

CORNERSTONE STRATEGIC VALUE FUND INC/ NEW  
Form N-CSRS  
September 08, 2005

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

FORM N-CSRS

CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-05150  
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Cornerstone Strategic Value Fund, Inc.  
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(Exact name of registrant as specified in charter)

383 Madison Avenue, New York, NY 10179  
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(Address of principal executive offices) (Zip code)

Jodi B. Levine  
383 Madison Avenue, New York, NY 10179  
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(Name and address of agent for service)

Registrant's telephone number, including area code: (212) 272-2889  
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Date of fiscal year end: December 31, 2005  
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Date of reporting period: January 1, 2005 - June 30, 2005  
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Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. REPORTS TO STOCKHOLDERS.

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CORNERSTONE STRATEGIC  
VALUE FUND, INC.

JUNE 30, 2005

This update contains the following two documents:  
o Letter from the Fund's President  
o Semi-Annual Report to Shareholders

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LETTER FROM THE FUND'S PRESIDENT

July 29, 2005

Dear Fellow Shareholders:

Following is the semi-annual report for Cornerstone Strategic Value Fund, Inc., (the "Fund"), for the six months ended June 30, 2005. At the end of the period, the Fund's net assets were \$142.2 million and the Net Asset Value per share was \$5.84. The share price closed at \$7.19. After reflecting the reinvestment of monthly distributions (some of which may be classified as a return-of-capital after year-end) totaling \$0.52 per share, the Fund achieved a total investment return at market value of (7.98)% for the six months ended June 30, 2005.

ECONOMIC AND MARKET SUMMARY

Although there were few surprises during the first six months of 2005, the fundamentals of the economy remained healthy while the financial markets were down. The economy posted a solid 3.8% annual growth rate, as measured by Gross Domestic Product, during the first quarter of the year and a 3.4% rate during the second quarter. This is particularly impressive in view of the difficult conditions caused by persistently high crude oil prices and increasing short-term interest rates. Even so, all of the major market indices were down for the first six months of the year. Although concerns about the war in Iraq have receded somewhat, institutional and private investors are now focused on whether economic growth and earnings growth can be sustained if energy prices remain high. The Federal Reserve has continued its policy of raising short-term interest rates by 0.25% at each of its open market committee meetings. The federal-funds rate now stands at 3.25% after the ninth quarter point increase in a row. In its most recent assessment, the Federal Reserve noted that inflationary pressures have stayed elevated, although they are under control. The Federal Reserve has signaled that it will probably continue its policy of tightening short-term rates through the end of the year. Although there has been some improvement in capital spending in corporate America, most companies have continued to stockpile cash, which remains at historically high levels. As always, the financial markets will be looking carefully at future earnings growth and the ability of the economy to sustain strong earnings in the future. Most commentators anticipate modest, single-digit gains in the major market indices through the end of the year.

DISTRIBUTION POLICY

The Fund has continued its policy of regular distributions to shareholders. The Board of Directors and Cornerstone Advisors, Inc. regard this policy as an important feature of the management philosophy of the Fund. It is an important tool for enhancing shareholder value by creating liquidity for individual investors and flexibility in managing their investment in the Fund. We believe

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that many investors are willing to accept the inherent volatility of an equity portfolio, but would prefer to have a predictable and stable cash flow as well, either to take in cash or to reinvest in shares of the Fund. The Fund's distribution policy is designed to address this issue.

Pursuant to the distribution policy, the Fund pays a substantial, fixed monthly distribution. At the end of each year, each shareholder receives a final determination of the total distribution attributable to income, capital gains, or return-of-capital. The allocation among these categories may vary greatly from year to year depending on portfolio performance. It is important for shareholders to consult their tax advisor on proper recognition of the return-of-capital distributions with regard to the cost basis of their shares.

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### LETTER FROM THE FUND'S PRESIDENT (CONCLUDED)

The Fund's investment focus is to generate total investment returns that exceed the amount of the distributions, although there can be no guarantee that this will be achieved. To the extent that the amount of distributions taken in cash exceeds the total net investment returns of the Fund, the assets of the Fund will decline. If the total net investment returns exceed the amount of cash distributions, the assets of the Fund will increase. Either way, the Fund's shareholders have complete flexibility to take their distributions in cash or to reinvest in Fund shares through the Fund's Dividend Reinvestment Plan, and they can change this election as often as they desire. Shareholders may find that recent changes in this Plan make it even more beneficial for them and are encouraged to consider the reinvestment option for their distributions.

### OUTLOOK

We believe that the Fund's broadly diversified portfolio continues to be well-positioned to take advantage of the current economic recovery. Through the first six months of the year, the Fund's portfolio contained a significant percentage of small-cap stocks. Many analysts believe that the small-cap sector is nearing the end of its run, and we will be looking for opportunities to reposition this portion of the portfolio into large-cap securities which may be undervalued relative to their small-cap counterparts. Although the small-cap sector has continued to do well in recent months, it has been noted that small-cap companies will be more vulnerable than the large-cap sector to the continued rise in short-term interest rates, which could have a dampening effect on future small-cap performance. The investment manager also attempts to enhance portfolio performance by taking advantage of temporary and occasional pricing inefficiencies in certain securities. In addition to its small-cap component, the Fund continues to hold positions in selected closed-end funds. The availability and magnitude of such opportunities are unpredictable, and therefore, their effect on possible portfolio performance may vary considerably from year to year.

We expect continued strength in the economy and in the prospects for measured growth in the financial markets. The Fund's Board of Directors, its officers, and its Investment Manager realize that the Fund's shareholders have placed their trust in us. We know you have a choice, we appreciate your support, and we look forward to continuing our service to you in the future.

Sincerely,

/s/ Ralph W. Bradshaw

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Ralph W. Bradshaw  
President

IN ADDITION TO HISTORICAL INFORMATION, THIS REPORT CONTAINS FORWARD-LOOKING STATEMENTS, WHICH MAY CONCERN, AMONG OTHER THINGS, DOMESTIC AND FOREIGN MARKETS, INDUSTRY AND ECONOMIC TRENDS AND DEVELOPMENTS AND GOVERNMENT REGULATION AND THEIR POTENTIAL IMPACT ON THE FUND'S INVESTMENT PORTFOLIO. THESE STATEMENTS ARE SUBJECT TO RISKS AND UNCERTAINTIES AND ACTUAL TRENDS, DEVELOPMENTS AND REGULATIONS, IN THE FUTURE AND THEIR IMPACT ON THE FUND COULD BE MATERIALLY DIFFERENT FROM THOSE PROJECTED, ANTICIPATED OR IMPLIED. THE FUND HAS NO OBLIGATION TO UPDATE OR REVISE FORWARD-LOOKING STATEMENTS.

THIS LETTER FROM THE FUND'S PRESIDENT IS NOT PART OF THE SEMI-ANNUAL REPORT TO SHAREHOLDERS THAT FOLLOWS.

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CORNERSTONE STRATEGIC  
VALUE FUND, INC.

