Annual report to contract holders for the twelve months ended December 31, 2009

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

DWS Variable Series I

DWS Variable Series II

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

DWS VARIABLE SERIES I:

DWS Growth & Income VIP

DWS VARIABLE SERIES II:

DWS Alternative Asset Allocation Plus VIP

DWS Balanced VIP

DWS Blue Chip VIP

DWS Diversified International Equity VIP

DWS Global Thematic VIP

DWS Strategic Income VIP

On January 26, 2010, Deutsche Investment Management Americas Inc. ("DIMA" or the "Advisor") announced its intention to transition members of your portfolio's portfolio management team who are part of its Quantitative Strategies Group or, in the case of DWS Global Thematic VIP its Global Equity Team, out of DIMA into two separate independent investment advisory firms that are not affiliated with DIMA. In order for each portfolio to continue to benefit from the investment expertise offered by the affected portfolio managers, DIMA has recommended to the portfolio's Board of Trustees the approval of a sub-advisory agreement between DIMA and each newly created investment advisory firm (the "Sub-Advisory Agreement"). The Sub-Advisory Agreement is subject to Board approval. If approved, the transition is expected to be completed during the second quarter 2010.

Multi-Manager Structure. The Advisor, subject to the approval of the Board, has ultimate responsibility to recommend the hiring, termination and replacement of subadvisors. The portfolio and the Advisor have received an order from the Securities and Exchange Commission (the "SEC") that allows the portfolio and the Advisor to utilize a multi-manager structure in managing the portfolio's assets. Pursuant to the SEC order, the Advisor, with the approval of the portfolio's Board, is permitted to select subadvisors that are not affiliates of the Advisor ("non-affiliated subadvisors") to manage all or a portion of the portfolio's assets without obtaining shareholder approval. The Advisor would also have the discretion to terminate any subadvisor and allocate and reallocate the portfolio's assets among any non-affiliated subadvisors. The SEC order also permits the Advisor, subject to the approval of the Board, to materially amend an existing sub-advisory agreement with a non-affiliated subadvisor without shareholder approval. The portfolio and the Advisor are subject to the conditions imposed by the SEC order, including the condition that within 90 days of hiring of a new non-affiliated subadvisor, the portfolio will provide shareholders with an information statement containing information about the new non-affiliated subadvisor.

The portfolio and the Advisor have also filed an exemptive application with the SEC requesting an order that would extend the relief granted with respect to non-affiliated subadvisors to certain subadvisors that are affiliates of the Advisor ("affiliated subadvisors"). If such relief is granted by the SEC, the Advisor, with the approval of the portfolio's Board, would be able to hire non-affiliated and/or affiliated subadvisors to manage all or a portion of the portfolio's assets without obtaining shareholder approval. The Advisor would also have the discretion to terminate any subadvisor and allocate and reallocate the portfolio's assets among any other subadvisors (including terminating a non-affiliated subadvisor and replacing them with an affiliated subadvisor). The Advisor, subject to the approval of the Board, would also be able to materially amend an existing sub-advisory agreement with any such subadvisor without shareholder approval. There can be no assurance that such relief will be granted by the SEC. The portfolio and the Advisor will be subject to any new conditions imposed by the SEC.

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DWS INVESTMENTS
Deutsche Bank Group

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DWS VARIABLE SERIES II

SUPPLEMENT TO THE CURRENTLY EFFECTIVE PROSPECTUS OF THE LISTED PORTFOLIO:

CLASS B

DWS Core Fixed Income VIP

The Board of Trustees of DWS Variable Series II (the "Trust") has approved the combination (the "Combination") of the Class B shares of the portfolio of the Trust listed above (the "Portfolio") into the Class A shares of the Portfolio. Class A shares of the Portfolio do not have a Rule 12b-1 distribution fee or a recordkeeping fee, and thus have lower operating expenses than Class B shares of the Portfolio. The Combination is scheduled to become effective on or about February 5, 2010 (the "Effective Date") for the Portfolio. As a result of the Combination, the Class B shares of the Portfolio outstanding on the Effective Date will be converted into Class A shares of the Portfolio. The number of Class A shares issued as a result of the Combination will be based on the relative net asset value per share of both Class A and Class B shares of the Portfolio as of the close of business on the Effective Date. The aggregate value of the Class B shares of the Portfolio held by a shareholder immediately before the Combination will be equal to the aggregate value of the newly issued Class A shares of the Portfolio held by that shareholder immediately after the Combination. Class B shares of the Portfolio will no longer be offered after the Combination.

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January 21, 2010
VS-3630

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DWS VARIABLE SERIES I

SUPPLEMENT TO THE CURRENTLY EFFECTIVE PROSPECTUSES OF THE LISTED PORTFOLIO:

DWS Capital Growth VIP

The following replaces the disclosure in "The Portfolio Managers" section of the portfolio's prospectuses:

The following people handle the day-to-day management of the portfolio:

Owen Fitzpatrick, CFA
Managing Director of Deutsche Asset Management and Lead Manager of the portfolio.

- Joined Deutsche Asset Management and the portfolio in 2009.
- Prior to joining Deutsche Asset Management, he was Managing Director of Deutsche Bank Private Wealth Management and served as head of U.S. Equity Strategy and manager of the U.S. large cap core, value and growth portfolios and member of the U.S. Investment Committee and head of the Equity Strategy Group.
- Previous experience includes over 21 years of experience in trust and investment management. Prior to joining Deutsche Bank in 1995, managed an equity income fund, trust and advisory relationships for Princeton Bank & Trust Company, where he was also responsible for research coverage of the consumer cyclical sector. Previously served as a portfolio manager at Manufacturer's Hanover Trust Company.
- BA and MBA, Fordham University.

Brendan O'Neill, CFA
Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 2000 and the portfolio in 2009.
- Equity Research Analyst covering the financial services sector since 2001.
- Previously served as a member of the Large Cap Core Equity team.
- BA, Queens College, CUNY; MS, Zicklin School of Business, Baruch College.

Thomas M. Hynes, Jr., CFA
Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Portfolio manager for US Large Cap Equity: New York.
- Joined Deutsche Asset Management in 1995, served in DB Private Wealth Management from 1995-2004; served as US equity portfolio manager at Citigroup Asset Management from 2004-2007; rejoined Deutsche Asset Management in 2007.
- Joined the portfolio in 2009.
- BS, Fordham University.

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December 7, 2009
VS-3629

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DWS VARIABLE SERIES II

SUPPLEMENT TO THE CURRENTLY EFFECTIVE PROSPECTUSES OF THE LISTED PORTFOLIO:

DWS Balanced VIP

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

The following people handle the day-to-day management of the portfolio.

Robert Wang

Managing Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 1995 as portfolio manager for asset allocation after 13 years of experience of trading fixed income, foreign exchange and derivative products at J.P. Morgan.
- Global Head of Quantitative Strategies Portfolio Management: New York.
- Joined the portfolio in 2005.
- BS, The Wharton School, University of Pennsylvania.

James B. Francis, CFA

Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 2008 after 20 years of experience as senior quantitative global equity portfolio manager at State Street Global Advisors, and most recently, Northern Trust Global Investments.
- Head of Active Quantitative Equity Portfolio Management: New York.
- Joined the portfolio in 2008.
- BS in Applied Mathematics from University of Massachusetts, Amherst.

Inna Okounkova

Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 1999 as a quantitative analyst, becoming an associate Portfolio Manager in 2001.
- Global Asset Allocation Portfolio Manager: New York.
- Joined the portfolio in 2005.
- BS, MS, Moscow State University; MBA, University of Chicago Graduate School of Business.

Thomas Picciochi

Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 1999, formerly serving as portfolio manager for Absolute Return Strategies, after 13 years of experience in various research and analysis positions at State Street Global Advisors, FPL Energy, Barnett Bank, Trade Finance Corporation and Reserve Financial Management.
- Senior portfolio manager for Quantitative Strategies: New York.
- Joined the portfolio in 2007.
- BA and MBA, University of Miami.

John Brennan

Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management and the portfolio in 2007 after 14 years of experience at INVESCO and Freddie Mac. Previously, was head of Structured Securities sector team at INVESCO and before that was senior fixed income portfolio manager at Freddie Mac specializing in MBS, CMBS, collateralized mortgage obligations, ARMS, mortgage derivatives, US Treasuries and agency debt.
- Portfolio Manager for Structured Finance: Louisville.
- BS, University of Maryland; MBA William & Mary.

William Chepolis, CFA

Managing Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 1998 after 13 years of experience as vice president and portfolio manager for Norwest Bank, where he managed the bank's fixed income and foreign exchange portfolios.
- Portfolio Manager for Retail Mortgage Backed Securities: New York.
- Joined the portfolio in 2005.
- BIS, University of Minnesota.

Owen Fitzpatrick, CFA

Managing Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management and the portfolio in 2009.
- Prior to joining Deutsche Asset Management, he was Managing Director of Deutsche Bank Private Wealth Management and served as head of U.S. Equity Strategy and manager of the U.S. large cap core, value and growth portfolios and member of the U.S. Investment Committee and head of the Equity Strategy Group.
- Previous experience includes over 21 years of experience in trust and investment management. Prior to joining Deutsche Bank in 1995, managed an equity income fund, trust and advisory relationships for Princeton Bank & Trust Company, where he was also responsible for research coverage of the consumer cyclical sector. Previously served as a portfolio manager at Manufacturer's Hanover Trust Company.
- BA and MBA, Fordham University.

Matthew F. MacDonald, CFA

Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management and the portfolio in 2006 after 14 years of fixed income experience at Bank of America Global Structured Products and PPM America, Inc., where he was portfolio manager for public fixed income, including MBS, ABS, CDOs and corporate bonds; earlier, as an analyst for MBS, ABS and money markets; and originally, at Duff & Phelps Credit Rating Company.
- Portfolio Manager for Retail Mortgage Backed Securities: New York.
- BA, Harvard University; MBA, University of Chicago Graduate School of Business.

October 23, 2009
VS-3623R

DWS INVESTMENTS
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J. Richard Robben, CFA
Vice President of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management and the portfolio in 2007 after 11 years of experience at INVESCO Institutional, most recently as senior portfolio manager for LIBOR-related strategies and head of portfolio construction group for North American Fixed Income.
- Portfolio Manager for Institutional Fixed Income: Louisville.
- Joined the portfolio in 2009.
- BA, Bellarmine University.

Thomas Schuessler, PhD
Managing Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 2001 after five years at Deutsche Bank where he managed various projects and worked in the office of the Chairman of the Management Board.
- US and Global Fund Management: Frankfurt.
- Joined the portfolio in 2008.
- PhD, University of Heidelberg, studies in physics and economics at University of Heidelberg and University of Utah.

Mark Schumann
Vice President of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in November 2003 and the portfolio in 2009.
- Portfolio Manager for European Large Cap Equity: Frankfurt.
- Masters (Lic oec) from University of St. Gallen (HSG).

Richard Shepley
Managing Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 1998 and the portfolio in 2009.
- Previous experience includes eight years of investment industry experience as research analyst for global beverage and media sectors at Newton Investment Management and assistant manager in corporate tax and corporate insolvency department at PriceWaterhouse, London.
- MA, Oxford University.

Gary Sullivan, CFA
Managing Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 1996 and the portfolio in 2006. Served as the head of the High Yield group in Europe and as an Emerging Markets portfolio manager.
- Prior to that, four years at Citicorp as a research analyst and structurer of collateralized mortgage obligations. Prior to Citicorp, served as an officer in the US Army from 1988 to 1991.
- BS, United States Military Academy (West Point); MBA, New York University, Stern School of Business.

Andreas Wendelken
Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 2001 and the portfolio in 2009.
- Portfolio manager for emerging markets equity: Frankfurt.
- Previously worked for 2 years as relationship manager for Southeastern Europe at Deutsche Bank's Global Corporates and Institutions division.
- Master's degree in business administration from Frankfurt School of Finance & Management (previously: HfB), Frankfurt; completed bank training program ("Bankkaufmann") at Bremer Landesbank, Bremen.

Nikolaus Poehlmann, CFA
Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Senior portfolio manager for Equities, responsible for European dividend strategies, Italian equities and global financials strategies.
- Joined the Company in July 1998 in Loan Portfolio Management for Corporate and Investment Bank (CIB) division.
- Managing European diversified funds and global financials funds since 2002, and managing Italian equity funds since 2002.
- Joined the portfolio in 2009.
- BA from Augsburg University; Master's degree in Economics ("Diplom Volkswirt") from University of Cologne.

Michael Sieghart, CFA
Managing Director of Deutsche Asset Management and Portfolio Manager of the fund (through December 31, 2009).

- Joined Deutsche Asset Management in 1997.
- Senior fund manager of global and European equities: Frankfurt.
- Joined the portfolio in 2009.
- Master's degree in finance and economics from the University of Economics and Business Administration, Vienna.

Udo Rosendahl
Managing Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Head of European Large Caps: Frankfurt.
- Joined the Company in August 1984 in the credit research department of Deutsche Bank, Paderborn; 1986 moved to the asset management department for high net worth clients of Deutsche Bank in Bremen and Hamburg; 1989 moved to the asset management division in Frankfurt to manage various European country funds; 1995 became senior fund manager; July 2002 appointed head of European Large Caps.
- Joined the fund in 2009.
- Bank training program Deutsche Bank AG, Paderborn.

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DWS VARIABLE SERIES I

SUPPLEMENT TO THE CURRENTLY EFFECTIVE PROSPECTUSES OF THE LISTED PORTFOLIO:

DWS International VIP

Effective October 15, 2009, the following information replaces information about the portfolio management team in the "Portfolio management" section of the portfolio's prospectuses:

The following people handle the day-to-day management of the portfolio:

Nikolaus Poehlmann, CFA
Director of Deutsche Asset Management and Lead Portfolio Manager of the portfolio.

- Senior portfolio manager for Equities, responsible for European dividend strategies, Italian equities and global financials strategies.
- Joined the Company in July 1998 in Loan Portfolio Management for Corporate and Investment Bank (CIB) division.
- Managing European diversified funds and global financials funds since 2002, and managing Italian equity funds since 2006.
- Joined the portfolio in 2009.
- BA from Augsburg University; Master's degree in Economics ("Diplom Volkswirt") from University of Cologne.

Michael Sieghart, CFA
Managing Director of Deutsche Asset Management and Portfolio Manager of the fund (through December 31, 2009).

- Joined Deutsche Asset Management in 1997.
- Senior fund manager of global and European equities: Frankfurt.
- Joined the portfolio in 2009.
- Master's degree in finance and economics from the University of Economics and Business Administration, Vienna.

Udo Rosendahl
Managing Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Head of European Large Caps: Frankfurt.
- Joined the Company in August 1984 in the credit research department of Deutsche Bank, Paderborn; 1986 moved to the asset management department for high net worth clients of Deutsche Bank in Bremen and Hamburg; 1989 moved to the asset management division in Frankfurt to manage various European country funds; 1995 became senior fund manager; July 2002 appointed head of European Large Caps.
- Joined the fund in 2009.
- Bank training program Deutsche Bank AG, Paderborn.

Mark Schumann
Vice President of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 2003.
- Portfolio Manager for European Large Cap Equity: Frankfurt.
- Joined the portfolio in 2009.
- Masters (Lic oec) from University of St. Gallen (HSG).

Andreas Wendelken
Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 2001; previously has worked for 2 years as relationship manager for Southeastern Europe at Deutsche Bank's Global Corporates and Institutions division.
- Portfolio manager for emerging markets equity: Frankfurt.
- Joined the portfolio in 2009.
- Master's degree in business administration from Frankfurt School of Finance & Management (previously: HfB), Frankfurt; completed bank training program ("Bankkaufmann") at Bremer Landesbank, Bremen.

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October 15, 2009
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DWS INVESTMENTS
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DWS VARIABLE SERIES II

SUPPLEMENT TO THE CURRENTLY EFFECTIVE PROSPECTUSES:

DWS Large Cap Value VIP

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

The following people handle the day-to-day management of the portfolio:

Thomas Schuessler, PhD

Managing Director of Deutsche Asset Management and Lead Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 2001 after 5 years at Deutsche Bank where he managed various products and worked in the office of the Chairman of the Management Board.
- US and Global Fund Management: Frankfurt.
- Joined the portfolio in 2007.
- PhD, University of Heidelberg, studies in physics and economics at University of Heidelberg and University of Utah.

Oliver Pfeil, PhD

Vice President of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 2006 after 3 years as Executive Assistant to the Management Board of Deutsche Bank. Previously, Research Fellow at the Swiss Institute of Banking and Finance at the University of St. Gallen (2000–2002); Visiting Scholar in Capital Markets Research at MIT Sloan School of Management (2002–2003). Also, serves as part-time Lecturer in Finance at the University of St. Gallen in Switzerland.
- Joined the portfolio in 2009.
- Portfolio manager for US and global value equity: Frankfurt.
- PhD in finance and accounting and Master's degree in Business Administration from the University of St. Gallen; CEMS Master in International Management from the University of St. Gallen & ESADE, Barcelona; completed bank training program ("Bankkaufmann") at Sal. Oppenheim jr. & Cie. KGaA, Cologne.

Volker Dosch

Managing Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 1989 and the portfolio in 2009.
- Fund Manager of US and global equity funds; Head of US Equities; Deputy Head of Fund Management International Equities; Head of Sector-Funds: Frankfurt.
- Master's degree in Economics ("Diplom-Volkswirt") from the University of Frankfurt, Germany.

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October 2, 2009
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Supplement to the Prospectuses and Statement of Additional Information

CREDIT SUISSE TRUST
International Equity Flex I Portfolio
International Equity Flex II Portfolio

The following information supersedes certain information in each of the above-listed portfolio's Prospectus and Statement of Additional Information.

On August 18, 2009, the Board of Trustees of Credit Suisse Trust (the "Trust"), on behalf of its series, the International Equity Flex I Portfolio and the International Equity Flex II Portfolio (together, the "Acquired Portfolios" and each, an "Acquired Portfolio"), approved the proposed reorganization of each Acquired Portfolio (each, a "Reorganization") whereby all of the assets and liabilities of the Acquired Portfolio would be transferred to the International Equity Flex III Portfolio (the "Acquiring Portfolio"), also a series of the Trust, in exchange for shares of beneficial interest of the Acquiring Portfolio. Each Acquired Portfolio would then be liquidated and shares of beneficial interest of the Acquiring Portfolio would be distributed to the shareholders of the Acquired Portfolio.

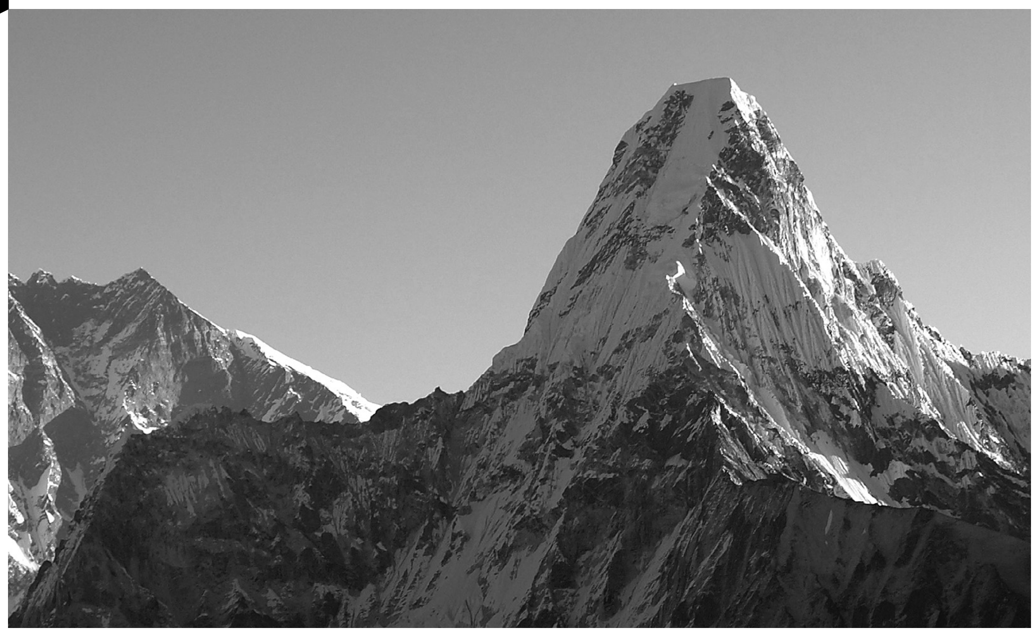
Each Reorganization is subject to the completion of certain conditions, including the approval of the relevant Acquired Portfolio's shareholders. Approval of one Reorganization will not be contingent on the approval of the other Reorganization. Proxy materials describing each proposed Reorganization will be mailed to shareholders of each of the Acquired Portfolios in anticipation of a special meeting of shareholders to be held at a later date. If a Reorganization is completed, each shareholder of the Acquired Portfolio would become a shareholder of the Acquiring Portfolio and would receive on a tax-free basis shares of beneficial interest of the Acquiring Portfolio with the same aggregate net asset value as their shares of beneficial interest of the Acquired Portfolio.

Dated: August 18, 2009

16-0809
for
TRGSC-PRO
TRINT-PRO
2009-022

AIM V.I. Utilities Fund

Annual Report to Shareholders ▪ December 31, 2009



The Fund provides a complete list of its holdings four times in each fiscal year, at the quarter-ends. For the second and fourth quarters, the lists appear in the Fund's semiannual and annual reports to shareholders. For the first and third quarters, the Fund files the lists with the Securities and Exchange Commission (SEC) on Form N-Q. The Fund's Form N-Q filings are available on the SEC website, sec.gov. Copies of the Fund's Forms N-Q may be reviewed and copied at the SEC Public Reference Room in Washington, D.C. You can obtain information on the operation of the Public Reference Room, including information about duplicating fee charges, by calling 202 551 8090 or 800 732 0330, or by electronic request at the following email address: publicinfo@sec.gov. The SEC file numbers for the Fund are 811-07452 and 033-57340. The Fund's most recent portfolio holdings, as filed on Form N-Q, have also been made available to insurance companies issuing variable annuity contracts and variable life insurance policies ("variable products") that invest in the Fund.

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

Information regarding how the Fund voted proxies related to its portfolio securities during the 12 months ended June 30, 2009, is available at our website, invescoaim.com. Click the About Us tab at the top of the home page; click Legal Information; and then click Proxy Voting Search. The information is also available on the SEC website, sec.gov.

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

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

Invesco Aim Distributors, Inc.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Management's Discussion of Fund Performance

Performance summary

Due to their generally defensive nature, utilities stocks held up well in the early months of 2009 as the financial crisis roiled equity markets. However, that trend reversed abruptly following the markets' March low. As a result, the utilities sector lagged the broad market as measured by the S&P 500 Index for the remainder of the year.

Similarly, AIM V.I. Utilities Fund had positive returns for the 12 months ended December 31, 2009 — but it lagged the S&P 500 Index. Performance drivers were largely stock-specific, with the electric, gas and multi-utilities industries having the largest positive effect on the Fund's results. The diversified telecommunication services industry detracted from the Fund's returns.

Your Fund's long-term performance appears later in this report.

Fund vs. Indexes

Total returns, 12/31/08 to 12/31/09, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	14.93%
Series II Shares	14.61
S&P 500 Index▼ (Broad Market Index)	26.47
Lipper VUF Utility Funds Category Average▼ (Peer Group)	22.30

▼Lipper Inc.

How we invest

The Fund's prior management team invested primarily in natural gas, electricity and telecommunication services companies based on empirical research of individual companies. Using fundamental analysis to focus on positive cash flows and predictable earnings, managers sought to identify strong balance sheets, competent management and sustainable dividends and distributions. Managers also looked for attractively valued companies that could potentially benefit from industry trends, such as increased demand for certain products and deregulation of state markets.

On January 23, 2009, we assumed responsibility for managing AIM V.I. Utilities Fund. We are committed to providing strategic exposure to a traditionally defensive and income-oriented asset class, and we manage the Fund using a total return approach — emphasizing capital appreciation, current income and capital preservation.

In selecting investments, we focus on dividend-paying companies within the electric utility, natural gas, water and telecommunications industries. We emphasize companies with solid balance sheets and operational cash flows that support sustained or increasing dividends. Fundamental research and financial statement analysis are the backbone of our bottom-up investment process. Using a variety of valuation techniques, we estimate the potential return over a two-year investment period. We construct the portfolio to provide what we consider to be the best combination of price appreciation potential, dividend income and risk profile. The Fund typically maintains full sector exposure, and we manage risk by maintaining an average of 30-50 positions, low turnover and a rigorous sell discipline.

Market conditions and your Fund

The year covered by this report was characterized by two dramatically different market environments. In early 2009, equity markets declined sharply as credit markets froze and risk premiums rose dramatically in response to the global recession. As central banks coordinated easing efforts and companies cut costs aggressively, access to liquidity improved and market valuations in both the credit and equity markets recovered from the March 2009 lows.

Major equity indexes generated positive returns for the year.[1] Economically sensitive sectors such as information technology (IT), consumer discretionary and materials had the highest returns, while the traditionally defensive telecommunication services and utilities sectors had the lowest returns overall.[1] Many utilities companies were negatively affected by reduced industrial and residential demand as a result of the weak economy.

The largest contributor to Fund performance was **CMS Energy** in the multi-utilities industry. The company's Michigan-based subsidiary, Consumers Energy, benefited from recent energy reforms that produced a more favorable rate structure for the state's regulated utility companies.

Oil and gas producer **Williams Companies** also had a positive effect on the Fund's results. Largely exploration and production-driven, the company was affected considerably by natural gas prices, which depressed corporate earnings for much of the year. However, within Williams' pipeline business, higher volumes and lucrative hedges offset some of this impact. In the fourth quarter of 2009, the company raised its estimate for full-year 2009 earnings, and reiterated its projections for higher gas prices in 2010.

Portfolio Composition

By sector

Utilities	86.0%
Telecommunication Services	5.1
Energy	3.6
Money Market Funds Plus Other Assets Less Liabilities	5.3

Top 10 Equity Holdings*

1.	Entergy Corp.	4.7%
2.	CMS Energy Corp.	4.4
3.	PG&E Corp.	4.4
4.	FirstEnergy Corp.	4.3
5.	Dominion Resources, Inc.	4.1
6.	PPL Corp.	4.0
7.	Edison International	4.0
8.	Xcel Energy, Inc.	3.7
9.	American Electric Power Co., Inc.	3.6
10.	ONEOK, Inc.	3.6

Total Net Assets	$72.4 million
Total Number of Holdings*	31

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.

Gas utility **ONEOK** raised its dividend during the year and was a top contributor to Fund returns. Despite weakness in a number of its business units due to lower commodity prices, new pipeline capacity increased gathering and processing volumes and provided a consistent source of cash flows. The company's multi-year expansion plan includes further increases in pipeline capacity, which we believe may provide additional earnings.

Alaska Communications Systems, a provider of wireless, broadband, long-distance and local phone service in Alaska, was the largest detractor from Fund performance. Concerns about the company's future subscriber growth and profitability in the face of the weakening Alaskan economy and increased competition were exacerbated by the company's weakening balance sheet. Declining cash flow and weakening credit trends caused us to question the company's ability to meet required capital expenditure needs; as a result, we sold our position in the stock.

Another detractor from Fund performance was **Ameren**, a public utility company. Early in 2009, the company reduced its 2009 earnings guidance, and in an effort to enhance financial strength and flexibility, the company announced a dividend reduction of approximately 39%. We eliminated our position during the year.

Exelon, one of the largest nuclear power generators in the U.S., also detracted from Fund performance. A failed takeover attempt of **NRG Energy** and the strategic direction of the company weighed on shares for much of the year. Sensitivity to falling natural gas prices also contributed to weakness.

During the year, we made a number of modest changes to the Fund's positioning, which included reducing exposure to the telecommunications industry and emphasizing regulated over non-regulated utilities, given the relatively attractive valuations of regulated utilities. At the end of the year, the Fund's largest industry allocations were in the electric, natural gas and multi-utilities industries.

At the close of 2009, there were a number of competing issues for the utilities sector. On the positive side, lower commodity prices benefited regulated utilities as they were better able to manage their input costs. Additionally, the country's outdated electric system will require ongoing infrastructure improvements that may provide opportunities for increased efficiency. However, utilities were not completely immune to the economic cycle.

For the first time in many years, both residential and industrial customers reduced their electric consumption during 2009. This demand destruction, combined with tighter credit markets, caused utility companies to reassess their capital expenditure plans. While maintenance and environmental improvements were still expected, discretionary spending plans were constrained.

We would like to thank you for your continued investment in AIM V.I. Utilities Fund. We are committed to providing investors strategic exposure to a traditionally defensive and income-oriented asset class through our total return approach.

1 Lipper Inc.

The views and opinions expressed in management's discussion of Fund performance are those of Invesco Advisers, 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 Invesco Advisers, 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.

See important Fund and index disclosures later in this report.

Meggan Walsh
Chartered Financial Analyst, senior portfolio manager, is lead manager of AIM V.I. Utilities Fund. She has worked in the investment industry since 1987 and joined Invesco Aim in 1991. Ms. Walsh earned a B.S. in finance from the University of Maryland and an M.B.A. from Loyola University Maryland.

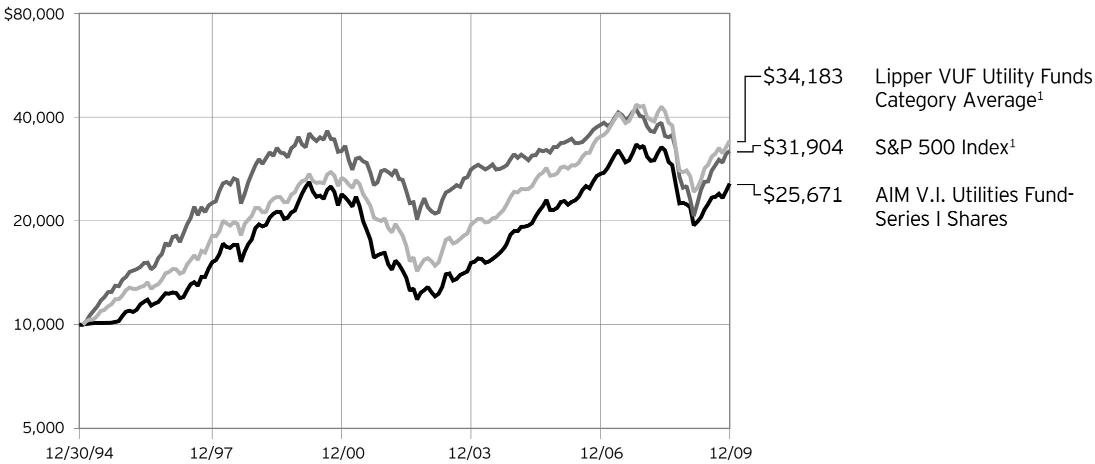
Davis Paddock
Chartered Financial Analyst, portfolio manager, is co-manager of AIM V.I. Utilities Fund. He joined Invesco Aim in 2001. Mr. Paddock earned his B.A. and M.B.A. from The University of Texas at Austin.

Assisted by the Utilities Team

Your Fund's Long-Term Performance

Results of a $10,000 Investment — Oldest Share Class since Inception

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



1 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 12/31/09*	
Series I Shares	
Inception (12/30/94)	6.49%
10 Years	1.24
5 Years	6.57
1 Year	14.93
Series II Shares	
10 Years	0.99%
5 Years	6.32
1 Year	14.61

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

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

The net annual Fund operating expense ratio set forth in the most recent Fund prospectus as of the date of this report for Series I and Series II shares was 0.93% and 1.18%, respectively.[1,2] The total annual Fund operating expense ratio set forth in the most recent Fund prospectus as of the date of this report for Series I and Series II shares was 0.96% and 1.21%, respectively. The expense ratios presented above may vary from the expense ratios presented in other sections of this report that are based on expenses incurred during the period covered by this report.

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

The most recent month-end performance data at the Fund level, excluding variable product charges, is available on the Invesco Aim automated information line, 866 702 4402. As mentioned above, for the most recent month-end performance including variable product charges, please contact your variable product issuer or financial adviser.

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

2 Total annual operating expenses less any contractual fee waivers and/or expense reimbursements by the adviser in effect through at least June 30, 2010. See current prospectus for more information.

AIM V.I. Utilities Fund's investment objectives are capital growth and income.

- Unless otherwise stated, information presented in this report is as of December 31, 2009, and is based on total net assets.
- Unless otherwise noted, all data provided by Invesco.

Principal risks of investing in the Fund

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

Foreign securities have additional risks, including exchange rate changes, political and economic upheaval, relative lack of information, relatively low market liquidity, and the potential lack of strict financial and accounting controls and standards.

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

There is no guarantee that the investment techniques and risk analysis used by the Fund's portfolio managers will produce the desired results.

The prices of securities held by the Fund may decline in response to market risks.

The Fund's investments are concentrated in a comparatively narrow segment of the economy. Consequently, the Fund may tend to be more volatile than other mutual funds, and the value of the Fund's investments may tend to rise and fall more rapidly.

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

Although the Fund's return during certain periods was positively impacted by its investments in initial public offerings (IPOs), there can be no assurance that the Fund will have favorable IPO investment opportunities in the future.

About indexes used in this report

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

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

The **S&P 500 Utilities Index** is an unmanaged index considered representative of the utilities market. On May 1, 2010, the Fund will adopt the S&P 500 Utilities Index as its style-specific index because we believe it more closely reflects the performance of the type of securities in which the Fund invests.

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

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

Other information

The Chartered Financial Analyst® (CFA®) designation is globally recognized and attests to a charterholder's success in a rigorous and comprehensive study program in the field of investment management and research analysis.

The returns shown in 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 values 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 MSCI Inc. and Standard & Poor's.

Schedule of Investments[a]

December 31, 2009

	Shares	Value
Common Stocks–94.65%		
Electric Utilities–44.03%		
American Electric Power Co., Inc.	75,518	$ 2,627,271
Duke Energy Corp.	126,045	2,169,235
E.ON AG (Germany)	54,422	2,268,893
Edison International	82,310	2,862,742
Entergy Corp.	41,255	3,376,309
Exelon Corp.	48,299	2,360,372
FirstEnergy Corp.	66,755	3,100,770
FPL Group, Inc.	32,955	1,740,683
Northeast Utilities	51,749	1,334,607
Pepco Holdings, Inc.	145,565	2,452,770
Portland General Electric Co.	110,188	2,248,937
PPL Corp.	89,810	2,901,761
Southern Co.	72,731	2,423,397
		31,867,747
Gas Utilities–10.96%		
AGL Resources Inc.	62,907	2,294,218
EQT Corp.	25,461	1,118,247
ONEOK, Inc.	58,078	2,588,537
Questar Corp.	28,969	1,204,241
UGI Corp.	29,949	724,466
		7,929,709
Independent Power Producers & Energy Traders–2.91%		
NRG Energy, Inc.[b]	89,264	2,107,523
Integrated Telecommunication Services–5.10%		
AT&T Inc.	61,369	$ 1,720,173
Verizon Communications Inc.	59,436	1,969,115
		3,689,288
Multi-Utilities–28.08%		
CMS Energy Corp.	203,799	3,191,492
Dominion Resources, Inc.	77,162	3,003,145
National Grid PLC (United Kingdom)	219,056	2,395,522
PG&E Corp.	71,277	3,182,518
Public Service Enterprise Group Inc.	65,172	2,166,969
Sempra Energy	43,756	2,449,461
Wisconsin Energy Corp.	25,384	1,264,885
Xcel Energy, Inc.	125,730	2,667,991
		20,321,983
Oil & Gas Storage & Transportation–3.57%		
El Paso Corp.	83,283	818,672
Williams Cos., Inc. (The)	83,881	1,768,211
		2,586,883
Total Common Stocks (Cost $58,534,199)		68,503,133
Money Market Funds–5.14%		
Liquid Assets Portfolio–Institutional Class[c]	1,859,705	1,859,705
Premier Portfolio–Institutional Class[c]	1,859,705	1,859,705
Total Money Market Funds (Cost $3,719,410)		3,719,410
TOTAL INVESTMENTS–99.79% (Cost $62,253,609)		72,222,543
OTHER ASSETS LESS LIABILITIES–0.21%		150,513
NET ASSETS–100.00%		$72,373,056

Notes to Schedule of Investments:

(a) Industry and/or sector classifications used in this report are generally according to the Global Industry Classification Standard, which was developed by and is the exclusive property and a service mark of MSCI Inc. and Standard & Poor's.
(b) Non-income producing security.
(c) The money market fund and the Fund are affiliated by having the same investment adviser.

Statement of Assets and Liabilities

December 31, 2009

Assets:	
Investments, at value (Cost $58,534,199)	$68,503,133
Investments in affiliated money market funds, at value and cost	3,719,410
Total investments, at value (Cost $62,253,609)	72,222,543
Receivables for:	
Fund shares sold	24,072
Dividends	272,611
Investment for trustee deferred compensation and retirement plans	33,862
Total assets	72,553,088
Liabilities:	
Payables for:	
Fund shares reacquired	44,903
Amount due custodian	14,758
Accrued fees to affiliates	44,079
Accrued other operating expenses	30,401
Trustee deferred compensation and retirement plans	45,891
Total liabilities	180,032
Net assets applicable to shares outstanding	$72,373,056
Net assets consist of:	
Shares of beneficial interest	$64,041,081
Undistributed net investment income	2,314,631
Undistributed net realized gain (loss)	(3,957,446)
Unrealized appreciation	9,974,790
	$72,373,056
Net Assets:	
Series I	$70,671,028
Series II	$ 1,702,028
Shares outstanding, $0.001 par value per share, unlimited number of shares authorized:	
Series I	4,871,631
Series II	117,988
Series I:	
Net asset value per share	$ 14.51
Series II:	
Net asset value per share	$ 14.43

Statement of Operations

For the year ended December 31, 2009

Investment income:	
Dividends (net of foreign withholding taxes of $17,771)	$ 3,015,008
Dividends from affiliated money market funds	7,676
Total investment income	3,022,684
Expenses:	
Advisory fees	423,507
Administrative services fees	208,871
Custodian fees	8,163
Distribution fees — Series II	3,931
Transfer agent fees	19,390
Trustees' and officers' fees and benefits	22,345
Professional services fees	40,280
Other	10,215
Total expenses	736,702
Less: Fees waived	(79,410)
Net expenses	657,292
Net investment income	2,365,392
Realized and unrealized gain (loss) from:	
Net realized gain (loss) from:	
Investment securities	(3,578,691)
Foreign currencies	12,432
	(3,566,259)
Change in net unrealized appreciation of:	
Investment securities	9,981,917
Foreign currencies	921
	9,982,838
Net realized and unrealized gain	6,416,579
Net increase in net assets resulting from operations	$ 8,781,971

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, 2009 and 2008

	2009	2008
Operations:		
Net investment income	$ 2,365,392	$ 3,211,845
Net realized gain (loss)	(3,566,259)	1,506,366
Change in net unrealized appreciation (depreciation)	9,982,838	(52,819,002)
Net increase (decrease) in net assets resulting from operations	8,781,971	(48,100,791)
Distributions to shareholders from net investment income:		
Series I	(3,146,581)	(2,992,914)
Series II	(69,727)	(56,469)
Total distributions from net investment income	(3,216,308)	(3,049,383)
Distributions to shareholders from net realized gains:		
Series I	(793,124)	(10,996,910)
Series II	(19,073)	(235,824)
Total distributions from net realized gains	(812,197)	(11,232,734)
Share transactions-net:		
Series I	(14,677,265)	(13,874,354)
Series II	(124,013)	(362,485)
Net increase (decrease) in net assets resulting from share transactions	(14,801,278)	(14,236,839)
Net increase (decrease) in net assets	(10,047,812)	(76,619,747)
Net assets:		
Beginning of year	82,420,868	159,040,615
End of year (includes undistributed net investment income of $2,314,631 and $3,155,248, respectively)	$ 72,373,056	$ 82,420,868

Notes to Financial Statements

December 31, 2009

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-one separate portfolios, (each constituting a "Fund"). The assets, liabilities and operations of each portfolio are accounted for separately. Information presented in these financial statements pertains only to the Fund. Matters affecting each Fund or class will be voted on exclusively by the shareholders of such Fund or class. Current Securities and Exchange Commission ("SEC") guidance, however, requires participating insurance companies offering separate accounts to vote shares proportionally in accordance with the instructions of the contract owners whose investments are funded by shares of each Fund or class.

The Fund's investment objectives are capital growth and income.

The Fund currently offers two classes of shares, Series I and Series II, both of which are offered to insurance company separate accounts funding variable annuity contracts and variable life insurance policies ("variable products").

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

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

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

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

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

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

Securities for which market prices are not provided by any of the above methods may be valued based upon quotes furnished by independent sources. The last bid price may be used to value equity securities and Corporate Loans. The mean between the last bid and asked prices may be used to value debt obligations other than Corporate Loans.

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

Valuations change in response to many factors including the historical and prospective earnings of the issuer, the value of the issuer's assets, general economic conditions, interest rates, investor perceptions and market liquidity. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

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

The Fund may periodically participate in litigation related to Fund investments. As such, the Fund may receive proceeds from litigation settlements. Any proceeds received are included in the Statement of Operations as realized gain/loss for investments no longer held and as unrealized gain/loss for investments still held.

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

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

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

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

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

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

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

G. Accounting Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period including estimates and assumptions related to taxation. Actual results could differ from those estimates by a significant amount. In addition, the Fund monitors for material events or transactions that may occur or become known after the period-end date and before the date the financial statements are released to print, which is generally 45 days from the period-end date.

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

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

The Fund may invest a large percentage of assets in securities of a limited number of companies, such that each investment may have a greater effect on the Fund's overall performance, and any change in the value of those securities could significantly affect the value of your investment in the Fund.

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

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

The Fund may invest in foreign securities which may be subject to foreign taxes on income, gains on investments or currency repatriation, a portion of which may be recoverable.

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

NOTE 2—Advisory Fees and Other Fees Paid to Affiliates

The Trust has entered into a master investment advisory agreement with Invesco Advisers, Inc. (the "Adviser" or "Invesco"). Under the terms of the investment advisory agreement, the Fund pays an advisory fee to the Adviser based on the annual rate of 0.60% of the Fund's average daily net assets.

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

On December 31, 2009, Invesco Aim Advisers, Inc., Invesco Aim Capital Management, Inc., Invesco Private Asset Management, Inc. and Invesco Global Asset Management (N.A.), Inc. merged into Invesco Institutional (N.A.), Inc. and the consolidated adviser firm was renamed Invesco Advisers, Inc.

The Adviser has contractually agreed to waive advisory fees and/or reimburse expenses of all shares to the extent necessary to limit total annual fund operating expenses after fee waiver (excluding certain items discussed below) of Series I shares to 0.93% and Series II shares to 1.18% of average daily net assets, through at least April 30, 2011. In determining the Adviser's obligation to waive advisory fees and/or reimburse expenses, the following expenses are not taken into account, and could cause the total annual fund operating expenses after fee waiver to exceed the numbers reflected above: (1) interest; (2) taxes;

(3) dividend expense on short sales; (4) extraordinary items or non-routine items; and (5) expenses that the Fund has incurred but did not actually pay because of an expense offset arrangement. The Board of Trustees or Invesco may terminate the fee waiver arrangement at any time.

Further, the Adviser has contractually agreed, through at least June 30, 2010, to waive the advisory fee payable by the Fund in an amount equal to 100% of the net advisory fees the Adviser receives from the affiliated money market funds on investments by the Fund of uninvested cash in such affiliated money market funds.

For the year ended December 31, 2009, the Adviser waived advisory fees of $79,410.

At the request of the Trustees of the Trust, Invesco Ltd. agreed to reimburse expenses incurred by the Fund in connection with market timing matters in the AIM Funds, which may include legal, audit, shareholder reporting, communications and trustee expenses. For the year ended December 31, 2009, Invesco Ltd. did not reimburse any expenses.

The Trust has entered into a master administrative services agreement with Invesco pursuant to which the Fund has agreed to pay Invesco a fee for costs incurred in providing accounting services and fund administrative services to the Fund and to reimburse Invesco for administrative services fees paid to insurance companies that have agreed to provide services to the participants of separate accounts. These administrative services provided by the insurance companies may include, among other things: the printing of prospectuses, financial reports and proxy statements and the delivery of the same to existing participants; the maintenance of master accounts; the facilitation of purchases and redemptions requested by the participants; and the servicing of participants' accounts. Pursuant to such agreement, for the year ended December 31, 2009, Invesco was paid $50,000 for accounting and fund administrative services and reimbursed $158,871 for services provided by insurance companies.

The Trust has entered into a transfer agency and service agreement with Invesco Aim Investment Services, Inc. ("IAIS") pursuant to which the Fund has agreed to pay IAIS a fee for providing transfer agency and shareholder services to the Fund and reimburse IAIS for certain expenses incurred by IAIS in the course of providing such services. For the year ended December 31, 2009, expenses incurred under the agreement are shown in the Statement of Operations as transfer agent fees.

The Trust has entered into a master distribution agreement with Invesco Aim Distributors, Inc. ("IADI") to serve as the distributor for the Fund. The Trust has adopted a plan pursuant to Rule 12b-1 under the 1940 Act with respect to the Fund's Series II shares (the "Plan"). The Fund, pursuant to the Plan, pays IADI compensation at the annual rate of 0.25% of the Fund's average daily net assets of Series II shares. Of the Plan payments, up to 0.25% of the average daily net assets of the Series II shares may be paid to insurance companies who furnish continuing personal shareholder services to customers who purchase and own Series II shares of the Fund. For the year ended December 31, 2009, expenses incurred under the Plan are detailed in the Statement of Operations as distribution fees.

Certain officers and trustees of the Trust are officers and directors of Invesco, IAIS and/or IADI.

NOTE 3—Additional Valuation Information

Generally Accepted Accounting Principles ("GAAP") defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions. GAAP establishes a hierarchy that prioritizes the inputs to valuation methods giving the highest priority to readily available unadjusted quoted prices in an active market for identical assets (Level 1) and the lowest priority to significant unobservable inputs (Level 3) generally when market prices are not readily available or are unreliable. Based on the valuation inputs, the securities or other investments are tiered into one of three levels. Changes in valuation methods may result in transfers in or out of an investment's assigned level:

Level 1 — Prices are determined using quoted prices in an active market for identical assets.

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

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

The following is a summary of the tiered valuation input levels, as of December 31, 2009. The level assigned to the securities valuations may not be an indication of the risk or liquidity associated with investing in those securities. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

	Level 1	Level 2	Level 3	Total
Equity Securities	$67,558,128	$4,664,415	$—	$72,222,543

NOTE 4—Trustees' and Officers' Fees and Benefits

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

During the year ended December 31, 2009, the Fund paid legal fees of $2,943 for services rendered by Kramer, Levin, Naftalis & Frankel LLP as counsel to the Independent Trustees. A member of that firm is a Trustee of the Trust.

NOTE 5—Cash Balances

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

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

Tax Character of Distributions to Shareholders Paid During the Years Ended December 31, 2009 and 2008:

	2009	2008
Ordinary income	$3,218,442	$ 3,099,788
Long-term capital gain	810,063	11,182,329
Total distributions	$4,028,505	$14,282,117

Tax Components of Net Assets at Period-End:

	2009
Undistributed ordinary income	$ 2,362,820
Net unrealized appreciation — investments	9,656,738
Net unrealized appreciation — other investments	5,856
Temporary book/tax differences	(48,189)
Capital loss carryforward	(3,645,250)
Shares of beneficial interest	64,041,081
Total net assets	$72,373,056

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 net unrealized appreciation difference is attributable primarily to wash sales.

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 benefits.

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

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

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

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

NOTE 7—Investment Securities

The aggregate amount of investment securities (other than short-term securities, U.S. Treasury obligations and money market funds, if any) purchased and sold by the Fund during the year ended December 31, 2009 was $9,260,915 and $28,070,307, respectively. Cost of investments on a tax basis includes the adjustments for financial reporting purposes as of the most recently completed Federal income tax reporting period-end.

Unrealized Appreciation (Depreciation) of Investment Securities on a Tax Basis	
Aggregate unrealized appreciation of investment securities	$12,786,794
Aggregate unrealized (depreciation) of investment securities	(3,130,056)
Net unrealized appreciation of investment securities	$ 9,656,738

Cost of investments for tax purposes is $62,565,805.

NOTE 8—Reclassification of Permanent Differences

Primarily as a result of differing book/tax treatment of expired capital loss carryforward and net operating losses, on December 31, 2009, undistributed net investment income was increased by $10,299, undistributed net realized gain (loss) was increased by $909,343 and shares of beneficial interest decreased by $919,642. This reclassification had no effect on the net assets of the Fund.

NOTE 9—Share Information

	Summary of Share Activity			
	Year ended December 31,			
	2009[(a)]		2008	
	Shares	Amount	Shares	Amount
Sold:				
Series I	609,839	$ 8,004,977	1,346,697	$ 28,997,020
Series II	12,671	166,300	26,485	551,996
Issued as reinvestment of dividends:				
Series I	276,664	3,939,705	1,077,799	13,989,824
Series II	6,267	88,800	22,659	292,293
Reacquired:				
Series I	(2,046,142)	(26,621,947)	(2,890,405)	(56,861,198)
Series II	(30,065)	(379,113)	(58,398)	(1,206,774)
Net increase (decrease) in share activity	(1,170,766)	$(14,801,278)	(475,163)	$(14,236,839)

(a) There are entities that are record owners of more than 5% of the outstanding shares of the Fund and in the aggregate own 58% of the outstanding shares of the Fund. The Fund and the Fund's principal underwriter or adviser, are parties to participation agreements with these entities whereby these entities sell units of interest in separate accounts funding variable products that are invested in the Fund. The Fund, Invesco and/or Invesco affiliates may make payments to these entities, which are considered to be related to the Fund, for providing services to the Fund, Invesco and/or Invesco affiliates including but not limited to services such as, securities brokerage, third party record keeping and account servicing and administrative services. The Trust has no knowledge as to whether all or any portion of the shares owned of record by these entities are also owned beneficially.

NOTE 10—Financial Highlights

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

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

(a) Calculated using average shares outstanding.

(b) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Total returns do not reflect charges assessed in connection with a variable product, which if included would reduce total returns.

(c) Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year, if applicable.

(d) Ratios are based on average daily net assets (000's omitted) of $69,012 and $1,572 for Series I and Series II shares, respectively.

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, 2009, 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 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, 2009 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PRICEWATERHOUSECOOPERS LLP

February 10, 2010
Houston, Texas

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, 2009 through December 31, 2009.

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

Actual expenses

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

Hypothetical example for comparison purposes

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

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

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

		ACTUAL		HYPOTHETICAL (5% annual return before expenses)		
Class	Beginning Account Value (07/01/09)	Ending Account Value (12/31/09)[1]	Expenses Paid During Period[2]	Ending Account Value (12/31/09)	Expenses Paid During Period[2]	Annualized Expense Ratio
Series I	$1,000.00	$1,146.70	$5.03	$1,020.52	$4.74	0.93%
Series II	1,000.00	1,145.20	6.38	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, 2009 through December 31, 2009, after actual expenses and will differ from the hypothetical ending account value which is based on the Fund's expense ratio and a hypothetical annual return of 5% before expenses.

2 Expenses are equal to the Fund's annualized expense ratio as indicated above multiplied by the average account value over the period, multiplied by 184/365 to reflect the most recent fiscal half year.

Tax Information

Form 1099-DIV, Form 1042-S and other year-end tax information provide shareholders with actual calendar year amounts that should be included in their tax returns. Shareholders should consult their tax advisers.

The following distribution information is being provided as required by the Internal Revenue Code or to meet a specific state's requirement.

The Fund designates the following amounts or, if subsequently determined to be different, the maximum amount allowable for its fiscal year ended December 31, 2009:

Federal and State Income Tax

Long-Term Capital Gain Dividends	$ 810,063
Corporate Dividends Received Deduction*	100.00%

* The above percentage is based on ordinary income dividends paid to shareholders during the Fund's fiscal year.

Trustees and Officers

The address of each trustee and officer of AIM Variable Insurance Funds (the "Trust"), is 11 Greenway Plaza, Suite 100, Houston, Texas 77046-1173. Each trustee oversees 105 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. Each officer serves for a one year term or until their successors are elected and qualified. 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
Interested Persons			
Martin L. Flanagan[1] — 1960 Trustee	2007	Executive Director, Chief Executive Officer and President, Invesco Ltd. (ultimate parent of Invesco Aim and a global investment management firm); Adviser to the Board, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.); Trustee, The AIM Family of Funds®; Board of Governors, Investment Company Institute; and Member of Executive Board, SMU Cox School of Business Formerly: Chairman, Invesco Aim Advisors, Inc. (registered investment adviser); Director, Chairman, Chief Executive Officer and President, IVZ Inc. (holding company), INVESCO Group Services, Inc. (service provider) and Invesco North American Holdings, Inc. (holding company); Director, Chief Executive Officer and President, Invesco Holding Company Limited (parent of Invesco Aim and a global investment management firm); Director, Invesco Ltd.; Chairman and Vice Chairman, Investment Company Institute	None
Philip A. Taylor[2] — 1954 Trustee, President and Principal Executive Officer	2006	Head of North American Retail and Senior Managing Director, Invesco Ltd.; Director, Co-Chairman, Co-President and Co-Chief Executive Officer, Invesco Advisers, inc. (registered investment adviser) (formerly known as Invesco Institutional (N.A.), Inc.); Director, Chief Executive Officer and President, Invesco Aim Advisors, Inc. and 1371 Preferred Inc. (holding company); Director, Chairman, Chief Executive Officer and President, Invesco Aim Management Group, Inc. (financial services holding company); Director, Co-Chairman, Co-President and Co-Chief Executive Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.); Director and President, INVESCO Funds Group, Inc. (registered investment adviser and registered transfer agent) and AIM GP Canada Inc. (general partner for limited partnerships); Director, Invesco Aim Distributors, Inc. (registered broker dealer); Director and Chairman, Invesco Aim Investment Services, Inc. (registered transfer agent) and INVESCO Distributors, Inc. (registered broker dealer); Director, President and Chairman, INVESCO Inc. (holding company) and Invesco Canada Holdings Inc. (holding company); Chief Executive Officer, AIM Trimark Corporate Class Inc. (corporate mutual fund company) and AIM Trimark Canada Fund Inc. (corporate mutual fund company); Director and Chief Executive Officer, Invesco Trimark Ltd./Invesco Trimark Ltèe (registered investment adviser and registered transfer agent) and Invesco Trimark Dealer Inc. (registered broker dealer); Trustee, President and Principal Executive Officer, The AIM Family of Funds® (other than AIM Treasurer's Series Trust and Short-Term Investments Trust); Trustee and Executive Vice President, The AIM Family of Funds® (AIM Treasurer's Series Trust and Short-Term Investments Trust only); and Manager, Invesco PowerShares Capital Management LLC Formerly: Manager, Invesco PowerShares Capital Management LLC; Director, Chief Executive Officer and President, Invesco Aim Advisors, Inc.; Director, Chairman, Chief Executive Officer and President, Invesco Aim Capital Management, Inc.; President, Invesco Trimark Dealer Inc. and Invesco Trimark Ltd./Invesco Trimark Ltèe; Director and President, AIM Trimark Corporate Class Inc. and AIM Trimark Canada Fund Inc.; Senior Managing Director, Invesco Holding Company Limited; Trustee and Executive Vice President, Tax-Free Investments Trust; Director and Chairman, Fund Management Company (former registered broker dealer); President and Principal Executive Officer, The AIM Family of Funds® (AIM Treasurer's Series Trust, Short-Term Investments Trust and Tax-Free Investments Trust only); President, AIM Trimark Global Fund Inc. and AIM Trimark Canada Fund Inc.	None
Independent Trustees			
Bruce L. Crockett — 1944 Trustee and Chair	1993	Chairman, Crockett Technology Associates (technology consulting company)	ACE Limited (insurance company); Captaris, Inc. (unified messaging provider); and Investment Company Institute
Bob R. Baker — 1936 Trustee	2004	Retired	None
Frank S. Bayley — 1939 Trustee	2001	Retired Formerly: Director, Badgley Funds, Inc. (registered investment company) (2 portfolios)	None
James T. Bunch — 1942 Trustee	2004	Founder, Green, Manning & Bunch Ltd., (investment banking firm)	Board of Governors, Western Golf Association/Evans Scholars Foundation and Executive Committee, United States Golf Association
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); Reich & Tang Funds (registered investment company); and Homeowners of America Holding Corporation/Homeowners of America Insurance Company (property casualty company) Formerly: Director, Continental Energy Services, LLC (oil and gas pipeline service); Director, CompuDyne Corporation (provider of product and services to the public security market) and Director, Annuity and Life Re (Holdings), Ltd. (reinsurance company); Director, President and Chief Executive Officer, Volvo Group North America, Inc.; Senior Vice President, AB Volvo; Director of various public and private corporations	Board of Nature's Sunshine Products, Inc.
Jack M. Fields — 1952 Trustee	1997	Chief Executive Officer, Twenty First Century Group, Inc. (government affairs company); and Owner and Chief Executive Officer, Dos Angelos Ranch, L.P. (cattle, hunting, corporate entertainment), Discovery Global Education Fund (non-profit) and Cross Timbers Quail Research Ranch (non-profit) Formerly: Chief Executive Officer, Texana Timber LP (sustainable forestry company)	Administaff
Carl Frischling — 1937 Trustee	1993	Partner, law firm of Kramer Levin Naftalis and Frankel LLP	Director, Reich & Tang Funds (16 portfolios)
Prema Mathai-Davis — 1950 Trustee	1998	Retired	None
Lewis F. Pennock — 1942 Trustee	1993	Partner, law firm of Pennock & Cooper	None
Larry Soll — 1942 Trustee	2004	Retired	None
Raymond Stickel, Jr. — 1944 Trustee	2005	Retired Formerly: Director, Mainstay VP Series Funds, Inc. (25 portfolios)	None

1 Mr. Flanagan is considered an interested person of the Trust because he is an officer of the adviser to the Trust, and an officer and a director of Invesco Ltd., ultimate parent of the adviser to the Trust.

2 Mr. Taylor is considered an interested person of the Trust because he is an officer and a director of the adviser to, and a director of the principal underwriter of, the Trust.

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			
Russell C. Burk — 1958 Senior Vice President and Senior Officer	2005	Senior Vice President and Senior Officer of The AIM Family of Funds®	N/A
John M. Zerr — 1962 Senior Vice President, Chief Legal Officer and Secretary	2006	Director, Senior Vice President, Secretary and General Counsel, Invesco Aim Management Group, Inc., Senior Vice President, Invesco Advisers, Inc. (registered investment adviser) (formerly known as Invesco Institutional (N.A.), Inc.); Director, Senior Vice President and Secretary, Invesco Aim Distributors, Inc.; Director, Vice President and Secretary, Invesco Aim Investment Services, Inc. and INVESCO Distributors, Inc.; Director and Vice President, INVESCO Funds Group, Inc.; Senior Vice President, Chief Legal Officer and Secretary, The AIM Family of Funds®; and Manager, Invesco PowerShares Capital Management LLC Formerly: Director, Senior Vice President, General Counsel and Secretary, Invesco Aim Advisors, Inc.; Director, Vice President and Secretary, Fund Management Company; Director, Senior Vice President, Secretary, General Counsel and Vice President, Invesco Aim Capital Management, Inc.; Chief Operating Officer and General Counsel, Liberty Ridge Capital, Inc. (an investment adviser); Vice President and Secretary, PBHG Funds (an investment company) and PBHG Insurance Series Fund (an investment company); Chief Operating Officer, General Counsel and Secretary, Old Mutual Investment Partners (a broker-dealer); General Counsel and Secretary, Old Mutual Fund Services (an administrator) and Old Mutual Shareholder Services (a shareholder servicing center); Executive Vice President, General Counsel and Secretary, Old Mutual Capital, Inc. (an investment adviser); and Vice President and Secretary, Old Mutual Advisors Funds (an investment company)	N/A
Lisa O. Brinkley — 1959 Vice President	2004	Global Compliance Director, Invesco Ltd.; Chief Compliance Officer, Invesco Aim Distributors, Inc. and Invesco Aim Investment Services, Inc.; and Vice President, The AIM Family of Funds® Formerly: Senior Vice President, Invesco Aim Management Group, Inc.; Senior Vice President and Chief Compliance Officer, Invesco Aim Advisors, Inc. and The AIM Family of Funds®; Vice President and Chief Compliance Officer, Invesco Aim Capital Management, Inc. and Invesco Aim Distributors, Inc.; Vice President, Invesco Aim Investment Services, Inc. and Fund Management Company	N/A
Kevin M. Carome — 1956 Vice President	2003	General Counsel, Secretary and Senior Managing Director, Invesco Ltd.; Director, Invesco Holding Company Limited and INVESCO Funds Group, Inc.; Director and Executive Vice President, IVZ, Inc., Invesco Group Services, Inc., Invesco North American Holdings, Inc. and Invesco Investments (Bermuda) Ltd.; Director and Secretary, Invesco Advisers, Inc. (registered investment adviser) (formerly known as Invesco Institutional (N.A.), Inc.); and Vice President, The AIM Family of Funds® Formerly: Senior Managing Director and Secretary, Invesco North American Holdings, Inc.; Vice President and Secretary, IVZ, Inc. and Invesco Group Services, Inc.; Senior Managing Director and Secretary, Invesco Holding Company Limited; Director, Senior Vice President, Secretary and General Counsel, Invesco Aim Management Group, Inc. and Invesco Aim Advisors, Inc.; Senior Vice President, Invesco Aim Distributors, Inc.; Director, General Counsel and Vice President, Fund Management Company; Vice President, Invesco Aim Capital Management, Inc. and Invesco Aim Investment Services, Inc.; Senior Vice President, Chief Legal Officer and Secretary, The AIM Family of Funds®; Director and Vice President, INVESCO Distributors, Inc.; and Chief Executive Officer and President, INVESCO Funds Group, Inc.	N/A
Sheri Morris — 1964 Vice President, Treasurer and Principal Financial Officer	1999	Vice President, Treasurer and Principal Financial Officer, The AIM Family of Funds®; and Vice President, Invesco Advisers, Inc. (registered investment adviser) (formerly known as Invesco Institutional (N.A.), Inc.) Formerly: Vice President, Invesco Aim Advisors, Inc., Invesco Aim Capital Management, Inc. and Invesco Aim Private Asset Management, Inc.; Assistant Vice President and Assistant Treasurer, The AIM Family of Funds® and Assistant Vice President, Invesco Aim Advisors, Inc., Invesco Aim Capital Management, Inc. and Invesco Aim Private Asset Management, Inc.	N/A
Karen Dunn Kelley — 1960 Vice President	1993	Head of Invesco's World Wide Fixed Income and Cash Management Group; Senior Vice President, Invesco Advisers, Inc. (registered investment adviser) (formerly known as Invesco Institutional (N.A.), Inc.); Executive Vice President, Invesco Aim Distributors, Inc.; Senior Vice President, Invesco Aim Management Group, Inc.; and Director, Invesco Mortgage Capital Inc.; Vice President, The AIM Family of Funds® (other than AIM Treasurer's Series Trust and Short-Term Investments Trust); and President and Principal Executive Officer, The AIM Family of Funds® (AIM Treasurer's Series Trust and Short-Term Investments Trust only) Formerly: Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.); Director of Cash Management and Senior Vice President, Invesco Aim Advisors, Inc. and Invesco Aim Capital Management, Inc.; President and Principal Executive Officer, Tax-Free Investments Trust; Director and President, Fund Management Company; Chief Cash Management Officer, Director of Cash Management, Senior Vice President, and Managing Director, Invesco Aim Capital Management, Inc.; Director of Cash Management, Senior Vice President, and Vice President, Invesco Aim Advisors, Inc. and The AIM Family of Funds® (AIM Treasurer's Series Trust, Short-Term Investments Trust and Tax-Free Investments Trust only)	N/A
Lance A. Rejsek — 1967 Anti-Money Laundering Compliance Officer	2005	Anti-Money Laundering Compliance Officer, Invesco Advisers, Inc. (registered investment adviser) (formerly known as Invesco Institutional (N.A.), Inc.); Invesco Aim Distributors, Inc., Invesco Aim Investment Services, Inc., and The AIM Family of Funds® Formerly: Anti-Money Laundering Compliance Officer, Fund Management Company, Invesco Aim Advisors, Inc., Invesco Aim Capital Management, Inc. and Invesco Aim Private Asset Management, Inc.	N/A
Todd L. Spillane — 1958 Chief Compliance Officer	2006	Senior Vice President, Invesco Aim Management Group, Inc.; Senior Vice President and Chief Compliance Officer, Invesco Advisers, Inc. (registered investment adviser) (formerly known as Invesco Institutional (N.A.), Inc.); Chief Compliance Officer, The AIM Family of Funds®, INVESCO Private Capital Investments, Inc. (holding company), Invesco Private Capital, Inc. (registered investment adviser) and Invesco Senior Secured Management, Inc. (registered investment adviser); Vice President, Invesco Aim Distributors, Inc. and Invesco Aim Investment Services, Inc. Formerly: Senior Vice President and Chief Compliance Officer, Invesco Aim Advisors, Inc. and Invesco Aim Capital Management, Inc.; Chief Compliance Officer, Invesco Global Asset Management (N.A.), Inc.; Vice President, Invesco Aim Capital Management, Inc. and Fund Management Company	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 1.800.959.4246. Please refer to the Fund's prospectus for information on the Fund's sub-advisers.

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ALGER

Inspired by Change, Driven by Growth.

A pooled funding vehicle for:

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

The Alger Portfolios

Alger Balanced Portfolio

ANNUAL REPORT

December 31, 2009

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Dear Shareholders, January 22, 2010

Year-in-Review

At Alger, we are optimistic that the unprecedented turmoil that began over a year ago in September 2008 has ended, although we believe there may be some "pause" in the dramatic rally that began in March 2009. We believe the expected market pause in 2010 will serve to "refresh" the U.S economy, and for that matter, the global economy. Ultimately, we are confident that a new bull market has begun that will play out over the next several years.

Since March 2009, equity performance worldwide has been remarkable amid stronger-than-expected corporate earnings and signs of economic stabilization across the globe. For the one year period ending 12/31/09, the S&P 500 Index delivered 26.45%. The Russell 1000, Russell Midcap and Russell 2000 Indexes each returned 28.43%, 40.48%, and 27.17%, respectively, with midcap stocks outperforming small and large cap stocks. Growth stocks significantly outperformed value as indicated by the Russell 1000 Growth and Value Indexes, which returned 37.21% and 19.69%, respectively. On the international front, European equity markets gained more than 31.24% (MSCI Europe) while emerging equity markets (MSCI EMF) rose an astounding 79.02%. In addition to positive performance by equity markets around the globe, credit markets showed some of the strongest performance on record with the U.S. High Yield market (Barclays Capital U.S. High Yield Index) returning 35.47% for the 1-year period ended 12/31/09. The investment grade credit market (Barclays Capital U.S. Credit Index) also showed a significant 1-Year return, gaining nearly 16.04%, over the same time period.

We believe the recession in the U.S. largely ended in third quarter of 2009, but a full economic recovery in the U.S. is far from complete. The various government programs and stimulus introduced over the past several months, along with the amount of liquidity provided by the U.S. Federal Reserve and other central banks around the world, have succeeded in taking the worst case scenario of a total financial system collapse off the table. This success is evident, in our opinion, by the improving economic activity throughout the world, not to mention better functioning capital and funding markets. For the U.S., it is likely that the broadest measures of our economy will support our view at Alger that, near term, a stronger than expected recovery continues into early 2010. However, we expect at some point that the ability of the U.S. economy to leverage the momentum of recovery with "true" growth in 2010 and beyond will be a source of anxiety for U.S. markets. The consensus economic view appears to be that the U.S. will experience a long period of subdued expansion. We, too, believe weakness in the job market is likely to persist and will make whatever economic conditions the U.S. experiences "feel" recessionary for many Americans well into 2010.

In December, the U.S. unemployment rate climbed above 10%, its highest level in nearly 26 years. Discouraged and part-time workers (those who have either temporarily given up looking for work or have part-time jobs but want full-time work) likely place the true unemployment rate closer to 17%. While unemployment does have an adverse impact on consumer sentiment and spending, it has historically been a lagging indicator that typically improves after the overall economy improves. Therefore, we believe unemployment is likely to remain stagnant in 2010, even as other areas of the economy continue to show signs of improvement. This pattern is typical of post-recessionary periods of recovery, and we see no reason it won't hold true today.

As we look back over the past year, it is very clear that Corporate America responded to this downturn more rapidly and with more decisiveness than past recessions. Quite likely, this rapid response to deteriorating business conditions, as well as financial markets, was assisted by the widespread adoption of "just in time" inventory management, sophisticated customer demand prediction and analysis software and methodologies, and the development of flexible, outsourced supply chain management by Corporate America over the last two decades. The result this past year was very aggressive expense cutting, headcount reductions, and capital expenditure deferrals (and cancellations) as we moved through the financial crisis and this recession. This was evident in second quarter earnings reports in July, and repeated recently in October, in the surprisingly strong margins, earnings and cash flows within Corporate America (represented by the S&P 500 and publicly traded companies' profit performance as tracked by Alger's analysts), even as revenues were often weaker than expected (especially in the second quarter) or remain significantly lower than prior year levels (especially in the third quarter).

Looking Ahead

Companies now face different decisions as they look to the future — many are already rehiring employees or restarting capital expenditures or deferred investments in their businesses. While some companies will wait for more clarity on economic conditions before increasing investments, others, particularly those participating in markets that have strong long term growth outlooks, will recognize in today's markets an opportunity to gain market share or enter new markets when costs are lower, and perhaps competition is less than it was (e.g., due to the elimination of financially weaker players). Many of the best known, most successful businesses today were started in the midst of economic recessions for this very reason.

Moreover, it is in the midst of wrenching change within an economy or industry, that opportunity is created for new business models, new ways of doing things, new services and goods that attract a customer with a "changed" perception of need, want and value. We are, clearly, in the midst of such a period. Indeed, the news today is often only tangentially about "the facts" of an event, and much more a debate in our newspapers and on TV, in the halls of government and around the Christmas dinner table, about what are the new values of our society – represented both by what we believe and what we do both as citizens and consumers and, yes, capitalists.

Change is inevitable. Companies – even those with long-standing track records – are not static. Truly successful companies are run by dynamic people who can adapt, change, and grow. This also holds true for the U.S. economy, which has thrived because of its ability to adapt to the positive dynamic changes that are occurring globally. When change happens, some investors panic, while others turn a blind eye, whereas others, like ourselves, accept and embrace change. At Alger, change equals opportunity. We believe that when change occurs – whether it is in a company, sector, industry or the economy - the best investment opportunities emerge and we seek to quickly capture them. This is exactly what we have done over the last year as the market created so many attractive opportunities at very reasonable valuations. The current environment continues to provide us with strong opportunities demonstrating the benefits of our rigorous, original and fundamental research approach in uncovering companies with the strongest fundamentals and the ability to leverage change strategically.

We think the key to success going forward will be dependent largely on identifying companies undergoing Positive Dynamic Change, which we believe offer the best long-term growth potential for our clients. We have been utilizing this approach since 1964 and it has been the driving force behind our investment philosophy.

At Alger, we are bullish on the future of U.S. equity investing. However, we think the stock markets will, and probably should, pause in their rally since March 2009 – and that such a period of consolidation is likely in 2010. Economic uncertainty is high, and that alone should give investors reason to doubt in 2010. We have already seen in 2009 that the vast majority of investment flows in the mutual fund industry has been into cash, short term bond funds, and international (especially emerging market equities), and out of U.S. equities generally. However, publicly traded U.S. equities are not a simple representation of the U.S. economy; in fact, they represent an elite subset of Corporate America. In general, they are the leaders in their industries – some by innovations long ago, and others by innovations so recent we have trouble remembering that they didn't exist a decade or two ago. They represent some of the most astute global competitors, and derive a significant percentage of their revenues and profits from their success in international markets. Their fundamental operating results so far in 2009 have significantly outperformed investor expectations and led those of the broader U.S. economy. Moreover, we believe these companies are likely to continue to improve as global economic recovery takes hold in late 2010 and the years beyond. Thus, we believe 2010 will offer investors an excellent period to "buy the dips" and for stock investing based on identifying companies with superior growth long term and the financial and other strengths to capitalize on their market opportunities globally. As investors become comfortable with the strength of the U.S. and global economic recovery, we believe U.S. equities, particularly "growth" equities, will once again find strong favor, offering a combination of fundamental performance, growth opportunities and sector leadership, and attractive valuation within a global universe.

Portfolio Matters

The Alger Balanced Portfolio returned 29.25% for the twelve-months ended December 31, 2009, compared to the Russell 1000 Growth Index, which returned 37.21% and the Barclays Capital US Government/Credit Index which returned 4.53%.

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

Among the most important relative equity contributors were Transocean Ltd., Expedia Inc., Cognizant Technology Solutions Corp., Petrobras Petroleo Brasileiro, and Starbucks Corp. Conversely, detracting from overall results on a relative basis were International Business Machines Corp., General Electric Co., Nintendo Co. Ltd. (ADS), Schlumberger Ltd., and Microsoft Corp.

The fixed income portion of the Balanced Portfolio took advantage of the credit market dislocation stemming from 2008's market meltdown. Credit spreads on average moved to a 2 standard deviation* high versus the historic norm, presenting an incredible opportunity to capture a significant amount of excess spread.** The Fund held 60% of its assets in spread product (corporate and convertible bonds) versus the Barclays Capital US Government/Credit index weighting of 31.55% as of December 31, 2009. As investors embraced the reflation trade and took on more risk the US Treasury and US Agency sectors underperformed after providing the only positive returns in 2008.

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

Respectfully submitted,

Daniel C. Chung
Chief Investment Officer

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

This report and the financial statements contained herein are submitted for the general information of shareholders of the Alger Portfolios. This report is not authorized for distribution to prospective investors in the Fund unless preceded or accompanied by an effective prospectus. Performance returns represent the annual period return of Class I-2 shares prior to the deduction of any sales charges.

The performance data quoted represents past performance, which is not an indication or guarantee of future results. The investment return and principal value of an investment in a Portfolio will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted. For performance data current to the most recent month-end, visit us at www.alger.com, or call us at (800) 992-3863. The views and opinions of the Fund's management in this report are as of the date of the shareholder letter and are subject to change at any time subsequent to this date. There is no guarantee that any of the assumptions that formed the basis for the opinions stated herein are accurate or that they will materialize. Any securities mentioned should be considered in the context of the construction of an overall portfolio of securities and therefore reference to them should not be construed as a recommendation or offer to purchase or sell any such security. Inclusion of such securities in a Portfolio and transactions in such securities, if any, may be for a variety of reasons, including without limitation, in response to cash flows, inclusion in a benchmark and risk control. The reference to a specific security should also be understood in such context and not viewed as a statement that the security is a significant holding in a Portfolio. Please refer to the Schedule of Investments for each Portfolio which is included in this report for a complete list of portfolio holdings as of December 31, 2009. Securities mentioned in the shareholder letter, if not found in the Schedule of Investments, were held by the Fund during the Portfolio's fiscal year.

A Word About Risk
Growth stocks tend to be more volatile than other stocks as the price of growth stocks tends to be higher in relation to their companies' earnings and may be more sensitive to market, political, and economic developments. Stocks of small- and mid-sized companies are subject to greater risk than stocks of larger, more established companies owing to such factors as limited liquidity, inexperienced management, and limited financial resources. Portfolios that invest in fixed-income securities, such as the Portfolio, is subject to the fixed-income securities' sensitivity to interest rate movements; their market values tend to fall when interest rates rise and to rise when interest rates fall. These portfolios are also subject to the risk of a decline in the value of the portfolio's securities in the event of an issue's falling credit rating or actual default. For a more detailed discussion of the risks associated with the Portfolio, please see the Portfolio's Prospectus.

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

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

Index Definitions:

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

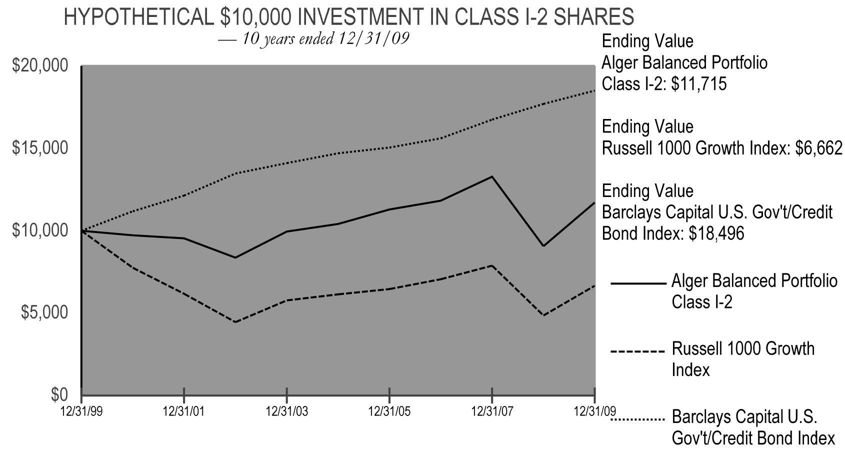
- Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index and includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 90% of the U.S. market.
- Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index representing approximately 8% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.
- Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000® Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap Index represents approximately 27% of the total market capitalization of the Russell 1000 companies.
- Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values.
- Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 3000 companies with lower price-to-book ratios and lower expected growth values.
- Morgan Stanley Capital International Europe Index is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe.
- MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.
- Barclays Capital U.S. Corporate High Yield Index covers the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes Emerging Markets debt. The index was created in 1986, with index history backfilled to January 1, 1983. The U.S. Corporate High-Yield Index is part of the U.S. Universal and Global High-Yield Indices.
- Barclays Capital U.S. Credit Index is comprised of the U.S. Corporate Index and the non-native currency subcomponent of the U.S. Government-Related Index. The U.S. Credit Index was called the U.S. Corporate Investment Grade Index until July 2000, when it was renamed to reflect the index's composition of both corporate and non-corporate issuers. The U.S. Credit Index includes publicly issued U.S. corporates, specified foreign debentures and secured notes denominated in USD.

Index history is available since 1973. The U.S. Credit Index is a subset of the U.S. Government/Credit Index and the U.S. Aggregate Index.

All Russell U.S. indexes are subsets of the Russell 3000E™ Index, which represents approximately 99% of the U.S. equity market.

*Standard deviation of a statistical population, a data set, or a probability distribution is the square root of its variance. Standard deviation is a widely used measure of the variability or dispersion, being algebraically more tractable though practically less robust than the expected deviation or average absolute deviation.

**Spread is a measure of the extent to which the values of a variable, in either a sample or a population, are spread out. The most commonly used measures of spread are variance, standard deviation, mean deviation, median absolute deviation, range, interquartile range, and semi-interquartile range. Of these only the variance is not measured in the same units as the observations.



The chart above illustrates the change in value of a hypothetical $10,000 investment made in Alger Balanced Portfolio Class I-2 shares, the Russell 1000 Growth Index (an unmanaged index of common stocks) and the Barclays Capital U.S. Gov't/Credit Bond Index (an unmanaged index of government and corporate bonds) for the ten years ended December 31, 2009. Figures for each of the Alger Balanced Portfolio Class I-2 shares, the Russell 1000 Growth Index and the Barclays Capital U.S. Gov't/Credit Bond Index include reinvestment of dividends and interest. Performance for the Alger Balanced Portfolio Class S shares will vary from the results shown above due to differences in expenses that class bears.

PERFORMANCE COMPARISON AS OF 12/31/09

AVERAGE ANNUAL TOTAL RETURNS

	1 YEAR	5 YEARS	10 YEARS	SINCE INCEPTION
Class I-2 (Inception 9/5/89)	29.25%	2.39%	1.60%	7.53%
Russell 1000 Growth Index	37.21%	1.64%	(3.98)%	7.52%
Barclays Capital U.S. Gov't/Credit Bond Index	4.53%	4.71%	6.34%	7.09%
Class S (Inception 5/1/02)	28.50%	2.51%	n/a	3.33%
Russell 1000 Growth Index	37.21%	1.64%	n/a	2.47%
Barclay's Capital U.S. Gov't/Credit Bond Index	4.53%	4.71%	n/a	5.45%

The performance data quoted represents past performance, which is not an indication or a guarantee of future results. Investment return and principal will fluctuate and the Portfolio's shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance quoted. For performance current to the most recent month end, visit us at www.alger.com or call us at (800) 992-3863.

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

Portfolio Summary†

December 31, 2009*(Unaudited)*

SECTORS/SECURITY TYPES	
Consumer Discretionary	4.8%
Consumer Staples	7.8
Energy	5.2
Financials	6.3
Health Care	8.7
Industrials	6.1
Information Technology	14.4
Materials	1.7
Telecommunication Services	0.5
Total Equity Securities	55.5%
Asset Backed Securities	1.0%
Collateralized Mortgage Obligations	1.9
Convertible Corporate Bonds	3.6
Corporate Bonds	22.2
U.S. Government & Agency Mortgage Backed Obligations	5.4
U.S. Government & Agency Obligations (excluding Mortgage Backed)	7.9
Total Debt Securities	42.0%
Short-Term and Net Other Assets	2.5%
	100.0%

† *Based on net assets for the Portfolio*.

COMMON STOCKS—54.4%	SHARES	VALUE
AEROSPACE & DEFENSE—2.2%		
BE Aerospace Inc. *	16,400	$ 385,400
Boeing Co., /The	11,900	644,147
General Dynamics Corp.	10,600	722,602
ITT Corp.	6,600	328,284
Lockheed Martin Corp.	11,500	866,525
		2,946,958
AGRICULTURAL PRODUCTS—0.4%		
Archer-Daniels-Midland Co.	6,000	187,860
Bunge Ltd.	4,500	287,235
		475,095
AIR FREIGHT & LOGISTICS—0.7%		
FedEx Corp.	3,300	275,385
United Parcel Service Inc., Cl. B	10,100	579,437
		854,822
APPLICATION SOFTWARE—0.2%		
Intuit Inc.*	6,500	**199,615**
ASSET MANAGEMENT & CUSTODY BANKS—0.5%		
Invesco Ltd.	9,500	223,155
Legg Mason Inc.	12,600	380,016
		603,171
BIOTECHNOLOGY—1.5%		
Amgen Inc. *	6,500	367,705
Celgene Corp. *	10,000	556,800
Cephalon Inc. *	2,800	174,748
Gilead Sciences Inc. *	17,900	774,712
		1,873,965
CABLE & SATELLITE—0.7%		
Comcast Corp., Cl. A	21,000	336,210
Scripps Networks Interactive Inc.	12,700	527,050
		863,260
CASINOS & GAMING—0.1%		
International Game Technology	9,700	**182,069**
COAL & CONSUMABLE FUELS—0.3%		
Peabody Energy Corp.	8,100	**366,201**
COMMUNICATIONS EQUIPMENT—2.1%		
Brocade Communications Systems Inc. *	46,400	354,032
Cisco Systems Inc. *	66,300	1,587,222
Qualcomm Inc.	17,500	809,550
		2,750,804
COMPUTER HARDWARE—4.1%		
Apple Inc. *	11,500	2,424,889
Dell Inc. *	25,200	361,872
Hewlett-Packard Co.	25,200	1,298,052
International Business Machines Corp.	9,400	1,230,460
		5,315,273

COMMON STOCKS—(CONT.)	SHARES	VALUE
COMPUTER STORAGE & PERIPHERALS—0.8%		
EMC Corp. *	42,800	$ 747,716
NetApp Inc. *	7,300	251,047
		998,763
CONSTRUCTION & ENGINEERING—0.5%		
Fluor Corp.	8,400	378,336
Foster Wheeler AG *	7,800	229,632
		607,968
CONSTRUCTION & FARM MACHINERY & HEAVY TRUCKS—0.7%		
Caterpillar Inc.	5,600	319,144
Deere & Co.	6,500	351,585
Joy Global Inc.	3,900	201,201
		871,930
DATA PROCESSING & OUTSOURCED SERVICES—0.5%		
Mastercard Inc.	2,600	**665,548**
DIVERSIFIED BANKS—0.5%		
Wells Fargo & Co.	25,600	**690,944**
DIVERSIFIED CHEMICALS—0.3%		
EI Du Pont de Nemours & Co.	10,900	**367,003**
DRUG RETAIL—1.0%		
CVS Caremark Corp.	20,800	669,968
Walgreen Co.	16,400	602,208
		1,272,176
ENVIRONMENTAL & FACILITIES SERVICES—0.1%		
Republic Services Inc.	6,200	**175,522**
FERTILIZERS & AGRICULTURAL CHEMICALS—0.6%		
Monsanto Co.	5,800	474,150
Potash Corporation of Saskatchewan Inc.	3,000	325,500
		799,650
FOOD RETAIL—0.4%		
Kroger Co., /The	25,200	**517,356**
FOOTWEAR—0.4%		
NIKE Inc., Cl. B	7,800	**515,346**
GENERAL MERCHANDISE STORES—0.3%		
Target Corp.	8,900	**430,493**
GOLD—0.4%		
Goldcorp Inc.	6,300	247,842
Yamana Gold Inc.	24,600	279,948
		527,790
HEALTH CARE EQUIPMENT—2.0%		
Beckman Coulter Inc.	5,200	340,288
Boston Scientific Corp. *	42,500	382,500
Covidien PLC	4,500	215,505
Hologic Inc. *	14,800	214,600
Medtronic Inc.	8,100	356,238
NuVasive Inc. *	4,900	156,702
St. Jude Medical Inc. *	13,700	503,886

COMMON STOCKS—(CONT.)	SHARES	VALUE
HEALTH CARE EQUIPMENT—(CONT.)		
Zimmer Holdings Inc. *	5,700	$ 336,927
		2,506,646
HEALTH CARE FACILITIES—0.4%		
Select Medical Holdings Corp.*	54,200	**575,604**
HEALTH CARE SUPPLIES—0.4%		
Inverness Medical Innovations Inc.*	11,600	**481,516**
HOME ENTERTAINMENT SOFTWARE—0.5%		
Electronic Arts Inc. *	13,800	244,950
Take-Two Interactive Software Inc. *	34,900	350,745
		595,695
HOMEBUILDING—0.4%		
Toll Brothers Inc.*	30,200	**568,062**
HOTELS RESORTS & CRUISE LINES—0.1%		
Carnival Corp.*	4,800	**152,112**
HOUSEHOLD PRODUCTS—0.9%		
Procter & Gamble Co., /The	18,100	**1,097,403**
HYPERMARKETS & SUPER CENTERS—1.4%		
Costco Wholesale Corp.	5,600	331,352
Wal-Mart Stores Inc.	26,900	1,437,805
		1,769,157
INDUSTRIAL CONGLOMERATES—1.3%		
3M Co.	8,300	686,161
General Electric Co.	22,000	332,860
McDermott International Inc. *	14,500	348,145
Tyco International Ltd. *	8,400	299,712
		1,666,878
INDUSTRIAL GASES—0.2%		
Praxair Inc.	3,000	**240,930**
INTEGRATED OIL & GAS—2.0%		
Chevron Corp.	7,900	608,221
Exxon Mobil Corp.	20,800	1,418,352
Petroleo Brasileiro SA #	10,900	519,712
		2,546,285
INTEGRATED TELECOMMUNICATION SERVICES—0.5%		
AT&T Inc.	23,500	**658,705**
INTERNET RETAIL—0.8%		
Amazon.com Inc. *	3,500	470,820
Expedia Inc. *	20,400	524,484
		995,304
INTERNET SOFTWARE & SERVICES—2.6%		
eBay Inc. *	26,650	627,341
Google Inc., Cl. A *	2,100	1,301,958
IAC/InterActiveCorp. *	36,150	740,352
Yahoo! Inc. *	40,500	679,590
		3,349,241

COMMON STOCKS—(CONT.)	SHARES	VALUE
INVESTMENT BANKING & BROKERAGE—1.3%		
Charles Schwab Corp., /The	24,000	$ 451,680
Goldman Sachs Group Inc., /The	3,200	540,288
Lazard Ltd., Cl. A	5,000	189,850
Morgan Stanley	19,500	577,201
		1,759,019
IT CONSULTING & OTHER SERVICES—0.5%		
Cognizant Technology Solutions Corp., Cl. A*	14,700	**665,910**
LEISURE PRODUCTS—0.3%		
Coach Inc.	9,700	**354,341**
LIFE & HEALTH INSURANCE—0.4%		
Prudential Financial Inc.	9,500	**472,720**
LIFE SCIENCES TOOLS & SERVICES—0.5%		
Illumina Inc. *	5,400	165,510
Thermo Fisher Scientific Inc. *	10,800	515,052
		680,562
MANAGED HEALTH CARE—0.7%		
Aetna Inc.	7,700	244,090
UnitedHealth Group Inc.	21,700	661,416
		905,506
METAL & GLASS CONTAINERS—0.2%		
Owens-Illinois Inc.*	9,200	**302,404**
MOVIES & ENTERTAINMENT—0.6%		
Regal Entertainment Group, Cl. A	11,300	163,172
Viacom Inc., Cl. B *	19,000	564,870
		728,042
OFFICE REITS—0.3%		
Digital Realty Trust Inc.	7,200	**362,016**
OIL & GAS DRILLING—0.5%		
Transocean Ltd.*	7,283	**603,032**
OIL & GAS EQUIPMENT & SERVICES—0.9%		
Cameron International Corp. *	13,100	547,580
Schlumberger Ltd.	9,900	644,391
		1,191,971
OIL & GAS EXPLORATION & PRODUCTION—1.5%		
Anadarko Petroleum Corp.	11,000	686,620
Chesapeake Energy Corp.	20,200	522,776
Devon Energy Corp.	2,500	183,750
Nexen Inc.	6,200	148,366
Plains Exploration & Production Co. *	15,700	434,262
		1,975,774
OTHER DIVERSIFIED FINANCIAL SERVICES—0.9%		
Bank of America Corp.	21,200	319,272
JPMorgan Chase & Co.	21,400	891,738
		1,211,010
PACKAGED FOODS & MEATS—0.5%		
Kraft Foods Inc., Cl. A	23,600	**641,448**

COMMON STOCKS—(CONT.)	SHARES	VALUE
PHARMACEUTICALS—3.2%		
Abbott Laboratories	22,300	$ 1,203,977
Johnson & Johnson	15,200	979,032
Merck & Co., Inc.	8,900	325,206
Mylan Inc. *	19,300	355,699
Pfizer Inc.	49,420	898,950
Shire PLC #	6,000	352,200
		4,115,064
PROPERTY & CASUALTY INSURANCE—0.3%		
Travelers Cos., Inc., /The	7,800	**388,908**
RESEARCH & CONSULTING SERVICES—0.3%		
FTI Consulting Inc.*	7,500	**353,700**
RESTAURANTS—1.1%		
Cheesecake Factory Inc., /The *	22,500	485,775
McDonald's Corp.	7,800	487,032
Starbucks Corp. *	13,900	320,534
		1,293,341
SEMICONDUCTOR EQUIPMENT—0.5%		
Applied Materials Inc.	14,600	203,524
Lam Research Corp. *	10,300	403,863
		607,387
SEMICONDUCTORS—0.9%		
Avago Technologies Ltd. *	9,900	181,071
Intel Corp.	47,500	969,000
		1,150,071
SOFT DRINKS—1.9%		
Coca-Cola Co., /The	15,800	900,600
Hansen Natural Corp. *	13,200	506,880
PepsiCo Inc.	18,900	1,149,120
		2,556,600
SPECIALIZED FINANCE—0.8%		
CME Group Inc.	1,328	446,141
Hong Kong Exchanges and Clearing Ltd.	18,400	330,790
IntercontinentalExchange Inc. *	1,900	213,370
		990,301
SPECIALIZED REITS—0.2%		
Host Hotels & Resorts Inc.*	17,257	**201,389**
SYSTEMS SOFTWARE—1.7%		
Microsoft Corp.	70,550	**2,151,070**
TOBACCO—1.3%		
Altria Group Inc.	35,200	690,976
Philip Morris International Inc.	20,300	978,257
		1,669,233
TRUCKING—0.3%		
Hertz Global Holdings Inc.*	28,500	**339,720**
TOTAL COMMON STOCKS		
(Cost $70,949,827)		**69,745,799**

CONVERTIBLE PREFERRED STOCK—0.5%	SHARES	VALUE
OTHER DIVERSIFIED FINANCIAL SERVICES—0.5%		
Bank of America Corp., 10.00%, 12/31/2049*	39,100	$ **583,372**
(Cost $586,500)		

MANDATORY CONVERTIBLE BOND—0.6%	SHARES	VALUE
OTHER DIVERSIFIED FINANCIAL SERVICES—0.6%		
Citigroup Inc., 7.50%, 12/15/2012*(a)	7,000	**730,380**
(Cost $715,925)		

CONVERTIBLE CORPORATE BONDS—3.6%	PRINCIPAL AMOUNT	VALUE
GOLD—0.6%		
AngloGold Ashanti Holdings Finance PLC, 3.50%, 5/22/14L2(b)	650,000	**737,749**
MULTI-UTILITIES—0.5%		
CMS Energy Corp., 5.50%, 6/15/29L2	500,000	**613,750**
OIL & GAS EXPLORATION & PRODUCTION—0.9%		
Bill Barrett Corp., 5.00%, 3/15/28L2	800,000	774,000
Quicksilver Resources Inc., 1.88%, 11/1/24L2	350,000	416,938
		1,190,938
SEMICONDUCTORS—0.8%		
Intel Corp., 3.25%, 8/1/39L2(b)	850,000	**980,688**
STEEL—0.4%		
Steel Dynamics Inc., 5.13%, 6/15/14L2	450,000	**572,063**
WIRELESS TELECOMMUNICATION SERVICES—0.4%		
SBA Communications Corp., 4.00%, 10/1/14L2(b)	350,000	**461,125**
TOTAL CONVERTIBLE CORPORATE BONDS		
(Cost $4,068,631)		**4,556,313**

CORPORATE BONDS—22.2%	PRINCIPAL AMOUNT	VALUE
AUTOMOBILE MANUFACTURERS—0.5%		
Ford Motor Credit Co., LLC, 8.13%, 1/15/20L2	650,000	**639,831**
CABLE & SATELLITE—1.0%		
Comcast Corp., 5.70%, 7/1/19L2	625,000	656,856
DirecTV Holdings LLC / DirecTV Financing Co., Inc., 4.75%, 10/1/14L2(b)	650,000	664,192
		1,321,048
CASINOS & GAMING—0.6%		
MGM Mirage Inc., 10.38%, 5/15/14L2(b)	650,000	708,500
Scientific Games Corp., 7.88%, 6/15/16L2(b)	100,000	101,000
		809,500
COMMUNICATIONS EQUIPMENT—0.3%		
Cisco Systems Inc., 4.95%, 2/15/19L2	350,000	**359,408**
COMPUTER HARDWARE—0.5%		
Hewlett-Packard Co., 6.13%, 3/1/14L2	600,000	**671,054**
CONSTRUCTION MATERIALS—0.2%		
Owens Corning, 9.00%, 6/15/19L2	250,000	**279,248**

CORPORATE BONDS—(CONT.)	PRINCIPAL AMOUNT	VALUE
CONSUMER FINANCE—1.7%		
American Express Credit Corp., 7.30%, 8/20/13L2	$ 600,000	$ 674,871
Capital One Bank USA NA, 8.80%, 7/15/19L2	650,000	769,369
Capital One Capital VI, 8.88%, 5/15/40L2	650,000	697,125
		2,141,365
DISTILLERS & VINTNERS—0.3%		
CEDC Finance Corp., International Inc., 9.13%, 12/1/16L2(b)	350,000	**362,250**
DIVERSIFIED METALS & MINING—0.4%		
Anglo American Capital PLC, 9.38%, 4/8/14L2(b)	350,000	**420,355**
ELECTRIC UTILITIES—1.0%		
ENEL FINANCE I, 5.13%, 10/7/19L2(b)	650,000	655,261
Florida Power Corp., 5.80%, 9/15/17L2	600,000	651,496
		1,306,757
ELECTRONIC COMPONENTS—0.5%		
Amphenol Corp., 4.75%, 11/15/14L2	650,000	**650,927**
ELECTRONIC EQUIPMENT MANUFACTURERS—0.3%		
Agilent Technologies Inc., 5.50%, 9/14/15L2	350,000	**367,318**
FERTILIZERS & AGRICULTURAL CHEMICALS—0.2%		
Potash Corporation of Saskatchewan Inc., 5.25%, 5/15/14L2	275,000	**295,805**
FOOD RETAIL—0.7%		
Kroger Co., /The, 3.90%, 10/1/15L2	250,000	251,685
Safeway Inc., 5.00%, 8/15/19L2	650,000	645,803
		897,488
HEALTH CARE DISTRIBUTORS—0.5%		
AmerisourceBergen Corp., 4.88%, 11/15/19L2	650,000	**642,956**
HEALTH CARE EQUIPMENT—0.3%		
Boston Scientific Corp., 4.50%, 1/15/15L2	350,000	**351,105**
HOMEBUILDING—0.6%		
Lennar Corp., 12.25%, 6/1/17L2	650,000	**786,500**
INDUSTRIAL CONGLOMERATES—0.9%		
General Electric Capital Corp., 3.75%, 11/14/14L2	750,000	749,515
Tyco International Finance SA, 8.50%, 1/15/19L2	320,000	387,113
		1,136,628
INTEGRATED OIL & GAS—0.5%		
BP Capital Markets PLC, 5.25%, 11/7/13L2	600,000	**654,109**
INTEGRATED TELECOMMUNICATION SERVICES—1.3%		
Cellco Partnership / Verizon Wireless Capital LLC, 7.38%, 11/15/13L2	600,000	689,788
Frontier Communications Corp., 6.25%, 1/15/13L2	1,000,000	1,007,500
		1,697,288
INTERNET RETAIL—0.6%		
Expedia Inc., 7.46%, 8/15/18L2	675,000	**739,969**
LIFE & HEALTH INSURANCE—0.9%		
Lincoln National Corp., 8.75%, 7/1/19L2	350,000	400,574
Prudential Financial Inc., 8.88%, 6/15/38L2	650,000	695,500
		1,096,074

CORPORATE BONDS—(CONT.)	PRINCIPAL AMOUNT	VALUE
MANAGED HEALTH CARE—0.4%		
Cigna Corp., 5.38%, 3/15/17 L2	$ 500,000	**$ 481,948**
METAL & GLASS CONTAINERS—0.2%		
Ball Corp., 7.13%, 9/1/16 L2	250,000	**257,500**
MOVIES & ENTERTAINMENT—0.1%		
Time Warner Cable Inc., 8.25%, 2/14/14 L2	125,000	**146,223**
OIL & GAS EQUIPMENT & SERVICES—0.3%		
Weatherford International Ltd., 9.63%, 3/1/19 L2	350,000	**437,047**
OIL & GAS EXPLORATION & PRODUCTION—0.4%		
Devon Energy Corp., 6.30%, 1/15/19 L2	350,000	390,390
PetroHawk Energy Corp., 7.88%, 6/1/15 L2	150,000	152,250
		542,640
OIL & GAS STORAGE & TRANSPORTATION—1.2%		
Inergy LP/Inergy Finance Corp., 8.25%, 3/1/16 L2	653,000	666,060
Spectra Energy Capital LLC, 5.65%, 3/1/20 L2	350,000	353,881
Williams Cos Inc., /The, 8.75%, 1/15/20 L2	350,000	418,266
		1,438,207
OTHER DIVERSIFIED FINANCIAL SERVICES—1.3%		
Citigroup Inc., 8.50%, 5/22/19 L2	600,000	694,005
JPMorgan Chase & Co., 7.90%, 12/30/49 L2	1,000,000	1,034,834
		1,728,839
PACKAGED FOODS & MEATS—0.1%		
Kraft Foods Inc., 6.75%, 2/19/14 L2	125,000	**138,354**
PHARMACEUTICALS—1.0%		
AstraZeneca PLC, 5.40%, 6/1/14 L2	600,000	658,492
Roche Holdings Inc., 5.00%, 3/1/14 L2(b)	600,000	642,506
		1,300,998
PROPERTY & CASUALTY INSURANCE—2.0%		
CNA Financial Corp., 7.35%, 11/15/19 L2	1,000,000	1,002,904
Liberty Mutual Group Inc., 7.80%, 3/15/37 L2(b)	1,350,000	1,127,250
XL Capital Ltd., 6.50%, 12/31/49 L2	650,000	497,250
		2,627,404
SEMICONDUCTORS—0.3%		
Analog Devices Inc., 5.00%, 7/1/14 L2	350,000	**365,483**
SOFT DRINKS—0.6%		
Coco-Cola Co., /The, 4.88%, 3/15/19 L2	700,000	**730,523**
THRIFTS & MORTGAGE FINANCE—0.2%		
Countrywide Financial Corp., 6.25%, 5/15/16 L2	250,000	**254,623**
WIRELESS TELECOMMUNICATION SERVICES—0.3%		
Crown Castle International Corp., 7.13%, 11/1/19 L2	350,000	**348,250**
TOTAL CORPORATE BONDS (Cost $26,700,584)		**28,425,022**

COLLATERALIZED MORTGAGE OBLIGATIONS—1.9%	PRINCIPAL AMOUNT	VALUE
INDUSTRIAL CONGLOMERATES—0.8%		
GE Capital Commercial Mortgage Corp., 2001-2, 6.59%, 8/11/33 L2	$ 1,000,000	$ **1,058,921**
WIRELESS TELECOMMUNICATION SERVICES—1.1%		
American Tower Trust, 2007-1A, 5.96%, 4/15/37 L2(b)	1,500,000	**1,515,337**
TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS (Cost $2,498,642)		**2,574,258**

ASSET BACKED SECURITIES—1.0%	PRINCIPAL AMOUNT	VALUE
MULTI-UTILITIES—0.5%		
CenterPoint Energy Transition Bond Co., LLC, 2005A, 4.97%, 8/1/14 L2	564,435	**588,808**
OTHER DIVERSIFIED FINANCIAL SERVICES—0.5%		
Nissan Auto Receivables Owner Trust, 2005A, 3.20%, 2/15/13 L2	650,000	**667,907**
TOTAL ASSET BACKED SECURITIES (Cost $1,215,802)		**1,256,715**

U.S. GOVERNMENT & AGENCY MORTGAGE BACKED OBLIGATIONS—5.4% (c)	PRINCIPAL AMOUNT	VALUE
COLLATERALIZED MORTGAGE BACKED OBLIGATIONS—4.9%		
Federal National Mortgage Association REMICS, L2		
6.00%, 4/25/35 +,L2	1,800,000	**1,906,839**
Federal Home Loan Mortgage Corp REMICS, L2		
5.00%, 12/15/32 +,L2	1,650,000	1,721,993
6.00%, 8/15/29 +,L2	1,880,000	1,993,555
Government National Mortgage Association REMICS, L2		
5.00%, 5/16/29 +,L2	684,329	**697,885**
		6,320,272
FEDERAL NATIONAL MORTGAGE ASSOCIATION—0.5%		
Federal National Mortgage Association Pool, L2		
5.00%, 4/01/18 L2	666,130	**702,257**
TOTAL U.S. GOVERNMENT & AGENCY MORTGAGE BACKED OBLIGATIONS (Cost $6,774,141)		**7,022,529**

U.S. GOVERNMENT & AGENCY OBLIGATIONS (EXCLUDING MORTGAGE-BACKED)—7.9% (c)	PRINCIPAL AMOUNT	VALUE
FEDERAL HOME LOAN BANK—0.2%		
Federal Home Loan Banks, L2		
5.38%, 6/08/12 L2	200,000	**216,184**
FEDERAL NATIONAL MORTGAGE ASSOCIATION—2.4%		
Federal National Mortgage Association, L2		
4.63%, 5/01/13 L2	1,400,000	1,473,977
5.00%, 2/13/17 L2	1,400,000	1,521,982
		2,995,959

U.S. GOVERNMENT & AGENCY OBLIGATIONS (EXCLUDING MORTGAGE-BACKED)—(CONT.)	PRINCIPAL AMOUNT	VALUE
U.S. GOVERNMENT NOTE/BOND—5.3%		
U.S. Treasury Bonds[L2]		
5.25%, 11/15/28 [L2]	$ 1,000,000	**$ 1,083,907**
U.S. Treasury Notes[L2]		
5.00%, 8/15/11 [L2]	1,285,000	1,370,533
1.13%, 1/15/12 [L2]	1,400,000	1,399,127
1.50%, 12/31/13 [L2]	1,400,000	1,363,579
4.50%, 2/15/16 [L2]	640,000	690,550
4.75%, 8/15/17 [L2]	640,000	694,650
3.50%, 2/15/18 [L2]	150,000	148,817
		5,667,256
TOTAL U.S. GOVERNMENT & AGENCY OBLIGATIONS (EXCLUDING MORTGAGE-BACKED) (Cost $9,825,291)		**9,963,306**

SHORT-TERM INVESTMENTS—1.9%	PRINCIPAL AMOUNT	VALUE
TIME DEPOSITS—1.9%		
Wells Fargo Grand Cayman, 0.03%, 1/04/10[L2]	2,406,014	**2,406,014**
(Cost $2,406,014)		

Total Investments (Cost $125,741,357)[(d)]	99.4%	127,263,708
Other Assets in Excess of Liabilities	0.6	769,176
NET ASSETS	100.0%	**$ 128,032,884**

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

+ *Real Estate Mortgage Investment Conduit*
* *Non-income producing security.*
# *American Depository Receipts.*
(a) *These securities are required to be converted on the date listed; they generally may be converted prior to this date at the option of the holder.*
(b) *Pursuant to Securities and Exchange Commission Rule 144A, these securities may be sold prior to their maturity only to qualified institutional buyers. These securities are deemed to be liquid and represent 6.5%, of the net assets of the Fund.*
(c) *Securities issued by these agencies, except for United States Treasury Notes and Bonds, are neither guaranteed nor issued by the United States Government.*
(d) *At December 31, 2009, the net unrealized appreciation on investments, based on cost for federal income tax purposes of $125,877,157 amounted to $1,386,551 which consisted of aggregate gross unrealized appreciation of $10,397,407 and aggregate gross unrealized depreciation of $9,010,856.*
L2 *Security classified as Level 2 for ASC 820 disclosure purposes based on valuation inputs.*

Industry classifications are unaudited.
See Notes to Financial Statements.

ASSETS:		
Investments in securities, at value (Identified cost)* see accompanying schedule of investments	$	127,263,708
Receivable for investment securities sold		406,474
Receivable for shares of beneficial interest sold		42,842
Dividends and interest receivable		721,052
Prepaid expenses		30,814
Total Assets		128,464,890
LIABILITIES:		
Payable for investment securities purchased		252,758
Payable for shares of beneficial interest redeemed		60,620
Accrued investment advisory fees		72,981
Accrued transfer agent fees		2,237
Accrued distribution fees		59
Accrued administrative fees		2,995
Accrued other expenses		40,356
Total Liabilities		432,006
NET ASSETS	**$**	**128,032,884**
Net Assets Consist of:		
Paid in capital		153,344,471
Undistributed net investment income		3,051,230
Accumulated net realized loss		(29,885,167)
Net unrealized appreciation on investments		1,522,350
NET ASSETS	**$**	**128,032,884**
Net Asset Value Per Share		
Class I-2		$10.79
Class S		$11.75
Net Assets By Class		
Class I-2		127,756,160
Class S		276,724
Shares of Benefical Interest Outstanding— Note 6 (Par Value $.001)		
Class I-2		11,840,658
Class S		23,541
*Identified Cost	$	125,741,357

See Notes to Financial Statements.

Statement of Operations

For the year ended December 31, 2009

INCOME:		
Dividends (net of foreign withholding taxes*)	$	1,109,991
Interest		3,027,891
Other		6,842
Total Income		4,144,724
EXPENSES		
Advisory fees—Note 3		853,350
Distribution fees Class S—Note 3		607
Administrative fees—Note 3		33,052
Custodian fees		28,043
Interest expenses		281
Transfer agent fees and expenses—Note 3		31,590
Printing fees		15,775
Professional fees		36,467
Registration fees		48,886
Trustee fees—Note 3		13,001
Miscellaneous		10,483
Total Expenses		1,071,535
Less, expense reimbursements—Note 3		(48,076)
Net Expenses		1,023,459
NET INVESTMENT INCOME		3,121,265
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, OPTIONS AND FOREIGN CURRENCY TRANSACTIONS:		
Net realized loss on investments		(12,804,758)
Net realized loss on foreign currency transactions		(804)
Net change in unrealized appreciation (depreciation) on investments and foreign currency		40,357,012
Net realized and unrealized gain on investments, options and foreign currency		27,551,450
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$**	**30,672,715**
*Foreign withholding taxes	$	780

See Notes to Financial Statements.

	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008
Net investment income	$ 3,121,265	$ 3,892,935
Net realized loss on investments, options and foreign currency transactions	(12,805,562)	(16,508,210)
Net change in unrealized appreciation (depreciation) on investments, options and foreign currency	40,357,012	(51,181,425)
Net increase (decrease) in net assets resulting from operations	30,672,715	(63,796,700)
Dividends and distributions to shareholders from:		
Net investment income		
Class I-2	(3,885,030)	(4,659,958)
Class S	(7,319)	—
Net realized gains		
Class I-2	—	(22,191,368)
Class S	—	(30,168)
Total dividends and distributions to shareholders	(3,892,349)	(26,881,494)
Increase (decrease) from shares of beneficial interest transactions:		
Class I-2	(17,726,993)	(14,784,128)
Class S	22,064	(32,877)
Net decrease from shares of beneficial interest transactions—Note 6	(17,704,929)	(14,817,005)
Total increase (decrease)	9,075,437	(105,495,199)
Net Assets:		
Beginning of period	118,957,447	224,646
END OF PERIOD	**$ 128,032,884**	**$ 118,957,447**
Undistributed net investment income	$ 3,051,230	$ 3,875,051

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

	Class S				
	Year ended 12/31/2009	Year ended 12/31/2008	Year ended 12/31/2007	Year ended 12/31/2006	Year ended 12/31/2005
Net asset value, beginning of period	$ 9.43	$ 15.46	$ 14.30	$ 14.61	$ 13.71
INCOME FROM INVESTMENT OPERATIONS:					
Net investment income(i)	0.23	0.24	0.19	0.20	0.14
Net realized and unrealized gain (loss) on investments	2.40	(4.72)	1.83	0.40	0.96
Total from investment operations	2.62	(4.48)	2.02	0.60	1.10
Dividends from net investment income	(0.30)	—	—	(0.17)	(0.20)
Distributions from net realized gains	—	(1.55)	(0.86)	(0.74)	—
Net asset value, end of period	$ 11.75	$ 9.43	$ 15.46	$ 14.30	$ 14.61
Total return	28.50%	(31.90)%	14.49%	4.46%	8.15%
RATIOS/SUPPLEMENTAL DATA:					
Net assets, end of period (000's omitted)	$ 277	$ 198	$ 363	$ 31,528	$ 43,583
Ratio of gross expenses to average net assets	1.30%	1.10%	1.12%	1.11%	1.06%
Ratio of expense reimbursements to average net assets	(0.04)%	(0.04)%	(0.04)%	0.00%	0.00%
Ratio of net expenses to average net assets	1.26%	1.06%	1.08%	1.11%	1.06%
Ratio of net investment income to average net assets	2.18%	1.96%	1.48%	1.43%	1.05%
Portfolio turnover rate	104.04%	76.32%	103.77%	288.73%	218.77%

(i) *Amount was computed based on average shares outstanding during the period.*

NOTE 1 — General:

The Alger Portfolios (the "Fund") changed its name from The Alger American Fund on September 23, 2009. The Fund is a diversified, open-end registered investment company organized as a business trust under the laws of the Commonwealth of Massachusetts. The Fund operates as a series company currently issuing seven series of shares of beneficial interest: the Alger Capital Appreciation Portfolio, Alger Large Cap Growth Portfolio, Alger Mid Cap Growth Portfolio, Alger SMid Cap Growth Portfolio, Alger Small Cap Growth Portfolio, Alger Growth & Income Portfolio, and Alger Balanced Portfolio (collectively the "Portfolios" and individually "Portfolio") (formerly the Alger American Capital Appreciation Portfolio, Alger American LargeCap Growth Portfolio, Alger American MidCap Growth Portfolio, Alger American SmallCap and MidCap Growth Portfolio, Alger American SmallCap Growth Portfolio, Alger American Income and Growth Portfolio, and the Alger American Balanced Portfolio). These financial statements include only the Alger Balanced Portfolio (the "Portfolio"). The Portfolio's investment objective is current income and long-term capital appreciation which it seeks to achieve through investing in equity and fixed income securities. Shares of the Portfolio are available and are being marketed exclusively as a pooled funding vehicle for qualified retirement plans and for life insurance companies writing all types of variable annuity contracts and variable life insurance policies.

The Portfolio offers Class I-2 shares (formerly Class O shares) and Class S shares. Each class has identical rights to assets and earnings except that only Class S shares have a plan of distribution and bear the related expenses.

NOTE 2 — Significant Accounting Policies:

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

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

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

Securities for which market quotations are not readily available are valued at fair value, as determined in good faith pursuant to procedures established by the Board of Trustees.

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

Financial Accounting Standards Board Accounting Standards Codification 820 – Fair Value Measurements and Disclosures ("ASC 820") defines fair value as the price that the Portfolio would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. ASC 820 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. "Inputs" refer broadly to the assumptions that market participants would use in pricing the asset or liability and may be observable or unobservable. Observable inputs are based on market data obtained from sources independent of the Portfolio. Unobservable inputs are inputs that reflect the Portfolio's own assumptions based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad Levels listed below.

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

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

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

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

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

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

(d) Option Contracts: When a Portfolio writes an option, an amount equal to the premium received by the Portfolio is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by the Portfolio on the expiration date as realized gains from investments. The difference between the premium and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or, if the premium is less than the amount paid for the closing purchase transaction, as a realized loss. If a written call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether the Portfolio has realized a gain or loss. If a written put option is exercised, the premium reduces the cost basis of the securities purchased by the Portfolio. The Portfolio as writer of an option bears the market risk of an unfavorable change in the price of the security underlying the written option. During the year ended December 31, 2009, there were no written options.

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

(e) Lending of Portfolio Securities: The Portfolio may lend its securities to financial institutions, provided that the market value of the securities loaned will not at any time exceed one third of the Portfolio’s total assets. The Portfolio earns fees on the securities loaned. In order to protect against the risk of failure by the borrower to return the securities loaned or any delay in the delivery of such securities, the loan is collateralized by cash, letters of credit or U.S. Government securities that are maintained in an amount equal to at least 100 percent of the current market value of the loaned securities. The

"current market value" of the loaned securities is determined at the close of business of the Portfolio and any required additional collateral is delivered to the Portfolio on the next business day. There were no securities on loan during the year ended December 31, 2009.

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

Dividends from net investment income are declared and paid annually. Dividends from net realized gains, offset by any loss carryforward, are declared and paid annually after the end of the fiscal year in which earned. Each class is treated separately in determining the amounts of dividends of net investment income and capital gains payable to holders of its shares.

The characterization of distributions to shareholders for financial reporting purposes is determined in accordance with federal income tax rules. Therefore, the source of the Portfolio's distributions may be shown in the accompanying financial statements as either from, or in excess of, net investment income or net realized gain on investment transactions, or return of capital, depending on the type of book/tax differences that may exist. Capital accounts within the financial statements are adjusted for permanent book/tax differences. Reclassifications result primarily from the difference in tax treatment of net operating losses, premium/discount of debt securities, realized gain loss from foreign currency transactions, and realized gains from redemptions in kind, if any. The reclassifications have no impact on the net asset values of the Portfolio and were designed to present the Portfolio's capital accounts on a tax basis.

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

Financial Accounting Standards Board Accounting Standards Codification 740 – Income Taxes ("ASC 740") requires the Portfolio to measure and recognize in its financial statements the benefit of a tax position taken (or expected to be taken) on an income tax return if such position will more likely than not be sustained upon examination based on the technical merits of the position. The Portfolio files income tax returns in the U.S. Federal jurisdiction, as well as the New York State and New York City jurisdictions. Based upon their review of tax positions for the Portfolio's open tax years of 2006-2009 in these jurisdictions, the Portfolio has determined that ASC 740 did not have a material impact on the Portfolio's financial statements for the year ended December 31, 2009.

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

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

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

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

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

As part of the settlement with the New York State Attorney General (see Note 10—Litigation) Alger Management has agreed to reduce its advisory fee to 0.67% for the Portfolio, for the period from December 1, 2006 through November 30, 2011.

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

(c) Brokerage Commissions: During the year ended December 31, 2009, the Portfolio paid the Distributor $60,588, in connection with securities transactions.

(d) Shareholder Administrative Fees: The Fund has entered into a shareholder administrative service agreement with Alger Management to compensate Alger Management on a per account basis for its liaison and administrative oversight of Boston Financial Data Services, Inc., the transfer agent for the Fund ("BFDS") and other related services. During the year ended December 31, 2009, the Portfolio incurred fees of $80, for these services provided by Alger Management which are included in transfer agent fees and expenses in the Statement of Operations.

(e) Trustee Fees: Certain trustees and officers of the Fund are directors and officers of Alger Management and the Distributor. During the year ended December 31, 2009, each Portfolio paid each Trustee who is not affiliated with Alger Management or its affiliates $500 for each meeting attended, to a maximum of $2,000 per annum. The Chairman of the Board of Trustees received an additional annual fee of $10,000 which is paid, pro rata, by all portfolios managed by Alger Management. Additionally, each member of the audit committee received an additional $50 from each Portfolio for each audit committee meeting attended, to a maximum of $200 per annum.

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

During the year ended December 31, 2009, the Portfolio incurred interest expense of $13, in connection with interfund loans.

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

NOTE 4 — Securities Transactions:

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

	PURCHASES	SALES
Alger Balanced Portfolio	$115,574,920	$134,917,007

NOTE 5 — Borrowing:

The Portfolio may borrow from its custodian on an uncommitted basis. The Portfolio pays the custodian a market rate of interest, generally based upon the London Inter-Bank Offer Rate. The Portfolio may also borrow from other portfolios advised by Alger Management, as discussed in Note 3 (f). For the year ended December 31, 2009, the Portfolio had the following borrowings:

	AVERAGE BORROWING	WEIGHTED AVERAGE INTEREST RATE
Alger Balanced Portfolio	$ 30,248	2.20%

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

	HIGHEST BORROWING
Alger Balanced Portfolio	$847,840

NOTE 6 — Share Capital:

The Fund has an unlimited number of authorized shares of beneficial interest of $.001 par value which are divided into seven series. During the year ended December 31, 2009 and the year ended December 31, 2008, transactions of shares of beneficial interest were as follows:

	FOR THE YEAR ENDED DECEMBER 31, 2009		FOR THE YEAR ENDED DECEMBER 31, 2008	
	SHARES	AMOUNT	SHARES	AMOUNT
Alger Balanced Portfolio				
Class I-2:				
Shares sold	843,697	$ 8,050,600	719,749	$ 8,700,463
Dividends reinvested	438,986	3,885,030	2,204,542	26,851,326
Shares redeemed	(3,183,478)	(29,662,623)	(4,521,385)	(50,335,917)
Net decrease	**(1,900,795)**	**$ (17,726,993)**	**(1,597,094)**	**$ (14,784,128)**
Class S:				
Shares sold	4,947	$ 46,643	5,905	$ 86,175
Dividends reinvested	760	7,319	2,268	30,168
Shares redeemed	(3,249)	(31,898)	(10,551)	(149,220)
Net increase (decrease)	**2,458**	**$ 22,064**	**(2,378)**	**$ (32,877)**

NOTE 7 — Income Tax Information:

The tax character of distributions paid during the year ended December 31, 2009 and the year ended December 31, 2008 was as follows:

	YEAR ENDED DECEMBER 31, 2009	YEAR ENDED DECEMBER 31, 2008
Alger Balanced Portfolio		
Distributions paid from:		
Ordinary Income	$ 3,892,349	$ 24,371,251
Long-term capital gain	—	2,510,243
Total distributions paid	**$ 3,892,349**	**$ 26,881,494**

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

Alger Balanced Portfolio	
Undistributed ordinary income	$ 3,136,124
Undistributed long-term gains	—
Net accumulated earnings	3,136,124
Capital loss carryforwards	(28,684,436)
Post-October losses	(1,149,822)
Temporary differences	(4)
Net unrealized appreciation	1,386,551
Total accumulated losses	$ (25,311,587)

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

Expiration Dates	Alger Balanced Portfolio
2016	$ 5,011,864
2017	23,672,572
Total	28,684,436

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

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

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

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

NOTE 8 — Fair Value Measurements:

The major categories of securities and their respective fair value inputs are detailed in the Portfolio's Schedule of Investments. The following is a summary of the inputs used as of December 31, 2009 in valuing the Portfolio's investments carried at fair value:

Alger Balanced Portfolio	TOTAL FUND	LEVEL 1	LEVEL 2	LEVEL 3
COMMON STOCKS				
Consumer Discretionary	$ 6,082,370	$ 6,082,370	—	—
Consumer Staples	9,998,468	9,998,468	—	—
Energy	6,683,263	6,683,263	—	—
Financials	6,679,478	6,679,478	—	—
Health Care	11,138,863	11,138,863	—	—
Industrials	7,817,498	7,817,498	—	—
Information Technology	18,449,377	18,449,377	—	—
Materials	2,237,777	2,237,777	—	—
Telecommunication Services	658,705	658,705	—	—
TOTAL COMMON STOCKS	**69,745,799**	**69,745,799**	**—**	**—**

Alger Balanced Portfolio	TOTAL FUND	LEVEL 1	LEVEL 2	LEVEL 3
CONVERTIBLE CORPORATE BONDS				
Energy	$ 1,190,938	—	$ 1,190,938	—
Information Technology	$ 980,688	—	$ 980,688	—
Materials	1,309,812	—	1,309,812	—
Telecommunication Services	461,125	—	461,125	—
Utilities	613,750	—	613,750	—
TOTAL CONVERTIBLE CORPORATE BONDS	**4,556,313**	**—**	**4,556,313**	**—**
CONVERTIBLE PREFERRED STOCK				
Financials	$ 583,372	$ 583,372	—	—
CORPORATE BONDS				
Consumer Discretionary	$ 4,443,071	—	$ 4,443,071	—
Consumer Staples	2,128,615	—	2,128,615	—
Energy	3,072,003	—	3,072,003	—
Financials	7,848,305	—	7,848,305	—
Health Care	2,777,007	—	2,777,007	—
Industrials	1,136,628	—	1,136,628	—
Information Technology	2,414,190	—	2,414,190	—
Materials	1,252,908	—	1,252,908	—
Telecommunication Services	2,045,538	—	2,045,538	—
Utilities	1,306,757	—	1,306,757	—
TOTAL CORPORATE BONDS	**28,425,022**	**—**	**28,425,022**	**—**
MANDATORY CONVERTIBLE BOND				
Financials	$ 730,380	$ 730,380	—	—
COLLATERALIZED MORTGAGE OBLIGATIONS				
Industrials	$ 1,058,921	—	$ 1,058,921	—
Telecommunication Services	1,515,337	—	1,515,337	—
TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS	**2,574,258**	**—**	**2,574,258**	**—**
ASSET BACKED SECURITIES				
Financials	$ 667,907	—	$ 667,907	—
Utilities	588,808	—	588,808	—
TOTAL ASSET BACKED SECURITIES	**1,256,715**	**—**	**1,256,715**	**—**
U.S. GOVERNMENT & AGENCY MORTGAGE BACKED OBLIGATIONS				
Collateralized Mortgage Backed Obligations	$ 6,320,272	—	$ 6,320,272	—
Federal National Mortgage Association	702,257	—	702,257	—
TOTAL U.S. GOVERNMENT & AGENCY MORTGAGE BACKED OBLIGATIONS	**7,022,529**	**—**	**7,022,529**	**—**
U.S. GOVERNMENT & AGENCY OBLIGATIONS (EXCLUDING MORTGAGE-BACKED)				
Federal Home Loan Bank	$ 216,184	—	$ 216,184	—
Federal National Mortgage Association	2,995,959	—	2,995,959	—
U.S. Treasury Bonds	1,083,907	—	1,083,907	—
U.S. Treasury Notes	5,667,256	—	5,667,256	—
TOTAL U.S. GOVERNMENT & AGENCY OBLIGATIONS (EXCLUDING MORTGAGE-BACKED)	**9,963,306**	**—**	**9,963,306**	**—**

Alger Balanced Portfolio	TOTAL FUND	LEVEL 1	LEVEL 2	LEVEL 3
SHORT-TERM INVESTMENTS				
Time Deposits	$ 2,406,014	—	$ 2,406,014	—
TOTAL INVESTMENTS IN SECURITIES	**$ 127,263,708**	**$ 71,059,551**	**$ 56,204,157**	**—**

NOTE 9 — Derivatives:

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

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

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

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

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

NOTE 10 — Litigation:

The Manager has responded to inquiries, document requests and/or subpoenas from various regulatory authorities in connection with their investigations of practices in the mutual fund industry identified as "market timing" and "late trading." On October 11, 2006, the Manager, the Distributor and Alger Shareholder Services, Inc. executed an Assurance of Discontinuance with the Office of the New York State Attorney General ("NYAG"). On January 18, 2007, the Securities and Exchange Commission (the "SEC") approved a settlement with the Manager and the Distributor. As part of the settlements with the NYAG and the SEC, without admitting or denying liability, the firms consented to the payment of $30 million to reimburse fund shareholders; a fine of $10 million; and certain other remedial measures including a reduction in management fees of $1 million per year for five years. The $40 million was paid into an SEC Fair Fund for distribution to investors.

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

In addition, in 2003 and 2004 several purported class actions and shareholder derivative suits were filed against various parties in the mutual fund industry, including the Manager, certain mutual funds managed by the Manager (the "Alger Mutual Funds"), and certain current and former Alger Mutual Fund trustees and officers, alleging wrongful conduct related to market-timing and late-trading by mutual fund shareholders. These cases were transferred to the U.S. District Court of Maryland by the Judicial Panel on Multidistrict Litigation for consolidated pre-trial proceedings under the caption number 1:04-MD-15863 (JFM). After a number of the claims were dismissed by the court, the class and derivative suits were settled in principle, but such settlement remains subject to court approval.

NOTE 11 — Recent Accounting Pronouncements:

On January 21, 2010, the FASB issued Accounting Standards Update (ASU) 2010-06. The ASU amends ASC 820 to add new requirements for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The application of ASU 2010-06 is required for fiscal years and interim periods beginning after December 15, 2009. At this time, management is evaluating the implications of ASU 2010-06.

NOTE 12 — Subsequent Event:

The Portfolio has evaluated events that have occurred after December 31, 2009 but before February 12, 2010, the date that these financial statements were issued. No such events have been identified which require recognition as of December 31, 2009.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Trustees of Alger Balanced Portfolio of The Alger Portfolios:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of the Alger Balanced Portfolio (formerly the Alger American Balanced Portfolio), one of the portfolios constituting The Alger Portfolios (formerly the Alger American Fund) (the "Fund") as of December 31, 2009, and the related statement of operations and statement of changes in net assets and the financial highlights for the year 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 audit. The Fund's statement of changes in net assets for the year ended December 31, 2008, and the financial highlights for the four years ended December 31, 2008 were audited by other auditors, whose report dated February 10, 2009, expressed an unqualified opinion on such statements and financial highlights.

We conducted our audit 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. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit 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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2009, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audit provides 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 Alger Balanced Portfolio of the Alger Portfolios as of December 31, 2009, the results of its operations, and 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.

DELOITTE & TOUCHE LLP

New York, New York

February 12, 2010

Shareholder Expense Example

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

The example below is based on an investment of $1,000 invested at the beginning of the six-month period starting July 1, 2009 and ending December 31, 2009.

Actual Expenses

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

Hypothetical Example for Comparison Purposes

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

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

		Beginning Account Value July 1, 2009	Ending Account Value December 31, 2009	Expenses Paid During the Six Months Ended December 31, 2009(a)	Ratio of Expenses to Average Net Assets For the Six Months Ended December 31, 2009(b)
Alger Balanced Portfolio					
Class I-2	Actual	$ 1,000.00	$ 1,167.70	$ 4.64	0.85%
	Hypothetical(c)	1,000.00	1,020.92	4.33	0.85
Class S	Actual	1,000.00	1,165.70	6.88	1.26
	Hypothetical(c)	1,000.00	1,018.85	6.41	1.26

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

Trustees and Officers of the Fund

Information about the trustees and officers of the Fund is set forth below. In the table the term "Alger Fund Complex" refers to the Fund, The Alger Funds, The Alger Institutional Fund, Alger China-U.S. Growth Fund and The Alger Funds II, 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	Principal Occupations	Trustee and/or Officer Since	Number of Funds in the Alger Fund Complex which are Overseen by Trustee
INTERESTED TRUSTEE			
Hilary M. Alger (48)	Director of Development, Pennsylvania Ballet since 2004; Associate Director of Development, College of Arts and Sciences and Graduate School, University of Virginia 1999-2003.	2003	27
NON-INTERESTED TRUSTEE			
Charles F. Baird, Jr. (56)	Managing Partner of North Castle Partners, a private equity securities group; Chairman of Leiner Health Products, Enzymatic Therapy and Caleel & Hayden (skincare business); former Chairman of Elizabeth Arden Day Spas, Naked Juice, Equinox (fitness company) and EAS (manufacturer of nutritional products). Formerly Managing Director of AEA Investors, Inc.	2000	27
Roger P. Cheever (64)	Associate Vice President for Principal Gifts, and Senior Associate Dean for Development in the Faculty of Arts and Sciences at Harvard University; Formerly Deputy Director of the Harvard College Fund.	2000	27
Lester L. Colbert Jr. (75)	Private investor since 1988; Formerly Chairman of the Board, President and Chief Executive Officer of Xidex Corporation (manufacturer of computer information media).	2000	27
Stephen E. O'Neil (77)	Attorney. Private Investor since 1981. Formerly of Counsel to the law firm of Kohler & Barnes.	1986	27
David Rosenberg (47)	Associate Professor of Law since January 2006 (Assistant Professor 2000-2005), Zicklin School of Business, Baruch College, City University of New York.	2007	27
Nathan E. Saint-Amand M.D. (72)	Medical doctor in private practice; Member of the Board of the Manhattan Institute (non-profit policy research) since 1988; Formerly Co-Chairman, Special Projects Committee, Memorial Sloan Kettering.	1986	27

Name, Age, Position with the Fund	Principal Occupations	Trustee and/or Officer Since	Number of Funds in the Alger Fund Complex which are Overseen by Trustee
OFFICERS			
Dan C. Chung (47) President	Chief Investment Officer and Director since 2001, and Chief Executive Officer since 2006, of Alger Management; President since 2003 of Alger Associates, Inc. ("Associates"); President and Director since 2003 of Fred Alger International Advisory S.A. ("International"); President since 2003 and Director since 2003 of Analysts Resources, Inc. ("Resources"); Formerly Trustee of the Trust from 2001 to 2007.	2001	N/A
Michael D. Martins (44) Treasurer	Senior Vice President of Alger Management; Assistant Treasurer since 2004.	2005	N/A
Hal Liebes (45) Secretary	Executive Vice President, Chief Legal Officer, Chief Operating Officer and Secretary of Alger Management; Director since 2006 of International and Resources. Formerly Chief Compliance Officer 2004-2005, AMVESCAP PLC.	2005	N/A
Lisa A. Moss (44) Assistant Secretary	Senior Vice President since 2009, and Vice President and Assistant General Counsel of Alger Management since June 2006. Formerly Director of Merrill Lynch Investment Managers, L.P. from 2005-2006.	2006	N/A
Anthony S. Caputo (54) Assistant Treasurer	Employed by Alger Management since 1986, currently serving as Vice President.	2007	N/A
Sergio M. Pavone (48) Assistant Treasurer	Employed by Alger Management since 2002, currently serving as Vice President.	2007	N/A
Barry J. Mullen (56) Chief Compliance Officer	Senior Vice President and Director of Compliance of Alger Management since May 2006. Formerly Director of BlackRock, Inc. from 2004-2006.	2006	N/A

Ms. Alger is an "interested person" (as defined in the Investment Company Act) of the Fund because of her affiliations with Alger Management. No Trustee is a director of any public company except as 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

At an in-person meeting held on September 22, 2009, the Trustees, including the Independent Trustees, unanimously approved renewal of the Investment Advisory Agreement between the Fund and Alger Management (the "Agreement"). The Independent Trustees were assisted in their review by independent legal counsel and met with such counsel in executive session separate from representatives of Alger Management.

In evaluating the Agreement, the Trustees drew on materials that they had requested and which were provided to them in advance of the meeting by Alger Management and by counsel. The materials covered, among other matters, (i) the nature, extent and quality of the services provided by Alger Management under the Agreement, (ii) the investment performance of the Fund's portfolios (each a "Portfolio"), (iii) the costs to Alger Management of its services and the profits realized by Alger Management and Alger Inc. from their relationship with the Fund, and (iv) the extent to which economies of scale would be realized if and as the Portfolios grow and whether the fee levels in the Agreement reflect these economies of scale. These materials included an analysis of the Portfolios and Alger Management'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 Investment Company Act of 1940. At the meeting, senior Callan personnel provided a presentation to the Trustees based on the Callan materials. At the outset of the presentation the Trustees were informed that from time to time Callan may recommend Alger Management to certain of Callan's consulting or other clients as an investment adviser and that this fact might be deemed to give rise to a potential conflict of interest for Callan in its services to the Fund.

In deciding whether to approve renewal of the Agreement, the Trustees considered various factors, including those enumerated above. They also considered other direct and indirect benefits to Alger Management and its affiliates from their relationship with the Fund.

Nature, Extent and Quality of Services. In considering the nature, extent and quality of the services provided by Alger Management pursuant to the Agreement, the Trustees relied on their prior experience as Trustees of the Fund, 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 Agreement Alger Management is responsible for managing the investment operations of the Portfolios. They also noted that administrative, compliance, reporting and accounting services necessary for the conduct of the Fund's affairs are provided by Alger Management under the separate Administration Agreement. The Trustees reviewed the background and experience of Alger Management's senior investment management personnel, including the individuals currently responsible for the investment operations of the Portfolios. They also considered the resources, operational structures and practices of Alger Management in managing each Portfolio, as well as Alger Management's overall investment management business. They noted especially Alger Management's history of expertise in managing portfolios of "growth" stocks and that, according to an analysis provided by Callan, the characteristics of each equity Portfolio had been typical of a fund that holds itself out to investors as growth-oriented. They also took notice of the ability of the manager of the fixed-income portion of the Balanced Portfolio to manage fixed-income instruments across the credit and credit quality spectra. The Trustees concluded that Alger Management's experience, resources and strength in the areas of importance to the Fund are considerable. The Trustees considered the level and depth of Alger Management's ability to execute portfolio transactions to effect investment decisions, including those through Alger Inc. The Trustees also considered the ongoing enhancements to the control and compliance environment at Alger Management and within the Fund.

Investment Performance of the Funds. Drawing upon information provided at the meeting by Alger Management as well as Callan and upon reports provided to the Trustees by Alger Management throughout the preceding year, the Trustees reviewed each Portfolio's returns for the year-to-date (at 8/31/09), second-quarter, and 1-, 3-, 5-, and 10-year periods to the extent available (and its year-by-year returns) and compared them with benchmark and peer-group data for the same periods. They noted that while the performance of each of the pure growth equity Portfolios relative to its peer group and benchmark for the reported periods predating 2009 was uneven, each of those Portfolios outperformed its benchmark and placed above the median in its peer group (generally by a substantial margin) for the year to date. The Trustees also noted that the performance of the Balanced Portfolio, which had likewise been uneven prior to 2009, had placed it in the top quartile of its peer group for 2009 to date. As to the Income & Growth Portfolio, because of the Portfolio's relative distinctive investment practices the Trustees relied primarily on the Portfolio's performance against the S&P 500 rather than relative to a peer group and noted that by that measure the Portfolio had performed well during 2009 to date (and frequently during the prior reported periods).

Fund Fees and Expense Ratios; Profitability to Alger Management and its Affiliates. The Trustees considered the profitability of the Investment Advisory Agreement to Alger Management and its affiliates, and the methodology used by Alger Management in determining such profitability. The Trustees reviewed previously-provided data on each Portfolio's profitability to Alger Management and its affiliates for the year ended June 30, 2009. In addition, the Trustees reviewed each Portfolio's management fee and expense ratio and compared them with a group of comparable funds. In order to assist the Trustees in this comparison, Callan had provided the Trustees with comparative information with respect to fees paid, and expense ratios incurred, by similar funds. That information indicated that while most fees and expense ratios were near or below the median, the fees of the Balanced Portfolio and the Capital Appreciation Portfolio and the Class-S expense ratios of the Large Cap, Mid Cap, Capital Appreciation and Balanced Portfolios were above the median. In the latter cases, the Trustees determined that such information should be taken into account in weighing the size of the fee against the nature, extent and quality of the services provided. 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 Alger Management's and its affiliates' relationships with the Portfolios had been profitable to either or both of those entities in the case of one or more Portfolios, the profit margin in each case was not unacceptable.

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 Portfolios and their operations is such that Alger Management is likely to realize economies of scale in the management of each Portfolio at some point as (and if) it grows in size, but that adoption of breakpoints in one or more of the 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 Alger Management address this topic with the Trustees at future meetings.

Other Benefits to Alger Management. The Trustees considered whether Alger Management benefits in other ways from its relationship with the Fund. They noted that Alger Management maintains soft-dollar arrangements in connection with the equity Portfolios' brokerage transactions, reports on which are regularly supplied to the Trustees at their quarterly meetings and summaries of which, listing commissions by Portfolio for the six months through June 30, 2009 and the twelve months through December 31, 2008, had been included in the materials supplied prior to the meeting. The Trustees also noted that Alger Management receives fees from the Portfolios under the Administration Agreement, that Alger, Inc. provides a substantial portion of the Portfolios' equity brokerage and that Alger Management also receives fees from the Fund under a shareholder services agreement. The Trustees had been provided with information regarding, and had considered, the administration fee, brokerage and shareholder services fee benefits in connection with their review of the profitability to Alger Management and its affiliates of their relationships with the Fund. As to other benefits received, the Trustees decided that none were so significant as to render Alger Management's fees excessive.

Conclusions and Determinations. At the conclusion of these discussions, each of the Independent Trustees expressed the opinion that he had been furnished with sufficient information to make an informed business decision with respect to renewal of the Investment Advisory Agreement. Based on its discussions and considerations as described above, the Board made the following conclusions and determinations:

- The Board concluded that the nature, extent and quality of the services provided to each Portfolio by Alger Management are adequate and appropriate.
- The Board was generally satisfied with the performance of each of the Portfolios.
- The Board concluded that each advisory fee paid to Alger Management 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 Alger Management and its affiliates from the relationship with the Portfolio.

- The Board determined that there were not at this time significant economies of scale to be realized by Alger Management in managing the Portfolios' assets but that, to the extent that material economies of scale should be realized in the future, the Board would seek to ensure that they were shared with the applicable Portfolio.

The Board considered these conclusions and determinations and, without any one factor being dispositive, determined with respect to each Portfolio that renewal of the Investment Advisory Agreement was in the best interests of the Portfolio and its shareholders.

Privacy Policy

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

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

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

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

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

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

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

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

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

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

Proxy Voting Policies

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

Fund Holdings

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

Change in Independent Registered Public Accounting Firm

On May 12, 2009, Deloitte & Touche LLP was selected as the Fund's independent registered public accounting firm for the 2009 fiscal year. A majority of the Fund's Board of Trustees, including a majority of the Independent Trustees, approved the appointment of Deloitte & Touche LLP. The predecessor independent registered public accounting firm's report on the Fund's financial statements for the year ended December 31, 2008 and the year ended December 31, 2007 contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. During such fiscal periods and through May 12, 2009, there were no disagreements between the Fund and the predecessor independent registered public accounting firm on any matter of accounting principles or practices, financial statement disclosure, or audit scope or procedures, which such disagreements, if not resolved to the satisfaction of the predecessor independent registered public accounting firm, would have caused them to make reference to the subject matter of the disagreement in connection with their reports on the financial statements for such fiscal periods.

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THE ALGER PORTFOLIOS

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Investment Advisor

Fred Alger Management, Inc.
111 Fifth Avenue
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Distributor

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

Transfer Agent and Dividend Disbursing Agent

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

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

ALGER

Inspired by Change, Driven by Growth.

ALGER

Inspired by Change, Driven by Growth.

A pooled funding vehicle for:

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

The Alger Portfolios

Alger Capital Appreciation Portfolio

ANNUAL REPORT

December 31, 2009

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Go Paperless With Alger Electronic Delivery Service

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

Dear Shareholders,

January 22, 2010

Year-in-Review

At Alger, we are optimistic that the unprecedented turmoil that began over a year ago in September 2008 has ended, although we believe there may be some "pause" in the dramatic rally that began in March 2009. We believe the expected market pause in 2010 will serve to "refresh" the U.S economy, and for that matter, the global economy. Ultimately, we are confident that a new bull market has begun that will play out over the next several years.

Since March 2009, equity performance worldwide has been remarkable amid stronger-than-expected corporate earnings and signs of economic stabilization across the globe. For the one year period ending 12/31/09, the S&P 500 Index delivered 26.45%. The Russell 1000, Russell Midcap and Russell 2000 Indexes each returned 28.43%, 40.48%, and 27.17%, respectively, with midcap stocks outperforming small and large cap stocks. Growth stocks significantly outperformed value as indicated by the Russell 1000 Growth and Value Indexes, which returned 37.21% and 19.69%, respectively. On the international front, European equity markets gained more than 31.24% (MSCI Europe) while emerging equity markets (MSCI EMF) rose an astounding 79.02%. In addition to positive performance by equity markets around the globe, credit markets showed some of the strongest performance on record with the U.S. High Yield market (Barclays Capital U.S. High Yield Index) returning 35.47% for the 1-year period ended 12/31/09. The investment grade credit market (Barclays Capital U.S. Credit Index) also showed a significant 1-Year return, gaining nearly 16.04%, over the same time period.

We believe the recession in the U.S. largely ended in third quarter of 2009, but a full economic recovery in the U.S. is far from complete. The various government programs and stimulus introduced over the past several months, along with the amount of liquidity provided by the U.S. Federal Reserve and other central banks around the world, have succeeded in taking the worst case scenario of a total financial system collapse off the table. This success is evident, in our opinion, by the improving economic activity throughout the world, not to mention better functioning capital and funding markets. For the U.S., it is likely that the broadest measures of our economy will support our view at Alger that, near term, a stronger than expected recovery continues into early 2010. However, we expect at some point that the ability of the U.S. economy to leverage the momentum of recovery with "true" growth in 2010 and beyond will be a source of anxiety for U.S. markets. The consensus economic view appears to be that the U.S. will experience a long period of subdued expansion. We, too, believe weakness in the job market is likely to persist and will make whatever economic conditions the U.S. experiences "feel" recessionary for many Americans well into 2010.

In December, the U.S. unemployment rate climbed above 10%, its highest level in nearly 26 years. Discouraged and part-time workers (those who have either temporarily given up looking for work or have part-time jobs but want full-time work) likely place the true unemployment rate closer to 17%. While unemployment does have an adverse impact on consumer sentiment and spending, it has historically been a lagging indicator that typically improves after the overall economy improves. Therefore, we believe unemployment is likely to remain stagnant in 2010, even as other areas of the economy continue to show signs of improvement. This pattern is typical of post-recessionary periods of recovery, and we see no reason it won't hold true today.

As we look back over the past year, it is very clear that Corporate America responded to this downturn more rapidly and with more decisiveness than past recessions. Quite likely, this rapid response to deteriorating business conditions, as well as financial markets, was assisted by the widespread adoption of "just in time" inventory management, sophisticated customer demand prediction and analysis software and methodologies, and the development of flexible, outsourced supply chain management by Corporate America over the last two decades. The result this past year was very aggressive expense cutting, headcount reductions, and capital expenditure deferrals (and cancellations) as we moved through the financial crisis and this recession. This was evident in second quarter earnings reports in July, and repeated recently in October, in the surprisingly strong margins, earnings and cash flows within Corporate America (represented by the S&P 500 and publicly traded companies' profit performance as tracked by Alger's analysts), even as revenues were often weaker than expected (especially in the second quarter) or remain significantly lower than prior year levels (especially in the third quarter).

Looking Ahead

Companies now face different decisions as they look to the future — many are already rehiring employees or restarting capital expenditures or deferred investments in their businesses. While some companies will wait for more clarity on economic conditions before increasing investments, others, particularly those participating in markets that have strong long term growth outlooks, will recognize in today's markets an opportunity to gain market share or enter new markets when costs are lower, and perhaps competition is less than it was (e.g., due to the elimination of financially weaker players). Many of the best known, most successful businesses today were started in the midst of economic recessions for this very reason.

Moreover, it is in the midst of wrenching change within an economy or industry, that opportunity is created for new business models, new ways of doing things, new services and goods that attract a customer with a "changed" perception of need, want and value. We are, clearly, in the midst of such a period. Indeed, the news today is often only tangentially about "the facts" of an event, and much more a debate in our newspapers and on TV, in the halls of government and around the Christmas dinner table, about what are the new values of our society – represented both by what we believe and what we do both as citizens and consumers and, yes, capitalists.

Change is inevitable. Companies – even those with long-standing track records – are not static. Truly successful companies are run by dynamic people who can adapt, change, and grow. This also holds true for the U.S. economy, which has thrived because of its ability to adapt to the positive dynamic changes that are occurring globally. When change happens, some investors panic, while others turn a blind eye, whereas others, like ourselves, accept and embrace change. At Alger, change equals opportunity. We believe that when change occurs – whether it is in a company, sector, industry or the economy - the best investment opportunities emerge and we seek to quickly capture them. This is exactly what we have done over the last year as the market created so many attractive opportunities at very reasonable valuations. The current environment continues to provide us with strong opportunities demonstrating the benefits of our rigorous, original and fundamental research approach in uncovering companies with the strongest fundamentals and the ability to leverage change strategically.

We think the key to success going forward will be dependent largely on identifying companies undergoing Positive Dynamic Change, which we believe offer the best long-term growth potential for our clients. We have been utilizing this approach since 1964 and it has been the driving force behind our investment philosophy.

At Alger, we are bullish on the future of U.S. equity investing. However, we think the stock markets will, and probably should, pause in their rally since March 2009 – and that such a period of consolidation is likely in 2010. Economic uncertainty is high, and that alone should give investors reason to doubt in 2010. We have already seen in 2009 that the vast majority of investment flows in the mutual fund industry has been into cash, short term bond funds, and international (especially emerging market equities), and out of U.S. equities generally. However, publicly traded U.S. equities are not a simple representation of the U.S. economy; in fact, they represent an elite subset of Corporate America. In general, they are the leaders in their industries – some by innovations long ago, and others by innovations so recent we have trouble remembering that they didn't exist a decade or two ago. They represent some of the most astute global competitors, and derive a significant percentage of their revenues and profits from their success in international markets. Their fundamental operating results so far in 2009 have significantly outperformed investor expectations and led those of the broader U.S. economy. Moreover, we believe these companies are likely to continue to improve as global economic recovery takes hold in late 2010 and the years beyond. Thus, we believe 2010 will offer investors an excellent period to "buy the dips" and for stock investing based on identifying companies with superior growth long term and the financial and other strengths to capitalize on their market opportunities globally. As investors become comfortable with the strength of the U.S. and global economic recovery, we believe U.S. equities, particularly "growth" equities, will once again find strong favor, offering a combination of fundamental performance, growth opportunities and sector leadership, and attractive valuation within a global universe.

Portfolio Matters

The Alger Capital Appreciation Portfolio returned 51.10% for the twelve-months ended December 31, 2009, compared to the Russell 3000 Growth Index, which returned 36.99%.

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

Among the most important relative contributors were BE Aerospace Inc., Apple Inc., Marvell Technology Group Ltd., Expedia Inc. and Tyco International Ltd. Conversely, detracting from overall results on a relative basis were Nintendo Co. Ltd. (ADS), Satyam Computer Services Ltd. (ADS), International Business Machines Corp., Cephalon Inc., and Cisco Systems Inc.

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

Respectfully submitted,

Daniel C. Chung
Chief Investment Officer

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

This report and the financial statements contained herein are submitted for the general information of shareholders of the Alger Portfolios. This report is not authorized for distribution to prospective investors in the Fund unless preceded or accompanied by an effective prospectus. Performance returns represent the annual period return of Class I-2 shares prior to the deduction of any sales charges.

The performance data quoted represents past performance, which is not an indication or guarantee of future results. The investment return and principal value of an investment in a Portfolio will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted. For performance data current to the most recent month-end, visit us at www.alger.com, or call us at (800) 992-3863. The views and opinions of the Fund's management in this report are as of the date of the shareholder letter and are subject to change at any time subsequent to this date. There is no guarantee that any of the assumptions that formed the basis for the opinions stated herein are accurate or that they will materialize. Any securities mentioned should be considered in the context of the construction of an overall portfolio of securities and therefore reference to them should not be construed as a recommendation or offer to purchase or sell any such security. Inclusion of such securities in a Portfolio and transactions in such securities, if any, may be for a variety of reasons, including without limitation, in response to cash flows, inclusion in a benchmark and risk control. The reference to a specific security should also be understood in such context and not viewed as a statement that the security is a significant holding in a Portfolio. Please refer to the Schedule of Investments for each Portfolio which is included in this report for a complete list of portfolio holdings as of December 31, 2009. Securities mentioned in the shareholder letter, if not found in the Schedule of Investments, were held by the Fund during the Portfolio's fiscal year.

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

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

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

Index Definitions:

- Standard & Poor's 500 Index is an index of the 500 largest and most profitable companies in the United States.
- Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index and includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 90% of the U.S. market.
- Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index representing approximately 8% of the total market capitalization of that index. It includes approximately 2,000 of the

smallest securities based on a combination of their market cap and current index membership.

- Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000® Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap Index represents approximately 27% of the total market capitalization of the Russell 1000 companies.
- Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values.
- Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 3000 companies with lower price-to-book ratios and lower expected growth values.
- Morgan Stanley Capital International Europe Index is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe.
- MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.
- Barclays Capital U.S. Corporate High Yield Index covers the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes Emerging Markets debt. The index was created in 1986, with index history backfilled to January 1, 1983. The U.S. Corporate High-Yield Index is part of the U.S. Universal and Global High-Yield Indices.
- Russell 3000 Growth Index measures the performance of the broad growth segment of the U.S. equity universe. It includes those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values.

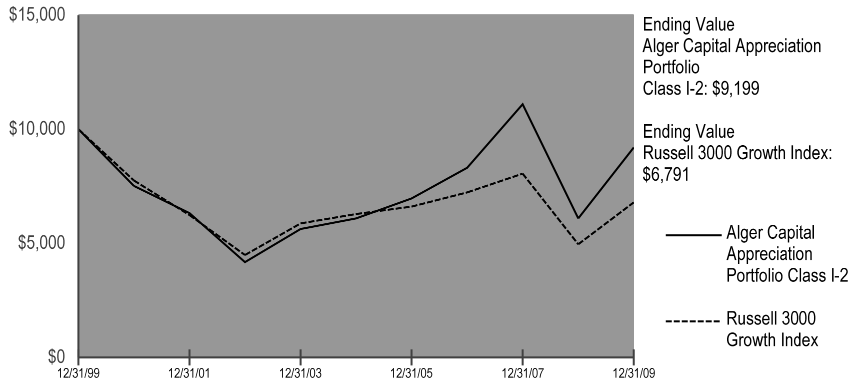
All Russell U.S. indexes are subsets of the Russell 3000E™ Index, which represents approximately 99% of the U.S. equity market.

*Standard deviation of a statistical population, a data set, or a probability distribution is the square root of its variance. Standard deviation is a widely used measure of the variability or dispersion, being algebraically more tractable though practically less robust than the expected deviation or average absolute deviation.

**Spread is a measure of the extent to which the values of a variable, in either a sample or a population, are spread out. The most commonly used measures of spread are variance, standard deviation, mean deviation, median absolute deviation, range, interquartile range, and semi-interquartile range. Of these only the variance is not measured in the same units as the observations.

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

— 10 years ended 12/31/09



The chart above illustrates the change in value of a hypothetical $10,000 investment made in Alger Capital Appreciation Portfolio Class I-2 shares and the Russell 3000 Growth Index (an unmanaged index of common stocks) for the ten years ended December 31, 2009. Figures for the Alger Capital Appreciation Portfolio Class I-2 shares and the Russell 3000 Growth Index include reinvestment of dividends. Performance for Alger Capital Appreciation Portfolio Class S shares will vary from the results shown above due to differences in expenses that class bears.

PERFORMANCE COMPARISON AS OF 12/31/09

AVERAGE ANNUAL TOTAL RETURNS	1 YEAR	5 YEARS	10 YEARS	SINCE INCEPTION
Class I-2 (Inception 1/25/95)	51.10%	8.61%	(0.83)%	12.79%
Russell 3000 Growth Index	36.99%	1.57%	(3.80)%	6.59%
Class S (Inception 5/1/02)	50.69%	8.33%	n/a	6.15%
Russell 3000 Growth Index	36.99%	1.57%	n/a	2.53%

The performance data quoted represents past performance, which is not an indication or a guarantee of future results. Investment return and principal will fluctuate and the Portfolio's shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance quoted. For performance current to the most recent month end, visit us at www.alger.com or call us at (800) 992-3863.

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

THE ALGER PORTFOLIOS | Alger Capital Appreciation Portfolio
Portfolio Summary†
December 31, 2009 *(Unaudited)*

SECTORS	
Consumer Discretionary	9.2%
Consumer Staples	4.9
Energy	8.2
Financials	13.2
Health Care	13.4
Industrials	7.3
Information Technology	35.3
Materials	5.1
Short-Term and Net Other Assets	3.4
	100.0%

† *Based on net assets for the Portfolio*.

COMMON STOCKS—94.2%	SHARES	VALUE
AEROSPACE & DEFENSE—3.2%		
BE Aerospace Inc. *	89,000	$ 2,091,500
General Dynamics Corp.	40,377	2,752,500
Lockheed Martin Corp.	18,400	1,386,440
United Technologies Corp.	32,000	2,221,120
		8,451,560
AIR FREIGHT & LOGISTICS—1.1%		
FedEx Corp.	3,000	250,350
United Parcel Service Inc., Cl. B	45,300	2,598,861
		2,849,211
APPLICATION SOFTWARE—1.7%		
Adobe Systems Inc. *	65,000	2,390,700
Nice Systems Ltd. #*	20,800	645,632
Taleo Corp., Cl. A *	61,089	1,436,813
		4,473,145
ASSET MANAGEMENT & CUSTODY BANKS—0.6%		
Invesco Ltd.	62,600	**1,470,474**
AUTO PARTS & EQUIPMENT—1.3%		
ArvinMeritor Inc. *	35,300	394,654
Dana Holding Corp. *	79,000	856,360
TRW Automotive Holdings Corp. *	91,800	2,192,184
		3,443,198
BIOTECHNOLOGY—4.0%		
Amgen Inc. *	49,800	2,817,186
Celgene Corp. *	59,300	3,301,824
Gilead Sciences Inc. *	60,500	2,618,440
Human Genome Sciences Inc. *	55,200	1,689,120
		10,426,570
BROADCASTING & CABLE TV—0.9%		
CBS Corp., Cl. B	161,800	**2,273,290**
CASINOS & GAMING—0.8%		
Las Vegas Sands Corp.*	147,400	**2,202,156**
COAL & CONSUMABLE FUELS—1.3%		
Patriot Coal Corp.*	224,300	**3,467,678**
COMMUNICATIONS EQUIPMENT—4.1%		
Brocade Communications Systems Inc. *	321,500	2,453,045
Cisco Systems Inc. *	135,400	3,241,476
Corning Inc.	72,700	1,403,837
Qualcomm Inc.	80,700	3,733,182
		10,831,540
COMPUTER HARDWARE—6.1%		
Apple Inc. *	49,600	10,458,656
Hewlett-Packard Co.	64,500	3,322,395
International Business Machines Corp.	16,900	2,212,210
		15,993,261
COMPUTER STORAGE & PERIPHERALS—2.6%		
EMC Corp. *	174,500	3,048,515

COMMON STOCKS—(CONT.)	SHARES	VALUE
COMPUTER STORAGE & PERIPHERALS—(CONT.)		
Seagate Technology	205,500	$ 3,738,045
		6,786,560
DATA PROCESSING & OUTSOURCED SERVICES—2.0%		
Fidelity National Information Services Inc.	27,000	632,880
Mastercard Inc.	17,800	4,556,444
		5,189,324
DIVERSIFIED BANKS—0.3%		
Banco Santander Brasil SA#	58,700	**818,278**
DIVERSIFIED CHEMICALS—1.1%		
Ashland Inc.	54,559	2,161,628
FMC Corporation	13,300	741,608
		2,903,236
ELECTRICAL COMPONENTS & EQUIPMENT—0.2%		
Cooper Industries PLC, CL. A	9,834	**419,322**
FERTILIZERS & AGRICULTURAL CHEMICALS—0.8%		
Monsanto Co.	7,100	580,425
Mosaic Co., /The	23,900	1,427,547
		2,007,972
GENERAL MERCHANDISE STORES—0.6%		
Target Corp.	33,500	**1,620,395**
GOLD—0.8%		
Yamana Gold Inc.	183,800	**2,091,644**
HEALTH CARE EQUIPMENT—2.6%		
Baxter International Inc.	43,700	2,564,316
Covidien PLC	69,100	3,309,199
Insulet Corp. *	62,700	895,356
		6,768,871
HEALTH CARE FACILITIES—0.6%		
Select Medical Holdings Corp.*	151,600	**1,609,992**
HEALTH CARE SUPPLIES—1.1%		
Inverness Medical Innovations Inc.*	68,300	**2,835,133**
HOME ENTERTAINMENT SOFTWARE—0.8%		
Activision Blizzard Inc.*	187,800	**2,086,458**
HOME IMPROVEMENT RETAIL—0.8%		
Lowe's Companies, Inc.	86,800	**2,030,252**
HYPERMARKETS & SUPER CENTERS—2.9%		
Wal-Mart Stores Inc.	140,900	**7,531,105**
INDUSTRIAL CONGLOMERATES—1.5%		
McDermott International Inc. *	75,300	1,807,953
Tyco International Ltd. *	62,800	2,240,704
		4,048,657
INTEGRATED OIL & GAS—3.0%		
Chevron Corp.	106,400	**8,191,736**
INTERNET RETAIL—2.5%		
Amazon.com Inc. *	18,900	2,542,428

COMMON STOCKS—(CONT.)	SHARES	VALUE
INTERNET RETAIL—(CONT.)		
Expedia Inc. *	155,300	$ 3,992,763
		6,535,191
INTERNET SOFTWARE & SERVICES—5.9%		
eBay Inc. *	93,783	2,207,652
Google Inc., Cl. A *	7,900	4,897,842
GSI Commerce Inc. *	101,500	2,577,085
IAC/InterActiveCorp. *	47,100	964,608
Sina Corp. *	53,300	2,408,094
Yahoo! Inc. *	149,500	2,508,610
		15,563,891
INVESTMENT BANKING & BROKERAGE—1.5%		
Goldman Sachs Group Inc., /The	15,000	2,532,600
Lazard Ltd., Cl. A	15,000	569,550
Morgan Stanley	26,700	790,320
		3,892,470
LIFE & HEALTH INSURANCE—2.0%		
Lincoln National Corp.	116,600	2,901,008
Prudential Financial Inc.	49,900	2,483,024
		5,384,032
LIFE SCIENCES TOOLS & SERVICES—0.5%		
Life Technologies Corp.*	25,400	**1,326,642**
MANAGED HEALTH CARE—0.5%		
WellPoint Inc.*	20,400	**1,189,116**
METAL & GLASS CONTAINERS—1.3%		
Owens-Illinois Inc.*	110,300	**3,625,561**
MOVIES & ENTERTAINMENT—0.5%		
Regal Entertainment Group, Cl. A	99,300	**1,433,892**
MULTI-LINE INSURANCE—0.5%		
Genworth Financial Inc., Cl. A*	126,200	**1,432,370**
OIL & GAS DRILLING—0.5%		
Transocean Ltd.*	15,900	**1,316,520**
OIL & GAS EQUIPMENT & SERVICES—0.3%		
Weatherford International Ltd.*	38,800	**694,908**
OIL & GAS EXPLORATION & PRODUCTION—2.6%		
Chesapeake Energy Corp.	61,200	1,583,856
Nexen Inc.	155,500	3,721,115
Plains Exploration & Production Co. *	50,800	1,405,128
		6,710,099
OIL & GAS STORAGE & TRANSPORTATION—0.5%		
Magellan Midstream Partners LP	28,225	**1,222,989**
OTHER DIVERSIFIED FINANCIAL SERVICES—3.8%		
Bank of America Corp.	241,400	3,635,484
BM&F Bovespa SA	198,600	1,395,623
JPMorgan Chase & Co.	112,300	4,679,541
		9,710,648

COMMON STOCKS—(CONT.)	SHARES	VALUE
PHARMACEUTICALS—4.1%		
Abbott Laboratories	95,300	$ 5,145,247
Allergan Inc.	17,100	1,077,471
Auxilium Pharmaceuticals Inc. *	37,100	1,112,258
Pfizer Inc.	192,800	3,507,032
		10,842,008
PROPERTY & CASUALTY INSURANCE—1.9%		
Travelers Cos., Inc., /The	101,600	**5,065,776**
PUBLISHING—0.4%		
McGraw-Hill Cos., Inc., /The	34,300	**1,149,393**
RAILROADS—0.5%		
CSX Corp.	26,800	**1,299,532**
RESTAURANTS—1.4%		
McDonald's Corp.	45,700	2,853,508
Yum! Brands Inc.	21,100	737,867
		3,591,375
SEMICONDUCTOR EQUIPMENT—0.8%		
Lam Research Corp.*	54,900	**2,152,629**
SEMICONDUCTORS—9.1%		
Intel Corp.	452,300	9,226,919
Marvell Technology Group Ltd. *	189,500	3,932,125
Micron Technology Inc. *	132,800	1,402,368
ON Semiconductor Corp. *	443,000	3,902,830
Skyworks Solutions Inc. *	372,500	5,285,775
		23,750,017
SOFT DRINKS—1.1%		
PepsiCo Inc.	47,500	**2,888,000**
STEEL—1.1%		
Cliffs Natural Resources Inc.	60,400	**2,783,836**
SYSTEMS SOFTWARE—2.2%		
Microsoft Corp.	190,300	**5,802,247**
THRIFTS & MORTGAGE FINANCE—0.2%		
TFS Financial Corp.	52,018	**631,499**
TOBACCO—0.9%		
Philip Morris International Inc.	50,500	**2,433,595**
TRUCKING—0.8%		
Hertz Global Holdings Inc.*	170,300	**2,029,976**
TOTAL COMMON STOCKS		
(Cost $228,062,996)		**247,279,230**

CONVERTIBLE PREFERRED STOCK—1.8%	SHARES	VALUE
OTHER DIVERSIFIED FINANCIAL SERVICES—1.8%		
Bank of America Corp., 10.00%, 12/31/2049*	316,300	**4,719,196**
(Cost $4,744,500)		

MANDATORY CONVERTIBLE BOND—0.6%	SHARES	VALUE
OTHER DIVERSIFIED FINANCIAL SERVICES—0.6%		
Citigroup Inc., 7.50%, 12/15/2012*(a)	16,000	$ **1,669,440**
(Cost $1,600,000)		

SHORT-TERM INVESTMENTS—2.9%	PRINCIPAL AMOUNT	VALUE
TIME DEPOSITS—2.9%		
Wells Fargo Grand Cayman, 0.03%, 1/04/10L2	7,678,788	**7,678,788**
(Cost $7,678,788)		

Total Investments		
(Cost $242,086,284)(b)	99 .5%	261,346,654
Other Assets in Excess of Liabilities	0 .5	1,443,948
NET ASSETS	100.0%	$ **262,790,602**

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

* *Non-income producing security.*
\# *American Depository Receipts.*
(a) *These securities are required to be converted on the date listed; they generally may be converted prior to this date at the option of the holder.*
(b) *At December 31, 2009, the net unrealized appreciation on investments, based on cost for federal income tax purposes of $244,854,999 amounted to $16,491,655 which consisted of aggregate gross unrealized appreciation of $25,422,643 and aggregate gross unrealized depreciation of $8,930,988.*
L2 *Security classified as Level 2 for ASC 820 disclosure purposes based on valuation inputs.*

Industry classifications are unaudited.
See Notes to Financial Statements.

ASSETS:		
Investments in securities, at value (Identified cost)* see accompanying schedule of investments	$	261,346,654
Receivable for investment securities sold		10,488,575
Receivable for shares of beneficial interest sold		165,003
Dividends and interest receivable		164,876
Prepaid expenses		40,359
Total Assets		272,205,467
LIABILITIES:		
Payable for investment securities purchased		8,730,871
Payable for shares of beneficial interest redeemed		446,285
Accrued investment advisory fees		170,159
Accrued transfer agent fees		7,485
Accrued distribution fees		2,774
Accrued administrative fees		6,038
Accrued other expenses		51,253
Total Liabilities		9,414,865
NET ASSETS	**$**	**262,790,602**
Net Assets Consist of:		
Paid in capital		323,928,126
Undistributed net investment income		1,047,161
Accumulated net realized loss		(81,445,076)
Net unrealized appreciation on investments		19,260,391
NET ASSETS	**$**	**262,790,602**
Net Asset Value Per Share		
Class I-2		$45.92
Class S		$45.01
Net Assets By Class		
Class I-2		249,483,214
Class S		13,307,388
Shares of Benefical Interest Outstanding— Note 6 (Par Value $.001)		
Class I-2		5,433,435
Class S		295,654
*Identified Cost	$	242,086,284

See Notes to Financial Statements.

Statement of Operations

For the year ended December 31, 2009

INCOME:		
Dividends (net of foreign withholding taxes*)	$	3,077,085
Interest		24,938
Total Income		3,102,023
EXPENSES		
Advisory fees—Note 3		1,736,825
Distribution fees Class S—Note 3		26,031
Administrative fees—Note 3		58,966
Custodian fees		78,780
Interest expenses		981
Transfer agent fees and expenses—Note 3		55,991
Printing fees		34,030
Professional fees		46,628
Registration fees		74,008
Trustee fees—Note 3		13,001
Miscellaneous		20,434
Total Expenses		2,145,675
Less, expense reimbursements—Note 3		(75,048)
Net Expenses		2,070,627
NET INVESTMENT INCOME		1,031,396
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, OPTIONS AND FOREIGN CURRENCY TRANSACTIONS:		
Net realized gain on investments		32,652,778
Net realized loss on foreign currency transactions		(2,263)
Net change in unrealized appreciation (depreciation) on investments and foreign currency		55,526,468
Net realized and unrealized gain on investments, options and foreign currency		88,176,983
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$**	**89,208,379**
*Foreign withholding taxes	$	52,921

See Notes to Financial Statements.

	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008
Net investment income	$ 1,031,396	$ 355,975
Net realized gain (loss) on investments, options and foreign currency transactions	32,650,515	(112,505,508)
Net change in unrealized appreciation (depreciation) on investments, options and foreign currency	55,526,468	(68,569,668)
Net increase (decrease) in net assets resulting from operations	89,208,379	(180,719,201)
Dividends and distributions to shareholders from:		
Net investment income		
Class I-2	—	—
Class S	—	—
Net realized gains		
Class I-2	—	—
Class S	—	—
Total dividends and distributions to shareholders	—	—
Increase (decrease) from shares of beneficial interest transactions:		
Class I-2	(18,822,263)	(59,522,403)
Class S	(299,187)	(2,796,744)
Net decrease from shares of beneficial interest transactions—Note 6	(19,121,450)	(62,319,147)
Total increase (decrease)	70,086,929	(243,038,348)
Net Assets:		
Beginning of period	192,703,673	435,742,021
END OF PERIOD	**$ 262,790,602**	**$ 192,703,673**
Undistributed net investment income	$ 1,047,161	$ 267,365

See Notes to Financial Statements.

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

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

(i) *Amount was computed based on average shares outstanding during the period.*

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NOTE 1 — General:

The Alger Portfolios (the "Fund") changed its name from The Alger American Fund on September 23, 2009. The Fund is a diversified, open-end registered investment company organized as a business trust under the laws of the Commonwealth of Massachusetts. The Fund operates as a series company currently issuing seven series of shares of beneficial interest: the Alger Capital Appreciation Portfolio, Alger Large Cap Growth Portfolio, Alger Mid Cap Growth Portfolio, Alger SMid Cap Growth Portfolio, Alger Small Cap Growth Portfolio, Alger Growth & Income Portfolio, and Alger Balanced Portfolio (collectively the "Portfolios" and individually "Portfolio") (formerly the Alger American Capital Appreciation Portfolio, Alger American LargeCap Growth Portfolio, Alger American MidCap Growth Portfolio, Alger American SmallCap and MidCap Growth Portfolio, Alger American SmallCap Growth Portfolio, Alger American Income and Growth Portfolio, and the Alger American Balanced Portfolio). These financial statements include only the Alger Capital Appreciation Portfolio (the "Portfolio"). The Portfolio invests primarily in equity securities and has an investment objective of long-term capital appreciation. Shares of the Portfolio are available and are being marketed exclusively as a pooled funding vehicle for qualified retirement plans and for life insurance companies writing all types of variable annuity contracts and variable life insurance policies.

The Portfolio offers Class I-2 shares (formerly Class O shares) and Class S shares. Each class has identical rights to assets and earnings except that only Class S shares have a plan of distribution and bear the related expenses.

NOTE 2 — Significant Accounting Policies:

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

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

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

Securities for which market quotations are not readily available are valued at fair value, as determined in good faith pursuant to procedures established by the Board of Trustees.

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

Financial Accounting Standards Board Accounting Standards Codification 820 – Fair Value Measurements and Disclosures ("ASC 820") defines fair value as the price that the Portfolio would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. ASC 820 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. "Inputs" refer broadly to the assumptions that market participants would use in pricing the asset or liability and may be observable or unobservable. Observable inputs are based on market data obtained from sources independent of the Portfolio. Unobservable inputs are inputs that reflect the Portfolio's own assumptions based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad Levels listed below.

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

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

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

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

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

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

(d) Option Contracts: When a Portfolio writes an option, an amount equal to the premium received by the Portfolio is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by the Portfolio on the expiration date as realized gains from investments. The difference between the premium and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or, if the premium is less than the amount paid for the closing purchase transaction, as a realized loss. If a written call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether the Portfolio has realized a gain or loss. If a written put option is exercised, the premium reduces the cost basis of the securities purchased by the Portfolio. The Portfolio as writer of an option bears the market risk of an unfavorable change in the price of the security underlying the written option. During the year ended December 31, 2009, there were no written options.

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

(e) Lending of Portfolio Securities: The Portfolio may lend its securities to financial institutions, provided that the market value of the securities loaned will not at any time exceed one third of the Portfolio's total assets. The Portfolio earns fees on the securities loaned. In order to protect against the risk of failure by the borrower to return the securities loaned or any delay in the delivery of such securities, the loan is collateralized by cash, letters of credit or U.S. Government securities that are maintained in an amount equal to at least 100 percent of the current market value of the loaned securities. The

"current market value" of the loaned securities is determined at the close of business of the Portfolio and any required additional collateral is delivered to the Portfolio on the next business day. There were no securities on loan during the year ended December 31, 2009.

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

Dividends from net investment income are declared and paid annually. Dividends from net realized gains, offset by any loss carryforward, are declared and paid annually after the end of the fiscal year in which earned. Each class is treated separately in determining the amounts of dividends of net investment income and capital gains payable to holders of its shares.

The characterization of distributions to shareholders for financial reporting purposes is determined in accordance with federal income tax rules. Therefore, the source of the Portfolio's distributions may be shown in the accompanying financial statements as either from, or in excess of, net investment income or net realized gain on investment transactions, or return of capital, depending on the type of book/tax differences that may exist. Capital accounts within the financial statements are adjusted for permanent book/tax differences. Reclassifications result primarily from the difference in tax treatment of net operating losses, premium/discount of debt securities, realized gain loss from foreign currency transactions, and realized gains from redemptions in kind, if any. The reclassifications have no impact on the net asset values of the Portfolio and were designed to present the Portfolio's capital accounts on a tax basis.

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

Financial Accounting Standards Board Accounting Standards Codification 740 – Income Taxes ("ASC 740") requires the Portfolio to measure and recognize in its financial statements the benefit of a tax position taken (or expected to be taken) on an income tax return if such position will more likely than not be sustained upon examination based on the technical merits of the position. The Portfolio files income tax returns in the U.S. Federal jurisdiction, as well as the New York State and New York City jurisdictions. Based upon their review of tax positions for the Portfolio's open tax years of 2006-2009 in these jurisdictions, the Portfolio has determined that ASC 740 did not have a material impact on the Portfolio's financial statements for the year ended December 31, 2009.

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

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

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

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

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

As part of the settlement with the New York State Attorney General (see Note 10—Litigation) Alger Management has agreed to reduce its advisory fee to 0.775% for the Portfolio for the period from December 1, 2006 through November 30, 2011.

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

(c) Brokerage Commissions: During the year ended December 31, 2009, the Portfolio paid the Distributor $1,017,877, in connection with securities transactions.

(d) Shareholder Administrative Fees: The Fund has entered into a shareholder administrative service agreement with Alger Management to compensate Alger Management on a per account basis for its liaison and administrative oversight of Boston Financial Data Services, Inc., the transfer agent for the Fund ("BFDS") and other related services. During the year ended December 31, 2009, the Portfolio incurred fees of $251, for these services provided by Alger Management which are included in transfer agent fees and expenses in the Statement of Operations.

(e) Trustee Fees: Certain trustees and officers of the Fund are directors and officers of Alger Management and the Distributor. During the year ended December 31, 2009, each Portfolio paid each Trustee who is not affiliated with Alger Management or its affiliates $500 for each meeting attended, to a maximum of $2,000 per annum. The Chairman of the Board of Trustees received an additional annual fee of $10,000 which is paid, pro rata, by all portfolios managed by Alger Management. Additionally, each member of the audit committee received an additional $50 from each Portfolio for each audit committee meeting attended, to a maximum of $200 per annum.

(f) Interfund Loans: The Portfolio, along with other funds advised by Alger Management, may borrow money from and lend money to each other for temporary or emergency

purposes. To the extent permitted under its investment restrictions, the Portfolio may lend uninvested cash in an amount up to 15% of its net assets to other Portfolios, and the Portfolio may borrow in an amount up to 10% of its net assets from other Portfolios. If the Portfolio has borrowed from other Portfolios and has aggregate borrowings from all sources that exceed 10% of the Portfolio's total assets, the Portfolio will secure all of its loans from other Portfolios. The interest rate charged on interfund loans is equal to the average of the overnight time deposit rate and bank loan rate available to the Portfolios.

During the year ended December 31, 2009, the Portfolio had no interfund loans.

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

NOTE 4 — Securities Transactions:

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

	PURCHASES	SALES
Alger Capital Appreciation Portfolio	$594,013,771	$605,270,697

NOTE 5 — Borrowing:

The Portfolio may borrow from its custodian on an uncommitted basis. The Portfolio pays the custodian a market rate of interest, generally based upon the London Inter-Bank Offer Rate. The Portfolio may also borrow from other portfolios advised by Alger Management, as discussed in Note 3 (f). For the year ended December 31, 2009, the Portfolio had the following borrowings:

	AVERAGE BORROWING	WEIGHTED AVERAGE INTEREST RATE
Alger Capital Appreciation Portfolio	$ 53,088	2.32%

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

	HIGHEST BORROWING
Alger Capital Appreciation Portfolio	$1,404,516

NOTE 6 — Share Capital:

The Fund has an unlimited number of authorized shares of beneficial interest of $.001 par value which are divided into seven series. During the year ended December 31, 2009 and the year ended December 31, 2008, transactions of shares of beneficial interest were as follows:

	FOR THE YEAR ENDED DECEMBER 31, 2009		FOR THE YEAR ENDED DECEMBER 31, 2008	
	SHARES	AMOUNT	SHARES	AMOUNT
Alger Capital Appreciation Portfolio				
Class I-2:				
Shares sold	848,597	$ 32,145,644	943,508	$ 43,208,599
Shares redeemed	(1,447,904)	(50,967,907)	(2,402,630)	(102,731,002)
Net decrease	**(599,307)**	**$ (18,822,263)**	**(1,459,122)**	**$ (59,522,403)**
Class S:				
Shares sold	75,711	$ 2,851,694	89,652	$ 3,940,202
Shares redeemed	(93,770)	(3,150,881)	(156,788)	(6,736,946)
Net decrease	**(18,059)**	**$ (299,187)**	**(67,136)**	**$ (2,796,744)**

NOTE 7 — Income Tax Information:

The tax character of distributions paid during the year ended December 31, 2009 and the year ended December 31, 2008 was as follows:

	YEAR ENDED DECEMBER 31, 2009	YEAR ENDED DECEMBER 31, 2008
Alger Capital Appreciation Portfolio		
Distributions paid from:		
Ordinary Income	—	—
Long-term capital gain	—	—
Total distributions paid	—	—

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

Alger Capital Appreciation Portfolio	
Undistributed ordinary income	$ 1,005,106
Undistributed long-term gains	—
Net accumulated earnings	1,005,106
Capital loss carryforwards	(78,255,499)
Post-October losses	(378,808)
Temporary differences	22
Net unrealized appreciation	16,491,655
Total accumulated losses	$ (61,137,524)

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

Expiration Dates	Alger Capital Appreciation Portfolio
2010	$ 52,924
2016	56,790,836
2017	21,411,739
Total	78,255,499

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

The difference between book-basis and tax-basis unrealized appreciation (depreciation) is determined annually and is attributable primarily to the tax deferral of losses on wash sales, the tax treatment of partnership investments, and return of capital from Real Estate Investment Trust investments.

