

BRAZIL FUND INC  
Form N-CSR  
September 07, 2005

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549

FORM N-CSR

Investment Company Act file number 811-5269

THE BRAZIL FUND, INC.

-----  
(Exact Name of Registrant as Specified in Charter)

345 Park Avenue  
New York, New York 10154

-----  
(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, including Area Code: (212) 454-7190  
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Paul Schubert  
345 Park Avenue  
New York, NY 10154

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(Name and Address of Agent for Service)

Date of fiscal year end: 06/30

Date of reporting period: 06/30/05

**The Brazil Fund,  
Inc.**

**Annual  
Report to  
Stockholders**

**June 30, 2005**

A closed-end investment  
company seeking long-term  
capital appreciation through  
investment primarily in the  
equity securities of Brazilian  
issuers.

**The Brazil Fund, Inc.**

**Investment Objective and Policies**

long-term capital appreciation through investment primarily in equity securities of Brazilian issuers

**Investment Characteristics**

closed-end investment company investing in a broad spectrum of Brazilian industries

a vehicle for international diversification through participation in the Brazilian economy

**General Information**

<b>Executive Offices</b>	The Brazil Fund, Inc. 345 Park Avenue New York, NY 10154
<b>Automated Information Line</b>	Scudder Closed-End Fund Info Line 1-800-349-4281
<b>Web Site</b>	<b>www.TheBrazilFund.com</b>  or visit our Direct Link:  <b>www.CEF.Scudder.com</b>  Obtain monthly fact sheets, financial reports, press releases and webcasts when available.
<b>Transfer Agent and Registrar</b>	Scudder Investments Service Company P.O. Box 219066 Kansas City, MO 64121-9066  For account information: 1-800-294-4366
<b>Dividend Reinvestment Plan Agent</b>	UMB Bank, N.A.
<b>Legal Counsel</b>	Debevoise & Plimpton LLP
<b>Custodian</b>	Brown Brothers Harriman & Co.
<b>Independent Registered Public Accounting Firm</b>	PricewaterhouseCoopers LLP
<b>New York Stock Exchange Symbol</b>	<b>BZF</b>

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*Investments in funds involve risks. The fund focuses its investments in Brazilian issuers thereby increasing its vulnerability to developments in Brazil and its geographic regions. Investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation and political and economic changes and market risks. This may result in greater share price volatility. Shares of closed-end funds frequently trade at a discount to net asset value. The price of the fund's shares is determined by a number of factors, several of which are beyond the control of the fund. Therefore, the fund cannot predict whether its shares will trade at, below or above net asset value.*

*This report is sent to the stockholders of The Brazil Fund, Inc. for their information. It is not a prospectus, circular, or representation intended for use in the purchase or sale of shares of the fund or of any securities mentioned in the report.*

*Fund shares are not FDIC-insured and are not deposits or other obligations of, or guaranteed by, any bank. Fund shares involve investment risk, including possible loss of principal.*

## Portfolio Management Review

In the following interview, portfolio managers Paul Rogers and Tara Kenney discuss the market environment, fund performance and their strategy in managing The Brazil Fund, Inc. during the twelve-month period ended June 30, 2005.

**Q: Brazil's stock market rose substantially during the past year. What factors led to this strong performance?**

**A:** The Brazilian market produced stellar returns for dollar-based investors during the year ended June 30, as rising stock prices were accompanied by a jump in the value of Brazil's currency, the *real*. The Bovespa Stock Index gained 55.56% in US dollar terms for the period.<sup>1</sup> In comparison, the MSCI World Index – an unmanaged, capitalization-weighted measure of global stock markets including the US, Canada, Europe, Australia and the Far East – produced a loss of -0.70%, while the MSCI Emerging Markets Index returned 34.89%.

<sup>1</sup>The Bovespa Stock Index (\$) is a total return index weighted by traded volume and is comprised of the most liquid stocks traded on the Sao Paulo Stock Exchange

<sup>2</sup>The MSCI Emerging Markets Index is an unmanaged index of more than 850 stocks traded in roughly 28 developing markets around the world.

MSCI indices are calculated using closing local market prices and converted to US dollars using the London close foreign exchange rates.

Index returns assume reinvested dividends and, unlike fund returns, do not reflect any fees or expenses. It is not possible to invest directly in an index.

