Deutsche Asset
& Wealth Management

December 31, 2013

Annual Report

DWS Variable Series II

DWS Small Mid Cap Value VIP

(formerly DWS Dreman Small Mid Cap Value VIP)

Contents

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, call (800) 728-3337 or your financial representative. We advise you to consider the Fund's objectives, risks, charges and expenses carefully before investing. The summary prospectus and prospectus contain this and other important information about the Fund. Please read the prospectus carefully before you invest.

Any fund that focuses in a particular segment of the market will generally be more volatile than a fund that invests more broadly. Smaller and medium company stocks tend to be more volatile than large company stocks. The fund may lend securities to approved institutions. Stocks may decline in value. See the prospectus for details.

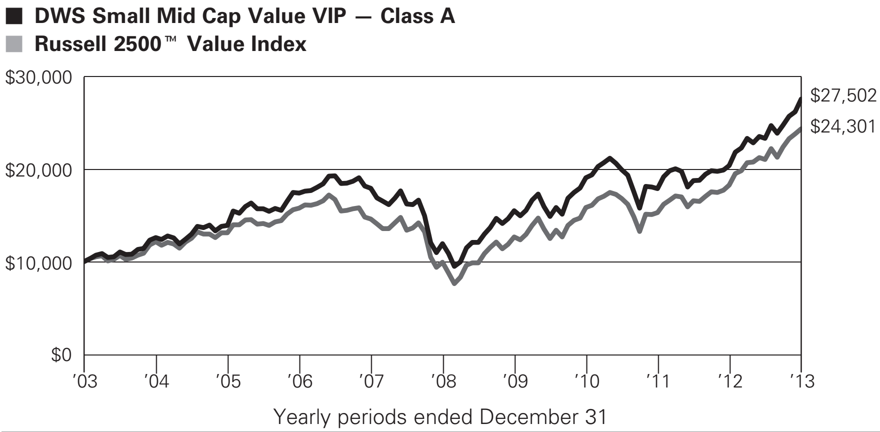
Performance Summary

December 31, 2013 (Unaudited)

Fund 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 Fund's most recent month-end performance. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Fund or any variable life insurance policy or variable annuity contract for which the Fund 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 Fund, as stated in the fee table of the prospectus dated May 1, 2013 are 0.82% and 1.16% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

Growth of an Assumed $10,000 Investment in DWS Small Mid Cap Value VIP



The Russell 2500™ Value Index is an unmanaged Index of those securities in the Russell 3000® Index with lower price-to-book ratios and lower forecasted growth values.

Index returns do not reflect any fees or expenses and it is not possible to invest directly into an index.

Comparative Results

DWS Small Mid Cap Value VIP		**1-Year**	**3-Year**	**5-Year**	**10-Year**
Class A	Growth of $10,000	$13,524	$14,450	$23,066	$27,502
	Average annual total return	35.24%	13.06%	18.19%	10.65%
Russell 2500 Value Index	Growth of $10,000	$13,332	$15,360	$24,479	$24,301
	Average annual total return	33.32%	15.38%	19.61%	9.29%

DWS Small Mid Cap Value VIP		**1-Year**	**3-Year**	**5-Year**	**10-Year**
Class B	Growth of $10,000	$13,470	$14,305	$22,685	$26,521
	Average annual total return	34.70%	12.68%	17.80%	10.25%
Russell 2500 Value Index	Growth of $10,000	$13,332	$15,360	$24,479	$24,301
	Average annual total return	33.32%	15.38%	19.61%	9.29%

The growth of $10,000 is cumulative.

Management Summary

December 31, 2013 (Unaudited)

Class A shares DWS Small Mid Cap VIP returned 35.24% in 2013 (unadjusted for contract charges), outperforming the 33.32% return of the benchmark, the Russell 2500™ Value Index.[1]

On September 3, 2013, the Fund's portfolio management team changed. Consequently, the Fund's 12-month results ending December 31, 2013 incorporate the results of two management teams.

Prior to the change in management, the Fund outperformed its benchmark. The largest contribution to performance during this time came from stock selection in the financial sector.

The Fund also outperformed in the interval from the September 3, 2013 changeover through the end of the period ending December 31, 2013. The largest contributions came from stock selection in the industrials, information technology and financial sectors. Sector allocations also made a positive contribution to returns, led by an overweight in industrials and an underweight in financials.[2]

We employ a "classic value" approach founded in the belief that investor biases can cause quality small- and mid-cap companies to trade below their intrinsic values. In choosing stocks, we focus on individual security selection rather than industry selection. We use an active process that combines financial analysis with company visits to evaluate management and strategies. We also emphasize individual stock selection across all economic sectors, focusing on companies that we believe have strong management, identifiable catalysts such as acquisitions or new products, and valuations that offer an attractive risk/reward trade-off.

At the close of the period ending December 31, 2013, the Fund held its largest overweight positions in the industrial, health care and information technology sectors, while its largest underweights were in financials, energy and utilities. This doesn't reflect a top-down view, but rather our finding many of the most attractive individual stocks in these areas.

In terms of our outlook, we would describe the current U.S. economic environment as "fair." While we do not believe the economy is in danger of slipping into a recession, improvement in the U.S. growth outlook remains slow. Given this backdrop, the markets in general — and small- and mid-cap stocks in particular — have moved very far, very fast over the past year. Valuations aren't extreme in any sense, but new investment ideas have been more difficult to identify. Nevertheless, we remain optimistic on the outlooks for the individual companies we hold in the Fund based on their reasonable valuations and compelling long-term opportunities.

Richard Glass, CFA
Portfolio Manager, Deutsche Investment Management Americas Inc.

The views expressed reflect those of the portfolio management team only through the end of the period of the report as stated on the cover. The management team's views are subject to change at any time based on market and other conditions and should not be construed as a recommendation. Past performance is no guarantee of future results. Current and future portfolio holdings are subject to risk.

1 The Russell 2500 Value Index is an unmanaged index of those securities in the Russell 3000® Index with lower price-to-book ratios and lower forecasted growth values. Index returns do not reflect fees or expenses and it is not possible to invest directly into an index.

2 "Underweight" means the Fund holds a lower weighting in a given sector or security than the benchmark. "Overweight" means the Fund holds a higher weighting.

Portfolio Summary **(Unaudited)**

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**12/31/13**	**12/31/12**
Common Stocks	96%	98%
Cash Equivalents	4%	2%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**12/31/13**	**12/31/12**
Industrials	29%	22%
Financials	16%	27%
Information Technology	14%	17%
Consumer Discretionary	12%	8%
Health Care	10%	7%
Materials	7%	7%
Utilities	5%	4%
Energy	5%	5%
Consumer Staples	2%	3%
	100%	100%

Portfolio holdings and characteristics are subject to change.

