

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

CORNERSTONE TOTAL RETURN FUND INC

Form N-Q

November 22, 2004

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, NEW YORK 10179  
(Address of principal executive offices) (Zip code)

JODI LEVINE, TREASURER  
383 MADISON AVENUE  
NEW YORK, NEW YORK 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, 2004

Date of reporting period: SEPTEMBER 30, 2004

ITEM 1: SCHEDULE OF INVESTMENTS

-----  
CORNERSTONE TOTAL RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS--SEPTEMBER 30, 2004 (UNAUDITED)  
-----

DESCRIPTION	NO. OF SHARES	VALUE
-----		
EQUITY SECURITIES - 99.29%		
UNITED STATES - 98.07%		
CLOSED-END DOMESTIC FUNDS - 5.81%		
Adams Express Co.	38,800	\$ 492,372
Boulder Total Return Fund, Inc.	21,100	365,452
General American Investors Co., Inc.	2,500	73,825
Salomon Brothers Fund, Inc. (The)	13,300	158,403
Tri Continental Corp.	109,000	1,810,490
Zweig Fund, Inc.	96,300	514,242
		-----
		3,414,784
		-----
CONSUMER DISCRETIONARY - 12.80%		
Bed Bath & Beyond Inc. +	2,500	92,775
Carnival Corp.	5,300	250,637
Clear Channel Communications, Inc.	2,700	84,159
Comcast Corp., Class A +	8,508	240,266
Comcast Corp., Special Class A +	4,500	125,640
Costco Wholesale Corp.	2,600	108,056

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

CVS Corp.	2,500	105,325
Dana Corp.	2,500	44,225
Delphi Corp.	5,100	47,379
Eastman Kodak Co.	2,500	80,550
Ford Motor Co.	15,200	213,560
Fortune Brands, Inc.	2,500	185,225
Gannett Co., Inc.	2,500	209,400
Gap, Inc. (The)	6,900	129,030
General Motors Corp.	5,000	212,400
Harley-Davidson, Inc	2,500	148,600
Harrah's Entertainment, Inc.	2,500	132,450
Hilton Hotels Corp.	2,500	47,100
Home Depot, Inc. (The)	14,800	580,160
J.C. Penney Co. Inc.	2,500	88,200
Kohl's Corp. +	2,500	120,475
Limited Brands	2,000	44,580
Lowe's Companies, Inc.	3,700	201,095
Mattel, Inc.	4,500	81,585
May Department Stores Co. (The)	2,500	64,075
McDonald's Corp.	8,100	227,043
Monsanto Co.	1,773	64,573
NIKE, Inc., Class B	2,500	197,000
Office Depot, Inc. +	2,500	37,575
Omnicom Group Inc.	1,500	109,590
Reebok International Ltd.	2,500	91,800
Rockwell Automation, Inc.	2,500	96,750
Staples, Inc.	2,100	62,622
Starbucks Corp. +	2,500	113,650
Target Corp.	4,600	208,150
Time Warner, Inc +	25,500	411,570

-----  
CORNERSTONE TOTAL RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS--SEPTEMBER 30, 2004 (UNAUDITED)  
-----

DESCRIPTION	NO. OF SHARES	VALUE
TJX Companies, Inc. (The)	4,000	88,160
Tribune Co.	2,500	102,875
Univision Communications Inc., Class A +	2,500	79,025
Viacom Inc., non-voting Class B	9,000	302,040
Wal-Mart Stores, Inc.	24,900	1,324,680
Walt Disney Co. (The)	11,700	263,835
Yum! Brands, Inc. +	2,500	101,650
		-----
		7,519,535
		-----
CONSUMER STAPLES - 7.47%		
Albertson's, Inc.	2,500	59,825
Altria Group, Inc.	10,700	503,328
Anheuser-Busch Companies, Inc.	3,700	184,815
Archer-Daniels-Midland Co.	5,650	95,937
Avon Products, Inc.	2,500	109,200
Campbell Soup Co.	3,200	84,128
Coca-Cola Co. (The)	13,500	540,675
Coca-Cola Enterprises Inc.	2,500	47,250
Colgate-Palmolive Co.	2,600	117,468
ConAgra Foods, Inc.	2,500	64,275

