

NEW GERMANY FUND INC  
Form N-CSR  
March 02, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549

FORM N-CSR

Investment Company Act file number: 811-05983

The New Germany Fund, Inc.  
(Exact Name of Registrant as Specified in Charter)

345 Park Avenue  
New York, NY 10154-0004  
(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, including Area Code: (212) 250-3220

Paul Schubert  
60 Wall Street  
New York, NY 10005  
(Name and Address of Agent for Service)

Date of fiscal year end: 12/31

Date of reporting period: 12/31/2014

ITEM 1. REPORT TO STOCKHOLDERS

December 31, 2014

Annual Report

to Shareholders

The New Germany Fund, Inc.

Ticker Symbol: GF

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The Fund seeks long-term capital appreciation primarily through investment in middle-market German equities.

Investments in funds involve risks, including the loss of principal.

The shares of most closed-end funds, including the Fund, are not continuously offered. Once issued, shares of closed-end funds are bought and sold in the open market. Shares of closed-end funds frequently trade at a discount to net asset value. The price of the Fund's shares is determined by a number of factors, several of which are beyond the control of the Fund. Therefore, the Fund cannot predict whether its shares will trade at, below, or above net asset value.

This Fund is diversified, but primarily focuses its investments in Germany, thereby increasing its vulnerability to developments in that country. Investing in foreign securities presents certain risks, such as currency fluctuations, political and economic changes and market risks. Any fund that concentrates in a particular segment of the market will generally be more volatile than a fund that invests more broadly.

The European Union, the United States and other countries have imposed sanctions on Russia as a result of the Russian military intervention in Ukraine. These sanctions have adversely affected Russian individuals, issuers and the Russian economy, and Russia, in turn, has imposed sanctions targeting Western individuals, businesses and products including food products. The various sanctions have adversely affected, and may continue to adversely affect, not only the Russian economy but also the economies of many countries in Europe, including Germany. Potential developments in Ukraine, and the continuation of current sanctions or the imposition of additional sanctions may materially adversely affect the value of the Fund's portfolio.

Deutsche Asset & Wealth Management represents the asset management and wealth management activities conducted by Deutsche Bank AG or any of its subsidiaries, including the Advisor and DeAWM Distributors, Inc.

**NOT FDIC/NCUA INSURED NO BANK GUARANTEE MAY LOSE VALUE NOT A DEPOSIT NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY**

Letter to the Shareholders (Unaudited)

Dear Shareholder,

For the year 2014, the New Germany Fund, Inc.'s total return in U.S. dollars was  $-6.16\%$  based on net asset value (NAV) and  $-8.35\%$  based on market price. During the same period, the total return of the Fund's benchmark, the Midcap Market Performance Index, was  $-8.06\%$ .<sup>1</sup> The Fund discount to NAV averaged  $9.56\%$  for the year 2014, compared with  $10.07\%$  for the year 2013.

The year was characterized by two very different halves. In the first half, equity markets reached new all-time highs on another package of expansionary measures from the European Central Bank (ECB), the ongoing recovery of the U.S. economy, and brisk merger and acquisition (M&A) activity. In the second half, volatility returned to markets with two hefty corrections in October and December. Nonetheless, the Midcap Market Performance Index was able to gain slightly in the second half, adding up to a positive year in local currency terms.

Private consumption continued to be the main driver for the German economy, while corporate investments, against a backdrop of political uncertainty in the European Union (EU) and volatile currency markets, remained subdued.<sup>2</sup>

According to the German Consumer Confidence Index, consumers assume that the current phase of economic weakness in Germany will be temporary and are expecting the domestic economy to return to growth over the coming months.<sup>3</sup> This is reflected in the considerable increase recorded in economic expectations in December. The willingness to consume has also once again risen slightly, further improving on its already extremely high level. The propensity to save has plummeted to a record low. This contributed to further improvement in the consumer climate in the last quarter of the year. The consumer climate indicator, while dropping 7.5 points, is still at an extremely favorable level.

The decrease is most likely attributable to the volatile international situation rather than framework conditions in Germany. From consumers' standpoint, the latter continue to be extremely favorable. Month after month, employment is rising to new record highs. Incomes of both employed Germans and pensioners are developing positively, boosted by the very low rate of inflation of well below one percent.

Overall, it appears that the consumer climate is strong entering the new year and is an indicator that economic development should be good in 2015. Accordingly, we believe that private consumption will continue to play a major role in the German economy in the coming year. However, any potential escalation of international crises may pose a threat to the consumer economy and, therefore, to economic development in Germany as a whole.

After a period of weakness from March to October, December saw the second successive monthly increase in Germany's Ifo Business Climate Index, which strongly suggests the end of the economic rough patch.<sup>4</sup> The confidence shock caused by the conflict in Eastern Ukraine has faded since October. Sharply lower oil prices boost hopes for stronger growth in 2015. The headline Ifo Business Climate Index rose from 104.7 in November to 105.5 in December. Most importantly though, the index's expectations component, which typically correlates closely with machinery investment activity, rebounded sharply to 101.1. As we expected, the manufacturing sector, which was the key factor for the 2014 downturn, is now becoming the key driver of the rebound. Resilient export expectations, not least supported by the weakness of the European currency, a strong competitive position, and cheap oil boost the outlook for Germany's industrial backbone. Meanwhile, the domestic-oriented services and retail trade sectors also improved, leaving construction with a slight weakening in confidence as the outlier. All in all, the German economy grew measurably in 2014, with gross domestic product (GDP) notching up real growth of 0.8%.

In our German mid-cap stock portfolio, taking into account the above global macroeconomic background, we have become slightly more constructive again. We added to several industrial names in the expectation that the weakening euro should eventually become a strong tailwind for several of the strong, export-driven companies. We continue to remain positive regarding the strong German consumer, with exposure to select retail stocks and media stocks (subsegments of consumer discretionary) as well as German residential real estate stocks (subsegment of financials).

Within the Fund, positive contributions to performance were generated by LEG Immobilien, Deutsche Annington Immobilien and RTL Group, while detractors included Freenet, Gerresheimer and Sto.\*

On December 19, 2014, the Fund announced that its Board of Directors declared distributions per share of \$0.369 and \$3.166 of ordinary income and capital gains, respectively. These distributions were largely paid for by selling a pro rata slice of the portfolio in January 2015.

Sincerely,

Christian Strenger  
Chairman

Philipp Schweneke  
Portfolio Manager

Brian Binder  
President and Chief  
Executive Officer

The views expressed in the preceding discussion reflect those of the portfolio management team only through the end of the period of the report as stated on the cover. The management team's views are subject to change at any time based on market and other conditions and should not be construed as recommendations. Past performance is no guarantee of future results. Current and future portfolio holdings are subject to risk, including geopolitical and other risks.

1 The Midcap Market Performance Index is a total-return index that is composed of various mid-cap securities across all sectors of the MDAX and TecDAX. The MDAX is a total-rate-of-return index of 50 mid-cap issues that rank below the DAX. The DAX is a total-rate-of-return index of 30 selected German blue chip stocks traded on the Frankfurt Stock Exchange. The TecDAX is a total-return index that tracks the 30 largest and most liquid issues from the various technology sectors of the Prime Standard Segment beneath the DAX. The Midcap Market Performance Index is calculated using closing local market prices and translates into U.S. dollars using the London close foreign exchange rates. Index returns assume reinvestment of dividends and, unlike Fund returns, do not reflect any fees or expenses. It is not possible to invest directly in the Midcap Market Performance Index.

2 The European Union is an organization of European nations which was established in 1993 with the purpose of seeking closer economic and political union. Participating European Union members established an agreement known as The European Monetary Union (a currency union within the Eurozone) which identified the protocols for pooling currency reserves and the introduction of a common currency.

3 The German Consumer Confidence Index ("GfK") is a composite of information extracted from a monthly survey of more than 2,000 consumer interviews about personal spending patterns, inflationary expectations and opinions about the economic outlook. The survey is conducted by the GfK, a market research organization, on behalf of the European Union ("EU") commission.

4 The Ifo Business Climate Index is a monthly survey that measures the business climate in Germany.

\* Not held in the portfolio as of December 31, 2014.

Ten Largest Equity Holdings  
at December 31, 2014 (48.5%

of Net Assets)	Country	Percent
1. Airbus Group NV	Netherlands	11.8%
2. LEG Immobilien	Germany	6.4%
3. ProSiebenSat.1 Media	Germany	5.0%
4. OSRAM Licht Group	Germany	4.4%
5. United Internet	Germany	3.9%
6. Symrise	Germany	3.9%
7. Deutsche Annington Immobilien	Germany	3.5%
8. QIAGEN	Netherlands	3.3%
9. Hannover Rueck	Germany	3.2%
10. MTU Aero Engines	Germany	3.1%

Portfolio holdings and characteristics are subject to change and not indicative of future portfolio composition.

For more complete details about the Fund's Schedule of Investments, see page 10. For additional information about the Fund, including performance, dividends, presentations, press releases, market updates, daily NAV and shareholder reports, please visit [deutschefunds.com](http://deutschefunds.com).

Outlook Interview with the

Portfolio Manager (Unaudited)

Portfolio Manager

Philipp Schwencke

Question: Consumer trends in Germany continue to be strong. Is the Fund benefiting from this?

Answer: For the time being, private consumption continues to be the main driver for the German economy. The low unemployment rate (which declined to 6.7% during 2014, the lowest level since the reunification peak of 11.7% in 2005), the record number of 30.7 million employed as of October 2014 (a steep increase from 28 million employed in 2010) and the increasing number of vacant jobs (approximately 0.5 million in December) led to an increase in consumer confidence. As a result, the savings rate dropped and the propensity to spend increased.

We expect the Fund to profit from this trend by its investments in the residential real estate subsegment of financials and online retail sectors, a subsegment of consumer discretionary. Real estate companies showed improved earnings due to an increasing demand for flats, especially in the bigger cities, which led to an increase in rental income. Online retail companies like zooplus, Zalando SE or Rocket Internet profited not only from an improving consumer climate, but also from structural trends. We expect online shopping for clothing (today 9% of sales) is expected to grow in the coming years, due to its additional convenience, changes in consumer behavior and new sales opportunities related to mobile devices and applications.

Question: The euro has been falling against the U.S. dollar, what are the effects on German mid-cap stocks?

Answer: In 2014, the U.S. dollar gained more than 13% against the euro. Reasons for the decline of the euro were stronger growth in the United States compared to the Eurozone. In addition, the central banks followed opposite monetary strategies. While the U.S. Federal Reserve Board (the Fed) started to withdraw surplus money from the financial sector (tapering), the European Central Bank (ECB) prepared for more quantitative easing to support the ailing economy.<sup>1</sup> This in turn led to record low interest rate levels in the Eurozone and to an increasing demand for U.S. dollars, which offered interest rates 200 basis points higher than the Eurozone.<sup>2</sup> The strong U.S. dollar will be very supportive of the export-oriented German "Mittelstand." We estimate that the currency trend could add up to 5% to earnings of German mid-cap stocks. Bear in mind that the fall of the euro started in earnest from July 2014 onwards, so that the favorable year-over-year comparisons started with the third and fourth quarters. Since even mid-sized companies use some form of currency hedging, they may start to benefit meaningfully from the currency trend from the second quarter of 2015 onwards.

During the course of the year, we built positions in companies which should profit from their production in the Eurozone, and the billing in U.S. dollars (namely MTU Aero Engines, Airbus Group, Aurubis, Hochtief and OSRAM Licht Group).

Question: What effect will the falling oil price have on German corporations?

Answer: In 2014, the oil price experienced a decline not seen since the crisis of 2008. Brent Crude dropped to \$57.33 at the end of December, from a high of \$115 in June.<sup>3</sup> The sharp decline of more than 50% was caused by a combination of excess supply and slowing demand. The output from non-conventional production (fracking) in the U.S. had increased continuously in the last two years, making the country more and more independent of oil imports. Meanwhile, the demand outside of the U.S. declined due to an economic slowdown in Asia. Since some of the established players wanted to maintain their market shares, which had been reduced by the success of the fracking industry, some of them started to grant discounts, with which they hoped to squeeze some of the non-conventional producers out of the market.

Since Germany barely produces any oil, it is more or less completely dependent on oil imports. The decline in oil prices (even taking the stronger U.S. dollar into account) therefore has the effect of a huge economic stimulus package. While private consumers see their gas and energy bills decline significantly, companies like MTU profit from additional demand for spare parts for older turbines, which can now run profitably again. Energy-intensive companies like Aurubis (copper smelting), which considered relocation in the past due to Germany's high energy costs, are gaining competitiveness. The flip side of the coin is the worsened earnings outlook and sentiment for companies in the renewable energy sector. We reacted to this trend by selling parts of our positions in Nordex (wind turbines) and Wacker Chemie (high-grade silicon for solar cells).

1 Quantitative easing is a policy enacted by a country's central bank in an effort to stimulate the economy.

2 The Eurozone refers to a currency union among the 17 members of the European Union states that have adopted the euro as their sole currency.

3 Brent Crude is a classification of light crude oil that serves as a benchmark for the price of oil worldwide.

#### Performance Summary December 31, 2014 (Unaudited)

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when sold, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit [deutschefunds.com](http://deutschefunds.com) for The New Germany Fund, Inc.'s (the "Fund") most recent performance.

Fund specific data and performance are provided for information purposes only and are not intended for trading purposes.

Average Annual Total Returns as of 12/31/14

	1-Year	5-Year	10-Year
Net Asset Value(a)	(6.16)%	13.16%	11.38%
Market Price(a)	(8.35)%	15.48%	12.08%
Midcap Market Performance Index(b)	(8.06)%	12.15%	10.09%

a Total return based on net asset value reflects changes in the Fund's net asset value during each period. Total return based on market value reflects changes in market value during each period. Each figure includes reinvestments of income and capital gain distributions, if any. Total returns based on net asset value and market price will differ depending upon the level of any discount from or premium to net asset value at which the Fund's shares trade during the period. Expenses of the Fund include investment advisory and administration fees and other fund expenses. Total returns shown take into account these fees and expenses. The annualized expense ratio of the Fund for the year ended December 31, 2014 was 1.14%.

b The Midcap Market Performance Index is a total-return index that is composed of various mid-cap securities across all sectors of the MDAX and TecDAX. The MDAX is a total-rate-of-return index of 50 mid-cap issues that rank

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below the DAX. The DAX is the total-rate-of-return index of 30 selected German blue chip stocks traded on the Frankfurt Stock Exchange. The TecDAX is a total-return index that tracks the 30 largest and most liquid issues from the various technology sectors of the Prime Segment beneath the DAX.

Index returns do not reflect any fees or expenses and it is not possible to invest directly in the Midcap Market Performance Index.

Net Asset Value and Market Price

	As of 12/31/14	As of 12/31/13
Net Asset Value	\$ 15.32	\$ 21.24
Market Price	\$ 14.04	\$ 19.93

Prices and Net Asset Value fluctuate and are not guaranteed.

Distribution Information

Twelve Months as of 12/31/14:

Income	\$0.37
Capital Gains	\$3.97

Distributions are historical, not guaranteed and will fluctuate. Distributions do not include return of capital or other non-income sources.

