

Edgar Filing: ZWEIG TOTAL RETURN FUND INC - Form N-30D

ZWEIG TOTAL RETURN FUND INC  
Form N-30D  
August 30, 2001

August 1, 2001

[PHOTO OF MARTIN E. ZWEIG]

Dear Shareholder:

The Zweig Total Return Fund, Inc.'s net asset value for the three months ended June 30, 2001, increased 1.0%, including \$0.18 per share in reinvested distributions.

For the six months ended June 30, 2001, the Fund's net asset value decreased 3.2%, including \$0.36 in reinvested distributions.

The Fund's average overall exposure during the first half of 2001 was approximately 86%.

Our results so far this year are certainly not what we would like. Although many of our equity holdings improved in line with our bullish indicators, two industry groups--technology in the first quarter and energy in the second--showed unanticipated weakness. However, we believe these areas warrant our continued support: technology because of its historically strong performance after multiple aggressive Fed easings, and energy because of its positive fundamentals.

DISTRIBUTION DECLARED

In accordance with our policy of distributing 10% of net asset value per year, which equals 0.83% per month (10% divided by 12 months), the Fund recently announced a distribution of \$0.06 per share payable on August 27, 2001 to shareholders of record on August 13, 2001. The amount of a distribution depends on the exact net asset value at the time of declaration. For the August distribution, 0.83% of the Fund's net asset value was equivalent to \$0.06 per share. Including this distribution, the Fund's total payout since its inception is now \$11.19 per share.

MARKET OUTLOOK

On June 30 our bond exposure was 57% versus 61% at the end of the first quarter. If we were fully invested, we would be at 62.5% in bonds and 37.5% in stocks. Consequently, at 57% we are at approximately 91% of a full position (57% / 62.5%).

The Federal Reserve continued its aggressive rate cuts in the second quarter, lowering the Fed funds rate from 5.00% to 3.75% in three stages. Since the bond market had largely expected the Fed actions, there were no surprises on pricing. The front end of the government bond yield curve was basically unchanged during the quarter with yields on the two-year note starting and ending at just under 4.20%. Since shorter dated bonds tend to trade more in line with the Fed moves, the lackluster performance of these notes was in line with expectations.

Continued strong consumer confidence and signs of improving economic data served to weaken the long end of the Treasury bond market. As a result, many market participants thought it prudent to sell their longer dated bonds. Consequently, the yield on the 30-year Treasury bond shot up from 5.44% to 5.75%.

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Reflecting lower commodity prices and more recent less favorable economic news, our bond model was moderately positive at the end of the quarter.

In line with our bullish stock indicators, our equity exposure at the end of the quarter was 39%, slightly above our normal top benchmark figure of 37.5%.

Despite gains in the second quarter, the first half was not a happy one for the stock market. The Dow Jones Industrial Average/1/ dipped 2.6%, the Nasdaq Composite/2/ dropped 12.6%, and the S&P 500 Index/3/ declined 6.7%. Although these figures are disappointing, I think the market bottomed at the end of March and the beginning of April. It is difficult to turn around a bear market, but I believe we are doing it. As of this writing, the market is up fairly nicely from those lows.

We have seen six Fed cuts this year. In the past, after five cuts the S&P 500 had gained an average of 28.1% a year later. There is a much smaller historical sample after six cuts, but, as I recall, the market then was up almost as much, or about 26% or 27%. Monetary policy takes awhile before it begins to impact the economy. It has been slow going so far, but I think the economy will begin turning up during the next six months.

We have been reading a lot about the so-called summer doldrums affecting the market, but I don't put much stock in that phenomenon. Volume does tend to lessen in the summer because of vacations and the July 4 and Labor Day holidays. However, the market is not always dull in the summer. I remember the summer of 1984 when things were very quiet until the market shot through the roof in early August for three straight days. In 1982 we had the big bear market bottom in August. I have seen all sorts of summer market fireworks in both directions.

The Fed believes we are in a new economy because of the enhanced productivity due to technology and thus can avoid a recession despite the recent gloomy economic and employment statistics. I am not in complete agreement with that thesis. Our economy certainly is new because we are always advancing. Some industries fall by the wayside, others deteriorate, and new ones are built up. In the early 20th century, the economy largely depended on two notoriously cyclical industries--farming and heavy manufacturing. These areas now are much less important. We are much more diversified, with the service industry perhaps the dominant factor in the overall economy. This is a plus because there is less volatility in this sector. I'm not so sure about the Fed's emphasis on the expanded role of productivity because that is a factor that is so hard to measure. At any rate, we do know that productivity declines in recessions.

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- 1 The Dow Jones Industrial Average measures large-capitalization stock total-return performance.
- 2 The Nasdaq Composite measures technology-oriented stock total-return performance.
- 3 The S&P 500 Index measures broad stock market total-return performance. The indices are unmanaged and not available for direct investment.

There is a theory going around that the strong dollar -- which recently hit a new high --tends to be bad for the economy. That is simply not true. Sometimes a strong dollar is bullish; sometimes it is bearish. We have tested the dollar to death and do not find its strength statistically significant. The alarmists warn that the gross national product, prices, and inflation will all be lower if the dollar is too strong. Well, there have been only two cases in the last 50 years when the dollar was this strong. In both cases, the economy was strong, and inflation actually upticked. I think that there are a

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lot of factors that are more important to the economy than just the currency.

