

ABERDEEN CHILE FUND, INC.  
Form N-2/A  
April 14, 2011

As filed with the Securities and Exchange Commission on April 14, 2011

Securities Act File No. 333-172627

Investment Company Act File No. 811-05770

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## Form N 2

Registration Statement Under the Securities Act of 1933

Pre Effective Amendment No. 1

Post Effective Amendment No.

and/or

Registration Statement under the Investment Company Act of 1940

Amendment No. 11

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## **Aberdeen Chile Fund, Inc.**

(Exact Name of Registrant as Specified in its Charter)

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**1735 Market Street, 32nd Floor**

**Philadelphia, Pennsylvania 19103**

Address of Principal Executive Offices

Registrant's Telephone Number, including Area Code: **(866) 839-5205**

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**Lucia Sitar, Esq.**

**c/o Aberdeen Asset Management Inc.**

**1735 Market Street, 32nd Floor**

**Philadelphia, Pennsylvania 19103**

Name and Address of Agent For Service

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**Copies to:**

**Rose F. DiMartino, Esq.  
Willkie Farr & Gallagher**

**787 Seventh Avenue**

**New York, New York 10019**

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Approximate Date of Proposed Public Offering: **As soon as practicable after the effective date of this Registration Statement.**

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If any of the securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box. **x**

**It is proposed that this filing will become effective (check appropriate box)**

when declared effective pursuant to section 8(c).

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**CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933**

<b>Title of Securities Being Registered</b>	<b>Amount Being Registered(1)</b>	<b>Proposed Maximum Offering Price per Unit</b>	<b>Proposed Maximum Aggregate Offering Price(2)</b>	<b>Amount of Registration Fee(3)</b>
Common Stock, \$0.001 par value		\$	\$ 75,000,000	\$ 8,707.50

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- (1) There are being registered hereunder a presently indeterminate number of shares of common stock to be offered on an immediate, continuous or delayed basis.
- (2) Estimated solely for the purpose of calculating the registration fee, pursuant to Rule 457(o) under the Securities Act of 1933.
- (3) The registration fee was previously paid in connection with a previous filing.

**THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT THAT SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SECTION 8(a), MAY DETERMINE.**

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The information in this Prospectus is not complete and may be changed. The Fund may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This Prospectus is not an offer to sell these securities and is not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

**Subject To Completion Dated April 14, 2011**

Base Prospectus

\$75,000,000

**ABERDEEN CHILE FUND, INC.**

Shares of Common Stock

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Aberdeen Chile Fund, Inc. ( Fund, we, us or our ) is a closed-end, non-diversified management investment company that commenced operations on September 26, 1989. The Fund seeks total return, consisting of capital appreciation and income, by investing primarily in Chilean securities. It is the policy of the Fund normally to invest at least 80% of the Fund's net assets (plus any borrowings for investment purposes) in Chilean securities. The Fund's portfolio of Chilean securities, under normal market conditions, will consist principally of Chilean equity securities. There can be no assurance that the Fund's investment objective will be achieved. Aberdeen Asset Management Investment Services Limited ( AAMISL or the Investment Adviser ) serves as the Fund's investment adviser and Celfin Capital Servicios Financieros S.A. ( Celfin or the Sub-Adviser ) serves as the Fund's Chilean sub-adviser. The address of the Fund is 1735 Market Street, 32nd Floor, Philadelphia, Pennsylvania 19103, and the Fund's telephone number is (866) 839-5205.

We may offer, from time to time, in one or more offerings, our shares of common stock, par value \$0.001 per share ( Shares ). Shares may be offered at prices and on terms to be set forth in one or more supplements to this Prospectus (each, a Prospectus Supplement ). You should read this Prospectus and the applicable Prospectus Supplement carefully before you invest in our Shares.

Our Shares may be offered directly to one or more purchasers, through agents designated from time to time by us, or to or through underwriters or dealers. The Prospectus Supplement relating to the offering will identify any agents or underwriters involved in the sale of our Shares, and will set forth any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters, or among our underwriters, or the basis upon which such amount may be calculated. We may not sell any of our Shares through agents, underwriters or dealers without delivery of a Prospectus Supplement describing the method and terms of the particular offering of our Shares.

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Our Shares are listed on the NYSE Amex Equities ( Amex ) under the symbol CH. The last reported sale price of our Shares, as reported by the Amex on March 21, 2011, was \$21.19 per Share. The net asset value of our Shares at the close of business on March 21, 2011, was \$19.00 per Share.

**Investment in the Shares involves certain risks and special considerations, including risks associated with currency fluctuations. Investing in the Fund's common stock may be speculative and involve a high degree of risk and should not constitute a complete investment program. Investment in Chile involves certain special considerations not typically associated with investments in the United States. Both practices entail risks. For a discussion of these and other risks, see Risks and Special Considerations.**

Shares of closed-end investment companies frequently trade at a discount to their net asset value. If the Fund's Shares trade at a discount to its net asset value, the risk of loss may increase for purchasers in a public offering. See Risks and Special Considerations-Net Asset Value Discount.

**Neither the Securities and Exchange Commission ( SEC ) nor any state securities commission has approved or disapproved these securities or passed upon the adequacy of this Prospectus. Any representation to the contrary is a criminal offense.**

This Prospectus, together with any Prospectus Supplement, sets forth concisely the information about the Fund that a prospective investor should know before investing. You should read this Prospectus and applicable Prospectus Supplement, which contain important information, before deciding whether to invest in the Shares. You should retain the Prospectus and Prospectus Supplement for future reference. A Statement of Additional Information ( SAI ), dated [ ], 2011, containing additional information about the Fund, has been filed with the SEC and is incorporated by reference in its entirety into this Prospectus. The Table of Contents for the SAI is on page [ ] of this Prospectus. You may call 1-866-839-5205, email InvestorRelations@aberdeen-asset.com or write to the Fund at 1735 Market Street, 32nd Floor, Philadelphia, Pennsylvania 19103 to obtain, free of charge, copies of the SAI and the Fund's annual and semi-annual reports to shareholders, as well as to obtain other information about the Fund and to make shareholder inquiries. The Fund's SAI, as well as the annual and semi-annual reports to shareholders, are also available on the Fund's website at www.aberdeench.com. The SEC maintains a website

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at <http://www.sec.gov> that contains the SAI, other material incorporated by reference into the Fund's registration statement and additional information about the Fund.

Our Shares do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

Prospectus dated [            ], 2011

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TABLE OF CONTENTS

	<b>Page</b>
PROSPECTUS SUMMARY	1
SUMMARY OF FUND EXPENSES	11
FINANCIAL HIGHLIGHTS	12
USE OF PROCEEDS	14
THE FUND	14
DESCRIPTION OF SHARES	14
INVESTMENT OBJECTIVE	15
INVESTMENT POLICIES	15
INVESTMENT RESTRICTIONS	19
RISKS AND SPECIAL CONSIDERATIONS	21
FORWARD-LOOKING STATEMENTS	26
MANAGEMENT OF THE FUND	26
EXPENSES	29
DIVIDENDS AND DISTRIBUTIONS	29
DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN	30
TAXATION	30
CERTAIN PROVISIONS OF THE MARYLAND GENERAL CORPORATION LAW AND THE CHARTER AND BYLAWS	34
PLAN OF DISTRIBUTION	34
LEGAL PROCEEDINGS	35
APPENDIX A	A-1

**You should rely only on the information contained in, or incorporated by reference into, this Prospectus and any related Prospectus Supplement in making your investment decisions. The Fund has not authorized any person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The Fund is not making an offer to sell the shares in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this Prospectus and any Prospectus Supplement is accurate only as of the dates on their covers. The Fund's business, financial condition and prospects may have changed since the date of its description in this Prospectus or the date of its description in any Prospectus Supplement.**



## PROSPECTUS SUMMARY

*The following information is only a summary. You should consider the more detailed information contained in the Prospectus and in any related Prospectus Supplement and in the SAI before purchasing Shares, especially the information under Risks and Special Considerations on page [ ] of the Prospectus.*

The Fund	The Fund is a non-diversified, closed-end management investment company organized as a Maryland corporation. See The Fund.
The Offering	<p>The Fund's Shares are listed for trading on the Amex under the symbol CH. As of March 21, 2011, the net assets of the Fund were \$155,410,766.55 and the Fund had outstanding 8,178,159 Shares. The last reported sale price of the Fund's Shares, as reported by the Amex on March 21, 2011 was \$21.19 per Share. The net asset value of the Fund's Shares at the close of business on March 21, 2011 was \$19.00 per Share. See Description of Shares.</p> <p>We may offer, from time to time, in one or more offerings, up to \$75,000,000 of our Shares on terms to be determined at the time of the offering. The Shares may be offered at prices and on terms to be set forth in one or more Prospectus Supplements. The offering price of our Shares will not be less than the net asset value of our Shares at the time we make the offering, exclusive of any underwriting commissions or discounts. You should read this Prospectus and the applicable Prospectus Supplement carefully before you invest in our Shares. Our Shares may be offered directly to one or more purchasers, through agents designated from time to time by us, or to or through underwriters or dealers. The Prospectus Supplement relating to the offering will identify any agents, underwriters or dealers involved in the sale of our Shares, and will set forth any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters, or among our underwriters, or the basis upon which such amount may be calculated. See Plan of Distribution. We may not sell any of our Shares through agents, underwriters or dealers without delivery of a Prospectus Supplement describing the method and terms of the particular offering of our Shares.</p>
Use of Proceeds	We intend to use the net proceeds from the sale of our Shares primarily to invest in accordance with our investment objectives and policies. Proceeds will be invested within approximately 60 days of receipt by the Fund. See Use of Proceeds.
Investment Objectives	The Fund's investment objective is to seek total return, consisting of capital appreciation and income, by investing primarily in Chilean securities. There can be no assurance that the Fund's investment objective will be achieved. See Investment Objective.
Investment Policies	Under normal market conditions, substantially all, but not less than 80%, of the Fund's net assets will be invested in Chilean securities. The Fund's portfolio of Chilean securities (the Chilean Portfolio), under normal conditions, will consist principally of Chilean equity securities; however, it may also include Chilean debt securities. A substantial portion of the equity securities acquired by the Fund are expected to be dividend-paying securities. Chilean companies listed on the stock exchanges are required by law to pay out as dividends at least 30% of annual audited net income.

The Fund defines Chilean securities as (a) securities of companies, the principal trading market for which is in Chile, (b) securities issued or guaranteed by the Republic of Chile or the Central Bank of Chile, (c) peso-denominated securities issued by companies to finance operations in Chile or

(d) securities of companies that derive more than 50% of their revenues or profits from goods or services produced in Chile or sales made in Chile or

have more than 50% of their assets in Chile.

Chilean equity securities in which the Fund invests consist predominantly of common stocks, although the Fund may also invest to a limited extent in preferred stocks, convertible securities and, to the extent a market exists for them and investing in them is permitted under Chilean law, warrants.

Although the Fund invests principally in Chilean equity securities, it may invest a substantial portion of its assets in Chilean debt securities when AAMISL believes that it is appropriate to do so in order to achieve the Fund's investment objective. AAMISL expects to do so, for example, when interest rates on Chilean debt securities are high in comparison with anticipated returns on equity securities. AAMISL may invest in securities of companies that it determines to be suitable investments for the Fund regardless of their rating. The Fund may invest up to 35% of the Chilean Portfolio in high-yield securities. The Fund may not, however, invest more than 5% of the Chilean Portfolio in Chilean debt securities rated C or below by Chilean rating services or unrated securities which AAMISL determines to be of comparable quality. Because interest on most Chilean debt securities is inflation-adjusted, the variation in the value of Chilean debt securities in relation to fluctuations in the value of the Chilean peso tends to be less than would otherwise be the case.

The Fund may invest up to 20% of the Chilean Portfolio in unlisted Chilean securities, including investments in new and early-stage companies, provided that not more than 3% of the Chilean Portfolio may be invested in unlisted securities of Chilean companies that, at the time of investment, had less than one year of operations, including operations of predecessor companies. The Fund invests only in unlisted equity securities that, in the opinion of AAMISL, present opportunities for substantial growth over a period of two to five years, notwithstanding that such investments may be illiquid and may present risks not normally existing in publicly owned, more established companies with possibly higher market capitalizations.

The Fund will not invest 25% or more of its total assets in the securities of companies in the same industry (although the Fund may invest in securities issued by the government of the United States without regard to this limitation). In selecting industries and companies for investment by the Fund, AAMISL will consider factors such as overall growth prospects, competitive position in domestic and export markets, technology, research and development, productivity, labor costs, raw material costs and sources, profit margins, return on investment, capital resources, government regulation and management.

The Fund purchases and holds securities with a view toward maximizing the total return to the Fund and does not expect to trade in securities for short-term gain. The Fund may, for cash management purposes, invest up to 25% of its net assets in certain short-term investments and may, for temporary defensive purposes, invest up to 100% of its assets in certain short-term instruments. For more information, including a description of the types of short-term instruments in which the Fund may invest, see Investment Policies.

In addition to the foregoing restrictions, the Fund is subject to Chilean Law No. 18,657 ( Law No. 18,657 ), which limits the Chilean Portfolio to: (a) shares of Chilean open corporations, i.e., corporations that publicly offer their shares; (b) securities issued or guaranteed by the Chilean

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government; (c) securities issued by the Central Bank of Chile; (d) securities issued or guaranteed by Chilean banks or financial institutions; (e) letters of credit issued by Chilean banks, financial institutions or other authorized entities; (f) bonds and negotiable instruments registered in the Chilean Securities

Register; (g) quotas of investment funds; and (h) other securities duly authorized by the Chilean Superintendency of Securities and Insurance ( SVS ).

Diversification rules under Law No. 18,657 provide that the Fund may not hold more than 5% of any Chilean issuer's voting stock (subject to an increase to up to 10% for newly-issued shares, including through the exercise of preemptive rights) and not more than 10% of the Chilean Portfolio may be invested in securities issued or guaranteed by any single Chilean issuer (other than securities issued or guaranteed by the Chilean government or by the Central Bank of Chile). Further, at least 80% of the Chilean Portfolio must be invested in shares or in debt obligations of Chilean companies or the Chilean government the maturity to which at the date of purchase exceeds four years, with not less than 60% of the Chilean Portfolio invested in shares of open corporations.

Investment Restrictions

The Fund has certain investment restrictions that may not be changed without approval by a majority of the Fund's outstanding voting securities. These restrictions concern issuance of senior securities, borrowing, lending, concentration, diversification and other matters. See Investment Restrictions.

Risks (See generally Risks and Special Considerations for more information on these and other risks)

The value of the Fund's assets, as well as the market price of its shares, will fluctuate. You can lose money on your investment. Investing in the Fund involves other risks, including the following:

- *General.* The Fund is a non-diversified, closed-end investment company designed primarily as a long-term investment and not as a trading tool. The Fund invests generally in Chilean securities. An investment in the Fund's Common Stock may be speculative and involves a high degree of risk. The Fund should not constitute a complete investment program. Due to the uncertainty in all investments, there can be no assurance that the Fund will achieve its investment objective.
- *Chilean Securities Risk.* Like other investors in the Chilean securities markets, the Fund is subject to general economic and political conditions in Chile. The Fund's investing in Chilean securities involves certain considerations not typically associated with investing in the United States, including generally (a) controls on foreign investment and limitations on repatriation of capital invested in Chile; (b) greater price volatility, substantially less liquidity and significantly smaller market capitalization of the Chilean securities markets; (c) currency devaluation and other currency exchange rate fluctuations; (d) more substantial governmental involvement in the economy; and (e) political uncertainty and other considerations. More specifically, (1) the Fund may not repatriate capital for five years after investment in Chile except under limited circumstances to pay expenses; (2) there can be no assurance that Chilean inflation might not adversely affect the performance of the Chilean economy or its securities market; (3) governmental and political events in Chile could affect future economic policies; (4) because of the limited forward market for the purchase of dollars in Chile and the limited circumstances under which the Fund hedges against declines in the value of the Chilean peso generally, the Fund will be adversely affected by peso devaluations against the U.S. dollar; (5) the Fund's ability to make defensive investments may be limited by the application of repatriation restrictions and requirements to maintain minimum percentages of assets in shares of Chilean companies; and (6) due to differences between U.S. and Chilean accounting, auditing and financial reporting standards, certain material disclosures may not be made by issuers of, and less information may be available to, the Fund and other

investors investing in Chilean securities.

