

ADAMS DIVERSIFIED EQUITY FUND, INC.

Form N-30B-2

October 31, 2018

ADAMS
DIVERSIFIED EQUITY
FUND

THIRD QUARTER REPORT
SEPTEMBER 30, 2018

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Letter to Shareholders

Dear Fellow Shareholders,

Over the past three months, if anything stands out to us it is the stock market's ongoing strength and resiliency. The market shrugged off concerns of escalating tariffs and fears of rising inflation to extend the nine-year stock market rally that, in August, became the longest bull market on record. The S&P 500 posted its best quarter since 2013, increasing 7.7% and is up 10.6% for the year. Our Fund performed even better, increasing 8.3% and 11.3% for the third quarter and for the first nine months of the year, respectively.

Accelerating wage growth and unemployment reaching its lowest levels since 2000 helped push consumer confidence to 18-year highs. Companies in the S&P 500 reported 25% earnings growth in the second quarter, matching the first quarter's strong performance. While lower tax rates contributed to these results, revenue growth also accelerated in 2018 for many companies. Given the broad economic strength, the Fed raised interest rates a quarter point in September for the third time this year and remains on track to increase rates again in December.

In our Fund, investments in Consumer Discretionary, Industrials, and Technology were the biggest contributors to our returns for the quarter. Although our Health Care stocks generated strong positive returns, increasing 13.3%, the performance was below our benchmark for the sector.

Strong consumer spending during the quarter resulted in the Consumer Discretionary sector performing well, increasing 13.2%. Our position in Advance Auto Parts, which increased 24.1%, was a significant contributor to our return in the sector. The company is benefiting from improved execution and favorable industry trends and has been delivering solid top-line growth and better-than-expected earnings results. We continue to believe they have significant room for margin expansion.

Another solid contributor to our returns was home improvement retailer Lowe's, which increased 20.7%. Lowe's recently announced that Marvin Ellison, a former Home Depot executive, joined the company as CEO. He is moving quickly to bring new talent into the organization and is taking decisive action to improve profitability. We like the direction Mr. Ellison is taking the company and increased our position in the stock during the quarter.

Letter to Shareholders (continued)

Although concerns over new regulations weighed on many technology stocks during the quarter, particularly shares of Facebook and Google, the overall sector increased 9.6%. Microsoft was a top contributor to our returns once again, increasing 16.4% during the period. The company continues to successfully transition its business from delivering on-premise software to solutions available through the cloud. Amid this transition, Microsoft has established itself as one of the most important cloud-computing platforms. salesforce.com, another standout for the Fund, is also benefiting from its cloud strategy.

We recently repositioned our holdings within the highly-cyclical semiconductor industry group. After years of favorable supply/demand trends for memory chips, we believe the tide is turning. We exited our position in Lam Research and added NVIDIA Corporation to the portfolio. NVIDIA designs and manufactures computer graphics processors, chipsets, and software. The stock sold off after earnings, creating an attractive entry point. We see opportunities for the company to outperform driven by its new gaming platform as well as its growing data center business focused on artificial intelligence.

Within the Health Care sector, our holdings in Thermo Fisher Scientific performed particularly well, increasing 17.9%. Thermo Fisher is the market leader in life science tools and diagnostics. The company has a consistent track record of growing organically and using its capital effectively to achieve its strategic objectives. Recent regulatory changes that lower reimbursement fees negatively impacted the investment prospects of Laboratory Corporation, a diagnostic testing company. We exited our position during the quarter and used the proceeds to increase our investment in Merck & Co. The pharmaceutical company is a leader in immuno-oncology, which is one of the fastest-growing fields in pharmaceuticals. We believe its cancer drug, Keytruda, has the potential to increase revenue significantly.

For the nine months ended September 30, 2018, the total return on the Fund's net asset value ("NAV") per share (with dividends and capital gains reinvested) was 11.3%. This compares to a 10.6% total return for the S&P 500 and an 8.8% total return for the Lipper Large-Cap Core Funds Average over the same time period. The total return on the market price of the Fund's shares for the period was 12.0%.

For the twelve months ended September 30, 2018, the Fund's total return on NAV was 19.6%. Comparable figures for the S&P 500 and Lipper Large-Cap Core Funds Average were 17.9% and 15.7%, respectively. The Fund's total return on market price was 19.8%.

