

CORNERSTONE STRATEGIC VALUE FUND INC
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 811-05150

Cornerstone Strategic Value Fund, Inc.

(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 Strategic
Value Fund, Inc.

Semi-Annual Report
June 30, 2012
(Unaudited)

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Cornerstone Strategic Value Fund, Inc.
 Portfolio Summary – as of June 30, 2012 (unaudited)

SECTOR ALLOCATION

Sector	Percent of Net Assets
Closed-End Funds	47.3
Information Technology	10.1
Financials	7.0
Health Care	6.9
Energy	5.9
Consumer Staples	5.7
Consumer Discretionary	5.5
Industrials	5.5
Telecommunication Services	2.1
Utilities	1.9
Materials	1.7
Other	0.4

TOP TEN HOLDINGS, BY ISSUER

1.	Holding	Sector	Percent of Net Assets
	Apple, Inc.	Information Technology	5.3
2.	Eaton Vance Tax-Managed Global Diversified Equity Income Fund	Closed-End Funds	4.3
3.	Eaton Vance Tax-Managed Diversified Equity Income Fund	Closed-End Funds	3.9
4.	Eaton Vance Risk-Managed Diversified Equity Income Fund	Closed-End Funds	3.3
5.	Eaton Vance Tax-Managed Global Buy-Write Opportunities Fund	Closed-End Funds	3.2
6.	Exxon Mobil Corporation	Energy	2.7
7.	BlackRock Global Opportunities Equity Trust	Closed-End Funds	2.4
8.	Clough Global Opportunities Fund	Closed-End Funds	2.3
9.	Microsoft Corporation	Information Technology	2.0

10. Chevron Corporation

Energy

1.9

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Cornerstone Strategic Value Fund, Inc.
Summary Schedule of Investments – June 30, 2012 (unaudited)

Description	No. of Shares	Value
EQUITY SECURITIES – 99.45%		
CLOSED-END FUNDS – 47.28%		
CONVERTIBLE SECURITIES – 0.96%		
Advent Claymore Global Convertible Securities and Income Fund II	114,032	\$ 730,945
Other Convertible Securities (a)		105,728
		836,673
CORE – 0.99%		
Total Core (a)		859,058
CORPORATE DEBT FUNDS INVESTMENT GRADE-RATED – 3.27%		
Federated Enhanced Treasury Income Fund	47,044	679,315
Western Asset/Claymore Inflation-Linked Opportunities & Income Fund	99,868	1,303,277
Western Asset/Claymore Inflation-Linked Securities & Income Fund	65,367	849,771
Other Corporate Debt Funds Investment Grade-Rated (a)		15,418
		2,847,781
DEVELOPED MARKET – 0.78%		
Japan Smaller Capitalization Fund, Inc.	88,375	653,091
Other Developed Market (a)		28,350
		681,441
EMERGING MARKETS – 0.69%		
Morgan Stanley India Investment Fund, Inc. *	34,687	537,995
Other Emerging Markets (a)		61,140
		599,135
	No. of Shares	Value
FLEXIBLE INCOME – 0.64%		
Putnam Premier Income Trust	103,693	\$554,758
GLOBAL – 5.60%		
Alpine Total Dynamic Dividend Fund	143,228	597,261
Clough Global Opportunities Fund	189,110	2,032,933
Other Global (a)		2,248,332
		4,878,526
GLOBAL INCOME – 1.36%		
Nuveen Multi-Currency Short-Term Government Income Fund	86,066	1,067,218
Other Global Income (a)		119,589
		1,186,807
INCOME & PREFERRED STOCK – 0.63%		
Zweig Total Return Fund, Inc.	44,738	549,827
LOAN PARTICIPATION – 0.47%		
Total Loan Participation (a)		411,454

OPTION ARBITRAGE/OPTIONS STRATEGIES – 28.73%

BlackRock Enhanced Capital & Income Fund, Inc.	69,048	883,814
BlackRock Enhanced Equity Dividend Trust	215,219	1,558,186
BlackRock Global Opportunities Equity Trust	154,382	2,045,562
BlackRock International Growth and Income Trust	163,013	1,160,653
Eaton Vance Enhanced Equity Income Fund	108,700	1,152,220

See accompanying notes to financial statements.

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Cornerstone Strategic Value Fund, Inc.

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

Description	No. of Shares	Value
OPTION ARBITRAGE/OPTIONS STRATEGIES – (continued)		
Eaton Vance Enhanced Equity Income Fund II	152,300	\$1,617,426
Eaton Vance Risk-Managed Diversified Equity Income Fund	280,148	2,871,517
Eaton Vance Tax-Managed Buy-Write Income Fund	74,563	1,002,127
Eaton Vance Tax-Managed Buy-Write Opportunities Fund	95,600	1,188,308
Eaton Vance Tax-Managed Diversified Equity Income Fund	371,208	3,366,857
Eaton Vance Tax-Managed Global Buy-Write Opportunities Fund	263,175	2,758,074
Eaton Vance Tax-Managed Global Diversified Equity Income Fund	455,011	3,776,591
Other Option Arbitrage/Options Strategies (a)		1,655,933
		25,037,268
PACIFIC EX JAPAN – 1.00%		
Morgan Stanley China A Share Fund, Inc.	45,347	874,744
REAL ESTATE – 0.34%		
Total Real Estate (a)		296,757
SECTOR EQUITY – 1.48%		
ING Risk Managed Natural Resources Fund	65,307	726,214
Other Sector Equity (a)		558,906
		1,285,120
VALUE – 0.34%		
Total Value (a)		295,140
TOTAL CLOSED-END FUNDS		41,194,489
Description	No. of Shares	Value
CONSUMER DISCRETIONARY – 5.49%		
Comcast Corporation - Class A	20,655	\$660,340
McDonald's Corporation	7,400	655,122
TJX Companies, Inc. (The)	14,000	601,020
Other Consumer Discretionary (a)		2,866,220
		4,782,702
CONSUMER STAPLES – 5.73%		
Altria Group, Inc.	20,800	718,640
Coca-Cola Company (The)	13,500	1,055,565
Philip Morris International, Inc.	10,400	907,504
Wal-Mart Stores, Inc.	22,700	1,582,644
Other Consumer Staples (a)		724,894
		4,989,247
ENERGY – 5.86%		
Chevron Corporation	15,732	1,659,726
Exxon Mobil Corporation	26,936	2,304,913

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Other Energy (a)		1,144,021
		5,108,660
FINANCIALS – 6.96%		
JPMorgan Chase & Co.	30,132	1,076,617
U.S. Bancorp	16,401	527,456
Wells Fargo & Company	44,800	1,498,112
Other Financials (a)		2,966,294
		6,068,479
HEALTH CARE – 6.87%		
Abbott Laboratories	13,200	851,004
Amgen, Inc.	7,800	569,712
Biogen Idec, Inc. *	4,000	577,520
Bristol-Myers Squibb Company	19,000	683,050
Merck & Company, Inc.	22,267	929,647
UnitedHealth Group, Inc.	11,000	643,500
Other Health Care (a)		1,729,056
		5,983,489

See accompanying notes to financial statements.

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Cornerstone Strategic Value Fund, Inc.

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

Description	No. of Shares	Value
INDUSTRIALS – 5.47%		
Deere & Company	6,500	\$525,655
General Electric Company	35,000	729,400
Other Industrials (a)		3,511,161
		4,766,216
INFORMATION TECHNOLOGY – 10.14%		
Apple, Inc. *	7,900	4,613,600
International Business Machines Corporation	8,100	1,584,198
Microsoft Corporation	55,800	1,706,922
Oracle Corporation	31,272	928,778
		8,833,498
MATERIALS – 1.66%		
Total Materials (a)		1,443,500
REAL ESTATE INVESTMENT TRUST – 0.00% (b)		
Total Real Estate Investment Trust (a)		2,179
TELECOMMUNICATION SERVICES – 2.04%		
AT&T, Inc.	30,039	1,071,191
Verizon Communications, Inc.	16,000	711,040
		1,782,231
UTILITIES – 1.95%		
Total Utilities (a)		1,698,018
TOTAL EQUITY SECURITIES		
(cost - \$74,914,114)		86,652,708
SHORT-TERM INVESTMENTS – 0.38%		
MONEY MARKET FUNDS – 0.38%		
Fidelity Institutional Money Market Government Portfolio - Class I (cost - \$334,915)	334,915	334,915
TOTAL INVESTMENTS – 99.83%		
(cost - \$75,249,029)		86,987,623
	No. of Shares	Value
OTHER ASSETS IN EXCESS OF LIABILITIES – 0.17%		\$148,342
NET ASSETS – 100.00%		\$87,135,965

(a)

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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.

(b) Percentage rounds to less than 0.01%

* Non-income producing security.

See accompanying notes to financial statements.

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Cornerstone Strategic Value Fund, Inc.
Statement of Assets and Liabilities – June 30, 2012 (unaudited)

ASSETS

Investments, at value (cost – \$75,249,029)	\$86,987,623
Cash	36,587
Receivables:	
Investment sold	127,719
Dividends	123,727
Prepaid expenses	8,475
Total Assets	87,284,131

LIABILITIES

Payables:	
Investment management fees (Note D)	68,597
Directors' fees	21,200
Administration fees (Note D)	7,002
Accounting fees (Note D)	3,506
Other accrued expenses	47,861
Total Liabilities	148,166

NET ASSETS (applicable to 14,548,728 common shares of beneficial interest) \$87,135,965

NET ASSET VALUE PER SHARE ($\$87,135,965 \div 14,548,728$) \$5.99

NET ASSETS CONSISTS OF

Common stock, \$0.001 par value; 14,548,728 shares issued and outstanding (100,000,000 shares authorized)	\$14,549
Paid-in capital	75,961,042
Accumulated net realized loss on investments	(578,220)
Net unrealized appreciation in value of investments	11,738,594
Net assets applicable to shares outstanding	\$87,135,965

See accompanying notes to financial statements.

Cornerstone Strategic Value Fund, Inc.
 Statement of Operations – for the Six Months Ended June 30, 2012 (unaudited)

INVESTMENT INCOME

Income:

Dividends from investments	\$2,276,467
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Expenses:

Investment management fees (Note D)	445,319
Administration fees (Note D)	44,531
Directors' fees	40,058
Accounting fees (Note D)	22,896
Legal and audit fees	21,511
Printing	19,324
Transfer agent fees	11,779
Custodian fees	8,060
Stock exchange listing fees	3,978
Insurance	3,516
Miscellaneous	1,746
Total Expenses	622,718
Net Investment Income	1,653,749

NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS

Net realized gain from investments	3,047,476
Capital gain distributions from regulated investment companies	94,150
Net change in unrealized appreciation in value of investments	2,735,639
Net realized and unrealized gain on investments	5,877,265

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$7,531,014
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See accompanying notes to financial statements.

Cornerstone Strategic Value Fund, Inc.
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	\$1,653,749	\$585,116
Net realized gain from investments	3,141,626	497,333
Net change in unrealized appreciation/ (depreciation) in value of investments	2,735,639	60,034
Net increase in net assets resulting from operations	7,531,014	1,142,483
Dividends and distributions to stockholders:		
Net investment income	(1,653,749)	(1,082,449)
Return-of-capital	(7,954,954)	(12,048,205)
Total dividends and distributions to stockholders	(9,608,703)	(13,130,654)
Common stock transactions:		
Proceeds from rights offering of 0 and 5,734,886 shares of newly issued common stock, respectively	—	34,925,455
Offering expenses associated with rights offering	—	(159,227)
Proceeds from 178,045 and 124,384 shares newly issued in reinvestment of dividends and distributions, respectively	1,102,895	1,067,013
Net increase in net assets from capital stock transactions	1,102,895	35,833,241
Total increase/(decrease) in net assets	(974,794)	23,845,070
NET ASSETS		
Beginning of period	88,110,759	64,265,689
End of period	\$87,135,965	\$88,110,759

See accompanying notes to financial statements.

Cornerstone Strategic Value Fund, Inc.
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) 2011		For the Years Ended December 31,*			2007
	2010	2009	2008	2007		
PER SHARE OPERATING PERFORMANCE						
Net asset value, beginning of period	\$ 6.13	\$ 7.55	\$ 8.24	\$ 8.71	\$ 18.12	\$ 21.28
Net investment income #	0.12	0.07	0.06	0.06	0.15	0.16
Net realized and unrealized gain/(loss) on investments	0.41	(0.04)	0.76	1.52	(5.55)	0.96
Net increase/(decrease) in net assets resulting from operations	0.53	0.03	0.82	1.58		