The Fund has filed an application with the Chilean Foreign Investment Committee (the Foreign Investment Committee ) to enter into an investment contract pursuant to which the proceeds of this offering will be invested in Chile. While the Fund expects to receive approval from the Foreign Investment Committee to enter into such contract, there can be no assurance that such approval will be granted.

The Fund is subject to supervision and regulation by the SVS. Failure by the Fund to comply with diversification or other SVS requirements applicable to the Fund could, in addition to causing the loss of certain favorable Chilean tax treatment for the Fund, result in the assessment of fines by the SVS or other disciplinary actions.

- *Foreign Securities Risk.* Investments in foreign securities that are traded on foreign markets, including Chilean securities, are subject to risks of loss that are different from the risks of investing in U.S. securities. These include the possibility of losses due to currency fluctuations (see Currency Exchange Rate Fluctuations ), or to adverse political, economic or diplomatic developments in Chile, including possible increases in taxes. Additionally, accounting, auditing, financial reporting standards and other regulatory practices and requirements for securities in which the Fund may invest vary from those applicable to entities subject to regulation in the United States. The Chilean securities market for both listed and unlisted securities may be more volatile and less liquid than the major U.S. markets. In addition, the cost to the Fund of buying, selling and holding securities in the Chilean market may be higher than in the United States. Any higher expenses of non-U.S. investing may reduce the amount the Fund can earn on its investments and typically results in a higher operating expense ratio than for investment companies that invest only in the United States. Regulatory oversight of the Chilean securities market may differ from that of U.S. markets. There also may be difficulty in invoking legal protections across borders.
- *Equity Securities Risk.* Consistent with its objective, the Fund will invest a substantial portion of its assets in Chilean equity securities. Equity securities, such as common stock, generally represent an ownership interest in a company. Although equity securities have historically generated higher average returns than fixed income securities, equity securities have also experienced significantly more volatility in those returns. An adverse event, such as an unfavorable earnings report, may depress the value of a particular equity security held by the Fund. Also, the prices of equity securities, particularly common stocks, are sensitive to general movements in the stock market. The Fund's share price can fall because of weakness in the Chilean market, a particular industry or specific holdings. The Chilean market as a whole can decline for many reasons, including adverse political or economic developments in Chile or elsewhere, changes in investor psychology, or heavy institutional selling. The prospects for an industry or company may deteriorate because of a variety of factors, including disappointing earnings or changes in the competitive environment. Investments in futures and options, if any, are subject to additional volatility and potential losses.
- *High-Yield/Junk Bond Securities Risk.* Although the Fund invests principally in Chilean equity securities, it may invest a substantial portion of its assets in Chilean debt securities when AAMISL believes that it is appropriate to do so in order to achieve the Fund's investment objective of total return. The Fund may invest in Chilean debt securities



of any rating, including high-yield securities. Investment in high-yield securities involves substantial risk of loss. Below investment grade non-convertible debt securities or comparable unrated securities, as determined by AAMISL, are commonly referred to as junk bonds and are considered predominantly speculative with respect to the issuer's ability to pay interest and principal and are susceptible to default or decline in market value due to adverse economic and business developments. The market values for high yield securities tend to be very volatile, and these securities are less liquid than investment grade debt securities. If the Fund invests in such securities, your investment in the Fund is subject to the following specific risks:

- increased price sensitivity to changing interest rates and to a deteriorating economic environment;
- greater risk of loss due to default or declining credit quality;
- adverse company specific events are more likely to render the issuer unable to make interest and/or principal payments; and
- if a negative perception of the high yield market develops, the price and liquidity of high yield securities may be depressed. This negative perception could last for a significant period of time.

Adverse changes in economic conditions are more likely to lead to a weakened capacity of a high yield issuer to make principal payments and interest payments than an investment grade issuer. An economic downturn could severely affect the ability of highly leveraged issuers to service their debt obligations or to repay their obligations upon maturity. The secondary market for high yield securities may not be as liquid as the secondary market for more highly rated securities, a factor which may have an adverse effect on the Fund's ability to dispose of a particular security.

There are fewer dealers in the market for high yield securities than for investment grade obligations. The prices quoted by different dealers may vary significantly and the spread between the bid and asked price is generally much larger than for higher quality instruments. Under adverse market or economic conditions, the secondary market for high yield securities could contract further, independent of any specific adverse changes in the condition of a particular issuer, and these instruments may become illiquid. As a result, the Fund could find it more difficult to sell these securities or may be able to sell the securities only at prices lower than if such securities were widely traded. Prices realized upon the sale of such lower rated or unrated securities, under these circumstances, may be less than the prices used in calculating the Fund's NAV.

- *Inflation Risk.* Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of the Fund's Common Stock and dividends can decline. Chile historically has had a volatile inflation rate, and if Chile's inflation rate were to enter a period of extreme volatility, the value of the Fund's holdings in Chilean securities would fluctuate correspondingly.

- *Management Risk.* AAMISL or Celfin's judgment about the attractiveness, relative value or potential appreciation of a particular security or investment strategy may prove to be incorrect.

- *Conflicts of Interest Risk.* AAMISL's and Celfin's advisory fees are based on the lower of the Fund's market value or NAV. Consequently, AAMISL and Celfin will likely benefit from an increase in the Fund's net assets resulting from this offering. In addition, a Director who is an interested person (as such term is defined under the 1940 Act) of the Fund or the Portfolio Manager of the Fund could benefit indirectly from this offering because of such affiliations. Currently, the Fund has no directors in this category.
- *Currency Exchange Rate Fluctuations.* The Fund invests substantially in instruments denominated in foreign currencies-primarily the Chilean peso. The Fund does not currently intend to hedge against currency risk; consequently, the Fund's equity securities are subject to the risk that some holdings may lose value because of a decline in the value of the Chilean currency or adverse political or economic events in Chile or elsewhere. Fluctuations in the value of non-U.S. currencies relative to the U.S. dollar can adversely affect the U.S. dollar value of the Fund's assets. A decline in the value of such a foreign currency can require the Fund to liquidate portfolio securities to pay distributions previously calculated in U.S. dollars and can increase the relevant foreign currency cost of expenses incurred in U.S. dollars. Currency exchange losses can reduce or eliminate the Fund's ability to make ordinary income distributions.
- *Liquidity Risk.* It may be difficult for the Fund to buy and sell significant amounts of Chilean securities without an unfavorable impact on prevailing market prices. Trading on the Bolsa de Comercio de Santiago (the Santiago Exchange), Chile's principal stock exchange, is not as active as trading on the Amex or other major stock exchanges in the United States. Consequently, larger purchases or sales of these securities by the Fund in a short period of time may cause abnormal movements in the market price of these securities. As a result, these securities may be difficult to dispose of at a fair price at the times when the Fund believes it is desirable to do so. The Fund may also have difficulty purchasing securities in companies in which the Fund would otherwise invest. Investment of the Fund's capital in securities that are less actively traded or that over time experience decreased trading volume may restrict the Fund's ability to take advantage of other market opportunities.
- *Net Asset Value Discount.* Shares of the Fund, a closed-end investment company, may trade in the market at a discount from their net asset value.
- *Market Discount Risk.* The Fund's Common Stock has typically traded at a discount relative to net asset value (NAV). See Description of Shares for a chart that shows how the market value of the Fund's Common Stock has fluctuated compared to its NAV throughout the Fund's history. The last reported sale price represents a 11.53% premium over the per share NAV on March 21, 2011; however, there can be no assurance that this premium will continue after this offering or that the shares will not again trade at a discount, as they have for most of the Fund's history. Common shares of closed-end investment companies, including the Fund, frequently trade at prices lower than their NAV. The provisions of the Investment Company Act of 1940, as amended (the 1940 Act), require, as a condition to the completion of this offering, that the public offering price of the shares of Common Stock, less the sales load and discounts, must equal or exceed the NAV per share of the Fund's Common Stock (calculated within 48 hours of pricing). An investor who buys the Fund's Common Stock in the offering at a price that reflects a premium to NAV may experience a

decline in the market value of these shares of Common Stock independent of any change in their NAV.

The market price of the Fund's Common Stock may be affected by such factors as the market supply and demand of the Common Stock. As of December 31, 2010, two stockholders owned approximately 26.5% of the Fund's outstanding Common Stock. Any substantial dispositions or acquisitions of Common Stock by these investors could affect the supply or demand for, and possibly the market price of, the Common Stock. The Fund's Common Stock is designed primarily for long-term investors, and you should not purchase shares of Common Stock if you intend to sell them shortly after purchase.

- *Distribution Rate.* There can be no assurance that the Board will maintain the Fund's distribution rate at a particular level, or that the Board will continue a managed distribution policy. Additionally, distributions may include return of capital as well as net investment income and capital gains. If the Fund's investments do not generate sufficient income, the Fund may be required to liquidate a portion of its portfolio to fund these distributions. See *Dividends and Distributions*.

- *Non-Diversification Risk.* As a non-diversified investment company, the Fund can invest more of its assets in fewer issuers than an investment company that is diversified, exposing the Fund to greater risk. The Fund, however, is subject to Chilean laws limiting investments in a single issuer and intends to comply with the diversification requirements imposed by the U.S. Internal Revenue Code of 1986, as amended (the Code), for qualification as a regulated investment company.

- *Unlisted Securities Risk.* The Fund may invest up to 20% of the Chilean Portfolio in unlisted Chilean securities. Because the market for unlisted securities is not liquid, it may be difficult for the Fund to sell these securities at a desirable price. Unlisted securities are not subject to the disclosure and other investor protection requirements of Chilean law applicable to listed securities.

- *Tax Risks.* The Fund may invest in securities of which the federal income tax treatment may not be clear or may be subject to recharacterization by the U.S. Internal Revenue Service (the IRS) or the Chilean Servicio de Impuestos Internos (the Chilean IRS). It could be more difficult for the Fund to comply with the United States tax requirements applicable to regulated investment companies, or with the Chilean tax requirements applicable to foreign investors, if the tax characterization of the Fund's investments or the tax treatment of the income from such investments were successfully challenged by the IRS or by the Chilean IRS.

- *Anti-takeover Charter Provisions.* The Fund's Articles of Incorporation and By-laws include provisions that could limit the ability of other entities or persons to acquire control of the Fund or to change the composition of its Board of Directors. Such provisions could limit the ability of stockholders to sell their shares at a premium over prevailing market prices by discouraging a third party from seeking to obtain control of the Fund. These provisions include staggered terms of office for the Directors, advance notice requirements for stockholder proposals, and super-majority voting requirements for conversion of the Fund to an open-end investment company or certain merger, asset sale or similar transactions. In certain circumstances, these provisions might also inhibit the ability of stockholders to sell their shares at a premium over

prevailing market prices.

- *Market Disruption Risk.* Certain events have had a disruptive effect on the securities markets, such as terrorist attacks (including the terrorist attacks in the United States on September 11, 2001), war and other geopolitical events, earthquakes, storms and other disasters. The Fund cannot predict the effects of similar events in the future on the markets or economy of Chile or other countries.

- *Repurchase Agreements Risk.* These transactions involve risks in the event of counterparty default or insolvency.

- *Securities Lending Risk.* In connection with its loans of portfolio securities, the Fund may be exposed to the risk of delay in recovery of the loaned securities or possible loss of rights in the collateral should the borrower become insolvent. The Fund also bears the risk of loss on the investment of cash collateral. There is also the risk that, in the event of default by the borrower, the collateral might not be sufficient to cover any losses incurred by the Fund. There can be no assurance that the return to the Fund from a particular loan, or from its loans overall, will exceed the related costs and any related losses.

- *Foreign Custody.* The Fund's custodian generally holds the Fund's non-U.S. securities and cash in non-U.S. bank sub-custodians and securities depositories generally in Chile. Regulatory oversight of non-U.S. banks and securities depositories may differ from that in the U.S. Additionally, laws applicable to non-U.S. banks and securities depositories may limit the Fund's ability to recover its assets in the event the non-U.S. bank, securities depository or issuer of a security held by the Fund goes bankrupt.

Investment Adviser and  
Sub-Adviser

The Fund's investment adviser is Aberdeen Asset Management Investment Services Limited (AAMISL or Investment Adviser). The Investment Adviser is a United Kingdom corporation that was acquired by Aberdeen PLC in December 2005. AAMISL is a U.S. registered investment adviser under the Investment Advisers Act of 1940, as amended (the Advisers Act), and is also regulated in the United Kingdom by the Financial Services Authority. AAMISL provides equity and fixed income advisory services to U.S. clients. The Investment Adviser is located at Bow Bells House, 1 Bread Street, London, U.K., EC4M 9HH.

The Investment Adviser is a wholly-owned subsidiary of Aberdeen Asset Management PLC (Aberdeen PLC), which is the parent company of an asset management group managing approximately \$287 billion in assets as of December 31, 2010 for a range of pension funds, financial institutions, investment trusts, unit trusts, offshore funds, charities and private clients, in addition to U.S. registered investment companies. The registered offices of Aberdeen PLC are located at 10 Queen's Terrace, Aberdeen, Scotland AB 10 1 YG. Aberdeen PLC, its affiliates and subsidiaries are referred to collectively herein as Aberdeen. Aberdeen PLC was formed in 1983 and was first listed on the London Stock Exchange in 1991.

The Fund's sub-adviser is Celfin Capital Servicios Financieros S.A. (Sub-Adviser). Celfin is a closed corporation organized under the laws of Chile and is an investment adviser registered with the SEC under the Advisers Act. Celfin is a 98% owned direct subsidiary of Celfin Capital S.A., located at

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Avenida Apoquindo 3721, 19th floor, Las Condes, Santiago, Chile. Inversiones Casablanca Ltda., located at Peumo 187, Vitacura, Santiago, Chile, and Patmos Finance SA, located at Avenida Apoquindo 3721, 19th floor, Santiago, Chile, each own 32.8% of Celfin Capital S.A., and

Inversiones y Renta Montemar Ltda., located at Dieciocho 229, 2nd floor, Santiago, Chile, owns 16.8% of Celfin Capital S.A. The two controlling managing directors of Celfin Capital S.A. are Juan Andrés Camus and Jorge Diego Errázuriz.

The Fund pays a fee to the Investment Adviser computed at the annual rate of 1.20% of the first \$50 million of the Fund's Average Weekly Base Amount, 1.15% of amounts from \$50-100 million, 1.10% of amounts from \$100-150 million, 1.05% of amounts from \$150-200 million and 1.00% of amounts over \$200 million, calculated weekly and paid quarterly. Average Weekly Base Amount is defined in the investment management agreement as the average of the lesser of the market value of the Fund's outstanding shares and the Fund's net assets, determined as of the last trading day of each week during a quarter. The Investment Adviser has agreed to waive a portion of its advisory fee so that the net Advisory Fee after Fee Waiver is 1.00% of the Fund's Average Weekly Base Amount. The waiver was effective on July 1, 2009 and continues for annual periods, unless terminated.

The Investment Adviser pays the fees of the Sub-Adviser. These fees are computed at the annual rate of 0.20% of the Fund's average monthly net assets invested less the Discount Adjustment Amount. The Discount Adjustment Amount is defined in the investment advisory agreement. The Sub-Adviser has agreed to waive a portion of its fee so that the net sub-advisory fee after fee waiver is 0.17% of the Fund's average monthly net assets less the Discount Adjustment Amount. The waiver was effective on July 1, 2009 and continues for annual periods, unless terminated.

Portfolio Managers

The Fund is managed by the Global Emerging Markets Team. The following persons have the most significant responsibility for the day-to-day management of the Fund's portfolio: Devan Kaloo, Head of Emerging Markets; Fiona Manning, CFA, Investment Adviser; Andy Brown, CFA, Investment Adviser; Stephen Parr, Investment Adviser; and Nick Robinson, CFA, Investment Adviser. See Management of the Fund Portfolio Management.

Administrator

Brown Brothers Harriman & Co. (BBH & Co.), 40 Water Street, Boston, MA 02109, is U.S. administrator for the Fund and certain other U.S. registered closed end funds advised by AAMISL and its affiliates (the Funds). The Funds pay BBH & Co. monthly for administrative and fund accounting services, at an annual rate of .06% of the Funds' aggregate assets up to \$500 million, .0525% for the next \$500 million, and .0425% in excess of \$1 billion. Each Fund pays its pro rata portion of the fee based on its level of assets.

