

CORNERSTONE TOTAL RETURN FUND INC
Form N-Q
May 30, 2018

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)

48 Wall Street New York, NY 10005
(Address of principal executive offices) (Zip code)

Hoyt M. Peters

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: March 31, 2018

Item 1. Schedule of Investments.

CORNERSTONE TOTAL RETURN FUND, INC.

SCHEDULE OF INVESTMENTS - MARCH 31, 2018 (Unaudited)

| Description | No. of Shares | Value |
|---|---------------|-------------|
| EQUITY SECURITIES - 99.53% | | |
| CLOSED-END FUNDS - 20.52% | | |
| CORE - 4.44% | | |
| Adams Diversified Equity Fund, Inc. | 330,025 | \$4,877,770 |
| General American Investors Company, Inc. | 129,575 | 4,336,875 |
| Royce Micro-Cap Trust, Inc. | 106,890 | 1,000,490 |
| Royce Value Trust | 11,100 | 172,716 |
| Source Capital, Inc. | 13,939 | 556,096 |
| Tri-Continental Corporation | 54,554 | 1,435,316 |
| | | 12,379,263 |
| DEVELOPED MARKET - 0.76% | | |
| Aberdeen Singapore Fund, Inc. | 22,977 | 304,675 |
| European Equity Fund, Inc. (The) | 2,101 | 20,296 |
| Japan Smaller Capitalization Fund, Inc. | 49,261 | 605,418 |
| Morgan Stanley Asia-Pacific Fund, Inc. | 40,225 | 732,497 |
| New Germany Fund, Inc. (The) | 5,772 | 112,727 |
| New Ireland Fund, Inc. (The) | 20,064 | 241,771 |
| Swiss Helvetia Fund, Inc. (The) | 9,411 | 115,285 |
| | | 2,132,669 |
| EMERGING MARKETS - 4.96% | | |
| Central Europe, Russia and Turkey Fund, Inc. (The) | 36,221 | 926,533 |
| India Fund, Inc. (The) | 100,517 | 2,475,734 |
| Latin American Discovery Fund, Inc. (The) | 25,300 | 312,202 |
| Mexico Equity & Income Fund Inc. | 40,588 | 444,844 |
| Mexico Fund, Inc. (The) | 65,079 | 1,054,931 |
| Morgan Stanley China A Share Fund, Inc. | 155,562 | 3,873,494 |
| Morgan Stanley India Investment Fund, Inc. | 47,044 | 1,429,197 |
| Templeton Dragon Fund, Inc. | 117,077 | 2,603,792 |
| Templeton Emerging Markets Fund | 43,558 | 709,124 |
| | | 13,829,851 |
| GLOBAL - 0.98% | | |
| Gabelli Global Small and Mid Cap Value Trust (The) | 121,475 | 1,452,841 |
| GDL Fund (The) | 96,213 | 896,705 |
| Royce Global Value Trust, Inc. | 34,788 | 381,624 |

2,731,170

See accompanying notes to schedule of investments.

CORNERSTONE TOTAL RETURN FUND, INC.

SCHEDULE OF INVESTMENTS - MARCH 31, 2018 (Unaudited)

