

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

ZWEIG TOTAL RETURN FUND INC

Form N-30D

August 21, 2002

August 1, 2002

[PHOTO]

Dear Shareholder:

The net asset value of The Zweig Total Return Fund, Inc. decreased 3.00%, including \$0.158 per share in reinvested distributions, for the three months ended June 30, 2002.

For the six months ended June 30, 2002, the Fund's net asset value declined 3.79%, including \$0.322 in reinvested distributions.

Consistent with our policy of trying to minimize risk while earning reasonable returns, our average overall exposure during the first half of 2002 was approximately 75%.

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 \$0.050 per share payable on August 26, 2002 to shareholders of record on August 12, 2002. The amount of the distribution depends on the exact net asset value at the time of declaration. For the July distribution, 0.83% of the Fund's net asset value was equivalent to \$0.050 per share. Including this distribution, the Fund's total payout since its inception is now \$11.839.

MARKET OUTLOOK

Our bond exposure on June 30, 2002 was 48% compared with 34% on March 31, 2002. If we were fully invested, we would be at 62.5% in bonds and 37.5% in stocks. Consequently, at 48% we were at about 77% of a full position (48% divided by 62.5%).

The second quarter of 2002 was a positive one for U.S. Treasury bonds. Prices rallied strongly, with yields falling to their lows for the year in June. (The prices of Treasury bonds move in the opposite direction from yields.) The bond rally was broad, with all maturities posting gains. The 10-year Treasury yield fell by nearly 60 basis points (0.6%), while yields for shorter maturities, such as three-year notes, declined by over 70 basis points.

Currently some of our bond indicators are mixed, but the overall model has a definite bullish tilt. Most consistently bullish are the yield curve and the trend of bond prices. Historically, the Federal Reserve's easing of interest rates has been bullish for bonds. Examples of bearish indicators include rising prices of basic metals. Neutral or slightly bullish readings include investor sentiment for bonds and the level of economic activity. Because of subsequent significant improvements in our model and the fixed income market, we have boosted our exposure to 70% at this writing.

Our equity exposure on June 30 was 29% compared with 34% on March 31. At that figure, we were at approximately 77% of a full position (29% divided by 37.5%). Currently our equity exposure is 24%.

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For equity markets generally, it was a brutal second quarter. The Dow Jones Industrial Average fell 11.2%, the Nasdaq Composite Index dropped 20.7%, while the S&P 500 Index declined 13.16%./1/ The only potential good news is that, historically, whenever the S&P 500 dropped by 10% or more in a quarter in the post-war period, the subsequent quarter did very well. It was up every time with some pretty decent gains. However, I can't tell you that will happen this time. In fact, the quarter has gotten off to a horrible start. And that is not because of any single factor.

As I see it, the biggest problems facing the current market include the questionable accounting practices and outright corporate fraud. The newspaper headlines daily feature something wrong going on with Enron, Andersen, Global Crossing, Tyco, WorldCom, ImClone, or whichever is the topic of the day.

People are concerned about these shenanigans. They are also concerned about the accounting treatment of stock options, a subject I have been upset about for many years. As a consequence, the impression is that the emperor is not wearing any clothes.

Most of us believed in the accounting system. While there was some "smoothing" going on, there were auditors and there was reasonable reliance on the earnings figures and that management was behaving properly. Now the general impression is that there are a lot of crooks out there cooking the books. That is taking the good stocks down with the bad.

Clearly, the abuses are taking place in a minority of companies. Yet these bad apples are getting all the play, and Congress is making a big deal about it. All this is severely damaging investors' belief in the integrity of the financial markets. I have never seen anything quite like what is happening now.

The crisis in confidence is placing a heavy weight on the markets. Also, the high valuations are not helping. Price/earnings ratios are still high, dividend yields are low, and price-to-book values are high. It is hard to claim that the market is cheap--it just isn't.

When you don't have a valuation cushion under the market, these shocks to the system could make things worse. I could argue that, for several reasons, including the low inflation rate, price/earnings ratios should be on the high side. However, if confidence ebbs in the system, you have a problem. This, I think, is the crux of the stock market's ills. Even though interest rates and the Fed actions have been fine and my indicators are pretty good, there is something clearly wrong out there.

