

## **DWS Variable Series II**

Semiannual fund reports included in this booklet:

**Alternative Asset Allocation Plus**

**Availability of funds may vary by product. Please refer to your Product Prospectus.**

JUNE 30, 2009

# SEMIANNUAL REPORT

## DWS VARIABLE SERIES II

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### DWS Alternative Asset Allocation Plus VIP

**This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus, call (800) 778-1482 or your financial representative. We advise you to carefully consider the product's objectives, risks, charges and expenses before investing. The prospectus contains this and other important information about the product. Please read the prospectus carefully before you invest.**

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

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

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

RESHAPING INVESTING.



# Information About Your Portfolio's Expenses

## DWS Alternative Asset Allocation Plus 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 addition to the ongoing expenses which the Portfolio bears directly, the Portfolio's shareholders indirectly bear the expense of the Underlying Funds in which the Portfolio invests. The Portfolio's estimated indirect expense from investing in the Underlying Funds is based on the expense ratios from each of the Underlying Fund's most recent shareholder report. During the period from February 2, 2009 (commencement of operations for Class A shares) and from May 18, 2009 (commencement of operations for Class B shares) to June 30, 2009, the Portfolio limited these expenses; had it not done so, expenses would have been higher. In addition, certain of the Underlying Funds limited expenses; had they not done so, expenses would have been higher. The examples in the table are based on an investment of \$1,000 invested at the beginning of the period and held for the entire period (January 1, 2009 to June 30, 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.

### Direct Portfolio Expenses and Value of a \$1,000 Investment for the period ended June 30, 2009

Actual Portfolio Return	Class A*	Class B**
Beginning Account Value	\$1,000.00	\$1,000.00
Ending Account Value 6/30/09	\$1,116.00	\$1,026.00
Expenses Paid per \$1,000***	\$ .91	\$ .73

Hypothetical 5% Portfolio Return	Class A	Class B
Beginning Account Value 1/1/09	\$1,000.00	\$1,000.00
Ending Account Value 6/30/09	\$1,023.75	\$1,021.77
Expenses Paid per \$1,000†	\$ 1.05	\$ 3.06

### Direct Portfolio Expenses and Acquired Funds (Underlying Funds) Fees and Expenses and Value of a \$1,000 Investment for the period ended June 30, 2009

Actual Portfolio Return	Class A*	Class B**
Beginning Account Value	\$1,000.00	\$1,000.00
Ending Account Value 6/30/09	\$1,116.00	\$1,026.00
Expenses Paid per \$1,000***	\$ 7.08	\$ 2.43

Hypothetical 5% Portfolio Return	Class A	Class B
Beginning Account Value 1/1/09	\$1,000.00	\$1,000.00
Ending Account Value 6/30/09	\$1,016.66	\$1,014.68
Expenses Paid per \$1,000††	\$ 8.20	\$ 10.19

\* For the period from February 2, 2009 (commencement of operations) to June 30, 2009.

\*\* For the period from May 18, 2009 (commencement of operations) to June 30, 2009.

\*\*\* 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 since the commencement of the class (February 2, 2009 for Class A shares and May 18, 2009 for Class B shares), then divided by 365.

† Expenses (hypothetical expenses if the Portfolio had been in existence from 1/1/09) 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.

†† Expenses (hypothetical expenses if the Portfolio had been in existence from 1/1/09) are equal to the Portfolio's annualized expense ratio for each share class plus the Acquired Funds (Underlying Funds) Fees and Expenses, 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
Direct Portfolio Expense Ratio	.21%	.61%
Acquired Portfolios (Underlying Funds) Fees and Expenses	1.43%	1.43%
Net Annual Portfolio and Acquired Funds (Underlying Funds) Operating Expenses	1.64%	2.04%

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

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

# Portfolio Summary

## DWS Alternative Asset Allocation Plus VIP

<b>Asset Allocation</b> (As a % of Investment Portfolio)	<b>6/30/09</b>
Alternative Funds	73%
Income Funds	15%
International Equity Funds	10%
Money Market Funds	2%
	100%

*Asset allocation is subject to change.*

*For more complete details about the Portfolio's investment portfolio, see page 5. A complete list of portfolio holdings of the Portfolio is posted as of the month end on [www.dws-investments.com](http://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](http://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](http://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.

