

CHILE FUND INC
Form N-CSRS
September 04, 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 811-5770

THE CHILE FUND, INC.
(Exact name of registrant as specified in charter)

Eleven Madison Avenue, New York, New York
(Address of principal executive offices)

10010
(Zip code)

J. Kevin Gao, Esq.

The Chile Fund, Inc.

Eleven Madison Avenue

New York, New York 10010
(Name and address of agent for service)

Registrant's telephone number, including area code: (212) 325-2000

Date of fiscal year end: December 31

Date of reporting period: January 1, 2008 to June 30, 2008

Item 1. Reports to Stockholders.

THE CHILE FUND, INC.

SEMI-ANNUAL REPORT
JUNE 30, 2008
(unaudited)

CH-SAR-0608

LETTER TO SHAREHOLDERS (UNAUDITED)

August 18, 2008

Dear Shareholder:

For the six-month period ended June 30, 2008, the net asset value (NAV) of The Chile Fund, Inc. (the "Fund") decreased by 1.97% versus an decrease of 3.39% for the Morgan Stanley Capital International Chile Index.* The Fund therefore outperformed its benchmark index by 142 basis points. The market price of the Fund's shares lost 25.0% during the period. As a result, the Fund's shares went from a premium to NAV of 17.1% at December 31, 2007, to a discount to NAV of -10.4% as of June 30, 2008.

Market Review: Chile underperformed Latin American equity markets

For the semiannual period ended June 30, 2008, equities in Chile underperformed relative to other Latin American equity markets. Elsewhere in the developed and developing world, however, they outperformed. Consider that the Morgan Stanley Capital International Daily^{TR} Net Emerging Markets Latin America Index had an increase of 9.32% (total return index, net of foreign taxation), while the MSCI Emerging Markets Index (price only) fell by 12.7% and the MSCI World Index (price only) fell by 11.7% during the same time period.

The macro picture in Chile has deteriorated as increased prices for food and energy have driven inflation higher, feeding through into core inflation expectations. As of June, consumer price inflation stood at 8.9% year over year the highest level since December 1994. The Central Bank has been slow to react to this scenario and only recently began to raise interest rates in response. We believe that the Central Bank is now significantly behind the curve and may have to keep rates higher for an extended period in order to reestablish its credibility with financial markets.

Growth expectations have also disappointed as the recent readings of economic activity trended downward. Estimates for gross domestic product (GDP) growth in 2008 have also fallen to around 4%. Additionally, economic activity has been impacted by several specific issues such as lower production from Codelco, the State-owned copper mining company, due in part to strikes and declining ore grades. The fact that the supply of natural gas from Argentina has almost disappeared has also had a knock-on impact on the chemical industry (methanol in particular). Copper prices remain at historically high levels with government finances and external accounts in very good shape as a result.

The capital markets have settled down since the government's meddling with pension fund system regulation at the end of 2007. However the pension funds have been net sellers during 2008, removing one of the key technical supports from the market.

Strategic Review and Outlook: We are cautious for the near term

Our best investment decision in the first half of the year was to increase our position in SQM (specialty chemicals 10.1% of the Fund as of June 30, 2008) to the maximum permitted under the diversification requirements to which the Fund is subject in order to maintain its status as a regulated investment company under the Internal Revenue Code of 1986, as amended. Unfortunately, we were not able to replicate the benchmark weighting due to these same requirements. Our underweights in DYS (retail 0.7% of the Fund as of June 30, 2008), LAN (airline 2.6% of the Fund as of June 30, 2008), and CTC (telecommunications 0.5% of the Fund as of June 30, 2008) also contributed

LETTER TO SHAREHOLDERS (UNAUDITED) (CONTINUED)

significantly to relative returns. The overweight positions that contributed the most were our positions in Endesa (16.5% of the Fund as of June 30, 2008), an electricity generator, and CAP (8.7% of the Fund as of June 30, 2008), a steel and iron ore company.

