

# STIFEL

Equity Research

Industry Analysis

## Closed-End Funds

December 2017 Monthly Review



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Buy Rated Funds

**Adams Diversified Equity Fund (ADX)** Equity (Unleveraged)

Fund Basics		11/30/17
Market Price		\$14.87
Net Asset Value (NAV)		\$17.30
Premium/ Discount		-14.05%
Shares Outstanding*		98,685
Avg. Daily Volume* †		\$4,282
Apprx. Common Assets		\$1,707,251

\*Figures in thousands †One month average volume

Prem./Discount Data		11/30/17
Current Discount		-14.05%
1 Year Average		-15.29%
3 Year Average		-15.19%
5 Year Average		-14.75%

Portfolio Qualities		9/30/17
Structural Leverage		0.00%
Effective Leverage		0.00%
Number of Holdings		85
Top 5 Hldgs. %		16.40%
Annual Portf. Turnover		32.00%
Expense Ratio*		0.57%

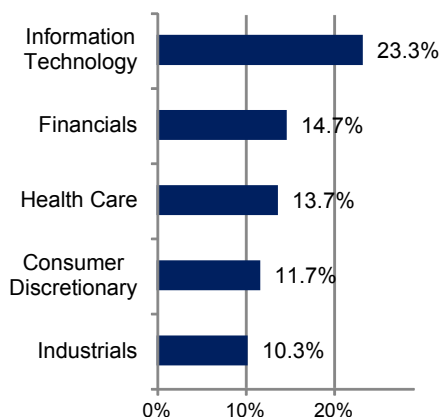
\*As percentage of Total Assets (excludes debt leverage costs)

Distribution Info		11/30/17
Distribution Amount		\$0.0500
Distribution Frequency		Quarterly
Annualized Distribution		\$0.2000
Distribution % on Price		1.34%*
Distribution % on NAV		1.16%*
Discount Distr. Benefit†		19 bps*

† =Distribution % on Price - Distribution % on NAV

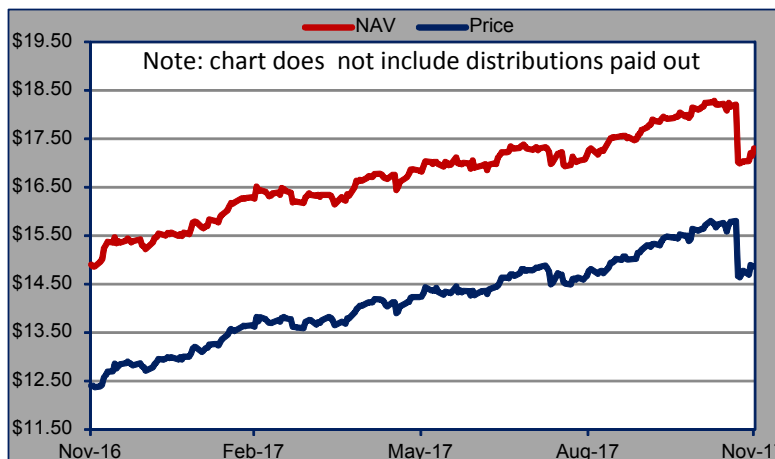
**\*Distribution Policy:** Each year, investors will receive at least 6% of the average trailing 12-month market price of the stock (using the price for the 12 months ended October 31). The difference between the distribution paid on the regular quarterly schedule and the fund's 6% target will be made up with a year-end distribution.

**Sector Exposure** 9/30/17



**Investment Objective**

The fund seeks current income, capital preservation, and capital gains with a long-term, conservative investment philosophy in mind. Its portfolio is invested mainly in large-cap U.S. common stocks.



**Fund Highlights**

- Adams Diversified Equity Fund (ADX) is known for its long operating history and consistent record of shareholder distributions. The fund has been listed on the New York Stock Exchange since 1929, making it one of the oldest companies on the exchange. The fund has paid distributions without interruption since 1935.
- We view the fund as having a conservative philosophy for an equity strategy. It invests in a diversified portfolio of mainly large-cap U.S. companies. Furthermore, ADX does not use leverage in its portfolio.
- The weighted median market cap of companies in ADX's portfolio was \$121.8 billion as of 9/30/17. Separately, 96% of the portfolio was invested in U.S.-based companies.
- On 11/9/17, the Board of Directors announced that ADX's fourth quarter distribution would be \$1.23 per share. The ex-date was 11/21 and the distribution will be paid on 12/22. It should be noted that this relatively large distribution accounts for the majority of the NAV and share price declines on the ex-date. The Board estimates that the distribution will consist of \$1.09 per share from net long-term capital gains, \$0.06 from short-term gains, and \$0.08 from net investment income. Including the \$0.15 per share paid out earlier this year, the fund's total annual distribution share price distribution rate was approximately 9.8%. This marks the 53rd consecutive year that the fund has paid out capital gains and the 82nd consecutive year it has paid distributions to shareholders, according to CEO Mark Stoeckle.
- Buying shares of a closed-end fund at a large discount offers investors three primary benefits, in our opinion: (1) shares can be purchased at a less expensive price than the underlying portfolio, (2) investors receive a higher distribution rate on a share price basis than the rate that is actually generated by the portfolio, and (3) evidence indicates that fund share prices are less volatile relative to the NAV at wider discount levels.