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

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

NOTE 8 — Fair Value Measurements:

The major categories of securities and their respective fair value inputs are detailed in the Portfolio's Schedule of Investments. The following is a summary of the inputs used as of December 31, 2009 in valuing the Portfolio's investments carried at fair value:

Alger Capital Appreciation Portfolio	TOTAL FUND	LEVEL 1	LEVEL 2	LEVEL 3
COMMON STOCKS				
Consumer Discretionary	$ 24,279,142	$ 24,279,142	—	—
Consumer Staples	12,852,700	12,852,700	—	—
Energy	21,603,930	21,603,930	—	—
Financials	28,405,547	28,405,547	—	—
Health Care	34,998,332	34,998,332	—	—
Industrials	19,098,258	19,098,258	—	—
Information Technology	92,629,072	92,629,072	—	—
Materials	13,412,249	13,412,249	—	—
TOTAL COMMON STOCKS	**247,279,230**	**247,279,230**	**—**	**—**

Alger Capital Appreciation Portfolio	TOTAL FUND	LEVEL 1	LEVEL 2	LEVEL 3
CONVERTIBLE PREFERRED STOCK				
Financials	$ 4,719,196	$ 4,719,196	—	—
MANDATORY CONVERTIBLE BOND				
Financials	$ 1,669,440	$ 1,669,440	—	—
SHORT-TERM INVESTMENTS				
Time Deposits	$ 7,678,788	—	$ 7,678,788	—
TOTAL INVESTMENTS IN SECURITIES	**$ 261,346,654**	**$ 253,667,866**	**$ 7,678,788**	**—**

NOTE 9 — Derivatives:

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

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

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

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

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

NOTE 10 — Litigation:

The Manager has responded to inquiries, document requests and/or subpoenas from various regulatory authorities in connection with their investigations of practices in the mutual fund industry identified as "market timing" and "late trading." On October 11, 2006, the Manager, the Distributor and Alger Shareholder Services, Inc. executed an Assurance of Discontinuance with the Office of the New York State Attorney General ("NYAG"). On January 18, 2007, the Securities and Exchange Commission (the "SEC") approved a settlement with the Manager and the Distributor. As part of the settlements with the NYAG and the SEC, without admitting or denying liability, the firms consented to the payment of $30 million to reimburse fund shareholders; a fine of $10 million; and certain other remedial measures including a reduction in management fees of $1 million per year for five years. The $40 million was paid into an SEC Fair Fund for distribution to investors.

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

In addition, in 2003 and 2004 several purported class actions and shareholder derivative suits were filed against various parties in the mutual fund industry, including the Manager, certain mutual funds managed by the Manager (the "Alger Mutual Funds"), and certain current and former Alger Mutual Fund trustees and officers, alleging wrongful conduct related to market-timing and late-trading by mutual fund shareholders. These cases were transferred to the U.S. District Court of Maryland by the Judicial Panel on Multidistrict Litigation for consolidated pre-trial proceedings under the caption number 1:04-MD-15863 (JFM). After a number of the claims were dismissed by the court, the class and derivative suits were settled in principle, but such settlement remains subject to court approval.

NOTE 11 — Recent Accounting Pronouncements:

On January 21, 2010, the FASB issued Accounting Standards Update (ASU) 2010-06. The ASU amends ASC 820 to add new requirements for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The application of ASU 2010-06 is required for fiscal years and interim periods beginning after December 15, 2009. At this time, management is evaluating the implications of ASU 2010-06.

NOTE 12 — Subsequent Event:

The Portfolio has evaluated events that have occurred after December 31, 2009 but before February 12, 2010, the date that these financial statements were issued. No such events have been identified which require recognition as of December 31, 2009.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Trustees of Alger Capital Appreciation Portfolio of The Alger Portfolios:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of the Alger Capital Appreciation Portfolio (formerly the Alger American Capital Appreciation Portfolio), one of the portfolios constituting The Alger Portfolios (formerly the Alger American Fund) (the "Fund") as of December 31, 2009, and the related statement of operations and statement of changes in net assets and the financial highlights for the year 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 audit. The Fund's statement of changes in net assets for the year ended December 31, 2008, and the financial highlights for the four years ended December 31, 2008 were audited by other auditors, whose report dated February 10, 2009, expressed an unqualified opinion on such statements and financial highlights.

We conducted our audit 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. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit 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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2009, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audit provides 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 Alger Capital Appreciation Portfolio of the Alger Portfolios as of December 31, 2009, 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.

DELOITTE & TOUCHE LLP

New York, New York

February 12, 2010

Shareholder Expense Example

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

The example below is based on an investment of $1,000 invested at the beginning of the six-month period starting July 1, 2009 and ending December 31, 2009.

Actual Expenses

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

Hypothetical Example for Comparison Purposes

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

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

		Beginning Account Value July 1, 2009	Ending Account Value December 31, 2009	Expenses Paid During the Six Months Ended December 31, 2009(a)	Ratio of Expenses to Average Net Assets For the Six Months Ended December 31, 2009(b)
Alger Capital Appreciation Portfolio					
Class I-2	Actual	$ 1,000.00	$ 1,274.10	$ 5.45	0.95%
	Hypothetical(c)	1,000.00	1,020.42	4.84	0.95
Class S	Actual	1,000.00	1,272.20	6.87	1.20
	Hypothetical(c)	1,000.00	1,019.16	6.11	1.20

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

Trustees and Officers of the Fund

Information about the trustees and officers of the Fund is set forth below. In the table the term "Alger Fund Complex" refers to the Fund, The Alger Funds, The Alger Institutional Fund, Alger China-U.S. Growth Fund and The Alger Funds II, 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	Principal Occupations	Trustee and/or Officer Since	Number of Funds in the Alger Fund Complex which are Overseen by Trustee
INTERESTED TRUSTEE			
Hilary M. Alger (48)	Director of Development, Pennsylvania Ballet since 2004; Associate Director of Development, College of Arts and Sciences and Graduate School, University of Virginia 1999-2003.	2003	27
NON-INTERESTED TRUSTEE			
Charles F. Baird, Jr. (56)	Managing Partner of North Castle Partners, a private equity securities group; Chairman of Leiner Health Products, Enzymatic Therapy and Caleel & Hayden (skincare business); former Chairman of Elizabeth Arden Day Spas, Naked Juice, Equinox (fitness company) and EAS (manufacturer of nutritional products). Formerly Managing Director of AEA Investors, Inc.	2000	27
Roger P. Cheever (64)	Associate Vice President for Principal Gifts, and Senior Associate Dean for Development in the Faculty of Arts and Sciences at Harvard University; Formerly Deputy Director of the Harvard College Fund.	2000	27
Lester L. Colbert Jr. (75)	Private investor since 1988; Formerly Chairman of the Board, President and Chief Executive Officer of Xidex Corporation (manufacturer of computer information media).	2000	27
Stephen E. O'Neil (77)	Attorney. Private Investor since 1981. Formerly of Counsel to the law firm of Kohler & Barnes.	1986	27
David Rosenberg (47)	Associate Professor of Law since January 2006 (Assistant Professor 2000-2005), Zicklin School of Business, Baruch College, City University of New York.	2007	27
Nathan E. Saint-Amand M.D. (72)	Medical doctor in private practice; Member of the Board of the Manhattan Institute (non-profit policy research) since 1988; Formerly Co-Chairman, Special Projects Committee, Memorial Sloan Kettering.	1986	27

Name, Age, Position with the Fund	Principal Occupations	Trustee and/or Officer Since	Number of Funds in the Alger Fund Complex which are Overseen by Trustee
OFFICERS			
Dan C. Chung (47) President	Chief Investment Officer and Director since 2001, and Chief Executive Officer since 2006, of Alger Management; President since 2003 of Alger Associates, Inc. ("Associates"); President and Director since 2003 of Fred Alger International Advisory S.A. ("International"); President since 2003 and Director since 2003 of Analysts Resources, Inc. ("Resources"); Formerly Trustee of the Trust from 2001 to 2007.	2001	N/A
Michael D. Martins (44) Treasurer	Senior Vice President of Alger Management; Assistant Treasurer since 2004.	2005	N/A
Hal Liebes (45) Secretary	Executive Vice President, Chief Legal Officer, Chief Operating Officer and Secretary of Alger Management; Director since 2006 of International and Resources. Formerly Chief Compliance Officer 2004-2005, AMVESCAP PLC.	2005	N/A
Lisa A. Moss (44) Assistant Secretary	Senior Vice President since 2009, and Vice President and Assistant General Counsel of Alger Management since June 2006. Formerly Director of Merrill Lynch Investment Managers, L.P. from 2005-2006.	2006	N/A
Anthony S. Caputo (54) Assistant Treasurer	Employed by Alger Management since 1986, currently serving as Vice President.	2007	N/A
Sergio M. Pavone (48) Assistant Treasurer	Employed by Alger Management since 2002, currently serving as Vice President.	2007	N/A
Barry J. Mullen (56) Chief Compliance Officer	Senior Vice President and Director of Compliance of Alger Management since May 2006. Formerly Director of BlackRock, Inc. from 2004-2006.	2006	N/A

Ms. Alger is an "interested person" (as defined in the Investment Company Act) of the Fund because of her affiliations with Alger Management. No Trustee is a director of any public company except as 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

At an in-person meeting held on September 22, 2009, the Trustees, including the Independent Trustees, unanimously approved renewal of the Investment Advisory Agreement between the Fund and Alger Management (the "Agreement"). The Independent Trustees were assisted in their review by independent legal counsel and met with such counsel in executive session separate from representatives of Alger Management.

In evaluating the Agreement, the Trustees drew on materials that they had requested and which were provided to them in advance of the meeting by Alger Management and by counsel. The materials covered, among other matters, (i) the nature, extent and quality of the services provided by Alger Management under the Agreement, (ii) the investment performance of the Fund's portfolios (each a "Portfolio"), (iii) the costs to Alger Management of its services and the profits realized by Alger Management and Alger Inc. from their relationship with the Fund, and (iv) the extent to which economies of scale would be realized if and as the Portfolios grow and whether the fee levels in the Agreement reflect these economies of scale. These materials included an analysis of the Portfolios and Alger Management'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 Investment Company Act of 1940. At the meeting, senior Callan personnel provided a presentation to the Trustees based on the Callan materials. At the outset of the presentation the Trustees were informed that from time to time Callan may recommend Alger Management to certain of Callan's consulting or other clients as an investment adviser and that this fact might be deemed to give rise to a potential conflict of interest for Callan in its services to the Fund.

In deciding whether to approve renewal of the Agreement, the Trustees considered various factors, including those enumerated above. They also considered other direct and indirect benefits to Alger Management and its affiliates from their relationship with the Fund.

Nature, Extent and Quality of Services. In considering the nature, extent and quality of the services provided by Alger Management pursuant to the Agreement, the Trustees relied on their prior experience as Trustees of the Fund, 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 Agreement Alger Management is responsible for managing the investment operations of the Portfolios. They also noted that administrative, compliance, reporting and accounting services necessary for the conduct of the Fund's affairs are provided by Alger Management under the separate Administration Agreement. The Trustees reviewed the background and experience of Alger Management's senior investment management personnel, including the individuals currently responsible for the investment operations of the Portfolios. They also considered the resources, operational structures and practices of Alger Management in managing each Portfolio, as well as Alger Management's overall investment management business. They noted especially Alger Management's history of expertise in managing portfolios of "growth" stocks and that, according to an analysis provided by Callan, the characteristics of each equity Portfolio had been typical of a fund that holds itself out to investors as growth-oriented. They also took notice of the ability of the manager of the fixed-income portion of the Balanced Portfolio to manage fixed-income instruments across the credit and credit quality spectra. The Trustees concluded that Alger Management's experience, resources and strength in the areas of importance to the Fund are considerable. The Trustees considered the level and depth of Alger Management's ability to execute portfolio transactions to effect investment decisions, including those through Alger Inc. The Trustees also considered the ongoing enhancements to the control and compliance environment at Alger Management and within the Fund.

Investment Performance of the Funds. Drawing upon information provided at the meeting by Alger Management as well as Callan and upon reports provided to the Trustees by Alger Management throughout the preceding year, the Trustees reviewed each Portfolio's returns for the year-to-date (at 8/31/09), second-quarter, and 1-, 3-, 5-, and 10-year periods to the extent available (and its year-by-year returns) and compared them with benchmark and peer-group data for the same periods. They noted that while the performance of each of the pure growth equity Portfolios relative to its peer group and benchmark for the reported periods predating 2009 was uneven, each of those Portfolios outperformed its benchmark and placed above the median in its peer group (generally by a substantial margin) for the year to date. The Trustees also noted that the performance of the Balanced Portfolio, which had likewise been uneven prior to 2009, had placed it in the top quartile of its peer group for 2009 to date. As to the Income & Growth Portfolio, because of the Portfolio's relative distinctive investment practices the Trustees relied primarily on the Portfolio's performance against the S&P 500 rather than relative to a peer group and noted that by that measure the Portfolio had performed well during 2009 to date (and frequently during the prior reported periods).

Fund Fees and Expense Ratios; Profitability to Alger Management and its Affiliates. The Trustees considered the profitability of the Investment Advisory Agreement to Alger Management and its affiliates, and the methodology used by Alger Management in determining such profitability. The Trustees reviewed previously-provided data on each Portfolio's profitability to Alger Management and its affiliates for the year ended June 30, 2009. In addition, the Trustees reviewed each Portfolio's management fee and expense ratio and compared them with a group of comparable funds. In order to assist the Trustees in this comparison, Callan had provided the Trustees with comparative information with respect to fees paid, and expense ratios incurred, by similar funds. That information indicated that while most fees and expense ratios were near or below the median, the fees of the Balanced Portfolio and the Capital Appreciation Portfolio and the Class-S expense ratios of the Large Cap, Mid Cap, Capital Appreciation and Balanced Portfolios were above the median. In the latter cases, the Trustees determined that such information should be taken into account in weighing the size of the fee against the nature, extent and quality of the services provided. 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 Alger Management's and its affiliates' relationships with the Portfolios had been profitable to either or both of those entities in the case of one or more Portfolios, the profit margin in each case was not unacceptable.

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 Portfolios and their operations is such that Alger Management is likely to realize economies of scale in the management of each Portfolio at some point as (and if) it grows in size, but that adoption of breakpoints in one or more of the 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 Alger Management address this topic with the Trustees at future meetings.

Other Benefits to Alger Management. The Trustees considered whether Alger Management benefits in other ways from its relationship with the Fund. They noted that Alger Management maintains soft-dollar arrangements in connection with the equity Portfolios' brokerage transactions, reports on which are regularly supplied to the Trustees at their quarterly meetings and summaries of which, listing commissions by Portfolio for the six months through June 30, 2009 and the twelve months through December 31, 2008, had been included in the materials supplied prior to the meeting. The Trustees also noted that Alger Management receives fees from the Portfolios under the Administration Agreement, that Alger, Inc. provides a substantial portion of the Portfolios' equity brokerage and that Alger Management also receives fees from the Fund under a shareholder services agreement. The Trustees had been provided with information regarding, and had considered, the administration fee, brokerage and shareholder services fee benefits in connection with their review of the profitability to Alger Management and its affiliates of their relationships with the Fund. As to other benefits received, the Trustees decided that none were so significant as to render Alger Management's fees excessive.

Conclusions and Determinations. At the conclusion of these discussions, each of the Independent Trustees expressed the opinion that he had been furnished with sufficient information to make an informed business decision with respect to renewal of the Investment Advisory Agreement. Based on its discussions and considerations as described above, the Board made the following conclusions and determinations:

- The Board concluded that the nature, extent and quality of the services provided to each Portfolio by Alger Management are adequate and appropriate.

- The Board was generally satisfied with the performance of each of the Portfolios.

- The Board concluded that each advisory fee paid to Alger Management 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 Alger Management and its affiliates from the relationship with the Portfolio.

- The Board determined that there were not at this time significant economies of scale to be realized by Alger Management in managing the Portfolios' assets but that, to the extent that material economies of scale should be realized in the future, the Board would seek to ensure that they were shared with the applicable Portfolio.

The Board considered these conclusions and determinations and, without any one factor being dispositive, determined with respect to each Portfolio that renewal of the Investment Advisory Agreement was in the best interests of the Portfolio and its shareholders.

Privacy Policy

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

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

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

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

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

Sharing of Personal Information

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

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

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

Our Security Practices

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

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

Proxy Voting Policies

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

Fund Holdings

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

Change in Independent Registered Public Accounting Firm

On May 12, 2009, Deloitte & Touche LLP was selected as the Fund's independent registered public accounting firm for the 2009 fiscal year. A majority of the Fund's Board of Trustees, including a majority of the Independent Trustees, approved the appointment of Deloitte & Touche LLP. The predecessor independent registered public accounting firm's report on the Fund's financial statements for the year ended December 31, 2008 and the year ended December 31, 2007 contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. During such fiscal periods and through May 12, 2009, there were no disagreements between the Fund and the predecessor independent registered public accounting firm on any matter of accounting principles or practices, financial statement disclosure, or audit scope or procedures, which such disagreements, if not resolved to the satisfaction of the predecessor independent registered public accounting firm, would have caused them to make reference to the subject matter of the disagreement in connection with their reports on the financial statements for such fiscal periods.

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THE ALGER PORTFOLIOS

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Investment Advisor

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111 Fifth Avenue
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Distributor

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

Transfer Agent and Dividend Disbursing Agent

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

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

ALGER

Inspired by Change, Driven by Growth.

CREDIT SUISSE

CREDIT SUISSE FUNDS

Annual Report

December 31, 2009

CREDIT SUISSE TRUST
■ INTERNATIONAL EQUITY FLEX III PORTFOLIO

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

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

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

The views of the Portfolio's management are as of the date of the letter and the Portfolio holdings described in this document are as of December 31, 2009; these views and Portfolio holdings may have changed subsequent to these dates. Nothing in this document is a recommendation to purchase or sell securities.

January 20, 2010

Dear Shareholder:

On May 1, 2009, the Credit Suisse Trust — Emerging Markets Portfolio became the Credit Suisse Trust — International Equity Flex III Portfolio (the "Portfolio"). Concurrently, the investment strategy changed to a "flexible 130/30" strategy whereby the Portfolio generally will hold (i) long positions, either directly or through derivatives, in an amount up to approximately 130% of its net assets and (ii) short positions, either directly or through derivatives, in an amount up to approximately 30% of its net assets. The Portfolio will continue to invest in equity securities of non-U.S. companies.

Under the new investment strategy, the Portfolio seeks to outperform the MSCI EAFE Index Net Dividends (the "Benchmark"). The Benchmark is designed to measure the performance of equities in developed markets outside of North America, which include Europe, Australasia (Australia and New Zealand), and the Far East.

The Portfolio's investment approach has changed from a fundamental equity approach to one that uses quantitative portfolio management techniques. The portfolio manager will select securities for the Portfolio using proprietary quantitative models, which are designed to:

- forecast the expected relative return of stocks by analyzing a number of fundamental factors, including a company's relative valuation, use of capital, balance sheet quality, profitability, realized and expected growth potential and earnings and price momentum.
- identify stocks that are likely to suffer declines in price if market conditions deteriorate and either limit the Portfolio's overall long exposure or increase the Portfolio's overall short exposure to such low quality stocks.
- help determine the Portfolio's relative exposure to different industry sectors by analyzing sector performance under different market scenarios.

For the 12 months ended December 31, 2009, the Credit Suisse Trust — International Equity Flex III Portfolio (the "Portfolio") had a gain of 51.62%[1], versus an increase of 31.78% for the Benchmark.[2]

Market Review: A positive end to a challenging year

At the end of 2009, markets around the world rebounded, with the MSCI World Index Net Dividends increasing by 29.99% for the year, and the portfolio's benchmark, the MSCI EAFE Index Net Dividends, up 31.78% for the year. Additionally, the Dow Jones Euro STOXX Index Net was up 27.62% and the

FTSE All Share Index up 30.12%. In Japan, the Topix Index Total Return had more modest gains of 7.62%.

However, despite what seems to be a global recovery in the markets, there are still signs that a full recovery is a ways off. For example, the U.S. unemployment rate remains at 10.0% (as of November 2009), and the Federal Funds rate continues to be 0.0% - 0.25%.

Strategic Review and Outlook: Look for balance sheet and earnings quality in 2010

On May 1, 2009, the Portfolio's investment strategy changed from an active, long-only strategy to a quantitative flex strategy, which allows long and short positions while maintaining an approximate 100% net long exposure. The term "flex" in the portfolio's name refers to the ability of the portfolio to vary from 100% to 130% in its long positions and from 0% to 30% in its short positions, based on market conditions. While the Portfolio intends to utilize short exposure, it may refrain completely from doing so under certain conditions.

The Portfolio is managed by the Quantitative Equities Group within Credit Suisse Asset Management, LLC, which has managed funds with a flex-style strategy since January of 2007. The Quantitative Equities Group believes that utilizing a flex strategy should offer increased return potential for a given level of risk compared to a long-only strategy. The Quantitative Equities Group is made up of lead manager Jordan Low and portfolio managers Constantin Filitti and Timothy Schwider.

For the year ended December 31, 2009, the Portfolio outperformed its benchmark. In Europe, our Value and Capital Deployment factors contributed to alpha, while Momentum and Profitability detracted from performance. In Japan, the performance of our factors was also mixed. Overall, Value remained the strongest performing factor of the year, while Capital Deployment also added positively to performance. Conversely, Growth and Momentum both detracted from Portfolio performance.

Going forward, we believe that macro economic factors will have less impact, as the majority of stimulus packages and large bankruptcies have been incorporated into market valuations. As the world continues to adjust to the new regime of government support and increased transparency, we expect that stock selection will be more important in the coming months than macro bets. In our opinion, the first stage of the recovery is coming to an end. Market volatility should gradually become less important as investors begin to focus more on underlying fundamentals of companies. We also believe that balance sheet and earnings quality will be positively rewarded in 2010. And, although we expect the market to remain difficult in the near term, we are comfortable with our proactive long-term investment process going forward.

Credit Suisse Quantitative Equities Group

Jordan Low
Constantin Filitti
Timothy Schwider

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

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

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

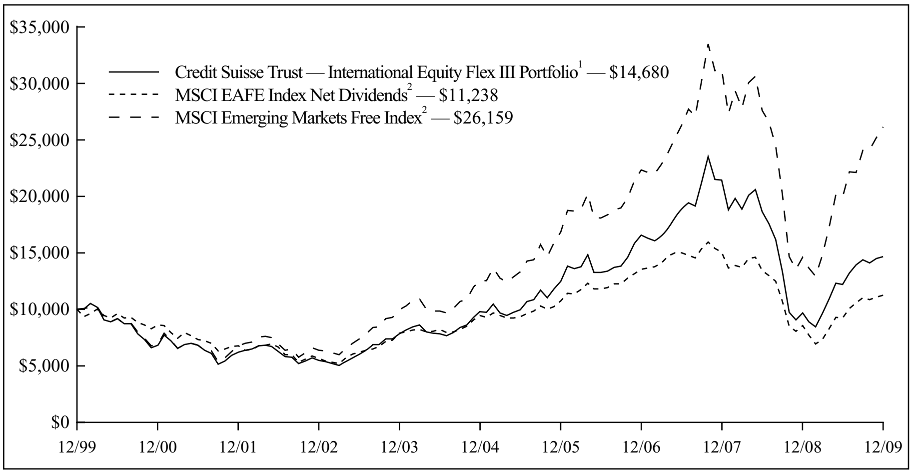
Investing in small to medium-sized companies may be more volatile and less liquid than investments in larger companies.

Special situations are unusual developments that affect a company's market value. Examples include mergers, acquisitions and reorganizations. Securities of special-situation companies may decline in value if the anticipated benefits of the special situation do not materialize.

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

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 — International Equity Flex III Portfolio[1], the MSCI EAFE Index Net Dividends[2] and the MSCI Emerging Markets Free Index[2] for Ten Years.



Average Annual Returns as of December 31, 2009[1]

1 Year	5 Years	10 Years	Since Inception[3]
51.62%	8.50%	3.91%	6.80%

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

The annualized gross expense ratio is 1.54%. The annualized net expense ratio after fee waivers and/or expense reimbursements is 1.14%.

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

2 The Morgan Stanley Capital International EAFE (Europe, Australasia, Far East) Index Net Dividends is a free float-adjusted market capitalization index that is designed to measure developed-market equity performance, excluding the U.S. and Canada. It is the exclusive property of Morgan Stanley Capital International Inc. Effective May 1, 2009, the Morgan Stanley Capital International EAFE Index Net Dividends replaced the MSCI Emerging Markets Free Index as the benchmark-index for the Portfolio. The Morgan Stanley Capital International Emerging Markets Free Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. It is the exclusive property of Morgan Stanley Capital International Inc. Investors cannot invest directly in an index.

3 Inception date 12/31/97.

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, 2009.

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

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

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

Expenses and Value for a $1,000 Investment
for the six month period ended December 31, 2009

Actual Portfolio Return	
Beginning Account Value 7/1/09	$1,000.00
Ending Account Value 12/31/09	$1,205.80
Expenses Paid per $1,000*	$ 7.78
Hypothetical 5% Portfolio Return	
Beginning Account Value 7/1/09	$1,000.00
Ending Account Value 12/31/09	$1,018.15
Expenses Paid per $1,000*	$ 7.12
Annualized Expense Ratio*	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 Ratio" in the tables are based on actual expenses paid by the Portfolio during the period, net of fee waivers and/or expense reimbursements. If those fee waivers and/or expense reimbursements had not been in effect, the Portfolio's actual expenses would have been higher. Expenses do not reflect additional charges and expenses that are, or may be, imposed under the variable contracts or plans. Such charges and expenses are described in the prospectus of the insurance company separate account or in the plan documents or other informational materials supplied by plan sponsors. The Portfolio's expenses should be considered with these charges and expenses in evaluating the overall cost of investing in the separate account.

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

SECTOR BREAKDOWN*

	Long	Short	Net
Financials	30.9%	(3.3)%	27.6%
Industrials	15.7%	(3.0)%	12.7%
Consumer Discretionary	12.8%	(2.5)%	10.3%
Health Care	11.5%	(1.4)%	10.1%
Materials	11.0%	(3.0)%	8.0%
Energy	10.2%	(2.5)%	7.7%
Consumer Staples	8.8%	(1.9)%	6.9%
Information Technology	6.2%	(0.3)%	5.9%
Telecommunication Services	5.4%	(0.7)%	4.7%
Utilities	5.7%	(1.0)%	4.7%
Short-Term Investments	1.4%	(0.0)%	1.4%
Total	**119.6%**	**(19.6)%**	**100.0%**

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

	Number of Shares	Value
LONG STOCK POSITIONS (118.4%)		
COMMON STOCKS (117.9%)		
Asia (3.6%)		
Diversified Financial Services (3.6%)		
iShares MSCI Pacific ex-Japan Index Fund§	114,803	$ 4,749,400
TOTAL ASIA		4,749,400
Australia (5.9%)		
Air Freight & Logistics (0.1%)		
Toll Holdings, Ltd.	5,497	42,979
Airlines (0.0%)		
Qantas Airways, Ltd.	8,709	23,265
Beverages (0.1%)		
Coca-Cola Amatil, Ltd.	4,876	50,336
Foster's Group, Ltd.	17,421	85,802
		136,138
Biotechnology (0.1%)		
CSL, Ltd.	5,205	151,544
Capital Markets (0.1%)		
Macquarie Group, Ltd.§	2,609	111,923
Perpetual, Ltd.	315	10,450
		122,373
Chemicals (0.1%)		
Incitec Pivot, Ltd.	12,816	40,588
Nufarm, Ltd.	1,466	14,248
Orica, Ltd.	3,185	74,142
		128,978
Commercial Banks (1.5%)		
Australia & New Zealand Banking Group, Ltd.	19,876	405,538
Bendigo and Adelaide Bank, Ltd.	2,658	23,360
Commonwealth Bank of Australia	12,861	628,668
National Australia Bank, Ltd.	15,931	389,258
Westpac Banking Corp.	24,237	548,155
		1,994,979
Commercial Services & Supplies (0.1%)		
Brambles, Ltd.	10,199	61,932
Construction & Engineering (0.0%)		
Leighton Holdings, Ltd.§	1,069	36,282
Construction Materials (0.0%)		
Boral, Ltd.	4,762	25,307
Containers & Packaging (0.0%)		
Amcor, Ltd.	6,916	38,551

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Australia		
Diversified Financial Services (0.4%)		
ASX, Ltd.	1,730	$ 54,002
iShares MSCI Australia Index Fund§	20,268	462,921
		516,923
Diversified Telecommunication Services (0.1%)		
Telstra Corp., Ltd.	42,119	129,648
Electric Utilities (0.0%)		
SP AusNet	12,558	10,318
Energy Equipment & Services (0.0%)		
WorleyParsons, Ltd.	1,485	38,606
Food & Staples Retailing (0.5%)		
Metcash, Ltd.	7,152	28,713
Wesfarmers, Ltd.	9,064	253,694
Wesfarmers, Ltd.	1,355	37,881
Woolworths, Ltd.	11,072	278,035
		598,323
Food Products (0.0%)		
Goodman Fielder, Ltd.	11,069	16,138
Health Care Equipment & Supplies (0.0%)		
Cochlear, Ltd.	489	30,235
Health Care Providers & Services (0.0%)		
Sonic Healthcare, Ltd.§	3,067	42,292
Hotels, Restaurants & Leisure (0.1%)		
Aristocrat Leisure, Ltd.§	3,327	11,933
Crown, Ltd.§	4,336	31,064
TABCORP Holdings, Ltd.	5,781	35,911
Tatts Group, Ltd.	10,895	23,797
		102,705
Industrial Conglomerates (0.0%)		
CSR, Ltd.	10,751	17,333
Insurance (0.4%)		
AMP, Ltd.	16,568	100,199
AXA Asia Pacific Holdings, Ltd.	9,057	53,021
Insurance Australia Group, Ltd.	19,030	68,433
QBE Insurance Group, Ltd.	7,787	177,920
Suncorp-Metway, Ltd.	10,805	83,754
		483,327
IT Services (0.0%)		
Computershare, Ltd.	3,923	40,188

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Australia		
Media (0.0%)		
Fairfax Media, Ltd.§	20,139	$ 31,341
Metals & Mining (1.4%)		
Alumina, Ltd.*§	22,352	36,586
BHP Billiton, Ltd.	30,319	1,161,630
BlueScope Steel, Ltd.	18,132	50,022
Fortescue Metals Group, Ltd.*	10,341	40,953
Newcrest Mining, Ltd.	4,504	142,838
OneSteel, Ltd.	11,126	33,459
OZ Minerals, Ltd.*	28,070	29,956
Rio Tinto, Ltd.	4,064	271,624
Sims Metal Management, Ltd.	1,530	30,015
		1,797,083
Multi-Utilities (0.1%)		
AGL Energy, Ltd.§	4,489	56,492
Multiline Retail (0.0%)		
Harvey Norman Holdings, Ltd.	4,898	18,488
Oil, Gas & Consumable Fuels (0.4%)		
Arrow Energy, Ltd.*	4,714	17,553
Caltex Australia, Ltd.*	1,240	10,327
Energy Resources of Australia, Ltd.	608	12,991
Origin Energy, Ltd.	7,597	114,439
Paladin Energy, Ltd.*	4,991	18,654
Santos, Ltd.	7,016	88,472
Woodside Petroleum, Ltd.	4,145	175,018
		437,454
Real Estate Investment Trusts (0.3%)		
CFS Retail Property Trust	14,734	25,119
Dexus Property Group	43,620	33,134
GPT Group	79,920	42,999
Mirvac Group	23,190	32,395
Stockland	18,099	63,845
Westfield Group	16,942	189,846
		387,338
Real Estate Management & Development (0.0%)		
Lend Lease Corp., Ltd.	3,291	30,416
Road & Rail (0.0%)		
Asciano Group*	26,262	42,568
Textiles, Apparel & Luxury Goods (0.0%)		
Billabong International, Ltd.§	1,595	15,625

Credit Suisse Trust — International Equity Flex III Portfolio
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	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Australia		
Transportation Infrastructure (0.1%)		
Macquarie Airports	6,581	$ 17,834
Macquarie Infrastructure Group§	23,184	27,647
Transurban Group§	10,870	53,863
		99,344
TOTAL AUSTRALIA		7,704,513
Austria (0.4%)		
Building Products (0.0%)		
Wienerberger AG*	16	291
Commercial Banks (0.4%)		
Erste Group Bank AG	12,197	453,607
Raiffeisen International Bank Holding AG	1,245	69,611
		523,218
Construction & Engineering (0.0%)		
Strabag SE BR	17	501
Real Estate Management & Development (0.0%)		
IMMOFINANZ AG*§	2,201	7,824
TOTAL AUSTRIA		531,834
Belgium (1.2%)		
Chemicals (0.5%)		
Solvay SA	5,719	616,425
Commercial Banks (0.0%)		
KBC Groep NV*	1,311	56,375
Diversified Financial Services (0.4%)		
Nationale A Portefeuille	9,638	513,294
Diversified Telecommunication Services (0.1%)		
Belgacom SA	3,864	140,392
Electrical Equipment (0.0%)		
Bekaert SA	46	7,105
Insurance (0.0%)		
Fortis*	432	1,600
Pharmaceuticals (0.1%)		
UCB SA	2,155	90,024
Wireless Telecommunication Services (0.1%)		
Mobistar SA	1,831	125,630
TOTAL BELGIUM		1,550,845

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Bermuda (0.0%)		
Insurance (0.0%)		
Catlin Group, Ltd.	5,045	$ 27,618
Metals & Mining (0.0%)		
Aquarius Platinum, Ltd.*§	645	4,203
TOTAL BERMUDA		31,821
Cyprus (0.0%)		
Energy Equipment & Services (0.0%)		
ProSafe SE	341	2,168
TOTAL CYPRUS		2,168
Denmark (1.8%)		
Beverages (0.1%)		
Carlsberg AS Class B	710	52,313
Construction & Engineering (0.0%)		
FLSmidth & Co. AS§	8	561
Health Care Equipment & Supplies (0.6%)		
Coloplast AS Class B§	6,975	631,324
William Demant Holding*	1,473	110,811
		742,135
Marine (0.3%)		
A P Moller - Maersk AS Class A	60	405,656
Pharmaceuticals (0.8%)		
H Lundbeck AS§	29,060	525,498
Novo Nordisk AS Class B	8,896	568,439
		1,093,937
TOTAL DENMARK		2,294,602
Finland (1.7%)		
Communications Equipment (0.9%)		
Nokia Oyj§	95,873	1,240,675
Electric Utilities (0.1%)		
Fortum Oyj	3,543	96,200
Food & Staples Retailing (0.1%)		
Kesko Oyj B Shares	2,450	80,974
Insurance (0.2%)		
Sampo Oyj A Shares	10,062	245,315
Machinery (0.1%)		
Kone Oyj Class B	2,018	86,551
Metso Oyj	2,972	104,629
Wartsila Oyj	242	9,708
		200,888

Credit Suisse Trust — International Equity Flex III Portfolio
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December 31, 2009

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Finland		
Metals & Mining (0.2%)		
Rautaruukki Oyj	8,674	$ 200,811
Pharmaceuticals (0.1%)		
Orion Oyj Class B	4,858	104,857
TOTAL FINLAND		2,169,720
France (14.1%)		
Aerospace & Defense (0.4%)		
Safran SA	17,658	345,314
Thales SA	1,027	52,827
Zodiac Aerospace§	2,586	107,644
		505,785
Auto Components (0.7%)		
Compagnie Generale des Etablissements Michelin Class B	2,922	223,980
Valeo SA*	18,688	654,625
		878,605
Automobiles (0.5%)		
PSA Peugeot Citroen*	19,276	648,553
Building Products (0.2%)		
Cie de Saint-Gobain§	4,099	222,542
Chemicals (0.1%)		
Arkema SA	3,597	133,466
Commercial Banks (1.1%)		
BNP Paribas§	12,826	1,018,184
Credit Agricole SA	4,338	76,195
Societe Generale	5,285	367,509
		1,461,888
Commercial Services & Supplies (0.1%)		
Societe BIC SA	2,092	144,647
Communications Equipment (0.2%)		
Alcatel-Lucent*§	81,802	275,676
Construction & Engineering (1.4%)		
Bouygues SA§	14,831	768,863
Eiffage SA	2,657	149,880
Vinci SA	15,562	876,423
		1,795,166
Diversified Financial Services (0.2%)		
Eurazeo	3,478	241,452
Diversified Telecommunication Services (0.5%)		
France Telecom SA	27,795	695,130

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
France		
Electrical Equipment (0.8%)		
Alstom SA	384	$ 26,878
Nexans SA	8,196	651,584
Schneider Electric SA	3,155	367,147
		1,045,609
Food & Staples Retailing (0.3%)		
Carrefour SA	6,064	291,114
Casino Guichard Perrachon SA§	1,585	141,334
		432,448
Hotels, Restaurants & Leisure (0.2%)		
Accor SA	4,057	222,193
Household Durables (0.0%)		
Thomson SA*§	1,888	2,433
Insurance (1.2%)		
AXA SA	20,845	489,829
CNP Assurances	3,968	384,564
SCOR SE	25,655	645,045
		1,519,438
IT Services (0.9%)		
Atos Origin SA*	11,170	512,165
Cap Gemini SA§	14,887	679,716
		1,191,881
Machinery (0.5%)		
Vallourec SA	3,879	702,370
Media (0.9%)		
Lagardere SCA	5,103	206,771
M6-Metropole Television	2,407	61,657
PagesJaunes Groupe§	19,833	221,250
Publicis Groupe§	2,775	112,926
Vivendi	19,837	589,249
		1,191,853
Metals & Mining (0.2%)		
Eramet§	935	293,060
Multi-Utilities (0.1%)		
GDF Suez§	2,280	98,855
Suez Environnement SA	108	2,492
Veolia Environnement	400	13,196
		114,543
Multiline Retail (0.2%)		
PPR§	2,237	268,743

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
France		
Oil, Gas & Consumable Fuels (1.7%)		
Total SA§	34,172	$ 2,196,702
Pharmaceuticals (1.3%)		
Ipsen SA	5	278
Sanofi-Aventis SA§	20,968	1,650,362
		1,650,640
Real Estate Investment Trusts (0.1%)		
Fonciere Des Regions§	1,166	119,327
Software (0.1%)		
UbiSoft Entertainment SA*	14,453	204,813
Textiles, Apparel & Luxury Goods (0.2%)		
Christian Dior SA	2,436	249,850
Transportation Infrastructure (0.0%)		
Societe Des Autoroutes Paris-Rhin-Rhone*	3	231
TOTAL FRANCE		18,409,044
Germany (10.2%)		
Aerospace & Defense (0.1%)		
MTU Aero Engines Holding AG	3,328	181,276
Air Freight & Logistics (0.0%)		
Deutsche Post AG	2,374	45,920
Airlines (0.3%)		
Deutsche Lufthansa AG	22,411	378,742
Automobiles (1.3%)		
Bayerische Motoren Werke AG	8,344	380,156
Daimler AG§	21,777	1,160,892
Volkswagen AG§	1,881	208,585
		1,749,633
Capital Markets (0.0%)		
Deutsche Bank AG	659	46,637
Chemicals (0.9%)		
BASF SE	17,776	1,101,089
Lanxess AG	2,045	77,374
		1,178,463
Computers & Peripherals (0.2%)		
Wincor Nixdorf AG	3,280	224,832
Construction & Engineering (0.8%)		
Bilfinger Berger AG	8,142	624,076
Hochtief AG	5,302	404,705
		1,028,781

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
December 31, 2009

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Germany		
Construction Materials (0.2%)		
HeidelbergCement AG	3,037	$ 210,281
Diversified Telecommunication Services (0.4%)		
Deutsche Telekom AG§	36,031	529,010
Electric Utilities (0.9%)		
E.ON AG§	26,605	1,117,654
Electrical Equipment (0.0%)		
Q-Cells SE*§	30	490
Tognum AG	2,157	35,736
		36,226
Food & Staples Retailing (0.2%)		
Metro AG	3,261	199,325
Food Products (0.1%)		
Suedzucker AG	3,752	78,240
Health Care Providers & Services (0.3%)		
Celesio AG	10,263	260,080
Rhoen-Klinikum AG	3,451	84,060
		344,140
Industrial Conglomerates (0.8%)		
Rheinmetall AG	9,530	605,555
Siemens AG	5,422	497,998
		1,103,553
Insurance (1.5%)		
Allianz SE§	7,409	919,188
Hannover Rueckversicherung AG*	1,683	78,696
Muenchener Rueckversicherungs AG§	6,570	1,024,198
		2,022,082
Machinery (0.0%)		
GEA Group AG	20	446
Metals & Mining (0.1%)		
Salzgitter AG	1,819	178,390
ThyssenKrupp AG§	139	5,230
		183,620
Multi-Utilities (0.9%)		
RWE AG§	11,631	1,129,644
Pharmaceuticals (1.1%)		
Bayer AG	17,112	1,370,508
Merck KGAA	482	45,234
		1,415,742

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
December 31, 2009

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Germany		
Software (0.0%)		
Software AG	26	$ 2,836
Textiles, Apparel & Luxury Goods (0.1%)		
Adidas AG	271	14,691
Puma AG Rudolf Dassler Sport	275	91,622
		106,313
TOTAL GERMANY		13,313,396
Greece (0.8%)		
Capital Markets (0.0%)		
Marfin Investment Group SA*	285	809
Commercial Banks (0.6%)		
Alpha Bank AE*	34,369	401,396
EFG Eurobank Ergasias SA*	18,596	207,998
National Bank of Greece SA*	6,239	160,426
Piraeus Bank SA*	5,182	59,515
		829,335
Construction Materials (0.0%)		
Titan Cement Co. SA	114	3,309
Hotels, Restaurants & Leisure (0.1%)		
OPAP SA	7,805	171,621
Oil, Gas & Consumable Fuels (0.1%)		
Hellenic Petroleum SA	5,076	56,877
TOTAL GREECE		1,061,951
Hong Kong (1.7%)		
Diversified Financial Services (1.7%)		
iShares MSCI Hong Kong Index Fund§	143,378	2,245,300
TOTAL HONG KONG		2,245,300
Ireland (0.2%)		
Airlines (0.0%)		
Ryanair Holdings PLC*	911	4,305
Construction Materials (0.2%)		
CRH PLC	6,476	177,159
Food Products (0.0%)		
Kerry Group PLC Class A	579	18,220
TOTAL IRELAND		199,684
Israel (0.0%)		
IT Services (0.0%)		
Emblaze Ltd.*	13,069	8,272
TOTAL ISRAEL		8,272

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Italy (4.0%)		
Automobiles (0.1%)		
Fiat SpA*	10,186	$ 149,186
Commercial Banks (0.9%)		
Banca Carige SpA§	4,667	12,469
Banca Monte dei Paschi di Siena SpA§	25,913	45,338
Banca Popolare dell'Etruria e del Lazio	721	4,079
Banco di Desio e della Brianza SpA	2,647	15,875
Banco Popolare SC*	326	2,444
Intesa Sanpaolo SpA*	86,040	387,506
Piccolo Credito Valtellinese Scarl	2,992	24,071
UniCredit SpA*	202,655	678,196
		1,169,978
Construction & Engineering (0.0%)		
Impregilo SpA	48	170
Construction Materials (0.0%)		
Buzzi Unicem SpA	278	4,477
Cementir Holding SpA	2,428	11,684
		16,161
Diversified Telecommunication Services (0.2%)		
Telecom Italia SpA	183,378	286,299
Electric Utilities (0.9%)		
Enel SpA§	185,657	1,075,740
Iride SpA§	5,128	9,776
		1,085,516
Electrical Equipment (0.5%)		
Prysmian SpA	36,911	644,829
Food Products (0.5%)		
Parmalat SpA	234,541	656,259
Gas Utilities (0.0%)		
Snam Rete Gas SpA	5,967	29,658
Insurance (0.2%)		
Assicurazioni Generali SpA	9,992	269,413
Fondiaria-Sai SpA	561	8,926
Premafin Finanziaria SpA*	4,768	7,231
Societa Cattolica di Assicurazioni S.c.r.l*	158	5,365
		290,935
Media (0.0%)		
Gruppo Editoriale L'Espresso SpA*	1,833	5,888
Multi-Utilities (0.0%)		
ACEA SpA	815	8,743

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Italy		
Oil, Gas & Consumable Fuels (0.7%)		
ENI SpA	33,422	$ 851,830
Saras SpA§	226	710
		852,540
TOTAL ITALY		5,196,162
Japan (22.4%)		
Air Freight & Logistics (0.0%)		
Yamato Holdings Co., Ltd.	4,000	55,704
Airlines (0.0%)		
Japan Airlines Corp.*	384	276
Auto Components (0.5%)		
Aisin Seiki Co., Ltd.§	1,789	51,708
Bridgestone Corp.§	7,630	134,650
Calsonic Kansei Corp.*	3,000	8,383
Denso Corp.	6,522	197,160
Imasen Electric Industrial	19	243
Kasai Kogyo Co., Ltd.	3,000	8,306
Keihin Corp.	200	2,991
Koito Manufacturing Co., Ltd.	1,000	16,057
Musashi Seimitsu Industry Co., Ltd.	300	6,994
NHK Spring Co., Ltd.	1,000	9,315
Pacific Industrial Co., Ltd.	200	1,056
Press Kogyo Co., Ltd.	2,000	3,763
Showa Corp.§	900	5,438
SNT Corp.	200	488
Stanley Electric Co., Ltd.	1,600	32,467
Sumitomo Rubber Industries, Ltd.§	9,200	80,014
Tachi-S Co., Ltd.	700	6,937
TBK Co., Ltd.*	7,000	12,524
The Yokohama Rubber Co., Ltd	676	2,990
Tigers Polymer Corp.	500	1,670
Toyota Boshoku Corp.	300	6,701
Toyota Industries Corp.§	800	23,903
Unipres Corp.§	1,600	25,422
Yorozu Corp.	131	1,762
		640,942
Automobiles (2.2%)		
Daihatsu Motor Co., Ltd.§	2,965	29,651
Fuji Heavy Industries, Ltd.*	7,103	34,723
Honda Motor Co., Ltd.§	23,092	783,817
Isuzu Motors, Ltd.*§	12,921	24,282
Mazda Motor Corp.*	13,508	31,074
Mitsubishi Motors Corp.*§	2,000	2,781
Nissan Motor Co., Ltd.*§	35,300	310,347

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Automobiles		
Suzuki Motor Corp.§	4,731	$ 116,560
Toyota Motor Corp.	36,645	1,545,652
Yamaha Motor Co., Ltd.*§	561	7,098
		2,885,985
Beverages (0.2%)		
Asahi Breweries, Ltd.§	2,098	38,656
Kirin Holdings Co., Ltd.§	10,823	173,643
Mercian Corp.	10,000	21,023
Oenon Holdings, Inc.§	4,000	7,417
		240,739
Building Products (0.2%)		
Asahi Glass Co., Ltd.§	16,000	152,258
Central Glass Co., Ltd.	1,000	3,829
Daikin Industries, Ltd.	2,154	85,114
		241,201
Capital Markets (0.4%)		
Daiwa Securities Group, Inc.	32,981	166,053
Mizuho Securities Co., Ltd.	35,000	105,954
Nomura Holdings, Inc.§	33,057	245,939
SBI Holdings, Inc.§	201	36,001
		553,947
Chemicals (1.0%)		
Air Water, Inc.	5,000	58,920
Asahi Kasei Corp.	14,996	75,170
Chugoku Marine Paints, Ltd.	4,000	28,033
Daicel Chemical Industries, Ltd.	12,000	70,518
DIC Corp.	1,000	1,704
Hitachi Chemical Co., Ltd.	1,000	20,389
JSP Corp.	25	263
JSR Corp.	400	8,144
Kaneka Corp.	15,000	95,612
Kansai Paint Co., Ltd.	1,000	8,384
Katakura Chikkarin Co., Ltd.	4,000	12,030
Mitsubishi Chemical Holdings Corp.§	22,547	96,054
Mitsubishi Gas Chemical Co., Inc.§	7,124	35,915
Mitsubishi Rayon Co., Ltd.	77	310
Mitsui Chemicals, Inc.	18,000	46,627
Nippon Shokubai Co., Ltd.	4,105	35,303
Nippon Soda Co., Ltd.	554	1,997
Nitto Denko Corp.	3,200	115,006
Shin-Etsu Chemical Co., Ltd.§	5,200	293,709
Shin-Etsu Polymer Co., Ltd.	2,000	11,879
Showa Denko KK	36,000	71,726

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Chemicals		
Sumitomo Bakelite Co., Ltd.§	4,466	$ 22,066
Sumitomo Chemical Co., Ltd.	24,184	106,152
Toagosei Co., Ltd.	2,000	7,531
Tokuyama Corp.	4,809	26,901
Tokyo Ohka Kogyo Co., Ltd.§	994	18,497
Toray Industries, Inc.§	2,684	14,609
Tosoh Corp.§	2,364	6,532
Ube Industries, Ltd.	3,891	10,650
		1,300,631
Commercial Banks (2.0%)		
Aozora Bank, Ltd.*	3,000	3,190
Chuo Mitsui Trust Holdings, Inc.§	12,000	40,441
Fukuoka Financial Group, Inc.§	21,000	73,216
Hokuhoku Financial Group, Inc.§	32,705	66,898
Mitsubishi UFJ Financial Group, Inc.	155,031	763,977
Mizuho Financial Group, Inc.§	167,254	300,903
Resona Holdings, Inc.	5,103	51,868
Sumitomo Mitsui Financial Group, Inc.§	16,996	487,916
Suruga Bank, Ltd.	2,000	17,436
The Bank of Kyoto, Ltd.	3,000	24,258
The Bank of Yokohama, Ltd.	24,000	109,474
The Chiba Bank, Ltd.	17,992	107,659
The Daishi Bank, Ltd.	5,000	16,713
The Gunma Bank, Ltd.	992	5,076
The Hiroshima Bank, Ltd§	25,885	99,783
The Iyo Bank, Ltd.	2,000	16,278
The Keiyo Bank, Ltd.	8,000	35,607
The Nishi-Nippon City Bank, Ltd.	21,997	53,887
The San-In Godo Bank, Ltd.	7,000	54,556
The Shizuoka Bank, Ltd	4,000	34,833
The Sumitomo Trust & Banking Co., Ltd.§	23,720	116,516
The Tohoku Bank, Ltd.	4,000	6,044
The Yamanashi Chuo Bank Ltd	6,000	23,974
Yamaguchi Financial Group, Inc.	4,973	46,182
		2,556,685
Commercial Services & Supplies (0.4%)		
Dai Nippon Printing Co., Ltd.	12,000	153,067
Itoki Corp.	11,604	22,835
Kokuyo Co., Ltd.	4,400	35,132
Nichiban Co., Ltd.	5,000	15,334
Nippon Kucho Service Co., Ltd.	1,000	7,643
Oyo Corp.	400	3,573
Secom Co., Ltd.	3,153	149,824
Sohgo Security Services Co., Ltd.	1,200	13,458
Takano Co., Ltd.	346	1,692
Toppan Printing Co., Ltd.	16,603	135,243

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Commercial Services & Supplies		
Tosho Printing Co., Ltd.	17,499	$ 29,984
Uchida Yoko Co., Ltd.	6,000	15,789
		583,574
Communications Equipment (0.0%)		
Denki Kogyo Co., Ltd.	9	39
Computers & Peripherals (0.5%)		
Fujitsu, Ltd.§	42,000	272,631
NEC Corp.*	33,260	86,011
Toshiba Corp.*§	49,871	276,848
		635,490
Construction & Engineering (0.3%)		
Ando Corp.	3,000	3,282
Chugai Ro Co., Ltd.	12,000	31,487
Kajima Corp.	16,000	32,387
Kokusai Kogyo Holdings Co., Ltd.*	1,000	2,509
Kyudenko Corp.	1,000	5,978
Maeda Corp.§	5,697	15,563
Nippo Corp.	1,944	13,892
Nippon Koei Co., Ltd.	7,000	21,164
Nishimatsu Construction Co., Ltd.	12,750	13,890
Obayashi Corp.§	9,992	34,026
Obayashi Road Corp.	7,000	10,601
Raito Kogyo Co., Ltd.	2,100	4,506
Shinnihon Corp.	4,808	7,199
Taihei Kogyo Co., Ltd.	129	541
Taisei Corp.	38,000	65,228
Tekken Corp.*	4,000	3,460
The Nippon Road Co., Ltd.	14,000	28,066
Toa Corp.	26,000	25,632
Totetsu Kogyo Co., Ltd.	57	314
Toyo Engineering Corp.	11,000	32,399
		352,124
Construction Materials (0.0%)		
Okabe Co., Ltd.	20	65
Shinagawa Refractories Co., Ltd.	2,308	5,390
Sumitomo Osaka Cement Co., Ltd.	18,515	28,483
Taiheiyo Cement Corp.*§	20,987	23,951
		57,889
Consumer Finance (0.1%)		
Acom Co., Ltd.§	460	7,006
Credit Saison Co., Ltd.§	845	9,468
ORIX Corp.§	1,675	114,090
Takefuji Corp.	6	25
		130,589

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Containers & Packaging (0.1%)		
FP Corp.§	900	$ 40,638
Hokkan Holdings, Ltd.	12,000	28,057
Rengo Co., Ltd.	3,000	17,839
Tomoku Co., Ltd.	5,000	10,915
Toyo Seikan Kaisha, Ltd.	1,860	28,347
		125,796
Distributors (0.0%)		
Canon Marketing Japan, Inc.§	1,600	23,588
Naigai Co., Ltd.*	20,000	10,602
Sankyo Seiko Co., Ltd.	890	2,248
		36,438
Diversified Consumer Services (0.0%)		
Benesse Corp.	1,200	50,195
Watabe Wedding Corp.	440	4,822
		55,017
Diversified Financial Services (0.0%)		
Daiko Clearing Services Corp.	100	405
Diversified Telecommunication Services (0.3%)		
Nippon Telegraph & Telephone Corp.	9,200	363,584
Electric Utilities (0.9%)		
Chubu Electric Power Co., Inc.§	12,597	300,638
Hokuriku Electric Power Co.§	3,001	65,552
Kyushu Electric Power Co., Inc.	300	6,182
The Kansai Electric Power Co., Inc.§	11,296	255,021
The Tokyo Electric Power Co., Inc.	17,800	446,944
Tohoku Electric Power Co., Inc.	4,200	83,269
		1,157,606
Electrical Equipment (0.3%)		
Fuji Electric Holdings Co., Ltd.*§	11,000	19,032
Fujikura Ltd.	2,000	10,422
Furukawa Electric Co., Ltd.§	4,000	16,712
Mitsubishi Electric Corp.*	30,654	227,816
Sumitomo Electric Industries, Ltd.	13,100	163,242
Toko Electric Corp.	594	3,010
		440,234
Electronic Equipment, Instruments & Components (1.2%)		
CMK Corp.*§	540	3,910
FUJIFILM Holdings Corp.	8,792	265,638
Hirose Electric Co., Ltd.§	359	37,657
Hitachi, Ltd.*	45,874	141,083
Hosiden Corp.§	386	4,135

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Electronic Equipment, Instruments & Components		
HOYA Corp.§	6,000	$ 160,164
Ibiden Co., Ltd.§	1,397	50,124
JBCC Holdings, Inc.	4,700	29,236
Keyence Corp.	382	79,316
Kyocera Corp.	2,086	183,794
Mitsumi Electric Co., Ltd.	488	8,623
Murata Manufacturing Co., Ltd.	3,018	150,685
Nidec Corp.§	1,166	107,811
Nippon Electric Glass Co., Ltd.§	2,000	27,540
Oki Electric Industry Co., Ltd.*	7,152	5,936
Ryosan Co., Ltd.	4,684	110,251
Ryoyo Electro Corp.	3,100	24,631
Sanshin Electronics Co., Ltd.	3,000	20,605
Shimadzu Corp.§	1,825	12,161
Shinko Shoji Co., Ltd.	1,000	7,945
SMK Corp.§	5,516	31,876
Sun-Wa Technos Corp.	500	2,165
TDK Corp.§	982	60,038
Yokogawa Electric Corp.§	1,281	11,318
		1,536,642
Food & Staples Retailing (0.4%)		
Aeon Co., Ltd.§	8,098	65,757
Cawachi, Ltd.	500	8,969
CVS Bay Area, Inc.	1,000	1,241
Echo Trading Co., Ltd.	1,257	12,651
Itochu-Shokuhin Co., Ltd.	1,025	34,335
Izumiya Co., Ltd.	14,782	63,458
Kato Sangyo Co., Ltd.	800	14,648
Kirindo Co., Ltd.	600	2,564
Matsumotokiyoshi Holdings Co., Ltd.	200	4,405
Seven & I Holdings Co., Ltd.	15,600	318,664
Tohto Suisan Co., Ltd.	10,305	15,823
		542,515
Food Products (0.3%)		
Ajinomoto Co., Inc.	5,089	47,918
Chubu Shiryo Co., Ltd	333	3,212
Kyokuyo Co., Ltd.	6,231	12,359
Maruha Nichiro Holdings, Inc.§	27,000	36,869
Morinaga & Co., Ltd.	8,000	16,793
Nippon Meat Packers, Inc.	2,000	23,165
Nippon Suisan Kaisha, Ltd.§	4,000	11,301
Prima Meat Packers, Ltd.	1,000	1,022
QP Corp.§	8,900	94,785
Showa Sangyo Co., Ltd.	18,000	58,320
Starzen Co., Ltd.	3,000	7,580

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Food Products		
Warabeya Nichiyo Co., Ltd.	2,278	$ 25,460
Yaizu Suisankagaku Industry Co., Ltd.	21	244
Yonekyu Corp.	1,000	8,525
		347,553
Gas Utilities (0.2%)		
Osaka Gas Co., Ltd.	26,000	87,665
Tokyo Gas Co., Ltd.	38,000	151,747
		239,412
Health Care Equipment & Supplies (0.1%)		
Aloka Co., Ltd.§	1,200	8,468
Hitachi Medical Corp.	1,000	8,354
Nipro Corp.	2,000	41,388
Olympus Corp.§	1,622	52,318
Terumo Corp.§	1,255	75,671
		186,199
Health Care Providers & Services (0.1%)		
Alfresa Holdings Corp.	900	35,799
Mediceo Paltac Holdings Co., Ltd.	424	5,258
Nichii Gakkan Co.	1,200	10,704
Ship Healthcare Holdings, Inc.	19	10,437
Suzuken Co., Ltd.	611	20,103
		82,301
Hotels, Restaurants & Leisure (0.1%)		
Doutor Nichires Holdings Co., Ltd.	688	8,866
Kappa Create Co., Ltd.	100	2,174
Kyoritsu Maintenance Co., Ltd.	1,249	17,256
McDonald's Holdings Co. Japan, Ltd.§	828	15,843
Oriental Land Co. Japan, Ltd.	400	26,331
Resorttrust, Inc.	3,702	43,779
Round One Corp.	4,415	26,197
		140,446
Household Durables (0.9%)		
Casio Computer Co., Ltd.§	1,942	15,553
Foster Electric Co., Ltd.	11	327
Fuji Corp.	1,300	4,578
Funai Electric Co., Ltd.	100	5,024
Haseko Corp.*§	1,000	714
Makita Corp.	1,289	44,294
Meiwa Estate Co., Ltd.*	4,377	20,314
Panasonic Corp.§	25,880	372,739
Sanyo Electric Co., Ltd.*§	17,715	32,736
Sekisui Chemical Co., Ltd.	9,000	56,012

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
December 31, 2009

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Household Durables		
Sekisui House, Ltd.§	8,000	$ 72,658
Sharp Corp.§	12,983	164,023
Sony Corp.	12,138	353,025
Token Corp.§	120	2,694
Touei Housing Corp.*§	1,100	9,217
		1,153,908
Household Products (0.2%)		
Kao Corp.	7,000	164,128
Lion Corp.	5,000	24,401
Unicharm Corp.	300	28,136
		216,665
Independent Power Producers & Energy Traders (0.1%)		
Electric Power Development Co., Ltd.	2,700	76,802
Industrial Conglomerates (0.0%)		
Hankyu Hanshin Holdings, Inc.	1,000	4,462
Insurance (0.7%)		
Aioi Insurance Co., Ltd.	14,564	69,842
Mitsui Sumitomo Insurance Group Holdings, Inc.	7,100	181,420
Sompo Japan Insurance, Inc.	32,902	212,225
Sony Financial Holdings, Inc.	38	98,935
T&D Holdings, Inc.	2,489	51,209
The Fuji Fire & Marine Insurance Co., Ltd.*	9,226	8,959
Tokio Marine Holdings, Inc.	12,648	345,302
		967,892
Internet & Catalog Retail (0.1%)		
ASKUL Corp.	12	218
Belluna Co., Ltd.	10,800	43,732
Nissen Holdings Co., Ltd.	300	889
Rakuten, Inc.*§	106	80,736
Senshukai Co., Ltd.	2,700	13,733
		139,308
Internet Software & Services (0.1%)		
eAccess, Ltd.§	106	62,329
Yahoo! Japan Corp.§	88	26,470
		88,799
IT Services (0.1%)		
IT Holdings Corp.	3,201	36,654
JBIS Holdings, Inc.	3,168	10,742
Nihon Unisys, Ltd.	2,800	20,046
Nomura Research Institute, Ltd.	400	7,870
NTT Data Corp.	5	15,511
		90,823

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Leisure Equipment & Products (0.1%)		
Heiwa Corp.	3,800	$ 38,872
Namco Bandai Holdings, Inc.	1,000	9,557
Nikon Corp.	885	17,483
Noritsu Koki Co., Ltd.	1,544	10,498
Sankyo Co., Ltd.	1,254	62,819
Tamron Co., Ltd.	323	3,296
Yamaha Corp.	100	1,205
		143,730
Machinery (0.9%)		
Aida Engineering, Ltd.	4,700	13,748
Amada Co., Ltd.	10,279	64,411
Amano Corp.	300	2,576
Asahi Diamond Industrial Co., Ltd.	833	5,980
Daiwa Industries, Ltd.	87	402
Fanuc, Ltd.§	1,958	182,568
Hitachi Zosen Corp.*	19,500	26,570
Hosokawa Micron Corp.	1,000	3,688
IHI Corp.*§	25,000	39,886
JTEKT Corp.	892	11,478
Juki Corp.*§	4,000	4,116
Kinki Sharyo Co., Ltd.§	3,000	23,528
Kitakawa Iron Works Co., Ltd.	3,000	2,679
Komatsu, Ltd.	9,748	204,154
Kubota Corp.§	10,000	91,798
Kyokuto Kaihatsu Kogyo Co., Ltd.	3,200	11,784
Maezawa Industries, Inc.*	200	354
Minebea Co., Ltd.	12,878	69,912
Mitsubishi Heavy Industries, Ltd.§	41,000	144,668
Mitsuboshi Belting Co., Ltd.	1,000	3,998
Mitsui Engineering & Shipbuilding Co., Ltd.§	40,072	96,552
Nachi-Fujikoshi Corp.	707	1,532
NGK Insulators, Ltd.	1,009	22,076
NTN Corp.	3,796	17,158
OKK Corp.*	17,000	13,209
Ryobi, Ltd.*	1,000	2,621
Shinmaywa Industries, Ltd.	2,000	6,120
Sintokogio, Ltd.	6,300	44,884
SMC Corp.§	493	56,316
Sumitomo Heavy Industries, Ltd.*	7,908	40,053
Tsudakoma Corp.*	7,345	8,899
		1,217,718
Marine (0.2%)		
Kawasaki Kisen Kaisha, Ltd.*§	13,000	37,161
Mitsui OSK Lines, Ltd.§	22,000	116,269
Nippon Yusen KK	19,706	60,717
		214,147

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Media (0.2%)		
Amuse, Inc.	700	$ 7,379
Avex Group Holdings, Inc.§	4,300	34,242
Dentsu, Inc.§	2,200	50,673
Gakken Co., Ltd.§	4,414	11,214
Jupiter Telecommunications Co., Ltd.§	31	30,688
Kadokawa Group Holdings, Inc.§	500	11,707
Nippon Television Network Corp.	110	14,304
SKY Perfect JSAT Holdings, Inc.	166	66,140
Toei Co., Ltd.	5,000	26,658
TV Asahi Corp.	7	9,982
		262,987
Metals & Mining (0.6%)		
Dowa Holdings Co., Ltd.	5,000	27,677
JFE Holdings, Inc.§	5,900	233,320
Kobe Steel, Ltd.*	12,621	22,882
Mitsubishi Materials Corp.*§	8,262	20,216
Nakayama Steel Works, Ltd.	11,429	15,677
Nippon Metal Industry Co., Ltd.§	4,000	6,031
Nippon Steel Corp.§	65,977	267,453
Nisshin Steel Co., Ltd.§	17,000	30,068
Sanyo Special Steel Co., Ltd.§	1,733	7,581
Sumitomo Metal Industries, Ltd.	27,263	73,316
Sumitomo Metal Mining Co., Ltd.	9,000	132,875
Tokyo Tekko Co., Ltd.	39	113
Topy Industries, Ltd.	11,000	19,937
		857,146
Multiline Retail (0.1%)		
Isetan Mitsukoshi Holdings, Ltd.§	4,758	42,980
Marui Group Co., Ltd.	6,296	38,783
		81,763
Office Electronics (0.7%)		
Brother Industries, Ltd.§	2,400	27,613
Canon, Inc.	14,514	617,669
Konica Minolta Holdings, Inc.	6,673	68,796
Ricoh Co., Ltd.§	7,985	114,464
Riso Kagaku Corp.	2,842	22,756
Toshiba TEC Corp.*	2,000	7,584
		858,882
Oil, Gas & Consumable Fuels (0.5%)		
AOC Holdings, Inc.	2,851	15,279
Cosmo Oil Co., Ltd.§	29,802	62,648
Idemitsu Kosan Co., Ltd.§	675	39,423
INPEX Corp.§	15	113,465

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Oil, Gas & Consumable Fuels		
Itochu Enex Co., Ltd.	10,133	$ 41,754
Nippon Mining Holdings, Inc.	24,824	106,586
Nippon Oil Corp.§	45,000	208,714
Showa Shell Sekiyu KK§	2,400	19,569
		607,438
Paper & Forest Products (0.1%)		
Mitsubishi Paper Mills, Ltd.	10,627	12,500
Nakabayashi Co., Ltd.	12,857	26,794
Nippon Paper Group, Inc.	1,100	28,084
OJI Paper Co., Ltd.	34	143
Tokushu Tokai Holdings Co., Ltd.	1,000	2,457
		69,978
Personal Products (0.0%)		
Shiseido Company, Ltd.§	3,000	57,682
Pharmaceuticals (1.1%)		
Astellas Pharma, Inc.	9,700	362,051
Daiichi Sankyo Co., Ltd.	10,191	213,812
Eisai Co., Ltd.§	2,100	77,242
Hisamitsu Pharmaceutical Co., Inc.	400	12,924
Kyorin Co., Ltd.	1,000	14,657
Mitsubishi Tanabe Pharma Corp.§	5,000	62,416
Ono Pharmaceutical Co., Ltd.	1,300	55,831
Shionogi & Co., Ltd.	34	738
SSP Co., Ltd.§	6,000	31,945
Taisho Pharmaceutical Co., Ltd.	4,661	80,229
Takeda Pharmaceutical Co., Ltd.	12,900	531,724
		1,443,569
Professional Services (0.0%)		
Arrk Corp.*	214	141
Real Estate Investment Trusts (0.1%)		
Japan Prime Realty Investment Corp.	1	2,079
Japan Real Estate Investment Corp.§	3	22,125
Japan Retail Fund Investment Corp.	1	4,499
Nippon Building Fund, Inc.§	4	30,413
Nomura Real Estate Office Fund, Inc.	3	16,323
		75,439
Real Estate Management & Development (0.4%)		
Daikyo, Inc.*	3,000	6,466
Daito Trust Construction Co., Ltd.	993	47,037
Daiwa House Industry Co., Ltd.	2,814	30,271
Heiwa Real Estate Co., Ltd.	4,000	12,874
Iida Home Max	100	1,594

Credit Suisse Trust — International Equity Flex III Portfolio
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	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Real Estate Management & Development		
Kenedix, Inc.*§	19	$ 6,151
Leopalace21 Corp.*	4,050	16,788
Mitsubishi Estate Co., Ltd.	9,559	152,683
Mitsui Fudosan Co., Ltd.	8,910	150,717
Nisshin Fudosan Co., Ltd	700	2,970
Sumitomo Realty & Development Co., Ltd.§	4,863	91,841
Suncity Co. Ltd.*	81	1,970
Tokyo Tatemono Co., Ltd.	10,000	38,484
Tokyu Land Corp.§	6,811	25,311
Yuraku Real Estate Co., Ltd.	1,000	3,173
		588,330
Road & Rail (0.7%)		
Central Japan Railway Co.§	28	187,493
East Japan Railway Co.	6,400	405,171
Keihin Electric Express Railway Co., Ltd.	17	125
Keisei Electric Railway Co., Ltd.§	6,761	37,002
Kintetsu Corp.§	3,055	10,130
Maruwn Corp.	1,000	2,385
Maruzen Showa Unyu Co., Ltd.	1,000	3,223
Nagoya Railroad Co., Ltd.	6,000	17,447
Nippon Express Co., Ltd.	16,000	66,105
Seino Holdings Corp.	1,000	6,350
Tobu Railway Co., Ltd.§	4,000	20,890
Tokyu Corp.	19,000	75,693
West Japan Railway Co.	33	110,685
		942,699
Semiconductors & Semiconductor Equipment (0.2%)		
Advantest Corp.§	684	17,827
Elpida Memory, Inc.*	400	6,522
Mimasu Semiconductor Industry Co., Ltd.	200	2,404
NEC Electronics Corp.*	42	349
Rohm Co., Ltd.	1,098	71,689
Shinko Electric Industries Co., Ltd.§	2,100	30,582
Sumco Corp.§	500	8,839
Tokyo Electron, Ltd.§	1,766	113,405
		251,617
Software (0.3%)		
DTS Corp.	100	947
Konami Corp.§	2,199	39,279
Nintendo Co., Ltd.§	1,600	382,303
Nippon Systemware Co., Ltd.	300	956
SRA Holdings	4,378	38,644
		462,129

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Specialty Retail (0.4%)		
AOKI Holdings, Inc.	5,300	$ 52,760
Aoyama Trading Co., Ltd.	3,118	39,816
Autobacs Seven Co., Ltd.	1,053	31,345
Best Denki Co., Ltd.	6,725	23,437
BIC CAMERA, Inc.	54	19,225
Chiyoda Co., Ltd.§	4,404	56,979
DCM Japan Holdings Co., Ltd.§	6,000	34,905
EDION Corp.§	500	5,405
Fast Retailing Co., Ltd.	472	88,746
Geo Corp.§	21	21,182
Hard Off Corp. Co., Ltd.	15	71
Hikari Tsushin, Inc.	800	14,581
Joshin Denki Co., Ltd.	1,000	7,810
K+S AG	900	27,029
Keiyo Co. Ltd.§	4,000	17,119
Kohnan Shoji Co., Ltd.§	800	8,610
Kojima Co., Ltd.§	2,000	11,735
PARIS MIKI HOLDING, Inc.§	2,836	23,819
Point, Inc.	2	112
Right On Co., Ltd.	957	7,389
USS Co., Ltd.	41	2,504
Xebio Co., Ltd.	100	1,764
Yamada Denki Co., Ltd.§	978	66,006
Yellow Hat, Ltd.	1,500	11,044
		573,393
Textiles, Apparel & Luxury Goods (0.1%)		
Atsugi Co., Ltd.	250	302
Kurabo Industries, Ltd.	11,652	17,764
Nisshinbo Holdings, Inc.§	7,969	73,868
Renown, Inc.*	5,759	9,434
Sanei-International Co., Ltd.	200	1,853
Tasaki Shinju Co., Ltd.*	2,000	2,189
		105,410
Tobacco (0.2%)		
Japan Tobacco, Inc.§	63	212,810
Trading Companies & Distributors (1.0%)		
Daiichi Jitsugyo Co., Ltd.	2,000	5,201
Hanwa Co., Ltd.	12,000	43,643
Inaba Denki Sangyo Co., Ltd	500	11,457
ITOCHU Corp.	22,621	167,168
Kamei Corp.	3,000	14,181
Kanamoto Co., Ltd.	2,125	9,039
Kanematsu Corp.*§	11,745	8,749
Kuroda Electric Co., Ltd.§	1,214	17,687

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	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Trading Companies & Distributors		
Kyokuto Boeki Kaisha, Ltd.	7,666	$ 9,569
Marubeni Corp.§	25,827	142,729
Mitsubishi Corp.§	12,515	311,865
Mitsui & Co., Ltd.	17,683	250,961
Seika Corp.	21,577	46,099
Sojitz Corp.	51,876	98,196
Sumitomo Corp.§	20,079	204,547
Tokyo Sangyo Co. Ltd.	1,000	2,640
Tomoe Engineering Co., Ltd.	300	4,030
Toyota Tsusho Corp.	500	7,402
Yuasa Trading Co., Ltd.	24,000	19,439
		1,374,602
Wireless Telecommunication Services (0.5%)		
KDDI Corp.	31	164,269
NTT DoCoMo, Inc.§	178	248,503
Softbank Corp.§	8,500	199,349
		612,121
TOTAL JAPAN		29,242,353
Luxembourg (1.5%)		
Energy Equipment & Services (0.6%)		
Acergy SA§	2,262	35,712
Tenaris SA	30,412	655,955
Tenaris SA	4,790	101,068
		792,735
Media (0.0%)		
SES SA	2,217	49,985
Metals & Mining (0.9%)		
ArcelorMittal§	24,727	1,131,124
TOTAL LUXEMBOURG		1,973,844
Netherlands (5.5%)		
Aerospace & Defense (0.5%)		
European Aeronautic Defence & Space Co. NV§	35,168	707,508
Air Freight & Logistics (0.5%)		
TNT NV	21,981	675,898
Chemicals (0.3%)		
Akzo Nobel NV§	2,941	195,195
Koninklijke DSM NV	3,870	190,306
		385,501
Computers & Peripherals (0.4%)		
Gemalto NV*§	13,150	572,560

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
December 31, 2009

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Netherlands		
Construction & Engineering (0.1%)		
Koninklijke BAM Groep NV§	7,927	$ 82,041
Construction Materials (0.0%)		
James Hardie Industries NV*	2,865	21,819
Diversified Financial Services (0.9%)		
ING Groep NV*	80,182	772,829
SNS Reaal*	59,737	357,348
		1,130,177
Diversified Telecommunication Services (0.3%)		
Koninklijke KPN NV	20,359	346,341
Food & Staples Retailing (0.4%)		
Koninklijke Ahold NV	37,798	501,193
Food Products (1.1%)		
CSM	871	22,898
Nutreco Holding NV	2,208	124,216
Unilever NV§	39,250	1,278,530
		1,425,644
Industrial Conglomerates (0.6%)		
Koninklijke Philips Electronics NV§	25,097	742,471
Insurance (0.0%)		
Brit Insurance Holdings NV	3,382	10,678
Life Sciences Tools & Services (0.0%)		
QIAGEN NV*§	31	699
Media (0.2%)		
Reed Elsevier NV	17,101	209,994
Real Estate Investment Trusts (0.2%)		
Wereldhave NV	2,907	277,896
Semiconductors & Semiconductor Equipment (0.0%)		
ASML Holding NV	1,636	55,903
TOTAL NETHERLANDS		7,146,323
Norway (0.5%)		
Diversified Telecommunication Services (0.1%)		
Telenor ASA*	11,876	166,277
Electrical Equipment (0.0%)		
Renewable Energy Corp. AS*§	7	54
Energy Equipment & Services (0.0%)		
Aker Solutions ASA§	359	4,676
Oil, Gas & Consumable Fuels (0.4%)		
StatoilHydro ASA	19,986	499,565
TOTAL NORWAY		670,572

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Portugal (0.2%)		
Commercial Banks (0.1%)		
Banco BPI SA§	2,123	$ 6,420
Banco Comercial Portugues SA R Shares§	129,752	156,502
Banco Espirito Santo SA	2,681	17,476
		180,398
Electric Utilities (0.1%)		
EDP - Energias de Portugal SA	12,742	56,776
Food & Staples Retailing (0.0%)		
Jeronimo Martins SGPS SA	793	7,937
Multi-Utilities (0.0%)		
REN - Redes Energeticas Nacionais SA	488	2,100
Oil, Gas & Consumable Fuels (0.0%)		
Galp Energia SGPS SA B Shares§	2,143	37,047
TOTAL PORTUGAL		284,258
Singapore (1.0%)		
Diversified Financial Services (1.0%)		
iShares MSCI Singapore Index Fund§	116,681	1,339,498
TOTAL SINGAPORE		1,339,498
Spain (6.1%)		
Commercial Banks (2.3%)		
Banco Bilbao Vizcaya Argentaria SA	62,822	1,145,890
Banco de Sabadell SA§	33,275	184,987
Banco Popular Espanol SA§	14,378	105,701
Banco Santander SA	96,463	1,595,352
		3,031,930
Construction & Engineering (0.6%)		
ACS Actividades de Construccion y Servicios SA§	1,464	73,243
Ferrovial SA	176	2,080
Fomento de Construcciones y Contratas SA§	15,197	644,928
Sacyr Vallehermoso SA*§	64	735
		720,986
Diversified Financial Services (0.1%)		
Corp. Financiera Alba	2,489	130,079
Criteria Caixacorp SA	4,425	20,977
		151,056
Diversified Telecommunication Services (1.6%)		
Telefonica SA§	73,721	2,065,107

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Spain		
Electric Utilities (0.6%)		
Acciona SA	183	$ 23,940
Endesa SA	18,492	638,252
Iberdrola SA§	13,204	126,636
		788,828
Gas Utilities (0.1%)		
Gas Natural SDG SA§	4,036	87,070
IT Services (0.0%)		
Indra Sistemas SA§	23	545
Machinery (0.0%)		
Zardoya Otis SA	94	1,831
Media (0.1%)		
Gestevision Telecinco SA§	10,489	152,692
Oil, Gas & Consumable Fuels (0.6%)		
Repsol YPF SA	31,559	847,582
Real Estate Management & Development (0.0%)		
Inmobiliaria Colonial SA*	13,571	3,064
Specialty Retail (0.1%)		
Inditex SA	1,156	72,255
TOTAL SPAIN		7,922,946
Sweden (2.6%)		
Capital Markets (0.4%)		
Ratos AB B Shares	17,810	459,813
Commercial Banks (0.4%)		
Nordea Bank AB	29,693	301,463
Skandinaviska Enskilda Banken AB A Shares*	117	725
Svenska Handelsbanken AB A Shares	1,450	41,394
Swedbank AB A Shares*	24,511	241,814
		585,396
Diversified Financial Services (0.1%)		
Industrivarden AB A Shares	8,820	108,701
Diversified Telecommunication Services (0.1%)		
Tele2 AB B Shares	10,187	156,804
Health Care Equipment & Supplies (0.1%)		
Elekta AB B Shares	5,959	141,929
Household Durables (0.2%)		
Electrolux AB Series B*	9,012	212,206

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Sweden		
Machinery (0.1%)		
Alfa Laval AB§	95	$ 1,317
Atlas Copco AB A Shares§	777	11,445
Scania AB B Shares	2,503	32,390
SKF AB B Shares	8,252	142,584
		187,736
Media (0.1%)		
Modern Times Group AB B Shares	2,245	111,734
Metals & Mining (0.5%)		
Boliden AB	27,702	355,704
SSAB AB A Shares§	15,846	269,675
		625,379
Paper & Forest Products (0.3%)		
Holmen AB B Shares	1,404	35,843
Svenska Cellulosa AB B Shares	22,677	302,962
		338,805
Specialty Retail (0.2%)		
Hennes & Mauritz AB B Shares	5,293	294,024
Tobacco (0.1%)		
Swedish Match AB	5,816	127,416
TOTAL SWEDEN		3,349,943
Switzerland (9.9%)		
Biotechnology (0.0%)		
Actelion, Ltd.*	327	17,477
Building Products (0.2%)		
Geberit AG	1,249	221,571
Capital Markets (0.5%)		
EFG International AG	24	330
Julius Baer Holding AG	40,533	491,149
UBS AG*	5,375	83,452
UBS AG*	5,045	78,615
		653,546
Chemicals (0.1%)		
Clariant AG*	5,175	61,236
Construction Materials (0.4%)		
Holcim, Ltd.*	6,599	513,204
Diversified Financial Services (0.0%)		
Pargesa Holding SA BR	267	23,247

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
December 31, 2009

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Switzerland		
Diversified Telecommunication Services (0.2%)		
Swisscom AG	809	$ 309,176
Electrical Equipment (0.3%)		
ABB, Ltd.*	22,718	438,057
Food Products (2.0%)		
Nestle SA§	53,949	2,620,112
Health Care Equipment & Supplies (0.2%)		
Nobel Biocare Holding AG	3,050	102,290
Sonova Holding AG	877	106,321
		208,611
Insurance (1.5%)		
Baloise Holding AG	3,168	263,209
Swiss Life Holding AG*	5,082	647,054
Swiss Reinsurance Co., Ltd.	10,039	481,240
Zurich Financial Services AG§	2,446	535,489
		1,926,992
Life Sciences Tools & Services (0.0%)		
Lonza Group AG	123	8,672
Machinery (0.5%)		
Schindler Holding AG	8,397	643,395
Sulzer AG	370	29,046
		672,441
Marine (0.0%)		
Kuehne + Nagel International AG	536	52,150
Pharmaceuticals (2.8%)		
Novartis AG	30,229	1,651,900
Roche Holding AG§	11,898	2,036,088
		3,687,988
Professional Services (0.2%)		
SGS SA	148	193,342
Textiles, Apparel & Luxury Goods (1.0%)		
Compagnie Financiere Richemont SA Class A	25,425	855,541
The Swatch Group AG BR	1,899	481,001
		1,336,542
TOTAL SWITZERLAND		12,944,364
United Kingdom (22.6%)		
Aerospace & Defense (0.3%)		
BAE Systems PLC	58,540	338,738
Meggitt PLC	1,220	5,106
		343,844

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
United Kingdom		
Airlines (0.0%)		
British Airways PLC*§	415	$ 1,248
Auto Components (0.0%)		
GKN PLC*	17,851	33,427
Beverages (0.3%)		
Diageo PLC	1,277	22,274
SABMiller PLC	11,171	328,290
		350,564
Biotechnology (0.0%)		
Antisoma PLC*	17,484	9,281
Capital Markets (0.4%)		
3i Group PLC	15,244	69,005
Aberdeen Asset Management PLC	709	1,523
BlueBay Asset Management PLC	2,717	13,221
Close Brothers Group PLC	13,493	149,914
Evolution Group PLC	264	572
F&C Asset Management PLC	3,033	3,713
ICAP PLC	6,552	45,180
Investec PLC	6,099	41,664
Man Group PLC	27,921	137,770
Schroders PLC	1,350	28,845
Tullett Prebon PLC	5,442	24,360
		515,767
Chemicals (0.1%)		
Croda International PLC	108	1,392
Johnson Matthey PLC	2,242	55,295
Victrex PLC	100	1,302
Yule Catto & Co. PLC*	6,729	16,459
		74,448
Commercial Banks (3.1%)		
Barclays PLC	159,146	701,118
HSBC Holdings PLC	220,116	2,510,613
Lloyds Banking Group PLC*	230,547	185,453
Standard Chartered PLC§	28,404	716,929
		4,114,113
Commercial Services & Supplies (0.1%)		
Babcock International Group PLC	14,468	138,764
Regus PLC	19,944	29,449
		168,213
Communications Equipment (0.0%)		
Spirent Communications PLC	8,503	13,923

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
United Kingdom		
Construction & Engineering (0.3%)		
Balfour Beatty PLC	8,031	$ 33,413
Carillion PLC	3,939	19,230
Costain Group PLC	41,975	16,351
Galliford Try PLC	1,180	5,904
Hyder Consulting PLC	6,221	18,991
Interserve PLC	9,354	29,041
Keller Group PLC	6,225	64,718
Kier Group PLC	2,975	49,127
Morgan Sindall PLC	7,670	74,358
Severfield-Rowen PLC	27,793	79,535
T Clarke PLC	1,674	3,717
WSP Group PLC	3,854	17,162
		411,547
Construction Materials (0.0%)		
Marshalls PLC	461	637
Consumer Finance (0.0%)		
Provident Financial PLC§	242	3,607
Containers & Packaging (0.1%)		
British Polythene Industries PLC	2,601	11,485
DS Smith PLC	60,517	123,750
Rexam PLC	261	1,220
RPC Group PLC	10,985	42,485
		178,940
Diversified Telecommunication Services (0.2%)		
BT Group PLC	97,443	212,168
Kcom Group PLC	33,058	23,504
		235,672
Electric Utilities (0.0%)		
Scottish & Southern Energy PLC	91	1,703
Electronic Equipment, Instruments & Components (0.1%)		
Diploma PLC	7,765	22,122
Domino Printing Sciences	1,163	6,156
Electrocomponents PLC	3,588	9,333
Rotork PLC	2,578	49,250
		86,861
Food & Staples Retailing (0.5%)		
J Sainsbury PLC	15,434	80,458
Majestic Wine PLC	935	3,258
Tesco PLC	73,616	507,751
WM Morrison Supermarkets PLC	28,340	126,415
		717,882

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
United Kingdom		
Food Products (0.5%)		
Cranswick PLC	5,313	$ 67,221
Dairy Crest Group PLC	1,115	6,500
Greggs PLC	4,517	31,654
Hilton Food Group, Ltd.	2,993	9,822
Northern Foods PLC	9,584	10,278
Robert Wiseman Dairies PLC	2,515	20,638
Thorntons PLC	4,931	8,678
Unilever PLC	14,762	473,098
		627,889
Health Care Providers & Services (0.1%)		
Southern Cross Healthcare Ltd.*	36,147	80,838
Hotels, Restaurants & Leisure (0.8%)		
Carnival PLC*	19,395	660,609
Compass Group PLC	23,111	165,358
Enterprise Inns PLC*	1,669	2,500
Fuller Smith & Turner Class A	760	6,207
Greene King PLC	1,512	9,949
Holidaybreak PLC Class A	2,879	10,424
Intercontinental Hotels Group PLC	2,915	41,873
J.D. Wetherspoon PLC*	3,042	20,789
Ladbrokes PLC	7,016	15,520
Marston's PLC	8,021	11,351
Restaurant Group PLC	4,484	13,464
Thomas Cook Group PLC	9,598	35,449
TUI Travel PLC§	411	1,684
William Hill PLC	1,215	3,637
		998,814
Household Durables (0.0%)		
Aga Rangemaster Group PLC*	2,730	5,272
Barratt Developments PLC*	2,674	5,318
Taylor Wimpey PLC*	17,399	10,893
		21,483
Household Products (0.1%)		
McBride PLC	5,862	19,959
Reckitt Benckiser Group PLC	1,072	58,015
		77,974
Independent Power Producers & Energy Traders (0.1%)		
Drax Group PLC	8,570	57,122
International Power PLC	18,843	93,873
		150,995

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
United Kingdom		
Industrial Conglomerates (0.1%)		
Tomkins PLC	31,352	$ 97,406
Insurance (0.9%)		
Amlin PLC	4,808	27,756
Aviva PLC	32,138	204,390
Charles Taylor Consulting PLC	982	3,330
Chesnara PLC	4,226	13,305
Hardy Underwriting Bermuda Ltd.	5,132	23,209
Legal & General Group PLC	85,018	109,350
Novae Group PLC	1,886	9,041
Old Mutual PLC*	204,473	357,995
Prudential PLC	18,453	188,849
RSA Insurance Group PLC	66,965	130,070
Standard Life PLC	28,204	97,942
		1,165,237
Internet & Catalog Retail (0.0%)		
Findel PLC*§	13,899	7,771
N Brown Group PLC	1,460	5,823
		13,594
IT Services (0.1%)		
Anite PLC	9,567	4,944
Computacenter PLC	12,970	52,223
Dimension Data Holdings PLC	17,145	20,631
Phoenix IT Group, Ltd.	2,574	11,038
		88,836
Machinery (0.1%)		
IMI PLC	628	5,237
Invensys PLC	17,390	83,642
		88,879
Marine (0.0%)		
Clarkson PLC	2,541	30,254
Media (0.2%)		
British Sky Broadcasting Group PLC	9,890	89,315
Cineworld Group PLC	4,602	11,133
Daily Mail & General Trust PLC Class A§	3,113	20,918
Euromoney Institutional Investor PLC	364	2,556
ITV PLC*	5,131	4,323
Reed Elsevier PLC	20,822	170,902
WPP PLC	937	9,162
Yell Group PLC*	296	186
		308,495

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
United Kingdom		
Metals & Mining (2.7%)		
Anglo American PLC*	13,580	$ 587,989
BHP Billiton PLC	35,787	1,140,642
Delta PLC	12,880	28,963
Eurasian Natural Resources Corp.	5,502	80,573
Ferrexpo PLC	499	1,589
Rio Tinto PLC	22,693	1,225,083
Vedanta Resources PLC§	213	8,907
Xstrata PLC*	25,287	450,923
		3,524,669
Multi-Utilities (1.0%)		
Centrica PLC	53,588	242,677
National Grid PLC	85,330	931,167
United Utilities Group PLC	10,327	82,528
		1,256,372
Multiline Retail (0.2%)		
Debenhams PLC*	6,179	7,731
Next PLC	8,925	298,352
		306,083
Oil, Gas & Consumable Fuels (5.3%)		
Anglo Pacific Group PLC	2,726	9,886
BG Group PLC	13,919	251,271
BP PLC	307,365	2,967,325
Hunting PLC	3,941	36,911
JKX Oil & Gas PLC	811	3,696
Melrose Resources PLC	998	4,349
Royal Dutch Shell PLC A Shares	66,041	1,996,815
Royal Dutch Shell PLC B Shares	56,216	1,636,836
		6,907,089
Paper & Forest Products (0.1%)		
Mondi PLC	12,666	67,939
Pharmaceuticals (2.7%)		
AstraZeneca PLC	31,623	1,485,870
GlaxoSmithKline PLC	75,373	1,598,005
Shire PLC	21,814	426,151
		3,510,026
Professional Services (0.2%)		
Experian PLC	20,947	206,863
Hays PLC	548	916
Hogg Robinson Group PLC	2,158	1,011
ITE Group PLC	2,172	4,476
Robert Walters PLC	478	1,645
Sthree PLC	5,212	24,739
Tribal Group PLC	7,351	9,183
		248,833

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
December 31, 2009

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
United Kingdom		
Real Estate Investment Trusts (0.0%)		
Liberty International PLC§	987	$ 8,158
Segro PLC	1,787	9,910
Workspace Group PLC	38,255	14,296
		32,364
Real Estate Management & Development (0.0%)		
CLS Holdings PLC*	3,822	30,714
MWB Group Holdings PLC*	5,000	3,170
Quintain Estates & Development PLC*§	3,358	3,236
		37,120
Road & Rail (0.1%)		
Firstgroup PLC	5,156	35,263
Go-Ahead Group PLC	1,829	39,122
Stagecoach Group PLC	2,983	8,113
		82,498
Software (0.1%)		
Autonomy Corp. PLC*	163	3,957
Fidessa Group PLC	3,748	70,728
The Sage Group PLC	14,270	50,523
		125,208
Specialty Retail (0.3%)		
Carphone Warehouse Group PLC§	5,884	17,734
Dunelm Group PLC	4,129	25,245
Galiform PLC*	7,403	8,859
Game Group PLC	22,380	38,197
JD Sports Fashion PLC	1,561	12,672
Kingfisher PLC	47,605	175,206
Sports Direct International PLC	8,425	13,266
Topps Tiles PLC*	7,444	9,962
WH Smith PLC	16,454	130,869
		432,010
Thrifts & Mortgage Finance (0.1%)		
Paragon Group of Cos. PLC	63,516	133,769
Tobacco (0.5%)		
British American Tobacco PLC	20,447	663,634
Trading Companies & Distributors (0.1%)		
Ashtead Group PLC	3,875	5,077
BSS Group PLC	520	2,002
Lavendon Group PLC	14,762	16,563
SIG PLC*	24,657	44,494
Speedy Hire PLC	3,803	1,663
Travis Perkins PLC*	2,575	35,257
		105,056

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
United Kingdom		
Transportation Infrastructure (0.0%)		
Braemar Shipping Services PLC	1,433	$ 9,805
Water Utilities (0.0%)		
Northumbrian Water Group PLC	8,509	37,027
Pennon Group PLC	526	4,553
		41,580
Wireless Telecommunication Services (0.7%)		
Vodafone Group PLC	427,418	989,562
TOTAL UNITED KINGDOM		29,485,988
TOTAL COMMON STOCKS (Cost $134,170,998)		153,828,801
PREFERRED STOCKS (0.5%)		
Germany (0.5%)		
Automobiles (0.1%)		
Porsche Automobil Holding SE	2,009	125,736
Household Products (0.4%)		
Henkel AG & Co. KGaA	10,740	564,462
TOTAL GERMANY		690,198
TOTAL PREFERRED STOCKS (Cost $654,253)		690,198
TOTAL LONG STOCK POSITIONS (Cost $134,825,251)		154,518,999
RIGHTS (0.0%)		
Australia (0.0%)		
Oil, Gas & Consumable Fuels (0.0%)		
Woodside Petroleum, Ltd., strike price 42.10 AUD, expires 01/29/10* (Cost $0)	345	132
TOTAL AUSTRALIA		132
WARRANTS (0.0%)		
France (0.0%)		
Real Estate Investment Trusts (0.0%)		
Fonciere Des Regions, strike price 65.00 EUR, expires 12/31/10*§	1,166	985
TOTAL FRANCE		985
Italy (0.0%)		
Capital Markets (0.0%)		
Mediobanca SpA, strike price 9.00 EUR, expires 03/18/11*	4,093	636
Commercial Banks (0.0%)		
Unione di Banche Italiane SCPA, strike price 12.30 EUR, expires 06/30/11*	1,496	106
TOTAL ITALY		742
TOTAL WARRANTS (Cost $0)		1,727

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
December 31, 2009

	Number of Shares	Value
SHORT-TERM INVESTMENTS (11.7%)		
State Street Navigator Prime Portfolio§§	13,422,242	$ 13,422,242
	Par (000)	
State Street Bank and Trust Co. Euro Time Deposit, 0.010%, 01/04/10	$1,893	1,893,000
TOTAL SHORT-TERM INVESTMENTS (Cost $15,315,242)		15,315,242
TOTAL INVESTMENTS AT VALUE (130.1%) (Cost $150,140,493)		169,836,100
TOTAL SECURITIES SOLD SHORT (-19.6%) (Proceeds $25,264,517)		(25,622,908)
LIABILITIES IN EXCESS OF OTHER ASSETS (-10.5%)		(13,693,324)
NET ASSETS (100.0%)		$130,519,868

	Number of Shares	
SHORT STOCK POSITIONS (-19.6%)		
COMMON STOCKS (-19.5%)		
Austria (-0.7%)		
Diversified Telecommunication Services (-0.1%)		
Telekom Austria AG	(9,998)	(142,838)
Electric Utilities (-0.0%)		
Verbund - Oesterreichische Elektrizitaetswirtschafts AG Class A	(285)	(12,095)
Insurance (-0.2%)		
Vienna Insurance Group	(4,319)	(221,875)
Metals & Mining (-0.2%)		
Voestalpine AG	(7,164)	(261,945)
Oil, Gas & Consumable Fuels (-0.2%)		
OMV AG	(6,647)	(291,889)
TOTAL AUSTRIA		(930,642)
Belgium (-0.8%)		
Beverages (-0.1%)		
Anheuser-Busch InBev NV	(1,596)	(82,690)
Chemicals (-0.1%)		
Umicore	(3,329)	(111,144)
Commercial Banks (-0.0%)		
Dexia SA*	(10,000)	(63,000)
Diversified Financial Services (-0.3%)		
Groupe Bruxelles Lambert SA	(4,277)	(404,196)
Food & Staples Retailing (-0.3%)		
Colruyt SA	(1,408)	(339,969)
Delhaize Group	(285)	(21,820)
		(361,789)
TOTAL BELGIUM		(1,022,819)

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Bermuda (-0.2%)		
Energy Equipment & Services (-0.2%)		
Seadrill, Ltd.	(9,999)	$ (254,976)
TOTAL BERMUDA		(254,976)
Denmark (-1.1%)		
Chemicals (-0.3%)		
Novozymes AS B Shares	(3,385)	(352,480)
Electrical Equipment (-0.3%)		
Vestas Wind Systems AS*	(5,771)	(351,666)
Insurance (-0.4%)		
Topdanmark AS*	(1,402)	(188,980)
TrygVesta AS	(4,744)	(312,121)
		(501,101)
Road & Rail (-0.1%)		
DSV AS*	(9,855)	(178,759)
TOTAL DENMARK		(1,384,006)
Finland (-0.8%)		
Auto Components (-0.2%)		
Nokian Renkaat Oyj	(9,997)	(242,620)
Diversified Financial Services (-0.1%)		
Pohjola Bank PLC	(9,998)	(107,921)
Diversified Telecommunication Services (-0.2%)		
Elisa Oyj	(9,999)	(228,412)
Metals & Mining (-0.1%)		
Outokumpu Oyj	(5,241)	(99,296)
Oil, Gas & Consumable Fuels (-0.1%)		
Neste Oil Oyj	(9,999)	(177,832)
Paper & Forest Products (-0.1%)		
Stora Enso Oyj R Shares*	(10,000)	(70,197)
UPM-Kymmene Oyj	(7,738)	(92,072)
		(162,269)
TOTAL FINLAND		(1,018,350)
France (-4.3%)		
Airlines (-0.1%)		
Air France-KLM*	(9,998)	(157,033)
Automobiles (-0.3%)		
Renault SA*	(8,199)	(420,959)
Beverages (-0.2%)		
Pernod-Ricard SA	(3,610)	(308,948)

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
France		
Construction Materials (-0.3%)		
Imerys SA	(5,448)	$ (326,421)
Lafarge SA	(547)	(45,085)
		(371,506)
Electric Utilities (-0.3%)		
EDF SA	(6,285)	(373,851)
Energy Equipment & Services (-0.5%)		
Cie Generale de Geophysique-Veritas*	(9,998)	(212,702)
Technip SA	(5,660)	(398,551)
		(611,253)
Food Products (-0.1%)		
Danone	(1,071)	(65,709)
Health Care Equipment & Supplies (-0.1%)		
Cie Generale d'Optique Essilor International SA	(1,966)	(117,688)
Hotels, Restaurants & Leisure (-0.3%)		
Sodexo	(6,475)	(368,735)
Media (-0.2%)		
Eutelsat Communications	(9,998)	(321,045)
Personal Products (-0.2%)		
L'Oreal SA	(1,888)	(211,039)
Professional Services (-0.2%)		
Bureau Veritas SA	(6,323)	(329,880)
Real Estate Investment Trusts (-0.8%)		
Gecina SA	(3,121)	(339,645)
Klepierre	(8,290)	(336,152)
Unibail-Rodamco SE	(1,427)	(313,746)
		(989,543)
Software (-0.0%)		
Dassault Systemes SA	(810)	(46,164)
Textiles, Apparel & Luxury Goods (-0.4%)		
Hermes International	(2,889)	(384,913)
LVMH Moet Hennessy Louis Vuitton SA	(1,856)	(208,283)
		(593,196)
Transportation Infrastructure (-0.3%)		
Aeroports de Paris	(4,310)	(346,720)
TOTAL FRANCE		(5,633,269)

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Germany (-2.6%)		
Chemicals (-0.7%)		
K's Holdings Corp.	(6,633)	$ (378,619)
Linde AG	(2,275)	(274,326)
Wacker Chemie AG	(1,748)	(304,312)
		(957,257)
Commercial Banks (-0.1%)		
Deutsche Postbank AG*	(4,090)	(133,725)
Diversified Financial Services (-0.3%)		
Deutsche Boerse AG	(4,286)	(355,219)
Health Care Equipment & Supplies (-0.2%)		
Fresenius SE	(4,351)	(271,646)
Health Care Providers & Services (-0.3%)		
Fresenius Medical Care AG & Co. KGaA	(7,642)	(405,724)
Household Products (-0.2%)		
Henkel AG & Co. KGaA	(6,041)	(270,870)
Internet Software & Services (-0.1%)		
United Internet AG*	(4,774)	(62,965)
Machinery (-0.1%)		
MAN SE	(2,291)	(177,912)
Personal Products (-0.3%)		
Beiersdorf AG	(5,703)	(376,196)
Software (-0.0%)		
SAP AG	(444)	(21,185)
Transportation Infrastructure (-0.3%)		
Fraport AG Frankfurt Airport Services Worldwide	(6,203)	(320,524)
TOTAL GERMANY		(3,353,223)
Italy (-0.9%)		
Aerospace & Defense (-0.1%)		
Finmeccanica SpA	(9,998)	(160,211)
Capital Markets (-0.1%)		
Mediobanca SpA*	(9,997)	(118,860)
Commercial Banks (-0.1%)		
Unione di Banche Italiane SCPA	(9,773)	(140,203)
Electric Utilities (-0.0%)		
Terna Rete Elettrica Nazionale SpA	(10,000)	(43,042)
Energy Equipment & Services (-0.3%)		
Saipem SpA	(9,999)	(345,358)
Hotels, Restaurants & Leisure (-0.1%)		
Autogrill SpA*	(10,000)	(126,152)

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
December 31, 2009

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Italy		
Insurance (-0.0%)		
Unipol Gruppo Finanziario SpA*	(1,788)	$ (2,448)
Media (-0.0%)		
Mediaset SpA	(4,999)	(41,136)
Textiles, Apparel & Luxury Goods (-0.2%)		
Luxottica Group SpA	(9,999)	(258,748)
TOTAL ITALY		(1,236,158)
Japan (-1.3%)		
Auto Components (-0.0%)		
NGK Spark Plug Co., Ltd.	(1,000)	(11,349)
Toyoda Gosei Co., Ltd.	(100)	(3,031)
		(14,380)
Beverages (-0.0%)		
Coca-Cola West Co., Ltd.	(3,200)	(56,483)
Building Products (-0.0%)		
Nippon Sheet Glass Co., Ltd.	(5,374)	(15,407)
TOTO, Ltd.	(5,000)	(31,807)
		(47,214)
Chemicals (-0.1%)		
Denki Kagaku Kogyo K K	(1,000)	(4,472)
Nissan Chemical Industries Ltd.	(1,000)	(14,260)
Taiyo Nippon Sanso Corp.	(2,000)	(21,295)
Teijin, Ltd.	(10,000)	(32,323)
		(72,350)
Commercial Banks (-0.1%)		
Mizuho Trust & Banking Co., Ltd.*	(9,700)	(9,054)
Sapporo Hokuyo Holdings, Inc.	(9,900)	(35,948)
Seven Bank, Ltd.	(5)	(9,986)
The Hachijuni Bank, Ltd.	(1,193)	(6,965)
		(61,953)
Computers & Peripherals (-0.0%)		
Seiko Epson Corp.	(500)	(8,084)
Construction & Engineering (-0.0%)		
Kinden Corp.	(4,166)	(35,316)
Consumer Finance (-0.0%)		
Aeon Credit Service Co., Ltd.	(1,500)	(14,487)
Diversified Financial Services (-0.0%)		
Mitsubishi UFJ Lease & Finance Co., Ltd.	(941)	(28,361)

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Japan		
Electric Utilities (-0.2%)		
Hokkaido Electric Power Co., Inc.	(4,200)	$ (76,224)
Shikoku Electric Power Co., Inc.	(2,300)	(59,453)
The Chugoku Electric Power Co., Inc	(3,200)	(61,140)
		(196,817)
Electrical Equipment (-0.0%)		
Panasonic Electric Works Co., Ltd.	(2)	(24)
Ushio, Inc.	(315)	(5,255)
		(5,279)
Electronic Equipment, Instruments & Components (-0.0%)		
Citizen Holdings Co., Ltd.	(1,437)	(8,308)
Hitachi High-Technologies Corp.	(900)	(17,864)
Omron Corp.	(600)	(10,795)
		(36,967)
Food & Staples Retailing (-0.1%)		
FamilyMart Co., Ltd.	(1,900)	(56,115)
Lawson, Inc.	(1,700)	(75,113)
UNY Co., Ltd.	(1,000)	(7,055)
		(138,283)
Food Products (-0.0%)		
Nisshin Seifun Group, Inc.	(1,500)	(20,280)
Nissin Foods Holdings Co., Ltd.	(96)	(3,137)
Yakult Honsha Co., Ltd.	(90)	(2,726)
Yamazaki Baking Co., Ltd.	(1,224)	(14,565)
		(40,708)
Gas Utilities (-0.0%)		
Toho Gas Co., Ltd.	(4,000)	(21,263)
Household Durables (-0.0%)		
Rinnai Corp.	(700)	(33,842)
Insurance (-0.1%)		
Nipponkoa Insurance Co., Ltd.	(10,142)	(57,769)
Nissay Dowa General Insurance Co., Ltd.	(9,761)	(46,857)
		(104,626)
IT Services (-0.0%)		
Itochu Techno-Science Corp.	(100)	(2,686)
Obic Co., Ltd.	(20)	(3,267)
		(5,953)
Leisure Equipment & Products (-0.1%)		
Sega Sammy Holdings, Inc.	(100)	(1,197)
Shimano, Inc.	(1,454)	(58,726)
		(59,923)

	Number of Shares		Value
SHORT STOCK POSITIONS			
COMMON STOCKS			
Japan			
Machinery (-0.1%)			
Hitachi Construction Machinery Co., Ltd.	(200)	$	(5,245)
Kawasaki Heavy Industries, Ltd.	(4,000)		(10,157)
Kurita Water Industries, Ltd.	(500)		(15,715)
NSK, Ltd.	(3,420)		(25,107)
The Japan Steel Works, Ltd.	(1,000)		(12,757)
THK Co., Ltd.	(1,011)		(17,986)
			(86,967)
Media (-0.0%)			
Hakuhodo DY Holdings, Inc.	(79)		(3,850)
Metals & Mining (-0.1%)			
Daido Steel Co., Ltd.	(10,000)		(37,140)
Hitachi Metals Ltd.	(1,000)		(9,625)
Mitsui Mining & Smelting Co., Ltd.*	(968)		(2,517)
Tokyo Steel Manufacturing Co., Ltd.	(1,300)		(14,641)
Yamato Kogyo Co., Ltd.	(900)		(29,438)
			(93,361)
Multiline Retail (-0.0%)			
Takashimaya Co., Ltd.	(4,000)		(25,498)
Oil, Gas & Consumable Fuels (-0.1%)			
Japan Petroleum Exploration Co.	(1,500)		(66,168)
TonenGeneral Sekiyu KK	(9,386)		(78,458)
			(144,626)
Pharmaceuticals (-0.1%)			
Dainippon Sumitomo Pharma Co., Ltd.	(1,000)		(10,500)
Santen Pharmaceutical Co., Ltd.	(19)		(611)
Tsumura & Co.	(2,600)		(84,090)
			(95,201)
Real Estate Management & Development (-0.1%)			
Aeon Mall Co., Ltd.	(1,668)		(32,329)
Nomura Real Estate Holdings, Inc.	(1,800)		(26,713)
NTT Urban Development Corp.	(88)		(58,769)
			(117,811)
Software (-0.0%)			
Square Enix Co., Ltd.	(600)		(12,664)
Trend Micro, Inc.*	(500)		(19,000)
			(31,664)
Specialty Retail (-0.1%)			
ABC-Mart, Inc.	(1,800)		(49,954)
Nitori Co., Ltd.	(144)		(10,723)
			(60,677)

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Japan		
Textiles, Apparel & Luxury Goods (-0.0%)		
Asics Corp.	(3,051)	$ (27,394)
Transportation Infrastructure (-0.0%)		
Kamigumi Co., Ltd.	(1,964)	(14,337)
Mitsubishi Logistics Corp.	(3,000)	(35,408)
		(49,745)
TOTAL JAPAN		(1,719,083)
Luxembourg (-0.3%)		
Wireless Telecommunication Services (-0.3%)		
Millicom International Cellular SA	(5,016)	(373,003)
TOTAL LUXEMBOURG		(373,003)
Netherlands (-1.4%)		
Beverages (-0.3%)		
Heineken NV	(8,108)	(385,237)
Energy Equipment & Services (-0.4%)		
Fugro NV	(6,000)	(344,924)
SBM Offshore NV	(10,000)	(196,365)
		(541,289)
Insurance (-0.0%)		
Aegon NV*	(10,000)	(64,090)
Media (-0.2%)		
Wolters Kluwer NV	(9,898)	(216,647)
Professional Services (-0.2%)		
Randstad Holding NV*	(6,851)	(341,173)
Real Estate Investment Trusts (-0.3%)		
Corio NV	(5,162)	(351,981)
TOTAL NETHERLANDS		(1,900,417)
Norway (-0.3%)		
Chemicals (-0.2%)		
Yara International ASA	(7,166)	(325,316)
Industrial Conglomerates (-0.1%)		
Orkla ASA	(9,999)	(98,319)
TOTAL NORWAY		(423,635)
Portugal (-0.2%)		
Construction Materials (-0.0%)		
Cimpor Cimentos de Portugal SGPS SA	(9,999)	(91,983)
Diversified Telecommunication Services (-0.1%)		
Portugal Telecom SGPS SA	(10,000)	(122,123)

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Portugal		
Transportation Infrastructure (-0.1%)		
Brisa Auto-Estradas de Portugal SA	(9,958)	$ (102,409)
TOTAL PORTUGAL		(316,515)
Spain (-0.8%)		
Biotechnology (-0.1%)		
Grifols SA	(9,997)	(175,687)
Commercial Banks (-0.1%)		
Bankinter SA	(10,000)	(103,111)
Electric Utilities (-0.3%)		
Red Electrica Corp. SA	(6,970)	(389,268)
Independent Power Producers & Energy Traders (-0.1%)		
EDP Renovaveis SA*	(9,999)	(94,884)
Iberdrola Renovables SA	(10,000)	(47,660)
		(142,544)
Transportation Infrastructure (-0.2%)		
Abertis Infraestructuras SA	(10,000)	(226,281)
TOTAL SPAIN		(1,036,891)
Sweden (-0.8%)		
Building Products (-0.2%)		
Assa Abloy AB Class B	(9,970)	(192,463)
Commercial Services & Supplies (-0.1%)		
Securitas AB B Shares	(8,511)	(83,524)
Communications Equipment (-0.1%)		
Telefonaktiebolaget LM Ericsson B Shares	(9,410)	(86,806)
Construction & Engineering (-0.0%)		
Skanska AB B Shares	(1,739)	(29,568)
Diversified Financial Services (-0.1%)		
Investor AB B Shares	(9,999)	(185,582)
Diversified Telecommunication Services (-0.0%)		
TeliaSonera AB	(5,000)	(36,212)
Health Care Equipment & Supplies (-0.1%)		
Getinge AB B Shares	(9,999)	(191,490)
Machinery (-0.1%)		
Sandvik AB	(3,637)	(43,886)
Volvo AB B Shares	(9,999)	(85,936)
		(129,822)
Oil, Gas & Consumable Fuels (-0.1%)		
Lundin Petroleum AB*	(10,000)	(79,056)
TOTAL SWEDEN		(1,014,523)

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Switzerland (-1.1%)		
Chemicals (-0.5%)		
Givaudan SA	(464)	$ (371,528)
Syngenta AG	(774)	(218,731)
		(590,259)
Computers & Peripherals (-0.1%)		
Logitech International SA*	(7,833)	(135,954)
Electric Utilities (-0.1%)		
BKW FMB Energie AG	(1,736)	(135,387)
Food Products (-0.1%)		
Aryzta AG	(4,297)	(160,145)
Health Care Equipment & Supplies (-0.3%)		
Straumann Holding AG	(1,182)	(332,208)
Synthes, Inc.	(205)	(26,891)
		(359,099)
Textiles, Apparel & Luxury Goods (-0.0%)		
The Swatch Group AG	(330)	(15,719)
TOTAL SWITZERLAND		(1,396,563)
United Kingdom (-1.9%)		
Aerospace & Defense (-0.1%)		
Cobham PLC	(4,999)	(20,188)
Rolls-Royce Group PLC*	(9,999)	(77,850)
		(98,038)
Commercial Services & Supplies (-0.1%)		
G4S PLC	(9,999)	(41,902)
Serco Group PLC	(9,999)	(85,256)
		(127,158)
Diversified Telecommunication Services (-0.0%)		
Cable & Wireless PLC	(10,000)	(22,744)
Energy Equipment & Services (-0.1%)		
AMEC PLC	(10,000)	(127,377)
Food Products (-0.0%)		
Associated British Foods PLC	(182)	(2,412)
Health Care Equipment & Supplies (-0.1%)		
Smith & Nephew PLC	(8,903)	(91,560)
Household Durables (-0.1%)		
Berkeley Group Holdings PLC*	(10,000)	(131,866)
Industrial Conglomerates (-0.1%)		
Smiths Group PLC	(9,629)	(156,937)

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
United Kingdom		
Insurance (-0.1%)		
Admiral Group PLC	(9,999)	$ (191,147)
Internet & Catalog Retail (-0.0%)		
Home Retail Group PLC	(9,999)	(45,340)
Metals & Mining (-0.3%)		
Antofagasta PLC	(1,440)	(22,902)
Fresnillo PLC	(3,001)	(38,110)
Kazakhmys PLC*	(5,664)	(119,901)
Lonmin PLC*	(7,850)	(246,653)
		(427,566)
Multiline Retail (-0.1%)		
Marks & Spencer Group PLC	(10,000)	(64,595)
Oil, Gas & Consumable Fuels (-0.5%)		
Cairn Energy PLC*	(78,590)	(420,624)
Tullow Oil PLC	(10,000)	(209,759)
		(630,383)
Professional Services (-0.1%)		
The Capita Group PLC	(9,325)	(112,729)
Real Estate Investment Trusts (-0.1%)		
Hammerson PLC	(9,992)	(67,995)
Textiles, Apparel & Luxury Goods (-0.1%)		
Burberry Group PLC	(9,999)	(96,016)
Tobacco (-0.0%)		
Imperial Tobacco Group PLC	(1,722)	(54,313)
Water Utilities (-0.0%)		
Severn Trent PLC	(161)	(2,813)
TOTAL UNITED KINGDOM		(2,450,989)
TOTAL COMMON STOCKS (Proceeds $25,152,154)		(25,465,062)
PREFERRED STOCKS (-0.1%)		
Germany (-0.1%)		
Fresenius SE (Proceeds $112,363)	(2,197)	(157,846)
TOTAL GERMANY		(157,846)
TOTAL SECURITIES SOLD SHORT (Proceeds $25,264,517)		$ (25,622,908)

* Non-income producing security.

§ Security or portion thereof is out on loan.

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

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Statement of Assets and Liabilities
December 31, 2009

Assets	
Investments at value, including collateral for securities on loan of $13,422,242 (Cost $150,140,493) (Note 2)	$169,836,100[1]
Cash	793
Foreign currency at value (cost $153,960)	154,075
Cash segregated at brokers for short sales	26,917,323
Receivable for portfolio shares sold	212,021
Dividend and interest receivable	158,938
Receivable for investments sold	1,578
Prepaid expenses and other assets	11,168
Total Assets	197,291,996
Liabilities	
Advisory fee payable (Note 3)	42,272
Administrative services fee payable (Note 3)	29,593
Payable upon return of securities loaned (Note 2)	40,339,565
Securities sold short, at value (Proceeds $25,264,517)	25,622,908
Payable for investments purchased	344,251
Payable for portfolio shares redeemed	186,917
Dividend expense payable on securities sold short	12,733
Trustees' fee payable	3,705
Other accrued expenses payable	190,184
Total Liabilities	66,772,128
Net Assets	
Capital stock, $.001 par value (Note 6)	22,286
Paid-in capital (Note 6)	133,433,878
Undistributed net investment income	118,830
Accumulated net realized loss on investments, short sales and foreign currency transactions	(22,391,865)
Net unrealized appreciation from investments, short sales and foreign currency translations	19,336,739
Net Assets	$130,519,868
Shares outstanding	22,285,618
Net asset value, offering price and redemption price per share	$5.86

[1] Including $38,601,332 of securities on loan.

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Statement of Operations
For the Year Ended December 31, 2009

Investment Income (Note 2)	
Dividends	$ 1,815,572
Interest	260
Securities lending	60,323
Foreign taxes withheld	(151,428)
Total investment income	1,724,727
Expenses	
Investment advisory fees (Note 3)	527,019
Administrative services fees (Note 3)	142,018
Custodian fees	83,318
Legal fees	62,350
Audit and tax fees	43,764
Dividend expense for securities sold short	37,465
Printing fees (Note 3)	21,382
Trustees' fees	18,054
Short sales expense	10,251
Insurance expense	5,593
Transfer agent fees	4,435
Commitment fees (Note 4)	1,866
Interest expense (Note 4)	16
Miscellaneous expense	21,923
Total expenses	979,454
Less: fees waived (Note 3)	(254,032)
Net expenses	725,422
Net investment income	999,305
Net Realized and Unrealized Gain (Loss) from Investments, Short Sales and Foreign Currency Related Items	
Net realized gain from investments (net of India Capital Gain Tax $2,697)	3,272,661
Net realized loss from short sales	(667,646)
Net realized loss from foreign currency transactions	(196,912)
Net change in unrealized appreciation (depreciation) from investments	22,003,868
Net change in unrealized appreciation (depreciation) from short sales	(358,391)
Net change in unrealized appreciation (depreciation) from foreign currency translations	15,481
Net realized and unrealized gain from investments, short sales and foreign currency related items	24,069,061
Net increase in net assets resulting from operations	$25,068,366

See Accompanying Notes to Financial Statements.

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

	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008
From Operations		
Net investment income	$ 999,305	$ 1,626,209
Net realized gain (loss) from investments, short sales and foreign currency transactions	2,408,103	(3,742,764)
Net increase from payments by affiliates on the disposal of investments in violation of restrictions (Note 3)	—	116,350
Net change in unrealized appreciation (depreciation) from investments, short sales and foreign currency translations	21,660,958	(82,391,650)
Net increase (decrease) in net assets resulting from operations	25,068,366	(84,391,855)
From Dividends and Distributions		
Dividends from net investment income	(1,577,832)	(2,085,510)
Distributions from net realized gains	(2,147,844)	(57,210,032)
Net decrease in net assets resulting from dividends and distributions	(3,725,676)	(59,295,542)
From Capital Share Transactions (Note 6)		
Proceeds from sale of shares	17,093,006	17,676,067
Exchange value of shares due to merger	59,791,876	—
Reinvestment of dividends and distributions	3,725,676	59,295,542
Net asset value of shares redeemed	(24,678,017)	(59,856,229)
Net increase in net assets from capital share transactions	55,932,541	17,115,380
Net increase (decrease) in net assets	77,275,231	(126,572,017)
Net Assets		
Beginning of year	53,244,637	179,816,654
End of year	$130,519,868	$ 53,244,637
Undistributed net investment income	$ 118,830	$ 864,263

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Statement of Cash Flows
For the Year Ended December 31, 2009

Cash Flows from Operating Activities		
Dividends, interest and securities lending income received	$ 1,806,591	
Operating expenses paid	(558,223)	
Dividend expense paid on securities sold short	(24,732)	
Purchases of long-term securities	(134,029,968)	
Proceeds from sales of long-term securities	125,527,638	
Purchases to cover securities sold short	(10,926,399)	
Proceeds from securities sold short	27,002,293	
Purchases of short-term securities, net	(1,044,000)	
Net cash provided by operating activities		$ 7,753,200
Cash Flows from Financing Activities		
Proceeds from sale of shares	16,960,884	
Cost of shares redeemed	(24,492,762)	
Net cash used by financing activities		(7,531,878)
Effect of exchange rate on cash		(183,881)
Net increase in cash		37,441
Cash — beginning of year		117,427
Cash — end of year		$ 154,868
RECONCILIATION OF NET INCREASE IN NET ASSETS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net increase in net assets resulting from operations		$ 25,068,366
Adjustments to Reconcile Net Increase in Net Assets from Operations to Net Cash Provided by Operating Activities		
Change in dividends and interest receivable	$ 81,864	
Change in accrued expenses	27,074	
Change in prepaid expenses and other assets	(9,052)	
Change in advisory fee payable/receivable from investment adviser	111,712	
Change in dividend expense payable on securities sold short	12,733	
Purchases of long-term securities	(134,029,968)	
Proceeds from sales of long-term securities	125,527,638	
Purchases to cover for securities sold short	(10,926,399)	
Proceeds from securities sold short	27,002,293	
Net change in unrealized appreciation from investments, short sales and foreign currency translations	(21,660,958)	
Net realized gain from investments, short sales and foreign currency transactions	(2,408,103)	
Purchases of short-term securities, net	(1,044,000)	
Total adjustments		(17,315,166)
Net cash provided by operating activities		$ 7,753,200
Non-Cash Activity:		
Dividend reinvestments		$ 3,725,676
Exchange value of shares due to merger		59,791,876
Net non-cash activity		$ 63,517,552

See Accompanying Notes to Financial Statements.

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

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

[1] The investment adviser fully reimbursed the Portfolio for a loss on a transaction not meeting the Portfolio's investment guidelines, which otherwise would have reduced the amount by $0.01 (Note 3).

[2] Total returns are historical and assume changes in share price and reinvestment of all dividends and distributions. Had certain expenses not been reduced during the 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 (the "1940 Act"), and currently offers three managed investment portfolios of which one, the International Equity Flex III Portfolio (the "Portfolio"), is included in this report. The Portfolio is a diversified investment fund that seeks capital appreciation. Shares of the Portfolio are not available directly to individual investors but may be offered only through (a) variable annuity contracts and variable life insurance contracts offered by separate accounts of certain insurance companies and (b) tax-qualified pension and retirement plans. The Portfolio may not be available in connection with a particular contract or plan. The Trust was organized under the laws of the Commonwealth of Massachusetts as a business trust on March 15, 1995. Effective May 1, 2009, the name of the Portfolio was changed from Emerging Markets Portfolio.

Note 2. Significant Accounting Policies

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

Note 2. Significant Accounting Policies

provided by an independent third party which has been approved by the Board of Trustees to fair value certain securities. When fair-value pricing is employed, the prices of securities used by a portfolio to calculate its net asset value may differ from quoted or published prices for the same securities.

In accordance with the authoritative guidance on fair value measurements and disclosures under accounting principles generally accepted in the United States of America ("GAAP"), the Portfolio discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. In accordance with GAAP, fair value is defined as the price that the Portfolio would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. GAAP established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad Levels listed below.

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

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

Note 2. Significant Accounting Policies

The following is a summary of the inputs used as of December 31, 2009 in valuing the Portfolio's investments carried at value:

	Level 1	Level 2	Level 3	Total
Investments in Securities				
Common Stocks				
Asia	$ 4,749,400	$ —	$—	$ 4,749,400
Australia	462,921	7,241,592	—	7,704,513
Austria	—	531,834	—	531,834
Belgium	—	1,550,845	—	1,550,845
Bermuda	—	31,821	—	31,821
Cyprus	—	2,168	—	2,168
Denmark	—	2,294,602	—	2,294,602
Finland	—	2,169,720	—	2,169,720
France	—	18,409,044	—	18,409,044
Germany	—	13,313,396	—	13,313,396
Greece	—	1,061,951	—	1,061,951
Hong Kong	2,245,300	—	—	2,245,300
Ireland	—	199,684	—	199,684
Israel	—	8,272	—	8,272
Italy	—	5,196,162	—	5,196,162
Japan	—	29,242,353	—	29,242,353
Luxembourg	101,068	1,872,776	—	1,973,844
Netherlands	—	7,146,323	—	7,146,323
Norway	—	670,572	—	670,572
Portugal	—	284,258	—	284,258
Singapore	1,339,498	—	—	1,339,498
Spain	—	7,922,946	—	7,922,946
Sweden	—	3,349,943	—	3,349,943
Switzerland	328,630	12,615,734	—	12,944,364
United Kingdom	51,146	29,434,842	—	29,485,988
Preferred Stocks				
Germany	—	690,198	—	690,198
Rights				
Australia	132	—	—	132
Warrants				
France	985	—	—	985
Italy	742	—	—	742
Short-Term Investments	13,422,242	1,893,000	—	15,315,242
Securities Sold Short				
Common Stocks				
Austria	—	(930,642)	—	(930,642)
Belgium	—	(1,022,819)	—	(1,022,819)
Bermuda	—	(254,976)	—	(254,976)
Denmark	—	(1,384,006)	—	(1,384,006)
Finland	—	(1,018,350)	—	(1,018,350)
France	—	(5,633,269)	—	(5,633,269)
Germany	—	(3,353,223)	—	(3,353,223)
Italy	—	(1,236,158)	—	(1,236,158)
Japan	—	(1,719,083)	—	(1,719,083)

Note 2. Significant Accounting Policies

	Level 1	Level 2	Level 3	Total
Luxembourg	$ —	$ (373,003)	$—	$ (373,003)
Netherlands	—	(1,900,417)	—	(1,900,417)
Norway	—	(423,635)	—	(423,635)
Portugal	—	(316,515)	—	(316,515)
Spain	—	(1,036,891)	—	(1,036,891)
Sweden	—	(1,014,523)	—	(1,014,523)
Switzerland	—	(1,396,563)	—	(1,396,563)
United Kingdom	—	(2,450,989)	—	(2,450,989)
Preferred Stocks				
Germany	—	(157,846)	—	(157,846)
Other Financial Instruments*	—	—	—	—
	$22,702,064	$121,511,128	$—	$144,213,192

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

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

C) 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.

D) SECURITY TRANSACTIONS AND INVESTMENT INCOME — Security transactions are accounted for on a trade date basis. Interest income is recorded

Note 2. Significant Accounting Policies

on the accrual basis. Dividends 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.

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

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

The Portfolio adopted the authoritative guidance for uncertainty in income taxes and recognizes a tax benefit from an uncertain position only if it is more likely than not that the position is sustainable based solely on its technical merits and consideration of the relevant taxing authority's widely understood administrative practices and procedures. The Portfolio has reviewed its current tax positions and has determined that no provision for income tax is required in the Portfolio's financial statements. The Portfolio's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

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

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

Note 2. Significant Accounting Policies

I) 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, 2009, the Portfolio had no open forward foreign currency contracts.

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

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

Note 2. Significant Accounting Policies

together with cash collateral for other funds/portfolios advised by Credit Suisse and invested in a variety of investments, including funds advised by SSB, the Portfolio's securities lending agent, or money market instruments. However, in the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral may be subject to legal proceedings.

SSB has been engaged by the Portfolio to act as the Portfolio's securities lending agent. The Portfolio's securities lending arrangement provides that the Portfolio and SSB will share the net income earned from securities lending activities. During the year ended December 31, 2009, total earnings from the Portfolio's investment in cash collateral received in connection with securities lending arrangements was $81,227, of which $5,599 was rebated to borrowers (brokers). The Portfolio retained $60,323 in income from the cash collateral investment, and SSB, as lending agent, was paid $15,305. Securities lending income is accrued as earned.

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

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

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

Note 3. Transactions with Affiliates and Related Parties

Credit Suisse serves as investment adviser for the Portfolio. Effective October 1, 2006, and through July 26, 2009, the Portfolio paid Credit Suisse for its advisory services a fee that consists of two components: (1) a monthly base management fee calculated by applying a fixed rate of 1.20% ("Base Fee"), plus or minus (2) a performance-fee adjustment ("Performance Adjustment") calculated by applying a variable rate of up to 0.20% (positive or negative) to the Portfolio's average daily net assets during the applicable performance measurement period. The performance measurement period will generally be 36 months. During the period from October 1, 2006 through September 30, 2007, only the Base Fee applied to the Portfolio. The fee adjustment went into effect on October 1, 2007. After 12 months have passed, the measurement period will be equal to the number of months that have elapsed since October 1, 2006 until 36 months has passed, after which the measurement period will become 36 months. The Base Fee and Performance Adjustment are calculated and accrued daily. The investment advisory fee is paid monthly in arrears. No Performance Adjustment will be applied unless the difference between the Portfolio's investment performance and the investment record of the MSCI Emerging Markets Free Index, the Portfolio's benchmark index (the "Index"), is 1.00% or greater (plus or minus) during the applicable performance measurement period. For purposes of computing the Base Fee and the Performance Adjustment, net assets will be averaged over different periods (average daily net assets during the relevant month for the Base Fee, versus average daily net assets during the performance measurement period for the Performance Adjustment). The investment performance of the Portfolio for the performance measurement period is used to calculate the Portfolio's Performance Adjustment. After Credit Suisse determines whether the Portfolio's performance was above or below the Index by comparing the investment performance of the Portfolio against the investment record of the Index, Credit Suisse will apply the Performance Adjustment (positive or negative) across the Portfolio.

The following table shows the structure of the Performance Adjustment. No Performance Adjustment will be applied unless the difference between the Portfolio's investment performance and the investment record of the Index is

Note 3. Transactions with Affiliates and Related Parties

1.00% or greater (plus or minus) during the applicable performance measurement period.

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

For the year ended December 31, 2009, investment advisory fees earned and voluntarily waived were $695,959 and $254,032, respectively, less a performance fee adjustment of $168,940. Credit Suisse will not recapture from the Portfolio any fees it waived during the year ended December 31, 2009. Fee waivers and expense reimbursements are voluntary and may be discontinued by Credit Suisse at any time.

At a special meeting of shareholders held on July 24, 2009, shareholders approved a new advisory agreement with Credit Suisse whereby Credit Suisse will be paid an annualized fee of 1.00% without any performance adjustment effective July 27, 2009.

Credit Suisse Asset Management Limited ("Credit Suisse U.K."), an affiliate of Credit Suisse, served as sub-investment adviser to the Portfolio. Credit Suisse U.K.'s sub-investment advisory fees were paid by Credit Suisse out of Credit Suisse's net investment advisory fee and were not paid by the Portfolio. Effective May 1, 2009, Credit Suisse U.K. no longer serves as sub-investment adviser to the Portfolio.

Credit Suisse reimbursed the Portfolio for a $116,350 loss incurred on a transaction in September 2008 not meeting the Portfolio's investment guidelines. The reimbursement was recorded as a receivable as of December 31, 2008 and Credit Suisse subsequently made the payment in January 2009.

Credit Suisse Asset Management Securities, Inc. ("CSAMSI"), an affiliate of Credit Suisse, and SSB serve as co-administrators to the Portfolio. For its co-administrative services, CSAMSI currently receives a fee calculated at an annual rate of 0.09% of the Portfolio's average daily net assets. For the year ended December 31, 2009, co-administrative services fees earned by CSAMSI were $57,127.

Note 3. Transactions with Affiliates and Related Parties

For its co-administrative services, SSB receives a fee, exclusive of out-of-pocket expenses, calculated in total for all the Credit Suisse funds/portfolios co-administered by SSB and allocated based upon the relative average net assets of each fund/portfolio, subject to an annual minimum fee. For the year ended December 31, 2009, co-administrative services fees earned by SSB (including out-of-pocket expenses) were $84,891.

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

Merrill Corporation ("Merrill"), an affiliate of Credit Suisse, has been engaged by the Portfolio to provide certain financial printing services. For the year ended December 31, 2009, Merrill was paid $21,134 for its services by the Portfolio.

Note 4. Line of Credit

The Portfolio, together with other funds/portfolios advised by Credit Suisse (collectively, the "Participating Funds"), participates in a $50 million committed, unsecured line of credit facility ("Credit Facility") for temporary or emergency purposes with SSB. Under the terms of the Credit Facility, the Participating Funds pay an aggregate commitment fee on the average unused amount of the Credit Facility, which is allocated among the Participating Funds in such manner as is determined by the governing Boards of the Participating Funds. In addition, the Participating Funds pay interest on borrowings at either the Overnight Federal Funds rate or the Overnight LIBOR rate plus a spread. At December 31, 2009, the Portfolio had no loans outstanding under the Credit Facility. During the year ended December 31, 2009, the Portfolio had borrowings under the Credit Facility as follows:

Average Daily Loan Balance	Weighted Average Interest Rate %	Maximum Daily Loan Outstanding
$356,000	0.580%	$641,000

Note 5. Purchases and Sales of Securities

For the year ended December 31, 2009, purchases and sales of investment securities (excluding short sales and short-term investments) were $134,371,133 and $124,883,815, respectively. Securities sold short and purchases to cover securities sold short were $35,523,269 and $10,926,399, 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, 2009	For the Year Ended December 31, 2008
Shares sold	3,357,893	1,008,819
Shares issued due to merger	10,314,385	—
Shares issued in reinvestment of dividends and distributions	643,468	9,915,642
Shares redeemed	(5,091,113)	(5,490,383)
Net increase	9,224,633	5,434,078

On December 31, 2009, the number of shareholders that held 5% or more of the outstanding shares of the Portfolio was as follows:

Number of Shareholders	Approximate Percentage of Outstanding Shares
5	82%

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

Note 7. 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 and distributions paid during the years ended December 31, 2009 and 2008, respectively, by the Portfolio were as follows:

Ordinary Income		Long-Term Capital Gain	
2009	2008	2009	2008
$1,577,884	$18,662,110	$2,147,792	$40,633,432

The tax basis 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 losses deferred on wash sales and mark-to-market of forward contracts.

Note 7. Federal Income Taxes

At December 31, 2009, the components of distributable earnings on a tax basis were as follows:

Undistributed net investment income	$ 118,830
Accumulated realized loss	(21,048,589)
Unrealized appreciation	18,029,706
Deferral of post—October capital losses	(36,243)
	$ (2,936,296)

At December 31, 2009, the Portfolio had capital loss carryforwards available to offset possible future capital gains as follows:

Expires December 31,	
2016	2017
$17,709,095	$3,339,494

Included in the Portfolio's capital loss carryforwards which expire in 2016 is $6,534,646, acquired in the Credit Suisse Trust — International Equity Flex I Portfolio merger, which is subject to IRS limitations.

Included in the Portfolio's capital loss carryforwards which expire in 2016 is $11,174,449, acquired in the Credit Suisse Trust — International Equity Flex II Portfolio merger, which is subject to IRS limitations.

It is uncertain whether the Portfolio will be able to realize the benefits of the capital loss carryforwards before they expire.

At December 31, 2009, 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 $151,447,539, $20,807,916, $(2,419,355) and $18,388,561, respectively.

At December 31, 2009, the identified proceeds for federal income tax purposes, as well as the gross unrealized appreciation from securities sold short for those securities having an excess of proceeds over value, gross unrealized depreciation from investments for those securities having an excess of value over proceeds and the net unrealized depreciation from securities sold short were $(25,264,517), $559,617, $(918,008) and $(358,391), respectively.

At December 31, 2009, the Portfolio reclassified $18,510,190 from accumulated realized loss and $166,906 from undistributed net investment income to paid in capital, to adjust for current period permanent book/tax differences which arose

Note 7. Federal Income Taxes

principally from differing book/tax treatments of foreign currency gain/(loss), realized capital gains tax, Passive Foreign Investment Companies, other temporary book/tax differences from acquired funds and distribution redesignations. Net assets were not affected by these reclassifications.

Note 8. Acquisition of Credit Suisse Trust — International Equity Flex I Portfolio and Credit Suisse Trust — International Equity Flex II Portfolio

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

Note 8. Acquisition of Credit Suisse Trust — International Equity Flex I Portfolio and Credit Suisse Trust — International Equity Flex II Portfolio

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

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

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

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

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

Note 9. Contingencies

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

Note 10. Subsequent Events

Effective June 30, 2009, the Portfolio adopted the Financial Accounting Standards Board ("FASB") amendments to general standards on accounting for and disclosures of subsequent events. Management has evaluated the possibility of subsequent events existing in the Portfolio's financial statements through February 18, 2010. Management has determined that there are no material events that would require disclosure in the Portfolio's financial statements through this date.

Credit Suisse Trust — International Equity Flex III Portfolio
Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of
Credit Suisse Trust — International Equity Flex III Portfolio:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations, of changes in net assets and of cash flows and the financial highlights present fairly, in all material respects, the financial position of Credit Suisse Trust — International Equity Flex III Portfolio (formerly Credit Suisse Trust — Emerging Markets Portfolio) (the "Portfolio") at December 31, 2009, the results of its operations and its cash flows 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 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, 2009 by correspondence with the custodian and brokers, provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Boston, Massachusetts
February 18, 2010

In approving the renewal of the current Advisory Agreement, the Board of Trustees, including the Independent Trustees, at a meeting held on November 16 and 17, 2009, considered the following factors with respect to the International Equity Flex III Portfolio (the "Portfolio"):

Investment Advisory Fee Rates

The Board reviewed and considered the contractual advisory fee rate of 1.00% 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"). The Board also reviewed and considered the fee waivers currently in place for the Portfolio and considered the actual fee rate of 0.44% paid by the Portfolio after taking waivers into account ("Net Advisory Fee"). The Board also considered the merger of the other Credit Suisse portfolios into the Portfolio. The Board acknowledged that voluntary fee waivers could be discontinued at any time.

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

Nature, Extent and Quality of the Services under the Advisory Agreement

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. The Board also noted information received at regular meetings throughout the year related to the services rendered by Credit Suisse. The Board reviewed background information about Credit Suisse, including its Form ADV. The Board considered the background and experience of Credit Suisse's senior management and the expertise of, and the amount of attention given to the Portfolio by, senior personnel of Credit Suisse. 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.

Portfolio Performance

The Board received and considered performance results of the Portfolio over time, along with comparisons 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.

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, 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 and its affiliates as a result of their relationship with the Portfolio. Such benefits include, among others, benefits potentially derived from an increase in Credit Suisse's businesses as a result of its relationship with the Portfolio (such as the ability to market to shareholders other financial products offered by Credit Suisse and its affiliates).

The Board considered the standards applied in seeking best execution, 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 method for allocating portfolio investment opportunities among its advisory clients.

Conclusions

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

- Although the combined Contractual Advisory Fee and co-administration fees were the highest in the Expense Group, the fee was considered reasonable, recognizing that the Net Advisory Fee and the actual total expenses were among the lowest in the Expense Group.
- The Portfolio's performance was above the median for all periods in the Performance Group and Performance Universe. The Board noted the changes to the Portfolio during the past year, including the reorganization in which the assets of the International Equity Flex I and II Portfolios would be transferred to the Portfolio. They also noted the change to the Portfolio's investment strategy.
- The Board was satisfied with the nature and extent of the investment advisory services provided to the Portfolio by Credit Suisse and that, based on dialogue with management and counsel, the services provided by Credit Suisse under the Advisory Agreement are typical of, and consistent with, those provided to similar 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 waive fees, 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 fee waivers and the Net Advisory Fee, 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. The Independent Trustees were advised by separate independent legal counsel throughout the process.

Name, Address (Year 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 Eleven Madison Avenue New York, New York 10010 (1941)	Trustee, Audit Committee Chairman and Nominating Committee Member	Since 2005	Professor of Finance and Economics, Graduate School of Business, Columbia University since 1971.	13	Director of Epoch Holding Corporation (an investment management and investment advisory services company); Director of Starcomms PLC. (telecommunications company); Director of The Adams Express Company, Petroleum and Resources Corporation, The Chile Fund, Inc., The Indonesia Fund, Inc., The First Israel Fund, Inc., The Latin America Equity Fund, Inc. and The Emerging Markets Telecommunications Fund, Inc. (each a closed-end investment company).
Jeffrey E. Garten[2] Box 208200 New Haven, Connecticut 06520-8200 (1946)	Trustee, Audit and Nominating Committee Member	Since 1998	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.	11	Director of Aetna, Inc. (insurance company); Director of CarMax Group (used car dealers).

[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 Portfolio on February 6, 1998. He resigned as Trustee on February 3, 2000 and was subsequently reappointed on December 21, 2000.

Name, Address (Year 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					
Peter F. Krogh c/o Credit Suisse Asset Management, LLC Attn: General Counsel Eleven Madison Avenue New York, New York 10010 (1937)	Trustee, Audit and Nominating 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.	11	None
Steven N. Rappaport Lehigh Court, LLC 555 Madison Avenue 29th Floor New York, New York 10022 (1948)	Chairman of the Board of Trustees, Audit Committee Member and Nominating Committee Chairman	Trustee since 1999 and Chairman since 2005	Partner of Lehigh Court, LLC and RZ Capital (private investment firms) from July 2002 to present.	13	Director of iCAD, Inc. (surgical and medical instruments and apparatus company); Director of Presstek, Inc. (digital imaging technologies company); Director of Wood Resources, LLC. (plywood manufacturing company); Director of The Chile Fund, Inc., The Indonesia Fund, Inc., The First Israel Fund, Inc., The Latin America Equity Fund, Inc. and The Emerging Markets Telecommunications Fund, Inc. (each a closed-end investment company).

Name, Address (Year of Birth)	Position(s) Held with Trust	Term of Office[1] and Length of Time Served	Principal Occupation(s) During Past Five Years
Officers**			
George R. Hornig Credit Suisse Asset Management, LLC Eleven Madison Avenue New York, New York 10010 (1954)	Chief Executive Officer and President	Since 2008	Managing Director of Credit Suisse; Co-Chief Operating Officer of Asset Management and Head of Asset Management Americas; Associated with Credit Suisse since 1999; Officer of other Credit Suisse Funds.
Michael A. Pignataro Credit Suisse Asset Management, LLC Eleven Madison Avenue New York, New York 10010 (1959)	Chief Financial Officer	Since 1999	Director and Director of Fund Administration of Credit Suisse; Associated with Credit Suisse or its predecessor since 1984; Officer of other Credit Suisse Funds.
Emidio Morizio Credit Suisse Asset Management, LLC Eleven Madison Avenue New York, New York 10010 (1966)	Chief Compliance Officer	Since 2004	Director and Global Head of Compliance of Credit Suisse; Associated with Credit Suisse since July 2000; Officer of other Credit Suisse Funds.
J. Kevin Gao Credit Suisse Asset Management, LLC Eleven Madison Avenue New York, New York 10010 (1967)	Chief Legal Officer since 2006, Vice President and Secretary since 2004	Since 2004	Director and Legal Counsel of Credit Suisse; Associated with Credit Suisse since July 2003; Officer of other Credit Suisse Funds.
Cecilia Chau Credit Suisse Asset Management, LLC Eleven Madison Avenue New York, New York 10010 (1973)	Treasurer	Since 2008	Vice President of Credit Suisse since 2009; Assistant Vice President of Credit Suisse from June 2007 to December 2008; Associated with Alliance Bernstein L.P. from January 2007 to May 2007; Associated with Credit Suisse from August 2000 to December 2006; Officer of other Credit Suisse Funds.

** The officers of the Portfolio shown are officers that make policy decisions.

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 — International Equity Flex III Portfolio
Tax Information Letter
December 31, 2009 (unaudited)

Important Tax Information for Corporate Shareholders

During the year ended December 31, 2009, the Portfolio declared $2,147,792 in dividends that were designated as long-term capital gains dividends.

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

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

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

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

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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-1209

Dreyfus Investment Portfolios, MidCap Stock Portfolio

ANNUAL REPORT December 31, 2009

BNY MELLON
ASSET MANAGEMENT

Dreyfus

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

Contents

THE FUND

FOR MORE INFORMATION

A LETTER FROM THE CHAIRMAN AND CEO

Dear Shareholder:

We are pleased to present this annual report for MidCap Stock Portfolio, a series of Dreyfus Investment Portfolios, covering the 12-month period from January 1, 2009, through December 31, 2009.

The U.S. stock market ended 2009 with a healthy annual gain, but market indices across all capitalization ranges and investment styles remained well below the peaks reached in the fall of 2007. The equity market's advance was driven by improving investor sentiment as the U.S. economy staged a gradual, but sustained, recovery from the recession and banking crisis that had depressed stock prices at the beginning of the year. After four consecutive quarters of contraction, the U.S. economy returned to growth during the third quarter of 2009, buoyed by greater manufacturing activity to replenish depleted inventories and satisfy export demand. The slumping housing market also showed signs of renewed life later in the year when home sales and prices rebounded modestly. However, economic headwinds remain, including a high unemployment rate and the prospect of anemic consumer spending.

As 2010 begins, our Chief Economist, as well as many securities analysts and portfolio managers have continued to find opportunities and survey potential challenges across a variety of asset classes, including equities. While no one can predict the future, we believe that the 2010 investment environment will likely require a broader range of investment considerations relative to last year. As always, your financial adviser can help you determine the mix of investments that may be best suited to helping you achieve your goals at a level of risk that is comfortable for you.

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

Thank you for your continued confidence and support.

Sincerely,

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

DISCUSSION OF FUND PERFORMANCE

For the period of January 1, 2009, through December 31, 2009, as provided by Michael Dunn, Oliver Buckley, Langton C. Garvin and Patrick Slattery, Portfolio Managers

Fund and Market Performance Overview

For the 12-month period ended December 31, 2009, MidCap Stock Portfolio, a series of Dreyfus Investment Portfolios, produced a total return of 35.51% for its Initial shares, and its Service shares produced a total return of 35.33%.[1] In comparison, the fund's benchmark, the Standard & Poor's MidCap 400 Index ("S&P 400 Index"), produced a total return of 37.38% for the same period.[2]

Following continued recession-related market declines in January and February 2009, stocks rallied through the remainder of the year, ending the reporting period with substantial gains. Midcap stocks performed particularly well, materially outperforming large- and small-cap stocks as investors turned to growing companies poised to benefit from an economic recovery. The fund participated substantially in the market's advance, lagging its benchmark due to its preference for higher-quality companies at a time when riskier, lower quality stocks led the rally.

The Fund's Investment Approach

The fund seeks investment results that are greater than the total return performance of publicly traded common stocks of medium-size domestic companies in the aggregate, as represented by the S&P 400 Index. To pursue this goal, the fund normally invests at least 80% of its assets in stocks of midsize companies. The fund invests in growth and value stocks, which are chosen through a disciplined investment process that combines computer modeling techniques, fundamental analysis and risk management. Consistency of returns compared to the S&P 400 Index is a primary goal of the investment process.

Improving Economic Prospects Bolstered Stocks

The first two months of 2009 saw more of the recession-related market declines that had characterized the second half of 2008 as a global recession and financial crisis continued to take its toll. During the first quarter of the year, most major stock market indices hit multi-year lows amid fears of frozen credit markets and depressed business conditions.

However, stock prices began to rebound in March amid signs that aggressive remedial programs implemented by government and monetary authorities—including historically low short-term interest rates and a massive economic stimulus package—were gaining traction. As the possibility of widespread bankruptcies receded, previously beaten-down companies with weak balance sheets and high degrees of leverage enjoyed especially robust gains. While employment and other economic indicators remained weak during the second half of 2009, mounting evidence of a sustainable recovery supported a continued market advance, which broadened to include higher-quality companies with attractive momentum and value characteristics.

Effectiveness of Quantitative Factors Broadened

The fund's value-oriented stock selection factors generally contributed positively to performance throughout the reporting period. However, other key analytical factors, including momentum metrics and earnings-quality measures, lagged during the second and third quarters of 2009 when the market's advance was led by low-priced, highly leveraged stocks. During the fourth quarter of the year, momentum factors began contributing more positively to the fund's performance, narrowing the performance gap with the benchmark.

Industrial Holdings Led Returns

Two industrial machinery makers produced particularly notable gains for the fund. Vehicle maker Oshkosh roughly quadrupled in value after the company announced it had received several large military contracts. Mining equipment producer Bucyrus International surged during the final quarter of the year on the strength of encouraging earnings guidance and a favorably received acquisition of the mining equipment business of Terex.

A wide range of other holdings further bolstered the fund's performance relative to the benchmark. Several technology stocks—including computer hard drive maker Western Digital (which was sold during the period), computer and parts distributor Tech Data, and networking product producer F5 Networks—outperformed industry averages due to strong financial results. Biotechnology tools developer Life Technologies rose amid better-than-expected sales and earnings, leading us to sell the fund's position and lock in gains. A few holdings also advanced in response to buyout offers, including information technology solutions provider Avocent, fertilizer producer Terra Industries, independent oil and gas developer Encore Acquisition and soft drink bottler PepsiAmericas. Avocent and PepsiAmericas have been sold out of the portfolio since their announcements.

On a more negative note, disappointments in a few holdings undermined the fund's returns relative to its benchmark. Discount retailers Family Dollar Stores and Dollar Tree failed to keep pace with retail industry averages as investor sentiment in the economic recovery shifted in favor of higher-end merchandisers. Energy company Frontier Oil reported weaker-than-expected financial results, as did financial firms Cincinnati Financial and The NASDAQ OMX Group. Weak financial results also took a toll on electric utility Hawaiian Electric Industries, engineering contractor Dycom Industries and medical diagnostics device maker Gen-Probe. Finally, the fund's returns suffered due to unfavorable timing in the purchase and sale of container manufacturer Owens-Illinois. As of year-end, Cincinnati Financial, Hawaiian Electric, Gen-Probe, and Owens-Illinois had been sold out of the portfolio.

Managing the Fund's Portfolio

During 2009, the market was characterized by higher than usual levels of volatility. As a result, even relatively small tilts had the potential to result in outsized impacts. We therefore maintained tight control over industry, sector, capitalization, and other top-down differences between the portfolio and benchmark.

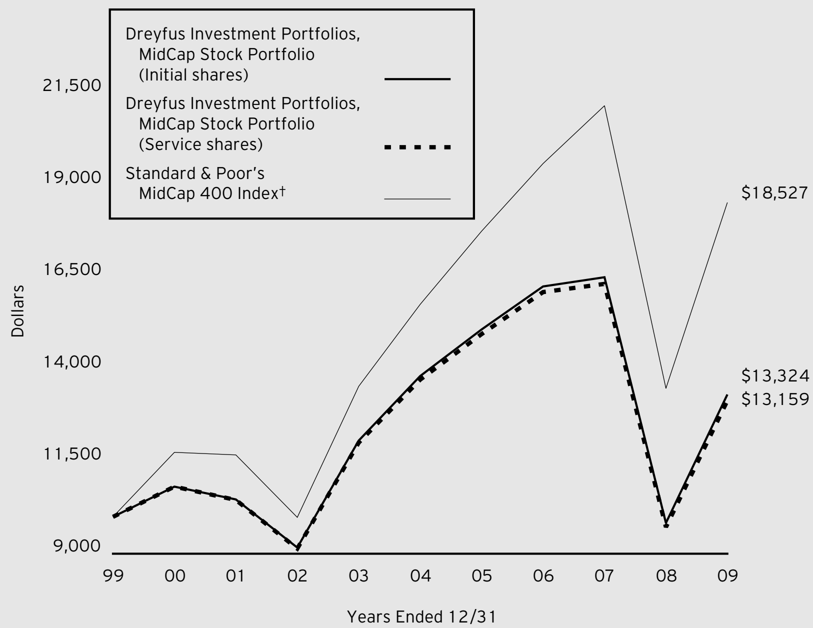
The fund has a disciplined, quantitatively driven investment approach and as of year-end 2009, the market appeared to be rewarding a reasonable balance of value and momentum factors.

January 15, 2010

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 MidCap Stock Portfolio, a series of Dreyfus Investment Portfolios, made available through insurance products may be similar to other funds 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.

1 *Total return includes reinvestment of dividends and any capital gains paid. Past performance is no guarantee of future results. Share price and investment return fluctuate such that upon redemption, fund shares may be worth more or less than their original cost. The fund's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts, which will reduce returns. Return figures provided reflect the absorption of certain fund expenses by The Dreyfus Corporation pursuant to an agreement in effect through February 28, 2010, at which time it may be extended, terminated or modified. Had these expenses not been absorbed, the fund's returns would have been lower.*

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



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 12/31/09*

	1 Year	5 Years	10 Years
Initial shares	**35.51%**	**-0.73%**	**2.91%**
Service shares	**35.33%**	**-0.85%**	**2.78%**

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 Dreyfus Investment Portfolios, MidCap Stock Portfolio on 12/31/99 to a $10,000 investment made in the Standard & Poor's MidCap 400 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, 2009 (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 fund's performance shown in the line graph takes into account all applicable fund 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. Unlike a mutual fund, the Index is not subject to charges, fees and other expenses. Investors cannot invest directly in any index. 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), redemption fees and expenses associated with variable annuity or insurance contracts, which are not shown in this section and would have resulted in higher total expenses. For more information, see your fund's prospectus or talk to your financial adviser.

Review your fund's expenses

The table below shows the expenses you would have paid on a $1,000 investment in Dreyfus Investment Portfolios, MidCap Stock Portfolio from July 1, 2009 to December 31, 2009. 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, 2009

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.77	$ 5.11
Ending value (after expenses)	$1,252.70	$1,251.20

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, 2009

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.28	$ 4.58
Ending value (after expenses)	$1,020.97	$1,020.67

† *Expenses are equal to the fund's annualized expense ratio of .84% for Initial Shares and .90% 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, 2009

Common Stocks—99.2%	Shares		Value ($)
Consumer Discretionary—16.2%			
Aaron's	26,700	a	740,391
Advance Auto Parts	48,500		1,963,280
Aeropostale	36,975	b	1,258,999
Barnes & Noble	38,500	a	734,195
Blyth	8,300		279,876
Boyd Gaming	29,500	a,b	246,915
Brinker International	64,350		960,102
Carlisle Cos.	53,300		1,826,058
Cheesecake Factory	84,200	a,b	1,817,878
Dollar Tree	30,100	b	1,453,830
Family Dollar Stores	19,950		555,208
Foot Locker	103,300		1,150,762
FTI Consulting	5,800	b	273,528
Gentex	40,350		720,247
International Speedway, Cl. A	12,200		347,090
ITT Educational Services	15,400	a,b	1,477,784
Panera Bread, Cl. A	10,000	a,b	669,700
PetSmart	41,600		1,110,304
Regal Entertainment Group, Cl. A	33,100		477,964
Regis	19,400	a	302,058
Ross Stores	21,800		931,078
Scholastic	29,100	a	868,053
Scotts Miracle-Gro, Cl. A	21,200	a	833,372
SEACOR Holdings	10,900	b	831,125
Timberland, Cl. A	26,700	b	478,731
Valspar	14,600		396,244
Warnaco Group	24,450	b	1,031,546
Wyndham Worldwide	14,500		292,465
			24,028,783
Consumer Staples—3.4%			
Energizer Holdings	4,600	b	281,888
Hormel Foods	27,250		1,047,763
Lancaster Colony	33,400		1,659,980
Pulte Homes	76,500	a,b	765,000

Common Stocks (continued)	Shares		Value ($)
Consumer Staples (continued)			
Tyson Foods, Cl. A	24,600		301,842
Universal	20,400	a	930,444
			4,986,917
Energy—7.2%			
Atmos Energy	21,500		632,100
Bill Barrett	35,100	a,b	1,091,961
Cameron International	24,100	b	1,007,380
Covanta Holding	21,400	a,b	387,126
Encore Acquisition	24,500	b	1,176,490
Frontier Oil	82,200		989,688
Helix Energy Solutions Group	18,900	b	222,075
Oceaneering International	21,400	b	1,252,328
Patterson-UTI Energy	22,200		340,770
Plains Exploration & Production	18,600	b	514,476
Southern Union	60,100		1,364,270
Tesoro	29,900	a	405,145
Unit	21,100	b	896,750
WGL Holdings	11,000		368,940
			10,649,499
Financial—19.6%			
Alexandria Real Estate Equities	16,800	a,c	1,080,072
American Financial Group	63,575		1,586,196
AmeriCredit	88,400	a,b	1,683,136
Ameriprise Financial	20,400		791,928
Annaly Capital Management	39,100	c	678,385
Broadridge Financial Solutions	58,800		1,326,528
Corporate Office Properties Trust	18,200	c	666,666
Dun & Bradstreet	6,000		506,220
Equity One	25,400	c	410,718
Federated Investors, Cl. B	15,900	a	437,250
FirstMerit	65,106		1,311,235
HCC Insurance Holdings	52,450		1,467,027
Hospitality Properties Trust	72,800	c	1,726,088
Hudson City Bancorp	92,900		1,275,517
IAC/InterActiveCorp	19,800	b	405,504

Common Stocks (continued)	Shares		Value ($)
Financial (continued)			
Liberty Property Trust	18,200	a,c	582,582
Macerich	24,571	c	883,327
Mack-Cali Realty	6,500		224,705
Mercury General	3,900		153,114
Nasdaq OMX Group	16,400	b	325,048
New York Community Bancorp	42,000		609,420
NewAlliance Bancshares	129,500		1,555,295
Old Republic International	46,600		467,864
Potlatch	38,500	a,c	1,227,380
Principal Financial Group	25,300		608,212
Raymond James Financial	44,300		1,053,011
Regency Centers	27,400	a,c	960,644
Reinsurance Group of America	17,600		838,640
StanCorp Financial Group	42,200		1,688,844
Weingarten Realty Investors	55,700	c	1,102,303
Westamerica Bancorporation	24,700	a	1,367,639
			29,000,498
Health Care—11.2%			
Charles River Laboratories International	12,300	b	414,387
Cooper	11,700		446,004
Endo Pharmaceuticals Holdings	60,600	b	1,242,906
Henry Schein	32,300	b	1,698,980
Humana	34,400	b	1,509,816
Kinetic Concepts	31,800	a,b	1,197,270
LifePoint Hospitals	29,900	a,b	972,049
Omnicare	42,400		1,025,232
OSI Pharmaceuticals	39,400	b	1,222,582
Resmed	22,600	b	1,181,302
Smithfield Foods	35,300	a,b	536,207
STERIS	43,500	a	1,216,695
Techne	29,100		1,995,096
Valeant Pharmaceuticals International	48,600	a,b	1,544,994
Vertex Pharmaceuticals	10,600	b	454,210
			16,657,730

Common Stocks (continued)	Shares		Value ($)
Industrial—11.3%			
Brink's	42,000		1,022,280
Bucyrus International	34,400	a	1,939,128
Con-way	10,000		349,100
Donaldson	25,600		1,089,024
Dycom Industries	113,800	b	913,814
Expeditors International Washington	18,400		639,032
Flowserve	5,800		548,274
GATX	17,300	a	497,375
Granite Construction	16,100	a	541,926
Hubbell, Cl. B	37,450		1,771,385
Joy Global	29,900		1,542,541
KBR	24,100		457,900
Oshkosh	51,400		1,903,342
Pitney Bowes	17,700		402,852
Rent-A-Center	52,900	b	937,388
Timken	46,700		1,107,257
URS	24,300	b	1,081,836
			16,744,454
Information Technology—17.4%			
Advent Software	27,700	a,b	1,128,221
Avnet	25,500	b	769,080
CA	34,100		765,886
Cognizant Technology Solutions, Cl. A	16,300	b	738,390
CommScope	47,000	b	1,246,910
Computer Sciences	27,400	b	1,576,322
Cypress Semiconductor	143,200	b	1,512,192
F5 Networks	28,100	b	1,488,738
FactSet Research Systems	16,000	a	1,053,920
Fair Isaac	40,000	a	852,400
Fossil	25,900	b	869,204
Gartner	52,200	b	941,688
General Cable	14,400	a,b	423,648
Harris	7,000		332,850
Informatica	15,400	b	398,244
Ingram Micro, Cl. A	36,700	b	640,415

Common Stocks (continued)	Shares		Value ($)
Information Technology (continued)			
Integrated Device Technology	97,100	[b]	628,237
Intersil, Cl. A	53,700		823,758
L-3 Communications Holdings	15,500		1,347,725
Micron Technology	43,400	[b]	458,304
Semtech	11,900	[a,b]	202,419
Sybase	32,600	[b]	1,414,840
Synopsys	90,900	[b]	2,025,252
Tech Data	57,300	[b]	2,673,618
Teradata	25,400	[b]	798,322
Xilinx	23,400		586,404
			25,696,987
Materials—7.4%			
Airgas	11,500		547,400
Cabot	27,600		723,948
Crown Holdings	21,500	[b]	549,970
Huntsman	62,200		702,238
Minerals Technologies	32,600		1,775,722
Pactiv	30,600	[b]	738,684
Reliance Steel & Aluminum	36,100		1,560,242
Temple-Inland	84,200		1,777,462
Terra Industries	15,200		489,288
Titanium Metals	65,000	[a,b]	813,800
Worthington Industries	97,000	[a]	1,267,790
			10,946,544
Telecommunication Services—1.0%			
Telephone & Data Systems	28,200		956,544
US Cellular	12,400	[b]	525,884
			1,482,428
Utilities—4.5%			
AGL Resources	27,000		984,690
American Water Works	23,600		528,876
CMS Energy	25,700	[a]	402,462
Energen	15,600		730,080
IDACORP	19,800	[a]	632,610
NSTAR	9,100		334,880

Common Stocks (continued)	Shares		Value ($)
Utilities (continued)			
NV Energy	129,800		1,606,924
UGI	57,700		1,395,763
			6,616,285
Total Common Stocks (cost $139,965,505)			**146,810,125**
Other Investment—.9%			
Registered Investment Company;			
Dreyfus Institutional Preferred Plus Money Market Fund (cost $1,435,000)	1,435,000	d	**1,435,000**
Investment of Cash Collateral for Securities Loaned—13.9%			
Registered Investment Company;			
Dreyfus Institutional Cash Advantage Fund (cost $20,534,022)	20,534,022	d	**20,534,022**
Total Investments (cost $161,934,527)	**114.0%**		**168,779,147**
Liabilities, Less Cash and Receivables	**(14.0%)**		**(20,726,894)**
Net Assets	**100.0%**		**148,052,253**

[a] *Security, or portion thereof, on loan. At December 31, 2009, the total market value of the fund's securities on loan is $19,764,863 and the total market value of the collateral held by the fund is $20,534,022.*
[b] *Non-income producing security.*
[c] *Investment in Real Estate Investment Trust.*
[d] *Investment in affiliated money market mutual fund.*

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Financial	19.6	Materials	7.4
Information Technology	17.4	Energy	7.2
Consumer Discretionary	16.2	Utilities	4.5
Money Market Investments	14.8	Consumer Staples	3.4
Industrial	11.3	Telecommunication Services	1.0
Health Care	11.2		**114.0**

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

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2009

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $19,764,863)—Note 1(b):		
Unaffiliated issuers	139,965,505	146,810,125
Affiliated issuers	21,969,022	21,969,022
Cash		10,837
Dividends and interest receivable		143,382
Receivable for shares of Beneficial Interest subscribed		9,802
		168,943,168
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(b)		104,712
Liability for securities on loan—Note 1(b)		20,534,022
Payable for shares of Beneficial Interest redeemed		189,589
Accrued expenses		62,592
		20,890,915
Net Assets ($)		**148,052,253**
Composition of Net Assets ($):		
Paid-in capital		215,900,599
Accumulated undistributed investment income—net		1,508,705
Accumulated net realized gain (loss) on investments		(76,201,671)
Accumulated net unrealized appreciation (depreciation) on investments		6,844,620
Net Assets ($)		**148,052,253**

Net Asset Value Per Share	Initial Shares	Service Shares
Net Assets ($)	131,962,129	16,090,124
Shares Outstanding	12,617,189	1,538,185
Net Asset Value Per Share ($)	**10.46**	**10.46**

See notes to financial statements.

STATEMENT OF OPERATIONS

Year Ended December 31, 2009

Investment Income ($):	
Income:	
Cash dividends:	
Unaffiliated issuers	2,531,709
Affiliated issuers	1,181
Income from securities lending—Note 1(b)	97,199
Interest	21,864
Total Income	**2,651,953**
Expenses:	
Inverstment advisory fee—Note 3(a)	1,012,056
Professional fees	55,636
Distribution fees—Note 3(b)	35,441
Prospectus and shareholders' reports	19,681
Custodian fees—Note 3(b)	17,480
Shareholder servicing costs—Note 3(b)	5,536
Trustees' fees and expenses—Note 3(c)	1,864
Loan commitment fees—Note 2	219
Interest expense—Note 2	131
Miscellaneous	18,115
Total Expenses	**1,166,159**
Less—reduction in investment advisory fee due to undertaking—Note 3(a)	(26,646)
Less—reduction in fees due to earnings credits—Note 1(b)	(125)
Net Expenses	**1,139,388**
Investment Income—Net	**1,512,565**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	(28,024,642)
Net unrealized appreciation (depreciation) on investments	67,186,562
Net Realized and Unrealized Gain (Loss) on Investments	**39,161,920**
Net Increase in Net Assets Resulting from Operations	**40,674,485**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended December 31,	
	2009	2008
Operations ($):		
Investment income—net	1,512,565	1,775,348
Net realized gain (loss) on investments	(28,024,642)	(47,478,589)
Net unrealized appreciation (depreciation) on investments	67,186,562	(62,203,761)
Net Increase (Decrease) in Net Assets Resulting from Operations	**40,674,485**	**(107,907,002)**
Dividends to Shareholders from ($):		
Investment income—net:		
Initial Shares	(1,799,027)	(2,075,788)
Service Shares	(141,551)	(242,422)
Net realized gain on investments:		
Initial Shares	–	(33,614,382)
Service Shares	–	(4,819,634)
Total Dividends	**(1,940,578)**	**(40,752,226)**
Beneficial Interest Transactions ($):		
Net proceeds from shares sold:		
Initial Shares	7,850,230	12,611,543
Service Shares	883,388	1,952,930
Dividends reinvested:		
Initial Shares	1,799,027	35,690,170
Service Shares	141,551	5,062,056
Cost of shares redeemed:		
Initial Shares	(37,882,349)	(66,932,776)
Service Shares	(3,056,034)	(16,753,669)
Increase (Decrease) in Net Assets from Beneficial Interest Transactions	**(30,264,187)**	**(28,369,746)**
Total Increase (Decrease) in Net Assets	**8,469,720**	**(177,028,974)**
Net Assets ($):		
Beginning of Period	139,582,533	316,611,507
End of Period	**148,052,253**	**139,582,533**
Undistributed investment income—net	1,508,705	1,936,718

	Year Ended December 31,	
	2009	2008
Capital Share Transactions:		
Initial Shares		
Shares sold	925,743	1,081,397
Shares issued for dividends reinvested	248,142	2,979,146
Shares redeemed	(4,564,894)	(5,935,391)
Net Increase (Decrease) in Shares Outstanding	**(3,391,009)**	**(1,874,848)**
Service Shares		
Shares sold	105,477	169,431
Shares issued for dividends reinvested	19,524	423,958
Shares redeemed	(362,450)	(1,342,551)
Net Increase (Decrease) in Shares Outstanding	**(237,449)**	**(749,162)**

See notes to financial statements.

FINANCIAL HIGHLIGHTS

The following tables describe the performance for each share class for the fiscal periods indicated. All information (except portfolio turnover rate) reflects financial results for a single fund share. Total return shows how much your investment in the fund would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. The fund's total returns do not reflect expenses associated with variable annuity or insurance contracts. These figures have been derived from the fund's financial statements.

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

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

[b] *Expense waivers and/or reimbursements amounted to less than .01%.*

See notes to financial statements.

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

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

NOTE 1—Significant Accounting Policies:

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

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

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

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") has become the exclusive reference of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal laws are also sources of authoritative GAAP for SEC registrants. The ASC has superseded all existing non-SEC accounting and reporting standards. The fund's financial statements are prepared in accordance with GAAP, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

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

(a) Portfolio valuation: Investments in securities are valued at the last sales price on the securities exchange or national securities market on which such securities are primarily traded. Securities listed on the National Market System for which market quotations are available are valued at the official closing price or, if there is no official closing price that day, at the last sales price. Securities not listed on an exchange or the national securities market, or securities for which there were no transactions, are valued at the average of the most recent bid and asked prices, except for open short positions, where the asked price is used for valuation purposes. Bid price is used when no asked price is available. Registered investment companies that are not traded on an exchange are valued at their net asset value. When market quotations or official closing prices are not readily available, or are determined not to reflect accurately fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded (for example, a foreign exchange or market), but before the fund calculates its net asset value, the fund may value these investments at fair value as determined in accordance with the procedures approved by the Board of Trustees. Fair valuing of securities may be determined with the assistance of a pricing service using calculations based on indices of domestic securities and other appropriate indicators, such as prices of relevant

American Depository Receipts and futures contracts. For other securities that are fair valued by the Board of Trustees, certain factors may be considered such as: fundamental analytical data, the nature and duration of restrictions on disposition, an evaluation of the forces that influence the market in which the securities are purchased and sold and public trading in similar securities of the issuer or comparable issuers. Financial futures are valued at the last sales price.

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

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

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

Level 1—unadjusted quoted prices in active markets for identical investments.

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

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

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

The following is a summary of the inputs used as of December 31, 2009 in valuing the fund's investments:

	Level 1–Unadjusted Quoted Prices	Level 2–Other Significant Observable Inputs	Level 3–Significant Unobservable Inputs	Total
Assets ($)				
Investments in Securities:				
Equity Securities–Domestic†	146,810,125	–	–	**146,810,125**
Mutual Funds	21,969,022	–	–	**21,969,022**

† *See Statement of Investments for industry classification.*

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

The fund has arrangements with the custodian and cash management bank whereby the fund may receive earnings credits when positive cash balances are maintained, which are used to offset custody and cash management fees. For financial reporting purposes, the fund includes net earnings credits as an expense offset in the Statement of Operations.

Pursuant to a securities lending agreement with The Bank of New York Mellon, a subsidiary of BNY Mellon and an affiliate of Dreyfus, the fund may lend securities to qualified institutions. It is the fund's policy that, at origination, all loans are secured by collateral of at least 102% of the value of U.S. securities loaned and 105% of the value of foreign securities loaned. Collateral equivalent to at least 100% of the market value of securities on loan is maintained at all times. Collateral is either in the form of cash, which can be invested in certain money market mutual funds managed by the Manager, U.S. Government and Agency securities or letters of credit. The fund is entitled to receive all income on securities loaned, in addition to income earned as a result of the lending transaction. Although each security loaned is fully collateralized, the fund bears the risk of delay in recovery of, or loss of rights in, the securities loaned should a borrower fail to return the securities in a timely manner. During the period ended December 31, 2009, The Bank of New York Mellon earned $41,657 from lending portfolio securities, pursuant to the securities lending agreement.

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

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

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

As of and during the period ended December 31, 2009, the fund did not have any liabilities for any uncertain tax positions. The fund recognizes interest and penalties, if any, related to uncertain tax positions as income tax expense in the Statement of Operations. During the period, the fund did not incur any interest or penalties.

Each of the tax years in the four-year period ended December 31, 2009 remains subject to examination by the Internal Revenue Service and state taxing authorities.

At December 31, 2009, the components of accumulated earnings on a tax basis were as follows: undistributed ordinary income $1,508,117, accumulated capital losses $75,945,495 and unrealized appreciation $6,876,563. In addition, the fund had $288,119 of capital losses realized after October 31, 2009, which were deferred for tax purposes to the first day of the following fiscal year.

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

The tax character of distributions paid to shareholders during the fiscal periods ended December 31, 2009 and December 31, 2008 were as follows: ordinary income $1,940,578 and $18,327,589 and long-term capital gains $0 and $22,424,637, respectively.

NOTE 2—Bank Lines of Credit:

The fund participates with other Dreyfus-managed funds in a $225 million unsecured credit facility led by Citibank, N.A. and a $300 million unsecured credit facility provided by The Bank of New York Mellon (each, a "Facility"), each to be utilized primarily for temporary or emergency purposes, including the financing of redemptions. In connection therewith, the fund has agreed to pay its pro rata portion of commitment fees for each Facility. Interest is charged to the fund based on rates determined pursuant to the terms of the respective Facility at the time of borrowing.

The average amount of borrowings outstanding under the Facilities during the period ended December 31, 2009, was approximately $13,600 with a related weighted average annualized interest rate of .96%.

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

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

The Manager has agreed, from January 1, 2009 to February 28, 2010, to waive receipt of its fees and/or assume the expenses of the fund so that the expenses of neither class, exclusive of taxes, brokerage fees, interest on borrowings, commitment fees and extraordinary expenses, exceed .90% of the value of the average daily net assets of such class. During the period ended December 31, 2009, the Manager waived receipt of fees of $26,646, 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, 2009, Service shares were charged $35,441 pursuant to the Plan.

The fund compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of the Manager under a transfer agency agreement for providing personnel and facilities to perform transfer agency services for the fund. During the period ended December 31, 2009, the fund was charged $1,083 pursuant to the transfer agency agreement, which is included in Shareholder servicing costs in the Statement of Operations.

The fund compensates The Bank of New York Mellon under a cash management agreement for performing cash management services related to fund subscriptions and redemptions. During the period ended December 31, 2009, the fund was charged $125 pursuant to the cash management agreement, which is included in Shareholder servicing costs in the Statement of Operations. These fees were offset by earnings credits pursuant to the cash management agreement.

The fund also compensates The Bank of New York Mellon under a custody agreement for providing custodial services for the fund. During the period ended December 31, 2009, the fund was charged $17,480 pursuant to the custody agreement.

During the period ended December 31, 2009, the fund was charged $6,681 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 $93,737, Rule 12b-1 distribution plan fees $3,385, custodian fees $3,896, chief compliance officer fees $5,011 and transfer agency per account fees $223, which are offset against an expense reimbursement currently in effect in the amount of $1,540.

(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, 2009, amounted to $100,695,561 and $131,730,322, respectively.

The fund adopted the provisions of ASC Topic 815 "Derivatives and Hedging" which requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. The fund held no derivatives during the period ended December 31, 2009. These disclosures did not impact the notes to the financial statements.

At December 31, 2009, the cost of investments for federal income tax purposes was $161,902,584; accordingly, accumulated net unrealized appreciation on investments was $6,876,563, consisting of $19,343,074 gross unrealized appreciation and $12,466,511 gross unrealized depreciation.

NOTE 5—Subsequent Events Evaluation:

Dreyfus has evaluated the need for disclosures and/or adjustments resulting from subsequent events through February 10, 2010, the date the financial statements were issued. This evaluation did not result in any subsequent events that necessitated disclosures and/or adjustments.

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 series comprising Dreyfus Investment Portfolios) as of December 31, 2009, 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 confirmation of securities owned as of December 31, 2009 by correspondence with the custodian and 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, 2009, 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 10, 2010

IMPORTANT TAX INFORMATION (Unaudited)

For federal tax puposes, the fund hereby designates 100% of the ordinary dividends paid during the fiscal year ended December 31, 2009 as qualifying for the corporate dividends received deduction. Shareholders will receive notification in early 2010 of the percentage applicable to the preparation of their 2009 income tax returns.

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

At a meeting of the Board of Trustees of Dreyfus Investment Portfolios (the "Company") held on July 14 and 15, 2009, the Board considered the re-approval for an annual period (through August 31, 2010) of the MidCap Stock Portfolio's ("the fund") Investment Advisory Agreement with the Manager, pursuant to which the Manager provides the fund with investment advisory and administrative services. The Board members, none of whom are "interested persons" (as defined in the Investment Company Act of 1940, as amended) of the Company, were assisted in their review by independent legal counsel and met with counsel in executive session separate from representatives of the Manager.

<u>Analysis of Nature, Extent and Quality of Services Provided to the Fund.</u> 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 its Investment Advisory Agreement. The Manager's representatives reviewed the fund's distribution of accounts and the relationships the Manager has with various intermediaries and the different needs of each. The Board 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 Manager also provided the number of separate accounts investing in the fund, as well as the fund's asset size.

The Board members also considered the Manager's research and fund 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. The Board also considered the Manager's brokerage policies and practices, the standards applied in seeking best execution and the Manager's policies and practices regarding soft dollars.