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

General Mills, Inc.	2,500	112,250
Gillette Co. (The)	5,100	212,874
H.J. Heinz Co.	2,700	97,254
Kimberly-Clark Corp.	2,500	161,475
Kroger Co. (The) +	6,600	102,432
PepsiCo, Inc.	10,000	486,500
Procter & Gamble Co. (The)	15,000	811,800
Safeway Inc.	4,900	94,619
Sara Lee Corp.	6,300	144,018
Walgreen Co.	5,600	200,648
Wm. Wrigley Jr. Co.	2,500	158,275
		-----
		4,389,046
		-----
ENERGY - 6.67%		
Anadarko Petroleum Corp.	2,500	165,900
Burlington Resources Inc.	2,500	102,000
CenterPoint Energy. Inc.	5,700	59,052
ChevronTexaco Corp.	16,604	890,638
ConocoPhillips	3,669	303,977
El Paso Corp.	2,500	22,975
Exxon Mobil Corp.	36,000	1,739,880
Occidental Petroleum Corp.	2,500	139,825
Reliant Energy Inc.+	4,494	41,929
Schlumberger Ltd.	5,100	343,281
Unocal Corp.	2,500	107,500
		-----
		3,916,957
		-----
FINANCIALS - 18.33%		
AFLAC Inc.	4,000	156,840
Allstate Corp. (The)	5,200	249,548

-----  
CORNERSTONE TOTAL RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS--SEPTEMBER 30, 2004 (UNAUDITED)  
-----

DESCRIPTION	NO. OF SHARES	VALUE
American Express Co.	6,100	313,906
American International Group, Inc.	18,331	1,246,325
Bank of America Corp.	23,240	1,006,989
Bank of New York Co., Inc. (The)	5,900	172,103
BB&T Corp.	2,000	79,380
Capital One Financial Corp.	1,000	73,900
Charles Schwab Corp. (The)	8,200	75,358
Citigroup Inc.	32,600	1,438,312
Countrywide Financial Corp.	3,500	137,865
Fannie Mae	5,700	361,380
Fifth Third Bancorp	2,500	123,050
Fiserv, Inc. +	2,500	87,150
Freddie Mac	3,300	215,292
Goldman Sachs Group, Inc. (The)	6,000	559,440
Hartford Financial Services Group, Inc. (The)	1,600	99,088
J.P. Morgan Chase & Co.	12,700	504,571
Key Corp.	2,500	79,000
Lehman Brothers Holdings Inc.	2,500	199,300
Marsh & McLennan Companies, Inc.	4,600	210,496

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

MBNA Corp.	7,550	190,260
Mellon Financial Corp.	2,300	63,687
Merrill Lynch & Co., Inc.	1,100	54,692
MetLife Inc.	6,000	231,900
Moody's Corp.	1,000	73,250
Morgan Stanley	6,200	305,660
National City Corp.	2,500	96,550
Northern Trust Corp.	1,100	44,880
Piper Jaffray Companies, Inc. +	122	4,830
PNC Financial Services Group.	1,400	75,740
Progressive Corp. (The)	2,500	211,875
Prudential Financial, Inc.	2,500	117,600
SLM Corp.	2,500	111,500
St. Paul Travelers Companies, Inc. (The)	2,292	75,773
State Street Corp.	1,600	68,336
SunTrust Banks, Inc.	1,500	105,615
U.S. Bancorp	12,200	352,580
Wachovia Corp.	8,100	380,295
Washington Mutual, Inc.	7,250	283,330
Wells Fargo & Co.	9,000	536,670

-----  
10,774,316  
-----

HEALTHCARE - 12.08%

Abbott Laboratories	8,200	347,352
Aetna Inc.	1,000	99,930
Amgen Inc.+	8,300	470,444
Anthem, Inc.+	2,500	218,125
Baxter International Inc.	2,600	83,616
Becton, Dickinson & Co.	2,500	129,250
Biogen Idec Inc. +	2,500	152,925

-----  
CORNERSTONE TOTAL RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS--SEPTEMBER 30, 2004 (UNAUDITED)  
-----

DESCRIPTION	NO. OF SHARES	VALUE
Biomet, Inc.	2,500	117,200
Boston Scientific Corp. +	2,500	99,325
Bristol-Myers Squibb Co.	9,600	227,232
Cardinal Health, Inc.	2,500	109,425
CIGNA Corp.	800	55,704
Eli Lilly & Co.	6,600	396,330
Forest Laboratories, Inc. +	2,500	112,450
Genzyme Corp. +	1,500	81,615
HCA, Inc.	2,600	99,190
Health Management Associates, Inc., Class A	2,500	51,075
HEALTHSOUTH Corp. +	2,500	12,625
Hospira, Inc. +	820	25,092
Johnson & Johnson	18,200	1,025,206
King Pharmaceuticals, Inc. +	2,500	29,850
McKesson Corp.	2,500	64,125
Medco Health Solutions, Inc. +	1,531	47,308
Medtronic, Inc.	7,100	368,490
Merck & Co., Inc.	12,700	419,100
Pfizer Inc.	42,460	1,299,276
Schering-Plough Corp.	8,400	160,104