The investment backdrop in Brazil was exceptionally favorable during the past year. Economic growth remained robust due not only to the high level of commodity prices, but also the rise in agricultural exports and the continued expansion of the consumer sector. The strength in exports was reflected in the fact that Brazil's April trade surplus exceeded \$3.8 billion, a new record in the monthly series. The fiscal account is now in surplus as well. Although higher-than-expected inflation and the threat of rising interest rates briefly cooled investor sentiment during the first quarter, inflation has remained under control and the central bank appears to have stopped raising rates for the time being. On the political front, President Luis Inacio da Silva ("Lula") has retained a high level of popularity even though a recent scandal among high-level officials in the government has created some continuing concerns at the end of the period.

Overall, however, the strong economic backdrop led to a continued improvement in the government's finances and a concurrent decline in the risk premium investors place on Brazilian financial assets. Strong dollar inflows from both investment and trade was a positive for the currency exchange rate as well: one year ago, it required 3.11 *reals* to purchase one US dollar; but by June 30, 2005, the currency had strengthened to 2.36 *reals* to one dollar. As a result, the 18% local currency return of the Bovespa Index was substantially higher (56%) for dollar-based investors.

There have also been positive developments within the stock market itself. Regulations implemented on the Novo Mercado of the Bovespa Stock Exchange have emphasized the importance of corporate governance, led to more

stringent requirements regarding companies' audit committees and board composition, and required that listed companies have only one class of shares (which helps minority shareholders). This has been an extremely positive development, as most recent initial public offerings (IPOs) have come to market with strong protections for minority shareholders in place. During the past year alone, new companies have listed in a variety of sectors that includes discount airlines, insurance, private sector electric utilities, and consumer-oriented companies such as rental cars, cosmetics, toll roads, and even a retail internet company. The result is a broader, deeper market that is encouraging increased participation among local investors. This represents substantial progress from the beginning of this decade.

**Q: How did the fund perform?**

**A:** The fund's total return based on net asset value (NAV) was 62.56% for the twelve-month reporting period. The fund's share price, quoted on the NYSE, closed the period at \$37.90 per share. This represented a total return (gain in market price plus dividend yield) of 81.83%. We are pleased with the fund's outperformance during the past year, and would also like to note that the fund has outperformed on a longer-term basis as well. The fund's average annual return at NAV during the 10 years ended June 30, 2005 is 13.90%, which compares favorably with the 10.49% return of the Bovespa Stock Index, the fund's benchmark, over the same period.\* The average annual return of the fund's NYSE-traded shares for the 10-year period is 12.90%. (Please see page 15 for more complete performance information. Past performance is no guarantee of future results.)

*\*Index returns assume reinvested dividends and, unlike fund returns, do not reflect any fees or expenses. It is not possible to invest directly in an index.*

**Q: What factors helped and hurt fund performance?**

**A:** The fund's outperformance was due largely to the strength of our stock selection. Large overweight positions in Banco Itaú Holding Financeira SA and Banco Bradesco SA performed very well, as did Companhia de Bebidas das Americas (Ambev), a beverage-making company. Our underweights in telecommunications stocks helped as that sector was hurt by intense competition in the wireless sector. In the materials sector, we avoided most of the sell off in the steel sector since we had moved to an underweight by the end of the period. However, we remained overweight in the paper and pulp stocks Aracruz Celulos SA and Votorantim Celulose e Papel SA, which hurt the fund. We added further value through stock selection in utilities; specifically, our overweight in Companhia Energetica de Minas Gerais SA (Cemig) in relation to Centrais Eletricas Brasileiras SA (Electrobras).

On the negative side, the fund was hurt by its large position in the retailer Weg SA a stock that is not represented in the benchmark. Weg generally has underperformed in rising markets, and that proved to be the case again during the past year as the slow growth in Brazil hurt domestic sales, while the strong currency hurt competitiveness in its export markets. We continue to hold the stock because we believe that it is well-positioned to benefit from the improving health of the Brazilian economy. We anticipate that many of the consumer stocks which underperformed during the period will begin to perform better as Brazilian interest rates decline, which we expect to be the case in the latter part of 2005.