Letter to Shareholders (continued)

During the first nine months of this year, the Fund paid distributions to shareholders in the amount of \$15.2 million, or \$.15 per share, consisting of \$.03 net investment income and \$.01 long-term capital gain, realized in 2017, and \$.11 of net investment income realized in 2018, all taxable in 2018. These constitute the first three payments toward our annual 6.0% minimum distribution rate commitment. Additionally, the Fund repurchased 855,556 shares of its Common Stock during the past nine months. The shares were repurchased at an average price of \$15.61 and a weighted average discount to NAV of 14.2%, resulting in a \$.02 increase to NAV per share.

We thank you for investing with us and do not take your trust for granted. We remain focused on delivering consistent investment returns for shareholders by identifying quality companies that are executing at high levels and trading at attractive valuations.

By order of the Board of Directors,

Mark E. Stoeckle
Chief Executive Officer & President
October 17, 2018

Disclaimers

This report contains “forward-looking statements” within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. By their 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 Fund’s actual results are the performance of the portfolio of stocks held by the Fund, the conditions in the U.S. and international financial markets, the price at which shares of the Fund will trade in the public markets, and other factors discussed in the Fund’s periodic filings with the Securities and Exchange Commission. This report is transmitted to the shareholders of the Fund for their information. It is not a prospectus, circular or representation intended for use in the purchase or sale of shares of the Fund or of any securities mentioned in the report. The rates of return will vary and the principal value of an investment will fluctuate. Shares, if sold, may be worth more or less than their original cost. Past performance is no guarantee of future investment results.

Summary Financial Information

(unaudited)

| | 2018 | 2017 |
|--|------------------|------------------|
| At September 30: | | |
| Net asset value per share | \$ 19.34 | \$ 17.68 |
| Market price per share | \$ 16.67 | \$ 15.21 |
| Shares outstanding | 100,868,448 | 98,684,525 |
| Total net assets | \$ 1,950,866,811 | \$ 1,744,456,638 |
| Unrealized appreciation on investments | \$ 685,210,378 | \$ 546,390,851 |

For the nine months ended September 30:

| | | |
|---|----------------|----------------|
| Net investment income | \$ 14,939,543 | \$ 16,174,503 |
| Net realized gain | \$ 147,095,972 | \$ 108,858,787 |
| Cost of shares repurchased | \$ 13,351,346 | \$ 10,414,250 |
| Shares repurchased | 855,556 | 741,261 |
| Total return (based on market price) | 12.0% | 20.9% |
| Total return (based on net asset value) | 11.3% | 17.4% |

Key ratios:

| | | |
|---|-------|-------|
| Expenses to average net assets* | 0.56% | 0.57% |
| Net investment income to average net assets* | 1.09% | 1.32% |
| Portfolio turnover* | 62.7% | 41.0% |
| Net cash & short-term investments to net assets | 1.0% | 1.2% |

*

Annualized

Ten Largest Equity Portfolio Holdings

September 30, 2018

(unaudited)

| | Market Value | Percent of Net Assets |
|-------------------------------------|---------------|-----------------------|
| Microsoft Corporation | \$ 95,704,816 | 4.9% |
| Amazon.com, Inc. | 85,728,400 | 4.4 |
| Apple Inc. | 77,970,596 | 4.0 |
| Alphabet Inc. Class A & Class C | 67,370,636 | 3.5 |
| Visa Inc. Class A | 48,884,313 | 2.5 |
| Berkshire Hathaway Inc. Class B | 47,832,174 | 2.5 |
| Adams Natural Resources Fund, Inc.* | 43,582,406 | 2.2 |
| Bank of America Corp. | 43,317,984 | 2.2 |

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| | | |
|---------------------------------|----------------|-------|
| UnitedHealth Group Incorporated | 43,204,896 | 2.2 |
| Boeing Company | 37,636,280 | 1.9 |
| | \$ 591,232,501 | 30.3% |

