

CORNERSTONE TOTAL RETURN FUND INC
Form N-Q
November 25, 2014

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)

| | | |
|--|------------------------------|------------|
| 7 Dawson Street | Huntington Station, New York | 11746 |
| (Address of principal executive offices) | | (Zip code) |

Frank J. Maresca

AST Fund Solutions, LLC 48 Wall Street New York, NY 10005

(Name and address of agent for service)

Registrant's telephone number, including area code: (866) 668-6558

Date of fiscal year end: December 31

Date of reporting period: September 30, 2014

Item 1. Schedule of Investments.

CORNERSTONE TOTAL RETURN FUND, INC.
SCHEDULE OF INVESTMENTS - SEPTEMBER 30, 2014 (Unaudited)

| Description | No. of Shares | Value |
|--|------------------|-----------|
| EQUITY SECURITIES - 98.51% | | |
| CLOSED-END FUNDS - 13.08% | | |
| CORE - 1.20% | | |
| Adams Express Company (The) | 6,000 | \$83,640 |
| General American Investors Company, Inc. | 21,671 | 802,911 |
| Tri-Continental Corporation | 6,328 | 132,065 |
| | | 1,018,616 |
| DEVELOPED MARKET - 0.16% | | |
| Aberdeen Australia Equity Fund, Inc. | 4,316 | 33,708 |
| Swiss Helvetia Fund, Inc. (The) | 7,413 | 100,298 |
| | | 134,006 |
| EMERGING MARKETS - 0.25% | | |
| Aberdeen Japan Equity Fund, Inc. | 500 | 3,555 |
| Central Europe, Russia, and Turkey Fund, Inc. (The) | 3,984 | 98,803 |
| First Trust/Aberdeen Emerging Opportunity Fund | 579 | 10,300 |
| Templeton Emerging Markets Fund | 4,888 | 86,713 |
| Templeton Russia and East European Fund, Inc. | 700 | 8,820 |
| Turkish Investment Fund, Inc. (The) | 500 | 5,215 |
| | | 213,406 |
| ENERGY MLP - 2.10% | | |
| ClearBridge Energy MLP Total Return Fund Inc. | 21,737 | 500,820 |
| First Trust MLP and Energy Income Fund | 59,173 | 1,264,527 |
| Nuveen Energy MLP Total Return Fund | 700 | 15,477 |
| | | 1,780,824 |
| GENERAL & INSURED LEVERAGED - 0.58% | | |
| Eaton Vance Tax-Advantaged Bond and Option Strategies Fund | 19,545 | 275,975 |
| Invesco Advantage Municipal Income Trust II | 4,400 | 50,072 |
| Invesco Municipal Opportunity Trust | 12,900 | 161,637 |
| | | 487,684 |
| GLOBAL - 0.54% | | |
| Clough Global Allocation Fund | 3,730 | 53,373 |
| Gabelli Global Utility & Income Trust (The) | 9,526 | 182,804 |
| GDL Fund (The) | 20,865 | 219,917 |
| | | 456,094 |
| HIGH CURRENT YIELD (LEVERAGED) - 0.78% | | |
| Deutsche High Income Opportunities Fund, Inc. | 45,027 | 659,195 |

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INCOME & PREFERRED STOCK - 0.36%

| | | |
|--|--------|---------|
| Nuveen Quality Preferred Income Fund 3 | 36,888 | 308,753 |
|--|--------|---------|

LOAN PARTICIPATION - 1.47%

| | | |
|---|--------|---------|
| BlackRock Floating Rate Income Strategies Fund, Inc | 18,878 | 265,425 |
|---|--------|---------|

| | | |
|---------------------------------|--------|--------|
| Eaton Vance Senior Income Trust | 14,289 | 93,021 |
|---------------------------------|--------|--------|

| | | |
|---|--------|---------|
| First Trust Senior Floating Rate Income Fund II | 65,755 | 891,638 |
|---|--------|---------|

| | | |
|--|--|-----------|
| | | 1,250,084 |
|--|--|-----------|

See accompanying notes to schedule of investments.

