

FLAHERTY & CRUMRINE TOTAL RETURN FUND INC
Form N-CSR
January 29, 2019

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 811-21380

Flaherty & Crumrine Total Return Fund Incorporated

(Exact name of registrant as specified in charter)

301 E. Colorado Boulevard, Suite 720
Pasadena, CA 91101

(Address of principal executive offices) (Zip code)

R. Eric Chadwick
Flaherty & Crumrine Incorporated
301 E. Colorado Boulevard, Suite 720
Pasadena, CA 91101

(Name and address of agent for service)

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Registrant's telephone number, including area code: 626-795-7300

Date of fiscal year end: November 30

Date of reporting period: November 30, 2018

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

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

Item 1. Reports to Stockholders.

The Report to Shareholders is attached herewith.

Directors

R. Eric Chadwick, CFA
Chairman of the Board

Morgan Gust

David Gale

Karen H. Hogan

Officers

R. Eric Chadwick, CFA
Chief Executive Officer and
President

Chad C. Conwell
Chief Compliance Officer,
Vice President and Secretary

Bradford S. Stone
Chief Financial Officer,
Vice President and Treasurer

Roger W. Ko
Assistant Treasurer

Laurie C. Lodolo
Assistant Compliance Officer,
Assistant Treasurer and
Assistant Secretary

Linda M. Puchalski
Assistant Treasurer

Investment Adviser

Flaherty & Crumrine Incorporated
e-mail: flaherty@pfdincome.com

Servicing Agent

Destra Capital Investments LLC
1-877-855-3434

Questions concerning your shares of Flaherty & Crumrine Total Return Fund?

- If your shares are held in a Brokerage Account, contact your Broker.
- If you have physical possession of your shares in certificate form, contact the Fund's Transfer Agent —

BNY Mellon c/o Computershare
P.O. Box 30170
College Station, TX 77842-3170
1-866-351-7446

This report is sent to shareholders of Flaherty & Crumrine Total Return Fund Incorporated for their information. It is not a Prospectus, circular or representation intended for use in the purchase or sale of shares of the Fund or of any securities mentioned in this report.

Annual
Report

November 30, 2018

Beginning January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, the Fund intends to no longer mail paper copies of the Fund's shareholder reports like this one, unless you specifically request paper copies of the reports from the Fund or from your financial intermediary (such as a broker-dealer or bank). Instead, the reports will be made available on a website, and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically ("edelivery"), you will not be affected by this change and you need not take any action. If you have not already elected edelivery, you may elect to receive shareholder reports and other communications from the Fund electronically at any time by contacting the Fund at the telephone number or mailing address listed on the left side of this page, if you invest directly with the Fund, or by contacting your financial intermediary.

You may elect to receive all future reports in paper free of charge. If you invest through a financial intermediary, you can contact your financial intermediary to request that you continue to receive paper copies of your shareholder reports. That election will apply to all funds held in your account at that financial intermediary. Likewise, your election to receive reports in paper will apply to all funds held with the fund complex if you invest directly with the Fund. If you are a direct shareholder with the Fund, you can call or write to the Fund at the telephone number or address listed on the left side of this page to let the Fund know you wish to continue receiving paper copies of your shareholder reports.

www.preferredincome.com

FLAHERTY & CRUMRINE TOTAL RETURN FUND

To the Shareholders of Flaherty & Crumrine Total Return Fund (“FLC”):

Fiscal 2018 came to an end on November 30, 2018 and total returns for the year were dragged lower by a very weak fourth quarter. Total return¹ on net asset value (“NAV”) was -5.4% for the fourth fiscal quarter and -5.1% for the full fiscal year. Total return on market price of Fund shares over the same periods was -11.6% and -13.8%, respectively.

The table below shows Fund NAV returns over various measurement periods. The table includes performance of two indices, Bloomberg Barclays U.S. Aggregate and S&P 500, as proxies for bond and stock markets, respectively. While neither is a benchmark for Fund performance, they provide context for returns on broad asset categories.

**TOTAL RETURN ON NET ASSET VALUE
FOR PERIODS ENDED NOVEMBER 30, 2018
(Unaudited)**

	Actual Returns			Average Annualized Returns			
	Three Months	Six Months	One Year	Three Years	Five Years	Ten Years	Life of Fund⁽¹⁾
Flaherty & Crumrine Total Return Fund	-5.4%	-3.4%	-5.1%	5.7%	7.8%	18.0%	7.7%
Bloomberg Barclays U.S. Aggregate Index ⁽²⁾	-0.8%	-0.3%	-1.3%	1.3%	2.0%	3.7%	3.9%
S&P 500 Index ⁽³⁾	-4.4%	3.0%	6.3%	12.2%	11.1%	14.3%	9.1%

(1) Since inception on August 26, 2003.

(2) The Bloomberg Barclays U.S. Aggregate Index is an unmanaged index considered representative of the U.S. investment grade, fixed-rate bond market.

(3) The S&P 500 is a capitalization-weighted index of 500 common stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Current performance may be lower or higher than the quoted past performance, which cannot guarantee future results. In addition, NAV performance will vary from market price performance, and you may have a taxable gain or loss when you sell your shares.

Preferred securities held up reasonably well for the first three fiscal quarters. Investors continued to find attractive levels of income in preferreds and seemed to remain hopeful a strong U.S. economy would carry the day – which, by most measures, proved resilient. Returns in the early part of fiscal 2018 were slightly negative due to concerns about higher interest rates. On a relative basis, preferreds performed well during this period, outperforming most corporate-credit benchmarks due to modest spread tightening for preferreds.

While higher interest rates were a headwind to returns in the first two fiscal quarters, preferreds rebounded in the third quarter as interest rates moved sideways or lower, and preferred yields continued to look attractive – especially on an after-tax basis. By the fourth quarter, however, worries about future global and domestic economic growth were added to a growing list of market concerns, and almost all markets moved materially lower, including preferreds.

¹ Following the methodology required by the Securities and Exchange Commission, total return assumes dividend reinvestment.

