DWS Strategic Value Fund

January 2010 Monthly Report

Please note: the DWS Strategic Value Fund re-opened on 26 November 2009.

The Fund returned -0.54% net for the month.

Market Overview

Equity and commodity markets weakened in January. Credit markets, however, remained positive despite some weakness late in the month. General investor sentiment shifted during January with market participants focusing more on the downside, including risks led by sovereign debt concerns in Europe coupled with questions surrounding the strength of the US economic recovery.

The shift in investor sentiment was caused by some central banks tightening credit, growing concern over the credit worthiness of Greece's sovereign debt, and the prospect of further market regulation including a proposed bank tax in the US and restrictions on hedge fund investments. The MSCI Pacific ex Japan Index was particularly weak last month, returning -6.8%. In addition, Japan's Nikkei 225 Index declined 3.3% in local currency terms. In the US, the S&P 500 Index slipped 3.6% and, in Europe, the DJ Stoxx 600 Index fell 2.7% in local currency terms. The S&P Goldman Sachs Commodity Index fell 7.9%. The dollar strengthened as investors searched for a safe haven.

January was a tale of two halves for corporate credit markets with spreads tightening up until mid-January and then widening again during the second half of the month on the same macro concerns that plagued equity markets: uncertainty regarding US government policy on banks, increased Euro-zone volatility, and China's lending restrictions. Nevertheless, in contrast to the equity markets, both the corporate loan and high yield bond market managed to close the month with positive overall returns. The Credit Suisse Leveraged Loan Index returned 1.81% in January and the Merrill Lynch High Yield Index returned 1.49% for the month. High Yield spreads over Treasuries ended the month at 646 basis points. Lower rated bonds continued to perform better than higher rated bonds. Most sectors performed positively led by insurance and banking; while food retailers, wireless telecommunications and software lagged.

Although defaults had risen significantly throughout last year, the pace of defaults continued to slow in January with only eight companies filing for bankruptcy or missing interest payments. This represents the second lowest monthly volume of defaults since October 2008 and compares with an average of fifteen defaults per month in the first four months of 2009 and ten defaults per month for the next four months of 2009. The twelve month par weighted default rate fell to 8.10% for bonds and 9.52% for loans. Some market strategists are predicting material declines in default rates for 2010 largely due to strong re-financing activity.

The new issue market was very active with a total of US$98.1 billion in investment grade, US$20.1 billion in high yield (surpassing the previous record for January of US$16.8 billion in 2001) and US$1.7 billion in corporate loan new issues coming to market.

Net Fund performance to 31 January 2010

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
2010	-0.54												-0.54
2009	1.28	1.26	0.18	1.17	1.81	1.11	0.72	0.78	0.76	-0.57	0.47	-0.59	8.58
2008	-2.36	1.85	-2.38	1.15	2.62	0.08	-2.60	-0.28	-8.74	-10.22	-3.32	-1.59	-23.65
2007	0.85	0.88	1.09	1.21	1.92	0.48	0.19	-2.36	1.93	3.15	-0.71	0.73	9.66
2006	2.91	1.01	1.86	1.52	-1.25	-0.06	0.01	1.15	0.46	1.45	1.62	1.77	13.09
2005	0.67	1.13	-0.16	-0.46	-0.13	1.17	1.69	1.08	1.50	-0.86	1.58	2.55	10.14
2004	1.47	1.04	0.15	0.14	0.32	0.56	-0.22	0.35	0.84	0.66	1.61	1.53	8.74
2003	1.55	0.64	1.08	1.17	1.18	0.72	0.46	0.24	0.76	0.90	0.87	1.06	11.16
2002	0.69	0.40	0.78	0.47	0.34	0.05	-0.90	0.21	-4.25	0.04	0.51	0.69	-1.09
2001	1.95	0.16	0.04	2.02	0.34	0.19	0.53	0.54	-0.22	0.67	0.39	0.60	7.42
2000	1.97	4.80	2.36	-0.92	-0.55	-0.38	-1.10	0.46	0.43	-0.76	-0.33	1.23	7.28
1999												3.12	3.12

Past performance is not an indication of future results. Performance figures are calculated using exit prices, net of fees and reflect the annual re-investment of distributions.

Market Overview (continued)

Commodities, like other assets, faced several concerns over the month. The S&P Goldman Sachs Commodity Index (GSCI), which is comprised of 24 raw materials, fell 7.9% in January. This was the biggest monthly drop in 13 months. Recall that in 2009 the S&P GSCI ended the year up 13% and therefore January's price drop alone has eliminated 61% of last years' gains. If January sets the tone for the remainder of the year, directional (rather than relative value) commodity trading could have a very difficult year.

Hedge Fund sector review

A number of positive indicators for the hedge fund industry are being observed, including a revival in hedge fund launches, some managers offering improved terms and conditions to investors including reduced fees, the ability to elect out of side pocket investments, improved transparency and, in some cases, improved redemption rights.

