

ADAMS EXPRESS CO
Form N-Q
October 19, 2012

FORM N-Q

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT
INVESTMENT COMPANY**

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: September 30, 2012

Item 1. Schedule of Investments.

Edgar Filing: ADAMS EXPRESS CO - Form N-Q

September 30, 2012

(unaudited)

| | Shares | Value (A) |
|---------------------------------------|-----------|--------------|
| Common Stocks 98.0% | | |
| Consumer Discretionary 10.0% | | |
| BorgWarner, Inc. (C)(F) | 110,000 | \$ 7,602,100 |
| Coach, Inc. | 90,000 | 5,041,800 |
| Columbia Sportswear Co. (B) | 200,000 | 10,800,000 |
| Lowe's Companies, Inc. | 600,000 | 18,144,000 |
| Marriott International Inc. (Class A) | 300,000 | 11,730,000 |
| McDonald's Corp. (F) | 240,000 | 22,020,000 |
| Newell Rubbermaid Inc. | 400,000 | 7,636,000 |
| Ryland Group, Inc. | 333,500 | 10,005,000 |
| Target Corp. | 120,000 | 7,616,400 |
| Walt Disney Co. | 360,000 | 18,820,800 |
| | | 119,416,100 |
| Consumer Staples 10.3% | | |
| Avon Products, Inc. | 359,600 | 5,735,620 |
| Bunge Ltd. | 130,000 | 8,716,500 |
| Coca-Cola Co. | 300,000 | 11,379,000 |
| CVS/Caremark Corp. | 295,000 | 14,283,900 |
| Diageo plc ADR | 50,000 | 5,636,500 |
| General Mills, Inc. | 180,000 | 7,173,000 |
| PepsiCo, Inc. (G) | 250,000 | 17,692,500 |
| Philip Morris International Inc. | 150,000 | 13,491,000 |
| Procter & Gamble Co. | 280,000 | 19,420,800 |
| Safeway Inc. (B) | 340,000 | 5,470,600 |
| Senomyx, Inc. (B)(C) | 1,284,400 | 2,440,360 |
| Unilever plc ADR | 325,000 | 11,869,000 |
| | | 123,308,780 |
| Energy 10.8% | | |
| Anadarko Petroleum Corp. | 50,000 | 3,496,000 |
| Chevron Corp. (F) | 156,000 | 18,183,360 |
| CONSOL Energy Inc. (F) | 73,700 | 2,214,685 |
| Exxon Mobil Corp. (G) | 105,000 | 9,602,250 |
| Halliburton Co. | 150,000 | 5,053,500 |
| Kinder Morgan Inc. | 140,000 | 4,972,800 |
| National Oilwell Varco, Inc. (F) | 100,000 | 8,011,000 |
| Noble Corp. (C) | 120,000 | 4,293,600 |
| Peabody Energy Corp. | 38,560 | 859,502 |
| Petroleum & Resources Corp. (D) | 2,186,774 | 57,380,950 |
| Schlumberger Ltd. | 120,000 | 8,679,600 |
| Seadrill Ltd. | 40,000 | 1,568,800 |
| Spectra Energy Corp. | 147,580 | 4,332,949 |
| | | 128,648,996 |
| Financials 13.7% | | |
| Banks 4.0% | | |
| Fifth Third Bancorp | 450,000 | 6,979,500 |

Edgar Filing: ADAMS EXPRESS CO - Form N-Q

| | | |
|------------------------------------|---------|------------|
| Hancock Holding Co. | 160,000 | 4,952,000 |
| PNC Financial Services Group, Inc. | 235,000 | 14,828,500 |
| Wells Fargo & Co. | 610,000 | 21,063,300 |
| | | 47,823,300 |

Diversified Financials 5.7%

| | | |
|-------------------------------------|---------|------------|
| Affiliated Managers Group, Inc. (C) | 40,000 | 4,920,000 |
| Bank of America Corp. | 930,000 | 8,211,900 |
| Bank of New York Mellon Corp. | 403,775 | 9,133,390 |
| Capital One Financial Corp. | 225,000 | 12,827,250 |
| JPMorgan Chase & Co. | 600,000 | 24,288,000 |
| T. Rowe Price Group, Inc. | 135,000 | 8,545,500 |
| | | 67,926,040 |

