ZWEIG TOTAL RETURN FUND INC
Form N-CSRS
September 08, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT

INVESTMENT COMPANIES

Investment Company Act file number 811-05620

The Zweig Total Return Fund, Inc.

(Exact name of registrant as specified in charter)

101 Munson Street

Greenfield, MA 01301-9683

(Address of principal executive offices) (Zip code)

William Renahan, Esq.

Vice President, Chief Legal Officer and Secretary for Registrant

100 Pearl Street

Hartford, CT 06103-4506

(Name and address of agent for service)

Registrant s telephone number, including area code: (800) 272-2700

Date of fiscal year end: December 31

Date of reporting period: June 30, 2015

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

Item 1. Reports to Stockholders.

The Report to Shareholders is attached herewith.

The Zweig Total Return Fund, Inc.

Semiannual Report

June 30, 2015

FUND DISTRIBUTIONS AND MANAGED DISTRIBUTION PLAN

The Fund has a Managed Distribution Plan to pay 7% 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 monthly, fixed 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.

On a tax basis, the Fund did not distribute more than its income and net realized capital gains in the six months ended June 30, 2015. Shareholders should note, however, that if the Fund s aggregate investment income and net realized capital gains are less than the amount of the distribution level, the difference will be paid from the Fund s capital and will constitute a return of the shareholder s capital. A return of capital may occur, for example, when some or all of the money that you invested in the Fund is paid back to you. A return of capital distribution does not necessarily reflect the Fund s investment performance and should not be confused with yield or income.

The amounts and sources of distributions reported in the Fund s notices pursuant to Section 19(a) of the Investment Company Act of 1940 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 its fiscal year and may be subject to changes based on tax regulations. The Fund will send shareholders a Form 1099-DIV for 2015 that tells them how to report distributions for federal income tax purposes.

The Board may amend, suspend or terminate the Managed Distribution Plan at any time, 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.* Section 19(a) notices are posted on the website at: *http://www.virtus.com/our-products/closed-end-fund-details/ZTR*.

MESSAGE TO SHAREHOLDERS

Dear Fellow Zweig Total Return Fund, Inc. Shareholder:

I am pleased to share with you the manager s report and commentary for The Zweig Total Return Fund, Inc. for the six-month reporting period ended June 30, 2015.

For the six months ended June 30, 2015, the Fund s NAV decreased 0.01%, including $0.536 per share in reinvested distributions. During the same period, the Fund s benchmark index, a composite consisting of equal parts of the S&P 500® Index and the Barclays U.S. Government Bond Index, increased 0.77%, including reinvested dividends. Performance for the composite s underlying indices over this period included a 1.23% increase for the S&P 500® and a 0.08% increase for the Barclays U.S. Government Bond Index. During the six-month period, the Fund s average allocation was approximately 69% in equities, 23% in fixed income, and 8% in cash.

On behalf of the investment professionals at Zweig Advisers LLC, I thank you for entrusting your assets to us. Should you have any questions or require support, please contact our customer service team at 1-800-272-2700 or through the closed-end fund section of our website, www.virtus.com.

Sincerely,

George R. Aylward

President, Chairman and

Chief Executive Officer

The Zweig Total Return

Fund, Inc.

August 2015

For information regarding the indexes cited and key investment terms used in this report see page 8.

THE ZWEIG TOTAL RETURN FUND, INC.

MARKET OUTLOOK AND OVERVIEW

JUNE 30, 2015 (Unaudited)

Dear Shareholders:

In comparison to the price volatility the S&P 500® index historically experiences, the past several months have been unusually uneventful for equity prices on the whole. For the most part, U.S. stock markets have been in a relatively tight price range, and while new highs are being made in some averages, the large-cap S&P 500® has decidedly not broken out to higher levels thus far in 2015. Year to date, most foreign stock markets have been experiencing a renewed bull market, and until mid-June, the Chinese stock market was surging higher. However, there has been a decline in some markets on the uncertainty over a Greek exit from the euro and other geopolitical headwinds. Bond market volatility in the last few weeks has also thwarted the upward equity trend. The relative weakness in bond prices has also exacerbated the deterioration in more yield-oriented segments of the markets.

