

Item 1 – Cover Page

ADAMS DIVERSIFIED EQUITY FUND, INC.

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This Brochure provides information about the qualifications and business practices of Adams Diversified Equity Fund, Inc. (“ADX” or the “Adviser”). If you have any questions about the contents of this Brochure, please contact us at 410-752-5900.

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC” or the “Commission”) or by any state securities authority. Additional information about ADX is also available on the SEC’s website at www.adviserinfo.sec.gov.

ADX is an investment adviser registered with the SEC. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information upon which you determine to hire or retain an adviser.

When we use the term “we”, “us”, and “our” in the Brochure, we are referring to the Adviser. In addition, any reference to “our employees” or “our officers” means officers and employees of the Adviser.

Item 2 – Material Changes

This is the annual update to ADX's Brochure. In this Item, only material changes made to the Brochure are discussed.

This Brochure will be updated annually or upon material changes being made to it, prepared according to the SEC's requirements and rules. Pursuant to SEC rules, we will provide you with a summary of any material changes to this and subsequent Brochures within 120 days of the close of our fiscal year. We may provide other ongoing disclosure information throughout the year about material changes, where required or deemed appropriate.

We will further provide you with a new Brochure as necessary based on our changes or new information, at any time, without charge. Currently, our Brochure may be requested by contacting the Chief Compliance Officer of ADX, at 410-752-5900.

Our Brochure, along with additional information about ADX, is also available via the SEC's website www.adviserinfo.sec.gov. The SEC's website also provides information about any persons affiliated with ADX who are registered, or are required to be registered, as investment adviser representatives of ADX.

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Item 4 – Advisory Business

ADX is registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as a diversified investment company and is structured as an internally-managed closed-end fund (sometimes referred to herein as the “ADX Fund”). By “internally-managed,” we mean that the ADX Fund does not have an outside investment adviser and is managed by its in-house staff of portfolio managers, research analysts and administrative personnel. ADX began as an express delivery company in the 1840s, became a closed-end investment company in 1929, and has been structured as such since 1929. ADX is publicly held, and its shares are listed on the New York Stock Exchange under the symbol ADX. The ADX Fund invests primarily in U.S. large-cap stocks. As of March 12, 2020, ADX self-managed total net assets of \$1,580,889,241.

ADX is also registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). ADX presently has no outside clients for whom it serves as the investment adviser. When ADX is retained to serve in that capacity, the investment guidelines associated with the provision of such services will be outlined in the investment management agreement with the client. While ADX often follows its own strategies, the client is permitted to impose restrictions on investing in certain securities or types of securities, which must be detailed in writing.

Item 5 – Fees and Compensation

All fees are subject to negotiation.

The specific manner in which fees are charged is established in the client’s investment management agreement with ADX. ADX intends generally to bill its fees on a quarterly basis, but the client may elect to be billed in advance or arrears each calendar quarter. Fees may be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of *de minimis* contributions and withdrawals). Accounts initiated or terminated during a calendar quarter will be charged a prorated fee.

Upon termination of any account, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be due and payable. The client has the right to terminate any agreement without penalty within the number of business days that are specified in the investment management agreement. ADX’s fees are exclusive of brokerage commissions, transaction fees, and other management-related costs and expenses, which shall be incurred by the client. The client may incur certain charges imposed by custodians, brokers, third-party investment research providers, and other third parties, such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees, and commissions are exclusive of and in addition to ADX’s fees.

Item 6 – Performance-Based Fees and Side-By-Side Management

ADX does not currently charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). ADX reserves the right to charge performance-based fees in the future if warranted, and ADX will structure any performance or incentive fee arrangement subject

to Section 205(a)(1) of the Advisers Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3 with respect to “qualified clients.” When measuring client assets for the calculation of performance-based fees, ADX may include realized and unrealized capital gains and losses. Performance-based fee arrangements have the possibility of creating an incentive for ADX to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement. Such fee arrangements could also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. ADX has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Item 7 – Types of Clients

As a registered investment adviser, ADX expects to provide portfolio management services to institutional clients (“accounts”).

ADX does not manage accounts for any individuals.

CONDITIONS FOR MANAGING ACCOUNTS

ADX does not have established account minimums.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

The ADX Fund’s investment process is designed to achieve three objectives: long-term capital appreciation, dividend income, and capital preservation.

Methods of Analysis

The ADX investment process combines various methods of analysis including fundamental, technical, quantitative modeling, and macro-economic analysis. The relative importance of each of these tools varies by fund strategy.

