ADAMS EXPRESS CO
Form N-CSR
February 23, 2012

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: December 31, 2011

Item 1. Reports to Stockholders.

2011 AT A GLANCE

The Company

a closed-end equity investment company
objectives: preservation of capital
reasonable income

opportunity for capital gain

internally-managed
annual distribution rate of at least 6%
low turnover

Stock Data (12/31/11)

NYSE Symbol	ADX
Market Price	$ 9.64
52-Week Range	$8.63 $11.70
Discount	16.5%
Shares Outstanding	91,073,899

Summary Financial Information

	Year Ended December 31,	
	2011	**2010**
Net asset value per share	$ 11.54	$ 12.65
Total net assets	1,050,733,678	1,124,671,966
Unrealized appreciation	62,511,196	159,221,690
Net investment income	13,858,578	13,366,543
Net realized gain	45,998,641	30,884,988
Total return (based on market price)	(4.2)%	11.5%
Total return (based on net asset value)	(2.8)%	11.2%
Ratio of expenses to average net assets	0.55%	0.58%
Annual distribution rate	6.1%	5.1%

2011 Dividends and Distributions

Paid	Amount (per share)	Type
March 1, 2011	$ 0.01	Long-term capital gain
March 1, 2011	0.01	Short-term capital gain
March 1, 2011	0.03	Investment income
June 1, 2011	0.05	Investment income
September 1, 2011	0.05	Investment income
December 27, 2011	0.42	Long-term capital gain
December 27, 2011	0.06	Short-term capital gain
December 27, 2011	0.02	Investment income
	$ 0.65	

2012 Annual Meeting of Stockholders

Location: Tremont Grand, Baltimore Maryland

Date: March 20, 2012

Time: 9:00 a.m.

PORTFOLIO REVIEW

December 31, 2011

(unaudited)

Ten Largest Equity Portfolio Holdings

	Market Value	*% of Net Assets*
Petroleum & Resources Corporation*	$ 53,532,228	5.1%
Apple Inc.	38,475,000	3.7
Oracle Corp.	24,624,000	2.3
McDonald s Corp.	24,079,200	2.3
Chevron Corp.	21,280,000	2.0
JPMorgan Chase & Co.	19,950,000	1.9
PepsiCo, Inc.	19,905,000	1.9
Intel Corp.	19,157,500	1.8
Caterpillar Inc.	19,026,000	1.8
Procter & Gamble Co.	18,678,800	1.8
	$ 258,707,728	24.6%

* Non-controlled affiliate

Sector Weightings

LETTER TO STOCKHOLDERS

The Year in Review

Several factors influenced the equity markets during 2011 and led to a relatively flat year of performance for the overall market. The year began with a healthy outlook for the global economy, strong projected earnings growth, and improving corporate balance sheets. But, the world economies soon faced many headwinds: a deteriorating European financial condition, rising energy costs, the earthquake in Japan, slowing growth in China, and a fiscal stalemate and credit downgrade in the U.S. Through this turmoil, our Fund posted a total return on net assets of -2.8% in 2011. By comparison, the Lipper Large-Cap Core Mutual Funds Average, our peer group, returned -0.7%. Over the same period, the S&P 500 Index posted a total return of 2.1%. The factors impacting our performance are addressed below.

Douglas G. Ober

Chairman and Chief

Executive Officer

The global economy expanded by about 2.7% in 2011, decelerating slightly from 2010. The greatest driver of global GDP growth remained China, even as that country wrestled with balancing growth and inflation. Although a high rate relative to other countries, China s GDP growth of 8.9% declined from 2010. The economies of Brazil and Russia continued to expand, although their respective rates of growth also moderated from 2010 levels. Several European countries discovered the dangers of combining bloated government spending, a stagnant economy, and a fragile financial system, putting the future of the Eurozone at risk. The European economy teetered on the verge of recession, casting a shadow on the global outlook. Japan continued to struggle with structural issues and was forced to deal with the devastating impact of the earthquake and tsunami in March. The U.S. continued to transition from an economy fueled by stimulus to an economy with enough growth to stand on its own. 2011 U.S. GDP growth was 1.6%, well below the 3.5% expected when the year began, and failed to clarify the sustainability of the recovery.