*

Non-controlled affiliated closed-end fund

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Schedule of Investments

September 30, 2018
(unaudited)

| | Shares | Value (a) |
|--|-----------|---------------|
| Common Stocks — 99.0% | | |
| Consumer Discretionary — 13.6% | | |
| Advance Auto Parts, Inc. | 125,100 | \$ 21,058,083 |
| Amazon.com, Inc. (b) | 42,800 | 85,728,400 |
| Chipotle Mexican Grill, Inc. (b) | 25,600 | 11,635,712 |
| Comcast Corporation Class A | 286,000 | 10,127,260 |
| Dollar General Corporation | 193,937 | 21,197,314 |
| Home Depot, Inc. | 173,500 | 35,940,525 |
| Lowe's Companies, Inc. | 254,700 | 29,244,654 |
| Netflix, Inc. (b) | 66,700 | 24,954,471 |
| Tractor Supply Company | 183,600 | 16,685,568 |
| Walt Disney Company | 68,800 | 8,045,472 |
| | | 264,617,459 |
| Consumer Staples — 6.3% | | |
| Coca-Cola Company | 161,800 | 7,473,542 |
| Constellation Brands, Inc. Class A | 60,600 | 13,066,572 |
| Costco Wholesale Corporation | 77,900 | 18,297,152 |
| Mondelez International, Inc. Class A | 463,500 | 19,911,960 |
| Monster Beverage Corporation (b) | 157,100 | 9,155,788 |
| PepsiCo, Inc. | 134,400 | 15,025,920 |
| Philip Morris International Inc. | 51,900 | 4,231,926 |
| Procter & Gamble Company | 131,850 | 10,973,875 |
| Walmart Inc. | 257,300 | 24,163,043 |
| | | 122,299,778 |
| Energy — 5.9% | | |
| Adams Natural Resources Fund, Inc. (c) | 2,186,774 | 43,582,406 |
| Andeavor | 68,000 | 10,438,000 |
| Diamondback Energy, Inc. | 91,700 | 12,396,923 |
| EOG Resources, Inc. | 106,400 | 13,573,448 |
| Exxon Mobil Corporation | 168,400 | 14,317,368 |
| Marathon Petroleum Corporation | 87,900 | 7,029,363 |
| Occidental Petroleum Corporation | 160,500 | 13,188,285 |
| | | 114,525,793 |

Schedule of Investments (continued)

September 30, 2018
(unaudited)

| | Shares | Value (a) |
|--------------------------------------|-----------|---------------|
| Financials — 13.1% | | |
| Aflac Incorporated | 316,300 | \$ 14,888,241 |
| Bank of America Corp. | 1,470,400 | 43,317,984 |
| Berkshire Hathaway Inc. Class B (b) | 223,400 | 47,832,174 |
| BlackRock, Inc. | 41,400 | 19,513,062 |
| Goldman Sachs Group, Inc. | 25,100 | 5,628,424 |
| Intercontinental Exchange, Inc. | 379,900 | 28,450,711 |
| JPMorgan Chase & Co. | 319,700 | 36,074,948 |
| Lazard Ltd Class A | 96,700 | 4,654,171 |
| SunTrust Banks, Inc. | 274,000 | 18,300,460 |
| U.S. Bancorp | 348,800 | 18,420,128 |
| Wells Fargo & Company | 358,500 | 18,842,760 |
| | | 255,923,063 |
| Health Care — 15.0% | | |
| Abbott Laboratories | 421,700 | 30,935,912 |
| Alexion Pharmaceuticals, Inc. (b) | 107,200 | 14,901,872 |
| Becton, Dickinson and Company | 97,800 | 25,525,800 |
| Biogen Inc. (b) | 48,900 | 17,276,859 |
| Edwards Lifesciences Corporation (b) | 133,500 | 23,242,350 |
| Johnson & Johnson | 137,800 | 19,039,826 |
| Medtronic plc | 253,000 | 24,887,610 |
| Merck & Co., Inc. | 481,000 | 34,122,140 |
| Pfizer Inc. | 551,040 | 24,284,333 |
| Thermo Fisher Scientific Inc. | 145,400 | 35,489,232 |
| UnitedHealth Group Incorporated | 162,400 | 43,204,896 |
| | | 292,910,830 |
| Industrials — 10.3% | | |
| Alaska Air Group, Inc. | 140,300 | 9,661,058 |
| Boeing Company | 101,200 | 37,636,280 |
| Caterpillar Inc. | 98,000 | 14,944,020 |
| Cintas Corporation | 59,000 | 11,670,790 |
| Delta Air Lines, Inc. | 216,200 | 12,502,846 |
| Emerson Electric Co. | 257,800 | 19,742,324 |
| FedEx Corporation | 81,400 | 19,600,306 |
| General Electric Company | 246,500 | 2,782,985 |
| Honeywell International Inc. | 193,000 | 32,115,200 |

| | | |
|---------------------------|---------|-------------|
| Southwest Airlines Co. | 154,700 | 9,661,015 |
| Union Pacific Corporation | 187,200 | 30,481,776 |
| | | 200,798,600 |

