



ADAMS
FUNDS

**ADAMS
NATURAL RESOURCES
FUND**

SEMI-ANNUAL REPORT
JUNE 30, 2016

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LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

After enduring market turbulence for most of the period, U.S. equity markets finished the first half of 2016 slightly higher. Similar to last year, volatility was driven by elevated economic uncertainty and global macro events.

The first half uncertainty was punctuated in the fourth week of June when Britain held its referendum vote and elected to leave the European Union. The vote took markets by surprise, triggering a wave of selling around the world. Global financial markets lost \$3 trillion during the trading sessions after the vote, marking the biggest two-day sell-off on record. However, over the following few days, the markets recovered most of the decline as “Brexit” fears abated and the currency market stabilized.

Similar volatility was experienced earlier in the year as the S&P 500 declined 9% in the first three weeks of January. Fears of an extended slowdown in China and decelerating economic growth in the U.S. led to the sharp decline. These worries faded and, by the end of March, the S&P 500 returned to its starting point for the year. Equity markets continued to move higher in the second quarter, reacting to the delay of anticipated interest rate hikes by the Fed and to signs of economic stability. But lackluster corporate earnings stalled the market's advance. While surpassing expectations, reported earnings for the S&P 500 declined 7%, as weak earnings results in the Materials and Energy sectors weighed on total performance.

Despite the Energy sector's earnings decline, stock prices moved up in response to a higher oil price. After dropping to \$26 per barrel in February, crude oil prices rebounded, reaching a high of \$51 per barrel in June. Markets began to reflect a rebalancing of supply and demand. Reported data indicated that global supply is declining, especially in the United States. Unforeseen events also influenced the market. A massive wildfire in Canada led to the closure of fields and facilities, curtailing production significantly. At the peak, total outages in Canada exceeded one million barrels per day. Geopolitical issues also contributed to moderating supply as continued attacks on pipelines in Nigeria decimated its oil production. While both events are expected to be temporary, they did highlight a tighter supply/demand environment.

The Dow Jones U.S. Oil & Gas Index advanced 15% in the first six months of the year, exceeding the 4% return of the broader market S&P 500. Within the sector, integrated oil & gas companies returned 18% while exploration & production companies advanced 17%. Equipment & services stocks rose 10%. Although not as strong as the Energy sector, the Dow Jones U.S. Basic Materials Index increased 9%.

Pump prices for gasoline reflected the move in crude oil but still reside near 10-year lows, supporting continued growth in demand. Within refining, we adjusted our holdings to take advantage of the strong gasoline market. We favor companies with refinery flexibility to maximize gasoline production as needed to accommodate demand. We also prefer companies that operate refineries in locations with access to a variety of crude suppliers, substantial existing infrastructure, and the most options for end-market distribution. To this end, we initiated a position in PBF Energy, a company that through recent acquisitions has emerged as one of the largest independent refiners. PBF's asset base has the ability to process crudes of different qualities, geographic diversity, and higher-than-average gasoline yield. We also added to our positions in Valero Energy and Marathon Petroleum. Valero is the largest and most diverse refiner in the segment. In addition to attractive geographic diversity and high exposure to the gasoline market, new management has exhibited capital discipline, which has yielded above-average

LETTER TO SHAREHOLDERS (CONTINUED)

cash returns to shareholders. Recent underperformance of Marathon Petroleum following an acquisition provided an opportunity to increase our position. The company has a strong, strategically located refining system as well as the flexibility to maximize margins through a sophisticated logistics network and its retail business.

M&A activity often provides a source of return. This was the case in the Materials sector. Monsanto rose substantially when Bayer made an offer to buy the company. While indicating a willingness to discuss a merger, the company officially rejected a \$122 per share bid. While we continue to like Monsanto, we reduced our overweight position in response to the move higher in the stock and uncertainty regarding the outcome of the negotiations.

For the six months ended June 30, 2016, the total return on the Fund's net asset value ("NAV") per share (with dividends and capital gains reinvested) was 11.1%. This compares to total returns of 15.0% for Dow Jones U.S. Oil & Gas Index, 8.6% for Dow Jones U.S. Basic Materials Index, and 21.8% for Lipper Global Natural Resources Funds Index over the same time period. The total return on the market price of the Fund's shares for the period was 14.6%.

For the twelve months ended June 30, 2016, the Fund's total return on NAV was -6.8%. Comparable returns for Dow Jones U.S. Oil & Gas Index, Dow Jones U.S. Basic Materials Index, and Lipper Global Natural Resources Funds Index were -6.6%, -3.6%, and -3.1%. The Fund's total return on market price was -3.0%.

During the first half of this year, the Fund paid distributions to shareholders in the amount of \$5.6 million, or \$.20 per share, consisting of \$.03 net investment income and \$.05 long-term capital gain, realized in 2015, and \$.12 of net investment income realized in 2016, all taxable in 2016. On July 13, 2016, an additional net investment income dividend of \$.10 per share was declared for payment on September 1, 2016. These constitute the first three payments toward our annual 6% minimum distribution rate commitment.

By order of the Board of Directors,



Mark E. Stoeckle
Chief Executive Officer
July 13, 2016

Disclaimers

This report contains "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. By their nature, all forward-looking statements involve risks and uncertainties, and actual results could differ materially from those contemplated by the forward-looking statements. Several factors that could materially affect the Fund's actual results are the performance of the portfolio of stocks held by the Fund, the conditions in the U.S. and international financial markets, the price at which shares of the Fund will trade in the public markets, and other factors discussed in the Fund's periodic filings with the Securities and Exchange Commission.