Alan Greenspan pointed to what he called infectious greed. I think he got it right. It also made sense to me when, in late 1996, he warned about irrational exuberance. However, the market then soared for three more years, inflating an enormous bubble. We are still on the flip side of that bubble. We overdid on the upside, the speculative side, the confidence side, and the greed side. When the pendulum swings back, it may not go back to normal right away. There's the chance it may take us back to what it was like in 1982 when fear reigned, and nobody wanted to play the market. Of course, that was also the start of the great bull market, but it can be a long way between here and there.

I think the fear of terrorism is another market factor. It creates problems because we have to reallocate resources and spend more on defense. With the economy weak, greater budget deficits develop. However, the increased government spending actually helps to stimulate the market. We will have to contend with terrorism for a long time to come. Despite this threat,

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/1/ The Dow Jones Industrial Average measures stock market total return performance. The Nasdaq is a common measure of technology-oriented stock total return performance. The S&P 500 Index measures broad stock market total return performance. The indexes are unmanaged, do not reflect investment management fees, and are not available for direct investment.

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the market rallied in the fourth quarter of last year and early this year. The accounting issues and scandals came to a head more recently. I think that has been the real market bugaboo.

Economists seem more optimistic about the economy than business executives. Alan Greenspan attributed this disparity, in part, to the difficulty companies have in raising prices. It is really tough, but I read recently that core producer prices are up around 6%, the greatest year-to-year gain in two years. A rising producer price index may give companies some leverage to raise prices and boost profit margins. Based on this perspective, a study projected a 20% gain in profits over the next year. This is only an indicator, and I wouldn't make too big a deal about it. However, we do need more pricing power to lift profit margins.

The Fed is projecting gross domestic product growth at 3.5% to 3.75% this year and 3.5% to 4% next year. With inflation holding steady at 1.5% to 1.75%, the Fed apparently is holding short-term interest rates at a 40-year low of 1.75%. If these figures hold--and they seem quite reasonable to me--it should provide a pretty positive environment for the market and lead to solid economic growth and greater corporate profits. My latest fear is that the stock market itself could work against the economy. If it keeps falling, it would hurt consumer confidence. At some point, the negative wealth effect of the considerable stock market losses could undercut the economy.

Some analysts have expressed concern about the 6% to 7% depreciation of the dollar against the euro and the yen since last March. I do not see this as a problem. People have always been worried about the dollar. We have tested the dollar to death against the stock market and have found no real connection. Sometimes the market does well when the dollar is strong and sometimes it does well when the dollar is weak and vice versa. One thing that a weak dollar does is give us some economic advantage. Our exports suddenly get cheaper and imports get more expensive. This is good for American business. If the euro is strong against the dollar, it is a negative for the European community because it hurts their exports to the U.S.

One could argue this dollar thing forever. I remember when the dollar collapsed somewhere in the 1980s, and it didn't hurt our stock market at all. I know that foreigners own a lot of our holdings--perhaps 40% of Treasuries, 25% of corporate bonds, and 13% of equities. They may sell some of their holdings, but I have no idea whether they will. This isn't a big worry. It could actually help our economy if the dollar remains where it is or even weakens some. The weaker dollar stimulates the U.S. economy, and we need every stimulus to get us going again.

The market would be helped if there were more corporate buybacks of stocks. Corporate buybacks are good for the stock market because they reduce the supply of stock and put money into the hands of investors. Recently buybacks have diminished. In the late 1990s and early 2000, stock buybacks averaged \$40 billion per quarter. The first-quarter figure was less than \$20 billion, with

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the second quarter estimated at between \$12 billion to \$13 billion.

The buybacks probably were reduced by the recession. I don't think companies generally have the earnings right now to feel flush enough to buy back stock. If the economy recovers they might be more inclined to do so. Now that the market has fallen so much, I would not be surprised if more buybacks at these lower prices were announced. Home Depot recently reported a \$2 billion buyback, and Merck announced one of \$10 billion. The market could use more such buybacks.

