

CORNERSTONE TOTAL RETURN FUND INC
Form N-Q
November 25, 2013

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)

200A Executive Drive Edgewood, New York 11717
(Address of principal executive offices) (Zip code)

Frank J. Maresca

AST Fund Solutions, LLC 200A Executive Drive Edgewood, NY 11717
(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, 2013

Item 1. Schedule of Investments.

CORNERSTONE TOTAL RETURN FUND, INC.
SCHEDULE OF INVESTMENTS - SEPTEMBER 30, 2013 (Unaudited)

| Description | No. of Shares | Value |
|---|------------------|------------|
| EQUITY SECURITIES - 98.53% | | |
| CLOSED-END FUNDS - 25.74% | | |
| CONVERTIBLE SECURITIES - 0.33% | | |
| Putnam High Income Securities Fund | 21,395 | \$ 168,379 |
| CORE - 1.10% | | |
| Adams Express Company (The) | 16,290 | 201,833 |
| Advent/Claymore Enhanced Growth & Income Fund | 4 | 39 |
| General American Investors Company, Inc. | 10,260 | 350,276 |
| | | 552,148 |
| CORPORATE DEBT INVESTMENT GRADE-RATED - 1.29% | | |
| Federated Enhanced Treasury Income Fund | 11,217 | 144,251 |
| Invesco Van Kampen Bond Fund | 28,581 | 501,311 |
| | | 645,562 |
| DEVELOPED MARKET - 0.32% | | |
| Aberdeen Israel Fund, Inc. | 2,400 | 36,912 |
| Singapore Fund, Inc. (The) | 9,401 | 122,495 |
| | | 159,407 |
| EMERGING MARKETS - 0.97% | | |
| India Fund, Inc. (The) | 23,192 | 444,127 |
| Turkish Investment Fund, Inc. (The) | 2,900 | 43,616 |
| | | 487,743 |
| GENERAL & INSURED LEVERAGED - 1.07% | | |
| Nuveen Dividend Advantage Municipal Fund 2 | 41,295 | 535,596 |
| GENERAL BOND - 0.41% | | |
| Nuveen Build America Bond Opportunity Fund | 11,100 | 205,794 |
| GLOBAL - 2.47% | | |
| Alpine Global Dynamic Dividend Fund | 38,759 | 184,493 |
| Alpine Total Dynamic Dividend Fund | 86,461 | 347,573 |
| Clough Global Allocation Fund | 9,798 | 149,125 |
| Delaware Enhanced Global Dividend and Income Fund | 34,702 | 412,954 |
| Nuveen Global Value Opportunities Fund | 11,196 | 145,436 |
| | | 1,239,581 |
| GLOBAL INCOME - 0.81% | | |
| Nuveen Multi-Currency Short-Term Government Income Fund | 39,014 | 408,867 |
| INCOME & PREFERRED STOCK - 1.78% | | |

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| | | |
|---|---------|-----------|
| John Hancock Premium Dividend Fund | 19,800 | 237,006 |
| Nuveen Quality Preferred Income Fund 3 | 23,100 | 182,259 |
| Zweig Total Return Fund, Inc. (The) | 36,204 | 474,272 |
| | | 893,537 |
| OPTION ARBITRAGE/OPTIONS STRATEGIES - 8.73% | | |
| AllianzGI International & Premium Strategy Fund | 28,635 | 302,386 |
| BlackRock Enhanced Equity Dividend Trust | 90,200 | 678,304 |
| BlackRock Global Opportunities Equity Trust | 156,832 | 2,194,080 |
| BlackRock International Growth and Income Trust | 156,738 | 1,206,883 |
| | | 4,381,653 |

See accompanying notes to schedule of investments.