**Q: What changes did you make to the portfolio's positioning during the period?**

**A:** The largest shift we made during the reporting period was to reduce the fund's weighting in steel stocks. Although the group has enjoyed a strong performance, we think revenue growth may be slowing. Stocks we have pared down in order to take profits include Companhia Siderurgica Nacional SA and Gerdau SA. At the same time, we boosted the fund's weighting in consumer and private sector electric utility stocks, where we believe the risk-reward profile is more attractive. As mentioned above, the new issues market has been very active this year and we added to the consumer sector through Natura Cosméticos SA (cosmetics); GOL-Linhas Aereas Inteligentes SA (discount airlines), Diagnosticos da America SA (diagnostic clinics); Porto Seguro SA (insurance) among others, all of which have performed favorably since their listing. In general, we are more comfortable holding consumer names rather than retaining a large exposure to the materials sector at this point in the cycle. As of the end of the period, the fund's weighting in consumer stocks was 17.4%, well above the 7.6% level in the MSCI Brazil Index.<sup>3</sup>

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<sup>3</sup>The Morgan Stanley Capital International (MSCI) Brazil Index is an unmanaged, capitalization-weighted measure of Brazil's stock market. The index is calculated using closing local market prices and converts to US dollars using the London close foreign exchange rates.

Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly into an index.

Our participation in many of the IPOs of the past year as well as the broadening of the Brazilian market to include more small companies is reflected in the composition of the portfolio. Its weighting in smaller companies those with market capitalizations under \$5 billion stood at 47% on June 30, compared with 27% for MSCI Brazil. In addition, as all newly listed companies do not enter into the index immediately, the fund was able to capitalize on its participation in these new stocks.

### **Q: What is your broad view of the Brazilian economy and stock market as we move into the second half of the year?**

**A:** We remain optimistic on the outlook for Brazil's economy. The global economic scenario remains relatively benign, and we believe trends toward stable growth and low interest rates should be conducive to a healthy economic situation in Brazil. We are extremely encouraged by the economic changes that are taking place in Brazil, and we believe the country is on a much firmer footing than it has been in the past. Not only are the government's finances much improved, but the economy is now more diverse given the rising importance of the consumer and agricultural sectors. Although the political scandal in the Partidodos Trabalhadores (PT party) may emerge as a larger issue in the months ahead, our view is that it is better to have corruption exposed and dealt with rather than hidden, as was so often the case in the past.

It is important to note that stock prices in Brazil have come a long way in the past year. Valuations have moved closer to what we see as an appropriate level, meaning that the "easy" gains are now likely behind us. We continue to hold a positive view on the Brazilian market, however, as we believe lower interest rates and robust economic growth should lead to continued strong profit growth for Brazilian companies.

*The views expressed in this report reflect those of the portfolio managers only through the end of the period of the report as stated on the cover. The managers' views are subject to change at any time based on market and other conditions and should not be construed as a recommendation.*

## **Other Information**

### **Investment Manager**

Deutsche Investment Management Americas Inc. ("DeIM"), with headquarters at 345 Park Avenue, New York, NY, is the investment manager for the fund. DeIM and its predecessors have more than 80 years of experience managing mutual funds. DeIM provides a full range of investment advisory services to institutional and retail clients. DeIM is also responsible for selecting brokers and dealers and for negotiating brokerage commissions and dealer charges.

Deutsche Asset Management is the marketing name in the US for the asset management activities of Deutsche Bank AG, Deutsche Bank Trust Company Americas, Deutsche Asset Management, Inc., Deutsche Asset Management Investment Services Ltd., Deutsche Investment Management Americas Inc. and Scudder Trust Company.

Deutsche Asset Management is a global asset management organization that offers a wide range of investing expertise and resources, including hundreds of portfolio managers and analysts and an office network that reaches the world's major investment centers. This well-resourced global investment platform brings together a wide variety of experience and investment insight across industries, regions, asset classes and investing styles.

DeIM is an indirect, wholly owned subsidiary of Deutsche Bank AG. Deutsche Bank AG is a major global banking institution that is engaged in a wide range of financial services, including investment management, mutual fund, retail,

private and commercial banking, investment banking and insurance.

Deutsche Asset Management also manages the assets of other closed-end investment companies which invest primarily in foreign securities: Scudder New Asia Fund, Inc., The Korea Fund, Inc., Scudder Global High Income Fund, Inc., Scudder Global Commodities Stock Fund, Inc., The Germany Fund, Inc., The New Germany Fund, Inc. and The Central Europe and Russia Fund, Inc. In addition, Deutsche Asset Management manages open-end mutual funds which invest in domestic and international markets.

## Repurchase Offers and Fee Reduction

On December 15, 2004, the fund's Board of Directors approved a series of measures designed to enhance shareholder value and to maintain the fund's viability:

an offer to repurchase 50% of the fund's outstanding shares in exchange for portfolio securities of the fund;

a program for future repurchase offers; and

a reduction in the fee paid to the fund's manager, Deutsche Investment Management Americas Inc.