For more complete details about the Fund's investment portfolio, see page 6.

Following the Fund'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 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. The Fund's portfolio holdings are also posted on dws-investments.com from time to time. Please see the Fund's current prospectus for more information.

Investment Portfolio

December 31, 2013

	Shares	Value ($)
Common Stocks 95.8%		
Consumer Discretionary 11.8%		
Auto Components 2.4%		
Visteon Corp.*	76,390	**6,255,577**
Hotels, Restaurants & Leisure 1.4%		
The Wendy's Co.	421,696	**3,677,189**
Household Durables 3.1%		
Newell Rubbermaid, Inc.	245,170	**7,945,960**
Media 1.5%		
Scripps Networks Interactive, Inc. "A"	44,420	**3,838,332**
Specialty Retail 1.5%		
Ross Stores, Inc.	52,295	**3,918,464**
Textiles, Apparel & Luxury Goods 1.9%		
Hanesbrands, Inc.	71,003	**4,989,381**
Consumer Staples 2.2%		
Food Products		
Ingredion, Inc.	85,280	**5,838,269**
Energy 4.3%		
Energy Equipment & Services 1.3%		
Superior Energy Services, Inc.*	124,276	**3,306,985**
Oil, Gas & Consumable Fuels 3.0%		
Pioneer Natural Resources Co.	19,540	3,596,728
QEP Resources, Inc.	140,350	4,301,727
		7,898,455
Financials 15.2%		
Capital Markets 2.3%		
Lazard Ltd. "A"	129,690	**5,877,551**
Insurance 11.7%		
Arch Capital Group Ltd.*	90,610	5,408,511
Axis Capital Holdings Ltd.	68,814	3,273,482
CNO Financial Group, Inc.	368,608	6,520,675
PartnerRe Ltd.	46,190	4,869,812
Reinsurance Group of America, Inc.	67,510	5,225,949
Validus Holdings Ltd.	128,724	5,186,290
		30,484,719
Real Estate Investment Trusts 1.2%		
Plum Creek Timber Co., Inc. (REIT)	65,730	**3,057,102**
Health Care 9.8%		
Health Care Equipment & Supplies 1.6%		
CareFusion Corp.*	104,820	**4,173,932**
Health Care Providers & Services 4.9%		
HealthSouth Corp.	186,540	6,215,513
Omnicare, Inc.	106,600	6,434,376
		12,649,889
Life Sciences Tools & Services 1.8%		
PerkinElmer, Inc.	110,992	**4,576,200**
Pharmaceuticals 1.5%		
Actavis PLC*	23,925	**4,019,400**
Industrials 27.5%		
Aerospace & Defense 2.8%		
Curtiss-Wright Corp.	53,300	3,316,859
Triumph Group, Inc.	53,300	4,054,531
		7,371,390
Building Products 2.1%		
Owens Corning, Inc.*	130,702	**5,322,185**
Commercial Services & Supplies 5.2%		
ADT Corp.	127,361	5,154,300
Covanta Holding Corp.	186,540	3,311,085
The Brink's Co.	148,442	5,067,810
		13,533,195
Electrical Equipment 2.0%		
The Babcock & Wilcox Co.	153,488	**5,247,755**
Machinery 8.0%		
Harsco Corp.	184,681	5,176,608
ITT Corp.	85,280	3,702,858
Snap-on, Inc.	39,090	4,281,137
Stanley Black & Decker, Inc.	39,090	3,154,172
Xylem, Inc.	129,281	4,473,122
		20,787,897
Marine 3.1%		
Kirby Corp.*	81,720	**8,110,710**
Professional Services 1.5%		
Verisk Analytics, Inc. "A"*	58,630	**3,853,164**
Trading Companies & Distributors 2.8%		
AerCap Holdings NV*	187,046	**7,173,214**
Information Technology 13.3%		
Communications Equipment 1.0%		
Juniper Networks, Inc.*	119,582	**2,698,966**
Computers & Peripherals 0.9%		
NCR Corp.*	67,507	**2,299,288**
Electronic Equipment, Instruments & Components 4.0%		
Belden, Inc.	89,008	6,270,614
Dolby Laboratories, Inc. "A"*	106,600	4,110,496
		10,381,110
IT Services 4.9%		
Amdocs Ltd.	96,752	3,990,052
Global Payments, Inc.	65,730	4,271,793
NeuStar, Inc. "A"*	88,932	4,434,150
		12,695,995
Office Electronics 1.1%		
Zebra Technologies Corp. "A"*	54,513	**2,948,063**
Software 1.4%		
ACI Worldwide, Inc.*	53,993	**3,509,545**
Materials 6.7%		
Chemicals 4.3%		
Ashland, Inc.	71,060	6,895,663
Cytec Industries, Inc.	46,465	4,328,679
		11,224,342
Containers & Packaging 2.4%		
Sealed Air Corp.	184,770	**6,291,418**

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

	Shares	Value ($)
Utilities 5.0%		
Electric Utilities 1.8%		
Northeast Utilities	108,370	**4,593,804**
Gas Utilities 1.9%		
UGI Corp.	117,260	**4,861,600**
Multi-Utilities 1.3%		
CMS Energy Corp.	129,690	**3,471,801**
Total Common Stocks (Cost $212,791,265)		**248,882,847**

	Shares	Value ($)
Cash Equivalents 4.3%		
Central Cash Management Fund, 0.05% (a) (Cost $11,169,066)	11,169,066	**11,169,066**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $223,960,331)†	100.1	**260,051,913**
Other Assets and Liabilities, Net	(0.1)	**(353,581)**
Net Assets	100.0	**259,698,332**

* Non-income producing security.

† The cost for federal income tax purposes was $223,960,331. At December 31, 2013, net unrealized appreciation for all securities based on tax cost was $36,091,582. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $37,124,380 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $1,032,798.

(a) Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.

REIT: Real Estate Investment Trust

Fair Value Measurements

Various inputs are used in determining the value of the Fund'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 Fund's own assumptions in determining the fair value of investments). The level assigned to the securities valuations may not be an indication of the risk or liquidity associated with investing in those securities.

The following is a summary of the inputs used as of December 31, 2013 in valuing the Fund's investments. For information on the Fund'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 (b)	$248,882,847	$ —	$ —	$248,882,847
Short-Term Investments	11,169,066	—	—	11,169,066
Total	**$260,051,913**	**$ —**	**$ —**	**$260,051,913**

There have been no transfers between fair value measurement levels during the year ended December 31, 2013.

