

ABERDEEN CHILE FUND, INC.  
Form N-CSRS  
September 08, 2011

**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:

811-05770

Exact name of registrant as specified in charter:

Aberdeen Chile Fund, Inc.

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Address of principal executive offices: 1735 Market Street, 32nd Floor  
Philadelphia, PA 19103

Name and address of agent for service: Ms. Andrea Melia  
Aberdeen Asset Management Inc.  
1735 Market Street, 32nd Floor  
Philadelphia, PA 19103

Registrant's telephone number, including area code: 866-839-5205

Date of fiscal year end: December 31

Date of reporting period: June 30, 2011

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**Item 1. Reports to Stockholders.**

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## Managed Distribution Policy

The Board of Directors of the Fund has authorized a managed distribution policy (MDP) of paying quarterly distributions at an annual rate, set once a year, that is a percentage of the rolling average of the Fund's prior four quarter-end net asset values. With each distribution, the Fund will issue a notice to shareholders and an accompanying press release which will provide detailed information regarding the amount and composition of the distribution and other information required by the Fund's MDP exemptive order. The Fund's Board of Directors may amend or terminate the MDP at any time without prior notice to shareholders; however, at this time, there are no reasonably foreseeable circumstances that might cause the termination of the MDP. You should not draw any conclusions about the Fund's investment performance from the amount of distributions or from the terms of the Fund's MDP.

## Distribution Disclosure Classification (unaudited)

The Fund's policy is to provide investors with a stable distribution rate. Each quarterly distribution will be paid out of current income, supplemented by realized capital gains and, to the extent necessary, paid-in capital.

The Fund is subject to U.S. corporate, tax and securities laws. Under U.S. tax accounting rules, the amount of distributable income for each fiscal period depends on the actual exchange rates during the entire year between the U.S. Dollar and the currencies in which Fund assets are denominated and on the aggregate gains and losses realized by the Fund during the entire year.

Therefore, the exact amount of distributable income for each fiscal year can only be determined as of the end of the Fund's fiscal year, December 31. However, under the Investment Company Act of 1940 (the "1940 Act"), the Fund is required to indicate the sources of certain distributions to shareholders.

The Fund estimates that distributions for the period commencing January 1, 2011 including the distribution paid on July 15, 2011, are comprised of 100% net realized long-term capital gains.

This estimated distribution composition may vary from quarter to quarter because it may be materially impacted by future realized gains and losses on securities and fluctuations in the value of the currencies in which Fund assets are denominated.

In January 2012, a Form 1099-DIV will be sent to shareholders, which will state the amount and composition of distributions and provide information with respect to their appropriate tax treatment for the 2011 calendar year.

## Dividend Reinvestment and Direct Stock Purchase Plan

The Fund has a Dividend Reinvestment and Direct Stock Purchase Plan (the Plan ), which is sponsored and administered by Computershare Trust Company, N.A., the Fund's transfer agent.

The Plan allows registered stockholders and first time investors to buy and sell shares and automatically reinvest dividends and capital gains through our transfer agent. This is a cost-effective way to invest in the Fund.

Please note that for both purchases and reinvestment purposes, shares will be purchased in the open market at the current share price and cannot be issued directly by the Fund.

For more information about the Plan and a brochure that includes the terms and conditions of the Plan, please call Computershare at 1-800-647-0584 or visit [www.computershare.com/buyaberdeen](http://www.computershare.com/buyaberdeen).

**All amounts are U.S. dollars unless otherwise stated.**







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*Closed-end funds have a one-time initial public offering and then are subsequently traded on the secondary market through one of the stock exchanges. The investment return and principal value will fluctuate so that an investor's shares may be worth more or less than the original cost. Shares of closed-end funds may trade above (a premium) or below (a discount) the net asset value (NAV) of the fund's portfolio. Past performance does not guarantee future results.* Foreign securities are more volatile, harder to price and less liquid than U.S. securities. These risks may be enhanced in emerging market countries. Concentrating investments in a single country, region or industry may subject a fund to greater price volatility and risk of loss than more diverse funds. Aberdeen Asset Management Inc., 1735 Market Street, 32nd Floor, Philadelphia, PA 19103.

NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE



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## Letter to Shareholders (unaudited)

August 12, 2011

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Dear Shareholder,

We present this Semi-Annual Report which covers the activities of Aberdeen Chile Fund, Inc. (the Fund) for the six-month period ended June 30, 2011. The Fund's principal investment objective is to seek total return, consisting of capital appreciation and income, by investing primarily in Chilean securities.

### Net Asset Value Performance

The Fund's total return based on net asset value (NAV) was (2.5%) for the six months ended June 30, 2011, assuming reinvestment of distributions, compared with a return of 0.3% for the Fund's benchmark, the MSCI Chile Index.

### Share Price Performance

The Fund's share price decreased 4.4% over the six months, from \$22.67 on December 31, 2010 to \$21.67 on June 30, 2011. The Fund's share price on June 30, 2011 represented a premium of 5.3% to the NAV per share of \$20.58 on that date, compared with a premium of 2.8% to the NAV per share of \$22.05 on December 31, 2010. As of August 12, 2011, the share price was \$19.17, representing a premium of 5.8% to the NAV per share of \$18.12. Based on market price, the total return based on the Fund's shares gained 0.2% during the period, assuming reinvestment of distributions.

### Managed Distribution Policy

The Fund has a managed distribution policy of paying quarterly distributions at an annual rate, set once a year, that is a percentage of the rolling average of the Fund's prior four quarter-end net asset values. In September 2010, the Fund's Board of Directors (the Board) determined the rolling distribution rate to be 10% for the 12-month period commencing with the distribution payable in October 2010. This policy is subject to regular review by the Board. The distributions will be made from current income, supplemented by realized capital gains and, to the extent necessary, paid-in capital.

Consistent with this policy, on June 8, 2011, the Board authorized a quarterly distribution of \$0.52 per share, payable on July 15, 2011 to all shareholders of record as of June 30, 2011.

### Market Review

The first half of 2011 was a difficult period for Chilean equities, as global risk aversion increased and investors reallocated capital away from emerging markets in favour of developed markets, on the back of signs of a recovery in developed market economies. Towards the end of the period, however, concerns over developed economies and in particular the health of the U.S. and Europe economies gained center stage. It would appear that the U.S. recovery remains very



fragile and sovereign debt concerns in Europe continue to linger, and indeed show no sign of being resolved any time soon.

Notwithstanding external issues, Chile also had some internal issues that also weighed on investor sentiment during the quarter. Similar to most emerging markets, Chile is also battling with an overvalued currency and inflation that continues to edge higher. This has put the central bank into a difficult position of having to raise rates to tame inflation, whilst also managing the inflows of capital that higher rates cause. At the start of the year, the government announced a US\$12bn intervention in the currency market as an attempt to dampen currency appreciation. The impact of this measure to date has been limited and the local currency continues to strengthen, further damaging the export sector.

Against this backdrop the Chilean MSCI Index returned 0.31% in USD terms, though this was bolstered by the continued strong performance of the Chilean Peso versus the U.S. Dollar. During the period, the traditional defensive sectors of telecoms and utilities performed particularly well as investors rushed to safer havens. Against this, the consumer sectors performed poorly, as did the export-lead industrial sector. The consumer sector in particular was negatively impacted by the uncovering of a fraud at the credit division of retailer La Polar, a position the Fund sold shortly after the discovery. With the resulting weakness in consumer stocks, the Fund benefitted by not owning Cencosud, but against this the holding in its competitor S.A.C.I. Falabella underperformed.

During the period, the Fund benefitted from its holdings in the materials sector. The continued strength in the pulp price benefitted forestry company Empresas CMPU S.A., whilst strength in demand for fertilizers continued to bolster the results of Sociedad Quimica y Minera de Chile S.A. It also benefitted from not owning CAP S.A., a manufacturer of steel, which suffered due to concerns over demand going forward given the global economic weakness. IT services company Sonda S.A., was also beneficial to performance as demand for their services continues to be robust and their expansion into Brazil also continues to be going well.

## Outlook

In the short term, we believe volatility is likely to persist as investors digest the impact of the European sovereign debt crisis, the weakening U.S. economy, and the impact on markets of the end of the second round of quantitative easing. However, a weakening global economy, combined with Chile's aggressive fiscal tightening makes it likely in our opinion that the inflationary environment will start to look more benign as we get towards the end of 2011, potentially easing one major recent concern of investors.



