

ADAMS NATURAL RESOURCES FUND, INC.

Form N-30B-2

April 24, 2015

**ADAMS  
NATURAL RESOURCES  
FUND**

Formerly Petroleum &  
Resources Corporation

**FIRST QUARTER REPORT**

**MARCH 31, 2015**

LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

Oil prices continued to decline following the collapse of 2014. Domestic crude prices, as measured by West Texas Intermediate, fell 10.5% in the first quarter. Energy stocks in the Dow Jones Oil and Gas Index fared better than the commodity price, losing 2.1%. Faced with the impact of lower prices, oil and gas companies slashed spending across the board, with many cutting jobs and share buyback programs. Drilling programs were scaled back, causing a 43% decline in the rig count. In addition to making necessary cost cuts, energy companies also needed to repay revolving credit lines and shore up balances sheets. Capital markets were surprisingly wide open for the sector. Debt issuances by U.S. exploration companies topped \$12 billion and the U.S.-based majors borrowed \$14 billion. Equity issuances raised another \$10 billion for energy companies in the first three months.

During the quarter, the Fund initiated two new positions, Chesapeake Energy and Alcoa. Chesapeake is in the middle of a significant transformation. With new management in place, focused on capital discipline and operational improvement, the reasonable valuation offered an attractive opportunity. The company's large acreage position is concentrated in top U.S. oil and natural gas plays from South Texas to Pennsylvania, including the Utica, Eagle Ford and Powder River Basins. We believe Chesapeake's low acreage acquisition costs and solid operational performance will generate production growth and returns higher than Wall Street's expectations.

In Basic Materials, Alcoa presented an attractive entry point. Alcoa historically was a high cost producer of basic aluminum and aluminum products. Recently, the company has streamlined its manufacturing operations, becoming very cost competitive on a global scale. Importantly, it has also developed a high return, high growth downstream products business selling into the lucrative aerospace and automotive markets, among others. This conversion allows the company to benefit from the recent trend toward light weight vehicles. Alcoa is the key supplier of aluminum parts to the Ford F-150, the best-selling truck in the U.S. Ford is replacing 95% of the steel in the body of the F-150 with aluminum.

For the three months ended March 31, 2015, the total return on the Fund's net asset value (NAV) per share (with dividends and capital gains reinvested) was (2.8)%. The total return on the market price of the Fund's shares for the period was (2.5)%. These compare to a (1.2)% total return for Lipper Global Natural Resources Funds Index over the same time period.

For the twelve months ended March 31, 2015, the Fund's total return on NAV was (12.7)% and on market price was (10.7)%. The comparable return for the Lipper Global Natural Resources Funds Index was (18.2)%.

Net assets of the Fund at March 31, 2015 were \$26.68 per share on 27,392,919 shares outstanding, compared with \$27.56 per share at December 31, 2014 on 27,380,920 shares outstanding. On March 2, 2015, a distribution of \$0.10 per share was paid, consisting of \$0.02 net investment income and \$0.06 long-term capital gain, realized in 2014, and \$0.02 of net investment income realized in 2015, all taxable in 2015. On April 16, 2015, an investment income dividend of \$0.10 per share was declared to shareholders of record May 13, 2015, payable June 1, 2015. These constitute the first two payments toward our annual 6% minimum distribution rate commitment.

