

ADAMS DIVERSIFIED EQUITY FUND, INC.
Form N-CSRS
July 26, 2018

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-00248

ADAMS DIVERSIFIED EQUITY FUND, INC.

(Exact name of registrant as specified in charter)

500 East Pratt Street, Suite 1300, Baltimore, Maryland 21202

(Address of principal executive offices)

Janis F. Kerns
Adams Diversified Equity Fund, Inc.
500 East Pratt Street, Suite 1300
Baltimore, Maryland 21202

(Name and address of agent for service)

Registrant's telephone number, including area code: (410) 752-5900

Date of fiscal year end: December 31

Date of reporting period: June 30, 2018

Item 1. Reports to Stockholders.

ADAMS
DIVERSIFIED EQUITY
FUND

SEMI-ANNUAL REPORT
JUNE 30, 2018

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Letter to Shareholders

Dear Fellow Shareholders,

At a recent investment team meeting, my colleagues and I observed that many investors appear to be underestimating the power of the recent tax cuts and the amount of capital being repatriated to the U.S. In the first quarter alone, nearly \$300 billion was repatriated by U.S. companies. To us, this type of stimulus, in conjunction with an economy that continues to do well, should be a tailwind for the next six to twelve months.

After a turbulent start to 2018, stocks rebounded in the second quarter amid solid corporate earnings and a strong jobs market. Rising trade tensions and geopolitical issues contributed to bouts of volatility, but did little to derail the market's move higher. Even the very real possibility of a trade war and uncertainty about the historic U.S. / North Korea summit could not stop the market from moving higher. At June 30, the S&P 500 was up 2.7% year-to-date. Our Fund also returned 2.7% for the first six months of the year.

In the second quarter, we began to see the impact of the tax cuts and increased government spending, as company earnings rose and jobless claims fell. In May, the unemployment rate was 3.8%, the lowest it's been since 1969. Optimistic consumers are spending more, buoyed by lower taxes, better job prospects, and increasing household net worth. In response to the strengthening economy, the Fed announced its second quarter-point increase in June and boosted its forecast for anticipated rate hikes in 2018 from three to four.

Consumers are not alone feeling good about their economic prospects, corporate directors and executives also are showing optimism about the future. In the first half of 2018, companies used their tax savings to provide bonuses and raises and to launch a record number of share repurchases and strategic transactions. In fact, the dollar value of merger and acquisition (M&A) activity in 2018 is on pace to be the largest in history. M&A is reshaping several industry sectors, including Telecom, Energy, and Health Care.

In our Fund, investments in Technology, Consumer Discretionary, and Health Care companies were the biggest contributors to our returns. Investments in Industrials, Financials, and Consumer Staples companies had lower returns. Our Technology holdings were volatile in the first quarter because of fears of increased regulation and concerns over data privacy, but the sector rebounded strongly in the second quarter and finished up 12.5% for the first half of the year. Better-than-expected earnings and signs that U.S. companies will continue to spend on technology drove gains. Standouts for our Fund were Adobe Systems and salesforce.com, both of which benefited from the continued growth in cloud computing.

Consumer Discretionary stocks, led by Amazon and Advanced Auto Parts, generated strong returns for the first half of the year, increasing 12.8%. Our Fund benefited from its overweight position in Amazon. As the company continued to expand its dominant position in retail, its stock price rose 45.4% during the period. Our investment in Advanced Auto Parts, a diversified auto parts retailer, increased 21.0% since purchasing the stock in February. The company is benefitting from positive trends in the do-it-yourself market,

Letter to Shareholders (continued)

driving higher revenue growth. Its new management team is focused on reducing costs to improve profitability. More recently, we added Tractor Supply Company to our portfolio. We like this company for several reasons. They have a differentiated concept offering a diversified mix of products to farm, ranch, and rural customers. Tractor Supply also generates strong returns and has significant room for unit expansion. We also added Chipotle Mexican Grill to our portfolio. The fast-casual restaurant is in the midst of a turnaround following various food contamination concerns. Chipotle has a new CEO who is focused on improving execution, marketing, menu innovation, and accessibility. We see significant room for margin growth as well as unit expansion.

While negative, our holdings in industrial companies beat the return for the Industrials sector of the S&P 500. We think the sector will continue to benefit from tax cuts, increased capital investments, and strong global growth. Two industrial companies we're invested in performed particularly well in the first half: Boeing, which increased 14.9%, and Cintas, which returned 12.8%. We added Cintas to the portfolio early in 2018; we like the company's track record of increasing revenue and profitability. Cintas provides uniforms, supplies, and services to businesses across the U.S. We think the company will benefit from the lower corporate tax rate both directly and indirectly, as tax savings should allow its customers to hire and provide uniforms to more people.

Our investments in financial companies returned less than the benchmark. An underweight position in Insurance stocks helped Fund performance, but our investments in Diversified Financials offset this benefit. We repositioned our bank holdings by reducing our investment in Wells Fargo, which has been slow to benefit from its cost-cutting program, and increasing our holdings in JPMorgan Chase, which continues to generate strong results. The company is gaining market share in many of its major business lines and is returning capital to shareholders. Another financial stock we've been watching for a while is Lazard Ltd, a financial advisory and asset management company. Lazard has a unique business model that is diversified across M&A advisory and asset management, providing a complementary revenue stream. In the second quarter, we were able to add the stock to our portfolio. Investors' growing concerns about Lazard's emerging markets exposure led to a fall in the stock price, which provided an attractive entry point for us.

For the six months ended June 30, 2018, the total return on the Fund's net asset value ("NAV") per share (with dividends and capital gains reinvested) was 2.7%. This compares to a 2.7% total return for the S&P 500 and a 1.7% total return for the Lipper Large-Cap Core Funds Average over the same time period. The total return on the market price of the Fund's shares for the period was 3.3%.

For the twelve months ended June 30, 2018, the Fund's total return on NAV was 15.8%. Comparable figures for the S&P 500 and Lipper Large-Cap Core Funds Average were 14.4% and 12.7%, respectively. The Fund's total return on market price was 18.0%.

During the first half of this year, the Fund paid distributions to shareholders in the amount of \$10.2 million, or \$.10 per share, consisting of \$.03 net investment income and \$.01 long-term capital gain, realized in 2017, and \$.06 of net investment income realized in 2018, all taxable in 2018. On July 18, 2018, an additional net investment income dividend

Letter to Shareholders (continued)

of \$.05 per share was declared for payment on August 31, 2018. These constitute the first three payments toward our annual 6% minimum distribution rate commitment. Additionally, the Fund repurchased 619,015 shares of its Common Stock during the past six months. The shares were repurchased at an average price of \$15.36 and a weighted average discount to NAV of 14.4%, resulting in a \$0.02 increase to NAV per share.

Before concluding, I want to acknowledge and thank our General Counsel, Corporate Secretary, and Chief Compliance Officer Lawrence (Laurie) Hooper, who retired from the Fund on July 2, 2018. In his 21 years of service, Laurie made numerous lasting contributions to our Fund. His hard work and commitment inspired us all. We thank Laurie for his dedication to Adams Funds and wish him the very best in retirement.

We appreciate your trust in us and do not take it for granted. We intend to keep earning it by maintaining our focus on delivering consistent investment returns for shareholders by identifying quality companies that are executing at high levels and trading at attractive valuations.