The benchmark 10-year U.S. Treasury yield jumped from 1.65% in late January to over 2.40% in June. In Europe, the benchmark 10-year German Bund went from below 0.10% in April to nearly 1.00% in mid-June. Although rapid movements in bond prices can signal economic concerns, in this case, increasing economic activity at the margin and receding worries about the net effect of the Greek fiscal crisis on Europe are positives. The general rise in inflation expectations and increased optimism in global purchasing managers surveys are helping equities hang tight in the face of higher long-term interest rates. Certain segments of the equity markets, such as higher-dividend stocks, are experiencing deterioration, but the improvement in economic data is generally positive for corporate profits and economically sensitive stocks.

Overall, first quarter earnings came in above lowered expectations, but the strong dollar was a profit headwind. Further, the

headline GDP number for the quarter weakened due to the dramatic drop in oil prices, which hurt energy companies capital expenditure, and cold weather, which hampered construction and shopping. The recent stabilization of currency markets, particularly the dollar against the euro, should mitigate the currency headwind effects for companies in upcoming quarterly earnings. Crude oil prices are still down nearly 50% from a year ago, which should be a significant net positive for the U.S. consumer, as roughly two-thirds of GDP is driven by consumer spending. We are seeing signs that this is indeed the case.

Economic data in the U.S. appears to be improving, with auto sales and housing generally showing gains over the course of the last few reports. Both of these big ticket areas demonstrate pent up demand in two segments of the economy that were particularly hard hit by the financial crisis. In April, auto sales ticked up to an annualized rate of 17.7 million units, although the May numbers did drop slightly to 17.1 million units. To put these numbers in context, during the 2009 market bottom, annualized auto sales dropped to 9 million, and these latest numbers are the best since 2005. Furthermore, the strong sales are being accomplished without significant discounts and incentives, an impressive implication of consumer confidence and activity. Virtually all arenas of the housing market are showing improvement. Housing starts, new and existing home sales, and prices paid are all on the rise. While retail sales have been stubbornly low as a whole, it appears the improvements in jobs and wages are filtering through to a higher savings rate and lower debt servicing at the household level. When consumers are making purchases, it seems they are saving for bigger ticket items, such as a car or new house.

For information regarding the indexes cited and key investment terms used in this report see page 8.

THE ZWEIG TOTAL RETURN FUND, INC.

MARKET OUTLOOK AND OVERVIEW (Continued)

JUNE 30, 2015 (Unaudited)

The Fund continues to have significant exposure to the consumer discretionary sector. With the recent good news in both the auto and housing segments, we are encouraged by the macroeconomic environment and what this means for retail spending. We added positions in the portfolio that should benefit if both areas continue to strengthen. Conversely, we reduced exposure to the industrial sector by selling a couple of names that are dependent on a rebound in energy prices. At this juncture, we believe it unlikely there will be an imminent surge in the price of energy commodities, so we have moved investments accordingly.

Healthcare stocks have also done very well during the last six months. Many of these stocks have been in the market s sweet spot because healthcare has been the fastest growing of the traditionally defensive sectors. We believe the growth will continue as more Americans are insured by the Affordable Care Act, and the largest payer of healthcare costs, the federal government, expands its reach. Because we have generally avoided less cyclical areas of the market such as consumer staples and utilities, the portfolio holdings in healthcare have provided not only solid returns, but also acted as a diversification mechanism. Although valuations are not necessarily cheap, we still view the sector as offering solid relative value, and we remain overweight compared to the S&P 500.

Our technology holdings have struggled at times, hurt by our holdings in semiconductor and peripheral data storage stocks. Recently the price action has improved in both these segments, and the market seems to be looking more rationally at fast-growing, high valuation stocks. Both Twitter and Groupon, former leaders in this go-go area of tech, are down 30% from their recent highs. We think this bodes well for our more staid holdings, but we are reviewing holdings to determine what our portfolio

commitment to information technology should look like in the current economic and investment environment. The dramatic uptick in interest rates from the intermediate to the long end of the yield curve has caused us to take another look at financial stocks. We thus have added some exposure to both insurance and banks which should benefit from the higher rates.

