



DWS Short Maturity Fund

(An Open-ended debt fund)

May 15, 2012

PRODUCT NOTE

Why Short Maturity Fund ?

The Short Maturity fund (SMF) is constructed as a mix of money market instruments and short term bonds. Money market securities constituted 55% of the portfolio at the end of April.

Money market securities capture any positive development on rates at the short end (upto 12 months). For instance, 3m and 12m CDs have rallied by 270 bps and 125 bps in April from their respective March peaks, contributing to performance. Upward pressure on yields in money market securities is expected to remain limited in the near term, given strong demand for these papers from variety of investors.

Short term bonds (12-36 months) have not shown a appreciable downward movement in yields, despite the rate cut, as the macros continue to remain challenging. Absolute yield levels in bonds (12-36m) remains elevated as there is no immediate follow-up rate action expected from RBI in the coming policy meetings. In addition to supply factors, bonds of this tenor (12-36m) are also dependent on money market yields unlike long bonds (7-10 years), which purely track G sec yields.

The Short and medium segments derive twin benefits of lower volatility and high carry, given the prevailing higher risk free rates in the system. As rates at the short end normalize, short maturity segment should outperform the ultra short term category. In the present context, long end lacks clarity given supply pressures and macro headwinds on inflation and currency pressures.

The product is suitable for investors with an investment horizon extending from 6-12 months.

Fund Positioning

Given the macro environment, our view on the long end of the curve has not materially altered despite the 50 bps repo rate cut in April, making us continue to favor the short and medium end of the curve. Liquidity has improved in April as we have entered a slack season for credit. Issuances by banks in the 3 and 12 month segments have thinned out considerably reflecting the modest credit growth in this period. Also a return of advance tax outflows and government spending which surged in March has contributed to improved liquidity.

DWS Short Maturity Fund is ideally positioned in the context of the evolving rate & macro environment. Average maturity of the fund which is at around 1.3 years has been tracking the rate moves of RBI in the past few months and was lengthened towards March consistent with a view of gradual monetary easing. Active duration management in the fund has minimized return volatility.

The fund's investment profile includes a mix of money market instruments (Commercial Papers and CDs), NCDs and Bonds. As we witness stabilization in yields going forward, the fund has scope to increase duration. In terms of credit quality, the fund invests in a mix of highest rated (P1+/A1+) at the short end and AA category in the more than 12 months.

The key highlights of DWS Short Maturity Fund as on 30 April, 2012

| | |
|-------------------------------|---|
| Average Maturity (Yrs) | Average Maturity of 1.27 is lower providing stability and lower volatility to the fund. |
|-------------------------------|---|

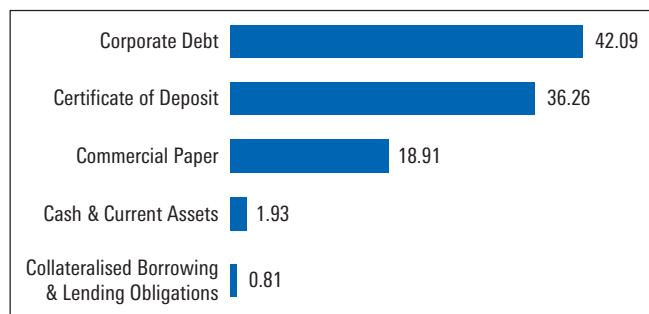
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|--------------------------------|--|
| Modified Duration (Yrs) | 1.04 |
| Paper Quality | High Portfolio Quality with 63.14% in AAA/A1+ papers ensure lower credit risk. |
| Yield to Maturity | Higher YTM of 10.04% will result in higher net accrual to the investor. |
| Options for Investment | Regular, Institutional and Premium Plus Plans. Institutional Plan starts at Rs. 5 Crores |
| Expense Ratio | 1.25% (Regular Plan) p.a. 0.95% (Institutional Plan) p.a. 0.75% (Premium Plus Plan) p.a. |
| AUM | ₹ 512.08 Crores |

Portfolio as on 30 April, 2012 (✓ Top Ten Holdings)

