

ZWEIG TOTAL RETURN FUND INC

Form N-30B-2

November 27, 2015

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

Quarterly Report

September 30, 2015

## **FUND DISTRIBUTIONS AND MANAGED DISTRIBUTION PLAN**

The Fund has a Managed Distribution Plan to pay 7% of the Fund's net asset value on an annualized basis. Distributions may represent earnings from net investment income, realized capital gains, or, if necessary, return of capital. The board believes that regular monthly, fixed cash payouts will enhance shareholder value and serve the long-term interests of shareholders. You should not draw any conclusions about the Fund's investment performance from the amount of the distributions or from the terms of the Fund's Managed Distribution Plan.

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

The amounts and sources of distributions reported in the Fund's notices pursuant to Section 19(a) of the Investment Company Act of 1940 are only estimates and are not being provided for tax reporting purposes. The actual amounts and sources of the amounts for tax reporting purposes will depend upon the Fund's investment experience during its fiscal year and may be subject to changes based on tax regulations. The Fund will send shareholders a Form 1099-DIV for 2015 that tells them how to report distributions for federal income tax purposes.

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

Information on the Zweig funds is available at [www.Virtus.com](http://www.Virtus.com). Section 19(a) notices are posted on the website at: <http://www.virtus.com/our-products/closed-end-fund-details/ZTR>.

## MESSAGE TO SHAREHOLDERS

Dear Fellow Zweig Total Return Fund Shareholder:

I am pleased to share with you the manager's report and commentary for the Zweig Total Return Fund, Inc. for the nine months ended September 30, 2015.

For the reporting period, the fund's net asset value (NAV) decreased 6.99%, including \$0.790 in reinvested distributions. During the same period, the Fund's benchmark index, a composite consisting of equal parts of the S&P 500® Index<sup>(1)</sup> and the Barclays U.S. Government Bond Index,<sup>(2)</sup> decreased 1.64%, including reinvested dividends. Performance for the composite's underlying indices over this period included a loss of 5.29% for the S&P 500® Index and a 1.79% gain for the Barclays U.S. Government Bond Index. Over the period the fund's average asset allocation was approximately 69% in equities, 24% in fixed income, and 7% in cash.

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

Sincerely,

George R. Aylward

*Chairman, President and*

*Chief Executive Officer*

*The Zweig Total Return Fund, Inc.*

*October 2015*

*Performance data quoted represents past results. Past performance is no guarantee of future results and current performance may be higher or lower than performance shown above.*

- (1) The S&P 500® Index is a free-float market capitalization-weighted index of 500 of the largest U.S. companies. The index is calculated on a total return basis with dividends reinvested. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and it is not available for direct investment.
- (2) The Barclays U.S. Aggregate Bond Index measures the U.S. investment-grade fixed-rate bond market. The index is calculated on a total return basis. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and it is not available for direct investment.

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

**Credit & Interest:** *Debt securities are subject to various risks, the most prominent of which are credit and interest rate risk. The issuer of a debt security may fail to make interest and/or principal payments. Values of debt securities may rise or fall in response to changes in interest rates, and this risk may be enhanced with longer-term maturities.*

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

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

**MESSAGE TO SHAREHOLDERS (Continued)**

**Market Price/NAV:** *Shares of closed-end funds often trade at a discount to their net asset value, which may increase investors' risk of loss. At the time of sale, an investor's shares may have a market price that is above or below the fund's NAV.*

**Short Sales:** *The Fund may engage in short sales, and may experience a loss if the price of a borrowed security increases before the date on which the Fund replaces the security.*

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

**THE ZWEIG TOTAL RETURN FUND, INC.****SCHEDULE OF INVESTMENTS AND SECURITIES SOLD SHORT****SEPTEMBER 30, 2015 (Unaudited)****Asset Allocation as of September 30, 2015**

The following table illustrates asset allocations within certain sectors as a percentage of total investments net of securities sold short as of September 30, 2015.

