

Edgar Filing: BLUE CHIP VALUE FUND INC - Form N-CSR

BLUE CHIP VALUE FUND INC  
Form N-CSR  
August 29, 2003

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 Seventeenth Street, 26th Floor, Denver, Colorado 80202

-----  
(Address of principal executive offices) (Zip code)

W. Bruce McConnel  
Drinker Biddle & Reath LLP  
One Logan Square  
18th & Cherry Streets  
Philadelphia, Pennsylvania 19103-6996

-----  
(Name and address of agent for service)

Registrant's Telephone Number, including Area Code: (303) 623-2577

Date of fiscal year end: December 31

Date of reporting period: June 30, 2003

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss.3507.

Item 1. Reports to Shareholders

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).

-----

# Edgar Filing: BLUE CHIP VALUE FUND INC - Form N-CSR

[LOGO] Blue Chip  
BlueChip Value Fund

Semi-Annual Report

to Stockholders

June 30, 2003

---

## PORTFOLIO MANAGER COMMENTARY

Dear Fellow Stockholders:

Patience was finally rewarded during the first half of our fiscal year as a dismal winter slump gave way to an extended springtime rally. Although war fears, decaying business fundamentals and economic uncertainties initially took their toll, it appears to us that the market later shrugged them off in anticipation of better times ahead. What fueled this optimism, in our opinion, was a positive outcome in Iraq coupled with surprisingly strong first-quarter earnings and nascent signs of economic stability. With hopes raised that business conditions might soon improve, investor confidence surged.

Against this backdrop, the Blue Chip Value Fund realized an 8.11% gain in net asset value (NAV) for the six-month period ended June 30, 2003, compared to an 11.76% advance for its benchmark, the S&P 500 Index. The Fund's market price entered the year trading at a discount to NAV of more than 5%, and ended the period trading at a premium of nearly 13%. While our relative NAV performance was disappointing, we are optimistic about the prospects of our relative returns going forward. Let us explain.

In the early stages of a market recovery, it appears to us that some participants are tempted to "bet" on beaten-down or lower-quality companies whose share prices reflect significant risks, such as excessive debt or weakening business fundamentals. Another group of investors may choose to "capture the rally" by "betting" on high volatility or high-beta stocks. Recent studies support this notion, as the market assumed heightened risk levels during the first half of 2003, with the lowest-quality companies seemingly outpacing their higher-quality counterparts. One report in particular, authored by Merrill Lynch Chief U.S. Strategist Richard Bernstein, calculated that speculative companies rose 35.5% while stable ones gained only 8.9%. Furthermore, he noted that valuation spreads between the highest beta stocks and the lowest beta stocks widened considerably, approaching the peak levels of late 1999 (Source: U.S. Strategy, Merrill Lynch, July 2003). Despite these higher risk premiums, the Fund's absolute performance, a product of our disciplined investment process, held its own during the period. This process evaluates the cash generation abilities of prospective holdings, the market's valuation of those free cash flows, and the risks inherent in a company's business outlook and balance sheet.

2

Given these strict criteria, the Fund generally attempts to screen out lower-quality and more highly speculative companies. In our view, chasing this theme would neither be prudent nor desired by our stockholders.

With that in mind, our higher-quality technology holdings failed to keep pace with the benchmark during the period. Nevertheless, we continue to be vigilant with respect to valuation and believe our investments have intrinsic

## Edgar Filing: BLUE CHIP VALUE FUND INC - Form N-CSR

value that is greater than the current market value. Within the financial sector, our position in home financing giant Freddie Mac came under severe pressure as the company faced allegations of accounting irregularities and management turmoil. Although we underestimated the magnitude of its forthcoming earnings restatement, we still believe that the value of the franchise is greater than where the stock currently trades. Elsewhere, our holdings in aerospace and defense contractor General Dynamics Corp. struggled when its business jet unit experienced revenue and profit difficulties. Likewise, industrial equipment supplier Parker Hannifin Corp. fell short of expectations as the prolonged global economic slowdown contributed to softness across all of its markets.