Among the holdings that detracted from performance were our overweight positions in CMPC (9.4% of the Fund as of June 30, 2008) and Copec (15.7% of the Fund as of June 30, 2008), pulp and paper companies. Our overweight in wine maker Concha y Toro (3.4% of the Fund as of June 30, 2008) also detracted from performance.

During the period, we made few major changes in strategy. In general, these changes were mostly stock specific rather than sector specific. For example, we sold our entire positions in La Polar (retail 0% of the Fund as of June 30, 2008) and Corpbanca (commercial bank 0% of the Fund as of June 30, 2008), while we added to our position in Entel (telecommunications services 3.8% of the Fund as of June 30, 2008). Each of these decisions contributed to returns.

Going forward, although we are cautious in the near term as a result of the outlook for inflation and interest rates, we continue to remain constructive on the Chilean market for the longer term a confidence that is underpinned by a long track record of sound macroeconomic management. In our opinion, valuation levels, relative to the rest of the region, look more attractive now than in recent years. Additionally, relative to other emerging market economies, Chile has long benefited in turbulent times, such as those we are presently experiencing. We anticipate that Chile should perform well in the months ahead.

Respectfully,

Matthew J.K. Hickman
Chief Investment Officer **

George Hornig
Chief Executive Officer and President ***

International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods. There are also risks associated with investing in Chile, including the risk of investing in a single-country fund.

In addition to historical information, this report contains forward-looking statements, which may concern, among other things, domestic and foreign market, industry and economic trends and developments and government regulation and their potential impact on the Fund's investments. These statements are subject to risks and uncertainties and actual trends, developments and regulations in the future and their impact on the Fund could be materially different from those projected, anticipated or implied. The Fund has no obligation to update or revise forward-looking statements.

LETTER TO SHAREHOLDERS (UNAUDITED) (CONTINUED)

*The Morgan Stanley Capital International Daily^{TR} Net Emerging Markets Chile USD Index is an unmanaged total return index (with no defined investment objective) of Chilean equities that includes reinvestment of dividends (net of taxes), and is the exclusive property of Morgan Stanley Capital International Inc. Investors cannot invest directly in an index.

**Matthew J.K. Hickman, Director, is a Portfolio Manager specializing in Latin American equities and has primary responsibility for management of the Fund's assets. He has specialized in Latin American financial markets since 1987. He joined Credit Suisse in 2003 from Compass Group Investment Advisors, where he was General Manager of the private wealth management division based in Santiago, Chile. For much of his career, he worked as a sell-side equity analyst at various investment banks, focusing on Latin American telecommunications companies and several Latin American country markets. Prior to this, he worked at Rothschild Asset Management where he was a member of the management team for the Five Arrows Chile Fund. Mr. Hickman holds a BA in Modern Languages from Cambridge University and a diploma in corporate finance from London Business School. He is fluent in Spanish, Portuguese and French. He is also the Chief Investment Officer of The Latin America Equity Fund, Inc.

***George Hornig is a Managing Director of Credit Suisse. He is the Chief Operating Officer of Alternative Investments and Chairman of the Asset Management Americas Operating Committee. Mr. Hornig has been associated with Credit Suisse since 1999.

THE CHILE FUND, INC.

**PORTFOLIO SUMMARY
JUNE 30, 2008 (UNAUDITED)**

SECTOR ALLOCATION

TOP 10 HOLDINGS, BY ISSUER

	Holdings	Sector	Percent of Net Assets
1.	Empresa Nacional de Electricidad S.A.	Independent Power Producers & Energy Traders	16.5
2.	Empresas Copec S.A.	Industrial Conglomerates	15.7
3.	Sociedad Química y Minera de Chile S.A.	Chemicals	10.1
4.	Empresas CMPC S.A.	Paper & Forest Products	9.4
5.	CAP S.A.	Metals & Mining	8.7
6.	Enerjis S.A.	Electric Utilities	6.4
7.	Cencosud S.A.	Food & Staples Retailing	4.8
8.	Banco Santander Chile S.A.	Commercial Banks	4.3
9.	Empresa Nacional de Telecomunicaciones S.A.	Diversified Telecommunication	3.8
10.	Viña Concha y Toro S.A.	Beverages	3.4

THE CHILE FUND, INC.

