

BLUE CHIP VALUE FUND INC
Form N-CSR
September 08, 2006

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: June 30, 2006

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, 2006



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 Fund's net asset value increased 0.78% during the first half of 2006, compared to an increase in the S&P 500 Index of 2.71%.

Our investment philosophy is to invest in a diversified portfolio of large-capitalization stocks of companies selling for less than their "intrinsic" value. We determine this value based on the present value of their estimated future free cash flow. Free cash flow refers to the cash a business generates which can be used to pay cash dividends, buy back stock, or invest in new business opportunities. As of June 30, 2006, our portfolio has a free cash flow yield of 5.31% compared to 4.16% for the S&P 500. By this measure, our portfolio is a better value than the S&P 500. We believe this provides the opportunity to outperform the S&P 500, but it certainly does not guarantee it- especially in the short run. In future shareholder letters, we will talk more about free cash flow and why it is the cornerstone of our investment process.

Our underperformance in the first half of the year was mainly a function of our over weighting in healthcare and technology stocks. We are overweight in these sectors because the stocks are undervalued based on our analysis of their free cash flow yield. However, this does not mean they will outperform in the short run as we have seen in the first half of this year. While we cannot predict the timing, we believe this undervaluation will be corrected sometime in the next two years.

In healthcare, several holdings detracted significantly from the Fund's performance relative to the benchmark including generic manufacturers Teva Pharmaceutical Industries, Ltd. and Barr Pharmaceuticals, Inc. and stent manufacturer Boston Scientific. We continue to hold all three stocks because our research indicates their valuations are reasonable. In technology, Microsoft detracted from our performance. We continue to hold it as well because its cash flow yield is very attractive. The interest rate sensitive sector of the portfolio was also a modest deterrent to performance, caused by the underperformance of Merrill Lynch.

Our stock holdings in energy and consumer cyclicals did well in the first half. Occidental Petroleum and Marathon Oil were the portfolio performance leaders. Within the cyclical sector, J.C. Penney did well because of brand repositioning and better inventory management, which has led to improved sales and margins. Walt Disney continued to report solid revenue growth and margin expansion in the resort and theme park group as well as continued success in its media operations, leading to strong stock performance. Finally, Starwood Hotels & Resorts Worldwide also delivered strong performance due to increased business travel and better room rates.

We believe we have positioned the portfolio to do well in a slow growth economic environment, which we expect to last for the next 12 to 24 months. We remain optimistic as our research continues to uncover large-capitalization stocks with strong free cash flows at attractive prices.

Sincerely,

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

Sector Diversification in Comparison to S&P 500 as of June 30, 2006*		
	Fund	S&P 500
Basic Materials	0.0%	2.8%
Capital Goods	8.0%	9.2%
Commercial Services	3.9%	2.4%
Communications	2.2%	5.8%
Consumer Cyclical	11.9%	11.6%
Consumer Staples	6.4%	8.7%
Energy	9.5%	10.0%
Financials	25.7%	20.2%
Medical/Healthcare	14.7%	11.9%
REITs	0.0%	1.0%
Technology	14.8%	10.8%
Transportation	2.7%	2.0%
Utilities	0.0%	3.6%
Short-Term Investments	0.2%	0.0%

*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 Return
as of June 30, 2006**

Return	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Blue Chip Value Fund NAV	0.78%	7.89%	12.55%	2.83%	7.75%	8.38%
Blue Chip Value Fund Market Price	(7.63%)	(2.34%)	9.19%	2.81%	9.04%	8.46%
S&P 500 Index	2.71%	8.63%	11.22%	2.49%	8.32%	10.47%

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. Please note that the Fund's total return shown above does not reflect the deduction of taxes that a stockholder would pay on Fund distributions or the sale of Fund shares. Current performance may be higher or lower than the total return shown above. Please visit our website at www.blu.com to obtain the most recent month end returns. 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.

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The top graph represents the cumulative value of an investment assuming reinvestment of all distributions through the Fund's Dividend Reinvestment Plan and full participation in rights offerings. The bottom graph represents the Actual Market Price and NAV per share over the same period.

