

BLUE CHIP VALUE FUND INC  
Form N-CSR  
September 02, 2005

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number: 811-5003

**Blue Chip Value Fund, Inc.**

(Exact name of registrant as specified in charter)

1225 17th Street, 26th Floor, Denver, Colorado 80202

(Address of principal executive offices) (Zip code)

Michael P. Malloy  
Drinker Biddle & Reath LLP  
One Logan Square  
18<sup>th</sup> & Cherry Streets  
Philadelphia, Pennsylvania 19103-6996  
(Name and address of agent for service)

Registrant's Telephone Number, including Area Code: (800) 624-4190

Date of fiscal year end: December 31

Date of reporting period: June 30, 2005

**Item 1 - Reports to Stockholders**

The following is a copy of the report to shareholders pursuant to Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1).

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**Semi-Annual Report  
to Stockholders**

**June 30, 2005**

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*The Investment Adviser's Commentary included in this report contains certain forward-looking statements about the factors that may affect the performance of the Fund in the future. These statements are based on Fund management's predictions and expectations concerning certain future events and their expected impact on the Fund, such as performance of the economy as a whole and of specific industry sectors, changes in the levels of interest rates, the impact of developing world events, and other factors that may influence the future performance of the Fund. Management believes these forward-looking statements to be reasonable, although they are inherently uncertain and difficult to predict. Actual events may cause adjustments in portfolio management strategies from those currently expected to be employed.*

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**INVESTMENT ADVISER'S COMMENTARY**

Dear Fellow Stockholders:

While the stock market had its usual ups and downs in the first half, the value of our portfolio ended little changed. The Fund's total return for the six months ended June 30, 2005 based on its net asset value was up 0.04% as compared to its benchmark index, the S&P 500, which was down 0.82%.

Energy stocks continued to be the best performing sector for our portfolio and the overall market. We also continued to generate positive returns through our selections in healthcare, including our largest holding, PacifiCare Health Systems. However, for the portfolio as a whole, the gains in our energy and healthcare stocks were offset by losses in several other holdings, including Computer Sciences, Bowater and MBNA Corporation.

During the semi-annual period we sold Bowater and MBNA from the portfolio. Bowater, a large producer of newsprint and other paper products, has found it more difficult than we expected to improve profitability. MBNA has also had difficulty achieving earnings goals. We continue to hold Computer Sciences because we believe it will win new service contracts in the next few quarters, and that should have a positive impact on the stock.

During the last six months we added such names to the portfolio as XTO Energy, General Electric, and First Data Corporation. Our research indicates that each of these companies appear to have strong cash flow and improving profitability.

Our current expectation for the last half of the year is for a modestly positive stock market based on continued economic growth. Furthermore, it appears to us that S&P 500 non-financial corporations have had the highest cash-to-market capitalization ratios since the early '80s. We believe this suggests there may be increased stock dividends or share repurchasing programs in the near future, as well as increased merger activity. Each of these events, in our view, would have a positive impact on the stock market.

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Finally, we encourage you to review the "Market Price Performance History" chart on page 6 of this report to get a clear picture of the return we have generated for investors assuming reinvestment of distributions and participation in rights offerings since the inception of the Fund.

Sincerely,

Todger Anderson, CFA  
 President, Blue Chip Value Fund, Inc.  
 Chairman, Denver Investment Advisors LLC

**Average Annual Total Returns  
 as of June 30, 2005**

<b>Return</b>	<b>YTD</b>	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>	<b>Since Inception</b>
Blue Chip Value Fund □ NAV	0.04%	10.20%	7.80%	2.75%	9.76%	8.40%
Blue Chip Value Fund □ Market Price	(1.94%)	6.13%	11.83%	5.34%	12.68%	9.09%
S&P 500 Index	(0.82%)	6.30%	8.28%	(2.37%)	9.94%	10.57%

