

# STIFEL

Equity Research

Industry Analysis

## Closed-End Funds

September 2017 Monthly Review



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Buy Rated Funds

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

Fund Basics	8/31/17
Market Price	\$14.77
Net Asset Value (NAV)	\$17.26
Premium/ Discount	-14.43%
Shares Outstanding*	99,192
Avg. Daily Volume* †	\$3,457
Apprx. Common Assets	\$1,712,054

\*Figures in thousands †One month average volume

Prem./Discount Data	8/31/17
Current Discount	-14.43%
1 Year Average	-15.93%
3 Year Average	-15.21%
5 Year Average	-14.73%

Portfolio Qualities	6/30/17
Structural Leverage	0.00%
Effective Leverage	0.00%
Number of Holdings	81
Top 5 Hldgs. %	16.50%
Annual Portf. Turnover	32.00%
Expense Ratio*	0.61%

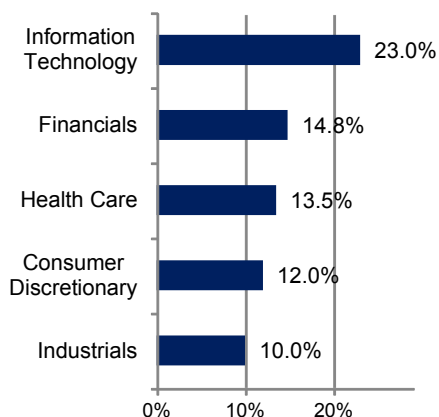
\*As percentage of Total Assets (excludes debt leverage costs)

Distribution Info	8/31/17
Distribution Amount	\$0.0500
Distribution Frequency	Quarterly
Annualized Distribution	\$0.2000
Distribution % on Price	1.35%*
Distribution % on NAV	1.16%*
Discount Distr. Benefit†	20 bps*

† =Distribution % on Price - Distribution % on NAV

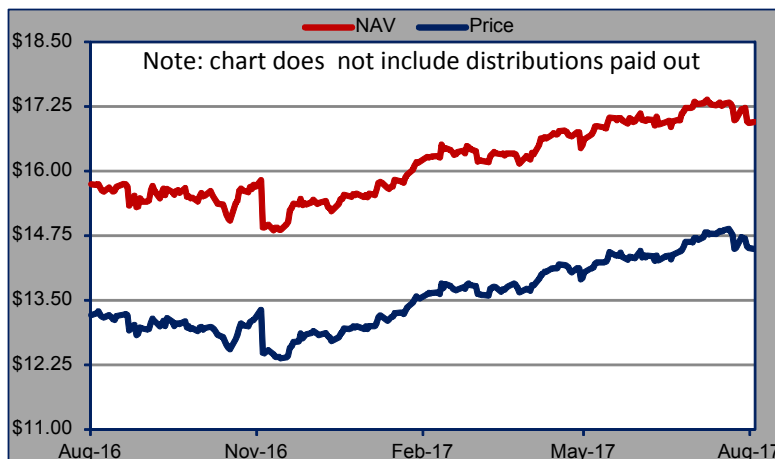
**\*Distribution Policy:** Each year, investors will receive at least 6% of the average trailing 12-month market price of the stock (using the price for the 12 months ended October 31). The difference between the distribution paid on the regular quarterly schedule and the fund's 6% target will be made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

**Sector Exposure 6/30/17**



**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 \$115.4 billion as of 6/30/17. Separately, 96% of the portfolio was invested in U.S.-based companies.
- ADX's top 5 holdings were in the technology sector as of 6/30/17: Apple, Alphabet, Microsoft, Facebook, Amazon. In the fund's letter to shareholders, manager Mark Stoeckle addressed this portion of the portfolio: "While we recognize that the valuation multiples of these stocks have risen during the rally, we believe these companies deserve their current multiples given their compelling long-term growth potential."<sup>1</sup>
- The fund reported that it repurchased 596,561 shares during the first six months of the year. To some extent, this helped to slightly offset a portion of the fund's issuance of shares as payment of its year-end distribution in the fourth quarter of 2016.
- 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.

<sup>1</sup>Full commentary can be found [here](#)  
Data sources: Company data, FactSet