The current strength of the dollar is related to our trade imbalance. The U.S. trade gap in goods and services totaled \$127.2 billion in the first four months of this year against \$116.8 billion in the same period last year. However, I have never seen why this is a problem. We are so successful in this country that we can afford to buy lots of goods and services from abroad. If people think this is a bad thing, they should consider the situation of Japan. They run a massive trade surplus and their economy has been in the doldrums for a decade. Incidentally, foreigners are huge investors in U.S. stocks, bonds, real estate, and businesses--and this inflow does not show up in the trade figures.

Business expenditures on capital equipment and services reportedly fell at a 20% annual rate in the second quarter to the slowest pace in

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nearly a decade, but I do not find this worrisome. As I see it, the biggest danger with capital spending is when it gets excessive, as it did in the year 2000. Capital spending last year rose over 13%. We have had 11 years in the last 51 when capital spending climbed at least 13%. In those years the S&P average declined 2.8%. Sure enough, the S&P was also down last year. Conversely, there have been six years in the last 51 when capital spending was actually negative year to year, which is a possibility this year. I almost hope that happens because in the six years that it occurred, the S&P was up every time, with an average annual gain of 27%.

When capital spending gets excessive, it creates inflationary pressures. Interest rates go up, and the Fed starts to tighten. The market, being a discounting mechanism, then goes down. When business conditions are weak, as they are now, and capital spending is low, inflationary pressures are minimized and the Fed tends to cut, as it has six times this year. That's when the market looks ahead, and at some point, capital spending picks up.

Concern has been voiced about the fact that earnings in the S&P 500 are estimated to have fallen 17.2% in the second quarter from a year ago--the worst drop since the third quarter of 1991 when they declined 17.9%. I do not consider this a problem for the market. Historically, when earnings have been negative for the S&P, the market has gone up at an annualized rate of 15.8%. Ironically, when earnings have grown by at least 10% a year, which we'll call high, the market has risen at only a 3.8% rate. We are probably in a recession, or at least an earnings recession. It is in most periods when earnings are poor that markets tend to bottom and the best advances follow. That's what happened in the recession period of 1990-1991 as well as in 1974 and 1982 when earnings were terrible.

Stockholders added \$17.2 billion more to stock funds than they took out in May. This followed a net inflow of \$19.2 billion in April. Figures for both months indicate a big turnaround from March when we had net redemptions almost as large. It was actually a bullish sign when investors panicked in March and sold heavily. When that happens, markets tend to bottom. We have had 12 cases in the last 50 years when investors hit the panic button, and we had monthly net redemptions. One year later the market was up every time, with an average gain of 20.4%. In six of those 12 instances, the redemptions only lasted one month, as was true this time.

This year we have seen redemptions in March and strong net sales in April and May. In the six prior cases of the 12 where we saw this reversal, the market actually went up 27% in the year following. I am glad the positive inflows have returned. However, I don't want them to get excessive and reach

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the boiling point as they did early last year. It's not good for the market if we get excessive speculation.

Foreign portfolio investors are also getting into the act. They bought, on net, a record amount of our stocks and bonds in the first quarter, while our net acquisitions of foreign investments were negligible. That's not necessarily a market positive. Foreigners tend to be wrong on our markets. When their buying gets too high, it is generally a poor indicator. When they panic and sell, it is usually a good sign. I don't like to see them buying excessively.

An early sign that the economy might be turning is the latest report by the National Association of Purchasing Managers. It reported that its index of manufacturing rose to 44.7% in June from 42.1% in May and hit a seven-month high. In the last 50 years, there have been 10 other cases when the number has been below 44%, which is a low number, and then reversed upward by at least three points. In every single case, the S&P was higher one year later, and the average gain was 20.8%. When NAPM (as it is called) gets down as low as it has been, it means that the economy is very weak. Usually, but not necessarily, it signifies a recession. I consider it a very good sign for the market when the NAPM figures improve.

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In the first half of this year, about \$377 billion in merger deals were announced in the U.S., the slowest six months since 1997. It's not great for the investment bankers, but I prefer a market where merger activity is moderate. It got pretty extensive during the boom years and was just one more sign of speculation. The big proposed merger between General Electric and Honeywell was shot down by the Europeans and may put a damper on international mergers. It should not have any impact on the domestic ones. By the way, I love to see cash takeovers, which reduce the supply of stock. When two companies merge in a stock deal, it doesn't do anything for the market one way or another.

There were only 471 initial public offerings (IPOs) recorded in the first half of this year, the lowest for any six-month period in nearly 20 years. In 1999 and 2000 we had an orgy of IPOs. The prices of many of these, mostly in technology, were later crushed. That's why it is nearly impossible to do an IPO in technology today. The IPOs that we are seeing now are mostly from long-established industries, which I think is healthy. There just are not as many of them because underwriters find it hard to find companies that people are willing to buy. I think the low number of IPOs is a positive factor because it means that a lot of the speculative excesses have been wrung out of the market. When IPOs are light, the market is usually in the bottoming stage.

Summing up, most of our indicators are positive. I mentioned heavy foreign buying as a negative. Valuation could be a moderate problem. However, our monetary indicators are very positive. We have had six Fed rate cuts, a decent drop in interest rates, and, I should add, the Fed has allowed the money supply to grow. Historically, whenever the Fed has cut aggressively and increased the money supply, it has managed to turn the market upward in several months. I believe that will happen here.

