

JUNE 30, 2010

# SEMIANNUAL REPORT

## DWS VARIABLE SERIES II

---

### DWS Global Thematic VIP

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

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

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

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



A member of  
Deutsche Bank Group



## DWS Global Thematic VIP

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please contact your participating insurance company for the Portfolio's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns. While all share classes have the same underlying Portfolio, their performance will differ.

The gross expense ratios of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2010 are 1.39% and 1.74% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

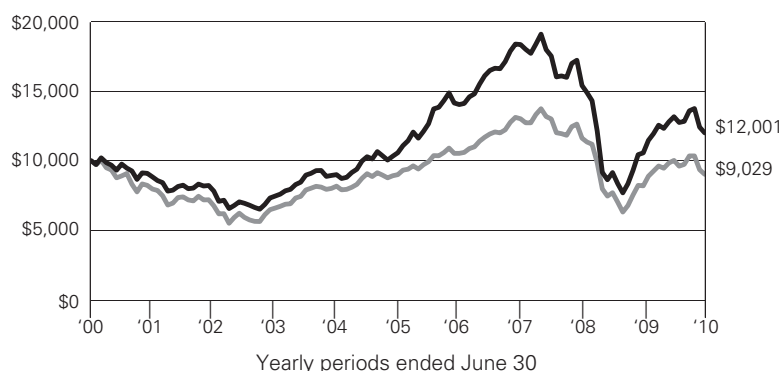
### Risk Considerations

Investing in derivatives entails special risks relating to liquidity, leverage and credit that may reduce returns and/or increase volatility. Investing in foreign securities, particularly those of emerging markets, presents certain risks, such as currency fluctuations, political and economic changes, and market risks. Any decline in value of a portfolio security that is out on loan by the portfolio will adversely affect performance. Financial failure of the borrower may mean a delay in recovery or loss of rights in the collateral. Stocks may decline in value. See the prospectus for details.

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

### Growth of an Assumed \$10,000 Investment in DWS Global Thematic VIP

- DWS Global Thematic VIP — Class A
- MSCI World Index



The Morgan Stanley Capital International (MSCI) World Index is an unmanaged, capitalization-weighted measure of global stock markets including the US, Canada, Europe, Australia and the Far East. The index is calculated using closing local market prices and translates into US dollars using the London close foreign exchange rates. Index returns assume reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

### Comparative Results

DWS Global Thematic VIP		6-Month <sup>‡</sup>	1-Year	3-Year	5-Year	10-Year
Class A	Growth of \$10,000	\$9,124	\$11,357	\$6,547	\$11,347	\$12,001
	Average annual total return	-8.76%	13.57%	-13.17%	2.56%	1.84%
MSCI World Index	Growth of \$10,000	\$9,016	\$11,020	\$6,940	\$10,029	\$9,029
	Average annual total return	-9.84%	10.20%	-11.46%	.06%	-1.02%

DWS Global Thematic VIP		6-Month <sup>‡</sup>	1-Year	3-Year	5-Year	Life of Class <sup>*</sup>
Class B	Growth of \$10,000	\$9,106	\$11,314	\$6,476	\$11,135	\$15,124
	Average annual total return	-8.94%	13.14%	-13.48%	2.17%	5.31%
MSCI World Index	Growth of \$10,000	\$9,016	\$11,020	\$6,940	\$10,029	\$13,362
	Average annual total return	-9.84%	10.20%	-11.46%	.06%	3.69%

The growth of \$10,000 is cumulative.

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

<sup>\*</sup> The Portfolio commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.

# Information About Your Portfolio's Expenses

## DWS Global Thematic VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The example in the table is based on an investment of \$1,000 invested at the beginning of the six-month period and held for the entire period (January 1, 2010 to June 30, 2010).

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, 2010

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/10	\$1,000.00	\$1,000.00
Ending Account Value 6/30/10	\$ 912.40	\$ 910.60
Expenses Paid per \$1,000*	\$ 5.03	\$ 6.68

Hypothetical 5% Portfolio Return	Class A	Class B
Beginning Account Value 1/1/10	\$1,000.00	\$1,000.00
Ending Account Value 6/30/10	\$1,019.54	\$1,017.80
Expenses Paid per \$1,000*	\$ 5.31	\$ 7.05

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

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Global Thematic VIP	1.06%	1.41%

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 Global Thematic VIP

<b>Asset Allocation</b> (As a % of Investment Portfolio excluding Securities Lending Collateral)	<b>6/30/10</b>	<b>12/31/09</b>
Common Stocks	96%	95%
Cash Equivalents	3%	1%
Participatory Notes	1%	2%
Exchange-Traded Funds	—	2%
	100%	100%

<b>Sector Diversification</b> (As a % of Investment Portfolio excluding Exchange-Traded Funds, Cash Equivalents and Securities Lending Collateral)	<b>6/30/10</b>	<b>12/31/09</b>
Financials	22%	23%
Information Technology	15%	11%
Health Care	14%	14%
Industrials	13%	14%
Consumer Staples	9%	11%
Telecommunication Services	9%	6%
Materials	7%	2%
Energy	6%	9%
Consumer Discretionary	3%	8%
Utilities	2%	2%
	100%	100%

<b>Geographical Diversification</b> (As a % of Investment Portfolio excluding Cash Equivalents and Securities Lending Collateral)	<b>6/30/10</b>	<b>12/31/09</b>
United States	42%	44%
Continental Europe	25%	23%
United Kingdom	10%	7%
Asia (excluding Japan)	10%	5%
Latin America	5%	5%
Japan	2%	9%
Africa	2%	2%
Middle East	0%	3%
Bermuda	1%	1%
Other	3%	1%
	100%	100%

*Asset allocation, sector and geographical diversifications are subject to change.*

*For more complete details about the Portfolio's investment portfolio, see page 5.*

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. A complete list of the portfolio holdings of the Portfolio is also posted on [www.dws-investments.com](http://www.dws-investments.com) from time to time. Please see the Portfolio's current prospectus for more information.

# Investment Portfolio

June 30, 2010 (Unaudited)