The Fund cut back on holdings within the energy sector last fall. With WTI crude oil now sitting at around $50 a barrel, we believe the sector will take a breather from earlier gains. It s a little too early to declare that oil prices have stabilized, but the landscape has changed substantially over the last decade. The emergence of shale oil in the mid-continent has created a whole new category of just in time oil, as producers are much nimbler at adding or cutting production in a considerably shorter time frame than in previous cycles. It is our view that oil prices are bottoming, but that there is enough global production to make it unlikely that a new spike is in the works. The Fund remains invested in a few companies that have a high free cash flow and trade with reasonable valuations.

The Fund still has very low exposure to consumer staples, and minimal holdings within the utilities sector. The sell-off in bonds has hurt yield-oriented groups, especially utilities, and defensive stocks underperformed cyclical areas during the bond market swoon. If the global growth picture continues to improve, the extended valuations of utilities could put the group under further pressure. Telecom is another area we have very little exposure to, as we believe most holders are there solely for the high dividend income yield rather than the fundamentals.

Year to date, the dramatic jump in the 10-year Treasury yield has hurt most bond prices, and made investing in fixed income a riskier prospect. The Fund s bond investments are generally shorter maturities, so while not immune to a spike in yields, they

For information regarding the indexes cited and key investment terms used in this report see page 8.

THE ZWEIG TOTAL RETURN FUND, INC.

MARKET OUTLOOK AND OVERVIEW (Continued)

JUNE 30, 2015 (Unaudited)

will be hurt somewhat less than longer-dated bonds. In light of the recent improvement in global growth, we are inclined to maintain a low duration in the portfolio. The reason to hold any fixed income is to offset equity risk in the portfolio, should some unknown exogenous occurrence hit stocks suddenly, causing an ensuing flight to quality into Treasuries. From our perspective, even if it appears that yields could rise further, an allocation to high grade bonds provides that extra layer of diversification that could come in useful later.

We thank you for the trust you ve placed in us and for your continued support as shareholders in the Fund.

Sincerely,

Carlton Neel

David Dickerson

The views expressed in the Market Outlook and Overview reflect those of its authors only, and only as of its date. These views are subject to change at any time, based on market and other conditions and should not be construed as a recommendation or advice of any kind. The material may also contain forward-looking statements that involve risk and uncertainty, and there is no guarantee they will come to pass.

There can be no assurance that the Fund will achieve its investment objective.

The net asset value of the Fund will fluctuate with the value of the underlying securities.

Performance data quoted represents past results. Past performance is no guarantee of future results.

The market price of equity securities may be affected by financial market, industry, global or issuer-specific events. Focus on a particular style or industry or on small or medium-sized companies may enhance that risk.

When a Fund leverages its portfolio, the value of its shares may be more volatile and all other risks may be compounded.

U.S. Government Securities may be subject to price fluctuations. An agency may default on an obligation not backed by the United States. Any guarantee on U.S. government securities does not apply to the value of the Fund s shares.

Shares of closed-end investment companies such as the Fund, trade in the market above, below or at, net asset value. This characteristic is a risk separate and distinct from the risk that the Fund s net asset value could decline. The Fund is not able to predict whether its shares will trade above, below or at net asset value in the future.

This information does not represent an offer, or the solicitation of an offer, to buy or sell securities of the Fund.

For information regarding the indexes cited and key investment terms used in this report see page 8.

THE ZWEIG TOTAL RETURN FUND, INC.

JUNE 30, 2015 (Unaudited)

Asset Allocation

The following graph illustrates asset allocations within certain sectors and as a percentage of total investments, net of securities sold short, at June 30, 2015.

Asset Allocation

Common Stocks	70%
U.S. Government Securities	17
Corporate Bonds	8
Other (includes short-term investments)	5
	100%

Country Weightings

United States	93%
Bermuda	1
Canada	1
Germany	1
Japan	1
Liberia	1
United Kingdom	1
Other	1
Total	100%

For information regarding the indexes cited and key investment terms used in this report see page 8.

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 service 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 service 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 website and/or other communications.

THE ZWEIG TOTAL RETURN FUND, INC.

