

Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form N-Q

CORNERSTONE TOTAL RETURN FUND INC

Form N-Q

November 29, 2005

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

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-02363

Cornerstone Total Return Fund, Inc.

(Exact name of registrant as specified in charter)

383 Madison Avenue, New York, NY 10179

(Address of principal executive offices) (Zip code)

Jodi Levine

Cornerstone Total Return Fund, Inc., 383 Madison Avenue, New York, NY 10179

(Name and address of agent for service)

Registrant's telephone number, including area code: (212) 272-3550

Date of fiscal year end: December 31, 2005

Date of reporting period: July 1, 2005 through September 30, 2005

ITEM 1: SCHEDULE OF INVESTMENTS

Cornerstone Total Return Fund, Inc.
Schedule of Investments - September 30, 2005 (unaudited)

| DESCRIPTION | NO. OF SHARES | VALUE |
|--|------------------|------------|
| ----- | | |
| EQUITY SECURITIES - 99.98% | | |
| UNITED STATES - 99.26% | | |
| CLOSED-END DOMESTIC FUNDS - 8.07% | | |
| Adams Express Co. | 52,300 | \$ 686,176 |
| Boulder Total Return Fund, Inc. | 18,900 | 326,970 |
| Dreman/Claymore Dividend & Income Fund | 15,000 | 277,050 |
| First Trust Value Line Dividend Fund (a) | 15,000 | 223,350 |
| General American Investors Company, Inc. (a) | 2,500 | 87,175 |
| Tri-Continental Corp. | 109,000 | 1,990,340 |
| Zweig Fund, Inc. (The) (a) | 165,900 | 882,588 |
| | | ----- |
| | | 4,473,649 |
| | | ----- |

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| | | |
|--|--------|-----------|
| CONSUMER DISCRETIONARY - 9.93% | | |
| Acco Brands Corporation + | 587 | 16,565 |
| Bed Bath & Beyond Inc. + (a) | 2,500 | 100,450 |
| Best Buy Co., Inc. (a) | 3,750 | 163,238 |
| Carnival Corp. (a) | 2,800 | 139,944 |
| Clear Channel Communications, Inc. | 2,700 | 88,803 |
| Coach, Inc. + | 2,500 | 78,400 |
| Comcast Corp., Class A + | 8,508 | 249,965 |
| Comcast Corp., Special Class A + | 4,500 | 129,510 |
| Dana Corporation. (a) | 2,500 | 23,525 |
| Eastman Kodak Co. | 2,500 | 60,825 |
| Ford Motor Company | 15,200 | 149,872 |
| Fortune Brands, Inc. | 2,500 | 203,325 |
| Gap, Inc. (The) (a) | 6,900 | 120,267 |
| General Motors Corp. (a) | 2,500 | 76,525 |
| Goodyear Tire & Rubber Company (The) + | 2,500 | 38,975 |
| Harley-Davidson, Inc. (a) | 2,500 | 121,100 |
| Hilton Hotels Corp. | 2,500 | 55,800 |
| Home Depot, Inc. (The) | 12,300 | 469,122 |
| J.C. Penney Company, Inc. | 2,500 | 118,550 |
| Kohl's Corp. + (a) | 2,500 | 125,450 |
| Lowe's Companies, Inc. | 3,700 | 238,280 |
| Mattel, Inc. (a) | 4,500 | 75,060 |
| McDonald's Corp. | 8,100 | 271,269 |
| McGraw-Hill Companies, Inc. (The) (a) | 5,000 | 240,200 |
| Monsanto Co. | 1,773 | 111,256 |
| Office Depot, Inc. + | 2,500 | 74,250 |
| Omnicom Group Inc. | 1,500 | 125,445 |
| Rockwell Automation, Inc. | 2,500 | 132,250 |
| Staples, Inc. | 3,150 | 67,158 |
| Starbucks Corp. + | 2,500 | 125,250 |
| Target Corporation | 4,600 | 238,878 |
| Time Warner Inc. + | 25,500 | 461,805 |
| TJX Companies, Inc. (The) | 4,000 | 81,920 |
| Tribune Company | 2,500 | 84,725 |
| Univision Communications Inc., Class A + (a) | 2,500 | 66,325 |
| Viacom Inc., non-voting Class B | 9,000 | 297,090 |
| Walt Disney Co. (The) | 11,700 | 282,321 |
| | | ----- |
| | | 5,503,693 |
| | | ----- |
| | | |
| CONSUMER STAPLES - 9.28% | | |
| Albertson's, Inc. (a) | 2,500 | 64,125 |
| Altria Group, Inc. | 10,700 | 788,697 |
| Anheuser-Busch Companies, Inc. | 3,700 | 159,248 |
| Avon Products, Inc. | 2,500 | 67,500 |
| Campbell Soup Company | 5,700 | 169,575 |
| Coca-Cola Co. (The) | 13,500 | 583,065 |
| Coca-Cola Enterprises Inc. | 2,500 | 48,750 |
| General Mills, Inc. | 2,500 | 120,500 |
| Gillette Company (The) | 5,100 | 296,820 |
| H.J. Heinz Co. | 2,700 | 98,658 |
| Kimberly-Clark Corporation (a) | 2,500 | 148,825 |
| Kroger Co. (The) + | 3,600 | 74,124 |
| PepsiCo, Inc. | 7,500 | 425,325 |
| Procter & Gamble Co. (The) | 15,000 | 891,900 |
| Safeway Inc. + (a) | 4,900 | 125,440 |
| Sara Lee Corp. | 2,600 | 49,270 |
| Sysco Corp. | 3,500 | 109,795 |
| Walgreen Co. (a) | 5,600 | 243,320 |

