

ADAMS DIVERSIFIED EQUITY FUND, INC.
Form N-Q
October 21, 2015

FORM N-Q

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

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)

**Lawrence L. Hooper, Jr.
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: September 30, 2015

Item 1. Schedule of Investments.

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September 30, 2015 (unaudited)

| | Shares | Value (A) |
|--|-----------|---------------|
| Common Stocks 97.3% | | |
| Consumer Discretionary 13.3% | | |
| Amazon.com, Inc. (B) | 50,000 | \$ 25,594,500 |
| BorgWarner Inc. | 137,000 | 5,697,830 |
| Comcast Corp. (Class A) | 559,800 | 31,841,424 |
| Dollar General Corp. | 271,400 | 19,660,216 |
| Hanesbrands Inc. | 608,000 | 17,595,520 |
| Las Vegas Sands Corp. | 150,000 | 5,695,500 |
| Lowe's Companies, Inc. | 405,000 | 27,912,600 |
| Magna International Inc. | 252,000 | 12,098,520 |
| Polaris Industries Inc. | 83,000 | 9,949,210 |
| Walt Disney Co. | 320,000 | 32,704,000 |
| | | 188,749,320 |
| Consumer Staples 9.2% | | |
| Coca-Cola Co. | 186,000 | 7,462,320 |
| CVS Health Corp. | 314,000 | 30,294,720 |
| Kroger Co. | 508,000 | 18,323,560 |
| PepsiCo, Inc. | 343,500 | 32,392,050 |
| Philip Morris International Inc. | 262,800 | 20,847,924 |
| Procter & Gamble Co. | 131,850 | 9,485,289 |
| Spectrum Brands Holdings, Inc. | 131,500 | 12,033,565 |
| | | 130,839,428 |
| Energy 7.0% | | |
| Adams Natural Resources Fund, Inc. (C) | 2,186,774 | 39,711,816 |
| Chevron Corp. | 218,000 | 17,195,840 |
| EOG Resources, Inc. | 151,200 | 11,007,360 |
| Exxon Mobil Corp. | 101,000 | 7,509,350 |
| Marathon Petroleum Corp. | 166,000 | 7,690,780 |
| Noble Energy, Inc. | 175,000 | 5,281,500 |
| Schlumberger Ltd. | 171,300 | 11,814,561 |
| | | 100,211,207 |
| Financials 16.7% | | |
| Allstate Corp. | 330,000 | 19,219,200 |
| American International Group, Inc. | 145,000 | 8,238,900 |
| American Tower Corp. | 105,000 | 9,237,900 |
| Berkshire Hathaway Inc. (Class B) (B) | 65,200 | 8,502,080 |
| Capital One Financial Corp. | 245,000 | 17,767,400 |
| Citigroup Inc. | 617,000 | 30,609,370 |
| iShares US Real Estate ETF | 147,722 | 10,480,876 |
| JPMorgan Chase & Co. | 450,000 | 27,436,500 |
| Lincoln National Corp. | 270,000 | 12,814,200 |
| Nasdaq, Inc. | 360,000 | 19,198,800 |
| Navient Corp. | 520,000 | 5,844,800 |
| Prudential Financial, Inc. | 195,000 | 14,860,950 |
| Simon Property Group, Inc. | 89,500 | 16,442,940 |
| Wells Fargo & Co. | 719,000 | 36,920,650 |
| | | 237,574,566 |

SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2015 (unaudited)

| | Shares | Value (A) |
|---|---------|---------------|
| Health Care 14.8% | | |
| Aetna Inc. | 183,900 | \$ 20,120,499 |
| Allergan plc (B) | 107,096 | 29,109,764 |
| Biogen Inc. (B) | 47,000 | 13,715,070 |
| Celgene Corp. (B) | 164,000 | 17,739,880 |
| Cigna Corp. | 26,000 | 3,492,260 |
| Edwards Lifesciences Corp. (B) | 122,000 | 17,344,740 |
| Gilead Sciences, Inc. | 275,900 | 27,090,621 |
| Johnson & Johnson | 64,000 | 5,974,400 |
| McKesson Corp. | 87,900 | 16,264,137 |
| Merck & Co., Inc. | 480,000 | 23,707,200 |
| Novartis AG | 239,000 | 21,968,880 |
| Valeant Pharmaceuticals International, Inc. (B) | 77,900 | 13,895,802 |
| | | 210,423,253 |
| Industrials 9.4% | | |
| Boeing Co. | 205,000 | 26,844,750 |
| Delta Air Lines, Inc. | 311,900 | 13,994,953 |
| Dover Corp. | 176,000 | 10,063,680 |
| FedEx Corp. | 80,000 | 11,518,400 |
| Fluor Corp. | 130,000 | 5,505,500 |
| General Electric Co. | 246,500 | 6,216,730 |
| Honeywell International Inc. | 287,500 | 27,223,375 |
| Southwest Airlines Co. | 204,900 | 7,794,396 |
| Union Pacific Corp. | 278,000 | 24,577,980 |
| | | 133,739,764 |
| Information Technology 20.3% | | |
| Apple Inc. | 653,100 | 72,036,930 |
| Automatic Data Processing, Inc. | 109,000 | 8,759,240 |
| Cisco Systems, Inc. | 446,000 | 11,707,500 |
| Facebook, Inc. (Class A) (B) | 303,300 | 27,266,670 |
| Gartner, Inc. (B) | 165,000 | 13,848,450 |
| Google Inc. (Class A) (B) | 35,500 | 22,662,135 |
| Google Inc. (Class C) (B) | 35,597 | 21,657,927 |
| Intel Corp. | 166,200 | 5,009,268 |
| Lam Research Corp. | 127,600 | 8,336,108 |
| MasterCard, Inc. (Class A) | 230,000 | 20,727,600 |
| Microsoft Corp. | 836,800 | 37,036,768 |
| Oracle Corp. | 221,000 | 7,982,520 |
| QUALCOMM Inc. | 56,800 | 3,051,863 |
| Visa Inc. (Class A) | 322,000 | 22,430,520 |
| Western Digital Corp. | 83,000 | 6,593,520 |
| | | 289,107,019 |
| Materials 2.2% | | |
| CF Industries Holdings, Inc. | 203,155 | 9,121,660 |
| LyondellBasell Industries N.V. (Class A) | 186,000 | 15,504,960 |
| PPG Industries, Inc. | 85,000 | 7,453,650 |
| | | 32,080,270 |

