

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

BLUE CHIP VALUE FUND INC
Form N-CSRS
June 01, 2004

[LOGO] Blue Chip
Value Fund

Quarterly Report
to Stockholders
March 31, 2004

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:

The first quarter of 2004 saw the market continue to rally on solid economic and market fundamentals, only to surrender some of those gains later in the quarter. In our opinion, renewed attention was paid to valuation, with the market rewarding companies that traded at lower multiples relative to their ability to generate and grow cash flow. However, smaller stocks continued to outperform larger stocks, a trend we believe may be nearing an end.

Against this backdrop, the Blue Chip Value Fund appreciated 2.51% at net asset value (NAV) for the three-month period ended March 31, 2004, outperforming the 1.70% return of its benchmark, the S&P 500 Index. We also draw your attention to the one-, three- and five-year performance periods, which again show the Fund's NAV outpacing the S&P 500. Meanwhile, the Fund continued to trade at a premium to NAV, generally in the 10% to 15% range.

Turning to the portfolio, strong contributions to performance were made by stocks in the healthcare, consumer staples and energy sectors. Within healthcare, leading managed care provider Aetna Inc. continued to experience profitable growth with improving margins, while adding over 1% to the portfolio's total quarterly performance. Consumer staples standouts included Tyson Foods, Inc., which moved 36% higher on improving margins in its various meat businesses, as well as top soybean processor Bunge Ltd., where it appears to us that increased demand and robust margins pushed the stock up by 22%. Elsewhere, rising energy prices in addition to firming offshore drilling rates appear to have boosted Transocean Inc., which advanced 17% during the quarter.

In contrast, it appears to us that generic pharmaceutical giant Mylan Laboratories Inc. was stung by delays surrounding a new product launch. While the stock underperformed during the period, in our opinion the depth and attractiveness of its pipeline continue to suggest meaningful upside. At the

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

same time, our holding in railroad operator Union Pacific Corp. also disappointed as harsh winter weather and crew shortages appear to have resulted in lower cash flow guidance. Nevertheless, in our opinion signs of stronger volumes and modest price increases should result in better days ahead. Finally, private mortgage insurer Radian Group, Inc. declined as lower rates and credit concerns appear to have

3

plagued the company. Despite the short-term setback, we added to the position in anticipation of higher rates, which we hope could ultimately lead to stronger long-term cash flows.

Of the 2.51% NAV increase, approximately 0.25% was attributable to the use of leverage approved by stockholders at last year's annual meeting. During the quarter, the average balance outstanding under the leverage facility was \$8.6 million, representing approximately 5.5% of stockholder assets before leverage. The Fund currently has a facility in place to leverage up to \$15 million or approximately 10% of assets. We anticipate that the amount of leverage in use will fluctuate based on the availability of suitable investment opportunities within the marketplace.

On another note, as disclosed in the Distributions to Stockholders section of the Notes to Financial Statements, it is possible under certain circumstances that distributions paid from capital surplus would be classified as taxable ordinary income rather than non-taxable return of capital due to the use of capital loss carryforwards. This would result in less favorable tax treatment for our stockholders. As such, we are actively monitoring the Fund's realized capital gains in relation to the loss carryforwards in an attempt to maximize after-tax returns for shareholders.

Looking ahead, in our opinion we see an ongoing migration toward higher-quality companies with improving returns and visible free cash generation, believing that they will markedly outperform. We remain confident that the economy is stable and growing sufficiently to realize the positive results we anticipate. Perhaps the biggest unknowns are concerns surrounding terrorism and international unrest, and the challenges posed by a moderating recovery. However, on balance we remain optimistic regarding the outlook for the economy and stocks, with an increasingly constructive view of the higher-quality, larger-cap issues that comprise the Blue Chip Value Fund.