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|---|--------|-----------|
| Wal-Mart Stores, Inc. | 15,500 | 679,210 |
| | | ----- |
| | | 5,144,147 |
| | | ----- |
| ENERGY - 8.83% | | |
| Anadarko Petroleum Corp. (a) | 2,500 | 239,375 |
| Baker Hughes Inc. | 2,500 | 149,200 |
| Burlington Resources, Inc. | 2,500 | 203,300 |
| CenterPoint Energy, Inc. | 5,700 | 84,759 |
| ChevronTexaco Corp. | 9,068 | 586,972 |
| ConocoPhillips | 3,338 | 233,360 |
| Devon Energy Corporation | 2,500 | 171,600 |
| El Paso Corporation | 3,000 | 41,700 |
| EOG Resources Inc. | 2,500 | 187,250 |
| Exxon Mobil Corp. | 36,000 | 2,287,440 |
| Halliburton Co. | 2,500 | 171,300 |
| Occidental Petroleum Corp. | 2,500 | 213,575 |
| Schlumberger Ltd. | 2,500 | 210,950 |
| XTO Energy Inc. (a) | 2,500 | 113,300 |
| | | ----- |
| | | 4,894,081 |
| | | ----- |
| FINANCIALS - 18.43% | | |
| Aetna Inc. | 2,000 | 172,280 |
| AFLAC Inc. | 4,000 | 181,200 |
| Allstate Corp. (The) | 5,200 | 287,508 |
| American Express Company | 6,100 | 350,384 |
| American International Group, Inc. | 12,331 | 764,029 |
| AmSouth Bancorporation | 2,500 | 63,150 |
| Bank of America Corp. | 15,740 | 662,654 |
| Bank of New York Co., Inc. (The) | 5,900 | 173,519 |
| BB&T Corporation | 4,500 | 175,725 |
| Charles Schwab Corporation (The) | 8,200 | 118,326 |
| Cincinnati Financial Corporation | 2,500 | 104,725 |
| Citigroup Inc. | 28,600 | 1,301,872 |
| Countrywide Financial Corporation | 3,500 | 115,430 |
| Fannie Mae | 5,700 | 255,474 |
| Fifth Third Bancorp | 2,500 | 91,825 |
| Fiserv, Inc. + | 2,500 | 114,675 |
| Freddie Mac | 3,300 | 186,318 |
| Goldman Sachs Group, Inc. (The) | 3,000 | 364,740 |
| Hartford Financial Services Group, Inc. (The) | 1,600 | 123,472 |
| JPMorgan Chase & Co. | 12,700 | 430,911 |
| KeyCorp | 2,500 | 80,625 |
| Lehman Brothers Holding Inc. | 2,500 | 291,200 |
| M&T Bank Corporation | 2,500 | 264,275 |
| Marsh & McLennan Companies, Inc. | 4,600 | 139,794 |
| MBNA Corp. (a) | 7,550 | 186,032 |
| | | |
| Mellon Financial Corporation | 2,300 | 73,531 |
| Merrill Lynch & Co., Inc. | 1,100 | 67,485 |
| MetLife, Inc. | 6,000 | 298,980 |
| Moody's Corporation | 2,000 | 102,160 |
| Morgan Stanley | 6,200 | 334,428 |
| North Fork Bancorporation, Inc. | 2,500 | 63,750 |
| Northern Trust Corp. (a) | 1,100 | 55,605 |
| PNC Financial Services Group, Inc. | 1,400 | 81,228 |
| Progressive Corporaton (The) | 2,500 | 261,925 |
| Providian Financial Corporation. + | 2,500 | 44,200 |
| Prudential Financial, Inc. | 2,500 | 168,900 |
| SLM Corporation | 2,500 | 134,100 |

