

ABERDEEN CHILE FUND, INC.
Form N-CSR
March 08, 2012

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:

Aberdeen Chile Fund, Inc.

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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, 2011

Item 1. Reports to Stockholders.

Managed Distribution Policy (unaudited)

The Board of Directors of the Fund has authorized a managed distribution policy (MDP) 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. With each distribution, the Fund will issue a notice to shareholders and an accompanying press release which will provide detailed information regarding the amount and composition of the distribution and other information required by the Fund's MDP exemptive order. The Fund's Board of Directors may amend or terminate the MDP at any time without prior notice to shareholders; however, at this time, there are no reasonably foreseeable circumstances that might cause the termination of the MDP. You should not draw any conclusions about the Fund's investment performance from the amount of distributions or from the terms of the Fund's MDP.

Distribution Disclosure Classification (unaudited)

The Fund's policy is to provide investors with a stable distribution rate. Each quarterly distribution will be paid out of current income, supplemented by realized capital gains and, to the extent necessary, paid-in capital.

The Fund is subject to U.S. corporate, tax and securities laws. Under U.S. tax accounting rules, the amount of distributable income for each fiscal period depends on the actual exchange rates during the entire year between the U.S. Dollar and the currencies in which Fund assets are denominated and on the aggregate gains and losses realized by the Fund during the entire year.

Therefore, the exact amount of distributable income for each fiscal year can only be determined as of the end of the Fund's fiscal year, December 31. However, under the Investment Company Act of 1940 (the "1940 Act"), the Fund is required to indicate the sources of certain distributions to shareholders. The Fund estimates that distributions for the fiscal year ended December 31, 2011, consisted of 4% net investment income and 96% net realized long-term capital gains.

This estimated distribution composition may vary from quarter to quarter because it may be materially impacted by future realized gains and losses on securities and fluctuations in the value of the currencies in which Fund assets are denominated.

In January 2012, a Form 1099-DIV was sent to shareholders, which states the amount and composition of distributions and provide information with respect to their appropriate tax treatment for the 2011 calendar year.

Dividend Reinvestment and Direct Stock Purchase Plan (unaudited)

The Fund has a Dividend Reinvestment and Direct Stock Purchase Plan (the Plan), which is sponsored and administered by Computershare Trust Company, N.A., the Fund's transfer agent.

The Plan allows registered stockholders and first time investors to buy and sell shares and automatically reinvest dividends and capital gains through our transfer agent. This is a cost-effective way to invest in the Fund.

Please note that for both purchases and reinvestment purposes, shares will be purchased in the open market at the current share price and cannot be issued directly by the Fund.

For more information about the Plan and a brochure that includes the terms and conditions of the Plan, please call Computershare at 1-800-647-0584 or visit www.computershare.com/buyaberdeen.

Closed-end funds have a one-time initial public offering and then are subsequently traded on the secondary market through one of the stock exchanges. The investment return and principal value will fluctuate so that an investor's shares may be worth more or less than the original cost. Shares of closed-end funds may trade above (a premium) or below (a discount) the net asset value (NAV) of the fund's portfolio. Past performance does not guarantee future results. Foreign securities are more volatile, harder to price and less liquid than U.S. securities. These risks may be enhanced in emerging market countries. Concentrating investments in a single country, region or industry may subject a fund to greater price volatility and risk of loss than more diverse funds. **Investors should consider a fund's investment objectives, risks, charges and expenses carefully before investing. A copy of the prospectus for Aberdeen Australia Equity Fund, Inc. and Aberdeen Chile Fund, Inc. that contains this and other information about the fund may be obtained by calling 866-839-5205. Please read the prospectus carefully before investing. Investing in funds involves risk, including possible loss of principal.** Aberdeen Asset Management Inc., 1735 Market Street, 32nd Floor, Philadelphia, PA 19103. NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE

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Letter to Shareholders (unaudited)

February 21, 2012

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Dear Shareholder,

We present this Annual Report which covers the activities of Aberdeen Chile Fund, Inc. (the Fund) for the twelve-month period ended December 31, 2011. The Fund's principal investment objective is to seek total return, consisting of capital appreciation and income, by investing primarily in Chilean equity securities.

