#ConnectingTheDots

DWS Perspectives

January 2025

CIO View 2025: Key messages

Macro Environment

Growth

U.S. & Europe to move towards potential, the U.S. from above, Europe from below

Inflation

Now comes the hard part, Disinflation proceeds slowly, some risks remain

Central Banks

Fed to conquer slightly higher inflation pressure, ECB to help with growth

Asset Classes

Fixed Income

Expect a further normalization of the yield curve, most attractive is EUR IG in our eyes

Equities

Cautious on the shorter-term horizon, however long-term no way around equities

Alternatives

Vital asset class to drive the European Transformation, benefit from growth & stability

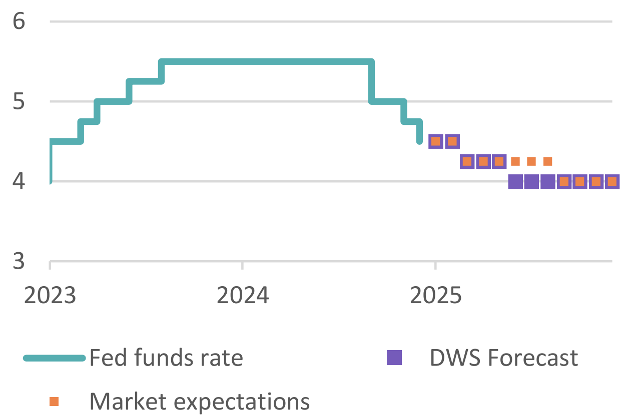
Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect // Source: DWS Investment GmbH; as of: Jan 2025

Central Banks: Data remains key

The U.S. was holding up better than by many anticipated

Fed

Fed funds rate (%)



Forecast Dec 25

3.75-4.00%

- We expect the FED to **cut 2 times** over our investment horizon by December 2025
- Somewhat higher inflation pressure under a Trump administration could lead to less cuts

Economic Outlook

	2024	2025
GDP growth forecast	2.7%	2.0%

- **U.S.**: Robust growth ahead, with some mild deacceleration, extended TCJA supports
- Recession scenario not in the base case, while migration remains a wildcard

	2024	2025
Inflation forecast	2.9%	2.4%

- Disinflationary process is well underway – **last mile towards the 2% target is the hard part**
- High **volatility of incoming inflation data expected** in the next months

Fed policy seems to finally work, inflation nearing 2% while a recession should be avoided

Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect / Source: Bloomberg Finance L.P., DWS Investment GmbH; as of: Jan 2025

How have fixed income asset classes performed during yield curve normalization

- Since 1980, there have been six yield curve normalizations, and five out of these six normalizations have been "Bull Steepeners" where short rates fell more than longer rates.
- Since 1980, the average yield spread between the two-year and ten-year U.S. Treasuries has been upward sloping at 91 basis points. As of August 14, 2024, the yield spread between two and ten-year U.S. Treasuries is negative 11 basis points, and the curve is inverted.
- Short-term taxable bonds have performed well in historical yield curve normalization periods, capturing 87% of the average annualized return of intermediate term bonds while offering downside protection with 42% of the volatility.
- Short term taxable bonds have outperformed ultrashort taxable bonds in each normalization since 1992, returning 140% of the average total return over those periods; and also outperformed taxable money markets in each normalization since 1980, returning 200% of the average total return over those periods.

Performance of Morningstar Categories during Yield Curve Normalizations

(%)