Performance in our healthcare-related holdings proved to be a source of strength. Generic and specialty pharmaceutical names such as Watson Pharmaceuticals Inc. and Mylan Laboratories Inc. added nicely to the Fund's returns, while exposure to large-cap drug giants Wyeth, Bristol-Myers Squibb Co. and Pharmacia Corp. as well as managed health-care leader Aetna Inc. also contributed to significant outperformance relative to our benchmark. We remained underrepresented in consumer staples believing that lofty valuations would cause the sector to trail the market--a decision that added value. At the same time, we capitalized on a modest overweight in the energy sector as integrated energy firm ConocoPhillips realized significant cost savings and operational efficiencies from its August 2002 merger. Strong stock picking in select exploration and production companies emphasizing North American natural gas also worked in our favor.

Looking ahead, we remain optimistic that an economic recovery is underway, and that existing monetary and fiscal stimulus will serve to support that recovery. Although we are conscious of the need to own stocks that will benefit from a rebounding economy, we plan to continue to invest in a portfolio of companies we believe are selling at a discount to their

3

estimated cash flows, even assuming the economic recovery is subdued. Despite periodic near-term pressures from the investing "crowd", we remain driven by the belief that investing is a long-term endeavor because we believe fundamentals prevail in the end.

Sincerely,

/s/ Mark M. Adelman

Mark M. Adelman, CFA, CPA  
Portfolio Manager and Vice  
President

The Portfolio Manager 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.

## Edgar Filing: BLUE CHIP VALUE FUND INC - Form N-CSR

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.

4

---

Sector Diversification in Comparison to  
S&P 500 as of June 30, 2003\*

---

	Fund	S&P 500
Basic Materials	2.6%	2.5%
Capital Goods	7.1%	4.7%
Commercial Services	2.5%	2.2%
Communications	4.3%	6.6%
Consumer Cyclical	12.8%	12.4%
Consumer Staples	5.5%	8.9%
Energy	6.3%	5.8%
Financials	21.3%	23.2%
Medical/Healthcare	19.6%	14.6%
REITs	0.0%	0.3%
Technology	13.0%	14.3%
Transportation	1.9%	1.6%
Utilities	1.1%	2.9%
Short-Term Investments and Net Other Assets/Liabilities	2.0%	--

\*Sector diversification is subject to change and may not be representative of future investments.

---



---

Average Annual Total Returns  
as of June 30, 2003

---

	Return	6 Mos.	1-Year	3-Year	5-Year	10-Year
Blue Chip Value Fund	NAV	8.11%	(5.21%)	(4.67%)	(2.14%)	9.19%

---

Edgar Filing: BLUE CHIP VALUE FUND INC - Form N-CSR

Blue Chip Value Fund	Market Price	28.73%	4.90%	(0.91%)	(0.32%)	10.26%
-----						
S&P 500 Index		11.75%	0.25%	(11.19%)	(1.61%)	10.04%
-----						

Past performance is no guarantee of future results. Share prices will fluctuate, so that shares 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. 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.

5

-----  
 Market Price Performance History Since  
 Inception (04/15/87) through June 30, 2003  
 -----

[The following table was depicted as a Line Graph in the Printed Material]

Adjusted Market Price(1)	Actual Market Price(2)
10	10
9.5	9.5
7.8	7.75
5.58	5.5
5.87	5.75
6.31	6.13
6.1	5.88
6.28	6
6.73	6.25
7.62	6.88
8.54	7.5
8.2	7
8.13	6.75
8.21	6.63
6.86	5.38
7.86	6
9.28	6.88
9.88	7.13
10.49	7.38
11.4	7.63
11.77	7.88
12.07	7.88
12.18	7.75
12.81	7.75
13.64	8.25
13.78	8.13

Edgar Filing: BLUE CHIP VALUE FUND INC - Form N-CSR

14.51	8.25
14.57	7.88
14.1	7.63
12.54	6.75
12.83	6.88
12.65	6.13
13.68	6.63
14.78	7.13
15.88	7.63
17.91	7.63
19.09	8.13
20.04	8.5
21.89	9.25
24.98	9.25
22.92	8.38
27.37	9.75
31.13	10.81
35.11	10.94
38.12	11.88
37.19	11.31
30.52	9.06
35.58	9.75
35.12	9.63
37.9	10.13
35.79	9.31
37.95	8.69
36.04	8.25
37.62	8.38
38.84	8.44
36.75	7.55
34.06	6.79
41.48	8.05
37.75	7.14
41.92	7.56
39.16	7.02
34.89	6.1
28.26	4.8
28.43	4.59
27.31	4.41
36.6	5.77

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 shares 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 2003 is for six months ended June 30, 2003. 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.