Celfin Capital S.A. Administradora de Fondos de Capital Extranjero (AFCE, and collectively with BBH & Co., the Administrator) serves as the Fund's Chilean administrator. For its services, AFCE is paid a fee, out of the advisory fee payable to AAMISL, that is calculated weekly and paid quarterly at an annual rate of 0.05% of the Fund's average weekly market value or net assets (whichever is lower). In addition, AFCE receives a supplemental administration fee, an annual reimbursement of out-of-pocket expenses and an accounting fee. See Management of the Fund Administrator.

Custodian

BBH & Co., 40 Water Street, Boston, MA 02109, acts as the Fund's custodian. See Management of the Fund Custodian.

Transfer Agent

Computershare Trust Company, N.A., P.O. Box 43078, Providence, RI 02940, serves as the Fund's stock transfer agent and dividend paying agent. See Management of the Fund Transfer Agent.

Dividends and Distributions

The Board of Directors has implemented 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 current rolling distribution rate is 10%, but this rate may be changed by the Board in response to, among other things, market conditions. The distributions are made from current income, supplemented by realized capital gains and, to the extent necessary, paid-in capital. Any distributions made from paid-in-capital would represent a return of a stockholder's original investment in the Fund. A return of capital to stockholders would reduce the Fund's net asset value and, over time, potentially increase the Fund's expense ratio. A return of capital reduces the amount of a stockholder's tax basis in such stockholder's shares. When a stockholder sells shares in the Fund, the amount, if any, by which the sales price exceeds the stockholder's basis in the Fund's shares is gain subject to tax. There can be no assurance that the Board will continue a managed distribution policy. See Dividends and Distributions.

The Fund's policy is to distribute at least annually to its stockholders substantially all of its net investment income. The Fund determines annually whether to distribute any net realized long-term capital gains in excess of net realized short-term capital losses (including capital loss carryover); however, it currently expects to distribute any excess annually to its stockholders.

Dividends, interest and net realized capital gains may be remitted out of Chile at any time, subject to a 10% Chilean tax. The 10% tax is not applicable to capital gains from the sale of shares of open corporations having a stock exchange presence, from bonds issued by certain entities or companies, or from investment funds quotas and mutual fund quotas, provided certain requirements are met. No tax is applied against remittances of capital after the five-year investment period required by Chilean law, provided that if the Fund's Taxable Profit Fund (Fondo de Utilidades Tributables) has retained taxable or financial earnings that have not been distributed, then a remittance of capital is applied first to such retained earnings subject to the 10% tax. Once the retained earnings have been remitted, then the repatriated capital is not subject to tax. See Taxation Chilean Taxes.

Dividend Reinvestment and Direct Stock Purchase Plan

Computershare Trust Company, N.A. sponsors and administers a Dividend Reinvestment and Direct Stock Purchase Plan (the Plan), which is available to shareholders. Additional information about the Plan and a brochure that includes the terms and conditions of the Plan may be obtained at [www.computershare.com/buyaberdeen](http://www.computershare.com/buyaberdeen) or by calling Computershare Trust Company, N.A. at 1-800-647-0584. For both purchases and reinvestment purposes, shares acquired through the Plan will be purchased in the open market at the current share price and cannot be issued directly by the Fund.

Taxation

Withholding and/or other taxes may apply in the countries in which the Fund invests, which will reduce the Fund's cash return in those countries. The Fund intends to elect, when eligible, to pass-through to the Fund's shareholders the ability to claim (subject to limitations) a deduction or credit for the amount of foreign income and similar taxes paid by the Fund. Tax considerations for an investor in the Fund are summarized under Taxation. See also Risks and Special Considerations.

**SUMMARY OF FUND EXPENSES**

<b>Shareholder Transaction Expenses</b>	
Maximum Sales Load (as a percentage of offering price)(1)	%
Offering Expenses (as a percentage of offering price (1))	%
Dividend Reinvestment and Cash Purchase Plan Fees	None
Annual Operating Expenses (as a percentage of average net assets attributable to the fund's common stock)	
Management Fee(3)	1.14%
Other Expenses(4)(5)	0.63%
Total Annual Operating Expenses(6)	1.77%

(1) If the Shares are sold or through underwriters, the Prospectus Supplement will set forth any applicable sales load and the estimated offering expenses.

(2) If you participate in the Dividend Reinvestment and Direct Stock Purchase Plan sponsored and administered by Computershare Trust Company, N.A., you will be subject to any fees imposed by Computershare Trust Company, N.A.

(3) See Management of the Fund The Investment Adviser and the Sub-Adviser for additional information. The management fee excludes taxes paid by the Fund.

(4) Other Expenses have been estimated for the current fiscal year.

(5) Includes an administration fee of 0.13% of average net assets attributable to the Fund's common stock. See Management of the Fund - Administrator for additional information.

(6) The Investment Adviser has entered into an agreement with the Fund to voluntarily waive advisory fees so that the net advisory fee after waivers is 1.00%. The net total annual operating expenses after applying the advisory fee waiver is 1.63%. The Investment Adviser may terminate this waiver at any time.

**Example**

An investor would pay the following expenses on a \$1,000 investment in the Fund, assuming a 5% annual return:

**One Year**

**Three Years**

**Five Years**

**Ten Years**

\$	18	\$	56	\$	96	\$	208
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The above table and example are intended to assist investors in understanding the various costs and expenses directly or indirectly associated with investing in Shares of the Fund. The Example assumes that all dividends and other distributions are reinvested at net asset value and that the percentage amounts listed in the table above under Total Annual Operating Expenses remain the same in the years shown. The above table and example and the assumption in the example of a 5% annual return are required by regulations of the SEC that are applicable to all investment companies; the assumed 5% annual return is not a prediction of, and does not represent, the projected or actual performance of the Fund's Shares. For more complete descriptions of certain of the Fund's costs and expenses, see Management of the Fund and Expenses.

**The example should not be considered a representation of past or future expenses, and the Fund's actual expenses may be greater than or less than those shown. Moreover, the Fund's actual rate of return may be greater or less than the hypothetical 5% return shown in the example.**

## FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand the Fund's financial performance. Information is shown for the Fund's last ten fiscal years. Certain information reflects financial results for a single Fund Share. The following information has been audited by PricewaterhouseCoopers LLP (PwC), independent registered public accounting firm for the Fund, for the fiscal year ended December 31, 2010, whose report thereon was unqualified. The report of PwC, together with the financial statements of the Fund, are included in the Fund's December 31, 2010 Annual Report, and are incorporated by reference into the SAI, which is available upon request.

	For the Fiscal Years Ended December 31,					
	2010	2009	2008	2007	2006	
<b>PER SHARE OPERATING PERFORMANCE</b>						
Net asset value, beginning of year	\$ 18.77	\$ 11.05	\$ 18.78	\$ 17.33	\$ 14.16	
Net investment income(a)	0.04	0.11	0.20	0.11	0.01	
Net realized and unrealized gain/(loss) on investments and foreign currency related transactions	6.64	8.68	(7.01)	3.85	4.28	
Net increase/(decrease) in net assets resulting from operations	6.68	8.79	(6.81)	3.96	4.29	
Dividends and distributions to shareholders:						
Net investment income	(0.01)	(0.33)	(0.16)	(0.12)	(0.03)	
Net realized gain	(3.45)	(0.74)	(0.76)	(2.39)	(1.09)	
Total dividends and distributions to shareholders	(3.46)	(1.07)	(0.92)	(2.51)	(1.12)	
Anti-dilutive impact due to capital shares tendered	0.06					
Net asset value, end of year	\$ 22.05	\$ 18.77	\$ 11.05	\$ 18.78	\$ 17.33	
Market value, end of year	\$ 22.67	\$ 17.90	\$ 9.82	\$ 22.00	\$ 16.92	
<b>Total Investment Return Based on:</b>						
Market value(b)	49.48%	93.78%	(51.78)%	49.56%	2.35%	
Net asset value	38.65%	80.58%	(36.43)%	24.65%	30.66%	
<b>Ratio/Supplementary Data</b>						
Net assets, end of year (000 omitted)	\$ 168,153	\$ 190,851	\$ 112,362	\$ 190,448	\$ 175,680	
Average net assets (000 omitted)	\$ 176,275	\$ 156,471	\$ 175,102	\$ 206,623	\$ 153,963	
Ratio of expenses to average net assets(c)	2.07%	1.94%	1.89%	1.79%	2.14%	
Ratio of expenses to average net assets, excluding fee waivers(c)	2.20%	2.02%	1.89%	1.79%	2.14%	
Ratio of expenses to average net assets, excluding taxes	1.84%	1.58%	1.50%	1.56%	1.91%	
Ratio of net investment income to average net assets	0.21%	0.71%	1.13%	0.55%	0.05%	
Portfolio turnover rate	41.45%	12.77%	27.33%	23.29%	19.95%	

(a) Based on average shares outstanding.

(b) Total investment return is calculated assuming a purchase of common stock on the first day and a sale on the last day of each reporting period. 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. Total investment return does not reflect brokerage commissions.

(c) Ratios include the effect of Chilean taxes.

	For the Fiscal Years Ended December 31,				
	2005	2004	2003	2002	2001
<b>PER SHARE OPERATING PERFORMANCE</b>					
Net asset value, beginning of year	\$ 15.68	\$ 14.48	\$ 8.39	\$ 9.93	\$ 11.43
Net investment income	0.11	0.16	0.07	0.09*	0.21
Net realized and unrealized gain/(loss) on investments and foreign currency related transactions	2.71	3.27	6.47	(1.70)	(0.70)
Net increase/(decrease) in net assets resulting from operations	2.82	3.43	6.54	(1.61)	(0.49)
Dividends and distributions to shareholders:					
Net investment income	(0.07)	(0.47)	(0.08)	(0.09)	(0.15)
Net realized gain on investments and foreign currency related transactions	(4.27)	(1.76)	(0.37)		(0.86)
Total dividends and distributions to shareholders	(4.34)	(2.23)	(0.45)	(0.09)	(1.01)
Anti-dilutive impact due to capital shares tendered or repurchased				0.16	
Net asset value, end of year	\$ 14.16	\$ 15.68	\$ 14.48	\$ 8.39	\$ 9.93
Market value, end of year	\$ 17.65	\$ 13.99	\$ 14.10	\$ 7.25	\$ 8.43
<b>Total Investment Return (a)</b>	<b>57.74%</b>	<b>14.93%</b>	<b>100.72%</b>	<b>(12.93)%</b>	<b>13.18%</b>
<b>Ratios/Supplemental Data</b>					
Net assets, end of year (000 omitted)	\$ 143,603	\$ 158,983	\$ 146,839	\$ 85,082	\$ 134,289
Ratio of expenses to average net assets (b)	1.82%	1.85%	1.74%	1.11%	2.71%
Ratio of expenses to average net assets, excluding taxes	1.57%	1.62%	1.74%	2.01%	1.54%
Ratio of net investment income/(loss) to average net assets	0.69%	1.12%	0.65%	1.28%(c)	1.91%
Portfolio turnover rate	37.48%	35.54%	31.94%	31.94%	29.81%

\* Based on actual shares outstanding on February 4, 2002 (prior to the tender offer) and December 31, 2002.

- (a) Total investment return at market value is based on the changes in market price of a share during the year and assumes reinvestment of dividends and distributions, if any, at actual prices pursuant to the Fund's dividend reinvestment program.
- (b) Ratios include the effect of Chilean taxes.
- (c) Ratio includes the effect of a reversal of Chilean tax accrual; excluding the reversal, the ratio would have been 0.18%.

### USE OF PROCEEDS

The Fund anticipates that it will be able to invest substantially all of the net proceeds of the offering in accordance with its investment objectives and policies within approximately 60 days after completion of the offering. Pending such investment, the Fund anticipates investing the proceeds in short-term securities issued by the U.S. government or its agencies or instrumentalities or in high quality, short-term or long-term debt obligations or money market instruments.

### THE FUND

The Fund is a non-diversified, closed-end management investment company registered under the 1940 Act. The Fund is designed for investors seeking experienced professional management of a portfolio of Chilean securities. An investment in the Fund may not be appropriate for all investors and should not be considered to be a complete investment program. An investment in the Fund involves risks that you should consider before purchasing Shares. See Risks and Special Considerations. The Fund's principal office is located at 1735 Market Street, 3rd floor, Philadelphia, Pennsylvania 19103.

### DESCRIPTION OF SHARES

The Fund, which was incorporated under the laws of the State of Maryland on January 30, 1989, is authorized to issue 100,000,000 shares, \$0.001 par value per share. As of the date of this Prospectus, the Fund has not issued any shares of preferred stock and the Board of Directors has no present intention to issue shares of preferred stock. All references to stock or shares herein refer to common stock, unless otherwise indicated. Each share of common stock has equal voting, dividend, distribution and liquidation rights. The Shares outstanding are, and, when issued, the Shares offered by this Prospectus will be, fully paid and non-assessable. Shares are not redeemable and have no preemptive, conversion or cumulative voting rights. The number of Shares outstanding as of December 31, 2010 was 7,626,079.

The Fund's outstanding Shares are, and, when issued, the Shares offered by this Prospectus will be, publicly held and listed and traded on the Amex. The Fund determines its net asset value on a daily basis. The following table sets forth, for the quarters indicated, the highest and lowest daily closing prices on the Amex per share of common stock, and the net asset value per share and the premium to or discount from net asset value, on the date of each of the high and low market prices. The table also sets forth the number of Shares traded on the Amex during the respective quarters.

During Quarter Ended	NAV per Share on Date of Market Price High and Low (1)		Amex Market Price per Share(2)		Premium/(Discount) on Date of Market Price High and Low(3)		Trading Volume(4)
	High	Low	High	Low	High	Low	
March 31, 2008	20.76	16.43	21.22	16.72	18.28%	(9.77)%	3,390,146
June 30, 2008	21.54	18.40	20.20	16.50	(5.52)%	(10.33)%	1,023,581
September 30, 2008	19.40	15.16	17.18	12.82	(8.68)%	(19.13)%	1,635,357
December 31, 2008	15.94	10.60	13.30	7.96	(11.13)%	(24.91)%	1,313,835
March 31, 2009	13.37	11.35	12.40	9.79	(5.42)%	(18.55)%	1,109,159
June 30, 2009	16.86	12.94	15.62	11.08	(4.44)%	(14.83)%	867,237

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September 30, 2009	17.25	15.78	16.36	14.55	(2.65)%	(10.57)%	982,887
December 31, 2009	19.07	16.47	18.08	15.42	(2.51)%	(7.39)%	1,208,919
March 31, 2010	20.52	18.12	19.60	16.80	(2.69)%	8.17)%	2,265,299
June 30, 2010	19.54	17.33	18.66	16.25	(2.22)%	(8.68)%	2,648,548
September 30, 2010	23.11	18.32	22.93	17.29	0.04%	(9.22)%	2,340,361
December 31, 2010	24.43	21.32	26.25	21.00	7.45%	(3.21)%	4,255,504

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(1) Based on the Fund's computations.

(2) Source: The NYSE Amex Equities.

(3) Based on the Fund's computations.

(4) Source: Bloomberg.

On March 21, 2011, the per Share net asset value was 19.00 and the per Share market price was \$21.19, representing an 11.53% premium over such net asset value.

The Fund's Shares have traded in the market below, at and above net asset value since the commencement of the Fund's operations. However, it has been the case that the Fund's Shares have traded at a discount from net asset value. The Fund cannot determine the reasons why the Fund's Shares trade at a premium to or discount from net asset value, nor can the Fund predict whether its Shares will trade in the future at a premium to or discount from net asset value, or the level of any premium or discount. Shares of closed-end investment companies frequently trade at a discount from net asset value.

The following information regarding the Fund's authorized shares is as of December 31, 2010.

Title of Class	Amount Authorized	Amount Held by Fund for its own Account	Amount Outstanding Exclusive of Amount held by Fund
Common Stock	100,000,000	0	7,626,079

### INVESTMENT OBJECTIVE

The Fund's investment objective is to seek total return, consisting of capital appreciation and income, by investing primarily in Chilean securities. At the Fund's inception, the Fund adopted a fundamental investment policy that the Fund will invest primarily in Chilean equity and debt securities. That fundamental policy may only be changed upon the affirmative vote of the holders of a majority of the Fund's outstanding voting securities. A majority of the Fund's outstanding voting securities as used in this Prospectus means the lesser of (a) 67% or more of the shares of the Fund's Common Stock present at a meeting of stockholders, if the holders of 50% of the outstanding shares are present or represented by proxy at the meeting, or (b) more than 50% of the outstanding shares. The Chilean Portfolio, under normal conditions, will consist principally of Chilean equity securities.

