Inc.	19,200	735,552
Hartford Financial Services Group, Inc.	5,400	463,806
Loews Corp.	8,600	815,710
MetLife, Inc.	98,800	4,841,200
Philadelphia Consolidated Holding Corp.*	30,200	2,920,038
W.R. Berkley Corp.	103,825	4,944,147
		16,066,633
Real Estate 1.7%		
Apartment Investment & Management Co. "A" (REIT)	5,700	215,859
AvalonBay Communities, Inc. (REIT)	5,900	526,575
Boston Properties, Inc. (REIT)	4,300	318,759
Camden Property Trust (REIT)	6,600	382,272
CenterPoint Properties Trust (REIT)	5,200	257,296
Equity Office Properties Trust (REIT)	33,700	1,022,121
Equity Residential (REIT)	16,300	637,656
General Growth Properties, Inc. (REIT)	12,300	577,977
Pan Pacific Retail Properties, Inc. (REIT)	1,600	107,024
Rayonier, Inc.	12,300	490,155

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

	Shares	Value ($)
Simon Property Group, Inc. (REIT)	2,100	160,923
Vornado Realty Trust (REIT)	10,800	901,476
		5,598,093
Health Care 14.3%		
Biotechnology 2.3%		
Amgen, Inc.*	4,300	339,098
Genzyme Corp.*	52,300	3,701,794
Gilead Sciences, Inc.*	70,900	3,731,467
		7,772,359
Health Care Equipment & Supplies 1.9%		
Baxter International, Inc.	103,400	3,893,010
Hospira, Inc.*	57,400	2,455,572
		6,348,582
Health Care Providers & Services 6.6%		
Aetna, Inc.	6,200	584,722
AmerisourceBergen Corp.	101,200	4,189,680
Community Health Systems, Inc.*	77,500	2,971,350
Express Scripts, Inc.*	46,000	3,854,800
LifePoint Hospitals, Inc.*	40,400	1,515,000
Pharmaceutical Product Development, Inc.	22,900	1,418,655
UnitedHealth Group, Inc.	104,800	6,512,272
WellPoint, Inc.*	15,400	1,228,766
		22,275,245
Pharmaceuticals 3.5%		
Allergan, Inc.	44,100	4,761,036
Barr Pharmaceuticals, Inc.*	49,900	3,108,271
Johnson & Johnson	13,382	804,258
Merck & Co., Inc.	68,500	2,178,985
Pfizer, Inc.	47,050	1,097,206
		11,949,756
Industrials 9.7%		
Aerospace & Defense 5.6%		
Boeing Co.	81,700	5,738,608
Lockheed Martin Corp.	87,000	5,535,810
Raytheon Co.	84,100	3,376,615
Rockwell Collins, Inc.	93,500	4,344,945
		18,995,978
Air Freight & Logistics 1.2%		
Ryder System, Inc.	94,600	**3,880,492**
Airlines 0.6%		
AMR Corp.*	52,500	1,167,075
Southwest Airlines Co.	43,800	719,634
		1,886,709
Commercial Services & Supplies 0.3%		
Republic Services, Inc.	24,500	**919,975**
Industrial Conglomerates 1.5%		
General Electric Co.	137,900	4,833,395
Teleflex, Inc.	5,600	363,888
		5,197,283
Machinery 0.2%		
Toro Co.	17,000	**744,090**
Road & Rail 0.3%		
Burlington Northern Santa Fe Corp.	15,100	**1,069,382**
Information Technology 16.9%		
Communications Equipment 0.9%		
Corning, Inc.*	158,300	**3,112,178**
Computers & Peripherals 3.5%		
Apple Computer, Inc.*	61,700	4,435,613
Hewlett-Packard Co.	174,400	4,993,072
Network Appliance, Inc.*	87,500	2,362,500
		11,791,185
Electronic Equipment & Instruments 1.0%		
Agilent Technologies, Inc.*	98,000	**3,262,420**
Internet Software & Services 1.0%		
Google, Inc. "A"*	4,300	1,783,898
Yahoo!, Inc.*	40,600	1,590,708
		3,374,606
IT Consulting & Services 0.2%		
Paychex, Inc.	18,600	**709,032**
Semiconductors & Semiconductor Equipment 6.3%		
Advanced Micro Devices, Inc.*	84,300	2,579,580
Broadcom Corp. "A"*	25,200	1,188,180
Freescale Semiconductor, Inc. "B"*	102,400	2,577,408
Intel Corp.	286,400	7,148,544
Lam Research Corp.*	64,600	2,304,928
Micron Technology, Inc.*	120,700	1,606,517
Texas Instruments, Inc.	124,000	3,976,680
		21,381,837
Software 4.0%		
Cadence Design Systems, Inc.*	185,500	3,138,660
Microsoft Corp.	393,100	10,279,565
		13,418,225
Materials 4.2%		
Chemicals 0.3%		
Lyondell Chemical Co.	41,500	**988,530**
Metals & Mining 3.9%		
Freeport-McMoRan Copper & Gold, Inc. "B"	64,400	3,464,720
Phelps Dodge Corp.	24,700	3,553,589
Southern Copper Corp.	47,400	3,174,852
United States Steel Corp.	63,900	3,071,673
		13,264,834
Telecommunication Services 1.8%		
Diversified Telecommunication Services 1.8%		
Verizon Communications, Inc.	205,300	**6,183,636**
Wireless Telecommunication Services 0.0%		
United States Cellular Corp.*	1,100	**54,340**
Utilities 3.1%		
Electric Utilities 2.0%		
Allegheny Energy, Inc.*	34,800	1,101,420
FirstEnergy Corp.	110,300	5,403,597
Southern Co.	8,000	276,240
		6,781,257
Multi-Utilities 1.1%		
Dominion Resources, Inc.	14,700	1,134,841
Sempra Energy	54,600	2,448,264
		3,583,105
Total Common Stocks (Cost $302,116,906)		**332,426,288**

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

	Principal Amount ($)	Value ($)
US Treasury Obligations 0.2%		
US Treasury Bill, 3.75% **, 1/19/2006 (a) (Cost $728,631)	730,000	**728,631**

	Shares	Value ($)
Cash Equivalents 1.4%		
Cash Management QP Trust, 4.26% (b) (Cost $4,842,086)	4,842,086	**4,842,086**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $307,687,623)†	99.9	**337,997,005**
Other Assets and Liabilities, Net	0.1	**175,955**
Net Assets	100.0	**338,172,960**

Notes to DWS Blue Chip VIP Portfolio of Investments

† *The cost for federal income tax purposes was $309,324,185. At December 31, 2005, net unrealized appreciation for all securities based on tax cost was $28,672,820. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $31,215,232 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $2,542,412.*

* *Non-income producing security.*

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

(a) *At December 31, 2005, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.*

(b) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

REIT: Real Estate Investment Trust

At December 31, 2005, open futures contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregate Face Value ($)	Value ($)	Unrealized Depreciation ($)
S&P 500 Index	3/16/2006	17	5,380,123	5,332,900	(47,223)

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2005

Assets	
Investments:	
Investments in securities, at value (cost $302,845,537)	$ 333,154,919
Investment in Cash Management QP Trust (cost $4,842,086)	4,842,086
Total investments in securities, at value (cost $307,687,623)	337,997,005
Cash	15,678
Dividends receivable	477,042
Interest receivable	16,415
Receivable for Portfolio shares sold	141
Receivable for investments sold	29,619,583
Other assets	10,677
Total assets	368,136,541
Liabilities	
Payable for investments purchased	29,335,604
Payable for Portfolio shares redeemed	333,483
Payable for daily variation margin on open futures contracts	22,525
Accrued management fee	187,605
Other accrued expenses and payables	84,364
Total liabilities	29,963,581
Net assets, at value	**$ 338,172,960**
Net Assets	
Net assets consist of:	
Undistributed net investment income	2,849,527
Net unrealized appreciation (depreciation) on:	
Investments	30,309,382
Futures	(47,223)
Accumulated net realized gain (loss)	16,326,100
Paid-in capital	288,735,174
Net assets, at value	**$ 338,172,960**
Class A	
Net Asset Value, offering and redemption price per share ($293,892,981 ÷ 19,752,422 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 14.88**
Class B	
Net Asset Value, offering and redemption price per share ($44,279,979 ÷ 2,986,497 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 14.83**

Statement of Operations

for the year ended December 31, 2005

Investment Income	
Income:	
Dividends	$ 5,218,731
Interest — Cash Management QP Trust	222,955
Interest	21,908
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	75,791
Total Income	5,539,385
Expenses:	
Management fee	2,118,362
Custodian fees	20,537
Distribution service fees (Class B)	101,201
Record keeping fees (Class B)	58,190
Auditing	46,182
Legal	13,535
Trustees' fees and expenses	7,945
Reports to shareholders	49,125
Other	21,581
Total expenses before expense reductions	2,436,658
Expense reductions	(4,861)
Total expenses after expense reductions	2,431,797
Net investment income (loss)	**3,107,588**
Realized and Unrealized Gain (Loss) on Investment Transactions	
Net realized gain (loss) from:	
Investments	34,680,553
Futures	216,233
	34,896,786
Net unrealized appreciation (depreciation) during the period on:	
Investments	(5,949,656)
Futures	(275,526)
	(6,225,182)
Net gain (loss) on investment transactions	**28,671,604**
Net increase (decrease) in net assets resulting from operations	**$ 31,779,192**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2005	2004
Operations:		
Net investment income (loss)	$ 3,107,588	$ 2,928,100
Net realized gain (loss) on investment transactions	34,896,786	38,719,019
Net unrealized appreciation (depreciation) during the period on investment transactions	(6,225,182)	1,111,435
Net increase (decrease) in net assets resulting from operations	31,779,192	42,758,554
Distributions to shareholders from:		
Net investment income:		
Class A	(2,673,957)	(1,626,701)
Class B	(231,257)	(56,503)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	25,386,809	28,844,570
Reinvestment of distributions	2,673,957	1,626,701
Cost of shares redeemed	(42,221,426)	(26,173,350)
Net increase (decrease) in net assets from Class A share transactions	(14,160,660)	4,297,921
Class B		
Proceeds from shares sold	13,487,197	16,893,828
Reinvestment of distributions	231,257	56,503
Cost of shares redeemed	(9,951,414)	(1,310,947)
Net increase (decrease) in net assets from Class B share transactions	3,767,040	15,639,384
Increase (decrease) in net assets	18,480,358	61,012,655
Net assets at beginning of period	319,692,602	258,679,947
Net assets at end of period (including undistributed net investment income of $2,849,527 and $2,788,284, respectively)	**$ 338,172,960**	**$ 319,692,602**

Other Information		
Class A		
Shares outstanding at beginning of period	20,734,323	20,421,127
Shares sold	1,864,296	2,286,747
Shares issued to shareholders in reinvestment of distributions	198,218	132,360
Shares redeemed	(3,044,415)	(2,105,911)
Net increase (decrease) in Class A shares	(981,901)	313,196
Shares outstanding at end of period	**19,752,422**	**20,734,323**
Class B		
Shares outstanding at beginning of period	2,700,912	1,427,149
Shares sold	979,006	1,373,668
Shares issued to shareholders in reinvestment of distributions	17,156	4,597
Shares redeemed	(710,577)	(104,502)
Net increase (decrease) in Class B shares	285,585	1,273,763
Shares outstanding at end of period	**2,986,497**	**2,700,912**

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

Financial Highlights

Class A

Years Ended December 31,	2005	2004	2003	2002	2001
Selected Per Share Data					
Net asset value, beginning of period	**$13.65**	**$11.84**	**$ 9.37**	**$12.07**	**$14.41**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.14	.13	.08	.07	.05
Net realized and unrealized gain (loss) on investment transactions	1.22	1.76	2.45	(2.73)	(2.33)
Total from investment operations	1.36	1.89	2.53	(2.66)	(2.28)
Less distributions from:					
Net investment income	(.13)	(.08)	(.06)	(.04)	(.06)
Net asset value, end of period	**$14.88**	**$13.65**	**$11.84**	**$ 9.37**	**$12.07**
Total Return (%)	10.06	16.04	27.25	(22.11)	(15.81)
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	294	283	242	174	240
Ratio of expenses (%)	.70	.70	.71	.69	.69
Ratio of net investment income (%)	1.00	1.08	.82	.65	.42
Portfolio turnover rate (%)	288	249	182	195	118

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

Class B

Years Ended December 31,	2005	2004	2003	2002[a]
Selected Per Share Data				
Net asset value, beginning of period	**$13.60**	**$11.80**	**$ 9.35**	**$10.28**
Income (loss) from investment operations:				
Net investment income (loss)[b]	.09	.09	.04	.03
Net realized and unrealized gain (loss) on investment transactions	1.22	1.74	2.45	(.96)
Total from investment operations	1.31	1.83	2.49	(.93)
Less distributions from:				
Net investment income	(.08)	(.03)	(.04)	—
Net asset value, end of period	**$14.83**	**$13.60**	**$11.80**	**$ 9.35**
Total Return (%)	9.68	15.55	26.76	(9.05)**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	44	37	17	.4
Ratio of expenses (%)	1.09	1.08	1.10	.94*
Ratio of net investment income (%)	.61	.70	.43	.61*
Portfolio turnover rate (%)	288	249	182	195

a *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
b *Based on average shares outstanding during the period.*
* *Annualized*
** *Not annualized*

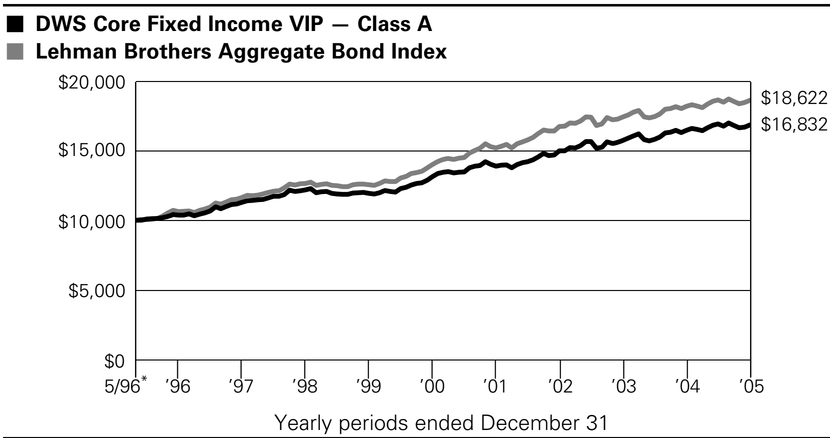
DWS Core Fixed Income VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

Investments by the Portfolio in lower-rated bonds present greater risk to principal and income than investments in higher-quality securities. This Portfolio invests in individual bonds whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Bond investments are subject to interest-rate risk such that when interest rates rise, the prices of the bonds, and thus the value of the Portfolio, can decline and the investor can lose principal value. Additionally, investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation and changes in political/economic conditions and market risks. All of these factors may result in greater share price volatility. Please see this Portfolio's prospectus for specific details regarding its investments and risk profile.

A Treasury's guarantee relates only to the prompt payment of principal and interest and does not remove market risks if the investment is sold prior to maturity.

Growth of an Assumed $10,000 Investment in DWS Core Fixed Income VIP from 5/1/1996 to 12/31/2005



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

Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Core Fixed Income VIP		1-Year	3-Year	5-Year	Life of Portfolio*
Class A	Growth of $10,000	$10,225	$11,236	$12,830	$16,832
	Average annual total return	2.25%	3.96%	5.11%	5.54%
Lehman Brothers Aggregate Bond Index	Growth of $10,000	$10,243	$11,126	$13,303	$18,622
	Average annual total return	2.43%	3.62%	5.87%	6.64%

DWS Core Fixed Income VIP		1-Year	3-Year	Life of Class**
Class B	Growth of $10,000	$10,185	$11,108	$11,694
	Average annual total return	1.85%	3.56%	4.57%
Lehman Brothers Aggregate Bond Index	Growth of $10,000	$10,243	$11,126	$11,819
	Average annual total return	2.43%	3.62%	4.89%

The growth of $10,000 is cumulative.

* *The Portfolio commenced operations on May 1, 1996. Index returns begins April 30, 1996. Total returns would have been lower for the Life of Portfolio period for Class A shares if the Portfolio's expenses were not maintained.*

** *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.*

Information About Your Portfolio's Expenses

DWS Core Fixed Income VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include sales charges (loads), redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The tables are based on an investment of $1,000 made at the beginning of the six-month period ended December 31, 2005.

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

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

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

Expenses and Value of a $1,000 Investment for the six months ended December 31, 2005

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$ 995.80	$ 993.30
Expenses Paid per $1,000*	$ 3.42	$ 5.53
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,021.78	$1,019.66
Expenses Paid per $1,000*	$ 3.47	$ 5.60

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

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Core Fixed Income VIP	.68%	1.10%

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

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

DWS Core Fixed Income VIP

Despite several rounds of bond market speculation to the contrary, the Federal Open Market Committee (the Fed) has remained surprisingly consistent in their tightening regimen, raising rates 25 basis points at every meeting in 2005. The Fed target rate finished the year 2.00% higher at 4.25%. The Treasury market, for its part, has been less consistent with periods of rate volatility. Still, the flattening yield curve trend continued and intensified in 2005, even ending the year slightly inverted as measured by the 2- to 10-year Treasuries (–2 basis points). Against this backdrop, the portfolio returned 2.25% (Class A shares, unadjusted for contract charges) for the year, compared with the 2.43% return of its benchmark, the Lehman Brothers Aggregate Bond Index.

Spread sector performance for the year was mixed. Credit, after outperforming treasuries every year since 2002, reversed course and underperformed by 85 basis points due largely to the meltdown in the Auto sector. Our underweight strategy in autos, therefore, benefited performance, as did our holdings in insurance and utilities. Mortgage-backed securities also underperformed comparable Treasuries. On balance, our mortgage-backed securities holdings detracted from returns, although our emphasis on more structured collateralized mortgae obligations, which are less prepayment sensitive than the pass-throughs that comprise the index, fared better as volatility increased. The other high quality sectors, asset-backed securities and collateralized mortgage-backed securities, delivered the best performance for the year, and our overweight to these sectors aided returns.

Gary W. Bartlett, CFA
Warren S. Davis, III
Thomas J. Flaherty
J. Christopher Gagnier
William T. Lissenden
Daniel R. Taylor, CFA
Timothy C. Vile, CFA

Portfolio Managers, Aberdeen Asset Management Inc., Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when 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 visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

Investments by the Portfolio in lower-rated bonds present greater risk to principal and income than investments in higher-quality securities. This Portfolio invests in individual bonds whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Bond investments are subject to interest-rate risk such that when interest rates rise, the prices of the bonds, and thus the value of the Portfolio, can decline and the investor can lose principal value. Additionally, investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation and changes in political/economic conditions and market risks. All of these factors may result in greater share price volatility. Please see this Portfolio's prospectus for specific details regarding its investments and risk profile.

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

Yield, or coupon rate, is simply the interest paid by a bond at the time it matures (is paid back to the purchaser). A bond with a 10% coupon or interest rate yields 10% of its principal when it matures.

The yield curve is a graph with a left-to-right line that shows how high or low yields are, from the shortest to the longest maturities. Typically (and when the yield curve is characterized as "steep" this is especially true), the line rises from left to right as investors who are willing to tie up their money for a longer period of time are rewarded with higher yields.

Portfolio management market commentary is as of December 31, 2005, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Core Fixed Income VIP

Asset Allocation (Excludes Securities Lending Collateral)	12/31/05	12/31/04
Collateralized Mortgage Obligations	21%	24%
Commercial and Non-Agency Mortgage Backed Securities	18%	11%
Corporate Bonds	15%	16%
US Treasury Obligations	15%	17%
US Government Agency Sponsored Pass-Throughs	9%	7%
Asset Backed	7%	8%
Foreign Bonds — US$ Denominated	5%	8%
Municipal Bonds and Notes	5%	5%
Cash Equivalents	5%	4%
	100%	100%

Corporate and Foreign Bonds Diversification (Excludes Cash Equivalents and Securities Lending Collateral)	12/31/05	12/31/04
Financials	38%	45%
Consumer Discretionary	17%	6%
Utilities	13%	18%
Telecommunication Services	9%	8%
Materials	8%	4%
Energy	7%	11%
Industrials	6%	1%
Health Care	2%	7%
	100%	100%

Quality (Excludes Securities Lending Collateral)	12/31/05	12/31/04
US Government and Agencies	45%	49%
AAA*	32%	26%
AA	2%	3%
A	7%	11%
BBB	12%	11%
BB	2%	—
	100%	100%

* *Includes cash equivalents*

Effective Maturity (Excludes Cash Equivalents and Securities Lending Collateral)	12/31/05	12/31/04
Under 1 year	10%	9%
1–4.99 years	34%	46%
5–9.99 years	43%	25%
10–14.99 years	4%	10%
15 years or greater	9%	10%
	100%	100%

Asset allocation, corporate and foreign bonds diversification, quality and effective maturity are subject to change.

Weighted average effective maturity: 5.4 years and 6.7 years, respectively.

The quality ratings represent the lower of Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Corporation ("S&P") credit ratings. The ratings of Moody's and S&P represent their opinions as to the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality. The Portfolio's quality does not remove market risk.

For more complete details about the Portfolio's investment portfolio, see page 38. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on the 15th of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Core Fixed Income VIP

	Principal Amount ($)	Value ($)
Corporate Bonds 15.6%		
Consumer Discretionary 3.5%		
Auburn Hills Trust, 12.375%, 5/1/2020	161,001	239,397
Comcast Cable Communications Holdings, Inc., 9.455%, 11/15/2022	110,000	144,122
Comcast MO of Delaware, Inc., 9.0%, 9/1/2008	490,000	535,357
D.R. Horton, Inc., 5.375%, 6/15/2012	2,091,000	2,021,265
DaimlerChrysler NA Holding Corp.:		
4.75%, 1/15/2008	892,000	883,862
Series E, 4.78%*, 10/31/2008 (a)	643,000	643,359
Harrah's Operating Co., Inc., 5.625%, 6/1/2015	1,752,000	1,721,203
Mandalay Resort Group, 6.5%, 7/31/2009 (a)	202,000	204,273
MGM MIRAGE:		
6.0%, 10/1/2009	395,000	392,531
6.625%, 7/15/2015 (a)	130,000	129,675
News America, Inc., 144A, 6.4%, 12/15/2035	770,000	776,111
TCI Communications, Inc., 8.75%, 8/1/2015	848,000	1,027,517
Tele-Communications, Inc.:		
9.875%, 6/15/2022	250,000	339,430
10.125%, 4/15/2022	363,000	496,615
Time Warner, Inc.:		
6.625%, 5/15/2029	510,000	509,283
7.625%, 4/15/2031	1,705,000	1,898,772
		11,962,772
Energy 1.3%		
Chesapeake Energy Corp.:		
6.375%, 6/15/2015	362,000	362,000
6.625%, 1/15/2016	226,000	228,825
Enterprise Products Operating LP:		
Series B, 5.0%, 3/1/2015 (a)	517,000	492,485
7.5%, 2/1/2011	580,000	630,996
Sempra Energy, 4.621%, 5/17/2007	1,510,000	1,499,299
Tri-State Generation & Transmission Association, 144A, 6.04%, 1/31/2018	1,190,000	1,225,212
		4,438,817
Financials 5.7%		
American General Finance Corp.:		
Series H, 4.0%, 3/15/2011	1,417,000	1,340,486
Series I, 4.875%, 5/15/2010	735,000	728,687
American International Group, Inc., 144A, 5.05%, 10/1/2015	970,000	951,987
ASIF Global Finance XVIII, 144A, 3.85%, 11/26/2007	539,000	528,591
Duke Capital LLC, 4.302%, 5/18/2006	1,204,000	1,201,135
Erac USA Finance Co.:		
144A, 5.9%, 11/15/2015	330,000	335,676
144A, 8.0%, 1/15/2011	1,346,000	1,503,801
ERP Operating LP, 6.95%, 3/2/2011	432,000	463,661
Farmers Insurance Exchange, 144A, 8.625%, 5/1/2024	940,000	1,140,951
Ford Motor Credit Co.:		
6.5%, 1/25/2007	1,041,000	1,007,136
6.875%, 2/1/2006	2,860,000	2,853,851
General Motors Acceptance Corp.:		
6.125%, 9/15/2006 (a)	238,000	231,183
6.125%, 8/28/2007	785,000	727,677
6.15%, 4/5/2007	190,000	179,465
HSBC Bank USA:		
5.625%, 8/15/2035	780,000	762,901
5.875%, 11/1/2034	100,000	100,894
HSBC Finance Corp., 5.0%, 6/30/2015	330,000	320,897
JPMorgan Chase Capital XV, 5.875%, 3/15/2035	284,000	282,362
JPMorgan Chase XVII, 5.85%, 8/1/2035 (a)	375,000	371,026
Merrill Lynch & Co., Inc., Series C, 4.79%, 8/4/2010	827,000	817,698
PLC Trust, Series 2003-1, 144A, 2.709%, 3/31/2006	250,215	249,296
Reinsurance Group of America, Inc., 6.75%, 12/15/2065	790,000	797,010
The Goldman Sachs Group, Inc., 4.75%, 7/15/2013	384,000	372,468
ZFS Finance USA Trust I:		
144A, 6.15%, 12/15/2065 (a)	1,000,000	1,007,268
144A, 6.45%, 12/15/2065	1,000,000	1,013,900
		19,290,007
Health Care 0.5%		
Health Care Service Corp., 144A, 7.75%, 6/15/2011	1,424,000	**1,593,812**
Industrials 0.3%		
BAE System 2001 Asset Trust, "B", Series 2001, 144A, 7.156%, 12/15/2011	259,064	271,449
K. Hovnanian Enterprises, Inc., 6.25%, 1/15/2015	635,000	597,603
Standard Pacific Corp., 6.5%, 8/15/2010	255,000	243,206
		1,112,258
Materials 0.6%		
Georgia-Pacific Corp., 8.875%, 5/15/2031	952,000	954,380
Newmont Mining Corp., 5.875%, 4/1/2035	755,000	745,051
Weyerhaeuser Co.:		
7.125%, 7/15/2023 (a)	95,000	100,438
7.375%, 3/15/2032	66,000	73,373
		1,873,242
Telecommunication Services 1.0%		
Anixter International, Inc., 5.95%, 3/1/2015	306,000	276,908
Bell Atlantic New Jersey, Inc., Series A, 5.875%, 1/17/2012	877,000	884,898

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

	Principal Amount ($)	Value ($)
SBC Communications, Inc., 5.875%, 2/1/2012	1,333,000	1,370,482
Verizon Global Funding Corp., 7.75%, 12/1/2030	796,000	946,171
		3,478,459
Utilities 2.7%		
Centerior Energy Corp., Series B, 7.13%, 7/1/2007	1,490,000	1,536,925
Consumers Energy Co.:		
Series F, 4.0%, 5/15/2010	1,655,000	1,571,677
5.0%, 2/15/2012	1,160,000	1,134,756
Entergy Louisiana, Inc., 6.3%, 9/1/2035	360,000	352,437
Pedernales Electric Cooperative, Series 02-A, 144A, 6.202%, 11/15/2032	1,715,000	1,882,281
PSI Energy, Inc., 6.12%, 10/15/2035	830,000	848,781
TXU Energy Co., 7.0%, 3/15/2013	585,000	623,414
Xcel Energy, Inc., 7.0%, 12/1/2010	1,240,000	1,334,528
		9,284,799
Total Corporate Bonds (Cost $53,793,556)		**53,034,166**

Foreign Bonds — US$ Denominated 5.5%

	Principal Amount ($)	Value ($)
Energy 0.2%		
Petro-Canada, 5.95%, 5/15/2035	680,000	**689,811**
Financials 2.2%		
BNP Paribas SA, 144A, 5.186%, 6/29/2049	300,000	291,040
DBS Capital Funding Corp., 144A, 7.657%, 3/15/2049	1,330,000	1,471,581
Mantis Reef Ltd., 144A, 4.692%, 11/14/2008	2,120,000	2,082,959
Mizuho Financial Group, (Cayman), 8.375%, 12/29/2049	2,670,000	2,892,945
Resona Bank Ltd., 144A, 5.85%, 9/29/2049	816,000	812,552
		7,551,077
Industrials 1.0%		
Tyco International Group SA:		
6.75%, 2/15/2011	1,900,000	1,997,639
6.875%, 1/15/2029	916,000	998,387
7.0%, 6/15/2028	356,000	391,627
		3,387,653
Materials 1.1%		
Alcan, Inc., 5.75%, 6/1/2035	74,000	72,051
Celulosa Arauco y Constitucion SA, 5.625%, 4/20/2015	1,295,000	1,285,552
Sociedad Concesionaria Autopista Central, 144A, 6.223%, 12/15/2026	1,915,000	2,010,424
Vale Overseas Ltd., 8.25%, 1/17/2034	295,000	339,619
		3,707,646
Sovereign Bonds 0.0%		
United Mexican States, 8.375%, 1/14/2011	65,000	**74,100**
Telecommunication Services 1.0%		
British Telecommunications PLC, 8.875%, 12/15/2030	1,065,000	1,424,908
Telecom Italia Capital:		
4.0%, 1/15/2010	440,000	419,077
4.95%, 9/30/2014	685,000	654,236
5.25%, 11/15/2013	850,000	834,083
		3,332,304
Total Foreign Bonds — US$ Denominated (Cost $18,664,154)		**18,742,591**

Asset Backed 7.5%

	Principal Amount ($)	Value ($)
Automobile Receivables 0.9%		
MMCA Automobile Trust:		
"A4", Series 2002-4, 3.05%, 11/16/2009	617,100	611,476
"A4", Series 2002-2, 4.3%, 3/15/2010	784,011	781,715
"B", Series 2002-2, 4.67%, 3/15/2010	486,668	480,205
"B", Series 2002-1, 5.37%, 1/15/2010	438,264	437,098
Onyx Acceptance Owner Trust, "A3", Series 2003-D, 2.4%, 12/15/2007	604,024	602,429
		2,912,923
Home Equity Loans 6.6%		
Aegis Asset Backed Securities Trust:		
"N1", Series 2005-5N, 144A, 4.5%, 12/25/2023	1,407,099	1,395,666
"N1", Series 2005-3N, 144A, 4.75%, 8/25/2035	915,743	910,889
Countrywide Asset-Backed Certificates:		
"AF2", Series 2005-7, 4.367%, 11/25/2035	2,340,000	2,303,891
"N1", Series 2004-2N, 144A, 5.0%, 2/25/2035	159,196	158,405
Credit-Based Asset Servicing and Securities, "A3", Series 2004-CB4, 4.632%, 5/25/2035	1,512,718	1,505,617
Encore Credit Receivables NIM Trust, "NOTE", Series 2005-4, 144A, 4.5%, 1/25/2036	1,362,184	1,336,643
JPMorgan Mortgage Acquisition Corp., "A2F1", Series 2005-FRE1, 5.375%, 10/25/2035	1,562,870	1,561,458
Master Asset Backed Securities Trust, "A1B", Series 2005-AB1, 5.143%, 11/25/2035	2,277,609	2,272,597
Merrill Lynch Mortgage Investors, Inc., "A1A", Series 2005-NCB, 5.451%, 7/25/2036	1,531,429	1,530,737
Novastar NIM Trust, "NOTE", Series 2005-N1, 144A, 4.777%, 10/26/2035	876,383	873,553
Park Place Securities NIM Trust, "A", Series 2005-WCW1, 144A, 4.25%, 9/25/2035	1,106,127	1,100,596
Renaissance Home Equity Loan Trust, "AF6", Series 2005-2, 4.781%, 8/25/2035	835,000	800,874
Renaissance NIM Trust, "A", Series 2004-A, 144A, 4.45%, 6/25/2034	8,670	8,654
Residential Asset Securities Corp., "AI6", Series 2000-KS1, 7.905%, 2/25/2031	1,215,405	1,220,986

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

	Principal Amount ($)	Value ($)
Securitized Asset Backed NIM Trust, "NIM", Series 2005-FR4, 144A, 6.0%, 1/25/2036	2,520,847	2,519,271
Terwin Mortgage Trust, "AF2", Series 2005-14HE, 4.85%, 8/25/2036	3,094,000	3,064,027
		22,563,864
Total Asset Backed (Cost $25,694,021)		**25,476,787**

	Shares	Value ($)

Preferred Stocks 0.2%

	Shares	Value ($)
Farm Credit Bank of Texas, Series 1	325,000	356,457
Axis Capital Holdings Ltd., Series B, 7.5%	3,300	343,406
Total Preferred Stocks (Cost $682,657)		**699,863**

	Principal Amount ($)	Value ($)

US Government Agency Sponsored Pass-Throughs 9.4%

	Principal Amount ($)	Value ($)
Federal Home Loan Mortgage Corp.:		
4.0%, 5/1/2019	2,274,382	2,174,167
5.0%, 3/1/2034 (f)	3,080,000	2,980,861
6.0%, with various maturities from 12/1/2025 until 12/1/2034	3,103,891	3,145,732
Federal National Mortgage Association:		
4.5%, with various maturities from 7/1/2018 until 10/1/2033 (f)	4,327,077	4,112,537
5.0%, with various maturities from 4/1/2025 until 2/1/2034 (f)	3,663,531	3,578,072
5.5%, with various maturities from 7/1/2024 until 1/1/2025 (f)	5,440,642	5,433,420
6.31%, 6/1/2008	1,500,000	1,530,207
6.5%, with various maturities from 3/1/2017 until 11/1/2035	3,491,126	3,582,023
7.0%, with various maturities from 11/1/2035 until 12/1/2035	4,052,464	4,228,071
7.13%, 1/1/2012	1,105,835	1,118,176
8.0%, 9/1/2015	48,515	51,809
Total US Government Agency Sponsored Pass-Throughs (Cost $32,300,935)		**31,935,075**

Commercial and Non-Agency Mortgage-Backed Securities 18.0%

	Principal Amount ($)	Value ($)
Adjustable Rate Mortgage Trust, "3A31", Series 2005-10, 5.437%*, 1/25/2036	1,265,000	1,256,708
Banc of America Commercial Mortgage, Inc., "AJ", Series 2005-1, 5.0%*, 11/10/2042	2,270,000	2,263,117
Bear Stearns Adjustable Rate Mortgage Trust, "2A3", Series 2005-4, 4.45%*, 8/25/2035	1,185,000	1,150,841
Citicorp Mortgage Securities, Inc.:		
"A4", Series 2003-3, 5.5%, 3/25/2033	752,479	751,619
"1A1", Series 2004-8, 5.5%, 10/25/2034	1,326,269	1,325,064
Citigroup Mortgage Loan Trust, Inc.:		
"1A2", Series 2004-NCM-1, 6.5%, 7/25/2034	1,123,899	1,149,187
"1CB2", Series 2004-NCM2, 6.75%, 8/25/2034	1,433,796	1,476,362
Countrywide Alternative Loan Trust:		
"A2", Series 2003-6T2, 5.0%, 6/25/2033	1,132,397	1,128,672
"A2", Series 2003-21T1, 5.25%, 12/25/2033	1,636,441	1,631,688
"A6", Series 2004-14T2, 5.5%, 8/25/2034	1,667,677	1,665,983
"7A1", Series 2004-J2, 6.0%, 12/25/2033	447,182	446,483
"1A1", Series 2004-J1, 6.0%, 2/25/2034	311,108	311,836
First Union-Lehman Brothers Commercial Mortgage, "A3", Series 1997-C1, 7.38%, 4/18/2029	1,031,239	1,047,701
GMAC Commercial Mortgage Securities, Inc., "A3", Series 1997-C1, 6.869%, 7/15/2029	451,643	461,647
Greenwich Capital Commercial Funding Corp.:		
"AJ", Series 2005-GG3, 4.859%, 8/10/2042	845,000	818,956
"B", Series 2005-GG3, 4.894%, 8/10/2042	1,410,000	1,364,817
"AM", Series 2005-GG5, 5.277%, 4/10/2037	1,680,000	1,688,895
GS Mortgage Securities Corp. II, "C", Series 1998-C1, 6.91%, 10/18/2030	1,260,000	1,313,896
JP Morgan Mortgage Trust, "2A1", Series 2005-A8, 4.969%, 11/25/2035	1,482,924	1,471,840
LB-UBS Commercial Mortgage Trust, "AJ", Series 2005-C3, 4.843%, 7/15/2040	3,095,000	2,986,402
Master Alternative Loans Trust:		
"5A1", Series 2005-1, 5.5%, 1/25/2020	703,659	704,918
"3A1", Series 2004-5, 6.5%, 6/25/2034	61,023	62,091
"5A1", Series 2005-2, 6.5%, 12/25/2034	306,680	309,196
"8A1", Series 2004-3, 7.0%, 4/25/2034	199,743	201,452
Master Asset Securitization Trust:		
"8A1", Series 2003-6, 5.5%, 7/25/2033	782,165	768,966
"2A7", Series 2003-9, 5.5%, 10/25/2033	1,313,800	1,299,812
Merrill Lynch Mortgage Trust:		
"AM", Series 2005-MCP1, 4.805%, 6/12/2043	1,715,000	1,662,696
"D" Series 2005-CKI1, 5.245%, 11/12/2037	360,000	355,466
Residential Accredit Loans, Inc., "CB", Series 2004-QS2, 5.75%, 2/25/2034	1,016,699	1,010,028
Residential Asset Securitization Trust, "A1", Series 2003-A11, 4.25%, 11/25/2033	85,440	85,188

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

	Principal Amount ($)	Value ($)
Structured Adjustable Rate Mortgage Loan Trust:		
"6A3", Series 2005-21, 5.4%, 11/25/2035	1,485,000	1,475,266
"1A1", Series 2005-18, 5.725%*, 9/25/2035	1,493,367	1,495,555
Structured Asset Securities Corp., "4A1", Series 2005-6, 5.0%, 5/25/2035	876,118	844,906
Wachovia Bank Commercial Mortgage Trust, "AJ", Series 2005-C20, 5.124%*, 7/15/2042	3,135,000	3,111,120
Washington Mutual:		
"A6", Series 2004-AR4, 3.804%*, 6/25/2034	1,695,000	1,628,600
"A6", Series 2003-AR11, 3.985%, 10/25/2033	1,540,000	1,495,446
"A7, Series 2004-AR9, 4.181%*, 8/25/2034	1,393,000	1,364,374
"2A1", Series 2002-S8, 4.5%, 1/25/2018	433,365	430,769
"1A6", Series 2005-AR12, 4.844%*, 10/25/2035	3,125,000	3,074,809
"1A1", Series 2005-AR14, 5.082%*, 12/25/2035	1,542,410	1,532,792
"1A3", Series 2005-AR16, 5.132%, 12/25/2035	1,660,000	1,638,587
"4A", Series 2004-CB2, 6.5%, 8/25/2034	220,535	225,497
Wells Fargo Mortgage Backed Securities Trust:		
"2A17", Series 2005-AR10, 3.5%*, 6/25/2035	385,000	370,559
"A6", Series 2004-N, 4.0%, 8/25/2034	2,350,000	2,273,913
"2A14", Series 2005-AR10, 4.11%*, 6/25/2035	2,350,000	2,284,189
"2A15", Series 2005-AR10, 4.11%*, 6/25/2035	3,155,000	3,066,646
"1A6", Series 2003-1, 4.5%, 2/25/2018	302,247	300,590
"4A2", Series 2005-AR16, 4.993%, 10/25/2035	2,385,000	2,352,962
Total Commercial and Non-Agency Mortgage-Backed Securities (Cost $62,070,164)		**61,138,107**

Collateralized Mortgage Obligations 20.9%

	Principal Amount ($)	Value ($)
Fannie Mae Whole Loan:		
"2A3", Series 2003-W3, 4.16%, 6/25/2042	605,409	601,847
"1A3", Series 2003-W18, 4.732%, 8/25/2043	330,528	329,550
"A2", Series 2004-W4, 5.0%, 6/25/2034	2,115,000	2,107,274
"1A1", Series 2004-W15, 6.0%, 8/25/2044	1,649,045	1,666,488
Federal Home Loan Mortgage Corp.:		
"XG", Series 2737, 4.0%, 11/15/2022	1,050,000	1,030,410
"NB", Series 2750, 4.0%, 12/15/2022	2,839,000	2,783,549
"KB", Series 2552, 4.25%, 6/15/2027	1,220,640	1,211,237
"LC", Series 2682, 4.5%, 7/15/2032	805,000	761,759
"PE", Series 2727, 4.5%, 7/15/2032	2,395,000	2,259,214
"NP", Series 2802, 4.5%, 1/15/2033	1,770,000	1,664,287
"HG", Series 2543, 4.75%, 9/15/2028	988,294	983,812
"OL", Series 2840, 5.0%, 11/15/2022	2,335,000	2,329,242
"PE", Series 2721, 5.0%, 1/15/2023	135,000	129,562
"PQ", Series 2844, 5.0%, 5/15/2023	1,616,000	1,616,794
"BU", Series 2911, 5.0%, 9/15/2023	2,403,000	2,394,410
"EW", Series 2545, 5.0%, 3/15/2029	1,442,593	1,438,683
"BG", Series 2640, 5.0%, 2/15/2032	2,060,000	2,006,590
"PD", Series 2844, 5.0%, 12/15/2032	2,765,000	2,664,769
"EG", Series 2836, 5.0%, 12/15/2032	2,770,000	2,669,166
"PD", Series 2783, 5.0%, 1/15/2033	1,283,000	1,239,752
"TE", Series 2780, 5.0%, 1/15/2033	1,785,000	1,724,486
"NE", Series 2802, 5.0%, 2/15/2033	2,640,000	2,550,366
"OE", Series 2840, 5.0%, 2/15/2033	2,780,000	2,676,838
"PD", Series 2890, 5.0%, 3/15/2033	1,485,000	1,428,619
"OG", Series 2889, 5.0%, 5/15/2033	1,770,000	1,708,492
"PE", Series 2898, 5.0%, 5/15/2033	860,000	827,248
"XD", Series 2941, 5.0%, 5/15/2033	1,055,000	1,013,764
"PE", Series 2864, 5.0%, 6/15/2033	2,275,000	2,199,016
"UE", Series 2911, 5.0%, 6/15/2033	3,055,000	2,936,762
"BG", Series 2869, 5.0%, 7/15/2033	335,000	322,429
"KD", Series 2915, 5.0%, 9/15/2033	1,341,000	1,289,735
"NE", Series 2921, 5.0%, 9/15/2033	2,275,000	2,187,600
"QE", Series 2991, 5.0%, 8/15/2034	2,530,000	2,429,416
"PE", Series 2378, 5.5%, 11/15/2016	1,765,000	1,790,398
"CH", Series 2390, 5.5%, 12/15/2016	440,000	444,561
"PE", Series 2512, 5.5%, 2/15/2022	45,000	45,813
"YA", Series 2841, 5.5%, 7/15/2027	2,405,715	2,420,404
"BD", Series 2453, 6.0%, 5/15/2017	872,475	894,037
"Z", Series 2173, 6.5%, 7/15/2029	288,809	298,690
Federal National Mortgage Association:		
"WB", Series 2003-106, 4.5%, 10/25/2015	1,735,000	1,719,908
"NE", Series 2004-52, 4.5%, 7/25/2033	1,282,000	1,202,326
"PE", Series 2005-44, 5.0%, 7/25/2033	650,000	623,612
"QD", Series 2005-29, 5.0%, 8/25/2033	435,000	417,400

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

	Principal Amount ($)	Value ($)
"HE", Series 2005-22, 5.0%, 10/25/2033	1,540,000	1,478,004
"ND", Series 3036, 5.0%, 5/15/2034	1,645,000	1,579,680
"PG", Series 2002-3, 5.5%, 2/25/2017	500,000	507,766
"QC", Series 2002-11, 5.5%, 3/25/2017	640,000	649,342
"MC", Series 2002-56, 5.5%, 9/25/2017	713,781	721,257
"VD", Series 2002-56, 6.0%, 4/25/2020	103,039	103,451
"PM", Series 2001-60, 6.0%, 3/25/2030	89,844	89,940
"A2", Series 1998-M6, 6.32%, 8/15/2008	755,090	774,990
"HM", Series 2002-36, 6.5%, 12/25/2029	35,829	35,875
Total Collateralized Mortgage Obligations (Cost $72,271,041)		**70,980,620**

Municipal Bonds and Notes 4.9%

	Principal Amount ($)	Value ($)
Brockton, MA, General Obligation, Economic Development, Series A, 6.45%, 5/1/2017 (b)	1,530,000	1,662,299
California, Statewide Communities Development Authority Revenue, Series A-1, 4.0%, 11/15/2006 (b)	1,515,000	1,503,092
Illinois, Higher Education Revenue, 7.05%, 7/1/2009 (b)	1,410,000	1,509,067
Jersey City, NJ, Municipal Utilities Authority, Water Revenue, 4.55%, 5/15/2012 (b)	1,000,000	978,790
Jicarilla, NM, Sales & Tax Special Revenue, Apache Nation Revenue, 144A, 5.2%, 12/1/2013	945,000	948,733
Los Angeles, CA, Community Redevelopment Agency, Financing Authority Revenue, Bunker Hill Project, 5.83%, 12/1/2017 (b)	2,500,000	2,612,050
New York, General Obligation, Environmental Facilities Corp., 4.95%, 1/1/2013 (b)	1,500,000	1,502,190
Oklahoma City, OK, Airport Revenue, 5.2%, 10/1/2012 (b)	1,430,000	1,443,084
Oregon, School Boards Association, Pension Deferred Interest, Series A, Zero Coupon, 6/30/2017 (b)	3,830,000	2,140,242
Portland, OR, River District, Urban Renewal & Redevelopment, Series B, 3.35%, 6/15/2010 (b)	1,550,000	1,462,208
Trenton, NJ, School District General Obligation, 4.3%, 4/1/2011 (b)	1,040,000	1,010,173
Total Municipal Bonds and Notes (Cost $16,539,393)		**16,771,928**

US Treasury Obligations 14.8%

	Principal Amount ($)	Value ($)
US Treasury Bond, 6.0%, 2/15/2026 (a)	8,624,000	10,169,585
US Treasury Notes:		
3.375%, 2/15/2008 (a)	9,543,000	9,346,548
4.75%, 5/15/2014 (a)	8,400,000	8,604,422
5.0%, 8/15/2011 (a)	21,442,000	22,131,317
Total US Treasury Obligations (Cost $50,678,932)		**50,251,872**

Securities Lending Collateral 16.1%

	Shares	Value ($)
Daily Assets Fund Institutional, 4.28%(c) (d) (Cost $54,947,630)	54,947,630	**54,947,630**

Cash Equivalents 4.7%

	Shares	Value ($)
Cash Management QP Trust, 4.26%(e) (Cost $16,123,788)	16,123,788	**16,123,788**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $403,766,271)†	117.6	**400,102,427**
Other Assets and Liabilities, Net	(17.6)	**(59,835,567)**
Net Assets	100.0	**340,266,860**

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

Notes to DWS Core Fixed Income VIP Portfolio of Investments

* *Floating rate notes are securities whose yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury bill rate. These securities are shown at their current rate as of December 31, 2005.*

† *The cost for federal income tax purposes was $403,930,558. At December 31, 2005, net unrealized depreciation for all securities based on tax cost was $3,828,131. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $1,441,908 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $5,270,039.*

(a) *All or a portion of these securities were on loan (See Notes to Financial Statements). The value of all securities loaned at December 31, 2005 amounted to $53,856,661 which is 15.8% of net assets.*

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

Insurance Coverage	As a % of Total Investment Portfolio
Ambac Financial Group	1.1%
Financial Guaranty Insurance Co.	1.6%
Financial Security Assurance Inc.	1.0%
MBIA Corp.	0.2%

(c) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(d) *Represents collateral held in connection with securities lending.*

(e) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(f) *Mortgage dollar rolls included.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

Included in the portfolio are investments in mortgage or asset-backed securities which are interests in separate pools of mortgages or assets. Effective maturities of these investments may be shorter than stated maturities due to prepayments. Some separate investments in the Federal National Mortgage Association and the Federal Home Loan Mortgage Corp. issues which have similar coupon rates have been aggregated for presentation purposes in the investment portfolio.

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2005

Assets		
Investments:		
Investments in securities, at value (cost $332,694,853) — including $53,856,661 of securities loaned	$	329,031,009
Investment in Daily Assets Fund Institutional (cost $54,947,630)*		54,947,630
Investment in Cash Management QP Trust (cost $16,123,788)		16,123,788
Total investments in securities, at value (cost $403,766,271)		400,102,427
Cash		290,090
Interest receivable		2,770,029
Receivable for Portfolio shares sold		303,562
Other assets		10,098
Total assets		403,476,206
Liabilities		
Payable for investments purchased		4,278,129
Payable upon return of securities loaned		54,947,630
Payable for investments purchased — mortgage dollar rolls		3,622,889
Deferred mortgage dollar roll income		903
Accrued management fee		167,653
Payable for Portfolio shares redeemed		41,002
Other accrued expenses and payables		151,140
Total liabilities		63,209,346
Net assets, at value	**$**	**340,266,860**
Net Assets		
Net assets consist of:		
Undistributed net investment income		11,525,027
Net unrealized appreciation (depreciation) on investments		(3,663,844)
Accumulated net realized gain (loss)		(402,744)
Paid-in capital		332,808,421
Net assets, at value	**$**	**340,266,860**
Class A		
Net Asset Value, offering and redemption price per share ($251,626,427 ÷ 21,303,867 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.81**
Class B		
Net Asset Value, offering and redemption price per share ($88,640,433 ÷ 7,523,292 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.78**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2005

Investment Income		
Income:		
Interest	$	14,029,550
Mortgage dollar roll income		46,816
Interest — Cash Management QP Trust		357,029
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		92,963
Total Income		14,526,358
Expenses:		
Management fee		1,883,098
Custodian fees		21,344
Distribution service fees (Class B)		220,712
Record keeping fees (Class B)		131,719
Auditing		44,824
Legal		13,813
Trustees' fees and expenses		16,581
Reports to shareholders		70,805
Other		49,371
Total expenses before expense reductions		2,452,267
Expense reductions		(5,905)
Total expenses after expense reductions		2,446,362
Net investment income		**12,079,996**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from investments		(353,676)
Net unrealized appreciation (depreciation) during the period on investments		(5,057,842)
Net gain (loss) on investment transactions		**(5,411,518)**
Net increase (decrease) in net assets resulting from operations	**$**	**6,668,478**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2005	2004
Operations:		
Net investment income	$ 12,079,996	$ 9,852,018
Net realized gain (loss) on investment transactions	(353,676)	2,613,421
Net unrealized appreciation (depreciation) during the period on investment transactions	(5,057,842)	(740,835)
Net increase (decrease) in net assets resulting from operations	6,668,478	11,724,604
Distributions to shareholders from:		
Net investment income:		
Class A	(7,365,945)	(6,899,791)
Class B	(2,666,763)	(1,766,032)
Net realized gains:		
Class A	(1,950,232)	(3,369,665)
Class B	(794,464)	(976,642)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	81,598,580	43,408,606
Reinvestment of distributions	9,316,177	10,269,456
Cost of shares redeemed	(45,087,748)	(42,555,105)
Net increase (decrease) in net assets from Class A share transactions	45,827,009	11,122,957
Class B		
Proceeds from shares sold	9,590,439	46,084,279
Reinvestment of distributions	3,461,227	2,742,674
Cost of shares redeemed	(10,890,122)	(6,180,393)
Net increase (decrease) in net assets from Class B share transactions	2,161,544	42,646,560
Increase (decrease) in net assets	41,879,627	52,481,991
Net assets at beginning of period	298,387,233	245,905,242
Net assets at end of period (including undistributed net investment income of $11,525,027 and $9,524,556, respectively)	**$ 340,266,860**	**$ 298,387,233**

Other Information		
Class A		
Shares outstanding at beginning of period	17,397,738	16,493,825
Shares sold	6,905,327	3,610,180
Shares issued to shareholders in reinvestment of distributions	808,696	865,161
Shares redeemed	(3,807,894)	(3,571,428)
Net increase (decrease) in Class A shares	3,906,129	903,913
Shares outstanding at end of period	**21,303,867**	**17,397,738**
Class B		
Shares outstanding at beginning of period	7,335,272	3,731,351
Shares sold	808,980	3,887,722
Shares issued to shareholders in reinvestment of distributions	300,193	230,865
Shares redeemed	(921,153)	(514,666)
Net increase (decrease) in Class B shares	188,020	3,603,921
Shares outstanding at end of period	**7,523,292**	**7,335,272**

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

Financial Highlights

Class A

Years Ended December 31,	2005	2004	2003	2002	2001[a]
Selected Per Share Data					
Net asset value, beginning of period	**$12.07**	**$12.16**	**$11.98**	**$11.48**	**$11.45**
Income (loss) from investment operations:					
Net investment income[b]	.47	.50	.45	.53	.62
Net realized and unrealized gain (loss) on investment transactions	(.21)	.05	.14	.37	.01
Total from investment operations	.26	.55	.59	.90	.63
Less distributions from:					
Net investment income	(.41)	(.43)	(.41)	(.40)	(.60)
Net realized gain on investment transactions	(.11)	(.21)	—	—	—
Total distributions	(.52)	(.64)	(.41)	(.40)	(.60)
Net asset value, end of period	**$11.81**	**$12.07**	**$12.16**	**$11.98**	**$11.48**
Total Return (%)	2.25	4.53	5.13	8.01	5.71
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	252	210	201	216	134
Ratio of expenses (%)	.67	.66	.66	.65	.64
Ratio of net investment income (%)	3.96	4.18	3.75	4.57	5.46
Portfolio turnover rate (%)	164[c]	185[c]	229[c]	267	176

a *As required, effective January 1, 2001, the Portfolio has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities.*

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

c *The portfolio turnover rate including mortgage dollar roll transactions was 176%, 204% and 265% for the years ended December 31, 2005, December 31, 2004, and December 31, 2003, respectively.*

Class B

Years Ended December 31,	2005	2004	2003	2002[a]
Selected Per Share Data				
Net asset value, beginning of period	**$12.04**	**$12.13**	**$11.96**	**$11.36**
Income (loss) from investment operations:				
Net investment income[b]	.42	.45	.40	.27
Net realized and unrealized gain (loss) on investment transactions	(.21)	.05	.15	.33
Total from investment operations	.21	.50	.55	.60
Less distributions from:				
Net investment income	(.36)	(.38)	(.38)	—
Net realized gain on investment transactions	(.11)	(.21)	—	—
Total distributions	(.47)	(.59)	(.38)	—
Net asset value, end of period	**$11.78**	**$12.04**	**$12.13**	**$11.96**
Total Return (%)	1.85	4.10	4.76	5.28**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	89	88	45	2
Ratio of expenses (%)	1.07	1.03	1.05	.92*
Ratio of net investment income (%)	3.56	3.81	3.36	4.69*
Portfolio turnover rate (%)	164[c]	185[c]	229[c]	267

a *For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

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

c *The portfolio turnover rate including mortgage dollar roll transactions was 176%, 204% and 265% for the years ended December 31, 2005, December 31, 2004, and December 31, 2003, respectively.*

* *Annualized*

** *Not annualized*

Performance Summary

December 31, 2005

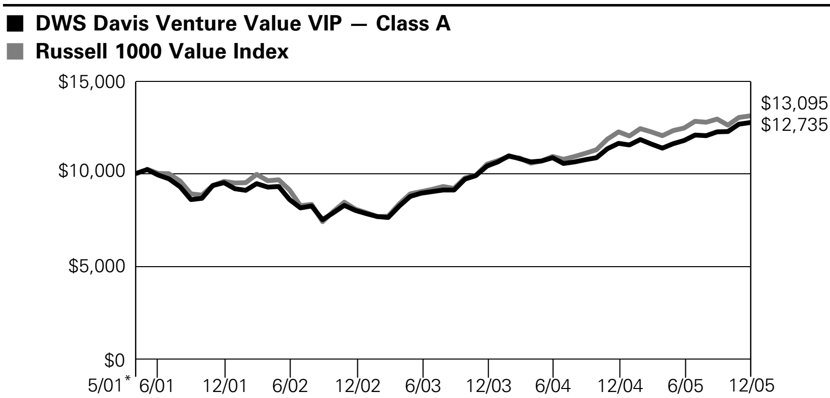
DWS Davis Venture Value VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

The Portfolio is subject to stock market and equity risks, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

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

Growth of an Assumed $10,000 Investment in DWS Davis Venture Value VIP from 5/1/2001 to 12/31/2005



Russell 1000 Value Index is an unmanaged index, which consists of those stocks in the Russell 1000 Index with lower price-to-book ratios and lower forecasted-growth values. Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Davis Venture Value VIP		1-Year	3-Year	Life of Portfolio*
Class A	Growth of $10,000	$10,964	$15,919	$12,735
	Average annual total return	9.64%	16.76%	5.32%
Russell 1000 Value Index	Growth of $10,000	$10,705	$16,216	$13,095
	Average annual total return	7.05%	17.49%	5.95%

DWS Davis Venture Value VIP		1-Year	3-Year	Life of Class**
Class B	Growth of $10,000	$10,923	$15,750	$14,752
	Average annual total return	9.23%	16.35%	11.75%
Russell 1000 Value Index	Growth of $10,000	$10,705	$16,216	$14,386
	Average annual total return	7.05%	17.49%	10.95%

The growth of $10,000 is cumulative.

* *The Portfolio commenced operations on May 1, 2001. Index returns begin April 30, 2001.*

** *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.*

Information About Your Portfolio's Expenses

DWS Davis Venture Value VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include sales charges (loads), redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The tables are based on an investment of $1,000 made at the beginning of the six-month period ended December 31, 2005.

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

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

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

Expenses and Value of a $1,000 Investment for the six months ended December 31, 2005

Actual Portfolio Return	Class A	Class B
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,082.30	$1,080.60
Expenses Paid per $1,000*	$ 4.88	$ 6.87

Hypothetical 5% Portfolio Return	Class A	Class B
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,020.52	$1,018.60
Expenses Paid per $1,000*	$ 4.74	$ 6.67

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

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Davis Venture Value VIP	.93%	1.31%

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

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

DWS Davis Venture Value VIP

DWS Davis Venture Value VIP returned 9.64% (Class A shares, unadjusted for contract charges) for the year ended December 31, 2005, compared with 7.05% for the Portfolio's benchmark, the Russell 1000 Value Index.

Energy companies were the most important contributors to the Portfolio's performance over the year. All of the Portfolio's energy company holdings performed well, with EOG Resources, Inc., Devon Energy Corp. and ConocoPhillips all among the top five contributors.

Insurance companies — the Portfolio's largest industry group holdings — were the second most important contributors to the Portfolio's performance. Progressive Corp. was among the Portfolio's top five contributors to performance.

Other positive contributions to the Portfolio's performance were the Portfolio's significant investments in both diversified financial companies and consumer staple companies. Altria Group, Inc., a tobacco company, ranked among the Portfolio's top five contributors to performance. Avon Products, Inc. (initially purchased in June 2005), a consumer staples company, ranked among the top five detractors from performance.

Detracting from the Portfolio's performance were holdings in both the consumer discretionary sector and the industrial sector. Comcast Corp. Special "A," a consumer discretionary company, and Tyco International Ltd., an industrial company, were among the top five detractors from performance.

The Portfolio had approximately 9% of its portfolio invested in foreign companies at December 31, 2005 — but those foreign holdings underperformed the Portfolio's secondary benchmark (the S&P 500 Index) over the year.

Christopher C. Davis
Kenneth Charles Feinberg

Co-Managers
Davis Selected Advisers, L.P., Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when 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 visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the dame underlying portfolio, their performance will differ.

Risk Considerations

The Portfolio is subject to stock market and equity risks, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Russell 1000 Value Index is an unmanaged index that consists of those stocks in the Russell 1000 Index with lower price-to-book ratios and lower forecasted-growth values.

The Standard & Poor's 500 (S&P 500) Index is an unmanaged capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The Standard & Poor's (S&P) Financial Index is an unmanaged index that gauges the performance of financial companies within the S&P 500 Index.

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

Portfolio management market commentary is as of December 31, 2005, and may not come to pass. This information is subject to change at any time based on market and other conditions.

In this report Davis Selected Advisers makes candid statements and observations regarding economic and market conditions; however, there is no guarantee that these statements, opinions or forecasts will prove to be correct. All investments involve some degree of risk, and there can be no assurance that the investment strategies will be successful. Market values will vary so that an investor may experience a gain or a loss.

Portfolio Summary

DWS Davis Venture Value VIP

Asset Allocation (Excludes Securities Lending Collateral)	**12/31/05**	**12/31/04**
Common Stocks	99%	94%
Cash Equivalents	1%	6%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**12/31/05**	**12/31/04**
Financials	45%	50%
Consumer Staples	15%	12%
Energy	11%	9%
Industrials	8%	9%
Consumer Discretionary	8%	7%
Health Care	4%	4%
Materials	4%	5%
Information Technology	4%	3%
Telecommunication Services	1%	1%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 51. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on the 15th of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Davis Venture Value VIP

	Shares	Value ($)
Common Stocks 99.1%		
Consumer Discretionary 7.7%		
Automobiles 1.4%		
Harley-Davidson, Inc. (a)	103,100	**5,308,619**
Diversified Consumer Services 1.5%		
H&R Block, Inc.	232,000	**5,695,600**
Household Durables 0.2%		
Hunter Douglas NV	11,263	**613,109**
Internet & Catalog Retail 0.4%		
Expedia, Inc.* (a)	33,899	812,220
IAC/InterActiveCorp.* (a)	33,899	959,681
		1,771,901
Media 4.2%		
Comcast Corp. Special "A"*	383,200	9,844,408
Gannett Co., Inc.	19,600	1,187,172
Lagardere S.C.A.	54,700	4,209,356
WPP Group PLC ADR (a)	18,200	982,800
		16,223,736
Consumer Staples 14.9%		
Beverages 2.0%		
Diageo PLC (ADR) (a)	83,300	4,856,390
Heineken Holding NV	98,200	2,885,548
		7,741,938
Food & Staples Retailing 6.1%		
Costco Wholesale Corp.	329,300	16,290,471
Wal-Mart Stores, Inc.	157,300	7,361,640
		23,652,111
Food Products 0.8%		
The Hershey Co.	52,800	**2,917,200**
Personal Products 0.8%		
Avon Products, Inc.	109,800	**3,134,790**
Tobacco 5.2%		
Altria Group, Inc.	270,600	**20,219,232**
Energy 10.5%		
Energy Equipment & Services 1.0%		
Transocean, Inc.*	53,600	**3,735,384**
Oil, Gas & Consumable Fuels 9.5%		
ConocoPhillips	170,720	9,932,490
Devon Energy Corp.	150,600	9,418,524
EOG Resources, Inc.	128,600	9,435,382
Occidental Petroleum Corp.	102,800	8,211,664
		36,998,060
Financials 44.7%		
Banks 10.6%		
Commerce Bancorp, Inc. (a)	53,100	1,827,171
Fifth Third Bancorp.	74,900	2,825,228
Golden West Financial Corp.	190,400	12,566,400
HSBC Holdings PLC	743,041	11,927,499
Lloyds TSB Group PLC (ADR) (a)	75,900	2,565,420
Wells Fargo & Co.	149,600	9,399,368
		41,111,086

	Shares	Value ($)
Capital Markets 1.9%		
Ameriprise Financial, Inc.	97,120	3,981,920
Morgan Stanley	43,500	2,468,190
State Street Corp.	13,400	742,896
		7,193,006
Consumer Finance 4.9%		
American Express Co.	366,600	**18,865,236**
Diversified Financial Services 7.8%		
Citigroup, Inc.	190,400	9,240,112
JPMorgan Chase & Co.	384,384	15,256,201
Moody's Corp.	96,400	5,920,888
		30,417,201
Insurance 17.8%		
American International Group, Inc.	280,400	19,131,692
Aon Corp.	98,800	3,551,860
Berkshire Hathaway, Inc. "B"*	5,005	14,692,178
Chubb Corp.	11,700	1,142,505
Loews Corp.	89,100	8,451,135
Markel Corp.* (a)	900	285,345
Marsh & McLennan Companies, Inc.	93,300	2,963,208
Principal Financial Group, Inc.	26,800	1,271,124
Progressive Corp.	104,000	12,145,120
Sun Life Financial, Inc.	16,200	650,106
Transatlantic Holdings, Inc. (a)	72,237	4,854,326
		69,138,599
Real Estate 1.7%		
CenterPoint Properties Trust (REIT)	131,600	**6,511,568**
Health Care 4.4%		
Health Care Providers & Services		
Cardinal Health, Inc.	68,500	4,709,375
Caremark Rx, Inc.*	91,800	4,754,322
HCA, Inc.	149,400	7,544,700
		17,008,397
Industrials 8.2%		
Air Freight & Logistics 0.6%		
United Parcel Service, Inc. "B"	30,200	**2,269,530**
Commercial Services & Supplies 3.0%		
China Merchants Holdings International Co., Ltd	648,000	1,404,036
Cosco Pacific Ltd.	554,000	1,007,448
D&B Corp.*	49,900	3,341,304
Iron Mountain, Inc.* (a)	144,700	6,109,234
		11,862,022
Industrial Conglomerates 4.4%		
Tyco International Ltd.	588,262	**16,977,241**
Road & Rail 0.2%		
Kuehne & Nagel International AG (Registered)	2,764	**779,317**
Information Technology 3.8%		
Communications Equipment 0.3%		
Nokia Oyj (ADR)	53,600	**980,880**

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

	Shares	Value ($)
Computers & Peripherals 2.2%		
Dell, Inc.*	118,100	3,541,819
Hewlett-Packard Co.	82,700	2,367,701
Lexmark International, Inc. "A"* (a)	60,200	2,698,766
		8,608,286
Software 1.3%		
Microsoft Corp.	192,500	**5,033,875**
Materials 3.9%		
Construction Materials 1.6%		
Martin Marietta Materials, Inc.	42,500	3,260,600
Vulcan Materials Co.	44,400	3,008,100
		6,268,700
Containers & Packaging 2.3%		
Sealed Air Corp.* (a)	159,600	**8,964,732**
Telecommunication Services 1.0%		
Diversified Telecommunication Services 0.7%		
NTL, Inc.* (a)	13,200	898,656
Telewest Global, Inc.* (a)	66,900	1,593,558
		2,492,214
Wireless Telecommunication Services 0.3%		
SK Telecom Co., Ltd. (ADR) (a)	62,200	**1,262,038**
Total Common Stocks (Cost $288,225,236)		**383,755,608**
Securities Lending Collateral 4.6%		
Daily Assets Fund Institutional, 4.28% (b) (c) (Cost $17,878,804)	17,878,804	**17,878,804**
Cash Equivalents 0.8%		
Cash Management QP Trust, 4.26% (d) (Cost $3,223,464)	3,223,464	**3,223,464**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $309,327,504)†	104.5	**404,857,876**
Other Assets and Liabilities, Net	(4.5)	**(17,415,132)**
Net Assets	100.0	**387,442,744**

Notes to DWS Davis Venture Value VIP Portfolio of Investments

* *Non-income producing security.*

† *The cost for federal income tax purposes was $309,718,350. At December 31, 2005, net unrealized appreciation for all securities based on tax cost was $95,139,526. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $101,184,936 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $6,045,410.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at December 31, 2005 amounted to $17,442,457 which is 4.5% of net assets.*

(b) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

(d) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

ADR: American Depositary Receipt

REIT: Real Estate Investment Trust

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2005

Assets		
Investments:		
Investments in securities, at value (cost $288,225,236) — including $17,442,457 of securities loaned	$	383,755,608
Investment in Daily Assets Fund Institutional (cost $17,878,804)*		17,878,804
Investment in Cash Management QP Trust (cost $3,223,464)		3,223,464
Total investments in securities, at value (cost $309,327,504)		404,857,876
Cash		10,000
Foreign currency, at value (cost $520,407)		509,372
Receivable for investments sold		49,630
Dividends receivable		591,897
Interest receivable		18,116
Foreign taxes recoverable		4,555
Other assets		10,045
Total assets		406,051,491
Liabilities		
Payable for Portfolio shares redeemed		402,894
Payable upon return of securities loaned		17,878,804
Accrued management fee		219,047
Other accrued expenses and payables		108,002
Total liabilities		18,608,747
Net assets, at value	**$**	**387,442,744**
Net Assets		
Net assets consist of:		
Undistributed net investment income		2,254,802
Net unrealized appreciation (depreciation) on:		
Investments		95,530,372
Foreign currency related transactions		(11,544)
Accumulated net realized gain (loss)		(6,442,086)
Paid-in capital		296,111,200
Net assets, at value	**$**	**387,442,744**
Class A		
Net Asset Value, offering and redemption price per share ($309,354,882 ÷ 24,763,248 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**12.49**
Class B		
Net Asset Value, offering and redemption price per share ($78,087,862 ÷ 6,263,092 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**12.47**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2005

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $129,826)	$	5,899,111
Interest — Cash Management QP Trust		251,330
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		38,041
Total Income		6,188,482
Expenses:		
Management fee		3,353,292
Custodian and accounting fees		116,627
Distribution service fees (Class B)		177,310
Record keeping fees (Class B)		97,746
Auditing		46,948
Legal		15,169
Trustees' fees and expenses		15,117
Reports to shareholders		56,009
Other		24,117
Total expenses before expense reductions		3,902,335
Expense reductions		(199,632)
Total expenses after expense reductions		3,702,703
Net investment income (loss)		**2,485,779**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		1,835,229
Foreign currency related transactions		(14,089)
Net increase from payments by affiliates and net gains (losses) realized on the disposal of investments in violation of restrictions		—
		1,821,140
Net unrealized appreciation (depreciation) during the period on:		
Investments		29,230,931
Foreign currency related transactions		(22,344)
		29,208,587
Net gain (loss) on investment transactions		**31,029,727**
Net increase (decrease) in net assets resulting from operations	**$**	**33,515,506**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2005	2004
Operations:		
Net investment income (loss)	$ 2,485,779	$ 1,954,893
Net realized gain (loss) on investment transactions	1,821,140	(1,157,982)
Net unrealized appreciation (depreciation) during the period on investment transactions	29,208,587	32,686,703
Net increase (decrease) in net assets resulting from operations	33,515,506	33,483,614
Distributions to shareholders from:		
Net investment income:		
Class A	(2,091,774)	(1,002,743)
Class B	(260,311)	(15,708)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	36,365,583	39,970,621
Reinvestment of distributions	2,091,774	1,002,743
Cost of shares redeemed	(22,500,564)	(19,163,185)
Net increase (decrease) in net assets from Class A share transactions	15,956,793	21,810,179
Class B		
Proceeds from shares sold	11,711,444	32,936,634
Reinvestment of distributions	260,311	15,708
Cost of shares redeemed	(6,187,073)	(2,151,840)
Net increase (decrease) in net assets from Class B share transactions	5,784,682	30,800,502
Increase (decrease) in net assets	52,904,896	85,075,844
Net assets at beginning of period	334,537,848	249,462,004
Net assets at end of period (including undistributed net investment Income of $2,254,802 and $1,834,272, respectively)	**$ 387,442,744**	**$ 334,537,848**

Other Information		
Class A		
Shares outstanding at beginning of period	23,386,408	21,351,155
Shares sold	3,107,848	3,746,952
Shares issued to shareholders in reinvestment of distributions	184,135	93,978
Shares redeemed	(1,915,143)	(1,805,677)
Net increase (decrease) in Class A shares	1,376,840	2,035,253
Shares outstanding at end of period	**24,763,248**	**23,386,408**
Class B		
Shares outstanding at beginning of period	5,765,180	2,848,268
Shares sold	1,002,803	3,116,302
Shares issued to shareholders in reinvestment of distributions	22,895	1,471
Shares redeemed	(527,786)	(200,861)
Net increase (decrease) in Class B shares	497,912	2,916,912
Shares outstanding at end of period	**6,263,092**	**5,765,180**

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

Financial Highlights

Class A

Years Ended December 31,	2005	2004	2003	2002	2001[a]
Selected Per Share Data					
Net asset value, beginning of period	**$11.48**	**$10.31**	**$ 7.99**	**$ 9.50**	**$10.00**
Income (loss) from investment operations:					
Net investment income (loss)[b]	.09	.08	.06	.05	.03
Net realized and unrealized gain (loss) on investment transactions	1.01	1.14	2.31	(1.55)	(.53)
Total from investment operations	1.10	1.22	2.37	(1.50)	(.50)
Less distributions from:					
Net investment income	(.09)	(.05)	(.05)	(.01)	—
Net asset value, end of period	**$12.49**	**$11.48**	**$10.31**	**$ 7.99**	**$ 9.50**
Total Return (%)	9.64[c]	11.83	29.84	(15.79)	(5.00)**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	309	268	220	160	109
Ratio of expenses before expense reductions (%)	1.02	1.05	1.01	1.02	1.09*
Ratio of expenses after expense reductions (%)	.96	1.05	1.01	1.02	1.09*
Ratio of net investment income (%)	.78	.74	.62	.62	.48*
Portfolio turnover rate (%)	8	3	7	22	15*

a *For the period from May 1, 2001 (commencement of operations) to December 31, 2001.*
b *Based on average shares outstanding during the period.*
c *Reimbursement of $621 due to disposal of investments in violation of restrictions had no effect on total return.*
* *Annualized*
** *Not annualized*

Class B

Years Ended December 31,	2005	2004	2003	2002[a]
Selected Per Share Data				
Net asset value, beginning of period	**$11.46**	**$10.29**	**$ 7.98**	**$ 8.52**
Income (loss) from investment operations:				
Net investment income (loss)[b]	.04	.04	.02	.04
Net realized and unrealized gain (loss) on investment transactions	1.01	1.13	2.32	(.58)
Total from investment operations	1.05	1.17	2.34	(.54)
Less distributions from:				
Net investment income	(.04)	.00***	(.03)	—
Net asset value, end of period	**$12.47**	**$11.46**	**$10.29**	**$ 7.98**
Total Return (%)	9.23[c]	11.42	29.42	(6.34)**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	78	66	29	.8
Ratio of expenses before expense reductions (%)	1.41	1.44	1.40	1.27*
Ratio of expenses after expense reductions (%)	1.34	1.44	1.40	1.27*
Ratio of net investment income (%)	.40	.36	.23	1.06*
Portfolio turnover rate (%)	8	3	7	22

a *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
b *Based on average shares outstanding during the period.*
c *Reimbursement of $621 due to disposal of investments in violation of restrictions had no effect on total return.*
* *Annualized*
** *Not annualized*
*** *Amount is less than $.005.*

Performance Summary

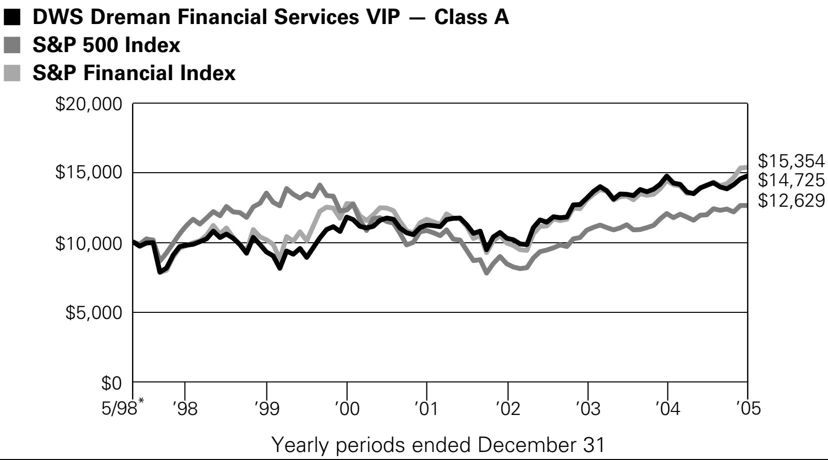
December 31, 2005

DWS Dreman Financial Services VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

This Portfolio is subject to stock market risk. It may focus its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Additionally, this Portfolio is non-diversified and can take larger positions in fewer companies, increasing its overall potential risk. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed $10,000 Investment in DWS Dreman Financial Services VIP from 5/4/1998 to 12/31/2005



The Standard & Poor's (S&P) 500 Index is an unmanaged capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The Standard & Poor's (S&P) Financial Index is an unmanaged index that gauges the performance of financial companies within the S&P 500 Index

Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Dreman Financial Services VIP		1-Year	3-Year	5-Year	Life of Portfolio*
Class A	Growth of $10,000	$9,993	$14,341	$12,483	$14,725
	Average annual total return	–.07%	12.77%	4.54%	5.18%
S&P 500 Index	Growth of $10,000	$10,491	$14,970	$10,275	$12,629
	Average annual total return	4.91%	14.39%	.54%	3.09%
S&P Financial Index	Growth of $10,000	$10,647	$15,471	$12,024	$15,354
	Average annual total return	6.47%	15.66%	3.76%	5.75%

DWS Dreman Financial Services VIP		1-Year	3-Year	Life of Class**
Class B	Growth of $10,000	$9,954	$14,176	$13,116
	Average annual total return	–.46%	12.34%	8.06%
S&P 500 Index	Growth of $10,000	$10,491	$14,970	$13,428
	Average annual total return	4.91%	14.39%	8.79%
S&P Financial Index	Growth of $10,000	$10,647	$15,471	$13,792
	Average annual total return	6.47%	15.66%	9.62%

The growth of $10,000 is cumulative.

