

CORNERSTONE PROGRESSIVE RETURN FUND
Form N-CSRS
September 04, 2012

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)

350 Jericho Turnpike, Suite 206 Jericho, New York

11753

(Address of principal executive offices)

(Zip code)

Theresa M. Bridge

Ultimus Fund Solutions, LLC 350 Jericho Turnpike, Suite 206 Jericho, New York 11753

(Name and address of agent for service)

Registrant's telephone number, including area code: (513) 326-3597

Date of fiscal year end:

December 31, 2012

Date of reporting period:

June 30, 2012

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.

ITEM 1.

REPORTS TO STOCKHOLDERS.

Cornerstone Progressive
Return Fund

Semi-Annual Report
June 30, 2012
(Unaudited)

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Cornerstone Progressive Return Fund
 Portfolio Summary – as of June 30, 2012 (unaudited)

SECTOR ALLOCATION

Sector	Percent of Net Assets
Closed-End Funds	66.4
Information Technology	2.1
Consumer Discretionary	0.8
Financials	0.8
Industrials	0.7
Energy	0.7
Health Care	0.5
Consumer Staples	0.5
Utilities	0.1
Other	27.4

TOP TEN HOLDINGS, BY ISSUER

Holding	Sector	Percent of Net Assets
1. Eaton Vance Tax-Managed Global Diversified Equity Income Fund	Closed-End Funds	4.7
2. Eaton Vance Tax-Managed Diversified Equity Income Fund	Closed-End Funds	3.8
3. Eaton Vance Tax-Managed Global Buy-Write Opportunities Fund	Closed-End Funds	3.7
4. BlackRock Enhanced Equity Dividend Trust	Closed-End Funds	3.7
5. Eaton Vance Risk-Managed Diversified Equity Income Fund	Closed-End Funds	3.0
6. BlackRock International Growth and Income Trust	Closed-End Funds	2.7
7. India Fund, Inc. (The)	Closed-End Funds	2.2
8. Eaton Vance Enhanced Equity Income Fund II	Closed-End Funds	2.1
9. Eaton Vance Tax-Managed Buy-Write Opportunities Fund	Closed-End Funds	2.1
10. Morgan Stanley China A Share Fund, Inc.	Closed-End Funds	2.0

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		2,622,016
GENERAL & INSURED LEVERAGED – 0.14%		
Total General & Insured Leveraged (a)		167,644
GENERAL & INSURED UNLEVERAGED – 0.02%		
Total General & Insured Unleveraged (a)		24,516
GENERAL BOND – 1.52%		
Nuveen Build America Bond Fund	64,689	1,368,172
Nuveen Build America Bond Opportunity Fund	22,299	481,212
		1,849,384
GENERAL MUNICIPAL LEVERAGED – 1.08%		
Eaton Vance Municipal Bond Fund	85,634	1,139,789
Other General Municipal Leveraged (a)		174,911
		1,314,700

See accompanying notes to financial statements.

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Cornerstone Progressive Return Fund

Summary Schedule of Investments – June 30, 2012 (unaudited) (continued)