By order of the Board of Directors,

Mark E. Stoeckle

*Chief Executive Officer*

April 16, 2015

## SUMMARY FINANCIAL INFORMATION

*(unaudited)*

|  | 2015          | 2014          |
|--|---------------|---------------|
| <i>At March 31:</i>                                      |               |               |
| Net asset value per share                                | \$26.68       | \$32.91       |
| Market price per share                                   | \$23.15       | \$27.92       |
| Shares outstanding                                       | 27,392,919    | 26,728,828    |
| Total net assets   | \$730,854,522 | \$879,687,463 |
| Unrealized appreciation on investments                   | \$262,953,326 | \$398,697,899 |
| <i>For the three months ended March 31:</i>              |               |               |
| Net investment income                                    | \$3,249,069   | \$3,032,158   |
| Net realized (loss) gain                                 | \$(5,845,156) | \$20,826,975  |
| Cost of shares repurchased                               |               | \$1,454,325   |
| Shares repurchased                                       |               | 53,800        |
| Total return (based on market price)                     | (2.5)%        | 2.4%          |
| Total return (based on net asset value)                  | (2.8)%        | 2.4%          |
| <i>Key ratios:</i>                                       |               |               |
| Net investment income to average net assets (annualized) | 1.76%         | 1.42%         |
| Expenses to average net assets (annualized)              | 0.86%         | 0.68%         |
| Portfolio turnover (annualized)                          | 13.3%         | 27.9%         |
| Net cash & short-term investments to net assets          | 0.6%          | 0.6%          |

## TEN LARGEST EQUITY PORTFOLIO HOLDINGS

*March 31, 2015**(unaudited)*

|  | <i>Market Value</i>   | <i>Percent<br/>of Net Assets</i> |
|--|-----------------------|----------------------------------|
| Exxon Mobil Corp.                        | \$ 115,466,550        | 15.8%                            |
| Chevron Corp.                            | 78,021,136            | 10.7                             |
| Schlumberger Ltd.                        | 52,233,440            | 7.1                              |
| Phillips 66                              | 33,898,215            | 4.6                              |
| EOG Resources, Inc.                      | 32,825,020            | 4.5                              |
| LyondellBasell Industries N.V. (Class A) | 30,308,560            | 4.1                              |
| Occidental Petroleum Corp.               | 29,565,000            | 4.0                              |
| Dow Chemical Co.                         | 23,630,150            | 3.2                              |
| CF Industries Holdings, Inc.             | 22,827,446            | 3.1                              |
| Anadarko Petroleum Corp.                 | 22,772,750            | 3.1                              |
| <b>Total</b>                             | <b>\$ 441,548,267</b> | <b>60.2%</b>                     |



## SCHEDULE OF INVESTMENTS

March 31, 2015 (unaudited)

|   | Shares    | Value (A)     |
|---|-----------|---------------|
| <b>Common Stocks 99.4%</b>                |           |               |
| <b>Energy 78.9%</b>                       |           |               |
| <b>Exploration &amp; Production 26.3%</b> |           |               |
| Anadarko Petroleum Corp.                  | 275,000   | \$ 22,772,750 |
| Chesapeake Energy Corp. (B)               | 452,000   | 6,400,320     |
| Cimarex Energy Co.                        | 108,000   | 12,429,720    |
| ConocoPhillips                            | 213,000   | 13,261,380    |
| Energen Corp.                             | 129,600   | 8,553,600     |
| EOG Resources, Inc.                       | 358,000   | 32,825,020    |
| EQT Corp.                                 | 140,000   | 11,601,800    |
| Marathon Oil Corp.                        | 571,000   | 14,908,810    |
| Noble Energy, Inc.                        | 373,500   | 18,264,150    |
| Occidental Petroleum Corp.                | 405,000   | 29,565,000    |
| Pioneer Natural Resources Co. (E)         | 99,500    | 16,269,245    |
| Whiting Petroleum Corp. (C)               | 174,500   | 5,392,050     |
|   |           | 192,243,845   |
| <b>Integrated Oil &amp; Gas 27.9%</b>     |           |               |
| Chevron Corp.                             | 743,200   | 78,021,136    |
| Exxon Mobil Corp.                         | 1,358,430 | 115,466,550   |
| Suncor Energy Inc.                        | 350,000   | 10,237,500    |
|   |           | 203,725,186   |
| <b>Oil Equipment &amp; Services 13.8%</b> |           |               |
| Baker Hughes, Inc.                        | 160,000   | 10,172,800    |
| Enscopl (Class A)                         | 140,000   | 2,949,800     |
| Halliburton Co.                           | 145,070   | 6,365,672     |
| National Oilwell Varco, Inc.              | 250,000   | 12,497,500    |
| Oil States International Inc. (C)         | 170,000   | 6,760,900     |
| Schlumberger Ltd.                         | 626,000   | 52,233,440    |
| Seadrill Ltd. (B)                         | 200,003   | 1,870,028     |
| Weatherford International plc (C)         | 645,000   | 7,933,500     |
|   |           | 100,783,640   |
| <b>Pipelines 4.4%</b>                     |           |               |
| Kinder Morgan Inc.                        | 469,000   | 19,726,140    |
| Williams Companies, Inc.                  | 250,000   | 12,647,500    |
|   |           | 32,373,640    |
| <b>Refiners 6.5%</b>                      |           |               |
| Marathon Petroleum Corp.                  | 132,300   | 13,546,197    |
| Phillips 66                               | 431,275   | 33,898,215    |
|   |           | 47,444,412    |



