

DWS Global Equity Thematic Fund

December 2009 Monthly Report



The Fund returned 4.91% gross (4.83% net) for the month, outperforming the benchmark by 1.30% gross (1.22% net)

Market review

Despite steep declines in the first few months of 2009, the MSCI World Index increased by 30.0% for the calendar year (in USD terms). Europe outperformed the US, returning 32% versus 25%, according to MSCI. Among developed countries, Norway was the strongest performer (85%), followed by Australia (67%). Japan was weakest, with its stock index rising less than 7% (in USD terms). However, the Australian Dollar (AUD) appreciated strongly over the year and this movement reduced un-hedged equity returns substantially with the MSCI World (ex Australia) Index in AUD down 0.3% for calendar 2009. The same index was up by 3.6% in the month of December.

As the year drew to a close, further signs emerged that economic activity is picking up in the US. The Institute for Supply Management's manufacturing index rose to 55.9 in December, up from 53.6 in November. In January 2009, the index stood at just 35.6. It passed 50 in August, indicating a return to economic expansion, and is now at its highest level since April 2006.

However economic headwinds persist, not least elevated unemployment. Although the jobless rate in the US stood at 10% in November, the number of people making initial claims for unemployment benefits appeared to be on a declining trend, suggesting that unemployment may have peaked. However, hopes for improvement in the jobs picture were short-lived as the US Labor Department reported a net loss of 85,000 jobs in the final month of 2009, while the unemployment rate held steady.

Meanwhile, Asia's strong rebound continues. Industrial activity in China accelerated in December, with HSBC's purchasing managers' index (PMI) rising to 56.1 in the month, up from 55.7 in November. All but three of the 20 industry sectors tracked by the index showed a rise in activity. New orders have now risen for nine months in a row, driven by robust domestic and external demand. Indeed, according to the Financial Times, the growth in Chinese export orders in December was the fastest since March 2005. PMIs in other leading Asian nations, including Japan and India, also picked up in the month. India's manufacturing PMI has been above 50 (indicating expansion) for over a year.

In Europe the recovery is primarily export led, according to analysis by Eurostat. Europe's statistical agency reported that consumer spending and investment continued to decline across the region in Q3 2009, giving rise to concerns that economic recovery in the region remains fragile. Even so, Europe's manufacturing sector is continuing to expand. Markit Economics' manufacturing index for the 16-country eurozone reached 51.6 in December, up from 51.2 in November. The barometer of industrial activity has now risen for three months in a row. But as in the US, unemployment remains a challenge. EU statistics released this month revealed that average unemployment rate in the eurozone rose to 10% in November, the highest level for more than a decade. Joblessness is especially acute among the young.

Performance as at 31 December 2009

	DWS Global Equity Thematic Fund	DWS Global Equity Thematic Fund	MSCI World ex-Australia Index
	Gross Performance (%)	Net Performance (%)	(%)
1 month	4.91	4.83	3.61
3 months	3.06	2.82	2.09
6 months	12.07	11.57	9.31
Financial year to date	12.07	11.57	9.31
1 year	12.04	11.04	-0.30
2 years pa	-12.82	-13.60	-13.48
3 years pa	-9.63	-10.43	-10.00
5 years pa	3.72	2.80	-1.02
7 years pa	3.97	3.04	0.51
10 years pa	0.49	-0.40	-3.62
Since commencement of Fund* pa	7.32	6.36	3.53
Exit price (\$)	1.2128		
Fund size	\$572.4 million		

Past performance is not an indicator of future performance

*This figure represents the annualised performance of the Fund from the first full month of operation. Inception date: 4 December 1996.

Gross performance figures are calculated using exit prices, pre-fees and reflect the annual reinvestment of distribution.

Net performance figures are calculated using exit prices, net of fees and reflect the annual reinvestment of distribution. Retail investors should refer to net returns. If investing through an IDPS Provider, the total after fees performance return of your investment in the Fund may be different from the information in this report.

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Market review (continued)

As 2009 drew to a close, there were stark reminders of challenges ahead, especially the pressing need to repair weak public finances. The major rating agencies cut their long-term debt ratings on Greece in December. Greece has the highest debt ratio in the eurozone but, according to the European Commission, state finances in half of the region's countries are at risk of becoming unsustainable.

Performance review

The Fund returned 4.91% gross (4.83% net) for the month, outperforming the benchmark by 1.30% gross (1.22% net). All but two of the strategy's themes contributed to performance, led by Supply Chain Dominance, Global Agribusiness and Security. The only two themes that slightly detracted from performance were Disequilibria and Market Hedge.