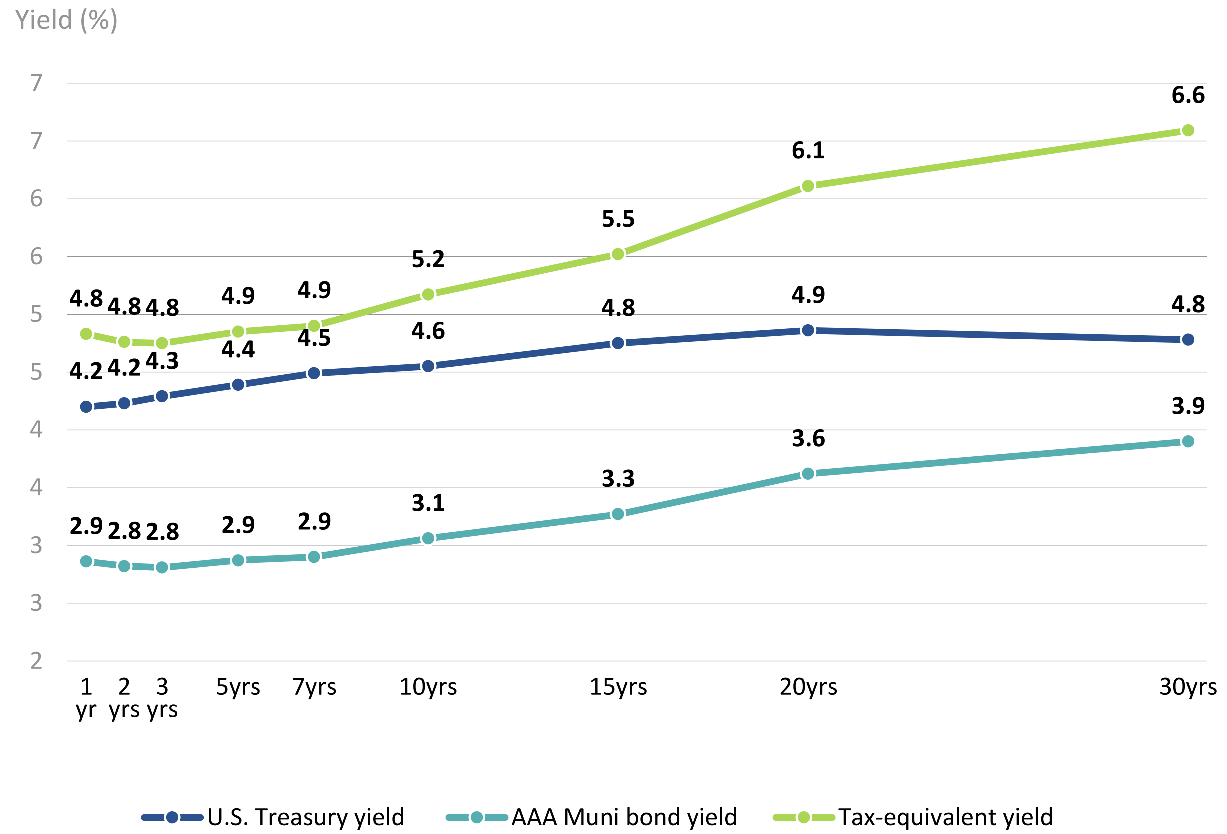
Morningstar Fund Category	3/20/1980 thru 7/17/1980	8/19/1981 thru 1/2/1985	3/28/1989 thru 9/5/1992	4/7/2000 thru 7/29/2003	2/23/2006 thru 1/11/2010	8/27/2019 thru 3/29/2021	Average
Normalization Type	Bull Steepener	Bull Steepener	Bull Steepener	Bull Steepener	Bull Steepener	Twist Steepener	
Money Market – Taxable	3.55	-1.95	2.45	6.57	-1.86	1.11	1.65
US Short-Term Bond	12.60	16.43	10.13	6.04	3.20	2.69	8.52
US Intermediate Core Bond	14.46	17.82	11.88	7.35	4.37	2.62	9.75
US Short Nat'l Muni	3.49	8.22	7.52	4.61	3.14	1.63	4.77
US Intermediate Nat'l Muni	9.13	12.59	8.62	5.97	3.72	2.68	7.12
US Long Nat'l Muni	12.00	15.72	9.89	6.05	2.93	3.07	8.28

Source: Morningstar, September 11, 2023. Past performance is not a guarantee of future results

Municipal bond market

- Consider the potential yield pick-up in municipals for investors comfortable with increasing duration.
- BBB yields remain attractive giving investors additional spread while fundamentals remain mostly stable.
- In our opinion, the sweet spot of the curve is 15-year bonds, currently offering 86% of the AAA muni yield curve.
- Muni yield curve steepens beyond 10 years offering attractive duration and yield compared to U.S. Treasuries.

Municipal tax-equivalent and Treasury yield curves



Source: Refinitiv as of 12/31/24. Municipal tax-equivalent yields are calculated based on municipal bond curves for each credit rating according to S&P Global and assume a top-income tax bracket rate of 59.2%. The comments, opinions and estimates contained herein are based on or derived from publicly available information from sources that we believe to be reliable. We do not guarantee their accuracy. This material is for informational purposes only and sets forth our views as of this date. Past performance or any prediction or forecast is not indicative of future results. Investments are subject to risks, including possible loss of principal amount invested Credit quality is a measure of a bond issuer's ability to repay interest and principal in a timely manner. Rating agencies assign letter designations such as AAA, AA, and so forth. The lower the rating, the higher the probability of default. Credit quality does not remove market risk and is subject to change.

Opportunity in small caps vs large caps

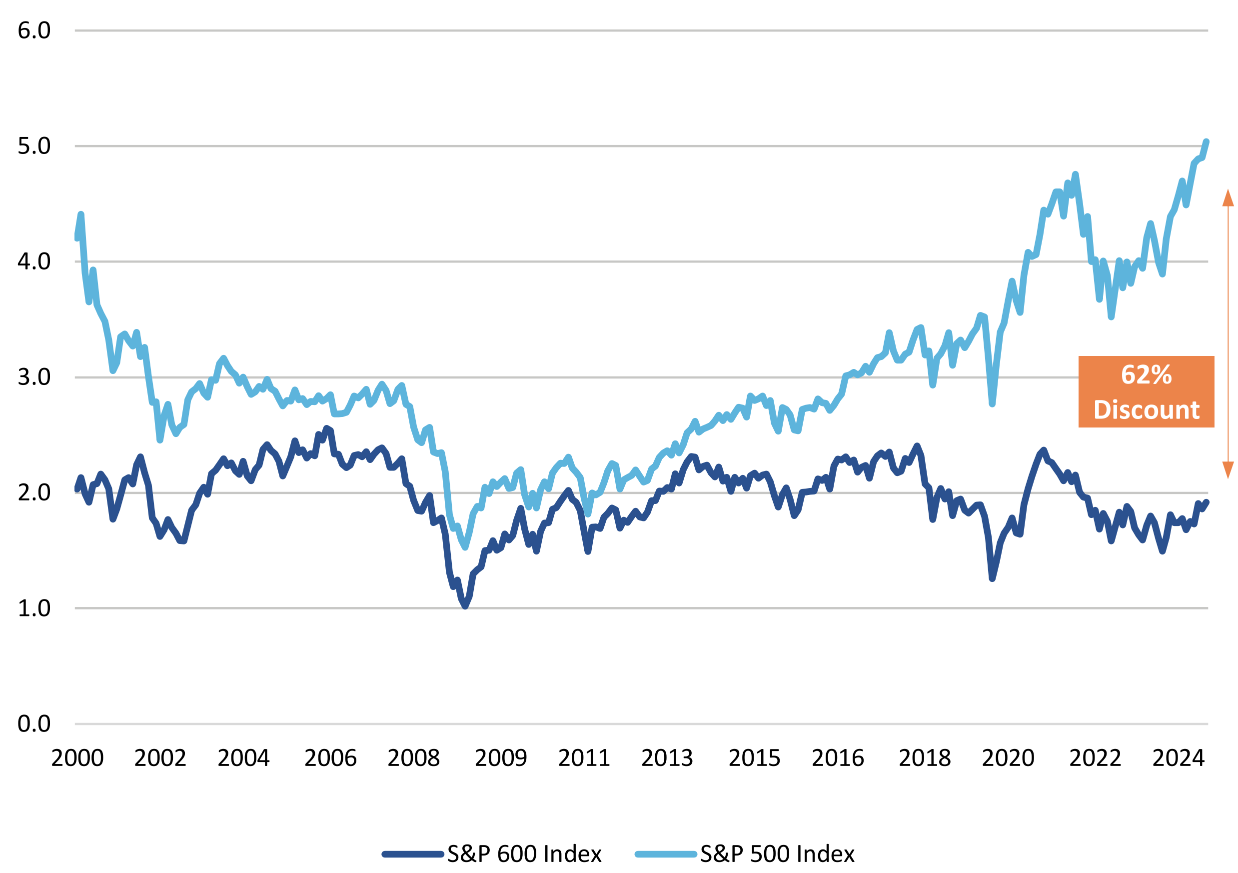
Current valuations may indicate future opportunity

