

CENTRAL EUROPE & RUSSIA FUND, INC.
Form N-Q
September 26, 2008
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM N-Q

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number 811-06041

The Central Europe & Russia Fund, Inc.

(Exact name of registrant as specified in charter)

345 Park Avenue

New York, NY 10154

(Address of principal executive offices) (Zip code)

Paul Schubert

345 Park Avenue

New York, NY 10154-0004

(Name and address of agent for service)

Registrant's telephone number, including area code: (212) 454-7190

Date of fiscal year end: 10/31

Date of reporting period: 07/31/08

ITEM 1. SCHEDULE OF INVESTMENTS

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THE CENTRAL EUROPE AND RUSSIA FUND, INC.
SCHEDULE OF INVESTMENTS JULY 31, 2008 (unaudited)

| Shares | Description | Value(a) |
|--|--|-----------------|
| INVESTMENTS IN RUSSIAN SECURITIES 53.6% | | |
| | COMMON STOCKS 52.7% | |
| | BEVERAGES 0.3% | |
| | Efes Breweries | |
| 93,000 | International (GDR) | \$ 2,408,700 |
| | BUILDING PRODUCTS 0.6% | |
| 5,900 | Gornozavodsktsement | 5,251,000 |
| | COMMERCIAL BANKS 5.9% | |
| 17,500,000 | Sberbank | 52,150,000 |
| 1,000 | Sberbank RF (GDR) Reg S | 343,936 |
| | | 52,493,936 |
| | CONSTRUCTION MATERIALS 1.0% | |
| 704,000 | LSR Group (GDR) Reg S* | 9,152,000 |
| | DIVERSIFIED TELECOMMUNICATION SERVICES 2.6% | |
| | Comstar United Telesystems | |
| 800,000 | (GDR) Reg S | 7,040,000 |
| 117,100 | Rostelecom (ADR) | 8,442,910 |
| 300,000 | Vimpel Communications (ADR) | 7,755,000 |
| | | 23,237,910 |
| | DIVERSIFIED FINANCIAL SERVICES 0.1% | |
| 52,000 | Vostok Nafta Investment (SDR)* | 772,672 |
| | ELECTRIC UTILITIES 0.1% | |
| | OJSC The Fifth Power | |
| 216,633 | Generation (GDR)* | 1,246,506 |
| | ENERGY EQUIPMENT & SERVICES 2.9% | |
| 628,980 | Eurasia Drilling Co. Ltd. (GDR)* | 12,900,380 |
| 1,165,824 | Integra Group Holdings (GDR)* | 10,224,276 |
| 91,000 | TMK (GDR) Reg S | 3,003,000 |
| | | 26,127,656 |
| | FOOD PRODUCTS 0.6% | |
| 50,000 | Wimm Bill Dann Foods (ADR)* | 4,894,500 |
| | INDEPENDENT POWER PRODUCERS & ENERGY TRADERS 0.0% | |
| | OJSC Territorial Generating | |
| 106,380 | (GDR) Reg S* | 256,057 |
| | | |
| Shares | Description | Value(a) |
| | METALS & MINING 7.7% | |
| 150,000 | Evrax Group (GDR) Reg S | \$ 14,400,000 |
| 4,650,000 | Kuzbassrazrezugol* | 3,162,000 |
| 180,000 | Mechel Steel Group OAO (ADR) | 3,783,600 |
| 1,950,000 | MMC Norilsk Nickel (ADR) | 42,510,000 |

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| | | |
|-----------|--|-------------|
| 580,000 | Raspadskaya | 4,089,000 |
| 3,000 | VSMPO-Avisma Corp. | 420,000 |
| | | 68,364,600 |
| | OIL, GAS & CONSUMABLE FUELS 27.9% | |
| 1,400,000 | Gazprom | 16,772,000 |
| 1,500,000 | Gazprom (ADR) | 73,329,000 |
| 761,500 | LUKOIL (ADR) | 63,737,550 |
| 170,000 | NovaTek OAO (GDR) Reg S Rosneft Oil Company | 13,090,000 |
| 4,500,000 | (GDR) Reg S | 47,925,000 |
| 1,500,000 | Surgutneftegaz (ADR) | 13,339,500 |
| 130,000 | Tatneft (GDR) Reg S | 15,535,000 |
| 875,000 | Urals Energy Public Co., Ltd.* | 1,741,690 |
| 52,000 | Vostok Gas Ltd.* | 3,618,683 |
| | | 249,088,423 |
| | REAL ESTATE MANAGEMENT & DEVELOPMENT 0.7% | |
| | AFI Development PLC (GDR) Reg S* | 2,460,000 |
| 400,000 | | |
| 628,750 | RGI International Ltd.* | 3,788,219 |
| | | 6,248,219 |
| | WIRELESS TELECOMMUNICATIONS SERVICES 2.3% | |
| 120,000 | Mobile Telesystems (ADR) | 8,614,800 |
| 100,000 | Mobile Telesystems (GDR) Reg S | 7,179,000 |
| 175,000 | Sistema (GDR) Reg S | 4,637,500 |
| | | 20,431,300 |
| | Total Common Stocks (cost \$312,823,150) | 469,973,479 |
| | PREFERRED STOCKS 0.9% | |
| | OIL, GAS & CONSUMABLE FUELS 0.9% | |
| 1,200,000 | Surgutneftegaz (ADR) | 4,863,996 |
| 2,500 | Transneft | 3,175,000 |
| | Total Preferred Stocks (cost \$11,722,752) | 8,038,996 |
| | Total Investments in Russian Securities (cost \$324,545,302) | 478,012,475 |