ADX relies on an experienced in-house team of portfolio managers and research analysts. Fundamental analysis of multiple factors, including earnings growth prospects, financial strength, cash flow generation, capital allocation, competitive market position, and profitability, is conducted by the team of research analysts. Sources of information analyzed include annual and quarterly reports, prospectuses, filings with the SEC, company press releases and conference calls, third-party research reports and industry conferences, company interviews, websites and financial publications.

Investment decisions are made by the portfolio management team, supported by the research staff, with careful attention paid to risk control measures.

Investment Strategies

The ADX Fund's strategy is to invest in large cap stocks that have attractive fundamental characteristics coupled with a strong business model, generating superior free cash flow, at an attractive price. Portfolio construction plays an important role in our strategy. We believe the best way to add alpha is at the stock level. Therefore, we construct the portfolio to be sector neutral. By "sector neutral," we mean that the overall size of the positions that the fund takes in a given industry sector ("sector weight") is closely aligned with the sector weight of that sector in the benchmark index (e.g., the S&P 500 Index for the ADX Fund).

Risk of Loss

Investing in securities involves risk of loss, including the potential loss of the entire investment, which investors in accounts for which ADX serves as the investment adviser should be prepared to bear. The performance and success of any investment can never be predicted or guaranteed. The value of an investment will likely change daily. You could lose money by investing in an account for which ADX serves as the investment adviser. The following investment risks are present:

- **Equity Market Risk:** Equity securities may decline significantly in price over short or extended periods of time. Such declines may occur due to general market and economic conditions as a whole, or because of a decline in only a particular industry, company, or sector of the market.
- **Concentration of Investments:** Holding a higher percentage of assets in any one issuer could increase the risk of loss and volatility.
- **Management Risk:** If the portfolio managers are incorrect in their assessment of the prospects of the securities in the account, then the value of the account may decline.
- **Market Conditions:** Global markets are affected by economic, financial, and regulatory conditions of member countries. At the present time, the ramifications of the financial crisis that began in 2008 and an uneven recovery in the U.S. and global economies continue to pose risks for the financial markets.
- **Market Capitalization Risk:** Investing in securities of small-cap companies may involve greater risks than investing in larger, more established issuers. Smaller capitalization companies typically have lower revenues, limited product lines, and a lack of management depth. The stocks of smaller capitalization companies tend to have less trading volume than stocks of larger cap companies. Less trading volume may make it more difficult for our portfolio managers to sell securities of smaller capitalization companies at quoted market prices. There are periods when investing in smaller cap stocks falls out of favor with investors and the stocks of smaller capitalization companies underperform. Management of an account that is focused on smaller capitalization companies may involve the frequent trading of securities, which can affect its investment performance, particularly through increased brokerage commissions and other transaction costs and taxes.
- **Derivatives:** ADX may use derivatives for a variety of purposes, including, but not limited to, the ability to obtain leverage, to gain or limit exposure to particular market sectors, to provide additional income, and/or to limit equity price risk in the normal course of pursuing its investment objectives. The use of derivatives involves additional

risks and transaction costs that could leave the account in a worse position than if it had not used these instruments.

- Total Return Swap Agreements - ADX may use total return swap agreements to manage exposure to certain risks and/or enhance performance. Total return swap agreements entail risks associated with counterparty credit, liquidity, and equity price risk.
- **Failure of Prime Broker, Other Broker-Dealers, and Banks:** Institutions, such as brokerage firms or banks, may hold certain of the account's assets in "street name." Bankruptcy, inadequate controls, or fraud at one of these institutions, in particular, the account's prime broker, which may hold the majority of the account's assets, could impair the operational capabilities or the capital position of the account. In addition, if the account may borrow money or securities or utilize operational leverage with respect to its assets, the account will post certain of its assets as collateral securing the obligations or leverage ("Margin Securities"). Some or all of the Margin Securities may be available to creditors of the account's prime broker in the event of its insolvency. In addition, there may be substantial delays in the repayment of the account's assets in the event that the prime broker was to become insolvent, as well as a risk of total loss of such assets.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of ADX or the integrity of ADX's management. ADX has no matters that require disclosure.

Item 10 – Other Financial Industry Activities and Affiliations

AFFILIATIONS

ADX is a non-controlling affiliate of Adams Natural Resources Fund, Inc. ("PEO"). ADX owns approximately 7.3% of the outstanding shares of PEO; PEO does not own any shares of ADX.

PEO is an internally-managed closed-end fund that is registered as an investment company under the Investment Company Act of 1940, as amended. It is a non-diversified investment company that invests in energy and other natural resources stocks, including materials stocks. Two of the portfolio managers of ADX also serve as portfolio managers for PEO.