*Past performance is no guarantee of future results. Share prices will fluctuate, so that a share may be worth more or less than its original cost when sold. Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale on the closing of the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Rights offerings, if any, are assumed for purposes of this calculation to be fully subscribed under the terms of the rights offering. Current performance may be higher or lower than the total return shown above. Please visit our website at [www.blu.com](http://www.blu.com) to obtain the most recent month end returns. Generally, total investment return based on net asset value will be higher than total investment return based on market value in periods where there is an increase in the discount or a decrease in the premium of the market value to the net asset value from the beginning to the end of such periods. Conversely, total investment return based on the net asset value will be lower than total investment return based on market value in periods where there is a decrease in the discount or an increase in the premium of the market value to the net asset value from the beginning to the end of such periods.*

**Sector Diversification in Comparison to  
S&P 500 as of June 30, 2005\***

	<b>Fund</b>	<b>S&amp;P 500</b>
Basic Materials	0.0%	2.8%
Capital Goods	7.4%	9.0%
Commercial Services	5.0%	2.5%
Communications	2.3%	4.9%
Consumer Cyclical	16.8%	12.9%
Consumer Staples	5.8%	8.7%
Energy	10.3%	8.6%
Financials	19.2%	19.5%
Medical/Healthcare	21.9%	13.0%
REITs	0.0%	0.6%
Technology	9.4%	12.2%
Transportation	1.8%	1.6%
Utilities	0.0%	3.7%
Short-Term Investments	0.1%	□

*\*Sector diversification percentages are based on the Fund's total investments at market value. Sector diversification is subject to change and may not be representative of future investments.*





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*Please Note: line graph points are as of the end of each calendar quarter.*

*Past performance is no guarantee of future results. Share prices will fluctuate, so that a share may be worth more or less than its original cost when sold.*

*1 Reflects the cumulative total return of an investment made by a stockholder who purchased one share at inception (\$10.00 IPO) and then reinvested all annual distributions as indicated, and fully participated in primary subscriptions of rights offerings.*

*2 Reflects the actual market price of one share as it has traded on the NYSE.*

*3 Annual distribution totals represent actual amounts. Please note the distribution total for 2005 is for six months ended June 30, 2005. The Fund currently pays 2.5% of its net asset value quarterly; however this policy may be changed at the discretion of the Fund's Board of Directors.*

**HOW TO OBTAIN A COPY OF THE FUND'S PROXY VOTING POLICIES AND RECORDS**

A description of the policies and procedures that are used by the Fund's investment adviser to vote proxies relating to the Fund's portfolio securities is available (1) without charge, upon request, by calling (800) 624-4190; (2) on the Fund's website at [www.blu.com](http://www.blu.com) and (3) on the Fund's Form N-CSR which is available on the U.S. Securities and Exchange Commission (the "SEC") website at [www.sec.gov](http://www.sec.gov).

Information regarding how the Fund's investment adviser voted proxies relating to the Fund's portfolio securities during the most recent 12-month period ended June 30 is available, (1) without charge, upon request by calling (800) 624-4190; (2) on the Fund's website at [www.blu.com](http://www.blu.com) and (3) on the SEC website at [www.sec.gov](http://www.sec.gov).

**QUARTERLY PORTFOLIO HOLDINGS**

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's website at <http://www.sec.gov> and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling 1-800-SEC-0330. In addition, the Fund's complete schedule of portfolio holdings for the first and third quarters of each fiscal year is available on the Fund's website at [www.blu.com](http://www.blu.com).

**SEND US YOUR E-MAIL ADDRESS**

If you would like to receive monthly portfolio composition and characteristic updates, press releases and financial reports electronically as soon as they are available, please send an e-mail to [blu@denveria.com](mailto:blu@denveria.com) and include your name and e-mail address. You will still receive paper copies of any required communications and reports in the mail. This service is completely voluntary and you can cancel at any time by contacting us via e-mail at [blu@denveria.com](mailto:blu@denveria.com) or toll-free at 1-800-624-4190.

**BLUE CHIP VALUE FUND BOARD CONSIDERATIONS RELATING TO THE ADVISORY CONTRACT RENEWAL FOR THE JUNE 2005 SHAREHOLDER REPORT**

The Board of Directors of the Fund determined on February 14, 2005 whether to renew the Advisory Agreement with DenverIA (the "Agreement"). Prior to making its determination, the Board received detailed information from DenverIA, including, among other things, information provided by Lipper, Inc. ("Lipper") comparing the performance, advisory fee and other expenses of the Fund to that of a relevant peer group identified by Lipper and information responsive to requests by the Fund's independent counsel for certain information to assist the Board in its considerations. In addition, the Board reviewed a memorandum from its independent counsel detailing the Board's duties and responsibilities in considering renewal of the Agreement.

