

EUROPEAN EQUITY FUND, INC / MD  
Form N-CSR  
March 07, 2019  
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM N-CSR

Investment Company Act file number: 811-04632

The European Equity 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) 250-2500

Diane Kenneally

One International Place

Boston, MA 02110

(Name and Address of Agent for Service)

Date of fiscal year end: 12/31

Date of reporting period: 12/31/2018

**ITEM 1. REPORT TO STOCKHOLDERS**

**Table of Contents**

December 31, 2018

**Annual Report**

**to Shareholders**

**The European Equity Fund, Inc.**

Ticker Symbol: EEA

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of the Fund's annual and semiannual shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports. Instead, the reports will be made available on the Fund's Web site (dws.com), and you will be notified by mail each time a report is posted and provided with a Web site link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the Fund electronically anytime by contacting your financial intermediary (such as a broker-dealer or bank), or if you are a direct investor, by calling (800) 728-3337 or sending an email request to [service@dws.com](mailto:service@dws.com).

You may elect to receive all future reports in paper free of charge. If you invest through a financial intermediary, you can contact your financial intermediary to request that you continue to receive paper copies of your shareholder reports. If you invest directly with the Fund, you can call (800) 728-3337 or send an email request to [service@dws.com](mailto:service@dws.com) to continue receiving paper copies of your shareholder reports. Your election to receive reports in paper will apply to all funds held in your account if you invest through your financial intermediary or all funds held with DWS if you invest directly with the Fund.

**Table of Contents**

**Contents**

3	<u>Letter to the Shareholders</u>
9	<u>Outlook Interview with the Portfolio Manager</u>
11	<u>Performance Summary</u>
12	<u>Schedule of Investments</u>
18	<u>Statement of Assets and Liabilities</u>
19	<u>Statement of Operations</u>
20	<u>Statements of Changes in Net Assets</u>
21	<u>Financial Highlights</u>
22	<u>Notes to Financial Statements</u>
31	<u>Report of Independent Registered Public Accounting Firm</u>
33	<u>Tax Information</u>
33	<u>Shares Repurchased and Issued</u>
34	<u>Voluntary Cash Purchase Program and Dividend Reinvestment Plan</u>
39	<u>Approval of Continuance of Investment Advisory Agreement</u>
45	<u>Directors and Officers of the Fund</u>
49	<u>Additional Information</u>

The Fund seeks long-term capital appreciation through investment primarily in equity and equity-linked securities of issuers domiciled in Europe.

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 and primarily focuses its investments in equity securities of issuers domiciled in Europe, thereby increasing its vulnerability to developments in that region. Investing in foreign securities, particularly those of emerging markets, 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 or in a particular geographical region will generally be more volatile than a fund that invests more broadly.

The European Union, the United States and other countries have imposed sanctions in response to the Russian military and other actions in recent years. These sanctions have adversely affected Russian individuals, Russian issuers and the Russian economy. Russia, in turn, has imposed sanctions targeting Western individuals, businesses and 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. The continuation of current sanctions or the imposition of additional sanctions may materially adversely affect the value of the Fund's portfolio.

In June 2016, citizens of the United Kingdom voted that the United Kingdom should leave the European Union and in March 2017, the United Kingdom initiated its withdrawal from the European Union, which is expected to take place by March 29, 2019. Significant uncertainty exists regarding the timing and terms of the United Kingdom's anticipated withdrawal from the European Union and the effects such withdrawal may have on the United Kingdom, other European countries and the global economy.

The brand DWS represents DWS Group GmbH & Co. KGaA and any of its subsidiaries such as DWS Distributors, Inc. which offers investment products or DWS Investment Management Americas, Inc. and RREEF America L.L.C. which offer advisory services.

NOT FDIC/NCUA INSURED NO BANK GUARANTEE MAY LOSE VALUE

NOT A DEPOSIT NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY

2 | The European Equity Fund, Inc.

**Table of Contents**

**Letter to the Shareholders**

**(Unaudited)**

Dear Shareholder,

For the 12-month period ended December 31, 2018, the total return of The European Equity Fund, Inc. (the Fund) in U.S. dollars (USD) was 16.90% based on net asset value and 21.02% based on market price. During the same period, the total return of the Fund's benchmark, the MSCI Europe Index, was 14.86%. The Fund's discount to net asset value averaged 11.70% for the period in review, compared with 10.37% over the same period in 2017.

Until the beginning of the fourth quarter, European markets performed in a trading range, fluctuating but ending flat. Market volatility then increased dramatically during the last quarter of 2018. In euro terms, the MSCI Europe index returned 10.08% and the German DAX 18.26% during the fourth quarter, while the euro currency depreciated by 4.5% against the USD over the same period.<sup>2</sup>

This is the first time that our Stability investment approach has underperformed in a meaningfully negative quarter for equity markets. The portfolio did have a defensive profile in terms of structural versus cyclical growth. In most market phases, this correlates highly with a much less volatile return than the market. However, during the fourth quarter the sudden switch to a recession type of market that we did not foresee meant that many of the Fund's structurally sound growth companies declined more than average. We explain this in more detail below.

The year began with positive news from the corporate sector's earnings season and announcements from a number of U.S. companies that they would increase business investment following the federal corporate tax cut that came into effect at the beginning of the year. However, this was overshadowed by a rising tide of trade protectionism. The U.S. government introduced tariffs on imported steel and aluminum, and then threatened to introduce similar tariffs on a whole lineup of products from China. In response, China and the European Union came out with threats of retaliation. The United States demanded that China better protect intellectual property brought to China from U.S. companies. This conflict calmed down intermittently only to reemerge during the course of the year. Equity markets saw Germany as the country most exposed to potential trade wars, and the DAX Index underperformed the rest of Europe.

The European Equity Fund, Inc. | 3

## **Table of Contents**

While the issues of a trade conflict, a slowing world economy, and tighter monetary policy by the U.S. Federal Reserve (the Fed) were not new when the fourth quarter began, this adverse combination led to a substantial market correction during the quarter. In early October, market volatility was triggered by commentary from Fed Chair Jerome Powell that interest rates may rise above the Fed's estimated neutral setting as the remarkably positive U.S. economy continues to grow. These comments came at about the same time as additional signs emerged of a weakening world economy, particularly in China.

As mentioned, another key issue was the rising risk of increased protectionism. In October, a business survey from Thomson Reuters showed that more than 70% of U.S. firms operating in southern China are considering delaying further investment there and moving some or all of their manufacturing to other countries as the trade dispute erodes their profits. A positive outcome of the G20 meeting at the end of November was the United States' decision to suspend the automatic tariff increase on \$200 billion USD worth of Chinese exports from 10% to 25%.

In this type of environment, Europe suffers more due to its export dependency. Accordingly, lead indicators such as the PMIs were again weaker.<sup>3</sup> After reaching record levels at the beginning of the year, the Eurozone PMI fell from 58.8 in January to 51.1 in December, and the German Ifo Index from 105.2 to 101.0.<sup>4</sup> It is normal to see this type of moderation as the economic cycle progresses, but the deceleration was faster than expected. Both figures are now close to levels that would indicate a coming contraction of economic activity, i.e. below 50 and 100, respectively.

Europe had an additional problem regarding politics. After the ongoing Italian budget issue in the third quarter, the lack of progress on how the planned Brexit should take place impacted the markets in the fourth quarter. UK prime minister Theresa May survived a no confidence vote, but made no headway on a parliamentary vote regarding Brexit. The March 2019 Brexit deadline now looms large. Overall, the political context in Europe remains tenuous.

Our Stability investment approach focuses on structural growth stocks that also show high quality, an acceptable valuation and favorable momentum. In addition, we dynamically adapt the selection of these criteria according to the current phase of the investment cycle. Going into

4 | The European Equity Fund, Inc.

**Table of Contents**

2018, the portfolio was positioned for the boom phase, with a cyclical tilt in stocks. As the slowdown phase took hold, we reduced the Fund's holdings in cyclical stocks in favor of more structural, quality growth stocks such as the pharmaceutical supplier Lonza. The result was an outperformance of the portfolio compared with the benchmark in the first nine months of the period. While none of the described macroeconomic factors led to a recession, the equity markets did react as if the economy was in a recessionary phase during the fourth quarter. Cyclical stocks suffered, but it was mostly the fast and substantial rotation away from previously positive-performing structural growth stocks that hurt portfolio performance during the fourth quarter. Six of the largest 10 individual detractors from returns during the fourth quarter were defensive stocks. Only inexpensive telecommunication, utility and pharmaceutical stocks were able to benefit within the weak market.

Bottom-up earnings growth was positive. After the double-digit growth in 2017, European earnings growth was approximately 7% in 2018. Our portfolio companies are exceeding this number. However, portfolio performance was negatively impacted by the asymmetric market reaction to earnings announcements. During the fourth quarter, negative earnings surprises were punished by the market about twice as much as positive surprises were rewarded.

Throughout the period, we reduced the Fund's cyclical exposure by selling stocks vulnerable to a slowdown that also had increasing internal risks. In the consumer discretionary sector, we sold Dufry AG, and in the industrials sector AP Moller - Maersk A/S, Geberit AG, MTU Aero Engines AG and Ryanair Holdings PLC. Weightings in the consumer staples and energy sectors increased due to new positions in Beiersdorf AG, Heineken NV, Lundin Petroleum AB and Neste OYJ. Within materials, we shifted out of cyclical stocks (Glencore PLC, LANXESS AG) to defensive names (Sika AG, Smurfit Kappa Group PLC).

Despite the fourth quarter sell-off of structural growth stocks, for the 12-month period as a whole a number of the Fund's core structural growth holdings delivered earnings and performance above expectations. We therefore had positive performance contributions from ASML Holding NV (semiconductors & semiconductor equipment, Netherlands), Chr Hansen Holding A/S (chemicals, Denmark), Deutsche Boerse AG (capital markets, Germany), Edenred (commercial services & supplies, France),

**Table of Contents**

Lonza Group AG (life sciences tools & services, Switzerland), and Orsted A/S (electric utilities, Denmark).

<b>Sector Diversification</b> (As a % of Equity Securities)	<b>12/31/18</b>	<b>12/31/17</b>
Financials	19%	17%
Industrials	18%	28%
Consumer Staples	12%	8%
Health Care	12%	10%
Materials	9%	10%
Consumer Discretionary	8%	12%
Energy	8%	3%
Information Technology	8%	7%
Communication Services	3%	5%
Utilities	3%	
	100%	100%

**Ten Largest Equity Holdings at December 31, 2018**

(31.0% of Net Assets)

	<b>Country</b>	<b>Percent</b>
<b>1. Royal Dutch Shell PLC</b>	Netherlands	<b>3.5%</b>
<b>2. Deutsche Boerse AG</b>	Germany	<b>3.4%</b>
<b>3. Beiersdorf AG</b>	Germany	<b>3.3%</b>
<b>4. Kerry Group PLC</b>	Ireland	<b>3.2%</b>
<b>5. Heineken NV</b>	Netherlands	<b>3.2%</b>
<b>6. KBC Group NV</b>	Belgium	<b>3.0%</b>
<b>7. Baloise Holding AG</b>	Switzerland	<b>2.9%</b>
<b>8. Chr Hansen Holding A/S</b>	Denmark	<b>2.9%</b>
<b>9. Siemens Healthineers AG</b>	Germany	<b>2.9%</b>
<b>10. Thales SA</b>	France	<b>2.7%</b>

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

For more details about the Fund's investments, see the Schedule of Investments commencing on page 12. For additional information about the Fund, including performance, dividends, presentations, press releases, market updates, daily NAV and shareholder reports, please visit [dws.com](http://dws.com).

**Economic Outlook**

Following the strong fourth-quarter equity market correction that took place without an economic recession, we believe that a rebound for the markets in 2019 is possible. A positive scenario would assume that the Fed would pause its interest rate hikes, trade tensions would de-escalate and the U.S. economy would continue to expand close to its potential in 2019 and beyond.



**Table of Contents**

On the other hand, the recent negative reaction of financial markets across asset classes raises several red flags. Rising credit spreads, a collapsing oil price, falling 10-year Treasury rates and a 20% decline for equity markets are typical indicators of more bad news to come. Poor liquidity in credit markets and limited risk budgets in combination with potential policy errors (Fed tightening, trade war, hard Brexit, declining economic stimulus in China) could turn financial market movement into a self-fulfilling prophecy for the real economy. Given the strong uncertainties, we believe that this should result in a continued high level of market volatility.

Several stocks have corrected 30% to 50% from previous peak levels and are already discounting a less friendly economic environment. This opens up new bottom fishing opportunities. However, we will continue to avoid companies with high debt levels that are exposed to rising refinancing costs. On the other hand, strong balance sheets should favor share buyback programs and/or rising dividends.

In Europe, the EU's political issues with both Italy and the UK remain unsolved. The eventual outcomes could deliver positive or negative market reactions. In addition, the economic environment continues to decelerate. Beginning in the fourth quarter, we heard increasing concerns from corporate managers regarding protectionism and global growth. However, feedback from the largest export markets is not as negative, with the U.S. economy growing steadily and China showing further reduced growth. The next economic data points will be monitored closely. For now, European corporate earnings are still rising, making equity valuations attractive.

Sincerely,

Christian Strenger  
Chairman

Gerd Kirsten  
Portfolio Manager

Hepsen Uzcan  
President and Chief  
Executive Officer

The European Equity Fund, Inc. | 7

**Table of Contents**

**The views expressed in the preceding discussion reflect those of the portfolio management team generally 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.

- <sup>1</sup> The MSCI Europe Index tracks the performance of 15 developed markets in Europe. MSCI indices are calculated using closing local market prices and translate into U.S. dollars using the London close foreign exchange rates. Index returns assume reinvested dividends and the index does not reflect any fees or expenses. It is not possible to invest directly in an index.
- <sup>2</sup> The Deutscher Aktien Index 100 (DAX 100) tracks the performance of 100 major German companies trading on the Frankfurt Stock Exchange.
- <sup>3</sup> Maintained by the Institute for Supply Management (ISM), the PMI is a composite of information extracted from responses to surveys from more than 400 purchasing managers selected for their geographic and industry diversification. The survey measures responses to topics such as production levels, new orders from customers, supplier deliveries, inventories and employment levels.
- <sup>4</sup> The Ifo Business Climate Index is a monthly survey prepared by the Ifo Institute for Economic Research in Munich, Germany that measures the business climate in Germany.

**8** | The European Equity Fund, Inc.

**Table of Contents**

**Outlook Interview with the Portfolio Manager  
Portfolio Manager**

**(Unaudited)**

Gerd Kirsten

**Question:** Equity markets have reacted as if they are in a contractionary phase. Is it a foregone conclusion that Europe will enter a recession, and what does that mean for corporate earnings?

**Answer:** It does not yet necessarily mean that the cycle is turning over, as we believe that the absolute level of lead indicators still points towards a continuation of growth. Europe's two key export markets continue to grow well. In the United States, household and business financial positions support solid underlying growth. Continued positive wage growth supports consumption trends. China could clearly be directly affected by trade measures, but its domestic economy is becoming more balanced and the Chinese government signaled support in case of a slowdown.

In terms of earnings, sell-side analysts have been downgrading their earnings estimates only since a few weeks ago, but at a fast pace. Their expectations for earnings growth in 2019 are already down to 6%, meaningfully lower than the usual 10% at the beginning of a year. In a recession, earnings growth would turn negative, but this is currently not our core scenario.

**Question:** Does that mean that Europe's valuation discount is unjustified?

**Answer:** Comparing Europe to its own historical valuation using the average of the last 30 years, the discount has now widened to 23% using the price-to-earnings ratio, to 27% based on price-to-book and 31% based on dividend yield. The dividend yield for the European stock market now stands at 4.2%. In addition, given the continued low interest rate environment in Europe, the equity risk premium is now 7.5% compared to the 30-year average of 4.6%, which equates to a 39% valuation discount. Even considering a decline in earnings due to a potential recession, these discounts seem excessive.

December 2018 was the first month in years that the valuation discount of Europe versus the United States helped performance, as the S&P 500 Index fell twice as much as the MSCI Europe Index, 9.0% vs. 4.4%.

