

ZWEIG TOTAL RETURN FUND INC  
Form N-CSRS  
September 10, 2007

**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)

**900 Third Ave, 31st Floor**

**New York, NY 10022-4728**

(Address of principal executive offices) (Zip code)

**Kevin J. Carr, Esq.**

**Chief Legal Officer and Secretary for Registrant**

**Phoenix Life Insurance Company**

**John H. Beers, Esq.**

**Vice President and Counsel**

**Phoenix Life Insurance Company**

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**One American Row**

**One American Row**

**Hartford, CT 06103-2899**

**Hartford, CT 06103-2899**

(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, 2007

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.

August 1, 2007

**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 June 30, 2007.

The Zweig Total Return Fund's net asset value increased 1.43% for the quarter ended June 30, 2007, including \$0.126 in reinvested distributions. The Fund's overall exposure to the bond and equity markets for the quarter was approximately 94%.

For the six months ended June 30, 2007, the Fund's net asset value gained 2.41%, including \$0.254 in reinvested distributions. The Fund's overall exposure to the bond and equity markets for the first half of 2007 was approximately 95%.

Sincerely,

George R. Aylward

*President, Chairman and Chief Executive Officer*

*The Zweig Total Return Fund, Inc.*

**MARKET OVERVIEW AND OUTLOOK**

The Fund's bond exposure on June 30, 2007 was 49%, with average duration (a measure of interest rate sensitivity) of 5.9 years. This compares with bond exposure of 60% with average duration of 6.1 years on March 31, 2007. If we were fully invested, 62.5% of the portfolio would be in bonds and 37.5% in stocks. Consequently, at 49%, we are at about 78% of a full position (49%/62.5%).

Please note that pursuant to the Fund's prospectus dated April 23, 2007, the Fund may now invest up to 65% of its total assets in bond investments and up to 50% of its total assets in equity securities. Even though the Fund is permitted to invest up to 65% of its total assets in bond investments, it is the Fund's intention, at this time, to only invest up to 50% of its total assets in bond investments and therefore starting July 1, 2007 we will be considered fully invested if 50% of the portfolio is in bonds and 50% is in stocks.

The bond market took a beating during the second quarter, with yields for the 10-year U.S. Treasury Note rising from 4.64% at the beginning of April to 4.99% on June 30. (Bond prices move in the opposite direction of yields.) Yields on the 10-year note traded as high as 5.30% in early June, as fears of higher inflation and diminishing global demand for U.S. Treasury debt filtered through the market. A confluence of factors led to a dramatic sell-off of bonds since late last year.

Industrial commodities, such as copper and nickel, which had retreated in price early in the year, have moved much higher in recent weeks. Higher commodity prices are usually associated with increased global economic activity and rising inflation—both of which are bad for bonds. A relatively weak dollar is rumored to have been

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.

a factor in diminished foreign purchases of our bonds. Foreign buyers need to exchange their currencies for dollars, and are worried that these dollars might continue to fall in value, negating any yield advantage gained by buying U.S. bonds.

Above all, the most reasonable explanation for the sell-off in bonds is that domestic economic growth is higher than expected, job growth more robust than forecast, and the Federal Reserve (Fed) seems very unlikely to ease credit any time soon. Late in 2007, the bond market had clearly been pricing in an anticipated rate cut by the Fed sometime in 2007, but with the recent spate of economic data, that is not likely to be in the cards.

With the cash raised by our Fund in the rights offering, we have put more money to work in stocks, while not adding to our bond position. This has cut our bond exposure relative to stocks. Our bond model reading currently is low neutral (slightly negative). As a result, we are somewhat cautious on bonds. We would add to bonds only if the model improves and the tape confirmed the move by also improving.

Our exposure to U.S. common stock was 45% on June 30, 2007, compared with 37% on June 30, 2006. At this level, we are somewhat above our historical position, but we are still within our new 50% mandate.

The stock market always has its ups and downs, but they were more pronounced than usual during the second quarter, which featured sharp daily swings in both directions. Although the Dow Jones Industrial Average<sup>SM</sup> (the Dow) dipped 1.5%<sup>1</sup> in June, it closed the quarter at 13,408.32, up 5.4%<sup>1</sup>, in its best quarterly performance since 2003. For the first six months of this year, the Dow gained 7.5%<sup>1</sup>.

Following a similar pattern, the S&P 500<sup>®</sup> Index and the NASDAQ Composite<sup>®</sup> Index (NASDAQ) also retreated in June, but finished the quarter well in the black. The S&P 500 fell 1.8%<sup>1</sup> in June, but ended the quarter at 1,503.33, for a gain of 5.8%<sup>1</sup>. The NASDAQ, which was off 0.05% in June, closed the quarter at 2,603.23, up 7.5%<sup>1</sup>. For the first half of this year, the S&P 500 Index climbed 6.00%<sup>1</sup>, while the NASDAQ rose 7.78%<sup>1</sup>.

Investors continued to keep a watchful eye on the pace of the economy and the rate of inflation, analyzing every scrap of news in light of what action it might trigger by the Fed. As widely anticipated, the Fed at its June meeting left its benchmark interest rate unchanged at 5.25%, where it has been for a year. In its statement, the Fed noted that economic growth appears to have been moderate during the first half of this year despite the ongoing adjustment in the housing market. Looking ahead, the Fed said the economy seems likely to expand at a moderate pace over coming quarters and that readings on core inflation have improved modestly in recent months.

The Fed added, however, that a sustained moderation in inflation pressures has yet to become convincingly demonstrated. Moreover the high level of resource utilization has the potential to sustain these pressures. The Fed concluded that its predominant policy concern remains the risk that inflation will fail to moderate as expected. Future policy adjustments will depend on the outlook for both inflation and economic growth.

Most analysts expect the Fed to hold the present rate for the foreseeable future and we are inclined to agree. We think that a rate hike would only exacerbate the already messy housing situation and that a cut is unlikely because of the Fed's concerns about inflation. So, we can apparently look forward to a period of stability for interest rates.

Confirming what the Fed delicately called the ongoing adjustment in the housing market, the Commerce Department reported that construction of new homes and apartments dropped

<sup>1</sup> Return excludes reinvested dividends.

2.1% in May, 24.2% below the level of a year ago. The National Association of Home Builders said its index for sales of new homes in June declined to 28 from 30 in May, the lowest reading since February 1991.