This report is transmitted to the shareholders of the Fund for their information. It is not a prospectus, circular or representation intended for use in the purchase or sale of shares of the Fund or of any securities mentioned in the report. The rates of return will vary and the principal value of an investment will fluctuate. Shares, if sold, may be worth more or less than their original cost. Past performance is no guarantee of future investment results.

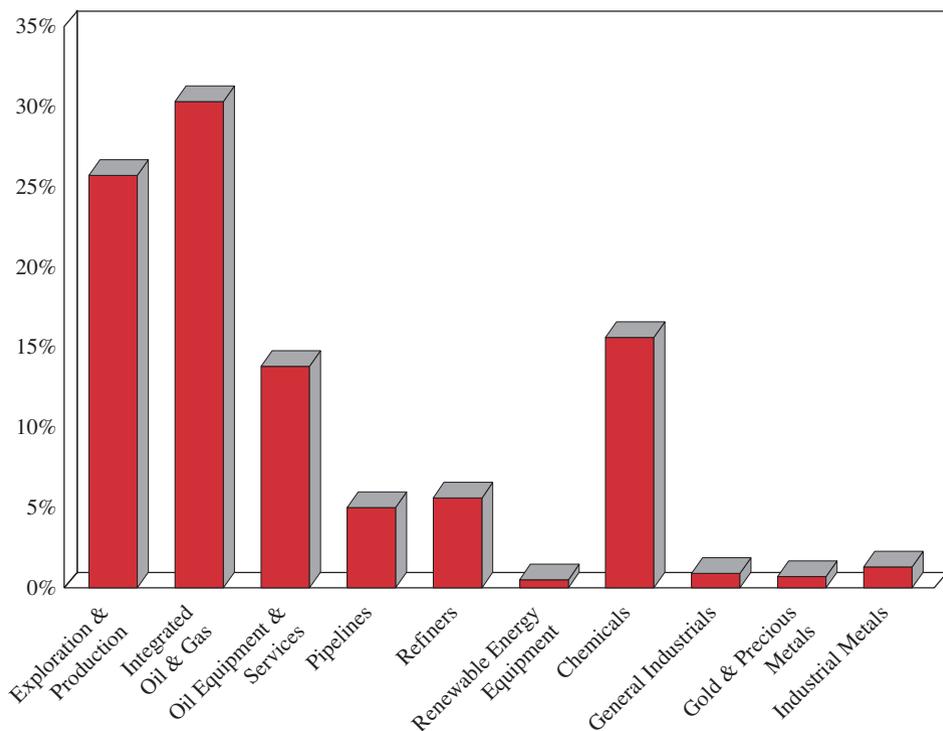
PORTFOLIO HIGHLIGHTS

June 30, 2016
(unaudited)

Ten Largest Equity Portfolio Holdings

| | <u>Market Value</u> | <u>Percent of Net Assets</u> |
|--|----------------------|----------------------------------|
| Exxon Mobil Corp. | \$131,679,390 | 20.6% |
| Chevron Corp. | 61,975,496 | 9.7 |
| Schlumberger Ltd. | 44,506,224 | 7.0 |
| EOG Resources, Inc. | 26,886,266 | 4.2 |
| Occidental Petroleum Corp. | 24,300,096 | 3.8 |
| Halliburton Co. | 22,951,613 | 3.6 |
| Dow Chemical Co. | 22,322,574 | 3.5 |
| ConocoPhillips | 21,411,960 | 3.3 |
| LyondellBasell Industries N.V. (Class A) | 17,935,220 | 2.8 |
| Spectra Energy Corp. | 16,717,932 | 2.6 |
| Total | <u>\$390,686,771</u> | <u>61.1%</u> |

Industry Weightings



STATEMENT OF ASSETS AND LIABILITIES

June 30, 2016
(unaudited)

Assets

Investments* at value:

| | | |
|---|---------------|---------------|
| Common stocks (cost \$496,369,761) | \$636,104,501 | |
| Short-term investments (cost \$6,491,675) | 6,491,675 | \$642,596,176 |

| | | |
|-----------------------------------|--|-------------|
| Cash | | 271,798 |
| Dividends and interest receivable | | 829,530 |
| Prepaid expenses and other assets | | 386,045 |
| <i>Total Assets</i> | | 644,083,549 |

Liabilities

| | | |
|--|--|-----------|
| Investment securities purchased | | 2,624,005 |
| Accrued expenses and other liabilities | | 1,242,005 |
| <i>Total Liabilities</i> | | 3,866,010 |

| | | |
|-------------------|--|----------------------|
| Net Assets | | \$640,217,539 |
|-------------------|--|----------------------|

Net Assets

| | | |
|--|----|----------------------|
| Common Stock at par value \$0.001 per share, authorized 50,000,000 shares; issued and outstanding 28,092,864 shares (includes 31,462 restricted shares, 9,600 nonvested or deferred restricted stock units, and 13,443 deferred stock units) (note 6) | \$ | 28,093 |
| Additional capital surplus | | 486,989,345 |
| Undistributed net investment income | | 1,630,804 |
| Undistributed net realized gain | | 11,834,557 |
| Unrealized appreciation | | 139,734,740 |
| Net Assets Applicable to Common Stock | | \$640,217,539 |
| Net Asset Value Per Share of Common Stock | | \$22.79 |

* See Schedule of Investments on page 13.