Also, we have had a lot of pessimism in the market, illustrated, in part, by the fewer IPOs. We also had that panic for awhile with redemptions of mutual funds. There have been any number of signs of increasing pessimism so that I think the market is okay. I believe we're going to see a pretty decent advance. It probably will not be like the 1980s or 1990s when the market went up forever, but I think it will do well for the next six to 12 months. It's been rough for the past couple of months, and I'm sort of sitting

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here waiting for the pot to boil. But I do think the market bottomed at the beginning of April, but it's just taking its own sweet time. At the time of this writing, our posture is bullish, and we are approximately 97% invested.

### PORTFOLIO COMPOSITION

In accordance with our investment policy guidelines, all of our bonds are U.S. government obligations. The portfolio's average duration (a measure of sensitivity to interest rate changes) was 7.6 years on June 30, 2001. This compares with 7.8 years on March 31, 2001. Since these bonds are highly liquid, they provide the flexibility to respond quickly to changing market conditions.

Our leading industry groups on June 30 consisted of technology, financial services, health care, energy, telecommunications, and retailing. Except for minor shifts in percentages held, this listing is basically unchanged from the close of the first quarter. We increased our position in technology, which also benefited from appreciation, and trimmed our holdings in retailing and energy.

Microsoft was our largest individual position. Other prominent holdings included General Electric, Citigroup, Exxon Mobil, Pfizer, Tyco, AOL Time Warner, Wal-Mart, IBM, and Intel.

Sincerely,

/s/ Martin E. Zweig, Ph.D.  
Martin E. Zweig, Ph.D.  
Chairman

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### THE ZWEIG TOTAL RETURN FUND, INC.

#### SCHEDULE OF INVESTMENTS

June 30, 2001  
(Unaudited)

		Number of Shares	Value (Note 3)
		-----	-----
Common Stocks	38.28%		
Aerospace & Air Transport	0.58%		
Boeing Co.....		31,900	\$ 1,773,640
United Technologies Corp. ....		24,500	1,794,870
			-----
			3,568,510
			-----
Automotive	0.17%		
General Motors Corp. ....		16,000	1,029,600
			-----
Building & Forest Products	0.55%		
Cemex S.A. de CV, ADR.....		34,556	915,734
International Paper Co. ....		39,700	1,417,290
Weyerhaeuser Co. ....		19,200	1,055,424
			-----
			3,388,448
			-----

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Chemicals	0.57%		
Air Products & Chemicals, Inc. ....		19,200	878,400
Dow Chemical Co. ....		46,000	1,529,500
Praxair, Inc. ....		24,400	1,146,800
			-----
			3,554,700
			-----
Commercial Services	0.31%		
Modis Professional Services, Inc. ....		30,100 (a)	207,690
Omnicom Group, Inc. ....		20,000	1,720,000
			-----
			1,927,690
			-----
Consumer Products	1.18%		
Anheuser-Busch Cos., Inc. ....		40,000	1,648,000
Coca-Cola Co. ....		16,000	720,000
Leggett & Platt, Inc. ....		33,000	726,990
PepsiCo, Inc. ....		49,000	2,165,800
Procter & Gamble Co. ....		32,000	2,041,600
			-----
			7,302,390
			-----
Electronics -- Electrical	1.63%		
Celestica, Inc. ....		16,000 (a)	824,000
Flextronics International Ltd. ....		16,000 (a)	417,760
General Electric Co. ....		162,000	7,897,500
Jabil Circuit, Inc. ....		32,000 (a)	987,520
			-----
			10,126,780
			-----

See notes to financial statements

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		Number of Shares	Value (Note 3)
		-----	-----
Engineering & Machinery	0.33%		
Ingersoll-Rand Co. ....		23,700	\$ 976,440
SPX Corp. ....		8,500	1,064,030
			-----
			2,040,470
			-----
Financial Services	7.50%		
ACE Ltd. ....		33,100	1,293,879
Allstate Corp. ....		57,900	2,547,021
American International Group, Inc. ....		46,000	3,956,000
Bank of America Corp. ....		53,800	3,229,614
Capital One Financial Corp. ....		16,000	960,000
Citigroup, Inc. ....		111,400	5,886,376
Fannie Mae. ....		38,300	3,261,245
Fifth Third Bancorp. ....		32,000	1,921,600
FleetBoston Financial Corp. ....		30,000	1,183,500
Freddie Mac. ....		53,500	3,745,000
H & R Block, Inc. ....		40,000	2,582,000
Household International, Inc. ....		40,000	2,668,000

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J.P. Morgan Chase & Co. ....	31,450	1,402,670
Lehman Brothers Holdings, Inc. ....	33,000	2,565,750
Merrill Lynch & Co., Inc. ....	24,000	1,422,000
Morgan Stanley Dean Witter & Co. ....	31,500	2,023,245
SouthTrust Corp. ....	64,400	1,674,400
Washington Mutual, Inc. ....	71,850	2,697,967
Wells Fargo & Co. ....	32,000	1,485,760
		-----
		46,506,027
		-----
Health Care	4.82%	
Amgen, Inc. ....	32,000 (a)	1,941,760
Baxter International, Inc. ....	34,000	1,666,000
Becton, Dickinson & Co. ....	40,000	1,431,600
Bristol-Myers Squibb Co. ....	47,800	2,499,940
Cardinal Health, Inc. ....	30,000	2,070,000
Johnson & Johnson.....	78,000	3,900,000
MedImmune, Inc. ....	27,700 (a)	1,307,440
Merck & Co., Inc. ....	44,500	2,843,995
Pfizer, Inc. ....	127,200	5,094,360
Pharmacia Corp. ....	33,000	1,516,350
St. Jude Medical, Inc. ....	33,000	1,980,000
Tenet Healthcare Corp. ....	31,700 (a)	1,635,403
UnitedHealth Group, Inc. ....	32,000	1,976,000
		-----
		29,862,848
		-----
Investment Companies	0.90%	
Nasdaq-100 Index.....	90,000	4,108,500
Semiconductor Holders Trust.....	31,000	1,495,750
		-----
		5,604,250
		-----