The Fund's Board of Directors has adopted a non-fundamental investment policy for the Fund, pursuant to which the Fund will invest at least 80% of its net assets (plus any borrowings for investment purposes) in Chilean securities. If the Board of Directors elects to change this 80% policy, the Fund will provide shareholders with at least 60 days' prior notice.

The Fund is designed for investors who want to participate in the Chilean securities markets. The Fund defines Chilean securities as (a) securities of companies, the principal trading market for which is in Chile, (b) securities issued or guaranteed by the Republic of Chile or the Central Bank of Chile, (c) peso-denominated securities issued by companies to finance operations in Chile or (d) securities of companies that derive more than 50% of their revenues or profits from goods or services produced in Chile or sales made in Chile or have more than 50% of their assets in Chile.

### INVESTMENT POLICIES

The Fund intends its Chilean Portfolio, under normal market conditions, to consist principally of Chilean equity securities. A substantial portion of the equity securities acquired by the Fund are expected to be dividend-paying securities. Chilean companies listed on the stock exchanges are required by law to pay out as dividends at least 30% of annual audited net income. The Fund, however, may invest a substantial portion of its assets in Chilean debt securities when the Investment Adviser believes that it is appropriate to do so in order to achieve the Fund's investment objective of total return. The Investment Adviser expects to do so, for example, when interest rates on Chilean debt securities are high in comparison with anticipated returns on equity securities. Chilean equity securities in which the Fund invests consist predominantly of common stocks, although the Fund may also invest to a limited extent in preferred stocks, convertible securities and, to the extent a market exists for them and investing in them is permitted under Chilean law, warrants.

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The Fund may invest up to 20% of the Chilean Portfolio in unlisted Chilean securities, including investments in new and early-stage companies, provided that not more than 3% of the Chilean Portfolio may be invested in unlisted securities of Chilean companies that, at the time of investment, had less than one year of operations, including operations of predecessor companies. The Fund invests only in unlisted equity securities that, in the opinion of the Investment Adviser, present opportunities for substantial growth over a period of two to five years, notwithstanding that such investments may be illiquid and present risks not normally existing in publicly owned, more established companies with possibly higher market capitalizations.

Although the Fund invests principally in Chilean equity securities, it may also invest a substantial portion of its assets in Chilean debt securities. Chilean debt securities that the Fund may acquire include bonds, notes and debentures of any maturity of the Chilean government, its agencies and instrumentalities, of the Central Bank of Chile and of banks and other companies determined by the Investment Adviser to be suitable investments for the Fund (including repurchase agreements with respect to obligations of the Chilean government or the Central Bank of Chile). In selecting securities, the Investment Adviser considers the ratings of securities by the public and private credit rating services in Chile, although the Investment Adviser may invest in securities of companies that it determines to be suitable investments for the Fund regardless of their rating. The Fund may invest up to 35% of the Chilean Portfolio in high-yield securities. The Fund may not, however, invest more than 5% of the Chilean Portfolio in Chilean debt securities rated C or below by Chilean rating agencies or unrated securities that the Investment Adviser believes to be of comparable quality. Chilean debt securities rated above C have at least a good capacity to pay principal and interest when due, although some of them may be susceptible to being adversely affected by changes in the issuer, the relevant industry or the economy generally. Because interest on most Chilean debt securities is inflation-adjusted, the variation in the value of Chilean debt securities in relation to fluctuations in

the value of the Chilean peso tends to be less than would otherwise be the case. Chilean debt securities rated C or below are instruments with an inadequate capacity to pay capital and interest as a result of changes in the issuer, in the industry to which it belongs, or in the economy, and exhibit some probability of lateness in payments or loss of interest. The yields on lower-rated fixed-income securities generally are higher than the yield available on higher-rated securities. However, investments in lower-rated securities may be subject to greater market fluctuations and greater risks of loss of income or principal than higher-rated securities. Chilean securities are rated by a number of both public and private credit rating agencies.

Since investors generally perceive that there are greater risks associated with lower quality debt securities of the type in which the Fund may invest a portion of its assets, the yields and prices of such securities may tend to fluctuate more than those for higher-rated securities. In the lower quality segments of the debt securities market, changes in perceptions of issuers' creditworthiness tend to occur more frequently and in a more pronounced manner than do changes in higher quality segments of the debt securities market, resulting in greater yield and price volatility. If the Fund invests in high yield securities that are rated C or below, the Fund will incur significant risk. Distressed securities frequently do not produce income while they are outstanding.

To the extent consistent with provisions of the 1940 Act and any administrative exemptions granted by the SEC, the Fund may invest in the securities of other investment companies that invest in Chilean securities. Absent special relief from the SEC, the Fund may invest up to 10% of its total assets in shares of other investment companies and up to 5% of its total assets in any one investment company, as long as that investment does not represent more than 3% of the voting stock of the acquired investment company. As a stockholder in any investment company, the Fund will bear its ratable share of the company's expenses, and would remain subject to payment of the Fund's advisory and administrative fees with respect to assets so invested.

The Fund will not invest 25% or more of its total assets in the securities of companies in the same industry, although the Fund may invest in U.S. government securities without regard to this limitation. In selecting industries and companies for investment by the Fund, the Investment Adviser will consider factors such as overall growth prospects, competitive position in domestic and export markets, technology, research and development, productivity, labor costs, raw material costs and sources, profit margins, return on investment, capital resources, government regulation and management. This policy may only be changed upon the affirmative vote of the holders of a majority of the Fund's outstanding voting securities.

The Fund purchases and holds securities with a view toward maximizing the total return to the Fund and does not expect to trade in securities for short-term gain. For cash management purposes, the Fund may invest up to 25% of its net assets in certain short-term investments described below and, for temporary defensive purposes, may invest up to 100% of its assets in those short-term instruments. The prohibition on repatriating capital within five years after capital is brought into Chile may limit the Fund's ability to make defensive investments during a period in which the Investment Adviser believes that such investments are warranted.

The short-term instruments in which the Fund may invest include (a) obligations of the United States government, its agencies or instrumentalities (including repurchase agreements with respect to these securities); (b) bank obligations (including certificates of deposit, time deposits and bankers' acceptances) of United States and foreign banks denominated in any currency; (c) floating rate securities and other instruments denominated in any currency issued by international development agencies, banks and other financial institutions, governments and their agencies and instrumentalities and corporations located in countries that are members of the Organization for Economic Cooperation and Development (the "OECD"); (d) obligations of United States corporations that are rated no lower than A-2 by the Standard & Poor's, a subsidiary of The McGraw-Hill Companies, Inc. or P-2 by Moody's Investors Service, Inc., or the equivalent from another rating service or, if unrated, deemed to be the equivalent by the Investment Adviser; and (e) shares of money market funds that may invest in (a) through (d).

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The value of securities denominated or quoted in foreign currencies may be adversely affected by fluctuations in the relative currency exchange rates. The Investment Adviser generally does not seek to hedge against a decline in the value of the Fund's non-dollar denominated portfolio securities resulting from a currency devaluation or fluctuation. As a consequence, the Fund's investment performance may be negatively affected by a devaluation of the Chilean peso. Further, the Fund's investment performance may be significantly affected, either positively or negatively, by currency exchange rates because the U.S. dollar value of securities denominated or quoted in the Chilean peso will increase or decrease in response to changes in the value of such currency in relation to the U.S. dollar. Therefore, the risk of currency devaluations and fluctuations and the effect they may have on the Fund should be carefully considered by investors in determining whether to purchase shares of the Fund.

The Fund reserves the right to conduct currency exchange transactions through entering into forward contracts to purchase or sell currency or currency futures contracts should suitable hedging instruments become available on acceptable terms.

Certain investment policies that the Fund has adopted are fundamental policies; that is, these policies may only be changed upon the affirmative vote of the holders of a majority of the Fund's outstanding voting securities. These fundamental policies are described in the section captioned Investment Restrictions. Unless otherwise indicated, the investment policies described above are not fundamental and may be changed by the Fund at any time.

### **Repurchase Agreements**

The Fund may enter into repurchase agreements with banks and broker-dealers when it deems it advisable. A repurchase agreement is a contract under which the Fund acquires a security for a relatively short period (usually no more than one week) subject to the obligations of the seller to repurchase and the Fund to resell such security at a fixed time and price (representing the Fund's cost plus interest). The Investment Adviser will monitor the value of such securities daily to determine that the value equals or exceeds the repurchase price. Under the 1940 Act, repurchase agreements are considered to be loans made by the Fund which are collateralized by the securities subject to repurchase. See also Risks and Special Considerations.

### **Loans of Portfolio Securities**

The Fund's investment policies permit the Fund to enter into securities lending agreements. Under such agreements, the Fund may lend to borrowers (primarily banks and broker-dealers) portfolio securities with an aggregate market value of up to one-third of the Fund's total assets when it deems advisable. Any such loans must be secured by collateral (consisting of any combination of cash, U.S. government securities, irrevocable bank letters of credit or other high quality debt securities) in an amount at least equal, on a daily marked-to-market basis, to the current market value of the securities loaned. Cash collateral will be invested by the lending agent in short-term instruments, money market mutual funds or other collective investment funds, and income from these investments will be allocated among the Fund, the borrower and the lending agent. The Fund may terminate a loan after such notice period as is provided for the particular loan. The Fund will receive from the borrower amounts equivalent to any cash payments of interest, dividends and other distributions with respect to the loaned securities, although the tax treatment of such payments may differ from the treatment of distributions paid directly by the issuer to the Fund. The Fund also has the option to require non-cash distributions on the loaned securities to be credited to its account. The terms of the Fund's lending arrangement includes provisions to permit the Fund to vote the loaned securities. See also Risks and Special Considerations.

### **Foreign Investments in Chile**

The Central Bank of Chile is responsible for, among other things, monetary policies and for exchange controls in Chile. According to its regulations, contained in Chapter XIV of the *Compendio de Normas de Cambios Internacionales* of the Central Bank of Chile ( Chapter XIV ), foreign investments must be carried out through Chile's *Mercado Cambiario Formal*, or the Formal Exchange Market, and reported to the Central Bank of Chile. The Formal Exchange Market includes all commercial banks and certain exchange houses and stock broker dealers authorized by the Central Bank pursuant to Chapter III of the *Compendio de Normas de Cambios Internacionales*. In accordance with Chapter XIV, foreign currency payments or remittances abroad (outside of Chile) or made with funds held abroad, that correspond to capital, interest, inflation adjustments, profits, dividends or other benefits, must be carried out through the Formal Exchange Market and reported to the Central Bank of Chile. No prior approval is currently required from the Central Bank of Chile to carry out foreign investments or to make remittances abroad, although such transactions must be reported to the Central Bank of Chile after they have been carried out by the Formal Exchange

Market entity through which such transactions were made.

Foreign investments can be registered with the Foreign Investment Committee under Decree Law No. 600 of 1974 (as amended) ( Decree Law 600 ). Decree Law 600 sets forth the general rules applicable to foreign investors and governs new foreign investment in freely convertible currency, which must be made through the Formal Exchange Market, as well as in assets, technology and investment-related credits and capitalized earnings with a right to transfer abroad. The Foreign Investment Committee, acting through its authorized representative on behalf of the Republic of Chile, enters into a contract with each foreign investor, which stipulates the time period during which the investment or investments must be made. In the case of mining investments, the period is generally eight years; in all others, generally three years. A foreign fund can apply to the SVS for authorization to operate under Law No. 18,657 as a foreign capital investment fund. A fund so authorized is thus subject to all of the principles and rights established in Decree Law 600, as well as to the specific rules contained in Law No. 18,657. General rules concerning repatriation of capital and earnings are contained in Decree Law 600 and Law No. 18,657. Under either statute, foreign capital funds may remit out of Chile dividends, interest or net realized capital gains at any time. Capital, however, may only be repatriated five years after its entrance into Chile under Law No. 18,657.

The Fund, as an approved foreign capital fund, is authorized to purchase foreign currency in the Chilean foreign exchange markets for the purpose of remitting dividends, interest and net realized capital gains abroad pursuant to investment contracts between the Fund and the Republic of Chile, and expects that a similar investment contract for which it will apply in connection with this offering will include such authorization. Although there is no undertaking by the Central Bank that there will be willing vendors of foreign exchange, the Fund will be treated the same as all other participants in the foreign exchange market.

Diversification rules under Law No. 18,657 provide that investors such as the Fund may not hold more than 5% of any Chilean issuer's voting stock (subject to an increase to up to 10% for newly-issued shares, including through the exercise of preemptive rights) and not more than 10% of assets invested in Chile may be invested in securities issued or guaranteed by any single Chilean issuer (other than securities issued or guaranteed by the Chilean government or by the Central Bank of Chile). Further, at least 80% of the Chilean Portfolio must be invested in shares of Chilean companies or the Chilean government or in debt obligations of Chilean companies or the Chilean government, the maturity of which at the date of purchase must exceed four years, with not less than 60% of the Chilean Portfolio invested in shares of open corporations.

Not more than 40% of the Chilean Portfolio may be invested in securities issued or guaranteed by entities belonging to the same entrepreneurial group. An entrepreneurial group is defined as any group of entities where links in respect to their ownership, administration or credit responsibility exist that make it reasonable to assume that the economic and financial performance of its members is guided by or subordinated to the group's common interest or that there are shared financial risks in credits granted to them or in the acquisition of securities issued by them.

If any of these percentage limitations is exceeded, the SVS will require that the excess be corrected during a specific period of between 60 and 180 days. The excess can be corrected by a sale of the amount of securities causing the limitations to be exceeded, by a purchase of securities of other issuers or by the fluctuation in value of one or more of the Fund's portfolio holdings. Failure to achieve compliance during the applicable time period would result in the Fund becoming subject to regular Chilean tax rates for foreign investors at the end of the period for correcting the excessive investment, as well as to other penalties. The Chilean diversification tests are applied at cost at the time of investment.

Law No. 18,657 provides that the Fund, together with all other foreign capital investment funds subject to that law, may not own in the aggregate, directly or indirectly, more than 25% of the shares issued by any corporation. Because other funds that are subject to Law No. 18,657 also make investments in Chile, available investment opportunities for the Fund may be reduced, which may adversely affect the Fund's ability to achieve its investment objective and its performance. In order to avoid the risk of having to sell shares at an inopportune time, the Fund will seek to ascertain the extent of holdings by any other foreign capital investment fund subject to Law No. 18,657 prior to making an investment, although this information may not be available or, if available, may not be obtainable on a timely basis.

Should any investment restriction imposed by Law No. 18,657 be removed or liberalized, the Fund reserves the right to invest accordingly, without stockholder approval, except to the extent that such investment conflicts with the Fund's investment objective or its fundamental investment restrictions.

Except for the diversification rules described above for entities such as the Fund operating under Law No. 18,657, there are generally no percentage limitations on foreign holdings or restrictions applicable to foreign ownership of local enterprises and joint ventures that are not also applicable to Chilean investors. Foreign investors are prohibited, however, from owning television stations and are limited in their ability to own newspaper publishers, other media entities and a limited number of other types of companies. Neither Chilean nor foreign investors may make certain types of investments near the country's borders or engage in uranium mining (except through contracts with the government), and certain other activities require the receipt of a government license. In addition, the Fund has agreed with the Chilean government not to acquire unlisted shares of corporations that are foreign capital investment funds, brokers, stock exchanges or companies that are related to Celfin Capital S.A. Administradora de Fondos de Capital Extranjero (the Chilean Administrator), the Chilean administrator for the Fund.

The Investment Adviser intends for the Fund to comply with the diversification limitations and other investment restrictions to which it is subject and believes that, under current market conditions, doing so will not significantly adversely affect the Fund's ability to achieve its investment objective. If the Fund fails to comply with these restrictions after the expiration of the period set forth in the notice of its noncompliance, the tax rate applicable to remittances of amounts exceeding original capital would be lost with respect to subsequent remittances and a tax at a current effective rate up to 35% (determined after taking into account Chilean withholding taxes and tax credits applicable to such withholding tax) on amounts distributed or remitted out of Chile would be imposed on such amounts. If the Fund's favorable tax treatment were forfeited, the Fund nonetheless would continue to be prohibited from repatriating capital out of Chile during the five years after the capital is brought into Chile.