Common Stocks	67%
U.S. Government Securities	19
Corporate Bonds	10
Short-Term Investment	4
Total	100%

(\$ reported in thousands)

	Par	Value
<b>INVESTMENTS</b>		
<b>U.S. GOVERNMENT SECURITIES 17.9%</b>		
U.S. Treasury Inflation Indexed Bonds		
2.000%, 1/15/16 <sup>(2)(3)</sup>	\$ 30,061	\$ 29,978
2.375%, 1/15/17 <sup>(2)(3)</sup>	36,686	37,668
0.375%, 7/15/25 <sup>(2)(3)</sup>	10,064	9,810
<b>TOTAL U.S. GOVERNMENT SECURITIES</b>		<b>77,456</b>
<b>(Identified Cost \$76,440)</b>		
<b>CORPORATE BONDS AND NOTES 8.7%</b>		
<b>Consumer Discretionary 1.7%</b>		
Comcast Cable Communications Holdings, Inc.		
9.455%, 11/15/22	2,534	3,537
Historic TW, Inc.		
6.625%, 5/15/29	2,000	2,446
Time Warner, Inc.		
2.100%, 6/1/19	1,500	1,501
		7,484
<b>Consumer Staples 0.4%</b>		
Anheuser-Busch Inbev Worldwide, Inc.		
7.750%, 1/15/19	1,500	1,763
		1,763
<b>Energy 0.5%</b>		
Chevron Corp.		
3.191%, 6/24/23	2,000	2,028

	Par	Value
		2,028
<b>Financials 1.5%</b>		
Ford Motor Credit Co. LLC 5.000%, 5/15/18	\$ 2,000	\$ 2,127
General Electric Capital Corp. 3.150%, 9/7/22	2,000	2,053
Goldman Sachs Group, Inc. (The) 5.750%, 1/24/22	2,000	2,296
		6,476
<b>Industrials 3.3%</b>		
Burlington Northern Santa Fe LLC 3.450%, 9/15/21	1,000	1,031
CSX Corp. 6.250%, 3/15/18	4,000	4,437
Ingersoll-Rand Global Holding Co., Ltd. 9.000%, 8/15/21	1,000	1,290
6.875%, 8/15/18	4,814	5,426
Parker-Hannifin Corp. 3.300%, 11/21/24	1,000	1,021
5.500%, 5/15/18	1,000	1,097
		14,302
<b>Materials 0.8%</b>		
Du Pont (E.I.) de Nemours & Co. 2.800%, 2/15/23	2,000	1,937
Monsanto Co. 5.500%, 8/15/25	1,401	1,555
		3,492

See notes to schedule of investments

**THE ZWEIG TOTAL RETURN FUND, INC.**

**SCHEDULE OF INVESTMENTS AND SECURITIES SOLD SHORT (Continued)**

**SEPTEMBER 30, 2015 (Unaudited)**

(\$ reported in thousands)

	Par	Value
<b>Telecommunication Services 0.5%</b>		
Verizon Communications, Inc. 5.150%, 9/15/23	\$ 2,000	\$ 2,206
		2,206
<b>TOTAL CORPORATE BONDS AND NOTES (Identified Cost \$36,139)</b>		<b>37,751</b>
	<b>Shares</b>	
<b>COMMON STOCK 65.3%</b>		
<b>Consumer Discretionary 12.9%</b>		
Cheesecake Factory, Inc. (The)	93,000	5,018
Ford Motor Co.	490,000	6,649
GameStop Corp. Class A	72,000	2,967
General Motors Co.	88,000	2,642
Goodyear Tire & Rubber Co. (The)	140,000	4,106
Lear Corp.	44,000	4,786
McDonald's Corp.	67,000	6,602
Mohawk Industries, Inc. <sup>(2)</sup>	19,000	3,454
Royal Caribbean Cruises Ltd.	49,000	4,366
Target Corp.	76,000	5,978
Time Warner, Inc.	72,000	4,950
Whirlpool Corp.	28,000	4,123
		55,641
<b>Consumer Staples 3.2%</b>		
Altria Group, Inc.	61,000	3,318
Archer-Daniels-Midland Co. (The)	108,000	4,477
PepsiCo, Inc.	65,000	6,130
		13,925
<b>Energy 4.0%</b>		
Buckeye Partners LP <sup>(4)</sup>	42,000	2,489
Hess Corp.	68,000	3,404
Schlumberger Ltd.	66,000	4,552
TOTAL SA Sponsored ADR	52,000	2,325
Valero Energy Corp.	76,000	4,568