The European Equity Fund, Inc. | 9

**Table of Contents**

U.S. stocks now constitute a record 62% of the MSCI World Index market capitalization versus 19% for the EU. This compares to a fairly similar size of the economies as a whole, GDP of 19.4 trillion USD for the United States versus 17.3 trillion USD for the EU. While some of the difference can be explained by structural factors such as less developed capital markets and higher political risk, this gap also seems excessively large.

**10** | The European Equity Fund, Inc.

**Table of Contents****Performance Summary****December 31, 2018 (Unaudited)**

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and net asset 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 [dws.com](http://dws.com) for the most recent performance of the Fund.

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

**Average Annual Total Returns as of 12/31/18**

	<b>1-Year</b>	<b>5-Year</b>	<b>10-Year</b>
Net Asset Value <sup>(a)</sup>	<b>(16.90)%</b>	<b>(.41)%</b>	<b>5.26%</b>
Market Price <sup>(a)</sup>	<b>(21.02)%</b>	<b>(1.71)%</b>	<b>5.29%</b>
MSCI Europe Index <sup>(b)</sup>	(14.86)%	(.61)%	6.15%

<sup>a</sup> 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, 2018 was 1.28%.

<sup>b</sup> The MSCI Europe Index tracks the performance of 15 developed markets in Europe. MSCI indices are calculated using closing local market prices and translate into U.S. dollars using the London close foreign exchange rates.

Index returns do not reflect any fees or expenses and it is not possible to invest directly in the MSCI Europe Index.

**Net Asset Value and Market Price**

	<b>As of 12/31/18</b>	<b>As of 12/31/17</b>
Net Asset Value	\$ 9.04	\$ 10.97
Market Price	\$ 7.73	\$ 9.87

Prices and Net Asset Value fluctuate and are not guaranteed.

**Distribution Information**

Twelve Months as of 12/31/18:

	<b>Per Share</b>
Income	\$ .07
Capital Gains	\$

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

**Table of Contents****Schedule of Investments**

as of December 31, 2018

	Shares	Value (\$)
<b>Common Stocks 92.8%</b>		
<b>Germany 18.5%</b>		
<b>Air Freight &amp; Logistics 1.8%</b>		
Deutsche Post AG (Registered)	46,000	1,257,140
<b>Capital Markets 3.4%</b>		
Deutsche Boerse AG	20,000	2,399,157
<b>Chemicals 1.7%</b>		
Evonik Industries AG	48,000	1,196,035
<b>Health Care Equipment &amp; Supplies 2.9%</b>		
Siemens Healthineers AG 144A*	48,000	2,005,005
<b>Insurance 2.6%</b>		
Allianz SE (Registered)	9,000	1,801,665
<b>Internet &amp; Direct Marketing Retail 0.4%</b>		
Zalando SE 144A*	12,000	307,787
<b>Personal Products 3.3%</b>		
Beiersdorf AG	22,000	2,292,309
<b>Software 2.4%</b>		
SAP SE	17,000	1,689,137
<b>Total Germany</b> (Cost \$13,135,211)		<b>12,948,235</b>
<b>France 12.9%</b>		
<b>Aerospace &amp; Defense 2.7%</b>		
Thales SA	16,000	1,865,376
<b>Commercial Services &amp; Supplies 2.1%</b>		
Edenred	40,000	1,468,069
<b>Construction &amp; Engineering 2.0%</b>		
Bouygues SA	40,000	1,432,865
<b>Health Care Equipment &amp; Supplies 2.1%</b>		
BioMerieux	23,000	1,511,618
<b>Household Durables 1.5%</b>		
SEB SA	8,000	1,031,443
<b>Textiles, Apparel &amp; Luxury Goods 2.5%</b>		
EssilorLuxottica SA	14,000	1,767,421
<b>Total France</b> (Cost \$9,665,150)		<b>9,076,792</b>

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





**Table of Contents**

	Shares	Value (\$)
<b>Switzerland 10.8%</b>		
<b>Capital Markets 1.2%</b>		
Partners Group Holding AG	1,327	802,203
<b>Chemicals 2.2%</b>		
Sika AG (Registered)	12,000	1,516,584
<b>Insurance 2.9%</b>		
Baloise Holding AG (Registered)	15,000	2,060,047
<b>Life Sciences Tools &amp; Services 1.8%</b>		
Lonza Group AG (Registered)*	4,948	1,278,279
<b>Technology Hardware, Storage &amp; Peripherals 1.7%</b>		
Logitech International SA (Registered)	38,000	1,191,764
<b>Transportation Infrastructure 1.0%</b>		
Flughafen Zurich AG (Registered)	4,384	722,588
<b>Total Switzerland</b> (Cost \$7,429,966)		<b>7,571,465</b>
<b>Denmark 10.3%</b>		
<b>Chemicals 2.9%</b>		
Chr Hansen Holding A/S	23,323	2,059,740
<b>Electric Utilities 2.6%</b>		
Orsted A/S 144A	27,773	1,853,377
<b>Electrical Equipment 2.2%</b>		
Vestas Wind Systems A/S	20,000	1,507,428
<b>Pharmaceuticals 2.6%</b>		
Novo Nordisk A/S B	40,000	1,825,088
<b>Total Denmark</b> (Cost \$6,571,664)		<b>7,245,633</b>
<b>Netherlands 9.8%</b>		
<b>Banks 2.1%</b>		
ING Groep NV	140,000	1,505,788
<b>Beverages 3.2%</b>		
Heineken NV	25,000	2,205,990
<b>Oil, Gas &amp; Consumable Fuels 3.5%</b>		
Royal Dutch Shell PLC B	82,000	2,442,824
<b>Semiconductors &amp; Semiconductor Equipment 1.0%</b>		
ASML Holding NV	4,600	721,160
<b>Total Netherlands</b> (Cost \$6,537,602)		<b>6,875,762</b>

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



**Table of Contents**

	Shares	Value (\$)
<b>Sweden 9.3%</b>		
<b>Electronic Equipment, Instruments &amp; Components 1.9%</b>		
Hexagon AB B	29,000	1,334,145
<b>Household Products 1.7%</b>		
Essity AB B	50,000	1,226,800
<b>Machinery 3.8%</b>		
Alfa Laval AB	70,000	1,496,911
Volvo AB B	88,000	1,150,531
		<b>2,647,442</b>
<b>Oil, Gas &amp; Consumable Fuels 1.9%</b>		
Lundin Petroleum AB	52,000	1,298,153
<b>Total Sweden</b> (Cost \$7,016,078)		<b>6,506,540</b>
<b>United Kingdom 7.9%</b>		
<b>Hotels, Restaurants &amp; Leisure 1.5%</b>		
Compass Group PLC	50,000	1,050,308
<b>Multiline Retail 1.5%</b>		
B&M European Value Retail SA	297,851	1,067,432
<b>Pharmaceuticals 1.5%</b>		
AstraZeneca PLC	14,000	1,046,768
<b>Trading Companies &amp; Distributors 1.5%</b>		
Ashtead Group PLC	50,000	1,042,032
<b>Wireless Telecommunication Services 1.9%</b>		
Vodafone Group PLC	700,000	1,362,599
<b>Total United Kingdom</b> (Cost \$6,941,542)		<b>5,569,139</b>
<b>Ireland 5.1%</b>		
<b>Containers &amp; Packaging 1.9%</b>		
Smurfit Kappa Group PLC	50,000	1,329,309
<b>Food Products 3.2%</b>		
Kerry Group PLC A	23,000	2,254,282
<b>Total Ireland</b> (Cost \$4,051,599)		<b>3,583,591</b>
<b>Belgium 3.0%</b>		
<b>Banks 3.0%</b>		
KBC Group NV (Cost \$1,908,100)	33,000	2,137,913

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

**14** | The European Equity Fund, Inc.

**Table of Contents**

	<b>Shares</b>	<b>Value (\$)</b>
<b>Italy 2.9%</b>		
<b>Banks 1.9%</b>		
Intesa Sanpaolo SpA	600,000	<b>1,330,315</b>
<b>Diversified Telecommunication Services 1.0%</b>		
Telecom Italia SpA*	1,257,504	<b>694,660</b>
<b>Total Italy</b> (Cost \$3,106,519)		<b>2,024,975</b>
<b>Finland 2.3%</b>		
<b>Oil, Gas &amp; Consumable Fuels 2.3%</b>		
Neste OYJ (Cost \$1,636,751)	21,000	<b>1,616,842</b>
<b>Total Common Stocks</b> (Cost \$68,000,182)		<b>65,156,887</b>
	<b>Contracts</b>	<b>Value (\$)</b>
<b>Put Options Purchased 0.3%</b>		
<b>Exchange-Traded Index Options Contracts</b>		
Deutsche Boerse AG German Stock Index, Expiration Date 3/15/2019, Strike Price EUR 9,500, Notional Amount EUR 11,875,000 (Cost \$88,941)	250	<b>197,882</b>
	<b>Shares</b>	<b>Value (\$)</b>
<b>Cash Equivalents 7.2%</b>		
DWS Central Cash Management Government Fund, 2.41% (Cost \$5,044,780) (a)	5,044,780	<b>5,044,780</b>
	<b>% of Net Assets</b>	<b>Value (\$)</b>
<b>Total Investment Portfolio</b> (Cost \$73,133,903)	100.3	<b>70,399,549</b>
<b>Other Assets and Liabilities, Net</b>	(0.3)	<b>(222,864)</b>
<b>Net Assets</b>	100.0	<b>70,176,685</b>

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

**Table of Contents**

A summary of the Fund's transactions with affiliated investments during the year ended December 31, 2018 are as follows:

Value (\$) at 12/31/2017	Pur- chases Cost (\$)	Sales Proceeds (\$)	Net Real- ized Gain/ (Loss) (\$)	Net Change in Unreal- ized Appreci- ation (Depreci- ation) (\$)	Income (\$)	Capital Gain Distri- butions (\$)	Number of Shares at 12/31/2018	Value (\$) at 12/31/2018
<b>Securities Lending Collateral 0.0%</b>								
DWS Government & Agency Securities Portfolio 2.29% (a) (b)								
	0 (c)				18,137			
<b>Cash Equivalents 7.3%</b>								
DWS Central Cash Management Government Fund, 2.41% (a)								
271,114	31,103,156	26,329,490			38,028		5,044,780	5,044,780
<b>271,114</b>	<b>31,103,156</b>	<b>26,329,490</b>			<b>56,165</b>		<b>5,044,780</b>	<b>5,044,780</b>

\* Non-income producing security.

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

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

(c) Represents the net increase (purchases cost) or decrease (sales proceeds) in the amount invested for the period ended December 31, 2018.

144A: Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

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.

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

**16** | The European Equity Fund, Inc.

**Table of Contents****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.

The following is a summary of the inputs used as of December 31, 2018 in valuing the Fund's investments.

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Common Stocks (d)				
Germany	\$ 12,948,235	\$	\$	\$ 12,948,235
France	9,076,792			9,076,792
Switzerland	7,571,465			7,571,465
Denmark	7,245,633			7,245,633
Netherlands	6,875,762			6,875,762
Sweden	6,506,540			6,506,540
United Kingdom	5,569,139			5,569,139
Ireland	3,583,591			3,583,591
Belgium	2,137,913			2,137,913
Italy	2,024,975			2,024,975
Finland	1,616,842			1,616,842
Short-Term Instruments (d)	5,044,780			5,044,780
Derivatives (e)				
Purchased Options	197,882			197,882
<b>Total</b>	<b>\$ 70,399,549</b>	<b>\$</b>	<b>\$</b>	<b>\$ 70,399,549</b>

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

(e) Derivatives include value of options purchased.

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



**Table of Contents****Statement of Assets and Liabilities**

as of December 31, 2018

**Assets**

Investments in non-affiliated securities, at value (cost \$68,089,123)	\$ 65,354,769
Investment in DWS Central Cash Management Government Fund (cost \$5,044,780)	5,044,780
Foreign currency, at value (cost \$138,841)	140,460
Cash	3,391
Dividends receivable	38,725
Foreign taxes recoverable	142,529
Interest receivable	4,161
Other assets	8,052
<b>Total assets</b>	<b>70,736,867</b>

**Liabilities**

Distributions payable	335,608
Investment advisory fee payable	40,205
Payable for Fund shares repurchased	38,952
Administration fee payable	12,371
Payable for Directors' fees and expenses	1,390
Accrued expenses and other liabilities	131,656
<b>Total liabilities</b>	<b>560,182</b>
<b>Net assets</b>	<b>\$ 70,176,685</b>

**Net Assets Consist of**

Distributable earnings (loss)	(780,339)
Paid-in capital	70,957,024
<b>Net assets</b>	<b>\$ 70,176,685</b>

**Net Asset Value**

<b>Net assets value</b> per share	
(\$70,176,685 ÷ 7,763,700 shares of common stock issued and outstanding, \$.001 par value, 80,000,000 shares authorized)	<b>\$ 9.04</b>

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

**Table of Contents****Statement of Operations**

for the year ended December 31, 2018

**Net Investment Income**

Income:

Dividends (net of foreign withholding taxes of \$315,686) \$ 1,657,096

Income distributions DWS Central Cash Management

Government Fund 38,028

Securities lending income, net of borrower rebates 18,137

Total investment income 1,713,261

Expenses:

Investment advisory fee 625,609

Administration fee 168,555

Custody and accounting fee 47,298

Services to shareholders 17,480

Reports to shareholders and shareholder meeting expenses 43,796

Directors' fees and expenses 41,527

Legal fees 77,023

Audit and tax fees 79,257

NYSE listing fee 23,750

Insurance 14,281

Miscellaneous 18,899

Total expenses before expense reductions 1,157,475

Expense reductions (77,808)

Total expenses after expense reductions 1,079,667

**Net investment income 633,594****Realized and Unrealized Gain (Loss)**

Net realized gain (loss) from:

Investments 5,301,368

Foreign currency (49,544)

Net realized gain (loss) 5,251,824

Change in net unrealized appreciation (depreciation) on:

Investments (20,713,958)

Foreign currency (6,500)

Change in net unrealized appreciation (depreciation) (20,720,458)

**Net gain (loss) (15,468,634)****Net increase (decrease) in net assets resulting from operations \$ (14,835,040)**

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

**Table of Contents****Statements of Changes in Net Assets**

	<b>Years Ended December 31,</b>	
<b>Increase (Decrease) in Net Assets</b>	<b>2018</b>	<b>2017</b>
Operations:		
Net investment income (loss)	\$ 633,594	\$ 510,261
Net realized gain (loss)	5,251,824	3,583,771
Change in net unrealized appreciation (depreciation)	(20,720,458)	14,224,551
Net increase (decrease) in net assets resulting from operations	(14,835,040)	18,318,583
Distributions to shareholders	(575,426)	(689,069)*
Fund share transactions:		
Shares repurchased	(2,225,845)	(1,872,202)
<b>Total increase (decrease) in net assets</b>	<b>(17,636,311)</b>	<b>15,757,312</b>
Net assets at beginning of period	87,812,996	72,055,684
Net assets at end of period	<b>\$ 70,176,685</b>	<b>\$ 87,812,996**</b>
<b>Other Information</b>		
Shares outstanding at beginning of period	8,004,800	8,223,000
Shares repurchased	(241,100)	(218,200)
Shares outstanding at end of period	<b>7,763,700</b>	<b>8,004,800</b>

\* Includes distributions from net invested income of \$689,069.

\*\* Including undistributed net investment income of \$232,594.