Historically, when there is a large discount between the P/B ratios of large cap stocks and small cap stocks, it has provided a potentially attractive entry point into small cap stocks and strong returns over the long term.

Cumulative return after similar discount
(12/31/00 – 12/31/10)

S&P 600 Index	109.19%
S&P 500 Index	15.07%

Price-to-Book Ratio: S&P Small Cap 600 Index & S&P 500 Index



Source: Bloomberg, DWS, Morningstar as of 9/30/24. **Past performance is not indicative of future returns.** It is not possible to invest directly in an index.

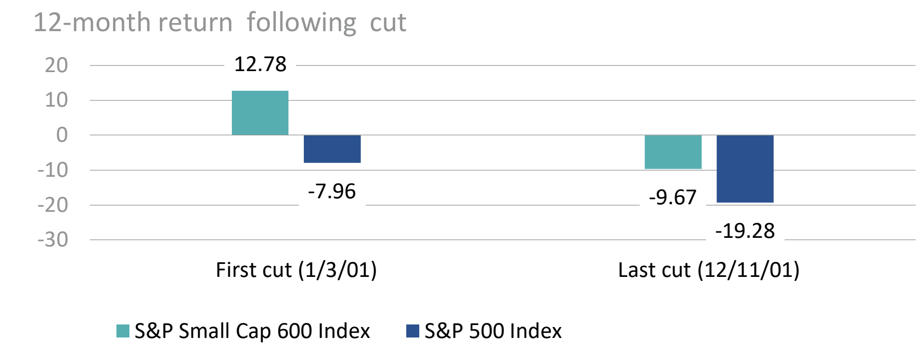
Performance of small caps following rate cuts

— The small cap sector, as represented by the S&P Small Cap 600 Index, has shown excess returns as compared to the S&P 500 Index in periods following rate cuts.

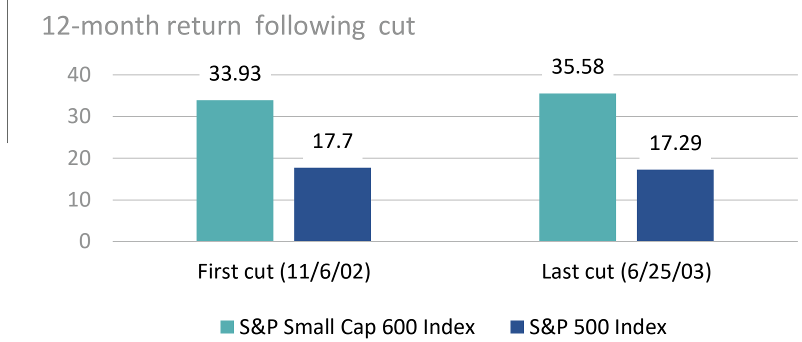
— Historically, small cap companies have demonstrated outperformance in periods of declining interest rates along with reasonable economic growth, lower financing costs and strong earnings.

