STIFEL

Equity Research

Industry Analysis

Closed-End Funds

April 2017 Monthly Review

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Buy Rated Funds

Adams Diversified Equity Fund (ADX) *Equity (Unleveraged)*

Fund Basics	3/31/17
Market Price	$13.75
Net Asset Value (NAV)	$16.34
Premium/ Discount	-15.85%
Shares Outstanding*	99,335
Avg. Daily Volume* †	$2,092
Apprx. Common Assets	$1,623,134

*Figures in thousands †One month average volume

Prem./Discount Data	3/31/17
Current Discount	-15.85%
1 Year Average	-16.20%
3 Year Average	-15.10%
5 Year Average	-14.63%

Portfolio Qualities	12/30/16
Structural Leverage	0.00%
Effective Leverage	0.00%
Number of Holdings	82
Top 5 Hldgs. %	16.30%
Annual Portf. Turnover	22.00%
Expense Ratio*	0.61%

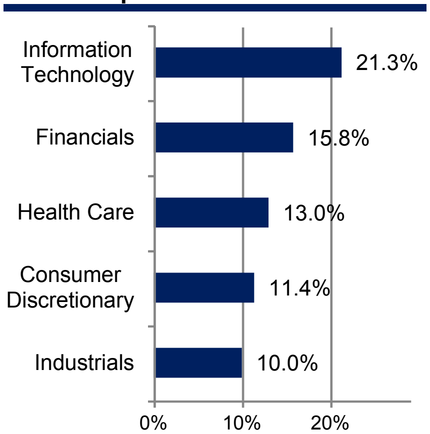
*As percentage of Total Assets (excludes debt leverage costs)

Distribution Info	3/31/17
Distribution Amount	$0.0500
Distribution Frequency	Quarterly
Annualized Distribution	$0.2000
Distribution % on Price	1.45%*
Distribution % on NAV	1.22%*
Discount Distr. Benefit†	23 bps*

† =Distribution % on Price - Distribution % on NAV

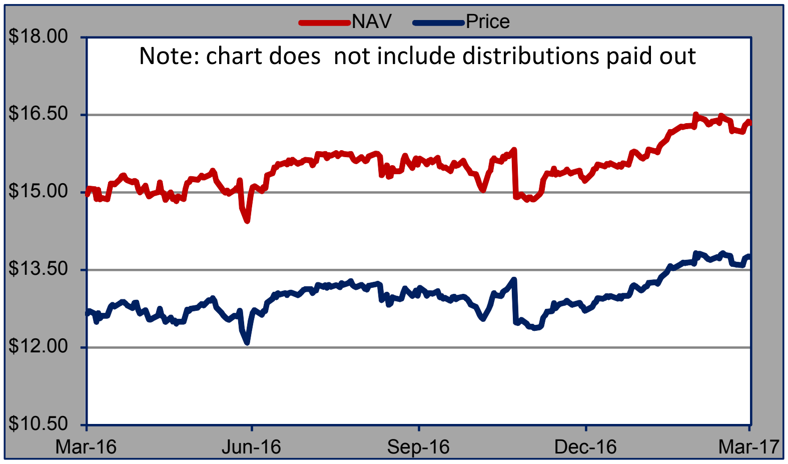
***Distribution Policy:** Each year, investors will receive at least 6% of the average trailing 12-month market price of the stock (using the price for the 12 months ended October 31). The difference between the distribution paid on the regular quarterly schedule and the fund's 6% target will be made up with a year-end distribution.

Sector Exposure 12/30/16



Investment Objective

The fund seeks current income, capital preservation, and capital gains with a long-term, conservative investment philosophy in mind. Its portfolio is invested mainly in large-cap U.S. equity securities.



Fund Highlights

• Adams Diversified Equity Fund (ADX) is well known for its long operating history and consistent record of shareholder distributions. The fund has been listed on the New York Stock Exchange since 1929, making it one of the oldest companies on the exchange. The fund has paid distributions without interruption since 1935.

• We view the fund as having a conservative philosophy for an equity strategy. It invests in a diversified equity portfolio of predominately large-cap U.S. companies. Furthermore, ADX does not use any leverage.

• The weighted median market cap of companies in ADX's portfolio was $96.4b as of 12/30/16. Separately, 98% of the portfolio was invested in U.S.-based companies.