See notes to financial statements

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	Number of Shares	Value (Note 3)
	-----	-----
Manufacturing	0.86%	
Tyco International Ltd. ....	98,000	\$ 5,341,000
		-----
Media	2.04%	
Comcast Corp., Class A.....	54,500 (a)	2,365,300
Gemstar-TV Guide International, Inc. ....	39,000 (a)	1,716,000
Grupo Televisa S.A., GDR.....	33,000 (a)	1,320,330
McGraw-Hill Cos., Inc. ....	32,300	2,136,645
New York Times Co., Class A.....	25,300	1,062,600
News Corp. Ltd. ....	30,000	1,114,500
Viacom, Inc., Class B.....	30,500 (a)	1,578,375
Walt Disney Co. ....	47,500	1,372,275
		-----
		12,666,025
		-----
Metals	0.20%	

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Alcoa, Inc. ....	31,900	1,256,860
		-----
Oil & Oil Services	3.08%	
Anadarko Petroleum Corp. ....	32,000	1,728,960
BJ Services Co. ....	48,000 (a)	1,362,240
Chevron Corp. ....	30,000	2,715,000
El Paso Corp. ....	32,000	1,681,280
Enron Corp. ....	30,100	1,474,900
Exxon Mobil Corp. ....	62,100	5,424,435
Santa Fe International Corp. ....	24,600	713,400
Talisman Energy, Inc. ....	35,200 (a)	1,340,768
Transocean Sedco Forex, Inc. ....	17,000	701,250
USX-Marathon Group.....	65,000	1,918,150
		-----
		19,060,383
		-----
Railroads	0.15%	
Canadian Pacific Ltd. ....	24,000	930,000
		-----
Restaurants	0.14%	
Wendy's International, Inc. ....	33,000	842,820
		-----
Retailing	2.26%	
CVS Corp. ....	24,000	926,400
Home Depot, Inc. ....	59,800	2,783,690
Lowe's Cos., Inc. ....	33,000	2,394,150
Safeway, Inc. ....	40,500 (a)	1,944,000
Target Corp. ....	33,000	1,141,800
Wal-Mart Stores, Inc. ....	99,300	4,845,840
		-----
		14,035,880
		-----
Technology	7.55%	
AOL Time Warner, Inc. ....	99,100 (a)	5,252,300
Applied Materials, Inc. ....	29,800 (a)	1,463,180
Atmel Corp. ....	49,000 (a)	661,010

See notes to financial statements

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	Number of Shares	Value (Note 3)
	-----	-----
Technology (Continued)		
Cisco Systems, Inc. ....	129,700 (a)	\$ 2,360,540
Corning, Inc. ....	17,000	284,070
Cypress Semiconductor Corp. ....	33,000 (a)	787,050
Dell Computer Corp. ....	87,100 (a)	2,260,245
Electronic Data Systems Corp. ....	31,900	1,993,750
EMC Corp. ....	50,000 (a)	1,452,500
First Data Corp. ....	39,000	2,505,750
Fiserv, Inc. ....	16,000 (a)	1,023,680
Intel Corp. ....	141,400	4,135,950
International Business Machines Corp. ....	38,400	4,339,200
JDS Uniphase Corp. ....	17,000 (a)	216,750
Lucent Technologies, Inc. ....	62,800	389,360



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Microchip Technology, Inc. ....	24,500 (a)	839,125
Microsoft Corp. ....	119,500 (a)	8,675,700
Motorola, Inc. ....	32,200	533,232
Network Appliance, Inc. ....	17,000 (a)	232,900
Oracle Corp. ....	122,700 (a)	2,331,300
QUALCOMM, Inc. ....	24,500 (a)	1,432,760
Siebel Systems, Inc. ....	39,800 (a)	1,866,620
Sun Microsystems, Inc. ....	98,000 (a)	1,540,560
USinternetworking, Inc. ....	29,950 (a)	35,940
Yahoo!, Inc. ....	8,800 (a)	175,912
		-----
		46,789,384
		-----
Telecommunications	2.85%	
ADC Telecommunications, Inc. ....	57,500 (a)	379,500
Amdocs Ltd. ....	32,000 (a)	1,723,200
AT&T Corp. ....	98,000	2,156,000
AT&T Wireless Group.....	41,200 (a)	673,620
General Motors Corp., Class H.....	65,000	1,316,250
Nokia Corp., ADR.....	70,000	1,542,800
Nortel Networks Corp. ....	65,000	590,850
SBC Communications, Inc. ....	57,500	2,303,450
Tele Norte Leste Participacoes S.A., ADR.....	43,000	656,180
Telephone & Data Systems, Inc. ....	15,900	1,729,125
TyCom Ltd. ....	22,500 (a)	387,000
Verizon Communications, Inc. ....	57,500	3,076,250
WorldCom, Inc.--WorldCom Group.....	73,950 (a)	1,106,292
		-----
		17,640,517
		-----

