

ADAMS EXPRESS CO
Form N-Q
April 20, 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: March 31, 2012

Item 1. Schedule of Investments.

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March 31, 2012

(unaudited)

| | Shares | Value (A) |
|---------------------------------------|-----------|---------------|
| Stocks 93.9% | | |
| Consumer Discretionary 11.3% | | |
| BorgWarner, Inc. (C) | 135,000 | \$ 11,385,900 |
| Columbia Sportswear Co. | 200,000 | 9,490,000 |
| Lowe's Companies, Inc. | 600,000 | 18,828,000 |
| Marriott International Inc. (Class A) | 300,000 | 11,355,000 |
| McDonald's Corp. | 240,000 | 23,544,000 |
| Newell Rubbermaid Inc. | 400,000 | 7,124,000 |
| Ryland Group, Inc. | 613,500 | 11,828,280 |
| Target Corp. | 320,000 | 18,646,400 |
| Walt Disney Co. | 480,000 | 21,014,400 |
| | | 133,215,980 |
| Consumer Staples 10.3% | | |
| Avon Products, Inc. | 359,600 | 6,961,856 |
| Bunge Ltd. | 130,000 | 8,897,200 |
| Coca-Cola Co. | 200,000 | 14,802,000 |
| CVS/Caremark Corp. | 295,000 | 13,216,000 |
| Diageo plc ADR | 2,000 | 192,200 |
| PepsiCo, Inc. (G) | 300,000 | 19,905,000 |
| Philip Morris International Inc. (F) | 150,000 | 13,291,500 |
| Procter & Gamble Co. | 280,000 | 18,818,800 |
| Safeway Inc. (B) | 340,000 | 6,871,400 |
| Senomyx, Inc. (C) | 1,284,400 | 3,519,256 |
| Unilever plc ADR | 460,000 | 15,203,000 |
| | | 121,678,212 |
| Energy 10.7% | | |
| Chevron Corp. (F) | 166,000 | 17,801,840 |
| CONSOL Energy Inc. | 73,700 | 2,513,170 |
| Exxon Mobil Corp. (G) | 115,000 | 9,973,950 |
| Halliburton Co. | 150,000 | 4,978,500 |
| National Oilwell Varco, Inc. (F) | 100,000 | 7,947,000 |
| Peabody Energy Corp. | 41,060 | 1,189,098 |
| Petroleum & Resources Corporation (D) | 2,186,774 | 56,856,124 |
| Schlumberger Ltd. | 120,000 | 8,391,600 |
| Seadrill Ltd. | 100,100 | 3,754,751 |
| Spectra Energy Corp. | 405,780 | 12,802,359 |
| | | 126,208,392 |
| Financials 12.9% | | |
| Banks 3.2% | | |
| PNC Financial Services Group, Inc. | 235,000 | 15,155,150 |
| Wells Fargo & Co. | 655,000 | 22,361,700 |
| | | 37,516,850 |

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Diversified Financials 6.3%

| | | |
|---------------------------------|---------|------------|
| Affiliated Managers Group, Inc. | 19,000 | 2,124,390 |
| Bank of America Corp. | 930,000 | 8,900,100 |
| Bank of New York Mellon Corp. | 403,775 | 9,743,091 |
| Capital One Financial Corp. | 240,000 | 13,377,600 |
| JPMorgan Chase & Co. | 600,000 | 27,588,000 |
| Morgan Stanley | 120,000 | 2,356,800 |
| T. Rowe Price Group, Inc. | 150,000 | 9,795,000 |
| | | 73,884,981 |

Insurance 3.3%

| | | |
|-----------------------------|---------|------------|
| ACE Ltd. (C) | 165,000 | 12,078,000 |
| AXIS Capital Holdings, Ltd. | 190,000 | 6,302,300 |
| MetLife Inc. | 285,000 | 10,644,750 |
| Prudential Financial, Inc. | 150,000 | 9,508,500 |
| | | 38,533,550 |