Sincerely,

/s/ TODGER ANDERSON, CFA

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

4

HOW TO OBTAIN A COPY OF THE FUND'S PROXY VOTING POLICIES

A description of the policies and procedures that are used by the Fund's investment adviser to vote proxies relating to the Fund's portfolio securities is available (1) without charge, upon request, by calling (800) 624-4190; (2) on the Fund's website at www.blu.com and (3) on the Fund's Form N-CSR which is

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

available on the U.S. Securities and Exchange Commission website at www.sec.gov.

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.

5

=====
Sector Diversification in
Comparison to S&P 500 as of March 31, 2004*
=====

| | Fund | S&P 500 |
|------------------------|-------|---------|
| Basic Materials | 2.7% | 2.8% |
| Capital Goods | 6.5% | 8.2% |
| Commercial Services | 2.4% | 2.6% |
| Communications | 2.2% | 6.6% |
| Consumer Cyclical | 13.5% | 12.5% |
| Consumer Staples | 6.7% | 8.9% |
| Energy | 6.7% | 6.0% |
| Financials | 23.2% | 20.6% |
| Medical/Healthcare | 21.8% | 13.0% |
| REITs | 0.0% | 0.4% |
| Technology | 12.5% | 14.0% |
| Transportation | 1.7% | 1.5% |
| Utilities | 0.0% | 2.9% |
| Short-Term Investments | 0.1% | -- |

*Sector diversification percentages are based on the Fund's total investments at market value. Sector diversification is subject to change and may not be representative of future investments.

=====
Average Annual Total Returns
as of March 31, 2004
=====

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

| | Return | 3 Mos. | 1-Year | 3-Year | 5-Year | 10-Year |
|----------------------|--------------|--------|--------|--------|---------|---------|
| Blue Chip Value Fund | NAV | 2.51% | 36.58% | 1.14% | 1.61% | 11.20% |
| Blue Chip Value Fund | Market Price | 4.23% | 59.40% | 8.52% | 4.39% | 11.92% |
| S&P 500 Index | | 1.70% | 35.13% | 0.64% | (1.19%) | 11.68% |

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

6

Market Price Performance History
 Since Inception (04/15/87) through March 31, 2004

[DATA BELOW IS REPSRENTED BY A LINE CHART IN THE ORIGINAL REPORT]

| Adjusted Marked Value(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 |

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

| | |
|-------|-------|
| 12.07 | 7.88 |
| 12.18 | 7.75 |
| 12.81 | 7.75 |
| 13.64 | 8.25 |
| 13.78 | 8.13 |
| 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 |
| 37.59 | 5.79 |
| 41.77 | 6.14 |
| 43.54 | 6.4 |

Annual distribution totals as indicated.(3)

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 a share 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.

(3) Reflects the actual market price of one share as it has traded on the NYSE.

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

(3) Annual distribution totals represent actual amounts. 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.

7

NEWS RELEASE

Date: Thursday, April 1, 2004

BLUE CHIP VALUE FUND DECLARES FIRST QUARTER DISTRIBUTION

DENVER, CO. (April 1, 2004) The Directors of Blue Chip Value Fund, Inc. have declared a distribution of \$0.14 per share. This distribution is payable April 30, 2004, to stockholders of record April 16, 2004, and will have an ex-dividend date of April 14, 2004. The Fund currently pays a quarterly distribution equal to 2.5% of its Net Asset Value, rounded to the nearest penny. These fixed distributions are not related to the amount of the Fund's net investment income or net realized capital gains or losses.

Of the total distribution, approximately \$0.0002 represents net investment income and the remaining undesignated portion is paid from capital surplus. If the Fund's total distributions required by the fixed quarterly payout policy for the year exceed the Fund's "current and accumulated earnings and profits," the excess will be treated as non-taxable return of capital, reducing the stockholder's adjusted cost basis. However, to the extent that current year net realized gains are offset by capital loss carryforwards, such excess distributions would be classified as taxable ordinary income rather than non-taxable return of capital. The actual determination of the source of the undesignated distributions can be made only at year-end. Shareholders will receive written notification regarding the components and tax treatment of all distributions for the calendar year in early 2005.