## INVESTMENT RESTRICTIONS

The following restrictions are fundamental policies, which cannot be changed without the approval of the holders of a majority of the Fund's outstanding voting securities. In the event that the Fund issues preferred shares, changes in investment restrictions would also require approval by a majority of the outstanding preferred shares, voting as a separate class. If a percentage restriction on investment or use of assets set forth below is adhered to at the time a transaction is effected, later changes in a percentage resulting from changing values will not be considered a violation.

The Fund may not:

1. Invest 25% or more of the total value of its assets in a particular industry. This restriction does not apply to investments in United States government securities.
2. Issue senior securities, borrow or pledge its assets, except that the Fund may borrow from a bank for temporary or emergency purposes in amounts not exceeding 5% (taken at the lower of cost or current value) of its total assets (not including the amount borrowed) and may also pledge its assets to secure such borrowings; provided that the Fund may borrow from a bank an amount not exceeding 33 1/3% of its total assets (not including the amount borrowed) for the purpose of (a) obtaining amounts necessary to make distributions for qualification as a registered investment company or to avoid imposition of an excise tax under United States tax laws and (b) to pay Fund expenses outside Chile, and not for the purpose of leveraging. Additional investments may not be made when borrowings exceed 5% of the Fund's total assets.
3. Lend money to other persons except through the purchase of debt obligations and the entering into of repurchase agreements in the United States or Chile consistent with the Fund's investment policies.
4. Make short sales of securities or maintain a short position in any security.
5. Purchase securities on margin, except such short-term credits as may be necessary or routine for the clearance or settlement of transactions and the maintenance of margin with respect to forward contracts or other hedging transactions.
6. Underwrite securities of other issuers, except insofar as the Fund may be deemed an underwriter under the Securities Act of 1933, as amended, in selling portfolio securities.
7. Purchase or sell commodities or real estate, except that the Fund may invest in securities secured by real estate or interests in real estate or in securities issued by companies, including real estate investment trusts, that invest in real estate or interests in real estate, and may purchase and sell forward contracts on foreign currencies to the extent permitted under applicable law.

**Additional Chilean Restrictions**

In addition to the foregoing restrictions, the Fund is subject to Law No. 18,657, which limits the Chilean Portfolio to:

1. Shares of Chilean open corporations, i.e., corporations that publicly offer their shares;
2. Securities issued or guaranteed by the Chilean government;
3. Securities issued by the Central Bank of Chile;
4. Securities issued or guaranteed by Chilean banks or financial institutions;
5. Letters of credit issued by Chilean banks, financial institutions or other authorized entities;
6. Bonds and negotiable instruments registered in the Chilean Securities Register;
7. Quotas of investment funds; and
8. Other securities duly authorized by the SVS.

As noted above, the SVS has authorized the Fund (and has authorized other entities operating under Law No. 18,657) to invest up to 20% of the Chilean Portfolio in equity securities of unlisted companies. The Fund has voluntarily adopted a policy of limiting, to not more than 3% of the Chilean Portfolio, its investments in unlisted securities of Chilean companies that, at the time of the investment, had less than one year of operations, including operations of predecessor companies.

The SVS has also authorized the Fund to purchase put and call options on shares, to enter into repurchase agreements and to engage in hedging transactions designed to protect the Chilean Portfolio against exchange risks.

Diversification rules under Law No. 18,657 provide that the Fund may not hold more than 5% of any Chilean issuer's voting stock (subject to an increase of up to 10% for newly-issued shares, including through the exercise of preemptive rights) and not more than 10% of the Chilean Portfolio may be invested in securities issued or guaranteed by any single Chilean issuer (other than securities issued or guaranteed by the Chilean government or by the Central Bank of Chile). Further, at least 80% of the Chilean Portfolio must be invested in shares or debt obligations of Chilean companies or the Chilean government, the maturity of such debt obligations at the date of purchase must not exceed four years, with not less than 60% of the Chilean Portfolio invested in shares of open corporations.

Law No. 18,657 provides that the Fund, together with all other foreign capital investment funds subject to that law, may not own in the aggregate, directly or indirectly, more than 25% of the shares issued by any corporation. If the 25% limitation is exceeded, the foreign capital investment fund that made the purchase causing the limit to be exceeded must divest the excess shares within a 60- to 180-day period prescribed by the SVS. As other funds subject to Law No. 18,657 make investments in Chile, available investment opportunities for the Fund may be reduced, which may adversely affect the Fund's ability to achieve its investment objective and its performance. In order to avoid the risk of having to sell shares at an inopportune time, the Fund will seek to ascertain the extent of holdings by any other foreign capital investment fund subject to Law No. 18,657 prior to making an investment, although this information may not be available or, if available, may not be obtainable on a timely basis.

Under Law No. 18,657, the Fund is prohibited from borrowing money in Chile.

Should any investment restriction imposed by Law No. 18,657 be removed or liberalized, the Fund reserves the right to invest accordingly, without stockholder approval, except to the extent that such investment conflicts with the Fund's investment objective or its fundamental investment restrictions.

## RISKS AND SPECIAL CONSIDERATIONS

An investment in the Fund involves certain risks and considerations, including risks and considerations not typically associated with funds that invest only in U.S. securities. These risks and considerations are described below.

### General

The Fund is a non-diversified, closed-end investment company designed primarily as a long-term investment and not as a trading tool. The Fund invests generally in a portfolio of Chilean securities. An investment in the Fund's Common Stock may be speculative and involves a high degree of risk. The Fund should not be considered a complete investment program. Due to the uncertainty in all investments, there can be no assurance that the Fund will achieve its investment objective.

### Chilean Securities Risk

Because the Fund's investments are primarily in Chilean securities, the Fund is particularly vulnerable to loss in the event of adverse political, economic, financial and other developments that affect Chile, including fluctuations of Chilean currency versus the U.S. dollar. Like other investors in the Chilean securities markets, the Fund is subject to general economic and political conditions in Chile. The Fund's investing in Chilean securities involves certain considerations not typically associated with investing in the United States, including generally (a) controls on foreign investment and limitations on repatriation of capital invested in Chile; (b) greater price volatility, substantially less liquidity and significantly smaller market capitalization of the Chilean securities markets; (c) currency devaluation and other currency exchange rate fluctuations; (d) more substantial governmental involvement in the economy; and (e) political uncertainty and other considerations. More specifically, (1) the Fund may not repatriate capital for five years after investment in Chile except under limited circumstances to pay expenses; (2) there can be no assurance that Chilean inflation might not adversely affect the performance of the Chilean economy or its securities market; (3) governmental and political events in Chile could affect future economic policies; (4) because of the limited forward market for the purchase of dollars in Chile and the limited circumstances under which the Fund hedges against declines in the value of the Chilean peso generally, the Fund will be adversely affected by Chilean peso devaluations against the U.S. dollar; (5) the Fund's ability to make defensive investments may be limited by the application of repatriation restrictions and requirements to maintain minimum percentages of assets in shares of Chilean companies; and (6) due to differences between U.S. and Chilean accounting, auditing and financial reporting standards, certain material disclosures may not be made by issuers of, and less information may be available to the Fund and other investors investing in, Chilean securities.

The Fund has filed an application with the Foreign Investment Committee to enter into an investment contract, pursuant to which the proceeds of this offering will be invested in Chile. While the Fund expects to receive approval from the Foreign Investment Committee to enter into such contract, there can be no assurance that such approval will be granted. See *Investment Policies - Foreign Investments in Chile* for more information about the Fund's investment contract arrangements with the Foreign Investment Committee.

The Fund is subject to supervision and regulation by the SVS. Failure by the Fund to comply with diversification or other SVS requirements applicable to the Fund could, in addition to causing the loss of certain favorable Chilean tax treatment for the Fund, result in the assessment of fines by the SVS or other disciplinary actions. Chilean accounting, auditing and financial reporting standards are not identical to United States standards and, therefore, certain material disclosures may not be made by issuers of, and less information may be available to investors investing in, Chilean securities in comparison to United States securities.

**Foreign Securities Risk**

Investments in foreign securities that are traded on foreign markets, including Chilean securities, are subject to risks of loss that are different from the risks of investing in U.S. securities. These include the possibility of losses due to currency fluctuations (see Currency Exchange Rate Fluctuations ), or to adverse political, economic or diplomatic developments in Chile, including possible increases in taxes. Additionally, accounting, auditing, financial reporting standards and other regulatory practices and requirements for securities in which the Fund may invest vary from those applicable to entities subject to regulation in the United States. The Chilean securities market for both listed and unlisted securities may be more volatile and less liquid than the major U.S. markets. In addition, the cost to the Fund of buying, selling and holding securities in the Chilean market may be higher than in the United States. Any higher expenses of non-U.S. investing may reduce the amount the Fund can earn on its investments and typically results in a higher operating expense ratio than for investment companies that invest only in the United States. Regulatory oversight of the Chilean securities market may differ from that of U.S. markets. There also may be difficulty in invoking legal protections across borders.

### **Equity Securities Risk**

The value of equity securities, including common stock, preferred stock and convertible stock, will fluctuate in response to factors affecting the particular company, as well as broader market and economic conditions. Moreover, in the event of the company's bankruptcy, claims of certain creditors, including bondholders, will have priority over claims of common stock holders and are likely to have varying types of priority over holders of preferred and convertible stock.

Consistent with its objective, the Fund will invest a substantial portion of its assets in Chilean equity securities. Although equity securities have historically generated higher average returns than fixed income securities, equity securities have also experienced significantly more volatility in those returns. An adverse event, such as an unfavorable earnings report, may depress the value of a particular equity security held by the Fund. Also, the prices of equity securities, particularly common stocks, are sensitive to general movements in the stock market. The Fund's share price can fall because of weakness in the Chilean market, a particular industry or specific holdings. The Chilean market as a whole can decline for many reasons, including adverse political or economic developments in Chile or elsewhere, changes in investor psychology, or heavy institutional selling. The prospects for an industry or company may deteriorate because of a variety of factors, including disappointing earnings or changes in the competitive environment. The Fund does not currently intend to hedge against currency risk; consequently, the Fund's equity securities are also subject to the risk that some holdings may lose value because of a decline in the value of the Chilean currency or adverse political or economic events in Chile or elsewhere. Investments in futures and options, if any, are subject to additional volatility and potential losses.

### **High-Yield/Junk Bond Securities Risk**

Although the Fund invests principally in Chilean equity securities, it may invest a substantial portion of its assets in Chilean debt securities when AAMISL believes that it is appropriate to do so in order to achieve the Fund's investment objective of total return. The Fund may invest in Chilean debt securities of any rating. Investment in high yield securities involves substantial risk of loss. Below investment grade non-convertible debt securities or comparable unrated securities, as determined by AAMISL, are commonly referred to as junk bonds and are considered predominantly speculative with respect to the issuer's ability to pay interest and principal and are susceptible to default or decline in market value due to adverse economic and business developments. The market values for high yield securities tend to be very volatile, and these securities are less liquid than investment grade debt securities. If the Fund invests in such securities, your investment in the Fund is subject to the following specific risks:

- increased price sensitivity to changing interest rates and to a deteriorating economic environment;
- greater risk of loss due to default or declining credit quality;
- adverse company-specific events are more likely to render the issuer unable to make interest and/or principal payments; and
- if a negative perception of the high yield market develops, the price and liquidity of high yield securities may be depressed. This negative perception could last for a significant period of time.

Adverse changes in economic conditions are more likely to lead to a weakened capacity of a high yield issuer to make principal payments and interest payments than an investment grade issuer. An economic downturn could severely affect the ability of highly leveraged issuers to service their debt obligations or to repay their obligations upon maturity. The secondary market for high yield securities may not be as liquid as the secondary market for more highly rated securities, a factor which may have an adverse effect on the Fund's ability to dispose of a particular security.

There are fewer dealers in the market for high yield securities than for investment grade obligations. The prices quoted by different dealers may vary significantly and the spread between the bid and asked price is generally much larger than for higher quality instruments. Under adverse market or economic conditions, the secondary market for high yield securities could contract further, independent of any specific adverse changes in the condition of a particular issuer, and these instruments may become illiquid. As a result, the Fund could find it more difficult to sell these securities or may be able to sell the securities only at prices lower than if such securities were widely traded. Prices realized upon the sale of such lower rated or unrated securities, under these circumstances, may be less than the prices used in calculating the Fund's NAV.

### **Inflation Risk**

Inflation risk is the risk that the value of assets or income from investment will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of the Fund's Common Stock and dividends can decline. Chile historically has had a volatile inflation rate, and if Chile's inflation rate were to enter a period of extreme volatility, the value of the Fund's holdings in Chilean securities would fluctuate correspondingly.

### **Management Risk**

AAMISL or Celfin's judgment about the attractiveness, relative value or potential appreciation of a particular security or investment strategy may prove to be incorrect.

### **Conflicts of Interest Risk**

AAMISL and Celfin's advisory fees are based on the lower of the Fund's market value or NAV. Consequently, AAMISL and Celfin will likely benefit from an increase in the Fund's net assets resulting from an offering. In addition, a Director who is an interested person (as such term is defined under the 1940 Act) of the Fund or the Portfolio Manager of the Fund could benefit indirectly from this offering because of such affiliations. Currently, there are no Directors who are interested persons.

### **Currency Exchange Rate Fluctuations**

Currency exchange rates can fluctuate significantly over short periods and can be subject to unpredictable changes based on a variety of factors, including political developments and currency controls by foreign governments. The Fund will normally hold almost all its assets in Chilean peso denominated securities. Accordingly, a change in the value of the Chilean peso against the U.S. dollar will generally result in a change in the U.S. dollar value of the Fund's assets. Such a change may thus decrease the Fund's net asset value.

In addition, although most of the Fund's income will be received or realized primarily in Chilean pesos, the Fund will be required to compute and distribute its income in U.S. dollars. Therefore, for example, if the exchange rate for the Chilean peso declines after the Fund's income has been accrued and translated in U.S. dollars, but before the income has been received or converted into U.S. dollars, the Fund could be required to liquidate portfolio securities to make distributions. Similarly, if the exchange rate declines between the time the Fund incurs expenses in U.S. dollars and the time such expenses are paid, the amount of Chilean pesos required to be converted into U.S. dollars in order to pay those expenses will be greater than the Chilean peso equivalent of those expenses at the time they were incurred.

Currency exchange rate fluctuations can decrease or eliminate income available for distribution or, conversely, increase income available for distribution. For example, in some situations, if certain currency exchange losses exceed net investment income for a taxable year, the Fund would not be able to make ordinary income distributions, and all or a portion of distributions made before the losses were realized but in the same taxable year would be recharacterized as a return of capital to shareholders for U.S. federal income tax purposes, thus reducing shareholders' cost basis in their Fund shares, or as a capital gain distribution, rather than as an ordinary income dividend.

### **Liquidity Risk**

It may be difficult for the Fund to buy and sell significant amounts of Chilean securities without an unfavorable impact on prevailing market prices. Trading on the Santiago Exchange, Chile's primary stock exchange, is not as active as trading on the NYSE or other major stock exchanges in the United States. Consequently, larger purchases or sales of these securities by the Fund in a short period of time may cause

abnormal movements in the market prices of these securities. As a result, these securities may be difficult to dispose of at a fair price at the times when the Fund believes it is desirable to do so. The Fund may also have difficulty purchasing securities in companies in which the Fund would otherwise invest. Investment of the Fund's capital in securities that are less actively traded or that over time experience decreased trading volume may restrict the Fund's ability to take advantage of other market opportunities.

#### **Net Asset Value Discount.**

Shares of closed-end investment companies frequently trade at a discount from net asset value. This characteristic is a risk separate and distinct from the risk that net asset value will decrease. The Fund's shares have frequently traded in the market below net asset value since the commencement of the Fund's operations. In the 12-month period ended March 21, 2011, the Fund's Shares have traded in the market at an average discount to net asset value of -2.28%. However, in the period from January 25, 2011 to March 21, 2011, the Fund's Shares have traded in the market at an average premium over net asset value of 3.45%. The Fund cannot predict whether its Shares in the future will trade at, below or above net asset value. This risk that shares of a closed-end fund might trade at a discount is more significant for investors who wish to sell their shares in a relatively short period of time. For those investors, realization of gain or loss on their investment is likely to be more dependent upon the existence of a premium or discount than upon portfolio performance.

