

CORNERSTONE PROGRESSIVE RETURN FUND

Form N-CSRS

September 08, 2008

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES

INVESTMENT COMPANY ACT FILE NUMBER 811-22066

CORNERSTONE PROGRESSIVE RETURN FUND

(Exact name of registrant as specified in charter)

383 Madison Avenue, New York, New York 10179

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(Address of principal executive offices) (Zip code)

Kayadti A. Madison  
383 Madison Avenue, New York, New York 10179

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(Name and address of agent for service)

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

Date of fiscal year end: December 31, 2008

Date of reporting period: June 30, 2008

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

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ITEM 1. REPORTS TO STOCKHOLDERS.

The report of Cornerstone Progressive Return Fund (the "Registrant") to stockholders for the semi-annual period ended June 30, 2008 follows.

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CORNERSTONE PROGRESSIVE  
RETURN FUND

SEMI-ANNUAL REPORT  
JUNE 30, 2008  
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CORNERSTONE PROGRESSIVE RETURN FUND  
PORTFOLIO SUMMARY - AS OF JUNE 30, 2008 (UNAUDITED)  
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SECTOR ALLOCATION

Sector	Percent of Net Assets
Information Technology	17.0
Energy	15.1
Financials	12.5
Healthcare	11.5
Industrials	10.8
Consumer Staples	10.3
Consumer Discretionary	8.5
Materials	3.8
Utilities	3.7
Telecommunication Services	3.2
Closed-End Funds	2.4
Other	1.2

TOP TEN HOLDINGS, BY ISSUER

Holding	Sector	Percent of Net Assets
1. Exxon Mobil Corporation	Energy	5.1
2. General Electric Company	Industrials	2.8
3. Microsoft Corporation	Information Technology	2.8
4. Chevron Corporation	Energy	2.4
5. AT&T Inc.	Telecommunication Services	2.3
6. Wal-Mart Stores, Inc.	Consumer Staples	2.3
7. Google Inc.	Information Technology	2.3
8. Johnson & Johnson	Healthcare	2.0
9. Procter & Gamble Company (The)	Consumer Staples	1.8

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 10. International Business Machines Corporation    Information Technology    1.7  
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 CORNERSTONE PROGRESSIVE RETURN FUND  
 SUMMARY SCHEDULE OF INVESTMENTS - JUNE 30, 2008 (UNAUDITED)  
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Description	No. of Shares	Value
-----		
EQUITY SECURITIES - 99.43%		
CLOSED-END FUNDS - 2.39%		
Dreman/Claymore Dividend & Income Fund	63,050	\$ 800,735
Liberty All-Star Equity Fund	217,000	1,273,790
Other Closed-End Funds (a)		420,480
		-----
		2,495,005
		-----
CONSUMER DISCRETIONARY - 8.52%		
Comcast Corporation, Class A ^	36,000	682,920
McDonald's Corporation	15,000	843,300
Philip Morris International Inc.	21,000	1,037,190
Walt Disney Company (The)	25,000	780,000
Other Consumer Discretionary (a)		5,565,675
		-----
		8,909,085
		-----
CONSUMER STAPLES - 10.27%		
Coca-Cola Company (The)	25,000	1,299,500
PepsiCo, Inc. ^	12,000	763,080
Procter & Gamble Company (The)	31,000	1,885,110
Wal-Mart Stores, Inc.	43,000	2,416,600
Other Consumer Staples (a)		4,368,080
		-----
		10,732,370
		-----
ENERGY - 15.10%		
Chevron Corporation	25,000	2,478,250
ConocoPhillips	13,000	1,227,070
Devon Energy Corporation	8,000	961,280
Exxon Mobil Corporation ^	60,000	5,287,800
Schlumberger Limited ^	15,500	1,665,165
Other Energy (a)		4,165,459
		-----
		15,785,024
		-----
FINANCIALS - 12.54%		
American International Group, Inc. ^	25,000	661,500
Bank of America Corporation	44,000	1,050,280
Citigroup Inc.	46,000	770,960
Goldman Sachs Group, Inc. (The) ^	5,000	874,500

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Description	No. of Shares	Value
FINANCIALS (CONTINUED)		
JPMorgan Chase & Co.	39,000	\$ 1,338,090
Metlife, Inc. ^	11,000	580,470
Wells Fargo & Company	38,000	902,500
Other Financials (a)		6,935,350
		-----
		13,113,650
		-----
HEALTHCARE - 11.47%		
Abbott Laboratories	14,000	741,580
Baxter International Inc. ^	11,000	703,340
Eli Lilly and Company	15,000	692,400
Gilead Sciences, Inc. *	13,000	688,350
Johnson & Johnson	33,000	2,123,220
Medtronic, Inc.	16,000	828,000
Merck & Co. Inc. ^	28,000	1,055,320
Wyeth	14,000	671,440
Other Healthcare (a)		4,491,435
		-----
		11,995,085
		-----
INDUSTRIALS - 10.85%		
Danaher Corporation	8,000	618,400
Deere & Company ^	10,000	721,300
General Electric Company	111,000	2,962,590
Honeywell International Inc.	12,000	603,360
United Parcel Service, Inc., Class B	17,000	1,044,990
United Technologies Corporation	13,000	802,100
Other Industrials (a)	4,586,430	
		-----
		11,339,170
INFORMATION TECHNOLOGY - 16.98%		
Apple Computer Inc. ^ *	9,000	1,506,960
Cisco Systems, Inc. *	61,000	1,418,860
Google Inc. *	4,500	2,368,890
Hewlett-Packard Company	28,000	1,237,880
Intel Corporation	61,000	1,310,280
International Business Machines Corporation	15,000	1,777,950
Microsoft Corporation	105,000	2,888,550
Oracle Corporation *	60,000	1,260,000
QUALCOMM Inc.	14,000	621,180
Other Information Technology (a)		3,364,605
		-----
		17,755,155
		-----

See accompanying notes to financials statements.