Summing up, the market positives include my very positive monetary model--the Fed has cut interest rates 11 times. I would like to see the money supply grow faster. It has been relatively sluggish lately, although it is still up 5% to 6%

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year-to-year. My sentiment indicator, which shows a lot of pessimism, is also very positive. The other normal indicators are pretty good. The recession has been over for the last six months. While the economy may have stalled slightly, I think it is getting better, not worse.

As for the negatives, I still don't like the valuations. I am nervous about the terrorism potentials and concerned about the accounting problems and the corporate scandals. There are problems out there, but my indicators are bullish. As I have always said, you don't fight the Fed. However, you also don't fight the tape, which is why we are holding such a large portion of our assets in U.S. Government bonds.

### PORTFOLIO COMPOSITION

In accordance with our investment policy guidelines, all of our bonds are U.S. Government and Agency obligations. The portfolio's average duration (a measure of sensitivity to interest rates) was 4.0 years on June 30, 2002. This compares with 2.2 on March 31, 2002. Since these bonds are highly liquid, they provide the flexibility to respond quickly to market conditions.

As of June 30, 2002, our leading industry groups included financial services, health care, technology, consumer products and services, energy, and retailing. With the exception of consumer products and services, all of the above groups appeared in our March 31 listing. During the quarter, we reduced our positions in technology, health care, and manufacturing. We maintained our positions in retailing and energy and increased our holdings in consumer products and services.

Some of our largest individual holdings include Citigroup, General Electric, Microsoft, Wal-Mart, Bank of America, Wells Fargo, Johnson & Johnson, Pfizer, Pepsi, and Procter & Gamble. In the above grouping, we added slightly to our Procter & Gamble position. We trimmed slightly our holdings in Intel, which was listed among our largest positions last quarter.

Sincerely,

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

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OUR PRIVACY COMMITMENT

The Zweig Total Return Fund, Inc. recognizes that protecting the privacy and security of the confidential personal information we collect about you is an important responsibility. The following information will help you understand our privacy policy and how we will handle and maintain confidential personal information as we fulfill our obligations to protect your privacy. "Personal information" refers to the nonpublic financial information obtained by us in connection with providing you a financial product or service.

Information We Collect

We collect personal information to help us serve your financial needs, offer new products or services, provide customer service and fulfill legal and regulatory requirements. The type of information that we collect varies according to the products or services involved, and may include:

- .. Information we receive from you on applications and related forms (such as name, address, social security number, assets and income); and
- .. Information about your transactions and relationships with us, our affiliates, or others (such as products or services purchased, account balances and payment history).

Information Disclosed in Administering Products and Services

We will not disclose personal information about current or former customers to non-affiliated third parties except as permitted or required by law. We do not sell any personal information about you to any third party. In the normal course of business, personal information may be shared with persons or entities involved in servicing and administering products and services on our behalf, including your broker, financial advisor or financial planner and other services providers and affiliates assisting us.

Procedures to Protect Confidentiality and Security of Your Personal Information

We have procedures in place that limit access to personal information to those employees and services providers who need to know such information in order to perform business services on our behalf. We educate our employees on the importance of protecting the privacy and security of confidential personal information. We also maintain physical, electronic and procedural safeguards that comply with federal and state regulations to guard your personal information.

We will update our policy and procedures where necessary to ensure that your privacy is maintained and that we conduct our business in a way that fulfills our commitment to you. If we make any material changes in our privacy policy, we will make that information available to customers through our Web site and/or other communications.

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June 30, 2002

(Unaudited)