* *The Portfolio commenced operations on May 4, 1998. Index returns begin April 30, 1998.*

** *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.*

Information About Your Portfolio's Expenses

DWS Dreman Financial Services VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include sales charges (loads), redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The tables are based on an investment of $1,000 made at the beginning of the six-month period ended December 31, 2005.

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

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

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

Expenses and Value of a $1,000 Investment for the six months ended December 31, 2005

Actual Portfolio Return	Class A	Class B
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,047.10	$1,044.80
Expenses Paid per $1,000*	$ 4.70	$ 6.85
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,020.62	$1,018.50
Expenses Paid per $1,000*	$ 4.63	$ 6.77

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

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Dreman Financial Services VIP	.91%	1.33%

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

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

Management Summary

December 31, 2005

DWS Dreman Financial Services VIP

The equity market, as measured by the S&P 500 Index, had a return of 4.91% for 2005. Eight of the 10 industry sectors within the S&P 500 had positive returns for the year. Within the index, energy was the strongest sector, returning 31.35%; the financials sector, as represented by the S&P Financial Index, had a return of 6.47%. DWS Dreman Financial Services VIP finished the year almost exactly where it began, with a return of –0.07% (Class A shares, unadjusted for contract charges).

The Portfolio's performance was disappointing mainly because of negative events specific to two of the largest holdings, Freddie Mac and Fannie Mae. These two companies, which are government-sponsored enterprises that operate mainly in the residential mortgage business, have been the subject of negative publicity because accounting irregularities have required them to restate earnings. We believe that their growth models are still credible, and we continue to hold significant positions in the stocks.

Another large holding, American International Group, Inc., hurt performance early in the year because of an accounting scandal, but it has since recovered, confirming our thesis that this leading international insurance and financial services firm has good prospects for long-term profitable growth.

Holdings that contributed to performance include Chubb Corp., a leading insurance firm; Franklin Resources, Inc., a global investment management firm; Prudential Financial Inc., a diversified financial services firm; National Bank of Canada; and investment banks Lehman Brothers Holdings, Inc. and The Goldman Sachs Group, Inc.

The Portfolio's investment policy makes it possible to invest up to 20% of the fund's assets outside the financial services sector. This enables us to take advantage of attractive investment opportunities in other sectors, while achieving additional diversification. We believe the combination of growing world demand for energy and a lack of investment in new energy resources over the last 20 years creates a major long-term opportunity. Therefore by the end of the period, we had invested 9% of the Portfolio in energy stocks.

David N. Dreman — F. James Hutchinson
Lead Manager — *Portfolio Manager*
Dreman Value Management, L.L.C., Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when 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 visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

This Portfolio is subject to stock market risk. It may focus its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Additionally, this Portfolio is nondiversified and can take larger positions in fewer companies, increasing its overall potential risk. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Standard & Poor's (S&P) 500 Index is an unmanaged, capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The Standard & Poor's (S&P) Financial Index is an unmanaged index that gauges the performance of financial companies within the S&P 500 Index. Index returns assume reinvested dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of December 31, 2005, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Dreman Financial Services VIP

Asset Allocation (Excludes Securities Lending Collateral and Cash Equivalents)	**12/31/05**	**12/31/04**
Common Stocks	100%	100%

Sector Diversification (As a % of Common Stocks)	**12/31/05**	**12/31/04**
Energy	9%	—
Consumer Staples	3%	—
Financials:		
Banks	38%	45%
Diversified Financial Services	22%	28%
Capital Markets	13%	9%
Insurance	12%	13%
Consumer Finance	2%	5%
Real Estate	1%	—
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 60. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on the 15th of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Dreman Financial Services VIP

	Shares	Value ($)
Common Stocks 100.0%		
Consumer Staples 3.1%		
Tobacco		
Altria Group, Inc.	57,100	**4,266,512**
Energy 9.4%		
Oil, Gas & Consumable Fuels		
Anadarko Petroleum Corp.	7,100	672,725
Apache Corp.	9,100	623,532
Burlington Resources, Inc.	9,100	784,420
ConocoPhillips	79,700	4,636,946
Devon Energy Corp.	10,600	662,924
EnCana Corp.	25,800	1,165,128
Occidental Petroleum Corp.	16,400	1,310,032
Tesoro Corp.	22,400	1,378,720
Valero Energy Corp.	32,800	1,692,480
		12,926,907
Financials 87.5%		
Banks 37.4%		
Bank of America Corp.	203,920	9,410,908
Fifth Third Bancorp.	44,100	1,663,452
Hudson City Bancorp., Inc.	35,100	425,412
Independence Community Bank Corp.	13,100	520,463
KeyCorp	138,855	4,572,495
Marshall & Ilsley Corp.	44,500	1,915,280
Mercantile Bankshares Corp.	11,400	643,416
National Bank of Canada	81,350	4,221,284
National City Corp.	68,331	2,293,872
PNC Financial Services Group, Inc.	47,340	2,927,032
Regions Financial Corp.	59,072	2,017,900
Sovereign Bancorp, Inc.	89,775	1,940,936
US Bancorp.	140,320	4,194,165
Wachovia Corp.	63,340	3,348,152
Washington Mutual, Inc.	209,832	9,127,692
Wells Fargo & Co.	36,410	2,287,640
		51,510,099
Capital Markets 12.8%		
Ameriprise Financial, Inc.	13,890	569,490
Bear Stearns Companies, Inc.	17,140	1,980,184
Franklin Resources, Inc.	17,210	1,617,912
Lehman Brothers Holdings, Inc.	17,200	2,204,524
Mellon Financial Corp.	95,300	3,264,025
Morgan Stanley	98,480	5,587,756
The Goldman Sachs Group, Inc.	19,400	2,477,574
		17,701,465
Consumer Finance 2.4%		
American Express Co.	63,950	**3,290,867**
Diversified Financial Services 22.3%		
CIT Group, Inc.	50,590	2,619,550
Citigroup, Inc.	101,300	4,916,089
Fannie Mae	167,480	8,174,699
Freddie Mac	130,005	8,495,827
JPMorgan Chase & Co.	122,124	4,847,101
The PMI Group, Inc.	39,300	1,614,051
		30,667,317
Insurance 11.8%		
Allstate Corp.	29,495	1,594,795
American International Group, Inc.	172,573	11,774,656
Chubb Corp.	18,630	1,819,219
Prudential Financial, Inc.	14,690	1,075,161
		16,263,831
Real Estate 0.8%		
NovaStar Financial, Inc. (REIT) (a)	39,500	**1,110,344**
Total Common Stocks (Cost $107,620,603)		**137,737,342**
Securities Lending Collateral 0.7%		
Daily Assets Fund Institutional, 4.28% (b) (c) (Cost $1,020,625)	1,020,625	**1,020,625**
Cash Equivalents 0.1%		
Cash Management QP Trust, 4.26% (d) (Cost $148,666)	148,666	**148,666**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $108,789,894)†	100.8	**138,906,633**
Other Assets and Liabilities, Net	(0.8)	**(1,089,105)**
Net Assets	100.0	**137,817,528**

Notes to DWS Dreman Financial Services VIP Portfolio of Investments

† *The cost for federal income tax purposes was $110,050,124. At December 31, 2005, net unrealized appreciation for all securities based on tax cost was $28,856,509. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $33,097,241 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $4,240,732.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at December 31, 2005 amounted to $997,905 which is 0.7% of net assets.*

(b) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

(d) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

REIT: Real Estate Investment Trust

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2005

Assets		
Investments:		
Investments in securities, at value (cost $107,620,603) — including $997,905 of securities loaned	$	137,737,342
Investment in Daily Assets Fund Institutional (cost $1,020,625)*		1,020,625
Investment in Cash Management QP Trust (cost $ 148,666)		148,666
Total investments in securities, at value (cost $108,789,894)		138,906,633
Cash		26,450
Dividends receivable		221,276
Interest receivable		9,427
Other assets		4,233
Total assets		139,168,019
Liabilities		
Payable for Portfolio shares redeemed		168,753
Payable upon return of securities loaned		1,020,625
Accrued management fee		86,637
Other accrued expenses and payables		74,476
Total liabilities		1,350,491
Net assets, at value	**$**	**137,817,528**
Net Assets		
Net assets consist of:		
Undistributed net investment income		2,884,898
Net unrealized appreciation (depreciation) on:		
Investments		30,116,739
Foreign currency related transactions		71
Accumulated net realized gain (loss)		186,463
Paid-in capital		104,629,357
Net assets, at value	**$**	**137,817,528**
Class A		
Net Asset Value, offering and redemption price per share ($120,027,544 ÷ 9,007,093 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**13.33**
Class B		
Net Asset Value, offering and redemption price per share ($17,789,984 ÷ 1,337,909 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**13.30**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2005

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $23,565)	$	4,139,850
Interest — Cash Management QP Trust		3,390
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		151,200
Total Income		4,294,440
Expenses:		
Management fee		1,076,058
Custodian and accounting fees		95,589
Distribution service fees (Class B)		42,361
Record keeping fees (Class B)		25,055
Auditing		44,166
Legal		6,859
Trustees' fees and expenses		6,302
Reports to shareholders		34,133
Other		20,307
Total expenses before expense reductions		1,350,830
Expense reductions		(2,712)
Total expenses after expense reductions		1,348,118
Net investment income (loss)		**2,946,322**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		6,474,234
Foreign currency related transactions		(1,602)
		6,472,632
Net unrealized appreciation (depreciation) during the period on:		
Investments		(10,649,526)
Foreign currency related transactions		(1,487)
		(10,651,013)
Net gain (loss) on investment transactions		**(4,178,381)**
Net increase (decrease) in net assets resulting from operations	**$**	**(1,232,059)**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2005	2004
Operations:		
Net investment income (loss)	$ 2,946,322	$ 2,737,075
Net realized gain (loss) on investment transactions	6,472,632	1,313,816
Net unrealized appreciation (depreciation) during the period on investment transactions	(10,651,013)	13,545,556
Net increase (decrease) in net assets resulting from operations	(1,232,059)	17,596,447
Distributions to shareholders from:		
Net investment income:		
Class A	(2,459,642)	(2,233,509)
Class B	(250,229)	(138,571)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	4,078,683	9,238,024
Reinvestment of distributions	2,459,642	2,233,509
Cost of shares redeemed	(27,606,524)	(23,157,778)
Net increase (decrease) in net assets from Class A share transactions	(21,068,199)	(11,686,245)
Class B		
Proceeds from shares sold	2,781,906	7,389,810
Reinvestment of distributions	250,229	138,571
Cost of shares redeemed	(2,350,850)	(1,105,504)
Net increase (decrease) in net assets from Class B share transactions	681,285	6,422,877
Increase (decrease) in net assets	(24,328,844)	9,960,999
Net assets at beginning of period	162,146,372	152,185,373
Net assets at end of period (including undistributed net investment income of $2,884,898 and $2,663,849, respectively)	**$ 137,817,528**	**$ 162,146,372**

Other Information

Class A		
Shares outstanding at beginning of period	10,645,952	11,569,224
Shares sold	319,846	730,584
Shares issued to shareholders in reinvestment of distributions	200,133	176,982
Shares redeemed	(2,158,838)	(1,830,838)
Net increase (decrease) in Class A shares	(1,638,859)	(923,272)
Shares outstanding at end of period	**9,007,093**	**10,645,952**
Class B		
Shares outstanding at beginning of period	1,281,273	771,080
Shares sold	220,209	586,845
Shares issued to shareholders in reinvestment of distributions	20,344	10,971
Shares redeemed	(183,917)	(87,623)
Net increase (decrease) in Class B shares	56,636	510,193
Shares outstanding at end of period	**1,337,909**	**1,281,273**

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

Financial Highlights

Class A

Years Ended December 31,	2005	2004	2003	2002	2001
Selected Per Share Data					
Net asset value, beginning of period	**$13.60**	**$12.33**	**$ 9.79**	**$10.78**	**$11.53**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.27	.23	.20	.15	.14
Net realized and unrealized gain (loss) on investment transactions	(.30)	1.23	2.50	(1.06)	(.71)
Total from investment operations	(.03)	1.46	2.70	(.91)	(.57)
Less distributions from:					
Net investment income	(.24)	(.20)	(.16)	(.08)	(.13)
Net realized gain on investment transactions	—	—	—	—	(.05)
Total distributions	(.24)	(.20)	(.16)	(.08)	(.18)
Net asset value, end of period	**$13.33**	**$13.60**	**$12.33**	**$ 9.79**	**$10.78**
Total Return (%)	(.07)	12.00	28.13	(8.51)	(4.86)
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	120	145	143	120	117
Ratio of expenses	.89	.84	.86	.83	.86
Ratio of net investment income (%)	2.10	1.79	1.84	1.44	1.31
Portfolio turnover rate (%)	27	8	7	13	22

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

Class B

Years Ended December 31,	2005	2004	2003	2002[a]
Selected Per Share Data				
Net asset value, beginning of period	**$13.57**	**$12.31**	**$ 9.78**	**$10.57**
Income (loss) from investment operations:				
Net investment income (loss)[b]	.21	.18	.14	.06
Net realized and unrealized gain (loss) on investment transactions	(.29)	1.22	2.53	(.85)
Total from investment operations	(.08)	1.40	2.67	(.79)
Less distributions from:				
Net investment income	(.19)	(.14)	(.14)	—
Net asset value, end of period	**$13.30**	**$13.57**	**$12.31**	**$ 9.78**
Total Return (%)	(.46)	11.50	27.73	(7.47)**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	18	17	9	.4
Ratio of expenses (%)	1.29	1.22	1.25	1.08*
Ratio of net investment income (%)	1.70	1.41	1.45	1.33*
Portfolio turnover rate (%)	27	8	7	13

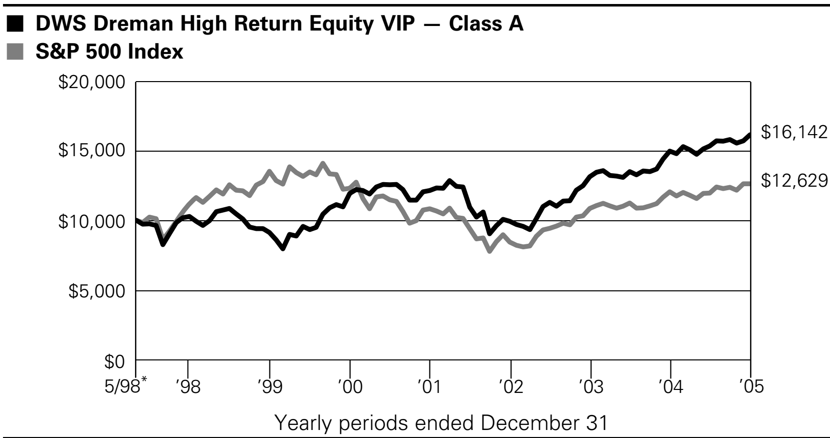
a *For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
b *Based on average shares outstanding during the period.*
* *Annualized*
** *Not annualized*

DWS Dreman High Return Equity VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

The Portfolio may focus its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed $10,000 Investment in DWS Dreman High Return Equity VIP from 5/4/1998 to 12/31/2005



The Standard & Poor's (S&P) 500 Index is an unmanaged capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Dreman High Return Equity VIP		1-Year	3-Year	5-Year	Life of Portfolio*
Class A	Growth of $10,000	$10,792	$16,238	$13,535	$16,142
	Average annual total return	7.92%	17.54%	6.24%	6.45%
S&P 500 Index	Growth of $10,000	$10,491	$14,970	$10,275	$12,629
	Average annual total return	4.91%	14.39%	.54%	3.09%

DWS Dreman High Return Equity VIP		1-Year	3-Year	Life of Class**
Class B	Growth of $10,000	$10,751	$16,063	$14,686
	Average annual total return	7.51%	17.11%	11.61%
S&P 500 Index	Growth of $10,000	$10,491	$14,970	$13,428
	Average annual total return	4.91%	14.39%	8.79%

The growth of $10,000 is cumulative.

* *The Portfolio commenced operations on May 4, 1998. Index returns begin April 30, 1998.*

** *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.*

Information About Your Portfolio's Expenses

DWS Dreman High Return Equity VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include sales charges (loads), redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The tables are based on an investment of $1,000 made at the beginning of the six-month period ended December 31, 2005.

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

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

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

Expenses and Value of a $1,000 Investment for the six months ended December 31, 2005

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,053.40	$1,051.00
Expenses Paid per $1,000*	$ 4.04	$ 6.15
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,021.27	$1,019.21
Expenses Paid per $1,000*	$ 3.97	$ 6.06

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

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Dreman High Return Equity VIP	.78%	1.19%

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

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

Management Summary

December 31, 2005

DWS Dreman High Return Equity VIP

Almost all measures of economic activity moved upward during 2005. Gross domestic product has increased at a rate of more than 3% for nearly three years. Employment, home ownership and consumer net worth increased, and consumer spending remained relatively strong, despite the effect of rising energy prices on consumer sentiment. Business trends were also positive during the year, with gains in corporate profits, business investment, manufacturing activity and productivity. Expressing concern about inflation, the US Federal Reserve Board (the Fed) continued to raise the federal funds rate[1] during the year.

The equity market, as measured by the S&P 500 Index, had a return of 4.91% for the year ending December 31, 2005. The Portfolio, which returned 7.92% (Class A shares, unadjusted for contract charges) for the annual period, significantly outperformed its benchmark, the S&P 500 Index.

The most significant positive factor was a major overweight in energy stocks, as energy was by far the best-performing sector. Within the energy group, the top contributor to performance was Burlington Resources, Inc. Other energy stocks that performed especially well were Transocean, Inc.; Devon Energy Corp., EnCana Corp. and Kerr-McGee Corp. Also positive was our major overweight position in the tobacco industry. Tobacco holdings including Altria Group, Inc. and Reynolds American, Inc., performed especially well as recent court rulings indicated that settlements of pending litigation may be more favorable than had been anticipated.

Performance was hurt by an overweight in financials relative to the benchmark. Two large holdings, Freddie Mac and Fannie Mae, performed poorly because of accounting irregularities that required earnings restatements. We consider the market's negative reaction to the issues facing these companies to be excessive, and we have maintained these positions.

We believe the Portfolio is positioned appropriately for a time of uncertainty in the economy and markets. We have confidence in our time-tested investing philosophy of seeking companies that are financially sound and that have solid growth prospects but have fallen out of favor with the investing public.

David N. Dreman

F. James Hutchinson

Co-Managers

Dreman Value Management L.L.C., Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when 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 visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

The Portfolio may focus its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding this product's investments and risk profile.

The Standard & Poor's 500 (S&P 500) Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Index returns assume reinvestment of all dividends and, unlike portfolio returns, do not reflect fees or expenses. It is not possible to invest directly into an index.

1 *Federal funds rate — the overnight rate charged by banks when they borrow money from each other. Set by the Federal Open Market Committee (FOMC), the fed funds rate is the most sensitive — and closely watched — indicator concerning the direction of short-term interest rates. The FOMC is a key committee within the US Federal Reserve System, and meets every six weeks to review Fed policy on short-term rates. Based on current Fed policy, the FOMC may choose to raise or lower the fed funds rate to either add liquidity to the economy or remove it.*

Portfolio management market commentary is as of December 31, 2005, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Dreman High Return Equity VIP

Asset Allocation (Excludes Securities Lending Collateral)	**12/31/05**	**12/31/04**
Common Stocks	94%	92%
Cash Equivalents	6%	8%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**12/31/05**	**12/31/04**
Financials	29%	34%
Energy	21%	14%
Consumer Staples	19%	21%
Health Care	17%	17%
Consumer Discretionary	6%	8%
Industrials	5%	3%
Information Technology	3%	3%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 68. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on the 15th of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Dreman High Return Equity VIP

	Shares	Value ($)
Common Stocks 93.6%		
Consumer Discretionary 5.8%		
Automobiles 0.3%		
Ford Motor Co.	345,000	**2,663,400**
Multiline Retail 0.9%		
Federated Department Stores, Inc.	129,505	**8,590,066**
Specialty Retail 4.6%		
Borders Group, Inc.	712,900	15,448,543
Home Depot, Inc.	388,455	15,724,659
Staples, Inc.	501,247	11,383,319
		42,556,521
Consumer Staples 17.4%		
Food & Staples Retailing 0.6%		
Safeway, Inc.	232,650	**5,504,499**
Tobacco 16.8%		
Altria Group, Inc.	1,121,820	83,822,391
Imperial Tobacco Group PLC (ADR)	95,145	5,755,321
Reynolds American, Inc. (a)	214,773	20,474,310
Universal Corp.	266,570	11,558,475
UST, Inc.	816,640	33,343,411
		154,953,908
Energy 19.3%		
Energy Equipment & Services 0.2%		
Transocean, Inc.*	22,400	**1,561,056**
Oil, Gas & Consumable Fuels 19.1%		
Anadarko Petroleum Corp.	47,500	4,500,625
Apache Corp.	147,100	10,079,292
Burlington Resources, Inc.	163,500	14,093,700
Chevron Corp.	562,860	31,953,562
ConocoPhillips	995,046	57,891,776
Devon Energy Corp.	514,600	32,183,084
El Paso Corp.	846,510	10,293,562
EnCana Corp.	66,200	2,989,592
Kerr-McGee Corp.	2,928	266,038
Occidental Petroleum Corp.	148,700	11,878,156
		176,129,387
Financials 27.1%		
Banks 7.6%		
Bank of America Corp.	521,636	24,073,501
KeyCorp	294,000	9,681,420
PNC Financial Services Group, Inc.	169,300	10,467,819
Sovereign Bancorp, Inc.	493,600	10,671,632
US Bancorp.	265,700	7,941,773
Wachovia Corp.	140,000	7,400,400
		70,236,545
Capital Markets 0.0%		
Piper Jaffray Companies, Inc.*	1,071	**43,268**
Diversified Financial Services 16.7%		
CIT Group, Inc.	89,100	4,613,598
Citigroup, Inc.	134,600	6,532,138
Fannie Mae	894,873	43,678,751
Freddie Mac	853,641	55,785,440
JPMorgan Chase & Co.	132,864	5,273,372
Washington Mutual, Inc.	854,175	37,156,613
		153,039,912
Insurance 2.8%		
American International Group, Inc.	331,300	22,604,599
The St. Paul Travelers Companies, Inc.	70,605	3,153,925
		25,758,524
Health Care 16.5%		
Health Care Equipment & Supplies 1.4%		
Becton, Dickinson & Co.	111,555	6,702,224
Fisher Scientific International, Inc.*	102,100	6,315,906
		13,018,130
Health Care Providers & Services 8.1%		
Cardinal Health, Inc.	119,400	8,208,750
HCA, Inc.	296,200	14,958,100
Laboratory Corp. of America Holdings*	343,075	18,474,589
Medco Health Solutions, Inc.*	316,434	17,657,017
Quest Diagnostics, Inc.	291,100	14,985,828
		74,284,284
Pharmaceuticals 7.0%		
Bristol-Myers Squibb Co.	743,460	17,084,711
Merck & Co., Inc.	525,195	16,706,453
Pfizer, Inc.	931,930	21,732,608
Wyeth	193,675	8,922,607
		64,446,379
Industrials 4.7%		
Air Freight & Logistics 0.5%		
FedEx Corp.	45,000	**4,652,550**
Industrial Conglomerates 3.2%		
3M Co.	125,200	9,703,000
General Electric Co.	209,350	7,337,718
Tyco International Ltd.	415,005	11,977,044
		29,017,762
Machinery 1.0%		
PACCAR, Inc.	138,700	**9,602,201**
Information Technology 2.8%		
IT Consulting & Services		
Electronic Data Systems Corp.	1,059,440	**25,468,938**
Utilities 0.0%		
Multi-Utilities		
NiSource, Inc.	5,303	**110,621**
Total Common Stocks (Cost $668,478,882)		**861,637,951**
Securities Lending Collateral 1.0%		
Daily Assets Fund Institutional, 4.28% (b) (c) (Cost $9,612,900)	9,612,900	**9,612,900**

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

	Shares	Value ($)
Cash Equivalents 6.0%		
Cash Management QP Trust, 4.26% (d) (Cost $55,136,790)	55,136,790	**55,136,790**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $733,228,572)†	100.6	**926,387,641**
Other Assets and Liabilities, Net	(0.6)	**(5,770,147)**
Net Assets	100.0	**920,617,494**

Notes to DWS Dreman High Return Equity VIP Portfolio of Investments

† *The cost for federal income tax purposes was $734,465,757. At December 31, 2005, net unrealized appreciation for all securities based on tax cost was $191,921,884. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $246,714,121 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $54,792,237.*

* *Non-income producing security.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at December 31, 2005 amounted to $9,437,670 which is 1.0% of net assets.*

(b) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

(d) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

ADR: American Depositary Receipt

At December 31, 2005, open futures contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregated Face Value ($)	Value ($)	Net Unrealized Depreciation ($)
S&P 500 Index	3/16/2006	102	32,492,714	31,997,400	(495,314)

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2005

Assets	
Investments:	
Investments in securities, at value (cost $668,478,882) — including $9,437,670 of securities loaned	$ 861,637,951
Investment in Daily Assets Fund Institutional (cost $9,612,900)*	9,612,900
Investment in Cash Management QP Trust (cost $55,136,790)	55,136,790
Total investments in securities, at value (cost $733,228,572)	926,387,641
Cash	10,000
Margin deposit	3,000,000
Dividends receivable	2,087,726
Interest receivable	193,720
Receivable for Portfolio shares sold	45,224
Other assets	28,556
Total assets	931,752,867
Liabilities	
Payable for Portfolio shares redeemed	615,085
Payable upon return of securities loaned	9,612,900
Payable for daily variation margin on open futures contracts	135,150
Accrued management fee	555,288
Other accrued expenses and payables	216,950
Total liabilities	11,135,373
Net assets, at value	**$ 920,617,494**
Net Assets	
Net assets consist of:	
Undistributed net investment income	15,440,258
Net unrealized appreciation (depreciation) on:	
Investments	193,159,069
Futures	(495,314)
Accumulated net realized gain (loss)	(7,359,180)
Paid-in capital	719,872,661
Net assets, at value	**$ 920,617,494**
Class A	
Net Asset Value, offering and redemption price per share ($785,304,208 ÷ 58,564,793 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 13.41**
Class B	
Net Asset Value, offering and redemption price per share ($135,313,286 ÷ 10,109,241 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 13.39**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2005

Investment Income	
Income:	
Dividends (net of foreign taxes withheld of $22,931)	$ 21,189,452
Interest — Cash Management QP Trust	2,015,802
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	17,505
Total Income	23,222,759
Expenses:	
Management fee	6,460,811
Custodian and accounting fees	132,062
Distribution service fees (Class B)	312,165
Record keeping fees (Class B)	177,001
Auditing	46,008
Legal	17,646
Trustees' fees and expenses	42,080
Reports to shareholders	153,623
Other	42,087
Total expenses before expense reductions	7,383,483
Expense reductions	(10,907)
Total expenses after expense reductions	7,372,576
Net investment income (loss)	**15,850,183**
Realized and Unrealized Gain (Loss) on Investment Transactions	
Net realized gain (loss) from:	
Investments	13,081,559
Futures	909,310
	13,990,869
Net unrealized appreciation (depreciation) during the period on:	
Investments	39,170,908
Futures	(1,298,451)
	37,872,457
Net gain (loss) on investment transactions	**51,863,326**
Net increase (decrease) in net assets resulting from operations	**$ 67,713,509**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2005	2004
Operations:		
Net investment income (loss)	$ 15,850,183	$ 14,881,437
Net realized gain (loss) on investment transactions	13,990,869	11,147,529
Net unrealized appreciation (depreciation) during the period on investment transactions	37,872,457	78,862,493
Net increase (decrease) in net assets resulting from operations	67,713,509	104,891,459
Distributions to shareholders from:		
Net investment income:		
Class A	(13,347,076)	(11,297,007)
Class B	(1,660,448)	(1,021,598)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	39,914,209	38,718,500
Reinvestment of distributions	13,347,076	11,297,007
Cost of shares redeemed	(60,039,081)	(55,620,546)
Net increase (decrease) in net assets from Class A share transactions	(6,777,796)	(5,605,039)
Class B		
Proceeds from shares sold	18,573,514	42,816,407
Reinvestment of distributions	1,660,448	1,021,598
Cost of shares redeemed	(9,785,758)	(4,506,330)
Net increase (decrease) in net assets from Class B share transactions	10,448,204	39,331,675
Increase (decrease) in net assets	56,376,393	126,299,490
Net assets at beginning of period	864,241,101	737,941,611
Net assets at end of period (including undistributed net investment income of $15,440,258 and $14,597,599, respectively)	**$ 920,617,494**	**$ 864,241,101**

Other Information		
Class A		
Shares outstanding at beginning of period	59,052,129	59,527,655
Shares sold	3,118,474	3,370,933
Shares issued to shareholders in reinvestment of distributions	1,067,766	1,011,370
Shares redeemed	(4,673,576)	(4,857,829)
Net increase (decrease) in Class A shares	(487,336)	(475,526)
Shares outstanding at end of period	**58,564,793**	**59,052,129**
Class B		
Shares outstanding at beginning of period	9,286,484	5,819,055
Shares sold	1,454,485	3,763,080
Shares issued to shareholders in reinvestment of distributions	132,624	91,377
Shares redeemed	(764,352)	(387,028)
Net increase (decrease) in Class B shares	822,757	3,467,429
Shares outstanding at end of period	**10,109,241**	**9,286,484**

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

Financial Highlights

Class A

Years Ended December 31,	2005	2004	2003	2002	2001
Selected Per Share Data					
Net asset value, beginning of period	**$12.65**	**$11.29**	**$ 8.76**	**$10.81**	**$10.77**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.24	.23	.20	.21	.19
Net realized and unrealized gain (loss) on investment transactions	.75	1.32	2.53	(2.13)	(.01)
Total from investment operations	.99	1.55	2.73	(1.92)	.18
Less distributions from:					
Net investment income	(.23)	(.19)	(.20)	(.09)	(.14)
Net realized gain on investment transactions	—	—	—	(.04)	—
Total distributions	(.23)	(.19)	(.20)	(.13)	(.14)
Net asset value, end of period	**$13.41**	**$12.65**	**$11.29**	**$ 8.76**	**$10.81**
Total Return (%)	7.92	13.95	32.04	(18.03)	1.69
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	785	747	672	510	443
Ratio of expenses (%)	.78	.78	.79	.79	.82
Ratio of net investment income (%)	1.84	1.96	2.14	2.21	1.78
Portfolio turnover rate (%)	10	9	18	17	16

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

Class B

Years Ended December 31,	2005	2004	2003	2002[a]
Selected Per Share Data				
Net asset value, beginning of period	**$12.63**	**$11.27**	**$ 8.75**	**$ 9.57**
Income (loss) from investment operations:				
Net investment income (loss)[b]	.19	.18	.16	.18
Net realized and unrealized gain (loss) on investment transactions	.75	1.33	2.53	(1.00)
Total from investment operations	.94	1.51	2.69	(.82)
Less distributions from:				
Net investment income	(.18)	(.15)	(.17)	—
Net asset value, end of period	**$13.39**	**$12.63**	**$11.27**	**$ 8.75**
Total Return (%)	7.51	13.53	31.60	(8.57)**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	135	117	66	2
Ratio of expenses (%)	1.17	1.16	1.18	1.05*
Ratio of net investment income (%)	1.45	1.58	1.75	4.30*
Portfolio turnover rate (%)	10	9	18	17

a *For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

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

* *Annualized*

** *Not annualized*

Performance Summary

December 31, 2005

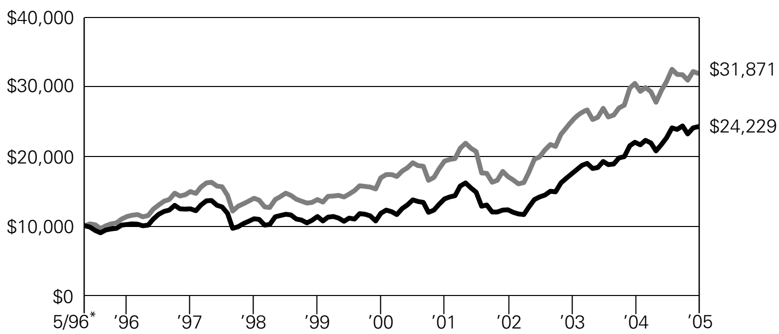
DWS Dreman Small Cap Value VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

This Portfolio is subject to stock market risk. Stocks of small companies involve greater risk than securities of larger, more-established companies, as they often have limited product lines, markets or financial resources and may be exposed to more erratic and abrupt market movements. The Portfolio may focus its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political, or regulatory development. This may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding this product's investments and risk profile.

Growth of an Assumed $10,000 Investment in DWS Dreman Small Cap Value VIP from 5/1/1996 to 12/31/2005

■ **DWS Dreman Small Cap Value VIP — Class A**
■ **Russell 2000 Value Index**



Yearly periods ended December 31

The Russell 2000 Value Index is an unmanaged index which measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Dreman Small Cap Value VIP		1-Year	3-Year	5-Year	Life of Portfolio*
Class A	Growth of $10,000	$11,025	$19,750	$20,584	$24,229
	Average annual total return	10.25%	25.47%	15.53%	9.59%
Russell 2000 Value Index	Growth of $10,000	$10,471	$18,692	$18,878	$31,871
	Average annual total return	4.71%	23.18%	13.55%	12.74%

DWS Dreman Small Cap Value VIP		1-Year	3-Year	Life of Class**
Class B	Growth of $10,000	$10,978	$19,519	$16,407
	Average annual total return	9.78%	24.97%	15.20%
Russell 2000 Value Index	Growth of $10,000	$10,471	$18,692	$15,436
	Average annual total return	4.71%	23.18%	13.21%

The growth of $10,000 is cumulative.

* *The Portfolio commenced operations on May 1, 1996. Index returns begin April 30, 1996.*

** *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.*

Information About Your Portfolio's Expenses

DWS Dreman Small Cap Value VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include sales charges (loads), redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The tables are based on an investment of $1,000 made at the beginning of the six-month period ended December 31, 2005.

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

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

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

Expenses and Value of a $1,000 Investment for the six months ended December 31, 2005

Actual Portfolio Return	Class A	Class B
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,070.70	$1,068.60
Expenses Paid per $1,000*	$ 4.18	$ 6.36
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,021.17	$1,019.06
Expenses Paid per $1,000*	$ 4.08	$ 6.21

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

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Dreman Small Cap Value VIP	.80%	1.22%

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

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

DWS Dreman Small Cap Value VIP

Almost all measures of economic activity moved upward during 2005, although growth began to slow in the fourth quarter. Expressing concern about inflation, the US Federal Reserve Board (the Fed) continued to raise the federal funds rate[1] during the year.

The Portfolio (Class A shares, unadjusted for contract charges) had a return of 10.25%, substantially outperforming its benchmark, the Russell 2000 Value Index, which returned 4.71%.

The decision that contributed most to performance was a significant overweight position in energy stocks, which benefited from rising oil prices. Energy holdings that performed especially well were Matrix Service Co., Grant Prideco Inc. and ATP Oil & Gas Corp. Additionally, the Portfolio's performance relative to the Russell 2000 Value Index benefited from a restructuring during 2005 that reduced the energy weight in the Index, making our Portfolio comparatively more overweight in energy.

Performance benefited also from an overweight relative to our benchmark in materials. Our largest holding in this sector was also the best performing: Aleris International, Inc., an aluminum company that should benefit from growth of world economics.

Several holdings in the financial sector detracted from performance, most notably NovaStar Financial Inc., a real estate investment trust that invests in subprime mortgages. We continue to hold this stock, which we consider underpriced.

The small-cap market can be volatile, and this is especially true when there is so much uncertainty about interest rates, inflation and the direction of the economy. Based on our contrarian investment philosophy, we welcome opportunities to buy stocks of good companies with solid growth prospects at prices below what we see as their intrinsic value.

David N. Dreman
Nelson Woodard

Co-Managers
Dreman Value Management, L.L.C., Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when 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 visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

This Portfolio is subject to stock market risk. Stocks of small companies involve greater risk than securities of larger, more-established companies, as they often have limited product lines, markets or financial resources and may be exposed to more erratic and abrupt market movements. The Portfolio may focus its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political, or regulatory development. This may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding this product's investments and risk profile.

The Russell 2000 Value Index is an unmanaged index that consists of those stocks in the Russell 2000 Index with lower price-to-book ratios and lower forecasted growth values.

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

1 *Federal funds rate — the overnight rate charged by banks when they borrow money from each other. Set by the Federal Open Market Committee (FOMC), the fed funds rate is the most sensitive — and closely watched — indicator concerning the direction of short-term interest rates. The FOMC is a key committee within the US Federal Reserve System, and meets every six weeks to review Fed policy on short-term rates. Based on current Fed policy, the FOMC may choose to raise or lower the fed funds rate to either add liquidity to the economy or remove it.*

Portfolio management market commentary is as of December 31, 2005, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Dreman Small Cap Value VIP

Asset Allocation	**12/31/05**	**12/31/04**
Common Stocks	96%	95%
Cash Equivalents	2%	3%
Corporate Bonds	1%	1%
Closed-End Investment Company	1%	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**12/31/05**	**12/31/04**
Industrials	25%	21%
Financials	20%	28%
Energy	16%	7%
Health Care	9%	10%
Materials	8%	10%
Information Technology	8%	5%
Utilities	8%	8%
Consumer Discretionary	3%	6%
Consumer Staples	3%	5%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 77. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on the 15th of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Dreman Small Cap Value VIP

	Shares	Value ($)
Common Stocks 94.7%		
Consumer Discretionary 2.5%		
Hotels Restaurants & Leisure 0.3%		
Alliance Gaming Corp.*	147,900	**1,925,658**
Leisure Equipment & Products 0.4%		
Lakes Entertainment, Inc.*	308,700	**2,052,855**
Specialty Retail 0.5%		
Mettler-Toledo International, Inc.*	55,400	**3,058,080**
Textiles, Apparel & Luxury Goods 1.3%		
Phillips-Van Heusen Corp.	110,200	3,570,480
Wolverine World Wide, Inc.	178,950	4,019,217
		7,589,697
Consumer Staples 2.5%		
Food & Staples Retailing 0.0%		
Centerplate, Inc. (IDS)	20,700	**268,686**
Food Products 1.9%		
Chiquita Brands International, Inc.	218,100	4,364,181
Ralcorp Holdings, Inc.*	160,200	6,393,582
		10,757,763
Tobacco 0.6%		
Universal Corp.	34,200	1,482,912
Vector Group Ltd.	101,154	1,837,968
		3,320,880
Energy 15.5%		
Energy Equipment & Services 7.3%		
Atwood Oceanics, Inc.*	15,500	1,209,465
Cal Dive International, Inc.*	98,900	3,549,521
Grant Prideco, Inc.*	178,400	7,871,008
Grey Wolf, Inc.*	445,200	3,441,396
Holly Corp.	45,300	2,666,811
Matrix Service Co.*	159,200	1,566,528
NS Group, Inc.*	24,800	1,036,888
Offshore Logistics, Inc.*	53,500	1,562,200
Oil States International, Inc.*	123,000	3,896,640
Patterson-UTI Energy, Inc.	159,400	5,252,230
RPC, Inc.	118,350	3,117,339
Superior Energy Services, Inc.*	209,300	4,405,765
Tidewater, Inc.	60,600	2,694,276
		42,270,067
Oil, Gas & Consumable Fuels 8.2%		
ATP Oil & Gas Corp.*	88,500	3,275,385
Bronco Drilling Co., Inc.*	45,800	1,053,858
Carrizo Oil & Gas, Inc.*	150,700	3,723,797
CNX Gas Corp. 144A*	111,900	2,474,445
Compton Petroleum Corp.*	271,300	3,990,907
Delta Petroleum Corp.*	111,600	2,429,532
Denbury Resources, Inc.*	80,200	1,826,956
Global Industries Ltd.*	247,700	2,811,395
Parallel Petroleum Corp.*	117,400	1,996,974
Petrohawk Energy Corp.*	485,500	6,418,310
PetroQuest Energy, Inc.*	346,500	2,869,020
Pioneer Drilling Co.*	273,100	4,896,683
Quest Resource Corp.*	140,100	1,849,320
Range Resources Corp.	187,600	4,941,384
Rosetta Resources, Inc. 144A*	130,700	2,352,600
		46,910,566
Financials 18.6%		
Banks 3.2%		
AmericanWest Bancorp.*	26,200	619,106
BankAtlantic Bancorp., Inc. "A"	91,000	1,274,000
Centennial Bank Holdings, Inc.*	400,000	4,948,000
International Bancshares Corp.	58,625	1,721,230
NewAlliance Bancshares, Inc.	255,200	3,710,608
PFF Bancorp., Inc.	81,500	2,487,380
Provident Bankshares Corp.	49,350	1,666,549
Sterling Financial Corp.	73,773	1,842,850
		18,269,723
Diversified Financial Services 1.4%		
CBRE Realty Finance, Inc. 144A	200,000	3,000,000
CMET Finance Holdings, Inc.*	7,200	194,400
Commercial Capital Bancorp., Inc.	129,200	2,211,904
Hercules Technology Growth Capital, Inc.	83,000	995,170
NGP Capital Resources Co.	32,575	427,710
Prospect Energy Corp.	80,256	1,217,475
		8,046,659
Insurance 6.5%		
Amerisafe, Inc.*	225,500	2,273,040
Arch Capital Group Ltd.*	82,200	4,500,450
Aspen Insurance Holdings Ltd.	216,800	5,131,656
Endurance Specialty Holdings Ltd.	93,600	3,355,560
Meadowbrook Insurance Group, Inc.*	336,000	1,962,240
Odyssey Re Holdings Corp.	120,600	3,024,648
ProCentury Corp.	192,800	2,072,600
Quanta Capital Holdings Ltd.*	312,500	1,593,750
Selective Insurance Group, Inc.	131,200	6,966,720
Specialty Underwriters' Alliance, Inc.*	200,100	1,232,616
Tower Group, Inc.	250,700	5,510,386
		37,623,666
Real Estate 7.5%		
Capital Lease Funding, Inc. (REIT)	224,100	2,359,773
Fieldstone Investment Corp. (REIT)	217,300	2,577,178
Jer Investors Trust, Inc. (REIT)*	45,800	776,310
KKR Financial Corp. (REIT)	491,150	11,782,689
Newcastle Investment Corp. (REIT)	221,300	5,499,305
NovaStar Financial, Inc. (REIT)	507,500	14,265,825
Thomas Properties Group, Inc. (REIT)	229,100	2,866,041
Vintage Wine Trust, Inc. (REIT) 144A	280,700	2,807,000
		42,934,121
Health Care 8.6%		
Biotechnology 1.6%		
Charles River Laboratories International, Inc.*	143,300	6,071,621
Serologicals Corp.*	165,300	3,263,022
		9,334,643

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

	Shares	Value ($)
Health Care Equipment & Supplies 1.7%		
Kinetic Concepts, Inc.*	113,800	4,524,688
Millipore Corp.*	35,200	2,324,608
PerkinElmer, Inc.	108,400	2,553,904
The Cooper Companies, Inc.	13,100	672,030
		10,075,230
Health Care Providers & Services 4.3%		
Allied Healthcare International, Inc.*	439,000	2,695,460
Hanger Orthopedic Group, Inc.*	263,100	1,502,301
Kindred Healthcare, Inc.*	54,200	1,396,192
LifePoint Hospitals, Inc.*	36,368	1,363,800
Medco Health Solutions, Inc.*	45,718	2,551,064
Odyssey HealthCare, Inc.*	255,200	4,756,928
Option Care, Inc.	208,400	2,784,224
Pediatrix Medical Group, Inc.*	46,700	4,136,219
Triad Hospitals, Inc.*	84,500	3,314,935
		24,501,123
Pharmaceuticals 1.0%		
Par Pharmaceutical Companies, Inc.*	140,900	4,415,806
Perrigo Co.	90,000	1,341,900
		5,757,706
Industrials 24.0%		
Aerospace & Defense 4.1%		
Applied Signal Technology, Inc.	94,723	2,150,212
ARGON ST, Inc.*	78,100	2,419,538
CAE, Inc.	628,800	4,602,816
DRS Technologies, Inc.	87,300	4,488,966
EDO Corp.	150,500	4,072,530
Herley Industries, Inc.*	141,800	2,341,118
K&F Industries Holdings, Inc.*	112,700	1,731,072
Triumph Group, Inc.*	49,700	1,819,517
		23,625,769
Building Products 0.7%		
Levitt Corp. "A"	99,000	2,251,260
NCI Building Systems, Inc.*	44,900	1,907,352
		4,158,612
Commercial Services & Supplies 2.7%		
Clean Harbors, Inc.*	67,000	1,930,270
Covanta Holding Corp.*	269,400	4,057,164
Duratek, Inc.*	324,100	4,838,813
Nobel Learning Communities, Inc.	121,300	1,145,072
WCA Waste Corp.*	469,700	3,710,630
		15,681,949
Construction & Engineering 6.2%		
EMCOR Group, Inc.*	105,300	7,110,909
Foster Wheeler Ltd.*	181,950	6,692,121
Granite Construction, Inc.	76,300	2,739,933
Perini Corp.*	62,700	1,514,205
URS Corp.*	187,800	7,063,158
Walter Industries, Inc.	111,900	5,563,668
Washington Group International, Inc.*	92,200	4,883,834
		35,567,828
Electrical Equipment 2.7%		
General Cable Corp.*	534,600	10,531,620
Genlyte Group, Inc.*	52,000	2,785,640
Thomas & Betts Corp.*	45,900	1,925,964
		15,243,224
Industrial Conglomerates 0.2%		
ESCO Technologies, Inc.*	24,200	**1,076,658**
Machinery 3.8%		
Harsco Corp.	75,400	5,090,254
Oshkosh Truck Corp.	75,800	3,379,922
Terex Corp.*	107,800	6,403,320
Valmont Industries	98,700	3,302,502
Watts Water Technologies, Inc. "A"	115,900	3,510,611
		21,686,609
Marine 0.9%		
GulfMark Offshore, Inc.*	81,000	2,399,220
Hornbeck Offshore Services, Inc.*	84,500	2,763,150
		5,162,370
Road & Rail 1.6%		
Genesee & Wyoming, Inc.*	130,350	4,894,643
Laidlaw International, Inc.	174,900	4,062,927
		8,957,570
Trading Companies & Distributors 1.1%		
Aviall, Inc.*	59,000	1,699,200
WESCO International, Inc.*	114,700	4,901,131
		6,600,331
Information Technology 7.5%		
Computers & Peripherals 0.9%		
Komag, Inc.*	154,500	**5,354,970**
Electronic Equipment & Instruments 3.5%		
Aeroflex, Inc.*	400,900	4,309,675
Anixter International, Inc.	165,100	6,458,712
Plexus Corp.*	238,700	5,428,038
Scansource, Inc.*	73,300	4,008,044
		20,204,469
IT Consulting & Services 1.1%		
CACI International, Inc. "A"*	47,600	2,731,288
Covansys Corp.*	245,900	3,346,699
		6,077,987
Semiconductors & Semiconductor Equipment 0.5%		
MKS Instruments, Inc.*	90,600	1,620,834
OmniVision Technologies, Inc.*	73,400	1,465,064
		3,085,898
Software 1.5%		
InPhonic, Inc.*	375,900	3,266,571
Sonic Solutions*	220,500	3,331,755
TIBCO Software, Inc.*	255,400	1,907,838
		8,506,164
Materials 8.1%		
Chemicals 0.5%		
Georgia Gulf Corp.	48,400	1,472,328
NOVA Chemicals Corp.	39,400	1,315,960
		2,788,288
Construction Materials 1.2%		
Florida Rock Industries, Inc.	95,242	4,672,573
Headwaters, Inc.*	55,000	1,949,200
		6,621,773

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

	Shares	Value ($)
Metals & Mining 6.4%		
Aleris International, Inc.*	169,100	5,451,784
Goldcorp, Inc.	110,550	2,463,054
Metal Management, Inc.	76,300	1,774,738
Northwest Pipe Co.*	115,400	3,092,720
Oregon Steel Mills, Inc.*	325,400	9,573,268
Pan American Silver Corp.*	202,500	3,813,075
RTI International Metals, Inc.*	193,900	7,358,505
Uranium Resources, Inc.*	1,921,700	1,268,322
Worthington Industries, Inc.	118,700	2,280,227
		37,075,693
Telecommunication Services 0.2%		
Diversified Telecommunication Services		
Alaska Communications Systems Group, Inc.	133,400	**1,355,344**
Utilities 7.2%		
Electric Utilities 1.5%		
Allegheny Energy, Inc.*	181,700	5,750,805
Sierra Pacific Resources*	229,300	2,990,072
		8,740,877
Gas Utilities 2.3%		
ONEOK, Inc.	128,200	3,413,966
Southern Union Co.*	417,375	9,862,571
		13,276,537
Independent Power Producers & Energy Traders 1.1%		
Dynegy, Inc. "A"*	1,244,900	**6,025,316**
Multi-Utilities 2.3%		
CMS Energy Corp.*	106,200	1,540,962
Ormat Technologies, Inc.	213,800	5,588,732
TECO Energy, Inc.	172,000	2,954,960
WPS Resources Corp.	54,700	3,025,457
		13,110,111
Total Common Stocks (Cost $424,198,462)		**544,681,470**

	Principal Amount ($)	Value ($)
Corporate Bonds 1.3%		
Utilities		
Mirant Corp., 144A, 7.9%, 7/15/2009* (Cost $3,522,500)	6,000,000	**7,560,000**

	Shares	Value ($)
Closed End Investment Company 0.6%		
Tortoise Energy Infrastructure Corp. (Cost $3,297,205)	132,100	**3,570,663**
Exchange Traded Funds 0.1%		
PowerShares Lux Nanotech Portfolio (Cost $289,198)	18,200	**298,480**
Cash Equivalents 1.9%		
Cash Management QP Trust, 4.26% (a) (Cost $11,160,666)	11,160,666	**11,160,666**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $442,468,031)†	98.6	**567,271,279**
Other Assets and Liabilities, Net	1.4	**8,052,007**
Net Assets	100.0	**575,323,286**

Notes to DWS Dreman Small Cap Value VIP Portfolio of Investments

* *Non-income producing security. In the case of a bond, generally denotes that the issuer has defaulted on the payment of principal or the interest or has filed for bankruptcy. The following table represents bonds that are in default:*

Security	Coupon	Maturity Date	Principal Amount		Acquisition Cost ($)	Value ($)
Mirant Corp.	7.9%	7/15/2009	6,000,000	USD	3,522,500	7,560,000

† *The cost for federal income tax purposes was $442,359,125. At December 31, 2005, net unrealized appreciation for all securities based on tax cost was $124,912,154. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $141,555,434 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $16,643,280.*

(a) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

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.

IDS: Income Deposit Security

REIT: Real Estate Investment Trust

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2005

Assets		
Investments:		
Investments in securities, at value (cost $431,307,365)	$	556,110,613
Investment in Cash Management QP Trust (cost $11,160,666)		11,160,666
Total investments in securities, at value (cost $442,468,031)		567,271,279
Cash		5,254
Receivable for investments sold		9,074,553
Dividends receivable		1,158,901
Interest receivable		45,633
Receivable for Portfolio shares sold		57,536
Other assets		18,218
Total assets		577,631,374
Liabilities		
Payable for investments purchased		902,025
Payable for Portfolio shares redeemed		892,732
Accrued management fee		359,425
Other accrued expenses and payables		153,906
Total liabilities		2,308,088
Net assets, at value	**$**	**575,323,286**
Net Assets		
Net assets consist of:		
Undistributed net investment income		4,399,454
Net unrealized appreciation (depreciation) on:		
Investments		124,803,248
Foreign currency related transactions		(42)
Accumulated net realized gain (loss)		48,528,735
Paid-in capital		397,591,891
Net assets, at value	**$**	**575,323,286**
Class A		
Net Asset Value, offering and redemption price per share ($492,551,412 ÷ 24,658,095 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**19.98**
Class B		
Net Asset Value, offering and redemption price per share ($82,771,874 ÷ 4,153,458 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**19.93**

Statement of Operations

for the year ended December 31, 2005

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $16,836)	$	8,938,438
Interest — Cash Management QP Trust		603,541
Total Income		9,541,979
Expenses:		
Management fee		4,088,038
Custodian fees		27,349
Distribution service fees (Class B)		189,044
Record keeping fees (Class B)		109,304
Auditing		45,604
Legal		18,696
Trustees' fees and expenses		24,273
Reports to shareholders		110,024
Other		31,290
Total expenses before expense reductions		4,643,622
Expense reductions		(8,754)
Total expenses after expense reductions		4,634,868
Net investment income (loss)		**4,907,111**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		48,534,540
Foreign currency related transactions		231
		48,534,771
Net unrealized appreciation (depreciation) during the period on:		
Investments		198,766
Foreign currency related transactions		26
		198,792
Net gain (loss) on investment transactions		**48,733,563**
Net increase (decrease) in net assets resulting from operations	**$**	**53,640,674**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2005	2004
Operations:		
Net investment income (loss)	$ 4,907,111	$ 4,034,360
Net realized gain (loss) on investment transactions	48,534,771	63,112,019
Net unrealized appreciation (depreciation) during the period on investment transactions	198,792	38,864,967
Net increase (decrease) in net assets resulting from operations	53,640,674	106,011,346
Distributions to shareholders from:		
Net investment income:		
Class A	(3,388,867)	(3,405,170)
Class B	(268,871)	(212,277)
Distributions to shareholders from:		
Net realized gains:		
Class A	(41,035,260)	—
Class B	(6,476,182)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	48,442,270	64,900,813
Reinvestment of distributions	44,424,127	3,405,170
Cost of shares redeemed	(69,095,690)	(45,290,684)
Net increase (decrease) in net assets from Class A share transactions	23,770,707	23,015,299
Class B		
Proceeds from shares sold	12,290,754	29,315,151
Reinvestment of distributions	6,745,052	212,277
Cost of shares redeemed	(7,563,486)	(3,011,503)
Net increase (decrease) in net assets from Class B share transactions	11,472,320	26,515,925
Increase (decrease) in net assets	37,714,521	151,925,123
Net assets at beginning of period	537,608,765	385,683,642
Net assets at end of period (including undistributed net investment income of $4,399,454 and $3,681,177, respectively)	**$ 575,323,286**	**$ 537,608,765**

Other Information		
Class A		
Shares outstanding at beginning of period	23,288,245	22,038,819
Shares sold	2,554,460	3,660,918
Shares issued to shareholders in reinvestment of distributions	2,463,900	197,059
Shares redeemed	(3,648,510)	(2,608,551)
Net increase (decrease) in Class A shares	1,369,850	1,249,426
Shares outstanding at end of period	**24,658,095**	**23,288,245**
Class B		
Shares outstanding at beginning of period	3,531,644	1,977,912
Shares sold	641,746	1,706,542
Shares issued to shareholders in reinvestment of distributions	373,894	12,277
Shares redeemed	(393,826)	(165,087)
Net increase (decrease) in Class B shares	621,814	1,553,732
Shares outstanding at end of period	**4,153,458**	**3,531,644**

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

Financial Highlights

Class A

Years Ended December 31,	2005	2004	2003	2002	2001
Selected Per Share Data					
Net asset value, beginning of period	**$20.05**	**$16.06**	**$11.66**	**$13.21**	**$11.23**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.19	.17	.19	.17	.09
Net realized and unrealized gain (loss) on investment transactions	1.67	3.98	4.55	(1.67)	1.89
Total from investment operations	1.86	4.15	4.74	(1.50)	1.98
Less distributions from:					
Net investment income	(.15)	(.16)	(.15)	(.05)	—
Net realized gain on investment transactions	(1.78)	—	(.19)	—	—
Total distributions	(1.93)	(.16)	(.34)	(.05)	—
Net asset value, end of period	**$19.98**	**$20.05**	**$16.06**	**$11.66**	**$13.21**
Total Return (%)	10.25	26.03	42.15	(11.43)	17.63
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	493	467	354	250	194
Ratio of expenses (%)	.79	.79	.80	.81	.79
Ratio of net investment income (%)	.96	.96	1.46	1.28	.77
Portfolio turnover rate (%)	61	73	71	86	57

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

Class B

Years Ended December 31,	2005	2004	2003	2002[a]
Selected Per Share Data				
Net asset value, beginning of period	**$20.01**	**$16.03**	**$11.65**	**$13.86**
Income (loss) from investment operations:				
Net investment income (loss)[b]	.11	.10	.13	.17
Net realized and unrealized gain (loss) on investment transactions	1.66	3.97	4.56	(2.38)
Total from investment operations	1.77	4.07	4.69	(2.21)
Less distributions from:				
Net investment income	(.07)	(.09)	(.12)	—
Net realized gain on investment transactions	(1.78)	—	(.19)	—
Total distributions	(1.85)	(.09)	(.31)	—
Net asset value, end of period	**$19.93**	**$20.01**	**$16.03**	**$11.65**
Total Return (%)	9.78	25.52	41.65	(15.95)**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	83	71	32	1
Ratio of expenses (%)	1.19	1.16	1.19	1.06*
Ratio of net investment income (%)	.56	.59	1.07	3.01*
Portfolio turnover rate (%)	61	73	71	86

a *For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

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

* *Annualized*

** *Not annualized*

DWS Global Thematic VIP

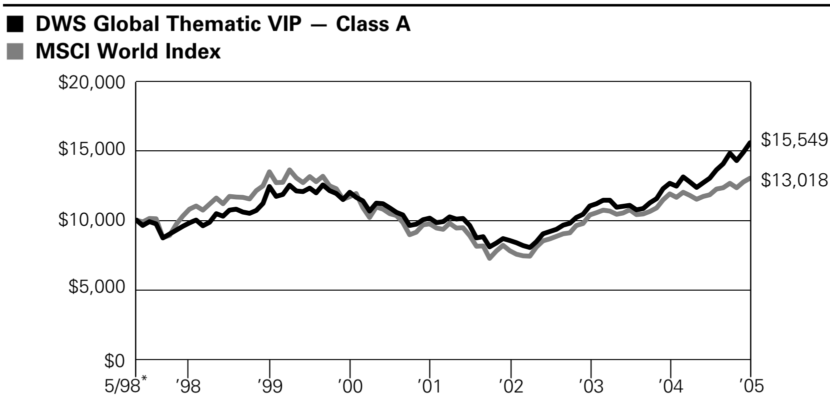
All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

This Portfolio is subject to stock market risk, meaning stocks in the portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Additionally, investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. This may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

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

Please keep in mind that high double-digit returns were primarily achieved during favorable market conditions. Investors should not expect that such favorable returns can be consistently achieved. A Portfolio's performance, especially for very short time periods, should not be the sole factor in making your investment decision.

Growth of an Assumed $10,000 Investment in DWS Global Thematic VIP from 5/5/1998 to 12/31/2005



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 converts to US dollars using the London close foreign exchange rates. Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Global Thematic VIP		1-Year	3-Year	5-Year	Life of Portfolio*
Class A	Growth of $10,000	$12,294	$18,220	$12,972	$15,549
	Average annual total return	22.94%	22.14%	5.34%	5.94%
MSCI World Index	Growth of $10,000	$10,949	$16,719	$11,141	$13,018
	Average annual total return	9.49%	18.69%	2.18%	3.50%

DWS Global Thematic VIP		1-Year	3-Year	Life of Class**
Class B	Growth of $10,000	$12,250	$18,062	$16,211
	Average annual total return	22.50%	21.78%	14.81%
MSCI World Index	Growth of $10,000	$10,949	$16,719	$14,689
	Average annual total return	9.49%	18.69%	11.61%

The growth of $10,000 is cumulative.

* *The Portfolio commenced operations on May 5, 1998. Index returns begin April 30, 1998.*

** *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.*

Information About Your Portfolio's Expenses

DWS Global Thematic VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include sales charges (loads), redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The tables are based on an investment of $1,000 made at the beginning of the six-month period ended December 31, 2005.

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

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

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

Expenses and Value of a $1,000 Investment for the six months ended December 31, 2005

Actual Portfolio Return	Class A	Class B
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,196.40	$1,193.50
Expenses Paid per $1,000*	$ 6.53	$ 8.68

Hypothetical 5% Portfolio Return	Class A	Class B
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,019.16	$1,017.29
Expenses Paid per $1,000*	$ 6.01	$ 7.98

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

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Global Thematic VIP	1.18%	1.57%

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

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

Management Summary

December 31, 2005

DWS Global Thematic VIP

The Portfolio's 22.94% return (Class A shares, unadjusted for contract charges) outpaced both the 9.49% gain of the MSCI World Index and the 11.54% return of funds in Lipper's Global Core category. DWS Global Thematic VIP ranked first among the 31 funds in its peer group in 2005. The Portfolio ranked 16 of 51 funds in the category for the three-year period ended December 31, 2005 and three of 22 funds in the category for the five-year period ended December 31, 2005. We believe this is a validation of our approach, which invests in fundamentally sound companies that we believe will benefit from longer-term themes in the world economy.

The top performing theme in 2005 was ultimate subcontractors, where most holdings are leveraged to oil and gas. Here, the strongest performers were the Russian oil companies LUKOIL (ADR) and OAO Gazprom (ADR) (REG S). Supply chain dominance, a theme incorporating companies that are becoming the leading partners for both suppliers and customers within their respective industries, made the second-largest contribution to performance. In terms of countries, we generated the best performance in the US, where a top contributor was the agro/biotech firm Monsanto Co., and in Japan, where our holdings in financials and real estate companies were boosted by investors' hope for an end to deflation. Aside from energy, the sector in which our stock selection was strongest was financials, where Commerzbank AG (Germany) and Capitalia SpA (Italy) both benefited from restructuring initiatives. Notable detractors included William Morrison Supermarkets PLC and MFI Furniture Group PLC.

Instead of focusing on economic cycles and/or the direction of the financial markets, which we do not believe can be accurately predicted, we will continue attempting to identify the large inefficiencies and changes affecting the world economy.

Oliver Kratz

Lead Portfolio Manager

Deutsche Investment Management Americas Inc.

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

This Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Additionally, investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. This may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Morgan Stanley Capital International (MSCI) World Index is an unmanaged, capitalization-weighted measure of global stock markets around the world, including North America, Europe, Australia and the Far East. The index is calculated using closing local market prices and converts to US dollars using the London close foreign exchange rates. Index returns assume reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

The Lipper Global Core category includes funds that, by portfolio practice, invest at least 75% of their equity assets in companies both inside and outside of the U.S. with market capitalizations (on a three-year weighted basis) greater than the 500th-largest company in the S&P/Citigroup World Broad Market Index. Large-cap core funds typically have an average price-to-cash flow sets in ratio, price-to-book ratio, and three-year sales-per-share growth value compared to the S&P/Citigroup World BMI. It is not possible to invest directly into a Lipper category.

Source: Lipper Inc. Rankings are historical and do not guarantee future results. Rankings are based on the Portfolio's total return unadjusted for contract charges with distributions reinvested. If contract charges had been included, results might have been less favorable. Rankings are for Class A shares; other share classes may vary.

Lipper figures represent the average of the total returns reported by all of the mutual funds designated by Lipper, Inc. as falling into the category indicated.