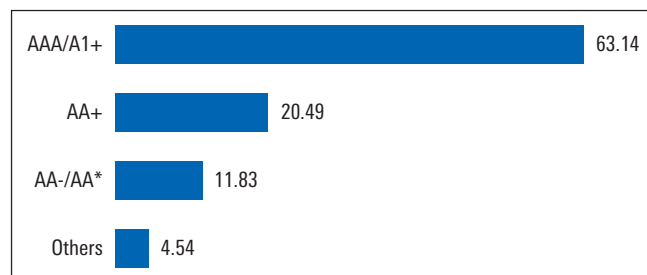
| Issuer | % to Net Assets | Rating |
|---|-----------------|------------|
| Corporate Debt | 42.09 | |
| ✓ Bajaj Finance Ltd. | 5.82 | CRISIL AA+ |
| ✓ Shriram Transport Finance Co. Ltd. | 4.90 | CARE AA+ |
| ✓ Housing Development Finance Corporation Ltd. | 4.90 | CRISIL AAA |
| ✓ Kotak Mahindra Prime Ltd. | 4.89 | CRISIL AA+ |
| ✓ Oriental Hotels Ltd. | 4.88 | ICRA AA- |
| ✓ Tata Capital Ltd. | 4.88 | CARE AA+ |
| ✓ GE Capital Services India Ltd. | 4.87 | CRISIL AAA |
| Tata Housing Development Company Limited | 3.39 | CARE AA |
| Shriram City Union Finance Ltd | 2.67 | CRISIL AA- |
| Shriram City Union Finance Ltd | 0.59 | CARE AA- |
| Shriram Transport Finance Co. Ltd. | 0.30 | CRISIL AA |
| Certificate of Deposit | 36.26 | |
| ✓ IDBI Bank Ltd. | 4.59 | CRISIL A1+ |
| ✓ Syndicate Bank | 4.59 | CARE A1+ |
| AXIS Bank Ltd. | 4.56 | CRISIL A1+ |
| Dhanalakshmi Bank Ltd | 4.54 | CARE A2+ |
| State Bank of Mysore | 4.51 | ICRA A1+ |
| Punjab National Bank | 4.50 | CARE A1+ |
| Corporation Bank | 4.49 | CRISIL A1+ |
| State Bank of Hyderabad | 4.48 | ICRA A1+ |
| Commercial Paper | 18.91 | |
| ✓ Morgan Stanley India Capital Pvt Ltd | 5.48 | FITCH A1+ |
| JM Financial Products Limited | 4.56 | CRISIL A1+ |
| Jyothy Laboratories | 4.44 | CARE A1+ |
| Vodafone India Ltd. | 4.43 | CRISIL A1+ |
| Collateralised Borrowing & Lending Obligations | 0.81 | |
| Cash & Current Assets | 1.93 | |
| Total Net Asset | 100.00 | |



Asset Allocation (%) as on 30 April, 2012



Credit Quality (%) as on 30 April, 2012



* AA include securities rated as AA and AA-.

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PRODUCT NOTE

| Key Scheme Features | | | | |
|--|--|---|----------------|-----------------------|
| Type of Scheme | Open-ended debt scheme | | | |
| Investment Objective | To generate steady returns with low volatility by investing in short/medium term debt securities and money market instruments. | | | |
| Benchmark | CRISIL Short Term Bond Fund Index | | | |
| Plans & Option for Investment | Regular Plan: Dividend (Weekly, Monthly, Quarterly and Annual – Payout/Reinvestment), Growth and Bonus. Institutional Plan: Dividend (Weekly, Monthly, Quarterly and Annual – Payout/Reinvestment) & Growth. Premium Plus Plan: Dividend (Weekly Reinvestment, Monthly, Quarterly and Annual – Payout/Reinvestment) and Growth. | | | |
| Asset Allocation | Asset Class | Indicative allocations (% of total assets) | | Risk Profile** |
| | | Maximum | Minimum | |
| | Debt* and Money Market Instruments with average maturity upto eighteen months # | 100 | 65 | Low to Medium |
| | Debt and Money Market Instruments with average maturity greater than eighteen months | 35 | 0 | Medium |
| * Debt securities may include securitised debts up to 50% of the net assets # including floating rate instruments which may have a maturity of more than one year but where the coupon reset happens at least once a year (including fixed rate securities swapped for floating rate in the above manner) ** Risk profile refers to the price risk of the respective asset class. Please refer risk factors for more details. If the Scheme decides to invest in securitised debt, it is the intention of the Investment Manager that such investments will not, normally exceed 50% of the corpus of the plan and if the Scheme decides to invest in foreign debt securities, it is the intention of the Investment Manager that such investments will not, normally exceed 25% of the assets of the Scheme. | | | | |
| Minimum Investment | Regular Plan: ₹ 5000/- and in multiples of ₹ 1/- thereafter. Institutional Plan: ₹ 5 crores and in multiples of ₹ 1/- thereafter. Premium Plus Plan: ₹ 25000/- and in multiples of ₹ 1/- thereafter. | | | |
| Additional Investment | ₹ 1000/- and in multiples ₹ 1/- thereafter. | | | |
| Minimum Repurchase | ₹ 1000/- and in multiples ₹ 1/- thereafter. | | | |
| Minimum Investment for SIP, STP and SWP | SIP available only for Regular Plan. Minimum amount of ₹ 12000/- divided into 12 installments of ₹ 1000/- each for 12 months or 6 installments of ₹ 2000/- each for 6 months or 4 installments of ₹ 3000/- each for 3 months. | | | |
| Load Structure (including SIP, STP and SWP) | Entry Load: Nil. Exit Load: 0.75% if the investor redeems/switches out within 6 months. | | | |

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Disclaimer: The views of the Fund Manager should not be construed as an advice and investors must make their own investment decisions regarding suitability of the funds based on their specific investment objectives and financial positions and using such independent advisors as they believe necessary.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.