Schedule of Investments as of December 31, 2014

	Shares	Value (\$)
Germany 102.4%		
Common Stocks 99.6%		
Aerospace & Defense 3.1%		
MTU Aero Engines	82,217	7,176,882
Auto Components 2.1%		
Hella KGaA Hueck & Co.*	78,897	3,387,608
SAF-Holland	99,805	1,340,148
		4,727,756
Chemicals 7.5%		
Evonik Industries	181,961	5,970,707
Symrise	147,631	8,952,678
Wacker Chemie	20,494	2,257,274
		17,180,659
Commercial Services & Supplies 1.5%		
Bilfinger Berger†	60,936	3,417,025
Construction & Engineering 1.5%		
Hochtief	47,676	3,375,062
Diversified Financial Services 0.7%		
Grenkeleasing	13,954	1,502,165
Diversified Telecommunication Services 1.0%		
Telefonica Deutschland Holding	432,154	2,307,536
Electrical Equipment 4.9%		
Nordex*	68,188	1,237,718
OSRAM Licht Group*	251,688	9,974,338
		11,212,056
Electronic Equipment, Instruments & Components 1.3%		
Jenoptik	236,794	2,969,051

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Food & Staples Retailing 2.7%		
Metro*	204,478	6,260,607
Health Care Equipment & Supplies 0.9%		
STRATEC Biomedical	36,221	2,004,388
Health Care Providers & Services 3.0%		
Rhoen Klinikum	244,980	6,873,892
Health Care Technology 0.6%		
CompuGroup Medical	53,956	1,298,884
Hotels, Restaurants & Leisure 2.0%		
TUI	268,025	4,474,372
Industrial Conglomerates 2.1%		
Rheinmetall	111,096	4,874,428
Insurance 3.9%		
Hannover Rueck	81,666	7,406,389
Talanx	52,622	1,608,608
		9,014,997
Internet & Catalog Retail 0.8%		
Zalando SE*	14,278	440,438
zooplus*†	16,806	1,340,778
		1,781,216
Internet Software & Services 6.6%		
Rocket Internet*	23,908	1,486,276
United Internet	198,436	8,998,201
XING	41,685	4,680,069
		15,164,546
IT Services 3.1%		
Wirecard	161,137	7,106,079
Life Sciences Tools & Services 2.7%		
Evotec*†	128,970	573,355
Gerresheimer	41,534	2,258,454
MorphoSys*	35,291	3,271,451
		6,103,260
Machinery 10.8%		
DMG MORI SEIKI	31,652	899,801
Duerr	34,975	3,099,576
GEA Group	120,792	5,348,068
KION Group	91,610	3,516,892
Krones	49,989	4,883,694
Pfeiffer Vacuum Technology	13,536	1,123,291
Rational	4,776	1,500,713
Stabilus*	139,003	4,278,626
		24,650,661
Media 7.1%		
Axel Springer	31,968	1,936,678
ProSiebenSat.1 Media	269,322	11,347,573
Stroeer Media	95,204	2,846,960
		16,131,211
Metals & Mining 2.6%		
Aurubis	88,643	4,991,088
Salzgitter	30,617	867,045
		5,858,133



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Pharmaceuticals 0.7%		
Stada Arzneimittel	51,120	1,561,457
Professional Services 0.7%		
Amadeus Fire	21,818	1,646,938
Real Estate Management & Development 12.2%		
Deutsche Annington Immobilien	233,607	7,945,141
Deutsche Wohnen	223,287	5,288,759
LEG Immobilien	195,796	14,682,606
		27,916,506
Semiconductors & Semiconductor Equipment 2.9%		
Dialog Semiconductor*	98,923	3,509,239
Kontron*	531,832	3,220,003
		6,729,242
Software 0.8%		
Software	74,955	1,831,596
Specialty Retail 1.1%		
Fielmann	35,316	2,415,916
Technology Hardware, Storage & Peripherals 0.3%		
Wincor Nixdorf	15,370	747,628
Textiles, Apparel & Luxury Goods 1.3%		
Gerry Weber International	34,225	1,413,878
Hugo Boss	13,021	1,601,928
		3,015,806
Thrifts & Mortgage Finance 1.7%		
Aareal Bank	94,205	3,793,721
Trading Companies & Distributors 3.1%		
Brenntag	112,098	6,306,986
Kloeckner*	69,550	754,099
		7,061,085
Wireless Telecommunication Services 2.3%		
Freenet	180,330	5,168,951
Preferred Stocks 2.8%		
Health Care Equipment & Supplies 1.7%		
Draegerwerk (Cost \$4,385,250)†	39,355	3,992,861
Specialty Retail 1.1%		
Hornbach Holding (Cost \$2,892,092)	28,225	2,426,599
Total Germany (Cost \$195,630,292)		233,773,172
Netherlands 15.1%		
Common Stocks		
Aerospace & Defense 11.8%		
Airbus Group NV	539,615	26,992,133
Life Sciences Tools & Services 3.3%		
QIAGEN*	324,485	7,599,371
Total Netherlands (Cost \$22,674,020)		34,591,504
Luxembourg 3.5%		
Common Stocks		
Media 2.8%		
RTL Group	65,766	6,294,560
Real Estate Management & Development 0.7%		

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GAGFAH S.A.*	77,055	1,724,448
Total Luxembourg (Cost \$6,212,911)		8,019,008
Switzerland 1.7%		
Closed-End Funds		
Health Care		
BB Biotech*† (Cost \$3,130,112)	16,088	3,853,408
Securities Lending Collateral 1.6%		
Daily Assets Fund Institutional, 0.10% (Cost \$3,702,709) (a) (b)	3,702,709	3,702,709
Cash Equivalents 0.3%		
Central Cash Management Fund, 0.06% (Cost \$646,575) (b)	646,575	646,575
	% of Net Assets	Value (\$)
Total Investment Portfolio (Cost \$231,996,619)**	124.6	284,586,376
Other Assets and Liabilities, Net	(24.6 )	(56,172,725 )
Net Assets	100.0	228,413,651

\* Non-income producing security.

\*\* The cost for federal income tax purposes was \$235,103,354. At December 31, 2014, net unrealized appreciation for all securities based on tax cost was \$49,483,022. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$71,027,992 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$21,544,970.

† All or a portion of these securities were on loan (see Notes to Financial Statements). The cost of all securities loaned at December 31, 2014 amounted to \$3,505,677, which is 1.5% of net assets.

(a) Represents collateral held in connection with securities lending. Income earned by the Fund is net of borrower rebates.

(b) Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.

For purposes of its industry concentration policy, the Fund classifies issuers of portfolio securities at the industry sub-group level. Certain of the categories in the above Schedule of Investments consist of multiple industry sub-groups or industries.

#### Fair Value Measurements

Various inputs are used in determining the value of the Fund's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds and credit risk). Level 3 includes significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments). The level assigned to the securities valuations may not be an indication of the risk associated with investing in those securities.

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The following is a summary of the inputs used as of December 31, 2014 in valuing the Fund's investments.

Assets	Level 1	Level 2	Level 3	Total
Common Stocks and/or Other Equity Investments (c)				
Germany	\$233,773,172	\$—	\$—	\$233,773,172
Netherlands	34,591,504	—	—	34,591,504
Luxembourg	8,019,008	—	—	8,019,008
Switzerland	3,853,408	—	—	3,853,408
Short-Term Instruments (c)	4,349,284	—	—	4,349,284
Total	\$284,586,376	\$—	\$—	\$284,586,376

There have been no transfers between fair value measurement levels during the year ended December 31, 2014.

(c) See Schedule of Investments for additional detailed categorizations.

The accompanying notes are an integral part of the financial statements.

Statement of Assets and Liabilities

as of December 31, 2014

Assets

Investments in non-affiliated securities, at value (cost \$227,647,335) — including \$3,505,677 of securities loaned		\$280,237,092
Investment in Central Cash Management Fund (cost \$646,575)		646,575
Investment in Daily Assets Fund Institutional (cost \$3,702,709)*		3,702,709
Total investments, at value (cost \$231,996,619)		284,586,376
Foreign currency, at value (cost \$530,447)		526,883
Foreign taxes recoverable		138,390
Interest receivable		7,059
Other assets		48,125
Total assets		285,306,833
Liabilities		
Payable upon return of securities loaned		3,702,709
Distributions payable		52,702,874
Investment advisory fee payable		172,091
Administration fee payable		51,519
Payable for Directors' fees and expenses		19,108
Accrued expenses and other liabilities		244,881
Total liabilities		56,893,182
Net assets		\$228,413,651
Net Assets Consist of		
Distributions in excess of net investment income		(1,697,328 )
Accumulated net realized gain on investments and foreign currency		4,295,947
Net unrealized appreciation (depreciation) on:		
Investments		52,589,757
Foreign currency		(21,692 )
Paid-in capital		173,246,967
Net assets		\$228,413,651
Net Asset Value		
Net assets value per share (\$228,413,651 ÷ 14,908,875 shares of common stock issued and outstanding, \$.001 par value, 80,000,000 shares authorized)		\$15.32

\* Represents collateral on securities loaned.

The accompanying notes are an integral part of the financial statements.

#### Statement of Operations

for the year ended December 31, 2014

#### Net Investment Income

##### Income:

Dividends (net of foreign withholding taxes of \$819,367)	\$6,461,687
Income distributions — Central Cash Management Fund	1,100
Securities lending, including income from Daily Assets Fund Institutional, net of borrower rebates	287,893
Total investment income	6,750,680

##### Expenses:

Investment advisory fee	2,047,969
Administration fee	615,990
Custodian fee	146,383
Services to shareholders	24,276
Reports to shareholders, shareholder meeting and tender offer expenses	122,614
Directors' fees and expenses	170,837
Legal fees	191,882
Audit and tax fees	82,193
NYSE listing fee	30,701
Insurance	27,393
Miscellaneous	41,796
Net expenses	3,502,034
Net investment income	3,248,646

#### Realized and Unrealized Gain (Loss)

##### Net realized gain (loss) from:

Investments	53,725,124
Foreign currency	(716,594 )
Net realized gain (loss)	53,008,530

##### Change in net unrealized appreciation (depreciation) on:

Investments	(80,123,035)
Foreign currency	(19,699 )
Change in net unrealized appreciation (depreciation)	(80,142,734)
Net gain (loss)	(27,134,204)

Net increase (decrease) in net assets resulting from operations	\$(23,885,558)
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The accompanying notes are an integral part of the financial statements.

#### Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Years Ended December 31,	
	2014	2013
Operations:		
Net investment income (loss)	\$3,248,646	\$3,444,387
Net realized gain (loss)	53,008,530	80,044,894
Change in net unrealized appreciation (depreciation)	(80,142,734 )	44,079,491
Net increase (decrease) in net assets resulting from operations	(23,885,558 )	127,568,772
Distributions to shareholders from:		
Net investment income	(5,501,375 )	(4,896,711 )

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Net realized gains	(59,600,464 )	(62,000,122 )
Total distributions to shareholders	(65,101,839 )	(66,896,833 )
Capital share share transactions:		
Net proceeds from reinvestment of dividends	22,633,320	5,143,325
Shares tendered	—	(16,789,686 )
Shares repurchased	(22,293,050 )	(12,688,439 )
Net increase (decrease) in net assets from capital share transactions	340,270	(24,334,800 )
Total increase (decrease) in net assets	(88,647,127 )	36,337,139
Net assets at beginning of period	317,060,778	280,723,639
Net assets at end of period (including distributions in excess of net investment income of \$1,697,328 and \$748,497, as of December 31, 2014 and December 31, 2013, respectively)	\$228,413,651	\$317,060,778
Other Information		
Shares outstanding at beginning of period	14,928,996	16,091,334
Shares reinvested	1,196,343	301,838
Shares tendered	—	(801,417 )
Shares repurchased	(1,216,464 )	(662,759 )
Shares outstanding at end of period	14,908,875	14,928,996

The accompanying notes are an integral part of the financial statements.

Financial Highlights

	Years Ended December 31,				
	2014	2013	2012	2011	2010
Per Share Operating Performance					
Net asset value, beginning of period	\$21.24	\$17.45	\$13.86	\$17.72	\$14.48
Income (loss) from investment operations:					
Net investment income (loss) <sup>a</sup>	.21	.22	.23	.24	.08
Net realized and unrealized gain (loss) on investments and foreign currency	(1.80 )	7.98	3.92	(3.57 )	3.21
Total from investment operations	(1.59 )	8.20	4.15	(3.33 )	3.29
Less distributions from:					
Net investment income	(.37 )	(.33 )	(.63 )	(.59 )	(.12 )
Net realized gains	(3.97 )	(4.15 )	—	—	—
Total distributions	(4.34 )	(4.48 )	(.63 )	(.59 )	(.12 )
Accretion resulting from tender offer	—	.02	.02	—	—
Dilution in net asset value from dividend reinvestment	(.14 )	(.04 )	(.02 )	—	(.01 )
Increase resulting from share repurchases	.15	.09	.07	.06	.08
Net asset value, end of period	\$15.32	\$21.24	\$17.45	\$13.86	\$17.72
Market value, end of period	\$14.04	\$19.93	\$15.58	\$12.24	\$15.72
Total Investment Return for the Period <sup>b</sup>					
Based upon market value (%)	(8.35 )	58.27	30.58	(18.89 )	32.21
Based upon net asset value (%)	(6.16 )	50.59	32.02	(18.52 )	23.40
Ratio to Average Net Assets					
Ratio of expenses (%)	1.14	1.11	1.17	1.09	1.15
Ratio of net investment income (%)	1.06	1.04	1.42	1.40	.53
Portfolio turnover (%)	55	67	24	18	45
	228,414	317,061	280,724	241,424	319,865

Net assets at end of period (\$ thousands)

a Based on average shares outstanding during the period.

b Total investment return based on net asset value reflects changes in the Fund's net asset value during each period. Total return based on market value reflects changes in the market value during each period. Each figure includes reinvestments of dividend and capital gain distributions, if any. These figures will differ depending upon the level of any discount from or premium to net asset value at which the Fund's shares trade during the period.

c Includes the effect of a gain realized on the sale of investments not meeting investment compliance policies of the Fund. Excluding this gain, total return would have been 0.52% lower.

## Notes to Financial Statements

### A. Accounting Policies

The New Germany Fund, Inc. (the "Fund") was incorporated in Maryland on January 16, 1990 as a non-diversified, closed-end management investment company. The Fund commenced investment operations on January 30, 1990. The Fund became a diversified fund on October 26, 2007.

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

**Security Valuation.** The Fund calculates its net asset value ("NAV") per share for publication at 11:30 a.m., New York time.

Various inputs are used in determining the value of the Fund's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds and credit risk). Level 3 includes significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments). The level assigned to the securities valuations may not be an indication of the risk or liquidity associated with investing in those securities.

Equity securities are valued at the most recent sale price or official closing price reported on the exchange (U.S. or foreign) or over-the-counter market on which they trade prior to the time of valuation. Securities for which no sales are reported are valued at the calculated mean between the most recent bid and asked quotations on the relevant market or, if a mean cannot be determined, at the most recent bid quotation. Equity securities are generally categorized as Level 1.

Investments in open-end investment companies and closed-end investment companies are valued at their NAV each business day and are categorized as Level 1.

Securities and other assets for which market quotations are not readily available or for which the above valuation procedures are deemed not to reflect fair value are valued in a manner that is intended to reflect their fair value as determined in accordance with procedures approved by the Board and are generally categorized as Level 3. In accordance with the Fund's valuation procedures, factors considered in determining value may include, but are not limited to, the type of the security; the size of the holding; the initial cost of the security; the existence of any contractual restrictions on the security's disposition; the price and extent of public trading in similar securities of the issuer or of comparable companies; quotations or evaluated prices from broker-dealers and/or the appropriate stock exchange (for exchange-traded securities); an analysis of the company's or issuer's financial statements; an evaluation of the forces that influence the issuer and the market(s) in which the security is purchased and sold; and, with respect

to debt securities, the maturity, coupon, creditworthiness, currency denomination and the movement of the market in which the security is normally traded. The value determined under these procedures may differ from published values for the same securities.

Disclosure about the classification of the fair value measurements is included in a table following the Fund's Schedule of Investments.

Securities Transactions and Investment Income. Investment transactions are accounted for on a trade date plus one basis for daily NAV calculation. However, for financial reporting purposes, investment security transactions are reported on trade date. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date net of foreign withholding taxes. Certain dividends from foreign securities may be recorded subsequent to the ex-dividend date as soon as the Fund is informed of such dividends. Realized gains and losses from investment transactions are recorded on an identified cost basis. Proceeds from litigation payments, if any, are included in net realized gain (loss) for investments.

Securities Lending. Brown Brothers Harriman & Co., as lending agent, lends securities of the Fund to certain financial institutions under the terms of the Security Lending Agreement. The Fund retains the benefit of owning the securities it has loaned and continues to receive interest and dividends generated by the securities and to participate in any changes in their market value. The Fund requires the borrowers of the securities to maintain collateral with the Fund consisting of either cash or liquid, unencumbered assets having a value at least equal to the value of the securities loaned. When the collateral falls below specified amounts, the lending agent will use its best effort to obtain additional collateral on the next business day to meet required amounts under the security lending agreement. The Fund may invest the cash collateral into a joint trading account in an affiliated money market fund pursuant to Exemptive Orders issued by the SEC. Deutsche Investment Management Americas Inc. receives a management/administration fee (0.12% annualized effective rate as of December 31, 2014) on the cash collateral invested in the affiliated money fund. The Fund receives compensation for lending its securities either in the form of fees or by earning interest on invested cash collateral net of borrower rebates and fees paid to a lending agent. Either the Fund or the borrower may terminate the loan. There may be risks of delay and costs in recovery of securities or even loss of rights in the collateral should the borrower of the securities fail financially. If the Fund is not able to recover securities lent, the Fund may sell the collateral and purchase a replacement investment in the market, incurring the risk that the value of the replacement security is greater than the value of the collateral. The Fund is also subject to all investment risks associated with the reinvestment of any cash collateral received including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

As of the year ended December 31, 2014, the Fund had securities on loan. The value of the related collateral exceeded the value of the securities loaned at period end.

Foreign Currency Translation. The books and records of the Fund are maintained in United States dollars.

Assets and liabilities denominated in foreign currency are translated into United States dollars at the 11:00 a.m. midpoint of the buying and selling spot rates quoted by the Federal Reserve Bank of New York. Purchases and sales of investment securities, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions. Net realized and unrealized gains and losses on foreign currency transactions represent net gains and losses between trade and settlement dates on securities transactions, the acquisition and disposition of foreign currencies, and the difference between the amount of net investment income accrued and the U.S. dollar amount actually received. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed but is included with net realized and unrealized gain/appreciation and loss/depreciation on investments.

At December 31, 2014, the exchange rate was EUR €1.00 to USD \$1.21.

Contingencies. In the normal course of business, the Fund may enter into contracts with service providers that contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.

Taxes. The Fund's policy is to comply with the requirements of the Internal Revenue Code, as amended, which are applicable to regulated investment companies, and to distribute all of its taxable income to its shareholders.