Portfolio management market commentary is as of December 31, 2005, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Global Thematic VIP

Asset Allocation (Excludes Securities Lending Collateral)	**12/31/05**	**12/31/04**
Common Stocks	91%	89%
Cash Equivalents	5%	8%
Preferred Stocks	2%	1%
Exchange Traded Funds	2%	2%
	100%	100%

Sector Diversification (As a % of Common and Preferred Stocks)	**12/31/05**	**12/31/04**
Financials	28%	21%
Energy	12%	13%
Materials	11%	16%
Information Technology	10%	11%
Industrials	9%	12%
Health Care	9%	9%
Consumer Staples	8%	3%
Consumer Discretionary	7%	6%
Telecommunication Services	4%	2%
Utilities	2%	7%
	100%	100%

Geographical Diversification (As a % of Common and Preferred Stocks)	**12/31/05**	**12/31/04**
Continental Europe	27%	30%
United States	22%	28%
Asia (excluding Japan)	21%	13%
Japan	9%	11%
United Kingdom	7%	7%
Latin America	4%	3%
Canada	3%	6%
Africa	2%	2%
Middle East	2%	—
Bermuda	2%	—
Australia	1%	—
	100%	100%

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

For more complete details about the Portfolio's investment portfolio, see page 87. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on the 15th of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

Investment Portfolio

December 31, 2005

DWS Global Thematic VIP

	Shares	Value ($)
Common Stocks 91.2%		
Australia 0.6%		
Macquarie Airports (Cost $699,143)	276,100	**641,636**
Austria 0.4%		
Erste Bank der Oesterreichischen Sparkassen AG (Cost $292,505)	6,600	**366,260**
Bermuda 1.7%		
Credicorp Ltd.	26,800	610,772
Tyco International Ltd.	40,850	1,178,931
(Cost $1,863,011)		**1,789,703**
Brazil 0.6%		
Natura Cosmeticos SA	2,800	123,314
Tractebel Energia SA	25,400	163,482
Votorantim Celulose e Papel SA (ADR) (a)	30,800	378,532
(Cost $637,749)		**665,328**
Canada 3.0%		
Canadian National Railway Co.	17,200	1,378,130
EnCana Corp.	16,550	748,306
Goldcorp, Inc.	28,250	629,425
Meridian Gold, Inc.*	15,700	344,132
(Cost $1,071,727)		**3,099,993**
China 2.1%		
China Construction Bank "H"*	1,064,000	367,079
China Petroleum & Chemical Corp. "H"	3,240,000	1,598,344
China Shenhua Energy Co., Ltd. "H"*	234,000	256,524
(Cost $1,844,280)		**2,221,947**
Finland 1.7%		
Neste Oil Oyj*	18,000	508,888
Nokia Oyj (ADR)	17,500	320,250
Nokian Renkaat Oyj	73,000	920,423
(Cost $1,785,529)		**1,749,561**
France 4.0%		
Carrefour SA	8,577	401,907
Credit Agricole SA	20,468	644,815
Societe Generale	5,822	716,148
Total SA	9,719	2,441,642
(Cost $3,274,342)		**4,204,512**
Germany 5.9%		
Bayer AG	31,609	1,320,619
Bayerische Motoren Werke AG	10,560	463,198
Commerzbank AG	63,087	1,943,400
E.ON AG	7,949	822,412
Schering AG	12,500	837,609
Stada Arzneimittel AG	23,459	767,926
(Cost $4,605,107)		**6,155,164**
Hong Kong 2.9%		
China Mobile (Hong Kong) Ltd.	137,600	650,409
Fountain Set (Holdings) Ltd.	996,000	459,229
Global Bio-chem Technology Group Co., Ltd.	1,264,000	554,268
Hutchison Whampoa Ltd.	106,000	1,010,285
The Link (REIT)*	184,000	348,842
(Cost $2,582,132)		**3,023,033**
India 1.0%		
Infosys Technologies Ltd.	13,100	871,975
Ranbaxy Laboratories Ltd. (GDR)	22,850	182,571
(Cost $855,648)		**1,054,546**
Indonesia 0.4%		
PT Telekomunikasi Indonesia (ADR) (Cost $345,762)	18,000	**429,480**
Israel 1.5%		
Check Point Software Technologies Ltd.*	36,400	731,640
Teva Pharmaceutical Industries Ltd. (ADR)	19,500	838,695
(Cost $1,398,129)		**1,570,335**
Italy 2.1%		
Assicurazioni Generali SpA	16,000	559,180
Capitalia SpA	277,700	1,607,680
(Cost $1,674,194)		**2,166,860**
Japan 8.5%		
FANUC Ltd.	15,800	1,341,061
Komatsu Ltd.	56,000	926,409
Mitsubishi Estate Co., Ltd.	54,000	1,121,804
Mitsui Fudosan Co., Ltd.	61,000	1,238,776
Mizuho Financial Group, Inc.	186	1,476,203
Nomura Holdings, Inc.	73,000	1,398,906
Shinsei Bank Ltd.	245,000	1,416,797
(Cost $5,359,438)		**8,919,956**
Korea 5.7%		
Daewoo Shipbuilding & Marine Engineering Co., Ltd.	29,500	797,437
LG.Philips LCD Co., Ltd. (ADR)* (a)	23,600	506,456
POSCO (ADR) (a)	31,900	1,579,369
Samsung Electronics Co., Ltd.	2,520	1,623,277
SK Corp.	28,010	1,441,158
(Cost $5,057,079)		**5,947,697**
Luxembourg 1.0%		
Tenaris SA (ADR) (Cost $1,061,026)	9,450	**1,082,025**
Malaysia 0.9%		
AMMB Holdings Bhd.	420,000	263,368
Resorts World Bhd.	154,700	458,431
RHB Capital Bhd.	435,100	254,418
(Cost $973,443)		**976,217**
Mexico 2.5%		
Fomento Economico Mexicano SA de CV (ADR)	26,250	1,903,388
Grupo Televisa SA (ADR)	8,450	680,225
(Cost $1,992,957)		**2,583,613**
Netherlands 0.5%		
ABN AMRO Holding NV (Cost $492,814)	19,734	**516,090**

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

	Shares	Value ($)
Peru 0.5%		
Compania de Minas Buenaventura SA (ADR) (Cost $260,220)	19,800	**560,340**
Russia 3.0%		
LUKOIL (ADR)	14,900	879,100
Mobile TeleSystems (ADR)	9,350	327,250
Novolipetsk Steel (GDR) 144A*	31,600	451,880
OAO Gazprom (ADR) (REG S) (a)	10,200	731,340
OAO Vimpel-Communications (ADR)*	8,450	373,743
Pyaterochka Holding NV (GDR) 144A*	33,100	478,295
(Cost $2,387,804)		**3,241,608**
Singapore 0.9%		
DBS Group Holdings Ltd.	66,000	654,978
Singapore TeleCommunications Ltd.	160,060	251,260
(Cost $679,538)		**906,238**
South Africa 2.2%		
Barloworld Ltd.	11,700	204,378
Gold Fields Ltd.	43,500	768,597
Lewis Group Ltd.	111,100	824,186
Sappi Ltd.	44,300	507,656
(Cost $1,908,210)		**2,304,817**
Sweden 1.0%		
Skandinaviska Enskilda Banken AB "A" (Cost $784,848)	51,800	**1,066,058**
Switzerland 3.4%		
ABB Ltd.*	97,779	948,733
Credit Suisse Group (Registered)	12,004	612,053
Julius Baer Holding Ltd. (Registered)	16,027	1,135,508
Novartis AG (Registered)	15,337	805,920
(Cost $2,676,145)		**3,502,214**
Taiwan 4.0%		
AU Optronics Corp. (ADR)*	36,450	547,115
Chunghwa Telecom Co., Ltd. (ADR)	39,900	732,165
Mega Financial Holding Co., Ltd.	967,000	628,926
Quanta Computer, Inc.	289,087	405,980
SinoPac Financial Holdings Co., Ltd.	628,000	303,225
Taiwan Semiconductor Manufacturing Co., Ltd. (ADR)	102,200	1,012,802
Yuanta Core Pacific Securities Co.	752,000	523,455
(Cost $3,882,422)		**4,153,668**
Thailand 1.6%		
Bangkok Bank PCL (Foreign Registered)	223,600	626,789
Kasikornbank PCL (Foreign Registered)	149,500	273,309
Krung Thai Bank PCL (Foreign Registered)	1,432,700	384,149
PTT Chemical PCL (Foreign Registered)*	190,650	376,421
(Cost $1,586,076)		**1,660,668**
Turkey 0.3%		
Turkcell Iletisim Hizmetleri AS (ADR) (Cost $263,005)	19,050	**292,608**

	Shares	Value ($)
United Kingdom 7.1%		
Anglo American PLC	18,055	614,750
GlaxoSmithKline PLC	59,204	1,496,331
MFI Furniture Group PLC	195,336	268,861
National Grid PLC	84,397	825,491
Royal Bank of Scotland Group PLC	63,364	1,913,263
Vodafone Group PLC	298,235	643,958
William Morrison Supermarkets PLC	390,755	1,300,890
Woolworths Group PLC	563,994	376,011
(Cost $7,065,791)		**7,439,555**
United States 20.2%		
AFLAC, Inc.	19,900	923,758
Avocent Corp.*	13,550	368,425
Bunge Ltd.	30,050	1,701,130
Caremark Rx, Inc.*	13,650	706,934
Caterpillar, Inc.	12,050	696,129
Cisco Systems, Inc.*	91,000	1,557,920
Citigroup, Inc.	19,643	953,275
Coca-Cola Co.	28,100	1,132,711
E.I. du Pont de Nemours & Co.	17,500	743,750
ExxonMobil Corp.	29,500	1,657,015
General Mills, Inc.	16,150	796,518
Johnson & Johnson	12,725	764,772
Monsanto Co.	10,850	841,200
Newmont Mining Corp.	19,800	1,057,320
Oracle Corp.*	145,000	1,770,450
Pfizer, Inc.	65,100	1,518,132
Schlumberger Ltd.	8,475	823,346
Symantec Corp.*	43,150	755,125
The Goldman Sachs Group, Inc.	11,375	1,452,701
Wyeth	19,800	912,256
(Cost $19,001,211)		**21,132,867**
Total Common Stocks (Cost $78,361,285)		**95,424,597**

Preferred Stock 2.0%

	Shares	Value ($)
Germany		
Henkel KGaA	9,126	918,363
Porsche AG	1,714	1,231,666
Total Preferred Stock (Cost $2,040,864)		**2,150,029**

Exchange Traded Funds 1.9%

	Shares	Value ($)
iShares MSCI Malaysia Index Fund	82,500	562,650
iShares Nasdaq Biotechnology Index Fund* (a)	17,900	1,382,596
Total Exchange Traded Funds (Cost $1,831,229)		**1,945,246**

Securities Lending Collateral 3.8%

	Shares	Value ($)
Daily Assets Fund Institutional, 4.28% (b) (c) (Cost $3,962,725)	3,962,725	**3,962,725**

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

	Shares	Value ($)
Cash Equivalents 4.8%		
Cash Management QP Trust, 4.26% (d) (Cost $4,980,633)	4,980,633	**4,980,633**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $91,176,736)†	103.7	**108,463,230**
Other Assets and Liabilities, Net	(3.7)	**(3,816,858)**
Net Assets	100.0	**104,646,372**

Notes to DWS Global Thematic VIP Portfolio of Investments

* *Non-income producing security.*

† *The cost for federal income tax purposes was $91,390,913. At December 31, 2005, net unrealized appreciation for all securities based on tax cost was $17,072,317. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $18,829,552 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $1,757,235.*

(a) *All or a portion of these securities were on loan (See Note to Financial Statements). The value of all securities loaned at December 31, 2005 amounted to $3,866,071 which is 3.7% of net assets.*

(b) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

(d) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

ADR: American Depositary Receipt

GDR: Global Depositary Receipt

REIT: Real Estate Investment Trust

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2005

Assets		
Investments:		
Investments in securities, at value (cost $82,233,378) — including $3,866,071 of securities loaned	$	99,519,872
Investment in Daily Assets Fund Institutional (cost $3,962,725)*		3,962,725
Investment in Cash Management QP Trust (cost $4,980,633)		4,980,633
Total investments in securities, at value (cost $91,176,736)		108,463,230
Cash		224,412
Foreign currency, at value (cost $104,408)		106,572
Dividends receivable		202,092
Interest receivable		21,221
Receivable for Portfolio shares sold		589,533
Foreign taxes recoverable		10,401
Other assets		2,933
Total assets		109,620,394

Liabilities		
Payable for investments purchased		843,660
Payable upon return of securities loaned		3,962,725
Payable for Portfolio shares redeemed		9,229
Deferred foreign taxes payable		43,128
Accrued management fee		15,478
Other accrued expenses and payables		99,802
Total liabilities		4,974,022
Net assets, at value	**$**	**104,646,372**

Net Assets		
Net assets consist of:		
Undistributed net investment income		558,067
Net unrealized appreciation (depreciation) on:		
Investments (net of foreign taxes of $43,128)		17,243,366
Foreign currency related transactions		1,125
Accumulated net realized gain (loss)		8,556,682
Paid-in capital		78,287,132
Net assets, at value	**$**	**104,646,372**
Class A		
Net Asset Value, offering and redemption price per share ($85,020,570 ÷ 5,887,898 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**14.44**
Class B		
Net Asset Value, offering and redemption price per share ($19,625,802 ÷ 1,359,840 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**14.43**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2005

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $184,458)	$	1,716,494
Interest		1,366
Interest — Cash Management QP Trust		130,598
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		55,555
Total Income		1,904,013
Expenses:		
Management fee		841,064
Custodian and accounting fees		241,989
Distribution service fees (Class B)		38,339
Record keeping fees (Class B)		20,082
Auditing		56,174
Legal		12,526
Trustees' fees and expenses		3,878
Reports to shareholders		17,393
Other		16,401
Total expenses before expense reductions		1,247,846
Expense reductions		(116,133)
Total expenses after expense reductions		1,131,713
Net investment income (loss)		**772,300**

Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments (net of foreign taxes of $43,629)		13,370,409
Foreign currency related transactions		(128,301)
		13,242,108
Net unrealized appreciation (depreciation) during the period on:		
Investments (net of deferred foreign taxes of $43,128)		4,302,278
Foreign currency related transactions		(5,308)
		4,296,970
Net gain (loss) on investment transactions		**17,539,078**
Net increase (decrease) in net assets resulting from operations	**$**	**18,311,378**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2005	2004
Operations:		
Net investment income (loss)	$ 772,300	$ 204,775
Net realized gain (loss) on investment transactions	13,242,108	5,240,327
Net unrealized appreciation (depreciation) during the period on investment transactions	4,296,970	3,765,688
Net increase (decrease) in net assets resulting from operations	18,311,378	9,210,790
Distributions to shareholders from:		
Net investment income:		
Class A	(188,888)	(686,309)
Class B	—	(57,902)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	15,806,082	10,246,696
Reinvestment of distributions	188,888	686,309
Cost of shares redeemed	(8,739,580)	(9,557,336)
Net increase (decrease) in net assets from Class A share transactions	7,255,390	1,375,669
Class B		
Proceeds from shares sold	5,152,763	5,449,125
Reinvestment of distributions	—	57,902
Cost of shares redeemed	(1,457,434)	(572,691)
Net increase (decrease) in net assets from Class B share transactions	3,695,329	4,934,336
Increase (decrease) in net assets	29,073,209	14,776,584
Net assets at beginning of period	75,573,163	60,796,579
Net assets at end of period (including undistributed net investment income of $558,067 and $102,166, respectively)	**$ 104,646,372**	**$ 75,573,163**

Other Information	2005	2004
Class A		
Shares outstanding at beginning of period	5,350,985	5,262,148
Shares sold	1,229,117	941,848
Shares issued to shareholders in reinvestment of distributions	15,980	64,503
Shares redeemed	(708,184)	(917,514)
Net increase (decrease) in Class A shares	536,913	88,837
Shares outstanding at end of period	**5,887,898**	**5,350,985**
Class B		
Shares outstanding at beginning of period	1,064,827	588,861
Shares sold	406,987	522,896
Shares issued to shareholders in reinvestment of distributions	—	5,427
Shares redeemed	(111,974)	(52,357)
Net increase (decrease) in Class B shares	295,013	475,966
Shares outstanding at end of period	**1,359,840**	**1,064,827**

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

Financial Highlights

Class A

Years Ended December 31,	2005	2004	2003	2002	2001
Selected Per Share Data					
Net asset value, beginning of period	**$11.78**	**$10.39**	**$ 8.08**	**$ 9.64**	**$11.81**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.12	.04	.09	.07	.08
Net realized and unrealized gain (loss) on investment transactions	2.58	1.48	2.25	(1.57)	(1.90)
Total from investment operations	2.70	1.52	2.34	(1.50)	(1.82)
Less distributions from:					
Net investment income	(.04)	(.13)	(.03)	(.06)	—
Net realized gain on investment transactions	—	—	—	—	(.35)
Total distributions	(.04)	(.13)	(.03)	(.06)	(.35)
Net asset value, end of period	**$14.44**	**$11.78**	**$10.39**	**$ 8.08**	**$ 9.64**
Total Return (%)	22.94[b]	14.76	29.13[b]	(15.77)	(15.48)
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	85	63	55	43	44
Ratio of expenses before expense reductions (%)	1.41	1.44	1.48	1.32	1.24
Ratio of expenses after expense reductions (%)	1.28	1.43	1.17	1.32	1.24
Ratio of net investment income (%)	.98	.38	1.02	.79	.76
Portfolio turnover rate (%)	95	81	65	41	52

a *Based on average shares outstanding during the period.*
b *Total return would have been lower had certain expenses not been reduced.*

Class B

Years Ended December 31,	2005	2004	2003	2002[a]
Selected Per Share Data				
Net asset value, beginning of period	**$11.78**	**$10.38**	**$ 8.06**	**$ 8.98**
Income (loss) from investment operations:				
Net investment income (loss)[b]	.07	.00[d]	.04	.02
Net realized and unrealized gain (loss) on investment transactions	2.58	1.48	2.29	(.94)
Total from investment operations	2.65	1.48	2.33	(.92)
Less distributions from:				
Net investment income	—	(.08)	(.01)	—
Net asset value, end of period	**$14.43**	**$11.78**	**$10.38**	**$ 8.06**
Total Return (%)	22.50[c]	14.33	28.96[c]	(10.24)**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	20	13	6	.2
Ratio of expenses before expense reductions (%)	1.79	1.84	1.87	1.60*
Ratio of expenses after expense reductions (%)	1.65	1.83	1.64	1.60*
Ratio of net investment income (%)	.61	.02	.55	.49*
Portfolio turnover rate (%)	95	81	65	41

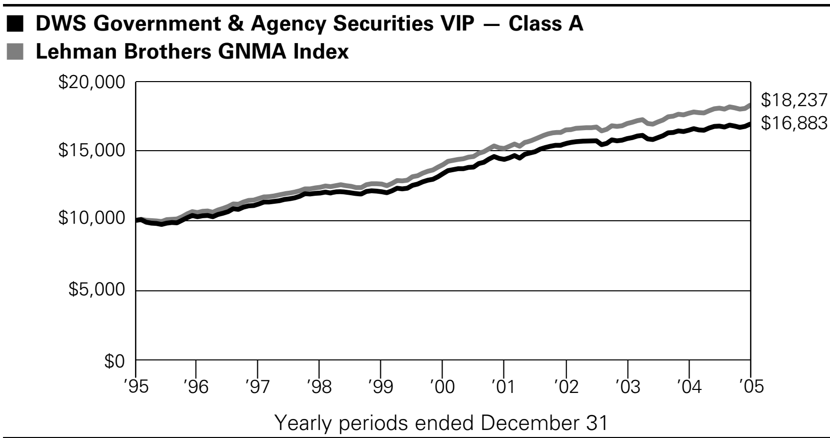
a *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
b *Based on average shares outstanding during the period.*
c *Total return would have been lower had certain expenses not been reduced.*
d *Amount is less than $.005 per share.*
* *Annualized*
** *Not annualized*

DWS Government & Agency Securities VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

The government guarantee relates only to the prompt payment of principal and interest and does not remove market risks. Additionally, yields will fluctuate in response to changing interest rates and may be affected by the prepayment of mortgage-backed securities. Bond investments are subject to interest-rate risk such that when interest rates rise, the prices of the bonds, and thus the value of the bond portfolio, can decline and the investor can lose principal value. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed $10,000 Investment in DWS Government & Agency Securities VIP



The Lehman Brothers GNMA Index is an unmanaged market-value-weighted measure of all fixed-rate securities backed by mortgage pools of the Government National Mortgage Association. Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Government & Agency Securities VIP		1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$10,257	$10,882	$12,639	$16,883
	Average annual total return	2.57%	2.86%	4.80%	5.38%
Lehman Brothers GNMA Index	Growth of $10,000	$10,321	$11,077	$13,029	$18,237
	Average annual total return	3.21%	3.47%	5.43%	6.19%

DWS Government & Agency Securities VIP		1-Year	3-Year	Life of Class*
Class B	Growth of $10,000	$10,224	$10,761	$11,161
	Average annual total return	2.24%	2.47%	3.19%
Lehman Brothers GNMA Index	Growth of $10,000	$10,321	$11,077	$11,538
	Average annual total return	3.21%	3.47%	4.17%

The growth of $10,000 is cumulative.

* *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.*

Information About Your Portfolio's Expenses

DWS Government & Agency Securities VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include sales charges (loads), redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The tables are based on an investment of $1,000 made at the beginning of the six-month period ended December 31, 2005.

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

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

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

Expenses and Value of a $1,000 Investment for the six months ended December 31, 2005

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,007.40	$1,005.80
Expenses Paid per $1,000*	$ 3.29	$ 5.21
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,021.93	$1,020.01
Expenses Paid per $1,000*	$ 3.31	$ 5.24

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

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Government & Agency Securities VIP	.65%	1.03%

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

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

DWS Government & Agency Securities VIP

The annual period was characterized by solid economic growth accompanied by generally contained increases in inflation. While oil hovered in the $60 per barrel range for much of the year, the market has not generally viewed high energy price levels as a cause for alarm with respect to the inflation outlook. Open markets and excess capacity continue to put downward pressure on prices, and the so-called core inflation rate (which excludes energy and food) has been subdued. This environment permitted the US Federal Reserve Board (the Fed) to maintain its policy of increasing short-term rates in a measured fashion. Despite the rise in short-term interest rates, longer-term rates were relatively stable over the period, as the financial markets displayed confidence that the Fed was pursuing a policy that would continue to curtail potential inflationary pressures. This period of mixed economic signals and stable long-term interest rates resulted in modest positive returns for mortgage-backed securities.

For the 12-month period ended December 31, 2005, the portfolio provided a total return of 2.57% (Class A shares, unadjusted for contract charges), compared with the 3.21% return of its benchmark, the Lehman Brothers GNMA Index.

During the early part of the period, we paid particular attention to identifying mortgages that we expected to maintain their yield in a wide variety of interest rate scenarios. These included lower-coupon mortgages as well as pools with smaller loan sizes or specific geographic profiles that have proven to be less sensitive to early redemptions, or prepayments, by home owners. As the year progressed, in anticipation of a stable interest rate environment and reduced prepayment risk, we emphasized higher-coupon mortgages and 30-year mortgages over 15-year instruments because of their yield advantage. This worked well for the portfolio, although in retrospect we would have benefited from even greater exposure to GNMAs versus conventional mortgages. Going forward, we will be monitoring the interest-rate environment closely as we seek to maintain an attractive dividend for investors.

William Chepolis, CFA

Lead Portfolio Manager
Deutsche Investment Management Americas Inc.

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

The government guarantee relates only to the prompt payment of principal and interest and does not remove market risks. Additionally, yields will fluctuate in response to changing interest rates and may be affected by the prepayment of mortgage-backed securities. Bond investments are subject to interest-rate risk such that when interest rates rise, the prices of the bonds, and thus the value of the bond fund, can decline and the investor can lose principal value. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Lehman Brothers 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 assume reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of December 31, 2005, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Government & Agency Securities VIP

Asset Allocation	12/31/05	12/31/04
Agencies Backed by the Full Faith and Credit of the US Government (GNMA)	58%	57%
Agencies Not Backed by the Full Faith and Credit of the US Government (FNMA, FHLMC)	32%	21%
US Treasury Obligations	5%	4%
Cash Equivalents	5%	18%
	100%	100%

Quality*	12/31/05	12/31/04
AAA	100%	100%

* *Includes cash equivalents*

Interest Rate Sensitivity	12/31/05	12/31/04
Average Maturity	5.9 years	4.6 years
Average Duration	4.0 years	2.6 years

Asset allocation, quality and interest rate sensitivity are subject to change.

The quality ratings represent the lower of Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Corporation ("S&P") credit ratings. The ratings of Moody's and S&P represent their opinions as to the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality. The Portfolio's quality does not remove market risk.

For more complete details about the Portfolio's investment portfolio, see page 97. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on the 15th of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Government & Agency Securities VIP

	Principal Amount ($)	Value ($)
Agencies Backed by the Full Faith Credit of the US Government 55.8%		
Government National Mortgage Association:		
5.0%, with various maturities from 4/20/2033 until 2/15/2035 (c)	21,205,940	20,931,174
5.5%, with various maturities from 12/15/2032 until 11/15/2035 (c) (d)	75,936,285	76,373,605
6.0%, with various maturities from 12/20/2031 until 6/15/2035 (c) (d)	35,820,080	36,656,851
6.5%, with various maturities from 3/15/2014 until 3/20/2035 (c)	18,465,157	19,214,890
7.0%, with various maturities from 6/20/2017 until 10/15/2032	4,083,283	4,279,816
7.5%, with various maturities from 4/15/2026 until 7/15/2032	3,169,173	3,333,248
8.0%, with various maturities from 12/15/2026 until 11/15/2031	997,251	1,067,829
8.5%, with various maturities from 5/15/2016 until 12/15/2030	150,866	163,080
9.5%, with various maturities from 6/15/2013 until 12/15/2022	69,057	75,978
10.0%, with various maturities from 2/15/2016 until 3/15/2016	25,131	27,959
Total Agencies Backed by the Full Faith Credit of the US Government (Cost $163,329,106)		**162,124,430**
Agencies Not Backed by the Full Faith Credit of the US Government 30.2%		
Federal Home Loan Bank, 4.375%, 9/17/2010	23,000,000	22,642,741
Federal Home Loan Mortgage Corp.:		
4.5%, 5/1/2019	73,018	71,162
4.625%*, 2/1/2035	864,003	851,596
5.0%, with various maturities from 9/1/2033 until 8/1/2035	11,162,796	10,817,629
5.5%, with various maturities from 2/1/2017 until 11/1/2033 (c)	6,071,426	6,015,682
6.5%, 9/1/2032 (c)	227,301	233,353
7.0%, with various maturities from 5/1/2029 until 8/1/2035	6,001,110	6,241,129
7.5%, with various maturities from 1/1/2027 until 5/1/2032	271,373	285,163
8.0%, 11/1/2030	5,161	5,504
8.5%, 7/1/2030	5,137	5,558
Federal National Mortgage Association:		
4.538%*, 1/1/2035	1,492,867	1,469,562
4.554%*, 2/1/2035	2,194,150	2,167,941
4.62%*, 1/1/2035	1,784,496	1,770,106
4.674%*, 2/1/2035	1,387,959	1,378,168
4.742%*, 5/1/2035	2,215,750	2,191,039
5.0%, with various maturities from 4/1/2020 until 10/1/2033	3,868,439	3,813,530
5.5%, with various maturities from 1/1/2033 until 6/1/2035	12,743,900	12,633,667
6.0%, 9/1/2035	7,217,661	7,285,327
6.5%, with various maturities from 9/1/2030 until 6/1/2035	4,269,523	4,385,156
7.0%, with various maturities from 9/1/2013 until 7/1/2034	996,811	1,039,999
7.5%, with various maturities from 9/1/2028 until 3/1/2032	2,194,309	2,300,062
8.0%, 12/1/2024	19,220	20,542
Total Agencies Not Backed by the Full Faith Credit of the US Government (Cost $88,596,618)		**87,624,616**
US Treasury Obligations 5.2%		
US Treasury Bills, 3.75%**, 1/19/2006 (a)	165,000	164,691
US Treasury Notes:		
4.0%, 8/31/2007	3,000,000	2,980,077
4.375%, 11/15/2008	6,000,000	6,000,936
4.5%, 11/15/2015	6,000,000	6,049,218
Total US Treasury Obligations (Cost $15,208,396)		**15,194,922**
Collateralized Mortgage Obligations 11.3%		
Federal Home Loan Mortgage Corp.:		
"PO", Series 228, Principal Only, 0.99%, 2/1/2035	2,249,016	1,780,008
"ZC", Series 2972, 4.5%, 5/15/2020	492,542	489,914
"PF", Series 2962, 4.619%*, 3/15/2035	4,157,994	4,149,487
"IO", Series 228, Interest Only, 6.0%***, 2/1/2035	2,249,016	496,365
Federal National Mortgage Association:		
"L0", Series 2005-50, Principal Only, Zero Coupon, 6/25/2035	1,614,347	1,383,061
"IN", Series 2003-84, Interest Only, 4.5%***, 4/25/2013	3,244,876	178,685
"PF", Series 2005-59, 4.629%*, 5/25/2035	3,079,011	3,076,739

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

	Principal Amount ($)	Value ($)
Government National Mortgage Association:		
"DA", Series 2005-45, 4.55%*, 6/16/2035	9,476,008	9,454,855
"FB", Series 2005-43, 4.57%*, 2/17/2032	4,215,625	4,178,583
"FA", Series 2005-18, 4.57%*, 10/20/2032	3,000,000	2,996,702
"FH", Series 1999-18, 4.62%*, 5/16/2029	2,422,481	2,429,488
"FB", Series 2001-28, 4.87%*, 6/16/2031	1,349,273	1,361,886
"IB", Series 2003-86, Interest Only, 5.0%***, 1/20/2029	4,550,000	755,785
Total Collateralized Mortgage Obligations (Cost $32,855,454)		**32,731,558**

	Shares	Value ($)
Cash Equivalents 5.3%		
Cash Management QP Trust, 4.26% (b) (Cost $15,412,261)	15,412,261	**15,412,261**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $315,401,835)†	107.8	**313,087,787**
Other Assets and Liabilities, Net	(7.8)	**(22,688,138)**
Net Assets	100.0	**290,399,649**

Notes to DWS Government & Agency Securities VIP Portfolio of Investments

* *Floating rate notes are securities whose yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury bill rate. These securities are shown at their current rate as of December 31, 2005.*

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

*** *These securities are shown at their current rate as of December 31, 2005.*

† *The cost for federal income tax purposes was $315,433,634. At December 31, 2005, net unrealized depreciation for all securities based on tax cost was $2,345,847. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $616,612 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $2,962,459.*

(a) *At December 31, 2005, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.*

(b) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Mortgage dollar rolls included.*

(d) *When-issued or forward delivery pools included.*

Interest Only: Interest Only (IO) bonds represent the "interest only" portion of payments on a pool of underlying mortgages or mortgage-backed securities. IO securities are subject to prepayment risk of the pool of underlying mortgages.

Principal Only: Principal Only (PO) bonds represent the "principal only" portion of payments on a pool of underlying mortgages or mortgage-backed securities.

At December 31, 2005, open futures contracts purchased were as follows:

Futures	Expiration	Contracts	Aggregate Face Value ($)	Market Value ($)	Net Unrealized Appreciation ($)
10 Year US Treasury Note	3/22/2006	121	13,096,717	13,238,156	**141,439**

At December 31, 2005, open futures contracts sold were as follows:

Futures	Expiration	Contracts	Aggregate Face Value ($)	Market Value ($)	Net Unrealized Depreciation ($)
2 Year US Treasury Note	3/31/2006	30	6,153,649	6,155,625	(1,976)
10 Year Interest Rate Swap	3/13/2006	86	9,220,793	9,301,438	(80,645)
Total net unrealized depreciation					**(82,621)**

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, Government National Mortgage Association and Federal Home Loan Mortgage Corp. issues which have similar coupon rates have been aggregated for presentation purposes in this investment portfolio.

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2005

Assets		
Investments		
Investments in securities, at value (cost $299,989,574)	$	297,675,526
Investments in Cash Management QP Trust, (cost $15,412,261)		15,412,261
Total investments in securities at value, cost ($315,401,835)		313,087,787
Receivable for investments sold		42,445,941
Interest receivable		1,643,842
Receivable for Portfolio shares sold		185,467
Other assets		7,983
Total assets		357,371,020
Liabilities		
Payable for investments purchased		29,088,756
Payable for when issued and forward delivery securities		11,104,750
Payable for investments purchased — mortgage dollar rolls		26,330,493
Deferred mortgage dollar roll income		17,843
Payable for Portfolio shares redeemed		140,029
Payable for daily variation margin on open futures contracts		5,016
Accrued management fee		139,179
Other accrued expenses and payables		145,305
Total liabilities		66,971,371
Net assets, at value	**$**	**290,399,649**
Net Assets		
Net assets consist of:		
Undistributed net investment income		10,160,924
Net unrealized appreciation (depreciation) on:		
Investments		(2,314,048)
Futures		58,818
Accumulated net realized gain (loss)		(116,321)
Paid-in capital		282,610,276
Net assets, at value	**$**	**290,399,649**
Class A		
Net Asset Value, offering and redemption price per share ($243,450,554 ÷ 19,851,802 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**12.26**
Class B		
Net Asset Value, offering and redemption price per share ($46,949,095 ÷ 3,838,802 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**12.23**

Statement of Operations

for the year ended December 31, 2005

Investment Income		
Income:		
Interest	$	13,283,012
Interest — Cash Management QP Trust		718,047
Mortgage dollar roll income		950,158
Total Income		14,951,217
Expenses:		
Management fee		1,713,621
Custodian fees		21,736
Distribution service fees (Class B)		120,593
Record keeping fees (Class B)		63,716
Auditing		59,225
Legal		13,858
Trustees' fees and expenses		14,404
Reports to shareholders		100,187
Other		54,408
Total expenses before expense reductions		2,161,748
Expense reductions		(4,771)
Total expenses after expense reductions		2,156,977
Net investment income (loss)		**12,794,240**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		(579,280)
Futures		(206,932)
Net increase from payments by affiliates and net gains (looses) realized on the disposal of investments in violation of restrictions.		—
		(786,212)
Net unrealized appreciation (depreciation) during the period on:		
Investments		(4,362,726)
Futures		38,486
		(4,324,240)
Net gain (loss) on investment transactions		**(5,110,452)**
Net increase (decrease) in net assets resulting from operations	**$**	**7,683,788**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2005	2004
Operations:		
Net investment income (loss)	$ 12,794,240	$ 12,286,972
Net realized gain (loss) on investment transactions	(786,212)	1,566,054
Net unrealized appreciation (depreciation) during the period on investment transactions	(4,324,240)	(1,060,975)
Net increase (decrease) in net assets resulting from operations	7,683,788	12,792,051
Distributions to shareholders from:		
Net investment income:		
Class A	(10,824,223)	(8,701,916)
Class B	(1,736,774)	(986,391)
Net realized gains:		
Class A	(2,099,899)	(2,734,888)
Class B	(374,454)	(359,519)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	24,046,411	20,190,555
Reinvestment of distributions	12,924,122	11,436,803
Cost of shares redeemed	(67,354,142)	(97,935,807)
Net increase (decrease) in net assets from Class A share transactions	(30,383,609)	(66,308,449)
Class B		
Proceeds from shares sold	3,998,526	23,191,368
Reinvestment of distributions	2,111,228	1,345,911
Cost of shares redeemed	(7,544,629)	(13,460,654)
Net increase (decrease) in net assets from Class B share transactions	(1,434,875)	11,076,625
Increase (decrease) in net assets	(39,170,046)	(55,222,487)
Net assets at beginning of period	329,569,695	384,792,182
Net assets at end of period (including undistributed net investment income of $10,160,924 and $10,896,663, respectively)	**$ 290,399,649**	**$ 329,569,695**

Other Information		
Class A		
Shares outstanding at beginning of period	22,309,252	27,631,433
Shares sold	1,970,071	1,635,527
Shares issued to shareholders in reinvestment of distributions	1,082,422	932,855
Shares redeemed	(5,509,943)	(7,890,563)
Net increase (decrease) in Class A shares	(2,457,450)	(5,322,181)
Shares outstanding at end of period	**19,851,802**	**22,309,252**
Class B		
Shares outstanding at beginning of period	3,952,379	3,055,787
Shares sold	326,302	1,876,522
Shares issued to shareholders in reinvestment of distributions	176,820	109,781
Shares redeemed	(616,699)	(1,089,711)
Net increase (decrease) in Class B shares	(113,577)	896,592
Shares outstanding at end of period	**3,838,802**	**3,952,379**

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

Financial Highlights

Class A

Years Ended December 31,	2005	2004	2003	2002	2001[a]
Selected Per Share Data					
Net asset value, beginning of period	**$12.55**	**$12.54**	**$12.84**	**$12.32**	**$11.96**
Income (loss) from investment operations:					
Net investment income[b]	.51	.44	.31	.62	.61
Net realized and unrealized gain (loss) on investment transactions	(.20)	.03	(.04)	.35	.25
Total from investment operations	.31	.47	.27	.97	.86
Less distributions from:					
Net investment income	(.50)	(.35)	(.35)	(.45)	(.50)
Net realized gain on investment transactions	(.10)	(.11)	(.22)	—	—
Total distributions	(.60)	(.46)	(.57)	(.45)	(.50)
Net asset value, end of period	**$12.26**	**$12.55**	**$12.54**	**$12.84**	**$12.32**
Total Return (%)	2.57[e]	3.75[d]	2.26	8.05	7.48
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	243	280	347	551	305
Ratio of expenses (%)	.63	.61	.61	.59	.60
Ratio of net investment income (%)	4.17	3.59	2.50	4.96	5.06
Portfolio turnover rate (%)	191[c]	226[c]	511[c]	534[c]	334

a *As required, effective January 1, 2001, the Portfolio has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities.*
b *Based on average shares outstanding during the period.*
c *The portfolio turnover rate including mortgage dollar roll transactions was 325%, 391%, 536% and 651% for the periods ended December 31, 2005, December 31, 2004, December 31, 2003 and December 31, 2002, respectively.*
d *Reimbursement of $2,420 due to disposal of investments in violation of restrictions had no effect on total return.*
e *Reimbursement of $234 due to disposal of investments in violation of restrictions had no effect on total return.*

Class B

Years Ended December 31,	2005	2004	2003	2002[a]
Selected Per Share Data				
Net asset value, beginning of period	**$12.52**	**$12.51**	**$12.82**	**$12.36**
Income (loss) from investment operations:				
Net investment income[b]	.47	.40	.27	.31
Net realized and unrealized gain (loss) on investment transactions	(.21)	.02	(.04)	.15
Total from investment operations	.26	.42	.23	.46
Less distributions from:				
Net investment income	(.45)	(.30)	(.32)	—
Net realized gain on investment transactions	(.10)	(.11)	(.22)	—
Total distributions	(.55)	(.41)	(.54)	—
Net asset value, end of period	**$12.23**	**$12.52**	**$12.51**	**$12.82**
Total Return (%)	2.24e	3.36[d]	1.83	3.72**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	47	49	38	3
Ratio of expenses (%)	1.02	1.00	.98	.84*
Ratio of net investment income (%)	3.78	3.21	2.13	4.95*
Portfolio turnover rate (%)	191[c]	226[c]	511[c]	534[c]

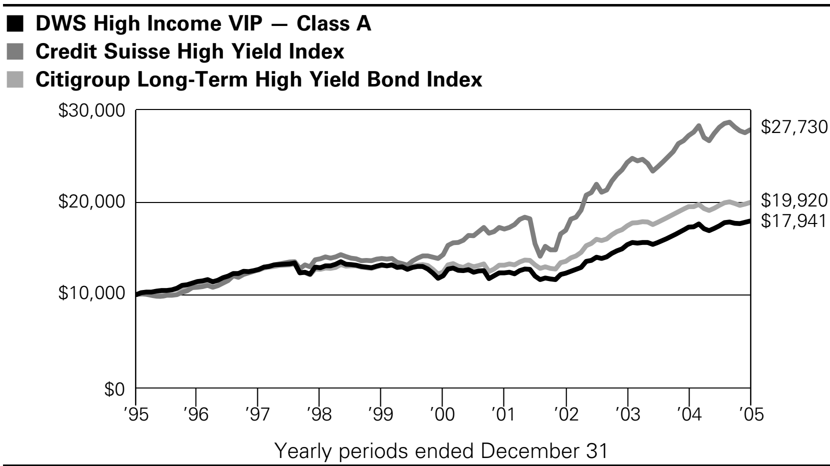
a *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
b *Based on average shares outstanding during the period.*
c *The portfolio turnover rate including mortgage dollar roll transactions was 325%, 391%, 536% and 651% for the periods ended December 30, 2005, December 31, 2004, December 31, 2003 and December 31, 2002, respectively.*
d *Reimbursement of $2,420 due to disposal of investments in violation of restrictions had no effect on total return.*
e *Reimbursement of $234 due to disposal of investments in violation of restrictions had no effect on total return.*
* *Annualized*
** *Not annualized*

DWS High Income VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

Investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. Additionally, the Portfolio may invest in lower-quality and nonrated securities which present greater risk of loss of principal and interest than higher-quality securities. All of these factors may result in greater share price volatility. Bond investments are subject to interest-rate risk such that when interest rates rise, the prices of the bonds, and thus the value of the bond fund, can decline and the investor can lose principal value. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed $10,000 Investment in DWS High Income VIP



The Credit Suisse High Yield Index (CSFB) is an unmanaged index that is market-weighted, including publicly traded bonds having a rating below BBB by Standard & Poor's and Moody's. The Citigroup Long-Term High Yield Bond Index (formerly known as Salomon Smith Barney Long-Term High Yield Bond Index) is an unmanaged index that is on a total return basis with all dividends reinvested and is composed of high-yield bonds with a par value of $50 million or higher and a remaining maturity of ten years or longer rated BB+ or lower by Standard & Poor's Corporation or Ba1 or lower by Moody's Investors Service, Inc.

Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS High Income VIP		1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$10,389	$14,554	$14,891	$17,941
	Average annual total return	3.89%	13.32%	8.29%	6.02%
Credit Suisse High Yield Index	Growth of $10,000	$10,226	$14,647	$15,978	$19,920
	Average annual total return	2.26%	13.57%	9.83%	7.13%
Citigroup Long-Term High Yield Bond Index	Growth of $10,000	$10,223	$16,370	$19,382	$27,730
	Average annual total return	2.23%	17.86%	14.15%	10.74%

DWS High Income VIP		1-Year	3-Year	Life of Class*
Class B	Growth of $10,000	$10,341	$14,389	$14,748
	Average annual total return	3.41%	12.89%	11.74%
Credit Suisse High Yield Index	Growth of $10,000	$10,226	$14,647	$15,078
	Average annual total return	2.26%	13.57%	12.42%
Citigroup Long-Term High Yield Bond Index	Growth of $10,000	$10,223	$16,370	$17,902
	Average annual total return	2.23%	17.86%	18.06%

The growth of $10,000 is cumulative.

* *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.*

Information About Your Portfolio's Expenses

DWS High Income VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include sales charges (loads), redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The tables are based on an investment of $1,000 made at the beginning of the six-month period ended December 31, 2005.

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

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

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

Expenses and Value of a $1,000 Investment for the six months ended December 31, 2005

Actual Portfolio Return	Class A	Class B
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,030.00	$1,026.20
Expenses Paid per $1,000*	$ 3.74	$ 5.82
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,021.53	$1,019.46
Expenses Paid per $1,000*	$ 3.72	$ 5.80

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

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS High Income VIP	.73%	1.14%

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

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

DWS High Income VIP

High-yield was one of the best-performing areas within the bond market in 2005. Despite concerns about rising interest rates, higher commodity prices and the impact of the Gulf Coast hurricanes, the market's solid fundamental underpinnings remained in place. Helped by low interest rates and the strength of the US economy, high-yield companies generally maintained sound financial positions. Probably the best indication of solid fundamentals in the high yield market was the continuation of low defaults — at year-end Moody's 12-month rolling default rate stood at 1.80%, lower than at the close of 2004.

The portfolio's Class A shares produced a return of 3.89% in 2005 (Class A shares unadjusted for contract charges). We remained focused on adding value by doing fundamental research rather than making broad predictions about sector performance or interest rates. Overweight positions in General Motors Acceptance Corporation and emerging market bonds were positive contributors to return. An underweight in Adelphia Communications (not in the portfolio at the end of the reporting period) also helped, as did an overweight in middle-tier securities. However, overweight positions in Tembec Industries Inc. and GEO Specialty Chemicals detracted from results.

The robust economy continues to translate into sound fundamentals for the high-yield market. Still, we believe the low default environment the high-yield market currently enjoys will not last forever, meaning that good security selection is paramount at this point in the cycle.

Andrew P. Cestone

Lead Manager
Deutsche Investment Management Americas Inc.

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

Investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. Additionally, the Portfolio may invest in lower-quality and nonrated securities which present greater risk of loss of principal and interest than higher-quality securities. All of these factors may result in greater share price volatility. Bond investments are subject to interest-rate risk such that when interest rates rise, the prices of the bonds, and thus the value of the bond fund, can decline and the investor can lose principal value. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The quality ratings represent the lower of Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Corporation ("S&P") credit ratings. The ratings of Moody's and S&P represent their opinions as to the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality. The Portfolio's credit quality does not remove market risk.

Portfolio management market commentary is as of December 31, 2005, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS High Income VIP

Asset Allocation (Excludes Securities Lending Collateral)	**12/31/05**	**12/31/04**
Corporate Bonds	80%	74%
Foreign Bonds — US$ Denominated	13%	20%
Cash Equivalents	2%	2%
Foreign Bonds — Non US$ Denominated	1%	2%
Asset Backed	1%	1%
Convertible Bonds	1%	1%
Loan Participations	1%	—
Stocks	1%	—
	100%	100%

Corporate and Foreign Bond Sector Diversification (Excludes Cash Equivalents and Securities Lending Collateral)	**12/31/05**	**12/31/04**
Consumer Discretionary	24%	24%
Financials	15%	9%
Industrials	14%	14%
Materials	14%	16%
Telecommunication Services	9%	14%
Energy	8%	7%
Utilities	6%	5%
Information Technology	3%	2%
Consumer Staples	3%	4%
Health Care	3%	3%
Sovereign Bonds	1%	2%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 106. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on the 15th of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS High Income VIP

	Principal Amount ($)(a)	Value ($)
Corporate Bonds 79.1%		
Consumer Discretionary 20.4%		
155 East Tropicana LLC, 8.75%, 4/1/2012 (b)	855,000	822,937
Adesa, Inc., 7.625%, 6/15/2012	325,000	323,375
Affinia Group, Inc., 9.0%, 11/30/2014	1,310,000	1,034,900
AMC Entertainment, Inc., 8.0%, 3/1/2014 (b)	1,635,000	1,479,675
AutoNation, Inc., 9.0%, 8/1/2008	940,000	1,009,325
Aztar Corp., 7.875%, 6/15/2014 (b)	2,115,000	2,215,462
Cablevision Systems Corp., Series B, 8.716%**, 4/1/2009	390,000	393,900
Caesars Entertainment, Inc.:		
8.875%, 9/15/2008	485,000	524,406
9.375%, 2/15/2007	580,000	603,925
Charter Communications Holdings LLC:		
9.625%, 11/15/2009	500,000	370,000
10.25%, 9/15/2010 (b)	3,210,000	3,193,950
144A, 11.0%, 10/1/2015	3,337,000	2,803,080
Cooper-Standard Automotive, Inc., 8.375%, 12/15/2014 (b)	1,575,000	1,197,000
CSC Holdings, Inc.:		
7.25%, 7/15/2008	535,000	533,663
7.875%, 12/15/2007	1,869,000	1,901,707
Dex Media East LLC/Financial, 12.125%, 11/15/2012	4,832,000	5,653,440
Dura Operating Corp., Series B, 8.625%, 4/15/2012 (b)	1,480,000	1,221,000
EchoStar DBS Corp., 6.625%, 10/1/2014	520,000	498,550
Foot Locker, Inc., 8.5%, 1/15/2022	920,000	972,900
Ford Motor Co., 7.45%, 7/16/2031 (b)	240,000	163,200
General Motors Corp., 8.25%, 7/15/2023 (b)	230,000	147,775
Goodyear Tire & Rubber Co.:		
144A, 9.0%, 7/1/2015	50,000	49,250
11.25%, 3/1/2011	2,075,000	2,324,000
Gregg Appliances, Inc., 9.0%, 2/1/2013	385,000	348,425
GSC Holdings Corp., 144A, 8.0%, 10/1/2012 (b)	1,670,000	1,569,800
Hertz Corp., 144A, 8.875%, 1/1/2014 (b)	1,885,000	1,920,344
ITT Corp., 7.375%, 11/15/2015	500,000	542,500
Jacobs Entertainment, Inc., 11.875%, 2/1/2009	3,605,000	3,825,806
Levi Strauss & Co.:		
8.804%**, 4/1/2012	820,000	826,150
12.25%, 12/15/2012	175,000	195,125
Liberty Media Corp.:		
5.7%, 5/15/2013 (b)	50,000	46,588
7.875%, 7/15/2009 (b)	45,000	47,417
8.5%, 7/15/2029 (b)	205,000	203,017
Mandalay Resort Group, Series B, 10.25%, 8/1/2007	390,000	415,838
Mediacom Broadband LLC, 144A, 8.5%, 10/15/2015	605,000	560,381
Mediacom LLC, 9.5%, 1/15/2013 (b)	295,000	287,994
MGM MIRAGE:		
8.375%, 2/1/2011 (b)	1,675,000	1,792,250
9.75%, 6/1/2007	950,000	1,001,062
MTR Gaming Group, Inc., Series B, 9.75%, 4/1/2010	600,000	640,500
NCL Corp., 10.625%, 7/15/2014	755,000	779,538
Norcraft Holdings/Capital, Step-up Coupon, 0% to 9/1/2008, 9.75% to 9/1/2012	1,840,000	1,306,400
Paxson Communications Corp., Step-up Coupon, 0% to 1/15/2006, 12.25% to 1/15/2009 (b)	210,000	222,338
Petro Stopping Centers, 9.0%, 2/15/2012 (b)	1,161,000	1,166,805
Pinnacle Entertainment, Inc., 8.75%, 10/1/2013 (b)	1,710,000	1,821,150
Premier Entertainment Biloxi LLC/Finance, 10.75%, 2/1/2012	1,788,000	1,725,420
PRIMEDIA, Inc.:		
8.875%, 5/15/2011	630,000	581,175
9.715%**, 5/15/2010 (b)	1,915,000	1,840,794
Renaissance Media Group LLC, 10.0%, 4/15/2008	955,000	956,194
Resorts International Hotel & Casino, Inc., 11.5%, 3/15/2009	2,145,000	2,375,587
Schuler Homes, Inc., 10.5%, 7/15/2011 (b)	1,455,000	1,564,125
SGS International, Inc., 144A, 12.0%, 12/15/2013	500,000	500,822
Simmons Bedding Co.:		
144A, Step-up Coupon, 0% to 12/15/2009, 10.0% to 12/15/2014 (b)	2,100,000	1,134,000
7.875%, 1/15/2014 (b)	450,000	416,250
Sinclair Broadcast Group, Inc.:		
8.0%, 3/15/2012	143,000	147,290
8.75%, 12/15/2011	3,135,000	3,299,587
Sirius Satellite Radio, Inc., 144A, 9.625%, 8/1/2013 (b)	2,150,000	2,117,750
Toys “R” Us, Inc.:		
6.875%, 8/1/2006	245,000	243,775
7.375%, 10/15/2018	921,000	663,120
Trump Entertainment Resorts, Inc., 8.5%, 6/1/2015 (b)	3,765,000	3,670,875
TRW Automotive, Inc.:		
11.0%, 2/15/2013 (b)	2,440,000	2,738,900
11.75%, 2/15/2013 EUR	380,000	519,614
United Auto Group, Inc., 9.625%, 3/15/2012	1,370,000	1,441,925
Wheeling Island Gaming, Inc., 10.125%, 12/15/2009	395,000	414,256
XM Satellite Radio, Inc., Step-up Coupon, 0% to 12/31/2005, 14.0% to 12/31/2009	2,501,934	2,664,560
Young Broadcasting, Inc.:		
8.75%, 1/15/2014 (b)	3,375,000	2,974,219
10.0%, 3/1/2011 (b)	425,000	397,906
		81,344,992

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

	Principal Amount ($)(a)	Value ($)
Consumer Staples 2.7%		
Alliance One International, Inc., 144A, 11.0%, 5/15/2012	1,345,000	1,183,600
Birds Eye Foods, Inc., 11.875%, 11/1/2008	578,000	589,560
Del Laboratories, Inc., 8.0%, 2/1/2012 (b)	600,000	474,000
Delhaize America, Inc.:		
8.05%, 4/15/2027	190,000	194,938
9.0%, 4/15/2031	540,000	634,834
GNC Corp., 8.5%, 12/1/2010	160,000	137,600
Harry & David Holdings, Inc., 9.41%**, 3/1/2012	390,000	392,925
North Atlantic Trading Co., 9.25%, 3/1/2012	4,095,000	2,702,700
Swift & Co.:		
10.125%, 10/1/2009	685,000	707,263
12.5%, 1/1/2010	1,295,000	1,362,987
Viskase Co., Inc., 11.5%, 6/15/2011	2,380,000	2,534,700
		10,915,107
Energy 6.4%		
Belden & Blake Corp., 8.75%, 7/15/2012	2,045,000	2,085,900
Chaparral Energy, Inc., 144A, 8.5%, 12/1/2015 (b)	1,310,000	1,355,850
Chesapeake Energy Corp.:		
6.5%, 8/15/2017	590,000	592,950
6.875%, 1/15/2016	1,350,000	1,383,750
Dynegy Holdings, Inc.:		
6.875%, 4/1/2011 (b)	390,000	384,150
7.125%, 5/15/2018 (b)	655,000	582,950
7.625%, 10/15/2026	435,000	387,150
8.75%, 2/15/2012 (b)	185,000	199,800
144A, 9.875%, 7/15/2010	2,805,000	3,074,981
El Paso Production Holding Corp., 7.75%, 6/1/2013	955,000	990,812
Frontier Oil Corp., 6.625%, 10/1/2011	390,000	397,800
Mission Resources Corp., 9.875%, 4/1/2011	90,000	94,500
Newpark Resources, Inc., Series B, 8.625%, 12/15/2007	1,595,000	1,595,000
NGC Corp. Capital Trust I, Series B, 8.316%, 6/1/2027 (b)	1,595,000	1,411,575
Sonat, Inc., 7.0%, 2/1/2018	195,000	185,250
Southern Natural Gas, 8.875%, 3/15/2010	1,615,000	1,725,975
Stone Energy Corp.:		
6.75%, 12/15/2014 (b)	2,500,000	2,368,750
8.25%, 12/15/2011	1,290,000	1,331,925
Transmeridian Exploration, Inc., 12.0%**, 12/15/2010	455,000	527,800
Williams Companies, Inc.:		
8.125%, 3/15/2012 (b)	3,300,000	3,597,000
8.75%, 3/15/2032	1,115,000	1,293,400
		25,567,268
Financials 12.8%		
Alamosa Delaware, Inc.:		
8.5%, 1/31/2012	200,000	216,250
11.0%, 7/31/2010	640,000	721,600
12.0%, 7/31/2009	668,000	730,625
AmeriCredit Corp., 9.25%, 5/1/2009	3,385,000	3,562,712
Ashton Woods USA LLC, 144A, 9.5%, 10/1/2015	1,430,000	1,288,788
Atlantic Mutual Insurance Co., 144A, 8.15%, 2/15/2028	385,000	233,874
E*TRADE Financial Corp.:		
144A, 7.375%, 9/15/2013 (b)	1,355,000	1,371,937
7.875%, 12/1/2015	1,165,000	1,202,863
8.0%, 6/15/2011	665,000	691,600
Exopack Holding Corp., 9.59%, 11/16/2006	3,250,000	3,250,000
Ford Motor Credit Co.:		
6.5%, 1/25/2007	610,000	590,157
7.25%, 10/25/2011	4,820,000	4,163,786
7.375%, 10/28/2009	4,330,000	3,840,216
General Motors Acceptance Corp.:		
5.22%**, 3/20/2007	635,000	599,792
6.875%, 9/15/2011	2,180,000	1,988,040
8.0%, 11/1/2031 (b)	13,543,000	12,972,582
H&E Equipment/Finance, 11.125%, 6/15/2012	1,525,000	1,685,125
Poster Financial Group, Inc., 8.75%, 12/1/2011 (b)	1,720,000	1,771,600
PXRE Capital Trust I, 8.85%, 2/1/2027	1,090,000	1,070,925
R.H. Donnelly Finance Corp., 10.875%, 12/15/2012	1,605,000	1,809,637
Radnor Holdings Corp., 11.0%, 3/15/2010	1,260,000	1,020,600
Stripes Acquisition LLC, 144A, 10.625%, 12/15/2013	490,000	497,350
TIG Capital Holdings Trust, 144A, 8.597%, 1/15/2027	1,530,000	1,216,350
Triad Acquisition Corp., 144A, 11.125%, 5/1/2013	910,000	900,900
UGS Corp., 10.0%, 6/1/2012	1,215,000	1,324,350
Universal City Development, 11.75%, 4/1/2010	2,095,000	2,349,019
		51,070,678
Health Care 2.0%		
Accellent, Inc., 144A, 10.5%, 12/1/2013	1,245,000	1,276,125
Eszopiclone Royalty Subordinated LLC, 12.0%, 3/15/2014	450,000	450,000
HEALTHSOUTH Corp., 10.75%, 10/1/2008 (b)	2,700,000	2,700,000
InSight Health Services Corp.:		
144A, 9.174%**, 11/1/2011	340,000	328,950
Series B, 9.875%, 11/1/2011 (b)	458,000	345,790
Tenet Healthcare Corp., 144A, 9.25%, 2/1/2015	2,860,000	2,838,550
		7,939,415
Industrials 11.2%		
Aavid Thermal Technologies, Inc., 12.75%, 2/1/2007	2,228,000	2,289,270
Allied Security Escrow Corp., 11.375%, 7/15/2011	1,404,000	1,353,516
Allied Waste North America, Inc.:		
Series B, 5.75%, 2/15/2011 (b)	735,000	696,413
Series B, 9.25%, 9/1/2012	1,750,000	1,894,375
American Color Graphics, 10.0%, 6/15/2010	1,340,000	936,325
Avondale Mills, Inc., 144A, 11.065%**, 7/1/2012	650,000	630,500

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

	Principal Amount ($)(a)	Value ($)
Beazer Homes USA, Inc.:		
6.875%, 7/15/2015 (b)	85,000	81,494
8.375%, 4/15/2012	1,110,000	1,154,400
8.625%, 5/15/2011	1,225,000	1,280,125
Browning-Ferris Industries:		
7.4%, 9/15/2035	1,910,000	1,690,350
9.25%, 5/1/2021	430,000	442,900
Case New Holland, Inc., 9.25%, 8/1/2011	2,270,000	2,428,900
Cenveo Corp., 7.875%, 12/1/2013 (b)	1,117,000	1,077,905
Collins & Aikman Floor Cover, Series B, 9.75%, 2/15/2010 (b)	1,750,000	1,540,000
Columbus McKinnon Corp., 10.0%, 8/1/2010	648,000	717,660
Compression Polymers Corp.:		
144A, 10.46%**, 7/1/2012	485,000	475,300
144A, 10.5%, 7/1/2013	1,575,000	1,527,750
Congoleum Corp., 8.625%, 8/1/2008*	1,200,000	1,195,500
Cornell Companies, Inc., 10.75%, 7/1/2012	650,000	672,750
Dana Corp., 7.0%, 3/1/2029 (b)	1,603,000	1,150,153
DRS Technologies, Inc., 6.875%, 11/1/2013	305,000	291,656
ISP Chemco, Inc., Series B, 10.25%, 7/1/2011	2,730,000	2,907,450
K. Hovnanian Enterprises, Inc.:		
6.25%, 1/15/2016	1,320,000	1,224,730
8.875%, 4/1/2012	1,705,000	1,771,688
Kansas City Southern, 9.5%, 10/1/2008	2,725,000	2,949,812
Kinetek, Inc., Series D, 10.75%, 11/15/2006	2,190,000	2,102,400
Millennium America, Inc., 9.25%, 6/15/2008	2,330,000	2,513,488
Rainbow National Services LLC, 144A, 10.375%, 9/1/2014	1,050,000	1,176,000
Securus Technologies, Inc., 11.0%, 9/1/2011 (b)	855,000	726,750
Ship Finance International Ltd., 8.5%, 12/15/2013	1,375,000	1,285,625
Technical Olympic USA, Inc.:		
7.5%, 3/15/2011 (b)	560,000	499,100
10.375%, 7/1/2012	1,175,000	1,155,906
The Brickman Group Ltd., Series B, 11.75%, 12/15/2009	870,000	963,525
United Rentals North America, Inc., 7.0%, 2/15/2014 (b)	1,290,000	1,206,150
Xerox Capital Trust I, 8.0%, 2/1/2027	810,000	834,300
		44,844,166

Information Technology 2.8%

	Principal Amount ($)(a)	Value ($)
Activant Solutions, Inc.:		
144A, 10.054%**, 4/1/2010	55,000	56,719
10.5%, 6/15/2011	1,017,000	1,113,615
144A, 10.53%, 4/1/2010	150,000	154,687
Echelon Operating Co., 8.375%, 3/15/2010	934,000	863,950
L-3 Communications Corp.:		
5.875%, 1/15/2015	200,000	194,000
144A, 6.375%, 10/15/2015	540,000	538,650
Lucent Technologies, Inc., 6.45%, 3/15/2029 (b)	2,540,000	2,178,050
Sanmina-SCI Corp.:		
6.75%, 3/1/2013 (b)	1,615,000	1,536,269
10.375%, 1/15/2010	2,263,000	2,500,615
SS&C Technologies, Inc., 144A, 11.75%, 12/1/2013	365,000	374,125
SunGard Data Systems, Inc., 144A, 10.25%, 8/15/2015	1,590,000	1,590,000
		11,100,680

Materials 9.3%

	Principal Amount ($)(a)	Value ($)
ARCO Chemical Co., 9.8%, 2/1/2020	3,665,000	4,113,962
Associated Materials, Inc.:		
Step-up Coupon, 0% to 3/1/2009, 11.25% to 3/1/2014 (b)	1,615,000	791,350
9.75%, 4/15/2012	535,000	516,275
Caraustar Industries, Inc., 9.875%, 4/1/2011 (b)	2,390,000	2,437,800
Constar International, Inc., 11.0%, 12/1/2012 (b)	365,000	266,450
Dayton Superior Corp.:		
10.75%, 9/15/2008	930,000	897,450
13.0%, 6/15/2009 (b)	1,545,000	1,166,475
GEO Specialty Chemicals, Inc., 12.565%**, 12/31/2009	2,744,000	2,277,520
Georgia-Pacific Corp.:		
8.0%, 1/15/2024 (b)	2,290,000	2,186,950
8.875%, 5/15/2031	250,000	250,625
Huntsman LLC, 11.625%, 10/15/2010	1,992,000	2,268,390
IMC Global, Inc., 10.875%, 8/1/2013	2,450,000	2,814,437
International Steel Group, Inc., 6.5%, 4/15/2014	770,000	770,000
Massey Energy Co.:		
6.625%, 11/15/2010	590,000	599,588
144A, 6.875%, 12/15/2013	490,000	494,288
MMI Products, Inc., Series B, 11.25%, 4/15/2007	2,075,000	1,950,500
Neenah Foundry Co.:		
144A, 11.0%, 9/30/2010	2,432,000	2,663,040
144A, 13.0%, 9/30/2013	1,102,460	1,124,509
NewPage Corp., 10.5%**, 5/1/2012	1,105,000	1,093,950
Omnova Solutions, Inc., 11.25%, 6/1/2010	2,415,000	2,517,637
Oregon Steel Mills, Inc., 10.0%, 7/15/2009	645,000	690,150
Oxford Automotive, Inc., 144A, 12.0%, 10/15/2010*	1,994,974	179,548
Pliant Corp., 11.625%, 6/15/2009 (PIK)*	11	12
Portola Packaging, Inc., 8.25%, 2/1/2012 (b)	705,000	518,175
Rockwood Specialties Group, Inc., 10.625%, 5/15/2011	300,000	328,875
TriMas Corp., 9.875%, 6/15/2012	2,291,000	1,890,075
UAP Holding Corp., Step-up Coupon, 0% to 1/15/2008, 10.75% to 7/15/2012	505,000	437,456
United States Steel Corp., 9.75%, 5/15/2010	1,579,000	1,717,163
		36,962,650

Telecommunication Services 5.6%

	Principal Amount ($)(a)	Value ($)
AirGate PCS, Inc., 7.9%**, 10/15/2011	810,000	836,325

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

	Principal Amount ($)(a)	Value ($)
American Cellular Corp., Series B, 10.0%, 8/1/2011	535,000	580,475
Cincinnati Bell, Inc.:		
7.25%, 7/15/2013 (b)	1,390,000	1,445,600
8.375%, 1/15/2014 (b)	1,410,000	1,387,087
Dobson Communications Corp., 8.875%, 10/1/2013	735,000	733,162
Insight Midwest LP, 9.75%, 10/1/2009	615,000	633,450
LCI International, Inc., 7.25%, 6/15/2007	1,370,000	1,376,850
Level 3 Financing, Inc., 10.75%, 10/15/2011	255,000	226,313
MCI, Inc., 8.735%, 5/1/2014	3,645,000	4,032,281
Nextel Communications, Inc., Series D, 7.375%, 8/1/2015	5,225,000	5,514,037
Nextel Partners, Inc., 8.125%, 7/1/2011	965,000	1,031,344
Qwest Corp.:		
7.25%, 9/15/2025	985,000	980,075
144A, 7.741%**, 6/15/2013	405,000	436,894
Rural Cellular Corp.:		
9.75%, 1/15/2010	180,000	181,800
9.875%, 2/1/2010 (b)	180,000	189,900
144A, 10.041%**, 11/1/2012	180,000	181,350
SBA Telecom, Inc., Step-up Coupon, 0% to 12/15/2007, 9.75% to 12/15/2011	642,000	595,455
Telex Communications Holdings, Inc., 11.5%, 10/15/2008	95,000	101,175
Triton PCS, Inc., 8.5%, 6/1/2013	155,000	144,150
Ubiquitel Operating Co., 9.875%, 3/1/2011	585,000	647,887
US Unwired, Inc., Series B, 10.0%, 6/15/2012	990,000	1,113,750
		22,369,360
Utilities 5.9%		
AES Corp., 144A, 8.75%, 5/15/2013	3,050,000	3,320,687
Allegheny Energy Supply Co. LLC, 144A, 8.25%, 4/15/2012	3,250,000	3,664,375
CMS Energy Corp.:		
8.5%, 4/15/2011 (b)	1,505,000	1,638,569
9.875%, 10/15/2007	1,960,000	2,097,200
DPL, Inc., 6.875%, 9/1/2011	547,000	576,401
Mirant North America LLC, 144A, 7.375%, 12/31/2013	395,000	399,444
Mission Energy Holding Co., 13.5%, 7/15/2008	3,835,000	4,448,600
NorthWestern Corp., 5.875%, 11/1/2014	345,000	345,649
NRG Energy, Inc., 8.0%, 12/15/2013	2,315,000	2,581,225
PSE&G Energy Holdings LLC, 10.0%, 10/1/2009	4,000,000	4,400,000
		23,472,150
Total Corporate Bonds (Cost $324,073,173)		**315,586,466**

Foreign Bonds — US$ Denominated 12.8%

	Principal Amount ($)(a)	Value ($)
Consumer Discretionary 2.0%		
Cablemas SA de CV, 144A, 9.375%, 11/15/2015	195,000	199,875
IESY Repository GmbH, 144A, 10.375%, 2/15/2015	335,000	348,400
Jafra Cosmetics International, Inc., 10.75%, 5/15/2011	2,455,000	2,688,225
Kabel Deutschland GmbH, 144A, 10.625%, 7/1/2014	1,470,000	1,547,175
Shaw Communications, Inc., 8.25%, 4/11/2010	1,010,000	1,084,487
Telenet Group Holding NV, 144A, Step-up Coupon, 0% to 12/15/2008, 11.5% to 6/15/2014	1,757,000	1,440,740
Vitro SA de CV, Series A, 144A, 12.75%, 11/1/2013 (b)	740,000	699,300
		8,008,202
Energy 0.8%		
Gaz Capital SA, 144A, 8.625%, 4/28/2034	180,000	227,700
OAO Gazprom, 144A, 9.625%, 3/1/2013 (b)	1,815,000	2,189,344
Secunda International Ltd., 12.15%**, 9/1/2012	698,000	732,900
		3,149,944
Financials 1.3%		
Conproca SA de CV, 12.0%, 6/16/2010	1,050,000	1,249,500
Doral Financial Corp., 5.004%**, 7/20/2007	2,335,000	2,269,723
Galaxy Entertainment Finance Co., Ltd., 144A, 9.875%, 12/15/2012	165,000	167,475
New ASAT (Finance) Ltd., 9.25%, 2/1/2011	666,000	459,540
Telecom Personal SA, 10.0%, 10/15/2011	1,000,000	998,750
		5,144,988
Health Care 0.3%		
Biovail Corp., 7.875%, 4/1/2010 (b)	1,330,000	**1,378,213**
Industrials 2.0%		
Grupo Transportacion Ferroviaria Mexicana SA de CV:		
144A, 9.375%, 5/1/2012	765,000	837,675
10.25%, 6/15/2007 (b)	2,835,000	2,990,925
12.5%, 6/15/2012	891,000	1,015,740
J. Ray McDermott SA, 144A, 11.5%, 12/15/2013	1,450,000	1,711,000
LeGrand SA, 8.5%, 2/15/2025	750,000	901,875
Stena AB, 9.625%, 12/1/2012	565,000	613,731
Supercanal Holding SA, (REG S), 11.5%, 5/15/2005*	100,000	15,000
		8,085,946
Materials 3.6%		
Cascades, Inc., 7.25%, 2/15/2013 (b)	2,760,000	2,511,600
ISPAT Inland ULC, 9.75%, 4/1/2014	1,555,000	1,761,037
Novelis, Inc., 144A, 7.5%, 2/15/2015	2,845,000	2,652,962
Rhodia SA, 8.875%, 6/1/2011	2,185,000	2,239,625
Sino-Forest Corp., 144A, 9.125%, 8/17/2011	35,000	37,538
Tembec Industries, Inc.:		
8.5%, 2/1/2011	6,490,000	3,601,950
8.625%, 6/30/2009	2,970,000	1,692,900
		14,497,612

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

	Principal Amount ($)(a)	Value ($)
Sovereign Bonds 0.4%		
Federative Republic of Brazil, 8.875%, 10/14/2019 (b)	340,000	380,970
Republic of Argentina:		
Zero Coupon, 12/15/2035	2,769,758	144,028
8.28%, 12/31/2033 (PIK) (b)	995,063	828,390
Republic of Venezuela, 10.75%, 9/19/2013	25,000	30,750
		1,384,138
Telecommunication Services 2.4%		
Cell C Property Ltd., 144A, 11.0%, 7/1/2015 (b)	1,170,000	1,190,475
Embratel, Series B, 11.0%, 12/15/2008	572,000	647,790
Global Crossing UK Finance, 10.75%, 12/15/2014 (b)	965,000	887,800
Grupo Iusacell SA de CV, Series B, 10.0%, 7/15/2004*	285,000	229,425
Intelsat Bermuda Ltd., 144A, 8.695%**, 1/15/2012	600,000	609,750
Intelsat Ltd., 5.25%, 11/1/2008	950,000	865,687
Millicom International Cellular SA, 10.0%, 12/1/2013	495,000	511,088
Mobifon Holdings BV, 12.5%, 7/31/2010	2,100,000	2,436,000
Nortel Networks Ltd., 6.125%, 2/15/2006 (b)	2,050,000	2,050,000
		9,428,015
Total Foreign Bonds — US$ Denominated (Cost $53,549,667)		**51,077,058**

Foreign Bonds — Non US$ Denominated 1.1%

		Principal Amount ($)(a)	Value ($)
Consumer Discretionary 0.3%			
IESY Repository GmbH, 144A, 8.75%, 2/15/2015	EUR	1,020,000	**1,192,483**
Consumer Staples 0.1%			
Fage Dairy Industry SA, 144A, 7.5%, 1/15/2015	EUR	585,000	**600,815**
Industrials 0.2%			
Grohe Holdings GmbH, 144A, 8.625%, 10/1/2014	EUR	720,000	**790,608**
Sovereign Bonds 0.5%			
Republic of Argentina:			
Zero Coupon, 12/15/2035	EUR	4,787,937	274,919
7.82%, 12/31/2033 (PIK)	EUR	1,714,060	1,694,445
			1,969,364
Total Foreign Bonds — Non US$ Denominated (Cost $4,645,067)			**4,553,270**

Asset Backed 0.6%

	Principal Amount ($)(a)	Value ($)
Golden Tree High Yield Opportunities LP, "D1", Series 1, 13.054%, 10/31/2007 (Cost $2,500,000)	2,500,000	**2,560,000**

Convertible Bond 0.6%

	Principal Amount ($)(a)	Value ($)
Consumer Discretionary		
HIH Capital Ltd.:		
144A, Series DOM, 7.5%, 9/25/2006	1,620,000	1,603,800
144A, Series EURO, 7.5%, 9/25/2006	830,000	821,700
Total Convertible Bond (Cost $2,426,053)		**2,425,500**

Preferred Stocks 0.3%

	Shares	Value ($)
Paxson Communications Corp., 14.25% (PIK) (b) (Cost $1,318,018)	135	**1,178,919**

Loan Participations 0.7%

	Principal Amount ($)(a)	Value ($)
Alliance Mortgage Cycle Loan, LIBOR plus 7.25, 12.25%**, 6/4/2010	737,500	737,500
Ineos Group Holdings PLC, LIBOR plus 5.15, 10.0%**, 12/16/2006	2,000,000	2,000,000
Total Loan Participations (Cost $2,737,500)		**2,737,500**

Warrants 0.0%

	Shares	Value ($)
Dayton Superior Corp. 144A*	95	0
DeCrane Aircraft Holdings, Inc. 144A*	1,350	0
TravelCenters of America, Inc.*	345	43
Total Warrants (Cost $1,409)		**43**

Other Investments 0.5%

	Units	Value ($)
Hercules, Inc., (Bond Unit)	1,415,000	1,061,250
IdleAire Technologies Corp. (Bond Unit), 144A	1,355,000	993,500
SpinCycle, Inc., (Common Stock Unit)*	9,913	10,904
SpinCycle, Inc., "F" (Common Stock Unit)*	69	76
Total Other Investments (Cost $2,215,582)		**2,065,730**

Common Stocks 0.1%

	Shares	Value ($)
Catalina Restaurant Group, Inc.*	3,870	1,935
GEO Specialty Chemicals, Inc.*	24,225	30,281
GEO Specialty Chemicals, Inc., 144A*	2,206	2,758
IMPSAT Fiber Networks, Inc.* (b)	24,432	168,824
Intermet Corp.*	9,137	106,274
Total Common Stocks (Cost $1,973,968)		**310,072**

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

	Shares	Value ($)
Convertible Preferred Stocks 0.1%		
Consumer Discretionary		
Paxson Communications Corp. 144A, 9.75%, (PIK) (Cost $207,250)	30	**207,750**

	Shares	Value ($)
Securities Lending Collateral 15.5%		
Daily Assets Fund Institutional, 4.28% (c) (d) (Cost $61,812,770)	61,812,770	**61,812,770**

	Shares	Value ($)
Cash Equivalents 2.4%		
Cash Management QP Trust, 4.26% (e) (Cost $9,669,112)	9,669,112	**9,669,112**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $467,129,569)†	113.8	**454,184,190**
Other Assets and Liabilities, Net	(13.8)	**(54,946,905)**
Net Assets	100.0	**399,237,285**

Notes to DWS High Income VIP Portfolio of Investments

† *The cost for federal income tax purposes was $467,275,847. At December 31, 2005, net unrealized depreciation for all securities based on tax cost was $13,091,657. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $3,771,232 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $16,862,889.*

* *Non-income producing security. In the case of a bond, generally denotes that the issuer has defaulted on the payment of principal or the interest or has filed for bankruptcy. The following table represents bonds that are in default:*

Securities	Coupon	Maturity Date	Principal Amount		Acquisition Cost ($)	Value ($)
Congoleum Corp.	8.625%	8/1/2008	1,200,000	USD	1,075,002	1,195,500
Grupo Iusacell SA de CV, Series B	10.0%	7/15/2004	285,000	USD	182,087	229,425
Oxford Automotive, Inc.	12.0%	10/15/2010	1,994,974	USD	1,495,951	179,548
Pliant Corp.	11.625%	6/15/2009	11	USD	11	12
Supercanal Holding SA (Reg S)	11.5%	5/15/2005	100,000	USD	10,000	15,000
					2,763,051	**1,619,485**

** *Floating rate notes are securities whose yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury bill rate. These securities are shown at their current rate as of December 31, 2005.*

(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 December 31, 2005 amounted to $60,482,960 which is 15.2% of net assets.*

(c) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(d) *Represents collateral held in connection with securities lending.*

(e) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

LIBOR: Represents the London InterBank Offered Rate.

PIK: Denotes that all or a portion of the income is paid in-kind.

Currency Abbreviation	
EUR	Euro

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2005

Assets	
Investments:	
Investments in securities, at value (cost $395,647,687) — including $60,482,960 of securities loaned	$ 382,702,308
Investment in Daily Assets Fund Institutional (cost $61,812,770)*	61,812,770
Investment in Cash Management QP Trust (cost $9,669,112)	9,669,112
Total investments in securities, at value (cost $467,129,569)	454,184,190
Cash	939,625
Foreign currency, at value (cost $1,182,564)	1,184,841
Receivable for investments sold	95,391
Interest receivable	8,710,791
Receivable for Portfolio shares sold	1,828
Unrealized appreciation on forward foreign currency exchange contracts	6,698
Due from Advisor	27,576
Other assets	10,305
Total assets	465,161,245

Liabilities	
Payable for investments purchased	3,446,710
Payable for Portfolio shares redeemed	215,705
Payable upon return of securities loaned	61,812,770
Unrealized depreciation on forward foreign currency exchange contracts	53,306
Accrued management fee	204,429
Other accrued expenses and payables	191,040
Total liabilities	65,923,960
Net assets, at value	**$ 399,237,285**

Net Assets	
Net assets consist of:	
Undistributed net investment income	29,781,622
Net unrealized appreciation (depreciation) on:	
Investments	(12,945,379)
Foreign currency related transactions	(45,143)
Accumulated net realized gain (loss)	(112,190,764)
Paid-in capital	494,636,949
Net assets, at value	**$ 399,237,285**
Class A	
Net Asset Value, offering and redemption price per share ($343,577,831 ÷ 41,769,600 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 8.23**
Class B	
Net Asset Value, offering and redemption price per share ($55,659,454 ÷ 6,770,189 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 8.22**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2005

Investment Income	
Income:	
Dividends (net of foreign taxes withheld of $114)	$ 311,021
Interest	36,013,635
Interest — Cash Management QP Trust	286,898
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	312,938
Total Income	36,924,492
Expenses:	
Management fee	2,468,117
Custodian fees	46,276
Distribution service fees (Class B)	139,382
Record keeping fees (Class B)	80,344
Auditing	58,150
Legal	15,503
Trustees' fees and expenses	18,805
Reports to shareholders	113,372
Other	194,008
Total expenses before expense reductions	3,133,957
Expense reductions	(11,015)
Total expenses after expense reductions	3,122,942
Net investment income	**33,801,550**

Realized and Unrealized Gain (Loss) on Investment Transactions	
Net realized gain (loss) from:	
Investments	1,001,061
Foreign currency related transactions	280,032
	1,281,093
Net unrealized appreciation (depreciation) during the period on:	
Investments	(20,276,002)
Foreign currency related transactions	822,389
	(19,453,613)
Net gain (loss) on investment transactions	**(18,172,520)**
Net increase (decrease) in net assets resulting from operations	**$ 15,629,030**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2005	2004
Operations:		
Net investment income	$ 33,801,550	$ 34,238,642
Net realized gain (loss) on investment transactions	1,281,093	9,470,236
Net unrealized appreciation (depreciation) on investment transactions during the period	(19,453,613)	5,291,376
Net increase (decrease) in net assets resulting from operations	15,629,030	49,000,254
Distributions to shareholders from:		
Net investment income:		
Class A	(33,565,659)	(29,352,659)
Class B	(5,270,980)	(3,056,845)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	75,871,095	56,878,387
Reinvestment of distributions	33,565,659	29,352,659
Cost of shares redeemed	(139,459,552)	(119,443,412)
Net increase (decrease) in net assets from Class A share transactions	(30,022,798)	(33,212,366)
Class B		
Proceeds from shares sold	14,544,739	37,277,037
Reinvestment of distributions	5,270,980	3,056,845
Cost of shares redeemed	(17,547,469)	(23,434,006)
Net increase (decrease) in net assets from Class B share transactions	2,268,250	16,899,876
Increase (decrease) in net assets	(50,962,157)	278,260
Net assets at beginning of period	450,199,442	449,921,182
Net assets at end of period (including undistributed net investment income of $29,781,622 and $34,372,843, respectively)	**$ 399,237,285**	**$ 450,199,442**

Other Information		
Class A		
Shares outstanding at beginning of period	44,826,321	48,977,744
Shares sold	9,379,235	6,841,589
Shares issued to shareholders in reinvestment of distributions	4,275,880	3,696,808
Shares redeemed	(16,711,836)	(14,689,820)
Net increase (decrease) in Class A shares	(3,056,721)	(4,151,423)
Shares outstanding at end of period	**41,769,600**	**44,826,321**
Class B		
Shares outstanding at beginning of period	6,474,194	4,421,727
Shares sold	1,758,405	4,504,371
Shares issued to shareholders in reinvestment of distributions	669,756	384,026
Shares redeemed	(2,132,166)	(2,835,930)
Net increase (decrease) in Class B shares	295,995	2,052,467
Shares outstanding at end of period	**6,770,189**	**6,474,194**

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

Financial Highlights

Class A

Years Ended December 31,	2005	2004	2003	2002	2001[a]
Selected Per Share Data					
Net asset value, beginning of period	**$ 8.78**	**$ 8.43**	**$ 7.40**	**$ 8.13**	**$ 9.16**
Income (loss) from investment operations:					
Net investment income[b]	.68	.67	.67	.75	.84
Net realized and unrealized gain (loss) on investment transactions	(.38)	.31	1.03	(.74)	(.59)
Total from investment operations	.30	.98	1.70	.01	.25
Less distributions from:					
Net investment income	(.85)	(.63)	(.67)	(.74)	(1.28)
Net asset value, end of period	**$ 8.23**	**$ 8.78**	**$ 8.43**	**$ 7.40**	**$ 8.13**
Total Return (%)	3.89	12.42	24.62	(.30)	2.63
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	344	393	413	329	335
Ratio of expenses (%)	.70	.66	.67	.66	.70
Ratio of net investment income (%)	8.27	8.11	8.62	10.07	9.89
Portfolio turnover rate (%)	100	162	165	138	77

[a] *As required, effective January 1, 2001, the Portfolio has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities.*

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

Class B

Years Ended December 31,	2005	2004	2003	2002[a]
Selected Per Share Data				
Net asset value, beginning of period	**$ 8.77**	**$ 8.41**	**$ 7.39**	**$ 7.21**
Income (loss) from investment operations:				
Net investment income[b]	.65	.64	.64	.31
Net realized and unrealized gain (loss) on investment transactions	(.39)	.32	1.03	(.13)
Total from investment operations	.26	.96	1.67	.18
Less distributions from:				
Net investment income	(.81)	(.60)	(.65)	—
Net asset value, end of period	**$ 8.22**	**$ 8.77**	**$ 8.41**	**$ 7.39**
Total Return (%)	3.41	12.08	24.14	2.50**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	56	57	37	1
Ratio of expenses (%)	1.10	1.06	1.06	.92*
Ratio of net investment income (%)	7.87	7.71	8.23	8.78*
Portfolio turnover rate (%)	100	162	165	138

[a] *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

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

* *Annualized*

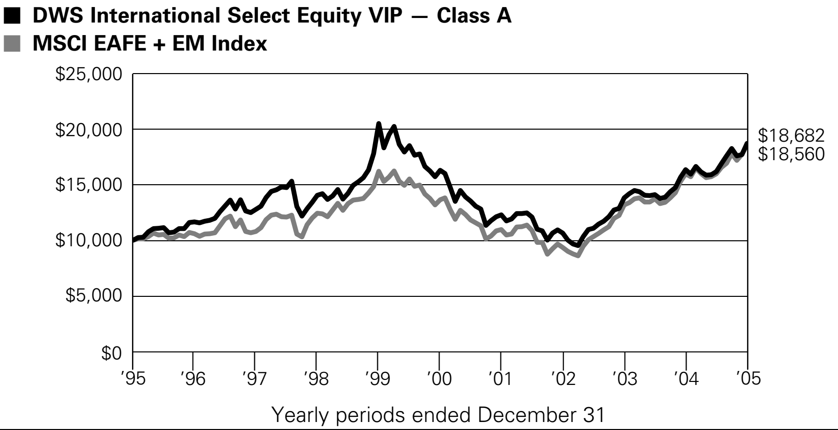
** *Not annualized*

DWS International Select Equity VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

This Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Additionally, investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. This may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed $10,000 Investment in DWS International Select Equity VIP



The MSCI EAFE + EM Index (Morgan Stanley Capital International Europe, Australasia, Far East + Emerging Markets Index) is an unmanaged index generally accepted as a benchmark for major overseas markets plus emerging markets. The index is calculated using closing local market prices and converts to US dollars using the London close foreign exchange rates. Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS International Select Equity VIP		1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$11,451	$17,579	$11,494	$18,682
	Average annual total return	14.51%	20.69%	2.82%	6.45%
MSCI EAFE + EM Index	Growth of $10,000	$11,641	$19,863	$13,635	$18,560
	Average annual total return	16.41%	25.70%	6.40%	6.38%

DWS International Select Equity VIP		1-Year	3-Year	Life of Class*
Class B	Growth of $10,000	$11,400	$17,385	$15,372
	Average annual total return	14.00%	20.24%	13.07%
MSCI EAFE + EM Index	Growth of $10,000	$11,641	$19,863	$17,097
	Average annual total return	16.41%	25.70%	16.56%

The growth of $10,000 is cumulative.