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

**Table of Contents****Financial Highlights**

	<b>Years Ended December 31,</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Per Share Operating Performance</b>					
<b>Net asset value, beginning of period</b>	<b>\$ 10.97</b>	<b>\$ 8.76</b>	<b>\$ 8.98</b>	<b>\$ 9.32</b>	<b>\$ 9.79</b>
<i>Income (loss) from investment operations:</i>					
Net investment income (loss) <sup>a</sup>	.08	.06	.11	.09	.09
Net realized and unrealized gain (loss) on investments and foreign currency	(1.98)	2.21	(.30)	(.28)	(.50)
<b>Total from investment operations</b>	<b>(1.90)</b>	<b>2.27</b>	<b>(.19)</b>	<b>(.19)</b>	<b>(.41)</b>
<i>Less distributions from:</i>					
Net investment income	(.07)	(.09)	(.08)	(.17)	(.11)
Accretion resulting from tender offer				.01	
Dilution in net asset value from dividend reinvestment				(.00)*	(.00)*
Increase resulting from share repurchases	.04	.03	.05	.01	.05
<b>Net asset value, end of period</b>	<b>\$ 9.04</b>	<b>\$ 10.97</b>	<b>\$ 8.76</b>	<b>\$ 8.98</b>	<b>\$ 9.32</b>
<b>Market value, end of period</b>	<b>\$ 7.73</b>	<b>\$ 9.87</b>	<b>\$ 7.72</b>	<b>\$ 8.06</b>	<b>\$ 8.23</b>
<b>Total Investment Return for the Period<sup>b</sup></b>					
Based upon market value (%)	(21.02)	28.97	(3.31)	(.03)	(6.83)
Based upon net asset value (%)	(16.90)	26.32	(1.52)	(1.65)	(3.65)
<b>Ratios to Average Net Assets</b>					
Total expenses before expense reductions (%)	1.38	1.45	1.54	1.60	1.59
Total expenses after expense reductions (%)	1.28	1.43	1.54	1.60	1.59
Net investment income (%)	.75	.63	1.21	.98	.95
Portfolio turnover (%)	58	48	64	93	107
Net assets at end of period (\$ thousands)	70,177	87,813	72,056	77,534	85,650

<sup>a</sup> Based on average shares outstanding during the period.

<sup>b</sup> 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 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.

\* Amount is less than \$.005 per share.

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



**Table of Contents**

**Notes to Financial Statements**

**A. Accounting Policies**

The European Equity Fund, Inc. (the Fund ) was incorporated in Delaware on April 8, 1986 as a diversified, closed-end management investment company. Investment operations commenced on July 23, 1986. The Fund reincorporated in Maryland on August 29, 1990 and, on October 16, 1996, the Fund changed from a diversified to a non-diversified company. The Fund became a diversified fund on October 31, 2008.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ( U.S. GAAP ) 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. The Fund qualifies as an investment company under Topic 946 of Accounting Standards Codification of U.S. GAAP. The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

In October 2018, the Securities and Exchange Commission adopted amendments to certain disclosure requirements in Securities Act Release No. 33-10532, Disclosure Update and Simplification, which is intended to facilitate the disclosure of information to investors and simplify compliance without significantly altering the total mix of information provided to investors. Effective with the current reporting period, the Fund adopted the amendments with the impacts being that the Fund is no longer required to present components of distributable earnings on the Statement of Assets and Liabilities or the sources of distributable earnings and the amount of undistributed net investment income on the Statements of Changes in Net Assets.

**Security Valuation.** The Fund calculates its net asset value ( NAV ) per share for publication at the close of regular trading on Deutsche Börse XETRA, normally 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.

## Table of Contents

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 are valued and traded at their NAV each business day and are categorized as Level 1.

Purchased options are generally valued at the settlement prices established each day on the exchange on which they are traded 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.

**Table of Contents**

**Securities Lending.** Brown Brothers Harriman & Co., as lending agent, lends securities of the Fund to certain financial institutions under the terms of its securities lending agreement. During the term of the loans, the Fund continues to receive 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 securities lending agreement. During the year ended December 31, 2018, the Fund invested the cash collateral into a joint trading account in affiliated money market funds including DWS Government & Agency Securities Portfolio, managed by DWS Investment Management Americas, Inc. DWS Investment Management Americas, Inc. receives a management/administration fee (0.12% annualized effective rate as of December 31, 2018) on the cash collateral invested in DWS Government & Agency Securities Portfolio. 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 at any time and the borrower, after notice, is required to return borrowed securities within a standard time period. 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.

The Fund had no securities on loan at December 31, 2018.

**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 prevailing exchange rates at period end. 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. The portion of both realized and unrealized gains and losses on



**Table of Contents**

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, 2018, the exchange rate was EUR 1.00 to USD \$1.14.

**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. Such taxes 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.

At December 31, 2018, the aggregate cost of investments for federal income tax purposes was \$73,281,837. The net unrealized depreciation for all investments based on tax cost was \$2,991,229. This consisted of aggregate gross unrealized appreciation for all investments in which there was an excess of value over tax cost of \$6,140,757 and aggregate gross unrealized depreciation for all investments in which there was an excess of tax cost over value of \$9,131,986.

The Fund has reviewed the tax positions for the open tax years as of December 31, 2018 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 currency denominated investments, investments in foreign passive investment companies and certain

**Table of Contents**

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, 2018, the Fund's components of distributable earnings (accumulated losses) on a tax basis were as follows:

Undistributed ordinary income	\$ 241,218
Undistributed long-term capital gain	\$ 1,969,137
Net unrealized appreciation (depreciation)	\$ (2,991,229)

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

	<b>Years Ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Distributions from ordinary income*	\$ 575,426	\$ 689,069

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

**Options.** An option contract is a contract in which the writer (seller) of the option grants the buyer of the option, upon payment of a premium, the right to purchase from (call option), or sell to (put option), the writer a designated instrument at a specified price within a specified period of time. Certain options, including options on indices and interest rate options, will require cash settlement by the Fund if exercised. For the year ended December 31, 2018, the Fund entered into options for hedging purposes.

If the Fund writes a covered call option, the Fund foregoes, in exchange for the premium, the opportunity to profit during the option period from an increase in the market value of the underlying security above the exercise price. If the Fund writes a put option it accepts the risk of a decline in the value of the underlying security below the exercise price.

Over-the-counter options have the risk of the potential inability of counterparties to meet the terms of their contracts. The Fund's maximum exposure to purchased options is limited to the premium initially paid. In addition, certain risks may arise upon entering into option contracts, including the risk that an illiquid secondary market will limit the Fund's ability to close out an option contract prior to the expiration date and that a change in the value of the option contract may not correlate exactly with changes in the value of the securities hedged.

A summary of the open purchased option contracts as of December 31, 2018 is included in the Fund's Schedule of Investments. There were no

**Table of Contents**

open written option contracts as of December 31, 2018. For the year ended December 31, 2018, the investment in purchased option contracts had a total value generally indicative of a range from \$0 to approximately \$298,000.

The following table summarizes the value of the Fund's derivative instruments held as of December 31, 2018 and the related location in the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

<b>Asset Derivative</b>	<b>Purchased Options</b>
Equity Contracts (a)	\$ 197,882

The above derivative is located in the following Statement of Assets and Liabilities account:

(a) Investments in non-affiliated securities, at value (includes purchased options)

Additionally, the amount of unrealized and realized gains and losses on derivative instruments recognized in the Fund's earnings during the year ended December 31, 2018, and the related location in the accompanying Statement of Operations is summarized in the following tables by primary underlying risk exposure:

<b>Realized Gain (Loss)</b>	<b>Purchased Options</b>
Equity Contracts (b)	\$ (563,744)

The above derivatives are located in the following Statement of Operations account:

(b) Net realized gain (loss) from investments (includes purchased options)

<b>Change in Net Unrealized Appreciation (Depreciation)</b>	<b>Purchased Options</b>
Equity Contracts (c)	\$ 396,894

The above derivatives are located in the following Statement of Operations account:

(c) Change in net unrealized appreciation (depreciation) on investments (includes purchased options)

**B. Investment Advisory and Administration Agreements**

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

Under the Investment Advisory Agreement with DWS International GmbH, DWS International GmbH directs the investments of the Fund in accordance with its investment objectives, policies and restrictions. DWS

## **Table of Contents**

International GmbH determines the securities, instruments and other contracts relating to investments to be purchased, sold or entered into by the Fund.

For the period from January 1, 2018 through November 1, 2018, the Investment Advisory Agreement provided DWS International GmbH 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 \$50 million, 0.70% of such assets in excess of \$50 million and up to and including \$100 million, and 0.60% of such assets in excess of \$100 million.

For the period from January 1, 2018 through November 1, 2018, the Advisor had agreed to voluntarily reduce its advisory fee for the Fund such that the annual effective rate was limited to 0.65% of the Fund's average daily net assets.

Effective November 2, 2018, the Investment Advisory Agreement provides DWS International GmbH with a fee, computed weekly and payable monthly, at the annual rate of 0.65% of the Fund's average weekly net assets up to and including \$100 million, and 0.60% of such assets in excess of \$100 million.

Accordingly, for the year ended December 31, 2018, the fee pursuant to the Investment Advisory Agreement aggregated \$625,609, of which \$77,808 was waived resulting in an annual effective rate of 0.65% of the Fund's average daily net assets.

Under the Administration Agreement with DIMA, DIMA provides certain fund administration services to the Fund. The Administration Agreement provides DIMA with an annual fee, computed weekly and payable monthly, of 0.20% of the Fund's average weekly net assets.

### **C. Transactions with Affiliates**

DWS 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 functions to DST. DSC compensates DST out of the fee it receives from the Fund. For the year ended December 31, 2018, the amount charged to the Fund by DSC aggregated \$11,997, of which \$1,018 is unpaid.

Under an agreement with DIMA, DIMA is compensated for providing certain pre-press and regulatory filing services to the Fund. For the year ended December 31, 2018, the amount charged to the Fund by DIMA included in the Statement of Operations under Reports to shareholders and shareholder meeting expenses aggregated \$11,046, of which \$5,411 is unpaid.

## **Table of Contents**

Deutsche Bank AG, the majority shareholder in the DWS Group, 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, 2018, Deutsche Bank did not receive brokerage commissions from the Fund.

Certain Officers of the Fund are also officers of DIMA.

The Fund pays each Director who is not an interested person of DIMA or DWS International GmbH retainer fees plus specified amounts for attended board and committee meetings.

The Fund may invest cash balances in DWS Central Cash Management Government Fund, which is managed by DIMA. The Fund indirectly bears its proportionate share of the expenses of DWS Central Cash Management Government Fund. DWS Central Cash Management Government Fund does not pay DIMA an investment management fee. DWS Central Cash Management Government Fund seeks maximum current income to the extent consistent with stability of principal.

## **D. Portfolio Securities**

Purchases and sales of investment securities, excluding short-term investments, for the year ended December 31, 2018 were \$47,482,058 and \$54,696,740, respectively.

## **E. Capital**

During the year ended December 31, 2018 and the year ended December 31, 2017, the Fund purchased 241,100 and 218,200 of its shares of common stock on the open market at a total cost of \$2,225,845 and \$1,872,202 (\$9.23 and \$8.58 average per share), respectively. The average discount of these purchased shares comparing the purchase price to the NAV per share at the time of purchase was 11.66% and 10.90%, respectively.

## **F. Share Repurchases**

On July 25, 2016, the Fund announced that the Board of Directors approved an extension of the repurchase authorization permitting the Fund to repurchase up to 847,000 shares during the period from August 1, 2016 through July 31, 2017. The Fund repurchased 400,500 shares between August 1, 2016 and July 31, 2017. On July 31, 2017, the Fund announced that the Board of Directors approved an extension of the repurchase authorization permitting the Fund to repurchase up to 404,000 shares during the period from August 1, 2017 through July 31, 2018. The Fund repurchased 164,700 shares between August 1, 2017 and July 31, 2018. On July 27, 2018, the Fund announced that the Board of Directors

**Table of Contents**

approved an extension of the repurchase authorization permitting the Fund to repurchase up to 791,000 shares during the period from August 1, 2018 through July 31, 2019. The Fund repurchased 133,300 shares between August 1, 2018 and December 31, 2018.

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

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

**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, 2018, there were two shareholders that held approximately 18% and 7%, respectively, of the outstanding shares of the Fund.

**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

**To the Board of Directors and Shareholders of**

**The European Equity Fund, Inc.:**

***Opinion on the Financial Statements***

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of The European Equity Fund, Inc. (the Fund ) as of December 31, 2018, the related statement of operations for the year ended December 31, 2018, the statements of changes in net assets for each of the two years in the period ended December 31, 2018, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2018 (collectively referred to as the financial statements ). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2018, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2018 and the financial highlights for each of the five years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.



**Table of Contents**

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2018 by correspondence with the custodian, transfer agent and broker. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Boston, Massachusetts

February 19, 2019

We have served as the auditor of one or more investment companies in the DWS family of funds since 1930.

**32** | The European Equity Fund, Inc.

**Table of Contents****Tax Information****(Unaudited)**

For federal Income tax purposes, the Fund designates \$2,220,000, or the maximum amount allowable under tax law, as qualified dividend income.

The Fund paid foreign taxes of \$166,144 and earned \$698,990 of foreign source income during the year ended December 31, 2018. Pursuant to Section 853 of the Internal Revenue Code, the Fund designates \$0.0214 per share as foreign taxes paid and \$0.0900 per share as income earned from foreign sources for the year ended December 31, 2018.

Pursuant to Section 852 of the Internal Revenue Code, the Fund designates \$2,166,000 as capital gain dividends for its year ended December 31, 2018.

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, 2017 and intends to elect to be subject to the Act for the fiscal year ending December 31, 2018. 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:

	<b>Years Ended December 31,</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Shares repurchased	241,100	218,200	408,200	131,473	495,067
Shares issued for dividend reinvestment				31,616	33,043
Shares tendered and accepted				459,529	

The European Equity Fund, Inc. | 33

---

**Table of Contents**

**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 DWS Service Company, the transfer agent (the Transfer Agent ), P.O. Box 219066, Kansas City, Missouri 64105 (telephone 1-800-GERMANY (1-800-437-6269)). 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

**Table of Contents**

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

**Table of Contents**

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

**Table of Contents**

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

**Table of Contents**

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.

**38** | The European Equity Fund, Inc.

**Table of Contents**

**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 DWS International GmbH ( DWSI ), fka Deutsche Asset Management International GmbH, as amended to implement the permanent fee reduction described herein (the agreement ) at a meeting held on November 2, 2018. The Fund's directors simultaneously approved the continuance of the administration agreement (the administration agreement ) between the Fund and DWS Investment Management Americas, Inc. ( DIMA ) (fka Deutsche Investment Management Americas Inc.), an affiliate of DWSI.

In preparation for the meeting, the directors had requested, received and evaluated extensive materials from DWSI, including performance and expense information for other investment companies with similar investment objectives derived from data compiled by Broadridge Financial Solutions, Inc. ( Broadridge ). Prior to voting, the directors reviewed the proposed approval of the continuance of the agreement with management and experienced Fund counsel 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 private sessions with counsel at which no representatives of DWSI or DIMA 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 DWSI;
3. payments received by DWSI and its affiliates (including DIMA) from all sources in respect to the Fund and all investment companies in the DWS family of funds;
4. the costs borne by, and profitability of, DWSI and DIMA in providing services to the Fund;
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;

The European Equity Fund, Inc. | 39



**Table of Contents**

7. DWSI's policies and practices regarding allocation of the Fund's portfolio transactions, including the extent to which DWSI benefits from soft dollar arrangements;
8. the Fund's portfolio turnover rates compared to those of other closed-end investment companies investing in international equities;
9. fall-out benefits which DWSI and its affiliates receive from their relationships with the Fund;
10. information concerning the programs established by DWSI 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 DWSI and the implications for DWSI and DIMA of recent developments relating to Deutsche Bank AG ( "Deutsche Bank" ) and DWS Group GmbH & Co. KGaA ( "DWS Group" ), including: (A) the initial public offering (the "IPO" ) of DWS Group, Deutsche Bank's asset management business, by Deutsche Bank in March 2018, which resulted in DWS Group becoming a public company with Deutsche Bank retaining a 79.49% ownership interest; (B) ongoing expense reduction efforts by both Deutsche Bank and DWS; and (C) Deutsche Bank's various material legal enforcement and litigation exposures, and management's representations that none of the IPO, the expense reduction efforts, or the regulatory enforcement and litigation exposures of Deutsche Bank were expected to have any adverse effect on the management or operations of the Fund or the quality of services provided by DWSI and DIMA to the Fund, or result in any material changes to the persons at DWSI and DIMA providing services to the Fund, and that, to the extent such persons leave DWSI or DIMA, high quality replacements would be put in place as promptly as is reasonably practicable; 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 DWSI to the Fund gained from their experience as directors of the New Germany Fund and the Central and Eastern Europe Fund and their confidence in DWSI's integrity and competence gained from that experience and DWSI's responsiveness to concerns raised by them in the past, including DWSI'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 DWSI, as provided in the agreement, were fair and reasonable in light of the services performed, expenses incurred and such other

**Table of Contents**

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 DWSI 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 DWSI should continue in its role as investment advisor for the Fund, and that the fees payable to DWSI pursuant to the agreement are appropriate) were separately discussed by the directors.