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CORNERSTONE PROGRESSIVE RETURN FUND  
SUMMARY SCHEDULE OF INVESTMENTS - JUNE 30, 2008 (UNAUDITED) (CONCLUDED)

No. of

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Description	Shares	Value
-----		
MATERIALS - 3.78%		
Monsanto Company	10,000	\$ 1,264,400
Other Materials (a)		2,687,315
		-----
		3,951,715
		-----
REAL ESTATE INVESTMENT TRUST - 0.62%		
Total Real Estate Investment Trust (a)		651,425
		-----
TELECOMMUNICATION SERVICES - 3.20%		
AT&T Inc.	72,000	2,425,680
Verizon Communications Inc.	26,000	920,400
		-----
		3,346,080
		-----
UTILITIES - 3.71%		
Dominion Resources, Inc.	14,000	664,860
Entergy Corporation ^	5,000	602,400
Total Utilities (a)		2,610,150
		-----
		3,877,410
		-----
TOTAL EQUITY SECURITIES		
(cost - \$121,321,661)		103,951,174
		-----
SHORT-TERM INVESTMENTS - 13.28%		
MONEY MARKET SECURITY - 0.60%		
JPMorgan U.S. Government Money Market Fund	627,916	627,916
		-----

Description	Principal Amount (000's)	Value
-----		
REPURCHASE AGREEMENTS - 12.68%		
Bear, Stearns & Co. Inc. + (Agreements dated 6/30/2008 to be repurchased at \$13,257,373) (b)	\$13,257	\$ 13,256,514
		-----
TOTAL SHORT-TERM INVESTMENTS		
(cost - \$13,884,430)		13,884,430
		-----
TOTAL INVESTMENTS - 112.71%		
(cost - \$135,206,091)		117,835,604
		-----
LIABILITIES IN EXCESS OF OTHER ASSETS - (12.71)%		(13,285,765)
		-----
NET ASSETS - 100.00%		\$104,549,839
		=====

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- \* Non-income producing security.
  - ^ Security or a portion thereof is out on loan.
  - + Includes investments purchased with collateral received for securities on loan.
  - (a) Represents issues not identified as a top 50 holding in terms of market value and issues or issuers not exceeding 1% of net assets individually or in the aggregate, respectively, as of June 30, 2008.
  - (b) At June 30, 2008, the maturity date for all repurchase agreements held was July 1, 2008, with interest rates ranging from 1.25% to 2.50% and collateralized by \$13,629,716 in U.S. Treasury Bonds maturing April 15, 2028.

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See accompanying notes to financial statements.

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CORNERSTONE PROGRESSIVE RETURN FUND  
STATEMENT OF ASSETS AND LIABILITIES - JUNE 30, 2008 (UNAUDITED)  
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ASSETS

Investments, at value, including collateral for securities on loan of \$13,256,514 (Cost \$135,206,091 ) (1)	\$ 117,835,604
Receivables:	
Dividends	112,453
Prepaid expenses	8,730
	-----
Total Assets	117,956,787
	-----

LIABILITIES

Payables:	
Upon return of securities loaned	13,256,514
Investment management fees	90,924
Trustees' fees	20,304
Other accrued expenses	39,206
	-----

Total Liabilities	13,406,948
	-----

NET ASSETS (applicable to 9,335,570 shares of common outstanding)	\$ 104,549,839
	=====

NET ASSET VALUE PER SHARE (\$104,549,839 / 9,335,570)	\$ 11.20
	=====

NET ASSETS CONSISTS OF

Paid-in capital	\$ 125,185,523
Accumulated net realized loss on investments	(3,265,197)

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Net unrealized depreciation in value of investments	(17,370,487)
	-----
Net assets applicable to shares outstanding	\$ 104,549,839
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(1) Includes securities out on loan to brokers with a market value of  
\$12,996,033.

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See accompanying notes to financial statements.

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CORNERSTONE PROGRESSIVE RETURN FUND STATEMENT OF OPERATIONS - FOR  
THE SIX MONTHS ENDED JUNE 30, 2008 (UNAUDITED)  
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INVESTMENT INCOME

Income:

Dividends	\$ 1,322,112
Interest	34,710
Securities lending	7,669
	-----
Total Investment Income	1,364,491
	-----

Expenses:

Investment management fees	578,056
Administration fees	57,806
Trustees' fees	39,575
Legal and audit fees	22,730
Accounting fees	20,320
Custodian fees	9,945
Printing	9,415
Transfer agent fees	8,332
Stock exchange listing fees	4,929
Insurance	1,424
Miscellaneous	1,443
	-----
Total Expenses	753,975
Less: Fees paid indirectly	(49,181)
	-----
Net Expenses	704,794
	-----
Net Investment Income	659,697
	-----

NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS

Net realized loss from investments	(3,265,197)
Net change in unrealized depreciation in value of investments	(13,019,817)
	-----
Net realized and unrealized loss on investments	(16,285,014)
	-----

NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ (15,625,317)
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See accompanying notes to financial statements.

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CORNERSTONE PROGRESSIVE RETURN FUND  
STATEMENT OF CHANGES IN NET ASSETS  
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	For the Six Months Ended June 30, 2008 (unaudited)	For the September Throu December
	-----	-----
INCREASE/(DECREASE) IN NET ASSETS		
Operations:		
Net investment income	\$ 659,697	\$ 56
Net realized gain/(loss) from investments	(3,265,197)	1,27
Net change in unrealized depreciation in value of investments	(13,019,817)	(4,35
	-----	-----
Net decrease in net assets resulting from operations	(15,625,317)	(2,50
	-----	-----
Dividends and distributions to shareholders:		
Net investment income	(659,697)	(56
Net realized capital gains	--	(1,27
Return-of-capital	(10,821,577)	(3,64
	-----	-----
Total dividends and distributions to shareholders	(11,481,274)	(5,48
	-----	-----
Capital stock transactions:		
Proceeds from initial public offering of 8,097,800 shares of common	--	121,46
Proceeds from secondary offering of 1,228,865 shares of common	--	18,43
Offering expenses associated with the issuance of common shares	--	(37
Proceeds from 1,904, and 333 shares newly issued in reinvestment of dividends and distributions, respectively	28,721	
	-----	-----
Net increase in net assets from capital share transactions	28,721	139,52
	-----	-----
Total increase/(decrease) in net assets	(27,077,870)	131,52
	-----	-----
NET ASSETS		
Beginning of period	131,627,709	10

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End of period	\$ 104,549,839	\$ 131,62
	=====	=====

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 \* Commencement of operations

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See accompanying notes to financial statements.  
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CORNERSTONE PROGRESSIVE RETURN FUND  
 FINANCIAL HIGHLIGHTS

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Contained below is per share operating performance data for a share of common outstanding, total investment return, ratios to average net assets and other supplemental data for each period indicated. This information has been derived from information provided in the financial statements and market price data for the Fund's shares.