Performance of small caps vs. large caps for the 12 months following the first and last Federal Reserve rate cuts during notable periods in the U.S. markets

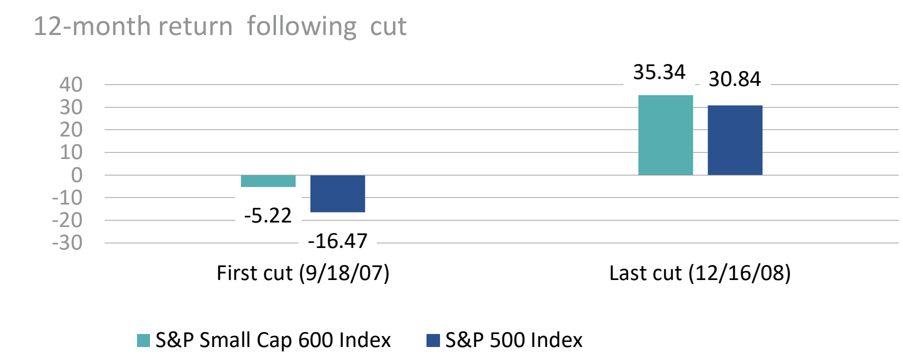
2001 Fed Rate Cuts: The Dot-Come Bust and 9/11



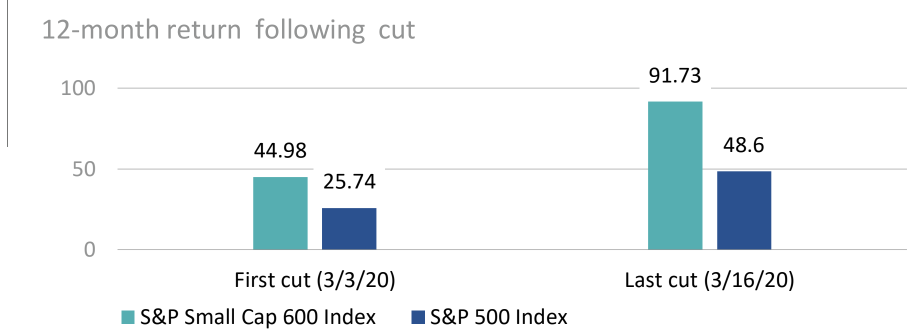
2002-2003 Fed Rate Cuts: Flagging Recovery, Low Inflation



2007-2008: Fed Rate Cuts: The Housing Market Crash



2020 Fed Rate Cuts: Coping with COVID



Source: Morningstar as of 6/30/24. **Past performance is no guarantee of future results**. There is no assurance that the investment objectives will be achieved. It is not possible to invest directly in an index. The S&P 600 index tracks the performance of small sized companies with market capitalization ranging from $850 million to $3.6 billion that meet specific liquidity and stability requirements, The S&P 500 Index tracks the performance of 500 leading U.S. stocks and is widely considered representative of the U.S. equity market. It is not possible to invest directly in an index.

The Magnificent 7 (Mag 7) - A Double-Edged Sword ?!

Performance **Concentration** **Growth** **Geopolitical risk** **Volatility** **Long-term growth**

The Mag 7

Apple, Amazon, Alphabet, Meta, Microsoft, Nvidia, Tesla,

Bullish view on Mag 7 ?

Focus the Mag 7 in your allocation by

a) Adding US Tech Thematic exposure
b) Consider upcoming Geopolitical aspects
c) Expand your risk management by adding nonfinancial data

Performance

The Magnificent 7 continue to lead the market with their strong sales and earnings growth, serving as the primary catalysts for US equity market returns.

High concentration within S&P 500 Index

1% of the companies, 31% of the weight, 46% of the risk measured by volatility[1]

Looking for diversification ?

Diversify your allocation by potentially

a) Adding International exposure
b) Consider upcoming Geopolitical risks
c) Adding US equity smart Beta solutions

Source: DWS as of 05/31/24. [1] Risk contribution is based on 1-year historical variance contribution of a portfolio of the Magnificent 7 as a percentage of the S&P 500 realized variance. Variance contribution is calculated using daily returns over the past year.

How has hedging currency risk impacted the return experience

Return statistics

(9/30/2014 to 9/30/2024)

	MSCI EAFE Currency Hedged	MSCI EAFE Currency Unhedged
Return (geometric)	8.98%	5.20%
Return (arithmetic)	9.40%	6.23%
Standard Deviation	12.41%	15.17%
Sharpe Ratio	0.62	0.30
Up Capture Ratio	82.97%	100.00%
Down Capture Ratio	59.25%	100.00%

Source: Bloomberg, DWS Calculations as of 12/31/2024. Past performance is not indicative of future results. It is not possible to invest directly in an index.

MSCI EAFE US Dollar Hedged Index Annualized Implied Carry using Foreign Exchange ("FX") Forwards

(12/31/2014 to 12/31/2024)

— Due to higher interest rates in the US as compared to international developed countries, currency carry has been a significant tailwind for currency hedging over the past decade.

— While these interest rate differentials are expected to narrow, currency carry implied in the FX forward market is still quite positive over the intermediate term.