Comparative Analysis of the Fund's Performance and Investment Advisory Fee and Expense Ratio. The Board members reviewed the fund's performance and comparisons to a group of mid-cap core funds underlying variable insurance products (the "Performance Group") and to a larger universe of funds consisting of all mid-cap core funds underlying variable insurance products (the "Performance Universe"), selected and provided by Lipper, Inc. ("Lipper"), an independent provider of investment company data. The Board was provided with a description of the methodology Lipper used to select the Performance Group and Performance Universe, as well as the Expense Group and Expense Universe (discussed below). The Board members discussed the results of the comparisons for various periods ended May 31, 2009. The Board members noted that the fund's total return performance for its Initial shares was below the Performance Group and Performance Universe medians for all periods. Representatives of the manager reminded the Board that Franklin Portfolio's management team assumed responsibility for managing the fund in September 2007 and that Franklin Portfolio merged with Mellon Capital Management in January 2009. The Board expressed concern with the fund's performance and requested that the Manager take steps to improve it. Representatives of the Manager advised the Board that they will evaluate the fund and discuss solutions for improving the fund's performance. The Manager also provided a comparison of the fund's total returns to the returns of its benchmark index for each of the calendar years for the prior ten years.

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

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

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

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

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

- The Board concluded that the nature, extent and quality of the services provided by the Manager are adequate and appropriate.
- The Board was concerned with the fund's performance, but believed that the Manager would take steps to improve it and determined to renew the Management Agreement only for a six- month period, through February 28, 2010.
- The Board concluded that the fee paid by the fund to the Manager was reasonable in light of the services provided, comparative performance, expense and advisory fee information (including the fee waiver and expense reimbursement arrangement), costs of the services provided and profits to be realized and benefits derived or to be derived by the Manager from its relationship with the fund.

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

The Board members considered these conclusions and determinations, along with information received on a routine and regular basis throughout the year, and, without any one factor being dispositive, the Board determined that the Investment Advisory Agreement would be renewed until February 28, 2010, prior to which the Board will reconsider the renewal for the remainder of the annual period (through August 31, 2010).

BOARD MEMBERS INFORMATION (Unaudited)

Joseph S. DiMartino (66)
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
• CBIZ (formerly, 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

No. of Portfolios for which Board Member Serves: 171

Clifford L. Alexander, Jr. (76)
Board Member (1998)

Principal Occupation During Past 5 Years:
• President of Alexander & Associates, Inc., a management consulting firm (January 1981-present)

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

No. of Portfolios for which Board Member Serves: 51

David W. Burke (73)
Board Member (2003)

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

Other Board Memberships and Affiliations:
• John F. Kennedy Library Foundation, Director

No. of Portfolios for which Board Member Serves: 87

Whitney I. Gerard (75)
Board Member (2003)

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

No. of Portfolios for which Board Member Serves: 26

Nathan Leventhal (66)
Board Member (2009)

Principal Occupation During Past 5 Years:
- Commissioner, NYC Planning Commission (March 2007-present)
- Chairman of the Avery-Fisher Artist Program (November 1997-present)

Other Board Memberships and Affiliations:
- Movado Group, Inc., Director
- Mayor's Committee on Appointments, Chairman

No. of Portfolios for which Board Member Serves: 48

George L. Perry (75)
Board Member (2003)

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

No. of Portfolios for which Board Member Serves: 26

Benaree Pratt Wiley (63)
Board Member (2009)

Principal Occupation During Past 5 Years:
- Principal, The Wiley Group, a firm specializing in strategy and business development (2005-present)
- President and CEO, The Partnership, an organization dedicated to increasing the representation of African Americans in positions of leadership, influence and decision-making in Boston, MA (1991-2005)

Other Board Memberships and Affiliations:
- Blue Cross Blue Shield of Massachusetts, Director
- CBIZ (formerly, Century Business Services, Inc.), a provider of outsourcing functions for small and medium size companies, Director
- Commonwealth Institute, Director
- Efficacy Institute, Director
- PepsiCo African-American, Chair of Advisory Board
- The Boston Foundation, Director

No. of Portfolios for which Board Member Serves: 72

Once elected all Board Members serve for an indefinite term, but achieve Emeritus status upon reaching age 80. 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.

Ms. Wiley and Mr. Leventhal were elected Board Members of the fund effective April 16, 2009.
Lucy Wilson Benson, Emeritus Board Member
Arthur A. Hartman, Emeritus Board Member

OFFICERS OF THE FUND (Unaudited)

BRADLEY J. SKAPYAK, President since January 2010.

Chief Operating Officer and a director of the Manager since June 2009. From April 2003 to June 2009, Mr. Skapyak was the head of the Investment Accounting and Support Department of the Manager. He is an officer of 76 investment companies (comprised of 171 portfolios) managed by the Manager. He is 51 years old and has been an employee of the Manager since February 1988.

PHILLIP N. MAISANO, Executive Vice President since July 2007.

Chief Investment Officer, Vice Chair and a director of the Manager, and an officer of 76 investment companies (comprised of 171 portfolios) managed by the Manager. Mr. Maisano also is an officer and/or Board member of certain other investment management subsidiaries of The Bank of New York Mellon Corporation, each of which is an affiliate of the Manager. He is 62 years old and has been an employee of the Manager since November 2006. Prior to joining the Manager, Mr. Maisano served as Chairman and Chief Executive Officer of EACM Advisors, an affiliate of the Manager, since August 2004.

J. DAVID OFFICER, Vice President since January 2010.

Director of Mellon United National Bank, an affiliate of the Manager, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. Prior to June 2009, Mr. Officer was Chief Operating Officer, Vice Chairman and a director of the Manager, where he had been employed since April 1998. He is 61 years old.

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

Assistant General Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. He is 49 years old and has been an employee of the Manager since October 1991.

KIESHA ASTWOOD, Vice President and Assistant Secretary since January 2010.

Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. She is 36 years old and has been an employee of the Manager since July 1995.

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

Senior Counsel of BNY Mellon and Secretary of the Manager, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. He is 43 years old and has been an employee of the Manager since December 1996.

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

Senior Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. She is 54 years old and has been an employee of the Manager since October 1988.

JOSEPH M. CHIOFFI, Vice President and Assistant Secretary since August 2005.

Senior Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. He is 48 years old and has been an employee of the Manager since June 2000.

KATHLEEN DENICHOLAS, Vice President and Assistant Secretary since January 2010.

Senior Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. She is 35 years old and has been an employee of the Manager since February 2001.

JANETTE E. FARRAGHER, Vice President and Assistant Secretary since August 2005.

Assistant General Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. She is 47 years old and has been an employee of the Manager since February 1984.

JOHN B. HAMMALIAN, Vice President and Assistant Secretary since August 2005.

Managing Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. He is 46 years old and has been an employee of the Manager since February 1991.

M. CRISTINA MEISER, Vice President and Assistant Secretary since January 2010.

Senior Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. She is 39 years old and has been an employee of the Manager since August 2001.

ROBERT R. MULLERY, Vice President and Assistant Secretary since August 2005.

Managing Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. He is 57 years old and has been an employee of the Manager since May 1986.

JEFF PRUSNOFSKY, Vice President and Assistant Secretary since August 2005.

Managing Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. He is 44 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 77 investment companies (comprised of 194 portfolios) managed by the Manager. He is 51 years old and has been an employee of the Manager since April 1985.

RICHARD CASSARO, Assistant Treasurer since January 2008.

Senior Accounting Manager – Money Market and Municipal Bond Funds of the Manager, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. He is 50 years old and has been an employee of the Manager since September 1982.

GAVIN C. REILLY, Assistant Treasurer since December 2005.

Tax Manager of the Investment Accounting and Support Department of the Manager, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. He is 41 years old and has been an employee of the Manager since April 1991.

ROBERT ROBOL, Assistant Treasurer since August 2005.

Senior Accounting Manager – Fixed Income Funds of the Manager, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. He is 45 years old and has been an employee of the Manager since October 1988.

ROBERT SALVIOLO, Assistant Treasurer since May 2007.

Senior Accounting Manager – Equity Funds of the Manager, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. He is 42 years old and has been an employee of the Manager since June 1989.

ROBERT SVAGNA, Assistant Treasurer since December 2002.

Senior Accounting Manager – Equity Funds of the Manager, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. He is 42 years old and has been an employee of the Manager since November 1990.

JOSEPH W. CONNOLLY, Chief Compliance Officer since October 2004.

Chief Compliance Officer of the Manager and The Dreyfus Family of Funds (77 investment companies, comprised of 194 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 52 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 October 2002.

Vice President and Anti-Money Laundering Compliance Officer of the Distributor, and the Anti-Money Laundering Compliance Officer of 73 investment companies (comprised of 190 portfolios) managed by the Manager. He is 39 years old and has been an employee of the Distributor since October 1998.

For More Information

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

Investment Adviser

The Dreyfus Corporation
200 Park Avenue
New York, NY 10166

Custodian

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

Transfer Agent &
Dividend Disbursing Agent

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

Distributor

MBSC Securities Corporation
200 Park Avenue
New York, NY 10166

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

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

The fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The fund's Forms N-Q are available on the SEC's website at http://www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

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

0174AR1209

The Dreyfus Socially Responsible Growth Fund, Inc.

ANNUAL REPORT December 31, 2009

BNY MELLON
ASSET MANAGEMENT

Dreyfus

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

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A LETTER FROM THE CHAIRMAN AND CEO

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, 2009, through December 31, 2009.

The U.S stock market ended 2009 with a healthy annual gain, but market indices across all capitalization ranges and investment styles remained well below the peaks reached in the fall of 2007. The equity market's advance was driven by improving investor sentiment as the U.S. economy staged a gradual, but sustained, recovery from the recession and banking crisis that had depressed stock prices at the beginning of the year. After four consecutive quarters of contraction, the U.S. economy returned to growth during the third quarter of 2009, buoyed by greater manufacturing activity to replenish depleted inventories and satisfy export demand. The slumping housing market also showed signs of renewed life later in the year when home sales and prices rebounded modestly. However, economic headwinds remain, including a high unemployment rate and the prospect of anemic consumer spending.

As 2010 begins, our Chief Economist, as well as many securities analysts and portfolio managers have continued to find opportunities and survey potential challenges across a variety of asset classes, including equities. While no one can predict the future, we believe that the 2010 investment environment will likely require a broader range of investment considerations relative to last year. As always, your financial adviser can help you determine the mix of investments that may be best suited to helping you achieve your goals at a level of risk that is comfortable for you.

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

Thank you for your continued confidence and support.

Sincerely,

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

DISCUSSION OF FUND PERFORMANCE

For the period from January 1, 2009, through December 31, 2009, as provided by Jocelin Reed, Portfolio Manager

Fund and Market Performance Overview

For the 12-month period ended December 31, 2009, The Dreyfus Socially Responsible Growth Fund's Initial shares produced a total return of 33.75%, and the fund's Service shares returned 33.44%.[1] In comparison, the fund's benchmark, the Standard & Poor's 500 Composite Stock Price Index (the "S&P 500 Index"), produced a total return of 26.47% for the same period.[2]

Stocks climbed in 2009 as hopes mounted for a recovery from the worst recession in more than 70 years. In this environment, growth-oriented, economically sensitive stocks tended to outperform the broader market. The fund produced higher returns than its benchmark, partly due to our emphasis on growth-oriented technology stocks.

The Fund's Investment Approach

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

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

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

The Stock Market Staged a Strong Recovery

Equity markets bottomed in early March 2009 amid a deep recession exacerbated by a global banking crisis. However, an aggressive monetary policy and massive government stimulus programs subsequently bolstered investor confidence, driving stocks sharply higher through the spring.

By mid-year, the S&P 500 Index had recovered all the ground it had lost earlier in the year. While traditionally lagging economic indicators, such as employment, continued to show signs of weakness through the remainder of the year, a number of other indicators, from inventory figures to corporate earnings, provided evidence of renewed economic growth. As a result, stocks continued to advance over the reporting period's second half.

A Tilt Toward Growth Bolstered Fund Performance

The fund generated particularly robust gains in the energy sector, where the pricing strength of natural gas compared to petroleum favored certain exploration-and-production companies, such as Southwestern Energy, EOG Resources and Talisman Energy. Overweighted exposure to growth-oriented technology stocks also boosted performance amid expectations of a rebound in business spending. The fund emphasized companies exhibiting high-quality earnings and balance sheets, such as Apple, International Business Machines and Microsoft. Finally, among industrial stocks, the fund outperformed its benchmark by avoiding General Electric, which was hurt by credit exposure in its financial unit. Top performing industrial holdings included diversified manufacturer 3M and aerospace contractor Rockwell Collins, which benefited from a pickup in commercial aircraft orders.

On a more negative note, biotechnology developer Genzyme suffered a sharp loss when manufacturing problems forced a plant closure in the spring of 2009. More broadly, the fund's emphasis on relatively high-quality financial companies, such as State Street and AFLAC, undermined returns when more speculative, previously beaten down stocks staged stronger rebounds. Finally, returns in the materials sector lagged due to the fund's underweighted exposure to high-flying gold stocks.

Focusing on Growth Opportunities

We have continued to favor investments in growth-oriented areas, such as the technology sector, where we see potential for increased business spending. We also have emphasized industrial companies that appear poised to benefit from renewed economic growth. In contrast, the fund holds underweighted exposure to financial and energy stocks, where prospects are more uncertain.

Emphasizing Environmentally Friendly Fuels

The fund's socially responsible investment standards help shape investment decisions in virtually every sector. For example, our environmental criteria have led us to emphasize energy companies with significant exposure to natural gas, a relatively clean burning fuel. The three energy holdings cited in this report, Southwestern Energy, EOG Resources and Talisman Energy, all produce sizeable quantities of natural gas as part of their regular ongoing North American operations. Plentiful reserves of natural gas are available within the continental United States, and burning this fuel produces roughly 25% lower emissions than oil and 50% lower emissions than coal, thereby lessening the environmental impact of energy consuming activity.

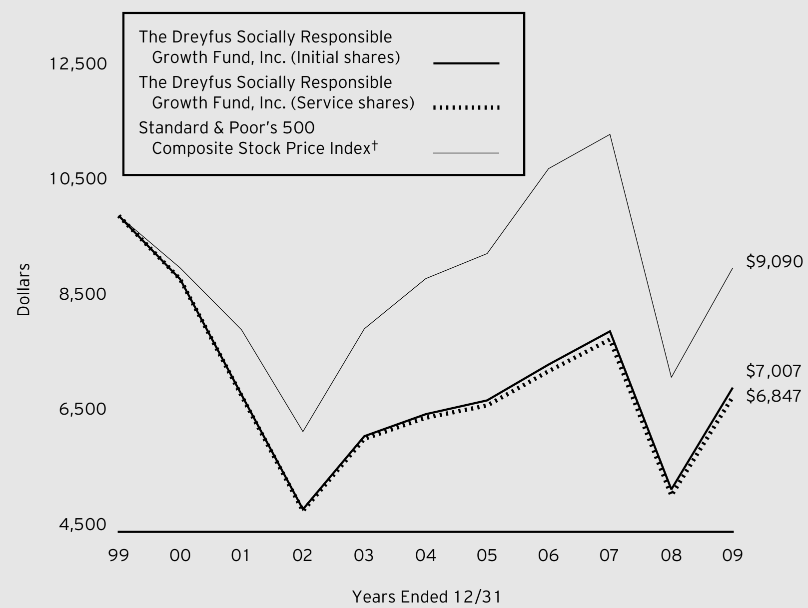
For further information regarding the fund's approach to socially responsible investing, please consult the fund's prospectus.

January 15, 2010

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 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.

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 & Poor's 500 Composite Stock Price Index

Average Annual Total Returns *as of 12/31/09*

	1 Year	5 Years	10 Years
Initial shares	**33.75%**	**1.36%**	**-3.49%**
Service shares	**33.44%**	**1.11%**	**-3.72%**

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 12/31/99 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, 2009 (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. Unlike a mutual fund, the Index is not subject to charges, fees and other expenses. Investors cannot invest directly in any index. 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), redemption fees and expenses associated with variable annuity or insurance contracts, which are not shown in this section and would have resulted in higher total expenses. For more information, see your fund's prospectus or talk to your financial adviser.

Review your fund's expenses

The table below shows the expenses you would have paid on a $1,000 investment in The Dreyfus Socially Responsible Growth Fund, Inc. from July 1, 2009 to December 31, 2009. 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, 2009

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.80	$ 6.14
Ending value (after expenses)	$1,215.20	$1,214.00

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

Using the SEC's method to compare expenses

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

Expenses and Value of a $1,000 Investment
assuming a hypothetical 5% annualized return for the six months ended December 31, 2009

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.38	$ 5.60
Ending value (after expenses)	$1,020.87	$1,019.66

† *Expenses are equal to the fund's annualized expense ratio of .86% for Initial Shares and 1.10% 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, 2009

Common Stocks—98.8%	Shares		Value ($)
Consumer Discretionary—10.0%			
Apollo Group, Cl. A	23,100	a	1,399,398
DreamWorks Animation SKG, Cl. A	53,950	a	2,155,302
Gap	168,575		3,531,646
Garmin	61,300	b	1,881,910
McDonald's	58,875		3,676,155
Navistar International	27,400	a	1,059,010
Priceline.com	17,525	a,b	3,829,213
Staples	71,200		1,750,808
TJX Cos.	76,575		2,798,816
Weight Watchers International	28,525		831,789
			22,914,047
Consumer Staples—13.3%			
Bare Escentuals	44,025	a	538,426
Church & Dwight	42,500		2,569,125
Costco Wholesale	71,550		4,233,613
Hansen Natural	46,950	a	1,802,880
Kimberly-Clark	59,925		3,817,822
PepsiCo	125,100		7,606,080
Procter & Gamble	100,475		6,091,799
SYSCO	63,725		1,780,477
Unilever (NY Shares)	60,725		1,963,239
			30,403,461
Energy—7.6%			
Cenovus Energy	42,325		1,066,590
EnCana	42,325		1,370,907
ENSCO International, ADR	47,825		1,910,130
EOG Resources	21,200		2,062,760
Nexen	93,975		2,248,822
Noble	64,325		2,618,027
SEACOR Holdings	26,850	a	2,047,313
Southwestern Energy	41,750	a	2,012,350
Talisman Energy	109,225		2,035,954
			17,372,853
Financial—6.6%			
Charles Schwab	117,500		2,211,350
Chubb	41,025		2,017,609
Discover Financial Services	210,500		3,096,455

Common Stocks (continued)	Shares		Value ($)
Financial (continued)			
Goldman Sachs Group	13,025		2,199,141
Investment Technology Group	81,800	[a]	1,611,460
State Street	40,300		1,754,662
Travelers Cos.	43,450		2,166,417
			15,057,094
Health Care—15.4%			
Alcon	6,875		1,129,906
Amgen	76,975	[a]	4,354,476
AstraZeneca, ADR	43,050	[b]	2,020,767
Becton, Dickinson & Co.	31,725		2,501,833
Biogen Idec	38,500	[a]	2,059,750
Genzyme	66,075	[a]	3,238,336
Gilead Sciences	61,400	[a]	2,657,392
Humana	42,900	[a]	1,882,881
Johnson & Johnson	93,050		5,993,351
Kinetic Concepts	45,800	[a]	1,724,370
Millipore	23,500	[a]	1,700,225
Novartis, ADR	23,150		1,260,055
WellPoint	77,950	[a]	4,543,706
			35,067,048
Industrial—9.9%			
3M	47,450		3,922,692
Brink's	41,700		1,014,978
Donaldson	23,075		981,610
Dun & Bradstreet	18,725		1,579,828
Emerson Electric	122,875		5,234,475
Equifax	39,050		1,206,254
First Solar	7,800	[a,b]	1,056,120
Fluor	25,150		1,132,756
Ryder System	21,025		865,599
United Technologies	81,125		5,630,886
			22,625,198

Common Stocks (continued)	Shares		Value ($)
Materials—2.7%			
MeadWestvaco	74,300		2,127,209
Nucor	36,625		1,708,556
Schnitzer Steel Industries, Cl. A	30,800		1,469,160
Worthington Industries	71,700		937,119
			6,242,044
Technology—30.7%			
Accenture, Cl. A	86,250		3,579,375
Apple	35,550	a	7,496,073
Avnet	45,475	a	1,371,526
CA	76,700		1,722,682
Cisco Systems	154,675	a	3,702,919
EMC	172,525	a	3,014,012
Google, Cl. A	9,150	a	5,672,817
Intel	61,750		1,259,700
International Business Machines	81,775		10,704,348
Microsoft	326,700		9,961,083
National Semiconductor	107,175		1,646,208
Oracle	211,925		5,200,640
QUALCOMM	104,325		4,826,075
Sybase	44,975	a	1,951,915
Symantec	79,000	a	1,413,310
Texas Instruments	193,700		5,047,822
Western Union	92,625		1,745,981
			70,316,486
Utilities—2.6%			
FPL Group	25,950		1,370,679
Sempra Energy	64,400		3,605,112
WGL Holdings	27,225		913,127
			5,888,918
Total Common Stocks (cost $207,595,238)			**225,887,149**

Other Investment—1.3%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Preferred Plus Money Market Fund (cost $2,919,000)	2,919,000 [c]	**2,919,000**
Investment of Cash Collateral for Securities Loaned—2.4%		
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Plus Fund (cost $5,552,208)	5,552,208 [c]	**5,552,208**
Total Investments (cost $216,066,446)	**102.5%**	**234,358,357**
Liabilities, Less Cash and Receivables	**(2.5%)**	**(5,687,964)**
Net Assets	**100.0%**	**228,670,393**

ADR—American Depository Receipts

[a] *Non-income producing security.*

[b] *Security, or portion thereof, on loan. At December 31, 2009, the total market value of the fund's securities on loan is $5,340,715 and the total market value of the collateral held by the fund is $5,552,208.*

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

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Technology	30.7	Financial	6.6
Health Care	15.4	Money Market Investments	3.7
Consumer Staples	13.3	Materials	2.7
Consumer Discretionary	10.0	Utilities	2.6
Industrial	9.9		
Energy	7.6		**102.5**

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2009

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $5,340,715)—Note 1(b):		
Unaffiliated issuers	207,595,238	225,887,149
Affiliated issuers	8,471,208	8,471,208
Cash		56,629
Dividends and interest receivable		205,723
Receivable for shares of Common Stock subscribed		2,463
		234,623,172
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(c)		156,802
Liability for securities on loan—Note 1(b)		5,552,208
Payable for shares of Common Stock redeemed		138,128
Accrued expenses		105,641
		5,952,779
Net Assets ($)		**228,670,393**
Composition of Net Assets ($):		
Paid-in capital		349,174,196
Accumulated undistributed investment income—net		1,922,258
Accumulated net realized gain (loss) on investments		(140,717,972)
Accumulated net unrealized appreciation (depreciation) on investments		18,291,911
Net Assets ($)		**228,670,393**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	222,600,410	6,069,983
Shares Outstanding	8,475,913	232,568
Net Asset Value Per Share ($)	**26.26**	**26.10**

See notes to financial statements.

STATEMENT OF OPERATIONS

Year Ended December 31, 2009

Investment Income ($):	
Income:	
Cash dividends (net of $33,849 foreign taxes withheld at source):	
Unaffiliated issuers	3,619,175
Affiliated issuers	2,048
Interest	68,427
Income from securities lending—Note 1(b)	21,334
Total Income	**3,710,984**
Expenses:	
Management fee—Note 3(a)	1,502,766
Professional fees	101,760
Custodian fees—Note 3(c)	67,403
Prospectus and shareholders' reports	60,227
Shareholder servicing costs—Note 3(c)	16,399
Distribution fees—Note 3(b)	13,228
Directors' fees and expenses—Note 3(d)	4,057
Loan commitment fees—Note 2	1,897
Interest expense—Note 2	83
Miscellaneous	19,457
Total Expenses	**1,787,277**
Less—reduction in fees due to earnings credits—Note 1(b)	(201)
Net Expenses	**1,787,076**
Investment Income—Net	**1,923,908**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	(6,385,410)
Net unrealized appreciation (depreciation) on investments	63,945,275
Net Realized and Unrealized Gain (Loss) on Investments	**57,559,865**
Net Increase in Net Assets Resulting from Operations	**59,483,773**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended December 31,	
	2009	2008
Operations ($):		
Investment income—net	1,923,908	1,924,020
Net realized gain (loss) on investments	(6,385,410)	(5,535,657)
Net unrealized appreciation (depreciation) on investments	63,945,275	(103,155,450)
Net Increase (Decrease) in Net Assets Resulting from Operations	**59,483,773**	**(106,767,087)**
Dividends to Shareholders from ($):		
Investment income—net:		
Initial Shares	(1,888,082)	(2,021,732)
Service Shares	(34,740)	(31,418)
Total Dividends	**(1,922,822)**	**(2,053,150)**
Capital Stock Transactions ($):		
Net proceeds from shares sold:		
Initial Shares	8,146,232	12,630,551
Service Shares	545,430	811,221
Dividends reinvested:		
Initial Shares	1,888,082	2,021,732
Service Shares	34,740	31,418
Cost of shares redeemed:		
Initial Shares	(28,291,376)	(55,187,880)
Service Shares	(1,034,582)	(1,903,000)
Increase (Decrease) in Net Assets from Capital Stock Transactions	**(18,711,474)**	**(41,595,958)**
Total Increase (Decrease) in Net Assets	**38,849,477**	**(150,416,195)**
Net Assets ($):		
Beginning of Period	189,820,916	340,237,111
End of Period	**228,670,393**	**189,820,916**
Undistributed investment income—net	1,922,258	1,921,172

	Year Ended December 31,	
	2009	2008
Capital Share Transactions:		
Initial Shares		
Shares sold	375,522	484,731
Shares issued for dividends reinvested	103,912	73,812
Shares redeemed	(1,309,522)	(2,115,136)
Net Increase (Decrease) in Shares Outstanding	**(830,088)**	**(1,556,593)**
Service Shares		
Shares sold	25,829	30,883
Shares issued for dividends reinvested	1,920	1,154
Shares redeemed	(49,261)	(72,946)
Net Increase (Decrease) in Shares Outstanding	**(21,512)**	**(40,909)**

See notes to financial statements.

FINANCIAL HIGHLIGHTS

The following tables describe the performance for each share class for the fiscal periods indicated. All information (except portfolio turnover rate) reflects financial results for a single fund share. Total return shows how much your investment in the fund would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. The fund's total returns do not reflect expenses associated with variable annuity or insurance contracts. These figures have been derived from the fund's financial statements.

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

[a] *Based on average shares outstanding at each month end.*
[b] *Expense waivers and/or reimbursements amounted to less than .01%.*
See notes to financial statements.

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

[a] *Based on average shares outstanding at each month end.*
[b] *Expense waivers and/or reimbursements amounted to less than .01%.*
See notes to financial statements.

NOTE 1—Significant Accounting Policies:

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

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

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") has become the exclusive reference of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal laws are also sources of authoritative GAAP for SEC registrants. The ASC has superseded all existing non-SEC accounting and reporting standards. The fund's financial statements are prepared in accordance with GAAP, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

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

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

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

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

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

Level 1—unadjusted quoted prices in active markets for identical investments.

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

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

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

The following is a summary of the inputs used as of December 31, 2009 in valuing the fund's investments:

	Level 1– Unadjusted Quoted Prices	Level 2–Other Significant Observable Inputs	Level 3– Significant Unobservable Inputs	Total
Assets ($)				
Investments in Securities:				
Equity Securities– Domestic†	210,880,779	–	–	**210,880,779**
Equity Securities– Foreign†	15,006,370	–	–	**15,006,370**
Mutual Funds	8,471,208	–	–	**8,471,208**

† *See Statement of Investments for industry classification.*

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

The fund has arrangements with the custodian and cash management bank whereby the fund may receive earnings credits when positive cash balances are maintained, which are used to offset custody and cash management fees. For financial reporting purposes, the fund includes net earnings credits as an expense offset in the Statement of Operations.

Pursuant to a securities lending agreement with The Bank of New York Mellon, a subsidiary of BNY Mellon and an affiliate of Dreyfus, the fund may lend securities to qualified institutions. It is the fund's policy that, at origination, all loans are secured by collateral of at least 102% of the value of U.S. securities loaned and 105% of the value of foreign securities loaned. Collateral equivalent to at least 100% of the market value of securities on loan is maintained at all times. Collateral is either in the form of cash, which can be invested in certain money market mutual funds managed by the Manager, U.S. Government and Agency securities or letters of credit. The fund is entitled to receive all income on securities loaned, in addition to income earned as a result of the lending transaction. Although each security loaned is fully collateralized, the fund bears the risk of delay in recovery of, or loss of rights in, the securities loaned should a borrower fail to return the securities in a timely manner. During the period ended December 31, 2009, The Bank of New York Mellon earned $9,143 from lending portfolio securities, pursuant to the securities lending agreement.

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

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

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

As of and during the period ended December 31, 2009, the fund did not have any liabilities for any uncertain tax positions. The fund recognizes interest and penalties, if any, related to uncertain tax positions as income tax expense in the Statement of Operations. During the period, the fund did not incur any interest or penalties.

Each of the tax years in the four-year period ended December 31, 2009 remains subject to examination by the Internal Revenue Service and state taxing authorities.

At December 31, 2009, the components of accumulated earnings on a tax basis were as follows: undistributed ordinary income $1,922,258, accumulated capital losses $140,701,527 and unrealized appreciation $18,275,466.

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

The tax character of distributions paid to shareholders during the fiscal periods ended December 31, 2009 and December 31, 2008 were as follows: ordinary income $1,922,822 and $2,053,150, respectively.

During the period ended December 31, 2009, as a result of permanent book to tax differences, primarily due to the tax treatment for capital loss carryover expiration, the fund increased accumulated net realized gain (loss) on investments by $50,319,693 and decreased paid-in capital by the same amount. Net assets and net asset value per share were not affected by this reclassification.

NOTE 2—Bank Lines of Credit:

The fund participates with other Dreyfus-managed funds in a $225 million unsecured credit facility led by Citibank, N.A. and a $300 million unsecured credit facility provided by The Bank of New York Mellon (each, a "Facility"), each to be utilized primarily for temporary or emergency purposes, including the financing of redemptions. In connection therewith, the fund has agreed to pay its pro rata portion of commitment fees for each Facility. Interest is charged to the fund based on rates determined pursuant to the terms of the respective Facility at the time of borrowing.

The average amount of borrowings outstanding under the Facilities during the period ended December 31, 2009, was approximately $5,300 with a related weighted average annualized interest rate of 1.56%.

NOTE 3—Management Fee and Other Transactions with Affiliates:

(a) Pursuant to management 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, 2009, Service shares were charged $13,228 pursuant to the Plan.

(c) Under the Shareholder Services Plan, Initial shares reimburse the Distributor an amount not to exceed an annual rate of .25% of the value of the Initial shares' average daily net assets for certain allocated expenses with respect to servicing and/or maintaining Initial shares' shareholder accounts. During the period ended December 31, 2009, Initial shares' were charged $5,823 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, 2009, the fund was charged $1,355 pursuant to the transfer agency agreement, which is included in Shareholder servicing costs in the Statement of Operations.

The fund compensates The Bank of New York Mellon under a cash management agreement for performing cash management services related to fund subscriptions and redemptions. During the period ended December 31, 2009, the fund was charged $201 pursuant to the cash management agreement, which is included in Shareholder servicing costs in the Statement of Operations. These fees were offset by earnings credits pursuant to the cash management agreement.

The fund also compensates The Bank of New York Mellon under a custody agreement for providing custodial services for the fund. During the period ended December 31, 2009, the fund was charged $67,403 pursuant to the custody agreement

During the period ended December 31, 2009, the fund was charged $6,681 for services performed by the Chief Compliance Officer.

The components of "Due to The Dreyfus Corporation and affiliates" in the Statement of Assets and Liabilities consist of: management fees $144,989, Rule 12b-1 distribution plan fees $1,282, shareholder services plan fees $1,000, custodian fees $4,350, chief compliance officer fees $5,011 and transfer agency per account fees $170.

(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, 2009, amounted to $67,362,804 and $85,219,357, respectively.

The fund adopted the provisions of ASC Topic 815 "Derivatives and Hedging" which requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. The fund held no derivatives during the period ended December 31, 2009. These disclosures did not impact the notes to the financial statements.

At December 31, 2009, the cost of investments for federal income tax purposes was $216,082,891; accordingly, accumulated net unrealized appreciation on investments was $18,275,466, consisting of $29,780,766 gross unrealized appreciation and $11,505,300 gross unrealized depreciation.

NOTE 5—Subsequent Events Evaluation:

Dreyfus has evaluated the need for disclosures and/or adjustments resulting from subsequent events through February 10, 2010, the date the financial statements were issued. This evaluation did not result in any subsequent events that necessitated disclosures and/or adjustments.

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, 2009, 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 confirmation of securities owned as of December 31, 2009 by correspondence with the custodian and 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, 2009, 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 10, 2010

IMPORTANT TAX INFORMATION (Unaudited)

For federal tax purposes, the fund hereby designates 100% of the ordinary dividends paid during the fiscal year ended December 31, 2009 as qualifying for the corporate dividends received deduction. Shareholders will receive notification in early 2010 of the percentage applicable to the preparation of their 2009 income tax returns.

PROXY RESULTS (Unaudited)

The Dreyfus Socially Responsible Growth Fund, Inc. held a special meeting of shareholders on October 9, 2009. The proposal considered at the meeting, and the results, are as follows:

	Shares	
	Votes For	Authority Withheld
To elect Board Members:		
Joseph S. DiMartino†	4,750,454	337,028
Nathan Leventhal†	4,764,171	323,311
Benaree Pratt Wiley†	4,737,132	350,350

† *Each of the above noted Board members were duly elected by shareholders at the Fund's October 9, 2009 Shareholder meeting. Joseph S. DiMartino was an existing Board member previously having been elected by the Fund's Board. In addition, Clifford L. Alexander, Jr., David W. Burke, Whitney I. Gerard and George L. Perry continue as Board members of the fund.*

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

At a meeting of the Board of Directors of the fund held on July 14 and 15, 2009, the Board considered the re-approval for an annual period (through August 31, 2010) of the fund's Management Agreement with the Manager, pursuant to which the Manager provides the fund with investment advisory and administrative services. The Board members, none of whom are "interested persons" (as defined in the Investment Company Act of 1940, as amended) of the 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 its Management Agreement. The Manager's representatives reviewed the fund'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 fund's shares are offered only to separate accounts established by insurance companies to fund variable annuity contracts and variable life insurance policies. The Manager's representatives noted the diversity of distribution of the funds in the Dreyfus fund complex, and the Manager's corresponding need for broad, deep and diverse resources to be able to provide ongoing shareholder services to each distribution channel, including those of the fund. The Manager also provided 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. The Board also considered the Manager's brokerage policies and practices, the standards applied in seeking best execution and the Manager's policies and practices regarding soft dollars.

Comparative Analysis of the Fund's Performance and Management Fee and Expense Ratio. The Board members reviewed the fund's performance and comparisons to a group of large-cap growth funds underlying variable insurance products ("VIPs") and to a larger universe of funds, consisting of all large-cap growth funds underlying VIPs, each of which are not required to use one or more social screens when choosing securities for the funds' portfolios ("Performance Group I" and "Performance Universe I," respectively) and to a group of funds underlying VIPs and to a larger universe of funds underlying VIPs from different categories, each of which are required to use one or more social screens when choosing securities for the funds' portfolios ("Performance Group II" and "Performance Universe II," respectively). The fund's portfolio manager uses social screens when choosing securities for the fund's portfolio, as described in the fund's prospectus. Each Performance Group and Performance Universe was selected and provided by Lipper, Inc. ("Lipper"), an independent provider of investment company data. The Board was provided with a description of the methodology Lipper used to select each Performance Group and Performance Universe, as well as each Expense Group and Expense Universe (discussed below). The Board members discussed the results of the comparisons for various periods ended May 31, 2009. The Board members noted that the fund's total return performance for its Initial shares was above the medians for each Performance Group and Performance Universe for the reported periods, except for the 4- and 10-year periods of Performance Group I, the 10-year period of Performance Group II, and the 5- and 10- year periods of each Performance Universe and in each case the fund's performance was below the median. The Manager also provided a comparison of the fund's total returns to the returns of its benchmark index for each of the last ten calendar years.

The Board members also discussed the fund's management fee and expense ratio and reviewed the range of management fees and expense ratios as compared to a comparable group of funds and a broader group of funds that were selected by Lipper and are not required to use one or more social screens when choosing securities for the funds' portfolios ("Expense Group I" and "Expense Universe I," respectively) and with a group of funds and a broader group of funds that were selected by Lipper and use one or more social screens when choosing securities for the funds' portfolios ("Expense Group II" and "Expense Universe II," respectively). The Board members noted that the contractual and actual management fees and expense ratio of the fund's Initial shares (which are not subject to a Rule 12b-1 plan) were at or higher than the Expense Group I and Expense Universe I medians, except that the expense ratio was below the Expense Universe I median. In addition, the Board noted that the fund's contractual and actual management fees and expense ratio for its Initial shares were at or lower than the Expense Group II and Expense Universe II medians. The Board members also noted that the expense ratio of the fund's Service shares (which are subject to a Rule 12b-1 plan) was higher than each Expense Group and Expense Universe median.

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

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

It was noted that the Board members should consider the Manager's profitability with respect to the fund as part of their evaluation of whether the fee under the Management Agreement bears a reasonable relationship to the mix of services provided by the Manager, including the nature, extent and quality of such services. It also was noted that the profitability percentage for managing the fund was within ranges determined by appropriate court cases to be reasonable given the services rendered and that the profitability percentage for managing the fund was reasonable given the services provided.

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

- The Board concluded that the nature, extent and quality of the services provided by the Manager were adequate and appropriate.
- The Board was satisfied with the fund's overall performance.
- The Board concluded that the fee paid by the fund to the Manager was reasonable in light of the services provided, comparative performance and expense and management 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 management 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 Management Agreement was in the best interests of the fund and its shareholders.

BOARD MEMBERS INFORMATION (Unaudited)

Joseph S. DiMartino (66)
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
• CBIZ (formerly, 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

No. of Portfolios for which Board Member Serves: 171

Clifford L. Alexander, Jr. (76)
Board Member (1998)

Principal Occupation During Past 5 Years:
• President of Alexander & Associates, Inc., a management consulting firm (January 1981-present)

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

No. of Portfolios for which Board Member Serves: 51

David W. Burke (73)
Board Member (2003)

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

Other Board Memberships and Affiliations:
• John F. Kennedy Library Foundation, Director

No. of Portfolios for which Board Member Serves: 87

Whitney I. Gerard (75)
Board Member (2003)

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

No. of Portfolios for which Board Member Serves: 26

Nathan Leventhal (66)
Board Member (2009)

Principal Occupation During Past 5 Years:
- Commissioner, NYC Planning Commission (March 2007-present)
- Chairman of the Avery-Fisher Artist Program (November 1997-present)

Other Board Memberships and Affiliations:
- Movado Group, Inc., Director
- Mayor's Committee on Appointments, Chairman

No. of Portfolios for which Board Member Serves: 48

George L. Perry (75)
Board Member (2003)

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

No. of Portfolios for which Board Member Serves: 26

Benaree Pratt Wiley (63)
Board Member (2009)

Principal Occupation During Past 5 Years:
- Principal, The Wiley Group, a firm specializing in strategy and business development (2005-present)
- President and CEO, The Partnership, an organization dedicated to increasing the representation of African Americans in positions of leadership, influence and decision-making in Boston, MA (1991-2005)

Other Board Memberships and Affiliations:
- Blue Cross Blue Shield of Massachusetts, Director
- CBIZ (formerly, Century Business Services, Inc.), a provider of outsourcing functions for small and medium size companies, Director
- Commonwealth Institute, Director
- Efficacy Institute, Director
- PepsiCo African-American, Chair of Advisory Board
- The Boston Foundation, Director

No. of Portfolios for which Board Member Serves: 72

Once elected all Board Members serve for an indefinite term, but achieve Emeritus status upon reaching age 80. 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.

Ms. Wiley and Mr. Leventhal were elected Board members of the fund effective October 9, 2009.
Lucy Wilson Benson, Emeritus Board Member
Arthur A. Hartman, Emeritus Board Member

OFFICERS OF THE FUND (Unaudited)

BRADLEY J. SKAPYAK, President since January 2010.

Chief Operating Officer and a director of the Manager since June 2009. From April 2003 to June 2009, Mr. Skapyak was the head of the Investment Accounting and Support Department of the Manager. He is an officer of 76 investment companies (comprised of 171 portfolios) managed by the Manager. He is 51 years old and has been an employee of the Manager since February 1988.

PHILLIP N. MAISANO, Executive Vice President since July 2007.

Chief Investment Officer, Vice Chair and a director of the Manager, and an officer of 76 investment companies (comprised of 171 portfolios) managed by the Manager. Mr. Maisano also is an officer and/or Board member of certain other investment management subsidiaries of The Bank of New York Mellon Corporation, each of which is an affiliate of the Manager. He is 62 years old and has been an employee of the Manager since November 2006. Prior to joining the Manager, Mr. Maisano served as Chairman and Chief Executive Officer of EACM Advisors, an affiliate of the Manager, since August 2004.

J. DAVID OFFICER, Vice President since January 2010.

Director of Mellon United National Bank, an affiliate of the Manager, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. Prior to June 2009, Mr. Officer was Chief Operating Officer, Vice Chairman and a director of the Manager, where he had been employed since April 1998. He is 61 years old.

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

Assistant General Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. He is 49 years old and has been an employee of the Manager since October 1991.

KIESHA ASTWOOD, Vice President and Assistant Secretary since January 2010.

Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. She is 36 years old and has been an employee of the Manager since July 1995.

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

Senior Counsel of BNY Mellon and Secretary of the Manager, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. He is 43 years old and has been an employee of the Manager since December 1996.

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

Senior Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. She is 54 years old and has been an employee of the Manager since October 1988.

JOSEPH M. CHIOFFI, Vice President and Assistant Secretary since August 2005.

Senior Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. He is 48 years old and has been an employee of the Manager since June 2000.

KATHLEEN DENICHOLAS, Vice President and Assistant Secretary since January 2010.

Senior Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. She is 35 years old and has been an employee of the Manager since February 2001.

JANETTE E. FARRAGHER, Vice President and Assistant Secretary since August 2005.

Assistant General Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. She is 47 years old and has been an employee of the Manager since February 1984.

JOHN B. HAMMALIAN, Vice President and Assistant Secretary since August 2005.

Managing Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. He is 46 years old and has been an employee of the Manager since February 1991.

M. CRISTINA MEISER, Vice President and Assistant Secretary since January 2010.

Senior Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. She is 39 years old and has been an employee of the Manager since August 2001.

ROBERT R. MULLERY, Vice President and Assistant Secretary since August 2005.

Managing Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. He is 57 years old and has been an employee of the Manager since May 1986.

JEFF PRUSNOFSKY, Vice President and Assistant Secretary since August 2005.

Managing Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. He is 44 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 77 investment companies (comprised of 194 portfolios) managed by the Manager. He is 51 years old and has been an employee of the Manager since April 1985.

RICHARD CASSARO, Assistant Treasurer since January 2008.

Senior Accounting Manager – Money Market and Municipal Bond Funds of the Manager, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. He is 50 years old and has been an employee of the Manager since September 1982.

GAVIN C. REILLY, Assistant Treasurer since December 2005.

Tax Manager of the Investment Accounting and Support Department of the Manager, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. He is 41 years old and has been an employee of the Manager since April 1991.

ROBERT ROBOL, Assistant Treasurer since August 2005.

Senior Accounting Manager – Fixed Income Funds of the Manager, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. He is 45 years old and has been an employee of the Manager since October 1988.

ROBERT SALVIOLO, Assistant Treasurer since May 2007.

Senior Accounting Manager – Equity Funds of the Manager, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. He is 42 years old and has been an employee of the Manager since June 1989.

ROBERT SVAGNA, Assistant Treasurer since December 2002.

Senior Accounting Manager – Equity Funds of the Manager, and an officer of 77 investment companies (comprised of 194 portfolios) managed by the Manager. He is 42 years old and has been an employee of the Manager since November 1990.

JOSEPH W. CONNOLLY, Chief Compliance Officer since October 2004.

Chief Compliance Officer of the Manager and The Dreyfus Family of Funds (77 investment companies, comprised of 194 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 52 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 October 2002.

Vice President and Anti-Money Laundering Compliance Officer of the Distributor, and the Anti-Money Laundering Compliance Officer of 73 investment companies (comprised of 190 portfolios) managed by the Manager. He is 39 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

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

Transfer Agent & Dividend Disbursing Agent

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

Distributor

MBSC Securities Corporation
200 Park Avenue
New York, NY 10166

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

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

The fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The fund's Forms N-Q are available on the SEC's website at http://www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

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

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December 31, 2009

ANNUAL REPORT

DWS INVESTMENTS VIT FUNDS

DWS Equity 500 Index VIP

RESHAPING INVESTING.

DWS INVESTMENTS

Deutsche Bank Group

Contents

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, call (800) 778-1482 or your financial representative. We advise you to consider the Portfolio's objectives, risks, charges and expenses carefully before investing. The summary prospectus and prospectus contain this and other important information about the Portfolio. Please read the prospectus carefully before you invest.

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

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

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

Performance Summary

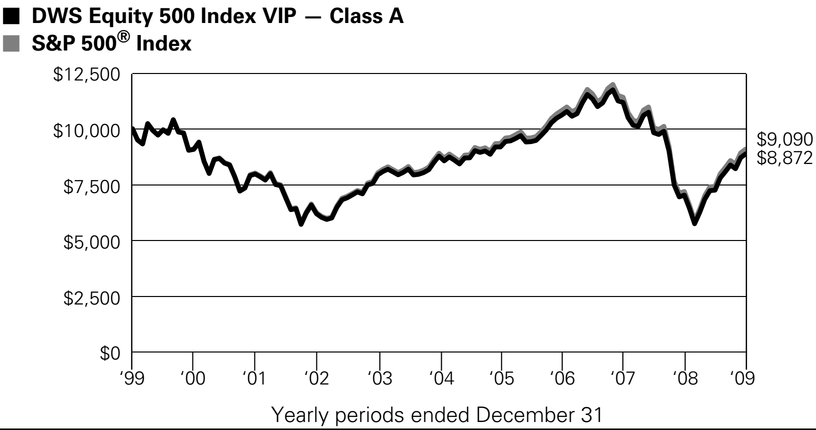
December 31, 2009

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when sold, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please contact your participating insurance company for the Portfolio's most recent month-end performance. Performance figures for Classes A, B and B2 differ because each class maintains a distinct expense structure. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

The gross expense ratios of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2009 are 0.33%, 0.58% and 0.72% for Class A, Class B and Class B2 shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

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

Growth of an Assumed $10,000 Investment



The Standard & Poor's 500® (S&P500) Index is an unmanaged, capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

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

Comparative Results (as of December 31, 2009)

DWS Equity 500 Index VIP		**1-Year**	**3-Year**	**5-Year**	**10-Year**
Class A	Growth of $10,000	$12,632	$8,360	$10,109	$8,872
	Average annual total return	26.32%	-5.80%	.22%	-1.19%
S&P 500 Index	Growth of $10,000	$12,646	$8,405	$10,211	$9,090
	Average annual total return	26.46%	-5.63%	.42%	-.95%
DWS Equity 500 Index VIP		**1-Year**	**3-Year**	**5-Year**	**Life of Class***
Class B	Growth of $10,000	$12,603	$8,295	$9,981	$11,604
	Average annual total return	26.03%	-6.04%	-.04%	1.96%
S&P 500 Index	Growth of $10,000	$12,646	$8,405	$10,211	$12,049
	Average annual total return	26.46%	-5.63%	.42%	2.46%
DWS Equity 500 Index VIP		**1-Year**	**3-Year**	**5-Year**	**Life of Class****
Class B2	Growth of $10,000	$12,579	$8,262	N/A	$9,628
	Average annual total return	25.79%	-6.17%	N/A	-.88%
S&P 500 Index	Growth of $10,000	$12,646	$8,405	N/A	$9,936
	Average annual total return	26.46%	-5.63%	N/A	-.15%

The growth of $10,000 is cumulative.

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

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

Information About Your Portfolio's Expenses

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (July 1, 2009 to December 31, 2009).

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, 2009

Actual Portfolio Return	Class A	Class B	Class B2
Beginning Account Value 7/1/09	$1,000.00	$1,000.00	$1,000.00
Ending Account Value 12/31/09	$1,224.10	$1,223.00	$1,222.00
Expenses Paid per $1,000*	$ 1.85	$ 3.25	$ 4.09

Hypothetical 5% Portfolio Return	Class A	Class B	Class B2
Beginning Account Value 7/1/09	$1,000.00	$1,000.00	$1,000.00
Ending Account Value 12/31/09	$1,023.54	$1,022.28	$1,021.53
Expenses Paid per $1,000*	$ 1.68	$ 2.96	$ 3.72

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

Annualized Expense Ratios	Class A	Class B	Class B2
DWS Equity 500 Index VIP	.33%	.58%	.73%

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

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

Management Summary

December 31, 2009

US equities surged during 2009, making up a large portion of the 38%-plus loss they incurred the previous year. Rising investor risk appetites and signs of improving economic growth were two of the key factors supporting equities' strong performance. While the effects of the financial crisis continued to weigh on the stock market during January and February, the aggressive stimulus efforts of the world's governments and central banks helped restore confidence by mid-March. The spring and summer brought evidence of a modest renewal in economic growth which, in combination with the US Federal Reserve's Board's (the Fed's) low interest rate policy, helped propel the market on an immense rally that lasted through the end of the fund's fiscal year. The result was a return of 26.46% for the Standard & Poor's 500® (S&P 500) Index, its best performance since 2003 and second-best calendar year return of the decade.

The Portfolio returned 26.32% during 2009 (Class A shares, unadjusted for contract charges). Since the Portfolio's investment strategy is to replicate the performance of the S&P 500 as closely as possible before the deduction of expenses, the Portfolio's return is normally close to the return of the index. (Past performance is no guarantee of future results. Please see page 3 for the performance of other share classes and more complete performance information.)

The strong performance of the S&P 500 Index was driven largely by the outperformance of three sectors: information technology, consumer discretionary and materials. The information technology sector was helped by the fact that many companies offer a wealth of positive fundamental characteristics, such as strong balance sheets, low debt levels, improving cost discipline and a high degree of exposure to international growth trends. The consumer discretionary and materials sectors both outperformed for the simple reason that they were among the hardest-hit market segments during the previous downturn. Since these two groups have a high degree of economic sensitivity, the arrival of the "green shoots" or signs of economic growth enabled them to rebound from extremely depressed levels.

The sectors that underperformed were largely those that could be classified as defensive in nature, such as telecommunications services, utilities, health care and consumer staples. While all delivered strong gains on an absolute basis, investors' rising appetite for risk generally resulted in more modest returns for these sectors relative to their economically sensitive counterparts. Financials were also among the sectors that underperformed, lagging the broader index by nearly 10 percentage points. Many financial stocks were unable to regain positive territory following their sharp sell-offs in the first two months of the year, as investors remained concerned about their balance sheets and exposure to credit risk.[1]

Brent Reeder
Senior Vice President
Northern Trust Investments, N.A. (NTI), Subadvisor to the Portfolio

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Risk Considerations

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The Standard & Poor's 500 (S&P 500) Index is an unmanaged, capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

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

1 *Credit risk is the risk of loss of principal or loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation.*

Portfolio management market commentary is as of December 31, 2009, and may not come to pass. This information is subject to change at any time based on market and other conditions and should not be construed as a recommendation. Past performance does not guarantee future results. Current and future portfolio holdings are subject to risk.

Portfolio Summary

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**12/31/09**	**12/31/08**
Common Stocks	98%	100%
Cash Equivalents	2%	—
	100%	100%

Sector Diversification (As a % of Common Stocks)	**12/31/09**	**12/31/08**
Information Technology	20%	15%
Financials	14%	13%
Health Care	13%	15%
Energy	11%	14%
Consumer Staples	11%	13%
Industrials	10%	11%
Consumer Discretionary	10%	8%
Utilities	4%	4%
Materials	4%	3%
Telecommunication Services	3%	4%
	100%	100%

Ten Largest Equity Holdings (19.0% of Net Assets)	
1. **ExxonMobil Corp.** Explorer and producer of oil and gas	**3.2%**
2. **Microsoft Corp.** Developer of computer software	**2.3%**
3. **Apple, Inc.** Manufacturer of personal computers and communication solutions	**1.9%**
4. **Johnson & Johnson** Provider of health care products	**1.8%**
5. **Procter & Gamble Co.** Manufacturer of diversified consumer products	**1.8%**
6. **International Business Machines Corp.** Manufacturer of computers and provider of information processing services	**1.7%**
7. **AT&T, Inc.** Provider of communications services	**1.6%**
8. **JPMorgan Chase & Co.** Provider of global financial services	**1.6%**
9. **General Electric Co.** A diversified company provider of services to the technology, media and financial industries	**1.6%**
10. **Chevron Corp.** Operator of petroleum exploration, delivery and refining facilities	**1.5%**

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

For more complete details about the Portfolio's investment portfolio, see page 7. A complete list of portfolio holdings of the Portfolio is posted as of the month end on www.dws-investments.com on or about the 15th day of the following month. More frequent posting of portfolio holdings information may be made from time to time on www.dws-investments.com.

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 98.2%		
Consumer Discretionary 9.4%		
Auto Components 0.2%		
Goodyear Tire & Rubber Co.*	18,994	267,815
Johnson Controls, Inc.	49,386	1,345,275
		1,613,090
Automobiles 0.4%		
Ford Motor Co.* (a)	243,068	2,430,680
Harley-Davidson, Inc. (a)	16,799	423,335
		2,854,015
Distributors 0.1%		
Genuine Parts Co. (a)	11,422	**433,579**
Diversified Consumer Services 0.2%		
Apollo Group, Inc. "A"* (a)	9,744	590,291
DeVry, Inc.	4,800	272,304
H&R Block, Inc.	25,492	576,629
		1,439,224
Hotels Restaurants & Leisure 1.5%		
Carnival Corp. (Units)*	32,186	1,019,974
Darden Restaurants, Inc.	10,754	377,143
International Game Technology	22,719	426,436
Marriott International, Inc. "A" (a)	18,237	496,965
McDonald's Corp.	79,587	4,969,412
Starbucks Corp.*	54,457	1,255,778
Starwood Hotels & Resorts Worldwide, Inc. (a)	14,221	520,062
Wyndham Worldwide Corp.	13,801	278,366
Wynn Resorts Ltd. (a)	5,285	307,746
Yum! Brands, Inc. (a)	34,163	1,194,680
		10,846,562
Household Durables 0.3%		
Black & Decker Corp.	4,722	306,127
D.R. Horton, Inc. (a)	19,022	206,769
Fortune Brands, Inc.	11,482	496,022
Harman International Industries, Inc.	4,700	165,816
Leggett & Platt, Inc.	11,912	243,005
Lennar Corp. "A" (a)	11,324	144,608
Newell Rubbermaid, Inc.	21,317	319,968
Pulte Homes, Inc.*	21,787	217,870
Whirlpool Corp. (a)	5,681	458,230
		2,558,415
Internet & Catalog Retail 0.6%		
Amazon.com, Inc.*	24,546	3,301,928
Expedia, Inc.*	16,149	415,191
Priceline.com, Inc.* (a)	3,248	709,688
		4,426,807
Leisure Equipment & Products 0.1%		
Eastman Kodak Co.* (a)	20,015	84,463
Hasbro, Inc. (a)	9,562	306,558
Mattel, Inc.	27,456	548,571
		939,592
Media 2.8%		
CBS Corp. "B"	49,063	689,335
Comcast Corp. "A"	210,310	3,545,826
DIRECTV "A"*	70,332	2,345,572
Gannett Co., Inc.	16,422	243,867
Interpublic Group of Companies, Inc.* (a)	36,528	269,577
McGraw-Hill Companies, Inc. (a)	22,868	766,307
Meredith Corp. (a)	2,824	87,120
New York Times Co. "A"* (a)	9,110	112,600
News Corp. "A"	165,563	2,266,557
Omnicom Group, Inc.	22,638	886,278
Scripps Networks Interactive "A"	6,927	287,470
Time Warner Cable, Inc. (a)	25,965	1,074,691
Time Warner, Inc.	85,873	2,502,339
Viacom, Inc. "B"*	44,427	1,320,815
Walt Disney Co. (a)	142,271	4,588,240
Washington Post Co. "B"	418	183,753
		21,170,347
Multiline Retail 0.8%		
Big Lots, Inc.* (a)	6,492	188,138
Family Dollar Stores, Inc.	10,715	298,198
J.C. Penney Co., Inc. (a)	16,961	451,332
Kohl's Corp.*	22,534	1,215,259
Macy's, Inc.	30,290	507,660
Nordstrom, Inc. (a)	12,548	471,554
Sears Holdings Corp.* (a)	3,397	283,480
Target Corp.	55,337	2,676,651
		6,092,272
Specialty Retail 1.9%		
Abercrombie & Fitch Co. "A"	6,900	240,465
AutoNation, Inc.* (a)	7,634	146,191
AutoZone, Inc.*	2,213	349,809
Bed Bath & Beyond, Inc.* (a)	19,809	765,222
Best Buy Co., Inc.	24,862	981,055
GameStop Corp. "A"* (a)	11,815	259,221
Home Depot, Inc. (a)	125,265	3,623,916
Limited Brands, Inc. (a)	20,541	395,209
Lowe's Companies, Inc.	108,261	2,532,225
O'Reilly Automotive, Inc.*	10,600	404,072
Office Depot, Inc.*	18,292	117,983
RadioShack Corp. (a)	9,845	191,977
Ross Stores, Inc. (a)	8,927	381,272
Staples, Inc. (a)	53,005	1,303,393
The Gap, Inc.	34,544	723,697
The Sherwin-Williams Co.	7,275	448,504
Tiffany & Co.	9,534	409,962
TJX Companies, Inc.	31,394	1,147,451
		14,421,624
Textiles, Apparel & Luxury Goods 0.5%		
Coach, Inc.	23,191	847,167
NIKE, Inc. "B" (a)	28,683	1,895,086
Polo Ralph Lauren Corp.	4,400	356,312
VF Corp.	6,766	495,542
		3,594,107
Consumer Staples 11.2%		
Beverages 2.6%		
Brown-Forman Corp. "B" (a)	7,851	420,578
Coca-Cola Co. (a)	171,138	9,754,866
Coca-Cola Enterprises, Inc.	24,150	511,980
Constellation Brands, Inc. "A"*	15,400	245,322
Dr. Pepper Snapple Group, Inc.	19,307	546,388
Molson Coors Brewing Co. "B"	11,684	527,649
Pepsi Bottling Group, Inc.	10,711	401,663
PepsiCo, Inc.	115,176	7,002,701
		19,411,147
Food & Staples Retailing 2.7%		
Costco Wholesale Corp. (a)	32,255	1,908,528
CVS Caremark Corp.	103,857	3,345,234
Kroger Co. (a)	47,425	973,635

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

	Shares	Value ($)
Safeway, Inc.	29,792	634,272
SUPERVALU, Inc. (a)	16,648	211,596
Sysco Corp. (a)	44,288	1,237,407
Wal-Mart Stores, Inc.	157,543	8,420,674
Walgreen Co.	72,756	2,671,600
Whole Foods Market, Inc.*	11,000	301,950
		19,704,896
Food Products 1.6%		
Archer-Daniels-Midland Co.	47,957	1,501,534
Campbell Soup Co. (a)	14,393	486,483
ConAgra Foods, Inc.	32,162	741,334
Dean Foods Co.*	13,900	250,756
General Mills, Inc. (a)	24,321	1,722,170
H.J. Heinz Co.	23,064	986,217
Hormel Foods Corp.	5,500	211,475
Kellogg Co.	19,073	1,014,684
Kraft Foods, Inc. "A"	108,719	2,954,982
McCormick & Co., Inc. (a)	10,018	361,950
Sara Lee Corp.	50,384	613,677
The Hershey Co. (a)	12,701	454,569
The J.M. Smucker Co.	9,039	558,158
Tyson Foods, Inc. "A"	22,800	279,756
		12,137,745
Household Products 2.5%		
Clorox Co. (a)	10,105	616,405
Colgate-Palmolive Co.	36,933	3,034,046
Kimberly-Clark Corp.	30,802	1,962,395
Procter & Gamble Co.	215,869	13,088,138
		18,700,984
Personal Products 0.3%		
Avon Products, Inc. (a)	32,022	1,008,693
Estee Lauder Companies, Inc. "A" (a)	8,957	433,161
Mead Johnson Nutrition Co. "A"	16,645	727,386
		2,169,240
Tobacco 1.5%		
Altria Group, Inc.	152,525	2,994,066
Lorillard, Inc.	11,974	960,674
Philip Morris International, Inc.	140,587	6,774,887
Reynolds American, Inc.	12,770	676,427
		11,406,054
Energy 11.3%		
Energy Equipment & Services 1.8%		
Baker Hughes, Inc. (a)	22,643	916,589
BJ Services Co.	22,460	417,756
Cameron International Corp.* (a)	18,444	770,959
Diamond Offshore Drilling, Inc. (a)	4,994	491,509
FMC Technologies, Inc.* (a)	8,783	508,009
Halliburton Co. (a)	66,217	1,992,469
Nabors Industries Ltd.*	21,365	467,680
National-Oilwell Varco, Inc.	30,752	1,355,856
Rowan Companies, Inc.* (a)	8,882	201,088
Schlumberger Ltd. (a)	88,584	5,765,933
Smith International, Inc. (a)	17,764	482,648
		13,370,496
Oil, Gas & Consumable Fuels 9.5%		
Anadarko Petroleum Corp.	36,575	2,283,012
Apache Corp.	25,006	2,579,869
Cabot Oil & Gas Corp. (a)	7,932	345,756
Chesapeake Energy Corp. (a)	47,321	1,224,667
Chevron Corp.	148,204	11,410,226
ConocoPhillips (a)	109,453	5,589,765

	Shares	Value ($)
CONSOL Energy, Inc.	13,683	681,413
Denbury Resources, Inc.* (a)	17,485	258,778
Devon Energy Corp. (a)	33,057	2,429,690
El Paso Corp.	50,404	495,471
EOG Resources, Inc. (a)	18,598	1,809,585
ExxonMobil Corp. (a)	350,915	23,928,894
Hess Corp.	21,779	1,317,630
Marathon Oil Corp.	51,794	1,617,009
Massey Energy Co. (a)	6,700	281,467
Murphy Oil Corp.	13,855	750,941
Noble Energy, Inc.	12,632	899,651
Occidental Petroleum Corp. (a)	60,209	4,898,002
Peabody Energy Corp.	19,483	880,826
Pioneer Natural Resources Co. (a)	8,839	425,775
Range Resources Corp.	11,958	596,106
Southwestern Energy Co.*	25,269	1,217,966
Spectra Energy Corp. (a)	48,538	995,514
Sunoco, Inc. (a)	9,216	240,538
Tesoro Corp. (a)	9,218	124,904
Valero Energy Corp.	40,867	684,522
Williams Companies, Inc.	42,427	894,361
XTO Energy, Inc.	42,613	1,982,783
		70,845,121
Financials 14.1%		
Capital Markets 2.7%		
Ameriprise Financial, Inc.	19,237	746,780
Bank of New York Mellon Corp.	88,527	2,476,100
Charles Schwab Corp.	69,676	1,311,302
E*TRADE Financial Corp.*	112,425	196,744
Federated Investors, Inc. "B" (a)	7,000	192,500
Franklin Resources, Inc. (a)	11,158	1,175,495
Invesco Ltd.	31,092	730,351
Janus Capital Group, Inc. (a)	12,271	165,045
Legg Mason, Inc. (a)	11,700	352,872
Morgan Stanley	100,068	2,962,013
Northern Trust Corp.	19,404	1,016,770
State Street Corp.	36,227	1,577,324
T. Rowe Price Group, Inc. (a)	18,764	999,183
The Goldman Sachs Group, Inc.	37,935	6,404,945
		20,307,424
Commercial Banks 2.7%		
BB&T Corp.	50,316	1,276,517
Comerica, Inc. (a)	11,583	342,509
Fifth Third Bancorp.	57,306	558,734
First Horizon National Corp. (a)	15,333	205,464
Huntington Bancshares, Inc.	48,853	178,313
KeyCorp	62,436	346,520
M&T Bank Corp.	6,338	423,949
Marshall & Ilsley Corp.	38,737	211,117
PNC Financial Services Group, Inc.	34,049	1,797,447
Regions Financial Corp.	85,131	450,343
SunTrust Banks, Inc. (a)	36,312	736,771
US Bancorp. (a)	140,790	3,169,183
Wells Fargo & Co.	377,470	10,187,915
Zions Bancorp.	9,011	115,611
		20,000,393
Consumer Finance 0.8%		
American Express Co. (a)	87,602	3,549,633
Capital One Financial Corp.	32,927	1,262,421
Discover Financial Services (a)	39,259	577,500
SLM Corp.* (a)	34,806	392,264
		5,781,818

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

	Shares	Value ($)
Diversified Financial Services 4.2%		
Bank of America Corp. (a)	734,008	11,054,161
Citigroup, Inc. (a)	1,438,062	4,759,985
CME Group, Inc.	4,963	1,667,320
IntercontinentalExchange, Inc.* (a)	5,554	623,714
JPMorgan Chase & Co.	291,114	12,130,720
Leucadia National Corp.*	14,000	333,060
Moody's Corp. (a)	14,983	401,545
NYSE Euronext	19,787	500,611
The NASDAQ OMX Group, Inc.*	10,800	214,056
		31,685,172
Insurance 2.4%		
Aflac, Inc.	34,363	1,589,289
Allstate Corp.	39,172	1,176,727
American International Group, Inc.* (a)	10,386	311,372
Aon Corp.	20,059	769,062
Assurant, Inc.	8,600	253,528
Chubb Corp.	25,558	1,256,942
Cincinnati Financial Corp. (a)	12,537	328,971
Genworth Financial, Inc. "A"*	34,844	395,479
Hartford Financial Services Group, Inc.	27,723	644,837
Lincoln National Corp.	22,569	561,517
Loews Corp.	27,087	984,613
Marsh & McLennan Companies, Inc.	39,668	875,869
MetLife, Inc.	60,162	2,126,727
Principal Financial Group, Inc. (a)	24,311	584,436
Progressive Corp.*	49,175	884,658
Prudential Financial, Inc.	34,593	1,721,348
The Travelers Companies, Inc.	40,679	2,028,255
Torchmark Corp.	6,510	286,115
Unum Group	25,287	493,602
XL Capital Ltd. "A"	26,089	478,211
		17,751,558
Real Estate Investment Trusts 1.2%		
Apartment Investment & Management Co. "A" (REIT)	9,197	146,416
AvalonBay Communities, Inc. (REIT) (a)	5,861	481,247
Boston Properties, Inc. (REIT) (a)	10,467	702,022
Equity Residential (REIT) (a)	20,867	704,887
HCP, Inc. (REIT) (a)	22,135	676,003
Health Care REIT, Inc. (REIT) (a)	8,777	388,997
Host Hotels & Resorts, Inc. (REIT)	46,355	540,963
Kimco Realty Corp. (REIT) (a)	28,545	386,214
Plum Creek Timber Co., Inc. (REIT) (a)	12,433	469,470
ProLogis (REIT) (a)	33,947	464,734
Public Storage (REIT) (a)	10,244	834,374
Simon Property Group, Inc. (REIT) (a)	21,272	1,697,505
Ventas, Inc. (REIT)	11,917	521,249
Vornado Realty Trust (REIT) (a)	11,389	796,547
		8,810,628
Real Estate Management & Development 0.0%		
CB Richard Ellis Group, Inc. "A"* (a)	18,820	**255,387**
Thrifts & Mortgage Finance 0.1%		
Hudson City Bancorp., Inc.	33,868	465,008
People's United Financial, Inc.	26,620	444,554
		909,562
Health Care 12.4%		
Biotechnology 1.5%		
Amgen, Inc.*	74,611	4,220,744
Biogen Idec, Inc.*	21,111	1,129,439
Celgene Corp.*	34,305	1,910,102
Cephalon, Inc.* (a)	5,500	343,255
Genzyme Corp.*	19,695	965,252
Gilead Sciences, Inc.*	66,224	2,866,175
		11,434,967
Health Care Equipment & Supplies 2.0%		
Baxter International, Inc.	44,829	2,630,566
Becton, Dickinson & Co.	17,378	1,370,429
Boston Scientific Corp.*	109,831	988,479
C.R. Bard, Inc.	7,347	572,331
CareFusion Corp.*	13,696	342,537
DENTSPLY International, Inc. (a)	11,600	407,972
Hospira, Inc.* (a)	12,291	626,841
Intuitive Surgical, Inc.* (a)	2,781	843,533
Medtronic, Inc.	81,529	3,585,645
St. Jude Medical, Inc.*	25,103	923,288
Stryker Corp.	21,199	1,067,794
Varian Medical Systems, Inc.* (a)	9,523	446,153
Zimmer Holdings, Inc.*	15,700	928,027
		14,733,595
Health Care Providers & Services 2.1%		
Aetna, Inc.	31,627	1,002,576
AmerisourceBergen Corp.	21,847	569,551
Cardinal Health, Inc. (a)	26,378	850,427
CIGNA Corp.	20,611	726,950
Coventry Health Care, Inc.* (a)	11,503	279,408
DaVita, Inc.*	7,796	457,937
Express Scripts, Inc.*	20,465	1,769,199
Humana, Inc.*	12,890	565,742
Laboratory Corp. of America Holdings*	7,662	573,424
McKesson Corp.	19,600	1,225,000
Medco Health Solutions, Inc.*	35,491	2,268,230
Patterson Companies, Inc.*	7,200	201,456
Quest Diagnostics, Inc. (a)	11,701	706,507
Tenet Healthcare Corp.*	29,264	157,733
UnitedHealth Group, Inc.	85,494	2,605,857
WellPoint, Inc.*	34,128	1,989,321
		15,949,318
Health Care Technology 0.1%		
IMS Health, Inc.	12,784	**269,231**
Life Sciences Tools & Services 0.4%		
Life Technologies Corp.* (a)	13,210	689,958
Millipore Corp.*	4,316	312,263
PerkinElmer, Inc.	9,336	192,228
Thermo Fisher Scientific, Inc.* (a)	30,484	1,453,782
Waters Corp.* (a)	7,238	448,466
		3,096,697
Pharmaceuticals 6.3%		
Abbott Laboratories	114,145	6,162,689
Allergan, Inc.	22,946	1,445,827
Bristol-Myers Squibb Co. (a)	121,886	3,077,622
Eli Lilly & Co. (a)	74,379	2,656,074
Forest Laboratories, Inc.*	22,768	731,080
Johnson & Johnson	203,849	13,129,914
King Pharmaceuticals, Inc.*	19,486	239,093
Merck & Co., Inc.	225,535	8,241,049
Mylan, Inc.* (a)	21,828	402,290
Pfizer, Inc.	596,063	10,842,386
Watson Pharmaceuticals, Inc.*	8,255	326,981
		47,255,005

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

	Shares	Value ($)
Industrials 10.1%		
Aerospace & Defense 2.7%		
Boeing Co.	53,994	2,922,695
General Dynamics Corp.	28,755	1,960,228
Goodrich Corp. (a)	9,427	605,685
Honeywell International, Inc.	56,415	2,211,468
ITT Corp. (a)	13,233	658,209
L-3 Communications Holdings, Inc. (a)	8,764	762,030
Lockheed Martin Corp.	23,842	1,796,495
Northrop Grumman Corp. (a)	23,323	1,302,590
Precision Castparts Corp.	10,371	1,144,440
Raytheon Co. (a)	28,566	1,471,720
Rockwell Collins, Inc.	11,370	629,443
United Technologies Corp. (a)	69,536	4,826,494
		20,291,497
Air Freight & Logistics 1.0%		
C.H. Robinson Worldwide, Inc. (a)	12,637	742,171
Expeditors International of Washington, Inc. (a)	16,100	559,153
FedEx Corp.	23,236	1,939,044
United Parcel Service, Inc. "B" (a)	73,669	4,226,391
		7,466,759
Airlines 0.1%		
Southwest Airlines Co.	53,573	**612,339**
Building Products 0.1%		
Masco Corp. (a)	27,591	**381,032**
Commercial Services & Supplies 0.5%		
Avery Dennison Corp.	8,386	306,005
Cintas Corp. (a)	10,101	263,131
Iron Mountain, Inc.* (a)	13,899	316,341
Pitney Bowes, Inc. (a)	15,837	360,450
R.R. Donnelley & Sons Co.	15,810	352,089
Republic Services, Inc.	24,397	690,679
Stericycle, Inc.* (a)	6,474	357,171
Waste Management, Inc. (a)	36,393	1,230,447
		3,876,313
Construction & Engineering 0.2%		
Fluor Corp.	13,563	610,878
Jacobs Engineering Group, Inc.* (a)	9,509	357,633
Quanta Services, Inc.*	15,300	318,852
		1,287,363
Electrical Equipment 0.5%		
Emerson Electric Co.	55,976	2,384,577
First Solar, Inc.* (a)	3,694	500,168
Rockwell Automation, Inc. (a)	10,832	508,887
Roper Industries, Inc.	6,721	351,979
		3,745,611
Industrial Conglomerates 2.2%		
3M Co.	52,221	4,317,110
General Electric Co.	786,602	11,901,288
Textron, Inc. (a)	20,716	389,668
		16,608,066
Machinery 1.6%		
Caterpillar, Inc. (a)	45,809	2,610,655
Cummins, Inc.	14,613	670,152
Danaher Corp.	19,441	1,461,963
Deere & Co.	31,109	1,682,686
Dover Corp.	14,117	587,408
Eaton Corp. (a)	12,040	765,985
Flowserve Corp.	4,279	404,494
Illinois Tool Works, Inc.	28,233	1,354,902
PACCAR, Inc. (a)	27,297	990,062
Pall Corp.	9,068	328,262
Parker Hannifin Corp. (a)	11,623	626,247
Snap-on, Inc.	4,493	189,874
The Stanley Works (a)	6,156	317,095
		11,989,785
Professional Services 0.1%		
Dun & Bradstreet Corp.	3,667	309,385
Equifax, Inc.	9,759	301,456
Monster Worldwide, Inc.* (a)	9,785	170,259
Robert Half International, Inc. (a)	11,710	313,008
		1,094,108
Road & Rail 1.0%		
Burlington Northern Santa Fe Corp.	19,240	1,897,449
CSX Corp.	29,167	1,414,308
Norfolk Southern Corp.	27,267	1,429,336
Ryder System, Inc.	4,352	179,172
Union Pacific Corp.	37,539	2,398,742
		7,319,007
Trading Companies & Distributors 0.1%		
Fastenal Co. (a)	10,100	420,564
W.W. Grainger, Inc. (a)	4,820	466,721
		887,285
Information Technology 19.4%		
Communications Equipment 2.5%		
Cisco Systems, Inc.*	424,862	10,171,196
Harris Corp.	10,060	478,353
JDS Uniphase Corp.*	16,753	138,212
Juniper Networks, Inc.* (a)	38,309	1,021,701
Motorola, Inc.*	168,984	1,311,316
QUALCOMM, Inc.	123,216	5,699,972
Tellabs, Inc.*	25,927	147,266
		18,968,016
Computers & Peripherals 5.8%		
Apple, Inc.*	66,543	14,031,257
Dell, Inc.*	126,289	1,813,510
EMC Corp.*	150,010	2,620,675
Hewlett-Packard Co.	175,090	9,018,886
International Business Machines Corp.	97,046	12,703,321
Lexmark International, Inc. "A"* (a)	6,068	157,647
NetApp, Inc.*	24,643	847,473
QLogic Corp.*	9,318	175,831
SanDisk Corp.* (a)	16,291	472,276
Sun Microsystems, Inc.*	54,153	507,413
Teradata Corp.*	13,113	412,141
Western Digital Corp.* (a)	17,019	751,389
		43,511,819
Electronic Equipment, Instruments & Components 0.6%		
Agilent Technologies, Inc.*	26,007	808,037
Amphenol Corp. "A" (a)	12,348	570,231
Corning, Inc.	114,315	2,207,423
FLIR Systems, Inc.* (a)	10,900	356,648
Jabil Circuit, Inc.	13,089	227,356
Molex, Inc.	10,573	227,848
		4,397,543
Internet Software & Services 2.0%		
Akamai Technologies, Inc.* (a)	13,219	334,837
eBay, Inc.*	82,562	1,943,510
Google, Inc. "A"*	17,857	11,070,983
VeriSign, Inc.* (a)	14,780	358,267
Yahoo!, Inc.*	87,159	1,462,528
		15,170,125

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

	Shares	Value ($)
IT Services 1.6%		
Affiliated Computer Services, Inc. "A"*	7,468	445,765
Automatic Data Processing, Inc.	36,984	1,583,655
Cognizant Technology Solutions Corp. "A"*	21,478	972,953
Computer Sciences Corp.* (a)	11,529	663,263
Fidelity National Information Services, Inc.	24,321	570,084
Fiserv, Inc.*	11,075	536,916
MasterCard, Inc. "A" (a)	7,159	1,832,561
Paychex, Inc. (a)	23,325	714,678
SAIC, Inc.*	21,896	414,710
Total System Services, Inc.	15,461	267,012
Visa, Inc. "A"	33,469	2,927,199
Western Union Co.	50,792	957,429
		11,886,225
Office Electronics 0.1%		
Xerox Corp. (a)	62,556	**529,224**
Semiconductors & Semiconductor Equipment 2.5%		
Advanced Micro Devices, Inc.* (a)	40,049	387,674
Altera Corp. (a)	21,202	479,801
Analog Devices, Inc. (a)	22,052	696,402
Applied Materials, Inc.	97,621	1,360,837
Broadcom Corp. "A"*	31,487	990,266
Intel Corp.	407,676	8,316,590
KLA-Tencor Corp. (a)	13,034	471,310
Linear Technology Corp. (a)	16,004	488,762
LSI Corp.* (a)	45,703	274,675
MEMC Electronic Materials, Inc.*	16,915	230,382
Microchip Technology, Inc. (a)	14,081	409,194
Micron Technology, Inc.* (a)	61,199	646,262
National Semiconductor Corp.	16,528	253,870
Novellus Systems, Inc.*	7,714	180,045
NVIDIA Corp.* (a)	40,179	750,544
Teradyne, Inc.*	13,404	143,825
Texas Instruments, Inc.	92,097	2,400,048
Xilinx, Inc.	19,888	498,393
		18,978,880
Software 4.3%		
Adobe Systems, Inc.*	38,286	1,408,159
Autodesk, Inc.* (a)	17,553	446,022
BMC Software, Inc.*	13,938	558,914
CA, Inc.	29,962	672,946
Citrix Systems, Inc.* (a)	13,165	547,796
Compuware Corp.*	19,446	140,595
Electronic Arts, Inc.* (a)	23,203	411,853
Intuit, Inc.* (a)	22,905	703,413
McAfee, Inc.*	12,100	490,897
Microsoft Corp.	570,876	17,406,009
Novell, Inc.*	27,236	113,029
Oracle Corp.	288,588	7,081,949
Red Hat, Inc.*	14,388	444,589
Salesforce.com, Inc.* (a)	8,300	612,291
Symantec Corp.*	59,128	1,057,800
		32,096,262
Materials 3.5%		
Chemicals 1.9%		
Air Products & Chemicals, Inc.	15,584	1,263,239
Airgas, Inc.	6,406	304,926
CF Industries Holdings, Inc.	3,723	337,974
Dow Chemical Co.	84,059	2,322,550
E.I. du Pont de Nemours & Co.	66,397	2,235,587
Eastman Chemical Co.	5,614	338,187
Ecolab, Inc. (a)	17,248	768,916
FMC Corp.	5,605	312,535
International Flavors & Fragrances, Inc.	6,243	256,837
Monsanto Co.	40,136	3,281,118
PPG Industries, Inc.	12,577	736,258
Praxair, Inc.	22,637	1,817,977
Sigma-Aldrich Corp.	9,274	468,615
		14,444,719
Construction Materials 0.1%		
Vulcan Materials Co. (a)	9,022	**475,189**
Containers & Packaging 0.2%		
Ball Corp.	7,200	372,240
Bemis Co., Inc.	7,872	233,405
Owens-Illinois, Inc.*	12,910	424,352
Pactiv Corp.*	10,319	249,101
Sealed Air Corp.	12,396	270,976
		1,550,074
Metals & Mining 1.1%		
AK Steel Holding Corp.	7,385	157,670
Alcoa, Inc.	70,896	1,142,843
Allegheny Technologies, Inc. (a)	7,717	345,490
Cliffs Natural Resources, Inc.	9,366	431,679
Freeport-McMoRan Copper & Gold, Inc.*	31,612	2,538,127
Newmont Mining Corp.	35,967	1,701,599
Nucor Corp. (a)	22,949	1,070,571
Titanium Metals Corp.* (a)	6,700	83,884
United States Steel Corp. (a)	10,309	568,232
		8,040,095
Paper & Forest Products 0.2%		
International Paper Co.	31,531	844,400
MeadWestvaco Corp. (a)	13,167	376,971
Weyerhaeuser Co. (a)	15,958	688,428
		1,909,799
Telecommunication Services 3.1%		
Diversified Telecommunication Services 2.8%		
AT&T, Inc.	435,932	12,219,174
CenturyTel, Inc.	22,255	805,853
Frontier Communications Corp. (a)	24,590	192,048
Qwest Communications International, Inc. (a)	106,400	447,944
Verizon Communications, Inc.	209,660	6,946,036
Windstream Corp.	33,559	368,813
		20,979,868
Wireless Telecommunication Services 0.3%		
American Tower Corp. "A"*	29,974	1,295,177
MetroPCS Communications, Inc.* (a)	17,388	132,670
Sprint Nextel Corp.* (a)	215,880	790,121
		2,217,968
Utilities 3.7%		
Electric Utilities 2.0%		
Allegheny Energy, Inc.	13,310	312,519
American Electric Power Co., Inc. (a)	35,196	1,224,469
Duke Energy Corp. (a)	95,662	1,646,343
Edison International	23,749	825,990
Entergy Corp.	14,143	1,157,463
Exelon Corp.	49,056	2,397,367
FirstEnergy Corp.	22,316	1,036,578
FPL Group, Inc.	30,811	1,627,437
Northeast Utilities	12,300	317,217
Pepco Holdings, Inc.	16,900	284,765
Pinnacle West Capital Corp.	7,608	278,301

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

	Shares	Value ($)
PPL Corp.	28,327	915,245
Progress Energy, Inc. (a)	21,027	862,317
Southern Co.	58,966	1,964,747
		14,850,758
Gas Utilities 0.1%		
EQT Corp.	10,017	439,947
Nicor, Inc.	3,584	150,886
Questar Corp.	13,250	550,803
		1,141,636
Independent Power Producers & Energy Traders 0.2%		
AES Corp.*	48,334	643,326
Constellation Energy Group, Inc.	14,435	507,679
		1,151,005
Multi-Utilities 1.4%		
Ameren Corp. (a)	16,997	475,066
CenterPoint Energy, Inc.	27,872	404,423
CMS Energy Corp. (a)	16,028	250,998
Consolidated Edison, Inc. (a)	21,074	957,392
Dominion Resources, Inc.	44,426	1,729,060
DTE Energy Co. (a)	12,529	546,139
Integrys Energy Group, Inc.	6,000	251,940
NiSource, Inc.	21,150	325,287
PG&E Corp. (a)	27,751	1,239,082
Public Service Enterprise Group, Inc.	37,344	1,241,688
SCANA Corp. (a)	7,809	294,243
Sempra Energy	18,483	1,034,678
TECO Energy, Inc. (a)	16,700	270,874
Wisconsin Energy Corp.	8,948	445,879
Xcel Energy, Inc. (a)	34,057	722,690
		10,189,439
Total Common Stocks (Cost $736,500,095)		**734,423,881**

	Principal Amount ($)	Value ($)
Government & Agency Obligation 0.2%		
US Treasury Obligation		
US Treasury Bill, 0.122%**, 5/6/2010 (b) (Cost $1,439,390)	1,440,000	**1,439,453**

	Shares	Value ($)
Securities Lending Collateral 17.5%		
Daily Assets Fund Institutional, 0.17% (c) (d) (Cost $130,988,927)	130,988,927	**130,988,927**
Cash Equivalents 1.6%		
Central Cash Management Fund, 0.14% (c) (Cost $12,222,087)	12,222,087	**12,222,087**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $881,150,499)†	117.5	**879,074,348**
Other Assets and Liabilities, Net	(17.5)	**(130,979,570)**
Net Assets	100.0	**748,094,778**

* *Non-income producing security.*

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

† *The cost for federal income tax purposes was $905,893,375. At December 31, 2009, net unrealized depreciation for all securities based on tax cost was $26,819,027. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $132,659,576 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $159,478,603.*

(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, 2009 amounted to $126,536,269, which is 16.9% of net assets.*

(b) *At December 31, 2009, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.*

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

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

REIT: Real Estate Investment Trust

At December 31, 2009, open futures contracts purchased were as follows:

Futures	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Appreciation ($)
S&P 500 Index	USD	3/18/2010	51	14,161,425	**186,040**

Currency Abbreviations

USD United States Dollar

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

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes significant unobservable inputs (including the Portfolio's own assumptions in determining the fair value of investments). The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of December 31, 2009 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to Financial Statements.

Assets	Level 1	Level 2	Level 3	Total
Common Stock and/or Other Equity Investments (e)	$ 734,423,881	$ —	$ —	$ 734,423,881
Short-Term Investments (e)	143,211,014	1,439,453	—	144,650,467
Derivatives (f)	186,040	—	—	186,040
Total	**$ 877,820,935**	**$ 1,439,453**	**$ —**	**$ 879,260,388**

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

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

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2009

Assets	
Investments:	
Investments in securities, at value (cost $737,939,485) — including $126,536,269 of securities loaned	$ 735,863,334
Investment in Daily Assets Fund Institutional (cost $130,988,927)*	130,988,927
Investment in Central Cash Management Fund (cost $12,222,087)	12,222,087
Total investments, at value (cost $881,150,499)	879,074,348
Cash	14,274
Dividends receivable	1,001,610
Interest receivable	15,376
Receivable for Portfolio shares sold	60,079
Other assets	29,438
Total assets	880,195,125

Liabilities	
Due to affiliates	310,925
Payable upon return of securities loaned	130,988,927
Payable for investments purchased	154,034
Payable for Portfolio shares redeemed	211,082
Payable for daily variation margin on open futures contracts	148,063
Accrued management fee	128,433
Accrued expenses and payables	158,883
Total liabilities	132,100,347
Net assets, at value	**$ 748,094,778**

Net Assets Consist of	
Undistributed net investment income	13,582,034
Net unrealized appreciation (depreciation) on:	
Investments	(2,076,151)
Futures	186,040
Accumulated net realized gain (loss)	(52,091,416)
Paid-in capital	788,494,271
Net assets, at value	**$ 748,094,778**
Class A	
Net Asset Value, offering and redemption price per share ($677,998,316 ÷ 58,025,792 outstanding shares of beneficial interest, $.001 par value, unlimited number of shares authorized)	**$ 11.68**
Class B	
Net Asset Value, offering and redemption price per share ($49,578,425 ÷ 4,245,476 outstanding shares of beneficial interest, $.001 par value, unlimited number of shares authorized)	**$ 11.68**
Class B2	
Net Asset Value, offering and redemption price per share ($20,518,037 ÷ 1,758,162 outstanding shares of beneficial interest, $.001 par value, unlimited number of shares authorized)	**$ 11.67**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2009

Investment Income	
Income:	
Dividends	$ 15,442,729
Interest	2,782
Income distributions — affiliated cash management vehicles	24,784
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	550,446
Total Income	16,020,741
Expenses:	
Management fee	1,326,577
Administration fee	663,289
Custodian fee	32,061
Distribution service fees (Class B and Class B2)	152,485
Recordkeeping fee (Class B2)	27,645
Services to shareholders	15,726
Professional fees	73,250
Trustees' fees and expenses	20,064
Reports to shareholders	61,471
Other	54,913
Total expenses before expense reductions	2,427,481
Expense reductions	(134,548)
Total expenses after expense reductions	2,292,933
Net investment income (loss)	**13,727,808**

Realized and Unrealized Gain (Loss)	
Net realized gain (loss) from:	
Investments	(10,354,598)
Futures	2,037,914
	(8,316,684)
Change in net unrealized appreciation (depreciation) on:	
Investments	156,736,990
Futures	129,282
	156,866,272
Net gain (loss)	**148,549,588**
Net increase (decrease) in net assets resulting from operations	**$ 162,277,396**

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, 2009	2008
Operations:		
Net investment income (loss)	$ 13,727,808	$ 18,770,180
Net realized gain (loss)	(8,316,684)	(6,289,222)
Change in net unrealized appreciation (depreciation)	156,866,272	(415,936,682)
Net increase (decrease) in net assets resulting from operations	162,277,396	(403,455,724)
Distributions to shareholders from:		
Net investment income:		
Class A	(17,327,332)	(20,754,466)
Class B	(1,082,916)	(1,112,015)
Class B2	(464,083)	(765,628)
Total distributions	(18,874,331)	(22,632,109)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	51,508,341	61,208,851
Reinvestment of distributions	17,327,332	20,754,466
Cost of shares redeemed	(105,596,818)	(154,585,231)
Net increase (decrease) in net assets from Class A share transactions	(36,761,145)	(72,621,914)
Class B		
Proceeds from shares sold	5,682,280	8,002,088
Reinvestment of distributions	1,082,916	1,112,015
Cost of shares redeemed	(6,955,518)	(9,476,800)
Net increase (decrease) in net assets from Class B share transactions	(190,322)	(362,697)
Class B2		
Proceeds from shares sold	312,854	2,162,449
Reinvestment of distributions	464,083	765,628
Cost of shares redeemed	(3,073,750)	(18,892,660)
Net increase (decrease) in net assets from Class B2 share transactions	(2,296,813)	(15,964,583)
Increase (decrease) in net assets	104,154,785	(515,037,027)
Net assets at beginning of period	643,939,993	1,158,977,020
Net assets at end of period (including undistributed net investment income of $13,582,034 and $18,642,625, respectively)	**$ 748,094,778**	**$ 643,939,993**

Statement of Changes in Net Assets (continued)

Increase (Decrease) in Net Assets	Years Ended December 31, 2009	2008
Class A		
Shares outstanding at beginning of period	61,222,579	67,350,398
Shares sold	5,559,660	4,745,972
Shares issued to shareholders in reinvestment of distributions	1,969,015	1,446,304
Shares redeemed	(10,725,462)	(12,320,095)
Net increase (decrease) in Class A shares	(3,196,787)	(6,127,819)
Shares outstanding at end of period	**58,025,792**	**61,222,579**
Class B		
Shares outstanding at beginning of period	4,244,481	4,176,782
Shares sold	581,990	720,240
Shares issued to shareholders in reinvestment of distributions	122,919	77,384
Shares redeemed	(703,914)	(729,925)
Net increase (decrease) in Class B shares	995	67,699
Shares outstanding at end of period	**4,245,476**	**4,244,481**
Class B2		
Shares outstanding at beginning of period	1,992,383	3,113,678
Shares sold	32,417	180,545
Shares issued to shareholders in reinvestment of distributions	52,617	53,280
Shares redeemed	(319,255)	(1,355,120)
Net increase (decrease) in Class B2 shares	(234,221)	(1,121,295)
Shares outstanding at end of period	**1,758,162**	**1,992,383**

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

Financial Highlights

Class A

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

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

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

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

Class B

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$ 9.54**	**$15.52**	**$14.96**	**$13.10**	**$12.72**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.18	.24	.23	.21	.17
Net realized and unrealized gain (loss)	2.22	(5.94)	.52	1.78	.38
Total from investment operations	2.40	(5.70)	.75	1.99	.55
Less distributions from:					
Net investment income	(.26)	(.28)	(.19)	(.13)	(.17)
Net asset value, end of period	**$11.68**	**$ 9.54**	**$15.52**	**$14.96**	**$13.10**
Total Return (%)	26.03[b]	(37.34)[b]	5.03[b]	15.24[b]	4.42
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	50	40	65	84	68
Ratio of expenses before expense reductions and/or recoupments (%)	.59	.58	.58	.53	.52
Ratio of expenses after expense reductions and/or recoupments (%)	.57	.53	.55	.52	.52
Ratio of net investment income (loss) (%)	1.85	1.82	1.46	1.48	1.37
Portfolio turnover rate (%)	8	6	7[c]	9	15

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

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

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

Class B2

Years Ended December 31,	2009	2008	2007	2006	2005[a]
Selected Per Share Data					
Net asset value, beginning of period	**$ 9.54**	**$15.51**	**$14.96**	**$13.09**	**$12.94**
Income (loss) from investment operations:					
Net investment income (loss)[b]	.17	.22	.21	.19	.05
Net realized and unrealized gain (loss)	2.21	(5.93)	.52	1.79	.10
Total from investment operations	2.38	(5.71)	.73	1.98	.15
Less distributions from:					
Net investment income	(.25)	(.26)	(.18)	(.11)	—
Net asset value, end of period	**$11.67**	**$ 9.54**	**$15.51**	**$14.96**	**$13.09**
Total Return (%)[c]	25.79	(37.36)	4.85	15.20	1.16**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	21	19	48	57	59
Ratio of expenses before expense reductions (%)	.74	.72	.72	.67	.66*
Ratio of expenses after expense reductions (%)	.70	.63	.65	.63	.63*
Ratio of net investment income (loss) (%)	1.72	1.72	1.36	1.37	1.34*
Portfolio turnover rate (%)	8	6	7[d]	9	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.*

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

* *Annualized*

** *Not annualized*

Notes to Financial Statements

A. Organization and Significant Accounting Policies

DWS Investments VIT Funds (the "Trust") is registered under the Investment Company Act of 1940 as amended, (the "1940 Act"), as an open-end management investment company. The Trust is organized as a Massachusetts business trust. The Trust is comprised of two portfolios. DWS Equity 500 Index VIP (the "Portfolio") is a diversified series of the Trust offered to investors. The Portfolio is an underlying investment vehicle for variable annuity contracts and variable life insurance policies to be offered by the separate accounts of certain life insurance companies ("Participating Insurance Companies").

Multiple Classes of Shares of Beneficial Interest. The Portfolio offers three classes of shares to investors: Class A shares, Class B shares and Class B2 shares. Class B and Class B2 shares are subject to Rule 12b-1 distribution fees under the 1940 Act equal to an annual rate up to 0.25% of Class B and Class B2 shares average daily net assets. In addition, Class B2 shares are subject to record keeping fees equal to an annual rate of up to 0.15% of average daily net assets. Class A shares are not subject to such fees.

Investment income, realized and unrealized gains and losses, and certain Portfolio-level expenses and expense reductions, if any, are borne pro rata on the basis of relative net assets by the holders of all classes of shares, except that each class bears certain expenses unique to that class (including the applicable 12b-1 distribution fees and record keeping fees). Differences in class-level expenses may result in payment of different per share dividends by class. All shares have equal rights with respect to voting subject to class-specific arrangements.

The Portfolio's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America which require the use of management estimates. Actual results could differ from those estimates. The policies described below are followed consistently by the Portfolio in the preparation of its financial statements.

Security Valuation. Investments are stated at value determined as of the close of regular trading on the New York Stock Exchange on each day the exchange is open for trading. Equity securities are valued at the most recent sale price or official closing price reported on the exchange (US or foreign) or over-the-counter market on which they trade. 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 Portfolio. If the pricing services are unable to provide valuations, the securities are valued at the average of the means based on the most recent bid or evaluated price, as applicable, obtained from one or more broker-dealers. Such services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes.

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 are valued at their net asset value each business day.

Securities and other assets for which market quotations are not readily available or for which the above valuation procedures are deemed not to reflect fair value are valued in a manner that is intended to reflect their fair value as determined in accordance with procedures approved by the Trustees. In accordance with the Portfolio's valuation procedures, factors used in determining value may include, but are not limited to, the type of the security, the size of the holding, the initial cost of the security, the existence of any contractual restrictions on the security's disposition, the price and extent of public trading in similar securities of the issuer or of comparable companies, quotations or evaluated prices from broker-dealers and/or pricing services, information obtained from the issuer, analysts, and/or the appropriate stock exchange (for exchange-traded securities), an analysis of the company's or issuer's financial statements, an evaluation of the forces that influence the issuer and the market(s) in which the security is purchased and sold and with respect to debt securities, the maturity, coupon, creditworthiness, currency denomination, and the movement of the market in which the security is normally traded. The value determined under these procedures may differ from published values for the same securities.

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

Securities Lending. The Portfolio may lend securities to certain financial institutions. The Portfolio retains beneficial ownership of the securities it has loaned and continues to receive interest and dividends paid by the issuer of securities and to participate in any changes in their market value. The Portfolio requires the borrowers of the securities to maintain collateral with the Portfolio consisting of either cash or liquid, unencumbered assets having a value at least equal to the value of the securities loaned. When the collateral falls below specified amounts, the lending agents will use their best efforts to obtain additional collateral on the next business day to meet required amounts under the security lending agreement. The Portfolio may invest the cash collateral into a joint trading account in an affiliated money market fund pursuant to Exemptive Orders issued by the SEC. The Portfolio receives compensation for lending its securities either in the form of fees or by earning interest on invested cash collateral net of borrower rebates and fees paid to a lending agent. Either the Portfolio or the borrower may terminate the loan. There may be risks of delay and costs in recovery of securities or even loss of rights in the collateral should the borrower of the securities fail financially. The Portfolio is also subject to all investment risks associated with the reinvestment of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

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

Futures Contracts. A futures contract is an agreement between a buyer or seller and an established futures exchange or its clearinghouse in which the buyer or seller agrees to take or make a delivery of a specific amount of a financial instrument at a specified price on a specific date (settlement date). The Portfolio invests in futures to keep cash on hand to meet shareholder redemptions or other needs while maintaining exposure to the stock market.

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

Certain risks may arise upon entering into futures contracts, including the risk that an illiquid market will limit the Portfolio's ability to close out a futures contract prior to the settlement date and that a change in the value of a futures contract may not correlate exactly with the changes in the value of the underlying hedged security, index or currency. Risk of loss may exceed amounts recognized on the Statement of Assets and Liabilities.

A summary of the open future contracts as of December 31, 2009 is included in a table following the Portfolio's Investment Portfolio. For the period ended December 31, 2009, the Portfolio invested in futures contracts with a total notional value ranging from approximately $2,250,000 to $14,161,000.

The following tables summarize the value of the Portfolio's derivative instruments held as of December 31, 2009 and the related location in the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

Liability Derivatives	Futures Contracts
Equity Contracts (a)	$ 186,040

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

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

Additionally, the amount of unrealized and realized gains and losses on derivative instruments recognized in Portfolio earnings during the period ended December 31, 2009 and the related location in the accompanying Statement of Operations is summarized in the following tables by primary underlying risk exposure:

Realized Gain (Loss)	Futures Contracts
Equity Contracts (a)	$ 2,037,914

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

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

Change in Net Unrealized Appreciation (Depreciation)	Futures Contracts
Equity Contracts (a)	$ 129,282

The above derivative is located in the following Statement of Operations account:
(a) *Change in net unrealized appreciation (depreciation) on futures*

Federal Income Taxes. The Portfolio's policy is to comply with the requirements of the Internal Revenue Code, as amended, which are applicable to regulated investment companies, and to distribute all of its taxable and tax-exempt income to its shareholders.

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

The Portfolio has reviewed the tax positions for the open tax years as of December 31, 2009 and has determined that no provision for income tax is required in the Portfolio's financial statements. The Portfolio's federal tax returns for the prior three fiscal years remain open subject to examination by the Internal Revenue Service.

Distribution of Income and Gains. Net investment income of the Portfolio, if any, is declared and distributed to shareholders annually. Net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to the Portfolio if not distributed, and, therefore, will be distributed to shareholders at least annually.

The timing and characterization of certain income and capital gains distributions are determined annually in accordance with federal tax regulations, which may differ from accounting principles generally accepted in the United States of America. These differences primarily relate to investments in futures contracts and certain securities sold at a loss. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, the Portfolio may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Portfolio.

At December 31, 2009, the Portfolio's components of distributable earnings (accumulated gains) on a tax basis were as follows:

Undistributed ordinary income	$ 13,582,039
Capital loss carryforwards	$ (27,264,000)
Unrealized appreciation (depreciation) on investments	$ (26,819,027)

In addition, the tax character of distributions paid to shareholders by the Portfolio is summarized as follows:

	Years Ended December 31, 2009	2008
Distributions from ordinary income	$ 18,874,331	$ 22,632,109

Contingencies. In the normal course of business, the Portfolio may enter into contracts with service providers that contain general indemnification clauses. The Portfolio's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Portfolio that have not yet been made. However, based on experience, the Portfolio expects the risk of loss to be remote.

Expenses. Expenses of the Trust arising in connection with a specific portfolio are allocated to that portfolio. Other Trust expenses which cannot be directly attributed to a portfolio are apportioned among the portfolios in the Trust.

Other. Investment transactions are accounted for on a trade date plus one basis for daily net asset valuation calculations. However, for financial reporting purposes, investment security transactions are reported on trade date. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date. Realized gains and losses from investment transactions are recorded on an identified cost basis.

B. Purchases and Sales of Securities

During the year ended December 31, 2009, purchases and sales of investment securities (excluding short-term investments) aggregated $51,595,638 and $104,637,052, respectively.

C. Related Parties

Management Agreement. Under the Investment Management Agreement with Deutsche Investment Management Americas Inc. ("DIMA" or the "Advisor"), an indirect, wholly owned subsidiary of Deutsche Bank AG, the Advisor determines the securities, instruments and other contracts relating to investments to be purchased, sold, or entered into by the Portfolio or delegates such responsibility to the Portfolio's subadvisor. Pursuant to the Investment Management Agreement with the Advisor, the Portfolio pays an annual management fee based on the Portfolio's average daily net assets, computed and accrued daily and payable monthly, at the following annual rates:

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

Northern Trust Investments, N.A. ("NTI") acts as investment sub-advisor for the Portfolio. As the Portfolio's investment sub-advisor, NTI makes the Portfolio's investment decisions. It buys and sells securities for the Portfolio and conducts the research that leads to these purchase and sale decisions. NTI is paid by the Advisor for its services.

For the period from January 1, 2009 through April 30, 2009, the Advisor had contractually agreed to waive its fees and/or reimburse certain operating expenses of the Portfolio to the extent necessary to maintain operating expenses (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest) of each class as follows:

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

For the period from May 1, 2009 through September 30, 2009, the Advisor had contractually agreed to waive its fees and/or reimburse certain operating expenses of the Portfolio to the extent necessary to maintain operating expenses (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest) of each class as follows:

Class A	.37%
Class B	.62%
Class B2	.77%

Accordingly, for the year ended December 31, 2009, the Advisor waived a portion of its management fee aggregating $130,936 and the amount charged aggregated $1,195,641, which was equivalent to an annual effective rate of 0.18% of the Portfolio's average daily net assets.

In addition, the Advisor reimbursed the Portfolio $2,843 of recordkeeping fees for Class B2 shares for the year ended December 31, 2009.

Administration Fee. Pursuant to the Administrative Services Agreement, DIMA provides most administrative services to the Portfolio. For all services provided under the Administrative Services Agreement, the Portfolio pays DIMA an annual fee ("Administration Fee") of 0.10% of the Portfolio's average daily net assets, computed and accrued daily and payable monthly. For the year ended December 31, 2009, the Administration Fee was $663,289, of which $63,522 is unpaid.

Distribution Service Agreement. DWS Investments Distributors, Inc. ("DIDI"), an affiliate of the Advisor, is the Portfolio's distributor. In accordance with the Distribution Plan, DIDI receives 12b-1 fees of 0.25% of average daily net assets of Class B and B2 shares. For the year ended December 31, 2009, the Distribution Service Fees were as follows:

Distribution Service Fees	**Total Aggregated**	**Unpaid at December 31, 2009**
Class B	$ 106,411	$ 10,525
Class B2	46,074	4,372
	$ 152,485	**$ 14,897**

Service Provider Fees. DWS Investments Service Company ("DISC"), an affiliate of the Advisor, is the transfer agent, dividend-paying agent and shareholder service agent of the Portfolio. Pursuant to a sub-transfer agency agreement among DISC and DST Systems, Inc. ("DST"), DISC has delegated certain transfer agent, dividend-paying agent and shareholder service agent functions to DST. DISC compensates DST out of the shareholder servicing fee they receive from the Portfolio. For the year ended December 31, 2009, the amounts charged to the Portfolio by DISC were as follows:

Services to Shareholders	**Total Aggregated**	**Waived**	**Unpaid at December 31, 2009**
Class A	$ 721	$ 721	$ —
Class B	122	—	20
Class B2	48	48	—
	$ 891	**$ 769**	**$ 20**

Typesetting and Filing Service Fees. Under an agreement with DIMA, DIMA is compensated for providing typesetting and certain regulatory filing services to the Portfolio. For the year ended December 31, 2009, the amount charged to the Portfolio by DIMA included in the Statement of Operations under "reports to shareholders" aggregated $16,885, of which $5,146 is unpaid.

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

Affiliated Cash Management Vehicles. The Portfolio may invest uninvested cash balances in affiliated funds managed by the Advisor. Affiliated cash management vehicles do not pay the Advisor a management fee. The Portfolio currently invests in Central Cash Management Fund. Prior to October 2, 2009, the Portfolio invested in Cash Management QP Trust ("QP Trust"). Effective October 2, 2009, QP Trust merged into Central Cash Management Fund. Central Cash Management Fund seeks to provide a high level of current income consistent with liquidity and the preservation of capital.

D. Line of Credit

The Portfolio and other affiliated funds (the "Participants") share in a $450 million revolving credit facility provided by a syndication of banks. The Portfolio may borrow for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated based on net assets, among each of the Participants. Interest is calculated at a rate per annum equal to the sum of the Federal Funds Rate plus 1.25 percent plus if LIBOR exceeds the Federal Funds Rate the amount of such excess. The Portfolio may borrow up to a maximum of 33 percent of its net assets under the agreement.

E. Ownership of the Portfolio

At December 31, 2009, two participating insurance companies were beneficial owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 60% and 11%, respectively. At December 31, 2009, one participating insurance company was a beneficial owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 85%. At December 31, 2009, one participating insurance company was a beneficial owner of record of 10% or more of the total outstanding Class B2 shares of the Portfolio, owning 100%.

F. Review for Subsequent Events

Management has reviewed the events and transactions for subsequent events from January 1, 2010 through February 12, 2010, the date the financial statements were available to be issued, and has determined that there were no material events that would require disclosure in the Portfolio's financial statements through this date.

Report of Independent Registered Public Accounting Firm

To the Trustees of DWS Investments VIT Funds and the Shareholders of DWS Equity 500 Index 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 Equity 500 Index VIP (the "Portfolio") at December 31, 2009, and the results of its operations for the year 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, 2009 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

Boston, Massachusetts
February 12, 2010

PricewaterhouseCoopers LLP

Tax Information

(Unaudited)

For corporate shareholders, 100% of the income dividends paid during the Portfolio's fiscal year ended December 31, 2009 qualified as a dividends received deduction.

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) 778-1482.

Proxy Voting

The Portfolio's policies and procedures for voting proxies for portfolio securities and information about how the Portfolio voted proxies related to its portfolio securities during the 12-month period ended June 30 are available on our Web site — www.dws-investments.com (click on "proxy voting" at the bottom of the page) — or on the SEC's Web site — www.sec.gov. To obtain a written copy of the Portfolio's policies and procedures without charge, upon request, call us toll free at (800) 778-1482.

Investment Management Agreement Approval

The Board of Trustees, including the Independent Trustees, approved the renewal of your Fund's investment management agreement (the "Agreement") with Deutsche Investment Management Americas Inc. ("DWS") and sub-advisory agreement (the "Sub-Advisory Agreement," and together with the Agreement, the "Agreements") between DWS and Northern Trust Investments, N.A. ("NTI") in September 2009.

In terms of the process that the Board followed prior to approving the Agreements, shareholders should know that:

- In September 2009, all but one of the Fund's Trustees were independent of DWS and its affiliates.
- The Trustees meet frequently to discuss fund matters. Each year, the Trustees dedicate substantial time to contract review matters. Over the course of several months, the Board's Contract Committee, in coordination with the Board's Equity Oversight Committee, reviewed comprehensive materials received from DWS, independent third parties and independent counsel. These materials included an analysis of the Fund's performance, fees and expenses, and profitability compiled by the Fund's independent fee consultant. The Board also received extensive information throughout the year regarding performance of the Fund.
- The Independent Trustees regularly meet privately with their independent counsel to discuss contract review and other matters. In addition, the Independent Trustees were also advised by the Fund's independent fee consultant in the course of their review of the Fund's contractual arrangements and considered a comprehensive report prepared by the independent fee consultant in connection with their deliberations (the "IFC Report").
- In connection with reviewing the Agreements, the Board also reviewed the terms of the Fund's Rule 12b-1 Plan, distribution agreement, administrative services agreement, transfer agency agreement and other material service agreements.
- Based on its evaluation of the information provided, the Contract Committee presented its findings and recommendations to the Independent Trustees as a group. The Independent Trustees reviewed the Contract Committee's findings and recommendations and presented their recommendations to the full Board.

In connection with the contract review process, the Contract Committee and the Board considered the factors discussed below, among others. The Board also considered that DWS and its predecessors have managed the Fund since its inception, and the Board believes that a long-term relationship with a capable, conscientious advisor is in the best interests of the Fund. The Board considered, generally, that shareholders chose to invest or remain invested in the Fund knowing that DWS managed the Fund, and that the Agreements were approved by the Fund's shareholders. DWS is part of Deutsche Bank, a major global banking institution that is engaged in a wide range of financial services. The Board believes 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.

While shareholders may focus primarily on fund performance and fees, the Fund's Board considers these and many other factors, including the quality and integrity of DWS's and NTI's personnel and such other issues as back-office operations, fund valuations, and compliance policies and procedures.

Nature, Quality and Extent of Services. The Board considered the terms of the Agreements, including the scope of advisory services provided under the Agreements. The Board noted that, under the Agreements, DWS and NTI provide portfolio management services to the Fund and that, pursuant to a separate administrative services agreement, DWS provides administrative services to the Fund. The Board considered the experience and skills of senior management and investment personnel, the resources made available to such personnel, the ability of DWS and NTI to attract and retain high-quality personnel, and the organizational depth and stability of DWS and NTI. The Board reviewed the Fund's performance over short-term and long-term periods and compared those returns to various agreed-upon performance measures, including market indices and a peer universe compiled by the independent fee consultant using information supplied by Lipper Inc. ("Lipper"). The Board also noted that it has put into place a process of identifying "Focus Funds" (e.g., funds performing poorly relative to their benchmark or a peer universe compiled by Lipper), and receives more frequent reporting and information from DWS regarding such funds, along with DWS's remedial plans to address underperformance. The Board believes this process is an effective manner of identifying and addressing underperforming funds. Based on the information provided, the Board noted that for the one-, three- and five-year periods ended December 31, 2008, the Fund's performance (Class A shares) was in the 2nd quartile, 1st quartile and 1st quartile, respectively, of the applicable Lipper universe (the 1st quartile being the best performers and the 4th quartile being the worst performers).

On the basis of this evaluation and the ongoing review of investment results by the Board, the Board concluded that the nature, quality and extent of services provided by DWS and NTI historically have been and continue to be satisfactory.

Fees and Expenses. The Board considered the Fund's investment management fee schedule, sub-advisory fee schedule, operating expenses, and total expense ratios, and comparative information provided by Lipper and the independent fee consultant regarding investment management fee rates paid to other investment advisors by similar funds (1st quartile being the most favorable and 4th quartile being the least favorable). With respect to management fees paid to other investment advisors by similar funds, the Board noted that the contractual fee rates paid by the Fund, which include the 0.10% fee paid to DWS under the Fund's administrative services agreement, were at the median of the applicable Lipper peer group (based on Lipper data provided as of December 31, 2008). With respect to the sub-advisory fee paid to NTI, the Board noted that the fee is paid by DWS out of its fee and not directly by the Fund. The Board also reviewed data comparing each share class's total (net) operating expenses to the applicable Lipper expense universe. The Board concluded that the comparative Lipper operating expense data was of limited utility, as it likely significantly understated the current expense ratios of many peer funds due to the substantial declines in net assets as a result of market losses and net redemptions that many funds experienced between mid-September 2008 and March 2009 and that were not reflected in the data.

The information considered by the Board as part of their review of management fees included information regarding fees charged by DWS and its affiliates to similar institutional accounts and to similar funds managed by the same portfolio management teams but offered primarily to European investors ("DWS Europe funds"), in each case as applicable. The Board observed that advisory fee rates for institutional accounts generally were lower than the management fees charged by similarly managed DWS US Mutual Funds ("DWS Funds"), but also took note of the differences in services provided to DWS Funds as compared to institutional accounts. In the case of DWS Europe funds, the Board observed that fee rates for DWS Europe funds generally were higher than for similarly managed DWS Funds, but noted that differences in the types of services provided to DWS Funds relative to DWS Europe funds made it difficult to compare such fees.

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 DWS and NTI.

Profitability. The Board reviewed detailed information regarding revenues received by DWS under the Agreement. The Board considered the estimated costs and pre-tax profits realized by DWS from advising the DWS Funds, as well as estimates of the pre-tax profits attributable to managing the Fund in particular. The Board also received information regarding the estimated enterprise-wide profitability of DWS and its affiliates with respect to all fund services in totality and by fund. The Board reviewed DWS's methodology in allocating its costs to the management of the Fund. Based on the information provided, the Board concluded that the pre-tax profits realized by DWS in connection with the management of the Fund were not unreasonable. 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 (and in some cases is not necessarily prepared on a comparable basis), DWS and its affiliates' overall profitability with respect to the DWS fund complex (after taking into account distribution and other services provided to the funds by DWS and its affiliates) was lower than the overall profitability levels of many comparable firms for which such data was available. The Board did not consider the profitability of the subadvisor with respect to the Fund. The Board noted that DWS pays the subadvisor's fee out of its management fee, and its understanding that the Fund's sub-advisory fee schedule was the product of an arm's length negotiation with DWS.

Economies of Scale. The Board considered whether there are economies of scale with respect to the management of the Fund and whether the Fund benefits from any economies of scale. The Board noted that the Fund's management fee schedule includes fee breakpoints. The Board concluded that the Fund's fee schedule represents an appropriate sharing between the Fund and DWS of such economies of scale as may exist in the management of the Fund at current asset levels.

Other Benefits to DWS and Its Affiliates. The Board also considered the character and amount of other incidental benefits received by DWS and its affiliates, including any fees received by DWS for administrative services provided to the Fund and any fees received by an affiliate of DWS for distribution services. The Board also considered benefits to DWS related to brokerage and soft-dollar allocations, including allocating brokerage to pay for research generated by parties other than the executing broker dealers, which pertain primarily to funds investing in equity securities, along with the incidental public relations benefits to DWS related to DWS Funds advertising and cross-selling opportunities among DWS products and services. The Board concluded that management fees were reasonable in light of these fallout benefits.

Compliance. The Board considered the significant attention and resources dedicated by DWS to documenting and enhancing its compliance processes in recent years. The Board noted in particular (i) the experience and seniority of both DWS's chief compliance officer and the Fund's chief compliance officer; (ii) the large number of DWS compliance personnel; and (iii) the substantial commitment of resources by DWS and its affiliates to compliance matters. The Board also considered the attention and resources dedicated by DWS to the oversight of the investment sub-advisor's compliance program and compliance with the applicable fund policies and procedures.

Based on all of the information considered and the conclusions reached, the Board unanimously (including the Independent Trustees) determined that the continuation of the Agreements is in the best interests of the Fund. In making this determination, the Board did not give particular weight to any single factor identified above. The Board considered these factors over the course of numerous meetings, certain 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 Agreements.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 9, 2009, As Revised November 20, 2009

Pursuant to an Order entered into by Deutsche Investment Management Americas and affiliates (collectively, "DeAM") with the Attorney General of New York, I, Thomas H. Mack, have been appointed the Independent Fee Consultant for the DWS Funds (formerly the DWS Scudder Funds). My duties include preparing an annual written evaluation of the management fees DeAM charges the Funds, considering among other factors the management fees charged by other mutual fund companies for like services, management fees DeAM charges other clients for like services, DeAM's costs of supplying services under the management agreements and related profit margins, possible economies of scale if a Fund grows larger, and the nature and quality of DeAM's services, including fund performance. This report summarizes my evaluation for 2009, including my qualifications, the evaluation process for each of the DWS Funds, consideration of certain complex-level factors, and my conclusions. I served in substantially the same capacity in 2007 and 2008.

Qualifications

For more than 35 years I have served in various professional capacities within the investment management business. I have held investment analysis and advisory positions, including securities analyst, portfolio strategist and director of investment policy with a large investment firm. I have also performed business management functions, including business development, financial management and marketing research and analysis.

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

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

Evaluation of Fees for each DWS Fund

My work focused primarily on evaluating, fund-by-fund, the fees charged to each of the 124 publicly offered Fund portfolios in the DWS Fund family. For each Fund, I considered each of the key factors mentioned above, as well as any other relevant information. In doing so I worked closely with the Funds' Independent Directors in their annual contract renewal process, as well as in their approval of contracts for several new funds (documented separately).

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

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

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

Fees and Expenses Compared with Other Funds

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

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

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

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

DeAM's Fees for Similar Services to Others

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

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

Costs and Profit Margins

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

Economies of Scale

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

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

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

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

Quality of Service — Performance

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

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

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

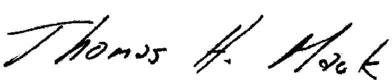
Complex-Level Considerations

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

- I reviewed DeAM's profitability analysis for all DWS Funds, with a view toward determining if the allocation procedures used were reasonable and how profit levels compared with public data for other investment managers.
- I considered whether DeAM and affiliates receive any significant ancillary or "fall-out" benefits that should be considered in interpreting the direct profitability results. These would be situations where serving as the investment manager of the Funds is beneficial to another part of the Deutsche Bank organization.
- I considered how aggregated DWS Fund expenses had varied over the years, by asset class and in the context of trends in asset levels.
- I reviewed the structure of the DeAM organization, trends in staffing levels, and information on compensation of investment management and other professionals compared with industry data.

Findings

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



Thomas H. Mack

Board Members and Officers

The following table presents certain information regarding the Board Members and Officers of the Trust as of December 31, 2009. Each Board Member's year of birth is set forth in parentheses after his or her name. Unless otherwise noted, (i) each Board Member 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 Independent Board Member is c/o Paul K. Freeman, Independent Chairman, DWS Funds, PO Box 101833, Denver, CO 80250-1833. Except as otherwise noted below, the term of office for each Board Member is until the election and qualification of a successor, or until such Board Member sooner dies, resigns, is removed or as otherwise provided in the governing documents of the fund. Because the fund does not hold an annual meeting of shareholders, each Board Member will hold office for an indeterminate period. The Board Members may also serve in similar capacities with other funds in the fund complex. The Length of Time Served represents the year in which the Board Member joined the board of one or more DWS funds now overseen by the Board.

Independent Board Members

Name, Year of Birth, Position with the Fund and Length of Time Served[1]	Business Experience and Directorships During the Past Five Years	Number of Funds in DWS Fund Complex Overseen
Paul K. Freeman (1950) Chairperson since 2009 Board Member since 1993	Consultant, World Bank/Inter-American Development Bank; Governing Council of the Independent Directors Council (governance, education committees); formerly, Project Leader, International Institute for Applied Systems Analysis (1998–2001); Chief Executive Officer, The Eric Group, Inc. (environmental insurance) (1986–1998)	126
John W. Ballantine (1946) Board Member since 1999	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: Healthways, Inc. (provider of disease and care management services); Portland General Electric (utility company); Stockwell Capital Investments PLC (private equity). Former Directorships: First Oak Brook Bancshares, Inc. and Oak Brook Bank; Prisma Energy International	126
Henry P. Becton, Jr. (1943) Board Member since 1990	Vice Chair and former President, WGBH Educational Foundation. Directorships: Association of Public Television Stations; Lead Director, Becton Dickinson and Company[3] (medical technology company); Lead Director, Belo Corporation[3] (media company); Public Radio International; Public Radio Exchange (PRX); The PBS Foundation. Former Directorships: Boston Museum of Science; American Public Television; Concord Academy; New England Aquarium; Mass. Corporation for Educational Telecommunications; Committee for Economic Development; Public Broadcasting Service	126
Dawn-Marie Driscoll (1946) Board Member since 1987	President, Driscoll Associates (consulting firm); Executive Fellow, Center for Business Ethics, Bentley University; formerly, Partner, Palmer & Dodge (1988–1990); Vice President of Corporate Affairs and General Counsel, Filene's (1978–1988). Directorships: Trustee of 20 open-end mutual funds managed by Sun Capital Advisers, Inc. (since 2007); Director of ICI Mutual Insurance Company (since 2007); Advisory Board, Center for Business Ethics, Bentley University; Trustee, Southwest Florida Community Foundation (charitable organization). Former Directorships: Investment Company Institute (audit, executive, nominating committees) and Independent Directors Council (governance, executive committees)	126
Keith R. Fox (1954) Board Member since 1996	Managing General Partner, Exeter Capital Partners (a series of private investment funds). Directorships: Progressive Holding Corporation (kitchen goods importer and distributor); Box Top Media Inc. (advertising); The Kennel Shop (retailer); former Chairman, National Association of Small Business Investment Companies	126
Kenneth C. Froewiss (1945) Board Member since 2001	Adjunct Professor of Finance, NYU Stern School of Business (September 2009–present; Clinical Professor from 1997–September 2009); 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)	126
Richard J. Herring (1946) Board Member since 1990	Jacob Safra Professor of International Banking and Professor, Finance Department, The Wharton School, University of Pennsylvania (since July 1972); Co-Director, Wharton Financial Institutions Center (since July 2000); Director, Japan Equity Fund, Inc. (since September 2007), Thai Capital Fund, Inc. (since September 2007), Singapore Fund, Inc. (since September 2007). Formerly, Vice Dean and Director, Wharton Undergraduate Division (July 1995–June 2000); Director, Lauder Institute of International Management Studies (July 2000–June 2006)	126
William McClayton (1944) Board Member since 2004	Private equity investor (since October 2009); previously, Managing Director, Diamond Management & Technology Consultants, Inc. (global consulting firm) (2001–2009); Directorship: Board of Managers, YMCA of Metropolitan Chicago; formerly: Senior Partner, Arthur Andersen LLP (accounting) (1966–2001); Trustee, Ravinia Festival	126

Name, Year of Birth, Position with the Fund and Length of Time Served[1]	Business Experience and Directorships During the Past Five Years	Number of Funds in DWS Fund Complex Overseen
Rebecca W. Rimel (1951) Board Member since 1995	President and Chief Executive Officer, The Pew Charitable Trusts (charitable organization) (1994 to present); Trustee, Thomas Jefferson Foundation (charitable organization) (1994 to present); Trustee, Executive Committee, Philadelphia Chamber of Commerce (2001–2007); Trustee, Pro Publica (2007–present) (charitable organization); Director, CardioNet, Inc.[2] (2009–present) (health care). Formerly, Executive Vice President, The Glenmede Trust Company (investment trust and wealth management) (1983–2004); Board Member, Investor Education (charitable organization) (2004–2005); Director, Viasys Health Care[2] (January 2007–June 2007)	126
William N. Searcy, Jr. (1946) Board Member since 1993	Private investor since October 2003; Trustee of 20 open-end mutual funds managed by Sun Capital Advisers, Inc. (since October 1998). Formerly, Pension & Savings Trust Officer, Sprint Corporation[2] (telecommunications) (November 1989–September 2003)	126
Jean Gleason Stromberg (1943) Board Member since 1997	Retired. Formerly, Consultant (1997–2001); Director, Financial Markets US Government Accountability Office (1996–1997); Partner, Fulbright & Jaworski, L.L.P. (law firm) (1978–1996). Directorships: The William and Flora Hewlett Foundation; Business Leadership Council, Wellesley College. Former Directorships: Service Source, Inc., Mutual Fund Directors Forum (2002–2004), American Bar Retirement Association (funding vehicle for retirement plans) (1987–1990 and 1994–1996)	126
Robert H. Wadsworth (1940) Board Member since 1999	President, Robert H. Wadsworth & Associates, Inc. (consulting firm) (1983 to present); Director, The Phoenix Boys Choir Association	129

Officers[4]

Name, Year of Birth, Position with the Fund and Length of Time Served[5]	Principal Occupation(s) During Past 5 Years and Other Directorships Held
Michael G. Clark[6] (1965) President, 2006–present	Managing Director[3], Deutsche Asset Management (2006–present); President of DWS family of funds; Director, ICI Mutual Insurance Company (since October 2007); formerly, Director of Fund Board Relations (2004–2006) and Director of Product Development (2000–2004), Merrill Lynch Investment Managers; Senior Vice President Operations, Merrill Lynch Asset Management (1999–2000)
John Millette[7] (1962) Vice President and Secretary, 1999–present	Director[3], Deutsche Asset Management
Paul H. Schubert[6] (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)
Caroline Pearson[7] (1962) Assistant Secretary, 1997–present	Managing Director[3], Deutsche Asset Management
Rita Rubin[8] (1970) Assistant Secretary, 2009–present	Vice President and Counsel, Deutsche Asset Management (since October 2007); formerly, Vice President, Morgan Stanley Investment Management (2004–2007); Attorney, Shearman & Sterling LLP (2004); Director and Associate General Counsel, UBS Global Asset Management (US) Inc. (2001–2004)
Paul Antosca[7] (1957) Assistant Treasurer, 2007–present	Director[3], Deutsche Asset Management (since 2006); Vice President, The Manufacturers Life Insurance Company (U.S.A.) (1990–2006)
Jack Clark[7] (1967) Assistant Treasurer, 2007–present	Director[3], Deutsche Asset Management (since 2007); formerly, Vice President, State Street Corporation (2002–2007)
Diane Kenneally[7] (1966) Assistant Treasurer, 2007–present	Director[3], Deutsche Asset Management
Jason Vazquez[8] (1972) Anti-Money Laundering Compliance Officer, 2007–present	Vice President, Deutsche Asset Management (since 2006); formerly, AML Operations Manager for Bear Stearns (2004–2006), Supervising Compliance Principal and Operations Manager for AXA Financial (1999–2004)
Robert Kloby[8] (1962) Chief Compliance Officer, 2006–present	Managing Director[3], Deutsche Asset Management
J. Christopher Jackson[8] (1951) Chief Legal Officer, 2006–present	Director[3], Deutsche Asset Management (2006–present); formerly, Director, Senior Vice President, General Counsel and Assistant Secretary, Hansberger Global Investors, Inc. (1996–2006); Director, National Society of Compliance Professionals (2002–2005) (2006–2009)

1 *The length of time served represents the year in which the Board Member joined the board of one or more DWS funds currently overseen by the Board.*

2 *A publicly held company with securities registered pursuant to Section 12 of the Securities Exchange Act of 1934.*

3 *Executive title, not a board directorship.*

4 *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.*

5 *The length of time served represents the year in which the officer was first elected in such capacity for one or more DWS funds.*

6 *Address: 345 Park Avenue, New York, New York 10154.*

7 *Address: One Beacon Street, Boston, MA 02108.*

8 *Address: 280 Park Avenue, New York, New York 10017.*

The fund's Statement of Additional Information ("SAI") includes additional information about the Board Members. 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: (800) 621-1048.

Notes

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Notes

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

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

The views expressed in this report reflect those of the portfolio managers only through the end of the period of the report as stated on the cover. The managers' views are subject to change at any time based on market and other conditions and should not be construed as a recommendation.

This information must be preceded or accompanied by a current prospectus.

Portfolio changes should not be considered recommendations for action by individual investors.

DWS Investments Distributors, Inc.
222 South Riverside Plaza
Chicago, IL 60606
(800) 778-1482

vit-equ500-2 (R-15804-1 2/10)

DWS INVESTMENTS
Deutsche Bank Group

December 31, 2009

ANNUAL REPORT

DWS VARIABLE SERIES I

DWS Bond VIP

DWS Growth & Income VIP

DWS Capital Growth VIP

DWS Global Opportunities VIP

DWS International VIP

DWS Health Care VIP

RESHAPING INVESTING.

Deutsche Bank Group

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DWS Bond VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please contact your participating insurance company for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

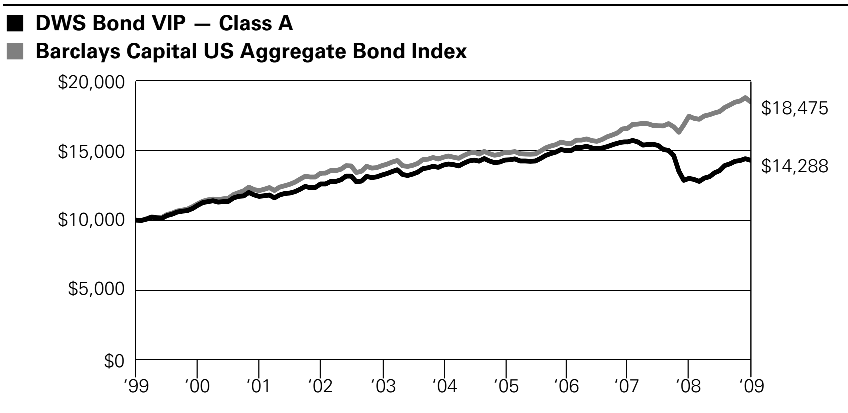
The gross expense ratio of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2009 is 0.59% for Class A shares and may differ from the expense ratio disclosed in the Financial Highlights table in this report.

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

Risk Considerations

Investments by the Portfolio in lower-rated bonds present greater risk to principal and income than investments in higher-quality securities. This Portfolio invests in individual bonds whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Bond investments are subject to interest-rate risk such that when interest rates rise, the prices of the bonds, and thus the value of the investment, can decline and the investor can lose principal value. Additionally, investing in foreign securities presents certain risks, such as currency fluctuation and changes in political/economic conditions and market risks. All of these factors may result in greater share price volatility. In the current market environment, mortgage-backed securities are experiencing increased volatility. Please see this Portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed $10,000 Investment



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

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

Comparative Results

DWS Bond VIP		1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$11,007	$9,544	$10,254	$14,288
	Average annual total return	10.07%	–1.55%	.50%	3.63%
Barclays Capital US Aggregate Bond Index	Growth of $10,000	$10,593	$11,925	$12,744	$18,475
	Average annual total return	5.93%	6.04%	4.97%	6.33%

The growth of $10,000 is cumulative.

Information About Your Portfolio's Expenses

DWS Bond VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (July 1, 2009 to December 31, 2009).

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, 2009

Actual Portfolio Return	**Class A**
Beginning Account Value 7/1/09	$1,000.00
Ending Account Value 12/31/09	$1,055.20
Expenses Paid per $1,000*	$ 2.90
Hypothetical 5% Portfolio Return	**Class A**
Beginning Account Value 7/1/09	$1,000.00
Ending Account Value 12/31/09	$1,022.38
Expenses Paid per $1,000*	$ 2.85

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

Annualized Expense Ratio	**Class A**
DWS Variable Series I — DWS Bond VIP	.56%

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

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

DWS Bond VIP

Just prior to the 12-month period, the US Federal Reserve Board (the Fed) cut the benchmark federal funds rate to basically zero as it sought to provide market participants with liquidity, and Treasury yields fell dramatically. As 2009 progressed, there was a strong flow of assets into beaten-down credit-sensitive sectors, as investors sought alternatives to historically low yields available on cash and other low risk alternatives. Increasing optimism about economic recovery also contributed to the shift in investor preferences away from Treasuries and toward credit sectors. Corporations took advantage of improved liquidity and low interest rates to issue a large volume of bonds. Within corporates, financial issues did especially well, as the largest banks were able to raise capital and return TARP funds to the government. Troubled commercial mortgage-backed securities (CMBS) and asset-backed securities experienced especially sharp rallies during the year. The government continued to support the residential mortgage market, and mortgage-backed securities provided positive returns despite concerns over rising delinquencies.

During the 12-month period ended December 31, 2009, the Portfolio provided a total return of 10.07% (Class A shares, unadjusted for contract charges) compared with the 5.93% return of its benchmark, the Barclays Capital US Aggregate Bond Index.

The Portfolio's performance versus the benchmark is principally the result of exposure to more credit-sensitive fixed-income sectors. Our modest high-yield corporate and emerging-market holdings added significantly to performance as credit sentiment rebounded in 2009 and both sectors provided returns well into double digits. Within the domestic portion of the Portfolio, we began in March to reposition the Portfolio to favor higher-quality fixed-income sectors that trade at yield spreads versus Treasuries. In particular, we shifted into high-quality corporate bonds that benefited from improved economic conditions as the period progressed. Late in the year, we trimmed corporate holdings in favor of government-backed issues as we believed corporates had rallied to price levels that no longer represented attractive value. In addition, we shifted the Portfolio's Treasury allocation in the direction of Treasury inflation-protected securities (TIPS) as the market has begun to refocus on inflation in view of a strengthening economy and rising US budget deficits.

The following portfolio managers handle the day-to-day management of the portfolio's investment portfolio:

Kenneth R. Bowling, CFA
Jamie Guenther, CFA
John Brennan
Bruce Harley, CFA, CEBS
J. Richard Robben, CFA
David Vignolo, CFA
J. Kevin Horsley, CFA, CPA
Stephen Willer, CFA

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

Portfolio management market commentary is as of December 31, 2009, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results. Current and future portfolio holdings are subject to risk.

Portfolio Summary

DWS Bond VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**12/31/09**	**12/31/08**
Mortgage-Backed Securities Pass-Throughs	32%	20%
Government & Agency Obligations	24%	12%
Corporate Bonds	24%	24%
Cash Equivalents	10%	6%
Commercial Mortgage-Backed Securities	3%	9%
Municipal Bonds and Notes	3%	5%
Collateralized Mortgage Obligations	3%	21%
Asset-Backed	1%	1%
Preferred Securities	—	2%
	100%	100%

Quality (Excludes Securities Lending Collateral)	**12/31/09**	**12/31/08**
US Government & Treasury Obligations	53%	38%
AAA*	13%	26%
AA	6%	8%
A	8%	8%
BBB	14%	15%
BB or Below	6%	3%
Not Rated	—	2%
	100%	100%

Effective Maturity (Excludes Cash Equivalents and Securities Lending Collateral)	**12/31/09**	**12/31/08**
Under 1 year	11%	10%
1–4.99 years	38%	47%
5–9.99 years	43%	27%
10–14.99 years	1%	7%
15+ years	7%	9%
	100%	100%

* *Category includes cash equivalents*

Weighted average effective maturity: 7.88 and 7.43 years, respectively.

Asset allocation, quality and effective maturity are subject to change.

The quality ratings represent the lower of Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Corporation ("S&P") credit ratings. The ratings of Moody's and S&P represent their opinions as to the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality. The Portfolio's credit quality does not remove market risk.

For more complete details about the Portfolio's investment portfolio, see page 7. A complete list of portfolio holdings of the Portfolio is posted as of the month end on www.dws-investments.com on or about the 15th day of the following month. More frequent posting of portfolio holdings information may be made from time to time on www.dws-investments.com.

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 28.5%			
Consumer Discretionary 3.2%			
Comcast Cable Communications Holdings, Inc., 9.455%, 11/15/2022		235,000	302,244
Comcast Cable Holdings LLC, 10.125%, 4/15/2022		168,000	215,766
DirecTV Holdings LLC, 144A, 4.75%, 10/1/2014		600,000	611,602
Goodyear Tire & Rubber Co., 10.5%, 5/15/2016 (b)		300,000	331,500
News America, Inc., 6.4%, 12/15/2035		360,000	369,662
TCI Communications, Inc., 8.75%, 8/1/2015		511,000	605,428
Time Warner Cable, Inc.:			
6.75%, 7/1/2018 (b)		250,000	274,641
6.75%, 6/15/2039		275,000	288,009
7.3%, 7/1/2038		40,000	44,345
Time Warner, Inc., 7.7%, 5/1/2032		305,000	358,172
Viacom, Inc., 6.25%, 4/30/2016		775,000	844,659
Yum! Brands, Inc., 6.875%, 11/15/2037		750,000	810,370
			5,056,398
Consumer Staples 1.7%			
Anheuser-Busch InBev Worldwide, Inc., 144A, 7.75%, 1/15/2019		750,000	878,096
ConAgra Foods, Inc., 7.0%, 4/15/2019		450,000	509,313
CVS Caremark Corp.:			
6.125%, 9/15/2039		500,000	495,550
6.25%, 6/1/2027		332,000	337,627
Dr. Pepper Snapple Group, Inc., 6.12%, 5/1/2013		500,000	547,209
			2,767,795
Energy 2.8%			
Anadarko Petroleum Corp., 6.45%, 9/15/2036		320,000	334,198
Cenovus Energy, Inc.:			
144A, 5.7%, 10/15/2019		186,000	194,010
144A, 6.75%, 11/15/2039		315,000	343,367
DCP Midstream LLC, 144A, 9.75%, 3/15/2019		600,000	738,273
Devon Energy Corp., 6.3%, 1/15/2019		675,000	751,584
Enterprise Products Operating LLC:			
6.125%, 10/15/2039		460,000	444,394
Series L, 6.3%, 9/15/2017 (b)		350,000	376,783
Kinder Morgan Energy Partners LP, 6.95%, 1/15/2038		510,000	543,539
ONEOK Partners LP, 8.625%, 3/1/2019 (b)		560,000	675,804
			4,401,952
Financials 12.7%			
American Express Co., 7.0%, 3/19/2018		988,000	1,088,057
Bank of America Corp.:			
5.75%, 12/1/2017		710,000	727,053
6.5%, 8/1/2016		175,000	188,181
7.625%, 6/1/2019 (b)		1,130,000	1,307,237
Barclays Bank PLC:			
Series 1, 5.0%, 9/22/2016		270,000	275,889
5.2%, 7/10/2014		300,000	318,002
Capital One Bank USA NA, 8.8%, 7/15/2019		400,000	472,667
Citigroup, Inc.:			
6.125%, 5/15/2018 (b)		700,000	703,786
8.125%, 7/15/2039		645,000	727,977
8.5%, 5/22/2019		432,000	498,853
Commonwealth Bank of Australia, 144A, 5.0%, 10/15/2019 (b)		375,000	372,312
Discover Bank, 8.7%, 11/18/2019		710,000	760,661
ESI Tractebel Acquisition Corp., Series B, 7.99%, 12/30/2011		79,000	78,605
Ford Motor Credit Co., LLC, 7.8%, 6/1/2012		1,500,000	1,516,130
General Electric Capital Corp.:			
5.625%, 5/1/2018		1,204,000	1,233,788
6.0%, 8/7/2019		355,000	368,498
Hartford Financial Services Group, Inc., 5.95%, 10/15/2036		300,000	249,878
Holcim US Finance Sarl & Cie SCS, 144A, 6.0%, 12/30/2019		215,000	223,792
JPMorgan Chase & Co.:			
5.125%, 9/15/2014		435,000	458,822
5.375%, 1/15/2014 (b)		300,000	321,173
KazMunaiGaz Finance Sub BV, 144A, 11.75%, 1/23/2015		800,000	964,000
MetLife, Inc., Series A, 6.817%, 8/15/2018		400,000	445,503
Morgan Stanley:			
Series F, 6.625%, 4/1/2018		475,000	513,555
7.3%, 5/13/2019		470,000	527,777
PNC Bank NA, 6.875%, 4/1/2018		200,000	212,284
Principal Financial Group, Inc., 7.875%, 5/15/2014		600,000	662,216
Prudential Financial, Inc.:			
Series B, 5.1%, 9/20/2014 (b)		150,000	156,395
6.2%, 1/15/2015		100,000	107,587
7.375%, 6/15/2019 (b)		120,000	134,540
Red Arrow International Leasing PLC, "A", 8.375%, 6/30/2012	RUB	1,866,459	60,494
Royal Bank of Scotland PLC, 144A, 4.875%, 8/25/2014 (b)		825,000	836,290
Simon Property Group LP, (REIT), 6.75%, 5/15/2014 (b)		240,000	255,763
Telefonica Emisiones SAU, 5.877%, 7/15/2019 (b)		345,000	369,781

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

	Principal Amount ($)(a)	Value ($)
The Goldman Sachs Group, Inc.:		
6.0%, 5/1/2014 (b)	375,000	410,163
7.5%, 2/15/2019 (b)	650,000	757,772
Toll Brothers Finance Corp., 8.91%, 10/15/2017	350,000	397,374
Wachovia Corp., Series G, 5.5%, 5/1/2013	700,000	743,633
Westpac Banking Corp., 4.875%, 11/19/2019	762,000	752,098
		20,198,586
Health Care 1.9%		
Express Scripts, Inc.:		
6.25%, 6/15/2014	385,000	420,085
7.25%, 6/15/2019	120,000	136,342
McKesson Corp., 7.5%, 2/15/2019 (b)	350,000	415,059
Medco Health Solutions, Inc., 7.125%, 3/15/2018	715,000	803,759
Merck & Co., Inc.:		
5.0%, 6/30/2019 (b)	500,000	519,720
5.85%, 6/30/2039 (b)	111,000	116,813
Quest Diagnostics, Inc., 6.95%, 7/1/2037	300,000	334,216
Zimmer Holdings, Inc., 4.625%, 11/30/2019	220,000	218,003
		2,963,997
Industrials 1.2%		
Allied Waste North America, Inc., 6.875%, 6/1/2017	1,150,000	1,220,437
Waste Management, Inc., 6.375%, 3/11/2015	600,000	664,880
		1,885,317
Information Technology 0.8%		
Cisco Systems, Inc.:		
4.45%, 1/15/2020 (b)	480,000	470,872
5.5%, 1/15/2040	570,000	545,040
Xerox Corp., 5.625%, 12/15/2019	250,000	249,651
		1,265,563
Materials 1.0%		
Corporacion Nacional del Cobre — Codelco, REG S, 7.5%, 1/15/2019	600,000	703,444
Dow Chemical Co., 5.9%, 2/15/2015	750,000	805,932
Pliant Corp., 11.85%, 6/15/2009*	7	6
		1,509,382
Telecommunication Services 2.3%		
American Tower Corp., 144A, 4.625%, 4/1/2015	400,000	404,582
CenturyTel, Inc.:		
Series Q, 6.15%, 9/15/2019	220,000	224,922
Series P, 7.6%, 9/15/2039 (b)	250,000	256,209
Cincinnati Bell, Inc., 8.375%, 1/15/2014 (b)	300,000	305,250
Frontier Communications Corp., 8.125%, 10/1/2018	1,000,000	1,012,500
MetroPCS Wireless, Inc., 9.25%, 11/1/2014	300,000	303,750
Qwest Communications International, Inc., 144A, 8.0%, 10/1/2015 (b)	750,000	770,625

	Principal Amount ($)(a)	Value ($)
Verizon Communications, Inc., 6.35%, 4/1/2019 (b)	100,000	110,323
Windstream Corp., 8.625%, 8/1/2016	300,000	305,250
		3,693,411
Utilities 0.9%		
DTE Energy Co., 7.625%, 5/15/2014	152,000	169,686
Energy Future Competitive Holdings Co., 7.48%, 1/1/2017	29,224	18,569
FirstEnergy Solutions Corp., 6.8%, 8/15/2039 (b)	167,000	168,669
Majapahit Holding BV, REG S, 7.75%, 10/17/2016	100,000	106,041
NRG Energy, Inc., 7.375%, 1/15/2017	300,000	300,750
Sempra Energy, 6.5%, 6/1/2016	650,000	704,931
		1,468,646
Total Corporate Bonds (Cost $41,570,615)		**45,211,047**

Mortgage-Backed Securities Pass-Throughs 39.1%

	Principal Amount ($)(a)	Value ($)
Federal Home Loan Mortgage Corp.:		
4.5%, 12/1/2034	951,081	955,242
5.5%, with various maturities from 10/1/2023 until 8/1/2024	544,484	574,686
5.526%**, 2/1/2038	738,625	769,146
6.0%, 2/1/2036	2,413,367	2,570,707
6.5%, with various maturities from 3/1/2026 until 12/1/2036	2,428,028	2,600,616
7.0%, 1/1/2038	299,706	327,745
Federal National Mortgage Association:		
4.239%**, 3/1/2036	560,823	589,552
4.5%, with various maturities from 6/1/2020 until 6/1/2038 (c)	14,360,679	14,448,684
5.0%, with various maturities from 2/1/2021 until 5/1/2036 (c)	14,574,008	14,945,026
5.005%**, 8/1/2037	348,633	365,017
5.095%**, 9/1/2038	446,050	466,653
5.447%**, 1/1/2038	934,258	982,955
5.5%, with various maturities from 12/1/2032 until 4/1/2037 (c)	16,544,382	17,326,604
6.0%, with various maturities from 4/1/2024 until 12/1/2035 (c)	1,005,666	1,078,344
6.5%, with various maturities from 3/1/2017 until 9/1/2038	1,377,611	1,484,366
8.0%, 9/1/2015	22,332	24,465
Government National Mortgage Association, 5.0%, 2/1/2038 (c)	2,500,000	2,571,680
Total Mortgage-Backed Securities Pass-Throughs (Cost $61,144,473)		**62,081,488**

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

		Principal Amount ($)(a)	Value ($)
Asset-Backed 1.0%			
Automobile Receivables 0.3%			
Household Automotive Trust, "A4", Series 2006-1, 5.52%, 3/18/2013		500,000	**514,841**
Credit Card Receivables 0.6%			
MBNA Credit Card Master Note Trust, "A", Series 2002-A2, 5.6%, 7/17/2014	EUR	600,000	**888,299**
Home Equity Loans 0.1%			
First Franklin Mortgage Loan Asset-Backed Certificates, "A2A", Series 2007-FFC, 0.381%**, 6/25/2027		450,037	**185,710**
Total Asset-Backed (Cost $1,802,034)			**1,588,850**

	Principal Amount ($)(a)	Value ($)
Commercial Mortgage-Backed Securities 4.0%		
Banc of America Commercial Mortgage, Inc.:		
"A4", Series 2007-3, 5.658%**, 6/10/2049	600,000	501,503
"A4", Series 2007-2, 5.689%**, 4/10/2049	1,600,000	1,378,862
"A4", Series 2007-4, 5.744%**, 2/10/2051	600,000	529,203
Greenwich Capital Commercial Funding Corp., "A5", Series 2005-GG5, 5.224%, 4/10/2037	1,300,000	1,231,373
GS Mortgage Securities Corp. II:		
"J", Series 2007-GG10, 144A, 5.805%**, 8/10/2045	1,096,000	41,901
"K", Series 2007-GG10, 144A, 5.805%**, 8/10/2045	767,000	7,670
JPMorgan Chase Commercial Mortgage Securities Corp.:		
"E", Series 2007-LD11, 5.818%**, 6/15/2049	590,000	72,902
"F", Series 2007-LD11, 5.818%**, 6/15/2049	650,000	72,114
"G", Series 2007-LD11, 144A, 5.818%**, 6/15/2049	760,000	76,596
"H", Series 2007-LD11, 144A, 5.818%**, 6/15/2049	460,000	22,680
Merrill Lynch Mortgage Trust, "ASB", Series 2007-C1, 5.828%**, 6/12/2050	590,000	566,662
Wachovia Bank Commercial Mortgage Trust:		
"APB", Series 2007-C30, 5.294%, 12/15/2043	610,000	574,245
"ABP", Series 2007-C32, 5.74%**, 6/15/2049	1,175,000	1,116,458
"H", Series 2007-C32, 144A, 5.74%**, 6/15/2049	770,000	88,168
Total Commercial Mortgage-Backed Securities (Cost $10,170,299)		**6,280,337**

		Principal Amount ($)(a)	Value ($)
Collateralized Mortgage Obligations 3.2%			
Countrywide Home Loans, "A2", Series 2006-1, 6.0%, 3/25/2036		747,867	575,156
CS First Boston Mortgage Securities Corp., "10A3", Series 2005-10, 6.0%, 11/25/2035		177,666	106,361
Federal Home Loan Mortgage Corp.:			
"PD", Series 2774, 5.0%, 8/15/2032		1,010,000	1,060,163
"PE", Series 2898, 5.0%, 5/15/2033		335,000	349,221
"KG", Series 2987, 5.0%, 12/15/2034		1,470,000	1,530,929
Federal National Mortgage Association:			
"EG", Series 2005-22, 5.0%, 11/25/2033		750,000	780,493
"PG", Series 2002-3, 5.5%, 2/25/2017		308,452	326,493
"TC", Series 2007-77, 5.5%, 9/25/2034		370,000	394,385
MASTR Alternative Loans Trust, "8A1", Series 2004-3, 7.0%, 4/25/2034		16,005	14,337
Structured Asset Securities Corp., "2A1", Series 2003-1, 6.0%, 2/25/2018		2,491	2,515
Total Collateralized Mortgage Obligations (Cost $5,080,899)			**5,140,053**
Government & Agency Obligations 29.0%			
Other Government Related 7.1%			
Citigroup, Inc., FDIC Guaranteed, 2.125%, 4/30/2012		2,000,000	2,021,416
General Electric Capital Corp., Series G, FDIC Guaranteed, 3.0%, 12/9/2011		3,000,000	3,092,466
JPMorgan Chase & Co., FDIC Guaranteed, 3.125%, 12/1/2011 (b)		3,000,000	3,104,946
Regions Bank, FDIC Guaranteed, 3.25%, 12/9/2011		3,000,000	3,113,064
			11,331,892
Sovereign Bonds 4.8%			
Government of Ukraine:			
REG S, 6.58%, 11/21/2016		500,000	382,500
REG S, 6.75%, 11/14/2017		390,000	296,400
Republic of Argentina:			
GDP Linked Note, 12/15/2035		410,000	25,786
8.28%, 12/31/2033		1,015,122	758,803
Republic of Egypt, 9.1%, 9/20/2012	EGP	230,000	41,830
Republic of El Salvador, REG S, 8.25%, 4/10/2032		40,000	41,600
Republic of Indonesia, REG S, 8.5%, 10/12/2035		100,000	119,750
Republic of Panama:			
7.125%, 1/29/2026		220,000	248,050
7.25%, 3/15/2015		80,000	91,000

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

		Principal Amount ($)(a)	Value ($)
Republic of Peru:			
6.55%, 3/14/2037 (b)		1,200,000	1,248,000
7.125%, 3/30/2019		600,000	690,000
Republic of Philippines:			
7.75%, 1/14/2031		100,000	112,750
9.5%, 2/2/2030		60,000	79,650
Republic of Poland, 6.375%, 7/15/2019		210,000	228,413
Republic of Serbia, REG S, 6.75%, 11/1/2024		90,000	88,425
Republic of Uruguay, 6.875%, 9/28/2025		500,000	525,000
Republic of Venezuela, REG S, 7.75%, 10/13/2019		750,000	477,188
State of Qatar:			
144A, 6.4%, 1/20/2040		400,000	402,000
REG S, 9.75%, 6/15/2030		140,000	198,100
United Mexican States, 5.625%, 1/15/2017		1,500,000	1,563,750
			7,618,995
US Government Sponsored Agency 0.7%			
Federal National Mortgage Association, 6.625%, 11/15/2030 (b)		950,000	**1,141,718**
US Treasury Obligations 16.4%			
US Treasury Bill, 0.19%***, 3/18/2010 (d)		969,000	968,902
US Treasury Bond, 4.75%, 2/15/2037 (b)		500,000	510,937
US Treasury Inflation-Indexed Note, 1.875%, 7/15/2019 (b)		4,555,890	4,728,873
US Treasury Notes:			
2.375%, 9/30/2014 (b)		18,000,000	17,848,080
3.125%, 5/15/2019 (b)		2,000,000	1,894,062
			25,950,854
Total Government & Agency Obligations (Cost $46,285,392)			**46,043,459**

Loan Participations and Assignments 0.3%

Sovereign Loans

		Principal Amount ($)(a)	Value ($)
Gazprom, 144A, 8.125%, 7/31/2014 (b)		205,000	217,300
Gazprombank, 7.25%, 2/22/2010	RUB	2,000,000	65,086
Russian Agricultural Bank, REG S, 7.75%, 5/29/2018		100,000	109,125
Total Loan Participations and Assignments (Cost $383,781)			**391,511**

Municipal Bonds and Notes 3.9%

	Principal Amount ($)(a)	Value ($)
Florida, State Board of Education, Capital Outlay 2006, Series E, 5.0%, 6/1/2035	465,000	483,721
Gwinnett County, GA, Development Authority Revenue, Gwinnett Stadium Project, 6.4%, 1/1/2028	655,000	700,608
Jicarilla, NM, Sales & Special Tax Revenue, Apache Nation Revenue, 144A, 5.2%, 12/1/2013	560,000	543,133
Los Angeles, CA, Community Development Agency Tax Allocation Revenue, Adelante Eastside Project, Series C, 6.49%, 9/1/2037 (e)	320,000	258,688
McLennan County, TX, Junior College, 5.0%, 8/15/2032 (e)	340,000	349,428
New Jersey, Economic Development Authority Revenue, Series B, 6.5%, 11/1/2013 (e)	860,000	963,716
Port Authority New York & New Jersey, One Hundred Fiftieth Series, 4.75%, 9/15/2016	930,000	929,247
Rhode Island, Convention Center Authority Revenue, Civic Center, Series A, 6.06%, 5/15/2035 (e)	515,000	488,987
Virgin Islands, Port Authority Marine Revenue, Series B, 5.08%, 9/1/2013 (e)	1,165,000	1,176,708
Washington, Central Puget Sound Regional Transit Authority, Sales & Use Tax Revenue, Series A, 5.0%, 11/1/2036	285,000	296,497
Total Municipal Bonds and Notes (Cost $6,088,015)		**6,190,733**

	Shares	Value ($)
Preferred Stock 0.0%		
Financials		
Ford Motor Credit Co., LLC, 7.375% (Cost $24,692)	1,180	**24,544**
Securities Lending Collateral 24.7%		
Daily Assets Fund Institutional, 0.17% (f) (g) (Cost $39,197,180)	39,197,180	**39,197,180**
Cash Equivalents 12.3%		
Central Cash Management Fund, 0.14% (f) (Cost $19,483,957)	19,483,957	**19,483,957**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $231,231,337)†	146.0	**231,633,159**
Other Assets and Liabilities, Net	(46.0)	**(72,959,083)**
Net Assets	100.0	**158,674,076**

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

* Non-income producing security. Issuer has defaulted on the payment of principal or interest or has filed for bankruptcy. The following table represents bonds that are in default:

Security	Coupon	Maturity Date	Principal Amount ($)	Acquisition Cost ($)	Value ($)
Pliant Corp.	11.85%	6/15/2009	7	8	**6**

** 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, 2009.

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

† The cost for federal income tax purposes was $231,246,532. At December 31, 2009, net unrealized appreciation for all securities based on tax cost was $386,627. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $6,003,669 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $5,617,042.

(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, 2009 amounted to $37,963,374, which is 23.9% of net assets.

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

(d) At December 31, 2009, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.

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

Insurance Coverage	As a % of Total Investment Portfolio
Assured Guaranty Corp.	0.4
Assured Guaranty Insurance Co.	0.7
Financial Guaranty Insurance Co.	0.2
Radian	0.1

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

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

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

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

FDIC: Federal Deposit Insurance Corp.

GDP: Gross Domestic Product

LIBOR: Represents the London InterBank Offered Rate.

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

REIT: Real Estate Investment Trust

Included in the portfolio are investments in mortgage or asset-backed securities which are interests in separate pools of mortgages or assets. Effective maturities of these investments may be shorter than stated maturities due to prepayments. Some separate investments in the Federal Home Loan Mortgage Corp. and Federal National Mortgage Association issues have similar coupon rates and have been aggregated for presentation purposes in the investment portfolio.

At December 31, 2009, open futures contracts sold were as follows:

Futures	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Appreciation (Depreciation) ($)
10 Year US Treasury Note	USD	3/22/2010	165	19,049,766	367,542
2 Year US Treasury Note	USD	3/31/2010	79	17,084,984	93,639
Canadian Dollar Currency	USD	3/16/2010	18	1,721,160	(12,066)
Japanesse Yen Currency	USD	3/15/2010	10	1,342,500	107,481
Total net unrealized appreciation					**556,596**

As of December 31, 2009, the Portfolio had the following open forward foreign currency exchange contracts:

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation ($)	Counterparty
RUB	3,600,000	USD	119,802	2/12/2010	**1,841**	Citigroup, Inc.

Currency Abbreviations

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

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

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

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes significant unobservable inputs (including the Portfolio's own assumptions in determining the fair value of investments). The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of December 31, 2009 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to the Financial Statements.

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Fixed Income (h)				
Corporate Bonds	$ —	$ 45,211,047	$ —	$ 45,211,047
Mortgage-Backed Securities Pass-Throughs	—	62,081,488	—	62,081,488
Asset-Backed	—	1,588,850	—	1,588,850
Commercial Mortgage-Backed Securities	—	6,280,337	—	6,280,337
Collateralized Mortgage Obligations	—	5,140,053	—	5,140,053
Government & Agency Obligations	—	45,032,727	41,830	45,074,557
Loan Participations and Assignments	—	391,511	—	391,511
Municipal Bonds and Notes	—	6,190,733	—	6,190,733
Preferred Stock	24,544	—	—	24,544
Short-Term Investments (h)	58,681,137	968,902	—	59,650,039
Derivatives (i)	556,596	1,841	—	558,437
Total	**$ 59,262,277**	**$ 172,887,489**	**$ 41,830**	**$ 232,191,596**

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

(i) *Derivatives include unrealized appreciation (depreciation) on open futures contracts and forward foreign currency exchange contracts.*

The following is a reconciliation of the Portfolio's Level 3 investments for which significant unobservable inputs were used in determining value:

Level 3 Reconciliation	**Corporate Bonds**	**Government & Agency Obligations**	**Preferred Stock**	**Total**
Balance as of December 31, 2008	$ 32,540	$ 96,418	$ 220,679	**$ 349,637**
Realized gains (loss)	(1,842)	(25,653)	(349,351)	**(376,846)**
Change in unrealized appreciation (depreciation)	43,090	36,967	306,872	**386,929**
Amortization premium/discount	—	(202)	—	**(202)**
Net purchases (sales)	(13,294)	(65,700)	(178,200)	**(257,194)**
Net transfers in (out) of Level 3	(60,494)	—	—	**(60,494)**
Balance as of December 31, 2009	**$ —**	**$ 41,830**	**$ —**	**$ 41,830**
Net change in unrealized appreciation (depreciation) from investments still held as of December 31, 2009	**$ —**	**$ 3,209**	**$ —**	**$ 3,209**

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2009

Assets		
Investments: Investments in securities, at value (cost $172,550,200), including $37,963,374 of securities loaned	$	172,952,022
Investment in Daily Assets Fund Institutional (cost $39,197,180)*		39,197,180
Investment in Central Cash Management Fund (cost $19,483,957)		19,483,957
Total investments, at value (cost $231,231,337)		231,633,159
Cash		10,014
Foreign currency, at value (cost $76,855)		77,823
Receivable for investments sold		15,147,175
Dividends receivable		544
Interest receivable		1,521,979
Receivable for Portfolio shares sold		39,435
Receivable for daily variation margin on open futures contracts		35,433
Foreign taxes recoverable		5,183
Unrealized appreciation on forward foreign currency exchange contracts		1,841
Other assets		3,224
Total assets		248,475,810
Liabilities		
Payable for Portfolio shares redeemed		58,506
Payable upon return of securities loaned		39,197,180
Payable for investments purchased — when-issued/delayed delivery securities		50,438,150
Accrued management fee		49,889
Other accrued expenses and payables		58,009
Total liabilities		89,801,734
Net assets, at value	**$**	**158,674,076**
Net Assets Consist of		
Undistributed net investment income		6,639,923
Net unrealized appreciation (depreciation) on: Investments		401,822
Futures		556,596
Foreign currency		2,777
Accumulated net realized gain (loss)		(43,387,143)
Paid-in capital		194,460,101
Net assets, at value	**$**	**158,674,076**
Class A		
Net Asset Value, offering and redemption price per share ($158,674,076 ÷ 28,638,100 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**5.54**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2009

Investment Income		
Dividends	$	23,778
Interest (net of foreign taxes withheld of $244)		7,843,009
Income distributions — affiliated cash management vehicles		61,065
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		60,886
Total Income		7,988,738
Expenses: Management fee		590,867
Administration fee		151,504
Custodian fee		22,721
Services to shareholders		7,070
Professional fees		57,428
Trustees' fees and expenses		5,776
Reports to shareholders		36,309
Other		20,813
Total expenses		892,488
Net investment income		7,096,250
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from: Investments		(21,017,132)
Futures		(1,231,373)
Foreign currency		(36,253)
		(22,284,758)
Change in net unrealized appreciation (depreciation) on: Investments		28,883,150
Futures		556,596
Foreign currency		532
		29,440,278
Net gain (loss)		**7,155,520**
Net increase (decrease) in net assets resulting from operations	**$**	**14,251,770**

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, 2009	2008
Operations:		
Net investment income	$ 7,096,250	$ 11,548,151
Net realized gain (loss)	(22,284,758)	(19,565,062)
Change in net unrealized appreciation (depreciation)	29,440,278	(26,282,991)
Net increase (decrease) in net assets resulting from operations	14,251,770	(34,299,902)
Distributions to shareholders from:		
Net investment income:		
Class A	(11,985,798)	(10,882,399)
Class B	—	(31,809)
Total distributions	(11,985,798)	(10,914,208)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	21,968,991	21,447,131
Reinvestment of distributions	11,985,798	10,882,399
Cost of shares redeemed	(32,370,197)	(61,233,965)
Net increase (decrease) in net assets from Class A share transactions	1,584,592	(28,904,435)
Class B*		
Proceeds from shares sold	—	292,257
Reinvestment of distributions	—	31,809
Cost of shares redeemed	—	(890,260)
Net increase (decrease) in net assets from Class B share transactions	—	(566,194)
Increase (decrease) in net assets	3,850,564	(74,684,739)
Net assets at beginning of period	154,823,512	229,508,251
Net assets at end of period (including undistributed net investment income of $6,639,923 and $11,846,280, respectively)	**$** 158,674,076	**$ 154,823,512**

Other Information		
Class A		
Shares outstanding at beginning of period	28,147,936	32,791,859
Shares sold	4,088,614	3,262,319
Shares issued to shareholders in reinvestment of distributions	2,364,063	1,674,215
Shares redeemed	(5,962,513)	(9,580,457)
Net increase (decrease) in Class A shares	490,164	(4,643,923)
Shares outstanding at end of period	**28,638,100**	**28,147,936**
Class B*		
Shares outstanding at beginning of period	—	87,887
Shares sold	—	42,354
Shares issued to shareholders in reinvestment of distributions	—	4,894
Shares redeemed	—	(135,135)
Net increase (decrease) in Class B shares	—	(87,887)
Shares outstanding at end of period	**—**	**—**

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

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

Financial Highlights

Class A

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$ 5.50**	**$ 6.98**	**$ 7.03**	**$ 6.99**	**$ 7.13**
Income (loss) from investment operations:					
Net investment income[a]	.25	.37	.35	.33	.29
Net realized and unrealized gain (loss)	.26	(1.48)	(.06)	(.01)	(.10)
Total from investment operations	.51	(1.11)	.29	.32	.19
Less distributions from:					
Net investment income	(.47)	(.37)	(.34)	(.27)	(.26)
Net realized gains	—	—	—	(.01)	(.07)
Total distributions	(.47)	(.37)	(.34)	(.28)	(.33)
Net asset value, end of period	**$ 5.54**	**$ 5.50**	**$ 6.98**	**$ 7.03**	**$ 6.99**
Total Return (%)	10.07	(16.77)	4.18	4.72[b]	2.60
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	159	155	229	218	209
Ratio of expenses before expense reductions (%)	.59	.59	.61	.66	.68
Ratio of expenses after expense reductions (%)	.59	.59	.61	.62	.68
Ratio of net investment income (%)	4.68	5.76	5.03	4.82	4.11
Portfolio turnover rate (%)	284	196	185	186	197

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

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

DWS Growth & Income VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please contact your participating insurance company for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

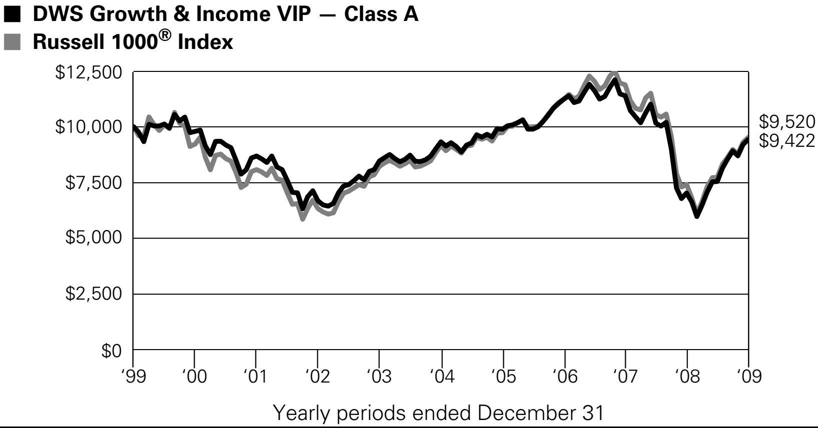
The gross expense ratios of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2009 are 0.60% and 0.82% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

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

Risk Considerations

The Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Please read this Portfolio's prospectus for specific information regarding its investments and risk profile.

Growth of an Assumed $10,000 Investment



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

Index returns assume the reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Growth & Income VIP		1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$13,415	$8,388	$10,109	$9,422
	Average annual total return	34.15%	–5.69%	.22%	–.59%
Russell 1000 Index	Growth of $10,000	$12,843	$8,477	$10,401	$9,520
	Average annual total return	28.43%	–5.36%	.79%	–.49%

DWS Growth & Income VIP		1-Year	3-Year	5-Year	10-Year
Class B	Growth of $10,000	$13,364	$8,329	$9,976	$9,170
	Average annual total return	33.64%	–5.91%	–.05%	–.86%
Russell 1000 Index	Growth of $10,000	$12,843	$8,477	$10,401	$9,520
	Average annual total return	28.43%	–5.36%	.79%	–.49%

The growth of $10,000 is cumulative.

Information About Your Portfolio's Expenses

DWS Growth & Income VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (July 1, 2009 to December 31, 2009).

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, 2009

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/09	$1,000.00	$1,000.00
Ending Account Value 12/31/09	$1,249.50	$1,247.70
Expenses Paid per $1,000*	$ 3.06	$ 4.48

Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/09	$1,000.00	$1,000.00
Ending Account Value 12/31/09	$1,022.48	$1,021.22
Expenses Paid per $1,000*	$ 2.75	$ 4.02

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

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series I — DWS Growth & Income VIP	.54%	.79%

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 Portfolio's strategy — which is to use a blend of quantitative insights and fundamental research to select the most attractive stocks based on growth, valuation, market sentiment and other factors — worked well during the past year.[1] While the index returned 28.43%, the Portfolio's return was more than five percentage points better at 34.15% (Class A shares, unadjusted for contract charges). We are pleased that the Portfolio outpaced its benchmark during the past year, a time that proved challenging to many of those who focus on fundamentally sound, reasonably valued companies. We believe this helps illustrate the potential value of a disciplined, quantitative approach.

Consistent with the Portfolio's bottom-up strategy, virtually all of its outperformance was the result of our effective individual stock selection. We generated the strongest returns in the materials sector, where we held nine stocks that generated a substantial amount of returns. Our most notable winners were the chemical producer Ashland, Inc. and the coal companies Walter Energy, Inc. and Cliffs Natural Resources, Inc. Stock selection within financials also made a substantial positive contribution to the fund's return. Here, our performance was helped by our positions in Bank of America Corp., JPMorgan Chase & Co. and SunTrust Banks, Inc.,* all of which outpaced the broader sector by a wide margin. The energy, utilities and industrials sectors were also areas in which the strategy outperformed.

At a time of strong relative performance for the Portfolio, health care and consumer staples were our only areas of meaningful underperformance. Among the leading detractors in health care were Gilead Sciences, Inc., which lost ground as one of its key drugs failed to gain FDA approval, and the large-cap pharmaceutical companies Merck & Co., Inc.* and Eli Lilly & Co. The primary detractor in consumer staples was our overweight in the supermarket Kroger Co., which lost ground on concerns that Wal-Mart is cutting into its market share.[2]

The past year was a remarkable time for the US stock market, as the rapid recovery in investor optimism led to an exceptional rally.

Robert Wang
James B. Francis, CFA
Portfolio Managers

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

Index returns assume the reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

1 *"Valuation" refers to the price investors pay for a given security. An asset can be undervalued, meaning that it trades for less than its intrinsic value, or overvalued, which means that it trades at a more expensive price than its underlying worth.*

2 *"Overweight" means the portfolio holds a higher weighting in a given sector or security than the benchmark. "Underweight" means the portfolio holds a lower weighting.*

* *Not held in the portfolio as of December 31, 2009.*

Portfolio management market commentary is as of December 31, 2009, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results. Current and future portfolio holdings are subject to risk.

Portfolio Summary

DWS Growth & Income VIP

Asset Allocation (As a % of Investment Portfolio Excluding Securities Lending Collateral)	**12/31/09**	**12/31/08**
Common Stocks	98%	97%
Government & Agency Obligation	1%	1%
Cash Equivalents	1%	2%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**12/31/09**	**12/31/08**
Information Technology	19%	16%
Health Care	14%	16%
Industrials	13%	14%
Consumer Discretionary	12%	10%
Financials	11%	11%
Consumer Staples	11%	13%
Energy	9%	12%
Materials	5%	2%
Telecommunication Services	4%	4%
Utilities	2%	2%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 20. A complete list of portfolio holdings of the Portfolio is posted as of the month end on www.dws-investments.com on or about the 15th day of the following month. More frequent posting of portfolio holdings information may be made from time to time on www.dws-investments.com.