**Nature, Extent and Quality of Services Provided by DWSI.** The directors noted that, under the agreement, DWSI, 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. DWSI pays all of the compensation of the Fund's directors and officers who are interested persons of DWSI.

The directors considered the scope and quality of services provided by DWSI 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 DWSI 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 DWSI 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 considered management's representation that the various recent developments affecting DWS Group and Deutsche Bank enumerated in No. 11 above were not expected to have any adverse effect on the management or operations of the Fund or the quality of services provided by DWSI and DIMA to the Fund, or result in any material changes to the persons at DWSI and DIMA providing services to the Fund and that, to the extent such persons leave DWSI or DIMA, high quality replacements would be put in place as promptly as is reasonably practicable. The directors agreed that they would continue to monitor the availability and dedication of resources to the Fund going forward, and management agreed to continue to provide detailed information to facilitate such review. 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 DWSI.** At the request of the directors, DWSI provided information concerning its revenues, expenses and net income and financial condition for 2017 as well as

**Table of Contents**

information about revenues and expenses and the profitability of its relationship with the Fund in 2017.

Similar information was provided for DIMA. At the request of the directors, DWSI and DIMA also provided information adjusted to show the effect on profitability if the fee waiver effective December 1, 2017 had been in effect throughout 2017. The directors reviewed the assumptions and methods of allocation used by DWSI and DIMA in preparing Fund-specific profitability data. DWSI 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 DWSI 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 DWSI's expenses, including the fact that there were no affiliated brokerage commissions.

The directors noted that in 2017 DWSI allocated a portion of the Fund's brokerage to receive research generated by, or paid for by, executing brokers, and that such practice was discontinued at the beginning of 2018. They also noted that DWSI has policies to prohibit consideration of the sale of shares of DWS funds when selecting broker dealers to execute portfolio transactions for the Fund or other DWS funds.

The directors recognized that DWSI 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 DWSI's level of profitability from its relationships with the Fund was not excessive. The directors also considered the aggregate profitability of the relationships with the Fund of DWSI and DIMA and concluded that it 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. As the Fund is not aware of any closed-end fund with an objective similar to that of the Fund, the directors generally focus on the Fund's performance based on net asset value compared to its benchmark when assessing investment results. The directors also reviewed information showing the Fund's

**Table of Contents**

performance compared to that of other investment vehicles compiled by management based on information provided by Broadridge and Morningstar. The directors also reviewed information showing performance of the Fund's benchmark index, since July 1, 2014, the MSCI Europe Index (reflecting a broadening of the Fund's investment objective approved by stockholders at the Fund's 2014 annual meeting of stockholders); from November 1, 2005 through June 30, 2014, the MSCI EMU index (reflecting the Fund's change of investment focus from Germany to the European countries using the Euro currency); and prior thereto the DAX Index of 30 large cap German stocks.

The comparative information showed that the Fund outperformed its benchmark in the first nine months of 2018 and in 2017, underperformed it in 2016, outperformed it in 2015, outperformed its benchmarks in 2014 and underperformed its benchmark in 2013. The Fund matched the performance of the benchmark in 2012, outperformed the benchmark in 2011, 2010 and 2009 and underperformed the benchmark in 2007 and 2008. Taking into account these comparisons and the other factors considered, the directors concluded that the Fund's investment results were satisfactory.

**Management and Investment Advisory Fees and Other Expenses.** The directors considered the investment advisory fee rates payable by the Fund to DWSI 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 and noted that no closed-end or open-end fund has a similar investment strategy as the Fund. The directors also considered information provided by DWSI concerning the fee rates charged to other investment companies having somewhat similar mandates as the Fund, the representation by DWSI that it does not manage any other institutional accounts that are similar to the Fund and DWSI's 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 directors noted that: (i) in response to a request of the directors, DWSI had agreed to implement a fee waiver for the period November 1, 2017 through December 31, 2018, and that in response to a further request from the directors, DWSI had agreed to an amendment to the agreement, effective November 2, 2018, to reduce the advisory fee schedule permanently, to reduce the advisory fee to .65% of average weekly net assets up to \$100 million, and .60% of average weekly net assets in excess of \$100 million (which reduced the advisory fee to .65% of average weekly net assets from the prior effective rate of approximately .76% of average weekly net assets) in order to match the reduced advisory fee rate that had recently been implemented in respect of a U.S. open-end fund advised by DWSI that has a somewhat similar investment strategy as the Fund, with no diminution in the quality of

---

**Table of Contents**

advisory services provided to the Fund, and (ii) non-U.S. open-end funds advised by DWSI pay management fees that, while not entirely comparable to the fees payable by the Fund to DWSI and DIMA, are substantially higher than the combined advisory and administration fee rate paid by the Fund. The Fund's management expense comparison group consisted of seven closed-end developed market funds (including the Fund) and 12 open-end European region funds (plus the Fund) selected by Broadridge. The directors reviewed information comparing the combined advisory and administrative fees payable under the agreement and the administration agreement for this purpose, noting that DWSI and DIMA are affiliated companies. The directors noted that the combined advisory and administrative fee rate paid by the Fund in 2017 of EEA: 0.942% (0.850% adjusted to show the effect if the fee waiver had been in effect throughout 2017) was the same as the median fee rate of the closed-end comparison group and above the median fee rate of the open-end comparison group, and that the adjusted combined rate was below the median of the closed-end fund comparison group and above the median for the open-end fund comparison group. The directors also considered the Fund's net expense ratio in comparison to the fees and expenses of 35 other closed-end international equity funds compiled by management based on Morningstar data. The directors also noted that the Fund's net expense ratio was below the median and average and in the second quartile, and that the same was true when the expense ratio was adjusted to show the effect had the fee waiver been in effect throughout 2017. The directors further noted that the fee reduction that DWSI had agreed to put in place on a permanent basis, as discussed above, would result in an expense ratio reduction of approximately 10 basis points compared to what the expense ratio would have been without the advisory fee reduction. 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 DWSI 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 DWSI as assets increase, largely because economies of scale are realized (if at all) by DWSI across a variety of products and services, and not only in respect of a single fund. They also noted that the Fund's assets have generally diminished over recent years, although in 2017 the assets of the Fund increased. Having taken these factors into account, the directors concluded that the breakpoint arrangements in the agreement were acceptable under the Fund's circumstances.

**Table of Contents****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 and Other Information****Other Directorships Held by Director**

Dr. Wilhelm Bender, 74 <sup>(1)</sup>	Senior Advisor of Advent International GmbH (private equity) (since 2009); of Hebert Smith Freehills Germany LLP (legal services) (since 2016); and of IFM Investors (UK) (Australian infrastructure fund) (since 2016). He is a member of Supervisory Board of FrankfurtRheinMain GmbH (International Marketing of the Region) (since 2013). He is also an Independent Director/Member of the Board of Directors of the National Welfare Fund Samruk-Kazyna (sovereign wealth fund and joint stock company in Kazakhstan) (since 2018). He is the former Chairman of the Executive Board (CEO) of Fraport AG, Germany (aviation industry) (1993 2009).	Director, The Central and Eastern Europe Fund, Inc. (since 2013) and The New Germany Fund, Inc. (since 2013).
Class I Since 2013		
Ambassador Richard R. Burt, 71 <sup>(1)</sup>	Managing Partner, 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 & 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).	Director, The Central and Eastern Europe Fund, Inc. (since 2000) and The New Germany Fund, Inc. (since 2004). Director, UBS family of mutual funds (since 1995).
Class II Since 2000		
Walter C. Dostmann, 62 <sup>(1)</sup>	Founder and Principal, Dostmann & Partners LLC (international business advisory firm) (2000 to present); Director of 360 T Systems, Inc. (trading platform provider) (2013 to present). Formerly, Managing Director and Head of International Corporate Finance Division at Deutsche Bank Securities, Inc. (1990 to 1999); and Senior Vice President of Deutsche Bank AG, New York branch (1985 to 1990). Director and Chairman of North American Income Fund (since 1998) and CABEI Central American Fund (since 1999).	Director, The Central and Eastern Europe Fund, Inc. (since 2015) and The New Germany Fund, Inc. (since 2015).
Class I Since 2015		

**Table of Contents****Directors****Name, Age,  
Term of Office  
and Length of  
Time Served\*****Principal Occupation(s) During the Past Five  
Years and Other Information****Other  
Directorships  
Held by Director**

Dr. Kenneth C. Froewiss, 73 <sup>(1)</sup>  Class III Since 2017	Retired Clinical Professor of Finance, NYU Stern School of Business (1997–2014); Member, Finance Committee, Association for Asian Studies (2002–present); Director, Mitsui Sumitomo Insurance Group (US) (2004–present); and Chairman of DWS USA Corporation (since March 28, 2018); prior to 1997, Managing Director, J.P. Morgan (investment banking firm) (until 1996).	Director, The Central and Eastern Europe Fund, Inc. (since 2017) and The New Germany Fund, Inc. (since 2017). Director, Deutsche family of funds (2001–March 28, 2018).
Dr. Wolfgang Leoni, 61 <sup>(1)(2)</sup>  Class III Since 2017	Managing Director of HQ Asset Management GmbH (since January 2018); Chief Executive Officer of Sal. Oppenheim Jr. & CIE. Komplementär AG, Cologne (Germany) (private bank) (from April 2013 until April 2017) and Chairman of Sal. Oppenheim Jr. & CIE. Luxembourg S.A. (since 2013). He is the former Chief Investment Officer and member of the Management Board of Sal. Oppenheim Jr. & CIE. Komplementär AG, Cologne (Germany) (private bank) (2009–2013). He is the former Managing Director/CIO of Oppenheim Kapitalanlagegesellschaft MBH, Cologne (Germany) (investment company) (2007–2009), Managing Director/CIO of Lupus Alpha Alternative Solutions GMBH Frankfurt/M (investment company) (2006). He is the former Managing Director/CIO of DEKA Investment GMBH, Frankfurt/M (investment company) (2002–2006) and Managing Director/management board member (1996–2002).	Director, The Central and Eastern Europe Fund, Inc. (since 2017) and The New Germany Fund, Inc. (since 2017).
Dr. Christopher Pleister, 70 <sup>(1)</sup>  Class II Since 2016	Director (nonexecutive) of Depfa Bank plc (since 2015), Chairman of the Appeal Panel of the Single Resolution Board (Institution of the European Banking Union) since November 2016 (member since 2015). He is the former Chairman of FMSA (German financial market stabilization agency) (2011–2014) and board member (2009–2011), and former Chairman of the Supervisory Board of Deutsche Zentral-Genossenschaftsbank Frankfurt (2000–2008), former Chairman of BVR (federal association of German cooperative banks) (2000–2008) and Director of Deutsche Genossenschaftsbank (1990–1999).	Director, The Central and Eastern Europe Fund, Inc. (since 2016) and The New Germany Fund, Inc. (since 2016).

**Table of Contents****Directors****Name, Age,  
Term of Office  
and Length of  
Time Served\***Christian H. Strenger, 75<sup>(1)(2)</sup>

Class III Since 1986

**Principal Occupation(s) During the Past Five  
Years and Other Information**

Member of Supervisory Board (since 1999) and formerly Managing Director (1991-1999) of Deutsche Asset Management Investment GmbH (investment management), a subsidiary of Deutsche Bank AG. Mr. Strenger serves as Director of the Center for Corporate Governance at the Leipzig Graduate School of Management.

**Other  
Directorships  
Held by Director**

Director and Chairman, The Central and Eastern Europe Fund, Inc. (since 1990) and The New Germany Fund, Inc. (since 1990).

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

The term of office for Directors in Class I expires at the 2019 Annual Meeting, Class II expires at the 2020 Annual Meeting and Class III expires at the 2021 Annual Meeting.

- (1) Indicates that the Director also serves as a Director of The Central and Eastern Europe Fund, Inc. and The New Germany Fund, Inc., two other closed-end registered investment companies for which DWS Investment Management Americas, Inc. acts as Administrator and DWS International GmbH acts as Investment Adviser.
- (2) Indicates Interested Person, as defined in the Investment Company Act of 1940, as amended (the 1940 Act). Dr. Leoni is an interested Director because of his ownership of Deutsche Bank AG shares. 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.

**Officers\*****Name, Age, Position  
with the Fund and  
Length of Time Served**Hepsen Uzcan, 44<sup>(2)</sup>**Principal Occupation(s) During the Past Five Years**

Managing Director,<sup>(1)</sup> DWS; Secretary, DWS USA Corporation (since March 2018); Assistant Secretary, DWS Distributors, Inc. (since June 25, 2018); Director and Vice President, DWS Service Company (since June 25, 2018); Assistant Secretary, DWS Investment Management Americas, Inc. (since June 25, 2018); and Director and President, DB Investment Managers,



Edgar Filing: EUROPEAN EQUITY FUND, INC / MD - Form N-CSR

President and Chief Executive Officer, Inc. (since June 25, 2018); formerly: Vice President for the Deutsche funds  
2017 present (2016 2017).

Assistant Secretary, 2013 present  
Diane Kenneally, 52<sup>(3)(6)</sup> Director<sup>(1)</sup>, DWS

Treasurer and Chief Financial Officer,  
since 2018  
John Millette, 56<sup>(3)</sup> Director,<sup>(1)</sup> DWS; Chief Legal Officer, DWS Investment Management  
Americas, Inc. (2015 present); and Director and Vice President, DWS Trust  
Company (2016 present); formerly, Secretary, Deutsche Investment  
Management Americas Inc. (2015 2017).

Secretary, 2011 present<sup>(5)</sup>

The European Equity Fund, Inc. | 47

**Table of Contents**

**Officers\***

**Name, Age, Position**

**with the Fund and**

**Length of Time Served**

Sheila Cadogan, 52<sup>(3)(7)</sup>

**Principal Occupation(s) During the Past Five Years**

Director<sup>(1)</sup>, DWS; Director and Vice President, DWS Trust Company (since 2018)

Assistant Treasurer, since 2018

Caroline Pearson, 56<sup>(3)</sup>

Managing Director,<sup>(1)</sup> DWS; formerly: Secretary, Deutsche AM Distributors, Inc. (2002-2017); and Secretary, Deutsche AM Service Company (2010-2017).

Chief Legal Officer, 2012-present

Scott D. Hogan, 48<sup>(3)</sup>

Director,<sup>(1)</sup> DWS.

Chief Compliance Officer, 2016-present

Wayne Salit, 51<sup>(4)</sup>

Director,<sup>(1)</sup> Deutsche Bank; and AML Officer, DWS Trust Company; formerly: Managing Director, AML Compliance Officer at BNY Mellon (2011-2014); and Director, AML Compliance Officer at Deutsche Bank (2004-2011).

Anti-Money Laundering Compliance

Officer, 2014-present

Each also serves as an Officer of The Central and Eastern Europe Fund, Inc. and The New Germany Fund, Inc., two other closed-end registered investment companies for which DWS Investment Management Americas, Inc. acts as Administrator.

\* As a result of their respective positions held with the Administrator or its affiliates, 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) Executive title, not a board directorship.

(2) Address: 345 Park Avenue, New York, New York 10154.

(3) Address: One International Place, Boston, Massachusetts 02110.

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

- (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.
  
- (6) Appointed Treasurer and Chief Financial Officer effective July 27, 2018.
  
- (7) Appointed Assistant Treasurer effective July 27, 2018.