SEMI-ANNUAL REPORT  
JUNE 30, 2005

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CORNERSTONE STRATEGIC VALUE FUND, INC.  
PORTFOLIO SUMMARY - AS OF JUNE 30, 2005 (UNAUDITED)

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SECTOR ALLOCATION

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Sector	Percent of Net Assets
Financials	19.5
Consumer Discretionary	14.5
Information Technology	14.5
Healthcare	12.3
Industrials	10.7
Energy	8.4
Consumer Staples	6.5
Materials	5.6
Telecommunication Services	2.6
Utilities	2.5
Closed-End Domestic Funds	2.3
Other	0.6

TOP TEN HOLDINGS, BY ISSUER

Holding	Sector	Percent of Net Assets
1. Exxon Mobil Corp.	Energy	3.2
2. General Electric Co.	Industrials	3.0
3. Microsoft Corp.	Information Technology	2.5
4. Citigroup Inc.	Financials	2.4
5. FMC Technologies, Inc.	Energy	2.1
6. EMC Corp.	Information Technology	2.1
7. Wal-Mart Stores Inc.	Consumer Discretionary	2.0
8. Pfizer Inc.	Healthcare	1.9
9. Fairchild Semiconductor International, Inc.	Information Technology	1.9
10. Johnson & Johnson	Healthcare	1.9

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CORNERSTONE STRATEGIC VALUE FUND, INC.  
SUMMARY SCHEDULE OF INVESTMENTS - JUNE 30, 2005 (UNAUDITED)

Description	No. of Shares	Value
EQUITY SECURITIES - 99.65%		
CLOSED-END DOMESTIC FUNDS - 2.25%		
Tri-Continental Corp.	77,000	\$ 1,371,370
Zweig Fund, Inc.	176,600	944,810
Other Closed-End Domestic Funds (a)		887,765
		----- 3,203,945 -----
CONSUMER DISCRETIONARY - 14.55%		
Comcast Corp., Class A + Furniture Brands International, Inc.	31,537	968,186
Gildan Activewear Inc., Class A +	52,200	1,128,042
	88,600	2,334,610

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Home Depot, Inc. (The)	30,600	1,190,340
United Natural Foods, Inc. +	57,400	1,743,238
Wal-Mart Stores, Inc.	59,800	2,882,360
Other Consumer Discretionary (a)		10,436,842
		----- 20,683,618 -----
CONSUMER STAPLES - 6.56%		
Altria Group, Inc.	29,300	1,894,538
PepsiCo, Inc.	24,800	1,337,464
Procter & Gamble Co. (The)	37,600	1,983,400
Other Consumer Staples (a)		4,117,819
		----- 9,333,221 -----
ENERGY - 8.41%		
ChevronTexaco Corp.	19,330	1,080,934
Exxon Mobil Corp.	80,000	4,597,600
FMC Technologies, Inc. +	93,300	2,982,801
Western Gas Resources, Inc.	50,800	1,772,920
Other Energy (a)		1,530,243
		----- 11,964,498 -----
FINANCIALS - 19.45%		
Affiliated Managers Group, Inc. +	30,300	2,070,399
American International Group, Inc.	37,531	2,180,551
Bank of America Corp.	55,616	2,536,646
Citigroup Inc.	74,300	3,434,889
First Marblehead Corp. (The) +	40,700	1,426,942
Freddie Mac	14,500	945,835
JPMorgan Chase & Co.	30,332	1,071,326
Wachovia Corp.	22,600	1,120,960
Wells Fargo & Co.	24,200	1,490,236
Other Financials (a)		11,387,376
		----- 27,665,160 -----
HEALTHCARE - 12.27%		
Abbott Laboratories	21,000	1,029,210
Amgen Inc. +	18,900	1,142,694
Cooper Companies, Inc. (The)	40,500	2,464,830
Edwards Lifesciences Corp. +	39,200	1,686,384
Johnson & Johnson	40,900	2,658,500
Pfizer Inc.	99,660	2,748,623
UnitedHealth Group Inc.	23,000	1,199,220
Wyeth	19,200	854,400
Other Healthcare (a)		3,658,184
		----- 17,442,045 -----
INDUSTRIALS - 10.74%		
General Electric Co.	122,700	4,251,555
Shuffle Master, Inc. +	48,300	1,353,849
Tyco International Ltd.	33,397	975,192
United Parcel Service,		

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Inc., Class B	16,300	1,127,308
Other Industrials (a)		7,563,111
		-----
		15,271,015
		-----

See accompanying notes to financial statements.

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CORNERSTONE STRATEGIC VALUE FUND, INC.  
SUMMARY SCHEDULE OF INVESTMENTS - JUNE 30, 2005 (UNAUDITED) (CONCLUDED)  
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Description	No. of Shares	Value
-----		
INFORMATION TECHNOLOGY - 14.54%		
Cisco Systems, Inc. +	96,400	\$ 1,842,204
Dell Inc. +	29,700	1,173,447
EMC Corp. +	212,648	2,915,404
Fairchild Semiconductor International, Inc. +	180,500	2,662,375
Intel Corp.	65,500	1,706,930
International Business Machines Corp.	21,000	1,558,200
Microsoft Corp.	142,100	3,529,764
Other Information Technology (a)		5,293,185
		-----
		20,681,509
		-----
MATERIALS - 5.59%		
Joy Global Inc.	60,000	2,015,400
Packaging Corporation of America	70,700	1,488,235
Peabody Energy Corp.	34,400	1,790,176
Steel Dynamics, Inc.	61,900	1,624,875
Other Materials (a)		1,029,754
		-----
		7,948,440
		-----
REAL ESTATE INVESTMENT TRUSTS - 0.20%		
Total Real Estate Investment Trusts (a)	4,000	289,960
		-----
TELECOMMUNICATION SERVICES - 2.56%		
Verizon Communications Inc.	37,100	1,281,805
Other Telecommunication Services (a)		2,350,812
		-----
		3,632,617
		-----
UTILITIES - 2.53%		
Total Utilities (a)		3,602,547
		-----
TOTAL EQUITY SECURITIES (cost - \$120,033,444)		141,718,575
		-----

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Description	Principal Amount (000's)	Value
SHORT-TERM INVESTMENTS - 8.64%		
REPURCHASE AGREEMENTS - 8.64%		
Bear, Stearns & Co. Inc. *		
(Agreement dated 6/30/05		
to be repurchased at		
\$12,289,135) (b)	\$ 12,288	\$ 12,288,052
TOTAL SHORT-TERM INVESTMENTS		
(cost - \$12,288,052)		12,288,052
TOTAL INVESTMENTS - 108.29%		
(cost - \$132,321,496)		154,006,627
LIABILITIES IN EXCESS OF		
OTHER ASSETS - (8.29)%		(11,795,693)
NET ASSETS - 100.00%		\$142,210,934

+ Non-income producing security.

\* Includes investment purchased with cash collateral received for securities on loan.

(a) Represents issues not identified as a top 50 holding in terms of market value and issues or issuers not exceeding 1% of net assets individually or in the aggregate, respectively, as of June 30, 2005.

(b) At June 30, 2005, the maturity date for all repurchase agreements held was 07/01/05, with interest rates ranging from 1.6875% to 3.375% and collateralized by \$12,647,358 in U.S. Treasury Bonds and U.S. Treasury STRIPS.

See accompanying notes to financial statements.

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CORNERSTONE STRATEGIC VALUE FUND, INC.

STATEMENT OF ASSETS AND LIABILITIES - JUNE 30, 2005 (UNAUDITED)  
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ASSETS	
Investments, at value (Cost \$132,321,496)	\$154,006,627
Receivables:	
Dividends	149,052
Interest	4,957
Prepaid expenses	17,091
Total Assets	154,177,727
LIABILITIES	
Payables:	
Upon return of securities loaned	11,789,698
Investment management fees	109,268
Directors' fees	27,929
Other accrued expenses	39,898
Total Liabilities	11,966,793



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NET ASSETS (applicable to 24,336,069 shares of common stock outstanding)	\$142,210,934
	=====
NET ASSET VALUE PER SHARE (\$142,210,934 / 24,336,069)	\$ 5.84
	=====
NET ASSETS CONSISTS OF	
Capital stock, \$0.001 par value; 24,336,069 shares outstanding (100,000,000 shares authorized)	\$ 24,336
Paid-in capital	157,554,682
Cost of 2,239,440 shares repurchased	(26,999,661)
Distributions in excess of net investment income	(3,006,837)
Accumulated net realized loss on investments	(7,046,717)
Net unrealized appreciation in value of investments	21,685,131
	-----
Net assets applicable to shares outstanding	\$142,210,934
	=====

See accompanying notes to financial statements.