In reaching its decision to renew the Agreement, the Board, including a majority of the Directors who are not interested persons under the Investment Company Act of 1940 (the "Independent Directors"), considered, among other things: (i) the nature, extent and quality of DenverIA's services provided to the Fund; (ii) the experience and qualifications of the portfolio management team; (iii) DenverIA's investment philosophy and process; (iv) DenverIA's assets under management and client descriptions; (v) DenverIA's best execution, soft dollar commission and trade allocation policies; (vi) current advisory fee arrangement with the Fund and DenverIA's other similarly managed mutual fund client, noting that DenverIA did not provide advisory fee information on its other separate account clients, because those clients are not managed similarly to the Fund's large cap value style; (vii) Lipper information comparing the Fund's performance, advisory fee, DenverIA's co-administration fee and the Fund's expense ratio to that of comparable funds; (viii) DenverIA's financial statements, profitability analysis related to providing advisory services to the Fund and insurance coverage; (ix) compensation and possible benefits to DenverIA and its affiliates arising from their advisory and other relationships with the Fund; and (x) the extent to which economies of scale are relevant to the Fund.

During the course of its deliberations, the Board, including a majority of Independent Directors, reached the following conclusions, among others, regarding DenverIA and the Agreement: that DenverIA had the capabilities, resources and personnel necessary to manage the Fund; that the performance of the Fund over the last 1, 3 and 5 year periods, the time period over which the current portfolio management team has been in place, was competitive with that of its Lipper peer group; the advisory fee is competitive with that of its Lipper peer group, consistent with DenverIA's other similarly managed client and is fair and reasonable; that the combined advisory and co-administration fee payable to DenverIA is also competitive with that of its Lipper peer group; the Fund's expense ratio is favorable compared to the Lipper peer group averages, and the expected profit to DenverIA for advisory services seemed reasonable based on the data provided; that the benefits derived by DenverIA from managing the Fund, including how DenverIA uses soft-dollars, and the ways in which it conducts portfolio transactions for the Fund and selects brokers are reasonable; and that the breakpoints in the advisory and administrative fees payable to DenverIA allow shareholders to benefit from economies of scale as the Fund's asset level increases, noting that the asset level breakpoints have been reached under the agreements.

Based on the factors considered, the Board, including a majority of the Independent Directors, concluded that it was appropriate to renew the Agreement.

**NEWS RELEASE**

Date: Friday, July 1, 2005

***BLUE CHIP VALUE FUND DECLARES SECOND QUARTER DISTRIBUTION***

DENVER, CO. (July 1, 2005) The Directors of Blue Chip Value Fund, Inc. have declared a distribution of \$0.14 per share. This distribution is payable July 29, 2005, to stockholders of record July 15, 2005, and will have an ex-dividend date of July 13, 2005. The Fund currently pays a quarterly distribution equal to 2.5% of its Net Asset Value, rounded to the nearest penny. These fixed distributions are not related to the amount of the Fund's net investment income or net realized capital gains or losses.

Of the total distribution, approximately \$0.0055 represents net investment income and the remaining undesignated portion is paid from capital surplus. If the Fund's total distributions required by the fixed quarterly payout policy for the year exceed the Fund's [current and accumulated earnings and profits,] the excess will be treated as non-taxable return of capital, reducing the stockholder's adjusted cost basis. The final determination of the source of the undesignated distributions can be made only at year-end. Shareholders will receive written notification regarding the components and tax treatment of all distributions for the calendar year in early 2006.

As of June 30, 2005, the Fund's N.A.V. was \$5.63 and the stock closed at \$6.40, a premium of 13.6767%.