(b) See Investment Portfolio for additional detailed categorizations.

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

Statement of Assets and Liabilities

as of December 31, 2013

Assets	
Investments:	
Investments in non-affiliated securities, at value (cost $212,791,265)	$ 248,882,847
Investment in Central Cash Management Fund (cost $11,169,066)	11,169,066
Total investments in securities, at value (cost $223,960,331)	260,051,913
Cash	30,755
Receivable for Fund shares sold	66,438
Dividends receivable	168,908
Interest receivable	540
Other assets	4,102
Total assets	260,322,656
Liabilities	
Payable for Fund shares redeemed	412,438
Accrued management fee	138,765
Accrued Trustees' fees	3,617
Other accrued expenses and payables	69,504
Total liabilities	624,324
Net assets, at value	**$ 259,698,332**
Net Assets Consist of	
Undistributed net investment income	1,850,167
Net unrealized appreciation (depreciation) on investments	36,091,582
Accumulated net realized gain (loss)	1,033,527
Paid-in capital	220,723,056
Net assets, at value	**$ 259,698,332**
Class A	
Net Asset Value, offering and redemption price per share ($239,883,278 ÷ 14,042,897 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$ 17.08**
Class B	
Net Asset Value, offering and redemption price per share ($19,815,054 ÷ 1,160,889 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$ 17.07**

Statement of Operations

for the year ended December 31, 2013

Investment Income	
Income:	
Dividends	$ 3,917,876
Income distributions — Central Cash Management Fund	4,464
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	61,442
Total income	3,983,782
Expenses:	
Management fee	1,592,789
Administration fee	245,067
Services to shareholders	7,077
Record keeping fees (Class B)	18,952
Distribution service fee (Class B)	46,270
Custodian fee	12,003
Professional fees	67,592
Reports to shareholders	57,633
Trustees' fees and expenses	10,661
Other	10,779
Total expenses	2,068,823
Net investment income (loss)	**1,914,959**
Realized and Unrealized Gain (Loss)	
Net realized gain (loss) from investments	72,681,616
Change in net unrealized appreciation (depreciation) on investments	(601,679)
Net gain (loss)	**72,079,937**
Net increase (decrease) in net assets resulting from operations	**$ 73,994,896**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31, 2013	2012
Operations:		
Net investment income (loss)	$ 1,914,959	$ 2,773,636
Net realized gain (loss)	72,681,616	13,712,216
Change in net unrealized appreciation (depreciation)	(601,679)	14,140,156
Net increase (decrease) in net assets resulting from operations	73,994,896	30,626,008
Distributions to shareholders from:		
Net investment income:		
Class A	(2,660,096)	(2,544,018)
Class B	(150,280)	(170,068)
Total distributions	(2,810,376)	(2,714,086)
Fund share transactions:		
Class A		
Proceeds from shares sold	17,897,526	15,242,621
Reinvestment of distributions	2,660,096	2,544,018
Payments for shares redeemed	(65,359,482)	(40,361,547)
Net increase (decrease) in net assets from Class A share transactions	(44,801,860)	(22,574,908)
Class B		
Proceeds from shares sold	4,288,905	2,417,600
Reinvestment of distributions	150,280	170,068
Payments for shares redeemed	(6,805,298)	(8,165,016)
Net increase (decrease) in net assets from Class B share transactions	(2,366,113)	(5,577,348)
Increase (decrease) in net assets	24,016,547	(240,334)
Net assets at beginning of period	235,681,785	235,922,119
Net assets at end of period (including undistributed net investment income of $1,850,167 and $2,783,776, respectively)	**$ 259,698,332**	**$ 235,681,785**

Other Information	2013	2012
Class A		
Shares outstanding at beginning of period	17,113,875	18,969,648
Shares sold	1,211,679	1,248,625
Shares issued to shareholders in reinvestment of distributions	190,143	207,168
Shares redeemed	(4,472,800)	(3,311,566)
Net increase (decrease) in Class A shares	(3,070,978)	(1,855,773)
Shares outstanding at end of period	**14,042,897**	**17,113,875**
Class B		
Shares outstanding at beginning of period	1,321,925	1,796,701
Shares sold	288,710	195,502
Shares issued to shareholders in reinvestment of distributions	10,719	13,827
Shares redeemed	(460,465)	(684,105)
Net increase (decrease) in Class B shares	(161,036)	(474,776)
Shares outstanding at end of period	**1,160,889**	**1,321,925**

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

Financial Highlights

Class A	Years Ended December 31, 2013	2012	2011	2010	2009
Selected Per Share Data					
Net asset value, beginning of period	**$12.78**	**$11.36**	**$12.21**	**$10.04**	**$ 7.93**
Income (loss) from investment operations:					
Net investment income[a]	.12	.14	.13	.12	.16
Net realized and unrealized gain (loss)	4.35	1.42	(.85)	2.19	2.11
Total from investment operations	4.47	1.56	(.72)	2.31	2.27
Less distributions from:					
Net investment income	(.17)	(.14)	(.13)	(.14)	(.16)
Total distributions	(.17)	(.14)	(.13)	(.14)	(.16)
Net asset value, end of period	**$17.08**	**$12.78**	**$11.36**	**$12.21**	**$10.04**
Total Return (%)	35.24	13.77	(6.08)	23.07	29.70
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	240	219	216	247	235
Ratio of expenses (%)	.82	.82	.81	.82	.79
Ratio of net investment income (%)	.81	1.18	1.08	1.14	1.92
Portfolio turnover rate (%)	115	11	36	38	72

[a] Based on average shares outstanding during the period.

Class B	Years Ended December 31, 2013	2012	2011	2010	2009
Selected Per Share Data					
Net asset value, beginning of period	**$12.78**	**$11.36**	**$12.20**	**$10.03**	**$ 7.92**
Income (loss) from investment operations:					
Net investment income[a]	.07	.10	.09	.08	.13
Net realized and unrealized gain (loss)	4.34	1.42	(.85)	2.19	2.12
Total from investment operations	4.41	1.52	(.76)	2.27	2.25
Less distributions from:					
Net investment income	(.12)	(.10)	(.08)	(.10)	(.14)
Total distributions	(.12)	(.10)	(.08)	(.10)	(.14)
Net asset value, end of period	**$17.07**	**$12.78**	**$11.36**	**$12.20**	**$10.03**
Total Return (%)	34.70	13.38	(6.33)	22.66	29.28
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	20	17	20	26	23
Ratio of expenses (%)	1.17	1.16	1.15	1.17	1.14
Ratio of net investment income (%)	.45	.81	.74	.79	1.57
Portfolio turnover rate (%)	115	11	36	38	72

[a] Based on average shares outstanding during the period.

