

ZWEIG TOTAL RETURN FUND INC

Form N-30B-2

November 28, 2008

OFFICERS AND DIRECTORS

George R. Aylward  
President, Chairman and Chief Executive Officer

Carlton Neel  
Executive Vice President

David Dickerson  
Senior Vice President

Marc Baltuch  
Chief Compliance Officer and Vice President

Moshe Luchins  
Vice President

Kevin J. Carr  
Chief Legal Officer and Secretary

Nancy Curtiss  
Treasurer

Jacqueline Porter  
Vice President and Assistant Treasurer

Charles H. Brunie  
Director

Wendy Luscombe  
Director

Alden C. Olson, Ph.D.  
Director

James B. Rogers, Jr.  
Director

R. Keith Walton  
Director

Investment Adviser  
Zweig Advisers LLC  
900 Third Avenue  
New York, NY 10022-4793

Fund Administrator  
Phoenix Equity Planning Corporation  
One American Row  
Hartford, CT 06103-2899

Custodian  
State Street Bank and Trust Company  
P.O. Box 5501  
Boston, MA 02206-5501

Legal Counsel

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Katten Muchin Rosenman LLP  
575 Madison Avenue  
New York, NY 10022-2585

Transfer Agent  
Computershare Trust Company, NA  
P.O. Box 43010  
Providence, RI 02940-3010

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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.

Q3-08

Quarterly Report

Zweig

The Zweig Total  
Return Fund, Inc.

September 30, 2008

[LOGO]

VIRTUS  
INVESTMENT PARTNERS

November 1, 2008

Dear Fellow ZTR Shareholder:

I am pleased to share with you the manager's report and commentary for The Zweig Total Return Fund, Inc. for the quarter ended September 30, 2008.

The Zweig Total Return Fund's net asset value declined 4.48%, including \$0.115 in reinvested distributions, for the three months ended September 30, 2008. During the same period, the Fund's Composite Index declined 3.24%, including reinvested dividends. The Fund's average exposure for the quarter was 39% in equities and 27% in bonds

For the nine months ended September 30, the Fund's net asset value declined 5.66%, including \$0.357 in reinvested distributions. During the same period, the Fund's Composite Index declined 8.00%, including reinvested dividends. The Fund's average exposure for the nine months was 40% in equities and 33% in bonds.

Sincerely,

/s/ George R. Aylward  
George R. Aylward

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President, Chairman and  
Chief Executive Officer  
The Zweig Total Return  
Fund, Inc.

### MARKET OVERVIEW AND OUTLOOK

A huge economic earthquake struck the U.S. financial structure in September and its aftershocks will be felt for a long time to come. When the dust settled, many of the industry's traditional landmarks were gone or changed forever. Fannie Mae and Freddie Mac, the mortgage-lending giants, were seized by the government; Lehman Brothers, founded in 1850 and survivor of every financial catastrophe since then, filed for bankruptcy. Merrill Lynch, 94 years old, was acquired by Bank of America. Bear Stearns was gobbled up by J.P. Morgan Chase, which also swallowed Washington Mutual, the nation's largest savings and loan. American International Group (AIG) is still in business, propped up by a \$85 billion loan from the Treasury. Ending the era of the independent investment banks, Goldman Sachs and Morgan Stanley became bank holding companies.

The upheaval in these long-established companies began with staggering losses in the \$1.3 trillion market for "subprime" mortgages, many of which were cut up and repackaged into bonds and sold to investors. The bursting of this enormous bubble, combined with plummeting housing prices, ignited the long-simmering credit crisis. Loans for any purpose became almost impossible to obtain. As a result, the economy froze and many businesses were in deep trouble as the quarter ended.

Facing a financial calamity, the Treasury bond market endured extreme volatility during the third quarter. The yield of the benchmark 10-year Treasury note began the third quarter at 3.97%, and hit a high of 4.12% in late July. It subsequently rallied sharply during the market upheaval. The low yield for the quarter was 3.39% (on a closing basis) which occurred

Managed Distribution Plan: The Fund has a policy to distribute 10% of its net asset value annually. Please see the inside back cover for more details.

September 15, the Monday after the Lehman bankruptcy weekend. The flight to quality was apparent during the entire quarter as Treasury yields seesawed, depending on the financial news from Wall Street.