## BLUE CHIP VALUE FUND, INC.

## STATEMENT OF INVESTMENTS

June 30, 2005 (Unaudited)

	Shares	Cost	Market Value
<b>COMMON STOCKS</b> □ <b>108.91%</b>			
<b>CAPITAL GOODS</b> □ <b>8.06%</b>			
<b>Aerospace &amp; Defense</b> □ <b>4.39%</b>			
General Dynamics Corp.	33,500	\$ 3,458,810	\$ 3,669,590
Raytheon Co.	79,600	3,010,041	3,113,952
		6,468,851	6,783,542
<b>Electrical Equipment</b> □ <b>1.41%</b>			
General Electric Co.	63,000	2,260,332	2,182,950
<b>Industrial Products</b> □ <b>2.26%</b>			
Parker Hannifin Corp.	56,300	4,036,024	3,491,163
TOTAL CAPITAL GOODS		12,765,207	12,457,655
<b>COMMERCIAL SERVICES</b> □ <b>5.43%</b>			
<b>IT Services</b> □ <b>3.24%</b>			
Computer			
Sciences Corp.*□	114,400	5,533,502	4,999,280
<b>Transaction Processing</b> □ <b>2.19%</b>			
First Data Corp.	84,400	3,378,212	3,387,816
TOTAL COMMERCIAL SERVICES		8,911,714	8,387,096
<b>COMMUNICATIONS</b> □ <b>2.50%</b>			
<b>Telecomm Equipment &amp; Solutions</b> □ <b>2.50%</b>			
Nokia Corp.□	232,400	3,644,370	3,867,136
TOTAL COMMUNICATIONS		3,644,370	3,867,136
<b>CONSUMER CYCLICAL</b> □ <b>18.28%</b>			
<b>Clothing &amp; Accessories</b> □ <b>3.34%</b>			
TJX Companies Inc.□	211,600	4,977,430	5,152,460
<b>General Merchandise</b> □ <b>4.06%</b>			
Target Corp.□	115,500	5,802,243	6,284,355
<b>Hotels &amp; Gaming</b> □ <b>2.82%</b>			
Starwood Hotels &			
Resorts Worldwide Inc.	74,300	3,567,557	4,351,751
<b>Other Consumer Services</b> □ <b>1.18%</b>			
Cendant Corp.	81,500	1,775,126	1,823,155
<b>Publishing &amp; Media</b> □ <b>4.86%</b>			
Dow Jones &			
Company Inc.	30,800	1,648,877	1,091,860
Viacom Inc. - Class B	72,100	3,379,153	2,308,642
Walt Disney Co.□	163,000	4,122,413	4,104,340
		9,150,443	7,504,842
<b>Restaurants</b> □ <b>2.02%</b>			
Darden Restaurants Inc.	94,600	2,383,850	3,119,908
TOTAL CONSUMER CYCLICAL		27,656,649	28,236,471

	Shares	Cost	Market Value
<b>CONSUMER STAPLES</b> □ 6.33%			
<b>Food &amp; Agricultural Products</b> □ 4.25%			
Bunge Ltd.	52,300	\$ 2,262,327	\$ 3,315,820
Kraft Foods Inc.	102,300	3,338,253	3,254,163
		5,600,580	6,569,983
<b>Home Products</b> □ 2.08%			
Colgate Palmolive Co.	64,200	3,622,325	3,204,222
TOTAL CONSUMER STAPLES		9,222,905	9,774,205
<b>ENERGY</b> □ 11.26%			
<b>Exploration &amp; Production</b> □ 5.42%			
Occidental			
Petroleum Corp.	61,300	3,452,392	4,715,809
XTO Energy Inc.	107,700	3,391,142	3,660,723
		6,843,534	8,376,532
<b>Integrated Oils</b> □ 3.57%			
Marathon Oil Corp.□	62,800	2,504,283	3,351,636
Suncor Energy Inc.	45,600	1,539,370	2,157,792
		4,043,653	5,509,428
<b>Oil Services</b> □ 2.27%			
Transocean Inc.*	65,000	2,248,717	3,508,050
TOTAL ENERGY		13,135,904	17,394,010
<b>FINANCIALS</b> □ 20.95%			
<b>Integrated Financial Services</b> □ 3.74%			
Citigroup Inc.□	124,900	5,618,522	5,774,127
<b>Regional Banks</b> □ 4.31%			
US Bancorp	73,100	2,096,245	2,134,520
Bank of America Corp.	54,200	2,534,819	2,472,062
Wachovia Corp.	41,300	2,009,061	2,048,480
		6,640,125	6,655,062
<b>Securities &amp; Asset Management</b> □ 6.33%			
Goldman Sachs Group Inc.	16,300	1,575,448	1,662,926
Merrill Lynch &			
Company Inc.□	84,500	4,726,322	4,648,345
Morgan Stanley & Co.	65,900	3,515,780	3,457,773
		9,817,550	9,769,044
<b>Specialty Finance</b> □ 4.61%			
Countrywide			
Financial Corp.	90,800	3,164,750	3,505,788
Freddie Mac□	55,400	3,650,612	3,613,742
		6,815,362	7,119,530
<b>Thriffs</b> □ 1.96%			
Washington Mutual Inc.□	74,500	2,958,748	3,031,405
TOTAL FINANCIALS		31,850,307	32,349,168