* *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.*

Information About Your Portfolio's Expenses

DWS International Select Equity VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include sales charges (loads), redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The tables are based on an investment of $1,000 made at the beginning of the six-month period ended December 31, 2005.

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

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

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

Expenses and Value of a $1,000 Investment for the six months ended December 31, 2005

Actual Portfolio Return	Class A	Class B
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,156.20	$1,153.70
Expenses Paid per $1,000*	$ 4.73	$ 6.89

Hypothetical 5% Portfolio Return	Class A	Class B
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,020.82	$1,018.80
Expenses Paid per $1,000*	$ 4.43	$ 6.46

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

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS International Select Equity VIP	.87%	1.27%

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

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

Management Summary

December 31, 2005

DWS International Select Equity VIP

International equities delivered strong performance in 2005 relative to most other asset classes. The MSCI EAFE Index returned 13.54% in US dollar terms and was even stronger in local currency terms with a gain of 29.00%. All developed regions reported positive returns, with Japan producing the largest gain of the countries in the MSCI EAFE Index. The Class A shares of the portfolio returned 14.51% (unadjusted for sales charges), compared to its benchmark, the MSCI EAFE + EMF Index, which returned 16.41%.

The portfolio's return was bolstered by outperformance in seven of 10 market sectors. The most notable contributors came from our stock selection in the information technology (IT) and energy sectors. In IT, the worst-performing sector in the benchmark, the portfolio's holdings delivered an aggregate return more than double that of the stocks in the benchmark. Here, Samsung Electronics Co., Ltd. and Indra Sistemas (not held in the portfolio as of December 31, 2005) produced robust results on the strength of better-than-expected earnings. Within energy, key holdings including Petroleo Brasileiro SA, Total SA and ENI SpA benefited from the rising price of oil. Additionally, the portfolio's holdings in Japanese financials such as Mizuho Financial Group Inc., Mitsui Fudosan Co., Ltd. and Credit Saison Co., Ltd. were lifted by Japan's economic recovery. On the negative side, our stock picks in the consumer discretionary sector underperformed. The largest detractor was Nokian Renkaat Oyj, a Finnish manufacturer of winter tires.

Looking ahead, management believes investors will increasingly reward those companies that can command higher prices for their products and services based on their brand, technological capability, market position or cost advantage, as well as those which have the ability to grow amid a potentially slower global macroeconomic environment.

Matthias Knerr, CFA

Manager

Deutsche Investment Management Americas Inc.

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

This Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Additionally, investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. This may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The MSCI EAFE + EM Index (Morgan Stanley Capital International Europe, Australasia, Far East + Emerging Markets Index) is an unmanaged index generally accepted as a benchmark for major overseas markets plus emerging markets. The index is calculated using closing local market prices and converts to US dollars using the London close foreign exchange rates.

The Morgan Stanley Capital International (MSCI) Europe, Australasia and Far East (EAFE) Index is an unmanaged, capitalization-weighted 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 converts to US dollars using the London close foreign exchange rates.

Index returns assume reinvestment of dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of December 31, 2005, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS International Select Equity VIP

Asset Allocation (Excludes Securities Lending Collateral)	**12/31/05**	**12/31/04**
Common Stocks	99%	99%
Preferred Stocks	1%	—
Cash Equivalents	—	1%
	100%	100%

Geographical Diversification (As a % of Common and Preferred Stocks)	**12/31/05**	**12/31/04**
Continental Europe	48%	51%
Japan	23%	19%
United Kingdom	17%	18%
Asia (excluding Japan)	6%	12%
Australia	3%	—
Latin America	3%	—
	100%	100%

Sector Diversification (As a % of Common and Preferred Stocks)	**12/31/05**	**12/31/04**
Financials	30%	27%
Consumer Discretionary	17%	14%
Energy	11%	10%
Industrials	10%	13%
Health Care	9%	8%
Materials	8%	5%
Information Technology	6%	8%
Consumer Staples	6%	4%
Utilities	2%	3%
Telecommunications Services	1%	8%
	100%	100%

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

For more complete details about the Portfolio's investment portfolio, see page 119. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on the 15th of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

Investment Portfolio

December 31, 2005

DWS International Select Equity VIP

	Shares	Value ($)
Common Stocks 98.5%		
Australia 2.6%		
Australia and New Zealand Banking Group Ltd.	194,000	3,406,203
Macquarie Bank Ltd.	67,700	3,382,345
(Cost $6,007,577)		**6,788,548**
Brazil 1.5%		
Petroleo Brasileiro SA (ADR) (Cost $2,430,879)	53,800	**3,834,326**
Denmark 1.0%		
A P Moller — Maersk AS (Cost $2,416,836)	254	**2,627,864**
Finland 5.0%		
Fortum Oyj	211,000	3,956,878
Neste Oil Oyj*	81,250	2,297,062
Nokia Oyj	139,500	2,551,630
Nokian Renkaat Oyj	322,400	4,064,991
(Cost $12,414,009)		**12,870,561**
France 11.8%		
BNP Paribas SA	85,762	6,939,823
Pernod Ricard SA	30,169	5,264,697
Schneider Electric SA	63,131	5,631,718
Total SA	33,088	8,312,485
Vivendi Universal SA	136,867	4,287,495
(Cost $25,341,891)		**30,436,218**
Germany 13.0%		
Adidas-Salomon AG	27,867	5,278,678
Allianz AG (Registered)	38,662	5,856,062
Bayer AG	135,912	5,678,380
Commerzbank AG	168,803	5,199,989
E.ON AG	52,732	5,455,706
Hypo Real Estate Holding AG	115,744	6,026,549
(Cost $24,907,175)		**33,495,364**
Hong Kong 1.2%		
Esprit Holdings Ltd. (Cost $3,151,995)	454,046	**3,226,601**
India 1.1%		
ICICI Bank Ltd. (ADR) (Cost $2,470,907)	97,800	**2,816,640**
Ireland 3.0%		
Anglo Irish Bank Corp. PLC	255,700	3,880,911
CRH PLC	135,558	3,988,105
(Cost $5,294,132)		**7,869,016**
Italy 6.2%		
Banca Intesa SpA	1,164,800	6,171,055
Eni SpA	262,760	7,288,640
Safilo SpA*	448,700	2,571,085
(Cost $12,084,226)		**16,030,780**

	Shares	Value ($)
Japan 22.6%		
AEON Co., Ltd.	245,000	6,232,247
Canon, Inc.	107,800	6,307,033
Credit Saison Co., Ltd.	78,800	3,935,490
Daito Trust Construction Co., Ltd.	99,000	5,120,617
Mitsubishi Corp.	368,000	8,144,147
Mitsubishi UFJ Financial Group, Inc.	396	5,372,451
Mitsui Fudosan Co., Ltd.	341,000	6,924,959
Mizuho Financial Group, Inc.	546	4,333,370
Sega Sammy Holdings, Inc.	156,000	5,224,912
Toyota Motor Corp.	128,300	6,657,871
(Cost $40,446,633)		**58,253,097**
Korea 3.5%		
POSCO (ADR) (a)	48,700	2,411,137
Samsung Electronics Co., Ltd. (GDR), 144A	19,990	6,586,705
(Cost $6,034,078)		**8,997,842**
Mexico 1.8%		
Fomento Economico Mexicano SA de CV (ADR) (Cost $4,289,151)	63,300	**4,589,883**
Russia 1.9%		
Novolipetsk Steel (GDR) 144A*	167,100	2,389,530
OAO Gazprom (ADR) (REG S)	36,000	2,581,200
(Cost $4,920,911)		**4,970,730**
Switzerland 5.3%		
Credit Suisse Group (Registered)	122,977	6,270,278
Roche Holding AG (Genusschein)	48,919	7,345,017
(Cost $8,498,569)		**13,615,295**
United Kingdom 17.0%		
AstraZeneca PLC	54,967	2,675,408
GlaxoSmithKline PLC	342,654	8,660,293
Imperial Tobacco Group PLC	149,930	4,480,674
Informa PLC	355,789	2,655,137
Punch Taverns PLC	325,498	4,754,567
Rio Tinto PLC	105,722	4,829,308
Royal Bank of Scotland Group PLC	249,448	7,532,031
Smiths Group PLC	267,992	4,822,902
Vodafone Group PLC	1,618,432	3,494,565
(Cost $38,115,931)		**43,904,885**
Total Common Stocks (Cost $198,824,900)		**254,327,650**
Preferred Stocks 1.1%		
Germany		
Fresenius Medical Care AG (Cost $2,578,202)	31,400	**2,931,206**
Securities Lending Collateral 0.7%		
Daily Assets Fund Institutional, 4.28% (b) (c) (Cost $1,828,178)	1,828,178	**1,828,178**

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

	Shares	Value ($)
Cash Equivalents 0.3%		
Cash Management QP Trust 4.26% (d) (Cost $618,079)	618,079	**618,079**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $203,849,359)†	100.6	**259,705,113**
Other Assets and Liabilities, Net	(0.6)	**(1,478,080)**
Net Assets	100.0	**258,227,033**

Notes to DWS International Select Equity VIP Portfolio of Investments

* *Non-income producing security.*

† *The cost for federal income tax purposes was $208,792,097. At December 31, 2005, net unrealized appreciation for all securities based on tax cost was $50,913,016. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $52,367,150 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $1,454,134.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at December 31, 2005 amounted to $1,775,330 which is 0.7% of net assets.*

(b) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

(d) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

ADR: American Depositary Receipt

GDR: Global Depositary Receipt

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2005

Assets	
Investments:	
Investments in securities, at value (cost $201,403,102) — including $1,775,330 of securities loaned	$ 257,258,856
Investment in Daily Assets Fund Institutional (cost $1,828,178)*	1,828,178
Investment in Cash Management QP Trust (cost $618,079)	618,079
Total investments in securities, at value (cost $203,849,359)	259,705,113
Cash	481
Foreign currency, at value (cost $36,862)	36,874
Receivable for investments sold	421,699
Dividends receivable	460,532
Interest receivable	9,236
Receivable for Portfolio shares sold	15,060
Foreign taxes recoverable	124,836
Other assets	8,157
Total assets	260,781,988

Liabilities	
Payable for investments purchased	36,547
Payable for Portfolio shares redeemed	374,959
Payable upon return of securities loaned	1,828,178
Accrued management fee	178,477
Other accrued expenses and payables	136,794
Total liabilities	2,554,955
Net assets, at value	**$ 258,227,033**

Net Assets	
Net assets consist of:	
Undistributed net investment income	1,038,108
Net unrealized appreciation (depreciation) on:	
Investments	55,855,754
Foreign currency related transactions	6,452
Accumulated net realized gain (loss)	(22,678,316)
Paid-in capital	224,005,035
Net assets, at value	**$ 258,227,033**
Class A	
Net Asset Value, offering and redemption price per share ($195,805,580 ÷ 14,778,650 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 13.25**
Class B	
Net Asset Value, offering and redemption price per share ($62,421,453 ÷ 4,725,198 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 13.21**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2005

Investment Income	
Income:	
Dividends (net of foreign taxes withheld of $733,522)	$ 5,641,648
Interest	42,592
Interest — Cash Management QP Trust	46,128
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	176,291
Total Income	5,906,659
Expenses:	
Management fee	1,801,345
Custodian fees	137,190
Distribution service fees (Class B)	133,737
Record keeping fees (Class B)	72,388
Auditing	59,184
Legal	10,300
Trustees' fees and expenses	8,701
Reports to shareholders	55,856
Other	22,574
Total expenses before expense reductions	2,301,275
Expense reductions	(3,755)
Total expenses after expense reductions	2,297,520
Net investment income (loss)	**3,609,139**

Realized and Unrealized Gain (Loss) on Investment Transactions	
Net realized gain (loss) from:	
Investments	26,993,086
Foreign currency related transactions	(521,069)
	26,472,017
Net unrealized appreciation (depreciation) during the period on:	
Investments	3,494,086
Foreign currency related transactions	(197,122)
	3,296,964
Net gain (loss) on investment transactions	**29,768,981**
Net increase (decrease) in net assets resulting from operations	**$ 33,378,120**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2005	2004
Operations:		
Net investment income (loss)	$ 3,609,139	$ 2,816,586
Net realized gain (loss) on investment transactions	26,472,017	10,653,908
Net unrealized appreciation (depreciation) during the period on investment transactions	3,296,964	20,514,926
Net increase (decrease) in net assets resulting from operations	33,378,120	33,985,420
Distributions to shareholders from:		
Net investment income:		
Class A	(5,238,343)	(1,616,136)
Class B	(1,218,036)	(162,336)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	24,909,113	40,441,379
Reinvestment of distributions	5,238,343	1,616,136
Cost of shares redeemed	(38,838,821)	(30,593,940)
Net increase (decrease) in net assets from Class A share transactions	(8,691,365)	11,463,575
Class B		
Proceeds from shares sold	13,931,982	25,663,873
Reinvestment of distributions	1,218,036	162,336
Cost of shares redeemed	(5,723,561)	(3,432,245)
Net increase (decrease) in net assets from Class B share transactions	9,426,457	22,393,964
Increase (decrease) in net assets	27,656,833	66,064,487
Net assets at beginning of period	230,570,200	164,505,713
Net assets at end of period (including undistributed net investment income of $1,038,108 and $3,173,342, respectively)	**$ 258,227,033**	**$ 230,570,200**

Other Information		
Class A		
Shares outstanding at beginning of period	15,442,740	14,404,846
Shares sold	2,084,048	3,811,740
Shares issued to shareholders in reinvestment of distributions	457,897	154,506
Shares redeemed	(3,206,035)	(2,928,352)
Net increase (decrease) in Class A shares	(664,090)	1,037,894
Shares outstanding at end of period	**14,778,650**	**15,442,740**
Class B		
Shares outstanding at beginning of period	3,923,204	1,760,419
Shares sold	1,162,087	2,466,794
Shares issued to shareholders in reinvestment of distributions	106,471	15,520
Shares redeemed	(466,564)	(319,529)
Net increase (decrease) in Class B shares	801,994	2,162,785
Shares outstanding at end of period	**4,725,198**	**3,923,204**

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

Financial Highlights

Class A

Years Ended December 31,	2005	2004	2003	2002	2001
Selected Per Share Data					
Net asset value, beginning of period	**$11.91**	**$10.18**	**$ 7.96**	**$ 9.24**	**$14.73**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.20	.17	.10	.12	.05
Net realized and unrealized gain (loss) on investment transactions	1.48	1.67	2.23	(1.36)	(3.46)
Total from investment operations	1.68	1.84	2.33	(1.24)	(3.41)
Less distributions from:					
Net investment income	(.34)	(.11)	(.11)	(.04)	(.10)
Net realized gain on investment transactions	—	—	—	—	(1.98)
Total distributions	(.34)	(.11)	(.11)	(.04)	(2.08)
Net asset value, end of period	**$13.25**	**$11.91**	**$10.18**	**$ 7.96**	**$ 9.24**
Total Return (%)	14.51	18.25	29.83	(13.48)	(24.43)
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	196	184	147	120	121
Ratio of expenses (%)	.87	.89	.94	.85	.92
Ratio of net investment income (%)	1.59	1.58	1.17	1.46	.44
Portfolio turnover rate (%)	93	88	139	190	145

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

Class B

Years Ended December 31,	2005	2004	2003	2002[a]
Selected Per Share Data				
Net asset value, beginning of period	**$11.88**	**$10.15**	**$ 7.94**	**$ 8.98**
Income (loss) from investment operations:				
Net investment income (loss)[b]	.15	.13	.06	.02
Net realized and unrealized gain (loss) on investment transactions	1.47	1.67	2.24	(1.06)
Total from investment operations	1.62	1.80	2.30	(1.04)
Less distributions from:				
Net investment income	(.29)	(.07)	(.09)	—
Net asset value, end of period	**$13.21**	**$11.88**	**$10.15**	**$ 7.94**
Total Return (%)	14.00	17.84	29.42	(11.58)**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	62	47	18	.4
Ratio of expenses (%)	1.26	1.28	1.33	1.11*
Ratio of net investment income (%)	1.20	1.19	.78	.54*
Portfolio turnover rate (%)	93	88	139	190

a *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
b *Based on average shares outstanding during the period.*
* *Annualized*
** *Not annualized*

DWS Janus Growth & Income VIP

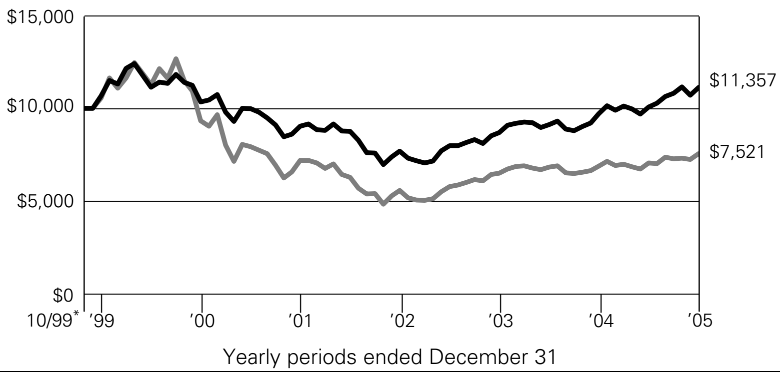
All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

The Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. The Portfolio also invests in individual bonds whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Bond investments are subject to interest-rate risk such that when interest rates rise, the prices of the bonds, and thus the value of the Portfolio, can decline and the investor can lose principal value. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

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

Growth of an Assumed $10,000 Investment in DWS Janus Growth & Income VIP from 10/29/1999 to 12/31/2005

■ **DWS Janus Growth & Income VIP — Class A**
■ **Russell 1000 Growth Index**



The Russell 1000 Growth Index is an unmanaged index composed of common stocks of larger US companies with higher price-to-book ratios and higher forecasted growth values. Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Janus Growth & Income VIP		1-Year	3-Year	5-Year	Life of Portfolio*
Class A	Growth of $10,000	$11,211	$15,548	$10,880	$11,357
	Average annual total return	12.11%	15.85%	1.70%	2.08%
Russell 1000 Growth Index	Growth of $10,000	$10,526	$14,518	$8,332	$7,521
	Average annual total return	5.26%	13.23%	-3.58%	-4.52%

DWS Janus Growth & Income VIP		1-Year	3-Year	Life of Class**
Class B	Growth of $10,000	$11,171	$15,381	$13,854
	Average annual total return	11.71%	15.43%	9.76%
Russell 1000 Growth Index	Growth of $10,000	$10,526	$14,518	$13,216
	Average annual total return	5.26%	13.23%	8.29%

The growth of $10,000 is cumulative.

* *The Portfolio commenced operations October 29, 1999. Index returns begin October 31, 1999. Total returns would have been lower for the Life of Portfolio period for Class A shares if the Portfolio's expenses were not maintained.*

** *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.*

Information About Your Portfolio's Expenses

DWS Janus Growth & Income VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include sales charges (loads), redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses for Class B shares, had it not done so, expenses would have been higher. The tables are based on an investment of $1,000 made at the beginning of the six-month period ended December 31, 2005.

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

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

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

Expenses and Value of a $1,000 Investment for the six months ended December 31, 2005

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,106.10	$1,104.70
Expenses Paid per $1,000*	$ 4.57	$ 6.58

Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,020.87	$1,018.95
Expenses Paid per $1,000*	$ 4.38	$ 6.31

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

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Janus Growth & Income VIP	.86%	1.24%

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

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

DWS Janus Growth & Income VIP

For the 12 months ended December 31, 2005, Class A shares of DWS Janus Growth & Income VIP returned 12.11% (Class A shares, unadjusted for contract charges). That exceeded the 5.26% return of the Portfolio's primary benchmark, the Russell 1000 Growth Index.

The largest contributors to performance were Advanced Micro Devices, Inc., Suncor Energy, Inc., UnitedHealth Group, Inc., Samsung Electronics Co., Ltd. and EnCana Corp. These five positions alone contributed more than half of the Portfolio's total positive return over 2005.

The largest detractors from performance were Tyco International, Ltd., Four Seasons Hotels, Ltd., British Sky Broadcasting Group PLC, Ltd, PETsMART, Inc. and Comcast Corp. Special "A." Tyco International, in particular, stood out. In 2004, it was the single largest positive contributor to performance; in 2005, it was the single largest detractor. Although the stock's return over the past year was a relatively modest –18.17% decline, our large position in it led to its affect on the Portfolio.

We would like to note that the top five performers gained more than the top five detractors lost by almost three to one. We view this as encouraging evidence that our best investment ideas were appropriately weighted near the top of the Portfolio.

Looking ahead, we believe that the Portfolio's relative success or failure will depend on three factors: (1) an overweight position in technology, with a shift from semiconductors to enterprise software; (2) an overweight position in energy; and (3) an underweight position in healthcare services.[1]

Minyoung Sohn
Portfolio Manager, Janus Capital Management LLC, Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when 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 visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

Risk Considerations

The Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. The Portfolio also invests in individual bonds whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Bond investments are subject to interest-rate risk such that when interest rates rise, the prices of the bonds, and thus the value of the Portfolio, can decline and the investor can lose principal value. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell 1000 Growth Index is an unmanaged index composed of common stocks of larger US companies with higher price-to-book ratios and higher forecasted growth values. Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

1 *"Overweight" means the Portfolio holds a higher weighting in a given sector or security than the benchmark. "Underweight" means the Portfolio holds a lower weighting.*

Portfolio management market commentary is as of December 31, 2005, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Janus Growth & Income VIP

Asset Allocation (Excludes Securities Lending Collateral)	**12/31/05**	**12/31/04**
Common Stocks	89%	95%
Convertible Preferred Stocks	6%	—
Cash Equivalents	3%	2%
Preferred Stocks	2%	3%
	100%	100%

Sector Diversification (As a % of Common and Preferred Stocks)	**12/31/05**	**12/31/04**
Information Technology	28%	24%
Energy	18%	9%
Health Care	15%	15%
Financials	13%	12%
Consumer Discretionary	11%	18%
Industrials	8%	14%
Consumer Staples	7%	8%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 128. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on the 15th of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Janus Growth & Income VIP

	Shares	Value ($)
Common Stocks 88.2%		
Consumer Discretionary 10.2%		
Hotels Restaurants & Leisure 1.8%		
Four Seasons Hotels Ltd. (a)	32,680	1,625,830
Harrah's Entertainment, Inc.	33,685	2,401,404
		4,027,234
Household Durables 1.2%		
Harman International Industries, Inc.	14,615	1,430,078
NVR, Inc.* (a)	1,785	1,253,070
		2,683,148
Leisure Equipment & Products 1.0%		
Marvel Entertainment, Inc.* (a)	141,887	**2,324,109**
Media 4.1%		
British Sky Broadcasting Group PLC	444,341	3,795,689
CCE Spinco, Inc.*	13,646	178,766
Clear Channel Communications, Inc.	109,170	3,433,396
Comcast Corp. Special "A"*	75,625	1,942,806
		9,350,657
Specialty Retail 2.1%		
Best Buy Co., Inc.	30,030	1,305,704
PETsMART, Inc.	89,260	2,290,412
Tiffany & Co.	33,520	1,283,481
		4,879,597
Consumer Staples 7.0%		
Beverages 2.2%		
PepsiCo, Inc.	84,067	**4,966,678**
Food Products 1.3%		
Dean Foods Co.*	80,550	**3,033,513**
Household Products 2.3%		
Procter & Gamble Co.	90,710	**5,250,295**
Tobacco 1.2%		
Altria Group, Inc.	35,300	**2,637,616**
Energy 16.3%		
Energy Equipment & Services 1.1%		
Halliburton Co.	38,330	**2,374,927**
Oil, Gas & Consumable Fuels 15.2%		
Amerada Hess Corp.	23,055	2,923,835
Apache Corp.	20,495	1,404,317
EnCana Corp.	120,273	5,431,529
EOG Resources, Inc.	22,200	1,628,814
ExxonMobil Corp.	157,250	8,832,733
Kinder Morgan, Inc.	27,420	2,521,269
Petro-Canada	82,744	3,320,579
Suncor Energy, Inc.	135,203	8,527,751
		34,590,827
Financials 6.7%		
Banks 1.3%		
US Bancorp.	103,887	**3,105,182**
Diversified Financial Services 5.4%		
Citigroup, Inc.	159,708	7,750,629
JPMorgan Chase & Co.	112,325	4,458,180
		12,208,809
Health Care 14.2%		
Biotechnology 0.9%		
Neurocrine Biosciences, Inc.* (a)	32,180	**2,018,651**
Health Care Equipment & Supplies 0.3%		
Align Technology, Inc.* (a)	120,340	**778,600**
Health Care Providers & Services 7.5%		
Aetna, Inc.	57,570	5,429,427
Caremark Rx, Inc.*	58,080	3,007,963
UnitedHealth Group, Inc.	138,580	8,611,361
		17,048,751
Pharmaceuticals 5.5%		
Eli Lilly & Co.	34,890	1,974,425
MGI Pharma, Inc.* (a)	50,210	861,604
Roche Holding AG (Genusschein)	40,806	6,126,878
Sanofi-Aventis (a)	40,103	3,513,367
		12,476,274
Industrials 8.0%		
Aerospace & Defense 0.9%		
Honeywell International, Inc.	55,540	**2,068,865**
Electrical Equipment 1.4%		
Rockwell Automation, Inc.	52,660	**3,115,366**
Industrial Conglomerates 4.5%		
General Electric Co.	135,415	4,746,296
Smiths Group PLC	127,661	2,297,444
Tyco International Ltd.	114,440	3,302,738
		10,346,478
Road & Rail 1.2%		
Canadian National Railway Co.	33,677	**2,693,823**
Information Technology 25.8%		
Communications Equipment 2.2%		
Cisco Systems, Inc.*	163,430	2,797,921
Nokia Oyj (ADR)	119,320	2,183,556
		4,981,477
Computers & Peripherals 2.0%		
EMC Corp.*	70,710	963,070
Hewlett-Packard Co.	122,180	3,498,014
		4,461,084
Electronic Equipment & Instruments 3.6%		
Samsung Electronics Co., Ltd. (GDR), 144A	25,065	**8,258,917**
Internet Software & Services 2.3%		
Yahoo!, Inc.*	132,345	**5,185,277**
Semiconductors & Semiconductor Equipment 9.7%		
Advanced Micro Devices, Inc.*	421,735	12,905,091
Linear Technology Corp.	60,040	2,165,643
Maxim Integrated Products, Inc.	60,475	2,191,614

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

	Shares	Value ($)
NVIDIA Corp.*	30,167	1,102,906
Spansion, Inc. "A"*	71,810	999,595
Texas Instruments, Inc.	82,430	2,643,530
		22,008,379
Software 6.0%		
Electronic Arts, Inc.*	70,480	3,686,809
Microsoft Corp.	219,170	5,731,295
Oracle Corp.*	350,490	4,279,484
		13,697,588
Total Common Stocks (Cost $145,635,266)		**200,572,122**

Preferred Stocks 2.2%

Financials 1.3%

	Shares	Value ($)
Diversified Financial Services		
Merrill Lynch & Co., Inc. Series ECA, 144A, 20.0%	20,845	1,006,501
Merrill Lynch & Co., Inc. Series VLO, 144A, 19.04%	16,795	1,812,516
		2,819,017

Information Technology 0.9%

	Shares	Value ($)
Semiconductors & Semiconductor Equipment		
Samsung Electronics Co., Ltd.	4,350	**2,098,502**
Total Preferred Stocks (Cost $4,282,907)		**4,917,519**

Convertible Preferred Stocks 5.9%

Energy 1.0%

	Shares	Value ($)
Amerada Hess Corp., 7.00%	20,700	**2,237,256**

Financials 4.9%

	Shares	Value ($)
Lehman Brothers Holdings, Inc., 18.55%	11,905	1,754,202
Lehman Brothers Holdings, Inc., 24.25%	94,161	1,729,737
Morgan Stanley, 7.25%	17,785	941,182
Morgan Stanley, 14.0%, 144A	124,620	854,893
The Goldman Sachs Group, Inc., 8.50%	13,885	1,763,367
The Goldman Sachs Group, Inc., Series B, 9.65%	6,865	731,775
The Goldman Sachs Group, Inc., 9.0%	13,770	1,518,432
The Goldman Sachs Group, Inc., Series B, 10.6%	20,465	969,243
XL Capital Ltd., 6.50%	43,500	971,790
		11,234,621
Total Convertible Preferred Stocks (Cost $12,049,504)		**13,471,877**

Securities Lending Collateral 4.7%

	Shares	Value ($)
Daily Assets Fund Institutional, 4.28% (b) (c) (Cost $10,615,908)	10,615,908	**10,615,908**

Cash Equivalents 3.3%

	Shares	Value ($)
Cash Management QP Trust, 4.26% (d) (Cost $7,451,616)	7,451,616	**7,451,616**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $180,035,201)†	104.3	**237,029,042**
Other Assets and Liabilities, Net	(4.3)	**(9,726,314)**
Net Assets	100.0	**227,302,728**

Notes to DWS Janus Growth & Income VIP Portfolio of Investments

* *Non-income producing security.*

† *The cost for federal income tax purposes was $181,443,132. At December 31, 2005, net unrealized appreciation for all securities based on tax cost was $55,585,910. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $60,613,860 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $5,027,950.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at December 31, 2005 amounted to $10,118,419 which is 4.4% of net assets.*

(b) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

(d) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

ADR: American Depositary Receipt

GDR: Global Depositary Receipt

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2005

Assets		
Investments:		
Investments in securities, at value (cost $161,967,677) — including $10,118,419 of securities loaned	$	218,961,518
Investments in Daily Asset Fund Institutional, (cost $10,615,908)*		10,615,908
Investment in Cash Management QP Trust (cost $7,451,616)		7,451,616
Total investments in securities, at value (cost $180,035,201)		237,029,042
Cash		25,207
Receivable for investments sold		102,026
Dividends receivable		246,101
Interest receivable		18,747
Receivable for Portfolio shares sold		629,501
Foreign taxes recoverable		12,421
Net receivable on closed forward currency exchange contracts		9,144
Unrealized appreciation on forward foreign currency exchange contracts		127,880
Other assets		7,008
Total assets		238,207,077

Liabilities		
Unrealized depreciation on forward foreign currency exchange contracts		614
Payable for Portfolio shares redeemed		57,148
Payable upon return of securities loaned		10,615,908
Accrued management fee		138,909
Other accrued expenses and payables		91,770
Total liabilities		10,904,349
Net assets, at value	**$**	**227,302,728**

Net Assets		
Net assets consist of:		
Undistributed net investment income		1,090,973
Net unrealized appreciation (depreciation) on:		
Investments		56,993,841
Foreign currency related transactions		135,024
Accumulated net realized gain (loss)		(41,970,993)
Paid-in capital		211,053,883
Net assets, at value	**$**	**227,302,728**
Class A		
Net Asset Value, offering and redemption price per share ($194,987,493 ÷ 17,645,394 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.05**
Class B		
Net Asset Value, offering and redemption price per share ($32,315,235 ÷ 2,946,169 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**10.97**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2005

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $66,895)	$	2,743,446
Interest		1,566
Interest — Cash Management QP Trust		98,895
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		28,199
Total Income		2,872,106
Expenses:		
Management fee		1,712,762
Custodian and accounting fees		87,825
Distribution service fees (Class B)		70,642
Record keeping fees (Class B)		42,280
Auditing		45,361
Legal		24,368
Trustees' fees and expenses		8,295
Reports to shareholders		42,166
Other		19,633
Total expenses before expense reductions		2,053,332
Expense reductions		(10,046)
Total expenses after expense reductions		2,043,286
Net investment income (loss)		**828,820**

Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		9,081,162
Foreign currency related transactions		63,521
		9,144,683
Net unrealized appreciation (depreciation) during the period on:		
Investments		13,670,872
Foreign currency related transactions		430,678
		14,101,550
Net gain (loss) on investment transactions		**23,246,233**
Net increase (decrease) in net assets resulting from operations	**$**	**24,075,053**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2005	2004
Operations:		
Net investment income (loss)	$ 828,820	$ 601,236
Net realized gain (loss) on investment transactions	9,144,683	8,796,510
Net unrealized appreciation (depreciation) during the period on investment transactions	14,101,550	12,728,179
Net increase (decrease) in net assets resulting from operations	24,075,053	22,125,925
Distributions to shareholders from:		
Net investment income:		
Class A	(419,512)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	11,053,339	6,502,623
Reinvestment of distributions	419,512	—
Cost of shares redeemed	(23,499,483)	(28,062,645)
Net increase (decrease) in net assets from Class A share transactions	(12,026,632)	(21,560,022)
Class B		
Proceeds from shares sold	5,186,158	11,312,331
Cost of shares redeemed	(3,183,678)	(1,739,333)
Net increase (decrease) in net assets from Class B share transactions	2,002,480	9,572,998
Increase (decrease) in net assets	13,631,389	10,138,901
Net assets at beginning of period	213,671,339	203,532,438
Net assets at end of period (including undistributed net investment income of $1,090,973 and $618,144, respectively)	**$ 227,302,728**	**$ 213,671,339**

Other Information

Class A		
Shares outstanding at beginning of period	18,888,001	21,296,089
Shares sold	1,050,942	722,385
Shares issued to shareholders in reinvestment of distributions	43,249	—
Shares redeemed	(2,336,798)	(3,130,473)
Net increase (decrease) in Class A shares	(1,242,607)	(2,408,088)
Shares outstanding at end of period	**17,645,394**	**18,888,001**
Class B		
Shares outstanding at beginning of period	2,758,937	1,676,008
Shares sold	500,557	1,276,437
Shares redeemed	(313,325)	(193,508)
Net increase (decrease) in Class B shares	187,232	1,082,929
Shares outstanding at end of period	**2,946,169**	**2,758,937**

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

Financial Highlights

Class A

Years Ended December 31,	2005	2004	2003	2002***	2001[a]
Selected Per Share Data				**(Restated)**	
Net asset value, beginning of period	**$ 9.88**	**$ 8.86**	**$ 7.18**	**$ 9.05**	**$10.40**
Income (loss) from investment operations:					
Net investment income (loss)[b]	.05	.03	.03	.04	.08
Net realized and unrealized gain (loss) on investment transactions	1.14	.99	1.71	(1.86)	(1.36)
Total from investment operations	1.19	1.02	1.74	(1.82)	(1.28)
Less distributions from:					
Net investment income	(.02)	—	(.06)	(.05)	(.07)
Net asset value, end of period	**$11.05**	**$ 9.88**	**$ 8.86**	**$ 7.18**	**$ 9.05**
Total Return (%)	12.11	11.51	24.37	(20.22)	(12.28)
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	195	187	189	167	179
Ratio of expenses (%)	.92	1.06	1.07	1.04	1.05
Ratio of net investment income (loss) (%)	.45	.34	.40	.54	.90
Portfolio turnover rate (%)	32	52	46	57	48

a *As required, effective January 1, 2001, the Portfolio has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities.*

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

*** *Subsequent to December 31, 2002, these numbers have been restated to reflect an adjustment to the value of a security as of December 31, 2002. The effect of this adjustment for the year ended December 31, 2002 was to increase the net asset value per share by $0.03. The total return was also adjusted from –20.56% to –20.22% in accordance with this change.*

Class B

Years Ended December 31,	2005	2004	2003	2002[a]***
Selected Per Share Data				**(Restated)**
Net asset value, beginning of period	**$ 9.82**	**$ 8.84**	**$ 7.17**	**$ 7.96**
Income (loss) from investment operations:				
Net investment income (loss)[b]	.01	(.01)	.00[c]	.02
Net realized and unrealized gain (loss) on investment transactions	1.14	.99	1.71	(.81)
Total from investment operations	1.15	.98	1.71	(.79)
Less distributions from:				
Net investment income	—	—	(.04)	—
Net asset value, end of period	**$10.97**	**$ 9.82**	**$ 8.84**	**$ 7.17**
Total Return (%)	11.71[d]	11.09	23.94	(9.92)**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	32	27	15	.4
Ratio of expenses before expense reductions (%)	1.32	1.44	1.47	1.29*
Ratio of expenses after expense reductions (%)	1.30	1.44	1.47	1.29*
Ratio of net investment income (loss) (%)	.07	(.04)	(.01)	.48*
Portfolio turnover rate (%)	32	52	46	57

a *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

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

c *Amount is less than $.005 per share.*

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

* *Annualized*

** *Not annualized*

*** *Subsequent to December 31, 2002, these numbers have been restated to reflect an adjustment to the value of a security as of December 31, 2002. The effect of this adjustment for the year ended December 31, 2002 was to increase the net asset value per share by $0.03. The total return was also adjusted from –10.30% to –9.92% in accordance with this change.*

Performance Summary

December 31, 2005

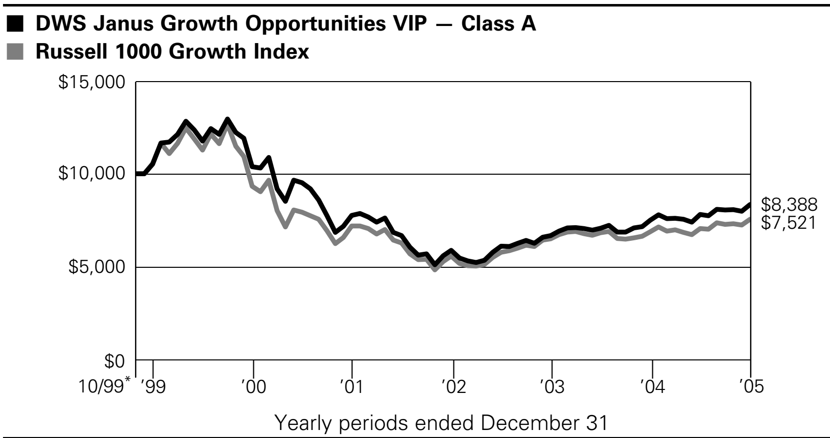
DWS Janus Growth Opportunities VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

The Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions.The Portfolio also invests in individual bonds, whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Bond investments are subject to interest rate risk such that when interest rates rise, the prices of bonds and thus the value of the bond fund can decline and the investor can lose principal value. The Portfolio may at times have significant exposure to certain industry groups, which may react similarly to market developments (resulting in greater price volatility). The Portfolio also may have significant exposure to foreign markets (which include risks such as currency fluctuation and political uncertainty). Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Portfolio returns shown for the 5-year and Life of Portfolio for Class A shares reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

Growth of an Assumed $10,000 Investment in DWS Janus Growth Opportunities VIP from 10/29/1999 to 12/31/2005



The Russell 1000 Growth Index is an unmanaged index composed of common stocks in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth values. Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Janus Growth Opportunities VIP		**1-Year**	**3-Year**	**5-Year**	**Life of Portfolio***
Class A	Growth of $10,000	$10,767	$15,362	$8,133	$8,388
	Average annual total return	7.67%	15.39%	-4.05%	-2.81%
Russell 1000 Growth Index	Growth of $10,000	$10,526	$14,518	$8.332	$7,521
	Average annual total return	5.26%	13.23%	-3.58%	-4.52%

DWS Janus Growth Opportunities VIP		**1-Year**	**3-Year**	**Life of Class****
Class B	Growth of $10,000	$10,712	$15,174	$14,089
	Average annual total return	7.12%	14.91%	10.29%
Russell 1000 Growth Index	Growth of $10,000	$10,526	$14,518	$13,216
	Average annual total return	5.26%	13.23%	8.29%

The growth of $10,000 is cumulative.

* *The Portfolio commenced operations on October 29, 1999. Index returns begin on October 31, 1999.*

** *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.*

Information About Your Portfolio's Expenses

DWS Janus Growth Opportunities VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include sales charges (loads), redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The tables are based on an investment of $1,000 made at the beginning of the six-month period ended December 31, 2005.

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

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

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

Expenses and Value of a $1,000 Investment for the six months ended December 31, 2005

Actual Portfolio Return	Class A	Class B
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,082.90	$1,081.00
Expenses Paid per $1,000*	$ 4.46	$ 6.61

Hypothetical 5% Portfolio Return	Class A	Class B
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,020.92	$1,018.85
Expenses Paid per $1,000*	$ 4.33	$ 6.41

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

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Janus Growth Opportunities VIP	.85%	1.26%

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

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

DWS Janus Growth Opportunities VIP

For the 12 months ended December 31, 2005, Class A shares (unadjusted for contract charges) of DWS Janus Growth Opportunities VIP returned 7.67%, compared to 5.26% for the portfolio's benchmark, the Russell 1000 Growth Index.

The portfolio's top contributors to performance during the period included healthcare, electronics and semiconductor stocks. UnitedHealth Group, Inc., an HMO operator and insurer, was our top contributor during the period. Other top performers included global communications leader Motorola, Inc. and chipmaker Texas Instruments, Inc.; we trimmed our positions in those stocks and booked profits as valuations climbed and risk/reward profiles diminished. Rio Tinto PLC, a diversified UK-based metals and minerals mining company, also performed well.

The portfolio's top detractors from performance during the period were holdings within the consumer discretionary sector. Some stocks in the consumer discretionary sector lagged when gasoline prices pushed past $3 a gallon following Hurricane Katrina. For example, fears that future vacation plans would be curtailed combined with increased fuel expenses weighed on cruise line operator Royal Caribbean Cruises, so we decided to sell our position in the stock (albeit at a profit). However, our largest detractor from performance during the period was Lexmark International, a computer printer manufacturer with minimal performance correlation to Hurricane Katrina. Many investors believed Lexmark would be negatively affected by Dell's potentially slashing prices to better compete with Hewlett Packard; this prompted us to liquidate our Lexmark position.

Going forward, we will continue to focus on companies that we believe can continue to post good growth rates — even in a slower economy — as well as companies offering a limited downside regardless of macroeconomic developments.

Marc Pinto

Portfolio Manager

Janus Capital Management LLC, Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividends and capital gain distribution, 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 visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

The Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions.The Portfolio also invests in individual bonds, whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Bond investments are subject to interest rate risk such that when interest rates rise, the prices of bonds and thus the value of the bond fund can decline and the investor can lose principal value. The Portfolio may at times have significant exposure to certain industry groups, which may react similarly to market developments (resulting in greater price volatility). The Portfolio also may have significant exposure to foreign markets (which include risks such as currency fluctuation and political uncertainty). Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell 1000 Growth Index is an unmanaged index composed of common stocks in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth values. Index returns assume reinvested dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of December 31, 2005, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Janus Growth Opportunities VIP

Asset Allocation (Excludes Securities Lending Collateral)	**12/31/05**	**12/31/04**
Common Stocks	99%	96%
Cash Equivalents	1%	4%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**12/31/05**	**12/31/04**
Information Technology	27%	25%
Health Care	21%	21%
Consumer Discretionary	19%	20%
Financials	8%	10%
Industrials	8%	13%
Energy	7%	5%
Consumer Staples	6%	4%
Materials	2%	2%
Telecommunication Services	2%	—
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 137. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on the 15th of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Janus Growth Opportunities VIP

	Shares	Value ($)
Common Stocks 98.6%		
Consumer Discretionary 18.9%		
Automobiles 1.8%		
Harley-Davidson, Inc.	53,440	**2,751,626**
Diversified Consumer Services 1.3%		
Apollo Group, Inc. "A"*	32,450	**1,961,927**
Hotels Restaurants & Leisure 2.3%		
Starbucks Corp.*	120,550	**3,617,705**
Internet & Catalog Retail 3.3%		
Expedia, Inc.*	96,625	2,315,135
IAC/InterActiveCorp.*	98,550	2,789,950
		5,105,085
Media 0.7%		
XM Satellite Radio Holdings, Inc. "A"*	41,675	**1,136,894**
Specialty Retail 6.9%		
Home Depot, Inc.	196,440	7,951,891
Staples, Inc.	123,395	2,802,301
		10,754,192
Textiles, Apparel & Luxury Goods 2.6%		
NIKE, Inc. "B"	46,385	**4,025,754**
Consumer Staples 6.2%		
Beverages 3.4%		
PepsiCo, Inc.	89,355	**5,279,093**
Household Products 2.8%		
Procter & Gamble Co.	74,960	**4,338,685**
Energy 6.5%		
Energy Equipment & Services 1.3%		
Halliburton Co.	32,540	**2,016,178**
Oil, Gas & Consumable Fuels 5.2%		
ExxonMobil Corp.	60,495	3,398,004
Occidental Petroleum Corp.	58,330	4,659,401
		8,057,405
Financials 7.5%		
Capital Markets 1.2%		
Morgan Stanley	33,710	**1,912,705**
Consumer Finance 3.9%		
American Express Co.	117,540	**6,048,609**
Diversified Financial Services 2.4%		
Fannie Mae	77,385	**3,777,162**
Health Care 20.7%		
Biotechnology 4.2%		
Amgen, Inc.*	50,660	3,995,048
Genentech, Inc.*	27,300	2,525,250
		6,520,298
Health Care Equipment & Supplies 6.2%		
Biomet, Inc.	53,540	1,957,958
Medtronic, Inc.	133,030	7,658,537
		9,616,495
Health Care Providers & Services 6.2%		
Caremark Rx, Inc.*	51,280	2,655,791
UnitedHealth Group, Inc.	111,890	6,952,845
		9,608,636
Pharmaceuticals 4.1%		
Eli Lilly & Co.	31,855	1,802,674
Sanofi-Aventis (ADR)	102,470	4,498,433
		6,301,107
Industrials 7.5%		
Air Freight & Logistics 1.4%		
FedEx Corp.	20,685	**2,138,622**
Industrial Conglomerates 6.1%		
General Electric Co.	268,165	**9,399,183**
Information Technology 27.2%		
Communications Equipment 6.3%		
Cisco Systems, Inc.*	133,250	2,281,240
Motorola, Inc.	197,715	4,466,382
QUALCOMM, Inc.	69,175	2,980,059
		9,727,681
Computers & Peripherals 5.1%		
Dell, Inc.*	65,705	1,970,493
Research In Motion Ltd.*	89,925	5,935,949
		7,906,442
Electronic Equipment & Instruments 2.8%		
Samsung Electronics Co., Ltd. (GDR), 144A	13,094	**4,314,473**
Internet Software & Services 4.5%		
Yahoo!, Inc.*	180,045	**7,054,163**
Semiconductors & Semiconductor Equipment 4.2%		
Advanced Micro Devices, Inc.*	108,475	3,319,335
Texas Instruments, Inc.	101,795	3,264,566
		6,583,901
Software 4.3%		
Microsoft Corp.	172,440	4,509,306
SAP AG (ADR)	46,280	2,085,840
		6,595,146
Materials 2.5%		
Metals & Mining		
Rio Tinto PLC (ADR)	21,085	**3,854,127**
Telecommunication Services 1.6%		
Wireless Telecommunication Services		
China Mobile (Hong Kong) Ltd. (ADR) (a)	102,815	**2,471,673**
Total Common Stocks (Cost $124,879,602)		**152,874,967**
Securities Lending Collateral 1.0%		
Daily Assets Fund Institutional, 4.28% (b) (c) (Cost $1,494,900)	1,494,900	**1,494,900**
Cash Equivalents 1.4%		
Cash Management QP Trust, 4.26% (d) (Cost $2,163,298)	2,163,298	**2,163,298**

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

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $128,537,800)†	101.0	**156,533,165**
Other Assets and Liabilities, Net	(1.0)	**(1,576,371)**
Net Assets	100.0	**154,956,794**

Notes to DWS Janus Growth Opportunities VIP Portfolio of Investments

* *Non-income producing security.*

† *The cost for federal income tax purposes was $129,100,014. At December 31, 2005, net unrealized appreciation for all securities based on tax cost was $27,433,151. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $28,436,377 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $1,003,226.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at December 31, 2005 amounted to $1,452,016 which is 0.9% of net assets.*

(b) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

(d) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

ADR: American Depositary Receipt

GDR: Global Depositary Receipt

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2005

Assets		
Investments:		
Investments in securities, at value (cost $124,879,602) — including $1,452,016 of securities loaned	$	152,874,967
Investment in Daily Assets Fund Institutional (cost $1,494,900)*		1,494,900
Investment in Cash Management QP Trust (cost $2,163,298)		2,163,298
Total investments in securities, at value (cost $128,537,800)		156,533,165
Dividends receivable		163,090
Interest receivable		13,661
Foreign taxes recoverable		51
Other assets		3,969
Total assets		156,713,936
Liabilities		
Payable for Portfolio shares redeemed		91,962
Payable upon return of securities loaned		1,494,900
Accrued management fee		96,737
Other accrued expenses and payables		73,543
Total liabilities		1,757,142
Net assets, at value	**$**	**154,956,794**
Net Assets		
Net assets consist of:		
Undistributed net investment income		66,503
Net unrealized appreciation (depreciation) on investments		27,995,365
Accumulated net realized gain (loss)		(85,228,798)
Paid-in capital		212,123,724
Net assets, at value	**$**	**154,956,794**
Class A		
Net Asset Value, offering and redemption price per share ($144,116,012 ÷ 17,245,579 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**8.36**
Class B		
Net Asset Value, offering and redemption price per share ($10,840,782 ÷ 1,310,790 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**8.27**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2005

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $20,719)	$	1,320,699
Interest — Cash Management QP Trust		181,005
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		13,009
Total Income		1,514,713
Expenses:		
Management fee		1,202,829
Custodian and accounting fees		69,116
Distribution service fees (Class B)		22,312
Record keeping fees (Class B)		13,364
Auditing		45,765
Legal		13,572
Trustees' fees and expenses		5,973
Reports to shareholders		24,012
Total expenses before expense reductions		1,396,943
Expense reductions		(2,858)
Total expenses after expense reductions		1,394,085
Net investment income (loss)		**120,628**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		9,044,548
Net unrealized appreciation (depreciation) during the period on investments		2,157,957
Net gain (loss) on investment transactions		**11,202,505**
Net increase (decrease) in net assets resulting from operations	**$**	**11,323,133**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2005	2004
Operations:		
Net investment income (loss)	$ 120,628	$ 390,838
Net realized gain (loss) on investment transactions	9,044,548	2,198,797
Net unrealized appreciation (depreciation) during the period on investment transactions	2,157,957	13,452,735
Net increase (decrease) in net assets resulting from operations	11,323,133	16,042,370
Distributions to shareholders from:		
Net investment income:		
Class A	(444,341)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	21,843,431	2,971,778
Reinvestment of distributions	444,341	—
Cost of shares redeemed	(20,249,635)	(18,214,445)
Net increase (decrease) in net assets from Class A share transactions	2,038,137	(15,242,667)
Class B		
Proceeds from shares sold	5,338,867	2,248,669
Cost of shares redeemed	(3,553,140)	(382,089)
Net increase (decrease) in net assets from Class B share transactions	1,785,727	1,866,580
Increase (decrease) in net assets	14,702,656	2,666,283
Net assets at beginning of period	140,254,138	137,587,855
Net assets at end of period (including undistributed net investment income of $66,503 and $390,216, respectively)	**$ 154,956,794**	**$ 140,254,138**

Other Information		
Class A		
Shares outstanding at beginning of period	16,930,734	19,085,611
Shares sold	2,847,686	413,736
Shares issued to shareholders in reinvestment of distributions	59,088	—
Shares redeemed	(2,591,929)	(2,568,613)
Net increase (decrease) in Class A shares	314,845	(2,154,877)
Shares outstanding at end of period	**17,245,579**	**16,930,734**
Class B		
Shares outstanding at beginning of period	1,081,562	812,791
Shares sold	672,131	322,383
Shares redeemed	(442,903)	(53,612)
Net increase (decrease) in Class B shares	229,228	268,771
Shares outstanding at end of period	**1,310,790**	**1,081,562**

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

Financial Highlights

Class A

Years Ended December 31,	2005	2004	2003	2002	2001
Selected Per Share Data					
Net asset value, beginning of period	**$ 7.79**	**$ 6.92**	**$ 5.45**	**$ 7.86**	**$10.31**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.01	.02	(.01)	(.01)	(.03)
Net realized and unrealized gain (loss) on investment transactions	.59	.85	1.48	(2.40)	(2.42)
Total from investment operations	.60	.87	1.47	(2.41)	(2.45)
Less distributions from:					
Net investment income	(.03)	—	—	—	—
Net asset value, end of period	**$ 8.36**	**$ 7.79**	**$ 6.92**	**$ 5.45**	**$ 7.86**
Total Return (%)	7.67	12.57	26.97	(30.53)	(23.76)
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	144	132	132	118	164
Ratio of expenses before expense reductions (%)	.92	1.06	1.07	1.01	1.11
Ratio of expenses after expense reductions (%)	.92	1.06	1.07	1.01	1.10
Ratio of net investment income (%)	.10	.31	(.17)	(.10)	(.31)
Portfolio turnover rate (%)	46	58	50	48	34

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

Class B

Years Ended December 31,	2005	2004	2003	2002[a]
Selected Per Share Data				
Net asset value, beginning of period	**$ 7.72**	**$ 6.88**	**$ 5.44**	**$ 5.87**
Income (loss) from investment operations:				
Net investment income (loss)[b]	(.02)	(.01)	(.04)	(.01)
Net realized and unrealized gain (loss) on investment transactions	.57	.85	1.48	(.42)
Total from investment operations	.55	.84	1.44	(.43)
Net asset value, end of period	**$ 8.27**	**$ 7.72**	**$ 6.88**	**$ 5.44**
Total Return (%)	7.12	12.21	26.47	(7.33)**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	11	8	6	.2
Ratio of expenses (%)	1.31	1.45	1.46	1.29*
Ratio of net investment income (%)	(.29)	(.08)	(.56)	(.49)*
Portfolio turnover rate (%)	46	58	50	48

a *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
b *Based on average shares outstanding during the period.*
* *Annualized*
** *Not annualized*

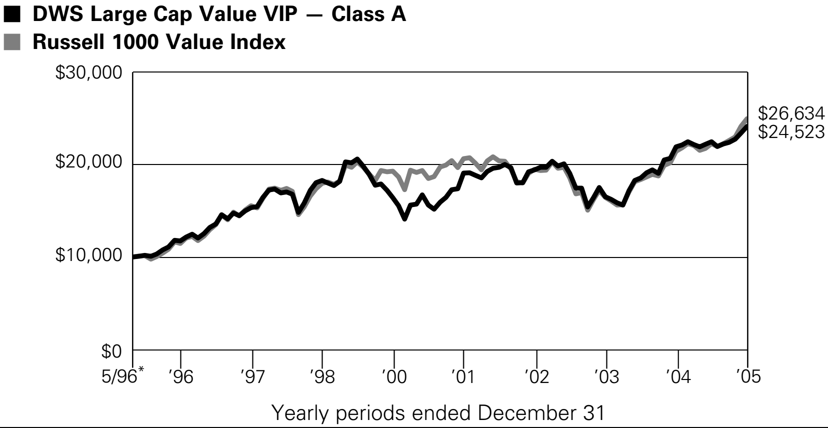
DWS Large Cap Value VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

The Portfolio is subject to stock market risk. It focuses its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

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

Growth of an Assumed $10,000 Investment in DWS Large Cap Value VIP from 5/1/1996 to 12/31/2005



The Russell 1000 Value Index is an unmanaged index, which consists of those stocks in the Russell 1000 Index with lower price-to-book ratios and lower forecasted-growth values. Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Large Cap Value VIP		1-Year	3-Year	5-Year	Life of Portfolio*
Class A	Growth of $10,000	$10,197	$14,882	$12,888	$24,523
	Average annual total return	1.97%	14.17%	5.21%	9.73%
Russell 1000 Value Index	Growth of $10,000	$10,705	$16,216	$12,933	$26,634
	Average annual total return	7.05%	17.49%	5.28%	10.67%

DWS Large Cap Value VIP		1-Year	3-Year	Life of Class**
Class B	Growth of $10,000	$10,158	$14,723	$12,947
	Average annual total return	1.58%	13.76%	7.66%
Russell 1000 Value Index	Growth of $10,000	$10,705	$16,216	$14,386
	Average annual total return	7.05%	17.49%	10.95%

The growth of $10,000 is cumulative.

* *The Portfolio commenced operations on May 1, 1996. Index returns begin April 30, 1996.*

** *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.*

Information About Your Portfolio's Expenses

DWS Large Cap Value VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include sales charges (loads), redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The tables are based on an investment of $1,000 made at the beginning of the six-month period ended December 31, 2005.

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

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

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

Expenses and Value of a $1,000 Investment for the six months ended December 31, 2005

Actual Portfolio Return	Class A	Class B
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,038.80	$1,036.80
Expenses Paid per $1,000*	$ 4.11	$ 6.26

Hypothetical 5% Portfolio Return	Class A	Class B
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,021.17	$1,019.06
Expenses Paid per $1,000*	$ 4.08	$ 6.21

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

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Large Cap Value VIP	.80%	1.22%

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

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

DWS Large Cap Value VIP

Even with positive economic fundamentals in 2005, major US indices disappointed with low single digit returns. The return for the Portfolio's Class A shares unadjusted for contract charges was 1.97% and has been hurt by our philosophical commitment to large-cap, high-quality securities that exemplify our approach. In the fourth quarter, Portfolio results were better and it may be the beginning of the return to our historic pattern of results as our Portfolio fundamentals, valuations and risk/rewards indicate unrealized potential for our holdings.

While the Portfolio benefited from the strong performance of its energy holdings, our focus on large integrated oil firms which, in our view, were more attractive in lieu of oil service companies held back relative results. At the sector level, we gained an advantage over the benchmark by prudently underweighing the poor-performing telecommunications sector. The greatest sector contributor was telecommunications where we had an underweight in this poor performing group. We believe there are better opportunities available than the telecom group, which we feel tends have weak balance sheets and questionable long-term earnings growth.

In 2006, as widely reported in the media and accepted by the industry, US economic fundamentals are expected to exhibit continued growth including strong consumer spending, employment, S&P profits, low interest rates and inflation. Investors may continue to be cautious and influenced by headlines or speculation keeping volatility high.

Finally, the Portfolio continues to have strong fundamentals, superior quality, low P/E ratio, and high dividend yield and earnings growth. Our risk/reward profile continues to suggest better than market opportunities going forward. We are confident in our investment approach and the strength of our process and holdings. We believe that as in the past the historic consistency and strength of the approach will be rewarded as it has been over time. Patience and discipline which enables reversion to the mean to work are the keys to success long-term.

Thomas F. Sassi — *Lead Manager*

Steve Scrudato — *Portfolio Manager*

Deutsche Investment Management Americas Inc.

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

The Portfolio is subject to stock market risk. It focuses its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Portfolio management market commentary is as of December 31, 2005, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Large Cap Value VIP

Asset Allocation (Excludes Securities Lending Collateral)	**12/31/05**	**12/31/04**
Common Stocks	95%	99%
Cash Equivalents	5%	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**12/31/05**	**12/31/04**
Financials	25%	31%
Information Technology	20%	15%
Energy	16%	7%
Industrials	9%	11%
Health Care	7%	11%
Consumer Discretionary	7%	9%
Consumer Staples	6%	7%
Utilities	4%	1%
Materials	3%	7%
Telecommunication Services	3%	1%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 146. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on the 15th of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

Investment Portfolio

DWS Large Cap Value VIP

	Shares	Value ($)
Common Stocks 95.1%		
Consumer Discretionary 6.3%		
Multiline Retail 1.9%		
Federated Department Stores, Inc.	28,700	1,903,671
Kohl's Corp.*	79,200	3,849,120
		5,752,791
Specialty Retail 4.4%		
Limited Brands, Inc.	150,500	3,363,675
Lowe's Companies, Inc.	60,800	4,052,928
TJX Companies, Inc.	270,400	6,281,392
		13,697,995
Consumer Staples 5.6%		
Food Products 2.6%		
General Mills, Inc.	90,500	4,463,460
Unilever NV (NY Shares)	52,500	3,604,125
		8,067,585
Household Products 3.0%		
Colgate-Palmolive Co.	91,900	5,040,715
Kimberly-Clark Corp.	70,300	4,193,395
		9,234,110
Energy 14.8%		
Energy Equipment & Services 2.1%		
Baker Hughes, Inc.	53,700	3,263,886
Halliburton Co.	49,000	3,036,040
		6,299,926
Oil, Gas & Consumable Fuels 12.7%		
BP PLC (ADR)	81,044	5,204,646
Chevron Corp.	135,300	7,680,981
ConocoPhillips	63,200	3,676,976
ExxonMobil Corp.	214,700	12,059,699
Marathon Oil Corp.	74,100	4,517,877
PetroChina Co., Ltd. (ADR) (a)	17,300	1,417,908
Royal Dutch Shell PLC "A" (ADR)	75,900	4,667,091
		39,225,178
Financials 23.9%		
Banks 11.8%		
AmSouth Bancorp.	154,500	4,049,445
Bank of America Corp.	205,426	9,480,410
PNC Financial Services Group, Inc.	55,500	3,431,565
SunTrust Banks, Inc.	32,300	2,350,148
US Bancorp.	99,500	2,974,055
Wachovia Corp.	136,000	7,188,960
Wells Fargo & Co.	112,800	7,087,224
		36,561,807
Capital Markets 3.0%		
Bear Stearns Companies, Inc.	27,300	3,153,969
Merrill Lynch & Co., Inc.	42,200	2,858,206
Morgan Stanley	58,700	3,330,638
		9,342,813
Diversified Financial Services 6.2%		
Citigroup, Inc.	141,000	6,842,730
Freddie Mac	59,700	3,901,395
JPMorgan Chase & Co.	207,800	8,247,582
		18,991,707
Insurance 2.9%		
AFLAC, Inc.	66,500	3,086,930
American International Group, Inc.	85,500	5,833,665
		8,920,595
Health Care 7.1%		
Health Care Equipment & Supplies 1.7%		
Baxter International, Inc.	134,500	**5,063,925**
Pharmaceuticals 5.4%		
Abbott Laboratories	172,300	6,793,789
Johnson & Johnson	79,900	4,801,990
Mylan Laboratories, Inc.	81,300	1,622,748
Wyeth	75,400	3,473,678
		16,692,205
Industrials 8.8%		
Aerospace & Defense 2.9%		
Honeywell International, Inc.	65,800	2,451,050
L-3 Communications Holdings, Inc.	52,900	3,933,115
United Technologies Corp.	44,800	2,504,768
		8,888,933
Air Freight & Logistics 1.2%		
FedEx Corp.	36,900	**3,815,091**
Commercial Services & Supplies 0.5%		
Pitney Bowes, Inc.	35,400	**1,495,650**
Industrial Conglomerates 1.7%		
General Electric Co.	153,600	**5,383,680**
Machinery 2.5%		
Dover Corp.	85,100	3,445,699
Ingersoll-Rand Co., Ltd. "A"	105,400	4,254,998
		7,700,697
Information Technology 18.7%		
Communications Equipment 4.2%		
Cisco Systems, Inc.*	380,900	6,521,008
Nokia Oyj (ADR)	356,400	6,522,120
		13,043,128
Computers & Peripherals 3.6%		
Hewlett-Packard Co.	193,197	5,531,230
International Business Machines Corp.	67,600	5,556,720
		11,087,950
IT Consulting & Services 3.0%		
Automatic Data Processing, Inc.	115,600	5,304,884
First Data Corp.	92,000	3,956,920
		9,261,804
Semiconductors & Semiconductor Equipment 6.4%		
Applied Materials, Inc.	380,100	6,818,994
Intel Corp.	380,700	9,502,272
Texas Instruments, Inc.	104,100	3,338,487
		19,659,753
Software 1.5%		
Microsoft Corp.	182,000	**4,759,300**

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

	Shares	Value ($)
Materials 3.1%		
Chemicals 2.1%		
Air Products & Chemicals, Inc.	38,600	2,284,734
E.I. du Pont de Nemours & Co.	98,600	4,190,500
		6,475,234
Containers & Packaging 1.0%		
Sonoco Products Co.	108,500	**3,189,900**
Telecommunication Services 2.9%		
Diversified Telecommunication Services		
AT&T, Inc.	174,700	4,278,403
Verizon Communications, Inc.	155,400	4,680,648
		8,959,051
Utilities 3.9%		
Electric Utilities		
FPL Group, Inc.	77,100	3,204,276
Progress Energy, Inc.	69,800	3,065,616
Southern Co.	162,100	5,597,313
		11,867,205
Total Common Stocks (Cost $253,272,189)		**293,438,013**

	Shares	Value ($)
Securities Lending Collateral 0.3%		
Daily Assets Fund Institutional, 4.28% (b) (c) (Cost $837,500)	837,500	**837,500**
Cash Equivalents 5.1%		
Cash Management QP Trust, 4.26% (d) (Cost $15,574,214)	15,574,214	**15,574,214**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $269,683,903)†	100.5	**309,849,727**
Other Assets and Liabilities, Net	(0.5)	**(1,410,288)**
Net Assets	100.0	**308,439,439**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $271,423,513. At December 31, 2005, net unrealized appreciation for all securities based on tax cost was $38,426,214. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $40,528,084 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $2,101,870.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at December 31, 2005 amounted to $819,600 which is 0.3% of net assets.*

(b) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

(d) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

ADR: American Depositary Receipt

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2005

Assets	
Investments:	
Investments in securities, at value (cost $253,272,189) — including $819,600 of securities loaned	$ 293,438,013
Investment in Daily Assets Fund Institutional (cost $837,500)*	837,500
Investment in Cash Management QP Trust (cost $15,574,214)	15,574,214
Total investments in securities, at value (cost $269,683,903)	309,849,727
Dividends receivable	288,188
Interest receivable	65,415
Receivable for Portfolio shares sold	455,993
Foreign taxes recoverable	5,246
Other assets	9,748
Total assets	310,674,317

Liabilities	
Payable for Portfolio shares redeemed	307,695
Payable for investments purchased	799,024
Payable upon return of securities loaned	837,500
Accrued management fee	194,799
Other accrued expenses and payables	95,860
Total liabilities	2,234,878
Net assets, at value	**$ 308,439,439**

Net Assets	
Net assets consist of:	
Undistributed net investment income	4,759,802
Net unrealized appreciation (depreciation) on investments	40,165,824
Accumulated net realized gain (loss)	(15,524,916)
Paid-in capital	279,038,729
Net assets, at value	**$ 308,439,439**
Class A	
Net Asset Value, offering and redemption price per share ($267,956,008 ÷ 16,949,748 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 15.81**
Class B	
Net Asset Value, offering and redemption price per share ($40,483,431 ÷ 2,564,460 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 15.79**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2005

Investment Income	
Income:	
Dividends (net of foreign taxes withheld of $96,906)	$ 7,036,089
Interest — Cash Management QP Trust	437,331
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	31,589
Total Income	7,505,009
Expenses:	
Management fee	2,307,055
Custodian fees	15,679
Distribution service fees (Class B)	100,801
Record keeping fees (Class B)	61,577
Auditing	43,852
Legal	13,101
Trustees' fees and expenses	13,203
Reports to shareholders	61,778
Other	14,777
Total expenses before expense reductions	2,631,823
Expense reductions	(17,741)
Total expenses after expense reductions	2,614,082
Net investment income (loss)	**4,890,927**

Realized and Unrealized Gain (Loss) on Investment Transactions	
Net realized gain (loss) from investments	11,041,062
Net unrealized appreciation (depreciation) during the period on investments	(10,143,924)
Net gain (loss) on investment transactions	**897,138**
Net increase (decrease) in net assets resulting from operations	**$ 5,788,065**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2005	2004
Operations:		
Net investment income (loss)	$ 4,890,927	$ 5,323,805
Net realized gain (loss) on investment transactions	11,041,062	13,617,082
Net unrealized appreciation (depreciation) during the period on investment transactions	(10,143,924)	9,876,005
Net increase (decrease) in net assets resulting from operations	5,788,065	28,816,892
Distributions to shareholders from:		
Net investment income:		
Class A	(4,761,672)	(4,099,698)
Class B	(575,737)	(305,336)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	36,091,471	26,091,725
Reinvestment of distributions	4,761,672	4,099,698
Cost of shares redeemed	(47,266,915)	(40,278,155)
Net increase (decrease) in net assets from Class A share transactions	(6,413,772)	(10,086,732)
Class B		
Proceeds from shares sold	4,068,880	22,917,145
Reinvestment of distributions	575,737	305,336
Cost of shares redeemed	(4,564,820)	(3,736,209)
Net increase (decrease) in net assets from Class B share transactions	79,797	19,486,272
Increase (decrease) in net assets	(5,883,319)	33,811,398
Net assets at beginning of period	314,322,758	280,511,360
Net assets at end of period (including undistributed net investment income of $4,759,802 and $5,206,284, respectively)	**$ 308,439,439**	**$ 314,322,758**

Other Information		
Class A		
Shares outstanding at beginning of period	17,350,180	18,033,776
Shares sold	2,330,962	1,766,310
Shares issued to shareholders in reinvestment of distributions	312,241	282,738
Shares redeemed	(3,043,635)	(2,732,644)
Net increase (decrease) in Class A shares	(400,432)	(683,596)
Shares outstanding at end of period	**16,949,748**	**17,350,180**
Class B		
Shares outstanding at beginning of period	2,560,016	1,221,656
Shares sold	261,484	1,563,652
Shares issued to shareholders in reinvestment of distributions	37,679	21,029
Shares redeemed	(294,719)	(246,321)
Net increase (decrease) in Class B shares	4,444	1,338,360
Shares outstanding at end of period	**2,564,460**	**2,560,016**

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

Financial Highlights

Class A

Years Ended December 31,	2005	2004	2003	2002	2001
Selected Per Share Data					
Net asset value, beginning of period	**$15.79**	**$14.57**	**$11.24**	**$13.40**	**$13.40**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.26	.27	.24	.23	.23
Net realized and unrealized gain (loss) on investment transactions	.04	1.18	3.33	(2.20)	.01
Total from investment operations	.30	1.45	3.57	(1.97)	.24
Less distributions from:					
Net investment income	(.28)	(.23)	(.24)	(.19)	(.24)
Net asset value, end of period	**$15.81**	**$15.79**	**$14.57**	**$11.24**	**$13.40**
Total Return (%)	1.97[b]	10.07	32.60	(14.98)	1.87
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	268	274	263	215	257
Ratio of expenses before expense reductions (%)	.80	.80	.80	.79	.79
Ratio of expenses after expense reductions (%)	.80	.80	.80	.79	.79
Ratio of net investment income (loss) (%)	1.64	1.84	1.94	1.84	1.75
Portfolio turnover rate (%)	64	40	58	84	72

a *Based on average shares outstanding during the period.*
b *Total return would have been lower had certain expenses not been reduced.*

Class B

Years Ended December 31,	2005	2004	2003	2002[a]
Selected Per Share Data				
Net asset value, beginning of period	**$15.77**	**$14.55**	**$11.23**	**$12.77**
Income (loss) from investment operations:				
Net investment income (loss)[b]	.19	.22	.18	.15
Net realized and unrealized gain (loss) on investment transactions	.05	1.17	3.35	(1.69)
Total from investment operations	.24	1.39	3.53	(1.54)
Less distributions from:				
Net investment income	(.22)	(.17)	(.21)	—
Net asset value, end of period	**$15.79**	**$15.77**	**$14.55**	**$11.23**
Total Return (%)	1.58[c]	9.65	32.19	(12.06)**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	40	40	18	.5
Ratio of expenses before expense reductions (%)	1.21	1.18	1.19	1.04*
Ratio of expenses after expense reductions (%)	1.20	1.18	1.19	1.04*
Ratio of net investment income (loss) %)	1.24	1.46	1.55	2.74*
Portfolio turnover rate (%)	64	40	58	84**

a *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
b *Based on average shares outstanding during the period.*
c *Total return would have been lower had certain expenses not been reduced.*
* *Annualized*
** *Not annualized*

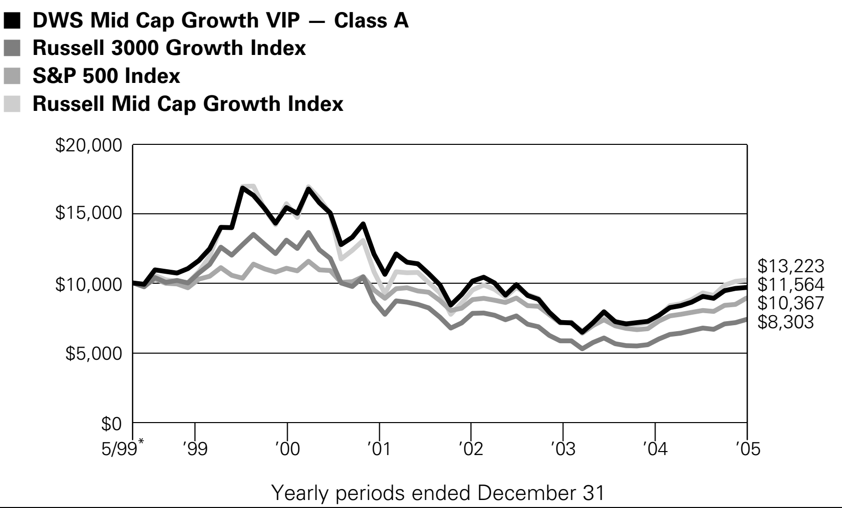
DWS Mid Cap Growth VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

This Portfolio is subject to stock market risk, meaning stocks in the portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile. In addition, this Portfolio is nondiversified and can take larger positions in fewer companies, increasing its overall potential risk.