On July 28, 2005 the fund commenced the initial tender offer for up to 8,120,644 shares, representing approximately 50% of its issued and outstanding shares of common stock, in exchange for portfolio securities of the fund at a price per share equal to 98% of the net asset value per share as of the day after the day the offer expires. The tender offer will remain open through August 25, 2005, unless extended. The tender offer is being conducted in order to provide shareholders with an alternative source of liquidity for their investment in fund shares and as part of the fund's continuous efforts to provide additional value to shareholders.

The program for future repurchase offers consists of semiannual offers, each to repurchase 10% of the fund's shares then outstanding, at a price of 98% of net asset value on the day after expiration of the offer, in the three calendar years following completion of the initial offer. As with the initial offer, participating holders would be paid in kind, by receiving a pro rata share of the fund's portfolio. Each of these subsequent offers would be made, subject to regulatory approvals, fiduciary and other applicable requirements, if the fund's shares traded on the New York Stock Exchange at an average weekly discount from net asset value greater than 5% during a 13-week measuring period ending the last day of the preceding half-year.

The board also announced a reduction, effective December 1, 2004, in the fees payable to the fund's manager. Previously, the annual management fee had ranged from 1.20% on the first \$250 million of net assets to 0.90% of net assets over \$500 million. Under the amended advisory agreement, the management fee ranges from 0.60% on the first \$250 million of net assets to 0.50% of net assets in excess of \$1 billion.

There can be no assurance that the approvals needed for the semiannual repurchase offers will be obtained, or that any action proposed or adopted by the board will reduce or eliminate the discount from net asset value at which the fund's shares trade. The fund's announcement is not an offer to purchase or the solicitation of an offer to sell shares of the fund. The repurchase offers referred to in the fund's announcement will be made only by the offer to purchase and related letter of transmittal. Stockholders should review these documents carefully when they are available, because they will contain important information. These documents will be available to investors for free at the Web site of the Securities and Exchange Commission ([www.sec.gov](http://www.sec.gov)), as well as on the fund's Web site at [www.CEF.Scudder.com](http://www.CEF.Scudder.com). An offer to purchase will not be made to, nor will tenders pursuant to the offer to purchase be accepted from or on behalf of, holders of shares in any jurisdiction in which making or accepting the offer to purchase would violate the jurisdiction's laws.

## Annual Meeting of Stockholders

The Board announced that the 2005 Annual Meeting of Stockholders of the fund, normally held in October, will be held on December 13, 2005. The later meeting date reflects a decision by the Board to defer action on the Board's nominees for election at the meeting until the results of the tender offer, with the attendant possible changes in the fund's ownership, are known.

## Changes in Officers

On July 5, 2005, the Board of Directors elected Paul Schubert as Treasurer, replacing Charles A. Rizzo. Mr. Schubert also serves as the fund's Chief Financial Officer. The Board also elected Carole Coleman as Vice President and Secretary, replacing Bruce A. Rosenblum, and Scott McHugh as Assistant Treasurer, replacing Kevin Gay.

## Changes in Directors' Retirement Dates

The fund expects that William H. Luers would continue as a Director until his term expires at the fund's 2005 annual meeting, and that Robert J. Callander, because of his responsibilities as Chairman of the Board, would continue as a Director until his term expires at the fund's 2006 annual meeting. The fund had indicated previously that both Directors were expected to retire in April 2005.

## Proxy Voting

A description of the fund's policies and procedures for voting proxies for portfolio securities and information about how the fund voted proxies related to its portfolio securities during the 12-month period ended June 30 is available on our Web site [scudder.com](http://scudder.com) (type "proxy voting" in the search field) or on the SEC's Web site [www.sec.gov](http://www.sec.gov). To obtain a written copy of the fund's policies and procedures without charge, upon request, call us toll free at (800) 621-1048.

## Dividend Reinvestment Plan and Cash Purchase Plan

The fund's Dividend Reinvestment and Cash Purchase Plan offers you a convenient way to have your dividends and capital gain distributions reinvested in shares of the fund. We believe this Plan is attractive for stockholders. Its features are more fully described on page [34](#). You may obtain more detailed information by requesting a copy of the Plan from the Transfer Agent. All correspondence (including notifications) should be directed to: The Brazil Fund Dividend Reinvestment and Cash Purchase Plan, c/o Scudder Investments Service Company, P.O. Box 219066, Kansas City, MO 64121-9066, 1-800-294-4366.