| Description | No. of Shares | Value |
|---|---------------|------------|
| GLOBAL INCOME - 0.05% | | |
| BrandywineGLOBAL — Global Income Opportunities Fund Inc. | 10,100 | \$ 130,189 |
| INCOME & PREFERRED STOCK - 0.37% | | |
| LMP Capital and Income Fund Inc. | 80,839 | 1,020,188 |
| NATURAL RESOURCES - 2.70% | | |
| Adams Natural Resources Fund, Inc. | 193,802 | 3,534,948 |
| BlackRock Resources & Commodities Strategy Trust | 449,861 | 3,994,766 |
| | | 7,529,714 |
| OPTION ARBITRAGE/OPTIONS STRATEGIES - 0.03% | | |
| First Trust Enhanced Equity Income Fund | 5,899 | 87,128 |
| PACIFIC EX JAPAN - 0.14% | | |
| Korea Fund, Inc. (The) | 9,488 | 387,300 |
| REAL ESTATE - 2.91% | | |
| Alpine Global Premier Properties Fund | 195,312 | 1,218,747 |
| CBRE Clarion Global Real Estate Income Fund | 313,444 | 2,291,276 |
| Cohen & Steers Preferred Securities and Income Fund, Inc. | 162,505 | 3,037,218 |
| RMR Real Estate Income Fund | 94,097 | 1,568,597 |
| | | 8,115,838 |
| SECTOR EQUITY - 1.09% | | |
| Gabelli Healthcare & Wellness ^{Rx} Trust | 138,441 | 1,315,190 |
| Nuveen Real Asset Income and Growth Fund | 106,336 | 1,724,770 |
| | | 3,039,960 |
| UTILITY - 1.34% | | |
| Cohen & Steers Infrastructure Fund, Inc. | 106,138 | 2,272,415 |
| Gabelli Global Utility & Income Trust (The) | 5,547 | 103,173 |
| Macquarie Global Infrastructure Total Return Fund Inc. | 60,906 | 1,352,113 |
| | | 3,727,701 |
| VALUE - 0.75% | | |
| John Hancock Tax-Advantaged Dividend Income Fund | 96,989 | 2,102,722 |
| TOTAL CLOSED-END FUNDS | | 57,213,693 |

See accompanying notes to schedule of investments.

CORNERSTONE TOTAL RETURN FUND, INC.

SCHEDULE OF INVESTMENTS - MARCH 31, 2018 (Unaudited)

| Description | No. of Shares | Value |
|-------------|---------------|-------|
|-------------|---------------|-------|

CONSUMER DISCRETIONARY - 10.80%

| | | |
|--------------------------------|---------|-------------|
| Amazon.com, Inc. * | 6,500 | \$9,407,710 |
| Carnival Corporation | 7,000 | 459,060 |
| Comcast Corporation - Class A | 103,000 | 3,519,510 |
| Ford Motor Company | 54,400 | 602,752 |
| General Motors Company | 18,000 | 654,120 |
| Home Depot, Inc. (The) | 25,000 | 4,456,000 |
| Lowe's Companies, Inc. | 17,000 | 1,491,750 |
| McDonald's Corporation | 16,600 | 2,595,908 |
| Netflix, Inc. * | 9,000 | 2,658,150 |
| Royal Caribbean Cruises Ltd. | 4,500 | 529,830 |
| Starbucks Corporation | 30,000 | 1,736,700 |
| Time Warner, Inc. | 7,000 | 662,060 |
| TJX Companies, Inc. (The) | 9,000 | 734,040 |
| Twenty-First Century Fox, Inc. | 8,500 | 309,145 |
| Yum! Brands, Inc. | 3,500 | 297,955 |
| | | 30,114,690 |

CONSUMER STAPLES - 6.08%

| | | |
|---|--------|------------|
| Altria Group, Inc. | 29,000 | 1,807,280 |
| British American Tobacco p.l.c. - ADR | 7,364 | 424,829 |
| Constellation Brands, Inc. | 4,000 | 911,680 |
| Costco Wholesale Corporation | 7,000 | 1,319,010 |
| CVS Health Corporation | 15,000 | 933,150 |
| Estée Lauder Companies Inc. (The) - Class A | 7,000 | 1,048,040 |
| Kroger Company (The) | 14,000 | 335,160 |
| Lamb Weston Holdings, Inc. | 1 | 58 |
| Mondelez International, Inc. | 23,000 | 959,790 |
| PepsiCo, Inc. | 28,000 | 3,056,200 |
| Philip Morris International Inc. | 20,000 | 1,988,000 |
| Procter & Gamble Company (The) | 24,000 | 1,902,720 |
| Sysco Corporation | 12,000 | 719,520 |
| Tyson Foods, Inc. | 5,000 | 365,950 |
| Walgreens Boots Alliance, Inc. | 18,000 | 1,178,460 |
| | | 16,949,847 |