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Schedule of Investments (continued)

September 30, 2018
(unaudited)

| | Shares | Value (a) |
|--|---------|---------------|
| Information Technology — 26.0% | | |
| Accenture plc Class A | 157,400 | \$ 26,789,480 |
| Adobe Systems Incorporated (b) | 117,200 | 31,638,140 |
| Alphabet Inc. Class A (b) | 30,900 | 37,298,772 |
| Alphabet Inc. Class C (b) | 25,197 | 30,071,864 |
| Apple Inc. | 345,400 | 77,970,596 |
| Cisco Systems, Inc. | 625,300 | 30,420,845 |
| Facebook, Inc. Class A (b) | 228,400 | 37,562,664 |
| Mastercard Incorporated Class A | 147,700 | 32,879,497 |
| Microsoft Corporation | 836,800 | 95,704,816 |
| NVIDIA Corporation | 83,500 | 23,465,170 |
| Oracle Corporation | 122,200 | 6,300,632 |
| salesforce.com, inc. (b) | 181,200 | 28,816,236 |
| Visa Inc. Class A | 325,700 | 48,884,313 |
| | | 507,803,025 |
| Materials — 2.0% | | |
| Air Products and Chemicals, Inc. | 45,900 | 7,667,595 |
| Ball Corporation | 175,900 | 7,737,841 |
| DowDuPont Inc. | 206,600 | 13,286,446 |
| LyondellBasell Industries N.V. | 93,700 | 9,605,187 |
| | | 38,297,069 |
| Real Estate — 3.1% | | |
| American Tower Corporation | 85,900 | 12,481,270 |
| Prologis, Inc. | 236,100 | 16,005,219 |
| Public Storage | 86,100 | 17,360,343 |
| Simon Property Group, Inc. | 86,600 | 15,306,550 |
| | | 61,153,382 |
| Telecommunication Services — 1.2% | | |
| AT&T Inc. | 689,182 | 23,142,732 |
| Utilities — 2.5% | | |
| Exelon Corporation | 299,300 | 13,067,438 |
| NextEra Energy, Inc. | 99,000 | 16,592,400 |
| Public Service Enterprise Group Incorporated | 173,900 | 9,180,181 |
| WEC Energy Group Inc. | 166,200 | 11,095,512 |
| | | 49,935,531 |

Schedule of Investments (continued)

September 30, 2018
(unaudited)

| | Shares | Value (a) |
|--|------------|------------------|
| Total Common Stocks (Cost \$1,249,617,451) | | \$ 1,931,407,262 |
| Other Investments — 0.0% | | |
| Financials — 0.0% | | |
| Adams Funds Advisers (b)(d) (Cost \$150,000) | | 994,000 |
| Short-Term Investments — 0.9% | | |
| Money Market Funds — 0.9% | | |
| Fidelity Investments Money Market Funds - Prime Money Market Portfolio (Institutional Class), 2.11% (e) | 11,994,716 | 11,998,315 |
| Northern Institutional Treasury Portfolio, 1.94% (e) | 5,298,127 | 5,298,127 |
| Total Short-Term Investments (Cost \$17,296,642) | | 17,296,442 |
| Total — 99.9% (Cost \$1,267,064,093) | | 1,949,697,704 |
| Other Assets Less Liabilities — 0.1% | | 1,169,107 |
| Net Assets — 100.0% | | \$ 1,950,866,811 |

Schedule of Investments (continued)

September 30, 2018

(unaudited)