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, 2009

DWS Growth & Income VIP

	Shares	Value ($)
Common Stocks 98.6%		
Consumer Discretionary 11.5%		
Automobiles 0.4%		
Ford Motor Co.* (a)	43,800	**438,000**
Distributors 0.1%		
Genuine Parts Co.	1,500	**56,940**
Diversified Consumer Services 0.2%		
Career Education Corp.*	2,200	51,282
Corinthian Colleges, Inc.* (a)	14,600	201,042
		252,324
Hotels Restaurants & Leisure 1.1%		
McDonald's Corp.	18,700	**1,167,628**
Household Durables 1.5%		
Garmin Ltd. (a)	39,600	1,215,720
Leggett & Platt, Inc.	11,900	242,760
Ryland Group, Inc.	2,100	41,370
		1,499,850
Internet & Catalog Retail 0.9%		
Amazon.com, Inc.*	4,400	591,888
Priceline.com, Inc.*	1,600	349,600
		941,488
Media 3.6%		
Comcast Corp. "A"	70,500	1,188,630
DISH Network Corp. "A"	9,200	191,084
Gannett Co., Inc.	20,500	304,425
McGraw-Hill Companies, Inc.	12,800	428,928
Time Warner Cable, Inc.	18,646	771,758
Time Warner, Inc. (a)	28,700	836,318
		3,721,143
Multiline Retail 0.4%		
Macy's, Inc.	22,400	**375,424**
Specialty Retail 3.2%		
Advance Auto Parts, Inc. (a)	7,800	315,744
Barnes & Noble, Inc. (a)	18,600	354,702
Group 1 Automotive, Inc.*	3,300	93,555
Gymboree Corp.* (a)	3,600	156,564
Ross Stores, Inc.	18,700	798,677
The Gap, Inc.	18,400	385,480
TJX Companies, Inc.	32,000	1,169,600
		3,274,322
Textiles, Apparel & Luxury Goods 0.1%		
Wolverine World Wide, Inc.	3,400	**92,548**
Consumer Staples 11.1%		
Beverages 0.5%		
Coca-Cola Enterprises, Inc.	24,500	**519,400**
Food & Staples Retailing 2.6%		
Kroger Co.	44,900	921,797
Sysco Corp.	10,500	293,370
Wal-Mart Stores, Inc.	26,500	1,416,425
		2,631,592
Food Products 2.8%		
Archer-Daniels-Midland Co.	56,400	1,765,884
Bunge Ltd. (a)	3,500	223,405
Campbell Soup Co.	10,800	365,040
Darling International, Inc.*	1,500	12,570
Fresh Del Monte Produce, Inc.*	6,600	145,860
The Hershey Co.	7,500	268,425
Tyson Foods, Inc. "A"	8,800	107,976
		2,889,160
Household Products 3.0%		
Colgate-Palmolive Co.	19,900	1,634,785
Kimberly-Clark Corp.	20,100	1,280,571
Procter & Gamble Co.	3,500	212,205
		3,127,561
Personal Products 0.7%		
Herbalife Ltd.	10,400	421,928
Mead Johnson Nutrition Co. "A"	5,400	235,980
		657,908
Tobacco 1.5%		
Lorillard, Inc.	6,200	497,426
Philip Morris International, Inc.	22,500	1,084,275
		1,581,701
Energy 9.2%		
Energy Equipment & Services 2.3%		
FMC Technologies, Inc.*	1,900	109,896
Helix Energy Solutions Group, Inc.*	11,500	135,125
Helmerich & Payne, Inc.	4,700	187,436
Hercules Offshore, Inc.*	6,700	32,026
Noble Corp.	28,600	1,164,020
Oceaneering International, Inc.*	3,000	175,560
Oil States International, Inc.*	9,100	357,539
Rowan Companies, Inc.*	11,600	262,624
		2,424,226
Oil, Gas & Consumable Fuels 6.9%		
Anadarko Petroleum Corp.	3,800	237,196
BP PLC (ADR)	7,000	405,790
Chevron Corp.	1,600	123,184
Cimarex Energy Co.	14,500	768,065
ConocoPhillips	36,400	1,858,948
Encore Acquisition Co.*	14,900	715,498
EXCO Resources, Inc.	4,500	95,535
ExxonMobil Corp.	3,100	211,389
Mariner Energy, Inc.*	25,700	298,377
Murphy Oil Corp.	18,500	1,002,700
Newfield Exploration Co.*	9,400	453,362
Occidental Petroleum Corp.	3,500	284,725
Peabody Energy Corp.	4,300	194,403
Quicksilver Resources, Inc.* (a)	12,200	183,122
W&T Offshore, Inc.	4,000	46,800
Williams Companies, Inc.	9,000	189,720
		7,068,814
Financials 11.1%		
Capital Markets 1.1%		
Bank of New York Mellon Corp.	25,200	704,844
Franklin Resources, Inc.	3,300	347,655
UBS AG (Registered)* (a)	7,300	113,223
		1,165,722
Commercial Banks 1.2%		
Comerica, Inc.	3,500	103,495
HSBC Holdings PLC (ADR)	2,700	154,143
Huntington Bancshares, Inc.	26,500	96,725
KeyCorp	12,600	69,930
Marshall & Ilsley Corp.	60,200	328,090

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

	Shares	Value ($)
Popular, Inc.	26,100	58,986
Regions Financial Corp. (a)	81,500	431,135
		1,242,504
Consumer Finance 2.0%		
Capital One Financial Corp.	29,100	1,115,694
Discover Financial Services	64,400	947,324
		2,063,018
Diversified Financial Services 3.3%		
Bank of America Corp. (a)	64,800	975,888
Citigroup, Inc.	166,000	549,460
JPMorgan Chase & Co.	43,200	1,800,144
PHH Corp.*	4,400	70,884
		3,396,376
Insurance 3.1%		
ACE Ltd.*	25,200	1,270,080
Aflac, Inc.	1,800	83,250
Allied World Assurance Co. Holdings Ltd.	3,100	142,817
Arch Capital Group Ltd.*	2,200	157,410
Berkshire Hathaway, Inc. "B"*	300	985,800
Everest Re Group Ltd.	1,400	119,952
Old Republic International Corp.	13,700	137,548
The Travelers Companies, Inc.	6,100	304,146
		3,201,003
Real Estate Investment Trusts 0.3%		
Essex Property Trust, Inc. (REIT)	1,200	100,380
Public Storage (REIT)	1,000	81,450
Rayonier, Inc. (REIT)	1,200	50,592
Walter Investment Management Corp. (REIT)	3,205	45,928
		278,350
Real Estate Management & Development 0.1%		
The St. Joe Co.* (a)	2,200	**63,558**
Health Care 14.2%		
Biotechnology 1.9%		
Gilead Sciences, Inc.*	36,400	1,575,392
Myriad Genetics, Inc.*	5,100	133,110
PDL BioPharma, Inc. (a)	45,500	312,130
		2,020,632
Health Care Equipment & Supplies 0.6%		
Baxter International, Inc.	9,900	**580,932**
Health Care Providers & Services 6.5%		
Aetna, Inc.	44,800	1,420,160
Amedisys, Inc.* (a)	6,400	310,784
AmerisourceBergen Corp.	8,100	211,167
Coventry Health Care, Inc.*	20,000	485,800
Express Scripts, Inc.*	400	34,580
Humana, Inc.*	7,700	337,953
Kindred Healthcare, Inc.*	2,800	51,688
Magellan Health Services, Inc.*	2,800	114,044
McKesson Corp.	23,800	1,487,500
Medco Health Solutions, Inc.*	28,900	1,846,999
UnitedHealth Group, Inc.	10,600	323,088
Universal Health Services, Inc. "B"	3,000	91,500
		6,715,263
Pharmaceuticals 5.2%		
Abbott Laboratories	16,200	874,638
Eli Lilly & Co.	43,500	1,553,385
Johnson & Johnson	5,900	380,019
Pfizer, Inc.	121,300	2,206,447
Watson Pharmaceuticals, Inc.*	8,800	348,568
		5,363,057

	Shares	Value ($)
Industrials 12.4%		
Aerospace & Defense 5.6%		
Alliant Techsystems, Inc.*	1,700	150,059
Goodrich Corp.	12,300	790,275
Honeywell International, Inc.	6,420	251,664
ITT Corp.	3,900	193,986
L-3 Communications Holdings, Inc.	1,300	113,035
Lockheed Martin Corp.	21,400	1,612,490
Northrop Grumman Corp.	30,900	1,725,765
Raytheon Co.	18,100	932,512
		5,769,786
Air Freight & Logistics 0.8%		
United Parcel Service, Inc. "B"	14,300	**820,391**
Airlines 0.2%		
Alaska Air Group, Inc.*	2,600	89,856
Allegiant Travel Co.*	900	42,453
UAL Corp.* (a)	4,800	61,968
		194,277
Commercial Services & Supplies 0.5%		
R.R. Donnelley & Sons Co.	18,900	420,903
The Brink's Co.	2,700	65,718
		486,621
Construction & Engineering 1.7%		
EMCOR Group, Inc.* (a)	13,700	368,530
Fluor Corp.	13,400	603,536
Jacobs Engineering Group, Inc.*	7,500	282,075
KBR, Inc.	6,000	114,000
Shaw Group, Inc.*	10,800	310,500
Tutor Perini Corp.*	3,100	56,048
		1,734,689
Electrical Equipment 0.3%		
GrafTech International Ltd.*	19,800	307,890
Hubbell, Inc. "B"	800	37,840
		345,730
Industrial Conglomerates 0.3%		
Tyco International Ltd.*	7,700	**274,736**
Machinery 1.4%		
Cummins, Inc.	4,000	183,440
Ingersoll-Rand PLC	3,300	117,942
Navistar International Corp.*	11,600	448,340
Oshkosh Corp.	12,700	470,281
Trinity Industries, Inc. (a)	10,900	190,096
		1,410,099
Professional Services 0.5%		
Manpower, Inc.	9,400	**513,052**
Road & Rail 0.8%		
Con-way, Inc.	1,800	62,838
Ryder System, Inc.	19,300	794,581
		857,419
Trading Companies & Distributors 0.3%		
MSC Industrial Direct Co., Inc. "A"	1,100	51,700
W.W. Grainger, Inc.	2,900	280,807
		332,507
Information Technology 19.1%		
Communications Equipment 0.9%		
Cisco Systems, Inc.*	1,800	43,092
Harris Corp.	8,100	385,155
InterDigital, Inc.*	4,000	106,160
QUALCOMM, Inc.	7,900	365,454
		899,861

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

	Shares	Value ($)
Computers & Peripherals 6.8%		
Apple, Inc.*	8,300	1,750,138
Dell, Inc.*	31,700	455,212
International Business Machines Corp.	24,600	3,220,140
NCR Corp.*	16,700	185,871
QLogic Corp.*	10,200	192,474
Western Digital Corp.*	28,400	1,253,860
		7,057,695
Electronic Equipment, Instruments & Components 3.9%		
Amphenol Corp. "A"	2,500	115,450
Arrow Electronics, Inc.*	13,600	402,696
Avnet, Inc.*	21,300	642,408
Flextronics International Ltd.*	119,200	871,352
Ingram Micro, Inc. "A"*	15,700	273,965
Jabil Circuit, Inc.	55,500	964,035
Tech Data Corp.*	6,700	312,622
Tyco Electronics Ltd.	16,700	409,985
Vishay Intertechnology, Inc.*	3,400	28,390
		4,020,903
Internet Software & Services 1.3%		
AOL, Inc.*	2,609	60,737
Google, Inc. "A"*	2,116	1,311,878
		1,372,615
IT Services 2.3%		
Accenture PLC "A"	20,300	842,450
Broadridge Financial Solutions, Inc.	3,700	83,472
Computer Sciences Corp.*	16,000	920,480
Global Payments, Inc.	3,800	204,668
SAIC, Inc.*	16,200	306,828
		2,357,898
Semiconductors & Semiconductor Equipment 0.3%		
Texas Instruments, Inc.	12,200	**317,932**
Software 3.6%		
BMC Software, Inc.*	900	36,090
Check Point Software Technologies Ltd.*	8,200	277,816
Microsoft Corp.	97,975	2,987,258
Symantec Corp.*	23,230	415,585
		3,716,749
Materials 4.6%		
Chemicals 1.3%		
Ashland, Inc.	8,200	324,884
Cytec Industries, Inc.	1,800	65,556
Eastman Chemical Co.	3,400	204,816
Huntsman Corp.	11,000	124,190
Lubrizol Corp.	4,900	357,455
Terra Industries, Inc.	3,900	125,541
W.R. Grace & Co.*	3,300	83,655
		1,286,097
Containers & Packaging 0.1%		
Bemis Co., Inc.	2,300	68,195
Rock-Tenn Co. "A"	1,500	75,615
		143,810
Metals & Mining 1.4%		
Cliffs Natural Resources, Inc.	14,700	677,523
Reliance Steel & Aluminum Co.	3,500	151,270
Walter Energy, Inc.	8,400	632,604
		1,461,397
Paper & Forest Products 1.8%		
International Paper Co.	66,900	1,791,582
MeadWestvaco Corp.	2,800	80,164
		1,871,746
Telecommunication Services 3.8%		
Diversified Telecommunication Services		
AT&T, Inc.	97,780	2,740,773
Verizon Communications, Inc.	35,700	1,182,741
		3,923,514
Utilities 1.6%		
Electric Utilities 0.3%		
Edison International	7,400	257,372
Exelon Corp.	1,600	78,192
		335,564
Gas Utilities 0.1%		
ONEOK, Inc.	3,400	**151,538**
Independent Power Producers & Energy Traders 0.8%		
AES Corp.*	36,900	491,139
Mirant Corp.*	4,700	71,769
NRG Energy, Inc.*	9,341	220,541
		783,449
Multi-Utilities 0.4%		
Dominion Resources, Inc. (a)	6,900	268,548
NiSource, Inc.	9,100	139,958
		408,506
Total Common Stocks (Cost $88,717,098)		**101,659,025**

	Principal Amount ($)	Value ($)
Government & Agency Obligation 0.8%		
US Treasury Obligation		
US Treasury Bill, 0.19%**, 3/18/2010 (b) (Cost $762,694)	763,000	**762,923**

	Shares	Value ($)
Securities Lending Collateral 6.4%		
Daily Assets Fund Institutional, 0.17% (c) (d) (Cost $6,605,450)	6,605,450	**6,605,450**
Cash Equivalents 0.6%		
Central Cash Management Fund, 0.14% (c) (Cost $655,143)	655,143	**655,143**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $96,740,385)†	106.4	**109,682,541**
Other Assets and Liabilities, Net	(6.4)	**(6,590,104)**
Net Assets	100.0	**103,092,437**

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

* Non-income producing security.

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

† The cost for federal income tax purposes was $98,038,774. At December 31, 2009, net unrealized appreciation for all securities based on tax cost was $11,643,767. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $15,303,333 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $3,659,566.

(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, 2009 amounted to $6,339,220, which is 6.1% of net assets.

(b) At December 31, 2009, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.

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

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

ADR: American Depositary Receipt

REIT: Real Estate Investment Trust

At December 31, 2009, open futures contracts purchased were as follows:

Futures	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Appreciation ($)
S&P E-Mini 500 Index	USD	3/19/2010	21	1,166,235	**7,773**

Currency Abbreviations	
USD	United States Dollar

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

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes significant unobservable inputs (including the Portfolio's own assumptions in determining the fair value of investments). The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of December 31, 2009 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to the Financial Statements.

Assets	Level 1	Level 2	Level 3	Total
Common Stocks and/or Other Equity Investments (e)	$ 101,659,025	$ —	$ —	$ 101,659,025
Short-Term Investments (e)	7,260,593	762,923	—	8,023,516
Derivatives (f)	7,773	—	—	7,773
Total	**$ 108,927,391**	**$ 762,923**	**$ —**	**$ 109,690,314**

(e) See Investment Portfolio for additional detailed categorizations.

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

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2009

Assets	
Investments:	
Investments in securities, at value (cost $89,479,792), including $6,339,220 of securities loaned	$ 102,421,948
Investment in Daily Assets Fund Institutional (cost $6,605,450)*	6,605,450
Investment in Central Cash Management Fund (cost $655,143)	655,143
Total investments, at value (cost $96,740,385)	109,682,541
Cash	9,927
Foreign currency, at value (cost $1,794)	1,756
Dividends receivable	83,854
Interest receivable	9,291
Receivable for Portfolio shares sold	91,331
Foreign taxes recoverable	666
Other assets	2,015
Total assets	109,881,381
Liabilities	
Payable for Portfolio shares redeemed	50,578
Payable for daily variation margin on open futures contracts	12,335
Payable upon return of securities loaned	6,605,450
Accrued management fee	70,607
Accrued distribution service fee (Class B)	439
Other accrued expenses and payables	49,535
Total liabilities	6,788,944
Net assets, at value	**$ 103,092,437**
Net Assets Consist of	
Undistributed net investment income	1,542,732
Net unrealized appreciation (depreciation) on:	
Investments	12,942,156
Futures	7,773
Foreign currency	(39)
Accumulated net realized gain (loss)	(58,573,990)
Paid-in capital	147,173,805
Net assets, at value	**$ 103,092,437**
Class A	
Net Asset Value, offering and redemption price per share ($101,019,398 ÷ 15,048,001 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 6.71**
Class B	
Net Asset Value, offering and redemption price per share ($2,073,039 ÷ 309,228 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 6.70**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2009

Investment Income	
Income:	
Dividends (net of foreign taxes withheld of $6,319)	$ 1,972,178
Interest	1,157
Income distributions — affiliated cash management vehicles	8,930
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	131,785
Total Income	2,114,050
Expenses:	
Management fee	362,304
Administration fee	92,899
Custodian fee	20,879
Distribution service fee (Class B)	4,623
Services to shareholders	3,738
Trustees' fees and expenses	4,231
Audit and tax fees	45,060
Reports to shareholders	25,895
Legal fees	19,507
Other	11,752
Total expenses before expense reductions	590,888
Expense reductions	(84,395)
Total expenses after expense reductions	506,493
Net investment income (loss)	**1,607,557**
Realized and Unrealized Gain (Loss)	
Net realized gain (loss) from:	
Investments	(17,920,694)
Futures	446,975
	(17,473,719)
Change in net unrealized appreciation (depreciation) on:	
Investments	42,917,846
Futures	(34,096)
Foreign currency	268
	42,884,018
Net gain (loss)	**25,410,299**
Net increase (decrease) in net assets resulting from operations	**$ 27,017,856**

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, 2009	2008
Operations:		
Net investment income (loss)	$ 1,607,557	$ 2,027,933
Net realized gain (loss)	(17,473,719)	(29,199,764)
Change in net unrealized appreciation (depreciation)	42,884,018	(40,800,532)
Net increase (decrease) in net assets resulting from operations	27,017,856	(67,972,363)
Distributions to shareholders from:		
Net investment income:		
Class A	(1,967,417)	(3,050,163)
Class B	(35,839)	(190,157)
Net realized gains:		
Class A	—	(35,948,939)
Class B	—	(2,803,004)
Total distributions	(2,003,256)	(41,992,263)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	5,456,883	5,212,323
Reinvestment of distributions	1,967,417	38,999,102
Cost of shares redeemed	(25,400,088)	(40,183,360)
Net increase (decrease) in net assets from Class A share transactions	(17,975,788)	4,028,065
Class B		
Proceeds from shares sold	93,741	295,876
Reinvestment of distributions	35,839	2,993,161
Cost of shares redeemed	(431,050)	(11,145,692)
Net increase (decrease) in net assets from Class B share transactions	(301,470)	(7,856,655)
Increase (decrease) in net assets	6,737,342	(113,793,216)
Net assets at beginning of period	96,355,095	210,148,311
Net assets at end of period (including undistributed net investment income of $1,542,732 and $1,938,429, respectively)	**$ 103,092,437**	**$ 96,355,095**

Other Information

Class A		
Shares outstanding at beginning of period	18,437,278	18,082,818
Shares sold	954,520	749,218
Shares issued to shareholders in reinvestment of distributions	399,070	5,038,643
Shares redeemed	(4,742,867)	(5,433,401)
Net increase (decrease) in Class A shares	(3,389,277)	354,460
Shares outstanding at end of period	**15,048,001**	**18,437,278**
Class B		
Shares outstanding at beginning of period	364,787	1,355,326
Shares sold	16,377	42,150
Shares issued to shareholders in reinvestment of distributions	7,270	387,214
Shares redeemed	(79,206)	(1,419,903)
Net increase (decrease) in Class B shares	(55,559)	(990,539)
Shares outstanding at end of period	**309,228**	**364,787**

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

Financial Highlights

Class A

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$ 5.12**	**$10.81**	**$10.94**	**$ 9.72**	**$ 9.29**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.10	.10	.13	.13[c]	.10
Net realized and unrealized gain (loss)	1.61	(3.45)	.02	1.19	.45
Total from investment operations	1.71	(3.35)	.15	1.32	.55
Less distributions from:					
Net investment income	(.12)	(.18)	(.13)	(.10)	(.12)
Net realized gains	—	(2.16)	(.15)	—	—
Total distributions	(.12)	(2.34)	(.28)	(.10)	(.12)
Net asset value, end of period	**$ 6.71**	**$ 5.12**	**$10.81**	**$10.94**	**$ 9.72**
Total Return (%)[b]	34.15	(38.31)	1.36	13.63[c]	6.07
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	101	94	196	280	294
Ratio of expenses before expense reductions (%)	.63	.60	.57	.56	.57
Ratio of expenses after expense reductions (%)	.54	.54	.56	.54	.54
Ratio of net investment income (loss) (%)	1.74	1.34	1.18	1.24[c]	1.10
Portfolio turnover rate (%)	82	130	310	105	115

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

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

c *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Funds. The non-recurring income resulted in an increase in net investment income of $0.007 per share and an increase in the ratio of net investment income of 0.07%. Excluding this non-recurring income, total return would have been 0.06% lower.*

Class B

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$ 5.12**	**$10.77**	**$10.90**	**$ 9.68**	**$ 9.25**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.08	.08	.09	.09[c]	.07
Net realized and unrealized gain (loss)	1.60	(3.42)	.02	1.19	.45
Total from investment operations	1.68	(3.34)	.11	1.28	.52
Less distributions from:					
Net investment income	(.10)	(.15)	(.09)	(.06)	(.09)
Net realized gains	—	(2.16)	(.15)	—	—
Total distributions	(.10)	(2.31)	(.24)	(.06)	(.09)
Net asset value, end of period	**$ 6.70**	**$ 5.12**	**$10.77**	**$10.90**	**$ 9.68**
Total Return (%)[b]	33.64	(38.29)	1.00	13.28[c]	5.73
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	2	2	15	52	47
Ratio of expenses before expense reductions (%)	.89	.82	.95	.94	.95
Ratio of expenses after expense reductions (%)	.80	.77	.92	.89	.89
Ratio of net investment income (loss) (%)	1.48	1.12	.82	.89[c]	.75
Portfolio turnover rate (%)	82	130	310	105	115

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

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

c *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Funds. The non-recurring income resulted in an increase in net investment income of $0.007 per share and an increase in the ratio of net investment income of 0.07%. Excluding this non-recurring income, total return would have been 0.06% lower.*

DWS Capital Growth VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please contact your participating insurance company for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

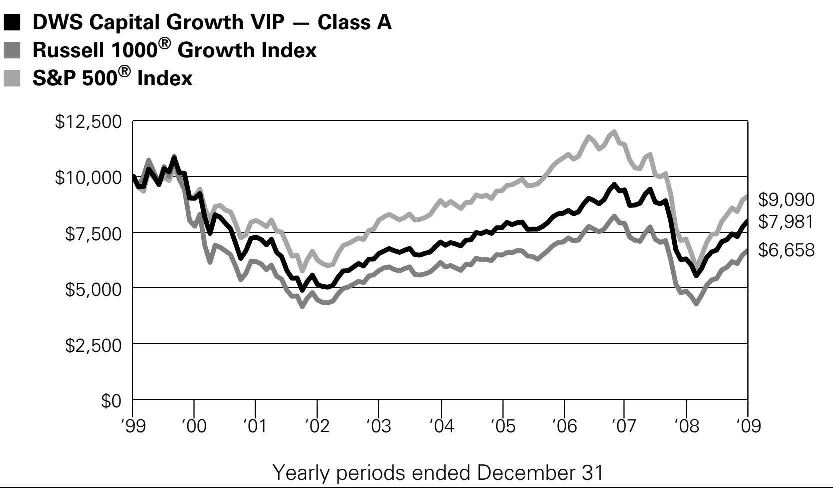
The gross expense ratios of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2009 are 0.50% and 0.85% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

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

Risk Considerations

The Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Please read this Portfolio's prospectus for specific information regarding its investments and risk profile.

Growth of an Assumed $10,000 Investment



The Russell 1000® Growth Index is an unmanaged, capitalization-weighted index containing those securities in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth values. On April 1, 2009 the Russell 1000® Growth Index replaced the S&P 500® Index as the Portfolio's benchmark index because the Advisor believes that it more accurately reflects the Portfolio's investment strategy. The Standard & Poor's 500® (S&P 500) Index is an unmanaged, capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Index returns assume the reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Capital Growth VIP		1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$12,687	$9,573	$11,320	$7,981
	Average annual total return	26.87%	–1.44%	2.51%	–2.23%
Russell 1000 Growth Index	Growth of $10,000	$13,721	$9,445	$10,844	$6,658
	Average annual total return	37.21%	–1.89%	1.63%	–3.99%
S&P 500 Index	Growth of $10,000	$12,646	$8,405	$10,211	$9,090
	Average annual total return	26.46%	–5.63%	.42%	–.95%

DWS Capital Growth VIP		1-Year	3-Year	5-Year	10-Year
Class B	Growth of $10,000	$12,649	$9,477	$11,124	$7,721
	Average annual total return	26.49%	–1.77%	2.15%	–2.55%
Russell 1000 Growth Index	Growth of $10,000	$13,721	$9,445	$10,844	$6,658
	Average annual total return	37.21%	–1.89%	1.63%	–3.99%
S&P 500 Index	Growth of $10,000	$12,646	$8,405	$10,211	$9,090
	Average annual total return	26.46%	–5.63%	.42%	–.95%

The growth of $10,000 is cumulative.

Information About Your Portfolio's Expenses

DWS Capital Growth VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (July 1, 2009 to December 31, 2009).

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, 2009

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/09	$1,000.00	$1,000.00
Ending Account Value 12/31/09	$1,193.10	$1,191.50
Expenses Paid per $1,000*	$ 2.71	$ 4.53

Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/09	$1,000.00	$1,000.00
Ending Account Value 12/31/09	$1,022.74	$1,021.07
Expenses Paid per $1,000*	$ 2.50	$ 4.18

* *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%	.82%

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

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

DWS Capital Growth VIP

DWS Capital Growth VIP's most recent fiscal year ended December 31, 2009 constituted a tale of two markets, as equities continued to endure intense volatility due to the financial crisis and the global recession during the first two months of the period, but began to stage a strong rally following the market low on March 9, 2009. During 2009, earnings for many high-profile companies exceeded expectations, surprising analysts after several months of disappointing results. As hope emerged that the economic downturn had finally ended, economic statistics improved. Government programs that helped to restore global liquidity contributed to the market's bounce back. In addition, US gross domestic product (GDP, the value of goods and services in an economy) began the year with a quarter-over-quarter decline of -6.4%, but — fueled by global fiscal stimulus — rebounded in the third quarter to +2.8%. Many analysts remain cautious, however, as US unemployment remains at 10%, with a large number of people unable to find a job or the level of job that they want.

For the 12 months ended December 31, 2009, the Portfolio returned 26.87% (Class A shares, unadjusted for contract charges), compared with the 37.21% return of the Russell 1000® Growth Index, the Portfolio's benchmark.

During the period, stock selection and sector allocation detracted from performance. The largest positive contribution to Portfolio performance came from the industrials sector, where we added to our position as the stock market rally gained momentum in the second and third quarters. In the information technology sector, several companies that are benefiting from the trend to handheld communications were additive to performance. The largest detractor from relative return came from the Portfolio's overweight position in health care stocks.[1] The sector underperformed the broader market over much of the period as worries concerning the elements of possible health care legislation beset these stocks. The Portfolio's holdings within biotechnology were also negative for relative performance. Going forward, we will continue to seek high-quality companies that we believe will outperform in the long run, with lower overall risk.

Owen Fitzpatrick, CFA
Lead Portfolio Manager

Thomas M. Hynes, Jr., CFA
Brendan O'Neill, CFA
Portfolio Managers

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. On April 1, 2009 the Russell 1000 Growth Index replaced the S&P 500® Index as the Portfolio's benchmark index because the Advisor believes that it more accurately reflects the Portfolio's investment strategy. The Standard & Poor's 500® (S&P 500) Index is an unmanaged, capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

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

1 *"Overweight" means the portfolio holds a higher weighting in a given sector or security than the benchmark. "Underweight" means the portfolio holds a lower weighting.*

Portfolio management market commentary is as of December 31, 2009, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results. Current and future portfolio holdings are subject to risk.

Portfolio Summary

DWS Capital Growth VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**12/31/09**	**12/31/08**
Common Stocks	99%	97%
Cash Equivalents	1%	3%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**12/31/09**	**12/31/08**
Information Technology	34%	22%
Health Care	17%	22%
Industrials	12%	10%
Consumer Discretionary	11%	8%
Consumer Staples	8%	15%
Energy	6%	10%
Materials	5%	8%
Financials	4%	3%
Telecommunication Services	2%	1%
Utilities	1%	1%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 31. A complete list of portfolio holdings of the Portfolio is posted as of the month end on www.dws-investments.com on or about the 15th day of the following month. More frequent posting of portfolio holdings information may be made from time to time on www.dws-investments.com.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Capital Growth VIP

	Shares	Value ($)
Common Stocks 99.0%		
Consumer Discretionary 11.3%		
Hotels Restaurants & Leisure 2.5%		
Darden Restaurants, Inc.	175,800	6,165,306
Marriott International, Inc. "A" (a)	264,811	7,216,100
McDonald's Corp.	80,200	5,007,688
		18,389,094
Media 1.7%		
Scripps Networks Interactive "A"	299,200	**12,416,800**
Multiline Retail 2.5%		
Dollar General Corp.*	90,900	2,038,887
Kohl's Corp.*	147,700	7,965,461
Nordstrom, Inc. (a)	207,300	7,790,334
		17,794,682
Specialty Retail 2.4%		
Limited Brands, Inc. (a)	553,300	10,645,492
TJX Companies, Inc. (a)	179,000	6,542,450
		17,187,942
Textiles, Apparel & Luxury Goods 2.2%		
NIKE, Inc. "B" (a)	244,415	**16,148,499**
Consumer Staples 8.3%		
Beverages 2.2%		
PepsiCo, Inc.	260,625	**15,846,000**
Food & Staples Retailing 2.8%		
Sysco Corp. (a)	303,400	8,476,996
Wal-Mart Stores, Inc.	224,600	12,004,870
		20,481,866
Household Products 3.3%		
Church & Dwight Co., Inc. (a)	85,100	5,144,295
Colgate-Palmolive Co.	101,040	8,300,436
Energizer Holdings, Inc.* (a)	172,700	10,583,056
		24,027,787
Energy 6.2%		
Energy Equipment & Services 2.9%		
Cameron International Corp.* (a)	146,000	6,102,800
Schlumberger Ltd. (a)	126,800	8,253,412
Transocean Ltd.*	83,572	6,919,762
		21,275,974
Oil, Gas & Consumable Fuels 3.3%		
Alpha Natural Resources, Inc.*	174,800	7,582,824
Anadarko Petroleum Corp.	94,100	5,873,722
ExxonMobil Corp.	81,900	5,584,761
Occidental Petroleum Corp.	58,395	4,750,433
		23,791,740
Financials 3.9%		
Capital Markets 1.9%		
T. Rowe Price Group, Inc. (a)	265,300	**14,127,225**
Diversified Financial Services 2.0%		
IntercontinentalExchange, Inc.* (a)	80,800	9,073,840
JPMorgan Chase & Co.	123,200	5,133,744
		14,207,584
Health Care 16.9%		
Biotechnology 7.8%		
Amgen, Inc.*	167,600	9,481,132
Celgene Corp.* (a)	441,170	24,564,346

	Shares	Value ($)
Gilead Sciences, Inc.*	420,805	18,212,440
Myriad Genetics, Inc.*	178,800	4,666,680
		56,924,598
Health Care Equipment & Supplies 2.5%		
Edwards Lifesciences Corp.*	112,100	9,735,885
St. Jude Medical, Inc.*	232,100	8,536,638
		18,272,523
Health Care Providers & Services 4.8%		
Express Scripts, Inc.*	172,900	14,947,205
Laboratory Corp. of America Holdings* (a)	103,300	7,730,972
UnitedHealth Group, Inc.	394,500	12,024,360
		34,702,537
Pharmaceuticals 1.8%		
Abbott Laboratories	158,200	8,541,218
Johnson & Johnson	63,706	4,103,303
		12,644,521
Industrials 11.9%		
Aerospace & Defense 4.9%		
Rockwell Collins, Inc. (a)	249,000	13,784,640
TransDigm Group, Inc.	163,600	7,769,364
United Technologies Corp.	196,500	13,639,065
		35,193,069
Commercial Services & Supplies 1.1%		
Stericycle, Inc.* (a)	146,400	**8,076,888**
Electrical Equipment 3.4%		
AMETEK, Inc. (a)	359,300	13,739,632
Roper Industries, Inc. (a)	211,500	11,076,255
		24,815,887
Machinery 1.1%		
Parker Hannifin Corp. (a)	144,500	**7,785,660**
Road & Rail 1.4%		
Norfolk Southern Corp. (a)	199,700	**10,468,274**
Information Technology 33.6%		
Communications Equipment 7.6%		
Cisco Systems, Inc.*	1,267,155	30,335,691
QUALCOMM, Inc.	541,870	25,066,906
		55,402,597
Computers & Peripherals 9.9%		
Apple, Inc.* (a)	157,254	33,158,578
EMC Corp.*	756,015	13,207,582
Hewlett-Packard Co.	316,000	16,277,160
International Business Machines Corp.	71,210	9,321,389
		71,964,709
Internet Software & Services 3.3%		
Google, Inc. "A"* (a)	39,025	**24,194,720**
IT Services 1.0%		
Accenture PLC "A" (a)	181,400	**7,528,100**
Semiconductors & Semiconductor Equipment 5.0%		
Broadcom Corp. "A"* (a)	567,000	17,832,150
Intel Corp.	908,790	18,539,315
		36,371,465

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

	Shares	Value ($)
Software 6.8%		
Check Point Software Technologies Ltd.* (a)	176,200	5,969,656
Microsoft Corp. (a)	772,380	23,549,866
Oracle Corp.	803,255	19,711,878
		49,231,400

Materials 4.7%

	Shares	Value ($)
Chemicals		
Celanese Corp. "A"	159,300	5,113,530
Monsanto Co.	221,945	18,144,004
The Mosaic Co. (a)	187,200	11,181,457
		34,438,991

Telecommunication Services 1.7%

	Shares	Value ($)
Wireless Telecommunication Services		
American Tower Corp. "A"*	279,700	**12,085,837**

Utilities 0.5%

	Shares	Value ($)
Electric Utilities		
FPL Group, Inc. (a)	75,000	**3,961,500**
Total Common Stocks (Cost $521,126,042)		**719,758,469**

Securities Lending Collateral 31.3%

	Shares	Value ($)
Daily Assets Fund Institutional, 0.17% (b) (c) (Cost $228,041,689)	228,041,689	**228,041,689**

Cash Equivalents 1.1%

	Shares	Value ($)
Central Cash Management Fund, 0.14% (b) (Cost $7,806,725)	7,806,725	**7,806,725**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $756,974,456)†	131.4	**955,606,883**
Other Assets and Liabilities, Net	(31.4)	**(228,484,046)**
Net Assets	100.0	**727,122,837**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $759,750,255. At December 31, 2009, net unrealized appreciation for all securities based on tax cost was $195,856,628. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $200,332,150 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $4,475,522.*

(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, 2009 amounted to $220,915,066, which is 30.4% of net assets.*

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

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

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes significant unobservable inputs (including the Portfolio's own assumptions in determining the fair value of investments). The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of December 31, 2009 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to the Financial Statements.

Assets	Level 1	Level 2	Level 3	Total
Common Stocks and/or Other Equity Investments (d)	$ 719,758,469	$ —	$ —	$ 719,758,469
Short-Term Investments (d)	235,848,414	—	—	235,848,414
Total	**$ 955,606,883**	**$ —**	**$ —**	**$ 955,606,883**

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

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2009

Assets		
Investments:		
Investments in securities, at value (cost $521,126,042), including $220,915,066 of securities loaned	$	719,758,469
Investment in Daily Assets Fund Institutional (cost $228,041,689)*		228,041,689
Investment in Central Cash Management Fund (cost $7,806,725)		7,806,725
Total investments, at value (cost $756,974,456)		955,606,883
Foreign currency, at value (cost $127,567)		137,057
Receivable for Portfolio shares sold		16,344
Dividends receivable		395,397
Interest receivable		13,898
Foreign taxes recoverable		72,707
Due from Advisor		1,391
Other assets		17,007
Total assets		956,260,684
Liabilities		
Payable for Portfolio shares redeemed		615,512
Payable upon return of securities loaned		228,041,689
Accrued management fee		282,978
Accrued distribution service fee (Class B)		1,914
Other accrued expenses and payables		195,754
Total liabilities		229,137,847
Net assets, at value	**$**	**727,122,837**
Net Assets Consist of		
Undistributed net investment income		6,123,423
Net unrealized appreciation (depreciation) on:		
Investments		198,632,427
Foreign currency		17,138
Accumulated net realized gain (loss)		(258,259,136)
Paid-in capital		780,608,985
Net assets, at value	**$**	**727,122,837**
Class A		
Net Asset Value, offering and redemption price per share ($714,888,113 ÷ 42,229,316 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**16.93**
Class B		
Net Asset Value, offering and redemption price per share ($12,234,724 ÷ 725,636 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**16.86**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2009

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $7,807)	$	8,947,719
Interest		3,385
Income distributions — affiliated cash management vehicles		53,857
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		487,978
Total Income		9,492,939
Expenses:		
Management fee		2,425,388
Administration fee		647,367
Custodian fee		53,457
Distribution service fee (Class B)		27,575
Record keeping fee (Class B)		10,003
Services to shareholders		16,017
Professional fees		104,446
Trustees' fees and expenses		9,724
Reports to shareholders		30,822
Other		24,310
Total expenses before expense reductions		3,349,109
Expense reductions		(155,440)
Total expenses after expense reductions		3,193,669
Net investment income (loss)		**6,299,270**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		(29,080,732)
Foreign currency		78
Payments by affiliates (see Note G)		559
		(29,080,095)
Change in net unrealized appreciation (depreciation) on:		
Investments		184,130,299
Foreign currency		11,335
		184,141,634
Net gain (loss)		**155,061,539**
Net increase (decrease) in net assets resulting from operations	**$**	**161,360,809**

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

Statement of Changes in Net Assets

	Years Ended December 31, 2009	2008
Operations:		
Net investment income (loss)	$ 6,299,270	$ 7,814,207
Net realized gain (loss)	(29,080,095)	23,172,997
Change in net unrealized appreciation (depreciation)	184,141,634	(355,389,503)
Net increase (decrease) in net assets resulting from operations	161,360,809	(324,402,299)
Distributions to shareholders from:		
Net investment income:		
Class A	(7,997,037)	(9,355,147)
Class B	(116,634)	(96,190)
Total distributions	(8,113,671)	(9,451,337)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	18,231,110	23,952,264
Net assets acquired in tax-free reorganization*	66,828,943	—
Reinvestment of distributions	7,997,037	9,355,147
Cost of shares redeemed	(122,840,820)	(169,314,485)
Net increase (decrease) in net assets from Class A share transactions	(29,783,730)	(136,007,074)
Class B		
Proceeds from shares sold	1,745,917	1,473,846
Reinvestment of distributions	116,634	96,190
Cost of shares redeemed	(2,624,791)	(4,263,172)
Net increase (decrease) in net assets from Class B share transactions	(762,240)	(2,693,136)
Increase (decrease) in net assets	122,701,168	(472,553,846)
Net assets at beginning of period	604,421,669	1,076,975,515
Net assets at end of period (including undistributed net investment income of $6,123,423 and $7,945,917, respectively)	**$ 727,122,837**	**$ 604,421,669**

Other Information		
Class A		
Shares outstanding at beginning of period	43,844,542	51,857,448
Shares sold	1,329,558	1,366,508
Shares issued in tax-free reorganization*	5,009,687	—
Shares issued to shareholders in reinvestment of distributions	644,923	468,930
Shares redeemed	(8,599,394)	(9,848,344)
Net increase (decrease) in Class A shares	(1,615,226)	(8,012,906)
Shares outstanding at end of period	**42,229,316**	**43,844,542**
Class B		
Shares outstanding at beginning of period	777,803	920,834
Shares sold	124,580	89,671
Shares issued to shareholders in reinvestment of distributions	9,421	4,831
Shares redeemed	(186,168)	(237,533)
Net increase (decrease) in Class B shares	(52,167)	(143,031)
Shares outstanding at end of period	**725,636**	**777,803**

* *On April 24, 2009 DWS Janus Growth & Income VIP was acquired by the Portfolio through a tax-free reorganization (see Note H).*

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

Financial Highlights

Class A

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$13.55**	**$20.41**	**$18.24**	**$16.90**	**$15.67**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.14	.16	.17[d]	.13[c]	.10
Net realized and unrealized gain (loss)	3.43	(6.83)	2.12	1.31	1.29
Total from investment operations	3.57	(6.67)	2.29	1.44	1.39
Less distributions from:					
Net investment income	(.19)	(.19)	(.12)	(.10)	(.16)
Net asset value, end of period	**$16.93**	**$13.55**	**$20.41**	**$18.24**	**$16.90**
Total Return (%)[b]	26.87	(32.98)	12.59	8.53[c]	8.96
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	715	594	1,058	1,131	1,031
Ratio of expenses before expense reductions (%)	.51	.50	.53	.52	.50
Ratio of expenses after expense reductions (%)	.49	.49	.52	.49	.49
Ratio of net investment income (loss) (%)	.98	.89	.86[d]	.73[c]	.61
Portfolio turnover rate (%)	76	21	30	16	17

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

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

[c] *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Funds. The non-recurring income resulted in an increase in net investment income of $0.007 per share and an increase in the ratio of net investment income of 0.04%. Excluding this non-recurring income, total return would have been 0.03% lower.*

[d] *Net investment income per share and ratio of net investment income include non-recurring dividend income amounting to $0.03 per share and 0.17% of average daily net assets, respectively.*

Class B

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$13.49**	**$20.31**	**$18.15**	**$16.81**	**$15.59**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.09	.10	.09[d]	.06[c]	.04
Net realized and unrealized gain (loss)	3.43	(6.81)	2.12	1.31	1.28
Total from investment operations	3.52	(6.71)	2.21	1.37	1.32
Less distributions from:					
Net investment income	(.15)	(.11)	(.05)	(.03)	(.10)
Net asset value, end of period	**$16.86**	**$13.49**	**$20.31**	**$18.15**	**$16.81**
Total Return (%)[b]	26.49	(33.20)	12.18	8.17[c]	8.51
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	12	10	19	107	73
Ratio of expenses before expense reductions (%)	.85	.85	.94	.91	.89
Ratio of expenses after expense reductions (%)	.82	.82	.90	.86	.86
Ratio of net investment income (loss) (%)	.65	.56	.48[d]	.36[c]	.24
Portfolio turnover rate (%)	76	21	30	16	17

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

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

[c] *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Funds. The non-recurring income resulted in an increase in net investment income of $0.007 per share and an increase in the ratio of net investment income of 0.04%. Excluding this non-recurring income, total return would have been 0.03% lower.*

[d] *Net investment income per share and ratio of net investment income include non-recurring dividend income amounting to $0.03 per share and 0.17% of average daily net assets, respectively.*

Performance Summary

December 31, 2009

DWS Global Opportunities VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please contact your participating insurance company for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

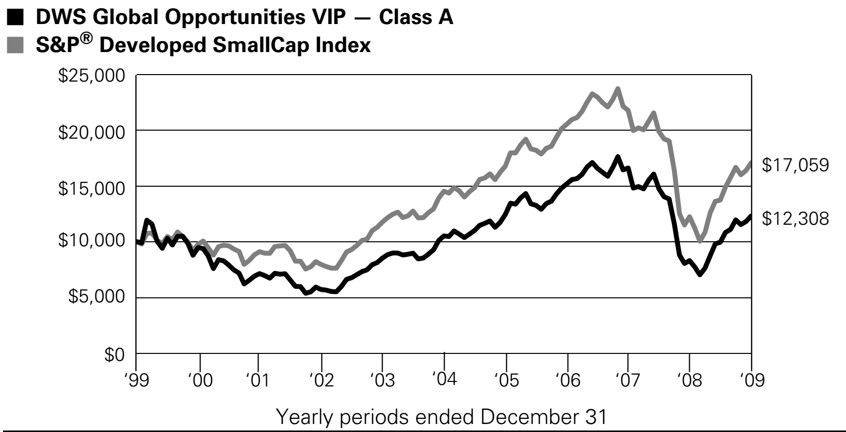
The gross expense ratios of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2009 are 1.11% and 1.42% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

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

Risk Considerations

This Portfolio is subject to stock market risk. Investing in foreign securities presents certain risks, such as currency fluctuations, political and economic changes and market risks. Additionally, stocks of small-sized companies involve greater risk as they often have limited product lines, markets, or financial resources and may be sensitive to erratic and abrupt market movements more so than securities of larger, more-established companies. All of these factors may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed $10,000 Investment



The S&P® Developed SmallCap Index is an unmanaged index of small-capitalization stocks within 26 countries around the globe.

Index returns assume the reinvestment of dividends net of withholding tax and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Global Opportunities VIP		1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$14,820	$8,107	$11,697	$12,308
	Average annual total return	48.20%	–6.75%	3.19%	2.10%
S&P Developed SmallCap Index	Growth of $10,000	$13,943	$8,318	$11,751	$17,059
	Average annual total return	39.43%	–5.96%	3.28%	5.49%

DWS Global Opportunities VIP		1-Year	3-Year	5-Year	10-Year
Class B	Growth of $10,000	$14,766	$8,015	$11,534	$11,985
	Average annual total return	47.66%	–7.11%	2.89%	1.83%
S&P Developed SmallCap Index	Growth of $10,000	$13,943	$8,318	$11,751	$17,059
	Average annual total return	39.43%	–5.96%	3.28%	5.49%

The growth of $10,000 is cumulative.

Information About Your Portfolio's Expenses

DWS Global Opportunities VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (July 1, 2009 to December 31, 2009).

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, 2009

Actual Portfolio Return	Class A	Class B
Beginning Account Value 7/1/09	$1,000.00	$1,000.00
Ending Account Value 12/31/09	$1,237.20	$1,235.80
Expenses Paid per $1,000*	$ 5.70	$ 7.50
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/09	$1,000.00	$1,000.00
Ending Account Value 12/31/09	$1,020.11	$1,018.50
Expenses Paid per $1,000*	$ 5.14	$ 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 I — DWS Global Opportunities VIP	1.01%	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.

DWS Global Opportunities VIP

DWS Global Opportunities VIP generated a total return of 48.20% in 2009, outperforming the 39.43% return of its benchmark, the S&P® Developed SmallCap Index, by a wide margin.

A key factor in the Portfolio's outperformance was our effort to strike a balance between growth and risk. In the early part of the period, we took a defensive approach as we awaited greater clarity on the extent of the global financial crisis. In February, March and April 2009, with stocks at multiyear lows and historically cheap valuations, we decided to take on more risk. The result was that we were able to participate fully in equities' strong upside during the spring and summer rather than having to "chase" the rising market. We believe this balanced approach, which helps keep us from being caught flat-footed by shifts in the market environment, is critical in effectively managing a small-cap growth portfolio.

We generated the largest degree of outperformance in financials, where our return outpaced the gain for the financial stocks in the benchmark. The Portfolio's performance was helped by both strong stock selection and an underweight position.[1] Our top contributors in financials were REXLot Holdings Ltd., Ashmore Group PLC and Midland Holdings Ltd. Our performance was similarly strong in consumer staples, where our gain was well ahead of the return of the broader sector. Here, our top-performing holding was Green Mountain Coffee Roasters, Inc., which gained over 200%. Our stock selection was least effective in health care, due in part to positions in Fresenius Medical Care AG & Co. KGaA and Thoratec Corp.

Joseph Axtell, CFA
Portfolio Manager

The S&P® Developed SmallCap Index is an unmanaged index of small-capitalization stocks within 26 countries around the globe.

Index returns assume the reinvestment of dividends net of withholding tax and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

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, 2009, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results. Current and future portfolio holdings are subject to risk.

Portfolio Summary

DWS Global Opportunities VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**12/31/09**	**12/31/08**
Common Stocks	97%	99%
Cash Equivalents	2%	1%
Participatory Notes	1%	—
	100%	100%

Geographical Diversification (As a % of Investment Portfolio excluding Cash Equivalents and Securities Lending Collateral)	**12/31/09**	**12/31/08**
United States	40%	41%
Continental Europe	27%	35%
Pacific Basin	13%	5%
Japan	8%	7%
United Kingdom	7%	8%
Canada	2%	1%
Latin America	1%	1%
Australia	1%	1%
Other	1%	1%
	100%	100%

Sector Diversification (As a % of Investment Portfolio excluding Cash Equivalents and Securities Lending Collateral)	**12/31/09**	**12/31/08**
Industrials	18%	20%
Information Technology	16%	18%
Consumer Discretionary	16%	10%
Health Care	16%	21%
Financials	12%	12%
Energy	10%	9%
Materials	6%	1%
Consumer Staples	5%	5%
Utilities	1%	4%
	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 40. A complete list of portfolio holdings of the Portfolio is posted as of the month end on www.dws-investments.com on or about the 15th day of the following month. More frequent posting of portfolio holdings information may be made from time to time on www.dws-investments.com.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Global Opportunities VIP

	Shares	Value ($)
Common Stocks 97.4%		
Australia 0.6%		
Austal Ltd. (Cost $833,605)	436,371	**907,563**
Austria 1.5%		
IMMOEAST AG*	89,111	488,526
Intercell AG*	11,862	438,898
Wienerberger AG* (a)	67,031	1,216,717
(Cost $1,366,683)		**2,144,141**
Bermuda 0.7%		
Lazard Ltd. "A" (Cost $691,804)	28,300	**1,074,551**
Brazil 1.3%		
Diagnosticos da America SA	33,900	1,100,514
Fleury SA*	76,900	812,287
(Cost $1,495,293)		**1,912,801**
Canada 1.2%		
CAE, Inc.	88,681	743,637
SunOpta, Inc.*	298,600	1,003,296
(Cost $3,467,239)		**1,746,933**
Channel Islands 0.6%		
Randgold Resources Ltd. (ADR) (a) (b) (Cost $635,910)	10,700	**846,584**
China 2.5%		
Minth Group Ltd.	1,153,500	1,699,863
Shanda Games Ltd. (ADR)* (a)	33,100	337,289
VanceInfo Technologies, Inc. (ADR) (a)	80,300	1,542,563
(Cost $1,568,076)		**3,579,715**
Cyprus 0.7%		
Prosafe Production Public Ltd.* (c)	176,023	377,104
Prosafe SE (c)	108,863	689,396
(Cost $1,386,572)		**1,066,500**
France 2.7%		
Financiere Marc de Lacharriere SA	14,359	798,773
Flamel Technologies SA (ADR)* (a)	176,900	1,309,060
JC Decaux SA*	52,648	1,276,475
Meetic*	20,683	563,366
(Cost $4,987,198)		**3,947,674**
Germany 5.8%		
Fresenius Medical Care AG & Co. KGaA	79,607	4,215,046
M.A.X. Automation AG	273,215	926,033
Rational AG (a)	7,384	1,250,848
SGL Carbon SE*	26,500	788,788
United Internet AG (Registered)*	96,943	1,282,020
(Cost $4,129,307)		**8,462,735**
Gibraltar 0.5%		
PartyGaming PLC* (Cost $788,874)	189,604	**792,362**
Greece 1.7%		
Alpha Bank AE*	95,970	1,110,270
Hellenic Exchanges SA	63,600	659,160
Jumbo SA	54,215	688,670
(Cost $2,744,464)		**2,458,100**
Hong Kong 6.7%		
Dah Sing Banking Group Ltd.*	217,000	323,699
Inspur International Ltd.	7,345,000	1,040,430
K Wah International Holdings Ltd.	2,145,000	791,511
Kingboard Chemical Holdings Ltd.	393,140	1,559,069
Midland Holdings Ltd.	2,342,357	2,008,165
REXLot Holdings Ltd. (d)	16,025,000	1,788,897
Tianneng Power International Ltd.	1,466,000	674,569
Wing Hang Bank Ltd.	165,200	1,535,058
(Cost $5,931,142)		**9,721,398**
Ireland 4.3%		
Anglo Irish Bank Corp., Ltd.*	225,606	0
C&C Group PLC (e)	149,879	644,572
C&C Group PLC (e)	188,378	812,965
FBD Holdings PLC	23,700	234,511
ICON PLC (ADR)*	46,900	1,019,137
Norkom Group PLC*	292,633	601,798
Paddy Power PLC	41,261	1,462,279
Ryanair Holdings PLC* (e)	2,200	10,301
Ryanair Holdings PLC* (e)	312,536	1,476,443
(Cost $5,133,818)		**6,262,006**
Italy 0.8%		
Prysmian SpA (Cost $1,172,322)	65,175	**1,140,869**
Japan 7.3%		
Dai-ichi Seiko Co., Ltd.	19,900	836,750
Daiseki Co., Ltd. (a)	44,500	895,969
FP Corp.	13,900	626,788
Internet Initiative Japan, Inc. (a)	347	619,337
Megane Top Co., Ltd.	65,400	710,683
Nidec Corp.	16,100	1,480,397
Nippon Seiki Co., Ltd.	70,000	797,251
Nitori Co., Ltd.	11,600	863,136
Shinko Plantech Co., Ltd.	146,900	1,480,632
So-net M3, Inc. (a)	238	717,231
Sumitomo Realty & Development Co., Ltd.	48,000	900,263
Universal Entertainment Corp.* (a)	60,500	752,764
(Cost $8,270,184)		**10,681,201**
Korea 1.5%		
Korean Air Lines Co., Ltd.*	26,400	1,237,969
S&T Dynamics Co., Ltd.*	63,520	891,580
(Cost $1,842,926)		**2,129,549**
Netherlands 3.7%		
Chicago Bridge & Iron Co. NV (NY Registered Shares)* (a)	50,200	1,015,044
Koninklijke Vopak NV	17,377	1,372,882
QIAGEN NV* (a)	65,300	1,458,686
SBM Offshore NV	77,839	1,523,083
(Cost $3,135,235)		**5,369,695**
Singapore 0.9%		
Venture Corp., Ltd. (Cost $744,263)	207,000	**1,298,071**
Spain 1.7%		
Grifols SA	36,465	635,423
Tecnicas Reunidas SA	14,698	840,790
Telvent GIT SA	27,000	1,052,460
(Cost $2,150,802)		**2,528,673**

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

	Shares	Value ($)
Switzerland 2.3%		
Advanced Digital Broadcast Holdings SA (ADB Group) (Registered)*	11,792	587,101
Nobel Biocare Holding AG (Registered)	43,292	1,448,890
Partners Group Holding AG	10,300	1,297,276
(Cost $2,161,101)		**3,333,267**
Taiwan 1.4%		
Compal Electronics, Inc.	971,145	1,335,171
Siliconware Precision Industries Co.	538,743	723,752
(Cost $1,115,439)		**2,058,923**
United Arab Emirates 0.5%		
Lamprell PLC (Cost $791,325)	253,965	**749,391**
United Kingdom 7.2%		
Aegis Group PLC	287,441	549,619
ARM Holdings PLC	575,608	1,645,945
Ashmore Group PLC	331,498	1,441,060
Babcock International Group PLC	142,329	1,364,104
ICAP PLC	74,518	516,417
John Wood Group PLC	128,118	632,887
Michael Page International PLC	254,391	1,542,404
Northgate PLC*	182,822	639,326
Rotork PLC	40,826	781,394
Serco Group PLC	156,242	1,328,316
(Cost $8,464,643)		**10,441,472**
United States 39.3%		
Advance Auto Parts, Inc.	25,350	1,026,168
Aecom Technology Corp.*	50,168	1,379,620
Aeropostale, Inc.*	37,600	1,280,280
Affiliated Managers Group, Inc.* (a)	10,400	700,440
Allegheny Energy, Inc.	72,600	1,704,648
Alpha Natural Resources, Inc.*	28,000	1,214,640
American Eagle Outfitters, Inc.	54,500	925,410
Atlas Air Worldwide Holdings, Inc.*	31,600	1,177,100
BE Aerospace, Inc.*	49,200	1,156,200
BioMarin Pharmaceutical, Inc.* (a)	22,400	421,344
BPZ Resources, Inc.* (a) (f)	90,100	855,950
Cameron International Corp.*	15,900	664,620
Capella Education Co.* (a)	9,000	677,700
Carter's, Inc.*	53,700	1,409,625
Central European Distribution Corp.* (g)	36,600	1,039,806
Chattem, Inc.*	3,700	345,210
Cliffs Natural Resources, Inc.	29,300	1,350,437
Commercial Metals Co.	41,600	651,040
Darling International, Inc.*	87,700	734,926
Deckers Outdoor Corp.*	14,000	1,424,080
Diamond Foods, Inc. (a)	34,300	1,219,022
Dresser-Rand Group, Inc.*	32,800	1,036,808
Edwards Lifesciences Corp.*	10,300	894,555
EXCO Resources, Inc.	51,800	1,099,714
FTI Consulting, Inc.* (a)	40,550	1,912,338
Green Mountain Coffee Roasters, Inc.* (a)	14,350	1,169,095
Harris Corp.	24,300	1,155,465
Itron, Inc.*	28,000	1,891,960
Jefferies Group, Inc.* (a)	55,100	1,307,523
Joy Global, Inc.	34,675	1,788,883
Lam Research Corp.*	21,000	823,410
Lexmark International, Inc. "A"* (a)	30,500	792,390
Life Technologies Corp.*	29,400	1,535,562
ManTech International Corp. "A"*	11,000	531,080
Martin Marietta Materials, Inc. (a)	7,500	670,575
Merge Healthcare, Inc.*	122,625	412,020
Metabolix, Inc.*	47,800	529,146
MiddleBrook Pharmaceuticals, Inc.* (a)	326,934	166,736
MSCI, Inc. "A"*	24,731	786,446
Mylan, Inc.* (a)	27,900	514,197
NxStage Medical, Inc.*	145,300	1,213,255
Owens & Minor, Inc.	27,300	1,171,989
Owens-Illinois, Inc.*	31,500	1,035,405
Rovi Corp.*	24,300	774,441
Schawk, Inc.	31,500	428,400
Schweitzer-Mauduit International, Inc.	32,300	2,272,305
Somanetics Corp.*	58,300	1,023,165
Stericycle, Inc.* (a)	15,900	877,203
Thoratec Corp.* (a)	64,800	1,744,416
TiVo, Inc.*	66,300	674,934
Ultra Petroleum Corp.*	54,600	2,722,356
Urban Outfitters, Inc.* (a)	43,900	1,536,061
Vista Gold Corp.*	153,800	376,810
Waddell & Reed Financial, Inc. "A"	32,300	986,442
(Cost $39,017,740)		**57,213,351**
Total Common Stocks (Cost $104,025,965)		**141,867,525**

Participatory Note 0.5%

Indonesia

	Shares	Value ($)
PT AKR Corporindo Tbk (issuer Merrill Lynch International & Co.), Expiration Date 11/6/2014* (Cost $769,216)	6,135,000	**761,967**

Securities Lending Collateral 13.5%

	Shares	Value ($)
Daily Assets Fund Institutional, 0.17% (h) (i) (Cost $19,662,787)	19,662,787	**19,662,787**

Cash Equivalents 2.2%

	Shares	Value ($)
Central Cash Management Fund, 0.14% (h) (Cost $3,241,782)	3,241,782	**3,241,782**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $127,699,750)†	113.6	**165,534,061**
Other Assets and Liabilities, Net	(13.6)	**(19,812,099)**
Net Assets	100.0	**145,721,962**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $129,036,147. At December 31, 2009, net unrealized appreciation for all securities based on tax cost was $36,497,914. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $46,500,847 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $10,002,933.*

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

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at December 31, 2009 amounted to $18,848,596, which is 12.9% of net assets.*

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

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

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

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

(f) *Security is listed in country of domicile. Significant business activities of company are in Peru and Ecuador.*

(g) *Security is listed in country of domicile. Sigificant business activities of company are in Poland.*

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

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

ADR: American Depositary Receipt

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes significant unobservable inputs (including the Portfolio's own assumptions in determining the fair value of investments). The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of December 31, 2009 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to the Financial Statements.

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stocks				
Australia	$ —	$ 907,563	$ —	$ 907,563
Austria	—	2,144,141	—	2,144,141
Bermuda	1,074,551	—	—	1,074,551
Brazil	1,912,801	—	—	1,912,801
Canada	1,746,933	—	—	1,746,933
Channel Islands	846,584	—	—	846,584
China	1,879,852	1,699,863	—	3,579,715
Cyprus	—	1,066,500	—	1,066,500
France	1,309,060	2,638,614	—	3,947,674
Germany	—	8,462,735	—	8,462,735
Gibraltar	—	792,362	—	792,362
Greece	—	2,458,100	—	2,458,100
Hong Kong	—	9,721,398	—	9,721,398
Ireland	1,019,137	5,242,869	—	6,262,006
Italy	—	1,140,869	—	1,140,869
Japan	—	10,681,201	—	10,681,201
Korea	—	2,129,549	—	2,129,549
Netherlands	1,015,044	4,354,651	—	5,369,695
Singapore	—	1,298,071	—	1,298,071
Spain	1,052,460	1,476,213	—	2,528,673
Switzerland	—	3,333,267	—	3,333,267
Taiwan	—	2,058,923	—	2,058,923
United Arab Emirates	—	749,391	—	749,391
United Kingdom	—	10,441,472	—	10,441,472
United States	57,213,351	—	—	57,213,351
Participatory Note	—	761,967	—	761,967
Short-Term Investments (j)	22,904,569	—	—	22,904,569
Total	**$ 91,974,342**	**$ 73,559,719**	**$ —**	**$ 165,534,061**

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

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2009

Assets		
Investments:		
Investments in securities, at value (cost $104,795,181), including $18,848,596 of securities loaned	$	142,629,492
Investment in Daily Assets Fund Institutional (cost $19,662,787)*		19,662,787
Investment in Central Cash Management Fund (cost $3,241,782)		3,241,782
Total investments, at value (cost $127,699,750)		165,534,061
Foreign currency, at value (cost $10,456)		10,410
Receivable for investments sold		344,090
Receivable for Portfolio shares sold		1,236
Dividends receivable		49,234
Interest receivable		9,812
Foreign taxes recoverable		32,635
Other assets		2,914
Total assets		165,984,392
Liabilities		
Payable for investments purchased		45,382
Payable for Portfolio shares redeemed		381,921
Payable upon return of securities loaned		19,662,787
Accrued management fee		119,903
Accrued distribution service fee (Class B)		1,361
Other accrued expenses and payables		51,076
Total liabilities		20,262,430
Net assets, at value	**$**	**145,721,962**
Net Assets Consist of		
Undistributed net investment income		165,912
Net unrealized appreciation (depreciation) on:		
Investments		37,834,311
Foreign currency		1,268
Accumulated net realized gain (loss)		(23,262,207)
Paid-in capital		130,982,678
Net assets, at value	**$**	**145,721,962**
Class A		
Net Asset Value, offering and redemption price per share ($139,209,415 ÷ 12,301,988 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 ($6,512,547 ÷ 586,186 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.11**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2009

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $110,247)	$	1,625,927
Income distributions — affiliated cash management vehicles		7,655
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		214,228
Other income		2,132
Total Income		1,849,942
Expenses:		
Management fee		1,126,004
Administration fee		126,517
Custodian fee		29,996
Distribution service fee (Class B)		13,933
Services to shareholders		5,982
Record keeping fee (Class B)		3,560
Professional fees		59,745
Trustees' fees and expenses		4,225
Reports to shareholders		24,039
Other		28,144
Total expenses before expense reductions		1,422,145
Expense reductions		(154,823)
Total expenses after expense reductions		1,267,322
Net investment income (loss)		**582,620**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		(7,218,071)
Foreign currency		(49,296)
		(7,267,367)
Change in net unrealized appreciation (depreciation) on:		
Investments		55,597,871
Foreign currency		2,183
		55,600,054
Net gain (loss)		**48,332,687**
Net increase (decrease) in net assets resulting from operations	**$**	**48,915,307**

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	**2009**	**2008**
Operations:		
Net investment income (loss)	$ 582,620	$ 3,472,658
Net realized gain (loss)	(7,267,367)	(11,414,417)
Change in net unrealized appreciation (depreciation)	55,600,054	(135,433,278)
Net increase (decrease) in net assets resulting from operations	48,915,307	(143,375,037)
Distributions to shareholders from:		
Net investment income:		
Class A	(2,053,958)	(606,759)
Class B	(80,052)	—
Net realized gains:		
Class A	—	(38,799,742)
Class B	—	(1,584,503)
Total distributions	(2,134,010)	(40,991,004)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	8,747,386	9,798,954
Reinvestment of distributions	2,053,958	39,406,501
Cost of shares redeemed	(33,699,813)	(64,901,647)
Net increase (decrease) in net assets from Class A share transactions	(22,898,469)	(15,696,192)
Class B		
Proceeds from shares sold	692,203	887,328
Reinvestment of distributions	80,052	1,584,503
Cost of shares redeemed	(1,476,946)	(2,362,537)
Net increase (decrease) in net assets from Class B share transactions	(704,691)	109,294
Increase (decrease) in net assets	23,178,137	(199,952,939)
Net assets at beginning of period	122,543,825	322,496,764
Net assets at end of period (including undistributed net investment income of $165,912 and $298,854, respectively)	**$ 145,721,962**	**$ 122,543,825**

Other Information		
Class A		
Shares outstanding at beginning of period	15,069,861	16,980,253
Shares sold	905,526	754,392
Shares issued to shareholders in reinvestment of distributions	264,685	2,730,873
Shares redeemed	(3,938,084)	(5,395,657)
Net increase (decrease) in Class A shares	(2,767,873)	(1,910,392)
Shares outstanding at end of period	**12,301,988**	**15,069,861**
Class B		
Shares outstanding at beginning of period	669,567	673,793
Shares sold	75,308	67,771
Shares issued to shareholders in reinvestment of distributions	10,492	111,428
Shares redeemed	(169,181)	(183,425)
Net increase (decrease) in Class B shares	(83,381)	(4,226)
Shares outstanding at end of period	**586,186**	**669,567**

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

Financial Highlights

Class A

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$ 7.79**	**$18.28**	**$18.15**	**$15.00**	**$12.77**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.04	.20[d]	.08[d]	.03[c]	.04
Net realized and unrealized gain (loss)	3.64	(8.18)	1.61	3.28	2.27
Total from investment operations	3.68	(7.98)	1.69	3.31	2.31
Less distributions from:					
Net investment income	(.15)	(.04)	(.23)	(.16)	(.08)
Net realized gains	—	(2.47)	(1.33)	—	—
Total distributions	(.15)	(2.51)	(1.56)	(.16)	(.08)
Net asset value, end of period	**$11.32**	**$ 7.79**	**$18.28**	**$18.15**	**$15.00**
Total Return (%)	48.20[b]	(49.96)[b]	9.33[b]	22.08[c]	18.19
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	139	117	310	331	285
Ratio of expenses before expense reductions (%)	1.11	1.11	1.14	1.12	1.17
Ratio of expenses after expense reductions (%)	.99	.99	1.12	1.12	1.17
Ratio of net investment income (loss) (%)	.47	1.53[d]	.45[d]	.16[c]	.32
Portfolio turnover rate (%)	53	21	19	28	30

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

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

c *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Funds. The non-recurring income resulted in an increase in net investment income of $0.002 per share and an increase in the ratio of net investment income of 0.01%. Excluding this non-recurring income, total return would have been 0.01% lower.*

d *Net investment income per share and the ratio of net investment income include non-recurring dividend income amounting to $0.05 and $0.02 per share and 0.37% and 0.09% of average daily net assets for the years ended December 31, 2008 and 2007, respectively.*

Class B

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$ 7.65**	**$18.03**	**$17.93**	**$14.84**	**$12.62**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.02	.16[e]	.01[e]	(.00)[b,d]	.03
Net realized and unrealized gain (loss)	3.57	(8.07)	1.61	3.24	2.24
Total from investment operations	3.59	(7.91)	1.62	3.24	2.27
Less distributions from:					
Net investment income	(.13)	—	(.19)	(.15)	(.05)
Net realized gains	—	(2.47)	(1.33)	—	—
Total distributions	(.13)	(2.47)	(1.52)	(.15)	(.05)
Net asset value, end of period	**$11.11**	**$ 7.65**	**$18.03**	**$17.93**	**$14.84**
Total Return (%)[c]	47.66	(50.16)	8.92	21.88[d]	18.06
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	7	5	12	37	33
Ratio of expenses before expense reductions (%)	1.42	1.42	1.53	1.51	1.54
Ratio of expenses after expense reductions (%)	1.30	1.30	1.50	1.31	1.24
Ratio of net investment income (loss) (%)	.16	1.21[e]	.07[e]	(.03)[d]	.25
Portfolio turnover rate (%)	53	21	19	28	30

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

b *Amount is less than $.005.*

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

d *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Funds. The non-recurring income resulted in an increase in net investment income of $0.002 per share and an increase in the ratio of net investment income of 0.01%. Excluding this non-recurring income, total return would have been 0.01% lower.*

e *Net investment income per share and the ratio of net investment income include non-recurring dividend income amounting to $0.05 and $0.02 per share and 0.37% and 0.09% of average daily net assets for the years ended December 31, 2008 and 2007, respectively.*

DWS International VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please contact your participating insurance company for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

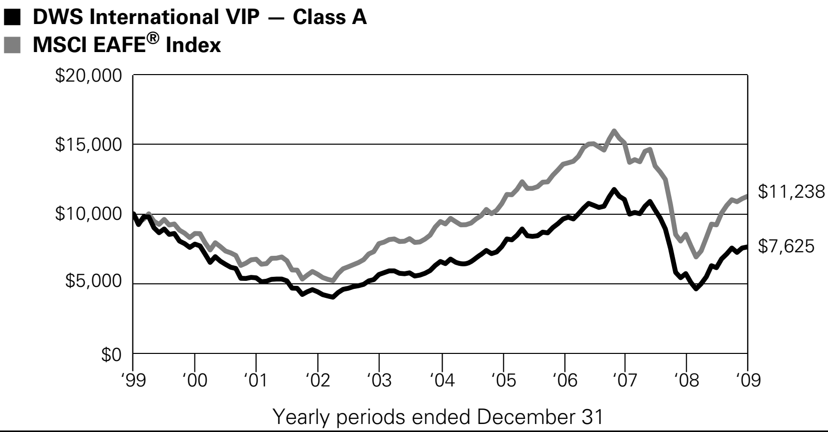
The gross expense ratios of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2009 are 1.01% and 1.33% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

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

Risk Considerations

This Portfolio is subject to stock market risk. Investing in foreign securities presents certain risks, such as currency fluctuation, political and economic changes and market risks. This may result in greater share price volatility. Derivatives may be more volatile and less liquid than traditional securities, and the Portfolio could suffer losses on an underlying Portfolio's derivative position. Investing in securities of emerging markets presents certain risks, such as currency fluctuation, political and economic changes and market risks. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed $10,000 Investment



The Morgan Stanley Capital International (MSCI) Europe, Australasia and Far East (EAFE®) Index is an unmanaged index that tracks international stock performance in the 21 developed markets in Europe, Australasia and the Far East. The index is calculated using closing local market prices and translates into US dollars using the London close foreign exchange rates.

Index returns assume the reinvestment of dividends net of withholding tax and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS International VIP		1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$13,352	$7,923	$11,589	$7,625
	Average annual total return	33.52%	–7.47%	2.99%	–2.68%
MSCI EAFE® Index	Growth of $10,000	$13,178	$8,295	$11,898	$11,238
	Average annual total return	31.78%	–6.04%	3.54%	1.17%

DWS International VIP		1-Year	3-Year	5-Year	10-Year
Class B	Growth of $10,000	$13,289	$7,857	$11,405	$7,435
	Average annual total return	32.89%	–7.72%	2.66%	–2.92%
MSCI EAFE® Index	Growth of $10,000	$13,178	$8,295	$11,898	$11,238
	Average annual total return	31.78%	–6.04%	3.54%	1.17%

The growth of $10,000 is cumulative.

Information About Your Portfolio's Expenses

DWS International VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (July 1, 2009 to December 31, 2009).

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, 2009

Actual Portfolio Return	Class A	Class B
Beginning Account Value 7/1/09	$1,000.00	$1,000.00
Ending Account Value 12/31/09	$1,242.10	$1,240.20
Expenses Paid per $1,000*	$ 5.43	$ 7.00
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/09	$1,000.00	$1,000.00
Ending Account Value 12/31/09	$1,020.37	$1,018.95
Expenses Paid per $1,000*	$ 4.89	$ 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 International VIP	.96%	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 International VIP

International equities delivered a strong performance in 2009, as signs of improving economic growth overseas — particularly in the emerging markets — sparked a robust recovery from the bear market of 2008. DWS International VIP (Class A shares, unadjusted for contract charges) performed very well in this environment, with a total return of 33.52% — ahead of the 31.78% return of the Portfolio's benchmark, the MSCI EAFE® Index.

We added the most value via our well-timed asset allocation shifts in the financial sector. The Portfolio held an underweight in financials through the first half of the period, which dampened the effect of the sector's extremely poor performance during that time.[1] We maintained the underweight in financials until late in the first quarter, when we began to increase the Portfolio's weighting in the sector. This decision enabled us to capitalize on the subsequent rally, boosting the Portfolio's return. Among our top performers in financials were Sberbank, BNP Paribas and IMMOEAST AG.

Energy was the second-strongest sector in the Portfolio, thanks to our positions in Saipem SpA and Petroleo Brasiliero SA ("Petrobras").* Our stock selections in utilities and industrials were additional sources of outperformance. The Portfolio's top performers in the two sectors were Fortum Oyj and Compagnie de Saint-Gobain, respectively.

While we generated positive absolute results in all 10 sectors, our stock picks fell short of the benchmark in health care, consumer staples and information technology. Additionally, we were hurt by holding an underweight in the outperforming consumer discretionary sector. The largest individual detractors in the Portfolio during 2009 were China Mobile Ltd., Nintendo Co., Ltd. and Seven & I Holdings Co., Ltd.

We strived to maintain a balance in the Portfolio. While focused on companies with strong balance sheets, stable dividends and higher visibility regarding earnings and revenues, we looked for opportunities in companies with exposure to longer-term trends such as infrastructure expansion, the rising importance of alternative energy, and the growth of China and Russia. Overall, we believe an approach that emphasizes fundamental research and individual stock selection will hold the Portfolio in good stead as the global investment picture sorts itself out in the coming year.

Nikolaus Poehlmann, CFA
Lead Portfolio Manager

Michael Sieghart, CFA
Portfolio Manager (through December 31, 2009)

Udo Rosendahl
Mark Schumann
Andreas Wendelken
Portfolio Managers

The Morgan Stanley Capital International (MSCI) Europe, Australasia and Far East (EAFE®) Index is an unmanaged index that tracks international stock performance in the 21 developed markets in Europe, Australasia and the Far East. The index is calculated using closing local market prices and translates into US dollars using the London close foreign exchange rates.

Index returns assume the reinvestment of dividends net of withholding tax and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

1 *"Overweight" means the portfolio holds a higher weighting in a given sector or security than the benchmark. "Underweight" means the portfolio holds a lower weighting.*

* *Not held in the portfolio as of December 31, 2009.*

Portfolio management market commentary is as of December 31, 2009, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results. Current and future portfolio holdings are subject to risk.

Portfolio Summary

DWS International VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**12/31/09**	**12/31/08**
Common Stocks	93%	93%
Cash Equivalents	4%	2%
Exchange-Traded Funds	3%	5%
	100%	100%

Geographical Diversification (As a % of Investment Portfolio excluding Cash Equivalents and Securities Lending Collateral)	**12/31/09**	**12/31/08**
Continental Europe	63%	62%
Japan	18%	22%
United Kingdom	9%	8%
Pacific Basin	6%	5%
Australia	4%	—
Latin America	—	2%
Other	—	1%
	100%	100%

Sector Diversification (As a % of Common Stocks and Rights)	**12/31/09**	**12/31/08**
Financials	24%	20%
Materials	15%	8%
Energy	13%	11%
Industrials	13%	8%
Consumer Discretionary	9%	—
Health Care	8%	22%
Telecommunication Services	5%	12%
Utilities	5%	4%
Consumer Staples	5%	10%
Information Technology	3%	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 50. A complete list of portfolio holdings of the Portfolio is posted as of the month end on www.dws-investments.com on or about the 15th day of the following month. More frequent posting of portfolio holdings information may be made from time to time on www.dws-investments.com.

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, 2009

DWS International VIP

	Shares	Value ($)
Common Stocks 92.2%		
Australia 3.7%		
BHP Billiton Ltd.	208,059	7,967,364
Woodside Petroleum Ltd.	109,869	4,617,749
(Cost $7,976,257)		**12,585,113**
Austria 5.5%		
bwin Interactive Entertainment AG*	86,285	5,141,307
IMMOEAST AG* (a)	782,889	4,291,971
Intercell AG*	144,663	5,352,577
Voestalpine AG	118,116	4,307,079
(Cost $12,659,585)		**19,092,934**
Belgium 0.7%		
Fortis* (Cost $1,774,799)	616,475	**2,283,952**
China 3.4%		
China Life Insurance Co., Ltd. "H"	1,569,606	7,690,617
PetroChina Co., Ltd. "H"	3,501,126	4,171,219
(Cost $9,434,982)		**11,861,836**
Denmark 2.5%		
A P Moller — Maersk AS "B"	541	3,783,058
Carlsberg AS "B"	67,085	4,950,647
(Cost $10,447,729)		**8,733,705**
Finland 1.9%		
Fortum Oyj (Cost $9,432,855)	241,978	**6,555,431**
France 7.8%		
Alstom SA	48,626	3,378,460
AXA SA	165,126	3,905,270
BNP Paribas	77,585	6,122,513
Compagnie de Saint-Gobain	68,351	3,668,921
Electricite de France	72,865	4,335,862
Total SA	83,005	5,319,089
(Cost $18,749,161)		**26,730,115**
Germany 10.4%		
BASF SE	102,791	6,375,761
Bayer AG	76,126	6,084,379
Daimler AG (Registered)	149,232	7,973,018
Deutsche Telekom AG (Registered)	325,523	4,807,650
E.ON AG	149,997	6,262,025
Fresenius Medical Care AG & Co. KGaA	83,451	4,418,579
(Cost $19,772,177)		**35,921,412**
Hong Kong 2.0%		
China Mobile Ltd. (Cost $8,363,475)	754,333	**7,031,225**
Ireland 1.6%		
CRH PLC (Cost $4,278,650)	206,746	**5,600,268**
Italy 2.8%		
Saipem SpA (a)	179,179	6,155,295
UniCredit SpA*	1,092,405	3,633,753
(Cost $6,415,378)		**9,789,048**
Japan 14.2%		
Canon, Inc.	137,146	5,797,856
FANUC Ltd.	49,700	4,621,370
KOMATSU Ltd.	394,777	8,230,317
Mitsubishi Corp.	237,868	5,914,074
Mitsui & Co., Ltd.	371,366	5,257,470
Nintendo Co., Ltd.	19,382	4,594,818
Seven & I Holdings Co., Ltd.	121,683	2,469,811
Shin-Etsu Chemical Co., Ltd.	94,124	5,305,348
Toyota Motor Corp.	156,664	6,582,372
(Cost $44,093,970)		**48,773,436**
Luxembourg 1.9%		
ArcelorMittal (Cost $3,741,492)	142,706	**6,472,419**
Netherlands 2.3%		
ING Groep NV (CVA)* (Cost $6,955,433)	808,754	**7,818,366**
Russia 5.8%		
Gazprom (ADR)	247,900	6,179,546
Gazprom OAO (ADR)	59,357	1,513,603
LUKOIL (ADR)	56,894	3,186,907
Sberbank	3,203,369	8,959,048
(Cost $16,719,986)		**19,839,104**
Spain 5.4%		
Banco Santander SA	521,392	8,566,415
Grifols SA	266,506	4,644,017
Telefonica SA	196,184	5,467,952
(Cost $12,332,837)		**18,678,384**
Sweden 0.9%		
Hennes & Mauritz AB "B" (Cost $2,082,830)	54,673	**3,025,462**
Switzerland 10.9%		
ABB Ltd. (Registered)*	259,032	4,954,085
Compagnie Financiere Richemont SA "A"	134,194	4,490,278
Credit Suisse Group AG (Registered)	106,337	5,237,218
Nestle SA (Registered)	156,335	7,595,192
Novartis AG (Registered)	89,125	4,855,729
UBS AG (Registered)*	179,150	2,752,088
Xstrata PLC*	434,837	7,659,092
(Cost $22,463,090)		**37,543,682**
United Kingdom 8.5%		
BG Group PLC	311,256	5,573,905
BP PLC	532,664	5,151,491
HSBC Holdings PLC	511,181	5,833,767
Lloyds Banking Group PLC	9,498,023	7,624,953
Rio Tinto PLC	95,627	5,153,948
(Cost $25,328,672)		**29,338,064**
Total Common Stocks (Cost $243,023,358)		**317,673,956**
Rights 0.0%		
Australia		
Woodside Petroleum Ltd., Expiration Date 1/29/2010* (Cost $0)	9,155	**41,940**
Exchange-Traded Fund 3.5%		
Japan		
iShares MSCI Japan Index Fund (a) (Cost $13,969,305)	1,220,454	**11,887,222**

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

	Shares	Value ($)
Securities Lending Collateral 4.4%		
Daily Assets Fund Institutional, 0.17% (b) (c) (Cost $15,194,791)	15,194,791	**15,194,791**
Cash Equivalents 3.5%		
Central Cash Management Fund, 0.14% (b) (Cost $12,183,363)	12,183,363	**12,183,363**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $284,370,817)†	103.6	**356,981,272**
Other Assets and Liabilities, Net	(3.6)	**(12,544,990)**
Net Assets	100.0	**344,436,282**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $291,517,741. At December 31, 2009, net unrealized appreciation for all securities based on tax cost was $65,463,531. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $87,468,492 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $22,004,961.*

(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, 2009 amounted to $14,420,174, which is 4.2% of net assets.*

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

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

ADR: American Depositary Receipt

CVA: Certificaten Van Aandelen

MSCI: Morgan Stanley Capital International

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes significant unobservable inputs (including the Portfolio's own assumptions in determining the fair value of investments). The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of December 31, 2009 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to the Financial Statements.

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stock and/or Other Equity Investments (d)				
Australia	$ —	$ 12,627,053	$ —	$ 12,627,053
Austria	—	19,092,934	—	19,092,934
Belgium	—	2,283,952	—	2,283,952
China	—	11,861,836	—	11,861,836
Denmark	—	8,733,705	—	8,733,705
Finland	—	6,555,431	—	6,555,431
France	—	26,730,115	—	26,730,115
Germany	—	35,921,412	—	35,921,412
Hong Kong	—	7,031,225	—	7,031,225
Ireland	—	5,600,268	—	5,600,268
Italy	—	9,789,048	—	9,789,048
Japan	—	48,773,436	—	48,773,436
Luxembourg	—	6,472,419	—	6,472,419
Netherlands	—	7,818,366	—	7,818,366
Russia	3,186,907	16,652,197	—	19,839,104
Spain	—	18,678,384	—	18,678,384
Sweden	—	3,025,462	—	3,025,462
Switzerland	—	37,543,682	—	37,543,682
United Kingdom	—	29,338,064	—	29,338,064
Exchange-Traded Fund	11,887,222	—	—	11,887,222
Short-Term Investments (d)	27,378,154	—	—	27,378,154
Total	**$ 42,452,283**	**$ 314,528,989**	**$ —**	**$ 356,981,272**

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

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2009

Assets	
Investments:	
Investments in securities, at value (cost $256,992,663), including $14,420,174 of securities loaned	$ 329,603,118
Investment in Daily Assets Fund Institutional (cost $15,194,791)*	15,194,791
Investment in Central Cash Management Fund (cost $12,183,363)	12,183,363
Total investments, at value (cost $284,370,817)	356,981,272
Cash	1,914
Foreign currency, at value (cost $2,420,462)	2,406,218
Receivable for investments sold	318,449
Dividends receivable	166,660
Interest receivable	4,998
Receivable for Portfolio shares sold	88,235
Foreign taxes recoverable	126,673
Other assets	6,973
Total assets	360,101,392
Liabilities	
Payable for Portfolio shares redeemed	160,395
Payable upon return of securities loaned	15,194,791
Accrued management fee	216,064
Accrued distribution service fee (Class B)	99
Other accrued expenses and payables	93,761
Total liabilities	15,665,110
Net assets, at value	**$ 344,436,282**
Net Assets Consist of	
Undistributed net investment income	4,263,585
Net unrealized appreciation (depreciation) on:	
Investments	72,610,455
Foreign currency	(6,299)
Accumulated net realized gain (loss)	(182,351,664)
Paid-in capital	449,920,205
Net assets, at value	**$ 344,436,282**
Class A	
Net Asset Value, offering and redemption price per share ($343,970,103 ÷ 41,648,336 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 8.26**
Class B	
Net Asset Value, offering and redemption price per share ($466,179 ÷ 56,405 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 8.26**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2009

Investment Income	
Income:	
Dividends (net of foreign taxes withheld of $956,597)	$ 7,502,055
Interest	1,843
Income distributions — affiliated cash management vehicles	29,727
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	403,009
Total Income	7,936,634
Expenses:	
Management fee	2,382,840
Administration fee	301,625
Distribution service fee (Class B)	1,028
Services to shareholders	12,162
Professional fees	52,094
Trustees' fees and expenses	4,899
Reports to shareholders	60,262
Other	27,799
Total expenses	2,842,709
Net investment income (loss)	**5,093,925**
Realized and Unrealized Gain (Loss)	
Net realized gain (loss) from:	
Investments	(61,638,967)
Foreign currency	(1,347,986)
	(62,986,953)
Change in net unrealized appreciation (depreciation) on:	
Investments	145,295,138
Foreign currency	15,855
	145,310,993
Net gain (loss)	**82,324,040**
Net increase (decrease) in net assets resulting from operations	**$ 87,417,965**

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, 2009	2008
Operations:		
Net investment income (loss)	$ 5,093,925	$ 14,193,685
Net realized gain (loss)	(62,986,953)	(117,783,796)
Change in net unrealized appreciation (depreciation)	145,310,993	(202,811,438)
Net increase (decrease) in net assets resulting from operations	87,417,965	(306,401,549)
Distributions to shareholders from:		
Net investment income:		
Class A	(13,459,468)	(7,239,383)
Class B	(17,118)	(82,273)
Net realized gains:		
Class A	—	(94,147,000)
Class B	—	(1,663,249)
Total distributions	(13,476,586)	(103,131,905)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	14,392,350	22,286,975
Reinvestment of distributions	13,459,468	101,386,383
Cost of shares redeemed	(55,084,882)	(121,263,622)
Net increase (decrease) in net assets from Class A share transactions	(27,233,064)	2,409,736
Class B		
Proceeds from shares sold	18,639	338,048
Reinvestment of distributions	17,118	1,745,522
Cost of shares redeemed	(67,424)	(11,371,669)
Net increase (decrease) in net assets from Class B share transactions	(31,667)	(9,288,099)
Increase (decrease) in net assets	46,676,648	(416,411,817)
Net assets at beginning of period	297,759,634	714,171,451
Net assets at end of period (including undistributed net investment income of $4,263,585 and $13,320,593, respectively)	**$ 344,436,282**	**$ 297,759,634**

Other Information

	2009	2008
Class A		
Shares outstanding at beginning of period	45,605,566	46,761,118
Shares sold	2,028,682	2,117,696
Shares issued to shareholders in reinvestment of distributions	2,308,657	8,413,808
Shares redeemed	(8,294,569)	(11,687,056)
Net increase (decrease) in Class A shares	(3,957,230)	(1,155,552)
Shares outstanding at end of period	**41,648,336**	**45,605,566**
Class B		
Shares outstanding at beginning of period	60,497	818,856
Shares sold	2,856	26,121
Shares issued to shareholders in reinvestment of distributions	2,931	144,736
Shares redeemed	(9,879)	(929,216)
Net increase (decrease) in Class B shares	(4,092)	(758,359)
Shares outstanding at end of period	**56,405**	**60,497**

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

Financial Highlights

Class A

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$ 6.52**	**$15.01**	**$13.42**	**$10.85**	**$ 9.50**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.12	.29[c]	.21[c]	.28[c]	.15
Net realized and unrealized gain (loss)	1.93	(6.46)	1.73	2.51	1.36
Total from investment operations	2.05	(6.17)	1.94	2.79	1.51
Less distributions from:					
Net investment income	(.31)	(.17)	(.35)	(.22)	(.16)
Net realized gains	—	(2.15)	—	—	—
Total distributions	(.31)	(2.32)	(.35)	(.22)	(.16)
Net asset value, end of period	**$ 8.26**	**$ 6.52**	**$15.01**	**$13.42**	**$10.85**
Total Return (%)	33.52	(48.21)[b,d]	14.59	25.91	16.17
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	344	297	702	702	558
Ratio of expenses before expense reductions (%)	.94	1.01	.98	.98	1.02
Ratio of expenses after expense reductions (%)	.94	.97	.98	.98	1.02
Ratio of net investment income (loss) (%)	1.69	2.74[c]	1.48[c]	2.32[c]	1.59
Portfolio turnover rate (%)	81	123	108	105	59

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

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

c *Net investment income per share and the ratio of net investment income include non-recurring dividend income amounting to $0.09, $0.05 and $0.11 per share and 0.82%, 0.33% and 0.92% of average daily net assets for the years ended December 31, 2008, 2007 and 2006, respectively.*

d *Includes a reimbursement from the Advisor to reimburse the effect of losses incurred as the result of certain operation errors during the period. Excluding this reimbursement, total return would have been 0.06% lower.*

Class B

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$ 6.52**	**$14.98**	**$13.38**	**$10.82**	**$ 9.48**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.10	.23[c]	.16[c]	.24[c]	.12
Net realized and unrealized gain (loss)	1.94	(6.43)	1.73	2.50	1.35
Total from investment operations	2.04	(6.20)	1.89	2.74	1.47
Less distributions from:					
Net investment income	(.30)	(.11)	(.29)	(.18)	(.13)
Net realized gains	—	(2.15)	—	—	—
Total distributions	(.30)	(2.26)	(.29)	(.18)	(.13)
Net asset value, end of period	**$ 8.26**	**$ 6.52**	**$14.98**	**$13.38**	**$10.82**
Total Return (%)	32.89	(48.25)[b,d]	14.25[b]	25.44[b]	15.71[b]
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	.50	.40	12	51	40
Ratio of expenses before expense reductions (%)	1.22	1.33	1.41	1.37	1.41
Ratio of expenses after expense reductions (%)	1.22	1.28	1.39	1.36	1.37
Ratio of net investment income (loss) (%)	1.42	2.42[c]	1.07[c]	1.94[c]	1.24
Portfolio turnover rate (%)	81	123	108	105	59

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

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

c *Net investment income per share and the ratio of net investment income include non-recurring dividend income amounting to $0.09, $0.05 and $0.11 per share and 0.82%, 0.33% and 0.92% of average daily net assets for the years ended December 31, 2008, 2007 and 2006, respectively.*

d *Includes a reimbursement from the Advisor to reimburse the effect of losses incurred as the result of certain operation errors during the period. Excluding this reimbursement, total return would have been 0.06% lower.*

Performance Summary

December 31, 2009

DWS Health Care VIP

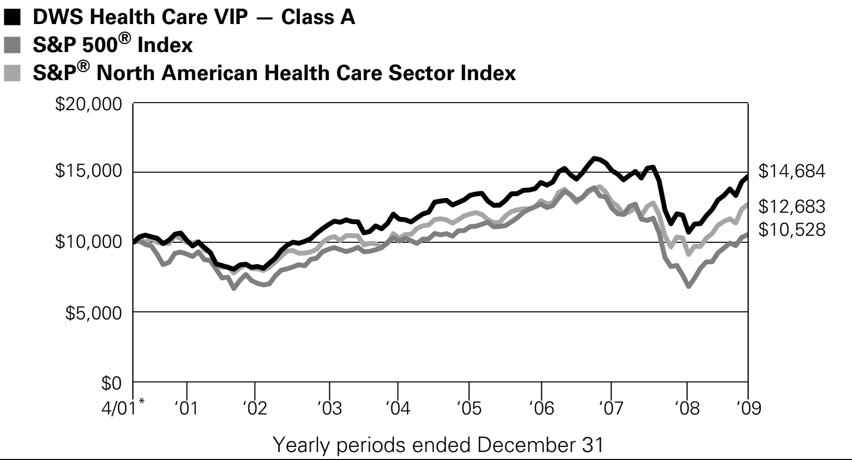
All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original cost. Current performance may be lower or higher than the performance data quoted. Please contact your participating insurance company for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

The gross expense ratios of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2009 are 0.92% and 1.27% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

Risk Considerations

This Portfolio is subject to stock market risk. The Portfolio may focus its investments on certain industry sectors, thereby increasing its vulnerability to any single industry or regulatory development. All of these factors may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed $10,000 Investment



The Standard & Poor's® 500 (S&P 500) Index is an unmanaged, capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The S&P® North American Health Care Sector Index (name changed from The S&P GSSI Healthcare Sector Index, effective March 31, 2008) is an unmanaged, market-capitalization weighted index of 123 stocks designed to measure the performance of companies in the health care sector.

Index returns assume the reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Health Care VIP		1-Year	3-Year	5-Year	Life of Portfolio*
Class A	Growth of $10,000	$12,219	$10,623	$12,237	$14,684
	Average annual total return	22.19%	2.03%	4.12%	4.52%
S&P 500 Index	Growth of $10,000	$12,646	$8,405	$10,211	$10,528
	Average annual total return	26.46%	–5.63%	.42%	.60%
S&P North American Health Care Sector Index	Growth of $10,000	$12,249	$10,133	$11,977	$12,683
	Average annual total return	22.49%	.44%	3.67%	2.78%

DWS Health Care VIP		1-Year	3-Year	5-Year	Life of Class**
Class B	Growth of $10,000	$12,180	$10,518	$12,022	$17,699
	Average annual total return	21.80%	1.70%	3.75%	7.91%
S&P 500 Index	Growth of $10,000	$12,646	$8,405	$10,211	$13,070
	Average annual total return	26.46%	–5.63%	.42%	3.63%
S&P North American Health Care Sector Index	Growth of $10,000	$12,249	$10,133	$11,977	$15,185
	Average annual total return	22.49%	.44%	3.67%	5.72%

The growth of $10,000 is cumulative.

* *The Portfolio commenced operations on May 1, 2001. Index returns began on April 30, 2001.*

** *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

Information About Your Portfolio's Expenses

DWS Health Care VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (July 1, 2009 to December 31, 2009).

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, 2009

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/09	$1,000.00	$1,000.00
Ending Account Value 12/31/09	$1,190.00	$1,188.90
Expenses Paid per $1,000*	$ 5.19	$ 7.34
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/09	$1,000.00	$1,000.00
Ending Account Value 12/31/09	$1,020.47	$1,018.50
Expenses Paid per $1,000*	$ 4.79	$ 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 I — DWS Health Care VIP	.94%	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.

DWS Health Care VIP

After underperforming the broader market for most of the calendar year, due to investor preference for companies more closely tied to global economic recovery as well as the overhang of health care reform legislation, health care stocks began to show signs of life in November. We attribute the change in investor sentiment to the perception that health care reform legislation will be more moderate in nature than previously anticipated. For its most recent fiscal year ended December 31, 2009, DWS Health Care VIP posted a 22.19% total return (Class A shares, unadjusted for contract charges). In comparison, the S&P® 500 Index returned 26.46% and the S&P® North American Health Care Sector Index returned 22.49%.

Our overweight to several specialty pharmaceuticals stocks contributed significantly to performance during the quarter. Salix Pharmaceuticals, Ltd. appreciated meaningfully following positive clinical data for its drug to treat irritable bowel syndrome.[1] Shire PLC shares benefited from Genzyme's manufacturing woes, as Shire has a competing drug under development for which the FDA has fast-tracked the approval process in order to meet patient needs. The largest detractor from relative performance during the period came from the Portfolio's underweight position in Merck & Co., Inc. Shares of Merck recovered from weakness earlier in 2009, as prescriptions for the company's Vytorin/Zetia cholesterol franchise appear to have stabilized, and investors anticipated the opportunities emerging from the closing of Merck's merger with Schering-Plough.

We believe health care reform legislation if enacted, will be manageable for most health care companies, as the expansion of insurance coverage to uninsured individuals will likely mitigate the possible negative impacts of lower pricing and/or reimbursement. In addition, we believe that health care stocks could benefit from investor rotation out of stock market sectors that have dramatically outperformed in 2009. Longer term, we believe that health care stocks remain attractive based on favorable global demographic trends and the continuing emergence of new technologies.

The following person is responsible for the day-to-day management of the Portfolio:

Leefin Lai, CFA
Portfolio Manager

The following person serves as consultant to the Advisor:

Thomas E. Bucher, CFA
Consultant

The Standard & Poor's® 500 (S&P 500) Index is an unmanaged, capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The S&P® North American Health Care Sector Index (name changed from The S&P GSSI Healthcare Sector Index, effective March 31, 2008) is an unmanaged, market-capitalization weighted index of 123 stocks designed to measure the performance of companies in the health care sector.

Index returns assume the reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

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, 2009, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results. Current and future portfolio holdings are subject to risk.

Portfolio Summary

DWS Health Care VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**12/31/09**	**12/31/08**
Common Stocks	100%	98%
Cash Equivalents	—	2%
	100%	100%

Industry Diversification (As a % of Common Stocks)	**12/31/09**	**12/31/08**
Pharmaceuticals	34%	31%
Biotechnology	23%	26%
Medical Supply & Specialty	20%	20%
Health Care Services	17%	17%
Life Sciences Equipment	6%	6%
	100%	100%

Asset allocation and industry diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 59. A complete list of portfolio holdings of the Portfolio is posted as of the month end on www.dws-investments.com on or about the 15th day of the following month. More frequent posting of portfolio holdings information may be made from time to time on www.dws-investments.com.

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 99.5%		
Health Care 99.5%		
Biotechnology 23.0%		
Acorda Therapeutics, Inc.*	8,600	216,892
Alexion Pharmaceuticals, Inc.*	20,400	995,928
Allos Therapeutics, Inc.*	22,300	146,511
AMAG Pharmaceuticals, Inc.*	5,200	197,756
Amgen, Inc.*	24,950	1,411,421
Amylin Pharmaceuticals, Inc.*	9,100	129,129
Biogen Idec, Inc.*	9,520	509,320
BioMarin Pharmaceutical, Inc.*	33,400	628,254
Celera Corp.*	25,300	174,823
Celgene Corp.*	22,260	1,239,437
Cephalon, Inc.* (a)	6,500	405,665
Cepheid, Inc.* (a)	11,600	144,768
Dendreon Corp.* (a)	9,400	247,032
Exelixis, Inc.*	22,200	163,614
Gen-Probe, Inc.*	6,400	274,560
Genzyme Corp.*	16,100	789,061
Gilead Sciences, Inc.*	27,700	1,198,856
Human Genome Sciences, Inc.*	14,400	440,640
ImmunoGen, Inc.*	13,500	106,110
Incyte Corp.* (a)	38,500	350,735
InterMune, Inc.*	8,400	109,536
Myriad Genetics, Inc.*	9,700	253,170
OSI Pharmaceuticals, Inc.*	7,000	217,210
Regeneron Pharmaceuticals, Inc.*	12,700	307,086
Rigel Pharmaceuticals, Inc.* (a)	10,600	100,806
United Therapeutics Corp.*	8,700	458,055
Vertex Pharmaceuticals, Inc.*	18,700	801,295
		12,017,670
Health Care Services 16.8%		
Aetna, Inc.	17,300	548,410
Allscripts-Misys Healthcare Solutions, Inc.*	20,200	408,646
Cardinal Health, Inc.	14,100	454,584
Cerner Corp.* (a)	4,200	346,248
CIGNA Corp.	11,300	398,551
CVS Caremark Corp.	20,131	648,420
Express Scripts, Inc.*	10,400	899,080
Fresenius Medical Care AG & Co. KGaA	15,297	809,948
Laboratory Corp. of America Holdings*	6,200	464,008
McKesson Corp.	14,700	918,750
MedAssets, Inc.*	6,700	142,107
Medco Health Solutions, Inc.*	14,268	911,868
Quality Systems, Inc. (a)	4,300	269,997
Quest Diagnostics, Inc.	7,100	428,698
UnitedHealth Group, Inc.	28,600	871,728
WellPoint, Inc.*	4,600	268,134
		8,789,177
Life Sciences Tools & Services 6.0%		
Illumina, Inc.* (a)	7,300	223,745
Life Technologies Corp.*	19,229	1,004,331
Mettler-Toledo International, Inc.*	2,800	293,972
PerkinElmer, Inc.	13,300	273,847
Pharmaceutical Product Development, Inc.	11,600	271,904
Thermo Fisher Scientific, Inc.*	16,900	805,961
Waters Corp.*	4,300	266,428
		3,140,188
Medical Supply & Specialty 19.9%		
Alcon, Inc.	4,300	706,705
Baxter International, Inc.	26,600	1,560,888
Beckman Coulter, Inc.	5,800	379,552
Becton, Dickinson & Co.	10,800	851,688
C.R. Bard, Inc.	4,700	366,130
Covidien PLC	27,400	1,312,186
Hologic, Inc.*	19,100	276,950
Kinetic Concepts, Inc.*	3,600	135,540
Masimo Corp.*	14,700	447,174
Medtronic, Inc.	34,900	1,534,902
ResMed, Inc.*	5,500	287,485
St. Jude Medical, Inc.*	13,700	503,886
Stryker Corp.	10,900	549,033
Varian Medical Systems, Inc.*	5,600	262,360
Wright Medical Group, Inc.*	15,200	288,040
Zimmer Holdings, Inc.*	16,000	945,760
		10,408,279
Pharmaceuticals 33.8%		
Abbott Laboratories	31,400	1,695,286
Allergan, Inc.	8,900	560,789
American Oriental Bioengineering, Inc.* (a)	30,600	142,290
Auxilium Pharmaceuticals, Inc.*	7,500	224,850
Biovail Corp.	26,300	367,148
Bristol-Myers Squibb Co. (a)	43,600	1,100,900
Cardiome Pharma Corp.*	20,400	90,780
Eli Lilly & Co.	15,400	549,934
Forest Laboratories, Inc.*	15,000	481,650
Johnson & Johnson	29,200	1,880,772
Merck & Co., Inc.	73,083	2,670,453
Merck KGaA	2,262	211,426
Mylan, Inc.* (a)	55,100	1,015,493
Novartis AG (Registered)	14,474	788,576
Pfizer, Inc.	198,850	3,617,081
Roche Holding AG (Genusschein)	7,252	1,233,683
Salix Pharmaceuticals Ltd.*	15,600	396,240
Shire PLC (ADR)	9,000	528,300
XenoPort, Inc.*	7,400	137,343
		17,692,994
Total Common Stocks (Cost $40,070,389)		**52,048,308**
Securities Lending Collateral 7.6%		
Daily Assets Fund Institutional, 0.17% (b) (c) (Cost $3,987,825)	3,987,825	**3,987,825**

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

	Shares	Value ($)
Cash Equivalents 0.2%		
Central Cash Management Fund, 0.14% (b) (Cost $126,803)	126,803	**126,803**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $44,185,017)†	107.3	**56,162,936**
Other Assets and Liabilities, Net	(7.3)	**(3,830,726)**
Net Assets	100.0	**52,332,210**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $44,642,624. At December 31, 2009, net unrealized appreciation for all securities based on tax cost was $11,520,312. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $13,583,839 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $2,063,527.*

(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, 2009 amounted to $3,848,286, which is 7.4% of net assets.*

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

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

ADR: American Depositary Receipt

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes significant unobservable inputs (including the Portfolio's own assumptions in determining the fair value of investments). The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of December 31, 2009 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to the Financial Statements.

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stock and/or Other Equity Investments				
Biotechnology	$ 12,017,670	$ —	$ —	$ 12,017,670
Health Care Services	7,979,229	809,948	—	8,789,177
Life Sciences Tools & Specialty	3,140,188	—	—	3,140,188
Medical Supply & Specialty	10,408,279	—	—	10,408,279
Pharmaceuticals	15,459,309	2,233,685	—	17,692,994
Short-Term Investments (d)	4,114,628	—	—	4,114,628
Total	**$ 53,119,303**	**$ 3,043,633**	**$ —**	**$ 56,162,936**

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

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2009

Assets		
Investments:		
Investments in securities, at value (cost $40,070,389), including $3,848,286 of securities loaned	$	52,048,308
Investment in Daily Assets Fund Institutional (cost $3,987,825)*		3,987,825
Investment in Central Cash Management Fund (cost $126,803)		126,803
Total investments, at value (cost $44,185,017)		56,162,936
Foreign currency, at value (cost $218,109)		213,946
Dividends receivable		62,602
Interest receivable		533
Receivable for Portfolio shares sold		207
Foreign taxes recoverable		26,781
Other assets		985
Total assets		56,467,990

Liabilities		
Payable for Portfolio shares redeemed		58,779
Payable upon return of securities loaned		3,987,825
Accrued management fee		29,137
Accrued distribution service fee (Class B)		653
Other accrued expenses and payables		59,386
Total liabilities		4,135,780
Net assets, at value	**$**	**52,332,210**

Net Assets Consist of		
Net unrealized appreciation (depreciation) on:		
Investments		11,977,919
Foreign currency		(4,128)
Accumulated net realized gain (loss)		2,975,088
Paid-in capital		37,383,331
Net assets, at value	**$**	**52,332,210**
Class A		
Net Asset Value, offering and redemption price per share ($49,254,955 ÷ 4,392,554 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.21**
Class B		
Net Asset Value, offering and redemption price per share ($3,077,255 ÷ 281,083 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**10.95**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2009

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $23,682)	$	436,518
Income distributions — affiliated cash management vehicle		4,573
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		26,123
Total Income		467,214
Expenses:		
Management fee		353,859
Administration fee		53,212
Custodian fee		17,040
Distribution service fee (Class B)		7,929
Services to shareholders		2,172
Record keeping fee (Class B)		4,272
Audit and tax fees		28,888
Trustees' fees and expenses		2,998
Legal fees		23,009
Reports to shareholders		9,685
Other		18,462
Total expenses		521,526
Net investment income (loss)		**(54,312)**

Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		4,341,178
Foreign currency		18,857
		4,360,035
Change in net unrealized appreciation (depreciation) on:		
Investments		5,464,088
Foreign currency		(5,062)
		5,459,026
Net gain (loss)		**9,819,061**
Net increase (decrease) in net assets resulting from operations	**$**	**9,764,749**

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, 2009	2008
Operations:		
Net investment income (loss)	$ (54,312)	$ 692,947
Net realized gain (loss)	4,360,035	(91,546)
Change in net unrealized appreciation (depreciation)	5,459,026	(24,365,986)
Net increase (decrease) in net assets resulting from operations	9,764,749	(23,764,585)
Distributions to shareholders from:		
Net investment income:		
Class A	(711,488)	(269,428)
Class B	(35,875)	—
Net realized gains:		
Class A	(673,607)	(14,518,785)
Class B	(45,473)	(789,529)
Total distributions	(1,466,443)	(15,577,742)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	3,080,971	15,385,334
Reinvestment of distributions	1,385,095	14,788,213
Cost of shares redeemed	(23,233,574)	(31,046,167)
Net increase (decrease) in net assets from Class A share transactions	(18,767,508)	(872,620)
Class B		
Proceeds from shares sold	467,768	674,757
Reinvestment of distributions	81,348	789,529
Cost of shares redeemed	(1,479,410)	(1,414,568)
Net increase (decrease) in net assets from Class B share transactions	(930,294)	49,718
Increase (decrease) in net assets	(11,399,496)	(40,165,229)
Net assets at beginning of period	63,731,706	103,896,935
Net assets at end of period (including undistributed net investment income of $0 and $724,957, respectively)	**$ 52,332,210**	**$ 63,731,706**

Other Information		
Class A		
Shares outstanding at beginning of period	6,373,629	6,708,658
Shares sold	320,687	1,209,692
Shares issued to shareholders in reinvestment of distributions	164,892	1,271,557
Shares redeemed	(2,466,654)	(2,816,278)
Net increase (decrease) in Class A shares	(1,981,075)	(335,029)
Shares outstanding at end of period	**4,392,554**	**6,373,629**
Class B		
Shares outstanding at beginning of period	379,018	376,902
Shares sold	50,217	56,147
Shares issued to shareholders in reinvestment of distributions	9,896	69,318
Shares redeemed	(158,048)	(123,349)
Net increase (decrease) in Class B shares	(97,935)	2,116
Shares outstanding at end of period	**281,083**	**379,018**

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

Financial Highlights

Class A

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$ 9.45**	**$14.68**	**$13.77**	**$13.02**	**$12.00**
Income (loss) from investment operations:					
Net investment income (loss)[a]	(.01)	.09[c]	.03[c]	(.01)[b]	(.02)
Net realized and unrealized gain (loss)	2.02	(3.08)	1.75	.81	1.04
Total from investment operations	2.01	(2.99)	1.78	.80	1.02
Less distributions from:					
Net investment income	(.13)	(.04)	—	—	—
Net realized gains	(.12)	(2.20)	(.87)	(.05)	—
Total distributions	(.25)	(2.24)	(.87)	(.05)	—
Net asset value, end of period	**$11.21**	**$ 9.45**	**$14.68**	**$13.77**	**$13.02**
Total Return (%)	22.19	(23.20)	13.20	6.17[b]	8.50
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	49	60	98	101	109
Ratio of expenses (%)	.96	.92	.93	.89	.88
Ratio of net investment income (loss) (%)	(.08)	.79[c]	.19[c]	(.03)[b]	(.18)
Portfolio turnover rate (%)	31	24	37	47	43

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

[b] *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Funds. The non-recurring income resulted in an increase in net investment income of $0.003 per share and an increase in the ratio of net investment income of 0.02%. Excluding this non-recurring income, total return would have been 0.02% lower.*

[c] *Net investment income per share and ratio of net investment income include non-recurring dividend income amounting to $0.03 and $0.02 per share and 0.28% and 0.13% of average daily net assets for the years ended December 31, 2008 and 2007, respectively.*

Class B

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$ 9.23**	**$14.40**	**$13.55**	**$12.87**	**$11.91**
Income (loss) from investment operations:					
Net investment income (loss)[a]	(.04)	.05[c]	(.03)[c]	(.06)[b]	(.07)
Net realized and unrealized gain (loss)	1.98	(3.02)	1.75	.79	1.03
Total from investment operations	1.94	(2.97)	1.72	.73	.96
Less distributions from:					
Net investment income[a]	(.10)	—	—	—	—
Net realized gains	(.12)	(2.20)	(.87)	(.05)	—
Total distributions	(.22)	(2.20)	(.87)	(.05)	—
Net asset value, end of period	**$10.95**	**$ 9.23**	**$14.40**	**$13.55**	**$12.87**
Total Return (%)	21.80	(23.50)	12.88	5.77[b]	8.06
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	3	3	5	21	23
Ratio of expenses (%)	1.34	1.27	1.34	1.28	1.27
Ratio of net investment income (loss) (%)	(.46)	.43[c]	(.22)[c]	(.42)[b]	(.57)
Portfolio turnover rate (%)	31	24	37	47	43

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

[b] *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Funds. The non-recurring income resulted in an increase in net investment income of $0.003 per share and an increase in the ratio of net investment income of 0.02%. Excluding this non-recurring income, total return would have been 0.02% lower.*

[c] *Net investment income per share and ratio of net investment income include non-recurring dividend income amounting to $0.03 and $0.02 per share and 0.28% and 0.13% of average daily net assets for the year ended December 31, 2008 and 2007, respectively.*

Notes to Financial Statements

A. Organization and Significant Accounting Policies

DWS Variable Series I (the "Series") is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end, registered management investment company organized as a Massachusetts business trust. The Series consists of six diversified portfolios: DWS Bond VIP, DWS Growth & Income VIP, DWS Capital Growth VIP, DWS Global Opportunities VIP, DWS International VIP and DWS Health Care VIP (individually or collectively hereinafter referred to as a "Portfolio" or the "Portfolios"). The Series is intended to be the underlying investment vehicle for variable annuity contracts and variable life insurance policies to be offered by the separate accounts of certain life insurance companies ("Participating Insurance Companies").

Multiple Classes of Shares of Beneficial Interest. DWS Bond VIP offers one class of shares (Class A shares). DWS Growth & Income VIP, DWS Capital Growth VIP, DWS Global Opportunities VIP, DWS International VIP and DWS Health Care VIP each offer two classes of shares (Class A shares and Class B shares). Class B shares are subject to Rule 12b-1 distribution fees under the 1940 Act and record keeping fees equal to an annual rate of 0.25% and up to 0.15%, respectively, of the average daily net assets of the Class B shares of the applicable Portfolio. Class A shares are not subject to such fees.

Investment income, realized and unrealized gains and losses, and certain portfolio-level expenses and expense reductions, if any, are borne pro rata on the basis of relative net assets by the holders of all classes of shares, except that each class bears certain expenses unique to that class (including the applicable 12b-1 distribution fees and record keeping fees). Differences in class-level expenses may result in payment of different per share dividends by class. All shares have equal rights with respect to voting subject to class-specific arrangements.

The Series' financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which require the use of management estimates. Actual results could differ from those estimates. The policies described below are followed consistently by the Series in the preparation of the financial statements for its Portfolios.

Security Valuation. Investments are stated at value determined as of the close of regular trading on the New York Stock Exchange on each day the exchange is open for trading. Equity securities are valued at the most recent sale price or official closing price reported on the exchange (US or foreign) or over-the-counter market on which they trade. 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 one or more broker-dealers. Such services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes.

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 are valued at their net asset value each business day.

Exchange-traded funds ("ETFs") are valued at the most recent sale price or official closing price reported on the exchange on which the ETFs are traded most extensively. ETFs for which no sales are reported are valued at the calculated mean between the most recent bid and asked quotations on the relevant market or, if a mean cannot be determined, at the most recent bid quotation.

Securities and other assets for which market quotations are not readily available or for which the above valuation procedures are deemed not to reflect fair value are valued in a manner that is intended to reflect their fair value as determined in accordance with procedures approved by the Trustees. The Series may use a fair valuation model to value international equity securities in order to adjust for events which may occur between the close of the foreign exchanges and the close of the New York Stock Exchange. In accordance with each Portfolio's valuation procedures, factors used in determining value may include, but are not limited to, the type of the security, the size of the holding, the initial cost of the security, the existence of any contractual restrictions on the security's disposition, the price and extent of public trading in similar securities of the issuer or of comparable companies, quotations or evaluated prices from broker-dealers and/or pricing services, information obtained from the issuer, analysts, and/or the appropriate stock exchange (for exchange-traded securities), an analysis of the company's or issuer's financial statements, an evaluation of the forces that influence the issuer and the market(s) in which the security is purchased and sold and with respect to debt securities, the maturity, coupon, creditworthiness, currency denomination, and the movement of the market in which the security is normally traded. The value determined under these procedures may differ from published values for the same securities.

Securities Lending. Each Portfolio may lend securities to certain financial institutions. The Portfolio retains beneficial ownership of the securities it has loaned and continues to receive interest and dividends paid by the issuer of securities and to participate in any changes in their market value. The Portfolio requires the borrowers of the securities to maintain collateral with the Portfolio consisting of either cash or liquid, unencumbered assets having a value at least equal to the value of the securities loaned. When the collateral falls below specified amounts, the lending agents will use their best efforts to obtain additional collateral on the next business day to meet required amounts under the security lending agreement. The Portfolio may invest the cash collateral into a joint trading account in an affiliated money market fund pursuant to Exemptive Orders issued by the SEC. The Portfolio receives compensation for lending its securities either in the form of fees or by earning interest on invested cash collateral net of borrower rebates and fees paid to a lending agent. Either the Portfolio or the borrower may terminate the loan. There may be risks of delay and costs in recovery of securities or even loss of rights in the collateral should the borrower of the securities fail financially. The Portfolio is also subject to all investment risks associated with the reinvestment of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

Foreign Currency Translations. The books and records of the Portfolios are maintained in US dollars. Investment securities and other assets and liabilities denominated in a foreign currency are translated into US dollars at the prevailing exchange rates at period end. Purchases and sales of investment securities, income and expenses are translated into US dollars at the prevailing exchange rates on the respective dates of the transactions.

Net realized and unrealized gains and losses on foreign currency transactions represent net gains and losses between trade and settlement dates on securities transactions, the disposition of forward foreign currency exchange contracts and foreign currencies, and the difference between the amount of net investment income accrued and the US dollar amount actually received. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed but is included with net realized and unrealized gain/appreciation and loss/depreciation on investments.

Mortgage Dollar Rolls. DWS Bond VIP may enter into mortgage dollar rolls in which the Portfolio sells to a bank or broker/dealer (the "counterparty") mortgage-backed securities for delivery in the current month and simultaneously contracts to repurchase similar, but not identical, securities on a fixed date. The counterparty receives all principal and interest payments, including prepayments, made on the security while it is the holder. The Portfolio receives compensation as consideration for entering into the commitment to repurchase. The compensation is paid in the form of a lower price for the security upon its repurchase, or alternatively, a fee. Mortgage dollar rolls may be renewed with a new sale and repurchase price and a cash settlement made at each renewal without physical delivery of the securities subject to the contract.

Certain risks may arise upon entering into mortgage dollar rolls from the potential inability of counterparties to meet the terms of their commitments. Additionally, the value of such securities may change adversely before the Portfolio is able to repurchase them. There can be no assurance that the Portfolio's use of the cash that it receives from a mortgage dollar roll will provide a return that exceeds its costs.

When-Issued/Delayed Securities. DWS Bond VIP may purchase securities with delivery or payment to occur at a later date beyond the normal settlement period. At the time the Portfolio enters into a commitment to purchase a security, the transaction is recorded and the value of the security is reflected in the net asset value. The price of such security and the date when the security will be delivered and paid for are fixed at the time the transaction is negotiated. The value of the security may vary with market fluctuations. No interest accrues to the Portfolio until payment takes place. At the time the Portfolio enters into this type of transaction it is required to segregate cash or other liquid assets at least equal to the amount of the commitment.

Certain risks may arise upon entering into when-issued or delayed delivery securities from the potential inability of counterparties to meet the terms of their contracts or if the issuer does not issue the securities due to political, economic, or other factors. Additionally, losses may arise due to changes in the value of the underlying securities.

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

Futures Contracts. A futures contract is an agreement between a buyer or seller and an established futures exchange or its clearinghouse in which the buyer or seller agrees to take or make a delivery of a specific amount of a financial instrument at a specified price on a specific date (settlement date). During the year, DWS Bond VIP and DWS Growth & Income VIP invested in future contracts. DWS Growth & Income VIP enters into futures contracts in circumstances where portfolio management believes they offer an economic means of gaining exposure to a particular asset class or to keep cash on hand to meet shareholder redemptions or other needs while maintaining exposure to the market. DWS Bond VIP invests in interest rate futures to gain exposure to different parts of the yield curve while managing the overall duration. DWS Bond VIP also enters into currency futures contracts for non-hedging purposes to seek to enhance potential gains.

Futures contracts are valued at the most recent settlement price. Upon entering into a futures contract, the Portfolio is required to deposit with a financial intermediary cash or securities ("initial margin") in an amount equal to a certain percentage of the face value indicated in the futures contract. Subsequent payments ("variation margin") are made or received by the Portfolio dependent upon the daily fluctuations in the value and are recorded for financial reporting purposes as unrealized gains or losses by the Portfolio. Gains or losses are realized when the contract expires or is closed. Since all futures contracts are exchange traded, counterparty risk is minimized as the exchange's clearinghouse acts as the counterparty, and guarantees the futures against default.

Certain risks may arise upon entering into futures contracts, including the risk that an illiquid market will limit the Portfolio's ability to close out a futures contract prior to the settlement date and that a change in the value of a futures contract may not correlate exactly with the changes in the value of the underlying hedged security, index or currency. Risk of loss may exceed amounts recognized on the Statement of Assets and Liabilities.

A summary of the open future contracts as of December 31, 2009 is included in a table following DWS Bond VIP and DWS Growth & Income VIP's Investment Portfolios. For the year ended December 31, 2009, DWS Bond VIP and DWS Growth & Income VIP invested in futures contracts with total notional values ranging from $0 to approximately $43,725,000 and $1,166,000 to $2,838,000, respectively.

Forward Foreign Currency Exchange Contracts. A forward foreign currency exchange contract ("forward currency contract") is a commitment to purchase or sell a foreign currency at the settlement date at a negotiated rate. Each Portfolio is subject to foreign exchange rate risk in its securities denominated in foreign currencies. Changes in exchange rates between foreign currencies and the US dollar may affect the US dollar value of foreign securities or the income or gains received on these securities. To reduce the effect of currency fluctuations, each Portfolio may enter into forward foreign currency exchange contracts. During the year, DWS Bond VIP invested in forward foreign currency contracts to hedge its exposure to changes in foreign currency exchange rates on its foreign currency denominated securities.

Forward currency contracts are valued at the prevailing forward exchange rate of the underlying currencies and unrealized gain (loss) is recorded daily. Certain risks may arise upon entering into forward currency contracts from the potential inability of counterparties to meet the terms of their contracts. The maximum counterparty credit risk to the Portfolio is measured by the unrealized gain on appreciated contracts. Additionally, when utilizing forward currency contracts to hedge, the Portfolio gives up the opportunity to profit from favorable exchange rate movements during the term of the contract.

A summary of the open forward foreign currency exchange contracts as of December 31, 2009 is included in a table following DWS Bond VIP's Investment Portfolio. For the year ended December 31, 2009, the Portfolio invested in forward foreign currency exchange contracts with total values ranging from approximately $107,000 to $3,032,000.

The following tables summarize the value of DWS Bond VIP and DWS Growth & Income VIP's derivative instruments held as of December 31, 2009 and the related location on the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

DWS Bond VIP

Asset Derivatives	Forward Contracts	Futures Contracts	Total
Foreign Exchange Contracts (a) (b)	$ 1,841	$ 95,415	$ 97,256
Interest Rate Contracts (b)	—	461,181	461,181
	$ 1,841	**$ 556,596**	**$ 558,437**

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

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

(b) *Net unrealized appreciation (depreciation) on futures. Asset of Receivable for daily variation margin on open futures contracts reflects unsettled variation margin.*

Additionally, the amount of unrealized and realized gains and losses on derivative instruments recognized in Portfolio earnings during the year ended December 31, 2009 and the related location on the accompanying Statement of Operations is summarized in the following tables by primary underlying risk exposure:

Realized Gain (Loss)	Forward Contracts	Futures Contracts	Total
Foreign Exchange Contracts (a) (b)	$ (72)	$ 801,296	$ 801,224
Interest Rate Contracts (b)	—	(2,032,669)	(2,032,669)
	$ (72)	**$ (1,231,373)**	**$ (1,231,445)**

Each of the above derivatives is located in the following Statement of Operations accounts:

(a) *Net realized gain (loss) from foreign currency (Statement of Operations includes both forward currency contracts and foreign currency transactions)*

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

Change in Net Unrealized Appreciation (Depreciation)	Forward Contracts	Futures Contracts	Total
Foreign Exchange Contracts (a) (b)	$ (2,355)	$ 95,415	$ 93,060
Interest Rate Contracts (b)	—	461,181	461,181
	$ (2,355)	**$ 556,596**	**$ 554,241**

Each of the above derivatives is located in the following Statement of Operations accounts:

(a) *Change in net unrealized appreciation (depreciation) on foreign currency (Statement of Operations includes both forward currency contracts and foreign currency transactions)*

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

DWS Growth & Income VIP

Liability Derivatives	Futures Contracts
Equity Contracts (a)	$ 7,773

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

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

Additionally, the amount of unrealized and realized gains and losses on derivative instruments recognized in Portfolio earnings during the year ended December 31, 2009 and the related location on the accompanying Statement of Operations is summarized in the following tables by primary underlying risk exposure:

Realized Gain (Loss)	Futures Contracts
Equity Contracts (a)	$ 446,975

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

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

Change in Net Unrealized Appreciation (Depreciation)	Futures Contracts
Equity Contracts (a)	$ (34,096)

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

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

Taxes. Each Portfolio is treated as a separate taxpayer as provided for in the Internal Revenue Code, as amended. It is each Portfolio's policy to comply with the requirements of the Internal Revenue Code, as amended, which are applicable to regulated investment companies, and to distribute all of its taxable income to the separate accounts of the Participating Insurance Companies which hold its shares.

Additionally, based on the Series' understanding of the tax rules and rates related to income, gains and transactions for the foreign jurisdictions in which each Portfolio invests, each Portfolio will provide for foreign taxes, and where appropriate, deferred foreign taxes.

At December 31, 2009, the following Portfolios had an approximate net tax basis capital loss carryforward which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until the following expiration dates, whichever occurs first:

Portfolio	Capital Loss Carryforwards ($)	Expiration Date	Capital Loss Carryforwards Expired($)
DWS Bond VIP	42,815,000	12/31/2014–12/31/2017	—
DWS Growth & Income VIP	57,014,000	12/31/2010–12/31/2017	—
DWS Capital Growth VIP	256,579,000	12/31/2010–12/31/2017	37,498,000
DWS Global Opportunities VIP	22,316,000	12/31/2016–12/31/2017	—
DWS International VIP	176,529,000	12/31/2016–12/31/2017	—

In addition, from November 1, 2009 through December 31, 2009, DWS Growth & Income VIP and DWS International VIP incurred approximately $254,000 and $961,000, respectively, of net realized capital losses. As permitted by tax regulations, the Portfolios intend to elect to defer these losses and treat them as arising in the fiscal year ended December 31, 2010.

At December 31, 2009, DWS Growth & Income VIP had a net tax basis capital loss carryforward of approximately $57,014,000, including $4,777,000 inherited from its merger with SVS II Focus Value & Growth, which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2017 (the expiration date), whichever occurs first, subject to certain limitations under Sections 381–384 of the Internal Revenue Code.

At December 31, 2009, DWS Capital Growth VIP had a net tax basis capital loss carryforward of approximately $256,579,000 including $27,075,000 inherited from its merger with DWS Janus Growth & Income VIP in fiscal year 2009 and $229,513,000 inherited from its mergers with affiliated funds in fiscal years 2005 and 2006 which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized and which may be subject to certain limitations under Sections 382–384 of the Internal Revenue Code. Due to these limitations (under Sections 382–384 of the Internal Revenue Code), approximately $2,473,000 of the inherited capital loss carryforwards cannot be used by the funds, and is not included in the capital loss carryforward of $256,579,000 disclosed above.

During the year ended December 31, 2009, DWS Capital Growth VIP lost $37,498,000 through expiration.

Each Portfolio has reviewed the tax positions for the open tax years as of December 31, 2009 and has determined that no provision for income tax is required in each Portfolio's financial statements. Each of the Portfolio's federal tax returns for the prior three fiscal years remains open subject to examination by the Internal Revenue Service.

Distribution of Income and Gains. Each Portfolio will declare and distribute dividends from their net investment income, if any, annually, although additional distributions may be made if necessary. Net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to each Portfolio if not distributed, and, therefore, will be distributed to shareholders at least annually.

The timing and characterization of certain income and capital gains distributions are determined annually in accordance with federal tax regulations which may differ from accounting principles generally accepted in the United States of America. These differences primarily relate to investments in foreign denominated investments, investments in forward foreign currency exchange contracts, passive foreign investment companies, post October loss deferrals and certain securities sold at a loss. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, each Portfolio may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Portfolio.

At December 31, 2009, 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 Bond VIP	6,641,764	—	(42,815,000)	386,627
DWS Growth & Income VIP	1,542,732	—	(57,014,000)	11,643,767
DWS Capital Growth VIP	6,141,554	—	(256,579,000)	195,856,628
DWS Global Opportunities VIP	555,712	—	(22,316,000)	36,497,914
DWS International VIP	6,548,545	—	(176,529,000)	65,463,531
DWS Health Care VIP	74,397	3,358,298	—	11,520,312

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	2009	2008	2009	2008
DWS Bond VIP	11,985,798	10,914,208	—	—
DWS Growth & Income VIP	2,003,256	15,760,111	—	26,232,152
DWS Capital Growth VIP	8,113,671	9,451,337	—	—
DWS Global Opportunities VIP	2,134,010	979,171	—	40,011,833
DWS International VIP	13,476,586	7,386,477	—	95,745,428
DWS Health Care VIP	724,315	3,006,032	742,128	12,571,710

* *For tax purposes, short-term capital gains distributions are considered ordinary income distributions.*

Expenses. Expenses of the Series arising in connection with a specific Portfolio are allocated to that Portfolio. Other Series expenses which cannot be directly attributed to a Portfolio are apportioned among the Portfolios in the Series.

Contingencies. In the normal course of business, each Portfolio may enter into contracts with service providers that contain general indemnification clauses. Each Portfolio's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against each Portfolio that have not yet been made. However, based on experience, each Portfolio expects the risk of loss to be remote.

Other. For each Portfolio, investment transactions are accounted for on a trade date plus one basis for daily net asset value calculations. However, for financial reporting purposes, investment transactions are reported on trade date. Interest income is recorded on the accrual basis net of foreign withholding taxes. Dividend income is recorded on the ex-dividend date net of foreign withholding taxes. Certain dividends from foreign securities may be recorded subsequent to the ex-dividend date as soon as the Portfolio is informed of such dividends. Realized gains and losses from investment transactions are recorded on an identified cost basis. All discounts and premiums are accreted/amortized for both tax and financial reporting purposes.

B. Purchases and Sales of Securities

During the year ended December 31, 2009, purchases and sales of investment securities (excluding short-term investments) were as follows:

Portfolio	Purchases ($)	Sales ($)
DWS Bond VIP excluding US Treasury Obligations	363,453,498	351,698,090
US Treasury Obligations	74,771,473	66,751,900
DWS Growth & Income VIP	73,380,763	90,220,270
DWS Capital Growth VIP	481,115,761	570,371,875
DWS Global Opportunities VIP	65,821,101	91,641,908
DWS International VIP	237,744,779	283,244,304
DWS Health Care VIP	16,091,698	36,491,936

C. Related Parties

Under the Investment Management Agreement with Deutsche Investment Management Americas Inc. ("DIMA" or the "Advisor"), an indirect, wholly owned subsidiary of Deutsche Bank AG, the Advisor directs the investments of the Portfolios in accordance with their investment objectives, policies and restrictions. The Advisor determines the securities, instruments and other contracts relating to investments to be purchased, sold or entered into by the Portfolios.

Under the Investment Management Agreement with the Advisor, the Portfolios pay a monthly management fee, based on the average daily net assets of each Portfolio, computed and accrued daily and payable monthly, at the annual rates shown below:

Portfolio	Annual Management Fee Rate
DWS Bond VIP first $250 million of average daily net assets	.390%
next $750 million of average daily net assets	.365%
over $1 billion of average daily net assets	.340%
DWS Growth & Income VIP first $250 million of average daily net assets	.390%
next $750 million of average daily net assets	.365%
over $1 billion of average daily net assets	.340%
DWS Capital Growth VIP first $250 million of average daily net assets	.390%
next $750 million of average daily net assets	.365%
over $1 billion of average daily net assets	.340%

Portfolio	Annual Management Fee Rate
DWS Global Opportunities VIP	
first $500 million of average daily net assets	.890%
next $500 million of average daily net assets	.875%
next $1 billion of average daily net assets	.860%
over $2 billion of average daily net assets	.845%
DWS International VIP	
first $500 million of average daily net assets	.790%
over $500 million of average daily net assets	.640%
DWS Health Care VIP	
first $250 million of average daily net assets	.665%
next $750 million of average daily net assets	.640%
next $1.5 billion of average daily net assets	.615%
next $2.5 billion of average daily net assets	.595%
next $2.5 billion of average daily net assets	.565%
next $2.5 billion of average daily net assets	.555%
next $2.5 billion of average daily net assets	.545%
over $12.5 billion of average daily net assets	.535%

For the period from January 1, 2009 through September 30, 2009, the Advisor, the underwriter and accounting agent contractually agreed to waive a portion of their fee to the extent necessary to maintain the operating expenses of each class (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest) as follows:

Portfolio	Annual Rate
DWS Global Opportunities VIP Class A	.95%
DWS Global Opportunities VIP Class B	1.35%
DWS Health Care VIP Class B	1.49%

In addition, for the period from October 1, 2009 through September 30, 2010, the Advisor, the underwriter and accounting agent contractually agreed to waive a portion of their fee to the extent necessary to maintain the operating expenses of each class (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest) as follows:

Portfolio	Annual Rate
DWS Global Opportunities VIP Class A	1.06%
DWS Global Opportunities VIP Class B	1.46%

In addition, for the period from January 1, 2009 through April 30, 2010, the Advisor, the underwriter and accounting agent contractually agreed to waive a portion of their fee to the extent necessary to maintain the operating expenses of each class (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest) as follows:

Portfolio	Annual Rate
DWS Growth & Income VIP Class A	.54%
DWS Growth & Income VIP Class B	.87%
DWS Capital Growth VIP Class A	.49%
DWS Capital Growth VIP Class B	.82%
DWS International VIP Class A	.96%
DWS International VIP Class B	1.29%

In addition, for the period from January 1, 2009 through April 27, 2010, the Advisor has contractually agreed to waive 0.01% of the management fee for DWS Growth & Income VIP.

Accordingly, for the year ended December 31, 2009, the total management fee, management fee waived and effective management fee rate are as follows:

Portfolio	Total Aggregated ($)	Waived ($)	Annual Effective Rate
DWS Bond VIP	590,867	—	.39%
DWS Growth & Income VIP	362,304	83,784	.30%
DWS Capital Growth VIP	2,425,388	153,029	.35%
DWS Global Opportunities VIP	1,126,004	154,222	.77%
DWS International VIP	2,382,840	—	.79%
DWS Health Care VIP	353,859	—	.67%

In addition, for the year ended December 31, 2009, the Advisor waived record keeping expenses of Class B shares of the Portfolio as follows:

Portfolio	Waived ($)
DWS Capital Growth VIP	1,212

On January 26, 2010, the Advisor announced its intention to transition members of DWS Growth & Income VIP's portfolio management team who are part of its Quantitative Strategies Group out of DIMA into two separate independent investment advisory firms that are not affiliated with DIMA. In order for DWS Growth & Income VIP to continue to benefit from the investment expertise offered by the affected portfolio managers, DIMA has recommended to the Portfolio's Board of Trustees the approval of a sub-advisory agreement between DIMA and each newly created investment advisory firm (the "Sub-Advisory Agreement"). The Sub-Advisory Agreement is subject to Board approval. If approved, the transition is expected to be completed during the second quarter 2010.

Administration Fee. Pursuant to an Administrative Services Agreement, DIMA provides most administrative services to the Series. For all services provided under the Administrative Services Agreement, each Portfolio pays the Advisor an annual fee ("Administration Fee") of 0.10% of each Portfolio's average daily net assets, computed and accrued daily and payable monthly. For the year ended December 31, 2009, the Administration Fee was as follows:

Portfolio	Total Aggregated ($)	Unpaid at December 31, 2009 ($)
DWS Bond VIP	151,504	13,599
DWS Growth & Income VIP	92,899	8,763
DWS Capital Growth VIP	647,367	61,538
DWS Global Opportunities VIP	126,517	12,233
DWS International VIP	301,625	29,259
DWS Health Care VIP	53,212	4,440

Service Provider Fees. DWS Investments Service Company ("DISC"), an affiliate of the Advisor, is the transfer agent, dividend-paying agent and shareholder service agent for the Series. Pursuant to a sub-transfer agency agreement between DISC and DST Systems, Inc. ("DST"), DISC has delegated certain transfer agent, dividend-paying agent and shareholder service agent functions to DST. DISC compensates DST out of the shareholder servicing fee it receives from each Portfolio. For the year ended December 31, 2009, the amounts charged to the Portfolios by DISC were as follows:

Portfolio	Total Aggregated ($)	Waived ($)	Unpaid at December 31, 2009 ($)
DWS Bond VIP Class A	711	—	119
DWS Growth & Income VIP Class A	611	611	—
DWS Growth & Income VIP Class B	98	—	16
DWS Capital Growth VIP Class A	1,051	1,051	—
DWS Capital Growth VIP Class B	148	148	—
DWS Global Opportunities VIP Class A	601	601	—
DWS Global Opportunities VIP Class B	120	—	24
DWS International VIP Class A	936	—	142
DWS International VIP Class B	98	—	16
DWS Health Care VIP Class A	255	—	24
DWS Health Care VIP Class B	62	—	18

DWS Investments Distributors, Inc. ("DIDI"), also an affiliate of the Advisor, is the Series' Distributor. In accordance with the Master Distribution Plan, DIDI receives 12b-1 fees of 0.25% of average daily net assets of Class B shares. Pursuant to the Master Distribution Plan, DIDI remits these fees to the Participating Insurance Companies for various costs incurred or paid by these companies in connection with marketing and distribution of Class B shares. These fees are detailed in each Portfolio's Statement of Operations.

Typesetting and Filing Service Fees. Under an agreement with DIMA, DIMA is compensated for providing typesetting and certain regulatory filing services to the Portfolios. For the year ended December 31, 2009, the amount charged to the Portfolios by DIMA included in the Statement of Operations under "reports to shareholders" was as follows:

Portfolio	Total Aggregated ($)	Unpaid at December 31, 2009 ($)
DWS Bond VIP	6,833	2,121
DWS Growth & Income VIP	7,266	2,130
DWS Capital Growth VIP	19,089	3,268
DWS Global Opportunities VIP	8,846	2,172
DWS International VIP	8,064	2,148
DWS Health Care VIP	9,061	3,497

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

Affiliated Cash Management Vehicles. The Portfolio may invest uninvested cash balances in affiliated funds managed by the Advisor. Affiliated cash management vehicles do not pay the Advisor a management fee. The Portfolio currently invests in Central Cash Management Fund. Prior to October 2, 2009, the Portfolio invested in Cash Management QP Trust ("QP Trust"). Effective October 2, 2009, QP Trust merged into Central Cash Management Fund. Central Cash Management Fund seeks to provide a high level of current income consistent with liquidity and the preservation of capital.

D. Investing in Emerging Markets

The DWS Bond VIP, DWS Global Opportunities VIP and DWS International VIP may invest in emerging markets. Investing in emerging markets may involve special risks and considerations not typically associated with investing in the United States of America. These risks include revaluation of currencies, high rates of inflation, repatriation restrictions on income and capital, and future adverse political, social and economic developments. Moreover, securities issued in these markets may be less liquid, subject to government ownership controls or delayed settlements and may have prices more volatile than those of comparable securities of issuers in the United States of America.

E. Ownership of the Portfolios

At the end of the year, the beneficial ownership in the Portfolios was as follows:

DWS Bond VIP: One participating insurance company was an owner of record of 10% or more of the total outstanding Class A shares of the Portfolio, owning 60%.

DWS Growth & Income VIP: Three participating insurance companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 34%, 26% and 16%. Two participating insurance companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 87% and 11%.

DWS Capital Growth VIP: Three participating insurance companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 41%, 23% and 13%. Two participating insurance companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 86% and 13%.

DWS Global Opportunities VIP: Three participating insurance companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 47%,20% 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 64% and 35%.

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 39% and 13%. Three participating insurance companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 66%, 18% and 16%.

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 68% and 23%. One participating insurance company was an owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 99%.

F. Line of Credit

The Series and other affiliated funds (the "Participants") share in a $450 million revolving credit facility provided by a syndication of banks. Each Portfolio may borrow for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated based on net assets, among each of the Participants. Interest is calculated at a rate per annum equal to the sum of the Federal Funds Rate plus 1.25 percent plus if LIBOR exceeds the Federal Funds Rate the amount of such excess. Each Portfolio may borrow up to a maximum of 33 percent of its net assets under the agreement.

G. Payments Made by Affiliates

During the year ended December 31, 2009, the Advisor fully reimbursed DWS Capital Growth VIP $559 for losses incurred on trades executed incorrectly. The amount of the losses was less than 0.01% of the Portfolio's average net asset, thus having no impact on the Portfolio's total return.

H. Acquisition of Assets

On April 24, 2009, DWS Capital Growth VIP acquired all of the net assets of DWS Janus Growth & Income VIP pursuant to a plan of reorganization approved by shareholders on April 20, 2009. The purpose of the transaction was to combine two funds managed by DWS with comparable investment objectives and strategies. The acquisition was accomplished by a tax-free exchange of 9,556,588 Class A shares of DWS Janus Growth & Income VIP for 5,009,687 Class A shares of DWS Capital Growth VIP outstanding on April 24, 2009. DWS Janus Growth & Income VIP's net assets at that date, $66,828,943, including $510,610 of net unrealized appreciation, were combined with those of DWS Capital Growth VIP. The aggregate net assets of DWS Capital Growth VIP immediately before the acquisition were $572,408,860. The combined net assets of DWS Capital Growth VIP immediately following the acquisition were $639,237,803.

The financial statements reflect the operations of DWS Capital Growth VIP for the period prior to the acquisition and the combined fund for the period subsequent to the portfolio merger. Assuming the acquisition had been completed on January 1, 2009, DWS Capital Growth VIP pro forma results of operations for the year ended December 31, 2009, are as follows:

Net investment income*	$ 6,472,345
Net gain (loss) on investments	$ 158,160,836
Net increase (decrease) in net assets resulting from operations	$ 164,633,181

* *Net investment income includes $63,410 of pro forma eliminated expenses.*

Because the combined investment portfolios have been managed as a single integrated portfolio since the acquisition was completed, it is not practicable to separate the amounts of revenue and earnings of DWS Janus Growth & Income VIP that have been included in DWS Capital Growth VIP's Statement of Operations since April 24, 2009.

I. Review for Subsequent Events

Management has reviewed the events and transactions for subsequent events from January 1, 2010 through February 12, 2010, the date the financial statements were available to be issued, and has determined that there were no material events that would require disclosure in the Series' financial statements through this date.

Report of Independent Registered Public Accounting Firm

To the Trustees and Shareholders of DWS Variable Series I:

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 six Portfolios (identified in Note A) of DWS Variable Series I (the "Series") at December 31, 2009 and the results of each of their operations, the changes in each of their net assets, and the financial highlights for each of 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, 2009 by correspondence with the custodians and brokers, provide a reasonable basis for our opinion.

Boston, Massachusetts
February 12, 2010

PricewaterhouseCoopers LLP

Tax Information **(Unaudited)**

DWS Health Care VIP paid distributions of $0.12 per share from net long-term capital gains during the year ended December 31, 2009, of which 100% represents 15% rate gains.

Pursuant to Section 852 of the Internal Revenue Code, DWS Health Care VIP designates approximately $3,694,000 as capital gain dividends for its year ended December 31, 2009, of which 100% represents 15% rate gains.

For corporate shareholders of DWS Growth & Income VIP, DWS Capital Growth VIP, DWS Global Opportunities VIP and DWS Health Care VIP, 100%, 100%, 13% and 65%, respectively, of the ordinary dividends (i.e., income dividends plus short-term capital gains) paid during the Portfolios' fiscal year ended December 31, 2009 qualified for the dividends received deduction.

DWS International VIP paid foreign taxes of $812,000 and earned $5,943,000 of foreign source income during the year ended December 31, 2009. Pursuant to Section 853 of the Internal Revenue Code, DWS International VIP designates $0.02 per share as foreign taxes paid and $0.14 per share as income earned from foreign sources for the year ended December 31, 2009.

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) 728-3337.

Proxy Voting

The Series' policies and procedures for voting proxies for portfolio securities and information about how the Series voted proxies related to its portfolio securities during the 12-month period ended June 30 are available on our Web site — www.dws-investments.com (click on "proxy voting" at the bottom of the page) — or on the SEC's Web site — www.sec.gov. To obtain a written copy of the Series' policies and procedures without charge, upon request, call us toll free at (800) 621-1048.

Investment Management Agreement Approval

DWS Bond VIP

The Board of Trustees, including the Independent Trustees, approved the renewal of your Fund's investment management agreement (the "Agreement") with Deutsche Investment Management Americas Inc. ("DWS") in September 2009.

In terms of the process that the Board followed prior to approving the Agreement, shareholders should know that:

- In September 2009, all but one of the Fund's Trustees were independent of DWS and its affiliates.
- The Trustees meet frequently to discuss fund matters. Each year, the Trustees dedicate substantial time to contract review matters. Over the course of several months, the Board's Contract Committee, in coordination with the Board's Fixed Income and Quant Oversight Committee, reviewed comprehensive materials received from DWS, independent third parties and independent counsel. These materials included an analysis of the Fund's performance, fees and expenses, and profitability compiled by the Fund's independent fee consultant. The Board also received extensive information throughout the year regarding performance of the Fund.
- The Independent Trustees regularly meet privately with their independent counsel to discuss contract review and other matters. In addition, the Independent Trustees were also advised by the Fund's independent fee consultant in the course of their review of the Fund's contractual arrangements and considered a comprehensive report prepared by the independent fee consultant in connection with their deliberations (the "IFC Report").
- In connection with reviewing the Agreement, the Board also reviewed the terms of the Fund's administrative services agreement, transfer agency agreement and other material service agreements.
- Based on its evaluation of the information provided, the Contract Committee presented its findings and recommendations to the Independent Trustees as a group. The Independent Trustees reviewed the Contract Committee's findings and recommendations and presented their recommendations to the full Board.

In connection with the contract review process, the Contract Committee and the Board considered the factors discussed below, among others. The Board also considered that DWS and its predecessors have managed the Fund since its inception, and the Board believes that a long-term relationship with a capable, conscientious advisor is in the best interests of the Fund. The Board considered, generally, that shareholders chose to invest or remain invested in the Fund knowing that DWS managed the Fund, and that the Agreement was approved by the Fund's shareholders. DWS is part of Deutsche Bank, a major global banking institution that is engaged in a wide range of financial services. The Board believes 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.

While shareholders may focus primarily on fund performance and fees, the Fund's Board considers these and many other factors, including the quality and integrity of DWS's personnel and such other issues as back-office operations, fund valuations, and compliance policies and procedures.

Nature, Quality and Extent of Services. The Board considered the terms of the Agreement, including the scope of advisory services provided under the Agreement. The Board noted that, under the Agreement, DWS provides portfolio management services to the Fund and that, pursuant to a separate administrative services agreement, DWS provides administrative services to the Fund. The Board considered the experience and skills of senior management and investment personnel, the resources made available to such personnel, the ability of DWS to attract and retain high-quality personnel, and the organizational depth and stability of DWS. The Board reviewed the Fund's performance over short-term and long-term periods and compared those returns to various agreed-upon performance measures, including market indices and a peer universe compiled by the independent fee consultant using information supplied by Lipper Inc. ("Lipper"). The Board also noted that it has put into place a process of identifying "Focus Funds" (e.g., funds performing poorly relative to their benchmark or a peer universe compiled by Lipper), and receives more frequent reporting and information from DWS regarding such funds, along with DWS's remedial plans to address underperformance. The Board believes this process is an effective manner of identifying and addressing underperforming funds. Based on the information provided, the Board noted that for each of the one-, three- and five-year periods ended December 31, 2008, the Fund's performance (Class A shares) was in the 4th quartile of the applicable Lipper universe (the 1st quartile being the best performers and the 4th quartile being the worst performers). The Board also observed that the Fund has underperformed its benchmark in each of the one-, three- and five-year periods ended December 31, 2008. The Board noted the disappointing investment performance of the Fund in recent periods and continued to discuss with senior management of DWS the factors contributing to such underperformance and actions being taken to improve performance. The Board recognized that DWS has made significant changes in the Fund's management structure, including the termination of Aberdeen Asset Management, Inc. and Aberdeen Asset Management Investment Services Limited as the Fund's sub-advisor and sub-sub-advisor, respectively, and the introduction of a new portfolio management team in December 2008.

On the basis of this evaluation and the ongoing review of investment results by the Board, the Board concluded that the nature, quality and extent of services provided by DWS historically have been and continue to be satisfactory.

Fees and Expenses. The Board considered the Fund's investment management fee schedule, operating expenses and total expense ratios, and comparative information provided by Lipper and the independent fee consultant regarding investment management fee rates paid to other investment advisors by similar funds (1st quartile being the most favorable and 4th quartile being the least favorable). With respect to management fees paid to other investment advisors by similar funds, the Board noted that the contractual fee rates paid by the Fund, which include a 0.10% fee paid to DWS under the Fund's administrative services agreement, were at the median (2nd quartile) of the applicable Lipper peer group (based on Lipper data provided as of December 31, 2008). The Board also reviewed data comparing the Fund's total (net) operating expenses to the applicable Lipper expense universe. The Board concluded that the comparative Lipper operating expense data was of limited utility, as it likely significantly understated the current expense ratios of many peer funds due to the substantial declines in net assets as a result of market losses and net redemptions that many funds experienced between mid-September 2008 and March 2009 and that were not reflected in the data.

The information considered by the Board as part of its review of management fees included information regarding fees charged by DWS and its affiliates to similar institutional accounts and to similar funds managed by the same portfolio management teams but offered primarily to European investors ("DWS Europe funds"), in each case as applicable. The Board observed that advisory fee rates for institutional accounts generally were lower than the management fees charged by similarly managed DWS US mutual funds ("DWS Funds"), but also took note of the differences in services provided to DWS Funds as compared to institutional accounts. In the case of DWS Europe funds, the Board observed that fee rates for DWS Europe funds generally were higher than for similarly managed DWS Funds, but noted that differences in the types of services provided to DWS Funds relative to DWS Europe funds made it difficult to compare such fees.

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 DWS.

Profitability. The Board reviewed detailed information regarding revenues received by DWS under the Agreement. The Board considered the estimated costs and pre-tax profits realized by DWS from advising the DWS Funds, as well as estimates of the pre-tax profits attributable to managing the Fund in particular. The Board also received information regarding the estimated enterprise-wide profitability of DWS and its affiliates with respect to all fund services in totality and by fund. The Board reviewed DWS's methodology in allocating its costs to the management of the Fund. Based on the information provided, the Board concluded that the pre-tax profits realized by DWS in connection with the management of the Fund were not unreasonable. 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 (and in some cases is not necessarily prepared on a comparable basis), DWS and its affiliates' overall profitability with respect to the DWS fund complex (after taking into account distribution and other services provided to the funds by DWS and its affiliates) was lower than the overall profitability levels of many comparable firms for which such data was available.

Economies of Scale. The Board considered whether there are economies of scale with respect to the management of the Fund and whether the Fund benefits from any economies of scale. The Board noted that the

Fund's management fee schedule includes fee breakpoints. The Board concluded that the Fund's fee schedule represents an appropriate sharing between the Fund and DWS of such economies of scale as may exist in the management of the Fund at current asset levels.

Other Benefits to DWS and Its Affiliates. The Board also considered the character and amount of other incidental benefits received by DWS and its affiliates, including any fees received by DWS for administrative services provided to the Fund. The Board also considered benefits to DWS related to brokerage and soft-dollar allocations, including allocating brokerage to pay for research generated by parties other than the executing broker dealers, which pertain primarily to funds investing in equity securities, along with the incidental public relations benefits to DWS related to DWS Funds advertising and cross-selling opportunities among DWS products and services. The Board concluded that management fees were reasonable in light of these fallout benefits.

Compliance. The Board considered the significant attention and resources dedicated by DWS to documenting and enhancing its compliance processes in recent years. The Board noted in particular (i) the experience and seniority of both DWS's chief compliance officer and the Fund's chief compliance officer; (ii) the large number of DWS compliance personnel; and (iii) the substantial commitment of resources by DWS and its affiliates to compliance matters.

Based on all of the information considered and the conclusions reached, the Board unanimously (including the Independent Trustees) determined that the continuation of the Agreement is in the best interests of the Fund. In making this determination, the Board did not give particular weight to any single factor identified above. The Board considered these factors over the course of numerous meetings, certain 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 Agreement.

DWS Growth & Income VIP

The Board of Trustees, including the Independent Trustees, approved the renewal of your Fund's investment management agreement (the "Agreement") with Deutsche Investment Management Americas Inc. ("DWS") in September 2009.

In terms of the process that the Board followed prior to approving the Agreement, shareholders should know that:

- In September 2009, all but one of the Fund's Trustees were independent of DWS and its affiliates.
- The Trustees meet frequently to discuss fund matters. Each year, the Trustees dedicate substantial time to contract review matters. Over the course of several months, the Board's Contract Committee, in coordination with the Board's Fixed Income and Quant Oversight Committee, reviewed comprehensive materials received from DWS, independent third parties and independent counsel. These materials included an analysis of the Fund's performance, fees and expenses, and profitability compiled by the Fund's independent fee consultant. The Board also received extensive information throughout the year regarding performance of the Fund.
- The Independent Trustees regularly meet privately with their independent counsel to discuss contract review and other matters. In addition, the Independent Trustees were also advised by the Fund's independent fee consultant in the course of their review of the Fund's contractual arrangements and considered a comprehensive report prepared by the independent fee consultant in connection with their deliberations (the "IFC Report").
- In connection with reviewing the Agreement, the Board also reviewed the terms of the Fund's Rule 12b-1 plan, distribution agreement, administrative services agreement, transfer agency agreement and other material service agreements.
- Based on its evaluation of the information provided, the Contract Committee presented its findings and recommendations to the Independent Trustees as a group. The Independent Trustees reviewed the Contract Committee's findings and recommendations and presented their recommendations to the full Board.

In connection with the contract review process, the Contract Committee and the Board considered the factors discussed below, among others. The Board also considered that DWS and its predecessors have managed the

Fund since its inception, and the Board believes that a long-term relationship with a capable, conscientious advisor is in the best interests of the Fund. The Board considered, generally, that shareholders chose to invest or remain invested in the Fund knowing that DWS managed the Fund, and that the Agreement was approved by the Fund's shareholders. DWS is part of Deutsche Bank, a major global banking institution that is engaged in a wide range of financial services. The Board believes 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.

While shareholders may focus primarily on fund performance and fees, the Fund's Board considers these and many other factors, including the quality and integrity of DWS's personnel and such other issues as back-office operations, fund valuations, and compliance policies and procedures.

Nature, Quality and Extent of Services. The Board considered the terms of the Agreement, including the scope of advisory services provided under the Agreement. The Board noted that, under the Agreement, DWS provides portfolio management services to the Fund and that, pursuant to a separate administrative services agreement, DWS provides administrative services to the Fund. The Board considered the experience and skills of senior management and investment personnel, the resources made available to such personnel, the ability of DWS to attract and retain high-quality personnel, and the organizational depth and stability of DWS. The Board reviewed the Fund's performance over short-term and long-term periods and compared those returns to various agreed-upon performance measures, including market indices and a peer universe compiled by the independent fee consultant using information supplied by Lipper Inc. ("Lipper"). The Board also noted that it has put into place a process of identifying "Focus Funds" (e.g., funds performing poorly relative to their benchmark or a peer universe compiled by Lipper), and receives more frequent reporting and information from DWS regarding such funds, along with DWS's remedial plans to address underperformance. The Board believes this process is an effective manner of identifying and addressing underperforming funds. Based on the information provided, the Board noted that for the one-, three- and five-year periods ended December 31, 2008, the Fund's performance (Class A shares) was in the 3rd quartile, 3rd quartile and 4th quartile, respectively, of the applicable Lipper universe (the 1st quartile being the best performers and the 4th quartile being the worst performers). The Board also observed that the Fund has underperformed its benchmark in each of the one-, three- and five-year periods ended December 31, 2008.

On the basis of this evaluation and the ongoing review of investment results by the Board, the Board concluded that the nature, quality and extent of services provided by DWS historically have been and continue to be satisfactory.

Fees and Expenses. The Board considered the Fund's investment management fee schedule, operating expenses and total expense ratios, and comparative information provided by Lipper and the independent fee consultant regarding investment management fee rates paid to other investment advisors by similar funds (1st quartile being the most favorable and 4th quartile being the least favorable). With respect to management fees paid to other investment advisors by similar funds, the Board noted that the contractual fee rates paid by the Fund, which include a 0.10% fee paid to DWS under the Fund's administrative services agreement, were lower than the median (1st quartile) of the applicable Lipper peer group (based on Lipper data provided as of December 31, 2008). The Board also reviewed data comparing each share class's total (net) operating expenses to the applicable Lipper expense universe. The Board concluded that the comparative Lipper operating expense data was of limited utility, as it likely significantly understated the current expense ratios of many peer funds due to the substantial declines in net assets as a result of market losses and net redemptions that many funds experienced between mid-September 2008 and March 2009 and that were not reflected in the data. The Board also noted that the expense limitations agreed to by DWS helped to ensure that the Fund's total (net) operating expenses would remain competitive.

The information considered by the Board as part of its review of management fees included information regarding fees charged by DWS and its affiliates to similar institutional accounts and to similar funds managed by the same portfolio management teams but offered primarily to European investors ("DWS Europe funds"), in each case as applicable. The Board observed that advisory fee rates for institutional accounts generally were lower than the management fees charged by similarly managed DWS US mutual funds ("DWS Funds"), but also took note of the differences in services provided to DWS Funds as compared to institutional accounts. In the case of DWS Europe funds, the Board observed that fee rates for DWS Europe funds generally were higher than for similarly managed DWS Funds, but noted that differences in the types of services provided to DWS Funds relative to DWS Europe funds made it difficult to compare such fees.

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 DWS.

Profitability. The Board reviewed detailed information regarding revenues received by DWS under the Agreement. The Board considered the estimated costs and pre-tax profits realized by DWS from advising the DWS Funds, as well as estimates of the pre-tax profits attributable to managing the Fund in particular. The Board also received information regarding the estimated enterprise-wide profitability of DWS and its affiliates with respect to all fund services in totality and by fund. The Board reviewed DWS's methodology in allocating its costs to the management of the Fund. Based on the information provided, the Board concluded that the pre-tax profits realized by DWS in connection with the management of the Fund were not unreasonable. 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 (and in some cases is not necessarily prepared on a comparable basis), DWS and its affiliates' overall profitability with respect to the DWS fund complex (after taking into account distribution and other services provided to the funds by DWS and its affiliates) was lower than the overall profitability levels of many comparable firms for which such data was available.

Economies of Scale. The Board considered whether there are economies of scale with respect to the management of the Fund and whether the Fund benefits from any economies of scale. The Board noted that the Fund's management fee schedule includes fee breakpoints. The Board concluded that the Fund's fee schedule represents an appropriate sharing between the Fund and DWS of such economies of scale as may exist in the management of the Fund at current asset levels.

Other Benefits to DWS and Its Affiliates. The Board also considered the character and amount of other incidental benefits received by DWS and its affiliates, including any fees received by DWS for administrative services provided to the Fund and any fees received by an affiliate of DWS for distribution services. The Board also considered benefits to DWS related to brokerage and soft-dollar allocations, including allocating brokerage to pay for research generated by parties other than the executing broker dealers, which pertain primarily to funds investing in equity securities, along with the incidental public relations benefits to DWS related to DWS Funds advertising and cross-selling opportunities among DWS products and services. The Board concluded that management fees were reasonable in light of these fallout benefits.

Compliance. The Board considered the significant attention and resources dedicated by DWS to documenting and enhancing its compliance processes in recent years. The Board noted in particular (i) the experience and seniority of both DWS's chief compliance officer and the Fund's chief compliance officer; (ii) the large number of DWS compliance personnel; and (iii) the substantial commitment of resources by DWS and its affiliates to compliance matters.

Based on all of the information considered and the conclusions reached, the Board unanimously (including the Independent Trustees) determined that the continuation of the Agreement is in the best interests of the Fund. In making this determination, the Board did not give particular weight to any single factor identified above. The Board considered these factors over the course of numerous meetings, certain 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 Agreement.

DWS Capital Growth VIP

The Board of Trustees, including the Independent Trustees, approved the renewal of your Fund's investment management agreement (the "Agreement") with Deutsche Investment Management Americas Inc. ("DWS") in September 2009.

In terms of the process that the Board followed prior to approving the Agreement, shareholders should know that:

- In September 2009, all but one of the Fund's Trustees were independent of DWS and its affiliates.

- The Trustees meet frequently to discuss fund matters. Each year, the Trustees dedicate substantial time to contract review matters. Over the course of several months, the Board's Contract Committee, in coordination with the Board's Equity Oversight Committee, reviewed comprehensive materials received from DWS, independent third parties and independent counsel. These materials included an analysis of the Fund's performance, fees and expenses, and profitability compiled by the Fund's independent fee consultant. The Board also received extensive information throughout the year regarding performance of the Fund.
- The Independent Trustees regularly meet privately with their independent counsel to discuss contract review and other matters. In addition, the Independent Trustees were also advised by the Fund's independent fee consultant in the course of their review of the Fund's contractual arrangements and considered a comprehensive report prepared by the independent fee consultant in connection with their deliberations (the "IFC Report").
- In connection with reviewing the Agreement, the Board also reviewed the terms of the Fund's Rule 12b-1 plan, distribution agreement, administrative services agreement, transfer agency agreement and other material service agreements.
- Based on its evaluation of the information provided, the Contract Committee presented its findings and recommendations to the Independent Trustees as a group. The Independent Trustees reviewed the Contract Committee's findings and recommendations and presented their recommendations to the full Board.

In connection with the contract review process, the Contract Committee and the Board considered the factors discussed below, among others. The Board also considered that DWS and its predecessors have managed the Fund since its inception, and the Board believes that a long-term relationship with a capable, conscientious advisor is in the best interests of the Fund. The Board considered, generally, that shareholders chose to invest or remain invested in the Fund knowing that DWS managed the Fund, and that the Agreement was approved by the Fund's shareholders. DWS is part of Deutsche Bank, a major global banking institution that is engaged in a wide range of financial services. The Board believes 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.

While shareholders may focus primarily on fund performance and fees, the Fund's Board considers these and many other factors, including the quality and integrity of DWS's personnel and such other issues as back-office operations, fund valuations, and compliance policies and procedures.

Nature, Quality and Extent of Services. The Board considered the terms of the Agreement, including the scope of advisory services provided under the Agreement. The Board noted that, under the Agreement, DWS provides portfolio management services to the Fund and that, pursuant to a separate administrative services agreement, DWS provides administrative services to the Fund. The Board considered the experience and skills of senior management and investment personnel, the resources made available to such personnel, the ability of DWS to attract and retain high-quality personnel, and the organizational depth and stability of DWS. The Board reviewed the Fund's performance over short-term and long-term periods and compared those returns to various agreed-upon performance measures, including market indices and a peer universe compiled by the independent fee consultant using information supplied by Lipper Inc. ("Lipper"). The Board also noted that it has put into place a process of identifying "Focus Funds" (e.g., funds performing poorly relative to their benchmark or a peer universe compiled by Lipper), and receives more frequent reporting and information from DWS regarding such funds, along with DWS's remedial plans to address underperformance. The Board believes this process is an effective manner of identifying and addressing underperforming funds. Based on the information provided, the Board noted that for each of the one-, three- and five-year periods ended December 31, 2008, the Fund's performance (Class A shares) was in the 1st quartile respectively, of the applicable Lipper universe (the 1st quartile being the best performers and the 4th quartile being the worst performers). The Board also observed that the Fund has outperformed its benchmark in each of the one-, three- and five-year periods ended December 31, 2008.

On the basis of this evaluation and the ongoing review of investment results by the Board, the Board concluded that the nature, quality and extent of services provided by DWS historically have been and continue to be satisfactory.

Fees and Expenses. The Board considered the Fund's investment management fee schedule, operating expenses and total expense ratios, and comparative information provided by Lipper and the independent fee consultant regarding investment management fee rates paid to other investment advisors by similar funds (1st quartile being the most favorable and 4th quartile being the least favorable). With respect to management fees paid to other investment advisors by similar funds, the Board noted that the contractual fee rates paid by the Fund, which include a 0.10% fee paid to DWS under the Fund's administrative services agreement, were lower than the median (1st quartile) of the applicable Lipper peer group (based on Lipper data provided as of December 31, 2008). The Board also reviewed data comparing each share class's total (net) operating expenses to the applicable Lipper expense universe. The Board concluded that the comparative Lipper operating expense data was of limited utility, as it likely significantly understated the current expense ratios of many peer funds due to the substantial declines in net assets as a result of market losses and net redemptions that many funds experienced between mid-September 2008 and March 2009 and that were not reflected in the data. The Board also noted that the expense limitations agreed to by DWS helped to ensure that the Fund's total (net) operating expenses would remain competitive.

The information considered by the Board as part of its review of management fees included information regarding fees charged by DWS and its affiliates to similar institutional accounts and to similar funds managed by the same portfolio management teams but offered primarily to European investors ("DWS Europe funds"), in each case as applicable. The Board observed that advisory fee rates for institutional accounts generally were lower than the management fees charged by similarly managed DWS US mutual funds ("DWS Funds"), but also took note of the differences in services provided to DWS Funds as compared to institutional accounts. In the case of DWS Europe funds, the Board observed that fee rates for DWS Europe funds generally were higher than for similarly managed DWS Funds, but noted that differences in the types of services provided to DWS Funds relative to DWS Europe funds made it difficult to compare such fees.

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 DWS.

Profitability. The Board reviewed detailed information regarding revenues received by DWS under the Agreement. The Board considered the estimated costs and pre-tax profits realized by DWS from advising the DWS Funds, as well as estimates of the pre-tax profits attributable to managing the Fund in particular. The Board also received information regarding the estimated enterprise-wide profitability of DWS and its affiliates with respect to all fund services in totality and by fund. The Board reviewed DWS's methodology in allocating its costs to the management of the Fund. Based on the information provided, the Board concluded that the pre-tax profits realized by DWS in connection with the management of the Fund were not unreasonable. 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 (and in some cases is not necessarily prepared on a comparable basis), DWS and its affiliates' overall profitability with respect to the DWS fund complex (after taking into account distribution and other services provided to the funds by DWS and its affiliates) was lower than the overall profitability levels of many comparable firms for which such data was available.

Economies of Scale. The Board considered whether there are economies of scale with respect to the management of the Fund and whether the Fund benefits from any economies of scale. The Board noted that the Fund's management fee schedule includes fee breakpoints. The Board concluded that the Fund's fee schedule represents an appropriate sharing between the Fund and DWS of such economies of scale as may exist in the management of the Fund at current asset levels.

Other Benefits to DWS and Its Affiliates. The Board also considered the character and amount of other incidental benefits received by DWS and its affiliates, including any fees received by DWS for administrative services provided to the Fund and any fees received by an affiliate of DWS for distribution services. The Board also considered benefits to DWS related to brokerage and soft-dollar allocations, including allocating brokerage to pay for research generated by parties other than the executing broker dealers, which pertain primarily to funds investing in equity securities, along with the incidental public relations benefits to DWS related to DWS Funds advertising and cross-selling opportunities among DWS products and services. The Board concluded that management fees were reasonable in light of these fallout benefits.

Compliance. The Board considered the significant attention and resources dedicated by DWS to documenting and enhancing its compliance processes in recent years. The Board noted in particular (i) the experience and seniority of both DWS's chief compliance officer and the Fund's chief compliance officer; (ii) the large number of DWS compliance personnel; and (iii) the substantial commitment of resources by DWS and its affiliates to compliance matters.

Based on all of the information considered and the conclusions reached, the Board unanimously (including the Independent Trustees) determined that the continuation of the Agreement is in the best interests of the Fund. In making this determination, the Board did not give particular weight to any single factor identified above. The Board considered these factors over the course of numerous meetings, certain 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 Agreement.

DWS Global Opportunities VIP

The Board of Trustees, including the Independent Trustees, approved the renewal of your Fund's investment management agreement (the "Agreement") with Deutsche Investment Management Americas Inc. ("DWS") in September 2009.

In terms of the process that the Board followed prior to approving the Agreement, shareholders should know that:

- In September 2009, all but one of the Fund's Trustees were independent of DWS and its affiliates.
- The Trustees meet frequently to discuss fund matters. Each year, the Trustees dedicate substantial time to contract review matters. Over the course of several months, the Board's Contract Committee, in coordination with the Board's Equity Oversight Committee, reviewed comprehensive materials received from DWS, independent third parties and independent counsel. These materials included an analysis of the Fund's performance, fees and expenses, and profitability compiled by the Fund's independent fee consultant. The Board also received extensive information throughout the year regarding performance of the Fund.
- The Independent Trustees regularly meet privately with their independent counsel to discuss contract review and other matters. In addition, the Independent Trustees were also advised by the Fund's independent fee consultant in the course of their review of the Fund's contractual arrangements and considered a comprehensive report prepared by the independent fee consultant in connection with their deliberations (the "IFC Report").
- In connection with reviewing the Agreement, the Board also reviewed the terms of the Fund's Rule 12b-1 plan, distribution agreement, administrative services agreement, transfer agency agreement and other material service agreements.
- Based on its evaluation of the information provided, the Contract Committee presented its findings and recommendations to the Independent Trustees as a group. The Independent Trustees reviewed the Contract Committee's findings and recommendations and presented their recommendations to the full Board.

In connection with the contract review process, the Contract Committee and the Board considered the factors discussed below, among others. The Board also considered that DWS and its predecessors have managed the Fund since its inception, and the Board believes that a long-term relationship with a capable, conscientious advisor is in the best interests of the Fund. The Board considered, generally, that shareholders chose to invest or remain invested in the Fund knowing that DWS managed the Fund, and that the Agreement was approved by the Fund's shareholders. DWS is part of Deutsche Bank, a major global banking institution that is engaged in a wide range of financial services. The Board believes 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.

While shareholders may focus primarily on fund performance and fees, the Fund's Board considers these and many other factors, including the quality and integrity of DWS's personnel and such other issues as back-office operations, fund valuations, and compliance policies and procedures.

Nature, Quality and Extent of Services. The Board considered the terms of the Agreement, including the scope of advisory services provided under the Agreement. The Board noted that, under the Agreement, DWS provides portfolio management services to the Fund and that, pursuant to a separate administrative services agreement, DWS provides administrative services to the Fund. The Board considered the experience and skills of senior management and investment personnel, the resources made available to such personnel, the ability of DWS to attract and retain high-quality personnel, and the organizational depth and stability of DWS. The Board reviewed the Fund's performance over short-term and long-term periods and compared those returns to various agreed-upon performance measures, including market indices and a peer universe compiled by the independent fee consultant using information supplied by Lipper Inc. ("Lipper"). The Board also noted that it has put into place a process of identifying "Focus Funds" (e.g., funds performing poorly relative to their benchmark or a peer universe compiled by Lipper), and receives more frequent reporting and information from DWS regarding such funds, along with DWS's remedial plans to address underperformance. The Board believes this process is an effective manner of identifying and addressing underperforming funds. Based on the information provided, the Board noted that for the one-, three- and five-year periods ended December 31, 2008, the Fund's performance (Class A shares) was in the 4th quartile, 4th quartile and 2nd quartile, respectively, of the applicable Lipper universe (the 1st quartile being the best performers and the 4th quartile being the worst performers). The Board also observed that the Fund has underperformed its benchmark in each of the one-, three- and five-year periods ended December 31, 2008. The Board observed that there were significant limitations to the usefulness of the comparative data provided by Lipper, noting that the applicable Lipper universe for the Fund included funds that pursue substantially different investment programs as compared to that pursued by the Fund. As a result, the Board gave increased weight to the Fund's performance relative to its benchmark than some of the additional comparative data. The Board noted the disappointing investment performance of the Fund in recent periods and continued to discuss with senior management of DWS the factors contributing to such underperformance and actions being taken to improve performance. The Board observed that the Fund had experienced improved relative performance during the first seven months of 2009. The Board recognized that DWS has made significant changes in its investment personnel and processes in recent years in an effort to improve long-term performance.

On the basis of this evaluation and the ongoing review of investment results by the Board, the Board concluded that the nature, quality and extent of services provided by DWS historically have been and continue to be satisfactory.

Fees and Expenses. The Board considered the Fund's investment management fee schedule, operating expenses and total expense ratios, and comparative information provided by Lipper and the independent fee consultant regarding investment management fee rates paid to other investment advisors by similar funds (1st quartile being the most favorable and 4th quartile being the least favorable). With respect to management fees paid to other investment advisors by similar funds, the Board noted that the contractual fee rates paid by the Fund, which include a 0.10% fee paid to DWS under the Fund's administrative services agreement, were higher than the median (4th quartile) of the applicable Lipper peer group (based on Lipper data provided as of December 31, 2008). The Board also reviewed data comparing each share class's total (net) operating expenses to the applicable Lipper expense universe. The Board concluded that the comparative Lipper operating expense data was of limited utility, as it likely significantly understated the current expense ratios of many peer funds due to the substantial declines in net assets as a result of market losses and net redemptions that many funds experienced between mid-September 2008 and March 2009 and that were not reflected in the data. The Trustees also observed that the Lipper universe for the Fund included funds that pursue substantially different investment programs as compared to that pursued by the Fund. The Board also noted that the expense limitations agreed to by DWS helped to ensure that the Fund's total (net) operating expenses would remain competitive.

The information considered by the Board as part of its review of management fees included information regarding fees charged by DWS and its affiliates to similar institutional accounts and to similar funds managed by the same portfolio management teams but offered primarily to European investors ("DWS Europe funds"), in each case as applicable. The Board observed that advisory fee rates for institutional accounts generally were lower than the management fees charged by similarly managed DWS US mutual funds ("DWS Funds"), but also took note of the differences in services provided to DWS Funds as compared to institutional accounts. In the case of DWS Europe funds, the Board observed that fee rates for DWS Europe funds generally were higher than for similarly managed

DWS Funds, but noted that differences in the types of services provided to DWS Funds relative to DWS Europe funds made it difficult to compare such fees.

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 DWS.

Profitability. The Board reviewed detailed information regarding revenues received by DWS under the Agreement. The Board considered the estimated costs and pre-tax profits realized by DWS from advising the DWS Funds, as well as estimates of the pre-tax profits attributable to managing the Fund in particular. The Board also received information regarding the estimated enterprise-wide profitability of DWS and its affiliates with respect to all fund services in totality and by fund. The Board reviewed DWS's methodology in allocating its costs to the management of the Fund. Based on the information provided, the Board concluded that the pre-tax profits realized by DWS in connection with the management of the Fund were not unreasonable. 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 (and in some cases is not necessarily prepared on a comparable basis), DWS and its affiliates' overall profitability with respect to the DWS fund complex (after taking into account distribution and other services provided to the funds by DWS and its affiliates) was lower than the overall profitability levels of many comparable firms for which such data was available.

Economies of Scale. The Board considered whether there are economies of scale with respect to the management of the Fund and whether the Fund benefits from any economies of scale. The Board noted that the Fund's management fee schedule includes fee breakpoints. The Board concluded that the Fund's fee schedule represents an appropriate sharing between the Fund and DWS of such economies of scale as may exist in the management of the Fund at current asset levels.

Other Benefits to DWS and Its Affiliates. The Board also considered the character and amount of other incidental benefits received by DWS and its affiliates, including any fees received by DWS for administrative services provided to the Fund and any fees received by an affiliate of DWS for distribution services. The Board also considered benefits to DWS related to brokerage and soft-dollar allocations, including allocating brokerage to pay for research generated by parties other than the executing broker dealers, which pertain primarily to funds investing in equity securities, along with the incidental public relations benefits to DWS related to DWS Funds advertising and cross-selling opportunities among DWS products and services. The Board concluded that management fees were reasonable in light of these fallout benefits.

Compliance. The Board considered the significant attention and resources dedicated by DWS to documenting and enhancing its compliance processes in recent years. The Board noted in particular (i) the experience and seniority of both DWS's chief compliance officer and the Fund's chief compliance officer; (ii) the large number of DWS compliance personnel; and (iii) the substantial commitment of resources by DWS and its affiliates to compliance matters.

Based on all of the information considered and the conclusions reached, the Board unanimously (including the Independent Trustees) determined that the continuation of the Agreement is in the best interests of the Fund. In making this determination, the Board did not give particular weight to any single factor identified above. The Board considered these factors over the course of numerous meetings, certain 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 Agreement.

DWS International VIP

The Board of Trustees, including the Independent Trustees, approved the renewal of your Fund's investment management agreement (the "Agreement") with Deutsche Investment Management Americas Inc. ("DWS") in September 2009.

In terms of the process that the Board followed prior to approving the Agreement, shareholders should know that:

- In September 2009, all but one of the Fund's Trustees were independent of DWS and its affiliates.

- The Trustees meet frequently to discuss fund matters. Each year, the Trustees dedicate substantial time to contract review matters. Over the course of several months, the Board's Contract Committee, in coordination with the Board's Equity Oversight Committee, reviewed comprehensive materials received from DWS, independent third parties and independent counsel. These materials included an analysis of the Fund's performance, fees and expenses, and profitability compiled by the Fund's independent fee consultant. The Board also received extensive information throughout the year regarding performance of the Fund.
- The Independent Trustees regularly meet privately with their independent counsel to discuss contract review and other matters. In addition, the Independent Trustees were also advised by the Fund's independent fee consultant in the course of their review of the Fund's contractual arrangements and considered a comprehensive report prepared by the independent fee consultant in connection with their deliberations (the "IFC Report").
- In connection with reviewing the Agreement, the Board also reviewed the terms of the Fund's Rule 12b-1 plan, distribution agreement, administrative services agreement, transfer agency agreement and other material service agreements.
- Based on its evaluation of the information provided, the Contract Committee presented its findings and recommendations to the Independent Trustees as a group. The Independent Trustees reviewed the Contract Committee's findings and recommendations and presented their recommendations to the full Board.

In connection with the contract review process, the Contract Committee and the Board considered the factors discussed below, among others. The Board also considered that DWS and its predecessors have managed the Fund since its inception, and the Board believes that a long-term relationship with a capable, conscientious advisor is in the best interests of the Fund. The Board considered, generally, that shareholders chose to invest or remain invested in the Fund knowing that DWS managed the Fund, and that the Agreement was approved by the Fund's shareholders. DWS is part of Deutsche Bank, a major global banking institution that is engaged in a wide range of financial services. The Board believes 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.

While shareholders may focus primarily on fund performance and fees, the Fund's Board considers these and many other factors, including the quality and integrity of DWS's personnel and such other issues as back-office operations, fund valuations, and compliance policies and procedures.

Nature, Quality and Extent of Services. The Board considered the terms of the Agreement, including the scope of advisory services provided under the Agreement. The Board noted that, under the Agreement, DWS provides portfolio management services to the Fund and that, pursuant to a separate administrative services agreement, DWS provides administrative services to the Fund. The Board considered the experience and skills of senior management and investment personnel, the resources made available to such personnel, the ability of DWS to attract and retain high-quality personnel, and the organizational depth and stability of DWS. The Board reviewed the Fund's performance over short-term and long-term periods and compared those returns to various agreed-upon performance measures, including market indices and a peer universe compiled by the independent fee consultant using information supplied by Lipper Inc. ("Lipper"). The Board also noted that it has put into place a process of identifying "Focus Funds" (e.g., funds performing poorly relative to their benchmark or a peer universe compiled by Lipper), and receives more frequent reporting and information from DWS regarding such funds, along with DWS's remedial plans to address underperformance. The Board believes this process is an effective manner of identifying and addressing underperforming funds. Based on the information provided, the Board noted that for each of the one-, three- and five-year periods ended December 31, 2008, the Fund's performance (Class A shares) was in the 4th quartile of the applicable Lipper universe (the 1st quartile being the best performers and the 4th quartile being the worst performers). The Board also observed that the Fund has underperformed its benchmark in each of the one-, three- and five-year periods ended December 31, 2008. The Board noted the disappointing investment performance of the Fund in recent periods and continued to discuss with senior management of DWS the factors contributing to such underperformance and actions being taken to improve performance. The Board observed that the Fund had experienced improved relative performance during the first seven months of 2009. The Board recognized that DWS has made significant changes in the Fund's management structure, including the introduction of two new portfolio managers in July 2009.

On the basis of this evaluation and the ongoing review of investment results by the Board, the Board concluded that the nature, quality and extent of services provided by DWS historically have been and continue to be satisfactory.

Fees and Expenses. The Board considered the Fund's investment management fee schedule, operating expenses and total expense ratios, and comparative information provided by Lipper and the independent fee consultant regarding investment management fee rates paid to other investment advisors by similar funds (1st quartile being the most favorable and 4th quartile being the least favorable). With respect to management fees paid to other investment advisors by similar funds, the Board noted that the contractual fee rates paid by the Fund, which include a 0.10% fee paid to DWS under the Fund's administrative services agreement, were lower than the median (2nd quartile) of the applicable Lipper peer group (based on Lipper data provided as of December 31, 2008). The Board also reviewed data comparing each share class's total (net) operating expenses to the applicable Lipper expense universe. The Board concluded that the comparative Lipper operating expense data was of limited utility, as it likely significantly understated the current expense ratios of many peer funds due to the substantial declines in net assets as a result of market losses and net redemptions that many funds experienced between mid-September 2008 and March 2009 and that were not reflected in the data. The Board also noted that the expense limitations agreed to by DWS helped to ensure that the Fund's total (net) operating expenses would remain competitive.

The information considered by the Board as part of its review of management fees included information regarding fees charged by DWS and its affiliates to similar institutional accounts and to similar funds managed by the same portfolio management teams but offered primarily to European investors ("DWS Europe funds"), in each case as applicable. The Board observed that advisory fee rates for institutional accounts generally were lower than the management fees charged by similarly managed DWS US mutual funds ("DWS Funds"), but also took note of the differences in services provided to DWS Funds as compared to institutional accounts. In the case of DWS Europe funds, the Board observed that fee rates for DWS Europe funds generally were higher than for similarly managed DWS Funds, but noted that differences in the types of services provided to DWS Funds relative to DWS Europe funds made it difficult to compare such fees.

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 DWS.

Profitability. The Board reviewed detailed information regarding revenues received by DWS under the Agreement. The Board considered the estimated costs and pre-tax profits realized by DWS from advising the DWS Funds, as well as estimates of the pre-tax profits attributable to managing the Fund in particular. The Board also received information regarding the estimated enterprise-wide profitability of DWS and its affiliates with respect to all fund services in totality and by fund. The Board reviewed DWS's methodology in allocating its costs to the management of the Fund. Based on the information provided, the Board concluded that the pre-tax profits realized by DWS in connection with the management of the Fund were not unreasonable. 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 (and in some cases is not necessarily prepared on a comparable basis), DWS and its affiliates' overall profitability with respect to the DWS fund complex (after taking into account distribution and other services provided to the funds by DWS and its affiliates) was lower than the overall profitability levels of many comparable firms for which such data was available.

Economies of Scale. The Board considered whether there are economies of scale with respect to the management of the Fund and whether the Fund benefits from any economies of scale. The Board noted that the Fund's management fee schedule includes fee breakpoints. The Board concluded that the Fund's fee schedule represents an appropriate sharing between the Fund and DWS of such economies of scale as may exist in the management of the Fund at current asset levels.

Other Benefits to DWS and Its Affiliates. The Board also considered the character and amount of other incidental benefits received by DWS and its affiliates, including any fees received by DWS for administrative services provided to the Fund and any fees received by an affiliate of DWS for distribution services. The Board also considered benefits to DWS related to brokerage and soft-dollar allocations, including allocating brokerage to pay for research generated by parties other than the executing broker dealers, which pertain primarily to funds investing in equity securities, along with the incidental public relations benefits to DWS related to DWS Funds advertising and cross-selling opportunities among DWS products and services. The Board concluded that management fees were reasonable in light of these fallout benefits.

