Commentary

Q1 | 3.31.24

Share Class: A I SDGAX C I SDGCX S I SCGSX INST I SDGTX R6 I SDGZX

DWS Capital Growth Fund

Executive summary

_ The Russell 1000 Growth Index gained 11.41% in the first quarter, building on its 42.68% return in 2023.[1]
_ The fund's Class S shares returned 11.62%, slightly outperforming the benchmark.
_ The fund outpaced the average return for the funds in its Morningstar peer group, Large Growth, in the five- and 10-year periods that ended on March 31, 2024.[2]

Market review

_ Market sentiment was consistently robust throughout the period, helping the major U.S. stock indexes climb to a series of all-time highs. Economic growth remained positive despite the interest rate increases of the previous two years, highlighted by continued strength in the labor market and resilience in consumer spending. In addition, U.S. Federal Reserve (Fed) Chairman Jerome Powell reiterated his December 2023 statement that the Fed was on track to begin lowering rates in 2024. Although expectations for the number of rate cuts fell steadily throughout the quarter, Powell's assertions boosted investor confidence that rates had peaked for this cycle. These developments contributed to a steady uptrend in the market with few meaningful downturns.

_ Growth stocks outpaced the broader market in the quarter. This continued the trend that was in place throughout 2023, albeit not to the same magnitude. The 11.41% return for the Russell 1000 Growth Index exceeded the 10.30% gain for the broad-based Russell 1000 Index, with the difference largely the result of outperformance for mega-cap technology stocks.

Performance review

_ The fund produced robust relative performance in the quarter, despite being measured against a very concentrated index in which the top six holdings have a combined weighting of nearly 50%. In contrast, we're constrained with respect to the degree of concentration we can have in the fund. We believe our competitive relative performance in a multi-quarter period of dominance for the "Magnificent Seven" leaders illustrates the merits of our investment discipline.

Attribution analysis

_ Stock selection in financials made the largest contribution to first-quarter performance, led by a position in Progressive (3.9%). The company reported stronger results stemming from better pricing and lower accident losses. A zero weighting in Tesla, which experienced a valuation compression on concerns about slowing sales and rising competition, was a further plus. Holdings in Spotify (0.9%) and Quanta Services (0.6%) also contributed, as did an underweight in Apple (7.9%).[3 4]

_ On the negative side, we lost some ground from selection in healthcare. Shares of Agilon (0.2%) fell sharply as higher cost pressures—caused by greater utilization rates from Medicare Advantage patients—led to weakness in its results and forward guidance. Zoetis (1.1%) also sold off, reflecting concerns about rising competition and lower spending in the companion-animal market. A zero weighting in Lilly, which continued to outperform behind optimism regarding its GLP-1 weight loss treatments, was an additional source of underperformance in the sector. Outside of healthcare, Lululemon (0.9%), which reported weaker results and lowered its guidance, was a notable detractor.

Portfolio positioning

_ We acknowledge there is a certain level of investor exuberance following a stretch of impressive market performance in recent months, mostly centered on the artificial intelligence (AI) theme and the associated waves of innovation and productivity enhancements. Valuations are relatively expensive on a historical basis, but it is important to note that many of the top-performing companies have delivered on high expectations. In addition, profit margins have been structurally higher across the market. We therefore believe investors' enthusiasm remains underpinned by fundamentals.

_ With this said, a number of risks remain in place. Among these are the U.S. election, mounting geopolitical tensions, and an unfavorable shift in Fed policy. Disappointment regarding the growth of AI and/or underperformance for the mega-cap tech leaders are also possible risk factors. As always, however, the largest risk may come from factors that are unpredictable.

_ These considerations underpin the need to pay even greater attention to our investment principles: 1) selectivity (i.e., finding businesses that are on the right side of change, can solve real world problems, and are able to grow independently of broader economic conditions), 2) appropriate and dynamic position sizing, and 3) diversification across the corporate life cycle. This is reflected on our core holdings in proven businesses with sustainable growth, together with a smaller allocation to younger, more dynamic growers.

_ Our thoughts on specific areas of the market are as follows:

_ We maintain a sizable underweight in the consumer sectors. This aspect of our positioning was reconfirmed by several weak updates and results from consumer-related companies.

_ While we missed a good entry point to gain exposure to companies that have developed GLP-1 treatments for diabetes, obesity, and associated co-morbidities, we found a more attractively valued and indirect way to benefit by building a position in one of the leading pharmaceutical packaging businesses. We believe the company should experience strong growth from these drugs as well as from many other biologics that are close to commercialization.

