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Spring Gifting

With spring and summer graduations, engagements and weddings just around the corner, *how about giving the gift of Adams Express or Petroleum & Resources shares?* A gift of shares has enduring value and will be appreciated year after year. And what young graduate or married couple couldn't use a little nest egg? To buy shares, you can contact your broker or invest directly through the Companies' transfer agent, American Stock Transfer & Trust Company (AST). To obtain an "Investors Choice" brochure, contact **AST at (877) 260-8188** or visit their website, www.amstock.com, and click on "How to Invest" under Shareholder Services.



Outlook for 2007

Doug Ober, Chairman and CEO of the Funds, sat down to talk with us about hot buttons in 2007 and what they may hold for the economy and the markets.

IE – Where are gas and oil prices going?

DO – We think oil will settle in the \$60 - \$70 per barrel range. We don't see any decline in demand for petroleum in the United States in the short term. There are no anticipated declines in transportation and industrial consumption. And, for the first time in our industrial era, other countries and their economies are having just as significant an impact on petroleum consumption as our economy. India's and China's economies are growing briskly and their demand for petroleum for industry and transportation will continue to grow; those economies are not slowing down.

IE – What's the future of alternative energy sources?

DO - While there is exciting news on development of alternate fuels to petroleum, most are not economically viable at this time nor do they have the scale to be able to significantly offset our thirst for fossil fuels. The reality is that oil-based fuels are still more cost efficient than alternatives such as solar and wind. Clean coal is the only alternative fuel that has and will impact petroleum consumption. The railroads have built more tracks into coal areas and that's made the cost of transporting it to power plants much more economical. And, companies such as



GE are building new clean coal plants to replace older coal and oil-fired power plants. While there are changes on the horizon, we have a ways to go before any other forms of fuel supplant our dependency on oil and gas.

IE – What do you foresee as the consequence of the sub-prime mortgage market fall out?

DO – The housing market is going through an adjustment and creating a drag on the economy. Some regions of the country are affected more than others. It depends on the local markets. The good news is that most of the financial institutions we've invested in are not directly affected by the collapse of the sub-prime lending market.

IE – Where is the good news in the economy?

DO – The good news is that the economy is still growing, although at a slower pace. With slow growth and nervous markets, the quality of investments takes on greater importance. Well-run companies with good products and a sensible financial plan are what have and will endure the tough times.

Closed-End Funds – Stability in Chaotic Markets

With the market going through rather turbulent times, closed-end funds (CEFs) are experiencing renewed interest, not only for the potential to provide income, but for their stability. There are two main reasons for CEFs' popularity and they both center on their unique structure. First, compared to a mutual fund, there are no redemption challenges. As investors bail out of mutual funds, woe to the fund manager who has to find a way to get liquid fast to pay off the redemptions. Fact is, market turbulence often provides buying opportunities, but the manager of a mutual fund may have exhausted his cash reserves to meet redemptions and is not in a position to take advantage of those buying opportunities. Not so with a CEF. The manager does not have to worry about selling in or out of a position to satisfy redemptions because closed-end funds are traded on an exchange. This allows the fund manager to think long-term and manage the portfolio independently from market sentiment. Second, unlike ETFs that simply follow a given index, such as the S&P 500 Index, closed-end funds are actively managed – portfolio managers are minding the store and adjusting the portfolio accordingly, which is why some CEFs are perceived to pose less risk than funds that mirror stock market indexes.

There are about 664 closed-end funds actively trading today. Adams Express and Petroleum & Resources Corporation are two of the original CEFs that were started prior to the Crash of '29. According to the Investment Company Institute, the total assets of CEFs at year-end 2006 were \$298 billion, and while they pale in comparison to mutual funds with \$10 trillion in assets, CEFs are beginning to regain some measure of popularity. According to Brian Smith, of the Closed-End Fund Association, "We saw 21 closed-end funds launch in 2006 and another nine thus far in 2007. We think that fund managers are seeing the wisdom of managing funds in a closed-end model."

Aside from fund managers, even individual investors who have exposure to CEFs recognize their value. Dennis Genord, Manager of Education at BetterInvesting, says, "We've always thought CEFs were smart investments for the long-term investor. As with any fund, you need to clearly understand what the manager's investment goals are and run the numbers with the same scrutiny you'd run any investment consideration through."

As always, we recommend you speak to your investment advisor or tax consultant before taking any steps.



Anniversary Archive – *Where in the World is Giles?*

Thirty years ago, Mr. and Mrs. Kenneth Perry of Champaign, Illinois were traveling through Europe. While in Spain, the Perrys met a couple from Hyde Park, New York. The Perrys soon found out that Giles and his wife had spent a good part of their time traveling around the world – the "ultimate travelers" according to Mr. Perry.

"One day we got to talking about financing travel. Giles told me that he was traveling on **Adams Express dividends**. Never having owned a share of stock, I took the opportunity to 'pick his brain' on the stock market, with particular emphasis on **Adams Express**," said Mr. Perry.

On their trip back home from Spain, Mrs. Perry suggested that they should start investing in **Adams Express** – if for no other reason than "in memory of the Giles we'd met."

The Perrys started out with an initial investment of 1,000 shares. Over time, through the reinvestment of their dividends, they accumulated a significant amount of shares. Those shares were enough to fund their travel aspirations, which have been extraordinarily ambitious.

"My wife and I continued to travel and were fortunate enough to be able to visit over 180 countries. On each occasion, my wife always raised the

same question, 'who will Giles be this time'— but we never met a real replacement for 'our Giles'."

*If you have a story you would like to share, please send an email to contact@adamsexpress.com; or write to us at
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