

BLUE CHIP VALUE FUND INC
Form N-CSRS
September 08, 2008

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
18th & 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: January 1, 2008 - June 30, 2008

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).

**Semi-Annual Report
to Stockholders**

June 30, 2008

MANAGED DISTRIBUTION POLICY

The Blue Chip Value Fund, Inc. (the “Fund”) has a Managed Distribution Policy. This policy is to make quarterly distributions of at least 2.5% of the Fund’s net asset value (“NAV”) to stockholders. This is the quarterly payment that Fund investors elect to receive in cash or reinvest in additional shares through the Fund’s Dividend Reinvest–ment Plan. The Board of Directors believes this policy creates a predictable level of quarterly cash flow to Fund shareholders.

The table on the next page sets forth the estimated amounts of the most recent –quarterly distribution and the cumulative distributions paid during this fiscal year to date from the following sources: net investment income; net realized short term capital gains; net realized long term capital gain; and return of capital.

You should not necessarily draw any conclusions about the Fund’s investment performance from the amount of the distributions, as summarized in the table on the next page, or from the terms of the Fund’s Managed Distribution Policy.

The Fund estimates that it has distributed more than its income and capital gains; therefore, a portion of the distributions, as summarized in the table on the next page, may be a return of capital. A return of capital may occur, for example, when some or all of the money that you invested in the Fund is paid back to you. A return of capital distribution does not necessarily reflect the Fund’s investment performance and should not be confused with “yield” or “income.” It is important to note that the Fund’s investment adviser, Denver Investment Advisors LLC, seeks to minimize the amount of net realized capital gains, if consistent with the Fund’s investment objective, to reduce the amount of income taxes incurred by our stockholders. This strategy can lead to greater levels of return of capital being paid out under the Managed Distribution Policy.

The amounts and sources of distributions reported are only estimates and are not being provided for tax reporting purposes. The actual amounts and sources of the amounts for tax reporting purposes will depend upon the Fund’s investment experience during the remainder of its fiscal year and may be subject to changes based on tax regulations. The Fund will send you a Form 1099-DIV for the calendar year that will tell you how to report these distributions for –federal income tax purposes.

The Fund’s Managed Distribution Policy may be changed or terminated at the discretion of the Fund’s Board of Directors without prior notice to stockholders. If, for example, the Fund’s total distributions for the year result in taxable return of capital, the Fund’s Board of Directors would consider that factor, among others, in determining whether to retain, alter or eliminate the Managed Distribution Policy. It is possible, that the Fund’s market price may decrease if the Managed Distribution Policy is terminated. At this time, the Board has no intention of making any changes or terminating the Managed Distribution Policy.

ESTIMATED SOURCES OF DISTRIBUTIONS

	Current Distribution (\$)	% Breakdown of the Current Distribution	Total Cumulative Distributions for the Fiscal Year to Date (\$)	% Breakdown of the Total Cumulative Distributions for the Fiscal Year to Date
Net Investment Income	\$ 0.0071	5.92%	\$ 0.0068	2.72%
Net Realized Short Term Capital Gains	\$ 0.0000	0.00%	\$ 0.0000	0.00%
Net Realized Long Term Capital Gains	\$ 0.0007	0.58%	\$ 0.0000	0.00%
Return of Capital	\$ 0.1122	93.50%	\$ 0.2432	97.28%
Total (per common share)	\$ 0.12	100%	\$ 0.25	100%
Average annual total return (in relation to NAV) for the 5 years ending June 30, 2008				8.77%
Annualized current distribution rate expressed as a percentage of NAV as of June 30, 2008				9.98%
Cumulative total return (in relation to NAV) for the fiscal year through June 30, 2008				(7.68%)
Cumulative fiscal year distributions as a percentage of NAV as of June 30, 2008				5.20%

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 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 or toll-free at 1-800-624-4190.

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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.

INVESTMENT ADVISER'S COMMENTARY

Dear Fellow Stockholders:

August 5, 2008

For the six months ended June 30, 2008 the net asset value of the Blue Chip Value Fund, Inc. declined 7.68%. During this same period the S&P 500 Index, the Fund's benchmark index, lost 11.91% and the Lipper Large Core peer group declined 10.80%. The investing environment during the first half of 2008 was perhaps best characterized by fear of the financial fallout from the mortgage crisis and the continued propensity of investors to buy stocks only in sectors that have performed well, such as energy and commodities. Against this backdrop, we continued to manage the Fund by choosing stocks that have strong free cash flow, earn good returns on capital and are reasonably priced relative to their earnings.

The exceptional performance of several of our healthcare holdings helped the Fund's overall performance during the period. Standout performers included the biotech company Amgen, Inc. and Zimmer Holdings, Inc., a manufacturer of orthopedic implants. Both companies enjoyed improving profitability and appear to us to have good prospects for continuing their growth.

Another strong contributor to the Fund's performance was Quanta Services, Inc., a contracting services company that offers network solutions to the electric power, gas, telecommunications and cable television industries. We believe that Quanta stands to benefit meaningfully from upgrades to power grids. It continues to win contracts, driving revenues and cash flows higher. As a result of a 26% increase in Quanta's stock price over the past six months, the commercial services sector was the Fund's second largest contributor to performance.

While it is clear that high energy prices and a difficult housing market are affecting consumer attitudes, our holdings of discount retailer TJX Companies and casual dining operator Darden Restaurants were both up in the first half of the year. The gains posted by these two companies helped to buffer the loss of the group as a whole, which declined only 3.77% compared to the consumer cyclical stocks in the S&P 500 Index, which declined nearly 9.72% as a group.

Our largest individual contributor to performance was oil and gas exploration company XTO Energy, which gained 33%. Aided by the strong performance of integrated oil and gas company Occidental Petroleum, our energy holdings outperformed the oil and gas stocks in the benchmark index. However, we remain somewhat cautious on the sustainability of the recent spike in energy prices and therefore owned a slightly smaller weighting in energy than the S&P 500 during the period. As a result, energy created a nominal drag on Fund performance.

Fund holding Wachovia, a provider of commercial and retail banking services, lost 57% during the first half of the year. This caused the Fund's absolute performance in the interest-rate sensitive sector to lag the S&P 500 on average. Helping to offset this underperformance was our decision to hold a slightly underweight position in the sector versus the benchmark. While we believe there is significant value in interest-rate sensitive stocks over time, near-term uncertainties convinced us to be cautious in this area.

Although economic slowing is clearly being discounted in the market, we believe there are increasing opportunities to own companies with strong operations and –balance sheets at attractive valuations. Over the next several quarters, we believe the concerns about the degree of slowing should be clarified, and we expect the market will begin to improve. In the meantime, we remain focused on preserving capital and limiting risks.

Thank you for your continued support.

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

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**Sector Diversification in Comparison to
S&P 500 as of June 30, 2008***

	Fund	S&P 500
Basic Materials	2.7%	3.1%
Capital Goods	9.6%	8.4%
Commercial Services	5.2%	2.0%
Communications	8.0%	7.4%
Consumer Cyclical	12.6%	10.6%
Consumer Staples	8.0%	10.3%
Energy	14.7%	15.3%
Interest Rate Sensitive	10.4%	12.7%
Medical/Healthcare		