

JUNE 30, 2009

# SEMIANNUAL REPORT

## DWS VARIABLE SERIES I

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### DWS Capital Growth 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 consider the product's objectives, risks, charges and expenses carefully before investing. The prospectus contains this and other important information about the investment product. Please read the prospectus carefully before you invest.**

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

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

*DWS 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.



## 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 total annual portfolio operating expense ratios, gross of any fee waivers or expense reimbursements, 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. Please see the Information About Your Portfolio's Expenses, the Financial Highlights and Notes to the Financial Statements (Note C, Related Parties) sections of this report for gross and net expense-related disclosure for the period ended June 30, 2009.

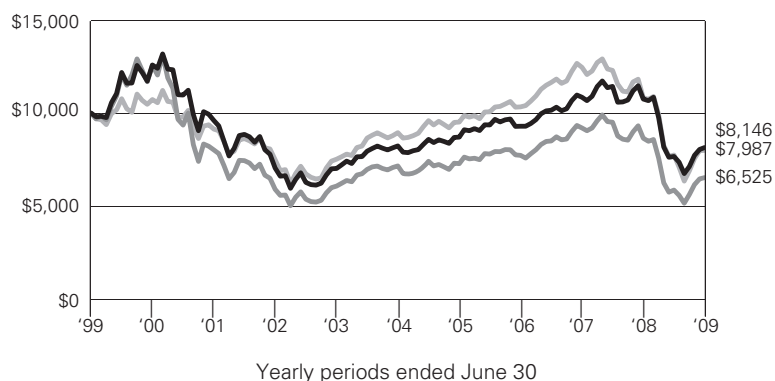
Portfolio returns during all periods shown reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

### 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

- DWS Capital Growth VIP — Class A
- Russell 1000<sup>®</sup> Growth Index
- S&P 500<sup>®</sup> Index



The Russell 1000<sup>®</sup> 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<sup>®</sup> Growth Index replaced the S&P 500<sup>®</sup> Index as the Fund's benchmark index because the Advisor believes that it more accurately reflects the Portfolio's investment strategy. The Standard & Poor's 500<sup>®</sup> (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		6-Month <sup>‡</sup>	1-Year	3-Year	5-Year	10-Year
Class A	Growth of \$10,000	\$10,634	\$7,575	\$8,769	\$9,892	\$8,146
	Average annual total return	6.34%	-24.25%	-4.28%	-0.22%	-2.03%
Russell 1000 Growth Index	Growth of \$10,000	\$11,153	\$7,550	\$8,452	\$9,120	\$6,525
	Average annual total return	11.53%	-24.50%	-5.45%	-1.83%	-4.18%
S&P 500 Index	Growth of \$10,000	\$10,316	\$7,379	\$7,730	\$8,928	\$7,987
	Average annual total return	3.16%	-26.21%	-8.22%	-2.24%	-2.22%
DWS Capital Growth VIP		6-Month <sup>‡</sup>	1-Year	3-Year	5-Year	10-Year
Class B	Growth of \$10,000	\$10,615	\$7,549	\$8,676	\$9,717	\$7,880
	Average annual total return	6.15%	-24.51%	-4.62%	-0.57%	-2.35%
Russell 1000 Growth Index	Growth of \$10,000	\$11,153	\$7,550	\$8,452	\$9,120	\$6,525
	Average annual total return	11.53%	-24.50%	-5.45%	-1.83%	-4.18%
S&P 500 Index	Growth of \$10,000	\$10,316	\$7,379	\$7,730	\$8,928	\$7,987
	Average annual total return	3.16%	-26.21%	-8.22%	-2.24%	-2.22%

The growth of \$10,000 is cumulative.

<sup>‡</sup> Total returns shown for periods less than one year are not annualized.

# Information About Your Portfolio's Expenses

## DWS Capital Growth VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The example in the table is based on an investment of \$1,000 invested at the beginning of the six-month period and held for the entire period (January 1, 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.