See notes to financial statements

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	Number of Shares	Value (Note 3)
	-----	-----
Utilities -- Electric & Gas	0.61%	
Calpine Corp. ....	43,400 (a)	\$ 1,640,520
Exelon Corp. ....	33,000	2,115,960
		-----
		3,756,480
		-----
Total Common Stocks		
(Cost \$259,314,943).....		237,231,062
		-----
Unit Investment Trusts	0.75%	
S&P MidCap 400 Depositary Receipts (Cost \$4,636,335).	49,000	4,648,140
		-----
	Principal Amount	
	-----	
United States Government Obligations	56.70%	
FHLMC, 6.875%, 1/15/05.....	\$70,500,000	74,151,830

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FHLMC, 5.125%, 10/15/08.....	38,100,000	36,352,048
FHLMC, 7.00%, 3/15/10.....	42,000,000	44,485,854
United States Treasury Notes, 6.00%, 8/15/09.....	21,900,000	22,781,366
United States Treasury Bonds, 10.75%, 5/15/03.....	15,000,000	16,716,315
United States Treasury Bonds, 8.125%, 5/15/21.....	33,700,000	42,358,608
United States Treasury Bonds, 6.875%, 8/15/25.....	40,500,000	45,494,987
United States Treasury Bonds, 5.25%, 11/15/28.....	40,000,000	36,585,840
United States Treasury Bonds, 5.375%, 2/15/31.....	34,200,000	32,431,244
		-----
Total United States Government Obligations (Cost \$348,859,276).....		351,358,092
		-----
Short-Term Investments	3.23%	
UBS Financial Corp., 4.14%, 7/02/01 (Cost \$19,997,700).....	20,000,000	19,997,700
		-----
Total Investments (Cost \$632,808,254) -- 98.96%.....		613,234,994
Other assets less liabilities -- 1.04%.....		6,435,941
		-----
Net Assets -- 100.00%.....		\$619,670,935
		=====

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(a) Non-income producing security.

For Federal income tax purposes, the tax basis of investments owned at June 30, 2001 was \$633,691,643 and net unrealized depreciation of investments consisted of:

Gross unrealized appreciation.....	\$ 22,647,962
Gross unrealized depreciation.....	(43,104,611)
	-----
Net unrealized depreciation.....	\$ (20,456,649)
	=====

See notes to financial statements

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THE ZWEIG TOTAL RETURN FUND, INC.

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2001  
(Unaudited)

ASSETS

Investments, at value (identified cost \$632,808,254).....	\$613,234,994
Cash.....	74,175
Dividends and interest receivable.....	6,701,735
Receivable for investment securities sold.....	857,625
Prepaid expenses.....	66,658
	-----
Total Assets.....	620,935,187
	-----

LIABILITIES

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Payable for investment securities purchased.....	723,840
Accrued advisory fees (Note 4).....	360,385
Accrued administration fees (Note 4).....	66,929
Other accrued expenses.....	113,098
	-----
Total Liabilities.....	1,264,252
	-----
NET ASSETS.....	\$619,670,935
	=====
NET ASSET VALUE, PER SHARE	
(\$619,670,935 / 90,075,830 shares outstanding--Note 5).....	\$6.88
	=====
Net Assets consist of	
Capital paid-in.....	\$657,292,550
Distribution in excess of net investment income.....	(19,267,064)
Accumulated net realized gain on investments.....	1,218,709
Net unrealized depreciation on investments.....	(19,573,260)
	-----
	\$619,670,935
	=====

See notes to financial statements

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THE ZWEIG TOTAL RETURN FUND, INC.

STATEMENT OF OPERATIONS

For the Six Months Ended June 30, 2001  
(Unaudited)

Investment Income	
Income	
Interest.....	\$ 9,756,290
Dividends (net of foreign withholding taxes of \$4,027).....	1,145,603
	-----
Total Income.....	10,901,893
	-----
Expenses	
Investment advisory fees (Note 4).....	2,231,409
Administrative fees (Note 4).....	414,404
Printing and postage expenses.....	153,670
Professional fees (Note 4).....	142,152
Transfer agent fees.....	126,564
Custodian fees.....	42,412
Directors' fees and expenses (Note 4).....	38,715
Miscellaneous.....	78,619
	-----
Total Expenses.....	3,227,945
	-----
Net Investment Income.....	7,673,948
	-----
Net Realized and Unrealized Gains (Losses)	
Net realized gain on investments.....	1,981,862
Decrease in unrealized appreciation on investments.....	(31,104,355)
	-----
Net realized and unrealized loss on investments.....	(29,122,493)

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Net decrease in net assets resulting from operations..... \$ (21,448,545)