## Letter to Shareholders (unaudited) (concluded)

August 12, 2011

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Whilst the economy in Chile remains extremely robust, we believe the economy will suffer if the developed world recovery falters. Continued currency appreciation also brings the risk that the central bank will introduce more aggressive forms of currency controls, which potentially worsen the investment environment. On balance though, we believe the companies in the Fund's portfolio are generally well managed and are generally in a healthy financial position with robust balance sheets.

### Investor Relations Information

For information about the Fund, daily updates of share price, NAV and details of recent distributions, please contact Aberdeen by:

- Calling toll free at 1-866-839-5205 in the United States,
- Emailing [InvestorRelations@aberdeen-asset.com](mailto:InvestorRelations@aberdeen-asset.com), or
- Visiting the website at [www.aberdeench.com](http://www.aberdeench.com).

For additional information on the Aberdeen Closed-End Funds, Aberdeen invites you to visit our recently redesigned website and Closed-End Investor Center at: [www.aberdeen-asset.us/cef](http://www.aberdeen-asset.us/cef).

From the site you will also be able to review Fund performance, download literature and sign up for email services. The site houses topical information about the funds, including fact sheets from Morningstar that are updated daily and monthly manager reports. If you sign up for our email service online, we can ensure that you are among the first to know about Aberdeen's latest closed-end fund news.

Included within this report is a reply card with postage paid envelope. Please complete and mail the card if you would like to be added to our enhanced email service and receive future communications from Aberdeen.

Yours sincerely,

**Christian Pittard**  
President





## Portfolio Summary (unaudited)

June 30, 2011

### Sector Allocation

## Top 10 Holdings, by Issuer

June 30, 2011 (unaudited)

Rank	Holder	Sector	Percent of Net Assets
1.	Empresas COPEC S.A.	Industrial Conglomerates	14.6%
2.	Empresas CMPC S.A.	Paper & Forest Products	12.7%
3.	Sociedad Química y Minera de Chile S.A.	Chemicals	11.2%
4.	Banco Santander Chile	Commercial Banks	10.6%
5.	S.A.C.I. Falabella	Multiline Retail	10.0%
6.	Energis S.A.	Electric Utilities	9.0%
7.	Lan Airlines S.A.	Airlines	5.2%
8.	Viña Concha y Toro S.A.	Beverages	4.3%
9.	Cia Cervecerías Unidas S.A.	Beverages	3.8%
10.	Sonda S.A.	IT Services	3.6%



## Average Annual Returns

June 30, 2011 (unaudited)

	1 Year	3 Years	5 Years	10 Years
Net Asset Value (NAV)	34.56%	16.68%	20.15%	18.05%
Market Value	50.81%	23.12%	20.76%	21.03%

*Aberdeen Asset Management Investment Services Limited has voluntarily waived fees and/or reimbursed expenses, without which performance would be lower. Waivers and/or reimbursements are subject to change and may be discontinued at any time. Returns represent past performance. Total investment return at net asset value is based on changes in the net asset value of Fund shares and assumes reinvestment of dividends and distributions, if any, at market prices pursuant to the Fund's dividend reinvestment program. Total investment return at market value is based on changes in the market price at which the Fund's shares traded on the stock exchange during the period and assumes reinvestment of dividends and distributions, if any, at market prices pursuant to the Fund's dividend reinvestment program. Because the Fund's shares trade in the stock market based on investor demand, the Fund may trade at a price higher or lower than its NAV. Therefore, returns are calculated based on market price and NAV. **Past performance is no guarantee of future results.** The current performance of the Fund may be lower or higher than the figures shown. The Fund's yield, return, market price and NAV will fluctuate. Performance information current to the most recent month-end is available by calling 866-839-5205.*

*The annualized gross expense ratio is 1.97%. The annualized net expense ratio after fee waivers and/or expense reimbursements is 1.83%.*