### Expenses and Value of a \$1,000 Investment for the six months ended June 30, 2009

<b>Actual Portfolio Return</b>	<b>Class A</b>	<b>Class B</b>
Beginning Account Value 1/1/09	\$1,000.00	\$1,000.00
Ending Account Value 6/30/09	\$1,063.40	\$1,061.50
Expenses Paid per \$1,000*	\$ 2.51	\$ 4.19

<b>Hypothetical 5% Portfolio Return</b>	<b>Class A</b>	<b>Class B</b>
Beginning Account Value 1/1/09	\$1,000.00	\$1,000.00
Ending Account Value 6/30/09	\$1,022.36	\$1,020.73
Expenses Paid per \$1,000*	\$ 2.46	\$ 4.11

\* 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.

<b>Annualized Expense Ratios</b>	<b>Class A</b>	<b>Class B</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.

# Portfolio Summary

## DWS Capital Growth VIP

<b>Asset Allocation</b> (As a % of Investment Portfolio excluding Securities Lending Collateral)	<b>6/30/09</b>	<b>12/31/08</b>
Common Stocks	98%	97%
Cash Equivalents	2%	3%
	100%	100%

<b>Sector Diversification</b> (As a % of Common Stocks)	<b>6/30/09</b>	<b>12/31/08</b>
Information Technology	31%	22%
Health Care	16%	22%
Industrials	11%	10%
Energy	10%	10%
Consumer Staples	9%	15%
Materials	8%	8%
Consumer Discretionary	7%	8%
Financials	5%	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 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.

# Investment Portfolio

June 30, 2009 (Unaudited)