#### **Market Discount Risk**

The Fund's Common Stock has typically traded at a discount relative to NAV. See [Market and Net Asset Value Information](#) for a chart that shows how the market value of the Fund's Common Stock has fluctuated compared to its NAV throughout the Fund's history. The last reported sale price represents a 11.53% premium over the per share NAV on , March 21, 2011; however, there can be no assurance that this premium will continue after an offering or that the shares will

not trade again at a discount, as they have for most of the Fund's history. Shares of closed-end investment companies frequently trade at prices lower than their NAV, but in some cases trade above NAV. The provisions of the 1940 Act require, as a condition to the completion of an offering, that the public offering price of the shares of Common Stock, less the sales load and discounts, must equal or exceed the NAV per share of the Fund's Common Stock (calculated within 48 hours of pricing). An investor who buys the Fund's Common Stock in an offering at a price that reflects a premium to NAV may experience a decline in the market value of the shares of Common Stock independent of any change in the NAV. Whether stockholders will realize a gain or loss upon the sale of the Fund's shares of Common Stock depends upon whether the market value of the shares at the time of sale is above or below the price the stockholder paid, taking into account transaction costs for the shares, and is not directly dependent upon the Fund's NAV. Because the market value of the Fund's shares of Common Stock will be determined by factors such as the relative demand for and supply of the shares in the market, general market conditions and other factors beyond the control of the Fund, the Fund cannot predict whether its shares of Common Stock will trade at, below or above NAV, or below or above the public offering price for the shares of Common Stock. As of December 31, 2010, two stockholders owned approximately 26.5% of the Fund's outstanding Common Stock (see *Principal Holders of Securities*). Any substantial dispositions or acquisitions of Common Stock by these investors could affect the supply or demand for, and possibly the market value of, the Common Stock. The Fund's Common Stock is designed primarily for long-term investors, and you should not purchase shares of Common Stock if you intend to sell them shortly after purchase.

### **Distribution Rate**

The Fund has a managed distribution policy under which quarterly distributions, at a rate determined annually by the Board of Directors, are paid from current income, supplemented by realized capital gains and, to the extent necessary, paid-in capital. See *Dividends and Distributions - Managed Distribution Policy*. There can be no assurance that the distribution rate set at any time, or the policy itself, will be maintained. To the extent total distributions for a year exceed the Fund's net investment income, the difference will be deemed for income tax purposes to have been distributed from realized capital gains (potentially taxable as ordinary income or as long-term capital gain) and/or will be treated as return of capital, as applicable. The Fund's managed distribution policy may, in certain situations, cause the Fund to make taxable distributions to shareholders in excess of the minimum amounts of such taxable distributions required to avoid liability for federal income and excise taxes. Such excess taxable distributions may, in such situations, cause shareholders to be liable for taxes for which they would not otherwise be liable if the Fund only paid that amount required to avoid liability for federal income and excise taxes. The Fund's income distributions and its capital and currency gains distributions are determined in accordance with income tax regulations that may differ from accounting principles generally accepted in the United States. These differences are primarily due to differing treatments for foreign currencies.

If the Fund's investments do not generate sufficient income, the Fund may be required to liquidate a portion of its portfolio to fund these distributions, and therefore a portion or all of such distributions may represent a reduction of the shareholders' principal investment. Such liquidation might be at a time when independent investment judgment would not dictate such action, increasing the Fund's overall portfolio turnover (and related transaction costs) and making it more difficult for the Fund to achieve its investment objective.

### **Non-Diversification Risk**

The Fund is classified as a non-diversified management investment company under the 1940 Act. This means that the Fund is not subject to limits under the 1940 Act as to the proportion of its assets that may be invested in the securities of a single issuer. As a non-diversified investment company, the Fund may therefore invest its assets in securities of a smaller number of issuers, and, as a result, would be subject to greater risk with respect to its portfolio securities. Although the Fund must comply with certain diversification requirements in order to qualify as a regulated investment company under the Internal Revenue Code of 1986, as amended (Code), the Fund may be more susceptible to any single economic, political or regulatory occurrence than would be the case if it had elected to diversify its holding sufficiently to be classified as a diversified management investment company under the 1940 Act. The Fund, however, is subject to Chilean laws limiting investments in a single issuer and intends to comply with the diversification requirements imposed by the Code for qualification as a regulated investment company.

**Unlisted Securities Risk**

The Fund may invest up to 20% of the Chilean Portfolio in unlisted Chilean securities. Because the market for unlisted securities is not liquid, it may be difficult for the Fund to sell these securities timely and at a desirable price. If not listed, such securities could nonetheless be resold in privately negotiated transactions, although the price may be lower and the time to dispose of the security may take considerably longer than for listed securities and the sale price may be lower than the price paid by the Fund. Unlisted securities are not subject to the disclosure and other investor protection requirements of Chilean law applicable to listed securities.

### **Anti-Takeover Charter Provisions**

The Fund's Articles of Incorporation and By-laws include provisions that could limit the ability of other entities or persons to acquire control of the Fund or to change the composition of the Fund's Board of Directors. Such provisions could limit the ability of stockholders to sell their shares at a premium over prevailing market prices by discouraging a third party from seeking to obtain control of the Fund. These provisions include staggered terms of office for the Directors, advance notice requirements for stockholder proposals, and super-majority voting requirements for conversion of the Fund to an open-end investment company or certain merger, asset sale or similar transactions. In certain circumstances, these provisions might also inhibit the ability of stockholders to sell their shares at a premium over prevailing market prices. See Certain Provisions of the Maryland General Corporation Law and the Charter and Bylaws.

### **Market Disruption Risk**

Certain events have had a disruptive effect on the securities markets, such as terrorist attacks (including the terrorist attacks in the United States on September 11, 2001), war and other geopolitical events, earthquakes, storms and other disasters. The Fund cannot predict the effects of similar events in the future on the markets or economy of Chile or other countries.

### **Tax Risk**

The Fund may invest in securities of which the federal income tax treatment may not be clear or may be subject to recharacterization by the IRS or the Chilean IRS. It could be more difficult for the Fund to comply with the United States tax requirements applicable to regulated investment companies, or with the Chilean tax requirements applicable to foreign investors, if the tax characterization of the Fund's investments or the tax treatment of the income from such investments were successfully challenged by the IRS or by the Chilean IRS. See Taxation.

### **Repurchase Agreement Risk**

Repurchase agreements may involve risks in the event of default or insolvency of the seller, including possible delays or restrictions with respect to the Fund's ability to dispose of the underlying securities, and the possibility that the collateral might not be sufficient to cover any losses incurred by the Fund.

### **Securities Lending Risk**

In connection with its loans of portfolio securities, the Fund may be exposed to the risk of delay in recovery of the loaned securities or possible loss of rights in the collateral should the borrower become insolvent. The Fund also bears the risk of loss on the investment of cash collateral. There is also the risk that, in the event of default by the borrower, the collateral might not be sufficient to cover any losses incurred by the Fund. There can be no assurance that the return to the Fund from a particular loan, or from its loans overall, will exceed the related costs and any related losses.

### **Foreign Custody**

The Fund's custodian generally holds the Fund's non-U.S. securities and cash in non-U.S. bank sub-custodians and securities depositories generally in Chile. (See Management of the Fund Custodian and Transfer Agent. ) Regulatory oversight of non-U.S. banks and securities depositories may differ from that in the U.S. Additionally, laws applicable to non-U.S. banks and securities depositories may limit the Fund's ability to recover its assets in the event the non-U.S. bank, securities depository or issuer of a security held by the Fund goes bankrupt.

### **Tax Considerations**

The Fund intends to qualify and to continue to qualify as a regulated investment company under the Code. If it so qualifies, it generally will be relieved of U.S. federal income tax on its investment company taxable income and net capital gains, if any, which it distributes to shareholders in accordance with requirements under the Code. In order to continue to meet the requirements of the Code applicable to regulated investment companies and to minimize its U.S. federal income tax liability, it is the Fund's policy to distribute substantially all of its net income and capital gains, if any, to shareholders. To the extent that the Fund has earnings available for distribution, its distributions in the hands of shareholders may be treated as ordinary dividend income, although certain distributions may be designated by the Fund as capital gain distributions, which would be treated as long-term capital gain, or qualified dividend income, which may be eligible for long-term capital gain tax rates if certain holding period rules apply. Dividends and capital gains distributions paid by the Fund are not expected to qualify for the corporate dividends-received deduction. Distributions in excess of the Fund's current and accumulated earnings and profits will first reduce a shareholder's basis in his shares and, after the shareholder's basis is reduced to zero, will constitute capital gains to the shareholder who holds his shares as capital assets.

Subject to certain limitations imposed by the Code, foreign taxes withheld from distributions or otherwise paid by the Fund may be creditable or deductible by U.S. shareholders for U.S. federal income tax purposes, if the Fund is eligible to and makes an election to treat the shareholders as having paid those taxes for U.S. federal income tax purposes. No

assurance can be given that the Fund will be eligible to make this election each year, but it intends to do so if it is eligible. If the election is made, the foreign withholding taxes paid by the Fund will be includable in the U.S. federal taxable income of shareholders. Non-U.S. investors may not be able to credit or deduct the foreign taxes, but they may be deemed to have additional income from the Fund equal to their share of the foreign taxes paid by the Fund subject to U.S. withholding tax. Investors should review carefully the information discussed under the heading "Taxation" and should discuss with their tax advisers the specific tax consequences of investing in the Fund.

### FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus constitute forward-looking statements, which involve known and unknown risks, uncertainties and other factors that may cause the Fund's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In this Prospectus, the Fund uses words such as "anticipates," "believes," "expects," "intends" and similar expressions to identify forward-looking statements.

The forward-looking statements contained in this Prospectus include statements as to:

- the Fund's operating results;
- the Fund's business prospects;
- the impact of investments that the Fund expects to make;
- the Fund's contractual arrangements and relationships with third parties;
- the dependence of the Fund's future success on the general economy and its impact on the industries in which the Fund invests; and
- the Fund's tax status.

The Fund has based the forward-looking statements included in this Prospectus on information available to it as of the date of this Prospectus, and the Fund assumes no obligation to update any such forward-looking statements. Although the Fund undertakes no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that the Fund may make directly to you or through reports that the Fund in the future may file with the SEC, including the Fund's annual and semi-annual reports. The Fund acknowledges that, notwithstanding the foregoing statement, the safe harbor for forward-looking statements under the Private Securities Litigation Reform Act of 1995 does not apply to the Fund.

## MANAGEMENT OF THE FUND

### The Board of Directors

The Board of Directors directs the management of the business and affairs of the Fund, including general supervision of the duties performed by the Investment Adviser, the Sub-Adviser and other service providers.

### The Investment Adviser and the Sub-Adviser

Aberdeen Asset Management Investment Services Limited serves as the investment adviser to the Fund ( AAMISL or the Investment Adviser ) and Celfin Capital Servicios Financieros S.A. serves as sub-adviser to the Fund ( Celfin or the Sub-Adviser, together with the Investment Adviser, the Advisers ) pursuant to a management agreement dated as of July 1, 2009 (the Advisory Agreement ) and a sub-advisory agreement dated as of July 1, 2009 (the Sub-advisory Agreement ), respectively.

The Investment Adviser is a United Kingdom corporation that was acquired by Aberdeen PLC in December 2005. AAMISL is a U.S. registered investment adviser under the Advisers Act and is also regulated in the United Kingdom by the Financial Services Authority. AAMISL provides equity and fixed income advisory services to U.S. clients. The Investment Adviser, in accordance with the Fund's stated investment objectives, policies and limitations and subject to the supervision of the Fund's Board of Directors, manages the Fund's investments and makes investment decisions on behalf of the Fund, including the selection of, and being responsible for the placement of orders with, brokers and dealers to execute the Fund's portfolio transactions. In rendering investment advisory services, the Investment Adviser may use the resources of Aberdeen Asset Managers Limited ( Aberdeen UK ), a United Kingdom corporation which is a wholly-owned investment

adviser subsidiary of Aberdeen PLC. The Investment Adviser has entered into a Memorandum of Understanding with Aberdeen UK, pursuant to which investment professionals from Aberdeen UK may render portfolio management, research or trading services to the U.S. clients of the Investment Adviser, including the Fund.

The Investment Adviser is a wholly-owned subsidiary of Aberdeen Asset Management PLC (Aberdeen PLC), which is the parent company of an asset management group managing approximately \$287 billion in assets as of December 31, 2010 for a range of pension funds, financial institutions, investment trusts, unit trusts, offshore funds, charities and private clients, in addition to U.S. registered investment companies. The registered offices of Aberdeen PLC are located at 10 Queen's Terrace, Aberdeen, Scotland AB 10 1 YG. Aberdeen PLC, its affiliates and subsidiaries are referred to collectively herein as Aberdeen. Aberdeen PLC was formed in 1983 and was first listed on the London Stock Exchange in 1991.

The Advisory Agreement provides that the Fund will pay the Investment Adviser a fee annual rate of 1.20% of the first \$50 million of the Fund's Average Weekly Base Amount, 1.15% of amounts from \$50-100 million, 1.10% of amounts from \$100-150 million, 1.05% of amounts from \$150-200 million and 1.00% of amounts over \$200 million, calculated weekly and paid quarterly. Average Weekly Base Amount is defined in the Advisory Agreement as the average of the lesser of the market value of the Fund's outstanding shares and the Fund's net assets, determined as of the last trading day of each week during a quarter.

For the fiscal year ended December 31, 2010, and the period July 1, 2009 to December 31, 2009, the Investment Adviser earned management fees of \$1,837,690 and \$905,186 for advisory services, of which AAMISL waived \$233,227 and \$117,095, respectively. Prior to July 1, 2009, Credit Suisse Asset Management, LLC (Credit Suisse LLC), served as the Fund's investment adviser with respect to all investments. Credit Suisse LLC received as compensation for its advisory services from the Fund, an annual fee, calculated weekly and paid quarterly, equal to 1.20% of the first \$50 million of the Fund's average weekly market value or net assets (whichever is lower), 1.15% of the next \$50 million and 1.10% of amounts in excess of \$100 million. For the period January 1, 2009 to June 30, 2009, and the fiscal year ended December 31, 2008, Credit Suisse LLC earned \$679,192 and \$1,748,532 for advisory services. Credit Suisse also provided certain administrative services to the Fund and is reimbursed by the Fund for costs incurred on behalf of the Fund (up to \$20,000 per annum). For period January 1, 2009 to June 30, 2009, and the fiscal year ended December 31, 2008, Credit Suisse was reimbursed \$12,582 for administrative services rendered to the Fund.

The Sub-Adviser is a closed corporation organized under the laws of Chile and is an investment adviser registered with the SEC under the Advisers Act. Celfin is a 98% owned direct subsidiary of Celfin Capital S.A., located at Avenida Apoquindo 3721, 19th floor, Las Condes, Santiago, Chile. Inversiones Casablanca Ltda., located at Peumo 187, Vitacura, Santiago, Chile, and Patmos Finance SA, located at Avenida Apoquindo 3721, 19th floor, Santiago, Chile, each own 32.8% of Celfin Capital S.A., and Inversiones y Renta Montemar Ltda., located at Dieciocho 229, 2nd floor, Santiago, Chile, owns 16.8% of Celfin Capital S.A. The two controlling managing directors of Celfin Capital S.A. are Juan Andrés Camus and Jorge Diego Errázuriz. The Sub-Adviser makes recommendations to the Investment Adviser as to specific portfolio securities to be purchased, retained or sold by the Fund and provides or obtains such research and statistical data as may be necessary in connection therewith.

Under the Sub-advisory Agreement, the Investment Adviser pays the Sub-Adviser a fee computed at the annual rate of 0.20% of the Fund's average monthly net assets invested less the Discount Adjustment Amount. The Discount Adjustment Amount is defined in the investment advisory agreement. The Discount Adjustment Amount is the product of: (x) the quarterly fee otherwise due to the Sub-Adviser, and (y) a fraction, the numerator of which is the amount by which the investment advisory fee payable to the Investment Adviser by the Fund for the corresponding quarter has been reduced, pursuant to the terms of the Advisory Agreement, as a consequence of the market value of the Fund's outstanding shares trading at a discount to the net asset value, and the denominator of which is the management fee that would have been payable to the Investment Adviser for that quarter if no such reduction was required by the terms of the Advisory Agreement.