Ultimately, the yield ended the quarter at 3.74%, modestly lower than at the start. The yield levels do not reflect the tremendous intra-day volatility that bonds experienced. The backdrop for the lower yields in Treasuries was the dramatic widening of most credit spreads. Concerns about corporate solvency had bond holders dumping paper along the credit spectrum and buying Treasuries. However, the specter of inflation is looming as the Federal Reserve (the "Fed") pumps liquidity into the system. Increased money supply, unless drained from the system, leads to inflation, which is the nemesis of bond buyers.

So we have a paradox. Ordinarily, a major economic slowdown, with credit markets seized, banks struggling, and employment rising would be a favorable time for bond ownership. However, the fact that the government is adding billions of dollars in new spending and billions more in money supply does give the Treasury bond market cause for concern.

The Fund did some additional selling during the quarter, mainly on days when the market looked panicked and prices paid were too good to pass up.

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Consequently, the Fund ended the quarter with its lowest bond duration level of the year (duration is a measure of bond portfolio risk).

The Fund's bond exposure on September 30 was 31% compared with 27% at the end of the second quarter. If we were fully invested, 50% of our exposure would be in bonds and 50% in stocks. Consequently, at 31% we were at 62% of a full position (31%/50%) bonds.

Our exposure to U.S. common stocks was 38% on September 30, 2008 compared with 40% at the end of the second quarter. At this level, we were at about 76% of a full position (38%/50%) in equities.

It was in this bleak environment that stocks stumbled into the fourth quarter in bear market territory. The Dow Jones Industrial Average declined 4.4%/(1)/ for the third quarter and fell 18.2%/(1)/ for the year to date. This left the Dow 23% below its last October peak. The NASDAQ Composite Index was off 9.2%/(1)/ for the quarter, 21.5%/(1)/ for the nine months and 27% from its previous high. Similarly, the S&P 500 Index slipped 9%/(1)/ for the quarter, 20.7%/(1)/ for the year to date, and 26% from its peak.

There was no light in the tunnel for the world markets. The Dow Jones World Stock Index, excluding the U.S., tumbled 22%/(1)/ in dollar terms for the third quarter. Britain's FTSE 100 was down 13%/(1)/. Asia did no better, with Japan's Nikkei stock average of 272 companies falling 17%/(1)/ and China's Shanghai Composite Index off 16%/(1)/.

Stating that it was concerned about both downside risks to growth and upside risks of inflation, the Fed kept its benchmark lending rate unchanged at 2% at its September meeting. The Fed warned that "tight credit conditions, the ongoing housing contraction, and some slowing in export growth are likely to weigh on economic gains over the next few months." On inflation, the Fed saw moderation later this year and next but warned that the outlook remains highly uncertain.

Indicating that a slowdown was well underway, the Institute for Supply Management ("ISM") reported that its index of manufacturing activities dropped to 43.5 in September from 49.9 in August. A reading under 50 indicates contraction. In its survey of purchasing agents, ISM

/(1)/ Return excludes reinvested dividends.

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found that new orders fell to 38.8 from 48.3 in August. Also down were order backlogs, inventories and employment.

The economic weakness was confirmed by a Commerce Department report that orders for durable goods (items like furniture, cars, aircraft and household appliances) declined 4% to \$208.5 billion in August, a drop of \$9.9 billion from July. In separate reports the Commerce Department noted that construction of new homes and apartments slipped 6.2% in August to the lowest point since January 1991. Also dropping to that level were sales of newly-built homes, which fell 11.5% in August to an annual pace of 460,000 units.

There was no silver lining in the employment sector. The Labor Department reported that the American economy lost 150,000 jobs in September, the largest monthly decline in five years. The September drop-off was more than twice the average loss for the first eight months of this year. For the year-to-date, 750,000 jobs were eliminated.

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The widespread credit crisis that made it difficult for many companies to obtain credit made it possible for stronger companies to take over weaker ones. Capital-rich companies were able to acquire companies that sought deals or were unable to avoid them to survive. Consequently, merger and acquisition activity soared 27% to \$368.2 billion in the third quarter. World-wide volume rose only 1% to \$968 billion in dollar terms.