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CORNERSTONE STRATEGIC VALUE FUND, INC.  
STATEMENT OF OPERATIONS - FOR THE SIX MONTHS ENDED JUNE 30, 2005 (UNAUDITED)

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INVESTMENT INCOME

Income:

Dividends (net of foreign taxes withheld of \$203)	\$ 1,175,217
Interest	32,265
	-----
Total Investment Income	1,207,482

Expenses:

Investment management fees	730,837
Administration fees	73,060
Directors' fees	53,556
Legal and audit fees	33,015
Accounting fees	20,176
Printing	18,357
Custodian fees	14,165
Transfer agent fees	11,405
Stock exchange listing fees	5,279
Insurance	2,910
Miscellaneous	4,240
	-----

Total Expenses	967,000
Less: Management fee waivers	(52,632)
Less: Fees paid indirectly	(26,898)
	-----

Net Expenses	887,470
	-----

Net Investment Income	320,012
	-----

NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS

Net realized gain from investments	10,159,692
Net change in unrealized appreciation in value of investments	(13,186,065)
	-----
Net realized and unrealized loss on investments	(3,026,373)
	-----

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NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS \$ (2,706,361)  
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See accompanying notes to financial statements.

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CORNERSTONE STRATEGIC VALUE FUND, INC.  
STATEMENT OF CHANGES IN NET ASSETS

	For the Six Months Ended June 30, 2005 (unaudited)
	-----
INCREASE/(DECREASE) IN NET ASSETS	
Operations:	
Net investment income	\$ 320,012
Net realized gain/(loss) from investments	10,159,692
Net change in unrealized appreciation in value of investments	(13,186,065)
	-----
Net increase/(decrease) in net assets resulting from operations	(2,706,361)
	-----
Dividends and distributions to shareholders:	
Net investment income	(320,012)
Net realized capital gains	(9,240,930)
Return-of-capital	(3,006,837)
	-----
Total dividends and distributions to shareholders	(12,567,779)
	-----
Capital stock transactions:	
Net assets received in conjunction with Merger Agreement	--
Proceeds from 458,366 and 263,935 shares newly issued in reinvestment of dividends and distributions, respectively	2,795,088
	-----
Net increase in net assets resulting from capital stock transactions	2,795,088
	-----
Total increase/(decrease) in net assets	(12,479,052)
	-----
NET ASSETS	
Beginning of period	154,689,986
	-----
End of period	\$142,210,934
	=====

See accompanying notes to financial statements.

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CORNERSTONE STRATEGIC VALUE FUND, INC.  
FINANCIAL HIGHLIGHTS  
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Contained below is per share operating performance data for a share of common stock outstanding, total investment return, ratios to average net assets and

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other supplemental data for each period indicated. This information has been derived from information provided in the financial statements and market price data for the Fund's shares.

	For the Six Months Ended June 30, 2005 (unaudited)	2004	2003	2002
<b>PER SHARE OPERATING PERFORMANCE</b>				
Net asset value, beginning of period	\$ 6.48	\$ 6.90	\$ 6.41	\$ 9.00
Net investment income/(loss) #	0.01	0.05	0.04	(0.01)
Net realized and unrealized gain/(loss) on investments and foreign currency related translations	(0.13)	0.55	1.44	(2.00)
Net increase/(decrease) in net assets resulting from operations	(0.12)	0.60	1.48	(2.00)
Dividends and distributions to shareholders:				
Net investment income	(0.01)	(0.05)	(0.04)	
Net realized gain on investments and foreign currency related transactions	(0.38)	--	--	
Return-of-capital	(0.13)	(0.99)	(0.95)	(0.00)
Total dividends and distributions to shareholders	(0.52)	(1.04)	(0.99)	(0.00)
Capital stock transactions:				
Anti-dilutive effect due to capital stock repurchased	--	--	--	0.00
Anti-dilutive/(dilutive) effect due to shares issued in reinvestment of dividends and distributions	--	0.02	--	(0.00)
Total capital stock transactions	--	0.02	--	0.00
Net asset value, end of period	\$ 5.84	\$ 6.48	\$ 6.90	\$ 6.00
Market value, end of period	\$ 7.19	\$ 8.51	\$ 9.00	\$ 5.00
Total investment return (a) (b)	(7.98)%	8.38%	77.69%	(20.00)%
<b>RATIOS/SUPPLEMENTAL DATA</b>				
Net assets, end of period (000 omitted)	\$142,211	\$154,690	\$ 26,565	\$ 24,000
Ratio of expenses to average net assets, net of fee waivers, if any (c)	1.21% (e)	1.28%	1.20%	1.10%
Ratio of expenses to average net assets, excluding fee waivers, if any (d)	1.31% (e)	1.50%	1.59%	2.00%
Ratio of expenses to average net assets, net of fee waivers, if any (d)	1.24% (e)	1.36%	1.25%	1.10%
Ratio of net investment income/(loss) to average net assets	0.43% (e)	0.73%	0.68%	(0.00)%
Portfolio turnover rate	4.71%	39.05%	11.88%	29.00%

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- # Based on average shares outstanding.
- (a) Total investment return at market value is based on the changes in market price of a share during the period and assumes reinvestment of dividends and distributions, if any, at actual prices pursuant to the Fund's dividend reinvestment plan. Total investment return does not reflect brokerage commissions.
  - (b) For the year ended December 31, 2000, the Fund paid federal taxes on realized long-term capital gains. Total investment return, assuming reinvestment of distributions and federal taxes paid on long-term capital gains, is (13.88)%.
  - (c) Expenses are net of fees paid indirectly.
  - (d) Expenses exclude the reduction for fees paid indirectly.
  - (e) Annualized.

See accompanying notes to financial statements.

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CORNERSTONE STRATEGIC VALUE FUND, INC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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### NOTE A. SIGNIFICANT ACCOUNTING POLICIES

Cornerstone Strategic Value Fund, Inc. (the "Fund") was incorporated in Maryland on May 1, 1987 and commenced investment operations on June 30, 1987. Its investment objective is to seek long-term capital appreciation through investment in equity securities of companies listed in the United States. The Fund is registered under the Investment Company Act of 1940, as amended, as a closed-end, diversified management investment company. On June 25, 2004, the Fund consummated tax-free mergers with Progressive Return Fund, Inc. ("PGF") and Investors First Fund, Inc. ("MGC") (collectively, the "Predecessor Funds"). Pursuant to the terms of the agreements governing the mergers, each share of common stock of the Predecessor Funds was converted into an equivalent dollar amount of full shares of common stock of the Fund, based on the net asset values of the Fund, MGC and PGF as of June 25, 2004 (\$6.47, \$10.42 and \$20.96, respectively), resulting in a conversion ratio of 1.6094 and 3.2378 shares of the Fund for each share of MGC and PGF, respectively. This resulted in the issuance of 15,955,350 and 3,808,891 Fund shares for MGC and PGF, respectively. Cash was paid in lieu of fractional shares. Net assets of the Fund, MGC and PGF as of the merger date were \$25,105,399, \$103,302,250 and \$24,660,275, including unrealized appreciation/(depreciation) of \$2,516,413, \$23,078,675 and \$(2,519,953), respectively. In addition, PGF's net assets included undistributed capital losses of \$13,754,555. Total net assets after the merger were \$153,067,924.