Equity markets experienced a year of transition as numerous challenges stood to derail what had been a very strong run for the major indices. As 2011 started, the S&P 500 already was more than 80% higher than the lows experienced in March of 2009, quite a rapid recovery. Early in 2011, the outlook was bright with expectations for S&P 500 earnings to expand 17%. Despite the global impact of the earthquake and tsunami in Japan, the S&P 500 rose over 8% into May, as earnings growth provided support for the healthy outlook. But economic conditions soon deteriorated. As the year progressed, the debt crisis in Europe escalated and concerns grew over the fiscal condition of several governments and even the future of the Eurozone. A bailout plan was announced, but it failed to calm fears of default. In the U.S., the government sat in deadlock, unable to reach agreement on raising the debt ceiling with a deadline approaching. A deal was finally in place in August, but it lacked sufficient austerity measures, and was a factor in S&P s decision to downgrade the U.S. credit rating. Key segments of the global economy were in financial distress. The reaction was a sharp decline in markets around the world with the S&P 500 falling nearly 20% by early October from the highs reached in May. Even with the crisis in Europe raging and the U.S. debt limit can being merely kicked down the road, the search for more attractive returns led investors back to the equity markets. Companies had spent the last two to three years cutting costs and cleaning up balance sheets. As a result, many companies were in a position to raise dividends, buy back stock, and pursue mergers and acquisitions. The environment for equity investing began to look more promising. Improving industrial activity, a stabilizing housing market, and consumers willing to spend provided additional appeal. The fourth quarter was strong, but only served to return the S&P 500 to where it started the year.

Earnings for the S&P 500 in 2011 grew an impressive 15%, but fell short of the expectations that were in place early in the year. The outlook started to shift as companies reported first quarter earnings and began to temper their forecasts. The second and third quarters proved challenging, as the process of digesting lower forecasts for individual companies, and the economy broadly, drove valuations in the market lower. The Fund s holdings were adjusted accordingly, with broad reductions to Materials, Industrials, Financials and Technology. The Fund fell short of its peers because our investments were tilted toward an economic recovery that did not materialize as quickly as we expected. With the exceptions of the Financial and Industrial sectors, our emphasis on more cyclically-sensitive stocks negatively impacted returns relative to the S&P 500, with our stocks in the Consumer Staples, Health Care, and Technology sectors providing the poorest relative performance.

David D. Weaver

President

On an absolute basis, our holdings in the Utilities and Consumer Staples sectors were the best performers in the Fund, returning 13.6% and 4.0%, respectively. Utilities provided very little earnings growth, but strong and stable dividends attracted higher valuations. Our Energy and Health Care holdings also performed well for the year, but were up only modestly. At the other extreme, our holdings in the Financials and Materials sectors were the weakest performers, down 19.3% and 16.3%, respectively. Our stocks were impacted by a reduced appetite for risk, particularly in the third quarter when European sovereign debt concerns came to the forefront. Our holdings performed particularly well in the fourth quarter, however, as our positioning of the portfolio produced results. The Fund outperformed our peer group and the S&P 500 during the fourth quarter and has continued that trend thus far into 2012.

Investment Results

At the end of 2011, our net assets were $1,050,733,678 or $11.54 per share on 91,073,899 shares outstanding. This compares with $1,124,671,966 or $12.65 per share on 88,885,186 shares outstanding a year earlier. Net investment income for 2011 was $13,858,578 compared to $13,366,543 for 2010. These earnings are equal to $0.16 and $0.15 per share, respectively, on the average number of shares outstanding throughout each year. Our expense ratio (total expenses to average net assets) for 2011 was 0.55%. Net realized gains amounted to $45,998,641 during the year, while the unrealized appreciation on investments decreased from $159,221,690 at December 31, 2010 to $62,511,196 at the end of 2011.