² September 1, 2018 – November 30, 2018

U.S. bank preferreds were the most stable sector for the year, consistent with limited supply and continued good credit quality. Tax reform was a positive for bank earnings, and a healthy economy combined with modestly higher interest rates further supported the outlook. Foreign banks were more mixed, with weakness targeted at those with country-specific issues, including Brexit in the U.K., weak balance sheets for many German banks and ongoing political and economic concerns in Italy. While the economy, interest rates and consumer health will impact profitability, U.S. banks are expected to report record earnings heading into 2019. As of November 30, U.S. bank holdings were 40.2%, of the Fund's total net assets and foreign bank holdings were 16.2%.

The energy sector faced the strongest headwinds during the year, especially late-2018 as commodity prices moved sharply lower. Recall that rating agencies allow preferreds some equity credit when calculating financial ratios, so many non-financial issuers have an incentive to include preferreds in their capital structures. With energy common stock prices depressed, issuers avoided issuing common stock whenever possible. Instead, many companies issued preferred securities to fund capital expenditures, pushing down prices on outstanding securities. On a positive note, many energy issuers moved to simplify their corporate structures in 2018 – consolidating subsidiaries and eliminating rather high incentive distribution rights that were so common in older Master Limited Partnership (MLP) structures. Simplification is almost always good for preferred investors, and these changes also improve earnings outlooks moving forward. As of November 30, energy holdings were 7.6%, of the Fund's total net assets.

The fourth fiscal quarter stood out during the year as nearly all markets (equity, credit, commodities) were lower in price. Intermediate- and longer-term interest rates moved lower, well off their highs for the year, in a flight-to-quality trade versus other markets. Even though interest rates moved lower, prices of credit instruments traded down and spreads widened significantly. Fund flows (mutual funds, ETFs, etc.) were modestly negative for much of the year, but outflows accelerated in the last months of 2018.

This selloff seems to reflect an accumulation of factors that have been bubbling under the surface for much of the year. Top concerns include a global economic slowdown, widening tariffs and potential for escalating trade wars, the Federal Reserve tightening credit conditions, and most recently a federal government shutdown to end the year. Many of these concerns involve politics, which often are not aligned with investor goals and tend to heighten volatility. Investors are climbing a wall of worry and, more recently, choosing to wait it out by holding more cash.

While a full discussion is beyond the scope of this letter, it is worth mentioning that changes in market structure are also likely responsible for the magnitude of the selloff. Statistics abound showing the rising influence of robo-trading and index-based passive investment products that buy and sell based solely on flows – regardless of value. Liquidity is scarce in market selloffs, and we all pay a price as momentum trading requires lower and lower prices for trade execution. This trend is not new, but it is probably fair to say it has not been fully tested by a bear market or under tightening financial conditions.

3

Market corrections can be a difficult experience, but we remain optimistic about prospects for preferred securities. As you know, we take a long-term view of investing and our process is rooted in fundamental credit research – and there is much to like about preferred issuers' credit quality. Preferreds offer very competitive yields (higher by 1-2% in most cases compared to December 2017), and are even better when tax benefits are taken into account. Volatility likely will persist into 2019, but we believe long-term investors will be rewarded with attractive tax-advantaged income and, from current levels, potential for price appreciation.

We encourage you to read the discussion topics that follow, as we dig deeper into subjects of interest to shareholders. In addition, visit the Fund's website, www.preferredincome.com, for timely and important information.

Sincerely,

The Flaherty & Crumrine Portfolio Management Team

December 31, 2018

DISCUSSION TOPICS**(Unaudited)****The Fund's Portfolio Results and Components of Total Return on NAV**

The table below presents a breakdown of the components that comprise the Fund's total return on NAV over both the recent six months and the Fund's fiscal year. These components include: (a) the total return on the Fund's portfolio of securities; (b) the impact of utilizing leverage to enhance returns to shareholders; and (c) the Fund's operating expenses. When all of these components are added together, they comprise the total return on NAV.

**Components of FLC's Total Return on NAV
for Periods Ended November 30, 2018**

	Six Months¹	One Year
Total Return on Unleveraged Securities Portfolio (including principal change)	-1.4 %	-2.0 %
Impact of Leverage (including leverage expense)	-1.4 %	-1.9 %
Expenses (excluding leverage expense)	(0.6)%	(1.2)%
¹ Actual, not annualized <i>Total Return on NAV</i>	-3.4 %	-5.1 %

For the six months and one year periods ended November 30, 2018, the ICE BofAML 8% Constrained Core West Preferred & Jr Subordinated Securities IndexSM (P8JC)¹ returned -2.1% and -3.0%, respectively. This index reflects the various segments of the preferred securities market constituting the Fund's primary focus. Since this index return excludes all expenses and the impact of leverage, it compares most directly to the top line in the Fund's performance table above (Total Return on Unleveraged Securities Portfolio).

Total Return on Market Price of Fund Shares

While our focus is primarily on managing the Fund's investment portfolio, a shareholder's actual return is comprised of the Fund's monthly dividend payments *plus* changes in the *market price* of Fund shares. During the twelve-month period ended November 30, 2018, total return on market price of Fund shares was -13.8%.

Historically, the preferred securities market has experienced price volatility consistent with those of other fixed-income securities. However, since mid-2007 it has become clear that preferred-security valuations can move dramatically when there is volatility in financial markets. This volatility can lead to swings in both the NAV and market price of Fund shares. The chart below contrasts the relative stability of the Fund's earlier period with the more recent volatility in both its NAV and market price. Many fixed-income asset classes experienced increased volatility over this period.

¹The ICE BofAML 8% Constrained Core West Preferred & Jr Subordinated Securities Index (P8JC) includes U.S. dollar-denominated investment-grade or below investment-grade, fixed rate, floating rate or fixed-to-floating rate, retail or institutionally structured preferred securities of U.S. and foreign issuers with issuer concentration capped at 8%. All index returns include interest and dividend income, and, unlike the Fund's returns, are unmanaged and do not reflect any expenses.

