

ADAMS EXPRESS CO
Form N-CSRS
July 23, 2010

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-00248

THE ADAMS EXPRESS COMPANY

(Exact name of registrant as specified in charter)

7 Saint Paul Street, Suite 1140, Baltimore, Maryland 21202

(Address of principal executive offices)

Lawrence L. Hooper, Jr.
The Adams Express Company
7 Saint Paul Street, Suite 1140
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, 2010

Item 1. Reports to Stockholders.

LETTER TO STOCKHOLDERS

We submit herewith the financial statements of The Adams Express Company (the Company) for the six months ended June 30, 2010. Also provided are the report of the independent registered public accounting firm, a schedule of investments, and other financial information.

Net assets of the Company at June 30, 2010 were \$10.75 per share on 87,428,182 shares outstanding, compared with \$11.95 per share at December 31, 2009 on 87,415,193 shares outstanding. On March 1, 2010, a distribution of \$0.05 per share was paid, consisting of \$0.01 from 2009 investment income, \$0.02 from 2009 short-term capital gain, \$0.01 from 2009 long-term capital gain, and \$0.01 from 2010 investment income, all taxable in 2010. A 2010 investment income dividend of \$0.05 per share was paid June 1, 2010, and another \$0.05 per share investment income dividend has been declared to shareholders of record August 13, 2010, payable September 1, 2010.

Net investment income for the six months ended June 30, 2010 amounted to \$6,008,733, compared with \$6,372,633 for the same six month period in 2009. These earnings are equal to \$0.07 per share in each period.

Net capital gain realized on investments for the six months ended June 30, 2010 amounted to \$17,527,431, or \$0.20 per share.

For the six months ended June 30, 2010, the total return on the net asset value (with dividends and capital gains reinvested) of the Company's shares was (9.1)%. The total return on the market value of the Company's shares for the period was (9.7)%. These compare to a (6.7)% total return for the Standard & Poor's 500 Composite Stock Index (S&P 500) and a (7.9)% total return for the Lipper Large-Cap Core Mutual Fund Average over the same time period.

For the twelve months ended June 30, 2010, the Company's total return on net asset value was 11.4% and on market value was 12.5%. Comparable figures for the S&P 500 and the Lipper Large-Cap Core Mutual Fund Average were 14.4% and 12.1%, respectively.

Current and potential stockholders can find information about the Company, including the daily net asset value (NAV) per share, the market price, and the discount/premium to the NAV, on our website at www.adamsexpress.com. Also available on the website are a history of the Company, historical financial information, and other useful content.

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Beginning August 2010, we will be updating our website with investment returns on NAV and market price on a monthly basis.

By order of the Board of Directors,

Douglas G. Ober,

Chairman and

Chief Executive Officer

David D. Weaver,

President

July 14, 2010

PORTFOLIO REVIEW

June 30, 2010

(unaudited)

Ten Largest Equity Portfolio Holdings

	<i>Market Value</i>	<i>% of Net Assets</i>
Petroleum & Resources Corporation*	\$ 43,669,877	4.7%
Microsoft Corp.	27,151,800	2.9
Oracle Corp.	23,606,000	2.5
Pepsico, Inc.	21,942,000	2.3
General Electric Co.	21,456,960	2.3
JPMorgan Chase & Co.	20,501,600	2.2
Bank of America Corp.	19,902,450	2.1
United Technologies Corp.	19,473,000	2.1
Procter & Gamble Co.	18,893,700	2.0
Apple Inc.	18,864,750	2.0
Total	\$ 235,462,137	25.1%

*Non-controlled affiliate

Sector Weightings

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2010

Assets		
Investments* at value:		
Common stocks (cost \$913,055,727)		\$ 878,747,777
Non-controlled affiliate, Petroleum & Resources Corporation (cost \$34,735,404)	43,669,877	
Short-term investments (cost \$14,046,493)	14,046,493	
Securities lending collateral (cost \$16,392,950)	16,392,950	\$ 952,857,097
Cash		298,941
Investment securities sold		2,487,084
Dividends and interest receivable		802,363
Prepaid pension cost		1,174,642
Prepaid expenses and other assets		2,121,589
Total Assets		959,741,716
Liabilities		
Investment securities purchased		146,700
Open written option contracts* at value (proceeds \$181,520)		217,874
Obligations to return securities lending collateral		16,392,950
Accrued pension liabilities		2,804,046
Accrued expenses and other liabilities		508,942
Total Liabilities		20,070,512
Net Assets		\$ 939,671,204
Net Assets		
Common Stock at par value \$0.001 per share, authorized 150,000,000 shares; issued and outstanding 87,428,182 shares (includes 112,394 restricted shares, 16,500 nonvested or deferred restricted stock units, and 8,985 deferred stock units) (note 6)		\$ 87,428
Additional capital surplus		956,592,756
Accumulated other comprehensive income (note 5)		(2,085,206)
Undistributed net investment income		198,258
Undistributed net realized gain on investments		10,287,799
Unrealized depreciation on investments		(25,409,831)
Net Assets Applicable to Common Stock		\$ 939,671,204
Net Asset Value Per Share of Common Stock		\$10.75

* See Schedule of Investments on page 11 and Schedule of Outstanding Written Option Contracts on page 13.

