Commentary

Q3 | 9.30.25

Share Class: A I KHYAX C I KHYCX S I KHYSX INST I KHYIX R6 I KHYQX

DWS High Income Fund

Executive summary

_ The fund's primary benchmark - the Bloomberg U.S. Aggregate Bond Index - returned 2.03% for the thried quarter. The ICE BofA U.S. High Yield Index—the fund's secondary benchmark—returned 2.40% in the third quarter.[1,2]
_ The fund's Class S shares gained 2.34% in the quarter and slightly underperformed the index.
_ The fund outpaced the average return for its Morningstar peer group, High Yield Bond, in the 10-year period that ended on September 30, 2025.[3]

Market review

_ The strong showing for the high-yield market represented its twelfth consecutive quarterly gain. A number of factors underpinned the rally, including positive economic growth, easing global trade tensions, and a better-than-expected earnings season. In addition, the U.S. Federal Reserve's (Fed's) decision to cut interest rates by a quarter point at its September meeting contributed to a modest downtrend in U.S. Treasury yields. Yield spreads declined (indicating outperformance versus U.S. Treasuries) as improving market sentiment led to a surge in investors' appetite for risk.[4] The ICE BofA US High Yield Master II Option-Adjusted Spread—which measures the difference between the yields of high-yield bonds and those of equivalent Treasuries—fell from 296 basis points (2.96 percentage points) at the end of June to 280 basis points on September 30.[5]
_ Robust investor sentiment contributed to outperformance for lower-rated CCC issues. The category gained 3.96% and outpaced returns of 2.46% and 2.19% for Bs and BBs, respectively.[6]
_ The U.S. high-yield market experienced an inflow of approximately $5 billion, raising the year-to-date inflow to $14.9 billion. New-issue volume accelerated to about $121.9 billion, up from $77.3 billion in the second quarter and $68.3 billion in the first three months of the year. New issuance was nearly 65% ahead of the $74.3 billion level reached in the third quarter of 2024. The use of new-issuance proceeds remained focused on refinancing existing bonds to extend debt maturity schedules and reduce refinancing risks.
_ The default rate based on the number of issuers came in at 1.15%, up slightly from 1.03% in the previous quarter but below 1.35% in the same period one year ago.[7]

Performance review

_ Security selection in the BB and B rated categories contributed to the fund's relative performance. However, the benefit was offset somewhat by an underweight in CCCs.
_ Sector allocation was a net contributor. Overweights in the cable and satellite, metals and mining and energy exploration and production sectors contributed.[8,9] On the other hand, underweights in the automotive, building materials and home construction sectors detracted.
_ Issue selection was also a net contributor. The best results occurred in the cable and satellite, midstream, and aerospace / defense sectors. Selection in media, oil field services, and chemicals detracted.

Attribution analysis

_ An overweight in the engineered processing equipment and systems manufacturer Hillenbrand (1.0%)—which announced it was exploring strategic options, including a potential sale—was a top contributor at the individual security level. The fund also benefited from its overweight in the liquefied natural gas producer Venture Global Plaquemines LNG (1.4%), which reported better-than-expected results and appeared on track to generate rising volumes at a key facility. An overweight in the metals and mining company First Quantum (1.0%) contributed, as well. The bonds gained in price after Panama's government issued constructive commentary about a possible restart of the company's core Cobre Panama mine. First Quantum also refinanced some near-term debt and improved its liquidity profile.

_ An overweight in the bonds of the commodity chemical manufacturer Tronox (0.4%) was a notable detractor. The company reduced its full year earnings and free cash flow guidance, and it received a credit downgrade due to its continued operational challenges. An underweight in the recent fallen angel WarnerMedia (0.2%) / Discovery Communications (0.3%), whose bonds rallied on news of a potential acquisition, also detracted. An underweight in the auto manufacturer Nissan (0.3%) was a further detractor of note.

Portfolio positioning

_ We remain constructive on the U.S. high-yield market, but we are carefully monitoring technical conditions. In 2024, robust yields of 7-8% helped attract sizable inflows into the asset class. Yields are lower today at 6.73% (as of September 30). Similarly, spreads remain quite tight from a historical perspective. However, the combination of slow (but positive) macroeconomic growth, plus a more dovish Fed, continues to provide a supportive backdrop for the asset class. Companies should be able to produce modest earnings growth, and lower borrowing costs are likely to help strengthen free cash flows and credit metrics. Further, we believe more accommodative fiscal and monetary policy could reduce the odds of a prolonged recession – a positive for high yield.