## DWS Global Thematic VIP

	Shares	Value (\$)		Shares	Value (\$)
<b>Common Stocks 96.4%</b>					
<b>Austria 3.3%</b>					
Erste Group Bank AG	42,381	1,348,281			
Raiffeisen International Bank-Holding AG* (a)	17,134	653,009			
(Cost \$2,332,642)		<b>2,001,290</b>			
<b>Bermuda 1.1%</b>					
Lazard Ltd. "A" (Cost \$790,370)	24,700	<b>659,737</b>			
<b>Brazil 3.7%</b>					
Banco Bradesco SA (ADR) (Preferred) (a)	41,600	659,776			
BR Properties SA	56,900	405,077			
Santos Brasil Participacoes SA (Units)	91,700	762,050			
SLC Agricola SA	61,400	455,823			
(Cost \$2,589,437)		<b>2,282,726</b>			
<b>Cayman Islands 0.9%</b>					
Herbalife Ltd. (Cost \$493,211)	11,600	<b>534,180</b>			
<b>China 2.2%</b>					
China Metal Recycling Holdings Ltd.	198,600	181,110			
China Railway Construction Corp., Ltd. "H"	363,500	454,678			
Ping An Insurance (Group) Co. of China Ltd. "H"	56,000	451,427			
Renhe Commercial Holdings Co., Ltd.	1,310,000	271,508			
(Cost \$1,441,826)		<b>1,358,723</b>			
<b>Egypt 0.6%</b>					
Commercial International Bank Egypt SAE	2,364	27,826			
Orascom Telecom Holding SAE (GDR) REG S (b)	70,060	302,579			
Orascom Telecom Holding SAE (GDR) REG S (b)	13,400	58,960			
(Cost \$156,694)		<b>389,365</b>			
<b>France 1.6%</b>					
Societe Generale (a) (Cost \$1,331,146)	24,591	<b>1,000,330</b>			
<b>Germany 7.0%</b>					
Daimler AG (Registered)*	6,100	308,887			
Deutsche Lufthansa AG (Registered)*	38,700	533,240			
Deutsche Post AG (Registered)	78,200	1,134,376			
Deutsche Telekom AG (Registered)	84,400	994,928			
E.ON AG	38,000	1,022,951			
Fraport AG	7,700	327,264			
(Cost \$4,537,569)		<b>4,321,646</b>			
<b>Greece 0.3%</b>					
Hellenic Exchanges SA (Cost \$229,890)	31,200	<b>164,418</b>			
<b>Hong Kong 1.7%</b>					
China Mobile Ltd. (ADR)	9,400	464,454			
China Unicom (Hong Kong) Ltd. (ADR) (a) (c)	16,700	222,110			
Cosco Pacific Ltd.	269,800	319,909			
Yingde Gases* (c)	69,500	68,559			
(Cost \$1,086,033)		<b>1,075,032</b>			
<b>India 1.3%</b>					
Bank of Baroda	2,829	42,528			
Bank of India	10,196	75,962			
Deccan Chronicle Holdings Ltd.	66,993	175,859			
Hindustan Unilever Ltd.	59,900	345,131			
Union Bank of India Ltd.	20,105	131,912			
(Cost \$797,687)		<b>771,392</b>			
<b>Indonesia 1.6%</b>					
PT Semen Gresik (Persero) Tbk	745,700	713,153			
PT Telekomunikasi Indonesia Tbk (ADR)	7,700	263,571			
(Cost \$846,515)		<b>976,724</b>			
<b>Ireland 0.1%</b>					
Irish Life & Permanent Group Holdings PLC* (Cost \$138,432)	35,830	<b>65,702</b>			
<b>Israel 0.3%</b>					
NICE Systems Ltd. (ADR)* (Cost \$228,826)	8,100	<b>206,469</b>			
<b>Italy 1.7%</b>					
Parmalat SpA	176,814	410,748			
UniCredit SpA	284,300	631,062			
(Cost \$1,199,057)		<b>1,041,810</b>			
<b>Japan 2.4%</b>					
Fujitsu Ltd.	74,000	464,898			
Hitachi Ltd.*	87,000	315,504			
Mitsubishi UFJ Financial Group, Inc.	54,300	246,151			
Sumitomo Mitsui Financial Group, Inc.	15,000	423,460			
(Cost \$1,440,660)		<b>1,450,013</b>			
<b>Kazakhstan 0.5%</b>					
Kazakhstan Kagazy PLC (GDR) 144A*	181,200	34,428			
KazMunaiGas Exploration Production (GDR)	15,750	292,950			
(Cost \$1,297,986)		<b>327,378</b>			
<b>Korea 1.9%</b>					
KT&G Corp.	16,748	823,492			
SK Telecom Co., Ltd.	2,320	303,856			
SK Telecom Co., Ltd. (ADR)	4,000	58,920			
(Cost \$1,365,934)		<b>1,186,268</b>			
<b>Luxembourg 0.5%</b>					
ArcelorMittal (Cost \$321,610)	12,222	<b>325,057</b>			
<b>Malaysia 0.4%</b>					
Axiata Group Bhd.* (Cost \$213,918)	185,200	<b>222,706</b>			
<b>Mexico 0.3%</b>					
Banco Compartamos SA de CV	200	1,040			
Grupo Financiero Banorte SAB de CV "O"	55,400	209,896			
(Cost \$204,005)		<b>210,936</b>			
<b>Netherlands 1.7%</b>					
QIAGEN NV* (a)	29,400	569,523			
VimpelCom Ltd. (ADR)* (d)	31,274	506,013			
(Cost \$953,757)		<b>1,075,536</b>			
<b>Panama 0.9%</b>					
Copa Holdings SA "A" (Cost \$560,938)	12,650	<b>559,383</b>			

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

	Shares	Value (\$)
<b>Russia 0.2%</b>		
Far Eastern Shipping Co.* (Cost \$362,397)	335,553	<b>130,530</b>
<b>Singapore 0.1%</b>		
Food Empire Holdings Ltd. (Cost \$55,362)	115,000	<b>28,501</b>
<b>South Africa 2.1%</b>		
MTN Group Ltd.	73,600	964,859
Murray & Roberts Holdings Ltd. (Cost \$1,514,810)	67,115	<b>337,671</b>
		<b>1,302,530</b>
<b>Sweden 1.6%</b>		
Telefonaktiebolaget LM Ericsson "B" (Cost \$925,650)	88,900	<b>989,794</b>
<b>Switzerland 5.0%</b>		
Givaudan SA (Registered)	338	285,693
Julius Baer Group Ltd.	27,939	795,446
Nestle SA (Registered)	8,650	417,362
Roche Holding AG (Genusschein)	7,062	969,779
UBS AG (Registered)* (a) (Cost \$3,263,170)	48,600	<b>642,492</b>
		<b>3,110,772</b>
<b>Thailand 1.2%</b>		
Bangkok Bank PCL (Foreign Registered)	98,700	385,341
Kasikornbank PCL (Foreign Registered)	91,400	265,455
Seamico Securities PCL (Foreign Registered) (Cost \$694,434)	1,403,300	<b>78,419</b>
		<b>729,215</b>
<b>United Kingdom 9.1%</b>		
Aberdeen Asset Management PLC	39,048	74,746
Anglo American PLC*	26,980	937,923
BAE Systems PLC	136,890	635,949
Barratt Developments PLC*	335,611	463,778
Diageo PLC	35,178	551,207
G4S PLC	132,974	526,899
GlaxoSmithKline PLC	35,132	595,388
Imperial Tobacco Group PLC	30,175	841,348
Vodafone Group PLC (Cost \$5,762,973)	471,638	<b>977,338</b>
		<b>5,604,576</b>
<b>United States 41.1%</b>		
Abbott Laboratories	13,700	640,886
Aecom Technology Corp.*	21,800	502,708
Air Products & Chemicals, Inc.	6,300	408,303
Apache Corp.	2,900	244,151
Archer-Daniels-Midland Co.	12,800	330,496
Bank of America Corp.	31,900	458,403
Cisco Systems, Inc.*	32,300	688,313
Citigroup, Inc.*	89,500	336,520
ConocoPhillips	6,800	333,812
Devon Energy Corp.	5,200	316,784
EMC Corp.*	10,800	197,640
Emdeon, Inc. "A"*	4,700	58,891
ExxonMobil Corp.	33,900	1,934,673
FTI Consulting, Inc.*	13,400	584,106
General Dynamics Corp.	11,500	673,440
General Electric Co.	38,900	560,938
Google, Inc. "A"*	800	355,960
Harris Corp.	10,800	449,820
Hewlett-Packard Co.	42,100	1,822,088
Intel Corp.	57,100	1,110,595