In addition, ADX solely owns Adams Funds Advisers, LLC ("AFA"), a Maryland limited liability company that was created in December 2014 to provide investment advisory services to outside accounts and registered as an investment adviser with the SEC in September 2015. As of March 30, 2020, AFA has no clients and had net assets under management of approximately \$0. Going forward, AFA also intends to provide portfolio management services to institutional clients and unaffiliated asset managers.

ADX and PEO share a Board of Directors. ADX, PEO, and AFA share office space, portfolio managers, administrative personnel, and certain research analysts. ADX, PEO, and AFA also share certain costs for investment research and data services, administration and operations, travel, training, office expenses,

occupancy, accounting and legal services, insurance, and other miscellaneous items. Expenses that are solely attributable to either ADX or PEO are paid by the respective fund. Expenses that are attributable to ADX and PEO but not to AFA are allocated to ADX and PEO (the "Funds") using an expense allocation method approved by the Funds' Boards of Directors. In addition, expenses that are attributable to ADX, PEO, and AFA are allocated to those entities based on an allocation method approved by the Funds' Boards of Directors. Expense allocations are updated quarterly, as appropriate, except for those related to payroll, which are updated annually.

ADX, PEO, and AFA each have a different investment focus. ADX invests primarily in a diversified portfolio of large-cap stocks covering all of the sectors in the S&P 500 Index; PEO invests in stocks of companies involved in the energy and natural resources sectors; and AFA invests in small-cap stocks that are in the Russell 2000 Index or have a market capitalization that is less than or equal to that of the largest stock in the Russell 2000 Index. There are few material conflicts of interest that may arise in connection with the portfolio management of ADX, PEO, and AFA. ADX, PEO, and AFA do not buy or sell securities or other portfolio holdings to each other, and policies and procedures are in place covering the sharing of expenses and the allocation of investment opportunities, including bunched orders and investments in initial public offerings, among ADX, PEO, and AFA.

Item 11 – Code of Business Conduct and Ethics

ADX has adopted a Code of Ethics (the "Code") for all of its supervised persons in compliance with Rule 204A-1 of the Advisers Act, describing our high standard of business conduct and fiduciary duty to our clients. The Code is available to clients or potential clients upon request and includes standards of business conduct, policies to prevent and/or resolve conflicts of interest, a prohibition on insider trading, and personal securities trading procedures, among other things. ADX employees subject to the Code must acknowledge the terms of the Code annually.

The Code consists of certain core principles requiring, among other things, that ADX Access Persons, as defined in the Code: (1) at all times place the interests of clients first; (2) ensure that all personal securities transactions are conducted in such a manner as to avoid any actual or potential conflicts of interest or any abuse of an individual's position of trust and responsibility; (3) refrain from taking advantage of their positions inappropriately; and (4) at all times conduct themselves in a manner that is beyond reproach and that complies with all applicable laws and regulations. The Code includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other topics. All Access Persons must acknowledge the terms of the Code annually, or when it is materially amended.

The Code is designed to assure that the personal securities transactions, activities and interests of the employees of ADX will not interfere with (i) making decisions in the best interest of the client, and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Certain classes of securities have been designated as exempt transactions under the Code, based on a determination that these would not materially interfere with the best interests of ADX's clients, and preclearance of many transactions by employees is required. Nonetheless, because the

Code in some circumstances would permit employees to invest in the same securities as the client, there is a possibility that employees might benefit from market activity by the client in a security held by the employee. Review of the employees' brokerage account confirmations and statements and the preclearance of securities transactions under the Code are part of an effort to prevent conflicts of interest between ADX and its clients.

ADX's clients or prospective clients may request a copy of the Code by contacting our Chief Compliance Officer, at 410-752-5900.

Item 12 – Brokerage Practices

RESEARCH AND OTHER SOFT DOLLAR BENEFITS

Use of Soft Dollars: ADX may consider research and other services in making brokerage decisions and, as it deems appropriate, use a portion of the commissions generated when executing client transactions (commonly referred to as "soft dollars") to acquire research and brokerage services ("soft dollar benefits") in a manner consistent with the "safe harbor" provided by Section 28(e) of the Securities Exchange Act of 1934, as amended. Under the safe harbor, as it has been interpreted by the SEC, ADX may use soft dollars to pay for soft dollar benefits, even where such benefits may also be available for cash, to the extent appropriate and permitted by law, when such benefits assist ADX in meeting clients' investment objectives or in managing client accounts.