Real Estate 0.1%

| | | |
|-------------------------------|--------|-----------|
| Digital Realty Trust Inc. (B) | 15,000 | 1,109,550 |
|-------------------------------|--------|-----------|

Health Care 11.0%

| | | |
|---|---------|-------------|
| Bristol-Myers Squibb Co. | 159,061 | 5,368,309 |
| Celgene Corp. (C) | 120,000 | 9,302,400 |
| Express Scripts Inc. | 220,000 | 11,919,600 |
| Gilead Sciences, Inc. (C) | 250,000 | 12,212,500 |
| Johnson & Johnson | 255,000 | 16,819,800 |
| Life Technologies Corp. (C) | 200,000 | 9,764,000 |
| McKesson Corp. | 20,800 | 1,825,616 |
| Medtronic, Inc. | 350,000 | 13,716,500 |
| Pfizer Inc. | 800,000 | 18,128,000 |
| Teva Pharmaceutical Industries Ltd. ADR | 220,000 | 9,913,200 |
| UnitedHealth Group Inc. | 227,500 | 13,408,850 |
| Zimmer Holdings, Inc. (C) | 115,000 | 7,392,200 |
| | | 129,770,975 |

Industrials 9.5%

| | | |
|---|---------|-------------|
| Caterpillar Inc. (F) | 160,000 | 17,043,200 |
| Emerson Electric Co. | 220,000 | 11,479,600 |
| FedEx Corp. | 115,000 | 10,575,400 |
| General Electric Co. | 540,000 | 10,837,800 |
| Goodrich Corp. | 30,000 | 3,763,200 |
| Honeywell International Inc. | 255,000 | 15,567,750 |
| Kansas City Southern | 55,000 | 3,942,950 |
| Masco Corp. | 725,000 | 9,693,250 |
| Norfolk Southern Corp. | 100,000 | 6,583,000 |
| Old Dominion Freight Line, Inc. (C) | 35,000 | 1,668,450 |
| Spirit AeroSystems Holdings, Inc. (Class A) (C) | 500,000 | 12,230,000 |
| Terex Corp. | 20,000 | 450,000 |
| United Technologies Corp. | 100,000 | 8,294,000 |
| | | 112,128,600 |

Information Technology 18.3%

Semiconductors 2.2%

| | | |
|--------------------|---------|------------|
| Broadcom Corp. (C) | 100,000 | 3,930,000 |
| Intel Corp. | 790,000 | 22,206,900 |
| | | 26,136,900 |

Software & Services 7.0%

| | | |
|---------------------------------|---------|------------|
| Automatic Data Processing, Inc. | 200,000 | 11,038,000 |
|---------------------------------|---------|------------|

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| | | |
|--|---------|------------|
| Cognizant Technology Solutions Group (Class A) (C) | 150,000 | 11,542,500 |
| Google Inc. (Class A) (C)(F) | 22,400 | 14,363,776 |
| Microsoft Corp. | 700,000 | 22,575,000 |
| Oracle Corp. | 760,000 | 22,161,600 |
| | | 81,680,876 |

SCHEDULE OF INVESTMENTS (CONTINUED)

March 31, 2012

(unaudited)