CORNERSTONE TOTAL RETURN FUND, INC.
SCHEDULE OF INVESTMENTS - SEPTEMBER 30, 2013 (Unaudited) (Continued)

| Description | No. of Shares | Value |
|--|------------------|------------|
| REAL ESTATE - 0.66% | | |
| Neuberger Berman Real Estate Securities Income Fund Inc. | 73,524 | \$331,593 |
| SECTOR EQUITY - 5.41% | | |
| BlackRock EcoSolutions Investment Trust | 23,594 | 184,033 |
| BlackRock Energy and Resources Trust | 14,100 | 363,921 |
| BlackRock Real Asset Equity Trust | 66,980 | 601,480 |
| BlackRock Utility and Infrastructure Trust | 32,873 | 573,634 |
| Petroleum & Resources Corporation | 17,400 | 470,844 |
| Reaves Utility Income Fund | 20,796 | 521,356 |
| | | 2,715,268 |
| U.S. MORTGAGE - 0.39% | | |
| First Trust Mortgage Income Fund | 12,646 | 194,622 |
| TOTAL CLOSED-END FUNDS | | 12,919,750 |
| CONSUMER DISCRETIONARY - 9.45% | | |
| CBS Corporation - Class B | 4,000 | 220,640 |
| Comcast Corporation - Class A | 9,012 | 406,892 |
| Comcast Corporation - Special Class A | 4,250 | 184,322 |
| CST Brands, Inc. | 277 | 8,255 |
| D.R. Horton, Inc. | 2,500 | 48,575 |
| DIRECTV * | 3,000 | 179,250 |
| Ford Motor Company | 12,000 | 202,440 |
| Gap, Inc. (The) | 3,000 | 120,840 |
| Home Depot, Inc. (The) | 9,500 | 720,575 |
| Johnson Controls, Inc. | 3,000 | 124,500 |
| Lowe's Companies, Inc. | 7,000 | 333,270 |
| Macy's, Inc. | 3,000 | 129,810 |
| News Corporation - Class B * | 625 | 10,269 |
| NIKE, Inc. - Class B | 4,000 | 290,560 |
| Omnicom Group Inc. | 2,000 | 126,880 |
| Starbucks Corporation | 3,000 | 230,910 |
| Time Warner Inc. | 6,466 | 425,527 |
| TJX Companies, Inc. (The) | 4,000 | 225,560 |
| Twenty-First Century Fox, Inc. | 2,500 | 83,500 |
| Viacom Inc. - Class B | 3,000 | 250,740 |
| Walt Disney Company (The) | 6,500 | 419,185 |
| | | 4,742,500 |

See accompanying notes to schedule of investments.

CORNERSTONE TOTAL RETURN FUND, INC.
SCHEDULE OF INVESTMENTS - SEPTEMBER 30, 2013 (Unaudited) (Continued)

| Description | No. of Shares | Value |
|--|------------------|------------|
| CONSUMER STAPLES - 7.04% | | |
| Altria Group, Inc. | 4,000 | \$ 137,400 |
| Coca-Cola Company (The) | 17,000 | 643,960 |
| Costco Wholesale Corporation | 2,500 | 287,800 |
| CVS Caremark Corporation | 7,000 | 397,250 |
| General Mills, Inc. | 3,000 | 143,760 |
| Kraft Foods Group, Inc. | 1,000 | 52,440 |
| Kroger Co. (The) | 2,000 | 80,680 |
| Mondelēz International, Inc. - Class A | 3,000 | 94,260 |
| Walgreen Co. | 4,000 | 215,200 |
| Wal-Mart Stores, Inc. | 20,000 | 1,479,200 |
| | | 3,531,950 |
| ENERGY - 7.95% | | |
| Anadarko Petroleum Corporation | 1,000 | 92,990 |
| Chevron Corporation | 4,000 | 486,000 |
| ConocoPhillips | 8,000 | 556,080 |
| EOG Resources, Inc. | 2,000 | 338,560 |
| Exxon Mobil Corporation | 16,000 | 1,376,640 |
| Hess Corporation | 2,000 | 154,680 |
| Marathon Oil Corporation | 4,900 | 170,912 |
| Phillips 66 | 3,000 | 173,460 |
| Schlumberger Limited | 5,500 | 485,980 |
| Valero Energy Corporation | 2,500 | 85,375 |
| Williams Companies, Inc. (The) | 2,000 | 72,720 |
| | | 3,993,397 |
| FINANCIALS - 12.59% | | |
| Allstate Corporation (The) | 2,500 | 126,375 |
| Aon plc | 2,500 | 186,100 |
| BB&T Corporation | 4,500 | 151,875 |
| Berkshire Hathaway Inc. - Class B * | 9,000 | 1,021,590 |
| Capital One Financial Corporation | 2,500 | 171,850 |
| Citigroup, Inc. | 12,000 | 582,120 |
| Discover Financial Services | 4,000 | 202,160 |
| Franklin Resources, Inc. | 6,000 | 303,300 |
| JPMorgan Chase & Co. | 22,200 | 1,147,518 |
| Marsh & McLennan Companies, Inc. | 3,000 | 130,650 |
| MetLife, Inc. | 5,500 | 258,225 |
| Morgan Stanley | 9,000 | 242,550 |
| Prudential Financial, Inc. | 2,000 | 155,960 |
| SunTrust Banks, Inc. | 5,000 | 162,100 |
| Wells Fargo & Company | 33,000 | 1,363,560 |