Notes to Financial Statements

A. Organization and Significant Accounting Policies

DWS Small Mid Cap Value VIP (formerly DWS Dreman Small Mid Cap Value VIP) (the "Fund") is a diversified series of DWS Variable Series II (the "Trust"), which 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.

Multiple Classes of Shares of Beneficial Interest. The Fund offers two classes of shares (Class A shares and Class B shares). Sales of Class B shares are subject to recordkeeping 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 Fund. Class A shares are not subject to such fees.

Investment income, realized and unrealized gains and losses, and certain fund-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 recordkeeping 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 Fund'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 Fund 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 Fund'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 Fund's own assumptions in determining the fair value of investments). The level assigned to the securities valuations may not be an indication of the risk or liquidity associated with investing in those securities.

Equity securities are valued at the most recent sale price or official closing price reported on the exchange (U.S. 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. Equity securities are generally categorized as Level 1.

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 Fund'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 Fund's Investment Portfolio.

Foreign Currency Translations. The books and records of the Fund are maintained in U.S. dollars. Investment securities and other assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the prevailing exchange rates at period end. Purchases and sales of investment securities, income and expenses are translated into U.S. 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 acquisition and disposition of foreign currencies, and the difference between the amount of net investment income accrued and the U.S. 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. Brown Brothers Harriman & Co., as lending agent, lends securities of the Fund to certain financial institutions under the terms of the Security Lending Agreement. The Fund retains the benefits of owning the securities it has loaned and continues to receive interest and dividends generated by the securities and to participate in any changes in their market value. The Fund requires the borrowers of the securities to maintain collateral with the Fund 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 Fund 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 Fund 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 Fund 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. If the Fund is not able to recover securities lent, the Fund may sell the collateral and purchase a replacement investment in the market, incurring the risk that the value of the replacement security is greater than the value of the collateral. The Fund 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. The Fund had no securities on loan at December 31, 2013.

Taxes. The Fund'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.

The Fund has reviewed the tax positions for the open tax years as of December 31, 2013 and has determined that no provision for income tax is required in the Fund's financial statements. The Fund'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 from net investment income of the Fund, if any, are declared and distributed to shareholders annually. Net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to the Fund if not distributed and, therefore, will be distributed to shareholders at least annually. The Fund may also make additional distributions for tax purposes if necessary.

The timing and characterization of certain income and capital gain 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 income received from Real Estate Investment Trusts and certain securities sold at a loss. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, the Fund may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Fund.

At December 31, 2013, the Fund's components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income*	$ 1,850,167
Undistributed net long-term capital gains	$ 1,033,527
Unrealized appreciation (depreciation) on investments	$ 36,091,582

In addition, the tax character of distributions paid by the Fund is summarized as follows:

	Years Ended December 31, 2013	2012
Distributions from ordinary income*	$ 2,810,376	$ 2,714,086

* For tax purposes, short-term capital gain distributions are considered ordinary income distributions.

Expenses. Expenses of the Trust arising in connection with a specific fund are allocated to that fund. Other Trust expenses which cannot be directly attributed to a fund are apportioned among the funds in the Trust based upon the relative net assets or other appropriate measures.

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

Real Estate Investment Trusts. The Fund periodically recharacterizes distributions received from a Real Estate Investment Trust ("REIT") investment based on information provided by the REIT into the following categories:

ordinary income, long-term and short-term capital gains, and return of capital. If information is not available timely from a REIT, the recharacterization will be estimated for financial reporting purposes and a recharacterization will be made to the accounting records in the following year when such information becomes available. Distributions received from REITs in excess of income are recorded as either a reduction of cost of investments or realized gains. The Fund distinguishes between dividends received on a tax basis and a financial reporting basis and only distributions in excess of tax basis earnings and profits are reported in the financial statements as a return of capital.

Other. Investment transactions are accounted for on a trade date plus one basis for daily net asset value calculations. However, for financial reporting purposes, investment transactions are reported on trade date. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date net of foreign withholding taxes. Realized gains and losses from investment transactions are recorded on an identified cost basis. Proceeds from litigation payments, if any, are included in net realized gain (loss) from investments.

B. Purchases and Sales of Securities

During the year ended December 31, 2013, purchases and sales of investment transactions (excluding short-term investments) aggregated $276,451,414 and $331,010,986, respectively.

C. Related Parties

Management Agreement. Under the Investment Management Agreement with Deutsche Investment Management Americas Inc. ("DIMA" or the "Advisor"), an indirect, wholly owned subsidiary of Deutsche Bank AG, the Advisor directs the investments of the Fund 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 Fund or delegates such responsibility to the Fund's subadvisor.

Prior to September 3, 2013, Dreman Value Management, L.L.C. ("DVM") served as subadvisor to the Fund. As a subadvisor, DVM made investment decisions and bought and sold securities for the Fund. DVM was paid by the Advisor for the services DVM provided to the Fund. Effective September 3, 2013, DVM no longer acts as subadvisor to the Fund and day-to-day portfolio management of the Fund transitioned to DIMA.

Pursuant to the Investment Management Agreement with the Advisor, the Fund pays a monthly management fee based on the Fund's average daily net assets, computed and accrued daily and payable monthly, at the following annual rates:

First $250 million	.650%
Next $750 million	.620%
Next $1.5 billion	.600%
Next $2.5 billion	.580%
Next $2.5 billion	.550%
Next $2.5 billion	.540%
Next $2.5 billion	.530%
Over $12.5 billion	.520%

Accordingly, for the year ended December 31, 2013, the fee pursuant to the Investment Management Agreement was equivalent to an annual effective rate of 0.65% of the Fund's average daily net assets.

For the period from January 1, 2013 through September 30, 2013, the Advisor had contractually agreed to waive its fee and/or reimburse certain operating expenses to the extent necessary to maintain the operating expenses (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest expense) of each class as follows:

Class A	.84%
Class B	1.20%

Effective October 1, 2013 through September 30, 2014, 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:

Class A	.83%
Class B	1.19%

Administration Fee. Pursuant to an Administrative Services Agreement, DIMA provides most administrative services to the Fund. For all services provided under the Administrative Services Agreement, the Fund pays DIMA an annual fee ("Administration Fee") of 0.10% of the Fund's average daily net assets, computed and accrued daily and payable monthly. For the year ended December 31, 2013, the Administration Fee was $245,067, of which $21,360 is unpaid.