| | Principal/ Shares | Value (A) |
|---|----------------------|---------------|
| Technology Hardware & Equipment 9.1% | | |
| ADTRAN, Inc. | 102,200 | \$ 3,187,618 |
| Apple Inc. (C)(F) | 80,000 | 47,957,600 |
| Cisco Systems, Inc. | 850,000 | 17,977,500 |
| F5 Networks, Inc. (C) | 45,000 | 6,073,200 |
| Hewlett-Packard Co. | 250,000 | 5,957,500 |
| NetApp, Inc. (C) | 125,000 | 5,596,250 |
| QUALCOMM Inc. | 300,000 | 20,406,000 |
| | | 107,155,668 |
| Materials 4.5% | | |
| Air Products and Chemicals, Inc. (F) | 30,000 | 2,754,000 |
| CF Industries Holdings, Inc. (F) | 38,531 | 7,037,687 |
| Cliffs Natural Resources Inc. (F) | 81,000 | 5,610,060 |
| Dow Chemical Co. | 360,000 | 12,470,400 |
| Freeport-McMoRan Copper & Gold Inc. | 205,700 | 7,824,828 |
| Potash Corporation of Saskatchewan Inc. (F) | 130,100 | 5,944,269 |
| Praxair, Inc. (F) | 67,500 | 7,738,200 |
| Teck Resources Ltd. (Class B) | 95,000 | 3,387,700 |
| | | 52,767,144 |
| Telecom Services 3.2% | | |
| AT&T Corp. | 475,000 | 14,834,250 |
| CenturyLink, Inc. | 360,000 | 13,914,000 |
| Verizon Communications Inc. | 230,000 | 8,792,900 |
| | | 37,541,150 |
| Utilities 2.2% | | |
| MDU Resources Group, Inc. | 310,600 | 6,954,333 |
| NiSource Inc. | 75,000 | 1,826,250 |
| Northeast Utilities | 193,000 | 7,164,160 |
| South Jersey Industries, Inc. | 100,000 | 5,004,000 |
| Wisconsin Energy Corp. | 150,000 | 5,277,000 |
| | | 26,225,743 |
| Total Stocks (Cost \$922,149,792) | | 1,105,554,571 |
| Short-Term Investments 5.6% | | |
| Money Market Account 1.7% | | |
| M&T Bank, 0.25% | \$ 20,050,146 | 20,050,146 |

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Money Market Funds 0.0%

| | | |
|--|--------|--------|
| Fidelity Institutional Money Market Government Portfolio, 0.01% (E) | 10,000 | 10,000 |
| 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), 0.05% (E) | 10,000 | 10,000 |
| | | 40,000 |

Time Deposits 3.9%

| | | |
|---|---------------|------------|
| Brown Brothers Harriman & Co. (Grand Cayman), 0.03%, due 4/2/12 | \$ 45,454,085 | 45,454,085 |
|---|---------------|------------|

Total Short-Term Investments

| | | |
|---------------------|--|------------|
| (Cost \$65,544,231) | | 65,544,231 |
|---------------------|--|------------|

Securities Lending Collateral 0.1%

(Cost \$1,317,720)

Money Market Funds 0.1%

| | | |
|--|-----------|-----------|
| Invesco Short-Term Investment Trust Liquid Assets Portfolio (Institutional Class), 0.16% (E) | 1,317,720 | 1,317,720 |
|--|-----------|-----------|

Total Investments 99.6%

| | | |
|----------------------|--|---------------|
| (Cost \$989,011,743) | | 1,172,416,522 |
|----------------------|--|---------------|

| | | |
|---|--|-----------|
| Cash, receivables, prepaid expenses and other assets, less liabilities 0.4% | | 4,558,342 |
|---|--|-----------|

| | | |
|--------------------------|----|---------------|
| Net Assets 100.0% | \$ | 1,176,974,864 |
|--------------------------|----|---------------|

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 \$16,042,456.
- (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 \$20,589,750.

See accompanying notes.

SCHEDULE OF OUTSTANDING WRITTEN OPTION CONTRACTS

March 31, 2012

(unaudited)