5

In a more perfect world, the market price of Fund shares and its NAV, as shown in the above chart, would track more closely. If so, any premium or discount (calculated as the difference between these two inputs and expressed as a percentage) would remain relatively close to zero. However, as can be seen in the chart below, this often has not been the case.

Although divergence between NAV and market price of a closed-end fund is generally driven by supply/demand imbalances affecting its market price, we can only speculate about why the relationship between the Fund's market price and NAV hasn't been closer.

Based on a closing price of \$17.21 on December 31st and assuming January 2019 monthly distribution of \$0.115 does not change, the annualized yield on market price of Fund shares is 8.0%. Of course, there can be no guarantee that the Fund's dividend will not change based on market conditions.

U.S. Economic and Credit Outlook

The U.S. economy in 2018 likely turned in its best annual performance since 2015, matching that year's inflation adjusted gross domestic product (real GDP) growth rate of 2.9%. That would be about 0.5% better than economists expected at the beginning of the year. On a Q4 over Q4 basis, real GDP should be up about 3.1% in 2018, which would be the fastest pace since 2005. Economists expect continued expansion of 2.7% in 2019 and 1.9% in 2020. We remain broadly in agreement with the 2019 forecast, but we think 2020 will be a little better.

Real GDP was paced by personal consumption expenditures (+2.6% average growth over the first three quarters of 2018), which benefitted from a strong labor market and lower personal income tax rates. Job growth averaged 220,000 jobs per month in 2018, average hourly earnings were up 3.2% and the unemployment rate touched 3.7%, its lowest level since 1969. Rising consumer demand and corporate tax reform drove a sizable jump in business investment (+7.5% three-quarter average), especially in the first half of the year. Federal government spending (+3.3%) also accelerated in 2018, though state and local government spending (+1.6%) was subdued. Residential investment (-2.8%) fell despite strong employment growth, however, as rising home prices, higher mortgage rates and new limits on deductibility of state and local taxes (including property taxes) combined to dampen demand for housing.

A growing economy and tighter labor market pushed inflation up modestly during the Fund's fiscal year. Excluding volatile food and energy prices, the consumer price index (CPI) was up 2.2% over 12 months ending in November 2018. The Federal Reserve's preferred inflation measure, the personal consumption expenditures deflator excluding food and energy was up 1.9% over the same period. Those are 0.3–0.5% higher than a year ago and are near the Fed's 2% target. Looking ahead, higher wages should put upward pressure on inflation, but lower commodity prices and somewhat slower economic growth push against that; we expect inflation will rise only modestly in 2019.

In response to strong growth and faster inflation, the Federal Open Market Committee (FOMC) raised the federal funds rate by 100 bp during the Fund's fiscal year and by an additional 25 bp in December 2018. Benchmark short-term rates rose even faster, with three-month LIBOR rising from 1.5% to 2.7% at the end of November 2017 and 2018, respectively; it finished the calendar year at 2.8%. Ten-year Treasury rates also moved up during most of the fiscal year, rising from 2.45% on November 30, 2017 to a high of 3.24% on November 8, 2018. Higher rates were a headwind to credit market performance for much of that period.

The Fed also trimmed reinvestment of maturing Treasury and mortgage-backed securities in its System Open Market Account (SOMA) to a maximum of \$50 billion runoff per month beginning in October. SOMA is currently around \$4.0 trillion, down about \$500 billion since portfolio runoff began in October 2017. While the SOMA reduction is small relative to the size of the Treasury and agency mortgage markets – and more importantly has had no discernable impact on bank lending volume – it coincides with rising Treasury issuance needed to finance a wider budget deficit. Investors have to make room for more low-risk assets, dampening demand for riskier assets. This shift came as signs of slower global economic growth began to proliferate, trade tensions widened, and political uncertainty increased. A selloff in equities that began in October spread to credit markets and pushed the ten-year Treasury yield down to 2.69% as of December 31, 2018. Volatility and risk aversion returned with a vengeance, and lower Treasury rates did little to buoy demand for preferreds or other credit instruments.

7

So how do we assess the economy and its implications for the preferred market today? We will start by noting that 2018 probably represents a high point for U.S. economic growth over the next several years. That's not a bad thing. With underlying labor force growth around 0.7%, 3% real GDP growth is not sustainable without productivity growth about 1% higher than the economy has been able to muster so far. We still hope business investment will boost productivity and sustainable growth, but a somewhat slower pace of growth in the meantime reduces inflation risk. In turn, that reduces risk that the Federal Reserve might tighten monetary policy too aggressively and bring forward a recession.

Although we still expect another Fed tightening or two in 2019, risk of an even more rapid pace of tightening than in 2018 – which was very much on investors' minds just a couple of months ago – is in the dustbin. And while U.S. growth is likely to slow, it still should be better than most years of this recovery. That should support household and corporate income and balance sheets while limiting prospects for sharply higher long-term interest rates.

Leverage at financial companies has continued to decline, and most of those companies have historically strong balance sheets and rising earnings. U.S. bank loan delinquencies and charge-offs are stable or falling from already-low levels, and loan-loss reserves are strong. We do not anticipate a recession over the next two years, but major U.S. banks appear to be well prepared if one arrives. Of course, individual companies will face challenges – especially among nonfinancial companies, where leverage has increased since the financial crisis – but we think credit fundamentals among preferred issuers remains solid. Although volatility is likely to remain elevated for a time, we think the macroeconomic and credit environments are favorable for preferred securities.

Monthly Distributions to Fund Shareholders

During the Fund's fiscal year, the Federal Reserve raised the federal funds rate by 1.0%, and by an additional 0.25% in December 2018 – delivering exactly what they forecast the year prior. Federal Open Market Committee (FOMC) members still project two more 25 bp rate increases in 2019, but this is fewer than they were projecting just months before – and importantly, the market is currently pricing in less than one full rate increase for the year.

In response, short-term interest rates have risen to reflect actual and expected increases in the Fed's target. The Fund's cost of leverage is linked to 1-month LIBOR. The average cost of leverage was 2.693% for fiscal 2018, and the most recent reset of its leverage rate on January 22, 2019 (actual resets occur monthly) was 3.303%.