CORNERSTONE TOTAL RETURN FUND, INC.
SCHEDULE OF INVESTMENTS - SEPTEMBER 30, 2014 (Unaudited)

| Description | No. of Shares | Value |
|---|------------------|-------------------|
| NATURAL RESOURCES - 2.17% | | |
| BlackRock Real Asset Equity Trust | 66,980 | \$567,321 |
| BlackRock Resources & Commodities Strategy Trust | 5,600 | 62,888 |
| First Trust Energy Infrastructure Fund | 23,823 | 568,417 |
| Petroleum & Resources Corporation | 22,402 | 645,178 |
| | | 1,843,804 |
| PACIFIC EX JAPAN - 0.07% | | |
| Morgan Stanley Thai Fund, Inc. | 4,900 | 60,221 |
| REAL ESTATE - 2.74% | | |
| Cohen & Steers Preferred Securities and Income Fund, Inc. | 31,956 | 558,271 |
| Cohen & Steers Total Return Realty Fund, Inc. | 4,200 | 50,190 |
| LMP Real Estate Income Fund Inc. | 1,400 | 15,722 |
| Neuberger Berman Real Estate Securities Income Fund Inc. | 191,405 | 922,572 |
| Nuveen Diversified Dividend and Income Fund | 15,559 | 181,107 |
| Nuveen Real Estate Income Fund | 27,570 | 289,761 |
| RMR Real Estate Income Fund | 16,181 | 305,012 |
| | | 2,322,635 |
| U.S. MORTGAGE - 0.16% | | |
| First Trust Mortgage Income Fund | 9,045 | 136,579 |
| UTILITY - 0.50% | | |
| BlackRock Utility and Infrastructure Trust | 21,066 | 421,531 |
| TOTAL CLOSED-END FUNDS | | 11,093,432 |
| CONSUMER DISCRETIONARY - 9.13% | | |
| CBS Corporation - Class B | 4,000 | 214,000 |
| Comcast Corporation - Class A | 21,012 | 1,130,025 |
| Comcast Corporation - Special Class A | 4,250 | 227,375 |
| CST Brands, Inc. | 277 | 9,958 |
| D.R. Horton, Inc. | 2,500 | 51,300 |
| DIRECTV * | 4,500 | 389,340 |
| Ford Motor Company | 31,000 | 458,490 |
| Gap, Inc. (The) | 3,000 | 125,070 |
| Home Depot, Inc. (The) | 11,500 | 1,055,010 |
| Johnson Controls, Inc. | 5,500 | 242,000 |
| Macy's, Inc. | 3,000 | 174,540 |
| McDonald's Corporation | 9,000 | 853,290 |
| Ralph Lauren Corporation | 1,000 | 164,730 |
| Time Inc. * | 808 | 18,931 |

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| | | |
|--------------------------------|--------|-----------|
| Time Warner Cable Inc. | 2,500 | 358,725 |
| Time Warner Inc. | 6,466 | 486,308 |
| TJX Companies, Inc. (The) | 3,000 | 177,510 |
| Twenty-First Century Fox, Inc. | 2,500 | 83,275 |
| Viacom Inc. - Class B | 3,000 | 230,820 |
| Walt Disney Company (The) | 14,500 | 1,290,935 |
| | | 7,741,632 |

See accompanying notes to schedule of investments.

CORNERSTONE TOTAL RETURN FUND, INC.
SCHEDULE OF INVESTMENTS - SEPTEMBER 30, 2014 (Unaudited)

| Description | No. of Shares | Value |
|--|------------------|-----------|
| CONSUMER STAPLES - 7.84% | | |
| Altria Group, Inc. | 17,000 | \$780,980 |
| Archer-Daniels-Midland Company | 5,000 | 255,500 |
| Coca-Cola Company (The) | 17,000 | 725,220 |
| CVS Caremark Corporation | 13,200 | 1,050,588 |
| Kellogg Company | 3,000 | 184,800 |
| Kraft Foods Group, Inc. | 1,000 | 56,400 |
| Kroger Co. (The) | 5,000 | 260,000 |
| Mondelēz International, Inc. - Class A | 3,000 | 102,795 |
| PepsiCo, Inc. | 8,000 | 744,720 |
| Tyson Foods, Inc. | 3,000 | 118,110 |
| Wal-Mart Stores, Inc. | 31,000 | 2,370,570 |
| | | 6,649,683 |
| ENERGY - 8.67% | | |
| Anadarko Petroleum Corporation | 4,000 | 405,760 |
| Chesapeake Energy Corporation | 5,000 | 114,950 |
| ConocoPhillips | 8,000 | 612,160 |
| Devon Energy Corporation | 3,500 | 238,630 |
| EOG Resources, Inc. | 4,000 | 396,080 |
| Exxon Mobil Corporation | 31,000 | 2,915,550 |
| Kinder Morgan, Inc. | 5,000 | 191,700 |
| Marathon Oil Corporation | 6,900 | 259,371 |
| Occidental Petroleum Corporation | 5,000 | 480,750 |
| Phillips 66 | 3,000 | 243,930 |
| Schlumberger Limited | 11,500 | 1,169,435 |
| Seventy Seven Energy Inc. * | 357 | 8,475 |
| Southwestern Energy Company * | 3,000 | 104,850 |
| Valero Energy Corporation | 4,500 | 208,215 |
| | | 7,349,856 |
| EXCHANGE-TRADED FUNDS - 2.33% | | |
| iShares Core S&P 500 ETF | 5,000 | 991,300 |
| SPDR S&P 500 ETF Trust | 5,000 | 985,100 |
| | | 1,976,400 |