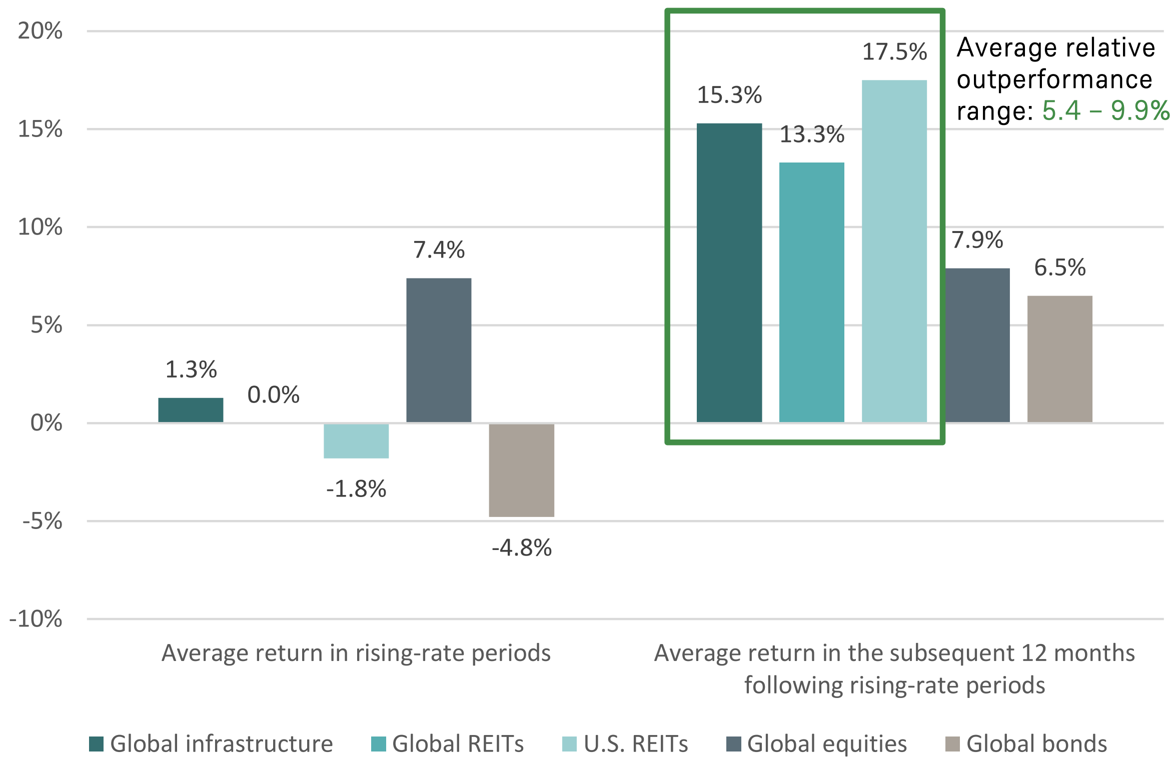
*Green diamonds represent the implied carry in the 1, 2, and 3-year fx forward prices.
Source: Bloomberg, MSCI, DWS Calculations as of 9/30/2024. Past performance is not indicative of future results. It is not possible to invest directly in an index. Forecasts are not a reliable indicator of future returns. Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect.

Performance in rising-rate periods and subsequent 12 months

Infrastructure and REITs have outperformed equities and bonds in the year following rising rate periods

Average performance during rising-rate environments and in subsequent 12-month periods

2003-2024



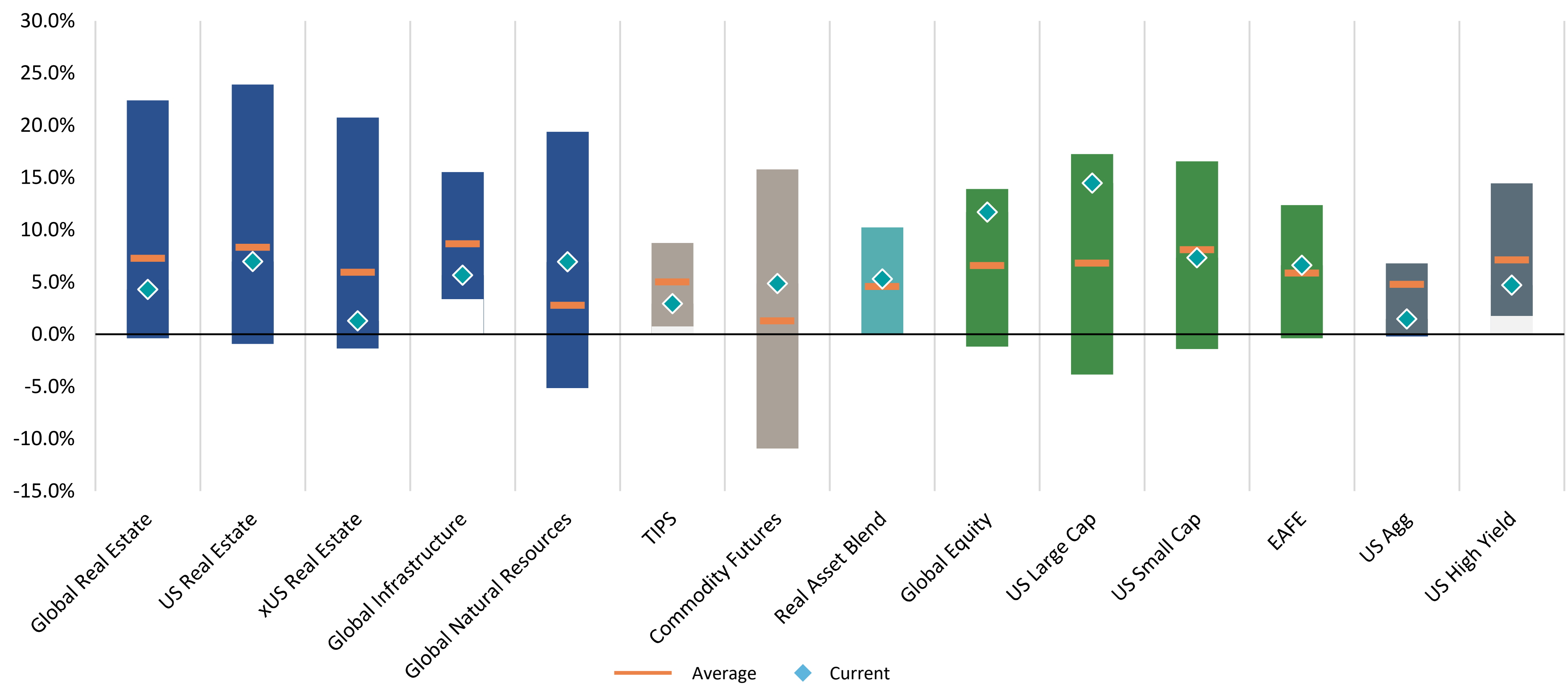
- From 2003 to 2024, there have been **15 periods** in which interest rates have been in a "rising" environment
- The average **time span was 203 days**, and the average **interest rate rise was 133 basis points (bps)**
- On average, while infrastructure and REITs performed between equities and bonds in rising-rate periods, **they outperformed both asset classes during the following year**