Meanwhile, troubles continue to pile up in the sub-prime mortgage market, where loans were made to home buyers with inadequate credit. Several hedge funds, including two run by Bear Sterns, are in trouble because of their deep involvement in the sub-prime mortgage market. Other hedge funds are also shaky in this regard.

Until recently, many investors were ignoring the housing slump. From one point of view, the housing weakness is a factor in slowing the economy, which should keep a bit of pressure off interest rates. By restraining inflation, the housing situation could possibly be a positive for the market for the near term.

Worldwide mergers and acquisitions continued at a peak pace. Deals came to \$1.65 trillion in the second quarter, the largest quarterly figure on record, according to Thomson Financial. This was a 9% increase over the same period in 2006. A record \$1.55 trillion in domestic takeovers occurred in 2006, with this year's running 60% higher, according to Standard & Poor's (S&P). Buyout firms in the U.S. accounted for 40% of the deals: the highest figure ever. Leveraged loans in the U.S. are helping to fuel the buyouts. They climbed to a record \$204 billion in the second quarter, according to S&P. For the first six months, loan volume totaled \$390 billion, which topped any full year before 2006. S&P reported that 42% of the second-quarter loans went to finance leveraged buyouts.

Because of the huge sums involved, the high level of borrowing is putting some upward pressure on interest rates. That would be a negative for the market, but we believe it will take a while to play out. Our belief is that things will be fine in this regard until the end of the year.

Initial public offerings, or IPOs, are also running strong, according to Dealogic. There were 18 IPOs in June, the same number as in June 2006, but this year's volume came to \$7.4 billion, almost triple last year's total. In the first half of this year, 140 IPOs raised \$26.2 billion versus 89 deals and \$20.9 billion last year. For full-year 2006, IPOs raised \$40.7 billion.

It looks to us that the dollar amount of IPOs will continue to increase. Our belief is that many private equity firms will turn around and try to go public with what they have acquired. Other privately held companies will want to come out. With the market strong, we expect to see more IPOs. Eventually, it could reach a crescendo, which would drain money out of the market. But right now, we think the market can handle it.

Earnings for companies in the S&P 500 in the second quarter are now projected at 4.4% over last year's period, according to Thomson Financial. That is slightly above the 3.9% estimate on April 1. However, when all the reports are in, Thomson Financial expects the earnings to be around 7% to 8%, comparable to the first quarter's growth rate. For all of 2007, the anticipated gain is currently set at 7.8%. Although earnings have slowed down, the flow is still positive. Given the level of interest rates, current inflation, and the pace of economic growth, the overall market situation seems to be in balance.

Companies in the S&P 500 bought back \$118 billion of stock in the first quarter. This is the sixth consecutive quarter that buybacks have topped \$100 billion. For the past four quarters, S&P estimates that \$442 billion in stock was bought back. These companies still have enough cash to buy back 40% of their long-term debt, according to S&P. Despite their heavy cash resources, companies in the S&P 500 are expected to pay out only 30% of their earnings in dividends this year, a record-low figure. The current dividend yield in the S&P 500 is 1.8%.

It is bullish for shareholders whether companies buy back stocks or pay dividends. The last time we researched this relationship, we found

that if you added back the net stock buybacks as the dividend yield, the yields come out close to 4%, which is fairly normal.

While companies are flush with cash, the Investment Company Institute reports that cash levels at equity funds are at a slim 3.7%. This figure is below the previous low of 3.9% set in May 1972. It's a big change from years ago when funds were bearish and held lots of cash. Now, with the tremendous pressures on funds to at least equal the rising market averages, their cash levels are necessarily low. It is a fact of current market life and we don't think it is particularly bearish.

With foreign stocks generally outperforming domestic equities, Americans are flocking to invest overseas. Of the \$160 billion Americans added to stock funds last year, 93% went to funds investing in foreign companies, according to the Investment Company Institute. This is a sharp turnaround from 2003, when only 17% of U.S. stock fund investments went into foreign funds. This trend is continuing. The Treasury Department reported that in March, U.S. investors bought \$40.3 billion more of foreign stocks and bonds than they sold. It is the highest figure since last December, when a net \$48.7 billion was bought.

The weak dollar is a factor with respect to why so much money is flowing out of the U.S and into foreign markets. Also, the foreign markets have outperformed us. What makes us nervous is that people like to chase what's hot and that may eventually spell trouble for foreign markets. However, in the near term, the money spillover is detrimental to the domestic markets.

While U.S. investors are seeking higher returns abroad, foreign investments to acquire or start up U.S. businesses increased 76.7% to \$161.5 billion in 2006. This was the highest figure since 2000, when expenditures totaled \$335.6 billion. That's the flip side. As the dollar gets cheaper, our businesses and our stocks look more attractive to foreigners.

Although the Commerce Department reported that the gross domestic product (GDP) grew only 0.7% in the first quarter, recent indicators point to a rebounding economy and forecasters see the second quarter checking in at better than a 3% rate. Indicating an improvement, the Institute of Supply Management said its index of manufacturing activity in the U.S. rose one point in June to 56.0%, the highest since April 2006. A figure above 50% indicates an expansion. Previously, the Conference Board reported that its index of leading economic indicators increased at a higher-than-expected 0.3% in May. The Labor Department reported that employers added 132,000 jobs in June, with the jobless rate holding steady at 4.5%. Wage increases and consumer price increases were little changed from last year's patterns. Given the fact that the economy is certainly not out of control on the upside and definitely not weak we are inclined to agree with analysts who see aspects of the so-called Goldilocks scenario that is neither too hot nor too cold.

S&P 500 companies ended the first half trading at 18.3 times earnings, according to Barron's. The price/earnings (P/E) ratio stood at 17.2 on both March 31 and June 30, 2006. The recent level is somewhat higher than the average of 16 since 1935, but is far below the market apex of 29.4 in March 2000 and the P/E ratio of 27 when the current bull market began in October 2002. With earnings at this level, the market is not cheap. But given the level of interest rates, it looks fine to us from an evaluation perspective.

Investment sentiment appears quite optimistic. At the close of June, the Investors Intelligence survey of market advisors found 49.4% bulls and only 18% bears. On March 31, the bulls stood at 48.4% and the bears at 27.5%. On June 30, 2006, there were 37.4% bears and 36.3% bulls. While market advisors are showing more optimism, the level does not seem extreme. Incidentally, we don't put too much stock in these figures because they haven't proven to be true indicators in recent years.