The following is a summary of significant accounting policies consistently followed by the Fund:

**MANAGEMENT ESTIMATES:** The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") requires management to make certain estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

**PORTFOLIO VALUATION:** Investments are stated at value in the accompanying financial statements. All equity securities will be valued at the closing price on the exchange or market on which the security is primarily traded ("Primary Market"). If the security did not trade on the Primary Market, it will be valued at the closing price on another exchange where it trades. If there are no such

sale prices, the value will be the most recent bid, and if there is no bid, the security will be valued at the most recent asked. If no pricing service is available and there are more than two dealers, the value will be the mean of the highest bid and lowest ask. If there is only one dealer, then the value will be the mean if bid and ask are available, otherwise the value will be the bid. All other securities and assets are valued as determined in good faith by the Board of Directors. Short-term investments having a maturity of 60 days or less are valued on the basis of amortized cost. The Board of Directors has established general guidelines for calculating fair value of not readily marketable securities. At June 30, 2005, the Fund held no securities valued in good faith by the Board of Directors. The net asset value per share of the Fund is calculated weekly and on the last business day of the month with the exception of those days on which the American Stock Exchange, LLC is closed.

REPURCHASE AGREEMENTS: The Fund has agreed to purchase securities from financial institutions subject to the seller's agreement to repurchase them at an agreed-upon time and price ("repurchase agreements"). The financial institutions with whom the Fund enters into repurchase agreements are banks and broker/dealers, which Cornerstone Advisors, Inc. (the Fund's "Investment Manager" or "Cornerstone") considers creditworthy. The seller under a repurchase agreement will be required to maintain the value of the securities as collateral, subject to the agreement at not less than the repurchase price plus accrued interest. Cornerstone monitors daily, the mark-to-market of the value of the collateral, and, if necessary, requires the seller to maintain additional securities, so that the value of the collateral is not less than the repurchase price.

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CORNERSTONE STRATEGIC VALUE FUND, INC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
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Default by or bankruptcy of the seller would, however, expose the Fund to possible loss because of adverse market action or delays in connection with the disposition of the underlying securities.

INVESTMENT TRANSACTIONS AND INVESTMENT INCOME: Investment transactions are accounted for on the trade date. The cost of investments sold is determined by use of the specific identification method for both financial reporting and income tax purposes. Interest income is recorded on an accrual basis; dividend income is recorded on the ex-dividend date.

TAXES: No provision is made for U.S. federal income or excise taxes as it is the Fund's intention to continue to qualify as a regulated investment company and to make the requisite distributions to its shareholders which will be sufficient to relieve it from all or substantially all U.S. federal income and excise taxes.

DISTRIBUTIONS OF INCOME AND GAINS: Effective June 25, 2002, the Fund initiated a fixed, monthly distribution to shareholders. To the extent that these distributions exceed the current earnings of the Fund, the balance will be generated from sales of portfolio securities held by the Fund, which will either be short-term or long-term capital gains or a tax-free return-of-capital. To the extent these distributions are not represented by net investment income and capital gains, they will not represent yield or investment return on the Fund's investment portfolio. The Fund plans to maintain this distribution policy even if regulatory requirements would make part of it a return-of-capital, necessary to maintain the distribution, taxable to shareholders and to disclose that portion of the distribution that is classified as ordinary income. Although it

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has no current intention to do so, the Board may terminate this distribution policy at any time and such termination may have an adverse effect on the market price for the Fund's common shares. 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. To the extent that the Fund's taxable income in any calendar year exceeds the aggregate amount distributed pursuant to this distribution policy, an additional distribution may be made to avoid the payment of a 4% U.S. federal excise tax, and to the extent that the aggregate amount distributed in any calendar year exceeds the Fund's taxable income, the amount of that excess may constitute a return-of-capital for tax purposes. A return-of-capital distribution reduces the cost basis of an investor's shares in the Fund. Dividends and distributions to shareholders are recorded by the Fund on the ex-dividend date.

### NOTE B. AGREEMENTS

Cornerstone serves as the Fund's Investment Manager with respect to all investments. As compensation for its investment management services, Cornerstone receives from the Fund, an annual fee, calculated weekly and paid monthly, equal to 1.00% of the Fund's average weekly net assets. Cornerstone has voluntarily agreed to continue to waive its management fees from the Fund to the extent that monthly operating expenses exceed 0.10% of average net assets calculated monthly. For the six months ended June 30, 2005, Cornerstone earned \$730,837 for investment management services, of which it waived \$52,632. The Investment Manager may discontinue such undertaking at any time during the fiscal year without notice to fund shareholders.

Included in the Statement of Operations, under the caption Fees paid indirectly, are expense offsets of \$26,898 arising from credits earned on portfolio transactions executed with a broker, pursuant to a directed brokerage arrangement.

The Fund paid approximately \$24,088 for the six months ended June 30, 2005 for legal services to Blank Rome LLP ("Blank"), counsel to the Fund. Thomas R. Westle, partner of Blank, serves as Secretary of the Fund.

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CORNERSTONE STRATEGIC VALUE FUND, INC.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
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### NOTE C. INVESTMENT IN SECURITIES

For the six months ended June 30, 2005, purchases and sales of securities, other than short-term investments, were \$6,923,530 and \$16,397,156 respectively.

### NOTE D. SHARE REPURCHASE PROGRAM

As has been done in the past to enhance shareholder value, pursuant to Section 23 of the Investment Company Act of 1940, as amended, the Fund may again in the future purchase shares of its common stock on the open market from time to time, at such times, and in such amounts as may be deemed advantageous to the Fund. Nothing herein shall be considered a commitment to purchase such shares. For the six months ended June 30, 2005, the Fund had no repurchases. No limit has been placed on the number of shares to be repurchased by the Fund other than those imposed by federal securities laws.

All purchases are made in accordance with federal securities laws, with shares

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repurchased held in treasury effective January 1, 2002.

### NOTE E. SECURITIES LENDING

To generate additional income, the Fund may lend up to 10% of its total assets. The Fund receives payments from borrowers equivalent to the dividends and interest that would have been earned on securities lent while simultaneously seeking to earn interest on the investment of cash collateral. Loans are subject to termination by the Fund or the borrower at any time, and are, therefore, not considered to be illiquid investments. Loans of securities are required at all times to be secured by collateral equal to at least 100% of the market value of securities on loan. However, in the event of default or bankruptcy of the other party to the agreement, realization and/or retention of the collateral may be subject to legal proceedings. In the event that the borrower fails to return securities, and collateral maintained by the lender is insufficient to cover the value of loaned securities, the borrower is obligated to pay the amount of the shortfall (and interest thereon) to the Fund. However, there can be no assurance the Fund can recover this amount. The value of securities on loan to brokers at June 30, 2005, was \$11,488,760.

During the six months ended June 30, 2005, the Fund earned \$16,694 in securities lending income which is included under the caption INTEREST in the Statement of Operations.

### NOTE F. FEDERAL INCOME TAXES

Income and capital gains distributions are determined in accordance with federal income tax regulations, which may differ from GAAP. These differences are primarily due to differing treatments of losses deferred due to wash sales and Post-October losses (as later defined), and excise tax regulations.

The tax character of dividends and distributions paid during the year ended December 31, 2004 for the Fund were as follows:

ORDINARY INCOME	RETURN-OF-CAPITAL
-----	-----
\$729,442	\$13,677,285

Under current tax law, certain capital losses realized after October 31 within a taxable year may be deferred and treated as occurring on the first day of the following tax year ("Post-October losses"). For the tax period ended December 31, 2004, the Fund incurred and elected to defer net realized losses from investments of \$73,676.

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CORNERSTONE STRATEGIC VALUE FUND, INC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONCLUDED)  
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At December 31, 2004, the Fund had a capital loss carryforward for U.S. federal income tax purposes of \$7,891,803 of which \$1,587,987 expires in 2007, \$3,559,173 expires in 2008, \$1,281,365 expires in 2009, \$693,207 expires in 2010, \$635,700 expires in 2011 and \$134,371 expires in 2012.