## Portfolio of Investments (unaudited)

June 30, 2011

No. of Shares	Description	Value
<b>EQUITY SECURITIES 100.8%</b>		
<b>AIRLINES 5.2%</b>		
309,500	Lan Airlines S.A.	\$ 8,821,097
<b>BEVERAGES 13.0%</b>		
544,283	Cia Cervecerías Unidas S.A.	6,521,846
1,263,524	Coca Cola Embonor S.A., PNA(a)	2,351,855
1,249,000	Embotelladora Andina S.A., PNB	5,959,709
2,718,000	Viña Concha y Toro S.A.	7,310,423
		<b>22,143,833</b>
<b>CHEMICALS 11.2%</b>		
119,650	Sociedad Química y Minera de Chile S.A., Class B, ADR	7,743,748
172,500	Sociedad Química y Minera de Chile S.A., PNB	11,220,712
		<b>18,964,460</b>
<b>COMMERCIAL BANKS 15.7%</b>		
24,907,464	Banco de Chile	3,618,204
74,820	Banco de Crédito e Inversiones	4,978,928
198,886,987	Banco Santander Chile	17,980,048
		<b>26,577,180</b>
<b>ELECTRIC UTILITIES 9.0%</b>		
33,200,000	Enersis S.A.	15,337,285
<b>INDUSTRIAL CONGLOMERATES 14.6%</b>		
1,311,889	Empresas COPEC S.A.	24,842,661
<b>IT SERVICES 3.6%</b>		
2,206,000	Sonda S.A.	6,084,378
<b>MULTILINE RETAIL 10.0%</b>		
1,604,083	S.A.C.I. Falabella	16,886,891
<b>PAPER &amp; FOREST PRODUCTS 12.7%</b>		
402,713	Empresas CMPC S.A.	21,490,665
<b>REAL ESTATE MANAGEMENT &amp; DEVELOPMENT 3.5%</b>		
2,657,000	Parque Arauco S.A.	5,941,083
<b>WATER UTILITIES 1.3%</b>		
1,442,500	Inversiones Aguas Metropolitanas S.A.	2,206,884
<b>WIRELESS TELECOMMUNICATION SERVICES 1.0%</b>		
87,000	ENTEL Chile S.A.	1,766,434
	<b>Total Equity Securities (cost \$64,309,992)</b>	<b>171,062,851</b>

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Aberdeen Chile Fund, Inc.

## Portfolio of Investments (unaudited) (concluded)

June 30, 2011

Principal Amount (000 s)	Description	Value
<b>SHORT-TERM INVESTMENT 1.0%</b>		
<b>UNITED KINGDOM 1.0%</b>		
\$1,758	Bank of America London, overnight deposit, 0.03%, 07/01/11 (cost \$1,758,000)	\$ 1,758,000
	<b>Total Investments 101.8%(cost \$66,067,992)</b>	<b>172,820,851</b>
	Liabilities in Excess of Cash and Other Assets (1.8)%	(2,990,721)
	<b>Net Assets 100.0%</b>	<b>\$ 169,830,130</b>

- (a) Illiquid Security.  
 PNA Preferred Shares, Class A.  
 PNB Preferred Shares, Class B.  
 ADR American Depositary Receipts.

See Notes to Financial Statements.



**Statement of Assets and Liabilities** (unaudited)

As of June 30, 2011

**Assets**

Investments, at value (Cost \$66,067,992)	\$ 172,820,851
Cash (including \$1,856,052 of foreign currencies with a cost of \$1,860,021)	1,861,987
Capital stock sold receivable	111,661
Prepaid expenses	181,510
<b>Total assets</b>	<b>174,976,009</b>

**Liabilities**

Dividends and distributions (Note 1)	4,289,141
Investment advisory fees payable (Note 2)	420,750
Administration fees payable (Note 2)	9,675
Chilean taxes (Note 1)	256,098
Accrued expenses and other liabilities	170,215
<b>Total liabilities</b>	<b>5,145,879</b>

**Net Assets****\$ 169,830,130****Net Assets consist of**

Capital stock, \$0.001 par value (Note 4)	\$ 8,254
Paid-in capital	49,204,477
Distributions in excess of net investment income	(6,787,982)
Accumulated net realized gain on investments and foreign currency related transactions	20,751,567
Net unrealized appreciation on investments and foreign currency translation	106,653,814
<b>Net Assets applicable to shares outstanding</b>	<b>\$ 169,830,130</b>
Net asset value per share, based on 8,253,661 shares issued and outstanding	\$ 20.58

See Notes to Financial Statements.