### **Risk Considerations**

Although asset allocation among different asset categories generally limits risk and exposure to any one category, the risk remains that management may favor an asset category that performs poorly relative to the other asset categories. The Portfolio expects to invest in underlying funds that emphasize alternatives or non-traditional asset categories or investment strategies, and as a result, it is subject to the risk factors of those underlying funds. Some of those risks include stock market risk, credit and interest-rate risk, volatility in commodity prices and high-yield debt securities, short sales risk and the political, general economic, liquidity and currency risks of foreign investments, which may be particularly significant for emerging markets. The Portfolio also expects to have direct and indirect exposure to derivatives, which may be more volatile and less liquid than traditional securities. The Portfolio could suffer losses on its derivative positions. See the prospectus for additional risks and specific details regarding the Portfolio's risk profile.

# Investment Portfolio

June 30, 2009 (Unaudited)

## DWS Alternative Asset Allocation Plus VIP

	Shares	Value (\$)		Shares	Value (\$)
<b>Equity Funds 63.2%</b>					
DWS Commodity Securities Fund "Institutional"	8,725	28,357	DWS Floating Rate Plus Fund "Institutional"	1,768	14,447
DWS Disciplined Market Neutral Fund "Institutional"	6,093	57,579	DWS Inflation Protected Plus Fund "Institutional"	4,658	43,412
DWS Emerging Markets Equity Fund "Institutional"	2,166	28,380	<b>Total Fixed Income — Bond Funds</b> (Cost \$82,596)		<b>86,706</b>
DWS Gold & Precious Metals Fund "Institutional"	880	14,065	<b>Fixed Income — Money Market Fund 2.3%</b>		
DWS RREEF Global Infrastructure Fund "Institutional"	1,999	14,276	Cash Management QP Trust (Cost \$7,196)	7,196	<b>7,196</b>
DWS RREEF Global Real Estate Securities Fund "Institutional"	9,892	56,881		<b>% of Net Assets</b>	<b>Value (\$)</b>
<b>Total Equity Funds</b> (Cost \$182,371)		<b>199,538</b>	<b>Total Investment Portfolio</b> (Cost \$272,163) <sup>†</sup>	92.9	<b>293,440</b>
<b>Fixed Income — Bond Funds 27.4%</b>			<b>Other Assets and Liabilities, Net</b>	7.1	<b>22,362</b>
DWS Emerging Markets Fixed Income Fund "Institutional"	3,132	28,847	<b>Net Assets</b>	100.0	<b>315,802</b>

<sup>†</sup> The cost for federal income tax purposes was \$272,163. At June 30, 2009, net unrealized appreciation for all securities based on tax cost was \$21,277. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$21,584 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$307.

### Fair Value Measurements

Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, "Fair Value Measurements," as amended, establishes a three-tier hierarchy for measuring fair value and requires additional disclosure about the classification of fair value measurements.

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes significant unobservable inputs (including the Portfolio's own assumptions in determining the fair value of investments). The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of June 30, 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
Underlying funds (a)	\$ 286,244	\$ —	\$ —	\$ 286,244
Short-Term Investments (a)	—	7,196	—	7,196
<b>Total</b>	<b>\$ 286,244</b>	<b>\$ 7,196</b>	<b>\$ —</b>	<b>\$ 293,440</b>

(a) 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 June 30, 2009 (Unaudited)

### Assets

Investments:	
Investments in Underlying Affiliated Funds, at value (cost \$264,967)	\$ 286,244
Investment in Cash Management QP Trust (cost \$7,196)	7,196
Total investments, at value (cost \$272,163)	293,440
Receivable for investments sold	485
Receivable for Portfolio shares sold	9
Interest receivable	9
Dividends receivable	11
Deferred offering costs	27,225
Due from Advisor	19,875
Total assets	341,054

### Liabilities

Payable for investments purchased	4,780
Accrued expenses and other liabilities	20,472
Total liabilities	25,252

**Net assets, at value** **\$ 315,802**

### Net Assets Consist of

Undistributed net investment income	1,107
Net unrealized appreciation (depreciation) on:	
Investments	21,277
Accumulated net realized gain (loss)	1,367
Paid-in capital	292,051

**Net assets, at value** **\$ 315,802**

### Class A

**Net Asset Value**, offering and redemption price per share (\$314,776 ÷ 28,218 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized) **\$ 11.16**