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

Stryker Corp.	2,000	96,160
Tenet Healthcare Corp. +	5,000	53,950
UnitedHealth Group Inc.	5,000	368,700
Wyeth	7,500	280,500
		-----
		7,101,674
		-----
INDUSTRIALS - 10.87%		
3M Co.	5,000	399,850
Apollo Group, Inc., Class A	1,000	73,370
Automatic Data Processing, Inc.	2,000	82,640
Boeing Co. (The)	6,700	345,854
Burlington Northern Santa Fe Corp.	2,000	76,620
Caterpillar Inc.	2,500	201,125
Cendant Corp.	7,100	153,360
CSX Corp.	2,500	83,000
Dover Corp.	1,000	38,870
Emerson Electric Co.	2,000	123,780
FedEx Corp.	2,500	214,225
General Dynamics Corp.	2,500	255,250
General Electric Co.	64,000	2,149,120
Honeywell International Inc.	3,300	118,338
Illinois Tool Works Inc.	2,500	232,925
Lockheed Martin Corp.	2,500	139,450
Masco Corp.	4,600	158,838
Paychex, Inc.	2,500	75,375
Raytheon Co.	2,500	94,950
Southwest Airlines Co.	6,100	83,082
Transocean Inc. +	2,500	89,450
Tyco International Ltd.	11,600	355,656

-----  
CORNERSTONE TOTAL RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS--SEPTEMBER 30, 2004 (UNAUDITED)  
-----

DESCRIPTION	NO. OF SHARES	VALUE
United Parcel Service, Inc., Class B	6,500	493,480
United Technologies Corp.	2,200	205,436
Waste Management, Inc.	5,300	144,902
		-----
		6,388,946
		-----
INFORMATION TECHNOLOGY - 15.68%		
Agere Systems Inc, Class A +	75	79
Agere Systems Inc., Class B +	1,851	1,888
Agilent Technologies, Inc. +	5,000	107,850
Analog Devices, Inc.	2,500	96,950
Apple Computer, Inc. +	2,500	96,875
Applied Materials, Inc. +	13,400	220,966
Ciena Corp	1,500	2,970
Cisco Systems, Inc. +	48,000	868,800
Computer Associates International, Inc.	2,700	71,010
Corning Inc. +	3,200	35,456
Dell Inc.+	16,200	576,720
eBay Inc. +	3,500	321,790
Electronic Data Systems Corp.	7,500	145,425
EMC Corp. +	8,000	92,320

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

First Data Corp.	4,325	188,137
Hewlett-Packard Co.	15,842	297,038
Intel Corp.	44,500	892,670
Internat Business Machines Corp.	10,700	917,418
JDS Uniphase Corp. +	9,700	32,689
Lucent Technologies Inc. +	7,000	22,190
Maxim Integrated Products Inc.	2,500	105,725
Micron Technology, Inc. +	5,500	66,165
Microsoft Corp.	73,800	2,040,570
Motorola, Inc.	16,100	290,444
Oracle Corp. +	37,600	424,128
PerkinElmer, Inc.	1,500	25,830
QUALCOMM Inc.	6,800	265,472
Sanmina-SCI Corp. +	4,000	28,200
Siebel Systems, Inc. +	5,000	37,700
Solelectron Corp. +	5,700	28,215
Sun Microsystems, Inc. +	24,600	99,384
Texas Instruments Inc.	13,500	287,280
VERITAS Software Corp. +	2,500	44,500
Waters Corp. +	2,500	110,250
Xerox Corp. +	6,000	84,480
Yahoo! Inc. +	8,500	288,235

-----  
9,215,819  
-----

MATERIALS - 2.87%

Air Products & Chemicals, Inc.	2,500	135,950
Alcan Inc.	1,500	71,700
Alcoa Inc.	6,800	228,412

-----  
CORNERSTONE TOTAL RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS--SEPTEMBER 30, 2004 (UNAUDITED)  
-----

DESCRIPTION	NO. OF SHARES	VALUE
Dow Chemical Co. (The)	7,200	325,296
E.I. du Pont de Nemours & Co.	5,800	248,240
Georgia-Pacific Corp.	2,500	89,875
International Paper Co.	4,800	193,968
Newmont Mining Corp.	2,500	113,825
Praxair, Inc.	2,500	106,850
Rohm & Hass Co.	2,500	107,425
Weyerhaeuser Co.	1,000	66,480
		----- 1,688,021 -----
REAL ESTATE INVESTMENT TRUSTS - 0.23%		
Simon Property Group Inc.	2,500	134,075
TELECOMMUNICATIONS SERVICES - 3.36%		
AT&T Corp.	5,260	75,323
AT&T Wireless Services Inc. +	10,067	148,790
BellSouth Corp.	10,200	276,624
Nextel Communications, Inc., Class A +	6,000	143,040
SBC Communications Inc.	25,600	664,320
Sprint Corp (FON Group)	4,100	82,533
Verizon Communications Inc.	14,900	586,762