With market conditions very challenging, initial public offerings ("IPOs") activity fell dramatically. Only 5 IPOs took place in the U.S. in the third quarter, raising \$935 million, according to Dealogic. This compares with 39 deals raising \$12 billion in the like quarter of 2007. Global transactions in the third quarter came to 129, raising \$7.8 billion. These figures are down sharply from the 241 offerings that raised \$33.3 billion in the second quarter and 364 IPOs that raised \$49.3 billion in the third quarter of last year. The latest numbers were the fewest deals and the least money raised since Dealogic began tracking IPOs in 1995.

We expect to see this pattern of many mergers and few new issues to continue for the foreseeable future. The financial area is especially ripe for increased mergers. With the encouragement of the Treasury and Fed, stronger banks will continue to take over weaker ones. As far as new issues are concerned, the state of the current stock market is certainly not conducive for companies to go public.

U.S. exports, which had been a strong positive factor in the nation's economy, grew to \$168.1 billion in July, an increase of 3.3%, or \$5.4 billion, from June, according to the Commerce Department. In the second quarter, exports provided approximately 3% of the revised 2.8% annualized growth of the gross domestic product. The weak dollar played a vital part in expanding exports but a problem loomed with the latest strengthening of the dollar. After Congress passed the bank rescue bill, the euro fell to 1.3856 against the dollar, the lowest level since September 2000.

Wall Street analysts believe that third-quarter earnings of the S&P 500 would wind up 2.3% below the 2007 period, according to a poll by Thomson Reuter. They also project flat results for all of 2008. That's a big comedown from the 6.7% gain predicted in July but still much better than the drop of 8% that some analysts expect for this year. We believe that these estimates are still way too optimistic. While analysts have been reducing their estimates, they are not cutting deep enough to reflect the recession conditions.

At the end of the quarter, a survey of market advisors by Investors Intelligence found 37% bulls and 41% bears. At this writing, the sentiment has shifted to 22% bulls and 54% bears, a sharp turnaround from the 55% bulls and 23% bears reported at the start of this year. Advisors currently are the most pessimistic since December 1988.

Companies in the S&P 500 were trading at 22.9 times earnings on Sept. 30, 2008. This compares with P/Es of 20 on June 30 and 19 on December 31, 2007. P/E ratios are higher because company earnings fell more than their share prices. As is normal in a bear market, P/Es will probably climb as earnings decline further.

Because it seems that we are getting very close to a market bottom, we expect a bear market rally and are bullish for the short term. We saw a selling

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climax in October and have been following a typical recession pattern since then. While many people say we haven't seen anything quite like this, we have had nine larger bear markets than this one since 1900. The only one massively larger was in the early 1930s. There were many bear markets where the Dow fell 40% to 49% but at present we are barely below 40%. However, this bear market has a potential for getting a lot worse, depending on the outcome of the critical credit situation.

Sincerely,

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

Martin E. Zweig, Ph.D.  
President  
Zweig Consulting LLC

### PORTFOLIO COMPOSITION

All of our bonds are U.S. Government obligations. These bonds are highly liquid and provide the flexibility to respond quickly to changing market conditions.

The Fund's leading stock market sectors on September 30, 2008 included financials, information technology, consumer staples, energy and industrials. Aside from changes in percentages held, all of the above appeared in our previous listing. During the quarter we added to our positions in energy and consumer staples and reduced our holdings in information technology and financials.

As of September 30, 2008 our leading individual equity holdings included Altria, ConocoPhillips, Hudson City Bankcorp, McDonald's, Merck, Nike, PepsiCo, Phillip Morris International, Wells Fargo and Wilmington Trust. New to this list are ConocoPhillips and Phillip Morris International, where we added to our positions, and Nike and PepsiCo, where there were no changes in shares held.

No longer among our top listings are Freeport McMoRan, where we added to our positions; IBM and Union Pacific, where we reduced our holdings, and Nucor, where there was no change in shares held.

Sincerely,

[SIGNATURE]

/s/ Carlton Neel  
Carlton Neel  
Executive Vice President  
Zweig Advisers LLC  
(formerly Phoenix/Zweig Advisers LLC)

The preceding information is the opinion of portfolio management. Past performance is no guarantee of future results, and there is no guarantee that market forecasts will be realized. As interest rates rise, bond prices fall. As such, this Fund's share value may decline substantially and it is possible to lose a significant portion of your principal when interest rates rise. For definitions of indexes cited and certain investment terms used in this report see the glossary on page 5.