Net Asset Value Performance

For the year ended December 31, 2011, the total return to shareholders of the Fund based on the net asset value (NAV) of the Fund was (23.5)% assuming reinvestment of dividends versus a return of (20.4)% for the Fund's benchmark, the MSCI Chile Index.

Share Price Performance

For the year ended December 31, 2011, based on market price, the Fund's total return was (22.7)%, assuming reinvestment of dividends. The Fund's share price decreased 33.7% over the twelve month period from \$22.67 on December 31, 2010 to \$15.04 on December 31, 2011. The Fund's share price on December 31, 2011 represented a premium of 3.8% to the NAV per share of \$14.49 on that date, compared with a premium of 2.8% to the NAV per share of \$22.05 on December 31, 2010. As of February 21, 2012, the share price was \$18.22, representing a premium of 7.7% to the NAV per share of \$16.92.

Managed Distribution Policy

In September 2011, the Fund's Board of Directors (the Board) determined the rolling distribution rate for the Managed Distribution Policy to be 10% for the 12-month period commencing with the distribution payable in November 2011. Pursuant to the Fund's managed distribution policy, the Fund pays 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. This policy is subject to regular review by the Board. The distributions will be made from current income, supplemented by realized capital gains and, to the extent necessary, paid-in capital. Consistent with this policy, on December 8, 2011, the Board announced a quarterly distribution of \$0.47 per share, payable on January 13, 2012 to all shareholders of record as of December 30, 2011.

Elective Cash Distribution Results

On September 7, 2011 the Board of Directors declared the payment of an elective cash distribution to be paid in the amount of \$0.80345 per share of common stock, on November 15, 2011, to shareholders of record at the close of business on September 21, 2011. As announced, the distribution was payable in the Fund's common stock. However, shareholders had the option to request that their distributions be paid in cash in lieu of common stock. The aggregate amount of cash distributions to all stockholders was limited to 10% of the aggregate dollar amount of the total distribution. Because cash

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distribution requests exceeded this limit, the Fund pro rated the cash distribution among all stockholders who made such requests. Shareholders who requested cash distributions received \$0.14865 per share or 18.5% of the distribution in cash and received the balance in the Fund's common stock. For purposes of computing the stock portion of the dividend, the common stock distributed was valued at \$16.96 per share, which equaled the average closing price of the Fund's common shares on the NYSE Amex on November 7, 2011 and the two preceding trading days.

Termination of Sub-Advisory Agreement

Aberdeen's investment philosophy with respect to equity investing is based on the belief that strong long term returns are achieved by identifying and buying high quality stocks at reasonable valuations and holding them for the long term. Aberdeen identifies good companies from rigorous first hand research with intensive on-going scrutiny at the company level. Since taking over as investment adviser to the Fund in July 2009, Aberdeen has continued to develop its operations and research coverage in the South American region and now has appropriate resources and expertise to manage the Fund without the assistance of Celfin Capital Servicios Financieros S.A. (Celfin) as sub-adviser going forward.

On December 7, 2011, the Fund and Aberdeen Asset Management Investment Services Limited announced the termination of the Sub- Advisory Agreement with Celfin effective February 4, 2012.

The Fund's investment objective, primary investment strategies, primary risks and management expenses will not change as a result of the termination of the sub-adviser.

Market Review

Chilean equities sold off sharply in line with the broader region in 2011, as extreme volatility roiled stock markets worldwide. The ongoing Eurozone debt crisis, the US Federal Reserve's dismal outlook for the domestic economy, and China's monetary tightening measures fuelled anxieties that demand for commodities will be hurt. Copper prices witnessed a marked decline, particularly between July and September, while the Chilean Peso was not spared and depreciated considerably alongside other Latin American currencies.

In other market-related news, Chile launched the Andean stock exchange together with Colombia and Peru to capitalize on rising investor interest in Latin America, an encouraging sign amid subdued risk appetite elsewhere.

Despite weaker external demand from the developed world, Chile's economy continued to expand at a decent rate, largely driven by domestic demand. Retail sales and industrial output grew faster than expected, while unemployment fell.

