

CHILE FUND INC
Form N-CSR
March 08, 2010

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:	The Chile Fund, Inc.
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:	December 31, 2009

Item 1. Reports to Stockholders.

THE CHILE FUND, INC.

ANNUAL REPORT
DECEMBER 31, 2009

CH-AR-1209

LETTER TO SHAREHOLDERS (UNAUDITED)

Dear Shareholder,

We present this Annual Report which covers the activities of The Chile Fund, Inc. (the "Fund") for the year ended December 31, 2009. The Fund's principal investment objective is to seek total return, consisting of capital appreciation and income, by investing primarily in Chilean equity and debt securities.

For the year ended December 31, 2009, the total return to shareholders of the Fund based on the net asset value (NAV) of the Fund was 80.6% versus an 86.7% in the Fund's benchmark, the Morgan Stanley Capital International Chile Index. Based on market price, the Fund's shares gained 93.8% during the year, assuming reinvestment of dividends and distributions.

Share Price Performance

The Fund's share price increased 82.28% over the twelve months, from \$9.82 on December 31, 2008 to \$17.90 on December 31, 2009. The Fund's share price on December 31, 2009 represented a discount of 4.6% to the NAV per share of \$18.77 on that date, compared with a discount of 11.1% to the NAV per share of \$11.05 on December 31, 2008. As of February 17, 2010, the share price was \$18.15, representing a discount of 5.5% to the NAV per share of \$19.20.

Change In Legal Entity Name

Since Aberdeen Asset Management Investment Services Limited ("Aberdeen") now serves as investment manager of the Fund, the Board believes it is appropriate to add "Aberdeen" to the fund's name in order to identify the Fund's manager more clearly and to differentiate the funds in a competitive market with many known brands. Aberdeen is an independent global asset manager, a market leader in global emerging markets, managing approximately US\$29.4 billion of assets in emerging market equities and bonds. It should be noted that the Fund's ticker, CH, will remain the same.

Market Review

The Chilean equity market continued a robust rally in December, ending 2009 with the largest monthly gain in 16 years, led by utility, retail and commodity stocks. Investor sentiment was also boosted by positive news regarding industrial output.

Data on the economic front has been encouraging as the nation emerged from recession in the third quarter. Inflationary pressures continued to ease, and during the year Central Bank lowered interest rates to 0.5%, with the bank reaffirming the maintenance of the current monetary stance, until some time in mid-2010. Towards the end of the year, corporate profits began to recover, in particular within the banking sector as a result of wider margins. Conversely, foreign direct investment fell 40% in 2009 to US\$6.28 billion.

During the fourth quarter of 2009, Chilean equities led gains among Latin American equities. This was due to solid copper prices as a result of robust Chinese demand, and news on the general election also became more positive as the market's favoured candidate, Sebastian Pinera, gained ground against his opponents. Policymakers' approval of the US\$40.7 billion 2010 fiscal budget also proved critical in lifting investor confidence.

LETTER TO SHAREHOLDERS (UNAUDITED) (CONTINUED)

Outlook

The Chilean market may rally further in the near term amid flush liquidity, hopes of further economic recovery, and rising copper prices. For now, most policymakers appear to have decided that it is wise to continue the extraordinary fiscal stimulus, although such a stimulus cannot continue indefinitely. The risk of asset bubbles could become more pronounced, if US interest rates stay low, restricting any recovery of the US dollar.

In the current economic environment, we will continue to uphold our disciplined process of investing in fundamentally strong companies, which we believe will deliver solid long-term results.

Self-Tender Policy

On June 26, 2009 the Fund's Board of Director's announced that in the event the Fund's discount to net asset value exceeds 2% on a volume weighted average basis for the three month period ending December 31, 2009, the Fund will conduct a tender offer for 25% of the outstanding shares of the Fund. Such offer, if implemented, would be made at a price equal to 99% of net asset value per share and the tender offer would commence in the first quarter of 2010. At the end of the three month period, the Fund's shares traded at such a discount and the tender offer is planned to commence, subject to the receipt of necessary regulatory approvals, in the first quarter of 2010 although the exact date.

Managed Distribution Policy

On June 26, 2009 the Fund's Board approved 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. The Board of Directors determined that the initial percentage would be 10% for the 12 month period commencing with the distribution payable in July 2009. This policy is subject to regular review by the Fund's Board of Directors. The distributions are made from current income, supplemented by realized capital gains and, to the extent necessary, paid-in capital.

On February 17, 2010, the Board of Directors authorized a quarterly distribution of 41 cents per share, payable on April 23, 2010 to all shareholders of record as of April 13, 2010.