## SCHEDULE OF INVESTMENTS (CONTINUED)

March 31, 2015

(unaudited)

|  | Shares/<br>Principal | Value (A)      |
|--|----------------------|----------------|
| <b>Basic Materials 20.5%</b>   |                      |                |
| <b>Chemicals 17.5%</b>   |                      |                |
| Alcoa Inc.   | 614,000              | \$ 7,932,880   |
| CF Industries Holdings, Inc. (E)   | 80,469               | 22,827,446     |
| Dow Chemical Co.   | 492,500              | 23,630,150     |
| Eastman Chemical Co.   | 140,000              | 9,696,400      |
| LyondellBasell Industries N.V. (Class A)   | 345,200              | 30,308,560     |
| Monsanto Co.   | 194,400              | 21,877,776     |
| Praxair, Inc.  | 97,300               | 11,748,002     |
|  |                      | 128,021,214    |
| <b>General Industrials 1.7%</b>  |                      |                |
| Packaging Corp. of America   | 156,300              | 12,221,097     |
| <b>Gold &amp; Precious Metals 0.7%</b>   |                      |                |
| SPDR Gold Trust (C) (E)  | 45,000               | 5,114,700      |
| <b>Industrial Metals 0.6%</b>  |                      |                |
| Freeport-McMoRan Copper & Gold Inc.  | 248,000              | 4,699,600      |
| <b>Total Common Stocks</b><br>(Cost \$463,758,556)   |                      | 726,627,334    |
| <b>Short-Term Investments 0.5%</b>   |                      |                |
| <b>Money Market Account 0.5%</b>   |                      |                |
| M&T Bank, 0.10%  | \$ 3,265,097         | 3,265,097      |
| <b>Money Market Funds 0.0%</b>   |                      |                |
| Fidelity Institutional Money Market Money Market Portfolio (Institutional Class), 0.14% (D)  | 100,000              | 100,000        |
| <b>Total Short-Term Investments</b><br>(Cost \$3,365,097)                                    |                      | 3,365,097      |
| <b>Securities Lending Collateral 1.1%</b><br>(Cost \$8,005,980)                              |                      |                |
| <b>Money Market Funds 1.1%</b>   |                      |                |
| Invesco Short-Term Investment Trust Liquid Assets Portfolio (Institutional Class), 0.08% (D) | 8,005,980            | 8,005,980      |
| <b>Total Investments 101.0%</b><br>(Cost \$475,129,633)                                      |                      | 737,998,411    |
| Liability for open written option contracts 0.0%   |                      | (11,800)       |
| Other assets less liabilities (1.0%)   |                      | (7,132,089)    |
| <b>Net Assets 100.0%</b>   |                      | \$ 730,854,522 |

Notes:



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- (A) Common stocks are listed on the New York Stock Exchange or the NASDAQ and are valued at the last reported sale price on the day of valuation.
- (B) A portion of shares held are on loan.
- (C) Presently non-dividend paying.
- (D) Rate presented is as of period-end and represents the annualized yield earned over the previous seven days.
- (E) All or a portion of this security is pledged to cover open written call option contracts. Aggregate market value of such pledged securities is \$9,831,150.