## DWS Capital Growth VIP

	Shares	Value (\$)		Shares	Value (\$)
<b>Common Stocks 98.2%</b>					
<b>Consumer Discretionary 7.3%</b>					
<b>Hotels Restaurants &amp; Leisure 3.2%</b>					
Darden Restaurants, Inc. (a)	190,800	6,292,584			
Marriott International, Inc. "A" (a)	284,948	6,288,793			
McDonald's Corp.	150,100	8,629,249			
		<b>21,210,626</b>			
<b>Leisure Equipment &amp; Products 0.7%</b>					
Hasbro, Inc.	179,900	<b>4,360,776</b>			
<b>Multiline Retail 1.1%</b>					
Kohl's Corp.* (a)	162,700	<b>6,955,425</b>			
<b>Textiles, Apparel &amp; Luxury Goods 2.3%</b>					
NIKE, Inc. "B" (a)	297,915	<b>15,426,039</b>			
<b>Consumer Staples 9.2%</b>					
<b>Beverages 2.9%</b>					
PepsiCo, Inc.	353,925	<b>19,451,718</b>			
<b>Food &amp; Staples Retailing 3.0%</b>					
Sysco Corp.	318,100	7,150,888			
Wal-Mart Stores, Inc.	254,700	12,337,668			
		<b>19,488,556</b>			
<b>Household Products 3.3%</b>					
Colgate-Palmolive Co. (a)	144,340	10,210,612			
Energizer Holdings, Inc.*	154,300	8,060,632			
Procter & Gamble Co.	71,870	3,672,557			
		<b>21,943,801</b>			
<b>Energy 9.5%</b>					
<b>Energy Equipment &amp; Services 3.7%</b>					
Cameron International Corp.*	301,600	8,535,280			
Schlumberger Ltd.	130,300	7,050,533			
Transocean Ltd.* (a)	117,772	8,749,282			
		<b>24,335,095</b>			
<b>Oil, Gas &amp; Consumable Fuels 5.8%</b>					
Anadarko Petroleum Corp.	209,200	9,495,588			
EOG Resources, Inc.	124,075	8,427,174			
ExxonMobil Corp.	138,100	9,654,571			
Occidental Petroleum Corp.	166,595	10,963,617			
		<b>38,540,950</b>			
<b>Financials 4.9%</b>					
<b>Capital Markets 3.3%</b>					
Bank of New York Mellon Corp.	217,600	6,377,856			
Charles Schwab Corp.	223,200	3,914,928			
T. Rowe Price Group, Inc. (a)	278,400	11,600,928			
		<b>21,893,712</b>			
<b>Diversified Financial Services 1.6%</b>					
IntercontinentalExchange, Inc.* (a)	52,900	6,043,296			
JPMorgan Chase & Co.	133,400	4,550,274			
		<b>10,593,570</b>			
<b>Health Care 15.9%</b>					
<b>Biotechnology 6.1%</b>					
Amgen, Inc.*	180,800	9,571,552			
Celgene Corp.* (a)	268,170	12,829,253			
Gilead Sciences, Inc.* (a)	313,505	14,684,574			
Myriad Genetics, Inc.* (a)	96,600	3,443,790			
Myriad Pharmaceuticals, Inc.*	24,275	112,878			
		<b>40,642,047</b>			
<b>Health Care Equipment &amp; Supplies 3.9%</b>					
Baxter International, Inc.	60,700	3,214,672			
Edwards Lifesciences Corp.*	177,800	12,095,734			
St. Jude Medical, Inc.* (a)	252,100	10,361,310			
		<b>25,671,716</b>			
<b>Health Care Providers &amp; Services 3.6%</b>					
Express Scripts, Inc.* (a)	236,400	16,252,500			
Laboratory Corp. of America Holdings* (a)	109,500	7,423,005			
		<b>23,675,505</b>			
<b>Pharmaceuticals 2.3%</b>					
Abbott Laboratories	175,300	8,246,112			
Allergan, Inc. (a)	75,800	3,606,564			
Johnson & Johnson	62,306	3,538,981			
		<b>15,391,657</b>			
<b>Industrials 10.6%</b>					
<b>Aerospace &amp; Defense 4.3%</b>					
Lockheed Martin Corp.	84,600	6,822,990			
Rockwell Collins, Inc.	260,400	10,866,492			
United Technologies Corp. (a)	209,000	10,859,640			
		<b>28,549,122</b>			
<b>Commercial Services &amp; Supplies 1.3%</b>					
Stericycle, Inc.* (a)	158,500	<b>8,167,505</b>			
<b>Electrical Equipment 2.6%</b>					
AMETEK, Inc. (a)	489,300	<b>16,919,994</b>			
<b>Machinery 0.9%</b>					
Parker Hannifin Corp.	140,200	<b>6,022,992</b>			
<b>Road &amp; Rail 1.5%</b>					
Burlington Northern Santa Fe Corp.	54,500	4,007,930			
Norfolk Southern Corp.	159,800	6,019,666			
		<b>10,027,596</b>			
<b>Information Technology 29.9%</b>					
<b>Communications Equipment 8.7%</b>					
Cisco Systems, Inc.*	1,019,855	19,010,097			
QUALCOMM, Inc. (a)	600,170	27,127,684			
Research In Motion Ltd.*	163,510	11,617,386			
		<b>57,755,167</b>			
<b>Computers &amp; Peripherals 6.6%</b>					
Apple, Inc.*	174,254	24,818,997			
EMC Corp.*	835,115	10,940,007			
International Business Machines Corp. (a)	77,610	8,104,036			
		<b>43,863,040</b>			
<b>Internet Software &amp; Services 0.5%</b>					
Google, Inc. "A"*	7,725	<b>3,256,783</b>			
<b>IT Services 1.7%</b>					
Accenture Ltd. "A" (a)	338,900	<b>11,339,594</b>			
<b>Semiconductors &amp; Semiconductor Equipment 5.5%</b>					
Broadcom Corp. "A" (a)	610,100	15,124,379			
Intel Corp. (a)	995,590	16,477,014			
NVIDIA Corp.* (a)	410,900	4,639,061			
		<b>36,240,454</b>			
<b>Software 6.9%</b>					
Adobe Systems, Inc.*	251,075	7,105,422			
Microsoft Corp.	828,880	19,702,478			