## Edgar Filing: BLUE CHIP VALUE FUND INC - Form N-CSR

BLUE CHIP VALUE FUND, INC.

STATEMENT OF ASSETS AND LIABILITIES  
June 30, 2003 (Unaudited)

ASSETS

Investments at market value	\$ 137,428,001
(identified cost \$138,011,160)	
Dividends receivable	119,873
Interest receivable	3,139
Other assets	41,101
	-----
TOTAL ASSETS	137,592,114
	-----

LIABILITIES

Payable for securities purchased	817,305
Advisory fee payable	69,424
Administration fee payable	7,945
Accrued expenses and other liabilities	36,010
	-----
TOTAL LIABILITIES	930,684
	-----

NET ASSETS	\$ 136,661,430
	=====

COMPOSITION OF NET ASSETS

Capital stock, at par	\$ 266,779
Paid-in-capital	158,331,918
Undistributed net investment income	61,083
Accumulated net realized loss	(18,614,638)
Net unrealized depreciation on investments	(583,159)
Undesignated distributions	(2,800,553)
	-----
	\$ 136,661,430
	=====

SHARES OF COMMON STOCK

OUTSTANDING (100,000,000 shares authorized at \$0.01 par value)	26,677,937
	=====

Net asset value per share	\$ 5.12
	=====

See accompanying notes to financial statements.

7

BLUE CHIP VALUE FUND, INC.

STATEMENT OF OPERATIONS  
For the Six Months Ended June 30, 2003 (Unaudited)

INCOME

Dividends	\$ 851,411
Interest	30,155
	-----
TOTAL INCOME	\$ 881,566

Edgar Filing: BLUE CHIP VALUE FUND INC - Form N-CSR

-----		
EXPENSES		
Investment advisory fee (Note 3)	392,958	
Administrative services fee (Note 3)	44,949	
Stockholder reporting	70,500	
Legal fees	67,500	
Transfer agent fees	36,382	
Directors' fees	35,734	
NYSE listing fees	19,338	
Audit and tax preparation fees	12,165	
Insurance and fidelity bond	5,510	
Custodian fees	4,786	
Other	4,357	
	-----	
TOTAL EXPENSES		694,179
		-----
NET INVESTMENT INCOME		187,387
		-----
REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS		
Net realized loss on investments		(2,224,655)
Change in net unrealized appreciation or depreciation of investments		12,168,112
		-----
NET GAIN ON INVESTMENTS		9,943,457
		-----
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		\$ 10,130,844
		=====

See accompanying notes to financial statements.

8

BLUE CHIP VALUE FUND, INC.

STATEMENTS OF CHANGES IN NET ASSETS

	For the Six Months Ended June 30, 2003 (1)	For the Year Ended December 31, 2002
	-----	-----
Increase/(decrease) in net assets from operations:		
Net investment income	\$ 187,387	\$ 930,340
Net realized loss from securities transactions	(2,224,655)	(16,214,221)
Change in net unrealized appreciation or depreciation of investments	12,168,112	(21,320,777)
	-----	-----
	10,130,844	(36,604,658)
	-----	-----
Decrease in net assets from distributions to		



Edgar Filing: BLUE CHIP VALUE FUND INC - Form N-CSR

stockholders from:		
Net investment income	(126,304)	(930,340)
Return of capital	0	(13,857,137)
Undesignated (Note 1)	(2,800,553)	0
	-----	-----
	(2,926,857)	(14,787,477)
	-----	-----
Increase in net assets from common stock transactions:		
Proceeds from the sale of 0 and 5,262,771 shares respectively, net of offering expenses (Note 4)	0	32,797,247
Net asset value of common stock issued to stockholders from reinvestment of dividends (157,387 and 295,323 shares issued, respectively)	744,533	1,790,086
	-----	-----
	744,533	34,587,333
	-----	-----
NET INCREASE/(DECREASE) IN NET ASSETS	7,948,520	(16,804,802)
NET ASSETS		
Beginning of period	128,712,910	145,517,712
	-----	-----
End of period (including \$61,083 and \$0 of undistributed net investment income, respectively)	\$ 136,661,430	\$ 128,712,910
	=====	=====

See accompanying notes to financial statements.

(1) Unaudited.

9

BLUE CHIP VALUE FUND, INC.