Description	No. of Shares	Value
GLOBAL – 5.21%		
Clough Global Allocation Fund	33,200	\$431,268
Clough Global Equity Fund	56,369	681,501
Clough Global Opportunities Fund	204,664	2,200,138
Eaton Vance Tax-Advantaged Global Dividend Opportunities Fund	61,898	1,115,402
Nuveen Global Value Opportunities Fund	25,775	366,778
Other Global (a)		1,543,352
		6,338,439
GLOBAL INCOME – 1.20%		
Nuveen Multi-Currency Short-Term Government Income Fund	109,643	1,359,573
Other Global Income (a)		97,075
		1,456,648
INCOME & PREFERRED STOCK – 1.83%		
Zweig Total Return Fund, Inc.	175,233	2,153,617
Other Income & Preferred Stock (a)		74,041
		2,227,658
INSURED MUNICIPAL LEVERAGED – 0.08%		
Other Insured Municipal Leveraged (a)		100,241
LOAN PARTICIPATION – 0.11%		
Total Loan Participation (a)		134,123
OPTION ARBITRAGE/OPTIONS STRATEGIES – 35.82%		
BlackRock Enhanced Capital & Income Fund, Inc.	179,452	2,296,986
BlackRock Enhanced Equity Dividend Trust	613,787	4,443,818
Description	No. of Shares	Value
OPTION ARBITRAGE/OPTIONS STRATEGIES (continued)		
BlackRock Global Opportunities Equity Trust	55,600	\$736,700
BlackRock International Growth and Income Trust	464,875	3,309,910
Eaton Vance Enhanced Equity Income Fund	220,336	2,335,562
Eaton Vance Enhanced Equity Income Fund II	245,453	2,606,711
Eaton Vance Risk-Managed Diversified Equity Income Fund	361,450	3,704,862
Eaton Vance Tax-Managed Buy-Write Income Fund	137,818	1,852,274
Eaton Vance Tax-Managed Buy-Write Opportunities Fund	208,578	2,592,625
Eaton Vance Tax-Managed Diversified Equity Income Fund	505,939	4,588,867
Eaton Vance Tax-Managed Global Buy-Write Opportunities Fund	424,169	4,445,291
Eaton Vance Tax-Managed Global Diversified Equity Income Fund	685,521	5,689,824
ING Global Advantage and Premium Opportunity Fund	58,039	653,519
Nuveen Equity Premium Advantage Fund	76,057	914,205
Nuveen Equity Premium Income Fund	45,251	547,537
Nuveen Equity Premium Opportunity Fund	119,695	1,424,370

Other Option Arbitrage/Options Strategies (a)	1,406,279
	43,549,340

See accompanying notes to financial statements.

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Cornerstone Progressive Return Fund

Summary Schedule of Investments – June 30, 2012 (unaudited) (concluded)

Description	No. of Shares	Value
PACIFIC EX JAPAN – 2.22%		
Morgan Stanley China A Share Fund, Inc.	127,933	\$2,467,828
Other Pacific Ex Japan (a)		230,008
		2,697,836
REAL ESTATE – 1.08%		
Neuberger Berman Real Estate Securities Income Fund Inc.	216,652	957,602
Other Real Estate (a)		351,026
		1,308,628
SECTOR EQUITY – 1.47%		
ING Risk Managed Natural Resources Fund	70,642	785,539
Petroleum & Resources Corporation	30,400	728,384
Other Sector Equity (a)		270,737
		1,784,660
VALUE – 0.04%		
Total Value (a)		51,414
TOTAL CLOSED-END FUNDS		80,721,374
CONSUMER DISCRETIONARY – 0.82%		
Other Consumer Discretionary (a)		997,575
CONSUMER STAPLES – 0.46%		
Wal-Mart Stores, Inc.	8,000	557,760
ENERGY – 0.67%		
Chevron Corporation	5,000	527,500
Other Energy (a)		290,000
		817,500
FINANCIALS – 0.80%		
Other Financials (a)		969,980
HEALTH CARE – 0.50%		
Other Health Care (a)		610,820
INDUSTRIALS – 0.69%		
Other Industrials (a)		\$843,350
INFORMATION TECHNOLOGY – 2.06%		
Apple, Inc. *	2,000	1,168,000
International Business Machines Corporation	3,000	586,740
Oracle Corporation	25,000	742,500

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		2,497,240
UTILITIES – 0.17%		
Total Utilities (a)		206,430
TOTAL EQUITY SECURITIES		
(cost - \$91,560,384)		88,222,029
SHORT-TERM INVESTMENTS – 31.92%		
MONEY MARKET FUNDS – 31.92%		
Fidelity Institutional Money Market Government Portfolio - Class I (cost - \$38,805,245)	38,805,245	38,805,245
TOTAL INVESTMENTS – 104.49%		
(cost - \$130,365,629)		127,027,274
LIABILITIES IN EXCESS OF OTHER ASSETS – (4.49)%		(5,458,548)
NET ASSETS – 100.00%		\$ 121,568,726

(a) Represents issuers 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, 2012.

*Non-income producing security.

See accompanying notes to financial statements.

