DWS NASDAQ-100 Volatility Target Index

Index Description

The DWS NASDAQ-100 Volatility Target Index (the "Index") (NASDAQ: VOLNDX) is designed to provide exposure to the NASDAQ-100 Index (the "NASDAQ-100" or the "Underlying Index") in a risk controlled manner. The NASDAQ-100 includes 100 of the largest non-financial securities listed on the NASDAQ Stock Market based on market capitalization. The Index integrates a volatility controlled mechanism to provide exposure while limiting risk.

Index Rules for the Underlying Index

See the "NASDAQ-100 Index Methodology".

Index Calculation

The Index applies a dynamic exposure methodology to control the level of risk of the NASDAQ-100. The Index establishes a specific volatility target and adjusts exposure among a notional allocation to the NASDAQ-100 ("NASDAQ-100 Component") and a cash investment (the "Cash Component") based upon realized historical volatility of the NASDAQ-100. As volatility increases, exposure to the NASDAQ-100 Component will decrease and exposure to the Cash Component will increase. As volatility decreases, exposure to the NASDAQ-100 Component will increase and exposure to the Cash Component will decrease.

The Index began on July 23, 2010 with an Index Value of 1000.00. The Index is calculated on a total return basis which reinvests cash dividends on the ex-date.

The Index is calculated during the trading day and is disseminated once per second from 09:30:01 to 17:16:00 ET. The closing value of the Index may change up until 17:15:00 ET due to corrections to the closing value of the Underlying Index.

The formula for calculating the Index is as follows:

$$\textit{Index Value}_{(t)} = \textit{NASDAQ-100 Component Value}_{(t)} + \textit{Cash Component Value}_{(t)}$$

NASDAQ-100 Component Value

$$\textit{NASDAQ-100 Component Value} = \textit{Index Value}_{(t-1)} \times \textit{Exposure}_{(t-1)} \times ((\textit{NASDAQ-100 Value}_{(t)} + \textit{NASDAQ-100 Dividends}_{(t)}) / \textit{NASDAQ 100 Value}_{(t-1)})$$

Where:

$\textit{Exposure}_{(t-1)}$ = Exposure, as defined below, as of the previous index publication day

$\textit{NASDAQ-100 Value}_{(t)}$ = NASDAQ-100 closing value on index publication dayt

$$\textit{NASDAQ-100 Dividends}_{(t)} = \sum_{i=1}^{N(t)} \mathrm{D(i,\,t)\ x\ NS(i,\,t)}$$

Where:

N(t) = the number of shares in the NASDAQ-100 on index publication day t

D (i, t) = the cash dividend amount per stock i that has gone ex-dividend on index publication day t for which no adjustment has been made in the NASDAQ-100

NS(i, t) = the number of shares included in the NASDAQ-100 of share i on index publication day t

Cash Component Value

$$Cash\ Component\ Value_{(t)} = Index\ Value_{(t-1)} \times [1-Exposure_{(t-1)}] \times (1 + Interest_{(t-1,t)})$$

Where:

$Exposure_{(t-1)}$ = Exposure, as defined below, as of the previous index publication day.

$$Interest_{(t-1,t)}: [Floating\ Rate_{(t-1)}] \times [Act_{(t-1,t)} / 360]$$

Where:

Floating Rate = Over Night U.S. LIBOR

$Act_{(t-1,t)}$ = the number of calendar days between the previous index publication day (included) and the following index publication day (excluded)

On each day the Exposure is calculated and the Index may reallocate exposure between the NASDAQ-100 Component and the Cash Component. The initial NASDAQ-100 Component Exposure on July 22, 2010 was 59.776%; thereafter it is calculated as follows:

$$If\ |Actual\ Exposure_{(t)} - Target\ Exposure_{(t)}| > Reallocation\ Trigger,\ then\ Exposure_{(t)} = Target\ Exposure_{(t)}$$

$$If\ |Actual\ Exposure_{(t)} - Target\ Exposure_{(t)}| < Reallocation\ Trigger,\ then\ Exposure_{(t)} = Actual\ Exposure_{(t)}$$

Where:

$Actual\ Exposure_{(t)}$ = NASDAQ-100 Component $Value_{(t)}$/ Index $Value_{(t)}$

$Target\ Exposure_{(t)} = Min(Leverage\ Limit, (Target\ Volatility/Control\ Volatility_{(t)}))$

Where:

Target Volatility = 15%

Leverage Limit = 150%

$$\textit{Control Volatility}_{(t)} = \sqrt{(252)} \times \sqrt{\frac{\sum \left(DR - \overline{DR}\right)^2}{CVP - 1}}$$

Where:

$$DR_{(t)} = \ln\left[\frac{(NASDAQ - 100\,Value(t) + NASDAQ - 100\,Dividends(t))}{NASDAQ - 100\,Value(t-1)}\right]$$

the natural logarithm of the daily return of the NASDAQ- 100 adjusted for dividends from the previous index publication day to the current index publication day

$\overline{DR}$ = the arithmetic mean of the logarithm of the daily return of the NASDAQ-100 adjusted for dividends over the CVP

CVP = 30 days, the control volatility period

Annual Evaluation

The Index shall be evaluated annually in February with any changes to be effective as of March 1 and any changes will be made by the DWS Index Committee.

Index Rebalancing

The Index may be rebalanced daily. If the percentage exposure (the "Exposure") to the NASDAQ-100 exceeds the Target Exposure by more than the allowable threshold of 10% (the "Reallocation Trigger"), the allocation to the Cash Component is increased. If Exposure to the NASDAQ-100 is less than the Target Exposure, as defined below, by more than the Reallocation Trigger, the allocation to the NASDAQ-100 Component is increased, and can exceed 100%. As a result, the Index may provide leveraged exposure to the NASDAQ 100 Component. If the Index is leveraged, there will be an interest cost equal to U.S. LIBOR. The leverage for the Index will not exceed the Leverage Limit.

In administering the Index, NASDAQ OMX will exercise reasonable discretion as it deems appropriate to ensure Index integrity.