Aberdeen Chile Fund, Inc. **1**

Letter to Shareholders (unaudited) (concluded)

February 21, 2012

Nevertheless, accelerating inflation remained a dilemma for the central bank, which embarked on a series of rate hikes initially. As a result, interest rates hit a two-year high of 5.25% during the review period. As concerns over a global economic slowdown outweighed those over price pressures. The central bank sold \$204 million-worth of inflation-linked bonds.

Outlook

The ongoing Eurozone debt crisis presents a significant risk to Chilean equities. A disorderly default could result in a sharp decline in global demand and hurt copper prices, which would weigh on local exporters. In view of the external headwinds, president Sebastian Pinera expects the country's GDP to grow at 4% in 2012. Industrial sectors may be among the hardest hit, given that the bulk of their demand is derived from developed markets, which are witnessing a sharp slowdown in activity.

Nevertheless, the Chilean economy is likely to continue being bolstered by public investment, given that government expenditure is set to rise this year. Policymakers have also demonstrated their flexibility in adjusting monetary policy to cope with economic uncertainty. As such, we believe that should cushion the impact of a deceleration in global growth.

Investor Relations Information

For information about the Fund, daily updates of share price, NAV and details of recent distributions, please contact Aberdeen Asset Management Inc. by:

- Calling toll free at 1-866-839-5205 in the United States,
- Emailing InvestorRelations@aberdeen-asset.com, or
- Visiting the website at www.aberdeench.com.

For additional information about Aberdeen Closed-End Funds, please visit our Closed-End Investor Center at www.aberdeen-asset.us/cef.

From the site you will also be able to review performance, download literature and sign up for email services. The site houses topical information about the funds, including fact sheets from Morningstar that are updated daily and monthly manager reports. If you sign up for our email service online, we can ensure that you will be among the first to know about Aberdeen's latest closed-end fund news.

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Included within this report is a reply card with postage paid envelope. Please complete and mail the card if you would like to be added to our enhanced email service and receive future communications from Aberdeen.

Yours sincerely,

Christian Pittard
President

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Aberdeen Chile Fund, Inc.

Portfolio Summary (unaudited)

December 31, 2011

Sector Allocation

Top 10 Holdings, by Issuer (unaudited)

December 31, 2011

Holdings	Sector	Percent of net assets
1. Empresas COPEC S.A.	Industrial Conglomerates	12.7%
2. Sociedad Química y Minera de Chile S.A.	Chemicals	11.2%
3. Banco Santander Chile	Commercial Banks	10.7%
4. Empresas CMPC S.A.	Paper & Forest Products	10.6%
5. S.A.C.I. Falabella	Multiline Retail	9.3%
6. Enersis S.A.	Electric Utilities	8.7%
7. Cia Cervecerías Unidas S.A.	Beverages	5.3%
8. Lan Airlines S.A.	Airlines	4.5%
9. Banco de Chile	Commercial Banks	4.3%

10. Embotelladora Andina S.A.	Beverages	4.2%
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Average Annual Returns (unaudited)

December 31, 2011

	1 Year	3 Years	5 Years	10 Years
Net Asset Value (NAV)	(23.45)%	24.22%	8.71%	15.65%
Market Value	(22.72)%	30.82%	10.05%	17.99%

*Aberdeen Asset Management Investment Services Limited has voluntarily waived fees and/or reimbursed 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, at market prices pursuant to the Fund's dividend reinvestment program. 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 market 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 market 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, 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 expense ratio is 2.00%. The annualized net expense ratio after fee waivers and/or expense reimbursements is 1.86%.