Cornerstone Progressive Return Fund
Statement of Assets and Liabilities – June 30, 2012 (unaudited)

ASSETS

Investments, at value (cost – \$130,365,629)	\$ 127,027,274
Cash	84,624
Receivables:	
Investments sold	169,353
Dividends	160,484
Prepaid expenses	7,886
Total Assets	127,449,621

LIABILITIES

Payables:	
Securities purchased	5,695,934
Investment management fees (Note D)	61,459
Trustees' fees	16,083
Accounting fees (Note D)	5,585
Other accrued expenses	101,834
Total Liabilities	5,880,895

NET ASSETS (applicable to 24,642,275 common shares of beneficial interest) \$ 121,568,726

NET ASSET VALUE PER SHARE (\$121,568,726 ÷ 24,642,275) \$4.93

NET ASSETS CONSISTS OF

Paid-in capital	\$ 145,789,274
Accumulated net realized loss on investments	(20,882,193)
Net unrealized depreciation in value of investments	(3,338,355)
Net assets applicable to shares outstanding	\$ 121,568,726

See accompanying notes to financial statements.

Cornerstone Progressive Return Fund
 Statement of Operations – for the Six Months Ended June 30, 2012 (unaudited)

INVESTMENT INCOME

Income:

Dividends from investments	\$3,137,145
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Expenses:

Investment management fees (Note D)	397,827
Administration fees (Note D)	40,319
Trustees' fees and expenses	30,907
Accounting fees (Note D)	25,721
Printing	17,398
Legal and audit fees	15,684
Custodian fees	9,475
Transfer agent fees	8,769
Insurance	3,431
Miscellaneous	115
Total Expenses	549,646
Less: Fees paid indirectly	(58,563)
Net Expenses	491,083
Net Investment Income	2,646,062

NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS

Net realized gain from investments	2,011,426
Capital gain distributions from regulated investment companies	266,574
Net change in unrealized appreciation/(depreciation) in value of investments	1,522,632
Net realized and unrealized gain on investments	3,800,632

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$6,446,694
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See accompanying notes to financial statements.

Cornerstone Progressive Return Fund
Statement of Changes in Net Assets

	For the Six Months Ended June 30, 2012 (Unaudited)	For the Year Ended December 31, 2011
INCREASE IN NET ASSETS		
Operations:		
Net investment income	\$2,646,062	\$1,604,449
Net realized gain from investments	2,278,000	6,316,500
Net change in unrealized appreciation/(depreciation) in value of investments	1,522,632	(9,533,087)
Net increase/(decrease) in net assets resulting from operations	6,446,694	(1,612,138)
Dividends and distributions to shareholders:		
Net investment income	(2,646,062)	(7,920,949)
Return-of-capital	(5,988,915)	(8,194,697)
Total dividends and distributions to shareholders	(8,634,977)	(16,115,646)
Transactions in common shares of beneficial interest:		
Proceeds from rights offering of 8,817,593 and 6,254,468 shares of newly issued common stock, respectively	44,793,372	40,591,497
Offering expenses associated with rights offering	(128,254)	(82,220)
Proceeds from 129,978 and 65,407 shares newly issued in reinvestment of dividends and distributions, respectively	657,260	376,140
Net increase in net assets from capital stock transactions	45,322,378	40,885,417
Total increase in net assets	43,134,095	23,157,633
NET ASSETS		
Beginning of period	78,434,631	55,276,998
End of period	\$121,568,726	\$78,434,631

See accompanying notes to financial statements.

Cornerstone Progressive Return Fund
Financial Highlights

Contained below is per share operating performance data for a share of common stock 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