FINANCIAL HIGHLIGHTS

Per Share Data (for a share outstanding throughout each period)	For the Six Months Ended June 30, 2003 (1)
	-----
Net asset value - beginning of period	\$ 4.85
Investment operations	
Net investment income	0.01
Net gain (loss) on investments	0.37
	-----
Total from investment operations	0.38
	-----
Distributions	
From net investment income	(0.01)

## Edgar Filing: BLUE CHIP VALUE FUND INC - Form N-CSR

From net realized gains on investments	--
Return of capital	--
Undesignated	(0.10)
	-----
Total distributions	(0.11)
	-----
Capital Share Transactions	
Dilutive effects of rights offerings	--
Offering costs charged to paid in capital	--
	-----
Total capital share transactions	--
	-----
Net asset value, end of period	\$ 5.12
	=====
Per share market value, end of period	\$ 5.77
	=====
Total investment return(2) based on:	
Net Asset Value	8.1%
Market Value	28.7%
Ratios/Supplemental data:	
Ratios of expenses to average net assets	1.09%*
Ratio of net investment income to average net assets	0.29%*
Ratio of total distributions to average net assets	2.28%
Portfolio turnover rate(3)	26.95%
Net assets - end of period (in thousands)	\$ 136,661

See accompanying notes to financial statements.

\* Annualized.

(1) Unaudited.

(2) 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. 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

10

For the year ended December 31,

2002	2001	2000	1999	1998
\$ 6.94	\$ 8.17	\$ 9.09	\$ 10.25	\$ 9.76
0.04	0.04	0.05	0.03	0.05
(1.40)	(0.29)	(0.08)	0.49	1.62
-----	-----	-----	-----	-----
(1.36)	(0.25)	(0.03)	0.52	1.67
-----	-----	-----	-----	-----
(0.04)	(0.04)	(0.05)	(0.03)	(0.05)
--	(0.36)	(0.84)	(1.65)	(1.08)
(0.52)	(0.34)	--	--	--

Edgar Filing: BLUE CHIP VALUE FUND INC - Form N-CSR

---	---	---	---	---
(0.56)	(0.74)	(0.89)	(1.68)	(1.13)
(0.16)	(0.23)	--	--	(0.04)
(0.01)	(0.01)	--	--	(0.01)
(0.17)	(0.24)	--	--	(0.05)
\$ 4.85	\$ 6.94	\$ 8.17	\$ 9.09	\$ 10.25
=====	=====	=====	=====	=====
\$ 4.59	\$ 7.56	\$ 7.55	\$ 8.69	\$ 9.75
=====	=====	=====	=====	=====
(20.6%)	(3.0%)	0.2%	6.2%	17.6%
(32.2%)	14.1%	(3.2%)	6.7%	1.3%
0.93%	0.91%	0.88%	0.85%	0.94%
0.64%	0.56%	0.63%	0.32%	0.56%
10.15%	10.21%	10.46%	16.86%	11.62%
65.86%	73.30%	127.55%	54.24%	76.02%
\$ 128,713	\$ 145,517	\$ 140,863	\$ 153,002	\$ 171,512

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.

- (3) A portfolio turnover rate is the percentage computed by taking the lesser of purchases or sales of portfolio securities (excluding short-term investments) for a year and dividing it by the monthly average of the market value of the portfolio securities during the year. Purchases and sales of investment securities (excluding short-term securities) for the six months ended June 30, 2003 were \$33,283,577 and \$35,028,346, respectively.

11

BLUE CHIP VALUE FUND, INC.

STATEMENT OF INVESTMENTS

June 30, 2003 (Unaudited)

	Shares	Cost	Market Value
	-----	-----	-----
COMMON STOCKS - 97.98%			
BASIC MATERIALS - 2.56%			
Forestry & Paper - 2.56%			
Bowater Inc.	93,500	\$ 4,423,466	\$ 3,501,575
TOTAL BASIC MATERIALS		4,423,466	3,501,575
-----	-----	-----	-----
CAPITAL GOODS - 7.15%			
Aerospace & Defense - 4.24%			
General Dynamics Corp.	34,800	2,461,195	2,523,000
Raytheon Co.	99,500	3,429,852	3,267,580
		-----	-----

Edgar Filing: BLUE CHIP VALUE FUND INC - Form N-CSR

		5,891,047	5,790,580
Electrical Equipment - 2.91%			
Parker Hannifin Corp.	94,800	4,519,195	3,980,652
TOTAL CAPITAL GOODS		10,410,242	9,771,232