**AVERAGE ANNUAL RETURNS
JUNE 30, 2008 (UNAUDITED)**

	1 Year	3 Years	5 Years	10 Years
Net Asset Value (NAV)	(3.79)%	18.43%	26.04%	13.03%
Market Value	(18.19)%	19.74%	28.30%	14.29%

*Credit Suisse may waive fees and/or reimburse 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. 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 actual 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 share 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 and market price and NAV will fluctuate. Performance information current to the most recent month-end is available by calling 800-293-1232.*

The annualized gross and net expense ratios are 2.01%.

THE CHILE FUND, INC.**SCHEDULE OF INVESTMENTS
JUNE 30, 2008 (UNAUDITED)**

Description	No. of Shares	Value
EQUITY SECURITIES-100.51%		
AIRLINES-2.56%		
Lan Airlines S.A.	475,000	\$ 4,786,507
BEVERAGES-4.63%		
Coca-Cola Embonor S.A., Class A	1,360,000	1,354,967
Compañía Cervecerías Unidas S.A.	150,000	880,160
Embotelladora Andina S.A., PNA	1,397	3,314
Viña Concha y Toro S.A.	3,730,000	6,427,251
		8,665,692
BUILDING PRODUCTS-0.16%		
Cerámicas Cordillera S.A.	67,165	298,256
CHEMICALS-10.09%		
Sociedad Química y Minera de Chile S.A., Class B	260,728	11,973,845
Sociedad Química y Minera de Chile S.A., Class B, ADR	147,950	6,894,470
		18,868,315
COMMERCIAL BANKS-6.21%		
Banco de Crédito e Inversiones	131,956	3,530,847
Banco Santander Chile S.A.	198,886,987	8,080,786
		11,611,633
DIVERSIFIED FINANCIAL SERVICES-0.64%		
Invercap S.A.	80,000	1,202,391
DIVERSIFIED TELECOMMUNICATION-4.26%		
Compañía de Telecomunicaciones de Chile S.A., Class A	528,108	779,710
Compañía de Telecomunicaciones de Chile S.A., Class A, ADR	23,760	136,858
Empresa Nacional de Telecomunicaciones S.A.	530,490	7,047,025
		7,963,593
ELECTRIC UTILITIES-7.10%		
Almendra S.A.	14,086,725	\$ 1,323,262
Enersis S.A.	34,000,000	10,517,127
Enersis S.A., ADR	93,200	1,452,056

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		13,292,445
FOOD & STAPLES RETAILING-5.54%		
Cencosud S.A.	3,020,000	9,010,426
Distribucion y Servicio S.A.	3,850,000	1,357,491
		10,367,917
INDEPENDENT POWER PRODUCERS & ENERGY TRADERS-19.91%		
Empresa Nacional de Electricidad S.A.	21,068,000	30,341,598
Empresa Nacional de Electricidad S.A., ADR	12,500	534,500
Gener S.A.	18,037,931	6,366,590
		37,242,688
INDUSTRIAL CONGLOMERATES-15.65%		
Empresas Copec S.A.	2,338,185	29,285,551
MARINE TRANSPORTATION-0.09%		
Compañía SudAmericana de Vapores S.A.	124,008	172,969
METALS & MINING-8.66%		
CAP S.A.	355,500	16,193,313
MULTILINE RETAIL-3.42%		
Ripley Corp S.A.	285,661	219,552
S.A.C.I. Falabella, S.A.	1,468,324	6,183,150
		6,402,702
OIL, GAS & CONSUMABLE FUELS-0.13%		
Geopark Holdings Ltd.	30,209	235,071
PAPER & FOREST PRODUCTS-9.41%		
Empresas CMPC S.A.	580,000	17,610,779

See accompanying notes to financial statements.