The New York Stock Exchange reported that short-selling positions increased 6% to nearly 12.5 billion shares for the June reporting period. This marked the fourth consecutive monthly record.

There is an extremely large number of hedge funds, perhaps 10,000 or so, and most of them use shorts to maintain a neutral market position. When the market starts to run ahead, these shorts tend to get roasted and managers rush to cover them. There are many people in this business now who are not very experienced. When the market really rallies, they have a lot of headaches. As they cover, they drive the market even higher. During the recent 285-point spurt in the Dow, the market looked like it was in a buying panic. We believe that much of that activity was short covering. Consequently, we consider the substantial short position a bullish factor right now.

Despite recent setbacks the odds do not favor a bear market at this time. While not off the chart, our indicators are bullish. We like the fact that this is a pre-election year. Over the last half century, the market has gone up, on average, 19% in a pre-election year. We are now up about half that amount and are in the middle of the year. So far, the market has done pretty well climbing the proverbial wall of worry, and we are not particularly concerned about the negatives right now.

Sincerely,

Martin E. Zweig, Ph.D.

*President*

*Zweig Consulting LLC*

#### **PORTFOLIO COMPOSITION**

In accordance with the Zweig Total Return Fund's investment policy guidelines, all of our bonds are U.S. Government and Agency obligations. These bonds are highly liquid and provide the flexibility to respond quickly to changing conditions.

As of June 30, 2007, the Fund's leading equity positions included information technology, financials, industrials, health care and energy. During the quarter, we reduced our holdings in financials and consumer staples. New to this listing are industrials and energy, where we added to our positions. No longer in this listing are consumer staples, where we trimmed our position, and consumer discretionary.

The Fund's top individual equity positions on June 30, 2007 included Altria Group, AT&T, Bristol-Myers Squibb, ConocoPhillips, Deutsche Bank, Dow Chemical, Merck, Nike, Verizon and Wells Fargo. New to this listing are Bristol-Myers Squibb, Merck, Nike, Wells Fargo and ConocoPhillips, where we added to our positions.

No longer among our top positions are Kimberly-Clark, Morgan Stanley and Newell Rubbermaid; PowerShares QQQ, where there was no change in shares held; and Wachovia Corp., where we sold our position.

Sincerely,

Carlton Neel

*Executive Vice President*

*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.*



*For definitions of indexes cited and certain investment terms used in this report see the glossary on page 7.*

## **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 Web site and/or other communications.

## 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.

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

**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 funds rate:** The interest rate charged on overnight loans of reserves by one financial institution to another in the United States. The federal funds rate is the most sensitive indicator of the direction of interest rates since it is set daily by the market.

**Federal Reserve (the Fed):** 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.

**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.

**NASDAQ Composite<sup>®</sup> 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<sup>®</sup> 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.

**Yield curve:** A line chart that shows interest rates at a specific point in time for securities of equivalent quality but with different maturities. A normal or positive yield curve indicates that short-term securities have a lower interest rate than long-term securities; an inverted or negative yield curve indicates short-term rates are exceeding long-term rates; and a flat yield curve means short- and long-term rates are about the same.

*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.*

# THE ZWEIG TOTAL RETURN FUND, INC.

Sector Weightings 6/30/07

(as a percentage of total investments)

## SCHEDULE OF INVESTMENTS AND SECURITIES SOLD SHORT

June 30, 2007

(Unaudited)

	Par (000 s)	Value
<b>INVESTMENTS</b>		
<b>U.S. GOVERNMENT SECURITIES</b>	<b>43.94%</b>	
<b>U.S. TREASURY BONDS 26.06%</b>		
U.S. Treasury Bond 9.25%, 2/15/16 <sup>(e)</sup>	\$ 20,000	\$ 25,834,380
U.S. Treasury Bond 7.50%, 11/15/16 <sup>(e)</sup>	20,000	23,585,940
U.S. Treasury Bond 8.75%, 5/15/17 <sup>(e)</sup>	22,000	28,187,500
U.S. Treasury Bond 8.875%, 2/15/19 <sup>(e)</sup>	15,000	19,837,500
U.S. Treasury Bond 6.375%, 8/15/27 <sup>(e)</sup>	11,500	13,145,938
U.S. Treasury Bond 6.125%, 11/15/27 <sup>(e)</sup>	17,500	19,504,292
U.S. Treasury Bond 4.50%, 2/15/36 <sup>(e)</sup>	20,000	18,109,379
		148,204,929
<b>U.S. TREASURY NOTES 17.88%</b>		
U.S. Treasury Inflation Indexed Note 1.625%, 1/15/15 <sup>(e)(h)</sup>	27,000	27,154,566
U.S. Treasury Note 3.00%, 2/15/08 <sup>(e)</sup>	38,000	37,527,964
U.S. Treasury Note 4.00%, 11/15/12 <sup>(d)(e)</sup>	18,500	17,735,432
U.S. Treasury Note 4.50%, 2/15/16 <sup>(e)</sup>	20,000	19,276,560
		101,694,522
<b>Total U.S. Government Securities</b> (Identified Cost \$256,666,444)		249,899,451
<b>AGENCY NON-MORTGAGE BACKED SECURITIES 4.58%</b>		
FNMA 3.15%, 5/28/08	26,570	26,068,093
<b>Total Agency Non-Mortgage Backed Securities</b> (Identified Cost \$26,594,603)		26,068,093