	Number of Shares	Value
	-----	-----
COMMON STOCKS	29.14%.....	
AEROSPACE & AIR TRANSPORT	0.79%.....	
Boeing Co.....	40,000	\$ 1,800,000
Raytheon Co.....	24,000	978,000
United Technologies Corp.....	23,900	1,622,810
		-----
		4,400,810
		-----
AUTOS -- AUTO PARTS	0.34%.....	
Ford Motor Co.....	64,000	1,024,000
General Motors Corp.....	16,000	855,200
		-----
		1,879,200
		-----
BUILDING & FOREST PRODUCTS	0.81%.....	
International Paper Co.....	25,300	1,102,574
Masco Corp.....	40,000	1,084,400
Smurfit-Stone Container Corp.....	64,000 (a)	986,880
Weyerhaeuser Co.....	20,800	1,328,080
		-----
		4,501,934
		-----
CHEMICALS	0.37%.....	
Dow Chemical Co.....	27,100	931,698
E. I. du Pont de Nemours & Co.....	25,600	1,136,640
		-----
		2,068,338
		-----
COMMERCIAL SERVICES	0.85%.....	
Cendant Corp.....	80,000 (a)	1,270,400
FedEx Corp.....	27,200	1,452,480
First Data Corp.....	53,800	2,001,360
		-----
		4,724,240
		-----
CONSUMER PRODUCTS & SERVICES	2.59%.....	
Anheuser-Busch Cos., Inc.....	40,000	2,000,000
Avon Products, Inc.....	16,000	835,840
Black & Decker Corp.....	19,200	925,440
Coca-Cola Co.....	48,000	2,688,000
Kimberly-Clark Corp.....	32,000	1,984,000
PepsiCo, Inc.....	63,800	3,075,160
Procter & Gamble Co.....	32,000	2,857,600
		-----
		14,366,040
		-----

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	Number of Shares	Value
	-----	-----
FINANCE -- FINANCIAL SERVICES	5.45%...	
Allstate Corp.....	40,000	\$ 1,479,200
American Express Co.....	35,200	1,278,464
American International Group, Inc.....	31,900	2,176,537
Bank of America Corp.....	55,800	3,926,088
Capital One Financial Corp.....	32,000	1,953,600
Citigroup, Inc.....	127,400	4,936,750
Fannie Mae.....	31,900	2,352,625
Freddie Mac.....	31,800	1,946,160
Household International, Inc.....	32,000	1,590,400
John Hancock Financial Services, Inc.....	24,000	844,800
Lehman Brothers Holdings, Inc.....	32,000	2,000,640
Merrill Lynch & Co., Inc.....	24,000	972,000
Morgan Stanley.....	32,100	1,382,868
Wells Fargo & Co.....	68,800	3,444,128
		-----
		30,284,260
		-----
FOOD, BEVERAGES, TOBACCO	0.35%...	
Kraft Foods, Inc., Class A.....	48,000	1,965,600
		-----
HEALTH CARE	3.76%...	
AmerisourceBergen Corp.....	32,000	2,432,000
Amgen, Inc.....	32,000 (a)	1,340,160
Baxter International, Inc.....	19,200	853,440
Cardinal Health, Inc.....	16,100	988,701
Eli Lilly & Co.....	16,000	902,400
Guidant Corp.....	24,000 (a)	725,520
Johnson & Johnson.....	61,900	3,234,894
MedImmune, Inc.....	23,900 (a)	630,960
Pfizer, Inc.....	95,400	3,339,000
Tenet Healthcare Corp.....	31,800 (a)	2,275,290
UnitedHealth Group, Inc.....	32,000	2,929,600
Wyeth.....	24,000	1,228,800
		-----
		20,880,765
		-----
HOTELS	0.24%...	
Starwood Hotels & Resorts Worldwide, Inc.....	40,000	1,315,600
		-----
INVESTMENT COMPANIES	0.26%...	
S&P Mid-Cap 400 Depository Receipts.....	16,000	1,432,800
		-----
MANUFACTURING	1.46%...	
General Electric Co.....	164,700	4,784,535
Pitney Bowes, Inc.....	35,200	1,398,144
SPX Corp.....	16,200	1,903,500
		-----
		8,086,179
		-----