See notes to financial statements

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THE ZWEIG TOTAL 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
	-----	-----
Increase (Decrease) in Net Assets		
Operations		
Net investment income.....	\$ 7,673,948	\$ 26,796,650
Net realized gains on investments.....	1,981,862	21,769,821
Decrease in unrealized appreciation of investments.....	(31,104,355)	(19,184,705)
	-----	-----
Net increase (decrease) in net assets resulting from operations.....	(21,448,545)	29,381,766
	-----	-----
Dividends and distributions to shareholders from		
Net investment income.....	(7,673,948)	(27,554,649)
Net realized gains on investments.....	--	(22,507,300)
Capital paid-in.....	(24,651,041)	(16,801,157)
	-----	-----
Total dividends and distributions to shareholders.....	(32,324,989)	(66,863,106)
	-----	-----
Capital share transactions		
Net asset value of shares issued to shareholders in reinvestment of dividends resulting in issuance of common stock.....	2,388,606	--
Shares repurchased and retired, 0 and 867,200 shares, respectively.....	--	(6,100,002)
	-----	-----
Net increase (decrease) in net assets derived from capital share transactions...	2,388,606	(6,100,002)
	-----	-----
Net decrease in net assets.....	(51,384,928)	(43,581,342)
Net Assets		
Beginning of period.....	671,055,863	714,637,205
	-----	-----
End of period (including undistributed net investment income of \$5,383,977 at December 31, 2000).....	\$619,670,935	\$671,055,863
	=====	=====

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See notes to financial statements

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THE ZWEIG TOTAL RETURN FUND, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2001  
(Unaudited)

## NOTE 1 -- Organization

The Zweig Total Return Fund, Inc. (the "Fund") is a closed-end, diversified management investment company registered under the Investment Company Act of 1940 (the "Act"). The Fund was incorporated under the laws of the State of Maryland on July 21, 1988.

## NOTE 2 -- Significant Accounting Policies

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

### A. Portfolio Valuation

Portfolio securities that are traded only on stock exchanges are valued at the last sale price. Securities traded in the over-the-counter market which are National Market System securities are valued at the last sale price. Other over-the-counter securities are valued at the most recently quoted bid price provided by the principal market makers. Portfolio securities which are traded both in the over-the-counter market and on a stock exchange are valued according to the broadest and most representative market, as determined by the Adviser. Debt securities may be valued on the basis of prices provided by an independent pricing service, when such prices are believed by the Adviser to reflect the fair market value of such securities. Short-term investments having a remaining maturity of 60 days or less when purchased are valued at amortized cost (which approximates market value). Futures contracts traded on commodities exchanges are valued at their closing settlement price on such exchange. Securities for which market quotations are not readily available, (of which there were none at June 30, 2001) and other assets, if any, are valued at fair value as determined under procedures approved by the Board of Directors of the Fund.

### B. Security Transactions and Investment Income

Security transactions are recorded on trade date. Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis.

In November 2000, a revised AICPA Audit and Accounting Guide, Audits of Investment Companies, was issued, and is effective for fiscal years beginning after December 15, 2000. The revised guide requires the Fund to amortize premium and discount on all fixed income securities, and classify gains and losses on asset-backed securities presently included in realized gains and losses, as part of interest income.

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Realized gains and losses on sales of investments are determined on the identified cost basis for financial reporting and tax purposes.

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### C. Futures Contracts

Initial margin deposits made upon entering into futures contracts are recorded as assets. During the period the futures contract is open, changes in the value of the contract are recognized as unrealized gains or losses by marking the contract to market on a daily basis to reflect the market value of the contract at the end of each day's trading. Variation margin payments are made or received and recognized as assets or liabilities, depending upon whether unrealized gains or losses are incurred. When a contract is closed, the Fund realizes a gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Fund's basis in the contract. There are several risks in connection with the use of futures contracts as a hedging device. The change in value of futures contracts primarily corresponds with the value of their underlying instruments, which may not correlate with the change in value of the hedged investments. Therefore, anticipated gains may not result and anticipated losses may not be offset. In addition, as no secondary market exists for futures contracts, there is no assurance that there will be an active market at any particular time.

### D. Short Sales

A short sale is a transaction in which the Fund sells a security it does not own in anticipation of a decline in market price. To sell a security short, the Fund must borrow the security. The Fund's obligation to replace the security borrowed and sold short will be fully collateralized at all times by the proceeds from the short sale retained by the broker and by cash and securities deposited in a segregated account with the Fund's custodian. If the price of the security sold short increases between the time of the short sale and the time the Fund replaces the borrowed security, the Fund will incur a loss, and if the price declines during the period, the Fund will realize a gain. Any realized gain will be decreased, and any incurred loss increased, by the amount of transaction costs. Dividends or interest the Fund pays in connection with such short sales are recorded as expenses. In addition to the short sales described above, the Fund may make short sales "against the box". A short sale "against the box" is a short sale whereby at the time of the short sale, the Fund owns or has the immediate and unconditional right, at no added cost, to obtain the identical security.

### E. Federal Income Tax

The Fund has elected to qualify and intends to remain qualified, as long as management's view is that it is in the best interests of the shareholders, as a "regulated investment company" under Subchapter M of the Internal Revenue Code of 1986, as amended. The principal tax benefits of qualifying as a regulated investment company as compared to an ordinary taxable corporation, are that a regulated investment company, is not itself subject to Federal income tax on ordinary investment income and net capital gains that are currently distributed (or deemed distributed) to its shareholders and that the tax character of long-term capital gains recognized by a regulated investment company flows through to its shareholders who receive distributions of such gains.