As of March 31, 2004, the Fund's N.A.V. was \$5.72 and the stock closed at \$6.40, a premium of 11.89%.

8

BLUE CHIP VALUE FUND, INC.

STATEMENT OF ASSETS AND LIABILITIES

March 31, 2004 (Unaudited)

ASSETS

| | |
|---------------------------------|----------------|
| Investments at market value | \$ 160,517,572 |
| (identified cost \$142,417,956) | |
| Dividends receivable | 176,198 |
| Interest receivable | 603 |
| Other assets | 9,502 |
| | ----- |
| TOTAL ASSETS | 160,703,875 |
| | ----- |

LIABILITIES

| | |
|--------------------------------------|-----------|
| Loan payable to bank | 6,343,000 |
| Interest due on loan payable to bank | 13,712 |
| Payable for securities purchased | 25,351 |

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

| | |
|--|----------------|
| Advisory fee payable | 77,794 |
| Administration fee payable | 8,116 |
| Accrued expenses and other liabilities | 85,136 |
| | ----- |
| TOTAL LIABILITIES | 6,553,109 |
| | ----- |
| NET ASSETS | \$ 154,150,766 |
| | ===== |
| COMPOSITION OF NET ASSETS | |
| Capital stock, at par | \$ 269,695 |
| Paid-in-capital | 146,701,349 |
| Undistributed net investment income | 6,697 |
| Accumulated net realized loss | (10,926,591) |
| Net unrealized appreciation on investments | 18,099,616 |
| | ----- |
| | \$ 154,150,766 |
| | ----- |
| SHARES OF COMMON STOCK | |
| OUTSTANDING (100,000,000 shares authorized at \$0.01 par value) | 26,969,486 |
| | ===== |
| Net asset value per share | \$ 5.72 |
| | ===== |

See accompanying notes to financial statements.

9

BLUE CHIP VALUE FUND, INC.

STATEMENT OF OPERATIONS

For the Three Months Ended March 31, 2004 (Unaudited)

| | |
|---|------------|
| INCOME | |
| Dividends | \$ 421,665 |
| Interest | 1,003 |
| | ----- |
| TOTAL INCOME | \$ 422,668 |
| | ----- |
| EXPENSES | |
| Investment advisory fee (Note 3) | 229,207 |
| Administrative services fee (Note 3) | 24,203 |
| Interest on outstanding loan payable | 45,968 |
| Legal fees | 28,175 |
| Stockholder reporting | 26,427 |
| Transfer agent fees | 19,322 |
| Directors' fees | 17,951 |
| NYSE listing fees | 9,973 |
| Audit and tax preparation fees | 6,108 |
| Insurance and fidelity bond | 3,738 |
| Other | 2,493 |
| Custodian fees | 2,406 |
| | ----- |
| TOTAL EXPENSES | 415,971 |
| | ----- |
| NET INVESTMENT INCOME | 6,697 |

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

| | |
|---|--------------|
| REALIZED AND UNREALIZED | ----- |
| GAIN/(LOSS) ON INVESTMENTS | |
| Net realized gain on investments | 5,045,940 |
| Change in net unrealized appreciation/ depreciation of investments | (1,540,397) |
| | ----- |
| NET GAIN ON INVESTMENTS | 3,505,543 |
| | ----- |
| NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS | \$ 3,512,240 |
| | ===== |

See accompanying notes to financial statements.

10

BLUE CHIP VALUE FUND, INC.

