

Germany Funds: Europe's long term Growth Prospects

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Closed-End Funds (CEFs) have active management and offer investors daily liquidity on US exchanges. We see these characteristics as benefits because the fund manager doesn't have to deal with redemption and in-flow pressures. CEFs are also able to offer preferred stock and employ other forms of leverage. These unique features have allowed CEFs, especially in the past 10 years, to focus on yield-oriented strategies without having to face the same pressures that open-end funds have. With past trend of falling interest rates, it has been a very favorable environment for CEFs.

The closed-end funds often trade at big discounts to their net asset value (NAV), essentially allowing investors to get bargains on the stocks they want. Investor who is looking for long term, diversified exposure to growth asset in Europe should look at these investment opportunities.

Here, we will look at three well-managed funds with diversified asset portfolios that offer long-term growth investors exposure to a discounted group of stocks in Europe and Russia.



European Equity Fund, Inc. (NYSE: EEA)

European Equity Fund (EEA) seeks long term capital appreciation primarily through investment in European Equities. It is advised and administered by wholly owned

subsidiaries of Deutsche Bank Group. EEA trades near \$ 9.06 and its trading at 10.12% discount to its NAV and the underlying stakes it holds in a host of large-cap European companies can be purchased through this vehicle for





◀ less than ninety percent of their current market value.

The underlying companies in EEA trade at about a third less than the S&P 500 based on a comparison of price to trailing earnings, price to book value and price to cash flow. The portfolio companies in EEA also pay over twice the dividend rate of the S&P 500 constituents. EEA holds a diversified mix of stakes in European corporations operating internationally. The equities of these companies are trading at lower multiples relative to their American counterparts. Purchasing the fund offers potential investors an opportunity to buy these companies at a further discount.

The New Germany Fund Inc. (NYSE: GF)

The New Germany Fund Inc. (GF) — investing primarily in equity or equity-linked securities of middle market German companies that have been viewed to carry the

banner of German innovation and precision. These designated small and mid-sized capped funds have been traditionally been better able to adapt and navigate mercurial economic swings. GF trades near \$19.29 and it's trading at 9.90% discount to its NAV.

Many of these holdings of GF have a very strong export orientation to Europe, Latin America and Asia. It's important to stay focused on good companies with strong track records over the years. These investments play right to Germany's strength in advanced technology and export-focused business models.

The Central Europe, Russia and Turkey Fund Inc. (CEE)

The Central Europe, Russia and Turkey Fund, Inc. — investing primarily in equity or equity-linked securities of issuers domiciled in Central Europe, Russia and Turkey. It has 64% invested in Russia, with

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another 20% in Poland and Turkey. CEE trades near \$25.23 and it's trading at 7.21% discount to its NAV. As Russian saber-rattling continues in Ukraine, markets in the region catch fever over the uncertainty of the highly explosive geopolitical situation. This fund looks vulnerable to invest as of now as this fund has over 64% exposure to Russian companies.

As an investor, your goal is to own a solid performing funds for the long term. Focus on the fundamental analysis of the business, and the market will reward you over time. ■