_ While we anticipate that the default rate will increase, we think it will likely remain below its level of prior cycles due to the higher ratings quality of the index, strong corporate balance sheets (especially in energy), and fewer near-term maturities. Credit metrics were essentially stable for high-yield issuers in the third quarter. Higher-quality BB rated issues comprise 54% of the broader high-yield market, above the historical average of 43%. Additionally, we believe these credits have sufficient free cash flow to cushion the impact of economic uncertainty or earnings declines. Riskier CCC credits represent just 12% of the market, below the long-term average of 17%. Debt maturity schedules have been extended, with only 0.4% of the market maturing in 2025 and another 3.7% in 2026. With this said, the maturity wall becomes incrementally more challenging in 2027 at 10.5%. Liability management exercises have provided stressed issuers with the ability to restructure their balance sheets outside of the more traditional bankruptcy process, thereby enhancing their financial flexibility. Private credit has also helped certain distressed borrowers extend their debt maturity schedules and liquidity runways. We think these trends could keep default rates below historical averages and support recovery rates in the near term.

_ High-yield bonds could be vulnerable to a range of disruptive factors, few of which can be meaningfully anticipated. Labor market fundamentals have been weaker than expected, which could weigh on consumer confidence. A prolonged U.S. government shutdown would similarly detract from U.S. consumer and corporate spending. In addition, the favorable investment environment could lead to increased LBOs (leveraged buyouts) by private equity investors.[10] We are cautious on the potential impact of elevated LBOs, since they may prove detrimental to technical supply conditions and adversely affect the credit quality of high-yield issuers.

_ We remain on the lookout for opportunities where merger-and-acquisition activity would benefit the credit metrics of the acquiring and target companies. As always, we continue to view credit analysis as critical for generating attractive total returns while balancing risk.

AVERAGE ANNUAL TOTAL RETURNS (as of 9/30/25 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	2.34%	6.96%	6.98%	10.20%	5.09%	5.70%	5.33%	5/1/12	0.76%/0.76%
Class INST	2.57%	7.20%	7.23%	10.30%	5.16%	5.77%	7.17%	8/19/02	0.74%/0.74%
Class A (Unadjusted)	2.52%	7.05%	7.00%	10.06%	4.92%	5.53%	8.07%	1/26/78	0.98%/0.98%
Class A (Adjusted)	-2.09%	2.23%	2.19%	8.38%	3.96%	5.04%	7.97%	1/26/78	0.98%/0.98%
Bloomberg U.S. Aggregate Bond Index	2.03%	6.13%	2.88%	4.93%	-0.45%	1.84%	n/a	n/a	n/a
ICE BofA U.S. High Yield Index	2.40%	7.06%	7.23%	10.98%	5.54%	6.06%	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 4.50%. 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. Without a waiver, returns would have been lower and any rankings/ratings might have been less favorable.

[1]Bloomberg U.S. Aggregate Bond Index represents domestic taxable investment grade bonds with average maturities of 1 year or more.
[2]ICE BofA U.S. High Yield Index tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the US domestic market.
[3]Morningstar High Yield Bond category portfolios concentrate on lower-quality bonds, which are riskier than those of higher-quality companies. These portfolios generally offer higher yields than other types of portfolios, but they are also more vulnerable to economic and credit risk. The average category returns in the one-, five-, and 10-year periods ended September 30, 2025 were 6.93%, 5.18%, and 5.24%, respectively.
[4]Yield spread refers to differences between yields on differing debt instruments, calculated by deducting the yield of one instrument from another. The higher the yield spread, the greater the difference between the yields offered by each instrument.
[5]The ICE BofA Merrill Lynch US High Yield Option Adjusted Spread (OAS) calculates the spread between a computed OAS index of bonds that are below investment grade (those rated BB or below) and a spot Treasury curve.
[6]Credit quality measures 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.
[7]A default occurs when an issuer fails to make an interest or principal payment on a bond. The default rate is the percentage of issuers that default in a given year.
[8]Contribution and detraction incorporate both an investment's total return and its weighting in the fund.
[9]Overweight means a fund holds a higher weighting in a given sector or individual security compared with its benchmark index; underweight means a fund holds a lower weighting.
[10]LBO is a leveraged buyout. In a leveraged buyout, a company is acquired using a significant amount of borrowed money (bonds or loans) to meet the cost of acquisition.

Holding percentages in parentheses represent percentages of the fund's market value as of 8/31/25. 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 9/30/25 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.
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. Investments in lower-quality ("junk bonds") and non-rated securities present greater risk of loss than investments in higher-quality securities. Investing in foreign securities presents certain risks, such as currency fluctuations, political and economic changes, and market risks. Investing in derivatives entails special risks relating to liquidity, leverage and credit that may reduce returns and/or increase volatility. 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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