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OTHER INFORMATION

**Dividend Payment Schedule**

The Fund presently pays dividends four times a year, as follows: (a) three interim distributions on or about March 1, June 1, and September 1, and (b) a year-end distribution, payable in late December, consisting of the estimated balance of the net investment income for the year and the net realized capital gain earned through October 31 and, if applicable, a return of capital. Shareholders may elect to receive the year-end distribution in stock or cash. In connection with this distribution, all shareholders of record are sent a dividend announcement notice and an election card in mid-November. **Shareholders holding shares in street or brokerage accounts may make their election by notifying their brokerage house representative.**

**Statement on Quarterly Filing of Complete Portfolio Schedule**

In addition to publishing its complete schedule of portfolio holdings in the First and Third Quarter Reports to Shareholders, the Fund also files its complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the Commission's website: [www.sec.gov](http://www.sec.gov). The Fund's Forms N-Q may be reviewed and copied at the Commission's Public Reference Room, and information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. The Fund also posts a link to its Forms N-Q on its website: [www.adamsfunds.com](http://www.adamsfunds.com); select Fund name and click the headings Investment Information, Financial Reports and then SEC Filings.

**Forward-Looking Statements**

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, petroleum, and other 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.

**Website Information**

Investors can find the Fund's daily NAV per share, the market price, the discount/premium to NAV per share, and quarterly changes in the portfolio securities on our website at [www.adamsfunds.com](http://www.adamsfunds.com). Also available there are a history of the Fund, historical financial information, links for electronic delivery of shareholder reports, and other useful content.

**Electronic Delivery of Shareholder Reports**

The Fund offers shareholders the benefits and convenience of viewing Quarterly and Annual Reports and other shareholder materials on-line. With your consent, paper copies of these documents will cease with the next mailing and will be provided via e-mail. Reduce paper mailed to your home and help lower the Fund's printing and mailing costs. To enroll, please visit the following websites:

Registered shareholders with AST: [www.amstock.com/main](http://www.amstock.com/main)

Shareholders using brokerage accounts: <http://enroll.icsdelivery.com/PEO>

This report is transmitted to the shareholders of Adams Natural Resources 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

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will fluctuate. Shares, if sold, may be worth more or less than their original cost. Past performance is no guarantee of future investment results.

ADAMS NATURAL RESOURCES FUND

**Board of Directors**

|                                     |  |                                 |
|-------------------------------------|--|---------------------------------|
| Enrique R. Arzac <sup>1,3,5</sup>   | Frederic A. Escherich <sup>2,3,4</sup> | Craig R. Smith <sup>1,2,5</sup> |
| Phyllis O. Bonanno <sup>1,2,5</sup> | Roger W. Gale <sup>1,3,4,5</sup>       | Mark E. Stoeckle <sup>1</sup>   |
| Kenneth J. Dale <sup>2,3,4</sup>    | Kathleen T. McGahran <sup>1,6</sup>    |                                 |

1. *Member of Executive Committee*
2. *Member of Audit Committee*
3. *Member of Compensation Committee*
4. *Member of Retirement Benefits Committee*
5. *Member of Nominating and Governance Committee*
6. *Chair of the Board*

**Officers**

|                         |   |
|-------------------------|---|
| Mark E. Stoeckle        | <i>Chief Executive Officer</i>  |
| James P. Haynie, CFA    | <i>President</i>  |
| Nancy J. F. Prue, CFA   | <i>Executive Vice President, Director of Shareholder Communications</i> |
| Brian S. Hook, CFA, CPA | <i>Vice President, Chief Financial Officer and Treasurer</i>            |
| Lawrence L. Hooper, Jr. | <i>Vice President, General Counsel and Secretary</i>                    |
| Michael A. Kijesky, CFA | <i>Vice President Research</i>  |
| Michael E. Rega, CFA    | <i>Vice President Research</i>  |
| Christine M. Sloan, CPA | <i>Assistant Treasurer</i>  |

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**Tickers:** PEO (NYSE), XPEOX (NASDAQ)

**Counsel:** Chadbourne & Parke LLP

***Independent Registered Public Accounting Firm:*** PricewaterhouseCoopers LLP

***Custodian of Securities:*** Brown Brothers Harriman & Co.

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

Stockholder Relations Department

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