	Shares	Value (\$)
International Business Machines Corp.	2,225	274,743
JPMorgan Chase & Co.	13,500	494,235
Kinetic Concepts, Inc.*	12,100	441,771
Laboratory Corp. of America Holdings*	15,700	1,182,995
Lear Corp.*	6,600	436,920
Life Technologies Corp.*	23,100	1,091,475
MasterCard, Inc. "A"	4,825	962,732
McAfee, Inc.*	18,900	580,608
McDonald's Corp.	11,100	731,157
Medco Health Solutions, Inc.*	15,600	859,248
Morgan Stanley	22,400	519,904
Owens-Illinois, Inc.*	11,600	306,820
Pfizer, Inc.	139,175	1,984,636
Rock-Tenn Co. "A"	9,900	491,733
SAIC, Inc.*	15,000	251,100
Schweitzer-Mauduit International, Inc.	11,100	559,995
The NASDAQ OMX Group, Inc.*	36,700	652,526
Wal-Mart Stores, Inc.	17,200	826,804
Williams Companies, Inc.	16,300	297,964
World Fuel Services Corp. (Cost \$26,125,114)	15,400	<b>399,477</b>
		<b>25,355,370</b>
<b>Total Common Stocks</b> (Cost \$63,262,053)		<b>59,458,109</b>

### Participatory Notes 1.4%

#### Jordan 0.3%

Arab Bank PLC (issuer HSBC Bank PLC), Expiration Date 4/12/2013* (Cost \$183,115)	11,500	<b>173,374</b>
---	--------	----------------

#### Nigeria 0.6%

First Bank of Nigeria (issuer HSBC Bank PLC), 144A, Expiration Date 11/15/2010*	2,587,600	225,639
---	-----------	---------

Guaranty Trust Bank PLC (issuer Morgan Stanley BV), Expiration Date 3/18/2011*	1,161,900	129,143
--	-----------	---------

Zenith Bank Ltd. (issuer Morgan Stanley BV), Expiration Date 3/18/2011*	695,800	64,099
---	---------	--------

(Cost \$490,853)		<b>418,881</b>
------------------	--	----------------

#### Pakistan 0.5%

National Bank of Pakistan (issuer Merrill Lynch International & Co.), Expiration Date 2/25/2015 (Cost \$345,734)	397,050	<b>297,584</b>
---	---------	----------------

<b>Total Participatory Notes</b> (Cost \$1,019,702)		<b>889,839</b>
---	--	----------------

### Securities Lending Collateral 3.9%

Daily Assets Fund Institutional, 0.27% (e) (f) (Cost \$2,397,688)	2,397,688	<b>2,397,688</b>
--	-----------	------------------

### Cash Equivalents 2.5%

Central Cash Management Fund, 0.21% (e) (Cost \$1,554,175)	1,554,175	<b>1,554,175</b>
---	-----------	------------------

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

	% of Net Assets	Value (\$)
<b>Total Investment Portfolio</b> (Cost \$68,233,618) <sup>†</sup>	104.2	<b>64,299,811</b>
<b>Other Assets and Liabilities, Net</b>	(4.2)	<b>(2,589,745)</b>
<b>Net Assets</b>	100.0	<b>61,710,066</b>

\* Non-income producing security.

<sup>†</sup> The cost for federal income tax purposes was \$68,885,157. At June 30, 2010, net unrealized depreciation for all securities based on tax cost was \$4,585,346. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$2,694,609 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$7,279,955.

- (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, 2010 amounted to \$2,274,443, which is 3.7% of net assets.
- (b) Securities with the same description are the same corporate entity but trade on different stock exchanges.
- (c) Security is listed in country of domicile. Significant business activities of company are in China.
- (d) Security is listed in country of domicile. Significant business activities of company are in Eastern Europe and South Asia.
- (e) Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.
- (f) Represents collateral held in connection with securities lending. Income earned by the Portfolio is net of borrower rebates.

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions exempt from registration, normally to qualified institutional buyers.

ADR: American Depositary Receipt

GDR: Global Depositary Receipt

REG S: Securities sold under Regulation S may not be offered, sold or delivered within the United States or to, or for the account or benefit of, US persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933.

## Fair Value Measurements

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

The following is a summary of the inputs used as of June 30, 2010 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to Financial Statements.

Assets	Level 1	Level 2	Level 3	Total
Common Stocks				
Austria	\$ —	\$ 2,001,290	\$ —	\$ 2,001,290
Bermuda	659,737	—	—	659,737
Brazil	2,282,726	—	—	2,282,726
Cayman Islands	534,180	—	—	534,180
China	—	907,296	451,427	1,358,723
Egypt	58,960	330,405	—	389,365
France	—	1,000,330	—	1,000,330
Germany	—	4,321,646	—	4,321,646
Greece	—	164,418	—	164,418
Hong Kong	686,564	388,468	—	1,075,032
India	—	771,392	—	771,392
Indonesia	263,571	713,153	—	976,724
Ireland	—	65,702	—	65,702
Israel	206,469	—	—	206,469
Italy	—	1,041,810	—	1,041,810
Japan	—	1,450,013	—	1,450,013
Kazakhstan	—	327,378	—	327,378
Korea	58,920	1,127,348	—	1,186,268
Luxembourg	—	325,057	—	325,057
Malaysia	—	222,706	—	222,706
Mexico	210,936	—	—	210,936
Netherlands	506,013	569,523	—	1,075,536
Panama	559,383	—	—	559,383
Russia	—	130,530	—	130,530
Singapore	—	28,501	—	28,501
South Africa	—	1,302,530	—	1,302,530
Sweden	—	989,794	—	989,794

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

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Switzerland	642,492	2,468,280	—	3,110,772
Thailand	—	729,215	—	729,215
United Kingdom	—	5,604,576	—	5,604,576
United States	25,355,370	—	—	25,355,370
Participatory Notes (g)	—	889,839	—	889,839
Short-Term Investments (g)	3,951,863	—	—	3,951,863
<b>Total</b>	<b>\$ 35,977,184</b>	<b>\$ 27,871,200</b>	<b>\$ 451,427</b>	<b>\$ 64,299,811</b>

There have been no significant transfers in and out of Level 1 and Level 2 fair value measurements during the period ended June 30, 2010.

(g) See Investment Portfolio for additional detailed categorizations.

### Level 3 Reconciliation

The following is a reconciliation of the Portfolio's Level 3 investments for which significant unobservable inputs were used in determining value:

	<b>Common Stocks</b>
	<b>China</b>
<b>Balance as of December 31, 2009</b>	\$ —
Realized gains (loss)	—
Change in unrealized appreciation (depreciation)	9,183
Amortization premium/discount	—
Net purchases (sales)	—
Transfers into Level 3	442,244 (h)
Transfers (out) of Level 3	—
<b>Balance as of June 30, 2010</b>	<b>\$ 451,427</b>
<b>Net change in unrealized appreciation (depreciation) from investments still held as of June 30, 2010</b>	<b>\$ 9,183</b>

Transfers between price levels are recognized at the beginning of the reporting period.

(h) The investment was transferred from Level 2 to Level 3 as a result of trading suspension on a securities exchange.

