

HYPERION STRATEGIC MORTGAGE INCOME FUND INC  
Form N-CSR  
August 07, 2003

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 811-05820

THE HYPERION TOTAL RETURN FUND, INC.  
(Exact name of registrant as specified in charter)

ONE LIBERTY PLAZA, 165 BROADWAY, 36TH FLOOR  
NEW YORK, NEW YORK 10006-1404  
(Address of principal executive offices) (Zip code)

CLIFFORD E. LAI, PRESIDENT  
THE HYPERION TOTAL RETURN FUND, INC.  
ONE LIBERTY PLAZA, 165 BROADWAY, 36TH FLOOR  
NEW YORK, NEW YORK, 10006-1404  
(Name and address of agent for service)

Registrant's telephone number, including area code: 1 (800) Hyperion

Date of fiscal year end: November 30th

Date of reporting period: May 31, 2003

Item 1. Reports to Stockholders.

THE HYPERION  
TOTAL RETURN  
FUND, INC.

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Semi-Annual Report

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May 31, 2003

[HYPERION LOGO]

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THE HYPERION TOTAL RETURN FUND, INC.  
Report of the Investment Advisor  
For the Six Months Ended May 31, 2003  
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Dear Shareholder:

We welcome this opportunity to provide you with information about The Hyperion Total Return Fund, Inc. (the "Fund") for the semi-annual period ended May 31, 2003. The Fund's shares are traded on the New York Stock Exchange ("NYSE") under the symbol "HTR".

#### Description of the Fund

The Fund is a diversified closed-end investment company. The Fund's investment objective is to provide shareholders with a high total return, including short and long-term capital gains, and a high level of current income through the management of a portfolio of securities. The Fund pursues this objective by investing and actively managing a portfolio consisting primarily of U.S. Treasury, Mortgage-Backed Securities ("MBS"), Asset-Backed Securities ("ABS"), and High Yield Corporate securities.

#### Performance

The Fund's total return, based on market price, was 15.05% for the six months ended May 31, 2003. Based on the NYSE closing price of \$10.18 on May 31, 2003, the Fund had a yield of 8.84%, which was 6.55% higher than the yield of the 5-year U.S. Treasury Note, and competitive with the yields of other multi-sector bond funds in its category.

As of May 31, 2003, the Fund, inclusive of the effect of leverage, was managed with an average duration (duration measures a bond portfolio's price sensitivity to interest rate changes) of 4.2 years, as measured on a net asset basis.

#### Market Environment

The economy has continued to weaken since the Fund's last reporting date of November 30, 2002. The consumer sector, which has held up the best in the recession thus far, suffered as unemployment escalated to an 8-year high of 6.1% in May. During the period, retail sales and car purchases slowed and consumer confidence dropped to 10-year lows. The war in Iraq also dampened economic activity.

While interest rates had been falling lower, the pace of their decline accelerated during the period. Federal Reserve comments about deflation and its

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potentially negative impact on the already weak economy drove interest rates to the lowest levels since the 1950s.

One bright spot in the market has been the increased demand for corporate bonds. This demand led to a narrowing of corporate bond spreads, reducing the cost of debt and making the credit markets accessible to some corporations that have had difficulty issuing debt in the past. The high yield corporate bond market rallied strongly, supported by apparent efforts by many corporations to improve their balance sheets. All of these factors could help improve corporate profitability going forward and set the foundation for an economic recovery in the future.

While signs point to economic recovery, there are factors that lead us to believe difficulty lies ahead. Although the Federal Reserve is doing everything in its power to resuscitate the economy by lowering interest rates, we believe that continued economic restructuring from the excesses of the late 1990s, rising unemployment at the state and local municipality levels in reaction to their budget deficits and a weak global economy will keep a damper on the economy. Time will be the critical medicine that will cure the economy. As a result, we expect interest rates to remain low at least for the remainder of 2003, with no move on the part of the Federal Reserve to raise interest rates until 2004.

### Portfolio Strategy

The Fund's assets continued to be allocated primarily among the Agency MBS, non-Agency residential MBS (RMBS) and commercial MBS (CMBS) sectors. Since January, 2003, in light of favorable market indications and a slight improvement in corporate earnings, we have increased the Fund's allocation to high yield corporate bonds by approximately 3.5%. Since then, yield spreads on high yield corporate bonds have narrowed dramatically and we believe the sector continues to show strength. Funding some of the increase was a decrease in CMBS. A continued weak economy, an increase in commercial real estate delinquencies and narrowing yield spreads on CMBS, were all factors in leading us to reduce the CMBS exposure of the Fund, especially in the lower rated BB and BBB rated areas.

Due to the dramatic decline in interest rates, mortgage prepayment activity has been at record high levels for the last 12 months. Fortunately, the Fund has been structured to achieve a balance toward prepayment risk. On the one hand, prepayments on premium priced Agency MBS have resulted in additional cash flow being reinvested at lower yields, which can have the effect of putting downward pressure on the dividend. However, the portfolio has a large percentage in discount priced non-Agency MBS. Higher prepayments on these have the effect of increasing income available for the dividend. Thus far, this balance has mitigated any need to change the dividend payout of the Fund. We will continue to manage prepayment risk in the portfolio. However, low interest rates over an extended period of time will eventually cause the dividend to drop.

While most of our RMBS exposure is in 30-year fixed rate mortgages, we have a moderate exposure to Hybrid Adjustable-Rates Mortgages (ARMs), where the mortgage rates are fixed for 3 to 7 years before resetting at a floating rate. A large supply of Hybrid ARMs into the market has made that sector attractive, allowing us to add marginally to our exposure.

We continue to manage the portfolio at full leverage, to take advantage of historically low borrowing rates.

Of the Fund's total assets, 16.1% and 9.3% are invested in securities issued by Fannie Mae and Freddie Mac, respectively. These securities are collateralized by residential mortgage loans and are structured as either pass-throughs or collateralized mortgage obligations. We have monitored the recent developments at Freddie Mac and Fannie Mae and we remain confident that the creditworthiness

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of these securities has not and will not be impacted in the future.

Conclusion

We remain committed to the Fund and its shareholders. As always, we will continue to actively seek out investment opportunities in the market and act on them in a timely fashion in an effort to achieve the Fund's objectives. We welcome your questions and comments, and encourage you to contact our Shareholder Services Representatives at 1-800-HYPERION.

We appreciate the opportunity to serve your investment needs.

Sincerely,

/s/ CLIFFORD E. LAI

CLIFFORD E. LAI  
 President,  
 The Hyperion Total Return Fund, Inc.  
 President and Chief Executive Officer,  
 Hyperion Capital Management, Inc.

/s/ JOHN H. DOLAN

JOHN H. DOLAN  
 Vice President,  
 The Hyperion Total Return Fund, Inc.  
 Chief Investment Officer,  
 Hyperion Capital Management, Inc.

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 THE HYPERION TOTAL RETURN FUND, INC.  
 Portfolio of Investments -- (Unaudited)  
 May 31, 2003

	Interest Rate	Maturit
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U.S. GOVERNMENT & AGENCY OBLIGATIONS -- 56.5%		
U.S. Government Agency Collateralized Mortgage Obligations -- 7.3%		
Federal Home Loan Mortgage Corporation		
Series 1675, Class KC.....	6.50%	10/15/10
Series 1659, Class SD.....	8.50+.	01/15/09
Series 1565, Class L.....	9.00+.	08/15/08
Series 1604, Class MC.....	9.00+.	11/15/08
Series 1604, Class SB.....	9.00+.	11/15/08
Series 1587, Class SK.....	9.00+.	10/15/08
Federal National Mortgage Corporation		
Series 1997-1, Class B.....	6.50.	02/18/04
Series 1998-W6, Class B3.....	7.09.	10/25/28
Series 1993-170, Class SC.....	9.00+.	09/25/08
Series 1993-48, Class C.....	9.50.	04/25/08
Total U.S. Government Agency Collateralized Mortgage Obligations		

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(Cost-- \$19,301,405) .....		
U.S. Government Agency Pass-Through		
Certificates-- 30.3%	7.50	06/01/31
Federal Home Loan Mortgage Corporation		
C53494.....		
C48073.....	8.00.	02/01/31
C48075.....	8.00.	02/01/31
C55470.....	8.00.	07/01/31
C56878.....	8.00.	08/01/31
C56879.....	8.00.	08/01/31
C58516.....	8.00.	09/01/31
C59641.....	8.00.	10/01/31
C55166.....	8.50.	07/01/31
C55167.....	8.50.	07/01/31
C55168.....	8.50.	07/01/31
C55169.....	8.50.	07/01/31
C57010.....	8.50.	08/01/31
C58521.....	8.50.	09/01/31
C60422.....	8.50.	10/01/31
C60423.....	8.50.	10/01/31
C60424.....	8.50.	10/01/31
Federal National Mortgage Corporation		
649881.....	6.00%	09/01/32
650162.....	6.50.	10/01/32
652870.....	6.50.	10/01/32
654917.....	6.50.	08/01/32
642102.....	7.00.	05/01/32
645406.....	7.00.	05/01/32
645912.....	7.00.	06/01/32
645913.....	7.00.	06/01/32
Total U.S. Government Agency Pass-Through		
Certificates		
(Cost-- \$86,909,197) .....		
U.S. Treasury Obligation -- 18.9%		
U.S. Treasury Notes		
.....	3.63.	05/15/13
.....	3.88.	02/15/13
.....	4.38.	08/15/12
Total U.S. Treasury Obligation		
(Cost-- \$52,411,988) .....		
Total U.S. Government & Agency Obligations		
(Cost-- \$158,622,590) .....		
ASSET-BACKED SECURITIES -- 22.2%		
Housing Related Asset-Backed Securities -- 13.5%		
125 Home Loan Owner Trust		
Series 1998-1A, Class M2.....	7.75.	02/15/29
Access Financial Manufactured Housing Contract		
Trust		
Series 1995-1, Class B1.....	7.65+.	05/15/21
Chase Funding Mortgage Loan Asset-Backed		
Series 2000-1, Class IIM2.....	2.12+.	02/15/30
Ditech Home Loan Owner Trust		
Series 1998-1, Class M2.....	7.64.	06/15/29
First Franklin Mortgage Loan Trust		
Series 2001-FF2, Class M3.....	3.10+.	11/25/31
Green Tree Financial Corp.		
Series 1998-3, Class A6.....	6.76.	03/01/30
Series 1998-4, Class A7.....	6.87.	02/01/30