The use of soft dollars to obtain research or other products or services benefits ADX by allowing ADX, at no cost to it, to (i) supplement and enhance its own research and analysis activities, (ii) receive the views and information of individuals and research staff of other securities firms, and (iii) gain access to persons having special expertise on certain companies, industries, areas of the economy, and market factors. Subject to ADX's policies and procedures, ADX takes into account the value of permissible soft dollar benefits provided by a broker-dealer, as long as such consideration is not inconsistent with the objective of seeking best price and execution for client transactions, and clients may pay a higher commission to a broker-dealer in recognition of such soft dollar benefits than might otherwise be obtained in the absence of such considerations. The use of soft dollars may create an incentive for ADX to select or recommend a broker-dealer based on ADX's interest in receiving the research or other products or services, rather than on the client's interest in receiving most favorable execution.

ADX may use "step outs" or "commission sharing arrangements" to obtain soft dollar benefits. A step out occurs when ADX directs a broker-dealer, who executes a trade, to allocate (or "step out") a portion of the trade to another broker-dealer for clearance and settlement.

Types of Soft-Dollar Products and Services: Research services provided by a broker-dealer can be either proprietary (created and provided by the broker-dealer, including tangible research products as well as access to analysts and traders) or third party (created by a third party but provided by the broker-dealer). ADX may use soft dollars to acquire either type of research or any permissible brokerage services. ADX has received the following soft-dollar products and services during the last fiscal year: current and historical data concerning particular companies, industries and the financial economy as a whole, as well as information and analysis thereof; quantitative, technical and statistical studies and

data dealing with various investment opportunities, risks and trends; and analysis involving special situations.

Item 13 – Review of Accounts

We will review client accounts daily. Reviews of accounts include examination of asset purchases, financing arrangements, and alignment of actual positions with account objectives. Reviewers include our Portfolio Managers, accounting personnel, and, as appropriate, compliance personnel. Reviewers are instructed to confirm the accuracy of the account position, performance, and alignment with account objectives.

The nature and frequency of reporting on accounts is specific to the particular contractual agreement and goals of the account. ADX may arrange for independently-reported account information or may produce reports internally. Reports may include, but are not limited to, a summary of the account's positions, a listing of the transactions occurring in the account, and various performance measures. As a New York Stock Exchange listed closed-end fund, ADX undergoes independent reviews and audits of its financial statements by its independent auditors on a prescribed basis. The audited financial statements are submitted to the SEC and disseminated to the public as required by law.

Item 14 – Client Referrals and Other Compensation

ADX does not compensate third parties for client referrals.

Item 15 – Custody

ADX does not maintain custody of the client assets that it manages. The custodian for the assets of the ADX Fund is The Northern Trust Company, a custodian independent of ADX.

Item 16 – Investment Discretion

ADX expects to receive discretionary authority in writing from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the client account.

When selecting securities and determining amounts, ADX observes the investment policies, limitations, and restrictions of the client. ADX's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made. Investment guidelines and restrictions must be provided to ADX in writing.

Item 17 – Voting Client Securities

ADX accepts delegated authority to vote the securities held in client accounts. ADX has adopted written proxy voting policies and procedures as part of its advisory compliance program. Clients may obtain a copy of these policies and procedures, as well as any proxy voting history related to their account by contacting ADX's Chief Compliance Officer at the address set forth on the first page of this Brochure.

ADX follows long-standing general guidelines for the voting of proxies. Proxies are evaluated by our research staff and voted by our portfolio management team. We do not use an outside service to assist us in voting proxies. In the course of exercising discretion to vote a proxy, we will vote any such proxies in the best interests of the Fund and our clients and in accordance with the policies and procedures outlined below.

Prior to investing in any security for the Fund or a client, we evaluate the integrity and competency of the company's management as part of the overall investment decision. As a result, we give significant weight to the recommendations of the company's management when voting proxies. In general, we will vote with the recommendation of company management for routine matters where corporate governance requirements have been met, and contrary to the recommendation of company management where the action would be unduly dilutive to shareholders or disproportionately favorable to company management. We generally vote against the entrenchment or undue enrichment of boards or corporate management, and for proposals promoting governance by directors who are independent of management.

Proxies are reviewed by the portfolio manager and the research analyst who covers the security in question to assess whether a material conflict of interest may be present between ADX and the Fund or a client. A material conflict of interest may be present where, for example, a proposal may harm a client financially while enhancing the financial or business prospects of ADX, or vice versa. We resolve material conflicts in the best interests of the client.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about their financial condition. ADX has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to its clients, and has not been the subject of a bankruptcy proceeding.