Additionally, the Fund may be subject to taxes imposed by the governments of countries in which it invests and are generally based on income and/or capital gains earned or repatriated. Estimated tax liabilities on certain foreign securities are recorded on an accrual basis and are reflected as components of interest income or net change in unrealized gain/loss on investments. Tax liabilities realized as a result of security sales are reflected as a component of net realized gain/loss on investments.

The Fund has reviewed the tax positions for the open tax years as of December 31, 2014 and has determined that no provision for income tax and/or uncertain tax provisions is required in the Fund's financial statements. The Fund's federal tax returns for the prior three fiscal years remain open subject to examinations by the Internal Revenue Service.

Dividends and Distributions to Shareholders. The Fund records dividends and distributions to its shareholders on the ex-dividend date. The timing and character of certain income and capital gain distributions are determined annually in accordance with United States federal income tax regulations, which may differ from accounting principles generally accepted in the United States of America. These differences primarily relate to investments in foreign denominated investments, investments in foreign passive investment companies, recognition of certain foreign currency gains (losses) as ordinary income (loss) and certain securities sold at a loss. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, the Fund may periodically make reclassifications among certain of its capital accounts without impacting the NAV of the Fund.

At December 31, 2014, the Fund's components of distributable earnings (accumulated losses) on a tax basis were as follows:

Undistributed ordinary income	\$ 1,232,055
Undistributed long-term capital gain	\$ 4,473,299
Net unrealized appreciation (depreciation)	\$ 49,483,022

In addition, the tax character of distributions paid to shareholders by the Fund is summarized as follows:

	Years Ended December 31,	
	2014	2013
Distributions from ordinary income*	\$ 18,765,387	\$ 16,896,638
Distributions from long-term capital gains	\$ 46,336,452	\$ 50,000,195

\* For tax purposes, short-term capital gain is considered ordinary income.

#### B. Investment Advisory And Administration Agreements

The Fund is party to an Investment Advisory Agreement with Deutsche Asset & Wealth Management International GmbH ("DeAWMI"). The Fund also has an Administration Agreement with Deutsche Investment Management Americas Inc. ("DIMA"). DeAWMI and DIMA are affiliated companies.

Under the Investment Advisory Agreement with DeAWMI, DeAWMI directs the investments of the Fund in accordance with its investment objectives, policies and restrictions. DeAWMI determines the securities, instruments



and other contracts relating to investments to be purchased, sold or entered into by the Fund.

The Investment Advisory Agreement provides DeAWMI with a fee, computed weekly and payable monthly, at the annual rate of 0.80% of the Fund's average weekly net assets up to and including \$100 million, 0.60% of such assets in excess of \$100 million and up to and including \$500 million, and 0.55% of such assets in excess of \$500 million.

Accordingly, for the year ended December 31, 2014, the fee pursuant to the Investment Advisory Agreement was equivalent to an annual rate of 0.67% of the Fund's average daily net assets.

Under the Administration Agreement with DIMA, DIMA provides all of the non-investment advisory services to the Fund. The Administration Agreement provides DIMA with a fee, computed weekly and payable monthly, of 0.20% of the Fund's average weekly net assets.

### C. Transactions With Affiliates

DeAWM Service Company ("DSC"), an affiliate of DIMA, is the transfer agent, dividend-paying agent and shareholder service agent of the Fund. Pursuant to a sub-transfer agency agreement between DSC and DST Systems, Inc. ("DST"), DSC has delegated certain transfer agent and dividend-paying agent paying functions to DST. DSC compensates DST out of the shareholder servicing fee it receives from the Fund. For the year ended December 31, 2014, the amount charged to the Fund by DSC aggregated \$24,276, of which \$2,173 is unpaid.

Deutsche Bank AG, the German parent of DIMA and DeAWMI, and its affiliates may receive brokerage commissions as a result of executing agency transactions in portfolio securities on behalf of the Fund, that the Board determined were effected in compliance with the Fund's Rule 17e-1 procedures. For the year ended December 31, 2014, Deutsche Bank did not receive brokerage commissions from the Fund.

Certain Officers of the Fund are also officers of DIMA or DeAWMI.

The Fund pays each Director not an "interested person" of DIMA or DeAWMI retainer fees plus specified amounts for attended board and committee meetings.

The Fund may invest cash balances in Central Cash Management Fund, which is managed by DIMA. The Fund indirectly bears its proportionate share of the expenses of Central Cash Management Fund. Central Cash Management Fund does not pay DIMA an investment management fee. Central Cash Management Fund seeks a high level of current income consistent with liquidity and the preservation of capital.

### D. Portfolio Securities

Purchases and sales of investment securities, excluding short-term investments, for the year ended December 31, 2014, were \$169,993,363 and \$243,725,719, respectively.

### E. Capital

During the year ended December 31, 2014 and the year ended December 31, 2013, the Fund purchased 1,216,464 and 662,759 of its shares of common stock on the open market at a total cost of \$22,293,050 and \$12,688,439, (\$18.33 and \$19.14 average per share), respectively. The average discount of these purchased shares comparing the purchased price to the NAV at the time of purchase was 9.58% and 9.69%, respectively.

During the year ended December 31, 2013, the Fund accepted 801,417 tendered shares of common stock at a total cost of \$16,789,686 at a repurchase price of \$20.95 per share, which was equal to 98% of the NAV per share on August 29, 2013.

During the year ended December 31, 2014 and the year ended December 31, 2013, the Fund issued for dividend reinvestment 1,196,343 and 301,838 shares, respectively. The average discount of these issued shares, comparing the issue price to the NAV at the time of issuance was 9.16% and 11.16%, respectively.

#### F. Share Repurchases and Tender Offers

On July 18, 2012, the Fund announced that the Board of Directors has approved the extension of the share repurchase program permitting the Fund to repurchase up to 900,000 shares during the period August 1, 2012 through July 31, 2013. The Fund repurchased 681,860 shares between August 1, 2012 and July 31, 2013. On July 26, 2013, the Fund announced that the Board of Directors approved an extension of the current repurchase authorization permitting the Fund to repurchase 900,000 shares during the period from August 1, 2013 through July 31, 2014. On June 4, 2014, the Fund announced that the Board of Directors approved a 400,000 increase to the previously announced share repurchase authorization, resulting in a total authorization of 1,300,000 shares for repurchase during the period from August 1, 2013 through July 31, 2014. The Fund repurchased 1,115,846 shares between August 1, 2013 and July 31, 2014. On July 28, 2014, the Fund announced that the Board of Directors approved an extension of the current repurchase authorization permitting the Fund to repurchase up to 1,550,000 shares during the period from August 1, 2014 through July 31, 2015. The Fund repurchased 398,537 shares between August 1, 2014 and December 31, 2014.

Repurchases will be made from time to time when they are believed to be in the best interest of the Fund. There can be no assurance that the Fund's repurchases or Discount Management Program will reduce the spread between the market price of the Fund's shares and its NAV per share.

Monthly updates concerning the Fund's repurchase program are available on its Web site at [deutschefunds.com](http://deutschefunds.com).

On January 31, 2012, the Fund announced that the Board of Directors approved a new Discount Management Program (the "New Program") on the same terms as the Fund's then current program. Pursuant to the New Program, the Fund's Board of Directors approved a series of up to four consecutive semi-annual tender offers each for up to 5% of the Fund's outstanding shares of common stock at a price equal to 98% of NAV per share. The Fund will conduct a tender offer if its shares trade at an average discount to NAV of more than 10% during the applicable twelve-week measurement period.

During the first measurement period that commenced on September 10, 2012 and expired on November 30, 2012, the Fund's shares traded at an average discount to NAV of less than 10%. Therefore the Fund was not required to conduct a tender offer.

During the second measurement period that commenced on March 25, 2013 and expired on June 14, 2013, the Fund's shares traded at an average discount to NAV of 10.77%. Therefore, the Fund was required to conduct a tender offer which commenced on July 31, 2013 and expired on August 28, 2013. The Fund accepted 801,417 tendered shares at a price equal to 98% of the NAV per share as of the close of the regular trading session of the New York Stock Exchange on August 29, 2013. Approximately 9,921,048 shares of common stock, or approximately 62% of the Fund's common shares outstanding, were tendered through the expiration date. Because the offer was oversubscribed, not all of the tendered shares were accepted for payment by the Fund. Under the final pro-ration calculation, approximately 8% of the tendered shares were accepted for payment. The shares accepted for payment received cash at a repurchase price of \$20.95 per share, which was equal to 98% of the NAV per share on August 29, 2013.

During the third measurement period that commenced on September 16, 2013 and expired on December 6, 2013 and the fourth measurement period that commenced on April 7, 2014 and expired on June 27, 2014, the Fund's shares traded at an average discount to NAV of less than 10%. Therefore, the Fund was not required to conduct a tender offer.

On July 28, 2014, the Fund announced that the Board of Directors adopted a new Discount Management Program whereby the Fund will initiate one contingent tender offer during the period from August 1, 2014 through July 31, 2015 for up to 5% of the Fund's shares outstanding at 98% of the Fund's NAV per share. The terms of the Discount Management Program require the Fund to conduct a tender offer if its shares trade at an average discount to NAV of more than 10% during a fifteen-week measurement period that has been determined by the Board of Directors. During the measurement period that commenced on September 2, 2014 and expired on December 12, 2014, the Fund's shares traded at an average discount to NAV of less than 10%. Therefore, the Fund is not required to conduct a tender offer.

#### G. Concentration of Ownership

From time to time, the Fund may have a concentration of several shareholder accounts holding a significant percentage of shares outstanding. Investment activities of these shareholders could have a material impact on the Fund. At December 31, 2014, there were three shareholders that held approximately 19%, 10% and 10%, respectively, of the outstanding shares of the Fund.

#### Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of The New Germany Fund, Inc.

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of The New Germany Fund, Inc. (the "Fund") at December 31, 2014, the results of its operations, the changes in its net assets and the financial highlights for each of the periods indicated therein, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2014 by correspondence with the custodian and transfer agent, provide a reasonable basis for our opinion.

Boston, Massachusetts  
February 20, 2015

PricewaterhouseCoopers LLP

#### Tax Information (Unaudited)

The Fund paid distributions of \$3.09 per share from net long-term capital gains during its year ended December 31, 2014.

The Fund paid foreign taxes of \$219,406 and earned \$2,261,032 of foreign source income during the year ended December 31, 2014. Pursuant to Section 853 of the Internal Revenue Code, the Fund designates \$0.01472 per share as foreign taxes paid and \$0.15166 per share as income earned from foreign sources for the year ended December 31, 2014.

Pursuant to Section 852 of the Internal Revenue Code, the Fund designates \$46,474,000 as capital gain dividends for its year ended December 31, 2014.

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For federal income tax purposes, the Fund designates \$3,142,000, or the maximum amount allowable under tax law, as qualified dividend income.

Please consult a tax advisor if you have questions about federal or state income tax laws, or on how to prepare your tax returns. If you have specific questions about your account, please call (800) 728-3337.

The Fund elected to be subject to the statutory calculation, notification and publication requirements of the German Investment Tax Act (Investmentsteuergesetz) (the "Act") for the fiscal year ended December 31, 2013 and intends to elect to be subject to the Act for the fiscal year ending December 31, 2014. This election allows investors based in Germany to invest in the Fund without adverse tax consequences.

### Shares Repurchased and Issued (Unaudited)

The Fund has been purchasing shares of its common stock in the open market and has also purchased shares pursuant to tender offers. Shares repurchased in the open market, shares issued for dividend reinvestment, and shares tendered and accepted for the past five years are as follows:

	Years Ended December 31,				
	2014	2013	2012	2011	2010
Shares repurchased	1,216,464	662,759	681,014	638,482	803,336
Shares issued for dividend reinvestment	1,196,343	301,838	218,646	—	123,499
Shares tendered and accepted	—	801,417	863,598	—	—

### Voluntary Cash Purchase Program and Dividend Reinvestment Plan (Unaudited)

The Fund offers shareholders a Voluntary Cash Purchase Program and Dividend Reinvestment Plan ("Plan") which provides for optional cash purchases and for the automatic reinvestment of dividends and distributions payable by the Fund in additional Fund shares. A more complete description of the Plan is provided in the Plan brochure available from DeAWM Service Company, the transfer agent (the "Transfer Agent"), P.O. Box 219066, Kansas City, Missouri 64105 (telephone 1-800-349-4281). DST Systems, Inc. (the "Plan Agent") acts as the plan agent under the Plan. A shareholder should read the Plan brochure carefully before enrolling in the Plan.

Under the Plan, participating shareholders ("Plan Participants") appoint the Transfer Agent to receive or invest Fund distributions as described below under "Reinvestment of Fund Shares." In addition, Plan Participants may make optional cash purchases through the Transfer Agent as often as once a month as described below under "Voluntary Cash Purchases." There is no charge to Plan Participants for participating in the Plan, although when shares are purchased under the Plan by the Plan Agent on the New York Stock Exchange or otherwise on the open market, each Plan Participant will pay a pro rata share of brokerage commissions incurred in connection with such purchases, as described below under "Reinvestment of Fund Shares" and "Voluntary Cash Purchases."

**Reinvestment of Fund Shares.** Whenever the Fund declares a capital gain distribution, an income dividend or a return of capital distribution payable, at the election of shareholders, either in cash or in Fund shares, or payable only in cash, the Transfer Agent shall automatically elect to receive Fund shares for the account of each Plan Participant.

Whenever the Fund declares a capital gain distribution, an income dividend or a return of capital distribution payable only in cash and the net asset value per share of the Fund's common stock equals or is less than the market price per share on the valuation date (the "Market Parity or Premium"), the Transfer Agent shall apply the amount of such dividend or distribution payable to a Plan Participant to the purchase from the Fund of Fund Shares for a Plan Participant's account, except that if the Fund does not offer shares for such purpose because it concludes Securities Act registration would be required and such registration cannot be timely effected or is not otherwise a cost-effective alternative for the Fund, then the Transfer Agent shall follow the procedure described in the next paragraph. The number of additional shares to be credited to a Plan Participant's account shall be determined by dividing the dollar

amount of the distribution payable to a Plan Participant by the net asset value per share of the Fund's common stock on the valuation date, or if the net asset value per share is less than 95% of the market price per share on such date, then by 95% of the market price per share. The valuation date will be the payable date for such dividend or distribution.

Whenever the Fund declares a capital gains distribution, an income dividend or a return of capital distribution payable only in cash and the net asset value per share of the Fund's common stock exceeds the market price per share on the valuation date (the "Market Discount"), the Plan Agent shall apply the amount of such dividend or distribution payable to a Plan Participant (less a Plan Participant's pro rata share of brokerage commissions incurred with respect to open-market purchases in connection with the reinvestment of such dividend or distribution) to the purchase on the open market of Fund shares for a Plan Participant's account. The valuation date will be the payable date for such dividend or distribution. Such purchases will be made on or shortly after the valuation date and in no event more than 30 days after such date except where temporary curtailment or suspension of purchase is necessary to comply with applicable provisions of federal securities laws.

The Transfer Agent or the Plan Agent may aggregate a Plan Participant's purchases with the purchases of other Plan Participants, and the average price (including brokerage commissions) of all shares purchased by the Plan Agent shall be the price per share allocable to each Plan Participant.

For all purposes of the Plan, the market price of the Fund's common stock on a payable date shall be the last sales price on the New York Stock Exchange on that date, or, if there is no sale on such Exchange (or, if different, the principal exchange for Fund shares) on that date, then the mean between the closing bid and asked quotations for such stock on such Exchange on such date. The net asset value per share of the Fund's common stock on a valuation date shall be as determined by or on behalf of the Fund.

The Transfer Agent may hold a Plan Participant's shares acquired pursuant to the Plan, together with the shares of other Plan Participants acquired pursuant to this Plan, in non-certificated form in the name of the Transfer Agent or that of a nominee. The Transfer Agent will forward to each Plan Participant any proxy solicitation material and will vote any shares so held for a Plan Participant only in accordance with the proxy returned by a Plan Participant to the Fund. Upon a Plan Participant's written request, the Transfer Agent will deliver to a Plan Participant, without charge, a certificate or certificates for the full shares held by the Transfer Agent.

**Voluntary Cash Purchases.** Plan Participants have the option of making investments in Fund shares through the Transfer Agent as often as once a month. Plan Participants may invest as little as \$100 in any month and may invest up to \$36,000 annually through the voluntary cash purchase feature of the Plan.

The Plan Agent shall apply such funds (less a Plan Participant's pro rata share of brokerage commissions or other costs, if any) to the purchase on the New York Stock Exchange (or, if different, on the principal exchange for Fund shares) or otherwise on the open market of Fund shares for such Plan Participant's account, regardless of whether there is a Market Parity or Premium or a Market Discount. The Plan Agent will purchase shares for Plan Participants on or about the 15th of each month. Cash payments received by the Transfer Agent less than five business days prior to a cash purchase investment date will be held by the Transfer Agent until the next month's investment date. Uninvested funds will not bear interest. Plan Participants may withdraw any voluntary cash payment by written notice received by the Transfer Agent not less than 48 hours before such payment is to be invested.