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

	Shares	Value (\$)
Oracle Corp.	868,955	18,613,016
		<b>45,420,916</b>
<b>Materials 7.8%</b>		
<b>Chemicals 6.7%</b>		
Celanese Corp. "A"	216,500	5,141,875
Ecolab, Inc. (a)	298,700	11,646,313
Monsanto Co.	233,945	17,391,471
The Mosaic Co.	220,300	9,759,290
		<b>43,938,949</b>
<b>Metals &amp; Mining 1.1%</b>		
Barrick Gold Corp. (a)	220,000	7,381,000
<b>Telecommunication Services 2.3%</b>		
<b>Diversified Telecommunication Services 0.8%</b>		
AT&T, Inc.	219,600	5,454,864
<b>Wireless Telecommunication Services 1.5%</b>		
American Tower Corp. "A"* (a)	305,700	9,638,721

	Shares	Value (\$)
<b>Utilities 0.8%</b>		
<b>Electric Utilities</b>		
FirstEnergy Corp.	18,500	716,875
FPL Group, Inc. (a)	79,400	4,514,684
		<b>5,231,559</b>
<b>Total Common Stocks (Cost \$531,370,535)</b>		<b>648,789,449</b>

	Shares	Value (\$)
<b>Securities Lending Collateral 27.0%</b>		
Daily Assets Fund Institutional, 0.48% (b) (c) (Cost \$178,801,025)	178,801,025	<b>178,801,025</b>

	Shares	Value (\$)
<b>Cash Equivalents 1.8%</b>		
Cash Management QP Trust, 0.27% (b) (Cost \$11,963,130)	11,963,130	<b>11,963,130</b>

	% of Net Assets	Value (\$)
<b>Total Investment Portfolio</b> (Cost \$722,134,690) <sup>†</sup>	127.0	<b>839,553,604</b>
<b>Other Assets and Liabilities, Net</b>	(27.0)	<b>(178,537,022)</b>
<b>Net Assets</b>	100.0	<b>661,016,582</b>

\* Non-income producing security.

† The cost for federal income tax purposes was \$725,551,696. At June 30, 2009, net unrealized appreciation for all securities based on tax cost was \$114,001,908. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$132,205,904 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$18,203,996.

(a) All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2009 amounted to \$173,025,921, which is 26.2% 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.

### 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
Common Stocks and/or Other Equity Investments (d)	\$ 648,789,449	\$ —	\$ —	\$ 648,789,449
Short-Term Investments (d)	178,801,025	11,963,130	—	190,764,155
<b>Total</b>	<b>\$ 827,590,474</b>	<b>\$ 11,963,130</b>	<b>\$ —</b>	<b>\$ 839,553,604</b>

(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 June 30, 2009 (Unaudited)

### Assets

Investments:	
Investments in securities, at value (cost \$531,370,535), including \$173,025,921 of securities loaned	\$ 648,789,449
Investment in Daily Assets Fund Institutional (cost \$178,801,025)*	178,801,025
Investment in Cash Management QP Trust (cost \$11,963,130)	11,963,130
Total investments, at value (cost \$722,134,690)	839,553,604
Foreign currency, at value (cost \$127,566)	139,602
Receivable for investments sold	468,340
Receivable for Portfolio shares sold	89,785
Dividends receivable	379,708
Interest receivable	24,853
Foreign taxes recoverable	69,860
Other assets	24,550
Total assets	840,750,302

### Liabilities

Payable for Portfolio shares redeemed	498,134
Payable upon return of securities loaned	178,801,025
Accrued management fee	152,293
Accrued distribution service fee (Class B)	1,651
Other accrued expenses and payables	280,617
Total liabilities	179,733,720
<b>Net assets, at value</b>	<b>\$ 661,016,582</b>

### Net Assets Consist of

Undistributed net investment income	3,392,422
Net unrealized appreciation (depreciation) on:	
Investments	117,418,914
Foreign currency	16,764
Accumulated net realized gain (loss)	(307,910,344)
Paid-in capital	848,098,826
<b>Net assets, at value</b>	<b>\$ 661,016,582</b>

### Class A

<b>Net Asset Value</b> , offering and redemption price per share (\$650,196,241 ÷ 45,831,512 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	<b>\$ 14.19</b>
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### Class B

<b>Net Asset Value</b> , offering and redemption price per share (\$10,820,341 ÷ 764,516 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	<b>\$ 14.15</b>
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\* Represents collateral on securities loaned.