STATEMENTS OF CHANGES IN NET ASSETS

| | For the Three Months Ended March 31, 2004(1) | For the Year Ended December 31, 2003 |
|---|---|---|
| | ----- | ----- |
| Increase/(decrease) in net assets from operations: | | |
| Net investment income | \$ 6,697 | \$ 363,532 |
| Net realized gain from securities transactions | 5,045,940 | 417,452 |
| Change in net unrealized appreciation or depreciation of investments | (1,540,397) | 32,391,284 |
| | ----- | ----- |
| | 3,512,240 | 33,172,268 |
| | ----- | ----- |
| Decrease in net assets from distributions to stockholders from: | | |
| Net investment income | 0 | (363,532) |
| Return of capital | 0 | (13,273,611) |
| | ----- | ----- |
| | 0 | (13,637,143) |
| | ----- | ----- |
| Increase in net assets from common stock transactions: | | |
| Net asset value of common stock issued to stockholders from reinvestment of dividends (99,692 and 349,244 shares issued, respectively) | 581,503 | 1,808,988 |
| | ----- | ----- |
| | 581,503 | 1,808,988 |
| | ----- | ----- |
| NET INCREASE IN NET ASSETS | 4,093,743 | 21,344,113 |
| NET ASSETS | | |

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

| | | |
|---------------------|----------------|----------------|
| Beginning of period | 150,057,023 | 128,712,910 |
| | ----- | ----- |
| End of period | \$ 154,150,766 | \$ 150,057,023 |
| | ===== | ===== |

(1) Unaudited

See accompanying notes to financial statements.

11

BLUE CHIP VALUE FUND, INC.

FINANCIAL HIGHLIGHTS

| Per Share Data (for a share outstanding throughout each period) | For the Three Months Ended | |
|--|-------------------------------|-----------|
| | March 31, 2004 (1) | |
| | ----- | |
| Net asset value - beginning of period | \$ | 5.58 |
| Investment operations | | |
| Net investment income | | 0.00 (2) |
| Net gain (loss) on investments | | 0.14 |
| | | ----- |
| Total from investment operations | | 0.14 |
| | | ----- |
| Distributions | | |
| From net investment income | | -- |
| From net realized gains on investments | | -- |
| Return of capital | | -- |
| | | ----- |
| Total distributions | | 0.00 (5) |
| | | ----- |
| 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 | \$ | 5.72 |
| | | ===== |
| Per share market value, end of period | \$ | 6.40 |
| | | ===== |
| Total investment return(3) based on: | | |
| Market Value | | 4.2% |
| Net Asset Value | | 2.5% |
| Ratios/Supplemental data: | | |
| Ratio of operating expenses to average net assets | | 0.96%* |
| Ratio of total expenses to average net assets | | 1.08%* |
| Ratio of net investment income to average net assets | | 0.02%* |
| Ratio of total distributions to average net assets | | 0.00% (5) |
| Portfolio turnover rate(4) | | 17.78% |
| Net assets - end of period (in thousands) | | \$154,151 |

See accompanying notes to financial statements.

* Annualized.

(1) Unaudited.

(2) Amount is less than \$.005 per share.

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

(3) Past performance is no guarantee of future results. Share price will fluctuate, so that a share 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

12

For the year ended December 31,

| 2003 | 2002 | 2001 | 2000 | 1999 |
|-----------|-----------|-----------|-----------|-----------|
| \$ 4.85 | \$ 6.94 | \$ 8.17 | \$ 9.09 | \$ 10.25 |
| 0.01 | 0.04 | 0.04 | 0.05 | 0.03 |
| 1.23 | (1.40) | (0.29) | (0.08) | 0.49 |
| 1.24 | (1.36) | (0.25) | (0.03) | 0.52 |
| (0.01) | (0.04) | (0.04) | (0.05) | (0.03) |
| -- | -- | (0.36) | (0.84) | (1.65) |
| (0.50) | (0.52) | (0.34) | -- | -- |
| (0.51) | (0.56) | (0.74) | (0.89) | (1.68) |
| -- | (0.16) | (0.23) | -- | -- |
| -- | (0.01) | (0.01) | -- | -- |
| -- | (0.17) | (0.24) | -- | -- |
| \$ 5.58 | \$ 4.85 | \$ 6.94 | \$ 8.17 | \$ 9.09 |
| \$ 6.14 | \$ 4.59 | \$ 7.56 | \$ 7.55 | \$ 8.69 |
| 46.9% | (32.2%) | 14.1% | (3.2%) | 6.7% |
| 26.4% | (20.6%) | (3.0%) | 0.2% | 6.2% |
| 1.13% | 0.93% | 0.91% | 0.88% | 0.85% |
| 1.13% | 0.93% | 0.91% | 0.88% | 0.85% |
| 0.27% | 0.64% | 0.56% | 0.63% | 0.32% |
| 10.07% | 10.15% | 10.21% | 10.46% | 16.86% |
| 52.58% | 65.86% | 73.30% | 127.55% | 54.24% |
| \$150,057 | \$128,713 | \$145,517 | \$140,863 | \$153,002 |