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	For the Six Months Ended June 30, 2008 (unaudited)
	-----
PER SHARE OPERATING PERFORMANCE	
Net asset value, beginning of period	\$ 14.10
	-----
Net investment income #	0.07
Net realized and unrealized loss on investments	(1.74)
	-----
Net decrease in net assets resulting from operations	(1.67)
	-----
Dividends and distributions to shareholders:	
Net investment income	(0.07)
Net realized capital gains	--
Return-of-capital	(1.16)
	-----
Total dividends and distributions to shareholders	(1.23)
	-----
Capital transactions:	
Anti-dilutive effect due to issuance of common shares	--
Anti-dilutive effect due to shares issued in reinvestment of dividends and distributions	0.00+
	-----
Total capital share transactions	0.00
	-----
Net asset value, end of period	\$ 11.20
	=====
Market value, end of period	\$ 16.12
	=====
Total investment return (a)	4.32%
	=====

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### RATIOS/SUPPLEMENTAL DATA

Net assets, end of period (000 omitted)	\$ 104,550
Ratio of expenses to average net assets, net of fees paid indirectly (b)	1.22%
Ratio of expenses to average net assets, excluding the reduction for fees paid indirectly (b)	1.30%
Ratio of net investment income to average net assets (b)	1.14%
Portfolio turnover rate	5.23%

\* Commencement of operations

^ Based on \$15.00 per share public offering price less \$0.04 per share of offering expenses related to the Fund's initial public offering.

# Based on average shares outstanding. + Amount is less than a \$0.01.

(a) Total investment return at market value is based on the changes in market price of a share during the period and assumes reinvestment of dividends and distributions, if any, at actual prices pursuant to the Fund's dividend reinvestment plan. Total investment return does not reflect brokerage commissions.

(b) Annualized

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See accompanying notes to financial statements.

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CORNERSTONE PROGRESSIVE RETURN FUND  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)  
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#### NOTE A. ORGANIZATION

Cornerstone Progressive Return Fund (the "Fund") was organized as a Delaware statutory trust on April 26, 2007 and commenced investment operations on September 10, 2007. Prior to such date it had no operations other than the sale and issuance of 6,668 shares at an aggregate purchase price of \$100,020 on July 20, 2007. Its investment objective is to provide long-term total return. The Fund is registered under the Investment Company Act of 1940, as amended, as a closed-end, diversified management investment company.

#### NOTE B. SIGNIFICANT ACCOUNTING POLICIES

**MANAGEMENT ESTIMATES:** The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") requires management to make certain estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

**PORTFOLIO VALUATION:** Investments are stated at value in the accompanying financial statements. Readily marketable portfolio securities listed on the NYSE are valued, except as indicated below, at the last sale price reflected on the consolidated tape at the close of the NYSE on the business day as of which such value is being determined. If there has been no sale on such day, the securities are valued at the mean of the closing bid and asked prices on such day. If no bid or asked prices are quoted on such day or if market prices may be unreliable because of events occurring after the close of trading, then the security is valued by such method as the Board of Trustees shall determine in good faith to reflect its fair market value. Readily marketable securities not listed on the NYSE but listed on other domestic or foreign securities exchanges are valued in a like manner. Portfolio securities traded on more than one securities exchange are valued at the last sale price on the business day as of which such value is

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being determined as reflected on the consolidated tape at the close of the exchange representing the principal market for such securities. Securities trading on the Nasdaq Stock Market, Inc. ("NASDAQ") are valued at the closing price.

Readily marketable securities traded in the over-the-counter market, including listed securities whose primary market is believed by Cornerstone Advisors, Inc. (the "Investment Adviser" or "Cornerstone") to be over-the-counter, are valued at the mean of the current bid and asked prices as reported by the NASDAQ or, in the case of securities not reported by the NASDAQ or a comparable source, as the Board of Trustees deem appropriate to reflect their fair market value. Where securities are traded on more than one exchange and also over-the-counter, the securities will generally be valued using the quotations the Board of Trustees believes reflect most closely the value of such securities.

At June 30, 2008, the Fund held no securities valued in good faith by the Board of Trustees. 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.

On March 19, 2008, Financial Accounting Standards Board released Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative instruments and Hedging Activities" ("FAS 161"). FAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. The application of FAS 161 is required for fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. At this time, management is evaluating the implications of FAS 161 and its impact on the financial statements has not yet been determined.

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

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CORNERSTONE PROGRESSIVE RETURN FUND NOTES  
TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
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and broker/dealers, which 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 the mark-to-market of the value of 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 the underlying securities.

INVESTMENT TRANSACTIONS AND INVESTMENT INCOME: Investment transactions are accounted for on the trade date. The cost of investments sold is determined by use of the specific identification method for both financial reporting and income tax purposes. Interest income is recorded on an accrual basis; dividend income is recorded on the ex-dividend date.

TAXES: No provision is made for U.S. federal income or excise taxes as it is the

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Fund's intention to qualify as a regulated investment company and to make the requisite distributions to its shareholders which will be sufficient to relieve it from all or substantially all U.S. federal income and excise taxes.

In July 2006, the Financial Accounting Standards Board ("FASB") released FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes ("FIN 48"), an interpretation of FASB Statement No. 109. FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the accounting and disclosure of tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more likely than not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more likely than not threshold would be recorded as a tax benefit or expense in the current year. Adoption of FIN 48 is effective during the first required financial reporting period for fiscal years beginning after December 15, 2006. Management has adopted FIN 48 and reviewed any uncertain tax positions in the open 2007 tax year. There was no material impact to the financial statements or, other than as described herein, the disclosures thereto as a result of the adoption of the pronouncement.

DISTRIBUTIONS TO SHAREHOLDERS: The Fund makes a level distribution to its shareholders each month pursuant to a managed distribution policy adopted by the Board of Trustees ("Managed Distribution Policy"). To the extent these distributions are not represented by net investment income and capital gains, they will not represent yield or investment return on the Fund's portfolio. The level distribution rate may be modified by the Board of Trustees from time to time. If, for any monthly distribution, investment company taxable income, if any (which term includes net short-term capital gain), and net tax-exempt income, if any, is less than the amount of the distribution, the difference will generally be a tax-free return of capital distributed from the Fund's assets. The Fund's final distribution for each calendar year is expected to include any remaining investment company taxable income and net tax exempt income undistributed during the year, as well as all net capital gain realized during the year.