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Series 1998-8, Class M1.....	6.98.	09/01/30
Series 1997-6, Class A9.....	7.55.	01/15/29
Saxon Asset Securities Trust		
Series 1998-1, Class MF1.....	7.05.	12/25/27
Vanderbilt Mortgage Finance, Inc.		
Series 2001-B, Class A5.....	6.96.	09/07/31
Westgate Resorts		
Series 1998-AA, Class A2*.....	8.26.	07/15/13
Total Housing Related Asset-Backed Securities		
(Cost-- \$43,861,104).....		
Non-Housing Related Asset-Backed Securities -- 3.6%		
Aerco Ltd.		
Series 2A, Class B2.....	2.36+.	07/15/25
Global Rated Eligible Assets Trust		
Series 1998-A, Class A1*(c).....	7.33.	03/15/06
MBNA Credit Card Master Trust		
Series 2002-C7, Class C7.....	6.70.	03/16/15
Structured Mortgage Asset Residential Trust		
Series 1997-2, Class A(c).....	8.24%	03/15/06
Tobacco Settlement Financing Corp.		
Series 2001-A, Class A.....	6.36.	05/15/25
Total Non-Housing Related Asset-Backed Securities		
(Cost-- \$15,248,469).....		
Franchise Securities -- 1.9%		
FFCA Secured Lending Corp.		
Series 1998-1, Class A1B*(b).....	6.73.	07/18/13
Franchisee Loan Receivable Trust		
Series 1995-B, Class A*.....	9.59+.	01/25/11
Total Franchise Securities		
(Cost-- \$6,140,167).....		
Collateralized Debt Obligations -- 3.2%		
Anthracite CDO I Ltd.		
Series 2002-CIBA, Class CFL*.....	2.57+.	05/24/37
Seneca Funding I Ltd.*.....	4.03+.	05/31/29
Total Collateralized Debt Obligations		
(Cost-- \$8,890,099).....		
Total Asset-Backed Securities		
(Cost-- \$74,139,839).....		
COMMERCIAL MORTGAGE BACKED SECURITIES -- 17.4%		
Banc of America Commercial Mortgage Inc.		
Series 2003-1, Class XP2*.....	1.67+.	09/11/36
Bear Stearns Commercial Mortgage Securities		
Series 1999-C1, Class F.....	5.64.	02/14/31
Series 1999-C1, Class D.....	6.53.	10/14/13
Series 2001-EPR, Class B*.....	6.92.	02/12/11
Columbia Center Trust		
Series 2000-CCT, Class D*.....	2.07+.	12/15/09
Commercial Mortgage Asset Trust		
Series 1999-C1, Class C.....	7.35.	01/17/32
Commercial Mortgage Lease-Backed Certificate		
Series 2001-CMLB, Class A1*.....	6.75.	06/20/31
First Chicago/Lennar Trust		
Series 1997-CHL1, Class D*.....	8.00.	05/25/08
JP Morgan Commercial Mortgage Finance Corp.		
Series 1999-C8, Class C.....	7.68+.	07/15/31
LB-UBS Commercial Mortgage Trust		
Series 2002-C2, Class L*.....	5.68.	07/15/35
Mortgage Capital Funding, Inc.		
Series 1996-MC1, Class G*(b).....	7.15.	06/15/06

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Nationslink Funding Corp.		
Series 1998-2, Class F*	7.11.	01/20/13
UBS 400 Atlantic Street Mortgage Trust		
Series 2002-C1A, Class B3	7.19.	01/11/22
Total Commercial Mortgage Backed Securities		
(Cost-- \$45,074,684)		
NON-AGENCY RESIDENTIAL MORTGAGE BACKED SECURITIES -- 29.9%		
Subordinated Collateralized Mortgage Obligations -- 29.9%		
ABN AMRO Mortgage Corp.		
Series 2002-1A, Class B3*	5.64+.	06/25/32
Series 2002-1A, Class B4*	5.64+.	06/25/32
Series 2002-1A, Class B5*	5.64%+	06/25/32
Series 2001-2, Class B2	6.75.	06/25/31
Bank of America Mortgage Securities, Inc.		
Series 2001-F, Class B6	5.50+.	11/25/31
Series 2001-4, Class 1B3	6.75.	04/25/31
Series 2001-3, Class B3	7.00.	04/25/31
Cendant Mortgage Corp.		
Series 2001-1, Class B4	7.25.	01/18/30
Series 2000-1, Class B7	7.25.	01/18/30
Chase Mortgage Finance Corp.		
Series 2002-A1, Class B3	6.19.	12/25/29
Series 1998-S4, Class B3	6.75.	08/25/28
Series 1994-D, Class B3	6.75.	02/25/25
Citicorp Mortgage Securities, Inc.		
Series 2001-16, Class M	5.94+.	11/25/31
Series 2001-16, Class B1	5.94+.	11/25/31
Series 2001-16, Class B2	5.94+.	11/25/31
Series 2001-16, Class B3	6.01+.	11/25/31
Series 2001-16, Class B4	6.01+.	11/25/31
Series 2001-16, Class B5	6.01+.	11/25/31
Series 2002-6, Class B4	6.07+.	05/25/32
Series 2002-6, Class B5	6.07+.	05/25/32
Series 2002-6, Class B6	6.07+.	05/25/32
Series 2002-7, Class B5	6.37+.	06/25/32
Series 2002-7, Class B6	6.37+.	06/25/32
Series 1997-2, Class B2	7.25.	05/25/27
Series 1997-5, Class B2	7.25.	11/25/27
Countrywide Alternative Loan Trust		
Series 1998-2, Class B3	7.00.	05/25/28
DLJ Mortgage Acceptance Corp.		
Series 1995-T10, Class C*	16.80+.	09/02/23
First Republic Mortgage Loan Trust		
Series 2000-FRB1, Class B3	1.82+.	06/25/30
G3 Mortgage Reinsurance Ltd.		
Series 1, Class E*(b)	21.30+.	05/25/08
GE Capital Mortgage Services, Inc.		
Series 1994-2, Class B5	6.00+.	01/25/09
Series 1994-10, Class M	6.50.	03/25/24
Series 1998-17, Class B3*	6.75.	10/25/28
GMAC Mortgage Corp. Loan Trust		
Series 2002-J6, Class B2	6.25.	10/25/32
Series 2002-J6, Class B3	6.25.	10/25/32
Granite Mortgages PLC		
Series 2002-1, Class 1C	2.63+.	04/20/42

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Norwest Asset Securities Corp.		
Series 1998-2, Class B4.....	6.50.	02/25/28
Series 1999-26, Class B6.....	7.25.	12/25/29
Paine Webber Mortgage Acceptance Corp.		
Series 1993-9, Class B1.....	7.00%	10/25/23
PHH Mortgage Services Corp.		
Series 1997-6, Class B3*.....	7.30+.	11/18/27
Residential Accredited Loans, Inc.		
Series 1998-QS5, Class B1*.....	6.75.	04/25/28
Series 1998-QS11, Class B1*.....	6.75.	08/25/28
Residential Finance Limited Partnership		
Series 2002-A, Class B7.....	6.81+.	10/10/34
Residential Funding Mortgage Securities I, Inc.		
Series 2003-S7, Class B2.....	5.50.	05/25/33
Series 2003-S7, Class B3.....	5.50.	05/25/33
Series 1993-S49, Class B2.....	6.00.	12/25/08
Series 1999-S12, Class M3.....	6.50.	05/25/29
Series 1999-S13, Class M3.....	6.50.	05/25/29
Series 2002-S7, Class B1.....	6.50.	05/25/32
Series 2002-S7, Class B2.....	6.50.	05/25/32
Series 2002-S7, Class B3.....	6.50.	05/25/32
Series 1996-S8, Class B1.....	6.75.	03/25/11
Series 1996-S5, Class B1.....	6.75.	02/25/11
Series 2001-S24, Class M3.....	6.75.	10/25/31
Series 2001-S24, Class B1.....	6.75.	10/25/31
Series 1997-S17, Class B3.....	7.00.	11/25/27
Series 1996-S13, Class B3(a).....	7.00.	05/25/11
Series 1996-S13, Class B2.....	7.00.	05/25/11
Series 2001-S5, Class M3.....	7.00.	03/25/31
Series 2000-S3, Class B2.....	7.00.	03/25/15
Series 1996-S17, Class B2.....	7.25.	07/25/11
Series 1996-S17, Class B3(a).....	7.25.	07/25/11
Series 1995-S12, Class B2.....	7.25.	08/25/10
Series 1997-S2, Class M2.....	7.50.	01/25/27
Series 1997-S3, Class B2.....	7.50.	02/25/27
Series 1997-S2, Class B2.....	7.50.	01/25/27
Series 1995-S17, Class B3.....	7.50.	12/26/25
Series 1996-S23, Class B2.....	7.75.	11/25/26
Series 1996-S23, Class B1.....	7.75.	11/25/26
Washington Mutual		
Series 2002-AR7, Class B4.....	5.56+.	07/25/32
Series 2002-AR7, Class B5.....	5.56+.	07/25/32
Series 2002-AR7, Class B6.....	5.56+.	07/25/32
Wells Fargo Mortgage Backed Securities Trust		
Series 2002-10, Class B6.....	6.00.	06/25/32
Series 2001-11, Class B5.....	6.25.	05/25/31
Series 2001-26, Class B3.....	6.50.	10/25/31
Series 2001-26, Class B4.....	6.50.	11/25/31
Series 2001-26, Class B5.....	6.50.	11/25/31
Series 2001-26, Class B6.....	6.50.	11/25/31
Series 2001-24, Class B3.....	6.75.	11/30/31
Series 2001-24, Class B4.....	6.75.	11/25/31
Series 2001-24, Class B5.....	6.75.	11/25/31
Series 2001-24, Class B6.....	6.75.	11/25/31
Total Subordinated Collateralized Mortgage		
Obligations		
(Cost-- \$79,448,421).....		