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

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

the market value to the net asset value from the beginning to the end of such periods.

- (4) 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 three months ended March 31, 2004 were \$28,829,472 and \$30,623,919, respectively.
- (5) Due to the timing of the quarterly ex-distribution dates, no distribution is recorded during the three months ended March 31, 2004. Please see Note 5 concerning details for the April 2004 distribution.

13

BLUE CHIP VALUE FUND, INC.

STATEMENT OF INVESTMENTS
March 31, 2004 (Unaudited)

| | Shares | Cost | Market Value |
|---|---------|--------------|--------------|
| | ----- | ----- | ----- |
| COMMON STOCKS - 104.02% | | | |
| BASIC MATERIALS - 2.80% | | | |
| Forestry & Paper - 2.80% | | | |
| Bowater Inc. | 99,100 | \$ 4,676,588 | \$ 4,323,733 |
| TOTAL BASIC MATERIALS | | 4,676,588 | 4,323,733 |
| ----- | | | |
| CAPITAL GOODS - 6.72% | | | |
| Aerospace & Defense - 3.04% | | | |
| General Dynamics Corp. | 28,600 | 2,227,919 | 2,554,838 |
| Raytheon Co. | 67,800 | 2,340,069 | 2,124,852 |
| | | ----- | ----- |
| | | 4,567,988 | 4,679,690 |
| Industrial Products - 3.68% | | | |
| Parker Hannifin Corp. | 100,500 | 4,847,686 | 5,678,250 |
| TOTAL CAPITAL GOODS | | 9,415,674 | 10,357,940 |
| ----- | | | |
| COMMERCIAL SERVICES - 2.55% | | | |
| IT Services - 2.55% | | | |
| Computer Sciences Corp.* | 97,300 | 3,942,978 | 3,924,109 |
| TOTAL COMMERCIAL SERVICES | | 3,942,978 | 3,924,109 |
| ----- | | | |
| COMMUNICATIONS - 2.25% | | | |
| Telecomm Service Providers - 2.25% | | | |
| ALLTEL Corp. | 69,600 | 3,507,230 | 3,472,344 |
| TOTAL COMMUNICATIONS | | 3,507,230 | 3,472,344 |
| ----- | | | |
| CONSUMER CYCLICAL - 14.08% | | | |
| Clothing & Accessories - 2.87% | | | |
| TJX Companies Inc. | 180,300 | 2,785,187 | 4,428,168 |
| General Merchandise - 2.87% | | | |
| Target Corp.+ | 98,200 | 3,396,619 | 4,422,928 |
| Hotels & Gaming - 1.66% | | | |
| Starwood Hotels & Resorts Worldwide Inc. | 63,200 | 1,831,324 | 2,559,600 |
| Publishing & Media - 5.38% | | | |
| Dow Jones & Company Inc. | 50,700 | 2,714,743 | 2,429,037 |

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

| | | | |
|-------------------------|---------|------------|------------|
| Viacom Inc. - Class B | 61,300 | 2,993,401 | 2,403,573 |
| Walt Disney Co. | 138,800 | 2,967,594 | 3,468,612 |
| | | 8,675,738 | 8,301,222 |
| Restaurants - 1.30% | | | |
| Darden Restaurants Inc. | 80,600 | 2,001,891 | 1,998,074 |
| TOTAL CONSUMER CYCLICAL | | 18,690,759 | 21,709,992 |