However, if they determine it is appropriate to do so, the Board of Trustees may elect to not distribute realized gains and to pay taxes incurred. In general, the total distributions made in any taxable year (other than distributions of net capital gain or return of capital) would be treated as ordinary dividend income to the extent of the Fund's current and accumulated earnings and profits. Distributions in excess of the earnings and profits would first be a tax-free return of capital to the extent of the adjusted tax basis in the shares.

The Managed Distribution Policy described above would result in the payment of approximately the same amount or percentage to the Fund's shareholders each month. These distributions will not be tied to the Fund's investment income and capital gains and will not represent yield or investment

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CORNERSTONE PROGRESSIVE RETURN FUND  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
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return on the Fund's portfolio. Section 19(a) of the 1940 Act and Rule 19a-1 thereunder require the Fund to provide a written statement accompanying any such payment that adequately discloses its source or sources, other than net investment income. Thus, if the source of some or all of the dividend or other distribution were the original capital contribution of the shareholder, and the

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payment amounted to a return of capital, the Fund would be required to provide written disclosure to that effect. Nevertheless, persons who periodically receive the payment of a dividend or other distribution may be under the impression that they are receiving net profits when they are not. Shareholders should read any written disclosure provided pursuant to Section 19(a) and Rule 19a-1 carefully, and should not assume that the source of any distribution from the Fund is net profit.

The Board of Trustees reserves the right to change the monthly distribution policy from time to time.

### NOTE C. FAIR VALUE

The Fund adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("FAS 157"), effective January 1, 2008. In accordance with FAS 157, fair value is defined as the price that the Fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. FAS 157 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad Levels listed below.

- o Level 1 - quoted prices in active markets for identical investments
- o Level 2 - other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- o Level 3 - significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of June 30, 2008 in valuing the Fund's investments carried at value:

VALUATION INPUTS	INVESTMENTS IN SECURITIES	OTHER FINANCIAL INSTRUMENTS*
Level 1 - Quoted Prices	\$103,951,174	--
Level 2 - Other Significant Observable Inputs	13,884,430	--
Level 3 - Significant Unobservable Inputs	--	--
Total	\$117,835,604	--

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

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 June 30, 2008.

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CORNERSTONE PROGRESSIVE RETURN FUND  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
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## NOTE D. AGREEMENTS

Cornerstone serves as the Fund's Investment Adviser with respect to all investments. As compensation for its investment management services, Cornerstone receives from the Fund, an annual fee, calculated weekly and paid monthly, equal to 1.00% of the Fund's average weekly net assets. For the six months ended June 30, 2008, Cornerstone earned \$578,056 for investment management services.

Included in the Statement of Operations, under the caption FEES PAID INDIRECTLY, are expense offsets of \$49,181 arising from credits earned on portfolio transactions executed with a broker, pursuant to a directed brokerage arrangement.

The Fund paid or accrued approximately \$13,419 for the six months ended June 30, 2008 for legal services to Blank Rome LLP ("Blank"), counsel to the Fund. Thomas R. Westle, partner of Blank, served as Secretary of the Fund until February 15, 2008.

## NOTE E. INVESTMENT IN SECURITIES

For the six months ended June 30, 2008, purchases and sales of securities, other than short-term investments, were \$6,090,409 and \$16,059,468 respectively.

## NOTE F. COMMON SHARES OF BENEFICIAL INTEREST

The Fund has 9,335,570 common shares of beneficial interest authorized and outstanding at June 30, 2008. As of that date, two individuals that Control Cornerstone owned 8,458 shares in the Fund.

Transactions in common shares for the period ended June 30, 2008 were as follows:

Shares at beginning of period	9,333,666
Shares newly issued in reinvestment of dividends and distributions	1,904
	-----
Shares at end of period	9,335,570
	=====

## NOTE G. SHARE REPURCHASE PROGRAM

Pursuant to Section 23 of the Investment Company Act of 1940, as amended, the Fund may purchase shares of its common shares of beneficial interest on the open market from time to time, at such times, and in such amounts as may be deemed advantageous to the Fund. Nothing herein shall be considered a commitment to

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purchase such shares. The Fund had no repurchases during the six months ended June 30, 2008. No limit has been placed on the number of shares to be repurchased by the Fund other than those imposed by federal securities laws.

To the extent such purchases are made they will be in accordance with federal securities laws, with shares repurchased held in treasury for future use by the Fund.

NOTE H. SECURITIES LENDING

To generate additional income, the Fund may lend up to 33(1)/3% of its total assets. The Fund receives payments from borrowers equivalent to the dividends and interest that would have been earned on securities lent while simultaneously seeking to earn interest on the investment of cash collateral. Loans are subject to termination by the Fund or the borrower at any time, and are, therefore, not considered to be illiquid investments. Loans of securities are required at all times to be secured by collateral equal to at least 100% of the market value of securities on loan. However, in the event of default or bankruptcy of the other party to the agreement, realization and/or retention of the collateral may be subject to legal proceedings. In the event that the borrower fails to return securities, and collateral maintained by the lender is insufficient to cover the value of loaned securities, the borrower is obligated to pay the amount of the shortfall (and interest thereon) to the Fund. However, there can be no assurance the Fund can recover this amount.

The value of securities on loan to brokers at June 30, 2008 was \$12,996,033. During the six months ended June 30, 2008, the Fund earned \$7,669 in securities lending income which is included under the caption SECURITIES LENDING in the Statement of Operations.

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CORNERSTONE PROGRESSIVE RETURN FUND  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
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NOTE I. FEDERAL INCOME TAXES

Income and capital gains distributions are determined in accordance with federal income tax regulations, which may differ from GAAP. These differences are primarily due to differing treatments of losses deferred due to wash sales and Post-October losses (as later defined), and excise tax regulations.

The tax character of dividends and distributions paid during the period ended December 31, 2007 for the Fund were as follows: \$566,522 in ordinary income, \$1,274,327 in capital gains, and \$3,647,294 in return-of-capital.