• After slightly underperforming the S&P 500 on an NAV basis in 2016 (8.0% vs. 9.4% on the S&P), ADX has so far outperformed in 2017 (7.7% vs. 5.5%). Shareholders have also experienced nearly an additional 1% boost to their returns as a result of discount tightening.

• Buying shares of a closed-end fund at a large discount offers investors three primary benefits, in our opinion: (1) shares can be purchased at a less expensive price than the underlying portfolio, (2) investors receive a higher distribution rate on a share price basis than the rate that is actually generated by the portfolio, and (3) evidence indicates that fund share prices are less volatile relative to the NAV at wider discount levels.

• ADX does not use leverage in its portfolio.

Data sources: Company data, FactSet

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The equity research analyst(s) responsible for the preparation of this report receive(s) compensation based on various factors, including Stifel's overall revenue, which includes investment banking revenue.

Our investment rating system is three tiered, defined as follows:

BUY -We expect a total return of greater than 10% over the next 12 months with total return equal to the percentage price change plus dividend yield.

HOLD -We expect a total return between -5% and 10% over the next 12 months with total return equal to the percentage price change plus dividend yield.

SELL -We expect a total return below -5% over the next 12 months with total return equal to the percentage price change plus dividend yield.

Occasionally, we use the ancillary rating of **SUSPENDED** (SU) to indicate a long-term suspension in rating and/or target price, and/or coverage due to applicable regulations or Stifel policies. **SUSPENDED** indicates the analyst is unable to determine a "reasonable basis" for rating/target price or estimates due to lack of publicly available information or the inability to quantify the publicly available information provided by the company and it is unknown when the outlook will be clarified. **SUSPENDED** may also be used when an analyst has left the firm.

Of the securities we rate, 46% are rated Buy, 43% are rated Hold, 1% are rated Sell and 10% are rated Suspended.

Within the last 12 months, Stifel or an affiliate has provided investment banking services for 20%, 8%, 0% and 8% of the companies whose shares are rated Buy, Hold, Sell and Suspended, respectively.

Additional Disclosures

A closed-end fund has both a net asset value (NAV) and a price, and these two values may differ. A closed-end fund's NAV is the total value of the securities in the portfolio minus any liabilities, divided by the fund's number of common shares outstanding. The fund's price is the market value at which the fund trades on an exchange. Changes in investor demand for a particular closed-end fund may cause the fund to trade at a price that is greater (lower) than the NAV; in that case the fund is trading at a premium (discount) to its NAV. Since a fund's premium or discount to its NAV may narrow or widen, a closed-end fund's price return may differ from its NAV return.

Distribution % on Price = most recent distribution payment annualized/ closing share price
Distribution % on NAV = most recent distribution payment annualized/ Net Asset Value per share
Discount Distribution Benefit (DBB) = distribution % on price - distribution % on NAV
Please note: distributions include net investment income (regular interest and dividends), capital gains (short- and long-term), and/or a return of principal. During the fiscal year, the sources of the distributions can only be estimated. Estimates often differ from the final determination. The final determination of the source and tax characteristics of all distributions will be made by the company, typically reported to shareholders early in the calendar year, with a Form 1099-DIV.

Investing in any mutual fund or closed-end fund involves risk, including, but not limited to, market risk, issuer risk, credit risk, interest rate risk, income risk, prepayment risk, inflation risk, liquidity risk, political risk, and currency risk. Additionally, municipal funds may experience state-specific risk and credit risk. Therefore, before investing, you should carefully consider all risks and read the prospectus for the specific fund which is available on the investment company website. Closed-end fund companies assess fees for

the operation and management of the fund. The fund pays expenses directly from the fund's assets. Typically closed-end fund expenses consist of management fees, shareholder servicing agent expenses, interest expense, custodian's fees, directors/trustee fees, professional fees, shareholder reporting expenses, stock listing fees, investor relations expenses, and other miscellaneous expenses. Expenses may have a tangible effect on the overall total return profile for a fund. It is with this in mind that investors should closely monitor the fund's cost of ownership in light of the management's expertise and performance.