By order of the Board of Directors,

Mark E. Stoeckle
Chief Executive Officer & President
July 18, 2018

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, 2018

(unaudited)

Ten Largest Equity Portfolio Holdings

| | Market Value | Percent of Net Assets |
|-------------------------------------|----------------|--------------------------------|
| Microsoft Corporation | \$ 82,516,848 | 4.6% |
| Amazon.com, Inc. | 72,751,440 | 4.0 |
| Alphabet Inc. Class A & Class C | 66,238,389 | 3.7 |
| Apple Inc. | 63,936,994 | 3.5 |
| Facebook, Inc. Class A | 52,369,240 | 2.9 |
| Adams Natural Resources Fund, Inc.* | 43,932,290 | 2.4 |
| Visa Inc. Class A | 43,138,965 | 2.4 |
| Berkshire Hathaway Inc. Class B | 41,697,610 | 2.3 |
| Bank of America Corp. | 41,450,576 | 2.3 |
| UnitedHealth Group Incorporated | 39,843,216 | 2.2 |
| | \$ 547,875,568 | 30.3% |

*

Non-controlled affiliated closed-end fund

Sector Weightings

Statement of Assets and Liabilities

June 30, 2018

(unaudited)

Assets

Investments* at value:

Common stocks:

| | | |
|---|------------------|------------------|
| Unaffiliated issuers (cost \$1,170,750,170) | \$ 1,744,140,683 | |
| Non-controlled affiliate (cost \$34,735,404) | 43,932,290 | |
| Other investment in controlled affiliate (cost \$150,000) | 1,047,000 | |
| Short-term investments (cost \$22,532,133) | 22,533,133 | \$ 1,811,653,106 |
| Cash | | 254,991 |
| Dividends and other receivables | | 823,334 |
| Net unrealized gain on open total return swap agreements | | 616,522 |
| Prepaid expenses and other assets | | 1,228,250 |
| Total Assets | | 1,814,576,203 |

Liabilities

| | | |
|--|--|------------------|
| Fund shares purchased | | 386,715 |
| Due to officers and directors (note 8) | | 1,482,086 |
| Accrued expenses and other liabilities | | 1,555,924 |
| Total Liabilities | | 3,424,725 |
| Net Assets | | \$ 1,811,151,478 |

Net Assets

| | | |
|---|--|------------------|
| Common Stock at par value \$0.001 per share, authorized 150,000,000 shares; issued and outstanding 101,105,230 shares (includes 1,236 restricted shares and 54,752 deferred stock units) (note 7) | | \$ 101,105 |
| Additional capital surplus | | 1,122,328,363 |
| Undistributed net investment income | | 1,356,714 |
| Undistributed net realized gain (loss) | | 103,263,375 |
| Unrealized appreciation | | 584,101,921 |
| Net Assets Applicable to Common Stock | | \$ 1,811,151,478 |
| Net Asset Value Per Share of Common Stock | | \$ 17.91 |

*

See Schedule of Investments beginning on page 16.

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

5

Statement of Operations

Six Months Ended June 30, 2018

(unaudited)

Investment Income

Income:

| | |
|---|---------------|
| Dividends (includes \$393,619 from affiliates and net of \$21,582 in foreign taxes) | \$ 14,860,048 |
|---|---------------|

| | |
|--------------|---------|
| Other income | 104,415 |
|--------------|---------|

| | |
|--------------|------------|
| Total Income | 14,964,463 |
|--------------|------------|

Expenses:

| | |
|---|-----------|
| Investment research compensation and benefits | 2,377,579 |
|---|-----------|

| | |
|---|-----------|
| Administration and operations compensation and benefits | 1,510,090 |
|---|-----------|

| | |
|-------------------------------------|---------|
| Occupancy and other office expenses | 391,041 |
|-------------------------------------|---------|

| | |
|-------------------------|---------|
| Directors' compensation | 263,667 |
|-------------------------|---------|

| | |
|--------------------------|---------|
| Investment data services | 259,939 |
|--------------------------|---------|

| | |
|---|---------|
| Transfer agent, custody, and listing fees | 155,475 |
|---|---------|

| | |
|--|---------|
| Shareholder reports and communications | 153,763 |
|--|---------|

| | |
|--|--------|
| Accounting, recordkeeping, and other professional fees | 95,316 |
|--|--------|

| | |
|-----------|--------|
| Insurance | 69,841 |
|-----------|--------|

| | |
|------------------------|--------|
| Audit and tax services | 59,989 |
|------------------------|--------|

| | |
|----------------|--------|
| Legal services | 24,203 |
|----------------|--------|

| | |
|----------------|-----------|
| Total Expenses | 5,360,903 |
|----------------|-----------|

| | |
|-----------------------|-----------|
| Net Investment Income | 9,603,560 |
|-----------------------|-----------|

Realized Gain (Loss) and Change in Unrealized Appreciation

| | |
|---|-------------|
| Net realized gain (loss) on investments | 103,674,685 |
|---|-------------|

| | |
|--|-----------|
| Net realized gain (loss) on total return swap agreements | 1,210,646 |
|--|-----------|

| | |
|---|--------|
| Net realized gain distributed by non-controlled affiliate | 43,735 |
|---|--------|

| | |
|---|--------------|
| Change in unrealized appreciation on investments (includes \$1,325,694 from affiliates) | (69,932,411) |
|---|--------------|

| | |
|---|---------|
| Change in unrealized appreciation on total return swap agreements | 616,522 |
|---|---------|

| | |
|-----------------|------------|
| Net Gain (Loss) | 35,613,177 |
|-----------------|------------|

| | |
|--------------------------------------|---------------|
| Change in Net Assets from Operations | \$ 45,216,737 |
|--------------------------------------|---------------|

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

Statements of Changes in Net Assets

| | (unaudited) Six Months Ended June 30, 2018 | Year Ended December 31, 2017 |
|--|--|------------------------------------|
| From Operations: | | |
| Net investment income | \$ 9,603,560 | \$ 21,735,664 |
| Net realized gain (loss) | 104,929,066 | 113,630,703 |
| Change in unrealized appreciation | (69,315,889) | 238,168,031 |
| Change in Net Assets from Operations | 45,216,737 | 373,534,398 |
| Distributions to Shareholders from: | | |
| Net investment income | (9,146,574) | (21,758,323) |
| Net realized gain | (1,017,220) | (114,330,503) |
| Change in Net Assets from Distributions | (10,163,794) | (136,088,826) |
| From Capital Share Transactions: | | |
| Value of shares issued in payment of distributions (note 5) | 35,695 | 49,154,304 |
| Cost of shares purchased (note 5) | (9,506,430) | (14,430,657) |
| Deferred compensation (notes 5, 7) | (202,620) | 104,944 |
| Change in Net Assets from Capital Share Transactions | (9,673,355) | 34,828,591 |
| Total Change in Net Assets | 25,379,588 | 272,274,163 |
| Net Assets: | | |
| Beginning of period | 1,785,771,890 | 1,513,497,727 |
| End of period (including undistributed net investment income of \$1,356,714 and \$899,728, respectively) | \$ 1,811,151,478 | \$ 1,785,771,890 |

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

Notes to Financial Statements (unaudited)

Adams Diversified Equity Fund, Inc. (the “Fund”) is registered under the Investment Company Act of 1940 (“1940 Act”) as a diversified investment company. The Fund is an internally-managed closed-end fund whose investment objectives 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.

