

The Fund returned -1.65% net for the month

Market overview

May proved to be a negative month for most asset classes around the world reflecting concerns about European sovereign debt issues. Global equity indices plummeted with the MSCI World Index falling 9.9%. Credit and commodities indices also fell as fears of a European-driven double dip spread across markets. Risk aversion has returned to the forefront of investors' minds, as plummeting markets bring back memories of the historic freefall of 2008.

World equity markets sold off sharply in May in the face of mounting sovereign debt concerns. Ironically, Europe, which is the source of much of the sovereign debt fears, was the best performing region on a relative basis. The DJ Stoxx 600 Index declined by 5.7% in local currency terms for the month. However, it was the worst performing index (on a USD basis) as the Euro weakened considerably as a result of the debt crisis. Asian equity markets also moved lower in response to the debt issues in Europe, but investors also had to contend with growing political tensions on the Korean peninsula and China's efforts to cool the property markets. The MSCI Pacific ex-Japan Index declined by 7.2% in local currency terms in May. The US was not immune to the European debt woes as the S&P 500 Total Return Index declined 8.0% for the period. Japan was the worst performing market in local currency terms with the Nikkei 225 Index falling 11.7% during May.

Energy was the worst performing sector. The group suffered from a drop in oil prices relating to concerns of an economic slowdown. In addition, several stocks plummeted because they have direct or indirect exposure to the oil spill in the Gulf of Mexico. The industrials, materials, and financials indices were all down more than the primary benchmark. Defensive groups such as telecoms, consumer staples, utilities, and healthcare were down less than the overall market.

Similar to equities, May was the worst month for the corporate credit markets since November 2008 as concerns over European sovereigns, financial regulatory reform and weakening confidence in the global economic recovery weighed on the credit markets.

The Merrill Lynch High Yield Master II was down 3.5% and the Credit Suisse Leveraged Loan Index was down 2.1% in May. High yield spreads over Treasuries widened 137 basis points to end the month at 698 basis points. This was the first negative monthly return for the high yield asset class in 14 months and the first negative monthly return for the corporate loan asset class in 16 months. Year-to-date through May, high yield bonds (3.4%) and loans (3.5%) are now underperforming the 10 Year Treasury (5.8%), although still outperforming the S&P 500 Index (-1.5%).

The weakness in the credit markets reflected general investor risk aversion rather than issuer specific credit problems as corporate credit defaults remained low. The twelve month trailing par-weighted default rate has decreased to 4.2% for bonds (lowest since December 2008) and 5.7% for loans.

A number of important reversals occurred in May regarding trends seen over previous months in the credit markets. All of these reversals point to investors reducing risk. First, after several months of positive inflows in 2009 and 2010, high yield mutual funds reported significant outflows totalling \$3.5 billion during the month of May according to Lipper FMI data. Although assets in high yield mutual funds represent only 20% of the total high yield market, mutual fund capital is considerably more mobile than institutional capital (such as pensions and insurance) and is therefore a good indication of market sentiment. Second, after several quarters in which lower quality issuers outperformed higher quality issuers, we saw a flight-to-quality trade during May in which single B-rated bonds returned -2.9%, outperforming CCC-rated bonds on a relative basis which plunged 5.5% for the month. Third, the previously robust new issuance market weakened substantially from the pace set in March and April indicating weak demand from credit investors for new paper since they were able to buy cheaper paper in the secondary markets.

The convertible bond market declined during the month as both the equity and credit markets fell sharply. The Merrill Lynch All Convertible Index was down 4.8% in the month of May. On the other hand, after a long period of declining volatility, volatility spiked dramatically across different asset classes during the month of May due to concerns about European sovereigns and other risk factors. The CBOE Volatility Index (VIX) ended the month at 32.07 (up 45% from 22.05 at the end of April).

Commodity markets also experienced a material correction in May as the S&P Goldman Sachs Commodity Index ('S&P GSCI') fell by 13.2%. This was the worst month for the S&P GSCI since December 2008. With the exception of precious metals, all of the S&P GSCI sub-indices declined during the month. Macro related events weighed heavily on many commodities. A continuation of events that began in April negatively influenced the markets. In particular, the extension of sovereign concerns in Europe beyond Greece and a potential slowdown in China overshadowed any positive signs that the global economic recovery was gathering pace.