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 Fund. 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 Fund. For the year ended December 31, 2013, the amounts charged to the Fund by DISC were as follows:

Service to Shareholders	Total Aggregated	Unpaid at December 31, 2013
Class A	$ 580	$ 98
Class B	538	91
	$ 1,118	**$ 189**

Distribution Service Agreement. Under the Fund'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 year ended December 31, 2013, the Distribution Service Fee aggregated $46,270, of which $4,104 is unpaid.

Typesetting and Filing Service Fees. Under an agreement with DIMA, DIMA is compensated for providing typesetting and certain regulatory filing services to the Fund. For the year ended December 31, 2013, the amount charged to the Fund by DIMA included in the Statement of Operations under "reports to shareholders" aggregated $16,701, of which $4,147 is unpaid.

Trustees' Fees and Expenses. The Fund paid retainer fees to each Trustee not affiliated with the Advisor, plus specified amounts to the Board Chairperson and Vice Chairperson and to each committee Chairperson.

Affiliated Cash Management Vehicles. The Fund may invest uninvested cash balances in Central Cash Management Fund and DWS Variable NAV Money Fund, affiliated money market funds which are managed by the Advisor. Each affiliated money market fund seeks to provide a high level of current income consistent with liquidity and the preservation of capital. Each affiliated money market fund is managed in accordance with Rule 2a-7 under the Investment Company Act of 1940, which governs the quality, maturity, diversity and liquidity of instruments in which a money market fund may invest. Central Cash Management Fund seeks to maintain a stable net asset value, and DWS Variable NAV Money Fund maintains a floating net asset value. The Fund indirectly bears its proportionate share of the expenses of each affiliated money market fund in which it invests. Central Cash Management Fund does not pay the Advisor an investment management fee. To the extent that DWS Variable NAV Money Fund pays an investment management fee to the Advisor, the Advisor will waive an amount of the investment management fee payable to the Advisor by the Fund equal to the amount of the investment management fee payable on the Fund's assets invested in DWS Variable NAV Money Fund.

D. Ownership of the Fund

At December 31, 2013, three participating insurance companies were owners of record of 10% or more of the total outstanding Class A shares of the Fund, each owning 41%, 20% and 14%. Three participating insurance companies were owners of record of 10% or more of the total outstanding Class B shares of the Fund, each owning 41%, 12% and 10%.

E. Line of Credit

The Fund and other affiliated funds (the "Participants") share in a $375 million revolving credit facility provided by a syndication of banks. The Fund 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 Fund may borrow up to a maximum of 33 percent of its net assets under the agreement. The Fund had no outstanding loans at December 31, 2013.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of DWS Variable Series II and Shareholders of DWS Small Mid Cap Value VIP:

We have audited the accompanying statement of assets and liabilities, including the investment portfolio of DWS Small Mid Cap Value VIP (formerly, DWS Dreman Small Mid Cap Value VIP) (the "Fund") (one of the funds constituting DWS Variable Series II), as of December 31, 2013, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2013, by correspondence with the custodian and brokers. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of DWS Small Mid Cap Value VIP (formerly, DWS Dreman Small Mid Cap Value VIP) (one of the funds constituting DWS Variable Series II) at December 31, 2013, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

Boston, Massachusetts
February 14, 2014

Information About Your Fund's Expenses **(Unaudited)**

As an investor of the Fund, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Fund expenses. Examples of transaction costs include contract charges 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 Fund and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (July 1, 2013 to December 31, 2013).

The tables illustrate your Fund's expenses in two ways:

— **Actual Fund Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Fund using the Fund'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% Fund Return.** This helps you to compare your Fund's ongoing expenses (but not transaction costs) with those of other mutual funds using the Fund's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Fund return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

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

Expenses and Value of a $1,000 Investment for the six months ended December 31, 2013

Actual Fund Return	**Class A**	**Class B**
Beginning Account Value 7/1/13	$1,000.00	$1,000.00
Ending Account Value 12/31/13	$1,181.20	$1,178.90
Expenses Paid per $1,000*	$ 4.51	$ 6.43
Hypothetical 5% Fund Return	**Class A**	**Class B**
Beginning Account Value 7/1/13	$1,000.00	$1,000.00
Ending Account Value 12/31/13	$1,021.07	$1,019.31
Expenses Paid per $1,000*	$ 4.18	$ 5.96

* Expenses are equal to the Fund's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by 184 (the number of days in the most recent six-month period), then divided by 365.

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Small Mid Cap Value VIP	.82%	1.17%

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

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

For an analysis of the fees associated with an investment in the fund or similar funds, please refer to the current and hypothetical expense calculators for Variable Insurance Products which can be found at dws-investments.com/EN/resources/calculators.jsp.

Tax Information

(Unaudited)

Please consult a tax advisor if you have questions about federal or state income tax laws, or on how to prepare your tax returns. If you have specific questions about your account, please contact your insurance provider.

Pursuant to Section 852 of the Internal Revenue Code, the Fund designates $ 1,137,000 as capital gain dividends for its year ended December 31, 2013.

For corporate shareholders, 45% of the ordinary dividends (i.e., income dividends plus short-term capital gains) paid during the Fund's fiscal year ended December 31, 2013, qualified for the dividends received deduction.

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 — dws-investments.com (click on "proxy voting" at the bottom of the page) — or on the SEC's Web site — sec.gov. To obtain a written copy of the Trust's policies and procedures without charge, upon request, call us toll free at (800) 728-3337.

Advisory Agreement Board Considerations and Fee Evaluation

The Board of Trustees approved the renewal of DWS Small Mid Cap Value VIP's investment management agreement (the "Agreement") with Deutsche Investment Management Americas Inc. ("DIMA") in September 2013.

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

- In September 2013, all but one of the Fund's Trustees were independent of DIMA and its affiliates.
- The Trustees met frequently during the past year to discuss fund matters and dedicated a substantial amount of time to contract review matters. Over the course of several months, the Board's Contract Committee, in coordination with the Board's Equity Oversight Committee, reviewed comprehensive materials received from DIMA, independent third parties and independent counsel. These materials included an analysis of the Fund's performance, fees and expenses, and profitability compiled by a fee consultant retained by the Fund's Independent Trustees (the "Fee Consultant"). The Board also received extensive information throughout the year regarding performance of the Fund.
- The Independent Trustees regularly meet privately with their independent counsel to discuss contract review and other matters. In addition, the Independent Trustees were also advised by the Fee Consultant in the course of their review of the Fund's contractual arrangements and considered a comprehensive report prepared by the Fee Consultant in connection with their deliberations.
- In connection with reviewing the Agreement, the Board also reviewed the terms of the Fund's Rule 12b-1 plan, distribution agreement, administrative services agreement, transfer agency agreement and other material service agreements.
- Based on its evaluation of the information provided, the Contract Committee presented its findings and recommendations to the Board. The Board then reviewed the Contract Committee's findings and recommendations.