One positive effect of market weakness in late-2018 is that yields on preferreds are much higher than they were a year prior – and that is supportive of the Fund's dividend moving forward by providing better reinvestment yields on redeemed securities. Changes in leverage cost and top-line portfolio income are incorporated into the Fund's dividend-setting process and are also a normal part of the way credit markets function. Interest rates are not static, and neither are credit spreads. Leverage is utilized in the Fund to increase income and returns to shareholders, and leverage continues to enhance distributable income, even though its cost has increased.

The Fund's monthly dividend was adjusted lower starting with the January 2019 distribution, reflecting the cumulative effect of these changes in top-line income and leverage cost. Future changes will continue to be data-dependent, but we are optimistic the current rate-rising cycle could be nearing a top – and portfolio income has certainly improved recently along with higher preferred yields. We believe the Fund's strategy of investing in preferred securities and using leverage in an efficient manner will continue to produce a competitive distribution rate for shareholders.

Federal Tax Advantages of 2018 Calendar Year Distributions

In calendar year 2018, approximately 81.5% of distributions made by the Fund was eligible for treatment as qualified dividend income, or QDI. Depending on an individual's level of income, QDI can be taxed at a rate of 0%, 15% or 20%.

For an individual in the 32% marginal tax bracket, this means that the Fund's total distributions will only be taxed at a blended 18.1% rate versus the 32% rate which would apply to distributions by a fund investing in traditional corporate bonds. This tax advantage means that, all other things being equal, such an individual who held 100 shares of Common Stock of the Fund for the calendar year would have had to receive approximately \$163 in distributions from a fully-taxable bond fund to net the same after-tax amount as the \$144 in distributions paid by the Fund.

For detailed information about tax treatment of particular distributions received from the Fund, please see the Form 1099 you receive from either the Fund or your broker.

Corporate shareholders also receive a federal tax benefit from the 39.3% of distributions that were eligible for the inter-corporate dividends received deduction, or DRD.

It is important to remember that composition of the portfolio and income distributions can change from one year to the next, and that the QDI or DRD portions of 2019's distributions may not be the same (or even similar) to 2018.

Flaherty & Crumrine Total Return Fund Incorporated

PORTFOLIO OVERVIEW**November 30, 2018 (Unaudited)****Fund Statistics**

Net Asset Value	\$ 19.10	
Market Price	\$ 17.07	
Discount	10.63	%
Yield on Market Price†	8.37	%
Common Stock Shares Outstanding	9,958,104	

†November 2018 dividend of \$0.119 per share, annualized, divided by Market Price.

Security Ratings**	% of Net Assets††
BBB	54.2 %
BB	33.6 %
Below "BB"	1.1 %
Not Rated***	9.7 %

Portfolio Rating Guidelines	% of Net Assets††
Security Rated Below Investment Grade By All****	29.7 %
Issuer or Senior Debt Rated Below Investment Grade by All*****	2.5 %

**Ratings are from Moody's Investors Service, Inc. "Not Rated" securities are those with no ratings available from Moody's.

***Excludes common stock and money market fund investments and net other assets and liabilities of 1.4%.

****Security rating below investment grade by all of Moody's, Standard & Poor's, and Fitch Ratings.

*****Security rating and issuer's senior unsecured debt or issuer rating are below investment grade by all of Moody's, S&P, and Fitch. The Fund's investment policy currently limits such securities to 10% of Net Assets.

Industry Categories* % of Net Assets††**Top 10 Holdings by Issuer % of Net Assets††**

MetLife Inc	4.6 %
JPMorgan Chase & Co	4.2 %

PNC Financial Services Group Inc	4.1 %
Citigroup Inc	3.7 %
Liberty Mutual Group	3.7 %
BNP Paribas	3.5 %
Morgan Stanley	3.3 %
Enbridge Energy Partners	3.2 %
Fifth Third Bancorp	3.0 %
Wells Fargo & Company	2.9 %

% of Net Assets***††**

Holdings Generating Qualified Dividend Income (QDI) for Individuals	60 %
Holdings Generating Income Eligible for the Corporate Dividends Received Deduction (DRD)	42 %

*****This does not reflect year-end results or actual tax categorization of Fund distributions. These percentages can, and do, change, perhaps significantly, depending on market conditions. Investors should consult their tax advisor regarding their personal situation. See accompanying notes to financial statements for tax characterization of 2018 distributions.

††Net Assets includes assets attributable to the use of leverage.

The accompanying notes are an integral part of the financial statements.

10

**Shares/\$
Par** **Value**

Preferred Securities[§]

— **93.5%**

Banking — 54.2%

Flaherty & Crumrine Total Return Fund Incorporated

PORTFOLIO OF INVESTMENTS

November 30, 2018

\$ 2,550,000	Australia & New Zealand Banking Group Ltd., 6.75% to 06/15/26 then ISDA5 + 5.168%, 144A*****	\$ 2,550,000	** (1)(2)(3)
\$ 3,000,000	Banco Bilbao Vizcaya Argentaria SA, 6.125% to 11/16/27 then SW5 + 3.87%	2,527,500	** (1)(2)(3)
\$ 710,000	Banco Mercantil del Norte SA, 7.625% to 01/06/28 then T10Y + 5.353%, 144A*****	669,175	** (2)(3)
\$ 2,550,000	Bank of America Corporation, 5.875% to 03/15/28 then 3ML + 2.931%, Series FF	2,438,437	*(1)
	Barclays Bank PLC:		
49,480	8.125%, Series 5	1,259,266	** (1)(2)
\$ 1,345,000	7.75% to 09/15/23 then SW5 + 4.842%	1,255,396	** (1)(2)(3)
\$ 3,220,000	7.875% to 03/15/22 then SW5 + 6.772%, 144A*****	3,213,962	** (1)(2)(3)
	BNP Paribas:		
\$ 560,000	7.00% to 08/16/28 then SW5 + 3.98%, 144A*****	541,078	** (2)(3)
\$ 7,830,000	7.375% to 08/19/25 then SW5 + 5.15%, 144A*****	7,830,000	** (1)(2)(3)
\$ 2,000,000	7.625% to 03/30/21 then SW5 + 6.314%, 144A*****	2,055,000	** (1)(2)(3)
	Capital One Financial Corporation:		
2,910	6.00%, Series B	72,328	*
17,022	6.00%, Series H	425,124	*
15,436	6.20%, Series F	386,209	*
28,100	6.70%, Series D	714,583	*(1)
	Citigroup, Inc.:		
\$ 1,120,000	5.95% to 05/15/25 then 3ML + 3.905%, Series P	1,076,600	*
227,619	6.875% to 11/15/23 then 3ML + 4.13%, Series K	5,927,540	*(1)
155,338	7.125% to 09/30/23 then 3ML + 4.04%, Series J	4,165,699	*(1)
\$ 1,300,000	Citizens Financial Group, Inc., 6.375% to 04/06/24 then 3ML + 3.157%, Series C	1,267,864	*(1)
	CoBank ACB:		