December's strongest performing theme, Supply Chain Dominance, which invests in companies that are gaining leverage over their suppliers, customers and competitors through economies of scale and/or cost savings, benefited from the strong share performances of Hewlett-Packard, Copa Holdings and Hitachi. Hewlett-Packard, one of the world's largest IT-companies based in the US, benefited from the release of good quarterly numbers and the announced acquisition of 3-Com, which also has vast enterprise networking activities in fast-growing China. Copa Holdings, the Panamanian airline operating in Central and Latin America, reported strong traffic numbers and thus confirmed its continued secular growth opportunity in its underpenetrated markets. Hitachi, the Japanese electronics and industrial equipment manufacturer, successfully completed a capital increase, enabling it to benefit from significant demand for social infrastructure. Wal-Mart Stores very modestly detracted from the theme's performance in December.

Santos Brasil and SLC Agricola led gains in the Global Agribusiness theme, which invests in companies that stand to benefit from the rapidly changing dietary needs of a growing global population. Santos, the dominant South American port and trading gateway, released stabilizing traffic data points, fuelling expectations of a recovery of worldwide trade. SLC Agricola, the major Brazilian producer of agricultural products, finished the year strongly, boosted by increasing prices for cotton, one of the company's key crops. Viterro, the Canadian grain handling and processing company, detracted slightly from performance.

The Security theme, which seeks companies providing security in a broad range of areas like wealth preservation, data, physical and biological security, was supported in December by a very solid performance of holdings in NASDAQ and FLIR Systems. NASDAQ, the world's largest cash equities exchange, benefited from some market share gains and an improved equity trading outlook for 2010.

Country Allocation as at 31 December 2009

Country	Fund (%)	MSCI World Ex-Australia (%)
Austria	2.88	0.16
Belgium	1.01	0.48
Bermuda	0.72	0.10
Brazil	2.60	0.00
Canada	0.18	5.06
China	0.59	0.01
Cyprus	0.00	0.02
Denmark	0.00	0.43
Egypt	0.38	0.00
Finland	0.00	0.55
France	0.52	5.15
Germany	6.46	3.93
Greece	0.17	0.23
Hong Kong	0.53	1.16
India	0.25	0.00
Ireland	0.33	0.13
Israel	2.05	0.00
Italy	0.43	1.65
Japan	9.42	10.11
Kazakhstan	0.49	0.00
Luxembourg	0.80	0.30
Malaysia	0.29	0.00
Mexico	1.57	0.01
Netherlands	1.60	1.38
New Zealand	0.00	0.05
Norway	0.00	0.36
Panama	1.12	0.00
Portugal	0.00	0.15
Russia	1.27	0.00
Singapore	0.05	0.73
South Africa	0.38	0.00
South Korea	2.14	0.00
Spain	0.57	2.25
Sweden	0.00	1.21
Switzerland	4.01	3.76
Thailand	0.73	0.00
Turkey	0.04	0.00
United Kingdom	7.55	10.59
United States	45.48	50.05
Cash	3.40	0.00

(Data in AUD)

Performance review (continued)

FLIR, the US based thermal imaging and surveillance company, advanced due to an improved outlook for its commercial divisions. There were no major detractors in the Security theme in December.

The Disequilibria theme detracted modestly from the Fund's performance in December. This theme, which seeks companies facing rapid changes in industry dynamics, was adversely affected by Erste Group and Mitsubishi UFJ. Erste, the premier retail bank across core Central and Eastern Europe, was prone to some short-term profit taking, whereas Mitsubishi UFJ, Japan's largest financial services company, raised equity capital in order to comply with more stringent core capital regulations that are expected. The US rating agency Moody's Corp. contributed to the theme's performance in December as it became clear that no adverse legislation is likely to be pursued in the US.

Market outlook and strategy

2009 was a year in which the Fund's themes delivered according to our expectations. Returns were well distributed among the various themes, with Distressed Companies taking a larger share. This makes sense, given where valuation levels created opportunities for the Fund.

The investment team have spent a good share of our time tactically seizing dislocations, though the lion's share has been spent deepening the understanding of such themes as Personalized Medicine and other areas that touch the frontiers of knowledge. We also have taken our risk management process to new levels of econometric and intuitive relevance, as well as consistent application. Lastly, but most importantly, we have strengthened our analytical effort through hiring of additional analysts to the team.

Our opportunity set is still large and growing. It is growing in geographical scope (The Indian Ocean, distressed investment in Japan) and functional and knowledge scope (Global Agribusiness and the challenges of organics and strategic consolidation) and Personalized Medicine (the rapidly emerging sub-field of consumer genomics and retail DNA sequencing).

We also believe that some global brands can be bought at tremendously cheap valuations on a long-term basis. The market seems to overlook that many of those brands have been in

emerging markets far longer than 20 years but are somehow not rewarded for the on-the-ground experience and earnings power they now have.