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### Glossary

**American Depositary Receipt (ADR):** Represents shares of foreign companies traded in U.S. dollars on U.S. exchanges that are held by a bank or a trust. Foreign companies use ADRs in order to make it easier for Americans to buy their shares.

**Benchmark Index for The Zweig Total Return Fund:** A composite index consisting of 50% Lehman Brothers Government Bond Index and 50% S&P 500(R) Index.

**Dow Jones Industrial Average/SM/:** A price-weighted average of 30 blue chip stocks. The index is calculated on a total return basis with dividends reinvested.

**The Dow Jones World Stock Index:** The Dow Jones World Stock Index measures the performance of companies worldwide as represented by various foreign stock markets.

**Duration:** A measure of a fixed income fund's sensitivity to interest rate changes. For example, if a fund's duration is 5 years, a 1% increase in interest rates would result in a 5% decline in the fund's price. Similarly, a 1% decline in interest rates would result in a 5% gain in the fund's price.

**Federal Reserve:** The central bank of the United States, responsible for controlling the money supply, interest rates and credit with the goal of keeping the U.S. economy and currency stable. Governed by a seven-member board, the system includes 12 regional Federal Reserve Banks, 25 branches and all national and state banks that are part of the system.

**Gross domestic product (GDP):** An important measure of the United States' economic performance, GDP is the total market value of all final goods and services produced in the U.S. during any quarter or year.

**Inflation:** Rise in the prices of goods and services resulting from increased spending relative to the supply of goods on the market.

**Initial public offering (IPO):** A company's first sale of stock to the public.

**Investors Intelligence Survey:** A weekly survey published by Chartcraft, an investment services company, of the current sentiment of approximately 150 market newsletter writers. Participants are classified into three categories: bullish, bearish or waiting for a correction.

**Institute for Supply Management (ISM) Report on Business(R):** An economic forecast, released monthly, that measures U.S. manufacturing conditions and is arrived at by surveying 300 purchasing professionals in the manufacturing sector representing 20 industries in all 50 states.

**NASDAQ Composite(R) Index:** A market capitalization-weighted index of all issues listed in the NASDAQ (National Association Of Securities Dealers Automated Quotation System) Stock Market, except for closed-end funds, convertible debentures, exchange traded funds, preferred stocks, rights, warrants, units and other derivative securities. The index is calculated on a total return basis with dividends reinvested.

**S&P 500(R) Index:** A free-float market capitalization-weighted index of 500 of the largest U.S. companies. The index is calculated on a total return basis with dividends reinvested.

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Indexes cited are unmanaged and not available for direct investment; therefore their performance does not reflect the expenses associated with the active management of an actual portfolio.

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## THE ZWEIG TOTAL RETURN FUND, INC.

### SCHEDULE OF INVESTMENTS

September 30, 2008

(Unaudited)

	Par (000's)	Value
		-----
INVESTMENTS		
U.S. GOVERNMENT SECURITIES	31.00%	
U.S. TREASURY BONDS -- 19.42%		
U.S. Treasury Bond 9.25%, 2/15/16.....	\$ 20,000	\$ 27,381,240
U.S. Treasury Bond 7.50%, 11/15/16.....	20,000	25,134,380
U.S. Treasury Bond 8.75%, 5/15/17.....	22,000	29,837,500
U.S. Treasury Bond 8.875%, 2/15/19.....	10,000	13,997,660
		-----
		96,350,780
		-----
U.S. TREASURY NOTES -- 11.58%		
U. S. Treasury Note 2%, 9/30/10.....	38,000	38,011,856
U.S. Treasury Note 4%, 11/15/12.....	18,500	19,438,005
		-----
		57,449,861
		-----
Total U.S. Government Securities (Identified Cost \$147,822,546).....		153,800,641
		-----
	Number of Shares	
	-----	
DOMESTIC COMMON STOCKS	34.78%	
CONSUMER DISCRETIONARY -- 3.06%		
McDonald's Corp.....	100,000	6,170,000
NIKE, Inc. Class B.....	82,000	5,485,800
Under Armour, Inc. Class A/(b)/.....	112,000	3,557,120
		-----
		15,212,920
		-----
CONSUMER STAPLES -- 5.23%		
Altria Group, Inc.....	310,000	6,150,400
Bunge Ltd.....	44,000	2,779,920
Costco Wholesale Corp.....	71,000	4,610,030
PepsiCo, Inc.....	85,000	6,057,950
Philip Morris International, Inc.....	132,000	6,349,200
		-----
		25,947,500