THE CHILE FUND, INC.**SCHEDULE OF INVESTMENTS (CONTINUED)
JUNE 30, 2008 (UNAUDITED)**

Description	No. of Shares	Value
WATER UTILITIES-2.05%		
Inversiones Aguas		
Metropolitanas S.A.	3,740,000	\$ 3,831,912
TOTAL EQUITY SECURITIES		
(Cost \$95,862,621)		188,031,734
	Principal Amount (000's)	
SHORT-TERM INVESTMENT-0.01%		
GRAND CAYMAN-0.01%		
Brown Brothers Harriman & Co., overnight deposit, 1.36%, 7/1/08		
(Cost \$22,000)	\$ 22	22,000
TOTAL INVESTMENTS-100.52%		
(Cost \$95,884,621)		188,053,734
LIABILITIES IN EXCESS OF CASH AND		
OTHER ASSETS-(0.52)%		(972,764)
NET ASSETS-100.00%		\$ 187,080,970

Non-income producing security.

ADR American Depositary Receipts.

PNA Preferred Shares, Series A.

See accompanying notes to financial statements.

THE CHILE FUND, INC.**STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2008 (UNAUDITED)**

ASSETS	
Investments, at value (Cost \$95,884,621) (Notes B,E,G)	\$ 188,053,734
Cash	1,688
Receivables:	
Investments sold	1,900,424
Dividends	164,962
Prepaid expenses	4,639
Total Assets	190,125,447
LIABILITIES	
Payables:	
Due to custodian	911,134
Investments purchased	792,588
Investment advisory fees (Note C)	539,653
Administration fees (Note C)	55,539
Directors' fees	38,918
Other accrued fees	188,353
Chilean taxes (Note B)	518,292
Total Liabilities	3,044,477
NET ASSETS (applicable to 10,164,551 shares of common stock outstanding) (Note D)	\$ 187,080,970
NET ASSETS CONSIST OF	
Capital stock, \$0.001 par value; 10,164,551 shares issued and outstanding (100,000,000 shares authorized)	\$ 10,165
Paid-in capital	81,443,934
Undistributed net investment income	1,947,985
Accumulated net realized gain on investments and foreign currency related transactions	11,591,281
Net unrealized appreciation in value of investments and translation of other assets and liabilities denominated in foreign currencies	92,087,605
Net assets applicable to shares outstanding	\$ 187,080,970
NET ASSET VALUE PER SHARE (\$187,080,970 ÷ 10,164,551)	\$ 18.41
MARKET PRICE PER SHARE	\$ 16.50

See accompanying notes to financial statements.

THE CHILE FUND, INC.**STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2008 (UNAUDITED)**

INVESTMENT INCOME	
Income (Note B):	
Dividends	\$ 3,951,048
Interest	4,925
Less: Foreign taxes withheld	(26,145)
Total Investment Income	3,929,828
Expenses:	
Investment advisory fees (Note C)	1,064,726
Custodian fees	159,847
Administration fees (Note C)	110,219
Directors' fees	52,387
Accounting fees	32,769
Audit and tax fees	24,878
Printing (Note C)	23,935
Legal fees	15,909
Shareholder servicing fees	9,976
Insurance	2,517
Stock exchange listing fees	1,063
Miscellaneous	5,012
Chilean taxes (Note B)	478,605
Total Expenses	1,981,843
Net Investment Income	1,947,985
NET REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS AND FOREIGN CURRENCY RELATED TRANSACTIONS	
Net realized gain from:	
Investments	9,548,544
Foreign currency related transactions	92,827
Net change in unrealized depreciation in value of investments and translation of other assets and liabilities denominated in foreign currencies (includes \$65,804 of Chilean repatriation taxes on unrealized gains) (Note B)	(15,362,689)
Net realized and unrealized loss on investments and foreign currency related transactions	(5,721,318)
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ (3,773,333)