Under current tax law, certain capital losses realized after October 31 within a taxable year may be deferred and treated as occurring on the first day of the following tax year ("Post-October losses"). For the tax period ended December 31, 2007, the Fund did not incur Post-October losses.

At June 30, 2008, 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 \$135,206,091, \$2,872,251, \$(20,242,738), and \$(17,370,487), respectively.



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RESULTS OF ANNUAL MEETING OF SHAREHOLDERS (UNAUDITED)

On April 15, 2008, the Annual Meeting of Shareholders of Cornerstone Progressive Return Fund was held and the following matter was voted upon based on 9,333,814 common shares outstanding on February 19, 2008:

(1) To approve the re-election of six Trustees until the 2009 Annual Meeting.

NAME OF DIRECTORS -----	FOR ---	WITHHOLD -----
Ralph W. Bradshaw	9,258,567	46,143
Thomas H. Lenagh	9,259,167	45,543
Edwin Meese III	9,259,167	45,543
Scott B. Rogers	9,259,117	45,593
Andrew A. Strauss	9,258,167	46,543
Glenn W. Wilcox, Sr.	9,258,117	46,593

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DESCRIPTION OF DIVIDEND REINVESTMENT PLAN (UNAUDITED)

Cornerstone Progressive Return Fund (the "Fund") operates a Dividend Reinvestment Plan (the "Plan"), sponsored and administered by American Stock Transfer & Trust Company (the "Agent"), pursuant to which the Fund's income dividends or capital gains or other distributions (each, a "Distribution" and collectively, "Distributions"), net of any applicable U.S. withholding tax, are reinvested in shares of the Fund.

Shareholders automatically participate in the Fund's Plan, unless and until an

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election is made to withdraw from the Plan on behalf of such participating shareholder. Shareholders who do not wish to have Distributions automatically reinvested should so notify their broker, or if a registered shareholder, the Agent in writing at P.O. Box 922, Wall Street Station, New York, New York 10269-0560. Such written notice must be received by the Agent prior to the record date of the Distribution or the shareholder will receive such Distribution in shares through the Plan. Under the Plan, the Fund's Distributions to shareholders are reinvested in full and fractional shares as described below.

When the Fund declares a Distribution the Agent, on the shareholder's behalf, will (i) receive additional authorized shares from the Fund either newly issued or repurchased from shareholders by the Fund and held as treasury stock ("Newly Issued Shares") or (ii) purchase outstanding shares on the open market, on the American Stock Exchange, LLC or elsewhere, with cash allocated to it by the Fund ("Open Market Purchases").

The method for determining the number of shares to be received when Distributions are reinvested will vary depending upon whether the net asset value of the Fund's shares is higher or lower than its market price. If the net asset value of the Fund's shares is lower than its market price, the number of Newly Issued Shares received will be determined by dividing the amount of the Distribution either by the Fund's net asset value per share or by 95% of its market price, whichever is higher. If the net asset value of the Fund's shares is higher than its market price, shares acquired by the Agent in Open Market Purchases will be allocated to the reinvesting shareholders based on the average cost of such Open Market Purchases.

Whenever the Fund declares a Distribution and the net asset value of the Fund's shares is higher than its market price, the Agent will apply the amount of such Distribution payable to Plan participants of the Fund in Fund shares (less such Plan participant's pro rata share of brokerage commissions incurred with respect to Open Market Purchases in connection with the reinvestment of such Distribution) to the purchase on the open market of Fund shares for such Plan participant's account. Such purchases will be made on or after the payable date for such Distribution, and in no event more than 30 days after such date except where temporary curtailment or suspension of purchase is necessary to comply with applicable provisions of federal securities laws. The Agent may aggregate a Plan participant's purchases with the purchases of other Plan participants, and the average price (including brokerage commissions) of all shares purchased by the Agent shall be the price per share allocable to each Plan participant.

Participants in the Plan may withdraw from the Plan by providing written notice to the Agent at least 30 days prior to the applicable Distribution payment date. When a Participant withdraws from the Plan, or upon suspension or termination of the Plan at the sole discretion of the Fund's Board of Trustees, certificates for whole shares credited to his or her account under the Plan will, upon request, be issued. Whether or not a participant requests that certificates for whole shares be issued, a cash payment will be made for any fraction of a share credited to such account.

The Agent will maintain all shareholder accounts in the Plan and furnish written confirmations of all transactions in the accounts, including information needed by shareholders for personal and tax records. The Agent will hold shares in the account of the Plan participant in non-certificated form in the name of the participant, and each shareholder's proxy will include those shares purchased pursuant to the Plan. Each participant, nevertheless, has the right to receive certificates for whole shares owned.

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### DESCRIPTION OF DIVIDEND REINVESTMENT PLAN (UNAUDITED) (CONCLUDED)

The Agent will distribute all proxy solicitation materials to participating shareholders.

In the case of shareholders, such as banks, brokers or nominees, that hold shares for others who are beneficial owners participating in the Plan, the Agent will administer the Plan on the basis of the number of shares certified from time to time by the record shareholder as representing the total amount of shares registered in the shareholder's name and held for the account of beneficial owners participating in the Plan.

Neither the Agent nor the Fund shall have any responsibility or liability beyond the exercise of ordinary care for any action taken or omitted pursuant to the Plan, nor shall they have any duties, responsibilities or liabilities except for such as expressly set forth herein. Neither shall they be liable hereunder for any act done in good faith or for any good faith omissions to act, including, without limitation, failure to terminate a participants account prior to receipt of written notice of his or her death or with respect to prices at which shares are purchased or sold for the participants account and the terms on which such purchases and sales are made, subject to applicable provisions of the federal securities laws.

The automatic reinvestment of Distributions will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such Distributions.

The Fund reserves the right to amend or terminate the Plan. There is no direct service charge to participants with regard to purchases in the Plan.

All correspondence concerning the Plan should be directed to the Agent at P.O. Box 922, Wall Street Station, New York, New York 10269-0560. Certain transactions can be performed online at [www.amstock.com](http://www.amstock.com) or by calling the toll free number 877-864-4833.