The accompanying notes are an integral part of the financial statements.

STATEMENT OF OPERATIONS

Six Months Ended June 30, 2016
(unaudited)

Investment Income

Income:

| | |
|---------------------------|------------------|
| Dividends | \$ 8,363,870 |
| Interest and other income | 24,084 |
| <i>Total Income</i> | <i>8,387,954</i> |

Expenses:

| | |
|---|-----------|
| Investment research compensation and benefits | 1,158,838 |
| Administration and operations compensation and benefits | 599,027 |
| Directors' compensation | 220,042 |
| Occupancy and other office expenses | 180,431 |
| Shareholder reports and communications | 119,652 |
| Investment data services | 78,167 |
| Transfer agent, custody, and listing fees | 75,349 |
| Audit and tax services | 38,744 |
| Accounting, recordkeeping and other professional fees | 37,680 |
| Insurance | 37,649 |
| Legal services | 16,401 |

Total Expenses 2,561,980

Net Investment Income 5,825,974

Realized Gain and Change in Unrealized Appreciation

| | |
|--|------------|
| Net realized gain on security transactions | 12,226,741 |
| Change in unrealized appreciation on investments | 45,016,119 |

Net Gain on Investments 57,242,860

Change in Net Assets Resulting from Operations \$63,068,834

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CHANGES IN NET ASSETS

| | (unaudited) Six Months Ended June 30, 2016 | Year Ended December 31, 2015 |
|---|--|---------------------------------|
| From Operations: | | |
| Net investment income | \$ 5,825,974 | \$ 10,258,582 |
| Net realized gain | 12,226,741 | 27,921,844 |
| Change in unrealized appreciation | 45,016,119 | (186,647,414) |
| Change in accumulated other comprehensive income (note 5) | — | 1,432,315 |
| <i>Change in Net Assets Resulting from Operations</i> | 63,068,834 | (147,034,673) |
| Distributions to Shareholders from: | | |
| Net investment income | (4,213,753) | (10,408,624) |
| Net realized gain | (1,404,172) | (27,390,564) |
| <i>Decrease in Net Assets from Distributions</i> | (5,617,925) | (37,799,188) |
| From Capital Share Transactions: | | |
| Value of shares issued in payment of distributions (note 4) | 2,667 | 12,630,987 |
| Deferred compensation (notes 4, 6) | 87,152 | 373,946 |
| <i>Increase in Net Assets from Capital Share Transactions</i> | 89,819 | 13,004,933 |
| Total Change in Net Assets | 57,540,728 | (171,828,928) |
| Net Assets: | | |
| Beginning of period | 582,676,811 | 754,505,739 |
| End of period (including undistributed net investment income of \$1,630,804 and \$18,583, respectively) | \$640,217,539 | \$ 582,676,811 |

The accompanying notes are an integral part of the financial statements.

Adams Natural Resources Fund, Inc. (the “Fund”) is registered under the Investment Company Act of 1940 (“1940 Act”) as a non-diversified investment company. The Fund is an internally-managed closed-end fund specializing in energy and other natural resources stocks. The investment objectives of the Fund are preservation of capital, the attainment of reasonable income from investments, and an opportunity for capital appreciation.

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for investment companies, which require the use of estimates by Fund management. Management believes that estimates and valuations are appropriate; however, actual results may differ from those estimates and the valuations reflected in the financial statements may differ from the value the Fund ultimately realizes.

Affiliated Companies—Adams Diversified Equity Fund, Inc. (ADX), a diversified, closed-end investment company, owns 8% of the Fund’s outstanding shares and is, therefore, an “affiliated company” as defined by the 1940 Act.

Expenses—The Fund shares personnel, systems, and other infrastructure items with ADX and Adams Funds Advisers, LLC (AFA), an ADX-affiliated investment adviser to external parties, and is charged a portion of the shared expenses. To protect the Fund from potential conflicts of interest, policies and procedures are in place covering the sharing of expenses among the entities. Expenses that are not solely attributable to the Fund are allocated in accordance with the Fund’s policy, which dictates that such expenses be attributed to each Fund based on the relative net assets of the Funds, or, in the case of AFA, the net assets under management. Investment research compensation and benefits are attributed to each entity based on the relative market values of the portfolio securities covered in each respective entity. Expense allocations are updated quarterly, except for those related to payroll, which are updated annually.

For the period ended June 30, 2016, expenses of \$1,093,912 and \$2,731 were charged to ADX and AFA, respectively, in accordance with the Fund’s expense sharing policy. There are no amounts due to, or due from, ADX or AFA as of June 30, 2016.

Investment Transactions, Investment Income, and Distributions—The Fund’s investment decisions are made by the portfolio management team with recommendations from the research staff. Policies and procedures are in place covering the allocation of investment opportunities among the Fund, ADX, and AFA to protect the Fund from potential conflicts of interests. Investment transactions are accounted for on the trade date. Realized gains and losses on sales of investments are recorded on the basis of specific identification. Dividend income and distributions to shareholders are recognized on the ex-dividend date. Interest income is recognized on the accrual basis.

Valuation—The Fund’s financial instruments are reported at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Fund has a Valuation Committee (“Committee”) to ensure that financial instruments are appropriately priced at fair value in accordance with GAAP and the 1940 Act. Subject to

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

oversight by the Board of Directors, the Committee establishes methodologies and procedures to value securities for which market quotations are not readily available.