COMMERCIAL SERVICES - 2.51%			
Business Products & Services - 2.51%			
Accenture Ltd.*	189,600	4,227,692	3,429,864
TOTAL COMMERCIAL SERVICES		4,227,692	3,429,864

COMMUNICATIONS - 4.28%			
Telecomm Service Providers - 4.28%			
ALLTEL Corp.	66,100	3,347,105	3,187,342
BellSouth Corp.	99,800	3,723,365	2,657,674
		7,070,470	5,845,016
TOTAL COMMUNICATIONS		7,070,470	5,845,016

CONSUMER CYCLICAL - 12.81%			
Clothing & Accessories - 2.36%			
TJX Companies Inc.	171,300	2,590,532	3,227,292
General Merchandise - 2.58%			
Target Corp.	93,300	3,209,526	3,530,472
Hotels & Gaming - 3.05%			
Starwood Hotels & Resorts Inc.	145,600	4,472,957	4,162,704
Publishing & Media - 4.82%			
Dow Jones & Company Inc.	62,800	3,396,231	2,702,284
Viacom Inc. - Class B*	58,800	2,889,801	2,567,208
Walt Disney Co.	66,800	1,393,508	1,319,300
		7,679,540	6,588,792
TOTAL CONSUMER CYCLICAL		17,952,555	17,509,260

12

	Shares	Cost	Market Value
CONSUMER STAPLES - 5.51%			
Food & Agricultural Products - 5.51%			
Bunge Ltd.	123,800	\$ 2,963,252	\$ 3,540,680
Kraft Foods Inc.	83,500	2,627,196	2,717,925
Sara Lee Corp.	67,400	1,321,225	1,267,794
		6,911,673	7,526,399
TOTAL CONSUMER STAPLES		6,911,673	7,526,399

ENERGY - 6.35%			
Exploration & Production - 2.05%			
Devon Energy Corp.	52,412	2,528,822	2,798,822
Integrated Oils - 2.79%			
ConocoPhillips	69,519	3,961,318	3,809,641
Oil Services - 1.51%			

Edgar Filing: BLUE CHIP VALUE FUND INC - Form N-CSR

Transocean Inc.*	94,300	2,171,769	2,071,771
TOTAL ENERGY		8,661,909	8,680,234
-----			
FINANCIALS - 21.35%			
Integrated Financial Services - 2.74%			
Citigroup Inc.	87,500	3,751,033	3,745,000
Life & Health Insurance - 2.00%			
Nationwide Financial			
Services - Class A	42,200	1,747,900	1,371,500
Principal Financial Group	42,500	1,149,789	1,370,625
		-----	-----
		2,897,689	2,742,125
Money Center Banks - 1.02%			
Bank of America Corp.			
	17,600	1,191,759	1,390,928
Property Casualty Insurance - 10.49%			
Allstate Corp.			
	68,300	2,455,295	2,434,895
AMBAC Financial			
Group Inc.	46,200	2,518,371	3,060,750
American			
International Group	45,600	2,943,285	2,516,208
Radian Group Inc.	97,300	3,402,595	3,566,045
Travelers Property and			
Casualty Corp.	173,800	2,512,932	2,763,420
		-----	-----
		13,832,478	14,341,318
Regional Banks - 1.44%			
SouthTrust Corp.			
	72,200	1,649,525	1,963,840
Securities & Asset Management - 2.00%			
Goldman Sachs Group Inc.			
	13,600	919,330	1,139,000
Lehman Brothers			
Holdings Inc.	24,000	1,379,233	1,595,520
		-----	-----
		2,298,563	2,734,520
Specialty Finance - 1.66%			
Freddie Mac			
	44,600	2,825,903	2,264,342
TOTAL FINANCIALS		28,446,950	29,182,073
-----			

13

	Shares	Cost	Market Value
	-----	-----	-----
MEDICAL - HEALTHCARE - 19.55%			
Healthcare Services - 6.25%			
Aetna Inc.	60,900	\$ 2,675,986	\$ 3,666,180
Caremark RX Inc.*	60,100	1,393,635	1,543,368
Omnicare Inc.	98,819	2,408,501	3,339,094
		-----	-----
		6,478,122	8,548,642
Pharmaceuticals - 13.30%			
Bristol-Myers Squibb Co.			
King	86,380	3,495,709	2,345,217
Pharmaceuticals Inc.*	183,300	2,314,437	2,705,508