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### PROXY VOTING AND PORTFOLIO HOLDINGS INFORMATION (UNAUDITED)

Information regarding how Cornerstone Progressive Return Fund (the "Fund") voted proxies related to its portfolio securities during the 12-month period ended June 30 of each year as well as the policies and procedures that the Fund uses to determine how to vote proxies relating to its portfolio securities are available by calling (212) 272-3550 or on the website of the Securities and Exchange Commission, <http://www.sec.gov>.

This report incorporates a Summary Schedule of Investments for the Fund. A complete Schedule of Investments for the Fund may be obtained free of charge by contacting the Fund at (212) 272-3550.

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The Fund files a complete schedule of its portfolio holdings for the first and third quarters of its fiscal year with the SEC on Form N-Q. The Fund's Forms N-Q are available on the SEC's website at <http://www.sec.gov> and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the SEC's Public Reference Room may be obtained by calling (202) 551-8090.

### PRIVACY POLICY NOTICE (UNAUDITED)

The following is a description of Cornerstone Progressive Return Fund's (the "Fund") policies regarding disclosure of nonpublic personal information that you provide to the Fund or that the Fund collects from other sources. In the event that you hold shares of the Fund through a broker-dealer or other financial intermediary, the privacy policy of the financial intermediary would govern how your nonpublic personal information would be shared with unaffiliated third parties.

CATEGORIES OF INFORMATION THE FUND COLLECTS. The Fund collects the following nonpublic personal information about you:

1. Information from the Consumer: this category includes information the Fund receives from you on or in applications or other forms, correspondence, or conversations (such as your name, address phone number, social security number, assets, income and date of birth); and
2. Information about the Consumer's transactions: this category includes information about your transactions with the Fund, its affiliates, or others (such as your account number and balance, payment history, parties to transactions, cost basis information, and other financial information).

CATEGORIES OF INFORMATION THE FUND DISCLOSES. The Fund does not disclose any nonpublic personal information about their current or former shareholders to unaffiliated third parties, except as required or permitted by law. The Fund is permitted by law to disclose all of the information it collects, as described above, to its service providers (such as the Fund's custodian, administrator and transfer agent) to process your transactions and otherwise provide services to you.

CONFIDENTIALITY AND SECURITY. The Fund restricts access to your nonpublic personal information to those persons who require such information to provide products or services to you. The Fund maintains physical, electronic and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

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### SUMMARY OF GENERAL INFORMATION (UNAUDITED)

Cornerstone Progressive Return Fund is a closed-end, diversified investment company whose shares trade on the American Stock Exchange, LLC. Its investment objective is to provide long-term total return. The Fund is managed by Cornerstone Advisors, Inc.

### SHAREHOLDER INFORMATION (UNAUDITED)

The Fund is listed on the American Stock Exchange, LLC (symbol "CFP"). The previous week's net asset value per share, market price, and related premium or discount are published each Monday in THE WALL STREET JOURNAL under the

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designation "CrnrstnPrgRtFd" and BARRON'S under the designation "CornerstoneProgreRet". Such information is available weekly and may be obtained by contacting the Fund at the general inquiry phone number.

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NOTICE IS HEREBY GIVEN IN ACCORDANCE WITH SECTION 23(C) OF THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED, THAT CORNERSTONE PROGRESSIVE RETURN FUND MAY FROM TIME TO TIME PURCHASE SHARES OF ITS CAPITAL SHARES IN THE OPEN MARKET.  
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This report, including the financial statements herein, is sent to the shareholders of the Fund for their information. The financial information included herein is taken from the records of the Fund without examination by independent registered public accountants who do not express an opinion thereon. It is not a prospectus, circular or representation intended for use in the purchase or sale of shares of the Fund or of any securities mentioned in the report.  
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CORNERSTONE PROGRESSIVE RETURN FUND

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TRUSTEES AND CORPORATE OFFICERS

Ralph W. Bradshaw	Chairman of the Board of Trustees and President
Thomas H. Lenagh	Trustee
Edwin Meese III	Trustee
Scott B. Rogers	Trustee
Andrew A. Strauss	Trustee
Glenn W. Wilcox, Sr.	Trustee

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Gary A. Bentz	Chief Compliance Officer and Secretary
William A. Clark	Vice President
Kayadti A. Madison	Treasurer

INVESTMENT MANAGER	STOCK TRANSFER AGENT AND REGISTRAR
Cornerstone Advisors, Inc.	American Stock Transfer & Trust Co.
One West Pack Square	59 Maiden Lane
Suite 1650	New York, NY 10038
Asheville, NC 28801	

ADMINISTRATOR	INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
Bear Stearns Funds Management Inc., a J.P. Morgan Company	Tait, Weller & Baker LLP
383 Madison Avenue	1818 Market Street
New York, NY 10179	Suite 2400 Philadelphia, PA 19103

CUSTODIAN	LEGAL COUNSEL
Custodial Trust Company	Blank Rome LLP
101 Carnegie Center	405 Lexington Avenue
Princeton, NJ 08540	New York, NY 10174

EXECUTIVE OFFICES  
383 Madison Avenue  
New York, NY 10179

For shareholder inquiries, registered shareholders should call (800) 937-5449.  
For general inquiries, please call (212) 272-3550.

LOGO  
AMERICAN STOCK EXCHANGE (r)  
LISTED  
CFP

ITEM 2. CODE OF ETHICS.

Not applicable.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable.

ITEM 6. INVESTMENTS.

(a)

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CORNERSTONE PROGRESSIVE RETURN FUND  
SCHEDULE OF INVESTMENTS -- JUNE 30, 2008 (UNAUDITED)