KEY INVESTMENT TERMS

Affordable Care Act (ACA):

A federal statute signed into law in March 2010 as part of the health care reform agenda of the Obama administration. Signed under the title of The Patient Protection and Affordable Care Act, the law included multiple provisions that would take effect over a matter of years, including the expansion of Medicare eligibility, the establishment of health insurance exchanges and prohibiting health insurers from denying coverage due to pre-existing conditions.

American Depositary Receipt (ADR):

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

Barclays U.S. Government Bond Index:

An index that measures the performance of all public U.S. government obligations with remaining maturities of one year or more. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and it is not available for direct investment.

Consumer Price Index (CPI):

Measures the pace of inflation by measuring the change in consumer prices of goods and services, including housing, electricity, food and transportation, as determined by a monthly survey of the U.S. Bureau of Labor Statistics. Also called the cost-of-living index.

Gross Domestic Product (GDP):

The market value of all officially recognized final goods and services produced within a country in a given period.

S&P 500® Index:

The S&P 500® Index is 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. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and it is not available for direct investment.

The Zweig Total Return Fund Composite Index:

A composite index consisting of 50% Barclays U.S. Government Bond Index and 50% S&P 500® Index.

Treasury Inflation Protected Securities (TIPS):

A treasury security that is indexed to inflation in order to protect investors from the negative effects of inflation.

Yield Curve:

A line that plots the interest rates, at a set point in time, of bonds having equal credit quality, but differing maturity dates. The most frequently reported yield curve compares the three-month, two-year, five-year and 30-year U.S. Treasury debt. This yield curve is used as a benchmark for other debt in the market, such as mortgage rates or bank lending rates. The curve is also used to predict changes in economic output and growth.

West Texas Intermediate (WTI):

WTI also known as Texas light sweet, is a grade of crude oil used as a benchmark in oil pricing. This grade is described as light because of its relatively low density, and sweet because of its low sulfur content. It is the underlying commodity of New York Merchantile Exchange s oil futures contracts.

THE ZWEIG TOTAL RETURN FUND, INC.

SCHEDULE OF INVESTMENTS AND SECURITIES SOLD SHORT

JUNE 30, 2015 (Unaudited)

($ reported in thousands)

	Par	Value
U.S. GOVERNMENT SECURITIES 16.4%		
U.S. Treasury Inflation Indexed Bonds(3)		
2.000%, 1/15/16(3)	$ 29,800	$ 30,227
2.375%, 1/15/17(3)	36,368	38,129
U.S. Treasury Note 2.250%, 11/15/24	10,000	9,922
TOTAL U.S. GOVERNMENT SECURITIES (Identified Cost $75,899)		**78,278**
CORPORATE BONDS AND NOTES 8.4%		
Consumer Discretionary 1.5%		
Comcast Cable Communications Holdings, Inc. 9.455%, 11/15/22	2,534	3,478
Historic TW, Inc. 6.625%, 5/15/29	2,000	2,382
Time Warner, Inc. 2.100%, 6/1/19	1,500	1,489
		7,349
Consumer Staples 0.4%		
Anheuser-Busch Inbev Worldwide, Inc. 7.750%, 1/15/19	1,500	1,780
		1,780
Energy 0.4%		
Chevron Corp. 3.191%, 6/24/23	2,000	2,008
		2,008
Financials 1.3%		
Ford Motor Credit Co. LLC 5.000%, 5/15/18	2,000	2,149
General Electric Capital Corp. 3.150%, 9/7/22	2,000	2,006
Goldman Sachs Group, Inc. (The) 5.750%, 1/24/22	2,000	2,272
		6,427

	Par	Value
Industrials 3.5%		
Burlington Northern Santa Fe LLC 3.450%, 9/15/21	$ 1,000	$ 1,032
CSX Corp. 6.250%, 3/15/18	4,000	4,481

