

# STIFEL

Equity Research

Industry Analysis

## Closed-End Funds

January 2018 Monthly Review



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Buy Rated Funds

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

Fund Basics	12/29/17
Market Price	\$15.03
Net Asset Value (NAV)	\$17.55
Premium/ Discount	-14.36%
Shares Outstanding*	98,685
Avg. Daily Volume* †	\$4,245
Apprx. Common Assets	\$1,731,922

Prem./Discount Data	12/29/17
Current Discount	-14.36%
1 Year Average	-15.10%
3 Year Average	-15.21%
5 Year Average	-14.74%

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%

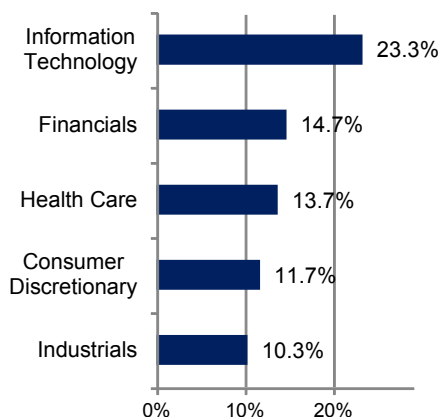
\*As percentage of Total Assets (excludes debt leverage costs)

Distribution Info	12/29/17
Distribution Amount	\$0.0500
Distribution Frequency	Quarterly
Annualized Distribution	\$0.2000
Distribution % on Price	1.33%*
Distribution % on NAV	1.14%*
Discount Distr. Benefit†	19 bps*

† = Distribution % on Price - Distribution % on NAV

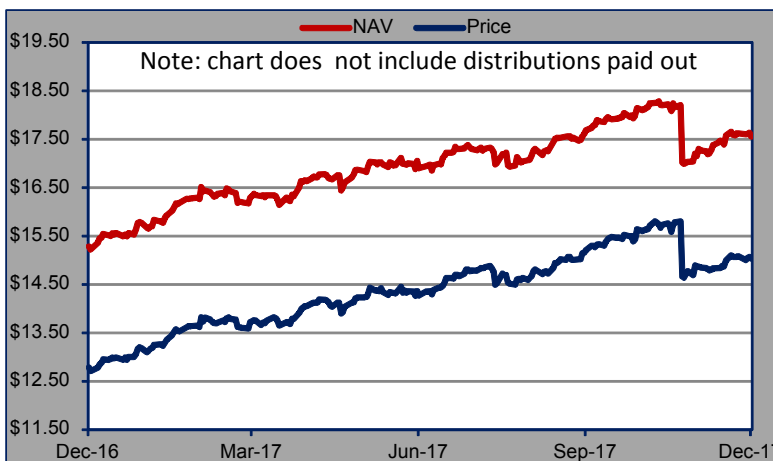
**\*Distribution Policy:** Each year, investors will receive at least 6% of the average trailing 12-month market price of the stock (using the price for the 12 months ended October 31). The difference between the distribution paid on the regular quarterly schedule and the fund's 6% target will be made 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 12/22, ADX paid its fourth quarter distribution of \$1.23 per share. It should be noted that this relatively large distribution accounts for the majority of the NAV and share price declines that occurred on the ex-date of 11/21. The Board estimated that the distribution consisted 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%.
- 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.