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| Shares | Description | Value(a) |
|--|--|---------------|
| INVESTMENTS IN POLISH COMMON STOCKS 22.9% | | |
| COMMERCIAL BANKS 12.9% | | |
| 600,000 | Bank Pekao | \$ 55,329,481 |
| | Powszechna Kasa | |
| 2,353,000 | Oszczednosci Bank Polski | 59,987,617 |
| | | 115,317,098 |
| CONSTRUCTION & ENGINEERING 0.3% | | |
| 97,175 | Pol-Aqua* | 2,265,042 |
| DIVERSIFIED TELECOMMUNICATION SERVICES 3.8% | | |
| 3,000,000 | Telekomunikacja Polska | 33,477,395 |
| MEDIA 0.9% | | |
| 955,056 | TVN | 8,477,844 |
| METALS & MINING 3.2% | | |
| 700,000 | KGHM Polska Miedz | 28,842,325 |
| OIL, GAS & CONSUMABLE FUELS 1.8% | | |
| 560,000 | Polski Koncern Naftowy Orlen | 10,007,284 |
| | Polski Koncern Naftowy Orlen | |
| 149,500 | (GDR) Reg S | 5,622,695 |
| | | 15,629,979 |
| | Total Investments in Polish Common Stocks (cost \$125,012,292) | 204,009,683 |
| INVESTMENTS IN TURKISH COMMON STOCKS 8.9% | | |
| AUTOMOBILES 1.2% | | |
| 400,000 | Ford Otomotiv Sanayi | 3,413,793 |
| 2,100,000 | Tofas Turk Otomobil Fabrikasi | 7,603,448 |
| | | 11,017,241 |
| BUILDING PRODUCTS 0.0% | | |
| 83,908 | Trakya Cam Sanayii | 112,119 |
| COMMERCIAL BANKS 2.3% | | |
| 5,999,998 | Turkiye Garanti Bankasi | 20,275,855 |
| CONSTRUCTION MATERIALS 0.5% | | |
| 1,125,000 | Akcansa Cimento | 4,577,586 |
| Shares Description Value(a) | | |
| FOOD & STAPLES RETAILING 2.1% | | |
| 300,000 | Bim Birlesik Magazalar | \$ 11,314,655 |
| 400,000 | Migros Turk T.A.S. | 7,034,483 |
| | | 18,349,138 |
| INDUSTRIAL CONGLOMERATES 1.0% | | |
| 799,999 | Enka Insaat ve Sanayi | 9,379,299 |
| INSURANCE 0.6% | | |
| 2,172,619 | Anadolu Hayat Emeklilik | 4,944,580 |

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| | | |
|---|---|------------|
| | MEDIA 0.0% | |
| 20,431 | Hurriyet Gazetecilik ve Matbaacilik* | 36,635 |
| | OIL, GAS & CONSUMABLE FUELS 0.6% | |
| 200,000 | Tupras-Turkiye Petrol Rafinerileri | 5,474,138 |
| | WIRELESS TELECOMMUNICATIONS SERVICES 0.6% | |
| 683,166 | Turkcell Iletisim Hizmetleri | 5,241,532 |
| | Total Investments in Turkish Common Stocks (cost \$55,088,530) | 79,408,123 |
| INVESTMENTS IN CZECH REPUBLIC COMMON STOCKS 6.0% | | |
| | ELECTRIC UTILITIES 5.1% | |
| 550,000 | Ceske Energeticke Zavody | 45,111,314 |
| | MEDIA 0.9% | |
| 100,000 | Central European Media Enterprises* | 8,302,000 |
| | Total Investments in Czech Republic Common Stocks (cost \$10,687,283) | 53,413,314 |
| INVESTMENTS IN HUNGARIAN COMMON STOCKS 4.2% | | |
| | COMMERCIAL BANKS 1.3% | |
| 250,000 | OTP Bank | 11,775,848 |
| | DIVERSIFIED TELECOMMUNICATION SERVICES 1.2% | |
| 2,000,000 | Magyar Telekom Nyrt. | 11,090,251 |