See notes to financial statements

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	42.14%	Number of Shares	Value
<b>DOMESTIC COMMON STOCKS</b>			
<b>CONSUMER DISCRETIONARY 4.38%</b>			
Abercrombie & Fitch Co. <sup>(e)</sup>		53,000	\$ 3,867,940
Ford Motor Corp. <sup>(e)</sup>		477,000	4,493,340
McDonald's Corp.		108,000	5,482,080
		180,000	5,297,400
Newell Rubbermaid, Inc.			
Nike, Inc. Class B <sup>(e)</sup>		99,000	5,770,710
			24,911,470
<b>CONSUMER STAPLES 3.72%</b>			
Altria Group, Inc.		88,000	6,172,320
Costco Wholesale Corp. <sup>(e)</sup>		82,000	4,798,640
Kimberly-Clark Corp.		80,000	5,351,200
PepsiCo, Inc.		75,000	4,863,750
			21,185,910
<b>ENERGY 4.01%</b>			
ConocoPhillips		73,000	5,730,500
Halliburton Co. <sup>(e)</sup>		127,000	4,381,500
Massey Energy Co. <sup>(e)</sup>		151,000	4,024,150
Occidental Petroleum Corp.		66,000	3,820,080
Valero Energy Corp. <sup>(e)</sup>		66,000	4,874,760
			22,830,990
<b>FINANCIALS 7.22%</b>			
Allstate Corp. <sup>(e)</sup>		62,000	3,813,620
American International Group, Inc. <sup>(e)</sup>		34,000	2,381,020
Bank of America Corp.		84,600	4,136,094
Goldman Sachs Group, Inc.		22,000	4,768,500
JPMorgan Chase & Co.		105,000	5,087,250
Merrill Lynch & Co., Inc. <sup>(e)</sup>		65,000	5,432,700
Morgan Stanley		67,000	5,619,960
Reinsurance Group of America, Inc. <sup>(e)</sup>		68,000	4,096,320
Wells Fargo & Co.		163,000	5,732,710
			41,068,174
<b>HEALTH CARE 4.94%</b>			
Amgen, Inc. <sup>(b)</sup>		36,000	1,990,440
Bristol-Myers Squibb Co. <sup>(e)</sup>		196,000	6,185,760
Gilead Sciences, Inc. <sup>(b)(e)</sup>		114,000	4,419,780
Merck & Co., Inc.		123,000	6,125,400
Pfizer, Inc.		217,000	5,548,690
UnitedHealth Group, Inc. <sup>(e)</sup>		75,000	3,835,500
			28,105,570

See notes to financial statements



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	Number of Shares	Value
<b>INDUSTRIALS 7.15%</b>		
Alaska Air Group, Inc. <sup>(e)</sup>	124,000	\$ 3,454,640
AMR Corp. <sup>(b)(e)</sup>	146,000	3,847,100
Boeing Co. (The) <sup>(e)</sup>	51,000	4,904,160
Caterpillar, Inc. <sup>(e)</sup>	68,000	5,324,400
Continental Airlines, Inc. Class B <sup>(b)(e)</sup>	104,000	3,522,480
General Electric Co. <sup>(e)</sup>	145,000	5,550,600
L-3 Communications Holdings, Inc. <sup>(e)</sup>	51,000	4,966,890
NuCor Corp.	73,000	4,281,450
Union Pacific Corp.	42,000	4,836,300
		40,688,020
<b>INFORMATION TECHNOLOGY 7.41%</b>		
Cisco Systems, Inc. <sup>(b)</sup>	182,000	5,068,700
Corning , Inc. <sup>(e)</sup>	192,000	4,905,600
Dell, Inc. <sup>(e)</sup>	156,000	4,453,800
EMC Corp. <sup>(b)(e)</sup>	272,000	4,923,200
Hewlett-Packard Co.	62,000	2,766,440
International Business Machines Corp. <sup>(e)</sup>	50,000	5,262,500
Microsoft Corp.	158,000	4,656,260
National Semiconductor Corp. <sup>(e)</sup>	166,000	4,692,820
QUALCOMM, Inc.	125,000	5,423,750
		42,153,070
<b>MATERIALS 1.04%</b>		
Dow Chemical Co. <sup>(e)</sup>	134,000	5,925,480
		5,925,480
<b>TELECOMMUNICATIONS SERVICES 2.27%</b>		
AT&T Corp. <sup>(d)</sup>	146,000	6,059,000
Verizon Communications, Inc. <sup>(d)(e)</sup>	165,000	6,793,050
		12,852,050
<b>Total Domestic Common Stocks</b> (Identified Cost \$206,140,197)		239,720,734
<b>FOREIGN COMMON STOCKS<sup>(c)</sup> 3.72%</b>		
<b>CONSUMER DISCRETIONARY 0.56%</b>		
Honda Motor Co., Ltd. ADR (Japan)	87,000	3,157,230
		3,157,230
<b>ENERGY 0.67%</b>		
Nabors Industries Ltd. (United States) <sup>(b)(e)</sup>	114,000	3,805,320
		3,805,320

See notes to financial statements





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	Number of Shares	Value
<b>FINANCIALS 1.04%</b>		
Deutsche Bank AG (Germany) <sup>(e)</sup>	41,000	\$ 5,934,340
		5,934,340
<b>INFORMATION TECHNOLOGY 1.45%</b>		
Amdocs Ltd. (United States) <sup>(b)(e)</sup>	107,000	4,260,740
Nokia Oyj ADR (Finland)	143,000	4,019,730
		8,280,470
<b>Total Foreign Common Stocks</b> (Identified Cost \$16,173,886)		21,177,360
<b>EXCHANGE TRADED FUNDS 0.73%</b>		
PowerShares QQQ <sup>(e)</sup>	87,000	4,138,590
<b>Total Exchange Traded Funds</b> (Identified Cost \$3,386,937)		4,138,590
<b>Total Long Term Investments 95.11%</b> (Identified Cost \$508,962,067)		541,004,228
<b>SHORT-TERM INVESTMENTS 15.54%</b>		
<b>MONEY MARKET MUTUAL FUNDS 11.21%</b>		
State Street Navigator Prime Plus (5.338% seven day effective yield) <sup>(f)</sup> (Identified Cost \$63,765,742)	63,765,742	63,765,742
	<b>Par (000 s)</b>	
<b>COMMERCIAL PAPER<sup>(g)</sup> 4.33%</b>		
Koch Industries 5.24%, 7/23/07	\$20,000	19,935,995
RABOBank USA Finance Corp. 5.32%, 7/27/07	4,700	4,699,306
<b>Total Commercial Paper</b> (Identified Cost \$24,635,301)		24,635,301
<b>Total Short-Term Investments</b> (Identified Cost \$88,401,043)		88,401,043
<b>Total Investments</b> (Identified Cost \$597,363,110) 110.65%		629,405,271 <sup>(a)</sup>
<b>Securities Sold Short</b> (Proceeds \$8,564,176) (1.42%)		(8,084,480)
<b>Other Assets Less Liabilities</b> (9.23%)		(52,514,539)
<b>Net Assets 100.00%</b>		\$ 568,806,252

(a) Federal Tax information: Net unrealized appreciation of investment securities is comprised of gross appreciation of \$40,298,321 and gross depreciation of \$11,731,381 for federal tax purposes. At June 30, 2007, the aggregate cost of securities for federal income tax purposes was \$600,838,331.