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	Number of Shares	Value
	-----	-----
MEDIA	1.75%...	
AOL Time Warner, Inc.....	79,900 (a)	\$ 1,175,329
Clear Channel Communications, Inc.....	32,000 (a)	1,024,640
Comcast Corp., Class A.....	31,100 (a)	741,424
Gannett Co., Inc.....	24,000	1,821,600
General Motors Corp., Class H.....	47,600	495,040
McGraw-Hill Cos., Inc.....	24,200	1,444,740
New York Times Co., Class A.....	35,000	1,802,500
Walt Disney Co.....	64,000	1,209,600
		-----
		9,714,873
		-----
METALS -- NONFERROUS	0.26%...	
Barrick Gold Corp.....	40,000	759,600
Freeport McMoRan Copper & Gold, Inc., Class B.....	38,400 (a)	685,440
		-----
		1,445,040
		-----
OIL & OIL -- GAS DRILLING	2.37%...	
Amerada Hess Corp.....	19,200	1,584,000
Anadarko Petroleum Corp.....	38,400	1,893,120
Ashland, Inc.....	32,000	1,296,000
ChevronTexaco Corp.....	16,100	1,424,850
Exxon Mobil Corp.....	71,700	2,933,964
Marathon Oil Corp.....	31,800	862,416
Phillips Petroleum Co.....	32,000	1,884,160
Talisman Energy, Inc.....	28,800	1,300,320
		-----
		13,178,830
		-----
RAILROADS -- TRUCKING -- COAL	0.05%...	
CSX Corp.....	8,000	280,400
		-----
RESTAURANTS	0.38%...	
McDonald's Corp.....	40,000	1,138,000
Wendy's International, Inc.....	24,000	955,920
		-----
		2,093,920
		-----
RETAILING	2.13%...	
Best Buy Co., Inc.....	8,000 (a)	290,400
Home Depot, Inc.....	30,700	1,127,611
Kroger Co.....	24,000	477,600
Limited Brands.....	48,000	1,022,400
Lowe's Cos., Inc.....	48,100	2,183,740
Reebok International Ltd.....	40,000 (a)	1,180,000
Staples, Inc.....	32,000 (a)	630,400

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	Number of Shares	Value
	-----	-----
RETAILING (CONTINUED)		
Target Corp.....	22,400	\$ 853,440
Wal-Mart Stores, Inc.....	74,100	4,076,241
		-----
		11,841,832
		-----
TECHNOLOGY	3.47%...	
Applied Materials, Inc.....	57,200 (a)	1,087,944
Cisco Systems, Inc.....	126,800 (a)	1,768,860
Corning, Inc.....	17,000 (a)	60,350
Dell Computer Corp.....	63,400 (a)	1,657,276
Electronic Data Systems Corp.....	24,000	891,600
EMC Corp.....	38,700 (a)	292,185
Hewlett-Packard Co.....	40,000	611,200
Intel Corp.....	118,600	2,166,822
International Business Machines Corp.....	24,000	1,728,000
Lucent Technologies, Inc.....	62,800 (a)	104,248
Micron Technology, Inc.....	32,000 (a)	647,040
Microsoft Corp.....	89,300 (a)	4,884,710
Motorola, Inc.....	40,200	579,684
Nokia Corp., ADR.....	31,800	460,464
Nortel Networks Corp.....	47,600 (a)	69,020
Oracle Corp.....	79,700 (a)	754,759
Siebel Systems, Inc.....	31,800 (a)	452,196
Sun Microsystems, Inc.....	39,700 (a)	198,897
Texas Instruments, Inc.....	32,000	758,400
Yahoo!, Inc.....	8,800 (a)	129,888
		-----
		19,303,543
		-----
TELECOMMUNICATIONS	0.84%...	
AT&T Corp.....	103,400	1,106,380
BellSouth Corp.....	57,600	1,814,400
SBC Communications, Inc.....	57,500	1,753,750
		-----
		4,674,530
		-----
UTILITIES -- ELECTRIC & GAS	0.62%...	
Dominion Resources, Inc.....	19,200	1,271,040
Entergy Corp.....	16,000	679,040
TXU Corp.....	28,800	1,484,640
		-----
		3,434,720
		-----
Total Common Stocks (Cost \$195,245,532).....		161,873,454
		-----