Source: Bloomberg and DWS as of 9/30/24. **Past performance is not a guarantee of future results.** Asset-class representation: **interest rates,** 10-year U.S. Treasury; **global infrastructure**, Dow Jones Brookfield Global Infrastructure Index; **global REITs,** FTSE EPRA NAREIT Developed Index; **U.S. REITs**, FTSE NAREIT All Equity REITs Index; **global equity,** MSCI World; **global bonds,** Barclays Global Aggregate Index. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly in an index.
Rising-rate periods include 15 periods since 2003.

Current real asset valuations are attractive

Multiple real assets are near lows of historical rolling return ranges [1]

Rolling 7-year return ranges (from 12/31/89 or inception of index if later than 1989)



[1] The comments, opinions and estimates contained herein are for informational purposes only and sets forth our views as of this date. The underlying assumptions and these views are subject to change without notice.

Sources: Bloomberg and DWS as of 9/30/24. **Past performance is not a guarantee of future results.** For illustrative purposes only. Equity index returns include reinvestment of all distributions. Index returns do not reflect fees or expenses, and it is not possible to invest directly in an index. For asset class representation and inception dates of indices shown, please refer to “Asset Classification” at the end of this presentation.

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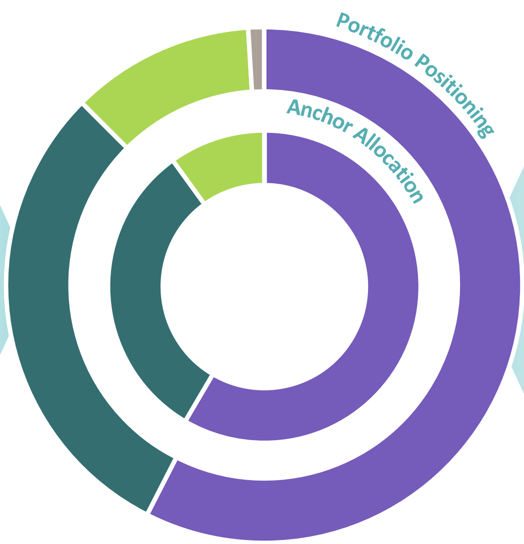
U.S. Multi-Asset: Portfolio allocation

Portfolio positioning versus anchor* allocation

	Anchor	Positioning
Equity	**58.5%**	**+1.0%**
U.S. equities	37.0%	+0.0%
European equities	8.0%	0.0%
Japanese equities	3.0%	**1.0%**
Emerging market equities	5.0%	+0.0%

	Anchor	Positioning
Alternatives	**10.0%**	**+1.0%**
Commodities	1.5%	0.0%
Infrastructure	2.5%	**+1.0%**
Developed Real Estate	6.0%	-3.0%
REITS	0.0%	**2.5%**
Natural Resources	0.0%	0.5%



	Anchor	Positioning
Fixed Income	**31.5%**	**-2.5%**
U.S. Treasuries	7.0%	-3.0%
U.S. securitized bonds	6.0%	+0.0%
U.S. Investment-grade credit	**8.0%**	**+0.5%**
U.S. High-yield bonds	3.5%	0.0%
Global ex-U.S. developed	4.5%	+0.0%
Global ex-U.S. emerging markets	2.5%	+0.0%

	Anchor	Positioning
Cash + FX	**0.0%**	**+0.5%**

We remain **neutral on both U.S. large caps and small caps** given elevated prices. While momentum is still strong, **rising 10-year real yields may soon pose a problem** for small caps and the S&P 492. Even though we see earnings growth decelerating for the great 8** in 2025 and accelerating for the remainder of the S&P 500, large cap tech leadership is likely to continue in the new year. For small caps, performance in 2025 remains dependent on broad-based corporate tax cuts, which we still think might be passed on in favor of manufacturing tax cuts.

*Anchor refers to the strategic benchmark portfolio calculated through proprietary methods by DWS Investment Management Americas, Inc. The time horizon for this portfolio is 3 to 6 month.** great 8 refers to: Microsoft, Apple, Amazon, Netflix, Nvidia, Alphabet, Meta and Tesla. Allocations are subject to change. The information herein reflect our current views only, are subject to change, and are not intended to be promissory or relied upon by the reader. Past performance is not indicative of future returns. Forecasts are not a reliable indicator of future returns. Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect. U.S. MIC moderate portfolio allocations as of December 20, 2024. Source: DWS Investment GmbH as of December 20, 2024

Review

Asset-Class Returns – Year-to-date (12/29/2023 – 12/31/2024)