**48** | The European Equity Fund, Inc.

**Table of Contents**

**Additional Information**

**Automated Information Lines**      **DWS Closed-End Fund Info Line**

**Web Site**      **1-800-GERMANY (1-800-437-6269)**  
**dws.com**

**Written Correspondence**      Obtain fact sheets, financial reports, press releases and webcasts when available.  
**DWS**

**Legal Counsel**      Attn: Secretary of the DWS Funds  
  
One International Place, 12th Floor  
  
Boston, MA 02110  
**Sullivan & Cromwell LLP**

**Dividend Reinvestment Plan Agent**      125 Broad Street  
  
New York, NY 10004  
**DST Systems, Inc.**

**Shareholder Service Agent and Transfer Agent**      333 W. 11th Street, 5th Floor  
  
Kansas City, MO 64105  
**DWS Service Company**

**Custodian**      P.O. Box 219066  
  
Kansas City, MO 64121-9066  
  
**1-800-GERMANY (1-800-437-6269)**  
**Brown Brothers Harriman & Company**

50 Post Office Square

Boston, MA 02110

**Independent  
Registered Public  
Accounting Firm**

**PricewaterhouseCoopers LLP**

101 Seaport Boulevard, Suite 500

Boston, MA 02210

**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 most recent 12-month period ended June 30 is available on our web site [dws.com/en-us/resources/proxy-voting](http://dws.com/en-us/resources/proxy-voting) or on the SEC's web site [sec.gov](http://sec.gov). To obtain a written copy of the Fund's policies and procedures without charge, upon request, call us toll free at 1-800-GERMANY (1-800-437-6269).

**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 or Form N-PORT (available for filings after March 31, 2019). The Fund's Form N-Q or Form N-PORT will be available on the SEC's Web site at [sec.gov](http://sec.gov). The Fund's portfolio holdings as of the month-end are posted on [dws.com](http://dws.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 [dws.com](http://dws.com).

**Table of Contents**

**Investment Management** DWS International GmbH (the Advisor ), which is part of the DWS Group GmbH & Co. KGaA ( DWS Group ), is the investment advisor for the Fund. DWS International GmbH provides a full range of investment advisory services to both institutional and retail clients. DWS International GmbH is a wholly owned subsidiary of DWS Group.

**Voluntary Cash Purchase Program and Dividend Reinvestment Plan**

DWS Group is a global organization that offers a wide range of investing expertise and resources, including hundreds of portfolio managers and analysts and an office network that reaches the world's major investment centers. This well-resourced global investment platform brings together a wide variety of experience and investment insight across industries, regions, asset classes and investing styles.

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. Plan participants may invest as little as \$100 in any month and may invest up to \$36,000 annually. The Plan allows current shareholders who are not already participants in the Plan and first time investors to enroll in the Plan by making an initial cash deposit of at least \$250 with the plan agent. Share purchases are combined to receive a beneficial brokerage fee. A brochure is available by writing or telephoning the transfer agent:

DWS Service Company

P.O. Box 219066

Kansas City, MO 64105

Tel.: 1-800-GERMANY (1-800-437-6269)

**NYSE Symbol** EEA  
**Nasdaq Symbol** XEEAX  
**CUSIP Number** 298768102

**Table of Contents**

**Notes**

**Table of Contents**

**Notes**



**Table of Contents**

**Notes**

**Table of Contents**

**Notes**

**Table of Contents**

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

The Central and Eastern Europe Fund, Inc. investing primarily in equity or equity-linked securities of issuers domiciled in Central and Eastern Europe (with normally at least 80% in securities of issuers domiciled in countries in Central and Eastern Europe) and concentrating in the energy sector (with more than 25% of the fund's total assets in issuers conducting their principal activities in that sector).

The European Equity Fund, Inc. investing primarily in equity or equity-linked securities of issuers domiciled in Europe (with normally at least 80% in securities of issuers domiciled in Europe).

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-GERMANY (1-800-437-6269) for shareholder reports.

The European Equity Fund, Inc. is diversified and focuses its investments primarily in equity and equity-linked securities of issuers domiciled in Europe, thereby increasing its vulnerability to developments in that region. 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 or in a particular geographical region will generally be more volatile than a fund that invests more broadly.

**Table of Contents**

**EEA-2**

(R-025796-8 2/19)

**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. Walter C. Dostmann and Dr. Kenneth C. Froewiss. 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 European Equity 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
2018	\$64,100	\$0	\$0	\$5,497
2017	\$62,600	\$0	\$0	\$5,343

“All Other Fees Billed to 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 the Fund’s advisor, DWS AM International GmbH, or the administrator, DWS Investment Management Americas, Inc. (“DIMA”), and any entity controlling, controlled by or under common control with DWS International GmbH or DWS Investment Management Americas, Inc. (“Control Affiliate”) that provides ongoing services to the Fund (collectively, the Advisor Entities”), 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 Entities	Tax Fees Billed to Adviser Entities	All Other Fees Billed to Adviser Entities
2018	\$0	\$0	\$0
2017	\$0	\$0	\$0

Non-Audit Services

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 Fund (A)	Total Non-Audit Fees billed to Adviser and Affiliated Fund Service Providers (engagements related directly to the operations and financial reporting of the Fund) (B)	Total Non-Audit Fees billed to Adviser and Affiliated Fund Service Providers (all other engagements) (C)	Total of (A), (B) and (C)
2018	\$5,497	\$0	\$0	\$5,497
2017	\$5,343	\$0	\$0	\$5,343

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 Advisor Entities with respect to operations and financial reporting of the Fund. The Audit Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Audit Committee. The Board and the Audit Committee have authorized any member of the Audit Committee to pre-approve any audit or non-audit services to be performed by the independent auditors, provided that any such approvals are presented to the Audit Committee at its next scheduled 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.

\*\*\*

In connection with the audit of the 2017 and 2018 financial statements, the Fund entered into an engagement letter with PwC. The terms of the engagement letter required by PwC, and agreed to by the Fund's Audit Committee, include a provision mandating the use of mediation and arbitration to resolve any controversy or claim between the parties arising out of or relating to the engagement letter or the services provided there-under.

\*\*\*

1.) In a letter provided to the Audit Committee pursuant to PCAOB Rule 3526 and dated September 30, 2016, PwC informed the Audit Committee that PwC had identified circumstances where PwC maintains lending relationships with owners of greater than 10% of the shares of certain investment companies within the "investment company complex" as defined under Rule 2-01(f)(14) of Regulation S-X. PwC informed the Audit Committee that these lending relationships are inconsistent with the SEC Staff's interpretation of Rule 2-01(c)(1)(ii)(A) of Regulation S-X (referred to as the "Loan Rule").

The Loan Rule specifically provides that an accounting firm would not be independent if it receives a loan from a lender that is a record or beneficial owner of more than ten percent of an audit client's equity securities. For purposes of the Loan Rule, audit clients include the Fund as well as all registered investment companies advised by DWS Investment Management Americas, Inc. (the "Adviser"), the Fund's investment adviser, and its affiliates, including other subsidiaries of the Adviser's parent company, Deutsche Bank AG (collectively, the "DWS Funds Complex"). PwC's lending relationships affect PwC's independence under the SEC Staff's interpretation of the Loan Rule with respect to all investment companies in the DWS Funds Complex.

In its September, 2016 letter, PwC affirmed to the Audit Committee that, as of the date of the letter, PwC is an independent accountant with respect to the Fund, within the meaning of PCAOB Rule 3520. In its letter, PwC also informed the Audit Committee that, after evaluating the facts and circumstances and the applicable independence rules, PwC has concluded that with regard to its compliance with the independence criteria set forth in the rules and

regulations of the SEC related to the Loan Rule, it believes that it remains objective and impartial despite matters that may ultimately be determined to be inconsistent with these criteria and therefore it can continue to serve as the Fund's independent registered public accounting firm. PwC informed the Audit Committee that its conclusion was based on a number of factors, including, among others, PwC's belief that the lenders are not able to impact the impartiality of PwC or assert any influence over the investment companies in the DWS Funds Complex whose shares the lenders own or the applicable investment company's investment adviser; and the lenders receive no direct benefit from their ownership of the investment companies in the DWS Funds Complex in separate accounts maintained on behalf of their insurance contract holders. In addition, the individuals at PwC who arranged PwC's lending relationships have no oversight of, or ability to influence, the individuals at PwC who conducted the audits of the Fund's financial statements.

On June 20, 2016, the SEC Staff issued a "no-action" letter to another mutual fund complex (see Fidelity Management & Research Company et al., No-Action Letter) related to similar Loan Rule issues as those described above. In that letter, the SEC Staff confirmed that it would not recommend enforcement action against an investment company that relied on the audit services performed by an audit firm that was not in compliance with the Loan Rule in certain specified circumstances. The circumstances described in the no-action letter appear to be substantially similar to the circumstances that affected PwC's independence under the Loan Rule with respect to the Fund. PwC confirmed to the Audit Committee that it meets the conditions of the no-action letter.

2.) In a letter provided to the Audit Committee pursuant to PCAOB Rule 3526 and dated January 12, 2018, PwC informed the Audit Committee that PwC had identified circumstances where (1) a covered person within PwC that provided non-audit services to an entity within the "investment company complex" as defined under Rule 2-01(f)(14) of Regulation S-X maintained a financial relationship with an investment company within the investment company complex in contradiction of Rule 2-01(c)(1)(i)(A) of Regulation S-X and (2) PwC maintains lending relationships with owners of greater than 10% of the shares of certain investment companies within the investment company complex that are inconsistent with the SEC Staff's interpretation of Rule 2-01(c)(1)(ii)(A) of Regulation S-X (referred to as the "Loan Rule").

*Covered Person Matter:* In its January 12, 2018 letter, PwC advised the Audit Committee that after consideration of the facts and circumstances and the applicable independence rules, PwC concluded that a reasonable investor with knowledge of all relevant facts and circumstances would conclude that PwC is capable of exercising objective and impartial judgment on all issues encompassed within its audit of the financial statements of the Fund. In the letter, PwC also affirmed to the Audit Committee that, as of the date of the letter, PwC is an independent accountant with respect to the Fund, within the meaning of PCAOB Rule 3520. In assessing this matter, PwC indicated that, upon detection of the breach, the PwC covered person was removed from the non-audit engagement and that, among other things, the breach (i) did not relate to financial relationships directly in the Fund, (ii) did not involve a professional who was part of the audit engagement team for the Fund or in a position to influence the audit engagement team, (iii) involved a professional whose non-audit services were not and will not be utilized or relied upon by the audit engagement team in the audit of the financial statements of the Fund and (iv) involved a professional that did not provide any consultation to the audit engagement team of the Fund.

*Loan Rule Matter:* The Loan Rule specifically provides that an accounting firm would not be independent if it receives a loan from a lender that is a record or beneficial owner of more than ten percent of an audit client's equity securities. For purposes of the Loan Rule, audit clients include the Fund as well as all registered investment companies advised by DWS Investment Management Americas, Inc. (the "Adviser"), the Fund's investment adviser, and its affiliates, including other subsidiaries of the Adviser's parent company, Deutsche Bank AG (collectively, the "DWS Funds Complex"). PwC's lending relationships affect PwC's independence under the SEC Staff's interpretation of the Loan Rule with respect to all investment companies in the DWS Funds Complex.

In its January 12, 2018 letter, PwC affirmed to the Audit Committee that, as of the date of the letter, PwC is an independent accountant with respect to the Fund, within the meaning of PCAOB Rule 3520. In its letter, PwC also

informed the Audit Committee that PwC has concluded that with regard to its compliance with the independence criteria set out in the rules and regulations of the SEC related to the Loan Rule, it believes that it remains objective and impartial despite matters that may ultimately be determined to be inconsistent with these criteria, and therefore it can continue to serve as the Fund's independent registered public accounting firm. PwC informed the Audit Committee that its conclusion was based on a number of factors, including, among others, (i) PwC's belief that it is unlikely the lenders would have any interest in the outcome of the audit of the Fund and therefore would not seek to influence the outcome of the audit, (ii) no third party made an attempt to influence the outcome of the audit of the Fund and even if an attempt was made, PwC professionals are required to disclose any relationships that may raise issues about objectivity, confidentiality, independence, conflicts of interest or favoritism, and (iii) the lenders typically lack influence over the investment adviser, who controls the management of the Fund.

On June 20, 2016, the SEC Staff issued a "no-action" letter to another mutual fund complex (see Fidelity Management & Research Company et al., No-Action Letter) related to similar Loan Rule issues as those described above. In that letter, the SEC Staff confirmed that it would not recommend enforcement action against an investment company that relied on the audit services performed by an audit firm that was not in compliance with the Loan Rule in certain specified circumstances. The circumstances described in the no-action letter appear to be substantially similar to the circumstances that affected PwC's independence under the Loan Rule with respect to the Fund. PwC represented that it has complied with PCAOB Rule 3526(b)(1) and (2), which are conditions to the Fund relying on the no action letter, and affirmed that it is an independent accountant within the meaning of PCAOB Rule 3520.

**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 Walter C. Dostmann (Chairman), Richard R. Burt, Dr. Christopher Pleister, and Dr. Kenneth C. Froewiss.

**ITEM 6. SCHEDULE OF INVESTMENTS**

Not applicable

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

**Part II: Appendix II-I — Proxy Voting Policy and Guidelines**

**1. Introduction**

Deutsche Asset Management ("AM") has adopted and implemented the following Policies and Guidelines, which it believes are reasonably designed to ensure that proxies are voted in the best economic interest of clients and in accordance with its fiduciary duties and local regulation. This Proxy Voting Policy and Guidelines – AM ("Policy 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, AM'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 AM with a comprehensive list of recommendations that represent how AM will generally vote proxies for its clients. The recommendations derived from the application of these guidelines are not intended to influence the various AM legal entities either directly or indirectly by parent or affiliated companies. In addition, the organizational structures and documents of the various AM legal entities allows, where necessary or appropriate, the execution by individual AM subsidiaries of the proxy voting rights independently of any DB parent or affiliated company. This applies in particular to non-US 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 AM legal entities.

## **2. AM'S Proxy Voting Responsibilities**

Proxy votes are the property of AM's advisory clients.<sup>1</sup> As such, AM's authority and responsibility to vote such proxies depend upon its contractual relationships with its clients or other delegated authority. AM has delegated responsibility for effecting its advisory clients' proxy votes to Institutional Shareholder Services ("ISS"), an independent third-party proxy voting specialist. ISS votes AM's advisory clients' proxies in accordance with AM's proxy guidelines or AM's specific instructions. Where a client has given specific instructions as to how a proxy should be voted, AM will notify ISS to carry out those instructions. Where no specific instruction exists, AM will follow the procedures in voting the proxies set forth in this document. Certain Taft-Hartley clients may direct AM 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 AM 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. To the extent a security is out on loan and AM determines that a proxy vote (or other shareholder action) is materially important to the client's account, AM may request, on a best efforts basis, that the agent recall the security prior to the record date to allow AM to vote the securities.

---

For purposes of this document, "clients" refers to persons or entities: (i) for which AM serves as investment adviser or sub-adviser; (ii) for which AM votes proxies; and (iii) that have an economic or beneficial ownership interest in the portfolio securities of issuers soliciting such proxies.

## **3. Policies**

### **3.1. Proxy Voting Activities are Conducted in the Best Economic Interest of Clients**

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

### **3.2. The Global Proxy Voting Sub-Committee**

The GPVSC is an internal working group established by the applicable AM's Investment Risk Oversight Committee pursuant to a written charter. The GPVSC is responsible for overseeing AM's proxy voting activities, including:

(i) Adopting, monitoring and updating guidelines, attached as Attachment A (the "Guidelines"), that provide how AM will generally vote proxies pertaining to a comprehensive list of common proxy voting matters;

Voting proxies where (i) the issues are not covered by specific client instruction or the Guidelines; (ii) the Guidelines specify that the issues are to be determined on a case-by-case basis; or (iii) where an exception to the Guidelines may be in the best economic interest of AM's clients; and

(iii) Monitoring Proxy Vendor Oversight's proxy voting activities (see below).

AM's Proxy Vendor Oversight, a function of AM's Operations Group, is responsible for coordinating with ISS to administer AM'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.