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

Growth of an Assumed $10,000 Investment in DWS Mid Cap Growth VIP from 5/1/1999 to 12/31/2005



The Russell 3000 Growth Index is an unmanaged, capitalization-weighted index containing the growth stocks in the Russell 3000 Index with higher price-to-book ratios and higher forecasted growth values. The Standard & Poor's (S&P) 500 Index is an unmanaged capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Russell Midcap Growth Index is an unmanaged index that measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth Index.

Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Mid Cap Growth VIP		1-Year	3-Year	5-Year	Life of Portfolio*
Class A	Growth of $10,000	$11,504	$16,034	$8,698	$11,564
	Average annual total return	15.04%	17.04%	–2.75%	2.21%
Russell 3000 Growth Index	Growth of $10,000	$10,517	$14,728	$8,519	$8,303
	Average annual total return	5.17%	13.78%	–3.15%	–2.75%
S&P 500 Index	Growth of $10,000	$10,491	$14,970	$10,275	$10,367
	Average annual total return	4.91%	14.39%	.54%	.54%
Russell Mid Cap Growth Index	Growth of $10,000	$11,210	$18,474	$10,709	$13,223
	Average annual total return	12.10%	22.70%	1.38%	4.28%

DWS Mid Cap Growth VIP		1-Year	3-Year	Life of Class**
Class B	Growth of $10,000	$11,465	$15,850	$15,061
	Average annual total return	14.65%	16.59%	12.42%
Russell 3000 Growth Index	Growth of $10,000	$10,517	$14,728	$13,340
	Average annual total return	5.17%	13.78%	8.58%
S&P 500 Index	Growth of $10,000	$10,491	$14,970	$13,428
	Average annual total return	4.91%	14.39%	8.79%
Russell Mid Cap Growth Index	Growth of $10,000	$11,210	$18,474	$16,702
	Average annual total return	12.10%	22.70%	15.78%

The growth of $10,000 is cumulative.

* *The Portfolio commenced operations on May 1, 1999. Index returns begin April 30, 1999.*

** *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.*

Information About Your Portfolio's Expenses

DWS Mid Cap Growth VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include sales charges (loads), redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The tables are based on an investment of $1,000 made at the beginning of the six-month period ended December 31, 2005.

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

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

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

Expenses and Value of a $1,000 Investment for the six months ended December 31, 2005

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,092.70	$1,090.60
Expenses Paid per $1,000*	$ 5.01	$ 6.90
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,020.42	$1,018.60
Expenses Paid per $1,000*	$ 4.84	$ 6.67

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

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Mid Cap Growth VIP	.95%	1.31%

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

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

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

DWS Mid Cap Growth VIP

For the 12-month period ended December 31, 2005, US the stock market was weighed down by concerns over rising interest rates and the possibility of a resurgence in inflation. On the plus side, the US economy appears to be somewhat stronger than what might be expected at this stage of an expansion. Gross domestic product has expanded for 16 consecutive quarters, beginning in the fourth quarter of 2001, and corporate profits are still increasing. Other positive signs in 2005 included increased business investment in capital projects and information technology. During the period, mid-cap stocks posted significantly higher returns than large-cap or small-cap stocks.

For its most recent fiscal year, the Portfolio returned 15.04% (Class A shares, unadjusted for contract charges), outperforming the 12.10% return of the Russell Midcap Growth Index.

During the 12-month period, stock selection within the financials and energy sectors boosted performance. In addition, our overweight in the health care area helped returns. Detractors from performance during the 12-month period included the Portfolio's underweight in materials compared with the benchmark and stock selection in the information technology sector.

Samuel A. Dedio
Robert S. Janis

Co-Lead Portfolio Managers

Deutsche Investment Management Americas Inc.

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

This Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. It is nondiversified and can take larger positions in fewer companies, increasing its overall potential risk. In addition, this Portfolio is nondiversified and can take larger positions in fewer companies, increasing its overall potential risk. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Russell Midcap Growth Index is an unmanaged index that measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth Index.

The Russell 3000 Growth Index is an unmanaged, capitalization-weighted index containing the growth stocks in the Russell 3000 Index with higher price-to-book ratios and higher forecasted growth values.

Mid-cap stocks are represented by the Russell Midcap Growth Index as defined above. Large-cap stocks are measured by the Russell 1000 Index which measures the performance of the 1,000 largest companies in the Russell 3000 Index. Small-cap stocks are measured by the Russell 2000 Index which is an unmanaged capitalization-weighted measure of approximately 2,000 of the smallest companies in the Russell 3000 Index.

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

Portfolio management market commentary is as of December 31, 2005, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Mid Cap Growth VIP

Asset Allocation (Excludes Securities Lending Collateral)	**12/31/05**	**12/31/04**
Common Stocks	97%	97%
Cash Equivalents	2%	3%
Exchange Traded Funds	1%	—
	100%	100%

Sector Diversification (As a % of Common Stocks)	**12/31/05**	**12/31/04**
Health Care	22%	26%
Consumer Discretionary	22%	17%
Information Technology	21%	25%
Energy	11%	2%
Industrials	10%	5%
Financials	10%	13%
Consumer Staples	3%	5%
Telecommunication Services	1%	2%
Materials	—	5%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 155. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on the 15th of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Mid Cap Growth VIP

	Shares	Value ($)
Common Stocks 97.0%		
Consumer Discretionary 21.0%		
Hotels Restaurants & Leisure 6.4%		
P.F. Chang's China Bistro, Inc.* (a)	28,270	1,403,040
Station Casinos, Inc.	18,920	1,282,776
The Cheesecake Factory, Inc.*	38,920	1,455,219
		4,141,035
Specialty Retail 6.1%		
Chico's FAS, Inc.*	48,970	2,151,252
Urban Outfitters, Inc.* (a)	68,900	1,743,859
		3,895,111
Textiles, Apparel & Luxury Goods 8.5%		
Coach, Inc.*	56,600	1,887,044
Polo Ralph Lauren Corp.	39,040	2,191,706
Quicksilver, Inc.* (a)	97,860	1,354,382
		5,433,132
Consumer Staples 3.0%		
Food & Staples Retailing 0.9%		
Herbalife Ltd.* (a)	18,200	**591,864**
Household Products 2.1%		
Jarden Corp.* (a)	43,260	**1,304,289**
Energy 10.7%		
Energy Equipment & Services 4.6%		
BJ Services Co.	24,450	896,581
Noble Corp.	17,870	1,260,550
Rowan Companies, Inc.	23,050	821,502
		2,978,633
Oil, Gas & Consumable Fuels 6.1%		
Peabody Energy Corp.	24,320	2,004,455
Ultra Petroleum Corp.*	33,630	1,876,554
		3,881,009
Financials 9.2%		
Capital Markets 4.8%		
E*TRADE Financial Corp.*	86,010	1,794,168
Legg Mason, Inc.	10,830	1,296,243
		3,090,411
Diversified Financial Services 4.4%		
Affiliated Managers Group, Inc.* (a)	22,410	1,798,403
Nuveen Investments "A"	23,900	1,018,618
		2,817,021
Health Care 21.6%		
Biotechnology 6.1%		
Celgene Corp.*	26,690	1,729,512
Genzyme Corp.*	17,840	1,262,715
Invitrogen Corp.*	13,410	893,643
		3,885,870
Health Care Equipment & Supplies 3.7%		
C.R. Bard, Inc.	18,040	1,189,197
Fisher Scientific International, Inc.*	19,410	1,200,702
		2,389,899
Health Care Providers & Services 11.8%		
AMERIGROUP Corp.*	70,480	1,371,541
Community Health Systems, Inc.*	33,510	1,284,773
Coventry Health Care, Inc.*	28,180	1,605,133
DaVita, Inc.*	26,760	1,355,126
Omnicare, Inc.	33,550	1,919,731
		7,536,304
Industrials 10.1%		
Construction & Engineering 1.1%		
Chicago Bridge & Iron Co., NV (New York Shares) (a)	28,260	**712,435**
Electrical Equipment 3.7%		
Molex, Inc. "A"	39,490	971,059
Roper Industries, Inc.	34,850	1,376,923
		2,347,982
Machinery 5.3%		
Joy Global, Inc.	24,690	987,600
Oshkosh Truck Corp.	30,580	1,363,562
Terex Corp.*	17,940	1,065,636
		3,416,798
Information Technology 20.3%		
Communications Equipment 2.0%		
Andrew Corp.* (a)	870	9,335
Comverse Technologies, Inc.*	46,890	1,246,805
		1,256,140
Computers & Peripherals 1.4%		
NCR Corp.*	26,720	**906,877**
Electronic Equipment & Instruments 1.8%		
Cogent, Inc.*	51,300	**1,163,484**
Internet Software & Services 1.5%		
VeriSign, Inc.*	44,770	**981,358**
IT Consulting & Services 1.0%		
Cognizant Technology Solutions Corp. "A"*	12,650	**636,927**
Semiconductors & Semiconductor Equipment 3.8%		
Broadcom Corp. "A"*	27,040	1,274,936
Linear Technology Corp.	32,870	1,185,621
		2,460,557
Software 8.8%		
Activision, Inc.*	88,743	1,219,329
Business Objects SA (ADR)* (a)	36,430	1,472,136
NAVTEQ Corp.*	29,900	1,311,713
Salesforce.com, Inc.* (a)	50,750	1,626,538
		5,629,716
Telecommunication Services 1.1%		
Wireless Telecommunication Services		
NII Holdings, Inc.*	15,860	**692,765**
Total Common Stocks (Cost $49,404,421)		**62,149,617**
Exchange Traded Funds 1.5%		
iShares Russell Midcap Growth Index Fund (Cost $940,746)	10,200	**958,392**

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

	Shares	Value ($)
Securities Lending Collateral 16.5%		
Daily Assets Fund Institutional, 4.28% (b) (c) (Cost $10,569,018)	10,569,018	**10,569,018**
Cash Equivalents 2.0%		
Cash Management QP Trust, 4.26% (d) (Cost $1,293,926)	1,293,926	**1,293,926**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $62,208,111)†	117.0	**74,970,953**
Other Assets and Liabilities, Net	(17.0)	**(10,867,512)**
Net Assets	100.0	**64,103,441**

Notes to DWS Mid Cap Growth VIP Portfolio of Investments

* *Non-income producing security.*

† *The cost for federal income tax purposes was $62,302,764. At December 31, 2005, net unrealized appreciation for all securities based on tax cost was $12,668,189. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $14,035,495 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $1,367,306.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at December 31, 2005 amounted to $10,219,659 which is 15.9% of net assets.*

(b) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

(d) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

ADR: American Depositary Receipt

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2005

Assets		
Investments:		
Investments in securities, at value (cost $50,345,167) — including $10,219,659 of securities loaned	$	63,108,009
Investment in Daily Assets Fund Institutional (cost $10,569,018)*		10,569,018
Investment in Cash Management QP Trust (cost $1,293,926)		1,293,926
Total investments in securities, at value (cost $62,208,111)		74,970,953
Receivable for investments sold		265,389
Dividends receivable		7,098
Interest receivable		6,066
Other assets		1,758
Total assets		75,251,264
Liabilities		
Payable for investments purchased		391,707
Payable for Portfolio shares redeemed		101,569
Payable upon return of securities loaned		10,569,018
Accrued management fee		15,246
Other accrued expenses and payables		70,283
Total liabilities		11,147,823
Net assets, at value	**$**	**64,103,441**
Net Assets		
Net assets consist of:		
Accumulated net investment loss		(4,048)
Net unrealized appreciation (depreciation) on investments		12,762,842
Accumulated net realized gain (loss)		(32,985,973)
Paid-in capital		84,330,620
Net assets, at value	**$**	**64,103,441**
Class A		
Net Asset Value, offering and redemption price per share ($57,248,690 ÷ 5,056,911 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.32**
Class B		
Net Asset Value, offering and redemption price per share ($6,854,751 ÷ 612,639 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.19**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2005

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $127)	$	221,238
Interest — Cash Management QP Trust		71,717
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		11,833
Total Income		304,788
Expenses:		
Management fee		453,434
Custodian and accounting fees		71,985
Distribution service fees (Class B)		15,682
Record keeping fees (Class B)		9,109
Auditing		41,776
Legal		10,624
Trustees' fees and expenses		4,499
Reports to shareholders		19,814
Other		6,634
Total expenses before expense reductions		633,557
Expense reductions		(36,040)
Total expenses after expense reductions		597,517
Net investment income (loss)		**(292,729)**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from investments		6,195,328
Net unrealized appreciation (depreciation) during the period on investments		2,483,401
Net gain (loss) on investment transactions		**8,678,729**
Net increase (decrease) in net assets resulting from operations	**$**	**8,386,000**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2005	2004
Operations:		
Net investment income (loss)	$ (292,729)	$ (84,055)
Net realized gain (loss) on investment transactions	6,195,328	2,570,533
Net unrealized appreciation (depreciation) during the period on investment transactions	2,483,401	(452,406)
Net increase (decrease) in net assets resulting from operations	8,386,000	2,034,072
Portfolio share transactions:		
Class A		
Proceeds from shares sold	10,629,646	4,965,372
Cost of shares redeemed	(14,069,195)	(9,699,886)
Net increase (decrease) in net assets from Class A share transactions	(3,439,549)	(4,734,514)
Class B		
Proceeds from shares sold	1,213,427	2,601,994
Cost of shares redeemed	(1,408,796)	(435,771)
Net increase (decrease) in net assets from Class B share transactions	(195,369)	2,166,223
Increase (decrease) in net assets	4,751,082	(534,219)
Net assets at beginning of period	59,352,359	59,886,578
Net assets at end of period (including accumulated net investment loss of $4,048 and $2,093, respectively)	**$ 64,103,441**	**$ 59,352,359**

Other Information		
Class A		
Shares outstanding at beginning of period	5,401,258	5,923,874
Shares sold	1,010,050	534,758
Shares redeemed	(1,354,397)	(1,057,374)
Net increase (decrease) in Class A shares	(344,347)	(522,616)
Shares outstanding at end of period	**5,056,911**	**5,401,258**
Class B		
Shares outstanding at beginning of period	634,195	405,258
Shares sold	115,791	277,046
Shares redeemed	(137,347)	(48,109)
Net increase (decrease) in Class B shares	(21,556)	228,937
Shares outstanding at end of period	**612,639**	**634,195**

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

Financial Highlights

Class A

Years Ended December 31,	2005	2004	2003	2002	2001
Selected Per Share Data					
Net asset value, beginning of period	**$ 9.84**	**$ 9.46**	**$ 7.06**	**$10.22**	**$13.20**
Income (loss) from investment operations:					
Net investment income (loss)[a]	(.05)	(.01)	(.05)	(.01)	.06
Net realized and unrealized gain (loss) on investment transactions	1.53	.39	2.45	(3.11)	(2.92)
Total from investment operations	1.48	.38	2.40	(3.12)	(2.86)
Less distributions from:					
Net investment income	—	—	—	(.04)	(.12)
Net asset value, end of period	**$11.32**	**$ 9.84**	**$ 9.46**	**$ 7.06**	**$10.22**
Total Return (%)	15.04[b]	4.02[b]	33.99[b]	(30.66)	(21.76)
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	57	53	56	44	71
Ratio of expenses before expense reductions (%)	1.01	1.02	.98	.81	.86
Ratio of expenses after expense reductions (%)	.95	.95	.95	.81	.86
Ratio of net investment income (%)	(.45)	(.11)	(.57)	(.19)	.58
Portfolio turnover rate (%)	104	103	91	71	42

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

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

Class B

Years Ended December 31,	2005	2004	2003	2002[a]
Selected Per Share Data				
Net asset value, beginning of period	**$ 9.76**	**$ 9.42**	**$ 7.06**	**$ 7.43**
Income (loss) from investment operations:				
Net investment income (loss)[b]	(.09)	(.05)	(.09)	(.02)
Net realized and unrealized gain (loss) on investment transactions	1.52	.39	2.45	(.35)
Total from investment operations	1.43	.34	2.36	(.37)
Net asset value, end of period	**$11.19**	**$ 9.76**	**$ 9.42**	**$ 7.06**
Total Return (%)	14.65[c]	3.61[c]	33.43[c]	(4.98)**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	7	6	4	.1
Ratio of expenses before expense reductions (%)	1.40	1.41	1.37	1.06*
Ratio of expenses after expense reductions (%)	1.32	1.34	1.34	1.06*
Ratio of net investment income (%)	(.82)	(.50)	(.96)	(.47)*
Portfolio turnover rate (%)	104	103	91	71

a *For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

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

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

* *Annualized*

** *Not annualized*

Performance Summary

December 31, 2005

DWS Money Market VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

Risk Considerations

An investment in this Portfolio is not insured or guaranteed by the Federal Deposit Insurance Corporation or by any other government agency. Although the Portfolio seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the Portfolio. Please read this Portfolio's prospectus for specific details regarding its investment and risk profile.

Portfolio's Class A Shares Yield	7-day current yield	7-day compounded effective yield
December 31, 2005	3.74%	3.81%
December 31, 2004	1.62%	1.63%

Portfolio's Class B Shares Yield	7-day current yield	7-day compounded effective yield
December 31, 2005	3.38%	3.43%
December 31, 2004	1.24%	1.25%

Yields are historical, will fluctuate and do not guarantee future performance. The 7-day current yield refers to the income paid by the Portfolio over a 7-day period expressed as an annual percentage rate of the Portfolio's shares outstanding. The 7-day compounded effective yield is the annualized yield based on the most recent 7 days of interest earnings with all income reinvested.

Information About Your Portfolio's Expenses

DWS Money Market VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include sales charges (loads), redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The tables are based on an investment of $1,000 made at the beginning of the six-month period ended December 31, 2005.

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

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

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

Expenses and Value of a $1,000 Investment for the six months ended December 31, 2005

Actual Portfolio Return	Class A	Class B
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,016.50	$1,014.60
Expenses Paid per $1,000*	$ 2.69	$ 4.57
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,022.53	$1,020.67
Expenses Paid per $1,000*	$ 2.70	$ 4.58

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

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Money Market VIP	.53%	.90%

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

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

DWS Money Market VIP

During the 12-month period ended December 31, 2005, the US Federal Reserve Board (the Fed) continued its recent policy of increasing short-term interest rates in an attempt to head off a resurgence in inflation. The federal funds rate[1] was raised to 4.25% in eight quarter-percentage-point increments in 2005. At the end of December 2005, the one-year LIBOR rate, an industry standard for measuring one-year money market rates, was close to a four-year high, at 4.84%.

For the 12-month period ended December 31, 2005, the Portfolio provided a total return of 2.80% (Class A shares, unadjusted for contract charges). Please see page 160 for standardized performance as of December 31, 2005.

For the period, our strategy was to keep the Portfolio's average maturity relatively short in order to reduce risk, generally limiting our purchases to three-month-maturity issues and shorter. (Shorter-term securities are generally less risky than longer-term securities and are therefore potentially more attractive in a difficult environment.) From time to time, when the market offered more attractive yields at longer maturities, we added some longer-term issues. During the period, we maintained a target allocation of approximately 25% to 30% in floating-rate securities. Our decision to maintain this allocation helped performance during the period. There were no significant detractors from performance. Going forward, we will continue our insistence on the highest credit quality within the Portfolio and maintain our conservative investment strategies and standards.

A group of investment professionals is responsible for the day-to-day management of the Portfolio. These investment professionals have a broad range of experience managing money market funds.

Deutsche Investment Management Americas Inc.

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. The yield quotation more closely reflects the current earnings of the Portfolio than the total return quotation.

Risk Considerations

An investment in this Portfolio is not insured or guaranteed by the Federal Deposit Insurance Corporation or by any other government agency. Although the Portfolio seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the Portfolio. Please read this Portfolio's prospectus for specific details regarding its investment and risk profile.

LIBOR, the London Interbank Offered Rate, is the most widely used benchmark or reference rate for short-term interest rates. LIBOR is the rate of interest at which banks borrow funds from other banks, in large volume, in the international market.

1 *Federal funds rate — the overnight rate charged by banks when they borrow money from each other. Set by the Federal Open Market Committee (FOMC), the fed funds rate is the most sensitive — and closely watched — indicator concerning the direction of short-term interest rates. The FOMC is a key committee within the US Federal Reserve System, and meets every six weeks to review Fed policy on short-term rates. Based on current Fed policy, the FOMC may choose to raise or lower the fed funds rate to either add liquidity to the economy or remove it.*

Portfolio management market commentary is as of December 31, 2005, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Money Market VIP

Asset Allocation	12/31/05	12/31/04
Commercial Paper	32%	41%
Short Term Notes	30%	22%
Certificates of Deposit and Bank Notes	25%	12%
Repurchase Agreements	7%	8%
Funding Agreement	4%	3%
US Government Sponsored Agencies***	2%	11%
Promissory Notes	—	3%
	100%	100%

*** *Not backed by the full faith and credit of the US Government.*

Weighted Average Maturity*		
DWS Variable Series II — DWS Money Market VIP	35 days	30 days
First Tier Money Fund Average	38 days	36 days

* *The Portfolio is compared to its respective iMoneyNet category: Category includes only non-government retail funds that are not holding any second tier securities. Portfolio Holdings of First Tier funds include US Other Repos, Time Deposits, Domestic Bank Obligations, Foreign Bank Obligations, First Tier CP, Floating Rate Notes and Asset backed Commercial Paper.*

Asset allocation and weighted average maturity are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 164. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on the 15th day of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

Investment Portfolio

DWS Money Market VIP

	Principal Amount ($)	Value ($)
Certificates of Deposit and Bank Notes 25.2%		
Banco Bilbao Vizcaya Argentaria SA, 4.055%, 1/11/2006	14,000,000	13,998,762
Bank of Tokyo-Mitsubishi, 4.38%, 1/17/2006	15,000,000	15,000,000
Depfa Bank PLC, 3.22%, 2/6/2006	3,000,000	3,000,000
HBOS Treasury Services PLC, 3.8%, 7/10/2006	3,000,000	3,000,000
Norinchukin Bank:		
4.3%, 1/25/2006	6,000,000	6,000,000
4.3%, 1/31/2006	9,000,000	9,000,000
Societe Generale, 3.265%, 3/3/2006	3,000,000	3,000,000
Toronto Dominion Bank, 3.75%, 5/16/2006	3,000,000	2,999,891
UniCredito Italiano SpA, 3.8%, 6/15/2006	3,000,000	3,000,000
Wells Fargo Bank NA, 4.31%, 1/26/2006	15,000,000	15,000,000
Total Certificates of Deposit and Bank Notes (Cost $73,998,653)		**73,998,653**
Commercial Paper 32.0%**		
Abbey National PLC, 4.45%, 1/3/2006	14,000,000	13,996,539
Atlantis One Funding Corp., 3.93%, 3/1/2006	3,000,000	2,980,678
CIT Group, Inc., 4.21%, 2/8/2006	14,000,000	13,937,786
Giro Funding US Corp., 4.33%, 1/27/2006	12,000,000	11,962,473
Greyhawk Funding LLC, 4.205%, 2/1/2006	14,000,000	13,949,306
Lake Constance Funding LLC, 3.99%, 1/3/2006	12,000,000	11,997,340
Liberty Street Funding, 4.36%, 2/2/2006	8,000,000	7,968,996
Perry Global Funding LLC, Series A, 4.31%, 1/26/2006	14,000,000	13,958,097
Swedish National Housing Finance Corp., 3.925%, 3/2/2006	3,000,000	2,980,375
Total Commercial Paper (Cost $93,731,590)		**93,731,590**
US Government Sponsored Agencies* 2.1%**		
Federal National Mortgage Association:		
4.0%, 8/8/2006	3,000,000	3,000,000
4.03%, 7/21/2006	3,000,000	3,000,000
Total US Government Sponsored Agencies (Cost $6,000,000)		**6,000,000**
Funding Agreement 4.1%		
New York Life Insurance Co., 4.57%*, 9/19/2006 (Cost $12,000,000)	12,000,000	**12,000,000**
Short Term Notes* 30.0%		
American Express Credit Corp., 4.32%, 1/9/2007	6,000,000	5,999,349
American Honda Finance Corp., 4.461%, 6/22/2006	2,000,000	2,000,000
BNP Paribas, 144A, 4.349%, 1/26/2007	3,000,000	3,000,000
Canadian Imperial Bank of Commerce, 4.5%, 12/4/2006	6,000,000	6,003,836
Greenwich Capital Holdings, Inc., 4.33%, 6/20/2006	11,000,000	11,000,000
International Business Machines Corp., 144A, 4.329%, 3/8/2006	3,000,000	3,000,000
K2 (USA) LLC, 4.32%, 2/1/2006	16,000,000	16,000,665
Links Finance LLC, 4.325%, 5/22/2006	6,000,000	5,999,762
M&I Marshall & Ilsley Bank, 144A, 4.349%, 12/15/2006	4,000,000	4,000,000
Merrill Lynch & Co., Inc.:		
4.36%, 5/5/2006	3,000,000	3,000,820
4.547%, 3/17/2006	10,000,000	10,001,500
Skandinaviska Enskila Banken, 144A, 4.38%, 7/18/2006	3,000,000	3,000,000
Tango Finance Corp., 144A, 4.08%, 9/18/2006	15,000,000	14,999,715
Total Short Term Notes (Cost $88,005,647)		**88,005,647**
Repurchase Agreements 6.5%		
State Street Bank & Trust Co., 3.20%, dated 12/30/2005, to be repurchased at $190,068 on 1/3/2006 (a)	190,000	190,000
The Goldman Sachs Co., Inc., 4.33%, dated 12/30/2005, to be repurchased at $19,009,141 on 1/3/2006 (b)	19,000,000	19,000,000
Total Repurchase Agreements (Cost $19,190,000)		**19,190,000**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $292,925,890)†	99.9	**292,925,890**
Other Assets and Liabilities, Net	0.1	**287,145**
Net Assets	100.0	**293,213,035**

Notes to DWS Money Market VIP Portfolio of Investments

† *The cost for federal income tax purposes was $292,925,890.*

* *Floating rate notes are securities whose yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury bill rate. These securities are shown at their current rate as of December 31, 2005.*

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

*** *Not backed by the full faith and credit of the US Government.*

(a) *Collateralized by $200,000 Federal Home Loan Mortgage Corp., Zero Coupon, maturing on 5/2/2006 with a value of $196,966.*

(b) *Collateralized by $19,379,990, Federal National Mortgage Association, with various coupon rates from 3.88–4.91%, and various maturity dates from 10/1/2034 to 10/1/2035 with a value of $19,380,000.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2005

Assets		
Investments:		
Investments in securities, at amortized cost (cost $273,735,890)	$	273,735,890
Repurchase agreements, at amortized cost (cost $19,190,000)		19,190,000
Total investments in securities, at amortized cost (cost $292,925,890)		292,925,890
Cash		235
Interest receivable		957,625
Receivable for Portfolio shares sold		324,766
Other assets		8,798
Total assets		294,217,314
Liabilities		
Dividends payable		472,726
Payable for Portfolio shares redeemed		307,476
Accrued management fee		114,865
Other accrued expenses and payables		109,212
Total liabilities		1,004,279
Net assets, at value	**$**	**293,213,035**
Net Assets		
Net assets consist of:		
Accumulated distributions in excess of net investment income		(40,899)
Paid-in capital		293,253,934
Net assets, at value	**$**	**293,213,035**
Class A		
Net Asset Value, offering and redemption price per share ($234,968,082 ÷ 235,000,612 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**1.00**
Class B		
Net Asset Value, offering and redemption price per share ($58,244,953 ÷ 58,249,841 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**1.00**

Statement of Operations

for the year ended December 31, 2005

Investment Income		
Income:		
Interest	$	10,304,352
Expenses:		
Management fee		1,440,420
Custodian fees		21,483
Distribution service fees (Class B)		140,673
Record keeping fees (Class B)		68,021
Auditing		41,630
Legal		12,884
Trustees' fee and expenses		12,637
Reports to shareholders		91,640
Other		17,743
Total expenses, before expense reductions		1,847,131
Expense reductions		(5,083)
Total expenses, after expense reductions		1,842,048
Net investment income (loss)		**8,462,304**
Net realized gain (loss) on investment transactions		**1,179**
Net increase (decrease) in net assets resulting from operations	**$**	**8,463,483**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2005	2004
Operations:		
Net investment income	$ 8,462,304	$ 3,038,989
Net realized gain (loss) on investment transactions	1,179	3,830
Net increase (decrease) in net assets resulting from operations	8,463,483	3,042,819
Distributions to shareholders from:		
Net investment income:		
Class A	(7,099,842)	(2,746,531)
Class B	(1,362,462)	(313,926)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	227,608,429	220,350,001
Reinvestment of distributions	6,884,287	2,679,083
Cost of shares redeemed	(240,799,854)	(308,224,544)
Net increase (decrease) in net assets from Class A share transactions	(6,307,138)	(85,195,460)
Class B		
Proceeds from shares sold	83,177,262	69,563,948
Reinvestment of distributions	1,303,053	295,489
Cost of shares redeemed	(78,947,805)	(83,569,264)
Net increase (decrease) in net assets from Class B share transactions	5,532,510	(13,709,827)
Increase (decrease) in net assets	(773,449)	(98,922,925)
Net assets at beginning of period	293,986,484	392,909,409
Net assets at end of period (including accumulated distributions in excess of net investment income of $40,899 and $42,078, respectively)	**$ 293,213,035**	**$ 293,986,484**

Other Information		
Class A		
Shares outstanding at beginning of period	241,307,750	326,503,210
Shares sold	227,608,429	220,350,001
Shares issued to shareholders in reinvestment of distributions	6,884,287	2,679,083
Shares redeemed	(240,799,854)	(308,224,544)
Net increase (decrease) in Class A shares	(6,307,138)	(85,195,460)
Shares outstanding at end of period	**235,000,612**	**241,307,750**
Class B		
Shares outstanding at beginning of period	52,717,331	66,427,158
Shares sold	83,177,262	69,563,948
Shares issued to shareholders in reinvestment of distributions	1,303,053	295,489
Shares redeemed	(78,947,805)	(83,569,264)
Net increase (decrease) in Class B shares	5,532,510	(13,709,827)
Shares outstanding at end of period	**58,249,841**	**52,717,331**

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

Financial Highlights

Class A

Years Ended December 31,	2005	2004	2003	2002	2001
Selected Per Share Data					
Net asset value, beginning of period	**$1.000**	**$1.000**	**$1.000**	**$1.000**	**$1.000**
Income from investment operations:					
Net investment income	.028	.009	.007	.013	.037
Total from investment operations	.028	.009	.007	.013	.037
Less distributions from:					
Net investment income	(.028)	(.009)	(.007)	(.013)	(.037)
Net asset value, end of period	**$1.000**	**$1.000**	**$1.000**	**$1.000**	**$1.000**
Total Return (%)	2.80	.91	.72	1.35	3.75
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	235	241	326	570	671
Ratio of expenses (%)	.52	.53	.54	.54	.55
Ratio of net investment income (%)	2.77	.88	.73	1.35	3.39

Class B

Years Ended December 31,	2005	2004	2003	2002[a]
Selected Per Share Data				
Net asset value, beginning of period	**$1.000**	**$1.000**	**$1.000**	**$1.000**
Income from investment operations:				
Net investment income	.024	.005	.004	.007
Total from investment operations	.024	.005	.004	.007
Less distributions from:				
Net investment income	(.024)	(.005)	(.004)	(.007)
Net asset value, end of period	**$1.000**	**$1.000**	**$1.000**	**$1.000**
Total Return (%)	2.42	.52	.42	.67**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	58	53	66	3
Ratio of expenses before expense reductions (%)	.89	.91	.93	.79*
Ratio of expenses after expense reductions (%)	.89	.91	.92	.64*
Ratio of net investment income (%)	2.40	.50	.35	1.11*

a *For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
* *Annualized*
** *Not annualized*

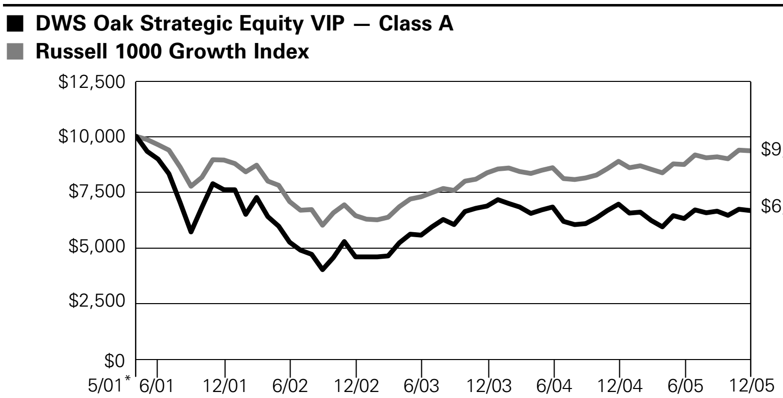
DWS Oak Strategic Equity VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

The Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. The Portfolio may concentrate investments in specific sectors, which creates special risk considerations. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Portfolio returns for life of portfolio for Class A shares and for all periods shown for Class B shares reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

Growth of an Assumed $10,000 Investment in DWS Oak Strategic Equity VIP from 5/1/2001 to 12/31/2005



The Russell 1000 Growth Index is an unmanaged index which consists of those stocks in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth values. Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Oak Strategic Equity VIP		1-Year	3-Year	Life of Portfolio*
Class A	Growth of $10,000	$9,599	$14,566	$6,671
	Average annual total return	-4.01%	13.36%	-8.31%
Russell 1000 Growth Index	Growth of $10,000	$10,526	$14,518	$9,350
	Average annual total return	5.26%	13.23%	-1.43%

DWS Oak Strategic Equity VIP		1-Year	3-Year	Life of Class**
Class B	Growth of $10,000	$9,550	$14,367	$13,056
	Average annual total return	-4.50%	12.84%	7.92%
Russell 1000 Growth Index	Growth of $10,000	$10,526	$14,518	$13,216
	Average annual total return	5.26%	13.23%	8.29%

The growth of $10,000 is cumulative.

* *The Portfolio commenced operations on May 1, 2001. Index returns begin April 30, 2001.*

** *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.*

Information About Your Portfolio's Expenses

DWS Oak Strategic Equity VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include sales charges (loads), redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the portfolio limited these expenses for Class B shares; had it not done so, expenses would have been higher. The tables are based on an investment of $1,000 made at the beginning of the six-month period ended December 31, 2005.

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

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

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

Expenses and Value of a $1,000 Investment for the six months ended December 31, 2005

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,057.10	$1,054.50
Expenses Paid per $1,000*	$ 5.50	$ 7.35
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,019.86	$1,018.05
Expenses Paid per $1,000*	$ 5.40	$ 7.22

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

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Oak Strategic Equity VIP	1.06%	1.42%

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

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

DWS Oak Strategic Equity VIP

DWS Oak Strategic Equity VIP returned –4.01% (Class A shares, unadjusted for contract charges) for the year ended December 31, 2005, compared with 5.26% by its benchmark, the Russell 1000 Growth Index.

Three-quarters of the Portfolio's underperformance was due to stock selection. The other one-quarter of underperformance was due to sector selection.

Stock selection within the information technology (IT) sector was particularly damaging. The Portfolio's holdings in Dell (not held in the Portfolio as of December 31, 2005) and Symantec Corp. hurt performance in this area the most. Stock selection within the consumer discretionary sector also detracted from performance, with eBay, Inc. falling 26% for the year.

Balancing underperformance, stock selection within the health care and financial sectors contributed to the Portfolio's performance. Affymetrix, Inc., Amgen, Inc., Teva Pharmaceutical Industries, Ltd. and Charles Schwab Corp. were all up more than 20%.

In regard to sector selection, the Portfolio's underweight in the energy sector and overweight[1] in the IT sector were significant to performance. A strong rise in oil prices drove the Portfolio's benchmark higher (even though the benchmark has a weighting of only 2.57% in the energy sector); but it drove the Portfolio (which did not have an investment in the energy sector) 92 basis points lower. The energy and IT sectors often perform inversely, and the Portfolio's overweight in IT sector subtracted another 88 basis points. Balancing this, the Portfolio's underweight in the underperforming consumer areas boosted performance.

As we look at the economy, we continue to believe the trend is away from physical assets, such as commodities, and toward intellectual assets, such as technology and medicine. We believe this is confirmed by the backdrop of low interest rates and inflation, which tend to make hard assets less attractive. That said, with the underinvestment that has occurred in some of these areas, such as energy, there are going to be times when they outperform the knowledge-based sectors, as they did in 2005.

James D. Oelschlager

Portfolio Manager

Oak Associates, Ltd., Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when 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 visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

Risk Considerations

The Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. The Portfolio may concentrate investments in specific sectors, which creates special risk considerations. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell 1000 Growth Index is an unmanaged index which consists of those stocks in the Russell 3000 Index with higher price-to-book ratios and higher forecasted growth values. Index returns assume reinvested dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

1 *"Overweight" means the Portfolio holds a higher weighting in a given sector or security than the benchmark. "Underweight" means the Portfolio holds a lower weighting.*

Portfolio management market commentary is as of December 31, 2005, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Oak Strategic Equity VIP

Asset Allocation (Excludes Securities Lending Collateral)	**12/31/05**	**12/31/04**
Common Stocks	99%	99%
Cash Equivalents	1%	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**12/31/05**	**12/31/04**
Information Technology	49%	56%
Health Care	21%	15%
Consumer Discretionary	12%	9%
Financials	11%	14%
Industrials	7%	6%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 172. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on the 15th of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Oak Strategic Equity VIP

	Shares	Value ($)
Common Stocks 99.1%		
Consumer Discretionary 11.7%		
Household Durables 2.0%		
Harman International Industries, Inc.	15,000	**1,467,750**
Internet & Catalog Retail 9.7%		
Amazon.com, Inc.*	62,000	2,923,300
eBay, Inc.*	101,200	4,376,900
		7,300,200
Financials 10.8%		
Capital Markets 6.5%		
Charles Schwab Corp.	335,400	**4,920,318**
Diversified Financial Services 4.3%		
Citigroup, Inc.	65,800	**3,193,274**
Health Care 21.1%		
Biotechnology 8.6%		
Affymetrix, Inc.* (a)	57,000	2,721,750
Amgen, Inc.*	47,300	3,730,078
		6,451,828
Health Care Equipment & Supplies 4.8%		
Medtronic, Inc.	63,000	**3,626,910**
Pharmaceuticals 7.7%		
Pfizer, Inc.	96,200	2,243,384
Teva Pharmaceutical Industries Ltd. (ADR)	83,000	3,569,830
		5,813,214
Industrials 7.3%		
Electrical Equipment 2.7%		
Rockwell Automation, Inc.	34,000	**2,011,440**
Machinery 4.6%		
Caterpillar, Inc.	59,800	**3,454,646**
Information Technology 48.2%		
Communications Equipment 14.5%		
Cisco Systems, Inc.*	204,600	3,502,752
Juniper Networks, Inc.*	134,900	3,008,270
QUALCOMM, Inc.	101,500	4,372,620
		10,883,642
Computers & Peripherals 2.5%		
Avid Technology, Inc.* (a)	35,000	**1,916,600**
Electronic Equipment & Instruments 1.9%		
Symbol Technologies, Inc.	113,600	**1,456,352**
Internet Software & Services 4.0%		
Google, Inc. "A"*	7,200	**2,986,992**
IT Consulting & Services 4.5%		
Cognizant Technology Solutions Corp. "A"*	67,500	**3,398,625**
Semiconductors & Semiconductor Equipment 13.0%		
Applied Materials, Inc.	193,400	3,469,596
Linear Technology Corp.	93,100	3,358,117
Maxim Integrated Products, Inc.	80,950	2,933,628
		9,761,341
Software 7.8%		
Electronic Arts, Inc.*	65,000	3,400,150
Symantec Corp.*	141,000	2,467,500
		5,867,650
Total Common Stocks (Cost $67,105,407)		**74,510,782**
Securities Lending Collateral 5.4%		
Daily Assets Fund Institutional, 4.28% (b) (c) (Cost $4,093,342)	4,093,342	**4,093,342**
Cash Equivalents 1.1%		
Cash Management QP Trust, 4.26% (d) (Cost $803,142)	803,142	**803,142**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $72,001,891)†	105.6	**79,407,266**
Other Assets and Liabilities, Net	(5.6)	**(4,202,995)**
Net Assets	100.0	**75,204,271**

Notes to DWS Oak Strategic Equity VIP Portfolio of Investments

* *Non-income producing security.*

† *The cost for federal income tax purposes was $72,010,417. At December 31, 2005, net unrealized appreciation for all securities based on tax cost was $7,396,849. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $11,331,216 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $3,934,367.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at December 31, 2005 amounted to $4,029,642 which is 5.4% of net assets.*

(b) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

(d) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

ADR: American Depositary Receipt

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2005

Assets		
Investments:		
Investments in securities, at value (cost $67,105,407) — including $4,029,642 of securities loaned	$	74,510,782
Investment in Daily Assets Fund Institutional (cost $4,093,342)*		4,093,342
Investment in Cash Management QP Trust (cost $803,142)		803,142
Total investments in securities, at value (cost $72,001,891)		79,407,266
Dividends receivable		25,074
Interest receivable		2,434
Receivable for Portfolio shares sold		40,626
Other assets		2,045
Total assets		79,477,445

Liabilities		
Payable for Portfolio shares redeemed		54,018
Payable upon return of securities loaned		4,093,342
Accrued management fee		53,534
Other accrued expenses and payables		72,280
Total liabilities		4,273,174
Net assets, at value	**$**	**75,204,271**

Net Assets		
Net assets consist of:		
Accumulated distribution in excess of net investment income		(143)
Net unrealized appreciation (depreciation) on investments		7,405,375
Accumulated net realized gain (loss)		(9,744,999)
Paid-in capital		77,544,038
Net assets, at value	**$**	**75,204,271**
Class A		
Net Asset Value, offering and redemption price per share ($54,725,040 ÷ 8,210,458 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**6.67**
Class B		
Net Asset Value, offering and redemption price per share ($20,479,231 ÷ 3,110,602 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**6.58**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2005

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $1,435)	$	573,804
Interest — Cash Management QP Trust		16,185
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		4,067
Total Income		594,056
Expenses:		
Management fee		719,073
Custodian and accounting fees		59,948
Distribution service fees (Class B)		50,458
Record keeping fees (Class B)		30,698
Auditing		43,860
Legal		14,817
Trustees' fees and expenses		4,003
Reports to shareholders		30,488
Other		6,989
Total expenses before expense reductions		960,334
Expense reductions		(9,552)
Total expenses after expense reductions		950,782
Net investment income (loss)		**(356,726)**

Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from investments		1,188,803
Net unrealized appreciation (depreciation) during the period on investments		(4,994,935)
Net gain (loss) on investment transactions		**(3,806,132)**
Net increase (decrease) in net assets resulting from operations	**$**	**(4,162,858)**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2005	2004
Operations:		
Net investment income (loss)	$ (356,726)	$ 9,115
Net realized gain (loss) on investment transactions	1,188,803	(429,310)
Net unrealized appreciation (depreciation) during the period on investment transactions	(4,994,935)	935,994
Net increase (decrease) in net assets resulting from operations	(4,162,858)	515,799
Distributions to shareholders from:		
Net investment income:		
Class A	(9,542)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	2,962,547	11,773,909
Reinvestment of distributions	9,542	—
Cost of shares redeemed	(15,883,679)	(16,798,283)
Net increase (decrease) in net assets from Class A share transactions	(12,911,590)	(5,024,374)
Class B		
Proceeds from shares sold	3,152,311	12,325,908
Cost of shares redeemed	(3,375,229)	(1,539,908)
Net increase (decrease) in net assets from Class B share transactions	(222,918)	10,786,000
Increase (decrease) in net assets	(17,306,908)	6,277,425
Net assets at beginning of period	92,511,179	86,233,754
Net assets at end of period (including accumulated distribution in excess of net investment income and undistributed net investment income of $143 and $3,260, respectively)	**$ 75,204,271**	**$ 92,511,179**

Other Information		
Class A		
Shares outstanding at beginning of period	10,189,476	11,043,224
Shares sold	457,824	1,718,999
Shares issued to shareholders in reinvestment of distributions	1,534	—
Shares redeemed	(2,438,376)	(2,572,747)
Net increase (decrease) in Class A shares	(1,979,018)	(853,748)
Shares outstanding at end of period	**8,210,458**	**10,189,476**
Class B		
Shares outstanding at beginning of period	3,140,946	1,533,571
Shares sold	492,232	1,851,499
Shares redeemed	(522,576)	(244,124)
Net increase (decrease) in Class B shares	(30,344)	1,607,375
Shares outstanding at end of period	**3,110,602**	**3,140,946**

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

Financial Highlights

Class A

Years Ended December 31,	2005	2004	2003	2002	2001[a]
Selected Per Share Data					
Net asset value, beginning of period	**$ 6.95**	**$ 6.86**	**$ 4.58**	**$ 7.60**	**$10.00**
Income (loss) from investment operations:					
Net investment income (loss)[b]	(.02)	.01	(.03)	(.02)	(.02)
Net realized and unrealized gain (loss) on investment transactions	(.26)	.08	2.31	(3.00)	(2.38)
Total from investment operations	(.28)	.09	2.28	(3.02)	(2.40)
Less distributions from:					
Net investment income	.00[d]	—	—	—	—
Net asset value, end of period	**$ 6.67**	**$ 6.95**	**$ 6.86**	**$ 4.58**	**$ 7.60**
Total Return (%)	(4.01)	1.31	49.78	(39.74)	(24.00)[c]**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	55	71	76	41	44
Ratio of expenses before expense reductions (%)	1.10	1.10	1.13	.96	1.44*
Ratio of expenses after expense reductions (%)	1.10	1.10	1.13	.96	1.15*
Ratio of net investment income (%)	(.35)	.08	(.48)	(.30)	(.43)*
Portfolio turnover rate (%)	19	39	6	16	3*

a *For the period from May 1, 2001 (commencement of operations of Class A) to December 31, 2001.*
b *Based on average shares outstanding during the period.*
c *Total return would have been lower had certain expenses not been reduced.*
d *Amount is less than $.005.*
* *Annualized*
** *Not annualized*

Class B

Years Ended December 31,	2005	2004	2003	2002[a]
Selected Per Share Data				
Net asset value, beginning of period	**$ 6.89**	**$ 6.83**	**$ 4.58**	**$ 5.04**
Income (loss) from investment operations:				
Net investment income (loss)[b]	(.04)	(.02)	(.06)	(.02)
Net realized and unrealized gain (loss) on investment transactions	(.27)	.08	2.31	(.44)
Total from investment operations	(.31)	.06	2.25	(.46)
Net asset value, end of period	**$ 6.58**	**$ 6.89**	**$ 6.83**	**$ 4.58**
Total Return (%)	(4.50)[c]	.88	49.13	(9.13)**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	20	22	10	.4
Ratio of expenses before expense reductions (%)	1.50	1.49	1.52	1.21*
Ratio of expenses after expense reductions (%)	1.46	1.49	1.52	1.21*
Ratio of net investment income (%)	(.71)	(.20)	(.87)	(.68)*
Portfolio turnover rate (%)	19	39	6	16

a *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
b *Based on average shares outstanding during the period.*
c *Total return would have been lower had certain expenses not been reduced.*
* *Annualized*
** *Not annualized*

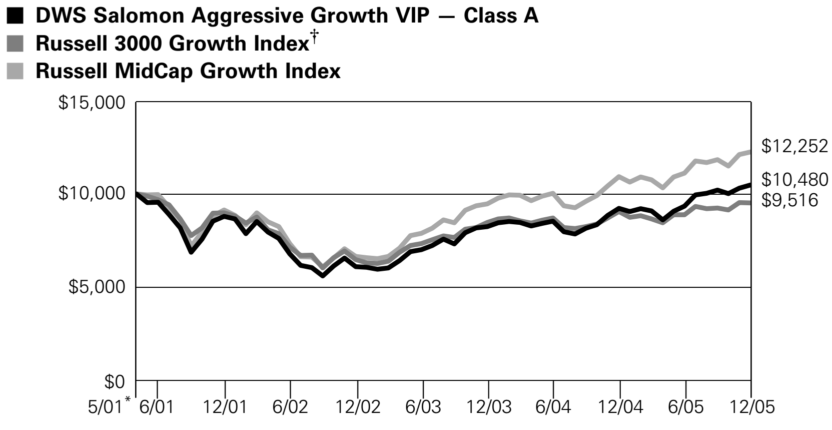
DWS Salomon Aggressive Growth VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

Stocks of medium-sized companies involve greater risk as they often have limited product lines, markets, or financial resources and may be sensitive to erratic and abrupt market movements more so than securities of larger, more-established companies. Additionally, the Portfolio may also focus its investments on certain industry sectors, thereby increasing its vulnerability to any single industry or regulatory development. All of these factors may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

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

Growth of an Assumed $10,000 Investment in DWS Salomon Aggressive Growth VIP from 5/1/2001 to 12/31/2005



The Russell 3000 Growth Index† is an unmanaged index that measures the performance of those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 3000 Growth Index. The Russell MidCap Growth Index is an unmanaged index that measures the performance of those Russell MidCap companies with higher price-to-book ratios and higher forecasted growth vales. The stocks are also members of the Russell 1000 Growth Index.

Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Salomon Aggressive Growth VIP		**1-Year**	**3-Year**	**Life of Portfolio***
Class A	Growth of $10,000	$11,354	$17,237	$10,480
	Average annual total return	13.54%	19.90%	1.01%
Russell 3000 Growth Index†	Growth of $10,000	$10,517	$14,728	$9,516
	Average annual total return	5.17%	13.78%	–1.06%
Russell MidCap Growth Index	Growth of $10,000	$11,210	$18,474	$12,252
	Average annual total return	12.10%	22.70%	4.45%

DWS Salomon Aggressive Growth VIP		**1-Year**	**3-Year**	**Life of Class****
Class B	Growth of $10,000	$11,322	$17,068	$15,914
	Average annual total return	13.22%	19.51%	14.20%
Russell 3000 Growth Index†	Growth of $10,000	$10,517	$14,728	$13,340
	Average annual total return	5.17%	13.78%	8.58%
Russell MidCap Growth Index	Growth of $10,000	$11,210	$18,474	$16,702
	Average annual total return	12.10%	22.70%	15.78%

The growth of $10,000 is cumulative.

* *The Portfolio commenced operations on May 1, 2001. Index returns begin April 30, 2001.*

** *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.*

† *On August 1, 2005, the Russell 3000 Growth Index replaced the Russell MidCap Growth Index as the portfolio's benchmark index because the Advisor believes it is more appropriate to measure the portfolio's performance against the Russell 3000 Growth Index as it more accurately reflects the portfolio's new investment goal and strategy.*

Information About Your Portfolio's Expenses

DWS Salomon Aggressive Growth VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include sales charges (loads), redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The tables are based on an investment of $1,000 made at the beginning of the six-month period ended December 31, 2005.

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

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

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

Expenses and Value of a $1,000 Investment for the six months ended December 31, 2005

Actual Portfolio Return	Class A	Class B
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,120.90	$1,118.80
Expenses Paid per $1,000*	$ 5.51	$ 7.58

Hypothetical 5% Portfolio Return	Class A	Class B
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,020.01	$1,018.05
Expenses Paid per $1,000*	$ 5.24	$ 7.22

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

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Salomon Aggressive Growth VIP	1.03%	1.42%

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

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

DWS Salomon Aggressive Growth VIP

Class A shares of DWS Salomon Aggressive Growth VIP[1] returned 13.54% (unadjusted for contract charges) for the 12-month period ended December 31, 2005. In comparison, the benchmark Russell 3000 Growth Index returned 5.17% for the same period.

After trading in a limited range for most of the year, the broad stock market staged a rally in the fourth quarter of 2005. This helped produce both quarterly and annual gains for the equity market.

Energy sector stocks were clearly the biggest winners for the past year, buoyed by crude oil's temporary spike to over $70 per barrel in the wake of August's Hurricane Katrina. The Portfolio held an overweight position in energy for the period, with a focus on oil production services and equipment stocks that boosted performance.

Despite a relative underweight position in information technology (IT), the Portfolio's holdings in IT made a meaningful contribution to performance.

The Portfolio's overweight position in health care, with a concentration in biotechnology and biopharmaceuticals, along with a significant holding in the managed care industry, also helped performance.

While the Portfolio's financial sector holdings contributed to performance, holdings in the consumer discretionary sector, especially cable TV industry holdings, and industrials sector stocks detracted from performance for the period.

The Portfolio's top ten holdings as of December 31, 2005 were Lehman Brothers Holdings, Inc., UnitedHealth Group, Inc., Anadarko Petroleum Corp., Forest Laboratories, Inc., Weatherford International Ltd., Genzyme Corp., Amgen, Inc., Biogen Idec, Inc., Chiron Corp. and Tyco International Ltd. (Asset allocation is subject to change.)

Richard Freeman
Portfolio Manager
Salomon Brothers Asset Management, Inc., Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividend and capital gain distribution, and does not guarantee future results. Investment return and principal 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 visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract fees") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

Stocks of medium-sized companies involve greater risk as they often have limited product lines, markets, or financial resources and may be sensitive to erratic and abrupt market movements more so than securities of larger, more-established companies. Additionally, the Portfolio may also focus its investments on certain industry sectors, thereby increasing its vulnerability to any single industry or regulatory development. All of these factors may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

1 *Prior to August 1, 2005 the underlying Portfolio was called the SVS INVESCO Dynamic Growth Portfolio and was managed by another portfolio manager.*

The Russell 3000 Growth Index is an unmanaged index that measures the performance of those Russell 3000 Index companies with higher price-to-book rations and higher forecasted growth values. Index returns assume reinvestment of dividends and, unlike portfolio returns, so not reflect any fees or expenses. It is not possible to invest directly in an index.

The Russell MidCap Growth Index is an unmanaged index that measures the performance of those Russell MidCap companies with higher price-to-book ratios and higher forecasted growth vales. The stocks are also members of the Russell 1000 Growth Index.

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

Portfolio management market commentary is as of December 31, 2005, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Salomon Aggressive Growth VIP

Asset Allocation	**12/31/05**	**12/31/04**
Common Stocks	92%	94%
Cash Equivalents	6%	5%
Exchange Traded Funds	2%	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**12/31/05**	**12/31/04**
Health Care	37%	17%
Information Technology	16%	22%
Consumer Discretionary	15%	21%
Energy	13%	6%
Financials	10%	11%
Industrials	9%	16%
Telecommunication Services	—	3%
Materials	—	3%
Consumer Staples	—	1%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 180. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on the 15th of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Salomon Aggressive Growth VIP

	Shares	Value ($)
Common Stocks 91.5%		
Consumer Discretionary 14.1%		
Media 13.7%		
Cablevision Systems Corp. (New York Group) "A"*	39,000	915,330
Comcast Corp. "A"*	6,000	155,760
Comcast Corp. (Special) "A"*	67,000	1,721,230
Discovery Holding Co. "A"*	8,000	121,200
Liberty Global, Inc. "A"*	4,000	90,000
Liberty Global, Inc. "C"*	4,100	86,920
Liberty Media Corp. "A"*	102,000	802,740
Time Warner, Inc.	84,500	1,473,680
Viacom, Inc. "B"*	15,000	489,000
Walt Disney Co.	31,500	755,055
		6,610,915
Specialty Retail 0.4%		
Charming Shoppes, Inc.*	13,800	**182,160**
Energy 11.9%		
Energy Equipment & Services 7.0%		
Grant Prideco, Inc.*	26,400	1,164,768
Weatherford International Ltd.*	61,000	2,208,200
		3,372,968
Oil, Gas & Consumable Fuels 4.9%		
Anadarko Petroleum Corp.	24,500	**2,321,375**
Financials 9.0%		
Capital Markets 8.5%		
Lehman Brothers Holdings, Inc.	20,000	2,563,400
Merrill Lynch & Co., Inc.	22,500	1,523,925
		4,087,325
Diversified Financial Services 0.5%		
CIT Group, Inc.	4,300	**222,654**
Health Care 34.3%		
Biotechnology 19.1%		
Amgen, Inc.*	27,500	2,168,650
Biogen Idec, Inc.*	45,500	2,062,515
Chiron Corp.*	44,500	1,978,470
Genentech, Inc.*	2,500	231,250
Genzyme Corp.*	30,800	2,180,024
Millennium Pharmaceuticals, Inc.*	30,900	299,730
Vertex Pharmaceuticals, Inc.*	9,000	249,030
		9,169,669
Health Care Equipment & Supplies 0.5%		
Biosite, Inc.*	4,000	**225,160**
Health Care Providers & Services 5.2%		
UnitedHealth Group, Inc.	40,000	**2,485,600**
Pharmaceuticals 9.5%		
Alkermes, Inc.*	7,500	143,400
Forest Laboratories, Inc.*	55,000	2,237,400
ImClone Systems, Inc.*	20,000	684,800
Johnson & Johnson	10,000	601,000
King Pharmaceuticals, Inc.*	25,000	423,000
Teva Pharmaceutical Industries Ltd. (ADR)	4,000	172,040
Valeant Pharmaceuticals International	17,000	307,360
		4,569,000
Industrials 8.0%		
Aerospace & Defense 2.8%		
L-3 Communications Holdings, Inc.	18,200	**1,353,170**
Industrial Conglomerates 4.0%		
Tyco International Ltd.	67,000	**1,933,620**
Machinery 1.2%		
Pall Corp.	21,500	**577,490**
Information Technology 14.2%		
Communications Equipment 2.7%		
C-COR, Inc.*	15,000	72,900
Motorola, Inc.	43,300	978,147
Nokia Oyj (ADR)	14,000	256,200
		1,307,247
Computers & Peripherals 3.3%		
Maxtor Corp.*	62,500	433,750
SanDisk Corp.*	18,000	1,130,760
		1,564,510
Electronic Equipment & Instruments 0.0%		
Cogent, Inc.*	126	**2,858**
Semiconductors & Semiconductor Equipment 7.2%		
Broadcom Corp. "A"*	17,000	801,550
Cabot Microelectronics Corp.*	5,000	146,650
Cirrus Logic, Inc.*	15,000	100,200
Cree, Inc.*	5,500	138,820
DSP Group, Inc.*	6,000	150,360
Freescale Semiconductor, Inc. "B"*	4,000	100,680
Intel Corp.	18,500	461,760
Micron Technology, Inc.*	93,000	1,237,830
RF Micro Devices, Inc.*	19,000	102,790
Teradyne, Inc.*	15,500	225,835
		3,466,475
Software 1.0%		
Advent Software, Inc.*	5,000	144,550
Autodesk, Inc.	7,900	339,305
		483,855
Total Common Stocks (Cost $41,163,214)		**43,936,051**
Exchange Traded Funds 2.0%		
Nasdaq-100 Index Tracking Stock (Cost $966,394)	24,500	**990,290**
Cash Equivalents 6.1%		
Cash Management QP Trust, 4.26% (a) (Cost $2,913,689)	2,913,689	**2,913,689**

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

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $45,043,297)†	99.6	**47,840,030**
Other Assets and Liabilities, Net	0.4	**186,212**
Net Assets	100.0	**48,026,242**

Notes to DWS Salomon Aggressive Growth VIP Portfolio of Investments

* *Non-income producing security.*

† *The cost for federal income tax purposes was $45,043,635. At December 31, 2005, net unrealized appreciation for all securities based on tax cost was $2,796,395. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $4,014,439 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $1,218,044.*

(a) Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.

ADR: American Depositary Receipt

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2005

Assets		
Investments:		
Investments in securities, at value (cost $42,129,608)	$	44,926,341
Investment in Cash Management QP Trust (cost $2,913,689)		2,913,689
Total investments in securities, at value (cost $45,043,297)		47,840,030
Cash		10,000
Dividends receivable		20,464
Interest receivable		4,461
Receivable for Portfolio share sold		219,176
Foreign taxes recoverable		34
Due from Advisor		13,256
Other assets		1,348
Total assets		48,108,769
Liabilities		
Payable for investments purchased		1,920
Accrued management fee		4,372
Other accrued expenses and payables		76,235
Total liabilities		82,527
Net assets, at value	**$**	**48,026,242**
Net Assets		
Net assets consist of:		
Accumulated net investment (loss)		(96)
Net unrealized appreciation (depreciation) on investments		2,796,733
Accumulated net realized gain (loss)		8,377,555
Paid-in capital		36,852,050
Net assets, at value	**$**	**48,026,242**
Class A		
Net Asset Value, offering and redemption price per share ($40,102,204 ÷ 3,827,569 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**10.48**
Class B		
Net Asset Value, offering and redemption price per share ($7,924,038 ÷ 765,201 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**10.36**

Statement of Operations

for the year ended December 31, 2005

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $714)	$	205,820
Interest		1,950
Interest — Cash Management QP Trust		69,308
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		3,336
Total Income		280,414
Expenses:		
Management fee		387,680
Custodian and accounting fees		93,465
Distribution service fees (Class B)		18,686
Record keeping fees (Class B)		10,854
Auditing		44,105
Legal		61,450
Trustees' fees and expenses		1,621
Reports to shareholders		16,141
Other		7,952
Total expenses before expense reductions		641,954
Expense reductions		(121,031)
Total expenses after expense reductions		520,923
Net investment income (loss)		**(240,509)**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		11,411,158
Foreign currency related transactions		(3,917)
		11,407,241
Net unrealized appreciation (depreciation) during the period on:		
Investments		(5,770,378)
Foreign currency related transactions		(40)
		(5,770,418)
Net gain (loss) on investment transactions		**5,636,823**
Net increase (decrease) in net assets resulting from operations	**$**	**5,396,314**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2005	2004
Operations:		
Net investment income (loss)	$ (240,509)	$ (298,559)
Net realized gain (loss) on investment transactions	11,407,241	4,643,201
Net unrealized appreciation (depreciation) during the period on investment transactions	(5,770,418)	85,672
Net increase (decrease) in net assets resulting from operations	5,396,314	4,430,314
Portfolio share transactions:		
Class A		
Proceeds from shares sold	6,159,388	4,190,288
Cost of shares redeemed	(5,441,650)	(7,454,938)
Net increase (decrease) in net assets from Class A share transactions	717,738	(3,264,650)
Class B		
Proceeds from shares sold	1,219,223	3,116,161
Cost of shares redeemed	(1,500,940)	(1,201,557)
Net increase (decrease) in net assets from Class B share transactions	(281,717)	1,914,604
Increase (decrease) in net assets	5,832,335	3,080,268
Net assets at beginning of period	42,193,907	39,113,639
Net assets at end of period (including accumulated net investment loss of $96 and $213, respectively)	**$ 48,026,242**	**$ 42,193,907**

Other Information		
Class A		
Shares outstanding at beginning of period	3,784,410	4,185,184
Shares sold	612,692	493,942
Shares redeemed	(569,533)	(894,716)
Net increase (decrease) in Class A shares	43,159	(400,774)
Shares outstanding at end of period	**3,827,569**	**3,784,410**
Class B		
Shares outstanding at beginning of period	793,650	562,802
Shares sold	129,308	370,510
Shares redeemed	(157,757)	(139,662)
Net increase (decrease) in Class B shares	(28,449)	230,848
Shares outstanding at end of period	**765,201**	**793,650**

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

Financial Highlights

Class A

Years Ended December 31,	2005	2004	2003	2002	2001[a]
Selected Per Share Data					
Net asset value, beginning of period	**$ 9.23**	**$ 8.24**	**$ 6.08**	**$ 8.80**	**$10.00**
Income (loss) from investment operations:					
Net investment income (loss)[b]	(.05)	(.06)	(.06)	(.05)	(.02)
Net realized and unrealized gain (loss) on investment transactions	1.30	1.05	2.22	(2.67)	(1.18)
Total from investment operations	1.25	.99	2.16	(2.72)	(1.20)
Net asset value, end of period	**$10.48**	**$ 9.23**	**$ 8.24**	**$ 6.08**	**$ 8.80**
Total Return (%)	13.54[c]	12.01[c]	35.53[c]	(30.91)	(12.00)[c]**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	40	35	34	25	23
Ratio of expenses before expense reductions (%)	1.44	1.48	1.46	1.14	1.97*
Ratio of expenses after expense reductions (%)	1.16	1.30	1.30	1.14	1.30*
Ratio of net investment income (loss) (%)	(.50)	(.71)	(.85)	(.71)	(.40)*
Portfolio turnover rate (%)	166	133	115	79	40*

a *For the period from May 1, 2001 (commencement of operations) to December 31, 2001.*
b *Based on average shares outstanding during the period.*
c *Total return would have been lower had certain expenses not been reduced.*
* *Annualized*
** *Not annualized*

Class B

Years Ended December 31,	2005	2004	2003	2002[a]
Selected Per Share Data				
Net asset value, beginning of period	**$ 9.15**	**$ 8.21**	**$ 6.07**	**$ 6.51**
Income (loss) from investment operations:				
Net investment income (loss)[b]	(.09)	(.09)	(.09)	(.03)
Net realized and unrealized gain (loss) on investment transactions	1.30	1.03	2.23	(.41)
Total from investment operations	1.21	.94	2.14	(.44)
Net asset value, end of period	**$10.36**	**$ 9.15**	**$ 8.21**	**$ 6.07**
Total Return (%)	13.22[c]	11.45[c]	35.26[c]	(6.76)**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	8	7	5	.1
Ratio of expenses before expense reductions (%)	1.84	1.88	1.85	1.40*
Ratio of expenses after expense reductions (%)	1.55	1.70	1.69	1.40*
Ratio of net investment income (loss) (%)	(.89)	(1.11)	(1.24)	(.82)*
Portfolio turnover rate (%)	166	133	115	79

a *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
b *Based on average shares outstanding during the period.*
c *Total return would have been lower had certain expenses not been reduced.*
* *Annualized*
** *Not annualized*

Performance Summary

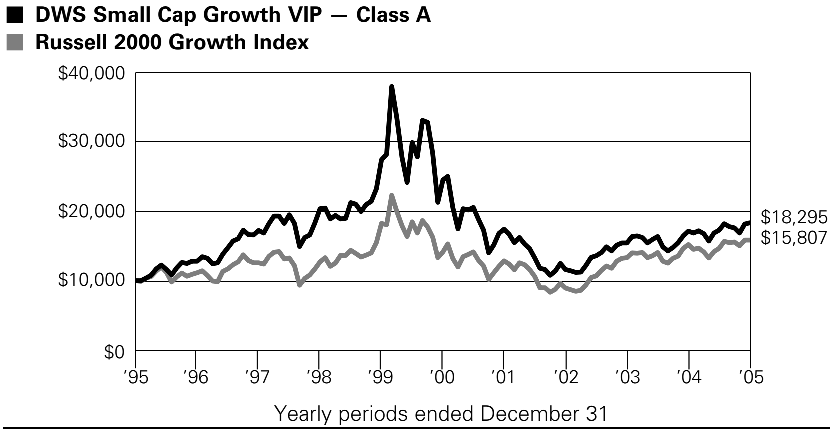
DWS Small Cap Growth VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

This Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Additionally, stocks of small companies involve greater risk than securities of larger, more-established companies, as they often have limited product lines, markets or financial resources and may be subject to more erratic and abrupt market movements. Finally, derivatives may be more volatile and less liquid than traditional securities and the Portfolio could suffer losses on its derivatives positions. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

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

Growth of an Assumed $10,000 Investment in DWS Small Cap Growth VIP from 12/31/1995 to 12/31/2005



The Russell 2000 Growth Index is an unmanaged index (with no defined investment objective) of those securities in the Russell 2000 Index with a higher price-to-book ratio and higher forecasted growth values. Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Small Cap Growth VIP		1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$10,707	$15,803	$7,486	$18,295
	Average annual total return	7.07%	16.48%	-5.63%	6.23%
Russell 2000 Growth Index	Growth of $10,000	$10,415	$17,685	$11,195	$15,807
	Average annual total return	4.15%	20.93%	2.28%	4.69%

DWS Small Cap Growth VIP		1-Year	3-Year	Life of Class*
Class B	Growth of $10,000	$10,673	$15,634	$14,185
	Average annual total return	6.73%	16.06%	10.51%
Russell 2000 Growth Index	Growth of $10,000	$10,415	$17,685	$14,921
	Average annual total return	4.15%	20.93%	12.11%

The growth of $10,000 is cumulative.

* *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.*

Information About Your Portfolio's Expenses

DWS Small Cap Growth VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include sales charges (loads), redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses for Class B; had it not done so, expenses would have been higher. The tables are based on an investment of $1,000 made at the beginning of the six-month period ended December 31, 2005.

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

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

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

Expenses and Value of a $1,000 Investment for the six months ended December 31, 2005

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,059.70	$1,058.00
Expenses Paid per $1,000*	$ 3.74	$ 5.65

Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,021.58	$1,019.71
Expenses Paid per $1,000*	$ 3.67	$ 5.55

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

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Small Cap Growth VIP	.72%	1.09%

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

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

DWS Small Cap Growth VIP

The stock market was weighed down by concerns over rising interest rates and the possibility of a resurgence in inflation during the 12-month period ended December 31, 2005. Expressing concern about inflation, the US Federal Reserve Board (the Fed) has been raising short-term interest rates steadily since June 2004, but long-term rates continue to remain near historical lows. On the plus side, the US economy appears to be somewhat stronger than what might be expected at this stage of an expansion. Gross domestic product has expanded for 16 consecutive quarters, beginning in the fourth quarter of 2001, and corporate profits are still increasing. Other positive signs in 2005, which contributed to performance, included increases in business investment in capital projects and information technology.

For its most recent fiscal year, the Portfolio returned 7.07% (Class A shares, unadjusted for contract charges), outperforming the 4.15% return of the Russell 2000 Growth Index.

During the 12-month period, the Portfolio benefited from strong stock selection within the health care, information technology and consumer discretionary sectors. Although the Portfolio's energy holdings delivered strong positive returns, they underperformed their energy counterparts in the benchmark index. An underweight in industrials also detracted from performance. Going forward, the managers are optimistic that the Portfolio will perform well in the current market environment.

Samuel A. Dedio
Robert S. Janis

Co-Lead Portfolio Managers
Deutsche Investment Management Americas Inc.

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Risk Considerations

This Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Additionally, stocks of small companies involve greater risk than securities of larger, more-established companies, as they often have limited product lines, markets or financial resources and may be subject to more erratic and abrupt market movements. Finally, derivatives may be more volatile and less liquid than traditional securities and the Portfolio could suffer losses on its derivatives positions. Please read this Portfolio's prospectus for specific details regarding this product's investments and risk profile.