Equities Europe

	Currency	Dividend yield p.a.	Performance Local currency	Performance EUR
Eurostoxx 50	EUR	3.17%	11.90%	11.90%
Stoxx 600	EUR	3.42%	9.62%	9.62%
DAX	EUR	2.75%	18.85%	18.85%
SMI (CH)	CHF	3.20%	7.54%	6.34%
FTSE MIB (IT)	EUR	5.20%	18.93%	18.93%
IBEX 35 (ES)	EUR	4.65%	20.02%	20.02%
FTSE 100 (UK)	GBP	3.90%	9.59%	14.14%

Bonds International

	Currency	Yield p.a. to maturity	Performance Local currency	Performance EUR
Global Bonds	USD	3.75%	-1.69%	4.52%
US IG Corp	USD	5.40%	2.03%	8.23%
US HY	USD	7.57%	8.19%	14.40%
Asia Credit	USD	4.40%	5.72%	11.92%
EM Credit	USD	5.12%	7.03%	13.24%
EM Sovereign	USD	6.05%	6.54%	12.74%
UST 10yr	USD	4.65%	-0.70%	5.50%

Equities International

	Currency	Dividend yield p.a.	Performance Local currency	Performance EUR
MSCI World	USD	1.78%	18.67%	24.88%
S&P 500 (U.S.)	USD	1.31%	25.00%	31.20%
Nasdaq (U.S.)	USD	0.01%	29.60%	35.80%
MSCI Japan	JPY	2.24%	21.13%	16.59%
MSCI EM	USD	2.82%	7.97%	14.18%
MSCI Asia ex Japan	USD	2.46%	12.48%	18.69%
MSCI Latam	USD	6.61%	-26.03%	-19.83%

Bonds Europe

	Currency	Yield p.a. to maturity	Performance Local currency	Performance EUR
European Bonds	EUR	2.93%	2.63%	2.63%
EUR IG Corp	EUR	3.44%	4.56%	4.56%
EUR HY	EUR	3.25%	8.58%	8.58%
GER 10yr	EUR	2.39%	0.14%	0.14%
UK 10yr	GBP	4.61%	-2.99%	3.22%
Spain 10yr	EUR	2.98%	3.25%	3.25%
Italy 10yr	EUR	3.39%	5.65%	5.65%

Currencies

	Level	Price change
EUR vs USD	1.04	-6.21%
EUR vs GBP	0.83	-4.55%
EUR vs CHF	0.94	1.21%
EUR vs JPY	162.78	4.53%

Commodities

	Currency	Current level	Performance Local currency	Performance EUR
Gold (per ounce)	USD	2,650.48	27.22%	33.42%
Oil (per barrel Brent)	USD	77.36	-3.12%	3.09%

Total Return // Alternative investment may be speculative and involve significant risks including illiquidity, heightened potential for loss and lack of transparency. Past performance is not indicative of future returns. Index returns do not reflect fees or expenses, and it is not possible to invest directly in an index. Sources: Bloomberg Finance L.P., DWS Investment GmbH as of December 31, 2024

Overview of strategic forecasts

Asset-class forecasts

Expected asset-class returns

	Current level Dec 31, 2024*	Strategic Forecast Dec 2025	Expected Total Return
Capital market yields (sovereign bonds)			
United States (2-year)	4.24%	**4.20%**	4.37%
United States (10-year)	4.57%	**4.50%**	5.26%
United States (30-year)	4.78%	**4.65%**	7.02%
Municipals**	68.42	**75.00**	4.26%
Securitized / MBS**	135 bps	**120 bps**	5.11%
Germany (2-year)	2.08%	**1.75%**	2.27%
Germany (10-year)	2.37%	**2.20%**	4.34%
Germany (30-year)	2.60%	**2.50%**	4.82%
Italy (10-year)	115 bps	**150 bps**	2.76%
United Kingdom (10-year)	4.57%	**4.00%**	9.13%
Japan (2-year)	0.61%	**0.80%**	0.60%
Japan (10-year)	1.10%	**1.40%**	-0.29%
Currencies			
EUR vs USD	1.04	**1.02**	-3.54%
USD vs JPY	157	**145**	-4.10%
EUR vs JPY	163	**148**	-7.48%
EUR vs Gbps	0.83	**0.82**	-3.24%
GBP vs USD	1.25	**1.25**	0.15%
USD vs CNY	7.30	**7.45**	3.79%
Spreads (corporate & EM bonds) in bps***			
EUR IG Corp	101	**95 bps**	4.78%
EUR HY	325	**400 bps**	3.44%
US IG Corp	77	**85 bps**	5.45%
US HY	287	**325 bps**	5.36%
Asia Credit	133	**125 bps**	6.72%
EM Sovereign	325	**390 bps**	4.25%

	Current level Dec 31, 2024*	Strategic Forecast Dec 2025	Expected Total Return
Equity markets (index value in points)			
United States (S&P 500)	5,882	**6,500**	11.81%
Germany (DAX)****	19,909	**20,500**	2.97%
Eurozone (Eurostoxx 50)	4,896	**4,950**	4.60%
Europe (Stoxx600)	508	**525**	7.02%
Japan (MSCI Japan)	1,716	**1,770**	5.54%
Switzerland (SMI)	11,601	**12,050**	7.27%
United Kingdom (FTSE 100)	8,173	**8,150**	3.72%
Emerging Markets (MSCI EM)	1,075	**1,150**	9.83%
Asia ex Japan (MSCI AC Asia ex Japan)	704	**750**	9.12%
Australia (MSCI Australia)	1,635	**1,650**	4.54%
Benchmark rates in percent			
United States (federal funds rate)***	4.25-4.50	**3.75-4.00**	-
Eurozone (deposit rate)	3.00	**2.00**	-
United Kingdom (repo rate)	4.75	**3.00**	-
Japan (policy rate)	0.25	**1.00**	-
Commodities in U.S. dollars			
Gold (Spot price)	2,625	**2,800**	
Gold (Future price)	2,767		1.20%
Crude Oil (Brent Spot price)	75	**69**	
Crude Oil (Brent Future price)	72		-3.91%
Carbon	72	**75**	4.79%