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Senior Collateralized Mortgage Backed		
Securities -- 0.0%		
Countrywide Funding Corp.		
Series 1994-2, Class B2		
(Cost-- \$97,145).....	6.50%	02/25/09
Total Non-Agency Residential Mortgage Backed		
Securities		
(Cost-- \$79,545,566).....		
CORPORATE OBLIGATIONS -- 8.9%		
Aerospace -- 0.0%		
Titan Corp.*.....		
Titan Corp.*.....	8.00.	05/15/11
Airlines -- 0.8%		
American Airline.....		
American Airline.....	8.61.	04/01/11
United Airlines.....		
United Airlines.....	7.19.	04/01/11
Apparel & Textiles -- 0.0%		
William Carter.....		
William Carter.....	10.88.	08/15/11
Automotive -- 0.2%		
Autonation, Inc.....		
Autonation, Inc.....	9.00.	08/01/08
Rexnord Corp.*.....		
Rexnord Corp.*.....	10.13.	12/15/12
Sonic Automotive Inc.....		
Sonic Automotive Inc.....	11.00.	08/01/08
United Auto Group, Inc.....		
United Auto Group, Inc.....	9.63.	03/15/12
United Rentals NA, Inc.*.....		
United Rentals NA, Inc.*.....	10.75.	04/15/08
Universal Compression, Inc.*.....		
Universal Compression, Inc.*.....	7.25.	05/15/10
Building Construction -- 0.2%		
Beazer Homes USA, Inc.....		
Beazer Homes USA, Inc.....	8.88.	04/01/08
D.R. Horton, Inc.....		
D.R. Horton, Inc.....	6.88.	05/01/13
K. Hovnanian Enterprises, Inc.*.....		
K. Hovnanian Enterprises, Inc.*.....	7.75.	05/15/13
K. Hovnanian Enterprises, Inc.....		
K. Hovnanian Enterprises, Inc.....	8.00.	04/01/12
KB Home.....		
KB Home.....	8.63.	12/15/08
Ryland Group, Inc.....		
Ryland Group, Inc.....	5.38.	06/01/08
Schuler Homes*.....		
Schuler Homes*.....	9.38.	07/15/09
Standard Pacific Corp.*.....		
Standard Pacific Corp.*.....	6.88.	05/15/11
Standard Pacific Corp.....		
Standard Pacific Corp.....	7.75.	03/15/13
Technical Olympic USA, Inc.*.....		
Technical Olympic USA, Inc.*.....	9.00.	07/01/10
Beverages, Food & Tobacco -- 0.1%		
Constellation Brands, Inc.....		
Constellation Brands, Inc.....	8.13.	01/15/12
Chemicals -- 0.3%		
Equistar Chemicals LP.....		
Equistar Chemicals LP.....	10.13.	09/01/08
Equistar Chemicals LP*.....		
Equistar Chemicals LP*.....	10.63.	05/01/11
FMC Corp.....		
FMC Corp.....	10.25.	11/01/09
IMC Global, Inc.....		
IMC Global, Inc.....	10.88.	06/01/08
IMC Global, Inc.*.....		
IMC Global, Inc.*.....	11.25.	06/01/11
Lyondell Chemical Co.....		
Lyondell Chemical Co.....	9.50.	12/15/08
Lyondell Chemical Co.*.....		
Lyondell Chemical Co.*.....	9.50.	12/15/08
Macdermid, Inc.....		
Macdermid, Inc.....	9.13.	07/15/11
Rhodia SA*.....		
Rhodia SA*.....	8.88.	06/01/11
Coal -- 0.1%		
Luscar Coal Ltd.....		
Luscar Coal Ltd.....	9.75.	10/15/11
Peabody Energy Corp.*.....		
Peabody Energy Corp.*.....	6.88.	03/15/13
Commercial Services -- 0.1%		
Iron Mountain, Inc.....		
Iron Mountain, Inc.....	7.75%	01/15/15
RH Donnelley Finance Corp. I*.....		
RH Donnelley Finance Corp. I*.....	8.88.	12/15/10
RH Donnelley Finance Corp. I*.....		
RH Donnelley Finance Corp. I*.....	10.88.	12/15/12
Computers & Business Equipment -- 0.0%		
Unisys Corp.....		
Unisys Corp.....	6.88.	03/15/10
Containers & Packaging -- 0.3%		

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Berry Plastics Corp.....	10.75.	07/15/12
Graphic Packaging Corp.....	8.63.	02/15/12
Jefferson Smurfit Corp.....	8.25.	10/01/12
Norampac, Inc.*.....	6.75.	06/01/13
Owens Brockway Glass Container*.....	7.75.	05/15/11
Owens Brockway Glass Container*.....	8.25.	05/15/13
Owens Brockway Glass Container.....	8.88.	02/15/09
Packaging Corp. of America.....	9.63.	04/01/09
Silgan Holdings, Inc.....	9.00.	06/01/09
Drugs & Health Care -- 0.4%		
Advancepcs.....	8.50.	04/01/08
Alpharma Inc.*.....	8.63.	05/01/11
Amerisourcebergen Corp.....	8.13.	09/01/08
Apogent Technologies, Inc.*.....	6.50.	05/15/13
Biovail Corp.....	7.88.	04/01/10
Coventry Health Care, Inc.....	8.13.	02/15/12
Pacificare Health Systems, Inc.....	10.75.	06/01/09
Province Healthcare Co.....	7.50.	06/01/13
Sybron Dental Specialties, Inc.....	8.13.	06/15/12
Tenet Healthcare Corp.....	7.38.	02/01/13
Triad Hospitals, Inc.....	8.75.	05/01/09
Electrical Equipment -- 0.1%		
BRL Universal Equipment.....	8.88.	02/15/08
FIMEP SA*.....	10.50.	02/15/13
Sierra Pacific Power Co.....	8.61.	06/01/22
Electric Utilities -- 0.8%		
AES Corp.*.....	8.75.	05/15/13
AES Corp.....	9.38.	09/15/10
Centerpoint Energy Resource Corp.*.....	7.88.	04/01/13
Centerpoint Energy, Inc.*.....	6.85.	06/01/15
Edison Mission Energy.....	7.73.	06/15/09
El Paso Corp. *.....	7.88.	06/15/12
Midwest Generation LLC.....	8.56.	01/02/16
PSE&G Energy Holdings*.....	7.75.	04/16/07
PSE&G Energy Holdings.....	8.50.	06/15/11
Sithe/Independence Funding.....	9.00.	12/30/13
Southern California Edison Co.*.....	8.00.	02/15/07
TXU Energy Co., LLC*.....	7.00.	03/15/13
Westar Energy, Inc.....	8.50.	07/01/22
Electronics -- 0.2%		
Amkor Technologies, Inc.*.....	7.75.	05/15/13
Amkor Technologies, Inc.....	9.25.	05/01/06
Fairchild Semiconductor Corp.....	10.38.	10/01/07
L-3 Communications Corp.*.....	6.13.	07/15/13
L-3 Communications Corp.....	7.63%	06/15/12
Thomas & Betts Corp.....	7.25.	06/01/13
Financial Services -- 0.7%		
CIT Group, Inc.....	7.75.	04/02/12
Fairfax Financial Holdings.....	7.38.	04/15/18
Labranche & Co., Inc.....	9.50.	08/15/04
Labranche & Co., Inc.....	12.00.	03/02/07
Liberty Mutual Insurance*.....	7.88.	10/15/26
Midland Funding Corp. II.....	11.75.	07/23/05
Midland Funding Corp. II.....	13.25.	07/23/06
Sovereign Bancorp, Inc.....	10.50.	11/15/06
Food & Beverages -- 0.1%		

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Dole Foods Co.....	8.63+	05/01/09
Dole Foods Co.*.....	8.88.	03/15/11
Dominos, Inc.....	10.38.	01/15/09
Smithfield Foods, Inc.*.....	7.75.	05/15/13
Forest Products & Paper -- 0.2%		
Abitibi Consolidated, Inc.....	8.85.	08/01/30
Appleton Papers, Inc.....	12.50.	12/15/08
Cascades, Inc.*.....	7.25.	02/15/13
Georgia Pacific Corp.*.....	7.38.	07/15/08
Georgia Pacific Corp.*.....	8.88.	02/01/10
Georgia Pacific Corp.*.....	9.38.	02/01/13
Gambling -- 0.2%		
Argosy Gaming Co.....	9.00.	09/01/11
Argosy Gaming Co.....	10.75.	06/01/09
Horseshoe Gaming LLC.....	8.63.	05/15/09
Isle Capri Casinos, Inc.....	8.75.	04/15/09
Mohegan Tribal Gaming.....	8.13.	01/01/06
Penn National Gaming, Inc.....	11.13.	03/01/08
Hotels & Casinos -- 0.2%		
Ameristar Casinos Inc.....	10.75.	02/15/09
Mandalay Resort Group.....	9.50.	08/01/08
Mandalay Resort Group.....	10.25.	08/01/07
MGM Mirage, Inc.....	8.50.	09/15/10
Sun International Hotels Ltd.....	8.88.	08/15/11
Venetian Casino Resort LLC.....	11.00.	06/15/10
Industrial -- Diversified -- 0.1%		
Tyco International Group SA.....	6.38.	10/15/11
Industrial Machinery -- 0.1%		
Dresser Industries, Inc.....	7.60.	08/15/96
NMHG Holding Co.....	10.00.	05/15/09
Petroleum Helicopters, Inc.....	9.38.	05/01/09
Insurance -- 0.1%		
Allmerica Financial Corp.....	7.63.	10/15/25
Crum & Forster Holdings Corp.*.....	10.38.	06/15/13
Fairfax Financial Holdings Ltd.....	7.38.	03/15/06
Fairfax Financial Holdings Ltd.....	8.30.	04/15/26
Markel Capital Trust I.....	8.71.	01/01/46
Media-Broadcasting & Publishing -- 0.9%		
Alliance Atlantis Communications, Inc.....	13.00%	12/15/09
Canwest Media, Inc.*.....	7.63.	04/15/13
Canwest Media, Inc.....	10.63.	05/15/11
Cinemark USA, Inc.*.....	9.00.	02/01/13
CSC Holdings, Inc.....	7.25.	07/15/08
CSC Holdings, Inc.....	7.88.	02/15/18
Dex Media East LLC*.....	12.13.	11/15/12
DirecTV Holdings LLC*.....	8.38.	03/15/13
Echostar DBS Corp.....	9.13.	01/15/09
Hollinger Participation*.....	12.13.	11/15/10
Hollinger, Inc.*.....	11.88.	03/01/11
Houghton Mifflin Co.*.....	8.25.	02/01/11
Houghton Mifflin Co.*.....	9.88.	02/01/13
Interpublic Group Cos, Inc.....	7.25.	08/15/11
Radio One, Inc.....	8.88.	07/01/11
Regal Cinemas, Inc.....	9.38.	02/01/12
Rogers Cable, Inc.....	8.75.	05/01/32
Rogers Communications, Inc.....	8.88.	07/15/07