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

# Statement of Assets and Liabilities

as of June 30, 2010 (Unaudited)

<b>Assets</b>	
Investments:	
Investments in securities, at value (cost \$64,281,755) — including \$2,274,443 of securities loaned	\$ 60,347,948
Investment in Daily Assets Fund Institutional (cost \$2,397,688)*	2,397,688
Investment in Central Cash Management Fund (cost \$1,554,175)	1,554,175
Total investments, at value (cost \$68,233,618)	64,299,811
Foreign currency, at value (cost \$46,853)	46,953
Receivable for investments sold	65,074
Receivable for Portfolio shares sold	1,223
Dividends receivable	109,097
Interest receivable	1,699
Foreign taxes recoverable	32,177
Other assets	208
Total assets	64,556,242
<b>Liabilities</b>	
Payable for investments purchased	269,719
Payable for Portfolio shares redeemed	39,956
Payable upon return of securities loaned	2,397,688
Accrued management fee	64,109
Accrued expenses and payables	74,704
Total liabilities	2,846,176
<b>Net assets, at value</b>	<b>\$ 61,710,066</b>
<b>Net Assets Consist of</b>	
Undistributed net investment income	385,355
Net unrealized appreciation (depreciation) on:	
Investments	(3,933,807)
Foreign currency	1,117
Accumulated net realized gain (loss)	(57,683,326)
Paid-in capital	122,940,727
<b>Net assets, at value</b>	<b>\$ 61,710,066</b>
<b>Class A</b>	
<b>Net Asset Value</b> , offering and redemption price per share (\$57,606,339 ÷ 7,730,967 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	<b>\$ 7.45</b>
<b>Class B</b>	
<b>Net Asset Value</b> , offering and redemption price per share (\$4,103,727 ÷ 549,168 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	<b>\$ 7.47</b>

\* Represents collateral on securities loaned.

# Statement of Operations

for the six months ended June 30, 2010 (Unaudited)

<b>Investment Income</b>	
Income:	
Dividends (net of foreign taxes withheld of \$51,474)	\$ 786,505
Income distributions — Central Cash Management Fund	1,194
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	14,963
Total Income	802,662
Expenses:	
Management fee	315,550
Administration fee	34,486
Services to shareholders	1,899
Custodian fee and other	48,745
Distribution service fee (Class B)	5,909
Record keeping fees (Class B)	2,340
Legal fees	4,392
Audit and tax fees	30,211
Trustees' fees and expenses	3,097
Report to shareholders	6,908
Total expenses before expense reductions	453,537
Expense reductions	(79,500)
Total expenses after expense reductions	374,037
<b>Net investment income (loss)</b>	<b>428,625</b>
<b>Realized and Unrealized Gain (Loss)</b>	
Net realized gain (loss) from:	
Investments (including foreign taxes of \$10,966)	3,266,207
Foreign currency	(67,224)
	3,198,983
Change in net unrealized appreciation (depreciation) on:	
Investments (net of foreign tax credit of \$11,154)	(9,654,395)
Foreign currency	802
	(9,653,593)
<b>Net gain (loss)</b>	<b>(6,454,610)</b>
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$ (6,025,985)</b>

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

# Statement of Changes in Net Assets

<b>Increase (Decrease) in Net Assets</b>	<b>Six Months Ended June 30, 2010 (Unaudited)</b>	<b>Year Ended December 31, 2009</b>
Operations:		
Net investment income (loss)	\$ 428,625	\$ 748,747
Net realized gain (loss)	3,198,983	(3,218,906)
Change in net unrealized appreciation (depreciation)	(9,653,593)	24,610,274
Net increase (decrease) in net assets resulting from operations	(6,025,985)	22,140,115
Distributions to shareholders from:		
Net investment income:		
Class A	(621,927)	(911,359)
Class B	(28,358)	(54,811)
Total distributions	(650,285)	(966,170)
Portfolio share transactions:		
<b>Class A</b>		
Proceeds from shares sold	3,104,393	5,051,406
Reinvestment of distributions	621,927	911,359
Cost of shares redeemed	(5,963,549)	(18,301,405)
Net increase (decrease) in net assets from Class A share transactions	(2,237,229)	(12,338,640)
<b>Class B</b>		
Proceeds from shares sold	167,180	438,509
Reinvestment of distributions	28,358	54,811
Cost of shares redeemed	(745,620)	(1,021,786)
Net increase (decrease) in net assets from Class B share transactions	(550,082)	(528,466)
<b>Increase (decrease) in net assets</b>	<b>(9,463,581)</b>	<b>8,306,839</b>
Net assets at beginning of period	71,173,647	62,866,808
Net assets at end of period (including undistributed net investment income of \$385,355 and \$607,015, respectively)	<b>\$ 61,710,066</b>	<b>\$ 71,173,647</b>
<b>Other Information</b>		
<b>Class A</b>		
Shares outstanding at beginning of period	8,018,621	10,056,541
Shares sold	372,980	725,805
Shares issued to shareholders in reinvestment of distributions	72,065	174,256
Shares redeemed	(732,699)	(2,937,981)
Net increase (decrease) in Class A shares	(287,654)	(2,037,920)
Shares outstanding at end of period	<b>7,730,967</b>	<b>8,018,621</b>
<b>Class B</b>		
Shares outstanding at beginning of period	617,302	702,064
Shares sold	19,971	66,888
Shares issued to shareholders in reinvestment of distributions	3,275	10,440
Shares redeemed	(91,380)	(162,090)
Net increase (decrease) in Class B shares	(68,134)	(84,762)
Shares outstanding at end of period	<b>549,168</b>	<b>617,302</b>

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

# Financial Highlights

## Class A

Years Ended December 31,	2010 <sup>a</sup>	2009	2008	2007	2006	2005
<b>Selected Per Share Data</b>						
<b>Net asset value, beginning of period</b>	<b>\$ 8.24</b>	<b>\$ 5.84</b>	<b>\$ 15.66</b>	<b>\$ 17.39</b>	<b>\$ 14.44</b>	<b>\$ 11.78</b>
<i>Income (loss) from investment operations:</i>						
Net investment income (loss) <sup>b</sup>	.05	.08	.11	.14	.15 <sup>d</sup>	.12
Net realized and unrealized gain (loss)	(.76)	2.42	(5.83)	.88	4.02	2.58
<b>Total from investment operations</b>	<b>(.71)</b>	<b>2.50</b>	<b>(5.72)</b>	<b>1.02</b>	<b>4.17</b>	<b>2.70</b>
<i>Less distributions from:</i>						
Net investment income	(.08)	(.10)	(.19)	(.11)	(.09)	(.04)
Net realized gains	—	—	(3.91)	(2.64)	(1.13)	—
<b>Total distributions</b>	<b>(.08)</b>	<b>(.10)</b>	<b>(4.10)</b>	<b>(2.75)</b>	<b>(1.22)</b>	<b>(.04)</b>
<b>Net asset value, end of period</b>	<b>\$ 7.45</b>	<b>\$ 8.24</b>	<b>\$ 5.84</b>	<b>\$ 15.66</b>	<b>\$ 17.39</b>	<b>\$ 14.44</b>
Total Return (%) <sup>c</sup>	(8.76)**	43.82	(47.75)	6.29	30.14 <sup>d</sup>	22.94
<b>Ratios to Average Net Assets and Supplemental Data</b>						
Net assets, end of period (\$ millions)	58	66	59	151	143	85
Ratio of expenses before expense reductions (%)	1.29*	1.38	1.47	1.44	1.38	1.41
Ratio of expenses after expense reductions (%)	1.06*	1.04	1.09	1.11	1.04	1.28
Ratio of net investment income (%)	1.27*	1.23	1.09	.82	.92 <sup>d</sup>	.98
Portfolio turnover rate (%)	95**	190	229	191	136	95

<sup>a</sup> For the six months ended June 30, 2010 (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 \$0.004 per share and an increase in the ratio of net investment income of 0.03%. Excluding this non-recurring income, total return would have been 0.02% lower.