This stands in stark contrast to the enthusiasm with which investors have embraced emerging markets. On a more micro-level, we spent an extraordinary amount of time in 2009, and also now in 2010, modeling credit loss curves and potential write-back cycles. We expect to take advantage of some opportunities that should become obvious as we move into the second half of 2010.

Clearly, there are some large risks on the horizon. First and foremost, the challenge of government stimulus exits needs to be addressed effectively. Governments, and especially the US and the UK, need to offer a credible fiscal trajectory that balances monetary and fiscal policy and combines the challenges of rising public debt, health care, military engagement abroad and taxation of the wealthy, in one clear and consistent narrative. Without a credible fiscal trajectory, confidence can erode very quickly and as Rogoff and Reinhart pointed out in their seminal study of debt crises (Reinhart & Rogoff, This Time is Different, 2009), confidence eroded most significantly before the actual fundamental payment situations become unsustainable. We can only hope that this book is read by key decision makers.

Theme distribution & contribution as at 31 December 2009

Theme	% of Fund	Contribution to return (%)
Supply Chain Dominance	16.52	0.84
Global Agribusiness	5.87	0.58
Security	8.16	0.40
Personalised Medicine	7.89	0.37
Large Units	4.47	0.33
Asymmetric Negotiators	10.19	0.30
Indian Ocean	3.39	0.21
Private/Public Partnerships	2.69	0.13
New Annuities	13.47	0.10
Talent & Ingenuity	5.65	0.07
Distressed Companies	8.12	0.04
Market Hedge	1.86	-0.02
Disequilibria	11.70	-0.10

(Data in USD)

Market outlook and strategy (continued)

Another big risk is the excessive fund flow into emerging markets. We have been investing in this asset class since 1993 and have a great deal of admiration for what has been achieved – on both a micro and a macro level. However, we also know that 20% plus credit growth and money supply exceeding 30% are potentially reliable warning signs for overheating and poor allocation of resources. We sometimes wonder why China needs

to have the world's fastest trains when most of its population is still saving for primary school tuition for their children.

There are signs of overbuilding and detachment of investments from the natural and healthy progress of gradual economic advancement. We are watching these developments very closely and are triangulating what we see from various local and global data perspectives.

Key contributors and detractors as at 31 December 2009

Security	Theme	Total Return %	Contribution %
Top 10 positive contributors			
Santos Brasil Sa	Global Agribusiness	17.22	0.24
Sberbank	Large Units	18.47	0.21
Doosan Heavy Industries & Construction Co.	Indian Ocean	40.60	0.20
SLC Agricola S/A	Global Agribusiness	22.53	0.16
Hewlett-Packard Company	Supply Chain Dominance	5.16	0.16
Copa Holdings S.A.	Supply Chain Dominance	9.31	0.14
Hitachi Limited	Supply Chain Dominance	13.98	0.13
Myriad Genetics Inc.	Personalised Medicine	12.85	0.13
Moody's Corporation	Disequilibria	15.37	0.12
Mitsubishi Corporation	Asymmetric Negotiators	9.38	0.11
Top 10 negative contributors			
Exxon Mobil Corporation	Asymmetric Negotiators	-9.16	-0.18
Erste Group Bank AG	Disequilibria	-8.04	-0.18
General Electric Company	New Annuities	-4.94	-0.13
Mitsubishi UFJ Financial Group Inc.	Disequilibria	-13.22	-0.10
Bank of Ireland	Distressed Companies	-22.13	-0.09
Sumitomo Mitsui Financial Group Inc.	Distressed Companies	-14.12	-0.07
Bank of America Corporation	Distressed Companies	-4.92	-0.06
Morgan Stanley	Talent & Ingenuity	-6.27	-0.06
Kroger Company	New Annuities	-9.72	-0.05
KT & G Corporation	Market Hedge	-4.59	-0.04

(Data in USD)

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Top 10 holdings as at 31 December 2009

Stock	Country	Theme	% of portfolio
Hewlett-Packard Co.	United States	Supply Chain Dominance	3.17
General Electric Co.	United States	New Annuities	2.49
McDonald's Corp.	United States	Supply Chain Dominance	2.45
Erste Group Bank AG	Austria	Disquelibria	2.13
Exxon Mobil Corp.	United States	Asymmetric Negotiators	2.12
NASDAQ OMX Group Inc.	United States	Security	1.77
iShares NASDAQ Biotechnology Index Fund	United States	Talent & Ingenuity	1.66
E.ON AG	Germany	Private/Public Partnerships	1.64
Deutsche Lufthansa AG	Germany	Supply Chain Dominance	1.64
GlaxoSmithKline PLC	United Kingdom	New Annuities	1.61

(Data in AUD)

Monthly video commentary

Monthly video commentary for the DWS Global Equity Thematic Fund is also available via the Ironbark Asset Management website. Visit www.ironbarkam.com and click on the link in the 'Videos' section on the home page.

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