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

STATEMENT OF OPERATIONS

Six Months Ended June 30, 2010

Investment Income	
Income:	
Dividends:	
From unaffiliated issuers	\$ 8,428,311
From non-controlled affiliate	393,619
Interest and other income	189,711
<i>Total income</i>	9,011,641
Expenses:	
Investment research	1,286,018
Administration and operations	671,401
Directors' fees	190,694
Transfer agent, registrar, and custodian	161,843
Reports and stockholder communications	154,098
Investment data services	124,434
Travel, training, and other office expenses	103,551
Occupancy	87,004
Auditing and accounting services	69,268
Insurance	52,877
Legal services	27,947
Other	73,773
<i>Total expenses</i>	3,002,908
Net Investment Income	6,008,733
Change in Accumulated Other Comprehensive Income (note 5)	121,921
Realized Gain and Change in Unrealized Appreciation on Investments	
Net realized gain on security transactions	17,078,978
Net realized gain distributed by regulated investment company (non-controlled affiliate)	43,735
Net realized gain on written option contracts	404,718
Change in unrealized appreciation on securities	(119,942,141)
Change in unrealized appreciation on written option contracts	(175,674)
Net Loss on Investments	(102,590,384)
Change in Net Assets Resulting from Operations	\$ (96,459,730)

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

STATEMENTS OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2010	Year Ended December 31, 2009
From Operations:		
Net investment income	\$ 6,008,733	\$ 11,599,277
Net realized gain on investments	17,527,431	19,008,941
Change in unrealized appreciation on investments	(120,117,815)	206,689,808
Change in accumulated other comprehensive income (note 5)	121,921	3,828,668
<i>Change in net assets resulting from operations</i>	(96,459,730)	241,126,694
Distributions to Stockholders from:		
Net investment income	(6,118,086)	(12,986,945)
Net realized gain from investment transactions	(2,619,322)	(25,863,942)
<i>Decrease in net assets from distributions</i>	(8,737,408)	(38,850,887)
From Capital Share Transactions:		
Value of shares issued in payment of distributions (note 4)	5,126	13,254,222
Cost of shares purchased (note 4)	(287,751)	(10,811,722)
Deferred compensation (notes 4, 6)	123,628	296,889
<i>Change in net assets from capital share transactions</i>	(158,997)	2,739,389
Total Change in Net Assets	(105,356,135)	205,015,196
Net Assets:		
Beginning of period	1,045,027,339	840,012,143
End of period (including undistributed net investment income of \$198,258 and \$307,611, respectively)	\$ 939,671,204	\$ 1,045,027,339

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

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies

The Adams Express Company (the Company) is registered under the Investment Company Act of 1940 as a diversified investment company. The Company 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.

The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, which require the use of estimates made by Company management. Management believes that estimates and security valuations are appropriate; however, actual results may differ from those estimates, and the security valuations reflected in the financial statements may differ from the value the Company ultimately realizes upon sale of

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the securities.

Affiliated Companies Investments in companies 5% or more of whose outstanding voting securities are held by the Company are defined as Affiliated Companies in Section 2(a)(3) of the Investment Company Act of 1940.

Security Transactions and Investment Income Investment transactions are accounted for on the trade date. Gain or loss on sales of securities and options is determined on the basis of identified cost. Dividend income and distributions to stockholders are recognized on the ex-dividend date, and interest income is recognized on the accrual basis.

Security Valuation The Company's investments are reported at fair value as defined under accounting principles general accepted in the United States of America. Investments in securities traded on a national security exchange are valued at the last reported sale price on the day of valuation. Over-the-counter and listed securities for which a sale price is not avail-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

able are valued at the last quoted bid price. Short-term investments (excluding purchased options and money market funds) are valued at amortized cost, which approximates fair value. Purchased and written options are valued at the last quoted bid and asked price, respectively. Money market funds are valued at net asset value on the day of valuation.

Various inputs are used to determine the fair value of the Company's investments. These inputs are summarized in the following three levels:

- 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 Company's own assumptions, developed based on the best information available in the circumstances.