### F. Dividends and Distributions to Shareholders

Dividends and distributions to shareholders are recorded on the ex-dividend

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date. In the event that amounts distributed are in excess of accumulated net investment income and net realized gains on investments (as determined for financial statement purposes), such amounts would be reported as a distribution from paid-in capital during the fiscal year in which such a distribution is made. Income dividends and capital gain distributions are determined in accordance with income tax regulations which may differ from accounting principles generally accepted in the United States. These differences are primarily due to timing differences and differing characterization of distributions made by the Fund as a whole.

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### NOTE 3 -- Portfolio Transactions

During the six months ended June 30, 2001, purchases and sales transactions, excluding short-term investments were:

	Common Stocks	United States Government and Agency Obligations
	-----	-----
Purchases .....	\$129,508,989	\$241,747,828
	=====	=====
Sales .....	\$102,021,394	\$294,857,312
	=====	=====

### NOTE 4 -- Investment Advisory Fees and Other Transactions with Affiliates

a) Investment Advisory Fee: The Investment Advisory Agreement (the "Agreement") between Phoenix/Zweig Advisers LLC (the "Adviser") the Fund's investment adviser and the Fund provides that, subject to the direction of the Board of Directors of the Fund and the applicable provisions of the Act, the Adviser is responsible for the actual management of the Fund's portfolio. The responsibility for making decisions to buy, sell or hold a particular investment rests with the Adviser, subject to review by the Board of Directors and the applicable provisions of the Act. For the services provided by the Adviser under the Agreement, the Fund pays the Adviser a monthly fee equal, on an annual basis, to 0.70% of the Fund's average daily net assets. During the six months ended June 30, 2001, the Fund accrued advisory fees of \$2,231,409.

b) Administration Fee: Phoenix Equity Planning Corporation serves as the Fund's Administrator (the "Administrator") pursuant to an Administration Agreement with the Fund. The Administrator generally assists in all aspects of the Fund's operations, other than providing investment advice, subject to the overall authority of the Fund's Board of Directors. The Administrator determines the Fund's net asset value daily, prepares such figures for publication on a weekly basis, maintains certain of the Fund's books and records that are not maintained by the Adviser, custodian or transfer agent, assists in the preparation of financial information for the Fund's income tax returns, proxy statements, quarterly and annual shareholder reports, and responds to shareholder inquiries. Under the terms of the Agreement, the Fund pays the Administrator a monthly fee equal, on an annual basis, to 0.13% of the Fund's average daily net assets. During the six months ended June 30, 2001, the Fund accrued administration fees of \$414,404.

c) Directors' Fee: The Fund pays each Director who is not an interested

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person of the Fund or the Adviser a fee of \$10,000 per year plus \$1,500 per Directors' or committee meeting attended, together with the out-of-pocket costs relating to attendance at such meetings. Any Director of the Fund who is an interested person of the Fund or the Adviser receives no remuneration from the Fund.

d) Brokerage Commission: During the six months ended June 30, 2001, the Fund paid PXP Securities Corp. brokerage commissions of \$22,568 in connection with portfolio transactions effected through them. In addition, PXP Securities Corp. charged \$16,901 in commissions for transactions effected on behalf of the participants in the Fund's Automatic Reinvestment and Cash Purchase Plan.

### NOTE 5 -- Capital Stock and Reinvestment Plan

At June 30, 2001, the Fund had one class of common stock, par value \$.001 per share, of which 500,000,000 shares are authorized and 90,075,830 shares are outstanding.

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Registered shareholders may elect to receive all distributions in cash paid by check mailed directly to the shareholder by EquiServe as dividend paying agent. Pursuant to the Automatic Reinvestment and Cash Purchase Plan (the "Plan"), shareholders not making such election will have all such amounts automatically reinvested by EquiServe, as the Plan agent in whole or fractional shares of the Fund, as the case may be. For the six months ended June 30, 2001 and the year ended December 31, 2000, there were 342,864 and 0 shares, respectively, issued pursuant to the Plan.

On December 7, 1999, the Fund's Board of Directors authorized the repurchase and retirement of up to \$20,000,000 of its shares for the purpose of enhancing shareholder value. For the six months ended June 30, 2001 and the year ended December 31, 2000, 0 and 867,200 shares were repurchased and retired at a cost of \$0 and \$6,100,002 respectively. This includes \$0 and \$39,024 in commissions paid to PXP Securities Corp. respectively. The weighted average discount of market price to net asset value of shares repurchased over the period of August 11, 2000 to September 22, 2000 was 8.6%.

On August 1, 2001, the Fund announced a distribution of \$0.06 per share to shareholders of record on August 13, 2001. This distribution has an ex-dividend date of August 9, 2001 and is payable on August 27, 2001.

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### NOTE 6 -- Financial Highlights

Selected data for a share outstanding throughout each period:

	Six Months Ended June 30, 2001 (Unaudited)	Year Ended December 31				
		2000	1999	1998	1997	1996
Per Share Data						
Net asset value, beginning of period....	\$ 7.48	\$ 7.89	\$ 8.43	\$ 8.61	\$ 8.29	\$ 8.63