(b) Non-income producing.

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- (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 in Note 2F Foreign security country determination in the Notes to Financial Statements.
- (d) Position, or a portion thereof, has been segregated as collateral for securities sold short.
- (e) All or a portion of security is on loan.
- (f) Represents security purchased with cash collateral for securities on loan.
- (g) The rate shown is the discount rate.
- (h) Principal amount is adjusted daily pursuant to the change in the Consumer Price Index.

See notes to financial statements

	Number of Shares	Value
<b>SECURITIES SOLD SHORT</b>		
<b>DOMESTIC COMMON STOCKS</b>		
<b>CONSUMER DISCRETIONARY</b>	<b>1.42%</b>	
Starbucks Corp.	137,000	\$ 3,594,880
YRC Worldwide, Inc.	122,000	4,489,600
		8,084,480
<b>Total Domestic Common Stocks</b> (Proceeds \$8,564,176)		8,084,480
<b>Total Securities Sold Short</b> (Proceeds \$8,564,176)		\$ 8,084,480 <sup>(i)</sup>

- (i) Federal Tax information: Net unrealized appreciation of securities sold short is comprised of gross appreciation of \$479,696 and gross depreciation of \$0 for federal income tax purposes. At June 30, 2007, the aggregate proceeds of securities sold short for federal tax purposes was (\$8,564,176).

See notes to financial statements

# THE ZWEIG TOTAL RETURN FUND, INC.

## STATEMENT OF ASSETS AND LIABILITIES

June 30, 2007

(Unaudited)

### ASSETS

Investment securities at value, including \$68,833,579 of securities on loan (Identified cost \$597,363,110)	\$ 629,405,271
Cash	68,957
Deposits with broker for securities sold short	6,059,470
Receivables	
Dividends and interest	3,953,883
Investment securities sold	2,129,063
Tax reclaims	11,933
Directors' retainer	15,001
Prepaid expenses	47,751
<b>Total Assets</b>	<b>641,691,329</b>

### LIABILITIES

Payables	
Securities sold short at value, (Proceeds \$8,564,176)	8,084,480
Upon return of securities loaned	63,765,742
Rights offering expenses	429,009
Investment advisory fee (See Note 4)	327,486
Printing fee	151,429
Transfer agent fee	44,780
Professional fees	39,222
Administration fee (See Note 4)	30,410
Custodian fees	4,999
Other accrued expenses	7,520
<b>Total Liabilities</b>	<b>72,885,077</b>

**NET ASSETS** \$ 568,806,252

### NET ASSET VALUE PER SHARE

(\$568,806,252 ÷ 114,509,281) \$ 4.97

### Net Assets Consist of:

Capital paid in on shares of beneficial interest	\$ 571,656,392
Distributions in excess of net investment income	(16,712,174)
Accumulated net realized loss	(18,659,823)
Net unrealized appreciation on investments	32,042,161
Net unrealized appreciation on short sales	479,696

**Net Assets** \$ 568,806,252

See notes to financial statements

# THE ZWEIG TOTAL RETURN FUND, INC.

## STATEMENT OF OPERATIONS

Six Months Ended June 30, 2007

(Unaudited)

### INVESTMENT INCOME

Income	
Dividends (net of foreign taxes withheld of \$61,856)	\$ 1,914,333
Interest	7,135,848
Security lending	74,161
Total Investment Income	9,124,342
Expenses	
Investment advisory fees	1,707,022
Transfer agent fees	118,073
Administration fees	158,509
Printing and postage fees	88,384
Directors' fees and expenses	75,430
Professional fees	54,815
Registration fees	43,591
Custodian fees	24,702
Miscellaneous	125,464
Total Expenses	2,395,990
Less custodian fees paid indirectly	(2,521)
Net Expenses	2,393,469
Net Investment Income	6,730,873
<b>NET REALIZED AND UNREALIZED GAIN (LOSS)</b>	
Net realized gain (loss) on:	
Investments	3,187,374
Net change in unrealized appreciation (depreciation) on:	
Investments	1,127,158
Short Sales	479,696
Net realized and unrealized gain (loss)	4,794,228
Net increase (decrease) in net assets resulting from operations	\$ 11,525,101

See notes to financial statements

# THE ZWEIG TOTAL RETURN FUND, INC.

## STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006
<b>INCREASE (DECREASE) IN NET ASSETS</b>		
<b>Operations</b>		
Net investment income (loss)	\$ 6,730,873	\$ 11,769,820
Net realized gain (loss)	3,187,374	7,995,826
Net change in unrealized appreciation (depreciation)	1,606,854	12,741,784
Net increase (decrease) in net assets resulting from operations	11,525,101	32,507,430
<b>Dividends and distributions to shareholders from</b>		
Net investment income	(24,616,974)*	(13,904,716)
Net realized short-term gains		(6,710,032)
Tax return of capital		(27,261,412)
Total dividends and distributions to shareholders	(24,616,974)	(47,876,160)
<b>Capital share transactions</b>		
Net asset value of shares issued to shareholders in reinvestment of distributions resulting in issuance of common stock	2,466,456	2,187,568
Net proceeds from the sales of shares during rights offering (net of expenses of \$650,000)	102,586,107	
Net increase in net assets derived from capital share transactions	105,052,563	2,187,568
Net increase (decrease) in net assets	91,960,690	(13,181,162)
<b>NET ASSETS</b>		
Beginning of period	476,845,562	490,026,724
End of period (including distributions in excess of net investment income and undistributed net investment income of \$(16,712,174) and \$1,173,927, respectively)	\$ 568,806,252	\$ 476,845,562

\* Please note that the tax status of distributions is determined at the end of the taxable year. However, based on interim data as of June 30, 2007, we estimate that 57% of the distributions represent return of capital and 43% represents excess gain distributions which are taxed as ordinary income. Also refer to Note 2D in the notes to financial statements.