ENERGY - 3.19%

| | | |
|-------------------------|--------|-----------|
| Chevron Corporation | 25,000 | 2,851,000 |
| Concho Resources Inc. * | 2,000 | 300,660 |
| ConocoPhillips | 17,000 | 1,007,930 |

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| | | |
|-----------------------------------|--------|-----------|
| Devon Energy Corporation | 7,500 | 238,425 |
| EOG Resources, Inc. | 8,000 | 842,160 |
| Exxon Mobil Corporation | 35,000 | 2,611,350 |
| Occidental Petroleum Corporation | 10,900 | 708,064 |
| Pioneer Natural Resources Company | 2,000 | 343,560 |
| | | 8,903,149 |

See accompanying notes to schedule of investments.

CORNERSTONE TOTAL RETURN FUND, INC.

SCHEDULE OF INVESTMENTS - MARCH 31, 2018 (Unaudited)

| Description | No. of Shares | Value |
|-------------|---------------|-------|
|-------------|---------------|-------|

EXCHANGE-TRADED FUNDS - 1.14%

| | | |
|--------------------------|-------|--------------|
| iShares Core S&P 500 ETF | 6,000 | \$ 1,592,220 |
| SPDR S&P 500 ETF Trust | 6,000 | 1,578,900 |
| | | 3,171,120 |

FINANCIALS - 12.40%

| | | |
|---|---------|------------|
| Allstate Corporation (The) | 8,000 | 758,400 |
| American Express Company | 16,000 | 1,492,480 |
| Ameriprise Financial, Inc. | 3,000 | 443,820 |
| Aon plc | 7,000 | 982,310 |
| Bank of America Corporation | 131,000 | 3,928,690 |
| Bank of New York Mellon Corporation (The) | 21,000 | 1,082,130 |
| BlackRock, Inc. - Class A | 3,000 | 1,625,160 |
| Brighthouse Financial, Inc. * | 1 | 52 |
| Citigroup Inc. | 48,700 | 3,287,250 |
| CME Group Inc. | 6,000 | 970,440 |
| Goldman Sachs Group, Inc. (The) | 7,000 | 1,763,020 |
| Intercontinental Exchange, Inc. | 10,000 | 725,200 |
| JPMorgan Chase & Co. | 76,000 | 8,357,720 |
| Marsh & McLennan Companies, Inc. | 10,000 | 825,900 |
| Moody's Corporation | 4,000 | 645,200 |
| Morgan Stanley | 30,500 | 1,645,780 |
| PNC Financial Services Group, Inc. (The) | 10,000 | 1,512,400 |
| Prudential Financial, Inc. | 5,000 | 517,750 |
| S&P Global Inc. | 6,000 | 1,146,360 |
| State Street Corporation | 8,000 | 797,840 |
| SunTrust Banks, Inc. | 8,000 | 544,320 |
| U.S. Bancorp | 30,000 | 1,515,000 |
| | | 34,567,222 |

HEALTH CARE - 11.84%

| | | |
|---------------------------------|--------|-----------|
| Abbott Laboratories | 21,000 | 1,258,320 |
| AbbVie Inc. | 45,000 | 4,259,250 |
| Aetna Inc. | 7,000 | 1,183,000 |
| Allergan plc | 1,900 | 319,751 |
| Amgen Inc. | 20,000 | 3,409,600 |
| Baxter International Inc. | 11,000 | 715,440 |
| Becton, Dickinson and Company | 5,000 | 1,083,500 |
| Boston Scientific Corporation * | 27,000 | 737,640 |
| Celgene Corporation * | 16,000 | 1,427,360 |

