

CENTRAL EUROPE & RUSSIA FUND, INC.
Form SC 13D
March 27, 2009

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

SCHEDULE 13D
(Rule 13d-101)
(Amendment__)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT
TO RULE 13d-1(a) AND AMENDMENTS THERETO FILED PURSUANT TO
RULE 13d-2(a)

CENTRAL EUROPE & RUSSIA FUND, INC.

(Name of Issuer)

Common Stock, par value \$.01 per share

(Title of Class of Securities)

153436100

(CUSIP Number)

Barry M. Olliff
c/o City of London Investment Management Company Limited
77 Gracechurch Street, London, UK EC3V 0AS
+44 207 711 0771

(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

March 27, 2009

(Date of Event Which Requires Filing of This Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(e), (f) or (g), check the following box .

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section of the Act but

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shall be subject to all other provisions of the Act.

(Page 1 of 10 Pages)

CUSIP NO. 153436100

13D

PAGE 2 of 10

1 NAME OF REPORTING PERSONS
S.S. OR I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS

City of London Investment Group PLC, (CLIG) a company incorporated under the laws of England and Wales.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a)
(b)

3 SEC USE ONLY

4 SOURCE OF FUNDS*

OO

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

England and Wales

| | | |
|--------------|-----------|--------------------------|
| NUMBER OF | 7 | SOLE VOTING POWER |
| SHARES | 3,833,372 | |
| BENEFICIALLY | 8 | SHARED VOTING POWER |
| OWNED BY | 0 | |
| EACH | 9 | SOLE DISPOSITIVE POWER |
| REPORTING | 3,833,372 | |
| PERSON | 10 | SHARED DISPOSITIVE POWER |
| WITH | 0 | |

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

3,833,372

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

24.17%

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14 TYPE OF REPORTING PERSON*

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=====
CUSIP NO. 153436100
=====

13D

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PAGE 3 of 10
=====

1 NAME OF REPORTING PERSONS
S.S. OR I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS

City of London Investment Management Company Limited (CLIM), a company incorporated under the laws of England and Wales.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a)
(b)

3 SEC USE ONLY

4 SOURCE OF FUNDS*

WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO
ITEM 2 (d) OR 2 (e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

England and Wales

| | | |
|--------------|----|--------------------------|
| NUMBER OF | 7 | SOLE VOTING POWER |
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24.17%

14 TYPE OF REPORTING PERSON*

IA

CUSIP NO. 153436100

13D

PAGE 4 of 10

ITEM 1. SECURITY AND ISSUER.

This statement relates to the shares of common stock, par value \$.01 per share (the "Shares"), of Central Europe & Russia Fund, Inc, (the "Fund"). The principal executive offices of the Fund are located at Central Europe & Russia Fund, Inc. c/o Deutsche Asset Management, Deutsche Funds, 345 Park Avenue, New York, NY 10154 - 0004 Attn: David Goldman, Secretary (212-454-6778)

ITEM 2. IDENTITY AND BACKGROUND.

(a). This statement is being filed by City of London Investment Group PLC ("CLIG") and City of London Investment Management Company Limited ("CLIM," and together with CLIG, the "Reporting Persons").

(b). The business address and principal executive offices of CLIG are 77 Gracechurch Street London, EC3V 0AS England. The directors and executive officers of CLIG, their business addresses and present principal occupation or employment are set forth on Annex A attached to this Schedule 13D. The business address and principal executive offices of CLIM are 77 Gracechurch Street London, EC3V 0AS England. The directors and executive officers of CLIM, their business addresses and present principal occupation or employment are set forth on Annex A attached to this 13D.

(c). The principal business of CLIG is serving as the parent holding company for the City of London group of companies, including CLIM. CLIM is an emerging markets fund manager which specializes in investing in closed-end investment companies and is a registered investment adviser under Section 203 of the Investment Advisers Act of 1940. CLIM is controlled by CLIG. CLIM is principally engaged in the business of providing investment advisory services to various public and private investment funds, including The Emerging World Fund ("EWF"), a Dublin, Ireland-listed open-ended investment company, Emerging Markets Country Fund ("GEM"), a private investment fund organized as a Delaware business trust, Investable Emerging Markets Country Fund ("IEM"), a private investment fund organized as a Delaware business trust, Emerging Free Markets Country Fund ("FREE"), a private investment fund organized as a Delaware business trust, The EM Plus CEF Fund ("PLUS"), a private investment fund organized as a Delaware business trust, GFM (Institutional) Emerging Markets Country Fund ("GFM"), an open-ended fund organized under the laws of the Province of Ontario, Global Emerging Markets Country Fund Cayman ("CEM"), an open-ended fund organized under the laws of Cayman Monetary Authority and fifteen unaffiliated third-party segregated accounts over which CLIM exercises discretionary voting and investment authority (the "Segregated Accounts"). EWF, GEM, IEM, FREE, PLUS, GFM and, CEM, are collectively

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referred to herein as the "City of London Funds."