At June 30, 2005, the identified cost for federal income tax purposes, as well as the gross unrealized appreciation from investments for those securities having an excess of value over cost, gross unrealized depreciation from investments for those securities having an excess of cost over value and the net

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unrealized appreciation from investments were \$132,321,496, \$28,615,041, \$(6,929,910) and \$21,685,131, respectively.

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RESULTS OF ANNUAL MEETING OF STOCKHOLDERS (UNAUDITED)

On May 10, 2005, the Annual Meeting of Stockholders of Cornerstone Strategic Value Fund, Inc. was held and the following matter was voted upon:

(1) To approve the re-election of two Class I Directors until the year 2008 Annual Meeting.

NAME OF CLASS I DIRECTORS -----	FOR ---	WITHHOLD -----
Ralph W. Bradshaw	22,986,107	190,879
Edwin Meese III	22,894,990	281,996

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DESCRIPTION OF DIVIDEND REINVESTMENT PLAN (UNAUDITED)

Shareholders who have shares registered directly in their own names automatically participate in the Fund's Dividend Reinvestment Plan (the "Plan"), unless and until an election is made to withdraw from the Plan on behalf of such participating shareholders. Shareholders who do not wish to have distributions automatically reinvested should so notify American Stock Transfer & Trust Co. (the "Agent") at P.O. Box 922, Wall Street Station, New York, NY 10269-0560 or call (877) 248-6416. Under the Plan, all of the Fund's dividends and other distributions to shareholders are reinvested in full and fractional shares as described below.

When the Fund declares an income dividend or a capital gain or other distribution (each, a "Distribution" and collectively, "Distributions"), the Agent, on the shareholders' behalf, will: (i) receive additional authorized shares from the Fund either newly issued or repurchased from shareholders by the Fund and held as treasury stock ("Newly Issued Shares") or, (ii) at the sole discretion of the Board of Directors, be authorized to purchase outstanding shares on the open market, on the American Stock Exchange, LLC or elsewhere, with cash allocated to it by the Fund ("Open Market Purchases").

Shares acquired by the Agent in Open Market Purchases will be allocated to the reinvesting shareholders based on the average cost of such Open Market Purchases. Alternatively, the Agent will allocate Newly Issued Shares to the reinvesting shareholders at the lower of (i) a price equal to the average closing price of the Fund over the five trading days preceding the payment of such distribution, or (ii) the net asset value of the Fund as last determined prior to such payment date.

Registered shareholders who acquire their shares through Open Market Purchases and who do not wish to have their Distributions automatically reinvested should so notify the Fund in writing. If a Shareholder has not elected to receive cash Distributions and the Agent does not receive notice of an election to receive cash Distributions prior to the record date of any distribution, the shareholder will automatically receive such Distributions in additional shares.

Participants in the Plan may withdraw from the Plan by providing written notice to the Agent at least 30 days prior to the applicable Distribution payment date.



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When a participant withdraws from the Plan, or upon termination of the Plan as provided below, certificates for whole shares credited to his/her account under the Plan will, upon request, be issued. Whether or not a participant requests that certificates for whole shares be issued, a cash payment will be made for any fraction of a Share credited to such account.

The Agent will maintain all shareholder accounts in the Plan and furnish written confirmations of all transactions in the accounts, including information needed by shareholders for personal and tax records. The Agent will hold shares in the account of each Plan participant in non-certificated form in the name of the participant, and each shareholder's proxy will include those shares purchased pursuant to the Plan. Each participant, nevertheless, has the right to receive certificates for whole shares owned. The Agent will distribute all proxy solicitation materials to participating shareholders.

In the case of shareholders, such as banks, brokers or nominees, that hold shares for others who are beneficial owners participating in the Plan, the Agent will administer the Plan on the basis of the number of shares certified from time to time by the record shareholder as representing the total amount of shares registered in the Shareholder's name and held for the account of beneficial owners participating in the Plan.

There will be no charge to participants for reinvesting Distributions other than their share of brokerage commissions as discussed below. The Agent's fees for administering the Plan and handling the reinvestment of Distributions will be paid by the

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### DESCRIPTION OF DIVIDEND REINVESTMENT PLAN (UNAUDITED) (CONCLUDED)

Fund. Each participant's account will be charged a pro-rata share of brokerage commissions incurred with respect to the Agent's Open Market Purchases in connection with the reinvestment of Distributions.

Brokerage charges for purchasing small amounts of shares for individual accounts through the Plan are expected to be less than the usual brokerage charges for such transactions because the Agent will be purchasing shares for all the participants in blocks and pro-rating the lower commission that may be attainable.

The automatic reinvestment of Distributions will not relieve participants of any income tax that may be payable on such Distributions. Participants who receive shares pursuant to the Plan as described above will recognize taxable income in the amount of the fair market value of those shares. In the case of non-U.S. participants whose Distributions are subject to U.S. income tax withholding and in the case of participants subject to 28% federal backup withholding, the Agent will reinvest Distributions after deduction of the amount required to be withheld.

The Fund reserves the right to amend or terminate the Plan by written notice to participants. All correspondence concerning the Plan should be directed to the Agent at the address referred to in the first paragraph of this section.

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### INVESTMENT MANAGEMENT AGREEMENT APPROVAL DISCLOSURE (UNAUDITED)

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The Board of Directors including, the Independent Directors, (the "Board") of the Cornerstone Strategic Value Fund, Inc. (the "Fund") considers the approval of the Investment Management Agreement (the "Agreement") between Cornerstone Advisors, Inc. (the "Investment Manager") and the Fund on an annual basis. The most recent approval of the Agreement occurred at a meeting of the Board held on February 25, 2005.

In determining whether to approve the Agreement, the Board requested and received extensive materials and information from the Investment Manager to assist them in considering the approval of the continuance of the Agreement. Based on their review of the information requested and provided, and the discussions with management of the Investment Manager, the Board determined that the approval of the Agreement was consistent with the best interests of the Fund and its shareholders, and would enable the Fund to continue to receive high quality services at a cost that is appropriate, reasonable, and in the best interests of the Fund and its shareholders. The Board made these determinations on the basis of the following factors, among others: (1) the nature and quality of the services provided by the Investment Manager; (2) the cost to the Investment Manager for providing such services, with special attention to the Investment Manager's profitability (and whether the Investment Manager realizes any economies of scale); (3) the direct and indirect benefits received by the Investment Manager from its relationship with the Fund and the other investment company advised by the Investment Manager; and (4) comparative information as to the management fees, expense ratios and performance of other similarly situated closed-end investment companies.

The materials provided by the Investment Manager to the Board described the services provided by the Investment Manager to the Fund and included an overview of the Investment Manager and its investment process and policies, including the Investment Manager's extensive knowledge and experience in the closed-end fund industry. The Board also discussed the knowledge of the Investment Manager with respect to managing the Fund's monthly distribution policy and the extent to which such policy contributes to the current premium of the Fund's market price to its net asset value. The Board also favorably received the Investment Manager's continued commitment to voluntarily waive its management fees from the Fund to the extent that monthly operating expenses exceed 0.10% of average net assets calculated monthly. The Board also reviewed and discussed a comparison of the Fund's performance with comparable closed-end funds and a comparison of the Fund's expense ratios and management fees with those comparable funds. Additionally, the Investment Manager presented an analysis of its profitability based on its contractual relationship with the Fund and the other investment company advised by the Investment Manager.