In contrast to 2009, January hedge fund performance was generally flat to down slightly and entailed wider variances among the major strategy returns. Long/short equity was generally down for the month, reflecting the negative broader equity market performance. Managers with greater market exposure underperformed managers with lower market exposure. Sector exposures were also important with wide differences in sector performance for the month. Credit performed well for the month benefitting from a positive return in high yield and corporate loans. While credit sold-off during the second half of the month, it remained in positive territory for January. Event-driven performed well as spreads remain attractive given the deficiency of capital in the strategy. Convertible bond arbitrage was flattish for the month as there was some hedge fund selling combined with effects of the equity market sell-off. Commodity strategy performance was largely driven by style, given the broad sell-off in commodities.

Portfolio versus market indices

31 January 2010	DWS Strategic Value Fund (Net AUD)	UBS Australia Bank Bill Index	MSCI World Index hedged in AUD	S&P/ASX Australian All Ordinaries Index
1 year net return	6.62%	3.41%	29.59%	32.17%
3 year annualised net return	-3.57%	5.85%	-9.92%	-7.23%
5 year annualised net return	2.27%	5.89%	0.25%	2.28%
Since Fund Inception*				
Net return	4.73%	5.63%	-1.13%	4.14%
Standard deviation	6.22%	0.33%	15.83%	13.44%
Sharpe ratio	0.35	8.20	-0.17	0.16
Correlation (Fund vs Index)		-27.65%	61.27%	63.45%
Maximum drawdown^	-24.29%	0.00%	-52.38%	-51.37%
Best month	4.80%	0.71%	9.77%	7.64%
Worst month	-10.22%	0.25%	-18.90%	-14.00%
% positive months	76.23%	100.00%	55.74%	60.66%

Past performance is not an indication of future results. Source: K2 Advisors, Deutsche Asset Management (Australia) Limited, Bloomberg.
*Inception: 30 November 1999; this data represents the annualised performance of the Fund or Index from the first full month of operation of the Fund.
^Maximum drawdown refers to the largest overall drop in the Fund or Index value which occurred in a given period before it returned to its previous high.

Performance review

The DWS Strategic Value Fund returned -0.54% (net) in January 2010. This brings the 12 month return to 6.62% (net). The main contributor to the negative performance during January was the Long/Short Equity sector.

It was a mixed month in terms of sector performance with the Long/Short Equity and the Long/Short Equity sector managers retuning -3.00% and -3.96% respectively and the Event Driven and Multi Strategy sector managers returning 0.80% and 3.61% respectively.

Of the 20 managers in the portfolio, ten were positive contributors to performance. The contributors were primarily from the Event Driven sector with returns from 0 to 1.50% recorded. Conversely in the Long/Short Equity sector all managers detracted some value.

As at 1 February 2010, the Fund made two new investments, one a Long/Short Equity manager and the other an Alternate Strategies Insurance manager. This brings the manager count to 20, with investments in 22 underlying funds.

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Top five holdings by size as at 31 January 2010

Manager	Strategy	Sub-Strategy
Arbitrage Associates II Offsh LTD	Event Driven	Global
PSAM Worldarb Fund	Event Driven	Global
Hunter Global Investors Offsh LTD	Long Short Equity	Long/Short Equity US
AJR International (BVI) Inc	Long Short Equity	Long/Short Equity US
Seligman Tech Spectrum LTD	Long Short Equity Sector	Technology

Source: K2 Advisors

Top 5 managers represent 32.70% of DWS Strategic Value Fund assets as at 31 January 2010.

Fund performance attribution – January 2010

Sector/Strategy	Number of Funds[a]	Allocation [a]	Monthly Return[b]	Monthly Contribution[b]	YTD 2010 Return[b]
Long/Short Equity	6	25.92%	-3.00%	-0.78%	-0.78%
Long/Short Equity Sector Specific	1	5.64%	-3.96%	-0.22%	-0.22%
Event Driven	6	22.40%	0.80%	0.18%	0.18%
Specialist Credit	5	5.29%	-0.47%	-0.02%	-0.02%
Multi Strategy	2	1.52%	3.61%	0.05%	0.05%
Cash		39.23%			
Total	**20**	100.00%			

Source: K2 Advisors.
For the row titled "Total" a sum greater than 100% indicates short-term leverage (typically 10-15 days) utilised by the Investment Manager to bridge purchases and redemptions.
(a) Number of Funds and Allocation columns are as of 31 January 2010. (b) These columns are net of underlying funds' fees but gross of the Fund's fees and expenses.
Sector and strategy returns referenced above represent the Master DB Strategic Value Fund (stated in USD) in which DWS Strategic Value Fund (in AUD) invests its assets.

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Important Information