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Description	No. of Shares	Value
-----		
EQUITY SECURITIES - 99.43%		
CLOSED-END FUNDS - 2.39%		
Boulder Growth & Income Fund Inc.	6,000	\$ 44,160
Dreman/Claymore Dividend & Income Fund	63,050	800,735
Liberty All-Star Equity Fund	217,000	1,273,790
Royce Value Trust, Inc.	24,000	376,320
		-----
		2,495,005
		-----
CONSUMER DISCRETIONARY - 8.52%		
Amazon.com, Inc. *	5,500	403,315
Best Buy Co., Inc. ^	8,000	316,800
Carnival Corporation ^	5,000	164,800
Coach, Inc. *	4,000	115,520
Comcast Corporation, Class A ^	36,000	682,920
DIRECTV Group, Inc. (The) *	15,000	388,650
Ford Motor Company *	30,000	144,300
Gamestop Corporation - Class A ^ *	2,500	101,000
Gap, Inc. (The)	11,000	183,370
Home Depot, Inc. (The)	15,000	351,300
Johnson Controls, Inc. ^	10,000	286,800
Kohl's Corporation *	3,500	140,140
Lowe's Companies, Inc. ^	14,000	290,500
McDonald's Corporation	15,000	843,300
News Corporation, Class A	31,000	466,240
NIKE, Inc., Class B	8,000	476,880
Nordstrom, Inc. ^	5,500	166,650
Omnicom Group Inc. ^	4,000	179,520
Philip Morris International Inc.	21,000	1,037,190
Staples, Inc.	5,000	118,750
Target Corporation	8,000	371,920
Tata Motors Limited ^ ADR	10,000	100,500
Time Warner Inc. ^	35,000	518,000
Walt Disney Company (The)	25,000	780,000
Yum! Brands, Inc. ^	8,000	280,720
		-----
		8,909,085
		-----
CONSUMER STAPLES - 10.27%		
Altria Group, Inc.	21,000	431,760
Anheuser-Busch Companies, Inc.	3,000	186,360
Archer-Daniels-Midland Company ^	6,000	202,500
Coca-Cola Company (The)	25,000	1,299,500
Colgate-Palmolive Company	5,000	345,500
ConAgra Foods, Inc.	9,000	173,520
Costco Wholesale Corporation ^	4,000	280,560
CVS Caremark Corporation	14,000	553,980
Estee Lauder Companies Inc. (The) ^	3,000	139,350
General Mills, Inc.	5,000	303,850

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Kimberly-Clark Corporation	4,500	269,010
Kraft Foods Inc, Class A	18,000	512,100
Kroger Co. (The)	7,000	202,090
Molson Coors Brewing Company	4,000	217,320
PepsiCo, Inc. ^	12,000	763,080
Procter & Gamble Company (The)	31,000	1,885,110
Sysco Corporation ^	7,000	192,570
Walgreen Company	11,000	357,610
Wal-Mart Stores, Inc.	43,000	2,416,600
		-----
		10,732,370
		-----
ENERGY - 15.10%		
Apache Corporation	3,500	486,500
Chesapeake Energy Corporation	4,000	263,840
Chevron Corporation	25,000	2,478,250
ConocoPhillips	13,000	1,227,070
CONSOL Energy Inc.	3,500	393,295
Devon Energy Corporation	8,000	961,280
EOG Resources, Inc.	3,000	393,600
Exxon Mobil Corporation ^	60,000	5,287,800
Halliburton Company ^	10,000	530,700
National-Oilwell Varco Inc. *	5,000	443,600
Noble Corporation ^	5,000	324,800
Schlumberger Limited ^	15,500	1,665,165
Southwestern Energy Company *	3,000	142,830
Transocean Inc. * ^	2,098	319,714
Williams Companies, Inc. (The)	13,000	524,030
XTO Energy, Inc.	5,000	342,550
		-----
		15,785,024
		-----
FINANCIALS - 12.54%		
AFLAC Incorporated	4,000	251,200
American Express Company ^	12,500	470,875
American International Group, Inc. ^	25,000	661,500
Ameriprise Financial, Inc.	5,000	203,350
Aon Corporation	6,000	275,640
Bank of America Corporation	44,000	1,050,280
Bank of New York Mellon Corporation	14,000	529,620
BB&T Corporation ^	10,000	227,700
Capital One Financial Corporation ^	4,500	171,045
Charles Schwab Corporation (The) ^	18,000	369,720
Chubb Corporation (The) ^	7,000	343,070
Citigroup Inc.	46,000	770,960
CME Group Inc. ^	500	191,595
Franklin Resources, Inc. ^	5,000	458,250
Freddie Mac	14,000	229,600
Goldman Sachs Group, Inc. (The) ^	5,000	874,500
Hudson City Bancorp, Inc.	5,000	83,400
JPMorgan Chase & Co.	39,000	1,338,090
KeyCorp ^	7,000	76,860
Lehman Brothers Holdings Inc.	6,000	118,860
Loews Corporation ^	5,000	234,500
Manulife Financial Corporation	10,000	347,100
Marsh & McLennan Companies, Inc. ^	5,500	146,025
Metlife, Inc. ^	11,000	580,470
Morgan Stanley ^	10,000	360,700
PNC Financial Services Group, Inc.	4,000	228,400



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ProLogis ^	5,000	271,750
State Street Corporation	5,000	319,950
SunTrust Banks, Inc. ^	7,000	253,540
Travelers Companies, Inc. (The)	10,000	434,000
U.S. Bancorp	4,000	111,560
Wachovia Corporation ^	8,000	124,240
Wells Fargo & Company	38,000	902,500
XL Capital Ltd, Class A	5,000	102,800
		-----
		13,113,650
		-----
HEALTHCARE - 11.47%		
Abbott Laboratories	14,000	741,580
Aetna Inc.	9,000	364,770
Amgen Inc. *	9,000	424,440
Baxter International Inc. ^	11,000	703,340
Biogen Idec Inc. *	3,500	195,615
Bristol-Myers Squibb Company ^	20,000	410,600
Celgene Corporation ^ *	4,000	255,480
Eli Lilly and Company	15,000	692,400
Express Scripts, Inc. *	4,000	250,880
Gilead Sciences, Inc. *	13,000	688,350
Johnson & Johnson	33,000	2,123,220
Medco Health Solutions, Inc. ^ *	12,000	566,400
Medtronic, Inc.	16,000	828,000
Merck & Co. Inc. ^	28,000	1,055,320
Pfizer Inc. ^	15,000	262,050
Schering-Plough Corporation	15,000	295,350
St. Jude Medical, Inc. *	7,000	286,160
Stryker Corporation	8,000	503,040
UnitedHealth Group Incorporated	18,000	472,500
Wyeth	14,000	671,440
Zimmer Holdings, Inc. *	3,000	204,150
		-----
		11,995,085
		-----
INDUSTRIALS - 10.85%		
3M Co.	5,000	347,950
Boeing Company (The) ^	5,000	328,600
Burlington Northern Santa Fe Corporation	4,000	399,560
Caterpillar Inc.	7,000	516,740
Danaher Corporation	8,000	618,400
Deere & Company ^	10,000	721,300
Emerson Electric Co.	11,000	543,950
General Dynamics Corporation ^	4,000	336,800
General Electric Company	111,000	2,962,590
Honeywell International Inc.	12,000	603,360
Illinois Tool Works Inc.	9,000	427,590
Lockheed Martin Corporation ^	4,000	394,640
Norfolk Southern Corporation ^	7,500	470,025
Raytheon Company	7,000	393,960
Textron Inc.	3,000	143,790
United Parcel Service, Inc., Class B	17,000	1,044,990
United Technologies Corporation	13,000	802,100
Waste Management, Inc.	7,500	282,825
		-----
		11,339,170
		-----
INFORMATION TECHNOLOGY - 16.98%		