**MEDICAL - HEALTHCARE** □ **23.86%**

**Healthcare Services** □ **6.12%**

Medco Health

Solutions Inc.\*

40,900

2,047,627

2,182,424

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	<b>Shares</b>	<b>Cost</b>	<b>Market Value</b>
Pacificare Health Systems Inc.*	101,700	\$ 3,919,218	\$ 7,266,465
		5,966,845	9,448,889
<b>Medical Technology</b> □ <b>1.92%</b>			
Medtronic Inc.	57,300	2,889,169	2,967,567
<b>Pharmaceuticals</b> □ <b>15.83%</b>			
Abbott Laboratories□	86,200	3,628,219	4,224,662
Amgen Inc.*□	83,700	4,901,550	5,060,502
Barr Pharmaceuticals Inc.*	65,200	3,092,340	3,177,848
Pfizer Inc.□	171,260	5,128,761	4,723,351
Teva Pharmaceutical Industries Ltd.	232,800	6,618,986	7,249,392
		23,369,856	24,435,755
TOTAL MEDICAL - HEALTHCARE		32,225,870	36,852,211
<b>TECHNOLOGY</b> □ <b>10.24%</b>			
<b>Computer Software</b> □ <b>4.42%</b>			
Microsoft Corp.□	202,500	6,195,862	5,030,100
Verisign Inc.*	62,100	1,679,518	1,785,996
		7,875,380	6,816,096
<b>Semiconductors</b> □ <b>5.82%</b>			
Altera Corp.*□	138,600	3,297,517	2,747,052
Intel Corp.	156,500	4,244,488	4,078,390
Maxim Integrated Products Inc.	56,800	2,177,028	2,170,328
		9,719,033	8,995,770
TOTAL TECHNOLOGY		17,594,413	15,811,866
<b>TRANSPORTATION</b> □ <b>2.00%</b>			
<b>Railroads</b> □ <b>2.00%</b>			
Norfolk Southern Corp.	99,700	3,545,366	3,086,712
TOTAL TRANSPORTATION		3,545,366	3,086,712
TOTAL COMMON STOCKS		160,552,705	168,216,530
<b>SHORT-TERM INVESTMENTS</b> □ <b>0.14%</b>			
Goldman Sachs Financial Square Prime Obligations Fund - FST Shares	218,801	218,801	218,801
TOTAL SHORT-TERM INVESTMENTS		218,801	218,801
<b>TOTAL INVESTMENTS</b>	109.05%	\$ 160,771,506	\$ 168,435,331
Liabilities in Excess of Other Assets	(9.05%)		(13,987,362)

NET ASSETS	100.00%	\$ 154,447,969
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*\*Denotes non-income producing security.*

*☐ A portion of the shares held in this security are pledged as collateral for the borrowings under the loan agreement.*

**BLUE CHIP VALUE FUND, INC.**

**STATEMENT OF ASSETS AND LIABILITIES**

June 30, 2005 (Unaudited)

**ASSETS**

Investments at market value (identified cost \$160,771,506)	\$ 168,435,331
Receivables for investment sold	2,373,133
Dividends receivable	136,089
Interest receivable	622
Other assets	17,818
<b>TOTAL ASSETS</b>	<b>170,962,993</b>

**LIABILITIES**

Loan payable to bank (Note 4)	14,000,000
Interest due on loan payable to bank	48,533
Payable for securities purchased	2,319,410