\* Annualized \*\* Not annualized

## Class B

Years Ended December 31,	2010 <sup>a</sup>	2009	2008	2007	2006	2005
<b>Selected Per Share Data</b>						
<b>Net asset value, beginning of period</b>	<b>\$ 8.25</b>	<b>\$ 5.85</b>	<b>\$ 15.66</b>	<b>\$ 17.38</b>	<b>\$ 14.43</b>	<b>\$ 11.78</b>
<i>Income (loss) from investment operations:</i>						
Net investment income (loss) <sup>b</sup>	.04	.06	.07	.07	.09 <sup>d</sup>	.07
Net realized and unrealized gain (loss)	(.77)	2.42	(5.83)	.90	4.02	2.58
<b>Total from investment operations</b>	<b>(.73)</b>	<b>2.48</b>	<b>(5.76)</b>	<b>.97</b>	<b>4.11</b>	<b>2.65</b>
<i>Less distributions from:</i>						
Net investment income	(.05)	(.08)	(.14)	(.05)	(.03)	—
Net realized gains	—	—	(3.91)	(2.64)	(1.13)	—
<b>Total distributions</b>	<b>(.05)</b>	<b>(.08)</b>	<b>(4.05)</b>	<b>(2.69)</b>	<b>(1.16)</b>	<b>—</b>
<b>Net asset value, end of period</b>	<b>\$ 7.47</b>	<b>\$ 8.25</b>	<b>\$ 5.85</b>	<b>\$ 15.66</b>	<b>\$ 17.38</b>	<b>\$ 14.43</b>
Total Return (%) <sup>c</sup>	(8.94)**	43.23	(47.87)	5.84	29.65 <sup>d</sup>	22.50
<b>Ratios to Average Net Assets and Supplemental Data</b>						
Net assets, end of period (\$ millions)	4	5	4	10	25	20
Ratio of expenses before expense reductions (%)	1.64*	1.73	1.82	1.81	1.76	1.79
Ratio of expenses after expense reductions (%)	1.41*	1.39	1.45	1.47	1.43	1.65
Ratio of net investment income (%)	.92*	.88	.73	.46	.53 <sup>d</sup>	.61
Portfolio turnover rate (%)	95**	190	229	191	136	95

<sup>a</sup> For the six months ended June 30, 2010 (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 \$0.004 per share and an increase in the ratio of net investment income of 0.03%. Excluding this non-recurring income, total return would have been 0.02% lower.

\* Annualized \*\* Not annualized

## 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"). The Portfolio is classified as a diversified open-end management investment company.

**Multiple Classes of Shares of Beneficial Interest.** Certain portfolios of the Trust offer two classes of shares (Class A shares and Class B shares). 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 are stated at value determined as of the close of regular trading on the New York Stock Exchange on each day the exchange is open for trading.

Various inputs are used in determining the value of the 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.

Equity securities and exchange traded funds ("ETFs") are valued at the most recent sale price or official closing price reported on the exchange (US or foreign) or over-the-counter market on which they trade and are classified as Level 1 securities. Securities or ETFs for which no sales are reported are valued at the calculated mean between the most recent bid and asked quotations on the relevant market or, if a mean cannot be determined, at the most recent bid quotation. For certain international equity securities, in order to adjust for events which may occur between the close of the foreign exchanges and the close of the New York Stock Exchange, a fair valuation model may be used. This fair valuation model takes into account comparisons to the valuation of American Depository Receipts (ADRs), exchange-traded funds, futures contracts and certain indices and these securities are classified as Level 2.

Exchange-traded options are valued at the last sale price or, in the absence of a sale, the mean between the closing bid and asked prices or at the most recent asked price (bid for purchased options) if no bid or asked price are available. Exchange-traded options are classified as Level 1. Over-the-counter written or purchased options are valued based upon a price supplied by a Board approved pricing vendor, if available, and otherwise are valued at the price provided by the broker-dealer with which the option was traded. Over-the-counter options are generally classified as Level 2.

Money market instruments purchased with an original or remaining maturity of sixty days or less, maturing at par, are valued at amortized cost, which approximates value, and are categorized as Level 2. Investments in open-end investment companies are valued at their net asset value each business day and are categorized as Level 1.

Securities and other assets for which market quotations are not readily available or for which the above valuation procedures are deemed not to reflect fair value are valued in a manner that is intended to reflect their fair value as determined in accordance with procedures approved by the Board and are generally categorized as Level 3. In accordance with the Portfolio's valuation procedures, factors used in determining value may include, but are not limited to, the type of the security, the size of the holding, the initial cost of the security, the existence of any contractual restrictions on the security's disposition, the price and extent of public trading in similar securities of the issuer or of comparable companies, quotations or evaluated prices from broker-dealers and/or pricing services, information obtained from the issuer, analysts, and/or the appropriate stock exchange (for exchange-traded securities), an analysis of the company's or issuer's financial statements, an evaluation of the forces that influence the issuer and the market(s) in which the security is purchased and sold and with respect to debt securities, the maturity, coupon, creditworthiness, currency denomination, and the movement of the market

in which the security is normally traded. The value determined under these procedures may differ from published values for the same securities.

Disclosure about the classification of fair value measurements is included in a table following the Portfolio's Investment Portfolio.

**Foreign Currency Translations.** The books and records of the Trust are maintained in US dollars. Investment securities and other assets and liabilities denominated in a foreign currency are translated into US dollars at the prevailing exchange rates at period end. Purchases and sales of investment securities, income and expenses are translated into US dollars at the prevailing exchange rates on the respective dates of the transactions.

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

**Securities Lending.** The Portfolio may lend securities to certain financial institutions. The Portfolio retains beneficial ownership of the securities it has loaned and continues to receive interest and dividends paid by the issuer of securities and to participate in any changes in their market value. The Portfolio requires the borrowers of the securities to maintain collateral with the Portfolio consisting of either cash or liquid, unencumbered assets having a value at least equal to the value of the securities loaned. When the collateral falls below specified amounts, the lending agent will use its best effort to obtain additional collateral on the next business day to meet required amounts under the security lending agreement. The Portfolio may invest the cash collateral into a joint trading account in an affiliated money market fund pursuant to Exemptive Orders issued by the SEC. The Portfolio receives compensation for lending its securities either in the form of fees or by earning interest on invested cash collateral net of borrower rebates and fees paid to a lending agent. Either the Portfolio or the borrower may terminate the loan. There may be risks of delay and costs in recovery of securities or even loss of rights in the collateral should the borrower of the securities fail financially. The Portfolio is also subject to all investment risks associated with the reinvestment of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

**Derivatives.** Authoritative accounting guidance requires that disclosures about the Portfolio's derivative and hedging activities and derivatives accounted for as hedging instruments must be disclosed separately from derivatives that do not qualify for hedge accounting. Because investment companies account for their derivatives at fair value and record any changes in fair value in current period earnings, the Portfolio's derivatives are not accounted for as hedging instruments. As such, even though the Portfolio may use derivatives in an attempt to achieve an economic hedge, the Portfolio's derivatives are not considered to be hedging instruments. The disclosure below is presented in accordance with authoritative accounting guidance.