Affiliates — The 1940 Act defines “affiliated companies” as those companies in which the Fund owns 5% or more of the outstanding voting securities. Additionally, those companies in which the Fund owns more than 25% of the outstanding voting securities are considered to be “controlled” by the Fund. The Fund and its affiliates, Adams Natural Resources Fund, Inc. (“PEO”) and Adams Funds Advisers, LLC (“AFA”), have a shared management team.

PEO — The Fund owns 2,186,774 shares of PEO, a non-diversified, closed-end investment company, representing 8% of its outstanding shares. The Fund accounts for PEO as a portfolio investment that meets the definition of a non-controlled affiliate. During the six months ended June 30, 2018, the Fund received dividends and long-term capital gain distributions of \$393,619 and \$43,735, respectively, from its investment in PEO and recognized a change in unrealized appreciation on its investment in PEO of \$546,694. Directors of the Fund are also directors of PEO.

AFA — In April 2015, Fund shareholders authorized the Fund to provide investment advisory services to external parties, and the Securities and Exchange Commission granted no-action relief under section 12(d)(3) of the 1940 Act to allow the Fund to create a separate, wholly-owned entity for this purpose. The Fund provided the initial capital for the start-up costs of AFA, a Maryland limited liability company, and the Fund is the sole member and General Manager, as provided by the Operating Agreement between AFA and the Fund. This structure mitigates the risk of potential liabilities for the Fund associated with any claims that may arise against AFA during the ordinary course of conducting its business. Given that AFA is an operating company that provides no services to the Fund, the Fund accounts for AFA as a portfolio investment that meets the definition of a controlled affiliate.

AFA provides advisory services to an external party and earns advisory fee revenue based on assets under management. AFA’s profit can fluctuate due to the level of assets under management, as driven by the number of client relationships, level of client investment activity, and client investment performance, and will impact the Fund’s valuation of its investment in AFA. At June 30, 2018, AFA had assets under management of \$89.9 million, entirely attributed to one client; failure to maintain this existing relationship or to develop new relationships could impact AFA’s ability to generate revenue. To the extent that AFA’s operating costs exceed its revenue earned, the Fund may be required to provide additional capital to AFA. For tax purposes, AFA’s revenues and expenses are consolidated with those of the Fund and, as such, the advisory fee

Notes to Financial Statements (continued)

revenue generated by AFA is monitored to ensure that it does not exceed an amount that would jeopardize the Fund's status as a regulated investment company. During the six months ended June 30, 2018, the Fund recognized a change in unrealized appreciation on its investment in AFA of \$779,000.

Expenses — The Fund and its affiliates share personnel, systems, and other infrastructure items and are 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 solely attributable to an entity are charged to that entity. Expenses that are not solely attributable to one entity are allocated in accordance with the Fund's expense sharing policy. The Fund's policy dictates that expenses, other than those related to personnel, are attributed to AFA based on the average percentage of time spent by all personnel on AFA-related activities relative to overall job functions; the remaining portion is attributed to the Fund and PEO based on relative net assets. Personnel-related expenses are attributed to AFA based on the individual's time spent on AFA-related activities; the remaining portion is attributed to the Fund and PEO based on relative time spent for portfolio managers, relative market values of portfolio securities covered for research staff, and relative net assets for all others. Expense allocations are updated quarterly, except for those related to payroll, which are updated annually.

For the six months ended June 30, 2018, expenses of \$451,304 and \$113,249 were charged to PEO and AFA, respectively, in accordance with the Fund's expense sharing policy. There were no amounts due to, or due from, its affiliates at June 30, 2018.

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 and its affiliates to protect the Fund from potential conflicts of interest. Investment transactions are accounted for on 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.

Valuation — The Fund's financial instruments are reported at fair value, which is defined as the price that would be received from selling 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") so that financial instruments are appropriately priced at fair value in accordance with GAAP and the 1940 Act. Subject to oversight and approval 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 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 under the circumstances.

Notes to Financial Statements (continued)

Investments in securities traded on national exchanges are valued at the last reported sale price as of the close of regular trading on the relevant exchange on the day of valuation. Over-the-counter and listed equity 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.

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.

The Fund's investment in its controlled affiliate, AFA, is valued by methods deemed reasonable in good faith by the Committee. The Committee uses market-based valuation multiples, including price-to-earnings and price-to-book value, and discounted free cash flow analysis, or a combination thereof, to estimate fair value. The Committee also considers discounts for illiquid investments, such as AFA. Fair value determinations are reviewed on a regular basis and updated as needed. Due to the inherent uncertainty of the value of Level 3 assets, estimated fair value may differ significantly from the value that would have been used had an active market existed. Any change in the estimated fair value of Level 3 investments is recognized as a change in unrealized appreciation on investments in the Statement of Operations. Given the absence of market quotations or observable inputs, the Fund's investment in AFA is categorized as Level 3 in the hierarchy.

At June 30, 2018, the Fund's investments were classified as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------|------------------|------------|--------------|------------------|
| Assets: | | | | |
| Common stocks | \$ 1,788,072,973 | \$ — | \$ — | \$ 1,788,072,973 |
| Other investments | — | — | 1,047,000 | 1,047,000 |
| Short-term investments | 22,533,133 | — | — | 22,533,133 |
| Total investments | \$ 1,810,606,106 | \$ — | \$ 1,047,000 | \$ 1,811,653,106 |
| Total return swap agreements* | \$ — | \$ 616,522 | \$ — | \$ 616,522 |

*

Unrealized appreciation (depreciation)

The following is a reconciliation of the change in the value of Level 3 investments:

| | |
|--|--------------|
| Balance at December 31, 2017 | \$ 268,000 |
| Purchases | — |
| Change in unrealized appreciation on investments | 779,000 |
| Balance at June 30, 2018 | \$ 1,047,000 |

There were no transfers between levels during the six months ended June 30, 2018.

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 the tax positions included in federal income tax returns from the previous three years that remain subject to examination and concluded no provision was required. Any income tax-related interest or penalties would be recognized as

Notes to Financial Statements (continued)

income tax expense. At June 30, 2018, the identified cost of securities for federal income tax purposes was \$1,228,419,233 and net unrealized appreciation aggregated \$583,850,395, consisting of gross unrealized appreciation of \$599,096,291 and gross unrealized depreciation of \$15,245,896.

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 GAAP. Such differences are primarily related to the Fund's retirement plans, equity-based compensation, and investment in AFA. Differences that are permanent are reclassified in the capital accounts of the Fund's financial statements and have no impact on net assets.

3. INVESTMENT TRANSACTIONS

Purchases and sales of portfolio investments, other than short-term investments, securities lending collateral, and derivative transactions, during the six months ended June 30, 2018 were \$583,634,811 and \$596,594,231, respectively.

4. DERIVATIVES

During the six months ended June 30, 2018, the Fund invested in derivative instruments. The Fund uses derivatives for a variety of purposes, including, but not limited to, the ability to gain or limit exposure to particular market sectors or securities, to provide additional income, to limit equity price risk in the normal course of pursuing its investment objectives, and/or to obtain leverage.