The Board carefully evaluated this information, taking into consideration many factors including, the overall high quality of the personnel, operations, financial condition, investment management capabilities, methodologies, and performance of the Investment Manager, and was advised by independent legal counsel with respect to its deliberations. Based on its review of the information requested and provided, the Board determined that the investment management fees payable to the Investment Manager under the Agreement are fair and reasonable in light of the services to be provided, the anticipated costs of these services, the profitability of the Investment Manager's relationship with the Fund, and the comparability of the proposed fee to fees paid by comparable closed-end funds. The Board determined that the Agreement is consistent with the best interests of the Fund and its shareholders, and enables the Fund to receive high quality services at a cost that is appropriate, reasonable, and in the best interests of the Fund and its shareholders.

Accordingly, in light of the above considerations and such other factors and information it considered relevant, the Board by a unanimous vote of those present in person at the meeting (including a separate vote of the Independent Directors present in person at the meeting) approved the continuance of the

Agreement with respect to the Fund.

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PROXY VOTING AND PORTFOLIO HOLDINGS INFORMATION (UNAUDITED)

Information regarding how the Cornerstone Strategic Value Fund, Inc. (the "Fund") voted proxies related to its portfolio securities during the 12-month period ended June 30, 2005 as well as the policies and procedures that the Fund uses to determine how to vote proxies relating to its portfolio securities are available:

- o by calling (212) 272-3550;
- o on the website of the Securities and Exchange Commission, <http://www.sec.gov>.

The report incorporates a Summary Schedule of Investments for the Fund. A complete Schedule of Investments for the Fund may be obtained free of charge by contacting the Fund at (212) 272-3550.

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

PRIVACY POLICY NOTICE (UNAUDITED)

The following is a description of Cornerstone Strategic Value Fund, Inc.'s (the "Fund") policies regarding disclosure of nonpublic personal information that you provide to the Fund or that the Fund collects from other sources. In the event that you hold shares of the Fund through a broker-dealer or other financial intermediary, the privacy policy of the financial intermediary would govern how your nonpublic personal information would be shared with unaffiliated third parties.

CATEGORIES OF INFORMATION THE FUND COLLECTS. The Fund collects the following nonpublic personal information about you:

1. Information from the Consumer: this category includes information the Fund receives from you on or in applications or other forms, correspondence, or conversations (such as your name, address, phone number, social security number, assets, income and date of birth); and
2. Information about the Consumer's transactions: this category includes information about your transactions with the Fund, its affiliates, or others (such as your account number and balance, payment history, parties to transactions, cost basis information, and other financial information).

CATEGORIES OF INFORMATION THE FUND DISCLOSES. The Fund does not disclose any nonpublic personal information about their current or former shareholders to unaffiliated third parties, except as required or permitted by law. The Fund is permitted by law to disclose all of the information it collects, as described above, to its service providers (such as the Fund's custodian, administrator and transfer agent) to process your transactions and otherwise provide services to you.

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CONFIDENTIALITY AND SECURITY. The Fund restricts access to your nonpublic personal information to those persons who require such information to provide products or services to you. The Fund maintains physical, electronic and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

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SUMMARY OF GENERAL INFORMATION (UNAUDITED)

The Fund - Cornerstone Strategic Value Fund, Inc. is a closed-end, diversified investment company whose shares trade on the American Stock Exchange, LLC. Its investment objective is to seek long-term capital appreciation through investment in equity securities of companies listed in the United States. The Fund is managed by Cornerstone Advisors, Inc.

SHAREHOLDER INFORMATION (UNAUDITED)

The Fund is listed on the American Stock Exchange, LLC (symbol "CLM"). The share price is published in: THE NEW YORK TIMES (daily) under the designation "CornerStrt" and THE WALL STREET JOURNAL (daily) and BARRON'S (each Monday) under the designation "CornstnStrat." The net asset value per share is available weekly and may be obtained by contacting the Fund at the general inquiry phone number.

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NOTICE IS HEREBY GIVEN IN ACCORDANCE WITH SECTION 23(C) OF THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED, THAT CORNERSTONE STRATEGIC VALUE FUND, INC. MAY FROM TIME TO TIME PURCHASE SHARES OF ITS CAPITAL STOCK IN THE OPEN MARKET.  
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This report, including the financial statements herein, is sent to the shareholders of the Fund for their information. The financial information included herein is taken from the records of the Fund without examination by independent registered public accountants who do not express an opinion thereon. 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 this report.  
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CORNERSTONE STRATEGIC VALUE FUND, INC.

DIRECTORS AND CORPORATE OFFICERS

Ralph W. Bradshaw

Chairman of the Board of  
Directors and President

William A. Clark

Director and Vice President

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Thomas H. Lenagh	Director
Edwin Meese III	Director
Scott B. Rogers	Director
Andrew A. Strauss	Director
Glenn W. Wilcox, Sr.	Director
Gary A. Bentz	Chief Compliance Officer
Thomas R. Westle	Secretary
Jodi B. Levine	Treasurer

INVESTMENT MANAGER	STOCK TRANSFER AGENT AND REGISTRAR
Cornerstone Advisors, Inc.	American Stock Transfer & Trust Co.
One West Pack Square	59 Maiden Lane
Suite 1650	New York, NY 10038
Asheville, NC 28801	

ADMINISTRATOR	INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
Bear Stearns Funds Management Inc.	Tait, Weller & Baker
383 Madison Avenue	1818 Market Street
New York, NY 10179	Suite 2400
	Philadelphia, PA 19103

CUSTODIAN	LEGAL COUNSEL
Custodial Trust Company	Blank Rome LLP
101 Carnegie Center	405 Lexington Avenue
Princeton, NJ 08540	New York, NY 10174

EXECUTIVE OFFICES  
383 Madison Avenue  
New York, NY 10179

For shareholder inquiries, registered shareholders should call (800) 937-5449.  
For general inquiries, please call (212) 272-3550.

[GRAPHIC]  
AMERICAN  
STOCK EXCHANGE (R)  
LISTED  
CLM (TM)

ITEM 2. CODE OF ETHICS.

This item is inapplicable to a semi-annual report on Form N-CSR.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

This item is inapplicable to a semi-annual report on Form N-CSR.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

This item is inapplicable to a semi-annual report on Form N-CSR.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

This item is inapplicable to a semi-annual report on Form N-CSR.

ITEM 6. SCHEDULE OF INVESTMENTS.

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CORNERSTONE STRATEGIC VALUE FUND, INC.  
 SCHEDULE OF INVESTMENTS -- JUNE 30, 2005 (UNAUDITED)

DESCRIPTION	NO. OF SHARES	VALUE
EQUITY SECURITIES - 99.65%		
CLOSED-END DOMESTIC FUNDS - 2.25%		
Adams Express Co.	49,500	\$ 637,065
General American Investors Company, Inc.	3,000	96,000
Salomon Brothers Fund, Inc. (The)	11,900	154,700
Tri-Continental Corp.	77,000	1,371,370
Zweig Fund, Inc. (The)	176,600	944,810
		-----
		3,203,945
		-----
CONSUMER DISCRETIONARY - 14.55%		
Bed Bath & Beyond Inc. +	4,200	175,476
Best Buy Co., Inc.	4,750	325,612
Carnival Corp.	11,800	643,690
Circuit City Stores, Inc.	1,000	17,290
Clear Channel Communications, Inc.	8,800	272,184
Comcast Corp., Class A +	31,537	968,186
Costco Wholesale Corp.	6,500	291,330
CVS Corp.	5,000	145,350
Delphi Corporation	7,600	35,340
Eastman Kodak Co.	1,400	37,590
Federated Department Stores, Inc.	1,000	73,280
Ford Motor Company	26,300	269,312
Fortune Brands, Inc.	1,000	88,800
Furniture Brands International, Inc.	52,200	1,128,042
Gannett Co., Inc.	2,000	142,260
Gap, Inc. (The)	12,200	240,950
General Motors Corp.	6,500	221,000
Gildan Activewear Inc., Class A +	88,600	2,334,610
Goodyear Tire & Rubber Company (The) +	4,500	67,050
Harley-Davidson, Inc.	4,400	218,240
Hilton Hotels Corp.	3,200	76,320
Home Depot, Inc. (The)	30,600	1,190,340
J.C. Penney Company, Inc.	4,500	236,610
Kohl's Corp. +	5,000	279,550
Lowe's Companies, Inc.	11,200	652,064
Marriott International, Inc., Class A	2,100	143,262
Mattel, Inc.	5,500	100,650
May Department Stores Co.	4,900	196,784
McDonald's Corp.	17,600	488,400
Monsanto Co.	580	36,465
News Corporation, Class A	30,000	485,400
NIKE, Inc., Class B	2,300	199,180
Omnicom Group Inc.	4,100	327,426
Reebok International Ltd.	1,500	62,745
Rockwell Automation, Inc.	2,500	121,775
Sears Holdings Corp. +	503	75,385
Staples, Inc.	10,800	230,256
Starbucks Corp. +	5,400	278,964
Target Corporation	11,800	642,038
Time Warner Inc. +	41,000	685,110
TJX Companies, Inc. (The)	7,000	170,450
Toys "R" Us, Inc. +	1,000	26,480