Compliance. The Board considered the significant attention and resources dedicated by DWS to documenting and enhancing its compliance processes in recent years. The Board noted in particular (i) the experience and seniority of both DWS's chief compliance officer and the Fund's chief compliance officer; (ii) the large number of DWS compliance personnel; and (iii) the substantial commitment of resources by DWS and its affiliates to compliance matters.

Based on all of the information considered and the conclusions reached, the Board unanimously (including the Independent Trustees) determined that the continuation of the Agreement is in the best interests of the Fund. In making this determination, the Board did not give particular weight to any single factor identified above. The Board considered these factors over the course of numerous meetings, certain 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 Agreement.

DWS Health Care VIP

The Board of Trustees, including the Independent Trustees, approved the renewal of your Fund's investment management agreement (the "Agreement") with Deutsche Investment Management Americas Inc. ("DWS") in September 2009.

In terms of the process that the Board followed prior to approving the Agreement, shareholders should know that:

- In September 2009, all but one of the Fund's Trustees were independent of DWS and its affiliates.
- The Trustees meet frequently to discuss fund matters. Each year, the Trustees dedicate substantial time to contract review matters. Over the course of several months, the Board's Contract Committee, in coordination with the Board's Equity Oversight Committee, reviewed comprehensive materials received from DWS, independent third parties and independent counsel. These materials included an analysis of the Fund's performance, fees and expenses, and profitability compiled by the Fund's independent fee consultant. The Board also received extensive information throughout the year regarding performance of the Fund.
- The Independent Trustees regularly meet privately with their independent counsel to discuss contract review and other matters. In addition, the Independent Trustees were also advised by the Fund's independent fee consultant in the course of their review of the Fund's contractual arrangements and considered a comprehensive report prepared by the independent fee consultant in connection with their deliberations (the "IFC Report").
- In connection with reviewing the Agreement, the Board also reviewed the terms of the Fund's Rule 12b-1 plan, distribution agreement, administrative services agreement, transfer agency agreement and other material service agreements.
- Based on its evaluation of the information provided, the Contract Committee presented its findings and recommendations to the Independent Trustees as a group. The Independent Trustees reviewed the Contract Committee's findings and recommendations and presented their recommendations to the full Board.

In connection with the contract review process, the Contract Committee and the Board considered the factors discussed below, among others. The Board also considered that DWS and its predecessors have managed the Fund since its inception, and the Board believes that a long-term relationship with a capable, conscientious advisor is in the best interests of the Fund. The Board considered, generally, that shareholders chose to invest or remain invested in the Fund knowing that DWS managed the Fund, and that the Agreement was approved by the Fund's shareholders. DWS is part of Deutsche Bank, a major global banking institution that is engaged in a wide range of financial services. The Board believes 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.

While shareholders may focus primarily on fund performance and fees, the Fund's Board considers these and many other factors, including the quality and integrity of DWS's personnel and such other issues as back-office operations, fund valuations, and compliance policies and procedures.

Nature, Quality and Extent of Services. The Board considered the terms of the Agreement, including the scope of advisory services provided under the Agreement. The Board noted that, under the Agreement, DWS provides portfolio management services to the Fund and that, pursuant to a separate administrative services agreement, DWS provides administrative services to the Fund. The Board considered the experience and skills of senior management and investment personnel, the resources made available to such personnel, the ability of DWS to attract and retain high-quality personnel, and the organizational depth and stability of DWS. The Board reviewed the Fund's performance over short-term and long-term periods and compared those returns to various agreed-upon performance measures, including market indices and a peer universe compiled by the independent fee consultant using information supplied by Lipper Inc. ("Lipper"). The Board also noted that it has put into place a process of identifying "Focus Funds" (e.g., funds performing poorly relative to their benchmark or a peer universe compiled by Lipper), and receives more frequent reporting and information from DWS regarding such funds, along with DWS's remedial plans to address underperformance. The Board believes this process is an effective manner of identifying and addressing underperforming funds. Based on the information provided, the Board noted that for the one-, three- and five-year periods ended December 31, 2008, the Fund's performance (Class A shares) was in the 1st quartile, 1st quartile and 2nd quartile, respectively, of the applicable Lipper universe (the 1st quartile being the best performers and the 4th quartile being the worst performers). The Board also observed that the Fund has outperformed its benchmark in each of the one-, three- and five-year periods ended December 31, 2008.

On the basis of this evaluation and the ongoing review of investment results by the Board, the Board concluded that the nature, quality and extent of services provided by DWS historically have been and continue to be satisfactory.

Fees and Expenses. The Board considered the Fund's investment management fee schedule, operating expenses and total expense ratios, and comparative information provided by Lipper and the independent fee consultant regarding investment management fee rates paid to other investment advisors by similar funds (1st quartile being the most favorable and 4th quartile being the least favorable). With respect to management fees paid to other investment advisors by similar funds, the Board noted that the contractual fee rates paid by the Fund, which include a 0.10% fee paid to DWS under the Fund's administrative services agreement, were at the median (2nd quartile) of the applicable Lipper peer group (based on Lipper data provided as of December 31, 2008). The Board also reviewed data comparing each share class's total (net) operating expenses to the applicable Lipper expense universe. The Board concluded that the comparative Lipper operating expense data was of limited utility, as it likely significantly understated the current expense ratios of many peer funds due to the substantial declines in net assets as a result of market losses and net redemptions that many funds experienced between mid-September 2008 and March 2009 and that were not reflected in the data.

The information considered by the Board as part of its review of management fees included information regarding fees charged by DWS and its affiliates to similar institutional accounts and to similar funds managed by the same portfolio management teams but offered primarily to European investors ("DWS Europe funds"), in each case as applicable. The Board observed that advisory fee rates for institutional accounts generally were lower than the management fees charged by similarly managed DWS US mutual funds ("DWS Funds"), but also took note of the differences in services provided to DWS Funds as compared to institutional accounts. In the case of DWS Europe funds, the Board observed that fee rates for DWS Europe funds generally were higher than for similarly managed DWS Funds, but noted that differences in the types of services provided to DWS Funds relative to DWS Europe funds made it difficult to compare such fees.

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 DWS.

Profitability. The Board reviewed detailed information regarding revenues received by DWS under the Agreement. The Board considered the estimated costs and pre-tax profits realized by DWS from advising the DWS Funds, as well as estimates of the pre-tax profits attributable to managing the Fund in particular. The Board also received information regarding the estimated enterprise-wide profitability of DWS and its affiliates with respect to all fund services in totality and by fund. The Board reviewed DWS's methodology in allocating its costs to the management of the Fund. Based on the information provided, the Board concluded that the pre-tax profits realized by DWS in connection with the management of the Fund were not unreasonable. 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 (and in some cases is not necessarily prepared on a comparable basis), DWS and its affiliates' overall profitability with respect to the DWS fund complex (after taking into account distribution and other services provided to the funds by DWS and its affiliates) was lower than the overall profitability levels of many comparable firms for which such data was available.

Economies of Scale. The Board considered whether there are economies of scale with respect to the management of the Fund and whether the Fund benefits from any economies of scale. The Board noted that the Fund's management fee schedule includes fee breakpoints. The Board concluded that the Fund's fee schedule represents an appropriate sharing between the Fund and DWS of such economies of scale as may exist in the management of the Fund at current asset levels.

Other Benefits to DWS and Its Affiliates. The Board also considered the character and amount of other incidental benefits received by DWS and its affiliates, including any fees received by DWS for administrative services provided to the Fund and any fees received by an affiliate of DWS for distribution services. The Board also considered benefits to DWS related to brokerage and soft-dollar allocations, including allocating brokerage to pay for research generated by parties other than the executing broker dealers, which pertain primarily to funds investing in equity securities, along with the incidental public relations benefits to DWS related to DWS Funds advertising and cross-selling opportunities among DWS products and services. The Board concluded that management fees were reasonable in light of these fallout benefits.

Compliance. The Board considered the significant attention and resources dedicated by DWS to documenting and enhancing its compliance processes in recent years. The Board noted in particular (i) the experience and seniority of both DWS's chief compliance officer and the Fund's chief compliance officer; (ii) the large number of DWS compliance personnel; and (iii) the substantial commitment of resources by DWS and its affiliates to compliance matters.

Based on all of the information considered and the conclusions reached, the Board unanimously (including the Independent Trustees) determined that the continuation of the Agreement is in the best interests of the Fund. In making this determination, the Board did not give particular weight to any single factor identified above. The Board considered these factors over the course of numerous meetings, certain 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 Agreement.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 9, 2009, As Revised November 20, 2009

Pursuant to an Order entered into by Deutsche Investment Management Americas and affiliates (collectively, "DeAM") with the Attorney General of New York, I, Thomas H. Mack, have been appointed the Independent Fee Consultant for the DWS Funds (formerly the DWS Scudder Funds). My duties include preparing an annual written evaluation of the management fees DeAM charges the Funds, considering among other factors the management fees charged by other mutual fund companies for like services, management fees DeAM charges other clients for like services, DeAM's costs of supplying services under the management agreements and related profit margins, possible economies of scale if a Fund grows larger, and the nature and quality of DeAM's services, including fund performance. This report summarizes my evaluation for 2009, including my qualifications, the evaluation process for each of the DWS Funds, consideration of certain complex-level factors, and my conclusions. I served in substantially the same capacity in 2007 and 2008.

Qualifications

For more than 35 years I have served in various professional capacities within the investment management business. I have held investment analysis and advisory positions, including securities analyst, portfolio strategist and director of investment policy with a large investment firm. I have also performed business management functions, including business development, financial management and marketing research and analysis.

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

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

Evaluation of Fees for each DWS Fund

My work focused primarily on evaluating, fund-by-fund, the fees charged to each of the 124 publicly offered Fund portfolios in the DWS Fund family. For each Fund, I considered each of the key factors mentioned above, as well as any other relevant information. In doing so I worked closely with the Funds' Independent Directors in their annual contract renewal process, as well as in their approval of contracts for several new funds (documented separately).

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

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

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

Fees and Expenses Compared with Other Funds

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

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

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

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

DeAM's Fees for Similar Services to Others

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

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

Costs and Profit Margins

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

Economies of Scale

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

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

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

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

Quality of Service — Performance

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

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

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

Complex-Level Considerations

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

- I reviewed DeAM's profitability analysis for all DWS Funds, with a view toward determining if the allocation procedures used were reasonable and how profit levels compared with public data for other investment managers.
- I considered whether DeAM and affiliates receive any significant ancillary or "fall-out" benefits that should be considered in interpreting the direct profitability results. These would be situations where serving as the investment manager of the Funds is beneficial to another part of the Deutsche Bank organization.
- I considered how aggregated DWS Fund expenses had varied over the years, by asset class and in the context of trends in asset levels.
- I reviewed the structure of the DeAM organization, trends in staffing levels, and information on compensation of investment management and other professionals compared with industry data.

Findings

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

Thomas H. Mack

Thomas H. Mack

Board Members and Officers

The following table presents certain information regarding the Board Members and Officers of the Trust as of December 31, 2009. Each Board Member's year of birth is set forth in parentheses after his or her name. Unless otherwise noted, (i) each Board Member 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 Independent Board Member is c/o Paul K. Freeman, Independent Chairman, DWS Funds, PO Box 101833, Denver, CO 80250-1833. Except as otherwise noted below, the term of office for each Board Member is until the election and qualification of a successor, or until such Board Member sooner dies, resigns, is removed or as otherwise provided in the governing documents of the fund. Because the fund does not hold an annual meeting of shareholders, each Board Member will hold office for an indeterminate period. The Board Members may also serve in similar capacities with other funds in the fund complex. The Length of Time Served represents the year in which the Board Member joined the board of one or more DWS funds now overseen by the Board.

Independent Board Members

Name, Year of Birth, Position with the Fund and Length of Time Served[1]	Business Experience and Directorships During the Past Five Years	Number of Funds in DWS Fund Complex Overseen
Paul K. Freeman (1950) Chairperson since 2009 Board Member since 1993	Consultant, World Bank/Inter-American Development Bank; Governing Council of the Independent Directors Council (governance, education committees); formerly, Project Leader, International Institute for Applied Systems Analysis (1998–2001); Chief Executive Officer, The Eric Group, Inc. (environmental insurance) (1986–1998)	126
John W. Ballantine (1946) Board Member since 1999	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: Healthways, Inc. (provider of disease and care management services); Portland General Electric (utility company); Stockwell Capital Investments PLC (private equity). Former Directorships: First Oak Brook Bancshares, Inc. and Oak Brook Bank; Prisma Energy International	126
Henry P. Becton, Jr. (1943) Board Member since 1990	Vice Chair and former President, WGBH Educational Foundation. Directorships: Association of Public Television Stations; Lead Director, Becton Dickinson and Company[3] (medical technology company); Lead Director, Belo Corporation[3] (media company); Public Radio International; Public Radio Exchange (PRX); The PBS Foundation. Former Directorships: Boston Museum of Science; American Public Television; Concord Academy; New England Aquarium; Mass. Corporation for Educational Telecommunications; Committee for Economic Development; Public Broadcasting Service	126
Dawn-Marie Driscoll (1946) Board Member since 1987	President, Driscoll Associates (consulting firm); Executive Fellow, Center for Business Ethics, Bentley University; formerly, Partner, Palmer & Dodge (1988–1990); Vice President of Corporate Affairs and General Counsel, Filene's (1978–1988). Directorships: Trustee of 20 open-end mutual funds managed by Sun Capital Advisers, Inc. (since 2007); Director of ICI Mutual Insurance Company (since 2007); Advisory Board, Center for Business Ethics, Bentley University; Trustee, Southwest Florida Community Foundation (charitable organization). Former Directorships: Investment Company Institute (audit, executive, nominating committees) and Independent Directors Council (governance, executive committees)	126
Keith R. Fox (1954) Board Member since 1996	Managing General Partner, Exeter Capital Partners (a series of private investment funds). Directorships: Progressive Holding Corporation (kitchen goods importer and distributor); Box Top Media Inc. (advertising); The Kennel Shop (retailer); former Chairman, National Association of Small Business Investment Companies	126
Kenneth C. Froewiss (1945) Board Member since 2001	Adjunct Professor of Finance, NYU Stern School of Business (September 2009–present; Clinical Professor from 1997–September 2009); 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)	126
Richard J. Herring (1946) Board Member since 1990	Jacob Safra Professor of International Banking and Professor, Finance Department, The Wharton School, University of Pennsylvania (since July 1972); Co-Director, Wharton Financial Institutions Center (since July 2000); Director, Japan Equity Fund, Inc. (since September 2007), Thai Capital Fund, Inc. (since September 2007), Singapore Fund, Inc. (since September 2007). Formerly, Vice Dean and Director, Wharton Undergraduate Division (July 1995–June 2000); Director, Lauder Institute of International Management Studies (July 2000–June 2006)	126
William McClayton (1944) Board Member since 2004	Private equity investor (since October 2009); previously, Managing Director, Diamond Management & Technology Consultants, Inc. (global consulting firm) (2001–2009); Directorship: Board of Managers, YMCA of Metropolitan Chicago; formerly: Senior Partner, Arthur Andersen LLP (accounting) (1966–2001); Trustee, Ravinia Festival	126

Name, Year of Birth, Position with the Fund and Length of Time Served[1]	Business Experience and Directorships During the Past Five Years	Number of Funds in DWS Fund Complex Overseen
Rebecca W. Rimel (1951) Board Member since 1995	President and Chief Executive Officer, The Pew Charitable Trusts (charitable organization) (1994 to present); Trustee, Thomas Jefferson Foundation (charitable organization) (1994 to present); Trustee, Executive Committee, Philadelphia Chamber of Commerce (2001–2007); Trustee, Pro Publica (2007–present) (charitable organization); Director, CardioNet, Inc.[2] (2009–present) (health care). Formerly, Executive Vice President, The Glenmede Trust Company (investment trust and wealth management) (1983–2004); Board Member, Investor Education (charitable organization) (2004–2005); Director, Viasys Health Care[2] (January 2007–June 2007)	126
William N. Searcy, Jr. (1946) Board Member since 1993	Private investor since October 2003; Trustee of 20 open-end mutual funds managed by Sun Capital Advisers, Inc. (since October 1998). Formerly, Pension & Savings Trust Officer, Sprint Corporation[2] (telecommunications) (November 1989–September 2003)	126
Jean Gleason Stromberg (1943) Board Member since 1997	Retired. Formerly, Consultant (1997–2001); Director, Financial Markets US Government Accountability Office (1996–1997); Partner, Fulbright & Jaworski, L.L.P. (law firm) (1978–1996). Directorships: The William and Flora Hewlett Foundation; Business Leadership Council, Wellesley College. Former Directorships: Service Source, Inc., Mutual Fund Directors Forum (2002–2004), American Bar Retirement Association (funding vehicle for retirement plans) (1987–1990 and 1994–1996)	126
Robert H. Wadsworth (1940) Board Member since 1999	President, Robert H. Wadsworth & Associates, Inc. (consulting firm) (1983 to present); Director, The Phoenix Boys Choir Association	129

Officers[4]

Name, Year of Birth, Position with the Fund and Length of Time Served[5]	Principal Occupation(s) During Past 5 Years and Other Directorships Held
Michael G. Clark[6] (1965) President, 2006–present	Managing Director[3], Deutsche Asset Management (2006–present); President of DWS family of funds; Director, ICI Mutual Insurance Company (since October 2007); formerly, Director of Fund Board Relations (2004–2006) and Director of Product Development (2000–2004), Merrill Lynch Investment Managers; Senior Vice President Operations, Merrill Lynch Asset Management (1999–2000)
John Millette[7] (1962) Vice President and Secretary, 1999–present	Director[3], Deutsche Asset Management
Paul H. Schubert[6] (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)
Caroline Pearson[7] (1962) Assistant Secretary, 1997–present	Managing Director[3], Deutsche Asset Management
Rita Rubin[8] (1970) Assistant Secretary, 2009–present	Vice President and Counsel, Deutsche Asset Management (since October 2007); formerly, Vice President, Morgan Stanley Investment Management (2004–2007); Attorney, Shearman & Sterling LLP (2004); Director and Associate General Counsel, UBS Global Asset Management (US) Inc. (2001–2004)
Paul Antosca[7] (1957) Assistant Treasurer, 2007–present	Director[3], Deutsche Asset Management (since 2006); Vice President, The Manufacturers Life Insurance Company (U.S.A.) (1990–2006)
Jack Clark[7] (1967) Assistant Treasurer, 2007–present	Director[3], Deutsche Asset Management (since 2007); formerly, Vice President, State Street Corporation (2002–2007)
Diane Kenneally[7] (1966) Assistant Treasurer, 2007–present	Director[3], Deutsche Asset Management
Jason Vazquez[8] (1972) Anti-Money Laundering Compliance Officer, 2007–present	Vice President, Deutsche Asset Management (since 2006); formerly, AML Operations Manager for Bear Stearns (2004–2006), Supervising Compliance Principal and Operations Manager for AXA Financial (1999–2004)
Robert Kloby[8] (1962) Chief Compliance Officer, 2006–present	Managing Director[3], Deutsche Asset Management
J. Christopher Jackson[8] (1951) Chief Legal Officer, 2006–present	Director[3], Deutsche Asset Management (2006–present); formerly, Director, Senior Vice President, General Counsel and Assistant Secretary, Hansberger Global Investors, Inc. (1996–2006); Director, National Society of Compliance Professionals (2002–2005) (2006–2009)

[1] *The length of time served represents the year in which the Board Member joined the board of one or more DWS funds currently overseen by the Board.*

[2] *A publicly held company with securities registered pursuant to Section 12 of the Securities Exchange Act of 1934.*

[3] *Executive title, not a board directorship.*

[4] *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.*

[5] *The length of time served represents the year in which the officer was first elected in such capacity for one or more DWS funds.*

[6] *Address: 345 Park Avenue, New York, New York 10154.*

[7] *Address: One Beacon Street, Boston, MA 02108.*

[8] *Address: 280 Park Avenue, New York, New York 10017.*

The fund's Statement of Additional Information ("SAI") includes additional information about the Board Members. 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: (800) 621-1048.

Notes

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

The views expressed in this report reflect those of the portfolio managers only through the end of the period of the report as stated on the cover. The managers' views are subject to change at any time based on market and other conditions and should not be construed as a recommendation.

This information must be preceded or accompanied by a current prospectus.

Portfolio changes should not be considered recommendations for action by individual investors.

DWS Investments Distributors, Inc.
222 South Riverside Plaza
Chicago, IL 60606
(800) 778-1482

VS1-2 (R-15793-1 2/10)

DWS INVESTMENTS
Deutsche Bank Group

DECEMBER 31, 2009

ANNUAL REPORT

DWS VARIABLE SERIES II

DWS Balanced VIP

DWS Blue Chip VIP

DWS Core Fixed Income VIP

DWS Diversified International Equity VIP
(formerly DWS International Select Equity VIP)

DWS Dreman Small Mid Cap Value VIP

DWS Global Thematic VIP

DWS Government & Agency Securities VIP

DWS High Income VIP

DWS Large Cap Value VIP

DWS Mid Cap Growth VIP

DWS Money Market VIP

DWS Small Cap Growth VIP

DWS Strategic Income VIP

DWS Strategic Value VIP
(formerly DWS Dreman High Return Equity VIP)

DWS Technology VIP

DWS Turner Mid Cap Growth VIP

RESHAPING INVESTING.

DWS INVESTMENTS

Deutsche Bank Group

Contents

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

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, call (800) 778-1482 or your financial representative. We advise you to consider the Portfolio's objectives, risks, charges and expenses carefully before investing. The summary prospectus and prospectus contain this and other important information about the Portfolio. Please read the prospectus carefully before you invest.

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

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

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

DWS Balanced VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please contact your participating insurance company for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

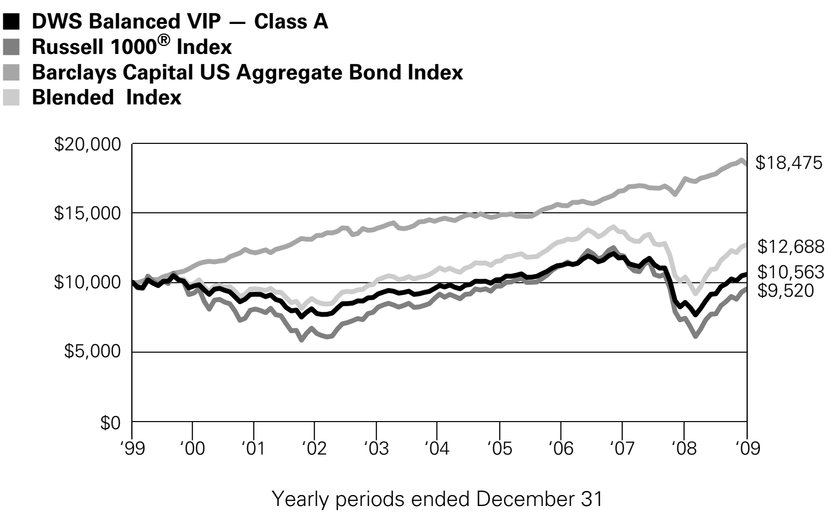
The gross expense ratio of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2009 is 0.61% for Class A shares and may differ from the expense ratio disclosed in the Financial Highlights table in this report.

Risk Considerations

The Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. The Portfolio also invests in individual bonds whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Bond investments are subject to interest-rate risk such that when interest rates rise, the prices of the bonds, and thus the value of the bond portfolio, can decline and the investor can lose principal value. The Portfolio invests in derivatives seeking to hedge positions in certain securities and to generate income in order to enhance the Portfolio's returns. Derivatives can be more volatile and less liquid than traditional fixed-income securities. In the current market environment, mortgage-backed securities are experiencing increased volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

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

Growth of an Assumed $10,000 Investment in DWS Balanced VIP



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

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

The Blended Index consists of the Barclays Capital US Aggregate Bond Index (27%), Russell 1000 Growth Index (20%), Russell 1000 Value Index (20%), MSCI EAFE Index (8%), Russell 2000 Index (6%), Merrill Lynch 3 Month Treasury Bill Index (5%), Barclays Capital Global TIPS Index (5%), Credit Suisse High Yield Index (3%), MSCI Emerging Markets Free Index (3%), and the MSCI EAFE Small Cap index (3%).

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

Comparative Results

DWS Balanced VIP		1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$12,343	$9,404	$10,813	$10,563
	Average annual total return	23.43%	–2.03%	1.57%	.55%
Russell 1000 Index	Growth of $10,000	$12,843	$8,477	$10,401	$9,520
	Average annual total return	28.43%	–5.36%	.79%	–.49%
Barclays Capital US Aggregate Bond Index	Growth of $10,000	$10,593	$11,925	$12,744	$18,475
	Average annual total return	5.93%	6.04%	4.97%	6.33%
Blended Index	Growth of $10,000	$12,232	$9,811	$11,503	$12,688
	Average annual total return	22.32%	–.63%	2.84%	2.41%

The growth of $10,000 is cumulative.

Information About Your Portfolio's Expenses

DWS Balanced VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (July 1, 2009 to December 31, 2009).

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, 2009

Actual Portfolio Return	**Class A**
Beginning Account Value 7/1/09	$1,000.00
Ending Account Value 12/31/09	$1,151.50
Expenses Paid per $1,000*	$ 2.87

Hypothetical 5% Portfolio Return	**Class A**
Beginning Account Value 7/1/09	$1,000.00
Ending Account Value 12/31/09	$1,022.53
Expenses Paid per $1,000*	$ 2.70

* *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 Ratio	**Class A**
DWS Variable Series II — DWS Balanced VIP	.53%

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

Virtually all asset classes delivered positive returns during the past year, creating a positive backdrop for DWS Balanced VIP in 2009. For the 12 months ended December 31, 2009, the Portfolio returned 23.43% (Class A shares, unadjusted for contract charges). The Barclays Capital US Aggregate Bond Index, the Portfolio's bond benchmark, returned 5.93%, while the Russell 1000® Index, the Portfolio's equity benchmark, returned 28.43%.

The Portfolio now allocates to 11 investment strategies, including several exchange-traded funds, or ETFs.[1] We believe these investments, which offer investors one-stop exposure to a wide range of asset classes within the global financial markets, provide greater diversification than the traditional "balanced" strategy of 60% large-cap US equities and 40% fixed income.

We sought to augment the Portfolio's diversification by adding four new investments during the past year. The first was an ETF, the iShares Barclays Aggregate Bond Fund, which is designed to track the performance of the Barclays Capital US Aggregate Bond Index.[2] Also, within fixed income, we established an allocation to Treasury Inflation-Protected Securities, or "TIPS." While both performed well on an absolute basis, they acted as drags on the Portfolio's performance given bonds' substantial underperformance relative to equities. In addition to adding these two strategies, we also introduced two new equity investments to the Portfolio: global small-cap and the Vanguard Emerging Markets ETF.[3] Both produced strong gains and added value despite having small weightings.[4]

Overall, our largest contributors came from our quantitative large-cap growth and fundamental large-cap value strategies, while our largest detractor was our fundamental large-cap growth strategy.

We continue to review asset allocation and manager allocation periodically, and we are always looking for opportunities to expand our asset coverage universe and increase diversification among managers and investment styles.

Robert Wang	John Brennan	J. Richard Robben, CFA	Gary Sullivan, CFA
James B. Francis, CFA	William Chepolis, CFA	Thomas Schuessler, PhD	Andreas Wendelken
Inna Okounkova	Owen Fitzpatrick, CFA	Mark Schumann	Nikolaus Poehlmann, CFA
Thomas Picciochi	Matthew F. MacDonald, CFA	Richard Shepley	Udo Rosendahl

Portfolio Managers

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

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

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

1 *An exchange-traded fund (ETF) is a security that tracks an index, a commodity or a basket of assets like an index fund, but trades like a stock on an exchange.*

2 *The iShares Barclays Aggregate Bond Fund seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the total United States investment-grade bond market as defined by the Barclays Capital US Aggregate Bond Index.*

3 *The Vanguard Emerging Markets ETF seeks to track the performance of a benchmark index that measures the investment return of stocks issued by companies located in emerging-market countries.*

4 *"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, 2009, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results. Current and future portfolio holdings are subject to risk.

Portfolio Summary

DWS Balanced VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**12/31/09**	**12/31/08**
Common Stocks	54%	59%
Government & Agency Obligations	13%	6%
Cash Equivalents	10%	5%
Mortgage-Backed Securities Pass-Throughs	8%	9%
Corporate Bonds	8%	12%
Exchange-Traded Funds	6%	—
Commercial Mortgage-Backed Securities	1%	2%
Collateralized Mortgage Obligations	—	6%
Asset Backed	—	1%
	100%	100%

Sector Diversification (Excludes Cash Equivalents and Securities Lending)	**12/31/09**	**12/31/08**
Financials	16%	18%
Information Technology	15%	12%
Health Care	13%	14%
Industrials	11%	10%
Consumer Discretionary	11%	7%
Energy	10%	11%
Consumer Staples	9%	11%
Materials	6%	5%
Telecommunication Services	5%	6%
Utilities	4%	6%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 7. A complete list of portfolio holdings of the Portfolio is posted as of the month end on www.dws-investments.com on or about the 15th day of the following month. More frequent posting of portfolio holdings information may be made from time to time on www.dws-investments.com.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Balanced VIP

	Shares	Value ($)
Common Stocks 56.4%		
Consumer Discretionary 6.2%		
Auto Components 0.2%		
Bridgestone Corp.	300	5,257
Compagnie Generale des Etablissements Michelin "B"	105	8,054
Cooper Tire & Rubber Co.	3,300	66,165
Denso Corp.	200	5,994
Gentex Corp.	6,400	114,240
Magna International, Inc. "A"	200	10,185
Minth Group Ltd.	103,300	152,229
Modine Manufacturing Co.*	6,700	79,328
Nippon Seiki Co., Ltd.	6,000	68,336
S&T Dynamics Co., Ltd.*	5,990	84,077
Standard Motor Products, Inc.*	13,000	110,760
Tianneng Power International Ltd.	136,000	62,577
		767,202
Automobiles 0.4%		
Bayerische Motoren Werke (BMW) AG	257	11,684
Daimler AG (Registered)	6,016	321,417
Fiat SpA*	2,303	33,517
Ford Motor Co.*	46,400	464,000
Honda Motor Co., Ltd.	700	23,668
Mitsubishi Motors Corp.*	2,000	2,756
Nissan Motor Co., Ltd.*	900	7,866
PSA Peugeot Citroen*	112	3,752
Renault SA*	129	6,569
Suzuki Motor Corp.	200	4,911
Thor Industries, Inc.	3,500	109,900
Toyota Motor Corp.	6,938	291,506
Volkswagen AG	35	3,872
		1,285,418
Distributors 0.2%		
Genuine Parts Co.	16,036	608,727
Jardine Cycle & Carriage Ltd.	1,000	19,082
Li & Fung Ltd.	8,000	32,771
		660,580
Diversified Consumer Services 0.3%		
Brink's Home Security Holdings, Inc.*	700	22,848
Capella Education Co.*	900	67,770
Career Education Corp.* (a)	14,000	326,340
Corinthian Colleges, Inc.* (a)	9,200	126,684
H&R Block, Inc.	17,626	398,700
Lincoln Educational Services Corp.*	4,100	88,847
Steiner Leisure Ltd.*	700	27,832
		1,059,021
Hotels Restaurants & Leisure 1.0%		
Accor SA	61	3,314
Aristocrat Leisure Ltd.	1,586	5,661
Bob Evans Farms, Inc.	1,400	40,530
bwin Interactive Entertainment AG*	3,171	188,945
Caribou Coffee Co., Inc.*	2,800	21,616
Carnival Corp. (Units)*	12,114	383,893
Carnival PLC*	148	5,054
Carrols Restaurant Group, Inc.*	2,100	14,847
Compass Group PLC	1,151	8,221
Cracker Barrel Old Country Store, Inc.	1,900	72,181
Crown Ltd.	1,868	13,374
Darden Restaurants, Inc.	8,000	280,560
Genting Singapore PLC*	29,000	26,559
Lottomatica SpA	275	5,510
Marriott International, Inc. "A" (a)	11,840	322,638
McDonald's Corp.	14,900	930,356
OPAP SA	2,900	63,487
Paddy Power PLC	4,028	142,751
Papa John's International, Inc.*	2,100	49,056
PartyGaming PLC*	16,890	70,584
REXLot Holdings Ltd.	1,550,000	173,029
Shangri-La Asia Ltd.	6,000	11,223
Shuffle Master, Inc.*	2,800	23,072
Sodexo	85	4,855
Starbucks Corp.*	6,400	147,584
TABCORP Holdings Ltd.	2,233	13,847
Tatts Group Ltd.	3,481	7,594
Whitbread PLC	229	5,150
		3,035,491
Household Durables 0.3%		
Advanced Digital Broadcast Holdings SA (Registered)*	1,124	55,962
American Greetings Corp. "A"	4,800	104,592
Electrolux AB "B"*	515	12,088
Garmin Ltd. (a)	10,400	319,280
Husqvarna AB "B"*	900	6,644
Newell Rubbermaid, Inc.	1,500	22,515
NVR, Inc.*	100	71,071
Panasonic Corp.	1,000	14,300
Rational AG	700	118,580
Ryland Group, Inc.	2,300	45,310
Sharp Corp.	1,000	12,583
Sony Corp.	400	11,595
Tempur-Pedic International, Inc.*	6,600	155,958
Tupperware Brands Corp.	3,100	144,367
		1,094,845
Internet & Catalog Retail 0.3%		
Amazon.com, Inc.*	3,700	497,724
Expedia, Inc.*	2,500	64,275
HSN, Inc.*	3,200	64,608
Liberty Media Corp. — Interactive "A"*	13,600	147,424
Priceline.com, Inc.*	1,000	218,500
		992,531
Leisure Equipment & Products 0.0%		
Smith & Wesson Holding Corp.* (a)	14,900	60,941
Universal Entertainment Corp.*	5,600	69,677
		130,618
Media 1.1%		
Aegis Group PLC	29,553	56,509
British Sky Broadcasting Group PLC	1,232	11,098
Comcast Corp. "A"	22,200	374,292
DISH Network Corp. "A"	7,700	159,929
Fairfax Media Ltd.	9,014	13,903
Gestevision Telecinco SA	345	5,036
JC Decaux SA*	4,869	118,051

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

	Shares	Value ($)
Journal Communications, Inc. "A"	4,200	16,338
Lagardere SCA	107	4,317
McGraw-Hill Companies, Inc.	3,000	100,530
Mediacom Communications Corp. "A"*	11,000	49,170
Mediaset SpA	2,591	21,171
Publicis Groupe	132	5,355
Reed Elsevier NV	12,594	154,529
Scholastic Corp.	4,900	146,167
Scripps Networks Interactive "A"	21,700	900,550
SES "A" (FDR)	184	4,126
Shaw Communications, Inc. "B"	800	16,576
Singapore Press Holdings Ltd.	11,000	28,588
SuperMedia, Inc.*	43	1,519
Television Broadcasts Ltd.	1,000	4,792
Thomson Reuters Corp.	1,213	39,376
Time Warner Cable, Inc.	12,825	530,827
Time Warner, Inc.	11,533	336,072
Vertis Holdings, Inc.*	1,645	0
Vivendi	300	8,856
Wolters Kluwer NV	4,847	106,237
World Wrestling Entertainment, Inc. "A"	7,600	116,508
WPP PLC	1,683	16,434
		3,346,856
Multiline Retail 0.5%		
Big Lots, Inc.*	4,900	142,002
Canadian Tire Corp., Ltd. "A"	100	5,498
Dillard's, Inc. "A" (a)	7,600	140,220
Dollar General Corp.*	4,000	89,720
Kohl's Corp.*	6,680	360,252
Macy's, Inc.	9,900	165,924
Marks & Spencer Group PLC	1,148	7,448
Next PLC	169	5,634
Nordstrom, Inc.	14,510	545,286
PPR	36	4,314
		1,466,298
Specialty Retail 1.3%		
Advance Auto Parts, Inc.	10,700	433,136
Aeropostale, Inc.*	3,400	115,770
American Eagle Outfitters, Inc.	5,000	84,900
Big 5 Sporting Goods Corp.	7,600	130,568
CarMax, Inc.*	2,700	65,475
DSW, Inc. "A"*	900	23,292
Esprit Holdings Ltd.	4,223	27,794
Group 1 Automotive, Inc.*	4,600	130,410
Guess?, Inc.	7,500	317,250
Hennes & Mauritz AB "B"	2,946	163,024
Home Depot, Inc.	6,900	199,617
Industria de Diseno Textil SA	820	50,810
J. Crew Group, Inc.* (a)	2,800	125,272
Jo-Ann Stores, Inc.*	2,400	86,976
Jumbo SA	5,013	63,678
Kingfisher PLC	1,961	7,188
Kirkland's, Inc.*	5,000	86,850
Limited Brands, Inc.	24,870	478,499
Lithia Motors, Inc. "A"* (a)	5,500	45,210
Megane Top Co., Ltd.	5,900	64,114
Nitori Co., Ltd.	1,100	81,849
Ross Stores, Inc.	7,500	320,325
The Gap, Inc.	19,900	416,905
The Sherwin-Williams Co.	300	18,495

	Shares	Value ($)
TJX Companies, Inc.	8,100	296,055
Urban Outfitters, Inc.*	3,900	136,461
		3,969,923
Textiles, Apparel & Luxury Goods 0.6%		
Adidas AG	129	6,965
Carter's, Inc.*	5,000	131,250
Coach, Inc.	2,000	73,060
Compagnie Financiere Richemont SA "A"	6,073	203,209
Deckers Outdoor Corp.*	1,400	142,408
Gildan Activewear, Inc.*	300	7,372
Hermes International	19	2,527
Jones Apparel Group, Inc.	3,800	61,028
Luxottica Group SpA	492	12,745
NIKE, Inc. "B" (a)	10,900	720,163
Steven Madden Ltd.*	3,200	131,968
Swatch Group AG (Bearer)	73	18,374
Swatch Group AG (Registered)	105	5,021
VF Corp.	5,271	386,048
Yue Yuen Industrial (Holdings) Ltd.	3,000	8,703
		1,910,841
Consumer Staples 5.3%		
Beverages 0.8%		
Anheuser-Busch InBev NV	1,084	56,004
Asahi Breweries Ltd.	1,300	23,841
C&C Group PLC	35,172	151,788
Carlsberg AS "B"	3,444	254,156
Central European Distribution Corp.*	3,300	93,753
Coca-Cola Amatil Ltd.	614	6,327
Coca-Cola Bottling Co. Consolidated	500	27,010
Coca-Cola Co.	4,900	279,300
Coca-Cola Enterprises, Inc.	16,700	354,040
Coca-Cola West Co., Ltd.	400	7,035
Diageo PLC	274	4,778
Foster's Group Ltd.	1,744	8,582
Heineken Holding NV	156	6,536
Heineken NV	730	34,590
Kirin Holdings Co., Ltd.	2,000	31,884
National Beverage Corp.*	700	9,702
PepsiCo, Inc.	20,905	1,271,024
Pernod Ricard SA	459	39,398
SABMiller PLC	307	9,003
Sapporo Holdings Ltd.	1,000	5,447
		2,674,198
Food & Staples Retailing 1.2%		
AEON Co., Ltd.	2,000	16,171
Carrefour SA	1,479	71,110
Casino Guichard-Perrachon SA	82	7,349
CVS Caremark Corp.	17,522	564,384
Delhaize Group	164	12,561
FamilyMart Co., Ltd.	300	8,841
George Weston Ltd.	200	12,797
J Sainsbury PLC	405	2,106
Koninklijke Ahold NV	3,661	48,570
Kroger Co.	20,044	411,503
Loblaw Companies Ltd.	300	9,718
Metro AG	1,040	63,391
Metro, Inc. "A"	300	11,250
Seven & I Holdings Co., Ltd.	6,855	139,137
Shoppers Drug Mart Corp.	600	26,052
SUPERVALU, Inc.	15,200	193,192
Sysco Corp.	13,600	379,984

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

	Shares	Value ($)
Tesco PLC	1,883	12,938
UNY Co., Ltd.	1,100	7,687
Village Super Market, Inc. "A"	100	2,732
Wal-Mart Stores, Inc.	26,700	1,427,115
Wesfarmers Ltd.	1,050	29,193
Wesfarmers Ltd. (PPS)	167	4,643
Whole Foods Market, Inc.*	9,400	258,030
William Morrison Supermarkets PLC	498	2,220
Woolworths Ltd.	1,283	32,137
		3,754,811
Food Products 1.2%		
Ajinomoto Co., Inc.	2,000	18,829
Archer-Daniels-Midland Co.	16,200	507,222
Aryzta AG	159	5,931
Cadbury PLC	397	5,109
Campbell Soup Co.	23,500	794,300
DANONE SA	1,251	76,185
Darling International, Inc.*	7,300	61,174
Diamond Foods, Inc.	3,100	110,174
General Mills, Inc.	5,576	394,837
Green Mountain Coffee Roasters, Inc.*	1,350	109,984
J & J Snack Foods Corp.	2,200	87,912
Kikkoman Corp.	1,000	12,217
Kraft Foods, Inc. "A"	8,976	243,968
Lancaster Colony Corp.	2,700	134,190
MEIJI Holdings Co., Ltd.*	300	11,285
Nestle SA (Registered)	10,606	515,269
Nippon Meat Packers, Inc.	1,000	11,490
Nisshin Seifun Group, Inc.	1,000	13,431
Nissin Foods Holdings Co., Ltd.	300	9,774
Saputo, Inc.	400	11,761
Sara Lee Corp.	18,200	221,676
Suedzucker AG	453	9,405
SunOpta, Inc.*	25,400	85,344
The Hershey Co.	1,300	46,527
Tyson Foods, Inc. "A"	1,700	20,859
Unilever NV (CVA)	4,662	151,912
Unilever PLC	315	10,083
Viterra, Inc.*	700	6,606
Yakult Honsha Co., Ltd.	200	6,021
		3,693,475
Household Products 1.1%		
Central Garden & Pet Co. "A"*	2,100	20,874
Church & Dwight Co., Inc.	3,800	229,710
Colgate-Palmolive Co.	11,170	917,615
Energizer Holdings, Inc.*	7,800	477,984
Henkel AG & Co. KGaA	1,127	50,331
Kao Corp.	1,300	30,348
Kimberly-Clark Corp.	14,200	904,682
Procter & Gamble Co.	13,809	837,240
Reckitt Benckiser Group PLC	124	6,718
Unicharm Corp.	100	9,362
		3,484,864
Personal Products 0.3%		
Beiersdorf AG	801	52,643
Chattem, Inc.*	350	32,655
Herbalife Ltd.	5,400	219,078
L'Oreal SA	544	60,398
Mead Johnson Nutrition Co. "A"	9,375	409,687
Nu Skin Enterprises, Inc. "A"	5,100	137,037
Prestige Brands Holdings, Inc.*	1,100	8,646

	Shares	Value ($)
Revlon, Inc. "A"*	6,800	115,668
Shiseido Co., Ltd.	1,000	19,167
		1,054,979
Tobacco 0.7%		
Altria Group, Inc.	37,396	734,084
British American Tobacco PLC	392	12,717
Imperial Tobacco Group PLC	249	7,847
Japan Tobacco, Inc.	14	47,238
Lorillard, Inc.	3,700	296,851
Philip Morris International, Inc.	21,625	1,042,109
		2,140,846
Energy 5.5%		
Energy Equipment & Services 1.7%		
Cameron International Corp.*	8,200	342,760
CARBO Ceramics, Inc.	1,600	109,072
Complete Production Services, Inc.*	7,200	93,600
Dresser-Rand Group, Inc.*	2,800	88,508
ENSCO International PLC (ADR)	12,789	510,793
Fugro NV (CVA)	30	1,713
Geokinetics, Inc.*	5,900	56,758
Helix Energy Solutions Group, Inc.*	8,500	99,875
Helmerich & Payne, Inc.	2,000	79,760
John Wood Group PLC	12,650	62,489
Lamprell PLC	24,307	71,724
National-Oilwell Varco, Inc.	4,600	202,814
Noble Corp.	10,045	408,832
Oceaneering International, Inc.*	500	29,260
Oil States International, Inc.*	4,200	165,018
Patterson-UTI Energy, Inc.	10,900	167,315
Pioneer Drilling Co.*	20,000	158,000
Prosafe Production Public Ltd.*	15,800	33,849
ProSafe SE	10,300	65,227
Rowan Companies, Inc.*	21,900	495,816
RPC, Inc.	2,900	30,160
Saipem SpA	6,792	233,324
SBM Offshore NV	7,272	142,292
Schlumberger Ltd.	8,460	550,661
Seadrill Ltd.	700	17,731
Shinko Plantech Co., Ltd.	12,100	121,958
Technip SA	75	5,256
Tecnicas Reunidas SA	1,341	76,711
Tenaris SA	434	9,279
Transocean Ltd.*	12,527	1,037,236
WorleyParsons Ltd.	324	8,393
		5,476,184
Oil, Gas & Consumable Fuels 3.8%		
Alpha Natural Resources, Inc.*	10,500	455,490
Anadarko Petroleum Corp.	8,100	505,602
Arrow Energy Ltd.*	962	3,561
BG Group PLC	12,121	217,060
BP PLC	22,990	222,341
Canadian Natural Resources Ltd. (b)	200	14,534
Canadian Natural Resources Ltd. (b)	5,481	394,358
Cenovus Energy, Inc.	200	5,068
Chevron Corp.	13,361	1,028,663
ConocoPhillips	16,200	827,334
Cosmo Oil Co., Ltd.	3,000	6,280
Devon Energy Corp.	8,400	617,400
El Paso Corp.	4,900	48,167
Enbridge, Inc.	100	4,650
EnCana Corp.	200	6,523
Encore Acquisition Co.*	5,600	268,912

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

	Shares	Value ($)
Eni SpA	2,390	60,847
EXCO Resources, Inc.	5,000	106,150
ExxonMobil Corp.	29,391	2,004,172
Forest Oil Corp.*	5,000	111,250
Gazprom (ADR)	10,035	250,148
Gazprom OAO (ADR)	1,215	30,982
Husky Energy, Inc.	100	2,876
Idemitsu Kosan Co., Ltd.	100	5,792
Imperial Oil Ltd.	300	11,663
INPEX Corp.	2	15,011
Japan Petroleum Exploration Co., Ltd.	200	8,781
LUKOIL (ADR)	2,085	116,791
Marathon Oil Corp.	26,628	831,326
Mariner Energy, Inc.* (a)	5,500	63,855
Murphy Oil Corp.	3,300	178,860
Newfield Exploration Co.*	6,800	327,964
Nexen, Inc. (b)	200	4,823
Nexen, Inc. (b)	16,218	388,097
Nippon Mining Holdings, Inc.	3,000	12,844
Nippon Oil Corp.	6,000	27,779
Occidental Petroleum Corp.	2,600	211,510
OMV AG	1,989	87,101
Origin Energy Ltd.	1,411	21,183
Paladin Energy Ltd.*	1,162	4,312
PetroChina Co., Ltd. "H"	128,174	152,706
Quicksilver Resources, Inc.*	21,200	318,212
Repsol YPF SA	3,114	83,141
Royal Dutch Shell PLC "A"	559	16,878
Royal Dutch Shell PLC "B"	376	10,957
Santos Ltd.	1,300	16,369
Showa Shell Sekiyu KK	1,100	8,950
Statoil ASA	2,750	68,595
Stone Energy Corp.*	6,900	124,545
Suncor Energy, Inc. (b)	556	19,782
Suncor Energy, Inc. (b)	16,554	584,522
Talisman Energy, Inc.	500	9,413
Teekay Corp.	3,800	88,198
TonenGeneral Sekiyu KK	1,000	8,333
Total SA	4,212	269,911
Ultra Petroleum Corp.*	4,500	224,370
Venoco, Inc.*	4,800	62,592
Williams Companies, Inc.	20,000	421,600
Woodside Petroleum Ltd.	4,793	201,448
		12,200,582
Financials 7.0%		
Capital Markets 1.1%		
Affiliated Managers Group, Inc.*	1,000	67,350
Ameriprise Financial, Inc.	5,810	225,544
Ashmore Group PLC	31,658	137,621
Bank of New York Mellon Corp.	3,600	100,692
BGC Partners, Inc. "A"	2,200	10,164
BlackRock, Inc.	800	185,760
Broadpoint Gleacher Securities, Inc.*	600	2,676
Calamos Asset Management, Inc. "A"	3,600	41,508
Credit Suisse Group AG (Registered)	4,285	211,041
Daiwa Securities Group, Inc.	1,000	5,013
Evercore Partners, Inc. "A"	500	15,200
Franklin Resources, Inc.	4,400	463,540
GAMCO Investors, Inc. "A"	700	33,803
ICAP PLC	7,042	48,802
Jefferies Group, Inc.*	4,900	116,277
Julius Baer Group Ltd.	126	4,400
KBW, Inc.*	1,400	38,304
Lazard Ltd. "A"	2,500	94,925
Marfin Investment Group SA*	1,344	3,823
Mediobanca SpA*	291	3,453
Morgan Stanley	9,820	290,672
Nomura Holdings, Inc.	2,200	16,213
Oppenheimer Holdings, Inc. "A"	2,500	83,050
Partners Group Holding AG	900	113,354
Piper Jaffray Companies, Inc.*	1,600	80,976
T. Rowe Price Group, Inc. (a)	11,900	633,675
The Goldman Sachs Group, Inc.	1,500	253,260
UBS AG (Registered)*	7,719	118,579
Waddell & Reed Financial, Inc. "A"	3,000	91,620
		3,491,295
Commercial Banks 1.6%		
1st Source Corp.	1,600	25,744
Alpha Bank AE*	9,663	111,791
Anglo Irish Bank Corp., Ltd.*	14,896	0
Australia & New Zealand Banking Group Ltd.	535	10,885
Banca Monte dei Paschi di Siena SpA	1,688	2,956
Banco Bilbao Vizcaya Argentaria SA	705	12,771
Banco de Sabadell SA	598	3,322
Banco Latinoamericano de Comercio Exterior SA "E"	3,600	50,040
Banco Popular Espanol SA	571	4,169
Banco Santander SA	21,890	359,650
Bank of Cyprus PCL	628	4,377
Bank of East Asia Ltd.	580	2,285
Bank of Montreal	100	5,340
Bank of Nova Scotia	300	14,119
Barclays PLC	1,486	6,548
BNP Paribas	3,111	245,500
BOC Hong Kong (Holdings) Ltd.	2,000	4,519
Canadian Imperial Bank of Commerce	100	6,516
Cardinal Financial Corp.	5,500	48,070
Chuo Mitsui Trust Holdings, Inc.	1,000	3,338
Commerce Bancshares, Inc.	6,810	263,683
Commonwealth Bank of Australia	295	14,385
Credit Agricole SA	247	4,306
CVB Financial Corp. (a)	10,600	91,584
Dah Sing Banking Group Ltd.*	19,500	29,088
Danske Bank AS*	1,853	42,191
DBS Group Holdings Ltd.	2,000	21,746
Dexia SA*	979	6,158
DnB NOR ASA*	5,400	58,620
EFG Eurobank Ergasias*	650	7,209
Erste Group Bank AG	778	28,838
First Busey Corp.	3,200	12,448
First Financial Bancorp.	2,100	30,576
Hang Seng Bank Ltd.	600	8,819
HSBC Holdings PLC	21,018	239,864
Huntington Bancshares, Inc.	18,600	67,890
IBERIABANK Corp.	2,400	129,144
Intesa Sanpaolo*	2,894	12,967
KBC Groep NV*	320	13,858
KeyCorp	66,524	369,208
Lloyds Banking Group PLC	351,087	281,850
M&T Bank Corp.	3,105	207,693
Marshall & Ilsley Corp.	34,500	188,025
Mitsubishi UFJ Financial Group, Inc.	5,000	24,481

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

	Shares	Value ($)
Mizuho Financial Group, Inc.	6,200	11,094
National Australia Bank Ltd.	522	12,702
National Bank of Canada	100	5,760
National Bank of Greece SA*	653	16,651
Nordea Bank AB	2,602	26,359
Oversea-Chinese Banking Corp., Ltd.	1,000	6,437
Piraeus Bank SA	713	8,136
PNC Financial Services Group, Inc.	3,700	195,323
Raiffeisen International Bank-Holding AG	262	14,830
Regions Financial Corp.	54,733	289,538
Resona Holdings, Inc.	300	3,029
Royal Bank of Canada	300	16,178
S&T Bancorp., Inc.	1,000	17,010
Santander BanCorp.*	4,500	55,260
Signature Bank*	500	15,950
Skandinaviska Enskilda Banken AB "A"*	1,639	10,076
Societe Generale	175	12,109
Southside Bancshares, Inc.	3,625	71,122
Standard Chartered PLC	344	8,615
Sumitomo Mitsui Financial Group, Inc.	600	17,106
Sumitomo Trust & Banking Co., Ltd.	1,000	4,861
SunTrust Banks, Inc.	14,957	303,477
Svenska Handelsbanken AB "A"	554	15,844
Swedbank AB "A"*	306	3,044
The Bancorp., Inc.*	2,400	16,464
The Bank of Yokohama Ltd.	1,000	4,529
Tompkins Financial Corp.	1,100	44,550
Toronto-Dominion Bank	200	12,614
UBI Banca — Unione di Banche Italiane ScpA	348	4,985
UMB Financial Corp.	200	7,870
UniCredit SpA*	45,317	150,742
United Overseas Bank Ltd.	1,000	13,916
Wells Fargo & Co.	12,500	337,375
WesBanco, Inc.	600	7,404
Westpac Banking Corp.	615	13,843
Wing Hang Bank Ltd.	15,000	139,382
Yadkin Valley Financial Corp.	1,300	4,758
		4,975,514
Consumer Finance 0.5%		
Advance America Cash Advance Centers, Inc.	18,300	101,748
American Express Co.	4,900	198,548
AmeriCredit Corp.*	6,600	125,664
Capital One Financial Corp.	21,700	831,978
Discover Financial Services	17,500	257,425
ORIX Corp.	50	3,400
		1,518,763
Diversified Financial Services 1.3%		
Bank of America Corp.	80,850	1,217,601
Citigroup, Inc.	112,600	372,706
Compagnie Nationale a Portefeuille	132	7,040
Deutsche Boerse AG	127	10,559
Encore Capital Group, Inc.*	800	13,920
Financiere Marc de Lacharriere SA	1,491	82,942
Groupe Bruxelles Lambert SA	86	8,093
Hellenic Exchanges SA	5,400	55,966
Hong Kong Exchanges & Clearing Ltd.	700	12,462
ING Groep NV (CVA)*	34,092	329,573
IntercontinentalExchange, Inc.*	3,600	404,280
JPMorgan Chase & Co.	33,443	1,393,570
MarketAxess Holdings, Inc.	700	9,730
MSCI, Inc. "A"*	2,295	72,981
Pohjola Bank PLC "A"	854	9,242
Singapore Exchange Ltd.	1,000	5,895
The NASDAQ OMX Group, Inc.*	15,487	306,952
		4,313,512
Insurance 1.4%		
Aegon NV*	1,857	11,834
Allianz SE (Registered)	198	24,646
Allied World Assurance Co. Holding, Ltd.	1,900	87,533
Allstate Corp.	29,687	891,797
American Equity Investment Life Holding Co.	800	5,952
AMP Ltd.	965	5,812
Aon Corp.	2,200	84,348
Argo Group International Holdings Ltd.*	400	11,656
Assicurazioni Generali SpA	597	16,006
Assurant, Inc.	15,973	470,884
Aviva PLC	589	3,730
AXA SA	5,971	141,216
China Life Insurance Co., Ltd. "H"	57,462	281,547
Chubb Corp.	4,600	226,228
Delphi Financial Group, Inc. "A"	500	11,185
EMC Insurance Group, Inc.	200	4,302
Endurance Specialty Holdings Ltd. (a)	2,500	93,075
Fidelity National Financial, Inc. "A"	15,149	203,905
First American Corp.	5,145	170,351
Fortis*	27,017	100,094
FPIC Insurance Group, Inc.*	200	7,724
Greenlight Capital Re Ltd. "A"*	400	9,428
Harleysville Group, Inc.	300	9,537
HCC Insurance Holdings, Inc.	5,514	154,227
Infinity Property & Casualty Corp.	500	20,320
Insurance Australia Group Ltd.	1,063	3,808
Kansas City Life Insurance Co.	700	20,825
Lincoln National Corp.	12,496	310,900
Loews Corp.	4,200	152,670
Manulife Financial Corp.	300	5,545
MetLife, Inc.	9,292	328,472
Mitsui Sumitomo Insurance Group Holdings, Inc.	300	7,614
Montpelier Re Holdings Ltd.	5,500	95,260
Muenchener Rueckversicherungs-Gesellschaft AG (Registered)	60	9,353
NYMAGIC, Inc.	500	8,295
PartnerRe Ltd.	4,007	299,163
Phoenix Companies, Inc.*	11,800	32,804
PMA Capital Corp. "A"*	700	4,410
Power Corp. of Canada	200	5,586
ProAssurance Corp.*	2,800	150,388
Prudential PLC	566	5,766
QBE Insurance Group Ltd.	148	3,378
Safety Insurance Group, Inc.	203	7,355
Sampo Oyj "A"	2,276	55,238
Selective Insurance Group, Inc.	2,200	36,190
Sompo Japan Insurance, Inc.	1,000	6,364
Sun Life Financial, Inc.	100	2,892
Swiss Reinsurance Co., Ltd. (Registered)	106	5,079
T&D Holdings, Inc.	100	2,038
Tokio Marine Holdings, Inc.	300	8,143

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

	Shares	Value ($)
Topdanmark AS*	86	11,645
Trygvesta AS	112	7,393
Vienna Insurance Group	195	10,013
Zurich Financial Services AG	36	7,827
		4,651,751
Real Estate Investment Trusts 0.7%		
AMB Property Corp. (REIT) (a)	1,200	30,660
American Campus Communities, Inc. (REIT)	1,300	36,530
Annaly Capital Management, Inc. (REIT)	7,300	126,655
Apartment Investment & Management Co. "A" (REIT)	2,199	35,008
AvalonBay Communities, Inc. (REIT)	1,134	93,113
BioMed Realty Trust, Inc. (REIT)	4,800	75,744
Boston Properties, Inc. (REIT)	1,300	87,191
CapitaMall Trust (REIT)	3,000	3,804
Cogdell Spencer, Inc. (REIT)	3,700	20,942
Colonial Properties Trust (REIT)	2,000	23,460
Corio NV (REIT)	72	4,917
Cousins Properties, Inc. (REIT)	5,220	39,829
Developers Diversified Realty Corp. (REIT)	5,500	50,930
Digital Realty Trust, Inc. (REIT)	1,000	50,280
EastGroup Properties, Inc. (REIT)	900	34,452
Entertainment Properties Trust (REIT)	1,500	52,905
Equity Residential (REIT)	2,300	77,694
First Industrial Realty Trust, Inc. (REIT)*	7,139	37,337
Glimcher Realty Trust (REIT)	3,200	8,640
Hatteras Financial Corp. (REIT)	1,000	27,960
HCP, Inc. (REIT)	2,200	67,188
Healthcare Realty Trust, Inc. (REIT)	2,300	49,358
Home Properties, Inc. (REIT)	1,400	66,794
Hospitality Properties Trust (REIT)	1,900	45,049
Host Hotels & Resorts, Inc. (REIT)	6,943	81,025
Investors Real Estate Trust (REIT)	1,400	12,600
iStar Financial, Inc. (REIT)* (a)	2,000	5,120
Kilroy Realty Corp. (REIT)	2,100	64,407
Kimco Realty Corp. (REIT)	3,200	43,296
LaSalle Hotel Properties (REIT)	3,000	63,690
Lexington Realty Trust (REIT)	8,186	49,771
Link (REIT)	2,500	6,336
Mid-America Apartment Communities, Inc. (REIT)	1,000	48,280
National Retail Properties, Inc. (REIT)	3,000	63,660
Parkway Properties, Inc. (REIT)	1,500	31,230
Pennsylvania Real Estate Investment Trust (REIT) (a)	5,400	45,684
Potlatch Corp. (REIT)	800	25,504
ProLogis (REIT)	2,900	39,701
Public Storage (REIT)	1,300	105,885
Rayonier, Inc. (REIT)	2,300	96,968
Realty Income Corp. (REIT)	500	12,955
Redwood Trust, Inc. (REIT)	3,500	50,610
Sunstone Hotel Investors, Inc. (REIT)*	35	311
Unibail-Rodamco SE (REIT)	28	6,164
Vornado Realty Trust (REIT)	2,275	159,114
Washington Real Estate Investment Trust (REIT)	2,400	66,120
Wereldhave NV (REIT)	48	4,586
Westfield Group (Units) (REIT)	436	4,862
		2,234,319

	Shares	Value ($)
Real Estate Management & Development 0.2%		
Brookfield Asset Management, Inc. "A"	300	6,709
CapitaLand Ltd.	3,000	8,886
Cheung Kong (Holdings) Ltd.	1,000	12,875
City Developments Ltd.	1,000	8,157
Hang Lung Properties Ltd.	2,000	7,814
Henderson Land Development Co., Ltd.	1,000	7,477
IMMOEAST AG*	38,342	210,199
Midland Holdings Ltd.	212,000	181,753
Mitsubishi Estate Co., Ltd.	1,000	15,862
Mitsui Fudosan Co., Ltd.	1,000	16,793
Sumitomo Realty & Development Co., Ltd.	5,000	93,778
Sun Hung Kai Properties Ltd.	1,000	14,838
Swire Pacific Ltd. "A"	1,000	12,094
The St. Joe Co.*	700	20,223
Wharf Holdings Ltd.	1,000	5,718
		623,176
Thrifts & Mortgage Finance 0.2%		
Brookline Bancorp., Inc.	8,500	84,235
Dime Community Bancshares	700	8,204
First Defiance Financial Corp.	1,500	16,935
New York Community Bancorp., Inc.	12,930	187,614
NewAlliance Bancshares, Inc.	12,100	145,321
Provident Financial Services, Inc.	10,000	106,500
TrustCo Bank Corp. NY	2,400	15,120
Westfield Financial, Inc.	900	7,425
		571,354
Health Care 7.8%		
Biotechnology 1.3%		
Actelion Ltd. (Registered)*	132	7,050
Amgen, Inc.*	14,100	797,637
BioMarin Pharmaceutical, Inc.*	2,200	41,382
Celgene Corp.*	19,900	1,108,032
CSL Ltd.	1,841	53,559
Exelixis, Inc.*	1,100	8,107
Gilead Sciences, Inc.*	31,180	1,349,470
Grifols SA	13,122	228,658
Intercell AG*	6,421	237,579
Medivation, Inc.*	1,200	45,180
Metabolix, Inc.*	4,300	47,601
Myriad Genetics, Inc.*	8,100	211,410
		4,135,665
Health Care Equipment & Supplies 1.0%		
Align Technology, Inc.*	7,700	137,214
Baxter International, Inc.	5,743	336,999
Becton, Dickinson & Co.	5,425	427,816
bioMerieux	54	6,281
Cochlear Ltd.	210	12,967
Coloplast AS "B"	229	20,813
Edwards Lifesciences Corp.*	6,000	521,100
Essilor International SA	667	39,709
ev3, Inc.*	5,300	70,702
Hill-Rom Holdings, Inc.	5,300	127,147
Hospira, Inc.*	2,200	112,200
Kinetic Concepts, Inc.*	5,000	188,250
Nobel Biocare Holding AG (Registered)	4,150	138,892
NxStage Medical, Inc.*	9,100	75,985
Olympus Corp.	600	19,279
Quidel Corp.*	4,000	55,120

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

	Shares	Value ($)
Smith & Nephew PLC	1,343	13,790
Somanetics Corp.*	5,600	98,280
Sonova Holding AG (Registered)	59	7,134
St. Jude Medical, Inc.*	10,500	386,190
STERIS Corp.	4,500	125,865
Synthes, Inc.	40	5,239
Sysmex Corp.	100	5,219
Terumo Corp.	400	23,938
Thoratec Corp.*	5,900	158,828
William Demant Holding AS*	215	16,201
		3,131,158
Health Care Providers & Services 2.3%		
Alfresa Holdings Corp.	100	3,959
AmerisourceBergen Corp.	16,300	424,941
BioScrip, Inc.*	10,100	84,436
Cardinal Health, Inc.	4,700	151,528
Catalyst Health Solutions, Inc.*	400	14,588
Celesio AG	137	3,481
Centene Corp.*	6,800	143,956
CorVel Corp.*	800	26,832
Coventry Health Care, Inc.* (a)	33,000	801,570
Diagnosticos da America SA	3,100	100,637
Emergency Medical Services Corp. "A"*	2,600	140,790
Express Scripts, Inc.*	7,800	674,310
Fleury SA*	6,900	72,884
Fresenius Medical Care AG & Co. KGaA	10,467	554,209
Humana, Inc.*	7,000	307,230
Laboratory Corp. of America Holdings*	4,700	351,748
Magellan Health Services, Inc.*	3,500	142,555
McKesson Corp.	23,114	1,444,625
Medco Health Solutions, Inc.*	7,700	492,107
Medipal Holdings Corp.	400	4,939
Owens & Minor, Inc.	2,500	107,325
Providence Service Corp.*	4,400	69,520
RehabCare Group, Inc.*	4,300	130,849
Sonic Healthcare Ltd.	1,199	16,513
Suzuken Co., Ltd.	200	6,549
Triple-S Management Corp. "B"*	3,200	56,320
UnitedHealth Group, Inc.	25,870	788,518
Universal American Financial Corp.*	10,900	127,530
WellCare Health Plans, Inc.*	4,100	150,716
		7,395,165
Health Care Technology 0.0%		
Medidata Solutions, Inc.*	1,700	26,520
Merge Healthcare, Inc.*	11,066	37,182
So-net M3, Inc.	23	69,312
		133,014
Life Sciences Tools & Services 0.3%		
Accelrys, Inc.*	6,200	35,526
Albany Molecular Research, Inc.*	2,400	21,792
Cambrex Corp.*	7,700	42,966
Dionex Corp.*	100	7,387
ICON PLC (ADR)*	4,300	93,439
Life Technologies Corp.*	2,800	146,244
Lonza Group AG (Registered)	58	4,067
QIAGEN NV*	6,200	138,497
Thermo Fisher Scientific, Inc.*	8,462	403,553
		893,471

	Shares	Value ($)
Pharmaceuticals 2.9%		
Abbott Laboratories	18,840	1,017,172
Astellas Pharma, Inc.	1,200	44,698
AstraZeneca PLC	2,274	106,849
Bayer AG	3,218	257,199
Bristol-Myers Squibb Co.	6,876	173,619
Caraco Pharmaceutical Laboratories Ltd.*	7,400	44,696
Chugai Pharmaceutical Co., Ltd.	600	11,178
Daiichi Sankyo Co., Ltd.	1,900	39,754
Dainippon Sumitomo Pharma Co., Ltd.	600	6,266
Eisai Co., Ltd.	700	25,660
Eli Lilly & Co.	18,400	657,064
Endo Pharmaceuticals Holdings, Inc.*	400	8,204
Flamel Technologies SA (ADR)*	14,800	109,520
Forest Laboratories, Inc.*	6,500	208,715
GlaxoSmithKline PLC	8,050	170,524
H. Lundbeck AS	586	10,666
Hi-Tech Pharmacal Co., Inc.*	5,600	157,080
Hisamitsu Pharmaceutical Co., Inc.	200	6,453
Impax Laboratories, Inc.*	11,000	149,600
Johnson & Johnson	18,782	1,209,749
Kyowa Hakko Kirin Co., Ltd.	1,000	10,520
Lannett Co., Inc.*	800	4,728
Medicis Pharmaceutical Corp. "A"	5,800	156,890
Merck & Co., Inc.	20,782	759,374
Merck KGaA	31	2,898
MiddleBrook Pharmaceuticals, Inc.*	38,700	19,737
Mitsubishi Tanabe Pharma Corp.	1,000	12,436
Mylan, Inc.*	2,900	53,447
Novartis AG (Registered)	5,599	305,046
Novo Nordisk AS "B"	3,991	255,355
Ono Pharmaceutical Co., Ltd.	300	12,818
Par Pharmaceutical Companies, Inc.*	5,400	146,124
Pfizer, Inc.	96,142	1,748,823
Roche Holding AG (Genusschein)	835	142,047
Sanofi-Aventis	3,365	263,771
Santen Pharmaceutical Co., Ltd.	300	9,592
Shionogi & Co., Ltd.	1,000	21,627
Shire PLC	975	19,067
Takeda Pharmaceutical Co., Ltd.	1,700	69,795
Teva Pharmaceutical Industries Ltd. (ADR)	12,013	674,890
Tsumura & Co.	200	6,442
Valeant Pharmaceuticals International* (a)	2,400	76,296
		9,186,389

Industrials 6.4%

	Shares	Value ($)
Aerospace & Defense 2.1%		
American Science & Engineering, Inc.	1,800	136,512
BAE Systems PLC	2,440	14,061
BE Aerospace, Inc.*	4,500	105,750
Bombardier, Inc. "B"	2,000	9,179
CAE, Inc.	7,900	66,246
Cobham PLC	1,159	4,672
Cubic Corp.	3,600	134,280
European Aeronautic Defence & Space Co.	222	4,435
Finmeccanica SpA	1,335	21,291
GenCorp, Inc.*	15,000	105,000
General Dynamics Corp.	1,500	102,255

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	Shares	Value ($)
Honeywell International, Inc.	15,111	592,351
ITT Corp.	7,700	382,998
L-3 Communications Holdings, Inc.	3,080	267,806
Lockheed Martin Corp.	10,942	824,480
Northrop Grumman Corp.	15,800	882,430
Raytheon Co.	12,700	654,304
Rockwell Collins, Inc.	11,200	620,032
Rolls-Royce Group PLC*	1,977	15,428
Singapore Technologies Engineering Ltd.	4,000	9,195
Thales SA	71	3,638
TransDigm Group, Inc.	7,400	351,426
United Technologies Corp.	19,724	1,369,043
		6,676,812
Air Freight & Logistics 0.2%		
Atlas Air Worldwide Holdings, Inc.*	2,900	108,025
Deutsche Post AG (Registered)	495	9,524
FedEx Corp.	1,200	100,140
TNT NV	588	17,998
Toll Holdings Ltd.	985	7,676
United Parcel Service, Inc. "B"	7,300	418,801
		662,164
Airlines 0.2%		
Copa Holdings SA "A"	1,900	103,493
Hawaiian Holdings, Inc.*	8,300	58,100
Korean Air Lines Co., Ltd.*	2,400	112,543
Qantas Airways Ltd.	2,962	7,872
Ryanair Holdings PLC (ADR)*	3,200	85,824
Singapore Airlines Ltd.	1,000	10,558
SkyWest, Inc.	8,000	135,360
		513,750
Building Products 0.2%		
Asahi Glass Co., Ltd.	1,000	9,368
Assa Abloy AB "B"	400	7,660
Compagnie de Saint-Gobain	2,697	144,768
Daikin Industries Ltd.	100	3,903
Geberit AG (Registered)*	45	7,971
Owens Corning, Inc.*	3,400	87,176
Quanex Building Products Corp.	8,000	135,760
Universal Forest Products, Inc.	700	25,767
Wienerberger AG*	6,156	111,741
		534,114
Commercial Services & Supplies 0.6%		
Babcock International Group PLC	13,969	133,881
Brambles Ltd.	2,215	13,418
Consolidated Graphics, Inc.*	4,100	143,582
Daiseki Co., Ltd.	4,100	82,550
Ennis, Inc.	1,700	28,543
G4S PLC	1,842	7,698
M&F Worldwide Corp.*	2,500	98,750
R.R. Donnelley & Sons Co.	30,600	681,462
Ritchie Bros. Auctioneers, Inc.	200	4,530
Rollins, Inc.	2,100	40,488
Schawk, Inc.	3,100	42,160
Secom Co., Ltd.	100	4,730
Securitas AB "B"	308	3,006
Serco Group PLC	14,740	125,315
Standard Register Co. (a)	7,300	37,230
Stericycle, Inc.*	8,200	452,394
United Stationers, Inc.*	2,000	113,700
World Color Press, Inc.*	164	1,557
		2,014,994

	Shares	Value ($)
Construction & Engineering 0.2%		
ACS, Actividades de Construccion y Servicios SA	358	17,799
Aecom Technology Corp.*	4,500	123,750
Bouygues SA	90	4,694
Chicago Bridge & Iron Co. NV (NY Registered Shares)*	4,800	97,056
EMCOR Group, Inc.*	3,300	88,770
Ferrovial SA	1,184	13,827
Fomento de Construcciones y Contratas SA	89	3,733
Koninklijke Boskalis Westminster NV	117	4,506
Leighton Holdings Ltd.	229	7,737
Shaw Group, Inc.*	2,900	83,375
Skanska AB "B"	455	7,742
SNC-Lavalin Group, Inc.	300	15,487
URS Corp.*	900	40,068
Vinci SA	179	10,026
		518,570
Electrical Equipment 0.9%		
A.O. Smith Corp.	1,700	73,763
ABB Ltd. (Registered)*	11,057	211,469
Alstom SA	1,878	130,480
AMETEK, Inc.	16,100	615,664
Emerson Electric Co.	16,848	717,725
EnerSys*	5,500	120,285
Gamesa Corp. Tecnologica SA	416	6,974
Hubbell, Inc. "B"	1,900	89,870
Mitsubishi Electric Corp.*	1,000	7,383
Power-One, Inc.*	2,500	10,875
Prysmian SpA	6,371	111,522
Regal-Beloit Corp.	3,100	161,014
Renewable Energy Corp. ASA*	1,600	12,241
Roper Industries, Inc.	9,600	502,752
Schneider Electric SA	56	6,488
SGL Carbon SE*	2,500	74,414
Sumitomo Electric Industries Ltd.	400	4,958
Vestas Wind Systems AS*	481	29,431
		2,887,308
Industrial Conglomerates 0.5%		
3M Co.	7,800	644,826
Carlisle Companies, Inc.	9,200	315,192
CSR Ltd.	3,192	5,134
General Electric Co.	36,500	552,245
Hutchison Whampoa Ltd.	6,000	41,071
Keppel Corp., Ltd.	2,000	11,637
Koninklijke (Royal) Philips Electronics NV	1,625	48,116
NWS Holdings Ltd.	3,000	5,533
Orkla ASA	4,100	40,005
SembCorp Industries Ltd.	3,000	7,835
Siemens AG (Registered)	402	36,873
Smiths Group PLC	412	6,741
Tredegar Corp.	3,300	52,206
		1,767,414
Machinery 0.7%		
AB SKF "B"	448	7,695
Alfa Laval AB	446	6,139
Ampco-Pittsburgh Corp.	1,300	40,989
Austal Ltd.	42,054	87,464
Dover Corp.	12,174	506,560
FANUC Ltd.	1,902	176,858
Gardner Denver, Inc.	1,600	68,080

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

	Shares	Value ($)
Graham Corp.	2,800	57,960
Invensys PLC	823	3,943
Joy Global, Inc.	3,100	159,929
Komatsu Ltd.	14,853	309,656
Kone Oyj "B"	882	37,697
Kubota Corp.	1,000	9,196
MAN SE	98	7,633
Metso Corp.	733	25,772
Mitsubishi Heavy Industries Ltd.	2,000	7,023
Oshkosh Corp.	2,100	77,763
Parker Hannifin Corp.	6,500	350,220
Sandvik AB	663	7,947
Scania AB "B"	362	4,643
Schindler Holding AG	51	3,912
SembCorp Marine Ltd.	2,000	5,212
Tennant Co.	2,200	57,618
Timken Co.	7,200	170,712
Vallourec SA	33	6,002
Volvo AB "B"	856	7,293
Wartsila Corp.	538	21,506
Watts Water Technologies, Inc. "A"	4,100	126,772
Zardoya Otis SA	412	8,031
		2,360,225
Marine 0.1%		
A P Moller-Maersk AS "A"	2	13,483
A P Moller-Maersk AS "B"	23	160,832
International Shipholding Corp.	2,300	71,461
Kuehne & Nagel International AG (Registered)	78	7,545
Mitsui O.S.K Lines Ltd.	1,000	5,249
Nippon Yusen Kabushiki Kaisha	1,000	3,060
		261,630
Professional Services 0.1%		
Adecco SA (Registered)	87	4,803
Capita Group PLC	467	5,633
COMSYS IT Partners, Inc.*	3,400	30,226
Diamond Management & Technology Consultants, Inc.	1,400	10,318
Experian PLC	763	7,543
FTI Consulting, Inc.*	3,600	169,776
Michael Page International PLC	24,355	147,667
Randstad Holdings NV*	170	8,406
SGS SA (Registered)*	3	3,906
Spherion Corp.*	1,800	10,116
The Advisory Board Co.*	200	6,132
Watson Wyatt Worldwide, Inc. "A"	900	42,768
		447,294
Road & Rail 0.3%		
Asciano Group*	3,763	6,075
Canadian National Railway Co.	600	32,896
Canadian Pacific Railway Ltd.	300	16,290
Central Japan Railway Co.	1	6,671
Con-way, Inc.	7,300	254,843
DSV AS*	754	13,527
East Japan Railway Co.	200	12,620
Kintetsu Corp.	1,000	3,312
MTR Corp., Ltd.	4,500	15,430
Norfolk Southern Corp.	9,000	471,780
Northgate PLC*	16,904	59,113
Ryder System, Inc.	4,200	172,914
Tokyu Corp.	1,000	3,980
Werner Enterprises, Inc.	2,400	47,496
West Japan Railway Co.	1	3,347
		1,120,294
Trading Companies & Distributors 0.2%		
Bunzl PLC	366	3,968
Finning International, Inc.	200	3,190
Itochu Corp.	1,000	7,353
Marubeni Corp.	1,000	5,444
Mitsubishi Corp.	9,209	228,962
Mitsui & Co., Ltd.	14,596	206,637
Noble Group Ltd.	2,000	4,582
PT AKR Corporindo Tbk	694,000	85,992
Sumitomo Corp.	500	5,033
Wolseley PLC*	328	6,562
		557,723
Transportation Infrastructure 0.1%		
Abertis Infraestructuras SA	534	12,050
Atlantia SpA	938	24,382
Koninklijke Vopak NV	1,556	122,933
Macquarie Infrastructure Group (Units)	3,632	4,328
Transurban Group (Units)	2,129	10,547
		174,240

Information Technology 9.8%

	Shares	Value ($)
Communications Equipment 1.5%		
3Com Corp.*	20,400	153,000
Acme Packet, Inc.*	1,100	12,100
Alcatel-Lucent*	3,450	11,555
Aruba Networks, Inc.*	5,400	57,564
Brocade Communications Systems, Inc.*	39,107	298,386
Cisco Systems, Inc.*	76,870	1,840,268
Harris Corp.	11,300	537,315
Loral Space & Communications, Inc.*	2,400	75,864
NETGEAR, Inc.*	6,000	130,140
Nokia Oyj	3,132	40,208
Oplink Communications, Inc.*	5,900	96,701
Plantronics, Inc.	4,200	109,116
QUALCOMM, Inc.	26,830	1,241,156
Research In Motion Ltd.*	1,100	74,708
Symmetricom, Inc.*	900	4,680
Telefonaktiebolaget LM Ericsson "B"	18,230	167,676
		4,850,437
Computers & Peripherals 2.3%		
Apple, Inc.*	13,700	2,888,782
Compal Electronics, Inc.	86,470	118,883
Compellent Technologies, Inc.*	5,800	131,544
Diebold, Inc.	2,800	79,660
EMC Corp.*	34,130	596,251
Fujitsu Ltd.	1,000	6,431
Hewlett-Packard Co.	18,600	958,086
International Business Machines Corp.	13,140	1,720,026
Lexmark International, Inc. "A"*	2,700	70,146
NEC Corp.*	5,000	12,879
NetApp, Inc.*	7,400	254,486
Toshiba Corp.*	2,000	11,030
Western Digital Corp.*	8,500	375,275
		7,223,479

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

	Shares	Value ($)
Electronic Equipment, Instruments & Components 1.4%		
Agilysys, Inc.	4,200	38,220
Anixter International, Inc.*	3,200	150,720
Arrow Electronics, Inc.*	22,300	660,303
Avnet, Inc.*	22,300	672,568
Benchmark Electronics, Inc.*	7,300	138,043
Brightpoint, Inc.*	16,500	121,275
CTS Corp.	800	7,696
Dai-ichi Seiko Co., Ltd.	2,100	88,300
Fujifilm Holdings Corp.	500	14,937
Hitachi Ltd.*	4,000	12,251
HOYA Corp.	200	5,302
IBIDEN Co., Ltd.	100	3,561
Ingram Micro, Inc. "A"*	12,000	209,400
Insight Enterprises, Inc.*	800	9,136
Inspur International Ltd.	675,000	95,615
Itron, Inc.*	2,600	175,682
Jabil Circuit, Inc.	38,700	672,219
Kingboard Chemical Holdings Ltd.	37,000	146,730
Kyocera Corp.	100	8,819
Mercury Computer Systems, Inc.*	1,345	14,809
Multi-Fineline Electronix, Inc.*	4,800	136,176
Murata Manufacturing Co., Ltd.	100	4,938
Nidec Corp.	1,900	174,705
OSI Systems, Inc.*	400	10,912
Plexus Corp.*	800	22,800
RadiSys Corp.*	3,500	33,425
Rotork PLC	3,661	70,070
ScanSource, Inc.*	5,100	136,170
Smart Modular Technologies (WWH), Inc.*	2,300	14,467
SYNNEX Corp.*	4,200	128,772
TDK Corp.	100	6,098
Venture Corp., Ltd.	20,000	125,418
Vishay Intertechnology, Inc.*	21,700	181,195
		4,290,732
Internet Software & Services 0.8%		
AOL, Inc.*	1,048	24,397
Google, Inc. "A"*	2,965	1,838,241
InfoSpace, Inc.*	800	6,856
Internet Initiative Japan, Inc.	38	67,824
LivePerson, Inc.*	9,900	69,003
LogMeIn, Inc.*	300	5,985
Meetic*	2,067	56,301
MercadoLibre, Inc.*	2,700	140,049
NIC, Inc.	9,500	86,830
OpenTable, Inc.*	1,700	43,282
United Internet AG (Registered)*	8,900	117,698
Web.com Group, Inc.*	1,900	12,407
		2,468,873
IT Services 0.9%		
Accenture PLC "A"	8,210	340,715
Acxiom Corp.*	1,300	17,446
Atos Origin SA*	99	4,508
Automatic Data Processing, Inc.	8,117	347,570
Broadridge Financial Solutions, Inc.	6,400	144,384
Cap Gemini SA	266	12,049
CGI Group, Inc. "A"*	600	8,169
CIBER, Inc.*	9,300	32,085
Cognizant Technology Solutions Corp. "A"*	7,000	317,100
Computer Sciences Corp.*	4,500	258,885
Convergys Corp.*	3,400	36,550
Euronet Worldwide, Inc.* (a)	2,300	50,485
Global Payments, Inc.	6,500	350,090
iGATE Corp.	9,000	90,000
Indra Sistemas SA	274	6,445
ManTech International Corp. "A"*	1,100	53,108
NeuStar, Inc. "A"*	500	11,520
NTT Data Corp.	1	3,088
RightNow Technologies, Inc.*	700	12,159
SAIC, Inc.*	25,700	486,758
TeleTech Holdings, Inc.*	6,700	134,201
Telvent GIT SA	2,400	93,552
Wright Express Corp.*	4,800	152,928
		2,963,795
Office Electronics 0.1%		
Canon, Inc.	5,821	246,083
Konica Minolta Holdings, Inc.	500	5,128
Neopost SA	90	7,436
Ricoh Co., Ltd.	1,000	14,104
		272,751
Semiconductors & Semiconductor Equipment 1.0%		
ARM Holdings PLC	54,252	155,133
ASML Holding NV	1,678	57,074
Broadcom Corp. "A"*	25,540	803,233
Diodes, Inc.*	4,000	81,800
Infineon Technologies AG*	1,328	7,331
Intel Corp.	56,000	1,142,400
Lam Research Corp.*	1,900	74,499
Micrel, Inc.	4,900	40,180
Photronics, Inc.*	21,000	93,450
RF Micro Devices, Inc.*	31,300	149,301
ROHM Co., Ltd.	100	6,494
Siliconware Precision Industries Co.	49,000	65,827
STMicroelectronics NV	1,042	9,449
Texas Instruments, Inc.	15,400	401,324
Tokyo Electron Ltd.	100	6,394
Veeco Instruments, Inc.*	4,700	155,288
Volterra Semiconductor Corp.*	4,300	82,216
		3,331,393
Software 1.8%		
ACI Worldwide, Inc.*	1,000	17,150
Autonomy Corp. PLC*	1,623	39,572
BMC Software, Inc.*	1,800	72,180
Bottomline Technologies, Inc.*	3,800	66,766
Check Point Software Technologies Ltd.*	7,990	270,701
Dassault Systemes SA	101	5,749
i2 Technologies, Inc.*	200	3,824
Interactive Intelligence, Inc.*	200	3,688
Jack Henry & Associates, Inc.	3,100	71,672
Manhattan Associates, Inc.*	5,400	129,762
Microsoft Corp.	88,950	2,712,086
MicroStrategy, Inc. "A"*	1,500	141,030
Nintendo Co., Ltd.	811	192,261
Norkom Group PLC*	26,825	55,165
Oracle Corp.	44,300	1,087,122
Quest Software, Inc.*	7,900	145,360
Renaissance Learning, Inc.	1,500	17,040
Rovi Corp.*	2,200	70,114
SAP AG	989	46,645
Shanda Games Ltd. (ADR)*	3,000	30,570
Sourcefire, Inc.*	1,000	26,750
Symantec Corp.*	17,500	313,075
The Sage Group PLC	11,436	40,601

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

	Shares	Value ($)
TiVo, Inc.*	5,800	59,044
VanceInfo Technologies, Inc. (ADR)*	7,200	138,312
		5,756,239
Materials 3.2%		
Chemicals 1.6%		
A. Schulman, Inc.	7,300	147,314
Agrium, Inc.	100	6,255
Air Liquide SA	246	29,039
Air Products & Chemicals, Inc.	7,314	592,873
Akzo Nobel NV	581	38,295
Asahi Kasei Corp.	1,000	4,997
Ashland, Inc.	7,800	309,036
Balchem Corp.	1,500	50,265
BASF SE	4,216	261,504
Cabot Corp.	1,900	49,837
Celanese Corp. "A"	7,200	231,120
E.I. du Pont de Nemours & Co.	5,300	178,451
Givaudan SA (Registered)*	8	6,367
Huntsman Corp.	16,900	190,801
Innophos Holdings, Inc.	1,200	27,588
JSR Corp.	200	4,054
K+S AG	104	5,978
Koninklijke DSM NV	364	17,847
Kuraray Co., Ltd.	500	5,853
Linde AG	70	8,426
Lubrizol Corp.	4,600	335,570
Mitsubishi Chemical Holdings Corp.	1,000	4,214
Mitsubishi Gas Chemical Co., Inc.	1,000	5,022
Mitsui Chemicals, Inc.	1,000	2,572
Monsanto Co.	10,000	817,500
NewMarket Corp.	200	22,954
Nitto Denko Corp.	200	7,127
Omnova Solutions, Inc.*	14,800	90,724
PolyOne Corp.*	17,700	132,219
Potash Corp. of Saskatchewan, Inc.	100	10,937
Praxair, Inc.	5,971	479,531
Quaker Chemical Corp.	700	14,448
Shin-Etsu Chemical Co., Ltd.	3,876	218,473
Showa Denko KK	2,000	3,989
Solvay SA	382	41,182
Stepan Co.	1,300	84,253
Sumitomo Chemical Co., Ltd.	2,000	8,729
Syngenta AG (Registered)	132	36,989
The Mosaic Co.	8,400	501,732
Toray Industries, Inc.	2,000	10,776
Umicore	697	23,210
Yara International ASA	1,210	54,788
		5,072,839
Construction Materials 0.1%		
CRH PLC (b)	2,495	68,201
CRH PLC (b)	7,809	211,527
HeidelbergCement AG	51	3,508
Holcim Ltd. (Registered)	340	26,355
Imerys SA	73	4,342
Lafarge SA	210	17,270
Martin Marietta Materials, Inc.	700	62,587
		393,790
Containers & Packaging 0.2%		
AEP Industries, Inc.*	1,100	42,108
Bway Holding Co.*	1,571	30,195
FP Corp.	1,300	58,620
Owens-Illinois, Inc.*	4,500	147,915

	Shares	Value ($)
Sonoco Products Co.	16,457	481,367
Toyo Seikan Kaisha Ltd.	300	4,540
		764,745
Metals & Mining 0.9%		
Agnico-Eagle Mines Ltd.	100	5,443
Anglo American PLC*	543	23,500
ArcelorMittal	6,112	277,209
Barrick Gold Corp.	400	15,857
BHP Billiton Ltd.	8,968	343,419
BHP Billiton PLC	761	24,308
Cliffs Natural Resources, Inc.	4,700	216,623
Commercial Metals Co.	3,800	59,470
Freeport-McMoRan Copper & Gold, Inc.*	5,500	441,595
Goldcorp, Inc.	300	11,861
JFE Holdings, Inc.	600	23,628
Kinross Gold Corp. (b)	400	7,408
Kinross Gold Corp. (b)	16,239	298,798
Kobe Steel Ltd.*	3,000	5,434
Mitsubishi Materials Corp.*	3,000	7,346
Newcrest Mining Ltd.	192	6,017
Nippon Steel Corp.	6,000	24,258
Norsk Hydro ASA*	3,400	28,264
Outokumpu Oyj	611	11,489
Randgold Resources Ltd. (ADR)	1,000	79,120
Rautaruukki Oyj	565	12,973
Reliance Steel & Aluminum Co.	2,600	112,372
Rio Tinto Ltd.	114	7,543
Rio Tinto PLC	3,959	213,376
SSAB AB "A"	1,091	18,445
SSAB AB "B"	629	9,723
Sumitomo Metal Industries Ltd.	5,000	13,330
Sumitomo Metal Mining Co., Ltd.	1,000	14,741
Teck Resources Ltd. "B"*	224	7,886
ThyssenKrupp AG	248	9,340
Vista Gold Corp.*	13,500	33,075
voestalpine AG	4,325	157,710
Walter Energy, Inc.	200	15,062
Xstrata PLC*	16,761	295,223
Yamana Gold, Inc.	300	3,442
		2,835,288
Paper & Forest Products 0.4%		
Clearwater Paper Corp.*	2,514	138,195
Domtar Corp.* (a)	2,700	149,607
Holmen AB "B"	286	7,295
International Paper Co.	21,000	562,380
OJI Paper Co., Ltd.	1,000	4,165
Schweitzer-Mauduit International, Inc.	2,900	204,015
Stora Enso Oyj "R"*	2,972	20,832
Svenska Cellulosa AB "B"	3,267	43,640
UPM-Kymmene Oyj	2,682	31,897
		1,162,026
Telecommunication Services 2.7%		
Diversified Telecommunication Services 2.1%		
AT&T, Inc.	80,725	2,262,722
Atlantic Tele-Network, Inc.	1,000	55,010
BCE, Inc. (b)	13,236	365,446
BCE, Inc. (b)	1,600	44,366
Belgacom	2,882	103,953
BT Group PLC	9,801	21,221
Cable & Wireless PLC	3,199	7,225
CenturyTel, Inc.	17,362	628,678

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	Shares	Value ($)
Deutsche Telekom AG (ADR)	25,419	373,659
Deutsche Telekom AG (Registered)	22,186	327,665
France Telecom SA	5,459	136,297
HickoryTech Corp.	1,300	11,479
Iliad SA	58	6,910
Koninklijke (Royal) KPN NV	8,918	151,265
Nippon Telegraph & Telephone Corp.	2,100	82,604
PAETEC Holding Corp.*	2,000	8,300
Qwest Communications International, Inc. (a)	56,200	236,602
Singapore Telecommunications Ltd.	31,000	68,267
Swisscom AG (Registered)	411	156,735
Tele2 AB "B"	590	9,039
Telecom Italia SpA	66,278	102,793
Telecom Italia SpA (RSP)	36,788	40,601
Telefonica SA	12,771	355,947
Telenor ASA*	5,800	81,355
TeliaSonera AB	4,313	31,138
Telstra Corp., Ltd.	25,800	79,066
Telus Corp.	200	6,263
Telus Corp. (Non-Voting Shares)	100	3,261
Verizon Communications, Inc.	31,261	1,035,677
		6,793,544
Wireless Telecommunication Services 0.6%		
American Tower Corp. "A"*	12,600	544,446
China Mobile Ltd.	27,617	257,421
KDDI Corp.	12	63,281
Millicom International Cellular SA (SDR)	148	10,974
Mobistar SA	584	39,937
NTT DoCoMo, Inc.	62	86,367
Rogers Communications, Inc. "B"	1,000	31,257
Softbank Corp.	3,000	70,118
USA Mobility, Inc.	7,000	77,070
Vodafone Group PLC	56,533	130,914
Vodafone Group PLC (ADR)	22,800	526,452
		1,838,237
Utilities 2.5%		
Electric Utilities 1.8%		
Acciona SA	20	2,598
Allegheny Energy, Inc.	22,587	530,343
American Electric Power Co., Inc.	12,236	425,690
Cheung Kong Infrastructure Holdings Ltd.	1,000	3,795
Chubu Electric Power Co., Inc.	1,500	35,746
Chugoku Electric Power Co., Inc.	700	13,349
CLP Holdings Ltd.	5,000	33,785
Duke Energy Corp.	17,358	298,731
E.ON AG	6,187	258,293
Edison International	3,700	128,686
EDP — Energias de Portugal SA	9,124	40,383
Electricite de France	2,827	168,222
Enel SpA	8,214	47,698
Entergy Corp.	4,470	365,825
Exelon Corp.	23,298	1,138,573
FirstEnergy Corp.	20,610	957,334
Fortis, Inc.	1,200	32,907
Fortum Oyj	11,941	323,494
FPL Group, Inc.	3,400	179,588
Hokkaido Electric Power Co., Inc.	600	10,888
Hokuriku Electric Power Co.	500	10,880
HongKong Electric Holdings Ltd.	3,000	16,281
Iberdrola SA	3,186	30,329
Kansai Electric Power Co., Inc.	1,800	40,574
Kyushu Electric Power Co., Inc.	800	16,452
MGE Energy, Inc.	400	14,296
Red Electrica Corporacion SA	128	7,094
Scottish & Southern Energy PLC	1,114	20,818
Shikoku Electric Power Co., Inc.	500	12,897
Southern Co.	10,758	358,457
SP Ausnet	35,313	28,921
Terna — Rete Elettrica Nationale SpA	3,428	14,750
Tohoku Electric Power Co., Inc.	1,000	19,766
Tokyo Electric Power Co., Inc.	3,000	75,197
		5,662,640
Gas Utilities 0.1%		
Chesapeake Utilities Corp.	200	6,410
Enagas	311	6,883
Gas Natural SDG SA	302	6,501
Hong Kong & China Gas Co., Ltd.	10,500	26,215
National Fuel Gas Co.	600	30,000
Nicor, Inc.	2,600	109,460
Osaka Gas Co., Ltd.	5,000	16,846
Piedmont Natural Gas Co., Inc.	6,200	165,850
Snam Rete Gas SpA	2,523	12,546
Southwest Gas Corp.	3,300	94,149
Toho Gas Co., Ltd.	1,000	5,304
Tokyo Gas Co., Ltd.	5,000	19,932
		500,096
Independent Power Producers & Energy Traders 0.2%		
AES Corp.*	8,400	111,804
Constellation Energy Group, Inc.	1,700	59,789
Drax Group PLC	680	4,552
EDP Renovaveis SA*	829	7,836
Electric Power Development Co., Ltd.	400	11,343
Iberdrola Renovables SA	1,405	6,694
International Power PLC	2,098	10,380
NRG Energy, Inc.*	17,716	418,275
TransAlta Corp.	1,100	24,696
		655,369
Multi-Utilities 0.4%		
A2A SpA	2,094	4,383
AGL Energy Ltd.	12,442	156,508
Canadian Utilities Ltd. "A"	600	25,099
Centrica PLC	5,814	26,258
GDF Suez	612	26,551
MDU Resources Group, Inc.	2,800	66,080
National Grid PLC	2,563	28,016
PG&E Corp.	16,195	723,107
Public Service Enterprise Group, Inc.	3,700	123,025
RWE AG	157	15,257
Suez Environnement Co.	122	2,819
United Utilities Group PLC	779	6,198
Veolia Environnement	237	7,793
		1,211,094
Water Utilities 0.0%		
American States Water Co.	2,700	95,607
Severn Trent PLC	213	3,721
		99,328
Total Common Stocks (Cost $152,679,296)		**180,097,336**

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	Shares	Value ($)
Preferred Stocks 0.0%		
Consumer Discretionary 0.0%		
Porsche Automobil Holding SE	50	3,140
Volkswagen AG	62	5,828
		8,968
Consumer Staples 0.0%		
Henkel AG & Co. KGaA	1,580	**82,259**
Health Care 0.0%		
Fresenius SE	32	**2,287**
Total Preferred Stocks (Cost $84,375)		**93,514**
Convertible Preferred Stocks 0.0%		
Consumer Discretionary		
ION Media Networks, Inc., 144A, 12.0%* (Cost $8,344)	60,000	**0**
Rights 0.0%		
Energy 0.0%		
Woodside Petroleum Ltd., Expiration Date 1/29/2010*	399	**1,828**
Financials 0.0%		
Fortis, Expiration Date 7/4/2014*	6,275	**0**
Total Rights (Cost $0)		**1,828**
Warrants 0.1%		
Financials 0.1%		
Mediobanca SpA, Expiration Date 3/18/2011*	278	194
New ASAT (Finance) Ltd., Expiration Date 2/1/2011*	24,700	989
UBS AG, Expiration Date 8/31/2011*	123,852	277,499
		278,682
Industrials 0.0%		
World Color Press, Inc., Expiration Date 7/20/2014*	186	**998**
Materials 0.0%		
Ashland, Inc., Expiration Date 3/31/2029*	170	**0**
Total Warrants (Cost $220,631)		**279,680**

		Principal Amount ($) (c)	Value ($)
Corporate Bonds 7.7%			
Consumer Discretionary 0.6%			
AMC Entertainment, Inc.:			
8.0%, 3/1/2014		35,000	33,425
8.75%, 6/1/2019		35,000	35,700
American Achievement Corp., 144A, 8.25%, 4/1/2012		15,000	14,963
Ameristar Casinos, Inc., 144A, 9.25%, 6/1/2014		25,000	25,937
Asbury Automotive Group, Inc.:			
7.625%, 3/15/2017		35,000	32,987
8.0%, 3/15/2014		15,000	14,738
CanWest MediaWorks LP, 144A, 9.25%, 8/1/2015**		25,000	3,719
Carrols Corp., 9.0%, 1/15/2013		15,000	15,225
CSC Holdings LLC, 6.75%, 4/15/2012		3,000	3,098
DISH DBS Corp.:			
6.625%, 10/1/2014		40,000	40,350
7.125%, 2/1/2016		35,000	35,744
Dollarama Group Holdings LP, 6.706%***, 8/15/2012 (d)		24,000	24,240
Fontainebleau Las Vegas Holdings LLC, 144A, 11.0%, 6/15/2015**		25,000	250
Goodyear Tire & Rubber Co., 10.5%, 5/15/2016		10,000	11,050
Great Canadian Gaming Corp., 144A, 7.25%, 2/15/2015		30,000	28,837
Group 1 Automotive, Inc., 8.25%, 8/15/2013		15,000	14,925
Hertz Corp., 8.875%, 1/1/2014		55,000	56,237
Isle of Capri Casinos, Inc., 7.0%, 3/1/2014		17,000	15,130
Norcraft Holdings LP, 9.75%, 9/1/2012		36,000	34,560
Penske Automotive Group, Inc., 7.75%, 12/15/2016		50,000	48,375
Reader’s Digest Association, Inc., 9.0%, 2/15/2017**		25,000	281
Sabre Holdings Corp., 8.35%, 3/15/2016		25,000	22,781
Seminole Hard Rock Entertainment, Inc., 144A, 2.754%***, 3/15/2014		30,000	24,713
Simmons Co., 10.0%, 12/15/2014**		105,000	8,400
Sonic Automotive, Inc., Series B, 8.625%, 8/15/2013		30,000	29,850
TCI Communications, Inc., 8.75%, 8/1/2015		135,000	159,947
Time Warner Cable, Inc.:			
6.75%, 6/15/2039		175,000	183,278
8.25%, 2/14/2014		100,000	116,874
Time Warner, Inc., 5.875%, 11/15/2016		147,000	158,688
Travelport LLC:			
4.881%***, 9/1/2014		20,000	18,125
9.875%, 9/1/2014		5,000	5,163
Trump Entertainment Resorts, Inc., 8.5%, 6/1/2015**		5,000	103
United Components, Inc., 9.375%, 6/15/2013		5,000	4,825
Unity Media GmbH, 144A, 8.75%, 2/15/2015	EUR	50,000	74,545
Vertis, Inc., 13.5%, 4/1/2014 (PIK)		37,392	12,386
Viacom, Inc., 6.875%, 4/30/2036		300,000	324,392
WMG Acquisition Corp., 144A, 9.5%, 6/15/2016		20,000	21,425
Young Broadcasting, Inc., 8.75%, 1/15/2014**		130,000	455
Yum! Brands, Inc., 6.875%, 11/15/2037		300,000	324,148
			1,979,869
Consumer Staples 0.6%			
Anheuser-Busch InBev Worldwide, Inc., 144A, 7.75%, 1/15/2019		500,000	585,397
ConAgra Foods, Inc., 7.0%, 4/15/2019		200,000	226,361

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

	Principal Amount ($) (c)	Value ($)
CVS Caremark Corp.:		
6.125%, 9/15/2039	75,000	74,332
6.25%, 6/1/2027	300,000	305,085
Dr. Pepper Snapple Group, Inc., 6.12%, 5/1/2013	200,000	218,884
General Nutrition Centers, Inc., 5.178%***, 3/15/2014 (PIK)	15,000	13,988
Ingles Markets, Inc., 8.875%, 5/15/2017	10,000	10,400
North Atlantic Trading Co., 144A, 10.0%, 3/1/2012	108,750	83,738
SUPERVALU, Inc., 8.0%, 5/1/2016	10,000	10,150
Viskase Companies, Inc., 11.5%, 6/15/2011	480,000	493,800
		2,022,135
Energy 1.1%		
Anadarko Petroleum Corp., 6.45%, 9/15/2036	250,000	261,092
Atlas Energy Operating Co., LLC, 10.75%, 2/1/2018	55,000	60,775
Belden & Blake Corp., 8.75%, 7/15/2012	130,000	121,550
Bristow Group, Inc., 7.5%, 9/15/2017 (a)	30,000	29,700
Cenovus Energy, Inc.:		
144A, 5.7%, 10/15/2019	48,000	50,067
144A, 6.75%, 11/15/2039	75,000	81,754
Chaparral Energy, Inc., 8.5%, 12/1/2015	40,000	35,300
Chesapeake Energy Corp.:		
6.25%, 1/15/2018	10,000	9,600
6.875%, 1/15/2016	30,000	30,000
DCP Midstream LLC, 144A, 9.75%, 3/15/2019	200,000	246,091
Devon Energy Corp., 5.625%, 1/15/2014	375,000	405,111
El Paso Corp., 7.25%, 6/1/2018	20,000	19,760
Enterprise Products Operating LLC:		
6.125%, 10/15/2039	230,000	222,197
Series L, 6.3%, 9/15/2017	190,000	204,539
Frontier Oil Corp., 6.625%, 10/1/2011	20,000	20,125
KCS Energy, Inc., 7.125%, 4/1/2012	105,000	105,262
Kinder Morgan Energy Partners LP:		
5.625%, 2/15/2015	52,000	55,919
7.3%, 8/15/2033	360,000	392,642
Linn Energy LLC, 144A, 11.75%, 5/15/2017	35,000	39,288
Mariner Energy, Inc.:		
7.5%, 4/15/2013	25,000	24,875
8.0%, 5/15/2017	20,000	19,200
Newfield Exploration Co., 7.125%, 5/15/2018	40,000	40,400
ONEOK Partners LP, 8.625%, 3/1/2019	440,000	530,989
OPTI Canada, Inc.:		
7.875%, 12/15/2014	35,000	28,700
8.25%, 12/15/2014	60,000	49,425
Petrohawk Energy Corp., 7.875%, 6/1/2015	15,000	15,150
Plains Exploration & Production Co., 7.0%, 3/15/2017	15,000	14,738
Quicksilver Resources, Inc., 7.125%, 4/1/2016	70,000	65,275
Regency Energy Partners LP, 8.375%, 12/15/2013	31,000	32,085
Stone Energy Corp.:		
6.75%, 12/15/2014	40,000	35,700
8.25%, 12/15/2011	75,000	74,719
Williams Companies, Inc., 8.125%, 3/15/2012	85,000	92,944
		3,414,972
Financials 2.9%		
Algoma Acquisition Corp., 144A, 9.875%, 6/15/2015	60,000	51,075
American Express Co., 7.0%, 3/19/2018	390,000	429,496
Ashton Woods USA LLC, 144A, Step-up Coupon, 0% to 6/30/2012, 11.0% to 6/30/2015	36,400	10,920
Bank of America Corp., 7.625%, 6/1/2019	810,000	937,046
Barclays Bank PLC:		
Series 1, 5.0%, 9/22/2016	90,000	91,963
5.2%, 7/10/2014	80,000	84,801
Buffalo Thunder Development Authority, 144A, 9.375%, 12/15/2014**	15,000	2,625
Calpine Construction Finance Co., LP, 144A, 8.0%, 6/1/2016	30,000	30,900
Capital One Bank USA NA, 8.8%, 7/15/2019	200,000	236,333
Citigroup, Inc.:		
6.125%, 5/15/2018	350,000	351,893
8.125%, 7/15/2039	315,000	355,524
8.5%, 5/22/2019	174,000	200,927
Conproca SA de CV, REG S, 12.0%, 6/16/2010	100,035	102,036
Ford Motor Credit Co., LLC:		
7.25%, 10/25/2011	135,000	136,335
9.875%, 8/10/2011	90,000	94,232
General Electric Capital Corp.:		
Series A, 5.25%, 10/19/2012	550,000	585,322
6.0%, 8/7/2019	190,000	197,224
GMAC, Inc., 6.875%, 9/15/2011	132,000	130,020
Hartford Financial Services Group, Inc., 5.95%, 10/15/2036	150,000	124,939
iPayment, Inc., 9.75%, 5/15/2014	25,000	20,781
JPMorgan Chase & Co., 6.3%, 4/23/2019	350,000	385,027
Lincoln National Corp., 8.75%, 7/1/2019	190,000	217,095
MetLife, Inc.:		
6.75%, 6/1/2016	113,000	126,542
7.717%, 2/15/2019	250,000	293,784
Morgan Stanley:		
Series F, 6.625%, 4/1/2018	225,000	243,263
7.3%, 5/13/2019	130,000	145,981
National Rural Utilities Cooperative Finance Corp., Series C, 7.25%, 3/1/2012	350,000	384,733
New ASAT (Finance) Ltd., 9.25%, 2/1/2011**	95,000	119

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

	Principal Amount ($) (c)	Value ($)
Orascom Telecom Finance SCA, 144A, 7.875%, 2/8/2014	100,000	90,500
PNC Bank NA, 6.875%, 4/1/2018	300,000	318,426
Principal Financial Group, Inc., 7.875%, 5/15/2014	315,000	347,664
Prudential Financial, Inc.:		
Series B, 5.1%, 9/20/2014	100,000	104,263
6.2%, 1/15/2015	100,000	107,587
7.375%, 6/15/2019	30,000	33,635
Rainbow National Services LLC, 144A, 10.375%, 9/1/2014	4,000	4,220
Royal Bank of Scotland PLC, 144A, 4.875%, 8/25/2014	425,000	430,816
Simon Property Group LP, (REIT), 6.75%, 5/15/2014	70,000	74,598
Sprint Capital Corp.:		
7.625%, 1/30/2011	20,000	20,475
8.375%, 3/15/2012	80,000	82,800
Telecom Italia Capital SA, 5.25%, 11/15/2013	200,000	210,358
Telefonica Emisiones SAU, 5.877%, 7/15/2019	90,000	96,465
The Goldman Sachs Group, Inc.:		
6.0%, 5/1/2014	105,000	114,846
6.15%, 4/1/2018	400,000	428,199
Tropicana Entertainment LLC, 9.625%, 12/15/2014**	75,000	375
UCI Holdco, Inc., 9.25%***, 12/15/2013 (PIK)	38,354	32,601
Virgin Media Finance PLC, 8.75%, 4/15/2014	14,000	14,455
Wachovia Corp., Series G, 5.5%, 5/1/2013	470,000	499,296
Westpac Banking Corp., 4.875%, 11/19/2019	181,000	178,648
Wind Acquisition Finance SA, 144A, 11.0%, 12/1/2015	55,000	84,759
		9,245,922
Health Care 0.7%		
Community Health Systems, Inc., 8.875%, 7/15/2015	120,000	124,200
Express Scripts, Inc.:		
6.25%, 6/15/2014	250,000	272,782
7.25%, 6/15/2019	120,000	136,342
HCA, Inc.:		
144A, 8.5%, 4/15/2019	10,000	10,775
9.125%, 11/15/2014	35,000	36,925
9.25%, 11/15/2016	130,000	139,588
9.625%, 11/15/2016 (PIK)	42,000	45,465
HEALTHSOUTH Corp., 10.75%, 6/15/2016	20,000	21,750
IASIS Healthcare LLC, 8.75%, 6/15/2014	30,000	30,375
McKesson Corp., 7.5%, 2/15/2019	125,000	148,235
Medco Health Solutions, Inc., 7.125%, 3/15/2018	425,000	477,759
Merck & Co., Inc.:		
5.0%, 6/30/2019	133,000	138,245
5.85%, 6/30/2039	29,000	30,519
Quest Diagnostics, Inc., 6.95%, 7/1/2037	255,000	284,083
The Cooper Companies, Inc., 7.125%, 2/15/2015	45,000	43,763

	Principal Amount ($) (c)	Value ($)
Valeant Pharmaceuticals International, 144A, 8.375%, 6/15/2016	15,000	15,450
Vanguard Health Holding Co. I, LLC, 11.25%, 10/1/2015	25,000	26,313
Vanguard Health Holding Co. II, LLC, 9.0%, 10/1/2014	75,000	77,719
Zimmer Holdings, Inc., 4.625%, 11/30/2019	105,000	104,047
		2,164,335
Industrials 0.4%		
Actuant Corp., 6.875%, 6/15/2017	20,000	19,025
Allied Waste North America, Inc.:		
6.125%, 2/15/2014	180,000	183,129
6.875%, 6/1/2017	180,000	191,025
ARAMARK Corp., 8.5%, 2/1/2015	10,000	10,300
BE Aerospace, Inc., 8.5%, 7/1/2018	50,000	53,000
Belden, Inc., 7.0%, 3/15/2017	25,000	24,344
Cenveo Corp., 144A, 10.5%, 8/15/2016	10,000	10,250
Congoleum Corp., 8.625%, 8/1/2008**	190,000	39,900
Corrections Corp. of America, 7.75%, 6/1/2017	10,000	10,300
Great Lakes Dredge & Dock Co., 7.75%, 12/15/2013	20,000	19,900
K. Hovnanian Enterprises, Inc., 8.875%, 4/1/2012	25,000	21,000
Kansas City Southern de Mexico SA de CV:		
7.375%, 6/1/2014	20,000	19,500
9.375%, 5/1/2012	60,000	62,250
Mobile Mini, Inc., 9.75%, 8/1/2014	25,000	26,000
Navios Maritime Holdings, Inc., 9.5%, 12/15/2014	35,000	34,825
Owens Corning, Inc., 9.0%, 6/15/2019	10,000	11,152
R.H. Donnelley Corp., Series A-4, 8.875%, 10/15/2017**	75,000	7,031
RBS Global & Rexnord Corp., 9.5%, 8/1/2014	20,000	20,050
Titan International, Inc., 8.0%, 1/15/2012	85,000	83,300
TransDigm, Inc., 7.75%, 7/15/2014	15,000	15,187
United Rentals North America, Inc.:		
6.5%, 2/15/2012	15,000	14,963
7.0%, 2/15/2014	65,000	58,825
10.875%, 6/15/2016	35,000	38,062
Waste Management, Inc., 6.375%, 3/11/2015	320,000	354,603
		1,327,921
Information Technology 0.1%		
Alcatel-Lucent USA, Inc., 6.45%, 3/15/2029	30,000	21,487
Cisco Systems, Inc., 4.45%, 1/15/2020	175,000	171,672
L-3 Communications Corp.:		
5.875%, 1/15/2015	25,000	24,969
Series B, 6.375%, 10/15/2015	35,000	35,131

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

	Principal Amount ($) (c)	Value ($)
MasTec, Inc., 7.625%, 2/1/2017	35,000	33,644
SunGard Data Systems, Inc., 10.25%, 8/15/2015	70,000	74,550
Vangent, Inc., 9.625%, 2/15/2015	15,000	14,119
Xerox Corp., 5.625%, 12/15/2019	60,000	59,916
		435,488
Materials 0.6%		
Appleton Papers, Inc., 144A, 11.25%, 12/15/2015	15,000	12,694
ARCO Chemical Co., 9.8%, 2/1/2020**	195,000	138,450
CPG International I, Inc., 10.5%, 7/1/2013	50,000	47,250
Crown Americas LLC, 144A, 7.625%, 5/15/2017	10,000	10,375
Domtar Corp., 10.75%, 6/1/2017	20,000	23,500
Dow Chemical Co.:		
5.9%, 2/15/2015	400,000	429,830
8.55%, 5/15/2019	20,000	23,863
Exopack Holding Corp., 11.25%, 2/1/2014	80,000	81,300
Freeport-McMoRan Copper & Gold, Inc.:		
8.25%, 4/1/2015	65,000	70,850
8.375%, 4/1/2017	120,000	131,400
GEO Specialty Chemicals, Inc.:		
144A, 7.5%***, 3/31/2015 (PIK)	209,283	167,426
10.0%, 3/31/2015	206,080	164,864
Georgia-Pacific LLC, 144A, 7.125%, 1/15/2017	15,000	15,188
Graphic Packaging International, Inc., 9.5%, 6/15/2017	30,000	31,800
Hexcel Corp., 6.75%, 2/1/2015	95,000	91,200
Innophos, Inc., 8.875%, 8/15/2014	10,000	10,150
Millar Western Forest Products Ltd., 7.75%, 11/15/2013	15,000	10,950
NewMarket Corp., 7.125%, 12/15/2016	65,000	63,375
Owens-Brockway Glass Container, Inc., 7.375%, 5/15/2016	10,000	10,325
Radnor Holdings Corp., 11.0%, 3/15/2010**	40,000	4
Silgan Holdings, Inc., 7.25%, 8/15/2016	20,000	20,550
Teck Resources Ltd.:		
9.75%, 5/15/2014	20,000	23,075
10.25%, 5/15/2016	20,000	23,300
10.75%, 5/15/2019	55,000	65,725
The Mosaic Co., 144A, 7.375%, 12/1/2014	40,000	42,822
Wolverine Tube, Inc., 15.0%, 3/31/2012 (PIK)	40,844	34,820
		1,745,086
Telecommunication Services 0.4%		
AT&T Mobility LLC, 6.5%, 12/15/2011	275,000	299,015
BCM Ireland Preferred Equity Ltd., 144A, 7.714%***, 2/15/2017 (PIK) EUR	100,387	62,007

	Principal Amount ($) (c)	Value ($)
CenturyTel, Inc.:		
Series Q, 6.15%, 9/15/2019	70,000	71,566
Series P, 7.6%, 9/15/2039	87,000	89,161
Cincinnati Bell, Inc., 8.375%, 1/15/2014	25,000	25,438
Cricket Communications, Inc.:		
9.375%, 11/1/2014	55,000	55,275
10.0%, 7/15/2015	50,000	50,687
Intelsat Corp.:		
9.25%, 8/15/2014	10,000	10,275
9.25%, 6/15/2016	110,000	113,575
Intelsat Subsidiary Holding Co., Ltd., 8.875%, 1/15/2015	60,000	62,100
iPCS, Inc., 2.406%***, 5/1/2013	10,000	9,350
MetroPCS Wireless, Inc., 9.25%, 11/1/2014	60,000	60,750
Millicom International Cellular SA, 10.0%, 12/1/2013	80,000	82,800
Qwest Corp.:		
7.875%, 9/1/2011	65,000	68,087
8.875%, 3/15/2012	15,000	16,125
Stratos Global Corp., 9.875%, 2/15/2013	15,000	15,825
Telesat Canada, 11.0%, 11/1/2015	70,000	75,950
Windstream Corp.:		
7.0%, 3/15/2019	25,000	23,375
8.625%, 8/1/2016	10,000	10,175
		1,201,536
Utilities 0.3%		
AES Corp.:		
8.0%, 10/15/2017	35,000	35,919
8.0%, 6/1/2020	30,000	30,525
144A, 8.75%, 5/15/2013	172,000	176,300
DTE Energy Co., 7.625%, 5/15/2014	81,000	90,425
Energy Future Holdings Corp., 10.875%, 11/1/2017	35,000	28,613
FirstEnergy Solutions Corp., 6.8%, 8/15/2039	84,000	84,840
Kinder Morgan, Inc., 6.5%, 9/1/2012	15,000	15,600
Mirant Americas Generation LLC, 8.3%, 5/1/2011	45,000	46,125
Mirant North America LLC, 7.375%, 12/31/2013	20,000	19,775
NRG Energy, Inc.:		
7.25%, 2/1/2014	55,000	55,687
7.375%, 2/1/2016	50,000	50,062
7.375%, 1/15/2017	60,000	60,150
NV Energy, Inc.:		
6.75%, 8/15/2017	25,000	24,357
8.625%, 3/15/2014	8,000	8,290
Sempra Energy, 6.5%, 6/1/2016	135,000	146,409
Texas Competitive Electric Holdings Co., LLC, Series A, 10.25%, 11/1/2015	35,000	28,350
		901,427
Total Corporate Bonds (Cost $23,680,928)		**24,438,691**

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

	Principal Amount ($) (c)	Value ($)
Asset-Backed 0.3%		
Automobile Receivables 0.1%		
Ford Credit Auto Owner Trust, "B", Series 2007-B, 5.69%, 11/15/2012	379,000	**402,086**
Credit Card Receivables 0.2%		
Washington Mutual Master Note Trust, "A", Series 2006-A2A, 144A, 0.283%***, 6/15/2015	500,000	**494,241**
Total Asset-Backed (Cost $873,225)		**896,327**
Mortgage-Backed Securities Pass-Throughs 8.5%		
Federal Home Loan Mortgage Corp., 6.0%, with various maturities from 8/1/2035 until 3/1/2038	514,655	544,291
Federal National Mortgage Association:		
4.239%***, 3/1/2036	786,683	826,983
4.5%, with various maturities from 6/1/2020 until 6/1/2038 (e)	7,635,467	7,693,127
5.0%, with various maturities from 7/1/2035 until 5/1/2036 (e)	9,302,850	9,538,943
5.005%***, 8/1/2037	489,039	512,020
5.5%, 4/1/2038	2,504,683	2,634,613
6.0%, with various maturities from 1/1/2024 until 8/1/2037 (e)	2,941,928	3,135,430
6.5%, with various maturities from 5/1/2017 until 1/1/2038	78,088	84,342
8.0%, 9/1/2015	97,173	106,455
Government National Mortgage Association, 5.0%, 2/1/2038 (e)	2,000,000	2,057,344
Total Mortgage-Backed Securities Pass-Throughs (Cost $26,812,758)		**27,133,548**
Commercial Mortgage-Backed Securities 0.8%		
Banc of America Commercial Mortgage, Inc.:		
"A4", Series 2007-3, 5.658%***, 6/10/2049	700,000	585,087
"A4", Series 2007-4, 5.744%***, 2/10/2051	750,000	661,504
Greenwich Capital Commercial Funding Corp., "A4", Series 2007-GG11, 5.736%, 12/10/2049	900,000	798,898
LB-UBS Commercial Mortgage Trust:		
"A2", Series 2005-C2, 4.821%, 4/15/2030	117,028	117,197
"A4", Series 2007-C6, 5.858%, 7/15/2040	500,000	422,196
Total Commercial Mortgage-Backed Securities (Cost $2,384,438)		**2,584,882**

		Principal Amount ($) (c)	Value ($)
Collateralized Mortgage Obligations 0.0%			
Federal Home Loan Mortgage Corp., "H", Series 2278, 6.5%, 1/15/2031 (Cost $17,696)		17,500	**18,924**
Government & Agency Obligations 13.1%			
Other Government Related 0.5%			
Citigroup, Inc., FDIC Guaranteed, 2.125%, 4/30/2012		1,500,000	**1,516,062**
Sovereign Bonds 3.3%			
Federal Republic of Germany, 2.25%, 4/15/2013	EUR	210,986	320,455
Government of Canada, 4.0%, 12/1/2031	CAD	438,935	614,299
Government of France:			
1.0%, 7/25/2017	EUR	239,265	342,192
1.6%, 7/25/2011	EUR	705,530	1,042,614
2.25%, 7/25/2020	EUR	253,278	392,479
3.15%, 7/25/2032	EUR	602,205	1,089,128
Government of Japan, Series 9, 1.1%, 9/10/2016	JPY	64,935,000	675,809
Government of Sweden, Series 3105, 3.5%, 12/1/2015	SEK	2,650,000	495,454
Republic of Italy, 2.1%, 9/15/2017	EUR	1,125,758	1,680,158
Republic of Poland, 6.375%, 7/15/2019		100,000	108,768
State of Qatar, 144A, 6.4%, 1/20/2040		100,000	100,500
United Kingdom Treasury-Inflation Linked Bonds:			
1.125%, 11/22/2037	GBP	480,560	870,555
1.25%, 11/22/2032	GBP	129,308	228,158
1.875%, 11/22/2022	GBP	378,065	674,525
2.5%, 8/16/2013	GBP	120,000	504,704
2.5%, 7/26/2016	GBP	112,000	526,005
2.5%, 4/16/2020	GBP	96,000	454,902
2.0%, 1/26/2035	GBP	225,000	577,217
			10,697,922
US Treasury Obligations 9.3%			
US Treasury Bills:			
0.19%****, 3/18/2010 (f)		4,251,000	4,250,571
0.11%****, 3/18/2010 (f)		108,000	107,989
US Treasury Bond, 4.75%, 2/15/2037		1,800,000	1,839,375
US Treasury Inflation-Indexed Bonds:			
2.375%, 1/15/2025		682,352	719,988
3.625%, 4/15/2028		534,612	660,789
3.875%, 4/15/2029		440,512	566,849
US Treasury Inflation-Indexed Notes:			
1.875%, 7/15/2015		183,374	193,217
1.875%, 7/15/2019 (a)		2,531,050	2,627,151
2.0%, 1/15/2014		87,744	92,789
2.0%, 1/15/2016		435,656	460,060
2.375%, 4/15/2011		952,954	981,095
2.375%, 1/15/2017		723,553	781,493
2.5%, 7/15/2016		497,741	542,032

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

	Principal Amount ($) (c)	Value ($)
US Treasury Notes:		
0.875%, 3/31/2011 (a)	6,000,000	6,011,016
1.75%, 1/31/2014 (a)	3,500,000	3,433,556
3.125%, 5/15/2019 (a)	2,500,000	2,367,578
4.5%, 11/15/2015 (a)	3,750,000	4,060,841
		29,696,389
Total Government & Agency Obligations (Cost $40,780,604)		**41,910,373**

Loan Participations and Assignments 0.1%

Senior Loans***

	Principal Amount ($) (c)	Value ($)
Golden Nugget, Inc., Second Lien Term Loan, 3.51%, 12/31/2014	35,000	14,613
Hawker Beechcraft Acquisition Co., LLC:		
Term Loan, 2.231%, 3/26/2014	22,577	17,067
Letter of Credit, 2.251%, 3/26/2014	1,336	1,010
Hexion Specialty Chemicals, Inc.:		
Term Loan C1, 2.563%, 5/6/2013	71,911	63,317
Term Loan C2, 2.563%, 5/6/2013	10,815	9,522
IASIS Healthcare LLC, Term Loan, 5.531%, 6/13/2014 (PIK)	86,383	79,796
Sabre, Inc., Term Loan B, 2.494%, 9/30/2014	23,027	20,880
Sbarro, Inc., Term Loan, 4.741%, 1/31/2014	15,000	13,027
Total Loan Participations and Assignments (Cost $256,440)		**219,232**

Preferred Securities 0.1%

Financials 0.1%

	Principal Amount ($) (c)	Value ($)
Farm Credit Bank of Texas, 7.561%, 12/15/2013 (g)	218,000	154,568
Xerox Capital Trust I, 8.0%, 2/1/2027	15,000	14,850
		169,418

Materials 0.0%

	Principal Amount ($) (c)	Value ($)
Hercules, Inc., 6.5%, 6/30/2029	40,000	**27,200**
Total Preferred Securities (Cost $261,825)		**196,618**

Exchange-Traded Funds 6.4%

	Shares	Value ($)
iShares Barclays Aggregate Bond Fund	102,014	10,526,825
iShares MSCI Japan Index Fund (a)	44,681	435,193
Vanguard Emerging Markets	233,683	9,581,003
Total Exchange-Traded Funds (Cost $15,711,539)		**20,543,021**

Securities Lending Collateral 5.5%

	Shares	Value ($)
Daily Assets Fund Institutional, 0.17% (h) (i) (Cost $17,449,597)	17,449,597	**17,449,597**

Cash Equivalents 10.2%

	Shares	Value ($)
Central Cash Management Fund, 0.14% (h) (Cost $32,447,555)	32,447,555	**32,447,555**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $313,669,251)†	109.2	**348,311,126**
Other Assets and Liabilities, Net (a)	(9.2)	**(29,242,162)**
Net Assets	100.0	**319,068,964**

* *Non-income producing security.*

** *Non-income producing security. Issuer has defaulted on the payment of principal or the interest or has filed for bankruptcy. The following table represents bonds that are in default:*

Securities	Coupon	Maturity Date	Principal Amount		Acquisition Cost ($)	Value ($)
ARCO Chemical Co.	9.8%	2/1/2020	195,000	USD	175,673	138,450
Buffalo Thunder Development Authority	9.375%	12/15/2014	15,000	USD	15,000	2,625
CanWest MediaWorks LP	9.25%	8/1/2015	25,000	USD	25,000	3,719
Congoleum Corp.	8.625%	8/1/2008	190,000	USD	190,156	39,900
Fontainebleau Las Vegas Holdings LLC	11.0%	6/15/2015	25,000	USD	25,000	250
New ASAT (Finance) Ltd.	9.25%	2/1/2011	95,000	USD	83,256	119
R.H. Donnelley Corp.	8.875%	10/15/2017	75,000	USD	75,000	7,031
Radnor Holdings Corp.	11.0%	3/15/2010	40,000	USD	25,775	4
Reader's Digest Association, Inc.	9.0%	2/15/2017	25,000	USD	20,260	281
Simmons Co.	10.0%	12/15/2014	105,000	USD	87,869	8,400
Tropicana Entertainment LLC	9.625%	12/15/2014	75,000	USD	55,245	375
Trump Entertainment Resorts, Inc.	8.5%	6/1/2015	5,000	USD	4,788	103
Young Broadcasting, Inc.	8.75%	1/15/2014	130,000	USD	111,175	455
					894,197	**201,712**

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, 2009.*

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

† *The cost for federal income tax purposes was $319,827,990. At December 31, 2009, net unrealized appreciation for all securities based on tax cost was $28,483,136. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $40,762,611 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $12,279,475.*

(a) *All or a portion of these securities were on loan amounting to $15,952,909. In addition, included in other assets and liabilities, net is a pending sale, amounting to $910,669, that is also on loan (see Notes to Financial Statements). The value of all securities loaned at December 31, 2009 amounted to $16,863,578, which is 5.3% of net assets.*

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

(c) *Principal amount is stated in US dollars unless otherwise noted.*

(d) *Security has deferred its 6/15/2008, 12/15/2008 and 6/15/2009 interest payments until 8/15/2012.*

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

(f) *At December 31, 2009, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.*

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

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

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

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

ADR: American Depositary Receipt

CVA: Certificaten van Aandelen

FDIC: Federal Deposit Insurance Corp.

FDR: Fiduciary Depositary Receipt

MSCI: Morgan Stanley Capital International

PIK: Denotes that all or a portion of the income is paid in-kind.

PPS: Price Protected Shares

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

REIT: Real Estate Investment Trust

RSP: Risparmio (Convertible Savings Shares)

SDR: Swedish Depositary Receipt

Included in the portfolio are investments in mortgage or asset-backed securities which are interests in separate pools of mortgages or assets. Effective maturities of these investments may be shorter than stated maturities due to prepayments. Some separate investments in the Federal Home Loan Mortgage Corp. and Federal National Mortgage Association issues which have similar coupon rates have been aggregated for presentation purposes in this investment portfolio.

At December 31, 2009, open futures contracts purchased were as follows:

Futures	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Appreciation/ (Depreciation) ($)
10 Year Canadian Government Bond	CAD	3/22/2010	9	1,014,065	(17,587)
10 Year US Treasury Note	USD	3/22/2010	20	2,309,063	(38,950)
2 Year US Treasury Note	USD	3/31/2010	83	17,950,047	(98,339)
5 Year US Treasury Note	USD	3/31/2010	4	457,531	(3,228)
CAC 40 Index	EUR	1/15/2010	57	3,220,692	85,458
DJ Euro Stoxx 50 Index	EUR	3/19/2010	149	6,348,160	188,240
Federal Republic of Germany Euro-Bund	EUR	3/8/2010	77	13,377,358	(175,076)
Federal Republic of Germany Euro-Schatz	EUR	3/8/2010	246	38,072,449	8,108
FTSE 100 Index	GBP	3/19/2010	36	3,117,564	49,984
FTSE MIB Index	EUR	3/19/2010	4	667,547	14,970
Nikkei 225 Index	USD	3/11/2010	1	53,325	3,071
Russell 2000 Mini Index	USD	3/19/2010	5	311,950	13,013
S&P 500 E-Mini Index	USD	3/19/2010	28	1,554,980	10,364
TOPIX Index	JPY	3/12/2010	6	582,703	5,884
United Kingdom Long Gilt Bond	GBP	3/29/2010	57	10,537,006	(102,897)
Total net unrealized depreciation					**(56,985)**

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

At December 31, 2009, open futures contracts sold were as follows:

Futures	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Appreciation/ (Depreciation) ($)
10 Year Australian Treasury Bond	AUD	3/15/2010	75	6,858,493	98,015
10 Year Japanese Government Bond	JPY	3/11/2010	27	40,499,275	(41,285)
10 Year US Treasury Note	USD	3/22/2010	17	1,962,703	(5,081)
2 Year US Treasury Note	USD	3/31/2010	26	5,622,906	30,818
3 Year Australian Treasury Bond	AUD	3/15/2010	156	14,375,097	9,321
AEX Index	EUR	1/15/2010	13	1,250,486	(46,160)
ASX SPI 200 Index	AUD	3/18/2010	1	109,564	(5,033)
DAX Index	EUR	3/19/2010	7	1,495,067	(16,581)
Hang Seng Index	HKD	1/28/2010	2	282,779	(5,052)
IBEX 35 Index	EUR	1/15/2010	10	1,709,365	(39,342)
NASDAQ 100 E-Mini Index	USD	3/19/2010	117	4,349,475	(119,252)
Russell 2000 Mini Index	USD	3/19/2010	16	998,240	(20,537)
S&P 500 E-Mini Index	USD	3/19/2010	1	55,535	(105)
S&P TSE 60 Index	CAD	3/18/2010	14	1,849,443	(32,893)
Total net unrealized depreciation					**(193,167)**

At December 31, 2009, the Portfolio had the following open forward foreign currency exchange contracts:

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation ($)	Counterparty
USD	1,710,486	NZD	2,365,000	1/20/2010	4,034	Morgan Stanley
USD	1,094,017	NOK	6,343,000	1/20/2010	554	Credit Suisse
USD	771,206	AUD	880,000	1/20/2010	17,610	HSBC Bank USA
USD	522,846	NZD	744,000	1/20/2010	16,521	HSBC Bank USA
USD	354,494	NOK	2,080,000	1/20/2010	4,438	Citigroup, Inc.
USD	972,493	CAD	1,028,000	1/20/2010	10,458	Citigroup, Inc.
GBP	758,000	USD	1,231,614	1/20/2010	7,432	Credit Suisse
EUR	3,635,000	USD	5,324,784	1/20/2010	113,927	The Goldman Sachs & Co.
JPY	404,056,000	USD	4,564,135	1/20/2010	225,278	HSBC Bank USA
JPY	204,070,000	USD	2,228,264	1/20/2010	36,909	HSBC Bank USA
Total unrealized appreciation					**437,161**	

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Depreciation ($)	Counterparty
USD	219,596	SEK	1,561,000	1/20/2010	(1,393)	Credit Suisse
USD	8,581,949	AUD	9,448,000	1/20/2010	(112,939)	Morgan Stanley
USD	4,530,619	CHF	4,678,000	1/20/2010	(7,826)	UBS AG
CAD	2,254,000	USD	2,118,381	1/20/2010	(36,845)	Bank of New York Mellon Corp.
GBP	1,266,000	USD	2,025,125	1/20/2010	(19,483)	Bank of New York Mellon Corp.
EUR	4,121,000	USD	5,882,439	1/20/2010	(25,110)	Morgan Stanley
SEK	5,752,000	USD	787,543	1/20/2010	(16,498)	Citigroup, Inc.
EUR	156,300	USD	223,681	1/25/2010	(377)	Citigroup, Inc.
Total unrealized depreciation					**(220,471)**	

Currency Abbreviations

AUD	Australian Dollar	GBP	British Pound	NZD	New Zealand Dollar
CAD	Canadian Dollar	HKD	Hong Kong Dollar	SEK	Swedish Krona
CHF	Swiss Franc	JPY	Japanese Yen	USD	United States Dollar
EUR	Euro	NOK	Norwegian Krone		

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

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

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes significant unobservable inputs (including the Portfolio's own assumptions in determining the fair value of investments). The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of December 31, 2009 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to the Financial Statements.

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stocks and/or Other Equity Investments (j)				
Consumer Discretionary	$ 16,226,743	$ 3,501,849	$ 0	$ 19,728,592
Consumer Staples	14,552,040	2,333,392	—	16,885,432
Energy	14,900,547	2,778,047	—	17,678,594
Financials	17,771,975	4,607,709	278,682	22,658,366
Health Care	21,426,367	3,450,782	—	24,877,149
Industrials	16,768,666	3,728,864	—	20,497,530
Information Technology	28,803,934	2,353,765	—	31,157,699
Materials	7,399,789	2,828,899	0	10,228,688
Telecommunication Services	6,210,688	2,421,093	—	8,631,781
Utilities	6,483,781	1,644,746	—	8,128,527
Fixed Income (j)				
Corporate Bonds	—	24,055,581	383,110	24,438,691
Asset Backed	—	896,327	—	896,327
Mortgage-Backed Securities Pass-Throughs	—	27,133,548	—	27,133,548
Commercial Mortgage-Backed Securities	—	2,584,882	—	2,584,882
Collateralized Mortgage Obligations	—	18,924	—	18,924
Government & Agency Obligations	—	37,551,813	—	37,551,813
Loan Participations and Assignments	—	219,232	—	219,232
Preferred Securities	—	196,618	—	196,618
Exchange-Traded Funds	20,543,021	—	—	20,543,021
Short-Term Investments (j)	49,897,152	4,358,560	—	54,255,712
Derivatives (k)	—	437,161	—	437,161
Total	**$ 220,984,703**	**$ 127,101,792**	**$ 661,792**	**$ 348,748,287**

Liabilities				
Derivatives (k)	$ (250,152)	$ (220,471)	$ —	$ (470,623)
Total	**$ (250,152)**	$ **(220,471)**	**$ —**	$ **(470,623)**

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

(k) *Derivatives include unrealized appreciation (depreciation) on open futures contracts and forward foreign currency exchange contracts.*

The following is a reconciliation of the Portfolio's Level 3 investments for which significant unobservable inputs were used in determining value:

	Common Stocks and/or Other Equity Investments						
	Consumer Discretionary	**Financials**	**Materials**	**Corporate Bonds**	**Loan Participations and Assignments**	**Other Investments**	**Total**
Balance as of December 31, 2008	$ —	$ 1,938	$ 6,656	$ 18,568	$ 54,331	$ 81,600	**$ 163,093**
Realized gains (loss)	—	2,055	(2,242)	—	(12,728)	—	**(12,915)**
Change in unrealized appreciation (depreciation)	—	82,819	(25,598)	(89,168)	37,546	35,387	**40,986**
Amortization premium/discount	—	—	—	3,388	620	327	**4,335**
Net purchases (sales)	—	188,293	27,201	242,003	(65,156)	(117,314)	**275,027**
Net transfers in (out) of Level 3	0	3,577	(6,017)	208,319	(14,613)	—	**191,266**
Balance as of December 31, 2009	**$ 0**	**$ 278,682**	**$ 0**	**$ 383,110**	**$ —**	**$ —**	**$ 661,792**
Net change in unrealized appreciation (depreciation) from investments still held as of December 31, 2009	**$ —**	**$ 82,819**	**$ (30,283)**	**$ (129,725)**	**$ —**	**$ —**	**$ (77,189)**

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2009

Assets		
Investments:		
Investments in securities, at value (cost $263,772,099) — including $15,952,909 of securities loaned	$	298,413,974
Investment in Daily Assets Fund Institutional (cost $17,449,597)*		17,449,597
Investment in Central Cash Management Fund (cost $32,447,555)		32,447,555
Total investments, at value (cost $313,669,251)		348,311,126
Cash		99,609
Foreign currency, at value (cost $357,062)		357,120
Deposits with broker for open futures contracts		23,558
Receivable for investments sold		9,508,056
Receivable for Portfolio shares sold		637,988
Dividends receivable		237,088
Interest receivable		782,882
Unrealized appreciation on forward foreign currency exchange contracts		437,161
Foreign taxes recoverable		42,842
Other assets		6,513
Total assets		360,443,943

Liabilities		
Payable upon return of securities loaned		17,449,597
Payable for investments purchased		2,012,605
Payable for investments purchased — when-issued and delayed delivery securities		21,054,388
Payable for Portfolio shares redeemed		96,724
Payable for daily variation margin on open futures contracts		88,619
Net payable on closed forward foreign currency exchange contracts		73,553
Unrealized depreciation on forward foreign currency exchange contracts		220,471
Accrued management fee		110,699
Other accrued expenses and payables		268,323
Total liabilities		41,374,979
Net assets, at value	**$**	**319,068,964**

Net Assets Consist of		
Undistributed net investment income		9,339,818
Net unrealized appreciation (depreciation) on:		
Investments		34,641,875
Futures		(250,152)
Foreign currency		215,808
Accumulated net realized gain (loss)		(73,824,511)
Paid-in capital		348,946,126
Net assets, at value	**$**	**319,068,964**
Class A		
Net Asset Value, offering and redemption price per share ($319,068,964 ÷ 15,551,177 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**20.52**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2009

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $103,370)	$	4,234,807
Interest (net of foreign taxes withheld of $292)		4,753,513
Income distributions — affiliated cash management vehicles		69,135
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		41,053
Total Income		9,098,508
Expenses:		
Management fee		1,107,448
Administration fee		302,883
Custodian fee		237,688
Services to shareholders		4,560
Distribution service fee (Class B)		20
Professional fees		96,735
Trustees' fees and expenses		4,286
Reports to shareholders		8,192
Other		57,524
Total expenses		1,819,336
Net investment income (loss)		**7,279,172**

Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		(23,743,400)
Futures		385,605
Credit default swap contracts		14,291
Foreign currency		2,055,924
Payments by affiliates (see Note H)		183
		(21,287,397)
Change in net unrealized appreciation (depreciation) on:		
Investments		79,797,308
Futures		(522,124)
Credit default swap contracts		(18,005)
Foreign currency		(1,459,977)
		77,797,202
Net gain (loss)		**56,509,805**
Net increase (decrease) in net assets resulting from operations	**$**	**63,788,977**

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, 2009	2008
Operations:		
Net investment income (loss)	$ 7,279,172	$ 12,215,816
Net realized gain (loss)	(21,287,397)	(47,367,952)
Change in net unrealized appreciation (depreciation)	77,797,202	(93,697,521)
Net increase (decrease) in net assets resulting from operations	63,788,977	(128,849,657)
Distributions to shareholders from:		
Net investment income:		
Class A	(11,680,702)	(17,655,048)
Class B	—	(219,769)
Total distributions	(11,680,702)	(17,874,817)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	6,740,726	13,590,722
Shares issued to shareholders in reinvestment of distributions	11,680,702	17,655,048
Cost of shares redeemed	(58,626,337)	(105,746,417)
Shares converted*	39,887	—
Net increase (decrease) in net assets from Class A share transactions	(40,165,022)	(74,500,647)
Class B		
Proceeds from shares sold	—	106,733
Shares issued to shareholders in reinvestment of distributions	—	219,769
Cost of shares redeemed	(307)	(7,155,899)
Shares converted*	(39,887)	—
Net increase (decrease) in net assets from Class B share transactions	(40,194)	(6,829,397)
Increase (decrease) in net assets	11,903,059	(228,054,518)
Net assets at beginning of period	307,165,905	535,220,423
Net assets at end of period (including undistributed net investment income of $9,339,818 and $10,418,830, respectively)	**$ 319,068,964**	**$ 307,165,905**

Other Information		
Class A		
Shares outstanding at beginning of period	17,697,143	21,278,440
Shares sold	369,933	607,834
Shares issued to shareholders in reinvestment of distributions	740,222	782,235
Shares redeemed	(3,258,791)	(4,971,366)
Shares converted*	2,670	—
Net increase (decrease) in Class A shares	(2,145,966)	(3,581,297)
Shares outstanding at end of period	**15,551,177**	**17,697,143**
Class B		
Shares outstanding at beginning of period	2,694	293,818
Shares sold	—	4,568
Shares issued to shareholders in reinvestment of distributions	—	9,716
Shares redeemed	(19)	(305,408)
Shares converted*	(2,675)	—
Net increase (decrease) in Class B shares	(2,694)	(291,124)
Shares outstanding at end of period	**—**	**2,694**

* *On March 6, 2009, Class B shares converted into Class A shares.*

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

Financial Highlights

Class A

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$17.35**	**$24.81**	**$24.46**	**$22.75**	**$22.37**
Income (loss) from investment operations:					
Net investment income[a]	.44	.61	.74	.69[c]	.59
Net realized and unrealized gain (loss)	3.43	(7.20)	.42	1.60	.34
Total from investment operations	3.87	(6.59)	1.16	2.29	.93
Less distributions from:					
Net investment income	(.70)	(.87)	(.81)	(.58)	(.55)
Net asset value, end of period	**$20.52**	**$17.35**	**$24.81**	**$24.46**	**$22.75**
Total Return (%)	23.43	(27.33)[b]	4.84[b]	10.24[b,c]	4.30[b]
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	319	307	528	600	653
Ratio of expenses before expense reductions (%)	.60	.64	.52	.55	.55
Ratio of expenses after expense reductions (%)	.60	.62	.51	.51	.53
Ratio of net investment income (%)	2.40	2.83	3.00	2.99[c]	2.66
Portfolio turnover rate (%)	207	263	199	108	122

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

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

[c] *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Funds. The non-recurring income resulted in an increase in net investment income of $0.024 per share and an increase in the ratio of net investment income of 0.10%. Excluding this non-recurring income, total return would have been 0.10% lower.*

DWS Blue Chip VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please contact your participating insurance company for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying Portfolio, their performance will differ.

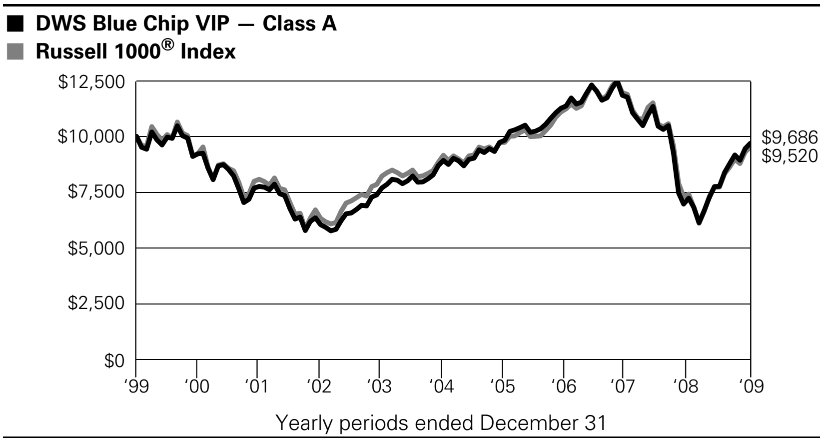
The gross expense ratios of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2009 are 0.71% and 1.09% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

Risk Considerations

This Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. It may focus its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Derivatives may be more volatile and less liquid than traditional securities, and the Portfolio could suffer losses on its derivative positions. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Portfolio returns shown during the 3-year, 5-year and 10-year 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 Blue Chip VIP



The Russell 1000® Index is an unmanaged index that measures the performance of the 1,000 largest companies in the Russell 3000® Index, which measures the performance of the 3,000 largest US companies based on total market capitalization. The Russell 1000 Index represents approximately 92% of the total market capitalization of the Russell 3000 Index.

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

Comparative Results

DWS Blue Chip VIP		1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$13,397	$8,528	$10,855	$9,686
	Average annual total return	33.97%	–5.17%	1.65%	–.32%
Russell 1000 Index	Growth of $10,000	$12,843	$8,477	$10,401	$9,520
	Average annual total return	28.43%	–5.36%	.79%	–.49%

DWS Blue Chip VIP		1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$13,346	$8,469	$10,700	$14,255
	Average annual total return	33.46%	–5.39%	1.36%	4.84%
Russell 1000 Index	Growth of $10,000	$12,843	$8,477	$10,401	$13,526
	Average annual total return	28.43%	–5.36%	.79%	4.11%

The growth of $10,000 is cumulative.

* *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

Information About Your Portfolio's Expenses

DWS Blue Chip VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (July 1, 2009 to December 31, 2009).

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, 2009

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/09	$1,000.00	$1,000.00
Ending Account Value 12/31/09	$1,248.70	$1,246.40
Expenses Paid per $1,000*	$ 4.08	$ 5.66
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/09	$1,000.00	$1,000.00
Ending Account Value 12/31/09	$1,021.58	$1,020.16
Expenses Paid per $1,000*	$ 3.67	$ 5.09

* *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	.72%	1.00%

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

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

DWS Blue Chip VIP

The US stock market experienced a reversal of fortune during the past 12 months, as the panic of January and February 2009 was followed by one of the most impressive rallies in history. The Russell 1000® Index — the Portfolio's benchmark — finished the year with a gain of 28.43%. We are pleased to report that the Portfolio (Class A shares, unadjusted for contract charges) returned 33.97%, substantially outperforming the index.

Our approach to managing the Portfolio is disciplined and dynamic — disciplined in the sense that we use a quantitative approach that measures numerous factors related to growth, value and market sentiment — and dynamic in that we can choose to give different weightings to these factors. For instance, we placed a greater emphasis on factors relating to price momentum during the downturn in the first two-plus months of the year, which enabled us to avoid or underweight many of the worst-performing stocks at the time.[1] By March 2009, the market had reached a point where many stocks had begun to trade below their book values. We therefore elected to reduce the emphasis on price momentum and raise the importance of valuation, which enabled us to outperform the market on the way back up.[2] The net result of these shifts was that the Portfolio was well positioned to outpace the broader market for the full annual period.

Our strongest sector was materials, where we held eight stocks that returned more than half of their original value in the time they were held in the Portfolio. Our most notable winners were the chemical producer Ashland Inc., the coal company Walter Energy, Inc. and the fertilizer producer Terra Industries, Inc. We also generated substantial outperformance in financials, outpacing the return of the financial stocks in the benchmark. On the negative side, our stock selections in health care and consumer staples detracted from performance.

As we head into 2010, the market is presenting investors with an unusual set of challenges. On one hand, we believe the outlook for earnings and economic growth appears to be improving. On the other, the stock market has already generated a substantial return in a very short period of time. This conundrum is leading to a fierce debate about the "shape" of the economic recovery and how it affects valuation — a question that is playing out in the form of high day-to-day volatility for the stock market. Amid this tumult, we are maintaining a steady approach to individual stock selection. Over time, we believe our disciplined and dynamic methodology will help the Portfolio achieve its goal of outperformance.

Robert Wang
James B. Francis, CFA
Portfolio Managers

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.

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.*

2 *"Valuation" refers to the price investors pay for a given security. An asset can be undervalued, meaning that it trades for less than its intrinsic value, or overvalued, which means that it trades at a more expensive price than its underlying worth.*

Portfolio management market commentary is as of December 31, 2009, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results. Current and future portfolio holdings are subject to risk.

Portfolio Summary

DWS Blue Chip VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**12/31/09**	**12/31/08**
Common Stocks	99%	99%
Cash Equivalents	1%	—
Government & Agency Obligation	—	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**12/31/09**	**12/31/08**
Information Technology	19%	16%
Health Care	14%	17%
Industrials	13%	14%
Consumer Discretionary	12%	10%
Consumer Staples	11%	13%
Financials	11%	11%
Energy	9%	11%
Materials	5%	2%
Telecommunication Services	4%	4%
Utilities	2%	2%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 35. A complete list of portfolio holdings of the Portfolio is posted as of the month end on www.dws-investments.com on or about the 15th day of the following month. More frequent posting of portfolio holdings information may be made from time to time on www.dws-investments.com.

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 98.9%		
Consumer Discretionary 11.5%		
Automobiles 0.4%		
Ford Motor Co.* (a)	47,300	**473,000**
Distributors 0.1%		
Genuine Parts Co.	1,600	**60,736**
Diversified Consumer Services 0.2%		
Career Education Corp.*	2,300	53,613
Corinthian Colleges, Inc.* (a)	15,700	216,189
		269,802
Hotels Restaurants & Leisure 1.1%		
McDonald's Corp.	20,400	**1,273,776**
Household Durables 1.5%		
Garmin Ltd. (a)	42,500	1,304,750
Leggett & Platt, Inc.	13,000	265,200
Ryland Group, Inc.	2,400	47,280
		1,617,230
Internet & Catalog Retail 0.9%		
Amazon.com, Inc.*	4,800	645,696
Priceline.com, Inc.*	1,800	393,300
		1,038,996
Media 3.6%		
Comcast Corp. "A"	75,600	1,274,616
DISH Network Corp. "A"	10,000	207,700
Gannett Co., Inc.	22,100	328,185
McGraw-Hill Companies, Inc.	13,700	459,087
Time Warner Cable, Inc.	20,281	839,430
Time Warner, Inc. (a)	30,733	895,560
		4,004,578
Multiline Retail 0.4%		
Macy's, Inc.	24,100	**403,916**
Specialty Retail 3.2%		
Advance Auto Parts, Inc. (a)	8,400	340,032
Barnes & Noble, Inc. (a)	19,900	379,493
Group 1 Automotive, Inc.*	3,600	102,060
Gymboree Corp.* (a)	3,900	169,611
Ross Stores, Inc.	20,100	858,471
The Gap, Inc.	20,100	421,095
TJX Companies, Inc.	35,000	1,279,250
		3,550,012
Textiles, Apparel & Luxury Goods 0.1%		
Wolverine World Wide, Inc.	3,700	**100,714**
Consumer Staples 11.1%		
Beverages 0.5%		
Coca-Cola Enterprises, Inc.	26,300	**557,560**
Food & Staples Retailing 2.6%		
Kroger Co.	49,000	1,005,970
Sysco Corp.	11,400	318,516
Wal-Mart Stores, Inc.	28,900	1,544,705
		2,869,191
Food Products 2.8%		
Archer-Daniels-Midland Co.	61,000	1,909,910
Bunge Ltd.	3,800	242,554
Campbell Soup Co.	11,600	392,080
Darling International, Inc.*	1,800	15,084
Fresh Del Monte Produce, Inc.*	7,200	159,120
The Hershey Co.	8,000	286,320
Tyson Foods, Inc. "A"	9,600	117,792
		3,122,860
Household Products 3.0%		
Colgate-Palmolive Co.	21,400	1,758,010
Kimberly-Clark Corp.	21,700	1,382,507
Procter & Gamble Co.	3,800	230,394
		3,370,911
Personal Products 0.6%		
Herbalife Ltd.	11,100	450,327
Mead Johnson Nutrition Co. "A" (a)	5,800	253,460
		703,787
Tobacco 1.6%		
Lorillard, Inc.	6,800	545,564
Philip Morris International, Inc.	24,600	1,185,474
		1,731,038
Energy 9.3%		
Energy Equipment & Services 2.4%		
FMC Technologies, Inc.*	2,100	121,464
Helix Energy Solutions Group, Inc.*	12,600	148,050
Helmerich & Payne, Inc.	5,100	203,388
Hercules Offshore, Inc.*	7,300	34,894
Noble Corp.	31,200	1,269,840
Oceaneering International, Inc.*	3,200	187,264
Oil States International, Inc.*	9,800	385,042
Rowan Companies, Inc.*	12,500	283,000
		2,632,942
Oil, Gas & Consumable Fuels 6.9%		
Anadarko Petroleum Corp.	4,100	255,922
BP PLC (ADR)	7,600	440,572
Chevron Corp.	1,700	130,883
Cimarex Energy Co.	15,600	826,332
ConocoPhillips	39,400	2,012,158
Encore Acquisition Co.*	16,300	782,726
EXCO Resources, Inc.	4,900	104,027
ExxonMobil Corp.	3,300	225,027
Mariner Energy, Inc.*	27,700	321,597
Murphy Oil Corp.	20,200	1,094,840
Newfield Exploration Co.*	10,100	487,123
Occidental Petroleum Corp.	3,700	300,995
Peabody Energy Corp.	4,600	207,966
Quicksilver Resources, Inc.* (a)	13,200	198,132
W&T Offshore, Inc.	4,500	52,650
Williams Companies, Inc.	9,700	204,476
		7,645,426
Financials 11.1%		
Capital Markets 1.2%		
Bank of New York Mellon Corp.	27,600	771,972
Franklin Resources, Inc.	3,600	379,260
UBS AG (Registered)*	7,900	122,529
		1,273,761
Commercial Banks 1.2%		
Comerica, Inc.	3,800	112,366
HSBC Holdings PLC (ADR)	2,900	165,561
Huntington Bancshares, Inc.	28,700	104,755
KeyCorp	13,800	76,590
Marshall & Ilsley Corp.	65,100	354,795

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

	Shares	Value ($)
Popular, Inc.	28,200	63,732
Regions Financial Corp. (a)	89,100	471,339
		1,349,138
Consumer Finance 2.0%		
Capital One Financial Corp.	31,400	1,203,876
Discover Financial Services	69,500	1,022,345
		2,226,221
Diversified Financial Services 3.3%		
Bank of America Corp. (a)	69,500	1,046,670
Citigroup, Inc.	181,400	600,434
JPMorgan Chase & Co.	47,100	1,962,657
PHH Corp.*	4,800	77,328
		3,687,089
Insurance 3.0%		
ACE Ltd.*	27,000	1,360,800
Aflac, Inc.	1,900	87,875
Allied World Assurance Co. Holdings Ltd.	3,300	152,031
Arch Capital Group Ltd.*	2,500	178,875
Berkshire Hathaway, Inc. "B"*	300	985,800
Everest Re Group Ltd.	1,500	128,520
Old Republic International Corp.	15,000	150,600
The Travelers Companies, Inc.	6,700	334,062
		3,378,563
Real Estate Investment Trusts 0.3%		
Essex Property Trust, Inc. (REIT)	1,400	117,110
Public Storage (REIT)	1,200	97,740
Rayonier, Inc. (REIT)	1,400	59,024
Walter Investment Management Corp. (REIT)	3,616	51,817
		325,691
Real Estate Management & Development 0.1%		
The St. Joe Co.* (a)	2,400	**69,336**
Health Care 14.3%		
Biotechnology 1.9%		
Gilead Sciences, Inc.*	39,000	1,687,920
Myriad Genetics, Inc.*	5,400	140,940
PDL BioPharma, Inc. (a)	48,800	334,768
		2,163,628
Health Care Equipment & Supplies 0.6%		
Baxter International, Inc.	10,800	**633,744**
Health Care Providers & Services 6.5%		
Aetna, Inc.	48,500	1,537,450
Amedisys, Inc.* (a)	6,900	335,064
AmerisourceBergen Corp.	8,800	229,416
Coventry Health Care, Inc.*	21,800	529,522
Express Scripts, Inc.*	400	34,580
Humana, Inc.*	8,300	364,287
Kindred Healthcare, Inc.*	3,000	55,380
Magellan Health Services, Inc.*	3,100	126,263
McKesson Corp.	25,900	1,618,750
Medco Health Solutions, Inc.*	31,000	1,981,210
UnitedHealth Group, Inc.	11,500	350,520
Universal Health Services, Inc. "B"	3,200	97,600
		7,260,042
Pharmaceuticals 5.3%		
Abbott Laboratories	17,700	955,623
Eli Lilly & Co.	47,500	1,696,225
Johnson & Johnson	6,300	405,783
Pfizer, Inc.	132,200	2,404,718
Watson Pharmaceuticals, Inc.*	9,700	384,217
		5,846,566

	Shares	Value ($)
Industrials 12.4%		
Aerospace & Defense 5.6%		
Alliant Techsystems, Inc.*	1,800	158,886
Goodrich Corp.	13,200	848,100
Honeywell International, Inc.	7,000	274,400
ITT Corp.	4,200	208,908
L-3 Communications Holdings, Inc.	1,400	121,730
Lockheed Martin Corp.	23,000	1,733,050
Northrop Grumman Corp.	33,500	1,870,975
Raytheon Co.	19,700	1,014,944
		6,230,993
Air Freight & Logistics 0.8%		
United Parcel Service, Inc. "B"	15,600	**894,972**
Airlines 0.2%		
Alaska Air Group, Inc.*	2,800	96,768
Allegiant Travel Co.*	1,000	47,170
UAL Corp.* (a)	5,100	65,841
		209,779
Commercial Services & Supplies 0.5%		
R.R. Donnelley & Sons Co.	20,300	452,081
The Brink's Co.	2,900	70,586
		522,667
Construction & Engineering 1.7%		
EMCOR Group, Inc.*	14,900	400,810
Fluor Corp.	14,600	657,584
Jacobs Engineering Group, Inc.*	8,100	304,641
KBR, Inc.	6,600	125,400
Shaw Group, Inc.*	11,700	336,375
Tutor Perini Corp.*	3,300	59,664
		1,884,474
Electrical Equipment 0.3%		
GrafTech International Ltd.*	21,800	338,990
Hubbell, Inc. "B"	900	42,570
		381,560
Industrial Conglomerates 0.3%		
Tyco International Ltd.*	8,400	**299,712**
Machinery 1.4%		
Cummins, Inc.	4,400	201,784
Ingersoll-Rand PLC	3,600	128,664
Navistar International Corp.*	12,500	483,125
Oshkosh Corp.	13,600	503,608
Trinity Industries, Inc.	11,800	205,792
		1,522,973
Professional Services 0.5%		
Manpower, Inc.	10,000	**545,800**
Road & Rail 0.8%		
Con-way, Inc.	1,900	66,329
Ryder System, Inc.	20,700	852,219
		918,548
Trading Companies & Distributors 0.3%		
MSC Industrial Direct Co., Inc. "A"	1,200	56,400
W.W. Grainger, Inc.	3,100	300,173
		356,573
Information Technology 19.2%		
Communications Equipment 0.9%		
Cisco Systems, Inc.*	2,000	47,880
Harris Corp.	8,700	413,685
InterDigital, Inc.*	4,300	114,122
QUALCOMM, Inc.	8,600	397,836
		973,523

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

	Shares	Value ($)
Computers & Peripherals 6.9%		
Apple, Inc.*	9,000	1,897,740
Dell, Inc.*	34,000	488,240
International Business Machines Corp.	26,400	3,455,760
NCR Corp.*	17,900	199,227
QLogic Corp.*	11,100	209,457
Western Digital Corp.*	30,700	1,355,405
		7,605,829
Electronic Equipment, Instruments & Components 3.9%		
Amphenol Corp. "A"	2,700	124,686
Arrow Electronics, Inc.*	14,500	429,345
Avnet, Inc.*	23,000	693,680
Flextronics International Ltd.*	127,900	934,949
Ingram Micro, Inc. "A"*	17,000	296,650
Jabil Circuit, Inc.	59,600	1,035,252
Tech Data Corp.*	7,300	340,618
Tyco Electronics Ltd.	18,100	444,355
Vishay Intertechnology, Inc.*	3,600	30,060
		4,329,595
Internet Software & Services 1.3%		
AOL, Inc.*	2,793	65,021
Google, Inc. "A"*	2,268	1,406,115
		1,471,136
IT Services 2.3%		
Accenture PLC "A"	21,800	904,700
Broadridge Financial Solutions, Inc.	4,100	92,496
Computer Sciences Corp.*	17,200	989,516
Global Payments, Inc.	4,100	220,826
SAIC, Inc.*	17,500	331,450
		2,538,988
Semiconductors & Semiconductor Equipment 0.3%		
Texas Instruments, Inc.	13,200	**343,992**
Software 3.6%		
BMC Software, Inc.*	1,000	40,100
Check Point Software Technologies Ltd.*	8,900	301,532
Microsoft Corp.	105,800	3,225,842
Symantec Corp.*	25,100	449,039
		4,016,513
Materials 4.6%		
Chemicals 1.3%		
Ashland, Inc.	8,800	348,656
Cytec Industries, Inc.	1,900	69,198
Eastman Chemical Co.	3,700	222,888
Huntsman Corp.	11,900	134,351
Lubrizol Corp.	5,300	386,635
Terra Industries, Inc.	4,200	135,198
W.R. Grace & Co.*	3,500	88,725
		1,385,651
Containers & Packaging 0.1%		
Bemis Co., Inc.	2,500	74,125
Rock-Tenn Co. "A"	1,700	85,697
		159,822
Metals & Mining 1.4%		
Cliffs Natural Resources, Inc.	15,800	728,222
Reliance Steel & Aluminum Co.	3,800	164,236
Walter Energy, Inc.	9,100	685,321
		1,577,779
Paper & Forest Products 1.8%		
International Paper Co.	71,800	1,922,804
MeadWestvaco Corp.	3,000	85,890
		2,008,694
Telecommunication Services 3.8%		
Diversified Telecommunication Services		
AT&T, Inc.	104,900	2,940,347
Verizon Communications, Inc.	39,000	1,292,070
		4,232,417
Utilities 1.6%		
Electric Utilities 0.3%		
Edison International	8,000	278,240
Exelon Corp.	1,700	83,079
		361,319
Gas Utilities 0.1%		
ONEOK, Inc.	3,700	**164,909**
Independent Power Producers & Energy Traders 0.8%		
AES Corp.*	40,400	537,724
Mirant Corp.*	5,100	77,877
NRG Energy, Inc.*	10,208	241,011
		856,612
Multi-Utilities 0.4%		
Dominion Resources, Inc.	7,500	291,900
NiSource, Inc.	9,900	152,262
		444,162
Total Common Stocks (Cost $94,768,773)		**109,879,246**

	Principal Amount ($)	Value ($)
Government & Agency Obligation 0.3%		
US Treasury Obligation		
US Treasury Bill, 0.19%**, 3/18/2010 (b) (Cost $369,852)	370,000	**369,963**

	Shares	Value ($)
Securities Lending Collateral 5.6%		
Daily Assets Fund Institutional, 0.17% (c) (d) (Cost $6,195,020)	6,195,020	**6,195,020**
Cash Equivalents 0.8%		
Central Cash Management Fund, 0.14% (c) (Cost $868,406)	868,406	**868,406**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $102,202,051)†	105.6	**117,312,635**
Other Assets and Liabilities, Net	(5.6)	**(6,270,167)**
Net Assets	100.0	**111,042,468**

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

* Non-income producing security.

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

† The cost for federal income tax purposes was $103,609,466. At December 31, 2009, net unrealized appreciation for all securities based on tax cost was $13,703,169. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $17,492,362 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $3,789,193.

(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, 2009 amounted to $5,972,893, which is 5.4% of net assets.

(b) At December 31, 2009, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.

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

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

ADR: American Depositary Receipt

REIT: Real Estate Investment Trust

At December 31, 2009, open futures contracts purchased were as follows:

Futures	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Appreciation ($)
S&P 500 E-Mini Index	USD	3/19/2010	18	999,630	**7,513**

Currency Abbreviations	
USD	United States Dollar

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

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes significant unobservable inputs (including the Portfolio's own assumptions in determining the fair value of investments). The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of December 31, 2009 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to Financial Statements.

Assets	Level 1	Level 2	Level 3	Total
Common Stocks (e)	$ 109,879,246	$ —	$ —	$ 109,879,246
Short-Term Investments (e)	7,063,426	369,963	—	7,433,389
Derivatives (f)	7,513	—	—	7,513
Total	**$ 116,950,185**	**$ 369,963**	**$ —**	**$ 117,320,148**

(e) See Investment Portfolio for additional detailed categorizations.

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

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2009

Assets		
Investments:		
Investments in securities, at value (cost $95,138,625) — including $5,972,893 of securities loaned	$	110,249,209
Investment in Daily Assets Fund Institutional (cost $6,195,020)*		6,195,020
Investment in Central Cash Management (cost $868,406)		868,406
Total investments, at value (cost $102,202,051)		117,312,635
Cash		20,800
Foreign currency, at value (cost $2,166)		2,123
Deposit with brokers for open futures contracts		40
Receivable for Portfolio shares sold		17,411
Dividends receivable		91,147
Interest receivable		9,959
Other assets		2,204
Total assets		117,456,319

Liabilities		
Payable upon return of securities loaned		6,195,020
Payable for Portfolio shares redeemed		68,282
Payable for daily variation margin on open futures contracts		10,260
Accrued management fee		48,653
Other accrued expenses and payables		91,636
Total liabilities		6,413,851
Net assets, at value	**$**	**111,042,468**

Net Assets Consist of		
Undistributed net investment income		1,493,480
Net unrealized appreciation (depreciation) on:		
Investments		15,110,584
Futures		7,513
Foreign currency		(43)
Accumulated net realized gain (loss)		(61,335,959)
Paid-in capital		155,766,893
Net assets, at value	**$**	**111,042,468**
Class A **Net Asset Value,** offering and redemption price per share ($110,878,422 ÷ 11,688,302 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**9.49**
Class B **Net Asset Value,** offering and redemption price per share ($164,046 ÷ 17,241 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**9.51**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2009

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $6,259)	$	2,163,271
Interest		621
Income distributions — affiliated cash management vehicles		7,661
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		148,928
Total Income		2,320,481
Expenses:		
Management fee		556,755
Administration fee		101,228
Custodian fee		18,484
Distribution service fee (Class B)		357
Services to shareholders		2,559
Legal fees		9,435
Audit and tax fees		48,076
Trustees' fees and expenses		4,817
Reports to shareholders		7,320
Other		12,016
Total expenses		761,047
Net investment income (loss)		**1,559,434**

Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		(19,482,988)
Futures		264,030
		(19,218,958)
Change in net unrealized appreciation (depreciation) on:		
Investments		46,829,855
Futures		(5,765)
Foreign currency		324
		46,824,414
Net gain (loss)		**27,605,456**
Net increase (decrease) in net assets resulting from operations	**$**	**29,164,890**

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, 2009	2008
Operations:		
Net investment income (loss)	$ 1,559,434	$ 1,994,929
Net realized gain (loss)	(19,218,958)	(36,592,420)
Change in net unrealized appreciation (depreciation)	46,824,414	(46,206,859)
Net increase (decrease) in net assets resulting from operations	29,164,890	(80,804,350)
Distributions to shareholders from:		
Net investment income:		
Class A	(2,044,479)	(3,297,531)
Class B	(2,260)	(117,139)
Net realized gains:		
Class A	—	(35,917,893)
Class B	—	(1,664,515)
Total distributions	(2,046,739)	(40,997,078)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	5,027,733	5,194,608
Reinvestment of distributions	2,044,479	39,215,424
Cost of shares redeemed	(29,505,512)	(60,894,125)
Net increase (decrease) in net assets from Class A share transactions	(22,433,300)	(16,484,093)
Class B		
Proceeds from shares sold	267	238,193
Reinvestment of distributions	2,260	1,781,654
Cost of shares redeemed	(12,442)	(10,423,558)
Net increase (decrease) in net assets from Class B share transactions	(9,915)	(8,403,711)
Increase (decrease) in net assets	4,674,936	(146,689,232)
Net assets at beginning of period	106,367,532	253,056,764
Net assets at end of period (including undistributed net investment income of $1,493,480 and $1,989,745, respectively)	**$ 111,042,468**	**$ 106,367,532**

Other Information		
Class A		
Shares outstanding at beginning of period	14,644,836	16,515,920
Shares sold	630,574	519,469
Shares issued to shareholders in reinvestment of distributions	313,090	3,731,248
Shares redeemed	(3,900,198)	(6,121,801)
Net increase (decrease) in Class A shares	(2,956,534)	(1,871,084)
Shares outstanding at end of period	**11,688,302**	**14,644,836**
Class B		
Shares outstanding at beginning of period	18,379	755,480
Shares sold	34	18,580
Shares issued to shareholders in reinvestment of distributions	344	169,520
Shares redeemed	(1,516)	(925,201)
Net increase (decrease) in Class B shares	(1,138)	(737,101)
Shares outstanding at end of period	**17,241**	**18,379**

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

Financial Highlights

Class A

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$ 7.25**	**$14.65**	**$16.17**	**$14.88**	**$13.65**
Income (loss) from investment operations:					
Net investment income[a]	.12	.12	.17	.17[c]	.14
Net realized and unrealized gain (loss)	2.27	(4.97)	.36	2.07	1.22
Total from investment operations	2.39	(4.85)	.53	2.24	1.36
Less distributions from:					
Net investment income	(.15)	(.21)	(.18)	(.14)	(.13)
Net realized gains	—	(2.34)	(1.87)	(.81)	—
Total distributions	(.15)	(2.55)	(2.05)	(.95)	(.13)
Net asset value, end of period	**$ 9.49**	**$ 7.25**	**$14.65**	**$16.17**	**$14.88**
Total Return (%)	33.97	(38.49)[b]	3.50	15.65[c]	10.06
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	111	106	242	314	294
Ratio of expenses before expense reductions (%)	.75	.76	.71	.71	.70
Ratio of expenses after expense reductions (%)	.75	.76	.71	.71	.70
Ratio of net investment income (%)	1.54	1.12	1.13	1.12[c]	1.00
Portfolio turnover rate (%)	82	127	275	226	288

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

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

c *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Funds. The non-recurring income resulted in an increase in net investment income of $0.003 per share and an increase in the ratio of net investment income of 0.02%. Excluding this non-recurring income, total return would have been 0.02% lower.*

Class B

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$ 7.26**	**$14.61**	**$16.12**	**$14.83**	**$13.60**
Income (loss) from investment operations:					
Net investment income[a]	.10	.04	.11	.11[c]	.09
Net realized and unrealized gain (loss)	2.27	(4.89)	.36	2.07	1.22
Total from investment operations	2.37	(4.85)	.47	2.18	1.31
Less distributions from:					
Net investment income	(.12)	(.16)	(.11)	(.08)	(.08)
Net realized gains	—	(2.34)	(1.87)	(.81)	—
Total distributions	(.12)	(2.50)	(1.98)	(.89)	(.08)
Net asset value, end of period	**$ 9.51**	**$ 7.26**	**$14.61**	**$16.12**	**$14.83**
Total Return (%)	33.46	(38.48)[b]	3.15	15.19[c]	9.68
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	.16	.13	11	46	44
Ratio of expenses before expense reductions (%)	1.02	1.22	1.09	1.09	1.09
Ratio of expenses after expense reductions (%)	1.02	1.21	1.09	1.09	1.09
Ratio of net investment income (%)	1.27	.67	.75	.74[c]	.61
Portfolio turnover rate (%)	82	127	275	226	288

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

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

c *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Funds. The non-recurring income resulted in an increase in net investment income of $0.003 per share and an increase in the ratio of net investment income of 0.02%. Excluding this non-recurring income, total return would have been 0.02% lower.*

DWS Core Fixed Income VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please contact your participating insurance company for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying Portfolio, their performance will differ.

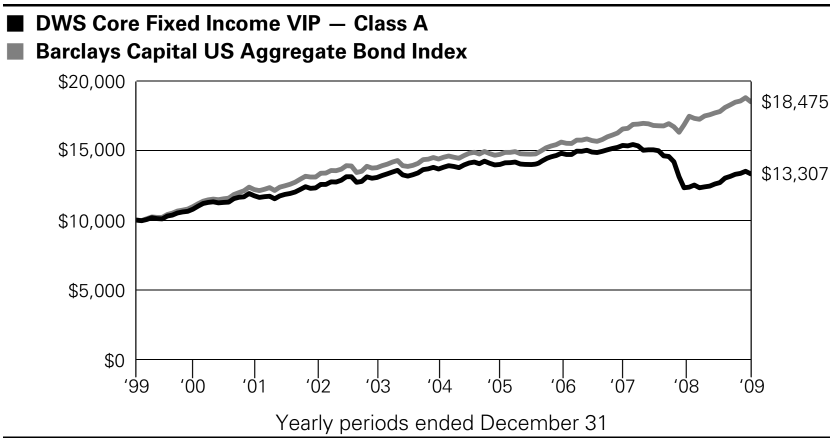
The gross expense ratios of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2009 are 0.67% and 1.07% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

Risk Considerations

This Portfolio invests in individual bonds whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Bond investments are subject to interest-rate risk such that when interest rates rise, the prices of the bonds, and thus the value of the Portfolio, can decline and the investor can lose principal value. In the recent market environment, mortgage-backed securities are experiencing increased volatility. Investments by the Portfolio in lower-rated bonds present greater risk to principal and income than investments in higher-quality securities. Additionally, investing in foreign securities presents certain risks, such as currency fluctuation and changes in political/economic conditions and market risks. All of these factors may result in greater share price volatility. Please see this Portfolio's prospectus for specific details regarding its investments and risk profile.

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

Growth of an Assumed $10,000 Investment in DWS Core Fixed Income VIP



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

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

Comparative Results

DWS Core Fixed Income VIP		1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$10,772	$9,052	$9,650	$13,307
	Average annual total return	7.72%	–3.26%	–.71%	2.90%
Barclays Capital US Aggregate Bond Index	Growth of $10,000	$10,593	$11,925	$12,744	$18,475
	Average annual total return	5.93%	6.04%	4.97%	6.33%

DWS Core Fixed Income VIP		1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$10,688	$8,903	$9,421	$10,817
	Average annual total return	6.88%	–3.80%	–1.19%	1.05%
Barclays Capital US Aggregate Bond Index	Growth of $10,000	$10,593	$11,925	$12,744	$14,704
	Average annual total return	5.93%	6.04%	4.97%	5.28%

The growth of $10,000 is cumulative.

* *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

Information About Your Portfolio's Expenses

DWS Core Fixed Income VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (July 1, 2009 to December 31, 2009).

- **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, 2009

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/09	$1,000.00	$1,000.00
Ending Account Value 12/31/09	$1,049.00	$1,041.80
Expenses Paid per $1,000*	$ 2.43	$ 5.97
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/09	$1,000.00	$1,000.00
Ending Account Value 12/31/09	$1,022.84	$1,019.36
Expenses Paid per $1,000*	$ 2.40	$ 5.90

* *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	.47%	1.16%

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

Just prior to the 12-month period, the US Federal Reserve Board (the Fed) cut the benchmark federal funds rate to basically zero as it sought to provide market participants with liquidity.[1] As 2009 progressed, there was a strong flow of assets into beaten-down credit-sensitive sectors, as investors sought alternatives to historically low yields available on cash and other low risk alternatives. Increasing optimism about economic recovery also contributed to the shift in investor preferences away from Treasuries and toward credit sectors. Corporations took advantage of improved liquidity and low interest rates to issue a large volume of bonds. Within corporates, financial issues did especially well, as the largest banks were able to raise capital and return TARP funds to the government. Troubled commercial mortgage-backed securities (CMBS) and asset-backed securities experienced especially sharp rallies during the year.[2,3] The government continued to support the residential mortgage market, and mortgage-backed securities provided positive returns despite concerns over rising delinquencies.