One of the most distinctive characteristics of closed-end funds is the ability to use leverage. Many closed-end funds use leverage to try to improve the yield and overall performance of their funds. This is accomplished by borrowing at a low rate and investing the borrowed funds at a higher rate. The difference between the Fund's interest earnings and leverage costs is called the spread, which is usually paid to investors, increasing yield. We caution investors, however, that while leveraged closed-end funds often offer significantly higher yields than their non-leveraged or open-ended counterparts, leverage can significantly increase both overall risk and volatility.

Investment companies, like closed-end funds, are defined in the Investment Company Act of 1940 as either diversified or non-diversified. The SEC classifies diversified companies as having at least 75% of the value of its total assets represented by cash and cash items (including receivables), government securities, securities of other investment companies, and other securities for the purpose of this calculation limited in respect of any one issuer to an amount not greater in value than 5% of the value of the total assets of such management company and to not more than 10% of the outstanding voting securities of such issuer. Non-diversified companies are defined as any other management company that does not prescribe to the above SEC definition.

Please see the below link for a copy of the Investment Company Act of 1940:
http://www.sec.gov/about/laws/ica40.pdf

Other Closed-End Fund related disclosures include:

Equity Options Strategy Closed-End Funds (options): (tickers **BDJ, BXMX, EOS, ETJ, ETY, EXG, GGE, IGD, NFJ, ZTR, and other option related research**)

A covered-call strategy consists of holding a stock or portfolio of stocks while at the same time writing call options on the underlying securities to generate income. By writing the call options, the owner of the stock is selling a contract to the buyer of the call option, giving them the right to purchase the stock at a given price by a specified date. If the current market value of each security rises above the strike price in the contract, then the buyer will exercise the option and the stock must be forfeited at the specified price by the writer.

There are many variations of the covered-call strategy. For example, some funds write calls on individual stocks while other funds write options on an entire index. Some funds write calls on their entire underlying portfolio of stocks while others do not. There are a few funds that may use puts, futures, swaps, convertible bonds and even high-yield bonds in conjunction with their covered-call writing. Due to the wide range of strategies available to investors, we feel that it is necessary for investors to be aware of the differences between strategies that may otherwise appear similar on the surface.

Investors in covered-call closed-end funds expose themselves to additional risks beyond those of traditional investment companies. Call options, due to value fluctuations caused by changes in volatility, create added risk for a fund's net asset value. Index call options, which settle in cash, present another challenge. A fund cannot obtain the underlying securities in advance of a call's expiration. Covered-call funds also have derivatives strategy risk because of liquidity risk and imperfect correlation. In an illiquid market a fund may not be able to purchase offsetting positions to close out a transaction. If stock prices are not correctly correlated to the value of derivative instruments there could be discrepancy in predicted returns. Lastly, covered-call funds are exposed to counterparty credit risk. This is the risk that the counter party of a derivative does not fulfill its obligation.

It is important that investors understand that by writing (selling) calls on a portfolio, they are selling a portion of the stock's ability to appreciate. This means that the fund will not experience the same NAV appreciation in a rising market as a fund without the covered call strategy. If the option expires while the stock's current market value is less than the strike price, then the writer will keep the income generated from writing the options, which will be passed on to investors in the form of a distribution. The goal of a covered-call fund manager is to manage the portfolio to achieve the highest premium income possible while forfeiting the least amount of stock.

Option trading involves a number of inherent risks and is not suitable for everyone. Investors considering options should consult with a tax advisor. Supporting documentation will be supplied upon request. Be sure to read the Option Clearing Corp.'s Option Disclosure Document carefully before investing. Click here to access: http://www.optionsclearing.com/components/docs/riskstoc.pdf or write to the Stifel Research Department at the following address.

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Master Limited Partnership (MLPs): (tickers **MGU, SZC**)

Master Limited Partnerships (MLPs) come with a unique risk profile. MLPs predominately exist in the energy market and are therefore exposed to commodity pricing risk. Energy prices historically can be extremely volatile and unexpected changes to supply and demand due to economic or political developments can put significant downward pressure on prices.

Investors in these securities are limited partners. Limited partners (LP) have restricted voting rights and thus lack control of the MLP. This lack of influence can potentially contribute to agency risk as interest conflicts can develop between the limited partners and the general partner (GP) that manage the MLP.

Many MLPs employ an incentive distribution rights (IDR) structure designed to align GP and LP goals. An IDR structure provides incentive for the GP to grow the LP’s cash flow by offering increasing percentages of incremental cash flow to the GP when predetermined returns are met. Some MLPs have reduced or eliminated their IDR splits in order to address the higher cost of equity capital associated with the MLPs in the top tiers of the split schedule.