The Fund's Actual NAV per share is reduced by each distribution amount when recorded. If the total return of the Fund's NAV is less than the distribution percentage over the same period, the Actual NAV per share during such period will decline. However, the overall value of the investment held by a shareholder who reinvests distributions through the Fund's Dividend Reinvestment Plan will not decline over this period if the total return is positive during the period. This is the case over the past 10 years as depicted in the top graph.

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.

1Reflects the cumulative total return using market prices and net asset values as indicated, of an investment made by a stockholder who purchased one share at inception (April 15, 1987) (\$10.00 IPO) and then reinvested all distributions through the Fund's Dividend Reinvestment Plan and fully participated in primary subscription of rights offerings. These returns do not reflect the deduction of taxes that a Fund stockholder would pay on Fund distributions or the sale of Fund shares.

2Reflects the actual market price of one share as it has traded on the NYSE.

3Reflects the actual NAV of one share.

4Annual distribution totals represent actual amounts. Due to the timing of quarterly ex-distribution dates, only one quarterly distribution was recorded during the six months ended June 30, 2006. 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.

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

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 available on the U.S. Securities and Exchange Commission ("SEC") website at www.sec.gov.

Information regarding how the Fund's investment adviser voted proxies relating to the Fund's portfolio securities during the most recent 12-month period ended June 30 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 SEC website at www.sec.gov.

QUARTERLY PORTFOLIO HOLDINGS

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's website at <http://www.sec.gov> and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling 1-800-SEC-0330. In addition, the Fund's complete schedule of portfolio holdings for the first and third quarters of each fiscal year is available on the Fund's website at www.blu.com.

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.

BLUE CHIP VALUE FUND BOARD CONSIDERATIONS RELATING TO THE 2006 ADVISORY CONTRACT RENEWAL

The Board of Directors of the Fund determined on February 7, 2006 to renew the Advisory Agreement (the "Agreement") with Denver Investment Advisors LLC ("DenverIA"). Prior to making its determination, the Board received detailed information from DenverIA, including, among other things, information provided by Lipper, Inc. ("Lipper") comparing the performance, advisory fee and other expenses of the Fund to that of a relevant peer group identified by Lipper, a Lipper report on investment management profitability and information responsive to requests by the Fund's independent counsel for certain information to assist the Board in its considerations, including DenverIA's Form ADV. In addition, the Board reviewed a memorandum from its independent counsel detailing the Board's duties and responsibilities in considering renewal of the Agreement.

In reaching its decision to renew the Agreement, the Board, including a majority of the Directors who are not interested persons under the Investment Company Act of 1940 (the "Independent Directors"), considered, among other things: (i) the nature, extent and quality of DenverIA's services provided to the Fund and the compliance initiatives undertaken and the resources committed to enhance DenverIA's compliance program; (ii) the experience and qualifications of the portfolio management team; (iii) DenverIA's investment philosophy and process; (iv) DenverIA's assets under management and client descriptions; (v) DenverIA's brokerage and soft dollar commission reports and trade aggregation and allocation policy; (vi) current advisory fee arrangement with the Fund and DenverIA's other similarly managed mutual fund client, noting that DenverIA did not provide advisory fee information on its other separate account clients, because those clients are not managed similarly to the Fund's large cap value style; (vii) Lipper information comparing the Fund's performance, advisory fee, DenverIA's co-administration fee and the Fund's expense ratio to that of comparable funds; (viii) DenverIA's financial statements, Form ADV, profitability analysis related to providing advisory services to the Fund and Lipper report on investment management profitability; (ix) the level of DenverIA's insurance coverage; (x) compensation and possible benefits to DenverIA and its affiliates arising from their advisory and other relationships with the Fund; and (xi) the extent to which economies of scale are relevant to the Fund.

During the course of its deliberations, the Board, including a majority of Independent Directors, reached the following conclusions, among others, regarding DenverIA and the Agreement: that DenverIA had the capabilities, resources and personnel necessary to manage the Fund; that the performance of the Fund over the last 1, 3 and 5 year periods, the time period over which the current portfolio management team has been in place, was competitive with that of its Lipper peer group; the advisory fee is competitive with that of its Lipper peer group, consistent with DenverIA's other similarly managed mutual fund client and is fair and reasonable; that the combined advisory and co-administration fee payable to DenverIA is also competitive with that of its Lipper peer group; the Fund's expense ratio is favorable compared to the Lipper peer group averages, and the expected profit to DenverIA for advisory services seemed reasonable based on the data DenverIA provided and the Lipper report on investment management profitability; that the benefits derived by DenverIA from managing the Fund, including how DenverIA uses soft-dollars, and the ways in which it conducts portfolio transactions for the Fund and selects brokers are reasonable; and that the breakpoints in the advisory and administrative fees payable to DenverIA allow shareholders to benefit from economies of scale as the Fund's asset level increases, noting that the asset level breakpoints have been reached under the agreements.