In connection with the contract review process, the Contract Committee and the Board considered the factors discussed below, among others. The Board also considered that DIMA and its predecessors have managed the Fund since its inception, and the Board believes that a long-term relationship with a capable, conscientious advisor is in the best interests of the Fund. The Board considered, generally, that shareholders chose to invest or remain invested in the Fund knowing that DIMA managed the Fund, and that the Agreement was approved by the Fund's shareholders. DIMA is part of Deutsche Bank AG, a major global banking institution that is engaged in a wide range of financial services. The Board believes that there are advantages to being part of a global asset management business that offers a wide range of investing expertise and resources, including hundreds of portfolio managers and analysts with research capabilities in many countries throughout the world.

As part of the contract review process, the Board carefully considered the fees and expenses of each DWS fund overseen by the Board in light of the fund's performance. In many cases, this led to a negotiation with DIMA of lower expense caps as part of the 2012 and 2013 contract review processes than had previously been in place. As part of these negotiations, the Board indicated that it would consider relaxing these new lower caps in future years following sustained improvements in performance, among other considerations.

In June 2012, Deutsche Bank AG ("DB"), DIMA's parent company, announced that DB would combine its Asset Management (of which DIMA was a part) and Wealth Management divisions. DB has advised the Independent Trustees that the U.S. asset management business is a critical and integral part of DB, and that it has, and will continue to, reinvest a significant portion of the substantial savings it expects to realize by combining its Asset Management and Wealth Management divisions into the new Asset and Wealth Management ("AWM") division, including ongoing enhancements to its investment capabilities. DB also has confirmed its commitment to maintaining strong legal and compliance groups within the AWM division.

While shareholders may focus primarily on fund performance and fees, the Fund's Board considers these and many other factors, including the quality and integrity of DIMA's personnel and such other issues as back-office operations, fund valuations, and compliance policies and procedures.

Nature, Quality and Extent of Services. The Board considered the terms of the Agreement, including the scope of advisory services provided under the Agreement. The Board noted that, under the Agreement, DIMA provides portfolio management services to the Fund and that, pursuant to a separate administrative services agreement, DIMA provides administrative services to the Fund. The Board considered the experience and skills of senior management and investment personnel, the resources made available to such personnel, the ability of DIMA to attract and retain high-quality personnel, and the organizational depth and stability of DIMA. The Board reviewed the Fund's performance over short-term and long-term periods and compared those returns to various agreed-upon performance measures, including market indices and a peer universe compiled by the Fee

Consultant using information supplied by Morningstar Direct ("Morningstar"), an independent fund data service. The Board also noted that it has put into place a process of identifying "Focus Funds" (e.g., funds performing poorly relative to their benchmark or a peer universe compiled by an independent fund data service), and receives more frequent reporting and information from DIMA regarding such funds, along with DIMA's remedial plans to address underperformance. The Board believes this process is an effective manner of identifying and addressing underperforming funds. Based on the information provided, the Board noted that for the one-, three- and five-year periods ended December 31, 2012, the Fund's performance (Class A shares) was in the 4th quartile, 4th quartile and 3rd quartile, respectively, of the applicable Morningstar universe (the 1st quartile being the best performers and the 4th quartile being the worst performers). The Board also observed that the Fund has underperformed its benchmark in the one-, three- and five-year periods ended December 31, 2012. The Board noted the disappointing investment performance of the Fund in recent periods and continued to discuss with senior management of DIMA the factors contributing to such underperformance and actions being taken to improve performance. The Board recognized that DIMA has made changes to its investment personnel and processes in recent years in an effort to enhance its investment platform and improve long-term performance across the DWS fund complex.

Fees and Expenses. The Board considered the Fund's investment management fee schedule, operating expenses and total expense ratios, and comparative information provided by Lipper Inc. ("Lipper") and the Fee Consultant regarding investment management fee rates paid to other investment advisors by similar funds (1st quartile being the most favorable and 4th quartile being the least favorable). With respect to management fees paid to other investment advisors by similar funds, the Board noted that the contractual fee rates paid by the Fund, which include a 0.10% fee paid to DIMA under the Fund's administrative services agreement, were lower than the median (1st quartile) of the applicable Lipper peer group (based on Lipper data provided as of December 31, 2012). The Board noted that the Fund's Class A shares total (net) operating expenses were expected to be lower than the median (2nd quartile) of the applicable Lipper expense universe (based on Lipper data provided as of December 31, 2012, and analyzing Lipper expense universe Class A (net) expenses less any applicable 12b-1 fees) ("Lipper Universe Expenses"). The Board also reviewed data comparing each share class's total (net) operating expenses to the applicable Lipper Universe Expenses. The Board considered the Fund's management fee rate as compared to fees charged by DIMA to a comparable fund and considered differences between the Fund and the comparable fund. The Board also considered how the Fund's total (net) operating expenses compared to the total (net) operating expenses of a more customized peer group selected by Lipper (based on such factors as asset size). The Board also noted that the expense limitations agreed to by DIMA helped to ensure that the Fund's total (net) operating expenses would remain competitive.

The information considered by the Board as part of its review of management fees included information regarding fees charged by DIMA and its affiliates to similar institutional accounts and to similar funds offered primarily to European investors ("DWS Europe funds"), in each case as applicable. The Board observed that advisory fee rates for institutional accounts generally were lower than the management fees charged by similarly managed DWS U.S. mutual funds ("DWS Funds"), but also took note of the differences in services provided to DWS Funds as compared to institutional accounts. In the case of DWS Europe funds, the Board observed that fee rates for DWS Europe funds generally were higher than for similarly managed DWS Funds, but noted that differences in the types of services provided to DWS Funds relative to DWS Europe funds made it difficult to compare such fees.

On the basis of the information provided, the Board concluded that management fees were reasonable and appropriate in light of the nature, quality and extent of services provided by DIMA.