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11,200	6.125%, Series G, 144A****	1,125,600 *
17,500	6.20% to 01/01/25 then 3ML + 3.744%, Series H, 144A****	1,837,500 *
25,000	6.25% to 10/01/22 then 3ML + 4.557%, Series F, 144A****	2,581,250 *(1)
\$ 609,000	6.25% to 10/01/26 then 3ML + 4.66%, Series I, 144A****	633,360 *
\$ 10,000,000	Colonial BancGroup, 7.114%, 144A****	1,000 (4)(5)††
\$ 395,000	Credit Agricole SA, 7.875% to 01/23/24 then SW5 + 4.898%, 144A****	399,680 **(2)(3)
334,976	Fifth Third Bancorp, 6.625% to 12/31/23 then 3ML + 3.71%, Series I	8,883,631 *(1)
	First Horizon National Corporation:	
875	First Tennessee Bank, 3ML + 0.85%, min 3.75%, 3.75% ⁽⁶⁾ , 144A****	678,216 *
3	FT Real Estate Securities Company, 9.50% 03/31/31, 144A****	3,871,875
	Goldman Sachs Group:	
\$ 2,700,000	5.00% to 11/10/22 then 3ML + 2.874%, Series P	2,382,750 *(1)
\$ 390,000	5.70% to 05/10/19 then 3ML + 3.884%, Series L	390,445 *
60,000	6.375% to 05/10/24 then 3ML + 3.55%, Series K	1,518,000 *(1)

The accompanying notes are an integral part of the financial statements.

11

Flaherty & Crumrine Total Return Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

November 30, 2018

Shares/\$ Par	Value	
Preferred Securities —		
(Continued)		
Banking — (Continued)		
	HSBC Holdings PLC:	
\$ 500,000	6.00% to 05/22/27 then ISDA5 + 3.746%	\$ 456,250 *(2)(3)
\$ 4,265,000	6.50% to 03/23/28 then ISDA5 + 3.606%	3,921,156 *(1)(2)(3)
\$ 1,370,000	6.875% to 06/01/21 then ISDA5 + 5.514%	1,405,962 *(1)(2)(3)
\$ 1,400,000	HSBC Capital Funding LP, 10.176% to 06/30/30 then 3ML + 4.98%, 144A****	2,024,750 (1)(2)
	Huntington Bancshares, Inc.:	
140,000	6.25%, Series D	3,533,586 *(1)
\$ 1,400,000	5.70% to 04/15/23 then 3ML + 2.88%, Series E	1,336,125 *(1)
30,000	ING Groep NV, 6.375%	752,100 *(2)
	JPMorgan Chase & Company:	
61,469	6.70%, Series T	1,557,624 *(1)
\$ 5,021,000	3ML + 3.47%, 5.9904% ⁽⁶⁾ , Series I	5,046,105 *(1)
\$ 750,000	6.00% to 08/01/23 then 3ML + 3.30%, Series R	755,625 *(1)
\$ 4,791,000	6.75% to 02/01/24 then 3ML + 3.78%, Series S	5,073,669 *(1)
122,200	KeyCorp, 6.125% to 12/15/26 then 3ML + 3.892%, Series E	3,094,556 *(1)
\$ 2,250,000	Lloyds TSB Bank PLC, 12.00% to 12/16/24 then 3ML + 11.756%, 144A****	2,656,978 (2)
\$ 3,500,000	M&T Bank Corporation, 6.45% to 02/15/24 then 3ML + 3.61%, Series E	3,675,000 *(1)
\$ 730,000	Macquarie Bank Ltd., 6.125% to 03/08/27 then SW5 + 3.703%, 144A****	636,012 *(2)(3)
58,320	MB Financial, Inc., 6.00%, Series C	1,410,761 *(1)
	Morgan Stanley:	
213,700	5.85% to 04/15/27 then 3ML + 3.491%, Series K	5,265,995 *(1)
85,000	6.875% to 01/15/24 then 3ML + 3.94%, Series F	2,218,500 *(1)
86,900	7.125% to 10/15/23 then 3ML + 4.32%, Series E	2,325,444 *(1)
235,200	New York Community Bancorp, Inc., 6.375% to 03/17/27 then 3ML + 3.821%, Series A	5,722,416 *(1)
	PNC Financial Services Group, Inc.:	

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352,826	6.125% to 05/01/22 then 3ML + 4.067%, Series P	9,174,358 *(1)
\$ 2,850,000	6.75% to 08/01/21 then 3ML + 3.678%, Series O	2,988,937 *(1)
\$ 2,515,000	RaboBank Nederland, 11.00% to 06/30/19 then 3ML + 10.868%, 144A****	2,625,031 (1)(2)
\$ 6,000,000	Societe Generale SA, 6.75% to 04/06/28 then SW5 + 3.929%, 144A****	5,175,120 **(1)(2)(3)
3,000	Sovereign Bancorp: Sovereign REIT, 12.00%, Series A, 144A****	3,352,500
	Standard Chartered PLC:	
\$ 3,510,000	7.50% to 04/02/22 then SW5 + 6.301%, 144A****	3,523,162 **(1)(2)(3)
\$ 1,500,000	7.75% to 04/02/23 then SW5 + 5.723%, 144A****	1,488,750 **(1)(2)(3)
	State Street Corporation:	
\$ 500,000	5.625% to 12/15/23 then 3ML + 2.539%, Series H	491,875 *
157,400	5.90% to 03/15/24 then 3ML + 3.108%, Series D	4,000,777 *(1)

The accompanying notes are an integral part of the financial statements.