Total Return Swap Agreements — Total return swap agreements are bilateral contracts between the Fund and a counterparty in which the Fund, in the case of a long contract, agrees to receive the positive total return (and pay the negative total return) of an underlying equity security and to pay a financing amount, based on a notional amount and a referenced interest rate, over the term of the contract. In the case of a short contract, the Fund agrees to pay the positive total return (and receive the negative total return) of the underlying equity security and to receive or pay a financing rate, based on a notional amount and a referenced interest rate, over the term of the contract. The fair value of each total return swap agreement is determined daily with the change in the fair value recorded as a change in unrealized appreciation on total return swap agreements in the Statement of Operations. Upon termination of a swap agreement, the Fund recognizes a realized gain (loss) on total return swap agreements in the Statement of Operations equal to the net receivable (payable) amount under the terms of the agreement.

Total return swap agreements entail risks associated with counterparty credit, liquidity, and equity price risk. Such risks include that the Fund or the counterparty may default on its obligation, that there is no liquid market for these agreements, and that there may be unfavorable changes in the price of the underlying equity security. To mitigate the Fund's counterparty credit risk, the Fund enters into master netting and collateral arrangements with the counterparty. A master netting agreement allows either party to terminate the agreement prior to termination date and to net amounts due across multiple agreements upon settlement, providing for a single net settlement with a counterparty. Pursuant to master netting arrangements, the net cumulative unrealized gain (asset) on open total return swap agreements and net cumulative unrealized loss (liability) on open total return swap agreements are presented in the Statement of Assets and Liabilities. The Fund's policy is to net all derivative instruments subject to a netting agreement. The fair value of

Notes to Financial Statements (continued)

each open total return swap agreement is presented on the Schedule of Investments. During the six months ended June 30, 2018, the average daily notional amounts of open long and (short) total return swap agreements, an indicator of the volume of activity, were \$48,484,915 and \$(48,222,628), respectively.

A collateral arrangement requires each party to provide collateral with a value, adjusted daily and subject to a minimum transfer amount, equal to the net amount owed to the other party under the agreement. The counterparty provides cash collateral to the Fund and the Fund provides collateral by segregating portfolio securities, subject to a valuation allowance, into a tri-party account at its custodian. At June 30, 2018, securities, as denoted in the Schedule of Investments, with a value of \$495,364 were pledged by the Fund and no cash collateral was held by the Fund.

5. CAPITAL STOCK

The Fund has 10,000,000 authorized and unissued preferred shares, \$0.001 par value.

During the six months ended June 30, 2018, the Fund issued 2,358 shares of its Common Stock at a weighted average price of \$15.11 per share as dividend equivalents to holders of deferred stock units and restricted stock units under the 2005 Equity Incentive Compensation Plan.

On December 22, 2017, the Fund issued 3,311,063 shares of its Common Stock at a price of \$14.83 per share (the average market price on December 8, 2017) to shareholders of record on November 22, 2017, who elected to take stock in payment of the year-end distribution from 2017 capital gain and investment income. During the year ended December 31, 2017, the Fund issued 3,467 shares of its Common Stock at a weighted average price of \$14.78 per share as dividend equivalents to holders of deferred stock units and restricted stock units under the 2005 Equity Incentive 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 deems appropriate. Transactions in its Common Stock for 2018 and 2017 were as follows:

| | Shares | | Amount | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Six months ended June 30, 2018 | Year ended December 31, 2017 | Six months ended June 30, 2018 | Year ended December 31, 2017 |
| Shares issued in payment of distributions | 2,358 | 3,314,530 | \$ 35,695 | \$ 49,154,304 |
| Shares purchased (at a weighted average discount from net asset value of 14.4% and 15.0%, respectively) | (619,015) | (1,004,274) | (9,506,430) | (14,430,657) |
| Net activity under the 2005 Equity Incentive Compensation Plan | (13,770) | (11,423) | (202,620) | 104,944 |
| Net Change | (630,427) | 2,298,833 | \$ (9,673,355) | \$ 34,828,591 |

6. RETIREMENT 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

Notes to Financial Statements (continued)

supplement the qualified plan. The Fund matches employee contributions made to the plans and, subject to Board approval, may also make a discretionary contribution to the plans. During the six months ended June 30, 2018, the Fund recorded matching contributions of \$254,502 and a liability, representing the 2018 discretionary contribution, of \$102,899.

7. 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 at June 30, 2018 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 at 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 six months ended June 30, 2018 is as follows:

| Awards | Shares/Units | Weighted Average Grant-Date Fair Value |
|---------------------------------|--------------|---|
| Balance at December 31, 2017 | 94,601 | \$ 12.80 |
| Reinvested dividend equivalents | 262 | 15.38 |
| Vested & issued | (38,875) | 13.40 |
| Balance at June 30, 2018 | 55,988 | \$ 12.40 |

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 six months ended June 30, 2018 was \$9,392. At June 30, 2018, the Fund had unrecognized compensation cost of \$2,403, a component of additional capital surplus, related to nonvested awards that will be recognized over a weighted average period of 0.17 years. The total fair value of awards vested and issued during the six months ended June 30, 2018 was \$596,772.

8. OFFICER AND DIRECTOR COMPENSATION

The aggregate remuneration paid by the Fund during the six months ended June 30, 2018 to officers and directors amounted to \$4,292,809, of which \$295,332 was paid to independent directors. These amounts represent the taxable income to the Fund's officers and directors and, therefore, may differ from the amounts reported in the accompanying Statement of Operations that are recorded and expensed in accordance with GAAP. At June 30, 2018, \$1,482,086 was due to officers and directors, representing amounts related to estimated cash compensation and estimated retirement plan discretionary contributions payable to officers, and reinvested dividend payments on restricted stock awards payable to directors.

Notes to Financial Statements (continued)

9. PORTFOLIO SECURITIES LOANED

The Fund makes loans of securities to approved brokers to earn additional income. The loans are collateralized by cash and/or U.S. Treasury and government agency obligations 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. On loans collateralized by cash, the cash collateral is invested 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 securities loaned that may occur during the term of the loan will be for the account of the Fund. At June 30, 2018, the Fund had no securities on loan. 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.

10. OPERATING LEASE COMMITMENTS

The Fund and its affiliates lease office space and equipment under operating lease agreements expiring at various dates through the year 2026. The Fund recognized rental expense of \$154,504 for the six months ended June 30, 2018, and its estimated portion of the minimum rental commitments are as follows:

| | |
|-------------------|--------------|
| Remainder of 2018 | \$ 138,734 |
| 2019 | 266,866 |
| 2020 | 264,954 |
| 2021 | 259,823 |
| 2022 | 266,355 |
| Thereafter | 1,133,791 |
| Total | \$ 2,330,523 |

In February 2016, the Financial Accounting Standards Board updated the guidance on accounting for leases. The updated guidance requires lessees to recognize assets and liabilities that arise from lease transactions. The Fund will adopt the new standard on January 1, 2019, and is evaluating the full impact of adoption.