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	Principal Amount	Value
	-----	-----
UNITED STATES GOVERNMENT AND AGENCY OBLIGATIONS	48.32%.....	
FHLMC, 6.875%, 1/15/05.....	\$70,500,000	\$ 76,488,340
FHLMC, 5.125%, 10/15/08.....	38,100,000	38,860,019
FHLMC, 7.00%, 3/15/10.....	42,000,000	47,071,668
United States Treasury Notes, 6.00%, 8/15/09.....	21,900,000	23,796,584
United States Treasury Notes, 5.00%, 8/15/11.....	42,000,000	42,596,484
United States Treasury Bonds, 10.75%, 5/15/03.....	15,000,000	16,156,035
United States Treasury Bonds, 6.375%, 8/15/27.....	21,500,000	23,454,135
		-----
Total United States Government and Agency Obligations (Cost \$253,485,887).....		268,423,265
		-----
SHORT-TERM INVESTMENTS	22.09%.....	
BMW US Capital LLC, 1.98%, 7/01/02.....	27,500,000	27,500,000
Deluxe Corp., 2.00%, 7/01/02.....	18,200,000	18,200,000
Goldman Sachs & Co., 1.80%, 7/03/02.....	27,000,000	26,997,300
SLM Corp., 2.00%, 7/01/02.....	22,500,000	22,500,000
UBS Financial Corp., 2.00%, 7/01/02.....	27,500,000	27,500,000
		-----
Total Short-Term Investments (Cost \$122,697,300).....		122,697,300
		-----
Total Investments (Cost \$571,428,719) -- 99.55%.....		552,994,019
Other assets less liabilities -- 0.45%.....		2,509,189
		-----
Net Assets -- 100%.....		\$555,503,208
		=====

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(a) Non-income producing security

For Federal income tax purposes, the tax basis of investments owned at June 30, 2002 was \$575,162,628 and net unrealized depreciation of investments consisted of:

Gross unrealized appreciation.....	\$ 16,672,135
Gross unrealized depreciation.....	(38,840,744)
	-----
Net unrealized depreciation.....	\$(22,168,609)
	=====

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THE ZWEIG TOTAL RETURN FUND, INC.

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2002  
(Unaudited)

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ASSETS	
Investments, at value (identified cost \$571,428,719).....	\$552,994,019
Cash.....	73,910
Dividends and interest receivable.....	5,644,335
Prepaid expenses.....	58,244
	-----
Total Assets.....	558,770,508
	=====
LIABILITIES	
Payable for investment securities purchased.....	2,562,494
Accrued advisory fees (Note 4).....	321,713
Accrued administration fees (Note 4).....	59,746
Other accrued expenses.....	323,347
	-----
Total Liabilities.....	3,267,300
	-----
NET ASSETS	\$555,503,208
	=====
NET ASSET VALUE, PER SHARE	
(\$555,503,208 / 91,436,762 shares outstanding -- Note 5).....	\$ 6.08
	=====
Net Assets consist of	
Capital paid-in.....	\$601,687,314
Accumulated net realized loss on investments.....	(27,749,406)
Net unrealized depreciation on investments.....	(18,434,700)
	-----
	\$555,503,208
	=====

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, 2002

(Unaudited)

Investment Income	
Income	
Interest.....	\$ 8,387,726
Dividends (net of foreign withholding taxes of \$2,511).....	1,093,313
	-----
Total Income.....	9,481,039
	-----
Expenses	
Investment advisory fees (Note 4).....	2,010,220
Administrative fees (Note 4).....	373,327
Transfer agent fees.....	144,438
Printing and postage expenses.....	133,940
Professional fees.....	91,586

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Directors' fees and expenses (Note 4).....	46,155
Custodian fees.....	42,535
Miscellaneous.....	118,374
	-----
Total Expenses.....	2,960,575
	-----
Net Investment Income.....	6,520,464
	-----
Net Realized and Unrealized Losses	
Net realized loss on investments.....	(27,062,881)
Increase in unrealized depreciation on investments.....	(818,158)
	-----
Net realized and unrealized loss on investments.....	(27,881,039)
	-----
Net decrease in net assets resulting from operations.....	\$(21,360,575)
	=====

