

# INVESTOR EXPRESS

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## Gifting

### *How about giving the gift of Adams Express or Petroleum & Resources shares?*

Now that the Adams Express Board has committed to an annual 6% distribution rate, a gift of shares will be even more appreciated year after year! What young graduate or married couple couldn't use a little nest egg? To buy shares, you can contact your broker or invest directly through the Companies' transfer agent, American Stock Transfer & Trust Company (AST). To obtain an "Investors Choice" brochure, contact AST at (877) 260-8188 or visit their website, [www.amstock.com](http://www.amstock.com), and click on "How to Invest" under Shareholder Services.



Petroleum  
& Resources  
Corporation

## Adams Express Commits to 6% Annual Distribution: Good News in Today's Volatile Market

Adams Express' Board of Directors recently announced that the Fund is committing to distribute annually to stockholders an amount equal to 6% of the Fund's trailing 12-month average month-end market price, as traded on the NYSE. As described below, the 6% distribution will consist of the interim dividends paid out over the course of the year as well as a year-end distribution that brings the total payout up to the 6% commitment amount.

"We've made continuous distributions to our stockholders every year for over 75 years. So, our commitment to a 6% annual distribution rate is a way of giving predictability to our stockholders about what they will be receiving from the Company every year going forward, starting this year," says Douglas Ober, Chairman and CEO. "The Board spent considerable time studying the issue of distributions and determined that this commitment would have the optimal benefit for stockholders while having the least impact on the management of the portfolio for long-term returns."

The Company will continue with its current payout schedule: interim distributions on March 1, June 1, and September 1 (currently \$0.05 per share), and in November the Board will declare the final amount to be distributed at year-end to bring the total amount distributed during the year to 6% of the trailing 12-month average month-end market price as of October 31. In circumstances in which the net investment income and net capital gains realized by the Fund exceed 6%, distributions may be greater than the 6% commitment.

If the Company does not generate sufficient earnings from income and capital gains in a given year to meet the 6% commitment, there would be a return of capital (considered a return of a portion of a stockholder's original investment). It is generally not taxable under federal tax regulations and is treated as a reduction in the stockholder's cost basis. In certain circumstances, some or all of the return of capital may be taxable, so be sure to consult your tax adviser should a return of capital occur.

"The volatility of the markets during the past few years has made individual investors very, very nervous. We know that many fund investors have moved their money out of the stock market as a result. We want our stockholders to feel comfortable knowing that we are committed to providing them with consistent, predictable distributions for years to come," added Mr. Ober. "There are very few savings and investment options in today's market that provide investors a 6% annual pay out."

The Company is pleased to see that various industry analysts have reacted favorably to the announcement of our commitment to the 6% annual distribution rate. For example, Mike Taggart, closed-end fund analyst at Morningstar, said "The fund has performed very well over time, but there has always been some uncertainty about the distribution rate. This should address that concern."

If you have any questions, feel free to contact us at [contact@adamsexpress.com](mailto:contact@adamsexpress.com) or (800)638-2479.

# Consumer Staples: Defense is the Best Offense

by David Schiminger, CFA, Vice President – Research



Recently, macroeconomic data has sent mixed messages to investors. For example, the U.S. unemployment rate, at 9.1%, remains stable but stubbornly high, and domestic consumer confidence is at its lowest point since April 2009. At the same time, the latest ISM Manufacturing Index reading showed an unexpected acceleration in September. Concerns surrounding the European debt crisis and a slowing Chinese economy are further exacerbating investor confusion globally. Amid this heightened macroeconomic uncertainty and stock market volatility, the consumer staples sector has been a relatively safe haven for investors and an important component of the Adams Express portfolio.

Known for its defensive characteristics, the consumer staples sector remains an area of relative stability. Year to date through September 30, the Standard & Poor's 500 Consumer Staples Index has advanced 3.4%, relative to an S&P 500 Index decline of 8.7%. The Staples Index has outperformed the S&P 500 Index over the past three, five, ten, and twenty years. An important component of the strong staples performance is a healthy dividend yield, which is currently approaching 3.5%.

While we are encouraged by the long-term opportunities in consumer staples, the current outlook remains mixed. High commodity costs are pressuring operating margins. Manufacturers are raising prices to offset this input cost inflation, but volumes can suffer as a result. Furthermore, a fragile consumer is looking for value and often “downtrading” to private label or less expensive brands. These concerns are offset by solid balance sheets, outstanding cash flow generation, and generally attractive valuations. Recently, several companies (such as Fortune Brands, Kraft, and Sara Lee), have announced their intention to split up in an attempt to unlock shareholder value; more activity may be in the offing as activist investors grow impatient with inefficient corporate structures and capital allocation decisions.

The Adams Express consumer staples portfolio is focused on leading multi-national companies with strong global brands, attractive valuations, and strong dividend growth potential. Notable portfolio holdings include PepsiCo, Procter & Gamble, and Coca-Cola. Furthermore, given the expectation of slower growth in developed markets, the portfolio is focused on companies with significant exposure to faster-growing developing and emerging (D&E) markets. Rising per capita incomes in D&E markets and increasing urbanization will lead to higher consumption of staples products, including packaged foods, protein, and beauty aids. The Adams Express portfolio is well-positioned to capitalize on these long-term trends, with companies like Avon and Unilever generating over 50% of sales from D&E markets.

Regardless of the economic climate, consumers will still need to eat and bathe, and our portfolio companies will be there to supply their products. Despite the current global macroeconomic volatility, the consumer staples sector represents a source of relative stability and generates substantial dividend income for Adams Express.

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## Anniversary Archive – What Was Good Then, Is Just As Good Now

Many investors in our Funds have been shareholders for decades. Someone tips them to the Funds and after doing some research, they make a small investment – never expecting to hold on to the shares for more than a couple of years. But, as in the case of Mr. Neil McCarthy, an investor since 1973, the annual distributions paid by Adams Express became an integral part of his long-term financial plan.

Mr. McCarthy's story starts as many do – with a friend. “I had a friend who knew of a group out of Great Barrington, Massachusetts, the American Institute for Economic

Research. They were founded in 1933 and are one of the oldest economic research organizations in the United States. They conduct research and publish books and periodicals on a wide array of economic issues. One of them was about closed-end funds. It talked about how, by buying them, you could own a market basket of solid companies at a discount to their aggregate individual share price. In addition, some of them paid out an annual distribution to shareholders.”

“I did my research and came across Adams Express. I thought, what a nifty idea – I could buy a group of stocks at a discount and receive the

benefit of the distributions. Made sense to me, especially in the lousy market we had back then. So, I bought 200 shares during the bear market of '73 – '74 and continued to pick up shares over the years. I never sold my shares, and reinvested the distributions. I retired in 2000 and, as anyone who has retired knows, income and cash flow are very important. All of sudden my initial investment in Adams Express has turned into a great source of income for my wife and me. Consistency of performance has meant a lot to me. Can't say that about a lot of other investments. I guess that's why they've been around since 1929.”

### Forward-Looking Statements

*This newsletter contains “forward-looking statements” within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. By their very 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 Companies' actual results are the performance of the portfolio of stocks held by the Companies, the conditions in the U.S. and international financial markets, the price at which shares of the Companies will trade in the public markets, and other factors discussed in the Companies' periodic filings with the Securities and Exchange Commission. The Companies assume no obligation to revise, correct, or update these statements.*