Edgar Filing: BLUE CHIP VALUE FUND INC - Form N-CSR

Mylan Laboratories Inc.	93,600	2,713,945	3,254,472
Pfizer Inc.	154,560	4,311,411	5,278,224
Watson Pharmaceuticals Inc.*	44,200	1,269,685	1,784,354
Wyeth	61,600	2,181,344	2,805,880
		-----	-----
		16,286,531	18,173,655
TOTAL MEDICAL - HEALTHCARE		22,764,653	26,722,297

TECHNOLOGY - 12.96%			
Computer Software - 3.08%			
Microsoft Corp.	164,200	5,018,589	4,205,162
Electronic Equipment - 1.88%			
American Power Conversion*	164,600	2,291,097	2,566,114
IT Services - 0.96%			
Computer Sciences Corp.*	34,500	1,431,602	1,315,140
Semiconductors - 5.00%			
Intel Corp.	168,200	4,798,360	3,495,869
National Semiconductor Corp.*	67,500	1,278,794	1,331,100
Xilinx Inc.*	79,500	2,117,355	2,012,145
		-----	-----
		8,194,509	6,839,114
Technology Resellers - Distributors - 2.04%			
Tech Data Corp.*	104,200	2,822,347	2,783,182
TOTAL TECHNOLOGY		19,758,144	17,708,712

TRANSPORTATION - 1.87%			
Railroads - 1.87%			
Union Pacific Corp.	44,000	2,552,640	2,552,880
TOTAL TRANSPORTATION		2,552,640	2,552,880

14

	Shares	Cost	Market Value
	-----	-----	-----
UTILITIES - 1.08%			
Electric - Gas Utilities - 1.08%			
Exelon Corp.	24,600	\$ 1,303,633	\$ 1,471,326
TOTAL UTILITIES		1,303,633	1,471,326
		-----	-----
TOTAL COMMON STOCKS		134,484,027	133,900,868
		-----	-----
SHORT-TERM INVESTMENTS - 2.58%			
Goldman Sachs Financial Square Prime Obligations Fund - FST Shares		3,527,133	3,527,133
TOTAL SHORT-TERM INVESTMENTS		3,527,133	3,527,133

## Edgar Filing: BLUE CHIP VALUE FUND INC - Form N-CSR

TOTAL			
INVESTMENTS	100.56%	138,011,160	137,428,001
Liabilities in Excess of			
Other Assets	(0.56%)		(766,571)
	-----		-----
NET ASSETS	100.00%		\$136,661,430
	=====		=====

\* Denotes non-income producing security.

15

BLUE CHIP VALUE FUND, INC.

NOTES TO FINANCIAL STATEMENTS  
June 30, 2003 (Unaudited)

### 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Blue Chip Value Fund, Inc. (the "Fund") is registered under the Investment Company Act of 1940, as amended, as a diversified, closed-end management investment company.

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

**Security Valuation** - All securities of the Fund are valued as of the close of regular trading on the New York Stock Exchange ("NYSE"), currently 4:00 p.m. (Eastern Time), on each day that the NYSE is open. Listed securities are generally valued at the last sales price as of the close of regular trading on the NYSE. Securities traded on the National Association of Securities Dealers Automated Quotation ("NASDAQ") are generally valued at the NASDAQ Official Closing Price ("NOCP"). In the absence of sales and NOCP, such securities are valued at the mean of the bid and asked prices.

Securities having a remaining maturity of 60 days or less are valued at amortized cost which approximates market value.

When market quotations are not readily available or when events occur that make established valuation methods unreliable, securities of the Fund may be valued at fair value determined in good faith by or under the direction of the Board of Directors.

**Investment Transactions** - Investment transactions are accounted for on the date the investments are purchased or sold (trade date). Realized gains and losses from investment transactions and unrealized appreciation and depreciation of investments are determined on the first-in, first-out basis for both financial statement and federal income tax purposes. Dividend income is recorded on the ex-dividend date. Interest income, which includes interest earned on money market funds, is accrued and recorded daily.

**Federal Income Taxes** - The Fund intends to comply with the requirements of the Internal Revenue Code that are applicable to regulated investment companies and to distribute all of its taxable income to its stockholders. Therefore, no provision has been made for federal income taxes.

16

## Edgar Filing: BLUE CHIP VALUE FUND INC - Form N-CSR

The Fund had available for federal income tax purposes unused capital loss carryovers of approximately \$15,485,000, which will expire in 2010.