### Class B

**Net Asset Value**, offering and redemption price per share (\$1,026 ÷ 92 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized) **\$ 11.15**

## Statement of Operations

for the period from February 2, 2009 (commencement of operations) to June 30, 2009 (Unaudited)

### Investment Income

Income:	
Income distributions from Underlying Affiliated Funds	\$ 1,260
Interest — Cash Management QP Trust	30
Total Income	1,290
Expenses:	
Management fee	174
Administration service fee	87
Services to shareholders	114
Custodian fee	2,649
Legal fees	2,177
Audit and tax fees	17,256
Trustees' fees and expenses	800
Reports to shareholders	8,745
Offering expenses	20,836
Other	261
Total expenses before expense reductions	53,099
Expense reductions	(52,916)
Total expenses after expense reductions	183

**Net investment income (loss)** **1,107**

### Realized and Unrealized Gain (Loss)

Net realized gain (loss) from sale of Underlying Affiliated Funds	1,367
Change in net unrealized appreciation (depreciation) on investments	21,277

**Net gain (loss)** **22,644**

**Net increase (decrease) in net assets resulting from operations** **\$ 23,751**

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

## Statement of Changes in Net Assets

	Period Ended June 30, 2009* (Unaudited)
<b>Increase (Decrease) in Net Assets</b>	
Operations:	
Net investment income (loss)	\$ 1,107
Net realized gain (loss)	1,367
Change in net unrealized appreciation (depreciation)	21,277
Net increase (decrease) in net assets resulting from operations	23,751
Portfolio share transactions:	
<b>Class A</b>	
Proceeds from shares sold	92,051
Cost of shares redeemed	(1,000)
Net increase (decrease) in net assets from Class A share transactions	91,051
<b>Increase (decrease) in net assets</b>	<b>114,802</b>
Net assets at beginning of period (initial capital)	
<b>Class A</b>	200,000
<b>Class B</b>	1,000
Net assets at end of period (including undistributed net investment income of \$1,107)	<b>\$ 315,802</b>
<b>Other Information</b>	
<b>Class A</b>	
Shares sold	8,310
Shares redeemed	(92)
Net increase (decrease) in Class A shares	8,218
Initial Capital	20,000
Shares outstanding at end of period	<b>28,218</b>
<b>Class B</b>	
Initial Capital	92
Shares outstanding at end of period	<b>92</b>

\* For the period from February 2, 2009 (commencement of operations) to June 30, 2009 for Class A shares and from May 18, 2009 (commencement of operations) to June 30, 2009 for Class B shares.

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

# Financial Highlights

## Class A

Year Ended December 31,

2009<sup>a</sup>

### Selected Per Share Data

<b>Net asset value, beginning of period</b>	<b>\$10.00</b>
<i>Income (loss) from investment operations:</i>	
Net investment income (loss) <sup>b</sup>	.05
Net realized and unrealized gain (loss)	1.11
<b>Total from investment operations</b>	<b>1.16</b>
<b>Net asset value, end of period</b>	<b>\$11.16</b>
Total Return (%) <sup>c,d</sup>	11.60 <sup>**</sup>

### Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ thousands)	315
Ratio of expenses before expense reductions (%) <sup>e</sup>	60.94 <sup>*</sup>
Ratio of expenses after expense reductions (%) <sup>e</sup>	.21 <sup>*</sup>
Ratio of net investment income (%)	1.27 <sup>*</sup>
Portfolio turnover rate (%)	37 <sup>**</sup>

<sup>a</sup> For the period from February 2, 2009 (commencement of operations of Class A shares) to June 30, 2009 (Unaudited).

<sup>b</sup> Based on average shares outstanding during the period.

<sup>c</sup> Total return would have been lower had certain expenses not been reduced.

<sup>d</sup> Total return would have been lower if the Advisor had not reduced some Underlying Portfolios' expenses.

<sup>e</sup> The Portfolio invests in other Funds and indirectly bears its proportionate share of fees and expenses incurred by the Underlying Funds in which the Portfolio is invested. This ratio does not include these indirect fees and expenses.