## Statement of Operations (unaudited)

For the Six Months Ended June 30, 2011

### Investment Income

#### Income:

Dividends and other income	\$ 3,168,948
Less: Foreign taxes withheld	(10,101)
Total investment income	3,158,847

#### Expenses:

Investment advisory fees (Note 2)	926,017
Custodian's fees and expenses	86,665
Directors' fees and expenses	73,128
Administration fees (Note 2)	72,742
Legal fees and expenses	54,402
Reports to shareholders and proxy solicitation	34,584
Investor relations fees and expenses (Note 2)	32,439
Independent auditor's fees and expenses	30,098
Insurance expense	24,694
Transfer agent's fees and expenses	19,475
Miscellaneous	37,489
Chilean taxes (Note 1)	210,032
Total expenses	1,601,765
Less: Fee waivers (Note 2)	(114,938)
Net expenses	1,486,827

Net investment income	1,672,020
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### Net Realized and Unrealized Gain/(Loss) on Investments and Foreign Currency Related Transactions

#### Net realized gain/(loss) on:

Investment transactions	1,334,482
Foreign currency transactions	48,788
Net change in unrealized depreciation of investments and foreign currency translation	
(includes \$95,077 of Chilean repatriation taxes on unrealized gains) (Note 1)	(5,922,360)
Net realized and unrealized loss on investments and foreign currency transactions	(4,539,090)
Net Decrease in Net Assets Resulting from Operations	\$ (2,867,070)

See Notes to Financial Statements.





## Statement of Changes in Net Assets

	For the Six Months Ended June 30, 2011 (unaudited)	For the Year Ended December 31, 2010
<b>Increase/(Decrease) in Net Assets</b>		
<b>Operations:</b>		
Net investment income	\$ 1,672,020	\$ 377,620
Net realized gain on investments and foreign currency related transactions	1,383,270	47,410,342
Net change in unrealized appreciation/(depreciation) on investments and foreign currency translations	(5,922,360)	2,233,914
<b>Net increase/(decrease) in net assets resulting from operations</b>	<b>(2,867,070)</b>	<b>50,021,876</b>
<b>Dividends and distributions to shareholders from:</b>		
Net investment income	(8,460,002)	(74,745)
Net realized gain on investments		(27,346,856)
Total dividends and distributions to shareholders	(8,460,002)	(27,421,601)
<b>Capital share transactions:</b>		
Issuance of 75,502 and 0 shares, respectively, due at-the-market offering (Note 4)	1,626,181	
Issuance of 552,080 and 0 shares, respectively, due to stock distribution (Note 4)	11,378,369	
Cost of 0 and 2,542,026 shares, respectively, purchased through a tender offer (Note 4)		(45,298,903)
Total capital share transactions	13,004,550	(45,298,903)
Total increase/(decrease) in net assets resulting from operations	1,677,478	(22,698,628)
<b>Net Assets</b>		
Beginning of period	168,152,652	190,851,280
End of period*	<b>\$169,830,130</b>	<b>\$168,152,652</b>

\* Includes distributions in excess of net investment income of \$(6,787,982) and \$0, respectively.

See Notes to Financial Statements.

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Aberdeen Chile Fund, Inc.

## Financial Highlights

	<b>For the Six Months Ended June 30, 2011 (unaudited)</b>	<b>2010</b>	<b>For the Fiscal Years Ended December 31,</b>			
			<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>PER SHARE OPERATING PERFORMANCE</b>						
Net asset value, beginning of period	\$22.05	\$18.77	\$11.05	\$18.78	\$17.33	\$14.16
Net investment income(a)	0.21	0.04	0.11	0.20	0.11	0.01
Net realized and unrealized gain/(loss) on investments and foreign currency related transactions	(0.65)	6.64	8.68	(7.01)	3.85	4.28
Net increase/(decrease) in net assets resulting from operations	(0.44)	6.68	8.79	(6.81)	3.96	4.29
Dividends and distributions to shareholders:						
Net investment income	(1.03)	(0.01)	(0.33)	(0.16)	(0.12)	(0.03)
Net realized gain		(3.45)	(0.74)	(0.76)	(2.39)	(1.09)
Total dividends and distributions to shareholders	(1.03)	(3.46)	(1.07)	(0.92)	(2.51)	(1.12)