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|--|--------|------------|
| St. Paul Travelers Companies, Inc. (The) | 2,292 | 102,842 |
| State Street Corp. | 1,600 | 78,272 |
| Synovus Financial Corp. | 2,500 | 69,300 |
| U.S. Bancorp (a) | 7,200 | 202,176 |
| Wachovia Corp. | 8,100 | 385,479 |
| Washington Mutual, Inc. | 4,250 | 166,685 |
| Wells Fargo & Co. | 9,000 | 527,130 |
| | | ----- |
| | | 10,218,319 |
| | | ----- |
| HEALTHCARE - 11.37% | | |
| Amgen Inc. + | 8,300 | 661,261 |
| Becton, Dickinson & Co.(a) | 2,500 | 131,075 |
| Biomet, Inc. | 2,500 | 86,775 |
| Boston Scientific Corp. + | 5,000 | 116,850 |
| Bristol-Myers Squibb Co. | 9,600 | 230,976 |
| Caremark Rx, Inc. + | 2,500 | 124,825 |
| Eli Lilly & Co. | 4,100 | 219,432 |
| Genzyme Corporation + | 1,500 | 107,460 |
| Health Management Associates, Inc., Class A | 2,500 | 58,675 |
| Johnson & Johnson | 18,200 | 1,151,696 |
| Laboratory Corporation of America Holdings + | 2,500 | 121,775 |
| McKesson Corp. | 2,500 | 118,625 |
| Medco Health Solutions, Inc. + | 1,531 | 83,945 |
| Medtronic, Inc. (a) | 7,100 | 380,702 |
| Merck & Co. Inc. | 8,700 | 236,727 |
| Pfizer Inc. (a) | 42,460 | 1,060,226 |
| Schering-Plough Corp. (a) | 8,400 | 176,820 |
| Stryker Corporation | 2,000 | 98,860 |
| Tenet Healthcare Corp. + | 5,000 | 56,150 |
| United Health Group Inc. | 10,000 | 562,000 |
| Wyeth | 7,500 | 347,025 |
| Zimmer Holdings, Inc. + | 2,500 | 172,225 |
| | | ----- |
| | | 6,304,105 |
| | | ----- |
| INDUSTRIALS - 10.34% | | |
| 3M Co. | 2,500 | 183,400 |
| Apollo Group, Inc., Class A + (a) | 1,000 | 66,390 |
| Boeing Company (The) | 3,900 | 265,005 |
| Burlington Northern Sante Fe Corporation | 2,000 | 119,600 |
| Caterpillar Inc. | 5,000 | 293,750 |
| Cendant Corp. | 4,000 | 82,560 |
| CSX Corp. | 2,500 | 116,200 |
| Danaher Corp. (a) | 2,500 | 134,575 |
| Dover Corporation | 1,000 | 40,790 |
| D.R. Horton Inc. | 2,500 | 90,550 |
| Emerson Electric Co. | 2,000 | 143,600 |
| FedEx Corp. (a) | 2,500 | 217,825 |
| General Dynamics Corp. (a) | 2,500 | 298,875 |
| General Electric Co. | 52,000 | 1,750,840 |
| Honeywell International Inc. | 3,300 | 123,750 |
| Illinois Tool Works Inc. | 2,500 | 205,825 |
| Lockheed Martin Corp. | 2,500 | 152,600 |
| Norfolk Southern Corporation | 2,500 | 101,400 |
| Paychex, Inc. (a) | 2,500 | 92,700 |
| Raytheon Company | 2,500 | 95,050 |
| Southwest Airlines Co. | 6,100 | 90,585 |
| Transocean Inc. + | 2,500 | 153,275 |
| Tyco International Ltd. | 9,100 | 253,435 |