See accompanying notes to schedule of investments.

CORNERSTONE TOTAL RETURN FUND, INC.
SCHEDULE OF INVESTMENTS - SEPTEMBER 30, 2014 (Unaudited)

| Description | No. of Shares | Value |
|---|------------------|------------|
| FINANCIALS - 13.60% | | |
| Allstate Corporation (The) | 4,000 | \$245,480 |
| American International Group, Inc. | 11,000 | 594,220 |
| Aon plc | 2,500 | 219,175 |
| Bank of America Corporation | 27,700 | 472,285 |
| Bank of New York Mellon Corporation (The) | 11,000 | 426,030 |
| Berkshire Hathaway Inc. - Class B * | 14,000 | 1,933,960 |
| Capital One Financial Corporation | 2,500 | 204,050 |
| Citigroup, Inc. | 23,000 | 1,191,860 |
| Fifth Third Bancorp | 9,000 | 180,180 |
| Goldman Sachs Group, Inc. (The) | 3,500 | 642,495 |
| Hartford Financial Services Group, Inc. (The) | 4,000 | 149,000 |
| JPMorgan Chase & Co. | 22,200 | 1,337,328 |
| Loews Corporation | 3,000 | 124,980 |
| Marsh & McLennan Companies, Inc. | 3,000 | 157,020 |
| MetLife, Inc. | 10,500 | 564,060 |
| Morgan Stanley | 16,000 | 553,120 |
| PNC Financial Services Group, Inc. (The) | 5,000 | 427,900 |
| Prudential Financial, Inc. | 4,000 | 351,760 |
| SunTrust Banks, Inc. | 5,000 | 190,150 |
| T. Rowe Price Group, Inc. | 2,500 | 196,000 |
| Wells Fargo & Company | 24,000 | 1,244,880 |
| Weyerhaeuser Company | 4,000 | 127,440 |
| | | 11,533,373 |
| HEALTH CARE - 11.56% | | |
| Abbott Laboratories | 10,000 | 415,900 |
| AbbVie Inc. | 6,000 | 346,560 |
| Actavis plc * | 1,000 | 241,280 |
| Aetna Inc. | 3,000 | 243,000 |
| Allergan, Inc. | 3,000 | 534,570 |
| Amgen Inc. | 6,000 | 842,760 |
| Baxter International, Inc. | 5,700 | 409,089 |
| Cardinal Health, Inc. | 4,000 | 299,680 |
| Cigna Corporation | 2,000 | 181,380 |
| Express Scripts Holding Company * | 6,000 | 423,780 |
| Johnson & Johnson | 10,500 | 1,119,195 |
| Mallinckrodt public limited company * | 250 | 22,538 |
| McKesson Corporation | 2,000 | 389,340 |
| Merck & Company, Inc. | 27,000 | 1,600,560 |
| Pfizer, Inc. | 31,462 | 930,331 |
| St. Jude Medical, Inc. | 3,000 | 180,390 |

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| | | |
|---------------------------------|-------|-----------|
| Stryker Corporation | 3,000 | 242,250 |
| Thermo Fisher Scientific Inc. | 3,000 | 365,100 |
| UnitedHealth Group Incorporated | 9,000 | 776,250 |
| Wellpoint, Inc. | 2,000 | 239,240 |
| | | 9,803,193 |

See accompanying notes to schedule of investments.