## Statement of Operations

for the six months ended June 30, 2009 (Unaudited)

### Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$5,858)	\$ 4,592,765
Interest	3,126
Interest — Cash Management QP Trust	46,184
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	376,719
Total Income	5,018,794
Expenses:	
Management fee	1,105,475
Administration fee	294,379
Custodian fee	31,157
Distribution service fee (Class B)	12,987
Services to shareholders	6,971
Record keeping fee (Class B)	4,791
Professional fees	48,510
Trustees' fees and expenses	15,932
Reports to shareholders	49,802
Other	10,080
Total expenses before expense reductions	1,580,084
Expense reductions	(121,466)
Total expenses after expense reductions	1,458,618
<b>Net investment income (loss)</b>	<b>3,560,176</b>

### Realized and Unrealized Gain (Loss)

Net realized gain (loss) from:	
Investments	(68,388,327)
Foreign currency	78
Payments by affiliates (see Note F)	559
	(68,387,690)
Change in net unrealized appreciation (depreciation) on:	
Investments	102,916,786
Foreign currency	10,961
	102,927,747
<b>Net gain (loss)</b>	<b>34,540,057</b>
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$ 38,100,233</b>

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

## Statement of Changes in Net Assets

	Six Months Ended June 30, 2009 (Unaudited)	Year Ended December 31, 2008
<b>Increase (Decrease) in Net Assets</b>		
Operations:		
Net investment income (loss)	\$ 3,560,176	\$ 7,814,207
Net realized gain (loss)	(68,387,690)	23,172,997
Change in net unrealized appreciation (depreciation)	102,927,747	(355,389,503)
Net increase (decrease) in net assets resulting from operations	38,100,233	(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:		
<b>Class A</b>		
Proceeds from shares sold	13,107,593	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	(61,168,865)	(169,314,485)
Net increase (decrease) in net assets from Class A share transactions	26,764,708	(136,007,074)
<b>Class B</b>		
Proceeds from shares sold	1,233,758	1,473,846
Reinvestment of distributions	116,634	96,190
Cost of shares redeemed	(1,506,749)	(4,263,172)
Net increase (decrease) in net assets from Class B share transactions	(156,357)	(2,693,136)
<b>Increase (decrease) in net assets</b>	56,594,913	(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 \$3,392,422 and \$7,945,917, respectively)	<b>\$ 661,016,582</b>	<b>\$ 604,421,669</b>
<b>Other Information</b>		
<b>Class A</b>		
Shares outstanding at beginning of period	43,844,542	51,857,448
Shares sold	1,001,192	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	(4,668,832)	(9,848,344)
Net increase (decrease) in Class A shares	1,986,970	(8,012,906)
Shares outstanding at end of period	<b>45,831,512</b>	<b>43,844,542</b>
<b>Class B</b>		
Shares outstanding at beginning of period	777,803	920,834
Shares sold	91,590	89,671
Shares issued to shareholders in reinvestment of distributions	9,421	4,831
Shares redeemed	(114,298)	(237,533)
Net increase (decrease) in Class B shares	(13,287)	(143,031)
Shares outstanding at end of period	<b>764,516</b>	<b>777,803</b>

\* On April 24, 2009 DWS Janus Growth & Income VIP was acquired by the Portfolio through a tax-free reorganization (see Note G).