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Agilent Technologies Inc. *	7,000	248,780
Apple Computer Inc. ^ *	9,000	1,506,960
Applied Materials, Inc. ^	15,000	286,350
Automatic Data Processing, Inc.	9,000	377,100
Cisco Systems, Inc. *	61,000	1,418,860
Corning Incorporated	20,000	461,000
eBay Inc. *	16,000	437,280
EMC Corporation	26,000	381,940
Google Inc. *	4,500	2,368,890
Hewlett-Packard Company	28,000	1,237,880
Intel Corporation	61,000	1,310,280
International Business Machines Corporation	15,000	1,777,950
Linear Technology Corporation	2,500	81,425
Microsoft Corporation	105,000	2,888,550
Nokia ADR	5,000	122,500
NVIDIA Corporation ^ *	5,000	93,600
Oracle Corporation *	60,000	1,260,000
Paychex, Inc.	5,000	156,400
QUALCOMM Inc.	14,000	621,180
Texas Instruments Incorporated ^	18,000	506,880
Xerox Corporation ^	10,000	135,600
Xilinx, Inc.	3,000	75,750
		-----
		17,755,155
		-----
MATERIALS - 3.78%		
Air Products and Chemicals, Inc.	2,500	247,150
Alcoa Inc. ^	8,000	284,960
Dow Chemical Company (The) ^	7,000	244,370
E. I. du Pont de Nemours and Company	12,500	536,125
Freeport-McMoRan Copper & Gold, Inc.	4,000	468,760
International Paper Company ^	5,000	116,500
Monsanto Company	10,000	1,264,400
Nucor Corporation	3,000	224,010
Praxair, Inc. ^	6,000	565,440
		-----
		3,951,715
		-----
REAL ESTATE INVESTMENT TRUSTS - 0.62%		
Public Storage	2,500	201,975
Simon Property Group, Inc. ^	5,000	449,450
		-----
		651,425
		-----
TELECOMMUNICATION SERVICES - 3.20%		
AT&T Inc.	72,000	2,425,680
Verizon Communications Inc.	26,000	920,400
		-----
		3,346,080
		-----
UTILITIES - 3.71%		
American Electric Power Company, Inc.	7,000	281,610
Dominion Resources, Inc.	14,000	664,860
Duke Energy Corporation	20,000	347,600
Entergy Corporation ^	5,000	602,400
Exelon Corporation	6,000	539,760
FPL Group, Inc.	7,000	459,060
PPL Corporation	4,000	209,080
Questar Corporation	4,000	284,160
Southern Company (The) ^	14,000	488,880

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		----- 3,877,410 -----
TOTAL EQUITY SECURITIES		
(cost - \$121,321,661)		103,951,174 -----
SHORT-TERM INVESTMENTS - 13.28%		
MONEY MARKET SECURITY - 0.60%		
JPMorgan U.S. Government Money Market Fund	627,916	627,916 -----
		Principal Amount (000's) -----
REPURCHASE AGREEMENTS - 12.68%		
Bear, Stearns & Co. Inc. + ++ (Agreements dated 6/30/2008 to be repurchased at \$11,458,281, 2.50%, 7/1/2008, collateralized by \$11,776,407 in United States Treasury Bonds)	\$ 11,457	11,457,485
Bear, Stearns & Co. Inc. + ++ (Agreements dated 6/30/2008 to be repurchased at \$1,799,092, 1.25%, 7/1/2008, collateralized by \$1,853,309 in United States Treasury Bonds)	1,799	1,799,029 ----- 13,256,514 -----
TOTAL SHORT-TERM INVESTMENTS		13,884,430 -----
(cost - \$13,884,430)		
TOTAL INVESTMENTS - 112.71%		
(cost - \$135,206,091)		117,835,604 -----
LIABILITIES IN EXCESS OF OTHER ASSETS - (12.71)%		(13,285,765) -----
NET ASSETS - 100.00%		\$ 104,549,839 =====

\* Non-income producing security.

^ Security or a portion thereof is out on loan.

ADR American Depositary Receipt

+ Stated interest rate, before rebate earned by borrower of securities on loan.

++ Represents investment purchased with collateral received for securities on loan.

(b) Not applicable.

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ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable.

ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable.

ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT COMPANY AND AFFILIATED PURCHASERS.

None.

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

ITEM 11. CONTROLS AND PROCEDURES.

(a) The Registrant's principal executive officer and principal financial officer have evaluated the Registrant's disclosure controls and procedures as of a date within 90 days of this filing and have concluded that the Registrant's disclosure controls and procedures are effective, as of such date, in ensuring that information required to be disclosed by the registrant in this Form N-CSR was recorded, processed, summarized, and reported timely.

(b) The Registrant's principal executive officer and principal financial officer are aware of no changes in the Registrant's internal control over financial reporting that occurred during the Registrant's second fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

ITEM 12. EXHIBITS.

(a)(1) Not applicable.

(a)(2) Separate certifications of Principal Executive and Financial Officers pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 attached as EX-99.CERT.

(b) Certification of Principal Executive and Financial Officers pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 furnished as EX-99.906 CERT.

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.

By: /S/ RALPH W. BRADSHAW

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Name: Ralph W. Bradshaw  
Title: Principal Executive Officer  
Date: September 8, 2008

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

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dates indicated.

Cornerstone Progressive Return Fund

By: /S/ RALPH W. BRADSHAW

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Name: Ralph W. Bradshaw

Title: Principal Executive Officer

Date: September 8, 2008

By: /S/ KAYADTI A. MADISON

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Name: Kayadti A. Madison

Title: Principal Financial Officer

Date: September 8, 2008