Financial Highlights

| | (unaudited) Six Months Ended | | Year Ended December 31, | | | | |
|--|---------------------------------|------------------|-------------------------|---------|---------|---------|---------|
| | June 30, 2018 | June 30, 2017 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Per Share Operating Performance | | | | | | | |
| Net asset value, beginning of period | \$17.55 | \$15.22 | \$15.22 | \$15.04 | \$15.87 | \$15.09 | \$12.43 |
| Net investment income | 0.09 | 0.11 | 0.22 | 0.19 | 0.13 | 0.20 | 0.20 |
| Net realized gain (loss) and change in unrealized appreciation | 0.35 | 1.66 | 3.55 | 1.03 | — | 1.83 | 3.32 |
| Change in accumulated other comprehensive income | — | — | — | — | 0.02 | (0.01) | 0.01 |
| Total from operations | 0.44 | 1.77 | 3.77 | 1.22 | 0.15 | 2.02 | 3.53 |
| Less distributions from: | | | | | | | |
| Net investment income | (0.09) | (0.09) | (0.22) | (0.18) | (0.14) | (0.20) | (0.22) |
| Net realized gain | (0.01) | (0.01) | (1.16) | (0.81) | (0.79) | (0.98) | (0.62) |
| Total distributions | (0.10) | (0.10) | (1.38) | (0.99) | (0.93) | (1.18) | (0.84) |
| Capital share repurchases (note 5) | 0.02 | 0.02 | 0.03 | 0.02 | 0.02 | 0.02 | 0.02 |
| Reinvestment of distributions | — | — | (0.09) | (0.07) | (0.07) | (0.08) | (0.05) |
| Total capital share transactions | 0.02 | 0.02 | (0.06) | (0.05) | (0.05) | (0.06) | (0.03) |
| Net asset value, end of period | \$17.91 | \$16.91 | \$17.55 | \$15.22 | \$15.04 | \$15.87 | \$15.09 |
| Market price, end of period | \$15.42 | \$14.29 | \$15.03 | \$12.71 | \$12.83 | \$13.68 | \$13.07 |
| Total Investment Return (a) | | | | | | | |
| Based on market price | 3.3% | 13.2% | 29.4% | 6.9% | 0.7% | 13.7% | 31.8% |
| Based on net asset value | 2.7% | 11.9% | 26.2% | 9.2% | 1.8% | 14.3% | 29.7% |

Ratios/Supplemental
Data (b)

| | | | | | | | |
|--|---------|---------|---------|---------|-----------|---------|-----------|
| Net assets, end of period (in millions) | \$1,811 | \$1,672 | \$1,786 | \$1,513 | \$1,472 | \$1,528 | \$1,422 |
| Ratio of expenses to average net assets | 0.60% | 0.57% | 0.56% | 0.64% | 0.96% (c) | 0.58% | 0.69% (c) |
| Ratio of net investment income to average net assets | 1.07% | 1.32% | 1.30% | 1.29% | 0.79% (c) | 1.29% | 1.44% (c) |
| Portfolio turnover | 65.3% | 48.8% | 39.2% | 32.0% | 22.0% | 26.6% | 55.9% |
| Number of shares outstanding at end of period (in 000's) | 101,105 | 98,833 | 101,736 | 99,437 | 97,914 | 96,287 | 94,224 |

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

(b)
Ratios and portfolio turnover presented on an annualized basis.

(c)
Ratios of expenses to average net assets were 0.67% and 0.63% in 2015 and 2013, respectively, after adjusting for non-recurring pension-related settlement charges. The adjusted ratios of net investment income to average net assets were 1.08% and 1.50% in 2015 and 2013, respectively.

Schedule of Investments

June 30, 2018

(unaudited)

| | Shares | Value (a) |
|--|-----------|---------------|
| Common Stocks — 98.7% | | |
| Consumer Discretionary — 12.7% | | |
| Advance Auto Parts, Inc. | 166,500 | \$ 22,594,050 |
| Amazon.com, Inc. (b) | 42,800 | 72,751,440 |
| Chipotle Mexican Grill, Inc. (b) | 16,000 | 6,901,920 |
| Comcast Corporation Class A | 286,000 | 9,383,660 |
| Consumer Discretionary Select Sector SPDR Fund | 28,500 | 3,115,050 |
| Dollar General Corporation | 193,937 | 19,122,188 |
| Home Depot, Inc. | 202,700 | 39,546,770 |
| Lowe's Companies, Inc. | 201,100 | 19,219,127 |
| Magna International Inc. | 184,000 | 10,695,920 |
| Netflix, Inc. (b) | 16,100 | 6,302,023 |
| Tractor Supply Company | 183,600 | 14,043,564 |
| Walt Disney Company | 68,800 | 7,210,928 |
| | | 230,886,640 |
| Consumer Staples — 7.1% | | |
| Coca-Cola Company | 161,800 | 7,096,548 |
| Constellation Brands, Inc. Class A | 60,600 | 13,263,522 |
| Costco Wholesale Corporation | 77,900 | 16,279,542 |
| CVS Health Corporation | 174,800 | 11,248,380 |
| Monster Beverage Corporation (b) | 157,100 | 9,001,830 |
| PepsiCo, Inc. (g) | 134,400 | 14,632,128 |
| Philip Morris International Inc. | 295,300 | 23,842,522 |
| Procter & Gamble Company | 131,850 | 10,292,211 |
| Walmart Inc. | 257,300 | 22,037,745 |
| | | 127,694,428 |
| Energy — 6.3% | | |
| Adams Natural Resources Fund, Inc. (c) | 2,186,774 | 43,932,290 |
| Andeavor | 68,000 | 8,920,240 |
| Exxon Mobil Corporation (g) | 308,300 | 25,505,659 |
| Halliburton Company | 354,400 | 15,969,264 |
| Occidental Petroleum Corporation | 112,200 | 9,388,896 |
| Pioneer Natural Resources Company | 57,800 | 10,938,072 |
| | | 114,654,421 |

Schedule of Investments (continued)

June 30, 2018

(unaudited)

| | Shares | Value (a) |
|--|-----------|---------------|
| Financials — 13.5% | | |
| Aflac Incorporated | 316,300 | \$ 13,607,226 |
| Bank of America Corp. | 1,470,400 | 41,450,576 |
| Berkshire Hathaway Inc. Class B (b) | 223,400 | 41,697,610 |
| BlackRock, Inc. | 41,400 | 20,660,256 |
| Goldman Sachs Group, Inc. | 50,500 | 11,138,785 |
| Intercontinental Exchange, Inc. | 379,900 | 27,941,645 |
| JPMorgan Chase & Co. | 319,700 | 33,312,740 |
| Lazard Ltd Class A | 198,000 | 9,684,180 |
| SunTrust Banks, Inc. | 378,100 | 24,962,162 |
| Wells Fargo & Company | 358,500 | 19,875,240 |
| | | 244,330,420 |
| Health Care — 13.7% | | |
| Abbott Laboratories | 303,200 | 18,492,168 |
| AbbVie, Inc. | 265,700 | 24,617,105 |
| Alexion Pharmaceuticals, Inc. (b) | 107,200 | 13,308,880 |
| Becton, Dickinson and Company | 97,800 | 23,428,968 |
| Biogen Inc. (b) | 48,900 | 14,192,736 |
| Edwards Lifesciences Corporation (b) | 151,100 | 21,995,627 |
| Laboratory Corporation of America Holdings (b) | 107,700 | 19,335,381 |
| Merck & Co., Inc. | 385,400 | 23,393,780 |
| Pfizer Inc. | 551,040 | 19,991,731 |
| Thermo Fisher Scientific Inc. | 145,400 | 30,118,156 |
| UnitedHealth Group Incorporated | 162,400 | 39,843,216 |
| | | 248,717,748 |
| Industrials — 10.1% | | |
| Boeing Company | 101,200 | 33,953,612 |
| Caterpillar Inc. | 139,100 | 18,871,697 |
| Cintas Corporation | 86,500 | 16,008,555 |
| Delta Air Lines, Inc. | 282,200 | 13,980,188 |
| Emerson Electric Co. | 257,800 | 17,824,292 |
| FedEx Corporation | 86,200 | 19,572,572 |
| General Electric Company | 246,500 | 3,354,865 |
| Honeywell International Inc. | 193,000 | 27,801,650 |
| Union Pacific Corporation | 219,500 | 31,098,760 |