Ingersoll-Rand Global Holding Co., Ltd.		
6.875%, 8/15/18	4,814	5,470
9.000%, 8/15/21	1,000	1,283
Parker-Hannifin Corp.		
5.500%, 5/15/18	1,000	1,106
3.300%, 11/21/24	1,000	1,002
Tyco International Finance SA 8.500%, 1/15/19	1,800	2,150
		16,524
Materials 0.7%		
Du Pont (E.I.) de Nemours & Co. 2.800%, 2/15/23	2,000	1,947
Monsanto Co. 5.500%, 8/15/25	1,401	1,589
		3,536
Telecommunication Services 0.5%		
Verizon Communications, Inc.		
5.150%, 9/15/23	2,000	2,191
		2,191
TOTAL CORPORATE BONDS AND NOTES (Identified Cost $38,374)		**39,815**
	Number of Shares	
COMMON STOCKS 69.0%		
Consumer Discretionary 11.2%		
Bayerische Motoren Werke ADR	148,000	5,436
Coach, Inc.	69,000	2,388
Ford Motor Co.	490,000	7,355
GameStop Corp. Class A	88,000	3,781
General Motors Co.	88,000	2,933
Lear Corp.	44,000	4,939

See Notes to Financial Statements

THE ZWEIG TOTAL RETURN FUND, INC.

SCHEDULE OF INVESTMENTS AND SECURITIES SOLD SHORT (Continued)

JUNE 30, 2015 (Unaudited)

($ reported in thousands)

	Number of Shares	Value
Consumer Discretionary (continued)		
Mohawk Industries, Inc.[2]	20,000	$ 3,818
Regal Entertainment Group Class A	353,000	7,381
Royal Caribbean Cruises Ltd.	63,000	4,957
Viacom, Inc. Class B	78,000	5,042
Whirlpool Corp.	30,000	5,192
		53,222
Consumer Staples 3.9%		
Altria Group, Inc.	61,000	2,983
Archer-Daniels-Midland Co. (The)	117,000	5,642
Clorox Co. (The)	33,000	3,433
PepsiCo, Inc.	70,000	6,534
		18,592
Energy 5.6%		
Buckeye Partners LP[4]	42,000	3,105
Continental Resources, Inc.[2]	75,000	3,179
Hess Corp.	77,000	5,150
Schlumberger Ltd.	66,000	5,688
TOTAL SA Sponsored ADR	52,000	2,557
Valero Energy Corp.	108,000	6,761
		26,440
Financials 11.6%		
BB&T Corp.	157,000	6,329
BlackRock, Inc.[4]	17,700	6,124
Blackstone Group LP (The)	200,000	8,174
Goldman Sachs Group, Inc. (The)	28,200	5,888
JPMorgan Chase & Co.	96,000	6,505
Lincoln National Corp.	93,000	5,507
Progressive Corp. (The)	213,000	5,928
Prudential Financial, Inc.	70,000	6,126
Royal Bank of Canada	48,000	2,935
Wells Fargo & Co.	29,000	1,631

	Number of Shares	Value
		55,147
Health Care 11.4%		
Abbott Laboratories	113,000	5,546
Becton, Dickinson & Co.	41,000	5,808
Health Care (continued)		
Biogen, Inc.[2]	10,100	$ 4,080
Eli Lilly & Co.[4]	45,000	3,757
Gilead Sciences, Inc.	52,000	6,088
GlaxoSmithKline plc Sponsored ADR	70,000	2,916
HCA Holdings, Inc.[2]	41,000	3,720
Merck & Co., Inc.[4]	58,000	3,302
Pfizer, Inc.	97,000	3,252
St. Jude Medical, Inc.	78,000	5,699
UnitedHealth Group, Inc.	45,000	5,490
Zimmer Biomet Holdings, Inc.	41,000	4,478
		54,136
Industrials 8.1%		
Alaska Air Group, Inc.	90,000	5,799
FedEx Corp.	25,000	4,260
General Electric Co.[4]	132,000	3,507
L-3 Communications Holdings, Inc.	47,000	5,329
Lockheed Martin Corp.[4]	16,400	3,049
Parker Hannifin Corp.	49,000	5,700
Southwest Airlines Co.	108,000	3,574
Trinity Industries, Inc.	160,000	4,229
United Rentals, Inc.[2]	38,000	3,329
		38,776
Information Technology 10.3%		
Apple, Inc.	44,000	5,519
Canon, Inc. Sponsored ADR	94,000	3,047
EMC Corp.	216,000	5,700