## Share Repurchases

The Board of Directors of The Brazil Fund, Inc. has authorized the fund to effect periodic repurchases of its shares in the open market from time to time when the fund's shares trade at a discount to their NAV. Subject to periodic review by the fund's Board of Directors, repurchases may be made at such time and in such amounts as the fund's Manager believes will further the achievement of the fund's objectives. Depending on market conditions, available funds, regulatory requirements and alternative investment opportunities, such repurchases are limited to (1) 5% of the shares outstanding at the beginning of the calendar year, plus (2) an estimate of shares to be issued in connection with the current calendar year's dividends, plus (3) the number of shares authorized for purchase in the previous calendar year that have not been purchased. In measuring the number of shares authorized for repurchase, the shares relating to the

current calendar year's dividends are estimated at 50% of the number of shares issued in connection with the prior calendar year's dividends or until such time during the calendar year that the fund's Manager has a more accurate projection of the calendar year's dividends. Repurchases made based on this estimate shall continue to have been authorized, even if the actual dividend or related share issuance is lower. During the 12 months ended June 30, 2005, no fund shares were repurchased by the fund pursuant to the share repurchase plan as described above.

## Net Asset Value

The fund's NAV is available daily on our Web site at [www.TheBrazilFund.com](http://www.TheBrazilFund.com) or visit our Direct Link [www.CEF.Scudder.com](http://www.CEF.Scudder.com). The fund's NAV is published weekly on Monday and the fund's Market Value is published every weekday in *The Wall Street Journal* under the heading "Closed End Funds." The fund's market value is also published daily in *The New York Times* and weekly in *Barron's*. The fund's NAV is also published weekly in *Barron's*.

## Certifications

The Fund's chief executive officer has certified to the New York Stock Exchange that, as of August 3, 2004, he was not aware of any violation by the Fund of applicable NYSE corporate governance listing standards. The Fund's reports to the Securities and Exchange Commission on Forms N-CSR, N-CSR-S and N-Q contain certifications by the Fund's chief executive officer and chief financial officer that relate to the Fund's disclosure in such reports and that are required by rule 30a-2(a) under the Investment Company Act.

## Investment Summary as of June 30, 2005

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when sold, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit [www.CEF.Scudder.com](http://www.CEF.Scudder.com) for the Fund's most recent performance.

Historical Information as of 6/30/05						
	Total Return (%) <sup>d</sup>					
	Market Value <sup>a</sup>		Net Asset Value <sup>a</sup>		Index <sup>b</sup>	
	Cumulative	Average Annual	Cumulative	Average Annual	Cumulative	Average Annual
Current Quarter	11.44		9.57		6.91	
One Year	81.83	81.83	62.56	62.56	55.56	55.56
Three Year	220.87	47.50	182.00	41.28	167.56	38.70
Five Year	163.58	21.39	99.95	14.86	14.49	2.74
Ten Year	236.40	12.90	267.37 <sup>c</sup>	13.90 <sup>c</sup>	171.42	10.49

### Per Share Information and Returns<sup>a</sup>

Yearly periods ended June 30										
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Net Asset Value (\$)	26.27	35.71	23.67	17.03	24.01	19.63	15.43	17.91	25.58	40.31
Income Dividends (\$)	.30	.61	.56	.79	.30	.42	.53	.27	.63	.78
Capital Gains and Other Distributions (\$)	.81	.75	2.32	2.27		.50	.19			.26
Total Return (%)	22.24 <sup>c</sup>	43.88 <sup>c</sup>	-23.82	-4.31	43.28	-14.01	-17.54	18.37	46.56	62.56

<sup>a</sup>Total return based on net asset value reflects changes in the Fund's net asset value during each period. Total return based on market value reflects changes in market value. Each figure assumes that dividend and capital gains, if any, were reinvested. These figures will differ depending upon the level of any discount from or premium to NAV at which the Fund's shares traded during the period.

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<sup>b</sup>The Bovespa Stock Index (\$) is a total return index weighted by traded volume and is comprised of the most liquid stocks traded on the Sao Paulo Stock Exchange. The index is calculated using closing local market prices and converts to US dollars using the London close foreign exchange rates. Index returns assume reinvested dividends and, unlike Fund returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

<sup>c</sup>Total returns would have been lower had certain expenses not been reduced.

<sup>d</sup>Returns less than one year are not annualized.

