

# INVESTOR EXPRESS

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## Give the Gift of Shares

Births, birthdays, graduations, engagements and weddings - all these are great occasions to give 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 person 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](http://www.amstock.com), and click on "How to Invest" under Shareholder Services.



## THE OUTLOOK FOR STOCKS

by Douglas G. Ober, Chairman and CEO



With a relatively attractive outlook for the U. S. and global economies, we believe the stock market should have another year of positive performance in 2011. There has been a modest pickup in consumer demand, spurred in part by the extension of income tax cuts and temporarily-reduced payroll taxes. Businesses have generated large amounts of cash and are beginning to spend it, either on acquisitions or capacity expansion. Dollar weakness has made U. S.-produced goods attractive to overseas buyers. The rhetoric in Washington has begun to shift from increasing regulation and oversight to a more business-friendly one. Jobs are being created and the unemployment rate is declining.

Not all segments of the economy are doing well, however. The housing market and the many industries supplying it are still in poor shape. There is a large inventory of unsold new and foreclosed older homes. The mortgage market is in a state of flux, with few buyers for mortgage-backed securities and banks unwilling to carry residential mortgages on their books. Fannie Mae and Freddie Mac have been effectively frozen by the government. It will take a long time for the industry to recover. The banking industry, subject to a wide array of new regulations, some not yet written, is trying to work through the problems created by excessive risk-taking in previous years. Health care regulation has thrown that industry into turmoil as well, and it remains unclear what segments of the industry can profitably operate within the new environment.

The economies of the rest of the world also have an impact on U. S. companies, as many

of them generate significant portions of their revenues and earnings overseas. Thus, the health of the European Community (EC), the Far East, and South America are also important. Our view is that Europe is on the road to recovery, but will be hampered by the financial problems of the weaker members of the EC. Economic growth is likely to be modest, around 2-2 ½%. Asian economies have been robust for a number of years, led by China and India. As these countries build up their infrastructures, their need for raw materials and energy has exploded, adding significantly to worldwide demand and driving prices up. Concerns about inflation are rising and several countries have raised short-term interest rates in efforts to slow growth. Still, we anticipate that the Asian economies will grow at least 8% in 2011. The largest economies in South America, principally Brazil and Argentina, are expected to grow at only slightly lower rates than Asia.

Based on this view of the economy, a year of good earnings growth is projected for U. S. companies. Wall Street is anticipating S&P 500 earnings to be up by about 17% in 2011, on top of 17% growth in 2010. This, in our minds, is already mostly reflected in the market, as it has risen nearly 100% from its low of May 2010. Our outlook is not as robust as Wall Street's, and we believe earnings will grow at a more modest 8-10%. Thus we believe that the market may be a bit ahead of itself and we could see either a rest or a correction sometime in the first half of the year. Once earnings expectations are brought down a bit (we have seen a number of companies give more modest guidance for this year), we think the market will be able to gradually advance through the rest of the year and, barring signs of serious inflation, into 2012.

# The Coal Hard Facts

by Michael A. Kijesky, Senior Research Analyst, Petroleum & Resources Corporation (PEO)



Coal is a natural resource driving the ongoing operation and further development of the global economy. Its multiple uses – in generating electricity, producing steel, manufacturing fertilizers, and contributing to a variety of industrial processes – make coal a key element in several industries. As a result, coal mining companies have been an important holding in the PEO portfolio over the years, largely because of their critical relationship to both the energy and steel industries.

While the media spotlight often shines on new energy technologies, the truth is that only 1% of power produced worldwide comes from all of the solar panels and wind turbines combined; natural gas supplies only 20% of electricity generated globally. On the other hand, over 40% of electricity comes from coal. In addition to the role coal plays in the energy arena, it is critical to steel making, which relies on nearly 10% of the world's coal production. All of this adds up to a high demand for coal.

And it explains why the top 10 coal-producing countries mine a whopping 90% of the total coal produced, making coal a key export. The United States for example, which mines more coal than it needs to meet its energy demands, is able to export up to 10% of the total coal it produces. China, on the other hand, is both the world's largest producer and consumer, relying on imports in order to satisfy demand. Eyeing these trends, the coal industry in the U.S. is looking to export even more coal as demand continues to grow.

Currently, PEO owns positions in Cliffs Natural Resources, Consol Energy, International Coal Group, and Massey Energy – each of which has a significant coal business and is poised to take advantage of premium market pricing for metallurgical coal and exciting export opportunities in places like China.

## DID YOU KNOW?

- Between 80-90% of all coal mined annually is used to generate electricity.
- Over 40% of electricity comes from coal.
- The U.S. produces nearly 50% of its electricity from coal; China produces nearly 80% of its electricity from coal.
- Coal is mined in both underground and open pit (or surface) mines.
- Open pit mines are less expensive to build and operate, yet not all coal is located close to the earth's surface. Hence, underground mining techniques are still necessary.
- Coal used to make steel is referred to as metallurgical or coking coal. Roughly 70% of steel production worldwide requires coal.
- It takes 1200 to 1400 lbs. of coal to produce each ton of steel.

## The Gift That Keeps on Giving

It's hard to buy a gift for a young person, particularly on a special occasion. Adam Wechsler, a shareholder now for over 22 years, had an Uncle David who faced such a dilemma.

Bob Wechsler, Adam's father, told us, "David called me and we talked about what would be a good gift for Adam's Bar Mitzvah. David was a stockbroker and wanted to give him a gift that would be memorable and have enduring value. By coincidence, he had been recommending Adams Express Company stock to some of his other clients so he knew the Company had been paying dividends for years. It was also a nice coincidence that Adam and the Company shared the same first name – it just made it unique," added Mr. Wechsler.



Adam Wechsler is now 35 and a high school math teacher in Miami, Florida. From a gift of 10 shares, Adam now has over 100 shares today simply because he reinvested his dividends. Adams Express really has been the gift that keeps on giving.

### Forward-Looking Statements

*This newsletter contains "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. By their very nature, all forward-looking statements involve risks and uncertainties, and actual results could differ materially from those contemplated by the forward-looking statements. Several factors that could materially affect the Companies' actual results are the performance of the portfolio of stocks held by the Companies, the conditions in the U.S. and international financial markets, the price at which shares of the Companies will trade in the public markets, and other factors discussed in the Companies' periodic filings with the Securities and Exchange Commission. The Companies assume no obligation to revise, correct, or update these statements.*