See notes to financial statements

# THE ZWEIG TOTAL RETURN FUND, INC.

## FINANCIAL HIGHLIGHTS

(Selected data for a share outstanding throughout each year)

	Six Months Ended June 30, 2007 (Unaudited)		Year Ended December 31,			
		2006	2005	2004	2003	2002
<b>Per Share Data</b>						
Net asset value, beginning of period	\$ 5.11	\$ 5.28	\$ 5.62	\$ 5.70	\$ 5.81	\$ 6.63
<b>Income from Investment Operations</b>						
Net investment income (loss) <sup>(3)</sup>	0.07	0.13	0.12	0.12	0.09	0.15
Net realized and unrealized gains (losses)	0.06	0.22	0.08	0.18	0.27	(0.35)
Total from investment operations	0.13	0.35	0.20	0.30	0.36	(0.20)
<b>Dividends and Distributions</b>						
Dividends from net investment income	(0.25)	(0.15)	(0.15)	(0.14)	(0.12)	(0.17)
Distributions from net realized gains		(0.07)	(0.15)	(0.09)		
Tax return of capital		(0.30)	(0.24)	(0.11)	(0.35)	(0.45)
Dilutive effect of common stock distributions				(0.04)		
Total dividends and distributions	(0.25)	(0.52)	(0.54)	(0.38)	(0.47)	(0.62)
Effect on net assets as a result of rights offering <sup>(6)</sup>	(0.02)					
Change in net asset value	(0.14)	(0.17)	(0.34)	(0.08)	(0.11)	(0.82)
Net asset value, end of period	\$ 4.97	\$ 5.11	\$ 5.28	\$ 5.62	\$ 5.70	\$ 5.81
Market value, end of period <sup>(1)</sup>	\$ 5.06	\$ 5.89	\$ 4.70	\$ 5.35	\$ 5.01	\$ 5.49
Total investment return <sup>(2)</sup>	(9.36)% <sup>(5)</sup>	39.23%	(2.54)%	14.89%	(0.40)%	(14.06)%
<b>Ratios/Supplemental Data:</b>						
Net assets, end of period (in thousands)	\$ 568,806	\$ 476,846	\$ 490,027	\$ 522,101	\$ 525,687	\$ 532,763
Ratio of expenses to average net assets (excluding dividends on short sales)	0.98% <sup>(4)</sup>	1.00%	1.06%	1.28%	1.03%	0.99%
Ratio of expenses to average net assets (including dividends on short sales)	0.98% <sup>(4)</sup>	1.01%	1.10%	1.31%	1.06%	0.99%
Ratio of net investment income to average net assets	2.76% <sup>(4)</sup>	2.47%	2.18%	2.13%	1.66%	2.37%
Portfolio turnover rate	8.0% <sup>(5)</sup>	21.7%	74.6%	75.8%	94.1%	90.8%

(1) Closing Price New York Stock Exchange.

(2) Total investment return is calculated assuming a purchase of a share of the Fund's common stock at the opening NYSE share price on the first business day and a sale at the closing NYSE share price on the last business day of each period reported. Dividends and distributions, if any, are assumed for the purpose 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.

(3) Computed using average shares outstanding.

(4) Annualized.

(5) Not annualized.



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(6) Shares were sold at a 5% discount from a 5 day average market price.

See notes to financial statements

# THE ZWEIG TOTAL RETURN FUND, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2007

(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. The Fund's objective is to seek the highest total return, consisting of capital appreciation and current income, consistent with the preservation of capital.

### 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 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:

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.

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.

In September 2006, Statement of Financial Accounting Standards No. 157, Fair Value Measurements ( SFAS 157 ), was issued and is effective for fiscal years beginning after November 15, 2007. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Management is currently evaluating the impact the adoption of SFAS 157 will have on the Fund's financial statement disclosures.

**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. Income Taxes:**

It is the policy of the Fund to comply with the requirements of the Internal Revenue Code and to distribute substantially all of its taxable income to its shareholders. Therefore, no provision for federal income taxes or excise taxes has been made.

The Fund may be subject to foreign taxes on income, gains on investments or currency repatriation, a portion of which may be recoverable. The Fund will accrue such taxes and recoveries as applicable based upon current interpretations of the tax rules and regulations that exist in the markets in which they invest.

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation 48 ( FIN 48 ), Accounting for Uncertainty in Income Taxes. This standard defines the threshold for recognizing the benefits of tax-return positions in the financial statements as more-likely-than-not to be sustained by the taxing authority and requires measurement of a tax position meeting the more-likely-than-not criterion, based on the largest benefit that is more than 50 percent likely to be realized. Management has analyzed the funds' tax positions taken on federal income tax returns for all open tax years (tax years ended December 31, 2003-2006) for purposes of implementing FIN 48, and has concluded that no provision for income tax is required in the Fund's financial statements.

**D. Dividends and Distributions to Shareholders:**

Distributions are recorded by the Fund on the ex-dividend date. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from accounting principles generally accepted in the United States of America. These differences may include the treatment of non-taxable dividends, market premium and discount, non-deductible expenses, expiring capital loss carryovers, foreign currency gain or loss, operating losses and losses deferred due to wash sales. Permanent book and tax basis differences relating to shareholder distributions will result in reclassifications to capital paid in on shares of beneficial interest.

The Fund has \$21,681,438 of capital loss carryovers, \$16,906,512 expiring in 2010 and \$4,774,926 expiring in 2011, which may be used to offset future capital gains. The Fund may not realize the benefit of these losses to the extent it does not realize gains on investments prior to the expiration of the capital loss carryovers.

In addition, under certain conditions, the Fund may lose the benefit of these losses to the extent that distributions to shareholders exceed required distribution amounts as defined under the Internal Revenue Code. Shareholders may also pay additional taxes on these excess distributions.

**E. 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.

**F. Foreign Security Country Determination:**

A combination of the following criteria is used to assign the countries of risk listed in the Schedule of Investments and Securities Sold Short: 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.

**G. 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 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. At June 30, 2007, the value of securities sold short amounted to \$8,084,480 against which collateral of \$24,324,890 was held. The collateral includes the deposits with the broker for securities held short and the value of the segregated investments held long, as shown in the Schedule of Investments and Securities Sold Short. 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.

**H. 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, sovereign debt of foreign countries and/or irrevocable letters of credit issued by banks. Cash collateral is invested in a short-term money market fund. Dividends earned on the collateral and premiums paid by the broker are recorded as

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 June 30, 2007, the Fund had securities valued at \$68,833,579 on loan. For collateral the Fund received cash collateral of \$63,765,742 and U.S. Government securities valued at \$5,927,70.