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Shaw Communications, Inc.....	7.20.	12/15/11
Shaw Communications, Inc.....	8.25.	04/11/10
Sinclair Broadcast Group, Inc.....	8.75.	12/15/11
Susquehanna Media Co.*.....	7.38.	04/15/13
Vertis, Inc.....	10.88.	06/15/09
Vivendi Universal*.....	9.25.	04/15/10
Yell Finance BV(d).....	0.00.	08/01/11
Metal Fabrication/Hardware -- 0.0%		
Shaw Group, Inc.....	10.75.	03/15/10
Miscellaneous -- 0.4%		
Ameripath, Inc.*.....	10.50.	04/01/13
Dade Behring, Inc.....	11.91.	10/03/10
Perkinelmer, Inc.*.....	8.88.	01/15/13
Salton Sea Funding.....	7.48.	11/30/18
Service Corp. International.....	6.88.	10/01/07
Service Corp. International.....	7.20.	06/01/06
Service Corp. International.....	7.70.	04/15/09
Speedway Motorsports, Inc.*.....	6.75.	06/01/13
SPX Corp.....	7.50.	01/01/13
Stewart Enterprises, Inc.....	10.75.	07/01/08
Office Furnishings & Supplies -- 0.1%		
Moore North America Finance, Inc.*.....	7.88.	01/15/11
Office Depot, Inc.....	10.00.	07/15/08
Xerox Capital Europe PLC.....	5.88.	05/15/04
Xerox Corp.*.....	9.75.	01/15/09
Oil & Gas -- 0.9%		
Amerigas Partners.....	8.88.	05/20/11
ANR Pipeline Co.*.....	8.88.	03/15/10
ANR Pipeline Co.....	9.63.	11/01/21
Chesapeake Energy Corp.....	7.50.	09/15/13
Chesapeake Energy Corp.....	9.00.	08/15/12
Citgo Petroleum Corp.*.....	11.38.	02/01/11
El Paso Energy Partners LP.....	8.50.	06/01/11
El Paso Energy Partners LP*.....	8.50.	06/01/10
El Paso Energy Partners LP*.....	10.63.	12/01/12
El Paso Natural Gas.....	7.50.	11/15/26
El Paso Natural Gas.....	8.63%	01/15/22
El Paso Production Holding Co.*.....	7.75.	06/01/13
Ferrellgas Partners LP.....	8.75.	06/15/12
Forest Oil Corp.....	8.00.	06/15/08
Frontier Escrow Corp.*.....	8.00.	04/15/13
Plains All American Pipeline.....	7.75.	10/15/12
Premcor Refining Group, Inc.*.....	9.25.	02/01/10
Premcor Refining Group, Inc.*.....	9.50.	02/01/13
Southern Natural Gas Co.....	7.35.	02/15/31
Southern Natural Gas Co.....	8.00.	03/01/32
Tennessee Gas Pipeline Co.....	7.50.	04/01/17
Tennessee Gas Pipeline Co.....	8.38.	06/15/32
Tesoro Petroleum Corp*.....	8.00.	04/15/08
Tesoro Petroleum Corp.....	9.00.	07/01/08
Tesoro Petroleum Corp.....	9.63.	11/01/08
Transmontaigne, Inc.*.....	9.13.	06/01/10
Western Oil Sands, Inc.....	8.38.	05/01/12
Pollution Control -- 0.1%		
Allied Waste North America, Inc.*.....	9.25.	09/01/12
Allied Waste North America, Inc.....	10.00.	08/01/09
Casella Waste Systems, Inc.*.....	9.75.	02/01/13

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Real Estate -- 0.1%		
CBRE Escrow, Inc.*.....	9.75.	05/15/10
Choctaw Resort Developement Enterprise.....	9.25.	04/01/09
Corrections Corp. of America.....	7.50.	05/01/11
Corrections Corp. of America.....	9.88.	05/01/09
Health Care REIT, Inc. (REIT).....	8.00.	09/12/12
Istar Financial, Inc. (REIT).....	7.00.	03/15/08
Istar Financial, Inc. (REIT).....	8.75.	08/15/08
Retail Trade -- 0.2%		
Penney J.C. Co., Inc.....	7.40.	04/01/37
Penney J.C. Co., Inc.....	8.00.	03/01/10
Rent-A-Center, Inc.*.....	7.50.	05/01/10
Rite Aid Corp.*.....	8.13.	05/01/10
Rite Aid Corp.*.....	9.50.	02/15/11
Saks, Inc.....	7.50.	12/01/10
Saks, Inc.....	8.25.	11/15/08
Tricon Global Restaurants, Inc.....	8.88.	04/15/11
Telecommunications -- 0.9%		
Avaya, Inc.....	11.13.	04/01/09
Motorola, Inc.....	8.00.	11/01/11
Nextel Communications, Inc.....	9.38.	11/15/09
Nextel Communications, Inc.....	9.50.	02/01/11
Nextel Communications, Inc.....	12.00.	11/01/08
Nortel Networks Ltd.....	6.13.	02/15/06
Qwest Corp.*.....	8.88.	03/15/12
Sprint Capital Corp.....	8.38.	03/15/12
Sprint Capital Corp.....	8.75.	03/15/32
TCI Communications Financing III.....	9.65.	03/31/27
Tritel PCS, Inc.....	10.38%	01/15/11
US West Communication.....	8.88.	06/01/31
Total Corporate Obligations		
(Cost-- \$25,680,795).....		
INTEREST ONLY SECURITIES -- 8.2%		
Bear Stearns Commercial Mortgage Securities		
Series 2001-TOP2, Class X2*.....	1.36+.	04/15/11
COMM		
Class 2001-J2A, Class EIO*.....	3.87+.	07/16/34
Commercial Capital Access One, Inc.		
Series 2001-A, Class T1.....	4.50.	02/15/09
GMAC Commercial Mortgage Securities, Inc.		
Series 2003-C1, Class X1.....	0.07.	05/10/36
GS Mortgage Securities Corp. II		
Series 2001-ROCK, Class X1*.....	0.41+.	06/01/11
Residential Funding Mortgage Securities I		
Series 2002-HS1, Class A.....	7.00.	07/25/04
Vendee Mortgage Trust		
Series 1997-2, Class IO.....	0.06+.	06/15/27
Wachovia Bank Commercial Mortgage Trust		
Series 2002-C2, Class IO1*.....	0.13.	11/15/34
Total Interest Only Securities		
(Cost-- \$22,334,199).....		

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PREFERRED STOCKS -- 1.4%

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CSC Holdings Inc. Series M, 11.13%.....  
 Duke Realty Investments, Inc. Series D, 7.38%  
 (REIT).....  
 Equity Office Properties Trust Series B, 5.25%  
 (REIT).....  
 Equity Residential Properties Trust Series G,  
 7.25% (REIT).....  
 Hercules Trust II 6.50%.....  
 Shaw Communications, Inc. 8.50%.....  
 Total Preferred Stocks  
 (Cost-- \$3,617,660).....

	Interest Rate	Maturity
REPURCHASE AGREEMENTS -- 0.5%		
Dated 5/30/03, with State Street Corp.; proceeds: \$1,562,065; collateralized by \$1,425,000 USTB, 5.25%, due 11/15/28, value: \$1,597,781 (Cost-- \$1,562,000).....	0.50%	06/02/03
Total Investments -- 145.0%		
(Cost-- \$410,577,333).....		
Liabilities in Excess of Other Assets-- (45.0)%.....		
NET ASSETS-- 100.0%.....		

@ Portion or entire principal amount delivered as collateral for reverse repurchase agreements or swap agreements. (Note 5)

+ Variable Rate Security: Interest rate is the rate in effect May 31, 2003.

\* Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may only be resold in transactions exempt from registration, normally to qualified institutional buyers.

(a) Represents a class of subordinated mortgage backed securities (First Loss Bonds) that are the first to receive credit losses on the underlying mortgage pools and will continue to receive the credit losses until the subordinated class is paid off.

(b) Private placement

(c) These issuers are currently making only partial interest payments.

(d) Security is a "step up" bond where coupon increases or steps up at a predetermined date. Rates shown are current coupon and next coupon rate when security steps up.

# Portion or entire principal amount is held as collateral for open futures contracts. (Note 7)

IO Interest Only Security -- Interest rate is based on the notional amount of the underlying mortgage pools.