# Portfolio Summaryas of June 30, 2005

### Asset Allocation 6/30/05 6/30/04

Equity Securities	98%	97%
Cash Equivalents	2%	3%
	100%	100%

### Sector Diversification (Excludes Cash Equivalents) 6/30/05 6/30/04

Materials	24%	29%
Financials	19%	15%
Consumer Staples	17%	17%
Energy	12%	11%
Industrials	12%	13%
Utilities	8%	6%
Telecommunication Services	6%	8%
Consumer Discretionary	1%	1%
Health Care	1%	
	100%	100%

Asset allocation and sector diversification are subject to change.

### Ten Largest Equity Holdings at June 30, 2005 (65.6% of Net Assets)

<b>1.Banco Itaú Holding Financeira SA</b>	12.6%
Provider of banking services	
<b>2.Petróleo Brasileiro SA</b>	12.0%
Producer and distributor of petroleum	
<b>3.Companhia de Bebidas das Americas SA</b>	7.9%
Produces beer, soft drinks, teas, mineral water, fruit juices and sports drinks	
<b>4.Companhia Vale do Rio Doce SA</b>	7.9%
Produces and sells iron ore and other mining materials	
<b>5.Weg SA</b>	6.8%
Manufactures and distributes industrial machinery	
<b>6.Banco Bradesco SA</b>	4.9%
Provider of commercial banking services	
<b>7.Companhia Energetica de Minas Gerais SA</b>	4.1%
Generates and transmits and distributes electricity	
<b>8.Souza Cruz SA</b>	3.2%
Produces and sells cigarettes and other tobacco products	
<b>9.Gerdau SA</b>	3.2%
Produces and manufactures steel	

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10.Sadia SA	3.0%
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Producer of frozen and refrigerated processed foods

Portfolio holdings are subject to change.

For more complete details about the Fund's investment portfolio, see page 19. A quarterly Fact Sheet is available upon request. Please see the General Information section for contact information.

Following the Fund's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

## Investment Portfolios of June 30, 2005

	Shares	Value (\$)
<b>Equity Securities 96.1%</b>		
<b>Consumer Discretionary 0.8%</b>		
<b>Textiles, Apparel &amp; Luxury Goods</b>		
Grendene SA	79,600	554,302
Sao Paulo Alpargatas SA (Preferred)	325,796	4,882,057
		<b>5,436,359</b>
<b>Consumer Staples 16.4%</b>		
<b>Beverages 7.9%</b>		
Companhia de Bebidas das Americas	28,841,593	7,411,116
Companhia de Bebidas das Americas (Preferred)	144,207,965	44,250,538
		<b>51,661,654</b>
<b>Food &amp; Staples Retailing 1.7%</b>		
Companhia Brasileira de Distribuicao Grupo Pao de Acucar (Preferred)	540,916,400	<b>10,853,076</b>
<b>Food Products 3.0%</b>		
Sadia SA (Preferred)	10,198,045	<b>19,871,993</b>
<b>Personal Products 0.6%</b>		
Natura Cosmeticos SA	119,600	<b>3,835,908</b>
<b>Tobacco 3.2%</b>		
Souza Cruz SA (Voting)	1,735,943	<b>21,262,514</b>
<b>Energy 12.0%</b>		
<b>Oil, Gas &amp; Consumable Fuels</b>		
Petroleo Brasileiro SA (Preferred)	1,711,658	<b>78,655,633</b>
<b>Financials 18.0%</b>		
<b>Banks 17.5%</b>		
Banco Bradesco SA (Preferred)	902,629	32,185,392
Banco Itaú Holding Financeira SA (Preferred)	444,049	82,153,819
		<b>114,339,211</b>
<b>Insurance 0.5%</b>		
Porto Seguro SA	372,100	<b>3,346,510</b>
<b>Health Care 0.6%</b>		
<b>Health Care Equipment &amp; Supplies</b>		
Diagnosticos da America SA*	278,500	<b>3,792,848</b>
<b>Industrials 11.8%</b>		
<b>Aerospace &amp; Defense 1.9%</b>		
Empresa Brasileira de Aeronautica SA (Preferred)	1,498,932	<b>12,325,265</b>
<b>Airlines 0.9%</b>		
GOL-Linhas Aereas Inteligentes SA (Preferred)	277,184	4,131,051
Tam SA (Preferred)*	259,500	1,867,066
		<b>5,998,117</b>