**NOTE 3 PURCHASES AND SALES OF SECURITIES:**

Purchases and sales of securities (excluding U.S. Government and agency securities and short-term securities) for the period ended June 30, 2007, were as follows:

Purchases	\$ 115,703,396
Sales	37,829,936
Short sales	8,564,176

Purchases to cover short sales

There were no purchases and sales of long-term U.S. Government and agency securities for the period ended June 30, 2007.

**NOTE 4 INVESTMENT ADVISORY FEES AND OTHER TRANSACTIONS WITH AFFILIATES**

**a) Investment Advisory Fee:** The Investment Advisory Agreement (the Agreement) between Phoenix/Zweig Advisers LLC (the Adviser), the Fund's investment adviser, and the Fund provides that, subject to the direction of the Board of Directors of the Fund and the applicable provisions of the Act, the adviser is responsible for the actual management of the Fund's portfolio. The Adviser 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-month period (the period) ended June 30, 2007, the Fund incurred advisory fees of \$1,707,022.

Zweig Consulting LLC (the Sub-Adviser), which serves as the Sub-Adviser for the Fund, performs certain asset allocation research and analysis and provides such advice to the Adviser. The Sub-Adviser's fees are paid by the Adviser.

**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. The Administrator receives a fee for financial reporting, tax services, and oversight of the subagent's performance at a rate of 0.065% of the Fund's average daily net assets. During the period ended June 30, 2007, the Fund incurred Administration fees of \$158,509.

**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.

#### **NOTE 5 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 6 CAPITAL STOCK AND REINVESTMENT PLAN**

At June 30, 2007, the Fund had one class of common stock, par value \$0.001 per share, of which 500,000,000 shares are authorized and 114,509,281 shares are outstanding.

Registered shareholders may elect to have all distributions paid by check mailed directly to the shareholder by Computershare 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 Computershare, as the Plan agent, in whole or fractional shares of the Fund, as the case may be. During the period ended June 30, 2007 and the year ended December 31, 2006, 466,583 and 421,068 shares, respectively, were issued pursuant to the Plan.

In a non-transferable rights offering ended May 18, 2007, shareholders exercised rights to purchase 20,730,142 shares of common stock at an offering price of \$4.98 per share for proceeds, net of expenses, of \$102,586,107.

On July 2, 2007, the Fund announced a distribution of \$0.041 per share to shareholders of record on July 12, 2007. This distribution has an ex-dividend date of July 10, 2007, and is payable on July 25, 2007.

#### **NOTE 7 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.

#### **NOTE 8 REGULATORY EXAMS**

In February 2005, the NASD notified PNX that it was asserting violations of trade reporting rules by a subsidiary. PNX responded to the NASD allegations in May 2005. Thereafter, in January 2007, the NASD notified PNX that the matter is being referred for potential violations and possible action. On May 3, 2007, the NASD accepted a letter of acceptance, waiver and consent submitted by the PXP subsidiary to resolve this matter. Without admitting or denying the NASD's findings, in accordance with the terms of the letter the PXP subsidiary agreed to a censure, to pay a fine of \$8 thousand and to revise its supervisory procedures.

The Company does not believe that the outcome of these matters will be material to these financial statements.

## THE ZWEIG TOTAL RETURN FUND, INC.

### BOARD CONSIDERATION AND RE-APPROVAL OF INVESTMENT ADVISORY AGREEMENT AND SERVICING AGREEMENT

Pursuant to Section 15(c) of the Investment Company Act of 1940, as amended (the 1940 Act ), the Board of Directors (the Board ) of The Zweig Total Return Fund, Inc. (the Fund ), including a majority of the Directors who have no direct or indirect interest in the investment advisory agreement and are not interested persons of the Fund, as defined in the 1940 Act (the Independent Directors ), are required to annually review and re-approve the terms of the Fund's existing investment advisory agreement (the Advisory Agreement ) with Phoenix/Zweig Advisers LLC (the Adviser ) and the servicing agreement (the Servicing Agreement ) between the Adviser and Zweig Consulting LLC (the Sub-Adviser ) (collectively, the Agreements ). In this regard, the Board reviewed and re-approved, during the most recent six month period covered by this report, the Agreements.

More specifically, at a meeting held on February 20, 2007, the Board, including the Independent Directors, considered the factors and reached the conclusions described below relating to the selection of the Adviser and the Sub-Adviser and the re-approval of the Agreements.

*1. Nature, Extent and Quality of Services.* The Board considered the nature, extent and quality of the services performed by the Adviser and the Sub-Adviser, including portfolio management, supervision of Fund operations and compliance and regulatory filings and disclosures to shareholders, general oversight of other service providers, review of Fund legal issues, assisting the Directors in that capacity and other services. The Independent Directors concluded that the services are extensive in nature and that the Adviser and the Sub-Adviser delivered an acceptable level of service.

*2. Investment Performance of the Funds and Adviser.* The Board considered the investment performance for the Fund over various periods of time as compared to the performance of the Fund's Lipper, Inc. performance group and performance universe, and concluded that the Adviser was delivering acceptable performance results consistent with the long-term investment strategies being pursued by the Fund. The Board had been informed that the Adviser and its affiliates did not manage any funds comparable to the Fund against which the Fund's performance could be compared.

*3. Costs of Services and Profits Realized by the Adviser and the Sub-Adviser.*

*(a) Costs of Services to Fund: Fees and Expenses.* The Board considered the Fund's management fee rate and expense ratio relative to the Fund's Lipper, Inc. expense group. The Board concluded that the fee is acceptable based upon the qualifications, experience, reputation and performance of the Adviser and the Sub-Adviser. The Board also concluded that the expense ratio of the Fund was within an acceptable range relative to its Lipper, Inc. expense group.

*(b) Profitability and Costs of Services to Adviser and Sub-Adviser.* The Board considered the Adviser's and Sub-Adviser's overall profitability and costs. The Board also considered whether the amount of profit is a fair entrepreneurial profit. The Board concluded that the Adviser's and the Sub-Adviser's profitability was at an acceptable level in light of the quality of the services being provided to the Fund.

*4. Extent of Economies of Scale as Fund Grows.* The Board considered whether there have been economies of scale with respect to the management of the Fund and whether the Fund has appropriately benefited from any economies of scale. The Board noted that economies of scale may develop for certain funds as their assets increase and their fund-level expenses decline as a percentage of assets, but that closed-end funds such as the Fund typically do not have the ability to substantially increase their asset base as do mutual funds. The Board concluded that the Fund has appropriately benefited from any economies of scale.