This investment structure also exposes investors to interest rate risk. As yield bearing investments, MLPs exhibit sensitivity to interest rates such as the 10- year U.S. Treasury note. Traditionally, as bond yields rise, MLP yields rise as well, putting downward pressure on equity valuations as investors find the bond yields more attractive. The inverse holds true as well, with lower interest rates generally driving down MLP yields and improving MLP equity prices.

MLPs by design pay out a significant portion of available cash as distributions to its partners. To finance continued growth, partnerships typically rely on access to capital markets, which may be an unattractive source of financing at any given time and thus restrict growth opportunities.

Lastly, MLPs are exposed to liquidity risk because some MLPs are less actively traded than others. Investors trying to sell investments in companies into a less liquid market during times of duress may have to accept unfavorable pricing to exit their investment.

MLP investments may not be appropriate for all equity investors. Please seek appropriate consultation to determine suitability.

High-Yield Funds: (tickers **AFT, ARDC, CSQ, FT, DSL, ERC, MCR, MMT, PCI**)

High-yield fixed income securities, or fixed income securities that do not have credit ratings from the nationally-recognized statistical rating organizations, may be subject to greater fluctuations in price and greater risk of loss of income and principal, due to greater potential default risk by the associated borrowers, than fixed income securities that have investment-grade credit ratings from the nationally-recognized statistical rating organizations.

Emerging Market Funds: (tickers **CSQ, DSL, FAX, LGI, MCR, MIN, MMT, PCI, TEI**)

The securities of emerging markets companies may be subject to greater fluctuations in price and greater investment risk due to higher trading volatility, lower liquidity, and wider spreads between bid and ask prices. Additionally, reporting requirements for individual investments inside of the fund’s portfolio may be different than the U.S.’s generally accepted accounting principles (GAAP).

Senior Debt Funds: (tickers **AFT, ARDC, DSL, EFT, FCT, JQC, JTA, PCI, PPR, SZC, VTA, VVR**)

Senior and second-lien, secured floating rate loans that do not have credit ratings from the nationally-recognized statistical rating organizations, may be subject to greater fluctuations in price and greater risk of loss of income and principal, due to greater potential default risk by the associated borrowers, than fixed income securities that have investment-grade credit ratings from the nationally-recognized statistical rating organizations. Senior secured loans are considered speculative and may subject the fund to greater risk of loss than a fund holding higher grade securities. These funds carry a higher risk that the loan issuer will default, which will negatively impact its value. Senior loans do not trade on an organized exchange and are typically offered by banks directly to institutional investors during the underwriting process. Senior loan closed-end funds, as an institutional investor, purchase portions of these loans. Crucially, if the fund’s portfolio managers are forced to sell senior loans quickly they may have to do so at unfavorable prices due to liquidity constraints.

Municipal Bond Funds: (tickers **BHV, BNJ, BTT, BYM, BZM, EMJ, ETX, EVO, EVP, IIM, IQI, MAB, MEN, MIW, MIY, MPA, MUJ, MYI, MYJ, NAC, NAN, NAZ, NEA, NID, NIQ, NKG, NMT, NMY, NNC, NNY, NPV, NQP, NRK, NTC, NUM, NUO, NUV, NVG, NVX, NXJ, NXP, NXQ, NXR, NZF, PCQ, VCV, VKI, VMO, VPV, VTN**)

Under normal circumstances, municipal closed-end funds pay dividends exempt from federal taxes. Additionally, residents that reside in the same state as the bonds issued will likely be exempt from state and local income taxes as well. Investors should always review with their tax advisor the composition of a municipal fund's dividends as the income that makes up the distribution may come from multiple states.

We often talk about municipal funds in the language of fixed-income, referring to maturity, duration, credit quality, and call schedules, as it can mask the true nature of the investment. These are equity shares in an investment company that trade on a public exchange. Furthermore, the lack of a final maturity date increases volatility of closed-end municipal funds in our opinion. In most fixed-income securities, the further away the maturity date is the more volatile the investment's value when market conditions change. Since the vast majority of closed-end funds do not mature, they are usually more volatile to their underlying assets which do mature.

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