**Enrollment and Withdrawal.** Both current shareholders and first-time investors in the Fund are eligible to participate in the Plan. Current shareholders may join the Plan by either enrolling their shares with the Transfer Agent or by making an initial cash deposit of at least \$250 with the Transfer Agent. First-time investors in the Fund may join the Plan by making an initial cash deposit of at least \$250 with the Transfer Agent. In order to become a Plan Participant, shareholders must complete and sign the enrollment form included in the Plan brochure and return it, and, if applicable, an initial cash deposit of at least \$250 directly to the Transfer Agent if shares are registered in their name.

Shareholders who hold Fund shares in the name of a brokerage firm, bank or other nominee should contact such nominee to arrange for it to participate in the Plan on such shareholder's behalf.

If the Plan Participant elects to participate in the Plan by enrolling current shares owned by the Plan Participant with the Transfer Agent, participation in the dividend reinvestment feature of the Plan begins with the next dividend or capital gains distribution payable after the Transfer Agent receives the Plan Participant's written authorization, provided such authorization is received by the Transfer Agent prior to the record date for such dividend or distribution. If such authorization is received after such record date, the Plan Participant's participation in the dividend reinvestment feature of the Plan begins with the following dividend or distribution.

If the Plan Participant elects to participate in the Plan by making an initial cash deposit of at least \$250 with the Transfer Agent, participation in the dividend reinvestment feature of the Plan begins with the next dividend or capital gains distribution payable after the Transfer Agent receives the Plan Participant's authorization and deposit, and after the Plan Agent purchases shares for the Plan Participant on the New York Stock Exchange (or, if different, on the principal exchange for Fund shares) or otherwise on the open market, provided that the authorization and deposit are received, and the purchases are made by the Plan Agent prior to the record date. If such authorization and deposit are received after the record date, or if the Plan Agent purchases shares for the Plan Participant after the record date, the Plan Participant's participation in the dividend reinvestment feature of the Plan begins with the following dividend or distribution.

A shareholder's written authorization and cash payment must be received by the Transfer Agent at least five business days in advance of the next cash purchase investment date (normally the 15th of every month) in order for the Plan Participant to participate in the voluntary cash purchase feature of the Plan in that month.

Plan Participants may withdraw from the Plan without charge by written notice to the Transfer Agent. Plan Participants who choose to withdraw may elect to receive stock certificates representing all of the full shares held by the Transfer Agent on their behalf, or to instruct the Transfer Agent to sell such full shares and distribute the proceeds, net of brokerage commissions, to such withdrawing Plan Participant. Withdrawing Plan Participants will receive a cash adjustment for the market value of any fractional shares held on their behalf at the time of termination. Withdrawal will be effective immediately with respect to distributions with a record date not less than 10 days later than receipt of such written notice by the Transfer Agent.

**Amendment and Termination of Plan.** The Plan may only be amended or supplemented by the Fund or by the Transfer Agent by giving each Plan Participant written notice at least 90 days prior to the effective date of such amendment or supplement, except that such notice period may be shortened when necessary or appropriate in order to comply with applicable law or the rules or policies of the Securities and Exchange Commission or any other regulatory body.

The Plan may be terminated by the Fund or by the Transfer Agent by written notice mailed to each Plan Participant. Such termination will be effective with respect to all distributions with a record date at least 90 days after the mailing of such written notice to the Plan Participants.

**Federal Income Tax Implications of Reinvestment of Fund Shares.** Reinvestment of Fund shares does not relieve Plan Participants from any income tax which may be payable on dividends or distributions. For U.S. federal income tax purposes, when the Fund issues shares representing an income dividend or a capital gains dividend, a Participant will include in income the fair market value of the shares received as of the payment date, which will be ordinary dividend income or capital gains, as the case may be. The shares will have a tax basis equal to such fair market value, and the holding period for the shares will begin on the day after the date of distribution. If shares are purchased on the open market by the Plan Agent, a Plan Participant will include in income the amount of the cash payment made. The basis of such shares will be the purchase price of the shares, and the holding period for the shares will begin on the day following the date of purchase. State, local and foreign taxes may also be applicable.

Approval of Continuance of Investment Advisory Agreement (Unaudited)

The Fund's directors unanimously approved the continuance of the investment advisory agreement between the Fund and Deutsche Asset & Wealth Management International GmbH ("DeAWMI") (the "agreement") at a meeting held on October 17, 2014. The Fund's directors simultaneously approved the continuance of the administration agreement (the "administration agreement") between the Fund and Deutsche Investment Management Americas Inc. ("DIMA"), an affiliate of DeAWMI.

In preparation for the meeting, the directors had requested, received and evaluated extensive materials from DeAWMI, including performance and expense information for other investment companies with similar investment objectives derived from data compiled by Lipper Inc. ("Lipper"). Prior to voting, the directors reviewed the proposed approval of the continuance of the agreement with management and with experienced counsel who are independent of DeAWMI and received a memorandum from such counsel discussing the legal standards for their consideration of the proposed approval of the continuance. The directors also discussed the proposed approval in a private session with counsel at which no representatives of DeAWMI were present. In reaching their determination relating to approval of the agreement, the directors considered all factors they believed relevant, including the following:

1. information comparing the Fund's performance to other investment companies with similar investment objectives and to an index;
2. the nature, extent and quality of investment advisory and other services rendered by DeAWMI;
3. payments received by DeAWMI from all sources in respect to the Fund and all investment companies in the Deutsche family of funds;
4. the costs borne by, and profitability of, DeAWMI and its affiliates (including DIMA) in providing services to the Fund and to all investment companies in the Deutsche family of funds;
5. comparative fee and expense data for the Fund and other investment companies with similar investment objectives;
6. the extent to which economies of scale would be realized as the Fund grows and whether fee levels reflect these economies of scale for the benefit of investors;
7. DeAWMI's policies and practices regarding allocation of the Fund's portfolio transactions, including the extent to which DeAWMI benefits from soft dollar arrangements;
8. the Fund's portfolio turnover rates compared to those of other investment companies with similar investment objectives;
9. fall-out benefits which DeAWMI and its affiliates receive from their relationships with the Fund;
10. information concerning the programs established by DeAWMI with respect to compliance, risk management, disclosure and ethics;
11. the professional experience and qualifications of the Fund's portfolio management team and other senior personnel of DeAWMI and
12. the terms of the agreement.

The directors also considered their knowledge of the nature and quality of the services provided by DIMA and DeAWMI to the Fund gained from their experience as directors of the European Equity Fund and the Central Europe,

Russia and Turkey Fund and, where relevant, other Deutsche funds, their confidence in DeAWMI's integrity and competence gained from that experience and DeAWMI's responsiveness to concerns raised by them in the past, including DeAWMI's willingness to consider and implement organizational and operational changes designed to improve investment results and the services provided to the Fund.

In their deliberations, the directors did not identify any particular information that was all-important or controlling, and each director attributed different weights to the various factors.

The directors determined that the overall arrangements between the Fund and DeAWMI, as provided in the agreement, were fair and reasonable in light of the services performed, expenses incurred and such other matters as the directors considered relevant in the exercise of their reasonable judgment. The directors further determined that they were satisfied that the services provided by DeAWMI to the Fund represented good value for the money payable to it by the Fund.

The material factors and conclusions that formed the basis for the directors' reaching their determination to approve the continuance of the agreement (including their determinations that DeAWMI should continue in its role as investment advisor for the Fund, and that the fees payable to DeAWMI pursuant to the agreement are appropriate) were separately discussed by the directors.

**Nature, Extent and Quality of Services Provided by DeAWMI.** The directors noted that, under the agreement, DeAWMI, in accordance with the Fund's investment objectives, policies and limitations, makes all decisions with respect to suitable securities for investment by the Fund and transmits purchase and sale orders and selects brokers and dealers to execute portfolio transactions on behalf of the Fund. DeAWMI pays all of the compensation of the Fund's directors and officers who are interested persons of DeAWMI.

The directors considered the scope and quality of services provided by DeAWMI under the agreement and noted that the scope of services provided had expanded over time as a result of regulatory and other developments. The directors also considered the commitment of DeAWMI to, and the programs established by it with respect to, compliance, risk management, disclosure and ethics. The directors considered the quality of the investment research capabilities of DeAWMI and the other resources it has dedicated to performing services for the Fund. The quality of the advisory services provided also were considered. The directors concluded that, overall, they were satisfied with the nature, extent and quality of services provided (and expected to be provided) to the Fund under the agreement.

**Costs of Services Provided and Profitability to DeAWMI.** At the request of the directors, DeAWMI provided information concerning the profitability of its investment advisory and investment company activities and financial condition based on historical information for 2012 and 2013. Similar information was provided for DIMA. The directors reviewed the assumptions and methods of allocation used by DeAWMI and DIMA in preparing Fund specific profitability data. DeAWMI and DIMA stated their belief that the methods of allocation used were reasonable, but noted that there are limitations inherent in allocating costs to multiple individual clients served by organizations such as DIMA and DeAWMI where each of the clients draws on, and benefits from, the research and other resources of the Deutsche Bank organization.

The directors recognized that it is difficult to make comparisons of profitability from fund advisory contracts because comparative information is not generally publicly available and is affected by numerous factors, including the structure of the particular advisor, the types of funds it manages, its business mix, numerous assumptions regarding allocations and the advisor's capital structure and cost of capital. In considering profitability information, the directors considered the effect of possible fall-out benefits on DeAWMI's expenses, including the fact that there were no affiliated brokerage commissions.

The directors noted that DeAWMI may allocate brokerage to receive research generated by, or paid for by, executing brokers. They also noted that DeAWMI has policies to prohibit consideration of the sale of shares of Deutsche funds



when selecting broker dealers to execute portfolio transactions for the Fund or other Deutsche funds.

The directors recognized that DeAWMI should, as a general matter, be entitled to earn a reasonable level of profits for the services it provides to the Fund and, based on their review, concluded that DeAWMI's level of profitability from its relationships with the Fund was not excessive.

**Investment Results.** In addition to the information received by the directors for the meeting, the directors receive detailed performance information for the Fund at each regular board meeting during the year and also receive monthly performance information. The directors reviewed information showing the Fund's performance compared to that of other investment vehicles compiled by Lipper (a total of 19 funds, consisting of exchange-traded funds, open-end funds and single-country funds). The directors also reviewed information showing performance of the Fund's benchmark index, currently the Germany Midcap Market Performance Index of 80 stocks.

The comparative information showed that the Fund ranked in the top quartile in 2013 and in the three-, five- and 10-year periods ending December 31, 2013. The Fund outperformed its benchmark in 2013 and while the Fund underperformed the benchmark in 2012 and 2011, it outperformed the benchmark, often by substantial amounts, in seven of the nine years ended 2011. Taking into account these comparisons and the other factors considered, the directors concluded that the Fund's investment results over time were satisfactory.

**Management and Investment Advisory Fees and Other Expenses.** The directors considered the investment advisory fee rates payable by the Fund to DeAWMI under the agreement. The directors recognized that it is difficult to make comparisons of advisory fees because there are variations in the services that are included in the fees paid by other funds. The directors also considered the representation by DeAWMI that it does not manage any institutional accounts that are similar to the Fund, and its review of the reasons that it does not consider institutional fee rates to be relevant to the consideration of appropriate fee rates payable by investment companies such as the Fund.

The Fund's expense comparison group consisted of 33 closed end country funds and ETFs. The directors reviewed information comparing the combined advisory and administrative fees payable under the agreement and the administration agreement for this purpose, noting that DeAWMI and DIMA are affiliated companies. The directors noted that the Fund's effective combined advisory and administrative fee rate for 2012 of 0.859% was below the average and median of the comparison group. The directors noted that the Fund's effective fee rate reflects the effect of breakpoints. The directors also considered the Fund's total expense ratio in comparison to the fees and expenses of funds within the comparison group. The directors also noted that the Fund's expense ratio was below the median and average and in the lowest quartile of the comparison group. Management explained that this was principally the result of the Fund's relatively low investment advisory fee and the Fund's relatively large asset base. The directors concluded that the Fund's expense ratio was satisfactory.

**Economies of Scale.** The directors noted that the investment advisory fee schedule in the agreement contains breakpoints that reduce the fee rate on assets above specified levels. The directors recognized that breakpoints may be an appropriate way for DeAWMI to share its economies of scale with some funds that have substantial assets or that may grow materially over the next year. However, they also recognized that there is no direct relationship between the economies of scale realized by funds and those realized by DeAWMI as assets increase, largely because economies of scale are realized (if at all) by DeAWMI across a variety of products and services, and not only in respect of a single fund. Having taken these factors into account, the directors concluded that the breakpoint arrangements in the agreement were acceptable under the Fund's circumstances.

#### Directors and Officers of the Fund

##### Directors

Name, Age, Term of Office and Length of Time Served*†	Principal Occupation(s) During the Past Five Years	Other Directorships Held by Director
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<p>Dr. Wilhelm Bender, 70(1) Class II Since 2013</p>	<p>Senior Advisor of Advent International GmbH (private equity) (since 2009), of Norton Rose Fulbright LLP (legal services) (since 2010), and Chairman of the Supervisory Boards of Bombardier Transportation GmbH (railways) (since 2010) and Eintracht Frankfurt Fussball AG (soccer club) (since 2010), and a member of Supervisory Boards of MTU AG (aircraft engines) (since 2008) and Lufthansa Cargo AG (air freight) (since 2008). He is also a member of the Advisory Board of Deutsche Bank AG (since 1993) and holds a number of honorary positions including Honorary Professor of the Johann Wolfgang Goethe University in Frankfurt (since 2008). He is the former Chairman of the Executive Board (CEO) of Fraport AG, Germany (aviation industry) (1993–2009) and member of the Advisory Board of IVG AG (2007–2014).</p>	<p>Director, The European Equity Fund, Inc. (since 2013) and The Central Europe, Russia and Turkey Fund, Inc. (since 2013).</p>
<p>Detlef Bierbaum, 72(1) Class I Since 2008</p>	<p>Consultant (since 2010). Member of the Supervisory Board of Deutsche Bank Österreich AG (private bank) for more than five years. Mr. Bierbaum also serves as a member of the Board or Supervisory Board of a number of non-U.S. investment companies and of companies in diverse businesses including insurance, real estate, and retailing. He is a former member of the Supervisory Board of Sal. Oppenheim Jr. &amp; Cie. KGaA (private bank) (2008 to March 2010) and was formerly a partner of that firm. He is also a former member of the Supervisory Board of DWS Investment GmbH (asset management) (2005–2008).</p>	<p>Director, The European Equity Fund, Inc. (since 1986) and The Central Europe, Russia and Turkey Fund, Inc. (since 1990).</p>
<p>Ambassador Richard R. Burt, 67(1) Class III Since 2004</p>	<p>Managing Director, McLarty Associates (international strategic advisory) (since 2007). Formerly, Chairman, Diligence, Inc. (international information and risk management firm) (2002–2007); Chairman of the Board, Weirton Steel Corp. (1996–2004); Partner, McKinsey</p>	<p>Director, The European Equity Fund, Inc. (since 2000) and The Central Europe, Russia and Turkey Fund, Inc. (since 2000). Director, UBS family of mutual funds (since 1995).</p>

<p>Richard Karl Goeltz, 72(1) Class II Since 1990</p>	<p>&amp; Company (consulting firm) (1991–1994); State Department, Chief Negotiator in charge of negotiating the Arms Treaty with Russia (1989–1991); U.S. Ambassador to the Federal Republic of Germany (1985–1989). Mr. Burt is also Director, IGT, Inc. (gaming technology) (since 1995), and HCL Technologies, Inc. (information technology and product engineering) (since 1999) and member, Textron Inc. International Advisory Council (aviation, automotive, industrial operations and finance) (since 1996). Retired. Formerly, Vice Chairman and Chief Financial Officer of American Express Co. (financial services) (1996–2000) and previously served as chief financial officer of two other major multi-national corporations. He is also a former Trustee of the American Academy in Berlin. Mr. Goeltz is a member of the Court of Governors of the London School of Economics and Political Science.</p>
<p>Dr. Franz Wilhelm Hopp, 72(1) Class III Since 1993</p>	<p>Director, The European Equity Fund, Inc. (since 2008) and The Central Europe, Russia and Turkey Fund, Inc. (since 2008). Formerly Director of Aviva plc (financial services), Federal Home Loan Mortgage Corporation, Delta Air Lines, Inc. (air transport) and The Warnaco Group Inc. (apparel). Partner of Laplace Finanzconsulting GmbH (asset management). Member of the Supervisory Boards of WAVE AG (asset management), Syguis AG (scientific research), and SchneiderGolling Bosserhoff VennögensInvest AG (wealth management). Former member of the Board of Management of KarstadtQuelle Pension Trust e.V. (February 2007–September 2009).</p>
<p>Dr. Friedbert H. Malt, 73(1) Class III Since 2007</p>	<p>Director, The European Equity Fund, Inc. (since 2008) and The Central Europe, Russia and Turkey Fund, Inc. (since 2008). Retired. Formerly, Vice Chairman and Member of the Executive Committee of NOL Neptune Orient Lines Ltd., Singapore ("NOL") from 2002 to 2011 and Director of NOL from 2000 to 2011. Formerly, Director of TÜV Rheinland of North America, Inc., a company offering independent testing and assessment services (until 2015). Formerly, Dr. Malt was a Member of the Executive Board of DG Bank (now DZ Bank), Frankfurt (until 2001).</p>

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<p>Christian H. Strenger, 71(1)(2) Class I Since 1990</p>	<p>Member of Supervisory Board (since 1999) and formerly Managing Director (1991–1999) of DWS Investment GmbH (investment management), a subsidiary of Deutsche Bank AG. Mr. Strenger is a Member of Supervisory Board of TUI AG (travel business). He also is a member of the German Government's Commission on Corporate Governance and other corporate governance organizations, and serves as Director of the Center for Corporate Governance at the Leipzig Graduate School of Management.</p>	<p>Director and Chairman, The European Equity Fund, Inc. (since 1986) and The Central Europe, Russia and Turkey Fund, Inc. (since 1990).</p>
<p>Robert H. Wadsworth, 74(1)(3) Class I Since 1992</p>	<p>President, Robert H. Wadsworth Associates, Inc. (consulting firm) (1983–present).</p>	<p>Director, The European Equity Fund, Inc. (since 1986) and The Central Europe, Russia and Turkey Fund, Inc. (since 1990).</p>
<p>Joachim Wagner, 67(1) Class II Since 2009</p>	<p>Retired. Formerly, Chief Financial Officer, RAG Beteiligungs AG/Evonik Industries AG, Germany (chemical manufacturer) (2006–2009) and Chief Financial Officer, Degussa AG, Germany (chemical manufacturer) (2001–2006). Mr. Wagner is also a member of the Supervisory Board of a German retail bank and a member of the advisory board of a private German bank.</p>	<p>Director, The European Equity Fund, Inc. (since 2009) and The Central Europe, Russia and Turkey Fund, Inc. (since 2012).</p>

\* The address of each Director is c/o Deutsche Investment Management Americas Inc., 345 Park Avenue, NYC 20-2799, New York, NY 10154.