### **3.3 Availability of Proxy Voting Policy and Guidelines and Proxy Voting Record**

Copies of this Policy, as it may be updated from time to time, is made available to clients as required by law and otherwise at AM's discretion. Clients may also obtain information on how their proxies were voted by AM as required by law and otherwise at AM's discretion. Note, however, that AM must not selectively disclose its investment company clients' proxy voting records. 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 the 12-month periods ending June 30 (see Section 5, below), if so required by relevant law.

## **4. Procedures**

The key aspects of AM's proxy voting process are delineated below.

#### **4.1. 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 AM'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 AM organization (but within Deutsche Bank and its affiliates) or any entity that identifies itself as an AM 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 Section 4.4) 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 AM 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 AM votes investment company proxies may differ from proposals for which an AM-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.

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.

#### **4.2. Specific Proxy Voting Decisions Made by the GPVSC**

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 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 Proxy Vendor Oversight.<sup>2</sup>

If 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.

---

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 Proxy Vendor Oversight to bring the solicitation to the attention of the GPVSC Chair. AM Portfolio Managers, AM 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 AM portfolio managers and AM research analysts.

#### **4.3. 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, or that it may not be feasible to vote certain proxies. If the conditions below are met with regard to a proxy proposal, AM will abstain from voting:

Neither the Guidelines nor specific client instructions cover an issue;

ISS does not make a recommendation on the issue; and

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 AM'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.

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.

#### **4.4. Conflict of Interest Procedures**

##### **4.4.1. 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 AM's clients.<sup>4</sup>

*Independence of the GPVSC.* As a matter of Compliance policy, the GPVSC and 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 AM. 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 AM 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 AM (and within AM only on a need to know basis).

*Conflict Review Procedures.* The "Conflicts of Interest Management Sub-Committee" within AM monitors 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 proxy 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 AM 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) AM 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; and (iii) any communications with members of the GPVSC (or anyone participating or providing information to the GPVSC) and any person outside of the AM organization (but within Deutsche Bank and its affiliates) or any entity that identifies itself as an AM 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) AM 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 AM 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 affected 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.

---

3 As mentioned above, the GPVSC votes proxies where: (i) neither a specific client instruction nor a Guideline directs how the proxy should be voted, (ii) the Guidelines specify that an issue is to be determined on a case-by-case basis or (iii) voting in accordance with the Guidelines may not be in the best economic interests of clients.

Proxy Vendor Oversight, who serves as the non-voting secretary of the GPVSC, may receive routine calls from 4 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.

Note: Any AM 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 AM organization (but within Deutsche Bank and its affiliates) or any entity that identifies itself as an AM advisory client, has: (i) requested that AM, Proxy Vendor Oversight (or any member thereof) or a GPVSC member vote a particular proxy in a certain manner; (ii) attempted to influence AM, 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 (i) whether anyone should be recused from the proxy voting process or (ii) whether AM 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 AM 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 AM organization (but within Deutsche Bank and its affiliates) or any entity that identifies itself as an AM advisory client to influence, how AM 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 Policy and Guidelines. If there are fewer than three GPVSC voting members remaining, the GPVSC Chair will vote the proxy in accordance with the standard Guidelines or will obtain instructions as to how to have the proxy voted from, if time permits, the effected clients and otherwise from ISS.

#### 4.4.2. 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 AM to vote differently on a specific proxy or specific categories of proxies. However, regarding investment companies for which AM 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 (“Investment Company Act”).

Subject to participation agreements with certain Exchange Traded Funds (“ETFs”) issuers that have received exemptive orders from the US Securities and Exchange Commission (“SEC”) allowing investing Deutsche funds to exceed the limits set forth in Section 12(d)(1)(A) and (B) of the Investment Company Act, AM 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 Deutsche Central Cash Management Government Fund (registered under the Investment Company Act), 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 Deutsche Central Cash Management Government Fund, to vote contrary to the positions in the Guidelines, consistent with the Fund’s best interest.

#### 4.4.3. Other Procedures that Limit Conflicts of Interest

AM 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 – AWM, GTB & CB&S;



Code of Ethics – AWM; 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.

All impacted business units are required to adopt, implement, and maintain procedures to ensure compliance with these Policies and Guidelines. At a minimum, such procedures must: (i) assign roles and responsibilities for carrying out the procedures, including responsibility for periodically updating the procedures; (ii) identify clear escalation paths for identified breaches of the procedures; and (iii) for non-dedicated procedures (i.e., desk manuals), contain a legend or table mapping the procedures to this Section (e.g., cross-referencing Section or page numbers).

## 5. Recordkeeping

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

AM will maintain a record of each proxy vote cast by AM that includes among other things, company name, meeting date, proposals presented, vote cast and shares voted.

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; and

Proxy Edge print-screen of actual vote election.

AM will (i) retain this Policy and the Guidelines; (ii) will maintain records of client requests for proxy voting information; and (iii) will retain any documents 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.

The GPVSC also will create and maintain appropriate records documenting its compliance with this Policy, including records of its deliberations and decisions regarding conflicts of interest and their resolution.

With respect to AM's investment company clients, ISS will create and maintain records of each company's proxy voting record for the 12-month periods ending June 30. AM 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 ("CUSIP") 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 Archiving and Record Retention Policy – Deutsche Bank Group and applicable policies and procedures thereunder.

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 AM office.

## **6. 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 monitors the proxy voting process by reviewing summary proxy information presented by ISS. The GPVSC uses 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 is documented in the GPVSC’s minutes.

## **Attachment A – Global Proxy Voting Guidelines**

### **Deutsche Asset Management**

### **Global Proxy Voting Guidelines**

**As Amended February 2018**

[GRAPHIC OMITTED]

### **Table of Contents**

#### **I. Board of Directors and Executives**

- A. Election of Directors
- B. Classified Boards of Directors
- C. Board and Committee Independence
- D. Liability and Indemnification of Directors
- E. Qualification of Directors
- F. Removal of Directors and Filling of Vacancies
- G. Proposals to Fix the Size of the Board
- H. Proposals to Restrict Chief Executive Officer’s Service on Multiple Boards
- I. Proposals to Establish Audit Committees

#### **II. Capital Structure**

- A. Authorization of Additional Shares
- B. Authorization of “Blank Check” Preferred Stock

- C. Stock Splits/Reverse Stock Splits
- D. Dual Class/Supervoting Stock
- E. Large Block Issuance
- F. Recapitalization into a Single Class of Stock
- G. Share Repurchases
- H. Reductions in Par Value

**III. Corporate Governance Issues**

- A. Confidential Voting
- B. Cumulative Voting
- C. Supermajority Voting Requirements
- D. Shareholder Right to Vote

**IV. Compensation**

- A. Executive and Director Stock Option Plans
- B. Employee Stock Option/Purchase Plans
- C. Golden Parachutes
- D. Proposals to Limit Benefits or Executive Compensation
- E. Shareholder Proposals Concerning “Pay for Superior Performance”
- F. Executive Compensation Advisory
- G. Advisory Votes on Executive Compensation
- H. Frequency of Advisory vote on Executive Compensation

**V. Anti-Takeover Related Issues**

- A. Shareholder Rights Plans (“Poison Pills”)
- B. Reincorporation
- C. Fair-Price Proposals
- D. Exemption From State Takeover Laws
- E. Non-Financial Effects of Takeover Bids

**VI. Mergers & Acquisitions**

**VII. Environmental, Social and Governance Issues**

- A. Principles for Responsible Investment

- B. ESG Issues

**VIII. Miscellaneous Items**

- A. Ratification of Auditors
- B. Limitation of Non-Audit Services Provided by Independent Auditor
- C. Audit Firm Rotation
- D. Transaction of Other Business
- E. Motions to Adjourn the Meeting
- F. Bundled Proposals
- G. Change of Company Name
- H. Proposals Related to the Annual Meeting
- I. Reimbursement of Expenses Incurred from Candidate Nomination
- J. Investment Company Proxies

**IX. Proxy Voting Guidelines With Application For Holdings Incorporated in Europe**

- A. Remuneration (Variable Pay)
- B. Long-Term Incentive Plans
- C. Proposals to Restrict Supervisory Board Members Service on Multiple Boards
- D. Establishment of a Remuneration Committee
- E. Management Board Election and Motion

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 AM 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:* AM 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, taking into account also the following additional factors:

♣Accountability to shareholders and transparency of governance practices

♣Responsiveness to investor input and shareholder vote

♣Composition of the board with directors adding value through skills, expertise, and time commitment

♣Independence from management

Regarding independence: Vote against or withhold from non-independent directors when:

♣the board consists of 50% or less independent directors;

♣the non-independent director is part of the audit, compensation, or nominating committee;

♣the company has not appointed an audit, compensation, or nominating committee.

AM will classify directors as non-independent when:

For executive directors:

Current employee of the company or one of its affiliates.

For non-executive directors:

Significant Ownership (beneficial owner of more than 50% of the company's voting power).

Former CEO of the company or of an acquired company within the past five years.

Former officer of the company, an affiliate, or an acquired firm within the past five years.

Immediate family member of a current or former officer of the company or its affiliates within the last five years.

Currently provides (or an immediate family member provides) professional services to the company, to an affiliate of the company or an individual officer of the company or one of its affiliates in excess of \$10,000 per year.

*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. Where applicable, AM will consider the recommendations of ISS along with various factors, including the following:

Long-term financial performance of the company relative to its industry;

Management's track record;

Background to the contested election;

Nominee qualifications and any compensatory arrangements;

Strategic plan of dissident slate and quality of the critique against management;

Likelihood that the proposed goals and objectives can be achieved (both slates); and

Stock ownership positions.

In the case of candidates nominated pursuant to proxy access, AM policy is to vote case-by-case considering any applicable factors listed above, including additional factors and any recommendations of a third party proxy research vendor, currently ISS, which may be relevant, including those that are specific to the company, to the nominee(s) and/or to the nature of the election (such as whether or not there are more candidates than Board seats).

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**

AM 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**

AM 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. Generally, “For” proposals that require a company to appoint a Chairman who is an independent Director, taking into account the following factors:

- whether the proposal is binding and whether it requires an immediate change

• whether the current board has an existing executive or non-independent chair or there was a recent combination of the CEO and chair roles

• whether the governance structure ensures a sufficient board and committee independence, a balance of board and CEO tenure

• whether the company has poor governance practices (such as compensation, poor risk oversight, or any actions, which harmed or have the potential to harm the interests of the shareholders)

• whether the company is demonstrating poor performance (as per the assessment and recommendation of ISS)

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.

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**

AM policy is to vote on a case-by-case basis on 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, in which case, AM would vote “against.”



Rationale: While shareholders want Directors and officers to be responsible for their actions, it may not be in the best interests of the shareholders for them to be too 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. Qualification of Directors**

AM 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**

AM 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**

AM 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**

AM policy is to vote "for" proposals to restrict a Chief Executive Officer from serving on more than two 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 Establish Audit Committees**

AM 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**

AM 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 US 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**

AM policy is to vote:

“Against” proposals to create blank check preferred stock or to increase the number of authorized shares of blank

1. 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**

AM 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.

**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**

AM 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**

AM policy is to address large block issuances of stock on a case-by-case basis based on the nature of the issuance, considering various factors including recommendation of ISS subject to review by the GPVSC as set forth in the guidelines:

For general Issuances, in general AM policy is to:

Vote for issuance authorities with pre-emptive rights to a maximum of 100 percent over currently issued capital and as long as the share issuance authorities’ periods are clearly disclosed (or implied by the application of a legal maximum duration) and in line with market-specific practices and/or recommended guidelines (e.g. issuance periods limited to 18 months for the Netherlands); and

Vote for issuance authorities without pre-emptive rights to a maximum of 20 percent (or a lower limit if local market best practice recommendations provide) of currently issued capital as long as the share issuance authorities’ periods are clearly disclosed (or implied by the application of a legal maximum duration) and in line with market-specific practices and/or recommended guidelines (e.g. issuance periods limited to 18 months for the Netherlands).

For French companies, AM policy is to:

Vote for general issuance requests with pre-emptive rights, or without pre-emptive rights but with a binding “priority right,” for a maximum of 50 percent over currently issued capital; and

Generally vote for general authorities to issue shares without pre-emptive rights up to a maximum of 10 percent of share capital. When companies are listed on a regulated market, the maximum discount on share issuance price proposed in the resolution must, in addition, comply with the legal discount (i.e., a maximum of 5 percent discount to the share listing price) for a vote for to be warranted.

For specific issuances, in general AM policy is to:

Vote on a case-by-case basis on all requests, with or without pre-emptive rights, incorporating where applicable the recommendation of ISS.

Additionally, AM 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**

AM 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**

AM 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**

AM 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**

AM 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**

AM 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**

AM policy is to vote “against” Management proposals to require a supermajority vote to amend the charter or by-laws 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**

AM policy is to vote “against” proposals that restrict the right of shareholders to call special meetings, amend the bylaws, or act by written consent. AM 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.Executive and Director Stock Option Plans**

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

The resulting dilution of existing shares is less than (a) 15% of outstanding shares for large capital corporations; or (b) 20% of outstanding shares for small-mid capital companies (companies having a market capitalization under one billion US dollars).

-

The transfer of equity resulting from granting options at less than fair market value (“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.

• 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.

• The plan does not grant options on super-voting stock.

AM 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.

AM 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.

## **B. Employee Stock Option/Purchase Plans**

AM policy is to vote for employee stock purchase plans (“ESPPs”) when the plan complies with Internal Revenue Code Section 423, allowing non-Management employees to purchase stock at 85% of FMV.

AM 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 ESPPs 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.



### **C. Golden Parachutes**

AM 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. AM Policy is to vote on a “case-by-case” basis regarding more restrictive shareholder proposals to limit golden parachutes.

Rationale: In setting a reasonable limitation, AM 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.

### **D. Proposals to Limit Benefits or Executive Compensation**

AM policy is to vote “against”

Proposals to limit benefits, pensions or compensation and

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.

### **E. Shareholder Proposals Concerning “Pay for Superior Performance”**

AM policy is to address pay for superior performance proposals on a case-by-case basis subject to review by the GPVSC as set forth in AM’s Proxy Voting Policy and Guidelines, based on recommendation by ISS and consideration of the following factors:

What aspects of the company’s annual and long-term equity incentive programs are performance driven?

If the annual and long-term equity incentive programs are performance driven, are the performance criteria and hurdle rates disclosed to shareholders or are they benchmarked against a disclosed peer group?

Can shareholders assess the correlation between pay and performance based on the current disclosure?

What type of industry and stage of business cycle does the company belong to?

These proposals generally include the following principles:

Set compensation targets for the plan's annual and long-term incentive pay components at or below the peer group median;

Deliver a majority of the plan's target long-term compensation through performance-vested, not simply time-vested, equity awards;

Provide the strategic rationale and relative weightings of the financial and non-financial performance metrics or criteria used in the annual and performance-vested long-term incentive components of the plan;

Establish performance targets for each plan financial metric relative to the performance of the company's peer companies; and

Limit payment under the annual and performance-vested long-term incentive components of the plan to when the company's performance on its selected financial performance metrics exceeds peer group median performance.

Rationale: While AM agrees that compensation issues are better left to the discretion of Management, there remains the need to monitor for excessive and problematic compensation practices on a case-by-case basis. If, after a review of the ISS metrics, AM is comfortable with ISS's applying this calculation, AM will vote according to ISS' recommendation.

## **F. Executive Compensation Advisory**

AM policy is to support management or shareholder proposals to propose an advisory resolution seeking to ratify the compensation of the company's named executive officers ("NEOs") on an annual basis ("say on pay").

Rationale: AM believes that controls exist within senior Management and corporate compensation committees, ensuring fair compensation to executives. However, an annual advisory vote represents a good opportunity for shareholders to have a transparent and clear exchange of views with the company on the executive compensation structures.

## **G. Advisory Votes on Executive Compensation**

AM policy is to vote on a case-by-case basis on ballot items related to executive pay and practices, as well as certain aspects of outside director compensation, including recommendations by ISS where applicable, subject to review by the GPVSC as set forth in AM's Proxy Voting Policy and Guidelines.