Based on the factors considered, the Board, including a majority of the Independent Directors, concluded that it was appropriate to renew the Agreement.

NEWS RELEASE

Date: Monday, July 3, 2006

BLUE CHIP VALUE FUND DECLARES SECOND QUARTER DISTRIBUTION

DENVER, CO. (July 3, 2006) The Directors of Blue Chip Value Fund, Inc. have declared a distribution of \$0.14 per share. This distribution is payable July 28, 2006, to stockholders of record July 14, 2006, and will have an ex-dividend date of July 12, 2006. The Fund currently pays a quarterly distribution equal to 2.5% of its Net Asset Value, rounded to the nearest penny.

Of the total distribution, approximately \$0.0033 represents net investment income earned in the second quarter and the remaining undesignated portion is paid from capital surplus. If the Fund's total distributions for the year exceed its net investment income and net realized capital gains for the year, all or a portion of the undesignated distributions may constitute a non-taxable return of capital. As of July 3, 2006, the date of this press release, the undesignated portion of the distribution would include approximately 100% from net realized capital gains earned in the second quarter. For the fiscal year-to-date, the undesignated portion of the distributions would include approximately 67.15% from net realized capital gains and 32.85% from paid-in capital. The estimated components of each distribution are likely to change throughout the year. As such, the actual determination of the source of the undesignated distributions can be made only at year-end.

As of June 30, 2006, the Fund's N.A.V. was \$5.52 and the stock closed at \$5.68, a premium of 2.8986%.

BLUE CHIP VALUE FUND, INC.**STATEMENT OF INVESTMENTS**

June 30, 2006

(Unaudited)

	Shares		Cost		Market Value
COMMON STOCKS	109.27%				
CAPITAL GOODS	8.71%				
Aerospace & Defense	3.80%				
General					
Dynamics Corp.	49,600	\$	2,541,025	\$	3,246,816
Raytheon Co.	57,900		2,105,231		2,580,603
					5,827,419
Electrical Equipment	1.79%				
General Electric Co.	83,500		2,994,681		2,752,160
Industrial Products	3.12%				
ITT Industries	32,000		1,624,509		1,584,000
Parker Hannifin Corp.	41,400		2,885,186		3,212,640
					4,796,640
TOTAL CAPITAL GOODS			12,150,632		13,376,219
COMMERCIAL SERVICES	4.28%				
IT Services	1.80%				
Computer Sciences Corp.**	57,050		2,701,100		2,763,502
Transaction Processing	2.48%				
First Data Corp.	84,800		3,395,973		3,819,392
TOTAL COMMERCIAL SERVICES			6,097,073		6,582,894
COMMUNICATIONS	2.44%				
Telecomm Equipment & Solutions	2.44%				
Nokia Corp.	184,800		2,885,079		3,744,048
TOTAL COMMUNICATIONS			2,885,079		3,744,048

CONSUMER CYCLICAL	12.98%		
Clothing & Accessories	2.15%		
TJX Companies Inc.	144,800	3,368,178	3,310,128
General Merchandise	1.54%		
Target Corp.	48,300	2,416,747	2,360,421
Hotels & Gaming	2.13%		
Starwood Hotels & Resorts Worldwide Inc.	54,300	2,077,137	3,276,462
Publishing & Media	3.19%		
Walt Disney Co.	163,200	4,111,225	4,896,000
Restaurants	1.77%		
Darden Restaurants Inc.	69,140	1,712,324	2,724,116
Retail	2.20%		
JC Penney Co. Inc.	50,000	2,789,495	3,375,500
TOTAL CONSUMER CYCLICAL		16,475,106	19,942,627