† The term of office for Directors in Class I expires at the 2016 Annual Meeting, Class II expires at the 2017 Annual Meeting and Class III expires at the 2015 Annual Meeting.

(1) Indicates that the Director also serves as a Director of The European Equity Fund, Inc. and The Central Europe, Russia and Turkey Fund, Inc., two other closed-end registered investment companies for which Deutsche Investment Management Americas Inc. acts as Administrator and Deutsche Asset & Wealth Management International GmbH acts as Investment Adviser.

(2) Indicates "Interested Person", as defined in the Investment Company Act of 1940, as amended (the "1940 Act"). Mr. Strenger is an "interested" Director because of his affiliation with DWS-Deutsche Gesellschaft für Wertpapiersparen mbH ("DWS"), an indirect wholly owned subsidiary of Deutsche Bank AG, and because of his ownership of Deutsche Bank AG shares.

(3) Mr. Wadsworth, effective December 31, 2014, retired as Director/Trustee of the Deutsche open-end and several closed-end investment companies. These Funds are advised by Deutsche Investment Management Americas Inc., an indirect wholly owned subsidiary of Deutsche Bank AG.

Officers\*

Name, Age, Position with the Fund and Length of Time Served

Brian E. Binder, 42(1)  
President and Chief Executive Officer, since December 6, 2013

Principal Occupation(s) During the Past Five Years  
Managing Director(2) and Head of Fund Administration, Deutsche Asset & Wealth Management (2013–present). Formerly, Head of Business Management and Consulting at Invesco, Ltd. (2010–2012); Chief Administrative Officer, Van Kampen Funds Inc. (2008–2010); and Chief Administrative Officer, Morgan Stanley Investment Management Americas Distribution (2003–2008).

Paul H. Schubert, 51(4)  
Chief Financial Officer and Treasurer, since November 5, 2004

Managing Director,(2) Deutsche Asset & Wealth Management (since 2004). Formerly, Executive Director, Head of Mutual Fund Services and Treasurer for UBS Family of Funds at UBS Global Asset Management (1998–2004).

Melinda Morrow, 44(4)  
Vice President, since April 27, 2012

Director,(2) Deutsche Asset & Wealth Management (since 2006).

John Millette, 52(3)  
Secretary, since January 1, 2011(5)

Director,(2) Deutsche Asset & Wealth Management (since 2002).

Hepsen Uzcan, 40(3)  
Assistant Secretary, since July 22, 2013

Director,(2) Deutsche Asset & Wealth Management (since 2014).

Caroline Pearson, 52(3)  
Chief Legal Officer, since May 21, 2012

Managing Director,(2) Deutsche Asset & Wealth Management. Formerly, Assistant Secretary for DWS family of funds (1997–2010).

Donna White, 50(4)  
Chief Compliance Officer, since May 2, 2014

Director,(2) Deutsche Asset & Wealth Management (since 2003); Chief Compliance Officer of DeAWM Distributors, Inc. (since 2004).

Wayne Salit, 47(4)  
Anti-Money Laundering Compliance Officer, since June 16, 2014

Director,(2) Deutsche Asset & Wealth Management; formerly: Managing Director, AML Compliance Officer at BNY Mellon (2011–2014); and Director, AML Compliance Officer at Deutsche Bank (2004–2011).

Each also serves as an Officer of The European Equity Fund, Inc. and The Central Europe, Russia and Turkey Fund, Inc., two other closed-end registered investment companies for which Deutsche Investment Management Americas Inc. acts as Administrator.

\* As a result of their respective positions held with the Administrator, these individuals are considered "interested persons" of the Administrator within the meaning of the 1940 Act. Interested persons receive no compensation directly from the Fund.

(1) Address: 222 South Riverside Plaza, Chicago, Illinois 60606.

(2) Executive title, not a board directorship.

(3) Address: One Beacon Street, Boston, Massachusetts 02108.

(4) Address: 60 Wall Street, New York, New York 10005.

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(5) Served as Assistant Secretary from July 14, 2006 to December 31, 2010 and as Secretary to the Fund from January 30, 2006 to July 13, 2006.

Additional Information

Automated Information Lines Web Site	Deutsche AWM Closed-End Fund Info Line (800) 349-4281 deutschefunds.com Obtain fact sheets, financial reports, press releases and webcasts when available.
Written Correspondence	Deutsche Asset & Wealth Management Attn: Secretary of the Deutsche Funds One Beacon Street Boston, MA 02108
Legal Counsel	Sullivan & Cromwell LLP 125 Broad Street New York, NY 10004
Dividend Reinvestment Plan Agent	DST Systems, Inc. 333 W. 11th Street, 5th Floor Kansas City, MO 64105
Shareholder Service Agent and Transfer Agent	DeAWM Service Company P.O. Box 219066 Kansas City, MO 64121-9066 (800) 294-4366
Custodian	Brown Brothers Harriman & Company 50 Post Office Square Boston, MA 02110
Independent Registered Public Accounting Firm	PricewaterhouseCoopers LLP 125 High Street Boston, MA 02110
Proxy Voting	A description of the Fund's policies and procedures for voting proxies for portfolio securities and information about how the Fund voted proxies related to its portfolio securities during the 12-month period ended June 30 is available on our web site — deutschefunds.com or on the SEC's web site — sec.gov. To obtain a written copy of the Fund's policies and procedures without charge, upon request, call us toll free at (800) 349-4281.
Portfolio Holdings	Following the fund's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. This form will be available on the SEC's Web site at sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330. The fund's portfolio holdings as of the month-end are posted on deutschefunds.com on or after the last day of the following month. More frequent posting of portfolio holdings information may be made from time to time on deutschefunds.com.
Investment Management	

Deutsche Asset & Wealth Management International GmbH ("DeAWMI" or the "Advisor"), which is part of Deutsche Asset & Wealth Management, is the investment advisor for the fund. DeAWMI provides a full range of investment advisory services to both institutional and retail clients.

DeAWMI is an indirect, wholly owned subsidiary of Deutsche Bank AG. Deutsche Bank AG is a major global banking institution engaged in a wide variety of financial services, including investment management, retail, private and commercial banking, investment banking and insurance.

Deutsche Asset & Wealth Management is the retail brand name in the U.S. for the wealth management and asset management activities of Deutsche Bank AG and DeAWMI. Deutsche Asset & Wealth Management is committed to delivering the investing expertise, insight and resources of this global investment platform to American investors.

NYSE Symbol  
Nasdaq Symbol  
CUSIP Number

GF  
XGFNX  
644465106

Privacy Notice

**FACTS** What Does Deutsche Asset & Wealth Management Do With Your Personal Information?

**Why?** Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share and protect your personal information. Please read this notice carefully to understand what we do.

**What?** The types of personal information we collect and share can include:  
 — Social Security number  
 — Account balances  
 — Purchase and transaction history  
 — Bank account information  
 — Contact information such as mailing address, e-mail address and telephone number

**How?** All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information, the reasons Deutsche Asset & Wealth Management chooses to share and whether you can limit this sharing.

Reasons we can share your personal information	Does Deutsche Asset & Wealth Management share?	Can you limit this sharing?
For our everyday business purposes — such as to process your transactions, maintain your account(s), respond to court orders or legal investigations	Yes	No
For our marketing purposes — to offer our products and services to you	Yes	No

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For joint marketing with other financial companies	No	We do not share
For our affiliates' everyday business purposes — information about your transactions and experiences	No	We do not share
For our affiliates' everyday business purposes — information about your creditworthiness	No	We do not share
For non-affiliates to market to you	No	We do not share
Questions?	Call (800) 728-3337 or e-mail us at service@db.com	

Who we are  
Who is providing this notice?

The New Germany Fund, Inc.

What we do  
How does Deutsche Asset & Wealth Management protect my personal information?

To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.

How does Deutsche Asset & Wealth Management collect my personal information?

We collect your personal information, for example. When you:  
— open an account  
— give us your contact information  
— provide bank account information for ACH or wire transactions  
— tell us where to send money  
— seek advice about your investments

Why can't I limit all sharing?

Federal law gives you the right to limit only  
— sharing for affiliates' everyday business purposes — information about your creditworthiness  
— affiliates from using your information to market to you  
— sharing for non-affiliates to market to you  
State laws and individual companies may give you additional rights to limit sharing.

Definitions  
Affiliates

Companies related by common ownership or control. They can be financial or non-financial companies. Our affiliates include financial companies with the DWS or Deutsche Bank ("DB") name, such as DB AG Frankfurt and DB Alex Brown.

Non-affiliates

Companies not related by common ownership or control. They can be financial and non-financial companies. Non-affiliates we share with include account service providers, service quality monitoring services, mailing service providers and verification services to help in the fight against money laundering and fraud.

Joint marketing

A formal agreement between non-affiliated financial companies that together market financial products or services to you. Deutsche Asset & Wealth Management does not jointly market.

Rev. 08/2014



There are three closed-end funds investing in European equities advised and administered by wholly owned subsidiaries of the Deutsche Bank Group:

— The Central Europe, Russia and Turkey Fund, Inc. — investing primarily in equity or equity-linked securities of issuers domiciled in Central Europe, Russia and Turkey (with normally at least 80% in securities of issuers in such countries).

— The European Equity Fund, Inc. — investing primarily in equity or equity-linked securities of companies domiciled in countries that are members of the European Union (with normally at least 80% in securities of issuers in such countries).

— The New Germany Fund, Inc. — investing primarily in equity or equity-linked securities of middle market German companies with up to 20% in other Western European companies (with no more than 15% in any single country).

Please consult your broker for advice on any of the above or call 1-800-349-4281 (in the U.S.) or 00-800-2287-2750 (outside of the U.S.) for shareholder reports.

The New Germany Fund, Inc. is diversified, but primarily focuses its investments in Germany, thereby increasing its vulnerability to developments in that country. Investing in foreign securities presents certain risks, such as currency fluctuations, political and economic changes and market risks. Any fund that concentrates in a particular segment of the market will generally be more volatile than a fund that invests more broadly.

## ITEM 2. CODE OF ETHICS

As of the end of the period covered by this report, the registrant has adopted a code of ethics, as defined in Item 2 of Form N-CSR, that applies to its Principal Executive Officer and Principal Financial Officer.

There have been no amendments to, or waivers from, a provision of the code of ethics during the period covered by this report that would require disclosure under Item 2.

A copy of the code of ethics is filed as an exhibit to this Form N-CSR.

## ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT

The Fund's Board of Directors has determined that the Fund has at least one "audit committee financial expert" serving on its audit committee: Mr. Robert H. Wadsworth, Mr. Richard Karl Goeltz and Mr. Joachim Wagner. Each of these audit committee members is "independent," meaning that he is not an "interested person" of the Fund (as that term is defined in Section 2(a)(19) of the Investment Company Act of 1940) and he does not accept any consulting, advisory, or other compensatory fee from the Fund (except in the capacity as a Board or committee member).

An "audit committee financial expert" is not an "expert" for any purpose, including for purposes of Section 11 of the Securities Act of 1933, as a result of being designated as an "audit committee financial expert." Further, the designation of a person as an "audit committee financial expert" does not mean that the person has

any greater duties, obligations, or liability than those imposed on the person without the “audit committee financial expert” designation. Similarly, the designation of a person as an “audit committee financial expert” does not affect the duties, obligations, or liability of any other member of the audit committee or board of directors.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES

THE NEW GERMANY FUND, INC  
FORM N-CSR DISCLOSURE RE: AUDIT FEES

The following table shows the amount of fees that PricewaterhouseCoopers, LLP (“PWC”), the Fund’s independent registered public accounting firm, billed to the Fund during the Fund’s last two fiscal years. The Audit Committee approved in advance all audit services and non-audit services that PWC provided to the Fund.

Services that the Fund’s Independent Registered Public Accounting Firm Billed to the Fund

Fiscal Year Ended December 31,	Audit Fees Billed to Fund	Audit-Related Fees Billed to Fund	Tax Fees Billed to Fund	All Other Fees Billed to Fund
2014	\$70,000	\$ 0	\$0	\$6,355
2013	\$65,000	\$ 0	\$0	\$5,900

“All Other Fees Billed to the Fund” were billed for services associated with foreign tax filings.

Services that the Fund’s Independent Registered Public Accounting Firm Billed to the Adviser and Affiliated Fund Service Providers

The following table shows the amount of fees billed by PWC to Deutsche Investment Management Americas Inc. (“DIMA” or the “Adviser”), and any entity controlling, controlled by or under common control with DIMA (“Control Affiliate”) that provides ongoing services to the Fund (“Affiliated Fund Service Provider”), for engagements directly related to the Fund’s operations and financial reporting, during the Fund’s last two fiscal years.

Fiscal Year Ended December 31,	Audit-Related Fees Billed to Adviser and Affiliated Fund Service Providers	Tax Fees Billed to Adviser and Affiliated Fund Service Providers	All Other Fees Billed to Adviser and Affiliated Fund Service Providers
2014	\$ 0	\$63,439	\$0
2013	\$ 0	\$66,535	\$0

The “Tax Fees Billed to the Adviser” were billed for services associated with foreign tax filings.

Non-Audit Services

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The following table shows the amount of fees that PWC billed during the Fund's last two fiscal years for non-audit services. The Audit Committee pre-approved all non-audit services that PWC provided to the Adviser and any Affiliated Fund Service Provider that related directly to the Fund's operations and financial reporting. The Audit Committee requested and received information from PWC about any non-audit services that PWC rendered during the Fund's last fiscal year to the Adviser and any Affiliated Fund Service Provider. The Committee considered this information in evaluating PWC's independence.

Fiscal Year Ended December 31,	Total Non-Audit Fees billed to Adviser and Affiliated Fund Service Providers (engagements related directly to the operations and financial reporting of the Fund)			Total of (A), (B) and (C)
	Total Non-Audit Fees Billed to Fund (A)	(B)	Total Non-Audit Fees billed to Adviser and Affiliated Fund Service Providers (all other engagements) (C)	
2014	\$6,355	\$ 63,439	\$ 0	\$69,794
2013	\$5,900	\$ 66,535	\$ 0	\$72,435

**Audit Committee Pre-Approval Policies and Procedures.** Generally, each Fund's Audit Committee must pre approve (i) all services to be performed for a Fund by a Fund's Independent Registered Public Accounting Firm and (ii) all non-audit services to be performed by a Fund's Independent Registered Public Accounting Firm for the DIMA Entities with respect to operations and financial reporting of the Fund, except that the Chairperson or Vice Chairperson of each Fund's Audit Committee may grant the pre-approval for non-audit services described in items (i) and (ii) above for non-prohibited services for engagements of less than \$100,000. All such delegated pre approvals shall be presented to each Fund's Audit Committee no later than the next Audit Committee meeting.

There were no amounts that were approved by the Audit Committee pursuant to the de minimis exception under Rule 2-01 of Regulation S-X.

According to the registrant's principal Independent Registered Public Accounting Firm, substantially all of the principal Independent Registered Public Accounting Firm's hours spent on auditing the registrant's financial statements were attributed to work performed by full-time permanent employees of the principal Independent Registered Public Accounting Firm.

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**ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS**

The registrant has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. The registrant's audit committee consists of Richard Karl Goeltz (Chairman), Robert H. Wadsworth, Richard R. Burt, Dr. Friedbert Malt and

Joachim Wagner.