REIT Real Estate Investment Trust

USTB United States Treasury Bonds

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THE HYPERION TOTAL RETURN FUND, INC.  
 Statement of Assets and Liabilities -- (Unaudited)  
 May 31, 2003

Assets:

Investments in securities, at market (cost \$410,577,333) (Note 2) .....	\$ 41
Cash .....	
Receivable for investments sold .....	
Interest receivable .....	
Principal paydowns receivable .....	
Receivable due from transfer agent .....	
Prepaid expenses and other assets .....	
Total assets .....	42

Liabilities:

Reverse repurchase agreements (Note 5) .....	13
Interest payable for reverse repurchase agreements (Note 5) .....	
Unrealized depreciation on swap contracts (Note 7) .....	
Payable on open swap contracts .....	
Payable for investments purchased .....	
Investment advisory fee payable (Note 3) .....	
Administration fee payable (Note 3) .....	
Payable for variation margin .....	
Accrued expenses and other liabilities .....	
Total liabilities .....	13

Net Assets (equivalent to \$9.46 per share based on 30,639,747 shares issued and outstanding) .....	\$ 28
--	-------

Composition of Net Assets:

Capital stock, at par value (\$.01) (Note 6) .....	\$
Additional paid-in capital (Note 6) .....	29
Accumulated undistributed net investment income .....	
Accumulated net realized loss .....	(2
Net unrealized appreciation .....	
Net assets applicable to capital stock outstanding .....	\$ 28

THE HYPERION TOTAL RETURN FUND, INC.  
 Statement of Operations -- (Unaudited)  
 For the Six Months Ended May 31, 2003

Investment Income (Note 2):

Interest .....	\$ 18
Dividends .....	18

Expenses:

Investment advisory fee (Note 3) .....	
Administration fee (Note 3) .....	
Legal .....	
Insurance .....	
Reports to shareholders .....	
Custodian .....	
Accounting and tax services .....	

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Directors' fees.....	
Transfer agency.....	
Registration fees.....	
Miscellaneous.....	
Total operating expenses.....	1
Interest expense on reverse repurchase agreements (Note 5).....	
Net interest expense on swaps (Note 2).....	
Total expenses.....	2
Net investment income.....	16
Realized and Unrealized Gain (Loss) on Investments (Notes 2 and 7):	
Net realized gain (loss) on:	
Investments.....	2
Swap contracts.....	
Futures.....	
Net realized gain (loss) on investments, swap contracts and futures.....	2
Net change in unrealized appreciation/depreciation on:	
Investments.....	2
Swap contracts.....	(1
Futures.....	
Net change in unrealized appreciation/depreciation on investments, swap contracts and futures.....	1
Net realized and unrealized gain on investments, swap contracts and futures.....	4
Net increase in net assets resulting from operations.....	\$ 20

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THE HYPERION TOTAL RETURN FUND, INC.  
Statements of Changes in Net Assets

For the Six Months  
Ended  
May 31, 2003  
(Unaudited)  
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Increase (Decrease) in Net Assets Resulting from Operations:	
Net investment income.....	\$ 16,158,755
Net realized gain (loss) on investments, swap contracts and futures.....	2,653,211
Net change in unrealized appreciation/depreciation on investments, swap contracts and futures.....	1,680,022
Net increase in net assets resulting from operations.....	20,491,988
Dividends to Shareholders (Note 2):	
Net investment income.....	(13,773,963)
Capital Stock Transactions (Note 6):	
Net asset value of shares issued through dividend reinvestment (52,860 and 53,787 shares, respectively)....	497,509
Rights offering cost adjustment.....	--
Net increase from capital stock transactions.....	497,509
Total increase in net assets.....	7,215,534
Net Assets:	
Beginning of period.....	282,568,434
End of period (including undistributed net investment income of \$3,816,705 and \$1,431,913, respectively).....	\$ 289,783,968

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HYPERION TOTAL RETURN FUND, INC.  
 Statement of Cash Flows -- (Unaudited)  
 For the Six Months Ended May 31, 2003

Increase (Decrease) in Cash:	
Cash flows provided by (used for) operating activities:	
Interest received (including net accretion of \$388,754).....	\$ 15
Interest expense paid.....	(1)
Operating expenses paid.....	(1)
Sales of short-term portfolio investments, net.....	(87)
Purchases of long-term portfolio investments.....	84
Proceeds from disposition of long-term portfolio investments and principal paydowns.....	12
Net cash provided by for futures transactions.....	
Net cash provided by operating activities.....	
Cash flows provided by (used for) financing activities:	
Net cash provided by reverse repurchase agreements.....	1
Cash dividends paid.....	(13)
Net cash used for financing activities.....	(11)
Net increase in cash.....	
Cash at beginning of year.....	\$ 1
Cash at end of year.....	\$ 1
Reconciliation of Net Increase in Net Assets Resulting from Operations to Net Cash Provided by Operating Activities:	
Net increase in net assets resulting from operations.....	\$ 20
Increase in investments, at cost.....	(2)
Increase in net unrealized appreciation/depreciation on investments and swaps.....	(1)
Increase in interest receivable.....	(4)
Decrease in variation margin receivable.....	(8)
Increase in other assets.....	
Increase in other liabilities.....	
Total adjustments.....	
Net cash provided by operating activities.....	\$ 12

Noncash financing activities not included herein consist of reinvestment of dividends of \$413,496.

THE HYPERION TOTAL RETURN FUND, INC.  
 Financial Highlights

	For the Six Months Ended May 31, 2003 (Unaudited)		For the Year Ended	
	2003	2002	2001	2000
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Per Share Operating Performance:				
Net asset value, beginning of period.....	\$ 9.24	\$ 9.17	\$ 9.41	\$ 9.27
Net investment income.....	0.53	0.85	0.84	0.78
Net realized and unrealized gains				

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(losses) on investments, short sales, futures transactions and swap contracts.....	0.14	0.12	0.30	0.21
Net increase (decrease) in net asset value resulting from operations	0.67	0.97	1.14	0.99
Net effect of shares repurchased.	--	--	--	--*
Dividends from net investment income.....	(0.45)	(0.90)	(0.87)	(0.85)
Offering costs charged to additional paid-in-capital.....	--	--*	(0.09)	--
Dilutive effect of rights offering	--	--	(0.42)	--
Net asset value, end of period...	\$ 9.46	\$ 9.24	\$ 9.17	\$ 9.41
Market price, end of period.....	\$ 10.1800	\$ 9.2800	\$ 8.5700	\$ 8.4375
Total Investment Return +.....	15.05%(1)	19.39%	13.13%++	26.41%
Ratios to Average Net Assets/ Supplementary Data:				
Net assets, end of period (000's)	\$ 289,784	\$ 282,568	\$ 280,106	\$ 215,318
Operating expenses.....	1.14%(2)	1.05%	1.11%	1.10%
Interest expense.....	0.85%(2)	1.23%	1.59%	1.87%
Total expenses.....	1.99%(2)	2.28%	2.70%	2.97%
Net investment income.....	11.35%(2)	9.23%	8.84%	8.50%
Portfolio turnover rate.....	21%(1)	61%	43%	57%

+ Total investment return is computed based upon the New York Stock Exchange market price of the Fund's shares and excludes the effects of brokerage commissions. Dividends and distributions are assumed to be reinvested at the prices obtained under the Fund's dividend reinvestment plan.

++ Adjusted for assumed reinvestment of proceeds of rights offering.

\* Rounds to less than .01.

(1) Not annualized

(2) Annualized

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 THE HYPERION TOTAL RETURN FUND, INC.  
 Notes to Financial Statements -- (Unaudited)  
 May 31, 2003  
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1. The Fund

The Hyperion Total Return Fund, Inc. (the "Fund"), which was incorporated under the laws of the State of Maryland on May 26, 1989, is registered under the Investment Company Act of 1940 (the "1940 Act") as a diversified, closed-end management investment company.

The Fund's investment objective is to provide a high total return, including short and long-term capital gains and a high level of current income, through the management of a portfolio of securities. No assurance can be given that the Fund's investment objective will be achieved.

2. Significant Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Valuation of Investments: Where market quotations are readily available, securities held by the Fund are valued based upon the current bid price, except preferred stocks, which are valued based upon the closing price. Securities may be valued by independent pricing services that have been approved by the Board of Directors. The prices provided by a pricing service take into account broker dealer market price quotations for institutional size trading in similar groups of securities, security quality, maturity, coupon and other security characteristics as well as any developments related to the specific securities. The Fund values mortgage-backed securities ("MBS") and other debt securities for which market quotations are not readily available (approximately 27% of the investments in securities held by the Fund at May 31, 2003) at their fair value as determined in good faith, utilizing procedures approved by the Board of Directors of the Fund, on the basis of information provided by dealers in such securities. Some of the general factors which may be considered in determining fair value include the fundamental analytic data relating to the investment and an evaluation of the forces which influence the market in which these securities are purchased and sold. Determination of fair value involves subjective judgment, as the actual market value of a particular security can be established only by negotiations between the parties in a sales transaction. Debt securities having a remaining maturity of sixty days or less when purchased and debt securities originally purchased with maturities in excess of sixty days but which currently have maturities of sixty days or less are valued at amortized cost.

The ability of issuers of debt securities held by the Fund to meet their obligations may be affected by economic developments in a specific industry or region. The values of MBS can be significantly affected by changes in interest rates or in the financial condition of an issuer or market.

Options Written or Purchased: The Fund may write or purchase options as a method of hedging potential declines in similar underlying securities. When the Fund writes or purchases an option, an amount equal to the premium received or paid by the Fund is recorded as a liability or an asset and is subsequently adjusted to the current market value of the option written or purchased. Premiums received or paid from writing or purchasing options which expire unexercised are treated by the Fund on the expiration date as realized gains or losses. The difference between the premium and the amount paid or received on effecting a closing purchase or sale transaction, including brokerage commissions, also is treated as a realized gain or loss. If an option is exercised, the premium paid or received is added to the proceeds from the sale or cost of the purchase in determining whether the Fund has realized a gain or a loss on the investment transaction.