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See notes to schedule of investments

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	Number of Shares	Value
	-----	-----
ENERGY -- 4.75%		
Chesapeake Energy Corp.....	73,000	\$ 2,617,780
ConocoPhillips.....	79,000	5,786,750
Halliburton Co.....	108,000	3,498,120
Massey Energy Co.....	56,000	1,997,520
Occidental Petroleum Corp.....	76,000	5,354,200
St. Mary Land & Exploration Co.....	87,000	3,101,550
Valero Energy Corp.....	40,000	1,212,000
		-----
		23,567,920
		-----
FINANCIALS -- 6.73%		
Allstate Corp. (The).....	118,000	5,442,160
Goldman Sachs Group, Inc. (The).....	27,000	3,456,000
Hudson City Bancorp, Inc.....	334,000	6,162,300
Reinsurance Group of America, Inc.....	83,000	4,482,000
Wachovia Corp.....	54,000	189,000
Wells Fargo & Co.....	193,000	7,243,290
Wilmington Trust Corp.....	222,000	6,400,260
		-----
		33,375,010
		-----
HEALTH CARE -- 2.51%		
Gilead Sciences, Inc./ (b)/.....	74,000	3,372,920
Merck & Co., Inc.....	185,000	5,838,600
UnitedHealth Group, Inc.....	128,000	3,249,920
		-----
		12,461,440
		-----
INDUSTRIALS -- 4.62%		
Boeing Co. (The).....	78,000	4,473,300
Caterpillar, Inc.....	75,000	4,470,000
Continental Airlines, Inc. Class B/ (b)/.....	141,000	2,351,880
Foster Wheeler Ltd./ (b)/.....	70,000	2,527,700
L-3 Communications Holdings, Inc.....	49,000	4,817,680
Union Pacific Corp.....	60,000	4,269,600
		-----
		22,910,160
		-----
INFORMATION TECHNOLOGY -- 4.56%		
Cisco Systems, Inc./ (b)/.....	138,000	3,113,280
Corning, Inc.....	192,000	3,002,880
Hewlett-Packard Co.....	85,000	3,930,400
International Business Machines Corp.....	40,000	4,678,400
Microsoft Corp.....	143,000	3,816,670

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QUALCOMM, Inc.....	95,000	4,082,150
		-----
		22,623,780
		-----

See notes to schedule of investments

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	Number of Shares	Value
	-----	-----
MATERIALS -- 1.37%		
Alcoa, Inc.....	151,000	\$ 3,409,580
NuCor Corp.....	86,000	3,397,000
		-----
		6,806,580
		-----
TELECOMMUNICATION SERVICES -- 1.95%		
AT&T, Inc.....	161,000	4,495,120
Verizon Communications, Inc.....	161,000	5,166,490
		-----
		9,661,610
		-----
Total Domestic Common Stocks (Identified Cost \$179,733,525).....		172,566,920
		-----
FOREIGN COMMON STOCKS/(c)/	2.25%	
ENERGY -- 0.69%		
Petroleo Brasileiro SA ADR (Brazil).....	78,000	3,428,100
		-----
INFORMATION TECHNOLOGY -- 0.85%		
Nokia Oyj Sponsored ADR (Finland).....	227,000	4,233,550
		-----
MATERIALS -- 0.71%		
Freeport-McMoRan Copper & Gold, Inc. (United States)/(c)/.....	62,000	3,524,700
		-----
Total Foreign Common Stocks (Identified Cost \$14,787,347).....		11,186,350
		-----
EXCHANGE TRADED FUNDS	0.82%	
PowerShares Deutsche Bank Agriculture Fund/(b)/..	134,000	4,076,280
		-----
Total Exchange Traded Funds (Identified Cost \$4,586,676).....		4,076,280
		-----
Total Long Term Investments -- 68.85% (Identified Cost \$346,930,094).....		341,630,191
		-----