Profitability. The Board reviewed detailed information regarding revenues received by DIMA under the Agreement. The Board considered the estimated costs and pre-tax profits realized by DIMA from advising the DWS Funds, as well as estimates of the pre-tax profits attributable to managing the Fund in particular. The Board also received information regarding the estimated enterprise-wide profitability of DWS and its affiliates with respect to all fund services in totality and by fund. The Board and the Fee Consultant reviewed DIMA's methodology in allocating its costs to the management of the Fund. Based on the information provided, the Board concluded that the pre-tax profits realized by DIMA in connection with the management of the Fund were not unreasonable. The Board also reviewed information regarding the profitability of certain similar investment management firms. The Board noted that while information regarding the profitability of such firms is limited (and in some cases is not necessarily prepared on a comparable basis), DIMA and its affiliates' overall profitability with respect to the DWS fund complex (after taking into account distribution and other services provided to the funds by DIMA and its affiliates) was lower than the overall profitability levels of many comparable firms for which such data was available.

Economies of Scale. The Board considered whether there are economies of scale with respect to the management of the Fund and whether the Fund benefits from any economies of scale. The Board noted that the Fund's management fee schedule includes fee breakpoints. The Board concluded that the Fund's fee schedule represents an appropriate sharing between the Fund and DIMA of such economies of scale as may exist in the management of the Fund at current asset levels.

Other Benefits to DIMA and Its Affiliates. The Board also considered the character and amount of other incidental benefits received by DIMA and its affiliates, including any fees received by DIMA for administrative services provided to the Fund and any fees received by an affiliate of DIMA for distribution services. The Board also considered benefits to DIMA related to brokerage and soft-dollar allocations, including allocating brokerage to pay for research generated by parties other than the executing broker dealers, which pertain primarily to funds investing in equity securities, along with the incidental public relations benefits to DIMA related to DWS Funds advertising and cross-selling opportunities among DIMA products and services. The Board concluded that management fees were reasonable in light of these fallout benefits.

Compliance. The Board considered the significant attention and resources dedicated by DIMA to documenting and enhancing its compliance processes in recent years. The Board noted in particular (i) the experience and seniority of both DIMA's chief compliance officer and the Fund's chief compliance officer; (ii) the large number of DIMA compliance personnel; and (iii) the substantial commitment of resources by DIMA and its affiliates to compliance matters.

Based on all of the information considered and the conclusions reached, the Board unanimously determined that the continuation of the Agreement is in the best interests of the Fund. In making this determination, the Board did not give particular weight to any single factor identified above. The Board considered these factors over the course of numerous meetings, certain of which were in executive session with only the Independent Trustees and their independent counsel present. It is possible that individual Trustees may have weighed these factors differently in reaching their individual decisions to approve the continuation of the Agreement.

Board Members and Officers

The following table presents certain information regarding the Board Members and Officers of the fund. Each Board Member's year of birth is set forth in parentheses after his or her name. Unless otherwise noted, (i) each Board Member has engaged in the principal occupation(s) noted in the table for at least the most recent five years, although not necessarily in the same capacity; and (ii) the address of each Independent Board Member is c/o Kenneth C. Froewiss, Chairman, DWS Mutual Funds, P.O. Box 78, Short Hills, NJ 07078. Except as otherwise noted below, the term of office for each Board Member is until the election and qualification of a successor, or until such Board Member sooner dies, resigns, is removed or as otherwise provided in the governing documents of the fund. Because the fund does not hold an annual meeting of shareholders, each Board Member will hold office for an indeterminate period. The Board Members may also serve in similar capacities with other funds in the fund complex.

Independent Board Members

Name, Year of Birth, Position with the Fund and Length of Time Served[1]	Business Experience and Directorships During the Past Five Years	Number of Funds in DWS Fund Complex Overseen	Other Directorships Held by Board Member
Kenneth C. Froewiss (1945) Chairperson since 2013, and Board Member since 2001	Adjunct Professor of Finance, NYU Stern School of Business (September 2009–present; Clinical Professor from 1997–September 2009); Member, Finance Committee, Association for Asian Studies (2002–present); Director, Mitsui Sumitomo Insurance Group (US) (2004–present); prior thereto, Managing Director, J.P. Morgan (investment banking firm) (until 1996)	103	—
William McClayton (1944) Vice Chairperson since 2013, and Board Member since 2004	Private equity investor (since October 2009); previously, Managing Director, Diamond Management & Technology Consultants, Inc. (global consulting firm) (2001–2009); Directorship: Board of Managers, YMCA of Metropolitan Chicago; formerly: Senior Partner, Arthur Andersen LLP (accounting) (1966–2001); Trustee, Ravinia Festival	103	—
John W. Ballantine (1946) Board Member since 1999	Retired; formerly, Executive Vice President and Chief Risk Management Officer, First Chicago NBD Corporation/The First National Bank of Chicago (1996–1998); Executive Vice President and Head of International Banking (1995–1996); former Directorships: Stockwell Capital Investments PLC (private equity); First Oak Brook Bancshares, Inc. and Oak Brook Bank; Prisma Energy International	103	Chairman of the Board, Healthways, Inc.[2] (provider of disease and care management services) (2003–present); Portland General Electric[2] (utility company) (2003–present)
Henry P. Becton, Jr. (1943) Board Member since 1990	Vice Chair and former President, WGBH Educational Foundation. Directorships: Public Radio International; Public Radio Exchange (PRX); North Bennett Street School (Boston); former Directorships: The PBS Foundation; Association of Public Television Stations; Boston Museum of Science; American Public Television; Concord Academy; New England Aquarium; Mass. Corporation for Educational Telecommunications; Committee for Economic Development; Public Broadcasting Service; Connecticut College	103	Lead Director, Becton Dickinson and Company[2] (medical technology company); Lead Director, Belo Corporation[2] (media company)