GAAP establishes the following fair value hierarchy that categorizes the inputs used to measure fair value:

- Level 1—fair value is determined based on market data obtained from independent sources; for example, quoted prices in active markets for identical investments;
- Level 2—fair value is determined using other assumptions obtained from independent sources; for example, quoted prices for similar investments;
- Level 3—fair value is determined using the Fund's own assumptions, developed based on the best information available in the circumstances.

Investments in securities traded on national security exchanges are valued at the last reported sale price as of the close of regular trading on the primary exchange on the day of valuation. Over-the-counter and listed securities for which a sale price is not available are valued at the last quoted bid price. Money market funds are valued at net asset value. These securities are generally categorized as Level 1 in the hierarchy.

Short-term investments (excluding money market funds) are valued at amortized cost, which approximates fair value. Total return swap agreements are valued using independent, observable inputs, including underlying security prices, dividends, and interest rates. These securities are generally categorized as Level 2 in the hierarchy.

At June 30, 2016, the Fund's financial instruments were classified as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------|---------------|---------|---------|---------------|
| Assets: | | | | |
| Common stocks | \$636,104,501 | \$— | \$— | \$636,104,501 |
| Short-term investments | 6,491,675 | — | — | 6,491,675 |
| Total investments | \$642,596,176 | \$— | \$— | \$642,596,176 |

There were no transfers between levels during the period ended June 30, 2016.

2. FEDERAL INCOME TAXES

No federal income tax provision is required since the Fund's policy is to qualify as a regulated investment company under the Internal Revenue Code and to distribute substantially all of its taxable income and gains to its shareholders. Additionally, management has analyzed and concluded that tax positions included in federal income tax returns from the previous three years that remain subject to examination do not require any provision. Any income tax-related interest or penalties would be recognized as income tax expense. As of June 30, 2016, the identified cost of securities for federal income tax purposes was \$502,861,436 and net unrealized appreciation aggregated \$139,734,740, consisting of gross unrealized appreciation of \$208,441,687 and gross unrealized depreciation of \$68,706,947.

Distributions are determined in accordance with the Fund's annual 6% minimum distribution rate commitment, based on the Fund's average market price, and income tax regulations, which may differ from generally accepted accounting principles. Such differences are primarily related to the Fund's retirement plans and equity-based compensation. Differences that are permanent are reclassified in the capital accounts of the Fund's financial statements and have no impact on net assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. INVESTMENT TRANSACTIONS

Purchases and sales of portfolio investments, other than short-term investments and derivative transactions, during the period ended June 30, 2016 were \$56,492,032 and \$54,221,702 respectively.

4. CAPITAL STOCK

The Fund has 5,000,000 authorized and unissued preferred shares, \$0.001 par value.

During the period ended June 30, 2016, the Fund issued 148 shares of its Common Stock at a weighted average price of \$18.03 per share as dividend equivalents to holders of deferred stock units and restricted stock units under the 2005 Equity Income Compensation Plan.

On December 22, 2015, the Fund issued 702,985 shares of its Common Stock at a price of \$17.93 per share (the average market price on December 9, 2015) to shareholders of record on November 25, 2015, who elected to take stock in payment of the year-end distribution from 2015 capital gain and investment income. During 2015, 1,311 shares were issued at a weighted average price of \$20.15 per share as dividend equivalents to holders of deferred stock units and restricted stock units under the 2005 Equity Income Compensation Plan.

The Fund may purchase shares of its Common Stock from time to time, in accordance with parameters set by the Board of Directors, at such prices and amounts as the portfolio management team may deem appropriate. Transactions in Common Stock for 2016 and 2015 were as follows:

| | Shares | | Amount | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Six months ended June 30, 2016 | Year ended December 31, 2015 | Six months ended June 30, 2016 | Year ended December 31, 2015 |
| Shares issued in payment of distributions | 148 | 704,296 | \$ 2,667 | \$12,630,987 |
| Net activity under the 2005 Equity Incentive Compensation Plan | (3,935) | 11,435 | 87,152 | 373,946 |
| Net change | (3,787) | 715,731 | \$89,819 | \$13,004,933 |

5. RETIREMENT PLANS

Defined Contribution Plans—The Fund sponsors a qualified defined contribution plan for all employees with at least six months of service and a nonqualified defined contribution plan for eligible employees to supplement the qualified plan. The Fund expensed contributions to the plans in the amount of \$180,888, a portion thereof based on Fund performance, for the period ended June 30, 2016.

Defined Benefit Plans—The Fund completed the termination of its qualified defined benefit plan in 2015 and has no further defined benefit obligations.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Items impacting the Fund's pension cost and accumulated other comprehensive income were:

| | Six months ended June 30, 2016 | Year ended December 31, 2015 |
|--------------------------------------|-----------------------------------|---------------------------------|
| Components of pension cost | | |
| Interest cost | \$— | \$ 76,010 |
| Expected return on plan assets | — | (18,557) |
| Net loss component | — | 82,336 |
| Effect of settlement (non-recurring) | — | 2,762,816 |
| Pension cost | \$— | \$2,902,605 |

| | Six months ended June 30, 2016 | Year ended December 31, 2015 |
|---|-----------------------------------|---------------------------------|
| Change in accumulated other comprehensive income | | |
| Reclassifications to net periodic pension cost: | | |
| Amortization of net loss | \$— | \$ 82,336 |
| Effect of settlement (non-recurring) | — | 1,349,979 |
| Change during the year | \$— | \$1,432,315 |

6. EQUITY-BASED COMPENSATION

The Fund's 2005 Equity Incentive Compensation Plan, adopted at the 2005 Annual Meeting and reapproved at the 2010 Annual Meeting, expired on April 27, 2015. Restricted stock awards granted prior to the Plan's expiration remain outstanding as of June 30, 2016 and vest on various dates through September 2, 2018, provided the service condition set forth in the award at grant is satisfied. Also outstanding are restricted stock units granted to nonemployee directors that are 100% vested, but payment of which has been deferred by the election of the director.