The Fund intends to elect to defer to its fiscal year ending December 31, 2003, approximately \$468,000 of losses recognized during the period November 1, 2002 to December 31, 2002, which will expire in 2011 if unutilized.

The tax character of the distributions paid was as follows:

	Six Months Ended June 30, 2003	Year Ended December 31, 2002
-----		
Distributions paid from:		
Ordinary income	\$ 126,304	\$ 930,340
Long-term capital gain	0	0
Undesignated	2,800,553	0
Return of capital	0	13,857,137
	-----	-----
Total	\$ 2,926,857	\$ 14,787,477
	=====	=====

As of June 30, 2003, the components of distributable earnings on a tax basis was as follows:

Undistributed net investment income	\$ 61,083
Accumulated net realized loss	(18,177,084)
Net unrealized depreciation	(1,020,713)
Undesignated distributions	(2,800,553)
	-----
Total	\$ (21,937,267)
	=====

The difference between book basis and tax basis is attributable to the tax deferral of losses on wash sales.

Distributions to Stockholders - Distributions to stockholders are recorded on the ex-dividend date. Distributions are classified to conform to the tax reporting requirements of the Internal Revenue Code. If the Fund's total distributions for the year (exclusive of long-term capital gains dividends) exceed its net investment income and short-term capital gains for such year, all or a portion of such undesignated distributions may constitute a non-taxable return of capital. Management currently believes it is likely that all of the undesignated portion will be a non-taxable return of capital, however the actual determination of the source of the undesignated distributions can be made only at year-end.

The Fund distributes at least 2.5% of its net asset value quarterly to its stockholders.

17

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosures made in the accompanying notes to the financial statements. Actual results could differ from those estimates.

### 2. UNREALIZED APPRECIATION AND DEPRECIATION OF INVESTMENTS (TAX BASIS)



## Edgar Filing: BLUE CHIP VALUE FUND INC - Form N-CSR

As of June 30, 2003:

Gross appreciation (excess of value over tax cost)	\$ 10,858,668
Gross depreciation (excess of tax cost over value)	(11,879,381)
	-----
Net unrealized appreciation	\$ (1,020,713)
	-----
Cost of investments for income tax purposes	\$ 138,448,714
	=====

### 3. INVESTMENT ADVISORY AND ADMINISTRATION SERVICES

The Fund has an Investment Advisory Agreement with Denver Investment Advisors LLC ("DIA"), whereby a management fee is paid to DIA based on an annual rate of 0.65% of the Fund's average weekly net assets up to \$100,000,000 and 0.50% of the Fund's average weekly net assets in excess of \$100,000,000. The management fee is paid monthly based on the average of the net assets of the Fund computed as of the last business day the New York Stock Exchange is open each week. Certain officers and directors of the Fund are also officers of DIA.

Effective September 1, 1999, ALPS Mutual Funds Services, Inc. ("ALPS") and DIA entered into an Administrative Agreement to serve as the Fund's co-administrators. The Administrative Agreement includes the Fund's administrative and fund accounting services. The administrative services fee is based on an annual rate for ALPS and DIA, respectively, of 0.08% and 0.01% of the Fund's average daily net assets up to \$75,000,000, 0.04% and 0.005% of the Fund's average daily net assets between \$75,000,000 and \$125,000,000, and 0.02% and 0.005% of the Fund's average daily net assets in excess of \$125,000,000. The administrative services fee is paid monthly.

### 4. ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting of Stockholders of the Fund (the "Annual Meeting") was held May 20, 2003 pursuant to notice

18

given to all stockholders of record at the close of business on March 14, 2003. At the Annual Meeting, stockholders were asked to approve the following:

#### Proposal 1.

To elect two Class III directors, Kenneth V. Penland and Roberta M. Wilson, to serve until the Annual Meeting in the year 2006. The number of shares voting for the election of Mr. Penland was 14,632,422 and the number of shares withholding authority was 1,178,300. The number of shares voting for the election of Ms. Wilson was 14,615,164 and the number of shares withholding authority was 1,195,558.

The name of each other director whose term of office continued after the Annual Meeting was Todger Anderson, Gary P. McDaniel, Robert J. Greenebaum, Lee W. Mather, Jr. and Richard C. Schulte.