The Company's investments at June 30, 2010 were classified as follows:

	Level 1	Level 2	Level 3	Total
Common stocks	\$ 922,417,654	\$	\$	\$ 922,417,654
Short-term investments	10,170,671	3,875,822		14,046,493
Securities lending collateral	16,392,950			16,392,950
Total investments	\$ 948,981,275	\$ 3,875,822	\$	\$ 952,857,097
Written options	\$ (217,874)	\$	\$	\$ (217,874)

There were no transfers into or from Level 1 or Level 2 during the six months ended June 30, 2010.

2. Federal Income Taxes

No federal income tax provision is required since the Company's policy is to qualify as a regulated investment company under the Internal Revenue Code and to distribute substantially all of its taxable income to its stockholders. 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, 2010, the identified cost of securities for federal income tax purposes was \$984,989,280, and net unrealized depreciation aggregated \$(32,132,183), consisting of gross unrealized appreciation of \$143,240,756 and gross unrealized depreciation of \$(175,372,939).

Distributions are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. Such differences are primarily related to the Company's retirement plans, equity-based compensation, and loss deferrals for wash sales. Differences that are permanent are periodically reclassified in the capital accounts of the Company's financial statements and have no impact on net assets.

3. Investment Transactions

The Company's investment decisions are made by a committee of management, and recommendations to that committee are made by the research staff. Purchases and sales of portfolio securities, other than options and short-term investments, during the six months ended June 30, 2010 were \$109,233,837 and \$80,896,426, respectively.

The Company is subject to changes in the value of equity securities held (equity price risk) in the normal course of pursuing its investment objectives. The Company may purchase and write option contracts to increase or decrease its equity price risk exposure or may write option contracts to generate additional income. Option contracts generally entail risks associated with counterparty credit, illiquidity, and unfavorable equity price movements. The Company has mitigated counterparty credit and illiquidity risks by trading its options through an exchange. The risk of unfavorable equity price movements is limited for purchased options to the premium paid and for written options by writing only covered call or collateralized put option contracts, which require the Company to segregate certain securities or cash at its custodian when the option is written. A schedule of outstanding option contracts as of June 30, 2010 can be found on page 13.

When the Company writes (purchases) an option, an amount equal to the premium received (paid) by the Company is recorded as a liability (asset) and is subsequently marked to market daily in the Statement of Assets and Liabilities, with any related change recorded as an unrealized gain or loss in the Statement of Operations. Premiums received (paid) from unexercised options are treated as realized gains (losses) on the expiration date. Upon the exercise of written put (purchased call) option contracts, premiums received (paid) are deducted from (added to) the cost basis of the underlying securities purchased. Upon the exercise of written call (purchased put) option contracts, premiums received (paid) are added to (deducted from) the proceeds from the sale of underlying securities in determining whether there is a realized gain or loss.

Transactions in written covered call and collateralized put options during the six months ended June 30, 2010 were as follows:

	Covered Calls		Collateralized Puts	
	Contracts	Premiums	Contracts	Premiums
Options outstanding, December 31, 2009	646	\$ 92,830	548	\$ 108,880
Options written	2,111	252,804	2,688	357,152
Options terminated in closing purchase transactions	(333)	(36,970)	(103)	(12,367)
Options expired	(1,758)	(216,931)	(2,038)	(298,676)
Options exercised			(533)	(65,202)
Options outstanding, June 30, 2010	666	\$ 91,733	562	\$ 89,787

4. Capital Stock

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

During 2010, 492 shares were issued at a weighted average price of \$10.29 per share as dividend equivalents to holders of deferred stock units and restricted stock units under the 2005 Equity Incentive Compensation Plan.

On December 28, 2009, the Company issued 1,346,031 shares of its Common Stock at a price of \$9.84 per share (the average market price on December 9, 2009) to stockholders of record on November 20, 2009 who elected to take stock in payment of the distribution from 2009 capital gain and investment income.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

During 2009, 1,126 shares were issued at a weighted average price of \$8.22 per share as dividend equivalents to holders of deferred stock units and restricted stock units under the 2005 Equity Incentive Compensation Plan.

The Company may purchase shares of its Common Stock from time to time at such prices and amounts as the Board of Directors may deem advisable.

Transactions in Common Stock for 2010 and 2009 were as follows:

	Shares		Amount	
	Six months ended June 30, 2010	Year ended December 31, 2009	Six months ended June 30, 2010	Year ended December 31, 2009
Shares issued in payment of distributions	492	1,347,157	\$ 5,126	\$ 13,254,222
Shares purchased (at a weighted average discount from net asset value of 15.8% and 15.6%, respectively)	(28,300)	(1,369,749)	(287,751)	(10,811,722)
Net activity under the 2005 Equity Incentive Compensation Plan	40,797			