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The Sub-Adviser informed the Fund that the Investment Adviser or Credit Suisse LLC paid sub-advisory fees of \$287,115, \$263,860 and \$318,879, respectively, to the Sub-Adviser, for the fiscal year ended December 31, 2010, 2009 and 2008. Prior to July 1, 2009, Celfin as sub-adviser received a sub-advisory fee of 0.20% of the Fund's weekly market value or net assets (whichever was lower). A discussion regarding the basis for the Board of Directors' approval of the Advisory Agreement and Sub-advisory Agreement is available in the Fund's annual report to shareholders for the fiscal year ended December 31, 2010.

### **Non-U.S.-Resident Directors and Officers**

Although the Fund is a Maryland corporation, certain of its Directors and officers (Messrs. Martin Torino, Christian Pittard, Devan Kaloo and Hugh Young and Ms. Joanne Irvine) are non-residents of the United States and have all,

or a substantial part, of their assets located outside the United States. None of the Directors or officers has authorized an agent for service of process in the United States. As a result, it may be difficult for U.S. investors to effect service of process upon such Directors and officers within the United States or to effectively enforce judgments of courts of the United States predicated upon civil liabilities of the Directors or officers under the federal securities laws of the United States.

The Fund has been advised by local counsel in Argentina, the foreign jurisdiction in which a Fund Director resides, that it is uncertain whether the courts of Argentina would adjudge civil liability against Directors resident in that jurisdiction in an original action predicated solely on a violation of the federal securities laws of the United States. However, although there is no arrangement in place between Argentina and the United States for the reciprocal enforcement of judgments, a final and conclusive monetary judgment against the Directors and officers in an original action predicated on such provisions rendered by a court in the United States may be enforceable by action or counterclaim or be recognized by the courts of those jurisdictions as a defence to an action or as conclusive of an issue in that action if (i) it has res judicata status and is valid in the United States; (ii) the Argentine party was duly summoned and the proceeding was carried out in accordance with principles of due process; (iii) the decision is not contrary to any previously rendered Argentine decision; (iv) the enforcement would not be contrary to Argentine public order and/or international public policy; and (v) the United States court had jurisdiction according to Argentinean rules of international jurisdiction.

The Fund has been advised by local counsel in the United Kingdom, a foreign jurisdiction in which certain Fund officers reside, that it is uncertain whether the United Kingdom courts would adjudge civil liability against officers resident in the United Kingdom in an original action predicated solely on a violation of the federal securities laws of the United States. However, although there is no arrangement in place between the United Kingdom and the United States for the reciprocal enforcement of judgments, a final and conclusive monetary judgment against the officers in an original action predicated on such provisions rendered by a court in the United States may be enforceable by action or counterclaim or be recognized by the courts of the United Kingdom as a defense to an action or as conclusive of an issue in that action if it was not of a penalty or revenue nature, remains valid and enforceable in the court in which it was obtained and has not be set aside, was not obtained by fraud or otherwise than in accordance with the principles of natural justice, the enforcement would not be contrary to public policy of the United Kingdom and the United States court had jurisdiction in respect of the defendant in the original action in accordance with the English rules of private international law.

## **Portfolio Management**

The following persons have primary responsibility for the day-to-day management of the Fund's portfolio. The Fund's SAI provides additional information about the portfolio managers' compensation, other accounts managed by the portfolio managers and the portfolio managers' ownership of securities in the Fund.

### **Devan Kaloo, Head of Emerging Markets**

Devan joined Aberdeen in 2000 when the investment adviser for which he worked, Murray Johnstone International Ltd., was acquired by Aberdeen. Devan initially worked with the Asian equity team and was promoted to senior investment manager in 2003. In May 2005, he was appointed to his current position. Devan began his career at Martin Currie Ltd. in Edinburgh, initially working on the North American team before transferring to the global asset allocation desk. He has an MA (Hons) from St Andrews University and a postgraduate degree in Investment Analysis from Stirling University, also in Scotland.

### **Fiona Manning, CFA®, Investment Adviser**

Fiona is an investment manager on the emerging markets ex Asia team. She joined Aberdeen as part of a team acquired from Deutsche Asset Management London in October 2005. Prior to joining Aberdeen, Fiona was an analyst with Deutsche since 2001. She graduated from the University of Durham with a BA Honours in History with French.

**Andy Brown, CFA®, Investment Adviser**

Andrew Brown is an investment manager on the Global Emerging Markets Team. Andrew joined the Global Emerging Markets team at Aberdeen in 2005 after graduating from the University of St Andrews with a BSc in Geography. Andrew works within the Global Emerging Markets equity team which is responsible for research of companies and portfolio construction across Emerging Markets mandates. He is a CFA Charterholder.

**Stephen Parr, Investment Adviser**

Stephen Parr is an investment manager on the Global Emerging Markets Team. Stephen joined Aberdeen in July 2009 following the acquisition of certain asset management businesses from Credit Suisse Asset Management. Stephen joined Credit Suisse Asset Management in March 2001 and was a Director of Credit Suisse Asset Management Limited ( Credit Suisse Ltd. U.K. ). Previously, Stephen worked for Energis Communications as Head of Strategy (1998 to 2001). Prior to that, Stephen worked for Ernst & Young Management Consultants as a Managing Consultant (1996-1998) specialising in

the telecommunications sector and prior to that for Energis Communications (1994-1996), Northern Telecom (1989-1994), and CASE Communications (1987-1989) where he worked in strategic planning and marketing management. Stephen graduated with an Upper second class honours degree in Geography from the University of Manchester, a Ph.D in Geography from the University of Keele and an MBA from Warwick Business School.

**Nick Robinson, CFA®, Investment Adviser**

Nick Robinson is an investment manager on the Global Emerging Markets Team and is director of Aberdeen's operations in São Paulo. Nick joined Aberdeen in 2000 and spent eight years on the North American Equities Team, including three years based in Aberdeen's US offices. In 2008 he returned to London to join the global emerging markets equities team. Nick relocated to São Paulo in 2009. Nick graduated with a MA in Chemistry from Lincoln College, Oxford and is a CFA Charterholder.

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**Administrator**

Brown Brothers Harriman & Co. (BBH & Co.), 40 Water Street, Boston, MA 02109, Brown Brothers Harriman & Co. (BBH & Co.), 40 Water Street, Boston, MA 02109, is U.S. administrator for the Fund and certain other U.S. registered closed end funds advised by AAMISL and its affiliates (the Funds). Subject to the control, supervision and direction of the Board of Directors, the Administrator is responsible for, among other things, providing operational management; coordination of communication between, and oversight of, the Fund's service providers; negotiation of the Fund's service provider contracts; preparation of financial information and reports; arranging for payment of Fund expenses; monitoring compliance with the Fund's investment objectives, policies and restrictions, and with applicable tax law and regulations; maintenance of the Fund's books and records; and other administrative services. The Funds pay BBH & Co. monthly for administrative and fund accounting services, at an annual rate of .06% of the Funds' aggregate assets up to \$500 million, .0525% for the next \$500 million, and .0425% in excess of \$1 billion. Each Fund pays its pro rata portion of the fee based on its level of assets.

Celfin Capital S.A. Administradora de Fondos de Capital Extranjero (AFCE, and collectively with BBH & Co., the Administrator) serves as the Fund's Chilean administrator. Under Chilean law, the Fund is required to have an administrator in Chile. AFCE serves as the Fund's Chilean administrator. For its services, AFCE is paid a fee, out of the advisory fee payable to AAMISL, calculated weekly and paid quarterly at an annual rate of 0.05% of the Fund's average weekly market value or net assets (whichever is lower). In addition, the Chilean Administrator receives a supplemental administration fee paid by the Investment Adviser, and an annual reimbursement of out-of-pocket expenses and an accounting fee paid by the Fund.

**Custodian**

BBH & Co., 40 Water Street, Boston, MA 02109, acts as the Fund's custodian.

**Transfer Agent**

Computershare Trust Company, N.A., P.O. Box 43078, Providence, RI 02940, serves as the Fund's stock transfer agent and dividend paying agent.

**EXPENSES**

The Fund pays all of its expenses, including organization expenses; fees of the Investment Adviser, Administrator, custodian and dividend disbursing and stock transfer agent; fees of Directors who are not interested persons (as defined in the 1940 Act) of any other party; out of pocket expenses of all Fund Directors and officers, including those affiliated with Fund management which may be reimbursed under the Fund's reimbursement policy regarding fund-related expenses; other expenses related to meetings of Directors; legal fees and expenses; costs of insurance; costs of shareholders' meetings, proxy statements and shareholder reports; investors' relation fees and expenses, interest expenses; taxes and governmental fees, including original issue taxes or transfer taxes related to portfolio transactions; brokerage commissions and other portfolio transaction expenses; auditing and accounting fees and expenses; and costs of regulatory filings and compliance.

**DIVIDENDS AND DISTRIBUTIONS**

**Managed Distribution Policy**

The Board of Directors has implemented 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 current rolling distribution rate is 10%. 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. Persons who purchase Shares in this offering will be entitled to any regular quarterly distributions the record date for which occurs after such Shares are purchased. For the fiscal year ended December 31, 2010, the Fund made distributions in the amount of \$3.46 per Share, of which 0.27% represented net investment income, 99.73% represented long-term capital gains and 0% represented return of capital. If the Fund's distributions were to continue to consist of a large amount of return of capital, it would result in the deterioration of the Fund's assets. On December 10, 2010, the Board of Directors announced a quarterly distribution of 49 cents per share, payable on January 14, 2011 to all shareholders of record as of December 21, 2010.

If the Fund's assets do not generate sufficient income and net long-term capital gains, the Fund may be required to liquidate a portion of its portfolio to fund these distributions, and therefore, these payments may represent a reduction of a shareholder's principal investment. There can be no assurance that the current rolling distribution rate will be maintained in the future. The Board of Directors may determine not to maintain the managed distribution rate at its current level, and it is possible, depending on market conditions, that it may determine to abandon the managed distribution policy altogether.

In March 2010, the Fund obtained an order under section 6(c) of the 1940 Act granting an exemption from section 19(b) and rule 19b-1 under the 1940 Act, permitting the Fund to make periodic distributions of long-term capital gains with respect to its outstanding common stock as frequently as monthly in any one taxable year, subject to certain conditions.

#### **General Distribution Policy**

The Fund distributes at least annually to stockholders substantially all of its net investment income (*i.e.*, dividends, interest and other investment income) and net realized short-term capital gains, if any. The Fund determines annually whether to distribute any net realized long-term capital gains in excess of net realized short-term capital losses, including capital loss carryovers, if any. Currently, the Fund expects to distribute any such excess to its stockholders annually. An additional distribution may be made to the extent necessary to avoid the payment of a 4% U.S. federal excise tax.

Dividends and distributions to stockholders are recorded by the Fund on the ex-dividend date. The character of distributions made during the year from net investment income or net realized gains may differ from their ultimate characterization for U.S. income tax purposes due to U.S. generally accepted accounting principles and tax differences in the character of income and expense recognition. Dividends, interest and net realized capital gains may be remitted out of Chile at any time, subject to a 10% Chilean tax. The 10% Chilean tax is not applicable to capital gains from the sale of shares of open corporations having a stock exchange presence, from bonds issued by certain entities or companies, or from investment funds quotas and mutual fund quotas, provided certain requirements are met. No tax is applied against remittances of capital after the five-year investment period required by Chilean law provided retained net profits have been previously absorbed. For Chilean securities the Fund accrues foreign taxes on realized gains as a liability and reduction of realized/unrealized gains in an amount equal to what the Fund would owe if the securities were sold on the valuation date. Taxes on foreign income are recorded when the related income is recorded. The tax rate is 10%. For the year ended December 31, 2010, the Fund incurred \$399,628 in Chilean tax relating to foreign income and realized gains. See Taxation. Income distributions and capital and currency gains distributions are determined in accordance with income tax regulations (see Taxation), which may differ from accounting principles generally accepted in the United States. These differences are primarily due to differing treatments for foreign currencies.

#### **DIVIDEND REINVESTMENT AND DIRECT STOCK PURCHASE PLAN**

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A Dividend Reinvestment and Direct Stock Purchase Plan (the Plan ) is available. The Plan is sponsored and administered by Computershare Trust Company, N.A., the Fund's transfer agent. 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 contact Computershare at 1-800-647-0584 or visit [www.computershare.com/buyaberdeen](http://www.computershare.com/buyaberdeen).

### TAXATION

The following is intended to be a general summary of certain tax consequences that may result to the Fund and its shareholders. It is not intended as a complete discussion of all such tax consequences, nor does it purport to deal with all categories of investors. Investors are therefore advised to consult with their tax advisers before making an investment in the Fund.

#### The Fund and its Investments

The Fund has qualified and expects to continue to qualify and elect to be treated as a regulated investment company for each taxable year under the Code. The Fund expects that all of its foreign currency gains will be directly

related to its principal business of investing in stocks and securities. As a regulated investment company, the Fund will not be subject to United States federal income tax on its net investment income (*i.e.*, income other than its net realized long- and short-term capital gains) and net realized capital gains, if any, that it distributes to its stockholders, provided that an amount equal to at least 90% of its investment company taxable income (*i.e.*, 90% of the sum of its net investment income and net realized short-term capital gains, after taking into account certain required adjustments) for the taxable year is distributed, but the Fund will be subject to tax at regular corporate rates on any income or gains that it does not distribute. Furthermore, the Fund will be subject to a U.S. corporate income tax with respect to such distributed amounts in any year that it fails to qualify as a regulated investment company or fails to satisfy this distribution requirement.

The Fund intends to distribute annually to its stockholders all of its net investment income and net realized short-term capital gains. The Board of Directors of the Fund will determine annually whether to distribute any net realized long-term capital gains in excess of net realized short-term capital losses (including any capital loss carryovers from prior years). The Fund currently expects to distribute any such excess annually to its stockholders. In addition, see above the discussion of the Fund's distribution policy under Managed Distribution Policy.

The Fund maintains and will continue to maintain accounts and calculate income in U.S. dollars. In general, gains or losses on the disposition of debt securities denominated in a foreign currency that are attributable to fluctuations in exchange rates between the date the debt security is acquired and the date of disposition, gains and losses attributable to fluctuations in exchange rates that occur between the time the Fund accrues interest or other receivables or accrues expenses or other liabilities denominated in a foreign currency and the time the Fund actually collects such receivables or pays such liabilities, and gains and losses from the disposition of foreign currencies and certain hedging instruments will be treated as ordinary income or loss.

The Fund's transactions in foreign currencies, forward contracts, options and futures contracts (including options and futures contracts on foreign currencies) are subject to straddle and other special provisions of the Code that, among other things, may affect the character of gains and losses realized by the Fund (*i.e.*, may affect whether gains or losses are ordinary or capital), accelerate recognition of income to the Fund and defer Fund losses.

### **Dividends and Distributions**

Distributions to stockholders of investment company taxable income will, except in the case of distributions attributable to qualified dividend income described below, be taxable as ordinary income to the extent of the Fund's earnings and profits, whether such distributions are paid in cash or reinvested in additional shares. Distributions of net long-term capital gains, if any, that the Fund reports as capital gains dividends are taxable as long-term capital gains, whether paid in cash or in shares, regardless of how long the stockholder has held the Fund's shares. Dividends and distributions paid by the Fund will not qualify for the deduction for dividends received by corporations. For taxable years beginning on or before December 31, 2012, distributions of investment company taxable income reported by the Fund as derived from qualified dividend income will be taxable to individuals at the rates applicable to long-term capital gain, provided holding period and other requirements are met by both the individual and the Fund. Qualified dividend income generally includes dividends from domestic corporations and dividends from qualified foreign corporations. The determination of whether a particular foreign corporation is a qualified foreign corporation for U.S. federal income tax purposes depends on various factors. Because of the fact-specific nature of the inquiry, the Fund cannot predict at this time what portion of the dividends, if any, that it will receive from foreign corporations will be treated as qualified dividend income. Distributions in excess of the Fund's current and accumulated earnings and profits will first reduce a stockholder's basis in his shares and, after the stockholder's basis is reduced to zero, will constitute capital gains to a stockholder who holds his shares as capital assets.