14

| | Shares | Cost | Market Value |
|---|---------|--------------|--------------|
| | ----- | ----- | ----- |
| CONSUMER STAPLES - 6.92% | | | |
| Food & Agricultural Products - 6.92% | | | |
| Bunge Ltd. | 82,100 | \$ 1,976,770 | \$ 3,302,062 |
| Kraft Foods Inc.+ | 87,100 | 2,741,790 | 2,788,071 |
| Tyson Foods Inc. | 254,000 | 2,988,679 | 4,584,700 |
| | | 7,707,239 | 10,674,833 |
| TOTAL CONSUMER STAPLES | | 7,707,239 | 10,674,833 |
| ENERGY - 6.94% | | | |
| Exploration & Production - 2.63% | | | |
| Devon Energy Corp. | 69,612 | 3,374,412 | 4,047,938 |
| Integrated Oils - 2.82% | | | |
| Occidental Petroleum Corp. | 94,400 | 4,183,712 | 4,347,120 |
| Oil Services - 1.49% | | | |
| Transocean Inc.* | 82,400 | 1,704,136 | 2,298,136 |
| TOTAL ENERGY | | 9,262,260 | 10,693,194 |
| FINANCIALS - 24.20% | | | |
| Insurance & Real Estate Brokers - 2.48% | | | |
| Willis Group Holdings Ltd. | 102,800 | 2,969,098 | 3,824,160 |
| Integrated Financial Services - 3.33% | | | |
| Citigroup Inc.+ | 99,400 | 4,306,929 | 5,138,980 |
| Property Casualty Insurance - 11.32% | | | |
| Allstate Corp. | 71,900 | 2,605,776 | 3,268,574 |
| AMBAC Financial Group Inc. | 47,500 | 2,608,731 | 3,504,550 |
| American International Group+ | 47,900 | 3,089,795 | 3,417,665 |
| Radian Group Inc. | 98,100 | 3,855,772 | 4,179,060 |
| Travelers Property & Casualty Corp.+ | 179,300 | 2,601,208 | 3,074,995 |
| | | 14,761,282 | 17,444,844 |
| Securities & Asset Management - 4.72% | | | |
| Goldman Sachs Group Inc. | 23,400 | 2,063,344 | 2,441,790 |
| Lehman Brothers Holdings Inc. | 28,500 | 1,760,490 | 2,361,795 |
| Merrill Lynch & Company Inc. | 41,500 | 2,306,225 | 2,471,740 |
| | | 6,130,059 | 7,275,325 |
| Specialty Finance - 2.35% | | | |
| Freddie Mac | 61,300 | 3,752,653 | 3,620,378 |