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United Natural Foods, Inc. +	57,400	1,743,238
Viacom Inc., non-voting Class B	23,900	765,278
Wal-Mart Stores, Inc.	59,800	2,882,360
Walt Disney Co. (The)	29,200	735,256
Yum! Brands, Inc.	3,000	156,240
		-----
		20,683,618
		-----
CONSUMER STAPLES - 6.56%		
Altria Group, Inc.	29,300	1,894,538
Anheuser-Busch Companies, Inc.	8,700	398,025
Archer Daniels Midland Company	5,460	116,735
Campbell Soup Company	2,000	61,540
Coca-Cola Co. (The)	15,500	647,125
Coca-Cola Enterprises Inc.	6,500	143,065
Colgate-Palmolive Company	2,100	104,811
ConAgra Foods, Inc.	4,400	101,904
General Mills, Inc.	2,500	116,975
Gillette Company (The)	12,600	637,938
H.J. Heinz Co.	1,600	56,672
Kimberly-Clark Corporation	6,900	431,871
Kroger Co. (The) +	4,800	91,344
Pepsi Bottling Group, Inc. (The)	4,000	114,440
PepsiCo, Inc.	24,800	1,337,464
Procter & Gamble Co. (The)	37,600	1,983,400
Sara Lee Corp.	11,500	227,815
Sysco Corp.	5,800	209,902
Walgreen Co.	14,300	657,657
		-----
		9,333,221
		-----
ENERGY - 8.41%		
Anadarko Petroleum Corp.	900	73,935
Baker Hughes Inc.	1,100	56,276
CenterPoint Energy, Inc.	3,900	51,519
ChevronTexaco Corp.	19,330	1,080,934
ConocoPhillips	12,474	717,130
Exxon Mobil Corp.	80,000	4,597,600
FMC Technologies, Inc. +	93,300	2,982,801
Marathon Oil Corp.	1,500	80,055
Occidental Petroleum Corp.	4,000	307,720
Reliant Energy Inc. +	1,104	13,668
Schlumberger Ltd.	2,000	151,880
Unocal Corp.	1,200	78,060
Western Gas Resources, Inc.	50,800	1,772,920
		-----
		11,964,498
		-----
FINANCIALS - 19.45%		
Aetna Inc.	6,000	496,920
Affiliated Managers Group, Inc. +	30,300	2,070,399
AFLAC Inc.	7,000	302,960
Allstate Corp. (The)	9,300	555,675
American Express Company	15,600	830,388
American International Group, Inc.	37,531	2,180,551
Aon Corporation	4,900	122,696
Bank of America Corp.	55,616	2,536,646
Bank of New York Co., Inc. (The)	8,400	241,752
Charles Schwab Corporation (The)	12,000	135,360
Citigroup Inc.	74,300	3,434,889

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Fannie Mae	13,000	759,200
Fifth Third Bancorp	9,000	370,890
First Marblehead Corp. (The) +	40,700	1,426,942
Franklin Resources, Inc.	3,700	284,826
Freddie Mac	14,500	945,835
Goldman Sachs Group, Inc. (The)	7,300	744,746
Hartford Financial Services Group, Inc. (The)	6,000	448,680
JPMorgan Chase & Co.	30,332	1,071,326
Lehman Brothers Holding Inc.	3,600	357,408
Manulife Financial Corp.	2,963	141,661
Marsh & McLennan Companies, Inc.	4,100	113,570
MBNA Corp.	12,600	329,616
Merrill Lynch & Co., Inc.	10,700	588,607
MetLife, Inc.	10,200	458,388
Morgan Stanley	15,500	813,285
National City Corp.	9,700	330,964
Northern Trust Corp.	3,500	159,565
Piper Jaffray Companies, Inc. +	104	3,165
PNC Financial Services Group, Inc.	4,100	223,286
Prudential Financial, Inc.	8,200	538,412
St. Paul Travelers Companies, Inc. (The)	9,476	374,586
State Street Corp.	3,500	168,875
SunTrust Banks, Inc.	3,600	260,064
U.S. Bancorp	25,401	741,709
UnumProvident Corp.	1,100	20,152
Wachovia Corp.	22,600	1,120,960
Washington Mutual, Inc.	11,550	469,970
Wells Fargo & Co.	24,200	1,490,236

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27,665,160  
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HEALTHCARE - 12.27%

Abbott Laboratories	21,000	1,029,210
Amgen Inc. +	18,900	1,142,694
Becton, Dickinson & Co.	3,900	204,633
Biogen Idec Inc.	3,000	103,350
Boston Scientific Corp. +	12,300	332,100
Bristol-Myers Squibb Co.	10,500	262,290
Cardinal Health, Inc.	5,450	313,811
Caremark Rx, Inc. +	6,500	289,380
Cooper Companies, Inc. (The)	40,500	2,464,830
Edwards Lifesciences Corp. +	39,200	1,686,384
Eli Lilly & Co.	14,500	807,795
Guidant Corp.	1,400	94,220
HCA, Inc.	3,500	198,345
Hospira, Inc. +	700	27,300
Johnson & Johnson	40,900	2,658,500
McKesson Corp.	2,300	103,017
Medco Health Solutions, Inc. +	1,687	90,018
Medtronic, Inc.	1,500	77,685
Merck & Co. Inc.	20,500	631,400
Pfizer Inc.	99,660	2,748,623
Schering-Plough Corp.	5,000	95,300
Tenet Healthcare Corp. +	2,250	27,540
United Health Group Inc.	23,000	1,199,220
Wyeth	19,200	854,400

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17,442,045  
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INDUSTRIALS - 10.74%



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3M Co.	10,400	751,920
Automatic Data Processing, Inc.	4,900	205,653
Boeing Company (The)	11,700	772,200
Caterpillar Inc.	2,900	276,399
Cendant Corp.	14,000	313,180
CSX Corp.	1,000	42,660
Emerson Electric Co.	3,500	219,205
FedEx Corp.	4,500	364,545
General Dynamics Corp.	3,100	339,574
General Electric Co.	122,700	4,251,555
Heartland Express, Inc.	40,435	785,652
Honeywell International Inc.	12,500	457,875
Illinois Tool Works Inc.	2,400	191,232
IMS Health Inc.	1,400	34,678
Lockheed Martin Corp.	4,000	259,480
Masco Corp.	4,200	133,392
Northrop Grumman Corp.	5,000	276,250
Paychex, Inc.	4,200	136,668
PHH Corp. +	700	18,004
Shuffle Master, Inc. +	48,300	1,353,849
Southwest Airlines Co.	6,450	89,848
Transocean Inc. +	2,500	134,925
Tyco International Ltd.	33,397	975,192
Union Pacific Corp.	2,000	129,600
United Parcel Service, Inc., Class B	16,300	1,127,308
United Technologies Corp.	14,400	739,440
Waste Management, Inc.	4,200	119,028
Yellow Roadway Corp. +	15,191	771,703