In currency markets, the strong USD trade came back with a vengeance in May. The overall Dollar Index was up 5.8% in May.

DWS Strategic Value Fund

May 2010 Monthly Report



The May move was its largest in either direction since May 2009, and its largest rise since October 2008. The Euro fell 7.5% against the USD, while the AUD was down 8.5% against the USD and 11.0% against the JPY. As in April, the Greek situation dominated the press, driving the Euro lower. The prospect of a default pushed all risky assets lower; specifically, softer economic numbers out of China, general risk-aversion and volatility throughout global markets, and sell-offs in energy and metals markets have together prompted sales of currencies tied to commodities, such as the AUD, CAD and many emerging market currencies.

The market caught a brief reprieve from the announcement on May 9th of the rescue package from the European Central Bank ('ECB'), providing backup liquidity to beleaguered sovereigns. This mitigated the immediate contagion effect to the rest of the European periphery and core. However, this bounce was very short-lived; while the ECB may have provided the mechanism whereby Greece can take austerity measures to reduce debt and shore up investor confidence, there is little indication of public or political willingness to do so. In that case, a debt restructuring may only be delayed.

Net fund performance (%) to 31 May 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								0.43
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.

Performance review

The DWS Strategic Value Fund returned -1.65% (net) in May 2010. This brings the 12 month return to date to 3.14% (net) and the calendar year to date return to 0.43% (net). May was a difficult month for performance with only two positive contributors, Alternate Strategies returning 0.14% and Relative Value returning 4.20%. Specialist Credit returned -0.92% and the

equity related strategies including Long/Short Equity, Long/Short Equity Europe and Long/Short Equity Sector were all negative for the month returning -2.88%, -1.50%, and -2.99% respectively. Of the 25 funds in the portfolio 3 were positive contributors. As at 1 June 2010, the Fund did not make any additional applications.

Portfolio versus market indices

31 May 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	-1.65	3.75%	16.33%	16.79%
3 year annualised net return	-4.88	5.60%	-11.94%	-11.11%
5 year annualised net return	2.39	5.79%	-0.30%	1.82%
Since Fund Inception*				
Net return	4.67%	5.58%	-1.10%	3.69%
Standard deviation	6.16%	0.33%	15.92%	13.57%
Sharpe ratio	0.36	8.30	-0.16	0.14
Correlation (Fund vs Index)		-27.21%	61.81%	63.83%
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	76.19%	100.00%	56.35%	60.32%

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.

DWS Strategic Value Fund

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Hedge fund sector review

Reflecting broad market conditions, hedge fund strategies were generally down for the month. Many strategies were negatively impacted by a reduction in investor risk appetite as macroeconomic concerns spread from Europe and drove global markets into negative territory. Long/Short equity managers with moderate to high market exposure suffered the most as the market seemed to discount fundamental changes in individual names. Credit managers also experienced losses as the new

issue market dried up, and spreads on outstanding issues widened. The event driven strategy was also negatively affected by increased risk premiums during the month. Commodities managers also struggled to protect against losses in general commodity prices. Volatility arbitrage generated significant returns as the market sold off throughout the month. Currency managers also benefitted from a rise in volatility as the Euro and AUD experienced significant price swings during May.

Top five holdings by size as at 31 May 2010

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

Source: K2 Advisors

Top 5 managers represent 30.32% of DWS Strategic Value Fund assets as at 31 May 2010.

Fund performance attribution – May 2010

Sector/Strategy	Number of Funds ^(a)	Allocation ^(a)	Monthly Return ^(b)	Monthly Contribution ^(b)	YTD 2010 Return ^(b)
Long/Short Equity	6	28.12%	-2.88%	-0.81%	-1.24%
Long/Short Equity Europe	1	4.50%	-1.50%	-0.07%	-1.43%
Long/Short Equity Sector Specific	4	19.47%	-2.99%	-0.58%	-1.41%
Event Driven	6	19.42%	-1.85%	-0.36%	1.53%
Specialist Credit	4	4.08%	-0.92%	-0.04%	-2.80%
Multi Strategy	1	0.20%	0.00%	0.00%	-7.89%
Alternate Strategies	2	8.50%	0.14%	0.01%	-0.38%
Relative Value	1	3.60%	4.20%	0.15%	4.20%
Cash		12.11%			
Total	25	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 May 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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