The Fund, as writer of an option, may have no control over whether the underlying securities may be sold (call) or purchased (put) and as a result bears the market risk of an unfavorable change in the price of the security underlying the written option.

The Fund purchases or writes options to hedge against adverse market movements or fluctuations in value caused by changes in interest rates. The Fund bears the risk in purchasing an option, to the extent of the premium paid, that it will expire without being exercised. If this occurs, the option expires worthless and

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the premium paid for the option is recognized as a realized loss. The risk associated with writing call options is that the Fund may forego the opportunity for a profit if the market value of the underlying position increases and the option is exercised. The Fund will only write call options on positions held in its portfolio. The risk in writing a put option is that the Fund may incur a loss if the market value of the underlying position decreases and the option is exercised. In addition, the Fund bears the risk of not being able to enter into a closing transaction for written options as a result of an illiquid market.

**Short Sales:** The Fund may make short sales of securities as a method of hedging potential declines in similar securities owned. The Fund may have to pay a fee to borrow the particular securities and may be obligated to pay to the lender an amount equal to any payments received on such borrowed securities. A gain, limited to the amount at which the Fund sold the security short, or a loss, unlimited as to dollar amount, will be realized upon the termination of a short sale if the market price is less or greater than the proceeds originally received.

**Financial Futures Contracts:** A futures contract is an agreement between two parties to buy and sell a financial instrument for a set price on a future date. Initial margin deposits are made upon entering into futures contracts and can be either cash or securities. During the period the futures contract is open, changes in the value of the contract are recognized as unrealized gains or losses by "marking-to-market" on a daily basis to reflect the market value of the contract at the end of each day's trading. Variation margin payments are made or received, depending upon whether unrealized gains or losses are incurred. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Fund's basis in the contract.

The Fund invests in financial futures contracts to hedge against fluctuations in the value of portfolio securities caused by changes in prevailing market interest rates. Should interest rates move unexpectedly, the Fund may not achieve the anticipated benefits of the financial futures contracts and may realize a loss. The use of futures transactions involves the risk of imperfect correlation in movements in the price of futures contracts, interest rates and the underlying hedged assets. The Fund is at risk that it may not be able to close out a transaction because of an illiquid market.

**Swap agreements:** The Fund may invest in swap agreements. The Fund may enter into interest rate swap agreements to manage its exposure to interest rates. Interest rate swap agreements involve the exchange by the Fund with another party of their respective commitments to pay or receive interest, e.g., an exchange of floating rate payments for fixed rate payments with respect to a notional amount of principal. Swaps are marked to market daily based upon quotations from market makers and the change, if any, is recorded as unrealized gain or loss in the Statement of Operations. Net payments of interest on interest rate swap agreements are included as part of interest expense. For the six months ended May 31, 2003, such net payments made by the Fund amounted to \$319,254. Entering into these agreements involves, to varying degrees, elements of credit and market risk in excess of the amounts recognized on the Statement of Assets and Liabilities. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreements may default on its obligation to perform or that there may be unfavorable changes in the fluctuation of interest rates. See Note 7 for a summary of all open swap agreements as of May 31, 2003.

**Securities Transactions and Investment Income:** Securities transactions are recorded on the trade date. Realized gains and losses from securities transactions are calculated on the identified cost basis. Interest income is recorded on the accrual basis. Discounts and premiums on securities are accreted and amortized, respectively, using the effective yield to maturity method.

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**Taxes:** It is the Fund's intention to continue to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no federal income or excise tax provision is required.

**Dividends and Distributions:** The Fund declares and pays dividends monthly from net investment income. Distributions of realized capital gains in excess of capital loss carryforwards are distributed at least annually. Dividends and distributions are recorded on the ex-dividend date. Dividends from net investment income and distributions from realized gains from investment transactions have been determined in accordance with Federal income tax regulations and may differ from net investment income and realized gains recorded by the Fund for financial reporting purposes. These differences, which could be temporary or permanent in nature, may result in reclassification of distributions; however, net investment income, net realized gains and net assets are not affected.

**Cash Flow Information:** The Fund invests in securities and distributes dividends and distributions which are paid in cash or are reinvested at the discretion of shareholders. These activities are reported in the Statement of Changes in Net Assets. Additional information on cash receipts and cash payments is presented in the Statement of Cash Flows. Cash, as used in the Statement of Cash Flows, is the amount reported as "Cash" in the Statement of Assets and Liabilities, and does not include short-term investments.

Accounting practices that do not affect reporting activities on a cash basis include carrying investments at value and accreting discounts and amortizing premiums on debt obligations.

**Repurchase Agreements:** The Fund, through its custodian, receives delivery of the underlying collateral, the market value of which at the time of purchase is required to be in an amount at least equal to the resale price, including accrued interest. Hyperion Capital Management, Inc. (the "Advisor") is responsible for determining that the value of these underlying securities is sufficient at all times. If the seller defaults and the value of the collateral declines or if bankruptcy proceedings commence with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited.

### 3. Investment Advisory Agreements and Affiliated Transactions

The Fund has entered into an Investment Advisory Agreement with the Advisor. The Advisor is responsible for the management of the Fund's portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of the Fund. For such services, the Fund pays a monthly fee at an annual rate of 0.65% of the Fund's average weekly net assets. During the six months ended May 31, 2003, the Advisor earned \$925,380 in investment advisory fees.

Effective April 15, 2003, the Advisor has entered into a Sub-Advisory Agreement with Seix Investment Advisors Inc. ("Seix"). Prior to April 15, Pacholder Associates, Inc. served as sub-advisor. Under the terms of the agreement, Seix is to assist in managing the Fund's investments in High Yield Securities and to provide such investment research and advice regarding High Yield Securities as may be necessary for the operation of the Fund. For such services, the Advisor pays, out of its advisory fee, a monthly fee at an annual rate of 0.50% of the portion of the Fund's average weekly net assets that is invested in High Yield Securities.

The Fund has entered into an Administration Agreement with Hyperion Capital Management, Inc. (the "Administrator"). The Administrator entered into a sub-administration agreement with State Street Corp. (the "Sub-Administrator"),

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an affiliate of the Fund's Custodian. The Administrator and Sub-Administrator perform administrative services necessary for the operation of the Fund, including maintaining certain books and records of the Fund and preparing reports and other documents required by federal, state, and other applicable laws and regulations, and providing the Fund with administrative office facilities. For these services, the Fund pays to the Administrator a monthly fee at an annual rate of 0.20% of the Fund's average weekly net assets. During the six months ended May 31, 2003, the Administrator earned \$284,732 in administration fees. The Administrator is responsible for any fees due the Sub-Administrator.

Certain officers and/or directors of the Fund are officers and/or directors of the Advisor, Administrator and Sub-Administrator.

#### 4. Purchases and Sales of Investments

Purchases and sales of investments, excluding short-term securities, U.S. Government securities and reverse repurchase agreements, for the six months ended May 31, 2003, were \$39,229,520 and \$59,433,575, respectively. Purchases and sales of U.S. Government securities, excluding short-term securities for the six months ended May 31, 2003 were \$48,744,156 and \$29,840,756, respectively. For purposes of this footnote, U.S. Government securities may include securities issued by the U.S. Treasury, Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Association.

#### 5. Borrowings

The Fund may enter into reverse repurchase agreements with the same parties with whom it may enter into repurchase agreements. Under a reverse repurchase agreement, the Fund sells securities and agrees to repurchase them at a mutually agreed upon date and price. Under the 1940 Act, reverse repurchase agreements will be regarded as a form of borrowing by the Fund unless, at the time it enters into a reverse repurchase agreement, it establishes and maintains a segregated account with its custodian containing securities from its portfolio having a value not less than the repurchase price (including accrued interest). The Fund has established and maintained such an account for each of its reverse repurchase agreements.

Reverse repurchase agreements involve the risk that the market value of the securities retained in lieu of sale by the Fund may decline below the price of the securities the Fund has sold but is obligated to repurchase. In the event the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, such buyer or its trustee or receiver may receive an extension of time to determine whether to enforce the Fund's obligation to repurchase the securities, and the Fund's use of the proceeds of the reverse repurchase agreement may effectively be restricted pending such decision.

At May 31, 2003, the Fund had the following reverse repurchase agreements outstanding:

Face Value	Description	Mat
\$ 4,702,000	UBS/Paine Webber, 1.33%, dated 5/13/03, maturity date 6/11/03	4,
4,544,000	UBS/Paine Webber, 1.30%, dated 5/22/03, maturity date 6/11/03	4,
3,497,000	UBS/Paine Webber, 1.33%, dated 5/13/03, maturity date 6/11/03	3,

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6,740,000	Morgan Stanley, 1.32%, dated 5/14/03, maturity date 6/11/03	6,
25,584,000	Morgan Stanley, 1.10%, dated 5/28/03, maturity date 6/11/03	25,
2,140,000	Morgan Stanley, 1.45%, dated 5/30/03, maturity date 6/05/03	2,
4,673,000	Merrill Lynch, 1.32%, dated 5/15/03, maturity date 6/17/03	4,
6,749,000	Merrill Lynch, 1.32%, dated 5/15/03, maturity date 6/17/03	6,
6,914,000	Merrill Lynch, 1.32%, dated 5/15/03, maturity date 6/17/03	6,
7,801,000	Merrill Lynch, 1.32%, dated 5/15/03, maturity date 6/17/03	7,
11,863,500	Merrill Lynch, 1.15%, dated 5/19/03, maturity date 6/02/03	11,
14,340,000	Lehman Brothers, 1.30%, dated 5/15/03, maturity date 6/18/03	14,
8,840,000	Lehman Brothers, 1.30%, dated 5/15/03, maturity date 6/18/03	8,
2,600,000	Lehman Brothers, 1.31%, dated 5/29/03, maturity date 6/16/03	2,
3,921,800	Lehman Brothers, 1.30%, dated 5/22/03, maturity date 6/26/03	3,
13,170,000	Lehman Brothers, 1.23%, dated 5/22/03, maturity date 6/05/03	13,
4,946,000	Bear Stearns, 1.76%, dated 5/08/03, maturity date 6/19/03	4,
4,060,000	Bear Stearns, 1.15%, dated 5/22/03, maturity date 6/05/03	4,
\$ 137,085,300		
	Maturity Amount, Including Interest Payable	\$ 137,
	Market Value of Assets Sold Under Agreements	\$ 140,
	Weighted Average Interest Rate	

The average daily balance of reverse repurchase agreements outstanding during the six months ended May 31, 2003, was approximately \$137,768,813 at a weighted average interest rate of 1.29%. The maximum amount of reverse repurchase agreements outstanding at any time during the period was \$147,569,318 as of March 3, 2003, which was 33.93% of total assets.

