

DWS Strategic Value Fund

July 2010 Monthly Report



The Fund returned 1.09% net for the month

Market overview

As was the case in June, risk assets again moved in unison in July; however, this time correlating broadly to the upside versus down. In both instances the moves were rather indiscriminate and broad based, as if a switch had been flipped. Market sentiment dramatically reversed from 'risk-off' to 'risk-on', and in highly synchronous fashion. The VIX declined 32%, credit spreads tightened sharply, and the majority of global equity indices rallied more than 5% (with the exception of the Nikkei 225). Investors seemed to shake off macro signs of stunted economic recovery and speculation among pundits about a 'double-dip', focusing instead on strong second quarter corporate earnings. Even some "unusually" ominous language from US Fed Chairman, Ben Bernanke, with regard to "unusual uncertainty" did little to dissuade the bulls.

Hedge funds had a positive month of performance as markets reversed from the May – June slide. Overall emerging markets and long/short equity were the best performers, on the back of the equity market rebound. As expected, managers with the greatest exposure to market directionality performed best, while defensively positioned managers underperformed. Long books were driven by stocks in industrials, materials, technology and consumer discretionary sectors. Emerging markets performance was broad-based across Asia and Latin America, with equity-oriented managers outperforming those with a multi-strategy or credit bias.

Dispersions within various hedge fund strategies were generally observed to be in a tight range, with the exception of convertible arbitrage and emerging markets, which was impacted

significantly by a large negative outlier. Directional, event driven and fixed income focused strategies were mainly positive, while tactical and multi-strategy manager performance was mixed.

Performance review

The DWS Strategic Value Fund returned 1.09% (net) in July. This brings the 12 month return to date to 0.99% (net) and the calendar year to date return to 0.15% (net). The majority of the portfolio's underlying funds were successful in generating profits in July, with the exception of Commodities and Specialist Credit. Highly correlated moves among non-related commodities (natural gas, base metals, oil, and gold), late in the month negatively impacted the Commodity manager's short bias holdings.

Long/Short Equity was most acutely impacted by the market spike, providing a tail wind for our long-biased managers. On the short side however, managers were less productive in terms of alpha, as the highly correlated environment diminished the ability to add value through individual security selection. Despite this, a number of managers did perform ahead of expectations. More neutrally positioned managers tended to lag, as shorts comprise a higher percentage of their overall gross exposure. Weightings in media, software, and chemical stocks provided some of the largest contributions on a subsector basis, while areas of weakness included ETF hedges and machinery stocks on the short side. Long and short exposures across most managers showed very little change for the month. Managers were

Net fund performance (%) to 31 July 2010

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
2010	-0.54	1.00	1.08	0.57	-1.65	-1.35	1.09						0.15
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.

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Performance review (continued)

successful in generating profits from corporate loans, as several companies with large loan issuances were able to refinance existing maturities, thereby driving outstanding loan values higher. Residential mortgage backed securities were also profitable on the month. For Event Driven, particularly the merger arbitrage strategies, spreads compressing in a number of deals fueled profits. In particular, deals in the oil, gas, and mining sectors were significant contributors. Special situation exposures in the health care and technology space also generated positive returns, while losses were incurred largely from hedges and directional shorts in equities and credit.

Outlook

2010 has to this point been very frustrating, in large part because of the seemingly arbitrary and often technically driven nature of directional moves. That said, much of the macro uncertainty that challenged markets at the start of the year (sovereign debt, regulatory changes, EU stress tests, BP leak, etc.) has been addressed (but not necessarily resolved), and corporate fundamentals remain healthy (strongest second quarter earnings results in 22 years). That is not to suggest we are bullish on markets, but rather we are constructive with regard to alpha in the second half. We anticipate markets will provide ample differentiation, and see opportunities for tactical trades supported by fundamental valuations.