_ Information technology (IT) services companies continued to report generally weaker demand amid a continuation of last year's broader trend of "IT efficiency" and concurrent shift away from the previous approach of "growth at all costs." However, we believe many IT services companies are key beneficiaries and enablers of AI and should therefore experience reaccelerating business activity. It's possible that it may take some time for corporations to reprioritize their IT budgets, but we think this should happen later in the year as competitive intensity forces them into action.

_ The growth of AI may have many implications for the extended ecosystem associated with the technology. The revamping and expansion of the related infrastructure could lead to a capital investment supercycle reminiscent of the internet boom of the 1990s. This has prompted us to think broadly and outside of the technology sector as we seek to identify key players in areas such as industrials, materials, and utilities, where valuations are more attractive than those of the obvious, shorter-term beneficiaries. In this vein, we added to holdings in enablers of AI—including Accenture (1.3%) and Globant (0.3%)—as well as Dynatrace (0.9%), Moody's (0.5%), and Box (0.5%), which can apply AI inside their firms to improve the value proposition for their clients and boost profit margins through efficiency gains.

AVERAGE ANNUAL TOTAL RETURNS* (as of 3/31/24 returns of less than one year are cumulative)

Share class	3-month	YTD	1-year	3-year	5-year	10-year	Since inception	Inception date	Gross/Net expenses
Class S	11.62%	11.62%	36.04%	9.29%	16.09%	14.66%	6.86%	7/17/00	0.68%/0.68%
Class INST	11.62%	11.62%	36.04%	9.28%	16.08%	14.65%	10.83%	8/19/02	0.71%/0.69%
Class A (Unadjusted)	11.56%	11.56%	35.72%	9.03%	15.81%	14.38%	10.70%	6/25/01	0.92%/0.92%
Class A (Adjusted)	5.14%	5.14%	27.92%	6.90%	14.45%	13.70%	10.53%	6/25/01	0.92%/0.92%
Russell 1000 Growth Index	11.41%	11.41%	39.00%	12.50%	18.52%	15.98%	n/a	n/a	n/a

Performance is historical and does not guarantee future results. Investment returns and principal fluctuate so your shares may be worth more or less when redeemed. Current performance may be lower or higher than the performance data quoted. Please visit www.dws.com for the fund's most recent month-end performance. Adjusted returns include the maximum sales charge of 5.75%. Unadjusted returns do not reflect sales charges and would have been lower if they did. Performance includes reinvestment of all distributions. Index returns do not reflect fees or expenses. It is not possible to invest directly in an index or category. Not all share classes are available to all investors. A minimum investment of $1 million is required to open an account for Institutional shares. Class INST shares have a contractual waiver that runs through 01/31/2025. Without a waiver, returns would have been lower and any rankings/ratings might have been less favorable.

* This fund's performance prior to inception reflects that of Class S shares. Returns prior to inception reflect the original share class performance, adjusted for higher operating expenses and/or the maximum sales charge.

[1]The Russell 1000 Growth Index tracks the performance of those Russell 1000 Index stocks with higher price-to-book ratios and higher forecasted growth values.
[2]Morningstar Large Growth category portfolios invest in big U.S. companies that are projected to grow faster than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large-cap. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields). Most of these portfolios focus on companies in rapidly expanding industries. The category average annual total returns in the one-, five-, and 10-year periods ended 3/31/24 were 36.45%, 14.89%, and 13.24%, respectively.
Index returns do not reflect fees or expenses and it is not possible to invest directly into an index.
[3]Overweight means the fund holds a higher weighting in a given sector or security than the benchmark. Underweight means the fund holds a lower weighting.
[4]Contribution and detraction incorporate both a stock's total return and its weighting in the fund.

Percentages in parentheses represent percentages of the fund's market value as of 2/29/24. Securities referenced do not represent all of the securities purchased or sold by the fund, may or may not be profitable, and should not be construed as a recommendation of any specific security. Current and future portfolio holdings are subject to risk. The opinions and forecasts expressed herein by the fund managers do not necessarily reflect those of DWS, are as of 3/31/24 and may not come to pass.

Important risk 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 the fund and its investments.
Stocks may decline in value. Fund management could be wrong in its analysis of industries, companies, economic trends and favor a security that underperforms the market. The fund may lend securities to approved institutions. Please read the prospectus for details.

Obtain a prospectus
Consider the investment objective, risks, charges and expenses carefully before investing. For a summary prospectus, or prospectus that contains this and other information, download one from www.dws.com or talk to your financial representative. Read the prospectus carefully before investing.

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