AM policy is to vote against Advisory Votes on Executive Compensation (Management Say-on-Pay — MSOP) if:

• There is a significant misalignment between CEO pay and company performance (pay for performance);

• The company maintains significant problematic pay practices; or

- The Board exhibits a significant level of poor communication and responsiveness to shareholders.

### **Primary Evaluation Factors for Executive Pay**

#### Pay-for-Performance Evaluation

AM will consider the pay-for-performance analysis conducted annually by an independent third party, currently ISS, to identify strong or satisfactory alignment between pay and performance over a sustained period. With respect to companies in the Russell 3000 or Russell 3000E Indices, AM considers the following based on ISS' analysis:

#### Peer Group Alignment:

• The degree of alignment between the company's annualized TSR rank and the CEO's annualized total pay rank within a peer group, each measured over a three-year period.

• The multiple of the CEO's total pay relative to the peer group median.

Absolute Alignment – the absolute alignment between the trend in CEO pay and company TSR over the prior five fiscal years – i.e., the difference between the trend in annual pay changes and the trend in annualized TSR during the period.

If the above analysis demonstrates significant unsatisfactory long-term pay-for-performance alignment or, in the case of companies outside the Russell indices, misaligned pay and performance are otherwise suggested, AM may consider

any of the following qualitative factors as relevant to evaluating how various pay elements may work to encourage or to undermine long-term value creation and alignment with shareholder interests:

• The ratio of performance- to time-based equity awards;

• The overall ratio of performance-based compensation;

• The completeness of disclosure and rigor of performance goals;

• The company's peer group benchmarking practices;

• Actual results of financial/operational metrics, such as growth in revenue, profit, cash flow, etc., both absolute and relative to peers;

• Special circumstances related to, for example, a new CEO in the prior FY or anomalous equity grant practices (e.g., bi-annual awards);

• Realizable pay compared to grant pay; and

• Any other factors deemed relevant.

#### Problematic Pay Practices

AM's policy is to defer to ISS' recommendation regarding executive compensation practices that contravene the global pay principles considered by ISS in evaluating executive pay and practices, including:

• Problematic practices related to non-performance-based compensation elements;

• Incentives that may motivate excessive risk-taking; and

• Options Backdating.

#### Problematic Pay Practices related to Non-Performance-Based Compensation Elements

AM's policy is, in general, to evaluate pay elements that are not directly based on performance on a case-by-case considering the context of a company's overall pay program and demonstrated pay-for-performance philosophy. AM will defer to ISS' analysis of specific pay practices that have been identified as potentially problematic and may lead to negative recommendations if they are deemed to be inappropriate or unjustified relative to executive pay best practices. The list below highlights the problematic practices that carry significant weight in AM's overall consideration and may result in adverse vote recommendations:

• Repricing or replacing of underwater stock options/SARS without prior shareholder approval (including cash buyouts and voluntary surrender of underwater options);

• Excessive perquisites or tax gross-ups, including any gross-up related to a secular trust or restricted stock vesting;

• New or extended agreements that provide for:

- CIC payments exceeding 3 times base salary and average/target/most recent bonus;

• CIC severance payments without involuntary job loss or substantial diminution of duties ("single" or "modified single" triggers);

• CIC payments with excise tax gross-ups (including "modified" gross-ups); and

• Insufficient executive compensation disclosure by externally- managed issuers (EMIs) such that a reasonable assessment of pay programs and practices applicable to the EMI's executives is not possible.

Incentives that may Motivate Excessive Risk-Taking

• Multi-year guaranteed bonuses;

• A single or common performance metric used for short- and long-term plans;

• Lucrative severance packages;

• High pay opportunities relative to industry peers;

Disproportionate supplemental pensions; or

Mega annual equity grants that provide unlimited upside with no downside risk.

Factors that potentially mitigate the impact of risky incentives include rigorous claw-back provisions and robust stock ownership/holding guidelines.

#### Options Backdating

AM's policy is to examine the following factors case-by-case to allow for distinctions to be made between "sloppy" plan administration versus deliberate action or fraud:

Reason and motive for the options backdating issue, such as inadvertent vs. deliberate grant date changes;

Duration of options backdating;

Size of restatement due to options backdating;

Corrective actions taken by the Board or compensation committee, such as canceling or re-pricing backdated options, the recouping of option gains on backdated grants; and

Adoption of a grant policy that prohibits backdating, and creates a fixed grant schedule or window period for equity grants in the future.

AM may rely on ISS's analysis of the foregoing and may defer to ISS's recommendation subject to review by the GPVSC.

Rationale: While AM agrees that compensation issues are better left to the discretion of Management, there remains a need to take action on this nonbinding proposal if excessive or problematic compensation practices exist.

#### **H. Frequency of Advisory Vote on Executive Compensation**

AM 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: AM 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”)**

AM 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**

AM policy is to examine reincorporation proposals on a case-by-case basis. The voting decision is based on:

• Differences in state law between the existing state of incorporation and the proposed state of incorporation; and

• 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**

AM policy is to vote “for” Management fair-price proposals, provided that:

- The proposal applies only to two-tier offers;

- The proposal sets an objective fair-price test based on the highest price that the acquirer has paid for a company's shares;

- The supermajority requirement for bids that fail the fair-price test is no higher than two-thirds of the outstanding shares; and

- 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**

AM 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 AM'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, including consideration of ISS's analysis and recommendations where applicable, subject to review by the GPVSC. AM policy is to review and evaluate the merits and drawbacks of the proposed transaction, balancing various and sometimes countervailing factors including:

**Valuation** - Is the value to be received by the target shareholders (or paid by the acquirer) reasonable? While the fairness opinion may provide an initial starting point for assessing valuation reasonableness, emphasis is placed on the offer premium, market reaction and strategic rationale.

**Market reaction** - How has the market responded to the proposed deal? A negative market reaction should cause closer scrutiny of a deal.

**Strategic rationale** - Does the deal make sense strategically? From where is the value derived? Cost and revenue synergies should not be overly aggressive or optimistic, but reasonably achievable. Management should also have a favorable track record of successful integration of historical acquisitions.

**Negotiations and process** - Were the terms of the transaction negotiated at arm's-length? Was the process fair and equitable? A fair process helps to ensure the best price for shareholders. Significant negotiation "wins" can also signify the deal makers' competency. The comprehensiveness of the sales process (e.g., full auction, partial auction, no auction) can also affect shareholder value.

**Conflicts of interest** - Are insiders benefiting from the transaction disproportionately and inappropriately as compared to non-insider shareholders? As the result of potential conflicts, the directors and officers of the company may be more likely to vote to approve a merger than if they did not hold these interests. Consider whether these interests may have influenced these directors and officers to support or recommend the merger. The CIC figure presented in the "ISS Transaction Summary" section of this report is an aggregate figure that can in certain cases be a misleading indicator of the true value transfer from shareholders to insiders. Where such figure appears to be excessive, analyze the underlying assumptions to determine whether a potential conflict exists.

**Governance** - Will the combined company have a better or worse governance profile than the current governance profiles of the respective parties to the transaction? If the governance profile is to change for the worse, the burden is on the company to prove that other issues (such as valuation) outweigh any deterioration in governance.

Additional resources including portfolio management and research analysts may be considered as set forth in AM's policies and procedures.

## **VII. Environmental, Social and 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**

AM policy is to actively engage with companies on ESG issues and participate in ESG initiatives. In this context, AM (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, on other votes 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**

AM policy will also consider the Coalition for Environmentally Responsible Economies (“CERES”) recommendation on Environmental matters contained in the CERES Principles and the recommendations on social and sustainability issues not specifically addressed elsewhere in these Guidelines. AM may consider ISS to identify shareholder proposals addressing CERES Principles and may have proxies voted in accordance with ISS’ predetermined voting guidelines on CERES Principles. AM policy is to generally vote for social and environmental shareholder proposals that promote good corporate citizens while enhancing long-term shareholder and stakeholder value. AM policy is to vote for disclosure reports that seek additional information particularly when it appears companies have not adequately addressed shareholders' social, workforce, and environmental concerns. In determining vote recommendations on shareholder social, workforce, and environmental proposals, AM will consider the recommendation of ISS along with various other factors including:

• Whether the proposal itself is well framed and reasonable;

• Whether adoption of the proposal would have either a positive or negative impact on the company's short-term or long-term share value;

• Whether the company's analysis and voting recommendation to shareholders is persuasive;

• The degree to which the company's stated position on the issues could affect its reputation or sales, or leave it vulnerable to boycott or selective purchasing;

• Whether the subject of the proposal is best left to the discretion of the Board;

• Whether the issues presented in the proposal are best dealt with through legislation, government regulation, or company-specific action;

• The company's approach compared with its peers or any industry standard practices for addressing the issue(s) raised by the proposal;

• Whether the company has already responded in an appropriate or sufficient manner to the issue(s) raised in the proposal;

If the proposal requests increased disclosure or greater transparency, whether or not sufficient information is publicly available to shareholders and whether it would be unduly burdensome for the company to compile and avail the requested information to shareholders in a more comprehensive or amalgamated fashion; or

• Whether implementation of the proposal would achieve the objectives sought in the proposal.

In general, AM policy supports proposals that request the company to furnish information helpful to shareholders in evaluating the company's operations, based on ISS' analysis and recommendation. In order to be able to intelligently monitor their investments shareholders often need information best provided by the company in which they have invested. Requests to report such information will merit support. Requests to establish special committees of the Board to address broad corporate policy and provide forums for ongoing dialogue on issues including, but not limited to shareholder relations, the environment, human rights, occupational health and safety, and executive compensation, will generally be supported, particularly when they appear to offer a potentially effective method for enhancing shareholder value. AM policy is to closely evaluate proposals that ask the company to cease certain actions that the proponent believes are harmful to society or some segment of society with special attention to the company's legal and ethical obligations, its ability to remain profitable, and potential negative publicity if the company fails to honor the request. AM policy supports shareholder proposals that improve the company's public image, and reduce exposure to liabilities.

Rationale: AM supports CERES and as such generally considers the CERES recommendation, but will vote on a case-by-case basis.

## **VIII. Miscellaneous Items**

### **A. Ratification of Auditors**

AM 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**

AM 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, AM 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 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**

AM policy is to vote against proposals seeking audit firm rotation, unless there are relevant audit-related issues.

Rationale: Because the Sarbanes-Oxley Act mandates that the lead audit partner be switched every five years, AM believes that rotation of the actual audit firm would be costly and disruptive, unless AM believes there are significant audit-related issues.

### **D. Transaction of Other Business**

AM 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**

AM Policy is to vote “against” proposals to adjourn the meeting.

Rationale: Management may seek authority to adjourn the meeting if a favorable outcome is not secured. Shareholders should already have had enough information to make a decision. Once votes have been cast, there is no justification for Management to continue spending time and money to press shareholders for support.

#### **F. Bundled Proposals**

AM policy is to vote against bundled proposals if any bundled issue would require a vote against it if proposed individually.

Rationale: Shareholders should not be forced to “take the good with the bad” in cases where the proposals could reasonably have been submitted separately.

#### **G. Change of Company Name**

AM policy is to support Management on proposals to change the company name.

Rationale: This is generally considered a business decision for a company.

#### **H. Proposals Related to the Annual Meeting**

AM Policy is to vote “for” Management for proposals related to the conduct of the annual meeting (meeting time, place, etc.)

Rationale: These are considered routine administrative proposals.

### **I. Reimbursement of Expenses Incurred from Candidate Nomination**

AM policy is to follow Management’s recommended vote on shareholder proposals related to the amending of company bylaws to provide for the reimbursement of reasonable expenses incurred in connection with nominating one or more candidates in a contested election of Directors to the corporation’s Board of Directors.

Rationale: Corporations should not be liable for costs associated with shareholder proposals for Directors.

### **J. Investment Company Proxies**

Proxies solicited by investment companies are voted in accordance with the recommendations of an independent third party, currently ISS. However, regarding investment companies for which AM 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. Proxies solicited by master funds from feeder funds will be voted in accordance with applicable provisions of Section 12 of the Investment Company Act of 1940 (“Investment Company Act”).

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. For example, AM could vote “for” staggered Boards of closed-end investment companies, although AM generally votes “against” staggered Boards for operating companies. Further, the manner in which AM votes investment company proxies may differ from proposals for which an AM-advised investment company solicits proxies from its shareholders. As reflected in the Guidelines, proxies solicited by closed-end (and open-end) investment companies are voted in accordance with the pre-determined guidelines of an independent third-party.

Subject to participation agreements with certain Exchange Traded Funds (“ETF”) issuers that have received exemptive orders from the US 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, AM 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.

Note: With respect to the Deutsche Central Cash Management Government Fund (registered under the Investment Company Act), 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 Deutsche Central Cash Management Government Fund, to vote contrary to the positions in the Guidelines, consistent with the Fund's best interest.

The above guidelines pertain to issuers organized in the United States and Canada. Proxies solicited by other issuers are voted in accordance with international guidelines or the recommendation of ISS and in accordance with applicable law and regulation.

## **IX. Proxy Voting Guidelines with application for holdings incorporated in Europe:**

### **Remuneration (Variable Pay)**

#### **A. Executive remuneration for Management Board**

AM policy is to vote "for" Management Board remuneration 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.

#### **B. Executive remuneration for Supervisory Board**

AM 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.

### **C. Long-Term Incentive Plans**

AM 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:

1. Directly align the interests of members of Management Boards with those of shareholders;
2. Establish challenging performance criteria to reward only above average performance;
3. Measure performance by total shareholder return in relation to the market or a range of comparable companies;
4. Are long-term in nature and encourage long-term ownership of the shares once exercised through minimum holding periods; and
5. Do not allow a repricing of the exercise price in stock option plans.

### **D. Proposals to Restrict Supervisory Board Members Service on Multiple Boards**



AM 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 Members must have sufficient time to ensure that shareholders’ interests are represented adequately.

Note: A Director’s service on multiple Boards within a fund complex is exempt from the above rule for the purpose of the proxy voting guidelines.

#### **E. Establishment of a Remuneration Committee**

AM 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 Management 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.

#### **F. Management Board Election and Motion**

AM policy is to vote “against”:

1. The election of Management Board members with positions on either Remuneration or Audit Committees;
2. The election of Supervisory Board members with too many Supervisory Board mandates; and
3. “Automatic” election of former Management 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.

## **ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES**

### **Portfolio Manager Disclosure:**

As of the date of this report, the following individual handles the day-to-day management of the Fund.

Gerd Kirsten, CFA, Managing Director and Portfolio Manager of the Fund

- Began managing the Fund in 2009.
- Senior Portfolio Manager - European Equities: Frankfurt.
- Joined Deutsche Asset Management in 2009.
- Diplom-Kaufmann in Banking, Technical University of Berlin; MBA, Columbia University.

### Compensation of Portfolio Managers

The Advisor and its affiliates are part of the DWS. The brand DWS represents DWS Group GmbH & Co. KGaA (“DWS Group”) and any of the subsidiaries such as DWS Investment Management Americas, Inc. and RREEF America L.L.C. which offer advisory services. DWS seeks to offer its investment professionals competitive short-term and long-term compensation based on continuous, above average, fund performance relative to the market. This includes measurement of short and long-term performance against industry and portfolio benchmarks. As employees of DWS, portfolio managers are paid on a total compensation basis, which includes Fixed Pay (base salary) and Variable

Compensation, as set forth below. The compensation information below is provided as of the Fund's most recent annual report dated December 31, 2018.

Fixed Pay (**FP**) is the key and primary element of compensation for the majority of DWS employees and reflects the value of the individual's role and function within the organization. It rewards factors that an employee brings to the organization such as skills and experience, while reflecting regional and divisional (i.e. DWS) specifics. FP levels play a significant role in ensuring competitiveness of the Advisor and its affiliates in the labor market, thus benchmarking provides a valuable input when determining FP levels.