#### Proposal 2.

To approve an amendment to the Fund's Articles of Incorporation to permit the Fund to issue additional classes of stock, including preferred stock. The number of shares voting for the proposal was 11,660,910, the number of shares voting against the proposal was 3,585,886 and the number of shares abstaining on the proposal was 505,290. The number of shares needed to approve the proposal

## Edgar Filing: BLUE CHIP VALUE FUND INC - Form N-CSR

was 13,303,894 so the proposal was not approved.

### Proposal 3.

To approve the elimination of the Fund's fundamental policy that restricts its ability to purchase securities on margin. The number of shares voting for the proposal was 10,764,964, the number of shares voting against the proposal was 4,372,860 and the number of shares abstaining on the proposal was 614,262. The number of shares needed to approve the proposal was 10,553,898 so the proposal was approved.

### Proposal 4.

To approve an amendment to the Fund's investment advisory agreement between the Fund and Denver Investment Advisors LLC to increase the advisory fee payable to Denver Investment Advisors LLC by authorizing it to be compensated on the assets of the Fund related to debt. The number of shares voting for the proposal was 9,993,905, the number of shares voting against the proposal was 4,831,328 and the number of shares abstaining on the proposal was 926,853. The number of shares needed to approve the proposal was 10,553,898 so the proposal was not approved.

19

---

#### BOARD OF DIRECTORS

Kenneth V. Penland, Chairman  
Todger Anderson, Director  
Robert J. Greenebaum, Director  
Lee W. Mather, Jr, Director  
Gary P. McDaniel, Director  
Richard C. Schulte, Director  
Roberta M. Wilson, Director

#### OFFICERS

Kenneth V. Penland, Chairman  
Todger Anderson, President  
Mark M. Adelman, Vice President  
W. Bruce McConnell, Secretary  
Jasper R. Frontz, Treasurer

Investment Adviser/Co-Administrator  
Denver Investment Advisors LLC  
1225 17th Street, 26th Floor  
Denver, CO 80202  
(303) 312-5100

Stockholder Relations  
Margaret R. Jurado  
(800) 624-4190 (303) 312-5100  
e-mail: blu@denveria.com

Custodian  
Bank of New York  
One Wall Street  
New York, NY 10286

Edgar Filing: BLUE CHIP VALUE FUND INC - Form N-CSR

Co-Administrator  
ALPS Mutual Funds Services, Inc.  
1625 Broadway, Suite 2200  
Denver, CO 80202

Transfer Agent  
Dividend Reinvestment Plan Agent  
(Questions regarding your Account)  
Mellon Investor Services, LLC  
Overpeck Centre  
85 Challenger Road  
Ridgefield Park, NJ 07660  
(800) 288-9541  
www.melloninvestor.com

NYSE Symbol--BLU

[LOGO] Blue Chip  
BlueChip Value Fund

www.blu.com

-----  
Item 2. Code of Ethics

Form N-CSR disclosure requirement not yet effective with respect to the registrant.

Item 3. Audit Committee Financial Expert

Form N-CSR disclosure requirement not yet effective with respect to the registrant.

Item 4. Principal Accountant Fees and Services

Form N-CSR disclosure requirement not yet effective with respect to the registrant.

Item 5. Audit Committee of Listed Registrants. Not Applicable.

Item 6. [Reserved]

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies

To be provided with the registrant's filing of its annual report on Form N-CSR.

Item 8. [Reserved]

Item 9. Controls and Procedures

(a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended) are effective based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this document.

(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act (17 CFR

Edgar Filing: BLUE CHIP VALUE FUND INC - Form N-CSR

270.30a-3(d)) during the registrant's last fiscal half-year (the registrant's second fiscal half-year in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 10. Exhibits

- (a) (1) Form N-CSR disclosure requirement not yet effective with respect to the registrant.
- (a) (2) The certifications required by Rule 30a-2 of the Investment Company Act of 1940, as amended, and Section 302 of the Sarbanes-Oxley Act of 2002 are attached hereto as EX- 99.CERT.
- (b) Attached hereto as Exhibit 99.906CERT are the certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BLUE CHIP VALUE FUND, INC.

By: /s/Todger Anderson

-----  
Todger Anderson  
President/Chief Executive Officer

Date: August 29, 2003

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/Todger Anderson

-----  
Todger Anderson  
President/Chief Executive Officer

Date: August 29, 2003

By: /s/Jasper Frontz

-----  
Jasper Frontz  
Treasurer/Chief Financial Officer

Date: August 29, 2003