**Options.** An option contract is a contract in which the writer (seller) of the option grants the buyer of the option, upon payment of a premium, the right to purchase from (call option), or sell to (put option), the writer a designated instrument at a specified price within a specified period of time. Certain options, including options on indices and interest rate options, will require cash settlement by the Portfolio if the option is exercised. The Portfolio enters into option contracts in order to enhance potential gain.

The liability representing the Portfolio's obligation under an exchange-traded written option or investment in a purchased option is valued at the last sale price or, in the absence of a sale, the mean between the closing bid and asked prices or at the most recent asked price (bid for purchased options) if no bid and asked price are available. Over-the-counter written or purchased options are valued using dealer-supplied quotations. Gain or loss is recognized when the option contract expires, exercised or is closed.

If the Portfolio writes a covered call option, the Portfolio foregoes, in exchange for the premium, the opportunity to profit during the option period from an increase in the market value of the underlying security above the exercise price. If the Portfolio writes a put option it accepts the risk of a decline in the value of the underlying security below the exercise price. Over-the-counter options have the risk of the potential inability of counterparties to meet the terms of their contracts. The Portfolio's maximum exposure to purchased options is limited to the premium initially paid. In addition, certain risks may arise upon entering into option contracts including the risk that an illiquid secondary market will limit the Portfolio's ability to close out an option contract prior to the expiration date and that a change in the value of the option contract may not correlate exactly with changes in the value of the securities or currencies hedged.

There are no open option contracts as of June 30, 2010 for the Portfolio. During the six months ended June 30, 2010, the Portfolio invested in purchased option contracts with a total value generally indicative of a range from \$0 to approximately \$1,000. The following tables summarize the amount of unrealized and realized gains and losses on derivative instruments recognized in Portfolio earnings during the six months ended June 30, 2010

and the related location in the accompanying Statement of Operations, presented by primary underlying risk exposure:

<b>Realized Gain (Loss)</b>	<b>Purchased Options</b>
Equity Contracts (a)	\$ (212,772)

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

(a) Net realized gain (loss) from investments (includes purchased options)

<b>Change in Net Unrealized Appreciation (Depreciation)</b>	<b>Purchased Options</b>
Equity Contracts (a)	\$ 212,262

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

(a) Change in net unrealized appreciation (depreciation) on investments (includes purchased options)

**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.

Additionally, based on the Portfolio's understanding of the tax rules and rates related to income, gains and transactions for the foreign jurisdictions in which it invests, the Portfolio will provide for foreign taxes, and where appropriate, deferred foreign taxes.

At December 31, 2009, 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:

<b>Portfolio</b>	<b>Capital Loss Carryforward (\$)</b>	<b>Expiration Date</b>
DWS Global Thematic VIP	42,028,000	12/31/2016
	17,928,000	12/31/2017

In addition, from November 1, 2009 through December 31, 2009, the Portfolio incurred 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, 2010.

<b>Portfolio</b>	<b>Purchased Options</b>
DWS Global Thematic VIP	\$ 275,000

The Portfolio has reviewed the tax positions for the open tax years as of December 31, 2009 and has determined that no provision for income tax is required in the Portfolio's financial statements. The Portfolio's federal tax returns for the prior three fiscal years remain open subject to examination by the Internal Revenue Service.

**Distribution of Income and Gains.** 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 Portfolio may also make additional distributions for tax purposes if necessary.

The timing and characterization of certain income and capital gains distributions are determined annually in accordance with federal tax regulations which may differ from accounting principles generally accepted in the United States of America. These differences primarily relate to investments in foreign denominated investments, income received from Passive Foreign Investment Companies and certain securities sold at a loss. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, the 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 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. 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, 2010, purchases and sales of investment transactions (excluding short-term investments) were as follows:

Portfolio	Purchases (\$)	Sales (\$)
DWS Global Thematic VIP	63,986,640	66,918,814

## 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 Global Thematic VIP	
\$0-\$250 million	.915%
next \$500 million	.865%
next \$750 million	.815%
next \$1.5 billion	.765%
over \$3 billion	.715%

Effective July 1, 2010, Global Thematic Partners, LLC ("GTP") acts as investment sub-advisor to the Portfolio. On July 1, 2010, members of the Advisor's Global Equity Team, including members of the portfolio management team, separated from the Advisor and formed GTP as a separate investment advisory firm unaffiliated with the Advisor (the "Separation"). In order for the Portfolio to continue to access the investment expertise offered by members of the Global Equity Team following the Separation, the Advisor recommended that the Portfolio's Board approve a sub-advisory agreement between the Advisor and GTP. On May 4, 2010, following a review of Global Thematic Partners' capabilities and the terms of the Separation and the Sub-Advisory Agreement, the Portfolio's Board approved the Sub-Advisory Agreement. This action was taken pursuant to an order the Portfolio and the Advisor requested and received from the Securities and Exchange Commission that permits the Advisor, with the approval of the Portfolio's Board, to appoint sub-advisors that are not affiliated with the Advisor to manage all or a portion of the Portfolio's assets without the need for a shareholder meeting or vote. As an investment sub-advisor to the Portfolio, GTP makes investment decisions and buys and sells securities for the Portfolio. GTP is paid by the Advisor, not the Portfolio, for the services GTP provides to the Portfolio.

For the period from January 1, 2010 through September 30, 2010, the Advisor has contractually agreed to waive its fee and/or reimburse certain operating expenses to the extent necessary to maintain the operating expenses (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest expense) of each class as follows:

Portfolio	Annual Rate
DWS Global Thematic VIP	
Class A	1.06%
Class B	1.46%

Accordingly, for the six months ended June 30, 2010, the total management fee, management fee waived and effective management fee rate were as follows:

Portfolio	Total Aggregated (\$)	Waived (\$)	Annualized Effective Rate
DWS Global Thematic VIP	315,550	79,319	.68%

**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 six months ended June 30, 2010, the Administration Fee was as follows:

Portfolio	Total Aggregated (\$)	Unpaid at June 30, 2010 (\$)
DWS Global Thematic VIP	34,486	5,316

**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 six months ended June 30, 2010, the amounts charged to the Portfolio by DISC were as follows:

Portfolio	Total Aggregated (\$)	Waived (\$)	Unpaid at June 30, 2010 (\$)
DWS Global Thematic VIP Class A	181	181	—
DWS Global Thematic VIP Class B	37	—	8

**Distribution Service Agreement.** Under the Portfolio’s Class B 12b-1 plans, DWS Investments Distributors, Inc. (“DIDI”) received a fee (“Distribution Service Fee”) of 0.25% of average daily net assets of Class B shares. For the six months ended June 30, 2010, the Distribution Service Fee was as follows:

Portfolio	Total Aggregated (\$)	Unpaid at June 30, 2010 (\$)
DWS Global Thematic VIP	5,909	883

**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, 2010, the amount charged to the Portfolio by DIMA included in the Statement of Operations under “reports to shareholders” was as follows:

Portfolio	Amount (\$)	Unpaid at June 30, 2010 (\$)
DWS Global Thematic VIP	6,908	1,581

**Trustees’ Fees and Expenses.** The Portfolio paid each Trustee not affiliated with the Advisor retainer fees plus specified amounts for various committee services and for the Board Chairperson.