With respect to income dividends or capital gains distributions payable either in shares of the Fund's Common Stock or in cash, stockholders receiving dividends or distributions in the form of additional shares should be treated for United States federal income tax purposes as receiving a distribution in the amount equal to the amount of money that the stockholders receiving cash dividends will receive, and should have a cost

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basis in the shares received equal to such amount. With respect to income dividends or capital gains distributions payable only in cash, stockholders receiving a distribution in the form of shares of Common Stock purchased in the open market will be treated for U.S. federal income tax purposes as receiving a distribution on the cash distribution that such stockholder would have received had it not elected to have such distribution reinvested and will have a cost basis in such shares equal to the amount of such distribution.

Beginning in 2013, a 3.8% Medicare contribution tax will be imposed on net investment income, including interest, dividends, and capital gain, of U.S. individuals with income exceeding \$200,000 (or \$250,000 if married filing jointly), and of estates and trusts.

If a stockholder is neither a lawful permanent resident nor a citizen of the United States or if he is a foreign entity, the Fund's ordinary income dividends (which include distributions of net short-term capital gain) will generally be subject to a 30% U.S. withholding tax, unless a lower treaty rate applies.

A 30% withholding tax will be imposed on dividends and redemption proceeds paid after December 31, 2012, to (i) foreign financial institutions including non-U.S. investment funds unless they agree to collect and disclose to the IRS information regarding their direct and indirect U.S. account holders and (ii) certain other foreign entities unless they certify certain information regarding their direct and indirect U.S. owners. To avoid withholding, a foreign financial institution will need to enter into agreements with the IRS regarding providing the IRS information including the name, address and taxpayer identification number of direct and indirect U.S. account holders, to comply with due diligence procedures with respect to the identification of U.S. accounts, to report to the IRS certain information with respect to U.S. accounts maintained, to agree to withhold tax on certain payments made to non-compliant foreign financial institutions or to account holders who fail to provide the required information, and to determine certain other information as to their account holders. Other foreign entities will need to provide the name, address, and TIN of each substantial U.S. owner or certifications of no substantial U.S. ownership unless certain exceptions apply.

Dividends and interest received by the Fund may give rise to withholding and other taxes imposed by foreign countries. Tax conventions between certain countries and the United States may reduce or eliminate such taxes. A stockholder may be able to claim a credit or take a deduction for foreign taxes paid by the Fund if certain requirements are met.

By law, a stockholder's dividends and redemption proceeds will be subject to a withholding tax if he has not provided a taxpayer identification number or social security number or the number that he has provided is incorrect.

### **Sales of Shares**

Upon the sale or exchange of shares held as a capital asset, a stockholder will realize a taxable capital gain or loss depending upon the amount realized and his basis in his shares. Such gain or loss will be treated as long-term or short-term capital gain or loss depending upon the stockholder's holding period for the shares. Any loss realized on a sale or through the reinvestment of dividends and capital gains distributions in the Fund under the Plan, within a period (of 61 days) beginning 30 days before and ending 30 days after the disposition of the shares, will be disallowed. In such a case, the basis of the shares acquired will be increased to reflect the disallowed loss. Any loss realized by a stockholder on the sale of a Fund share held by the stockholder for six months or less will be treated for tax purposes as long-term capital loss to the extent of any distributions of long-term capital gains received by the stockholder with respect to such share.

### **Notices**

Stockholders will be notified annually by the Fund as to the United States federal income tax status of the dividends, distributions and deemed distributions made by the Fund to its stockholders. Furthermore, stockholders will also receive, if appropriate, various written notices after the close of the Fund's taxable year regarding the U.S. federal income tax status of certain dividends, distributions and deemed distributions that were paid (or that are treated as having been paid) by the Fund to its stockholders during the preceding taxable year.

### **Chilean Taxes**

The following discussion is based upon the advice of Guerrero, Olivos, Novoa y Errázuriz Ltda., Chilean counsel to the Fund.

All amounts earned by the Fund, including interest, dividends or net realized capital gains on amounts currently invested in Chile pursuant to its two investment contracts with the Republic of Chile, one entered into in 1989 upon the Fund's inception and a second in 1993 in connection with the issuance of additional shares of Common Stock by the Fund in a rights offering (the Investment Contracts), that exceed original capital are subject to a 10% income tax at the time they are remitted outside Chile. The 10% Chilean tax is not applicable to capital gains obtained by foreign institutional investors (including the Fund) on the sale of (i) shares of open corporations having a stock exchange presence, meaning an adjusted presence (as a percentage of days within the last 180 days where daily transactions were higher than 200 UF, approximately US\$9,000) equal to or higher than 25%, (ii) bonds or publicly traded debt securities issued by the Central Bank of Chile, the Republic of Chile or companies incorporated in Chile, provided the sale is made in a stock exchange, in a public offering or through any other system authorized by the SVS, or (iii) investment funds quotas and mutual fund quotas, provided certain requirements established in new article 107, added by Law 20,448 published in the Official

Gazette on August 13, 2010 are met. For these purposes, the Fund must not participate, directly or indirectly, in the control of the issuers of the securities in which it invests nor have, directly or indirectly, 10% or more of the capital or profits of such entities. To be eligible for this tax exemption, the Fund is required to register with the Chilean IRS and sign a written contract with a Chilean bank or authorized broker in which the Chilean bank or authorized broker agree, under its own liability, to check all withholding taxes have duly been paid. The 10% Chilean tax is applied only against remittances of dividends, interest and net realized gains, regardless of the purpose for which the remittances are used. Thus, the tax applies to remittances used to pay the Fund's expenses outside of Chile, as well as amounts distributed to the Fund's stockholders. Such tax is paid by the Fund on a current basis and is thus indirectly borne by all stockholders. Net realized capital gains for these purposes means realized gains net of realized losses (without regard to the length of time the securities were held), including any capital loss carry-over but excluding any gains from hedging transactions. These taxes are retained by the Chilean Administrator at the time a remittance is effected and are deposited in the Chilean Treasury. The original amounts of portfolio investments as well as interest and dividends and gains thereon, if any, that have not been remitted abroad may be reinvested by the Fund in Chile and will not be subject to tax until actually remitted. No other Chilean income taxes will be payable by the Fund or by a stockholder of the Fund that is not a Chilean resident. This special tax regime is included in the Investment Contracts and will be included in a new investment contract, if and when executed by the Fund under Decree Law 600 and, under current Chilean law, will remain in effect for the duration of the Fund's investment in Chile. Nevertheless, increases in taxes on corporations in which the Fund holds stock may affect the Fund's return. As indicated below, the First Category Tax on corporate income is 20% for 2011, 18.5% for 2012 and 17% for 2013 and after. Because of the special tax regime applicable to the Fund, the First Category Tax is not creditable against the 10% tax on remittances. In addition, the protection granted by the Investment Contracts applies to income taxes, which can reasonably be deemed to include capital gains taxes, but does not refer to other taxes, such as VAT and stamp taxes, that may be imposed on the Fund or its operations in Chile as a consequence of changes in general legislation. However, no taxation may affect in a discriminatory way the Fund or other foreign investors that have entered into an investment contract pursuant to the provisions of Decree Law 600. Under current law, the Fund is not subject to any Chilean inheritance, wealth or estate taxes.

The Fund would become subject to Chilean tax at rates applicable to foreign investors, in accordance with tax laws then in effect, should the Fund fail to sell investments held in violation of the diversification requirements contained in Law No. 18,657 within the time prescribed by SVS. Under the general tax regime, the Fund would be subject to the First Category Tax on income (other than dividend income distributed to the Fund by a company that is subject to the First Category Tax on such income). In addition, distributions received by stockholders of the Fund would be subject to a 35% withholding Additional Tax against which the First Category Tax could be credited. In order to assess the taxable basis of the Additional Tax, the credit for the First Category Tax must be added to it (gross basis and up). Therefore, the aggregate tax burden for both taxes, calculated as a percentage of pre-tax income, would be no greater than 35%. Investors should be aware that, under the general tax regime applicable to foreign investors, tax rates, taxable basis and the manner in which taxes would be applied may be amended by law at any time. The Fund would be subject to the above-described taxation for the duration of its operation in Chile and would continue to be unable to repatriate capital out of Chile during the five years after the capital is brought into Chile. No tax is applied against remittances of capital after the five-year investment period required by Chilean law, provided that if the Fund's Taxable Profit Fund (Fondo de Utilidades Tributables) has retained earnings that have not been distributed, then a remittance of capital is applied first to such retained earnings subject to the 10% tax. Once the retained taxable and financial earnings have been remitted, then the repatriated capital is tax exempt. In other words, while capital may be repatriated after the five-year term has elapsed, under a Chilean IRS interpretation, when there is a capital repatriation and retained taxable profits that have not been taxed, the capital repatriation is characterized for tax purposes as a distribution of taxable profits as to the part that was not taxed, and therefore, it is subject to the 10% tax.

#### **Other Taxation**

Distributions also may be subject to additional state, local and foreign taxes depending on each stockholder's particular situation.

THE FOREGOING IS ONLY A SUMMARY OF CERTAIN MATERIAL TAX CONSEQUENCES AFFECTING THE FUND AND ITS SHAREHOLDERS. SHAREHOLDERS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISERS WITH RESPECT TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF AN INVESTMENT IN THE FUND.



**CERTAIN PROVISIONS OF THE MARYLAND GENERAL  
CORPORATION LAW AND THE CHARTER AND BYLAWS**

The Fund has provisions in its Articles of Incorporation and By-laws that could have the effect of limiting the ability of other entities or persons to acquire control of the Fund, to cause it to engage in certain transactions or to modify its structure. The Board of Directors is divided into three classes each having a term of three years. Each year, the term of one class expires and the successor or successors elected to such class will serve for a three-year term. This provision could delay for up to two years the replacement of a majority of the Board of Directors. A Director may be removed from office only by a vote of the holders of at least 66 2/3% of the shares of the Fund entitled to be voted on the matter.

In addition, the conversion of the Fund from a closed-end to an open-end investment company requires the affirmative vote of the holders of 66 2/3% of the outstanding shares of the Fund. If the Fund were to be converted into an open-end investment company, it could be restricted in its ability to redeem its shares (other than in kind) because of Chilean restrictions on repatriation of the Fund's capital within five years after investing. Making distributions only in kind might require that the Fund receive prior approval from the SEC.

In addition, the affirmative vote of the holders of 66 2/3% of the outstanding shares of the Fund is required to authorize the liquidation or dissolution of the Fund (unless a majority of the Continuing Directors, as defined below, approves the liquidation or dissolution, in which case an affirmative vote of a majority of the outstanding shares of the Fund is required) or any of the following transactions:

- a. merger, consolidation or share exchange of the Fund with or into any other corporation;
- b. issuance of any securities of the Fund to any person or entity for cash (other than pursuant to the Program and Cash Purchase Plan);
- c. sale, lease or exchange of all or a substantial part of the assets of the Fund to any entity or person (except sales having an aggregate fair market value of less than US\$1,000,000); or
- d. sale, lease or exchange to the Fund, in exchange for securities of the Fund, of any assets of any entity or person (except assets having an aggregate fair market value of less than US\$1,000,000)

if such corporation, person or entity is directly, or indirectly through affiliates, the beneficial owner of more than 5% of the outstanding shares of the Fund. However, such vote will not be required with respect to the foregoing enumerated transactions where the Continuing Directors of the Fund (defined for this purpose as those Directors who either were members of the Board of Directors on the date of the closing of the initial public offering or subsequently become Directors and whose election is approved by the Continuing Directors then on the Board) under certain conditions approve the transaction. The Fund's By-laws also include advance notice requirements for shareholder proposals.

Provisions such as those described above and other provisions in the Articles of Incorporation and By-laws of the Fund could have the effect of depriving stockholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging a third party from

seeking to obtain control of the Fund in a tender offer of similar transaction. These provisions are expected to discourage certain coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of the Fund to negotiate first with the Board of Directors. The Fund believes that the benefits of these provisions outweigh the potential disadvantages of discouraging any such acquisition proposals because the negotiation of such proposals may improve their terms. The Board of Directors has determined that the foregoing voting requirements, which are generally greater than the minimum requirements under Maryland law and the 1940 Act, are in the best interests of stockholders generally.

#### **PLAN OF DISTRIBUTION**

We may sell Shares through underwriters or dealers, directly to one or more purchasers, through agents, to or through underwriters or dealers, or through a combination of any such methods of sale. The applicable Prospectus Supplement will identify any underwriter or agent involved in the offer and sale of our Shares, any sales loads, discounts, commissions, fees or other compensation paid to any underwriter, dealer or agent, the offering price, net proceeds and use of proceeds and the terms of any sale.

The distribution of our Shares may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, at prevailing market prices at the time of sale, at prices related to such prevailing market

prices, or at negotiated prices, provided, however, that the offering price per Share must equal or exceed the NAV per Share, exclusive of any underwriting commissions or discounts.

We may sell our Shares directly to, and solicit offers from, institutional investors or others who may be deemed to be underwriters as defined in the Securities Act of 1933 (the Securities Act ) for any resale of the securities. In this case, no underwriters or agents would be involved. We may use electronic media, including the Internet, to sell offered securities directly.

In connection with the sale of our Shares, underwriters or agents may receive compensation from us in the form of discounts, concessions or commissions. Underwriters may sell our Shares to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agents. Underwriters, dealers and agents that participate in the distribution of our Shares may be deemed to be underwriters under the Securities Act, and any discounts and commissions they receive from us and any profit realized by them on the resale of our Shares may be deemed to be underwriting discounts and commissions under the Securities Act. Any such underwriter or agent will be identified and any such compensation received from us will be described in the applicable Prospectus Supplement. The maximum commission or discount to be received by any FINRA member or independent broker-dealer will not exceed eight percent. We will not pay any compensation to any underwriter or agent in the form of warrants, options, consulting or structuring fees or similar arrangements.

If a Prospectus Supplement so indicates, we may grant the underwriters an option to purchase additional Shares at the public offering price, less the underwriting discounts and commissions, within 45 days from the date of the Prospectus Supplement, to cover any over-allotments.

Under agreements into which we may enter, underwriters, dealers and agents who participate in the distribution of our Shares may be entitled to indemnification by us against certain liabilities, including liabilities under the Securities Act. Underwriters, dealers and agents may engage in transactions with us, or perform services for us, in the ordinary course of business.

If so indicated in the applicable Prospectus Supplement, we will ourselves, or will authorize underwriters or other persons acting as our agents to solicit offers by certain institutions to purchase our Shares from us pursuant to contracts providing for payment and delivery on a future date. Institutions with which such contacts may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and others, but in all cases such institutions must be approved by us. The obligation of any purchaser under any such contract will be subject to the condition that the purchase of the Shares shall not at the time of delivery be prohibited under the laws of the jurisdiction to which such purchaser is subject. The underwriters and such other agents will not have any responsibility in respect of the validity or performance of such contracts. Such contracts will be subject only to those conditions set forth in the Prospectus Supplement, and the Prospectus Supplement will set forth the commission payable for solicitation of such contracts.

To the extent permitted under the 1940 Act and the rules and regulations promulgated thereunder, the underwriters may from time to time act as brokers or dealers and receive fees in connection with the execution of our portfolio transactions after the underwriters have ceased to be underwriters and, subject to certain restrictions, each may act as a broker while it is an underwriter.

A Prospectus and accompanying Prospectus Supplement in electronic form may be made available on the websites maintained by underwriters. The underwriters may agree to allocate a number of securities for sale to their online brokerage account holders. Such allocations of securities for Internet distributions will be made on the same basis as other allocations. In addition, securities may be sold by the underwriters to securities dealers who resell securities to online brokerage account holders.

In order to comply with the securities laws of certain states, if applicable, our Shares offered hereby will be sold in such jurisdiction only through registered or licensed brokers or dealers.

**LEGAL PROCEEDINGS**

There are no material pending legal proceedings to which the Fund, the Investment Adviser or the Sub-Adviser is a party.

**TABLE OF CONTENTS OF THE STATEMENT OF ADDITIONAL INFORMATION**

History of the Fund	S-1
Management of the Fund	S-1
Control Persons and Principal Holders of Securities	S-9
Investment Management, Investment Advisory and Other Agreements	S-9
Code of Ethics	S-13
Portfolio Managers	S-13
Portfolio Transactions and Brokerage	S-15
Proxy Voting Policies and Procedures	S-18
Taxation	S-18
Custodian and Transfer, Dividend Disbursing and Dividend Reinvestment Plan Agent	S-24
Experts	S-24