\* Annualized \*\* Not annualized

## Class B

Year Ended December 31,

2009<sup>a</sup>

### Selected Per Share Data

<b>Net asset value, beginning of period</b>	<b>\$10.87</b>
<i>Income (loss) from investment operations:</i>	
Net investment income (loss) <sup>b</sup>	.01
Net realized and unrealized gain (loss)	.27
<b>Total from investment operations</b>	<b>.28</b>
<b>Net asset value, end of period</b>	<b>\$11.15</b>
Total Return (%) <sup>c,d</sup>	2.58 <sup>**</sup>

### Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ thousands)	1
Ratio of expenses before expense reductions (%) <sup>e</sup>	87.96 <sup>*</sup>
Ratio of expenses after expense reductions (%) <sup>e</sup>	.61 <sup>*</sup>
Ratio of net investment income (%)	1.26 <sup>*</sup>
Portfolio turnover rate (%)	37 <sup>**</sup>

<sup>a</sup> For the period from May 18, 2009 (commencement of operations of Class B shares) to June 30, 2009 (Unaudited).

<sup>b</sup> Based on average shares outstanding during the period.

<sup>c</sup> Total return would have been lower had certain expenses not been reduced.

<sup>d</sup> Total return would have been lower if the Advisor had not reduced some Underlying Portfolios' expenses.

<sup>e</sup> The Portfolio invests in other Funds and indirectly bears its proportionate share of fees and expenses incurred by the Underlying Funds in which the Portfolio is invested. This ratio does not include these indirect fees and expenses.

\* Annualized \*\* Not annualized

## A. Organization and Significant Accounting Policies

DWS Variable Series II (the "Trust") is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end management investment company organized as a Massachusetts business trust. The Trust offers seventeen portfolios (hereinafter referred to individually as "Portfolio" or collectively as "Portfolios"), including this Portfolio (commencement of operations on February 2, 2009) that invests primarily in existing DWS Funds ("Underlying Funds"). The Portfolio is classified as a diversified open-end management investment company. Each Underlying Fund's accounting policies and investment holdings are outlined in the Underlying Fund's financial statements and are available upon request.

**Multiple Classes of Shares of Beneficial Interest.** Certain portfolios of the Trust offer two classes of shares (Class A shares and Class B shares). On May 18, 2009, the Portfolio commenced offering Class B shares. Sales of Class B shares are subject to record keeping fees up to 0.15% and Rule 12b-1 fees under the 1940 Act equal to an annual rate of 0.25%, of the average daily net assets of the Class B shares of the applicable Portfolio. Class A shares are not subject to such fees.

Investment income, realized and unrealized gains and losses, and certain portfolio-level expenses and expense reductions, if any, are borne pro rata on the basis of relative net assets by the holders of all classes of shares except that each class bears certain expenses unique to that class (including the applicable Rule 12b-1 fee and record keeping fees). Differences in class-level expenses may result in payment of different per share dividends by class. All shares have equal rights with respect to voting subject to class-specific arrangements.

The Trust's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America which require the use of management estimates. Actual results could differ from those estimates. The policies described below are followed consistently by the Trust in the preparation of its financial statements.

**Security Valuation.** Investments in the Underlying Funds are valued at the net asset value per share of each class of the Underlying Funds as of the close of regular trading on the New York Stock Exchange on each day the exchange is open for trading.

Money market instruments purchased with an original or remaining maturity of sixty days or less, maturing at par, are valued at amortized cost. Investments in open-end investment companies and Cash Management QP Trust are valued at their net asset value each business day.

**Taxes.** The Portfolio's policy is to comply with the requirements of the Internal Revenue Code, as amended, which are applicable to regulated investment companies and to distribute all of its taxable income to its shareholders.

**Distribution of Income and Gains.** Distributions of net investment income of the Portfolio, if any, are made annually. Net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to the Portfolio if not distributed and, therefore, will be distributed to shareholders at least annually.

The timing and characterization of certain income and capital gains distributions are determined annually in accordance with federal tax regulations which may differ from accounting principles generally accepted in the United States of America. These differences primarily relate to certain securities sold at a loss. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, the Portfolio may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Portfolio.

The tax character of current year distributions will be determined at the end of the current fiscal year.

**Offering Costs.** Offering costs for the Portfolio were paid connection with the offering of the shares and are being amortized over one year.

**Expenses.** Expenses arising in connection with a specific Portfolio are allocated to that Portfolio. Trust expenses are allocated between the Portfolio in proportion to its relative net assets.