Total Return Swap Agreements — 0.1%

| Description | Value and Unrealized Appreciation (Assets) | Value and Unrealized Depreciation (Liabilities) |
|--|---|--|
| <p>Terms</p> <p>Contract Type</p> <p>Underlying Security</p> <p>Termination Date</p> <p>Notional Amount</p> | | |
| <p>Receive total return on underlying security and pay financing amount based on notional amount and daily U.S. Federal Funds rate plus 0.55%.</p> <p>Long</p> <p>QUALCOMM Incorporated (159,000 shares)</p> <p>6/26/2019</p> <p>\$ 9,146,443</p> | \$ 2,422,871 | \$ — |
| <p>Pay total return on underlying security and receive financing amount based on notional amount and daily U.S. Federal Funds rate less 0.45%.</p> <p>Short</p> <p>Technology Select Sector SPDR Fund (130,800 shares)</p> <p>6/26/2019</p> <p>(9,083,798)</p> | — | (789,033) |
| <p>Receive total return on underlying security and pay financing amount based on notional amount and daily U.S. Federal Funds rate</p> <p>Long</p> <p>Procter & Gamble Company (174,400 shares)</p> <p>8/2/2019</p> <p>13,648,980</p> | 906,363 | — |

plus
0.55%.

Pay total
return on
underlying
security and
receive
financing
amount based
on notional
amount
and daily
U.S. Federal
Funds rate
less 0.45%.

| | | | | | |
|-------|---|----------|--------------|---|-----------|
| Short | Consumer Staples Select Sector SPDR Fund (264,300 shares) | 8/2/2019 | (13,642,082) | — | (663,773) |
|-------|---|----------|--------------|---|-----------|

Receive total
return on
underlying
security and
pay financing
amount
based on
notional
amount and
daily U.S.
Federal
Funds rate
plus
0.55%.

| | | | | | |
|------|--|-----------|-----------|---------|---|
| Long | Cheniere Energy, Inc. (151,400 shares) | 9/14/2019 | 9,519,654 | 969,136 | — |
|------|--|-----------|-----------|---------|---|

Pay total
return on
underlying
security and
receive
financing
amount based
on notional
amount
and daily
U.S. Federal
Funds rate
less 0.45%.

| | | | | | |
|-------|--|-----------|-------------|---|-----------|
| Short | SPDR S&P 500 ETF Trust (33,400 shares) | 9/14/2019 | (9,457,100) | — | (278,209) |
|-------|--|-----------|-------------|---|-----------|

Receive total
return on
underlying
security and
pay financing

| | | | | | |
|------|---|-----------|-----------|---------|---|
| Long | Old Dominion Freight Line, Inc. (42,923 shares) | 10/9/2019 | 6,778,041 | 132,475 | — |
|------|---|-----------|-----------|---------|---|

amount based on notional amount and daily U.S. Federal Funds rate plus 0.55%.

Pay total return on underlying security and receive financing amount based on notional amount and daily U.S. Federal Funds rate less 0.45%.

| | | | | | | |
|---|-------|--|-----------|-------------|--------------|----------------|
| | Short | Industrial Select Sector SPDR Fund (86,000 shares) | 10/9/2019 | (6,645,775) | — | (123,063) |
| Gross unrealized gain (loss) on open total return swap agreements | | | | | \$ 4,430,845 | \$ (1,854,078) |
| Net unrealized gain on open total return swap agreements (f) | | | | | \$ 2,576,767 | |

(a) Common stocks are listed on the New York Stock Exchange or 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.

(f) Counterparty for all open total return swap agreements is Morgan Stanley. At September 30, 2018, \$2,590,000 in cash collateral was held by the Fund.

Information regarding transactions in equity securities during the quarter can be found on our website at: www.adamsfunds.com.

Adams Diversified Equity Fund, Inc.

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Enrique R. Arzac (2), (3) Roger W. Gale (1), (2), (4) Craig R. Smith (3), (4)

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(1)

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(2)

Member of Audit Committee

(3)

Member of Compensation Committee

(4)

Member of Nominating and Governance Committee

(5)

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Christine M. Sloan, CPA Assistant Treasurer and Director of Human Resources

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Counsel: Norton Rose Fulbright US LLP

Independent Registered Public Accounting Firm: PricewaterhouseCoopers LLP

Custodian of Securities: The Northern Trust Company

Transfer Agent & Registrar: American Stock Transfer & Trust Company, LLC

Stockholder Relations Department

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