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15,271,015  
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INFORMATION TECHNOLOGY - 14.54%

Adobe Systems Inc.	2,200	62,964
Agere Systems, Inc. +	24	288
Altera Corp. +	3,400	67,388
Analog Devices, Inc.	2,700	100,737
Apple Computer, Inc. +	3,000	110,430
Applied Materials, Inc.	7,800	126,204
CACI International Inc., Class A +	9,800	618,968
Cisco Systems, Inc. +	96,400	1,842,204
Corning Inc. +	8,000	132,960
Dell Inc. +	29,700	1,173,447
eBay, Inc. +	19,000	627,190
Electronic Arts Inc. +	2,000	113,220
Electronic Data Systems Corp.	1,000	19,250
EMC Corp. +	212,648	2,915,404
Fairchild Semiconductor International, Inc. +	180,500	2,662,375
First Data Corporation	7,324	293,985
Freescale Semiconductor Inc., Class B +	1,512	32,024
Hewlett-Packard Co.	27,900	655,929
Intel Corp.	65,500	1,706,930
International Business Machines Corp.	21,000	1,558,200
Linear Technology Corp.	2,500	91,725
Maxim Integrated Products, Inc.	2,300	87,883
Micron Technology, Inc. +	2,500	25,525

Microsoft Corp.	142,100	3,529,764
Motorola, Inc.	25,700	469,282
Oracle Corp. +	26,100	344,520
QUALCOMM Inc.	17,000	561,170
Sanmina-SCI Corp. +	5,500	30,085

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Siebel Systems, Inc.	2,500	22,250
Solectron Corp. +	3,000	11,370
Sun Microsystems, Inc. +	7,500	27,975
Symantec Corp. +	10,000	217,400
Texas Instruments Inc.	4,900	137,543
Yahoo! Inc. +	8,800	304,920
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		20,681,509
		-----
MATERIALS - 5.59%		
Air Products & Chemicals, Inc.	1,000	60,300
Alcoa Inc.	4,200	109,746
Dow Chemical Co. (The)	5,400	240,462
E.I. du Pont de Nemours & Co.	3,800	163,438
Georgia-Pacific Corporation	2,000	63,600
International Paper Co.	4,500	135,945
Joy Global Inc.	60,000	2,015,400
Neenah Paper, Inc.	209	6,473
Packaging Corporation of America	70,700	1,488,235
Peabody Energy Corp.	34,400	1,790,176
Praxair, Inc.	3,000	139,800
Rohm & Haas Co.	1,000	46,340
Steel Dynamics, Inc.	61,900	1,624,875
Weyerhaeuser Co.	1,000	63,650
		-----
		7,948,440
		-----
REAL ESTATE INVESTMENT TRUSTS - 0.20%		
Simon Property Group, Inc.	4,000	289,960
		-----
TELECOMMUNICATIONS SERVICES - 2.56%		
ALLTEL Corporation	4,000	249,120
AT&T Corp.	9,320	177,453
BellSouth Corporation	14,000	371,980
Lucent Technologies Inc. +	10,700	31,137
Nextel Communications, Inc., Class A +	15,500	500,805
SBC Communications Inc.	23,100	548,625
Sprint Corp.	18,800	471,692
Verizon Communications Inc.	37,100	1,281,805
		-----
		3,632,617
		-----
UTILITIES - 2.53%		
American Electric Power Co., Inc.	2,700	99,549
Dominion Resources, Inc.	7,100	521,069
Duke Energy Corp.	13,300	395,409
Edison International	4,000	162,200
Exelon Corp.	11,000	564,630
FirstEnergy Corp.	5,000	240,550
FPL Group, Inc.	7,000	294,420
Progress Energy, Inc.	3,500	158,340
Public Service Enterprises Group Inc.	1,000	60,820
Scottish Power plc, ADR	4,000	142,400
Southern Co. (The)	11,900	412,573
TXU Corp.	4,700	390,523
Xcel Energy, Inc.	8,200	160,064
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		3,602,547
		-----

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TOTAL EQUITY SECURITIES		141,718,575
(cost - \$120,033,444)		-----
	PRINCIPAL AMOUNT (000'S)	-----
SHORT-TERM INVESTMENTS - 8.64%		
REPURCHASE AGREEMENTS - 8.64%		
Bear, Stearns & Co. Inc. * **	\$ 10,475	10,475,207
(Agreement dated 6/30/05 to be repurchased at \$10,476,189), 3.375%, 07/01/05, collateralized by \$10,780,823 in U.S. Treasuries		
Bear, Stearns & Co. Inc. * **	1,314	1,314,491
(Agreement dated 6/30/05 to be repurchased at \$1,314,553), 1.6875%, 07/01/05, collateralized by \$1,353,669 in U.S. Treasury Bonds		
Bear, Stearns & Co. Inc.	498	498,354
(Agreement dated 6/30/05 to be repurchased at \$498,393), 2.80%, 07/01/05, collateralized by \$512,866 in U.S. Treasury Bonds		
TOTAL SHORT-TERM INVESTMENTS		12,288,052
(cost - \$12,288,052)		-----
TOTAL INVESTMENTS - 108.29%		154,006,627
(cost - \$132,321,496)		-----
LIABILITIES IN EXCESS OF OTHER ASSETS - (8.29)%		(11,795,693)
		-----
NET ASSETS - 100.00%		\$142,210,934
		=====

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- + Non-income producing security.
- \* Stated interest rate, before rebate earned by borrower of securities on loan.
- \*\* Represents investment purchased with collateral received for securities on loan.
- ADR American Depositary Receipts

See accompanying notes to financial statements.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

This item is inapplicable to a semi-annual report on Form N-CSR.

ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Form N-CSR disclosure requirement not yet effective with respect to the Registrant.

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ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT COMPANIES AND AFFILIATED PURCHASERS.

Not applicable.

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There have been no material changes to the procedures by which shareholders may recommend nominees to the registrant's Board of Directors since the registrant last provided disclosure in response to the requirements of Item 7(d)(2)(ii)(g) of Schedule 14A in its definitive proxy statement dated April 7, 2005.

ITEM 11. CONTROLS AND PROCEDURES.

(a) At a date within 90 days from the filing date of this report, the principal executive officer and the principal financial officer concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940 (the "Act")) were effective based on their evaluation of the disclosure controls and procedures required by Rule 30a-3 (b) under the Act and Rules 13a-15(b) or 15d-15(b) under the Securities and Exchange Act of 1934.

(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act) that occurred during the second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 12. EXHIBITS.

(a) (1) Not applicable.

(a) (2) The certifications of the registrant as required by Rule 30a-2(a) under the Act are exhibits to this report.

(a) (3) Not applicable.

(b) The certifications of the registrant as required by Rule 30a-2(b) under the Act are an exhibit to this report.

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Cornerstone Strategic Value Fund, Inc.

By: /s/ Ralph W. Bradshaw  
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Name: Ralph W. Bradshaw  
Title: Principal Executive Officer  
Date: September 8, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Cornerstone Strategic Value Fund, Inc.

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By: /s/ Ralph W. Bradshaw  
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Name: Ralph W. Bradshaw  
Title: Principal Executive Officer  
Date: September 8, 2005

By: /s/ Jodi B. Levine  
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Name: Jodi B. Levine  
Title: Principal Financial Officer  
Date: September 8, 2005