CORNERSTONE TOTAL RETURN FUND, INC.
SCHEDULE OF INVESTMENTS - SEPTEMBER 30, 2014 (Unaudited)

| Description | No. of Shares | Value |
|--|------------------|------------|
| INDUSTRIALS - 8.77% | | |
| Boeing Company (The) | 3,000 | \$382,140 |
| Caterpillar Inc. | 4,000 | 396,120 |
| CSX Corporation | 8,000 | 256,480 |
| Deere & Company | 3,500 | 286,965 |
| Delta Air Lines, Inc. | 4,000 | 144,600 |
| FedEx Corporation | 3,000 | 484,350 |
| General Electric Company | 71,000 | 1,819,020 |
| Honeywell International Inc. | 7,000 | 651,840 |
| Lockheed Martin Corporation | 2,500 | 456,950 |
| Norfolk Southern Corporation | 3,000 | 334,800 |
| Northrop Grumman Corporation | 2,000 | 263,520 |
| Precision Castparts Corporation | 1,500 | 355,320 |
| Raytheon Company | 2,000 | 203,240 |
| Southwest Airlines Co. | 4,000 | 135,080 |
| Union Pacific Corporation | 9,000 | 975,780 |
| Veritiv Corporation | 63 | 3,154 |
| Waste Management, Inc. | 6,000 | 285,180 |
| | | 7,434,539 |
| INFORMATION TECHNOLOGY - 16.93% | | |
| Apple Inc. | 35,000 | 3,526,250 |
| Cisco Systems, Inc. | 40,000 | 1,006,800 |
| Cognizant Technology Solutions Corporation * | 6,000 | 268,620 |
| eBay Inc. * | 9,000 | 509,670 |
| EMC Corporation | 13,000 | 380,380 |
| Facebook, Inc. * | 10,000 | 790,400 |
| Google Inc. - Class A * | 1,000 | 588,410 |
| Google Inc. - Class C * | 1,000 | 577,360 |
| Hewlett-Packard Company | 17,000 | 602,990 |
| Intel Corporation | 42,000 | 1,462,440 |
| International Business Machines Corporation | 7,000 | 1,328,810 |
| Micron Technology, Inc. | 7,000 | 239,820 |
| Microsoft Corporation | 20,000 | 927,200 |
| Oracle Corporation | 34,700 | 1,328,316 |
| QUALCOMM Incorporated | 11,000 | 822,470 |
| | | 14,359,936 |
| MATERIALS - 2.65% | | |
| Dow Chemical Company (The) | 11,000 | 576,840 |
| Ecolab Inc. | 2,000 | 229,660 |
| Freeport-McMoRan Copper & Gold Inc. | 8,500 | 277,525 |
| International Paper Company | 3,300 | 157,542 |

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| | | |
|--------------------------------|-------|-----------|
| LyondellBasell Industries N.V. | 3,000 | 325,980 |
| Newmont Mining Corporation | 4,000 | 92,200 |
| PPG Industries, Inc. | 1,000 | 196,740 |
| Praxair, Inc. | 3,000 | 387,000 |
| | | 2,243,487 |

See accompanying notes to schedule of investments.

CORNERSTONE TOTAL RETURN FUND, INC.
SCHEDULE OF INVESTMENTS - SEPTEMBER 30, 2014 (Unaudited)

| Description | No. of Shares | Value |
|---|------------------|--------------|
| TELECOMMUNICATION SERVICES - 2.15% | | |
| AT&T, Inc. | 17,589 | \$619,836 |
| Verizon Communications, Inc. | 24,000 | 1,199,760 |
| | | 1,819,596 |
| UTILITIES - 1.80% | | |
| AES Corporation (The) | 4,600 | 65,228 |
| American Electric Power Company, Inc. | 4,000 | 208,840 |
| Consolidated Edison, Inc. | 1,500 | 84,990 |
| Entergy Corporation | 2,000 | 154,660 |
| Exelon Corporation | 7,000 | 238,630 |
| FirstEnergy Corp. | 2,000 | 67,140 |
| PPL Corporation | 4,000 | 131,360 |
| Public Service Enterprises Group, Inc. | 4,000 | 148,960 |
| Southern Company (The) | 6,000 | 261,900 |
| Xcel Energy Inc. | 5,500 | 167,200 |
| | | 1,528,908 |
| TOTAL EQUITY SECURITIES (cost - \$68,863,368) | | 83,534,035 |
| SHORT-TERM INVESTMENTS - 1.09% | | |
| MONEY MARKET FUNDS - 1.09% | | |
| Fidelity Institutional Money Market Government Portfolio - Class I, 0.01% [^] (cost - \$927,872) | 927,872 | 927,872 |
| TOTAL INVESTMENTS - 99.60% (cost - \$69,791,240) | | 84,461,907 |
| OTHER ASSETS IN EXCESS OF LIABILITIES - 0.40% | | 339,625 |
| NET ASSETS - 100.00% | | \$84,801,532 |

* Non-income producing security.