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CUSIP NO. 153436100
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13D

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PAGE 5 of 10
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(d). None of the Reporting Persons has, during the last five years, been convicted in any criminal proceeding.

(e). None of the Reporting Persons has, during the last five years, been a party to any civil proceeding commenced before a judicial or administrative body of competent jurisdiction as a result of which it or he was or is now subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

(f). City of London Investment Group PLC, (CLIG) and City of London Investment Management Company Limited (CLIM) are companies incorporated under the laws of England and Wales.

ITEM 3. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATIONS.

Beneficial ownership of the Shares to which this statement relates was acquired by the Reporting Persons with invested capital of the City of London Funds and the Segregated Accounts. The aggregate purchase price of the 3,833,372 Shares beneficially owned by the Reporting Persons was \$175,561,555, inclusive of brokerage commissions. The aggregate purchase price of the 451,069 Shares owned directly by EWF was \$22,194,928, inclusive of brokerage commissions. The aggregate purchase price of the 481,017 Shares owned directly by GEM was \$27,521,858, inclusive of brokerage commissions. The aggregate purchase price of the 480,144 Shares owned directly by IEM was \$23,956,235, inclusive of brokerage commissions. The aggregate purchase price of the 67,057 Shares owned directly by GFM was \$2,997,539, inclusive of brokerage commissions. The aggregate purchase price of the 480,874 Shares owned directly by FREE was \$23,948,659, inclusive of brokerage commissions. The aggregate purchase price of the 14,160 Shares owned directly by PLUS was \$192,871, inclusive of brokerage commissions. The aggregate purchase price of the 1,859,051 Shares owned directly by the Segregated Accounts was \$74,749,465, inclusive of brokerage commissions.

ITEM 4. PURPOSE OF TRANSACTION.

The Reporting Persons contend that the Fund's Board of Directors has failed, over an extended period, to take meaningful action to address the Fund's persistently wide discount to NAV. We undertake this filing to communicate our concerns to fellow shareholders.

In a letter dated December 18, 2008, we expressed our belief that the share buyback program instituted by the Fund had not effectively narrowed the Fund's discount to NAV. The foregoing description of the letter is not intended to be complete and is qualified in its entirety by the complete text of the letter, which is filed as Exhibit B hereto as incorporated herein by reference.

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CUSIP NO. 153436100
=====

13D

PAGE 6 of 10
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In a prior letter dated August 23, 2007, the Reporting Persons expressed concerns regarding the Fund's very large undistributed capital gains. The foregoing description of the letter is not intended to be complete and it is qualified in its entirety by the complete text of the letter, which is filed as Exhibit A hereto as incorporated herein by reference.

ITEM 5. INTERESTS IN SECURITIES OF THE ISSUER.

and (b). As of the date hereof, CLIG, through its control of CLIM, and CLIM, in its capacity as investment adviser to the City of London Funds and the Segregated Accounts, have voting and dispositive power with respect to all 3,833,372 Shares owned directly by the City of London Funds and the Segregated Accounts, representing approximately 24.17% of the 15.861 million Shares outstanding as of December 30, 2008, as reported by the Fund. As of the date hereof, EWF, GEM, IEM, GFM, FREE, PLUS, and the Segregated Accounts owned directly 451,069, 481,017, 480,144, 67,057, 480,874, 14,160 and 1,859,051 Shares, respectively, representing approximately 2.84%, 3.03%, 3.03%, 0.42%, 3.03%, 0.09% and 11.72%, respectively, of the 15.861 million Shares outstanding as of December 30, 2008, as reported by the Fund. The resulting ownership in excess of 3% of the outstanding voting shares of the Fund by GEM, IEM, and FREE, respectively, resulted from a share buy-back program instituted by the Fund which had the effect of reducing the total amount of the Fund's voting shares outstanding, and not as a result of a direct purchase or acquisition of Fund shares by GEM, IEM, and FREE. Such ownership in excess of 3% of the Fund's shares by GEM, IEM and FREE is therefore specifically exempted from Section 12(d)(1)(A) of the Investment Company Act of 1940.