*5. Whether Fee Levels Reflect Economies of Scale.* The Board also considered whether the management fee rate is reasonable in relation to the asset size of the Fund and any economies of scale that may exist, and concluded that, given the Fund's closed-end structure, it was. At the same time, the Directors agreed that it would be appropriate to monitor this issue in the event that the assets of the Fund were to increase substantially via a rights offering or some other means.

*6. Other Relevant Considerations.*

*(a) Adviser Personnel and Methods.* The Board considered the size, education and experience of the Adviser's and Sub-Adviser's staff, their fundamental research capabilities and approach to recruiting, training and retaining portfolio managers and other research and management personnel, and concluded that in each of these areas they were structured in such a way to support the level of services being provided to the Fund.

*(b) Other Benefits to the Adviser or Sub-Adviser.* The Board also considered the character and amount of other incidental benefits received by the Adviser and the Sub-Adviser and their respective affiliates from their association with the Fund. The Board concluded that potential fall-out benefits that they may receive, such as greater name recognition or increased ability to obtain research or brokerage services, appear to be reasonable, and may in some cases benefit the Fund.

#### *Conclusions*

In considering the Agreements, the Board did not identify any factor as all-important or all-controlling and instead considered these factors collectively in light of the Fund's surrounding circumstances. Based on this review, it was the judgment of the Board that shareholders had received acceptable absolute and relative performance at reasonable fees and, therefore, re-approval of the Investment Advisory Agreement with the Adviser and the Servicing Agreement with the Sub-Adviser were in the best interests of the Fund and its shareholders. As a part of its decision-making process, the Board noted its belief that a long-term relationship with capable, conscientious advisers is in the best interests of the Fund. The Board considered, generally, that shareholders invested in the Fund knowing that the Adviser managed the Fund and knowing its investment management fee schedule. As such, the Board considered, in particular, whether the Adviser, with the assistance of the Sub-Adviser, managed the Fund in accordance with its investment objectives and policies as disclosed to shareholders, and concluded that the Fund was so managed.

Upon conclusion of their review and discussion, the Independent Directors, voting separately, and the full Board unanimously approved the continuation of the Investment Advisory Agreement and the Service Agreement.



**SUPPLEMENTARY PROXY INFORMATION**

The Annual Meeting of Shareholders of The Zweig Total Return Fund, Inc. was held on May 9, 2007. The meeting was held for the purposes of electing two (2) nominees to the Board of Directors.

The results of the above matters were as follows:

<b>Directors</b>	<b>Votes For</b>	<b>Votes Against</b>	<b>Votes Withheld</b>	<b>Abstentions</b>
George R. Aylward	83,937,761	N/A	1,394,432	N/A
Alden C. Olson Ph.D	83,726,610	N/A	1,605,583	N/A

Based on the foregoing George R. Aylward and Alden C. Olson, Ph.D, were elected as Directors. The Fund's other Directors who continue in office are Charles H. Brunie, Wendy Luscombe, James B. Rogers, Jr. and R. Keith Walton

#### **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, 2007, 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 can be obtained by calling toll-free 1-800-SEC-0330.

**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 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, 2008 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 <http://www.PhoenixFunds.com>. Section 19(a) notices are posted on the website at: [http://www.phoenixinvestments.com/phxinv/PublicSite.jsp?Target=/Individual/Products/Closed\\_End\\_Funds/Zweig/ZTR\\_Fund.html](http://www.phoenixinvestments.com/phxinv/PublicSite.jsp?Target=/Individual/Products/Closed_End_Funds/Zweig/ZTR_Fund.html).

**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**

Phoenix/Zweig Advisers LLC

900 Third Avenue 31st Floor

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**

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.

PXP 4133 Q2-07

Semi Annual Report

Zweig

**The Zweig Total  
Return Fund, Inc.**

June 30, 2007

**Item 2. Code of Ethics.**

Not applicable.

**Item 3. Audit Committee Financial Expert.**

Not applicable.

**Item 4. Principal Accountant Fees and Services.**

Not applicable.

**Item 5. Audit Committee of Listed registrants.**

Not applicable.

**Item 6. Schedule of Investments.**

Schedule of Investments in securities of unaffiliated issuers as of the close of the reporting period is included as part of the report to shareholders filed under Item 1 of this form.

**Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.**

Not applicable.

**Item 8. Portfolio Managers of Closed-End Management Investment Companies.**

There has been no change, as of the date of this filing, in any of the portfolio managers identified in response to paragraph (a)(1) of this Item in the registrant's most recently filed annual report on Form N-CSR. In addition, there are no newly identified portfolio managers as of the date of this filing.

**Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.**

The Registrant did not have repurchased shares during the period covered by this report.

**Item 10. Submission of Matters to a Vote of Security Holders.**

There have been no material changes to the procedures by which the shareholders may recommend nominees to the registrant's board of trustees, where those changes were implemented after the registrant last provided disclosure in response to the requirements of Item 407(c)(2)(iv) of Regulation S-K (17 CFR 229.407) (as required by Item 22(b)(15) of Schedule 14A (17 CFR 240.14a-101)), or this Item.

**Item 11. Controls and Procedures.**

- (a) The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the 1940 Act) (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on their evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (17 CFR 240.13a-15(b) or 240.15d-15(b)).
- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d))) that occurred during the registrant's second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

**Item 12. Exhibits.**

- (a)(1) Not applicable.
- (a)(2) Certifications pursuant to Rule 30a-2(a) under the 1940 Act and Section 302 of the Sarbanes-Oxley Act of 2002 are attached hereto.
- (a)(3) Not applicable.
- (b) Certifications pursuant to Rule 30a-2(b) under the 1940 Act and Section 906 of the Sarbanes-Oxley Act of 2002 are attached hereto.



**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(registrant) The Zweig Total Return Fund, Inc.

By (Signature and Title)\* /s/ George R. Aylward  
George R. Aylward, President  
(principal executive officer)

Date September 7, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title)\* /s/ George R. Aylward  
George R. Aylward, President  
(principal executive officer)

Date September 7, 2007

By (Signature and Title)\* /s/ Nancy G. Curtiss  
Nancy G. Curtiss, Treasurer  
(principal financial officer)

Date September 7, 2007

\* Print the name and title of each signing officer under his or her signature.