**Contingencies.** In the normal course of business, the Portfolio may enter into contracts with service providers that contain general indemnification clauses. The Portfolio's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Portfolio that have not yet been made. However, based on experience, the Portfolio expects the risk of loss to be remote.

**Other.** Investment transactions are accounted for on a trade date plus one basis for daily net asset value calculations. However, for financial reporting purposes, investment transactions are reported on trade date. Interest income is recorded on the accrual basis. Realized gains and losses from investment transactions are

recorded on an identified cost basis. Distributions of income and capital gains from the Underlying Funds are recorded on the ex-dividend date.

## B. Purchases and Sales of Securities

For the period from February 2, 2009 through June 30, 2009, purchases and sales of investment transactions (excluding short-term investments) were as follows:

Portfolio	Purchases (\$)	Sales (\$)
DWS Alternative Asset Allocation Plus VIP	324,605	61,005

## C. Related Parties

**Management Agreement.** Under the Investment Management Agreement with Deutsche Investment Management Americas Inc. ("DIMA" or the "Advisor"), an indirect, wholly owned subsidiary of Deutsche Bank AG, the Advisor directs the investments of the Portfolio in accordance with its investment objectives, policies and restrictions. The Advisor determines the securities, instruments and other contracts relating to investments to be purchased, sold or entered into by the Portfolio or delegates such responsibility to the Portfolio's subadvisor.

Under the Investment Management Agreement with the Advisor, the fee is equivalent to the annual rates shown below of the Portfolio's average daily net assets, computed and accrued daily and payable monthly:

Portfolio	Annual Management Fee Rate
DWS Alternative Asset Allocation Plus VIP	
on assets invested in other DWS funds	.200%
on assets invested in all other assets not considered DWS funds	1.200%

For the period from February 2, 2009 (commencement of operations) to June 30, 2009, the Advisor has agreed to waive 0.15% of the monthly management fee based on average daily net assets for the Portfolio.

Effective February 2, 2009 (commencement of operations) for Class A shares and effective May 18, 2009 (commencement of operations) for Class B shares through April 30, 2010, the Advisor has contractually agreed to waive all or a portion of its fee and reimburse or pay certain operating expenses to the extent necessary to maintain the operating expenses of the class for the period (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest expense) as follows:

Portfolio	Annual Rate
DWS Alternative Asset Allocation Plus VIP	
Class A	.21%
Class B	.61%

Accordingly, for the period from February 2, 2009 (commencement of operations) through June 30, 2009, the total management fee, management fee waived and effective management fee rate were as follows:

Portfolio	Total Aggregated (\$)	Waived (\$)	Annualized Effective Rate
DWS Alternative Asset Allocation Plus VIP	174	174	.00%

In addition, for the period ended June 30, 2009, the Advisor waived \$52,652 other expenses.

**Administration Fee.** Pursuant to an Administrative Services Agreement, DIMA provides most administrative services to the Portfolio. For all services provided under the Administrative Services Agreement, the Portfolio pays DIMA an annual fee ("Administration Fee") of 0.10% of the Portfolio's average daily net assets, computed and accrued daily and payable monthly. For the period from February 2, 2009 (commencement of operations) through June 30, 2009, the Administration Fee was as follows:

Portfolio	Total Aggregated (\$)	Waived (\$)
DWS Alternative Asset Allocation Plus VIP	87	87

**Service Provider Fees.** DWS Investments Service Company ("DISC"), an affiliate of the Advisor, is the transfer agent, dividend-paying agent and shareholder service agent for the Portfolio. Pursuant to a sub-transfer agency agreement between DISC and DST Systems, Inc. ("DST"), DISC has delegated certain transfer agent, dividend-paying agent and shareholder service agent functions to DST. DISC compensates DST out of the shareholder servicing fee it receives from the Portfolio. For the period from February 2, 2009 (commencement of

operations) for Class A shares and May 18, 2009 (commencement of operations) for Class B shares to June 30, 2009, the amounts charged to the Portfolio by DISC were as follows:

<b>Portfolio</b>	<b>Total Aggregated (\$)</b>	<b>Waived (\$)</b>	<b>Unpaid at June 30, 2009 (\$)</b>
DWS Alternative Asset Allocation Plus VIP Class A	19	—	—
DWS Alternative Asset Allocation Plus VIP Class B	3	3	3

**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 period from February 2, 2009 (commencement of operations) through June 30, 2009, the amount charged to the Portfolio by DIMA included in the Statement of Operations under “reports to shareholders” was as follows:

<b>Portfolio</b>	<b>Amount (\$)</b>
DWS Alternative Asset Allocation Plus VIP	5,627

**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.

**Cash Management QP Trust.** Pursuant to an Exemptive Order issued by the SEC, the Portfolio may invest in the Cash Management QP Trust (the “QP Trust”) and other affiliated funds managed by the Advisor. The QP Trust seeks to provide as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity. The QP Trust does not pay the Advisor a management fee for the affiliated funds’ investments in the QP Trust.

