

## DWS Short-Term Municipal Bond Fund

Eligible for \$250,000 NAV purchase privilege†

### Executive summary

- \_ Class S shares of DWS Short-Term Municipal Bond Fund returned 0.41% in the quarter compared to 0.04% for the Bloomberg 1-Year General Obligation Bond Index and -0.28% for the Bloomberg 3-Year Municipal Bond Index.<sup>1,2</sup>
- \_ The AAA municipal yield curve finished the quarter higher across its length while flattening between 2 and 30 years.<sup>3</sup>
- \_ The fund's overweight to issues rated A and lower was a positive factor for performance.<sup>4</sup>

### Market review

- \_ Entering the new year, with inflation trending lower, the markets were anticipating that the U.S. Federal Reserve (Fed) would implement as many as six or seven rate cuts in 2024, with the first coming as soon as March. However while inflation data continued to show progress towards the Fed's 2% target, the pace of disinflation remained slower than hoped for by Fed officials and market participants. Given lingering inflation and surprisingly resilient economic data, the consensus shifted by the end of the quarter to three rate cuts for the year with the first occurring in June. Against the backdrop of a less favorable policy outlook, the yield on the two-year U.S. Treasury note rose from 4.23% to 4.59% over the quarter, while the 10-year rose from 3.88% to 4.22%, weighing on bond market returns broadly.
- \_ In keeping with Treasuries, the AAA municipal yield curve finished the quarter higher across its length. The two-year municipal yield finished at 2.97% vs. 2.52% three months earlier, the 10-year finished at 2.54% vs. 2.28%, and the 30-year at 3.68% vs. 3.42% (source: Thomson Reuters). New issue supply was higher relative to the same period in 2023 but remained manageable given strong tax-free mutual fund inflows, most notably with respect to high yield funds. Demand from separately managed accounts continued to support high quality issues with maturities below 15 years. Within the investment grade municipal market, lower quality issues generally outperformed, while returns for below-investment grade municipal issues outpaced their investment grade counterparts.<sup>5</sup>

### Performance review

- \_ Class S shares of DWS Short-Term Municipal Bond Fund returned 0.41% in the quarter compared to 0.04% for the Bloomberg 1-Year General Obligation Bond Index and -0.28% for the Bloomberg 3-Year Municipal Bond Index. The average fund in the Morningstar peer group, Municipal National Short, returned 0.29%.<sup>6</sup>

### Attribution analysis

- \_ The fund's overweight to issues rated A and lower was a positive factor for performance as credit spreads narrowed during the quarter.<sup>7</sup>
- \_ In sector terms, overweight exposure to senior living facilities, single family housing and pre-paid gas bonds added to performance while an overweight to higher education was a modest drag.
- \_ Given the move higher in rates, duration was a major driver of returns during the quarter. In an attempt to stay close to the peer group median, the fund carried a duration shorter than the Bloomberg Barclays 3-year index and longer than the 1-year General Obligation (GO) index. This duration stance was a positive contributor to performance vs. the 3-year index and a negative contributor vs. the 1 year GO index.<sup>8</sup>

### Portfolio positioning

Municipal yields ended the quarter on the lower side relative to Treasuries across the curve, with the 10 year municipal

yield ending March at 59.7% of the comparable Treasury yield.

Credit spreads for lower investment grade bonds look compelling in certain sectors when considering that credit fundamentals generally remain sound. The fund's recent purchases have been concentrated in new issues where spreads are wider.

The municipal curve remains inverted between two and ten years. We continue to focus purchases within 2 to 3 year maturities and maintain a bulleted structure for the portfolio. Given the inverted curve, there is less incremental yield in longer maturities compared to historical averages.

**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	0.41%	0.41%	3.08%	0.60%	1.28%	1.20%	2.66%	2/28/05	0.64%/0.50%
Class INST	0.32%	0.32%	3.16%	0.70%	1.38%	1.30%	2.78%	3/6/95	0.62%/0.45%
Class A (Unadjusted)	0.26%	0.26%	2.90%	0.44%	1.13%	1.05%	2.52%	2/28/03	0.87%/0.70%
Class A (Adjusted)	-2.00%	-2.00%	0.59%	-0.32%	0.67%	0.82%	2.44%	2/28/03	0.87%/0.70%
Bloomberg 1-Year General Obligation Bond Index	0.04%	0.04%	2.26%	0.74%	1.17%	1.05%	n/a	n/a	n/a
Bloomberg 3-Year (2-4) Municipal Bond Index	-0.28%	-0.28%	1.80%	-0.02%	1.06%	1.21%	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](http://www.dws.com) for the fund's most recent month-end performance.**

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 A, S, and 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.

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

† Effective 7/15/20, for Class A shares, there is a front-end sales charge of 2.25%. There are related sales charge discounts and contingent deferred sales charges (CDSC) which may apply to new fund share purchases for Class A shares. Between 2/11/19 and 7/15/20, there were no sales charges to purchase Class A shares and no CDSC charges apply to shares of the fund acquired directly. However, Class A shares acquired in an exchange from shares of another DWS fund that were subject to a CDSC at the time of the exchange will continue to be subject to the CDSC schedule of the shares of the fund you originally purchased. Investments of \$250,000 or more made on or after July 15, 2020 may be eligible to buy Class A shares without a sales charge (load), but may be subject to a contingent deferred sales charge of 0.75% if redeemed within 12 months of the original purchase date.

<sup>1</sup>The Bloomberg 1-Year General Obligation Municipal Bond Index tracks the performance of investment-grade tax-exempt bonds with maturities from zero to two years.

<sup>2</sup>The Bloomberg 3-Year Municipal Bond Index tracks the performance of investment-grade tax-exempt bonds with maturities from two to four years.

<sup>3</sup>The yield curve is a graphical representation of how yields on bonds of different maturities compare. Normally, yield curves slant up, as bonds with longer maturities typically offer higher yields than short-term bonds.

<sup>4</sup>“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.

<sup>5</sup>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. The Fund's credit quality does not remove market risk and is subject to change.

<sup>6</sup>The Morningstar Municipal National Short category consists of portfolios that invest in bonds issued by various state and local governments to fund public projects. The income from these bonds is generally free from federal income taxes. The average returns for the category over the one-, five- and 10-year periods ended 3/31/24 were 2.70%, 1.13% and 1.10%, respectively.

<sup>7</sup>Spread, or credit spread, refers to the excess yield offered by a lower quality bond relative to a higher quality bond of comparable maturity. When spreads widen, yield differences increase between the bonds being compared. When spreads narrow, the opposite is true.

<sup>8</sup>Duration, which is expressed in years, measures the sensitivity of the price of a bond or bond fund to a change in interest rates.

Index returns do not reflect fees or expenses. It is not possible to invest directly in an index or category.

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.

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.

Municipal securities are subject to the risk that litigation, legislation or other political events, local business or economic conditions or the bankruptcy of the issuer could have a significant effect on an issuer's ability to make payments of principal and/or interest. The market for municipal bonds may be less liquid than for taxable bonds and there may be less information available on the financial condition of issuers of municipal securities than for public corporations. Bond investments are subject to interest-rate, credit, liquidity and market risks to varying degrees. When interest rates rise, bond prices generally fall. Credit risk refers to the ability of an issuer to make timely payments of principal and interest. Investment in lower quality (“junk bonds”) and non-rated securities present greater risk of loss than investments in higher-quality securities. Although the fund seeks income that is exempt from federal income taxes, a portion of the fund's distributions may be subject to federal, state and local taxes, including the alternative minimum tax. 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](http://www.dws.com) or talk to your financial representative. Read the prospectus carefully before investing.**

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