The Russell 2000 Growth Index is an unmanaged index (with no defined investment objective) of those securities in the Russell 2000 Index with a higher price-to-book ratio and higher forecasted growth values. Index returns assume reinvestment of all dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of December 31, 2005, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Small Cap Growth VIP

Asset Allocation (Excludes Security Lending Collateral)	**12/31/05**	**12/31/04**
Common Stocks	99%	97%
Cash Equivalent	1%	3%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**12/31/05**	**12/31/04**
Health Care	30%	24%
Information Technology	23%	29%
Consumer Discretionary	17%	22%
Financials	12%	8%
Energy	9%	3%
Consumer Staples	4%	5%
Industrials	4%	8%
Telecommunication Services	1%	—
Materials	—	1%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 189. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on the 15th of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

Investment Portfolio

December 31, 2005

DWS Small Cap Growth VIP

	Shares	Value ($)
Common Stocks 99.1%		
Consumer Discretionary 16.5%		
Hotels Restaurants & Leisure 9.8%		
Buffalo Wild Wings, Inc.* (a)	95,000	3,154,950
McCormick & Schmick's Seafood Restaurants, Inc.*	118,600	2,681,546
Orient-Express Hotels Ltd. "A"	155,800	4,910,816
P.F. Chang's China Bistro, Inc.*	126,100	6,258,343
Red Robin Gourmet Burgers, Inc.* (a)	120,000	6,115,200
Shuffle Master, Inc.* (a)	180,700	4,542,798
		27,663,653
Textiles, Apparel & Luxury Goods 6.7%		
Gildan Activewear, Inc. "A"*	150,100	6,431,785
Guess?, Inc.*	249,700	8,889,320
The Warnaco Group, Inc.*	134,500	3,593,840
		18,914,945
Consumer Staples 4.4%		
Food & Staples Retailing 2.1%		
Herbalife Ltd.*	182,400	**5,931,648**
Household Products 2.3%		
Jarden Corp.* (a)	217,050	**6,544,058**
Energy 9.1%		
Energy Equipment & Services 4.7%		
Atwood Oceanics, Inc.*	61,500	4,798,845
Dresser-Rand Group, Inc.*	120,700	2,918,526
Grey Wolf, Inc.*	726,000	5,611,980
		13,329,351
Oil, Gas & Consumable Fuels 4.4%		
Bill Barrett Corp.*	174,700	6,745,167
Comstock Resources, Inc.*	185,400	5,656,554
		12,401,721
Financials 12.0%		
Banks 6.8%		
PrivateBancorp, Inc.	115,800	4,119,006
Signature Bank*	206,500	5,796,455
Texas Capital Bancshares, Inc.*	168,700	3,780,567
Wintrust Financial Corp.	101,800	5,588,820
		19,284,848
Consumer Finance 3.4%		
Euronet Worldwide, Inc.*	221,800	6,166,040
Heartland Payment Systems, Inc.* (a)	157,900	3,420,114
		9,586,154
Diversified Financial Services 1.8%		
National Financial Partners Corp.	94,700	**4,976,485**
Health Care 29.7%		
Health Care Equipment & Supplies 8.2%		
American Medical Systems Holdings, Inc.*	244,100	4,352,303
ArthroCare Corp.*	157,400	6,632,836
Hologic, Inc.*	127,800	4,846,176
Schick Technologies, Inc.*	98,500	3,246,461
Viasys Healthcare, Inc.*	155,100	3,986,070
		23,063,846
Health Care Providers & Services 18.5%		
Amedisys, Inc.* (a)	169,000	7,138,560
American Healthways, Inc.* (a)	126,500	5,724,125
AMERIGROUP Corp.*	299,100	5,820,486
Centene Corp.*	301,400	7,923,806
Chemed Corp.	107,300	5,330,664
Eclipsys Corp.*	242,000	4,581,060
HealthExtras, Inc.*	153,500	3,852,850
LCA-Vision, Inc. (a)	121,400	5,767,714
Psychiatric Solutions, Inc.*	100,500	5,903,370
		52,042,635
Pharmaceuticals 3.0%		
Adams Respiratory Therapeutics, Inc.* (a)	100,600	4,090,396
ViroPharma, Inc.*	236,700	4,390,785
		8,481,181
Industrials 3.7%		
Machinery		
Actuant Corp. "A"	118,900	6,634,620
Watts Water Technologies, Inc. "A"	125,600	3,804,424
		10,439,044
Information Technology 23.1%		
Communications Equipment 2.4%		
Foundry Networks, Inc.*	488,500	**6,746,185**
Electronic Equipment & Instruments 1.5%		
Cognex Corp.	139,400	**4,194,546**
Internet Software & Services 4.3%		
Digital River, Inc.* (a)	221,300	6,581,462
j2 Global Communications, Inc.* (a)	133,300	5,697,242
		12,278,704
Semiconductors & Semiconductor Equipment 6.2%		
FormFactor, Inc.*	213,600	5,218,248
Power Integrations, Inc.*	262,100	6,240,601
Semtech Corp.*	324,800	5,930,848
		17,389,697
Software 8.7%		
Hyperion Solutions Corp.*	180,300	6,458,346
Kronos, Inc.*	99,200	4,152,512
Mentor Graphics Corp.*	635,400	6,570,036
THQ, Inc.*	307,250	7,327,913
		24,508,807
Telecommunication Services 0.6%		
Wireless Telecommunication Services		
WiderThan Co., Ltd. (ADR)*	107,100	**1,622,565**
Total Common Stocks (Cost $229,588,114)		**279,400,073**

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

	Shares	Value ($)
Preferred Stocks 0.0%		
Information Technology		
Software		
FusionOne "D"* (b) (Cost $1,250,002)	230,203	**0**
Securities Lending Collateral 16.1%		
Daily Assets Fund Institutional, 4.28% (c) (d) (Cost $45,223,925)	45,223,925	**45,223,925**
Cash Equivalents 1.1%		
Cash Management QP Trust, 4.26% (e) (Cost $3,043,683)	3,043,683	**3,043,683**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $279,105,724)†	116.3	**327,667,681**
Other Assets and Liabilities, Net	(16.3)	**(45,832,173)**
Net Assets	100.0	**281,835,508**

Notes to DWS Small Cap Growth VIP Portfolio of Investments

† *The cost for federal income tax purposes was $279,201,364. At December 31, 2005, net unrealized appreciation for all securities based on tax cost was $48,466,317. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $52,589,521 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $4,123,204.*

* *Non-income producing security.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at December 31, 2005 amounted to $43,751,161 which is 15.5% of net assets.*

(b) *The Portfolio may purchase securities that are subject to legal or contractual restrictions on resale ("restricted securities"). Restricted securities are securities which have not been registered with the Securities and Exchange Commission under the Securities Act of 1933. The Portfolio may be unable to sell a restricted security and it may be more difficult to determine a market value for a restricted security. Moreover, if adverse market conditions were to develop during the period between the Portfolio's decision to sell a restricted security and the point at which the Portfolio is permitted or able to sell such security, the Portfolio might obtain a price less favorable than the price that prevailed when it decided to sell. This investment practice, therefore, could have the effect of increasing the level of illiquidity of the Portfolio. The future value of these securities is uncertain and there may be changes in the estimated value of these securities.*

Schedule of Restricted Securities

Restricted Security	Acquisition Date	Acquisition Cost ($)	Value ($)	As % of Net Assets
FusionOne "D"	October 2000	1,250,002	0	0%

(c) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(d) *Represents collateral held in connection with securities lending.*

(e) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

ADR: American Depositary Receipt

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2005

Assets		
Investments:		
Investments in securities, at value (cost $230,838,116) — including $43,751,161 of securities loaned	$	279,400,073
Investment in Daily Assets Fund Institutional (cost $45,223,925)*		45,223,925
Investment in Cash Management QP Trust (cost $3,043,683)		3,043,683
Total investments in securities, at value (cost $279,105,724)		327,667,681
Receivable for investments sold		208,066
Dividends receivable		14,205
Interest receivable		32,196
Receivable for Portfolio shares sold		31,237
Other assets		8,540
Total assets		327,961,925

Liabilities		
Payable for Fund shares redeemed		652,450
Payable upon return of securities loaned		45,223,925
Accrued management fee		160,837
Other accrued expenses and payables		89,205
Total liabilities		46,126,417
Net assets, at value	**$**	**281,835,508**

Net Assets		
Net assets consist of:		
Accumulated net investment loss		(11,255)
Net unrealized appreciation (depreciation) on investments		48,561,957
Accumulated net realized gain (loss)		(135,624,816)
Paid-in capital		368,909,622
Net assets, at value	**$**	**281,835,508**
Class A		
Net Asset Value, offering and redemption price per share ($243,106,860 ÷ 18,035,147 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**13.48**
Class B		
Net Asset Value, offering and redemption price per share ($38,728,648 ÷ 2,908,589 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**13.32**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2005

Investment Income		
Income:		
Dividends	$	330,239
Interest — Cash Management QP Trust		190,158
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		115,056
Total Income		635,453
Expenses:		
Management fee		1,681,135
Custodian fees		17,101
Distribution service fees (Class B)		85,045
Record keeping fees (Class B)		51,342
Auditing		59,636
Legal		9,966
Trustees' fees and expenses		9,755
Reports to shareholders		64,028
Other		20,959
Total expenses before expense reductions		1,998,967
Expense reductions		(14,458)
Total expenses after expense reductions		1,984,509
Net investment income (loss)		**(1,349,056)**

Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from investments		24,013,018
Net realized gains on investments not meeting investment guidelines of the Portfolio		49,496
Net unrealized appreciation (depreciation) during the period on investments		(117,156)
Net gain (loss) on investment transactions		**23,945,358**
Net increase (decrease) in net assets resulting from operations	**$**	**22,596,302**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2005	2004
Operations:		
Net investment income (loss)	$ (1,349,056)	$ (1,143,378)
Net realized gain (loss) on investment transactions	24,013,018	9,898,921
Net realized gains on investments not meeting investment guidelines of the Portfolio	49,496	—
Net unrealized appreciation (depreciation) during the period on investment transactions	(117,156)	14,522,914
Net increase (decrease) in net assets resulting from operations	22,596,302	23,278,457
Portfolio share transactions:		
Class A		
Proceeds from shares sold	24,384,647	41,819,691
Net assets acquired in tax free reorganization	37,649,364	—
Cost of shares redeemed	(48,722,289)	(62,320,969)
Net increase (decrease) in net assets from Class A share transactions	13,311,722	(20,501,278)
Class B		
Proceeds from shares sold	11,204,648	11,462,792
Net assets acquired in tax free reorganization	7,786,470	—
Cost of shares redeemed	(11,469,498)	(1,207,862)
Net increase (decrease) in net assets from Class B share transactions	7,521,620	10,254,930
Increase (decrease) in net assets	43,429,644	13,032,109
Net assets at beginning of period	238,405,864	225,373,755
Net assets at end of period (including accumulated net investment loss of $11,255 and $1,853, respectively)	**$ 281,835,508**	**$ 238,405,864**

Other Information		
Class A		
Shares outstanding at beginning of period	16,708,714	18,522,593
Shares sold	1,926,487	3,534,946
Shares issued in tax free reorganization	3,256,621	—
Shares redeemed	(3,856,675)	(5,348,825)
Net increase (decrease) in Class A shares	1,326,433	(1,813,879)
Shares outstanding at end of period	**18,035,147**	**16,708,714**
Class B		
Shares outstanding at beginning of period	2,250,352	1,358,975
Shares sold	951,158	996,848
Shares issued in tax free reorganization	680,062	—
Shares redeemed	(972,983)	(105,471)
Net increase (decrease) in Class B shares	658,237	891,377
Shares outstanding at end of period	**2,908,589**	**2,250,352**

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

Financial Highlights

Class A

Years Ended December 31,	2005	2004	2003	2002	2001
Selected Per Share Data					
Net asset value, beginning of period	**$12.59**	**$11.34**	**$ 8.53**	**$12.80**	**$21.64**
Income (loss) from investment operations:					
Net investment income (loss)[a]	(.06)	(.05)	(.04)	(.02)	(.02)
Net realized and unrealized gain (loss) on investment transactions	.95	1.30	2.85	(4.25)	(6.27)
Total from investment operations	.89	1.25	2.81	(4.27)	(6.29)
Less distributions from:					
Net realized gain on investment transactions	—	—	—	—	(2.52)
Return of capital	—	—	—	—	(.03)
Total distributions	—	—	—	—	(2.55)
Net asset value, end of period	**$13.48**	**$12.59**	**$11.34**	**$ 8.53**	**$12.80**
Total Return (%)	7.07[b]	11.02	32.94	(33.36)	(28.91)
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	243	210	210	154	232
Ratio of expenses (%)	.72	.71	.69	.71	.68
Ratio of net investment income (loss) (%)	(.47)	(.47)	(.41)	(.24)	(.12)
Portfolio turnover rate (%)	94	117	123	68	143

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

b *In 2005, the Portfolio realized a gain of $49,496 on the disposal of an investment not meeting the Portfolio's investment restrictions. This gain had no effect on the total return.*

Class B

Years Ended December 31,	2005	2004	2003	2002[a]
Selected Per Share Data				
Net asset value, beginning of period	**$12.48**	**$11.29**	**$ 8.52**	**$ 9.39**
Income (loss) from investment operations:				
Net investment income (loss)[b]	(.11)	(.10)	(.09)	(.02)
Net realized and unrealized gain (loss) on investment transactions	.95	1.29	2.86	(.85)
Total from investment operations	.84	1.19	2.77	(.87)
Net asset value, end of period	**$13.32**	**$12.48**	**$11.29**	**$ 8.52**
Total Return (%)	6.73[d]	10.54	32.51	(9.27)**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	39	28	15	.5
Ratio of expenses before expense reductions (%)	1.12	1.10	1.08	.96*
Ratio of expenses after expense reductions (%)	1.09	1.09	1.08	.96*
Ratio of net investment income (loss) (%)	(.84)	(.85)	(.80)	(.39)*
Portfolio turnover rate (%)	94	117	123	68

a *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

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

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

d *In 2005, the Portfolio realized a gain of $49,496 on the disposal of an investment not meeting the Portfolio's investment restrictions. This gain had no effect on the total return.*

* *Annualized*

** *Not annualized*

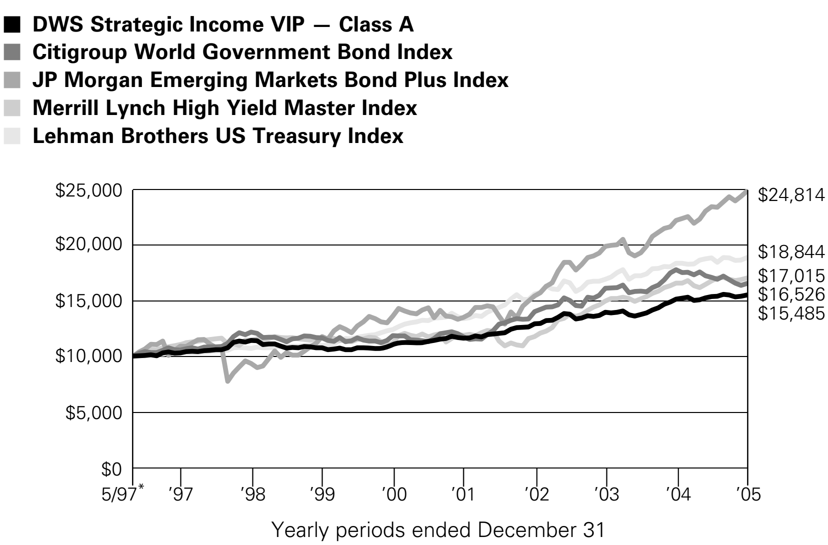
DWS Strategic Income VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

The Portfolio invests in individual bonds whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Bond investments are subject to interest-rate risk such that when interest rates rise, the price of the bonds, and thus the value of the bond fund, can decline and the investor can lose principal value. Additionally, investments by the Portfolio in lower-rated bonds present greater risk to principal and income than investments in higher-quality securities. Finally, investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. All of these factors may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

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

Growth of an Assumed $10,000 Investment in DWS Strategic Income VIP from 5/1/1997 to 12/31/2005



The Citigroup World Government Bond Index (formerly known as Salomon Smith Barney World Government Bond Index) is an unmanaged index comprised of government bonds from 18 developed countries (including the US) with maturities greater than one year. JP Morgan Emerging Markets Bond Plus Index is an unmanaged foreign securities index of US dollar- and other external-currency-denominated Brady bonds, loans, Eurobonds and local market debt instruments traded in emerging markets. The Merrill Lynch High Yield Master Index is an unmanaged index which tracks the performance of below investment grade US dollar- denominated corporate bonds publicly issued in the US domestic market. Lehman Brothers US Treasury Index is an unmanaged index reflecting the performance of all public obligations and does not focus on one particular segment of the Treasury market.

Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Strategic Income VIP		1-Year	3-Year	5-Year	Life of Portfolio*
Class A	Growth of $10,000	$10,238	$11,991	$14,044	$15,485
	Average annual total return	2.38%	6.24%	7.03%	5.18%
Citigroup World Government Bond Index	Growth of $10,000	$9,312	$11,809	$13,971	$16,526
	Average annual total return	-6.88%	5.70%	6.92%	5.97%
JP Morgan Emerging Markets Bond Plus Index	Growth of $10,000	$11,186	$16,107	$18,255	$24,814
	Average annual total return	11.86%	17.22%	12.79%	11.05%
Merrill Lynch High Yield Master Index	Growth of $10,000	$10,283	$14,491	$15,214	$17,015
	Average annual total return	2.83%	13.16%	8.76%	6.32%
Lehman Brothers US Treasury Index	Growth of $10,000	$10,284	$12,091	$15,207	$18,844
	Average annual total return	2.84%	6.53%	8.74%	7.58%

The growth of $10,000 is cumulative.

* *The Portfolio commenced operations on May 1, 1997. Index returns begin April 30, 1997.*

Comparative Results

DWS Strategic Income VIP		1-Year	Life of Class**
Class B	Growth of $10,000	$10,192	$11,363
	Average annual total return	1.92%	4.91%
Citigroup World Government Bond Index	Growth of $10,000	$9,312	$11,317
	Average annual total return	-6.88%	4.75%
JP Morgan Emerging Markets Bond Plus Index	Growth of $10,000	$11,186	$14,091
	Average annual total return	11.86%	13.71%
Merrill Lynch High Yield Master Index	Growth of $10,000	$10,283	$12,835
	Average annual total return	2.83%	9.81%
Lehman Brothers US Treasury Index	Growth of $10,000	$10,284	$11,788
	Average annual total return	2.84%	6.36%

The growth of $10,000 is cumulative.

** *The Portfolio commenced offering Class B shares on May 1, 2003. Index returns begin April 30, 2003.*

Information About Your Portfolio's Expenses

DWS Strategic Income VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include sales charges (loads), redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses for Class B shares; had it not done so, expenses for Class B shares would have been higher. The tables are based on an investment of $1,000 made at the beginning of the six-month period ended December 31, 2005.

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

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

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

Expenses and Value of a $1,000 Investment for the six months ended December 31, 2005

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,009.70	$1,007.00
Expenses Paid per $1,000*	$ 4.61	$ 6.12
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,020.62	$1,019.11
Expenses Paid per $1,000*	$ 4.63	$ 6.16

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

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Strategic Income VIP	.91%	1.21%

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

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

DWS Strategic Income VIP

For the year, performance of the bond markets was mixed. Credit markets began to show more volatility as a result of investors' concerns over rising interest rates, higher commodity prices, credit-specific events, and natural global disasters. Despite these concerns, emerging markets debt and high-yield continued to exhibit sound fundamentals and outperformed most other fixed income asset classes. As interest rates continued to rise, the US Treasury yield curve flattened, and the US dollar non-hedged performance of international bonds trailed returns of other bond markets due primarily to strength in the US dollar.

The Portfolio posted a 2.38% total return for the period ending December 31, 2005 (Class A shares, unadjusted for contract charges). This compares with the portfolio benchmarks' returns of 11.86% for the JP Morgan Emerging Markets Bond Plus Index, 2.83% for the Merrill Lynch High Yield Master Index, 2.84% for the Lehman Brothers US Treasury Index and –6.88% for the Citigroup World Government Bond Index (US dollar terms — unhedged). (Please see page 194 for standardized performance as of December 31, 2005.)

During the year, we modestly decreased our exposure to high-yield bonds in view of the narrower yield advantage they provided, and consequently we increased our allocation to emerging market bonds. Our allocation to emerging markets and high-yield helped returns. In addition to the high-yield and emerging markets sectors, the Portfolio is also invested in high quality sovereign, agency and provincial bonds. These include US Treasury bonds, as well as debt of the United Kingdom, countries within the European Union and Yen-denominated bonds. Our Yen and euro exposure detracted from returns, as these currencies depreciated against the US dollar for the year.

	William Chepolis, CFA
Andrew P. Cestone	Robert Wang
Lead Portfolio Manager	*Portfolio Managers*

Deutsche Investment Management Americas Inc

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

The Portfolio invests in individual bonds whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Bond investments are subject to interest-rate risk such that when interest rates rise, the prices of the bonds, and thus the value of the bond investment, can decline and the investor can lose principal value. Additionally, investments by the Portfolio in lower-rated bonds present greater risk to principal and income than investments in higher-quality securities. Finally, investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. All of these factors may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The JP Morgan Emerging Markets Bond Plus Index is an unmanaged foreign securities index of US dollar and other external-currency-denominated Brady bonds, loans, Eurobonds and local market debt instruments traded in emerging markets.

The Merrill Lynch High Yield Master Index is an unmanaged index which tracks the performance of below-investment-grade US dollar-denominated corporate bonds publicly issued in the United States domestic market.

The Lehman Brothers US Treasury Index is an unmanaged index reflecting the performance of all public obligations and does not focus on one particular segment of the Treasury market.

The Citigroup World Government Bond Index (formerly known as Salomon Smith Barney World Government Bond Index) is an unmanaged index comprised of government bonds from 18 developed countries, including the US, with maturities greater than one year.

Index returns assume reinvestment of dividends and, unlike portfolio returns, do not reflect fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of December 31, 2005, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Strategic Income VIP

Asset Allocation (Excludes Securities Lending Collateral)	**12/31/05**	**12/31/04**
Corporate Bonds	35%	40%
Foreign Bonds — US$ Denominated	24%	21%
Foreign Bonds — Non US$ Denominated	18%	19%
US Treasury Obligations	15%	13%
Cash Equivalents	5%	2%
US Government Sponsored Agencies	2%	4%
Other	1%	1%
	100%	100%

Quality (Excludes Securities Lending Collateral)	**12/31/05**	**12/31/04**
AAA*	31%	30%
AA	1%	2%
A	4%	4%
BBB	6%	5%
BB	20%	16%
B	25%	31%
CCC	5%	6%
Below CC	—	1%
Not Rated	8%	5%
	100%	100%

* *Includes cash equivalents*

Interest Rate Sensitivity	**12/31/05**	**12/31/04**
Average maturity	7.6 years	7.5 years
Average duration	5.0 years	5.4 years

Asset allocation, quality and interest rate sensitivity are subject to change.

The quality ratings represent the lower of Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Corporation ("S&P") credit ratings. The ratings of Moody's and S&P represent their opinions as to the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality. The Portfolio's credit quality does not remove market risk.

For more complete details about the Portfolio's investment portfolio, see page 199. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on the 15th of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Strategic Income VIP

		Principal Amount ($)(a)	Value ($)
Corporate Bonds 34.2%			
Consumer Discretionary 8.4%			
155 East Tropicana LLC, 8.75%, 4/1/2012		85,000	81,812
Adesa, Inc., 7.625%, 6/15/2012		30,000	29,850
Affinia Group, Inc., 9.0%, 11/30/2014		135,000	106,650
AMC Entertainment, Inc., 8.0%, 3/1/2014 (b)		170,000	153,850
AutoNation, Inc., 9.0%, 8/1/2008		100,000	107,375
Aztar Corp., 7.875%, 6/15/2014 (b)		205,000	214,737
Cablevision Systems Corp., Series B, 8.716%**, 4/1/2009		40,000	40,400
Caesars Entertainment, Inc.:			
8.875%, 9/15/2008		50,000	54,063
9.375%, 2/15/2007		55,000	57,269
Charter Communications Holdings LLC:			
9.625%, 11/15/2009		50,000	37,000
10.25%, 9/15/2010		330,000	328,350
144A, 11.0%, 10/1/2015		346,000	290,640
Cooper-Standard Automotive, Inc., 8.375%, 12/15/2014 (b)		145,000	110,200
CSC Holdings, Inc.:			
7.25%, 7/15/2008		50,000	49,875
7.875%, 12/15/2007		190,000	193,325
Dex Media East LLC/Financial, 12.125%, 11/15/2012		466,000	545,220
Dura Operating Corp., Series B, 8.625%, 4/15/2012 (b)		155,000	127,875
EchoStar DBS Corp., 6.625%, 10/1/2014		55,000	52,731
Foot Locker, Inc., 8.5%, 1/15/2022		80,000	84,600
Ford Motor Co., 7.45%, 7/16/2031 (b)		25,000	17,000
General Motors Corp., 8.25%, 7/15/2023 (b)		25,000	16,063
Goodyear Tire & Rubber Co., 11.25%, 3/1/2011		205,000	229,600
Gregg Appliances, Inc., 9.0%, 2/1/2013		40,000	36,200
GSC Holdings Corp., 144A, 8.0%, 10/1/2012 (b)		170,000	159,800
Hertz Corp., 144A, 8.875%, 1/1/2014		195,000	198,656
ITT Corp., 7.375%, 11/15/2015		50,000	54,250
Jacobs Entertainment, Inc., 11.875%, 2/1/2009		370,000	392,663
Levi Strauss & Co.:			
9.28% **, 4/1/2012		75,000	75,563
12.25%, 12/15/2012		20,000	22,300
Liberty Media Corp., 8.5%, 7/15/2029 (b)		20,000	19,807
Mandalay Resort Group, Series B, 10.25%, 8/1/2007		35,000	37,319
Mediacom Broadband LLC, 144A, 8.5%, 10/15/2015		60,000	55,575
Mediacom LLC, 9.5%, 1/15/2013 (b)		30,000	29,288
MGM MIRAGE:			
8.375%, 2/1/2011 (b)		175,000	187,250
9.75%, 6/1/2007		95,000	100,106
MTR Gaming Group, Inc., Series B, 9.75%, 4/1/2010		60,000	64,050
NCL Corp., 10.625%, 7/15/2014		75,000	77,437
Norcraft Holdings/Capital, Step-up Coupon, 0% to 9/1/2008, 9.75% to 9/1/2012		180,000	127,800
Paxson Communications Corp., Step-up Coupon, 0% to 1/15/2006, 12.25% to 1/15/2009 (b)		20,000	21,175
Petro Stopping Centers, 9.0%, 2/15/2012 (b)		120,000	120,600
Pinnacle Entertainment, Inc., 8.75%, 10/1/2013 (b)		180,000	191,700
Premier Entertainment Biloxi LLC/Finance, 10.75%, 2/1/2012		185,000	178,525
PRIMEDIA, Inc.:			
8.875%, 5/15/2011		65,000	59,963
9.715%**, 5/15/2010 (b)		200,000	192,250
Renaissance Media Group LLC, 10.0%, 4/15/2008		85,000	85,106
Resorts International Hotel & Casino, Inc., 11.5%, 3/15/2009		195,000	215,962
Schuler Homes, Inc., 10.5%, 7/15/2011		140,000	150,500
SGS International, Inc., 144A, 12.0%, 12/15/2013		50,000	50,082
Simmons Bedding Co.:			
144A, Step-up Coupon, 0% to 12/15/2009, 10.0% to 12/15/2014(b)		215,000	116,100
7.875%, 1/15/2014 (b)		45,000	41,625
Sinclair Broadcast Group, Inc.:			
8.0%, 3/15/2012		125,000	128,750
8.75%, 12/15/2011		215,000	226,287
Sirius Satellite Radio, Inc., 144A, 9.625%, 8/1/2013		215,000	211,775
Toys "R" Us, Inc.:			
6.875%, 8/1/2006		25,000	24,875
7.375%, 10/15/2018		95,000	68,400
Trump Entertainment Resorts, Inc., 8.5%, 6/1/2015 (b)		390,000	380,250
TRW Automotive, Inc.:			
11.0%, 2/15/2013		255,000	286,237
11.75%, 2/15/2013	EUR	35,000	47,859
United Auto Group, Inc., 9.625%, 3/15/2012		140,000	147,350
Wheeling Island Gaming, Inc., 10.125%, 12/15/2009		45,000	47,194
XM Satellite Radio, Inc., Step-up Coupon, 0% to 12/31/2005, 14.0% to 12/31/2009		251,321	267,657
Young Broadcasting, Inc.:			
8.75%, 1/15/2014 (b)		345,000	304,031
10.0%, 3/1/2011 (b)		40,000	37,450
			8,168,252
Consumer Staples 1.1%			
Alliance One International, Inc., 144A, 11.0%, 5/15/2012		140,000	123,200
Birds Eye Foods, Inc., 11.875%, 11/1/2008		15,000	15,300
Del Laboratories, Inc., 8.0%, 2/1/2012 (b)		60,000	47,400

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

	Principal Amount ($)(a)	Value ($)
Delhaize America, Inc.:		
8.05%, 4/15/2027	20,000	20,520
9.0%, 4/15/2031	55,000	64,659
GNC Corp., 8.5%, 12/1/2010	15,000	12,900
Harry & David Holdings, Inc., 9.41%**, 3/1/2012	35,000	35,262
North Atlantic Trading Co., 9.25%, 3/1/2012	415,000	273,900
Swift & Co.:		
10.125%, 10/1/2009	70,000	72,275
12.5%, 1/1/2010	130,000	136,825
Viskase Co., Inc., 11.5%, 6/15/2011	245,000	260,925
		1,063,166
Energy 2.8%		
Belden & Blake Corp., 8.75%, 7/15/2012	210,000	214,200
Chaparral Energy, Inc., 144A, 8.5%, 12/1/2015	135,000	139,725
Chesapeake Energy Corp.:		
6.5%, 8/15/2017	65,000	65,325
6.875%, 1/15/2016 (b)	145,000	148,625
Dynegy Holdings, Inc.:		
6.875%, 4/1/2011 (b)	40,000	39,400
7.125%, 5/15/2018 (b)	65,000	57,850
7.625%, 10/15/2026	40,000	35,600
8.75%, 2/15/2012 (b)	20,000	21,600
144A, 9.875%, 7/15/2010	290,000	317,912
El Paso Production Holding Corp., 7.75%, 6/1/2013	100,000	103,750
Frontier Oil Corp., 6.625%, 10/1/2011	40,000	40,800
Mission Resources Corp., 9.875%, 4/1/2011	10,000	10,500
Newpark Resources, Inc., Series B, 8.625%, 12/15/2007	160,000	160,000
NGC Corp. Capital Trust I, Series B, 8.316%, 6/1/2027	200,000	177,000
Sonat, Inc., 7.0%, 2/1/2018	20,000	19,000
Southern Natural Gas, 8.875%, 3/15/2010	175,000	187,025
Stone Energy Corp.:		
6.75%, 12/15/2014 (b)	255,000	241,613
8.25%, 12/15/2011	130,000	134,225
Transmeridian Exploration, Inc., 12.0%**, 12/15/2010	45,000	52,200
Williams Companies, Inc.:		
8.125%, 3/15/2012	355,000	386,950
8.75%, 3/15/2032	115,000	133,400
		2,686,700
Financials 6.7%		
Alamosa Delaware, Inc.:		
8.5%, 1/31/2012	20,000	21,625
11.0%, 7/31/2010	65,000	73,288
12.0%, 7/31/2009	65,000	71,094
AmeriCredit Corp., 9.25%, 5/1/2009	340,000	357,850
Ashton Woods USA LLC, 144A, 9.5%, 10/1/2015	145,000	130,681
Atlantic Mutual Insurance Co., 144A, 8.15%, 2/15/2028	35,000	21,261
E*TRADE Financial Corp.:		
144A, 7.375%, 9/15/2013 (b)	125,000	126,562
7.875%, 12/1/2015	120,000	123,900
8.0%, 6/15/2011	90,000	93,600

	Principal Amount ($)(a)	Value ($)
Ford Motor Credit Co.:		
6.5%, 1/25/2007 (b)	65,000	62,886
7.25%, 10/25/2011 (b)	490,000	423,289
7.375%, 10/28/2009 (b)	440,000	390,230
General Motors Acceptance Corp.:		
5.22%**, 3/20/2007	65,000	61,396
6.875%, 9/15/2011	220,000	200,628
8.0%, 11/1/2031 (b)	1,371,000	1,313,255
H&E Equipment/Finance, 11.125%, 6/15/2012	150,000	165,750
Poster Financial Group, Inc., 8.75%, 12/1/2011	175,000	180,250
PXRE Capital Trust I, 8.85%, 2/1/2027	95,000	93,338
R.H. Donnelly Finance Corp., 10.875%, 12/15/2012	165,000	186,037
Radnor Holdings Corp., 11.0%, 3/15/2010	125,000	101,250
Stripes Acquisition LLC, 144A, 10.625%, 12/15/2013	50,000	50,750
Tennessee Valley Authority, Series A, 6.79%, 5/23/2012	1,500,000	1,660,006
TIG Capital Holdings Trust, 144A, 8.597%, 1/15/2027	140,000	111,300
Triad Acquisition Corp., 144A, 11.125%, 5/1/2013	95,000	94,050
UGS Corp., 10.0%, 6/1/2012	130,000	141,700
Universal City Development, 11.75%, 4/1/2010	215,000	241,069
		6,497,045
Health Care 0.8%		
Accellent, Inc., 144A, 10.5%, 12/1/2013	130,000	133,250
HEALTHSOUTH Corp., 10.75%, 10/1/2008 (b)	280,000	280,000
InSight Health Services Corp.:		
144A, 9.174%**, 11/1/2011	35,000	33,863
Series B, 9.875%, 11/1/2011 (b)	50,000	37,750
Tenet Healthcare Corp., 144A, 9.25%, 2/1/2015	295,000	292,787
		777,650
Industrials 4.6%		
Aavid Thermal Technologies, Inc., 12.75%, 2/1/2007	225,000	231,187
Allied Security Escrow Corp., 11.375%, 7/15/2011	135,000	130,146
Allied Waste North America, Inc.:		
Series B, 5.75%, 2/15/2011 (b)	75,000	71,063
Series B, 9.25%, 9/1/2012	182,000	197,015
American Color Graphics, 10.0%, 6/15/2010	135,000	94,331
Avondale Mills, Inc., 144A, 11.065%**, 7/1/2012	70,000	67,900
Beazer Homes USA, Inc.:		
6.875%, 7/15/2015 (b)	20,000	19,175
8.375%, 4/15/2012	95,000	98,800
8.625%, 5/15/2011	130,000	135,850
Browning-Ferris Industries:		
7.4%, 9/15/2035	205,000	181,425
9.25%, 5/1/2021	20,000	20,600
Case New Holland, Inc., 9.25%, 8/1/2011	235,000	251,450
Cenveo Corp., 7.875%, 12/1/2013 (b)	115,000	110,975
Collins & Aikman Floor Cover, Series B, 9.75%, 2/15/2010 (b)	179,000	157,520

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

	Principal Amount ($)(a)	Value ($)
Columbus McKinnon Corp., 10.0%, 8/1/2010	65,000	71,988
Compression Polymers Corp.:		
144A, 10.5%, 7/1/2013	165,000	160,050
144A, 11.44%**, 7/1/2012	45,000	44,100
Congoleum Corp., 8.625%, 8/1/2008*	125,000	124,531
Cornell Companies, Inc., 10.75%, 7/1/2012	65,000	67,275
Dana Corp., 7.0%, 3/1/2029 (b)	165,000	118,387
DRS Technologies, Inc., 6.875%, 11/1/2013	30,000	28,688
ISP Chemco, Inc., Series B, 10.25%, 7/1/2011	255,000	271,575
K. Hovnanian Enterprises, Inc.:		
6.25%, 1/15/2016 (b)	135,000	125,257
8.875%, 4/1/2012	175,000	181,845
Kansas City Southern, 9.5%, 10/1/2008	275,000	297,687
Kinetek, Inc., Series D, 10.75%, 11/15/2006	200,000	192,000
Millennium America, Inc., 9.25%, 6/15/2008	230,000	248,112
Rainbow National Services LLC, 144A, 10.375%, 9/1/2014	110,000	123,200
Securus Technologies, Inc., 11.0%, 9/1/2011 (b)	75,000	63,750
Ship Finance International Ltd., 8.5%, 12/15/2013	140,000	130,900
Technical Olympic USA, Inc.:		
7.5%, 3/15/2011 (b)	50,000	44,563
10.375%, 7/1/2012	120,000	118,050
The Brickman Group Ltd., Series B, 11.75%, 12/15/2009	80,000	88,600
United Rentals North America, Inc., 7.0%, 2/15/2014 (b)	130,000	121,550
Xerox Capital Trust I, 8.0%, 2/1/2027 (b)	85,000	87,550
		4,477,095

Information Technology 1.1%

	Principal Amount ($)(a)	Value ($)
Activant Solutions, Inc.:		
144A, 10.054%**, 4/1/2010	15,000	15,469
10.5%, 6/15/2011	105,000	114,975
Eschelon Operating Co., 8.375%, 3/15/2010	83,000	76,775
L-3 Communications Corp.:		
5.875%, 1/15/2015	20,000	19,400
144A, 6.375%, 10/15/2015	50,000	49,875
Lucent Technologies, Inc., 6.45%, 3/15/2029	260,000	222,950
Sanmina-SCI Corp.:		
6.75%, 3/1/2013 (b)	165,000	156,956
10.375%, 1/15/2010	234,000	258,570
SS&C Technologies, Inc., 144A, 11.75%, 12/1/2013	40,000	41,000
SunGard Data Systems, Inc., 144A, 10.25%, 8/15/2015	150,000	150,000
		1,105,970

Materials 3.9%

	Principal Amount ($)(a)	Value ($)
ARCO Chemical Co., 9.8%, 2/1/2020	375,000	420,937
Associated Materials, Inc.:		
Step-up Coupon, 0% to 3/1/2009, 11.25% to 3/1/2014	165,000	80,850
9.75%, 4/15/2012	55,000	53,075
Caraustar Industries, Inc., 9.875%, 4/1/2011 (b)	250,000	255,000
Constar International, Inc., 11.0%, 12/1/2012 (b)	40,000	29,200
Dayton Superior Corp.:		
10.75%, 9/15/2008	95,000	91,675
13.0%, 6/15/2009 (b)	140,000	105,700
GEO Specialty Chemicals, Inc., 12.565%**, 12/31/2009	283,000	234,890
Georgia-Pacific Corp.:		
8.0%, 1/15/2024 (b)	230,000	219,650
8.875%, 5/15/2031	25,000	25,063
Huntsman LLC, 11.625%, 10/15/2010	203,000	231,166
IMC Global, Inc., 10.875%, 8/1/2013	253,000	290,634
International Steel Group, Inc., 6.5%, 4/15/2014	70,000	70,000
Massey Energy Co.:		
6.625%, 11/15/2010	60,000	60,975
144A, 6.875%, 12/15/2013	50,000	50,438
MMI Products, Inc., Series B, 11.25%, 4/15/2007	210,000	197,400
Neenah Foundry Co.:		
144A, 11.0%, 9/30/2010	255,000	279,225
144A, 13.0%, 9/30/2013	94,000	95,880
NewPage Corp., 10.5%**, 5/1/2012	100,000	99,000
Omnova Solutions, Inc., 11.25%, 6/1/2010	245,000	255,412
Oregon Steel Mills, Inc., 10.0%, 7/15/2009	60,000	64,200
Oxford Automotive, Inc., 144A, 12.0%, 10/15/2010*	159,598	14,364
Pliant Corp., 11.625%, 6/15/2009 (PIK)*	10	11
Portola Packaging, Inc., 8.25%, 2/1/2012 (b)	70,000	51,450
Rockwood Specialties Group, Inc., 10.625%, 5/15/2011	33,000	36,176
TriMas Corp., 9.875%, 6/15/2012 (b)	240,000	198,000
UAP Holding Corp., Step-up Coupon, 0% to 1/15/2008, 10.75% to 7/15/2012	55,000	47,644
United States Steel Corp., 9.75%, 5/15/2010	165,000	179,437
		3,737,452

Telecommunication Services 2.3%

	Principal Amount ($)(a)	Value ($)
AirGate PCS, Inc., 7.9%**, 10/15/2011	75,000	77,437
American Cellular Corp., Series B, 10.0%, 8/1/2011	55,000	59,675
Cincinnati Bell, Inc.:		
7.25%, 7/15/2013 (b)	145,000	150,800
8.375%, 1/15/2014 (b)	150,000	147,562
Dobson Communications Corp., 8.875%, 10/1/2013	75,000	74,813
Insight Midwest LP, 9.75%, 10/1/2009	50,000	51,500
LCI International, Inc., 7.25%, 6/15/2007	135,000	135,675
Level 3 Financing, Inc., 10.75%, 10/15/2011	25,000	22,188
MCI, Inc., 8.735%, 5/1/2014	370,000	409,312
Nextel Communications, Inc., Series D, 7.375%, 8/1/2015	535,000	564,595

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

	Principal Amount ($)(a)	Value ($)
Nextel Partners, Inc., 8.125%, 7/1/2011	100,000	106,875
Qwest Corp.:		
7.25%, 9/15/2025	100,000	99,500
144A, 7.741%**, 6/15/2013	35,000	37,756
Rural Cellular Corp.:		
9.75%, 1/15/2010 (b)	20,000	20,200
9.875%, 2/1/2010 (b)	20,000	21,100
144A, 10.041%**, 11/1/2012	20,000	20,150
SBA Telecom, Inc., Step-up Coupon, 0% to 12/15/2007, 9.75% to 12/15/2011	65,000	60,288
Telex Communications Holdings, Inc., 11.5%, 10/15/2008	10,000	10,650
Triton PCS, Inc., 8.5%, 6/1/2013	15,000	13,950
Ubiquitel Operating Co., 9.875%, 3/1/2011	60,000	66,450
US Unwired, Inc., Series B, 10.0%, 6/15/2012	100,000	112,500
		2,262,976

Utilities 2.5%

	Principal Amount ($)(a)	Value ($)
AES Corp., 144A, 8.75%, 5/15/2013	315,000	342,956
Allegheny Energy Supply Co. LLC, 144A, 8.25%, 4/15/2012	340,000	383,350
CMS Energy Corp.:		
8.5%, 4/15/2011 (b)	160,000	174,200
9.875%, 10/15/2007	205,000	219,350
DPL, Inc., 6.875%, 9/1/2011	50,000	52,688
Mirant North America LLC, 144A, 7.375%, 12/31/2013 (b)	40,000	40,450
Mission Energy Holding Co., 13.5%, 7/15/2008	395,000	458,200
NorthWestern Corp., 5.875%, 11/1/2014	35,000	35,066
NRG Energy, Inc., 8.0%, 12/15/2013	234,000	260,910
PSE&G Energy Holdings LLC, 10.0%, 10/1/2009	410,000	451,000
		2,418,170
Total Corporate Bonds (Cost $33,592,995)		**33,194,476**

Foreign Bonds — US$ Denominated 23.4%

Consumer Discretionary 0.8%

	Principal Amount ($)(a)	Value ($)
Cablemas SA de CV, 144A, 9.375%, 11/15/2015	20,000	20,500
Jafra Cosmetics International, Inc., 10.75%, 5/15/2011	255,000	279,225
Kabel Deutschland GmbH, 144A, 10.625%, 7/1/2014	150,000	157,875
Shaw Communications, Inc., 8.25%, 4/11/2010	105,000	112,744
Telenet Group Holding NV, 144A, Step-up Coupon, 0% to 12/15/2008, 11.5% to 6/15/2014	178,000	145,960
Vitro SA de CV, Series A, 144A, 12.75%, 11/1/2013 (b)	75,000	70,875
		787,179

Energy 1.6%

	Principal Amount ($)(a)	Value ($)
OAO Gazprom, 144A, 9.625%, 3/1/2013 (b)	200,000	241,250
Pemex Project Funding Master Trust:		
Series REG S, 8.0%, 11/15/2011	250,000	280,250
Series REG S, 9.5%, 9/15/2027	435,000	574,200
Petroliam Nasional Berhad:		
7.625%, 10/15/2026	40,000	49,916
7.75%, 8/15/2015	80,000	95,613
Petronas Capital Ltd., Series REG S, 7.875%, 5/22/2022	160,000	200,064
Secunda International Ltd., 12.15%**, 9/1/2012	75,000	78,750
		1,520,043

Financials 0.4%

	Principal Amount ($)(a)	Value ($)
Conproca SA de CV, 12.0%, 6/16/2010	100,000	119,000
Doral Financial Corp., 5.004%**, 7/20/2007	240,000	233,291
New ASAT (Finance) Ltd., 9.25%, 2/1/2011	65,000	44,850
		397,141

Health Care 0.1%

	Principal Amount ($)(a)	Value ($)
Biovail Corp., 7.875%, 4/1/2010 (b)	140,000	**145,075**

Industrials 0.9%

	Principal Amount ($)(a)	Value ($)
Grupo Transportacion Ferroviaria Mexicana SA de CV:		
144A, 9.375%, 5/1/2012	80,000	87,600
10.25%, 6/15/2007	290,000	305,950
12.5%, 6/15/2012	95,000	108,300
J. Ray McDermott SA, 144A, 11.5%, 12/15/2013	155,000	182,900
LeGrand SA, 8.5%, 2/15/2025	75,000	90,187
Stena AB, 9.625%, 12/1/2012	55,000	59,744
		834,681

Materials 1.5%

	Principal Amount ($)(a)	Value ($)
Cascades, Inc., 7.25%, 2/15/2013	280,000	254,800
ISPAT Inland ULC, 9.75%, 4/1/2014 (b)	147,000	166,478
Novelis, Inc., 144A, 7.5%, 2/15/2015	295,000	275,087
Rhodia SA, 8.875%, 6/1/2011	225,000	230,625
Sino-Forest Corp., 144A, 9.125%, 8/17/2011	10,000	10,725
Tembec Industries, Inc.:		
8.5%, 2/1/2011	670,000	371,850
8.625%, 6/30/2009	300,000	171,000
		1,480,565

Sovereign Bonds 16.9%

	Principal Amount ($)(a)	Value ($)
Aries Vermogensverwaltung GmbH, Series C, REG S, 9.6%, 10/25/2014	500,000	644,745
Central Bank of Nigeria, Series WW, 6.25%, 11/15/2020	500,000	497,500
Dominican Republic, Series REG S, 9.5%, 9/27/2011	450,425	475,198
Egypt Government AID Bonds, 4.45%, 9/15/2015	1,200,000	1,175,868
Federative Republic of Brazil:		
Floating Rate Note Debt Conversion Bond, LIBOR plus .8125%, Series 30YR, 5.188% **, 4/15/2024	140,000	136,332
Floating Rate Note Debt Conversion Bond, LIBOR Plus .875%, Series 18 YR, 5.25% **, 4/15/2012	160,591	158,584
8.75%, 2/4/2025	200,000	221,000
8.875%, 10/14/2019 (b)	35,000	39,218

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

	Principal Amount ($)(a)	Value ($)
11.0%, 1/11/2012	230,000	280,600
11.0%, 8/17/2040	435,000	560,715
14.5%, 10/15/2009	220,000	282,150
Government of Ukraine, Series REG S, 7.65%, 6/11/2013	350,000	377,685
Kingdom of Morocco, Series A, 4.813%**, 1/2/2009	196,000	195,608
Republic of Argentina:		
Step-up Coupon, 1.33% to 3/31/2009, 2.5% to 3/31/2019, 3.75% to 3/31/2029, 5.25% to 12/31/2038	940,000	310,200
Zero Coupon, 12/15/2035	3,164,012	164,529
8.28%, 12/31/2033 (PIK) (b)	798,999	665,167
Republic of Bulgaria, 8.25%, 1/15/2015	115,000	138,874
Republic of Colombia:		
8.25%, 12/22/2014 (b)	235,000	260,850
10.0%, 1/23/2012	210,000	249,900
10.75%, 1/15/2013	60,000	74,400
Republic of Ecuador, Step-up Coupon, 9.0% to 8/15/2006, 10.0% to 8/15/2030	230,000	210,450
Republic of Guatemala:		
Series REG S, 8.125%, 10/6/2034	70,000	76,300
Series REG S, 9.25%, 8/1/2013	225,000	261,563
Republic of Indonesia, Series REG S, 7.25%, 4/20/2015	170,000	174,463
Republic of Panama:		
7.125%, 1/29/2026	106,000	107,325
9.375%, 1/16/2023	570,000	713,925
Republic of Peru:		
7.35%, 7/21/2025	575,000	566,375
9.875%, 2/6/2015	130,000	156,000
Republic of Philippines:		
8.0%, 1/15/2016	340,000	355,300
9.375%, 1/18/2017	390,000	446,550
9.5%, 2/2/2030	170,000	199,750
9.875%, 1/15/2019	205,000	243,181
Republic of Serbia, Step-up Coupon, 3.75% to 11/1/2009, 6.75% to 11/1/2024	220,000	195,800
Republic of South Africa, 6.5%, 6/2/2014	185,000	200,031
Republic of Turkey:		
7.25%, 3/15/2015 (b)	250,000	263,125
7.375%, 2/5/2025	340,000	351,050
11.75%, 6/15/2010	420,000	514,500
12.375%, 6/15/2009	300,000	361,875
Republic of Uruguay:		
7.25%, 2/15/2011	80,000	81,400
9.25%, 5/17/2017	80,000	91,000
Republic of Venezuela:		
9.375%, 1/13/2034	300,000	355,500
10.75%, 9/19/2013	845,000	1,039,350
Russian Federation, Step-up Coupon, 5.0% to 3/31/2007, 7.5% to 3/31/2030	845,000	953,920
Russian Ministry of Finance:		
Series V, 3.0%, 5/14/2008	385,000	365,134
Series VII, 3.0%, 5/14/2011	400,000	355,760
Socialist Republic of Vietnam, 144A, 6.875%, 1/15/2016	425,000	443,062
United Mexican States, Series A, 6.625%, 3/3/2015	360,000	394,200
		16,386,012

Telecommunication Services 1.0%

	Principal Amount ($)(a)	Value ($)
Cell C Property Ltd., 144A, 11.0%, 7/1/2015 (b)	120,000	122,100
Embratel, Series B, 11.0%, 12/15/2008	75,000	84,938
Global Crossing UK Finance, 10.75%, 12/15/2014 (b)	90,000	82,800
Grupo Iusacell SA de CV, Series B, 10.0%, 7/15/2004* (b)	30,000	24,150
Intelsat Bermuda Ltd., 144A, 8.695%**, 1/15/2012	65,000	66,056
Intelsat Ltd., 5.25%, 11/1/2008	100,000	91,125
Millicom International Cellular SA, 10.0%, 12/1/2013	50,000	51,625
Mobifon Holdings BV, 12.5%, 7/31/2010	195,000	226,200
Nortel Networks Ltd., 6.125%, 2/15/2006	250,000	250,000
		998,994

Utilities 0.2%

	Principal Amount ($)(a)	Value ($)
Intergas Finance BV, Series REG S, 6.875%, 11/4/2011	185,000	**190,004**
Total Foreign Bonds — US$ Denominated (Cost $21,853,010)		**22,739,694**

Foreign Bonds — Non US$ Denominated 18.0%

Consumer Discretionary 0.1%

		Principal Amount ($)(a)	Value ($)
IESY Repository GmbH, 144A, 8.75%, 2/15/2015	EUR	100,000	**116,910**

Consumer Staples 0.1%

		Principal Amount ($)(a)	Value ($)
Fage Dairy Industry SA, 144A, 7.5%, 1/15/2015	EUR	65,000	**66,757**

Financials 4.2%

		Principal Amount ($)(a)	Value ($)
KFW Bankengruppe, 5.0%, 7/4/2011	EUR	3,180,000	**4,107,489**

Industrials 0.1%

		Principal Amount ($)(a)	Value ($)
Grohe Holdings GmbH, 144A, 8.625%, 10/1/2014	EUR	50,000	**54,903**

Sovereign Bonds 13.5%

		Principal Amount ($)(a)	Value ($)
Federative Republic of Brazil, 8.5%, 9/24/2012	EUR	130,000	177,763
Government of Malaysia, 4.305%, 2/27/2009	MYR	400,000	108,045
Government of Ukraine, Series REG S, 4.95%, 10/13/2015	EUR	245,000	288,025
Mexican Bonds, Series M-20, 10.0%, 12/5/2024	MXN	3,810,000	405,828
Province of Ontario, 1.875%, 1/25/2010	JPY	140,000,000	1,244,968
Republic of Argentina:			
Step-up Coupon, 1.2% to 3/31/2009, 2.26% to 3/31/2019, 3.38% to 3/31/2029, 4.74% to 12/31/2038	EUR	160,000	61,563
Zero Coupon, 12/15/2035	ARS	3,155,178	62,542
5.83%, 12/31/2033 (PIK)	ARS	964,375	372,834
7.82%, 12/31/2033 (PIK)	EUR	47,804	47,257

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

		Principal Amount ($)(a)	Value ($)
Republic of Germany, Series 94, 6.25%, 1/4/2024	EUR	1,910,000	3,077,736
Republic of Greece, 4.65%, 4/19/2007	EUR	2,105,000	2,549,555
Republic of Peru, 7.5%, 10/14/2014	EUR	30,000	40,223
Republic of Turkey, 20.0%, 10/17/2007	TRY	35	30
Republic of Uruguay, 10.5%, 10/20/2006	UYU	4,200,000	215,100
United Kingdom Treasury Bond, 4.75%, 9/7/2015	GBP	2,500,000	4,521,395
			13,172,864
Total Foreign Bonds — Non US$ Denominated (Cost $16,866,784)			**17,518,923**

US Treasury Obligations 14.3%

	Principal Amount ($)(a)	Value ($)
US Treasury Bond:		
5.375%, 2/15/2031 (b) (f)	540,000	606,572
6.0%, 2/15/2026 (b)	1,375,000	1,621,426
8.5%, 2/15/2020 (b)	760,000	1,066,137
10.375%, 11/15/2012 (b) (f)	3,350,000	3,702,273
US Treasury Notes:		
4.75%, 11/15/2008 (b)	285,000	287,737
5.75%, 8/15/2010 (b) (f)	3,000,000	3,173,789
6.125%, 8/15/2007	3,375,000	3,464,383
Total US Treasury Obligations (Cost $13,860,457)		**13,922,317**

US Government Sponsored Agencies 2.5%

	Principal Amount ($)(a)	Value ($)
Federal Home Loan Mortgage Corp., 5.125%, 7/15/2012 (b) (Cost $2,372,729)	2,350,000	**2,392,960**

Convertible Bond 0.3%

Consumer Discretionary

	Principal Amount ($)(a)	Value ($)
HIH Capital Ltd.:		
144A, Series DOM, 7.5%, 9/25/2006	155,000	153,450
144A, Series EURO, 7.5%, 9/25/2006	105,000	103,950
Total Convertible Bond (Cost $258,142)		**257,400**

Preferred Stocks 0.1%

	Shares	Value ($)
Paxson Communications Corp., 14.25% (PIK) (Cost $81,339)	10	**90,106**

Loan Participation 0.1%

	Principal Amount ($)(a)	Value ($)
Republic of Algeria, Floating Rate Debt Conversion Bond, LIBOR plus .8125, 4.813% **, 3/4/2010 (Cost $91,074)	94,500	**94,406**

Warrants 0.0%

	Shares	Value ($)
Dayton Superior Corp. 144A*	10	0
TravelCenters of America, Inc*	25	3
Total Warrants (Cost $101)		**3**

Other Investments 0.2%

	Units	Value ($)
Hercules, Inc., (Bond Unit) 6.5%, 6/30/2029	150,000	112,500
IdleAire Technologies Corp. (Bond Unit), 144A, Step-up Coupon, 0% to 12/15/2008, 13.0% to 12/15/2012	140,000	102,650
Total Other Investments (Cost $220,548)		**215,150**

Common Stocks 0.0%

	Shares	Value ($)
GEO Specialty Chemicals, Inc.*	2,058	2,573
Intermet Corp.*	760	8,840
Total Common Stocks (Cost $31,681)		**11,413**

Securities Lending Collateral 20.8%

	Shares	Value ($)
Daily Assets Fund Institutional, 4.28% (c) (d) (Cost $20,210,660)	20,210,660	**20,210,660**

Cash Equivalents 5.1%

	Shares	Value ($)
Cash Management QP Trust, 4.26% (e) (Cost $4,913,796)	4,913,796	**4,913,796**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $114,353,316)†	119.0	**115,561,304**
Other Assets and Liabilities, Net	(19.0)	**(18,400,376)**
Net Assets	100.0	**97,160,928**

Notes to DWS Strategic Income VIP Portfolio of Investments

* *Non-income producing security. In the case of a bond, generally denotes that the issuer has defaulted on the payment of principal or interest. The following table represents bonds that are in default.*

Securities	Coupon	Maturity Date	Principal Amount		Acquisition Cost ($)	Value ($)
Congoleum Corp.	8.625%	8/1/2008	125,000	USD	105,994	124,531
Grupo Iusacell SA de CV	10.0%	7/15/2004	30,000	USD	21,475	24,150
Oxford Automotive, Inc.	12.0%	10/15/2010	159,598	USD	14,988	14,364
Pliant Corp.	11.625%	6/15/2009	10	USD	10	11
					$ 142,467	**$ 163,056**

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

** *Floating rate notes are securities whose yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury bill rate. These securities are shown at their current rate as of December 31, 2005.*

† *The cost for federal income tax purposes was $114,710,912. At December 31, 2005, net unrealized appreciation for all securities based on tax cost was $850,392. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $2,445,798 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $1,595,406.*

(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 December 31, 2005 amounted to $19,780,513 which is 20.4% of net assets.*

(c) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(d) *Represents collateral held in connection with securities lending.*

(e) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(f) *At December 31, 2005, this security, in part or in whole, has been segregated to cover initial margin requirements for open future contracts.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

LIBOR: Represents the London InterBank Offered Rate.

PIK: Denotes that all or a portion of the income is paid in-kind.

At December 31, 2005, open futures contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregate Face Value ($)	Value ($)	Unrealized Appreciation/ (Depreciation) ($)
10 Year Canada Government Bond	3/22/2006	21	2,058,571	2,066,308	7,737
10 Year Federal Germany Bond	3/8/2006	34	4,865,794	4,904,376	38,582
10 Year Japanese Government Bond	3/9/2006	3	3,505,392	3,493,874	(11,518)
Total net unrealized appreciation					**34,801**

At December 31, 2005, open futures contracts sold short were as follows:

Futures	Expiration Date	Contracts	Aggregate Face Value ($)	Value ($)	Unrealized Depreciation ($)
10 Year Australian Bond	3/15/2006	21	1,595,116	1,633,376	(38,260)
10 Year US Treasury Bond	3/22/2006	42	4,569,003	4,595,063	(26,060)
UK Treasury Bond	3/29/2006	21	4,097,157	4,135,138	(37,981)
Total net unrealized depreciation					**(102,301)**

At December 31, 2005, open credit default swap contract purchased was as follows:

Effective/Expiration Date	Notional Amount ($)	Cash Flows Paid by the Portfolio	Underlying Debt Obligation	Net Unrealized Depreciation ($)
10/18/2005 12/20/2010	4,345,000†	Fixed — 3.95%	Dow Jones CDX High Yield 100	(134,856)

Counterparty:

† *JPMorgan Chase Bank*

Currency Abbreviations

ARS	Argentine Peso	MXN	Mexican Peso
EUR	Euro	MYR	Malaysian Ringgitt
GBP	British Pound	TRY	New Turkish Lira
JPY	Japanese Yen	UYU	Uraguary Peso

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2005

Assets		
Investments:		
Investments in securities, at value (cost $89,228,860) — including $19,780,513 of securities loaned	$	90,436,848
Investment in Daily Assets Fund Institutional (cost $20,210,660)*		20,210,660
Investment in Cash Management QP Trust (cost $4,913,796)		4,913,796
Total investments in securities, at value (cost $114,353,316)		115,561,304
Cash		171,149
Foreign currency, at value (cost $299,908)		300,249
Receivable for investments sold		9,301
Interest receivable		1,905,490
Receivable for Portfolio shares sold		9,912
Receivable for daily variation on open futures contracts		5,231
Foreign taxes recoverable		2,164
Unrealized appreciation on forward currency exchange contracts		111,514
Due from Advisor		2,298
Other assets		2,467
Total assets		118,081,079
Liabilities		
Payable for investments purchased		131,232
Payable upon return of securities loaned		20,210,660
Payable for Portfolio shares redeemed		89,171
Net payable on closed forward foreign currency exchange contracts		159,838
Unrealized depreciation on forward foreign currency exchange contracts		90,019
Unrealized depreciation on credit default swap contracts		134,856
Accrued management fee		47,186
Other accrued expenses and payables		57,189
Total liabilities		20,920,151
Net assets, at value	**$**	**97,160,928**
Net Assets		
Net assets consist of:		
Undistributed net investment income		4,603,670
Net unrealized appreciation (depreciation) on:		
Investments		1,207,988
Credit default swaps		(134,856)
Foreign currency related transactions		(129,973)
Futures		(67,500)
Accumulated net realized gain (loss)		550,593
Paid-in capital		91,131,006
Net assets, at value	**$**	**97,160,928**
Class A		
Net Asset Value, offering and redemption price per share ($70,804,886 ÷ 6,158,201 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.50**
Class B		
Net Asset Value, offering and redemption price per share ($26,356,042 ÷ 2,304,696 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.44**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2005

Investment Income		
Income:		
Dividends	$	31,504
Interest		5,569,498
Interest — Cash Management QP Trust		207,414
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		48,556
Total Income		5,856,972
Expenses:		
Management fee		586,283
Custodian fees		48,640
Distribution service fees (Class B)		58,999
Record keeping fees (Class B)		28,221
Auditing		53,790
Legal		12,752
Trustees' fees and expenses		3,544
Reports to shareholders		25,200
Other		65,777
Total expenses before expense reductions		883,206
Expense reductions		(11,628)
Total expenses after expense reductions		871,578
Net investment income		**4,985,394**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		1,049,114
Credit default swaps		(130,575)
Futures		96,220
Foreign currency related transactions		(659,699)
		355,060
Net unrealized appreciation (depreciation) during the period on:		
Investments		(3,500,120)
Credit default swaps		(134,856)
Futures		(125,539)
Foreign currency related transactions		471,669
		(3,288,846)
Net gain (loss) on investment transactions		**(2,933,786)**
Net increase (decrease) in net assets resulting from operations	**$**	**2,051,608**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2005	2004
Operations:		
Net investment income	$ 4,985,394	$ 3,680,243
Net realized gain (loss) on investment transactions	355,060	2,282,802
Net unrealized appreciation (depreciation) during the period on investment transactions	(3,288,846)	390,098
Net increase (decrease) in net assets resulting from operations	2,051,608	6,353,143
Distributions to shareholders from:		
Net investment income:		
Class A	(5,064,114)	—
Class B	(1,726,009)	—
Net realized gains:		
Class A	(149,856)	(2,822,807)
Class B	(53,955)	(547,427)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	19,392,981	13,206,141
Reinvestment of distributions	5,213,970	2,822,807
Cost of shares redeemed	(12,247,000)	(17,995,166)
Net increase (decrease) in net assets from Class A share transactions	12,359,951	(1,966,218)
Class B		
Proceeds from shares sold	7,141,190	13,821,690
Reinvestment of distributions	1,779,964	547,427
Cost of shares redeemed	(2,685,538)	(2,371,956)
Net increase (decrease) in net assets from Class B share transactions	6,235,616	11,997,161
Increase (decrease) in net assets	13,653,241	13,013,852
Net assets at beginning of period	83,507,687	70,493,835
Net assets at end of period (including undistributed net investment income of $4,603,670 and $7,007,553, respectively)	**$ 97,160,928**	**$ 83,507,687**

Other Information		
Class A		
Shares outstanding at beginning of period	5,069,464	5,264,429
Shares sold	1,677,930	1,130,086
Shares issued to shareholders in reinvestment of distributions	468,040	247,832
Shares redeemed	(1,057,233)	(1,572,883)
Net increase (decrease) in Class A shares	1,088,737	(194,965)
Shares outstanding at end of period	**6,158,201**	**5,069,464**
Class B		
Shares outstanding at beginning of period	1,758,421	701,718
Shares sold	619,274	1,213,237
Shares issued to shareholders in reinvestment of distributions	160,213	48,231
Shares redeemed	(233,212)	(204,765)
Net increase (decrease) in Class B shares	546,275	1,056,703
Shares outstanding at end of period	**2,304,696**	**1,758,421**

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

Financial Highlights

Class A

Years Ended December 31,	2005	2004	2003	2002	2001[a]
Selected Per Share Data					
Net asset value, beginning of period	**$12.25**	**$11.82**	**$11.10**	**$10.27**	**$ 9.86**
Income (loss) from investment operations:					
Net investment income[b]	.65	.58	.41	.45	.48
Net realized and unrealized gain (loss) on investment transactions	(.39)	.39	.47	.68	.03
Total from investment operations	.26	.97	.88	1.13	.51
Less distributions from:					
Net investment income	(.98)	—	(.15)	(.30)	(.10)
Net realized gain on investment transactions	(.03)	(.54)	(.01)	—	—
Total distributions	(1.01)	(.54)	(.16)	(.30)	(.10)
Net asset value, end of period	**$11.50**	**$12.25**	**$11.82**	**$11.10**	**$10.27**
Total Return (%)	2.38	8.60	7.85	11.30	5.23
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	71	62	62	60	21
Ratio of expenses (%)	.88	.84	.83	.73	.66
Ratio of net investment income (%)	5.61	4.99	3.60	4.26	4.76
Portfolio turnover rate (%)	120	210	160	65	27

[a] *As required, effective January 1, 2001, the Portfolio has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities.*

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

Class B

Years Ended December 31,	2005	2004	2003[a]
Selected Per Share Data			
Net asset value, beginning of period	**$12.17**	**$11.78**	**$11.44**
Income (loss) from investment operations:			
Net investment income[b]	.61	.53	.17
Net realized and unrealized gain (loss) on investment transactions	(.38)	.40	.17
Total from investment operations	.23	.93	.34
Less distributions from:			
Net investment income	(.93)	—	—
Net realized gain on investment transactions	(.03)	(.54)	—
Total distributions	(.96)	(.54)	—
Net asset value, end of period	**$11.44**	**$12.17**	**$11.78**
Total Return (%)	1.92[c]	8.27	2.97**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	26	21	8
Ratio of expenses before expense reductions (%)	1.25	1.22	1.26*
Ratio of expenses after expense reductions (%)	1.21	1.22	1.26*
Ratio of net investment income (%)	5.28	4.61	1.80*
Portfolio turnover rate (%)	120	210	160

[a] *For the period from May 1, 2003 (commencement of operations of Class B shares) to December 31, 2003.*

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

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

* *Annualized*

** *Not annualized*

Performance Summary

December 31, 2005

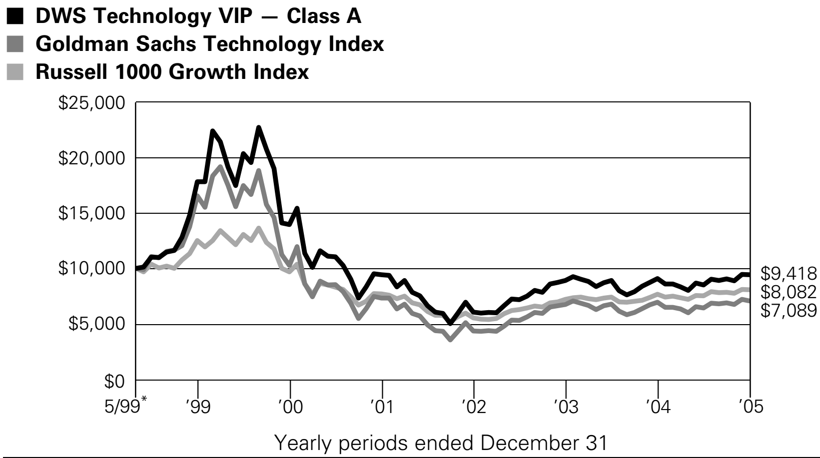
DWS Technology VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

Investments by the Portfolio in small companies present greater risk of loss than investments in larger, more established companies. Concentration of the Portfolio's investment in technology stocks may present a greater risk than investments in a more diversified Portfolio. Investments by the Portfolio in emerging technology companies present greater risk than investments in more-established technology companies. This Portfolio is non-diversified and can take larger positions in fewer companies, increasing its overall potential risk. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Portfolio returns shown for the 3-year and the Life of Class for Class B shares reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

Growth of an Assumed $10,000 Investment in DWS Technology VIP from 5/1/1999 to 12/31/2005



The Goldman Sachs Technology Index is an unmanaged capitalization-weighted index based on a universe of technology-related stocks.

The Russell 1000 Growth Index is an unmanaged index that consists of those stocks in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth values.

Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Technology VIP		1-Year	3-Year	5-Year	Life of Portfolio*
Class A	Growth of $10,000	$10,374	$15,501	$6,758	$9,418
	Average annual total return	3.74%	15.73%	-7.54%	-.90%
Goldman Sachs Technology Index	Growth of $10,000	$10,203	$16,189	$6,906	$7,089
	Average annual total return	2.03%	17.42%	-7.14%	-5.03%
Russell 1000 Growth Index	Growth of $10,000	$10,526	$14,518	$8,332	$8,082
	Average annual total return	5.26%	13.23%	-3.58%	-3.14%

DWS Technology VIP		1-Year	3-Year	Life of Class**
Class B	Growth of $10,000	$10,327	$15,318	$14,591
	Average annual total return	3.27%	15.28%	11.40%
Goldman Sachs Technology Index	Growth of $10,000	$10,203	$16,189	$14,431
	Average annual total return	2.03%	17.42%	11.02%
Russell 1000 Growth Index	Growth of $10,000	$10,526	$14,518	$13,216
	Average annual total return	5.26%	13.23%	8.29%

The growth of $10,000 is cumulative.

* *The Portfolio commenced operations on May 1, 1999. Index returns begin April 30, 1999.*

** *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.*

Information About Your Portfolio's Expenses

DWS Technology VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include sales charges (loads), redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The tables are based on an investment of $1,000 made at the beginning of the six-month period ended December 31, 2005.

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

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

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

Expenses and Value of a $1,000 Investment for the six months ended December 31, 2005

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,107.10	$1,104.30
Expenses Paid per $1,000*	$ 4.62	$ 6.79
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,020.82	$1,018.75
Expenses Paid per $1,000*	$ 4.43	$ 6.51

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

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Technology VIP	.87%	1.28%

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

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

DWS Technology VIP

The technology sector delivered a modestly positive return in 2005, masking significant intraperiod volatility and an exceptionally wide dispersion in returns among the best and worst performers. In this potentially challenging environment, DWS Technology VIP (Class A shares, unadjusted for contract charges) returned 3.74%, comfortably ahead of the 2.03% return of its benchmark, the Goldman Sachs Technology Index. The Portfolio underperformed versus the Russell 1000 Growth Index which returned 5.26%.

The largest positive contribution to return came from the substantial outperformance of our stock picks in semiconductors. Here, the Portfolio was underweight in the largest stocks in the sector in favor of companies with strong product cycles — such as Advanced Micro Devices, Inc. (3.4% of net assets as of December 31, 2005) and Broadcom Corp. (1.4%) — as well as restructuring stories such as National Semiconductor Corp. (0.9%). Performance was also boosted by an overweight in communications equipment stocks, which outperformed, and strong stock selection in the Internet sector. Unfortunately, an underweight in Apple Computer, Inc. (2.6%), one of the strongest stocks in the benchmark, detracted significantly from returns. The underperformance of our stock picks in the software sector also detracted from returns.

As we move into 2006, our belief is that the fundamentals of the technology sector are solid but not spectacular. While we believe that technology can outperform the broader market in the long-term, we do not foresee outsized returns on an absolute basis given the slow, steady recovery we have been experiencing over the past few years. In this environment, we intend to continue to focus on managing risk by emphasizing companies with strong market positions, robust balance sheets and favorable growth prospects.

Ian Link, CFA	Kelly P. Davis
Lead Manager	Brian S. Peters, CFA
	Portfolio Managers

Deutsche Investment Management Americas Inc.

Percentages in parnetheses represent percentages of the Portfolio's total net assets as of December 31, 2005.

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the product's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

Investments by the Portfolio in small companies present greater risk of loss than investments in larger, more established companies. Concentration of the Portfolio's investment in technology stocks may present a greater risk than investments in a more diversified portfolio. Investments by the Portfolio in emerging technology companies present greater risk than investments in more established technology companies. This Portfolio is non-diversified and can take larger positions in fewer companies, increasing its overall potential risk. Please read this Portfolio's prospectus for specific details regarding this product's investments and risk profile.

The Goldman Sachs Technology Index is an unmanaged, capitalization-weighted index based on a universe of technology-related stocks.

The Russell 1000 Growth Index is an unmanaged index that consists of those stocks in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth values.