ITEM 6. SCHEDULE OF INVESTMENTS

Not applicable

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES

Proxy Voting Policy and Guidelines

I. INTRODUCTION

Deutsche Asset & Wealth Management (“AWM”) has adopted and implemented the following policies and procedures, which it believes are reasonably designed to ensure that proxies are voted in the best economic interest of clients, in accordance with its fiduciary duties and local regulation. These Proxy Voting Policies, Procedures and Guidelines shall apply to all accounts managed by US domiciled advisers and to all US client accounts managed by non US regional offices. Non US regional offices are required to maintain procedures and to vote proxies as may be required by law on behalf of their non US clients. In addition, AWM’s proxy policies reflect the fiduciary standards and responsibilities for ERISA accounts.

The attached guidelines represent a set of global recommendations that were determined by the Global Proxy Voting Sub-Committee (“the GPVSC”). These guidelines were developed to provide AWM with a comprehensive list of recommendations that represent how AWM will generally vote proxies for its clients. The recommendations derived from the application of these guidelines are not intended to influence the various AWM legal entities either directly or indirectly by parent or affiliated companies. In addition, the organizational structures and documents of the various AWM legal entities allows, where necessary or appropriate, the execution by individual AWM subsidiaries of the proxy voting rights independently of any DB parent or affiliated company. This applies in particular to non U.S. fund management companies. The individuals that make proxy voting decisions are also free to act independently, subject to the normal and customary supervision by the management/boards of these AWM legal entities.

II. AWM’S PROXY VOTING RESPONSIBILITIES

Proxy votes are the property of AWM’s advisory clients.<sup>1</sup> As such, AWM’s authority and responsibility to vote such proxies depend upon its contractual relationships with its clients. AWM has delegated responsibility for effecting its advisory clients’ proxy votes to Institutional Shareholder Services (“ISS”), an independent third-party proxy voting specialist. ISS votes AWM’s advisory clients’ proxies in accordance with AWM’s proxy guidelines or AWM’s specific instructions. Where a client has given specific instructions as to how a proxy should be voted, AWM will notify ISS to carry out those instructions. Where no specific instruction exists, AWM will follow the procedures in voting the proxies set forth in this document. Certain Taft-Hartley clients may direct AWM to have ISS vote their proxies in accordance with Taft Hartley voting Guidelines.

Clients may in certain instances contract with their custodial agent and notify AWM that they wish to engage in securities lending transactions. In such cases, it is the responsibility of the custodian to deduct the number of shares that are on loan so that they do not get voted twice.

III. POLICIES

1. Proxy voting activities are conducted in the best economic interest of clients

AWM has adopted the following policies and procedures to ensure that proxies are voted in accordance with the best economic interest of its clients, as determined by AWM in good faith after appropriate review.

## 2. The Global Proxy Voting Sub-Committee

The Global Proxy Voting Sub-Committee (the “GPVSC”) is an internal working group established by the applicable AWM’s Investment Risk Oversight Committee pursuant to a written charter. The GPVSC is responsible for overseeing AWM’s proxy voting activities, including:

- (i) adopting, monitoring and updating guidelines, attached as Exhibit A (the “Guidelines”), that provide how AWM will generally vote proxies pertaining to a comprehensive list of common proxy voting matters;
- (ii) voting proxies where (A) the issues are not covered by specific client instruction or the Guidelines; (B) the Guidelines specify that the issues are to be determined on a case-by-case basis; or (C) where an exception to the Guidelines may be in the best economic interest of AWM’s clients; and
- (iii) monitoring the Proxy Vendor Oversight’s proxy voting activities (see below).

AWM’s Proxy Vendor Oversight, a function of AWM’s Operations Group, is responsible for coordinating with ISS to administer AWM’s proxy voting process and for voting proxies in accordance with any specific client instructions or, if there are none, the Guidelines, and overseeing ISS’ proxy responsibilities in this regard.

## 3. Availability of Proxy Voting Policies and Procedures and proxy voting record

Copies of these Policies and Procedures, as they may be updated from time to time, are made available to clients as required by law and otherwise at AWM’s discretion. Clients may also obtain information on how their proxies were voted by AWM as required by law and otherwise at AWM’s discretion; however, AWM must not selectively disclose its investment company clients’ proxy voting records. The Proxy Vendor Oversight will make proxy voting reports available to advisory clients upon request. The investment companies’ proxy voting records will be disclosed to shareholders by means of publicly-available annual filings of each company’s proxy voting record for 12-month periods ended June 30 (see “Recordkeeping” below), if so required by relevant law.

## IV. PROCEDURES

The key aspects of AWM’s proxy voting process are as follows:

### 1. The GPVSC’s Proxy Voting Guidelines

The Guidelines set forth the GPVSC’s standard voting positions on a comprehensive list of common proxy voting matters. The GPVSC has developed, and continues to update the Guidelines based on consideration of current corporate governance principles, industry standards, client feedback, and the impact of the matter on issuers and the value of the investments.

The GPVSC will review the Guidelines as necessary to support the best economic interests of AWM’s clients and, in any event, at least annually. The GPVSC will make changes to the Guidelines, whether as a result of the annual review or otherwise, taking solely into account the best economic interests of clients. Before changing the Guidelines, the GPVSC will thoroughly review and evaluate the proposed change and the reasons therefore, and the GPVSC Chair will ask GPVSC members whether anyone outside of the AWM organization (but within Deutsche Bank and its

affiliates) or any entity that identifies itself as an AWM advisory client has requested or attempted to influence the proposed change and whether any member has a conflict of interest with respect to the proposed change. If any such matter is reported to the GPVSC Chair, the Chair will promptly notify the Conflicts of Interest Management Sub-Committee (see below) and will defer the approval, if possible. Lastly, the GPVSC will fully document its rationale for approving any change to the Guidelines.

The Guidelines may reflect a voting position that differs from the actual practices of the public company(ies) within the Deutsche Bank organization or of the investment companies for which AWM or an affiliate serves as investment adviser or sponsor. Investment companies, particularly closed-end investment companies, are different from traditional operating companies. These differences may call for differences in voting positions on the same matter. Further, the manner in which AWM votes investment company proxies may differ from proposals for which an AWM-advised or sponsored investment company solicits proxies from its shareholders. As reflected in the Guidelines, proxies solicited by closed-end (and open-end) investment companies are generally voted in accordance with the pre-determined guidelines of ISS. See Section IV.3.B.

Funds (“Underlying Funds”) in which Topiary Fund Management Fund of Funds (each, a “Fund”) invest, may from time to time seek to revise their investment terms (i.e. liquidity, fees, etc.) or investment structure. In such event, the Underlying Funds may require approval/consent from its investors to effect the relevant changes. Topiary Fund Management has adopted Proxy Voting Procedures which outline the process for these approvals.

## 2. Specific proxy voting decisions made by the GPVSC

The Proxy Vendor Oversight will refer to the GPVSC all proxy proposals (i) that are not covered by specific client instructions or the Guidelines; or (ii) that, according to the Guidelines, should be evaluated and voted on a case-by-case basis.

Additionally, if, the Proxy Vendor Oversight, the GPVSC Chair or any member of the GPVSC, a portfolio manager, a research analyst or a sub-adviser believes that voting a particular proxy in accordance with the Guidelines may not be in the best economic interests of clients, that individual may bring the matter to the attention of the GPVSC Chair and/or the Proxy Vendor Oversight.<sup>2</sup>

If the Proxy Vendor Oversight refers a proxy proposal to the GPVSC or the GPVSC determines that voting a particular proxy in accordance with the Guidelines is not in the best economic interests of clients, the GPVSC will evaluate and vote the proxy, subject to the procedures below regarding conflicts.

The GPVSC endeavors to hold meetings to decide how to vote particular proxies sufficiently before the voting deadline so that the procedures below regarding conflicts can be completed before the GPVSC’s voting determination.

## 3. Certain proxy votes may not be cast

In some cases, the GPVSC may determine that it is in the best economic interests of its clients not to vote certain proxies. If the conditions below are met with regard to a proxy proposal, AWM will abstain from voting:

- n Neither the Guidelines nor specific client instructions cover an issue;
- n ISS does not make a recommendation on the issue;
- n The GPVSC cannot convene on the proxy proposal at issue to make a determination as to what would be in the client’s best interest. (This could happen, for example, if the Conflicts of Interest Management Sub-committee found that there was a material conflict or if despite all best efforts being made, the GPVSC quorum requirement could

not be met).

In addition, it is AWM's policy not to vote proxies of issuers subject to laws of those jurisdictions that impose restrictions upon selling shares after proxies are voted, in order to preserve liquidity. In other cases, it may not be possible to vote certain proxies, despite good faith efforts to do so. For example, some jurisdictions do not provide adequate notice to shareholders so that proxies may be voted on a timely basis. Voting rights on securities that have been loaned to third-parties transfer to those third-parties, with loan termination often being the only way to attempt to vote proxies on the loaned securities. Lastly, the GPVSC may determine that the costs to the client(s) associated with voting a particular proxy or group of proxies outweighs the economic benefits expected from voting the proxy or group of proxies.

The Proxy Vendor Oversight will coordinate with the GPVSC Chair regarding any specific proxies and any categories of proxies that will not or cannot be voted. The reasons for not voting any proxy shall be documented.

#### 4. Conflict of Interest Procedures

##### A. Procedures to Address Conflicts of Interest and Improper Influence

**Overriding Principle.** In the limited circumstances where the GPVSC votes proxies,<sup>3</sup> the GPVSC will vote those proxies in accordance with what it, in good faith, determines to be the best economic interests of AWM's clients.<sup>4</sup>

**Independence of the GPVSC.** As a matter of Compliance policy, the GPVSC and the Proxy Vendor Oversight are structured to be independent from other parts of Deutsche Bank. Members of the GPVSC and the employee responsible for Proxy Vendor Oversight are employees of AWM. As such, they may not be subject to the supervision or control of any employees of Deutsche Bank Corporate and Investment Banking division ("CIB"). Their compensation cannot be based upon their contribution to any business activity outside of AWM without prior approval of Legal and Compliance. They can have no contact with employees of Deutsche Bank outside of the Private Client and Asset Management division ("PCAM") regarding specific clients, business matters or initiatives without the prior approval of Legal and Compliance. They furthermore may not discuss proxy votes with any person outside of AWM (and within AWM only on a need to know basis).

**Conflict Review Procedures.** There will be a committee (the "Conflicts of Interest Management Sub-Committee") established within AWM that will monitor for potential material conflicts of interest in connection with proxy proposals that are to be evaluated by the GPVSC. Promptly upon a determination that a vote shall be presented to the GPVSC, the GPVSC Chair shall notify the Conflicts of Interest Management Sub-Committee. The Conflicts of Interest Management Sub-Committee shall promptly collect and review any information deemed reasonably appropriate to evaluate, in its reasonable judgment, if AWM or any person participating in the proxy voting process has, or has the appearance of, a material conflict of interest. For the purposes of this policy, a conflict of interest shall be considered "material" to the extent that a reasonable person could expect the conflict to influence, or appear to influence, the GPVSC's decision on the particular vote at issue. GPVSC should provide the Conflicts of Interest Management Sub-Committee a reasonable amount of time (no less than 24 hours) to perform all necessary and appropriate reviews. To the extent that a conflicts review cannot be sufficiently completed by the Conflicts of Interest Management Sub-Committee the proxies will be voted in accordance with the standard guidelines.

The information considered by the Conflicts of Interest Management Sub-Committee may include without limitation information regarding (i) AWM client relationships; (ii) any relevant personal conflict known by the Conflicts of Interest Management Sub-Committee or brought to the attention of that sub-committee; (iii) and any communications with members of the GPVSC (or anyone participating or providing information to the GPVSC) and any person outside of the AWM organization (but within Deutsche Bank and its affiliates) or any entity that identifies itself as an AWM advisory client regarding the vote at issue. In the context of any determination, the Conflicts of Interest Management Sub-Committee may consult with, and shall be entitled to rely upon, all applicable outside experts, including legal

counsel.

Upon completion of the investigation, the Conflicts of Interest Management Sub-Committee will document its findings and conclusions. If the Conflicts of Interest Management Sub-Committee determines that (i) AWM has a material conflict of interest that would prevent it from deciding how to vote the proxies concerned without further client consent or (ii) certain individuals should be recused from participating in the proxy vote at issue, the Conflicts of Interest Management Sub-Committee will so inform the GPVSC chair.

If notified that AWM has a material conflict of interest as described above, the GPVSC chair will obtain instructions as to how the proxies should be voted either from (i) if time permits, the effected clients, or (ii) in accordance with the standard guidelines. If notified that certain individuals should be recused from the proxy vote at issue, the GPVSC Chair shall do so in accordance with the procedures set forth below.

Note: Any AWM employee who becomes aware of a potential, material conflict of interest in respect of any proxy vote to be made on behalf of clients shall notify Compliance. Compliance shall call a meeting of the conflict review committee to evaluate such conflict and determine a recommended course of action.

Procedures to be followed by the GPVSC. At the beginning of any discussion regarding how to vote any proxy, the GPVSC Chair (or his or her delegate) will inquire as to whether any GPVSC member (whether voting or ex officio) or any person participating in the proxy voting process has a personal conflict of interest or has actual knowledge of an actual or apparent conflict that has not been reported to the Conflicts of Interest Management Sub-Committee.

The GPVSC Chair also will inquire of these same parties whether they have actual knowledge regarding whether any director, officer or employee outside of the AWM organization (but within Deutsche Bank and its affiliates) or any entity that identifies itself as an AWM advisory client, has: (i) requested that AWM, the Proxy Vendor Oversight (or any member thereof) or a GPVSC member vote a particular proxy in a certain manner; (ii) attempted to influence AWM, the Proxy Vendor Oversight (or any member thereof), a GPVSC member or any other person in connection with proxy voting activities; or (iii) otherwise communicated with a GPVSC member or any other person participating or providing information to the GPVSC regarding the particular proxy vote at issue, and which incident has not yet been reported to the Conflicts of Interest Management Sub-Committee.

If any such incidents are reported to the GPVSC Chair, the Chair will promptly notify the Conflicts of Interest Management Sub-Committee and, if possible, will delay the vote until the Conflicts of Interest Management Sub-Committee can complete the conflicts report. If a delay is not possible, the Conflicts of Interest Management Sub-Committee will instruct the GPVSC whether anyone should be recused from the proxy voting process, or whether AWM should vote the proxy in accordance with the standard guidelines, seek instructions as to how to vote the proxy at issue from ISS or, if time permits, the effected clients. These inquiries and discussions will be properly reflected in the GPVSC's minutes.

Duty to Report. Any AWM employee, including any GPVSC member (whether voting or ex officio), that is aware of any actual or apparent conflict of interest relevant to, or any attempt by any person outside of the AWM organization (but within Deutsche Bank and its affiliates) or any entity that identifies itself as an AWM advisory client to influence, how AWM votes its proxies has a duty to disclose the existence of the situation to the GPVSC Chair (or his or her designee) and the details of the matter to the Conflicts of Interest Management Sub-Committee. In the case of any person participating in the deliberations on a specific vote, such disclosure should be made before engaging in any activities or participating in any discussion pertaining to that vote.

Recusal of Members. The GPVSC will recuse from participating in a specific proxy vote any GPVSC members (whether voting or ex officio) and/or any other person who (i) are personally involved in a material conflict of interest; or (ii) who, as determined by the Conflicts of Interest Management Sub-Committee, have actual knowledge of a circumstance or fact that could affect their independent judgment, in respect of such vote. The GPVSC will also



exclude from consideration the views of any person (whether requested or volunteered) if the GPVSC or any member thereof knows, or if the Conflicts of Interest Management Sub-Committee has determined, that such other person has a material conflict of interest with respect to the particular proxy, or has attempted to influence the vote in any manner prohibited by these policies.

If, after excluding all relevant GPVSC voting members pursuant to the paragraph above, there are three or more GPVSC voting members remaining, those remaining GPVSC members will determine how to vote the proxy in accordance with these Policies and Procedures. If there are fewer than three GPVSC voting members remaining, the GPVSC Chair will vote the proxy in accordance with the standard guidelines, will obtain instructions as to how to have the proxy voted from, if time permits, the effected clients and otherwise from ISS.

#### B. Investment Companies and Affiliated Public Companies

Investment Companies. As reflected in the Guidelines, all proxies solicited by open-end and closed-end investment companies are voted in accordance with the pre-determined guidelines of ISS, unless the investment company client directs AWM to vote differently on a specific proxy or specific categories of proxies. However, regarding investment companies for which AWM or an affiliate serves as investment adviser or principal underwriter, such proxies are voted in the same proportion as the vote of all other shareholders (i.e., “mirror” or “echo” voting). Master fund proxies solicited from feeder funds are voted in accordance with applicable provisions of Section 12 of the Investment Company Act of 1940.

Subject to participation agreements with certain Exchange Traded Funds ("ETF") issuers that have received exemptive orders from the U.S. Securities and Exchange Commission allowing investing Deutsche funds to exceed the limits set forth in Section 12(d)(1)(A) and (B) of the Investment Company Act of 1940, DeAWM will echo vote proxies for ETFs in which Deutsche Bank holds more than 25% of outstanding voting shares globally when required to do so by participation agreements and SEC orders.