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, 2002 (Unaudited)	For the Year Ended December 31, 2001
	-----	-----
INCREASE (DECREASE) IN NET ASSETS		
Operations		
Net investment income.....	\$ 6,520,464	\$ 15,674,362
Net realized gains (losses) on investments.....	(27,062,881)	542,036
Increase in unrealized depreciation of investments.....	(818,158)	(29,147,637)
	-----	-----
Net decrease in net assets resulting from operations.....	(21,360,575)	(12,931,239)
	-----	-----
Dividends and distributions to shareholders from		
Net investment income.....	(11,512,356)	(19,408,418)
Net realized short-term gains.....	--	(139,441)
Tax return of capital.....	(17,802,457)	(44,040,006)
	-----	-----
Total dividends and distributions to shareholders.....	(29,314,813)	(63,587,865)
	-----	-----
Capital share transactions		
Net asset value of shares issued to shareholders in reinvestment of dividends resulting in issuance of common stock.....	4,523,655	7,118,182
	-----	-----
Net increase in net assets derived from		

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capital share transactions.....	4,523,655	7,118,182
	-----	-----
Net decrease in net assets.....	(46,151,733)	(69,400,922)
NET ASSETS		
Beginning of period.....	601,654,941	671,055,863
	-----	-----
End of period (including undistributed net investment income of \$4,991,892 for the year ended December 31, 2001).....	\$555,503,208	\$601,654,941
	=====	=====

See notes to financial statements

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THE ZWEIG TOTAL RETURN FUND, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

(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, 2002) 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

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Security transactions are recorded on trade date. Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis. Discount and premium on securities purchased other than short-term securities are accreted on the constant yield method over the life of the respective securities.

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. Federal Income Tax Information

It is the policy of the Fund to comply with the requirements of the Internal Revenue Code ("the Code"), applicable to regulated investment companies, and to distribute all of its taxable income to its shareholders. In addition, the Fund intends to distribute an amount sufficient to avoid the imposition of any excise tax under Section 4982 of the Code. Therefore, no provision for federal income taxes or excise taxes has been made.

### D. Dividends and Distributions to Shareholders

Distributions to shareholders are recorded on the ex-dividend date. Income and capital gain distributions are determined in accordance with income tax regulations that may differ from generally accepted accounting principles. These differences include the treatment of net operating losses, premium amortization, losses deferred due to wash sales and the timing of distributions. For financial reporting purposes, book basis capital accounts are adjusted to reflect the tax character of permanent book/tax differences. The reclassifications have no impact on the net assets or net asset value of the Fund. As of December 31, 2001, the Fund increased undistributed net investment income by \$3,341,971, decreased accumulated net realized gain by \$(325,967) and paid in capital by \$(3,016,004).

As of December 31, 2001, the components of distributable earnings on a tax basis (excluding unrealized appreciation/(depreciation) which is disclosed in the schedule of investments) were as follows:

Undistributed Ordinary Income.....	\$0
Undistributed Long-term Capital Gains.....	\$0
Capital Loss Carryovers.....	\$ 0

Capital loss carryovers may be used to offset future capital gains. The differences between the book basis and tax basis components of distributable earnings relate principally to the timing of recognition of income and gains and distributions for federal income tax purposes. Short-term gain distributions reported in the statement of changes in net assets are reported as ordinary income for federal tax purposes.

### NOTE 3 -- Portfolio Transactions

During the six months ended June 30, 2002, purchases and sales transactions, excluding short-term investments were:

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	Common Stocks	United States Government and Agency Obligations
	-----	-----
Purchases.....	\$103,085,456	\$104,673,851
	=====	=====
Sales.....	\$122,749,500	\$ 79,023,047
	=====	=====

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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. Phoenix/Zweig Advisers LLC is a wholly-owned subsidiary of Phoenix Investment Partners, Ltd. ("PXP"). PXP is an indirect, wholly-owned subsidiary of The Phoenix Companies, Inc. ("PNX"). 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, 2002, the Fund accrued advisory fees of \$2,010,220.

b) Administration Fee: Phoenix Equity Planning Corporation ("PEPCO"), an indirect wholly-owned subsidiary of PNX, 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, 2002, the Fund accrued administration fees of \$373,327.

c) Directors' Fee: The Fund pays each Director who is not an interested 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, 2002, the Fund paid PXP Securities Corp., a wholly-owned subsidiary of PXP, brokerage commissions of \$0 in connection with portfolio transactions effected through them. In addition, PXP Securities Corp. charged \$8,036 in commissions for transactions effected on behalf of the participants in the Fund's Automatic Reinvestment and Cash Purchase Plan.