#### 6. Capital Stock

There are 50 million shares of \$0.01 par value common stock authorized. Of the 30,639,747 shares outstanding at May 31, 2003, the Advisor owned 11,112 shares.

The Fund is continuing its stock repurchase program, whereby an amount of up to 15% of the original outstanding common stock, or approximately 3.7 million of the Fund's shares, are authorized for repurchase. The purchase price may not exceed the then-current net asset value.

For the periods ended May 31, 2003 and November 30, 2002 no shares have been repurchased. All shares repurchased have been retired. Since inception of the stock repurchase program 2,089,740 shares have been repurchased pursuant to this program at a cost of \$18,605,505 and at an average discount of 13.18% from its net asset value.

The Fund issued to its shareholders of records as of the close of business on August 27, 2001 transferable rights to subscribe for up to an aggregate 7,644,525 shares of common stock of the Fund at a rate of one share of common stock for 3 rights held at the subscription price \$8.10 per share. During September 2001, the Fund issued, in total, 7,644,525 shares of Common Stock on exercise of such Rights. Rights offering costs of \$515,977 and brokerage and

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deal-manager commissions of \$2,322,025 were charged directly against the proceeds of the Offering. An adjustment of \$16,696 related to such offering costs was credited to paid-in capital during the year ended November 30, 2002.

### 7. Financial Instruments

The Fund regularly trades in financial instruments with off-balance sheet risk in the normal course of its investing activities to assist in managing exposure to various market risks. These financial instruments include written options, futures contracts and swap agreements and may involve, to a varying degree, elements of risk in excess of the amounts recognized for financial statement purposes. The notional or contractual amounts of these instruments represent the investment the Fund has in particular classes of financial instruments and does not necessarily represent the amounts potentially subject to risk. The measurement of the risks associated with these instruments is meaningful only when all related and offsetting transactions are considered. During the period, the Fund had segregated sufficient cash and/or securities to cover any commitments under these contracts.

There was no written option activity for the six months ended May 31, 2003.

As of May 31, 2003, the following swap agreements were outstanding:

Notional Amount	Expiration Date	Description
\$ 30,000,000	01/02/06	Agreement with Goldman Sachs Capital Markets, LP, dated 12/30/02 to pay semi-annually the notional amount multiplied by 2.458% and to receive quarterly the notional amount multiplied by 3 month LIBOR.
\$ 30,000,000	01/02/06	Agreement with Morgan Stanley Capital Services Inc., dated 12/30/02 to pay semi-annually the notional amount multiplied by 2.457% and to receive quarterly the notional amount multiplied by 3 month LIBOR.

As of May 31, 2003, the following futures contracts were outstanding:

Long:

Notional Amount	Type	Expiration Date	Cost at Trade Date	Value at May 31, 2003
\$ 5,000,000	U.S. Treasury Bond	September 2003	\$ 5,930,453	\$ 5,960,930
6,700,000	10 Yr. U.S. Treasury Note	September 2003	7,901,269	7,935,310

### 8. Federal Income Tax Information

Income and capital gain distributions are determined in accordance with federal income tax regulations, which may differ from generally accepted accounting principles.

During the year ended November 30, 2002 the tax character of the \$27,420,820 of distributions paid was from ordinary income.

At November 30, 2002 the components of net assets (excluding paid-in-capital) on



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a tax basis were as follows:

Undistributed Tax ordinary income.....	\$	1,431,913
Tax basis capital loss carryover.....	\$	(24,213,695)
Less: Cumulative timing differences.....		(633,610)
Accumulated capital loss.....	\$	(24,847,305)
Book basis unrealized appreciation/(depreciation)....	\$	6,645,994
Plus: Cumulative timing differences.....		301,986
Unrealized appreciation/(depreciation).....	\$	6,947,980

The cumulative timing differences under tax basis capital loss carryover is due to post-October losses. The differences between book and tax basis unrealized appreciation/(depreciation) are primarily attributable to the mark-to-market of futures, and wash sales deferrals.

Federal Income Tax Basis: The federal income tax basis of the Fund's investments at May 31, 2003 was \$410,577,333. Net unrealized appreciation was \$9,383,922 (gross unrealized appreciation -- \$25,307,778; gross unrealized depreciation -- \$15,923,856). At November 30, 2002, the Fund had a capital loss carryforward of \$24,213,695, of which \$3,861,143 expires in 2006, \$5,432,752 expires in 2007, \$3,003,624 expires in 2008, \$8,349,330 expires in 2009, and \$3,566,846 expires in 2010, available to offset any future gains, to the extent provided by regulations.

## 9. Subsequent Events

Dividend: The Fund's Board of Directors declared the following regular monthly dividends:

Dividend Per Share	Record Date	Payable Date
\$ 0.0750	06/17/03	06/26/03

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 THE HYPERION TOTAL RETURN FUND, INC.  
 Information Concerning Directors and Officers (Unaudited)  
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The following tables provide information concerning the directors and officers of The Hyperion Total Return Fund, Inc. (the "Fund").

Name, Address and Age	Position(s) Held with Fund and Term of Office and Length of Time Served	Principal Occupation(s) During Pas Other Directorships Held by D
Class I Nominee/ Director to serve until 2006 Annual Meeting of Stockholders:		
Robert F. Birch c/o One Liberty Plaza, New York, New York 10006-1404  Age 67	Director, Member of The Audit Committee, Member of Nominating and Compensation Committee and Member of Executive Committee  Elected for Three Year Term/Director Since	Director and/or Trustee of seven companies (4) advised by Hyperion Management, Inc. or by its affiliate (1998-Present); Chairman and President of America High Income Fund (1992- Present); Member of the Board and Co-Founder, The Hyperion Group, Inc. (1996-Present); Director of several Hedge Funds (2) (2001 to Present).

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December 1998

Formerly, Director and Strategic Consultant, Dewe Rogerson, Ltd.

Class II Director to serve until 2004 Annual Meeting of Stockholders:

<p>Rodman L. Drake c/o One Liberty Plaza, New York, New York 10006-1404</p> <p>Age 60</p>	<p>Director, Member of the Audit Committee, Chairman of Nominating and Compensation Committees</p> <p>Elected for Three Year Term/Director Since July 1989</p>	<p>Director and/or Trustee of several companies (3) advised by Hyperion Management, Inc. (1989-Present); Baringo Capital LLC (2002-Present); Animal Medical Center (2002-Present); Hotelevision, Inc. (1999-Present); Metro Cash Card International (Director, Parsons Brinckerhoff, Present); Director, Absolute Quality (2000-Present); Trustee of Excellence (1994-Present). Formerly, President, Continuation Group Inc. (1997-2001); Director, Services, Inc. (1998-2001).</p>
<p>Harry E. Petersen, Jr. c/o One Liberty Plaza, New York, New York 10006-1404</p> <p>Age 78</p>	<p>Director, Member of the Audit Committee, Member of Nominating and Compensation Committees, Member of Executive Committee</p> <p>Elected for Three Year Term/Director Since October 1993</p>	<p>Director and/or Trustee of several companies (3) advised by Hyperion Management, Inc. or by its affiliates (1992-Present).</p> <p>Formerly, Senior Consultant to Advisors, Inc. (1998-2001); Senior Potomac Babson Inc. (1995-1998)</p>

Class III Director to serve until 2005 Annual Meeting of Stockholders:

<p>Lewis S. Ranieri* c/o One Liberty Plaza, New York, New York 10006-1404</p> <p>Age 56</p>	<p>Chairman, Elected Annually Since June 2002</p> <p>Director, Member of Executive Committee</p> <p>Elected for Three Year Term/Director Since June 1989</p>	<p>Chairman and Chief Executive Officer of Hyperion Capital Management Co., Inc. (since 1988); President of Hyperion Capital Management Corp., a general partner of the partnership that is the general partner of Hyperion Partners L.P. ("Hyperion Partners") (since 1988); Director and Chairman of Hyperion Capital Management, Inc. (since 2002); Director and Vice Chairman of Hyperion Capital Management, Inc. (1998 through June 2002) Director of Hyperion Capital Management, Inc. (1989-November 1998); Director of Hyperion Funding II Corp., the general partner of the partnership that is the general partner of Hyperion Partners II, L.P. (Hyperion Partners II); Chairman and President of Hyperion Capital Management, Inc. direct and indirect subsidiaries of Hyperion Capital Management, Inc. (since 1989) and Hyperion Capital Management, Inc. (since 1995); Chairman of the Board of Hyperion Capital Management, Inc. (1989-December 1998 and June 2002 through present) and/or Director (since 1989) of several investment companies (3) advised by Hyperion Capital Management, Inc. or by its affiliates. Formerly, Director and Chairman of Hyperion Capital Management Corp., and Director of Bank United of America, Director of Lend Lease Hyperion Opportunity Fund, Inc. (formerly, Lend Lease Hyperion Mortgage Opportunity Fund, Inc.) and Lend Lease Hyperion High Yield Mortgage Fund, Inc. (formerly, Lend Lease Hyperion High Yield Mortgage Fund, Inc.)</p>
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Fund, Inc.) (1995-1999).