Affiliated Public Companies. For proxies solicited by non-investment company issuers of or within the Deutsche Bank organization, e.g., Deutsche bank itself, these proxies will be voted in the same proportion as the vote of other shareholders (i.e., “mirror” or “echo” voting).

Note: With respect to the Central Cash Management Fund (registered under the Investment Company Act of 1940), the Fund is not required to engage in echo voting and the investment adviser will use these Guidelines, and may determine, with respect to the Central Cash Management Fund, to vote contrary to the positions in the Guidelines, consistent with the Fund’s best interest.

#### C. Other Procedures That Limit Conflicts of Interest

AWM and other entities in the Deutsche Bank organization have adopted a number of policies, procedures and internal controls that are designed to avoid various conflicts of interest, including those that may arise in connection with proxy voting, including but not limited to:

- Code of Business Conduct and Ethics - DB Group;
- Conflicts of Interest Policy - DB Group;
- Information Sharing Procedures – DeAWM;
- Code of Ethics - DeAWM; and
- Code of Professional Conduct - US.

The GPVSC expects that these policies, procedures and internal controls will greatly reduce the chance that the GPVSC (or, its members) would be involved in, aware of or influenced by, an actual or apparent conflict of interest.

V. RECORDKEEPING

At a minimum, the following types of records must be properly maintained and readily accessible in order to evidence compliance with this policy.

- n AWM will maintain a record of each vote cast by AWM that includes among other things, company name, meeting date, proposals presented, vote cast and shares voted.
- n The Proxy Vendor Oversight maintains records for each of the proxy ballots it votes. Specifically, the records include, but are not limited to:
  - The proxy statement (and any additional solicitation materials) and relevant portions of annual statements.
  - Any additional information considered in the voting process that may be obtained from an issuing company, its agents or proxy research firms.
  - Analyst worksheets created for stock option plan and share increase analyses.
  - Proxy Edge print-screen of actual vote election.
- n AWM will retain these Policies and Procedures and the Guidelines; will maintain records of client requests for proxy voting information; and will retain any documents the Proxy Vendor Oversight or the GPVSC prepared that were material to making a voting decision or that memorialized the basis for a proxy voting decision.
- n The GPVSC also will create and maintain appropriate records documenting its compliance with these Policies and Procedures, including records of its deliberations and decisions regarding conflicts of interest and their resolution.
- n With respect to AWM's investment company clients, ISS will create and maintain records of each company's proxy voting record for 12-month periods ended June 30. AWM will compile the following information for each matter relating to a portfolio security considered at any shareholder meeting held during the period covered by the report and with respect to which the company was entitled to vote:
  - The name of the issuer of the portfolio security;
  - The exchange ticker symbol of the portfolio security (if symbol is available through reasonably practicable means);
  - The Council on Uniform Securities Identification Procedures number for the portfolio security (if the number is available through reasonably practicable means);
  - The shareholder meeting date;
  - A brief identification of the matter voted on;
  - Whether the matter was proposed by the issuer or by a security holder;
  - Whether the company cast its vote on the matter;

- How the company cast its vote (e.g., for or against proposal, or abstain; for or withhold regarding election of directors); and
- Whether the company cast its vote for or against management.

Note: This list is intended to provide guidance only in terms of the records that must be maintained in accordance with this policy. In addition, please note that records must be maintained in accordance with the applicable Records Management Policy - US.

With respect to electronically stored records, “properly maintained” is defined as complete, authentic (unalterable) usable and backed-up. At a minimum, records should be retained for a period of not less than six years (or longer, if necessary to comply with applicable regulatory requirements), the first three years in an appropriate AWM office.

## VI. THE GPVSC’S OVERSIGHT ROLE

In addition to adopting the Guidelines and making proxy voting decisions on matters referred to it as set forth above, the GPVSC will monitor the proxy voting process by reviewing summary proxy information presented by ISS. The GPVSC will use this review process to determine, among other things, whether any changes should be made to the Guidelines. This review will take place at least quarterly and will be documented in the GPVSC’s minutes.

- 
- 1 For purposes of these Policies and Procedures, “clients” refers to persons or entities: for which AWM serves as investment adviser or sub-adviser; for which AWM votes proxies; and that have an economic or beneficial ownership interest in the portfolio securities of issuers soliciting such proxies.
  - 2 The Proxy Vendor Oversight generally monitors upcoming proxy solicitations for heightened attention from the press or the industry and for novel or unusual proposals or circumstances, which may prompt the Proxy Vendor Oversight to bring the solicitation to the attention of the GPVSC Chair. AWM portfolio managers, AWM research analysts and sub-advisers also may bring a particular proxy vote to the attention of the GPVSC Chair, as a result of their ongoing monitoring of portfolio securities held by advisory clients and/or their review of the periodic proxy voting record reports that the GPVSC Chair distributes to AWM portfolio managers and AWM research analysts.
  - 3 As mentioned above, the GPVSC votes proxies (i) where neither a specific client instruction nor a Guideline directs how the proxy should be voted, (ii) where the Guidelines specify that an issue is to be determined on a case by case basis or (iii) where voting in accordance with the Guidelines may not be in the best economic interests of clients.
  - 4 The Proxy Vendor Oversight, who serves as the non-voting secretary of the GPVSC, may receive routine calls from proxy solicitors and other parties interested in a particular proxy vote. Any contact that attempts to exert improper pressure or influence shall be reported to the Conflicts of Interest Management Sub-Committee.

Deutsche Asset & Wealth Management

Global Proxy Voting Guidelines

As amended February 2013  
[GRAPHIC OMITTED]

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These Guidelines may reflect a voting position that differs from the actual practices of the public company(ies) within the Deutsche Bank organization or of the investment companies for which AWM or an affiliate serves as investment adviser or sponsor.

NOTE: Because of the unique structure and regulatory scheme applicable to closed-end investment companies, the voting guidelines (particularly those related to governance issues) generally will be inapplicable to holdings of closed-end investment companies. As a result, determinations on the appropriate voting recommendation for closed-end investment company shares will be made on a case-by-case basis.

I. Board of Directors and Executives

A. Election of Directors

Routine: AWM Policy is to vote “for” the uncontested election of directors. Votes for a director in an uncontested election will be withheld in cases where a director has shown an inability to perform his/her duties in the best interests of the shareholders.

Proxy contest: In a proxy contest involving election of directors, a case-by-case voting decision will be made based upon analysis of the issues involved and the merits of the incumbent and dissident slates of directors. AWM will incorporate the decisions of a third party proxy research vendor, currently, Institutional Shareholder Services (“ISS”) subject to review by the Proxy Voting Sub-Committee (GPVSC) as set forth in the AWM’s Proxy Voting Policies and Procedures.

Rationale: The large majority of corporate directors fulfill their fiduciary obligation and in most cases support for management’s nominees is warranted. As the issues relevant to a contested election differ in each instance, those cases must be addressed as they arise.

B. Classified Boards of Directors

AWM policy is to vote against proposals to classify the board and for proposals to repeal classified boards and elect directors annually.

Rationale: Directors should be held accountable on an annual basis. By entrenching the incumbent board, a classified board may be used as an anti-takeover device to the detriment of the shareholders in a hostile take-over situation.

C. Board and Committee Independence

AWM policy is to vote:

1. “For” proposals that require that a certain percentage (majority up to 66 2/3%) of members of a board of directors be comprised of independent or unaffiliated directors.
2. “For” proposals that require all members of a company's compensation, audit, nominating, or other similar committees be comprised of independent or unaffiliated directors.
3. “Against” shareholder proposals to require the addition of special interest, or constituency, representatives to boards of directors.
4. “For” separation of the Chairman and CEO positions.
- 5.

“Against” proposals that require a company to appoint a Chairman who is an independent director.

Rationale: Board independence is a cornerstone of effective governance and accountability. A board that is sufficiently independent from management assures that shareholders' interests are adequately represented. However, the Chairman of the board must have sufficient involvement in and experience with the operations of the company to perform the functions required of that position and lead the company.

No director qualifies as 'independent' unless the board of directors affirmatively determines that the director has no material relationship with the listed company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company).

Whether a director is in fact not "independent" will depend on the laws and regulations of the primary market for the security and the exchanges, if any, on which the security trades.

#### D. Liability and Indemnification of Directors

AWM policy is to vote “for” management proposals to limit directors' liability and to broaden the indemnification of directors, unless broader indemnification or limitations on directors' liability would affect shareholders' interests in pending litigation.

Rationale: While shareholders want directors and officers to be responsible for their actions, it is not in the best interests of the shareholders for them to be to risk averse. If the risk of personal liability is too great, companies may not be able to find capable directors willing to serve. We support expanding coverage only for actions taken in good faith and not for serious violations of fiduciary obligation or negligence.

#### E. Qualifications of Directors

AWM policy is to follow management's recommended vote on either management or shareholder proposals that set retirement ages for directors or require specific levels of stock ownership by directors.

Rationale: As a general rule, the board of directors, and not the shareholders, is most qualified to establish qualification policies.

#### F. Removal of Directors and Filling of Vacancies

AWM policy is to vote “against” proposals that include provisions that directors may be removed only for cause or proposals that include provisions that only continuing directors may fill board vacancies.

Rationale: Differing state statutes permit removal of directors with or without cause. Removal of directors for cause usually requires proof of self-dealing, fraud or misappropriation of corporate assets, limiting shareholders' ability to remove directors except under extreme circumstances. Removal without cause requires no such showing.

Allowing only incumbent directors to fill vacancies can serve as an anti-takeover device, precluding shareholders from filling the board until the next regular election.

#### G. Proposals to Fix the Size of the Board

AWM policy is to vote:

1.



“For” proposals to fix the size of the board unless: (a) no specific reason for the proposed change is given; or (b) the proposal is part of a package of takeover defenses.

2. “Against” proposals allowing management to fix the size of the board without shareholder approval.

Rationale: Absent danger of anti-takeover use, companies should be granted a reasonable amount of flexibility in fixing the size of its board.

#### H. Proposals to Restrict Chief Executive Officer’s Service on Multiple Boards

AWM policy is to vote “For” proposals to restrict a Chief Executive Officer from serving on more than three outside boards of directors.

Rationale: Chief Executive Officer must have sufficient time to ensure that shareholders’ interests are represented adequately.

Note: A director’s service on multiple closed-end fund boards within a fund complex are treated as service on a single Board for the purpose of the proxy voting guidelines.

#### I. Proposals to Restrict Supervisory Board Members Service on Multiple Boards (For FFT Securities)

AWM policy is to vote “for” proposals to restrict a Supervisory Board Member from serving on more than five supervisory boards.

Rationale: We consider a strong, independent and knowledgeable supervisory board as important counter-balance to executive management to ensure that the interests of shareholders are fully reflected by the company.

Full information should be disclosed in the annual reports and accounts to allow all shareholders to judge the success of the supervisory board controlling their company.

Supervisory Board Member must have sufficient time to ensure that shareholders’ interests are represented adequately.

Note: A director’s service on multiple closed-end fund boards within a fund complex are treated as service on a single Board for the purpose of the proxy voting guidelines.

#### J. Proposals to Establish Audit Committees (For FFT and U.S. Securities)

AWM policy is to vote “for” proposals that require the establishment of audit committees.

Rationale: The audit committee should deal with accounting and risk management related questions, verifies the independence of the auditor with due regard to possible conflicts of interest. It also should determine the procedure of the audit process.

## II. Capital Structure

### A. Authorization of Additional Shares (For U.S. Securities)

AWM policy is to vote “for” proposals to increase the authorization of existing classes of stock that do not exceed a 3:1 ratio of shares authorized to shares outstanding for a large cap company, and do not exceed a 4:1 ratio of shares authorized to shares outstanding for a small-midcap company (companies having a market capitalization under one

billion U.S. dollars.).

Rationale: While companies need an adequate number of shares in order to carry on business, increases requested for general financial flexibility must be limited to protect shareholders from their potential use as an anti-takeover device. Requested increases for specifically designated, reasonable business purposes (stock split, merger, etc.) will be considered in light of those purposes and the number of shares required.

B. Authorization of “Blank Check” Preferred Stock (For U.S. Securities)

AWM policy is to vote:

1. “Against” proposals to create blank check preferred stock or to increase the number of authorized shares of blank check preferred stock unless the company expressly states that the stock will not be used for anti-takeover purposes and will not be issued without shareholder approval.
2. “For” proposals mandating shareholder approval of blank check stock placement.

Rationale: Shareholders should be permitted to monitor the issuance of classes of preferred stock in which the board of directors is given unfettered discretion to set voting, dividend, conversion and other rights for the shares issued.

C. Stock Splits/Reverse Stock Splits

AWM policy is to vote “for” stock splits if a legitimate business purpose is set forth and the split is in the shareholders' best interests. A vote is cast “for” a reverse stock split only if the number of shares authorized is reduced in the same proportion as the reverse split or if the effective increase in authorized shares (relative to outstanding shares) complies with the proxy guidelines for common stock increases (see Section II.A, above).

Rationale: Generally, stock splits do not detrimentally affect shareholders. Reverse stock splits, however, may have the same result as an increase in authorized shares and should be analyzed accordingly.

D. Dual Class/Supervoting Stock

AWM policy is to vote “against” proposals to create or authorize additional shares of super-voting stock or stock with unequal voting rights.

Rationale: The “one share, one vote” principal ensures that no shareholder maintains a voting interest exceeding their equity interest in the company.

E. Large Block Issuance (For U.S. Securities)

AWM policy is to address large block issuances of stock on a case-by-case basis, incorporating the recommendation of an independent third party proxy research firm (currently ISS) subject to review by the GPVSC as set forth in AWM's Proxy Policies and Procedures.

Additionally, AWM supports proposals requiring shareholder approval of large block issuances.

Rationale: Stock issuances must be reviewed in light of the business circumstances leading to the request and the potential impact on shareholder value.

F. Recapitalization into a Single Class of Stock

AWM policy is to vote “for” recapitalization plans to provide for a single class of common stock, provided the terms are fair, with no class of stock being unduly disadvantaged.

Rationale: Consolidation of multiple classes of stock is a business decision that may be left to the board and/or management if there is no adverse effect on shareholders.

G. Share Repurchases

AWM policy is to vote “for” share repurchase plans provided all shareholders are able to participate on equal terms.

Rationale: Buybacks are generally considered beneficial to shareholders because they tend to increase returns to the remaining shareholders.

H. Reductions in Par Value

AWM policy is to vote “for” proposals to reduce par value, provided a legitimate business purpose is stated (e.g., the reduction of corporate tax responsibility).

Rationale: Usually, adjustments to par value are a routine financial decision with no substantial impact on shareholders.

III. Corporate Governance Issues

A. Confidential Voting

AWM policy is to vote “for” proposals to provide for confidential voting and independent tabulation of voting results and to vote “against” proposals to repeal such provisions.

Rationale: Confidential voting protects the privacy rights of all shareholders. This is particularly important for employee-shareholders or shareholders with business or other affiliations with the company, who may be vulnerable to coercion or retaliation when opposing management. Confidential voting does not interfere with the ability of corporations to communicate with all shareholders, nor does it prohibit shareholders from making their views known directly to management.

B. Cumulative Voting (For U.S. Securities)

AWM policy is to vote “against” shareholder proposals requesting cumulative voting and “for” management proposals to eliminate it. The protections afforded shareholders by cumulative voting are not necessary when a company has a history of good performance and does not have a concentrated ownership interest. Accordingly, a vote is cast “against” cumulative voting and “for” proposals to eliminate it if:

- a) The company has a five year return on investment greater than the relevant industry index,
- b) All directors and executive officers as a group beneficially own less than 10% of the outstanding stock, and
- c) No shareholder (or voting block) beneficially owns 15% or more of the company.

Thus, failure of any one of the three criteria results in a vote for cumulative voting in accordance with the general policy.

Rationale: Cumulative voting is a tool that should be used to ensure that holders of a significant number of shares may have board representation; however, the presence of other safeguards may make their use unnecessary.

#### C. Supermajority Voting Requirements

AWM policy is to vote “against” management proposals to require a supermajority vote to amend the charter or bylaws and to vote “for” shareholder proposals to modify or rescind existing supermajority requirements.

\*Exception made when company holds a controlling position and seeks to lower threshold to maintain control and/or make changes to corporate by-laws.

Rationale: Supermajority voting provisions violate the democratic principle that a simple majority should carry the vote. Setting supermajority requirements may make it difficult or impossible for shareholders to remove egregious by-law or charter provisions. Occasionally, a company with a significant insider held position might attempt to lower a supermajority threshold to make it easier for management to approve provisions that may be detrimental to shareholders. In that case, it may not be in the shareholders interests to lower the supermajority provision.

#### D. Shareholder Right to Vote

AWM policy is to vote “against” proposals that restrict the right of shareholders to call special meetings, amend the bylaws, or act by written consent. Policy is to vote “for” proposals that remove such restrictions.

Rationale: Any reasonable means whereby shareholders can make their views known to management or affect the governance process should be supported.