During the 12-month period ended December 31, 2009, the Portfolio provided a total return of 7.72% (Class A shares, unadjusted for contract charges), compared with the 5.93% return of its benchmark, the Barclays Capital US Aggregate Bond Index.

The portfolio's outperformance versus the benchmark is principally the result of exposure to fixed-income sectors that trade at yield spreads versus Treasuries.[4] In particular, we shifted into high-quality corporate bonds that benefited from improved economic conditions as the period progressed. Late in the year, we trimmed corporate holdings in favor of government-backed issues as we believed corporates had rallied to price levels that no longer represented attractive value. In addition, we shifted the portfolio's Treasury allocation in the direction of Treasury inflation protected securities (TIPS) as the market has begun to refocus on inflation in view of a strengthening economy and rising US budget deficits.

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Stephen Willer, CFA

Portfolio Managers

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

1 *The federal funds rate is the interest rate, set by the US Federal Reserve Board, at which banks lend money to each other, usually on an overnight basis.*

2 *The Troubled Asset Relief Program (TARP) is a government program created for the establishment and management of a Treasury fund, in an attempt to curb the ongoing financial crisis of 2007–2008. The TARP gives the US Treasury purchasing power of $700 billion to buy up mortgage-backed securities (MBS) from institutions across the country, in an attempt to create liquidity and unseize the money markets.*

3 *Commercial mortgage-backed securities (CMBS) are secured by loans on a commercial property. Asset-backed securities (ABS) are secured by assets.*

4 *Yield spread refers to differences between yields on differing debt instruments, calculated by deducting the yield of one instrument from another. The higher the yield spread, the greater the difference between the yields offered by each instrument.*

Portfolio management market commentary is as of December 31, 2009, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results. Current and future portfolio holdings are subject to risk.

Portfolio Summary

DWS Core Fixed Income VIP

Asset Allocation (As a % of Net Assets)	**12/31/09**	**12/31/08**
Mortgage-Backed Securities Pass-Throughs	39%	21%
Corporate Bonds	22%	24%
Government & Agency Obligations	19%	7%
Municipal Bonds and Notes	6%	5%
Cash Equivalents and Other Assets and Liabilities, net	5%	—
Commercial Mortgage-Backed Securities	4%	10%
Collateralized Mortgage Obligations	4%	30%
Asset-Backed	1%	2%
Preferred Security	—	1%
	100%	100%

Quality (Excludes Securities Lending Collateral)	**12/31/09**	**12/31/08**
US Government and Agencies	50%	38%
AAA*	23%	32%
AA	5%	2%
A	10%	9%
BBB	11%	19%
Not Rated	1%	—
	100%	100%

* *Includes cash equivalents.*

Effective Maturity (Excludes Cash Equivalents and Securities Lending Collateral)	**12/31/09**	**12/31/08**
Under 1 year	5%	1%
1–4.99 years	40%	44%
5–9.99 years	47%	37%
10–14.99 years	2%	4%
15 years or greater	6%	14%
	100%	100%

Asset allocation, quality and effective maturity are subject to change.

Weighted average effective maturity: 6.8 years and 7.9 years, respectively.

The quality ratings represent the lower of Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Corporation ("S&P") credit ratings. The ratings of Moody's and S&P represent their opinions as to the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality. The Portfolio's quality does not remove market risk.

For more complete details about the Portfolio's investment portfolio, see page 46. A complete list of portfolio holdings of the Portfolio is posted as of the month end on www.dws-investments.com on or about the 15th day of the following month. More frequent posting of portfolio holdings information may be made from time to time on www.dws-investments.com.

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 22.2%		
Consumer Discretionary 1.7%		
Comcast Cable Holdings LLC, 10.125%, 4/15/2022	180,000	231,177
News America, Inc., 6.4%, 12/15/2035	50,000	51,342
Time Warner Cable, Inc.:		
6.75%, 7/1/2018 (a)	122,000	134,025
6.75%, 6/15/2039 (a)	400,000	418,922
Time Warner, Inc., 7.7%, 5/1/2032	325,000	381,659
Viacom, Inc., 6.25%, 4/30/2016	130,000	141,684
Yum! Brands, Inc., 6.875%, 11/15/2037	200,000	216,099
		1,574,908
Consumer Staples 1.8%		
Anheuser-Busch InBev Worldwide, Inc., 144A, 7.75%, 1/15/2019	400,000	468,318
ConAgra Foods, Inc., 7.0%, 4/15/2019	350,000	396,132
CVS Caremark Corp., 6.125%, 9/15/2039	300,000	297,330
Dr. Pepper Snapple Group, Inc., 6.82%, 5/1/2018	440,000	493,600
		1,655,380
Energy 2.1%		
Anadarko Petroleum Corp., 6.45%, 9/15/2036	290,000	302,867
Cenovus Energy, Inc.:		
144A, 5.7%, 10/15/2019	78,000	81,359
144A, 6.75%, 11/15/2039	125,000	136,257
DCP Midstream LLC, 144A, 9.75%, 3/15/2019	330,000	406,050
Devon Energy Corp., 6.3%, 1/15/2019	375,000	417,546
Kinder Morgan Energy Partners LP, 5.625%, 2/15/2015	92,000	98,935
ONEOK Partners LP, 8.625%, 3/1/2019 (a)	415,000	500,819
		1,943,833
Financials 11.4%		
American Express Co., 7.0%, 3/19/2018	688,000	757,675
Bank of America Corp.:		
5.65%, 5/1/2018	865,000	878,504
5.75%, 12/1/2017	225,000	230,404
6.5%, 8/1/2016	80,000	86,026
Barclays Bank PLC:		
Series 1, 5.0%, 9/22/2016	150,000	153,272
5.2%, 7/10/2014	130,000	137,801
Capital One Bank USA NA, 8.8%, 7/15/2019	400,000	472,667
Citigroup, Inc.:		
8.125%, 7/15/2039	330,000	372,454
8.5%, 5/22/2019	568,000	655,900
General Electric Capital Corp., 5.625%, 5/1/2018	980,000	1,004,246
Hartford Financial Services Group, Inc., 5.95%, 10/15/2036 (a)	270,000	224,890
JPMorgan Chase & Co., 6.3%, 4/23/2019 (a)	440,000	484,034
Lincoln National Corp., 8.75%, 7/1/2019	250,000	285,651
MetLife, Inc., 7.717%, 2/15/2019	395,000	464,178
Morgan Stanley:		
Series F, 6.0%, 4/28/2015	490,000	521,959
7.3%, 5/13/2019	210,000	235,815
National Rural Utilities Cooperative Finance Corp., 10.375%, 11/1/2018 (a)	200,000	265,015
Principal Financial Group, Inc., 7.875%, 5/15/2014	325,000	358,701
Prudential Financial, Inc.:		
Series B, 5.1%, 9/20/2014 (a)	130,000	135,543
6.2%, 1/15/2015	90,000	96,829
7.375%, 6/15/2019	50,000	56,058
Royal Bank of Scotland PLC, 144A, 4.875%, 8/25/2014 (a)	300,000	304,105
Simon Property Group LP, (REIT), 6.75%, 5/15/2014 (a)	105,000	111,896
Telecom Italia Capital SA, 5.25%, 11/15/2013 (a)	445,000	468,047
Telefonica Emisiones SAU, 5.877%, 7/15/2019 (a)	145,000	155,415
The Goldman Sachs Group, Inc.:		
6.0%, 5/1/2014 (a)	180,000	196,878
7.5%, 2/15/2019 (a)	730,000	851,036
Wachovia Corp., Series G, 5.5%, 5/1/2013	425,000	451,492
Westpac Banking Corp., 4.875%, 11/19/2019	305,000	301,037
		10,717,528
Health Care 2.3%		
Express Scripts, Inc.:		
6.25%, 6/15/2014	205,000	223,682
7.25%, 6/15/2019	205,000	232,918
McKesson Corp., 7.5%, 2/15/2019 (a)	300,000	355,765
Medco Health Solutions, Inc., 7.125%, 3/15/2018	500,000	562,069
Merck & Co., Inc.:		
5.0%, 6/30/2019 (a)	207,000	215,164
5.85%, 6/30/2039 (a)	48,000	50,514
Quest Diagnostics, Inc., 6.95%, 7/1/2037	300,000	334,216
Zimmer Holdings, Inc., 4.625%, 11/30/2019	175,000	173,411
		2,147,739
Industrials 0.8%		
Allied Waste North America, Inc., 6.875%, 6/1/2017	300,000	318,375
Waste Management, Inc., 6.375%, 3/11/2015 (a)	370,000	410,009
		728,384
Information Technology 0.1%		
Xerox Corp., 5.625%, 12/15/2019	100,000	**99,860**
Materials 0.7%		
Dow Chemical Co., 5.9%, 2/15/2015	650,000	**698,474**
Telecommunication Services 0.7%		
CenturyTel, Inc.:		
Series Q, 6.15%, 9/15/2019	125,000	127,796
Series P, 7.6%, 9/15/2039 (a)	150,000	153,726

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

	Principal Amount ($)	Value ($)
Qwest Corp., 7.625%, 6/15/2015	234,000	242,190
Verizon Communications, Inc., 6.35%, 4/1/2019 (a)	100,000	110,323
		634,035
Utilities 0.6%		
DTE Energy Co., 7.625%, 5/15/2014	148,000	165,221
FirstEnergy Solutions Corp., 6.8%, 8/15/2039 (a)	142,000	143,420
Sempra Energy, 6.5%, 6/1/2016	290,000	314,506
		623,147
Total Corporate Bonds (Cost $18,692,787)		**20,823,288**

Mortgage-Backed Securities Pass-Throughs 38.9%

	Principal Amount ($)	Value ($)
Federal Home Loan Mortgage Corp.:		
4.5%, 9/1/2020	1,379,318	1,437,250
6.0%, with various maturities from 12/1/2034 until 3/1/2038	1,075,886	1,146,821
Federal National Mortgage Association:		
4.239%*, 3/1/2036	955,121	1,004,049
4.5%, with various maturities from 8/1/2033 until 6/1/2038 (b)	6,907,195	6,913,001
5.0%, with various maturities from 8/1/2033 until 2/1/2038 (b)	8,943,582	9,159,635
5.005%*, 8/1/2037	593,748	621,650
5.095%*, 9/1/2038	347,768	363,831
5.5%, with various maturities from 1/1/2026 until 9/1/2036 (b)	9,516,311	9,976,772
6.0%, 4/1/2024	918,835	986,348
6.5%, with various maturities from 3/1/2017 until 4/1/2037	1,612,538	1,734,965
8.0%, 9/1/2015	17,503	19,175
Government National Mortgage Association, 5.0%, 2/1/2038 (b)	3,000,000	3,086,016
Total Mortgage-Backed Securities Pass-Throughs (Cost $35,807,101)		**36,449,513**

Asset-Backed 1.3%

Credit Card Receivables

	Principal Amount ($)	Value ($)
Washington Mutual Master Note Trust, "A", Series 2006-A2A, 144A, 0.283%*, 6/15/2015 (Cost $1,186,312)	1,200,000	**1,186,179**

Commercial Mortgage-Backed Securities 4.1%

	Principal Amount ($)	Value ($)
Banc of America Commercial Mortgage, Inc.:		
"A2", Series 2007-2, 5.634%, 4/10/2049	325,000	324,367
"A4", Series 2007-3, 5.658%*, 6/10/2049	1,399,000	1,169,338
"A4", Series 2007-4, 5.744%*, 2/10/2051	750,000	661,503
LB-UBS Commercial Mortgage Trust, "A4", Series 2007-C6, 5.858%, 7/15/2040	1,000,000	844,393
Merrill Lynch Mortgage Trust, "ASB", Series 2007-C1, 5.828%*, 6/12/2050	900,000	864,399
Total Commercial Mortgage-Backed Securities (Cost $3,503,176)		**3,864,000**

Collateralized Mortgage Obligations 3.5%

	Principal Amount ($)	Value ($)
Federal Home Loan Mortgage Corp., "PE", Series 2165, 6.0%, 6/15/2029	1,005,854	1,084,101
Federal National Mortgage Association:		
"QD", Series 2005-29, 5.0%, 8/25/2033	435,000	450,296
"PG", Series 2002-3, 5.5%, 2/25/2017	308,452	326,493
"PH", Series 1999-19, 6.0%, 5/25/2029	942,844	1,013,751
MASTR Alternative Loans Trust, "5A1", Series 2005-1, 5.5%, 1/25/2020	383,140	355,063
Total Collateralized Mortgage Obligations (Cost $3,069,686)		**3,229,704**

Government & Agency Obligations 18.9%

US Treasury Obligations

	Principal Amount ($)	Value ($)
US Treasury Bill, 0.11%**, 3/18/2010 (c)	476,000	475,952
US Treasury Bond, 4.75%, 2/15/2037	2,300,000	2,350,312
US Treasury Inflation-Indexed Note, 1.875%, 7/15/2019 (a)	3,543,470	3,678,012
US Treasury Notes:		
1.375%, 2/15/2012 (a)	5,000,000	5,014,455
1.75%, 1/31/2014	6,000,000	5,886,096
4.875%, 5/31/2011	300,000	316,957
Total Government & Agency Obligations (Cost $17,809,057)		**17,721,784**

Municipal Bonds and Notes 5.7%

	Principal Amount ($)	Value ($)
Florida, State Board of Education, Capital Outlay 2006, Series E, 5.0%, 6/1/2035	500,000	520,130
Glendale, AZ, Municipal Property Corp., Excise Tax Revenue, Series B, 6.157%, 7/1/2033 (d)	420,000	418,811
Jicarilla, NM, Sales & Special Tax Revenue, Apache Nation Revenue, 144A, 5.2%, 12/1/2013	790,000	766,205
Miami-Dade County, FL, Educational Facilities Authority Revenue, University of Miami, Series B, 6.1%, 4/1/2015	965,000	994,317
Michigan, Western Michigan University Revenue, 4.41%, 11/15/2014 (d)	755,000	753,196
New Jersey, Economic Development Authority Revenue, Series B, 6.5%, 11/1/2014 (d)	585,000	662,741
New Jersey, State Educational Facilities Authority Revenue, NJ City University, Series F, 6.85%, 7/1/2036 (d)	395,000	429,977
Newark, NJ, Pension Obligation, 5.853%, 4/1/2022 (d)	865,000	814,095
Total Municipal Bonds and Notes (Cost $5,299,466)		**5,359,472**

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

	Shares	Value ($)
Securities Lending Collateral 14.6%		
Daily Assets Fund Institutional, 0.17% (e) (f) (Cost $13,638,710)	13,638,710	**13,638,710**
Cash Equivalents 25.2%		
Central Cash Management Fund, 0.14% (e) (Cost $23,640,565)	23,640,565	**23,640,565**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $122,646,860)†	134.4	**125,913,215**
Other Assets and Liabilities, Net	(34.4)	**(32,210,532)**
Net Assets	100.0	**93,702,683**

* *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, 2009.*

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

† *The cost for federal income tax purposes was $122,735,485. At December 31, 2009, net unrealized appreciation for all securities based on tax cost was $3,177,730. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $3,600,421 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $422,691.*

(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, 2009 amounted to $13,231,615, which is 14.1% of net assets.*

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

(c) *At December 31, 2009, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.*

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

Insurance Coverage	As a % of Total Investment Portfolio
Ambac Financial Group, Inc.	0.6
Assured Guaranty Corp.	0.8
Assured Guaranty Municipal Corp.	1.0

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

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

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

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

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

At December 31, 2009, open futures contracts sold were as follows:

Securities	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Appreciation ($)
2 Year US Treasury Note	USD	3/31/2010	70	15,138,594	**82,971**

Currency Abbreviations	
USD	United States Dollar

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

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

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes significant unobservable inputs (including the Portfolio's own assumptions in determining the fair value of investments). The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of December 31, 2009 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to the Financial Statements.

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Fixed Income (g)				
Corporate Bonds	$ —	$ 20,823,288	$ —	$ 20,823,288
Mortgage-Backed Securities Pass-Throughs	—	36,449,513	—	36,449,513
Asset-Backed	—	1,186,179	—	1,186,179
Commercial Mortgage-Backed Securities	—	3,864,000	—	3,864,000
Collateralized Mortgage Obligations	—	3,229,704	—	3,229,704
Government & Agency Obligations	—	17,245,832	—	17,245,832
Municipal Bonds and Notes	—	5,359,472	—	5,359,472
Short-Term Investments (g)	37,279,275	475,952	—	37,755,227
Derivatives (h)	$ 82,971	$ —	$ —	$ 82,971
Total	**$ 37,362,246**	**$ 88,633,940**	**$ —**	**$ 125,996,186**

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

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

The following is a reconciliation of the Portfolio's Level 3 investments for which significant unobservable inputs were used in determining value:

	Preferred Security	**Preferred Stock**	**Total**
Balance as of December 31, 2008	$ 50,000	$ 147,119	**$ 197,119**
Realized gains (loss)	(158,675)	(312,002)	**(470,677)**
Change in unrealized appreciation (depreciation)	183,675	207,067	**390,742**
Amortization premium/discount	—	—	—
Net purchases (sales)	(75,000)	(42,184)	**(117,184)**
Net transfers in (out) of Level 3	—	—	**—**
Balance as of December 31, 2009	**$ —**	**$** —	**$** —
Net change in unrealized appreciation (depreciation) from investments still held at December 31, 2009	**$ —**	**$** —	**$** —

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2009

Assets		
Investments:		
Investments in securities, at value (cost $85,367,585) — including $13,231,615 of securities loaned	$	88,633,940
Investment in Daily Assets Fund Institutional (cost $13,638,710)*		13,638,710
Investment in Central Cash Management Fund (cost $23,640,565)		23,640,565
Total investments, at value (cost $122,646,860)		125,913,215
Cash		10,000
Receivable for investments sold		14,482,750
Receivable for Portfolio shares sold		94,435
Interest receivable		683,859
Foreign taxes recoverable		1,436
Other assets		2,712
Total assets		141,188,407

Liabilities		
Payable upon return of securities loaned		13,638,710
Payable for investments purchased		2,384,572
Payable for investments purchased — when-issued securities		31,287,791
Payable for daily variation margin on open futures contracts		41,935
Payable for Portfolio shares redeemed		659
Accrued management fee		42,623
Other accrued expenses and payables		89,434
Total liabilities		47,485,724
Net assets, at value	**$**	**93,702,683**

Net Assets Consist of		
Undistributed net investment income		5,499,737
Net unrealized appreciation (depreciation) on:		
Investments		3,266,355
Futures		82,971
Accumulated net realized gain (loss)		(58,403,567)
Paid-in capital		143,257,187
Net assets, at value	**$**	**93,702,683**
Class A		
Net Asset Value, offering and redemption price per share ($93,650,813 ÷ 10,676,602 outstanding shares of beneficial interest, no par value, 24,742,586 shares authorized)	**$**	**8.77**
Class B		
Net Asset Value, offering and redemption price per share ($51,870 ÷ 5,948 outstanding shares of beneficial interest, no par value, 7,316,641 shares authorized)	**$**	**8.72**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2009

Investment Income		
Income:		
Dividends	$	9,824
Interest		6,349,156
Income distributions — affiliated cash management vehicles		44,563
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		53,933
Total Income		6,457,476
Expenses:		
Management fee		635,016
Administration fee		127,003
Services to shareholders		2,002
Distribution service fee (Class B)		68,650
Record keeping fees (Class B)		41,047
Trustees' fees and expenses		3,808
Reports to shareholders		6,818
Professional fees and other		9,736
Total expenses		894,080
Net investment income (loss)		**5,563,396**

Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		(33,428,420)
Futures		(648,509)
Payments by affiliates (see Note H)		24,775
		(34,052,154)
Change in net unrealized appreciation (depreciation) on:		
Investments		37,987,916
Futures		158,100
		38,146,016
Net gain (loss)		**4,093,862**
Net increase (decrease) in net assets resulting from operations	**$**	**9,657,258**

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, 2009	2008
Operations:		
Net investment income (loss)	$ 5,563,396	$ 11,324,735
Net realized gain (loss)	(34,052,154)	(19,728,646)
Change in net unrealized appreciation (depreciation)	38,146,016	(31,800,368)
Net increase (decrease) in net assets resulting from operations	9,657,258	(40,204,279)
Distributions to shareholders from:		
Net investment income:		
Class A	(8,879,629)	(12,658,879)
Class B	(2,500,347)	(4,079,055)
Total distributions	(11,379,976)	(16,737,934)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	10,272,493	25,960,265
Reinvestment of distributions	8,879,629	12,658,879
Cost of shares redeemed	(33,814,458)	(71,653,396)
Net increase (decrease) in net assets from Class A share transactions	(14,662,336)	(33,034,252)
Class B		
Proceeds from shares sold	2,365,047	1,828,386
Reinvestment of distributions	2,500,347	4,079,055
Cost of shares redeemed	(36,868,329)	(29,114,932)
Net increase (decrease) in net assets from Class B share transactions	(32,002,935)	(23,207,491)
Increase (decrease) in net assets	(48,387,989)	(113,183,956)
Net assets at beginning of period	142,090,672	255,274,628
Net assets at end of period (including undistributed net investment income of $5,499,737 and $11,316,317, respectively)	**$ 93,702,683**	**$ 142,090,672**

Other Information		
Class A		
Shares outstanding at beginning of period	12,351,718	15,754,867
Shares sold	1,188,797	2,332,157
Shares issued to shareholders in reinvestment of distributions	1,088,190	1,171,035
Shares redeemed	(3,952,103)	(6,906,341)
Net increase (decrease) in Class A shares	(1,675,116)	(3,403,149)
Shares outstanding at end of period	**10,676,602**	**12,351,718**
Class B		
Shares outstanding at beginning of period	3,628,194	5,850,161
Shares sold	275,459	159,817
Shares issued to shareholders in reinvestment of distributions	305,666	376,992
Shares redeemed	(4,203,371)	(2,758,776)
Net increase (decrease) in Class B shares	(3,622,246)	(2,221,967)
Shares outstanding at end of period	**5,948**	**3,628,194**

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

Financial Highlights

Class A

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Date					
Net asset value, beginning of period	**$ 8.90**	**$11.82**	**$11.86**	**$11.81**	**$12.07**
Income (loss) from investment operations:					
Net investment income[a]	.39	.57	.56	.53	.47
Net realized and unrealized gain (loss)	.24	(2.72)	(.08)	(.05)	(.21)
Total from investment operations	.63	(2.15)	.48	.48	.26
Less distributions from:					
Net investment income	(.76)	(.77)	(.52)	(.43)	(.41)
Net realized gains	—	—	—	(.00)*	(.11)
Total distributions	(.76)	(.77)	(.52)	(.43)	(.52)
Net asset value, end of period	**$ 8.77**	**$ 8.90**	**$11.82**	**$11.86**	**$11.81**
Total Return (%)	7.72[c]	(19.33)[b]	4.17	4.26	2.25
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	94	110	186	277	252
Ratio of expenses before expense reductions (%)	.59	.70	.66	.68	.67
Ratio of expenses after expense reductions (%)	.59	.70	.66	.68	.67
Ratio of net investment income (%)	4.50	5.36	4.78	4.56	3.96
Portfolio turnover rate (%)	222	215	209	198	241

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

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

c *Includes a reimbursement from the Advisor to reimburse the effect of losses incurred as the result of certain operation errors during the period. Excluding this reimbursement, total return would have been 0.02% lower.*

* *Amount is less than $.005.*

Class B

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$ 8.88**	**$11.80**	**$11.84**	**$11.78**	**$12.04**
Income (loss) from investment operations:					
Net investment income[a]	.34	.53	.51	.49	.42
Net realized and unrealized gain (loss)	.22	(2.73)	(.08)	(.05)	(.21)
Total from investment operations	.56	(2.20)	.43	.44	.21
Less distributions from:					
Net investment income	(.72)	(.72)	(.47)	(.38)	(.36)
Net realized gains	—	—	—	(.00)*	(.11)
Total distributions	(.72)	(.72)	(.47)	(.38)	(.47)
Net asset value, end of period	**$ 8.72**	**$ 8.88**	**$11.80**	**$11.84**	**$11.78**
Total Return (%)	6.88[c]	(19.71)[b]	3.75	3.89	1.85
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	.05	32	69	82	89
Ratio of expenses before expense reductions (%)	1.13	1.10	1.05	1.07	1.07
Ratio of expenses after expense reductions (%)	1.13	1.09	1.05	1.07	1.07
Ratio of net investment income (%)	3.95	4.97	4.39	4.17	3.56
Portfolio turnover rate (%)	222	215	209	198	241

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

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

c *Includes a reimbursement from the Advisor to reimburse the effect of losses incurred as the result of certain operation errors during the period. Excluding this reimbursement, total return would have been 0.02% lower.*

* *Amount is less than $.005.*

DWS Diversified International Equity VIP (formerly DWS International Select Equity VIP)

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please contact your participating insurance company for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

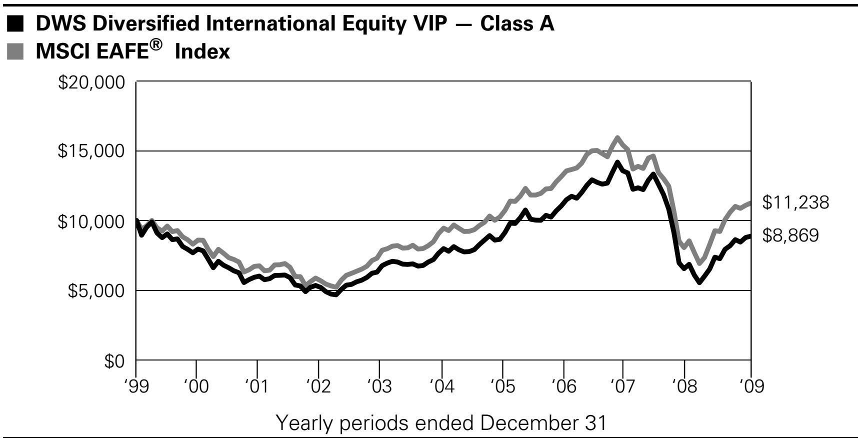
The gross expense ratio of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2009 is 0.99% for Class A shares and may differ from the expense ratio disclosed in the Financial Highlights table in this report.

Risk Considerations

This Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Additionally, investing in foreign securities presents certain risks, such as currency fluctuation, political and economic changes and market risks. This may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

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

Growth of an Assumed $10,000 Investment in DWS Diversified International Equity VIP



The Morgan Stanley Capital International (MSCI) EAFE® Index is an unmanaged, free float-adjusted, market capitalization index that tracks international stock performance in the 21 developed markets of Europe, Australasia and the Far East. The MSCI indices are calculated using closing local market prices and translate into US dollars using the London close foreign exchange rates.

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

Comparative Results

DWS Diversified International Equity VIP		1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$12,936	$7,728	$11,112	$8,869
	Average annual total return	29.36%	–8.23%	2.13%	–1.19%
MSCI EAFE Index	Growth of $10,000	$13,178	$8,295	$11,898	$11,238
	Average annual total return	31.78%	–6.04%	3.54%	1.17%

The growth of $10,000 is cumulative.

Information About Your Portfolio's Expenses

DWS Diversified International Equity VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (July 1, 2009 to December 31, 2009).

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, 2009

Actual Portfolio Return	**Class A**
Beginning Account Value 7/1/09	$1,000.00
Ending Account Value 12/31/09	$1,223.30
Expenses Paid per $1,000*	$ 5.66

Hypothetical 5% Portfolio Return	**Class A**
Beginning Account Value 7/1/09	$1,000.00
Ending Account Value 12/31/09	$1,020.11
Expenses Paid per $1,000*	$ 5.14

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

Annualized Expense Ratio	**Class A**
DWS Variable Series II — DWS Diversified International Equity VIP	1.01%

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

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

DWS Diversified International Equity VIP

International equities delivered a strong performance during the past year, as the financial crisis of 2008 gave way to optimism about the "green shoots," or economic signs of recovery. The Morgan Stanley Capital International (MSCI) EAFE® Index, the Portfolio's benchmark, surged to a gain of 31.78%. In comparison, the US market — as gauged by the Standard & Poor's 500® (S&P 500) Index — returned 26.46%. The outperformance of international equities reflects both stronger growth outside of the United States and the sharp increase in the value of foreign currencies relative to the US dollar.

The Portfolio experienced a management change during 2009. The Portfolio is now managed by the Quantitative Strategies Group. The team took over as managers in April 2009, at which time the Portfolio's name changed from DWS International Select Equity VIP to DWS Diversified International Equity VIP. While in the past the Portfolio was managed using a bottom-up approach based on fundamental research, it is now managed using a top-down quantitative approach. This strategy is based on the principle that country and sector, rather than stock selection, are the primary drivers of return. For the full year, a time that encompasses the results generated by both management teams, the Portfolio produced a return of 29.36% (Class A shares, unadjusted for contract charges), underperforming the benchmark.

In managing the Portfolio, we divide the universe of international stocks into "risk units" according to sector and country. An example of a risk unit is "UK financials." We employ a quantitative approach that identifies which sector/country combinations have high correlations to each other, and we place these highly correlated groups into the same "cluster."[1] The Portfolio held 10 clusters as of December 31, 2009, each of which should display a low correlation to the other clusters. Each cluster is equally weighted to maximize diversification potential, and we rebalance the portfolio on a quarterly basis to maintain diversification.[2] We believe one of the benefits of this strategy is that the Portfolio is highly diversified at a country and sector level, which should help smooth out returns over time. Since we took over the Portfolio, the largest contributions to performance have come from our average underweight positions in the Japan financials and Japan consumer discretionary risk units.[3] The most significant detractor was our average underweight position in the Australia financials risk unit.

We believe the proprietary investment process being used by DWS Diversified International Equity VIP makes it a unique product within the universe of international equity funds. For investors seeking an alternative to domestic investments, this product offers a compelling combination of extensive diversification, low turnover and an approach that looks beyond market capitalization to structure a more optimized portfolio.

Robert Wang
Russell Shtern, CFA
Portfolio Managers

The Morgan Stanley Capital International (MSCI) EAFE Index is an unmanaged, free float-adjusted, market capitalization index that tracks international stock performance in the 21 developed markets of Europe, Australasia and the Far East. The MSCI indices are calculated using closing local market prices and translate into US dollars using the London close foreign exchange rates.

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

1 *Correlation is a measure of how closely two variables move together over time. A 1.0 equals perfect correlation. A –1.0 equals total negative correlation.*

2 *Diversification neither assures a profit nor guarantees against a loss.*

3 *"Overweight" means the portfolio holds a higher weighting in a given sector or security than the benchmark. "Underweight" means the portfolio holds a lower weighting.*

Portfolio management market commentary is as of December 31, 2009, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results. Current and future portfolio holdings are subject to risk.

Portfolio Summary

DWS Diversified International Equity VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**12/31/09**	**12/31/08**
Common Stocks	87%	95%
Exchange-Traded Funds	9%	5%
Cash Equivalents	3%	—
Preferred Stocks	1%	—
	100%	100%

Sector Diversification (As a % of Investment Portfolio excluding Exchange-Traded Funds, Cash Equivalents and Securities Lending Collateral)	**12/31/09**	**12/31/08**
Telecommunication Services	15%	14%
Consumer Staples	14%	10%
Health Care	13%	21%
Financials	10%	19%
Consumer Discretionary	9%	—
Utilities	9%	4%
Industrials	9%	8%
Materials	9%	7%
Energy	6%	11%
Information Technology	6%	6%
	100%	100%

Geographical Diversification (As a % of Investment Portfolio excluding Cash Equivalents and Securities Lending Collateral)	**12/31/09**	**12/31/08**
Continental Europe	53%	59%
Japan	16%	24%
Emerging Markets	9%	3%
United Kingdom	7%	7%
Australia	6%	—
Canada	5%	1%
Asia (excluding Japan)	4%	6%
	100%	100%

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

For more complete details about the Portfolio's investment portfolio, see page 57. A complete list of portfolio holdings of the Portfolio is posted as of the month end on www.dws-investments.com on or about the 15th day of the following month. More frequent posting of portfolio holdings information may be made from time to time on www.dws-investments.com.

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 Diversified International Equity VIP

	Shares	Value ($)
Common Stocks 87.4%		
Australia 5.4%		
AGL Energy Ltd.	76,557	963,011
Arrow Energy Ltd.*	8,093	29,959
Australia & New Zealand Banking Group Ltd.	3,822	77,762
BHP Billiton Ltd.	8,235	315,349
Brambles Ltd.	13,105	79,388
Coca-Cola Amatil Ltd.	3,584	36,932
Cochlear Ltd.	1,161	71,691
Commonwealth Bank of Australia	2,013	98,158
Crown Ltd.	12,034	86,158
CSL Ltd.	11,468	333,628
Fairfax Media Ltd.	54,011	83,309
Foster's Group Ltd.	10,776	53,027
Leighton Holdings Ltd.	1,643	55,515
National Australia Bank Ltd.	2,600	63,266
Newcrest Mining Ltd.	1,579	49,487
Origin Energy Ltd.	8,027	120,508
Paladin Energy Ltd.*	7,326	27,188
Qantas Airways Ltd.	18,444	49,020
QBE Insurance Group Ltd.	2,063	47,087
Rio Tinto Ltd.	900	59,549
Santos Ltd.	9,683	121,927
Sonic Healthcare Ltd.	7,670	105,634
SP Ausnet	251,683	206,123
TABCORP Holdings Ltd.	15,130	93,821
Tatts Group Ltd.	24,689	53,857
Telstra Corp., Ltd.	151,642	464,717
Toll Holdings Ltd.	7,945	61,914
Transurban Group (Units)	14,907	73,846
Wesfarmers Ltd.	6,381	177,409
Westfield Group (REIT) (Units)	5,712	63,702
Westpac Banking Corp.	2,569	57,826
Woodside Petroleum Ltd.	5,329	223,976
Woolworths Ltd.	7,272	182,150
WorleyParsons Ltd.	2,509	64,994
(Cost $3,379,970)		**4,651,888**
Austria 1.1%		
Erste Group Bank AG	5,236	194,082
Immoeast AG*	10,084	55,283
OMV AG	12,665	554,620
Raiffeisen International Bank-Holding AG	1,267	71,714
Vienna Insurance Group	1,323	67,935
(Cost $673,414)		**943,634**
Belgium 2.4%		
Anheuser-Busch InBev NV	6,331	327,086
Belgacom SA	17,818	642,694
Compagnie Nationale a Portefeuille	907	48,370
Delhaize Group	1,198	91,758
Dexia SA*	9,179	57,741
Fortis*	27,095	100,383
Groupe Bruxelles Lambert SA	588	55,336
KBC Groep NV*	1,952	84,533
Mobistar SA	3,350	229,091
Solvay SA	2,248	242,349
Umicore	4,809	160,139
(Cost $1,580,659)		**2,039,480**
Bermuda 0.1%		
Seadrill Ltd. (Cost $35,585)	3,400	**86,123**
Canada 4.9%		
Agnico-Eagle Mines Ltd.	700	38,097
Bank of Montreal	1,000	53,402
Bank of Nova Scotia	1,100	51,768
Barrick Gold Corp.	2,600	103,070
BCE, Inc.	8,900	246,785
Bombardier, Inc. "B"	16,500	75,728
Canadian Imperial Bank of Commerce	700	45,614
Canadian National Railway Co.	3,400	186,409
Canadian Natural Resources Ltd.	1,400	101,735
Canadian Pacific Railway Ltd.	1,200	65,160
Canadian Tire Corp., Ltd. "A"	1,300	71,473
Canadian Utilities Ltd. "A"	3,900	163,145
EnCana Corp.	1,500	48,922
Fortis, Inc.	7,300	200,186
George Weston Ltd.	800	51,189
Gildan Activewear, Inc.*	1,500	36,860
Goldcorp, Inc.	1,800	71,167
Imperial Oil Ltd.	2,100	81,643
Kinross Gold Corp.	2,300	42,598
Loblaw Companies Ltd.	2,600	84,226
Magna International, Inc. "A"	2,053	104,549
Manulife Financial Corp.	2,800	51,751
Metro, Inc. "A"	2,200	82,501
Potash Corp. of Saskatchewan, Inc.	900	98,447
Research In Motion Ltd.*	6,600	448,246
Ritchie Bros. Auctioneers, Inc.	1,100	24,917
Rogers Communications, Inc. "B"	5,900	184,416
Royal Bank of Canada	1,400	75,498
Saputo, Inc.	2,200	64,684
Shaw Communications, Inc. "B"	4,800	99,456
Shoppers Drug Mart Corp.	4,400	191,045
SNC-Lavalin Group, Inc.	1,600	82,597
Suncor Energy, Inc.	4,220	150,142
Teck Resources Ltd. "B"*	2,600	91,535
Telus Corp.	2,200	68,891
Thomson Reuters Corp. (b)	6,600	214,247
Thomson Reuters Corp. (b)	1,158	37,346
Toronto-Dominion Bank	1,000	63,068
TransAlta Corp.	10,600	237,977
Viterra, Inc.*	4,900	46,243
(Cost $3,303,226)		**4,236,733**
Cyprus 0.0%		
Bank of Cyprus Public Co., Ltd. (Cost $27,253)	4,345	**30,287**
Denmark 3.6%		
A P Moller-Maersk AS "A"	10	67,413
A P Moller-Maersk AS "B"	19	132,862
Carlsberg AS "B"	6,166	455,030
Coloplast AS "B" (a)	1,130	102,700
Danske Bank AS*	10,590	241,123
DSV AS*	3,456	62,002
H. Lundbeck AS	3,649	66,417

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

	Shares	Value ($)
Novo Nordisk AS "B"	24,258	1,552,095
Topdanmark AS*	415	56,192
Trygvesta AS	621	40,993
Vestas Wind Systems AS*	2,975	182,032
William Demant Holding AS*	1,515	114,162
(Cost $2,544,410)		**3,073,021**
Finland 2.5%		
Fortum Oyj	18,740	507,686
Kone Oyj "B"	5,039	215,368
Metso Corp.	5,459	191,934
Nokia Oyj	18,903	242,674
Outokumpu Oyj	4,027	75,721
Pohjola Bank PLC "A"	7,147	77,341
Rautaruukki Oyj	2,774	63,692
Sampo Oyj "A"	14,057	341,158
Stora Enso Oyj "R"*	17,126	120,044
UPM-Kymmene Oyj	15,440	183,626
Wartsila Corp.	3,608	144,227
(Cost $1,659,359)		**2,163,471**
France 7.6%		
Air Liquide SA	1,149	135,632
Alcatel-Lucent*	27,533	92,212
Atos Origin SA*	697	31,735
AXA SA	3,081	72,866
BNP Paribas	1,550	122,316
Bouygues SA	1,062	55,385
Cap Gemini	1,723	78,044
Carrefour SA	9,254	444,927
Casino Guichard-Perrachon SA	996	89,262
Compagnie de Saint-Gobain	1,739	93,345
Credit Agricole SA	3,149	54,899
DANONE SA	7,827	476,659
Dassault Systemes SA	1,725	98,186
Electricite de France	964	57,363
Essilor International SA	4,349	258,912
France Telecom SA	34,851	870,139
GDF Suez	3,885	168,546
Iliad SA	426	50,751
L'Oreal SA	3,158	350,617
Lafarge SA	1,526	125,493
LVMH Moet Hennessy Louis Vuitton SA	420	47,158
Pernod Ricard SA	2,948	253,042
Sanofi-Aventis	20,420	1,600,657
Schneider Electric SA	627	72,639
Societe Generale	852	58,952
Suez Environnement Co.	1,869	43,177
Total SA	7,627	488,750
Unibail-Rodamco (REIT)	265	58,337
Veolia Environnement	2,122	69,776
Vinci SA	1,171	65,588
Vivendi	3,089	91,192
(Cost $5,059,376)		**6,576,557**
Germany 4.7%		
Allianz SE (Registered)	1,458	181,481
BASF SE	2,526	156,679
Bayer AG	2,784	222,512
Bayerische Motoren Werke (BMW) AG	1,555	70,693
Beiersdorf AG	4,780	314,149
Celesio AG	905	22,993
Commerzbank AG*	3,309	27,743
Daimler AG (Registered)	3,529	188,544
Deutsche Boerse AG	688	57,201
Deutsche Post AG (Registered)	3,555	68,403
Deutsche Telekom AG (Registered)	61,741	911,853
E.ON AG	4,140	172,835
Fresenius Medical Care AG & Co. KGaA	97	5,136
Henkel AG & Co. KGaA	7,691	343,475
K+S AG	629	36,157
Linde AG	769	92,561
Merck KGaA	430	40,192
Metro AG	6,321	385,285
Muenchener Rueckversicherungs-Gesellschaft AG (Registered)	598	93,220
RWE AG	1,021	99,218
SAP AG	5,623	265,203
Siemens AG (Registered)	2,260	207,294
Suedzucker AG	3,769	78,253
ThyssenKrupp AG	1,086	40,901
(Cost $2,927,694)		**4,081,981**
Greece 0.7%		
Alpha Bank AE*	3,518	40,700
EFG Eurobank Ergasias*	4,435	49,186
Marfin Investment Group SA*	8,510	24,204
National Bank of Greece SA*	3,627	92,485
OPAP SA	17,061	373,502
Piraeus Bank SA	2,205	25,160
(Cost $749,234)		**605,237**
Hong Kong 2.4%		
Cheung Kong (Holdings) Ltd.	10,000	128,749
Cheung Kong Infrastructure Holdings Ltd.	7,000	26,569
CLP Holdings Ltd.	29,000	195,951
Esprit Holdings Ltd.	24,695	162,530
Genting Singapore PLC* (a)	168,000	153,861
Hang Seng Bank Ltd.	3,800	55,855
Hong Kong & China Gas Co., Ltd.	64,000	159,789
Hong Kong Exchanges & Clearing Ltd.	4,700	83,671
HongKong Electric Holdings Ltd.	17,500	94,973
Hutchison Whampoa Ltd.	44,000	301,186
Li & Fung Ltd.	44,000	180,239
MTR Corp., Ltd.	34,000	116,583
Noble Group Ltd.	19,000	43,531
NWS Holdings Ltd.	20,000	36,884
Shangri-La Asia Ltd.	34,000	63,596
Sun Hung Kai Properties Ltd.	8,000	118,707
Swire Pacific Ltd. "A"	7,000	84,657
Yue Yuen Industrial (Holdings) Ltd.	20,500	59,470
(Cost $1,576,697)		**2,066,801**
Ireland 0.6%		
CRH PLC	17,742	480,589
Experian PLC	6,430	63,565
(Cost $339,614)		**544,154**
Italy 3.4%		
A2A SpA	20,926	43,800
Assicurazioni Generali SpA	3,242	86,922
Atlantia SpA	5,240	136,209
Enel SpA	46,072	267,536
Eni SpA	15,304	389,626
Fiat SpA*	12,889	187,584
Finmeccanica SpA	9,616	153,359

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

	Shares	Value ($)
Intesa Sanpaolo*	25,029	112,146
Luxottica Group SpA	2,649	68,622
Mediaset SpA	18,588	151,879
Prysmian SpA	2,915	51,026
Saipem SpA	2,103	72,244
Snam Rete Gas SpA	16,640	82,746
Telecom Italia SpA	412,945	640,451
Telecom Italia SpA (RSP)	243,883	269,159
Terna — Rete Elettrica Nationale SpA	14,939	64,279
UBI Banca — Unione di Banche Italiane ScpA	3,919	56,137
UniCredit SpA*	35,899	119,414
(Cost $2,334,716)		**2,953,139**
Japan 15.4%		
AEON Co., Ltd.	11,300	91,368
Ajinomoto Co., Inc.	14,000	131,801
Alfresa Holdings Corp.	1,000	39,591
Asahi Breweries Ltd.	7,000	128,374
Asahi Kasei Corp.	18,000	89,946
Astellas Pharma, Inc.	6,500	242,116
Canon, Inc.	4,400	186,010
Central Japan Railway Co.	8	53,366
Chubu Electric Power Co., Inc.	10,000	238,308
Chugai Pharmaceutical Co., Ltd.	3,700	68,933
Chugoku Electric Power Co., Inc.	3,500	66,747
Cosmo Oil Co., Ltd.	21,000	43,959
Daiichi Sankyo Co., Ltd.	9,500	198,771
Daikin Industries Ltd.	1,100	42,931
Daiwa House Industry Co., Ltd.	3,000	32,099
Daiwa Securities Group, Inc.	10,000	50,132
Denso Corp.	2,600	77,923
East Japan Railway Co.	1,326	83,670
Eisai Co., Ltd.	3,700	135,629
Electric Power Development Co., Ltd.	2,600	73,729
FamilyMart Co., Ltd.	1,400	41,260
Fanuc Ltd.	900	83,687
Fast Retailing Co., Ltd.	100	18,664
FUJIFILM Holdings Corp.	3,500	104,562
Fujitsu Ltd.	13,000	83,603
Hisamitsu Pharmaceutical Co., Inc.	900	29,038
Hitachi Ltd.*	18,000	55,131
Hokkaido Electric Power Co., Inc.	3,500	63,516
Hokuriku Electric Power Co.	2,800	60,928
Honda Motor Co., Ltd.	4,200	142,011
HOYA	2,900	76,881
Idemitsu Kosan Co., Ltd.	700	40,543
INPEX Corp.	17	127,593
ITOCHU Corp.	9,000	66,181
Japan Airlines Corp.* (a)	38,000	27,331
Japan Petroleum Exploration Co., Ltd.	1,300	57,075
Japan Prime Realty Investment Corp. (REIT)	10	20,706
Japan Retail Fund Investment Corp. (REIT)	5	22,379
Japan Tobacco, Inc.	73	246,314
JFE Holdings, Inc.	3,800	149,644
Kansai Electric Power Co., Inc.	11,600	261,475
Kao Corp.	8,700	203,101
KDDI Corp.	73	384,957
Keyence Corp.	300	61,848
Kikkoman Corp.	4,000	48,868

	Shares	Value ($)
Kirin Holdings Co., Ltd.	14,000	223,190
Kobe Steel Ltd.*	47,000	85,126
Komatsu Ltd.	5,900	123,003
Kyocera Corp.	1,000	88,194
Kyowa Hakko Kirin Co., Ltd.	5,000	52,601
Kyushu Electric Power Co., Inc.	5,800	119,280
Lawson, Inc.	900	39,649
MEIJI Holdings Co., Ltd.*	1,200	45,140
Mitsubishi Chemical Holdings Corp.	16,500	69,532
Mitsubishi Corp.	4,800	119,342
Mitsubishi Electric Corp.*	11,000	81,214
Mitsubishi Estate Co., Ltd.	5,000	79,307
Mitsubishi Heavy Industries Ltd.	18,000	63,210
Mitsubishi Motors Corp.*	28,000	38,583
Mitsubishi Tanabe Pharma Corp.	3,000	37,309
Mitsubishi UFJ Financial Group, Inc.	31,200	152,761
Mitsui & Co., Ltd.	7,100	100,515
Mitsui Fudosan Co., Ltd.	3,000	50,378
Mitsui O.S.K Lines Ltd.	10,000	52,493
Mitsui Sumitomo Insurance Group Holdings, Inc.	2,400	60,911
Mizuho Financial Group, Inc.	36,100	64,594
Murata Manufacturing Co., Ltd.	1,800	88,877
Nidec Corp.	800	73,560
Nintendo Co., Ltd.	400	94,827
Nippon Mining Holdings, Inc.	18,500	79,203
Nippon Oil Corp.	26,000	120,375
Nippon Steel Corp.	34,000	137,459
Nippon Telegraph & Telephone Corp.	12,609	495,975
Nishi-Nippon City Bank Ltd.	13,000	31,757
Nissan Motor Co., Ltd.*	11,700	102,258
Nisshin Seifun Group, Inc.	4,000	53,725
Nissin Foods Holdings Co., Ltd.	1,100	35,839
Nitto Denko Corp.	1,900	67,708
Nomura Holdings, Inc.	12,000	88,435
Nomura Real Estate Office Fund, Inc. (REIT)	7	37,945
NTT DoCoMo, Inc.	376	523,776
OJI Paper Co., Ltd.	11,000	45,818
Olympus Corp.	3,500	112,460
Ono Pharmaceutical Co., Ltd.	1,500	64,092
Oriental Land Co., Ltd.	900	59,095
ORIX Corp.	260	17,681
Osaka Gas Co., Ltd.	30,000	101,074
Panasonic Corp.	5,600	80,083
Resona Holdings, Inc.	2,600	26,254
Ricoh Co., Ltd.	6,000	84,624
Santen Pharmaceutical Co., Ltd.	2,000	63,950
Sapporo Hokuyo Holdings, Inc.	15,400	55,711
Sapporo Holdings Ltd.	7,000	38,128
Seven & I Holdings Co., Ltd.	13,000	263,862
Sharp Corp.	5,000	62,916
Shikoku Electric Power Co., Inc.	2,400	61,906
Shin-Etsu Chemical Co., Ltd.	2,400	135,277
Shionogi & Co., Ltd.	5,000	108,133
Shiseido Co., Ltd.	5,000	95,833
Showa Shell Sekiyu KK	7,100	57,768
SOFTBANK Corp.	18,100	423,048
Sony Corp.	3,700	107,250
Sumitomo Chemical Co., Ltd.	14,000	61,105
Sumitomo Corp.	5,300	53,345
Sumitomo Metal Industries Ltd.	26,000	69,318
Sumitomo Metal Mining Co., Ltd.	4,000	58,966

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

	Shares	Value ($)
Sumitomo Mitsui Financial Group, Inc.	2,500	71,274
Sumitomo Realty & Development Co., Ltd.	2,000	37,511
Sumitomo Trust & Banking Co., Ltd.	9,000	43,753
Suzuken Co., Ltd.	1,300	42,571
Taiheiyo Cement Corp.*	37,000	42,104
Taisho Pharmaceutical Co., Ltd.	3,000	51,328
Takeda Pharmaceutical Co., Ltd.	11,000	451,612
Terumo Corp.	2,700	161,583
The Shizuoka Bank Ltd.	2,000	17,332
Tohoku Electric Power Co., Inc.	6,600	130,457
Tokio Marine Holdings, Inc.	3,000	81,430
Tokyo Electric Power Co., Inc.	18,200	456,195
Tokyo Electron Ltd.	1,300	83,126
Tokyo Gas Co., Ltd.	31,000	123,580
TonenGeneral Sekiyu KK	8,000	66,661
Toray Industries, Inc.	14,000	75,434
Toshiba Corp.*	18,000	99,269
Toyo Suisan Kaisha Ltd.	2,000	45,845
Toyota Motor Corp.	8,200	344,530
Tsumura & Co.	1,500	48,312
Unicharm Corp.	700	65,532
UNY Co., Ltd.	5,600	39,134
Yakult Honsha Co., Ltd.	1,700	51,183
Yamaguchi Financial Group, Inc.	3,000	27,762
(Cost $12,195,478)		**13,295,965**
Luxembourg 0.4%		
ArcelorMittal	5,432	246,368
Millicom International Cellular SA (SDR)	943	69,921
Tenaris SA	3,020	64,569
(Cost $189,621)		**380,858**
Netherlands 6.6%		
AEGON NV*	13,839	88,194
Akzo Nobel NV	3,334	219,753
ASML Holding NV	10,336	351,558
Fugro NV (CVA)	811	46,314
Heineken Holding NV	913	38,252
Heineken NV	4,584	217,206
ING Groep NV (CVA)*	27,945	270,149
Koninklijke (Royal) KPN NV	52,408	888,930
Koninklijke (Royal) Philips Electronics, NV	8,829	261,427
Koninklijke Ahold NV	21,640	287,097
Koninklijke DSM NV	2,400	117,675
Randstad Holdings NV*	1,215	60,075
Reed Elsevier NV	75,607	927,701
Royal Dutch Shell PLC "A"	3,199	96,586
Royal Dutch Shell PLC "B"	2,437	71,014
TNT NV	4,235	129,628
Unilever NV (CVA)	27,687	902,188
Wolters Kluwer NV	31,215	684,176
(Cost $4,183,822)		**5,657,923**
Norway 2.5%		
DnB NOR ASA*	33,800	366,919
Norsk Hydro ASA*	24,400	202,833
Orkla ASA	25,600	249,786
Renewable Energy Corp. ASA* (a)	8,600	65,794
Statoil ASA	15,900	396,606
Telenor ASA*	34,500	483,922
Yara International ASA	8,150	369,029
(Cost $1,312,802)		**2,134,889**
Portugal 0.4%		
Brisa Auto-Estradas de Portugal SA	5,209	53,225
EDP — Energias de Portugal SA	50,602	223,964
Portugal Telecom, SGPS, SA (Registered)	1,798	21,858
(Cost $229,728)		**299,047**
Singapore 1.7%		
CapitaLand Ltd.	20,000	59,239
DBS Group Holdings Ltd.	10,000	108,729
Fraser & Neave Ltd.	15,000	44,575
Jardine Cycle & Carriage Ltd.	5,000	95,412
Keppel Corp., Ltd.	18,000	104,737
Oversea-Chinese Banking Corp., Ltd.	17,000	109,431
SembCorp Industries Ltd.	19,000	49,621
Singapore Airlines Ltd.	6,000	63,351
Singapore Airport Terminal Services Ltd.	6,570	12,753
Singapore Exchange Ltd.	7,000	41,263
Singapore Press Holdings Ltd.	59,000	153,336
Singapore Technologies Engineering Ltd.	25,000	57,466
Singapore Telecommunications Ltd.	180,000	396,391
United Overseas Bank Ltd.	9,000	125,249
(Cost $947,464)		**1,421,553**
Spain 3.6%		
Abertis Infraestructuras SA	5,893	132,977
Acciona SA	250	32,470
ACS, Actividades de Construccion y Servicios SA	2,437	121,163
Banco Bilbao Vizcaya Argentaria SA	5,164	93,542
Banco Santander SA	13,187	216,661
EDP Renovaveis SA*	5,961	56,349
Enagas	2,258	49,975
Ferrovial SA	9,049	105,678
Fomento de Construcciones y Contratas SA	960	40,265
Gamesa Corp. Tecnologica SA	3,474	58,237
Gas Natural SDG SA	2,049	44,106
Iberdrola Renovables	13,050	62,175
Iberdrola SA	19,642	186,981
Indra Sistemas SA	2,157	50,741
Industria de Diseno Textil SA	4,733	293,274
Red Electrica Corporacion SA	1,144	63,403
Repsol YPF SA	20,509	547,571
Telefonica SA	32,124	895,346
Zardoya Otis SA	3,050	59,455
(Cost $2,180,677)		**3,110,369**
Sweden 3.3%		
AB SKF "B"	3,095	53,160
Atlas Copco AB "A"	5,936	86,747
Electrolux AB "B"*	3,335	78,276
Hennes & Mauritz AB "B"	5,657	313,044
Holmen AB "B"	2,160	55,095
Husqvarna AB "B"*	7,799	57,577
Investor AB "B"	737	13,624
Nordea Bank AB	18,876	191,219
Sandvik AB	5,637	67,568
Skandinaviska Enskilda Banken AB "A"*	8,883	54,612

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

	Shares	Value ($)
SSAB AB "A"	5,874	99,309
SSAB AB "B"	4,185	64,689
Svenska Cellulosa AB "B"	20,412	272,660
Svenska Handelsbanken AB "A"	2,807	80,279
Tele2 AB "B"	4,023	61,632
Telefonaktiebolaget LM Ericsson "B"	112,298	1,032,897
TeliaSonera AB	28,979	209,219
Volvo AB "B"	5,145	43,834
(Cost $2,234,709)		**2,835,441**
Switzerland 6.8%		
ABB Ltd. (Registered)*	8,311	158,951
Adecco SA (Registered)	824	45,492
Aryzta AG	1,064	39,686
Compagnie Financiere Richemont SA "A"	6,560	219,505
Credit Suisse Group AG (Registered)	1,994	98,207
GAM Holding Ltd. (Registered)	869	10,574
Geberit AG (Registered)*	332	58,809
Givaudan SA (Registered)*	102	81,177
Holcim Ltd. (Registered)	2,125	164,722
Lonza Group AG (Registered)	466	32,681
Nestle SA (Registered)	29,674	1,441,646
Nobel Biocare Holding AG (Registered)	1,356	45,382
Novartis AG (Registered)	14,711	801,488
Roche Holding AG (Genusschein)	5,116	870,314
Sonova Holding AG (Registered)	458	55,381
STMicroelectronics NV	7,073	64,135
Swatch Group AG (Bearer)	465	117,041
Swiss Reinsurance Co., Ltd. (Registered)	1,091	52,271
Swisscom AG (Registered)	2,523	962,144
Syngenta AG (Registered)	861	241,267
Synthes, Inc.	317	41,517
UBS AG (Registered)*	7,534	115,737
Xstrata PLC*	3,780	66,580
Zurich Financial Services AG	398	86,536
(Cost $4,013,207)		**5,871,243**
United Kingdom 7.3%		
Anglo American PLC*	3,853	166,753
AstraZeneca PLC	13,886	652,463
Autonomy Corp. PLC*	11,080	270,152
BAE Systems PLC	18,633	107,379
Barclays PLC	11,766	51,849
BG Group PLC	3,589	64,271
BHP Billiton PLC	4,437	141,730
BP PLC	22,383	216,470
British American Tobacco PLC	2,268	73,575
British Sky Broadcasting Group PLC	6,799	61,247
BT Group PLC	57,356	124,189
Cable & Wireless	24,059	54,336
Capita Group PLC	5,549	66,931
Centrica PLC	28,642	129,357
Compass Group PLC	11,814	84,378
Diageo PLC	2,849	49,685
Drax Group PLC	3,469	23,222
GlaxoSmithKline PLC	48,908	1,036,026
HSBC Holdings PLC	12,924	147,493
Imperial Tobacco Group PLC	860	27,103
International Power PLC	14,339	70,947
Kingfisher PLC	14,696	53,871
Marks & Spencer Group PLC	8,450	54,818
National Grid PLC	13,726	150,040
Next PLC	1,325	44,175
Pearson PLC	4,110	59,084
Reckitt Benckiser Group PLC	20	1,084
Reed Elsevier PLC	9,798	80,459
Rio Tinto PLC	3,273	176,403
Rolls-Royce Group PLC*	12,478	97,377
SABMiller PLC	1,731	50,761
Scottish & Southern Energy PLC	6,560	122,589
Severn Trent PLC	3,170	55,375
Shire PLC	6,752	132,041
Smith & Nephew PLC	8,192	84,116
Smiths Group PLC	3,914	64,043
Standard Chartered PLC	1,687	42,247
Tesco PLC	17,554	120,610
The Sage Group PLC	68,809	244,290
Unilever PLC	1,529	48,942
United Utilities Group PLC	8,616	68,554
Vodafone Group PLC	326,420	755,891
William Morrison Supermarkets PLC	8,072	35,987
WPP PLC	9,498	92,747
(Cost $4,703,839)		**6,255,060**
Total Common Stocks (Cost $58,382,554)		**75,314,854**

Preferred Stocks 0.7%

	Shares	Value ($)
Germany		
Fresenius SE	632	45,167
Henkel AG & Co. KGaA	9,562	497,823
Volkswagen AG	513	48,222
Total Preferred Stocks (Cost $342,513)		**591,212**

Rights 0.0%

	Shares	Value ($)
Australia		
Woodside Petroleum Ltd., Expiration Date 1/29/2010* (Cost $0)	444	**2,034**

	Principal Amount ($)	Value ($)

Government & Agency Obligation 0.4%

	Principal Amount ($)	Value ($)
US Treasury Obligation		
US Treasury Bill, 0.03%**, 3/18/2010 (c) (Cost $314,915)	315,000	**314,968**

Exchange-Traded Funds 8.7%

	Shares	Value ($)
Emerging Markets		
iShares MSCI Emerging Markets Index	83,700	3,473,550
Vanguard Emerging Markets	97,900	4,013,900
Total Exchange-Traded Funds (Cost $6,029,338)		**7,487,450**

Securities Lending Collateral 0.3%

	Shares	Value ($)
Daily Assets Fund Institutional, 0.17% (d) (e) (Cost $305,560)	305,560	**305,560**

Cash Equivalents 2.6%

	Shares	Value ($)
Central Cash Management Fund, 0.14% (d) (Cost $2,223,564)	2,223,564	**2,223,564**

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

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $67,598,444)†	100.1	**86,239,642**
Other Assets and Liabilities, Net	(0.1)	**(102,480)**
Net Assets	100.0	**86,137,162**

* *Non-income producing security.*

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

† *The cost for federal income tax purposes was $68,179,212. At December 31, 2009, net unrealized appreciation for all securities based on tax cost was $18,060,430. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $19,382,992 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $1,322,562.*

(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, 2009 amounted to $278,095, which is 0.3% of net assets.*

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

(c) *At December 31, 2009, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.*

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

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

CVA: Certificaten Van Aandelen

MSCI: Morgan Stanley Capital International

REIT: Real Estate Investment Trust

RSP: Risparmio (Convertible Savings Shares)

SDR: Swedish Depositary Receipt

At December 31, 2009, open futures contracts purchased were as follows:

Futures	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Appreciation ($)
ASX SPI 200 Index	AUD	3/18/2010	3	328,692	18,114
DJ Euro Stoxx 50 Index	EUR	3/19/2010	40	1,704,204	69,171
FTSE 100 Index	GBP	3/19/2010	3	259,797	7,914
Nikkei 225 Index	USD	3/11/2010	10	533,250	32,960
S&P TSE 60 Index	CAD	3/18/2010	1	132,103	2,374
Total net unrealized appreciation					**130,533**

Currency Abbreviations

AUD	Australian Dollar	GBP	British Pound
CAD	Canadian Dollar	USD	United States Dollar
EUR	Euro		

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

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

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes significant unobservable inputs (including the Portfolio's own assumptions in determining the fair value of investments). The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of December 31, 2009 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to the Financial Statements.

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stocks and/or Other Equity Investments (f)				
Australia	$ 2,034	$ 4,651,888	$ —	$ 4,653,922
Austria	—	943,634	—	943,634
Belgium	—	2,039,480	—	2,039,480
Bermuda	—	86,123	—	86,123
Canada	4,236,733	—	—	4,236,733
Cyprus	—	30,287	—	30,287
Denmark	—	3,073,021	—	3,073,021
Finland	—	2,163,471	—	2,163,471
France	—	6,576,557	—	6,576,557
Germany	—	4,673,193	—	4,673,193
Greece	—	605,237	—	605,237
Hong Kong	—	2,066,801	—	2,066,801
Ireland	—	544,154	—	544,154
Italy	—	2,953,139	—	2,953,139
Japan	—	13,295,965	—	13,295,965
Luxembourg	—	380,858	—	380,858
Netherlands	—	5,657,923	—	5,657,923
Norway	—	2,134,889	—	2,134,889
Portugal	—	299,047	—	299,047
Singapore	—	1,421,553	—	1,421,553
Spain	—	3,110,369	—	3,110,369
Sweden	—	2,835,441	—	2,835,441
Switzerland	—	5,871,243	—	5,871,243
United Kingdom	—	6,255,060	—	6,255,060
Exchange-Traded Funds	7,487,450	—	—	7,487,450
Short-Term Investments (f)	2,529,124	314,968	—	2,844,092
Derivatives (g)	130,533	—	—	130,533
Total	**$ 14,385,874**	**$ 71,984,301**	**$ —**	**$ 86,370,175**

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

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

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2009

Assets		
Investments:		
Investments in securities, at value (cost $65,069,320) — including $278,095 of securities loaned	$	83,710,518
Investment in Daily Assets Fund Institutional (cost $305,560)*		305,560
Investment in Central Cash Management Fund (cost $2,223,564)		2,223,564
Total investments, at value (cost $67,598,444)		86,239,642
Foreign currency, at value (cost $228,166)		228,243
Receivable for investments sold		1,487
Receivable for Portfolio shares sold		31,221
Dividends receivable		75,316
Interest receivable		2,068
Foreign taxes recoverable		126,500
Other assets		1,773
Total assets		86,706,250

Liabilities		
Payable upon return of securities loaned		305,560
Payable for Portfolio shares redeemed		66,068
Payable for daily variation margin on open futures contracts		1,154
Accrued management fee		58,586
Other accrued expenses and payables		137,720
Total liabilities		569,088
Net assets, at value	**$**	**86,137,162**

Net Assets Consist of		
Undistributed net investment income		1,659,097
Net unrealized appreciation (depreciation) on:		
Investments		18,641,198
Futures		130,533
Foreign currency		20,103
Accumulated net realized gain (loss)		(72,619,932)
Paid-in capital		138,306,163
Net assets, at value	**$**	**86,137,162**
Class A		
Net Asset Value, offering and redemption price per share ($86,137,162 ÷ 11,562,525 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**7.45**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2009

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $264,376)	$	2,177,779
Interest		604
Income distributions — affiliated cash management vehicles		6,796
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		115,132
Total Income		2,300,311
Expenses:		
Management fee		527,405
Administration fee		81,139
Custodian fee		63,966
Distribution service fee (Class B)		40
Services to shareholders		2,090
Trustees' fees and expenses		2,697
Reports to shareholders		6,231
Legal fees		11,275
Audit and tax fees		61,000
Other		10,490
Total expenses before expense reductions		766,333
Expense reductions		(15)
Total expenses after expense reductions		766,318
Net investment income (loss)		**1,533,993**

Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		(24,148,915)
Futures		419,650
Foreign currency		125,182
		(23,604,083)
Change in net unrealized appreciation (depreciation) on:		
Investments		41,705,706
Futures		130,533
Foreign currency		6,696
		41,842,935
Net gain (loss)		**18,238,852**
Net increase (decrease) in net assets resulting from operations	**$**	**19,772,845**

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, 2009	2008
Operations:		
Net investment income (loss)	$ 1,533,993	$ 5,450,847
Net realized gain (loss)	(23,604,083)	(48,305,362)
Change in net unrealized appreciation (depreciation)	41,842,935	(62,637,125)
Net increase (decrease) in net assets resulting from operations	19,772,845	(105,491,640)
Distributions to shareholders from:		
Net investment income:		
Class A	(5,187,036)	(1,777,801)
Class B	—	(65,124)
Net realized gains:		
Class A	—	(55,032,003)
Class B	—	(3,550,840)
Total distributions	(5,187,036)	(60,425,768)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	1,865,488	11,757,062
Reinvestment of distributions	5,187,036	56,809,804
Cost of shares redeemed	(26,149,949)	(52,019,794)
Shares converted*	72,862	—
Net increase (decrease) in net assets from Class A share transactions	(19,024,563)	16,547,072
Class B		
Proceeds from shares sold	—	830,161
Reinvestment of distributions	—	3,615,964
Cost of shares redeemed	(294)	(15,396,520)
Shares converted*	(72,862)	—
Net increase (decrease) in net assets from Class B share transactions	(73,156)	(10,950,395)
Increase (decrease) in net assets	(4,511,910)	(160,320,731)
Net assets at beginning of period	90,649,072	250,969,803
Net assets at end of period (including undistributed net investment income of $1,659,097 and $5,131,928, respectively)	**$ 86,137,162**	**$ 90,649,072**

Other Information		
Class A		
Shares outstanding at beginning of period	14,554,587	14,064,172
Shares sold	283,708	1,040,380
Shares issued to shareholders in reinvestment of distributions	1,027,136	5,131,870
Shares redeemed	(4,318,475)	(5,681,835)
Shares converted*	15,569	—
Net increase (decrease) in Class A shares	(2,992,062)	490,415
Shares outstanding at end of period	**11,562,525**	**14,554,587**
Class B		
Shares outstanding at beginning of period	15,672	912,661
Shares sold	—	60,348
Shares issued to shareholders in reinvestment of distributions	—	326,645
Shares redeemed	(53)	(1,283,982)
Shares converted*	(15,619)	—
Net increase (decrease) in Class B shares	(15,672)	(896,989)
Shares outstanding at end of period	**—**	**15,672**

* *On March 6, 2009, Class B shares converted into Class A shares.*

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

Financial Highlights

Class A

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$ 6.22**	**$16.76**	**$16.31**	**$13.25**	**$11.91**
Income (loss) from investment operations:					
Net investment income[a]	.12	.33[d]	.25	.24[b]	.20
Net realized and unrealized gain (loss)	1.51	(6.67)	2.24	3.11	1.48
Total from investment operations	1.63	(6.34)	2.49	3.35	1.68
Less distributions from:					
Net investment income	(.40)	(.13)	(.46)	(.29)	(.34)
Net realized gains	—	(4.07)	(1.58)	—	—
Total distributions	(.40)	(4.20)	(2.04)	(.29)	(.34)
Net asset value, end of period	**$ 7.45**	**$ 6.22**	**$16.76**	**$16.31**	**$13.25**
Total Return (%)	29.36	(48.81)[c,e]	16.71	25.56	14.51
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	86	91	236	223	196
Ratio of expenses before expense reductions (%)	.94	1.02	.93	.88	.87
Ratio of expenses after expense reductions (%)	.94	1.01	.93	.88	.87
Ratio of net investment income (%)	1.89	3.04[d]	1.53	1.65[b]	1.59
Portfolio turnover rate (%)	139	132	117	122	93

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

[b] *Net investment income per share and the ratio of net investment income without non-recurring dividend income amounting to $0.20 per share and 1.39% of average daily net assets, respectively.*

[c] *Total return would have been lower had certain expenses not been reimbursed.*

[d] *Net investment income per share and ratio of net investment income include non-recurring dividend income amounting to $0.16 per share and 1.49% of average daily net assets, respectively.*

[e] *Includes a reimbursement from the Advisor to reimburse the effect of losses incurred as the result of certain operation errors during the period. Excluding this reimbursement, total return would have been 0.14% lower.*

DWS Dreman Small Mid Cap Value VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please contact your participating insurance company for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying Portfolio, their performance will differ.

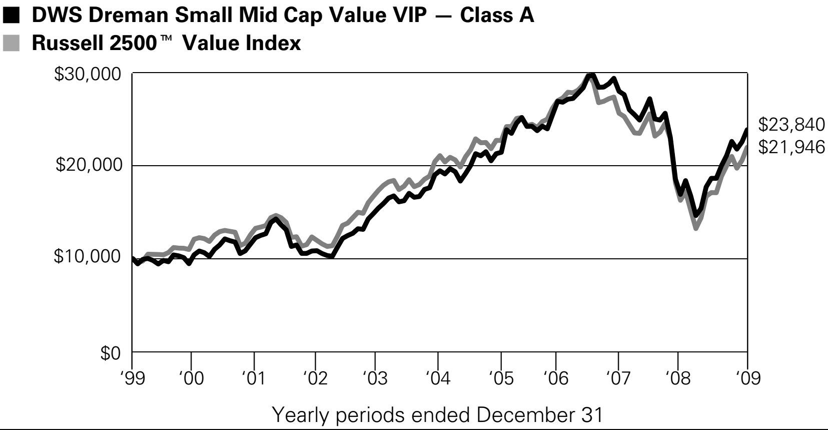
The gross expense ratios of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2009 are 0.79% and 1.15% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

Risk Considerations

This Portfolio is subject to stock market risk. Stocks of small and medium-sized companies involve greater risk than securities of larger, more-established companies, as they often have limited product lines, markets or financial resources and may be exposed to more erratic and abrupt market movements. Small and mid-cap company stocks tend to experience steeper price fluctuations — down as well as up — than stocks of larger companies. Small and mid-cap company stocks are typically less liquid than large company stocks. The Portfolio may focus its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political, or regulatory development. This may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding this product's investments and risk profile.

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

Growth of an Assumed $10,000 Investment in DWS Dreman Small Mid Cap Value VIP



The Russell 2500 ™ Value Index is an unmanaged Index of those securities in the Russell 3000® Index with lower price-to-book ratios and lower forecasted growth values.

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

Comparative Results

DWS Dreman Small Mid Cap Value VIP		1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$12,970	$8,900	$12,271	$23,840
	Average annual total return	29.70%	-3.81%	4.18%	9.08%
Russell 2500 Value Index	Growth of $10,000	$12,768	$8,052	$10,426	$21,946
	Average annual total return	27.68%	–6.97%	.84%	8.18%

DWS Dreman Small Mid Cap Value VIP		1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$12,928	$8,804	$12,041	$17,995
	Average annual total return	29.28%	–4.16%	3.78%	8.15%
Russell 2500 Value Index	Growth of $10,000	$12,768	$8,052	$10,426	$15,810
	Average annual total return	27.68%	–6.97%	.84%	6.30%

The growth of $10,000 is cumulative.

* *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

Information About Your Portfolio's Expenses

DWS Dreman Small Mid Cap Value VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (July 1, 2009 to December 31, 2009).

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, 2009

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/09	$1,000.00	$1,000.00
Ending Account Value 12/31/09	$1,280.60	$1,277.70
Expenses Paid per $1,000*	$ 4.48	$ 6.49
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/09	$1,000.00	$1,000.00
Ending Account Value 12/31/09	$1,021.27	$1,019.51
Expenses Paid per $1,000*	$ 3.97	$ 5.75

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

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Dreman Small Mid Cap Value VIP	.78%	1.13%

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

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

DWS Dreman Small Mid Cap Value VIP

A strong rebound in investor sentiment during the final nine months of 2009 boosted the performance of small- and mid-cap stocks, which typically do well when the economy is emerging from a recession. In this positive environment, the DWS Dreman Small Mid Cap VIP returned 29.70% (Class A shares, unadjusted for contract charges) for the fiscal year and outperformed the 27.68% return of its benchmark, the Russell 2500™ Value Index.

The Portfolio's top-performing stock for 2009 was the mining equipment manufacturer Joy Global, Inc., which rebounded from depressed levels as China's growing need for coal sparked demand for the company's machinery. Other top contributors included Jabil Circuit, Inc. and Hanesbrands, Inc., both of which have staged substantial rallies since we purchased them at extremely undervalued levels early in the year. In terms of sector allocations, we were helped by holding a large average underweight in financials.[1] This was a positive at a time in which financials lagged the return of the broader market.

The Portfolio's leading detractors were Mueller Water Products, Inc., MB Financial, Inc. and National Penn Bancshares, Inc., all of which we have sold. We also lost some relative performance through a position in the HMO operator Healthspring, Inc., which lagged due to concerns about the effect of health care reform legislation. Believing this fear was exaggerated, we added to the position and were therefore positioned to benefit when the stock began to recover in the fourth quarter of 2009.

We believe the market's "easy" gains are likely behind us, meaning that stock selection will become an even more important factor in performance than would typically be the case. As a result, we are not hesitating to pare back on our winners and reinvest the proceeds in less expensive stocks. As always, we will not shoot for "grand slams" and take on the added risk that accompanies such an approach. Instead, we will look for potential singles and doubles while maintaining a focus on capital preservation. We believe this is a prudent approach given the extent of the recent run-up and the challenges that continue to face the US economy.

David N. Dreman
Lead Portfolio Manager

E. Clifton Hoover, Jr.
Mark Roach
Portfolio Managers

Dreman Value Management, L.L.C.
Subadvisor to the Portfolio

The Russell 2500 Value Index is an unmanaged index of those securities in the Russell 3000® Index with lower price-to-book ratio and lower forecasted growth values.

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

1 *"Overweight" means the portfolio holds a higher weighting in a given sector or security than the benchmark. "Underweight" means the portfolio holds a lower weighting.*

Portfolio Summary

DWS Dreman Small Mid Cap Value VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**12/31/09**	**12/31/08**
Common Stocks	100%	99%
Cash Equivalents	—	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**12/31/09**	**12/31/08**
Industrials	16%	23%
Information Technology	15%	9%
Financials	15%	22%
Consumer Discretionary	14%	6%
Energy	9%	6%
Health Care	9%	11%
Consumer Staples	8%	12%
Utilities	7%	5%
Materials	6%	4%
Telecommunications Services	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 71. A complete list of portfolio holdings of the Portfolio is posted as of the month end on www.dws-investments.com on or about the 15th day of the following month. More frequent posting of portfolio holdings information may be made from time to time on www.dws-investments.com.

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 Mid Cap Value VIP

	Shares	Value ($)
Common Stocks 99.7%		
Consumer Discretionary 13.8%		
Diversified Consumer Services 2.4%		
ITT Educational Services, Inc.* (a)	33,225	3,188,271
Regis Corp. (a)	187,925	2,925,992
		6,114,263
Hotels Restaurants & Leisure 5.3%		
Brinker International, Inc.	243,250	3,629,290
Burger King Holdings, Inc. (a)	173,300	3,261,506
International Speedway Corp. "A"	118,700	3,377,015
LIFE TIME FITNESS, Inc.* (a)	138,600	3,455,298
		13,723,109
Household Durables 1.2%		
Garmin Ltd. (a)	100,625	**3,089,188**
Leisure Equipment & Products 1.2%		
Mattel, Inc.	159,550	**3,187,809**
Media 1.2%		
CBS Corp. "B"	224,000	**3,147,200**
Multiline Retail 1.3%		
Big Lots, Inc.*	111,579	**3,233,559**
Textiles, Apparel & Luxury Goods 1.2%		
Hanesbrands, Inc.* (a)	129,900	**3,131,889**
Consumer Staples 7.6%		
Beverages 1.2%		
Constellation Brands, Inc. "A"*	195,975	**3,121,882**
Food & Staples Retailing 1.1%		
Ruddick Corp. (a)	110,575	**2,845,095**
Food Products 3.9%		
Del Monte Foods Co.	285,400	3,236,436
Ralcorp Holdings, Inc.*	56,625	3,381,078
Sanderson Farms, Inc. (a)	83,300	3,511,928
		10,129,442
Household Products 1.4%		
Energizer Holdings, Inc.* (a)	56,300	**3,450,064**
Energy 8.8%		
Energy Equipment & Services 5.0%		
Atwood Oceanics, Inc.* (a)	85,100	3,050,835
Cal Dive International, Inc.*	438,375	3,314,115
Superior Energy Services, Inc.*	128,950	3,132,195
Tidewater, Inc. (a)	72,000	3,452,400
		12,949,545
Oil, Gas & Consumable Fuels 3.8%		
Arch Coal, Inc. (a)	136,000	3,026,000
Forest Oil Corp.* (a)	143,200	3,186,200
Newfield Exploration Co.*	73,250	3,532,848
		9,745,048
Financials 14.7%		
Capital Markets 2.5%		
Ameriprise Financial, Inc.	87,075	3,380,251
Raymond James Financial, Inc. (a)	129,875	3,087,129
		6,467,380
Commercial Banks 2.6%		
Bank of Hawaii Corp. (a)	67,950	3,197,727
BOK Financial Corp. (a)	73,125	3,474,900
		6,672,627

	Shares	Value ($)
Insurance 7.1%		
Allied World Assurance Co. Holdings Ltd.	68,150	3,139,671
Arch Capital Group Ltd.* (a)	41,200	2,947,860
Argo Group International Holdings Ltd.*	89,163	2,598,210
Endurance Specialty Holdings Ltd. (a)	85,275	3,174,788
Hanover Insurance Group, Inc. (a)	73,325	3,257,830
Platinum Underwriters Holdings Ltd.	85,925	3,290,068
		18,408,427
Real Estate Investment Trusts 2.5%		
Hospitality Properties Trust (REIT)	144,025	3,414,833
MFA Financial, Inc. (REIT)	411,975	3,028,016
		6,442,849
Health Care 8.6%		
Biotechnology 1.0%		
PDL BioPharma, Inc. (a)	373,325	**2,561,010**
Health Care Equipment & Supplies 2.5%		
Inverness Medical Innovations, Inc.* (a)	78,775	3,269,950
Teleflex, Inc.	60,175	3,242,831
		6,512,781
Health Care Providers & Services 2.6%		
Healthspring, Inc.*	183,400	3,229,674
LifePoint Hospitals, Inc.*	107,775	3,503,765
		6,733,439
Health Care Technology 1.2%		
IMS Health, Inc.	147,925	**3,115,301**
Life Sciences Tools & Services 1.3%		
Mettler-Toledo International, Inc.*	31,650	**3,322,933**
Industrials 16.3%		
Aerospace & Defense 2.8%		
Alliant Techsystems, Inc.* (a)	39,050	3,446,944
Spirit AeroSystems Holdings, Inc. "A"* (a)	187,475	3,723,253
		7,170,197
Commercial Services & Supplies 2.3%		
Pitney Bowes, Inc. (a)	124,950	2,843,862
The Brink's Co.	129,275	3,146,553
		5,990,415
Construction & Engineering 2.3%		
Fluor Corp.	68,925	3,104,382
Tutor Perini Corp.* (a)	163,475	2,955,628
		6,060,010
Electrical Equipment 2.4%		
General Cable Corp.* (a)	96,575	2,841,237
Hubbell, Inc. "B"	70,675	3,342,927
		6,184,164
Industrial Conglomerates 1.3%		
McDermott International, Inc.*	137,700	**3,306,177**
Machinery 2.5%		
Crane Co.	109,675	3,358,248
Joy Global, Inc.	59,250	3,056,708
		6,414,956
Road & Rail 1.3%		
Genesee & Wyoming, Inc. "A"*	102,000	**3,329,280**

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

	Shares	Value ($)
Trading Companies & Distributors 1.4%		
Textainer Group Holdings Ltd. (a)	211,250	**3,570,125**
Information Technology 15.6%		
Communications Equipment 2.5%		
Arris Group, Inc.*	302,275	3,455,003
CommScope, Inc.* (a)	114,200	3,029,726
		6,484,729
Computers & Peripherals 1.4%		
Synaptics, Inc.* (a)	118,425	**3,629,726**
Electronic Equipment, Instruments & Components 2.8%		
Anixter International, Inc.* (a)	73,025	3,439,478
Jabil Circuit, Inc.	223,725	3,886,103
		7,325,581
Internet Software & Services 1.3%		
VeriSign, Inc.*	132,450	**3,210,588**
IT Services 2.6%		
Alliance Data Systems Corp.* (a)	55,175	3,563,753
Amdocs Ltd.*	111,450	3,179,669
		6,743,422
Semiconductors & Semiconductor Equipment 1.3%		
Microsemi Corp.*	191,000	**3,390,250**
Software 3.7%		
Jack Henry & Associates, Inc.	133,375	3,083,630
Net 1 UEPS Technologies, Inc.*	170,955	3,319,946
Synopsys, Inc.*	138,575	3,087,451
		9,491,027
Materials 6.3%		
Chemicals 2.6%		
CF Industries Holdings, Inc.	36,450	3,308,931
Lubrizol Corp.	45,275	3,302,811
		6,611,742
Containers & Packaging 1.2%		
Owens-Illinois, Inc.*	98,125	**3,225,369**
Metals & Mining 2.5%		
Coeur d'Alene Mines Corp.* (a)	150,025	2,709,452
Reliance Steel & Aluminum Co.	84,150	3,636,963
		6,346,415
Telecommunication Services 1.3%		
Diversified Telecommunication Services		
Windstream Corp. (a)	313,075	**3,440,694**
Utilities 6.7%		
Electric Utilities 2.6%		
IDACORP, Inc.	108,000	3,450,600
NV Energy, Inc.	270,300	3,346,314
		6,796,914
Gas Utilities 1.5%		
ONEOK, Inc.	84,750	**3,777,308**
Multi-Utilities 2.6%		
Ameren Corp.	127,300	3,558,035
Integrys Energy Group, Inc. (a)	77,900	3,271,021
		6,829,056
Total Common Stocks (Cost $215,319,535)		**257,432,985**
Securities Lending Collateral 27.9%		
Daily Assets Fund Institutional, 0.17% (b) (c) (Cost $72,083,202)	72,083,202	**72,083,202**
Cash Equivalents 0.4%		
Central Cash Management Fund, 0.14% (b) (Cost $1,078,871)	1,078,871	**1,078,871**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $288,481,608)†	128.0	**330,595,058**
Other Assets and Liabilities, Net	(28.0)	**(72,342,286)**
Net Assets	100.0	**258,252,772**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $289,523,931. At December 31, 2009, net unrealized appreciation for all securities based on tax cost was $41,071,127. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $52,558,937 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $11,487,810.*

(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, 2009 amounted to $69,467,695, which is 26.9% of net assets.*

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

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

REIT: Real Estate Investment Trust

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes significant unobservable inputs (including the Portfolio's own assumptions in determining the fair value of investments). The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of December 31, 2009 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to the Financial Statements.

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stocks (d)	$ 257,432,985	$ —	$ —	$ 257,432,985
Short-Term Investments (d)	73,162,073	—	—	73,162,073
Total	**$ 330,595,058**	**$ —**	**$ —**	**$ 330,595,058**

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

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2009

Assets		
Investments:		
Investments in securities, at value (cost $215,319,535) — including $69,467,695 of securities loaned	$	257,432,985
Investment in Daily Assets Fund Institutional (cost $72,083,202)*		72,083,202
Investment in Central Cash Management Fund (cost $1,078,871)		1,078,871
Total investments, at value (cost $288,481,608)		330,595,058
Cash		80
Receivable for Portfolio shares sold		68,484
Dividends receivable		270,024
Interest receivable		53,231
Other assets		5,103
Total assets		330,991,980
Liabilities		
Payable upon return of securities loaned		72,083,202
Payable for Portfolio shares redeemed		369,484
Accrued management fee		154,557
Accrued expenses and payables		131,965
Total liabilities		72,739,208
Net assets, at value	**$**	**258,252,772**
Net Assets Consist of:		
Undistributed net investment income		3,095,726
Net unrealized appreciation (depreciation) on investments		42,113,450
Accumulated net realized gain (loss)		(135,273,593)
Paid-in capital		348,317,189
Net assets, at value	**$**	**258,252,772**
Class A		
Net Asset Value, offering and redemption price per share ($234,756,538 ÷ 23,383,684 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**10.04**
Class B		
Net Asset Value, offering and redemption price per share ($23,496,234 ÷ 2,341,698 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**10.03**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2009

Investment Income		
Income:		
Dividends	$	5,744,828
Income distributions — affiliated cash management vehicles		26,745
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		426,881
Total Income		6,198,454
Expenses:		
Management fee		1,488,279
Administration service fee		229,045
Distribution service fee (Class B)		57,670
Record keeping fees (Class B)		22,788
Services to shareholders		6,737
Professional fees		63,514
Trustees' fees and expenses		6,492
Reports to shareholders		6,939
Custodian fee and other		5,197
Total expenses		1,886,661
Net investment income (loss)		**4,311,793**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from investments		(70,996,729)
Payments by affiliates (see Note H)		9,887
		(70,986,842)
Change in net unrealized appreciation (depreciation) on:		
Investments		125,626,261
Foreign currency		320
		125,626,581
Net gain (loss)		**54,639,739**
Net increase (decrease) in net assets resulting from operations	**$**	**58,951,532**

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, 2009	2008
Operations:		
Net investment income (loss)	$ 4,311,793	$ 4,294,923
Net realized gain (loss)	(70,986,842)	(64,286,752)
Change in net unrealized appreciation (depreciation)	125,626,581	(96,935,623)
Net increase (decrease) in net assets resulting from operations	58,951,532	(156,927,452)
Distributions to shareholders from:		
Net investment income:		
Class A	(4,046,857)	(6,363,604)
Class B	(395,321)	(427,114)
Distributions to shareholders from:		
Net realized gains:		
Class A	—	(155,713,279)
Class B	—	(13,714,537)
Total distributions	(4,442,178)	(176,218,534)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	23,798,898	37,425,632
Reinvestment of distributions	4,046,857	162,076,883
Cost of shares redeemed	(65,465,868)	(139,030,105)
Net increase (decrease) in net assets from Class A share transactions	(37,620,113)	60,472,410
Class B		
Proceeds from shares sold	3,195,894	14,371,044
Reinvestment of distributions	395,321	14,141,651
Cost of shares redeemed	(9,987,772)	(9,977,946)
Net increase (decrease) in net assets from Class B share transactions	(6,396,557)	18,534,749
Increase (decrease) in net assets	10,492,684	(254,138,827)
Net assets at beginning of period	247,760,088	501,898,915
Net assets at end of period (including undistributed net investment income of $3,095,726 and $4,324,008, respectively)	**$ 258,252,772**	**$ 247,760,088**

Other Information		
Class A		
Shares outstanding at beginning of period	28,178,465	23,283,418
Shares sold	2,960,168	3,355,802
Shares issued to shareholders in reinvestment of distributions	624,515	15,105,022
Shares redeemed	(8,379,464)	(13,565,777)
Net increase (decrease) in Class A shares	(4,794,781)	4,895,047
Shares outstanding at end of period	**23,383,684**	**28,178,465**
Class B		
Shares outstanding at beginning of period	3,073,371	1,669,556
Shares sold	387,629	1,078,541
Shares issued to shareholders in reinvestment of distributions	60,912	1,315,502
Shares redeemed	(1,180,214)	(990,228)
Net increase (decrease) in Class B shares	(731,673)	1,403,815
Shares outstanding at end of period	**2,341,698**	**3,073,371**

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

Financial Highlights

Class A

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$ 7.93**	**$20.12**	**$22.93**	**$19.98**	**$20.05**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.16	.13	.18	.15	.19
Net realized and unrealized gain (loss)	2.11	(4.92)	.54	4.69	1.67
Total from investment operations	2.27	(4.79)	.72	4.84	1.86
Less distributions from:					
Net investment income	(.16)	(.29)	(.23)	(.18)	(.15)
Net realized gains	—	(7.11)	(3.30)	(1.71)	(1.78)
Total distributions	(.16)	(7.40)	(3.53)	(1.89)	(1.93)
Net asset value, end of period	**$10.04**	**$ 7.93**	**$20.12**	**$22.93**	**$19.98**
Total Return (%)	29.70	(33.42)[b]	3.06	25.06	10.25
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	235	223	468	562	493
Ratio of expenses before expense reductions (%)	.79	.83	.78	.79	.79
Ratio of expenses after expense reductions (%)	.79	.82	.78	.79	.79
Ratio of net investment income (%)	1.92	1.13	.85	.71	.96
Portfolio turnover rate (%)	72	49	110	52	61

[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,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$ 7.92**	**$20.08**	**$22.88**	**$19.93**	**$20.01**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.13	.09	.10	.07	.11
Net realized and unrealized gain (loss)	2.12	(4.92)	.54	4.67	1.66
Total from investment operations	2.25	(4.83)	.64	4.74	1.77
Less distributions from:					
Net investment income	(.14)	(.22)	(.14)	(.08)	(.07)
Net realized gains	—	(7.11)	(3.30)	(1.71)	(1.78)
Total distributions	(.14)	(7.33)	(3.44)	(1.79)	(1.85)
Net asset value, end of period	**$10.03**	**$ 7.92**	**$20.08**	**$22.88**	**$19.93**
Total Return (%)	29.28	(33.67)[b]	2.67	24.59	9.78
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	23	24	34	90	83
Ratio of expenses before expense reductions (%)	1.14	1.18	1.16	1.17	1.19
Ratio of expenses after expense reductions (%)	1.14	1.17	1.16	1.17	1.19
Ratio of net investment income (%)	1.57	.78	.47	.33	.56
Portfolio turnover rate (%)	72	49	110	52	61

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

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

Performance Summary

DWS Global Thematic VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please contact your participating insurance company for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying Portfolio, their performance will differ.

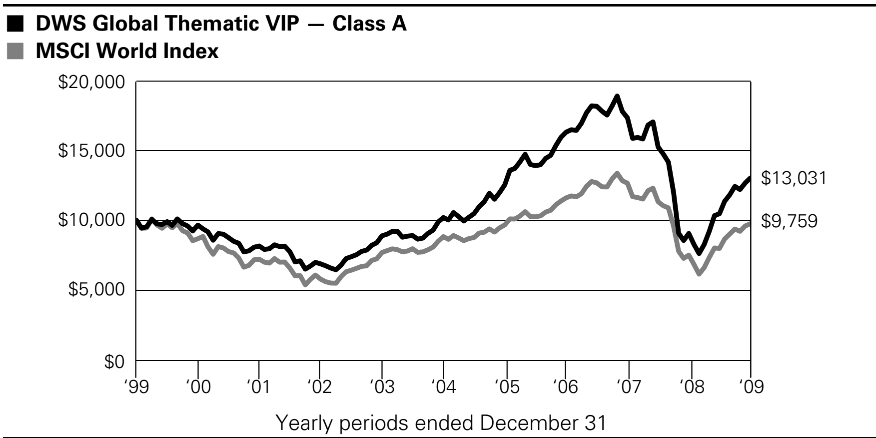
The gross expense ratios of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2009 are 1.42% and 1.77% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

Risk Considerations

This Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Additionally, investing in foreign securities presents certain risks, such as currency fluctuation, political and economic changes and market risks. This may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

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

Growth of an Assumed $10,000 Investment in DWS Global Thematic VIP



The Morgan Stanley Capital International (MSCI) World Index is an unmanaged, capitalization-weighted measure of global stock markets including the US, Canada, Europe, Australia and the Far East. The index is calculated using closing local market prices and translates into US dollars using the London close foreign exchange rates.

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

Comparative Results

DWS Global Thematic VIP		1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$14,382	$7,988	$12,780	$13,031
	Average annual total return	43.82%	–7.22%	5.03%	2.68%
MSCI World Index	Growth of $10,000	$12,999	$8,403	$11,046	$9,759
	Average annual total return	29.99%	–5.63%	2.01%	–.24%

DWS Global Thematic VIP		1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$14,323	$7,903	$12,551	$16,609
	Average annual total return	43.23%	–7.55%	4.65%	7.00%
MSCI World Index	Growth of $10,000	$12,999	$8,403	$11,046	$14,820
	Average annual total return	29.99%	–5.63%	2.01%	5.39%

The growth of $10,000 is cumulative.

* *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

Information About Your Portfolio's Expenses

DWS Global Thematic VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (July 1, 2009 to December 31, 2009).

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, 2009

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/09	$1,000.00	$1,000.00
Ending Account Value 12/31/09	$1,244.70	$1,242.50
Expenses Paid per $1,000*	$ 5.88	$ 7.86
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/09	$1,000.00	$1,000.00
Ending Account Value 12/31/09	$1,019.96	$1,018.20
Expenses Paid per $1,000*	$ 5.30	$ 7.07

* *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	1.04%	1.39%

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

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

DWS Global Thematic VIP

DWS Global Thematic VIP delivered an outstanding performance in 2009, returning 43.82% (Class A shares) and soundly outpacing the 29.99% return of its benchmark, the MSCI World Index. The Portfolio's five-year average annual return of 5.03% also compares favorably with the 2.01% gain for the benchmark, while the three-year return of –7.22% trailed the –5.63% return of the benchmark in the same interval.

We strive to identify the themes that we believe will be the important long-term drivers of the global business environment, then we use intensive fundamental research and a wide array of quantitative tools to invest in companies that should benefit as these themes unfold.

All but one of the Portfolio's 13 themes contributed to its performance during the past year. Our strongest themes were Distressed Companies, which seeks companies that are priced at low valuations due to unwarranted pessimism or short-term misperceptions of risk, and Asymmetric Negotiators, where we look for companies whose access to raw materials enables them to conduct one-sided price negotiations with buyers.[1] As such, the latter theme invests in energy and natural resources companies — two groups that outpaced the broader market. Also delivering stellar performance were Large Units, which invests in companies that are benefiting from the growth of middle classes and consumerism in emerging-markets countries, and Global Agribusiness, where we seek companies that stand to benefit from the rapidly changing dietary needs of a growing global population.

While the end of the calendar year inevitably brings a litany of "What's next?" articles in the financial media, we will — as always — remain focused on our longer-term themes. We will leave it to others to predict the direction of global growth trends, as we don't presume to understand the many twists and turns of human behavior that shape the world economy. As we have discussed in the past, we believe it is a better idea to focus on our longer-term themes, which we research well and whose validity is independent of economic cycles. While past performance is no guarantee of future results, of course, we believe the Portfolio's substantial outperformance in the past five years — a time marked by both bull and bear markets — helps illustrate the effectiveness of our approach.

Oliver Kratz
Portfolio Manager

The Morgan Stanley Capital International (MSCI) World Index is an unmanaged, capitalization-weighted measure of global stock markets including the US, Canada, Europe, Australia and the Far East. The index is calculated using closing local market prices and translates into US dollars using the London close foreign exchange rates.

Index returns assume reinvestment of dividends and, unlike portfolio returns, do not reflect any fees of expenses. It is not possible to invest directly into an index.

1 *"Valuation" refers to the price investors pay for a given security. An asset can be undervalued, meaning that it trades for less than its intrinsic value, or overvalued, which means that it trades at a more expensive price than its underlying worth.*

Portfolio management market commentary is as of December 31, 2009, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results. Current and future portfolio holdings are subject to risk.

Portfolio Summary

DWS Global Thematic VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**12/31/09**	**12/31/08**
Common Stocks	95%	95%
Participatory Notes	2%	1%
Exchange-Traded Funds	2%	2%
Cash Equivalents	1%	1%
Preferred Stocks	—	1%
	100%	100%

Sector Diversification (As a % of Investment Portfolio excluding Exchange-Traded Funds, Cash Equivalents and Securities Lending Collateral)	**12/31/09**	**12/31/08**
Financials	23%	16%
Health Care	14%	18%
Industrials	14%	16%
Consumer Staples	11%	13%
Information Technology	11%	6%
Energy	9%	11%
Consumer Discretionary	8%	8%
Telecommunication Services	6%	5%
Materials	2%	7%
Utilities	2%	—
	100%	100%

Geographical Diversification (As a % of Investment Portfolio excluding Cash Equivalents and Securities Lending Collateral)	**12/31/09**	**12/31/08**
United States	44%	40%
Continental Europe	23%	24%
Japan	9%	5%
United Kingdom	7%	5%
Asia (excluding Japan)	5%	11%
Latin America	5%	9%
Middle East	3%	2%
Africa	2%	—
Bermuda	1%	1%
Canada	—	2%
Other	1%	1%
	100%	100%

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

For more complete details about the Portfolio's investment portfolio, see page 80. A complete list of portfolio holdings of the Portfolio is posted as of the month end on www.dws-investments.com on or about the 15th day of the following month. More frequent posting of portfolio holdings information may be made from time to time on www.dws-investments.com.

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, 2009

DWS Global Thematic VIP

	Shares	Value ($)
Common Stocks 94.7%		
Australia 0.6%		
IOOF Holdings Ltd.	22,700	122,580
Telstra Corp., Ltd.	101,000	309,521
(Cost $372,284)		**432,101**
Austria 2.8%		
Erste Group Bank AG	39,146	1,451,027
Raiffeisen International Bank-Holding AG	9,030	511,113
(Cost $2,109,366)		**1,962,140**
Belgium 1.0%		
Anheuser-Busch InBev NV	8,387	433,307
Belgacom SA	7,000	252,489
(Cost $533,254)		**685,796**
Bermuda 0.7%		
Lazard Ltd. "A" (Cost $368,733)	13,000	**493,610**
Brazil 2.6%		
Cielo SA	23,300	203,074
Santos Brasil Participacoes SA (Units)*	102,100	1,023,585
SLC Agricola SA	66,300	620,251
(Cost $1,927,650)		**1,846,910**
Canada 0.2%		
Agrium, Inc. (Cost $120,063)	2,200	**135,300**
Cayman Islands 0.1%		
Herbalife Ltd. (Cost $105,884)	2,600	**105,482**
China 0.4%		
China Railway Construction Corp., Ltd. "H"	17,500	22,458
Renhe Commercial Holdings	1,192,000	268,809
(Cost $304,843)		**291,267**
Egypt 1.0%		
Egyptian Financial Group-Hermes Holding (GDR) 144A	45,800	421,360
Orascom Telecom Holding SAE (GDR) REG S	11,400	258,113
(Cost $702,774)		**679,473**
France 0.5%		
Total SA (Cost $275,609)	5,466	**350,270**
Germany 6.2%		
Commerzbank AG* (a)	26,400	221,344
Daimler AG (Registered)	14,700	785,377
Deutsche Lufthansa AG (Registered)	66,200	1,111,399
Deutsche Telekom AG (Registered)	57,400	847,741
E.ON AG	26,500	1,106,313
Muenchener Rueckversicherungs-Gesellschaft AG (Registered)	2,100	327,363
(Cost $3,717,075)		**4,399,537**
Greece 0.2%		
Alpha Bank AE* (Cost $114,427)	10,000	**115,689**
Hong Kong 0.7%		
Hongkong & Shanghai Hotels Ltd.	272,182	399,182
Vinda International Holdings Ltd. (b)	169,000	119,427
(Cost $401,888)		**518,609**
India 0.2%		
Bharat Electronics Ltd. (Cost $118,561)	4,138	**172,777**
Ireland 0.3%		
Governor & Co. of the Bank of Ireland* (Cost $314,421)	120,100	**224,151**
Israel 2.0%		
Bezeq Israeli Telecommunication Corp., Ltd.	261,812	659,206
Teva Pharmaceutical Industries Ltd. (ADR)	13,000	730,340
(Cost $1,160,797)		**1,389,546**
Italy 0.4%		
Telecom Italia SpA (Cost $272,603)	183,200	**284,132**
Japan 9.1%		
Chuo Mitsui Trust Holdings, Inc.	139,000	463,920
Dentsu, Inc.	15,000	345,208
Hitachi Ltd.*	257,000	787,145
Japan Tobacco, Inc.	177	597,226
Mitsubishi Corp.	34,000	845,337
Mitsubishi UFJ Financial Group, Inc.	157,600	771,639
Mitsui & Co., Ltd.	25,200	356,759
Mizuho Financial Group, Inc.	187,200	334,961
Mizuho Financial Group, Inc. (ADR)	32,300	114,988
Nomura Holdings, Inc.	106,000	781,174
Sumitomo Mitsui Financial Group, Inc.	11,000	313,606
Toyota Motor Corp.	17,800	747,882
(Cost $6,238,719)		**6,459,845**
Kazakhstan 0.6%		
Kazakhstan Kagazy PLC (GDR) 144A*	181,200	48,924
KazMunaiGas Exploration Production (GDR)	14,050	349,845
(Cost $1,253,574)		**398,769**
Korea 2.0%		
Doosan Heavy Industries & Construction Co., Ltd.*	6,844	473,841
KT&G Corp.	11,639	643,136
NHN Corp.*	300	49,538
Samsung SDI Co., Ltd.*	2,275	288,076
(Cost $1,357,855)		**1,454,591**
Luxembourg 0.7%		
ArcelorMittal	9,402	426,427
Gagfah SA	11,325	103,538
(Cost $301,181)		**529,965**
Malaysia 0.3%		
AMMB Holdings Bhd. (Cost $94,773)	143,000	**208,036**
Mexico 1.5%		
America Movil SAB de CV "L" (ADR)	12,000	563,760
Banco Compartamos SA de CV	200	1,032
Grupo Televisa SA (ADR)	23,900	496,164
(Cost $1,078,940)		**1,060,956**

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

	Shares	Value ($)
Netherlands 2.4%		
QIAGEN NV* (a)	34,800	777,370
Royal Dutch Shell PLC "A"	19,721	595,430
Wolters Kluwer NV	15,100	330,964
(Cost $1,366,890)		**1,703,764**
Panama 1.1%		
Copa Holdings SA "A" (Cost $519,523)	14,450	**787,092**
Russia 3.0%		
Far Eastern Shipping Co.*	689,000	251,485
LUKOIL (ADR)	6,500	364,096
Rosneft Oil Co. (GDR)	57,300	492,780
Sberbank	376,447	1,052,831
(Cost $2,505,774)		**2,161,192**
Singapore 0.1%		
Food Empire Holdings Ltd. (Cost $183,526)	371,000	**86,496**
South Africa 0.4%		
Murray & Roberts Holdings Ltd. (Cost $293,806)	41,059	**256,553**
Spain 0.5%		
Grifols SA (Cost $341,451)	21,917	**381,916**
Switzerland 3.8%		
Nestle SA (Registered)	19,030	924,531
Roche Holding AG (Genusschein)	5,085	865,041
UBS AG (Registered)* (c)	24,191	371,620
UBS AG (Registered)* (c)	35,200	545,952
(Cost $2,249,989)		**2,707,144**
Thailand 0.9%		
Bangkok Bank PCL (Foreign Registered)	79,600	278,295
Kasikornbank PCL (Foreign Registered)	94,500	246,122
Seamico Securities PCL (Foreign Registered)	1,403,300	80,814
(Cost $627,272)		**605,231**
Turkey 0.0%		
Akbank TAS (Cost $26,255)	4,500	**28,463**
United Kingdom 6.4%		
Aberdeen Asset Management PLC	197,992	427,856
BAE Systems PLC	153,955	887,216
Diageo PLC	26,660	464,934
G4S PLC	131,452	549,376
GlaxoSmithKline PLC	51,713	1,095,445
Imperial Tobacco Group PLC	26,749	843,000
Rio Tinto PLC	5,494	296,107
(Cost $3,731,466)		**4,563,934**
United States 42.0%		
Affiliated Managers Group, Inc.*	5,700	383,895
Apache Corp.	4,500	464,265
Ashland, Inc.	2,200	87,164
Bank of America Corp.	52,700	793,662
Berkshire Hathaway, Inc. "A"*	7	694,400
Boston Scientific Corp.*	41,000	369,000
Cisco Systems, Inc.*	30,900	739,746
Citigroup, Inc.	158,300	523,973
ConocoPhillips	7,100	362,597
Devon Energy Corp.	7,500	551,250
Emdeon, Inc. "A"*	4,700	71,675
ExxonMobil Corp.	21,300	1,452,447
FLIR Systems, Inc.* (a)	16,700	546,424
General Electric Co.	111,900	1,693,047
Harris Corp.	9,000	427,950
Hess Corp.	8,500	514,250
Hewlett-Packard Co.	42,600	2,194,326
Illumina, Inc.* (a)	12,300	376,995
Intel Corp.	23,400	477,360
International Business Machines Corp.	5,725	749,402
Johnson & Johnson	9,900	637,659
JPMorgan Chase & Co.	13,000	541,710
Kroger Co.	16,000	328,480
Laboratory Corp. of America Holdings*	14,400	1,077,696
Lear Corp.*	3,400	229,976
Legg Mason, Inc.	8,100	244,296
Life Technologies Corp.*	19,200	1,002,816
McDonald's Corp.	27,400	1,710,856
McGraw-Hill Companies, Inc.	10,100	338,451
Monsanto Co.	7,750	633,563
Moody's Corp. (a)	13,100	351,080
Morgan Stanley	12,200	361,120
Motorola, Inc.*	57,900	449,304
Myriad Genetics, Inc.*	30,100	785,610
Pfizer, Inc.	58,775	1,069,117
Procter & Gamble Co.	17,500	1,061,025
Psychiatric Solutions, Inc.*	19,500	412,230
Qwest Communications International, Inc.	99,800	420,158
Safeway, Inc.	16,600	353,414
SAIC, Inc.*	19,600	371,224
Schlumberger Ltd.	5,600	364,504
Sprint Nextel Corp.*	162,700	595,482
The NASDAQ OMX Group, Inc.*	61,200	1,212,984
Wal-Mart Stores, Inc.	16,000	855,200
Wells Fargo & Co.	15,400	415,646
Williams Companies, Inc.	27,900	588,132
(Cost $26,579,305)		**29,885,561**
Total Common Stocks (Cost $61,670,531)		**67,366,298**

Participatory Notes 1.7%

	Shares	Value ($)
Egypt 0.1%		
Commercial International Bank (issuer Merrill Lynch International & Co.), Expiration Date 5/9/2011* (Cost $36,225)	4,336	**42,852**
Nigeria 0.2%		
First Bank of Nigeria (issuer HSBC Bank PLC), 144A, Expiration Date 11/15/2010* (Cost $177,455)	1,853,200	**174,201**
Qatar 0.3%		
Doha Bank QSC (issuer Merrill Lynch International & Co.), Expiration Date 5/24/2010*	5,945	74,641
Qatar Electricity & Water Co. (issuer Merrill Lynch International & Co.), Expiration Date 5/24/2010*	1,373	37,588
Qatar National Bank (issuer Merrill Lynch International & Co.), Expiration Date 7/26/2010*	1,945	78,752
(Cost $180,398)		**190,981**

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

	Shares	Value ($)
Saudi Arabia 1.0%		
Riyad Bank (issuer HSBC Bank PLC), Expiration Date 6/11/2012	11,300	81,042
Samba Financial Group (issuer HSBC Bank PLC), Expiration Date 4/30/2012	5,800	78,091
Saudi Basic Industrial Corp. (issuer HSBC Bank PLC), Expiration Date 3/26/2012*	24,000	527,895
Saudi Telecom Co. (issuer HSBC Bank PLC), Expiration Date 5/21/2012	5,200	61,140
(Cost $696,728)		**748,168**
United Arab Emirates 0.1%		
National Bank of Abu Dhabi (issuer Merrill Lynch International & Co.), Expiration Date 1/12/2010* (Cost $35,392)	13,696	**44,336**
Total Participatory Notes (Cost $1,126,198)		**1,200,538**

Exchange-Traded Fund 1.5%

United States

	Shares	Value ($)
iShares Nasdaq Biotechnology Index Fund* (a) (Cost $927,255)	13,450	**1,101,152**

Call Options Purchased 0.0%

United States

	Shares	Value ($)
General Electric Co., Expiration Date 1/16/2010, Strike Price $30.0 (Cost $212,772)	510	**510**

Securities Lending Collateral 3.7%

	Shares	Value ($)
Daily Assets Fund Institutional, 0.17% (d) (e) (Cost $2,663,800)	2,663,800	**2,663,800**

Cash Equivalents 1.4%

	Shares	Value ($)
Central Cash Management Fund, 0.14% (d) (Cost $979,079)	979,079	**979,079**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $67,579,635)†	103.0	**73,311,377**
Other Assets and Liabilities, Net	(3.0)	**(2,137,730)**
Net Assets	100.0	**71,173,647**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $68,231,175. At December 31, 2009, net unrealized appreciation for all securities based on tax cost was $5,080,202. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $8,727,497 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $3,647,295.*

(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, 2009 amounted to $2,567,851, which is 3.6% of net assets.*

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

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

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

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

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions exempt from registration, normally to qualified institutional buyers.

ADR: American Depositary Receipt

GDR: Global Depositary Receipt

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

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes significant unobservable inputs (including the Portfolio's own assumptions in determining the fair value of investments). The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of December 31, 2009 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to Financial Statements.

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stocks				
Australia	$ —	$ 432,101	$ —	$ 432,101
Austria	—	1,962,140	—	1,962,140
Belgium	—	685,796	—	685,796
Bermuda	493,610	—	—	493,610
Brazil	1,846,910	—	—	1,846,910
Canada	135,300	—	—	135,300
Cayman Islands	105,482	—	—	105,482

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

Assets	Level 1	Level 2	Level 3	Total
China	—	291,267	—	291,267
Egypt	—	679,473	—	679,473
France	—	350,270	—	350,270
Germany	—	4,399,537	—	4,399,537
Greece	—	115,689	—	115,689
Hong Kong	—	518,609	—	518,609
India	—	172,777	—	172,777
Ireland	—	224,151	—	224,151
Israel	730,340	659,206	—	1,389,546
Italy	—	284,132	—	284,132
Japan	114,988	6,344,857	—	6,459,845
Kazakhstan	—	398,769	—	398,769
Korea	—	1,454,591	—	1,454,591
Luxembourg	—	529,965	—	529,965
Malaysia	—	208,036	—	208,036
Mexico	1,060,956	—	—	1,060,956
Netherlands	—	1,703,764	—	1,703,764
Panama	787,092	—	—	787,092
Russia	—	2,161,192	—	2,161,192
Singapore	—	86,496	—	86,496
South Africa	—	256,553	—	256,553
Spain	—	381,916	—	381,916
Switzerland	545,952	2,161,192	—	2,707,144
Thailand	—	605,231	—	605,231
Turkey	—	28,463	—	28,463
United Kingdom	—	4,563,934	—	4,563,934
United States	29,885,561	—	—	29,885,561
Participatory Notes (f)	—	1,200,538	—	1,200,538
Exchange-Traded Fund	1,101,152	—	—	1,101,152
Short-Term Investments (f)	3,642,879	—	—	3,642,879
Derivatives (g)	510	—	—	510
Total	**$ 40,450,732**	**$ 32,860,645**	**$ —**	**$ 73,311,377**

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

(g) *Derivatives include value of options purchased.*

The following is a reconciliation of the Portfolio's Level 3 investments for which significant unobservable inputs were used in determining the value:

	Common Stocks and/or Other Equity Investments
Level 3 Reconciliation	**Hong Kong**
Balance as of December 31, 2008	$ 344,346
Realized gains (loss)	(409,241)
Change in unrealized appreciation (depreciation)	824,886
Amortization premium/discount	—
Net purchases (sales)	(759,991)
Net transfers in (out) of Level 3	—
Balance as of December 31, 2009	**$ —**
Net change in unrealized appreciation (depreciation) from investments still held as of December 31, 2009	**$ —**

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2009

Assets	
Investments:	
Investments in securities, at value (cost $63,936,756) — including $2,567,851 of securities loaned	$ 69,668,498
Investment in Daily Assets Fund Institutional (cost $2,663,800)*	2,663,800
Investment in Central Cash Management Fund (cost $979,079)	979,079
Total investments, at value (cost $67,579,635)	73,311,377
Foreign currency, at value (cost $24,431)	24,481
Receivable for investments sold	2,107,754
Receivable for Portfolio shares sold	45,093
Dividends receivable	46,272
Interest receivable	1,603
Foreign taxes recoverable	23,491
Other assets	1,389
Total assets	75,561,460
Liabilities	
Payable upon return of securities loaned	2,663,800
Payable for investments purchased	1,253,723
Payable for Portfolio shares redeemed	246,896
Deferred foreign taxes payable	11,154
Accrued management fee	61,788
Accrued expenses and payables	150,452
Total liabilities	4,387,813
Net assets, at value	**$ 71,173,647**
Net Assets Consist of	
Undistributed net investment income	607,015
Net unrealized appreciation (depreciation) on:	
Investments (net of deferred foreign taxes of $11,154)	5,720,588
Foreign currency	315
Accumulated net realized gain (loss)	(60,882,309)
Paid-in capital	125,728,038
Net assets, at value	**$ 71,173,647**
Class A	
Net Asset Value, offering and redemption price per share ($66,081,636 ÷ 8,018,621 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$ 8.24**
Class B	
Net Asset Value, offering and redemption price per share ($5,092,011 ÷ 617,302 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$ 8.25**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2009

Investment Income	
Income:	
Dividends (net of foreign taxes withheld of $85,909)	$ 1,356,735
Interest (net of foreign taxes withheld of $18)	222
Income distributions — affiliated cash management vehicles	5,083
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	45,079
Total Income	1,407,119
Expenses:	
Management fee	567,449
Administration fee	62,016
Services to shareholders	2,547
Custodian fees	115,942
Distribution service fee (Class B)	10,871
Record keeping fees (Class B)	4,304
Legal fees	6,390
Audit and tax fees	60,717
Trustees' fees and expenses	3,292
Reports to shareholders	23,155
Other	14,776
Total expenses before expense reductions	871,459
Expense reductions	(213,087)
Total expenses after expense reductions	658,372
Net investment income (loss)	**748,747**
Realized and Unrealized Gain (Loss)	
Net realized gain (loss) from:	
Investments (including foreign taxes of $53,765)	(3,165,881)
Foreign currency	(53,025)
	(3,218,906)
Change in net unrealized appreciation (depreciation) on:	
Investments (net of deferred foreign taxes of $11,154)	24,607,404
Foreign currency	2,870
	24,610,274
Net gain (loss)	**21,391,368**
Net increase (decrease) in net assets resulting from operations	**$ 22,140,115**

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, 2009	2008
Operations:		
Net investment income (loss)	$ 748,747	$ 1,279,245
Net realized gain (loss)	(3,218,906)	(55,764,112)
Change in net unrealized appreciation (depreciation)	24,610,274	(16,923,110)
Net increase (decrease) in net assets resulting from operations	22,140,115	(71,407,977)
Distributions to shareholders from:		
Net investment income:		
Class A	(911,359)	(1,766,760)
Class B	(54,811)	(79,972)
Net realized gains:		
Class A	—	(36,684,662)
Class B	—	(2,286,851)
Total distributions	(966,170)	(40,818,245)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	5,051,406	9,403,619
Reinvestment of distributions	911,359	38,451,422
Cost of shares redeemed	(18,301,405)	(34,733,222)
Net increase (decrease) in net assets from Class A share transactions	(12,338,640)	13,121,819
Class B		
Proceeds from shares sold	438,509	925,746
Reinvestment of distributions	54,811	2,366,823
Cost of shares redeemed	(1,021,786)	(2,548,724)
Net increase (decrease) in net assets from Class B share transactions	(528,466)	743,845
Increase (decrease) in net assets	8,306,839	(98,360,558)
Net assets at beginning of period	62,866,808	161,227,366
Net assets at end of period (including undistributed net investment income of $607,015 and $932,658, respectively)	**$ 71,173,647**	**$ 62,866,808**

Other Information		
Class A		
Shares outstanding at beginning of period	10,056,541	9,660,413
Shares sold	725,805	875,157
Shares issued to shareholders in reinvestment of distributions	174,256	3,769,747
Shares redeemed	(2,937,981)	(4,248,776)
Net increase (decrease) in Class A shares	(2,037,920)	396,128
Shares outstanding at end of period	**8,018,621**	**10,056,541**
Class B		
Shares outstanding at beginning of period	702,064	632,933
Shares sold	66,888	95,557
Shares issued to shareholders in reinvestment of distributions	10,440	231,135
Shares redeemed	(162,090)	(257,561)
Net increase (decrease) in Class B shares	(84,762)	69,131
Shares outstanding at end of period	**617,302**	**702,064**

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

Financial Highlights

Class A

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$ 5.84**	**$15.66**	**$17.39**	**$14.44**	**$11.78**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.08	.11	.14	.15[c]	.12
Net realized and unrealized gain (loss)	2.42	(5.83)	.88	4.02	2.58
Total from investment operations	2.50	(5.72)	1.02	4.17	2.70
Less distributions from:					
Net investment income	(.10)	(.19)	(.11)	(.09)	(.04)
Net realized gains	—	(3.91)	(2.64)	(1.13)	—
Total distributions	(.10)	(4.10)	(2.75)	(1.22)	(.04)
Net asset value, end of period	**$ 8.24**	**$ 5.84**	**$15.66**	**$17.39**	**$14.44**
Total Return (%)[b]	43.82	(47.75)	6.29	30.14[c]	22.94
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	66	59	151	143	85
Ratio of expenses before expense reductions (%)	1.38	1.47	1.44	1.38	1.41
Ratio of expenses after expense reductions (%)	1.04	1.09	1.11	1.04	1.28
Ratio of net investment income (%)	1.23	1.09	.82	.92[c]	.98
Portfolio turnover rate (%)	190	229	191	136	95

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

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

[c] *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Funds. The non-recurring income resulted in an increase in net investment income of $0.004 per share and an increase in the ratio of net investment income of 0.03%. Excluding this non-recurring income, total return would have been 0.02% lower.*

Class B

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$ 5.85**	**$15.66**	**$17.38**	**$14.43**	**$11.78**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.06	.07	.07	.09[c]	.07
Net realized and unrealized gain (loss)	2.42	(5.83)	.90	4.02	2.58
Total from investment operations	2.48	(5.76)	.97	4.11	2.65
Less distributions from:					
Net investment income	(.08)	(.14)	(.05)	(.03)	—
Net realized gains	—	(3.91)	(2.64)	(1.13)	—
Total distributions	(.08)	(4.05)	(2.69)	(1.16)	—
Net asset value, end of period	**$ 8.25**	**$ 5.85**	**$15.66**	**$17.38**	**$14.43**
Total Return (%)[b]	43.23	(47.87)	5.84	29.65[c]	22.50
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	5	4	10	25	20
Ratio of expenses before expense reductions (%)	1.73	1.82	1.81	1.76	1.79
Ratio of expenses after expense reductions (%)	1.39	1.45	1.47	1.43	1.65
Ratio of net investment income (%)	.88	.73	.46	.53[c]	.61
Portfolio turnover rate (%)	190	229	191	136	95

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

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

[c] *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Funds. The non-recurring income resulted in an increase in net investment income of $0.004 per share and an increase in the ratio of net investment income of 0.03%. Excluding this non-recurring income, total return would have been 0.02% lower.*

Performance Summary

December 31, 2009

DWS Government & Agency Securities VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please contact your participating insurance company for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying Portfolio, their performance will differ.

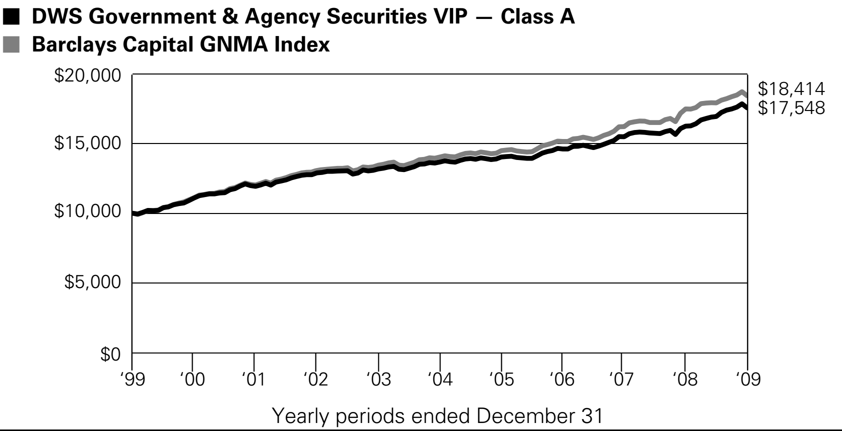
The gross expense ratios of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2009 are 0.63% and 0.98% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

Risk Considerations

The guarantee on US Government Guaranteed Securities relates only to the prompt payment of principal and interest and does not remove market risks. Additionally, yields will fluctuate in response to changing interest rates and may be affected by the prepayment of mortgage-backed securities. Bond investments are subject to interest-rate risk such that when interest rates rise, the prices of the bonds, and thus the value of the investment, can decline and the investor can lose principal value. In the current market environment, mortgage-backed securities are experiencing increased volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

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

Growth of an Assumed $10,000 Investment in DWS Government & Agency Securities VIP



The Barclays Capital GNMA Index is an unmanaged, market-value-weighted measure of all fixed-rate securities backed by mortgage pools of the Government National Mortgage Association.

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

Comparative Results

DWS Government & Agency Securities VIP		1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$10,808	$12,016	$12,838	$17,548
	Average annual total return	8.08%	6.31%	5.12%	5.78%
Barclays Capital GNMA Index	Growth of $10,000	$10,537	$12,160	$13,127	$18,414
	Average annual total return	5.37%	6.74%	5.59%	6.30%

DWS Government & Agency Securities VIP		1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$10,770	$11,877	$12,598	$13,753
	Average annual total return	7.70%	5.90%	4.73%	4.34%
Barclays Capital GNMA Index	Growth of $10,000	$10,537	$12,160	$13,127	$14,676
	Average annual total return	5.37%	6.74%	5.59%	5.25%

The growth of $10,000 is cumulative.

* *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

Information About Your Portfolio's Expenses

DWS Government & Agency Securities VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (July 1, 2009 to December 31, 2009).

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, 2009

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/09	$1,000.00	$1,000.00
Ending Account Value 12/31/09	$1,036.50	$1,034.10
Expenses Paid per $1,000*	$ 2.87	$ 4.67
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/09	$1,000.00	$1,000.00
Ending Account Value 12/31/09	$1,022.38	$1,020.62
Expenses Paid per $1,000*	$ 2.85	$ 4.63

* *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	.56%	.91%

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

Just prior to the 12-month period, the US Federal Reserve Board (the Fed) cut the benchmark federal funds rate to basically zero as it sought to provide market participants with liquidity, and Treasury yields fell dramatically.[1] As 2009 progressed, there was a strong flow of assets into beaten-down credit-sensitive sectors, as investors sought alternatives to historically low yields available on cash and other low-risk alternatives. Increasing optimism about economic recovery also contributed to the shift in investor preferences away from Treasuries and toward credit sectors. Corporations took advantage of improved liquidity and low interest rates to issue a large volume of bonds. Within corporates, financial issues did especially well as the largest banks were able to raise capital and return TARP funds to the government.[2] Troubled commercial mortgage-backed securities (CMBS) and asset-backed securities experienced especially sharp rallies during the year.[3] The government continued to support the residential mortgage market, and mortgage-backed securities provided positive returns despite concerns over rising delinquencies.

During the 12-month period ended December 31, 2009, the Portfolio provided a total return of 8.08% (Class A shares, unadjusted for contract charges), compared with the 5.37% return of its benchmark, the Barclays Capital GNMA Index.

As the mortgage market benefited from the Fed's ongoing purchases of new mortgage issuance, our overall focus on generating income by holding bonds with higher interest rates and steady cash flows was the principal contributor to performance. Holdings of interest-only securities benefited as prepayments remained low. We have also underweighted lower-yielding 15-year mortgages in favor of higher-yielding 30-year mortgages and this helped performance, as we were able to increase the income stream.[4] While the return of principal is guaranteed with GNMA securities, rising defaults led to early prepayment of principal on some issues and a loss of income to the Portfolio. The Portfolio has added exposure to floating rate issues, which lagged fixed-rate issues during the period. We added these as a cushion against an eventual rise in interest rate levels, knowing that these issues will be much more difficult and expensive to obtain once interest rates have begun to show a sustained upward trend. While we expect the Fed to remain on hold with its zero interest rate policy for the near-to-intermediate term, with mortgage rates at around 4.5%, we continue to look at floaters and other ways to position the Portfolio ahead of the eventual rise in interest rates.

William Chepolis, CFA
Matthew F. MacDonald, CFA
Co-Managers

The Barclays Capital GNMA Index is an unmanaged, market-value-weighted measure of all fixed-rate securities backed by mortgage pools of the Government National Mortgage Association. Index returns, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

1 *The federal funds rate is the interest rate, set by the US Federal Reserve, at which banks lend money to each other, usually on an overnight basis.*

2 *The Troubled Asset Relief Program (TARP) is a government program created for the establishment and management of a Treasury fund, in an attempt to curb the ongoing financial crisis of 2007–2008. The TARP gives the US Treasury purchasing power of $700 billion to buy up mortgage-backed securities (MBS) from institutions across the country, in an attempt to create liquidity and unseize the money markets.*

3 *Commercial mortgage-backed securities (CMBS) are secured by loans on a commercial property. Asset-backed securities (ABS) are secured by assets.*

4 *"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, 2009, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results. Current and future portfolio holdings are subject to risk.

Portfolio Summary

DWS Government & Agency Securities VIP

Asset Allocation (As a % of Investment Portfolio)	**12/31/09**	**12/31/08**
Mortgage-Backed Securities Pass-Throughs	70%	65%
Collateralized Mortgage Obligation	16%	17%
Government & Agency Obligations	10%	14%
Cash Equivalents	4%	4%
	100%	100%

Quality	**12/31/09**	**12/31/08**
US Government and Agencies	96%	92%
AAA*	4%	6%
Not Rated	—	2%
	100%	100%

* *Includes cash equivalents.*

Interest Rate Sensitivity	**12/31/09**	**12/31/08**
Effective Maturity	5.7 years	3.4 years
Average Duration	4.6 years	1.0 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 91. A complete list of portfolio holdings of the Portfolio is posted as of the month end on www.dws-investments.com on or about the 15th day of the following month. More frequent posting of portfolio holdings information may be made from time to time on www.dws-investments.com.

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 ($)	Value ($)
Mortgage-Backed Securities Pass-Throughs 79.6%		
Federal Home Loan Mortgage Corp.:		
4.5%, 5/1/2019	35,337	36,753
5.5%, 2/1/2017	28,805	30,691
6.0%, 12/1/2035 (a)	8,000,000	8,480,000
7.0%, with various maturities from 6/1/2032 until 8/1/2035	501,739	544,929
8.5%, 7/1/2030	2,016	2,264
Federal National Mortgage Association:		
5.0%, 10/1/2033	492,013	506,715
7.0%, 9/1/2013	307	326
8.0%, 12/1/2024	10,188	11,253
Government National Mortgage Association:		
4.5%, 1/1/2039 (a)	2,000,000	2,001,875
5.0%, with various maturities from 12/15/2032 until 11/15/2039 (a)	33,305,471	34,454,118
5.5%, with various maturities from 10/15/2032 until 11/20/2039 (a)	51,235,225	54,062,204
6.0%, with various maturities from 4/15/2013 until 2/15/2039	21,786,354	23,626,241
6.5%, with various maturities from 3/15/2014 until 2/15/2039	7,391,748	7,863,778
7.0%, with various maturities from 10/15/2026 until 2/20/2039	5,897,423	6,396,131
7.5%, with various maturities from 4/15/2026 until 1/15/2037	1,501,481	1,647,477
9.5%, with various maturities from 7/15/2016 until 12/15/2022	45,974	51,558
10.0%, with various maturities from 2/15/2016 until 3/15/2016	13,312	15,139
Total Mortgage-Backed Securities Pass-Throughs (Cost $134,700,172)		**139,731,452**
Collateralized Mortgage Obligations 17.5%		
Fannie Mae Whole Loan, "1AF1", Series 2007-W1, 0.491%*, 11/25/2046	2,931,914	2,939,347
Federal Home Loan Mortgage Corp.:		
"AF", Series 2892, 0.533%*, 5/15/2021	527,667	528,938
"FO", Series 2418, 1.133%*, 2/15/2032	647,381	657,706
"FA", Series 2419, 1.233%*, 2/15/2032	602,825	611,516
"FA", Series 2436, 1.233%*, 3/15/2032	651,497	660,267
"ST", Series 2411, Interest Only, 8.517%**, 6/15/2021	3,220,987	410,030
Federal National Mortgage Association:		
"FA", Series G92-53, 1.0%*, 9/25/2022	1,511,706	1,510,712
"OF", Series 2001-60, 1.181%*, 10/25/2031	288,600	293,119
"FB", Series 2002-30, 1.231%*, 8/25/2031	630,825	641,026
"FG", Series 2002-66, 1.231%*, 9/25/2032	979,392	992,773
"25", Series 351, Interest Only, 4.5%, 5/1/2019	680,784	79,956
"ZA", Series 2008-29, 4.5%, 4/25/2038	811,331	731,455
"20", Series 334, Interest Only, 5.0%, 3/1/2018	512,468	57,752
"21", Series 334, Interest Only, 5.0%, 3/1/2018	339,624	45,037
"23", Series 339, Interest Only, 5.0%, 7/1/2018	708,768	92,869
"ZA", Series 2008-24, 5.0%, 4/25/2038	572,908	539,356
"BP", Series 2005-96, 5.9%, 2/25/2015	1,827,237	1,937,631
"AN", Series 2007-108, 8.802%*, 11/25/2037	1,936,514	2,188,688
"SA", Series G92-57, IOette, 82.6%**, 10/25/2022	79,631	145,010
Government National Mortgage Association:		
"FH", Series 1999-18, 0.483%*, 5/16/2029	2,422,481	2,405,057
"FE", Series 2003-57, 0.533%*, 3/16/2033	125,914	124,802
"FB", Series 2001-28, 0.733%*, 6/16/2031	574,148	575,499
"FI", Series 2009-H01, Interest Only, 1.801%**, 11/20/2059	2,001,152	135,301
"KE", Series 2004-19, 5.0%, 3/16/2034	500,000	509,957
"ZM", Series 2004-24, 5.0%, 4/20/2034	1,990,150	1,960,612
"PH", Series 2004-80, 5.0%, 7/20/2034	491,000	508,270
"LE", Series 2004-87, 5.0%, 10/20/2034	1,000,000	996,561
"ZB", Series 2005-15, 5.0%, 2/16/2035	1,400,004	1,357,981
"CK", Series 2007-31, 5.0%, 5/16/2037	1,000,000	1,035,207
"MZ", Series 2009-98, 5.0%, 10/16/2039	857,098	797,584
"AI", Series 2008-46, Interest Only, 5.5%, 5/16/2023	714,646	102,936
"AI", Series 2008-51, Interest Only, 5.5%, 5/16/2023	1,513,208	210,594
"GI", Series 2003-19, Interest Only, 5.5%, 3/16/2033	1,090,909	346,995
"ZA", Series 2006-7, 5.5%, 2/20/2036	2,097,990	2,167,755
"NZ", Series 2009-65, 5.5%, 8/20/2039	338,129	337,925
"KZ", Series 2009-78, 5.5%, 9/16/2039	310,227	311,903
"PH", Series 2002- 84, 6.0%, 11/16/2032	500,000	537,304
"DI", Series 2009-10, Interest Only, 6.0%, 4/16/2038	700,833	132,596
"SA", Series 2002-65, Interest Only, 6.017%**, 9/20/2032	3,520,444	357,454
"SF", Series 2002-63, Interest Only, 6.048%**, 9/16/2032	2,406,750	229,686
"SJ", Series 2004-22, Interest Only, 6.367%**, 4/20/2034	3,276,129	126,588
"SA", Series 2006-47, Interest Only, 6.568%**, 8/16/2036	487,313	51,286

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

	Principal Amount ($)	Value ($)
"IC", Series 1997-4, Interest Only, 7.5%, 3/16/2027	1,060,888	234,571
"SA", Series 1999-30, Interest Only, 7.768%**, 4/16/2029	885,886	78,076
Total Collateralized Mortgage Obligations (Cost $28,555,966)		**30,695,688**

Government & Agency Obligations 11.6%

Other Government Related 2.2%

	Principal Amount ($)	Value ($)
Citibank NA, FDIC Guaranteed, 0.305%*, 5/7/2012	2,800,000	2,804,449
JPMorgan Chase & Co.:		
FDIC Guaranteed, 0.484%*, 6/15/2012	537,000	540,852
Series 3, FDIC Guaranteed, 0.501%*, 12/26/2012	463,000	467,290
		3,812,591

US Government Sponsored Agencies 8.8%

	Principal Amount ($)	Value ($)
Federal Home Loan Bank:		
1.0%, 12/28/2011 (a)	13,000,000	12,945,426
7.2%*, 3/18/2024	560,000	523,600
Federal National Mortgage Association, 8.45%*, 2/27/2023	2,000,000	2,001,000
		15,470,026

US Treasury Obligation 0.6%

	Principal Amount ($)	Value ($)
US Treasury Bill, 0.19%***, 3/18/2010 (b)	1,045,000	**1,044,895**
Total Government & Agency Obligations (Cost $20,391,544)		**20,327,512**

Cash Equivalents 4.2%

	Shares	Value ($)
Central Cash Management Fund, 0.14% (c) (Cost $7,486,782)	7,486,782	**7,486,782**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $191,134,464)†	112.9	**198,241,434**
Other Assets and Liabilities, Net	(12.9)	**(22,635,916)**
Net Assets	100.0	**175,605,518**

* *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, 2009.*

** *These securities are shown at their current rate as of December 31, 2009.*

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

† *The cost for federal income tax purposes was $191,134,514. At December 31, 2009, net unrealized appreciation for all securities based on tax cost was $7,106,920. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $7,338,500 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $231,580.*

(a) *When-issued or delayed delivery securities included.*

(b) *At December 31, 2009, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.*

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

FDIC: Federal Deposit Insurance Corp.

Interest Only: Interest Only (IO) bonds represent the "interest only" portion of payments on a pool of underlying mortgages or mortgage-backed securities. IO securities are subject to prepayment risk of the pool of underlying mortgages.

IOettes: These securities represent the right to receive interest payments on an underlying pool of mortgages with similar features as those associated with IO securities. Unlike IO's, a nominal amount of principal is assigned to an IOette which is small in relation to the interest flow that constitutes almost all of the IOette cash flow. The effective yield of this security is lower than the stated interest rate.

Included in the portfolio are investments in mortgage or asset-backed securities which are interests in separate pools of mortgages or assets. Effective maturities of these investments may be shorter than stated maturities due to prepayments. Some separate investments in the Federal Home Loan Mortgage Corp. and Government National Mortgage Association issues which have similar coupon rates have been aggregated for presentation purposes in this investment portfolio.

At December 31, 2009, open futures contracts purchased were as follows:

Futures	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Depreciation ($)
10 Year US Treasury Note	USD	3/22/2010	177	20,435,203	(505,043)
2 Year US Treasury Note	USD	3/31/2010	21	4,541,578	(4,776)
Total unrealized depreciation					**(509,819)**

At December 31, 2009, open futures contracts sold were as follows:

Futures	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Depreciation ($)
90 Day Eurodollar	USD	3/15/2010	25	6,227,813	(17,845)
90 Day Eurodollar	USD	6/14/2010	25	6,207,500	(19,632)
90 Day Eurodollar	USD	9/13/2010	25	6,181,250	(17,445)
90 Day Eurodollar	USD	12/13/2010	25	6,154,375	(16,195)
90 Day Eurodollar	USD	3/14/2011	25	6,129,375	(14,945)
90 Day Eurodollar	USD	6/13/2011	25	6,105,313	(13,695)
90 Day Eurodollar	USD	9/19/2011	25	6,083,750	(12,045)
Total unrealized depreciation					**(111,802)**

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

At December 31, 2009, open interest rate swap contracts were as follows:

Effective/ Expiration Dates	Notional Amount ($)	Cash Flows Paid by the Portfolio	Cash Flows Received by the Portfolio	Unrealized Appreciation/ (Depreciation)($)
9/15/2010 9/15/2014	5,400,000[1]	Fixed — 3.15%	Floating — LIBOR	35,574
9/15/2010 9/15/2014	5,400,000[1]	Fixed — 3.15%	Floating — LIBOR	51,054
4/20/2009 4/20/2024	1,000,000[1]	Floating — LIBOR	Fixed — 7.5%	(28,473)
5/15/2009 5/15/2024	1,000,000[1]	Floating — LIBOR	Fixed — 7.5%	(38,091)
Total net unrealized appreciation				**20,064**

At December 31, 2009, open total return swap contracts were as follows:

Effective/ Expiration Dates	Notional Amount ($)	Fixed Cash Flows Paid by the Portfolio	Reference Entity	Value ($)	Upfront Premiums Paid/ (Received) ($)	Unrealized Depreciation ($)
12/14/2009 6/1/2012	9,000,000[2]	0.425%	Global Interest Rate Strategy Index	(82,922)	—	**(82,922)**

Counterparties:

1 *Morgan Stanley*

2 *Citigroup, Inc.*

LIBOR: London InterBank Offered Rate

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

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes significant unobservable inputs (including the Portfolio's own assumptions in determining the fair value of investments). The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of December 31, 2009 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to the Financial Statements.

Assets	Level 1	Level 2	Level 3	Total
Fixed-Income Investments (d)				
Mortgage-Backed Securities Pass-Throughs	$ —	$ 139,731,452	$ —	$ 139,731,452
Collateralized Mortgage Obligations	—	30,560,387	135,301	30,695,688
Government & Agency Obligations	—	18,759,017	523,600	19,282,617
Short-Term Investments (d)	7,486,782	1,044,895	—	8,531,677
Derivatives (e)	—	86,628	—	86,628
Total	**$ 7,486,782**	**$ 190,182,379**	**$ 658,901**	**$ 198,328,062**
Liabilities				
Derivatives (e)	(621,621)	(149,486)	—	(771,107)
Total	**$ (621,621)**	**$ (149,486)**	**$ —**	**$ (771,107)**

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

(e) *Derivatives include unrealized appreciation (depreciation) on open futures contracts, interest rate swap contracts and total return swap contracts.*

The following is a reconciliation of the Portfolio's Level 3 investments for which significant unobservable inputs were used in determining value:

	Collateralized Mortgage Obligations	Government & Agency Obligations	Total
Balance as of December 31, 2008	$ —	$ —	**$ —**
Realized gains (loss)	—	—	**—**
Change in unrealized appreciation (depreciation)	101	(36,400)	**(36,299)**
Amortization premium/discount	(101)	—	**(101)**
Net purchases (sales)	135,301	560,000	**695,301**
Net transfers in (out) of Level 3	—	—	**—**
Balance as of December 31, 2009	**$ 135,301**	**$ 523,600**	**$ 658,901**
Net change in unrealized appreciation (depreciation) from investments still held as of December 31, 2009	**$ 101**	**$ (36,400)**	**$ (36,299)**

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2009

Assets		
Investments		
Investments in securities, at value (cost $183,647,682)	$	190,754,652
Investments in Central Cash Management Fund (cost $7,486,782)		7,486,782
Total investments, at value (cost $191,134,464)		198,241,434
Cash		193,728
Receivable for investments sold — when-issued and delayed delivery securities		21,282,833
Unrealized appreciation on open swap contracts		86,628
Receivable for Portfolio shares sold		78
Interest receivable		806,195
Other assets		3,799
Total assets		220,614,695

Liabilities		
Payable for investments purchased		12,986,927
Payable for investments purchased — when-issued and delayed delivery securities		31,557,536
Payable for Portfolio shares redeemed		67,888
Payable for daily variation margin on open futures contracts		49,641
Unrealized depreciation on open swap contracts		149,486
Accrued management fee		69,606
Other accrued expenses and payables		128,093
Total liabilities		45,009,177
Net assets, at value	**$**	**175,605,518**

Net Assets Consist of		
Undistributed net investment income		7,761,196
Net unrealized appreciation (depreciation) on:		
Investments		7,106,970
Futures		(621,621)
Swap contracts		(62,858)
Accumulated net realized gain (loss)		(536,818)
Paid-in capital		161,958,649
Net assets, at value	**$**	**175,605,518**
Class A		
Net Asset Value, offering and redemption price per share ($169,088,762 ÷ 13,231,519 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**12.78**
Class B		
Net Asset Value, offering and redemption price per share ($6,516,756 ÷ 510,999 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**12.75**

Statement of Operations

for the year ended December 31, 2009

Investment Income		
Income:		
Interest	$	9,285,593
Income distributions — affiliated cash management vehicles		42,461
Total Income		9,328,054
Expenses:		
Management fee		886,913
Administration fee		197,092
Distribution service fee (Class B)		17,935
Services to shareholders		2,426
Record keeping fees (Class B)		6,959
Trustees' fees and expenses		4,300
Reports to shareholders		4,787
Professional fees and other		38,996
Total expenses		1,159,408
Net investment income		**8,168,646**

Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		4,525,876
Futures		(1,943,611)
Written options		8,872
Swap contracts		(335,009)
		2,256,128
Change in net unrealized appreciation (depreciation) on:		
Investments		2,521,963
Futures		2,728,608
Swap contracts		(62,858)
		5,187,713
Net gain (loss)		**7,443,841**
Net increase (decrease) in net assets resulting from operations	**$**	**15,612,487**

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, 2009	2008
Operations:		
Net investment income	$ 8,168,646	$ 9,872,489
Net realized gain (loss)	2,256,128	(448,120)
Change in net unrealized appreciation (depreciation)	5,187,713	777,276
Net increase (decrease) in net assets resulting from operations	15,612,487	10,201,645
Distributions to shareholders from:		
Net investment income:		
Class A	(9,576,836)	(9,943,580)
Class B	(337,035)	(313,588)
Total distributions	(9,913,871)	(10,257,168)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	23,250,916	78,211,163
Reinvestment of distributions	9,576,836	9,943,580
Cost of shares redeemed	(80,587,867)	(75,825,560)
Net increase (decrease) in net assets from Class A share transactions	(47,760,115)	12,329,183
Class B		
Proceeds from shares sold	1,821,403	7,001,909
Reinvestment of distributions	337,035	313,588
Cost of shares redeemed	(3,752,537)	(4,358,212)
Net increase (decrease) in net assets from Class B share transactions	(1,594,099)	2,957,285
Increase (decrease) in net assets	(43,655,598)	15,230,945
Net assets at beginning of period	219,261,116	204,030,171
Net assets at end of period (including undistributed net investment income of $7,761,196 and $9,842,645, respectively)	**$ 175,605,518**	**$ 219,261,116**

Other Information	2009	2008
Class A		
Shares outstanding at beginning of period	17,044,556	16,080,508
Shares sold	1,856,164	6,375,775
Shares issued to shareholders in reinvestment of distributions	788,217	823,144
Shares redeemed	(6,457,418)	(6,234,871)
Net increase (decrease) in Class A shares	(3,813,037)	964,048
Shares outstanding at end of period	**13,231,519**	**17,044,556**
Class B		
Shares outstanding at beginning of period	639,523	403,813
Shares sold	144,579	569,092
Shares issued to shareholders in reinvestment of distributions	27,739	25,938
Shares redeemed	(300,842)	(359,320)
Net increase (decrease) in Class B shares	(128,524)	235,710
Shares outstanding at end of period	**510,999**	**639,523**

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

Financial Highlights

Class A

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$12.40**	**$12.38**	**$12.28**	**$12.26**	**$12.55**
Income (loss) from investment operations:					
Net investment income[a]	.52	.56	.58	.55	.51
Net realized and unrealized gain (loss)	.45	.04	.12	(.06)	(.20)
Total from investment operations	.97	.60	.70	.49	.31
Less distributions from:					
Net investment income	(.59)	(.58)	(.60)	(.47)	(.50)
Net realized gains	—	—	—	—	(.10)
Total distributions	(.59)	(.58)	(.60)	(.47)	(.60)
Net asset value, end of period	**$12.78**	**$12.40**	**$12.38**	**$12.28**	**$12.26**
Total Return (%)	8.08	4.93[b]	5.95[b]	4.16	2.57
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	169	211	199	211	243
Ratio of expenses before expense reductions (%)	.58	.66	.66	.67	.63
Ratio of expenses after expense reductions (%)	.58	.65	.63	.67	.63
Ratio of net investment income (%)	4.16	4.58	4.77	4.56	4.17
Portfolio turnover rate (%)	390	543	465	241	191

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,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$12.37**	**$12.35**	**$12.25**	**$12.23**	**$12.52**
Income (loss) from investment operations:					
Net investment income[a]	.48	.52	.53	.50	.47
Net realized and unrealized gain (loss)	.45	.03	.12	(.06)	(.21)
Total from investment operations	.93	.55	.65	.44	.26
Less distributions from:					
Net investment income	(.55)	(.53)	(.55)	(.42)	(.45)
Net realized gains	—	—	—	—	(.10)
Total distributions	(.55)	(.53)	(.55)	(.42)	(.55)
Net asset value, end of period	**$12.75**	**$12.37**	**$12.35**	**$12.25**	**$12.23**
Total Return (%)	7.70	4.60[b]	5.43[b]	3.74	2.24
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	7	8	5	33	47
Ratio of expenses before expense reductions (%)	.92	1.00	1.04	1.07	1.02
Ratio of expenses after expense reductions (%)	.92	1.00	1.01	1.07	1.02
Ratio of net investment income (%)	3.81	4.24	4.39	4.16	3.78
Portfolio turnover rate (%)	390	543	465	241	191

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

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

DWS High Income VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please contact your participating insurance company for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying portfolio, their performance will differ.

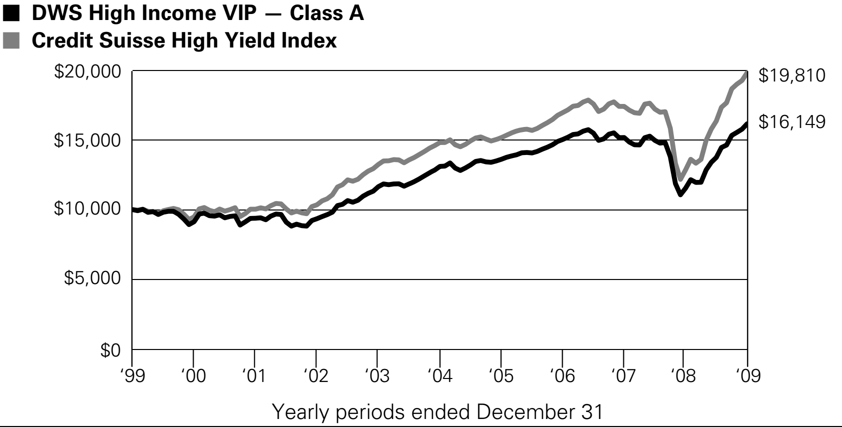
The gross expense ratios of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2009 are 0.71% and 1.05% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

Risk Considerations

Investing in foreign securities presents certain risks, such as currency fluctuation, political and economic changes and market risks. Additionally, the Portfolio may invest in lower-quality and nonrated securities which present greater risk of loss of principal and interest than higher-quality securities. All of these factors may result in greater share price volatility. Bond investments are subject to interest-rate risk such that when interest rates rise, the prices of the bonds, and thus the value of the investment, can decline and the investor can lose principal value. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

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

Growth of an Assumed $10,000 Investment in DWS High Income VIP



The Credit Suisse High Yield Index is an unmanaged, trader-priced portfolio constructed to mirror the global high-yield debt market.

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

Comparative Results

DWS High Income VIP		1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$13,999	$10,750	$12,337	$16,149
	Average annual total return	39.99%	2.44%	4.29%	4.91%
Credit Suisse High Yield Index	Growth of $10,000	$15,422	$11,687	$13,375	$19,810
	Average annual total return	54.22%	5.33%	5.99%	7.07%

DWS High Income VIP		1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$13,964	$10,652	$12,130	$17,298
	Average annual total return	39.64%	2.13%	3.94%	7.58%
Credit Suisse High Yield Index	Growth of $10,000	$15,422	$11,687	$13,375	$19,721
	Average annual total return	54.22%	5.33%	5.99%	9.46%

The growth of $10,000 is cumulative.

* *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

Information About Your Portfolio's Expenses

DWS High Income VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (July 1, 2009 to December 31, 2009).

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, 2009

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/09	$1,000.00	$1,000.00
Ending Account Value 12/31/09	$1,175.90	$1,175.00
Expenses Paid per $1,000*	$ 3.35	$ 4.77
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/09	$1,000.00	$1,000.00
Ending Account Value 12/31/09	$1,022.13	$1,020.82
Expenses Paid per $1,000*	$ 3.11	$ 4.43

* *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	.61%	.87%

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

After falling sharply in 2008, high-yield bonds — as gauged by the Portfolio's benchmark, the Credit Suisse High Yield Index — staged a dramatic recovery to close the annual period with a gain of 54.22%. High-yield bonds strongly outperformed the 5.93% return of the Barclays Capital US Aggregate Bond Index, a measure of performance for the broader fixed-income market. The substantial outperformance of high-yield bonds reflects an enormous relief rally from the panic-driven lows of late 2008. As it became clear that the global economy was stabilizing, sentiment improved and capital flooded out of low-yielding money markets and bank deposits and into higher-yielding investments.

While DWS High Income VIP (Class A shares unadjusted for contract charges) delivered strong absolute return of 39.99% during 2009, it lagged the return of the benchmark. The primary reason for this underperformance was that our portfolio had a lower risk profile than the overall market. This positioning represented a drag on our relative performance at a time in which lower-rated, higher-risk securities registered market-beating returns.

In terms of individual securities, the Portfolio's leading contributors were the bonds issued by Ford Motor Credit Co., LLC; the satellite company Telesat Canada; and auto retailers such as Asbury Automotive Group Inc., Sonic Automotive, Inc. and Penske Automotive Group, Inc. Our leading detractors were the Mexican glass company Vitro* and the mattress company Simmons Co.

We maintain a constructive outlook on high-yield bonds based on positive factors such as the improving macroeconomic picture, the likelihood that default rates will begin to fall and the increased ability of high-yield companies to strengthen their balance sheets by accessing the capital markets. We also view the asset class as being attractive in the sense that it offers significantly higher yields than other segments of the bond market. Despite these positive factors, we believe it is necessary to be highly selective in terms of taking risk. With spreads already having fallen so far from their highs, intensive bottom-up credit research is even more essential than would typically be the case.[1] In this environment, we will continue to focus our efforts on selecting securities with the best risk/return characteristics.

Gary Sullivan, CFA
Portfolio Manager

The Credit Suisse High Yield Index is an unmanaged, trader-priced portfolio constructed to mirror the global high-yield debt market.

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

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

1 *Spread refers to the excess yield various bond sectors offer over Treasuries with similar maturities. When spreads widen, yield differences are increasing between bonds in the two sectors being compared. When spreads narrow, the opposite is true.*

* *Not held in the portfolio as of December 31, 2009.*

Portfolio management market commentary is as of December 31, 2009, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results. Current and future portfolio holdings are subject to risk.

Portfolio Summary

DWS High Income VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**12/31/09**	**12/31/08**
Corporate Bonds	91%	84%
Loan Participations and Assignments	8%	7%
Preferred Securities	1%	—
Cash Equivalents	—	9%
	100%	100%

Sector Diversification (Excludes Cash Equivalents and Securities Lending Collateral)	**12/31/09**	**12/31/08**
Consumer Discretionary	18%	13%
Financials	17%	10%
Materials	14%	12%
Telecommunication Services	11%	12%
Energy	11%	15%
Industrials	8%	10%
Utilities	8%	11%
Health Care	7%	9%
Information Technology	3%	4%
Consumer Staples	3%	4%
	100%	100%

Quality (Excludes Securities Lending Collateral)	**12/31/09**	**12/31/08**
Cash Equivalents	2%	8%
A	1%	—
BBB	7%	12%
BB	34%	35%
B	36%	31%
CCC	14%	7%
CC	—	3%
D	3%	1%
Not Rated	3%	3%
	100%	100%

Effective Maturity (Excludes Cash Equivalents and Securities Lending Collateral)	**12/31/09**	**12/31/08**
Under 1 year	7%	5%
1–4.99 years	45%	41%
5–9.99 years	47%	50%
10–14.99 years	—	1%
15 years or greater	1%	3%
	100%	100%

Interest Rate Sensitivity	**12/31/09**	**12/31/08**
Effective maturity	4.8 years	5.6 years
Average duration	3.7 years	3.7 years

Asset allocation, sector diversification, quality, effective maturity and interest rate sensitivity are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 101. A complete list of portfolio holdings of the Portfolio is posted as of the month end on www.dws-investments.com on or about the 15th day of the following month. More frequent posting of portfolio holdings information may be made from time to time on www.dws-investments.com.

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 89.5%			
Consumer Discretionary 13.8%			
AMC Entertainment, Inc.:			
8.0%, 3/1/2014		590,000	563,450
8.75%, 6/1/2019		765,000	780,300
American Achievement Corp., 144A, 8.25%, 4/1/2012		255,000	254,363
Ameristar Casinos, Inc., 144A, 9.25%, 6/1/2014 (b)		395,000	409,812
Arcos Dorados BV, 144A, 7.5%, 10/1/2019		220,000	218,075
Asbury Automotive Group, Inc.:			
7.625%, 3/15/2017		590,000	556,075
8.0%, 3/15/2014		250,000	245,625
Ashtead Holdings PLC, 144A, 8.625%, 8/1/2015		380,000	381,900
Brunswick Corp., 144A, 11.25%, 11/1/2016		295,000	331,875
CanWest MediaWorks LP, 144A, 9.25%, 8/1/2015**		340,000	50,575
Carrols Corp., 9.0%, 1/15/2013		225,000	228,375
Cequel Communications Holdings I LLC, 144A, 8.625%, 11/15/2017		730,000	737,300
Clear Channel Worldwide Holdings, Inc.:			
Series A, 144A, 9.25%, 12/15/2017		100,000	102,000
Series B, 144A, 9.25%, 12/15/2017		150,000	154,500
CSC Holdings LLC:			
6.75%, 4/15/2012		46,000	47,495
144A, 8.5%, 4/15/2014		950,000	1,011,750
144A, 8.5%, 6/15/2015		430,000	457,950
DISH DBS Corp.:			
6.375%, 10/1/2011		1,010,000	1,042,825
7.125%, 2/1/2016		465,000	474,881
Dollarama Group Holdings LP, 6.706%***, 8/15/2012 (c)		347,000	350,470
Easton-Bell Sports, Inc., 144A, 9.75%, 12/1/2016		75,000	77,719
Fontainebleau Las Vegas Holdings LLC, 144A, 11.0%, 6/15/2015**		490,000	4,900
Gannett Co., Inc.:			
144A, 8.75%, 11/15/2014		145,000	150,075
144A, 9.375%, 11/15/2017 (b)		295,000	304,588
Goodyear Tire & Rubber Co., 10.5%, 5/15/2016		225,000	248,625
Great Canadian Gaming Corp., 144A, 7.25%, 2/15/2015		505,000	485,431
Group 1 Automotive, Inc., 8.25%, 8/15/2013		250,000	248,750
Hanesbrands, Inc., 8.0%, 12/15/2016		145,000	147,719
Harrah's Operating Co., Inc., 144A, 11.25%, 6/1/2017 (b)		870,000	910,237
Hertz Corp., 8.875%, 1/1/2014		1,005,000	1,027,612
Isle of Capri Casinos, Inc., 7.0%, 3/1/2014		337,000	299,930
Lamar Media Corp., Series C, 6.625%, 8/15/2015		130,000	124,800
Levi Strauss & Co., 8.625%, 4/1/2013	EUR	700,000	1,003,485
Macy's Retail Holdings, Inc., 8.875%, 7/15/2015 (b)		85,000	93,713
Mediacom LLC, 144A, 9.125%, 8/15/2019		480,000	489,600
MGM MIRAGE:			
144A, 10.375%, 5/15/2014		340,000	368,900
144A, 11.125%, 11/15/2017		455,000	503,912
Neiman Marcus Group, Inc.:			
9.0%, 10/15/2015 (PIK)		148,530	145,188
10.375%, 10/15/2015		500,000	490,000
Netflix, Inc., 144A, 8.5%, 11/15/2017		145,000	150,438
Norcraft Companies LP, 144A, 10.5%, 12/15/2015		1,260,000	1,291,500
Norcraft Holdings LP, 9.75%, 9/1/2012		630,000	604,800
Penske Automotive Group, Inc., 7.75%, 12/15/2016		905,000	875,587
Pinnacle Entertainment, Inc., 7.5%, 6/15/2015		555,000	510,600
Reader's Digest Association, Inc., 9.0%, 2/15/2017**		350,000	3,938
Sabre Holdings Corp., 8.35%, 3/15/2016		460,000	419,175
Seminole Hard Rock Entertainment, Inc., 144A, 2.754%***, 3/15/2014		590,000	486,012
Simmons Co., 10.0%, 12/15/2014**		1,655,000	132,400
Sonic Automotive, Inc., Series B, 8.625%, 8/15/2013		755,000	751,225
Toys "R" Us, Inc., 7.375%, 10/15/2018		695,000	635,925
Travelport LLC:			
4.881%***, 9/1/2014		390,000	353,438
9.875%, 9/1/2014		430,000	443,975
Trump Entertainment Resorts, Inc., 8.5%, 6/1/2015**		105,000	2,166
United Components, Inc., 9.375%, 6/15/2013		80,000	77,200
Unity Media GmbH:			
144A, 8.75%, 2/15/2015	EUR	885,000	1,319,439
144A, 10.375%, 2/15/2015		255,000	268,069
UPC Holding BV:			
144A, 7.75%, 1/15/2014	EUR	1,570,000	2,183,153
144A, 8.0%, 11/1/2016	EUR	405,000	554,461
Vertis, Inc., 13.5%, 4/1/2014 (PIK)		227,033	75,205
Videotron Ltd., 6.875%, 1/15/2014		80,000	80,400
WMG Acquisition Corp., 144A, 9.5%, 6/15/2016		375,000	401,719
Young Broadcasting, Inc., 8.75%, 1/15/2014**		2,040,000	7,140
			27,152,745
Consumer Staples 2.6%			
Alliance One International, Inc., 144A, 10.0%, 7/15/2016		220,000	231,000
Cott Beverages, Inc., 144A, 8.375%, 11/15/2017		145,000	149,713

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

	Principal Amount ($)(a)	Value ($)
Dole Food Co., Inc., 144A, 8.0%, 10/1/2016	215,000	218,225
General Nutrition Centers, Inc., 5.178%***, 3/15/2014 (PIK)	280,000	261,100
Great Atlantic & Pacific Tea Co., Inc., 144A, 11.375%, 8/1/2015	285,000	299,962
Ingles Markets, Inc., 8.875%, 5/15/2017	115,000	119,600
North Atlantic Trading Co., 144A, 10.0%, 3/1/2012	2,081,750	1,602,947
Rite Aid Corp.:		
7.5%, 3/1/2017	295,000	277,300
144A, 10.25%, 10/15/2019	75,000	79,125
SUPERVALU, Inc., 8.0%, 5/1/2016	210,000	213,150
Tops Markets LLC, 144A, 10.125%, 10/15/2015	730,000	751,900
Tyson Foods, Inc.:		
7.85%, 4/1/2016	425,000	435,625
10.5%, 3/1/2014	370,000	422,725
		5,062,372

Energy 10.3%

	Principal Amount ($)(a)	Value ($)
Atlas Energy Operating Co., LLC, 10.75%, 2/1/2018	845,000	933,725
Belden & Blake Corp., 8.75%, 7/15/2012	2,050,000	1,916,750
Bristow Group, Inc., 7.5%, 9/15/2017	485,000	480,150
Chaparral Energy, Inc., 8.5%, 12/1/2015	750,000	661,875
Chesapeake Energy Corp.:		
6.25%, 1/15/2018	345,000	331,200
6.875%, 1/15/2016 (b)	731,000	731,000
6.875%, 11/15/2020	190,000	183,350
7.25%, 12/15/2018 (b)	620,000	624,650
9.5%, 2/15/2015 (b)	260,000	285,350
Cloud Peak Energy Resources LLC:		
144A, 8.25%, 12/15/2017	145,000	145,000
144A, 8.5%, 12/15/2019	150,000	153,000
Concho Resources, Inc., 8.625%, 10/1/2017	145,000	152,250
Continental Resources, Inc., 144A, 8.25%, 10/1/2019	105,000	110,250
El Paso Corp.:		
7.25%, 6/1/2018	495,000	489,059
7.75%, 6/15/2010 (b)	410,000	414,300
8.25%, 2/15/2016	310,000	330,925
Frontier Oil Corp., 6.625%, 10/1/2011	330,000	332,063
Holly Corp., 144A, 9.875%, 6/15/2017	545,000	573,612
KCS Energy, Inc., 7.125%, 4/1/2012	1,015,000	1,017,537
Linn Energy LLC, 144A, 11.75%, 5/15/2017	650,000	729,625
Mariner Energy, Inc.:		
7.5%, 4/15/2013	305,000	303,475
8.0%, 5/15/2017	470,000	451,200
Newfield Exploration Co., 7.125%, 5/15/2018	640,000	646,400
OPTI Canada, Inc.:		
7.875%, 12/15/2014	1,260,000	1,033,200
8.25%, 12/15/2014	800,000	659,000
144A, 9.0%, 12/15/2012	140,000	143,150
Petrohawk Energy Corp.:		
7.875%, 6/1/2015	220,000	222,200
9.125%, 7/15/2013	450,000	470,250
10.5%, 8/1/2014	380,000	415,150
Plains Exploration & Production Co.:		
7.0%, 3/15/2017 (b)	220,000	216,150
7.625%, 6/1/2018	720,000	736,200
8.625%, 10/15/2019	400,000	411,000
Quicksilver Resources, Inc., 7.125%, 4/1/2016	1,040,000	969,800
Regency Energy Partners LP, 8.375%, 12/15/2013	515,000	533,025
Southwestern Energy Co., 7.5%, 2/1/2018 (b)	585,000	620,100
Stone Energy Corp.:		
6.75%, 12/15/2014	590,000	526,575
8.25%, 12/15/2011	1,285,000	1,280,181
Whiting Petroleum Corp., 7.25%, 5/1/2013	120,000	120,900
		20,353,627

Financials 16.0%

		Principal Amount ($)(a)	Value ($)
Algoma Acquisition Corp., 144A, 9.875%, 6/15/2015		925,000	787,406
Antero Resources Finance Corp., 144A, 9.375%, 12/1/2017		75,000	76,500
Ashton Woods USA LLC, 144A, Step-up Coupon, 0% to 6/30/2012, 11.0% to 6/30/2015		712,400	213,720
Bank of America NA, 6.1%, 6/15/2017		455,000	462,456
Berry Plastics Escrow LLC, 144A, 8.25%, 11/15/2015		660,000	663,300
Buffalo Thunder Development Authority, 144A, 9.375%, 12/15/2014**		250,000	43,750
Calpine Construction Finance Co., LP, 144A, 8.0%, 6/1/2016		570,000	587,100
Case New Holland, Inc., 144A, 7.75%, 9/1/2013 (b)		290,000	296,525
CEDC Finance Corp. International, Inc., 144A, 9.125%, 12/1/2016		655,000	674,650
Cemex Finance LLC, 144A, 9.5%, 12/14/2016		115,000	120,463
Conproca SA de CV, REG S, 12.0%, 6/16/2010		589,095	600,877
DuPont Fabros Technology LP, 144A, (REIT) 8.5%, 12/15/2017		435,000	442,069
E*TRADE Financial Corp.:			
7.375%, 9/15/2013		995,000	926,594
12.5%, 11/30/2017 (PIK)		632,000	718,110
Expro Finance Luxembourg SCA, 144A, 8.5%, 12/15/2016		290,000	287,825
FCE Bank PLC:			
Series MC, 7.125%, 1/15/2013	EUR	200,000	278,109
9.375%, 1/17/2014	EUR	700,000	1,011,011
Fibria Overseas Finance Ltd., 144A, 9.25%, 10/30/2019 (b)		215,000	241,337
Ford Motor Credit Co., LLC:			
7.25%, 10/25/2011		3,365,000	3,398,287
9.875%, 8/10/2011		1,470,000	1,539,122

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		Principal Amount ($)(a)	Value ($)
Fresenius US Finance II, Inc., 144A, 9.0%, 7/15/2015		420,000	462,000
GMAC, Inc.:			
144A, 6.875%, 9/15/2011		2,393,000	2,357,105
144A, 7.0%, 2/1/2012 (b)		1,165,000	1,147,525
144A, 7.75%, 1/19/2010		900,000	900,000
Harrahs Operating Escrow LLC, 144A, 11.25%, 6/1/2017		545,000	570,206
Hellas Telecommunications Finance, 144A, 8.742%***, 7/15/2015 (PIK)	EUR	295,000	47
Inmarsat Finance PLC, 144A, 7.375%, 12/1/2017		670,000	685,075
iPayment, Inc., 9.75%, 5/15/2014		475,000	394,844
National Money Mart Co., 144A, 10.375%, 12/15/2016		790,000	807,775
New ASAT (Finance) Ltd., 9.25%, 2/1/2011**		575,000	719
Nielsen Finance LLC:			
Step-up Coupon, 0% to 8/1/2011, 12.5% to 8/1/2016		505,000	460,812
11.5%, 5/1/2016		150,000	167,625
Orascom Telecom Finance SCA, 144A, 7.875%, 2/8/2014		510,000	461,550
Pinnacle Foods Finance LLC:			
9.25%, 4/1/2015		345,000	350,175
144A, 9.25%, 4/1/2015		350,000	355,250
Rainbow National Services LLC, 144A, 10.375%, 9/1/2014		112,000	118,160
Reynolds Group DL Escrow, Inc., 144A, 7.75%, 10/15/2016		550,000	562,375
Sprint Capital Corp.:			
7.625%, 1/30/2011 (b)		1,335,000	1,366,706
8.375%, 3/15/2012		545,000	564,075
Standard Pacific Escrow LLC, 144A, 10.75%, 9/15/2016		290,000	295,800
Terra Capital, Inc., 144A, 7.75%, 11/1/2019		550,000	588,500
Tropicana Entertainment LLC, 9.625%, 12/15/2014**		1,220,000	6,100
UCI Holdco, Inc., 9.25%***, 12/15/2013 (PIK)		702,435	597,070
UPC Germany GmbH:			
144A, 8.125%, 12/1/2017		365,000	369,106
144A, 9.625%, 12/1/2019	EUR	550,000	795,351
Virgin Media Finance PLC:			
8.75%, 4/15/2014		347,000	358,277
Series 1, 9.5%, 8/15/2016		1,000,000	1,073,750
Wind Acquisition Finance SA:			
144A, 11.0%, 12/1/2015	EUR	1,515,000	2,334,715
144A, 12.0%, 12/1/2015		85,000	90,950
			31,610,854

Health Care 6.4%

		Principal Amount ($)(a)	Value ($)
Community Health Systems, Inc., 8.875%, 7/15/2015		2,270,000	2,349,450
HCA, Inc.:			
144A, 7.875%, 2/15/2020		1,100,000	1,145,375
144A, 8.5%, 4/15/2019		390,000	420,225
9.125%, 11/15/2014		1,120,000	1,181,600
9.25%, 11/15/2016		2,040,000	2,190,450
9.625%, 11/15/2016 (PIK)		809,000	875,742
HEALTHSOUTH Corp., 10.75%, 6/15/2016		290,000	315,375
IASIS Healthcare LLC, 8.75%, 6/15/2014		525,000	531,563
Novasep Holding SAS, 144A, 9.625%, 12/15/2016	EUR	320,000	449,561
Talecris Biotherapeutics Holdings Corp., 144A, 7.75%, 11/15/2016		75,000	76,125
The Cooper Companies, Inc., 7.125%, 2/15/2015		840,000	816,900
Valeant Pharmaceuticals International, 144A, 8.375%, 6/15/2016		300,000	309,000
Vanguard Health Holding Co. I, LLC, 11.25%, 10/1/2015		715,000	752,538
Vanguard Health Holding Co. II, LLC, 9.0%, 10/1/2014		1,095,000	1,134,694
			12,548,598

Industrials 8.2%

		Principal Amount ($)(a)	Value ($)
Acco Brands Corp., 144A, 10.625%, 3/15/2015		105,000	115,500
Actuant Corp., 6.875%, 6/15/2017		300,000	285,375
ARAMARK Corp., 8.5%, 2/1/2015		560,000	576,800
BE Aerospace, Inc., 8.5%, 7/1/2018 (b)		300,000	318,000
Belden, Inc., 7.0%, 3/15/2017		420,000	408,975
Bombardier, Inc., 144A, 6.3%, 5/1/2014		275,000	272,250
Congoleum Corp., 8.625%, 8/1/2008**		1,200,000	252,000
Corrections Corp. of America, 7.75%, 6/1/2017		35,000	36,050
Delta Air Lines, Inc., 144A, 9.5%, 9/15/2014		510,000	529,762
Esco Corp., 144A, 4.129%***, 12/15/2013		430,000	391,838
Great Lakes Dredge & Dock Co., 7.75%, 12/15/2013		300,000	298,500
Iron Mountain, Inc., 8.375%, 8/15/2021		530,000	547,225
K. Hovnanian Enterprises, Inc.:			
8.875%, 4/1/2012		435,000	365,400
144A, 10.625%, 10/15/2016		365,000	381,425
Kansas City Southern de Mexico SA de CV:			
7.375%, 6/1/2014		1,045,000	1,018,875
7.625%, 12/1/2013		1,085,000	1,068,725
9.375%, 5/1/2012		900,000	933,750
Kansas City Southern Railway Co., 8.0%, 6/1/2015		655,000	678,744
McJunkin Red Man Corp., 144A, 9.5%, 12/15/2016		625,000	610,937
Mobile Mini, Inc., 9.75%, 8/1/2014		420,000	436,800
Navios Maritime Holdings, Inc., 9.5%, 12/15/2014		680,000	676,600
Owens Corning, Inc., 9.0%, 6/15/2019		225,000	250,915
R.H. Donnelley Corp., Series A-4, 8.875%, 10/15/2017**		1,185,000	111,094
RailAmerica, Inc., 9.25%, 7/1/2017		342,000	363,803

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	Principal Amount ($)(a)	Value ($)
RBS Global, Inc. & Rexnord Corp.:		
9.5%, 8/1/2014	375,000	375,938
11.75%, 8/1/2016 (b)	120,000	118,800
Spirit AeroSystems, Inc., 144A, 7.5%, 10/1/2017	215,000	211,775
Titan International, Inc., 8.0%, 1/15/2012	1,190,000	1,166,200
TransDigm, Inc.:		
7.75%, 7/15/2014	260,000	263,250
144A, 7.75%, 7/15/2014	170,000	172,550
Triumph Group, Inc., 144A, 8.0%, 11/15/2017	75,000	75,656
United Rentals North America, Inc.:		
7.0%, 2/15/2014	985,000	891,425
9.25%, 12/15/2019	830,000	856,975
10.875%, 6/15/2016	390,000	424,125
USG Corp., 144A, 9.75%, 8/1/2014	220,000	234,850
Vought Aircraft Industries, Inc., 8.0%, 7/15/2011	360,000	355,050
		16,075,937

Information Technology 2.5%

	Principal Amount ($)(a)	Value ($)
Advanced Micro Devices, Inc.:		
5.75%, 8/15/2012	194,000	191,333
6.0%, 5/1/2015	225,000	202,500
Alcatel-Lucent USA, Inc., 6.45%, 3/15/2029	570,000	408,262
Freescale Semiconductor, Inc., 8.875%, 12/15/2014	430,000	394,525
Jabil Circuit, Inc., 7.75%, 7/15/2016 (b)	145,000	152,250
JDA Software Group, Inc., 144A, 8.0%, 12/15/2014	145,000	147,900
MasTec, Inc., 7.625%, 2/1/2017	610,000	586,362
Seagate Technology International, 144A, 10.0%, 5/1/2014	235,000	259,675
SunGard Data Systems, Inc.:		
10.25%, 8/15/2015	1,790,000	1,906,350
10.625%, 5/15/2015	365,000	401,956
Vangent, Inc., 9.625%, 2/15/2015	350,000	329,438
		4,980,551

Materials 12.8%

		Principal Amount ($)(a)	Value ($)
Appleton Papers, Inc., 144A, 11.25%, 12/15/2015		237,000	200,561
ARCO Chemical Co., 9.8%, 2/1/2020**		3,120,000	2,215,200
Ashland, Inc., 144A, 9.125%, 6/1/2017		260,000	285,350
Ball Corp.:			
7.125%, 9/1/2016 (b)		140,000	143,500
7.375%, 9/1/2019		140,000	143,850
Clondalkin Acquisition BV, 144A, 2.254%***, 12/15/2013		540,000	477,225
CPG International I, Inc., 10.5%, 7/1/2013		880,000	831,600
Crown Americas LLC, 144A, 7.625%, 5/15/2017		40,000	41,500
Domtar Corp., 10.75%, 6/1/2017 (b)		380,000	446,500
Dow Chemical Co., 8.55%, 5/15/2019		385,000	459,361
Essar Steel Algoma, Inc., 144A, 9.375%, 3/15/2015		1,200,000	1,183,500
Exopack Holding Corp., 11.25%, 2/1/2014		1,415,000	1,437,994
Freeport-McMoRan Copper & Gold, Inc., 8.375%, 4/1/2017		1,590,000	1,741,050
GEO Specialty Chemicals, Inc.:			
144A, 7.5%***, 3/31/2015 (PIK)		1,297,793	1,038,234
10.0%, 3/31/2015		1,277,440	1,021,952
Georgia Gulf Corp., 144A, 9.0%, 1/15/2017		70,000	70,700
Georgia-Pacific LLC:			
144A, 7.125%, 1/15/2017		420,000	425,250
144A, 8.25%, 5/1/2016		500,000	530,000
Graphic Packaging International, Inc., 9.5%, 6/15/2017 (b)		810,000	858,600
Hexcel Corp., 6.75%, 2/1/2015		1,425,000	1,368,000
Huntsman International LLC, 144A, 6.875%, 11/15/2013	EUR	605,000	804,419
Innophos, Inc., 8.875%, 8/15/2014		170,000	172,550
Jefferson Smurfit Corp., 8.25%, 10/1/2012**		870,000	765,600
Koppers, Inc., 144A, 7.875%, 12/1/2019		440,000	444,400
Kronos International, Inc., 6.5%, 4/15/2013	EUR	185,000	213,491
Lumena Resources Corp., 144A, 12.0%, 10/27/2014		1,120,000	918,400
Millar Western Forest Products Ltd., 7.75%, 11/15/2013		200,000	146,000
NewMarket Corp., 7.125%, 12/15/2016		1,005,000	979,875
NewPage Corp., 144A, 11.375%, 12/31/2014		575,000	580,750
Novelis, Inc.:			
7.25%, 2/15/2015		585,000	557,213
144A, 11.5%, 2/15/2015		360,000	385,650
Pliant Corp., 11.85%, 6/15/2009**		11	10
Radnor Holdings Corp., 11.0%, 3/15/2010**		265,000	27
Silgan Holdings, Inc., 7.25%, 8/15/2016		415,000	426,413
Smurfit-Stone Container Enterprises, Inc., 8.375%, 7/1/2012**		190,000	168,150
Teck Resources Ltd.:			
10.25%, 5/15/2016 (b)		245,000	285,425
10.75%, 5/15/2019		945,000	1,129,275
Viskase Companies, Inc.:			
144A, 9.875%, 1/15/2018		665,000	669,987
11.5%, 6/15/2011		850,000	874,437
Wolverine Tube, Inc., 15.0%, 3/31/2012 (PIK)		786,255	670,282
			25,112,281

Telecommunication Services 10.7%

		Principal Amount ($)(a)	Value ($)
BCM Ireland Preferred Equity Ltd., 144A, 7.714%***, 2/15/2017 (PIK)	EUR	591,052	365,083
Centennial Communications Corp., 10.0%, 1/1/2013		290,000	304,500
Cincinnati Bell, Inc.:			
8.25%, 10/15/2017		720,000	730,800
8.375%, 1/15/2014 (b)		480,000	488,400

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	Principal Amount ($)(a)	Value ($)
Clearwire Communications LLC, 144A, 12.0%, 12/1/2015	510,000	517,650
Cricket Communications, Inc.:		
9.375%, 11/1/2014	1,710,000	1,718,550
10.0%, 7/15/2015 (b)	780,000	790,725
Crown Castle International Corp., 9.0%, 1/15/2015	775,000	825,375
Digicel Group Ltd., 144A, 8.25%, 9/1/2017	510,000	497,250
Frontier Communications Corp., 8.125%, 10/1/2018 (b)	550,000	556,875
GCI, Inc., 144A, 8.625%, 11/15/2019	110,000	110,963
Grupo Iusacell Celular SA de CV, 10.0%, 3/31/2012**	278,182	158,564
Hellas Telecommunications Luxembourg V, 144A, 4.242%***, 10/15/2012 EUR	430,000	505,470
Hughes Network Systems LLC, 9.5%, 4/15/2014	1,105,000	1,129,862
Intelsat Corp.:		
9.25%, 8/15/2014	160,000	164,400
9.25%, 6/15/2016	1,735,000	1,791,387
Intelsat Jackson Holdings Ltd.:		
144A, 8.5%, 11/1/2019 (b)	365,000	375,950
11.25%, 6/15/2016	65,000	70,363
Intelsat Subsidiary Holding Co., Ltd.:		
8.875%, 1/15/2015	960,000	993,600
Series B, 144A, 8.875%, 1/15/2015	165,000	169,950
iPCS, Inc., 2.406%***, 5/1/2013	200,000	187,000
MetroPCS Wireless, Inc., 9..25%, 11/1/2014 (b)	2,225,000	2,252,812
Millicom International Cellular SA, 10.0%, 12/1/2013	1,530,000	1,583,550
Qwest Communications International, Inc., 144A, 8.0%, 10/1/2015 (b)	360,000	369,900
Qwest Corp.:		
8.375%, 5/1/2016	255,000	273,488
8.875%, 3/15/2012	215,000	231,125
Sprint Nextel Corp., 8.375%, 8/15/2017	590,000	601,800
Stratos Global Corp., 9.875%, 2/15/2013	330,000	348,150
Telesat Canada, 11.0%, 11/1/2015	1,545,000	1,676,325
Windstream Corp.:		
7.0%, 3/15/2019	430,000	402,050
144A, 7.875%, 11/1/2017	845,000	834,437
8.625%, 8/1/2016	70,000	71,225
		21,097,579

Utilities 6.2%

	Principal Amount ($)(a)	Value ($)
AES Corp.:		
8.0%, 10/15/2017	415,000	425,894
8.0%, 6/1/2020	525,000	534,188
144A, 8.75%, 5/15/2013	2,784,000	2,853,600
Energy Future Holdings Corp.:		
10.875%, 11/1/2017	1,215,000	993,262
11.25%, 11/1/2017 (PIK)	609,500	431,221
Kinder Morgan, Inc., 6.5%, 9/1/2012	205,000	213,200
Mirant Americas Generation LLC, 8.3%, 5/1/2011	1,055,000	1,081,375
Mirant North America LLC, 7.375%, 12/31/2013	270,000	266,963
NRG Energy, Inc.:		
7.25%, 2/1/2014	1,565,000	1,584,562
7.375%, 2/1/2016	1,060,000	1,061,325
7.375%, 1/15/2017	990,000	992,475
NV Energy, Inc.:		
6.75%, 8/15/2017	455,000	443,300
8.625%, 3/15/2014	200,000	207,250
Texas Competitive Electric Holdings Co., LLC, Series A, 10.25%, 11/1/2015	1,395,000	1,129,950
		12,218,565
Total Corporate Bonds (Cost $181,546,259)		**176,213,109**

Loan Participations and Assignments 8.0%

Senior Loans

	Principal Amount ($)(a)	Value ($)
Alliance Mortgage Cycle Loan, Term Loan A, 9.5%***, 6/1/2010**	700,000	0
Buffets, Inc.:		
Letter of Credit Term Loan B, 7.151%***, 5/1/2013 (PIK)	85,773	68,404
Second Lien Term Loan, 1.53%***, plus 16.25% (PIK), 5/1/2013	429,355	342,411
Incremental Term Loan, 18.0%***, 4/30/2012	157,347	160,101
Charter Communications Operating LLC:		
Term Loan, 2.26%***, 3/6/2014	1,419,464	1,333,310
Term Loan, 7.25%***, 3/6/2014	1,259,746	1,288,090
Ford Motor Co., Term Loan, 3.29%***, 12/16/2013	360,000	333,643
Freescale Semiconductor, Inc., Incremental Term Loan, 12.5%, 12/15/2014	711,416	733,648
Golden Nugget, Inc., Second Lien Term Loan, 3.51%***, 12/31/2014	460,000	192,050
Hawker Beechcraft Acquisition Co., LLC:		
Term Loan, 2.231%***, 3/26/2014	1,489,514	1,125,983
Letter of Credit, 2.251%***, 3/26/2014	88,364	66,797
Hexion Specialty Chemicals, Inc.:		
Term Loan C1, 2.563%***, 5/6/2013	1,508,587	1,328,311
Term Loan C2, 2.563%***, 5/6/2013	514,098	452,663
IASIS Healthcare LLC, Term Loan, 5.531%***, 6/13/2014 (PIK)	644,409	595,272
Kabel Deutschland GmbH, 7.99%***, 11/18/2014 (PIK) EUR	1,570,035	2,145,683
Sabre, Inc., Term Loan B, 2.494%***, 9/30/2014	412,595	374,135
Sbarro, Inc., Term Loan, 4.741%***, 1/31/2014	305,000	264,874
Scorpion Holding Ltd., Second Lien Term Loan, 7.731%***, 11/29/2010	875,000	822,500

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	Principal Amount ($)(a)	Value ($)
Texas Competitive Electric Holdings Co., LLC:		
Term Loan B2, 3.735%***, 10/10/2014	360,639	293,809
Term Loan B3, 3.735%***, 10/10/2014	3,719,388	3,014,247
Tribune Co., Term Loan B, 5.25%***, 6/4/2014**	1,009,426	579,158
VML US Finance LLC:		
Term Delay Draw B, 4.76%***, 5/25/2012	110,246	104,841
Term Loan B, 4.76%***, 5/27/2013	190,865	181,507
Total Loan Participations and Assignments (Cost $17,794,613)		**15,801,437**

Preferred Securities 0.5%

Financials 0.1%

Xerox Capital Trust I, 8.0%, 2/1/2027	315,000	**311,850**

Materials 0.4%

Hercules, Inc., 6.5%, 6/30/2029	1,135,000	**771,800**
Total Preferred Securities (Cost $1,046,515)		**1,083,650**

	Shares	Value ($)

Common Stocks 0.1%

Consumer Discretionary 0.1%

Buffets Restaurants Holdings, Inc.*	18,256	127,793
SuperMedia, Inc.*	726	25,409
Vertis Holdings, Inc.*	9,993	0
		153,202

Industrials 0.0%

World Color Press, Inc.*	2,768	**26,282**

Materials 0.0%

GEO Specialty Chemicals, Inc.*	24,225	20,591
GEO Specialty Chemicals, Inc. 144A*	2,206	1,875
		22,466
Total Common Stocks (Cost $1,605,255)		**201,950**

	Shares	Value ($)

Convertible Preferred Stocks 0.0%

Consumer Discretionary

ION Media Networks, Inc.:		
144A, 12.0%*	3	0
Series AI, 144A, 12.0%*	30,000	0
Series B, 12.0%*	5,000	0
Total Convertible Preferred Stocks (Cost $46,019)		**0**

Warrants 0.0%

Financials 0.0%

New ASAT (Finance) Ltd., Expiration Date 2/1/2011*	149,500	**5,989**

Industrials 0.0%

World Color Press, Inc., Expiration Date 7/20/2014*	3,138	**16,828**

Materials 0.0%

Ashland, Inc., Expiration Date 3/31/2029*	1,100	**0**
Total Warrants (Cost $244,286)		**22,817**

Securities Lending Collateral 4.7%

Daily Assets Fund Institutional, 0.17% (d) (e) (Cost $9,207,555)	9,207,555	**9,207,555**

Cash Equivalents 0.3%

Central Cash Management Fund, 0.14% (d) (Cost $605,688)	605,688	**605,688**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $212,096,190)†	103.1	**203,136,206**
Other Assets and Liabilities, Net	(3.1)	**(6,112,235)**
Net Assets	100.0	**197,023,971**

* *Non-income producing security.*

** *Non-income producing security. Issuer has defaulted on the payment of principal or interest or has filed for bankruptcy. The following table represents bonds and senior loans that are in default:*

Securities	Coupon	Maturity Date	Principal Amount ($)		Acquisition Cost ($)	Value ($)
Alliance Mortgage Cycle Loan	9.5%	6/1/2010	700,000	USD	700,000	0
ARCO Chemical Co.	9.8%	2/1/2020	3,120,000	USD	3,544,456	2,215,200
Buffalo Thunder Development Authority	9.375%	12/15/2014	250,000	USD	250,000	43,750
CanWest MediaWorks LP	9.25%	8/1/2015	340,000	USD	340,000	50,575
Congoleum Corp.	8.625%	8/1/2008	1,200,000	USD	1,021,050	252,000
Fontainebleau Las Vegas Holdings LLC	11.0%	6/15/2015	490,000	USD	495,962	4,900
Grupo Iusacell Celular SA de CV	10.0%	3/31/2012	278,182	USD	264,717	158,564
Jefferson Smurfit Corp.	8.25%	10/1/2012	870,000	USD	663,963	765,600
New ASAT (Finance) Ltd.	9.25%	2/1/2011	575,000	USD	519,944	719
Pliant Corp.	11.85%	6/15/2009	11	USD	11	10
R.H. Donnelley Corp.	8.875%	10/15/2017	1,185,000	USD	1,185,208	111,094

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

Securities	Coupon	Maturity Date	Principal Amount ($)		Acquisition Cost ($)	Value ($)
Radnor Holdings Corp.	11.0%	3/15/2010	265,000	USD	234,313	27
Reader's Digest Association, Inc.	9.0%	2/15/2017	350,000	USD	346,867	3,938
Simmons Co.	10.0%	12/15/2014	1,655,000	USD	1,390,288	132,400
Smurfit-Stone Container Enterprises, Inc.	8.375%	7/1/2012	190,000	USD	146,300	168,150
Tribune Co.	5.25%	6/4/2014	1,009,426	USD	905,407	579,158
Tropicana Entertainment LLC	9.625%	12/15/2014	1,220,000	USD	959,601	6,100
Trump Entertainment Resorts, Inc.	8.5%	6/1/2015	105,000	USD	107,100	2,166
Young Broadcasting, Inc.	8.75%	1/15/2014	2,040,000	USD	1,981,498	7,140
					15,056,685	**4,501,491**

*** *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, 2009.*

† *The cost for federal income tax purposes was $212,419,626. At December 31, 2009, net unrealized depreciation for all securities based on tax cost was $9,283,420. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $9,329,434 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $18,612,854.*

(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, 2009 amounted to $8,825,500, which is 4.5% of net assets.*

(c) *Security has deferred its 6/15/2008, 12/15/2008 and 6/15/2009 interest payments until 8/15/2012.*

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

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

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.