#### **D. Ownership of the Portfolio**

At June 30, 2009, the beneficial ownership in the Portfolio was as follows:

**DWS Alternative Asset Allocation Plus VIP:** Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 71% and 29%.

#### **E. Line of Credit**

The Trust and other affiliated funds (the “Participants”) share in a \$450 million revolving credit facility provided by a syndication of banks. The Portfolio may borrow for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated based on net assets, among each of the Participants. Interest is calculated at a rate per annum equal to the sum of the Federal Funds Rate plus 1.25 percent plus if LIBOR exceeds the Federal Funds Rate the amount of such excess. The Portfolio may borrow up to a maximum of 10 percent of its net assets under the agreement.

#### **F. Review for Subsequent Events**

In accordance with the provisions set forth in Financial Accounting Standards Board Statement of Financial Accounting Standards No. 165 “Subsequent Events,” adopted by the Portfolio as of June 30, 2009, events and transactions from July 1, 2009 through August 18, 2009, the date the financial statements were available to be issued, have been evaluated by management for subsequent events. Management has determined that there were no material events that would require disclosure in the Portfolio’s financial statements through this date.

## **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](http://www.dws-investments.com) (click on "proxy voting" at the bottom of the page) — or on the SEC's Web site — [www.sec.gov](http://www.sec.gov). To obtain a written copy of the Trust's policies and procedures without charge, upon request, call us toll free at (800) 621-1048.

# Summary of Management Fee Evaluation by Independent Fee Consultant

October 24, 2008

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 2008, 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.

## 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, serve on the board of directors of a private market research company, and have served in various leadership and financial oversight capacities with non-profit organizations.

## Evaluation of Fees for each DWS Fund

My work focused primarily on evaluating, fund-by-fund, the fees charged to each of the 129 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.

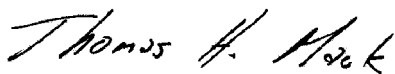
I considered whether DeAM and affiliates receive any significant ancillary or "fall-out" benefits that should be considered in interpreting the direct profitability results. These would be situations where serving as the investment manager of the Funds is beneficial to another part of the Deutsche Bank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

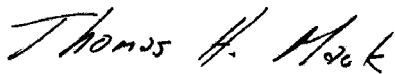
# Summary of Administrative Fee Evaluation by Independent Fee Consultant

September 29, 2008

Pursuant to an Order entered into by Deutsche Asset Management (DeAM) with the Attorney General of New York, I, Thomas H. Mack, have been appointed the Independent Fee Consultant for the DWS Funds and have as part of my duties evaluated the reasonableness of the proposed management fees to be charged by DeAM to the DWS Funds, taking onto account a proposal to pass through to the funds certain fund accounting-related charges in connection with new regulatory requirements. My evaluation considered the following:

- While the proposal would alter the services to be provided under the Administration Agreement, which I consider to be part of fund management under the Order, it is my opinion that the change in services is slight and that the scope of prospective services under the combination of the Advisory and Administration Agreements continues to be comparable with those typically provided to competitive funds under their management agreements.
- While the proposal would increase fund expenses, according to a pro forma analysis performed by management, the prospective effect is less than .01% for all but seven of the DeAM Funds' 438 active share classes, and in all cases the effect is less than .03% and overall expenses would remain reasonable in my opinion.

Based on the foregoing considerations, in my opinion the fees and expenses for all of the DWS Funds will remain reasonable if the Directors adopt this proposal.



Thomas H. Mack

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

The views expressed in this report reflect those of the portfolio managers only through the end of the period of the report as stated on the cover. The managers' views are subject to change at any time based on market and other conditions and should not be construed as a recommendation.

This information must be preceded or accompanied by a current prospectus.

Portfolio changes should not be considered recommendations for action by individual investors.

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