Name, Year of Birth, Position with the Fund and Length of Time Served[1]	Business Experience and Directorships During the Past Five Years	Number of Funds in DWS Fund Complex Overseen	Other Directorships Held by Board Member
Dawn-Marie Driscoll (1946) Board Member since 1987	President, Driscoll Associates (consulting firm); Emeritus Executive Fellow, Center for Business Ethics, Bentley University; formerly, Partner, Palmer & Dodge (1988–1990); Vice President of Corporate Affairs and General Counsel, Filene's (1978–1988). Directorships: Director of ICI Mutual Insurance Company (since 2007); Advisory Board, Center for Business Ethics, Bentley University; Chairman of the Board of Trustees, Southwest Florida Community Foundation (charitable organization); former Directorships: Sun Capital Advisers Trust (mutual funds) (2007–2012), Investment Company Institute (audit, executive, nominating committees) and Independent Directors Council (governance, executive committees)	103	—
Keith R. Fox, CFA (1954) Board Member since 1996	Managing General Partner, Exeter Capital Partners (a series of private investment funds) (since 1986). Directorships: Progressive International Corporation (kitchen goods importer and distributor); The Kennel Shop (retailer); former Chairman, National Association of Small Business Investment Companies; former Directorships: BoxTop Media Inc. (advertising); Sun Capital Advisers Trust (mutual funds) (2011–2012)	103	—
Paul K. Freeman (1950) Board Member since 1993	Consultant, World Bank/Inter-American Development Bank; Executive and Governing Council of the Independent Directors Council (Chairman of Education Committee); formerly: Project Leader, International Institute for Applied Systems Analysis (1998–2001); Chief Executive Officer, The Eric Group, Inc. (environmental insurance) (1986–1998); Directorships: Denver Zoo Foundation (December 2012–present); former Directorships: Prisma Energy International	103	—
Richard J. Herring (1946) Board Member since 1990	Jacob Safra Professor of International Banking and Professor, Finance Department, The Wharton School, University of Pennsylvania (since July 1972); Co-Director, Wharton Financial Institutions Center (since July 2000); Co-Chair, U.S. Shadow Financial Regulatory Committee; Executive Director, Financial Economists Roundtable; formerly: Vice Dean and Director, Wharton Undergraduate Division (July 1995–June 2000); Director, Lauder Institute of International Management Studies (July 2000–June 2006)	103	Director, Japan Equity Fund, Inc. (since September 2007), Thai Capital Fund, Inc. (since 2007), Singapore Fund, Inc. (since September 2007), Independent Director of Barclays Bank Delaware (since September 2010)
Rebecca W. Rimel (1951) Board Member since 1995	President and Chief Executive Officer, The Pew Charitable Trusts (charitable organization) (1994 to present); formerly: Executive Vice President, The Glenmede Trust Company (investment trust and wealth management) (1983–2004); Board Member, Investor Education (charitable organization) (2004–2005); Trustee, Executive Committee, Philadelphia Chamber of Commerce (2001–2007); Director, Viasys Health Care[2] (January 2007–June 2007); Trustee, Thomas Jefferson Foundation (charitable organization) (1994–2012)	103	Director, Becton Dickinson and Company[2] (medical technology company) (2012–present); Director, CardioNet, Inc.[2] (health care) (2009–present)
William N. Searcy, Jr. (1946) Board Member since 1993	Private investor since October 2003; formerly: Pension & Savings Trust Officer, Sprint Corporation[2] (telecommunications) (November 1989–September 2003); Trustee, Sun Capital Advisers Trust (mutual funds) (1998–2012)	103	—
Jean Gleason Stromberg (1943) Board Member since 1997	Retired. Formerly, Consultant (1997–2001); Director, Financial Markets U.S. Government Accountability Office (1996–1997); Partner, Fulbright & Jaworski, L.L.P. (law firm) (1978–1996). Directorships: The William and Flora Hewlett Foundation; former Directorships: Service Source, Inc., Mutual Fund Directors Forum (2002–2004), American Bar Retirement Association (funding vehicle for retirement plans) (1987–1990 and 1994–1996)	103	—
Robert H. Wadsworth (1940) Board Member since 1999	President, Robert H. Wadsworth & Associates, Inc. (consulting firm) (1983 to present); Director, National Horizon, Inc. (non-profit organization); Director and Treasurer, The Phoenix Boys Choir Association	106	—

Officers[4]

Name, Year of Birth, Position with the Fund and Length of Time Served[5]	Business Experience and Directorships During the Past Five Years
Brian E. Binder[8,9] (1972) President and Chief Executive Officer, 2013–present	Managing Director[3] and Head of Fund Administration, Deutsche Asset & Wealth Management (2013–present); formerly: Head of Business Management and Consulting at Invesco, Ltd. (2010–2012); Chief Administrative Officer, Van Kampen Funds Inc. (2008–2010); and Chief Administrative Officer, Morgan Stanley Investment Management Americas Distribution (2003–2008)
John Millette[7] (1962) Vice President and Secretary, 1999–present	Director,[3] Deutsche Asset & Wealth Management
Paul H. Schubert[6] (1963) Chief Financial Officer, 2004–present Treasurer, 2005–present	Managing Director,[3] Deutsche Asset & Wealth Management (since July 2004); formerly: Executive Director, Head of Mutual Fund Services and Treasurer for UBS Family of Funds (1998–2004); Vice President and Director of Mutual Fund Finance at UBS Global Asset Management (1994–1998)
Caroline Pearson[7] (1962) Chief Legal Officer, 2010–present	Managing Director,[3] Deutsche Asset & Wealth Management; formerly: Assistant Secretary for DWS family of funds (1997–2010)
Melinda Morrow[6] (1970) Vice President, 2012–present	Director,[3] Deutsche Asset & Wealth Management
Hepsen Uzcan[7] (1974) Assistant Secretary, 2013–present	Vice President, Deutsche Asset & Wealth Management
Paul Antosca[7] (1957) Assistant Treasurer, 2007–present	Director,[3] Deutsche Asset & Wealth Management
Jack Clark[7] (1967) Assistant Treasurer, 2007–present	Director,[3] Deutsche Asset & Wealth Management
Diane Kenneally[7] (1966) Assistant Treasurer, 2007–present	Director,[3] Deutsche Asset & Wealth Management
John Caruso[6] (1965) Anti-Money Laundering Compliance Officer, 2010–present	Managing Director,[3] Deutsche Asset & Wealth Management
Robert Kloby[6] (1962) Chief Compliance Officer, 2006–present	Managing Director,[3] Deutsche Asset & Wealth Management

1 The length of time served represents the year in which the Board Member joined the board of one or more DWS funds currently overseen by the Board.

2 A publicly held company with securities registered pursuant to Section 12 of the Securities Exchange Act of 1934.

3 Executive title, not a board directorship.

4 As a result of their respective positions held with the Advisor, these individuals are considered "interested persons" of the Advisor within the meaning of the 1940 Act. Interested persons receive no compensation from the fund.

5 The length of time served represents the year in which the officer was first elected in such capacity for one or more DWS funds.

6 Address: 60 Wall Street, New York, NY 10005.

7 Address: One Beacon Street, Boston, MA 02108.

8 Address: 222 South Riverside Plaza, Chicago, IL 60606.

9 Effective as of December 1, 2013.

The fund's Statement of Additional Information ("SAI") includes additional information about the Board Members. The SAI is available, without charge, upon request. If you would like to request a copy of the SAI, you may do so by calling the following toll-free number: (800) 728-3337.

Deutsche Asset
& Wealth Management

DWS Investments Distributors, Inc.
222 South Riverside Plaza
Chicago, IL 60606
(800) 621-1148

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