Dividends and Distributions

The total dividends and distributions paid in 2011 were $0.65 per share, producing a 6.1% annual distribution rate for the year, compared to $0.51 and an annual distribution rate of 5.1% in 2010. In September 2011, the Company announced its commitment to distribute annually to its stockholders an amount equal to at least 6% of the average month-end market price of its Common Stock. This commitment recognizes our history of distributions to stockholders and makes clear our future intentions. The table on page 20 shows the history of our dividends and distributions over the past fifteen years, including the annual distribution rate to stockholders.

The total distributions made in 2011 included a year-end distribution of $0.50 per share, as announced on November 10, 2011, consisting of investment income of $0.02 and capital gains of $0.48, paid on December 27, 2011 and taxable to stockholders in 2011. On January 12, 2012, a distribution of $0.05 per share was declared to stockholders of record February 10, 2012, payable March 1, 2012, representing the balance of undistributed net investment income and capital gains earned during 2011, which are taxable to stockholders in 2012.

Outlook for 2012

A year ago, we anticipated that the world economy would grow at a reasonable pace. A number of obstacles arose during the year, as mentioned above, which slowed growth. Some of the issues continue to plague the economic outlook, but it appears that steps are being taken to resolve or refinance a few of these problems. We therefore expect that global GDP will grow at about 3.5% in 2012, a slightly faster pace than 2011 s approximate 2.7%. The U.S. economy is showing signs of decent growth despite continued high unemployment and low wage growth. Europe remains a problem, likely having slipped into recession in the fourth quarter of 2011 and with little prospect of recovery before the second half of this year. The measures taken by several governments to cut spending to get their fiscal houses in order has dampened any stimulus to their economies. In China, the recent modest easing would indicate that short-term, inflation-taming policy objectives have been met, but a housing slowdown is of concern. Latin America should continue to grow at a 5% pace, though inflationary pressures are high and may force governments in non-socialist countries to take action. Our 3.5% figure for 2012 global GDP growth does not include any significant escalation of tensions in the Middle East or much higher oil prices, nor does it anticipate defaults on sovereign debt in Europe or further downgrading of U.S. debt. Any of these could drag the economy into a worldwide recession.

For the U.S. economy, a number of the stimulus measures taken in the past two years have run their course, leaving in place only the tax cuts of several years ago and the temporary payroll tax cut. However, in our opinion, the economy is on sounder footing than it has been for some time and we anticipate GDP growth of 2.5%. We are concerned, though, about the possible effects of the growing federal, state and local deficits and the forced reductions in government spending that may result.

Despite the robust start to this year, markets will likely continue to react to macroeconomic events around the world and be characterized by high volatility. For long-term investors such as us, that means opportunities will present themselves. We have made adjustments to the portfolio in anticipation of better world and U.S.

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economies, and have maintained a sufficient cash reserve to take advantage of opportunities as they occur. Given our concerns, however, we will not hesitate to respond appropriately to macroeconomic and fundamental changes.

We are sad to report the death of our longest-serving director, Thomas H. Lenagh. Mr. Lenagh joined the Board of Directors in 1968 when he was Treasurer of the Ford Foundation. He was a very dedicated director, participating in a wide range of discussions at every meeting and constantly pushing us to do our best. At various times, he sat on all of our committees, including the Executive, Audit, Compensation, Retirement Benefits, and Nominating and Governance Committees, always a valued member. His abiding concern for the welfare of the Company and its stockholders was consistently apparent. His wisdom, counsel, and historical knowledge will be truly missed. Our condolences go out to his family.