See notes to schedule of investments

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	Par (000's)	Value
	-----	-----
SHORT-TERM INVESTMENTS	30.89%	
COMMERCIAL PAPER/(d)/ -- 6.73%		
Goldman Sachs Group, Inc. 1.50%, 10/1/08.....	\$ 3,100	\$ 3,100,000
NSTAR Electric Co. 2%, 10/1/08.....	4,700	4,700,000
Henkel of America 2.20%, 10/7/08.....	25,600	25,590,613
		-----
Total Commercial Paper (Identified Cost \$33,390,613)		33,390,613
		-----
U.S. TREASURY BILLS/(d)/ -- 24.16%		
U.S. Treasury Bills 1.74%, 11/6/08.....	40,000	39,938,471
U.S. Treasury Bills 1.94%, 11/28/08.....	80,000	79,916,248
		-----
Total U.S. Treasury Bills (Identified Cost \$119,682,355).....		119,854,719
		-----
Total Short-Term Investments (Identified Cost \$153,072,968).....		153,245,332
		-----
Total Investments (Identified Cost \$500,003,062) -- 99.74%.....		494,875,523/ (a) /
Other Assets and Liabilities, Net -- 0.26%.....		1,297,885
		-----
Net Assets -- 100.00%.....		\$496,173,408
		=====

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- (a) Federal Income Tax Information: Net unrealized depreciation of investment securities is comprised of gross appreciation of \$14,536,351 and gross depreciation of \$24,984,770 for federal income tax purposes. At September 30, 2008, the aggregate cost of securities for federal income tax purposes was \$505,323,942.
- (b) Non-income producing.
- (c) A security is considered to be foreign if the security is issued in a foreign country. The country of risk, noted parenthetically, is determined based on criteria described in Note 1D "Foreign security country determination" in the Notes to Schedule of Investments.
- (d) The rate shown is the discount rate.

See notes to schedule of investments

THE ZWEIG TOTAL RETURN FUND, INC.

FINANCIAL HIGHLIGHTS

September 30, 2008  
(Unaudited)

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	Total Net Assets	Net Ass per
	-----	-----
Beginning of period: December 31, 2007.....	\$569,655,572	
Net investment income.....	\$ 7,474,368	\$ 0.07
Net realized and unrealized gain on investments....	(40,030,411)	(0.35)
Dividends from net investment income and distributions from net long-term and short-term capital gains *.....	(40,911,063)	(0.36)
Adjustment to bring costs estimated in connection with 2007 rights offering to actual.....	(15,058) / (1) /	-- / (2)
	-----	-----
Net increase (decrease) in net assets/net asset value.....	(73,482,164)	
End of period: September 30, 2008.....	\$496,173,408	
	=====	

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 \*Please note that the tax status of our distributions is determined at the end of the taxable year. However, based on interim data as of September 30, 2008, we estimate that 22% of distributions represent net investment income distributions, 64% represent return of capital, 12% represent excess gain distributions which are taxable as ordinary income and 2% represent long-term capital gain distributions.

- (1) Adjustment to bring costs estimated in connection with rights offering to actual.  
 (2) Amount is less than \$0.005.

See notes to schedule of investments

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THE ZWEIG TOTAL RETURN FUND, INC.

NOTES TO SCHEDULE OF INVESTMENTS

September 30, 2008  
 (Unaudited)

NOTE 1 -- 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 conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

A. Security Valuation:

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Equity securities are valued at the official closing price (typically last sale) on the exchange on which the securities are primarily traded, or if no closing price is available, at the last bid price.

Debt securities are valued on the basis of broker quotations or valuations provided by a pricing service, which utilizes information with respect to recent sales, market transactions in comparable securities, quotations from dealers, and various relationships between securities in determining value. Due to excessive volatility in the current market (please see note on Market Conditions -- Note 4), valuations developed through pricing techniques may materially vary from the actual amounts realized upon sale of the securities.

As required, some securities and other assets may be valued at fair value as determined in good faith by or under the direction of the Directors.