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	Shares	Cost	Market Value
CONSUMER STAPLES 7.02%			
Food & Agricultural Products 4.46%			
Bunge Ltd.	55,400	\$ 2,432,495	\$ 2,783,850
Campbell Soup Co.	109,800	3,425,850	4,074,678
			6,858,528
Home Products 2.56%			
Colgate Palmolive Co.	65,600	3,692,051	3,929,440
TOTAL CONSUMER STAPLES		9,550,396	10,787,968
ENERGY 10.40%			
Exploration & Production 5.42%			
Occidental Petroleum Corp.	44,000	2,462,935	4,512,200
XTO Energy Inc.	86,200	2,606,418	3,816,074
			8,328,274
Integrated Oils 2.27%			
Marathon Oil Corp.	42,000	1,662,262	3,498,600
Oil Services 2.71%			
Transocean Inc.**	51,800	1,777,191	4,160,576
TOTAL ENERGY		8,508,806	15,987,450
FINANCIALS 28.13%			
Insurance 4.13%			
ACE Ltd.	64,700	3,576,571	3,273,173
MBIA Inc.	52,600	3,077,836	3,079,730
			6,352,903
Integrated Financial Services 6.42%			
American International Group	61,800	3,956,453	3,649,290
Citigroup Inc.	128,700	5,796,067	6,208,488
			9,857,778
Money Center Banks 5.41%			
Bank of America Corp.	72,200	3,434,771	3,472,820
The Bank of New York Co. Inc.	95,000	3,356,702	3,059,000
SunTrust Banks Inc.	23,300	1,793,336	1,776,858
			8,308,678
Regional Banks 2.25%			
US Bancorp	57,400	1,645,493	1,772,512
Wachovia Corp.	31,200	1,496,630	1,687,296
			3,459,808

Securities & Asset Management

3.89%

Merrill Lynch & Company Inc.	47,600	2,619,902	3,311,056
Morgan Stanley & Co.	42,100	2,237,780	2,661,141
			5,972,197

Specialty Finance

3.76%

Countrywide Financial Corp.	90,700	3,154,926	3,453,856
Freddie Mac	40,800	2,602,638	2,326,008
			5,779,864

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	Shares	Cost	Market Value
Thrifts 2.27%			
Washington Mutual Inc.	76,600	\$ 3,048,873	\$ 3,491,428
TOTAL FINANCIALS		41,797,978	43,222,656
MEDICAL - HEALTHCARE 16.07%			
Medical Technology 2.93%			
Boston Scientific Co.**	114,100	2,914,549	1,921,444
Medtronic Inc.	54,900	2,762,540	2,575,908
			4,497,352
Pharmaceuticals 13.14%			
Abbott Laboratories	115,400	4,850,505	5,032,594
Amgen Inc.**	61,500	3,554,564	4,011,645
Barr Pharmaceuticals Inc.**	49,800	2,343,590	2,374,962
Teva Pharmaceutical Industries Ltd.	184,700	5,049,474	5,834,673
Zimmer Holdings Inc	51,900	3,545,446	2,943,768
			20,197,642
TOTAL MEDICAL - HEALTHCARE		25,020,668	24,694,994
TECHNOLOGY 16.26%			
Computer Software 8.99%			
International Business Machines Corp.	45,500	3,638,348	3,495,310
Microsoft Corp.	269,900	7,929,402	6,288,670
Verisign Inc.**	173,700	4,248,510	4,024,629
			13,808,609
PC s & Servers 1.91%			
Dell Inc.**	120,500	3,802,449	2,941,405
Semiconductors 5.36%			
Altera Corp.**	68,100	1,514,900	1,195,155
Intel Corp.	273,300	6,371,224	5,179,035
Maxim Integrated Products Inc.	57,900	2,225,973	1,859,169
			8,233,359
TOTAL TECHNOLOGY		29,730,806	24,983,373

TRANSPORTATION 2.98%

Railroads 2.98%

Norfolk Southern Corp.	86,100	3,058,420	4,582,243
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TOTAL TRANSPORTATION		3,058,421	4,582,243
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TOTAL COMMON STOCKS		155,274,965	167,904,472
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SHORT TERM INVESTMENTS 0.27%

Goldman Sachs
Financial
Square Prime Obligations