Variable Compensation (**VC**) is a discretionary compensation element that enables the Advisor and its affiliates to provide additional reward to employees for their performance and behaviors, while reflecting DWS affordability and the financial situation of Deutsche Bank AG (the "Bank") and DWS. VC aims to:

- o Recognize that every employee contributes to the DWS Group's success through the DWS Group and/or Bank component of VC (**Group Component**),
- o Reflect individual performance, investment performance, behaviours and culture through discretionary individual VC (**Individual Component**), and
- o Reward outstanding contributions at the junior levels through the discretionary **Recognition Award**.

Employee seniority as well as divisional and regional specifics determine which VC elements are applicable for a given employee and the conditions under which they apply. Both Group and Individual Components may be awarded in shares or other share-based instruments and other deferral arrangements.

VC can be delivered via cash, restricted equity awards, and/or restricted incentive awards or restricted compensation.

Restricted compensation may include:

- o notional fund investments
- o restricted equity, notional equity,
- o restricted cash,
- o or such other form as DWS may decide in its sole discretion

VC comprises a greater proportion of total compensation as an employee's seniority and total compensation level increase. Proportion of VC delivered via a long-term incentive award, which is subject to clawback, will increase significantly as the amount of the VC increases.

For key investment professionals, in particular, a portion of any long-term incentives will be in the form of notional investments aligned, where possible, to the funds they manage.

In general, each of the Advisor and its advisory affiliates seek to offer its investment professionals competitive short-term and long-term compensation based on continuous, above average, fund performance relative to the market. This includes measurement of short and long-term performance against industry and portfolio benchmarks. To evaluate its investment professionals in light of and consistent with the compensation principles set forth above, the

Advisor and its affiliates review investment performance for all accounts managed in relation to the appropriate Morningstar peer group universe with respect to a fund, iMoneyNet peer group with respect to a money market fund or relevant benchmark index(es) set forth in the governing documents with respect to each other account type. The ultimate goal of this process is to evaluate the degree to which investment professionals deliver investment performance that meets or exceeds their clients' risk and return objectives. When determining total compensation, the Advisor and its affiliates consider a number of quantitative, qualitative and other factors:

Quantitative measures (e.g. one-, three- and five-year pre-tax returns versus the appropriate Morningstar peer group universe for a fund, or versus the appropriate iMoneyNet peer group for a money market fund or relevant benchmark index(es) set forth in the governing documents with respect to each other account type, taking risk targets into account) are utilized to measure performance.

Qualitative measures (e.g. adherence to, as well as contributions to, the enhancement of the investment process) are included in the performance review.

Other factors (e.g. non-investment related performance, teamwork, adherence to compliance rules, risk management and "living the values" of the Advisor and its affiliates) are included as part of a discretionary component of the review process, giving management the ability to consider additional markers of performance on a subjective basis.

#### Fund Ownership of Portfolio Managers

The following table shows the dollar range of Fund shares owned beneficially and of record by each member of the Fund's portfolio management team as well as in all US registered Funds advised by DWS International GmbH as a group (the "Family of Funds"), including investments by their immediate family members sharing the same household and amounts invested through retirement and deferred compensation plans. This information is provided as of the Fund's most recent annual report dated December 31, 2018.

Name of <u>Portfolio Manager</u>	Dollar Range of Fund Shares Owned	Dollar Range of All in the Family of Funds Shares Owned
Gerd Kirsten	-	-

Conflicts of Interest

In addition to managing the assets of the Fund, the Fund's portfolio managers may have responsibility for managing other client accounts of the Advisor or its affiliates. The tables below show, for each portfolio manager, the number and asset size of (1) SEC registered investment companies (or series thereof) other than the Fund, (2) pooled investment vehicles that are not registered investment companies and (3) other accounts (e.g., accounts managed for individuals or organizations) managed by each portfolio manager. Total assets attributed to each portfolio manager in the tables below include total assets of each account managed by them, although the manager may only manage a portion of such account's assets. For Funds subadvised by subadvisors unaffiliated with DWS International GmbH, total assets of Funds managed may only include assets allocated to the portfolio manager and not the total assets of each Fund managed. The tables also show the number of performance-based fee accounts, as well as the total assets of the accounts for which the advisory fee is based on the performance of the account. This information is provided as of the Fund's most recent annual report dated December 31, 2018.

#### Other SEC Registered Investment Companies Managed:

<b>Name of Portfolio Manager</b>	<b>Number of Registered Investment Companies</b>	<b>Total Assets of Registered Investment Companies</b>	<b>Number of Investment Company Accounts with Performance Based Fee</b>	<b>Total Assets of Performance- Based Fee Accounts</b>
Gerd Kirsten	1	\$42,258,863	-	-

**Other Pooled Investment Vehicles Managed:**

<b>Name of Portfolio Manager</b>	<b>Number of Pooled Investment Vehicles</b>	<b>Total Assets of Pooled Investment Vehicles</b>	<b>Number of Pooled Investment Vehicle Accounts with Performance-Based Fee</b>	<b>Total Assets of Performance- Based Fee Accounts</b>
Gerd Kirsten	1	\$67,210,426	-	-

**Other Accounts Managed:**

<b>Name of Portfolio Manager</b>	<b>Number of Other Accounts</b>	<b>Total Assets of Other Accounts</b>	<b>Number of Other Accounts with Performance- Based Fee</b>	<b>Total Assets of Performance- Based Fee Accounts</b>
Gerd Kirsten	5	\$1,348,502,988	-	-

In addition to the accounts above, an investment professional may manage accounts in a personal capacity that may include holdings that are similar to, or the same as, those of the Funds. The Advisor or Subadvisor, as applicable, has in place a Code of Ethics that is designed to address conflicts of interest and that, among other things, imposes restrictions on the ability of portfolio managers and other “access persons” to invest in securities that may be recommended or traded in the Funds and other client accounts.

Real, potential or apparent conflicts of interest may arise when a portfolio manager has day-to-day portfolio management responsibilities with respect to more than one fund or account, including the following:

- Certain investments may be appropriate for the Fund and also for other clients advised by the Advisor, including other client accounts managed by the Fund’s portfolio management team. Investment decisions for the Fund and other clients are made with a view to achieving their respective investment objectives and after consideration of such factors as their current holdings, availability of cash for investment and the size of their investments generally. A particular security may be bought or sold for only one client or in different amounts and at different times for more than one but less than all clients. Likewise, because clients of the Advisor may have differing investment strategies, a particular security may be bought for one or more clients when one or more other clients are selling the security. The investment results achieved for the Fund may differ from the results achieved for other clients of the Advisor. In addition, purchases or sales of the same security may be made for two or more clients on the same day. In such event, such transactions will be allocated among the clients in a manner believed by the Advisor to be most equitable to each client, generally utilizing a pro rata allocation methodology. In some cases, the allocation procedure could

potentially have an adverse effect or positive effect on the price or amount of the securities purchased or sold by the Fund. Purchase and sale orders for the Fund may be combined with those of other clients of the Advisor in the interest of achieving the most favorable net results to the Fund and the other clients.

To the extent that a portfolio manager has responsibilities for managing multiple client accounts, a portfolio manager will need to divide time and attention among relevant accounts. The Advisor attempts to minimize these conflicts by aligning its portfolio management teams by investment strategy and by employing similar investment models across multiple client accounts.

In some cases, an apparent conflict may arise where the Advisor has an incentive, such as a performance-based fee, in managing one account and not with respect to other accounts it manages. The Advisor will not determine allocations based on whether it receives a performance-based fee from the client. Additionally, the Advisor has in place supervisory oversight processes to periodically monitor performance deviations for accounts with like strategies.

The Advisor and its affiliates and the investment team of each Fund may manage other mutual funds and separate accounts on a long only or a long-short basis. The simultaneous management of long and short portfolios creates potential conflicts of interest including the risk that short sale activity could adversely affect the market value of the long positions (and vice versa), the risk arising from sequential orders in long and short positions, and the risks associated with receiving opposing orders at the same time. The Advisor has adopted procedures that it believes are reasonably designed to mitigate these and other potential conflicts of interest. Included in these procedures are specific guidelines developed to provide fair and equitable treatment for all clients whose accounts are managed by each Fund's portfolio management team. The Advisor and the portfolio management team have established monitoring procedures, a protocol for supervisory reviews, as well as compliance oversight to ensure that potential conflicts of interest relating to this type of activity are properly addressed.

Because the Advisor is majority owned by the Bank, a multi-national financial services company, the Advisor is affiliated with a variety of entities that provide, and/or engage in commercial banking, insurance, brokerage, investment banking, financial advisory, broker-dealer activities (including sales and trading), hedge funds, real estate and private equity investing, in addition to the provision of investment management services to institutional and individual investors. Since the Bank, its affiliates, directors, officers and employees (the "Firm") are engaged in businesses and have interests in addition to managing asset management accounts, such wide ranging activities involve real, potential or apparent conflicts of interest. These interests and activities include potential advisory, transactional and financial activities and other interests in securities and companies that may be directly or indirectly purchased or sold by the Firm for its clients' advisory accounts. The Advisor may take investment positions in securities in which other clients or related persons within the Firm have different investment positions. There may be instances in which the Advisor is purchasing or selling for its client accounts, or pursuing an outcome in the context of a workout or restructuring with respect to, securities in which the Firm is undertaking the same or differing strategy in other businesses or other client accounts. These are considerations of which advisory clients should be aware and which may cause conflicts that could be to the disadvantage of the Advisor's advisory clients, including the Fund. The Advisor has instituted business and compliance policies, procedures and disclosures that are designed to identify, monitor and mitigate conflicts of interest and, as appropriate, to report them to a Fund's Board.

**ITEM PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT  
9. COMPANY AND AFFILIATED PURCHASERS**

Edgar Filing: EUROPEAN EQUITY FUND, INC / MD - Form N-CSR

Period	(a)	(b)	(c)	(d)
	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 1 through January 31	0	\$ -	0	347,100
February 1 through February 28	18,900	\$ 9.94	18,900	328,200
March 1 through March 31	18,600	\$ 9.75	18,600	309,600
April 1 through April 30	16,300	\$ 9.75	16,300	293,300
May 1 through May 31	16,694	\$ 9.75	16,694	276,606
June 1 through June 30	19,706	\$ 9.57	19,706	256,900
July 1 through July 31	17,600	\$ 9.57	17,600	239,300
August 1 through August 31	25,600	\$ 9.50	25,600	765,400
September 1 through September 30	19,900	\$ 9.44	19,900	745,500
October 1 through October 31	35,900	\$ 8.89	35,900	709,600
November 1 through November 30	24,500	\$ 8.52	24,500	685,100
December 1 through December 31	27,400	\$ 7.98	27,400	657,700
Total	241,100	\$ 9.23	241,100	

On July 31, 2017, the Fund announced that the Board of Directors approved the extension of the current repurchase authorization permitting the Fund to repurchase up to 404,000 shares during the period from August 1, 2017 through July 31, 2018. Under this plan, the Fund repurchased 164,700 shares in open market transactions from August 1, 2017 to July 31, 2018.

On July 27, 2018, the Fund announced that the Board of Directors approved the extension of the current repurchase authorization permitting the Fund to repurchase up to 791,000 shares during the period from August 1, 2018 through July 31, 2019. Under this plan, the Fund repurchased 133,300 shares in open market transactions from August 1, 2018 to December 31, 2018.

**ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

There were no material changes to the procedures by which stockholders may recommend nominees to the Fund's Board. The Nominating and Governance Committee will consider nominee candidates properly submitted by stockholders in accordance with applicable law, the Fund's Articles of Incorporation or By-laws, resolutions of the Board and the qualifications and procedures set forth in the Nominating and Governance Committee Charter and this proxy statement. The Nominating and Governance Committee's Charter requires that a stockholder or group of stockholders seeking to submit a nominee candidate (i) must have beneficially owned at least 5% of the Fund's common stock for at least two years, (ii) may submit only one nominee candidate for any particular meeting of stockholders, and (iii) may submit a nominee candidate for only an

annual meeting or other meeting of stockholders at which directors will be elected. The stockholder or group of stockholders must provide notice of the proposed nominee pursuant to the requirements found in the Fund's By-laws. Generally, this notice must be received not less than 90 days nor more than 120 days prior to the first anniversary of the date of mailing of the notice for the preceding year's annual meeting. Such notice shall include the specific information required by the Fund's By-laws. The Nominating and Governance Committee will evaluate nominee candidates properly submitted by stockholders on the same basis as it considers and evaluates candidates recommended by other sources.

**ITEM 11. CONTROLS AND PROCEDURES**

The Chief Executive and Financial Officers concluded that the Registrant's Disclosure Controls and (a) Procedures are effective based on the evaluation of the Disclosure Controls and Procedures as of a date within 90 days of the filing date of this report.

There have been no changes in the registrant's internal control over financial reporting that occurred during (b) the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal controls over financial reporting.

**ITEM 12. Disclosure of Securities Lending Activities for Closed-End Management Investment Companies**

**Securities Lending Activities**

During The European Equity Fund, Inc. most recent fiscal year ending December 31, 2018, Brown Brothers Harriman & Co. ("BBH") served as the fund's securities lending agent.

As a securities lending agent, BBH is responsible for the implementation and administration of a fund's securities lending program. Pursuant to its respective Securities Lending Agency Agreement ("Securities Lending Agreement") with the fund, BBH, as a general matter, performs various services, including the following:

lend available securities to institutions that are approved borrowers

determine whether a loan shall be made and negotiate and establish the terms and conditions of the loan with the borrower

ensure that all dividends and other distributions paid with respect to loaned securities are credited to the fund's relevant account

receive and hold, on the fund's behalf, or transfer to a fund account, upon instruction by the fund, collateral from borrowers to secure obligations of borrowers with respect to any loan of available securities



· mark-to-market the market value of loaned securities relative to the market value of the collateral each business day

· obtain additional collateral, as needed, in order to maintain the value of the collateral relative to the market value of the loaned securities at the levels required by the Securities Lending Agreement

· at the termination of a loan, return the collateral to the borrower upon the return of the loaned securities

· in accordance with the terms of the Securities Lending Agreement, invest cash collateral in permitted investments, including investments managed by the fund's investment adviser

· maintain records relating to the fund's securities lending activity and provide to the fund a monthly statement describing, among other things, the loans made during the period, the income derived from the loans (or losses incurred) and the amounts of any fees or payments paid with respect to each loan

BBH is compensated for the above-described services from its securities lending revenue split. The tables below show the income each fund earned and the fees and compensation it paid to service providers in connections with its securities lending activities during its most recent fiscal year.

**The European Equity Fund, Inc.**

**Securities Lending Activities - Income and Fees for Fiscal Year 2018**

<b>Gross income from securities lending activities</b>		\$33,172
(including income from cash collateral reinvestment)		
Fees and/or compensation for securities lending activities and related services		
Fees paid to securities lending agent from a revenue split		\$2,015
Fees paid for any cash collateral management service (including fees deducted from a pooled cash collateral reinvestment vehicle) that are not included in the revenue split		\$1,452
Administrative fees not included in revenue split		--
Indemnification fee not included in revenue split		--
Rebate (paid to borrower)	\$11,568	
Other fees not included in revenue split	--	
<b>Aggregate fees/compensation for securities lending activities and related services</b>	<b>\$15,035</b>	
<b>Net income from securities lending activities</b>	<b>\$18,137</b>	

**EXHIBITS**

**ITEM  
13.**

- (a)(1) Code of Ethics pursuant to Item 2 of Form N-CSR is filed and attached hereto as EX-99.CODE ETH.
- (a)(2) Certification pursuant to Rule 30a-2(a) under the Investment Company Act of 1940 (17 CFR 270.30a-2(a)) is filed and attached hereto as Exhibit 99.CERT.
- (b) Certification pursuant to Rule 30a-2(b) under the Investment Company Act of 1940 (17 CFR 270.30a-2(b)) is furnished and attached hereto as Exhibit 99.906CERT.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Registrant: The European Equity Fund, Inc.

/s/Hepsen Uzcan

By: Hepsen Uzcan

President

Date: 3/1/2019

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/Hepsen Uzcan

By: Hepsen Uzcan

President

Date: 3/1/2019

/s/Diane Kenneally

By: Diane Kenneally

Chief Financial Officer and Treasurer

Date: 3/1/2019