[^] The rate shown is the 7-day effective yield as of September 30, 2014.

See accompanying notes to schedule of investments.

CORNERSTONE TOTAL RETURN FUND, INC.
 NOTES TO SCHEDULE OF INVESTMENTS
 SEPTEMBER 30, 2014 (UNAUDITED)

Federal Income Tax Cost: The following information is computed on a tax basis for each item as of September 30, 2014:

| | |
|-------------------------------|--------------|
| Cost of portfolio investments | \$69,800,910 |
| Gross unrealized appreciation | \$15,445,379 |
| Gross unrealized depreciation | (784,382) |
| Net unrealized appreciation | \$14,660,997 |

The difference between the federal income tax cost of portfolio investments and the Schedule of Investments cost for the Fund is due to certain timing differences in the recognition of capital gains or losses under income tax regulations and generally accepted accounting principles. These "book/tax" differences are temporary in nature and are due to the tax deferral of losses on wash sales.

As required by the Fair Value Measurement and Disclosures Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification, the Fund has performed an analysis of all assets and liabilities measured at fair value to determine the significance and character of all inputs to their fair value determination.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into the following three broad categories.

- Level 1 - quoted unadjusted prices for identical instruments in active markets to which the Fund has access at the date of measurement.
 - Level 2 - quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. Level2 inputs are those in markets for which there are few transactions, the prices are not current, little public information exists or instances where prices vary substantially over time or among brokered market makers.
 - Level 3 - model derived valuations in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are those inputs that reflect the Fund's own assumptions that market participants would use to price the asset or liability based on the best available information.
-

The following is a summary of the inputs used as of September 30, 2014 in valuing the Fund's investments carried at value:

| VALUATION INPUTS | INVESTMENTS IN SECURITIES | OTHER FINANCIAL INSTRUMENTS* |
|---|---------------------------------|------------------------------------|
| Level 1 – Quoted Prices | | |
| Equity Investments | \$ 53,534,035 | \$ - |
| Short-Term Investments | 927,872 | - |
| Level 2 – Other Significant Observable Inputs | - | - |
| Level 3 – Significant Unobservable Inputs | - | - |
| Total | \$ 84,461,907 | \$ - |

* Other financial instruments include futures, forwards and swap contracts, if any.

The breakdown of the Fund's investments into major categories is disclosed in its Schedule of Investments.

As of September 30, 2014, the Fund did not have any transfers in and out of any Level.

The Fund did not have any assets or liabilities that were measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at September 30, 2014.

The Fund is exposed to financial market risks, including the valuations of its investment portfolio. During the six months ended September 30, 2014, the Fund did not engage in derivative instruments and other hedging activities.

The Fund has evaluated the need for additional disclosures and/or adjustments resulting through the date its financial statements were issued. Based on this evaluation, no additional disclosures or adjustments were required to such Schedule of Investments.

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 Form N-CSR on September 2, 2014 with a file number 811-02363.

Other information regarding the Fund is available in the Fund's most recent annual report. This information is also available on the Fund's website at www.cornerstonetotalreturnfund.com; or on the website of the Securities and Exchange Commission at www.sec.gov.

Item 2. Controls and Procedures.

(a) Based on their evaluation of the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) as of a date within 90 days of the filing date of this report, the registrant's principal executive officer and principal financial officer have concluded that such disclosure controls and procedures are reasonably designed and are operating effectively to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which this report is being prepared, and that such information is recorded, processed, summarized, and reported on a timely basis.

(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) 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.

File as exhibits as part of this Form a separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the Act (17 CFR 270.30a-2(a)): Attached hereto

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.

(Registrant) Cornerstone Total Return Fund, Inc.

By (Signature and Title)* /s/ Ralph W. Bradshaw
Ralph W. Bradshaw, President and
Chairman
(Principal Executive Officer)

Date November 25, 2014

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.

By (Signature and Title)* /s/ Ralph W. Bradshaw
Ralph W. Bradshaw, President and
Chairman
(Principal Executive Officer)

Date November 25, 2014

By (Signature and Title)* /s/ Frank J. Maresca
Frank J. Maresca, Treasurer
(Principal Financial Officer)

Date November 25, 2014

* Print the name and title of each signing officer under his or her signature.