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| Shares | Description | Value(a) |
|------------|--|----------------|
| | OIL, GAS & CONSUMABLE FUELS 0.8% | |
| | MOL Hungarian | |
| 50,000 | Oil and Gas Nyrt. | \$ 6,938,112 |
| | PHARMACEUTICALS 0.9% | |
| 30,000 | Richter Gedeon Nyrt. | 6,898,552 |
| 4,300 | Richter Gedeon Nyrt. (GDR) | 975,240 |
| | | 7,873,792 |
| | Total Investments in Hungarian Common Stocks (cost \$16,617,606) | 37,678,003 |
| | INVESTMENTS IN DUTCH COMMON STOCKS 0.6% | |
| | METALS & MINING 0.6% | |
| 178,440 | New World Resources (cost \$4,672,153) | 5,513,325 |
| | CLOSED-END INVESTMENT COMPANY 0.8% | |
| | RUSSIA 0.8% | |
| 2,563,996 | RenShares Utilities Limited* (cost \$4,077,882) | 6,743,309 |
| | Total Investments in Common and Preferred Stocks 97.0% (cost \$540,701,048) | 864,778,232 |
| | SECURITIES LENDING COLLATERAL 3.7% | |
| | Daily Assets Institutional Fund, 2.69% ^{(b)(c)} (cost \$32,995,035) | \$ 32,995,035 |
| 32,995,035 | Total Investments 100.7% (cost \$573,696,083) | 897,773,267 |
| | Other Assets and Liabilities, Net (0.7%) | (6,222,242) |
| | NET ASSETS 100.0% | \$ 891,551,025 |

* Non-income producing securities.

All or a portion of these securities were on loan. The value of all securities loaned at July 31, 2008 amounted to \$32,154,076 which is 3.6% of the net assets.

(a) Values stated in US dollars.

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

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

Key

ADR American Depositary Receipt

GDR Global Depositary Receipt

SDR Swedish Depositary Receipt

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The following is a summary of the inputs used as of July 31, 2008 in valuing the Fund's assets carried at fair value:

| Valuation Inputs | Investments in Securities at Value |
|---|---------------------------------------|
| Level 1 Quoted Prices | \$ 897,773,267 |
| Level 2 Other Significant Observable Inputs | |
| Level 3 Significant Unobservable Inputs | |
| Total | \$ 897,773,267 |

The Fund adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("FAS 157"), effective December 1, 2007, which governs the application of generally accepted accounting principles that require fair value measurements of the Fund's assets and liabilities. Fair value is an estimate of the price the Fund would receive upon selling a security in a timely transaction to an independent buyer in the principal or most advantageous market of the security. FAS 157 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Various inputs are used in determining the value of the Fund's investments. These inputs are summarized in the three broad levels as follows:

Level 1 quoted prices in active markets for identical securities

Level 2 other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

For Level 1 inputs, the Fund uses unadjusted quoted prices in active markets for assets or liabilities with sufficient frequency and volume to provide pricing information as the most reliable evidence of fair value. The Fund's Level 2 valuation techniques include inputs other than quoted prices within Level 1 that are observable for an asset or liability, either directly or indirectly. Level 2 observable inputs may include quoted prices for similar assets and liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active in which there are few transactions, the prices are not current, or price quotations vary substantially over time or among market participants. Inputs that are observable for the asset or liability in Level 2 include such factors as interest rates, yield curves, prepayment speeds, credit risk, and default rates for similar liabilities. For Level 3 valuation techniques, the Fund uses unobservable inputs that reflect assumptions market participants would be expected to use in pricing the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available and are developed based on the best information available under the circumstances. In developing unobservable inputs, market participant assumptions are used if they are reasonably available without undue cost and effort.

The Fund may record changes to valuations based on the amount that might reasonably be expected to receive for a security upon its current sale consistent with the fair value measurement objective. Each determination is based on a consideration of all relevant factors, which are likely to vary from one pricing context to another. Examples of such factors may include, but are not limited to the type 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 issue or of comparable companies, quotations or evaluated prices from broker-dealers and/or pricing services, information obtained from the issuer, analysts, and/or the appropriate stock exchange (for exchange-traded securities), an analysis of the company'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. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value determined upon sale of those investments.

ITEM 2. CONTROLS AND PROCEDURES

(a) The Chief Executive and Financial Officers concluded that the Registrant's Disclosure Controls and 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.

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

ITEM 3. EXHIBITS

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.

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 Central Europe & Russia Fund, Inc.

By: /s/Michael G. Clark
Michael G. Clark
President

Date: September 16, 2008

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.

Registrant: The Central Europe & Russia Fund, Inc.

By: /s/Michael G. Clark
Michael G. Clark
President

Date: September 16, 2008

By: /s/Paul Schubert
Paul Schubert
Chief Financial Officer and Treasurer

Date: September 16, 2008