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

TOTAL FINANCIALS 31,920,021 37,303,687

15

| | Shares | Cost | Market Value |
|---|---------|--------------|--------------|
| | ----- | ----- | ----- |
| MEDICAL - HEALTHCARE - 22.71% | | | |
| Healthcare Services - 6.40% | | | |
| Aetna Inc. | 54,400 | \$ 3,097,444 | \$ 4,880,768 |
| Pacificare Health Systems Inc.* | 125,900 | 4,737,238 | 4,979,345 |
| | | ----- | ----- |
| | | 7,834,682 | 9,860,113 |
| Pharmaceuticals - 16.31% | | | |
| Abbott Laboratories | 73,500 | 3,219,353 | 3,020,850 |
| Amgen Inc.* | 53,500 | 3,219,407 | 3,112,095 |
| Barr Pharmaceuticals Inc.* | 63,000 | 3,064,654 | 2,891,700 |
| Mylan Laboratories Inc.+ | 217,100 | 4,388,645 | 4,934,683 |
| Pfizer Inc.+ | 166,260 | 4,713,657 | 5,827,413 |
| Teva Pharmaceutical Industries Ltd. | 38,900 | 2,529,165 | 2,466,649 |
| Wyeth | 77,000 | 2,786,350 | 2,891,350 |
| | | ----- | ----- |
| | | 23,921,231 | 25,144,740 |
| TOTAL MEDICAL - HEALTHCARE | | 31,755,913 | 35,004,853 |
| | | ----- | ----- |
| TECHNOLOGY - 13.04% | | | |
| Computer Software - 5.76% | | | |
| Microsoft Corp. | 172,400 | 5,240,231 | 4,304,828 |
| Network Associates Inc.* | 101,400 | 1,646,754 | 1,825,200 |
| Verisign Inc.* | 165,500 | 2,749,989 | 2,745,645 |
| | | ----- | ----- |
| | | 9,636,974 | 8,875,673 |
| Electronic Equipment - 1.20% | | | |
| American Power Conversion | 80,700 | 1,067,339 | 1,856,907 |
| Semiconductors - 5.00% | | | |
| Altera Corp.* | 101,600 | 2,481,038 | 2,077,720 |
| Intel Corp.+ | 144,300 | 3,584,797 | 3,924,960 |
| National Semiconductor Corp.* | 38,300 | 744,624 | 1,701,669 |
| | | ----- | ----- |
| | | 6,810,459 | 7,704,349 |
| Technology Resellers - Distributors - 1.08% | | | |
| Tech Data Corp.* | 40,600 | 1,129,578 | 1,662,164 |
| TOTAL TECHNOLOGY | | 18,644,350 | 20,099,093 |
| | | ----- | ----- |
| TRANSPORTATION - 1.81% | | | |
| Railroads - 1.81% | | | |
| Union Pacific Corp. | 46,600 | 2,728,762 | 2,787,612 |
| TOTAL TRANSPORTATION | | 2,728,762 | 2,787,612 |
| | | ----- | ----- |
| TOTAL COMMON STOCKS | | 142,251,774 | 160,351,390 |
| | | ----- | ----- |

16

13

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

| | Shares | Cost | Market Value |
|--------------------------------|---------|---------------|---------------|
| | ----- | ----- | ----- |
| SHORT-TERM INVESTMENTS - 0.11% | | | |
| Goldman Sachs Financial | | | |
| Square Prime Obligations | | | |
| Fund - FST Shares | | 166,182 | 166,182 |
| TOTAL SHORT-TERM | | | |
| INVESTMENTS | | 166,182 | 166,182 |
| ----- | | | |
| TOTAL | | | |
| INVESTMENTS | 104.13% | \$142,417,956 | \$160,517,572 |
| Liabilities in Excess | | | |
| of Other Assets | (4.13%) | | (6,366,806) |
| | ----- | | ----- |
| NET ASSETS | 100.00% | | \$154,150,766 |
| | ===== | | ===== |

* Denotes non-income producing security.

+ A portion of the shares held in this security are pledged as collateral for the borrowings under the loan agreement.

17

BLUE CHIP VALUE FUND, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2004 (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

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

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.

18

As of December 31, 2003, the Fund had available for federal income tax purposes unused capital loss carryforwards as follows:

| | |
|----------|---------------|
| Expiring | |
| 2010 | \$ 15,484,833 |
| 2011 | 45,245 |
| | ----- |
| Total | \$ 15,530,078 |
| | ===== |

The Fund intends to elect to defer to its fiscal year ending December 31, 2004, approximately \$35,000 of losses recognized during the period November 1, 2003 to December 31, 2003, which will expire in 2012 if unutilized.