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

At June 30, 2002, the Fund had one class of common stock, par value \$.001 per share, of which 500,000,000 shares are authorized and 91,436,762 shares are outstanding.

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, 2002 there were 676,074 shares issued pursuant to the Plan.

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On July 1, 2002, the Fund announced a distribution of \$.051 per share to shareholders of record on July 11, 2002. This distribution has an ex-dividend date of July 9, 2002 and is payable on July 24, 2002.

### NOTE 6 -- Financial Highlights

Selected data for a share outstanding throughout each year:

	Six Months Ended June 30, 2002 (Unaudited)	Year Ended Decem		
	2001	2000	1999	
<b>Per Share Data</b>				
Net asset value, beginning of period.....	\$ 6.63	\$ 7.48	\$ 7.89	\$ 8.43
<b>Income From Investment Operations</b>				
Net investment income.....	0.07	0.18 (a)	0.30	0.28
Net realized and unrealized gains (losses).....	(0.30)	(0.32) (a)	0.02	(0.01)
Total from investment operations.....	(0.23)	(0.14)	0.32	0.27
<b>Dividends and Distributions</b>				
Anti-dilutive effect of share repurchase program	--	--	0.01	0.01
Dividends from net investment income.....	(0.13)	(0.22)	(0.30)	(0.28)
Distributions from net realized gains.....	--	--	(0.25)	(0.13)
Tax return of capital.....	(0.19)	(0.49)	(0.19)	(0.41)
Total dividends and distributions.....	(0.32)	(0.71)	(0.74)	(0.82)
Effect on net asset value as a result of rights offering*.....	--	--	--	--
Net asset value, end of period.....	\$ 6.08	\$ 6.63	\$ 7.48	\$ 7.89
Market value, end of period**.....	\$ 6.17	\$ 7.05	\$ 6.57	\$ 6.50
Total investment return***.....	(8.19)%	18.73 %	12.64 %	(18.72)



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Ratios/Supplemental Data

Net assets, end of period (in thousands).....	\$555,503	\$601,655	\$671,056	\$714,637
Ratio of expenses to average net assets.....	1.03%****	1.04%	1.00%	0.97%
Ratio of net investment income to average net assets.....	2.27%****	2.51%	3.87%	3.50%
Portfolio turnover rate.....	46.1%	86.3%	121.6%	172.3%

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 \* 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 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 Automatic 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 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 the end of such periods.

\*\*\*\* Annualized.

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(a) As required, effective January 1, 2001, the Fund has adopted the provision of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities. The effect of the change for the year ended December 31, 2001, is shown below. Per share ratios and supplemental data for periods prior to January 1, 2001, have not been restated to reflect this change in presentation.

Decrease net investment income.....	\$ (.02)
Increase net realized and unrealized gains and losses.....	\$ .02
Decrease ratio of net investment income.....	(.23%)

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 SUPPLEMENTARY PROXY INFORMATION

The Annual Meeting of Shareholders of The Zweig Total Return Fund, Inc. was held on May 8, 2002. The meeting was held for the purpose of electing Elliot S. Jaffe and Wendy Luscombe as directors. The Fund's other Directors who continue in office are Martin E. Zweig, Ph.D., Alden C. Olson, Ph.D., Charles H. Brunie, and James B. Rogers, Jr.

The results of the above matters were as follows:

Directors		Votes	Votes		
-----		Votes For	Against	Withheld	Abstentions
		-----	-----	-----	-----

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Elliot S. Jaffe.....	81,558,619	N/A	1,468,703	N/A
Wendy Luscombe.....	81,652,700	N/A	1,374,622	N/A

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### 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 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

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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  
EquiServe Trust Co., NA  
P.O. Box 43010  
Providence, RI 02940-3010

Legal Counsel  
Katten, Muchin, Zavis & Rosenman  
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 (06/02)

Semiannual Report

Zweig

The Zweig Total  
Return Fund, Inc.

June 30, 2002

[LOGO] PHOENIX INVESTMENT  
PARTNERS