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|----------------------|-------|-----------|
| Weyerhaeuser Company | 4,000 | 114,520 |
| | | 6,320,453 |

See accompanying notes to schedule of investments.

CORNERSTONE TOTAL RETURN FUND, INC.
SCHEDULE OF INVESTMENTS - SEPTEMBER 30, 2013 (Unaudited) (Continued)

| Description | No. of Shares | Value |
|---|------------------|-----------|
| HEALTH CARE - 9.12% | | |
| Abbott Laboratories | 10,000 | \$331,900 |
| AbbVie Inc. | 6,000 | 268,380 |
| Allergan, Inc. | 2,000 | 180,900 |
| Amgen Inc. | 6,000 | 671,640 |
| Baxter International, Inc. | 1,200 | 78,828 |
| Cigna Corporation | 2,000 | 153,720 |
| Eli Lilly & Company | 11,500 | 578,795 |
| Johnson & Johnson | 10,500 | 910,245 |
| Mallinckrodt public limited company * | 250 | 11,022 |
| McKesson Corporation | 2,000 | 256,600 |
| Medtronic, Inc. | 6,000 | 319,500 |
| Pfizer, Inc. | 16,462 | 472,624 |
| St. Jude Medical, Inc. | 2,000 | 107,280 |
| Stryker Corporation | 1,000 | 67,590 |
| Wellpoint, Inc. | 2,000 | 167,220 |
| | | 4,576,244 |
| INDUSTRIALS - 7.21% | | |
| Boeing Company (The) | 3,000 | 352,500 |
| Deere & Company | 3,500 | 284,865 |
| General Dynamics Corporation | 2,000 | 175,040 |
| General Electric Company | 39,000 | 931,710 |
| Honeywell International Inc. | 4,000 | 332,160 |
| Lockheed Martin Corporation | 2,500 | 318,875 |
| Norfolk Southern Corporation | 2,000 | 154,700 |
| Northrop Grumman Corporation | 2,000 | 190,520 |
| Precision Castparts Corporation | 1,500 | 340,860 |
| Republic Services, Inc. | 2,000 | 66,720 |
| Union Pacific Corporation | 2,500 | 388,350 |
| Waste Management, Inc. | 2,000 | 82,480 |
| | | 3,618,780 |
| INFORMATION TECHNOLOGY - 13.36% | | |
| Apple Inc. | 2,000 | 953,500 |
| Cisco Systems, Inc. | 20,000 | 468,400 |
| Corning, Inc. | 6,000 | 87,540 |
| eBay Inc. * | 9,000 | 502,110 |
| Google Inc. * | 1,000 | 875,910 |
| Hewlett-Packard Company | 7,000 | 146,860 |
| International Business Machines Corporation | 3,000 | 555,540 |
| Microsoft Corporation | 36,000 | 1,199,160 |
| Oracle Corporation | 16,600 | 550,622 |

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| | | |
|-----------------------|-------|-----------|
| QUALCOMM Incorporated | 7,000 | 471,520 |
| Visa Inc. - Class A | 4,000 | 764,400 |
| Yahoo! Inc. * | 4,000 | 132,640 |
| | | 6,708,202 |

See accompanying notes to schedule of investments.