The tax character of the distributions paid was as follows:

| | Three Months Ended March 31, 2004 | Year Ended December 31, 2003 |
|--------------------------|---|------------------------------------|
| | ----- | ----- |
| Distributions paid from: | | |
| Ordinary income | \$ -- | \$ 363,532 |
| Long-term capital gain | -- | -- |
| Return of capital | -- | 13,273,611 |
| | ----- | ----- |
| Total | \$ -- | \$13,637,143 |
| | ===== | ===== |

As of March 31, 2004, the components of distributable earnings on a tax basis were as follows:

| | |
|-------------------------------------|--------------|
| Undistributed net investment income | \$ 6,697 |
| Accumulated net realized loss | (10,518,960) |
| Net unrealized appreciation | 17,691,985 |
| | ----- |
| Total | \$ 7,179,722 |
| | ===== |

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.

The Fund currently maintains a "managed distribution policy" which distributes at least 2.5% of its net asset value quarterly to its stockholders.

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

These fixed distributions are not related to the amount of the Fund's net investment income or net realized capital gains or losses and will be classified to conform to the tax reporting requirements of the Internal Revenue Code. If the Fund's total distributions required by the fixed quarterly payout policy for the year exceed the Fund's "current and accumulated earnings and profits," the excess will be treated as non-taxable return of capital, reducing the stockholder's adjusted basis in his or her shares.

19

Although capital loss carryforwards may offset any current year net realized capital gains, such amounts do not reduce the Fund's "current earnings and profits." Therefore, to the extent that current year net realized capital gains are offset by capital loss carryforwards, such excess distributions would be classified as taxable ordinary income rather than non-taxable return of capital. In this situation, the Fund's Board of Directors would consider that factor, among others, in determining whether to retain, alter or eliminate the "managed distribution policy." The Fund's distribution policy may be changed at the discretion of the Fund's Board of Directors. At this time, the Board of Directors has no plans to change the current policy.

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)

As of March 31, 2004:

| | |
|--|---------------|
| Gross appreciation (excess of value over tax cost) | \$ 22,400,873 |
| Gross depreciation (excess of tax cost over value) | (4,708,888) |
| | ----- |
| Net unrealized appreciation | \$ 17,691,985 |
| | ----- |
| Cost of investments for income tax purposes | \$142,825,587 |
| | ===== |

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.

20

ALPS Mutual Funds Services, Inc. ("ALPS") and DIA 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 Funds average daily net assets up to \$75,000,000, 0.04%, and 0.005% of the Funds average daily net assets between \$75,000,000 and \$125,000,000, and 0.02% and 0.005% of the Funds average daily net assets in excess of \$125,000,000. The

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

administrative service fee is paid monthly.

4. LOAN OUTSTANDING

On November 12, 2003 an agreement with Custodial Trust Company of Bear Stearns was reached, in which the Fund may borrow from the Custodial Trust Company an aggregate amount of up to the lesser of \$15,000,000 or the maximum amount the Fund is permitted to borrow under the Investment Company Act of 1940. The borrowings under the Custodial Trust Company loan are secured by pledging a portion of the Fund's portfolio securities as collateral. The initial value of the portfolio securities pledged must equal twice the amount of the loan outstanding. As of March 31, 2004 the Fund had a loan payable in the amount of \$6,343,000 with a daily interest rate of 2.09%, which represents 30-day LIBOR plus 1.00%. The amount of the loan represented 3.95% of the Fund's total assets as of March 31, 2004.

5. SUBSEQUENT EVENTS

The Fund declared a distribution of \$0.14 per share on April 1, 2004. The distribution was payable on April 30, 2004. Of the total distribution, approximately \$0.0002 represents net investment income and the remaining portion is currently undesignated until the actual determination of the source can be made at year-end.

Robert J. Greenebaum, a Director of the Fund since 1988, has retired from the Board of Directors effective May 11, 2004.

21

This page intentionally left blank.

22

This page intentionally left blank.

23

BOARD OF DIRECTORS

Kenneth V. Penland, Chairman
Todger Anderson, 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
Joan Ohlbaum Swirsky, Secretary
Jasper R. Frontz, Treasurer

Investment Adviser/Co-Administrator
Denver Investment Advisors LLC
1225 17th Street, 26th Floor
Denver, CO 80202

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

(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

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
VALUE FUND

www.blu.com