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

# Financial Highlights

## Class A

Years Ended December 31,

	2009 <sup>a</sup>	2008	2007	2006	2005	2004
<b>Selected Per Share Data</b>						
<b>Net asset value, beginning of period</b>	<b>\$13.55</b>	<b>\$20.41</b>	<b>\$18.24</b>	<b>\$16.90</b>	<b>\$15.67</b>	<b>\$14.59</b>
<i>Income (loss) from investment operations:</i>						
Net investment income (loss) <sup>b</sup>	.08	.16	.17 <sup>e</sup>	.13 <sup>d</sup>	.10	.14
Net realized and unrealized gain (loss)	.75	(6.83)	2.12	1.31	1.29	1.02
<b>Total from investment operations</b>	<b>.83</b>	<b>(6.67)</b>	<b>2.29</b>	<b>1.44</b>	<b>1.39</b>	<b>1.16</b>
<i>Less distributions from:</i>						
Net investment income	(.19)	(.19)	(.12)	(.10)	(.16)	(.08)
<b>Net asset value, end of period</b>	<b>\$14.19</b>	<b>\$13.55</b>	<b>\$20.41</b>	<b>\$18.24</b>	<b>\$16.90</b>	<b>\$15.67</b>
Total Return (%)	6.34 <sup>c**</sup>	(32.98) <sup>c</sup>	12.59 <sup>c</sup>	8.53 <sup>c,d</sup>	8.96 <sup>c</sup>	7.99

### Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	650	594	1,058	1,131	1,031	698
Ratio of expenses before expense reductions (%)	.53 <sup>*</sup>	.50	.53	.52	.50	.50
Ratio of expenses after expense reductions (%)	.49 <sup>*</sup>	.49	.52	.49	.49	.50
Ratio of net investment income (loss) (%)	1.22 <sup>*</sup>	.89	.86 <sup>e</sup>	.73 <sup>d</sup>	.61	.98
Portfolio turnover rate (%)	49 <sup>**</sup>	21	30	16	17	15

<sup>a</sup> For the six months ended 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> 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.

<sup>e</sup> Net investment income per share and ratio of net investment income include non-recurring dividend income amounting to \$0.03 per share and 0.17% of average daily net assets, respectively.

\* Annualized \*\* Not annualized

## Class B

Years Ended December 31,

	2009 <sup>a</sup>	2008	2007	2006	2005	2004
<b>Selected Per Share Data</b>						
<b>Net asset value, beginning of period</b>	<b>\$13.49</b>	<b>\$20.31</b>	<b>\$18.15</b>	<b>\$16.81</b>	<b>\$15.59</b>	<b>\$14.52</b>
<i>Income (loss) from investment operations:</i>						
Net investment income (loss) <sup>b</sup>	.06	.10	.09 <sup>e</sup>	.06 <sup>d</sup>	.04	.09
Net realized and unrealized gain (loss)	.75	(6.81)	2.12	1.31	1.28	1.01
<b>Total from investment operations</b>	<b>.81</b>	<b>(6.71)</b>	<b>2.21</b>	<b>1.37</b>	<b>1.32</b>	<b>1.10</b>
<i>Less distributions from:</i>						
Net investment income	(.15)	(.11)	(.05)	(.03)	(.10)	(.03)
<b>Net asset value, end of period</b>	<b>\$14.15</b>	<b>\$13.49</b>	<b>\$20.31</b>	<b>\$18.15</b>	<b>\$16.81</b>	<b>\$15.59</b>
Total Return (%)	6.15 <sup>c**</sup>	(33.20) <sup>c</sup>	12.18 <sup>c</sup>	8.17 <sup>c,d</sup>	8.51 <sup>c</sup>	7.56

### Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	11	10	19	107	73	23
Ratio of expenses before expense reductions (%)	.87 <sup>*</sup>	.85	.94	.91	.89	.88
Ratio of expenses after expense reductions (%)	.82 <sup>*</sup>	.82	.90	.86	.86	.88
Ratio of net investment income (loss) (%)	.89 <sup>*</sup>	.56	.48 <sup>e</sup>	.36 <sup>d</sup>	.24	.60
Portfolio turnover rate (%)	49 <sup>**</sup>	21	30	16	17	15

<sup>a</sup> For the six months ended 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> 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.

<sup>e</sup> Net investment income per share and ratio of net investment income include non-recurring dividend income amounting to \$0.03 per share and 0.17% of average daily net assets, respectively.