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<b>Electrical Equipment 6.8%</b>		
Weg SA (Preferred)	14,356,500	<b>44,821,792</b>
<b>Road &amp; Rail 1.0%</b>		
All America Latina Logistica***	218,900	<b>6,514,502</b>
<b>Transportation Infrastructure 1.2%</b>		
Companhia de Concessoes Rodoviaras	324,000	<b>7,615,041</b>
<b>Materials 23.2%</b>		
<b>Chemicals 0.4%</b>		
Braskem SA "A" (Preferred)	302,554	<b>2,533,161</b>
<b>Metals &amp; Mining 17.0%</b>		
Caemi Mineracao e Metalurgica SA (Voting)	14,490,500	13,652,720
Companhia Siderurgica Nacional SA (Voting)	1,205,800	19,571,657
Companhia Vale do Rio Doce "A" (Preferred)**	2,030,812	51,609,586
Companhia Vale do Rio Doce (Preferred)*	922,104	19,232
Gerdau SA (Preferred)	2,189,040	21,187,282
Usinas Siderurgicas de Minas Gerais SA "A" (Preferred)	325,600	5,312,788
		<b>111,353,265</b>
<b>Paper &amp; Forest Products 5.8%</b>		
Aracruz Celulos SA "B" (Preferred)	5,109,599	17,724,947
Klabin SA (Preferred)	1,364,000	2,359,983
Votorantim Celulose e Papel SA (Preferred)	1,434,500	17,631,756
		<b>37,716,686</b>
<b>Telecommunication Services 6.0%</b>		
<b>Diversified Telecommunication Services 2.9%</b>		
Brasil Telecom Participacoes SA (Preferred)	1,184,456,600	8,496,637
Brasil Telecom SA (Preferred)	1,143,634,125	4,940,995
Telemar Norte Leste SA "A" (Preferred)	219,434	5,300,247
		<b>18,737,879</b>
<b>Wireless Telecommunication Services 3.1%</b>		
Tele Centro Oeste Celular Participacoes SA (Preferred)	351,681	3,479,160
Tele Norte Leste Participacoes SA	49	1,133
Tele Norte Leste Participacoes SA (Preferred)	848,205	14,130,696
Telesp Celular Participacoes SA (Preferred)*	711,474	3,028,716
		<b>20,639,705</b>
<b>Utilities 7.3%</b>		
<b>Electric Utilities 5.8%</b>		
AES Tiete SA "A" (Preferred)	147,460,000	2,652,385
Centrais Eletricas Brasileiras SA "B" (Preferred)	380,000,000	4,929,422
Companhia Energetica de Minas Gerais SA (Preferred)	842,171,369	26,834,069
Companhia Paranaense de Energia-Copel "B" (Preferred)	645,166,700	3,680,351
		<b>38,096,227</b>
<b>Multi-Utilities &amp; Unregulated Power 0.5%</b>		
Ultrapar Participacoes SA (Preferred)	199,810,200	<b>3,511,012</b>
<b>Water Utilities 1.0%</b>		
Companhia Saneamento Basico do Sao Paulo SA (Voting)	106,400,000	<b>6,447,339</b>
<b>Total Equity Securities (Cost \$191,076,184)</b>		<b>629,365,697</b>
<b>Rights 0.0%</b>		
<b>Telecommunication Services</b>		
<b>Wireless Telecommunication Services</b>		
Tele Centro Oeste Celular Participacoes SA*	8,479	9,224
Telesp Celular Participacoes SA*	32,930	23,410
<b>Total Rights (Cost \$36,293)</b>		<b>32,634</b>
<b>Cash Equivalents 2.3%</b>		
Scudder Cash Management QP Trust, 3.14% (b) (Cost \$15,027,665)	15,027,665	<b>15,027,665</b>
	<b>% of Net Assets</b>	<b>Value (\$)</b>
<b>Total Investment Portfolio (Cost \$206,140,142) (a)</b>	<b>98.4</b>	<b>644,425,996</b>

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<b>Other Assets and Liabilities, Net</b>	1.6	<b>10,223,287</b>
<b>Net Assets</b>	100.0	<b>654,649,283</b>

\*Non-income producing security.

\*\*These shares have limited voting rights.

\*\*\*Units representing four preferred shares and one common share.

(a)The cost for federal income tax purposes was \$206,942,356. At June 30, 2005, net unrealized appreciation for all securities based on tax cost was \$437,483,640. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$450,709,897 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$13,226,257.

(b)Scudder Cash Management QP Trust is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.

The accompanying notes are an integral part of the financial statements.