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| United Parcel Service, Inc., Class B | 4,000 | 276,520 |
| United Technologies Corp. | 4,400 | 228,096 |
| Waste Management, Inc. | 5,300 | 151,633 |
| | | ----- |
| | | 5,728,829 |
| | | ----- |
| INFORMATION TECHNOLOGY - 14.28% | | |
| Adobe Systems Inc. + | 2,500 | 74,625 |
| Agilent Technologies, Inc. + | 5,000 | 163,750 |
| Apple Computer, Inc. + | 5,000 | 268,050 |
| Applied Materials, Inc. | 8,000 | 135,680 |
| Autodesk, Inc. | 2,500 | 116,100 |
| Cisco Systems, Inc. + | 35,000 | 627,550 |
| Corning Inc. + | 7,500 | 144,975 |
| Dell Inc. + | 13,700 | 468,540 |
| eBay, Inc. + | 7,000 | 288,400 |
| Electronic Data Systems Corp. | 7,500 | 168,300 |
| EMC Corp. + (a) | 8,000 | 103,520 |
| First Data Corporation (a) | 4,325 | 173,000 |
| Freescale Semiconductor Inc., Class B + | 1,777 | 41,901 |
| Hewlett-Packard Co. | 13,342 | 389,586 |
| Intel Corp. (a) | 32,000 | 788,800 |
| International Business Machines Corp. | 5,700 | 457,254 |
| Lucent Technologies Inc. + (a) | 15,000 | 48,750 |
| Maxim Integrated Products, Inc. | 2,500 | 106,625 |
| Micron Technology, Inc. + (a) | 5,500 | 73,150 |
| Microsoft Corp. (a) | 48,000 | 1,235,040 |
| Motorola, Inc. | 16,100 | 355,649 |
| Network Appliance, Inc. + | 2,500 | 59,350 |
| Oracle Corp. + | 33,600 | 416,304 |
| PerkinElmer, Inc. | 1,500 | 30,555 |
| QUALCOMM Inc. | 4,300 | 192,425 |
| Solectron Corp. + (a) | 5,700 | 22,287 |
| Symantec Corp. + | 5,000 | 113,300 |
| Texas Instruments Inc. | 13,500 | 457,650 |
| Waters Corporation + | 2,500 | 104,000 |
| Yahoo! Inc. + (a) | 8,500 | 287,640 |
| | | ----- |
| | | 7,912,756 |
| | | ----- |
| MATERIALS - 2.63% | | |
| Air Products & Chemicals, Inc. | 2,500 | 137,850 |
| Alcoa Inc. | 4,300 | 105,006 |
| Dow Chemical Co. (The) | 4,700 | 195,849 |
| E.I. du Pont de Nemours & Co. (a) | 5,800 | 227,186 |
| International Paper Co. | 4,800 | 143,040 |
| Newmont Mining Corporation | 2,500 | 117,925 |
| Nucor Corp. | 2,500 | 147,475 |
| Peabody Energy Corp. | 2,500 | 210,875 |
| Rohm & Haas Co. (a) | 2,500 | 102,825 |
| Weyerhaeuser Co. | 1,000 | 68,750 |
| | | ----- |
| | | 1,456,781 |
| | | ----- |
| REAL ESTATE INVESTMENT TRUSTS - 0.33% | | |
| Simon Property Group, Inc. | 2,500 | 185,300 |
| | | ----- |
| TELECOMMUNICATION SERVICES - 2.52% | | |
| AT&T Corp. | 5,260 | 104,148 |
| BellSouth Corporation | 5,200 | 136,760 |