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| | | |
|-----------------------------------|--------|------------|
| Cigna Corporation | 5,000 | 838,700 |
| Danaher Corporation | 9,000 | 881,190 |
| Eli Lilly and Company | 17,000 | 1,315,290 |
| Express Scripts Holding Company * | 13,000 | 898,040 |
| Humana Inc. | 3,000 | 806,490 |
| Johnson & Johnson | 42,000 | 5,382,300 |
| McKesson Corporation | 2,000 | 281,740 |
| Medtronic Plc | 19,000 | 1,524,180 |
| Stryker Corporation | 6,000 | 965,520 |
| Thermo Fisher Scientific Inc. | 8,000 | 1,651,680 |
| UnitedHealth Group Incorporated | 19,000 | 4,066,000 |
| | | 33,004,991 |

See accompanying notes to schedule of investments.

CORNERSTONE TOTAL RETURN FUND, INC.

SCHEDULE OF INVESTMENTS - MARCH 31, 2018 (Unaudited)

| Description | No. of Shares | Value |
|--|---------------|-------------|
| INDUSTRIALS - 8.31% | | |
| 3M Company | 9,000 | \$1,975,680 |
| Boeing Company (The) | 12,000 | 3,934,560 |
| Caterpillar Inc. | 11,000 | 1,621,180 |
| CSX Corporation | 20,900 | 1,164,339 |
| Cummins Inc. | 2,000 | 324,180 |
| Delta Air Lines, Inc | 15,000 | 822,150 |
| FedEx Corporation | 5,500 | 1,320,605 |
| Deere & Company | 6,000 | 931,920 |
| Eaton Corporation plc | 6,000 | 479,460 |
| Honeywell International Inc. | 11,000 | 1,589,610 |
| Illinois Tool Works Inc. | 6,500 | 1,018,290 |
| Ingersoll-Rand Plc | 4,000 | 342,040 |
| Lockheed Martin Corporation | 6,000 | 2,027,580 |
| Republic Services, Inc. | 4,000 | 264,920 |
| Roper Technologies, Inc. | 2,500 | 701,725 |
| Southwest Airlines Co. | 12,000 | 687,360 |
| Union Pacific Corporation | 16,000 | 2,150,880 |
| United Parcel Service, Inc. | 10,100 | 1,057,066 |
| Waste Management, Inc. | 9,000 | 757,080 |
| | | 23,170,625 |
| INFORMATION TECHNOLOGY - 22.06% | | |
| Accenture plc - Class A | 8,000 | 1,228,000 |
| Adobe Systems Incorporated * | 10,000 | 2,160,800 |
| Alphabet Inc. - Class C * | 7,002 | 7,224,594 |
| Amphenol Corporation | 8,000 | 689,040 |
| Analog Devices, Inc. | 10,500 | 956,865 |
| Apple Inc. | 63,000 | 10,570,140 |
| Applied Materials, Inc. | 27,000 | 1,501,470 |
| Broadcom Limited | 8,000 | 1,885,200 |
| Cognizant Technology Solutions Corporation | 8,000 | 644,000 |
| Facebook, Inc. - Class A * | 60,000 | 9,587,400 |
| Fiserv, Inc. * | 10,000 | 713,100 |
| Intel Corporation | 95,200 | 4,958,016 |
| Intuit Inc. | 5,000 | 866,750 |
| Mastercard Incorporated | 19,000 | 3,328,040 |
| Micron Technology, Inc. | 20,000 | 1,042,800 |
| Microsoft Corporation | 72,400 | 6,607,948 |

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| | | |
|----------------------|--------|------------|
| Oracle Corporation | 60,700 | 2,777,025 |
| TE Connectivity Ltd. | 8,000 | 799,200 |
| Visa, Inc. - Class A | 33,100 | 3,959,422 |
| | | 61,499,810 |

See accompanying notes to schedule of investments.

CORNERSTONE TOTAL RETURN FUND, INC.