Insurance 3.0%

| | | |
|-----------------------------|---------|------------|
| ACE Ltd. (C) | 165,000 | 12,474,000 |
| AXIS Capital Holdings, Ltd. | 220,000 | 7,682,400 |
| MetLife Inc. | 285,000 | 9,821,100 |
| Prudential Financial, Inc. | 100,000 | 5,451,000 |
| | | 35,428,500 |

Real Estate 1.0%

| | | |
|-----------------------------------|---------|------------|
| American Campus Communities, Inc. | 90,000 | 3,949,200 |
| Digital Realty Trust Inc. | 45,000 | 3,143,250 |
| HCP, Inc. | 115,000 | 5,115,200 |
| | | 12,207,650 |

Health Care 13.0%

| | | |
|-----------------------------------------|---------|-------------|
| Amerigroup Corp. (C) | 115,000 | 10,514,450 |
| Bristol-Myers Squibb Co. | 159,061 | 5,368,309 |
| Catamaran Corp. (C) | 60,000 | 5,878,200 |
| Celgene Corp. (C) | 120,000 | 9,168,000 |
| Express Scripts Holding Co. (C) | 215,000 | 13,474,050 |
| Gilead Sciences, Inc. (C) | 215,000 | 14,260,950 |
| Intuitive Surgical, Inc. (C) | 5,000 | 2,478,150 |
| Johnson & Johnson | 170,000 | 11,714,700 |
| Life Technologies Corp. (C) | 125,000 | 6,110,000 |
| McKesson Corp. | 116,000 | 9,979,480 |
| Medtronic, Inc. | 350,000 | 15,092,000 |
| Pfizer Inc. | 800,000 | 19,880,000 |
| Teva Pharmaceutical Industries Ltd. ADR | 220,000 | 9,110,200 |
| UnitedHealth Group Inc. | 247,500 | 13,713,975 |
| Zimmer Holdings, Inc. | 115,000 | 7,776,300 |
| | | 154,518,764 |

Industrials 10.7%

| | | |
|-------------------------------------------------|---------|------------|
| Boeing Co. | 150,000 | 10,443,000 |
| Caterpillar Inc. (F) | 120,000 | 10,324,800 |
| Eaton Corp. | 205,000 | 9,688,300 |
| Emerson Electric Co. | 170,000 | 8,205,900 |
| FedEx Corp. | 115,000 | 9,731,300 |
| General Electric Co. | 730,000 | 16,578,300 |
| Honeywell International Inc. | 255,000 | 15,236,250 |
| Kansas City Southern (F) | 50,000 | 3,789,000 |
| Masco Corp. | 725,000 | 10,911,250 |
| Norfolk Southern Corp. | 75,000 | 4,772,250 |
| Spirit AeroSystems Holdings, Inc. (Class A) (C) | 500,000 | 11,105,000 |
| Terex Corp. (C)(F) | 285,000 | 6,435,300 |
| United Technologies Corp. | 127,500 | 9,981,975 |

Edgar Filing: ADAMS EXPRESS CO - Form N-Q

127,202,625

Information Technology 19.0%

Semiconductors 1.4%

| | | |
|------------------------------|---------|------------|
| Broadcom Corp. (Class A) (C) | 100,000 | 3,458,000 |
| Intel Corp. | 570,000 | 12,927,600 |
| | | 16,385,600 |

Software & Services 8.6%

| | | |
|----------------------------------------------------|---------|------------|
| Automatic Data Processing, Inc. | 200,000 | 11,732,000 |
| Cognizant Technology Solutions Group (Class A) (C) | 160,000 | 11,187,200 |
| eBay Inc. (C) | 150,000 | 7,261,500 |
| Google Inc. (Class A) (C) | 22,400 | 16,900,800 |
| International Business Machines Corp. | 90,000 | 18,670,500 |
| Microsoft Corp. | 700,000 | 20,846,000 |
| Oracle Corp. | 500,000 | 15,745,000 |