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| | |
|---|---------------|
| TOTAL INVESTMENTS - 102.03% | ----- |
| (cost - \$56,662,392) | 56,562,164 |
| | ----- |
| LIABILITIES IN EXCESS OF OTHER ASSETS - (2.03)% | (1,128,542) |
| | ----- |
| NET ASSETS - 100.00% | \$ 55,433,622 |
| | ===== |

- + Non-income producing security.
- # Securities are fair valued in accordance with procedures established by the Board of Directors.
- (a) Security or a portion there-of is out on loan.
- * Stated interest rate, before rebate earned by borrower of securities on loan.
- ** Represents investment purchased with cash collateral received for securities on loan.
- ADR American Depositary Receipts.
- ^ In July, 2005, 68,590 shares of Bonton Discs a.s. were exchanged to Bonton a.s.

At September 30, 2005, the Fund held 0.72% of its net assets in securities valued in good faith by the Board of Directors with an aggregate cost of \$894,865 and a fair value of \$401,093.

Federal Income Tax Cost - At September 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 unrealized depreciation from investments were \$56,714,021, \$8,479,867, \$(8,631,724) and \$(151,857), respectively.

Securities valuation policies and other investment related disclosures are hereby incorporated by reference to the Fund's annual report previously filed with the Securities and Exchange Commission on the Form N-CSR.

Securities and assets for which market quotations are not readily available are valued at their fair value as determined in good faith under procedures established by and under the general supervision of the Board. Fair valuation methodologies and procedures may include, but are not limited to: analysis and review of financial and non-financial information about the company; comparisons to the valuation and changes in valuation of similar securities, including reference to special reports prepared by analysts and or reports published in the financial press, the financial conditions and prospects of the issuer available, including considering any recent management or capital structure changes or other recent events that may impact the price of the security; and evaluation of any other information that could be indicative of the value of the security.

Other information regarding the Fund is available in the Fund's most recent annual report. This information is also available to registered shareholders by calling (800) 937-5449. For general inquiries, please call (212) 272-3550. This information is also available on the website of the Securities and Exchange Commission - <http://www.sec.gov>.

ITEM 2: CONTROLS AND PROCEDURES

(a) As of a date within 90 days from the filing date of this report, the principal executive officer and principal financial officer concluded that the

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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 registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 3: EXHIBITS

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

SIGNATURES

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 Total Return Fund, Inc.

/s/ Ralph W. Bradshaw

Name: Ralph W. Bradshaw
Title: Principal Executive Officer
Date: November 29, 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.

/s/ Ralph W. Bradshaw

Name: Ralph W. Bradshaw
Title: Principal Executive Officer
Date: November 29, 2005

/s/ Jodi B. Levine

Name: Jodi B. Levine
Title: Principal Financial Officer (Treasurer)
Date: November 29, 2005