17,338

**Financials 12.7%**

BB&T Corp.	157,000	5,589
BlackRock, Inc.	17,700	5,265
Blackstone Group LP (The)	210,000	6,651

	<b>Shares</b>	<b>Value</b>
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**Financials (continued)**

Goldman Sachs Group, Inc. (The)	25,600	\$ 4,448
JPMorgan Chase & Co.	80,000	4,878
Lincoln National Corp.	90,000	4,272
Progressive Corp. (The)	174,000	5,331
Prudential Financial, Inc.	70,000	5,335
Royal Bank of Canada	48,000	2,652
UBS Group AG <sup>(2)</sup>	243,000	4,500
Wells Fargo & Co.	115,000	5,905

54,826

**Health Care 10.5%**

Abbott Laboratories	107,000	4,304
Becton, Dickinson & Co.	35,000	4,643
Biogen, Inc. <sup>(2)</sup>	11,800	3,443
Eli Lilly & Co. <sup>(4)</sup>	45,000	3,766
Gilead Sciences, Inc.	47,000	4,615
GlaxoSmithKline plc Sponsored ADR	70,000	2,691
HCA Holdings, Inc. <sup>(2)</sup>	41,000	3,172
Merck & Co., Inc. <sup>(4)</sup>	58,000	2,865
Pfizer, Inc.	97,000	3,047
St. Jude Medical, Inc.	78,000	4,921
UnitedHealth Group, Inc.	45,000	5,220
Valeant Pharmaceuticals International, Inc. <sup>(2)</sup>	14,000	2,497

45,184

**Industrials 9.6%**

Alaska Air Group, Inc.	58,000	4,608
Boeing Co. (The)	39,000	5,107
Deere & Co.	63,000	4,662
FedEx Corp.	25,000	3,599
General Electric Co. <sup>(4)</sup>	132,000	3,329
L-3 Communications Holdings, Inc.	33,000	3,449
Lockheed Martin Corp. <sup>(4)</sup>	16,400	3,400
Southwest Airlines Co.	100,000	3,804
United Parcel Service, Inc. Class B	59,000	5,823
USG Corp. <sup>(2)</sup>	144,500	3,847

41,628

**Information Technology 7.9%**

Apple, Inc.	44,000	4,853
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Canon, Inc. Sponsored ADR	94,000	2,723
EMC Corp.	199,000	4,808

See notes to schedule of investments

**THE ZWEIG TOTAL RETURN FUND, INC.**

**SCHEDULE OF INVESTMENTS AND SECURITIES SOLD SHORT (Continued)**

**SEPTEMBER 30, 2015 (Unaudited)**

(\$ reported in thousands)

	Shares	Value
<b>Information Technology (continued)</b>		
Facebook, Inc. Class A <sup>(2)</sup>	39,000	\$ 3,506
Google, Inc. Class A <sup>(2)</sup>	800	511
Google, Inc. Class C <sup>(2)</sup>	4,913	2,989
MasterCard, Inc. Class A	45,000	4,056
QUALCOMM, Inc.	108,000	5,803
Skyworks Solutions, Inc.	59,000	4,968
		34,217
<b>Materials 1.4%</b>		
CF Industries Holdings, Inc.	95,000	4,265
Potash Corp. of Saskatchewan, Inc.	92,000	1,891
		6,156
<b>Telecommunication Services 2.3%</b>		
AT&T, Inc. <sup>(4)</sup>	97,000	3,160
Verizon Communications, Inc.	160,000	6,962
		10,122
<b>Utilities 0.8%</b>		
Southern Co.	74,000	3,308
		3,308
<b>TOTAL COMMON STOCK</b>		
<b>(Identified Cost \$254,491)</b>		<b>282,345</b>
<b>CLOSED END FUND 0.4%</b>		
Templeton Dragon Fund, Inc.	99,000	1,851
<b>TOTAL CLOSED END FUND</b>		
<b>(Identified Cost \$1,585)</b>		<b>1,851</b>
<b>EXCHANGE-TRADED FUND 0.8%</b>		
Market Vectors Gold Miners	253,000	3,476
<b>TOTAL EXCHANGE-TRADED FUND</b>		
<b>(Identified Cost \$3,638)</b>		<b>3,476</b>
<b>TOTAL LONG TERM INVESTMENTS 93.1%</b>		
<b>(Identified Cost \$372,293)</b>		<b>402,879</b>
	<b>Shares</b>	<b>Value</b>