	Expected Total Return
Real Estate / Infrastructure	
Listed US RE	8.50%
Non-Listed US RE	6.00%
Listed Global RE	8.00%
Non-Listed Global RE	6.60%
Listed Infrastructure	8.50%
Non-Listed Infrastructure	11.00%

*current value is based on last trading data // ** Municipals: High yield OAS; Securitized/ MBS: FNMA 30y - 7y U.S. Treasuries; ***Federal funds rate // ****DAX is a Total Return Index, no dividend yield added // ***** yield spreads are quoted in terms of one yield versus that of U.S. Treasuries, except EUR IG and EUR HY which are quoted against Bunds // Alternative investment may be speculative and involve significant risks including illiquidity, heightened potential for loss and lack of transparency. Forecasts are not a reliable indicator of future returns. Forecasts are based on assumptions, estimates, opinions and hypothetical models or analysis which may prove to be incorrect. No assurance can be given that any forecast or target will be achieved // Source: Bloomberg Finance L.P., DWS Investment GmbH as of December 31, 2024

Asset classification

Asset class	Representative index
Global real estate	FTSE EPRA/NAREIT Developed Index
U.S. real estate	FTSE EPRA/NAREIT United States Index
xUS real estate	FTSE EPRA/NAREIT Developed ex US Index
Global infrastructure / Global Infra. Equity	Dow Jones Brookfield Global Infrastructure Index
Commodity futures / Broad Commodities Fut.	Bloomberg Commodity Index
Global equity / World equities	MSCI World Index
Global natural resources	S&P Global Natural Resources Index
U.S. large cap	S&P 500 Index
U.S. small cap	Russell 2000 Index
International equity	MSCI EAFE Index
U.S. Agg	Bloomberg US Aggregate Bond Index
U.S. High Yield	Bloomberg US Corporate High Yield Index
TIPS	Bloomberg U.S Treasury Inflation Notes Index
Real assets blend	Real Assets Blended Benchmark, which is comprised of the following blend of real asset indices: 30% Dow Jones Brookfield Global Infrastructure Index; 30% FTSE EPRA/NAREIT Developed Index; 15% Bloomberg Commodity Index; 15% S&P Global Natural Resources Index; 10% Bloomberg U.S. Treasury Inflation Notes Index
ACWI Equities	MSCI ACWI Index
EM Equities	MSCI EM Index
US Equities	MSCI USA Index
Europe Equities	MSCI Europe Index
Japan Equities	MSCI Japan Index
EUR Treasury	Bloomberg Euro Treasury Index
EUR Corporate	Bloomberg Euro Aggregate Corporate Index
EUR High Yield	Bloomberg Pan-European High Yield (Euro)
US Treasury	Bloomberg US Treasury Index
US Corporate	Bloomberg US Corporate Index
US High Yield	Bloomberg US High Yield Index
EM USD Sovereign	Bloomberg Emerging Markets USD Sovereign Index
United States REITs	S&P USA REIT Index
US Infra. Equity	Dow Jones Brookfield US Index
Private RE Equity US	Private real Estate Equity US
EUR Infrastructure IG	Markit iBoxx EUR Infrastructure Index
Private EUR Infra. IG	Private (Markit iBoxx EUR Infrastructure)

Important information

War, terrorism, sanctions, economic uncertainty, trade disputes, public health crises and related geopolitical events have led, and, in the future, may lead to significant disruptions in U.S. and world economies and markets, which may lead to increased market volatility and may have significant adverse effects on investments.

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The information on the indices is presented for illustrative purposes only and is not intended to imply the potential performance of any fund or investment. Indices are not available for direct investment. Index performance assumes the reinvestment of all distributions, but does not assume any transaction costs, taxes, management fees or other expenses.

Stocks may decline in value. Small company stocks tend to be more volatile than medium-sized or large company stocks.

Companies in the infrastructure, transportation, energy and utility industries may be affected by a variety of factors, including, but not limited to, high interest costs, energy prices, high degrees of leverage, environmental and other government regulations, the level of government spending on infrastructure projects, intense competition and other factors.

There are special risks associated with an investment in real estate, including REITs. These risks include credit risk, interest rate fluctuations and the impact of varied economic conditions.

Fixed Income – The value of the fixed income instruments will fluctuate and may lose value, as bond values decline as interest rates rise. Certain bonds and fixed income instruments may be callable. If called, the investor will experience a shorter maturity than anticipated. Bonds are exposed to credit risk, or the risk that the bond will be downgraded, and inflation risk, or the risk that the rate of the bond's yield will not provide a positive return over the rate of inflation. Investing in high yield bonds, which tend to be more volatile than investment grade fixed income securities, is speculative. These bonds are affected by interest rate changes and the creditworthiness of the issuers, and investing in high yield bonds poses additional credit risk, as well as greater risk of default.

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DWS Distributors, Inc.
222 South Riverside Plaza Chicago, IL 60606-5808
Tel (800) 621-1148 www.dwsfunds.com