**Affiliated Cash Management Vehicles.** The Portfolio may invest uninvested cash balances in Central Cash Management Fund and other affiliated money market funds managed by the Advisor. The Portfolio indirectly bears its proportionate share of the expenses of the underlying money market funds. Central Cash Management Fund does not pay the Advisor an investment management fee. Central Cash Management Fund seeks a high level of current income consistent with liquidity and the preservation of capital.

## D. Investing in Emerging Markets

Investing in emerging markets may involve special risks and considerations not typically associated with investing in developed markets. These risks include revaluation of currencies, high rates of inflation or deflation, repatriation restrictions on income and capital, and future adverse political, social and economic developments. Moreover, securities issued in these markets may be less liquid, subject to government ownership controls or delayed settlements, and may have prices that are more volatile or less easily assessed than those of comparable securities of issuers in developed markets.

## E. Ownership of the Portfolio

At June 30, 2010, the beneficial ownership in the Portfolio was as follows:

**DWS Global Thematic VIP:** Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 58% and 33%. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 98%.

## F. 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 33 percent of its net assets under this agreement.

### **G. Review for Subsequent Events**

Management has evaluated the events and transactions subsequent to period end through the date the financial statements were available to be issued, and has determined that there were no material events that would require disclosure in the Portfolio's financial statements.

## **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.

## **Portfolio Management Team Update**

The current portfolio management team is as follows:

Global Thematic Partners, LLC, Subadvisor to the Portfolio (effective July 1, 2010)

Oliver Katz

*Lead Portfolio Manager*

## New Sub-Advisory Agreement Approval

The Board of Trustees, including the Independent Trustees, unanimously approved the New Sub-Advisory Agreement (the “New Agreement”) between Deutsche Investment Management Americas Inc. (“DWS”) and Global Thematic Partners, LLC (“Global Thematic Partners”) in May 2010.

In terms of the process that the Board followed prior to approving the New Agreement, shareholders should know that:

- In May 2010, all but one of the Fund’s Trustees were independent of DWS and its affiliates.
- The Board engaged in a comprehensive review of the operational, financial and investment capabilities of Global Thematic Partners and the terms of the proposed Separation. As part of this review, the Board also reviewed and considered the terms of the New Agreement.
- To facilitate its review, the Board created several ad hoc subcommittees, each focused on different aspects of the Board’s consideration of the Separation, and each comprised solely of Independent Trustees.
- The Board and its subcommittees conducted numerous meetings between January 2010 and May 2010 to review and discuss the Separation, including the New Agreement, and were assisted in this review by their independent legal counsel and fund counsel.
- In the course of its review, the Board requested and received substantial additional information.
- As part of its review process, the Board and its subcommittees met with various representatives of DWS and Global Thematic Partners, including key investment personnel and other members of senior management.
- The Board requested and evaluated all information that it deemed reasonably necessary to evaluate the New Agreement.

In connection with the approval of the New Agreement, the Board considered the factors described below, among others.

**Continuity of Investment Management Services.** In reviewing the New Agreement, the Board considered that it had renewed the investment management agreement between DWS and the Fund as part of the annual contract renewal process (the “Annual Review”) in September 2009, at which time it had determined that such renewal was in the best interests of the Fund, given the nature, quality and extent of services provided by DWS (among other considerations). In considering the New Agreement, the Board noted that in light of the transition of the group within DWS responsible for day-to-day portfolio management of the Fund to a separate, unaffiliated firm (i.e., Global Thematic Partners), it was necessary to approve a sub-advisory agreement between DWS and Global Thematic Partners to secure continued access to these same personnel and services. The Board also considered that, despite the change in corporate identity of the portfolio management services provider and the fact that it would no longer be affiliated with DWS, the nature, quality and extent of services provided to the Fund are not expected to change under the New Agreement.

**Fees and Expenses.** The Board noted that it had concluded during the Annual Review that the overall investment management fees paid by the Fund are reasonable and appropriate in light of the nature, quality and extent of services provided. The Board considered that, under the New Agreement, Global Thematic Partners’ sub-advisory fee would be paid by DWS out of its management fee and not directly by the Fund, and therefore there would be no change in the Fund’s overall investment management fees under the New Agreement.

**Profitability.** The Board noted that it had considered the profitability of DWS during the Annual Review. The Board did not consider the profitability of Global Thematic Partners to be a material factor. In particular, the Board noted that Global Thematic Partners has not yet commenced operations, and that any projections of profitability are likely to be of limited value. The Board also noted that DWS would pay Global Thematic Partners’ sub-advisory fee out of its management fee, and further noted that the sub-advisory fee arrangement with respect to the Fund was the product of an arm’s length negotiation.

**Other Benefits to Global Thematic Partners.** The Board noted that it had considered fallout benefits to DWS during the Annual Review in its determination that management fees paid were reasonable. The Board also considered the character and amount of incidental benefits expected to be realized by Global Thematic Partners in

light of the New Agreement, including the incidental public relations benefits to Global Thematic Partners related to DWS US mutual funds advertising and cross-selling opportunities among DWS products and services. The Board noted that Global Thematic Partners did not propose to implement a “soft dollar” program. The Board reaffirmed its determination from the Annual Review process that management fees paid were reasonable in light of fallout benefits to its investment advisory service providers.

**Compliance.** The Board considered Global Thematic Partners’ proposed compliance program and resources. The Board also considered that DWS would oversee Global Thematic Partners’ compliance program and its compliance with applicable Fund policies and procedures, and considered the attention and resources DWS would dedicate to that oversight. The Board also noted that it had considered DWS’s compliance monitoring capabilities in connection with the Annual Review, at which time it had noted (i) the experience and seniority of both DWS’s chief compliance officer and the Fund’s chief compliance officer; (ii) the large number of DWS compliance personnel; and (iii) the substantial commitment of resources by DWS and its affiliates to compliance matters.

Based on all of the information considered and the conclusions reached, the Board unanimously (including the Independent Trustees) determined that the terms of the New Agreement are fair and reasonable and that the approval of the New Agreement is in the best interests of the Fund. In reaching this conclusion, the Board did not give particular weight to any single factor identified above. It is possible that individual Trustees may have weighed these factors differently in reaching their individual decisions to approve the New Agreement.

# Summary of Management Fee Evaluation by Independent Fee Consultant

October 9, 2009, As Revised November 20, 2009

Pursuant to an Order entered into by Deutsche Investment Management Americas and affiliates (collectively, "DeAM") with the Attorney General of New York, I, Thomas H. Mack, have been appointed the Independent Fee Consultant for the DWS Funds (formerly the DWS Scudder Funds). My duties include preparing an annual written evaluation of the management fees DeAM charges the Funds, considering among other factors the management fees charged by other mutual fund companies for like services, management fees DeAM charges other clients for like services, DeAM's costs of supplying services under the management agreements and related profit margins, possible economies of scale if a Fund grows larger, and the nature and quality of DeAM's services, including fund performance. This report summarizes my evaluation for 2009, including my qualifications, the evaluation process for each of the DWS Funds, consideration of certain complex-level factors, and my conclusions. I served in substantially the same capacity in 2007 and 2008.