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Income From Investment Operations						
Net investment income...	0.09	0.30	0.28	0.33	0.36	0.36
Net realized and unrealized gains (losses).....	(0.33)	0.02	(0.01)	0.39	0.80	0.14
Total from investment operations.....	(0.24)	0.32	0.27	0.72	1.16	0.50
Dividends and Distributions						
Anti-dilutive effect of share repurchase program.....	--	0.01	0.01	--	--	--
Dividends from net investment income.....	(0.09)	(0.30)	(0.28)	(0.33)	(0.36)	(0.36)
Distributions from net realized gains.....	--	(0.25)	(0.13)	(0.46)	(0.48)	(0.24)
Distributions from capital paid-in.....	(0.27)	(0.19)	(0.41)	(0.05)	--	(0.24)
Total dividends and distributions.....	(0.36)	(0.74)	(0.82)	(0.84)	(0.84)	(0.84)
Effect on net asset value as a result of rights offering*.....	--	--	--	(0.06)	--	--
Net asset value, end of period.....	\$ 6.88	\$ 7.48	\$ 7.89	\$ 8.43	\$ 8.61	\$ 8.29
Market value, end of period**.....	\$ 7.30	\$ 6.57	\$ 6.50	\$ 8.88	\$ 9.44	\$ 8.00
Total investment return***.....	15.89%	12.64%	(18.72)%	4.49%	30.22%	2.62%
Ratios/Supplemental Data						
Net assets, end of period (in thousands)..	\$619,671	\$671,056	\$714,637	\$757,212	\$677,133	\$638,768
Ratio of expenses to average net assets.....	1.01%****	1.00%	0.97%	0.97%	1.04%	1.03%
Ratio of net investment income to average net assets.....	2.53%****	3.87%	3.50%	3.88%	4.30%	4.31%
Portfolio turnover rate.	68.1%	121.6%	172.3%	87.9%	104.7%	147.2%

\* Shares were sold at a 5% discount from the average market price.

\*\* Closing Price -- New York Stock Exchange.

\*\*\* Total investment return is calculated assuming a purchase of common stock on the opening of the first business day and a sale on the closing of the last business day of each period reported. Dividends and distributions, if any, are assumed for the purposes of this calculation, to be reinvested at prices obtained under the Fund's Distribution Reinvestment and Cash Purchase Plan. Generally, total investment return based on net asset value will be higher than total investment return based on market value in periods where there is an increase in the discount or a decrease in the premium of the market value to the net assets from the beginning to the

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end of such years. Conversely, total investment return based on net asset value will be lower than total investment return based on market value in periods where there is a decrease in the discount or an increase in the premium of the market value to the net asset value from the beginning to end of such periods.

\*\*\*\* Annualized.

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### SUPPLEMENTARY PROXY INFORMATION

The Annual Meeting of Shareholders of The Zweig Total Return Fund, Inc. was held on May 8, 2001. The meeting was held for the purpose of electing Wendy Luscombe, Alden C. Olson, and Martin E. Zweig as directors and to vote on a proposal to convert the Fund to an open-end investment company. The Fund's other Directors who continue in office are Charles H. Brunie, Elliot S. Jaffe and James B. Rogers, Jr.

The results of the above matters were as follows:

Directors	Votes For	Votes Against	Votes Withheld	Abstentions
Wendy Luscombe.....	78,904,587	N/A	1,396,585	N/A
Alden C. Olson.....	78,931,860	N/A	1,369,312	N/A
Martin E. Zweig.....	79,113,356	N/A	1,187,816	N/A

Proposal to convert to an open-end investment company:

Votes For	Votes Against	Votes Withheld	Abstentions/Broker Non-Votes
7,424,205	36,594,468	--	36,464,499

### KEY INFORMATION

1-800-272-2700 Zweig Shareholder Relations:  
For general information and literature

1-800-272-2700 The Zweig Total Return Fund Hot Line:  
For updates on net asset value, share price, major industry groups and other key information

### REINVESTMENT PLAN

Many of you have questions about our reinvestment plan. We urge shareholders who want to take advantage of this plan and whose shares are held in "Street Name," to consult your broker as soon as possible to determine if

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you must change registration  
into your own name to  
participate.

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Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that the Fund may from time to time purchase its shares of common stock in the open market when Fund shares are trading at a discount from their net asset value.

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### OFFICERS AND DIRECTORS

Martin E. Zweig, Ph.D.  
Chairman of the Board and President

Jeffrey Lazar  
Executive Vice President and Treasurer

Nancy J. Engberg  
Secretary

Christopher M. Capano  
Vice President

Charles H. Brunie  
Director

Elliot S. Jaffe  
Director

Wendy Luscombe  
Director

Alden C. Olson, Ph.D.  
Director

James B. Rogers, Jr.  
Director

Investment Adviser  
Phoenix/Zweig Advisers LLC  
900 Third Avenue  
New York, NY 10022

Fund Administrator  
Phoenix Equity Planning Corporation  
56 Prospect St.  
P.O. Box 150480  
Hartford, CT 06115-0480

Custodian  
The Bank of New York  
One Wall Street  
New York, NY 10286

Transfer Agent  
State Street Bank & Trust Co.  
c/o EquiServe

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PO Box 43010  
Providence, RI 02940-3010

Legal Counsel  
Rosenman & Colin LLP  
575 Madison Avenue  
New York, NY 10022

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This report is transmitted to the shareholders of The Zweig Total Return Fund, Inc. for their information. This is not a prospectus, circular or representation intended for use in the purchase of shares of the Fund or any securities mentioned in this report.

PXP 1376

3206-SEM (06/01)

Semiannual Report

[LOGO OF ZWEIG]

The Zweig Total Return Fund, Inc.

June 30, 2001

[LOGO OF PHOENIX INVESTMENT PARTNERS]