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

REIT: Real Estate Investment Trust

At December 31, 2009, the Portfolio had the following open forward foreign currency exchange contracts:

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Depreciation ($)	Counterparty
EUR	9,715,000	USD	13,903,166	1/25/2010	(23,448)	Citibank NA
EUR	43,800	USD	62,786	1/25/2010	(2)	JPMorgan Chase Bank
Total unrealized depreciation					**(23,450)**	

Currency Abbreviations

EUR	Euro	USD	United States Dollar

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

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes significant unobservable inputs (including the Portfolio's own assumptions in determining the fair value of investments). The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of December 31, 2009 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to the Financial Statements.

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Fixed Income (f)				
Corporate Bonds	$ —	$ 173,687,203	$ 2,525,906	$ 176,213,109
Loan Participations and Assignments	—	14,408,021	1,393,416	15,801,437
Preferred Securities	—	1,083,650	—	1,083,650
Common Stocks (f)	51,691	127,793	22,466	201,950
Convertible Preferred Stocks	—	—	0	0
Warrants (f)	—	16,828	5,989	22,817
Short-Term Investments (f)	$ 9,813,243	$ —	$ —	$ 9,813,243
Total	**$ 9,864,934**	**$ 189,323,495**	**$ 3,947,777**	**$ 203,136,206**

Liabilities				
Derivatives (g)	$ —	$ (23,450)	$ —	$ (23,450)
Total	**$ —**	**$ (23,450)**	**$ —**	**$ (23,450)**

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

(g) *Derivatives include unrealized appreciation (depreciation) on open forward foreign currency exchange contracts.*

The following is a reconciliation of the Portfolio's Level 3 investments for which significant unobservable inputs were used in determining value:

	Corporate Bonds	**Loan Participations and Assignments**	**Other Investments**	**Common Stocks**	**Convertible Preferred Stocks**	**Warrants**	**Total**
Balance as of December 31, 2008	$ 110,737	$ 1,327,844	$ 528,000	$ 22,466	$ —	$ 11,730	**$ 2,000,777**
Realized gains (loss)	—	(82,512)	—	—	—	(1)	**(82,513)**
Change in unrealized appreciation (depreciation)	(558,094)	378,356	417,336	—	0	(250,026)	**(12,428)**
Amortization premium/discount	14,977	18,112	994	—	—	—	**34,083**
Net purchases (sales)	1,628,689	(56,334)	(946,330)	—	—	244,286	**870,311**
Net transfers in (out) of Level 3	1,329,597	(192,050)	—	—	0	—	**1,137,547**
Balance as of December 31, 2009	**$ 2,525,906**	**$ 1,393,416**	**$ —**	**$ 22,466**	**$ 0**	**$ 5,989**	**$ 3,947,777**
Net change in unrealized appreciation (depreciation) from investments still held as of December 31, 2009	**$ (791,843)**	**$ (38,370)**	**$ —**	**$ —**	**$ 0**	**$ (250,026)**	**$ (1,080,239)**

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2009

Assets		
Investments:		
Investments in securities, at value (cost $202,282,947) — including $8,825,500 of securities loaned	$	193,322,963
Investments in Daily Assets Fund Institutional (cost $9,207,555)*		9,207,555
Investment in Central Cash Management Fund (cost $605,688)		605,688
Total investments, at value (cost $212,096,190)		203,136,206
Cash		122,628
Foreign currency, at value (cost $47)		47
Receivable for investments sold		38,629
Receivable for Portfolio shares sold		437
Interest receivable		3,680,882
Foreign taxes recoverable		3,253
Other assets		3,885
Total assets		206,985,967
Liabilities		
Payable for investments purchased		332,176
Payable for Portfolio shares redeemed		131,392
Payable upon return of securities loaned		9,207,555
Unrealized depreciation on open forward foreign currency exchange contracts		23,450
Accrued management fee		83,195
Other accrued expenses and payables		184,228
Total liabilities		9,961,996
Net assets, at value	**$**	**197,023,971**
Net Assets Consist of		
Undistributed net investment income		15,102,955
Net unrealized appreciation (depreciation) on: Investments		(8,959,984)
Foreign currency		(27,628)
Accumulated net realized gain (loss)		(108,542,958)
Paid-in capital		299,451,586
Net assets, at value	**$**	**197,023,971**
Class A		
Net Asset Value, offering and redemption price per share ($196,873,477 ÷ 30,057,940 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**6.55**
Class B		
Net Asset Value, offering and redemption price per share ($150,494 ÷ 22,888 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**6.58**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2009

Investment Income		
Interest (net of foreign taxes withheld of $164)	$	16,619,845
Income distributions — affiliated cash management vehicles		34,530
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		23,108
Total Income		16,677,483
Expenses:		
Management fee		879,928
Administration fee		175,986
Distribution service fee (Class B)		351
Services to shareholders		2,584
Legal fees		24,634
Audit and tax fees		67,710
Trustees' fees and expenses		6,099
Reports to shareholders		6,996
Custodian fee and other		6,843
Total expenses		1,171,131
Net investment income (loss)		**15,506,352**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		(10,573,474)
Credit default swap contracts		273,723
Foreign currency		(140,196)
		(10,439,947)
Change in net unrealized appreciation (depreciation) on:		
Investments		54,994,069
Credit default swap contracts		(288,556)
Foreign currency		(168,142)
		54,537,371
Net gain (loss)		44,097,424
Net increase (decrease) in net assets resulting from operations	**$**	**59,603,776**

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, 2009	2008
Operations:		
Net investment income	$ 15,506,352	$ 17,807,765
Net realized gain (loss)	(10,439,947)	(22,467,601)
Change in net unrealized appreciation (depreciation)	54,537,371	(46,037,011)
Net increase (decrease) in net assets resulting from operations	59,603,776	(50,696,847)
Distributions to shareholders from:		
Net investment income:		
Class A	(18,645,480)	(23,705,161)
Class B	(15,950)	(925,654)
Total distributions	(18,661,430)	(24,630,815)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	36,369,714	34,048,144
Reinvestment of distributions	18,645,480	23,705,161
Cost of shares redeemed	(52,798,244)	(77,354,304)
Net increase (decrease) in net assets from Class A share transactions	2,216,950	(19,600,999)
Class B		
Proceeds from shares sold	2,036	76,767
Reinvestment of distributions	15,950	925,654
Cost of shares redeemed	(32,524)	(9,671,811)
Net increase (decrease) in net assets from Class B share transactions	(14,538)	(8,669,390)
Increase (decrease) in net assets	43,144,758	(103,598,051)
Net assets at beginning of period	153,879,213	257,477,264
Net assets at end of period (including undistributed net investment income of $15,102,955 and $18,004,319, respectively)	**$ 197,023,971**	**$ 153,879,213**

Other Information		
Class A		
Shares outstanding at beginning of period	29,000,230	31,702,335
Shares sold	6,555,256	5,474,310
Shares issued to shareholders in reinvestment of distributions	3,844,429	3,511,876
Shares redeemed	(9,341,975)	(11,688,291)
Net increase (decrease) in Class A shares	1,057,710	(2,702,105)
Shares outstanding at end of period	**30,057,940**	**29,000,230**
Class B		
Shares outstanding at beginning of period	25,274	1,262,331
Shares sold	379	10,281
Shares issued to shareholders in reinvestment of distributions	3,268	136,728
Shares redeemed	(6,033)	(1,384,066)
Net increase (decrease) in Class B shares	(2,386)	(1,237,057)
Shares outstanding at end of period	**22,888**	**25,274**

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

Financial Highlights

Class A

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$ 5.30**	**$ 7.81**	**$ 8.38**	**$ 8.23**	**$ 8.78**
Income (loss) from investment operations:					
Net investment income[a]	.51	.57	.63	.62	.68
Net realized and unrealized gain (loss)	1.40	(2.29)	(.54)	.19	(.38)
Total from investment operations	1.91	(1.72)	.09	.81	.30
Less distributions from:					
Net investment income	(.66)	(.79)	(.66)	(.66)	(.85)
Net asset value, end of period	**$ 6.55**	**$ 5.30**	**$ 7.81**	**$ 8.38**	**$ 8.23**
Total Return (%)	39.99	(23.94)[b]	.96	10.47	3.89
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	197	154	248	322	344
Ratio of expenses before expense reductions (%)	.67	.80	.69	.71	.70
Ratio of expenses after expense reductions (%)	.67	.79	.69	.71	.70
Ratio of net investment income (%)	8.81	8.42	7.84	7.73	8.27
Portfolio turnover rate (%)	66	38	61	93	100

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,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$ 5.31**	**$ 7.81**	**$ 8.38**	**$ 8.22**	**$ 8.77**
Income (loss) from investment operations:					
Net investment income[a]	.49	.53	.60	.59	.65
Net realized and unrealized gain (loss)	1.42	(2.27)	(.54)	.20	(.39)
Total from investment operations	1.91	(1.74)	.06	.79	.26
Less distributions from:					
Net investment income	(.64)	(.76)	(.63)	(.63)	(.81)
Net asset value, end of period	**$ 6.58**	**$ 5.31**	**$ 7.81**	**$ 8.38**	**$ 8.22**
Total Return (%)	39.64	(24.13)[b]	.54	10.11	3.41
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	.2	.1	10	53	56
Ratio of expenses before expense reductions (%)	.94	1.25	1.08	1.10	1.10
Ratio of expenses after expense reductions (%)	.94	1.23	1.08	1.10	1.10
Ratio of net investment income (%)	8.54	7.98	7.45	7.34	7.87
Portfolio turnover rate (%)	66	38	61	93	100

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

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

DWS Large Cap Value VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please contact your participating insurance company for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying Portfolio, their performance will differ.

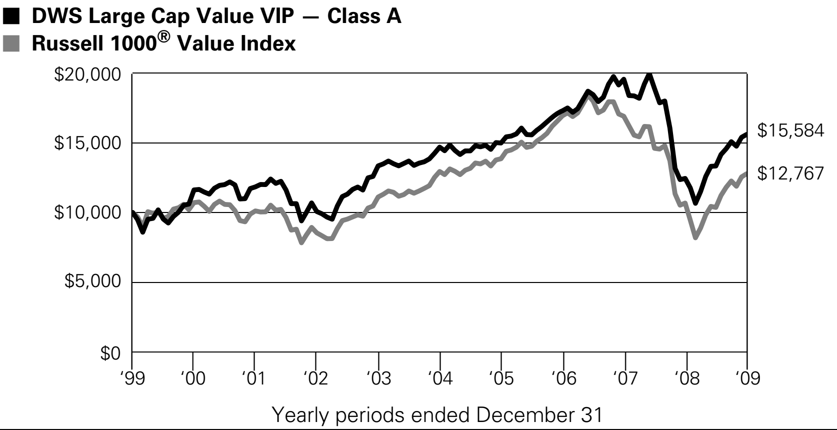
The gross expense ratios of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2009 are 0.84% and 1.20% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

Risk Considerations

The Portfolio is subject to stock market risk. 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.

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

Growth of an Assumed $10,000 Investment in DWS Large Cap Value VIP



The Russell 1000® Value Index is an unmanaged index, which consists of those stocks in the Russell 1000 Index with lower price-to-book ratios and lower forecasted-growth values.

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

Comparative Results

DWS Large Cap Value VIP		**1-Year**	**3-Year**	**5-Year**	**10-Year**
Class A	Growth of $10,000	$12,537	$9,022	$10,617	$15,584
	Average annual total return	25.37%	–3.37%	1.21%	4.54%
Russell 1000 Value Index	Growth of $10,000	$11,969	$7,546	$9,875	$12,767
	Average annual total return	19.69%	–8.96%	–0.25%	2.47%

DWS Large Cap Value VIP		**1-Year**	**3-Year**	**5-Year**	**Life of Class***
Class B	Growth of $10,000	$12,486	$8,920	$10,417	$13,277
	Average annual total return	24.86%	–3.74%	0.82%	3.85%
Russell 1000 Value Index	Growth of $10,000	$11,969	$7,546	$9,875	$13,270
	Average annual total return	19.69%	–8.96%	–0.25%	3.84%

The growth of $10,000 is cumulative.

* *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

Information About Your Portfolio's Expenses

DWS Large Cap Value VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (July 1, 2009 to December 31, 2009).

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, 2009

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/09	$1,000.00	$1,000.00
Ending Account Value 12/31/09	$1,170.30	$1,167.70
Expenses Paid per $1,000*	$ 3.94	$ 5.52
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/09	$1,000.00	$1,000.00
Ending Account Value 12/31/09	$1,021.58	$1,020.11
Expenses Paid per $1,000*	$ 3.67	$ 5.14

* *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	.72%	1.01%

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

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

DWS Large Cap Value VIP

Amid an extremely positive environment for the broader market, DWS Large Cap Value VIP delivered a strong return of 25.37% (Class A shares, unadjusted for contract charges) and outperformed the 19.69% return of its benchmark, the Russell 1000® Value Index.

The most important factor in the Portfolio's strong performance was its positioning in the energy sector. Our portfolio was tilted toward the drilling and services industries, both of which are very sensitive to changes in the price of oil, and away from the larger, more stable integrated companies. Given that oil rose from its early 2009 low of near $35 per barrel to over $80 by mid-October 2009, this positioning added substantial value. The technology and health care sectors were also sources of strength for the Portfolio, led by Brocade Communications Systems, Inc. and Thermo Fisher Scientific, Inc.

Consistent with the exceptional gain of the broader market, few of the Portfolio's holdings lost ground during the year. Instead, the majority of our underperformers were stocks that generated a positive return but failed to keep pace with the Russell 1000 Value Index. Among these were several holdings in the consumer staples and utilities sectors. The Portfolio also lost some relative performance via its underweights in many of the largest financial stocks.[1]

We made substantial shifts to the Portfolio's positioning during 2009. At the beginning of the year, the Portfolio held an overweight in economically sensitive areas of the market such as energy, industrials, materials and technology. Many stocks in these groups fell to extremely attractive valuations in 2008, prompting us to adopt this pro-cyclical bias.[2] This positioning paid off when economically sensitive stocks staged a massive recovery and outperformed the broader market by a wide margin. As valuations climbed back to more reasonable levels, we elected to trim these positions in order to take profits. As a result, the Portfolio is now underweight in technology, industrials and energy. The areas where we have been finding new investment opportunities are the more defensive segments of the market: telecommunications, utilities and health care. We see all three of these groups as being fertile ground in which to find stocks that are trading at valuations well below that of the broader market. Our more defensive posture is also reflected in our continued underweights in both the financial and consumer discretionary sectors.

Thomas Schuessler, Ph.D.
Lead Portfolio Manager

Oliver Pfeil, Ph.D.
Volker Dosch
Portfolio Managers

The Russell 1000 Value Index is an unmanaged index which consists of those stocks in the Russell 1000® Index with lower price-to-book ratios and lower forecasted growth values.

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

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.*

2 *"Valuation" refers to the price investors pay for a given security. An asset can be undervalued, meaning that it trades for less than its intrinsic value, or overvalued, which means that it trades at a more expensive price than its underlying worth.*

Portfolio management market commentary is as of December 31, 2009, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results. Current and future portfolio holdings are subject to risk.

Portfolio Summary

DWS Large Cap Value VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**12/31/09**	**12/31/08**
Common Stocks	99%	100%
Cash Equivalents	1%	—
	100%	100%

Sector Diversification (As a % of Common Stocks)	**12/31/09**	**12/31/08**
Energy	15%	18%
Financials	15%	14%
Health Care	13%	16%
Consumer Staples	12%	9%
Utilities	11%	11%
Telecommunication Services	11%	5%
Industrials	10%	9%
Materials	6%	5%
Consumer Discretionary	5%	4%
Information Technology	2%	9%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 116. A complete list of portfolio holdings of the Portfolio is posted as of the month end on www.dws-investments.com on or about the 15th day of the following month. More frequent posting of portfolio holdings information may be made from time to time on www.dws-investments.com.

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, 2009

DWS Large Cap Value VIP

	Shares	Value ($)
Common Stocks 99.0%		
Consumer Discretionary 5.4%		
Distributors 1.7%		
Genuine Parts Co. (a)	93,383	**3,544,819**
Diversified Consumer Services 1.3%		
H&R Block, Inc.	125,955	**2,849,102**
Hotels Restaurants & Leisure 1.2%		
Carnival Corp. (Units)*	81,407	**2,579,788**
Textiles, Apparel & Luxury Goods 1.2%		
VF Corp.	34,848	**2,552,267**
Consumer Staples 11.8%		
Beverages 1.0%		
PepsiCo, Inc.	36,300	**2,207,040**
Food & Staples Retailing 3.0%		
CVS Caremark Corp.	114,524	3,688,818
Kroger Co.	136,421	2,800,723
		6,489,541
Food Products 2.0%		
General Mills, Inc.	36,855	2,609,703
Kraft Foods, Inc. "A"	61,850	1,681,083
		4,290,786
Household Products 1.0%		
Procter & Gamble Co.	35,353	**2,143,453**
Personal Products 0.7%		
Mead Johnson Nutrition Co. "A"	34,386	**1,502,668**
Tobacco 4.1%		
Altria Group, Inc.	247,885	4,865,983
Philip Morris International, Inc.	80,692	3,888,547
		8,754,530
Energy 15.0%		
Energy Equipment & Services 5.0%		
ENSCO International PLC (ADR)	70,629	2,820,922
Noble Corp.	66,912	2,723,319
Transocean Ltd.*	62,110	5,142,708
		10,686,949
Oil, Gas & Consumable Fuels 10.0%		
Canadian Natural Resources Ltd.	38,347	2,759,067
Chevron Corp.	48,169	3,708,531
ExxonMobil Corp.	55,458	3,781,681
Marathon Oil Corp.	132,110	4,124,474
Nexen, Inc.	115,068	2,753,577
Suncor Energy, Inc.	122,429	4,322,968
		21,450,298
Financials 15.0%		
Capital Markets 1.6%		
Ameriprise Financial, Inc.	38,260	1,485,253
Morgan Stanley	65,527	1,939,599
		3,424,852
Commercial Banks 2.1%		
KeyCorp	189,391	1,051,120
M&T Bank Corp.	19,148	1,280,810
Regions Financial Corp.	203,529	1,076,668
SunTrust Banks, Inc. (a)	48,036	974,651
		4,383,249
Diversified Financial Services 4.1%		
Bank of America Corp.	189,926	2,860,286
JPMorgan Chase & Co.	93,931	3,914,105
The NASDAQ OMX Group, Inc.*	102,792	2,037,337
		8,811,728
Insurance 6.7%		
Allstate Corp.	76,313	2,292,443
Assurant, Inc.	81,975	2,416,623
Fidelity National Financial, Inc. "A"	102,394	1,378,223
First American Corp.	31,875	1,055,381
HCC Insurance Holdings, Inc. (a)	33,888	947,847
Lincoln National Corp.	83,530	2,078,227
MetLife, Inc.	60,529	2,139,700
PartnerRe Ltd.	26,824	2,002,680
		14,311,124
Thrifts & Mortgage Finance 0.5%		
New York Community Bancorp., Inc. (a)	78,139	**1,133,797**
Health Care 12.5%		
Health Care Equipment & Supplies 2.4%		
Baxter International, Inc.	40,221	2,360,168
Becton, Dickinson & Co.	36,012	2,839,907
		5,200,075
Health Care Providers & Services 1.8%		
McKesson Corp.	62,461	**3,903,812**
Life Sciences Tools & Services 1.3%		
Thermo Fisher Scientific, Inc.*	57,374	**2,736,166**
Pharmaceuticals 7.0%		
Bristol-Myers Squibb Co. (a)	46,596	1,176,549
Merck & Co., Inc.	134,443	4,912,547
Pfizer, Inc.	222,218	4,042,145
Teva Pharmaceutical Industries Ltd. (ADR)	85,758	4,817,885
		14,949,126
Industrials 9.4%		
Aerospace & Defense 5.6%		
Honeywell International, Inc.	101,921	3,995,303
L-3 Communications Holdings, Inc.	20,492	1,781,780
Lockheed Martin Corp.	33,455	2,520,834
United Technologies Corp.	52,581	3,649,647
		11,947,564
Electrical Equipment 2.2%		
Emerson Electric Co.	112,717	**4,801,744**
Machinery 1.6%		
Dover Corp.	82,965	**3,452,174**
Information Technology 2.1%		
Communications Equipment 1.0%		
Brocade Communications Systems, Inc.*	280,486	**2,140,108**
IT Services 1.1%		
Automatic Data Processing, Inc.	54,846	**2,348,506**
Materials 6.0%		
Chemicals 3.5%		
Air Products & Chemicals, Inc.	50,365	4,082,587
Praxair, Inc.	40,665	3,265,806
		7,348,393

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

	Shares	Value ($)
Containers & Packaging 1.5%		
Sonoco Products Co.	111,792	**3,269,916**
Metals & Mining 1.0%		
Kinross Gold Corp.	116,215	**2,138,356**

Telecommunication Services 10.7%

	Shares	Value ($)
Diversified Telecommunication Services 9.1%		
AT&T, Inc.	203,344	5,699,732
BCE, Inc.	89,689	2,476,313
CenturyTel, Inc.	114,440	4,143,873
Deutsche Telekom AG (ADR)	167,020	2,455,194
Verizon Communications, Inc.	142,847	4,732,521
		19,507,633
Wireless Telecommunication Services 1.6%		
Vodafone Group PLC (ADR) (a)	150,712	**3,479,940**

Utilities 11.1%

	Shares	Value ($)
Electric Utilities 8.8%		
Allegheny Energy, Inc.	107,108	2,514,896
American Electric Power Co., Inc.	82,028	2,853,754
Duke Energy Corp. (a)	119,039	2,048,661
Entergy Corp.	29,160	2,386,454
Exelon Corp.	70,143	3,427,889
FirstEnergy Corp.	72,098	3,348,952
Southern Co.	71,027	2,366,620
		18,947,226
Multi-Utilities 2.3%		
PG&E Corp. (a)	110,053	**4,913,865**
Total Common Stocks (Cost $181,124,386)		**212,200,595**

Securities Lending Collateral 6.8%

	Shares	Value ($)
Daily Assets Fund Institutional, 0.17% (b) (c) (Cost $14,603,100)	14,603,100	**14,603,100**

Cash Equivalents 1.3%

	Shares	Value ($)
Central Cash Management Fund, 0.14% (b) (Cost $2,700,149)	2,700,149	**2,700,149**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $198,427,635)†	107.1	**229,503,844**
Other Assets and Liabilities, Net	(7.1)	**(15,264,245)**
Net Assets	100.0	**214,239,599**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $200,900,142. At December 31, 2009, net unrealized appreciation for all securities based on tax cost was $28,603,702. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $33,192,691 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $4,588,989.*

(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, 2009 amounted to $14,101,484, which is 6.6% of net assets.*

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

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

ADR: American Depositary Receipt

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes significant unobservable inputs (including the Portfolio's own assumptions in determining the fair value of investments). The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of December 31, 2009 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to the Financial Statements.

Assets	Level 1	Level 2	Level 3	Total
Common Stocks (d)	$ 212,200,595	$ —	$ —	$ 212,200,595
Short-Term Investments (d)	17,303,249	—	—	17,303,249
Total	**$ 229,503,844**	**$ —**	**$ —**	**$ 229,503,844**

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

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2009

Assets	
Investments:	
Investments in securities, at value (cost $181,124,386) — including $14,101,484 of securities loaned	$ 212,200,595
Investment in Daily Assets Fund Institutional (cost $14,603,100)*	14,603,100
Investment in Central Cash Management Fund (cost $2,700,149)	2,700,149
Total investments, at value (cost $198,427,635)	229,503,844
Foreign currency, at value (cost $8,102)	8,268
Receivable for Portfolio shares sold	1,196
Dividends receivable	555,184
Interest receivable	6,274
Foreign taxes recoverable	22,177
Other assets	268
Total assets	230,097,211

Liabilities	
Payable upon return of securities loaned	14,603,100
Payable for investments purchased	889,379
Payable for Portfolio shares redeemed	152,716
Accrued management fee	113,160
Other accrued expenses and payables	99,257
Total liabilities	15,857,612
Net assets, at value	**$ 214,239,599**

Net Assets Consist of	
Undistributed net investment income	3,905,854
Net unrealized appreciation (depreciation) on:	
Investments	31,076,209
Foreign currency	2,894
Accumulated net realized gain (loss)	(51,210,000)
Paid-in capital	230,464,642
Net assets, at value	**$ 214,239,599**
Class A	
Net Asset Value, offering and redemption price per share ($213,516,307 ÷ 19,667,770 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$ 10.86**
Class B	
Net Asset Value, offering and redemption price per share ($723,292 ÷ 66,594 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$ 10.86**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2009

Investment Income	
Income:	
Dividends (net of foreign taxes withheld of $45,731)	$ 5,233,781
Interest	2,916
Income distributions — affiliated cash management vehicles	13,141
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	89,973
Total Income	5,339,811
Expenses:	
Management fee	1,164,765
Administration fee	179,195
Services to shareholders	2,828
Distribution service fee (Class B)	1,457
Record keeping fees (Class B)	197
Trustees' fees and expenses	5,247
Reports to shareholders	15,458
Total expenses	1,369,147
Net investment income (loss)	**3,970,664**

Realized and Unrealized Gain (Loss)	
Net realized gain (loss) from:	
Investments	(2,852,346)
Futures	(17,763)
Foreign currency	1,423
Payments by affiliates (see Note H)	281
	(2,868,405)
Change in net unrealized appreciation (depreciation) on:	
Investments	44,333,016
Foreign currency	3,260
	44,336,276
Net gain (loss)	**41,467,871**
Net increase (decrease) in net assets resulting from operations	**$ 45,438,535**

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, 2009	2008
Operations:		
Net investment income (loss)	$ 3,970,664	$ 2,962,040
Net realized gain (loss)	(2,868,405)	(26,840,748)
Change in net unrealized appreciation (depreciation)	44,336,276	(52,635,662)
Net increase (decrease) in net assets resulting from operations	45,438,535	(76,514,370)
Distributions to shareholders from:		
Net investment income:		
Class A	(2,847,989)	(3,899,692)
Class B	(9,025)	(108,225)
Net realized gains:		
Class A	—	(50,886,890)
Class B	—	(1,761,177)
Total distributions	$ (2,857,014)	$ (56,655,984)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	5,193,145	23,340,147
Net assets acquired in tax-free reorganization	107,453,089	—
Reinvestment of distributions	2,847,989	54,786,582
Cost of shares redeemed	(62,359,106)	(58,393,451)
Net increase (decrease) in net assets from Class A share transactions	53,135,117	19,733,278
Class B		
Proceeds from shares sold	313,837	480,950
Net assets acquired in tax-free reorganization	202,242	—
Reinvestment of distributions	9,025	1,869,402
Cost of shares redeemed	(238,487)	(7,955,451)
Net increase (decrease) in net assets from Class B share transactions	286,617	(5,605,099)
Increase (decrease) in net assets	96,003,255	(119,042,175)
Net assets at beginning of period	118,236,344	237,278,519
Net assets at end of period (including undistributed net investment income of $3,905,854 and $2,799,366, respectively)	**$ 214,239,599**	**$ 118,236,344**

Other Information		
Class A		
Shares outstanding at beginning of period	13,220,277	11,941,625
Shares sold	540,244	1,675,530
Shares issued in tax-free reorganization	12,224,432	—
Shares issued to shareholders in reinvestment of distributions	355,554	4,201,425
Shares redeemed	(6,672,737)	(4,598,303)
Net increase (decrease) in Class A shares	6,447,493	1,278,652
Shares outstanding at end of period	**19,667,770**	**13,220,277**
Class B		
Shares outstanding at beginning of period	32,776	412,771
Shares sold	32,526	38,113
Shares issued in tax-free reorganization	22,957	—
Shares issued to shareholders in reinvestment of distributions	1,124	143,030
Shares redeemed	(22,789)	(561,138)
Net increase (decrease) in Class B shares	33,818	(379,995)
Shares outstanding at end of period	**66,594**	**32,776**

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

Financial Highlights

Class A

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$ 8.92**	**$19.21**	**$17.96**	**$15.81**	**$15.79**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.21	.21	.26	.29[c]	.26
Net realized and unrealized gain (loss)	1.97	(5.68)	1.98	2.12	.04
Total from investment operations	2.18	(5.47)	2.24	2.41	.30
Less distributions from:					
Net investment income	(.24)	(.34)	(.32)	(.26)	(.28)
Net realized gains	—	(4.48)	(.67)	—	—
Total distributions	(.24)	(4.82)	(.99)	(.26)	(.28)
Net asset value, end of period	**$10.86**	**$ 8.92**	**$19.21**	**$17.96**	**$15.81**
Total Return (%)	25.37	(36.40)[b]	13.15[b,d]	15.41[c]	1.97[b]
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	214	118	229	275	268
Ratio of expenses before expense reductions (%)	.76	.87	.83	.83	.80
Ratio of expenses after expense reductions (%)	.76	.86	.82	.83	.80
Ratio of net investment income (loss) (%)	2.22	1.59	1.43	1.73[c]	1.64
Portfolio turnover rate (%)	76	97	103	76	64

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

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

[c] *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Funds. The non-recurring income resulted in an increase in net investment income of $0.008 per share and an increase in the ratio of net investment income of 0.04%. Excluding this non-recurring income, total return would have been 0.04% lower.*

[d] *Includes a reimbursement from the Advisor to reimburse the effect of losses incurred as the result of certain operation errors during the period. Excluding this reimbursement, total return would have been 0.04% lower.*

Class B

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$ 8.92**	**$19.20**	**$17.94**	**$15.79**	**$15.77**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.19	.12	.19	.23[c]	.19
Net realized and unrealized gain (loss)	1.96	(5.64)	1.99	2.11	.05
Total from investment operations	2.15	(5.52)	2.18	2.34	.24
Less distributions from:					
Net investment income	(.21)	(.28)	(.25)	(.19)	(.22)
Net realized gains	—	(4.48)	(.67)	—	—
Total distributions	(.21)	(4.76)	(.92)	(.19)	(.22)
Net asset value, end of period	**$10.86**	**$ 8.92**	**$19.20**	**$17.94**	**$15.79**
Total Return (%)	24.86	(36.64)[b]	12.77[b,d]	14.96[c]	1.58[b]
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	1	.29	8	40	40
Ratio of expenses before expense reductions (%)	1.06	1.28	1.21	1.21	1.21
Ratio of expenses after expense reductions (%)	1.06	1.26	1.20	1.21	1.20
Ratio of net investment income (loss) (%)	1.92	1.20	1.06	1.35[c]	1.24
Portfolio turnover rate (%)	76	97	103	76	64

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

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

[c] *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Funds. The non-recurring income resulted in an increase in net investment income of $0.008 per share and an increase in the ratio of net investment income of 0.04%. Excluding this non-recurring income, total return would have been 0.04% lower.*

[d] *Includes a reimbursement from the Advisor to reimburse the effect of losses incurred as the result of certain operation errors during the period. Excluding this reimbursement, total return would have been 0.04% lower.*

DWS Mid Cap Growth VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please contact your participating insurance company for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

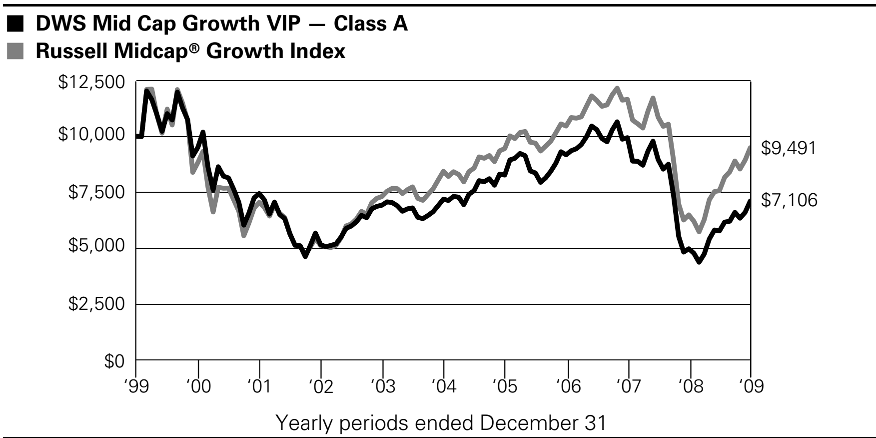
The gross expense ratio of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2009 is 1.08% for Class A shares and may differ from the expense ratio disclosed in the Financial Highlights table in this report.

Risk Considerations

This Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Stocks of medium-sized companies involve greater risk than securities of larger, more established companies, as they often have limited product lines, markets or financial resources and may be subject to more-erratic and more-abrupt market movements. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

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

Growth of an Assumed $10,000 Investment in DWS Mid Cap Growth VIP



Russell Midcap® Growth Index is an unmanaged index that measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000® Growth Index.

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

Comparative Results

DWS Mid Cap Growth VIP		1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$14,309	$7,747	$9,888	$7,106
	Average annual total return	43.09%	–8.16%	–.22%	–3.36%
Russell Midcap Growth Index	Growth of $10,000	$14,629	$9,075	$11,258	$9,491
	Average annual total return	46.29%	–3.18%	2.40%	–.52%

The growth of $10,000 is cumulative.

Information About Your Portfolio's Expenses

DWS Mid Cap Growth VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (July 1, 2009 to December 31, 2009).

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, 2009

Actual Portfolio Return	**Class A**
Beginning Account Value 7/1/09	$1,000.00
Ending Account Value 12/31/09	$1,231.60
Expenses Paid per $1,000*	$ 5.46
Hypothetical 5% Portfolio Return	**Class A**
Beginning Account Value 7/1/09	$1,000.00
Ending Account Value 12/31/09	$1,020.32
Expenses Paid per $1,000*	$ 4.94

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

Annualized Expense Ratio	**Class A**
DWS Variable Series II — DWS Mid Cap Growth VIP	.97%

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

After the spectacular market declines in late 2008 and early 2009, global equity markets posted an equally spectacular recovery for the balance of 2009. For the 12 months ended December 31, 2009, the Portfolio returned 43.09% (Class A shares, unadjusted for contract charges), compared with the 46.29% return of the Russell Midcap® Growth Index. These outstanding returns obscure the weakness that afflicted the global equity markets in the first two months of the period. After several months of financial turmoil, characterized by record volatility, spread widening and extreme risk aversion, the markets were poised for a dramatic rebound.[1] In early March 2009, the effects of unprecedented global monetary and fiscal stimulus led to a sharp reversal in sentiment and a strong equity rally led once again by small- and mid-cap stocks. This rebound carried through to the end of the year amid mounting evidence that the global economy and corporate earnings were on the path to recovery.

Despite the Portfolio's strong return, it underperformed the benchmark, primarily due to stock selection. Detractors from performance over the 12-month period included unfavorable stock selection within materials, utilities and telecom services. An overweight position in health care also detracted from returns, as did an underweight in information technology.[2] Positive contributors to performance included an overweight position in energy, and underweight positions in consumer staples, utilities and industrials. Stock selection was positive within consumer discretionary, financials and energy.

We continue to maintain a long-term perspective, investing in quality mid-cap growth stocks.

Joseph Axtell, CFA
Rafaelina M. Lee
Portfolio Managers

The Russell Midcap Growth Index is an unmanaged index that measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000® Growth Index.

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

1 *Spread refers to the excess yield various bond sectors offer over Treasuries with similar maturities. When spreads widen, yield differences are increasing between bonds in the two sectors being compared. When spreads narrow, the opposite is true.*

2 *"Overweight" means the portfolio holds a higher weighting in a given sector or security than the benchmark. "Underweight" means the portfolio holds a lower weighting.*

Portfolio management market commentary is as of December 31, 2009, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results. Current and future portfolio holdings are subject to risk.

Portfolio Summary

DWS Mid Cap Growth VIP

Asset Allocation (As a % of Investment Portfolio Excluding Securities Lending Collateral)	**12/31/09**	**12/31/08**
Common Stocks	98%	97%
Cash Equivalents	2%	3%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**12/31/09**	**12/31/08**
Information Technology	22%	22%
Consumer Discretionary	18%	17%
Industrials	14%	13%
Health Care	12%	17%
Energy	12%	10%
Financials	9%	8%
Materials	8%	4%
Consumer Staples	3%	4%
Telecommunication Services	2%	3%
Utilities	—	2%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 125. A complete list of portfolio holdings of the Portfolio is posted as of the month end on www.dws-investments.com on or about the 15th day of the following month. More frequent posting of portfolio holdings information may be made from time to time on www.dws-investments.com.

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 98.5%		
Consumer Discretionary 17.3%		
Auto Components 1.3%		
Gentex Corp.	15,900	**283,815**
Diversified Consumer Services 1.3%		
Strayer Education, Inc. (a)	1,300	**276,237**
Hotels Restaurants & Leisure 2.2%		
Darden Restaurants, Inc.	8,700	305,109
Penn National Gaming, Inc.*	7,000	190,260
		495,369
Internet & Catalog Retail 1.5%		
Priceline.com, Inc.* (a)	1,550	**338,675**
Multiline Retail 0.2%		
Dollar General Corp.* (a)	2,100	**47,103**
Specialty Retail 9.1%		
Advance Auto Parts, Inc.	6,500	263,120
American Eagle Outfitters, Inc.	17,500	297,150
Children's Place Retail Stores, Inc.* (a)	9,500	313,595
Guess?, Inc.	10,200	431,460
Tiffany & Co.	6,600	283,800
Urban Outfitters, Inc.*	12,800	447,872
		2,036,997
Textiles, Apparel & Luxury Goods 1.7%		
Deckers Outdoor Corp.* (a)	3,800	**386,536**
Consumer Staples 3.1%		
Household Products 1.6%		
Church & Dwight Co., Inc. (a)	5,800	**350,610**
Personal Products 1.5%		
Herbalife Ltd.	8,600	**348,902**
Energy 11.7%		
Energy Equipment & Services 3.5%		
Cameron International Corp.*	5,000	209,000
Core Laboratories NV	1,000	118,120
FMC Technologies, Inc.*	5,100	294,984
Noble Corp.	3,800	154,660
		776,764
Oil, Gas & Consumable Fuels 8.2%		
Alpha Natural Resources, Inc.*	7,500	325,350
Concho Resources, Inc.*	7,100	318,790
EXCO Resources, Inc.	10,900	231,407
Petrohawk Energy Corp.*	7,700	184,723
Range Resources Corp. (a)	4,300	214,355
Southwestern Energy Co.*	5,100	245,820
Ultra Petroleum Corp.*	6,330	315,614
		1,836,059
Financials 8.7%		
Capital Markets 5.2%		
Affiliated Managers Group, Inc.* (a)	2,000	134,700
Jefferies Group, Inc.* (a)	6,600	156,618
Lazard Ltd. "A"	7,000	265,790
Och-Ziff Capital Management Group "A", (Limited Partnership) (a)	16,300	223,962
TD Ameritrade Holding Corp.*	10,100	195,738
Waddell & Reed Financial, Inc. "A"	5,900	180,186
		1,156,994
Diversified Financial Services 1.8%		
MSCI, Inc. "A"*	8,038	255,608
Portfolio Recovery Associates, Inc.* (a)	3,300	148,104
		403,712
Insurance 1.0%		
Lincoln National Corp.	9,400	**233,872**
Thrifts & Mortgage Finance 0.7%		
New York Community Bancorp., Inc.	10,200	**148,002**
Health Care 12.1%		
Biotechnology 2.4%		
Alexion Pharmaceuticals, Inc.*	3,500	170,870
BioMarin Pharmaceutical, Inc.* (a)	6,400	120,384
Talecris Biotherapeutics Holdings Corp.* (a)	5,400	120,258
Vertex Pharmaceuticals, Inc.* (a)	2,800	119,980
		531,492
Health Care Equipment & Supplies 4.1%		
Edwards Lifesciences Corp.*	2,400	208,440
Hologic, Inc.* (a)	10,800	156,600
Kinetic Concepts, Inc.* (a)	1,500	56,475
Thoratec Corp.* (a)	6,100	164,212
Varian Medical Systems, Inc.* (a)	3,500	163,975
Wright Medical Group, Inc.*	8,800	166,760
		916,462
Health Care Providers & Services 2.5%		
Fresenius Medical Care AG & Co. KGaA (ADR)	4,600	243,846
Laboratory Corp. of America Holdings* (a)	2,500	187,100
Owens & Minor, Inc.	2,800	120,204
		551,150
Health Care Technology 0.6%		
Cerner Corp.*	1,700	**140,148**
Life Sciences Tools & Services 2.0%		
Life Technologies Corp.*	4,800	250,704
QIAGEN NV* (a)	9,400	209,808
		460,512
Pharmaceuticals 0.5%		
Biovail Corp.	7,400	**103,304**
Industrials 14.2%		
Aerospace & Defense 1.3%		
BE Aerospace, Inc.* (a)	12,000	**282,000**
Commercial Services & Supplies 1.0%		
Stericycle, Inc.* (a)	4,000	**220,680**
Construction & Engineering 1.8%		
Aecom Technology Corp.*	9,100	250,250
Quanta Services, Inc.*	7,200	150,048
		400,298
Electrical Equipment 2.6%		
A123 Systems, Inc.*	7,300	163,812
First Solar, Inc.* (a)	1,300	176,020
General Cable Corp.* (a)	7,100	208,882
GrafTech International Ltd.*	2,900	45,095
		593,809
Industrial Conglomerates 1.1%		
McDermott International, Inc.*	10,800	**259,308**

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

	Shares	Value ($)
Machinery 2.3%		
Joy Global, Inc.	5,100	263,109
Terex Corp.* (a)	12,700	251,587
		514,696
Professional Services 2.3%		
FTI Consulting, Inc.* (a)	6,800	320,688
Robert Half International, Inc. (a)	7,000	187,110
		507,798
Road & Rail 1.8%		
Genesee & Wyoming, Inc. "A"*	5,300	172,992
Knight Transportation, Inc. (a)	12,300	237,267
		410,259
Information Technology 21.2%		
Communications Equipment 2.1%		
F5 Networks, Inc.*	5,100	270,198
Juniper Networks, Inc.*	7,700	205,359
		475,557
Electronic Equipment, Instruments & Components 1.2%		
Itron, Inc.*	3,950	**266,902**
IT Services 3.4%		
Cognizant Technology Solutions Corp. "A"*	10,400	471,120
CyberSource Corp.* (a)	14,800	297,628
		768,748
Semiconductors & Semiconductor Equipment 6.8%		
Analog Devices, Inc.	7,900	249,482
ARM Holdings PLC (ADR)	31,900	273,064
ASML Holding NV (NY Registered Shares)	5,000	170,450
Broadcom Corp. "A"*	8,600	270,470
Cavium Networks, Inc.*	8,000	190,640
Marvell Technology Group Ltd.*	18,000	373,500
		1,527,606
Software 7.7%		
Adobe Systems, Inc.*	4,800	176,544
Blackboard, Inc.* (a)	5,700	258,723
BMC Software, Inc.*	4,900	196,490
Concur Technologies, Inc.* (a)	5,100	218,025
Lawson Software, Inc.*	22,200	147,630
McAfee, Inc.*	5,000	202,850
Rovi Corp.*	5,900	188,033
Salesforce.com, Inc.* (a)	4,500	331,965
		1,720,260

	Shares	Value ($)
Materials 7.8%		
Construction Materials 1.0%		
Martin Marietta Materials, Inc. (a)	2,500	**223,525**
Containers & Packaging 2.1%		
Crown Holdings, Inc.*	9,900	253,242
Owens-Illinois, Inc.*	6,400	210,368
		463,610
Metals & Mining 3.6%		
Cliffs Natural Resources, Inc. (a)	4,700	216,623
Gerdau Ameristeel Corp. (a)	7,100	58,575
Kinross Gold Corp.	11,800	217,120
Steel Dynamics, Inc.	6,000	106,320
United States Steel Corp. (a)	4,000	220,480
		819,118
Paper & Forest Products 1.1%		
Schweitzer-Mauduit International, Inc.	3,500	**246,225**
Telecommunication Services 2.4%		
Wireless Telecommunication Services		
American Tower Corp. "A"*	7,400	319,753
MetroPCS Communications, Inc.* (a)	28,200	215,166
		534,919
Total Common Stocks (Cost $17,347,945)		**22,058,033**

Securities Lending Collateral 26.8%

	Shares	Value ($)
Daily Assets Fund Institutional, 0.17% (b) (c) (Cost $6,013,831)	6,013,831	**6,013,831**

Cash Equivalents 2.0%

	Shares	Value ($)
Central Cash Management Fund, 0.14% (b) (Cost $449,335)	449,335	**449,335**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $23,811,111)†	127.3	**28,521,199**
Other Assets and Liabilities, Net	(27.3)	**(6,115,182)**
Net Assets	100.0	**22,406,017**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $23,950,009. At December 31, 2009, net unrealized appreciation for all securities based on tax cost was $4,571,190. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $4,992,309 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $421,119.*

(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, 2009 amounted to $5,812,172, which is 25.9% of net assets.*

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

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

ADR: American Depositary Receipt

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

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes significant unobservable inputs (including the Portfolio's own assumptions in determining the fair value of investments). The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of December 31, 2009 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to the Financial Statements.

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stocks (d)	$ 22,058,033	$ —	$ —	$ 22,058,033
Short-Term Investments (d)	6,463,166	—	—	6,463,166
Total	**$ 28,521,199**	**$ —**	**$ —**	**$ 28,521,199**

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

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2009

Assets		
Investments:		
Investments in securities, at value (cost $17,347,945) — including $5,812,172 of securities loaned	$	22,058,033
Investment in Daily Assets Fund Institutional (cost $6,013,831)*		6,013,831
Investment in Central Cash Management Fund (cost $449,335)		449,335
Total investments, at value (cost $23,811,111)		28,521,199
Cash		10,000
Receivable for investments sold		65,245
Dividends receivable		5,399
Interest receivable		1,693
Other assets		434
Total assets		28,603,970

Liabilities		
Payable upon return of securities loaned		6,013,831
Payable for investments purchased		68,992
Payable for Portfolio shares redeemed		33,011
Accrued management fee		15,012
Other accrued expenses and payables		67,107
Total liabilities		6,197,953
Net assets, at value	**$**	**22,406,017**

Net Assets Consist of		
Accumulated net investment loss		(4,978)
Net unrealized appreciation (depreciation) on investments		4,710,088
Accumulated net realized gain (loss)		(27,920,176)
Paid-in capital		45,621,083
Net assets, at value	**$**	**22,406,017**
Class A		
Net Asset Value, offering and redemption price per share ($22,406,017 ÷ 2,302,964 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**9.73**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2009

Investment Income		
Dividends (net of foreign taxes withheld of $380)	$	111,881
Income distributions — affiliated cash management vehicles		2,039
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		25,334
Total Income		139,254
Expenses:		
Management fee		129,856
Administration fee		19,527
Services to shareholders		1,332
Custodian fee		9,732
Distribution service fee (Class B)		9
Legal fees		8,413
Audit and tax fees		47,893
Trustees' fees and expenses		2,434
Reports to shareholders		9,193
Total expenses before expense reductions		228,389
Expense reductions		(48,515)
Total expenses after expense reductions		179,874
Net investment income (loss)		**(40,620)**

Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		(3,073,424)
Payments by affiliates (see Note H)		133
		(3,073,291)
Change in net unrealized appreciation (depreciation) on investments		10,072,701
Net gain (loss)		**6,999,410**
Net increase (decrease) in net assets resulting from operations	**$**	**6,958,790**

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, 2009	2008
Operations:		
Net investment income (loss)	$ (40,620)	$ (70,372)
Net realized gain (loss)	(3,073,291)	(4,292,837)
Change in net unrealized appreciation (depreciation)	10,072,701	(17,648,743)
Net increase (decrease) in net assets resulting from operations	6,958,790	(22,011,952)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	2,976,222	3,106,392
Cost of shares redeemed	(5,876,870)	(13,526,182)
Shares converted*	17,354	—
Net increase (decrease) in net assets from Class A share transactions	(2,883,294)	(10,419,790)
Class B		
Proceeds from shares sold	—	46,809
Cost of shares redeemed	(64)	(1,840,021)
Shares converted*	(17,354)	—
Net increase (decrease) in net assets from Class B share transactions	(17,418)	(1,793,212)
Increase (decrease) in net assets	4,058,078	(34,224,954)
Net assets at beginning of period	18,347,939	52,572,893
Net assets at end of period (including accumulated net investment loss of $4,978 and $4,978, respectively)	**$ 22,406,017**	**$ 18,347,939**

Other Information	2009	2008
Class A		
Shares outstanding at beginning of period	2,694,618	3,720,929
Shares sold	374,687	300,045
Shares redeemed	(769,440)	(1,326,356)
Shares converted*	3,099	—
Net increase (decrease) in Class A shares	(391,654)	(1,026,311)
Shares outstanding at end of period	**2,302,964**	**2,694,618**
Class B		
Shares outstanding at beginning of period	3,171	145,552
Shares sold	—	4,043
Shares redeemed	(10)	(146,424)
Shares converted*	(3,161)	—
Net increase (decrease) in Class B shares	(3,171)	(142,381)
Shares outstanding at end of period	**—**	**3,171**

* *On March 6, 2009, Class B shares converted into Class A shares.*

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

Financial Highlights

Class A

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$ 6.80**	**$13.61**	**$12.56**	**$11.32**	**$ 9.84**
Income (loss) from investment operations:					
Net investment income (loss)[a]	(.02)	(.02)	(.05)	(.06)[c]	(.05)
Net realized and unrealized gain (loss)	2.95	(6.79)	1.10	1.30	1.53
Total from investment operations	2.93	(6.81)	1.05	1.24	1.48
Net asset value, end of period	**$ 9.73**	**$ 6.80**	**$13.61**	**$12.56**	**$11.32**
Total Return (%)[b]	43.09	(50.04)	8.36	10.95[c]	15.04
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	22	18	51	53	57
Ratio of expenses before expense reductions (%)	1.17	1.17	1.05	1.03	1.01
Ratio of expenses after expense reductions (%)	.92	1.02	.90	.93	.95
Ratio of net investment income (loss) (%)	(.21)	(.19)	(.38)	(.51)[c]	(.45)
Portfolio turnover rate (%)	89	82	68	46	104

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

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

[c] *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Funds. The non-recurring income resulted in an increase in net investment income of $0.003 per share and an increase in the ratio of net investment income of 0.03%. Excluding this non-recurring income, total return would have been 0.03% lower.*

DWS Money Market VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please contact your participating insurance company for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. The yield quotation more closely reflects the current earnings of the Portfolio than the total return quotation.

Risk Considerations

An investment in the Portfolio is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Portfolio seeks to preserve the value of your investment at $1.00 per share, this share price isn't guaranteed and you could lose money by investing in the Portfolio. The share price of money market funds can fall below the $1.00 share price. You should not rely on or expect the Advisor to enter into support agreements or take other actions to maintain the Portfolio's $1.00 share price. The credit quality of the Portfolio's holdings can change rapidly in certain markets, and the default of a single holding could have an adverse impact on the Portfolio's share price. The Portfolio's share price can also be negatively affected during periods of high redemption pressures and/or illiquid markets. The actions of a few large investors in the Portfolio may have a significant adverse effect on the share price of the Portfolio. Please read this Portfolio's prospectus for specific details regarding its risk profile.

Portfolio's Class A Shares Yield	7-day current yield
December 31, 2009	.02%
December 31, 2008	1.59%*

* *The investment advisor has agreed to waive fees/reimburse expenses. Without such fee waivers/expense reimbursements, the 7-day current yield would have been 1.31% as of December 31, 2008.*

Yields are historical, will fluctuate and do not guarantee future performance. The 7-day current yield refers to the income paid by the Portfolio over a 7-day period expressed as an annual percentage rate of the Portfolio's shares outstanding.

Information About Your Portfolio's Expenses

DWS Money Market VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (July 1, 2009 to December 31, 2009).

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, 2009

Actual Portfolio Return	**Class A**
Beginning Account Value 7/1/09	$1,000.00
Ending Account Value 12/31/09	$1,000.50
Expenses Paid per $1,000*	$ 1.82
Hypothetical 5% Portfolio Return	**Class A**
Beginning Account Value 7/1/09	$1,000.00
Ending Account Value 12/31/09	$1,023.39
Expenses Paid per $1,000*	$ 1.84

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

Annualized Expense Ratio	**Class A**
DWS Variable Series II — DWS Money Market VIP	.36%

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

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

DWS Money Market VIP

By the first quarter of 2009, it seemed evident that the array of government programs launched in response to the US mortgage crisis, the worldwide "credit crunch" and the worst economic downturn since the Great Depression of the 1930s was improving investor sentiment and the overall tone of the financial markets. Liquidity — which had been severely disrupted at the height of the financial crisis — was gradually restored in the short end of the money market curve as yield spreads returned to more accustomed levels. By the end of the second quarter — except for the labor market, where US unemployment hit 10% — the rate of deterioration for economic data seemed to be slowing. In the second half of 2009, we saw continuing improvements in market conditions. Interest rate spreads continued to narrow, liquidity increased and credit markets functioned more efficiently. In line with the recovery in the markets, short-term interest rates declined steadily and substantially throughout the course of 2009.

During the 12-month period ended December 31, 2009, the Portfolio provided a total return of 0.34% (Class A shares, unadjusted for contract charges), compared with the 0.19% average return for the 105 funds in the Lipper Money Market Variable Annuity Funds Category for the same period, according to Lipper Inc. The 7-day current yield as of December 31, 2009 was .02%. (Please see page 131 for more complete performance information.)

At the start of 2009, when conditions in the money markets were considerably more difficult, we employed a defensive strategy for the Portfolio, holding more overnight securities in the form of repurchase agreements in seeking the highest quality possible.[1] As conditions eased, we extended the Portfolio's weighted average maturity cautiously with the goal of maintaining high quality along with substantial liquidity. Going forward, we will be employing additional floating-rate securities — whose yields adjust periodically according to an index benchmark — in order to help control the Portfolio's weighted average maturity and position the Portfolio to better capture rising interest rates in a steepening yield curve environment, should one occur.[2]

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.

The Lipper Money Market Variable Annuity Funds Category includes funds that invest in high-quality financial instruments rated in the top two grades with dollar-weighted average maturities of less than 90 days and that intend to keep a constant net asset value. It is not possible to invest directly in a Lipper category. For the 1-, 3-, 5- and 10-year periods, this category's average return was 0.19% (105 funds), 2.38% (103 funds), 2.87% (99 funds) and 2.70% (72 funds), respectively, as of 12/31/09.

1 *Repurchase Agreements (Repos) — an agreement between a seller and a buyer, usually of government securities, where the seller agrees to repurchase the securities at a given price and usually at a stated time. Repos are widely used money market instruments that serve as an interest-bearing, short-term "parking place" for large sums of money.*

2 *Weighted average maturity — the average maturity of all the securities that make up a fund portfolio, expressed in days or years.*

Portfolio management market commentary is as of December 31, 2009, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results. Current and future portfolio holdings are subject to risk.

Portfolio Summary

DWS Money Market VIP

Asset Allocation (As a % of Investment Portfolio)	**12/31/09**	**12/31/08**
Commercial Paper	33%	41%
Certificates of Deposit and Bank Notes	22%	16%
Short-Term Notes	21%	14%
Repurchase Agreements	13%	6%
Government & Agency Obligations	10%	17%
Supranational	1%	—
Time Deposit	—	4%
Master Notes	—	2%
	100%	100%

Weighted Average Maturity*		
DWS Variable Series II — DWS Money Market VIP	48 days	61 days
First Tier Retail Money Fund Average	47 days	42 days

* *The Portfolio is compared to its respective iMoneyNet Category: First Tier Retail Money Fund Average — Category includes a widely recognized composite of money market funds that invest in only first tier (highest rating) securities. Portfolio Holdings of First Tier funds include US Treasury, US Other, Repos, Time Deposits, Domestic Bank Obligations, Foreign Bank Obligations, First Tier Commercial Paper, Floating Rate Notes and Asset Backed Commercial Paper.*

Asset allocation and weighted average maturity are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 135. A complete list of portfolio holdings of the Portfolio is posted as of the month end on www.dws-investments.com on or about the 15th day of the following month. More frequent posting of portfolio holdings information may be made from time to time on www.dws-investments.com.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Money Market VIP

	Principal Amount ($)	Value ($)
Certificates of Deposit and Bank Notes 22.4%		
Australia & New Zealand Banking Group Ltd., 0.29%, 1/14/2010	2,000,000	2,000,000
Banco Bilbao Vizcaya Argentaria SA:		
0.24%, 4/6/2010	1,400,000	1,400,000
0.25%, 2/18/2010	2,200,000	2,200,000
0.26%, 3/19/2010	1,000,000	1,000,000
Bank of Tokyo-Mtsubishi UFJ Ltd., 0.22%, 3/26/2010	2,000,000	2,000,000
BNP Paribas:		
0.23%, 4/9/2010	1,600,000	1,600,000
0.28%, 3/3/2010	1,400,000	1,400,000
0.28%, 5/19/2010	800,000	800,000
Caixa Geral de Depositos SA, 0.27%, 1/5/2010	3,000,000	3,000,000
Credit Agricole SA, 0.22%, 4/6/2010	1,600,000	1,600,000
Credit Industriel et Commercial, 0.34%, 1/4/2010	2,000,000	2,000,000
Dexia Credit Local:		
0.49%, 4/5/2010	2,000,000	2,000,026
0.75%, 2/11/2010	2,500,000	2,500,014
1.06%, 1/4/2010	2,000,000	2,000,002
DnB NOR Bank ASA:		
0.28%, 5/20/2010	800,000	800,000
0.34%, 5/5/2010	4,500,000	4,500,000
KBC Bank NV, 0.35%, 2/16/2010	1,350,000	1,350,017
Landwirtschaftliche Rentenbank, 2.625%, 2/26/2010	1,500,000	1,503,985
Mizuho Corporate Bank Ltd.:		
0.23%, 2/17/2010	800,000	800,000
0.25%, 1/8/2010	3,000,000	3,000,000
Nordea Bank Finland PLC, 0.75%, 9/23/2010	1,250,000	1,250,000
Rabobank Nederland NV, 0.28%, 1/7/2010	2,750,000	2,750,000
Societe Generale, 0.26%, 3/1/2010	2,000,000	2,000,000
Svenska Handelsbanken AB:		
0.2%, 3/22/2010	1,350,000	1,350,015
0.22%, 1/6/2010	4,500,000	4,500,003
0.23%, 1/26/2010	2,000,000	2,000,014
0.25%, 2/26/2010	2,200,000	2,200,034
Toronto-Dominion Bank:		
0.6%, 1/12/2010	2,800,000	2,800,068
0.65%, 4/1/2010	500,000	500,000
0.75%, 2/8/2010	2,000,000	2,000,000
Wal-Mart Stores, Inc., 5.321%, 6/1/2010	1,500,000	1,528,738
Total Certificates of Deposit and Bank Notes (Cost $60,332,916)		**60,332,916**

Commercial Paper 33.1%

Issued at Discount**

	Principal Amount ($)	Value ($)
Anglo Irish Bank Corp., Ltd., 144A, 0.75%, 1/19/2010	2,000,000	1,999,250
ASB Finance Ltd., 1.2%, 3/12/2010	500,000	498,833
Atlantis One Funding Corp., 144A, 0.18%, 1/6/2010	2,000,000	1,999,950
BPCE SA:		
0.27%, 2/2/2010	3,000,000	2,999,280
0.27%, 2/5/2010	1,500,000	1,499,606
0.27%, 2/10/2010	1,000,000	999,700
Caisse D'Amortissement de la Dette Sociale:		
0.23%, 2/25/2010	1,400,000	1,399,508
0.27%, 3/23/2010	2,200,000	2,198,664
0.48%, 4/19/2010	750,000	748,920
0.65%, 3/12/2010	1,500,000	1,498,104
0.7%, 1/8/2010	1,500,000	1,499,796
Citibank Omni Master Trust:		
144A, 0.65%, 1/6/2010	1,500,000	1,499,865
144A, 0.65%, 1/13/2010	1,500,000	1,499,675
144A, 0.65%, 1/20/2010	2,000,000	1,999,314
Clipper Receivables Co., LLC, 0.2%, 1/22/2010	3,000,000	2,999,650
Danske Corp.:		
144A, 0.51%, 1/15/2010	1,500,000	1,499,703
144A, 0.6%, 1/11/2010	4,000,000	3,999,333
Grampian Funding LLC:		
144A, 0.38%, 1/20/2010	1,500,000	1,499,699
144A, 0.4%, 1/11/2010	4,500,000	4,499,500
144A, 0.405%, 1/4/2010	1,000,000	999,966
Hannover Funding Co., LLC, 0.45%, 1/11/2010	3,500,000	3,499,563
Irish Life & Permanent PLC, 144A, 0.56%, 2/22/2010	2,700,000	2,697,816
Johnson & Johnson, 144A, 0.22%, 7/12/2010	1,000,000	998,827
KBC Financial Products International Ltd.:		
144A, 0.55%, 1/4/2010	1,500,000	1,499,931
144A, 0.58%, 1/6/2010	1,000,000	999,919
Nieuw Amsterdam Receivables Corp., 144A, 0.21%, 2/8/2010	1,400,000	1,399,690
NRW.Bank:		
0.22%, 1/29/2010	1,000,000	999,829
0.25%, 3/5/2010	1,375,000	1,374,398
0.29%, 1/13/2010	1,400,000	1,399,865
0.4%, 3/3/2010	2,000,000	1,998,644
0.45%, 7/8/2010	1,500,000	1,496,475
0.48%, 2/5/2010	750,000	749,650
0.5%, 1/11/2010	1,500,000	1,499,792
Rabobank USA Financial Corp., 0.27%, 1/19/2010	2,750,000	2,749,629
Societe de Prise de Participation de l'Etat, 144A, 0.2%, 3/2/2010	2,000,000	1,999,333
Societe Generale North America, Inc., 0.25%, 2/10/2010	2,200,000	2,199,389
Standard Chartered Bank, 0.27%, 1/15/2010	1,000,000	999,895
Straight-A Funding LLC:		
144A, 0.18%, 2/22/2010	1,400,000	1,399,636
144A, 0.2%, 2/1/2010	2,200,000	2,199,621
144A, 0.2%, 2/8/2010	1,500,000	1,499,683
144A, 0.21%, 1/12/2010	2,400,000	2,399,846
Swedbank AB:		
144A, 0.81%, 3/30/2010	1,300,000	1,297,426
144A, 0.82%, 2/19/2010	1,300,000	1,298,549
144A, 0.86%, 6/3/2010	1,000,000	996,345

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

	Principal Amount ($)	Value ($)
144A, 0.89%, 5/28/2010	1,300,000	1,295,276
144A, 0.99%, 5/12/2010	1,700,000	1,693,876
144A, 1.07%, 6/10/2010	1,650,000	1,642,153
144A, 1.09%, 6/14/2010	1,000,000	995,034
Swiss Re Treasury US Corp., 0.2%, 1/8/2010	1,500,000	1,499,942
Total Capital Canada Ltd., 144A, 0.19%, 2/25/2010	750,000	749,782
Toyota Motor Credit Corp., 0.25%, 4/8/2010	1,000,000	999,326
Victory Receivables Corp., 144A, 0.2%, 1/21/2010	3,000,000	2,999,667
Total Commercial Paper (Cost $89,367,123)		**89,367,123**

Short-Term Notes* 21.0%

	Principal Amount ($)	Value ($)
ANZ National International Ltd., 144A, 0.384%, 10/19/2010	1,500,000	1,500,000
ASB Finance Ltd., 144A, 0.364%, 12/3/2010	5,000,000	5,000,377
Bank of Nova Scotia, 0.241%, 11/23/2010	2,500,000	2,500,000
Barclays Bank PLC, 0.43%, 4/21/2010	2,000,000	2,000,000
Canadian Imperial Bank of Commerce:		
0.2%, 7/26/2010	2,500,000	2,500,000
0.23%, 3/4/2010	5,000,000	5,000,000
Commonwealth Bank of Australia:		
144A, 0.275%, 1/3/2011	1,380,000	1,380,000
144A, 0.348%, 6/24/2010	3,000,000	3,000,000
Governor & Co. of the Bank of Ireland, 0.631%, 1/26/2010	2,300,000	2,300,000
Inter-American Development Bank, 0.24%, 2/19/2010	3,900,000	3,900,000
International Bank for Reconstruction & Development, 0.23%, 2/1/2010	3,000,000	3,000,000
Kreditanstalt fuer Wiederaufbau, 0.333%, 1/21/2010	2,500,000	2,500,000
National Australia Bank Ltd., 0.384%, 7/12/2010	1,500,000	1,500,000
Natixis:		
0.25%, 2/5/2010	1,500,000	1,500,000
0.26%, 3/10/2010	3,000,000	3,000,000
Procter & Gamble International Funding SCA, 0.285%, 5/7/2010	1,300,000	1,300,000
Queensland Treasury Corp., 0.275%, 6/18/2010	2,500,000	2,500,000
Rabobank Nederland NV:		
144A, 0.284%, 4/7/2011	4,000,000	4,000,000
144A, 0.67%, 5/19/2010	1,800,000	1,803,225
Royal Bank of Scotland PLC, 0.316%, 5/21/2010	2,000,000	2,000,000
Westpac Banking Corp.:		
144A, 0.282%, 12/13/2010	2,000,000	2,000,000
0.334%, 7/6/2010	2,500,000	2,500,000
Total Short-Term Notes (Cost $56,683,602)		**56,683,602**

Supranational 0.5%

	Principal Amount ($)	Value ($)
Inter-American Development Bank, 0.339%**, 8/16/2010 (Cost $1,396,998)	1,400,000	**1,396,998**

Government & Agency Obligations 10.4%

US Government Sponsored Agencies 6.7%

	Principal Amount ($)	Value ($)
Federal Home Loan Bank:		
0.468%**, 1/12/2010	4,000,000	3,999,377
0.79%*, 3/11/2010	2,500,000	2,499,938
Federal Home Loan Mortgage Corp.:		
0.331%**, 2/2/2010	2,000,000	1,999,396
0.366%**, 3/31/2010	2,000,000	1,998,170
0.379%**, 10/25/2010	800,000	797,492
0.427%**, 5/17/2010	1,500,000	1,497,563
Federal National Mortgage Association:		
0.209%**, 7/1/2010	1,300,000	1,298,627
0.349%**, 10/1/2010	1,000,000	997,346
0.369%**, 12/1/2010	1,380,000	1,375,263
0.547%**, 8/5/2010	1,600,000	1,594,720
		18,057,892

US Treasury Obligations 3.7%

	Principal Amount ($)	Value ($)
US Treasury Bills:		
0.41%**, 12/16/2010	1,400,000	1,394,435
0.48%**, 1/14/2010	2,500,000	2,499,567
0.49%**, 7/29/2010	500,000	498,578
0.53%**, 6/3/2010	1,650,000	1,646,283
0.6%**, 6/3/2010	1,600,000	1,595,920
US Treasury Notes:		
1.5%, 10/31/2010	1,000,000	1,009,431
2.75%, 7/31/2010	650,000	658,373
4.5%, 11/15/2010	750,000	776,943
		10,079,530
Total Government & Agency Obligations (Cost $28,137,422)		**28,137,422**

Repurchase Agreements 12.8%

	Principal Amount ($)	Value ($)
JPMorgan Securities, Inc., 0.01%, dated 12/31/2009, to be repurchased at $34,369,527 on 1/4/2010 (a) (Cost $34,369,489)	34,369,489	**34,369,489**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $270,287,550)†	100.2	**270,287,550**
Other Assets and Liabilities, Net	(0.2)	**(648,992)**
Net Assets	100.0	**269,638,558**

* *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, 2009.*

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

† *The cost for federal income tax purposes was $270,287,550.*

(a) *Collateralized by $33,905,000 Federal Home Loan Mortgage Corp., 4.5%, maturing on 11/1/2024 with a value of $35,059,412.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

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

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes significant unobservable inputs (including the Portfolio's own assumptions in determining the fair value of investments). The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Securities held by a money market portfolio are reflected as Level 2 because the securities are valued at amortized cost (which approximates fair value) and, accordingly, the inputs used to determine value are not quoted prices in an active market.

The following is a summary of the inputs used as of December 31, 2009 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to the Financial Statements.

Assets	Level 1	Level 2	Level 3	Total
Short-Term Investments (b)	$ —	$ 270,287,550	$ —	$ 270,287,550
Total	**$ —**	**$ 270,287,550**	**$ —**	**$ 270,287,550**

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

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2009

Assets		
Investments:		
Investments in securities, valued at amortized cost	$	235,918,061
Repurchase agreements, valued at amortized cost		34,369,489
Total investments, valued at amortized cost		270,287,550
Interest receivable		183,323
Receivable for Portfolio shares sold		130,997
Other assets		6,189
Total assets		270,608,059
Liabilities		
Payable for Portfolio shares redeemed		731,477
Distributions payable		3,057
Accrued management fee		111,539
Other accrued expenses and payables		123,428
Total liabilities		969,501
Net assets, at value	**$**	**269,638,558**
Net Assets Consist of		
Distributions in excess of net investment income		(16,402)
Paid-in capital		269,654,960
Net assets, at value	**$**	**269,638,558**
Class A		
Net Asset Value, offering and redemption price per share ($269,638,558 ÷ 269,724,482 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**1.00**

Statement of Operations

for the year ended December 31, 2009

Investment Income		
Income:		
Interest	$	2,668,205
Expenses:		
Management fee		946,882
Administration fee		332,239
Services to shareholders		1,318
Distribution service fee (Class B)		10
Trustees' fee and expenses		11,224
Reports to shareholders		5,111
Temporary guarantee program participation fee		113,841
Professional fees and other		14,638
Total expenses		1,425,263
Net investment income		**1,242,942**
Net realized gain (loss)		**23,268**
Net increase (decrease) in net assets resulting from operations	**$**	**1,266,210**

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, 2009	2008
Operations:		
Net investment income	$ 1,242,942	$ 10,015,243
Net realized gain (loss)	23,268	109,674
Net increase (decrease) in net assets resulting from operations	1,266,210	10,124,917
Distributions to shareholders from:		
Net investment income		
Class A	(1,233,793)	(10,103,886)
Class B	(37)	(127,775)
Total distributions	$ (1,233,830)	$ (10,231,661)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	102,195,146	264,441,713
Shares converted*	41,096	—
Reinvestment of distributions	1,523,848	10,438,782
Cost of shares redeemed	(231,903,870)	(232,250,984)
Net increase (decrease) in net assets from Class A share transactions	(128,143,780)	42,629,511
Class B		
Proceeds from shares sold	50	4,026,431
Shares converted*	(41,096)	—
Reinvestment of distributions	58	158,921
Cost of shares redeemed	(49)	(28,403,441)
Net increase (decrease) in net assets from Class B share transactions	(41,037)	(24,218,089)
Increase (decrease) in net assets	(128,152,437)	18,304,678
Net assets at beginning of period	397,790,995	379,486,317
Net assets at end of period (including distributions in excess of net investment income of $16,402 and $130,622, respectively)	**$ 269,638,558**	**$ 397,790,995**

Other Information		
Class A		
Shares outstanding at beginning of period	397,868,262	355,238,751
Shares sold	102,195,146	264,441,713
Shares converted*	41,096	—
Shares issued to shareholders in reinvestment of distributions	1,523,848	10,438,782
Shares redeemed	(231,903,870)	(232,250,984)
Net increase (decrease) in Class A shares	(128,143,780)	42,629,511
Shares outstanding at end of period	**269,724,482**	**397,868,262**
Class B		
Shares outstanding at beginning of period	41,037	24,259,126
Shares sold	50	4,026,431
Shares converted*	(41,096)	—
Shares issued to shareholders in reinvestment of distributions	58	158,921
Shares redeemed	(49)	(28,403,441)
Net increase (decrease) in Class B shares	(41,037)	(24,218,089)
Shares outstanding at end of period	**—**	**41,037**

* *On February 3, 2009, Class B shares converted into Class A shares.*

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

Financial Highlights

Class A

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$1.000**	**$1.000**	**$1.000**	**$1.000**	**$1.000**
Income from investment operations:					
Net investment income	.003	.026	.049	.046	.028
Total from investment operations	.003	.026	.049	.046	.028
Less distributions from:					
Net investment income	(.003)	(.026)	(.049)	(.046)	(.028)
Net asset value, end of period	**$1.000**	**$1.000**	**$1.000**	**$1.000**	**$1.000**
Total Return (%)	.34	2.64[a]	5.00[a]	4.65[a]	2.80
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	270	398	355	294	235
Ratio of expenses before expense reductions (%)	.43	.52	.46	.52	.52
Ratio of expenses after expense reductions (%)	.43	.50	.45	.51	.52
Ratio of net investment income (%)	.37	2.56	4.88	4.58	2.77

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

DWS Small Cap Growth VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please contact your participating insurance company for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

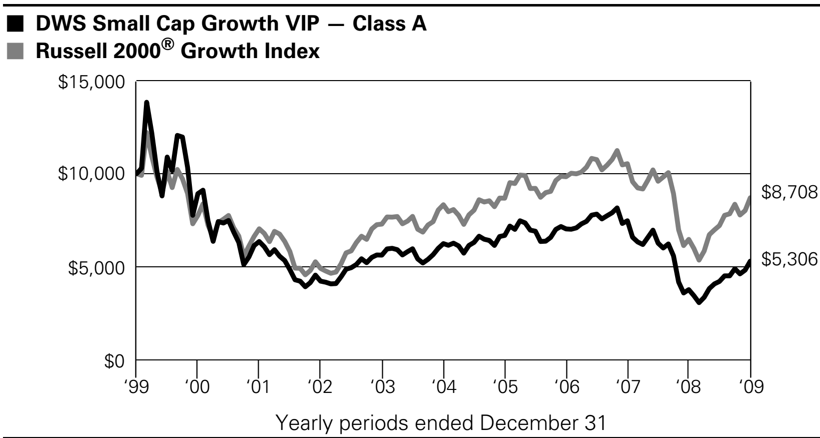
The gross expense ratio of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2009 is 0.79% for Class A shares and may differ from the expense ratio disclosed in the Financial Highlights table in this report.

Risk Considerations

This Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Additionally, stocks of small companies involve greater risk than securities of larger, more-established companies, as they often have limited product lines, markets or financial resources and may be subject to more erratic and abrupt market movements. Finally, derivatives may be more volatile and less liquid than traditional securities and the Portfolio could suffer losses on its derivatives positions. Please read this Portfolio's prospectus for specific details regarding this product's investments and risk profile.

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

Growth of an Assumed $10,000 Investment in DWS Small Cap Growth VIP



The Russell 2000® Growth Index is an unmanaged, capitalization-weighted measure of 2,000 of the smallest capitalized US companies with a greater-than-average growth orientation and whose common stocks trade on the NYSE, Amex and Nasdaq.

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

Comparative Results

DWS Small Cap Growth VIP		1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$14,060	$7,541	$8,499	$5,306
	Average annual total return	40.60%	–8.98%	–3.20%	–6.14%
Russell 2000 Growth Index	Growth of $10,000	$13,447	$8,847	$10,444	$8,708
	Average annual total return	34.47%	–4.00%	.87%	–1.37%

The growth of $10,000 is cumulative.

Information About Your Portfolio's Expenses

DWS Small Cap Growth VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (July 1, 2009 to December 31, 2009).

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, 2009

Actual Portfolio Return	**Class A**
Beginning Account Value 7/1/09	$1,000.00
Ending Account Value 12/31/09	$1,260.30
Expenses Paid per $1,000*	$ 4.33
Hypothetical 5% Portfolio Return	**Class A**
Beginning Account Value 7/1/09	$1,000.00
Ending Account Value 12/31/09	$1,021.37
Expenses Paid per $1,000*	$ 3.87

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

Annualized Expense Ratio	**Class A**
DWS Variable Series II — DWS Small Cap Growth VIP	.76%

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

After the spectacular market declines in late 2008 and early 2009, global equity markets posted an equally spectacular recovery for the balance of 2009. For the 12 months ended December 31, 2009, the Portfolio returned 40.60% (Class A shares, unadjusted for contract charges), compared with the 34.47% return of the Russell 2000® Growth Index. These strong returns obscure the weakness that afflicted the global equity markets during the first two months of the period. After several months of financial turmoil, characterized by record volatility, spread widening and extreme risk aversion, the markets were poised for a dramatic rebound.[1] In early March 2009, the effects of unprecedented global monetary and fiscal stimulus led to a sharp reversal in sentiment and a strong equity rally led once again by small- and mid-cap stocks. This rebound carried through to the end of the year amid mounting evidence that the global economy and corporate earnings were on the path to recovery.

The Portfolio's strong return relative to the benchmark was primarily the result of favorable stock selection, but also came from allocation within sectors. During the period, stock selection was positive within the industrials, financials, energy, consumer staples and consumer discretionary sectors. Additionally, positive contributors to performance included an overweight position in energy, as well as underweight positions in industrials, health care, telecom services, materials and utilities.[2] Detractors from performance included unfavorable stock selection within health care, information technology and materials. An overweight position in financials also detracted from returns.

We continue to maintain a long-term perspective, investing in quality small-cap growth stocks.

Joseph Axtell, CFA
Rafaelina M. Lee
Portfolio Managers

The Russell 2000® Growth Index is an unmanaged, capitalization-weighted measure of 2,000 of the smallest capitalized US companies with a greater-than-average growth orientation and whose common stocks trade on the NYSE, Amex and Nasdaq.

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

1 *Spread refers to the excess yield various bond sectors offer over Treasuries with similar maturities. When spreads widen, yield differences are increasing between bonds in the two sectors being compared. When spreads narrow, the opposite is true.*

2 *"Overweight" means the portfolio holds a higher weighting in a given sector or security than the benchmark. "Underweight" means the portfolio holds a lower weighting.*

Portfolio management market commentary is as of December 31, 2009, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results. Current and future portfolio holdings are subject to risk.

Portfolio Summary

DWS Small Cap Growth VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**12/31/09**	**12/31/08**
Common Stocks	98%	94%
Cash Equivalents	2%	6%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**12/31/09**	**12/31/08**
Information Technology	24%	33%
Industrials	19%	11%
Health Care	17%	18%
Consumer Discretionary	16%	16%
Energy	9%	8%
Financials	7%	9%
Consumer Staples	5%	5%
Materials	2%	—
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 145. A complete list of portfolio holdings of the Portfolio is posted as of the month end on www.dws-investments.com on or about the 15th day of the following month. More frequent posting of portfolio holdings information may be made from time to time on www.dws-investments.com.

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, 2009

DWS Small Cap Growth VIP

	Shares	Value ($)
Common Stocks 98.3%		
Consumer Discretionary 15.4%		
Auto Components 0.7%		
Gentex Corp.	29,600	**528,360**
Diversified Consumer Services 1.2%		
Capella Education Co.* (a)	12,300	**926,190**
Hotels Restaurants & Leisure 1.7%		
Buffalo Wild Wings, Inc.* (a)	22,300	898,021
Red Robin Gourmet Burgers, Inc.*	26,200	468,980
		1,367,001
Media 1.3%		
Cinemark Holdings, Inc. (a)	74,300	**1,067,691**
Specialty Retail 8.8%		
Advance Auto Parts, Inc.	24,500	991,760
Children's Place Retail Stores, Inc.*	33,000	1,089,330
DSW, Inc. "A"* (a)	50,400	1,304,352
Guess?, Inc.	36,200	1,531,260
hhgregg, Inc.* (a)	36,800	810,704
Urban Outfitters, Inc.*	36,400	1,273,636
		7,001,042
Textiles, Apparel & Luxury Goods 1.7%		
Carter's, Inc.*	19,500	511,875
True Religion Apparel, Inc.* (a)	46,100	852,389
		1,364,264
Consumer Staples 4.5%		
Food & Staples Retailing 0.8%		
Casey's General Stores, Inc.	20,700	**660,744**
Food Products 3.4%		
American Italian Pasta Co. "A"*	11,800	410,522
Darling International, Inc.*	72,900	610,902
Diamond Foods, Inc.	12,500	444,250
Green Mountain Coffee Roasters, Inc.* (a)	15,050	1,226,123
		2,691,797
Personal Products 0.3%		
Chattem, Inc.* (a)	2,250	**209,925**
Energy 8.9%		
Energy Equipment & Services 2.0%		
Atwood Oceanics, Inc.*	16,200	580,770
Dril-Quip, Inc.*	17,900	1,010,992
		1,591,762
Oil, Gas & Consumable Fuels 6.9%		
BPZ Resources, Inc.*	124,100	1,178,950
Carrizo Oil & Gas, Inc.* (a)	46,900	1,242,381
Concho Resources, Inc.*	18,200	817,180
EXCO Resources, Inc.	66,000	1,401,180
Goodrich Petroleum Corp.* (a)	34,900	849,815
		5,489,506
Financials 6.4%		
Capital Markets 2.7%		
Duff & Phelps Corp. "A"	22,400	409,024
Stifel Financial Corp.* (a)	16,300	965,612
Waddell & Reed Financial, Inc. "A"	26,400	806,256
		2,180,892
Commercial Banks 1.2%		
East West Bancorp, Inc.	60,700	**959,060**

	Shares	Value ($)
Consumer Finance 1.4%		
Dollar Financial Corp.* (a)	46,100	**1,090,726**
Diversified Financial Services 1.1%		
Portfolio Recovery Associates, Inc.* (a)	19,920	**894,010**
Health Care 17.1%		
Biotechnology 4.6%		
Alexion Pharmaceuticals, Inc.*	12,900	629,778
BioMarin Pharmaceutical, Inc.*	27,800	522,918
Human Genome Sciences, Inc.* (a)	26,500	810,900
Incyte Corp.*	22,300	203,153
InterMune, Inc.*	15,900	207,336
Medivation, Inc.*	5,700	214,605
Regeneron Pharmaceuticals, Inc.*	9,900	239,382
Talecris Biotherapeutics Holdings Corp.*	18,300	407,541
United Therapeutics Corp.*	8,200	431,730
		3,667,343
Health Care Equipment & Supplies 5.4%		
Edwards Lifesciences Corp.*	8,200	712,170
Hologic, Inc.*	48,700	706,150
Kinetic Concepts, Inc.*	5,400	203,310
Masimo Corp.*	30,800	936,936
Thoratec Corp.*	39,700	1,068,724
Wright Medical Group, Inc.*	34,500	653,775
		4,281,065
Health Care Providers & Services 2.4%		
Genoptix, Inc.* (a)	25,400	902,462
Gentiva Health Services, Inc.*	23,900	645,539
Owens & Minor, Inc.	9,400	403,542
		1,951,543
Health Care Technology 1.5%		
Cerner Corp.* (a)	3,900	321,516
Merge Healthcare, Inc.*	75,707	254,376
SXC Health Solutions Corp.*	10,900	588,055
		1,163,947
Pharmaceuticals 3.2%		
Flamel Technologies SA (ADR)* (a)	43,300	320,420
MiddleBrook Pharmaceuticals, Inc.* (a)	197,900	100,929
Mylan, Inc.* (a)	55,200	1,017,336
Par Pharmaceutical Companies, Inc.*	40,100	1,085,106
		2,523,791
Industrials 18.7%		
Aerospace & Defense 1.3%		
BE Aerospace, Inc.*	43,600	**1,024,600**
Air Freight & Logistics 0.8%		
Atlas Air Worldwide Holdings, Inc.*	16,200	**603,450**
Commercial Services & Supplies 0.9%		
EnerNOC, Inc.* (a)	24,500	**744,555**
Construction & Engineering 0.6%		
MYR Group, Inc.*	25,700	**464,656**
Electrical Equipment 6.9%		
A-Power Energy Generation Systems Ltd.* (a)	53,100	971,199
A123 Systems, Inc.* (a)	28,600	641,784
AZZ, Inc.*	19,900	650,730

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

	Shares	Value ($)
Baldor Electric Co. (a)	34,500	969,105
General Cable Corp.*	26,200	770,804
GrafTech International Ltd.*	10,400	161,720
Polypore International, Inc.*	54,200	644,980
Yingli Green Energy Holding Co., Ltd. (ADR)* (a)	42,100	665,601
		5,475,923
Machinery 3.2%		
Badger Meter, Inc. (a)	21,900	872,058
RBC Bearings, Inc.*	41,400	1,007,262
Terex Corp.*	36,000	713,160
		2,592,480
Professional Services 2.5%		
FTI Consulting, Inc.*	23,700	1,117,692
TrueBlue, Inc.*	57,500	851,575
		1,969,267
Road & Rail 2.0%		
Genesee & Wyoming, Inc. "A"*	20,300	662,592
Knight Transportation, Inc. (a)	47,700	920,133
		1,582,725
Trading Companies & Distributors 0.5%		
United Rentals, Inc.*	43,900	**430,659**
Information Technology 24.0%		
Communications Equipment 0.7%		
Polycom, Inc.*	22,800	**569,316**
Computers & Peripherals 1.2%		
Lexmark International, Inc. "A"*	36,100	**937,878**
Electronic Equipment, Instruments & Components 1.4%		
Itron, Inc.*	16,100	**1,087,877**
Internet Software & Services 2.6%		
Digital River, Inc.*	28,000	755,720
LogMeIn, Inc.*	17,200	343,140
MercadoLibre, Inc.*	19,000	985,530
		2,084,390
IT Services 4.2%		
CyberSource Corp.* (a)	67,800	1,363,458
Forrester Research, Inc.*	35,800	929,010
iGATE Corp.	50,600	506,000
Telvent GIT SA	13,300	518,434
		3,316,902
Semiconductors & Semiconductor Equipment 4.9%		
Atheros Communications*	27,700	948,448
Cavium Networks, Inc.*	41,750	994,902
Microsemi Corp.*	46,700	828,925
Netlogic Microsystems, Inc.* (a)	24,900	1,151,874
		3,924,149
Software 9.0%		
ArcSight, Inc.*	46,100	1,179,238
Blackboard, Inc.* (a)	22,900	1,039,431
CommVault Systems, Inc.*	17,100	405,099
Concur Technologies, Inc.* (a)	22,200	949,050
Epicor Software Corp.*	81,100	617,982
FalconStor Software, Inc.*	162,200	658,532
Taleo Corp. "A"*	46,500	1,093,680
VanceInfo Technologies, Inc. (ADR)* (a)	65,900	1,265,939
		7,208,951
Materials 2.6%		
Metals & Mining 1.4%		
Commercial Metals Co.	22,500	352,125
North American Palladium Ltd.*	54,400	190,400
Thompson Creek Metals Co., Inc.*	28,900	338,708
Vista Gold Corp.*	80,400	196,980
		1,078,213
Paper & Forest Products 1.2%		
Schweitzer-Mauduit International, Inc.	13,700	**963,795**
Telecommunication Services 0.7%		
Wireless Telecommunication Services		
Syniverse Holdings, Inc.*	31,000	**541,880**
Total Common Stocks (Cost $59,081,420)		**78,212,325**

	Shares	Value ($)
Securities Lending Collateral 25.4%		
Daily Assets Fund Institutional, 0.17% (b) (c) (Cost $20,247,580)	20,247,580	**20,247,580**
Cash Equivalents 1.9%		
Central Cash Management Fund, 0.14% (b) (Cost $1,499,468)	1,499,468	**1,499,468**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $80,828,468)†	125.6	**99,959,373**
Other Assets and Liabilities, Net	(25.6)	**(20,374,129)**
Net Assets	100.0	**79,585,244**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $81,156,940. At December 31, 2009, net unrealized appreciation for all securities based on tax cost was $18,802,433. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $20,571,974 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $1,769,541.*

(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, 2009 amounted to $19,388,409, which is 24.4% of net assets.*

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

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

ADR: American Depositary Receipt

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

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes significant unobservable inputs (including the Portfolio's own assumptions in determining the fair value of investments). The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of December 31, 2009 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to the Financial Statements.

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stocks (d)	$ 78,212,325	$ —	$ —	$ 78,212,325
Short-Term Investments (d)	21,747,048	—	—	21,747,048
Total	**$ 99,959,373**	**$ —**	**$ —**	**$ 99,959,373**

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

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2009

Assets		
Investments:		
Investments in securities, at value (cost $59,081,420) — including $19,388,409 of securities loaned	$	78,212,325
Investment in Daily Assets Fund Institutional (cost $20,247,580)*		20,247,580
Investment in Central Cash Management Fund (cost $1,499,468)		1,499,468
Total investments, at value (cost $80,828,468)		99,959,373
Cash		10,000
Receivable for investments sold		209,717
Receivable for Portfolio shares sold		9,820
Dividends receivable		12,351
Interest receivable		23,448
Other assets		1,504
Total assets		100,226,213
Liabilities		
Payable for investments purchased		56,701
Payable for Portfolio shares redeemed		165,571
Payable upon return of securities loaned		20,247,580
Accrued management fee		37,689
Other accrued expenses and payables		133,428
Total liabilities		20,640,969
Net assets, at value	**$**	**79,585,244**
Net Assets Consist of		
Accumulated net investment loss		(14,597)
Net unrealized appreciation (depreciation) on investments		19,130,905
Accumulated net realized gain (loss)		(119,270,900)
Paid-in capital		179,739,836
Net assets, at value	**$**	**79,585,244**
Class A		
Net Asset Value, offering and redemption price per share ($79,585,244 ÷ 7,439,067 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**10.70**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2009

Investment Income		
Income:		
Dividends	$	170,865
Income distributions — affiliated cash management vehicles		7,465
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		197,838
Total Income		376,168
Expenses:		
Management fee		373,273
Administration fee		67,868
Services to shareholders		3,223
Distribution service fee (Class B)		6
Audit and tax fees		62,437
Trustees' fees and expenses		850
Reports to shareholders		6,112
Professional fees and other		9,189
Total expenses		522,958
Net investment income (loss)		**(146,790)**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from investments		(20,542,994)
Payments by affiliates (see note H)		499
		(20,542,495)
Change in net unrealized appreciation (depreciation) on investments		44,155,860
Net gain (loss)		**23,613,365**
Net increase (decrease) in net assets resulting from operations	**$**	**23,466,575**

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, 2009	2008
Operations:		
Net investment income (loss)	$ (146,790)	$ (63,592)
Net realized gain (loss)	(20,542,495)	(22,641,797)
Change in net unrealized appreciation (depreciation)	44,155,860	(56,010,791)
Net increase (decrease) in net assets resulting from operations	23,466,575	(78,716,180)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	3,738,488	5,995,281
Cost of shares redeemed	(17,049,742)	(32,499,758)
Shares converted*	10,873	—
Net increase (decrease) in net assets from Class A share transactions	(13,300,381)	(26,504,477)
Class B		
Proceeds from shares sold	244	210,787
Cost of shares redeemed	(33)	(6,249,807)
Shares converted*	(10,873)	—
Net increase (decrease) in net assets from Class B share transactions	(10,662)	(6,039,020)
Increase (decrease) in net assets	10,155,532	(111,259,677)
Net assets at beginning of period	69,429,712	180,689,389
Net assets at end of period (including accumulated net investment loss of $14,597 and $16,609, respectively)	**$ 79,585,244**	**$ 69,429,712**

Other Information		
Class A		
Shares outstanding at beginning of period	9,122,504	11,529,906
Shares sold	442,413	539,106
Shares redeemed	(2,127,728)	(2,946,508)
Shares converted*	1,878	—
Net increase (decrease) in Class A shares	(1,683,437)	(2,407,402)
Shares outstanding at end of period	**7,439,067**	**9,122,504**
Class B		
Shares outstanding at beginning of period	1,867	468,018
Shares sold	38	16,827
Shares redeemed	(5)	(482,978)
Shares converted*	(1,900)	—
Net increase (decrease) in Class B shares	(1,867)	(466,151)
Shares outstanding at end of period	**—**	**1,867**

* *On March 6, 2009, Class B shares converted into Class A shares.*

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

Financial Highlights

Class A

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$ 7.61**	**$15.07**	**$14.19**	**$13.48**	**$12.59**
Income (loss) from investment operations:					
Net investment income (loss)[a]	(.02)	(.01)	(.01)	(.04)[d]	(.06)
Net realized and unrealized gain (loss)	3.11	(7.45)	.89	.75	.95
Total from investment operations	3.09	(7.46)	.88	.71	.89
Net asset value, end of period	**$10.70**	**$ 7.61**	**$15.07**	**$14.19**	**$13.48**
Total Return (%)	40.60	(49.50)[b]	6.20[b]	5.27[b,d]	7.07[c]
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	80	69	174	208	243
Ratio of expenses before expense reductions (%)	.77	.88	.75	.73	.72
Ratio of expenses after expense reductions (%)	.77	.85	.72	.72	.72
Ratio of net investment income (loss) (%)	(.22)	(.04)	(.09)	(.32)[d]	(.47)
Portfolio turnover rate (%)	93	67	67	73	94

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

[b] *Total return would have been lower had certain expenses been reduced.*

[c] *In 2005, the Portfolio realized a gain of $49,496 on the disposal of an investment not meeting the Portfolio's investment restrictions. This violation had no negative impact on the total return.*

[d] *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Funds. The non-recurring income resulted in an increase in net investment income of $0.008 per share and an increase in the ratio of net investment income of 0.06%. Excluding this non-recurring income, total return would have been 0.06% lower.*

Performance Summary

December 31, 2009

DWS Strategic Income VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please contact your participating insurance company for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

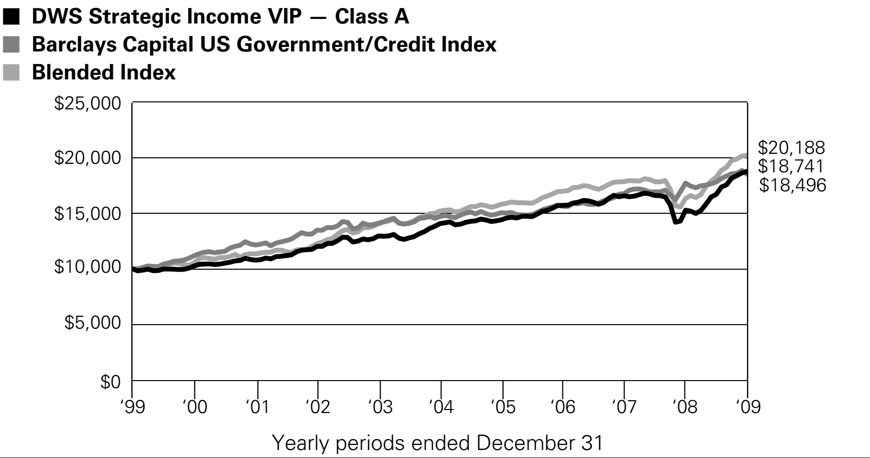
The gross expense ratio of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2009 is 0.84% for Class A shares and may differ from the expense ratio disclosed in the Financial Highlights table in this report.

Risk Considerations

The Portfolio invests in individual bonds whose yields and market values fluctuate so that your investment may be worth more or less than its original cost. Bond investments are subject to interest-rate risk such that when interest rates rise, the prices of the bonds, and thus the value of the bond investment, can decline and the investor can lose principal value. Additionally, investments by the Portfolio in lower-rated bonds present greater risk to principal and income than investments in higher-quality securities. The Portfolio invests in derivatives seeking to hedge positions in certain securities and to generate income in order to enhance the Portfolio's returns. Derivatives can be more volatile and less liquid than traditional fixed-income securities. Finally, investing in foreign securities presents certain risks, such as currency fluctuation, political and economic changes and market risks. All of these factors may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

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

Growth of an Assumed $10,000 Investment in DWS Strategic Income VIP



The Barclays Capital US Government/Credit Index is an unmanaged index comprising intermediate- and long-term government and investment-grade corporate debt securities.

The Blended Index consists of the Credit Suisse High Yield Index (35%), Barclays Capital US Government/Credit Index (35%), JPMorgan Emerging Markets Bond Index Global Diversified (15%) and Citigroup Non US Hedged WBGI (15%). The Advisor believes this blended benchmark, which is a secondary benchmark, more accurately reflects typical portfolio asset allocations and represents the overall investment process.

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

Comparative Results

DWS Strategic Income VIP		1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$12,273	$11,938	$13,319	$18,741
	Average annual total return	22.73%	6.08%	5.90%	6.48%
Barclays Capital US Government/Credit Index	Growth of $10,000	$10,452	$11,847	$12,585	$18,496
	Average annual total return	4.52%	5.81%	4.71%	6.34%
Blended Index	Growth of $10,000	$12,366	$11,901	$13,293	$20,188
	Average annual total return	23.66%	5.97%	5.86%	7.28%

The growth of $10,000 is cumulative.

Information About Your Portfolio's Expenses

DWS Strategic Income VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (July 1, 2009 to December 31, 2009).

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, 2009

Actual Portfolio Return	**Class A**
Beginning Account Value 7/1/09	$1,000.00
Ending Account Value 12/31/09	$1,123.90
Expenses Paid per $1,000*	$ 4.34
Hypothetical 5% Portfolio Return	**Class A**
Beginning Account Value 7/1/09	$1,000.00
Ending Account Value 12/31/09	$1,021.12
Expenses Paid per $1,000*	$ 4.13

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

Annualized Expense Ratio	**Class A**
DWS Variable Series II — DWS Strategic Income VIP	.81%

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

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

DWS Strategic Income VIP

The Portfolio delivered a 22.73% return for the period ended December 31, 2009 (Class A shares, unadjusted for contract charges). This compares with the Portfolio benchmarks' returns of 23.66% for the blended index and 4.52% for the Barclays Capital US Government/Credit Index.

The primary reason for the Portfolio's strong absolute performance was its position in market segments that performed very well during the past year, including high-yield bonds, investment-grade corporates, emerging-markets debt and various types of asset-backed securities.[1] While our holdings in these "spread sectors" hurt performance during late 2008, the normalization of market conditions in 2009 enabled the Portfolio to gain the benefit we would typically expect from our broad-based approach.

Positions in investment-grade corporate bonds made a substantial positive contribution to the Portfolio's performance. We took advantage of distressed prices to add to our weighting in this market segment early in the year. In doing so, we focused on attractively valued issues in the industrial and financial sectors, as well as BBB-rated new issues that came to the market at inexpensive levels in order to attract buyers.[2] We have since traded out of many issues that had experienced substantial rallies, while keeping those that we think will continue to offer compelling values. The domestic segment of the Portfolio also was aided by the robust performance of our positions in asset-backed securities, commercial mortgage-backed securities and residential mortgage-backed securities.[3]

We held an overweight in foreign currencies — particularly the euro and Japanese yen — for much of the period, which enabled the Portfolio to benefit from the weakness in the US dollar.[4] Late in the period, we reduced these overweights in exchange for greater exposure to the depressed US dollar. The emerging-markets portion of the portfolio performed well on an absolute basis, as we experienced strong absolute returns from the Portfolio's core positions.

In a reflection of the favorable environment in the bond market, few elements of the Portfolio's positioning stood out as being significant detractors. Our holdings in Greece and Spain detracted from performance due to their poor performance in December.

In addition to the main investment strategy, we employ a portable alpha strategy.[5] This strategy added modestly to the Portfolio's return.

Gary Sullivan, CFA
William Chepolis, CFA
Matthew F. MacDonald, CFA
Thomas Picciochi
Robert Wang
Portfolio Managers

The Barclays Capital US Government/Credit Index is an unmanaged index comprising intermediate- and long-term government and investment-grade corporate debt securities.

The Blended Index consists of the Credit Suisse High Yield Index (35%), Barclays Capital US Government/Credit Index (35%), JPMorgan Emerging Markets Bond Index Global Diversified (15%) and Citigroup Non US Hedged WBGI (15%). The Advisor believes this blended benchmark, which is a secondary benchmark, more accurately reflects typical portfolio asset allocations and represents the overall investment process.

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

1 *Asset-backed securities (ABS) are secured by assets.*

2 *Credit quality is a measure of a bond issuer's ability to repay interest and principal in a timely manner. Rating agencies assign letter designations such as AAA, AA and so forth. The lower the rating, the higher the probability of default.*

3 *Commercial mortgage-backed securities (CMBS) are secured by loans on a commercial property. Residential mortgage-backed securities (CMBS) are secured by loans on residential property.*

4 *"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.*

5 *The portable alpha strategy is designed to add value by taking advantage of short-term mispricings in the global equity, bond and currency markets. The portable alpha strategy may use instruments including but not limited to futures, options and currency forwards. Derivatives may be more volatile and less liquid than traditional securities, and the strategy could suffer losses on its derivatives positions.*

Portfolio management market commentary is as of December 31, 2009, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results. Current and future portfolio holdings are subject to risk.

Portfolio Summary

DWS Strategic Income VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**12/31/09**	**12/31/08**
Corporate Bonds	62%	42%
Government & Agency Obligations	18%	42%
Cash Equivalents	8%	6%
Mortgage-Backed Securities Pass-Throughs	4%	3%
Loan Participations and Assignments	3%	2%
Collateralized Mortgage Obligations	2%	1%
Commercial Mortgage-Backed Securities	1%	2%
Asset Backed	1%	1%
Preferred Securities	1%	—
Municipal Bonds and Notes	—	1%
	100%	100%

Quality (Excludes Securities Lending Collateral)	**12/31/09**	**12/31/08**
Cash Equivalents	9%	5%
AAA	12%	31%
AA	8%	1%
A	6%	15%
BBB	14%	8%
BB	18%	15%
B	21%	15%
CCC	8%	3%
Below CCC	2%	1%
Not Rated	2%	6%
	100%	100%

Interest Rate Sensitivity	**12/31/09**	**12/31/08**
Effective maturity	6.6 years	7.4 years
Average duration	3.7 years	5.1 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 155. A complete list of portfolio holdings of the Portfolio is posted as of the month end on www.dws-investments.com on or about the 15th day of the following month. More frequent posting of portfolio holdings information may be made from time to time on www.dws-investments.com.

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.

		Principal Amount ($) (a)	Value ($)
Corporate Bonds 61.6%			
Consumer Discretionary 6.2%			
AMC Entertainment, Inc., 8.0%, 3/1/2014		105,000	100,275
American Achievement Corp., 144A, 8.25%, 4/1/2012		30,000	29,925
Ameristar Casinos, Inc., 144A, 9.25%, 6/1/2014		115,000	119,312
Asbury Automotive Group, Inc.:			
7.625%, 3/15/2017		65,000	61,262
8.0%, 3/15/2014		30,000	29,475
Ashtead Holdings PLC, 144A, 8.625%, 8/1/2015		120,000	120,600
Brunswick Corp., 144A, 11.25%, 11/1/2016		45,000	50,625
CanWest MediaWorks LP, 144A, 9.25%, 8/1/2015**		50,000	7,438
Carrols Corp., 9.0%, 1/15/2013		30,000	30,450
Clear Channel Worldwide Holdings, Inc.:			
Series A, 144A, 9.25%, 12/15/2017		15,000	15,300
Series B, 144A, 9.25%, 12/15/2017		25,000	25,750
CSC Holdings LLC, 6.75%, 4/15/2012		6,000	6,195
DirecTV Holdings LLC, 7.625%, 5/15/2016		145,000	158,412
DISH DBS Corp.:			
6.375%, 10/1/2011		345,000	356,209
6.625%, 10/1/2014		65,000	65,569
7.125%, 2/1/2016		155,000	158,294
Dollarama Group Holdings LP, 6.706%***, 8/15/2012 (b)		52,000	52,520
Fontainebleau Las Vegas Holdings LLC, 144A, 11.0%, 6/15/2015**		65,000	650
GameStop Corp., 8.0%, 10/1/2012		60,000	62,175
Goodyear Tire & Rubber Co.:			
7.857%, 8/15/2011 (c)		125,000	129,219
10.5%, 5/15/2016		25,000	27,625
Great Canadian Gaming Corp., 144A, 7.25%, 2/15/2015		55,000	52,869
Group 1 Automotive, Inc., 8.25%, 8/15/2013		30,000	29,850
Harrah's Operating Co., Inc., 144A, 11.25%, 6/1/2017 (c)		60,000	62,775
Hertz Corp., 8.875%, 1/1/2014		285,000	291,412
Isle of Capri Casinos, Inc., 7.0%, 3/1/2014		39,000	34,710
Lamar Media Corp., Series C, 6.625%, 8/15/2015		20,000	19,200
Levi Strauss & Co., 8.625%, 4/1/2013	EUR	100,000	143,355
Macy's Retail Holdings, Inc., 8.875%, 7/15/2015 (c)		10,000	11,025
Mediacom Broadband LLC, 8.5%, 10/15/2015 (c)		75,000	75,750
MGM MIRAGE:			
144A, 10.375%, 5/15/2014		45,000	48,825
144A, 11.125%, 11/15/2017		50,000	55,375
Neiman Marcus Group, Inc.:			
9.0%, 10/15/2015 (PIK)		25,597	25,021
10.375%, 10/15/2015		80,000	78,400
Norcraft Holdings LP, 9.75%, 9/1/2012		71,000	68,160
Penn National Gaming, Inc., 144A, 8.75%, 8/15/2019 (c)		25,000	25,563
Penske Automotive Group, Inc., 7.75%, 12/15/2016		145,000	140,287
Pinnacle Entertainment, Inc.:			
7.5%, 6/15/2015		40,000	36,800
144A, 8.625%, 8/1/2017 (c)		310,000	316,200
Reader's Digest Association, Inc., 9.0%, 2/15/2017**		50,000	563
Sabre Holdings Corp., 8.35%, 3/15/2016		50,000	45,563
Seminole Hard Rock Entertainment, Inc., 144A, 2.754%***, 3/15/2014		65,000	53,544
Simmons Co., 10.0%, 12/15/2014**		185,000	14,800
Sonic Automotive, Inc., Series B, 8.625%, 8/15/2013		120,000	119,400
Time Warner Cable, Inc., 5.0%, 2/1/2020		170,000	164,854
Travelport LLC:			
4.881%***, 9/1/2014		45,000	40,781
9.875%, 9/1/2014		45,000	46,462
Trump Entertainment Resorts, Inc., 8.5%, 6/1/2015**		15,000	310
United Components, Inc., 9.375%, 6/15/2013		10,000	9,650
Unity Media GmbH, 144A, 8.75%, 2/15/2015	EUR	150,000	223,634
UPC Holding BV:			
144A, 7.75%, 1/15/2014	EUR	200,000	278,109
144A, 8.0%, 11/1/2016	EUR	100,000	136,904
Vertis, Inc., 13.5%, 4/1/2014 (PIK)		21,367	7,078
WMG Acquisition Corp., 144A, 9.5%, 6/15/2016		45,000	48,206
Wyndham Worldwide Corp., 6.0%, 12/1/2016		290,000	270,162
Young Broadcasting, Inc., 8.75%, 1/15/2014**		275,000	963
			4,583,840
Consumer Staples 1.7%			
Alliance One International, Inc., 144A, 10.0%, 7/15/2016		120,000	126,000
Altria Group, Inc., 10.2%, 2/6/2039		200,000	266,808
Dole Food Co., Inc., 144A, 8.0%, 10/1/2016 (c)		35,000	35,525
General Nutrition Centers, Inc., 5.178%***, 3/15/2014 (PIK)		40,000	37,300
Great Atlantic & Pacific Tea Co., Inc., 144A, 11.375%, 8/1/2015		60,000	63,150
Ingles Markets, Inc., 8.875%, 5/15/2017		30,000	31,200
North Atlantic Trading Co., 144A, 10.0%, 3/1/2012		223,000	171,710

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

	Principal Amount ($) (a)	Value ($)
Reynolds American, Inc., 6.75%, 6/15/2017	200,000	207,121
Rite Aid Corp., 7.5%, 3/1/2017	60,000	56,400
Smithfield Foods, Inc., 144A, 10.0%, 7/15/2014	85,000	92,225
SUPERVALU, Inc., 8.0%, 5/1/2016	35,000	35,525
Tyson Foods, Inc., 7.85%, 4/1/2016	120,000	123,000
		1,245,964

Energy 6.5%

	Principal Amount ($) (a)	Value ($)
Anadarko Petroleum Corp., 8.7%, 3/15/2019	180,000	223,905
Atlas Energy Operating Co., LLC:		
10.75%, 2/1/2018	115,000	127,075
12.125%, 8/1/2017	55,000	62,425
Belden & Blake Corp., 8.75%, 7/15/2012	310,000	289,850
Bill Barrett Corp., 9.875%, 7/15/2016	40,000	42,600
Bristow Group, Inc., 7.5%, 9/15/2017 (c)	70,000	69,300
Cenovus Energy, Inc., 144A, 5.7%, 10/15/2019	120,000	125,168
Chaparral Energy, Inc., 8.5%, 12/1/2015	120,000	105,900
Chesapeake Energy Corp.:		
6.25%, 1/15/2018	55,000	52,800
6.875%, 1/15/2016	120,000	120,000
6.875%, 11/15/2020	30,000	28,950
7.25%, 12/15/2018 (c)	100,000	100,750
9.5%, 2/15/2015 (c)	185,000	203,037
Colorado Interstate Gas Co., 6.8%, 11/15/2015	30,000	33,122
Concho Resources, Inc., 8.625%, 10/1/2017	25,000	26,250
Continental Resources, Inc., 144A, 8.25%, 10/1/2019	20,000	21,000
El Paso Corp.:		
7.25%, 6/1/2018	55,000	54,340
9.625%, 5/15/2012	255,000	263,166
Enterprise Products Operating LLC, 5.25%, 1/31/2020	165,000	163,222
EXCO Resources, Inc., 7.25%, 1/15/2011	95,000	94,762
Frontier Oil Corp., 6.625%, 10/1/2011	40,000	40,250
Husky Energy, Inc., 7.25%, 12/15/2019	210,000	242,676
KCS Energy, Inc., 7.125%, 4/1/2012	240,000	240,600
Linn Energy LLC, 144A, 11.75%, 5/15/2017	75,000	84,187
Mariner Energy, Inc.:		
7.5%, 4/15/2013 (c)	60,000	59,700
8.0%, 5/15/2017	95,000	91,200
Newfield Exploration Co., 7.125%, 5/15/2018	90,000	90,900
Nexen, Inc., 6.2%, 7/30/2019	90,000	95,231
OPTI Canada, Inc.:		
7.875%, 12/15/2014	215,000	176,300
8.25%, 12/15/2014	130,000	107,087
Petrohawk Energy Corp.:		
7.875%, 6/1/2015	30,000	30,300
9.125%, 7/15/2013	65,000	67,925
Plains Exploration & Production Co.:		
7.0%, 3/15/2017 (c)	60,000	58,950
7.625%, 6/1/2018	110,000	112,475
8.625%, 10/15/2019 (c)	55,000	56,513
Quicksilver Resources, Inc.:		
7.125%, 4/1/2016	170,000	158,525
11.75%, 1/1/2016 (c)	15,000	17,025
Regency Energy Partners LP:		
8.375%, 12/15/2013	80,000	82,800
144A, 9.375%, 6/1/2016	115,000	122,475
Southwestern Energy Co., 7.5%, 2/1/2018	85,000	90,100
Stone Energy Corp.:		
6.75%, 12/15/2014	105,000	93,712
8.25%, 12/15/2011	160,000	159,400
Whiting Petroleum Corp.:		
7.25%, 5/1/2012	125,000	125,625
7.25%, 5/1/2013	20,000	20,150
Williams Companies, Inc., 8.125%, 3/15/2012	180,000	196,824
		4,828,552

Financials 20.2%

		Principal Amount ($) (a)	Value ($)
Algoma Acquisition Corp., 144A, 9.875%, 6/15/2015		125,000	106,406
American International Group, Inc., 29.05%***, 6/27/2022		360,000	279,900
Anglo American Capital PLC, 144A, 9.375%, 4/8/2019		330,000	419,169
Ashton Woods USA LLC, 144A, Step-up Coupon, 0% to 6/30/2012, 11.0% to 6/30/2015		75,400	22,620
Bank of America Corp.:			
6.5%, 8/1/2016		180,000	193,558
7.625%, 6/1/2019		180,000	208,232
BlackRock, Inc., Series 2, 5.0%, 12/10/2019		130,000	127,749
Buffalo Thunder Development Authority, 144A, 9.375%, 12/15/2014**		30,000	5,250
Calpine Construction Finance Co., LP, 144A, 8.0%, 6/1/2016 (c)		120,000	123,600
Case New Holland, Inc., 144A, 7.75%, 9/1/2013		45,000	46,012
Citigroup Funding, Inc., 5.0%, 4/7/2013		295,000	280,250
Citigroup, Inc.:			
6.5%, 8/19/2013		25,000	26,630
8.5%, 5/22/2019		167,000	192,844
Conproca SA de CV, REG S, 12.0%, 6/16/2010		74,100	75,582
Depfa ACS Bank, 144A, 8.799%***, 10/6/2023		1,000,000	878,900
Discover Bank, 8.7%, 11/18/2019		290,000	310,693
E*TRADE Financial Corp., 7.375%, 9/15/2013		120,000	111,750
FCE Bank PLC, 9.375%, 1/17/2014	EUR	100,000	144,430
Ford Motor Credit Co., LLC:			
7.25%, 10/25/2011		60,000	60,594
7.375%, 2/1/2011		45,000	45,917
7.5%, 8/1/2012 (c)		500,000	504,229
9.875%, 8/10/2011		145,000	151,818

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

		Principal Amount ($) (a)	Value ($)
General Electric Capital Corp., 6.0%, 8/7/2019		265,000	275,076
GMAC, Inc.:			
144A, 6.875%, 9/15/2011		297,000	292,545
144A, 7.0%, 2/1/2012		185,000	182,225
144A, 7.25%, 3/2/2011		455,000	450,450
144A, 7.75%, 1/19/2010		140,000	140,000
Harrahs Operating Escrow LLC, 144A, 11.25%, 6/1/2017 (c)		180,000	188,325
Hellas Telecommunications Finance, 144A, 8.742%***, 7/15/2015 (PIK)	EUR	104,583	16
Holcim US Finance Sarl & Cie SCS, 144A, 6.0%, 12/30/2019		140,000	145,725
Hospitality Properties Trust, (REIT), 7.875%, 8/15/2014		200,000	206,474
Hutchison Whampoa Finance 09 Ltd., 4.75%, 11/14/2016	EUR	150,000	216,181
ICICI Bank Ltd., 144A, 5.5%, 3/25/2015		285,000	283,660
Intergas Finance BV, REG S, 6.875%, 11/4/2011		275,000	280,500
iPayment, Inc., 9.75%, 5/15/2014		45,000	37,406
Kreditanstalt fuer Wiederaufbau, 1.35%, 1/20/2014	JPY	135,000,000	1,483,342
Lincoln National Corp., 8.75%, 7/1/2019		167,000	190,815
Macquarie Group Ltd., 144A, 7.3%, 8/1/2014		334,000	360,876
MetLife, Inc.:			
6.75%, 6/1/2016		135,000	151,179
7.717%, 2/15/2019		180,000	211,524
Morgan Stanley, Series F, 5.625%, 9/23/2019		330,000	332,412
New ASAT (Finance) Ltd., 9.25%, 2/1/2011**		90,000	112
Nielsen Finance LLC, 11.5%, 5/1/2016		20,000	22,350
NiSource Finance Corp., 6.125%, 3/1/2022		290,000	295,959
Orascom Telecom Finance SCA, 144A, 7.875%, 2/8/2014		200,000	181,000
Pacific Life Global Funding, 144A, 0.89%***, 2/6/2016		386,000	361,022
Pinnacle Foods Finance LLC, 9.25%, 4/1/2015		35,000	35,525
PNC Bank NA, 6.875%, 4/1/2018		180,000	191,056
Principal Financial Group, Inc., 8.875%, 5/15/2019		180,000	207,633
ProLogis, (REIT), 7.375%, 10/30/2019		225,000	221,941
Rainbow National Services LLC, 144A, 10.375%, 9/1/2014		13,000	13,715
Rio Tinto Finance (USA) Ltd., 9.0%, 5/1/2019		240,000	303,741
Sprint Capital Corp.:			
7.625%, 1/30/2011 (c)		50,000	51,187
8.375%, 3/15/2012		20,000	20,700
Standard Pacific Escrow LLC, 144A, 10.75%, 9/15/2016		50,000	51,000

		Principal Amount ($) (a)	Value ($)
Teachers Insurance & Annuity Association of America, 144A, 6.85%, 12/16/2039		185,000	191,242
Toll Brothers Finance Corp., 6.75%, 11/1/2019		170,000	166,497
Toyota Motor Credit Corp., 5.25%, 2/3/2012	EUR	850,000	1,287,459
Toys R Us Property Co. I, LLC, 144A, 10.75%, 7/15/2017		50,000	54,750
Tropicana Entertainment LLC, 9.625%, 12/15/2014**		150,000	750
UCI Holdco, Inc., 9.25%***, 12/15/2013 (PIK)		76,228	64,794
Vale Overseas Ltd.:			
5.625%, 9/15/2019		160,000	161,556
6.875%, 11/10/2039		170,000	171,143
Virgin Media Finance PLC:			
8.75%, 4/15/2014 (c)		84,000	86,730
Series 1, 9.5%, 8/15/2016		300,000	322,125
Westpac Banking Corp., 4.875%, 11/19/2019		290,000	286,231
Wind Acquisition Finance SA:			
144A, 11.0%, 12/1/2015	EUR	180,000	277,392
144A, 11.75%, 7/15/2017		100,000	109,250
			14,881,724
Health Care 3.6%			
CareFusion Corp., 144A, 6.375%, 8/1/2019		237,000	253,713
Community Health Systems, Inc., 8.875%, 7/15/2015		480,000	496,800
HCA, Inc.:			
144A, 7.875%, 2/15/2020		365,000	380,056
144A, 8.5%, 4/15/2019 (c)		45,000	48,488
9.125%, 11/15/2014		155,000	163,525
9.25%, 11/15/2016		290,000	311,387
9.625%, 11/15/2016 (PIK)		152,000	164,540
HEALTHSOUTH Corp., 10.75%, 6/15/2016		50,000	54,375
IASIS Healthcare LLC, 8.75%, 6/15/2014		95,000	96,188
Novasep Holding SAS, 144A, 9.625%, 12/15/2016	EUR	50,000	70,244
The Cooper Companies, Inc., 7.125%, 2/15/2015		95,000	92,388
Vanguard Health Holding Co. I, LLC, 11.25%, 10/1/2015		75,000	78,938
Vanguard Health Holding Co. II, LLC, 9.0%, 10/1/2014		150,000	155,437
Watson Pharmaceuticals, Inc., 6.125%, 8/15/2019		250,000	257,948
			2,624,027
Industrials 4.4%			
Acco Brands Corp., 144A, 10.625%, 3/15/2015		20,000	22,000
Actuant Corp., 6.875%, 6/15/2017		40,000	38,050
ARAMARK Corp., 8.5%, 2/1/2015		20,000	20,600
BE Aerospace, Inc., 8.5%, 7/1/2018 (c)		105,000	111,300
Belden, Inc.:			
7.0%, 3/15/2017		45,000	43,819
144A, 9.25%, 6/15/2019		40,000	42,250
Bombardier, Inc., 144A, 6.75%, 5/1/2012		100,000	103,250
Cenveo Corp., 144A, 10.5%, 8/15/2016		55,000	56,375

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

	Principal Amount ($) (a)	Value ($)
Clean Harbors, Inc., 7.625%, 8/15/2016	35,000	35,481
Congoleum Corp., 8.625%, 8/1/2008**	125,000	26,250
Corrections Corp. of America, 7.75%, 6/1/2017	30,000	30,900
Goodrich Corp., 4.875%, 3/1/2020	145,000	143,424
Great Lakes Dredge & Dock Co., 7.75%, 12/15/2013	50,000	49,750
Hutchison Whampoa International 09/19 Ltd., 144A, 5.75%, 9/11/2019	225,000	228,096
Iron Mountain, Inc., 8.375%, 8/15/2021	80,000	82,600
K. Hovnanian Enterprises, Inc., 8.875%, 4/1/2012	55,000	46,200
Kansas City Southern de Mexico SA de CV:		
7.375%, 6/1/2014	115,000	112,125
7.625%, 12/1/2013	155,000	152,675
9.375%, 5/1/2012	150,000	155,625
Kansas City Southern Railway Co., 8.0%, 6/1/2015	100,000	103,625
McJunkin Red Man Corp., 144A, 9.5%, 12/15/2016	95,000	92,862
Meccanica Holdings USA, 144A, 6.25%, 1/15/2040	250,000	250,298
Mobile Mini, Inc., 9.75%, 8/1/2014	65,000	67,600
Navios Maritime Holdings, Inc., 9.5%, 12/15/2014	75,000	74,625
Owens Corning, Inc., 9.0%, 6/15/2019	217,000	241,994
R.H. Donnelley Corp., Series A-4, 8.875%, 10/15/2017**	165,000	15,469
RailAmerica, Inc., 9.25%, 7/1/2017	40,000	42,550
RBS Global & Rexnord Corp., 9.5%, 8/1/2014	45,000	45,113
Textron, Inc., 7.25%, 10/1/2019	167,000	172,857
Titan International, Inc., 8.0%, 1/15/2012	195,000	191,100
TransDigm, Inc., 7.75%, 7/15/2014	30,000	30,375
United Rentals North America, Inc.:		
6.5%, 2/15/2012	125,000	124,687
7.0%, 2/15/2014	175,000	158,375
USG Corp., 144A, 9.75%, 8/1/2014	45,000	48,038
Vought Aircraft Industries, Inc., 8.0%, 7/15/2011	60,000	59,175
		3,219,513

Information Technology 1.2%

	Principal Amount ($) (a)	Value ($)
Advanced Micro Devices, Inc., 5.75%, 8/15/2012	33,000	32,546
Alcatel-Lucent USA, Inc., 6.45%, 3/15/2029	70,000	50,138
Jabil Circuit, Inc., 7.75%, 7/15/2016	30,000	31,500
L-3 Communications Corp.:		
5.875%, 1/15/2015	105,000	104,869
Series B, 6.375%, 10/15/2015	80,000	80,300
MasTec, Inc., 7.625%, 2/1/2017	65,000	62,481
Seagate Technology International, 144A, 10.0%, 5/1/2014	25,000	27,625
SunGard Data Systems, Inc., 10.25%, 8/15/2015	225,000	239,625
Unisys Corp., 144A, 12.75%, 10/15/2014	80,000	92,400
Vangent, Inc., 9.625%, 2/15/2015	35,000	32,944
Xerox Corp., 6.75%, 12/15/2039	140,000	141,054
		895,482

Materials 7.3%

		Principal Amount ($) (a)	Value ($)
Appleton Papers, Inc., 144A, 11.25%, 12/15/2015		25,000	21,156
ARCO Chemical Co., 9.8%, 2/1/2020**		405,000	287,550
Ashland, Inc., 144A, 9.125%, 6/1/2017		55,000	60,362
Ball Corp.:			
7.125%, 9/1/2016		30,000	30,750
7.375%, 9/1/2019		25,000	25,688
Clondalkin Acquisition BV, 144A, 2.254%***, 12/15/2013		75,000	66,281
CPG International I, Inc., 10.5%, 7/1/2013		130,000	122,850
Crown Americas LLC, 144A, 7.625%, 5/15/2017		30,000	31,125
Dow Chemical Co., 9.4%, 5/15/2039		360,000	475,974
E.I. du Pont de Nemours & Co., 4.625%, 1/15/2020		160,000	156,640
Exopack Holding Corp., 11.25%, 2/1/2014		160,000	162,600
Freeport-McMoRan Copper & Gold, Inc.:			
8.25%, 4/1/2015		145,000	158,050
8.375%, 4/1/2017		280,000	306,600
GEO Specialty Chemicals, Inc.:			
144A, 7.5%***, 3/31/2015 (PIK)		120,175	96,140
10.0%, 3/31/2015		119,040	95,232
Georgia-Pacific LLC:			
144A, 7.0%, 1/15/2015		45,000	45,562
144A, 7.125%, 1/15/2017		35,000	35,437
144A, 8.25%, 5/1/2016		65,000	68,900
9.5%, 12/1/2011		300,000	324,000
Graphic Packaging International, Inc., 9.5%, 6/15/2017		130,000	137,800
Greif, Inc., 7.75%, 8/1/2019		195,000	198,900
Hexcel Corp., 6.75%, 2/1/2015		255,000	244,800
Huntsman International LLC, 144A, 6.875%, 11/15/2013	EUR	100,000	132,962
Innophos, Inc., 8.875%, 8/15/2014		35,000	35,525
MeadWestvaco Corp., 7.375%, 9/1/2019		350,000	384,474
Millar Western Forest Products Ltd., 7.75%, 11/15/2013		35,000	25,550
NewMarket Corp., 7.125%, 12/15/2016		110,000	107,250
Newmont Mining Corp., 5.125%, 10/1/2019		100,000	100,047
NewPage Corp., 144A, 11.375%, 12/31/2014		95,000	95,950
Novelis, Inc., 144A, 11.5%, 2/15/2015		35,000	37,494

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

		Principal Amount ($) (a)	Value ($)
Owens-Brockway Glass Container, Inc., 7.375%, 5/15/2016 (c)		110,000	113,575
Plastipak Holdings, Inc., 144A, 10.625%, 8/15/2019		15,000	16,538
Pliant Corp., 11.85%, 6/15/2009**		10	9
Radnor Holdings Corp., 11.0%, 3/15/2010**		25,000	3
Silgan Holdings, Inc., 7.25%, 8/15/2016		50,000	51,375
Solo Cup Co., 144A, 10.5%, 11/1/2013		55,000	58,575
Teck Resources Ltd.:			
9.75%, 5/15/2014		45,000	51,919
10.25%, 5/15/2016		45,000	52,425
10.75%, 5/15/2019		170,000	203,150
The Mosaic Co., 144A, 7.375%, 12/1/2014		85,000	90,997
Viskase Companies, Inc.:			
144A, 9.875%, 1/15/2018		100,000	100,750
11.5%, 6/15/2011		225,000	231,469
Weyerhaeuser Co., 7.375%, 10/1/2019		290,000	303,054
Wolverine Tube, Inc., 15.0%, 3/31/2012 (PIK)		86,794	73,992
			5,419,480

Telecommunication Services 6.0%

		Principal Amount ($) (a)	Value ($)
America Movil SAB de CV, 144A, 5.0%, 10/16/2019		167,000	163,289
BCM Ireland Preferred Equity Ltd., 144A, 7.714%***, 2/15/2017 (PIK)	EUR	73,616	45,471
CC Holdings GS V LLC, 144A, 7.75%, 5/1/2017		60,000	63,900
Centennial Communications Corp., 10.0%, 1/1/2013		40,000	42,000
CenturyTel, Inc., Series P, 7.6%, 9/15/2039		167,000	171,148
Cincinnati Bell, Inc., 8.375%, 1/15/2014 (c)		90,000	91,575
Cricket Communications, Inc.:			
9.375%, 11/1/2014		330,000	331,650
10.0%, 7/15/2015 (c)		100,000	101,375
Crown Castle International Corp., 9.0%, 1/15/2015		195,000	207,675
Frontier Communications Corp.:			
6.25%, 1/15/2013 (c)		36,000	36,090
8.125%, 10/1/2018 (c)		50,000	50,625
Grupo Iusacell Celular SA de CV, 10.0%, 3/31/2012**		29,280	16,690
Hellas Telecommunications Luxembourg V, 144A, 4.242%***, 10/15/2012	EUR	200,000	235,102
Hughes Network Systems LLC, 9.5%, 4/15/2014		150,000	153,375
Intelsat Corp.:			
9.25%, 8/15/2014		30,000	30,825
9.25%, 6/15/2016		380,000	392,350
Intelsat Subsidiary Holding Co., Ltd., 8.875%, 1/15/2015		195,000	201,825
iPCS, Inc., 2.406%***, 5/1/2013		35,000	32,725
MetroPCS Wireless, Inc., 9.25%, 11/1/2014 (c)		465,000	470,813
Millicom International Cellular SA, 10.0%, 12/1/2013 (c)		265,000	274,275
Qwest Communications International, Inc., 144A, 8.0%, 10/1/2015 (c)		60,000	61,650
Qwest Corp.:			
7.5%, 10/1/2014		284,000	295,005
7.875%, 9/1/2011		135,000	141,412
8.875%, 3/15/2012		30,000	32,250
SBA Telecommunications, Inc.:			
144A, 8.0%, 8/15/2016		35,000	36,575
144A, 8.25%, 8/15/2019 (c)		25,000	26,500
Sprint Nextel Corp., 8.375%, 8/15/2017 (c)		320,000	326,400
Stratos Global Corp., 9.875%, 2/15/2013		30,000	31,650
Telesat Canada, 11.0%, 11/1/2015		180,000	195,300
Windstream Corp.:			
7.0%, 3/15/2019		60,000	56,100
144A, 7.875%, 11/1/2017		135,000	133,312
8.625%, 8/1/2016		10,000	10,175
			4,459,107

Utilities 4.5%

	Principal Amount ($) (a)	Value ($)
AES Corp.:		
8.0%, 10/15/2017	10,000	10,263
8.0%, 6/1/2020	175,000	178,062
144A, 8.75%, 5/15/2013	610,000	625,250
AmerenEnergy Generating Co., 6.3%, 4/1/2020	160,000	157,112
CMS Energy Corp., 8.5%, 4/15/2011	225,000	235,757
Energy Future Holdings Corp.:		
10.875%, 11/1/2017	200,000	163,500
11.25%, 11/1/2017 (PIK)	100,700	71,245
Kinder Morgan, Inc., 6.5%, 9/1/2012	205,000	213,200
Mirant Americas Generation LLC, 8.3%, 5/1/2011	230,000	235,750
Mirant North America LLC, 7.375%, 12/31/2013	60,000	59,325
NRG Energy, Inc.:		
7.25%, 2/1/2014	125,000	126,562
7.375%, 2/1/2016	660,000	660,825
7.375%, 1/15/2017	90,000	90,225
NV Energy, Inc.:		
6.75%, 8/15/2017	80,000	77,943
8.625%, 3/15/2014	25,000	25,906
Texas Competitive Electric Holdings Co., LLC, Series A, 10.25%, 11/1/2015	190,000	153,900
Toledo Edison Co., 7.25%, 5/1/2020	230,000	262,461
		3,347,286
Total Corporate Bonds (Cost $44,856,948)		**45,504,975**

Mortgage-Backed Securities Pass-Throughs 3.4%

	Principal Amount ($) (a)	Value ($)
Government National Mortgage Association:		
4.5%, 2/1/2039 (d)	1,500,000	1,501,406
5.0%, 2/1/2038 (d)	1,000,000	1,028,672
Total Mortgage-Backed Securities Pass-Throughs (Cost $2,563,633)		**2,530,078**

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

		Principal Amount ($) (a)	Value ($)
Asset-Backed 0.8%			
Miscellaneous			
Babson CLO Ltd., "A", Series 2005-3A, 144A, 0.524%***, 11/10/2019		193,425	171,181
Duane Street CLO, "A", Series 2005-1A, 144A, 0.525%***, 11/8/2017		485,188	429,391
Total Asset-Backed (Cost $574,862)			**600,572**
Commercial Mortgage-Backed Securities 1.4%			
Credit Suisse Mortgage Capital Certificates Trust, "A2", Series 2007-C1, 5.268%, 2/15/2040		814,000	818,800
JPMorgan Chase Commercial Mortgage Securities Corp., "F", Series 2004-LN2, 144A, 5.455%***, 7/15/2041		500,000	202,481
Total Commercial Mortgage-Backed Securities (Cost $1,175,160)			**1,021,281**
Collateralized Mortgage Obligations 2.1%			
Banc of America Mortgage Securities, "2A2", Series 2004-A, 5.365%***, 2/25/2034		238,485	195,575
Bear Stearns Adjustable Rate Mortgage Trust, "2A1", Series 2005-11, 4.748%***, 12/25/2035		325,966	283,063
Citicorp Mortgage Securities, Inc., "1A7", Series 2006-4, 6.0%, 8/25/2036		184,209	176,225
Merrill Lynch Mortgage Investors Trust:			
"2A", Series 2003-A6, 3.61%***, 10/25/2033		166,673	151,094
"2A1A", Series 2005-A9, 5.151%***, 12/25/2035		301,719	287,349
Provident Funding Mortgage Loan Trust, "2A1", Series 2005-1, 4.163%***, 5/25/2035		152,240	145,009
Residential Funding Mortgage Securities I, "3A1", Series 2005-SA2, 5.131%***, 6/25/2035		128,150	123,683
Washington Mutual Mortgage Pass-Through Certificates Trust, "1A1", Series 2005-AR12, 4.826%***, 10/25/2035		198,425	188,046
Total Collateralized Mortgage Obligations (Cost $1,474,801)			**1,550,044**
Government & Agency Obligations 17.4%			
Other Government Related (e) 2.2%			
Citibank NA, FDIC Guaranteed, 0.305%***, 5/7/2012		650,000	651,033
JPMorgan Chase & Co.:			
FDIC Guaranteed, 0.484%***, 6/15/2012		268,000	269,922
Series 3, FDIC Guaranteed, 0.501%***, 12/26/2012		232,000	234,150
Pemex Project Funding Master Trust, 5.75%, 3/1/2018		460,000	465,118
			1,620,223
Sovereign Bonds 12.4%			
Federative Republic of Brazil:			
8.875%, 10/14/2019		295,000	380,550
12.5%, 1/5/2016	BRL	250,000	153,488
Government of Canada, 4.5%, 6/1/2015	CAD	350,000	361,619
Kingdom of Spain, 3.15%, 1/31/2016	EUR	700,000	997,735
Province of Quebec, Series PO, 1.6%, 5/9/2013	JPY	85,000,000	902,812
Republic of Argentina, 5.83%, 12/31/2033	ARS	444	106
Republic of Bulgaria, 144A, 8.25%, 1/15/2015		170,000	198,475
Republic of Colombia, 8.25%, 12/22/2014		15,000	17,625
Republic of El Salvador, 144A, 7.65%, 6/15/2035 (c)		156,000	153,660
Republic of Greece, 3.6%, 7/20/2016	EUR	500,000	646,509
Republic of Indonesia, 144A, 6.875%, 3/9/2017		440,000	481,800
Republic of Lithuania, 144A, 6.75%, 1/15/2015		110,000	111,993
Republic of Panama, 9.375%, 1/16/2023		500,000	670,000
Republic of Peru, 7.35%, 7/21/2025		285,000	326,325
Republic of Poland, 6.375%, 7/15/2019		345,000	375,251
Republic of Serbia, 144A, 6.75%, 11/1/2024		130,000	127,725
Republic of South Africa, 6.875%, 5/27/2019		220,000	246,950
Republic of Turkey:			
7.0%, 9/26/2016		305,000	337,025
7.25%, 3/15/2015		80,000	89,600
Republic of Uruguay:			
7.625%, 3/21/2036 (c)		60,000	64,950
9.25%, 5/17/2017		105,000	129,412
Republic of Venezuela, 9.25%, 9/15/2027		150,000	109,500
Russian Federation, REG S, 7.5%, 3/31/2030		502,801	567,537
Socialist Republic of Vietnam, 144A, 6.875%, 1/15/2016		100,000	102,750
State of Qatar:			
144A, 5.25%, 1/20/2020		210,000	211,575
144A, 6.4%, 1/20/2040		210,000	211,050
United Kingdom Treasury Bond, 3.75%, 9/7/2019	GBP	750,000	1,176,210
			9,152,232
US Government Sponsored Agency 0.1%			
Federal Home Loan Mortgage Corp., 1.125%, 12/15/2011 (f)		100,000	**99,689**
US Treasury Obligations 2.7%			
US Treasury Bills, 0.19%****, 3/18/2010 (g)		1,058,000	1,057,893
US Treasury Bond, 4.5%, 8/15/2039		239,000	233,585

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

	Principal Amount ($) (a)	Value ($)
US Treasury Note, 3.375%, 11/15/2019	699,000	672,354
		1,963,832
Total Government & Agency Obligations (Cost $12,059,391)		**12,835,976**

Loan Participations and Assignments 3.1%

Senior Loans 2.7%

	Principal Amount ($) (a)	Value ($)
Buffets, Inc.:		
Letter of Credit Term Loan B, 7.151%***, 5/1/2013 (PIK)	10,892	8,686
Second Lien Term Loan, 1.53%***, plus 16.25% (PIK), 5/1/2013	54,521	43,481
Incremental Term Loan, 18.0%***, 4/30/2012	19,724	20,070
Charter Communications Operating LLC:		
Term Loan, 2.26%***, 3/6/2014	232,049	217,964
Term Loan, 7.25%***, 3/6/2014	113,275	115,824
Ford Motor Co.:		
Term Loan, 3.29%***, 12/16/2013	60,000	55,607
Term Loan, 3.29%***, 12/16/2013	84,159	77,997
Freescale Semiconductor, Inc., Incremental Term Loan, 12.5%, 12/15/2014	119,398	123,130
Golden Nugget, Inc., Second Lien Term Loan, 3.51%***, 12/31/2014	55,000	22,963
Hawker Beechcraft Acquisition Co., LLC:		
Term Loan, 2.231%***, 3/26/2014	257,266	194,478
Letter of Credit, 2.251%***, 3/26/2014	15,223	11,508
Hexion Specialty Chemicals, Inc.:		
Term Loan C1, 2.563%***, 5/6/2013	236,826	208,525
Term Loan C2, 2.563%***, 5/6/2013	59,603	52,480
IASIS Healthcare LLC, Term Loan, 5.531%***, 6/13/2014 (PIK)	103,448	95,560
Kabel Deutschland GmbH, 7.99%***, 11/18/2014 (PIK) EUR	62,593	85,542
Sabre, Inc., Term Loan B, 2.494%***, 9/30/2014	48,590	44,061
Sbarro, Inc., Term Loan, 4.741%***, 1/31/2014	40,000	34,738
Texas Competitive Electric Holdings Co., LLC:		
Term Loan B2, 3.735%***, 10/10/2014	189,576	154,445
Term Loan B3, 3.735%***, 10/10/2014	454,538	368,364
Tribune Co., Term Loan B, 5.25%***, 6/4/2014**	88,875	50,992
VML US Finance LLC:		
Term Delay Draw B, 4.76%***, 5/25/2012	18,374	17,473
Term Loan B, 4.76%***, 5/27/2013	31,811	30,251
		2,034,139

Sovereign Loans 0.4%

	Principal Amount ($) (a)	Value ($)
Export-Import Bank of Ukraine, 6.8%, 10/4/2012	105,000	84,525
Gazprom, 144A, 8.125%, 7/31/2014	180,000	190,800
		275,325
Total Loan Participations and Assignments (Cost $2,485,084)		**2,309,464**

Preferred Securities 0.8%

Financials 0.7%

	Principal Amount ($) (a)	Value ($)
Capital One Capital VI, 8.875%, 5/15/2040	330,000	351,450
USB Capital XIII Trust, 6.625%, 12/15/2039	145,000	147,369
Xerox Capital Trust I, 8.0%, 2/1/2027 (c)	35,000	34,650
		533,469
Materials 0.1%		
Hercules, Inc., 6.5%, 6/30/2029	95,000	**64,600**
Total Preferred Securities (Cost $561,889)		**598,069**

	Shares	Value ($)
Common Stocks 0.0%		
Consumer Discretionary 0.0%		
Buffets Restaurants Holdings, Inc.*	2,318	16,226
SuperMedia, Inc.*	99	3,452
Vertis Holdings, Inc.*	940	0
		19,678
Industrials 0.0%		
World Color Press, Inc.*	296	**2,811**
Materials 0.0%		
GEO Specialty Chemicals, Inc.*	2,058	**1,749**
Total Common Stocks (Cost $162,620)		**24,238**
Convertible Preferred Stocks 0.0%		
Consumer Discretionary		
ION Media Networks, Inc.:		
144A, 12.0%*	10,000	0
Series AI, 144A, 12.0%*	20,000	0
Total Convertible Preferred Stocks (Cost $4,191)		**0**
Warrants 0.0%		
Financials 0.0%		
New ASAT (Finance) Ltd., Expiration Date 2/1/2011*	15,600	**625**
Industrials 0.0%		
World Color Press, Inc., Expiration Date 7/20/2014*	336	**1,802**
Materials 0.0%		
Ashland, Inc., Expiration Date 3/31/2029*	85	**0**
Total Warrants (Cost $17,432)		**2,427**

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

		Contract Amount	Value ($)

Call Options Purchased 0.1%

Call Options

Option on an interest rate swap expiring on March 14, 2012 for the obligation to receive a fixed rate of 1.72% versus the one-year EUR LIBOR, Expiration Date 3/10/2011 (Cost $54,651)	EUR	36,700,000	**58,599**

	Shares	Value ($)

Securities Lending Collateral 4.6%

Daily Assets Fund Institutional, 0.17% (h) (i) (Cost $3,360,558)	3,360,558	**3,360,558**

	Shares	Value ($)

Cash Equivalents 7.9%

Central Cash Management Fund, 0.14% (h) (Cost $5,842,060)	5,842,060	**5,842,060**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $75,193,280)†	103.2	**76,238,341**
Other Assets and Liabilities, Net	(3.2)	**(2,363,186)**
Net Assets	100.0	**73,875,155**

* *Non-income producing security.*

** *Non-income producing security. Issuer has defaulted on the payment of principal or interest or has filed for bankruptcy. The following table represents bonds and senior loans that are in default:*

Securities	Coupon	Maturity Date	Principal Amount		Acquisition Cost ($)	Value ($)
ARCO Chemical Co.	9.8%	2/1/2020	405,000	USD	423,400	287,550
Buffalo Thunder Development Authority	9.375%	12/15/2014	30,000	USD	30,000	5,250
CanWest MediaWorks LP	9.25%	8/1/2015	50,000	USD	50,000	7,438
Congoleum Corp.	8.625%	8/1/2008	125,000	USD	105,994	26,250
Fontainebleau Las Vegas Holdings LLC	11.0%	6/15/2015	65,000	USD	65,225	650
Grupo Iusacell Celular SA de CV	10.0%	3/31/2012	29,280	USD	27,863	16,690
New ASAT (Finance) Ltd.	9.25%	2/1/2011	90,000	USD	75,700	112
Pliant Corp.	11.85%	6/15/2009	10	USD	10	9
R.H. Donnelley Corp.	8.875%	10/15/2017	165,000	USD	157,483	15,469
Radnor Holdings Corp.	11.0%	3/15/2010	25,000	USD	15,888	3
Reader's Digest Association, Inc.	9.0%	2/15/2017	50,000	USD	48,392	563
Simmons Co.	10.0%	12/15/2014	185,000	USD	155,406	14,800
Tribune Co.	5.25%	6/4/2014	88,875	USD	88,819	50,992
Tropicana Entertainment LLC	9.625%	12/15/2014	150,000	USD	122,979	750
Trump Entertainment Resorts, Inc.	8.5%	6/1/2015	15,000	USD	10,838	310
Young Broadcasting, Inc.	8.75%	1/15/2014	275,000	USD	224,631	963
					1,602,628	**427,799**

*** *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, 2009.*

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

† *The cost for federal income tax purposes was $75,265,965. At December 31, 2009, net unrealized appreciation for all securities based on tax cost was $972,376. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $3,563,443 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $2,591,067.*

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

(b) *Security has deferred its 6/15/2008, 12/15/2008 and 6/15/2009 interest payments until 8/15/2012.*

(c) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at December 31, 2009 amounted to $3,220,591, which is 4.4% of net assets.*

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

(e) *Government-backed debt issued by financial companies or government sponsored enterprises.*

(f) *At December 31, 2009, this security has been pledged, in whole or in part, as collateral for open swaps contracts.*

(g) *At December 31, 2009, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.*

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

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

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

CLO: Collateralized Loan Obligation

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

FDIC: Federal Deposit Insurance Corp.

LIBOR: Represents the London InterBank Offered Rate.

PIK: Denotes that all or a portion of the income is paid in-kind.

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

REIT: Real Estate Investment Trust

At December 31, 2009, open futures contracts purchased were as follows:

Futures	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Appreciation/ (Depreciation) ($)
10 Year Canadian Government Bond	CAD	3/22/2010	3	338,022	(5,862)
10 Year US Treasury Note	USD	3/22/2010	6	692,719	(11,701)
2 Year US Treasury Note	USD	3/31/2010	24	5,190,375	(28,553)
5 Year US Treasury Note	USD	3/31/2010	1	114,383	(807)
CAC 40 Index	EUR	1/15/2010	16	904,054	24,182
DJ Euro Stoxx 50 Index	EUR	3/19/2010	42	1,789,414	52,336
Federal Republic of Germany Euro-Bund	EUR	3/8/2010	23	3,995,834	(51,941)
Federal Republic of Germany Euro-Schatz	EUR	3/8/2010	95	14,702,775	(757)
FTSE 100 Index	GBP	3/19/2010	10	865,990	13,876
FTSE MIB Index	EUR	3/19/2010	1	166,887	3,743
TOPIX Index	JPY	3/12/2010	2	194,234	1,814
United Kingdom Long Gilt Bond	GBP	3/29/2010	17	3,142,616	(30,704)
Total net unrealized depreciation					**(34,374)**

At December 31, 2009, open futures contracts sold were as follows:

Futures	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Appreciation/ (Depreciation) ($)
10 Year Australian Treasury Bond	AUD	3/15/2010	22	2,011,825	28,751
10 Year Japanese Government Bond	JPY	3/11/2010	8	11,999,785	(6,769)
3 Year Australian Treasury Bond	AUD	3/15/2010	45	4,146,663	2,607
AEX Index	EUR	1/15/2010	4	384,765	(14,203)
DAX Index	EUR	3/19/2010	2	427,162	(5,400)
Hang Seng Index	HKD	1/28/2010	1	141,390	(2,523)
IBEX 35 Index	EUR	1/15/2010	3	512,810	(11,803)
NASDAQ E-Mini 100 Index	USD	3/19/2010	34	1,263,950	(34,654)
Russell E-Mini 2000 Index	USD	3/19/2010	5	311,950	(5,912)
S&P TSE 60 Index	CAD	3/18/2010	4	528,412	(9,329)
Total net unrealized depreciation					**(59,235)**

At December 31, 2009, open credit default swap contracts purchased were as follows:

Effective/ Expiration Date	Notional Amount ($)	Fixed Cash Flows Paid by the Portfolio	Underlying Debt Obligation/Quality Rating (j)	Value ($)	Upfront Premiums Paid/ (Received) ($)	Unrealized Depreciation ($)
6/22/2009 9/20/2014	500,000[1]	1.0%	WestVaco Corp., 7.95%, 2/15/2031, BBB	(3,231)	(467)	(2,915)
6/22/2009 12/20/2014	500,000[2]	1.0%	Motorola, Inc., 6.5%, 9/1/2025, BB+	8,947	14,162	(5,368)
9/21/2009 12/20/2014	440,000[3]	1.0%	Weyerhauser Co., 7.375%, 10/1/2019, BBB-	13,818	18,287	(4,603)
9/21/2009 12/20/2014	290,000[1]	1.0%	Travelers Companies, Inc., 8.125%, 4/15/2010, A-	(5,013)	(4,847)	(263)
9/21/2009 12/20/2014	400,000[4]	1.0%	Home Depot, Inc., 5.875%, 12/16/2036, BBB+	(8,020)	(6,500)	(1,642)
9/21/2009 12/20/2014	400,000[5]	1.0%	Hewlett-Packard Co., 5.4%, 3/1/2017, A	(13,304)	(13,354)	(72)

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

Effective/ Expiration Date	Notional Amount ($)	Fixed Cash Flows Paid by the Portfolio	Underlying Debt Obligation/Quality Rating (j)	Value ($)	Upfront Premiums Paid/ (Received) ($)	Unrealized Depreciation ($)
9/21/2009 3/20/2015	400,000[4]	1.0%	McKesson Corp., 7.65%, 3/1/2027, BBB+	(12,282)	(11,162)	(1,242)
9/21/2009 3/20/2015	400,000[4]	1.0%	Eli Lilly & Co., 6.57%, 1/1/2016, AA	(12,676)	(10,550)	(2,248)
Total unrealized depreciation						**(18,353)**

At December 31, 2009, open credit default swap contracts sold were as follows:

Effective/ Expiration Date	Notional Amount ($) (k)	Fixed Cash Flows Received by the Portfolio	Underlying Debt Obligation/Quality Rating (j)	Value ($)	Upfront Premiums Paid/ (Received) ($)	Unrealized Appreciation ($)
9/21/2009 12/20/2014	290,000[1]	1.0%	Berkshire Hathaway Finance Corp., 4.625%, 10/15/2013, AAA	(5,900)	(7,340)	1,538
9/21/2009 12/20/2014	570,000[1]	1.0%	Prudential Financial, Inc., 4.5%, 7/15/2013, A	(11,596)	(26,986)	15,580
Total unrealized appepreciation						**17,118**

(j) *The quality ratings represent the lower of Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Corporation ("S&P") credit ratings.*

(k) *The maximum potential amount of future undiscounted payments that the Portfolio could be required to make under a credit default swap contract would be the notional amount of the contract. These potential amounts would be partially offset by any recovery values of the referenced debt obligation or net amounts received from the settlement of buy protection credit default swap contracts entered into by the Portfolio for the same referenced debt obligation.*

At December 31, 2009, open interest rate swaps contracts were as follows:

Effective/ Expiration Date	Notional Amount ($)	Fixed Cash Flows Paid by the Portfolio	Cash Flows Received by the Portfolio	Unrealized Appreciation/ (Depreciation) ($)
10/1/2010 10/1/2020	750,000[4]	Fixed — 3.9%	Floating — LIBOR	24,975
10/27/2010 10/27/2020	1,500,000[4]	Fixed — 4.12%	Floating — LIBOR	34,844
11/24/2010 11/24/2020	1,300,000[6]	Fixed — 3.96%	Floating — LIBOR	50,759
4/20/2009 4/20/2024	500,000[4]	Floating — LIBOR-SIFMA	Floating — 7.5%	(14,237)
5/15/2009 5/15/2024	500,000[4]	Floating — LIBOR-SIFMA	Floating — 7.5%	(19,045)
11/15/2009 11/15/2024	300,000[6]	Floating — LIBOR-SIFMA	Floating — 8.7%	6,708
Total net unrealized appreciation				**84,004**

At December 31, 2009, open total return swap contracts were as follows:

Effective/ Expiration Date	Notional Amount ($)	Fixed Cash Flows Paid by the Portfolio	Reference Entity	Value ($)	Upfront Premiums Paid/ (Received) ($)	Unrealized Depreciation ($)
12/14/2009 6/1/2012	3,000,000[2]	0.425%	Global Interest Rate Strategy Index	(27,641)	—	**(27,641)**

Counterparties:

1 *JPMorganChase Securities, Inc.*

2 *Citigroup, Inc.*

3 *UBS AG*

4 *Morgan Stanley*

5 *The Goldman Sachs & Co.*

6 *Barclays Bank PLC*

SIFMA: Securities Industry and Financial Markets Association

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

At December 31, 2009, the Portfolio had the following open forward foreign currency exchange contracts:

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation ($)	Counterparty
JPY	375,000,000	USD	4,174,403	1/19/2010	145,750	Morgan Stanley
GBP	925,000	USD	1,502,616	1/19/2010	7,614	USB SG
CAD	750,000	USD	721,774	1/19/2010	5,090	Morgan Stanley
USD	504,105	NZD	697,000	1/20/2010	1,189	Morgan Stanley
USD	99,531	NOK	584,000	1/20/2010	1,246	CitiBank NA
USD	285,693	CAD	302,000	1/20/2010	3,072	CitiBank NA
USD	224,351	AUD	256,000	1/20/2010	5,123	HSBC Bank USA
USD	152,497	NZD	217,000	1/20/2010	4,819	HSBC Bank USA
USD	320,633	NOK	1,859,000	1/20/2010	162	Credit Suisse
GBP	222,000	USD	360,710	1/20/2010	2,177	Credit Suisse
EUR	1,055,000	USD	1,545,433	1/20/2010	33,066	The Goldman Sachs & Co.
JPY	117,878,000	USD	1,331,526	1/20/2010	65,722	HSBC Bank USA
JPY	59,631,000	USD	651,118	1/20/2010	10,785	HSBC Bank USA
EUR	2,750,000	USD	4,026,619	2/16/2010	85,014	Morgan Stanley
Total unrealized appreciation					**370,829**	

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Depreciation ($)	Counterparty
CAD	1,000,000	USD	949,580	1/19/2010	(5,999)	Morgan Stanley
USD	2,502,463	AUD	2,755,000	1/20/2010	(32,933)	Morgan Stanley
USD	58,521	SEK	416,000	1/20/2010	(371)	Credit Suisse
USD	1,320,058	CHF	1,363,000	1/20/2010	(2,280)	UBS AG
CAD	659,000	USD	619,349	1/20/2010	(10,772)	Bank of New York Mellon Corp.
EUR	1,206,000	USD	1,721,481	1/20/2010	(7,349)	Morgan Stanley
SEK	1,664,000	USD	227,829	1/20/2010	(4,773)	CitiBank NA
GBP	370,000	USD	591,861	1/20/2010	(5,694)	Bank of New York Mellon Corp.
EUR	59,200	USD	84,721	1/25/2010	(143)	CitiBank NA
EUR	1,175,900	USD	1,682,834	1/25/2010	(2,838)	CitiBank NA
Total unrealized depreciation					**(73,152)**	

Currency Abbreviations

ARS	Argentine Peso	EUR	Euro	NOK	Norwegian Krone
AUD	Australian Dollar	GBP	British Pound	NZD	New Zealand Dollar
BRL	Brazilian Real	HKD	Hong Kong Dollar	SEK	Swedish Krona
CAD	Canadian Dollar	JPY	Japanese Yen	USD	United States Dollar
CHF	Swiss Franc				

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

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes significant unobservable inputs (including the Portfolio's own assumptions in determining the fair value of investments). The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of December 31, 2009 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to the Financial Statements.

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Fixed Income (l)				
Corporate Bonds	$ —	$ 44,105,583	$ 1,399,392	$ 45,504,975
Mortgage-Backed Securities Pass-Throughs	—	2,530,078	—	2,530,078
Asset-Backed	—	—	600,572	600,572
Commercial Mortgage-Backed Securities	—	1,021,281	—	1,021,281
Collateralized Mortgage Obligations	—	1,550,044	—	1,550,044
Government & Agency Obligations	—	11,778,083	—	11,778,083
Loan Participation & Assignments	—	2,237,227	72,237	2,309,464
Preferred Securities	—	598,069	—	598,069
Common Stocks (l)	6,263	16,226	1,749	24,238
Convertible Preferred Stocks	—	—	0	0
Warrants (l)	—	1,802	625	2,427
Short-Term Investments (l)	9,202,618	1,057,893	—	10,260,511
Derivatives (m)	—	563,832	—	563,832
Total	**$ 9,208,881**	**$ 65,460,118**	**$ 2,074,575**	**$ 76,743,574**

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivatives (m)	$ (93,609)	$ (152,428)	$ —	$ (246,037)
Total	**$ (93,609)**	**$ (152,428)**	**$ —**	**$ (246,037)**

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

(m) *Derivatives include unrealized appreciation (depreciation) on open futures contracts, credit default swap contracts, interest rate swap contracts, total return swap contracts, forward foreign currency exchange contracts and value of options purchased.*

The following is a reconciliation of the Portfolio's Level 3 investments for which significant unobservable inputs were used in determining value:

	Corporate Bonds	**Asset-Backed**	**Government & Agency Obligations**	**Loan Participation and Assignments**	**Other Investments**	**Common Stocks**	**Convertible Preferred Stocks**	**Warrants**	**Total**
Balance as of December 31, 2008	$ 932,370	$ —	$ 815,353	$ 86,087	$ 40,800	$ 1,749	$ —	$ 1,224	**$1,877,583**
Realized gains (loss)	—	1,689	(17,094)	(16,358)	—	—	—	—	**(31,763)**
Change in unrealized appreciation (depreciation)	(85,549)	25,710	98,371	49,856	26,614	—	—	(18,031)	**96,971**
Amortization premium/ discount	8,001	—	(7,152)	1,990	115	—	—	—	**2,954**
Net purchases (sales)	423,063	573,173	(727,215)	(26,375)	(67,529)	—	—	17,432	**192,549**
Net transfers in (out) of Level 3	121,507	—	(162,263)	(22,963)	—	—	0	—	**(63,719)**
Balance as of December 31, 2009	**$1,399,392**	**$ 600,572**	**$ —**	**$ 72,237**	**$ —**	**$ 1,749**	**$ 0**	**$ 625**	**$2,074,575**
Net change in unrealized appreciation (depreciation) from investments still held as of December 31, 2009	**$ (115,359)**	**$ 25,710**	**$ —**	**$ (7,898)**	**$ —**	**$ —**	**$ —**	**$ (18,031)**	**$ (115,578)**

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2009

Assets		
Investments:		
Investments in securities, at value (cost $65,990,662) — including $3,220,591 of securities loaned	$	67,035,723
Investment in Daily Assets Fund Institutional (cost $3,360,558)*		3,360,558
Investment in Central Cash Management Fund (cost $5,842,060)		5,842,060
Total investments, at value (cost $75,193,280)		76,238,341
Cash		29,387
Foreign currency, at value (cost $608,598)		611,585
Receivable for investments sold		3,252,100
Receivable for Fund shares sold		93,023
Interest receivable		1,090,484
Unrealized appreciation on open forward foreign currency exchange contracts		370,829
Unrealized appreciation on open swap contracts		134,404
Foreign taxes recoverable		1,758
Other assets		1,517
Total assets		81,823,428

Liabilities		
Payable for investments purchased		1,570,506
Payable for investments purchased — when issued securities		2,570,160
Payable upon return of securities loaned		3,360,558
Payable for Portfolio shares redeemed		74,640
Net payable on closed forward foreign currency exchange contracts		21,519
Unrealized depreciation on open forward foreign currency exchange contracts		73,152
Payable for variation margin on open futures contracts		71,465
Unrealized depreciation on open swap contracts		79,276
Accrued management fee		26,842
Other accrued expenses and payables		100,155
Total liabilities		7,948,273
Net assets, at value	**$**	**73,875,155**

Net Assets Consist of		
Undistributed net investment income		4,333,267
Net unrealized appreciation (depreciation) on:		
Investments		1,045,061
Swap contracts		55,128
Futures		(93,609)
Foreign currency		291,817
Accumulated net realized gain (loss)		(2,992,078)
Paid-in capital		71,235,569
Net assets, at value	**$**	**73,875,155**
Class A		
Net Asset Value, offering and redemption price per share ($73,875,155 ÷ 6,362,456 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**11.61**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2009

Investment Income		
Income:		
Interest (net of foreign taxes withheld of $1,809)	$	4,796,748
Income distributions — affiliated cash management vehicles		14,651
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		5,306
Total Income		4,816,705
Expenses:		
Management fee		391,763
Administration fee		71,230
Services to shareholders		1,361
Custodian fee		33,758
Distribution service fee (Class B)		21
Legal fees		13,267
Audit and tax fees		69,102
Trustees' fees and expenses		1,466
Reports to shareholders		7,055
Other		26,862
Total expenses before expense reductions		615,885
Expense reductions		(43,480)
Total expenses after expense reductions		572,405
Net investment income (loss)		**4,244,300**

Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		516,432
Swap contracts		210,920
Futures		157,643
Written options		(29,550)
Foreign currency		(291,027)
Payments by affiliates (see Note H)		188
		564,606
Change in net unrealized appreciation (depreciation) on:		
Investments		9,947,473
Swap contracts		(101,278)
Written options		47,755
Futures		(87,549)
Foreign currency		(233,637)
		9,572,764
Net gain (loss)		**10,137,370**
Net increase (decrease) in net assets resulting from operations	**$**	**14,381,670**

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, 2009	2008
Operations:		
Net investment income	$ 4,244,300	$ 4,979,905
Net realized gain (loss)	564,606	(4,971,505)
Change in net unrealized appreciation (depreciation)	9,572,764	(8,486,061)
Net increase (decrease) in net assets resulting from operations	14,381,670	(8,477,661)
Distributions to shareholders from:		
Net investment income:		
Class A	(3,708,667)	(6,041,956)
Class B	—	(489,657)
Net realized gains:		
Class A	—	(1,320,099)
Class B	—	(114,923)
Total distributions	(3,708,667)	(7,966,635)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	9,943,530	22,468,946
Shares converted*	44,195	—
Reinvestment of distributions	3,708,667	7,362,055
Cost of shares redeemed	(23,212,559)	(41,402,528)
Net increase (decrease) in net assets from Class A share transactions	(9,516,167)	(11,571,527)
Class B		
Proceeds from shares sold	—	755,481
Shares converted*	(44,195)	604,580
Cost of shares redeemed	(151)	(9,329,944)
Net increase (decrease) in net assets from Class B share transactions	(44,346)	(7,969,883)
Increase (decrease) in net assets	1,112,490	(35,985,706)
Net assets at beginning of period	72,762,665	108,748,371
Net assets at end of period (including undistributed net investment income of $4,333,267 and $3,179,356, respectively)	**$ 73,875,155**	**$ 72,762,665**

Other Information		
Class A		
Shares outstanding at beginning of period	7,250,530	8,561,326
Shares sold	943,043	2,033,447
Shares converted*	4,547	—
Shares issued to shareholders in reinvestment of distributions	392,867	674,181
Shares redeemed	(2,228,531)	(4,018,424)
Net increase (decrease) in Class A shares	(888,074)	(1,310,796)
Shares outstanding at end of period	**6,362,456**	**7,250,530**
Class B		
Shares outstanding at beginning of period	4,594	737,068
Shares sold	—	66,046
Shares converted*	(4,579)	55,517
Shares redeemed	(15)	(854,037)
Net increase (decrease) in Class B shares	(4,594)	(732,474)
Shares outstanding at end of period	**—**	**4,594**

* *On March 6, 2009, Class B shares converted into Class A shares.*

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

Financial Highlights

Class A

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$10.03**	**$11.70**	**$11.80**	**$11.50**	**$12.25**
Income (loss) from investment operations:					
Net investment income[a]	.63	.55	.63	.62	.65
Net realized and unrealized gain (loss)	1.50	(1.38)	(.01)	.36	(.39)
Total from investment operations	2.13	(.83)	.62	.98	.26
Less distributions from:					
Net investment income	(.55)	(.69)	(.72)	(.57)	(.98)
Net realized gains	—	(.15)	—	(.11)	(.03)
Total distributions	(.55)	(.84)	(.72)	(.68)	(1.01)
Net asset value, end of period	**$11.61**	**$10.03**	**$11.70**	**$11.80**	**$11.50**
Total Return (%)	22.73[b]	(7.75)[b]	5.43[b]	8.98	2.38
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	74	73	100	86	71
Ratio of expenses before expense reductions (%)	.86	.89	.84	.85	.88
Ratio of expenses after expense reductions (%)	.80	.87	.83	.85	.88
Ratio of net investment income (%)	5.96	5.06	5.50	5.47	5.61
Portfolio turnover rate (%)	370	234	147	143	120

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

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

DWS Strategic Value VIP (formerly DWS Dreman High Return Equity VIP)

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please contact your participating insurance company for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying Portfolio, their performance will differ.

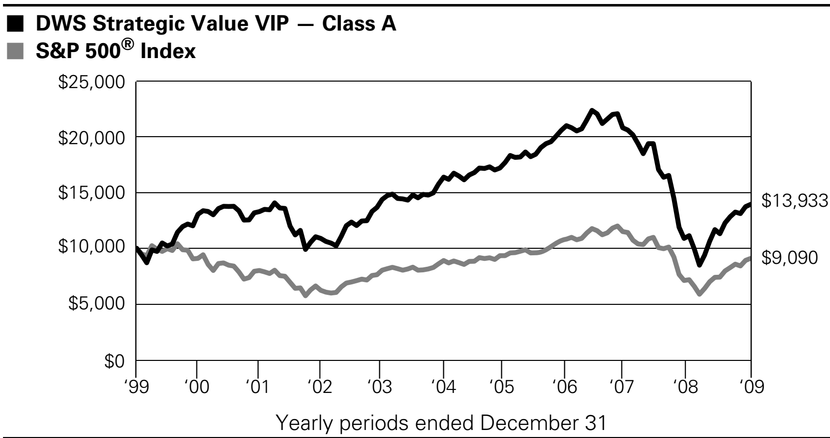
The gross expense ratios of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2009 are 0.77% and 1.13% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

Risk Considerations

This Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. In addition, the Portfolio may focus its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding this product's investments and risk profile.

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

Growth of an Assumed $10,000 Investment in DWS Strategic Value VIP



The Standard & Poor's 500® (S&P 500) Index is an unmanaged, capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

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

Comparative Results

DWS Strategic Value VIP		1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$12,530	$6,643	$8,512	$13,933
	Average annual total return	25.30%	-12.75%	–3.17%	3.37%
S&P 500 Index	Growth of $10,000	$12,646	$8,405	$10,211	$9,090
	Average annual total return	26.46%	–5.63%	.42%	–.95%

DWS Strategic Value VIP		1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$12,494	$6,580	$8,362	$11,423
	Average annual total return	24.94%	–13.02%	–3.51%	1.79%
S&P 500 Index	Growth of $10,000	$12,646	$8,405	$10,211	$13,070
	Average annual total return	26.46%	–5.63%	.42%	3.63%

The growth of $10,000 is cumulative.

* *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

Information About Your Portfolio's Expenses

DWS Strategic Value VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (July 1, 2009 to December 31, 2009).

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, 2009

Actual Portfolio Return	Class A	Class B
Beginning Account Value 7/1/09	$1,000.00	$1,000.00
Ending Account Value 12/31/09	$1,232.80	$1,232.10
Expenses Paid per $1,000*	$ 4.28	$ 6.02
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/09	$1,000.00	$1,000.00
Ending Account Value 12/31/09	$1,021.37	$1,019.81
Expenses Paid per $1,000*	$ 3.87	$ 5.45

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

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Strategic Value VIP	.76%	1.07%

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 Value VIP

Surging investor risk appetites and signs of improving economic growth led to an outstanding gain for the US stock market during the past year. While the Portfolio generated a gain of 25.30% (Class A shares, unadjusted for contract charges), this return nonetheless trailed the 26.46% advance of the Standard & Poor's 500® (S&P 500) Index.

