

INVESTOR EXPRESS

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Gifting

Stocks as Stocking Stuffers

The holidays are right around the corner. If you're putting your list together, think about giving Adams Express and Petroleum & Resources shares as gifts. Everyone will appreciate a contribution to their nest eggs. Plus you don't have to drive to the mall. 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.



INDUSTRY OUTLOOK Managing in a Turbulent Market

These are not the easiest times to be a portfolio manager. Global financial markets have been highly unstable since the third quarter of 2007, with the collapse of venerable financial institutions in September instilling extraordinary volatility in the markets. Despite all the turmoil and uncertainty, what strategies did the managers of Adams Express and Petroleum & Resources employ to stem the losses and actually outperform their given benchmarks so far this year? While details of the Funds' performance for the past nine months can be found in the Chairman's "Letter to Stockholders" of the September 30, 2008 Third Quarter Report, to give our readers additional insights, we asked Doug Ober, Chairman and CEO of both Funds, to speak to the overarching strategic approaches employed by the Funds. According to Doug, both Funds adhere to three fundamental strategies in all market conditions.

The Funds employ their own full-time stock analysts. "Currently, between the two Funds, we employ six analysts, and each is an expert in their assigned industries. The analysts value investments not only for the present, but for the future as well. They construct earnings models for a multi-year period, look at what new product lines are in the works, and assess how well the companies are managed. It's just good fundamental analysis. And, they are not solely focusing on their industries. They talk to their fellow analysts as well as monitor other industries and world events, because they can have an impact on their industries, too," says Doug.

The analysts and portfolio managers look for a conservative balance sheet when they review current and potential investments. "We tend to err on the safe side: A strong balance sheet is indicative of a company's financial strength," says Doug. "If there is more debt than appropriate, then a company is deemed too risky an investment. In certain segments of



the investment banking industry, the financial products offered over time increasingly showed a lack of transparency. When we saw that those institutions we held in the portfolio could no longer absorb the losses on their balance sheets, we took action and sold them."

Diversification is critical in maintaining a conservative risk posture. Most investments in the portfolios, with the exception of Petroleum & Resources in Adams Express, do not represent more than 2% of the portfolio. In the case of Petroleum & Resources' portfolio, only five companies represent over 2% of holdings, and that is largely due to the consolidation in the oil and gas sectors over the past decade. "We actually practice that proverbial adage – don't put all your eggs in one basket," says Doug. "By staying diversified, we have spread our risk, and when something unexpectedly negative happens to a particular company we own, our exposure is minimized because of our array of other holdings."

Doug also noted that the Funds have benefited from the fact that they are not using leverage as a tactic for boosting returns. "Leverage can certainly accelerate returns, but when the cost of borrowing rises, leverage only magnifies the problem and accelerates losses. Unlike some others, we have chosen not to use leverage in market conditions like we are experiencing now," says Doug.

"The market will eventually stabilize, but management is fundamentally prepared for whatever challenges present themselves," adds Doug.

PROTECT

Brian S. Hook Joins the Companies as Assistant Treasurer



Brian S. Hook, CFA, CPA, has joined both Adams Express and Petroleum & Resources, and was elected Assistant Treasurer in September.

Before joining the Companies, Brian was a vice president and senior manager at T. Rowe Price. Brian was responsible for ensuring that fund governance was properly applied to the firm's investment products, conducting technical research, and developing operational, accounting and financial reporting policies across domestic and international investment products. "My major responsibility was to make sure that shareholders' interests were being protected as they related to fiscal management of the products," says Brian. "My role with Adams Express and Petroleum & Resources will be similar."

Prior to that, Brian was a business assurance manager with Coopers & Lybrand L.L.P, where he served investment management and private equity clients in the areas of financial statement audits and internal control reviews. In fact, he spent five years on the team that conducted the

Companies' audits. "My understanding and respect for the Funds and the manner in which they are managed really began when I was part of the audit team," adds Brian. "I got a very close look at the fiscal soundness and conservative policies the Funds follow and look forward to continuing that tradition in the future."

"We're excited to have Brian on board," said Doug Ober, Chairman and CEO. "Not only does he have a strong background in accounting and finance, but he was very involved in T. Rowe Price's fiscal management," said Doug. "That makes him a great match for us, because he understands what it takes to protect shareholders and to help us in meeting their financial goals."

Brian earned his B.S. in Accounting and his B.S. in Finance (both Cum Laude), along with a minor in Management Information Systems, from the University of Delaware, and his M.S. in Finance from The Johns Hopkins University. He is a Chartered Financial Analyst and a Certified Public Accountant. Brian lives in suburban Baltimore with his wife and two young children.

GROW

Anniversary Archive – *Practical Wisdom*

In the wake of the Great Depression, Larkin Osborne, a schoolteacher living in Edmund, Oklahoma, found all his savings gone. Like many people at the time, he put his savings in the local bank and was confident that his money would be there when he needed it. But there was a run on the bank, and like millions of others he had to begin all over again.

Eventually, he got on with his life, married and started a family – two daughters who shared his fascination with geology and science. He slowly began to accumulate capital and rather than putting it in a bank, he bought shares of local energy and oil companies. "After his experiences in the Great Depression, my father never trusted banks regardless of all the new regulations. But he had an abiding faith in the potential of this country and that the country was going

to keep growing," recalls his oldest daughter, Charlotte Walonick. "He was a practical man and he saw that all these new factories and industries had one thing in common – they needed oil and energy. So he started buying shares in local oil and energy-related stocks," continued Mrs. Walonick. "Most people don't realize it, but for a time it felt that Oklahoma was more of an oil state than Texas. We had oil derricks and pumpers all over the place."

As the years went by, Mr. Osborne, who was now principal at the high school in Edmund, had grown his portfolio and expanded his holdings by accumulating shares of other oil and energy-related companies outside of Oklahoma. As you might expect, one of them was Petroleum & Resources Corporation. "My father kept true to his investment philoso-

phy and it never disappointed him. And, it was fun for us kids, because we'd get all these annual reports full of interesting information about exploration and geology. That's how I got interested in geology. When he passed away, my sister and I were bequeathed his shares. We've diversified our portfolio and added some other types of stocks. But we hold onto our energy and oil stocks, especially Petroleum & Resources."



If you have a story you would like to share, please send an email to contact@adamsexpress.com; or write to us at ADAMS EXPRESS c/o Anniversary Archive, 7 St. Paul Street, Suite 1140, Baltimore, MD 21202

Forward-Looking Statements

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