	For the Six Months Ended June 30, 2012 (Unaudited)	For the Years Ended December 31,				For the Period Sept. 10, 2007* through Dec. 31, 2007
		2011	2010	2009	2008	
PER SHARE OPERATING PERFORMANCE						
Net asset value, beginning of period	\$ 5.00	\$ 5.90	\$ 6.28	\$ 7.16	\$ 14.10	\$14.96 ^
Net investment income #	0.17	0.12	0.13	0.16	0.16	0.06
Net realized and unrealized gain/(loss) on investments	0.20	(0.11)	1.03	1.42	(4.64)	(0.35)
Net increase/(decrease) in net assets resulting from operations	0.37	0.01	1.16	1.58	(4.48)	(0.29)
Dividends and distributions to shareholders:						
Net investment income	(0.17)	(0.61)	(1.14)	(0.16)	(0.16)	(0.06)
Net realized capital gains	—	—	—	—	—	(0.15)
Return-of-capital	(0.38)	(0.63)	(0.40)	(2.30)	(2.30)	(0.41)
Total dividends and distributions to shareholders	(0.55)	(1.24)	(1.54)	(2.46)	(2.46)	(0.62)
Transactions in common shares of beneficial interest:						
Anti-dilutive effect due to shares issued:						
Rights offering	0.11	0.31	—	—	—	0.05
Reinvestment of dividends and distributions	0.00 +	0.02	0.00 +	—	—	—
Total transactions in common shares of beneficial interest	0.11	0.33	—	—	—	0.05
Net asset value, end of period	\$ 4.93	\$ 5.00	\$ 5.90	\$ 6.28	\$ 7.16	\$ 14.10
Market value, end of period	\$ 5.31	\$ 6.04	\$ 7.46	\$ 8.90	\$ 7.10	\$ 16.75
Total investment return (a)	(2.13%)(b)	(2.12%)	4.73%	65.40%	(47.53%)	16.02% (b)

RATIOS/SUPPLEMENTAL
DATA

Net assets, end of period (000 omitted)	\$ 121,569	\$ 78,435	\$ 55,277	\$ 58,738	\$ 66,811	\$ 131,628
Ratio of expenses to average net assets, net of fee waivers and fees paid indirectly, if any (c)	1.23% (d)	1.30%	1.47%	1.39%	1.25%	1.29% (d)
Ratio of expenses to average net assets, excluding fee waivers and fees paid indirectly, if any (c)	1.38% (d)	1.45%	1.61%	1.54%	1.32%	1.42% (d)
Ratio of net investment income to average net assets	6.65% (d)	2.20%	2.20%	2.54%	1.48%	1.46% (d)
Portfolio turnover rate	35.56% (b)	112.69%	117.45%	115.99%	20.19%	6.77% (b)

* 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 rounds to less than \$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) Not annualized.

(c) Expenses do not include expenses of investment companies in which the Fund invests.

(d) Annualized.

See accompanying notes to financial statements.

Cornerstone Progressive Return Fund
Notes to Financial Statements (unaudited)

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 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.

Subsequent Events: The Fund has evaluated the need for additional disclosures and/or adjustments resulting from subsequent events through the date its financial statements were issued. Based on this evaluation, no additional disclosures or adjustments were required to such financial statements.

Portfolio Valuation: Investments are stated at value in the accompanying financial statements. Readily marketable portfolio securities listed on the New York Stock Exchange (“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 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 Manager” 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, 2012, 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 NYSE MKT is closed.

The Fund is exposed to financial market risks, including the valuations of its investment portfolio. During the six months ended June 30, 2012, the Fund did not invest in derivative instruments or engage in hedging activities.

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

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Cornerstone Progressive Return Fund
Notes to Financial Statements (unaudited) (continued)

purposes. Interest income is recorded on an accrual basis; dividend income is recorded on the ex-dividend date.

Risks Associated with Investments in Other Closed-end Funds: Closed-end investment companies are subject to the risks of investing in the underlying securities. The Fund, as a holder of the securities of the closed-end investment company, will bear its pro rata portion of the closed-end investment company's expenses, including advisory fees. These expenses are in addition to the direct expenses of the Fund's own operations.

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

The Accounting for Uncertainty in Income Taxes Topic of the FASB Accounting Standards Codification defines the threshold for recognizing the benefits of tax-return positions in the financial statements as "more-likely-than-not" to be sustained by the taxing authority and requires measurement of a tax position meeting the more-likely-than-not criterion, based on the largest benefit that is more than 50 percent likely to be realized. The Fund's policy is to classify interest and penalties associated with underpayment of federal and state income taxes, if any, as income tax expense on its Statement of Operations. As of June 30, 2012, the Fund does not have any interest or penalties associated with the underpayment of any income taxes. Management reviewed any uncertain tax positions for open tax years 2009 through 2011, and for the six months ended June 30, 2012. There was no material impact to the financial statements.

Distributions to Shareholders: The Fund seeks to make a level distribution to its shareholders each month pursuant to a distribution policy adopted by the Board of Trustees ("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 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 dist