Dividend Reinvestment And Cash Purchase Plan

We invite you to participate in the Fund's Dividend Reinvestment and Cash Purchase Plan (the "Plan"), which allows you to automatically reinvest your distributions in shares of the Fund's common stock at favorable commission rates. Distributions made under the Plan are taxable to the same extent as are cash distributions. The Plan also enables you to make additional cash investments in shares of at least \$100 per transaction. To request a brochure containing more information on the Plan, together with an enrollment form, please contact the Plan Agent toll free at 1-800-647-0584 (international 1-781-575-3100).

LETTER TO SHAREHOLDERS (UNAUDITED) (CONTINUED)

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,

e-mailing InvestorRelations@aberdeen-asset.com, or

visiting the website at www.aberdeench.com.

For information about the Aberdeen Group, visit the Aberdeen website at www.aberdeen-asset.us.

Finally included within this report is a postage paid reply card which would register you into the Aberdeen enhanced email service. Following receipt of the completed form, updated investment information relating to the closed end funds would be circulated to your attention.

Yours sincerely,

Christian Pittard
President

THE CHILE FUND, INC.

**PORTFOLIO SUMMARY
DECEMBER 31, 2009 (UNAUDITED)**

SECTOR ALLOCATION

TOP 10 HOLDINGS, BY ISSUER

	Holding	Sector	Percentage of Net Assets
1.	Empresas Copec S.A.	Industrial Conglomerates	18.0%
2.	Empresa Nacional de Electricidad S.A.	Independent Power Producers & Energy Traders	16.9%
3.	Empresas CMPC S.A.	Paper & Forest Products	9.1%
4.	Enersis S.A.	Electric Utilities	8.1%
5.	Banco Santander Chile	Commercial Banks	6.3%
6.	S.A.C.I. Falabella S.A.	Multiline Retail	6.2%
7.	Inversiones Aguas Metropolitanas S.A.	Water Utilities	4.3%
8.	Viña Concha y Toro S.A.	Beverages	4.2%
9.	Lan Airlines S.A.	Airlines	4.1%
10.	Empresa Nacional de Telecomunicaciones S.A.	Diversified Telecommunication Services	4.0%

THE CHILE FUND, INC.**AVERAGE ANNUAL RETURNS
DECEMBER 31, 2009 (UNAUDITED)**

	1 Year	3 Years	5 Years	10 Years
Net Asset Value (NAV)	80.58%	12.67%	16.11%	12.25%
Market Value	93.78%	11.79%	17.66%	15.14%

*Aberdeen Asset Management Investment Services Limited has agreed to voluntarily waive fees and/or reimburse expenses. This waiver may be discontinued in the future. Without such waivers and/or reimbursed expenses, 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 866-839-5205.*

The annualized gross and net expense ratios are 1.94%.

THE CHILE FUND, INC.**SCHEDULE OF INVESTMENTS
DECEMBER 31, 2009**

Description	No. of Shares	Value
EQUITY SECURITIES-101.1%		
AIRLINES-4.1%		
Lan Airlines S.A.	462,500	\$ 7,896,008
BEVERAGES-7.3%		
Coca-Cola Embonor S.A., Class A	560,000	662,395
Compañía Cervecerías Unidas S.A.	410,000	3,225,037
Embotelladora Andina S.A., PNB	556,000	1,903,937
Viña Concha y Toro S.A.	3,644,000	8,081,814
		13,873,183
CHEMICALS-6.1%		
Sociedad Química y Minera de Chile S.A., Class B, ADR	134,650	5,058,800
Sociedad Química y Minera de Chile S.A., PNB	172,500	6,529,325
		11,588,125
COMMERCIAL BANKS-7.7%		
Banco de Crédito e Inversiones	79,997	2,672,980
Banco Santander Chile	198,886,987	12,017,518
		14,690,498
DIVERSIFIED TELECOMMUNICATION SERVICES-4.0%		
Empresa Nacional de Telecomunicaciones S.A.	530,611	7,686,406
ELECTRIC UTILITIES-8.1%		
Enersis S.A.	34,000,000	15,517,004
FOOD & STAPLES RETAILING-3.0%		
Cencosud S.A.	1,687,000	5,710,358
INDEPENDENT POWER PRODUCERS & ENERGY TRADERS-20.7%		
Colbun S.A.	28,432,425	7,258,746
Empresa Nacional de Electricidad S.A.	18,968,000	32,158,660
		39,417,406
INDUSTRIAL CONGLOMERATES-18.0%		
Empresas Copec S.A.	2,297,185	\$ 34,372,862
METALS & MINING-2.5%		
CAP S.A.	163,694	4,824,495
MULTILINE RETAIL-6.2%		
S.A.C.I. Falabella S.A.	2,004,083	11,832,880
PAPER & FOREST PRODUCTS-9.1%		