102,343,000

SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2012

(unaudited)

| | Principal / Shares | Value (A) |
|-------------------------------------------------|-----------------------|--------------|
| Technology Hardware & Equipment 9.0% | | |
| ADTRAN, Inc. (B) | 135,000 | \$ 2,332,800 |
| Apple Inc. (G) | 88,000 | 58,718,880 |
| Cisco Systems, Inc. | 850,000 | 16,226,500 |
| F5 Networks, Inc. (C) | 30,000 | 3,141,000 |
| Hewlett-Packard Co. | 250,000 | 4,265,000 |
| NetApp, Inc. (C) | 125,000 | 4,110,000 |
| QUALCOMM Inc. | 300,000 | 18,747,000 |
| | | 107,541,180 |

Materials 3.8%

| | | |
|---------------------------------------------|---------|------------|
| Air Products and Chemicals, Inc. (F) | 30,000 | 2,481,000 |
| CF Industries Holdings, Inc. (F) | 38,531 | 8,563,129 |
| Cliffs Natural Resources Inc. (F) | 65,000 | 2,543,450 |
| Dow Chemical Co. | 360,000 | 10,425,600 |
| Freeport-McMoRan Copper & Gold Inc. | 165,700 | 6,558,406 |
| Potash Corporation of Saskatchewan Inc. (F) | 130,100 | 5,648,942 |
| Praxair, Inc. | 67,500 | 7,011,900 |
| Teck Resources Ltd. (Class B) (F) | 76,000 | 2,238,200 |

Edgar Filing: ADAMS EXPRESS CO - Form N-Q

| | | |
|----------------------------------------------------------------------------------------------|--------------|------------------|
| | | 45,470,627 |
| Telecom Services 4.1% | | |
| AT&T Corp. | 550,000 | 20,735,000 |
| CenturyLink, Inc. | 360,000 | 14,544,000 |
| Verizon Communications Inc. | 300,000 | 13,671,000 |
| | | 48,950,000 |
| Utilities 2.6% | | |
| IDACORP, Inc. | 112,000 | 4,846,240 |
| MDU Resources Group, Inc. | 274,600 | 6,052,184 |
| NiSource Inc. | 210,000 | 5,350,800 |
| Northeast Utilities | 96,000 | 3,670,080 |
| South Jersey Industries, Inc. | 100,000 | 5,293,000 |
| Wisconsin Energy Corp. | 150,000 | 5,650,500 |
| | | 30,862,804 |
| Total Common Stocks (Cost \$996,006,124) | | 1,168,033,966 |
| Short-Term Investments 2.3% | | |
| Money Market Account 0.6% | | |
| M&T Bank, 0.20% | \$ 7,460,793 | 7,460,793 |
| Money Market Funds 1.7% | | |
| Fidelity Institutional Money Market Money Market Portfolio (Institutional Class), 0.20% (E) | 19,700,152 | 19,700,152 |
| RBC U.S. Government Money Market (Institutional Class I), 0.01% (E) | 10,000 | 10,000 |
| Vanguard Federal Money Market, 0.01% (E) | 10,000 | 10,000 |
| Western Asset Institutional Government Reserves (Institutional Class), 0.06% (E) | 10,000 | 10,000 |
| | | 19,730,152 |
| Total Short-Term Investments (Cost \$27,190,945) | | 27,190,945 |
| Securities Lending Collateral 1.5% (Cost \$17,905,387) | | |
| Money Market Funds 1.5% | | |
| Invesco Short-Term Investment Trust Liquid Assets Portfolio (Institutional Class), 0.17% (E) | 17,905,387 | 17,905,387 |
| Total Investments 101.8% (Cost \$1,041,102,456) | | 1,213,130,298 |
| Cash, receivables, prepaid expenses and other assets, less liabilities (1.8)% | | (21,416,661) |
| Net Assets 100.0% | | \$ 1,191,713,637 |

Notes:

- (A) Securities are listed on the New York Stock Exchange or the NASDAQ and are valued at the last reported sale price on the day of valuation.
- (B) A portion of shares held are on loan.
- (C) Presently non-dividend paying.
- (D) Non-controlled affiliate, a closed-end sector fund, registered as an investment company under the Investment Company Act of 1940.
- (E) Rate presented is as of period-end and represents the annualized yield earned over the previous seven days.
- (F) All or a portion of this security is pledged to cover open written call option contracts. Aggregate market value of such pledged securities is \$18,318,652.
- (G) All or a portion of this security is pledged to collateralize open written put option contracts with an aggregate market value to deliver upon exercise of \$21,982,000.