Certain foreign common stocks may be fair valued in cases where closing prices are not readily available or are deemed not reflective of readily available market prices. For example, significant events (such as movement in the U.S. securities market, or other regional and local developments) may occur between the time that foreign markets close (where the security is principally traded) and the time that the Fund calculates its net asset value (generally, the close of the NYSE) that may impact the value of securities traded in these foreign markets. In these cases, information from an external vendor may be utilized to adjust closing market prices of certain foreign common stocks to reflect their fair value. Because the frequency of significant events is not predictable, fair valuation of certain foreign common stocks may occur on a frequent basis.

Short-term investments having a remaining maturity of 60 days or less are valued at amortized cost, which approximates market.

The Fund has adopted the provisions of the Statement of Financial Accounting Standards No. 157 ("SFAS 157") as of the beginning of the current fiscal period of the Fund. This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. To increase consistency and

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comparability in fair value measurements and related disclosures, the Fund utilizes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

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

The following is a summary of the inputs used to value the Fund's net assets as of September 30, 2008. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

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Valuation Inputs -----	Investments in Securities -----
Assets:	
Level 1 -- Quoted Prices.....	\$187,829,550
Level 2 -- Other Significant Observable Inputs.	307,045,973
Level 3 -- Significant Unobservable Inputs.....	--
	-----
Total	\$494,875,523 =====

B. Security Transactions and Related Income:

Security transactions are recorded on the trade date. Dividend income is recorded on the ex-dividend date, or in the case of certain foreign securities, as soon as the Fund is notified. Interest income is recorded on the accrual basis. The Fund amortizes premiums and accretes discounts using the effective interest method. Realized gains and losses are determined on the identified cost basis.

C. Foreign Currency Translation:

Foreign securities and other assets and liabilities are valued using the foreign currency exchange rate effective at the end of the reporting period. Cost of investments is translated at the currency exchange rate effective at the trade date. The gain or loss resulting from a change in currency exchange rates between the trade and settlement dates of a portfolio transaction is treated as a gain or loss on foreign currency. Likewise, the gain or loss resulting from a change in currency exchange rates between the date income is accrued and paid is treated as a gain or loss on foreign currency. The Fund does not isolate that portion of the results of operations arising from changes in exchange rates and that portion arising from changes in the market prices of securities.

D. Foreign Security Country Determination:

A combination of the following criteria is used to assign the countries of risk listed in the Schedule of Investments: country of incorporation, actual building address, primary exchange on which the security is traded and country in which the greatest percentage of company revenue is generated.

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E. 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 realize a loss, and

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if the price declines during the period, the Fund will realize a gain. Any realized gain will be decreased, and any realized loss increased, by the amount of transaction costs. On ex-dividend date, dividends on short sales are recorded as an expense to the Fund. Short selling used in the management of the Fund may accelerate the velocity of potential losses if the prices of securities sold short appreciate quickly. Stocks purchased may decline in value at the same time stocks sold short may appreciate in value, thereby increasing potential losses.

At September 30, 2008, the Fund had no securities sold short.

### F. Security Lending:

The Fund may loan securities to qualified brokers through an agreement with State Street Bank and Trust Company (the "Custodian"). Under the terms of agreement, the Fund is required to maintain collateral with a market value not less than 100% of the market value of loaned securities. Collateral is adjusted daily in connection with changes in the market value of securities on loan. Collateral may consist of cash, securities issued or guaranteed by the U.S. Government or its agencies. Cash collateral is invested in a short-term money market fund. Dividends earned on the collateral and premiums paid by the broker are recorded an income by the Fund net of fees and rebates charged by the Custodian for its services in connection with this securities lending program. Lending portfolio securities involves a risk of delay in the recovery of the loaned securities or in the foreclosure on collateral.

At September 30, 2008, the Fund had no securities on loan.

### NOTE 2 -- CREDIT RISK AND ASSET CONCENTRATIONS

In countries with limited or developing markets, investments may present greater risks than in more developed markets and the prices of such investments may be volatile. The consequences of political, social or economic changes in these markets may have disruptive effects on the market prices of these investments and the income they generate, as well as the Fund's ability to repatriate such amounts.

The Fund may invest a high percentage of its assets in specific sectors of the market in its pursuit of a greater investment return. Fluctuations in these sectors of concentration may have a greater impact on the Fund, positive or negative, than if the Fund did not concentrate its investments in such sectors.