Outstanding awards were granted at fair market value on grant date (determined by the average of the high and low price on that date). Awards earn an amount equal to the Fund's per share distribution, payable in either cash (employees) or reinvested shares (non-employee directors). Reinvested shares are fully vested and paid concurrently with the payment of the original share grant. A summary of the activity related to nonvested restricted shares and restricted stock units for the period ended June 30, 2016 is as follows:

| Awards | Shares/Units | Weighted Average Grant-Date Fair Value |
|---------------------------------|---------------|---|
| Balance at December 31, 2015 | 66,162 | \$27.09 |
| Reinvested dividend equivalents | 148 | 19.45 |
| Vested & issued | (11,655) | 25.41 |
| Forfeited | (150) | 24.86 |
| Balance at June 30, 2016 | 54,505 | \$26.66 |

Compensation cost is based on the fair market value of the award on grant date and recognized on a straight-line basis over the vesting period. Any compensation cost recognized related to an award that is subsequently forfeited due to unmet service conditions is reversed. Total compensation cost related to equity-based compensation for the period ended June 30, 2016 was \$147,562. As of June 30, 2016, the Fund had

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

unrecognized compensation cost of \$316,408, a component of additional capital surplus, related to nonvested awards that will be recognized over a weighted average period of 1.14 years. The total fair value of awards vested and issued during the period ended June 30, 2016 was \$185,636.

7. OFFICER AND DIRECTOR COMPENSATION

The aggregate remuneration paid during the period ended June 30, 2016 to officers and directors amounted to \$2,396,896, of which \$220,042 was paid to directors who were not officers. These amounts represent the taxable income to the Fund's officers and directors and, therefore, differ from the amounts reported in the accompanying Statement of Operations that are recorded and expensed in accordance with GAAP.

8. PORTFOLIO SECURITIES LOANED

The Fund makes loans of securities to approved brokers to earn additional income. It receives as collateral cash deposits valued at 102% of the value of the securities on loan. The market value of the loaned securities is calculated based upon the most recent closing prices and any additional required collateral is delivered to the Fund on the next business day. Cash deposits are placed in a registered money market fund. The Fund accounts for securities lending transactions as secured financing and retains a portion of the income from lending fees and interest on the investment of cash collateral. The Fund also continues to receive dividends on the securities loaned. Gain or loss in the fair value of the securities loaned that may occur during the term of the loan will be for the account of the Fund. At June 30, 2016, the Fund had no securities on loan and held no cash collateral. The Fund is indemnified by the Custodian, serving as lending agent, for the loss of loaned securities and has the right under the lending agreement to recover the securities from the borrower on demand.

9. OPERATING LEASE COMMITMENTS

The Fund leases office space and equipment under operating lease agreements expiring at various dates through the year 2026. The Fund recognized rental expense of \$93,897 for the period ended June 30, 2016, and its minimum rental commitments are as follows:

| | |
|-------------------|--------------------|
| Remainder of 2016 | \$ 18,186 |
| 2017 | 138,074 |
| 2018 | 141,442 |
| 2019 | 114,333 |
| 2020 | 113,498 |
| Thereafter | 708,520 |
| Total | <u>\$1,234,053</u> |

FINANCIAL HIGHLIGHTS

| | (unaudited) Six Months Ended | | Year Ended December 31 | | | | |
|---|--|------------------|------------------------|----------------|----------------|----------------|----------------|
| | June 30, 2016 | June 30, 2015 | 2015 | 2014 | 2013 | 2012 | 2011 |
| | Per Share Operating Performance | | | | | | |
| Net asset value, beginning of period | \$20.74 | \$27.56 | \$27.56 | \$32.26 | \$27.84 | \$28.58 | \$30.73 |
| Net investment income | 0.21 | 0.13 | 0.37 | 0.50 | 0.44 | 0.48 | 0.41 |
| Net realized gains and increase (decrease) in unrealized appreciation | 2.04 | (1.19) | (5.80) | (3.23) | 5.93 | 0.48 | (0.42) |
| Change in accumulated other comprehensive income (note 5) | — | 0.05 | 0.05 | (0.01) | 0.03 | — | (0.03) |
| Total from investment operations | 2.25 | (1.01) | (5.38) | (2.74) | 6.40 | 0.96 | (0.04) |
| Less distributions | | | | | | | |
| Dividends from net investment income | (0.15) | (0.14) | (0.38) | (0.51) | (0.46) | (0.42) | (0.39) |
| Distributions from net realized gains | (0.05) | (0.06) | (1.00) | (1.38) | (1.42) | (1.18) | (1.58) |
| Total distributions | (0.20) | (0.20) | (1.38) | (1.89) | (1.88) | (1.60) | (1.97) |
| Capital share repurchases (note 4) | — | — | — | 0.03 | 0.05 | — | — |
| Reinvestment of distributions | — | — | (0.06) | (0.10) | (0.15) | (0.10) | (0.14) |
| Total capital share transactions | — | — | (0.06) | (0.07) | (0.10) | (0.10) | (0.14) |
| Net asset value, end of period | \$22.79 | \$26.35 | \$20.74 | \$27.56 | \$32.26 | \$27.84 | \$28.58 |
| Market price, end of period | \$20.11 | \$22.33 | \$17.74 | \$23.84 | \$27.38 | \$23.92 | \$24.48 |
| Total Investment Return* | | | | | | | |
| Based on market price | 14.6% | (5.6)% | (20.0)% | (6.3)% | 22.7% | 4.3% | (2.3)% |
| Based on net asset value | 11.1% | (3.6)% | (19.1)% | (8.0)% | 24.2% | 4.0% | 0.3% |
| Ratios/Supplemental Data** | | | | | | | |
| Net assets, end of period (in millions) | \$640 | \$722 | \$583 | \$755 | \$864 | \$733 | \$733 |
| Ratio of expenses to average net assets | 0.85% | 1.20%† | 1.26%†† | 0.63% | 0.78%†† | 0.65%†† | 0.56% |
| Ratio of net investment income to average net assets | 1.94% | 1.36%† | 1.49%†† | 1.53% | 1.44%†† | 1.67%†† | 1.29% |
| Portfolio turnover | 18.2% | 12.6% | 16.0% | 19.6% | 18.7% | 11.7% | 16.4% |
| Number of shares outstanding at end of period (in 000's) | 28,093 | 27,394 | 28,097 | 27,381 | 26,775 | 26,326 | 25,641 |