See accompanying notes.

SCHEDULE OF OUTSTANDING WRITTEN OPTION CONTRACTS

September 30, 2012

(unaudited)

| Contracts (100 shares each) | Security | Strike Price | Contract Expiration Date | Value |
|-----------------------------------|-----------------------------------------|-----------------|--------------------------------|-----------|
| COVERED CALLS | | | | |
| 300 | Air Products & Chemicals, Inc. | \$90 | Dec 12 | \$ 12,000 |
| 100 | BorgWarner, Inc. | 82.50 | Jan 13 | 9,500 |
| 76 | CF Industries Holdings, Inc. | 240 | Nov 12 | 25,460 |
| 76 | CF Industries Holdings, Inc. | 250 | Jan 13 | 36,860 |
| 100 | Caterpillar Inc. | 87.50 | Oct 12 | 13,400 |
| 100 | Caterpillar Inc. | 92.50 | Nov 12 | 10,500 |
| 100 | Caterpillar Inc. | 100 | Jan 13 | 9,100 |
| 100 | Chevron Corp. | 115 | Dec 12 | 42,000 |
| 195 | Cliffs Natural Resources Inc. | 45 | Oct 12 | 6,630 |
| 250 | CONSOL Energy Inc. | 35 | Oct 12 | 3,500 |
| 100 | Kansas City Southern | 85 | Oct 12 | 1,500 |
| 100 | McDonald's Corp. | 95 | Dec 12 | 10,200 |
| 200 | National Oilwell Varco, Inc. | 90 | Nov 12 | 10,200 |
| 129 | National Oilwell Varco, Inc. | 90 | Jan 13 | 21,027 |
| 325 | Potash Corporation of Saskatchewan Inc. | 47.50 | Dec 12 | 21,125 |
| 190 | Teck Resources Ltd. (Class B) | 34 | Nov 12 | 8,740 |
| 100 | Terex Corp. | 30 | Jan 13 | 6,000 |
| 2,541 | | | | 247,742 |

| | | | | |
|----------------------------|------------------------------|-------|--------|--------|
| COLLATERALIZED PUTS | | | | |
| 100 | Boeing Co. | 62.50 | Nov 12 | 5,100 |
| 100 | Boeing Co. | 65 | Nov 12 | 8,800 |
| 100 | BorgWarner, Inc. | 55 | Oct 12 | 1,000 |
| 100 | BorgWarner, Inc. | 55 | Jan 13 | 11,500 |
| 38 | CF Industries Holdings, Inc. | 140 | Nov 12 | 950 |
| 76 | CF Industries Holdings, Inc. | 165 | Nov 12 | 3,344 |
| 76 | CF Industries Holdings, Inc. | 165 | Jan 13 | 12,996 |
| 100 | Caterpillar Inc. | 75 | Oct 12 | 1,800 |
| 100 | Caterpillar Inc. | 70 | Nov 12 | 3,800 |
| 100 | Caterpillar Inc. | 72.50 | Jan 13 | 15,600 |
| 17 | Chevron Corp. | 80 | Dec 12 | 238 |
| 100 | Coach, Inc. | 55 | Oct 12 | 13,500 |

Edgar Filing: ADAMS EXPRESS CO - Form N-Q

| | | | | |
|-------|---------------------------------------|-------|--------|---------|
| 100 | Coach, Inc. | 50 | Nov 12 | 14,500 |
| 100 | Diageo plc ADR | 80 | Oct 12 | 1,000 |
| 360 | Dow Chemical Co. | 27 | Dec 12 | 28,080 |
| 100 | FedEx Corp. | 80 | Oct 12 | 4,100 |
| 100 | FedEx Corp. | 82.50 | Oct 12 | 8,800 |
| 100 | FedEx Corp. | 75 | Jan 13 | 13,100 |
| 10 | Google Inc. (Class A) | 720 | Oct 12 | 11,800 |
| 100 | International Business Machines Corp. | 175 | Oct 12 | 1,000 |
| 200 | International Business Machines Corp. | 180 | Oct 12 | 2,800 |
| 100 | Kansas City Southern | 70 | Oct 12 | 6,000 |
| 240 | Noble Corp. | 34 | Dec 12 | 36,000 |
| 67 | Praxair, Inc. | 90 | Jan 13 | 9,380 |
| 120 | Schlumberger Ltd. | 60 | Nov 12 | 3,240 |
| 100 | Terex Corp. | 15 | Jan 13 | 5,500 |
| 2,804 | | | | 223,928 |

Total Option Liability (Unrealized Gain of \$297,847)

\$ 471,670

See accompanying notes.