By order of the Board of Directors,

Douglas G. Ober

Chairman and Chief Executive Officer

David D. Weaver

President

January 27, 2012

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Statement of Assets and Liabilities

December 31, 2011

Assets		
Investments* at value:		
Common stocks (cost $906,594,851)	$ 949,955,186	
Non-controlled affiliate, Petroleum & Resources Corporation (cost $34,735,404)	53,532,228	
Short-term investments (cost $46,545,001)	46,545,001	
Securities lending collateral (cost $9,564,900)	9,564,900	$ 1,059,597,315
Cash		300,957
Receivables:		
Dividends and interest		1,150,375
Prepaid pension cost		1,144,258
Prepaid expenses and other assets		2,498,898
Total Assets		1,064,691,803
Liabilities		
Open written option contracts* at value (proceeds $443,716)		89,679
Obligations to return securities lending collateral		9,564,900
Accrued pension liabilities		3,203,233
Accrued expenses and other liabilities		1,100,313
Total Liabilities		13,958,125
Net Assets		$ 1,050,733,678
Net Assets		
Common Stock at par value $0.001 per share, authorized 150,000,000 shares; issued and outstanding 91,073,899 shares (includes 129,007 restricted shares, 16,500 nonvested or deferred restricted stock units, and 12,730 deferred stock units) (note 6)		$ 91,074
Additional capital surplus		993,365,617
Accumulated other comprehensive income (note 5)		(2,638,533)
Undistributed net investment income		1,943,560
Undistributed net realized gain on investments		(4,539,236)
Unrealized appreciation on investments		62,511,196
Net Assets Applicable to Common Stock		$ 1,050,733,678
Net Asset Value Per Share of Common Stock		$11.54

*See Schedule of Investments on page 14 and Schedule of Outstanding Written Option Contracts on page 17.

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

Statement of Operations

Year Ended December 31, 2011

Investment Income	
Income:	
Dividends:	
From unaffiliated issuers	$ 18,863,020
From non-controlled affiliate	896,577
Interest and other income	181,096
Total income	19,940,693
Expenses:	
Investment research	2,396,676
Administration and operations	1,388,735
Directors fees	471,705
Transfer agent, registrar, and custodian	325,198
Travel, training, and other office expenses	324,667
Reports and stockholder communications	293,793
Investment data services	240,373
Occupancy	170,118
Audit and accounting services	118,602
Insurance	102,889
Legal services	54,518
Other	194,841
Total expenses	6,082,115
Net Investment Income	13,858,578
Change in Accumulated Other Comprehensive Income (note 5)	(602,411)
Realized Gain and Change in Unrealized Appreciation on Investments	
Net realized gain on security transactions	41,485,650
Net realized gain distributed by regulated investment company (non-controlled affiliate)	3,411,367
Net realized gain on written option contracts	1,101,624
Change in unrealized appreciation on securities	(96,931,934)
Change in unrealized appreciation on written option contracts	221,440
Net Loss on Investments	(50,711,853)
Change in Net Assets Resulting from Operations	$ (37,455,686)

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

Statements of Changes in Net Assets

	For the Year Ended December 31, 2011	2010
From Operations:		
Net investment income	$ 13,858,578	$ 13,366,543
Net realized gain on investments	45,998,641	30,884,988
Change in unrealized appreciation on investments	(96,710,494)	64,513,706
Change in accumulated other comprehensive income (note 5)	(602,411)	171,005
Change in net assets resulting from operations	(37,455,686)	108,936,242
Distributions to Stockholders From:		
Net investment income	(13,335,356)	(12,238,096)
Net realized gain from investment transactions	(44,457,396)	(32,345,159)
Decrease in net assets from distributions	(57,792,752)	(44,583,255)
From Capital Share Transactions:		
Value of shares issued in payment of distributions (note 4)	20,946,619	15,216,156
Cost of shares purchased (note 4)		(287,751)
Deferred compensation (notes 4, 6)	363,531	363,235
Increase in net assets from capital share transactions	21,310,150	15,291,640
Total Change in Net Assets	(73,938,288)	79,644,627
Net Assets:		
Beginning of year	1,124,671,966	1,045,027,339
End of year (including undistributed net investment income of $1,943,560 and $1,326,115, respectively)	$ 1,050,733,678	$ 1,124,671,966

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 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 specific identification. 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 generally accepted in the United States of America. Investments in securities traded on national security exchanges 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: