

PROGRESSIVE RETURN FUND INC  
Form N-30D  
August 29, 2001

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PROGRESSIVE RETURN FUND, INC.

SEMI-ANNUAL REPORT  
JUNE 30, 2001

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CONTENTS

Letter to Shareholders .....	1
Portfolio Summary .....	4
Schedule of Investments .....	5
Statement of Assets and Liabilities .....	12
Statement of Operations .....	13
Statement of Changes in Net Assets .....	14
Financial Highlights .....	15
Notes to Financial Statements .....	16
Results of Annual Meeting of Stockholders .....	20
Description of Dividend Reinvestment & Cash Purchase Plan .....	21
Privacy Policy Notice .....	23
Summary of General Information .....	24
Shareholder Information .....	24

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LETTER TO SHAREHOLDERS

August 2, 2001

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Dear Fellow Shareholders:

Our report for Progressive Return Fund, Inc. (the "Fund"), formerly The Portugal Fund, Inc., covering the six months ended June 30, 2001 follows. At the end of the period, the Fund's net assets were \$49.3 million. Net Asset Value ("NAV") per share was \$11.49, as compared to \$12.37 at December 31, 2000. Following the direction of the Board of Directors (the "Board") and votes of the shareholders last year and at the Fund's annual meeting in April, the portfolio composition changed substantially under new management by Cornerstone Advisors, Inc. Investment focus changed from a concentration in Portuguese securities to a much broader diversification in U.S. and non-U.S. equities.

### ECONOMIC AND MARKET SUMMARY

The U.S. economy benefited from the longest peacetime expansion in its history, having started way back in 1991. But it stalled alarmingly in the first quarter. One industry after another found itself with excess capacity and withering profits, leading to decreases in capital spending and significant layoffs.

The first quarter market downturn was broader and heavier than most expected and few industry segments were spared. The Dow Jones Industrial Average dropped 8%, the S&P 500 declined 12% and the NASDAQ Composite dove 25% for the quarter. Financials, capital goods, and health care were particularly weak and technology staged a major retreat. Outside the U.S., the picture was not pretty either, with many stock markets around the world plunging to depths not seen for years. The Morgan Stanley Capital International Europe Australasia Far East Index was down 14% in U.S. dollar terms by quarter's end.

By the end of the second quarter, the Federal Reserve had just completed the sixth interest rate cut of 2001. The three cuts made during this latest quarter slashed an additional 1.25% from rates, following up on the three made in the first quarter that totaled 1.5%. But the latest 1/4 point cut in late June, which brought the Fed funds rate down to a seven year low of only 3.75%, was treated with general disappointment by the market, even though the pace and depth of the Fed's reductions has been historically fast and deep. There has generally been a lag of at least six months before the impact of any rate cut is fully felt. As we approached the six-month point since the first of these cuts, most analysts remained mildly optimistic that growth would pick up soon, at least by the latter half of the year. However, as more economic data and corporate profit reports continued to roll in, doubts increased that the U.S. economy will indeed be able to get back on its feet by the end of 2001.

The second quarter saw a much needed rebound in all the major U.S. stock indices - the Dow Jones Industrial Average bounced back 6%; the S&P 500 was up 5%; the NASDAQ Composite was up 17%. However, even after these rebounds, all these same indices remained mired in negative territory for the year, still down 3%, 7% and 13%, respectively, with almost all of the rebound occurring only in April. Unfortunately, many global developed markets continued to deteriorate, as the dollar remained strong.

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1

LETTER TO SHAREHOLDERS (CONTINUED)

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### PORTFOLIO PERFORMANCE

The Fund moved from an early focus in international equities into much more broadly diversified U.S. equities. In spite of the substantial downturn for many technology companies like Cisco Systems, Inc., first quarter performance was helped by the positive performance of Microsoft Corp. and International Business Machines Corp. ("IBM"). Banco Comercial Portuguese, S.A. , ("BCP"), the Fund's largest holding, declined through the quarter in line with the portfolio in general, but other international portfolio holdings, like Siemens AG and ING Groep N.V., fell even more. Even though the market retreated from the heights of the April rally, the second quarter brought some relief to a protracted market slide. Performance was helped by continuing positive returns from Microsoft and IBM and by solid recoveries in General Electric Co. and AOL Time Warner Inc. John Hancock Bank & Thrift Opportunity Fund, a closed-end fund specializing in financial securities, also provided a boost with a double-digit return for the quarter. Continuing weakness in international markets, however, moderated the gains. The Fund sold the remaining Portuguese positions in BCP and Fabrica de Porcelana Vista Alegre, S.A. as the Portuguese market showed signs of continuing decline. (This move proved timely in that the Morgan Stanley Capital International Portugal Index, down 9% for the first quarter, declined further to -25% by the end of the second quarter in U.S. dollar terms.)

### OUTLOOK

Previous hopes for a third quarter recovery have apparently been dashed. We think that as the second half of 2001 unfolds, equities will remain under pressure from earnings disappointments. Continuing threats to the U.S. economy remain, such as the possibility of decline in consumer spending, lack of recovery in business capital expenditures, or emerging weakness in other parts of the world. Globally, Europe will continue to face lower growth with little hope of significant central bank rate reduction. Japan's new Prime Minister faces the daunting task of cleaning up a banking mess without further damaging a burdened economy entering its fourth recession in a decade. Asia's other export-driven economies will continue to feel the effects of cooling demand.

Nevertheless, indications appear to be growing that the U.S. economic downturn is nearing a bottom and we may see a return of more acceptable growth in 2002, possibly even by the earlier part of the year. Much about today's economic outlook for the U.S. remains positive. Inflation is still under control, the unemployment rate remains low and the positive effects of past interest rate cuts are beginning to be felt. Furthermore, additional reduction in interest rates can now be expected, the impact of recent tax rate cuts will start to be felt soon, and energy costs have been dropping, all of which should provide a further boost to economic growth.

The feeling is increasing that the worst may be behind us. We believe the stock market record of the past few years suggests that there are some eternal truths in equity investing, and that our consistent, more conservative strategies did not go out of style with the "new economy". We continue to maintain that our more conservative approach involving a long-term perspective, with an emphasis on broad diversification, balanced asset allocation and liquidity, and our current U.S. equity focus, are appropriate for our shareholders in this environment.

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LETTER TO SHAREHOLDERS (CONCLUDED)

The Board continues to emphasize using the Fund's unique advantages to enhance long-term capital appreciation.

- The investment flexibility recently given by the stockholders has enabled substantial change in the Fund's holdings. This has allowed the portfolio to be much more diversified; thus moderating the negative volatility that often accompanies narrowly focused objectives.
- The program of repurchasing the Fund's shares has continued. Through June 30, 2001, a total of 1,063,100 shares have been bought by the Fund, representing 19.85% of the shares outstanding at the start of the program. In effect, this repurchasing of shares at a discount allows the Fund to purchase its portfolio at below market prices. It has provided a direct benefit to those remaining as shareholders by increasing the Fund's NAV per share. This program has also provided additional liquidity for those shareholders desiring to sell their shares in the Fund.
- The expense ratio has been substantially reduced. Working with the new investment adviser, the Board has overseen changes in and by a number of providers to improve the scope and cost of services to the Fund. In addition, the investment management agreement recently approved by shareholders provides for a waiver of management fees if Fund expenses exceed certain limits.

We believe that we have positioned Progressive Return Fund, Inc. to produce excellent returns for the long-term investor. We know you have a choice, we thank you for your support, and we look forward to continuing to serve you in the future.

Sincerely,

/s/ RALPH W. BRADSHAW

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Ralph W. Bradshaw  
Chairman

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 PROGRESSIVE RETURN FUND, INC.  
 PORTFOLIO SUMMARY - AS OF JUNE 30, 2001 (UNAUDITED)  
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TOP TEN, BY SECTOR

	Sector	Percent of Net Assets
1	Drugs (Major Pharmaceuticals)	9.5
2	Computers (Software & Services)	7.6
3	Manufacturing (Diversified)	7.1
4	Computers (Hardware)	5.4
5	Insurance (Property-Casualty)	4.7
6	Telephone	3.8
7	Banks (Money Center)	3.7
8	Electronics (Semiconductors)	3.1
9	Broadcasting (TV, Cable, Radio)	2.8
10	Oil (Domestic Integrated)	2.8

TOP TEN HOLDINGS, BY ISSUER

	Holding	Sector	Percent of Net Assets
1	Microsoft Corp.	Computers (Software & Services)	5.0
2	General Electric Co.	Manufacturing (Diversified)	4.5
3	International Business Machines Corp.	Computers (Hardware)	3.3
4	Exxon Mobil Corp.	Oil (Domestic Integrated)	2.8
5	Citigroup Inc.	Insurance (Property-Casualty)	2.5
6	Pfizer Inc.	Drugs (Major Pharmaceuticals)	2.4
7	AOL Time Warner Inc.	Broadcasting (TV, Cable, Radio)	2.1
8	Wal-Mart Stores, Inc.	Retail (Discounters)	2.0
9	John Hancock Bank & Thrift Opportunity Fund	Closed-End Domestic Funds	1.9
10	American International Group, Inc.	Insurance (Property-Casualty)	1.8

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4

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 PROGRESSIVE RETURN FUND, INC.  
 SCHEDULE OF INVESTMENTS - JUNE 30, 2001 (UNAUDITED)  
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Description	No. of Shares	Value (Note A)
-----		
EQUITY SECURITIES - 98.41%		
Bermuda - 1.05%		
Basic Materials - 0.98%		
Manufacturing (Diversified) - 0.98%		
Tyco International Ltd. ....	8,897	\$ 484,887
-----		
COMMUNICATION SERVICES - 0.07%		
TELECOMMUNICATIONS (LONG DISTANCE) - 0.07%		
Global Crossing Ltd.+ ....	4,000	34,560
-----		
Total Bermuda (cost - \$556,822) .....		519,447
-----		
CANADA - 0.48%		
BASIC MATERIALS - 0.22%		
ALUMINUM - 0.13%		
Alcan Inc. ....	1,500	63,030
-----		
GOLD & Precious Metals - 0.09%		
Barrick Gold Corp. ....	1,900	28,785
Placer Dome Inc. ....	1,500	14,700
-----		
		43,485
-----		
Total Basic Materials .....		106,515
-----		
TECHNOLOGY - 0.26%		
COMMUNICATION EQUIPMENT - 0.26%		
Nortel Networks Corp. ....	14,400	130,896
-----		
Total Canada (cost - \$295,236) .....		237,411
-----		
CAYMAN ISLANDS - 0.13%		
ENERGY - 0.13%		
OIL & GAS (DRILLING & EXPLORATION) - 0.13%		
Transocean Sedco Forex Inc.		
(cost - \$73,035) .....	1,500	61,875
-----		
GERMANY - 0.45%		
BASIC MATERIALS - 0.45%		

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MANUFACTURING (DIVERSIFIED) - 0.45%		
Siemens AG, ADR (cost - \$285,275) .....	3,600	222,804
-----		
NETHERLANDS - 1.98%		
CONSUMER STAPLES - 0.54%		
FOODS - 0.54%		
Unilever NV, NY Shares .....	4,500	268,065
-----		
ENERGY - 1.44%		
OIL (INTERNATIONAL INTEGRATED) - 1.16%		
Royal Dutch Petroleum Co., NY Shares .....	9,800	571,046
-----		
	No. of	Value
Description	Shares	(Note A)
-----		
OIL & GAS (EXPLORATION & PRODUCTION) - 0.28%		
Schlumberger Ltd. ....	2,600	\$ 136,890
-----		
Total Energy .....		707,936
-----		
Total Netherlands (cost - \$1,075,146) .....		976,001
-----		
PANAMA - 0.17%		
CONSUMER STAPLES - 0.17%		
ENTERTAINMENT - 0.17%		
Carnival Corp. (cost - \$80,421) .....	2,700	82,890
-----		
UNITED STATES - 94.15%		
BASIC MATERIALS - 1.84%		
ALUMINUM - 0.34%		
Alcoa Inc. ....	4,200	165,480
-----		
CHEMICALS (DIVERSIFIED) - 0.90%		
Air Products & Chemicals, Inc. ....	1,100	50,325
Dow Chemical Co. (The) .....	4,100	136,325
E.I. du Pont de Nemours & Co. ....	4,700	226,728
Rohm & Hass Co. ....	1,000	32,900
-----		
		446,278
-----		
GOLD & PRECIOUS METALS - 0.02%		
Homestake Mining Co. ....	1,300	10,075
-----		
PAPER & FOREST PRODUCTS - 0.58%		
International Paper Co. ....	2,500	89,250
Kimberly-Clark Corp. ....	2,500	139,750
Weyerhaeuser Co. ....	1,000	54,970
-----		
		283,970
-----		
Total Basic Materials .....		905,803
-----		
CAPITAL GOODS - 8.02%		
AEROSPACE/DEFENSE - 1.15%		
Boeing Co. (The) ....	4,100	227,960
General Dynamics Corp. ....	2,600	202,306
Lockheed Martin Corp. ....	2,500	92,625
Raytheon Co. ....	1,600	42,480
-----		

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		565,371
		-----
ELECTRICAL EQUIPMENT - 0.44%		
Motorola, Inc. ....	10,000	165,600
Solelectron Corp.+ .....	2,900	53,070
		-----
		218,670
		-----

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See accompanying notes to financial statements.

5

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PROGRESSIVE RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS - JUNE 30, 2001 (UNAUDITED) (CONTINUED)

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Description	No. of Shares	Value (Note A)
-----		
MACHINERY (DIVERSIFIED) - 0.43%		
Caterpillar Inc. ....	1,600	\$ 80,080
Deere & Co. ....	1,100	41,635
Illinois Tool Works Inc. ....	1,400	88,620
		-----
		210,335
		-----
MANUFACTURING (DIVERSIFIED) - 5.68%		
General Electric Co. ....	45,400	2,213,250
Honeywell International Inc. ....	3,600	125,964
Masco Corp. ....	2,500	62,400
Minnesota Mining & Manufacturing Co. (3M) ....	1,900	216,790
United Technologies Corp. ....	2,500	183,150
		-----
		2,801,554
		-----
OFFICE EQUIPMENT & SUPPLIES - 0.15%		
Pitney Bowes Inc. ....	1,100	46,332
Xerox Corp. ....	3,000	28,710
		-----
		75,042
		-----
WASTE MANAGEMENT - 0.17%		
Waste Management, Inc. ....	2,800	86,296
		-----
Total Capital Goods .....		3,957,268
		-----
CLOSED-END FUNDS - 1.85%		
CLOSED-END DOMESTIC FUNDS - 1.85%		
John Hancock Bank & Thrift Opportunity Fund .....	103,000	913,610
		-----
COMMUNICATION SERVICES - 5.90%		
TELECOMMUNICATIONS (CELLULAR) - 0.79%		
Alltel Corp. ....	1,500	91,890
Ciena Corp.+ .....	3,200	121,600



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Nextel Communications, Inc., Class A+ .....	3,500	61,250
Sprint Corp. (PCS Group)+ .....	4,300	103,845
WorldCom, Inc. (MCI Group)+ .....	528	8,501
		-----
		387,086
		-----

TELECOMMUNICATIONS (LONG DISTANCE) - 1.32%

AT&T Corp. ....	17,200	378,400
Sprint Corp. ....	4,000	85,440
WorldCom, Inc. (WorldCom Group) .....	13,200	187,440
		-----
		651,280
		-----

Description	No. of Shares	Value (Note A)
-------------	------------------	-------------------

-----

TELEPHONE - 3.79%

BellSouth Corp. ....	8,500	\$ 342,295
Qwest Communications International Inc. ....	7,600	242,212
SBC Communications Inc. ....	15,500	620,930
Verizon Communications Inc. ....	12,400	663,400
		-----
		1,868,837
		-----

Total Communication Services .....		2,907,203
		-----

CONSUMER CYCLICALS - 7.23%

AUTO PARTS & EQUIPMENT - 0.08%

Delphi Automotive Systems Corp. ....	2,600	41,418
		-----

AUTOMOBILES - 0.90%

Ford Motor Co. ....	8,600	211,130
General Motors Corp. ....	2,600	167,310
Harley-Davidson, Inc. ....	1,400	65,912
		-----
		444,352
		-----

BUILDING MATERIALS - 0.07%

Georgia-Pacific Group .....	1,000	33,850
		-----

CONSUMER (JEWELRY, NOVELTIES) - 0.10%

Mattel, Inc. ....	2,500	47,300
		-----

HOUSEHOLD FURNISHINGS & APPAREL - 0.15%

Bed Bath & Beyond Inc.+ .....	1,300	40,560
Newell Rubbermaid Inc. ....	1,100	32,630
		-----
		73,190
		-----

LODGING & HOTELS - 0.15%

Hilton Hotels Corp. ....	1,700	19,720
Marriott International, Inc., Class A .....	1,100	52,074
		-----
		71,794
		-----

PUBLISHING (NEWSPAPERS) - 0.27%

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Gannett Co., Inc. ....	1,200	79,080
Tribune Co. ....	1,400	56,014
		-----
		135,094
		-----
RETAIL (BUILDING SUPPLIES) - 0.26%		
Lowe's Companies, Inc. ....	1,800	130,590
		-----

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See accompanying notes to financial statements.

6

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PROGRESSIVE RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS - JUNE 30, 2001 (UNAUDITED) (CONTINUED)  
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Description	No. of Shares	Value (Note A)
-----		
RETAIL (COMPUTERS & ELECTRONICS) - 0.04%		
Circuit City Stores - Circuit City Group .....	1,000	\$ 18,000
		-----
RETAIL (DEPARTMENT STORES) - 0.63%		
Federated Department Stores, Inc.+ .....	1,000	42,500
J.C. Penney Co., Inc. ....	1,300	34,268
Kohl's Corp.+ .....	3,000	188,190
May Department Stores Co. (The) .....	1,400	47,964
		-----
		312,922
		-----
RETAIL (DISCOUNTERS) - 2.47%		
Dollar General Corp. ....	1,500	29,250
Kmart Corp.+ .....	2,500	28,675
Target Corp. ....	4,100	141,860
TJX Companies, Inc. (The) .....	1,300	41,431
Wal-Mart Stores, Inc. ....	20,000	976,000
		-----
		1,217,216
		-----
RETAIL (GENERAL MERCHANDISE) - 0.14%		
Sears, Roebuck & Co. ....	1,600	67,696
		-----
RETAIL (HOME SHOPPING) - 0.97%		
Home Depot, Inc. (The) .....	10,300	479,465
		-----
RETAIL (SPECIALTY) - 0.16%		
Office Depot, Inc.+ .....	1,400	14,532
Staples, Inc.+ .....	2,500	39,975
Toys "R" Us, Inc.+ .....	1,000	24,750
		-----
		79,257
		-----
RETAIL (SPECIALTY-APPAREL) - 0.30%		
Gap, Inc. (The) .....	3,900	113,100
Limited, Inc. (The) .....	2,000	33,040

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		----- 146,140 -----
SERVICES (ADVERTISING/MARKETING) - 0.08%		
Interpublic Group of Companies (The) .....	1,400	41,090
		-----
SERVICES (COMMERCIAL & CONSUMER) - 0.35%		
Cendant Corp.+ .....	3,300	64,350
IMS Health Inc. ....	1,400	39,900
Paychex, Inc. ....	1,700	68,000
		----- 172,250 -----

Description	No. of Shares	Value (Note A)
-----		
TEXTILES (APPAREL) - 0.11%		
Nike, Inc., Class B .....	1,300	\$ 54,587
		-----
Total Consumer Cyclicals .....		3,566,211
		-----
CONSUMER STAPLES - 11.65%		
BEVERAGES (ALCOHOLIC) - 0.34%		
Anheuser-Busch Companies, Inc. ....	4,100	168,920
		-----
BEVERAGES (NON-ALCOHOLIC) - 1.70%		
Coca-Cola Co. (The) .....	11,300	508,500
Coca-Cola Enterprises Inc. ....	2,500	40,875
PepsiCo., Inc. ....	6,600	291,720
		----- 841,095 -----
BROADCASTING (TV, CABLE, RADIO) - 2.84%		
AOL Time Warner Inc.+ .....	19,850	1,052,050
Clear Channel Communications, Inc.+ .....	2,700	169,290
Comcast Corp., Special Class A+ .....	4,100	177,940
		----- 1,399,280 -----
DISTRIBUTORS (FOOD & HEALTH) - 0.21%		
Costco Wholesale Corp.+ .....	2,500	102,700
		-----
ENTERTAINMENT - 1.28%		
Viacom Inc., non-voting Class B+ .....	6,900	357,075
Walt Disney Co. (The) .....	9,500	274,455
		----- 631,530 -----
FOODS - 1.15%		
Archer-Daniels-Midland Co. ....	2,900	37,700
Campbell Soup Co. ....	2,000	51,500
ConAgra Foods, Inc. ....	2,500	49,525
General Mills, Inc. ....	1,300	56,914
H.J. Heinz Co. ....	1,600	65,424
Kellogg Co. ....	1,900	55,100
Ralston Purina Co. ....	1,400	42,028
Sara Lee Corp. ....	3,800	71,972
Sysco Corp. ....	3,100	84,165
Wrigley (William) Jr. Co. ....	1,100	51,535

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565,863  
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See accompanying notes to financial statements.  
7

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PROGRESSIVE RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS - JUNE 30, 2001 (UNAUDITED) (CONTINUED)  
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Description	No. of Shares	Value (Note A)
-----		
HOUSEHOLD PRODUCTS (NON-DURABLES) - 0.07%		
Clorox Co. (The) .....	1,100	\$ 37,235
-----		
PERSONAL CARE - 1.52%		
Avon Products, Inc. ....	1,200	55,536
Colgate-Palmolive Co. ....	2,600	153,374
Gillette Co. (The) .....	5,500	159,445
Procter & Gamble Co. (The) .....	6,000	382,800
-----		
		751,155
-----		
RESTAURANTS - 0.44%		
McDonald's Corp. ....	6,500	175,890
Starbucks Corp.+ .....	1,700	39,100
-----		
		214,990
-----		
RETAIL (DRUG STORES) - 0.46%		
CVS Corp. ....	1,800	69,480
Walgreen Co. ....	4,600	157,090
-----		
		226,570
-----		
RETAIL (FOOD CHAINS) - 0.59%		
Albertson's, Inc. ....	2,500	74,975
Kroger Co. (The)+ .....	3,800	95,000
Safeway Inc.+ .....	2,500	120,000
-----		
		289,975
-----		
TOBACCO - 1.05%		
Philip Morris Companies Inc. ....	10,200	517,650
-----		
Total Consumer Staples .....		5,746,963
-----		
ENERGY - 5.48%		
OIL (DOMESTIC INTEGRATED) - 2.82%		
Exxon Mobil Corp. ....	15,900	1,388,865
-----		
OIL (INTERNATIONAL INTEGRATED) - 1.08%		
Chevron Corp. ....	5,000	452,500

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Conoco Inc., Class B .....	2,800	80,920
		-----
		533,420
		-----

OIL & GAS (DRILLING & EXPLORATION) - 0.11%		
Baker Hughes Inc. ....	1,600	53,600
		-----

Description	No. of Shares	Value (Note A)
-------------	------------------	-------------------

OIL & GAS (EXPLORATION & PRODUCTION) - 0.89%		
Anadarko Petroleum Corp. ....	1,200	\$ 64,836
Burlington Resources Inc. ....	1,000	39,950
Enron Corp. ....	3,400	166,600
Texaco Inc. ....	2,500	166,500
		-----
		437,886
		-----

OIL & GAS (REFINING & MINING) - 0.58%		
Halliburton Co. ....	2,500	89,000
Occidental Petroleum Corp. ....	1,700	45,203
Phillips Petroleum Co. ....	1,200	68,400
Unocal Corp. ....	1,200	40,980
USX-Marathon Group ....	1,500	44,265
		-----
		287,848
		-----

Total Energy .....		2,701,619
		-----

FINANCIAL - 16.45%		
Banks (Major Regional) - 2.43%		
AmSouth Bancorp .....	1,800	33,282
Bank One Corp. ....	5,300	189,740
BB&T Corp. ....	1,900	69,730
Fifth Third Bancorp .....	2,500	150,125
Huntington Bancshares Inc. ....	1,200	19,620
Mellon Financial Corp. ....	2,500	115,000
National City Corp. ....	2,800	86,184
Northern Trust Corp. ....	1,000	62,500
PNC Financial Services Group .....	1,400	92,106
Regions Financial Corp. ....	1,000	32,000
SouthTrust Corp. ....	1,500	39,000
Synovus Financial Corp. ....	1,300	40,794
U.S. Bancorp .....	8,701	198,296
Wachovia Corp. ....	1,000	71,150
		-----
		1,199,527
		-----

BANKS (MONEY CENTER) - 3.73%		
Bank of America Corp. ....	7,400	444,222
Bank of New York Co., Inc. (The)+ .....	3,400	163,200
First Union Corp. ....	4,500	157,230
FleetBoston Financial Corp. ....	4,100	161,745
J.P. Morgan Chase & Co. ....	8,700	388,020
KeyCorp .....	2,000	52,100
SunTrust Banks, Inc. ....	1,400	90,692
Wells Fargo & Co. ....	8,100	376,083
		-----
		1,833,292
		-----

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See accompanying notes to financial statements.

8

PROGRESSIVE RETURN FUND, INC.  
SCHEDULE OF INVESTMENTS - JUNE 30, 2001 (UNAUDITED) (CONTINUED)

Description	No. of Shares	Value (Note A)
CONSUMER FINANCE - 1.23%		
American Express Co. ....	6,100	\$ 236,680
Household International, Inc. ....	2,500	166,750
MBNA Corp. ....	3,900	128,505
Providian Financial Corp. ....	1,300	76,960
		608,895
DIVERSIFIED - 1.78%		
Fannie Mae ....	4,000	340,600
Freddie Mac ....	3,100	217,000
Morgan Stanley Dean Witter & Co. ....	5,000	321,150
		878,750
INSURANCE (BROKERS) - 0.42%		
Hartford Financial Services Group, Inc. (The) .....	1,100	75,240
Marsh & McLennan Companies, Inc. ....	1,300	131,300
		206,540
INSURANCE (LIFE & HEALTH) - 0.81%		
AFLAC Inc. ....	2,600	81,874
American General Corp. ....	2,400	111,480
Aon Corp. ....	1,200	42,000
Conseco Inc. ....	1,500	20,475
MetLife, Inc. ....	3,500	108,430
UnumProvident Corp. ....	1,100	35,332
		399,591
INSURANCE (PROPERTY-CASUALTY) - 4.71%		
Allstate Corp. (The) ....	3,300	145,167
American International Group, Inc. ....	10,600	911,600
Citigroup Inc. ....	23,000	1,215,320
St. Paul Companies, Inc. (The) ....	1,000	50,690
		2,322,777
INVESTMENT BANKING & BROKERAGE - 0.81%		
Charles Schwab Corp. (The) ....	6,300	96,390
Lehman Brothers Holdings Inc. ....	1,100	85,525
Merrill Lynch & Co., Inc. ....	3,700	219,225

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Description	No. of Shares	Value (Note A)
		401,140
-----		
INVESTMENT MANAGEMENT - 0.18%		
Franklin Resources, Inc. ....	1,200	\$ 54,924
Stilwell Financial, Inc. ....	1,000	33,560
		-----
		88,484
-----		
SAVINGS & LOANS - 0.35%		
Charter One Financial, Inc. ....	1,000	31,900
Washington Mutual, Inc. ....	3,750	140,812
		-----
		172,712
-----		
Total Financial .....		8,111,708
-----		
HEALTH CARE - 12.28%		
BIOTECHNOLOGY - 0.67%		
Amgen Inc.+ .....	4,700	285,196
MedImmune, Inc.+ .....	1,000	47,200
		-----
		332,396
-----		
DRUGS (GENERIC) - 0.37%		
Cardinal Health, Inc. ....	1,950	134,550
McKesson HBOC, Inc. ....	1,300	48,256
		-----
		182,806
-----		
DRUGS (MAJOR PHARMACEUTICALS) - 9.54%		
Abbott Laboratories .....	7,100	340,871
Allergan, Inc. ....	1,000	85,500
American Home Products Co. ....	6,000	350,640
Bristol-Myers Squibb Co. ....	8,900	465,470
Eli Lilly & Co. ....	5,300	392,200
Johnson & Johnson .....	13,878	693,900
Merck & Co., Inc. ....	10,500	671,055
Pfizer Inc. ....	29,700	1,189,485
Pharmacia Corp. ....	5,900	271,105
Schering-Plough Corp. ....	6,700	242,808
		-----
		4,703,034
-----		
HOSPITAL MANAGEMENT - 0.38%		
HCA Inc. ....	2,500	112,975
Tenet Healthcare Corp.+ .....	1,500	77,385
		-----
		190,360
-----		
MANAGED CARE - 0.19%		
UnitedHealth Group Inc. ....	1,500	92,625
		-----

See accompanying notes to financial statements.





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Emc Corp.+ .....	10,000	290,500
First Data Corp. ....	1,900	122,075
Intuit Inc.+ .....	2,000	79,980
McDATA Corp., Class A+ .....	368	6,458
Microsoft Corp.+ .....	33,800	2,467,400
Novell, Inc.+ .....	1,500	8,535
Oracle Corp.+ .....	25,200	478,800
Parametric Technology Corp.+ .....	1,300	18,187
Unisys Corp.+ .....	1,500	22,065
Yahoo! Inc.+ .....	2,500	49,975

-----  
3,747,952  
-----

ELECTRONICS (COMPONENT DISTRIBUTION) - 0.25%

Emerson Electric Co. ....	2,000	121,000
---------------------------	-------	---------

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ELECTRONICS (SEMICONDUCTORS) - 3.06%

Advanced Micro Devices, Inc.+ .....	1,500	43,320
Altera Corp.+ .....	1,900	55,100
Analog Devices, Inc.+ .....	1,700	73,525
Conexant Systems, Inc.+ .....	1,100	9,845
Intel Corp. ....	30,200	883,350
LSI Logic Corp.+ .....	1,500	28,200
Micron Technology, Inc.+ .....	2,600	106,860
Texas Instruments Inc. ....	7,900	248,850
Xilinx, Inc.+ .....	1,500	61,860

-----  
1,510,910  
-----

EQUIPMENT (SEMICONDUCTORS) - 0.79%

Agilent Technologies, Inc.+ .....	2,500	81,250
Applied Materials, Inc.+ .....	3,700	181,670
Linear Technology Corp. ....	1,500	66,330
Maxim Integrated Products, Inc.+ .....	1,300	57,473

-----  
386,723  
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PHOTOGRAPHY/IMAGING - 0.13%

Eastman Kodak Co. ....	1,400	65,352
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See accompanying notes to financial statements.

10

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PROGRESSIVE RETURN FUND, INC.

SCHEDULE OF INVESTMENTS - JUNE 30, 2001 (UNAUDITED) (CONCLUDED)

Description	No. of Shares	Value (Note A)
-----		
SERVICES (DATA PROCESSING) - 0.61%		
Automatic Data Processing, Inc. ....	2,900	\$ 144,130
Electronic Data Systems Corp. ....	2,500	156,250

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		300,380
		-----
Total Technology .....		9,662,297
		-----
TRANSPORTATION - 0.63%		
AIR FREIGHT - 0.10%		
FedEx Corp.+ .....	1,300	52,260
		-----
AIRLINES - 0.14%		
Southwest Airlines Co. ....	3,750	69,338
		-----
RAILROADS - 0.39%		
Burlington Northern Santa		
Fe Corp. ....	1,900	57,323
CSX Corp. ....	1,000	36,240
Norfolk Southern Corp. ....	1,800	37,260
Union Pacific Corp. ....	1,100	60,401
		-----
		191,224
		-----
Total Transportation .....		312,822
		-----
UTILITIES - 3.22%		
ELECTRIC COMPANIES - 2.32%		
AES Corp. (The)+ .....	2,500	107,625
American Electric Power Co., Inc. ....	1,500	69,255
Consolidated Edison, Inc. ....	1,000	39,800
Dominion Resources, Inc. ....	1,100	66,143
Duke Energy Corp. ....	9,000	351,090
Edison International+ .....	1,500	16,725
Entergy Corp. ....	1,100	42,229
Exelon Corp. ....	1,500	96,180
FirstEnergy Corp. ....	1,100	35,376
NiSource Inc. ....	1,000	27,330
Progress Energy, Inc. ....	1,000	44,920
Reliant Energy, Inc. ....	1,400	45,094
Sempra Energy .....	1,000	27,340
Southern Co. (The) .....	3,100	72,075
TXU Corp. ....	1,200	57,828
Xcel Energy, Inc. ....	1,600	45,520
		-----
		1,144,530
		-----

Description	No. of Shares	Value (Note A)
-----		
NATURAL GAS - 0.71%		
Dynegy Inc., Class A .....	1,500	\$ 69,750
El Paso Corp. ....	2,500	131,350
PG&E Corp.+ .....	1,800	20,160
Public Service Enterprises Group Inc. ....	1,000	48,900
Williams Companies, Inc. (The) .....	2,500	82,375
		-----
		352,535
		-----
POWER PRODUCTS (INDEPENDENT) - 0.19%		
Calpine Corp.+ .....	1,300	49,140
Mirant Corp.+ .....	1,232	42,380
		-----

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	91,520
	-----
Total Utilities .....	1,588,585
	-----
Total United States (cost - \$47,643,678) .....	46,430,159
	-----
TOTAL EQUITY SECURITIES	
(cost - \$50,009,613) .....	48,530,587
	-----
SHORT-TERM INVESTMENT - 1.77%	
REPURCHASE AGREEMENT - 1.77%	
	Principal
	Amount
	(000's)
	-----
Bear, Stearns & Co. Inc. (Agreement	
dated 06/29/01 to be repurchased at	
\$871,129), 3.97%, 07/02/01	
(cost - \$870,841) (Note F) .....	\$871      870,841
	-----
TOTAL INVESTMENTS - 100.18%	
(cost - \$50,880,454) (Notes A, C) .....	49,401,428
	-----
LIABILITIES IN EXCESS OF CASH AND	
OTHER ASSETS - (0.18)% .....	(88,776)
	-----
NET ASSETS - 100.00% .....	\$49,312,652

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See accompanying notes to financial statements.

11

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PROGRESSIVE RETURN FUND, INC.  
STATEMENT OF ASSETS AND LIABILITIES - JUNE 30, 2001 (UNAUDITED)  
-----

ASSETS

Investments, at value (Cost \$50,880,454) (Note A) .....	\$ 49,401,428
Cash collateral received for securities loaned (Note E) .....	1,334,269
Receivables:	
Investments sold .....	87,862
Dividends .....	32,489
Interest .....	3,919
Prepaid expenses .....	27,952
	-----
Total Assets .....	50,887,919
	-----

LIABILITIES

Payables:

Upon return of securities loaned (Note E) .....	1,334,269
Investments purchased .....	86,178
Investment management fees (Note B) .....	41,316

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Capital stock repurchased (Note D) .....	39,104
Other accrued expenses .....	74,400
	-----
Total Liabilities .....	1,575,267
	-----
NET ASSETS (applicable to 4,292,316 shares of common stock outstanding)	\$ 49,312,652
	=====
NET ASSET VALUE PER SHARE (\$49,312,652 / 4,292,316) .....	\$ 11.49
	=====
NET ASSETS CONSISTS OF	
Capital stock, \$0.001 par value; 4,292,316 shares outstanding (100,000,000 shares authorized) .....	\$ 4,292
Paid-in capital .....	62,101,892
Cost of 140,100 shares repurchased .....	(1,378,476)
Undistributed net investment income .....	43,698
Accumulated net realized loss on investments and foreign currency related transactions .....	(9,979,728)
Net unrealized depreciation in value of investments .....	(1,479,026)
	-----
Net assets applicable to shares outstanding .....	\$ 49,312,652
	=====

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See accompanying notes to financial statements.

12

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PROGRESSIVE RETURN FUND, INC.  
STATEMENT OF OPERATIONS - FOR THE SIX MONTHS ENDED JUNE 30, 2001 (UNAUDITED)  
-----

INVESTMENT INCOME Income (Note A):

Dividends .....	\$ 309,061
Interest .....	122,766
Less: Foreign taxes withheld .....	(2,160)
	-----
Total Investment Income .....	429,667
	-----

Expenses:

Investment management fees (Note B) .....	102,485
Audit and legal fees (Note B) .....	93,104
Directors' fees .....	54,488
Administration fees .....	37,929
Accounting fees .....	27,429
Custodian fees .....	25,505
Transfer agent fees .....	19,383
Printing .....	14,795
NYSE listing fees .....	8,024
Insurance .....	4,668
Other .....	17,337
	-----
Total Expenses .....	405,147

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Less: Fees paid indirectly (Note B) .....	(16,634)
Less: Management fee waivers (Note B) .....	(2,544)
	-----
Net Expenses .....	385,969
	-----
Net Investment Income .....	43,698
	-----
NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS AND FOREIGN CURRENCY RELATED TRANSACTIONS	
Net realized gain/(loss) from:	
Investments .....	(2,193,514)
Foreign currency related transactions .....	234
Net change in unrealized appreciation in value of investments and translation of other assets and liabilities denominated in foreign currency .....	(1,999,542)
	-----
Net realized and unrealized loss on investments and foreign currency related transactions .....	(4,192,822)
	-----
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS .....	\$ (4,149,124)
	=====

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See accompanying notes to financial statements.

13

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PROGRESSIVE RETURN FUND, INC.  
STATEMENT OF CHANGES IN NET ASSETS  
-----

	For the Six Months Ended June 30, 2001 (unaudited) -----	For the Year Ended December 31, 2000 ----
DECREASE IN NET ASSETS		
Operations:		
Net investment income/(loss) .....	\$ 43,698	\$ (38,625)
Net realized loss on investments and foreign currency related transactions .....	(2,193,280)	(7,140,430)
Reimbursement from adviser .....	--	86,640
Net change in unrealized appreciation in value of investments and translation of other assets and liabilities denominated in foreign currency .....	(1,999,542)	(7,125,666)
	-----	-----
Net decrease in net assets resulting from operations .....	(4,149,124)	(14,218,081)

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	-----	-----
Dividends and distributions to shareholders (Note A):		
Net investment income .....	--	(3,607)
Net realized gain on investments and foreign currency related transactions .....	--	(1,168,685)
	-----	-----
Total dividends and distributions to shareholders .....	--	(1,172,292)
	-----	-----
Capital stock transactions (Note D):		
Cost of 140,100 and 651,800 shares repurchased, respectively .....	(1,378,476)	(8,378,956)
	-----	-----
Total decrease in net assets .....	(5,527,600)	(23,769,329)
	-----	-----
NET ASSETS		
Beginning of period .....	54,840,252	78,609,581
	-----	-----
End of period (including undistributed net investment income of \$43,698 at June 30, 2001) .....	\$ 49,312,652	\$ 54,840,252
	=====	=====

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See accompanying notes to financial statements.

14

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PROGRESSIVE RETURN FUND, INC.  
FINANCIAL HIGHLIGHTS  
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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, 2001 (unaudited)	2000	For the Years Ended D	
	-----	----	-----	-----
Per Share Operating Performance				
Net asset value, beginning				
of period .....	\$ 12.37	\$ 15.46	\$ 18.31	\$

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Net investment income/(loss) .....	0.01#	(0.01)#	0.09#	
Net realized and unrealized gain/(loss) on investments and foreign currency related translations .....	(0.95)	(3.17)	(0.90)	
Net increase/(decrease) in net assets from operations .....	(0.94)	(3.18)	(0.81)	
Dividends and distributions to shareholders:				
Net investment income .....	--	--*	(0.08)	
Net realized gain on investments and foreign currency related transactions .....	--	(0.26)	(2.08)	
Total dividends and distributions to shareholders .....	--	(0.26)	(2.16)	
Anti-dilutive effect due to capital shares repurchased .....	0.06	0.35	0.12	
Net asset value, end of period .....	\$ 11.49	\$ 12.37	\$ 15.46	\$
Market value, end of period .....	\$ 10.000	\$ 9.500	\$ 13.063	\$
Total investment return (a) .....	5.26%	(27.27)%	(1.84)%	
Ratios/Supplemental Data				
Net assets, end of period (000 omitted) .....	\$ 49,313	\$ 54,840	\$ 78,609	\$
Ratio of expenses to average net assets, net of fee waivers .....	1.48% (b) (c)	2.46%	2.10%	
Ratio of expenses to average net assets, excluding fee waivers .....	1.56% (b) (d)	2.65%	2.28%	
Ratio of net investment income/(loss) to average net assets .....	1.65% (b)	(0.06)%	0.59%	
Portfolio turnover rate .....	30.15%	38.13%	39.60%	

	For the Years Ended De			
	1996	1995	1994	1993
Net asset value, beginning of period .....	\$ 13.29	\$ 14.33	\$ 12.52	\$ 8.9
Net investment income/(loss) .....	0.11	0.17	0.06	0.0
Net realized and unrealized				

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gain/(loss) on investments and foreign currency related translations .....	4.11	(1.03)	1.81	3.5
Net increase/(decrease) in net assets from operations .....	4.22	(0.86)	1.87	3.6
Dividends and distributions to shareholders:				
Net investment income .....	(0.08)	(0.15)	(0.06)	-
Net realized gain on investments and foreign currency related transactions .....	--	(0.03)	--	-
Total dividends and distributions to shareholders .....	(0.08)	(0.18)	(0.06)	-
Anti-dilutive effect due to capital shares repurchased .....	--	--	--	--
Net asset value, end of period .....	\$ 17.43	\$ 13.29	\$ 14.33	\$ 12.5
Market value, end of period .....	\$ 13.750	\$ 11.125	\$ 13.875	\$ 14.12
Total investment return (a) .....	24.28%	(18.65)%	(1.35)%	76.5
Ratios/Supplemental Data				
Net assets, end of period (000 omitted) .....	\$ 92,399	\$ 70,431	\$ 5,908	\$ 66,35
Ratio of expenses to average net assets, net of fee waivers .....	1.62%	1.58%	1.41%	1.9
Ratio of expenses to average net assets, excluding fee waivers .....	1.81%	1.76%	1.59%	2.0
Ratio of net investment income/ (loss) to average net assets .....	0.75%	1.18%	0.43%	0.6
Portfolio turnover rate .....	35.94%	35.73%	15.47%	24.4

15

PROGRESSIVE RETURN FUND, INC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

NOTE A. SIGNIFICANT ACCOUNTING POLICIES

Progressive Return Fund, Inc. (the "Fund") was incorporated in Maryland on August 11, 1989 and commenced investment operations on November 9, 1989. As a result of a Special Meeting of Stockholders held on December 15, 2000, the Fund, formerly known as The Portugal Fund, Inc., changed its name and investment objective. Its investment objective is to seek total return, consisting of capital appreciation and current income through investing substantially all of



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its assets in equity securities of U.S. and non-U.S. companies and U.S. dollar denominated debt securities. The Fund is registered under the Investment Company Act of 1940, as amended, as a closed-end, diversified management investment company.

The following is a summary of significant accounting policies consistently followed by the Fund:

**MANAGEMENT ESTIMATES:** The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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. All equity securities are valued at the closing price on the exchange or market on which the security is primarily traded ("Primary Market"). If the security did not trade on the Primary Market, it shall be valued at the closing price on another exchange where it trades. If there are no such sale prices, the value shall be the most recent bid, and if there is no bid, the security shall be valued at the most recent asked. If no pricing service is available and there are more than two dealers, the value shall be the mean of the highest bid and lowest ask. If there is only one dealer, then the value shall be the mean if bid and ask are available, otherwise the value shall be the bid. All other securities and assets are valued as determined in good faith by the Board of Directors. Short-term investments having a maturity of 60 days or less are valued on the basis of amortized cost. The Board of Directors has established general guidelines for calculating fair value of not readily marketable securities. At June 30, 2001, the Fund held no securities valued in good faith by the Board of Directors. 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 New York Stock Exchange is closed.

**REPURCHASE AGREEMENTS:** The Fund has agreed to purchase securities from financial institutions subject to the sellers 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 and broker/dealers, which Cornerstone Advisors, Inc. (the Fund's "Adviser" or "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 marks to market daily 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.

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PROGRESSIVE RETURN FUND, INC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
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TAXES: No provision is made for U.S. federal income or excise taxes as it is the Fund's intention to continue 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. For U.S. federal income tax purposes, realized capital or foreign exchange losses incurred after October 31, 2000 within the prior fiscal year are deemed to arise on the first day of the current fiscal year. The Fund elected to defer such capital losses of \$6,198,459. The Fund has a capital loss carryforward of \$1,587,989 which expires in 2008.

The Fund may be subject to foreign withholding taxes with respect to its foreign investment securities, if any.

FOREIGN CURRENCY TRANSLATIONS: The books and records of the Fund are maintained in U.S. dollars. Foreign currency amounts are translated into U.S. dollars on the following basis:

- (I) market value of investment securities, assets and liabilities at the current rate of exchange; and
- (II) purchases and sales of investment securities, income and expenses at the relevant rates of exchange prevailing on the respective dates of such transactions.

The Fund does not isolate that portion of gains and losses in investments in equity securities which is due to changes in the foreign exchange rates from that which is due to changes in market prices of equity securities. Accordingly, realized and unrealized foreign currency gains and losses with respect to such securities are included in the reported net realized and unrealized gains and losses on investment transactions balances.

Net currency gains from valuing foreign currency denominated assets and liabilities at period end exchange rates are reflected as a component of net unrealized appreciation/(depreciation) in value of investments, and translation of other assets and liabilities denominated in foreign currency.

Net realized foreign exchange gains represent foreign exchange gains and losses from transactions in foreign currency and forward foreign currency contracts, exchange gains or losses realized between the trade date and settlement date on security transactions, and the difference between the amounts of interest and dividends recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received.

DISTRIBUTIONS OF INCOME AND GAINS: The Fund distributes at least annually to shareholders, substantially all of its net investment income and net realized short-term capital gains, if any. The Fund determines annually whether to distribute any net realized long-term capital gains in excess of net realized short-term capital losses, including capital loss carryovers, if any. An additional distribution may be made to the extent necessary to avoid the payment of a 4% U.S. federal excise tax. Dividends and distributions to shareholders are recorded by the Fund on the ex-dividend date.

The character of distributions made during the year from net investment income or net realized gains may differ from their ultimate characterization for U.S. federal income tax purposes due to U.S. generally accepted accounting

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principles/tax differences in the character of income and expense recognition.

OTHER: Securities denominated in currencies other than U.S. dollars are subject to changes in value due to fluctuations in exchange rates. Some countries in which the Fund may invest require government approval for the repatriation of investment income, capital or proceeds of sales of securities by foreign investors. In addition, if there is a deterioration in a country's balance of payments or for other reasons, a country may impose temporary restrictions on foreign capital remittances abroad. The securities exchanges of certain foreign markets are substantially smaller, less liquid and more volatile than the major securities markets in the United States.

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17

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PROGRESSIVE RETURN FUND, INC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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NOTE B. AGREEMENTS

At the Annual Meeting of Stockholders of the Fund held on April 19, 2001, stockholders approved a new investment management agreement by and between Cornerstone and the Fund. As a result, Cornerstone commenced its performance of the investment management services with respect to the Fund's portfolio securities, and the temporary internal management of the Fund's portfolio securities automatically ceased.

Effective April 19, 2001, Cornerstone serves as the Fund's investment adviser with respect to all investments. As compensation for its advisory 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. Cornerstone has voluntarily agreed to limit the Fund's annual operating expenses (excluding interest, taxes, brokerage commissions, legal fees, expenditures which are capitalized in accordance with generally accepted accounting principles, and other extraordinary expenses not incurred in the ordinary course of such Fund's business) to 1.65% (on an annualized basis) of the Fund's average net assets for the fiscal period from April 19, 2001 through December 31, 2001. For the period April 19, 2001 through June 30, 2001, Cornerstone earned \$102,485 for investment advisory services, of which Cornerstone waived \$2,544.

For the period January 1, 2001 through April 18, 2001, portfolio securities were managed by Messrs. Ralph W. Bradshaw and William A. Clark, a current and former director of the Fund, respectively. Internal management fees for this period of \$30,466 are included in Directors' fees on the Statement of Operations. During such period the Fund assumed all of its own operating expenses.

Included in the Statement of Operations, under the caption Fees paid indirectly, are expense offsets of \$16,634 arising from credits earned on portfolio transactions executed with a broker pursuant to a directed brokerage arrangement.

The Fund paid or accrued approximately \$73,000 for the six months ended June 30, 2001 for legal services to Spitzer & Feldman P.C., counsel to the Fund. Mr.

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Westle, a partner of the firm, serves as secretary of the Fund.

NOTE C. INVESTMENT IN SECURITIES

For U.S. federal income tax purposes, the cost of securities owned at June 30, 2001 was \$51,029,620. Accordingly, the net unrealized depreciation of investments of \$1,628,192 was composed of gross appreciation of \$2,548,767 for those investments having an excess of value over cost and gross depreciation of \$4,176,959 for those investments having an excess of cost over value.

For the period ended June 30, 2001, purchases and sales of securities, other than short-term investments, were \$50,217,006 and \$13,735,655, respectively.

NOTE D. SHARE REPURCHASE PROGRAM

On October 21, 1998, the Fund announced that its Board of Directors had authorized the repurchase of up to 15% of the Fund's outstanding common stock, for purposes of enhancing shareholder value. The Fund's Board had authorized management of the Fund to repurchase such shares in open market transactions at prevailing market prices from time to time in a manner consistent with the Fund continuing to seek to achieve its investment objectives. The Board's actions were taken in light of the significant discounts at which the Fund's shares were trading. It is intended both to provide additional liquidity to those shareholders that elect to sell their shares and to enhance the net asset value of the shares held by those shareholders that maintain their investment.

Effective October 22, 1999, the Fund committed to engage in an enhanced and aggressive repurchase program of the Fund's shares whenever those shares trade at more than a nominal discount to net asset value. Shares will be repurchased in open market transactions at prevailing market prices from time to time in a manner consistent with the Fund continuing to seek its investment objective. The repurchase program will be subject to review by the Board of Directors of the Fund.

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18

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PROGRESSIVE RETURN FUND, INC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONCLUDED)  
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For the period ended June 30, 2001, the Fund repurchased 140,100 of its shares for a total cost of \$1,378,476 at a weighted average discount of 15.37% from net asset value. The discount of the individual repurchases ranged from 12.71% - 18.68%. For the year ended December 31, 2000, the Fund repurchased 651,800 of its shares for a total cost of \$8,378,956 at a weighted average discount of 16.86% from net asset value. The discount of the individual repurchases ranged from 13.30% - 24.20%. No limit has been placed on the number of shares to be purchased by the Fund other than those imposed by federal securities laws. All purchases will be made in accordance with federal securities laws, with shares repurchased held in treasury, effective January 1, 2001.

NOTE E. SECURITIES LENDING

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To generate additional income, the Fund may lend up to 33 1/3% of its portfolio's 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 and the related collateral received at June 30, 2001 was \$1,298,109 and \$1,334,269, respectively. Any cash collateral received is reinvested into repurchase agreements, which in turn are collateralized by various U.S. Government and Agency securities.

During the period ended June 30, 2001, the Fund earned \$542 in securities lending income which is included under the caption Interest in the Statement of Operations.

### NOTE F. COLLATERAL FOR REPURCHASE AGREEMENT

Listed below is the collateral associated with the repurchase agreement with Bear, Stearns & Co. Inc. outstanding at June 30, 2001.

ISSUER -----	PRINCIPAL AMOUNT (000'S) -----	YIELD -----	MATURITY -----	TOTAL MARKET VALUE -----
United States Treasury Bond, Interest Only	\$4,040	5.43%	11/15/26	\$888,800 =====

### NOTE G. SETTLEMENT OF LEGAL ACTION

In December 2000, the Fund reached a settlement which was approved by the court in the class action lawsuit in which it was a defendant along with its former investment adviser, Credit Suisse Asset Management Inc. ("CSAM") and the Fund's former directors (Brautigam v. Priest et al.). As a result, the Fund paid to the plaintiff's attorney \$100,000 in fees and expenses and agreed to engage in certain business practices under the agreed settlement. The complaint, initially filed on June 10, 1999 in the United States District Court for the District of Delaware and thereafter transferred to the United States District Court for the Southern District of New York, alleged that the defendants breached their fiduciary duties to the Fund in violation of Sections 36 and 48 of the 1940 Act and Maryland law, by, inter alia, failing to put the interests of the Fund's shareholders before those of others, failing to take steps to reduce or eliminate the discount to net asset value at which shares of the Fund trade, and postponing the annual meeting of the Fund. In addition to plaintiff's attorney's fees mentioned above, the Fund incurred approximately \$200,000 in legal expenses as a result of the lawsuit, of which approximately \$145,000 was reimbursed to CSAM. Such amounts were accrued and paid by the Fund during the fiscal year ended December 31, 2000.

RESULTS OF ANNUAL MEETING OF STOCKHOLDERS (UNAUDITED)

On April 19, 2001, the Annual Meeting of Stockholders of Progressive Return Fund, Inc. (the "Fund") was held and the following matters were voted upon:

- (1) To elect two class I Directors until the year 2004 Annual Meeting and one Class II Director until the year 2002 Annual Meeting.

Name of Class I Directors	For	Abstain
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Thomas H. Lenagh	3,400,911	272,614
Andrew A. Strauss	3,400,915	272,610

Name of Class II Director	For	Abstain
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Edwin Meese III	3,399,862	273,663

- (2) To approve a new investment management agreement between Cornerstone Advisors, Inc. and the Fund.

For	Against	Abstain
---	-----	-----
2,240,090	276,605	24,665

- (3) To ratify the selection of PricewaterhouseCoopers LLP as independent accountants for the year ending December 31, 2001.

For	Against	Abstain
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3,490,256	167,211	16,058

DESCRIPTION OF DIVIDEND REINVESTMENT & CASH PURCHASE PLAN (UNAUDITED)

Shareholders who have Shares registered directly in their own names automatically participate in the Fund's Dividend Reinvestment & Cash Purchase Plan (the "Plan"), unless and until an election is made to withdraw from the Plan on behalf of such participating shareholders. Shareholders who do not wish to have distributions automatically reinvested should so notify American Stock

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Transfer & Trust Co. (the "Agent") at 59 Maiden Lane, New York, NY 10038. Under the Plan, all of the Fund's dividends and other distributions to shareholders are reinvested in full and fractional Shares as described below.

When the Fund declares an income dividend or a capital gain or other distribution (each, a "Dividend" and collectively, "Dividends"), the Agent, on the shareholders' 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) at the sole discretion of the Board of Directors, be authorized to purchase outstanding shares on the open market, on the NYSE or elsewhere, with cash allocated to it by the Fund ("Open Market Purchases").

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. Alternatively, the Agent will allocate Newly Issued Shares to the reinvesting shareholders at a price equal to the average closing price of the Fund over the five trading days preceding the payment date of such dividend.

Registered shareholders who acquire their shares through Open Market Purchases and who do not wish to have their Dividends automatically reinvested should so notify the Fund in writing. If a Shareholder has not elected to receive cash Dividends and the Agent does not receive notice of an election to receive cash Dividends prior to the record date of any Dividend, the shareholder will automatically receive such Dividends in additional Shares.

Participants in the Plan may withdraw from the Plan by providing written notice to the Agent at least 30 days prior to the applicable Dividend payment date. When a participant withdraws from the Plan, or upon termination of the Plan as provided below, certificates for whole shares credited to his/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 each 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. 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.

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### DESCRIPTION OF DIVIDEND REINVESTMENT & CASH PURCHASE PLAN (UNAUDITED) (CONCLUDED)

There will be no charge to participants for reinvesting Dividends other than their share of brokerage commissions as discussed below. The Agent's fees for administering the Plan and handling the reinvestment of Dividends will be paid by the Fund. Each participant's account will be charged a pro-rata share of brokerage commissions incurred with respect to the Agent's Open Market Purchases in connection with the reinvestment of Dividends. Brokerage charges for purchasing small amounts of shares for individual accounts through the Plan are expected to be less than the usual brokerage charges for such transactions because the Agent will be purchasing shares for all the participants in blocks and pro-rating the lower commission that may be attainable.

The automatic reinvestment of Dividends will not relieve participants of any income tax that may be payable on such Dividends. Participants who receive shares pursuant to the Plan as described above will recognize taxable income in the amount of the fair market value of those shares. In the case of non-U.S. participants whose Dividends are subject to U.S. income tax withholding and in the case of participants subject to 30.5% federal backup withholding, the Agent will reinvest Dividends after deduction of the amount required to be withheld.

The Fund reserves the right to amend or terminate the Plan by written notice to participants. All correspondence concerning the Plan should be directed to the Agent at the address referred to in the first paragraph of this section.

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22

### PRIVACY POLICY NOTICE

The following is a description of Progressive Return Fund, Inc.'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



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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.

May 2001

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23

### SUMMARY OF GENERAL INFORMATION

The Fund-- Progressive Return Fund, Inc. is a closed-end, diversified management investment company whose shares trade on the New York Stock Exchange. Its investment objective is to seek total return, consisting of capital appreciation and current income through investing substantially all of its assets in equity securities of U.S. and non-U.S. companies and U.S. dollar denominated debt securities. The Fund is managed by Cornerstone Advisors, Inc.

### SHAREHOLDER INFORMATION

The Fund is listed on the New York Stock Exchange (symbol "PGF"). The share price is published in: The New York Times (daily) under the designation "ProgRetFd" and The Wall Street Journal (daily) and Barron's (each Monday) under the designation "PgrgrssvRetFd." The net asset value per share is published under "Closed-End Funds" each Sunday in The New York Times and each Monday in The Wall Street Journal and Barron's under the designation "ProgressvFd."

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Notice is hereby given in accordance with Section 23(c) of the Investment  
Company Act of 1940, as amended, that Progressive Return Fund, Inc. may from  
time to time purchase shares of its capital stock in the open market.  
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24

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PROGRESSIVE RETURN FUND, INC.

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DIRECTORS AND CORPORATE OFFICERS

Ralph W. Bradshaw	Chairman of the Board of Directors and President
Thomas H. Lenagh	Director
Edwin Meese III	Director
Scott B. Rogers	Director
Andrew A. Strauss	Director
Glenn W. Wilcox, Sr.	Director
Gary A. Bentz	Vice President and Treasurer
Thomas R. Westle	Secretary

INVESTMENT ADVISER	SHAREHOLDER SERVICING AGENT
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 ACCOUNTANTS
Bear Stearns Funds	PricewaterhouseCoopers LLP
Management Inc.	Two Commerce Square
575 Lexington Avenue	Philadelphia, PA 19103
New York, NY 10022	

CUSTODIAN	LEGAL COUNSEL
Custodial Trust Company	Spitzer & Feldman P.C.
101 Carnegie Center	405 Park Avenue
Princeton, NJ 08540	New York, NY 10022

EXECUTIVE OFFICES  
575 Lexington Avenue  
New York, NY 10022

For shareholder inquiries, registered shareholders should call (800) 937-5449.  
For general inquiries, please call (212) 272-2093.

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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 herein is taken from the records of the Fund without examination by independent 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 this report.