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

		----- 1,977,392 -----
UTILITIES - 1.90%		
American Electric Power Co., Inc.	5,500	175,780
Dominion Resources, Inc.	2,000	130,500
Duke Energy Corp.	6,600	151,074
Edison International	2,500	66,275
Scottish Power plc, ADR	4,000	123,360
Sempra Energy	2,500	90,475
Southern Co. (The)	2,500	74,950
TXU Corp.	3,700	177,304
Williams Companies, Inc. (The)	2,500	30,250
Xcel Energy, Inc.	5,500	95,260
		----- 1,115,228 -----
TOTAL UNITED STATES (cost \$62,798,349)		----- 57,635,793 -----
CZECH REPUBLIC - 1.22%		
CONSUMER DISCRETIONARY - 1.22%		
Bonton AS +#	68,590	119,632
Bonton Book AS +#	68,590	119,631
Bonton Discs AS +#	68,590	119,631
Bonton Film Entertainment AS +#	68,590	119,631
Bonton Music AS +#	68,590	119,631
Bonton Pictures AS +#	68,590	119,631
		----- 717,787 -----
TOTAL CZECH REPUBLIC (cost \$894,867)		

-----  
CORNERSTONE TOTAL RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS--SEPTEMBER 30, 2004 (UNAUDITED)  
-----

DESCRIPTION	VALUE
TOTAL EQUITY SECURITIES (cost \$63,693,216)	----- 58,353,580 -----

DESCRIPTION	PRINCIPAL AMOUNT (000'S)	VALUE
SHORT-TERM INVESTMENTS - 0.95%		
REPURCHASE AGREEMENTS - 0.95%		
Bear, Stearns & Co. Inc., (Agreement dated 09/30/04 to be repurchased at \$87,972), 1.68%, 10/01/04	\$ 88	87,972
Bear, Stearns & Co. Inc. (Agreement dated 09/30/04 to be repurchased at \$171,011), 1.875%*, 10/01/04, collateralized by U.S. Treasury Bonds **	171	171,002

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

Bear, Stearns & Co. Inc. (Agreement dated 09/30/04 to be repurchased at \$302,275), 0.94%*, 10/01/04, collateralized by U.S. Treasury Bonds **	302	302,267 -----
TOTAL SHORT-TERM INVESTMENTS (cost - \$561,241)		561,241 -----
TOTAL INVESTMENTS - 100.24% (cost - \$64,254,457)		58,914,821 -----
LIABILITIES IN EXCESS OF OTHER ASSETS - (0.24)%		(142,247) -----
NET ASSETS - 100.00%		\$ 58,772,574 =====

- 
- + Non-income producing security.
  - # Security fair valued in accordance with procedures established by the Board of Directors.
  - \* Stated interest rate, before rebate earned by borrower of securities on loan.
  - \*\* Represents investment purchased with cash collateral received, ADR American Depositary Receipts.

Portfolio Valuation - Investments are stated at value in the accompanying financial statements. All equity securities shall 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 shall be valued at the closing price on another exchange where it trades. If there are no such sales prices, the value shall be the most recent bid, and if there is no bid, the security shall be valued at the most recent asked. If no

-----

CORNERSTONE TOTAL RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS--SEPTEMBER 30, 2004 (UNAUDITED)

-----

pricing service is available and there are more than two dealers, the value shall be the mean of the highest bid and the lowest ask. If there is only one dealer, then the value shall be the mean if bid and ask are available, otherwise the value shall 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 September 30, 2004, the Fund held 1.22% of its net assets in securities valued in good faith by the Board of Directors with an aggregate cost of \$894,867 and a fair value of \$717,787. 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



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

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. 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 underlying securities.

Federal Income Tax Cost - At September 30, 2004, 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 \$64,306,086, \$4,705,896, \$(10,097,161) and \$(5,391,265), respectively.

Other information regarding the Fund is available in the Fund's most recent Report to Shareholders. This information is 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 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 22, 2004

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

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

dates indicated.

/s/ Ralph W. Bradshaw

-----  
Name: Ralph W. Bradshaw  
Title: Principal Executive Officer  
Date:

/s/ Jodi B. Levine

-----  
Name: Jodi B. Levine  
Title: Principal Financial Officer  
Date: November 22, 2004