### IV. Compensation

Annual Incentive Plans or Bonus Plans are often submitted to shareholders for approval. These plans typically award cash to executives based on company performance. Deutsche Bank believes that the responsibility for executive compensation decisions rest with the board of directors and/or the compensation committee, and its policy is not to second-guess the board’s award of cash compensation amounts to executives unless a particular award or series of awards is deemed excessive. If stock options are awarded as part of these bonus or incentive plans, the provisions must meet Deutsche Bank’s criteria regarding stock option plans, or similar stock-based incentive compensation schemes, as set forth below.

#### A. Establishment of a Remuneration Committee (For FFT Securities)

AWM policy is to vote “for” proposals that require the establishment of a remuneration committee.

Rationale: Corporations should disclose in each annual report or proxy statement their policies on remuneration. Essential details regarding executive remuneration including share options, long-term incentive plans and bonuses, should be disclosed in the annual report, so that investors can judge whether corporate pay policies and practices meet the standard.

The remuneration committee shall not comprise any board members and should be sensitive to the wider scene on executive pay. It should ensure that performance-based elements of executive pay are designed to align the interests of shareholders.

B. Executive and Director Stock Option Plans

AWM policy is to vote “for” stock option plans that meet the following criteria:

- (1) The resulting dilution of existing shares is less than (a) 15 percent of outstanding shares for large capital corporations or (b) 20 percent of outstanding shares for small-mid capital companies (companies having a market capitalization under one billion U.S. dollars).
- (2) The transfer of equity resulting from granting options at less than FMV is no greater than 3% of the over-all market capitalization of large capital corporations, or 5% of market cap for small-mid capital companies.
- (3) The plan does not contain express repricing provisions and, in the absence of an express statement that options will not be repriced; the company does not have a history of repricing options.
- (4) The plan does not grant options on super-voting stock.

AWM will support performance-based option proposals as long as a) they do not mandate that all options granted by the company must be performance based, and b) only certain high-level executives are subject to receive the performance based options.

AWM will support proposals to eliminate the payment of outside director pensions.

Rationale: Determining the cost to the company and to shareholders of stock-based incentive plans raises significant issues not encountered with cash-based compensation plans. These include the potential dilution of existing shareholders' voting power, the transfer of equity out of the company resulting from the grant and execution of options at less than FMV and the authority to reprice or replace underwater options. Our stock option plan analysis model seeks to allow reasonable levels of flexibility for a company yet still protect shareholders from the negative impact of excessive stock compensation. Acknowledging that small mid-capital corporations often rely more heavily on stock option plans as their main source of executive compensation and may not be able to compete with their large capital competitors with cash compensation, we provide slightly more flexibility for those companies.

C. Employee Stock Option/Purchase Plans

AWM policy is to vote for employee stock purchase plans (ESPP's) when the plan complies with Internal Revenue Code 423, allowing non-management employees to purchase stock at 85% of FMV.

AWM policy is to vote “for” employee stock option plans (ESOPs) provided they meet the standards for stock option plans in general. However, when computing dilution and transfer of equity, ESOPs are considered independently from executive and director option plans.

Rationale: ESOPs and ESPP's encourage rank-and-file employees to acquire an ownership stake in the companies they work for and have been shown to promote employee loyalty and improve productivity.

D. Golden Parachutes

AWM policy is to vote “for” proposals to require shareholder approval of golden parachutes and for proposals that would limit golden parachutes to no more than three times base compensation. Policy is to vote “against” more restrictive shareholder proposals to limit golden parachutes.

Rationale: In setting a reasonable limitation, AWM considers that an effective parachute should be less attractive than continued employment and that the IRS has opined that amounts greater than three times annual salary, are excessive.

E. Proposals to Limit Benefits or Executive Compensation

AWM policy is to vote “against”

1. Proposals to limit benefits, pensions or compensation and
2. Proposals that request or require disclosure of executive compensation greater than the disclosure required by Securities and Exchange Commission (SEC) regulations.

Rationale: Levels of compensation and benefits are generally considered to be day-to-day operations of the company, and are best left unrestricted by arbitrary limitations proposed by shareholders.

F. Option Expensing

AWM policy is to support proposals requesting companies to expense stock options.

Rationale: Although companies can choose to expense options voluntarily, the Financial Accounting Standards Board (FASB) does not yet require it, instead allowing companies to disclose the theoretical value of options as a footnote. Because the expensing of stock options lowers earnings, most companies elect not to do so. Given the fact that options have become an integral component of compensation and their exercise results in a transfer of shareholder value, AWM agrees that their value should not be ignored and treated as “no cost” compensation. The expensing of stock options would promote more modest and appropriate use of stock options in executive compensation plans and present a more accurate picture of company operational earnings.

G. Management board election and motion (For FFT Securities)

AWM policy is to vote “against”:

- the election of board members with positions on either remuneration or audit committees;
- the election of supervisory board members with too many supervisory board mandates;
- “automatic” election of former board members into the supervisory board.

Rationale: Management as an entity, and each of its members, are responsible for all actions of the company, and are - subject to applicable laws and regulations - accountable to the shareholders as a whole for their actions.

Sufficient information should be disclosed in the annual company report and account to allow shareholders to judge the success of the company.

H. Remuneration (variable pay): (For FFT Securities)

Executive remuneration for Management Board

AWM policy is to vote “for” remuneration for Management Board that is transparent and linked to results.

Rationale: Executive compensation should motivate management and align the interests of management with the shareholders. The focus should be on criteria that prevent excessive remuneration; but enable the company to hire and retain first-class professionals.

Shareholder interests are normally best served when management is remunerated to optimise long-term returns. Criteria should include suitable measurements like return on capital employed or economic value added.

Interests should generally also be correctly aligned when management own shares in the company – even more so if these shares represent a substantial portion of their own wealth.

Its disclosure shall differentiate between fixed pay, variable (performance related) pay and long-term incentives, including stock option plans with valuation ranges as well as pension and any other significant arrangements.

#### Executive remuneration for Supervisory Board

AWM policy is to vote “for” remuneration for Supervisory Board that is at least 50% in fixed form.

Rationale: It would normally be preferable if performance linked compensation were not based on dividend payments, but linked to suitable result based parameters. Consulting and procurement services should also be published in the company report.

#### I. Long-term incentive plans (For FFT Securities)

AWM policy is to vote “for” long-term incentive plans for members of a management board that reward for above average company performance.

Rationale: Incentive plans will normally be supported if they:

- directly align the interests of members of management boards with those of shareholders;
- establish challenging performance criteria to reward only above average performance;
- measure performance by total shareholder return in relation to the market or a range of comparable companies;
- are long-term in nature and encourage long-term ownership of the shares once exercised through minimum holding periods;
- do not allow a repricing of the exercise price in stock option plans.

#### J. Shareholder Proposals Concerning “Pay for Superior Performance”

AWM policy is to address pay for superior performance proposals on a case-by-case basis, incorporating the recommendation of an independent third party proxy research firm (currently ISS) subject to review by the GPVSC as set forth in AWM’s Proxy Policies and Procedures.

Rationale: While AWM agrees that compensation issues are better left to the discretion of management, they appreciate the need to monitor for excessive compensation practices on a case by case basis. If, after a review of the ISS metrics, AWM is comfortable with ISS’s applying this calculation and will vote according to their recommendation.

K. Executive Compensation Advisory

AWM policy is to follow management's recommended vote on shareholder proposals to propose an advisory resolution seeking to ratify the compensation of the company's named executive officers (NEOs) on an annual basis.

Rationale: AWM believes that controls exist within senior management and corporate compensation committees, ensuring fair compensation to executives. This might allow shareholders to require approval for all levels of management's compensation.

L. Advisory Votes on Executive Compensation

AWM policy is to evaluate Executive Compensation proposals on a case-by-case basis, where locally defined this may be done by incorporating the recommendation of an independent third party proxy research firm. AWM will oppose Advisory Votes on Executive Compensation if:

- there is a significant misalignment between CEO pay and company performance;
- the company maintains significant problematic pay practices;
- the board exhibits a significant level of poor communication and responsiveness to shareholders.

Rationale: While AWM agrees that compensation issues are better left to the discretion of management, they appreciate the need to take action on this nonbinding proposal if excessive compensation practices exist.

M. Frequency of Advisory Vote on Executive Compensation

AWM policy is to vote "for" annual advisory votes on compensation, which provide the most consistent and clear communication channel for shareholder concerns about companies' executive pay programs.

Rationale: AWM believes that annual advisory vote gives shareholders the opportunity to express any compensation concerns to the Executive Compensation proposal which is an advisory voting.

V. Anti-Takeover Related Issues

A. Shareholder Rights Plans ("Poison Pills")

AWM policy is to vote "for" proposals to require shareholder ratification of poison pills or that request boards to redeem poison pills, and to vote "against" the adoption of poison pills if they are submitted for shareholder ratification.

Rationale: Poison pills are the most prevalent form of corporate takeover defenses and can be (and usually are) adopted without shareholder review or consent. The potential cost of poison pills to shareholders during an attempted takeover outweighs the benefits.

B. Reincorporation

AWM policy is to examine reincorporation proposals on a case-by-case basis. The voting decision is based on: (1) differences in state law between the existing state of incorporation and the proposed state of incorporation; and (2) differences between the existing and the proposed charter/bylaws/articles of incorporation and their effect on shareholder rights. If changes resulting from the proposed reincorporation violate the corporate governance principles



set forth in these guidelines, the reincorporation will be deemed contrary to shareholder's interests and a vote cast "against."

Rationale: Reincorporations can be properly analyzed only by looking at the advantages and disadvantages to their shareholders. Care must be taken that anti-takeover protection is not the sole or primary result of a proposed change.

#### C. Fair-Price Proposals

AWM policy is to vote "for" management fair-price proposals, provided that: (1) the proposal applies only to two-tier offers; (2) the proposal sets an objective fair-price test based on the highest price that the acquirer has paid for a company's shares; (3) the supermajority requirement for bids that fail the fair-price test is no higher than two-thirds of the outstanding shares; (4) the proposal contains no other anti-takeover provisions or provisions that restrict shareholders rights.

A vote is cast for shareholder proposals that would modify or repeal existing fair-price requirements that do not meet these standards.

Rationale: While fair price provisions may be used as anti-takeover devices, if adequate provisions are included, they provide some protection to shareholders who have some say in their application and the ability to reject those protections if desired.

#### D. Exemption from state takeover laws

AWM policy is to vote "for" shareholder proposals to opt out of state takeover laws and to vote "against" management proposals requesting to opt out of state takeover laws.

Rationale: Control share statutes, enacted at the state level, may harm long-term share value by entrenching management. They also unfairly deny certain shares their inherent voting rights.

#### E. Non-financial Effects of Takeover Bids

Policy is to vote "against" shareholder proposals to require consideration of non-financial effects of merger or acquisition proposals.

Rationale: Non-financial effects may often be subjective and are secondary to AWM's stated purpose of acting in its client's best economic interest.

#### VI. Mergers & Acquisitions

Evaluation of mergers, acquisitions and other special corporate transactions (i.e., takeovers, spin-offs, sales of assets, reorganizations, restructurings and recapitalizations) are performed on a case-by-case basis incorporating information from an independent proxy research source (currently ISS.) Additional resources including portfolio management and research analysts may be considered as set forth in AWM's Policies and Procedures.

#### VII. Environmental, Social & Governance Issues

Environmental, social and governance issues ("ESG") are becoming increasingly important to corporate success. We incorporate ESG considerations into both our investment decisions and our proxy voting decisions – particularly if the financial performance of the company could be impacted. Companies or states that seriously contravene internationally accepted ethical principles will be subject to heightened scrutiny.

A. Principles for Responsible Investment

AWM policy is to actively engage with companies on ESG issues and participate in ESG initiatives. In this context, AWM (a) votes “for increased disclosure on ESG issues; (b) is willing to participate in the development of policy, regulation and standard setting (such as promoting and protecting shareholder rights); (c) could support shareholder initiatives and also file shareholder resolutions with long term ESG considerations and improved ESG disclosure, when applicable; (d) could support standardized ESG reporting and issues to be integrated within annual financial reports; and (e) on a case by case basis, will generally follow management's recommended vote on other matters related to ESG issues.

Rationale: ESG issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time).

B. ESG Issues

AWM policy is to vote in line with the CERES recommendation on Environmental matters covered under the CERES Principles, and Social and Sustainability issues not specifically addressed elsewhere in the Guidelines. AWM will rely on ISS to identify shareholder proposals addressing CERES Principles and proxies will be voted in accordance with ISS's predetermined voting guidelines on CERES Principles.

Any matter that is to be voted on, consented to or approved by the voting members, may take place in person, telephonically or via other electronic means. In addition, voting members may act in writing, including without limitation, via e-mail.

Rationale: AWM supports the CERES Principles and as such generally votes proxies in line with the CERES recommendation.

C. Labor & Human Rights

AWM policy is to vote “against” adopting global codes of conduct or workplace standards exceeding those mandated by law.

Rationale: Additional requirements beyond those mandated by law are deemed unnecessary and potentially burdensome to companies

D. Diversity & Equality

1. AWM policy is to vote “against” shareholder proposals to force equal employment opportunity, affirmative action or board diversity.

Rationale: Compliance with State and Federal legislation along with information made available through filings with the EEOC provides sufficient assurance that companies act responsibly and make information public.

2. AWM policy is also to vote “against” proposals to adopt the Mac Bride Principles. The Mac Bride Principles promote fair employment, specifically regarding religious discrimination.

Rationale: Compliance with the Fair Employment Act of 1989 makes adoption of the Mac Bride Principles redundant. Their adoption could potentially lead to charges of reverse discrimination.

E. Health & Safety

1. AWM policy is to vote “against” adopting a pharmaceutical price restraint policy or reporting pricing policy changes.

Rationale: Pricing is an integral part of business for pharmaceutical companies and should not be dictated by shareholders (particularly pursuant to an arbitrary formula). Disclosing pricing policies may also jeopardize a company’s competitive position in the marketplace.

2. AWM policy is to vote “against” shareholder proposals to control the use or labeling of and reporting on genetically engineered products.

Rationale: Additional requirements beyond those mandated by law are deemed unnecessary and potentially burdensome to companies.

#### F. Government/Military

1. AWM policy is to vote against shareholder proposals regarding the production or sale of military arms or nuclear or space-based weapons, including proposals seeking to dictate a company's interaction with a particular foreign country or agency.

Rationale: Generally, management is in a better position to determine what products or industries a company can and should participate in. Regulation of the production or distribution of military supplies is, or should be, a matter of government policy.

2. AWM policy is to vote “against” shareholder proposals regarding political contributions and donations.

Rationale: The Board of Directors and Management, not shareholders, should evaluate and determine the recipients of any contributions made by the company.

3. AWM policy is to vote “against” shareholder proposals regarding charitable contributions and donations.

Rationale: The Board of Directors and Management, not shareholders, should evaluate and determine the recipients of any contributions made by the company.

#### G. Tobacco

1. AWM policy is to vote “against” shareholder proposals requesting additional standards or reporting requirements for tobacco companies as well as “against” requesting companies to report on the intentional manipulation of nicotine content.

Rationale: Where a tobacco company’s actions meet the requirements of legal and industry standards, imposing additional burdens may detrimentally affect a company's ability to compete. The disclosure of nicotine content information could affect the company's rights in any pending or future litigation.

2. Shareholder requests to spin-off or restructure tobacco businesses will be opposed.

Rationale: These decisions are more appropriately left to the Board and management, and not to shareholder mandate.

#### VIII. Miscellaneous Items

A. Ratification of Auditors

AWM policy is to vote “for” a) the management recommended selection of auditors and b) proposals to require shareholder approval of auditors.

Rationale: Absent evidence that auditors have not performed their duties adequately, support for management’s nomination is warranted.

B. Limitation of non-audit services provided by independent auditor

AWM policy is to support proposals limiting non-audit fees to 50% of the aggregate annual fees earned by the firm retained as a company's independent auditor.

Rationale: In the wake of financial reporting problems and alleged audit failures at a number of companies, AWM supports the general principle that companies should retain separate firms for audit and consulting services to avoid potential conflicts of interest. However, given the protections afforded by the recently enacted Sarbanes-Oxley Act of 2002 (which requires Audit Committee pre-approval for non-audit services and prohibits auditors from providing specific types of services), and the fact that some non-audit services are legitimate audit-related services, complete separation of audit and consulting fees may not be warranted. A reasonable limitation is appropriate to help ensure auditor independence and it is reasonable to expect that audit fees exceed non-audit fees.

C. Audit firm rotation

AWM policy is to vote against proposals seeking audit firm rotation.

Rationale: While the Sarbanes-Oxley Act mandates that the lead audit partner be switched every five years, AWM believes that rotation of the actual audit firm would be costly and disruptive.

D. Transaction of Other Business

AWM policy is to vote against “transaction of other business” proposals.

Rationale: This is a routine item to allow shareholders to raise other issues and discuss them at the meeting. As the nature of these issues may not be disclosed prior to the meeting, we recommend a vote against these proposals. This protects shareholders voting by proxy (and not physically present at a meeting) from having action taken at the meeting that they did not receive proper notification of or sufficient opportunity to consider.

E. Motions to Adjourn the Meeting

AWM Policy is to vote against proposals to adjourn the meeting.

Ratio