* Total investment return assumes reinvestment of all distributions at the price received in the Fund's dividend reinvestment plan.

** Ratios and portfolio turnover presented on an annualized basis.

† Ratio of expenses to average net assets was 0.83%, excluding the one-time charge of \$2,762,816 related to the termination of the defined benefit plans (note 5), and the ratio of net investment income to average net assets was 1.73%.

†† Ratios of expenses to average net assets were 0.86%, 0.70%, and 0.64% in 2015, 2013, and 2012, respectively, after adjusting for non-recurring pension-related settlement charges. The adjusted ratios of net investment income to average net assets were 1.89%, 1.52%, and 1.68% in 2015, 2013, and 2012, respectively.

SCHEDULE OF INVESTMENTS

June 30, 2016
(unaudited)

| | Shares | Value (A) |
|---|-----------|---------------|
| Common Stocks — 99.4% | | |
| Energy — 80.9% | | |
| Exploration & Production — 25.7% | | |
| Anadarko Petroleum Corp. | 275,000 | \$ 14,643,750 |
| Cimarex Energy Co. | 96,100 | 11,466,652 |
| Concho Resources Inc. (B) | 103,400 | 12,332,518 |
| ConocoPhillips | 491,100 | 21,411,960 |
| EOG Resources, Inc. | 322,300 | 26,886,266 |
| EQT Corp. | 133,700 | 10,352,391 |
| Marathon Oil Corp. | 742,700 | 11,147,927 |
| Noble Energy, Inc. | 302,300 | 10,843,501 |
| Occidental Petroleum Corp. | 321,600 | 24,300,096 |
| Pioneer Natural Resources Co. | 89,600 | 13,548,416 |
| RSP Permian, Inc. (B) | 147,000 | 5,128,830 |
| Whiting Petroleum Corp. (B) | 251,500 | 2,328,890 |
| | | 164,391,197 |
| Integrated Oil & Gas — 30.3% | | |
| Chevron Corp. | 591,200 | 61,975,496 |
| Exxon Mobil Corp. | 1,404,730 | 131,679,390 |
| | | 193,654,886 |
| Oil Equipment & Services — 13.8% | | |
| Baker Hughes, Inc. | 90,100 | 4,066,213 |
| Halliburton Co. | 506,770 | 22,951,613 |
| National Oilwell Varco, Inc. | 133,500 | 4,492,275 |
| Oil States International Inc. (B) | 170,000 | 5,589,600 |
| Schlumberger Ltd. | 562,800 | 44,506,224 |
| Weatherford International plc (B) | 1,219,800 | 6,769,890 |
| | | 88,375,815 |
| Pipelines — 5.0% | | |
| Kinder Morgan Inc. | 541,000 | 10,127,520 |
| Spectra Energy Corp. | 456,400 | 16,717,932 |
| Williams Companies, Inc. | 242,600 | 5,247,438 |
| | | 32,092,890 |
| Refiners — 5.6% | | |
| Marathon Petroleum Corp. | 352,900 | 13,396,084 |
| PBF Energy Inc. | 179,100 | 4,258,998 |
| Phillips 66 | 31,175 | 2,473,425 |
| Valero Energy Corp. | 313,700 | 15,998,700 |
| | | 36,127,207 |
| Renewable Energy Equipment — 0.5% | | |
| First Solar, Inc. (B) | 71,800 | 3,480,864 |

SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2016
(unaudited)

| | Shares | Value (A) |
|--|-----------|---------------|
| Basic Materials — 18.5% | | |
| Chemicals — 15.6% | | |
| CF Industries Holdings, Inc. | 263,745 | \$ 6,356,254 |
| Dow Chemical Co. | 449,056 | 22,322,574 |
| E.I. du Pont de Nemours & Co. | 147,800 | 9,577,440 |
| Eastman Chemical Co. | 119,300 | 8,100,470 |
| H.B. Fuller Co. | 177,700 | 7,817,023 |
| LyondellBasell Industries N.V. (Class A) | 241,000 | 17,935,220 |
| Monsanto Co. | 132,500 | 13,701,825 |
| PPG Industries, Inc. | 132,000 | 13,747,800 |
| | | 99,558,606 |
| General Industrials — 0.9% | | |
| Packaging Corp. of America | 82,400 | 5,515,032 |
| Gold & Precious Metals — 0.7% | | |
| SPDR Gold Trust (B) | 35,200 | 4,453,504 |
| Industrial Metals — 1.3% | | |
| Alcoa Inc. | 614,000 | 5,691,780 |
| Freeport-McMoRan Inc. (B) | 248,000 | 2,762,720 |
| | | 8,454,500 |
| Total Common Stocks | | 636,104,501 |
| (Cost \$496,369,761) | | |
| Short-Term Investments — 1.0% | | |
| Money Market Funds — 1.0% | | |
| Fidelity Institutional Money Market – Money Market Portfolio (Institutional Class), 0.48% (C) | 5,000,000 | 5,000,000 |
| Northern Institutional Treasury Portfolio, 0.28% (C) | 1,491,675 | 1,491,675 |
| Total Short-Term Investments | | 6,491,675 |
| (Cost \$6,491,675) | | |
| Total Investments — 100.4% of Net Assets | | \$642,596,176 |
| (Cost \$502,861,436) | | |

Notes:

- (A) Common stocks are listed on the New York Stock Exchange or the NASDAQ and are valued at the last reported sale price on the day of valuation. See note 1 to financial statements.
- (B) Presently non-dividend paying.
- (C) Rate presented is as of period-end and represents the annualized yield earned over the previous seven days.

CHANGES IN PORTFOLIO SECURITIES

*During the six months ended June 30, 2016
(unaudited)*

| | <u>Purchases (Cost)</u> | <u>Sales (Proceeds)</u> | <u>Market Value Held at June 30, 2016</u> |
|---|-----------------------------|-----------------------------|---|
| Concho Resources Inc. | \$ 2,433,223 | | \$ 12,332,518 |
| ConocoPhillips | 9,065,819 | | 21,411,960 |
| E.I. du Pont de Nemours & Co. | 9,042,953 | | 9,577,440 |
| H.B. Fuller Co. | 7,125,646 | | 7,817,023 |
| Marathon Oil Corp. | 2,624,005 | | 11,147,927 |
| Marathon Petroleum Corp. | 3,182,261 | | 13,396,084 |
| PBF Energy Inc. | 5,770,262 | | 4,258,998 |
| Valero Energy Corp. | 14,188,950 | | 15,998,700 |
| Weatherford International, plc | 3,058,913 | | 6,769,890 |
| Baker Hughes, Inc. | | \$ 3,093,665 | 4,066,213 |
| California Resources Corp. ⁽¹⁾ | | 31,035 | — |
| CF Industries Holdings, Inc. | | 1,812,908 | 6,356,254 |
| Chevron Corp. | | 2,929,793 | 61,975,496 |
| Eastman Chemical Co. | | 1,454,563 | 8,100,470 |
| Exxon Mobil Corp. | | 5,941,714 | 131,679,390 |
| LyondellBasell Industries N.V. (Class A) | | 1,475,696 | 17,935,220 |
| Monsanto Co. | | 6,384,019 | 13,701,825 |
| Noble Energy, Inc. | | 2,415,407 | 10,843,501 |
| Packaging Corp. of America | | 3,746,247 | 5,515,032 |
| Phillips 66 | | 23,749,688 | 2,473,425 |
| SPDR Gold Trust | | 1,186,967 | 4,453,504 |

⁽¹⁾ Received in spinoff transaction.

HISTORICAL FINANCIAL STATISTICS

(unaudited)

| Year | (000's) Value Of Net Assets | (000's) Shares Outstanding | Net Asset Value Per Share | Market Value Per Share | Income Dividends Per Share | Capital Gains Distributions Per Share | Total Dividends and Distributions Per Share | Annual Distribution Rate* |
|---------------|-----------------------------------|----------------------------------|---------------------------------|------------------------------|----------------------------------|--|---|---------------------------------|
| 2006 | \$812,047 | 22,181 | \$36.61 | \$33.46 | \$.47 | \$3.33 | \$3.80 | 11.2% |
| 2007 | 978,920 | 22,768 | 42.99 | 38.66 | .49 | 3.82 | 4.31 | 11.6 |
| 2008 | 538,937 | 23,959 | 22.49 | 19.41 | .38 | 2.61 | 2.99 | 8.9 |
| 2009 | 650,718 | 24,327 | 26.75 | 23.74 | .37 | 1.03 | 1.40 | 6.6 |
| 2010 | 761,736 | 24,790 | 30.73 | 27.01 | .32 | .95 | 1.27 | 5.5 |
| 2011 | 732,811 | 25,641 | 28.58 | 24.48 | .39 | 1.58 | 1.97 | 7.1 |
| 2012 | 732,988 | 26,326 | 27.84 | 23.92 | .42 | 1.18 | 1.60 | 6.4 |
| 2013 | 863,690 | 26,775 | 32.26 | 27.38 | .46 | 1.42 | 1.88 | 7.2 |
| 2014 | 754,506 | 27,381 | 27.56 | 23.84 | .51 | 1.38 | 1.89 | 6.6 |
| 2015 | 582,677 | 28,097 | 20.74 | 17.74 | .38 | 1.00 | 1.38 | 6.2 |
| June 30, 2016 | 640,218 | 28,093 | 22.79 | 20.11 | .25† | .05† | .30 | — |

* The annual distribution rate is the total dividends and distributions per share divided by the Fund's average month-end stock price. For years prior to 2012, the average month-end stock price is determined for the calendar year. For 2012 and later, the average month-end stock price is determined for the twelve months ended October 31, which is consistent with the calculation used for the annual 6% minimum distribution rate commitment adopted in September 2012.