Index returns assume reinvestment of all dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of December 31, 2005, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Technology VIP

Asset Allocation (Excludes Securities Lending Collateral)	**12/31/05**	**12/31/04**
Common Stocks	95%	91%
Cash Equivalents	5%	9%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**12/31/05**	**12/31/04**
Information Technology	95%	96%
Consumer Discretionary	5%	3%
Health Care	—	1%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 213. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on the 15th of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

Investment Portfolio

December 31, 2005

DWS Technology VIP

	Shares	Value ($)
Common Stocks 95.0%		
Consumer Discretionary 4.2%		
Internet & Catalog Retail		
eBay, Inc.*	210,600	**9,108,450**
Information Technology 90.5%		
Communications Equipment 15.0%		
Avocent Corp.* (a)	129,900	3,531,981
Cisco Systems, Inc.*	347,600	5,950,912
Corning, Inc.*	254,500	5,003,470
Lucent Technologies, Inc.*	809,900	2,154,334
Motorola, Inc.	236,484	5,342,174
Nokia Oyj (ADR)	195,700	3,581,310
QUALCOMM, Inc.	130,016	5,601,089
Scientific-Atlanta, Inc.	23,900	1,029,373
		32,194,643
Computers & Peripherals 20.5%		
Apple Computer, Inc.*	77,700	5,585,853
Dell, Inc.*	282,225	8,463,928
EMC Corp.*	675,300	9,197,586
Hewlett-Packard Co.	106,700	3,054,821
Hon Hai Precision Industry Co., Ltd.	230,000	1,261,176
International Business Machines Corp.	79,100	6,502,020
Network Appliance, Inc.*	96,600	2,608,200
QLogic Corp.*	107,210	3,485,397
SanDisk Corp.*	20,900	1,312,938
Sun Microsystems, Inc.*	662,300	2,775,037
		44,246,956
Electronic Equipment & Instruments 1.1%		
AU Optronics Corp. (ADR) (a)	90,610	1,360,056
Cheng Uei Precision Industry Co., Ltd.	332,000	1,077,118
		2,437,174
Internet Software & Services 8.8%		
Google, Inc. "A"*	23,800	9,873,668
Yahoo!, Inc.*	235,700	9,234,726
		19,108,394
IT Consulting & Services 6.7%		
Affiliated Computer Services, Inc. "A"*	37,000	2,189,660
Automatic Data Processing, Inc.	150,530	6,907,822
Cognizant Technology Solutions Corp. "A"*	105,500	5,311,925
		14,409,407
Semiconductors & Semiconductor Equipment 24.0%		
Advanced Micro Devices, Inc.*	239,400	7,325,640
Applied Materials, Inc.	309,900	5,559,606
Broadcom Corp. "A"*	62,658	2,954,325
Intel Corp.	555,189	13,857,517
Intersil Corp. "A"	124,400	3,095,072
Maxim Integrated Products, Inc.	158,934	5,759,768
Micron Technology, Inc.* (a)	107,400	1,429,494
National Semiconductor Corp. (a)	73,600	1,912,128
Spansion, Inc. "A"*	83,500	1,162,320
Sumco Corp.*	14,800	776,801
Taiwan Semiconductor Manufacturing Co., Ltd.	664,000	1,264,222
Texas Instruments, Inc.	205,900	6,603,213
		51,700,106
Software 14.4%		
Activision, Inc.*	296,766	4,077,565
Business Objects SA (ADR)* (a)	175,400	7,087,914
Computer Associates International, Inc.	74,900	2,111,431
Microsoft Corp.	183,046	4,786,653
Oracle Corp.*	420,400	5,133,084
Patni Computer Systems Ltd. (ADR)* (a)	10,400	241,072
Quest Software, Inc.* (a)	150,000	2,188,500
Symantec Corp.*	192,677	3,371,847
Take-Two Interactive Software, Inc.* (a)	113,600	2,010,720
		31,008,786
Materials 0.3%		
Metals & Mining		
SODIFF Advanced Materials Co., Ltd.	28,944	**577,598**
Total Common Stocks (Cost $172,973,040)		**204,791,514**
Call Options Purchased 0.0%		
Intel Corp. Expiring 1/16/2006, Strike Price, $25.0 (Cost $61,903)	860	**51,600**
Securities Lending Collateral 5.3%		
Daily Assets Fund Institutional, 4.28% (b) (c) (Cost $11,500,547)	11,500,547	**11,500,547**
Cash Equivalents 4.5%		
Cash Management QP Trust, 4.26% (d) (Cost $9,671,342)	9,671,342	**9,671,342**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $194,206,832)†	104.8	**226,015,003**
Other Assets and Liabilities, Net	(4.8)	**(10,412,262)**
Net Assets	100.0	**215,602,741**

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

Notes to DWS Technology VIP Portfolio of Investments

* *Non-income producing security.*

† *The cost for federal income tax purposes was $210,884,745. At December 31, 2005, net unrealized appreciation for all securities based on tax cost was $15,130,258. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $28,273,058 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $13,142,800.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at December 31, 2005 amounted to $11,144,411 which is 5.2% of net assets.*

(b) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

(d) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

ADR: American Depositary Receipt

At December 31, 2005, open written options were as follows:

Written Options	Expiration Date	Number of Contracts	Strike Price	Value ($)
Call Options				
Yahoo! Inc. (Premiums received $69,716)	1/21/2006	403	42.5	**(17,732)**

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2005

Assets	
Investments:	
Investments in securities, at value (cost $173,034,943) — including $11,144,411 of securities loaned	$ 204,843,114
Investment in Daily Assets Fund Institutional (cost $11,500,547)*	11,500,547
Investment in Cash Management QP Trust (cost $9,671,342)	9,671,342
Total investments in securities, at value (cost $194,206,832)	226,015,003
Foreign currency, at value (cost $56,400)	57,591
Receivable for investments sold	958,971
Dividends receivable	56,508
Interest receivable	44,795
Receivable for Portfolio shares sold	513,727
Foreign taxes recoverable	274
Other assets	6,864
Total assets	227,653,733

Liabilities	
Payable for investments purchased	300,775
Payable for Portfolio shares redeemed	3,659
Payable upon return of securities loaned	11,500,547
Written options, at value (premiums received $69,716)	17,732
Accrued management fee	139,037
Other accrued expenses and payables	89,242
Total liabilities	12,050,992
Net assets, at value	**$ 215,602,741**

Net Assets	
Net assets consist of:	
Accumulated distributions in excess of net investment income	(402)
Net unrealized appreciation (depreciation) on:	
Investments	31,808,171
Written options	51,984
Foreign currency related transactions	1,193
Accumulated net realized gain (loss)	(271,637,475)
Paid-in capital	455,379,270
Net assets, at value	**$ 215,602,741**
Class A	
Net Asset Value, offering and redemption price per share ($199,181,092 ÷ 21,420,473 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 9.30**
Class B	
Net Asset Value, offering and redemption price per share ($16,421,649 ÷ 1,782,726 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 9.21**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2005

Investment Income	
Income:	
Dividends (net of foreign taxes withheld of $27,464)	$ 776,548
Interest	2,573
Interest — Cash Management QP Trust	266,204
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	22,980
Total Income	1,068,305
Expenses:	
Management fee	1,609,872
Custodian and accounting fees	110,875
Distribution service fees (Class B)	37,898
Record keeping fees (Class B)	22,257
Auditing	46,540
Legal	13,238
Trustees' fees and expenses	10,020
Reports to shareholders	42,955
Other	16,148
Total expenses before expense reductions	1,909,803
Expense reductions	(3,696)
Total expenses after expense reductions	1,906,107
Net investment income (loss)	**(837,802)**

Realized and Unrealized Gain (Loss) on Investment Transactions	
Net realized gain (loss) from:	
Investments	11,625,908
Written options	1,541,327
Foreign currency related transactions	(146,548)
	13,020,687
Net unrealized appreciation (depreciation) during the period on:	
Investments	(6,121,456)
Written options	(74,442)
Foreign currency related transactions	(6,521)
	(6,202,419)
Net gain (loss) on investment transactions	**6,818,268**
Net increase (decrease) in net assets resulting from operations	**$ 5,980,466**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2005	2004
Operations:		
Net investment income (loss)	$ (837,802)	$ 1,003,070
Net realized gain (loss)	13,020,687	14,690,748
Net unrealized appreciation (depreciation) during the period on investment transactions	(6,202,419)	(12,924,302)
Net increase (decrease) in net assets resulting from operations	5,980,466	2,769,516
Distributions to shareholders from:		
Net investment income:		
Class A	(979,061)	—
Class B	(18,255)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	13,734,734	32,575,554
Reinvestment of distributions	979,061	—
Cost of shares redeemed	(50,111,493)	(61,621,741)
Net increase (decrease) in net assets from Class A share transactions	(35,397,698)	(29,046,187)
Class B		
Proceeds from shares sold	2,549,674	7,002,084
Reinvestment of distributions	18,255	—
Cost of shares redeemed	(2,984,180)	(1,720,967)
Net increase (decrease) in net assets from Class B share transactions	(416,251)	5,281,117
Increase (decrease) in net assets	(30,830,799)	(20,995,554)
Net assets at beginning of period	246,433,540	267,429,094
Net assets at end of period (including accumulated distributions in excess of net investment and undistributed net investment income of $402 and $950,616, respectively)	**$ 215,602,741**	**$ 246,433,540**

Other Information	2005	2004
Class A		
Shares outstanding at beginning of period	25,536,462	29,035,542
Shares sold	1,583,343	3,753,123
Shares issued to shareholders in reinvestment of distributions	119,107	—
Shares redeemed	(5,818,439)	(7,252,203)
Net increase (decrease) in Class A shares	(4,115,989)	(3,499,080)
Shares outstanding at end of period	**21,420,473**	**25,536,462**
Class B		
Shares outstanding at beginning of period	1,832,122	1,217,540
Shares sold	296,780	821,254
Shares issued to shareholders in reinvestment of distributions	2,234	—
Shares redeemed	(348,410)	(206,672)
Net increase (decrease) in Class B shares	(49,396)	614,582
Shares outstanding at end of period	**1,782,726**	**1,832,122**

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

Financial Highlights

Class A

Years Ended December 31,	2005	2004	2003	2002	2001
Selected Per Share Data					
Net asset value, beginning of period	**$ 9.01**	**$ 8.84**	**$ 6.02**	**$ 9.36**	**$13.87**
Income (loss) from investment operations:					
Net investment income (loss)[a]	(.03)	.04	(.04)	(.03)	.01
Net realized and unrealized gain (loss) on investment transactions	.36	.13	2.86	(3.30)	(4.50)
Total from investment operations	.33	.17	2.82	(3.33)	(4.49)
Less distributions from:					
Net investment income	(.04)	—	—	(.01)	(.02)
Net asset value, end of period	**$ 9.30**	**$ 9.01**	**$ 8.84**	**$ 6.02**	**$ 9.36**
Total Return (%)	3.74	1.92	46.84	(35.52)	(32.39)
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	199	230	257	219	351
Ratio of expenses (%)	.86	.83	.86	.80	.81
Ratio of net investment income (%)	(.36)	.43	(.50)	(.37)	.12
Portfolio turnover rate (%)	135	112	66	64	56

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

Class B

Years Ended December 31,	2005	2004	2003	2002[a]
Selected Per Share Data				
Net asset value, beginning of period	**$ 8.93**	**$ 8.80**	**$ 6.01**	**$ 6.32**
Income (loss) from investment operations:				
Net investment income (loss)[b]	(.07)	.01	(.07)	(.02)
Net realized and unrealized gain (loss) on investment transactions	.36	.12	2.86	(.29)
Total from investment operations	.29	.13	2.79	(.31)
Less distributions from:				
Net investment income	(.01)	—	—	—
Net asset value, end of period	**$ 9.21**	**$ 8.93**	**$ 8.80**	**$ 6.01**
Total Return (%)	3.27	1.48	46.42	(4.75)**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	16	16	11	.3
Ratio of expenses before expense reductions (%)	1.26	1.22	1.25	1.06*
Ratio of expenses after expense reductions (%)	1.26	1.21	1.25	1.06*
Ratio of net investment income (%)	(.76)	.05	(.89)	(.79)*
Portfolio turnover rate (%)	135	112	66	64

a *For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
b *Based on average shares outstanding during the period.*
* *Annualized*
** *Not annualized*

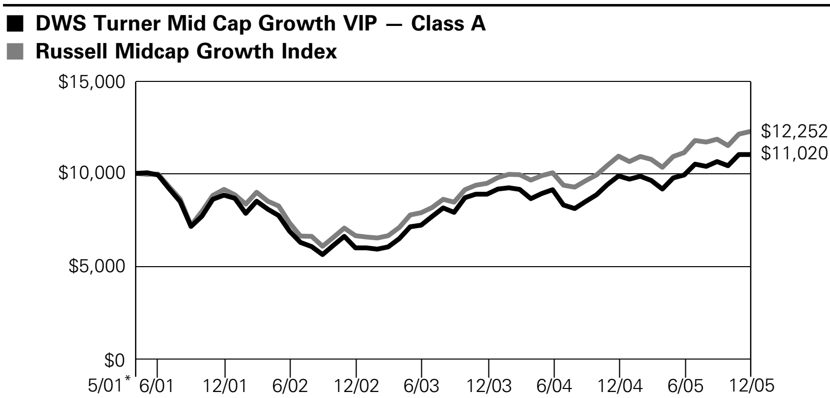
DWS Turner Mid Cap Growth VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

The Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Please read this Portfolio's prospectus for specific details regarding this product's investments and risk profile.

Portfolio returns shown for life of portfolio period for Class A shares and for all periods shown for Class B shares reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

Growth of an Assumed $10,000 Investment in DWS Turner Mid Cap Growth VIP from 5/1/2001 to 12/31/2005



The Russell Midcap Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. Index returns assume reinvestment of dividends and unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly in an index.

Comparative Results

DWS Turner Mid Cap Growth VIP		1-Year	3-Year	Life of Portfolio*
Class A	Growth of $10,000	$11,176	$18,428	$11,020
	Average annual total return	11.76%	22.60%	2.10%
Russell Midcap Growth Index	Growth of $10,000	$11,210	$18,474	$12,252
	Average annual total return	12.10%	22.70%	4.45%

DWS Turner Mid Cap Growth VIP		1-Year	3-Year	Life of Class**
Class B	Growth of $10,000	$11,125	$18,224	$16,485
	Average annual total return	11.25%	22.15%	15.36%
Russell Midcap Growth Index	Growth of $10,000	$11,210	$18,474	$16,702
	Average annual total return	12.10%	22.70%	15.78%

The growth of $10,000 is cumulative.

* *The Portfolio commenced operations on May 1, 2001. Index returns begin April 30, 2001.*

** *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns begin June 30, 2002.*

Information About Your Portfolio's Expenses

DWS Turner Mid Cap Growth VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include sales charges (loads), redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses in Class B; had it not done so, expenses would have been higher. The tables are based on an investment of $1,000 made at the beginning of the six-month period ended December 31, 2005.

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

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

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

Expenses and Value of a $1,000 Investment for the six months ended December 31, 2005

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,112.00	$1,110.20
Expenses Paid per $1,000*	$ 5.70	$ 7.61
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/05	$1,000.00	$1,000.00
Ending Account Value 12/31/05	$1,019.81	$1,018.00
Expenses Paid per $1,000*	$ 5.45	$ 7.27

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

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Turner Mid Cap Growth VIP	1.07%	1.43%

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

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

DWS Turner Mid Cap Growth VIP

In 2005, corporate earnings were strong. The same can't be said for the stock market during 2005, however; it, as represented by the Standard & Poor's 500 Index, gained just 4.91%. This confounded the expectations of some market strategists.

During this period, DWS Turner Mid Cap Growth VIP gained 11.76% (Class A shares, unadjusted for contract charges), versus a 12.10 % gain for the Russell Midcap Growth Index.

Five of the Portfolio's 10 sector positions beat their corresponding index sectors. Contributing the most to performance were growth-oriented holdings in the utility, consumer discretionary and energy sectors, a combined 38% weighting in the Portfolio. Holdings that added value included wireless telecommunications, apparel/footwear and oil/gas production stocks.

Detracting the most from performance was the healthcare sector, an 18% weighting in the Portfolio. Holdings in the pharmaceuticals industry also detracted from performance.

We remain optimistic about the near-term outlook for the stock market. Our bottom-up fundamental analysis tells us that the recent strong earnings of corporate America should persist. Also, companies are intent on capitalizing on their fastest growing products and services, controlling costs, improving productivity, buying back shares and raising dividends. All in all, then, we see a favorable backdrop for continued stock market gains in the new year.

Christopher K. McHugh
William C. McVail
Robert E. Turner

Portfolio Managers
Turner Investment Partners, Inc., Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when 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 visit www.dws-scudder.com for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

Risk Considerations

The Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Please read this Portfolio's prospectus for specific details regarding this product's investments and risk profile.

The Standard & Poor's 500 Index is an unmanaged group of large-company stocks. Index returns assume reinvestment of dividends and unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly in an index.

The Russell Midcap Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. Index returns assume reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of December 31, 2005, and may not come to pass. This information is subject to change at any time based on market and other conditions.

Portfolio Summary

DWS Turner Mid Cap Growth VIP

Asset Allocation (Excludes Securities Lending Collateral)	**12/31/05**	**12/31/04**
Common Stocks	96%	99%
Cash Equivalents	4%	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**12/31/05**	**12/31/04**
Information Technology	25%	31%
Consumer Discretionary	17%	18%
Health Care	17%	19%
Industrials	14%	11%
Financials	10%	9%
Energy	10%	5%
Materials	3%	3%
Telecommunication Services	2%	2%
Consumer Staples	2%	2%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 222. A quarterly Fact Sheet is available upon request. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on the 15th of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Turner Mid Cap Growth VIP

	Shares	Value ($)
Common Stocks 95.6%		
Consumer Discretionary 16.6%		
Auto Components 0.6%		
Johnson Controls, Inc.	11,530	**840,652**
Hotels Restaurants & Leisure 3.1%		
Scientific Games Corp. "A"*	45,170	1,232,238
Starwood Hotels & Resorts Worldwide, Inc.	34,720	2,217,219
Station Casinos, Inc.	16,590	1,124,802
		4,574,259
Household Durables 1.1%		
Harman International Industries, Inc.	17,180	**1,681,063**
Media 2.9%		
Getty Images, Inc.* (a)	15,480	1,381,899
Sirius Satellite Radio, Inc.* (a)	340,180	2,279,206
XM Satellite Radio Holdings, Inc. "A"*	25,210	687,729
		4,348,834
Multiline Retail 1.1%		
Nordstrom, Inc.	43,070	**1,610,818**
Specialty Retail 5.1%		
Chico's FAS, Inc.*	46,640	2,048,895
Circuit City Stores, Inc.	41,620	940,196
GameStop Corp. "A"* (a)	24,910	792,636
Tiffany & Co. (a)	30,800	1,179,332
Urban Outfitters, Inc.* (a)	38,590	976,713
Williams-Sonoma, Inc.*	38,130	1,645,310
		7,583,082
Textiles, Apparel & Luxury Goods 2.7%		
Coach, Inc.*	83,880	2,796,559
Polo Ralph Lauren Corp.	23,450	1,316,483
		4,113,042
Consumer Staples 2.0%		
Beverages 0.9%		
Hansen Natural Corp.* (a)	16,680	**1,314,551**
Food & Staples Retailing 1.1%		
Whole Foods Market, Inc.	21,820	**1,688,650**
Energy 9.3%		
Energy Equipment & Services 2.1%		
Cal Dive International, Inc.*	19,100	685,499
Grant Prideco, Inc.*	19,290	851,075
National-Oilwell Varco, Inc.*	24,650	1,545,555
		3,082,129
Oil, Gas & Consumable Fuels 7.2%		
Chesapeake Energy Corp. (a)	26,650	845,605
Newfield Exploration Co.*	21,550	1,079,008
Peabody Energy Corp.	12,420	1,023,656
Range Resources Corp. (a)	73,614	1,938,993
Southwestern Energy Co.*	38,480	1,382,971
Sunoco, Inc.	21,530	1,687,521
Ultra Petroleum Corp.*	19,550	1,090,890
XTO Energy, Inc.	38,136	1,675,696
		10,724,340

	Shares	Value ($)
Financials 9.6%		
Banks 0.5%		
Colonial BancGroup, Inc.	29,080	**692,686**
Capital Markets 2.6%		
Mellon Financial Corp.	50,110	1,716,268
T. Rowe Price Group, Inc.	30,280	2,181,068
		3,897,336
Diversified Financial Services 5.0%		
Affiliated Managers Group, Inc.* (a)	21,954	1,761,808
Ameritrade Holding Corp.*	65,670	1,576,080
Chicago Mercantile Exchange Holdings, Inc.	5,090	1,870,524
Moody's Corp.	22,860	1,404,061
Nasdaq Stock Market, Inc.*	23,310	820,046
		7,432,519
Insurance 0.7%		
HCC Insurance Holdings, Inc.	33,110	**982,705**
Real Estate 0.8%		
CB Richard Ellis Group, Inc. "A"*	20,600	**1,212,310**
Health Care 15.9%		
Biotechnology 3.9%		
Biogen Idec, Inc.*	25,350	1,149,116
Celgene Corp.*	20,840	1,350,432
Cephalon, Inc.* (a)	12,460	806,660
MedImmune, Inc.*	39,330	1,377,337
Protein Design Labs, Inc.*	41,260	1,172,609
		5,856,154
Health Care Equipment & Supplies 2.8%		
Dade Behring Holdings, Inc.	36,600	1,496,574
Intuitive Surgical, Inc.*	6,280	736,456
ResMed, Inc.*	27,050	1,036,285
Varian Medical Systems, Inc.*	17,450	878,433
		4,147,748
Health Care Providers & Services 5.0%		
Cerner Corp.* (a)	14,780	1,343,650
Community Health Systems, Inc.*	17,090	655,230
DaVita, Inc.*	20,670	1,046,729
Express Scripts, Inc.*	19,370	1,623,206
Omnicare, Inc.	36,690	2,099,402
Pharmaceutical Product Development, Inc.	12,070	747,736
WellPoint, Inc.*	1	74
		7,516,027
Pharmaceuticals 4.2%		
Allergan, Inc.	19,490	2,104,141
Barr Pharmaceuticals, Inc.*	25,560	1,592,132
Sepracor, Inc.* (a)	13,580	700,728
Shire Pharmaceuticals Group PLC (ADR) (a)	30,270	1,174,173
United Therapeutics Corp.* (a)	9,350	646,272
		6,217,446

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

	Shares	Value ($)
Industrials 13.0%		
Aerospace & Defense 1.6%		
Ceradyne, Inc.* (a)	20,230	886,074
Precision Castparts Corp.	28,280	1,465,187
		2,351,261
Air Freight & Logistics 1.6%		
C.H. Robinson Worldwide, Inc.	33,470	1,239,394
UTI Worldwide, Inc.	12,260	1,138,218
		2,377,612
Commercial Services & Supplies 2.9%		
aQuantive, Inc.* (a)	30,630	773,101
Manpower, Inc.	26,580	1,235,970
Monster Worldwide, Inc.*	55,660	2,272,041
		4,281,112
Construction & Engineering 0.7%		
McDermott International, Inc.*	22,150	**988,112**
Electrical Equipment 1.6%		
AMETEK, Inc.	23,140	984,376
Roper Industries, Inc.	36,800	1,453,968
		2,438,344
Machinery 2.9%		
Actuant Corp. "A"	10,420	581,436
Joy Global, Inc.	43,985	1,759,400
Oshkosh Truck Corp.	24,550	1,094,684
Terex Corp.*	14,610	867,834
		4,303,354
Road & Rail 0.7%		
Norfolk Southern Corp.	21,950	**984,019**
Trading Companies & Distributors 1.0%		
WESCO International, Inc.*	36,660	**1,566,482**
Information Technology 23.6%		
Communications Equipment 3.6%		
Comverse Technologies, Inc.*	27,900	741,861
F5 Networks, Inc.*	35,320	2,019,951
Foundry Networks, Inc.*	82,570	1,140,292
JDS Uniphase Corp.* (a)	594,350	1,402,666
		5,304,770
Computers & Peripherals 1.5%		
ATI Technologies, Inc.*	49,840	846,782
Network Appliance, Inc.*	49,440	1,334,880
		2,181,662
Electronic Equipment & Instruments 2.6%		
Agilent Technologies, Inc.*	52,580	1,750,389
Cogent, Inc.* (a)	47,190	1,070,269
Itron, Inc.* (a)	12,280	491,691
Trident Microsystems, Inc.* (a)	33,510	603,180
		3,915,529
Internet Software & Services 3.5%		
Akamai Technologies, Inc.* (a)	75,680	1,508,302
CNET Networks, Inc.* (a)	110,800	1,627,652
Openwave Systems, Inc.* (a)	68,210	1,191,629
ValueClick, Inc.* (a)	52,280	946,791
		5,274,374
IT Consulting & Services 1.3%		
Global Payments, Inc.	24,790	1,155,462
MPS Group, Inc.*	57,760	789,579
		1,945,041
Semiconductors & Semiconductor Equipment 10.4%		
Advanced Micro Devices, Inc.*	88,570	2,710,242
ASML Holding NV (New York Registered Shares)* (a)	65,200	1,309,216
Broadcom Corp. "A"*	68,630	3,235,904
KLA-Tencor Corp.	49,270	2,430,489
Lam Research Corp.*	19,730	703,966
Micron Technology, Inc.* (a)	119,310	1,588,016
Silicon Laboratories, Inc.* (a)	43,180	1,582,979
SiRF Technology Holdings, Inc.* (a)	26,380	786,124
Varian Semiconductor Equipment Associates, Inc.* (a)	26,320	1,156,238
		15,503,174
Software 0.7%		
Red Hat, Inc.*	19,160	521,918
Salesforce.com, Inc.* (a)	14,500	464,725
		986,643
Materials 3.2%		
Construction Materials 0.4%		
Florida Rock Industries, Inc.	11,740	**575,964**
Metals & Mining 2.8%		
Allegheny Technologies, Inc. (a)	34,590	1,248,007
CONSOL Energy, Inc.	21,120	1,376,602
Freeport-McMoRan Copper & Gold, Inc. "B"	28,040	1,508,552
		4,133,161
Telecommunication Services 2.4%		
Wireless Telecommunication Services		
Crown Castle International Corp.*	34,330	923,820
NII Holdings, Inc.*	61,300	2,677,584
		3,601,404
Total Common Stocks (Cost $112,297,094)		**142,228,369**
Securities Lending Collateral 18.7%		
Daily Assets Fund Institutional, 4.28% (b) (c) (Cost $27,863,138)	27,863,138	**27,863,138**
Cash Equivalents 3.9%		
Cash Management QP Trust, 4.26% (d) (Cost $5,741,167)	5,741,167	**5,741,167**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $145,901,399)†	118.2	**175,832,674**
Other Assets and Liabilities, Net	(18.2)	**(27,014,184)**
Net Assets	100.0	**148,818,490**

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

Notes to DWS Turner Mid Cap Growth VIP Portfolio of Investments

* *Non-income producing security.*

† *The cost for federal income tax purposes was $145,919,877. At December 31, 2005, net unrealized appreciation for all securities based on tax cost was $29,912,797. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $31,029,734 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $1,116,937.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at December 31, 2005 amounted to $26,923,208 which is 18.1% of net assets.*

(b) *Daily Assets Fund Institutional, an affiliated fund, is managed by Deutsche Asset Management, Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

(d) *Cash Management QP Trust, an affiliated fund, is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

ADR: American Depositary Receipt

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2005

Assets		
Investments:		
Investments in securities, at value (cost $112,297,094) — including $26,923,208 of securities loaned	$	142,228,369
Investment in Daily Assets Fund Institutional (cost $27,863,138)*		27,863,138
Investment in Cash Management QP Trust (cost $5,741,167)		5,741,167
Total investments in securities, at value (cost $145,901,399)		175,832,674
Cash		617,907
Receivable for investments sold		1,420,884
Dividends receivable		62,980
Interest receivable		25,971
Other assets		4,306
Total assets		177,964,722
Liabilities		
Payable upon return of securities loaned		27,863,138
Payable for investments purchased		958,223
Payable for Portfolio shares redeemed		131,838
Accrued management fee		106,193
Other accrued expenses and payables		86,840
Total liabilities		29,146,232
Net assets, at value	**$**	**148,818,490**
Net Assets		
Net assets consist of:		
Accumulated net investment loss		(86)
Net unrealized appreciation (depreciation) on investments		29,931,275
Accumulated net realized gain (loss)		11,657,906
Paid-in capital		107,229,395
Net assets, at value	**$**	**148,818,490**
Class A		
Net Asset Value, offering and redemption price per share ($121,631,079 ÷ 11,034,621 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.02**
Class B		
Net Asset Value, offering and redemption price per share ($27,187,411 ÷ 2,497,836 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**10.88**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2005

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $498)	$	628,787
Interest — Cash Management QP Trust		68,963
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		52,492
Total Income		750,242
Expenses:		
Management fee		1,287,229
Custodian and accounting fees		115,609
Distribution service fees (Class B)		60,306
Record keeping fees (Class B)		34,105
Auditing		45,362
Legal		9,745
Trustees' fees and expenses		5,721
Reports to shareholders		34,223
Other		16,094
Total expenses before expense reductions		1,608,394
Expense reductions		(9,279)
Total expenses after expense reductions		1,599,115
Net investment income (loss)		**(848,873)**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from investments		15,832,540
Foreign currency related transactions		(24)
		15,832,516
Net unrealized appreciation (depreciation) during the period on investments		(148,045)
Net gain (loss) on investment transactions		**15,684,471**
Net increase (decrease) in net assets resulting from operations	**$**	**14,835,598**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2005	2004
Operations:		
Net investment income (loss)	$ (848,873)	$ (1,138,786)
Net realized gain (loss) on investment transactions	15,832,516	10,201,612
Net unrealized appreciation (depreciation) during the period on investment transactions	(148,045)	4,371,388
Net increase (decrease) in net assets resulting from operations	14,835,598	13,434,214
Portfolio share transactions:		
Class A		
Proceeds from shares sold	10,529,915	14,595,440
Cost of shares redeemed	(18,562,756)	(17,916,695)
Net increase (decrease) in net assets from Class A share transactions	(8,032,841)	(3,321,255)
Class B		
Proceeds from shares sold	6,985,137	9,964,790
Cost of shares redeemed	(5,854,761)	(2,100,980)
Net increase (decrease) in net assets from Class B share transactions	1,130,376	7,863,810
Increase (decrease) in net assets	7,933,133	17,976,769
Net assets at beginning of period	140,885,357	122,908,588
Net assets at end of period (including accumulated net investment loss of $86 and $301, respectively)	**$ 148,818,490**	**$ 140,885,357**

Other Information		
Class A		
Shares outstanding at beginning of period	11,918,058	12,352,137
Shares sold	997,835	1,622,749
Shares redeemed	(1,881,272)	(2,056,828)
Net increase (decrease) in Class A shares	(883,437)	(434,079)
Shares outstanding at end of period	**11,034,621**	**11,918,058**
Class B		
Shares outstanding at beginning of period	2,386,654	1,499,883
Shares sold	684,539	1,126,297
Shares redeemed	(573,357)	(239,526)
Net increase (decrease) in Class B shares	111,182	886,771
Shares outstanding at end of period	**2,497,836**	**2,386,654**

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

Financial Highlights

Class A

Years Ended December 31,	2005	2004	2003	2002	2001[a]
Selected Per Share Data					
Net asset value, beginning of period	**$ 9.86**	**$ 8.88**	**$ 5.98**	**$ 8.82**	**$10.00**
Income (loss) from investment operations:					
Net investment income (loss)[b]	(.05)	(.07)	(.06)	(.06)	(.04)
Net realized and unrealized gain (loss) on investment transactions	1.21	1.05	2.96	(2.78)	(1.14)
Total from investment operations	1.16	.98	2.90	(2.84)	(1.18)
Net asset value, end of period	**$11.02**	**$ 9.86**	**$ 8.88**	**$ 5.98**	**$ 8.82**
Total Return (%)	11.76	11.04	48.49	(32.20)	(11.80)[c]**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	122	118	110	61	48
Ratio of expenses before expense reductions (%)	1.11	1.19	1.18	1.13	1.82*
Ratio of expenses after expense reductions (%)	1.11	1.19	1.18	1.13	1.30*
Ratio of net investment income (loss) (%)	(.56)	(.82)	(.90)	(.82)	(.76)*
Portfolio turnover rate (%)	151	174	155	225	205*

[a] *For the period from May 1, 2001 (commencement of operations) to December 31, 2001.*
[b] *Based on average shares outstanding during the period.*
[c] *Total return would have been lower had certain expenses not been reduced.*
* *Annualized*
** *Not annualized*

Class B

Years Ended December 31,	2005	2004	2003	2002[a]
Selected Per Share Data				
Net asset value, beginning of period	**$ 9.78**	**$ 8.84**	**$ 5.97**	**$ 6.60**
Income (loss) from investment operations:				
Net investment income (loss)[b]	(.09)	(.10)	(.09)	(.02)
Net realized and unrealized gain (loss) on investment transactions	1.19	1.04	2.96	(.61)
Total from investment operations	1.10	.94	2.87	(.63)
Net asset value, end of period	**$10.88**	**$ 9.78**	**$ 8.84**	**$ 5.97**
Total Return (%)	11.25[c]	10.63	48.07	(9.55)**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	27	23	13	.6
Ratio of expenses before expense reductions (%)	1.51	1.56	1.57	1.38*
Ratio of expenses after expense reductions (%)	1.48	1.56	1.57	1.38*
Ratio of net investment income (loss) (%)	(.93)	(1.19)	(1.29)	(.81)*
Portfolio turnover rate (%)	151	174	155	225

[a] *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
[b] *Based on an average shares outstanding during the period.*
[c] *Total return would have been lower had certain expenses not been reduced.*
* *Annualized*
** *Not annualized*

Notes to Financial Statements

A. Significant Accounting Policies

DWS Variable Series II (formerly Scudder Variable Series II) (the "Trust") is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end, diversified management investment company organized as a Massachusetts business trust. The Trust offers twenty-nine portfolios (the "portfolio(s)").

Multiple Classes of Shares of Beneficial Interest. The Trust offers two classes of shares (Class A shares and Class B shares). Sales of Class B shares are subject to record keeping fees up to 0.15% and Rule 12b-1 fees under the 1940 Act equal to an annual rate of 0.25%, of the average daily net assets of the Class B shares of the applicable portfolio. Class A shares are not subject to such fees.

Investment income, realized and unrealized gains and losses, and certain portfolio-level expenses and expense reductions, if any, are borne pro rata on the basis of relative net assets by the holders of all classes of shares except that each class bears certain expenses unique to that class (including the applicable 12b-1 fee and record keeping fee). Differences in class-level expenses may result in payment of different per share dividends by class. All shares have equal rights with respect to voting subject to class-specific arrangements.

The Trust's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America which require the use of management estimates. Actual results could differ from those estimates. The policies described below are followed consistently by the Trust in the preparation of its financial statements.

Security Valuation. DWS Money Market VIP values all securities utilizing the amortized cost method permitted in accordance with Rule 2a-7 under the 1940 Act and certain conditions therein. Under this method, which does not take into account unrealized capital gains or losses on securities, an instrument is initially valued at its cost and thereafter assumes a constant accretion/amortization to maturity of any discount or premium.

Investments in securities and Underlying Portfolios are stated at value determined as of the close of regular trading on the New York Stock Exchange on each day the exchange is open for trading. Equity securities are valued at the most recent sale price or official closing price reported on the exchange (US or foreign) or over-the-counter market on which the security is traded most extensively. Securities for which no sales are reported are valued at the calculated mean between the most recent bid and asked quotations on the relevant market or, if a mean cannot be determined, at the most recent bid quotation.

Debt securities are valued by independent pricing services approved by the Trustees of the portfolios. If the pricing services are unable to provide valuations, the securities are valued at the most recent bid quotation or evaluated price, as applicable, obtained from a broker-dealer. Such services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes.

Money market instruments purchased with an original or remaining maturity of sixty days or less, maturing at par, are valued at amortized cost. Investments in open-end investment companies and Cash Management QP Trust are valued at their net asset value each business day.

Investments in the Underlying Portfolios are valued at the net asset value per share of each class of the Underlying Portfolios as of the close of regular trading on the New York Stock Exchange on each day the exchange is open for trading.

Securities and other assets for which market quotations are not readily available or for which the above valuation procedures are deemed not to reflect fair value are valued in a manner that is intended to reflect their fair value as determined in accordance with procedures approved by the Trustees. The portfolios may use a fair valuation model to value international equity securities in order to adjust for events which may occur between the close of the foreign exchanges and the close of the New York Stock Exchange.

Foreign Currency Translations. The books and records of the Trust are maintained in US dollars. Investment securities and other assets and liabilities denominated in a foreign currency are translated into US dollars at the prevailing exchange rates at period end. Purchases and sales of investment securities, income and expenses are translated into US dollars at the prevailing exchange rates on the respective dates of the transactions.

Net realized and unrealized gains and losses on foreign currency transactions represent net gains and losses between trade and settlement dates on securities transactions, the disposition of forward foreign currency exchange contracts and foreign currencies and the difference between the amount of net investment income accrued and the US dollar amount actually received. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed but is included with net realized and unrealized gains and losses on investment securities.

Repurchase Agreements. The portfolios may enter into repurchase agreements with certain banks and broker/dealers whereby the portfolios, through their custodian or sub-custodian bank, receive delivery of the underlying securities, the amount of which at the time of purchase and each subsequent business day is required to be maintained at such a level that the value is equal to at least the principal amount of the repurchase price plus accrued interest. The custodian bank holds the collateral in a separate account until the agreement matures. If the value of the securities falls below the principal amount of the repurchase agreement plus accrued interest, the financial institution deposits additional collateral by the following business day. If the financial institution either fails to deposit the required additional collateral or fails to repurchase the securities as agreed, the portfolios have the right to sell the securities and recover any resulting loss from the financial institution. If the financial institution enters into bankruptcy, the portfolios' claims on the collateral may be subject to legal proceedings.

Securities Lending. Each portfolio, except DWS Money Market VIP, DWS Income Allocation VIP, DWS Moderate Allocation VIP, DWS Growth Allocation VIP, DWS Conservative Allocation VIP, DWS Mercury Large Cap Core VIP and DWS Templeton Foreign Value VIP, may lend securities to financial institutions. The portfolios retain beneficial ownership of the securities they have loaned and continue to receive interest and dividends paid by the securities and to participate in any changes in their market value. The portfolio requires the borrowers of the securities to maintain collateral with the portfolio consisting of liquid, unencumbered assets having a value at least equal to the value of the securities loaned. The portfolio may invest the cash collateral into a joint trading account in an affiliated money market fund pursuant to Exemptive Orders issued by the SEC. The portfolios receive compensation for lending their securities either in the form of fees or by earning interest on invested cash collateral net fees paid to a lending agent. Either the portfolios or the borrower may terminate the loan. The portfolios are subject to all investment risks associated with the value of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

Credit Default Swap Contracts. A credit default swap is a contract between a buyer and a seller of protection against a pre-defined credit event. The portfolio may buy or sell credit default swap contracts to seek to increase the portfolio's income, to add leverage to the portfolio, or to hedge the risk of default on portfolio securities. As a seller in the credit default swap contract, the portfolio would be required to pay the par (or other agreed-upon) value of the referenced debt obligation to the counterparty in the event of a default by a third party, such as a US or foreign corporate issuer, on the debt obligation, which would likely result in a loss to the portfolio. In return, the Portfolio would receive from the counterparty a periodic stream of payments over the term of the contract provided that no event of default has occurred. If no default occurs, the Portfolio would keep the stream of payments and would have no payment obligations. The portfolio may also buy credit default swap contracts in order to hedge against the risk of default of debt securities, in which case the portfolio would function as the counterparty referenced above. This would involve the risk that the contract may expire worthless. It would also involve credit risk — that the seller may fail to satisfy its payment obligations to the portfolio in the event of a default. When the Portfolio sells a credit default swap contract it will "cover" its commitment. This may be achieved by, among other methods, maintaining cash or liquid assets equal to the aggregate notional value of the underlying debt obligations for all outstanding credit default swap contracts sold by the portfolio.

Credit default swap contracts are marked to market daily based upon quotations from the counterparty and the change in value, if any, is recorded daily as unrealized gain or loss. An upfront payment made by the DWS Strategic Income VIP is recorded as an asset on the statement of assets and liabilities. An upfront payment received by the DWS Strategic Income VIP is recorded as a liability on the statement of assets and liabilities. Under the terms of the credit default swap contracts, the portfolio receives or makes payments semi-annually based on a specified interest rate on a fixed notional amount. These payments are recorded as a realized gain or loss on the statement of operations. Payments received or made as a result of a credit event or termination of the contract are recognized, net of a proportional amount of the upfront payment, as realized gains or losses.

Options. An option contract is a contract in which the writer of the option grants the buyer of the option the right to purchase from (call option), or sell to (put option), the writer a designated instrument at a specified price within a specified period of time. Certain options, including options on indices, will require cash settlement by the portfolio if the option is exercised. The portfolios may enter into option contracts in order to hedge against potential adverse price movements in the value of portfolio assets; as a temporary substitute for selling selected investments; to lock in the purchase price of a security or currency which it expects to purchase in the near future; as a temporary substitute for purchasing selected investments; and to enhance potential gain.

The liability representing the portfolio's obligation under an exchange traded written option or investment in a purchased option is valued at the last sale price or, in the absence of a sale, the mean between the closing bid and asked prices or at the most recent asked price (bid for purchased options) if no bid and asked price are available. Over-the-counter written or purchased options are valued using dealer-supplied quotations. Gain or loss is recognized when the option contract expires or is closed.

If the portfolio writes a covered call option, the portfolio foregoes, in exchange for the premium, the opportunity to profit during the option period from an increase in the market value of the underlying security above the exercise price. If the portfolio writes a put option it accepts the risk of a decline in the value of the underlying security below the exercise price. Over-the-counter options have the risk of the potential inability of counterparties to meet the terms of their contracts. The portfolio's maximum exposure to purchased options is limited to the premium initially paid. In addition, certain risks may arise upon entering into option contracts including the risk that an illiquid secondary market will limit the portfolio's ability to close out an option contract prior to the expiration date and that a change in the value of the option contract may not correlate exactly with changes in the value of the securities or currencies hedged.

Futures Contracts. A futures contract is an agreement between a buyer or seller and an established futures exchange or its clearinghouse in which the buyer or seller agrees to take or make a delivery of a specific amount of a financial instrument at a specified price on a specific date (settlement date). The portfolios may enter into futures contracts as a hedge against anticipated interest rate, currency or equity market changes and for duration management, risk management and return enhancement purposes.

Upon entering into a futures contract, the portfolio is required to deposit with a financial intermediary an amount ("initial margin") equal to a certain percentage of the face value indicated in the futures contract. Subsequent payments ("variation margin") are made or received by the portfolio dependent upon the daily fluctuations in the value of the underlying security and are recorded for financial reporting purposes as unrealized gains or losses by the portfolio. When entering into a closing transaction, the portfolio will realize a gain or loss equal to the difference between the value of the futures contract to sell and the futures contract to buy. Futures contracts are valued at the most recent settlement price.

Certain risks may arise upon entering into futures contracts, including the risk that an illiquid secondary market will limit the portfolio's ability to close out a futures contract prior to the settlement date and that a change in the value of a futures contract may not correlate exactly with the changes in the value of the securities or currencies hedged. When utilizing futures contracts to hedge, the portfolio gives up the opportunity to profit from favorable price movements in the hedged positions during the term of the contract.

Forward Foreign Currency Exchange Contracts. A forward foreign currency exchange contract (forward currency contract) is a commitment to purchase or sell a foreign currency at the settlement date at a negotiated rate. The portfolios may enter into forward currency contracts in order to hedge its exposure to changes in foreign currency exchange rates on its foreign currency denominated portfolio holdings and to facilitate transactions in foreign currency denominated securities.

Forward currency contracts are valued at the prevailing forward exchange rate of the underlying currencies and unrealized gain (loss) is recorded daily. Sales and purchases of forward currency contracts having the same settlement date and broker are offset and any gain (loss) is realized on the date of offset; otherwise, gain (loss) is realized on settlement date. Realized and unrealized gains and losses which represent the difference between the value of a forward currency contract to buy and a forward currency contract to sell are included in net realized and unrealized gain (loss) from foreign currency related transactions.

Certain risks may arise upon entering into forward currency contracts from the potential inability of counterparties to meet the terms of their contracts. Additionally, when utilizing forward currency contracts to hedge, the portfolio gives up the opportunity to profit from favorable exchange rate movements during the term of the contract.

Loan Participations/Assignments. The portfolios may invest in US dollar-denominated fixed and floating rate loans ("Loans") arranged through private negotiations between a foreign sovereign entity and one or more financial institutions ("Lenders"). The portfolios invest 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 portfolios having a contractual relationship only with the Lender, not with the sovereign borrower. The portfolios have the right to receive payments of principal, interest and any fees to which they are entitled from the Lender selling the Participation and only upon receipt by the Lender of the payments from the borrower. In connection with purchasing Participations, the portfolios generally have 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 portfolios will not benefit directly from any collateral supporting the Loan in which it has purchased the Participation. As a result, the portfolios assume the credit risk of both the borrower and the Lender that is selling the Participation.

Mortgage Dollar Rolls. DWS Core Fixed Income VIP, DWS Government & Agency Securities VIP and DWS Balanced VIP entered into mortgage dollar rolls in which each portfolio sells to a bank or broker/dealer (the "counterparty") mortgage-backed securities for delivery in the current month and simultaneously contracts to repurchase similar, but not identical, securities on a fixed date. The counterparty receives all principal and interest payments, including prepayments, made on the security while it is the holder. Each portfolio receives compensation as consideration for entering into the commitment to repurchase. The compensation is paid in the form of a lower price for the security upon its repurchase, or alternatively, a fee. Mortgage dollar rolls may be renewed with a new sale and repurchase price and a cash settlement made at each renewal without physical delivery of the securities subject to the contract.

Mortgage dollar rolls may be treated for purposes of the 1940 Act as borrowings by each portfolio because they involve the sale of a security coupled with an agreement to repurchase. A mortgage dollar roll involves costs to each portfolio. For example, while each portfolio receives compensation as consideration for agreeing to repurchase the security, each portfolio forgoes the right to receive all principal and interest payments while the counterparty holds the security. These payments to the counterparty may exceed the compensation received by each portfolio, thereby effectively charging each portfolio interest on its borrowings. Further, although each portfolio can estimate the amount of expected principal prepayment over the term of the mortgage dollar roll, a variation in the actual amount of prepayment could increase or decrease the cost of each portfolio's borrowing.

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 each portfolio is able to repurchase them. There can be no assurance that each portfolio's use of the cash that it receives from a mortgage dollar roll will provide a return that exceeds its borrowing costs.

When-Issued/Delayed Delivery Securities. Several of the portfolios may purchase securities with delivery or payment to occur at a later date beyond the normal settlement period. At the time the portfolio enters into a commitment to purchase a security, the transaction is recorded and the value of the security is reflected in the net asset value. The price of such security and the date when the security will be delivered and paid for are fixed at the time the transaction is negotiated. The value of the security may vary with market fluctuations. No interest accrues to the portfolio until payment takes place. At the time the portfolio enters into this type of transaction it is required to segregate cash or other liquid assets at least equal to the amount of the commitment.

Certain risks may arise upon entering into when-issued or delayed delivery securities from the potential inability of counterparties to meet the terms of their contracts or if the issuer does not issue the securities due to political, economic, or other factors. Additionally, losses may arise due to changes in the value of the underlying securities.

Federal Income Taxes. The portfolios' policy is to comply with the requirements of the Internal Revenue Code, as amended, which are applicable to regulated investment companies and to distribute all of its taxable and tax-exempt income to its shareholders. Accordingly, the portfolios paid no federal income taxes and no federal income tax provision was required.

At December 31, 2005, the following portfolios have utilized and had an approximate net tax basis capital loss carryforward which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until the following expiration dates, whichever occurs first:

Portfolio	Capital Loss Carryforward ($)	Expiration Date	Capital Loss Carryforwards Utilized ($)
DWS Balanced VIP*	4,703,100	12/31/2008	15,537,732
	6,354,400	12/31/2009	
	18,679,700	12/31/2010	
	46,269,100	12/31/2011	
DWS Blue Chip VIP	—	—	16,510,800
DWS Davis Venture Value VIP	3,600,000	12/31/2010	900,000
	1,400,000	12/31/2011	
	1,100,000	12/31/2012	
DWS Dreman Financial Services VIP	—	—	5,323,000
DWS Dreman High Return Equity VIP	6,700,000	12/31/2011	12,700,000
DWS Global Thematic VIP	—	—	4,736,665
DWS Government & Agency Securities VIP	14,000	12/31/2013	—
DWS High Income VIP	3,945,000	12/31/2007	878,427
	16,114,000	12/31/2008	
	22,935,000	12/31/2009	
	55,108,000	12/31/2010	
	13,877,000	12/31/2011	
DWS International Select Equity VIP**	6,900,000	12/31/2009	27,700,000
	10,600,000	12/31/2010	
	4,401,000	12/31/2011	

Portfolio	Capital Loss Carryforward ($)	Expiration Date	Capital Loss Carryforwards Utilized ($)
DWS Janus Growth & Income VIP	3,482,000	12/31/2009	9,032,000
	29,907,000	12/31/2010	
	6,934,000	12/31/2011	
DWS Janus Growth Opportunities VIP	22,695,000	12/31/2009	8,734,800
	42,499,000	12/31/2010	
	19,473,000	12/31/2011	
DWS Large Cap Value VIP	7,347,000	12/31/2010	10,601,000
	6,438,000	12/31/2011	
DWS Mid Cap Growth VIP	8,893,000	12/31/2010	6,246,916
	23,998,000	12/31/2011	
DWS Oak Strategic Equity VIP	3,525,000	12/31/2010	1,197,000
	2,522,000	12/31/2011	
	3,689,000	12/31/2012	
DWS Salomon Aggressive Growth VIP	—	—	2,700,000
DWS Small Cap Growth VIP	59,486,000	12/31/2009	24,129,000
	71,888,400	12/31/2010	
	4,154,600	12/31/2011	
DWS Technology VIP	87,259,000	12/31/2009	8,093,000
	93,499,000	12/31/2010	
	71,516,000	12/31/2011	
DWS Turner Mid Cap Growth VIP	—	—	3,770,000

* *Certain of these losses may be subject to limitations under Sections 381–384 of the Internal Revenue Code.*

** *Certain of these losses may be subject to limitations under Sections 381–383 of the Internal Revenue Code.*

For the period from November 1, 2005 through December 31, 2005, the following portfolios incurred approximate net realized capital losses as follows:

Portfolio	Net Realized Capital Loss ($)
DWS Core Fixed Income VIP	293,200
DWS Government & Agency Securities VIP	12,000
DWS High Income VIP	40,500
DWS Janus Growth & Income VIP	240,400
DWS Technology VIP	2,685,000

As permitted by tax regulations, the portfolios intend to elect to defer these losses and treat them as arising in the fiscal year ended December 31, 2006.

Distribution of Income and Gains. Distributions of net investment income, if any, for all portfolios except the DWS Money Market VIP, are made annually. Net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to the portfolio if not distributed and, therefore, will be distributed to shareholders at least annually. All of the net investment income of the DWS Money Market VIP is declared as a daily dividend and is distributed to shareholders monthly.

The timing and characterization of certain income and capital gains distributions are determined annually in accordance with federal tax regulations which may differ from accounting principles generally accepted in the United States of America. 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, a portfolio may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the portfolio.

At December 31, 2005, the portfolios' components of distributable earnings on a tax basis were as follows:

Portfolio	Undistributed Ordinary Income ($)	Undistributed Net Long-Term Capital Gains ($)	Capital Loss Carryforwards ($)	Unrealized Appreciation (Depreciation) on Investments ($)
DWS Balanced VIP	16,309,424	—	(76,006,300)	67,040,446
DWS Blue Chip VIP	11,833,742	8,925,855	—	28,672,820
DWS Core Fixed Income VIP	11,528,171	54,769	—	(3,828,131)

Portfolio	Undistributed Ordinary Income ($)	Undistributed Net Long-Term Capital Gains ($)	Capital Loss Carryforwards ($)	Unrealized Appreciation (Depreciation) on Investments ($)
DWS Davis Venture Value VIP	2,254,777	—	(6,100,000)	95,139,526
DWS Dreman Financial Services VIP	2,884,953	1,446,693	—	28,856,509
DWS Dreman High Return Equity VIP	15,444,856	—	(6,700,000)	191,921,884
DWS Dreman Small Cap Value VIP	5,506,651	47,312,546	—	124,542,214
DWS Global Thematic VIP	1,314,634	8,014,353	—	17,072,317
DWS Government & Agency Securities VIP	10,459,567	—	(14,000)	(2,282,709)
DWS High Income VIP	29,763,859	—	(111,979,000)	(13,091,657)
DWS International Select Equity VIP	5,174,107	—	(21,876,000)	50,913,016
DWS Janus Growth & Income VIP	1,218,239	—	(40,323,000)	55,585,910
DWS Janus Growth Opportunities VIP	66,147	—	(84,667,000)	27,433,151
DWS Large Cap Value VIP	4,766,169	—	(13,785,000)	38,426,214
DWS Mid Cap Growth VIP	—	—	(32,891,000)	12,668,189
DWS Oak Strategic Equity VIP	—	—	(9,736,000)	7,396,849
DWS Salomon Aggressive Growth VIP	1,030,058	7,347,835	—	2,796,395
DWS Small Cap Growth VIP	—	—	(135,529,000)	48,466,317
DWS Strategic Income VIP	5,311,786	25,142	—	850,392
DWS Technology VIP	41,529	—	(252,274,000)	15,130,258
DWS Turner Mid Cap Growth VIP	—	11,676,383	—	29,912,797

In addition, the tax character of distributions paid by the portfolios is summarized as follows:

	Distributions from ordinary income ($)*		Distributions from long-term capital gains ($)	
	Years Ended December 31,		Years Ended December 31,	
Portfolio	2005	2004	2005	2004
DWS Balanced VIP	15,182,335	10,994,018	—	—
DWS Blue Chip VIP	2,905,214	1,683,204	—	—
DWS Core Fixed Income VIP	11,142,235	11,368,699	1,635,169	1,643,431
DWS Davis Venture Value VIP	2,352,085	1,018,451	—	—
DWS Dreman Financial Services VIP	2,709,871	2,372,080	—	—
DWS Dreman High Return Equity VIP	15,007,524	12,318,605	—	—
DWS Dreman Small Cap Value VIP	3,657,738	3,617,447	47,511,442	—
DWS Global Thematic VIP	188,888	744,211	—	—
DWS Government & Agency Securities VIP	15,012,462	12,782,714	22,888	—
DWS High Income VIP	38,836,639	32,409,504	—	—
DWS International Select Equity VIP	6,456,379	1,778,472	—	—
DWS Janus Growth & Income VIP	419,512	—	—	—
DWS Janus Growth Opportunities VIP	444,341	—	—	—
DWS Large Cap Value VIP	5,337,409	4,405,034	—	—
DWS Money Market VIP	8,462,304	3,060,457	—	—
DWS Oak Strategic Equity VIP	9,542	—	—	—
DWS Strategic Income VIP	6,790,122	2,582,795	203,812	787,439
DWS Technology VIP	997,316	—	—	—

* *For tax purposes, short-term capital gain distributions are considered ordinary income distributions.*

Expenses. Expenses arising in connection with a specific portfolio are allocated to that portfolio. Trust expenses are allocated between the portfolios in proportion to their relative net assets.

Contingencies. In the normal course of business, the portfolios may enter into contracts with service providers that contain general indemnification clauses. The portfolios' maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the portfolios that have not yet been made. However, based on experience, the portfolios expect the risk of loss to be remote.

Other. Investment transactions are accounted for on a trade date plus one basis for daily net asset value calculations. However, for financial reporting purposes, investment transactions are reported on trade date. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date net of foreign withholding taxes. Certain dividends from foreign securities may be recorded subsequent to the ex-dividend date as soon as the portfolio is informed of such dividends. Realized gains and losses from investment transactions are recorded on an identified cost basis. All discounts and premiums are accreted/amortized for both tax and financial reporting purposes for all portfolios, with the exception of securities in default of principal.

B. Purchases and Sales of Securities

During the year ended December 31, 2005, purchases and sales of investment transactions (excluding short-term investments) were as follows:

Portfolio	Purchases ($)	Sales ($)
DWS Balanced VIP excluding US Treasury Obligations and mortgage dollar roll transactions	564,179,281	641,790,302
US Treasury Obligations	227,887,877	228,481,650
mortgage dollar roll transactions	11,702,903	11,705,275
DWS Blue Chip VIP	915,450,155	920,653,818
DWS Core Fixed Income VIP excluding US Treasury Obligations and mortgage dollar roll transactions	261,943,870	180,986,168
US Treasury Obligations	317,110,531	318,080,615
mortgage dollar roll transactions	38,278,312	36,897,226
DWS Davis Venture Value VIP	66,697,783	28,361,784
DWS Dreman Financial Services VIP	39,251,598	59,229,856
DWS Dreman High Return Equity VIP	100,918,804	83,463,805
DWS Dreman Small Cap Value VIP	323,329,761	332,554,054
DWS Global Thematic VIP	88,858,059	76,328,779
DWS Government & Agency Securities VIP excluding US Treasury Obligations and mortgage dollar roll transactions	560,312,909	546,074,198
US Treasury Obligations	75,146,790	73,072,859
mortgage dollar roll transactions	414,625,809	449,677,191
DWS High Income VIP excluding US Treasury Obligations	396,243,599	429,682,232
US Treasury Obligations	1,495,158	1,471,714
DWS International Select Equity VIP	224,320,881	218,210,814
DWS Janus Growth & Income VIP	66,716,951	79,842,911
DWS Janus Growth Opportunities VIP	73,229,422	66,081,830
DWS Large Cap Value VIP	186,984,470	204,485,550
DWS Mid Cap Growth VIP	60,638,427	63,831,983
DWS Oak Strategic Equity VIP	15,224,500	29,011,910
DWS Salomon Aggressive Growth VIP	67,458,808	68,469,309
DWS Small Cap Growth VIP	239,637,041	262,188,537
DWS Strategic Income VIP excluding US Treasury Securities	91,237,880	81,330,995
US Treasury Securities	23,200,073	19,343,507
DWS Technology VIP	278,975,656	303,973,728
DWS Turner Mid Cap Growth VIP	203,409,892	217,046,771

For the year ended December 31, 2005, transactions for written options on securities were as follows for the DWS Technology VIP:

	Contract Amounts	Premium ($)
Beginning of period	2,074	332,731
Written	25,242	3,230,766
Closed	(10,597)	(1,788,637)
Exercised	(11,102)	(1,279,980)
Expired	(5,214)	(425,164)
End of period	**403**	**69,716**

C. Related Parties

Management Agreement. Under the Management Agreement with Deutsche Investment Management Americas Inc. ("DeIM" or the "Advisor"), an indirect, wholly owned subsidiary of Deutsche Bank AG, the Advisor directs the investments of the portfolios 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 portfolios. In addition to portfolio management services, the Advisor provides certain administrative services in accordance with the Management Agreement. Accordingly, for the year ended December 31, 2005, the fees pursuant to the Management Agreement were equivalent to the annual effective rates shown below of the portfolios' average daily net assets:

Portfolio	Annual Management Fee Rate
DWS Blue Chip VIP	0.65%
DWS Core Fixed Income VIP	0.60%
DWS Government & Agency Securities VIP	0.55%
DWS High Income VIP	0.60%
DWS International Select Equity VIP	0.75%
DWS Large Cap Value VIP	0.75%
DWS Strategic Income VIP	0.65%
DWS Dreman Small Cap Value VIP	0.75%

For the period from January 1, 2005, through September 30, 2005, the Advisor agreed to limit its fees and reimburse expenses of each class of the DWS Strategic Income VIP to the extent necessary to maintain the annual expenses of Class A at 1.05% and Class B at 1.30%. Effective October 1, 2005 through September 30, 2006, the Advisor agreed to limit its fees and reimburse expenses of DWS Strategic Income VIP to the extent necessary to maintain the annual expenses of Class B at 1.199% (excluding certain expenses such as extraordinary expenses, taxes, brokerage, interest and fund accounting outsourcing fee savings).

In addition, for the year ended December 31, 2005, the Advisor waived $5,796 of record keeping fees for Class B shares of the DWS Strategic Income VIP.

For the year ended December 31, 2005, the Advisor agreed to limit its fees and reimburse expenses of each class of DWS Large Cap Value VIP to the extent necessary to maintain annual expenses of Class A at 0.80% and Class B at 1.20%. For the year ended December 31, 2005, the Advisor waived $12,690 of management fee and the fee pursuant to the Management Agreement was equivalent to an annual effective rate of 0.75% of the portfolio's average daily net assets.

In addition, for the year ended December 31, 2005, the Advisor waived $536 of record keeping fees for Class B shares of the DWS Large Cap Value VIP.

For the period from January 1, 2005 through May 1, 2005, the DWS Small Cap Growth VIP paid a monthly investment management fee of 0.65%, based on the average daily net assets of the portfolio.

Effective May 2, 2005, the DWS Small Cap Growth VIP pays a monthly investment management fee, based on the average daily net assets of the portfolio, computed and accrued daily and payable monthly, of 1/12 of the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
$0–$250 million	0.650%
next $750 million	0.625%
over $1 billion	0.600%

Effective May 2, 2005 through April 30, 2008, the Advisor agreed to limit its fees and reimburse expenses of DWS Small Cap Growth VIP to the extent necessary to maintain the annual expense of Class A at 0.72% and Class B at 1.09% (excluding certain expenses such as extraordinary expenses, taxes, brokerage, interest and fund accounting outsourcing fee savings). The fee pursuant to the Management Agreement was equivalent to the annual effective rate of 0.65%of the portfolio's average daily net assets.

For the year ended December 31, 2005, the Advisor waived $9,538 of record keeping fees for Class B shares of the DWS Small Cap Growth VIP.

For the period from January 1, 2005 through May 1, 2005, the DWS Balanced VIP paid a monthly investment management fee of 0.55%, based on the average daily net assets of the portfolio.

Effective May 2, 2005, the DWS Balanced VIP pays a monthly investment management fee, based on the average daily net assets of the portfolio, computed and accrued daily and payable monthly, of 1/12 of the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
$0–$250 million	0.470%
next $750 million	0.445%
over $1 billion	0.410%

Effective May 2, 2005 through April 30, 2008, the Advisor agreed to limit its fees and reimburse expenses of DWS Balanced VIP to the extent necessary to maintain the annual expenses of Class A at 0.51% and Class B at 0.89% (excluding certain expenses such as extraordinary expenses, taxes, brokerage, interest and fund accounting outsourcing fee savings). Accordingly, for the year ended December 31, 2005, the Advisor waived $99,176 of management fee and the fee pursuant to the Management Agreement was equivalent to an annual effective rate of 0.47% of the portfolio's average daily net assets.

In addition, for the year ended December 31, 2005, the Advisor waived $8,199 of record keeping fees for Class B shares of the DWS Balanced VIP.

The DWS Money Market VIP pays a monthly investment management fee, based on the average daily net assets of the portfolio, computed and accrued daily and payable monthly, of 1/12 of the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
$0–$215 million	0.500%
next $335 million	0.375%
next $250 million	0.300%
over $800 million	0.250%

Accordingly, for the year ended December 31, 2005, the fee pursuant to the Management Agreement was equivalent to the annual effective rate of 0.46% of the DWS Money Market VIP's average daily net assets.

The DWS Mid Cap Growth VIP, DWS Technology VIP, DWS Dreman Financial Services VIP and DWS Dreman High Return Equity VIP each pay a monthly investment management fee, based on the average daily net assets of each portfolio, computed and accrued daily and payable monthly, of 1/12 of the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
$0–$250 million	0.75%
next $750 million	0.72%
next $1.5 billion	0.70%
next $2.5 billion	0.68%
next $2.5 billion	0.65%
next $2.5 billion	0.64%
next $2.5 billion	0.63%
over $12.5 billion	0.62%

For the period from January 1, 2005 through September 30, 2005, the Advisor agreed to limit its fees and reimburse expenses of each class of the DWS Mid Cap Growth VIP to the extent necessary to maintain the annual expenses of Class A at 0.95% and Class B at 1.35%. Effective October 1, 2005 through September 30, 2006, the Advisor agreed to limit its fees and reimburse expenses of DWS Mid Cap Growth VIP to the extent necessary to maintain the annual expenses of Class B at 1.308% (excluding certain expenses such as extraordinary expenses, taxes, brokerage, interest and fund accounting outsourcing fee savings). Accordingly, for the year ended December 31, 2005, the Advisor waived $32,030 of management fee and the fee pursuant to the Management Agreement was equivalent to an annual effective rate of 0.70% of the portfolio's average daily net assets.

In addition, for the year ended December 31, 2005, the Advisor waived $2,113 of record keeping fees for Class B shares of the DWS Mid Cap Growth VIP.

Accordingly, for the year ended December 31, 2005, the fees pursuant to the Management Agreement were equivalent to the annual effective rates shown below of each portfolios' average daily net assets:

Portfolio	Effective Rate
DWS Dreman Financial Services VIP	0.75%
DWS Dreman High Return Equity VIP	0.73%
DWS Mid Cap Growth VIP	0.70%
DWS Technology VIP	0.75%

DWS Salomon Aggressive Growth VIP and DWS Turner Mid Cap Growth VIP each paid a monthly investment management fee, based on the average daily net assets of each portfolio, computed and accrued daily and payable monthly, of 1/12 of the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
$0–$250 million	1.000%
next $250 million	0.975%
next $500 million	0.950%
next $1.5 billion	0.925%
over $2.5 billion	0.900%

Effective August 1, 2005, the DWS Salomon Aggressive Growth VIP pays a monthly investment management fee, based on average daily net assets of the portfolio, computed and accrued daily and payable monthly, of 1/12 of the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
$0–$250 million	0.800%
next $500 million	0.775%
next $750 million	0.750%
next $1.5 billion	0.725%

Effective October 1, 2005, the DWS Turner Mid Cap Growth VIP pays a monthly investment management fee, based on average daily net assets of the portfolio, computed and accrued daily and payable monthly, of 1/12 of the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
$0–$250 million	0.800%
next $200 million	0.785%
next $500 million	0.770%
over $1 billion	0.755%

For the period from January 1, 2005 to July 31, 2005, the Advisor agreed to limit its fees and reimburse expenses of each class of the DWS Salomon Aggressive Growth VIP to the extent necessary to maintain the annual expenses of Class A at 1.30% and Class B at 1.70%. Effective August 1, 2005 through September 30, 2005, the Advisor agreed to limit its fees and reimburse expenses of the DWS Salomon Aggressive Growth VIP to the extent necessary to maintain annual expenses of Class A at 1.10% and Class B at 1.50%. Effective October 1, 2005 through September 30, 2006, the Advisor agreed to limit its fees and reimburse expenses of the DWS Salomon Aggressive Growth VIP to the extent necessary to maintain the annual expense of Class A at 0.908% and Class B at 1.308% (excluding certain expenses such as extraordinary expenses, taxes, brokerage, interest and fund accounting outsourcing fee savings). Accordingly, for the year ended December 31, 2005, the Advisor waived $119,238 of management fees. Effective August 1, 2005, the Advisor was changed from Invesco/AIM to Salomon Brothers Asset Management and the name was changed to DWS Salomon Aggressive Growth VIP.

In addition, for the period from January 1, 2005 through September 30, 2005, the Advisor agreed to limit its fees and reimburse expenses of each class of the DWS Turner Mid Cap Growth VIP to the extent necessary to maintain the annual expenses of Class A at 1.30% and Class B at 1.70%. Effective October 1, 2005 through September 30, 2006, the Advisor agreed to limit its fees and reimburse expenses of the DWS Turner Mid Cap Growth VIP to the extent necessary to maintain the annual expense of Class B at 1.337% (excluding certain expenses such as extraordinary expenses, taxes, brokerage, interest and fund accounting fee savings).

For the year ended December 31, 2005, the Advisor waived $6,545 of record keeping fees for Class B shares of the DWS Turner Mid Cap Growth VIP.

Accordingly, for the year ended December 31, 2005, the fees pursuant to the Management Agreement were equivalent to the annual effective rates of 0.63% and 0.95% of the portfolios' average daily net assets of the DWS Salomon Aggressive Growth VIP and DWS Turner Mid Cap Growth VIP, respectively.

DWS Davis Venture Value VIP, DWS Janus Growth & Income VIP, DWS Janus Growth Opportunities VIP and DWS Oak Strategic Equity VIP each paid a monthly investment management fee, based on the average daily net assets of each portfolio, computed and accrued daily and payable monthly, of 1/12 of the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
$0–$250 million	0.950%
next $250 million	0.925%
next $500 million	0.900%
next $1.5 billion	0.875%
over $2.5 billion	0.850%

Effective May 1, 2005, the DWS Janus Growth & Income VIP and DWS Janus Growth Opportunities VIP each pay a monthly investment management fee based on the average daily net assets of each portfolio, computed and accrued daily and payable monthly, of 1/12 of the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
$0–$250 million	0.750%
next $750 million	0.725%
next $1.5 billion	0.700%
over $2.5 billion	0.675%

Accordingly, for the year ended December 31, 2005, the fees pursuant to the Management Agreement were equivalent to the annual effective rates shown below of the portfolios' average daily net assets:

Portfolio	Effective Rate
DWS Janus Growth & Income VIP	0.81%
DWS Janus Growth Opportunities VIP	0.81%

For the period from January 1, 2005 through September 30, 2005, the Advisor agreed to limit the fees and reimburse each class of the DWS Janus Growth & Income VIP to the extent necessary to maintain annual operating expenses of Class A at 1.15% and Class B at 1.55%. Effective May 2, 2005, through April 30, 2006, the Advisor agreed to limit the fees and reimburse expenses of the DWS Janus Growth & Income VIP to the extent necessary to maintain annual operating expenses of Class A at 0.95%. Effective May 2, 2005, through September 30, 2005, the Advisor agreed to limit the fees and reimburse expenses of the DWS Janus Growth & Income VIP to the extent necessary to maintain annual operating expenses of Class B at 1.35%. Effective October 1, 2005, through September 30, 2006, the Advisor agreed to limit the fees and reimburse expenses of the DWS Janus Growth & Income VIP to the extent necessary to maintain annual expenses of Class B at 1.253% (excluding certain expenses such as extraordinary expense, taxes, brokerage, interest and fund accounting outsourcing fee savings). Accordingly, for the year ended December 31, 2005, the Advisor waived $6,113 of record keeping fees for Class B shares of the portfolio.

For the period from January 1, 2005 through September 30, 2005, the Advisor agreed to limit its fees and reimburse expenses of each class of the DWS Davis Venture Value VIP to the extent necessary to maintain the annual expenses of Class A at 1.15% and Class B at 1.55%. Effective October 1, 2005 through September 30, 2006, the Advisor agreed to limit its fees and reimburse expenses of DWS Davis Venture Value VIP to the extent necessary to maintain the annual expenses of Class A at 0.853% and Class B at 1.253% (excluding certain expenses such as extraordinary expenses, taxes, brokerage, interest and fund accounting outsourcing fee savings). Accordingly, for the year ended December 31, 2005, the Advisor waived $187,410 of management fees.

In addition, for the year ended December 31, 2005, the Advisor waived $7,238 of record keeping fees for Class B shares of the DWS Davis Venture Value VIP.

For the period from January 1, 2005 through September 30, 2005, the Advisor agreed to limit its fees and reimburse expenses of each class of the DWS Oak Strategic Equity VIP to the extent necessary to maintain the annual expenses of Class A at 1.15% and Class B at 1.55%. Effective October 1, 2005 through September 30, 2006, the Advisor agreed to limit its fees and reimburse expenses of DWS Oak Strategic Equity VIP to the extent necessary to maintain the annual expenses of Class B at 1.301% (excluding certain expenses such as extraordinary expenses, taxes, brokerage, interest and fund accounting outsourcing fee savings).

For the year ended December 31, 2005, the Advisor waived $7,449 of record keeping fees for Class B shares of the DWS Oak Strategic Equity VIP.

Effective October 1, 2005, the DWS Oak Strategic Equity VIP pays a monthly investment management fee, based on average daily net assets of the portfolio, computed and accrued daily and payable monthly, of 1/12 of the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
$0–$250 million	0.750%
next $200 million	0.735%
next $500 million	0.720%
over $1 billion	0.705%

Accordingly, for the year ended December 31, 2005, the fees pursuant to the Management Agreement were equivalent to the annual effective rates shown below of the portfolios' average daily net assets:

Portfolio	Effective Rate
DWS Davis Venture Value VIP	0.89%
DWS Oak Strategic Equity VIP	0.90%

The DWS Global Thematic VIP pays a monthly investment management fee, based on the average daily net assets of the portfolio, computed and accrued daily and payable monthly, of 1/12 of the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
$0–$250 million	1.00%
next $500 million	0.95%
next $750 million	0.90%
next $1.5 billion	0.85%
over $3 billion	0.80%

For the period from January 1, 2005 through September 30, 2005, the Advisor agreed to limit its fees and reimburse expenses of each class of the DWS Global Thematic VIP to the extent necessary to maintain the annual expenses of Class A at 1.56% and Class B at 1.96%. Effective October 1, 2005 through September 30, 2006, the Advisor agreed to limit its fees and reimburse expenses of DWS Global Thematic VIP to the extent necessary to maintain the annual expenses of Class A at 1.04% and Class B at 1.44% (excluding certain expenses such as extraordinary expenses, taxes, brokerage, interest and fund accounting outsourcing fee savings). Accordingly, for the year ended December 31, 2005, the Advisor waived $112,367 of management fees and the fee pursuant to the Management Agreement was equivalent to an annual effective rate of 0.87% of the portfolio's average daily net assets.

In addition, for the year ended December 31, 2005, the Advisor waived $1,700 of record keeping fees for Class B shares of the DWS Global Thematic VIP.

On December 1, 2005, Aberdeen Asset Management PLC ("Aberdeen PLC") acquired from Deutsche Bank AG, the parent company of the Advisor, parts of its asset management business and related assets based in London and Philadelphia. As of December 2, 2005, and pursuant to a written contract with the Advisor (the "Sub-Advisory Agreement"), Aberdeen PLC serves as subadvisor to DWS Core Fixed Income VIP. Aberdeen PLC is paid by the Advisor for its services. Please see Note L for details regarding the change in subadvisor prior to period end.

Prior to September 30, 2005, Deutsche Asset Management Investment Services Limited ("DeAMIS") served as sub-advisor to the DWS International Select Equity, DWS Strategic Income and DWS Balanced VIPs and was paid by the Advisor for its services.

Dreman Value Management, L.L.C. serves as sub-advisor to the DWS Dreman Financial Services, DWS Dreman High Return Equity and DWS Dreman Small Cap Value VIPs and is paid by the Advisor for its services.

INVESCO Institutional (N.A.) Inc. served as sub-advisor to the DWS Salomon Aggressive Growth VIP and was paid by the Advisor for its services. Effective August 1, 2005, Salomon Brothers Asset Management Inc. became the sub-advisor to the portfolio and the portfolio's name was changed to DWS Salomon Aggressive Growth VIP.

Janus Capital Management, L.L.C., formerly Janus Capital Corporation, serves as sub-advisor to the DWS Janus Growth & Income and DWS Janus Growth Opportunities VIPs and is paid by the Advisor for its services.

Turner Investment Partners, Inc. serves as sub-advisor to the DWS Turner Mid Cap Growth VIP and is paid by the Advisor for its services.

Oak Associates, Ltd. serves as sub-advisor to the DWS Oak Strategic Equity VIP and is paid by the Advisor for its services.

Davis Selected Advisers, L.P., serves as sub-advisor to the DWS Davis Venture Value VIP and is paid by the Advisor for its services.

Templeton Investment Counsel L.L.C. serves as sub-advisor to the DWS Templeton Foreign Value VIP and is paid by the Advisor for its services.