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Telecommunication Services 1.8%

| | | |
|--|---------|------------|
| SBA Communications Corp. (Class A) (B) | 90,000 | 9,426,600 |
| Verizon Communications Inc. | 389,000 | 16,925,390 |
| | | 26,351,990 |

SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2015 (unaudited)

| | Shares/ Principal | Value (A) |
|---|----------------------|------------------|
| Utilities 2.6% | | |
| AGL Resources Inc. | 145,000 | \$ 8,850,800 |
| CMS Energy Corp. | 225,000 | 7,947,000 |
| Edison International | 98,000 | 6,180,860 |
| NextEra Energy, Inc. | 81,000 | 7,901,550 |
| Pinnacle West Capital Corp. | 97,500 | 6,253,650 |
| | | 37,133,860 |
| Total Common Stocks | | |
| (Cost \$1,067,711,432) | | 1,386,210,677 |
| Other Investments 0.0% | | |
| Financial 0.0% | | |
| Adams Funds Advisers, LLC (B) (D) | | |
| (Cost \$33,871) | | 33,871 |
| Short-Term Investments 2.7% | | |
| Money Market Account 1.3% | | |
| M&T Bank, 0.10% | \$ 18,114,613 | 18,114,613 |
| Money Market Funds 1.4% | | |
| Fidelity Institutional Money Market Money Market Portfolio (Institutional Class), 0.17% (E) | 20,000,000 | 20,000,000 |
| Total Short-Term Investments | | |
| (Cost \$38,114,613) | | 38,114,613 |
| Total Investments 100.0% of Net Assets | | |
| (Cost \$1,105,859,916) | | \$ 1,424,359,161 |

Notes:

(A) Common stocks 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) 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.

See accompanying notes.

NOTES TO SCHEDULES OF INVESTMENTS (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

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.

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 entity for this purpose. The Fund is providing the initial capital for the start-up of Adams Funds Advisers, LLC ("AFA"), a Maryland limited liability company, and is the sole member and General Manager. As of September 30, 2015, AFA remains in start-up phase and has yet to provide advisory services to external clients. As an operating company that provides no services to the Fund, the Fund's investment in AFA is accounted for as a portfolio investment that meets the definition of a controlled affiliate.

For the period ended September 30, 2015, activity related to the Fund's investments in affiliated companies is as follows:

| Affiliated Company | Purchase Cost | Sales Cost | Investment Income | Value Sept. 30, 2015 | Value Dec. 31, 2014 |
|------------------------------------|---------------|------------|-------------------|----------------------|---------------------|
| AFA | \$33,871 | \$-- | \$-- | \$33,871 | \$-- |
| Adams Natural Resources Fund, Inc. | -- | -- | 524,826 | 39,711,816 | 52,132,692 |
| Total | \$33,871 | \$-- | \$524,826 | \$39,745,687 | \$52,132,692 |

Investment Transactions - The Fund's investment decisions are made by the portfolio management team with recommendations from the research staff. The Fund is subject to changes in the value of equity securities held in the normal course of pursuing its investment objectives. Investment transactions are accounted for on the trade date.

Valuation - The Fund's financial instruments are reported at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 money market funds) are valued at amortized cost, which approximates fair value. Money market funds are valued at net asset value.

Using fair value procedures approved by the Fund's Board of Directors, the Fund's investment in its controlled affiliate, AFA, is valued at cost given its recent funding and start-up phase activities.

GAAP establishes the following fair value hierarchy that categorizes 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 in the circumstances.

At September 30, 2015, the Fund's financial instruments were classified as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------|-----------------|---------|----------|-----------------|
| Common stocks | \$1,386,210,677 | \$-- | \$-- | \$1,386,210,677 |
| Other investments | -- | -- | 33,871 | 33,871 |
| Short-term investments | 38,114,613 | -- | -- | 38,114,613 |
| Total investments | \$1,424,325,290 | \$-- | \$33,871 | \$1,424,359,161 |

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

| | |
|---|----------|
| Balance as of December 31, 2014 | \$-- |
| Purchases | 33,871 |
| Change in unrealized appreciation of investments included in increase in net assets from operations | -- |
| Balance as of September 30, 2015 | \$33,871 |

There were no transfers between levels during the nine months ended September 30, 2015.

2. FEDERAL INCOME TAXES

As of September 30, 2015, the identified cost of securities for federal income tax purposes was \$1,105,859,916, including \$34,769,275 for affiliated companies, and net unrealized appreciation aggregated \$318,499,245, consisting of gross unrealized appreciation of \$372,130,297 and gross unrealized depreciation of \$53,631,052.

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.

Adams Diversified Equity Fund, Inc.

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

Date: October 21, 2015

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 and President
(Principal Executive Officer)

Date: October 21, 2015

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

Date: October 21, 2015