12

Flaherty & Crumrine Total Return Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

November 30, 2018

Shares/\$ Par	Value		
Preferred Securities —			
(Continued)			
Banking — (Continued)			
13,616	Sterling Bancorp, 6.50%, Series A	\$ 354,084	*
39,000	Valley National Bancorp, 5.50% to 09/30/22 then 3ML + 3.578%, Series B	932,100	*
	Wells Fargo & Company:		
24,700	5.625%, Series Y	600,334	*
325	7.50%, Series L	410,703	*
81,100	5.85% to 09/15/23 then 3ML + 3.09%, Series Q	2,015,359	*(1)
\$ 1,250,000	5.875% to 06/15/25 then 3ML + 3.99%, Series U	1,274,713	*(1)
\$ 1,458,000	3ML + 3.77%, 6.1041% ⁽⁶⁾ , Series K	1,463,467	*(1)
106,200	6.625% to 03/15/24 then 3ML + 3.69%, Series R	2,772,882	*(1)
\$ 1,600,000	Westpac Banking Corporation, 5.00% to 09/21/27 then ISDA5 + 2.888%	1,355,484	** ⁽¹⁾ (2)(3)
	Zions Bancorporation:		
5,000	6.30% to 03/15/23 then 3ML + 4.24%, Series G	127,289	*
\$ 1,800,000	7.20% to 09/15/23 then 3ML + 4.44%, Series J	1,905,750	*(1)
		161,580,357	
Financial Services — 1.4%			
	Credit Suisse Group AG:		
\$ 1,000,000	7.25% to 09/12/25 then SW5 + 4.332%, 144A****	952,500	** ⁽¹⁾ (2)(3)
\$ 1,100,000	7.50% to 07/17/23 then SW5 + 4.60%, 144A****	1,084,875	** ⁽¹⁾ (2)(3)
\$ 640,000	E*TRADE Financial Corporation, 5.30% to 03/15/23 then 3ML + 3.16%, Series B	598,400	*(1)
	General Motors Financial Company:		
\$ 610,000	5.75% to 09/30/27 then 3ML + 3.598%, Series A	508,972	*(1)
\$ 1,000,000	6.50% to 09/30/28 then 3ML + 3.436%, Series B	877,500	*(1)
		4,022,247	
Insurance — 20.5%			
145,144	Allstate Corporation, 6.625%, Series E	3,679,400	*(1)
\$ 1,290,000	Aon Corporation, 8.205% 01/01/27	1,512,525	(1)

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	Arch Capital Group, Ltd.:			
16,000	5.25%, Series E		339,509	** (2)
14,200	5.45%, Series F		308,140	** (2)
	Aspen Insurance Holdings Ltd.:			
25,000	5.625%		545,500	** (2)
9,000	5.95% to 07/01/23 then 3ML + 4.06%		217,351	** (2)
\$ 620,000	AXA SA, 6.379% to 12/14/36 then 3ML + 2.256%, 144A ****		626,200	** (1) (2)
5,000	Axis Capital Holdings Ltd., 5.50%, Series E		110,450	** (2)
	Chubb Ltd.:			
\$ 1,550,000	Ace Capital Trust II, 9.70% 04/01/30		2,096,530	(1) (2)
221,200	Delphi Financial Group, 3ML + 3.19%, 5.8061% ⁽⁶⁾ 05/15/37		5,032,300	(1)
61,000	Enstar Group Ltd., 7.00% to 09/01/28 then 3ML + 4.015%, Series D		1,520,559	** (1) (2)

The accompanying notes are an integral part of the financial statements.

13

Flaherty & Crumrine Total Return Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

November 30, 2018

Shares/\$ Par	Value	
Preferred Securities —		
(Continued)		
Insurance — (Continued)		
\$ 1,519,000	Everest Reinsurance Holdings, 3ML + 2.385%, 5.0011% ⁽⁶⁾ 05/15/37	\$ 1,446,848 (1)
7,500	Hartford Financial Services Group, Inc., 7.875% to 04/15/22 then 3ML + 5.596%, 04/15/42	206,878
\$ 6,351,000	Liberty Mutual Group, 7.80% 03/15/37, 144A**** MetLife, Inc.:	7,128,998 (1)
\$ 5,335,000	9.25% 04/08/38, 144A****	6,948,838 (1)
\$ 4,130,000	10.75% 08/01/39	6,164,025 (1)
\$ 577,000	MetLife Capital Trust IV, 7.875% 12/15/37, 144A**** PartnerRe Ltd.:	680,572 (1)
33,950	5.875%, Series I	823,288 *(1)(2)
13,917	6.50%, Series G	352,239 *(1)(2)
117,494	7.25%, Series H	3,050,144 *(1)(2)
\$ 704,000	Prudential Financial, Inc., 5.625% to 06/15/23 then 3ML + 3.92%, 06/15/43	707,520 (1)
\$ 5,300,000	QBE Insurance Group Ltd., 7.50% to 11/24/23 then SW10 + 6.03%, 11/24/43, 144A****	5,724,000 (1)(2)(3)
24,400	RenaissanceRe Holdings Ltd., 5.75%, Series F	562,266 *(2)
\$ 4,476,000	Unum Group: Provident Financing Trust I, 7.405% 03/15/38	4,722,180 (1)
60,339	W.R. Berkley Corporation, 5.75% 06/01/56 XL Group Limited:	1,362,002 (1)
\$ 2,000,000	Catlin Insurance Company Ltd., 3ML + 2.975%, 5.4246% ⁽⁶⁾ , 144A****	1,912,500 (1)(2)
\$ 3,446,000	XL Capital Ltd., 3ML + 2.4575%, 4.8938% ⁽⁶⁾ , Series E	3,252,163 (1)(2)
		61,032,925
Utilities — 6.7%		
\$ 900,000	CenterPoint Energy, Inc., 6.125% to 09/01/23 then 3ML + 3.27%, Series A	903,375 *(1)
\$ 3,394,000	Commonwealth Edison: COMED Financing III, 6.35% 03/15/33	3,538,245 (1)

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195,000	Dominion Energy, Inc., 5.25% 07/30/76, Series A	4,253,457	(1)
	DTE Energy Company:		
30,000	5.375% 06/01/76, Series B	670,233	(1)
46,993	6.00% 12/15/76, Series F	1,188,570	(1)
\$ 2,940,000	Emera, Inc., 6.75% to 06/15/26 then 3ML + 5.44%, 06/15/76, Series 2016A	3,014,970	(1)(2)
2,200	Georgia Power Company, 5.00% 10/01/77, Series 2017A	46,717	
17,800	Indianapolis Power & Light Company, 5.65%	1,823,809	*(1)
100,233	Integrus Energy Group, Inc., 6.00% to 08/01/23 then 3ML + 3.22%, 08/01/73	2,510,336	(1)
	NiSource, Inc.:		
\$ 440,000	5.65% to 06/15/23 then T5Y + 2.843%, Series A, 144A****	421,300	*
40,000	6.50% to 03/15/24 then T5Y + 3.632%, Series B	994,000	*

The accompanying notes are an integral part of the financial statements.

14

Flaherty & Crumrine Total Return Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

November 30, 2018

Shares/\$ Par	Value		
Preferred Securities —			
(Continued)			
Utilities — (Continued)			
30,000	Southern California Edison: SCE Trust V, 5.45% to 03/15/26 then 3ML + 3.79%, Series K	\$ 660,750	*(1)
		20,025,762	
Energy — 7.2%			
	DCP Midstream LP:		
\$ 1,550,000	7.375% to 12/15/22 then 3ML + 5.148%, Series A	1,428,906	(1)
5,200	7.875% to 06/15/23 then 3ML + 4.919%, Series B	117,390	
750,000	DCP Midstream LLC, 5.85% to 05/21/23 then 3ML + 3.85%, 05/21/43, 144A****	633,750	
\$ 1,500,000	Enbridge, Inc., 6.00% to 01/15/27 then 3ML + 3.89%, 01/15/77	1,338,634	(1)(2)
\$ 9,485,000	Enbridge Energy Partners LP, 3ML + 3.7975%, 6.1935% ⁽⁶⁾ 10/01/37	9,544,097	(1)
	Energy Transfer Partners LP:		
164,330	7.375% to 05/15/23 then 3ML + 4.53%, Series C	3,706,052	(1)
2,100	7.625% to 08/15/23 then 3ML + 4.738%, Series D	48,363	
\$ 1,000,000	Enterprise Products Operating L.P., 5.25% to 08/16/27 then 3ML + 3.033%, 08/16/77, Series E	853,107	
45,500	NuStar Logistics LP, 3ML + 6.734%, 9.1703% ⁽⁶⁾ 01/15/43	1,140,685	
	Transcanada Pipelines, Ltd.:		
\$ 1,500,000	5.30% to 03/15/27 then 3ML + 3.208%, 03/15/77, Series 2017-A	1,331,813	(1)(2)
\$ 1,500,000	5.875% to 08/15/26 then 3ML + 4.64%, 08/15/76, Series 2016-A	1,421,250	(1)(2)
		21,564,047	
Real Estate Investment Trust (REIT) — 0.1%			
4,540	Annaly Capital Management, Inc., 6.95% to 09/30/22 then 3ML + 4.993%, Series F	113,091	
12,315	National Retail Properties, Inc., 5.20%, Series F	262,063	
		375,154	
Miscellaneous Industries — 3.4%			
		637,500	(2)

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\$ 600,000	BHP Billiton Limited: BHP Billiton Finance U.S.A., Ltd., 6.75% to 10/19/25 then SW5 + 5.093%, 10/19/75, 144A*****		
\$ 718,000	General Electric Company, 5.00% to 01/21/21 then 3ML + 3.33%, Series D Land O' Lakes, Inc.:	571,708	*(1)
\$ 1,500,000	7.00%, Series C, 144A*****	1,499,063	*
\$ 4,350,000	7.25%, Series B, 144A*****	4,382,625	*
34,700	Ocean Spray Cranberries, Inc., 6.25%, 144A*****	3,088,300	*
		10,179,196	
	Total Preferred Securities (Cost \$288,041,612)	278,779,688	

The accompanying notes are an integral part of the financial statements.

15

Flaherty & Crumrine Total Return Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

November 30, 2018

Shares/\$ Par	Value	
Corporate Debt		
Securities[§] — 5.1%		
Banking — 2.2%		
\$ 826,000	Regions Financial Corporation, 7.375% 12/10/37, Sub Notes	\$ 1,040,064 (1)
193,600	Texas Capital Bancshares Inc., 6.50% 09/21/42, Sub Notes	4,890,336 (1)
18,000	Zions Bancorporation, 6.95% to 09/15/23 then 3ML + 3.89%, 09/15/28, Sub Notes	511,859
		6,442,259
Financial Services — 0.0%		
\$ 4,726,012	Lehman Brothers, Guaranteed Note, 5.843% 12/16/16, 144A****	29,301 (4)(5)††
		29,301
Insurance — 1.3%		
\$ 3,000,000	Liberty Mutual Insurance, 7.697% 10/15/97, 144A****	3,901,873 (1)
		3,901,873
Energy — 0.4%		
\$ 940,000	Energy Transfer Partners LP, 8.25% 11/15/29	1,120,153 (1)
		1,120,153
Communication — 0.5%		
	Qwest Corporation:	
29,941	6.50% 09/01/56	626,515
41,820	6.75% 06/15/57	922,704
		1,549,219
Miscellaneous Industries — 0.7%		
\$ 2,160,000	Pulte Group, Inc., 7.875% 06/15/32	2,262,600 (1)
		2,262,600
	Total Corporate Debt Securities	15,305,405
	(Cost \$14,000,883)	
Common Stock — 0.0%		
Energy — 0.0%		

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5,442	Kinder Morgan, Inc.	92,895	*
		92,895	
	Total Common Stock		
	(Cost \$98,749)	92,895	

Money Market Fund — 0.7%

1,935,196	BlackRock Liquidity Funds: T-Fund, Institutional Class	1,935,196	
	Total Money Market Fund		
	(Cost \$1,935,196)	1,935,196	

The accompanying notes are an integral part of the financial statements.