182,466,191

Schedule of Investments (continued)

June 30, 2018

(unaudited)

| | Shares | Value (a) |
|--|---------|---------------|
| Information Technology — 25.8% | | |
| Accenture plc Class A | 157,400 | \$ 25,749,066 |
| Adobe Systems Incorporated (b) | 117,200 | 28,574,532 |
| Alphabet Inc. Class A (b) | 30,900 | 34,891,971 |
| Alphabet Inc. Class C (b) | 28,097 | 31,346,418 |
| Apple Inc. (g) | 345,400 | 63,936,994 |
| Broadcom Inc. | 93,100 | 22,589,784 |
| Cisco Systems, Inc. | 378,700 | 16,295,461 |
| Facebook, Inc. Class A (b) | 269,500 | 52,369,240 |
| Lam Research Corporation | 39,400 | 6,810,290 |
| Mastercard Incorporated Class A | 147,700 | 29,026,004 |
| Microsoft Corporation | 836,800 | 82,516,848 |
| Oracle Corporation | 122,200 | 5,384,132 |
| salesforce.com, inc. (b) | 181,200 | 24,715,680 |
| Visa Inc. Class A | 325,700 | 43,138,965 |
| | | 467,345,385 |
| Materials — 1.7% | | |
| DowDuPont Inc. | 206,600 | 13,619,072 |
| Freeport-McMoRan, Inc. | 414,700 | 7,157,722 |
| LyondellBasell Industries N.V. | 93,700 | 10,292,945 |
| | | 31,069,739 |
| Real Estate — 3.9% | | |
| American Tower Corporation | 85,900 | 12,384,203 |
| Prologis, Inc. | 236,100 | 15,509,409 |
| Public Storage | 86,100 | 19,532,646 |
| SBA Communications Corporation Class A (b) | 46,800 | 7,727,616 |
| Simon Property Group, Inc. | 86,600 | 14,738,454 |
| | | 69,892,328 |
| Telecommunication Services — 1.2% | | |
| AT&T Inc. | 402,882 | 12,936,551 |
| Verizon Communications Inc. | 171,600 | 8,633,196 |
| | | 21,569,747 |
| Utilities — 2.7% | | |
| Exelon Corporation | 299,300 | 12,750,180 |
| NextEra Energy, Inc. | 99,000 | 16,535,970 |

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| | | |
|---|---------|---------------|
| Public Service Enterprise Group Incorporated | 173,900 | 9,414,946 |
| WEC Energy Group Inc. | 166,200 | 10,744,830 |
| | | 49,445,926 |
| Total Common Stocks (Cost \$1,205,485,574) | | 1,788,072,973 |
| Other Investments — 0.1% | | |
| Financials — 0.1% | | |
| Adams Funds Advisers (b)(d) (Cost \$150,000) | | 1,047,000 |

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Schedule of Investments (continued)

June 30, 2018

(unaudited)

| | Shares | Value (a) |
|---|------------|------------------|
| Short-Term Investments — 1.2% | | |
| Money Market Funds — 1.2% | | |
| Fidelity Investments Money Market Funds - Prime Money Market Portfolio (Institutional Class), 2.06% (e) | 17,992,317 | \$ 17,999,514 |
| Northern Institutional Treasury Portfolio, 1.74% (e) | 4,533,618 | 4,533,618 |
| Total Short-Term Investments (Cost \$22,532,133) | | 22,533,133 |
| Total — 100.0% (Cost \$1,228,167,707) | | 1,811,653,106 |
| Other Assets Less Liabilities — 0.0% | | (501,628) |
| Net Assets — 100.0% | | \$ 1,811,151,478 |

Total Return Swap Agreements — 0.0%

| Description | | | | | Value and Unrealized Appreciation (Assets) | Value and Unrealized Depreciation (Liabilities) |
|---|------------------|--|---------------------|--------------------|---|--|
| Terms | Contract Type | Underlying Security | Termination Date | Notional Amount | | |
| Receive total return on underlying security and pay financing amount based on notional amount and daily U.S. Federal Funds rate plus 0.55%. | Long | HD Supply Holdings, Inc. (229,700 shares) | 6/14/2019 | \$ 9,133,287 | \$ 690,141 | \$ — |
| Pay total return on underlying security and receive financing amount based on notional amount and daily U.S. Federal Funds rate less 0.45%. | Short | Industrial Select Sector SPDR Fund (121,800 shares) | 6/14/2019 | (9,086,196) | 340,929 | — |

| | | | | | | |
|--|-------|---|-----------|-------------|---------|-----------|
| Receive total return on underlying security and pay financing amount based on notional amount and daily U.S. Federal Funds rate plus 0.55%. | Long | QUALCOMM Incorporated (159,000 shares) | 6/26/2019 | 9,146,443 | — | (147,774) |
| Pay total return on underlying security and receive financing amount based on notional amount and daily U.S. Federal Funds rate less 0.45%. | Short | Technology Select Sector SPDR Fund (130,800 shares) | 6/26/2019 | (9,083,798) | — | (23,275) |
| Receive total return on underlying security and pay financing amount based on notional amount and daily U.S. Federal Funds rate plus 0.55%. | Long | Cabot Oil & Gas Corporation (394,000 shares) | 7/11/2019 | 9,225,549 | 138,840 | — |
| Pay total return on underlying security and receive financing amount based on notional amount and daily U.S. Federal Funds rate less 107.5%. | Short | SPDR S&P Oil & Gas Exploration & Production ETF (218,700 shares) | 7/11/2019 | (9,233,208) | — | (195,516) |

Schedule of Investments (continued)

June 30, 2018

(unaudited)

| Description | Contract Type | Underlying Security | Termination Date | Notional Amount | Value and Unrealized Appreciation (Assets) | Value and Unrealized Depreciation (Liabilities) |
|---|---------------|--|------------------|-----------------|--|---|
| Receive total return on underlying security and pay financing amount based on notional amount and daily U.S. Federal Funds rate plus 0.55%. | Long | FLIR Systems, Inc. (169,900 shares) | 7/25/2019 | 9,194,393 | — | (368,863) |
| Pay total return on underlying security and receive financing amount based on notional amount and daily U.S. Federal Funds rate less 0.45%. | Short | Technology Select Sector SPDR Fund (128,300 shares) | 7/25/2019 | (9,105,207) | 194,653 | — |
| Receive total return on underlying security and pay financing amount based on notional amount and daily U.S. Federal Funds rate plus 0.55%. | Long | Procter & Gamble Company (174,400 shares) | 8/2/2019 | 13,648,980 | — | (35,316) |
| Pay total return on underlying | Short | Consumer Staples Select Sector | 8/2/2019 | (13,642,082) | 22,703 | — |

security and
receive
financing
amount based
on notional
amount and
daily U.S.
Federal Funds
rate less
0.45%.