## Financial Statements

### Statement of Assets and Liabilities as of June 30, 2005

<b>Assets</b>	
Investments:	
Investments in securities, at value (cost \$191,112,477)	\$629,398,331
Investment in Scudder Cash Management QP Trust, at value (cost \$15,027,665)	15,027,665
Total investments in securities, at value (cost \$206,140,142)	644,425,996
Brazilian real, at value (cost \$7,795,170)	8,058,794
Dividends receivable	3,122,061
Interest receivable	39,129
Other assets	12,438
<b>Total assets</b>	<b>655,658,418</b>
<b>Liabilities</b>	
Accrued management fee	260,022
Other accrued expenses and payables	749,113
<b>Total liabilities</b>	<b>1,009,135</b>
<b>Net assets, at value</b>	<b>\$654,649,283</b>
<b>Net Assets</b>	
Net assets consist of:	
Undistributed net investment income	15,459,642
Net unrealized appreciation (depreciation) on:	
Investments	438,285,854
Brazilian real related transactions	600,656
Accumulated net realized gain (loss)	14,691,535
Cost of 195,700 shares held in treasury	(3,033,037)
Paid-in capital	188,644,633
<b>Net assets, at value</b>	<b>\$654,649,283</b>
<b>Net Asset Value</b> per share (\$654,649,283 ÷ 16,241,288 shares of common stock issued and outstanding, \$.01 par value, 50,000,000 shares authorized)	<b>\$40.31</b>

The accompanying notes are an integral part of the financial statements.

### Statement of Operations for the year ended June 30, 2005

<b>Investment Income</b>	
Income:	
Dividends (net of foreign taxes withheld of \$2,349,361)	\$26,398,220

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Interest Scudder Cash Management QP Trust	182,146
Total Income	26,580,366
Expenses:	
Management fee	4,198,005
Administrator's Fee	50,000
Services to shareholders	40,755
Custodian and accounting fees	1,421,882
Auditing	75,852
Legal	626,903
Directors' fees and expenses	134,748
Reports to shareholders and annual meeting	407,108
NYSE listing fee	21,917
Other	116,973
Total expenses, before expense reductions	7,094,143
Expense reductions	(4,063)
Total expenses, after expense reductions	7,090,080
<b>Net investment income (loss)</b>	<b>19,490,286</b>
<b>Realized and Unrealized Gain (Loss) on Investment Transactions</b>	
Net realized gain (loss) from:	
Investments	21,439,455
Brazilian real related transactions (net of CPMF tax of \$178,962)	2,342,873
	23,782,328
Net unrealized appreciation (depreciation) during the period on:	
Investments	212,169,948
Brazilian real related transactions	656,456
	212,826,404
<b>Net gain (loss) on investment transactions</b>	<b>236,608,732</b>
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$256,099,018</b>

The accompanying notes are an integral part of the financial statements.

<b>Statement of Changes in Net Assets</b>		
<b>Increase (Decrease) in Net Assets</b>	<b>Years Ended June 30,</b>	
	<b>2005</b>	<b>2004</b>
Operations:		
Net investment income (loss)	\$19,490,286	\$11,980,165
Net realized gain (loss) on investment transactions	23,782,328	3,229,189
Net unrealized appreciation (depreciation) during the period on investment transactions	212,826,404	119,608,900
Net increase (decrease) in net assets resulting from operations	256,099,018	134,818,254
Distributions to shareholders from:		
Net investment income	(12,668,204)	(10,232,011)
From net realized gains	(4,222,735)	
Fund share transactions:		
Cost of shares repurchased		(1,696,069)
<b>Increase (decrease) in net assets</b>	<b>239,208,079</b>	<b>122,890,174</b>
Net assets at beginning of period	415,441,204	292,551,030
Net assets at end of period (including undistributed net investment income of \$15,459,642 and \$6,294,688, respectively)	<b>\$654,649,283</b>	<b>\$415,441,204</b>
<b>Other Information</b>		
Shares outstanding at beginning of period	16,241,288	16,337,688
Shares repurchased		(96,400)
Shares outstanding at end of period	16,241,288	16,241,288

The accompanying notes are an integral part of the financial statements.

# Financial Highlights

Years Ended June 30,	2005	2004	2003	2002	2001
<b>Per Share Operating Performance</b>					
Net asset value, beginning of period	\$25.58	\$17.91	\$15.43	\$19.63	\$24.01
<i>Income (loss) from investment operations:</i>					
Net investment income (loss) <sup>a</sup>					