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### NOTE 3 -- INDEMNIFICATIONS

Under the Fund's organizational documents, its directors and officers are indemnified against certain liabilities arising out of the performance of their duties to the Fund. In addition, the Fund enters into contracts that contain a variety of indemnifications. The Fund's maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these arrangements.

### NOTE 4 -- MARKET CONDITIONS

Recent events in the financial sector have resulted in an unusually high degree of volatility in the financial markets and the net asset value of many mutual funds, including the Fund. Such events include, but are not limited to,

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the seizure of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation by U.S. banking regulators, the bankruptcy filing of Lehman Brothers and sale of Merrill Lynch to Bank of America, and the government bailout of AIG. The potential investment of the Fund's investments in these issuers, and the financial sector in general, as reflected in the Fund's schedule of investments, exposes investors to the negative (or positive) performance resulting from these and other events.

### NOTE 5 -- OTHER

On February 7, 2008, the Phoenix Companies, Inc. ("PNX") announced its intention to spin off various subsidiaries constituting its asset management business to PNX's shareholders. Once spun off from PNX, the company holding the asset management subsidiaries, Virtus Investment Partners, Inc. ("Virtus"), will become an independent public company. The spinoff is expected to occur at a date later in the year based on regulatory approval. In preparation for this spinoff, certain of the asset management subsidiaries have changed their names to reflect the Virtus brand, including the Fund's adviser, Phoenix Zweig Advisers LLC, which is now known as Zweig Advisers LLC.

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### KEY INFORMATION

Zweig Shareholder Relations: 1-800-272-2700

For general information and literature, as well as 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 you must change registration into your own name to participate.

### REPURCHASE OF SECURITIES

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.

### PROXY VOTING INFORMATION (FORM N-PX)

The Adviser and Sub-Adviser vote proxies relating to portfolio securities in accordance with procedures that have been approved by the Fund's Board of Directors. You may obtain a description of these procedures, along with information regarding how the Fund voted proxies during the most recent 12-month period ended June 30, 2008, free of charge, by calling toll-free 1-800-243-1574. This information is also available through the Securities and Exchange Commission's website at <http://www.sec.gov>.

### FORM N-Q INFORMATION

The Fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission (the "SEC") for the first and third quarters of each fiscal year on Form N-Q. Form N-Q is available on the SEC's website at <http://www.sec.gov>. Form N-Q may be reviewed and copied at the SEC's Public Reference Room. Information on the operation of the SEC's Public Reference Room



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can be obtained by calling toll-free 1-800-SEC-0330.

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### FUND DISTRIBUTIONS AND MANAGED DISTRIBUTION PLAN

The Fund has a Managed Distribution Plan to pay 10% of the Fund's net asset value on an annualized basis. Distributions may represent earnings from net investment income, realized capital gains, or, if necessary, return of capital. The board believes that regular, fixed monthly cash payouts will enhance shareholder value and serve the long-term interests of shareholders. You should not draw any conclusions about the Fund's investment performance from the amount of the distributions or from the terms of the Fund's Managed Distribution Plan.

The Fund estimates that it has distributed more than its income and net realized capital gains in the fiscal year to date; therefore, a portion of your distributions may be a return of capital. A return of capital may occur when some or all of the money that you invested in the Fund is paid back to you. A return of capital does not necessarily reflect the Fund's investment performance and should not be confused with "yield" or "income".

Please note that the characterization of Fund distributions for federal income tax purposes is different from book accounting generally accepted accounting principles ("GAAP"). The amounts and sources of distributions reported in Section 19(a) notices of the 1940 Act are only estimates and are not being provided for tax reporting purposes. The actual amounts and sources of the amounts for tax reporting purposes will depend upon the Fund's investment experience during the remainder of its fiscal year and may be subject to changes based on tax regulations. It is only after December 31, 2008 that we will know the exact source of our distributions. Shareholders should use only the Form 1099-DIV that will be mailed by January 31, 2009 to determine the taxability of our distributions.

The Board may amend, suspend or terminate the Managed Distribution Plan without prior notice to shareholders if it deems such action to be in the best interest of the Fund and its shareholders.

Information on the Zweig funds is available at [www.virtus.com](http://www.virtus.com). Section 19(a) notices are posted on the website at:  
<http://www.virtus.com/products/closed/details.aspx?type=individual&fundid=ZTR>.

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