† Paid or declared

ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting of Stockholders was held on April 14, 2016. The following votes were cast for directors:

| | Votes For | Votes Withheld |
|-----------------------|------------|----------------|
| Enrique R. Arzac | 23,108,741 | 1,179,563 |
| Phyllis O. Bonanno | 22,958,530 | 1,329,774 |
| Kenneth J. Dale | 23,532,972 | 755,332 |
| Frederic A. Escherich | 23,273,036 | 1,015,269 |
| Roger W. Gale | 23,151,631 | 1,136,674 |
| Kathleen T. McGahran | 23,225,358 | 1,062,946 |
| Craig R. Smith | 23,132,854 | 1,155,451 |
| Mark E. Stoeckle | 23,269,963 | 1,018,341 |

A proposal to approve and ratify the selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Fund for 2016 was approved with 23,738,739 votes for, 232,874 votes against, and 316,691 shares abstaining.

OTHER INFORMATION

Dividend Payment Schedule

The Fund presently pays dividends four times a year, as follows: (a) three interim distributions on or about March 1, June 1, and September 1, and (b) a “year-end” distribution, payable in late December, consisting of the estimated balance of the net investment income for the year, the net realized capital gains earned through October 31 and, if applicable, a return of capital. Shareholders may elect to receive the year-end distribution in stock or cash. In connection with this distribution, all shareholders of record are sent a dividend announcement notice and an election card in mid-November. **Shareholders holding shares in “street” or brokerage accounts make their elections by notifying their brokerage house representative.**

Electronic Delivery of Shareholder Reports

The Fund offers shareholders the benefits and convenience of viewing Quarterly and Annual Reports and other shareholder materials on-line. With your consent, paper copies of these documents will cease with the next mailing and will be provided via e-mail. Reduce paper mailed to your home and help lower the Fund’s printing and mailing costs. To enroll, please visit the following websites:

Registered shareholders with AST: www.amstock.com/main

Shareholders using brokerage accounts: <http://enroll.icsdelivery.com/PEO>

Proxy Voting Policies and Record

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities owned by the Fund and the Fund’s proxy voting record for the 12-month period ended June 30, 2016 are available (i) without charge, upon request, by calling the Fund’s toll free number at (800) 638-2479; (ii) on the Fund’s website: www.adamsfunds.com under the headings “Funds” and then “Reports & Literature”; and (iii) on the Securities and Exchange Commission’s website: www.sec.gov.

Statement on Quarterly Filing of Complete Portfolio Schedule

In addition to publishing its complete schedule of portfolio holdings in the First and Third Quarter Reports to Shareholders, the Fund also files its complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The Fund’s Forms N-Q are available on the Commission’s website: www.sec.gov. The Fund’s Forms N-Q may be reviewed and copied at the Commission’s Public Reference Room, and information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. The Fund also posts a link to its Forms N-Q on its website: www.adamsfunds.com; select Fund name and click the headings “Funds” and then “Reports & Literature”.

Website Information

Investors can find the Fund’s daily NAV per share, the market price, the discount/premium to NAV per share, and quarterly changes in portfolio securities on our website at www.adamsfunds.com. Also available there are a history of the Fund, historical financial information, links for electronic delivery of shareholder reports, and other useful content.

Board of Directors

Enrique R. Arzac ^{2,4}
Phyllis O. Bonanno ^{3,4}
Kenneth J. Dale ^{1,3,4}

Frederic A. Escherich ^{1,2,3}
Roger W. Gale ^{2,3}
Kathleen T. McGahran ^{1,5}

Craig R. Smith ^{1,2,4}
Mark E. Stoeckle ¹

1. *Member of Executive Committee*
2. *Member of Audit Committee*
3. *Member of Compensation Committee*
4. *Member of Nominating and Governance Committee*
5. *Chair of the Board*

Officers

| | |
|-------------------------|---|
| Mark E. Stoeckle | <i>Chief Executive Officer</i> |
| James P. Haynie, CFA | <i>President</i> |
| Nancy J.F. Prue, CFA | <i>Executive Vice President, Director of Shareholder Communications</i> |
| Brian S. Hook, CFA, CPA | <i>Vice President, Chief Financial Officer & Treasurer</i> |
| Lawrence L. Hooper, Jr. | <i>Vice President, General Counsel & Secretary</i> |
| Gregory W. Buckley | <i>Vice President—Research</i> |
| Michael A. Kijesky, CFA | <i>Vice President—Research</i> |
| Michael E. Rega, CFA | <i>Vice President—Research</i> |
| Christine M. Sloan, CPA | <i>Assistant Treasurer</i> |

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410.752.5900 800.638.2479

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Email: contact@adamsfunds.com

Tickers: PEO (NYSE), XPEOX (NASDAQ)

Counsel: Chadbourne & Parke LLP

Independent Registered Public Accounting Firm: PricewaterhouseCoopers LLP

Custodian of Securities: The Northern Trust Company

Transfer Agent & Registrar: American Stock Transfer & Trust Company, LLC

Stockholder Relations Department

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