SCHEDULE OF INVESTMENTS - MARCH 31, 2018 (Unaudited)

| Description | No. of Shares | Value | |
|---|---------------|-----------|---------------|
| MATERIALS - 1.54% | | | |
| Air Products and Chemicals, Inc. | 3,000 | \$477,090 | |
| DowDuPont Inc. | 30,820 | 1,963,542 | |
| Ecolab Inc. | 4,000 | 548,280 | |
| Monsanto Company | 5,000 | 583,450 | |
| Praxair, Inc. | 5,000 | 721,500 | |
| | | 4,293,862 | |
| TELECOMMUNICATION SERVICES - 0.62% | | | |
| AT&T, Inc. | 48,103 | 1,714,872 | |
| UTILITIES - 1.03% | | | |
| American Electric Power Company, Inc. | 10,000 | 685,900 | |
| DTE Energy Company | 4,000 | 417,600 | |
| Edison International | 4,500 | 286,470 | |
| NextEra Energy, Inc. | 9,000 | 1,469,970 | |
| | | 2,859,940 | |
| TOTAL EQUITY SECURITIES (cost - \$249,941,239) | | | 277,463,821 |
| SHORT-TERM INVESTMENT - 0.60% | | | |
| MONEY MARKET FUND - 0.60% | | | |
| Fidelity Institutional Money Market Government Portfolio - Class I, 1.49%^ (cost - \$1,665,971) | | 1,665,971 | 1,665,971 |
| TOTAL INVESTMENTS - 100.13% (cost - \$251,607,210) | | | 279,129,792 |
| LIABILITIES IN EXCESS OF OTHER ASSETS - (0.13)% | | | (355,946) |
| NET ASSETS - 100.00% | | | \$278,773,846 |

See accompanying notes to schedule of investments.

*Non-income producing security.

^The rate shown is the 7-day effective yield as of March 31, 2018.

See accompanying notes to schedule of investments.

CORNERSTONE TOTAL RETURN FUND, INC.

NOTES TO SCHEDULE OF INVESTMENTS

MARCH 31, 2018 (Unaudited)

Federal Income Tax Cost: The following information is computed on a tax basis for each item as of March 31, 2018:

| | |
|-------------------------------|---------------|
| Cost of portfolio investments | \$251,674,841 |
| Gross unrealized appreciation | \$34,813,010 |
| Gross unrealized depreciation | (7,358,059) |
| Net unrealized appreciation | \$27,454,951 |

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. Level 2 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 March 31, 2018 in valuing the Fund's investments carried at value:

| VALUATION INPUTS | INVESTMENTS IN SECURITIES | OTHER FINANCIAL INSTRUMENTS* |
|---|------------------------------|------------------------------------|
| Level 1 – Quoted Prices | | |
| Equity Investments | \$ 277,463,821 | \$ - |
| Short-Term Investments | 1,665,971 | - |
| Level 2 – Other Significant Observable Inputs | - | - |
| Level 3 – Significant Unobservable Inputs | - | - |
| Total | \$ 279,129,792 | \$ - |

*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 March 31, 2018, 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 March 31, 2018.

On October 13, 2016, the Securities and Exchange Commission (the “SEC”) adopted new rules and forms and amended existing rules and forms which are intended to modernize and enhance the reporting and disclosure of information by registered investment companies and to improve the quality of information that funds provide to investors, including modifications to Regulation S-X which would require standardized, enhanced disclosure about derivatives in investment company financial statements. The compliance dates of the other amendments and rules is April 2019 for larger fund groups and April 2020 for smaller fund groups. Management is currently evaluating the impacts to the financial statement disclosures.

The Fund is exposed to financial market risks, including the valuations of its investment portfolio. During the three months ended March 31, 2018, the Fund did not engage in derivative instruments and other hedging activities.

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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 February 15, 2018 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 May 18, 2018

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 May 18, 2018

By (Signature and Title)* /s/ Alan M. Mandel
Alan M. Mandel, Treasurer
(Principal Financial Officer)

Date May 18, 2018

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