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Empresas CMPC S.A.	435,713	17,351,213
WATER UTILITIES-4.3%		
Inversiones Aguas Metropolitanas S.A.	6,850,500	8,224,652
TOTAL EQUITY SECURITIES		
(Cost \$82,610,189)		192,985,090
	Principal	
	Amount	
	(000's)	
SHORT-TERM INVESTMENT-0.4%		
GRAND CAYMAN-0.4%		
Wells Fargo, overnight deposit, 0.03%, 01/04/10 (Cost \$711,000)	\$ 711	711,000
TOTAL INVESTMENTS-101.5%		
(Cost \$83,321,189)		193,696,090
LIABILITIES IN EXCESS OF CASH AND		
OTHER ASSETS-(1.5)%		(2,844,810)
NET ASSETS-100.0%		\$ 190,851,280

ADR American Depositary Receipts.

PNB Preferred Shares, Class B.

See accompanying notes to the financial statements.

THE CHILE FUND, INC.**STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 2009****ASSETS**

Investments, at value (Cost \$83,321,189) (Notes B, E, G)	\$ 193,696,090
Cash (including \$1,708,655 of foreign currencies with a cost of \$1,717,930)	1,708,669
Prepaid expenses	25,369
Total Assets	195,430,128

LIABILITIES

Payables:

Dividends and distributions (Note B)	3,660,518
Investment advisory fees (Note C)	407,072
Custodian fees	87,655
Administration fees (Note C)	58,423
Audit fees	56,611
Printing fees	19,486
Directors' fees	9,448
Other accrued expenses	105,053
Chilean taxes (Note B)	174,582
Total Liabilities	4,578,848

NET ASSETS (applicable to 10,168,105 shares of common stock outstanding) (Note D) **\$ 190,851,280**

NET ASSETS CONSIST OF

Capital stock, \$0.001 par value; 10,168,105 shares issued and outstanding (100,000,000 shares authorized)	\$ 10,168
Paid-in capital	81,496,916
Accumulated net investment loss	(796,785)
Accumulated net realized loss on investments and foreign currency related transactions	(201,279)
Net unrealized appreciation in value of investments and translation of other assets and liabilities denominated in foreign currencies	110,342,260
Net assets applicable to shares outstanding	\$ 190,851,280
NET ASSET VALUE PER SHARE (based on 10,168,105 shares issued and outstanding)	\$ 18.77
MARKET PRICE PER SHARE	\$ 17.90

See accompanying notes to the financial statements.

THE CHILE FUND, INC.**STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2009****INVESTMENT INCOME**

Income (Note B) :

Dividends	\$ 4,208,777
Interest	348
Less: Foreign taxes withheld	(54,039)
Total Investment Income	4,155,086

Expenses:

Investment advisory fees (Note C)	1,584,378
Custodian fees	234,594
Legal fees	196,427
Administration fees (Note C)	165,651
Directors' fees	120,204
Accounting fees (Note C)	100,724
Audit and tax fees	99,981
Insurance fees	31,021
Printing fees (Note C)	23,634
Shareholder servicing fees	19,922
Stock exchange listing fees	1,404
Miscellaneous fees	14,078
Chilean taxes (Note B)	565,429
Total Expenses	3,157,447
Less: Fee waivers (Note C)	(117,095)
Net Expenses	3,040,352
Net Investment Income	1,114,734

**NET REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS AND
FOREIGN CURRENCY RELATED TRANSACTIONS**

Net realized gain from:

Investments	8,465,521
Foreign currency related transactions	58,441
Net change in unrealized appreciation in value of investments and translation of other assets and liabilities denominated in foreign currencies (includes \$23,367 of Chilean repatriation taxes on unrealized gains) (Note B)	79,712,457
Net realized and unrealized gain on investments and foreign currency related transactions	88,236,419
NET INCREASE IN NET ASSET RESULTING FROM OPERATIONS	\$ 89,351,153

See accompanying notes to the financial statements.

THE CHILE FUND, INC.**STATEMENTS OF CHANGES IN NET ASSETS**

	For the Years Ended December 31,	
	2009	2008
INCREASE/(DECREASE) IN NET ASSETS		
Operations:		
Net investment income	\$ 1,114,734	\$ 1,984,807
Net realized gain on investments and foreign currency related transactions	8,523,962	5,660,250
Net change in unrealized appreciation/(depreciation) in value of investments and translation of other assets and liabilities denominated in foreign currencies	79,712,457	(76,820,491)
Net increase/(decrease) in net assets resulting from operations	89,351,153	(69,175,434)
Dividends and distributions to shareholders:		
Net investment income	(3,391,348)	(1,626,475)
Net realized gain on investments	(7,488,148)	(7,725,756)
Total dividends and distributions to shareholders	(10,879,496)	