<b>SHORT-TERM INVESTMENT 6.5%</b>		
<b>Money Market Mutual Fund</b>		
Fidelity Money Market Portfolio Institutional Shares (seven-day effective yield 0.170%)	27,990,511	\$ 27,991
<b>TOTAL SHORT-TERM INVESTMENT</b> <b>(Identified Cost \$27,991)</b>		<b>27,991</b>
<b>TOTAL INVESTMENTS, BEFORE SECURITIES SOLD SHORT 99.6%</b>		
<b>(Identified Cost \$400,284)</b>		<b>430,870<sup>(1)</sup></b>
<b>SECURITIES SOLD SHORT (3.1)%</b>		
<b>COMMON STOCKS SOLD SHORT (0.9)%</b>		
<b>Consumer Discretionary (0.9)%</b>		
Marriott International, Inc. Class A	(55,000)	(3,751)
<b>TOTAL COMMON STOCKS SOLD SHORT</b> <b>(Proceeds \$3,755)</b>		<b>(3,751)</b>
<b>EXCHANGE-TRADED FUNDS SOLD SHORT (2.2)%</b>		
Industrial Select Sector SPDR Fund	(75,000)	(3,742)
iShares Russell 2000 <sup>®</sup> Index Fund	(23,000)	(2,511)
SPDR S&P 500 <sup>®</sup> ETF Trust	(17,000)	(3,258)
<b>TOTAL EXCHANGE-TRADED FUNDS SOLD SHORT</b> <b>(Proceeds \$9,653)</b>		<b>(9,511)</b>
<b>TOTAL SECURITIES SOLD SHORT</b> <b>(Proceeds 13,408)</b>		<b>(13,262)<sup>(1)</sup></b>
<b>TOTAL INVESTMENTS, NET OF SECURITIES SOLD SHORT</b>		
<b>(Identified Cost \$386,876) 96.5%</b>		<b>417,608</b>
Other assets and liabilities, net 3.5%		14,888
<b>NET ASSETS 100.0%</b>		<b>\$ 432,496</b>

See notes to schedule of investments

**THE ZWEIG TOTAL RETURN FUND, INC.****SCHEDULE OF INVESTMENTS AND SECURITIES SOLD SHORT (Continued)****SEPTEMBER 30, 2015 (Unaudited)**

(\$ reported in thousands)

(1) Federal Income Tax Information: For tax information at September 30, 2015, see Note 4 Federal Income Tax Information in the Notes to Schedules of Investments.

(2) Non-income producing.

(3) Principal amount is adjusted daily pursuant to the change in the Consumer Price Index.

(4) All or a portion of securities segregated as collateral for securities sold short.

The following table provides a summary of inputs used to value the Fund's investments as of September 30, 2015 (See Security Valuation Note 1A in the Notes to Schedules of Investments):

	Total Value at September 30, 2015	Level 1 Quoted Prices	Level 2 Significant Observable Inputs
<b>Debt Securities:</b>			
U.S. Government Securities	\$ 77,456	\$	\$ 77,456
Corporate Bonds And Notes	37,751		37,751
<b>Equity Securities:</b>			
Common Stocks	282,345	282,345	
Closed End Fund	1,851	1,851	
Exchange-Traded Fund	3,476	3,476	
Short-Term Investment	27,991		