\* Annualized \*\* Not annualized

## 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”). These financial statements report on DWS Capital Growth VIP. The Series is intended to be the underlying investment vehicle for variable annuity contracts and variable life insurance policies to be offered by the separate accounts of certain life insurance companies (“Participating Insurance Companies”).

**Multiple Classes of Shares of Beneficial Interest.** The Portfolio offers two classes of shares (Class A shares and Class B shares). Class B shares are subject to Rule 12b-1 distribution fees under the 1940 Act and record keeping fees equal to an annual rate of 0.25% and up to 0.15%, respectively, of the average daily net assets of the Class B shares of the 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 and Cash Management QP Trust are valued at their net asset value each business day.

Securities and other assets for which market quotations are not readily available or for which the above valuation procedures are deemed not to reflect fair value are valued in a manner that is intended to reflect their fair value as determined in accordance with procedures approved by the Trustees. The Series may use a fair valuation model to value international equity securities in order to adjust for events which may occur between the close of the foreign exchanges and the close of the New York Stock Exchange. 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 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.** The Portfolio may lend securities to financial institutions. The Portfolio retains beneficial ownership of the securities it has loaned and continues to receive interest and dividends paid by the 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 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 Portfolio are maintained in US dollars. Investment securities and other assets and liabilities denominated in a foreign currency are translated into US dollars at the prevailing exchange rates at period end. Purchases and sales of investment securities, income and expenses are translated into US dollars at the prevailing exchange rates on the respective dates of the transactions.

Net realized and unrealized gains and losses on foreign currency transactions represent net gains and losses between trade and settlement dates on securities transactions, the disposition of forward foreign currency exchange contracts and foreign currencies, and the difference between the amount of net investment income accrued and the US dollar amount actually received. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed but is included with net realized and unrealized gain/appreciation and loss/depreciation on investments.

**Taxes.** The Portfolio is treated as a separate taxpayer as provided for in the Internal Revenue Code, as amended. It is the Portfolio's policy to comply with the requirements of the Internal Revenue Code, as amended, which are applicable to regulated investment companies, and to distribute all of its taxable income to the separate accounts of the Participating Insurance Companies which hold its shares.

At December 31, 2008, the Portfolio had an approximate net tax basis capital loss carryforward which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until the following expiration dates, whichever occurs first:

Portfolio	Capital Loss Carryforwards (\$)	Expiration Date
DWS Capital Growth VIP	227,747,000	12/31/2009–12/31/2012

In addition, from November 1, 2008 through December 31, 2008, the Portfolio incurred approximately \$8,359,000 of net realized capital losses. As permitted by tax regulations, the Portfolio intends to elect to defer these losses and treat them as arising in the fiscal year ended December 31, 2009.

At December 31, 2008, the Portfolio had a net tax basis capital loss carryforward of approximately \$227,747,000, of which a portion was inherited from its mergers with the SVS Eagle Focused Large Cap Growth Portfolio, Scudder Growth Portfolio, DWS Oak Strategic Equity VIP and DWS Janus Growth Opportunities VIP, and which is included in the table above and may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until the expiration dates, range from December 31, 2009, to December 31, 2012, whichever occurs first, and which may be subject to certain limitations under Section 382–384 of the Internal Revenue Code.

The Portfolio has reviewed the tax positions for the open tax years as of December 31, 2008 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.

**Distribution of Income and Gains.** The Portfolio will declare and distribute dividends from its net investment income, if any, annually, although additional distributions may be made if necessary. Net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to the 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 post October loss deferrals and certain securities sold at a loss. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, the Portfolio may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Portfolio.

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

**Expenses.** Expenses of the Series arising in connection with a specific Portfolio are allocated to that Portfolio. Other Series expenses which cannot be directly attributed to a Portfolio are apportioned among the Portfolios in the Series.

**Contingencies.** In the normal course of business, 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 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.

## B. Purchases and Sales of Securities

During the six months ended June 30, 2009, purchases and sales of investment securities (excluding short-term investments) were as follows:

Portfolio	Purchases (\$)	Sales (\$)
DWS Capital Growth VIP	289,999,566	329,703,592

## 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 Portfolio in accordance with its investment objectives, policies and restrictions. The Advisor determines the securities, instruments and other contracts relating to investments to be purchased, sold or entered into by the Portfolio.