Portfolio of Investments

December 31, 2011

No. of Shares	Description	Value
EQUITY SECURITIES 102.2%		
AIRLINES 4.5%		
258,500	Lan Airlines S.A.	\$ 6,090,051
BEVERAGES 15.1%		
544,283	Cia Cervecerías Unidas S.A.	7,124,397
1,263,524	Coca-Cola Embonor S.A., PNA(a)	2,018,720
1,279,000	Embotelladora Andina S.A. PNB	5,588,701
2,937,000	Viña Concha y Toro S.A.	5,512,175
		20,243,993
CHEMICALS 11.2%		
119,650	Sociedad Química y Minera de Chile S.A., Class B, ADR	6,443,152
160,500	Sociedad Química y Minera de Chile S.A., PNB	8,644,447
		15,087,599
COMMERCIAL BANKS 18.1%		
42,579,464	Banco de Chile	5,801,298
75,709	Banco de Crédito e Inversiones	4,226,297
198,886,987	Banco Santander Chile	14,356,616
		24,384,211
ELECTRIC UTILITIES 8.7%		
33,200,000	Enersis S.A.	11,694,452
INDUSTRIAL CONGLOMERATES 12.7%		
1,272,889	Empresas COPEC S.A.	17,065,778
IT SERVICES 4.0%		
2,258,000	Sonda S.A.	5,411,376
MULTILINE RETAIL 9.3%		
1,604,083	S.A.C.I. Falabella	12,474,486
PAPER & FOREST PRODUCTS 10.6%		
3,887,130	Empresas CMPC S.A.	14,283,987
REAL ESTATE MANAGEMENT & DEVELOPMENT 3.9%		
3,201,000	Parque Arauco S.A.	5,212,793
WATER UTILITIES 1.7%		
1,442,500	Inversiones Aguas Metropolitanas S.A.	2,215,813
WIRELESS TELECOMMUNICATION SERVICES 2.4%		
169,000	ENTEL Chile S.A.	3,139,269
	Total Equity Securities (cost \$68,873,853)	137,303,808

See Notes to Financial Statements

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Portfolio of Investments (concluded)

December 31, 2011

Principal Amount (000 s)	Description	Value
SHORT-TERM INVESTMENT 1.2%		
GRAND CAYMAN 1.2%		
\$1,676	HSBC Bank USA, overnight deposit, 0.03%, 01/03/12 (cost \$1,676,000)	\$ 1,676,000
	Total Investments 103.4% (cost \$70,549,853)	138,979,808
	Liabilities in Excess of Cash and Other Assets (3.4)%	(4,510,503)
	Net Assets 100.0%	\$ 134,469,305

(a) Illiquid Security.

ADR American Depositary Receipts.

PNA Preferred Shares, Class A.

PNB Preferred Shares, Class B.

See Notes to Financial Statements

Statement of Assets and Liabilities

As of December 31, 2011

Assets

Investments, at value (Cost \$70,549,853)	\$ 138,979,808
Cash (including \$932,702 of foreign currencies with a cost of \$940,768)	933,488
Prepaid expenses	17,212
Total assets	139,930,508

Liabilities

Dividends and distributions (Note 2)	4,729,648
Investment advisory fees payable (Note 3)	319,871
Administration fees payable (Note 3)	51,890
Chilean taxes (Note 2)	81,133
Accrued expenses and other liabilities	278,661
Total liabilities	5,461,203

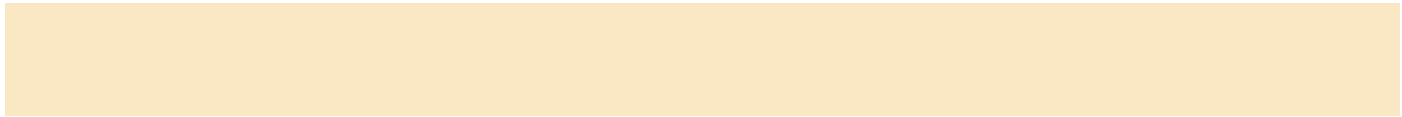
Net Assets

\$134,469,305

Net Assets consist of

Capital stock, \$0.001 par value (Note 5)	\$ 9,281
Paid-in capital	65,902,508
Accumulated net realized gain on investments and foreign currency related transactions	194,406
Net unrealized appreciation on investments and foreign currency translation	68,363,110
Net Assets applicable to shares outstanding	\$134,469,305
Net asset value per share, based on 9,281,100 shares issued and outstanding	\$ 14.49

See Notes to Financial Statements.



Statement of Operations

For the Year Ended December 31, 2011

Investment Income

Income:

Dividends and other income	\$ 4,227,539
Less: Foreign taxes withheld	(31,439)
Total investment income	4,196,100

Expenses:

Investment advisory fees (Note 3)	1,756,662
Custodian's fees and expenses	160,022
Administration fees (Note 3)	155,587
Directors' fees and expenses	