Leo M. Walsh, Jr.  
c/o One Liberty Plaza,  
New York, New York  
10006-1404

Director, Chairman of  
the Audit Committee,  
Member of Nominating  
and Compensation  
Committees

Director and/or Trustee of several  
companies (3) advised by Hyperion  
Management, Inc. or by its affiliates  
(1989-Present); Financial Consumer  
Health Solutions, Inc. (formerly  
Managed Care LLC) (1994-Present);  
Lend Lease Hyperion Mortgage Opportunity  
Inc. (formerly, Equitable Real Estate  
Mortgage Opportunity Fund, Inc.);  
Hyperion High Yield CMBS Fund,  
Equitable Real Estate Hyperion  
Commercial Mortgage Fund, Inc.)

Age 70

Elected for Three Year  
Term/Director Since  
June 1989

o Interested persons as defined in the 1940 Act, because of affiliations with Hyperion Capital Management, Inc., the Fund's Advisor.

Officers of the Fund			
Name, Address and Age	Position(s) Held with Fund	Term of Office and Length of Time Served	Principal D
Lewis S. Ranieri* c/o One Liberty Plaza, New York, New York 10006-1404 Age 56	Chairman	Elected Annually Since June 2002	Please see "Information"
Clifford E. Lai* c/o One Liberty Plaza, New York, New York 10006-1404  Age 50	President	Elected Annually Since April 1993	President (since November 1997); Capital Management, Inc. (1997-1998); President (since June 1998); Investment Grade Opposite Risk (Senior Vice President since 1997); President (since Hyperion Total Return Fund, Inc. Chairman of the Board of Lend Lease Hyperion Mortgage Formerly, President (1994-1997) of the Lend Lease Hyperion Inc.; Senior Vice President 1998-December 1999) of High-Yield Commercial Vice President (September the Equitable Real Estate Commercial Mortgage Fund, Inc.)
John Dolan* c/o One Liberty Plaza, New York, New York 10006-1404 Age 49	Vice President	Elected Annually Since March 1998	Chief Investment Strategist Chief Investment Officer Capital Management.
Patricia A. Sloan* c/o One Liberty Plaza New York, New York 10006-1404  Age 59	Vice President	Elected Annually Since June 2002	Consultant of Ranieri Formerly Secretary, Director several investment companies Capital Management, Inc. (1989-2002).

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Thomas F. Doodian* c/o One Liberty Plaza, New York, New York 10006-1404  Age 44	Treasurer	Elected Annually Since February 1998	Managing Director, Ch Present) and Director Hyperion Capital Mana 1995-Present). Treasu companies advised by Inc. (February 1998-P
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\* Interested persons as defined in the 1940 Act, because of affiliations with Hyperion Capital the Fund's Advisor.

Officers of the Fund	Position(s)	Term of Office and	Prin
Name, Address and Age	Held with Fund	Length of Time Served	Du
Joseph Tropeano* c/o One Liberty Plaza, New York, New York 10006-1404  Age 41	Secretary	Elected Annually Since June 2002	Director and Complianc Management, Inc. (1993 Compliance Officer of advised by Hyperion Ca (1994-Present); Secret Lend Lease Hyperion Ca (1995-Present); Secret of Lend Lease Hyperion (1998-Present). Former Compliance Officer, AI Vice President and Com Distributors, Inc. (19

\* Interested persons as defined in the 1940 Act, because of affiliations with Hyperion Capital Management, Inc., the Fund's Advisor.

The Fund's Statement of Additional Information includes additional information about the directors and is available, without charge, upon request by calling 1-800-497-3746.

DIVIDEND REINVESTMENT PLAN

A Dividend Reinvestment Plan (the "Plan") is available to shareholders of the Fund pursuant to which they may elect to have all distributions of dividends and capital gains automatically reinvested by American Stock Transfer Company (the "Plan Agent") in additional Fund shares. Shareholders who do not participate in the Plan will receive all distributions in cash paid by check mailed directly to the shareholder of record (or if the shares are held in street or other nominee name, then to the nominee) by the Fund's Custodian, as Dividend Disbursing Agent.

The Plan Agent serves as agent for the shareholders in administering the Plan. After the Fund declares a dividend or determines to make a capital gain distribution, payable in cash, if (1) the market price is lower than net asset value, the participants in the Plan will receive the equivalent in Fund shares

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valued at the market price determined as of the time of purchase (generally, the payment date of the dividend or distribution); or if (2) the market price of the shares on the payment date of the dividend or distribution is equal to or exceeds their net asset value, participants will be issued Fund shares at the higher of net asset value or 95% of the market price. This discount reflects savings in underwriting and other costs that the Fund otherwise will be required to incur to raise additional capital. If net asset value exceeds the market price of the Fund shares on the payment date or the Fund declares a dividend or other distribution payable only in cash (i.e., if the Board of Directors precludes reinvestment in Fund shares for that purpose), the Plan Agent will, as agent for the participants, receive the cash payment and use it to buy Fund shares in the open market, on the New York Stock Exchange or elsewhere, for the participants' accounts. If, before the Plan Agent has completed its purchases, the market price exceeds the net asset value of the Fund's shares, the average per share purchase price paid by the Plan Agent may exceed the net asset value of the Fund's shares, resulting in the acquisition of fewer shares than if the dividend or distribution had been paid in shares issued by the Fund. The Fund will not issue shares under the Plan below net asset value.

Participants in the Plan may withdraw from the Plan upon written notice to the Plan Agent. When a participant withdraws from the Plan or upon termination of the Plan by the Fund, certificates for whole shares credited to his or her account under the Plan will be issued and a cash payment will be made for any fraction of a share credited to such account.

There is no charge to participants for reinvesting dividends or capital gain distributions, except for certain brokerage commissions, as described below. The Plan Agent's fees for handling the reinvestment of dividends and distributions are paid by the Fund. There are no brokerage commissions charged with respect to shares issued directly by the Fund. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open market purchases in connection with the reinvestment of dividends and distributions.

The automatic reinvestment of dividends and distributions will not relieve participants of any federal income tax that may be payable on such dividends or distributions.

A brochure describing the Plan is available from the Plan Agent, by calling 1-212-936-5100.

If you wish to participate in the Plan and your shares are held in your name, you may simply complete and mail the enrollment form in the brochure. If your shares are held in the name of your brokerage firm, bank or other nominee, you should ask them whether or how you can participate in the Plan. Shareholders whose shares are held in the name of a brokerage firm, bank or other nominee and are participating in the Plan may not be able to continue participating in the Plan if they transfer their shares to a different brokerage firm, bank or other nominee, since such shareholders may participate only if permitted by the brokerage firm, bank or other nominee to which their shares are transferred.

### INVESTMENT ADVISOR AND ADMINISTRATOR

HYPERION CAPITAL MANAGEMENT, INC.  
One Liberty Plaza  
165 Broadway, 36th Floor  
New York, New York 10006-1404  
For General Information about the Fund:  
(800) HYPERION

### SUB-ADVISOR

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SEIX INVESTMENT ADVISORS INC.  
300 Tice Boulevard  
Woodcliff Lake, NJ 07677

TRANSFER AGENT

AMERICAN STOCK TRANSFER & TRUST COMPANY  
Investor Relations Department  
59 Maiden Lane  
New York, NY 10038  
For Shareholder Services:  
(800) 937-5449

SUB-ADMINISTRATOR

STATE STREET CORP.  
225 Franklin Street  
Boston, Massachusetts 02116

CUSTODIAN AND FUND ACCOUNTING AGENT

STATE STREET CORP.  
225 Franklin Street  
Boston, Massachusetts 02116

INDEPENDENT AUDITORS

PRICEWATERHOUSECOOPERS LLP  
1177 Avenue of the Americas  
New York, New York 10036

LEGAL COUNSEL

SULLIVAN & WORCESTER LLP  
1666 K Street, Northwest  
Washington, D.C. 20036

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that periodically the Fund may purchase its shares of beneficial interest in the open market at prevailing market prices.

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Officers & Directors

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Lewis S. Ranieri  
Chairman

Robert F. Birch\*  
Director

Rodman L. Drake\*  
Director

Garth Marston  
Director Emeritus

Leo M. Walsh, Jr.\*  
Director

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Harry E. Petersen, Jr.\*  
Director

Clifford E. Lai  
President

Patricia A. Sloan  
Vice President

John Dolan  
Vice President

Thomas F. Doodian  
Treasurer

Joseph Tropeano  
Secretary

\* Audit Committee Members

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[HYPERION LOGO]  
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The financial information included herein is taken from the records of the Fund without audit by the Fund's independent auditors, who do not express an opinion thereon.

This report is for shareholder information. This is not a prospectus intended for use in the purchase or sale of Fund shares.

The Hyperion Total Return Fund, Inc.  
One Liberty Plaza  
165 Broadway, 36th Floor  
New York, NY 10006-1404

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. [Reserved]

Item 6. [Reserved]

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

Not applicable.

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Item 8. [Reserved]

Item 9. Controls and Procedures.

(a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's Disclosure Controls and Procedures are effective, based on their evaluation of such Disclosure Controls and Procedures as of a date within 90 days of the filing of this report on Form N-CSR.

(b) As of the date of filing this Form N-CSR, the registrant's principal executive officer and principal financial officer are aware of no significant changes in the registrant's internal controls or in other factors that could significantly affect such controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Item 10. Exhibits.

(a) Not applicable.

(b) A separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2 under the Investment Company Act of 1940 is attached as an exhibit to this Form N-CSR.

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.

THE HYPERION TOTAL RETURN FUND, INC.

By: /s/ Clifford E. Lai

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Clifford E. Lai  
President and Principal Executive Officer

Date: August 7, 2003

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: /s/Clifford E. Lai

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Clifford E. Lai  
President and Principal Executive Officer

Date: August 7, 2003

By: /s/Thomas F. Doodian

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Thomas F. Doodian  
Treasurer and Principal Financial Officer

Date: August 7, 2003