Portfolio versus market indices

31 July 2010	DWS Strategic Value Fund (Net AUD)	UBS Australia Bank Bill Index in AUD	MSCI World Index hedged in AUD	HFRI Fund of Funds Composite Index in USD	Barclays US Aggr. Bond Index in USD
1 year net return	0.99%	4.05%	10.05%	3.87%	8.91%
3 year annualised net return	-5.18%	5.52%	-10.28%	-3.85%	7.63%
5 year annualised net return	1.76%	5.76%	-1.08%	2.13%	5.96%
Since Fund Inception*					
Net return	4.57%	5.57%	-0.93%	4.15%	5.25%
Standard deviation	6.14%	0.33%	15.95%	5.84%	3.86%
Sharpe ratio	0.36	8.39	-0.15	0.35	0.78
Correlation (Fund vs Index)		-26.70%	62.09%	70.70%	12.03%
Maximum drawdown [^]	-24.29%	0.00%	-52.38%	-22.20%	-3.83%
Best month	4.80%	0.71%	9.77%	3.32%	3.73%
Worst month	-10.22%	0.25%	-18.90%	-6.54%	-3.36%
% positive months	75.78%	100.00%	56.25%	68.13%	68.13%

Past performance is not an indication of future results. Source: K2 Advisors, Deutsche Asset Management (Australia) Limited, Bloomberg.

The DWS Strategic Value Fund, UBS Australian Bank Bill Index and MSCI World Index Hedged are stated in Australian Dollars, the HFRI Fund of Funds Composite Index and Barclays US Aggregate Bond Index are stated in US Dollars.

*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.

Fund performance attribution – July 2010

Sector/Strategy	Number of Funds ^(a)	Allocation ^(a)	Monthly Return ^(b)	Monthly Contribution ^(b)	YTD 2010 Return ^(b)
Long/Short Equity	6	24.49%	2.82%	0.69%	-1.44%
Long/Short Equity Europe	1	5.25%	3.56%	0.19%	0.01%
Long/Short Equity Sector Specific	4	21.27%	1.68%	0.36%	-2.12%
Event Driven	6	11.72%	1.14%	0.13%	3.20%
Specialist Credit	4	4.26%	-2.16%	-0.09%	-6.37%
Multi Strategy	1	0.09%	68.70%	0.06%	87.47%
Alternate Strategies	1	4.43%	-4.96%	-0.22%	-3.21%
Relative Value	1	4.49%	-4.84%	-0.22%	-1.91%
Cash		24.00%			
Total	24	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 30 June 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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Outlook (continued)

While recent economic data suggests we will experience a sluggish and protracted economic recovery in the months and years to come, we do anticipate fundamentals again returning to the forefront. We see markets providing ample differentiation in the second half of 2010, and anticipate a calmer end to the year. The European credit crisis seems to have subsided (at least in terms of investor sentiment if not reality) and fundamentals are again imposing some influence on directional market moves. However, we expect that sovereign debt issues will likely take years to be fully rationalised, as such oscillations between 'risk on' and 'risk off' will continue. We expect episodes with high volatility, sharp reversals, and extended periods of stagnant returns for the foreseeable future. These types of environments can prove to be very fertile to hedge funds, in that they provide tactically hedged strategies an opportunity to earn fundamental alpha across many asset classes, and on both sides of a trade. For Long/Short Equity we anticipate intra-year dispersion will move toward the middle, and macro uncertainty contrasting with attractive fundamentals will create opportunities for flexible

trading strategies. In Credit, spreads have reverted to more normalised levels since the dramatic spike of 2008, leaving a good environment for managers to derive alpha via security selection and longs/shorts. Maturities will begin to spike over the next several years, and as these bonds and loans come due, corporate refinancing and defaults should increase. We expect that capital structure arbitrage and distressed debt will benefit from this environment. In addition, the potential for new issuance presents good long/short opportunities. In Event Driven, tactical opportunities for selective investments exist. Corporate balance sheets are flush with cash, with liquid assets representing nearly 7% of all company assets in Q2, the highest since 1963. Private equity firms are also sitting atop an estimated \$500 billion of uninvested cash. Increased corporate restructurings such as spin-offs, tax-driven situations and capital structure changes are expected, and should also provide opportunity. Ultimately, of course, active trading is still a requisite for success — as spreads have returned towards historical averages — so opportunities will be dependent on tactics and precision.

Top five holdings by size as at 31 July 2010

Manager	Strategy	Sub-Strategy
Coatue Offshore Fund Ltd.	Long/Short Equity Sector	Sector - Technology
Ivory Offshore Flagship Fund, Ltd	Long/Short Equity	Equity Market Neutral US
Karsch Capital, Ltd.	Long/Short Equity	Long/Short Equity US
Theorema Europe Fund + Ltd	Long/Short Equity Europe	Long Short Equity Europe
Seligman Tech Spectrum Fund	Long/Short Equity Sector	Sector - Technology

Source: K2 Advisors

Top 5 managers represent 29.98% of DWS Strategic Value Fund assets as at 31 July 2010.

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