## Qualifications

For more than 35 years I have served in various professional capacities within the investment management business. I have held investment analysis and advisory positions, including securities analyst, portfolio strategist and director of investment policy with a large investment firm. I have also performed business management functions, including business development, financial management and marketing research and analysis.

Since 1991, I have been an independent consultant within the asset management industry. I have provided services to over 125 client organizations, including investment managers, mutual fund boards, product distributors and related organizations. Over the past ten years I have completed a number of assignments for mutual fund boards, specifically including assisting boards with management contract renewal.

I hold a Master of Business Administration degree, with highest honors, from Harvard University and Master of Science and Bachelor of Science (highest honors) degrees from the University of California at Berkeley. I am an independent director and audit committee financial expert for two closed-end mutual funds and serve in various leadership and financial oversight capacities with non-profit organizations.

## Evaluation of Fees for each DWS Fund

My work focused primarily on evaluating, fund-by-fund, the fees charged to each of the 124 publicly offered Fund portfolios in the DWS Fund family. For each Fund, I considered each of the key factors mentioned above, as well as any other relevant information. In doing so I worked closely with the Funds' Independent Directors in their annual contract renewal process, as well as in their approval of contracts for several new funds (documented separately).

In evaluating each Fund's fees, I reviewed comprehensive materials provided by or on behalf of DeAM, including expense information prepared by Lipper Analytical, comparative performance information, profitability data, manager histories, and other materials. I also accessed certain additional information from the Lipper, Strategic Insight, and Morningstar databases and drew on my industry knowledge and experience.

To facilitate evaluating this considerable body of information, I prepared for each Fund a document summarizing the key data elements in each area as well as additional analytics discussed below. This made it possible to consider each key data element in the context of the others.

In the course of contract renewal, DeAM agreed to implement a number of fee and expense adjustments requested by the Independent Directors which will favorably impact future fees and expenses, and my evaluation includes the effects of these changes.

## Fees and Expenses Compared with Other Funds

The competitive fee and expense evaluation for each fund focused on two primary comparisons:

The Fund's contractual management fee (the advisory fee plus the administration fee where applicable) compared with those of a group of typically 12–15 funds in the same Lipper investment category (e.g. Large Capitalization Growth) having similar distribution arrangements and being of similar size.

The Fund's total expenses compared with a broader universe of funds from the same Lipper investment category and having similar distribution arrangements.

These two comparisons provide a view of not only the level of the fee compared with funds of similar scale but also the total expense the Fund bears for all the services it receives, in comparison with the investment choices available in the Fund's investment category and distribution channel. The principal figure-of-merit used in these comparisons was the subject Fund's percentile ranking against peers.

### **DeAM's Fees for Similar Services to Others**

DeAM provided management fee schedules for all of its US domiciled fund and non-fund investment management accounts in any of the investment categories where there is a DWS Fund. These similar products included the other DWS Funds, non-fund pooled accounts, institutional accounts and sub-advisory accounts. Using this information, I calculated for each Fund the fee that would be charged to each similar product, at the subject Fund's asset level.

Evaluating information regarding non-fund products is difficult because there are varying levels of services required for different types of accounts, with mutual funds generally requiring considerably more regulatory and administrative types of service as well as having more frequent cash flows than other types of accounts. Also, while mutual fund fees for similar fund products can be expected to be similar, there will be some differences due to different pricing conditions in different distribution channels (e.g. retail funds versus those used in variable insurance products), differences in underlying investment processes and other factors.

### **Costs and Profit Margins**

DeAM provided a detailed profitability analysis for each Fund. After making some adjustments so that the presentation would be more comparable to the available industry figures, I reviewed profit margins from investment management alone, from investment management plus other fund services (excluding distribution) provided to the Funds by DeAM (principally shareholder services), and DeAM profits from all sources, including distribution. A later section comments on overall profitability.

### **Economies of Scale**

Economies of scale — an expected decline in management cost per dollar of fund assets as fund assets grow — are very rarely quantified and documented because of inherent difficulties in collecting and analyzing relevant data. However, in virtually every investment category that I reviewed, larger funds tend to have lower fees and lower total expenses than smaller funds. To see how each DWS Fund compares with this industry observation, I reviewed:

The trend in Fund assets over the last five years and the accompanying trend in total expenses. This shows if the Fund has grown and, if so, whether total expense (management fees as well as other expenses) have declined as a percent of assets.

Whether the Fund has break-points in its management fee schedule, the extent of the fee reduction built into the schedule and the asset levels where the breaks take effect, and in the case of a sub-advised Fund how the Fund's break-points compare with those of the sub-advisory fee schedule.

How the Fund's contractual fee schedule compares with trends in the industry data. To accomplish this, I constructed a chart showing how actual latest-fiscal-year contractual fees of the Fund and of other similar funds relate to average fund assets, with the subject Fund's contractual fee schedule superimposed.

### **Quality of Service — Performance**

The quality-of-service evaluation focused on investment performance, which is the principal result of the investment management service. Each Fund's performance was reviewed over the past 1, 3, 5 and 10 years, as applicable, and compared with that of other funds in the same investment category and with a suitable market index.

In addition, I calculated and reviewed risk-adjusted returns relative to an index of similar mutual funds' returns and a suitable market index. The risk-adjusted returns analysis provides a way of determining the extent to which the Fund's return comparisons are mainly the product of investment value-added (or lack thereof) or alternatively taking considerably more or less risk than is typical in its investment category.

I also received and considered the history of portfolio manager changes for each Fund, as this provided an important context for evaluating the performance results.

### **Complex-Level Considerations**

While this evaluation was conducted mainly at the individual fund level, there are some issues relating to the reasonableness of fees that can alternatively be considered across the whole fund complex:

I reviewed DeAM's profitability analysis for all DWS Funds, with a view toward determining if the allocation procedures used were reasonable and how profit levels compared with public data for other investment managers.

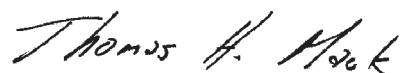
I considered whether DeAM and affiliates receive any significant ancillary or "fall-out" benefits that should be considered in interpreting the direct profitability results. These would be situations where serving as the investment manager of the Funds is beneficial to another part of the Deutsche Bank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

I considered how aggregated DWS Fund expenses had varied over the years, by asset class and in the context of trends in asset levels.

I reviewed the structure of the DeAM organization, trends in staffing levels, and information on compensation of investment management and other professionals compared with industry data.

### **Findings**

Based on the process and analysis discussed above, which included reviewing a wide range of information from management and external data sources and considering among other factors the fees DeAM charges other clients, the fees charged by other fund managers, DeAM's costs and profits associated with managing the Funds, economies of scale, possible fall-out benefits, and the nature and quality of services provided, in my opinion the management fees charged the DWS Funds are reasonable.



Thomas H. Mack

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

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

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

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

DWS Investments Distributors, Inc.  
222 South Riverside Plaza  
Chicago, IL 60606  
(800) 778-1482

VS2GT-3 (8/10)