(c). Information with respect to all transactions in the Shares beneficially owned by the Reporting Persons that were effected during the past 60 days is set forth below:

| TRADE DATE | NUMBER OF SHARES | TRANSACTION TYPE | CLIG FUND | TRADE PRICE |
|------------|------------------|------------------|-----------|-------------|
| 2/18/2009 | 5,000 | BUY | ACCOUNT | 12.6062 |
| 3/10/2009 | 67,400 | SELL | ACCOUNT | 12.8661 |
| 3/11/2009 | 5,000 | BUY | ACCOUNT | 13.1000 |
| 3/13/2009 | 29,700 | BUY | ACCOUNT | 14.0101 |
| 3/13/2009 | 5,300 | BUY | PLUS | 14.0101 |
| 3/17/2009 | 56,500 | SELL | ACCOUNT | 15.3884 |
| 3/18/2009 | 13,000 | SELL | ACCOUNT | 14.6805 |
| 3/23/2009 | 19,900 | SELL | ACCOUNT | 15.8512 |
| 3/23/2009 | 30,000 | SELL | EWF | 15.8512 |

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ANNEX A

DIRECTORS AND EXECUTIVE OFFICERS

The names of the directors and executive officers of CLIG and their business addresses and present principal occupation or employment are set forth below. If no business address is given, the business address of such director or executive officer is c/o City of London Investment Group PLC, 77 Gracechurch Street, London EC3V 0AS, England.

| | |
|-----------------|-------------------------------|
| Andrew Davison | Chairman |
| Barry Olliff | Chief Executive Officer |
| Douglas Allison | Finance Director |
| Omar Ashur | Non-Executive Director |
| Allen Bufferd | Non-Executive Director |
| David Cardale | Non-Executive Director |
| Thomas Griffith | Chief Operating Officer |
| George Robb | Non-Executive Director |
| Carlos Yuste | Business Development Director |

The names of the directors and executive officers of CLIM and their business addresses and present principal occupation or employment are set forth below. If no business address is given, the business address of such director or executive officer is c/o City of London Investment Management Company Limited, 77 Gracechurch Street, London EC3V 0AS, England.

| | |
|--------------------|--------------------------|
| Barry Olliff | Chief Investment Officer |
| Douglas Allison | Finance Director |
| Jeremy Banister | Director |
| Martin Garzaron | Director |
| Clayton Gillece | Director |
| Thomas Griffith | Director |
| Michael Russell | Director |
| Valerie Tannahill | Director |
| Christopher Weaver | Director |
| Carlos Yuste | Director |

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CUSIP NO. 153436100

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13D

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PAGE 9 of 10

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EXHIBIT A

23rd August 2007

Mr. Christian Strenger
Chairman
Central Europe & Russia Fund
345 Park Avenue
New York, NY 10154

Dear Mr. Strenger,

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City of London Investment Management Company Limited ("City of London") are shareholders of Central Europe and Russia Fund (CEE) on behalf of our Clients' portfolios. In reviewing the recently filed semi-annual report we noted with interest the level of the unrealised capital gain component of the CEE portfolio.

The Board will be aware of the issues faced by Korea Fund Inc. and Brazil Fund Inc. in recent years and the risks of the cascade effect, caused by having a large unrealised capital gain component. The cascade effect can prove to be terminal to a fund's life as in the unfortunate case of the latter.

In addition, City of London would question whether carrying such a large unrealised gain has an adverse effect on the ability of the manager to perform. By carrying such a large unrealised capital gain it also would seem to be creating an inherent risk to taxable investors by potentially one day passing on a significant tax liability which might not be possible to offset.

Please confirm whether the decision to allow the unrealised capital gain component of the fund to increase is a decision of the Board or whether it is a policy of the manager. We would be interested to know if and how the board monitors the level of the unrealised capital gains and whether the impact of a potential cascade effect has been an issue discussed.

Yours sincerely,

Michael Sugrue
Fund Manager

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CUSIP NO. 153436100
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13D

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PAGE 10 of 10
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EXHIBIT B

Mr. Christian Strenger
Chairman
Central Europe & Russia Fund
345 Park Avenue
New York, NY 10154

18 December 2008

Dear Mr. Strenger,

City of London Investment Management Company Limited ("CoL") represents in excess of 24% of shares outstanding of the Central Europe and Russia Fund (the "Fund" or "CEE") for its clients and is concerned with the wide discount at which the shares of the Fund trade.

The Fund's discount has averaged close to 11% during the past 12 months. We would suggest that this is unacceptable. During November 2008 however, the Fund's discount averaged over 16%. On 15 December, the Fund's shares traded at a discount wider than 26%. In our opinion, wide discounts do not positively contribute to shareholder value. We would like to know what plans the Board has to reduce the discount.

On 23 August 2007 we outlined a number of issues of concern including the significant retained capital gains position. In its response the Board indicated

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its commitment to maximizing long-term shareholder value in a letter to CoL dated 11 September 2007. That long-term value is at present being substantially undermined due to the significant discount at which the Fund's shares trade. We believe this value would be enhanced by taking steps to address the wide discount, including but not limited to a share buyback or distribution of assets at or around NAV.

We look forward in hearing your response on this issue within seven days, at which point we would otherwise consider approaching shareholders directly.

Yours sincerely,

Ghahre Pascale
Corporate Governance

Cc: Mr. Michael Clark, President