CORNERSTONE TOTAL RETURN FUND, INC.
SCHEDULE OF INVESTMENTS - SEPTEMBER 30, 2013 (Unaudited) (Concluded)

| Description | No. of Shares | Value |
|---|------------------|---------------------|
| MATERIALS - 1.56% | | |
| Air Products & Chemicals, Inc. | 1,500 | \$ 159,855 |
| Dow Chemical Company (The) | 7,000 | 268,800 |
| Ecolab Inc. | 2,000 | 197,520 |
| International Paper Company | 2,300 | 103,040 |
| Newmont Mining Corporation | 2,000 | 56,200 |
| | | 785,415 |
| TELECOMMUNICATION SERVICES - 2.67% | | |
| AT&T, Inc. | 17,589 | 594,860 |
| Verizon Communications, Inc. | 16,000 | 746,560 |
| | | 1,341,420 |
| UTILITIES - 1.84% | | |
| AES Corporation (The) | 4,600 | 61,134 |
| Consolidated Edison, Inc. | 1,500 | 82,710 |
| Exelon Corporation | 3,000 | 88,920 |
| NextEra Energy, Inc. | 2,000 | 160,320 |
| Public Service Enterprises Group, Inc. | 4,000 | 131,720 |
| Southern Company (The) | 6,000 | 247,080 |
| Xcel Energy Inc. | 5,500 | 151,855 |
| | | 923,739 |
| TOTAL EQUITY SECURITIES (cost - \$43,076,865) | | 49,461,850 |
| SHORT-TERM INVESTMENTS - 1.0% | | |
| MONEY MARKET FUNDS - 1.0% | | |
| Fidelity Institutional Money Market Government Portfolio - Class I, 0.01% [^] (cost - \$502,199) | 502,199 | 502,199 |
| TOTAL INVESTMENTS - 99.53% (cost - \$43,579,064) | | 49,964,049 |
| OTHER ASSETS IN EXCESS OF LIABILITIES - 0.47% | | 235,166 |
| NET ASSETS - 100.00% | | \$50,199,215 |

* Non-income producing security.

[^] The rate shown is the 7-day effective yield as of September 30, 2013.

See accompanying notes to schedule of investments.

CORNERSTONE TOTAL RETURN FUND, INC.
 NOTES TO SCHEDULE OF INVESTMENTS
 SEPTEMBER 30, 2013 (UNAUDITED)

Federal Income Tax Cost: The following information is computed on a tax basis for each item as of September 30, 2013:

| | |
|-------------------------------|--------------|
| Cost of portfolio investments | \$43,586,188 |
| Gross unrealized appreciation | \$7,376,377 |
| Gross unrealized depreciation | (998,516) |
| Net unrealized appreciation | \$6,377,861 |

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, 2013 in valuing the Fund's investments carried at value:

| VALUATION INPUTS | INVESTMENTS IN SECURITIES | OTHER FINANCIAL INSTRUMENTS* |
|---|---------------------------------|------------------------------------|
| Level 1 – Quoted Prices | | |
| Equity Investments | \$ 49,461,850 | \$ - |
| Short-Term Investments | 502,199 | - |
| Level 2 – Other Significant Observable Inputs | - | - |
| Level 3 – Significant Unobservable Inputs | - | - |
| Total | \$ 49,964,049 | \$ - |

* 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, 2013, 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, 2013.

The disclosures for the Fund's fiscal year beginning January 1, 2013 relate to presenting separately any Level 3 purchases, sales, issuances and settlements on a gross basis instead of one net amount. Management has evaluated the impact of ASU No. 2010-6 for the required disclosures.

The Fund is exposed to financial market risks, including the valuations of its investment portfolio. During the nine months ended September 30, 2013, 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 semi-annual report previously filed with the Securities and Exchange Commission on Form N-CSR on September 6, 2013 with a file number 811-02363.

Other information regarding the Fund is available in the Fund's most recent semi-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