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| Contracts (100 shares each) | Security | Strike Price | Contract Expiration Date | Value |
|--|---|-----------------|--------------------------------|------------|
| COVERED CALLS | | | | |
| 21 | Air Products and Chemicals, Inc. | \$95 | Jun 12 | \$ 3,990 |
| 50 | Apple Inc. | 600 | May 12 | 153,000 |
| 200 | Caterpillar Inc. | 125 | May 12 | 4,600 |
| 100 | CF Industries Holdings, Inc. | 210 | May 12 | 21,000 |
| 45 | Chevron Corp. | 125 | Jun 12 | 450 |
| 144 | Cliffs Natural Resources Inc. | 87.50 | Apr 12 | 1,584 |
| 144 | Cliffs Natural Resources Inc. | 95 | Jul 12 | 5,616 |
| 25 | Google Inc. | 725 | Jun 12 | 16,000 |
| 100 | National Oilwell Varco, Inc. | 90 | May 12 | 3,900 |
| 100 | Philip Morris International Inc. | 82.50 | Jun 12 | 70,000 |
| 200 | Philip Morris International Inc. | 87.50 | Jun 12 | 65,000 |
| 130 | Potash Corporation of Saskatchewan Inc. | 52.50 | Jun 12 | 7,670 |
| 67 | Praxair, Inc. | 115 | Apr 12 | 9,380 |
| 1,326 | | | | 362,190 |
| COLLATERALIZED PUTS | | | | |
| 200 | Anadarko Petroleum Corp. | 75 | May 12 | \$ 41,600 |
| 30 | Apple Inc. | 420 | Apr 12 | 660 |
| 50 | Apple Inc. | 485 | May 12 | 15,500 |
| 12 | CF Industries Holdings, Inc. | 125 | May 12 | 312 |
| 3 | CF Industries Holdings, Inc. | 140 | May 12 | 222 |
| 100 | CF Industries Holdings, Inc. | 165 | May 12 | 39,000 |
| 100 | CF Industries Holdings, Inc. | 170 | May 12 | 53,000 |
| 144 | Cliffs Natural Resources Inc. | 50 | Apr 12 | 864 |
| 72 | Cliffs Natural Resources Inc. | 55 | Jul 12 | 11,880 |
| 150 | Diageo plc ADR | 90 | May 12 | 9,750 |
| 25 | Google Inc. | 450 | Jun 12 | 2,000 |
| 200 | Kansas City Southern | 70 | Apr 12 | 23,000 |
| 100 | National Oilwell Varco, Inc. | 62.50 | May 12 | 4,200 |
| 150 | Norfolk Southern Corp. | 60 | May 12 | 12,750 |
| 100 | Philip Morris International Inc. | 65 | Jun 12 | 1,600 |
| 27 | Praxair, Inc. | 90 | Apr 12 | 405 |
| 200 | Seadrill Ltd. | 34 | Apr 12 | 3,000 |
| 200 | Seadrill Ltd. | 34 | Jul 12 | 25,000 |
| 125 | United Technologies Corp. | 80 | Apr 12 | 7,500 |
| 150 | United Technologies Corp. | 75 | May 12 | 9,000 |
| 125 | United Technologies Corp. | 77.50 | May 12 | 11,500 |
| 2,263 | | | | 272,743 |
| Total Option Liability (Unrealized Loss of \$56,221 on \$578,712 Premiums Received) | | | | \$ 634,933 |

See accompanying notes.

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

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.

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 - 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 Company'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 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 March 31, 2012 were classified as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------|-----------------|--------------|---------|-----------------|
| Stocks | \$1,105,554,571 | \$-- | \$-- | \$1,105,554,571 |
| Short-term investments | 20,090,146 | 45,454,085 | -- | 65,544,231 |
| Securities lending collateral | 1,317,720 | -- | -- | 1,317,720 |
| Total investments | \$1,126,962,437 | \$45,454,085 | \$-- | \$1,172,416,522 |
| Written options | \$(634,933) | \$-- | \$-- | \$(634,933) |

There were no transfers into or from Level 1 or Level 2 during the quarter ended March 31, 2012.

2. FEDERAL INCOME TAXES

For federal income tax purposes, the identified cost of securities at March 31, 2012 was \$994,025,993 and net unrealized appreciation aggregated \$178,390,529, of which the related gross unrealized appreciation and depreciation were \$273,372,370 and \$(94,981,841), respectively.

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.

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.

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.

4. PORTFOLIO SECURITIES LOANED

The Company 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 Company on the next business day. Cash deposits are placed in a registered money market fund. The Company 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 Company 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 Company. At March 31, 2012, the Company had outstanding securities on loan of \$1,281,888 and held cash collateral of \$1,317,720. The Company 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: April 20, 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: April 20, 2012

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

Date: April 20, 2012