Our team took over on June 2, 2009, at which time the Portfolio's name was changed from DWS Dreman High Return Equity VIP to DWS Strategic Value VIP. We have made significant changes since then, increasing the Portfolio's diversification and reducing its large overweights in the financial and energy sectors.[1] We also elected to increase the Portfolio's weighting in technology, based on our belief that the tech sector offered the combination of attractive valuations and the ability to benefit from higher business spending and strong economic growth overseas.[2] We found additional opportunities in companies that offer attractive dividend yields, including telecommunications stocks and large US pharmaceutical companies. While higher-yielding investments underperformed in 2009, we expect that dividends will again become an important component of total return.

For the full year, a period that incorporates the performance of both management teams, the largest positive contributions to return came from stock selection in the health care and consumer staples sectors. The most significant detractor by far was the Portfolio's underweight position in technology during the first half of the year. Stock selection in the consumer discretionary sector also weighed on relative performance, due in part to the underperformance of Lowe's Cos.*

Believing the market has climbed to a point where continued gains in individual stocks will need to be supported by earnings results, we are emphasizing value stocks that have the potential to generate above-market earnings growth.

Thomas Schuessler, PhD
Volker Dosch
Oliver Pfeil, PhD
Portfolio Managers

The Standard & Poor's 500 (S&P 500) Index is an unmanaged, capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

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

1 *"Overweight" means the portfolio holds a higher weighting in a given sector or security than the benchmark. "Underweight" means the portfolio holds a lower weighting.*

2 *"Valuation" refers to the price investors pay for a given security. An asset can be undervalued, meaning that it trades for less than its intrinsic value, or overvalued, which means that it trades at a more expensive price than its underlying worth.*

* *Not held in the portfolio as of December 31, 2009.*

Portfolio management market commentary is as of December 31, 2009, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results. Current and future portfolio holdings are subject to risk.

Portfolio Summary

DWS Strategic Value VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**12/31/09**	**12/31/08**
Common Stocks	98%	100%
Cash Equivalents	2%	—
	100%	100%

Sector Diversification (As a % of Common Stocks)	**12/31/09**	**12/31/08**
Financials	16%	20%
Information Technology	15%	—
Health Care	14%	19%
Energy	13%	29%
Consumer Staples	12%	7%
Industrials	12%	10%
Consumer Discretionary	7%	10%
Telecommunication Services	6%	2%
Materials	4%	3%
Utilities	1%	—
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 174. A complete list of portfolio holdings of the Portfolio is posted as of the month end on www.dws-investments.com on or about the 15th day of the following month. More frequent posting of portfolio holdings information may be made from time to time on www.dws-investments.com.

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 Value VIP

	Shares	Value ($)
Common Stocks 97.6%		
Consumer Discretionary 6.9%		
Diversified Consumer Services 1.2%		
H&R Block, Inc.	154,714	**3,499,631**
Hotels Restaurants & Leisure 1.8%		
Burger King Holdings, Inc.	70,246	1,322,030
Carnival Corp. (Units)*	116,122	3,679,906
		5,001,936
Media 1.3%		
Walt Disney Co. (a)	115,304	**3,718,554**
Multiline Retail 0.6%		
J.C. Penney Co., Inc. (a)	64,628	**1,719,751**
Specialty Retail 1.0%		
GameStop Corp. "A"* (a)	120,913	**2,652,831**
Textiles, Apparel & Luxury Goods 1.0%		
VF Corp.	38,687	**2,833,436**
Consumer Staples 11.7%		
Beverages 2.8%		
PepsiCo, Inc.	130,910	**7,959,328**
Food & Staples Retailing 2.8%		
CVS Caremark Corp.	140,342	4,520,416
Kroger Co.	159,975	3,284,286
		7,804,702
Food Products 1.0%		
Kraft Foods, Inc. "A"	107,998	**2,935,386**
Tobacco 5.1%		
Altria Group, Inc.	424,612	8,335,134
Philip Morris International, Inc.	128,870	6,210,245
		14,545,379
Energy 13.1%		
Energy Equipment & Services 2.6%		
Halliburton Co.	90,177	2,713,426
Transocean Ltd.*	58,043	4,805,960
		7,519,386
Oil, Gas & Consumable Fuels 10.5%		
Anadarko Petroleum Corp. (a)	64,710	4,039,198
Apache Corp.	58,068	5,990,876
Cenovus Energy, Inc.	76,644	1,931,429
Chevron Corp.	74,694	5,750,691
ConocoPhillips	115,235	5,885,051
ExxonMobil Corp.	15,000	1,022,850
Marathon Oil Corp.	96,075	2,999,462
XTO Energy, Inc.	45,000	2,093,850
		29,713,407
Financials 15.8%		
Capital Markets 2.1%		
State Street Corp.	70,772	3,081,413
The Goldman Sachs Group, Inc.	17,477	2,950,816
		6,032,229
Commercial Banks 2.4%		
KeyCorp	302,198	1,677,199
Wells Fargo & Co.	186,686	5,038,655
		6,715,854
Diversified Financial Services 7.8%		
Bank of America Corp. (a)	657,689	9,904,796
JPMorgan Chase & Co.	244,174	10,174,731
The NASDAQ OMX Group, Inc.*	112,381	2,227,391
		22,306,918
Insurance 3.4%		
Allstate Corp.	129,201	3,881,198
Hartford Financial Services Group, Inc.	64,189	1,493,036
The Travelers Companies, Inc. (a)	83,725	4,174,529
		9,548,763
Thrifts & Mortgage Finance 0.1%		
Washington Mutual, Inc.*	1,394,944	**194,595**
Health Care 14.1%		
Health Care Equipment & Supplies 0.9%		
Baxter International, Inc.	45,112	**2,647,172**
Health Care Providers & Services 4.0%		
Aetna, Inc.	180,498	5,721,786
UnitedHealth Group, Inc.	179,766	5,479,268
		11,201,054
Pharmaceuticals 9.2%		
Abbott Laboratories	63,906	3,450,285
Merck & Co., Inc.	179,319	6,552,316
Mylan, Inc.* (a)	192,839	3,554,023
Novartis AG (ADR)	101,960	5,549,683
Pfizer, Inc.	385,649	7,014,955
		26,121,262
Industrials 11.2%		
Aerospace & Defense 5.8%		
Honeywell International, Inc.	192,632	7,551,175
ITT Corp.	64,385	3,202,510
United Technologies Corp.	83,725	5,811,352
		16,565,037
Construction & Engineering 1.8%		
Fluor Corp.	60,881	2,742,080
URS Corp.*	51,377	2,287,304
		5,029,384
Industrial Conglomerates 1.0%		
Tyco International Ltd.*	83,309	**2,972,465**
Machinery 2.6%		
Deere & Co.	81,062	4,384,643
Dover Corp.	70,383	2,928,637
		7,313,280
Information Technology 14.2%		
Communications Equipment 1.4%		
Cisco Systems, Inc.*	160,128	**3,833,464**
Computers & Peripherals 7.8%		
Dell, Inc.* (a)	301,881	4,335,011
Hewlett-Packard Co.	186,453	9,604,194
International Business Machines Corp.	44,754	5,858,299
Lexmark International, Inc. "A"*	86,758	2,253,973
		22,051,477
IT Services 1.4%		
Accenture PLC "A"	95,477	**3,962,296**
Software 3.6%		
Microsoft Corp.	180,728	5,510,397
Oracle Corp.	64,358	1,579,345
Symantec Corp.*	179,069	3,203,544
		10,293,286

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

	Shares	Value ($)
Materials 3.9%		
Chemicals 1.0%		
Potash Corp. of Saskatchewan, Inc. (a)	25,742	**2,793,007**
Metals & Mining 2.9%		
BHP Billiton Ltd. (ADR) (a)	109,249	**8,366,288**
Telecommunication Services 5.7%		
Diversified Telecommunication Services 4.1%		
AT&T, Inc.	206,128	5,777,768
Verizon Communications, Inc.	179,747	5,955,018
		11,732,786
Wireless Telecommunication Services 1.6%		
Vodafone Group PLC (ADR) (a)	193,142	**4,459,649**
Utilities 1.0%		
Electric Utilities		
Exelon Corp.	57,811	**2,825,224**
Total Common Stocks (Cost $247,603,546)		**276,869,217**

	Shares	Value ($)
Securities Lending Collateral 13.7%		
Daily Assets Fund Institutional, 0.17% (b) (c) (Cost $38,681,340)	38,681,340	**38,681,340**
Cash Equivalents 2.3%		
Central Cash Management Fund, 0.14% (b) (Cost $6,585,439)	6,585,439	**6,585,439**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $292,870,325)†	113.6	**322,135,996**
Other Assets and Liabilities, Net	(13.6)	**(38,516,779)**
Net Assets	100.0	**283,619,217**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $296,037,410. At December 31, 2009, net unrealized appreciation for all securities based on tax cost was $26,098,586. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $47,165,451 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $21,066,865.*

(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, 2009 amounted to $37,203,432, which is 13.1% of net assets.*

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

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

ADR: American Depositary Receipt

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes significant unobservable inputs (including the Portfolio's own assumptions in determining the fair value of investments). The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of December 31, 2009 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to the Financial Statements.

Assets	Level 1	Level 2	Level 3	Total
Common Stocks (d)	$ 276,869,217	$ —	$ —	$ 276,869,217
Short-Term Investments (d)	45,266,779	—	—	45,266,779
Total	**$ 322,135,996**	**$ —**	**$ —**	**$ 322,135,996**

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

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2009

Assets	
Investments:	
Investments in securities, at value (cost $247,603,546) — including $37,203,432 of securities loaned	$ 276,869,217
Investment in Daily Assets Fund Institutional (cost $38,681,340)*	38,681,340
Investment in Central Cash Management Fund (cost $6,585,439)	6,585,439
Total investments at value (cost $292,870,325)	322,135,996
Cash	29,120
Receivable for Portfolio shares sold	558
Dividends receivable	628,038
Interest receivable	4,177
Foreign taxes recoverable	8,254
Other assets	5,868
Total assets	322,812,011
Liabilities	
Payable upon return of securities loaned	38,681,340
Payable for Portfolio shares redeemed	225,112
Accrued management fee	175,952
Other accrued expenses and payables	110,390
Total liabilities	39,192,794
Net assets, at value	**$ 283,619,217**
Net Assets Consist of	
Undistributed net investment income	4,996,440
Net unrealized appreciation (depreciation) on investments	29,265,671
Accumulated net realized gain (loss)	(159,822,549)
Paid-in capital	409,179,655
Net assets, at value	**$ 283,619,217**
Class A	
Net Asset Value, offering and redemption price per share ($281,657,017 ÷ 38,269,626 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$ 7.36**
Class B	
Net Asset Value, offering and redemption price per share ($1,962,200 ÷ 265,888 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$ 7.38**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2009

Investment Income	
Income:	
Dividends (net of foreign taxes withheld of $14,972)	$ 6,989,222
Income distributions — affiliated cash management vehicles	12,331
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	276,964
Other income	1,178
Total Income	7,279,695
Expenses:	
Management fee	1,818,873
Administrative service fees	274,743
Distribution service fee (Class B)	4,762
Services to shareholders	6,622
Record keeping fees (Class B)	1,052
Professional fees	65,000
Trustees' fees and expenses	8,082
Reports to shareholders	6,696
Custodian fee and other	15,338
Total expenses before expense reductions	2,201,168
Expense reductions	(104,517)
Total expenses after expense reductions	2,096,651
Net investment income (loss)	**5,183,044**
Realized and Unrealized Gain (Loss)	
Net realized gain (loss) from:	
Investments	(11,181,680)
Futures	40,548
Payments made by affiliate (see Note H)	12,813
	(11,128,319)
Change in net unrealized appreciation (depreciation) on investments	65,208,508
Net gain (loss)	**54,080,189**
Net increase (decrease) in net assets resulting from operations	**$ 59,263,233**

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, 2009	2008
Operations:		
Net investment income (loss)	$ 5,183,044	$ 12,688,647
Net realized gain (loss)	(11,128,319)	(145,683,533)
Change in net unrealized appreciation (depreciation)	65,208,508	(192,880,861)
Net increase (decrease) in net assets resulting from operations	59,263,233	(325,875,747)
Distributions to shareholders from:		
Net investment income:		
Class A	(12,778,810)	(18,513,153)
Class B	(81,600)	(745,822)
Net realized gains:		
Class A	—	(116,884,417)
Class B	—	(5,393,183)
Total distributions	(12,860,410)	(141,536,575)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	5,209,923	14,533,917
Reinvestment of distributions	12,778,810	135,397,570
Cost of shares redeemed	(90,662,545)	(175,333,071)
Net increase (decrease) in net assets from Class A share transactions	(72,673,812)	(25,401,584)
Class B		
Proceeds from shares sold	544,525	1,441,659
Reinvestment of distributions	81,600	6,139,005
Cost of shares redeemed	(1,038,519)	(32,996,043)
Net increase (decrease) in net assets from Class B share transactions	(412,394)	(25,415,379)
Increase (decrease) in net assets	(26,683,383)	(518,229,285)
Net assets at beginning of period	310,302,600	828,531,885
Net assets at end of period (including undistributed net investment income of $4,996,440 and $12,673,806, respectively)	**$ 283,619,217**	**$ 310,302,600**

Other Information

	2009	2008
Class A		
Shares outstanding at beginning of period	49,642,073	54,976,574
Shares sold	874,127	1,441,589
Shares issued to shareholders in reinvestment of distributions	2,576,373	13,132,645
Shares redeemed	(14,822,947)	(19,908,735)
Net increase (decrease) in Class A shares	(11,372,447)	(5,334,501)
Shares outstanding at end of period	**38,269,626**	**49,642,073**
Class B		
Shares outstanding at beginning of period	327,546	2,551,709
Shares sold	86,408	160,248
Shares issued to shareholders in reinvestment of distributions	16,352	593,141
Shares redeemed	(164,418)	(2,977,552)
Net increase (decrease) in Class B shares	(61,658)	(2,224,163)
Shares outstanding at end of period	**265,888**	**327,546**

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

Financial Highlights

Class A

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$ 6.21**	**$14.40**	**$15.02**	**$13.41**	**$12.65**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.12	.22	.29	.27	.24
Net realized and unrealized gain (loss)	1.31	(5.80)	(.56)	2.21	.75
Total from investment operations	1.43	(5.58)	(.27)	2.48	.99
Less distributions from:					
Net investment income	(.28)	(.36)	(.22)	(.28)	(.23)
Net realized gains	—	(2.25)	(.13)	(.59)	—
Total distributions	(.28)	(2.61)	(.35)	(.87)	(.23)
Net asset value, end of period	**$ 7.36**	**$ 6.21**	**$14.40**	**$15.02**	**$13.41**
Total Return (%)	25.30[b]	(45.98)[b]	(1.86)	18.74	7.92
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	282	308	792	992	785
Ratio of expenses before expense reductions (%)	.80	.81	.78	.77	.78
Ratio of expenses after expense reductions(%)	.76	.80	.78	.77	.78
Ratio of net investment income (%)	1.89	2.21	1.94	1.87	1.84
Portfolio turnover rate (%)	91	28	27	20	10

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,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$ 6.22**	**$14.41**	**$15.02**	**$13.39**	**$12.63**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.10	.16	.24	.22	.19
Net realized and unrealized gain (loss)	1.32	(5.79)	(.56)	2.19	.75
Total from investment operations	1.42	(5.63)	(.32)	2.41	.94
Less distributions from:					
Net investment income	(.26)	(.31)	(.16)	(.19)	(.18)
Net realized gains	—	(2.25)	(.13)	(.59)	—
Total distributions	(.26)	(2.56)	(.29)	(.78)	(.18)
Net asset value, end of period	**$ 7.38**	**$ 6.22**	**$14.41**	**$15.02**	**$13.39**
Total Return (%)	24.94[b]	(46.16)[b]	(2.19)[b]	18.21[b]	7.51
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	2	2	37	191	135
Ratio of expenses before expense reduction (%)	1.11	1.21	1.15	1.16	1.17
Ratio of expenses after expense reduction (%)	1.08	1.17	1.13	1.16	1.17
Ratio of net investment income (%)	1.57	1.84	1.59	1.48	1.45
Portfolio turnover rate (%)	91	28	27	20	10

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

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

Performance Summary

December 31, 2009

DWS Technology VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please contact your participating insurance company for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying Portfolio, their performance will differ.

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.

The gross expense ratios of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2009 are 0.95% and 1.29% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

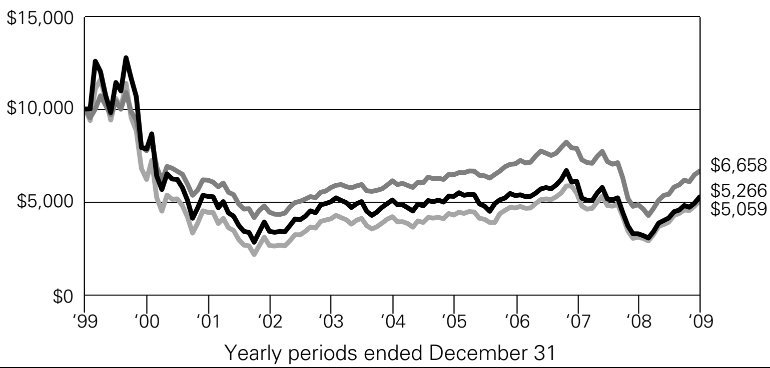
Risk Considerations

This Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Investments by the Portfolio in small companies present greater risk of loss than investments in larger, more established companies. Concentration of the Portfolio's investment in technology stocks may present a greater risk than investments in a more diversified portfolio. Investments by the Portfolio in emerging technology companies present greater risk than investments in more established technology companies. This Portfolio is non-diversified and can take larger positions in fewer companies, increasing its overall potential risk. Please read this Portfolio's prospectus for specific details regarding this product's investments and risk profile.

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

Growth of an Assumed $10,000 Investment in DWS Technology VIP

- **DWS Technology VIP — Class A**
- **Russell 1000® Growth Index**
- **S&P® North American Technology Sector Index**



The Russell 1000® Growth Index is an unmanaged index that consists of those stocks in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth values.

The S&P® North American Technology Sector Index is an unmanaged capitalization-weighted index based on a universe of technology-related stocks.

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

Comparative Results

DWS Technology VIP		1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$16,042	$9,861	$10,307	$5,266
	Average annual total return	60.42%	–.46%	.61%	–6.21%
Russell 1000 Growth Index	Growth of $10,000	$13,721	$9,445	$10,844	$6,658
	Average annual total return	37.21%	–1.89%	1.63%	–3.99%
S&P North American Technology Sector Index	Growth of $10,000	$16,319	$10,814	$12,023	$5,059
	Average annual total return	63.19%	2.64%	3.75%	–6.59%

DWS Technology VIP		1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$15,993	$9,751	$10,114	$14,290
	Average annual total return	59.93%	–.84%	.23%	4.87%
Russell 1000 Growth Index	Growth of $10,000	$13,721	$9,445	$10,844	$13,615
	Average annual total return	37.21%	–1.89%	1.63%	4.20%
S&P North American Technology Sector Index	Growth of $10,000	$16,319	$10,814	$12,023	$17,006
	Average annual total return	63.19%	2.64%	3.75%	7.33%

The growth of $10,000 is cumulative.

* *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

Information About Your Portfolio's Expenses

DWS Technology VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (July 1, 2009 to December 31, 2009).

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, 2009

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/09	$1,000.00	$1,000.00
Ending Account Value 12/31/09	$1,271.00	$1,268.60
Expenses Paid per $1,000*	$ 4.69	$ 6.75
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 7/1/09	$1,000.00	$1,000.00
Ending Account Value 12/31/09	$1,021.07	$1,019.26
Expenses Paid per $1,000*	$ 4.18	$ 6.01

* *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	.82%	1.18%

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

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

DWS Technology VIP

Technology stocks generated strong performance during the past year, outpacing the return of the broader market by a wide margin. While the Standard & Poor's 500® (S&P 500) Index — a measure of broad US stock market performance — gained 26.46% through the 12 months ended December 31, 2009, tech stocks, as measured by the S&P® North American Technology Sector Index, gained 63.19%. The Portfolio returned 60.42% (Class A shares, unadjusted for contract charges).

The most significant contributions to performance came from VanceInfo Technologies, Inc., a China-based IT outsourcing company; Data Domain,* a data storage company that was taken over in the spring; and Marvell Technologies Group Ltd., which is benefiting from strong demand for its chips. We believe our success with these smaller companies illustrates how our willingness to deviate from the S&P® North American Technology Sector Index can help us find winning stocks. We believe the small- and mid-cap areas are very fertile ground to find the type of fast-growing, reasonably valued stocks we want to own.

Consistent with the strong market environment, only a handful of holdings lost ground during the time they were held in the Portfolio. Among these were Nintendo Co., Ltd.,* Research In Motion Ltd. and Nokia Corp.* Our relative performance was also hurt by underweights in certain stocks that outperformed, such as Amazon.com, Inc. and Corning, Inc.*[1]

In terms of positioning, the Portfolio is currently overweight in the Internet, communications equipment and semiconductor sectors. On the other end of the spectrum, it is underweight in IT services, software, computers & peripherals, and electronic equipment.

Overall, we continue to focus our research efforts on finding compelling values among stocks with rising market share, robust product and/or service offerings, strong competitive positions and healthy balance sheets. We believe stock selection will be even more important than usual in the coming quarters, as the "easy" part of the sector's rally is likely behind us.

Frederic L. Fayolle, CFA
Lead Portfolio Manager

Clark Chang
Walter Holick
Portfolio Managers

The Standard & Poor's 500 (S&P 500) Index is an unmanaged, capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The S&P® North American Technology Sector Index is an unmanaged capitalization-weighted index based on a universe of technology-related stocks.

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

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.*

* *Not held in the portfolio as of December 31, 2009.*

Portfolio management market commentary is as of December 31, 2009, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results. Current and future portfolio holdings are subject to risk.

Portfolio Summary

DWS Technology VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**12/31/09**	**12/31/08**
Common Stocks	98%	98%
Cash Equivalents	2%	2%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**12/31/09**	**12/31/08**
Information Technology:		
Computers & Peripherals	25%	18%
Software	18%	18%
Communications Equipment	17%	23%
Semiconductors & Semiconductor Equipment	16%	22%
Internet Software & Services	14%	10%
IT Services	7%	6%
Electronic Equipment, Instruments & Components	2%	1%
Consumer Discretionary	1%	1%
Industrials	—	1%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 183. A complete list of portfolio holdings of the Portfolio is posted as of the month end on www.dws-investments.com on or about the 15th day of the following month. More frequent posting of portfolio holdings information may be made from time to time on www.dws-investments.com.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Technology VIP

	Shares	Value ($)
Common Stocks 98.3%		
Consumer Discretionary 1.2%		
Internet & Catalog Retail		
Amazon.com, Inc.*	3,800	511,176
Priceline.com, Inc.* (a)	2,000	437,000
		948,176
Information Technology 97.1%		
Communications Equipment 17.1%		
Brocade Communications Systems, Inc.* (a)	71,300	544,019
Cisco Systems, Inc.*	167,800	4,017,132
Comverse Technology, Inc.*	86,034	813,022
F5 Networks, Inc.*	9,600	508,608
Harris Stratex Networks, Inc. "A"*	2,533	17,503
Juniper Networks, Inc.*	33,800	901,446
Motorola, Inc.*	146,700	1,138,392
Polycom, Inc.*	25,500	636,735
QUALCOMM, Inc.	87,016	4,025,360
Research In Motion Ltd.*	14,100	952,314
Sonus Networks, Inc.*	123,400	260,374
		13,814,905
Computers & Peripherals 24.2%		
Apple, Inc.*	33,600	7,084,896
EMC Corp.*	65,300	1,140,791
Hewlett-Packard Co.	102,100	5,259,171
International Business Machines Corp.	32,000	4,188,800
Isilon Systems, Inc.*	75,818	520,111
Lexmark International, Inc. "A"*	29,400	763,812
SanDisk Corp.*	19,400	562,406
		19,519,987
Electronic Equipment, Instruments & Components 1.4%		
Corning, Inc.	60,100	**1,160,531**
Internet Software & Services 13.9%		
Akamai Technologies, Inc.* (a)	7,100	179,843
Digital River, Inc.*	17,700	477,723
eBay, Inc.*	45,600	1,073,424
Equinix, Inc.* (a)	5,900	626,285
Google, Inc. "A"*	11,300	7,005,774
LogMeIn, Inc.*	26,013	518,959
Open Text Corp.*	4,800	195,120
Yahoo!, Inc.*	69,400	1,164,532
		11,241,660
IT Services 7.3%		
Accenture PLC "A"	10,500	435,750
Amdocs Ltd.*	16,400	467,892
Cognizant Technology Solutions Corp. "A"*	28,200	1,277,460
CyberSource Corp.*	26,800	538,948
Fiserv, Inc.*	11,600	562,368
Global Payments, Inc.	24,300	1,308,798
MasterCard, Inc. "A"	2,000	511,960
Visa, Inc. "A"	9,000	787,140
		5,890,316
Semiconductors & Semiconductor Equipment 15.3%		
Applied Materials, Inc.	25,700	358,258
ASML Holding NV (NY Registered Shares)	15,100	514,759
Atheros Communications*	2,300	78,752
Avago Technologies Ltd.* (a)	18,229	333,408
Broadcom Corp. "A"*	31,800	1,000,110
Cymer, Inc.*	9,700	372,286
FormFactor, Inc.* (a)	11,000	239,360
Integrated Device Technology, Inc.*	80,000	517,600
Intel Corp.	187,989	3,834,976
KLA-Tencor Corp.	13,600	491,776
Lam Research Corp.*	9,300	364,653
Marvell Technology Group Ltd.*	16,600	344,450
Microchip Technology, Inc. (a)	8,700	252,822
Micron Technology, Inc.* (a)	39,000	411,840
Microsemi Corp.*	15,200	269,800
MKS Instruments, Inc.*	10,800	188,028
National Semiconductor Corp. (a)	14,900	228,864
Netlogic Microsystems, Inc.*	3,500	161,910
NVIDIA Corp.* (a)	26,700	498,756
ON Semiconductor Corp.*	14,800	130,388
Texas Instruments, Inc.	56,000	1,459,360
Xilinc, Inc.	13,900	348,334
		12,400,490
Software 17.9%		
Activision Blizzard, Inc.*	45,600	506,616
Adobe Systems, Inc.*	26,200	963,636
ANSYS, Inc.*	5,400	234,684
ArcSight, Inc.* (a)	19,500	498,810
Ariba, Inc.*	59,600	746,192
BMC Software, Inc.*	15,700	629,570
Check Point Software Technologies Ltd.*	11,800	399,784
Citrix Systems, Inc.*	5,000	208,050
Informatica Corp.*	22,300	576,678
McAfee, Inc.*	15,400	624,778
Microsoft Corp.	155,820	4,750,952
Oracle Corp.	91,400	2,242,956
Rovi Corp.*	14,410	459,247
Salesforce.com, Inc.*	1,600	118,032
Sybase, Inc.* (a)	9,500	412,300
Symantec Corp.*	19,800	354,222
VanceInfo Technologies, Inc. (ADR)* (a)	38,000	729,980
		14,456,487
Total Common Stocks (Cost $51,527,997)		**79,432,552**
Securities Lending Collateral 5.9%		
Daily Assets Fund Institutional, 0.17% (b) (c) (Cost $4,771,330)	4,771,330	**4,771,330**
Cash Equivalents 1.7%		
Central Cash Management Fund, 0.14% (b) (Cost $1,379,844)	1,379,844	**1,379,844**

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

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $57,679,171)†	105.9	**85,583,726**
Other Assets and Liabilities, Net	(5.9)	**(4,763,052)**
Net Assets	100.0	**80,820,674**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $62,630,812. At December 31, 2009, net unrealized appreciation for all securities based on tax cost was $22,952,914. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $28,531,519 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $5,578,605.*

(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, 2009 amounted to $4,610,474, which is 5.7% of net assets.*

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

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

ADR: American Depositary Receipt

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes significant unobservable inputs (including the Portfolio's own assumptions in determining the fair value of investments). The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of December 31, 2009 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to the Financial Statements.

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stocks (d)	$ 79,432,552	$ —	$ —	$ 79,432,552
Short-Term Investments (d)	6,151,174	—	—	6,151,174
Total	**$ 85,583,726**	**$ —**	**$ —**	**$ 85,583,726**

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

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2009

Assets		
Investments:		
Investments in securities, at value (cost $51,527,997) — including $4,610,474 of securities loaned	$	79,432,552
Investment in Daily Assets Fund Institutional (cost $4,771,330)*		4,771,330
Investment in Central Cash Management Fund (cost $1,379,844)		1,379,844
Total investments, at value (cost $57,679,171)		85,583,726
Cash		10,000
Foreign currency, at value (cost $402,375)		407,561
Interest receivable		190
Dividends receivable		9,360
Receivable for Portfolio shares sold		122
Other assets		1,507
Total assets		86,012,466
Liabilities		
Payable for Portfolio shares redeemed		299,356
Payable upon return of securities loaned		4,771,330
Accrued management fee		43,630
Other accrued expenses and payables		77,476
Total liabilities		5,191,792
Net assets, at value	**$**	**80,820,674**
Net Assets Consist of		
Undistributed net investment income	$	24,841
Net unrealized appreciation (depreciation) on:		
Investments		27,904,555
Foreign currency		5,186
Accumulated net realized gain (loss)		(203,935,122)
Paid-in capital		256,821,214
Net assets, at value	**$**	**80,820,674**
Class A		
Net Asset Value, offering and redemption price per share ($78,033,675 ÷ 8,447,123 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**9.24**
Class B		
Net Asset Value, offering and redemption price per share ($2,786,999 ÷ 309,078 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**9.02**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2009

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $15,660)	$	561,951
Interest		3,178
Income distributions — affiliated cash management vehicles		6,741
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		49,042
Total Income		620,912
Expenses:		
Management fee		452,097
Administration fee		67,985
Distribution service fee (Class B)		5,456
Record keeping fees (Class B)		2,013
Services to shareholders		2,454
Trustees' fees and expenses		3,510
Reports to shareholders		7,599
Professional fees and other		35,801
Total expenses		576,915
Net investment income (loss)		**43,997**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		(13,130,462)
Written options		12,238
Foreign currency		(14,319)
		(13,132,543)
Change in net unrealized appreciation (depreciation) on:		
Investments		45,138,680
Foreign currency		2,858
		45,141,538
Net gain (loss)		**32,008,995**
Net increase (decrease) in net assets resulting from operations	**$**	**32,052,992**

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, 2009	2008
Operations:		
Net investment income (loss)	$ 43,997	$ (15,115)
Net realized gain (loss)	(13,132,543)	(17,609,911)
Net unrealized appreciation (depreciation)	45,141,538	(45,863,321)
Net increase (decrease) in net assets resulting from operations	32,052,992	(63,488,347)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	8,267,890	4,037,835
Cost of shares redeemed	(20,829,816)	(35,554,956)
Net increase (decrease) in net assets from Class A share transactions	(12,561,926)	(31,517,121)
Class B		
Proceeds from shares sold	696,779	405,112
Cost of shares redeemed	(561,458)	(691,475)
Net increase (decrease) in net assets from Class B share transactions	135,321	(286,363)
Increase (decrease) in net assets	19,626,387	(95,291,831)
Net assets at beginning of period	61,194,287	156,486,118
Net assets at end of period (including undistributed net investment income and accumulated net investment loss of $24,841 and $4,837, respectively)	**$ 80,820,674**	**$ 61,194,287**

Other Information		
Class A		
Shares outstanding at beginning of period	10,336,451	14,290,167
Shares sold	1,071,894	484,042
Shares redeemed	(2,961,222)	(4,437,758)
Net increase (decrease) in Class A shares	(1,889,328)	(3,953,716)
Shares outstanding at end of period	**8,447,123**	**10,336,451**
Class B		
Shares outstanding at beginning of period	290,168	325,361
Shares sold	100,046	46,978
Shares redeemed	(81,136)	(82,171)
Net increase (decrease) in Class B shares	18,910	(35,193)
Shares outstanding at end of period	**309,078**	**290,168**

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

Financial Highlights

Class A

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$ 5.76**	**$10.71**	**$ 9.37**	**$ 9.30**	**$ 9.01**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.01	(.00)[*]	(.02)	(.01)[c]	(.03)
Net realized and unrealized gain (loss)	3.47	(4.95)	1.36	.08	.36
Total from investment operations	3.48	(4.95)	1.34	.07	.33
Less distributions from:					
Net investment income	—	—	—	—	(.04)
Net asset value, end of period	**$ 9.24**	**$ 5.76**	**$10.71**	**$ 9.37**	**$ 9.30**
Total Return (%)	60.42	(46.22)[b]	14.30	.75[c]	3.74
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	78	60	153	165	199
Ratio of expenses before expense reductions (%)	.84	1.01	.91	.89	.86
Ratio of expenses after expense reductions (%)	.84	1.00	.91	.89	.86
Ratio of net investment income (loss) (%)	.08	(.01)	(.15)	(.12)[c]	(.36)
Portfolio turnover rate (%)	45	71	91	49	135

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

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

[c] *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Funds. The non-recurring income resulted in an increase in net investment income of $0.017 per share and an increase in the ratio of net investment income of 0.18%. Excluding this non-recurring income, total return would have been 0.19% lower.*

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

Class B

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$ 5.64**	**$10.53**	**$ 9.25**	**$ 9.21**	**$ 8.93**
Income (loss) from investment operations:					
Net investment income (loss)[a]	(.02)	(.03)	(.05)	(.04)[c]	(.07)
Net realized and unrealized gain (loss)	3.40	(4.86)	1.33	.08	.36
Total from investment operations	3.38	(4.89)	1.28	.04	.29
Less distributions from:					
Net investment income	—	—	—	—	(.01)
Net asset value, end of period	**$ 9.02**	**$ 5.64**	**$10.53**	**$ 9.25**	**$ 9.21**
Total Return (%)	59.93	(46.44)[b]	13.84	.43[c]	3.27
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	3	2	3	14	16
Ratio of expenses (%)	1.18	1.35	1.29	1.28	1.26
Ratio of net investment income (loss) (%)	(.27)	(.35)	(.53)	(.51)[c]	(.76)
Portfolio turnover rate (%)	45	71	91	49	135

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

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

[c] *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Funds. The non-recurring income resulted in an increase in net investment income of $0.017 per share and an increase in the ratio of net investment income of 0.18%. Excluding this non-recurring income, total return would have been 0.19% lower.*

Performance Summary

December 31, 2009

DWS Turner Mid Cap Growth VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please contact your participating insurance company for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

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.

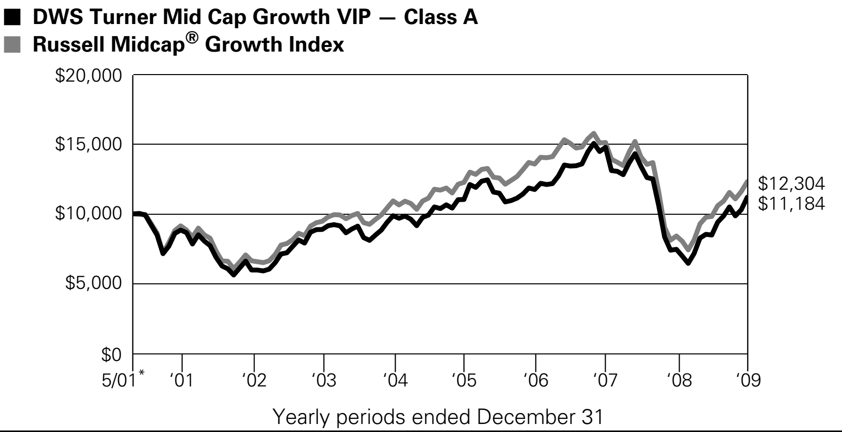
The gross expense ratio of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2009 is 0.98% for Class A shares and may differ from the expense ratio disclosed in the Financial Highlights table in this report.

Risk Considerations

The Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Stocks of medium-sized companies involve greater risk than securities of larger, more established companies, as they often have limited product lines, markets or financial resources and may be subject to more-erratic and more-abrupt market movements. Please read this Portfolio's prospectus for specific details regarding this product's investments and risk profile.

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

Growth of an Assumed $10,000 Investment in DWS Turner Mid Cap Growth VIP from 5/1/2001 to 12/31/2009



The Russell Midcap® Growth Index is an unmanaged index that measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values.

Index returns assume reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly in an index.

Comparative Results

DWS Turner Mid Cap Growth VIP		1-Year	3-Year	5-Year	Life of Portfolio*
Class A	Growth of $10,000	$15,000	$9,528	$11,343	$11,184
	Average annual total return	50.00%	–1.60%	2.55%	1.30%
Russell Midcap Growth Index	Growth of $10,000	$14,629	$9,075	$11,258	$12,304
	Average annual total return	46.29%	–3.18%	2.40%	2.42%

The growth of $10,000 is cumulative.

* *The Portfolio commenced operations on May 1, 2001. Index returns began on April 30, 2001.*

Information About Your Portfolio's Expenses

DWS Turner Mid Cap Growth VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (July 1, 2009 to December 31, 2009).

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, 2009

Actual Portfolio Return	Class A
Beginning Account Value 7/1/09	$1,000.00
Ending Account Value 12/31/09	$1,320.00
Expenses Paid per $1,000*	$ 5.09

Hypothetical 5% Portfolio Return	Class A
Beginning Account Value 7/1/09	$1,000.00
Ending Account Value 12/31/09	$1,020.82
Expenses Paid per $1,000*	$ 4.43

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

Annualized Expense Ratio	Class A
DWS Variable Series II — DWS Turner Mid Cap Growth VIP	.87%

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, 2009

DWS Turner Mid Cap Growth VIP

In 2009, the equity markets rebounded nicely following one of the strongest market corrections on record. What initially started as a lower-quality rally with lower-priced and smaller market-cap stocks broadened out as the year progressed and DWS Turner Mid Cap Growth VIP delivered strong relative results during the back half of 2009. The market, as defined by the Standard & Poor's 500® (S&P 500) Index, reached its low on March 9, 2009, and from that point the ensuing rally was led by stocks of companies with the lowest price and smallest market capitalizations. Specifically, in the growth markets the rally was led by companies that exhibited the slowest earnings per share growth. Following this initial bounce off the bottom, the rally gradually broadened and eventually leveled off and, in our view, became a more traditional stock pickers market. We believe that earnings and company fundamentals have become more of a focal point, with investors focused on top-line results, which traditionally have favored the Portfolio's strategy.

For 2009, DWS Turner Mid Cap Growth VIP outperformed its benchmark, the Russell Midcap® Growth Index with a total return of 50.00% (Class A shares, unadjusted for contract charges), compared to 46.29%, in a market that was up over 45%. The consumer discretionary and technology sectors, the two largest sectors in the Portfolio, contributed most to relative gains. The consumer discretionary sector, the largest in the Portfolio, continues to be an area of strength for the Portfolio. As the economy begins to strengthen and gain momentum, the consumer area typically follows suit, as these stocks are more economically sensitive than other stocks in the market. Within the Portfolio, strong stock selection in consumer service, retail, and restaurants holdings led the charge as each group posted double digit returns.

The health care and materials/processing sectors were the worst-performing sectors in relation to the benchmark, as a lack of clarity surrounding health care reform was an overhang on the sector throughout the year. St. Jude Medical, a manufacturer of implantable cardiovascular devices, was one of the worst detractors for the year, as concerns surrounding the company's EPS and revenue growth prompted us to sell the position in the fourth quarter. Additionally, within the materials/processing sector, the Portfolio's exposure to two housing stocks in particular, Pulte Homes and Toll Brothers, was also a drag on relative performance for the year.

The Portfolio continues to own three types of growth stocks. In the first, it holds classic growth stocks in industries such as investment management, managed care and wireless communications that we think have high-return potential for strong fundamental reasons. In the second, it holds stocks of companies gaining market share in their businesses. And in the third, it holds cyclical stocks in industries — such as metals, bioagriculture, banking, business services and chemicals — that historically have tended to do well as the economy rebounds from a recession.

Christopher K. McHugh
Lead Manager

Tara Hedlund
Jason Schrotberger
Portfolio Managers, Turner Investment Partners, Inc., Subadvisor to the Portfolio

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 Midcap Growth Index is an unmanaged index that measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values.

Index returns assume reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly in an index.

Portfolio management market commentary is as of December 31, 2009, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results. Current and future portfolio holdings are subject to risk.

Portfolio Summary

DWS Turner Mid Cap Growth VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**12/31/09**	**12/31/08**
Common Stocks	99%	100%
Cash Equivalents	1%	—
	100%	100%

Sector Diversification (As a % of Common Stocks)	**12/31/09**	**12/31/08**
Information Technology	27%	21%
Consumer Discretionary	16%	22%
Health Care	15%	13%
Financials	10%	10%
Industrials	10%	13%
Energy	7%	8%
Consumer Staples	7%	3%
Materials	6%	6%
Utilities	1%	2%
Telecommunication Services	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 192. A complete list of the portfolio holdings of the Portfolio is posted as of the month end on www.dws-investments.com on or about the 15th day of the following month. More frequent posting of portfolio holdings information may be made from time to time on www.dws-investments.com.

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, 2009

DWS Turner Mid Cap Growth VIP

	Shares	Value ($)
Common Stocks 99.3%		
Consumer Discretionary 15.8%		
Automobiles 0.8%		
Harley-Davidson, Inc.	16,730	**421,596**
Hotels Restaurants & Leisure 4.1%		
Starwood Hotels & Resorts Worldwide, Inc. (a)	23,190	848,058
WMS Industries, Inc.*	15,475	619,000
Wynn Resorts Ltd. (a)	10,970	638,783
		2,105,841
Household Durables 2.0%		
D.R. Horton, Inc. (a)	35,670	387,733
Pulte Homes, Inc.*	64,440	644,400
		1,032,133
Media 1.3%		
Cablevision Systems Corp. (New York Group) "A"	17,210	444,362
Focus Media Holding Ltd. (ADR)*	12,530	198,601
		642,963
Multiline Retail 1.0%		
Nordstrom, Inc.	12,970	**487,413**
Specialty Retail 4.3%		
Bed Bath & Beyond, Inc.*	17,990	694,954
Guess?, Inc.	18,370	777,051
Urban Outfitters, Inc.*	20,250	708,547
		2,180,552
Textiles, Apparel & Luxury Goods 2.3%		
Coach, Inc.	23,230	848,592
The Warnaco Group, Inc.*	7,170	302,502
		1,151,094
Consumer Staples 7.0%		
Beverages 0.9%		
Hansen Natural Corp.*	11,890	**456,576**
Food & Staples Retailing 2.1%		
Companhia Brasileira de Distribuicao Grupo Pao de Acucar "A" (ADR) (Preferred)	4,220	317,006
Whole Foods Market, Inc.* (a)	27,300	749,385
		1,066,391
Food Products 1.0%		
Green Mountain Coffee Roasters, Inc.* (a)	6,390	**520,593**
Household Products 1.3%		
Energizer Holdings, Inc.*	10,820	**663,050**
Personal Products 1.7%		
Avon Products, Inc.	27,140	**854,910**
Energy 7.5%		
Energy Equipment & Services 2.8%		
Cameron International Corp.*	20,340	850,212
Nabors Industries Ltd.*	26,320	576,145
		1,426,357
Oil, Gas & Consumable Fuels 4.7%		
Concho Resources, Inc.*	9,200	413,080
CONSOL Energy, Inc.	14,970	745,506
Petrohawk Energy Corp.*	25,270	606,227
Range Resources Corp.	11,764	586,435
		2,351,248

	Shares	Value ($)
Financials 10.0%		
Capital Markets 3.8%		
Affiliated Managers Group, Inc.* (a)	7,830	527,351
T. Rowe Price Group, Inc. (a)	16,570	882,352
TD Ameritrade Holding Corp.*	27,590	534,694
		1,944,397
Commercial Banks 0.8%		
Fifth Third Bancorp.	40,330	**393,218**
Diversified Financial Services 2.2%		
IntercontinentalExchange, Inc.*	6,370	715,351
MSCI, Inc. "A"*	12,530	398,454
		1,113,805
Insurance 1.1%		
Genworth Financial, Inc. "A"*	48,040	**545,254**
Real Estate Investment Trusts 1.0%		
Digital Realty Trust, Inc. (REIT) (a)	9,990	**502,297**
Real Estate Management & Development 1.1%		
CB Richard Ellis Group, Inc. "A"* (a)	40,670	**551,892**
Health Care 14.7%		
Biotechnology 3.3%		
Alexion Pharmaceuticals, Inc.*	11,720	572,170
Human Genome Sciences, Inc.*	7,790	238,374
United Therapeutics Corp.*	10,480	551,772
Vertex Pharmaceuticals, Inc.* (a)	7,830	335,516
		1,697,832
Health Care Equipment & Supplies 1.9%		
Beckman Coulter, Inc.	3,650	238,856
Intuitive Surgical, Inc.*	2,440	740,101
		978,957
Health Care Providers & Services 4.0%		
AmerisourceBergen Corp.	24,260	632,458
CIGNA Corp.	10,200	359,754
Community Health Systems, Inc.* (a)	7,620	271,272
DaVita, Inc.*	7,990	469,333
Health Management Associates, Inc. "A"*	37,730	274,297
		2,007,114
Health Care Technology 1.3%		
Cerner Corp.*	7,740	**638,086**
Life Sciences Tools & Services 2.9%		
Charles River Laboratories International, Inc.*	11,800	397,542
Illumina, Inc.* (a)	4,980	152,637
Life Technologies Corp.*	9,040	472,159
Waters Corp.*	7,300	452,308
		1,474,646
Pharmaceuticals 1.3%		
Watson Pharmaceuticals, Inc.*	16,150	**639,701**
Industrials 9.8%		
Aerospace & Defense 1.5%		
Precision Castparts Corp.	7,100	**783,485**
Airlines 1.2%		
Continental Airlines, Inc. "B"* (a)	33,620	**602,470**
Electrical Equipment 0.3%		
American Superconductor Corp.* (a)	3,150	**128,835**
Industrial Conglomerates 1.1%		
McDermott International, Inc.*	23,280	**558,953**

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

	Shares	Value ($)
Machinery 3.9%		
Cummins, Inc.	14,030	643,416
Joy Global, Inc.	11,250	580,387
Parker Hannifin Corp.	9,480	510,782
Terex Corp.* (a)	12,450	246,635
		1,981,220
Professional Services 0.7%		
Robert Half International, Inc. (a)	13,310	**355,776**
Trading Companies & Distributors 1.1%		
Fastenal Co. (a)	13,390	**557,560**
Information Technology 27.1%		
Communications Equipment 4.7%		
Alcatel-Lucent (ADR)* (a)	119,840	397,869
Brocade Communications Systems, Inc.* (a)	39,840	303,979
F5 Networks, Inc.*	21,970	1,163,971
Juniper Networks, Inc.*	19,000	506,730
		2,372,549
Computers & Peripherals 1.9%		
NetApp, Inc.*	27,500	**945,725**
Internet Software & Services 2.5%		
MercadoLibre, Inc.* (a)	7,660	397,324
VeriSign, Inc.* (a)	21,920	531,341
VistaPrint NV* (a)	5,890	333,727
		1,262,392
IT Services 2.2%		
Fiserv, Inc.*	7,030	340,814
Global Payments, Inc.	14,680	790,665
		1,131,479
Semiconductors & Semiconductor Equipment 12.5%		
ASML Holding NV (NY Registered Shares)	17,080	582,257
Atheros Communications*	27,300	934,752
Broadcom Corp. "A"*	21,660	681,207
Lam Research Corp.* (a)	20,430	801,060
Marvell Technology Group Ltd.*	38,230	793,272
Micron Technology, Inc.* (a)	99,530	1,051,037
Netlogic Microsystems, Inc.* (a)	7,760	358,978
PMC-Sierra, Inc.*	41,970	363,460
Varian Semiconductor Equipment Associates, Inc.*	21,220	761,374
		6,327,397
Software 3.3%		
McAfee, Inc.*	19,140	776,510
Salesforce.com, Inc.* (a)	12,200	899,994
		1,676,504
Materials 6.0%		
Chemicals 2.9%		
Airgas, Inc.	7,520	357,952
CF Industries Holdings, Inc.	6,460	586,439
Ecolab, Inc.	11,290	503,308
		1,447,699
Metals & Mining 3.1%		
Alcoa, Inc.	32,790	528,575
Thompson Creek Metals Co., Inc.*	34,780	407,622
United States Steel Corp. (a)	12,010	661,991
		1,598,188
Telecommunication Services 0.6%		
Wireless Telecommunication Services		
Millicom International Cellular SA	4,060	**299,506**
Utilities 0.8%		
Gas Utilities		
Questar Corp.	10,170	**422,768**
Total Common Stocks (Cost $35,838,508)		**50,300,422**

Securities Lending Collateral 21.3%

Daily Assets Fund Institutional, 0.17% (b) (c) (Cost $10,804,121)	10,804,121	**10,804,121**

Cash Equivalents 0.7%

Central Cash Management Fund, 0.14% (b) (Cost $360,006)	360,006	**360,006**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $47,002,635)†	121.3	**61,464,549**
Other Assets and Liabilities, Net	(21.3)	**(10,801,253)**
Net Assets	100.0	**50,663,296**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $47,949,289. At December 31, 2009, net unrealized appreciation for all securities based on tax cost was $13,515,260. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $14,961,381 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $1,446,121.*

(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, 2009 amounted to $10,449,709, which is 20.6% of net assets.*

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

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

ADR: American Depositary Receipt

REIT: Real Estate Investment Trust

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

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes significant unobservable inputs (including the Portfolio's own assumptions in determining the fair value of investments). The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of December 31, 2009 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to the Financial Statements.

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stocks (d)	$ 50,300,422	$ —	$ —	$ 50,300,422
Short-Term Investments (d)	11,164,127	—	—	11,164,127
Total	**$ 61,464,549**	**$ —**	**$ —**	**$ 61,464,549**

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

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

Financial Statements

Statement of Assets and Liabilities

as of December 31, 2009

Assets		
Investments:		
Investments in securities, at value (cost $35,838,508) — including $10,449,709 of securities loaned	$	50,300,422
Investment in Daily Assets Fund Institutional (cost $10,804,121)*		10,804,121
Investment in Central Cash Management Fund (cost $360,006)		360,006
Total investments, at value (cost $47,002,635)		61,464,549
Receivable for investments sold		240,339
Dividends receivable		16,071
Interest receivable		7,128
Other assets		981
Total assets		61,729,068

Liabilities		
Payable upon return of securities loaned		10,804,121
Payable for investments purchased		59,199
Payable for Portfolio shares redeemed		100,783
Accrued management fee		33,283
Other accrued expenses and payables		68,386
Total liabilities		11,065,772
Net assets, at value	**$**	**50,663,296**

Net Assets Consist of		
Undistributed net investment income		4,590
Net unrealized appreciation (depreciation) on investments		14,461,914
Accumulated net realized gain (loss)		(22,618,103)
Paid-in capital		58,814,895
Net assets, at value	**$**	**50,663,296**
Class A		
Net Asset Value, offering and redemption price per share ($50,663,296 ÷ 6,675,631 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**7.59**

* *Represents collateral on securities loaned.*

Statement of Operations

for the year ended December 31, 2009

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $1,229)	$	336,762
Income distributions — affiliated cash management vehicles		352
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		78,507
Total Income		415,621
Expenses:		
Management fee		324,784
Administration fee		45,424
Services to shareholders		1,741
Distribution service fee (Class B)		3
Reports to shareholders		5,074
Trustees fees and expenses		3,500
Professional fees and other		24,963
Total expenses before expense reductions		405,489
Expense reductions		(8)
Total expenses after expense reductions		405,481
Net investment income (loss)		**10,140**

Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		(5,079,785)
Change in net unrealized appreciation (depreciation) on investments		23,095,058
Net gain (loss)		**18,015,273**
Net increase (decrease) in net assets resulting from operations	**$**	**18,025,413**

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, 2009	2008
Operations:		
Net investment income (loss)	$ 10,140	$ (141,517)
Net realized gain (loss)	(5,079,785)	(17,418,447)
Change in net unrealized appreciation (depreciation)	23,095,058	(43,114,819)
Net increase (decrease) in net assets resulting from operations	18,025,413	(60,674,783)
Distributions to shareholders from:		
Net realized gains:		
Class A	—	(22,224,763)
Class B	—	(923,048)
Tax return of capital:		
Class A	—	(10,487)
Class B	—	(436)
Total distributions	—	(23,158,734)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	3,565,715	13,243,891
Shares issued to shareholders in reinvestment of distributions	—	22,235,250
Cost of shares redeemed	(19,620,216)	(33,004,175)
Shares converted*	5,097	—
Net increase (decrease) in net assets from Class A share transactions	(16,049,404)	2,474,966
Class B		
Proceeds from shares sold	—	232,736
Shares issued to shareholders in reinvestment of distributions	—	923,484
Cost of shares redeemed	(21)	(5,170,159)
Shares converted*	(5,097)	—
Net increase (decrease) in net assets from Class B share transactions	(5,118)	(4,013,939)
Increase (decrease) in net assets	1,970,891	(85,372,490)
Net assets at beginning of period	48,692,405	134,064,895
Net assets at end of period (including undistributed net investment income and accumulated net investment loss of $4,590 and $5,550, respectively)	**$ 50,663,296**	**$ 48,692,405**

Other Information		
Class A		
Shares outstanding at beginning of period	9,629,198	10,261,710
Shares sold	533,210	1,439,377
Shares issued to shareholders in reinvestment of distributions	—	2,558,716
Shares redeemed	(3,488,014)	(4,630,605)
Shares converted*	1,237	—
Net increase (decrease) in Class A shares	(2,953,567)	(632,512)
Shares outstanding at end of period	**6,675,631**	**9,629,198**
Class B		
Shares outstanding at beginning of period	1,306	432,386
Shares sold	—	21,851
Shares issued to shareholders in reinvestment of distributions	—	109,548
Shares redeemed	(5)	(562,479)
Shares converted*	(1,301)	—
Net increase (decrease) in Class B shares	(1,306)	(431,080)
Shares outstanding at end of period	**—**	**1,306**

* *On March 6, 2009, Class B shares converted into Class A shares.*

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

Financial Highlights

Class A

Years Ended December 31,	2009	2008	2007	2006	2005
Selected Per Share Data					
Net asset value, beginning of period	**$ 5.06**	**$12.55**	**$10.92**	**$11.02**	**$ 9.86**
Income (loss) from investment operations:					
Net investment income (loss)[a]	.00*	(.01)	(.04)	(.01)	(.05)
Net realized and unrealized gain (loss)	2.53	(5.28)	2.64	.77	1.21
Total from investment operations	2.53	(5.29)	2.60	.76	1.16
Less distributions from:					
Net realized gains	—	(2.20)	(.97)	(.86)	—
Tax return of capital	—	(.00)*	—	—	—
Total distributions	—	(2.20)	(.97)	(.86)	—
Net asset value, end of period	**$ 7.59**	**$ 5.06**	**$12.55**	**$10.92**	**$11.02**
Total Return (%)	50.00	(49.49)[b]	25.75	6.52	11.76
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	51	49	129	117	122
Ratio of expenses before expense reductions (%)	.89	1.03	.95	.97	1.11
Ratio of expenses after expense reductions (%)	.89	1.00	.95	.97	1.11
Ratio of net investment income (loss) (%)	.02	(.14)	(.36)	(.06)	(.56)
Portfolio turnover rate (%)	86	156	133	148	151

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

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

* *Amount is less than $.005.*

Notes to Financial Statements

A. Organization and Significant Accounting Policies

DWS Variable Series II (the "Trust") is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end management investment company organized as a Massachusetts business trust. The Trust offers seventeen portfolios (hereinafter referred to individually as "Portfolio" or collectively as "Portfolios"). Each Portfolio (except DWS Technology VIP) is classified as a diversified open-end management investment company. DWS Technology VIP is classified as a non-diversified, open-end management investment company.

Multiple Classes of Shares of Beneficial Interest. Certain portfolios of the Trust offer two classes of shares (Class A shares and Class B shares). Effective March 6, 2009 (February 3, 2009 for the DWS Money Market VIP), Class B shares of DWS Balanced VIP, DWS Diversified International Equity VIP (formerly DWS International Select Equity VIP), DWS Mid Cap Growth VIP, DWS Money Market VIP, DWS Small Cap Growth VIP, DWS Strategic Income VIP and DWS Turner Mid Cap VIP were combined into the Class A shares of the same Portfolio. Sales of Class B shares are subject to record keeping fees up to 0.15% and Rule 12b-1 fees under the 1940 Act equal to an annual rate of 0.25%, of the average daily net assets of the Class B shares of the applicable Portfolio. Class A shares are not subject to such fees.

Investment income, realized and unrealized gains and losses, and certain portfolio-level expenses and expense reductions, if any, are borne pro rata on the basis of relative net assets by the holders of all classes of shares except that each class bears certain expenses unique to that class (including the applicable Rule 12b-1 fee and record keeping fees). Differences in class-level expenses may result in payment of different per share dividends by class. All shares have equal rights with respect to voting subject to class-specific arrangements.

The Trust's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America which require the use of management estimates. Actual results could differ from those estimates. The policies described below are followed consistently by the Trust in the preparation of its financial statements.

Security Valuation. DWS Money Market VIP values all securities utilizing the amortized cost method permitted in accordance with Rule 2a-7 under the 1940 Act and certain conditions therein. Under this method, which does not take into account unrealized capital gains or losses on securities, an instrument is initially valued at its cost and thereafter assumes a constant accretion/amortization rate to maturity of any discount or premium.

Investments 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 and exchange traded funds ("ETFs") are valued at the most recent sale price or official closing price reported on the exchange (US or foreign) or over-the-counter market on which they trade. Securities and ETFs for which no sales are reported are valued at the calculated mean between the most recent bid and asked quotations on the relevant market or, if a mean cannot be determined, at the most recent bid quotation.

Debt securities are valued by independent pricing services approved by the Trustees of the Portfolios. If the pricing services are unable to provide valuations, securities are valued at the most recent bid quotation or evaluated price, as applicable, obtained from one or more broker-dealers. Such services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes.

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 are valued at their net asset value each business day.

Securities and other assets for which market quotations are not readily available or for which the above valuation procedures are deemed not to reflect fair value are valued in a manner that is intended to reflect their fair value as determined in accordance with procedures approved by the Trustees. Certain Portfolios may use a fair valuation model to value international equity securities in order to adjust for events which may occur between the close of the foreign exchanges and the close of the New York Stock Exchange. In accordance with the Portfolios' valuation procedures, factors used in determining value may include, but are not limited to, the type of the security, the size of the holding, the initial cost of the security, the existence of any contractual restrictions on the security's disposition, the price and extent of public trading in similar securities of the issuer or of comparable companies, quotations or evaluated prices from broker-dealers and/or pricing services, information obtained from the issuer, analysts, and/or the appropriate stock exchange (for exchange-traded securities), an analysis of the company's or issuer's financial statements, an evaluation of the forces that influence the issuer and the market(s) in which the security is purchased and sold and with respect to debt securities, the maturity, coupon, creditworthiness, currency denomination, and the movement of the market in which the security is normally traded. The value determined under these procedures may differ from published values for the same securities.

Disclosure about the classification of fair value measurements is included in a table following the Portfolios' Investment Portfolio.

Foreign Currency Translations. The books and records of the Trust are maintained in US dollars. Investment securities and other assets and liabilities denominated in a foreign currency are translated into US dollars at the prevailing exchange rates at period end. Purchases and sales of investment securities, income and expenses are translated into US dollars at the prevailing exchange rates on the respective dates of the transactions.

Net realized and unrealized gains and losses on foreign currency transactions represent net gains and losses between trade and settlement dates on securities transactions, the disposition of forward foreign currency exchange contracts and foreign currencies and the difference between the amount of net investment income accrued and the US dollar amount actually received. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed but is included with net realized and unrealized gain/appreciation and loss/depreciation on investments.

Repurchase Agreements. Each Portfolio may enter into repurchase agreements with certain banks and broker/dealers whereby each Portfolio, through its custodian or sub-custodian bank, receives delivery of the underlying securities, the amount of which at the time of purchase and each subsequent business day is required to be maintained at such a level that the value is equal to at least the principal amount of the repurchase price plus accrued interest. The custodian bank holds the collateral in a separate account until the agreement matures. If the value of the securities falls below the principal amount of the repurchase agreement plus accrued interest, the financial institution deposits additional collateral by the following business day. If the financial institution either fails to deposit the required additional collateral or fails to repurchase the securities as agreed, the Portfolio has the right to sell the securities and recover any resulting loss from the financial institution. If the financial institution enters into bankruptcy, the Portfolio's claim on the collateral may be subject to legal proceedings.

Securities Lending. Each Portfolio, except DWS Money Market VIP, may lend securities to certain financial institutions. The Portfolio retains beneficial ownership of the securities it has loaned and continues to receive interest and dividends paid by the issuer of securities and to participate in any changes in their market value. The Portfolio requires the borrowers of the securities to maintain collateral with the Portfolio consisting of either cash or liquid, unencumbered assets having a value at least equal to the value of the securities loaned. When the collateral falls below specified amounts, the lending agents will use their best efforts to obtain additional collateral on the next business day to meet required amounts under the security lending agreement. The Portfolio may invest the cash collateral into a joint trading account in an affiliated money market fund pursuant to Exemptive Orders issued by the SEC. The Portfolio receives compensation for lending its securities either in the form of fees or by earning interest on invested cash collateral net of borrower rebates and fees paid to a lending agent. Either the Portfolio or the borrower may terminate the loan. There may be risks of delay and costs in recovery of securities or even loss of rights in the collateral should the borrower of the securities fail financially. The Portfolio is also subject to all investment risks associated with the reinvestment of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

Loan Participations and Assignments. DWS Balanced VIP, DWS High Income VIP and DWS Strategic Income VIP may invest in Loan Participations and Assignments. Loan Participations and Assignments are portions of loans originated by banks and sold in pieces to investors. These US dollar-denominated fixed and floating rate loans ("Loans") in which the Portfolio invests, are arranged between the borrower and one or more financial institutions ("Lenders"). These Loans may take the form of Senior Loans, which are corporate obligations often issued in connection with recapitalizations, acquisitions, leveraged buy-outs and refinancings, and Sovereign Loans, which are debt instruments between a foreign sovereign entity and one or more financial institutions. The Portfolio invests in such Loans in the form of participations in Loans ("Participations") or assignments of all or a portion of Loans from third parties ("Assignments"). Participations typically result in the Portfolio having a contractual relationship only with the Lender, not with the borrower. The Portfolio has the right to receive payments of principal, interest and any fees to which it is entitled from the Lender selling the Participation and only upon receipt by the Lender of the payments from the borrower. In connection with purchasing Participations, the Portfolio generally has no right to enforce compliance by the borrower with the terms of the loan agreement relating to the Loan, or any rights of set-off against the borrower, and the Portfolio will not benefit directly from any collateral supporting the Loan in which it has purchased the Participation. As a result, the Portfolio assumes the credit risk of both the borrower and the Lender that is selling the Participation. Assignments typically result in the Portfolio having a direct contractual relationship with the borrower, and the Portfolio may enforce compliance by the borrower with the terms of the loan agreement. All Loan Participations and Assignments involve interest rate risk, liquidity risk and credit risk, including the potential default or insolvency of the borrower.

Mortgage Dollar Rolls. DWS Core Fixed Income VIP, DWS Government & Agency Securities VIP and DWS Balanced VIP may enter into mortgage dollar rolls in which the Portfolio sells to a bank or broker/dealer (the "counterparty") mortgage-backed securities for delivery in the current month and simultaneously contracts to repurchase similar, but not identical, securities on a fixed date. The counterparty receives all principal and interest payments, including prepayments, made on the security while it is the holder. The Portfolio receives compensation as consideration for entering into the commitment to repurchase. The compensation is paid in the form of a lower price for the security upon its repurchase, or alternatively, a fee. Mortgage dollar rolls may be renewed with a new sale and repurchase price and a cash settlement made at each renewal without physical delivery of the securities subject to the contract.

Certain risks may arise upon entering into mortgage dollar rolls from the potential inability of counterparties to meet the terms of their commitments. Additionally, the value of such securities may change adversely before the Portfolio is able to repurchase them. There can be no assurance that the Portfolio's use of the cash that it receives from a mortgage dollar roll will provide a return that exceeds its costs.

When-Issued/Delayed Delivery Securities. DWS Balanced VIP, DWS Core Fixed Income VIP, DWS Government & Agency Securities VIP, DWS High Income VIP and DWS Strategic Income VIP may purchase securities with delivery or payment to occur at a later date beyond the normal settlement period. At the time the Portfolio enters into a commitment to purchase a security, the transaction is recorded and the value of the security is reflected in the net asset value. The price of such security and the date when the security will be delivered and paid for are fixed at the time the transaction is negotiated. The value of the security may vary with market fluctuations. No interest accrues to the Portfolio until payment takes place. At the time the Portfolio enters into this type of transaction it is required to segregate cash or other liquid assets at least equal to the amount of the commitment.

Certain risks may arise upon entering into when-issued or delayed delivery securities from the potential inability of counterparties to meet the terms of their contracts or if the issuer does not issue the securities due to political, economic, or other factors. Additionally, losses may arise due to changes in the value of the underlying securities.

Derivatives. Authoritative accounting guidance requires that disclosures about the Portfolio's derivative and hedging activities and derivatives accounted for as hedging instruments must be disclosed separately from derivatives that do not qualify for hedge accounting. Because investment companies account for their derivatives at fair value and record any changes in fair value in current period earnings, the Portfolio's derivatives are not accounted for as hedging instruments. As such, even though the Portfolio may use derivatives in an attempt to achieve an economic hedge, the Portfolio's derivatives are not considered to be hedging instruments. The disclosure below is presented in accordance with authoritative accounting guidance.

Interest Rate Swap Contracts. DWS Government & Agency Securities VIP and DWS Strategic Income VIP enter into interest rate swap transactions to gain exposure to different parts of the yield curve while managing overall duration. The use of interest rate swaps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. In an interest rate swap, the Portfolio agrees to pay to the other party to the interest rate swap (which is known as the "counterparty") a fixed rate payment in exchange for the counterparty agreeing to pay to the Portfolio a variable rate payment, or the Portfolio agrees to receive from the counterparty a fixed rate payment in exchange for the counterparty agreeing to receive from the Portfolio a variable rate payment. The payment obligations are based on the notional amount of the swap. Certain risks may arise when entering into swap transactions including counterparty default, liquidity or unfavorable changes in interest rates. In connection with these agreements, securities and or cash may be identified as collateral in accordance with the terms of the swap agreements to provide assets of value and recourse in the event of default. The maximum counterparty credit risk is the net present value of the cash flows to be received from or paid to the counterparty over the term of the interest rate swap contract, to the extent that this amount is beneficial to the Portfolio, in addition to any related collateral posted to the counterparty by the Portfolio. This risk may be partially reduced by a master netting arrangement between the Portfolio and the counterparty. Payments received or made at the end of the measurement period are recorded as realized gain or loss on the Statement of Operations. The value of the swap is adjusted daily based upon a price supplied by a board approved pricing vendor and the change in value is recorded as unrealized appreciation or depreciation.

A summary of the open interest rate swap contracts as of December 31, 2009 is included in a table following each Portfolio's Investment Portfolio for DWS Government & Agency Securities VIP and DWS Strategic Income VIP. For the year ended December 31, 2009, the Portfolios invested in interest rate swap contracts with total notional amounts ranging from $0 to approximately $12,800,000 for DWS Government & Agency Securities VIP and $0 to approximately $4,850,000 for DWS Strategic Income VIP.

Credit Default Swap Contracts. A credit default swap is a contract between a buyer and a seller of protection against pre-defined credit events for the reference entity. DWS Balanced VIP, DWS High Income VIP and DWS

Strategic Income VIP buy or sell credit default swap contracts to gain exposure to an underlying issuer's credit quality characteristics without directly investing in that issuer, or to hedge the risk of default on Portfolio securities. As a seller in the credit default swap contract, the Portfolio is required to pay the par (or other agreed-upon) value of the referenced entity to the counterparty with the occurrence of a credit event by a third party, such as a US or foreign corporate issuer, on the reference entity, which would likely result in a loss to the Portfolio. In return, the Portfolio receives from the counterparty a periodic stream of payments over the term of the contract provided that no credit event has occurred. If no credit event occurs, the Portfolio keeps the stream of payments with no payment obligations. The Portfolio may also buy credit default swap contracts in order to hedge against the risk of a credit event on debt securities, in which case the Portfolio functions as the counterparty referenced above. This involves the risk that the contract may expire worthless. It also involves counterparty risk that the seller may fail to satisfy its payment obligations to the Portfolio with the occurrence of a credit event. When the Portfolio sells a credit default swap contract it will cover its commitment. This may be achieved by, among other methods, maintaining cash or liquid assets equal to the aggregate notional value of the reference entities for all outstanding credit default swap contracts sold by the Portfolio.

Credit default swap contracts are marked to market daily based upon quotations from a Board-approved pricing vendor and the change in value, if any, is recorded daily as unrealized gain or loss. An upfront payment made by the Portfolio is recorded as an asset on the Statement of Assets and Liabilities. An upfront payment received by the Portfolio is recorded as a liability on the Statement of Assets and Liabilities. Under the terms of the credit default swap contracts, the Portfolio receives or makes quarterly payments based on a specified interest rate on a fixed notional amount. These payments are recorded as a realized gain or loss on the Statement of Operations. Payments received or made as a result of a credit event or termination of the contract are recognized, net of a proportional amount of the upfront payment, as realized gains or losses.

A summary of the open credit default swap contracts as of December 31, 2009 is included in a table following the Portfolio's Investment Portfolio for DWS Strategic Income VIP. For the year ended December 31, 2009, the Portfolio invested in credit default swap contracts with total notional amounts ranging from $0 to approximately $4,190,000.

There are no open credit default swap contracts as of December 31, 2009 for DWS Balanced VIP and DWS High Income VIP. During the year ended December 31, 2009, the Portfolios invested in credit default swap contracts with total notional amounts ranging from $0 to approximately $85,000 for DWS Balanced VIP and $0 to approximately $1,235,000 for DWS High Income VIP.

Total Return Swap Contracts. Total return swaps involve commitments to pay interest in exchange for a market-linked return based on a notional amount. DWS Strategic Income VIP and DWS Government & Agency Securities VIP enter into total return swap transactions to gain exposure to different parts of the yield curve while managing overall duration. To the extent the total return of the reference security or index underlying the total return swap exceeds or falls short of the offsetting interest rate obligation, the Portfolio will receive a payment or make a payment to the counterparty, respectively. Certain risks may arise when entering into swap transactions including counterparty default, liquidity or unfavorable changes in the value of underlying reference security or index. Payments received or made at the end of each measurement period are recorded as realized gain or loss on the Statement of Operations. The value of the swap is adjusted daily based upon a price supplied by a board approved pricing vendor and the change in value is recorded as unrealized appreciation or depreciation.

A summary of the open total return swap contracts as of December 31, 2009 is included in a table following the Portfolio's Investment Portfolio for DWS Government & Agency Securities VIP and DWS Strategic Income VIP. For the year ended December 31, 2009, the Portfolios invested in total return swap contracts with total notional amounts ranging from $0 to approximately $9,000,000 for DWS Government & Agency Securities VIP and approximately $1,900,000 to $3,000,000 for DWS Strategic Income VIP.

Options. An option contract is a contract in which the writer (seller) of the option grants the buyer of the option, upon payment of a premium, the right to purchase from (call option), or sell to (put option), the writer a designated instrument at a specified price within a specified period of time. Certain options, including options on indices, will require cash settlement by the Portfolio if the option is exercised. DWS Global Thematic VIP and DWS Technology VIP 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 which it expects to purchase in the near future; as a temporary substitute for purchasing selected investments. DWS Strategic Income VIP and DWS Government & Agency Securities VIP enter into option contracts in order to enhance potential gain.

The liability representing the Portfolio's obligation under an exchange traded written option or investment in a purchased option is valued at the last sale price or, in the absence of a sale, the mean between the closing bid and asked prices or at the most recent asked price (bid for purchased options) if no bid and asked price are available. Over-the-counter written or purchased options are valued using dealer-supplied quotations. Gain or loss is recognized when the option contract expires or is closed.

If the Portfolio writes a covered call option, the Portfolio foregoes, in exchange for the premium, the opportunity to profit during the option period from an increase in the market value of the underlying security above the exercise price. If the Portfolio writes a put option it accepts the risk of a decline in the value of the underlying security below the exercise price. Over-the-counter options have the risk of the potential inability of counterparties to meet the terms of their contracts. The Portfolio's maximum exposure to purchased options is limited to the premium initially paid. In addition, certain risks may arise upon entering into option contracts including the risk that an illiquid secondary market will limit the Portfolio's ability to close out an option contract prior to the expiration date and that a change in the value of the option contract may not correlate exactly with changes in the value of the securities or currencies hedged.

A summary of the open option contracts as of December 31, 2009 is included in the Portfolio's Investment Portfolio for DWS Global Thematic VIP and DWS Strategic Income VIP. For the year ended December 31, 2009, DWS Global Thematic VIP invested in purchased option contracts with total values ranging from approximately $500 to $9,000 and DWS Strategic Income VIP invested in written option contracts with total values ranging from $0 to approximately $126,000 and purchased option contracts with total values ranging from $0 to approximately $73,000.

There are no open option contracts as of December 31, 2009 for DWS Government & Agency Securities VIP and DWS Technology VIP. During the year ended December 31, 2009, the Portfolios invested in written option contracts with total values ranging from $0 to approximately $10,000 for DWS Government & Agency Securities VIP and $0 to approximately $12,000 for DWS Technology VIP.

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). DWS Balanced VIP and DWS Strategic Income VIP enter into interest rate futures to gain exposure to different parts of the yield curve while managing overall duration. In addition, DWS Balanced VIP and DWS Strategic Income VIP seek to enhance returns by employing a global tactical asset allocation overlay strategy. DWS Balanced VIP and DWS Strategic Income VIP enter into futures contracts on fixed-income securities, including on financial indices, and security indices and on currency as part of its global tactical asset allocation overlay strategy. As part of this strategy, DWS Balanced VIP and DWS Strategic Income VIP use futures contracts to take advantage of short-term and medium-term inefficiencies and relative mispricings within the global equity, bond and currency markets. DWS Blue Chip VIP, DWS Diversified International Equity VIP, DWS Large Cap Value VIP and DWS Strategic Value VIP enter into futures contracts in circumstances where the portfolio management believes they offer economical means of gaining exposure to a particular asset class or to keep cash on hand to meet shareholder redemptions or other needs while maintaining exposure to the stock market. DWS Core Fixed Income VIP and DWS Government & Agency Securities VIP enter into interest rate futures to gain exposure to different parts of the yield curve while managing the overall duration.

Futures contracts are valued at the most recent settlement price. Upon entering into a futures contract, the Portfolio is required to deposit with a financial intermediary cash or securities ("initial margin") in an amount equal to a certain percentage of the face value indicated in the futures contract. Subsequent payments ("variation margin") are made or received by the Portfolio dependent upon the daily fluctuations in the value and are recorded for financial reporting purposes as unrealized gains or losses by the Portfolio. Gains or losses are realized when the contract expires or is closed. Since all futures contracts are exchange traded, counterparty risk is minimized as the exchange's clearinghouse acts as the counterparty, and guarantees the futures against default.

Certain risks may arise upon entering into futures contracts, including the risk that an illiquid market will limit the Portfolio's ability to close out a futures contract prior to the settlement date and that a change in the value of a futures contract may not correlate exactly with the changes in the value of the underlying hedged security, index or currency. Risk of loss may exceed amounts recognized on the Statement of Assets and Liabilities.

A summary of the open futures contracts as of December 31, 2009 is included in a table following the Portfolio's Investment Portfolio for DWS Balanced VIP, DWS Blue Chip VIP, DWS Core Fixed Income VIP, DWS Diversified International Equity VIP, DWS Government & Agency Securities VIP and DWS Strategic Income VIP. For the year ended December 31, 2009, the Portfolios invested in futures contracts with total notional values ranging from approximately $76,266,000 to $180,993,000 for DWS Balanced VIP, approximately $810,000 to $2,822,000 for DWS Blue Chip VIP, $0 to approximately $32,021,000 for DWS Core Fixed Income VIP, $0 to approximately $2,958,000 for DWS Diversified International Equity VIP, approximately $18,042,000 to $76,717,000 for DWS Government & Agency Securities VIP and approximately $20,924,000 to $53,826,000 for DWS Strategic Income VIP.

There are no open futures contracts outstanding as of December 31, 2009 for DWS Large Cap Value VIP and DWS Strategic Value VIP. During the year ended December 31, 2009, DWS Large Cap Value VIP and DWS Strategic Value VIP had transactions in equity futures contracts having a notional value of less than five percent of their net assets.

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. DWS Balanced VIP, DWS High Income VIP and DWS Strategic Income VIP enter into forward currency contracts in order to hedge its exposure to changes in foreign currency exchange rates on its foreign currency denominated portfolio holdings and to facilitate transactions in foreign currency denominated securities. DWS Balanced VIP and DWS Strategic Income VIP also enter into forward currency contracts as part of each Portfolio's global tactical asset allocation strategy.

Forward currency contracts are valued at the prevailing forward exchange rate of the underlying currencies and unrealized gain (loss) is recorded daily. Certain risks may arise upon entering into forward currency contracts from the potential inability of counterparties to meet the terms of their contracts. The maximum counterparty credit risk to the Portfolio is measured by the unrealized gain on appreciated contracts. Additionally, when utilizing forward currency contracts to hedge, the Portfolio gives up the opportunity to profit from favorable exchange rate movements during the term of the contract.

A summary of the open forward foreign currency exchange contracts as of December 31, 2009 is included in a table following the Portfolio's Investment Portfolio for DWS Balanced VIP, DWS High Income VIP and DWS Strategic Income VIP. For the year ended December 31, 2009, the Portfolios invested in forward foreign currency exchange contracts with total values ranging from approximately $21,530,000 to $43,144,000 for DWS Balanced VIP, approximately $3,963,000 to $13,966,000 for DWS High Income VIP and approximately $13,820,000 to $25,660,000 for DWS Strategic Income VIP.

There are no open forward foreign currency exchange contracts as of December 31, 2009 for DWS Diversified International Equity VIP. For the year ended December 31, 2009, the Portfolio invested in forward currency exchange contracts with total values ranging from $0 to approximately $10,914,000.

DWS Balanced VIP

The following table summarizes the value of the Portfolio's derivative instruments held as of December 31, 2009 and the related location on the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

Asset Derivative	**Forward Contracts**
Foreign Exchange Contracts (a)	$ 437,161

The above derivative is located in the following Statement of Assets and Liabilities account:

(a) *Unrealized appreciation on forward foreign currency exchange contracts*

Liability Derivatives	**Forward Contracts**	**Futures Contracts**	**Total**
Equity Contracts (a)	$ —	$ 86,029	$ 86,029
Interest Rate Contracts (a)	—	(336,181)	(336,181)
Foreign Exchange Contracts (b)	(294,024)	—	(294,024)
	$ (294,024)	**$ (250,152)**	**$ (544,176)**

Each of the above derivatives is located in the following Statement of Assets and Liabilities accounts:

(a) *Net unrealized appreciation (depreciation) on futures. Liability of payable for daily variation margin on open futures contracts reflects unsettled variation margin*

(b) *Unrealized depreciation on forward foreign currency exchange contracts and net payable on closed forward foreign currency exchange contracts*

Additionally, the amount of unrealized and realized gains and losses on derivative instruments recognized in Portfolio earnings during the year ended December 31, 2009 and the related location in the accompanying Statement of Operations is summarized in the following tables by primary underlying risk exposure:

Realized Gain (Loss)	**Forward Contracts**	**Swap Contracts**	**Futures Contracts**	**Total**
Equity Contracts (a)	$ —	$ —	$ 126,611	$ 126,611
Interest Rate Contracts (a)	—	—	258,994	258,994
Credit Contracts (a)	—	14,291	—	14,291
Foreign Exchange Contracts (b)	2,306,946	—	—	2,306,946
	$ 2,306,946	**$ 14,291**	**$ 385,605**	**$ 2,706,842**

Each of the above derivatives is located in the following Statement of Operations accounts:

(a) *Net realized gain (loss) from credit default swap contracts and futures, respectively*

(b) *Net realized gain (loss) from foreign currency (Statement of Operations includes both forward currency contracts and foreign currency transactions)*

Change in Net Unrealized Appreciation (Depreciation)	**Forward Contracts**	**Swap Contracts**	**Futures Contracts**	**Total**
Equity Contracts (a)	$ —	$ —	$ (557,421)	$ (557,421)
Interest Rate Contracts (a)	—	—	35,297	35,297
Credit Contracts (a)	—	(18,005)	—	(18,005)
Foreign Exchange Contracts (b)	(1,530,732)	—	—	(1,530,732)
	$ (1,530,732)	**$ (18,005)**	**$ (522,124)**	**$ (2,070,861)**

Each of the above derivatives is located in the following Statement of Operations accounts:

(a) *Change in net unrealized appreciation (depreciation) on credit default swap contracts and futures, respectively*

(b) *Change in net unrealized appreciation (depreciation) on foreign currency (Statement of Operations includes both forward currency contracts and foreign currency transactions)*

DWS Blue Chip VIP

The following table summarizes the value of the Portfolio's derivative instruments held as of December 31, 2009 and the related location on the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

Liability Derivative	**Futures Contracts**
Equity Contracts (a)	$ 7,513

The above derivative is located in the following Statement of Assets and Liabilities account:

(a) *Net unrealized appreciation (depreciation) on futures. Liability of payable for daily variation margin on open futures contracts reflects unsettled variation margin.*

Additionally, the amount of unrealized and realized gains and losses on derivative instruments recognized in Portfolio earnings during the year ended December 31, 2009 and the related location in the accompanying Statement of Operations is summarized in the following tables by primary underlying risk exposure:

Realized Gain (Loss)	**Futures Contracts**
Equity Contracts (a)	$ 264,030

The above derivative is located in the following Statement of Operations account:

(a) *Net realized gain (loss) from futures*

Change in Net Unrealized Appreciation (Depreciation)	**Futures Contracts**
Equity Contracts (a)	$ (5,765)

The above derivative is located in the following Statement of Operations account:

(a) *Change in net unrealized appreciation (depreciation) on futures*

DWS Core Fixed Income VIP

The following table summarizes the value of the Portfolio's derivative instruments held as of December 31, 2009 and the related location on the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

Liability Derivative	**Futures Contracts**
Interest Rate Contracts (a)	$ 82,971

The above derivative is located in the following Statement of Assets and Liabilities account:

(a) *Net unrealized appreciation (depreciation) on futures. Liability of payable for daily variation margin on open futures contracts reflects unsettled variation margin.*

Additionally, the amount of unrealized and realized gains and losses on derivative instruments recognized in Portfolio earnings during the year ended December 31, 2009 and the related location in the accompanying Statement of Operations is summarized in the following tables by primary underlying risk exposure:

Realized Gain (Loss)	**Futures Contracts**
Interest Rate Contracts (a)	$ (648,509)

The above derivative is located in the following Statement of Operations account:

(a) *Net realized gain (loss) from futures*

Change in Net Unrealized Appreciation (Depreciation)	**Futures Contracts**
Interest Rate Contracts (a)	$ 158,100

The above derivative is located in the following Statement of Operations account:

(a) *Change in net unrealized appreciation (depreciation) on futures*

DWS Diversified International Equity VIP

The following table summarizes the value of the Portfolio's derivative instruments held as of December 31, 2009 and the related location on the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

Liability Derivative	**Futures Contracts**
Equity Contracts (a)	$ 130,533

The above derivative is located in the following Statement of Assets and Liabilities account:

(a) *Net unrealized appreciation (depreciation) on futures. Liability of payable for daily variation margin on open futures contracts reflects unsettled variation margin.*

Additionally, the amount of unrealized and realized gains and losses on derivative instruments recognized in Portfolio earnings during the year ended December 31, 2009 and the related location in the accompanying Statement of Operations is summarized in the following tables by primary underlying risk exposure:

Realized Gain (Loss)	**Forward Contracts**	**Futures Contracts**	**Total**
Equity Contracts (a)	$ —	$ 419,650	$ 419,650
Foreign Exchange Contracts (b)	(49,411)	—	(49,411)
	$ (49,411)	**$ 419,650**	**$ 370,239**

Each of the above derivatives is located in the following Statement of Operations accounts:

(a) *Net realized gain (loss) from futures*

(b) *Net realized gain (loss) from foreign currency (Statement of Operations includes both forward currency contracts and foreign currency transactions)*

Change in Net Unrealized Appreciation (Depreciation)	**Futures Contracts**
Equity Contracts (a)	$ 130,533

The above derivative is located in the following Statement of Operations account:

(a) *Change in net unrealized appreciation (depreciation) on futures*

DWS Global Thematic VIP

The following table summarizes the value of the Portfolio's derivative instruments held as of December 31, 2009 and the related location on the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

Asset Derivative	**Purchased Options**
Equity Contracts (a)	$ 510

The above derivative is located in the following Statement of Assets and Liabilities account:

(a) *Investments in securities, at value (includes purchased options)*

Additionally, the amount of unrealized gains and losses on derivative instruments recognized in Portfolio earnings during the year ended December 31, 2009 and the related location in the accompanying Statement of Operations is summarized in the following table by primary underlying risk exposure:

Change in Net Unrealized Appreciation (Depreciation)	**Purchased Options**
Equity Contracts (a)	$ (8,670)

The above derivative is located in the following Statement of Operations account:

(a) *Change in net unrealized appreciation (depreciation) on investments (includes purchased options)*

DWS Government & Agency Securities VIP

The following tables summarize the value of the Portfolio's derivative instruments held as of December 31, 2009 and the related location on the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

Asset Derivative	Swap Contracts
Interest Rate Contracts (a)	$ 86,628

The above derivative is located in the following Statement of Assets and Liabilities account:

(a) *Unrealized appreciation on swap contracts*

Liability Derivatives	Futures Contracts	Swap Contracts	Total
Interest Rate Contracts (a)	$ (621,621)	$ (149,486)	$ (771,107)

Each of the above derivatives is located in the following Statement of Assets and Liabilities accounts:

(a) *Net unrealized appreciation (depreciation) on futures and unrealized depreciation on swap contracts. Liability of payable for daily variation margin on open futures contracts reflects unsettled variation margin.*

Additionally, the amount of unrealized and realized gains and losses on derivative instruments recognized in Portfolio earnings during the year ended December 31, 2009 and the related location in the accompanying Statement of Operations is summarized in the following tables by primary underlying risk exposure:

Realized Gain (Loss)	Written Options	Swap Contracts	Futures Contracts	Total
Interest Rate Contracts (a)	$ 8,872	$ (335,009)	$ (1,943,611)	$ (2,269,748)

The above derivative is located in the following Statement of Operations account:

(a) *Net realized gain (loss) from written options, swap contracts and futures, respectively*

Change in Net Unrealized Appreciation (Depreciation)	Swap Contracts	Futures Contracts	Total
Interest Rate Contracts (a)	$ (62,858)	$ 2,728,608	$ 2,665,750

The above derivative is located in the following Statement of Operations account:

(a) *Change in net unrealized appreciation (depreciation) on swap contracts and futures, respectively*

DWS High Income VIP

The following table summarizes the value of the Portfolio's derivative instruments held as of December 31, 2009 and the related location on the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

Liability Derivative	Forward Contracts
Foreign Exchange Contracts (a)	$ (23,450)

The above derivative is located in the following Statement of Assets and Liabilities account:

(a) *Unrealized depreciation on open forward foreign currency exchange contracts*

Additionally, the amount of unrealized and realized gains and losses on derivative instruments recognized in Portfolio earnings during the year ended December 31, 2009 and the related location in the accompanying Statement of Operations is summarized in the following tables by primary underlying risk exposure:

Realized Gain (Loss)	Forward Contracts	Swap Contracts	Total
Credit Contracts (a)	$ —	$ 273,723	$ 273,723
Foreign Exchange Contracts (b)	(395,940)	—	(395,940)
	$ (395,940)	**$ 273,723**	**$ (122,217)**

Each of the above derivatives is located in the following Statement of Operations accounts:

(a) *Net realized gain (loss) from credit default swap contracts*

(b) *Net realized gain (loss) from foreign currency (Statement of Operations includes both forward currency contracts and foreign currency transactions)*

Change in Net Unrealized Appreciation (Depreciation)	Forward Contracts	Swap Contracts	Total
Credit Contracts (a)	$ —	$ (288,556)	$ (288,556)
Foreign Exchange Contracts (b)	(158,484)	—	(158,484)
	$ (158,484)	**$ (288,556)**	**$ (447,040)**

Each of the above derivatives is located in the following Statement of Operations accounts:

(a) *Change in net unrealized appreciation (depreciation) on credit default swap contracts*

(b) *Change in net unrealized appreciation (depreciation) on foreign currency (Statement of Operations includes both forward currency contracts and foreign currency transactions)*

DWS Large Cap Value VIP

The following table summarizes the amount of realized gains and losses on derivative instruments recognized in Portfolio earnings during the year ended December 31, 2009 and the related location in the accompanying Statement of Operations, presented by primary underlying risk exposure:

Realized Gain (Loss)	Futures Contracts
Equity Contracts (a)	$ (17,763)

The above derivative is located in the following Statement of Operations account:

(a) *Net realized gain (loss) from futures*

DWS Strategic Income VIP

The following tables summarize the value of the Portfolio's derivative instruments held as of December 31, 2009 and the related location on the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

Asset Derivatives	Purchased Options	Forward Contracts	Swap Contracts	Total
Interest Rate Contracts (a)	$ 58,599	$ —	$ 117,286	$ 175,885
Credit Contracts (a)	—	—	17,118	17,118
Foreign Exchange Contracts (b)	—	370,829	—	370,829
	$ 58,599	**$ 370,829**	**$ 134,404**	**$ 563,832**

Each of the above derivatives is located in the following Statement of Assets and Liabilities accounts:

(a) *Investments in securities, at value (includes purchased options) and unrealized appreciation on swap contracts*

(b) *Unrealized appreciation on forward foreign currency exchange contracts*

Liability Derivatives	Forward Contracts	Swap Contracts	Futures Contracts	Total
Equity Contracts (a)	$ —	$ —	$ 12,127	$ 12,127
Credit Contracts (a)	—	(18,353)	—	(18,353)
Interest Rate Contracts (a)	—	(60,923)	(105,736)	(166,659)
Foreign Exchange Contracts (b)	(94,671)	—	—	(94,671)
	$ (94,671)	**$ (79,276)**	**$ (93,609)**	**$ (267,556)**

Each of the above derivatives is located in the following Statement of Assets and Liabilities accounts:

(a) *Net unrealized appreciation (depreciation) on futures and unrealized depreciation on open swap contracts. Liability of payable for daily variation margin on open futures contracts reflects unsettled variation margin.*

(b) *Unrealized depreciation on open forward foreign currency exchange contracts and net payable on closed forward foreign currency exchange contracts*

Additionally, the amount of unrealized and realized gains and losses on derivative instruments recognized in Portfolio earnings during the year ended December 31, 2009 and the related location in the accompanying Statement of Operations is summarized in the following tables by primary underlying risk exposure:

Realized Gain (Loss)	Written Options	Forward Contracts	Swap Contracts	Futures Contracts	Total
Equity Contracts (a)	$ —	$ —	$ —	$ (139,505)	$ (139,505)
Credit Contracts (a)	—	—	49,287	—	49,287
Interest Rate Contracts (a)	(29,550)	—	161,633	297,148	429,231
Foreign Exchange Contracts (b)	—	(335,910)	—	—	(335,910)
	$ (29,550)	**$ (335,910)**	**$ 210,920**	**$ 157,643**	**$ 3,103**

Each of the above derivatives is located in the following Statement of Operations accounts:

(a) *Net realized gain (loss) from written options, swap contracts and futures, respectively*

(b) *Net realized gain (loss) from foreign currency (Statement of Operations includes both forward currency contracts and foreign currency transactions)*

Change in Net Unrealized Appreciation (Depreciation)	Purchased Options	Written Options	Forward Contracts	Swap Contracts	Futures Contracts	Total
Equity Contracts (a)	$ —	$ —	$ —	$ —	$ 77,073	$ 77,073
Credit Contracts (a)	—	—	—	(78,551)	—	(78,551)
Interest Rate Contracts (a)	3,948	47,755	—	(22,727)	(164,622)	(135,646)
Foreign Exchange Contracts (b)	—	—	(228,416)	—	—	(228,416)
	$ 3,948	**$ 47,755**	**$ (228,416)**	**$ (101,278)**	**$ (87,549)**	**$ (365,540)**

Each of the above derivatives is located in the following Statement of Operations accounts:

(a) *Change in net unrealized appreciation (depreciation) on investments (includes purchased options), written options, swap contracts and futures, respectively*

(b) *Change in net unrealized appreciation (depreciation) on foreign currency (Statement of Operations includes both forward currency contracts and foreign currency transactions)*

DWS Strategic Value VIP

The following table summarizes the amount of realized gains and losses on derivative instruments recognized in Portfolio earnings during the year ended December 31, 2009 and the related location in the accompanying Statement of Operations, presented by primary underlying risk exposure:

Realized Gain (Loss)	Futures Contracts
Equity Contracts (a)	$ 40,548

The above derivative is located in the following Statement of Operations account:

(a) *Net realized gain (loss) from futures*

DWS Technology VIP

The following table summarizes the amount of realized gains and losses on derivative instruments recognized in Portfolio earnings during the year ended December 31, 2009 and the related location in the accompanying Statement of Operations, presented by primary underlying risk exposure:

Realized Gain (Loss)	Written Options
Equity Contracts (a)	$ 12,238

The above derivative is located in the following Statement of Operations account:

(a) *Net realized gain (loss) from written options*

Taxes. Each Portfolio's policy is to comply with the requirements of the Internal Revenue Code, as amended, which are applicable to regulated investment companies and to distribute all of its taxable income to its shareholders.

Additionally, based on the Portfolios' understanding of the tax rules and rates related to income, gains and transactions for the foreign jurisdictions in which they invest, the Portfolios will provide for foreign taxes, and where appropriate, deferred foreign taxes.

At December 31, 2009, the following Portfolios had an approximate net tax basis capital loss carryforward which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until the following expiration dates, whichever occurs first:

Portfolio	Capital Loss Carryforward ($)	Expiration Date	Capital Loss Carryforward Utilized ($)	Capital Loss Carryforward Expired ($)
DWS Balanced VIP	1,366,000	12/31/2011	—	1,789,000
	21,426,000	12/31/2016	—	—
	45,043,000	12/31/2017	—	—
DWS Blue Chip VIP	26,687,000	12/31/2016	—	—
	32,913,000	12/31/2017	—	—
DWS Core Fixed Income VIP	3,813,000	12/31/2014	—	—
	50,000	12/31/2015	—	—
	6,143,000	12/31/2016	—	—
	48,195,000	12/31/2017	—	—
DWS Diversified International Equity VIP	32,933,000	12/31/2016	—	—
	39,164,000	12/31/2017	—	—
DWS Dreman Small Mid Cap Value VIP	40,607,000	12/31/2016	—	—
	93,401,000	12/31/2017	—	—
DWS Global Thematic VIP	42,028,000	12/31/2016	—	—
	17,928,000	12/31/2017	—	—

Portfolio	Capital Loss Carryforward ($)	Expiration Date	Capital Loss Carryforward Utilized ($)	Capital Loss Carryforward Expired ($)
DWS Government & Agency Securities VIP	234,000	12/31/2014	695,000	—
	924,000	12/31/2015	—	—
DWS High Income VIP	55,108,000	12/31/2010	—	22,935,000
	13,877,000	12/31/2011	—	—
	3,844,000	12/31/2014	—	—
	858,000	12/31/2015	—	—
	17,301,000	12/31/2016	—	—
	17,232,000	12/31/2017	—	—
DWS Large Cap Value VIP	36,654,000	12/31/2016	—	—
	12,083,000	12/31/2017	—	—
DWS Mid Cap Growth VIP	20,154,000	12/31/2011	—	—
	935,000	12/31/2016	—	—
	6,546,000	12/31/2017	—	—
DWS Small Cap Growth VIP	71,888,000	12/31/2010	—	11,291,000
	4,155,000	12/31/2011	—	—
	8,113,000	12/31/2016	—	—
	34,286,000	12/31/2017	—	—
DWS Strategic Income VIP	1,611,000	12/31/2016	—	—
	1,390,000	12/31/2017	—	—
DWS Strategic Value VIP	68,443,000	12/31/2016	—	—
	88,212,000	12/31/2017	—	—
DWS Technology VIP	93,499,000	12/31/2010	—	73,056,000
	71,517,000	12/31/2011	—	—
	13,148,000	12/31/2016	—	—
	20,753,000	12/31/2017	—	—
DWS Turner Mid Cap Growth VIP	6,753,000	12/31/2016	—	—
	14,918,000	12/31/2017	—	—

In addition, included in DWS Large Cap Value VIP's net tax basis capital loss carryforward of approximately $48,737,000 is $19,469,000 inherited from its merger with DWS Davis Venture Value VIP in fiscal year 2009, which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until the above expiration dates, whichever occurs first, subject to certain limitations under Sections 381-384 of the Internal Revenue Code.

In addition, from November 1, 2009 through December 31, 2009, the following Portfolios incurred net realized capital losses. As permitted by tax regulations, the Portfolios intend to elect to defer these losses and treat them as arising in the fiscal year ended December 31, 2010.

Portfolio	
DWS Balanced VIP	$ 77,000
DWS Blue Chip VIP	332,000
DWS Dreman Small Mid Cap Value VIP	223,000
DWS Global Thematic VIP	275,000
DWS Mid Cap Growth VIP	167,000
DWS Small Cap Growth VIP	500,000

The Portfolios have reviewed the tax positions for the open tax years as of December 31, 2009 and have determined that no provision for income tax is required in the Portfolios' financial statements. The Portfolios' federal tax returns for the prior three fiscal years remain open subject to examination by the Internal Revenue Service.

Distribution of Income and Gains. Distributions of net investment income, if any, for each Portfolio, except DWS Money Market VIP, are made annually. Net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to each Portfolio if not distributed and, therefore, will be distributed to shareholders at least annually. Net investment income of DWS Money Market VIP is declared as a daily dividend and is distributed to shareholders monthly. DWS Money Market VIP may take into account capital gains and losses in its daily dividend declarations. Each Portfolio may also make additional distributions for tax purposes if necessary.

The timing and characterization of certain income and capital gains distributions are determined annually in accordance with federal tax regulations which may differ from accounting principles generally accepted in the United States of America. These differences primarily relate to net operating losses, investments in foreign denominated investments, investments in forward foreign currency exchange contracts, investments in futures contracts, income received from Passive Foreign Investment Companies and Real Estate Investment Trusts and certain securities sold at a loss. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, each Portfolio may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Portfolio.

At December 31, 2009, the Portfolios' components of distributable earnings on a tax basis were as follows:

Portfolio	Undistributed Ordinary Income ($)*	Capital Loss Carryforwards ($)	Unrealized Appreciation (Depreciation) on Investments ($)
DWS Balanced VIP	9,590,904	(67,835,000)	28,483,136
DWS Blue Chip VIP	1,498,266	(59,600,000)	13,703,169
DWS Core Fixed Income VIP	5,508,771	(58,201,000)	3,177,730
DWS Diversified International Equity VIP	1,752,936	(72,097,000)	18,060,430
DWS Dreman Small Mid Cap Value VIP	2,991,403	(134,008,000)	41,071,127
DWS Global Thematic VIP	607,638	(59,956,000)	5,080,202
DWS Government & Agency Securities VIP	7,732,911	(1,158,000)	7,106,920
DWS High Income VIP	15,164,227	(108,220,000)	(9,283,420)
DWS Large Cap Value VIP	3,924,552	(48,737,000)	28,603,702
DWS Mid Cap Growth VIP	—	(27,635,000)	4,571,190
DWS Small Cap Growth VIP	—	(118,442,000)	18,802,433
DWS Strategic Income VIP	4,610,813	(3,001,000)	972,376
DWS Strategic Value VIP	5,011,253	(156,655,000)	26,098,586
DWS Technology VIP	29,330	(198,917,000)	22,952,914
DWS Turner Mid Cap Growth VIP	7,248	(21,671,000)	13,515,260

In addition, the tax character of distributions paid by the Portfolios is summarized as follows:

	Distributions from ordinary income ($)*		Distributions from long-term capital gains ($)		Tax return of capital ($)	
	Years Ended December 31,		Years Ended December 31,		Years Ended December 31,	
Portfolio	2009	2008	2009	2008	2009	2008
DWS Balanced VIP	11,680,702	17,874,817	—	—	—	—
DWS Blue Chip VIP	2,046,739	22,693,300	—	18,303,778	—	—
DWS Core Fixed Income VIP	11,379,976	16,737,934	—	—	—	—
DWS Diversified International Equity VIP	5,187,036	31,101,295	—	29,324,473	—	—
DWS Dreman Small Mid Cap Value VIP	4,442,178	41,897,747	—	134,320,787	—	—
DWS Global Thematic VIP	966,170	21,140,061	—	19,678,184	—	—
DWS Government & Agency Securities VIP	9,913,871	10,257,168	—	—	—	—
DWS High Income VIP	18,661,430	24,630,815	—	—	—	—
DWS Large Cap Value VIP	2,857,014	16,375,766	—	40,280,218	—	—
DWS Money Market VIP	1,233,830	10,231,661	—	—	—	—
DWS Strategic Income VIP	3,708,667	7,058,174	—	908,461	—	—
DWS Strategic Value VIP	12,860,410	45,076,905	—	96,459,670	—	—
DWS Turner Mid Cap Growth VIP	—	5,018,188	—	18,129,623	—	10,923

* *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 each Portfolio in proportion to its relative net assets.

Contingencies. In the normal course of business, each Portfolio may enter into contracts with service providers that contain general indemnification clauses. The Portfolios' maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Portfolios that have not yet been made. However, based on experience, the Portfolios expect the risk of loss to be remote.

Real Estate Investment Trusts. DWS Balanced VIP and DWS Dreman Small Mid Cap Value VIP periodically recharacterize distributions received from a Real Estate Investment Trust ("REIT") investment based on information provided by the REIT into the following categories: ordinary income, long-term and short-term capital gains, and return of capital. If information is not available timely from a REIT, the recharacterization will be estimated and a recharacterization will be made in the following year when such information becomes available. Distributions received from REITs in excess of income are recorded as either a reduction of cost of investments or realized gains. The Portfolios distinguish between dividends on a tax basis and a financial reporting basis and only distributions in excess of tax basis earnings and profits are reported in the financial statements as a tax return of capital.

Other. Investment transactions are accounted for on a trade date plus one basis for daily net asset value calculations. However, for financial reporting purposes, investment transactions are reported on trade date. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date net of foreign withholding taxes. Certain dividends from foreign securities may be recorded subsequent to the ex-dividend date as soon as the Portfolio is informed of such dividends. Realized gains and losses from investment transactions are recorded on an identified cost basis. All discounts and premiums are accreted/amortized for both tax and financial reporting purposes for each Portfolio, with the exception of securities in default of principal.

B. Purchases and Sales of Securities

During the year ended December 31, 2009, purchases and sales of investment transactions (excluding short-term investments) were as follows:

Portfolio	Purchases ($)	Sales ($)
DWS Balanced VIP excluding US Treasury Obligations	519,314,139	567,555,659
US Treasury Obligations	73,508,912	64,882,367
DWS Blue Chip VIP	81,068,307	104,088,292
DWS Core Fixed Income VIP excluding US Treasury Obligations	142,184,056	206,409,967
US Treasury Obligations	125,293,244	120,136,100
DWS Diversified International Equity VIP	110,382,058	134,634,296
DWS Dreman Small Mid Cap Value VIP	160,813,623	203,359,662
DWS Global Thematic VIP	115,097,569	130,377,092
DWS Government & Agency Securities VIP excluding US Treasury Obligations	819,901,210	853,318,218
US Treasury Obligations	4,121,194	12,452,041
DWS High Income VIP	121,814,844	110,254,039
DWS Large Cap Value VIP	133,326,935	187,976,231
DWS Mid Cap Growth VIP	16,945,572	19,703,107
DWS Small Cap Growth VIP	61,762,305	73,147,833
DWS Strategic Income VIP excluding US Treasury Obligations	208,336,439	215,350,477
US Treasury Obligations	46,055,672	48,893,713
DWS Strategic Value VIP	244,306,696	330,574,675
DWS Technology VIP	29,734,784	42,540,791
DWS Turner Mid Cap Growth VIP	38,959,576	55,531,726

For the year ended December 31, 2009, transactions for written options on futures were as follows for DWS Government & Agency Securities VIP:

	Number of Contracts	Premiums
Outstanding, beginning of period	—	$ —
Options written	90	12,974
Options closed	(90)	(12,974)
Outstanding, end of period	**—**	**$ —**

For the year ended December 31, 2009, transactions for written options on interest rate swaps were as follows for DWS Strategic Income VIP:

	Contract Amount		Premiums
Outstanding, beginning of period	12,000,000	$	70,950
Options written	—		—
Options closed	(12,000,000)		(70,950)
Outstanding, end of period	**—**	**$**	**—**

For the year ended December 31, 2009, transactions for written options on securities were as follows for DWS Technology VIP:

	Number of Contracts		Premiums
Outstanding, beginning of period	—	$	—
Options written	422		12,238
Options expired	(422)		(12,238)
Outstanding, end of period	**—**	**$**	**—**

C. Related Parties

Management Agreement. Under the Investment Management Agreement with Deutsche Investment Management Americas Inc. ("DIMA" or the "Advisor"), an indirect, wholly owned subsidiary of Deutsche Bank AG, the Advisor directs the investments of each Portfolio in accordance with its investment objectives, policies and restrictions. The Advisor determines the securities, instruments and other contracts relating to investments to be purchased, sold or entered into by each Portfolio or delegates such responsibility to each Portfolio's subadvisor.

Under the Investment Management Agreement with the Advisor, the fees are equivalent to the annual rates shown below of each Portfolio's average daily net assets, computed and accrued daily and payable monthly:

Portfolio	Annual Management Fee Rate
DWS Balanced VIP	
$0–$250 million	.370%
next $750 million	.345%
over $1 billion	.310%
DWS Blue Chip VIP	
$0–$250 million	.550%
next $750 million	.520%
next $1.5 billion	.500%
next $2.5 billion	.480%
next $2.5 billion	.450%
next $2.5 billion	.430%
next $2.5 billion	.410%
over $12.5 billion	.390%
DWS Core Fixed Income VIP	
$0–$250 million	.500%
next $750 million	.470%
next $1.5 billion	.450%
next $2.5 billion	.430%
next $2.5 billion	.400%
next $2.5 billion	.380%
next $2.5 billion	.360%
over $12.5 billion	.340%
DWS Diversified International Equity VIP	
$0–$1.5 billion	.650%
next $1.75 billion	.635%
next $1.75 billion	.620%
over $5 billion	.605%

Portfolio	Annual Management Fee Rate
DWS Dreman Small Mid Cap Value VIP	
$0–$250 million	.650%
next $750 million	.620%
next $1.5 billion	.600%
next $2.5 billion	.580%
next $2.5 billion	.550%
next $2.5 billion	.540%
next $2.5 billion	.530%
over $12.5 billion	.520%
DWS Global Thematic VIP	
$0–$250 million	.915%
next $500 million	.865%
next $750 million	.815%
next $1.5 billion	.765%
over $3 billion	.715%
DWS Government & Agency Securities VIP	
$0–$250 million	.450%
next $750 million	.430%
next $1.5 billion	.410%
next $2.5 billion	.400%
next $2.5 billion	.380%
next $2.5 billion	.360%
next $2.5 billion	.340%
over $12.5 billion	.320%
DWS High Income VIP	
$0–$250 million	.500%
next $750 million	.470%
next $1.5 billion	.450%
next $2.5 billion	.430%
next $2.5 billion	.400%
next $2.5 billion	.380%
next $2.5 billion	.360%
over $12.5 billion	.340%
DWS Large Cap Value VIP	
$0–$250 million	.650%
next $750 million	.625%
next $1.5 billion	.600%
next $2.5 billion	.575%
next $2.5 billion	.550%
next $2.5 billion	.525%
next $2.5 billion	.500%
over $12.5 billion	.475%
DWS Mid Cap Growth VIP	
$0–$250 million	.665%
next $750 million	.635%
next $1.5 billion	.615%
next $2.5 billion	.595%
next $2.5 billion	.565%
next $2.5 billion	.555%
next $2.5 billion	.545%
over $12.5 billion	.535%

Portfolio	Annual Management Fee Rate
DWS Money Market VIP	
$0–$500 million	.285%
next $500 million	.270%
next $1.0 billion	.255%
over $2.0 billion	.240%
DWS Small Cap Growth VIP	
$0–$250 million	.550%
next $750 million	.525%
over $1 billion	.500%
DWS Strategic Income VIP	
$0–$250 million	.550%
next $750 million	.520%
next $1.5 billion	.500%
next $2.5 billion	.480%
next $2.5 billion	.450%
next $2.5 billion	.430%
next $2.5 billion	.410%
over $12.5 billion	.390%
DWS Strategic Value VIP	
$0–$250 million	.665%
next $750 million	.635%
next $1.5 billion	.615%
next $2.5 billion	.595%
next $2.5 billion	.565%
next $2.5 billion	.555%
next $2.5 billion	.545%
over $12.5 billion	.535%
DWS Technology VIP	
$0–$250 million	.665%
next $750 million	.635%
next $1.5 billion	.615%
next $2.5 billion	.595%
next $2.5 billion	.565%
next $2.5 billion	.555%
next $2.5 billion	.545%
over $12.5 billion	.535%
DWS Turner Mid Cap Growth VIP	
$0–$250 million	.715%
next $250 million	.700%
next $500 million	.685%
over $1 billion	.670%

Prior to February 27, 2009, Aberdeen Asset Management Inc. ("AAMI") served as subadvisor to DWS Core Fixed Income VIP and was paid by the Advisor for its services. The Board of the Portfolio approved the termination of AAMI as the Portfolio's subadvisor. Effective February 27, 2009, DIMA assumed all day-to-day advisory responsibilities for the Portfolio that were previously delegated to AAMI.

Dreman Value Management, L.L.C. ("DVM") serves as subadvisor to DWS Dreman Small Mid Cap Value VIP and is paid by the Advisor for its services.

Prior to June 2, 2009, pursuant to a written contract with the Advisor, DVM, served as the subadvisor to DWS Strategic Value VIP with respect to the investment and reinvestment of the Portfolio's assets. DVM was paid for its services by the Advisor from its fee as investment advisor to the Portfolio. The Portfolio's Board approved the termination of DVM as the Portfolio's subadvisor. The Portfolio's Board also approved an interim sub-advisory agreement between DIMA, and its affiliate, Deutsche Asset Management International GmbH ("DeAMi"), effective June 2, 2009. The Advisor compensated DeAMi out of the management fee it received from the Portfolio. Effective July 31, 2009, the interim sub-advisory agreement was terminated and DIMA assumed responsibility for all portfolio management responsibilities for the Portfolio.

Turner Investment Partners, Inc. serves as subadvisor to DWS Turner Mid Cap Growth VIP and is paid by the Advisor for its services.

DeAMi serves as subadvisor to DWS Large Cap Value VIP and a portion of DWS Balanced VIP's large cap value allocation of the portfolio. DeAMi is paid by the Advisor for its services.

On January 26, 2010, the Advisor announced its intention to transition members of DWS Balanced VIP, DWS Blue Chip VIP, DWS Diversified International Equity VIP, DWS Global Thematic VIP and DWS Strategic Income VIP's portfolio management team who are part of its Quantitative Strategies Group or, in the case of DWS Global Thematic VIP its Global Equity Team, out of DIMA into two separate independent investment advisory firms that are not affiliated with DIMA. In order for each portfolio to continue to benefit from the investment expertise offered by the affected portfolio managers, DIMA has recommended to the portfolio's Board of Trustees the approval of a sub-advisory agreement between DIMA and each newly created investment advisory firm (the "Sub-Advisory Agreement"). The Sub-Advisory Agreement is subject to Board approval. If approved, the transition is expected to be completed during the second quarter 2010.

For the period from January 1, 2009 through April 30, 2009, the Advisor had contractually agreed to waive its fee and/or reimburse certain operating expenses to the extent necessary to maintain the operating expenses (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest expense) of each class as follows:

Portfolio	Annual Rate
DWS Global Thematic VIP	
Class A	1.05%
Class B	1.45%

For the period from January 1, 2009 through September 30, 2009 and through March 6, 2009 for Class B shares for DWS Balanced VIP, DWS Diversified International VIP, DWS Mid Cap Growth VIP, DWS Small Cap Growth VIP, DWS Strategic Income VIP and DWS Turner Mid Cap Growth VIP, the Advisor had contractually agreed to waive its fee and/or reimburse certain operating expenses to the extent necessary to maintain the operating expenses (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest expense) of each class as follows:

Portfolio	Annual Rate
DWS Balanced VIP	
Class B	1.22%
DWS Blue Chip VIP	
Class B	1.25%
DWS Diversified International Equity VIP	
Class B	1.40%
DWS Government & Agency Securities VIP	
Class A	.65%
Class B	1.05%
DWS High Income VIP	
Class B	1.18%
DWS Large Cap Value VIP	
Class B	1.25%
DWS Mid Cap Growth VIP	
Class A	.94%
Class B	1.34%
DWS Small Cap Growth VIP	
Class B	1.41%
DWS Strategic Income VIP	
Class A	.82%
Class B	1.22%
DWS Technology VIP	
Class B	1.48%
DWS Turner Mid Cap Growth VIP	
Class B	1.34%

For the period from April 27, 2009 through September 30, 2009, the Advisor had contractually agreed to waive its fee and/or reimburse certain operating expenses to the extent necessary to maintain the operating expenses for the period (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest expense) of each class as follows:

Portfolio	Annual Rate
DWS Large Cap Value VIP	
Class A	.88%

For the period from May 1, 2009 through September 30, 2009, the Advisor had contractually agreed to waive its fee and/or reimburse certain operating expenses to the extent necessary to maintain the operating expenses (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest expense) of each class as follows:

Portfolio	Annual Rate
DWS Global Thematic VIP	
Class A	1.07%
Class B	1.47%

For the period from October 1, 2009 through September 30, 2010, the Advisor has contractually agreed to waive its fee and/or reimburse certain operating expenses to the extent necessary to maintain the operating expenses (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest expense) of each class as follows:

Portfolio	Annual Rate
DWS Global Thematic VIP	
Class A	1.06%
Class B	1.46%
DWS High Income VIP	
Class B	1.25%
DWS Large Cap Value VIP	
Class A	.88%
Class B	1.28%
DWS Mid Cap Growth VIP	
Class A	1.09%
DWS Strategic Income VIP	
Class A	.87%
DWS Turner Mid Cap Growth VIP	
Class A	1.01%

For the period from January 1, 2009 through April 30, 2010, the Advisor has contractually agreed to waive its fee and/or reimburse certain operating expenses to the extent necessary to maintain the operating expenses (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest expense) of each class as follows:

Portfolio	Annual Rate
DWS Money Market VIP	
Class A	.44%
DWS Strategic Value VIP	
Class A	.78%
Class B	1.11%

Effective November 16, 2009, the Advisor has voluntarily agreed to waive its fee and/or reimburse certain operating expenses to the extent necessary to maintain the operating expenses (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest expense) of each class as follows:

Portfolio	Annual Rate
DWS Core Fixed Income VIP	
Class B	1.07%

Accordingly, for the year ended December 31, 2009, the total management fees, management fees waived and effective management fee rates were as follows:

Portfolio	Total Aggregated ($)	Waived ($)	Annual Effective Rate
DWS Balanced VIP	1,107,448	—	.37%
DWS Blue Chip VIP	556,755	—	.55%

Portfolio	Total Aggregated ($)	Waived ($)	Annual Effective Rate
DWS Core Fixed Income VIP	635,016	—	.50%
DWS Diversified International Equity VIP	527,405	—	.65%
DWS Dreman Small Mid Cap Value VIP	1,488,279	—	.65%
DWS Global Thematic VIP	567,449	212,704	.57%
DWS Government & Agency Securities VIP	886,913	—	.45%
DWS High Income VIP	879,928	—	.50%
DWS Large Cap Value VIP	1,164,765	—	.65%
DWS Mid Cap Growth VIP	129,856	48,037	.42%
DWS Money Market VIP	946,882	—	.285%
DWS Small Cap Growth VIP	373,273	—	.55%
DWS Strategic Income VIP	391,763	43,268	.49%
DWS Strategic Value VIP	1,818,873	104,023	.62%
DWS Technology VIP	452,097	—	.67%
DWS Turner Mid Cap Growth VIP	324,784	—	.715%

Administration Fee. Pursuant to an Administrative Services Agreement, DIMA provides most administrative services to the Portfolios. For all services provided under the Administrative Services Agreement, the Portfolios pay DIMA an annual fee ("Administration Fee") of 0.10% of the Portfolios' average daily net assets, computed and accrued daily and payable monthly. For the year ended December 31, 2009, the Administration Fee was as follows:

Portfolio	Total Aggregated ($)	Waived ($)	Unpaid at December 31, 2009 ($)
DWS Balanced VIP	302,883	—	27,158
DWS Blue Chip VIP	101,228	—	9,432
DWS Core Fixed Income VIP	127,003	—	8,051
DWS Diversified International Equity VIP	81,139	—	7,366
DWS Dreman Small Mid Cap Value VIP	229,045	—	21,701
DWS Global Thematic VIP	62,016	—	6,029
DWS Government & Agency Securities VIP	197,092	—	15,170
DWS High Income VIP	175,986	—	16,747
DWS Large Cap Value VIP	179,195	—	18,354
DWS Mid Cap Growth VIP	19,527	—	1,862
DWS Money Market VIP	332,239	—	23,153
DWS Small Cap Growth VIP	67,868	—	6,554
DWS Strategic Income VIP	71,230	—	6,277
DWS Strategic Value VIP	274,743	—	24,385
DWS Technology VIP	67,985	—	6,661
DWS Turner Mid Cap Growth VIP	45,424	—	4,206

Service Provider Fees. DWS Investments Service Company ("DISC"), an affiliate of the Advisor, is the transfer agent, dividend-paying agent and shareholder service agent for each Portfolio. Pursuant to a sub-transfer agency agreement between DISC and DST Systems, Inc. ("DST"), DISC has delegated certain transfer agent, dividend-paying agent and shareholder service agent functions to DST. DISC compensates DST out of the shareholder servicing fee it receives from each Portfolio. For the year ended December 31, 2009 and for the period ended March 6, 2009 (February 3, 2009 for DWS Money Market VIP) for DWS Balanced VIP, DWS Diversified International Equity VIP, DWS Mid Cap Growth VIP, DWS Small Cap Growth VIP, DWS Strategic Income VIP and DWS Turner Mid Cap Growth VIP, the amounts charged to each Portfolio by DISC were as follows:

Portfolio	Total Aggregated ($)	Waived ($)	Unpaid at December 31, 2009 ($)
DWS Balanced VIP Class A	626	—	45
DWS Balanced VIP Class B	5	—	—
DWS Blue Chip VIP Class A	265	—	40
DWS Blue Chip VIP Class B	28	—	4

Portfolio	Total Aggregated ($)	Waived ($)	Unpaid at December 31, 2009 ($)
DWS Core Fixed Income VIP Class A	76	—	27
DWS Core Fixed Income VIP Class B	43	—	2
DWS Diversified International Equity VIP Class A	151	—	23
DWS Diversified International Equity VIP Class B	15	15	—
DWS Dreman Small Mid Cap Value VIP Class A	721	—	116
DWS Dreman Small Mid Cap Value VIP Class B	319	—	62
DWS Global Thematic VIP Class A	383	383	—
DWS Global Thematic VIP Class B	62	—	2
DWS Government & Agency Securities VIP Class A	391	—	56
DWS Government & Agency Securities VIP Class B	43	—	1
DWS High Income VIP Class A	309	—	42
DWS High Income VIP Class B	24	—	4
DWS Large Cap Value VIP Class A	128	—	50
DWS Large Cap Value VIP Class B	59	—	10
DWS Mid Cap Growth VIP Class A	473	473	—
DWS Mid Cap Growth VIP Class B	5	5	—
DWS Money Market VIP Class A	574	—	574
DWS Money Market VIP Class B	2	—	—
DWS Small Cap Growth VIP Class A	569	—	60
DWS Small Cap Growth VIP Class B	5	—	—
DWS Strategic Income VIP Class A	207	207	—
DWS Strategic Income VIP Class B	5	5	—
DWS Strategic Value VIP Class A	494	494	—
DWS Strategic Value VIP Class B	215	—	36
DWS Technology VIP Class A	177	—	29
DWS Technology VIP Class B	119	—	20
DWS Turner Mid Cap Growth VIP Class A	102	—	22
DWS Turner Mid Cap Growth VIP Class B	8	8	—

Distribution Service Agreement. Under the Portfolios' Class B 12b-1 plans, DWS Investments Distributors, Inc. ("DIDI") received a fee ("Distribution Service Fee") of 0.25% of average daily net assets of Class B shares. For the year ended December 31, 2009 and for the period ended March 6, 2009 (February 3, 2009 for DWS Money Market VIP) for DWS Balanced VIP, DWS Diversified International Equity VIP, DWS Mid Cap Growth VIP, DWS Small Cap Growth VIP, DWS Strategic Income VIP and DWS Turner Mid Cap Growth VIP, the Distribution Service Fee was as follows:

Portfolio	Total Aggregated ($)	Unpaid at December 31, 2009 ($)
DWS Balanced VIP	20	—
DWS Blue Chip VIP	357	196
DWS Core Fixed Income VIP	68,650	11
DWS Diversified International Equity VIP	40	—
DWS Dreman Small Mid Cap Value VIP	57,670	5,128
DWS Global Thematic VIP	10,871	1,078
DWS Government & Agency Securities VIP	17,935	1,520
DWS High Income VIP	351	32
DWS Large Cap Value VIP	1,457	154
DWS Mid Cap Growth VIP	9	—
DWS Money Market VIP	10	—
DWS Small Cap Growth VIP	6	—
DWS Strategic Income VIP	21	—
DWS Strategic Value VIP	4,762	453

Portfolio	Total Aggregated ($)	Unpaid at December 31, 2009 ($)
DWS Technology VIP	5,456	574
DWS Turner Mid Cap Growth VIP	3	3

Typesetting and Filing Service Fees. Under an agreement with DIMA, DIMA is compensated for providing typesetting and certain regulatory filing services to each Portfolio. For the year ended December 31, 2009, the amount charged to each Portfolio by DIMA included in the Statement of Operations under "reports to shareholders" was as follows:

Portfolio	Amount ($)	Unpaid at December 31, 2009 ($)
DWS Balanced VIP	8,192	4,182
DWS Blue Chip VIP	7,116	1,861
DWS Core Fixed Income VIP	6,818	1,818
DWS Diversified International Equity VIP	6,231	1,613
DWS Dreman Small Mid Cap Value VIP	6,939	1,934
DWS Global Thematic VIP	6,136	2,791
DWS Government & Agency Securities VIP	4,787	1,848
DWS High Income VIP	6,996	2,090
DWS Large Cap Value VIP	15,458	2,290
DWS Mid Cap Growth VIP	5,850	2,128
DWS Money Market VIP	5,111	1,857
DWS Small Cap Growth VIP	6,112	2,794
DWS Strategic Income VIP	7,055	3,426
DWS Strategic Value VIP	6,696	1,995
DWS Technology VIP	7,599	2,118
DWS Turner Mid Cap Growth VIP	5,074	1,868

Trustees' Fees and Expenses. The Portfolios paid each Trustee not affiliated with the Advisor retainer fees plus specified amounts for various committee services and for the Board Chairperson.

Affiliated Cash Management Vehicles. The Portfolios may invest uninvested cash balances in affiliated funds managed by the Advisor. Affiliated cash management vehicles do not pay the Advisor a management fee. The Portfolios currently may invest in Central Cash Management Fund. Prior to October 2, 2009, the Portfolios invested in Cash Management QP Trust ("QP Trust"). Effective October 2, 2009, QP Trust merged into Central Cash Management Fund. Central Cash Management Fund seeks to provide a high level of current income consistent with liquidity and the preservation of capital.

D. Investing in High Yield Securities

Investing in high yield securities may involve greater risks and considerations not typically associated with investing in US Government bonds and other high quality fixed-income securities. These securities are non-investment grade securities, often referred to as "junk bonds." Economic downturns may disrupt the high yield market and impair the ability of issuers to repay principal and pay interest. Also, an increase in interest rates would likely have an adverse impact on the value of such obligations. Moreover, high yield securities may be less liquid due to the extent that there is no established retail secondary market and because of a decline in the value of such securities.

E. Investing in Emerging Markets

Investing in emerging markets may involve special risks and considerations not typically associated with investing in the United States of America. These risks include revaluation of currencies, high rates of inflation, repatriation restrictions on income and capital, and future adverse political, social and economic developments. Moreover, securities issued in these markets may be less liquid, subject to government ownership controls or delayed settlements and may have prices more volatile than those of comparable securities of issuers in the United States of America.

F. Ownership of the Portfolios

At December 31, 2009, the beneficial ownership in each Portfolio was as follows:

DWS Balanced VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 44%, 23% and 14%.

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 39%. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 100%.

DWS Core Fixed Income VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 43%, 43% 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 100%.

DWS Diversified International Equity VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 41%, 29% and 29%.

DWS Dreman Small Mid Cap Value VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 39%, 26% and 14%. Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 46%, 21% and 11%.

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 60% and 33%. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 99%.

DWS Government & Agency Securities VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 41%, 38% and 15%. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 97%.

DWS High Income VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 34%, 32% and 28%. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 100%.

DWS Large Cap Value VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 55%, 31% and 10%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 75% and 25%.

DWS Mid Cap Growth VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 63% and 35%.

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 35%, 21% and 13%.

DWS Small Cap Growth VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 43%, 27% and 25%.

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 59% and 38%.

DWS Strategic Value VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 57% and 30%. Four Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 26%, 23%, 15% and 13%.

DWS Technology VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 57% and 37%. One Participating Insurance Company was the owner of record of 10% or more of the outstanding Class B shares of the Portfolio, owning 93%.

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 75% and 25%.

G. Line of Credit

The Trust and other affiliated funds (the "Participants") share in a $450 million revolving credit facility provided by a syndication of banks. The Portfolios may borrow for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated based on net assets, among each of the Participants. Interest is calculated at a rate per annum equal to the sum of the Federal Funds Rate plus 1.25 percent plus if LIBOR exceeds the Federal Funds Rate the amount of such excess. The facility borrowing limit for each Portfolio as a percentage 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 Diversified International Equity VIP	33%
DWS Dreman Small Mid Cap Value VIP	33%
DWS Global Thematic VIP	33%
DWS Government & Agency Securities VIP	33%
DWS High Income VIP	33%
DWS Large Cap Value VIP	33%
DWS Mid Cap Growth VIP	33%
DWS Money Market VIP	33%
DWS Small Cap Growth VIP	33%
DWS Strategic Income VIP	33%
DWS Strategic Value VIP	33%
DWS Technology VIP	5%
DWS Turner Mid Cap Growth VIP	33%

H. Payments Made by Affiliates

During the year ended December 31, 2009, the Advisor fully reimbursed DWS Balanced VIP, DWS Mid Cap Growth VIP, DWS Small Cap Growth VIP and DWS Strategic Income VIP $183, $133, $499 and $188, respectively, for losses incurred on trades executed incorrectly. The amounts of the losses were less than 0.01% of each Portfolio's average net assets, thus having no impact on each Portfolio's total return. In addition, during the year ended December 31, 2009, the Advisor fully reimbursed DWS Core Fixed Income VIP $24,775 for losses incurred on trades executed incorrectly. The amount of the losses was 0.02% of the Portfolio's average net assets.

During the year ended December 31, 2009, the respective subadvisor for DWS Dreman Small Mid Cap Value VIP, DWS Large Cap Value VIP and DWS Strategic Value VIP reimbursed the Portfolios' $9,887, $281 and $12,813, respectively, to compensate for a breach of each Portfolio's procedures. The amounts of the reimbursements were less than 0.01% of each Portfolio's average daily net assets, thus having no impact on each Portfolio's total return.

I. Participation in the Treasury's Temporary Guarantee Program

DWS Money Market VIP participated in the Temporary Guarantee Program for Money Market Funds (the "Program") established by the U.S. Department of the Treasury (the "Treasury"). The Program was terminated on September 18, 2009.

The Portfolio paid the expenses of participating in the Program. The expense was determined by the product of (i) the number of shares outstanding of each class as of September 19, 2008 valued at $1.00; and (ii) the applicable Program participation fee rate, which was based upon the market-based net asset value outstanding of each share class as of September 19, 2008. For the initial period ending December 18, 2008, the Program participation fee was equal to 0.010%. For the coverage under the Program beginning on December 19, 2008 and ending on April 30, 2009, the Program participation fee was equal to 0.015%. For the coverage under the Program beginning on May 1, 2009 and ending September 18, 2009, the Program participation fee was equal to 0.015%. This expense was amortized over the length of the participation in the Program and is included in "Temporary guarantee program participation fee" on the Statement of Operations. For the period from January 1, 2009 through September 18, 2009, the Portfolio accrued $113,841. This expense was borne by the Portfolio without regard to any expense limitation currently in effect for the Portfolio.

Neither the Portfolio nor Deutsche Investment Management Americas Inc., the Portfolio's investment advisor, are in any manner approved, endorsed, sponsored or authorized by the Treasury.

J. Acquisition of Assets

On April 24, 2009, DWS Large Cap Value VIP acquired all of the net assets of DWS Davis Venture Value VIP pursuant to a plan of reorganization approved by shareholders on November 21, 2008. The primary reason for the acquisition was to consolidate portfolios managed by the Advisor with comparable investment objectives. The acquisition was accomplished by a tax-free exchange of 17,064,120 Class A shares and 32,154 Class B shares of DWS Davis Venture Value VIP for 12,224,432 Class A shares and 22,957 Class B shares of DWS Large Cap Value VIP, respectively, outstanding on April 24, 2009. For financial reporting purposes, the net assets received and shares issued by DWS Large Cap Value VIP were recorded at fair value; however, DWS Davis Venture Value VIP's cost of investments was carried forward to align ongoing reporting of DWS Large Cap Value VIP's realized and unrealized gains and losses with amounts distributable to shareholders for tax purposes.

DWS Davis Venture Value VIP's net assets at that date, $107,655,331, including $5,676,099 of net unrealized appreciation, were combined with those of DWS Large Cap Value VIP. The aggregate net assets of the Portfolio immediately before the acquisition were $106,678,067. The combined net assets of the Portfolio immediately following the acquisition were $214,333,398.

The financial statements reflect the operations of the DWS Large Cap Value VIP for the period prior to the acquisition and the combined portfolio for the period subsequent to the portfolio merger. Assuming the acquisition had been completed on January 1, 2009, DWS Large Cap Value VIP's pro forma results of operations for the year ended December 31, 2009, are as follows:

Net investment income*	$ 4,549,613
Net gain (loss) on investments	$ 35,381,120
Net increase (decrease) in net assets resulting from operations	$ 39,930,733

* *Net investment income includes $73,453 of pro forma eliminated expenses.*

Because the combined investment portfolios have been managed as a single integrated portfolio since the acquisition was completed, it is not practicable to separate the amounts of revenue and earnings of DWS Davis Venture Value VIP that have been included in DWS Large Cap Value VIP's Statement of Operations since April 24, 2009.

K. Combination of Share Class

The Board of Trustees of the Trust approved the combination of the Class B shares of DWS Core Fixed Income VIP into the Class A shares of the same Portfolio. Effective February 5, 2010, Class B shares were combined into Class A shares.

L. Review for Subsequent Events

Management has reviewed the events and transactions for subsequent events from January 1, 2010 through February 16, 2010, the date the financial statements were available to be issued, and has determined that there were no material events that would require disclosure in the Portfolios' financial statements through this date.

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 DWS Balanced VIP, DWS Blue Chip VIP, DWS Core Fixed Income VIP, DWS Diversified International Equity VIP (formerly DWS International Select Equity VIP), DWS Dreman Small Mid Cap Value VIP, DWS Global Thematic VIP, DWS Government & Agency Securities VIP, DWS High Income VIP, DWS Large Cap Value VIP, DWS Mid Cap Growth VIP, DWS Money Market VIP, DWS Small Cap Growth VIP, DWS Strategic Income VIP, DWS Strategic Value VIP (formerly DWS Dreman High Return Equity VIP), DWS Technology VIP and DWS Turner Mid Cap Growth VIP, sixteen of the portfolios constituting the DWS Variable Series II (the "Trust"), including the investment portfolios, as of December 31, 2009, 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 five years in the period then ended. 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, 2009, 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, 2009, 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 five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

Boston, Massachusetts
February 16, 2010

Tax Information

(Unaudited)

For corporate shareholders, the following percentage of income dividends paid during the following Portfolios' fiscal year ended December 31, 2009 qualified for the dividends received deduction:

Portfolio	Dividends Received %
DWS Balanced VIP	31
DWS Blue Chip VIP	100
DWS Dreman Small Mid Cap Value VIP	100
DWS Global Thematic VIP	42
DWS Large Cap Value VIP	100
DWS Strategic Value VIP	100

DWS Diversified International Equity VIP paid foreign taxes of $214,650 and earned $1,681,927 of foreign source income during the year ended December 31, 2009. Pursuant to Section 853 of the Internal Revenue Code, the Portfolio designates $0.02 per share as foreign taxes paid and $0.15 per share as income earned from foreign sources for the year ended December 31, 2009.

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

The Trust's policies and procedures for voting proxies for portfolio securities and information about how the Trust voted proxies related to its portfolio securities during the 12-month period ended June 30 are available on our Web site — www.dws-investments.com (click on "proxy voting" at the bottom of the page) — or on the SEC's Web site — www.sec.gov. To obtain a written copy of the Trust's policies and procedures without charge, upon request, call us toll free at (800) 621-1048.

Investment Management Agreement Approval

The Board of Trustees, including the Independent Trustees, approved the renewal of each Fund's investment management agreement (the "Investment Management Agreements") with Deutsche Investment Management Americas Inc. ("DWS") and, for each sub-advised Fund, the sub-advisory agreement (the "Sub-Advisory Agreements") between DWS and the sub-advisor[1] (the "Sub-Advisors") in September 2009.

In terms of the process that the Board followed prior to approving the Agreements, shareholders should know that:

- In September 2009, all but one of the Funds' Trustees were independent of DWS and its affiliates.
- The Trustees meet frequently to discuss fund matters. Each year, the Trustees dedicate substantial time to contract review matters. Over the course of several months, the Board's Contract Committee, in coordination with the Board's Equity Oversight Committee and Fixed Income and Quant Oversight Committee, reviewed comprehensive materials received from DWS, independent third parties and independent counsel. These materials included an analysis of each Fund's performance, fees and expenses, and profitability compiled by the Funds' independent fee consultant. The Board also received extensive information throughout the year regarding performance of each Fund.
- The Independent Trustees regularly meet privately with their independent counsel to discuss contract review and other matters. In addition, the Independent Trustees were also advised by the Funds' independent fee consultant in the course of their review of each Fund's contractual arrangements and considered a comprehensive report prepared by the independent fee consultant in connection with their deliberations (the "IFC Report").
- In connection with reviewing the Agreements, the Board also reviewed the terms of each Fund's Rule 12b-1 plan (as applicable), distribution agreement, administrative services agreement, transfer agency agreement and other material service agreements.
- Based on its evaluation of the information provided, the Contract Committee presented its findings and recommendations to the Independent Trustees as a group. The Independent Trustees reviewed the Contract Committee's findings and recommendations and presented their recommendations to the full Board.

In connection with the contract review process, the Contract Committee and the Board considered the factors discussed below, among others. The Board also considered that DWS and its predecessors have managed each Fund since its inception, and the Board believes that a long-term relationship with a capable, conscientious advisor is in the best interests of each Fund. The Board considered, generally, that shareholders chose to invest or remain invested in each Fund knowing that DWS managed the Fund, and that the Agreements were approved by the Fund's shareholders. DWS is part of Deutsche Bank, a major global banking institution that is engaged in a wide range of financial services. The Board believes 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.

While shareholders may focus primarily on fund performance and fees, the Board considers these and many other factors, including the quality and integrity of DWS's and the Sub-Advisors' personnel and such other issues as back-office operations, fund valuations, and compliance policies and procedures.

Nature, Quality and Extent of Services. The Board considered the terms of the Agreements, including the scope of advisory services provided under the Agreements. The Board noted that, under the Agreements, DWS and the Sub-Advisors provide portfolio management services to the Funds and that, pursuant to a separate administrative services agreement, DWS provides administrative services to the Funds. The Board considered the experience and skills of senior management and investment personnel, the resources made available to such personnel, the ability of DWS and the Sub-Advisors to attract and retain high-quality personnel, and the organizational depth and stability of DWS and the Sub-Advisors. The Board reviewed each Fund's performance over short-term and

1 *The Sub-Advisors are: Dreman Value Management L.L.C. ("DVM") (DWS Dreman Small Mid Cap Value VIP); Turner Investment Partners, Inc. ("Turner") (DWS Turner Mid Cap Growth VIP) and Deutsche Asset Management International GmbH ("DeAMi"), an affiliate of DWS (DWS Large Cap Value VIP and DWS Balanced VIP).*

long-term periods and compared those returns to various agreed-upon performance measures, including market indices and a peer universe compiled by the independent fee consultant using information supplied by Lipper Inc. ("Lipper") or iMoneyNet Inc. ("iMoneyNet"). The Board also noted that it has put into place a process of identifying "Focus Funds" (e.g., funds performing poorly relative to their benchmark or a peer universe compiled by Lipper or iMoneyNet), and receives more frequent reporting and information from DWS regarding such funds, along with DWS's remedial plans to address underperformance. The Board believes this process is an effective manner of identifying and addressing underperforming funds.

On the basis of this evaluation and the ongoing review of investment results by the Board, the Board concluded that the nature, quality and extent of services provided by DWS and the Sub-Advisors historically have been and continue to be satisfactory.

Fees and Expenses. The Board considered each Fund's investment management fee schedule(s), operating expenses, and total expense ratios, and comparative information provided by Lipper and the independent fee consultant regarding investment management fee rates paid to other investment advisors by similar funds (1st quartile being the most favorable and 4th quartile being the least favorable). The Board also reviewed data comparing each Fund's total (net) operating expenses (per class, as applicable) to its applicable Lipper expense universe. The Board concluded that the comparative Lipper operating expense data was of limited utility, as it likely significantly understated the current expense ratios of many peer funds due to the substantial declines in net assets as a result of market losses and net redemptions that many funds experienced between mid-September 2008 and March 2009 and that were not reflected in the data.

The information considered by the Board as part of their review of management fees included information regarding fees charged by DWS and its affiliates to similar institutional accounts and to similar funds managed by the same portfolio management teams but offered primarily to European investors ("DWS Europe funds"), in each case as applicable. The Board observed that advisory fee rates for institutional accounts generally were lower than the management fees charged by similarly managed DWS US mutual funds ("DWS Funds"), but also took note of the differences in services provided to DWS Funds as compared to institutional accounts. In the case of DWS Europe funds, the Board observed that fee rates for DWS Europe funds generally were higher than for similarly managed DWS Funds, but noted that differences in the types of services provided to DWS Funds relative to DWS Europe funds made it difficult to compare such fees.

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 DWS and the Sub-Advisors.

Profitability. The Board reviewed detailed information regarding revenues received by DWS under the Investment Management Agreements. The Board considered the estimated costs and pre-tax profits realized by DWS from advising the DWS Funds, as well as estimates of the pre-tax profits attributable to managing each Fund in particular. The Board also received information regarding the estimated enterprise-wide profitability of DWS and its affiliates with respect to all fund services in totality and by fund. The Board reviewed DWS's methodology in allocating its costs to the management of each Fund. Based on the information provided, the Board concluded that the pre-tax profits realized by DWS in connection with the management of each Fund were not unreasonable. 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 (and in some cases is not necessarily prepared on a comparable basis), DWS and its affiliates' overall profitability with respect to the DWS fund complex (after taking into account distribution and other services provided to the funds by DWS and its affiliates) was lower than the overall profitability levels of many comparable firms for which such data was available. The Board did not consider the profitability of the Sub-Advisors. The Board noted that DWS pays the Sub-Advisors' fees out of its management fee, and its understanding that the respective Fund's sub-advisory fee schedule was the product of an arm's length negotiation with DWS.

Economies of Scale. The Board considered whether there are economies of scale with respect to the management of each Fund and whether each Fund benefits from any economies of scale. The Board noted that each Fund's management fee schedule includes fee breakpoints. The Board concluded that each Fund's fee schedule represents an appropriate sharing between the Fund and DWS of such economies of scale as may exist in the management of the Fund at current asset levels.

Other Benefits to DWS and the Sub-Advisors and Their Affiliates. The Board also considered the character and amount of other incidental benefits received by DWS and the Sub-Advisors and their affiliates, including any fees received by DWS for administrative services provided to each Fund and any fees received by an affiliate of DWS for distribution services. The Board also considered benefits to DWS and the Sub-Advisors related to brokerage and soft-dollar allocations, including allocating brokerage to pay for research generated by parties other than the executing broker dealers, which pertain primarily to funds investing in equity securities, along with the incidental public relations benefits to DWS and the Sub-Advisors related to DWS Funds advertising and cross-selling opportunities among DWS products and services. The Board concluded that management fees were reasonable in light of these fallout benefits.

Compliance. The Board considered the significant attention and resources dedicated by DWS to documenting and enhancing its compliance processes in recent years. The Board noted in particular (i) the experience and seniority of both DWS's chief compliance officer and the Funds' chief compliance officer; (ii) the large number of DWS compliance personnel; and (iii) the substantial commitment of resources by DWS and its affiliates to compliance matters. The Board also considered the attention and resources dedicated by DWS to the oversight of DVM's and Turner's compliance programs and compliance with the applicable fund policies and procedures.

In connection with the factors described above, the Board considered factors specific to each Fund, as discussed below.

DWS Balanced VIP

Nature, Quality and Extent of Services. Based on the information provided, the Board noted that for the one-, three- and five-year periods ended December 31, 2008, the Fund's performance (Class A shares) was in the 3rd quartile, 4th quartile and 4th quartile, respectively, of the applicable Lipper universe (the 1st quartile being the best performers and the 4th quartile being the worst performers). The Board also observed that the Fund has underperformed its benchmark in each of the one-, three- and five-year periods ended December 31, 2008. The Board noted the disappointing investment performance of the Fund in recent periods and continued to discuss with senior management of DWS the factors contributing to such underperformance and actions being taken to improve performance. The Board observed that the Fund had experienced improved relative performance during the first seven months of 2009. The Board recognized that DWS has made changes in the Fund's structure, including the addition of new asset classes in which the Fund may invest in April 2009.

Fees and Expenses. With respect to management fees paid to other investment advisors by similar funds, the Board noted that the contractual fee rates paid by the Fund, which include the 0.10% fee paid to DWS under the Fund's administrative services agreement, were lower than the median (1st quartile) of the applicable Lipper peer group (based on Lipper data provided as of December 31, 2008). With respect to the sub-advisory fee paid to DeAMi, the Board noted that the fee is paid by DWS out of its fee and not directly by the Fund. The Board also noted that the expense limitation agreed to by DWS helped to ensure that the Fund's total (net) operating expenses would remain competitive.

DWS Blue Chip VIP

Nature, Quality and Extent of Services. Based on the information provided, the Board noted that for the one-, three- and five-year periods ended December 31, 2008, the Fund's performance (Class A shares) was in the 2nd quartile, 3rd quartile and 2nd quartile, respectively, of the applicable Lipper universe (the 1st quartile being the best performers and the 4th quartile being the worst performers). The Board also observed that the Fund has underperformed its benchmark in each of the one- and three-year periods ended December 31, 2008 and outperformed its benchmark in the five-year period ended December 31, 2008.

Fees and Expenses. With respect to management fees paid to other investment advisors by similar funds, the Board noted that the contractual fee rates paid by the Fund, which include the 0.10% fee paid to DWS under the Fund's administrative services agreement, were lower than the median (1st quartile) of the applicable Lipper peer group (based on Lipper data provided as of December 31, 2008).

DWS Core Fixed Income VIP

Nature, Quality and Extent of Services. Based on the information provided, the Board noted that for the one-, three- and five-year periods ended December 31, 2008, the Fund's performance (Class A shares) was in the 4th quartile of the applicable Lipper universe (the 1st quartile being the best performers and the 4th quartile being the worst performers). The Board also observed that the Fund has underperformed its benchmark in each of the one-, three- and five-year periods ended December 31, 2008. The Board noted the disappointing investment performance of the Fund in recent periods and continued to discuss with senior management of DWS the factors contributing to such underperformance and actions being taken to improve performance. The Board recognized that DWS has made significant changes in the Fund's management structure, including the termination of Aberdeen Asset Management, Inc. as the Fund's sub-advisor and the introduction of a new portfolio management team effective February 27, 2009.

Fees and Expenses. With respect to management fees paid to other investment advisors by similar funds, the Board noted that the contractual fee rates paid by the Fund, which include the 0.10% fee paid to DWS under the Fund's administrative services agreement, were lower than the median (2nd quartile) of the applicable Lipper peer group (based on Lipper data provided as of December 31, 2008).

DWS Diversified International Equity VIP

Nature, Quality and Extent of Services. Based on the information provided, the Board noted that for the one-, three- and five-year periods ended December 31, 2008, the Fund's performance (Class A shares) was in the 4th quartile of the applicable Lipper universe (the 1st quartile being the best performers and the 4th quartile being the worst performers). The Board also observed that the Fund has underperformed its benchmark in each of the one-, three- and five-year periods ended December 31, 2008. The Board noted the disappointing investment performance of the Fund in recent periods and continued to discuss with senior management of DWS the factors contributing to such underperformance and actions being taken to improve performance. The Board recognized that DWS has made significant changes in the Fund's structure, including the management transition to the DWS Quantitative Strategy Group and the change in investment strategy from focused to diversified in May 2009.

Fees and Expenses. With respect to management fees paid to other investment advisors by similar funds, the Board noted that the contractual fee rates paid by the Fund, which include the 0.10% fee paid to DWS under the Fund's administrative services agreement, were lower than the median (1st quartile) of the applicable Lipper peer group (based on Lipper data provided as of December 31, 2008).

DWS Dreman Small Mid Cap Value VIP

Nature, Quality and Extent of Services. Based on the information provided, the Board noted that for the one-, three- and five-year periods ended December 31, 2008, the Fund's performance (Class A shares) was in the 3rd quartile, 1st quartile and 1st quartile, respectively, of the applicable Lipper universe (the 1st quartile being the best performers and the 4th quartile being the worst performers). The Board also observed that the Fund has underperformed its benchmark in the one-year period ended December 31, 2008 and outperformed its benchmark in each of the three- and five-year periods ended December 31, 2008.

Fees and Expenses. With respect to management fees paid to other investment advisors by similar funds, the Board noted that the contractual fee rates paid by the Fund, which include the 0.10% fee paid to DWS under the Fund's administrative services agreement, were lower than the median (1st quartile) of the applicable Lipper peer group (based on Lipper data provided as of December 31, 2008). With respect to the sub-advisory fee paid to DVM, the Board noted that the fee is paid by DWS out of its fee and not directly by the Fund.

DWS Global Thematic VIP

Nature, Quality and Extent of Services. Based on the information provided, the Board noted that for the one-, three- and five-year periods ended December 31, 2008, the Fund's performance (Class A shares) was in the 4th quartile, 4th quartile and 2nd quartile, respectively, of the applicable Lipper universe (the 1st quartile being the best performers and the 4th quartile being the worst performers). The Board also observed that the Fund has underperformed its benchmark in each of the one- and three-year periods ended December 31, 2008 and outperformed its benchmark in the five-year period ended December 31, 2008. The Board noted the disappointing investment performance of the Fund in recent periods and continued to discuss with senior management of DWS the factors contributing to such underperformance and actions being taken to improve performance. The Board observed that the Fund had experienced improved relative performance during the first seven months of 2009. The Board recognized that DWS has made significant changes in its investment personnel and processes in recent years in an effort to improve long-term performance.

Fees and Expenses. With respect to management fees paid to other investment advisors by similar funds, the Board noted that the contractual fee rates paid by the Fund, which include the 0.10% fee paid to DWS under the Fund's administrative services agreement, were higher than the median (3rd quartile) of the applicable Lipper peer group (based on Lipper data provided as of December 31, 2008). The Board also noted that the expense limitations agreed to by DWS helped to ensure that the Fund's total (net) operating expenses would remain competitive.

DWS Government & Agency Securities VIP

Nature, Quality and Extent of Services. Based on the information provided, the Board noted that for the one-, three- and five-year periods ended December 31, 2008, the Fund's performance (Class A shares) was in the 1st quartile of the applicable Lipper universe (the 1st quartile being the best performers and the 4th quartile being the worst performers). The Board also observed that the Fund has underperformed its benchmark in each of the one-, three- and five-year periods ended December 31, 2008.

Fees and Expenses. With respect to management fees paid to other investment advisors by similar funds, the Board noted that the contractual fee rates paid by the Fund, which include the 0.10% fee paid to DWS under the Fund's administrative services agreement, were at the median of the applicable Lipper peer group (based on Lipper data provided as of December 31, 2008).

DWS High Income VIP

Nature, Quality and Extent of Services. Based on the information provided, the Board noted that for the one-, three- and five-year periods ended December 31, 2008, the Fund's performance (Class A shares) was in the 2nd quartile, 3rd quartile and 2nd quartile, respectively, of the applicable Lipper universe (the 1st quartile being the best performers and the 4th quartile being the worst performers). The Board also observed that the Fund outperformed its benchmark in each of the one- and five-year periods ended December 31, 2008 and matched its benchmark in the three-year period ended December 31, 2008.

Fees and Expenses. With respect to management fees paid to other investment advisors by similar funds, the Board noted that the contractual fee rates paid by the Fund, which include the 0.10% fee paid to DWS under the Fund's administrative services agreement, were lower than the median (1st quartile) of the applicable Lipper peer group (based on Lipper data provided as of December 31, 2008). The Board also noted that the expense limitation agreed to by DWS helped to ensure that the Fund's total (net) operating expenses would remain competitive.

DWS Large Cap Value VIP

Nature, Quality and Extent of Services. Based on the information provided, the Board noted that for the one-, three- and five-year periods ended December 31, 2008, the Fund's performance (Class A shares) was in the 2nd quartile, 1st quartile and 2nd quartile, respectively, of the applicable Lipper universe (the 1st quartile being the best performers and the 4th quartile being the worst performers). The Board also observed that the Fund has outperformed its benchmark in each of the one- and three-year periods ended December 31, 2008 and underperformed its benchmark in the five-year period ended December 31, 2008.

Fees and Expenses. With respect to management fees paid to other investment advisors by similar funds, the Board noted that the contractual fee rates paid by the Fund, which include the 0.10% fee paid to DWS under the Fund's administrative services agreement, were lower than the median (2nd quartile) of the applicable Lipper peer group (based on Lipper data provided as of December 31, 2008). With respect to the sub-advisory fee paid to DeAMi, the Board noted that the fee is paid by DWS out of its fee and not directly by the Fund. The Board also noted that the expense limitations agreed to by DWS helped to ensure that the Fund's total (net) operating expenses would remain competitive.

DWS Mid Cap Growth VIP

Nature, Quality and Extent of Services. Based on the information provided, the Board noted that for the one-, three- and five-year periods ended December 31, 2008, the Fund's performance (Class A shares) was in the 4th quartile of the applicable Lipper universe (the 1st quartile being the best performers and the 4th quartile being the worst performers). The Board also observed that the Fund has underperformed its benchmark in each of the one-, three- and five-year periods ended December 31, 2008. The Board noted the disappointing investment performance of the Fund in recent periods and continued to discuss with senior management of DWS the factors contributing to such underperformance and actions being taken to improve performance. The Board observed that the Fund had experienced improved relative performance during the first seven months of 2009. The Board recognized that DWS has made significant changes in the Fund's management structure, including the introduction of a new portfolio management team in January 2009.

Fees and Expenses. With respect to management fees paid to other investment advisors by similar funds, the Board noted that the contractual fee rates paid by the Fund, which include the 0.10% fee paid to DWS under the Fund's administrative services agreement, were lower than the median (2nd quartile) of the applicable Lipper peer group (based on Lipper data provided as of December 31, 2008). The Board also noted that the expense limitation agreed to by DWS helped to ensure that the Fund's total (net) operating expenses would remain competitive.

DWS Money Market VIP

Nature, Quality and Extent of Services. Based on the information provided, the Board noted that for the one- and three-year periods ended December 31, 2008, the Fund's gross performance (Class A shares) was in the 2nd quartile and 1st quartile, respectively, of the applicable iMoneyNet universe (the 1st quartile being the best performers and the 4th quartile being the worst performers).

Fees and Expenses. With respect to management fees paid to other investment advisors by similar funds, the Board noted that the contractual fee rates paid by the Fund, which include the 0.10% fee paid to DWS under the Fund's administrative services agreement, were lower than the median (2nd quartile) of the applicable Lipper peer group (based on Lipper data provided as of December 31, 2008). The Board also noted that the expense limitation agreed to by DWS helped to ensure that the Fund's total (net) operating expenses would remain competitive.

DWS Small Cap Growth VIP

Nature, Quality and Extent of Services. Based on the information provided, the Board noted that for the one-, three- and five-year periods ended December 31, 2008, the Fund's performance (Class A shares) was in the 4th quartile of the applicable Lipper universe (the 1st quartile being the best performers and the 4th quartile being the worst performers). The Board also observed that the Fund has underperformed its benchmark in each of the one-, three- and five-year periods ended December 31, 2008. The Board noted the disappointing investment performance of the Fund in recent periods and continued to discuss with senior management of DWS the factors contributing to such underperformance and actions being taken to improve performance. The Board observed that the Fund had experienced improved relative performance during the first seven months of 2009. The Board recognized that DWS has made significant changes in the Fund's management structure, including the introduction of a new portfolio management team in January 2009.

Fees and Expenses. With respect to management fees paid to other investment advisors by similar funds, the Board noted that the contractual fee rates paid by the Fund, which include the 0.10% fee paid to DWS under the Fund's administrative services agreement, were lower than the median (1st quartile) of the applicable Lipper peer group (based on Lipper data provided as of December 31, 2008).

DWS Strategic Income VIP

Nature, Quality and Extent of Services. Based on the information provided, the Board noted that for the one-, three- and five-year periods ended December 31, 2008, the Fund's performance (Class A shares) was in the 2nd quartile, 2nd quartile and 1st quartile, respectively, of the applicable Lipper universe (the 1st quartile being the best performers and the 4th quartile being the worst performers). The Board also observed that the Fund has underperformed its benchmark in each of the one-, three- and five-year periods ended December 31, 2008.

Fees and Expenses. With respect to management fees paid to other investment advisors by similar funds, the Board noted that the contractual fee rates paid by the Fund, which include the 0.10% fee paid to DWS under the Fund's administrative services agreement, were at the median of the applicable Lipper peer group (based on Lipper data provided as of December 31, 2008). The Board also noted that the expense limitation agreed to by DWS helped to ensure that the Fund's total (net) operating expenses would remain competitive.

DWS Strategic Value VIP

Nature, Quality and Extent of Services. Based on the information provided, the Board noted that for the one-, three- and five-year periods ended December 31, 2008, the Fund's performance (Class A shares) was in the 4th quartile of the applicable Lipper universe (the 1st quartile being the best performers and the 4th quartile being the worst performers). The Board also observed that the Fund has underperformed its benchmark in each of the one-, three- and five-year periods ended December 31, 2008. The Board noted the disappointing investment performance of the Fund in recent periods and continued to discuss with senior management of DWS the factors contributing to such underperformance and actions being taken to improve performance. The Board observed that the Fund had experienced improved relative performance during the first seven months of 2009. The Board recognized that DWS has made significant changes in the Fund's management structure, including the termination of Dreman Value Management, L.L.C. as the Fund's sub-advisor and the introduction of a new portfolio management team effective June 2, 2009.

Fees and Expenses. With respect to management fees paid to other investment advisors by similar funds, the Board noted that the contractual fee rates paid by the Fund, which include the 0.10% fee paid to DWS under the Fund's administrative services agreement, were at the median of the applicable Lipper peer group (based on Lipper data provided as of December 31, 2008). The Board also noted that the expense limitations agreed to by DWS helped to ensure that the Fund's total (net) operating expenses would remain competitive.

DWS Technology VIP

Nature, Quality and Extent of Services. Based on the information provided, the Board noted that for the one-, three- and five-year periods ended December 31, 2008, the Fund's performance (Class A shares) was in the 3rd quartile, 4th quartile and 4th quartile of the applicable Lipper universe (the 1st quartile being the best performers and the 4th quartile being the worst performers). The Board also observed that the Fund has underperformed its benchmark in each of the one-, three- and five-year periods ended December 31, 2008. The Board noted the disappointing investment performance of the Fund in recent periods and continued to discuss with senior management of DWS the factors contributing to such underperformance and actions being taken to improve performance. The Board observed that the Fund had experienced improved relative performance during the first seven months of 2009. The Board recognized that DWS has made significant changes in the Fund's management structure, including the introduction of a new portfolio management team in July 2009.

Fees and Expenses. With respect to management fees paid to other investment advisors by similar funds, the Board noted that the contractual fee rates paid by the Fund, which include the 0.10% fee paid to DWS under the Fund's administrative services agreement, were lower than the median (2nd quartile) of the applicable Lipper peer group (based on Lipper data provided as of December 31, 2008).

DWS Turner Mid Cap Growth VIP

Nature, Quality and Extent of Services. Based on the information provided, the Board noted that for the one-, three- and five-year periods ended December 31, 2008, the Fund's performance (Class A shares) was in the 4th quartile, 3rd quartile and 3rd quartile, respectively, of the applicable Lipper universe (the 1st quartile being the best performers and the 4th quartile being the worst performers). The Board also observed that the Fund has underperformed its benchmark in each of the one-, three- and five-year periods ended December 31, 2008. The Board noted the disappointing investment performance of the Fund in recent periods and continued to discuss with senior management of DWS and Turner the factors contributing to such underperformance and actions being taken to improve performance. The Board observed that the Fund had experienced improved relative performance during the first seven months of 2009. The Board recognized that DWS has made significant changes in its investment personnel and processes in recent years in an effort to improve long-term performance.

Fees and Expenses. With respect to management fees paid to other investment advisors by similar funds, the Board noted that the contractual fee rates paid by the Fund, which include the 0.10% fee paid to DWS under the Fund's administrative services agreement, were lower than the median (2nd quartile) of the applicable Lipper peer group (based on Lipper data provided as of December 31, 2008). With respect to the sub-advisory fee paid to Turner, the Board noted that the fee is paid by DWS out of its fee and not directly by the Fund. The Board also noted that the expense limitation agreed to by DWS helped to ensure that the Fund's total (net) operating expenses would remain competitive.

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Based on all of the information considered and the conclusions reached, the Board (including the Independent Trustees) determined that the continuation of the Agreements is in the best interests of each Fund. In making this determination, the Board did not give particular weight to any single factor identified above. The Board considered these factors over the course of numerous meetings, certain 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 Agreements.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 9, 2009, As Revised November 20, 2009

Pursuant to an Order entered into by Deutsche Investment Management Americas and affiliates (collectively, "DeAM") with the Attorney General of New York, I, Thomas H. Mack, have been appointed the Independent Fee Consultant for the DWS Funds (formerly the DWS Scudder Funds). My duties include preparing an annual written evaluation of the management fees DeAM charges the Funds, considering among other factors the management fees charged by other mutual fund companies for like services, management fees DeAM charges other clients for like services, DeAM's costs of supplying services under the management agreements and related profit margins, possible economies of scale if a Fund grows larger, and the nature and quality of DeAM's services, including fund performance. This report summarizes my evaluation for 2009, including my qualifications, the evaluation process for each of the DWS Funds, consideration of certain complex-level factors, and my conclusions. I served in substantially the same capacity in 2007 and 2008.

Qualifications

For more than 35 years I have served in various professional capacities within the investment management business. I have held investment analysis and advisory positions, including securities analyst, portfolio strategist and director of investment policy with a large investment firm. I have also performed business management functions, including business development, financial management and marketing research and analysis.

Since 1991, I have been an independent consultant within the asset management industry. I have provided services to over 125 client organizations, including investment managers, mutual fund boards, product distributors and related organizations. Over the past ten years I have completed a number of assignments for mutual fund boards, specifically including assisting boards with management contract renewal.

I hold a Master of Business Administration degree, with highest honors, from Harvard University and Master of Science and Bachelor of Science (highest honors) degrees from the University of California at Berkeley. I am an independent director and audit committee financial expert for two closed-end mutual funds and serve in various leadership and financial oversight capacities with non-profit organizations.

Evaluation of Fees for each DWS Fund

My work focused primarily on evaluating, fund-by-fund, the fees charged to each of the 124 publicly offered Fund portfolios in the DWS Fund family. For each Fund, I considered each of the key factors mentioned above, as well as any other relevant information. In doing so I worked closely with the Funds' Independent Directors in their annual contract renewal process, as well as in their approval of contracts for several new funds (documented separately).

In evaluating each Fund's fees, I reviewed comprehensive materials provided by or on behalf of DeAM, including expense information prepared by Lipper Analytical, comparative performance information, profitability data, manager histories, and other materials. I also accessed certain additional information from the Lipper, Strategic Insight, and Morningstar databases and drew on my industry knowledge and experience.

To facilitate evaluating this considerable body of information, I prepared for each Fund a document summarizing the key data elements in each area as well as additional analytics discussed below. This made it possible to consider each key data element in the context of the others.

In the course of contract renewal, DeAM agreed to implement a number of fee and expense adjustments requested by the Independent Directors which will favorably impact future fees and expenses, and my evaluation includes the effects of these changes.

Fees and Expenses Compared with Other Funds

The competitive fee and expense evaluation for each fund focused on two primary comparisons:

The Fund's contractual management fee (the advisory fee plus the administration fee where applicable) compared with those of a group of typically 12–15 funds in the same Lipper investment category (e.g. Large Capitalization Growth) having similar distribution arrangements and being of similar size.

The Fund's total expenses compared with a broader universe of funds from the same Lipper investment category and having similar distribution arrangements.

These two comparisons provide a view of not only the level of the fee compared with funds of similar scale but also the total expense the Fund bears for all the services it receives, in comparison with the investment choices available in the Fund's investment category and distribution channel. The principal figure-of-merit used in these comparisons was the subject Fund's percentile ranking against peers.

DeAM's Fees for Similar Services to Others

DeAM provided management fee schedules for all of its US domiciled fund and non-fund investment management accounts in any of the investment categories where there is a DWS Fund. These similar products included the other DWS Funds, non-fund pooled accounts, institutional accounts and sub-advisory accounts. Using this information, I calculated for each Fund the fee that would be charged to each similar product, at the subject Fund's asset level.

Evaluating information regarding non-fund products is difficult because there are varying levels of services required for different types of accounts, with mutual funds generally requiring considerably more regulatory and administrative types of service as well as having more frequent cash flows than other types of accounts. Also, while mutual fund fees for similar fund products can be expected to be similar, there will be some differences due to different pricing conditions in different distribution channels (e.g. retail funds versus those used in variable insurance products), differences in underlying investment processes and other factors.

Costs and Profit Margins

DeAM provided a detailed profitability analysis for each Fund. After making some adjustments so that the presentation would be more comparable to the available industry figures, I reviewed profit margins from investment management alone, from investment management plus other fund services (excluding distribution) provided to the Funds by DeAM (principally shareholder services), and DeAM profits from all sources, including distribution. A later section comments on overall profitability.

Economies of Scale

Economies of scale — an expected decline in management cost per dollar of fund assets as fund assets grow — are very rarely quantified and documented because of inherent difficulties in collecting and analyzing relevant data. However, in virtually every investment category that I reviewed, larger funds tend to have lower fees and lower total expenses than smaller funds. To see how each DWS Fund compares with this industry observation, I reviewed:

The trend in Fund assets over the last five years and the accompanying trend in total expenses. This shows if the Fund has grown and, if so, whether total expense (management fees as well as other expenses) have declined as a percent of assets.

Whether the Fund has break-points in its management fee schedule, the extent of the fee reduction built into the schedule and the asset levels where the breaks take effect, and in the case of a sub-advised Fund how the Fund's break-points compare with those of the sub-advisory fee schedule.

How the Fund's contractual fee schedule compares with trends in the industry data. To accomplish this, I constructed a chart showing how actual latest-fiscal-year contractual fees of the Fund and of other similar funds relate to average fund assets, with the subject Fund's contractual fee schedule superimposed.

Quality of Service — Performance

The quality-of-service evaluation focused on investment performance, which is the principal result of the investment management service. Each Fund's performance was reviewed over the past 1, 3, 5 and 10 years, as applicable, and compared with that of other funds in the same investment category and with a suitable market index.

In addition, I calculated and reviewed risk-adjusted returns relative to an index of similar mutual funds' returns and a suitable market index. The risk-adjusted returns analysis provides a way of determining the extent to which the Fund's return comparisons are mainly the product of investment value-added (or lack thereof) or alternatively taking considerably more or less risk than is typical in its investment category.

I also received and considered the history of portfolio manager changes for each Fund, as this provided an important context for evaluating the performance results.

Complex-Level Considerations

While this evaluation was conducted mainly at the individual fund level, there are some issues relating to the reasonableness of fees that can alternatively be considered across the whole fund complex:

- I reviewed DeAM's profitability analysis for all DWS Funds, with a view toward determining if the allocation procedures used were reasonable and how profit levels compared with public data for other investment managers.
- I considered whether DeAM and affiliates receive any significant ancillary or "fall-out" benefits that should be considered in interpreting the direct profitability results. These would be situations where serving as the investment manager of the Funds is beneficial to another part of the Deutsche Bank organization.
- I considered how aggregated DWS Fund expenses had varied over the years, by asset class and in the context of trends in asset levels.
- I reviewed the structure of the DeAM organization, trends in staffing levels, and information on compensation of investment management and other professionals compared with industry data.

Findings

Based on the process and analysis discussed above, which included reviewing a wide range of information from management and external data sources and considering among other factors the fees DeAM charges other clients, the fees charged by other fund managers, DeAM's costs and profits associated with managing the Funds, economies of scale, possible fall-out benefits, and the nature and quality of services provided, in my opinion the management fees charged the DWS Funds are reasonable.

Thomas H. Mack

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Board Members and Officers

The following table presents certain information regarding the Board Members and Officers of the Trust as of December 31, 2009. Each Board Member's year of birth is set forth in parentheses after his or her name. Unless otherwise noted, (i) each Board Member 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 Independent Board Member is c/o Paul K. Freeman, Independent Chairman, DWS Funds, PO Box 101833, Denver, CO 80250-1833. Except as otherwise noted below, the term of office for each Board Member is until the election and qualification of a successor, or until such Board Member sooner dies, resigns, is removed or as otherwise provided in the governing documents of the fund. Because the fund does not hold an annual meeting of shareholders, each Board Member will hold office for an indeterminate period. The Board Members may also serve in similar capacities with other funds in the fund complex. The Length of Time Served represents the year in which the Board Member joined the board of one or more DWS funds now overseen by the Board.

Independent Board Members

Name, Year of Birth, Position with the Fund and Length of Time Served[1]	Business Experience and Directorships During the Past Five Years	Number of Funds in DWS Fund Complex Overseen
Paul K. Freeman (1950) Chairperson since 2009 Board Member since 1993	Consultant, World Bank/Inter-American Development Bank; Governing Council of the Independent Directors Council (governance, education committees); formerly, Project Leader, International Institute for Applied Systems Analysis (1998–2001); Chief Executive Officer, The Eric Group, Inc. (environmental insurance) (1986–1998)	126
John W. Ballantine (1946) Board Member since 1999	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: Healthways, Inc. (provider of disease and care management services); Portland General Electric (utility company); Stockwell Capital Investments PLC (private equity). Former Directorships: First Oak Brook Bancshares, Inc. and Oak Brook Bank; Prisma Energy International	126
Henry P. Becton, Jr. (1943) Board Member since 1990	Vice Chair and former President, WGBH Educational Foundation. Directorships: Association of Public Television Stations; Lead Director, Becton Dickinson and Company[3] (medical technology company); Lead Director, Belo Corporation[3] (media company); Public Radio International; Public Radio Exchange (PRX); The PBS Foundation. Former Directorships: Boston Museum of Science; American Public Television; Concord Academy; New England Aquarium; Mass. Corporation for Educational Telecommunications; Committee for Economic Development; Public Broadcasting Service	126
Dawn-Marie Driscoll (1946) Board Member since 1987	President, Driscoll Associates (consulting firm); Executive Fellow, Center for Business Ethics, Bentley University; formerly, Partner, Palmer & Dodge (1988–1990); Vice President of Corporate Affairs and General Counsel, Filene's (1978–1988). Directorships: Trustee of 20 open-end mutual funds managed by Sun Capital Advisers, Inc. (since 2007); Director of ICI Mutual Insurance Company (since 2007); Advisory Board, Center for Business Ethics, Bentley University; Trustee, Southwest Florida Community Foundation (charitable organization). Former Directorships: Investment Company Institute (audit, executive, nominating committees) and Independent Directors Council (governance, executive committees)	126
Keith R. Fox (1954) Board Member since 1996	Managing General Partner, Exeter Capital Partners (a series of private investment funds). Directorships: Progressive Holding Corporation (kitchen goods importer and distributor); Box Top Media Inc. (advertising); The Kennel Shop (retailer); former Chairman, National Association of Small Business Investment Companies	126
Kenneth C. Froewiss (1945) Board Member since 2001	Adjunct Professor of Finance, NYU Stern School of Business (September 2009–present; Clinical Professor from 1997–September 2009); 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)	126
Richard J. Herring (1946) Board Member since 1990	Jacob Safra Professor of International Banking and Professor, Finance Department, The Wharton School, University of Pennsylvania (since July 1972); Co-Director, Wharton Financial Institutions Center (since July 2000); Director, Japan Equity Fund, Inc. (since September 2007), Thai Capital Fund, Inc. (since September 2007), Singapore Fund, Inc. (since September 2007). Formerly, Vice Dean and Director, Wharton Undergraduate Division (July 1995–June 2000); Director, Lauder Institute of International Management Studies (July 2000–June 2006)	126
William McClayton (1944) Board Member since 2004	Private equity investor (since October 2009); previously, Managing Director, Diamond Management & Technology Consultants, Inc. (global consulting firm) (2001–2009); Directorship: Board of Managers, YMCA of Metropolitan Chicago; formerly: Senior Partner, Arthur Andersen LLP (accounting) (1966–2001); Trustee, Ravinia Festival	126

Name, Year of Birth, Position with the Fund and Length of Time Served[1]	Business Experience and Directorships During the Past Five Years	Number of Funds in DWS Fund Complex Overseen
Rebecca W. Rimel (1951) Board Member since 1995	President and Chief Executive Officer, The Pew Charitable Trusts (charitable organization) (1994 to present); Trustee, Thomas Jefferson Foundation (charitable organization) (1994 to present); Trustee, Executive Committee, Philadelphia Chamber of Commerce (2001–2007); Trustee, Pro Publica (2007–present) (charitable organization); Director, CardioNet, Inc.[2] (2009–present) (health care). Formerly, Executive Vice President, The Glenmede Trust Company (investment trust and wealth management) (1983–2004); Board Member, Investor Education (charitable organization) (2004–2005); Director, Viasys Health Care[2] (January 2007–June 2007)	126
William N. Searcy, Jr. (1946) Board Member since 1993	Private investor since October 2003; Trustee of 20 open-end mutual funds managed by Sun Capital Advisers, Inc. (since October 1998). Formerly, Pension & Savings Trust Officer, Sprint Corporation[2] (telecommunications) (November 1989–September 2003)	126
Jean Gleason Stromberg (1943) Board Member since 1997	Retired. Formerly, Consultant (1997–2001); Director, Financial Markets US Government Accountability Office (1996–1997); Partner, Fulbright & Jaworski, L.L.P. (law firm) (1978–1996). Directorships: The William and Flora Hewlett Foundation; Business Leadership Council, Wellesley College. Former Directorships: Service Source, Inc., Mutual Fund Directors Forum (2002–2004), American Bar Retirement Association (funding vehicle for retirement plans) (1987–1990 and 1994–1996)	126
Robert H. Wadsworth (1940) Board Member since 1999	President, Robert H. Wadsworth & Associates, Inc. (consulting firm) (1983 to present); Director, The Phoenix Boys Choir Association	129

Officers[4]

Name, Year of Birth, Position with the Fund and Length of Time Served[5]	Principal Occupation(s) During Past 5 Years and Other Directorships Held
Michael G. Clark[6] (1965) President, 2006–present	Managing Director[3], Deutsche Asset Management (2006–present); President of DWS family of funds; Director, ICI Mutual Insurance Company (since October 2007); formerly, Director of Fund Board Relations (2004–2006) and Director of Product Development (2000–2004), Merrill Lynch Investment Managers; Senior Vice President Operations, Merrill Lynch Asset Management (1999–2000)
John Millette[7] (1962) Vice President and Secretary, 1999–present	Director[3], Deutsche Asset Management
Paul H. Schubert[6] (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)
Caroline Pearson[7] (1962) Assistant Secretary, 1997–present	Managing Director[3], Deutsche Asset Management
Rita Rubin[8] (1970) Assistant Secretary, 2009–present	Vice President and Counsel, Deutsche Asset Management (since October 2007); formerly, Vice President, Morgan Stanley Investment Management (2004–2007); Attorney, Shearman & Sterling LLP (2004); Director and Associate General Counsel, UBS Global Asset Management (US) Inc. (2001–2004)
Paul Antosca[7] (1957) Assistant Treasurer, 2007–present	Director[3], Deutsche Asset Management (since 2006); Vice President, The Manufacturers Life Insurance Company (U.S.A.) (1990–2006)
Jack Clark[7] (1967) Assistant Treasurer, 2007–present	Director[3], Deutsche Asset Management (since 2007); formerly, Vice President, State Street Corporation (2002–2007)
Diane Kenneally[7] (1966) Assistant Treasurer, 2007–present	Director[3], Deutsche Asset Management
Jason Vazquez[8] (1972) Anti-Money Laundering Compliance Officer, 2007–present	Vice President, Deutsche Asset Management (since 2006); formerly, AML Operations Manager for Bear Stearns (2004–2006), Supervising Compliance Principal and Operations Manager for AXA Financial (1999–2004)
Robert Kloby[8] (1962) Chief Compliance Officer, 2006–present	Managing Director[3], Deutsche Asset Management
J. Christopher Jackson[8] (1951) Chief Legal Officer, 2006–present	Director[3], Deutsche Asset Management (2006–present); formerly, Director, Senior Vice President, General Counsel and Assistant Secretary, Hansberger Global Investors, Inc. (1996–2006); Director, National Society of Compliance Professionals (2002–2005) (2006–2009)

[1] *The length of time served represents the year in which the Board Member joined the board of one or more DWS funds currently overseen by the Board.*

[2] *A publicly held company with securities registered pursuant to Section 12 of the Securities Exchange Act of 1934.*

[3] *Executive title, not a board directorship.*

[4] *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.*

[5] *The length of time served represents the year in which the officer was first elected in such capacity for one or more DWS funds.*

[6] *Address: 345 Park Avenue, New York, New York 10154.*

[7] *Address: One Beacon Street, Boston, MA 02108.*

[8] *Address: 280 Park Avenue, New York, New York 10017.*

The fund's Statement of Additional Information ("SAI") includes additional information about the Board Members. 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: (800) 621-1048.

DWS Investments is part of Deutsche Bank's Asset Management division and, within the US, represents the retail asset management activities of Deutsche Bank AG, Deutsche Bank Trust Company Americas, Deutsche Investment Management Americas Inc. and DWS Trust Company.

The views expressed in this report reflect those of the portfolio managers only through the end of the period of the report as stated on the cover. The managers' views are subject to change at any time based on market and other conditions and should not be construed as a recommendation.

This information must be preceded or accompanied by a current prospectus.

Portfolio changes should not be considered recommendations for action by individual investors.

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Kemper Investors Life
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This report must be preceded or accompanied by the current prospectus. Read it carefully before investing.

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