Under the Investment Management Agreement with the Advisor, the Portfolio pays a monthly management fee, based on the average daily net assets of the Portfolio, computed and accrued daily and payable monthly, at the annual rates shown below:

Portfolio	Annual Management Fee Rate
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%

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 Capital Growth VIP Class A	.49%
DWS Capital Growth VIP Class B	.82%

Accordingly, for the six months ended June 30, 2009, the total management fee, management fee waived, and effective management fee rate are as follows:

Portfolio	Total Aggregated (\$)	Waived (\$)	Annualized Effective Rate
DWS Capital Growth VIP	1,105,475	120,363	.33%

In addition, for the six months ended June 30, 2009, the Advisor waived record keeping expenses of Class B shares of the Portfolio as follows:

Portfolio	Waived (\$)
DWS Capital Growth VIP	639

**Administration Fee.** Pursuant to an Administrative Services Agreement, DIMA provides most administrative services to the Series. For all services provided under the Administrative Services Agreement, the Portfolio pays

the Advisor an annual fee ("Administration Fee") of 0.10% of the Portfolio's average daily net assets, computed and accrued daily and payable monthly. For the six months ended June 30, 2009, the Administration Fee was as follows:

Portfolio	Total Aggregated (\$)	Unpaid at June 30, 2009 (\$)
DWS Capital Growth VIP	294,379	55,118

**Service Provider Fees.** DWS Investments Service Company ("DISC"), an affiliate of the Advisor, is the transfer agent, dividend-paying agent and shareholder service agent for the Series. Pursuant to a sub-transfer agency agreement between DISC and DST Systems, Inc. ("DST"), DISC has delegated certain transfer agent, dividend-paying agent and shareholder service agent functions to DST. DISC compensates DST out of the shareholder servicing fee it receives from the Portfolio. For the six months ended June 30, 2009, the amounts charged to the Portfolio by DISC were as follows:

Portfolio	Total Aggregated (\$)	Waived (\$)
DWS Capital Growth VIP Class A	415	415
DWS Capital Growth VIP Class B	49	49

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 the 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 Portfolio. For the six months ended June 30, 2009, the amount charged to the Portfolio by DIMA included in the Statement of Operations under "reports to shareholders" was as follows:

Portfolio	Total Aggregated (\$)
DWS Capital Growth VIP	4,341

**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 Series may invest in the Cash Management QP Trust (the "QP Trust"), and other affiliated funds managed by the Advisor. The QP Trust seeks to provide as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity. The QP Trust does not pay the Advisor a management fee for the affiliated funds' investments in the QP Trust.

#### D. Ownership of the Portfolio

At the end of the period, the beneficial ownership in the Portfolio was as follows:

**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 39%, 25% and 13%. One participating insurance company was an owner of record, owning 87% of the total outstanding Class B shares of the Portfolio.

#### E. 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. 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.

#### F. Payments Made by Affiliates

During the six months ended June 30, 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.

## **G. Acquisition of Assets**

On April 24, 2009, the Portfolio 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 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 the Portfolio 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 the Portfolio. The aggregate net assets of the Portfolio immediately before the acquisition were \$572,408,860. The combined net assets of the Portfolio immediately following the acquisition were \$639,237,803.

## **H. 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 14, 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 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](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 Series' 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.

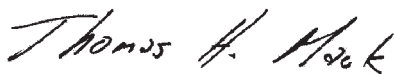
I considered whether DeAM and affiliates receive any significant ancillary or "fall-out" benefits that should be considered in interpreting the direct profitability results. These would be situations where serving as the investment manager of the Funds is beneficial to another part of the Deutsche Bank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

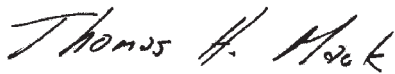
# Summary of Administrative Fee Evaluation by Independent Fee Consultant

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 into 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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