16

Flaherty & Crumrine Total Return Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

November 30, 2018

Total Investments (Cost \$304,076,440***)	99.3	%	\$ 296,113,184
Other Assets And Liabilities (Net)	0.7	%	1,988,783
Total Managed Assets	100.0	%	\$ 298,101,967
Loan Principal Balance			(107,900,000)
Total Net Assets Available To Common Stock			\$ 190,201,967

§Date shown is maturity date unless referencing the end of the fixed-rate period of a fixed-to-floating rate security. Securities without a date or with only a fixed-to-floating reset date are perpetual securities (i.e., have no stated maturity date).

*Securities eligible for the Dividends Received Deduction and distributing Qualified Dividend Income (unaudited).

**Securities distributing Qualified Dividend Income only (unaudited).

***Aggregate cost of securities held.

****Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional buyers. At November 30, 2018, these securities amounted to \$89,122,194 or 29.9% of total managed assets.

(1)All or a portion of this security is pledged as collateral for the Fund's loan. The total value of such securities was \$195,918,092 at November 30, 2018.

(2)Foreign Issuer.

(3)Contingent Capital Security, a hybrid security with contractual loss-absorption characteristics; see Note 9 in the Notes to Financial Statements. The total value of such securities was \$46,765,062 or 15.7% of total managed assets at November 30, 2018.

(4)Level 3, illiquid security (designation is unaudited; see Note 2: Significant Accounting Policies).

(5)Valued at fair value as determined in good faith by or under the direction of the Board of Directors as of November 30, 2018.

(6)Represents the rate in effect as of the reporting date.

††The issuer has filed for bankruptcy protection. As a result, the Fund may not be able to recover the principal invested and also does not expect to receive income on this security going forward.

‡The percentage shown for each investment category is the total value of that category as a percentage of total managed assets.

ABBREVIATIONS:

3ML—3-Month ICE LIBOR USD A/360

ISDA5—5-year USD ICE Swap Semiannual 30/360

SW5—5-year USD Swap Semiannual 30/360

SW10—10-year USD Swap Semiannual 30/360

T5Y—Federal Reserve H.15 5-Yr Constant Maturity Treasury Semiannual yield

T10Y—Federal Reserve H.15 10-Yr Constant Maturity Treasury Semiannual yield

Value

The accompanying notes are an integral part of the financial statements.

17

Flaherty & Crumrine Total Return Fund Incorporated

STATEMENT OF ASSETS AND LIABILITIES

November 30, 2018

ASSETS:

Investments, at value (Cost \$304,076,440)	\$ 296,113,184
Receivable for investments sold	110,273
Dividends and interest receivable	3,170,867
Prepaid expenses	55,706
Total Assets	299,450,030

LIABILITIES:

Loan Payable	\$ 107,900,000
Payable for investment securities purchased	1,000,000
Dividends payable to Common Stock Shareholders	66,745
Investment advisory fees payable	136,556
Administration, Transfer Agent and Custodian fees payable	31,814
Servicing Agent fees payable	11,946
Professional fees payable	68,150
Accrued expenses and other payables	32,852

Total Liabilities	109,248,063
NET ASSETS AVAILABLE TO COMMON STOCK	\$ 190,201,967

**NET ASSETS
AVAILABLE
TO COMMON
STOCK** consist
of:

Total distributable earnings (loss)	\$ (22,073,107)
Par value of Common Stock	99,581
Paid-in capital in excess of par value of Common Stock	212,175,493
Total Net Assets Available to Common Stock	\$ 190,201,967

**NET ASSET
VALUE PER
SHARE OF
COMMON
STOCK:**

Common Stock (9,958,104 shares outstanding)	\$ 19.10
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The accompanying notes are an integral part of the financial statements.

18

Flaherty & Crumrine Total Return Fund Incorporated

STATEMENT OF OPERATIONS

For the Year Ended November 30, 2018

INVESTMENT

INCOME:

Dividends [†]	\$	8,580,529
Interest		10,153,039
Total Investment Income		18,733,568

EXPENSES:

Investment advisory fees	\$	1,721,449
Interest expenses		2,946,314
Administrator's fees		250,886
Servicing Agent fees		151,428
Professional fees		110,735
Insurance expenses		50,633
Transfer Agent fees		27,571
Directors' fees		55,773
Custodian fees		34,069
Compliance fees		35,261
Other		93,177
Total Expenses		5,477,296

NET INVESTMENT INCOME		13,256,272
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REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS

Net realized loss on investments sold during the year	(2,258,514)
Capital gains distributions from investments held during the year	6	
Change in unrealized appreciation/(depreciation) of investments	(22,422,680)

NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS	(24,681,188)
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NET DECREASE IN NET ASSETS TO COMMON STOCK RESULTING FROM OPERATIONS	\$ (11,424,916)
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†For Federal income tax purposes, a significant portion of this amount may not qualify for the inter-corporate dividends received deduction (“DRD”) or as qualified dividend income (“QDI”) for individuals.

The accompanying notes are an integral part of the financial statements.

19

Flaherty & Crumrine Total Return Fund Incorporated

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE TO COMMON STOCK

	Year Ended November 30, 2018	Year Ended November 30, 2017
OPERATIONS:		
Net investment income	\$ 13,256,272	\$ 14,211,300
Net realized gain/(loss) on investments sold during the year	(2,258,508) 4,404,360
Change in net unrealized appreciation/(depreciation) of investments	(22,422,680) 15,592,668
Net increase/(decrease) in net assets resulting from operations	(11,424,916) 34,208,328