SPDR Fund
(264,300 shares)

| | | |
|---|--------------|--------------|
| Gross unrealized gain (loss) on open total return swap agreements | \$ 1,387,266 | \$ (770,744) |
| Net unrealized gain on open total return swap agreements (f) | \$ 616,522 | |

- (a)
Common stocks are listed on the New York Stock Exchange or NASDAQ and are valued at the last reported sale price on the day of valuation.
- (b)
Presently non-dividend paying.
- (c)
Non-controlled affiliate, a closed-end sector fund, registered as an investment company under the Investment Company Act of 1940.
- (d)
Controlled affiliate valued using fair value procedures.
- (e)
Rate presented is as of period-end and represents the annualized yield earned over the previous seven days.
- (f)
Counterparty for all open total return swap agreements is Morgan Stanley.
- (g)
A portion of the position is pledged as collateral for open total return swap agreements.

Principal Changes in Portfolio Securities

During the Six Months Ended June 30, 2018
(unaudited)

| | Purchases (Cost) | Sales (Proceeds) | Market Value Held at June 30, 2018 |
|--|---------------------|---------------------|---|
| Abbott Laboratories | \$ 17,790,836 | | \$ 18,492,168 |
| Accenture plc Class A | 24,863,427 | | 25,749,066 |
| Advance Auto Parts, Inc. | 18,687,577 | | 22,594,050 |
| Aflac Incorporated | 13,995,073 | | 13,607,226 |
| Berkshire Hathaway Inc. Class B | 22,082,545 | | 41,697,610 |
| Biogen Inc. | 19,451,078 | \$ 5,427,884 | 14,192,736 |
| Caterpillar Inc. | 19,701,262 | | 18,871,697 |
| Celgene Corporation | 3,718,465 | 13,712,677 | — |
| Chipotle Mexican Grill, Inc. | 7,461,024 | | 6,901,920 |
| Cigna Corporation | 11,934,824 | 9,417,184 | — |
| Cintas Corporation | 14,203,296 | | 16,008,555 |
| Constellation Brands, Inc. Class A | 13,738,244 | | 13,263,522 |
| Consumer Discretionary Select Sector SPDR Fund | 14,802,807 | 12,785,984 | 3,115,050 |
| Consumer Staples Select Sector SPDR Fund | 12,438,358 | 11,062,441 | — |
| DXC Technology Co. | 1,787,944 | 13,319,898 | — |
| Edwards Lifesciences Corporation | 20,377,867 | | 21,995,627 |
| Emerson Electric Co. | 18,844,674 | | 17,824,292 |
| Exelon Corporation | 11,532,029 | | 12,750,180 |
| Facebook, Inc. Class A | 26,538,386 | 23,387,507 | 52,369,240 |
| FedEx Corporation | 21,230,939 | | 19,572,572 |
| Freeport-McMoRan, Inc. | 7,969,788 | | 7,157,722 |
| Goldman Sachs Group, Inc. | 21,284,833 | 7,264,789 | 11,138,785 |
| JPMorgan Chase & Co. | 15,417,532 | | 33,312,740 |
| Laboratory Corporation of America Holdings | 18,875,904 | | 19,335,381 |
| Lazard Ltd Class A | 11,002,897 | | 9,684,180 |
| Materials Select Sector SPDR Fund | 6,108,608 | 5,989,062 | — |
| Merck & Co., Inc. | 23,383,410 | | 23,393,780 |
| Monster Beverage Corporation | 9,157,280 | | 9,001,830 |
| Occidental Petroleum Corporation | 9,489,932 | | 9,388,896 |
| Public Storage | 17,301,715 | | 19,532,646 |
| Signature Bank | 5,073,198 | 16,896,597 | — |
| Simon Property Group, Inc. | 14,905,635 | | 14,738,454 |
| Time Warner Inc. | 9,028,473 | 9,837,113* | — |
| Tractor Supply Company | 13,956,523 | | 14,043,564 |

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| | | | |
|-------------------------------------|------------|-----------|------------|
| UnitedHealth Group Incorporated | 28,473,227 | | 39,843,216 |
| Vanguard Information Technology ETF | 8,866,065 | 9,234,856 | — |
| WEC Energy Group Inc. | 10,710,427 | | 10,744,830 |

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Principal Changes in Portfolio Securities (continued)

During the Six Months Ended June 30, 2018
(unaudited)

| | Purchases (Cost) | Sales (Proceeds) | Market Value Held at June 30, 2018 |
|--|---------------------|---------------------|---|
| Wells Fargo & Company | \$ 6,283,445 | \$ 20,169,344 | \$ 19,875,240 |
| AbbVie, Inc. | | 5,731,156 | 24,617,105 |
| Aetna Inc. | | 34,317,961 | — |
| Albemarle Corporation | | 7,919,068 | — |
| American Express Company | | 36,039,329 | — |
| Amgen Inc. | | 21,067,207 | — |
| Apple Inc. | | 22,106,620 | 63,936,994 |
| AvalonBay Communities, Inc. | | 8,536,050 | — |
| Carnival Corporation | | 8,521,451 | — |
| CenterPoint Energy, Inc. | | 10,559,560 | — |
| Chubb Limited | | 10,717,884 | — |
| Citigroup Inc. | | 12,830,704 | — |
| Cognizant Technology Solutions Corporation Class A | | 5,658,257 | — |
| Colgate-Palmolive Company | | 11,511,165 | — |
| Comcast Corporation Class A | | 23,659,628 | 9,383,660 |
| Concho Resources Inc. | | 9,340,096 | — |
| Cummins Inc. | | 19,434,821 | — |
| Fortive Corp. | | 20,835,557 | — |
| Johnson & Johnson | | 30,972,857 | — |
| McKesson Corporation | | 9,180,164 | — |
| Parker-Hannifin Corporation | | 17,102,507 | — |
| PepsiCo, Inc. | | 10,457,883 | 14,632,128 |
| Pfizer Inc. | | 5,526,673 | 19,991,731 |
| Prologis, Inc. | | 7,408,813 | 15,509,409 |
| SPDR S&P 500 ETF Trust | | 14,851,502 | — |
| TJX Companies, Inc. | | 18,789,448 | — |
| Utilities Select Sector SPDR Fund | | 6,392,065 | — |
| Waters Corporation | | 11,722,426 | — |

*

Received cash and shares of AT&T Inc. pursuant to an acquisition

The transactions presented above are those purchases or sales during the period that exceeded .30% of period-end net assets.