Service Provider Fees. DWS Scudder Fund Accounting Corporation ("DWS-SFAC"), a subsidiary of the Advisor, is responsible for determining the daily net asset value per share and maintaining the portfolio and general accounting records of each portfolio. In turn, DWS-SFAC has delegated certain fund accounting functions to a third-party service provider. For the year ended December 31, 2005, DWS-SFAC received the following fee for its services for the following portfolios:

Portfolio	Total Aggregated	Waived ($)	Unpaid at December 31, 2005 ($)
DWS Davis Venture Value VIP	85,936	—	7,908
DWS Dreman Financial Services VIP	80,307	—	11,078

Portfolio	Total Aggregated	Waived ($)	Unpaid at December 31, 2005 ($)
DWS Dreman High Return Equity VIP	131,840	—	11,543
DWS Global Thematic VIP	111,026	—	8,428
DWS Janus Growth & Income VIP	70,775	—	6,829
DWS Janus Growth Opportunities VIP	58,944	—	5,787
DWS Mid Cap Growth VIP	62,902	—	5,623
DWS Oak Strategic Equity VIP	53,346	—	4,520
DWS Salomon Aggressive Growth VIP	79,855	—	3,120
DWS Technology VIP	78,641	—	6,461
DWS Turner Mid Cap Growth VIP	94,542	—	9,447

Distribution Service Agreement. Under the Distribution Service Agreement, in accordance with Rule 12b-1 under the 1940 Act, DWS Scudder Investments Service Company ("DWS-SISC") receives a fee ("Distribution Service Fee") of 0.25% of average daily net assets of Class B shares. For the year ended December 31, 2005, the Distribution Service Fee was as follows:

Portfolio	Total Aggregated	Waived ($)	Unpaid at December 31, 2005 ($)
DWS Balanced VIP	82,992	—	7,009
DWS Blue Chip VIP	101,201	—	9,106
DWS Core Fixed Income VIP	220,712	—	16,924
DWS Davis Venture Value VIP	177,310	—	16,146
DWS Dreman Financial Services VIP	42,361	—	3,703
DWS Dreman High Return Equity VIP	312,165	—	27,861
DWS Dreman Small Cap Value VIP	189,045	—	16,717
DWS Global Thematic VIP	38,339	—	3,983
DWS Government & Agency Securities VIP	120,593	—	9,901
DWS High Income VIP	139,382	—	11,558
DWS International Select Equity VIP	133,737	—	12,631
DWS Janus Growth & Income VIP	70,642	—	6,642
DWS Janus Growth Opportunities VIP	22,312	—	2,143
DWS Large Cap Value VIP	100,801	—	8,454
DWS Mid Cap Growth VIP	15,682	—	1,509
DWS Money Market VIP	140,673	—	13,454
DWS Oak Strategic Equity VIP	50,458	—	4,285
DWS Salomon Aggressive Growth VIP	18,686	—	1,948
DWS Small Cap Growth VIP	85,045	—	8,149
DWS Strategic Income VIP	58,999	2,527	3,902
DWS Technology VIP	37,898	—	3,494
DWS Turner Mid Cap Growth VIP	60,306	—	5,613

Typesetting and Filing Service Fees. Under an agreement with DeIM, DeIM is compensated for providing typesetting and regulatory filing services to the portfolios. For the year ended December 31, 2005, the amounts charged to the portfolios by DeIM included in reports to shareholders were as follows:

Portfolio	Total Aggregated	Unpaid at December 31, 2005 ($)
DWS Balanced VIP	3,789	1,216
DWS Blue Chip VIP	3,789	1,216
DWS Core Fixed Income VIP	3,789	1,216
DWS Davis Venture Value VIP	3,789	1,216
DWS Dreman Financial Services VIP	3,789	1,216
DWS Dreman High Return Equity VIP	3,789	1,216
DWS Dreman Small Cap Value VIP	3,789	1,216

Portfolio	Total Aggregated	Unpaid at December 31, 2005 ($)
DWS Global Thematic VIP	3,789	1,216
DWS Government & Agency Securities VIP	3,789	1,216
DWS High Income VIP	3,789	1,216
DWS International Select Equity VIP	3,789	1,216
DWS Janus Growth & Income VIP	3,789	1,216
DWS Janus Growth Opportunities VIP	3,789	1,216
DWS Large Cap Value VIP	3,789	1,216
DWS Mid Cap Growth VIP	3,789	1,216
DWS Money Market VIP	3,789	1,216
DWS Oak Strategic Equity VIP	3,789	1,216
DWS Salomon Aggressive Growth VIP	3,789	1,216
DWS Small Cap Growth VIP	3,789	1,216
DWS Strategic Income VIP	3,789	1,216
DWS Technology VIP	3,789	1,216
DWS Turner Mid Cap Growth VIP	3,789	1,216

Trustees' Fees and Expenses. The portfolios paid each Trustee not affiliated with the Advisor retainer fees plus specified amounts for attended board and committee meetings.

Cash Management QP Trust. Pursuant to an Exemptive Order issued by the SEC, the portfolios may invest in the Cash Management QP Trust (the "QP Trust") and other affiliated funds managed by the Advisor. The QP Trust seeks to provide as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity. The QP Trust does not pay the Advisor a management fee for the affiliated funds' investments in the QP Trust.

D. Investing in High Yield Securities

Investing in high yield securities may involve greater risks and considerations not typically associated with investing in US Government bonds and other high quality fixed-income securities. These securities are non-investment grade securities, often referred to as "junk bonds." Economic downturns may disrupt the high yield market and impair the ability of issuers to repay principal and interest. Also, an increase in interest rates would likely have an adverse impact on the value of such obligations. Moreover, high yield securities may be less liquid due to the extent that there is no established retail secondary market and because of a decline in the value of such securities.

E. Investing in Emerging Markets

Investing in emerging markets may involve special risks and considerations not typically associated with investing in the United States of America. These risks include revaluation of currencies, high rates of inflation, repatriation restrictions on income and capital, and future adverse political, social and economic developments. Moreover, securities issued in these markets may be less liquid, subject to government ownership controls, delayed settlements and their prices more volatile than those of comparable securities in the United States of America.

F. Expense Reductions

For the year ended December 31, 2005, the Advisor agreed to reimburse the portfolios which represents a portion of the fee savings expected to be realized by the Advisor related to the outsourcing by the Advisor of certain administrative services to an unaffiliated service provider in the following amounts:

Portfolio	Amount ($)
DWS Balanced VIP	8,766
DWS Blue Chip VIP	4,709
DWS Core Fixed Income VIP	4,410
DWS Davis Venture Value VIP	4,934
DWS Dreman Financial Services VIP	2,678
DWS Dreman High Return Equity VIP	10,685
DWS Dreman Small Cap Value VIP	7,225
DWS Global Thematic VIP	2,066

Portfolio	Amount ($)
DWS Government & Agency Securities VIP	4,406
DWS High Income VIP	5,625
DWS International Select Equity VIP	3,755
DWS Janus Growth & Income VIP	3,379
DWS Janus Growth Opportunities VIP	2,785
DWS Large Cap Value VIP	4,434
DWS Mid Cap Growth VIP	1,850
DWS Money Market VIP	4,524
DWS Oak Strategic Equity VIP	2,030
DWS Salomon Aggressive Growth VIP	1,653
DWS Small Cap Growth VIP	4,200
DWS Strategic Income VIP	2,160
DWS Technology VIP	3,446
DWS Turner Mid Cap Growth VIP	2,620

In addition, the portfolios have entered into arrangements with their custodian whereby credits realized as a result of uninvested cash balances were used to reduce a portion of the portfolios' expenses. During the year ended December 31, 2005, the portfolios' custodian fees were reduced under these arrangements as follows:

Portfolio	Amount ($)
DWS Balanced VIP	1,752
DWS Blue Chip VIP	152
DWS Core Fixed Income VIP	1,495
DWS Davis Venture Value VIP	50
DWS Dreman Financial Services VIP	34
DWS Dreman High Return Equity VIP	222
DWS Dreman Small Cap Value VIP	1,529
DWS Government & Agency Securities VIP	365
DWS High Income VIP	5,390
DWS Janus Growth & Income VIP	554
DWS Janus Growth Opportunities VIP	73
DWS Large Cap Value VIP	81
DWS Mid Cap Growth VIP	47
DWS Money Market VIP	559
DWS Oak Strategic Equity VIP	73
DWS Salomon Aggressive Growth VIP	140
DWS Small Cap Growth VIP	720
DWS Strategic Income VIP	1,145
DWS Technology VIP	250
DWS Turner Mid Cap Growth VIP	114

G. Forward Foreign Currency Exchange Contracts

As of December 31, 2005, the following portfolios had entered into the following forward foreign currency exchange contracts resulting in the following:

DWS Balanced VIP

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation (US$)
USD	4,652,627	CAD	5,468,000	1/27/2006	55,095
USD	192,550	CAD	228,000	1/27/2006	3,748
CHF	4,000	USD	3,108	1/27/2006	55
CHF	3,347,000	USD	2,631,662	1/27/2006	77,314
CHF	126,000	USD	96,272	1/27/2006	112
EUR	1,016,000	USD	1,220,617	1/27/2006	15,928

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation (US$)
EUR	288,000	USD	349,128	1/27/2006	7,641
USD	96,271	GBP	56,000	1/27/2006	64
EUR	5,306	USD	6,437	1/12/2006	150
JPY	263,461,000	USD	2,276,455	1/27/2006	34,755
NZD	264,000	USD	181,769	1/27/2006	1,958
NZD	120,000	USD	82,042	1/27/2006	309
NZD	328,000	USD	232,972	1/27/2006	9,570
USD	30,414	MXN	329,025	2/10/2006	379
USD	65,322	MXN	704,036	2/10/2006	567
MXN	499,000	USD	47,310	2/10/2006	610
EUR	35,133	USD	41,801	2/15/2006	102
Total unrealized appreciation					**208,357**

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Depreciation (US$)
USD	975,950	AUD	1,310,000	1/27/2006	(16,485)
USD	68,876	AUD	94,000	1/27/2006	(29)
USD	384,233	AUD	514,000	1/27/2006	(7,771)
CAD	2,225,000	USD	1,891,508	1/27/2006	(24,125)
EUR	91,000	USD	107,325	1/27/2006	(575)
USD	2,496,241	GBP	1,406,000	1/27/2006	(77,532)
JPY	82,963,000	USD	692,651	1/27/2006	(13,253)
USD	26,148	MXN	278,567	2/10/2006	(78)
MXN	1,311,628	USD	121,054	2/10/2006	(1,696)
EUR	254,299	USD	299,583	2/15/2006	(2,240)
EUR	100,969	USD	119,469	2/15/2006	(368)
EUR	52,610	USD	61,879	2/15/2006	(563)
Total unrealized depreciation					**(144,715)**

DWS High Income VIP

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation (US$)
USD	211,396	MXN	2,286,945	2/10/2006	2,633
USD	397,574	MXN	4,285,053	2/10/2006	3,453
EUR	210,800	USD	250,806	2/15/2006	612
Total unrealized appreciation					**6,698**

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Depreciation (US$)
USD	167,611	MXN	1,785,644	2/10/2006	(497)
MXN	8,357,642	USD	711,349	2/10/2006	(10,821)
EUR	4,056,494	USD	4,778,839	2/15/2006	(35,729)
EUR	458,600	USD	542,629	2/15/2006	(1,673)
EUR	189,394	USD	222,762	2/15/2006	(2,026)
EUR	530,000	USD	626,486	2/15/2006	(2,560)
Total unrealized depreciation					**(53,306)**

DWS Janus Growth & Income VIP

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation (US$)
CHF	955,000	USD	758,237	1/27/2006	29,405
CHF	400,000	USD	316,331	1/27/2006	11,060
EUR	790,000	USD	969,363	1/27/2006	32,646
CHF	925,000	USD	748,988	2/23/2006	41,303
EUR	325,000	USD	398,824	2/27/2006	13,466
Total unrealized appreciation					**127,880**

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Depreciation (US$)
EUR	200,000	USD	237,920	5/11/2006	(614)
Total unrealized depreciation					**(614)**

DWS Strategic Income VIP

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation (US$)
EUR	46,706	USD	56,657	1/12/2006	1,324
USD	52,023	AUD	71,000	1/27/2006	54
USD	1,990,215	CAD	2,339,000	1/27/2006	17,502
USD	154,547	CAD	183,000	1/27/2006	2,534
CHF	1,806,000	USD	1,403,263	1/27/2006	26,041
CHF	578,000	USD	454,467	1/27/2006	13,695
CHF	114,000	USD	87,103	1/27/2006	169
EUR	977,300	USD	1,174,123	1/27/2006	15,087
JPY	191,583,100	USD	1,655,389	1/27/2006	24,691
NZD	192,000	USD	132,196	1/27/2006	1,103
NZD	88,000	USD	60,164	1/27/2006	80
NZD	269,000	USD	191,065	1/27/2006	7,399
USD	19,503	MXN	210,990	2/10/2006	243
USD	43,183	MXN	465,430	2/10/2006	375
MXN	944,000	USD	89,500	2/10/2006	1,153
EUR	21,958	USD	26,126	2/15/2006	64
Total unrealized appreciation					**111,514**

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Depreciation (US$)
USD	707,750	AUD	950,000	1/27/2006	(10,948)
USD	336,391	AUD	450,000	1/27/2006	(6,327)
EUR	62,000	USD	73,123	1/27/2006	(407)
USD	1,800,276	GBP	1,014,000	1/27/2006	(57,782)
USD	89,395	GBP	52,000	1/27/2006	(36)
JPY	64,674,000	USD	539,958	1/27/2006	(10,528)
EUR	143,000	USD	169,143	2/8/2006	(517)
EUR	196,901	USD	233,263	2/8/2006	(347)
USD	16,262	MXN	173,248	2/10/2006	(48)
MXN	849,668	USD	78,418	2/10/2006	(1,100)
EUR	176,356	USD	207,759	2/15/2006	(1,553)
EUR	52,610	USD	62,146	2/15/2006	(296)

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Depreciation (US$)
EUR	35,750	USD	42,300	2/15/2006	(130)
Total unrealized depreciation					**(90,019)**

Currency Abbreviations					
AUD	Australian Dollar	EUR	Euro	MXN	Mexican Peso
CAD	Canadian Dollar	GBP	British Pound	NZD	New Zealand Dollar
CHF	Swiss Franc	JPY	Japanese Yen	USD	United States Dollar

H. Ownership of the Portfolios

At December 31, 2005, the beneficial ownership in the portfolios was as follows:

DWS Balanced VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the portfolio, each owning 40%, 25% and 17%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the portfolio, each owning 73% and 26%.

DWS Blue Chip VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the portfolio, each owning 54% and 32%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the portfolio, each owning 73% and 26%.

DWS Core Fixed Income VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the portfolio, each owning 32%, 31% and 26%. Two Participating Insurance Companies were the owners of record of 10% or more of the total outstanding Class B shares of the portfolio, each owning 83% and 17%.

DWS Davis Venture Value VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the portfolio, each owning 73% and 20%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the portfolio, each owning 72% and 28%.

DWS Dreman Financial Services VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the portfolio, each owning 58% and 39%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the portfolio, each owning 74% and 26%.

DWS Dreman High Return Equity VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the portfolio, each owning 67% and 26%. Two Participating Insurance Companies were the owners of record of 10% or more of the total outstanding Class B shares of the portfolio, each owning 81% and 17%.

DWS Dreman Small Cap Value VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the portfolio, each owning 56%, 25% and 15%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the portfolio, each owning 75% and 21%.

DWS Global Thematic VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the portfolio, each owning 63% and 35%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the portfolio, each owning 68% and 32%.

DWS Government & Agency Securities VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the portfolio, each owning 41%, 34% and 18%. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the portfolio, owning 88%.

DWS High Income VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the portfolio, each owning 37%, 32% and 26%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the portfolio, each owning 77% and 22%.

DWS International Select Equity VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the portfolio, each owning 45%, 28% and 25%. Two Participating

Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the portfolio, each owning 58% and 42%.

DWS Janus Growth & Income VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the portfolio, each owning 69% and 29%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the portfolio, owning 84% and 16%.

DWS Janus Growth Opportunities VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the portfolio, each owning 60%, 26% and 13%. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the portfolio, owning 88%.

DWS Large Cap Value VIP: Four Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the portfolio, each owning 39%, 31%, 15% and 12%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the portfolio, each owning 82% and 18%.

DWS Mid Cap Growth VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the portfolio, each owning 65% and 29%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the portfolio, each owning 80% and 19%.

DWS Money Market VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the portfolio, each owning 42%, 33% and 24%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the portfolio, each owning 66% and 34%.

DWS Oak Strategic Equity VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the portfolio, each owning 80% and 20%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the portfolio, each owning 77% and 23%.

DWS Salomon Aggressive Growth VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the portfolio, each owning 82% and 17%. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the portfolio, owning 87%.

DWS Small Cap Growth VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the portfolio, each owning 47%, 22% and 21%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the portfolio, each owning 83% and 17%.

DWS Strategic Income VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the portfolio, each owning 53% and 40%. Two Participating Insurance Companies were owners of record of 10% or more of the outstanding Class B shares of the portfolio, each owning 62% and 37%.

DWS Technology VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the portfolio, each owning 63% and 33%. Two Participating Insurance Companies were owners of record of 10% or more of the outstanding Class B shares of the portfolio, each owning 78% and 21%.

DWS Turner Mid Cap Growth VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the portfolio, each owning 80% and 20%. Two Participating Insurance Companies were the owners of record of 10% or more of the total outstanding Class B shares of the portfolio, each owning 83% and 17%.

I. Line of Credit

The Trust and several other affiliated funds (the "Participants") share in a $1.1 billion revolving credit facility administered by J.P. Morgan Chase Bank for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated, based upon net assets, among each of the Participants.

Interest is calculated at the Federal Funds Rate plus 0.5 percent. The facility borrowing limit for each portfolio as a percent of net assets is as follows:

Portfolio	Facility Borrowing Limit
DWS Balanced VIP	33%
DWS Blue Chip VIP	33%
DWS Core Fixed Income VIP	33%
DWS Davis Venture Value VIP	33%
DWS Dreman Financial Services VIP	33%
DWS Dreman High Return Equity VIP	33%
DWS Dreman Small Cap Value VIP	33%
DWS Global Thematic VIP	33%
DWS Government & Agency Securities VIP	33%
DWS High Income VIP	33%
DWS International Select Equity VIP	33%
DWS Janus Growth & Income VIP	33%
DWS Janus Growth Opportunities VIP	33%
DWS Large Cap Value VIP	33%
DWS Mid Cap Growth VIP	33%
DWS Money Market VIP	33%
DWS Oak Strategic Equity VIP	33%
DWS Salomon Aggressive Growth VIP	33%
DWS Small Cap Growth VIP	33%
DWS Strategic Income VIP	33%
DWS Technology VIP	5%
DWS Turner Mid Cap Growth VIP	33%

J. Regulatory Matters and Litigation

Market Timing Related Regulatory and Litigation Matters. Since at least July 2003, federal, state and industry regulators have been conducting ongoing inquiries and investigations ("inquiries") into the mutual fund industry, and have requested information from numerous mutual fund companies, including DWS Scudder. The DWS funds' advisors have been cooperating in connection with these inquiries and are in discussions with the regulators concerning proposed settlements. Publicity about mutual fund practices arising from these industry-wide inquiries serves as the general basis of a number of private lawsuits against the DWS funds. These lawsuits, which previously have been reported in the press, involve purported class action and derivative lawsuits, making various allegations and naming as defendants various persons, including certain DWS funds, the funds' investment advisors and their affiliates, and certain individuals, including in some cases fund Trustees/Directors, officers, and other parties. Each DWS fund's investment advisor has agreed to indemnify the applicable DWS funds in connection with these lawsuits, or other lawsuits or regulatory actions that may be filed making allegations similar to these lawsuits regarding market timing, revenue sharing, fund valuation or other subjects arising from or related to the pending inquiries. It is not possible to determine with certainty what the outcome of these inquiries will be or what the effect, if any, would be on the funds or their advisors.

With respect to the lawsuits, based on currently available information, the funds' investment advisors believe the likelihood that the pending lawsuits will have a material adverse financial impact on a DWS fund is remote and such actions are not likely to materially affect their ability to perform under their investment management agreements with the DWS funds.

With respect to the regulatory matters, Deutsche Asset Management ("DeAM") has advised the funds as follows:

> DeAM expects to reach final agreements with regulators early in 2006 regarding allegations of improper trading in the DWS funds. DeAM expects that it will reach settlement agreements with the Securities and Exchange Commission, the New York Attorney General and the Illinois Secretary of State providing for payment of disgorgement, penalties, and investor education contributions totaling approximately $134 million. Approximately $127 million of this amount would be distributed to shareholders of the affected DWS funds in accordance with a distribution plan to be developed by an independent distribution consultant. DeAM does not believe that any of the DWS funds will be named as respondents or defendants in any proceedings. The funds'

investment advisors do not believe these amounts will have a material adverse financial impact on them or materially affect their ability to perform under their investment management agreements with the DWS funds. The above-described amounts are not material to Deutsche Bank, and they have already been reserved.

Based on the settlement discussions thus far, DeAM believes that it will be able to reach a settlement with the regulators on a basis that is generally consistent with settlements reached by other advisors, taking into account the particular facts and circumstances of market timing at DeAM and at the legacy Scudder and Kemper organizations prior to their acquisition by DeAM in April 2002. Among the terms of the expected settled orders, DeAM would be subject to certain undertakings regarding the conduct of its business in the future, including maintaining existing management fee reductions for certain funds for a period of five years. DeAM expects that these settlements would resolve regulatory allegations that it violated certain provisions of federal and state securities laws (i) by entering into trading arrangements that permitted certain investors to engage in market timing in certain DWS funds and (ii) by failing more generally to take adequate measures to prevent market timing in the DWS funds, primarily during the 1999–2001 period. With respect to the trading arrangements, DeAM expects that the settlement documents will include allegations related to one legacy DeAM arrangement, as well as three legacy Scudder and six legacy Kemper arrangements. All of these trading arrangements originated in businesses that existed prior to the current DeAM organization, which came together in April 2002 as a result of the various mergers of the legacy Scudder, Kemper and Deutsche fund groups, and all of the arrangements were terminated prior to the start of the regulatory investigations that began in the summer of 2003. No current DeAM employee approved the trading arrangements.

There is no certainty that the final settlement documents will contain the foregoing terms and conditions. The independent Trustees/Directors of the DWS funds have carefully monitored these regulatory investigations with the assistance of independent legal counsel and independent economic consultants. Additional information announced by DeAM regarding the terms of the expected settlements will be made available at www.dws-scudder.com/regulatory_settlements, which will also disclose the terms of any final settlement agreements once they are announced.

Other Regulatory Matters. DeAM is also engaged in settlement discussions with the Enforcement Staffs of the SEC and the NASD regarding DeAM's practices during 2001–2003 with respect to directing brokerage commissions for portfolio transactions by certain DWS funds to broker-dealers that sold shares in the DWS funds and provided enhanced marketing and distribution for shares in the DWS funds. In addition, on January 13, 2006, DWS Scudder Distributors, Inc. received a Wells notice from the Enforcement Staff of the NASD regarding DWS Scudder Distributors' payment of non-cash compensation to associated persons of NASD member firms, as well as DWS Scudder Distributors' procedures regarding non-cash compensation regarding entertainment provided to such associated persons. Additional information announced by DeAM regarding the terms of the expected settlements will be made available at www.dws-scudder.com/regulatory_settlements, which will also disclose the terms of any final settlement agreements once they are announced.

K. Acquisition of Assets

On April 29, 2005, the DWS Small Cap Growth VIP acquired all of the net assets of Scudder Variable Series I 21st Century Growth Portfolio pursuant to a plan of reorganization approved by shareholders on April 20, 2005. The acquisition was accomplished by a tax-free exchange of 7,739,831 Class A shares and 1,627,657 Class B shares of the Scudder Variable Series I 21st Century Growth Portfolio for 3,256,621 Class A shares and 680,062 Class B shares of the DWS Small Cap Growth VIP outstanding on April 29, 2005. Scudder Variable Series I 21st Century Growth Portfolio's net assets at that date of $45,435,834, including $4,404,910 of net unrealized appreciation, were combined with those of the DWS Small Cap Growth VIP. The aggregate net assets of the DWS Small Cap Growth VIP immediately before the acquisition were $209,671,733. The combined net assets of the DWS Small Cap Growth VIP immediately following the acquisitions were $255,107,567.

On April 29, 2005, the DWS Balanced VIP acquired all of the net assets of Scudder Variable Series I Balanced Portfolio pursuant to a plan of reorganization approved by shareholders on April 20, 2005. The acquisition was accomplished by a tax-free exchange of 10,773,456 Class A shares of the Scudder Variable Series I Balanced Portfolio for 5,591,767 Class A shares of the DWS Balanced VIP outstanding on April 29, 2005. Scudder Variable Series I Balanced Portfolio's net assets at that date of $118,997,707, including $9,126,657 of net unrealized appreciation, were combined with those of the DWS Balanced VIP. The aggregate net assets of the DWS Balanced VIP immediately before the acquisition were $598,273,318. The combined net assets of the DWS Balanced VIP immediately following the acquisitions were $717,271,025.

L. Payments made by Affiliates and Investment Restriction Violations

During the year ended December 31, 2005, the Advisor fully reimbursed the DWS Balanced VIP, DWS High Income VIP, the DWS Strategic Income VIP and DWS Technology VIP $3,830, $27,576, $2,298 and $3,842, respectively, for losses incurred on a trade executed incorrectly.

In addition, the Advisor fully reimbursed the DWS Davis Venture Value VIP and DWS Government & Agency Securities VIP $621 and $234, respectively, for losses incurred in violation of investment restrictions. The DWS Small Cap Growth VIP incurred a gain of $49,496 resulting from a violation of investment restrictions.

M. Other

Prior to September 30, 2005, Deutsche Asset Management Investment Services Ltd. ("DeAMIS"), an affiliate of the Advisor, served as subadvisor with respect to the investment and reinvestment of assets of DWS International Select Equity VIP, DWS Strategic Income VIP and DWS Balanced VIP. DeAMIS was sold to Aberdeen Asset Management PLC ("Aberdeen"). The Portfolio's Board allowed the subadvisory agreement with DeAMIS, due for renewal on September 30, 2005 to expire and only the advisory agreement with DeIM was approved for continuation. Aberdeen plays no role in managing the portfolios. Additionally, effective December 2, 2005, pursuant to an investment subadvisory agreement between Aberdeen and the Advisor, Aberdeen acts as the subadvisor for DWS Core Fixed Income VIP. As subadvisor, Aberdeen, under the supervision of the Board of Trustees and the Advisor, makes the portfolio's investment decisions, buys and sells securities for the portfolio, and conducts the research that leads to these purchase and sale decisions. Aberdeen is also responsible for selecting brokers and dealers and for negotiating brokerage commissions and dealer charges. Aberdeen provides a full range of international investment advisory services to institutional and retail clients. Aberdeen will be paid for its services by the Advisor from its fee as investment advisor to the portfolio.

N. Subsequent Event

Effective February 6, 2006, Scudder Investments changed its name to DWS Scudder and the Scudder funds were renamed DWS funds. The DWS Scudder name represents the alignment of Scudder with all of Deutsche Bank's mutual fund operations around the globe. In addition, the Web site for all Scudder funds changed to www.dws-scudder.com.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of DWS Variable Series II:

We have audited the accompanying statements of assets and liabilities of the DWS Balanced VIP (formerly Scudder Total Return Portfolio), DWS Blue Chip VIP (formerly Scudder Blue Chip Portfolio), DWS Core Fixed Income VIP (formerly Scudder Fixed Income Portfolio), DWS Davis Venture Value VIP (formerly SVS Davis Venture Value Portfolio), DWS Dreman Financial Services VIP (formerly SVS Dreman Financial Services Portfolio), DWS Dreman High Return Equity VIP (formerly SVS Dreman High Return Equity Portfolio), DWS Dreman Small Cap Value VIP (formerly SVS Dreman Small Cap Value Portfolio), DWS Global Thematic VIP (formerly Scudder Global Blue Chip Portfolio), DWS Government & Agency Securities VIP (formerly Scudder Government & Agency Securities Portfolio), DWS High Income VIP (formerly Scudder High Income Portfolio), DWS International Select Equity VIP (formerly Scudder International Select Equity Portfolio), DWS Janus Growth & Income VIP (formerly SVS Janus Growth and Income Portfolio), DWS Janus Growth Opportunities VIP (formerly SVS Janus Growth Opportunities Portfolio), DWS Large Cap Value VIP (formerly Scudder Large Cap Value Portfolio), DWS Mid Cap Growth VIP (formerly Scudder Mid Cap Growth Portfolio and formerly Scudder Aggressive Growth Portfolio), DWS Money Market VIP (formerly Scudder Money Market Portfolio), DWS Oak Strategic Equity VIP (formerly SVS Oak Strategic Equity Portfolio), DWS Salomon Aggressive Growth VIP (formerly Scudder Salomon Aggressive Growth Portfolio and formerly SVS INVESCO Dynamic Growth Portfolio), DWS Small Cap Growth VIP (formerly Scudder Small Cap Growth Portfolio), DWS Strategic Income VIP (formerly Scudder Strategic Income Portfolio), DWS Technology VIP (formerly Scudder Technology Growth Portfolio), and DWS Turner Mid Cap Growth VIP (formerly SVS Turner Mid Cap Growth Portfolio), twenty-two of the portfolios constituting the DWS Variable Series II (formerly Scudder Variable Series II) (the "Trust"), including the portfolios of investments, as of December 31, 2005, and the related statements of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the periods indicated therein. These financial statements and financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Trust's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2005, by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the aforementioned portfolios of the DWS Variable Series II at December 31, 2005, the results of their operations for the year then ended, the changes in their net assets for each of the two years in the period then ended, and the financial highlights for each of the periods indicated therein, in conformity with U.S. generally accepted accounting principles.

Boston, Massachusetts
February 16, 2006

Ernst & Young LLP

Tax Information

(Unaudited)

The following portfolios paid distributions from net long-term capital gains during the year ended December 31, 2005 as follows:

Portfolio	Distribution Per Share ($)	% Representing 15% Rate Gains
DWS Core Fixed Income VIP	.06	100%
DWS Dreman Small Cap Value VIP	1.78	100%
DWS Government & Agency Securities VIP	.001	100%
DWS Strategic Income VIP	.03	100%

The following portfolios designated as capital gain dividends for its year ended December 31, 2005:

Portfolio	Capital Gain ($)	% Representing 15% Rate Gains
DWS Blue Chip VIP	9,819,000	100%
DWS Core Fixed Income VIP	93,200	100%
DWS Dreman Financial Services	1,600,000	100%
DWS Dreman Small Cap Value VIP	52,300,000	100%
DWS Global Thematic VIP	8,816,000	100%
DWS Salomon Aggressive Growth VIP	8,100,000	100%
DWS Strategic Income VIP	32,000	100%
DWS Turner Mid Cap Growth VIP	12,844,000	100%

For corporate shareholders, the following percentage of income dividends paid during the following portfolios' fiscal year ended December 31, 2005 qualified for the dividends received deduction:

Portfolio	%
DWS Balanced VIP	43
DWS Blue Chip VIP	100
DWS Davis Venture Value VIP	100
DWS Dreman Financial Services VIP	100
DWS Dreman High Return Equity VIP	100
DWS Dreman Small Cap Value VIP	100
DWS Global Thematic VIP	100
DWS Janus Growth and Income VIP	100
DWS Janus Growth Opportunities VIP	100
DWS Large Cap Value VIP	100
DWS Oak Strategic Equity VIP	100
DWS Technology VIP	71

DWS Global Thematic VIP paid foreign taxes of $170,000 and earned $454,040 of foreign source income during the year ended December 31, 2005. Pursuant to section 853 of the Internal Revenue Code, the portfolio designates $0.03 per share as foreign taxes paid and $0.07 per share as income earned from foreign sources for the year ended December 31, 2005.

DWS International Select Equity VIP paid foreign taxes of $678,821 and earned $4,638,967 of foreign source income during the year ended December 31, 2005. Pursuant to Section 853 of the Internal Revenue Code, the portfolio designates $0.04 per share as foreign taxes paid and $0.24 per share as income earned from foreign sources for the year ended December 31, 2005.

Please consult a tax advisor if you have questions about federal or state income tax laws, or on how to prepare your tax returns. If you have specific questions about your account, please call (800) 621-1048.

Proxy Voting

A description of the Trust's policies and procedures for voting proxies for portfolio securities and information about how the Trust voted proxies related to its portfolio securities during the 12-month period ended June 30 is available on our Web site — www.dws-scudder.com (type "proxy voting" in the search field) — or on the SEC's Web site — www.sec.gov. To obtain a written copy of the Trust's policies and procedures without charge, upon request, call us toll free at (800) 621-1048.

Shareholder Meeting Results

A Special Meeting of Shareholders (the "Meeting") of DWS Salomon Aggressive Growth VIP (the "Portfolio") was held on October 21, 2005 at the offices of Deutsche Investment Management Americas Inc. ("DeIM"), which is part of Deutsche Asset Management, 345 Park Avenue, New York, NY 10154. At the Meeting, the following matters were voted upon by the shareholders (the resulting votes are presented below).

1. To approve a new Investment Management Agreement between DWS Variable Series II, on behalf of the Portfolio, and DeIM:

	Number of Votes:	
Affirmative	**Against**	**Abstain**
3,983,737	94,156	333,050

2. To approve a new Sub-Advisory Agreement between DeIM and Salomon Brothers Asset Managment Inc.:

	Number of Votes:	
Affirmative	**Against**	**Abstain**
3,962,802	112,845	335,296

A Special Meeting of Shareholders (the "Meeting") of DWS Core Fixed Income VIP (the "Portfolio") was held on November 18, 2005, at the offices of DeIM, 345 Park Avenue, New York, NY 10154. At the meeting, the following matters were voted upon by the shareholders (the resulting votes are presented below).

1. To approve an Amended and Restated Investment Management Agreement between DWS Variable Series II, on behalf of the Portfolio, and DeIM:

	Number of Votes:	
Affirmative	**Against**	**Abstain**
18,762,395	363,523	1,458,292

2. To approve a new Sub-Advisory Agreement between DeIM and Aberdeen Asset Management, Inc.:

	Number of Votes:	
Affirmative	**Against**	**Abstain**
18,733,967	364,585	1,485,657

Investment Management Agreement Approval

The Board of Trustees, including the Independent Trustees, approved the renewal of each Portfolio's investment management agreement (each an "Agreement") with Deutsche Investment Management Americas Inc. ("DeIM" or the "Advisor") in September 2005. As part of its review process, the Board requested and evaluated all information it deemed reasonably necessary to evaluate the Agreements. Over the course of several months, the Contract Review Committee, in coordination with the Equity Oversight Committee and the Fixed Income Oversight Committee, as applicable, and the Operations Committee of the Board, reviewed comprehensive materials received from the Advisor, independent third parties and independent counsel. The Board also received extensive information throughout the year regarding performance and operating results of each Portfolio. After their review of the information received, the Committees presented their findings and recommendations to the Independent Trustees as a group. The Independent Trustees then reviewed the Committees' findings and recommendations and presented their recommendations to the full Board.

In connection with the contract review process, the various Committees and the Board considered the factors discussed below, among others. The Board also considered that the Advisor and its predecessors have managed each Portfolio since its inception, and the Board believes that a long-term relationship with a capable, conscientious advisor is in the best interests of each of the Portfolios. The Board considered, generally, that shareholders invested in a Portfolio, or approved the investment management agreement for a Portfolio, knowing that the Advisor managed the Portfolio and knowing the investment management fee schedule. In connection with recent and ongoing efforts by Deutsche Bank to restructure its US mutual fund business, which resulted in turnover of senior management and other personnel of the Advisor, the Board considered Deutsche Bank's commitment that it will devote to the Advisor and its affiliates all attention and resources that are necessary to provide the Portfolios with top-quality investment management and shareholder, administrative and product distribution services.

Nature, Quality and Extent of Services. The Board considered the nature, extent and quality of services provided under the Agreements, including portfolio management services and administrative services. The Board considered the experience and skills of senior management and investment personnel, the resources made available to such personnel, the ability of the Advisor to attract and retain high-quality personnel, and the organizational depth and stability of the Advisor. For certain Funds, the Board considered the delegation of day-to-day portfolio management responsibility to a sub-advisor. The Board reviewed each Portfolio's performance over short-term and, as applicable, long-term periods, and compared those returns to various agreed-upon performance measures, including market indices and peer groups. The Board considered whether investment results were consistent with a Portfolio's investment objective and policies. The Board also noted that it has put a process into place of identifying "Focus Funds" (e.g., funds performing poorly relative to their peer group), and receives more frequent reporting and information from the Advisor regarding such funds, along with the Advisor's remedial plans to address underperformance. The Board believes this process is an effective manner of addressing poorly performing funds at this time.

On the basis of this evaluation and the ongoing review of investment results by the Equity Oversight Committee and Fixed-Income Oversight Committee, as applicable, the Board concluded that the nature, quality and extent of services provided by the Advisor historically have been and continue to be satisfactory and unless otherwise noted below, each Portfolio's performance over time was satisfactory.

Fees and Expenses. The Board considered each Portfolio's management fee rate, operating expenses and total expense ratios, and compared management fees to a peer group and total expenses to a broader peer universe based on information and data supplied by Lipper Inc. ("Lipper"). For purposes of this comparison, the Board relied on historical data compiled by Lipper for the peer funds and the Advisor's estimate of current expenses for each Portfolio (including, as applicable, the effect of a Portfolio's then-current expense cap). The information provided to the Board showed that, unless otherwise noted below, each Portfolio's management fee rate was below the median of its peer group and that each Portfolio's total expense ratio was below the median of its peer universe. The Board also considered each Portfolio's management fee rate as compared to fees charged by the Advisor and certain of its affiliates for comparable mutual funds and, as applicable, for similarly managed institutional accounts. With respect to institutional accounts, the Board noted that (i) both the mix of services provided and the level of responsibility required under an Agreement were significantly greater as compared to the Advisor's obligations for similarly managed institutional accounts; and (ii) the management fees of institutional accounts are less relevant to the Board's consideration because they reflect significantly different competitive forces from those in the mutual fund marketplace. With respect to the other comparable DWS Funds, the Board considered differences in fund and fee structures among the DWS Funds and, as applicable, among the various legacy organizations. When applicable, the Board took into account the Advisor's commitment to cap total expenses for certain classes through specified periods.

On the basis of the information provided, the Board concluded that management fees were reasonable and appropriate in light of the nature, quality and extent of services provided by the Advisor.

Profitability. The Board reviewed detailed information regarding revenues received by the Advisor under each Agreement. The Board considered the estimated costs and pre-tax profits realized by the Advisor from advising the DWS Funds, as well as estimates of the pre-tax profits attributable to managing each Portfolio in particular. The Board also received information regarding the estimated enterprise-wide profitability of the DWS organization with respect to all fund services in totality and by fund. The Board reviewed DeIM's methodology in allocating its costs to the management of each Portfolio. Although the Board noted the inherently subjective nature of any allocation methodology, the Board received an attestation report from an accounting firm affirming that the allocation methods were consistently applied and were based upon practices commonly used in the investment management industry. Based on the information provided, the Board concluded that the pre-tax profits realized by DeIM in connection with the management of each Portfolio, were not unreasonable. For DWS Mid Cap Growth VIP, DWS Global Thematic VIP, the Board noted that, based on the information provided, the Advisor operated each Portfolio at a loss.

Economies of Scale. The Board considered whether there are economies of scale with respect to the management of each Portfolio and whether each Portfolio benefits from any economies of scale. The Board considered whether the management fee schedule under each Agreement is reasonable in relation to the asset size of the Portfolio. The Board noted that the management fee schedule for seventeen of the Portfolios included breakpoints designed to share economies of scale with the shareholders. The Board concluded that each management fee schedule reflects an appropriate level of sharing of any economies of scale.

Other Benefits to DeIM and Its Affiliates. The Board also considered the character and amount of other incidental benefits received by DeIM and its affiliates, including fees received by the Advisor for administrative services provided to each Portfolio. The Board also considered benefits to DeIM related to brokerage and soft-dollar allocations, which pertain primarily to funds investing in equity securities. The Board considered that, during the past year, the Advisor agreed to cease allocating brokerage to acquire research services from third-party service providers. The Board concluded that management fees were reasonable in light of these fallout benefits.

Regulatory Matters. The Board also considered information regarding ongoing inquiries of the Advisor regarding market timing, late trading and other matters by federal and state regulators and private lawsuits on related topics. Among other matters, the Board considered the Advisor's commitment to indemnify the DWS Funds against regulatory actions or lawsuits arising from such inquiries. The Board also considered management's representation that such actions will not materially impact the Advisor's ability to perform under the Agreements or materially impact the Portfolios.

In connection with the factors described above, the Board considered factors specific to a particular Portfolio, as discussed below.

DWS Mid Cap Growth VIP (formerly Scudder Mid Cap Growth Portfolio)

Nature, Quality and Extent of Services. The Board noted that effective October 28, 2005, the Portfolio would adopt a new investment objective and strategy and, accordingly, changed its name to Scudder Mid Cap Growth Portfolio.

The Board noted the relative underperformance of the Portfolio, and took into account the factors contributing to such performance and steps being taken by the Advisor to improve performance, including the Portfolio's adoption of a new investment objective and strategy.

Fees and Expenses. The information provided to the Board showed that the Portfolio's total expense ratio was in the fourth quartile for Class B shares. The Board examined the total expense ratio of Class B shares less 12b-1 plan and recordkeeping expenses and noted that total expenses remained in the fourth quartile. The Board took note of the Advisor's commitment to cap total expenses through April 30, 2006.

In light of the fourth quartile ranking of the total expenses for Class B shares, the Board recommended that the Advisor cap expenses of Class B shares (less 12b-1 plan and recordkeeping expenses) at a level within the third quartile. The Board noted that although the Portfolio's total expense ratio for Class B shares was above the median for the peer universe, such ratio (after the recommended expense cap) was within an acceptable range of the peer universe, and consistent with reasonable expectations in light of the nature, quality and extent of services provided by the Advisor.

DWS Davis Venture Value VIP (formerly SVS Davis Venture Value Portfolio)

Fees and Expenses. The information provided to the Board showed that the Portfolio's management fee rate was above the median of the peer group and that the Portfolio's total expense ratio was above the median of the peer universe but below the fourth quartile for Class A shares and in the fourth quartile for Class B shares. The Board examined the total expense ratio of Class B shares less 12b-1 plan and recordkeeping expenses and noted that the expense ratio remained in the fourth quartile. The Board took into account the Advisor's commitment to cap total expenses through April 30, 2006.

In light of the fourth quartile ranking of total expenses for Class B shares, the Board recommended that the Advisor cap total expenses (less 12b-1 plan and recordkeeping expenses) for Class B shares at a level within the third quartile. The Board noted that although the Portfolio's management fee rate was above the median for the peer group and the total expense ratios for Class A and B shares were above the median of the peer universe, such expenses (after the recommended expense cap) were within an acceptable range of the peer group and peer universe, respectively, and consistent with reasonable expectations in light of the nature, quality and extent of services provided by the Advisor.

DWS Dreman High Return Equity VIP (formerly SVS Dreman High Return Equity Portfolio)

Fees and Expenses. The information provided to the Board showed that the Portfolio's management fee rate was above the median of the peer group but below the fourth quartile, and that the Portfolio's total expense ratios were below the median of the peer universe for Class A shares and in the fourth quartile for Class B shares. The Board examined the total expense ratio of Class B shares less 12b-1 plan and recordkeeping expenses and noted that the expense ratio was below the fourth quartile. The Board took into account the Advisor's commitment to cap total expenses through April 30, 2006.

The Board noted that although the Portfolio's management fee rate was above the median for the peer group and the total expense ratio for Class B shares was above the median of the peer universe, such expenses were within an acceptable range of the peer group and peer universe, respectively, and consistent with reasonable expectations in light of the nature, quality and extent of services provided by the Advisor.

DWS Dreman Small Cap Value VIP (formerly SVS Dreman Small Cap Value Portfolio)

Fees and Expenses. The information provided to the Board showed that the Portfolio's total expense ratio was above the median of the peer universe, but below the fourth quartile, for Class B shares. The Board took into account the Advisor's commitment to cap total expenses through April 30, 2006.

The Board noted that although the Portfolio's total expense ratio for Class B shares was above the median for the peer universe, such expenses were within an acceptable range of the peer universe and consistent with reasonable expectations in light of the nature, quality and extent of services provided by the Advisor.

DWS Global Thematic VIP (formerly Scudder Global Blue Chip Portfolio)

Fees and Expenses. The information provided to the Board showed that the Portfolio's management fee rate was above the median of the peer group but below the fourth quartile, and that the Portfolio's total expense ratio was in the fourth quartile of the peer universe for Class A and Class B shares. The Board examined the total expense ratio of Class B shares less 12b-1 plan and recordkeeping expenses and noted that the expense ratio remained in the fourth quartile. The Board took into account the Advisor's commitment to cap total expenses through April 30, 2006.

In light of the fourth quartile ranking of total expenses for Class A and Class B shares, the Board recommended that the Advisor cap total expenses of Class A and Class B shares (less 12b-1 plan and recordkeeping expenses) at a level within the third quartile. The Board noted that although the Portfolio's management fee rate was above the median for the peer group and total expenses for Class A and B shares were above the median for the peer universe, such expenses (after the recommended expense cap) were within an acceptable range of the peer group and peer universe, respectively, and consistent with reasonable expectations in light of the nature, quality and extent of services provided by the Advisor.

DWS International Select Equity VIP (formerly Scudder International Select Equity Portfolio)

Nature, Quality and Extent of Services. The Board noted that, in the past, the Advisor delegated a portion of the Portfolio's assets, to be invested in foreign securities, for management by Deutsche Asset Management Investment Services Limited ("DeAMIS"), an affiliate of the Advisor, pursuant to a sub-advisory agreement. In light of Deutsche Bank's agreement to sell DeAMIS, the Advisor recommended that the Board not renew the sub-advisory agreement with DeAMIS, but, rather, proposed that the assets previously managed by DeAMIS be managed by the Advisor utilizing the Advisor's existing resources. The Board received information related to the resources and capabilities of the Advisor in managing foreign securities. The Board concluded that the Advisor has the resources and capabilities to manage the foreign securities portion of the Portfolio previously managed by DeAMIS.

Fees and Expenses. The information provided to the Board showed that the Portfolio's total expense ratio was above the median but below the fourth quartile of the peer universe for Class B shares.

The Board noted that although the Portfolio's total expense ratio for Class B shares was above the median for the peer universe, such expenses were within an acceptable range of the peer universe and consistent with reasonable expectations in light of the nature, quality and extent of services provided by the Advisor.

DWS Salomon Aggressive Growth VIP (formerly Scudder Salomon Aggressive Growth Portfolio)

Nature, Quality and Extent of Services. The Board noted that, previously, the Advisor delegated management of the Portfolio's assets to INVESCO Institutional N.A. ("INVESCO"), pursuant to a sub-advisory agreement. Effective August 1, 2005, the Board terminated the sub-advisory agreement with INVESCO and approved an interim sub-advisory agreement with Salomon Brothers Asset Management Inc. ("Salomon") pending shareholder approval of the new agreement. The Board considered changes in the investment objective and strategy of the Portfolio in connection with the recent change in sub-advisor.

Fees and Expenses. The Board noted that, effective August 1, 2005, the Portfolio adopted a lower management fee schedule. The information provided to the Board showed that the Portfolio's management fee rate (adjusted for the new management fee schedule) was above the median of the peer group and that the Portfolio's total expense ratio was in the fourth quartile of the peer universe for Class A and Class B shares. The Board examined the total expense ratio for Class B shares less 12b-1 plan and recordkeeping expenses and noted that the expense ratio remained in the fourth quartile. The Board also took into account the Advisor's commitment to cap expenses through April 30, 2006.

In light of the fourth quartile ranking of total expenses for Class A and Class B shares, the Board recommended that the Advisor cap total expenses for Class A shares and Class B shares (less 12b-1 plan and recordkeeping expenses) at a level within the third quartile. The Board noted that although the Portfolio's management fee rate was above the median for the peer group and total expenses for Class A and B shares were above the median for the peer universe, such expenses (after the recommended expense caps) were within an acceptable range of the peer group and peer universe, respectively, and consistent with reasonable expectations in light of the nature, quality and extent of services provided by the Advisor.

DWS Janus Growth & Income VIP (formerly SVS Janus Growth And Income Portfolio)

Fees and Expenses. The Board noted that the Advisor agreed to reduce the Portfolio's management fee rate, effective May 1, 2005. The information provided to the Board, which reflected the management fee reduction, showed that the Portfolio's management fee rate was above the median of the peer group but below the fourth quartile, and that the Portfolio's total expense ratio was in the fourth quartile of the peer universe for Class B shares. The Board examined the total expense ratio of Class B shares less 12b-1 plan and recordkeeping expenses and noted that the expense ratio remained in the fourth quartile. The Board took into account the Advisor's commitment to cap total expenses through April 30, 2006.

In light of the fourth quartile ranking of total expenses for Class B shares, the Board recommended that the Advisor cap total expenses (less 12b-1 plan and recordkeeping expenses) for Class B shares at a level within the third quartile. The Board noted that although the Portfolio's management fee rate was above the median for the peer group and total expenses were above the median for Class B shares, such expenses (after the recommended expense cap) were within an acceptable range of the peer group and peer universe, respectively, and consistent with reasonable expectations in light of the nature, quality and extent of services provided by the Advisor.

DWS Janus Growth Opportunities VIP (formerly SVS Janus Growth Opportunities Portfolio)

Fees and Expenses. The Board noted that the Advisor agreed to reduce the Portfolio's management fee rate, effective May 1, 2005. The information provided to the Board showed that the Portfolio's total expense ratio was in the fourth quartile of the peer universe for Class B shares. The Board examined the total expense ratio of Class B shares less 12b-1 plan and recordkeeping expenses and noted that the expense ratio for Class B shares was below the fourth quartile.

The Board noted that although the Portfolio's total expense ratio for Class B shares was above the median for the peer universe, such ratio was within an acceptable range of the peer universe and consistent with reasonable expectations in light of the nature, quality and extent of services provided by the Advisor.

DWS Large Cap Value VIP (formerly Scudder Large Cap Value Portfolio)

Nature, Quality and Extent of Services. The Board noted the short-term relative underperformance of the Portfolio, and took into account the factors contributing to such performance, the Portfolio's favorable long-term performance, and steps being taken by the Advisor to improve performance.

Fees and Expenses. The information provided to the Board showed that the Portfolio's management fee rate was above the median of the peer group but below the fourth quartile, and that the Portfolio's total expense ratio was above the median but below the fourth quartile of the peer universe for Class B shares.

The Board noted that although the Portfolio's management fees were above the median of the peer group and total expenses for Class B shares were above the median of peer universe, respectively, such expenses were within an acceptable range of the peer group and peer universe, respectively, and consistent with reasonable expectations in light of the nature, quality and extent of services provided by the Advisor.

DWS Oak Strategic Equity VIP (formerly SVS Oak Strategic Equity Portfolio)

Nature, Quality and Extent of Services. The Board noted the short-term relative underperformance of the Portfolio, but considered that the Portfolio has performed at high levels over time and that such volatility is consistent with the Portfolio's investment strategy.

Fees and Expenses. The information provided to the Board showed that the Portfolio's management fee rate was in the fourth quartile of the peer group, and that the Portfolio's total expense ratio was in the fourth quartile of the peer universe for Class A and Class B shares. The Board noted that, in response to questions of the Independent Trustees regarding the levels of management fee rates and total expenses, the Advisor agreed to a lower management fee schedule and lower expense caps effective with the renewal of the Agreement. The Board examined the total expense ratio for Class A and B shares (taking into effect the lower management fee) and less 12b-1 plan and recordkeeping expenses for Class B shares, and noted that the expense ratio for Class B shares remained in the fourth quartile.

In light of the fourth quartile ranking of total expenses for Class B shares, the Board recommended that the Advisor cap the total expense ratio (less 12b-1 plan and recordkeeping expenses) at a level within the third quartile. The Board noted that although the Portfolio's total expense ratios for Class A and B shares were above the median for the peer universe, such expenses (after the recommended expense cap) were within an acceptable range of the peer universe, and consistent with reasonable expectations in light of the nature, quality and extent of services provided by the Advisor.

DWS Small Cap Growth VIP (formerly Scudder Small Cap Growth Portfolio)

Nature, Quality and Extent of Services. The Board noted the long-term relative underperformance of the Portfolio, and took into account the factors contributing to such performance and steps being taken by the Advisor to improve performance.

Fees and Expenses. The Board noted that the Portfolio adopted a lower management fee schedule in connection with the acquisition of the assets and liabilities of DWS Variable Series I — 21st Century Growth Portfolio in May 2005 (the "21st Century Merger"). The information provided to the Board showed that the Portfolio's management fee rate (taking into account the effect of the 21st Century Merger) was below the median of the peer group and that the Portfolio's total expense ratios for Class A and Class B shares were below the median of the peer universe. The Board took into account the Advisor's commitment to cap total expenses through April 30, 2008 in connection with the 21st Century Merger.

DWS Technology VIP (formerly Scudder Technology Growth Portfolio)

Nature, Quality and Extent of Services. The Board noted the short-term relative underperformance of the Portfolio, and took into account the factors contributing to such performance and steps being taken by the Advisor to improve performance.

Fees and Expenses. The information provided to the Board showed that the Portfolio's total expense ratio was above the median but below the fourth quartile for Class B shares.

The Board noted that although the Portfolio's total expense ratio for Class B shares was above the median for the peer universe, such ratio was within an acceptable range of the peer universe, and consistent with reasonable expectations in light of the nature, quality and extent of services provided by the Advisor.

DWS Balanced VIP (formerly Scudder Total Return Portfolio)

Nature, Quality and Extent of Services. The Board noted that, in the past, the Advisor delegated management of the portion of the Portfolio's assets, to be invested in foreign securities, to Deutsche Asset Management Investment Services Limited ("DeAMIS"), an affiliate of the Advisor, pursuant to a sub-advisory agreement. In light of Deutsche Bank's agreement to sell DeAMIS, the Advisor recommended that the Board not renew the sub-advisory agreement with DeAMIS, but, rather, proposed that the assets previously managed by DeAMIS be managed by the Advisor utilizing the Advisor's existing resources. The Board received information related to the resources and capabilities of the Advisor in managing foreign securities. The Board concluded that the Advisor has the resources and capabilities to manage the foreign securities portion of the Portfolio previously managed by DeAMIS.

The Board noted the relative underperformance of the Portfolio, and took into account the factors contributing to such performance and steps being taken by the Advisor to improve performance.

Fees and Expenses. The Board noted that the Portfolio adopted a lower management fee schedule in connection with the acquisition of the assets and liabilities of DWS Variable Series I — Balanced Portfolio in May 2005 (the "Balanced Fund Merger"). The information provided to the Board showed that the Portfolio's management fee rate (taking into account the effects of the Balanced Fund Merger) was below the median of the peer group and that the Portfolio's total expense ratio was below the median of the peer universe for Class A shares and above the median but below the fourth quartile for Class B shares. The Board took into account the Advisor's commitment to cap total expenses for Class A shares through April 30, 2008 in connection with the Balanced Fund Merger and to cap total expenses for Class B shares through April 30, 2006.

The Board noted that although the Portfolio's total expense ratio for Class B shares was above the median for the peer universe, such ratio was within an acceptable range of the peer universe, and consistent with reasonable expectations in light of the nature, quality and extent of services provided by the Advisor.

DWS Turner Mid Cap Growth VIP (formerly SVS Turner Mid Cap Growth Portfolio)

Nature, Quality and Extent of Services. The Board noted the short-term relative underperformance of the Portfolio, and took into account the factors contributing to such performance and steps being taken by the Advisor and Turner to improve performance.

Fees and Expenses. The information provided to the Board showed that the Portfolio's management fee rate was in the fourth quartile of the peer group, and that the Portfolio's total expense ratio was in the fourth quartile of the peer universe for Class A and Class B shares. The Board noted that, in response to questions of the Independent Trustees regarding the levels of the management fee rate and total expenses, the Advisor agreed to a lower management fee schedule and lower expense caps effective with the renewal of the Agreement. The Board examined the total expense ratio for Class A and B shares (taking into effect the lower management fee) and less 12b-1 plan and recordkeeping expenses for Class B shares, and noted that the expense ratio for Class B shares remained in the fourth quartile.

In light of the fourth quartile ranking of total expenses for Class B shares, the Board recommended that the Advisor cap the total expense ratio (less 12b-1 plan and recordkeeping expenses) at a level within the third quartile. The Board noted that although the Portfolio's revised management fee rate and the total expense ratios for Class A and B shares were above the median for the peer group and peer universe, respectively, such expenses (after the recommended expense cap) were within an acceptable range of the peer group and peer universe, respectively, and consistent with reasonable expectations in light of the nature, quality and extent of services provided by the Advisor.

DWS Core Fixed Income VIP (formerly Scudder Fixed Income Portfolio)

Nature, Quality and Extent of Services. The Board noted the Advisor's representation that in connection with Deutsche Bank's agreement to sell Deutsche Asset Management Investment Services Limited, an affiliate of the Advisor, to Aberdeen Asset Management PLC ("Aberdeen"), it expects that substantially all the members of the portfolio management team that currently manages the fixed income portion of the Portfolio will undertake employment with Aberdeen. The Board also noted the Advisor's recommendation to retain Aberdeen as subadvisor, with no increase in fees.

Fees and Expenses. The information provided to the Board showed that the Portfolio's management fee rate was above the median of the peer group but below the fourth quartile, and that the Portfolio's total expense ratio was in the fourth quartile of the peer universe for Class B shares. The Board examined the total expense ratio of Class B shares less 12b-1 plan and recordkeeping expenses and noted that the expense ratio for Class B shares was below the fourth quartile. The Board took into account the Advisor's commitment to cap total expenses through April 30, 2006.

The Board noted that, although the Portfolio's management fee rate was above the median of the peer group and the total expense ratio for Class B shares was above the median of the peer universe, such management fee rate and total expense ratio were within an acceptable range of the peer group and peer universe, respectively, and consistent with reasonable expectations in light of the nature, quality and extent of services provided by the Advisor.

DWS Government & Agency Securities VIP (formerly Scudder Government & Agency Securities Portfolio)

Fees and Expenses. The information provided to the Board showed that the Portfolio's total expense ratio was in the fourth quartile of the peer universe for Class B shares. The Board examined the total expense ratio of Class B shares less 12b-1 plan and recordkeeping expenses and noted that the expense ratio for Class B shares was below the fourth quartile.

The Board noted that, although the Portfolio's total expense ratio for Class B shares was above the median of the peer universe, such ratio was within an acceptable range of the peer universe and consistent with reasonable expectations in light of the nature, quality and extent of services provided by the Advisor.

DWS High Income VIP (formerly Scudder High Income Portfolio)

Fees and Expenses. The information provided to the Board showed that the Portfolio's total expense ratio was in the fourth quartile of the peer universe for Class B shares. The Board examined the total expense ratio for Class B shares less 12b-1 plan and recordkeeping expenses and noted that the expense ratio was below the fourth quartile.

The Board noted that, although the Portfolio's total expense ratio for Class B shares was above the median of the peer universe, such ratio was within an acceptable range of the peer universe and consistent with reasonable expectations in light of the nature, quality and extent of services provided by the Advisor.

DWS Strategic Income VIP (formerly Scudder Strategic Income Portfolio)

Nature, Quality and Extent of Services. The Board noted that, in the past, the Advisor delegated management of the portion of the Portfolio's assets, to be invested in foreign securities, to Deutsche Asset Management Investment Services Limited ("DeAMIS"), an affiliate of the Advisor, pursuant to a sub-advisory agreement. In light of Deutsche Bank's agreement to sell DeAMIS, the Advisor recommended that the Board not renew the sub-advisory agreement with DeAMIS, but, rather, proposed that the assets previously managed by DeAMIS be managed by the Advisor utilizing the Advisor's existing resources. The Board received information related to the resources and capabilities of the Advisor in managing foreign securities. The Board concluded that the Advisor has the resources and capabilities to manage the foreign securities portion of the Portfolio previously managed by DeAMIS.

Fees and Expenses. The information provided to the Board showed that the Portfolio's total expense ratio was in the fourth quartile of the peer universe for Class B shares. The Board examined the total expenses for Class B shares less 12b-1 plan and recordkeeping expenses and noted that the expense ratio for Class B shares remained in the fourth quartile. The Board took into account the Advisor's commitment to cap total expenses through April 30, 2006.

In light of the fourth quartile ranking of total expenses for Class B shares, the Board recommended that total expenses (less 12b-1 plan and recordkeeping expenses) for Class B shares be capped at a level within the third quartile. The Board noted that, although the Portfolio's total expense ratio for Class B shares was above the median of the peer universe, such ratio (after the recommended expense cap) was within an acceptable range of the peer universe and consistent with reasonable expectations in light of the nature, quality and extent of services provided by the Advisor.

DWS Money Market VIP (formerly Scudder Money Market Portfolio)

Nature, Quality and Extent of Services. The Board reviewed the Portfolio's gross and net performance over short-term and long-term periods and compared those returns to various agreed-upon performance measures, including peer groups focusing, for this purpose, primarily on gross performance. The Board concluded that the Portfolio's gross performance over time was satisfactory.

Fees and Expenses. The information provided to the Board showed that the Portfolio's management fee rate was above the median of the peer group, but below the fourth quartile, and that the Portfolio's total expense ratio was in the fourth quartile of the peer universe for Class B shares. The Board examined the total expense ratio less 12b-1 plan and recordkeeping expenses for Class B shares and noted that the expense ratio was below the fourth quartile.

The Board noted that although the Portfolio's management fee rate was above the median of the peer group and the total expense ratio for Class B shares was above the median of the peer universe, such expenses were within an acceptable range of the peer group and peer universe, respectively, and consistent with reasonable expectations in light of the nature, quality and extent of services provided by the Advisor.

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Based on all of the information considered and the conclusions reached, the Board (including a majority of the Independent Trustees) determined that the terms of each Agreement continue to be fair and reasonable and that the continuation of each Agreement is in the best interests of each Portfolio. No single factor was determinative in the Board's analysis.

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Board Considerations in Connection with the Annual Review of the Sub-Advisory Agreement for each of the following "Portfolios":

DWS Davis Venture Value VIP

DWS Dreman High Return Equity VIP

DWS Dreman Small Cap Value VIP

DWS Janus Growth & Income VIP

DWS Janus Growth Opportunities VIP

DWS Oak Strategic Equity VIP

DWS Turner Mid Cap Growth VIP

The Board of Trustees, including the Independent Trustees, approved the renewal of each Portfolio's sub-advisory agreement (the "Sub-Advisory Agreement") between Deutsche Investment Management Americas Inc. ("DeIM" or the "Advisor") and each Portfolio's sub-advisor (each a "Sub-Advisor") in September 2005. As part of its review process, the Board requested and evaluated all information it deemed reasonably necessary to evaluate each Sub-Advisory Agreement. The review process followed by the Board is described in detail above. In connection with the renewal of the Sub-Advisory Agreements, the various Committees and the Board considered the factors described below, among others.

Nature, Quality and Extent of Services. The Board considered the nature, extent and quality of services provided under each Sub-Advisory Agreement. The Board considered the reputation, qualifications and background of each Sub-Advisor, investment approach of each Sub-Advisor, the experience and skills of investment personnel responsible for the day-to-day management of each Portfolio, and the resources made available to such personnel. The Board considered short-term and longer-term performance of each Portfolio (as described above).

On the basis of this evaluation and the ongoing review of investment results by the Equity Oversight Committee, the Board concluded that the nature, quality and extent of services provided by each Sub-Advisor historically have been and continue to be satisfactory and that, except as discussed below, each Portfolio's performance during the tenure of the Sub-Advisor was satisfactory.

With respect to DWS Oak Strategic Equity VIP, the Board noted that although the short-term performance of the Portfolio was disappointing, the Portfolio has performed at high levels over time and such volatility is consistent with the Portfolio's investment strategy. With respect to DWS Turner Mid Cap Growth VIP, the Board noted the disappointing short-term performance of the Portfolio, and took into account the factors contributing to such underperformance, steps being taken to improve performance and also considered favorable year-to-date performance.

Fees; Profitability and Economies of Scale. The Board considered the sub-advisory fee rate of each Sub-Advisory Agreement and how it related to the overall management fee structure of the Portfolio. With respect to the Portfolios subadvised by Janus Capital Management LLC ("Janus"), the Board noted that Janus agreed to reduce its sub-advisory fees, effective May 1, 2005. With respect to the Portfolios subadvised by Dreman Value Management, L.L.C. ("Dreman"), the Board considered the terms of a relationship agreement between the Advisor and Dreman. The Board considered that each sub-advisory fee rate was negotiated at arm's length between the Advisor and Sub-Advisor, an unaffiliated third party, and that the Advisor compensates each Sub-Advisor from its fees. Accordingly, the Board considered the estimated profitability of the Advisor and did not consider estimated profitability of each Sub-Advisor. The Board evaluated whether the overall management fees payable by each Portfolio were designed to share economies of scale.

As part of its review of the investment management agreement with DeIM, the Board considered whether there will be economies of scale with respect to the overall fee structure of each Portfolio and whether the Portfolio will benefit from any economies of scale. With respect to DWS Oak Strategic Equity VIP, DWS Turner Mid Cap Growth VIP and the Portfolios subadvised by Janus, the Board noted that the Advisor agreed to reduce each Portfolio's management fee, effective October 1, 2005 for DWS Oak Strategic Equity VIP and DWS Turner Mid Cap Growth VIP, and May 1, 2005 for the Portfolios subadvised by Janus. The Board noted that most investment management agreements with DeIM included breakpoints and concluded that the overall structure was designed to share economies of scale with shareholders.

Other Benefits to the Sub-Advisor. The Board also considered the character and amount of other incidental benefits received by each Sub-Advisor and their affiliates. For the Portfolios subadvised by Dreman, this includes benefits received by Dreman in connection with executing brokerage transactions for the Portfolios. For all other sub-advised Portfolios, the Board noted that each Sub-Advisor agreed to adhere to DeIM's Soft Dollar Policy for the Portfolios, which includes an agreement not to use Portfolio brokerage transactions to pay for research services generated by parties other than the executing broker-dealer. The Board concluded that the sub-advisory fees were reasonable in light of these fallout benefits.

Based on all of the information considered and the conclusions reached, the Board (including a majority of the Independent Trustees) determined that the terms of each Sub-Advisory Agreement continue to be fair and reasonable and that the continuation of each Sub-Advisory Agreement is in the best interests of each Portfolio. No single factor was determinative in the Board's analysis.

Trustees and Officers

The following table presents certain information regarding the Trustees and Officers of the fund as of December 31, 2005. Each individual's year of birth is set forth in parentheses after his or her name. Unless otherwise noted, (i) each individual has engaged in the principal occupation(s) noted in the table for at least the most recent five years, although not necessarily in the same capacity, and (ii) the address of each individual is c/o Deutsche Asset Management, 222 South Riverside Plaza, Chicago, Illinois 60606. Each Trustee's term of office extends until the next shareholders' meeting called for the purpose of electing Trustees and until the election and qualification of a successor, or until such Trustee sooner dies, retires, resigns or is removed as provided in the governing documents of the fund.

Independent Trustees

Name, Year of Birth, Position(s) Held with the Fund and Length of Time Served[1]	Principal Occupation(s) During Past 5 Years and Other Directorships Held	Number of Funds in Fund Complex Overseen
Shirley D. Peterson (1941) Chairperson, 2004–present Trustee, 1995–present	Retired; formerly, President, Hood College (1995–2000); prior thereto, Partner, Steptoe & Johnson (law firm); Commissioner, Internal Revenue Service; Assistant Attorney General (Tax), US Department of Justice. Directorships: Federal Mogul Corp. (supplier of automotive components and subsystems); AK Steel (steel production); Goodyear Tire & Rubber Co. (April 2004–present) ; Champion Enterprises, Inc. (manufactured home building); Wolverine World Wide, Inc. (designer, manufacturer and marketer of footwear) (April 2005–present); Trustee, Bryn Mawr College. Former Directorship: Bethlehem Steel Corp.	71
John W. Ballantine (1946) Trustee, 1999–present	Retired; formerly, Executive Vice President and Chief Risk Management Officer, First Chicago NBD Corporation/The First National Bank of Chicago (1996–1998); Executive Vice President and Head of International Banking (1995–1996). Directorships: First Oak Brook Bancshares, Inc.; Oak Brook Bank; Healthways, Inc. (provider of disease and care management services); Portland General Electric (utility company)	71
Donald L. Dunaway (1937) Trustee, 1980–present	Retired; formerly, Executive Vice President, A.O. Smith Corporation (diversified manufacturer) (1963–1994)	71
James R. Edgar (1946) Trustee, 1999–present	Distinguished Fellow, University of Illinois, Institute of Government and Public Affairs (1999–present); formerly, Governor, State of Illinois (1991–1999). Directorships: Kemper Insurance Companies; John B. Sanfilippo & Son, Inc. (processor/packager/marketer of nuts, snacks and candy products); Horizon Group Properties, Inc.; Youbet.com (online wagering platform); Alberto-Culver Company (manufactures, distributes and markets health and beauty care products)	71
Paul K. Freeman (1950) Trustee, 2002–present	President, Cook Street Holdings (consulting); Senior Visiting Research Scholar, Graduate School of International Studies, University of Denver; Consultant, World Bank/Inter-American Development Bank; formerly, Project Leader, International Institute for Applied Systems Analysis (1998–2001); Chief Executive Officer, The Eric Group, Inc. (environmental insurance) (1986–1998)	71
Robert B. Hoffman (1936) Trustee, 1981–present	Retired; formerly, Chairman, Harnischfeger Industries, Inc. (machinery for the mining and paper industries) (1999–2000); prior thereto, Vice Chairman and Chief Financial Officer, Monsanto Company (agricultural, pharmaceutical and nutritional/food products) (1994–1999). Directorships: RCP Advisors, LLC (a private equity investment advisory firm)	71
William McClayton (1944) Trustee, 2004–present	Managing Director of Finance and Administration, DiamondCluster International, Inc. (global management consulting firm) (2001-present); formerly, Partner, Arthur Andersen LLP (1986-2001). Formerly: Trustee, Ravinia Festival; Board of Managers, YMCA of Metropolitan Chicago	71
Robert H. Wadsworth (1940) Trustee, 2004–present	President, Robert H. Wadsworth Associates, Inc. (consulting firm) (1983–present). Director, The European Equity Fund, Inc. (since 1986), The New Germany Fund, Inc. (since 1992), The Central Europe and Russia Fund, Inc. (since 1990). Formerly, Trustee of New York Board Scudder Funds; President and Trustee, Trust for Investment Managers (registered investment company) (1999–2002). President, Investment Company Administration, L.L.C. (1992*–2001); President, Treasurer and Director, First Fund Distributors, Inc. (June 1990-January 2002); Vice President, Professionally Managed Portfolios (May 1991–January 2002) and Advisors Series Trust (October 1996–January 2002) (registered investment companies) *Inception date of the corporation which was the predecessor to the L.L.C.	74

Interested Trustee and Officers[2]

Name, Year of Birth, Position(s) Held with the Fund and Length of Time Served[1]	Principal Occupation(s) During Past 5 Years and Other Directorships Held	Number of Funds in Fund Complex Overseen
William N. Shiebler[4] (1942) Trustee, 2004–present	Vice Chairman, Deutsche Asset Management ("DeAM") and a member of the DeAM Global Executive Committee (since 2002); Vice Chairman of Putnam Investments, Inc. (1999); Director and Senior Managing Director of Putnam Investments, Inc. and President, Chief Executive Officer, and Director of Putnam Mutual Funds Inc. (1990–1999)	120
Vincent J. Esposito[4] (1956) President, 2005–present	Managing Director[3], Deutsche Asset Management (since 2003); President and Chief Executive Officer of The Central Europe and Russia Fund, Inc., The European Equity Fund, Inc., The New Germany Fund, Inc. (since 2003) (registered investment companies); Vice Chairman and Director of The Brazil Fund, Inc. (2004-present); formerly, Managing Director, Putnam Investments (1991-2002)	n/a
Philip J. Collora (1945) Vice President and Assistant Secretary, 1986–present	Director[3], Deutsche Asset Management	n/a
Paul H. Schubert[4] (1963) Chief Financial Officer, 2004–present Treasurer, 2005–present	Managing Director[3], Deutsche Asset Management (since July 2004); formerly, Executive Director, Head of Mutual Fund Services and Treasurer for UBS Family of Funds (1998-2004); Vice President and Director of Mutual Fund Finance at UBS Global Asset Management (1994-1998)	n/a
John Millette[5] (1962) Secretary, 2001–present	Director[3], Deutsche Asset Management	n/a
Patricia DeFilippis[4] (1963) Assistant Secretary, 2005–present	Vice President, Deutsche Asset Management (since June 2005); Counsel, New York Life Investment Management LLC (2003–2005); legal associate, Lord, Abbett & Co. LLC (1998–2003)	n/a
Elisa D. Metzger[4,6] (1962) Assistant Secretary 2005–present	Director[3], Deutsche Asset Management (since September 2005); Counsel, Morrison and Foerster LLP (1999–2005)	n/a
Caroline Pearson[5] (1962) Assistant Secretary, 1998–present	Managing Director[3], Deutsche Asset Management	n/a
Scott M. McHugh[5] (1971) Assistant Treasurer, 2005–present	Director[3], Deutsche Asset Management	n/a
Kathleen Sullivan D'Eramo[5] (1957) Assistant Treasurer, 2003–present	Director[3], Deutsche Asset Management	n/a
John Robbins[4] (1966) Anti-Money Laundering Compliance Officer, 2005–present	Managing Director[3], Deutsche Asset Management (since 2005); formerly, Chief Compliance Officer and Anti-Money Laundering Compliance Officer for GE Asset Management (1999–2005)	n/a
Philip Gallo[4] (1962) Chief Compliance Officer, 2004–present	Managing Director[3], Deutsche Asset Management (2003–present); formerly, Co-Head of Goldman Sachs Asset Management Legal (1994–2003)	n/a

1 *Length of time served represents the date that each Trustee was first elected to the common board of Trustees which oversees a number of investment companies, including the fund, managed by the Advisor. For the Officers of the fund, the length of time served represents the date that each officer was first elected to serve as an officer of any fund overseen by the aforementioned common board of Trustees.*

2 *As a result of their respective positions held with the Advisor, these individuals are considered "interested persons" of the Advisor within the meaning of the 1940 Act. Interested persons receive no compensation from the fund.*

3 *Executive title, not a board directorship*

4 *Address: 345 Park Avenue, New York, New York 10154*

5 *Address: Two International Place, Boston, Massachusetts 02110*

6 *Elected on November 15, 2005*

The fund's Statement of Additional Information ("SAI") includes additional information about the Trustees. The SAI is available, without charge, upon request. If you would like to request a copy of the SAI, you may do so by calling the following toll-free number: 1-800-621-1048.

Notes

About the Fund's Advisor

DWS Scudder is part of Deutsche Asset Management, which is the marketing name in the US for the asset management activities of Deutsche Bank AG, Deutsche Bank Trust Company Americas, Deutsche Asset Management, Inc., Deutsche Investment Management Americas Inc. and DWS Trust Company.

An investment in DWS Money Market VIP is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although DWS Money Market VIP seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the Portfolio.

The views expressed in this report reflect those of the portfolio managers only through the end of the period of the report as stated on the cover. The managers' views are subject to change at any time based on market and other conditions and should not be construed as a recommendation.

This information must be preceded or accompanied by a current prospectus.

Portfolio changes should not be considered recommendations for action by individual investors.

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This report must be preceded or accompanied by the current prospectus. Read it carefully before investing.

Scudder Destinations[SM], a variable, fixed and market value-adjusted deferred annuity contract (policy form series L-8166 and L-1550) is issued by **Kemper Investors Life Insurance Company,** administrative office: 2000 Wade Hampton Blvd., Greenville, SC 29615-1064. Securities are distributed by **Investors Brokerage Services, Inc.**, administrative office: 2500 Westfield Drive, Elgin, IL 60123. May not be available in all states. The contract contains limitations and policy forms may vary by state.

DWS Scudder is part of Deutsche Asset Management, which is the marketing name in the US for the asset management activities of Deutsche Bank AG, Deutsche Bank Trust Company Americas, Deutsche Asset Management Inc., Deutsche Investment Management Americas Inc. and DWS Trust Company.

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NO BANK GUARANTEE   NOT A DEPOSIT
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