NOTES TO SCHEDULES OF INVESTMENTS AND OUTSTANDING WRITTEN OPTION CONTRACTS (Unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES

The Adams Express Company (the Fund) is registered under the Investment Company Act of 1940 as a diversified investment company. The Fund is an internally-managed closed-end fund.

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

Security Transactions - Investment transactions are accounted for on the trade date. Gain or loss on sales of securities and options is determined on the basis of specific identification.

Security Valuation - The Fund's investments are reported at fair value as defined under accounting principles generally 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 available 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 Fund'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,

Edgar Filing: ADAMS EXPRESS CO - Form N-Q

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

The Fund's investments at September 30, 2012 were classified as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------|-----------------|----------------|----------------|-----------------|
| Stocks | \$1,168,033,966 | \$-- | \$-- | \$1,168,033,966 |
| Short-term investments | 27,190,945 | -- | -- | 27,190,945 |
| Securities lending collateral | 17,905,387 | -- | -- | 17,905,387 |
| Total investments | \$1,213,130,298 | \$-- | \$-- | \$1,213,130,298 |
| Written options | \$(471,670) | \$-- | \$-- | \$(471,670) |

There were no transfers into or from Level 1 or Level 2 during the quarter ended September 30, 2012.

2. FEDERAL INCOME TAXES

For federal income tax purposes, the identified cost of securities at September 30, 2012 was \$1,046,116,706 and net unrealized appreciation aggregated \$167,013,592, of which the related gross unrealized appreciation and depreciation were \$263,501,559 and \$(96,487,967), respectively.

3. INVESTMENT TRANSACTIONS

The Fund's investment decisions are made by a committee of management, and recommendations to that committee are made by the research staff.

The Fund is subject to changes in the value of equity securities held (equity price risk) in the normal course of pursuing its investment objectives. The Fund 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, liquidity, and unfavorable equity price movements. The Fund has mitigated counterparty credit and liquidity 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 Fund to segregate certain securities or cash at its custodian when the option is written.

When the Fund writes (purchases) an option, an amount equal to the premium received (paid) by the Fund 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.

4. PORTFOLIO SECURITIES LOANED

The Fund makes loans of securities to approved brokers to earn additional income. It receives as collateral cash deposits, U.S. Government securities, or bank letters of credit valued at 102% of the value of the securities on loan. The market value of the loaned securities is calculated based upon the most recent closing prices and any additional required collateral is delivered to the Fund on the next business day. Cash deposits are placed in a registered money market fund. The Fund accounts for securities lending transactions as secured financing and receives compensation in the form of fees or retains a portion of interest on the investment of any cash received as collateral. The Fund also continues to receive interest or dividends on the securities loaned. Gain or loss in the fair value of the securities loaned that may occur during the term of the loan will be for the account of the Fund. At September 30, 2012, the Fund had outstanding securities on loan of \$17,095,039 and held cash collateral of \$17,905,387. The Fund is indemnified by its lending agent for loss of loaned securities and has the right under the lending agreement to recover the securities from the borrower on demand.

Item 2. 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 last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits.

The certifications of the principal executive officer and principal financial officer pursuant to Rule 30a-2(a) under the Investment Company Act of 1940 are attached hereto as Form N-Q Certifications.

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.

The Adams Express Company

By: /s/ Douglas G. Ober
Douglas G. Ober
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: October 19, 2012

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/ Douglas G. Ober
Douglas G. Ober
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: October 19, 2012

By: /s/ Brian S. Hook
Brian S. Hook
Chief Financial Officer and Treasurer
(Principal Financial Officer)

Date: October 19, 2012