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 | Return of Capital Per Share | Total Dividends and Distributions Per Share | Annual Distribution Rate* |
|------------------|-----------------------------------|----------------------------------|---------------------------------|------------------------------|----------------------------------|--|---|--|---------------------------------|
| 2008 | \$ 840,012 | 87,406 | \$ 9.61 | \$ 8.03 | \$.26 | \$.38 | \$ — | \$.64 | 5.7% |
| 2009 | 1,045,027 | 87,415 | 11.95 | 10.10 | .15 | .30 | — | .45 | 5.2 |
| 2010 | 1,124,672 | 88,885 | 12.65 | 10.72 | .14 | .37 | — | .51 | 5.1 |
| 2011 | 1,050,734 | 91,074 | 11.54 | 9.64 | .15 | .50 | — | .65 | 6.1 |
| 2012 | 1,155,997 | 93,030 | 12.43 | 10.59 | .18 | .49 | — | .67 | 6.3 |
| 2013 | 1,421,551 | 94,224 | 15.09 | 13.07 | .22 | .62 | — | .84 | 7.1 |
| 2014 | 1,527,773 | 96,287 | 15.87 | 13.68 | .20 | .98 | — | 1.18 | 8.8 |
| 2015 | 1,472,144 | 97,914 | 15.04 | 12.83 | .14 | .79 | — | .93 | 6.8 |
| 2016 | 1,513,498 | 99,437 | 15.22 | 12.71 | .18 | .81 | — | .99 | 7.8 |
| 2017 | 1,785,772 | 101,736 | 17.55 | 15.03 | .22 | 1.16 | — | 1.38 | 9.8 |
| June 30, 2018 | 1,811,151 | 101,105 | 17.91 | 15.42 | .14** | .01** | — | .15 | — |

*

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 19, 2018. The following votes were cast for directors:

| | Votes For | Votes Withheld |
|-------------------------|------------|-------------------|
| Enrique R. Arzac | 80,924,213 | 5,656,853 |
| Kenneth J. Dale | 81,311,541 | 5,269,525 |
| Frederic A. Escherich | 81,284,052 | 5,297,014 |
| Roger W. Gale | 80,966,020 | 5,615,046 |
| Lauriann C. Kloppenburg | 81,666,256 | 4,914,810 |
| Kathleen T. McGahran | 81,402,972 | 5,178,094 |
| Craig R. Smith | 80,941,581 | 5,639,485 |
| Mark E. Stoeckle | 81,220,698 | 5,360,368 |

A proposal to approve and ratify the selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Fund for 2018 was approved with 84,428,603 votes for, 1,033,521 votes against, and 1,118,942 shares abstaining.

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Other Information

Distribution Payment Schedule

The Fund presently pays distributions 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 distribution announcement notice and an election card in mid-November. Shareholders holding shares in “street” or brokerage accounts make their election 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 online. 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 the Fund's transfer agent, American Stock Transfer & Trust Company ("AST"):

www.astfinancial.com

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

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, 2018 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.

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Adams Diversified Equity Fund, Inc.

Board of Directors

Enrique R. Arzac (2),(3) Roger W. Gale (1),(2),(4) Craig R. Smith (3),(4)

Kenneth J. Dale (1), (3),(4) Lauriann C. Kloppenburg (2),(3) Mark E. Stoeckle (1)

Frederic A. Escherich (1),(2),(4) Kathleen T. McGahran (1),(5)

(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 Chief Executive Officer and President

James P. Haynie, CFA Executive Vice President

D. Cotton Swindell, CFA Executive Vice President

Brian S. Hook, CFA, CPA Vice President, Chief Financial Officer and Treasurer

Lawrence L. Hooper, Jr. Vice President, General Counsel, Secretary and Chief Compliance Officer

Xuying Chang, CFA Vice President—Research

Steven R. Crain, CFA Vice President—Research

Michael E. Rega, CFA Vice President—Research

David R. Schiminger, CFA Vice President—Research

Jeffrey R. Schollaert, CFA Vice President—Research

Christine M. Sloan, CPA Assistant Treasurer and Director of Human Resources

500 East Pratt Street, Suite 1300, Baltimore, MD 21202

410.752.5900 800.638.2479

Website: www.adamsfunds.com

Email: contact@adamsfunds.com

Tickers: ADX (NYSE), XADEX (NASDAQ)

Counsel: Norton Rose Fulbright US 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

6201 15th Avenue

Brooklyn, NY 11219

(877) 260-8188

Website: www.astfinancial.com

Email: info@astfinancial.com

Item 2. Code of Ethics.

Item not applicable to semi-annual report.

Item 3. Audit Committee Financial Expert.

Item not applicable to semi-annual report.

Item 4. Principal Accountant Fees and Services.

Item not applicable to semi-annual report.

Item 5. Audit Committee of Listed Registrants.

Item not applicable to semi-annual report.

Item 6. Investments.

(a) This schedule is included as part of the Report to Stockholders filed under Item 1 of this form.

(b) Not applicable.

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

Item not applicable to semi-annual report.

Item 8. Portfolio Managers of Closed-End Management Investment Companies.

Item not applicable to semi-annual report.

Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.

| | Total Number of Shares (or Units Purchased) | Average Price Paid per Share (or Unit) | Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs |
|---------------|---|---|--|--|
| January 2018 | -- | -- | -- | 1,612,522 |
| February 2018 | 27,500 | \$ 15.51 | 27,500 | 1,585,022 |
| March 2018 | 67,694 | \$ 14.83 | 67,694 | 1,517,328 |
| April 2018 | -- | -- | -- | 1,517,328 |
| May 2018 | 267,343 | \$ 15.25 | 267,343 | 1,249,985 |
| June 2018 | 256,478 | \$ 15.60 | 256,478 | 993,507 |
| Total | 619,015 | \$ 15.36 | 619,015 | |

(1) There were no shares purchased other than through a publicly announced plan or program.

(2a) The Plan was announced on December 11, 2014.

(2b) The share amount approved in 2014 was 5% of outstanding shares, or 4,667,000 shares.

(2c) The Plan has no expiration date.

(2d) None.

(2e) None.

Item 10. Submission of Matters to a Vote of Security Holders.

There were no material changes to the procedures by which shareholders may recommend nominees to the registrant's Board of Directors made or implemented after the registrant last provided disclosure in response to the requirements of Item 407(c)(2)(iv) of Regulation S-K (as required by Item 22(b)(15) of Schedule 14A), or this Item.

Item 11. Controls and Procedures.

(a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) are effective based on their evaluation of the disclosure controls and procedures as of a date within 90 days of the filing date of this report.

(b) There have been no significant changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) that occurred during the registrant's most recent fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 12. Disclosures of Securities Lending Activities for Closed-End Management Investment Companies.

Item not applicable to semi-annual report.

Item 13. Exhibits.

(a) (1) Code of ethics exhibits: not applicable; see registrant's response to Item 2 above.

Separate certifications by the registrant's principal executive officer and principal financial officer, pursuant to (2) Section 302 of the Sarbanes-Oxley Act of 2002 and required by Rule 30a-2(a) under the Investment Company Act of 1940, are attached.

(3) Written solicitation to purchase securities: not applicable.

(4)Change in independent public accountant: not applicable.

A certification by the registrant's principal executive officer and principal financial officer, pursuant to Section 906 (b) of the Sarbanes-Oxley Act of 2002 and required by Rule 30a-2(b) under the Investment Company Act of 1940, is attached.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Adams Diversified Equity Fund, Inc.

By: /s/ Mark E. Stoeckle
Mark E. Stoeckle
Chief Executive Officer & President
(Principal Executive Officer)

Date: July 26, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Mark E. Stoeckle
Mark E. Stoeckle
Chief Executive Officer & President
(Principal Executive Officer)

Date: July 26, 2018

By: /s/ Brian S. Hook
Brian S. Hook
Vice President, Chief Financial Officer & Treasurer
(Principal Financial Officer)

Date: July 26, 2018