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ZWEIG TOTAL RETURN FUND INC

Form N-30B-2

May 15, 2001

May 1, 2001

[PHOTO OF MARTIN E. ZWEIG]

Dear Shareholder:

The Zweig Total Return Fund's net asset value decreased 4.2% during the quarter ended March 31, 2001, including \$0.18 in reinvested distributions. The Fund's overall exposure during the period was 87%.

While I am disappointed by the Fund's performance, I believe that our aggressive market posture will pay off in the long run. We increased the exposure of the equity portion of our Fund gradually to a fully invested position following the Federal Reserve's surprise 50-basis-point interest rate cut on January 3, 2001. Since then, there have been three additional Fed cuts. As I always say, "Don't fight the Fed." Historically, as I will point out in more detail later in this report, stocks have enjoyed significantly above-average returns following significantly reduced rates by the Fed. At this writing, the Fund shows a positive return of 2.0% since the start of the second quarter on April 1, 2001.

DISTRIBUTION DECLARED

In accordance with our policy of distributing 10% of net asset value per year, which equals 0.83% per month (10% divided by 12 months), the Fund recently announced a distribution of \$0.06, payable on May 24, 2001 to shareholders of record on May 11, 2001. The value of a distribution depends on the exact net asset value at the time of declaration. For the May distribution, 0.83% of the Fund's net asset value was equivalent to \$0.06 per share. Including this distribution, the Fund's payout since its inception is now \$11.01.

MARKET OUTLOOK

Our bond exposure on March 31, 2001, was 61%, unchanged from the year-end figure. If we had been fully invested, we would have been 62.5% invested in bonds and 37.5% in stocks. Consequently, at 61%, we are at approximately 98% of a full position (61%/62.5%).

In the first quarter, fixed-income markets generally fell in yield and rose in price. The star performer of the government bond yield curve was the front end, as two-year notes began the year at a 5.12% yield to maturity and ended the quarter at 4.20%. The Federal Reserve eased the Fed funds rate by 150 basis points during the quarter, which fueled the fall in yields. By contrast, the 30-year Treasury, also known as the long bond, ended the quarter slightly higher in yield at 5.48% versus 5.45% at the start of the year.

The disparity in performance is likely the result of anticipated further Fed rate cuts and the eventual recovery of the economy. Ultimately, the rate cuts should increase economic activity and overall demand, thus pushing prices higher. Because the long bond trades on future inflation expectations, Fed cuts are not as influential as they are for the shorter dated bonds. If the economy were to weaken further with softening commodity prices and lower inflation prospects, we believe the long bond would outperform.

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Our bond model ended the quarter positive on the likelihood of lower bond yields, although recently some indicators down-ticked and sent us into more neutral territory.

As for equities, our exposure on March 31, 2001, was 34% compared with 36% at year-end. At

34%, we are about 91% of full investment (34%/37.5%).

It was a brutal first quarter for the stock markets. The Nasdaq tumbled 25.5%, its worst first quarter ever. The Dow fell 8.4%, its worst first quarter since 1978, and the S&P 500 dropped 11.9%, its worst quarter since the third quarter of 1990.

What we witnessed in the quarter was the breaking of the speculative bubble built up in technology and Internet stocks during the previous year or two. The economy started to slow down in the third quarter of last year and decelerated in the fourth quarter. Earnings totally "hit the wall." Analysts were shocked by the magnitude of the earnings drop in the first quarter and probably in the second as well. While the market rallied on the first Fed cut on January 3, it chose to ignore the second cut on January 31 and suffered severely over the next six or seven weeks. I think the market overdid it and is now responding to subsequent Fed cuts.

The market is like a pendulum. You swing it enough times one way and it's bound to bounce back the other way. The insanity got so high in areas like technology in 1999 and 2000 that the flip side was inevitable. Also, we saw a tremendous number of margin calls as many people who bought on margin were wiped out and had to sell. That's what happens when people get too greedy. The market goes way above where it should have gone. Then you get that "cleansing," which carries it below where it should have gone. That was part of the problem we faced in the first quarter.

In a recent Barron's article, I cited 13 time-tested indicators that seem to say we might be in a recession, and I have since come up with six more. While we may be in a recession, it is 100% certain that we are experiencing a significant economic slowdown. The gross national product was growing at a 6% rate early last year, but the fourth-quarter rate was only plus 1% and may still be revised downward. Currently, we are probably not doing much better.

However, I do not consider that bad news. Actually it is good news. The average lead time between the Fed's third cut (which came on March 20) and the end of nine postwar recessions is just 2.7 months. Even if you were to stretch it out a bit, the economy should be turning around by midyear. What's more, six months after four postwar rate cuts (which we have already seen this year), the Dow was up 16.1% on average and a year later was 26.7% higher on average. Every single case was up--there were no exceptions. So, there's reason for hope amid the gloom.

We are definitely in an earnings recession. Since 1992, the S&P 500's profit growth has averaged 11.5% a year compared with 7.1% over the past four decades. This year's first-quarter earnings are forecast to fall by more than 9%. That would be the sharpest quarterly drop since the 1990-91 recession. Surprisingly, this is another bullish factor. The market has gone up 15.8% a year on average when the year-to-year change in S&P earnings is negative. Because the market is a discounting mechanism, it is always looking ahead. It does not do too well when profits are too good. That's when inflation heats up, the Fed starts to hike rates, and the market goes down as we saw happen last year.

Another positive market indicator is the fact that we saw bears featured

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recently on the covers of Time, Newsweek, and U.S. News & World Report. When popular magazines that are not huge on business news run such covers, it is a pretty good indication that all the bad news is already out there. Remember that the market is a discounting mechanism so the bad news is already reflected in the market. It is significant that these covers appeared just about when the markets bottomed in mid-March. Historically, when we have had two bear covers within a month or so, the Dow has gone up 23% in the

2

following year. It was up every time. Here, having three such covers, we managed to get a clean sweep. You could also add Business Week, The Economist, the front page of The New York Times business section, and covers of magazines I never heard about. Bears were everywhere.

Stocks on average today are still trading at what some consider relatively high multiples of their earnings. The price/earnings ratio of the S&P 500, based on the preceding 12 months earnings, is currently around 22x. This is far below the levels hit during the recent boom but well above the 14 or 15 multiples at the bottoms of some other bear markets. The P/E of the Dow is around 20x, a little below that of the S&P. I don't think that the P/Es are excessive because inflation is low.

When inflation was running at something like 9% or higher in the late 1970s and early 1980s, the P/E ratio on the Dow was around 8x. Based on a recent study I made of the relationship between inflation and P/E ratios, that figure is about right. However, when inflation is around 4%, the P/E should be about 20x. With inflation at 2%, it should be around 23x. We are now running at about 2.9% inflation, somewhere between the two inflation levels and the P/Es are between 20x and 23x--which I do not consider high at all.

In addition, I should add that the capital gains tax is part of the P/E equation. The current rate is 20%, equal to the lows it has been at anytime since World War II. P/Es should be higher when capital gains taxes are lower. Given the extreme, if capital gains were taxed at 100%, no one would want to own stocks. If the rate were lowered to near zero, no one would invest in a savings account when you have a better chance of making money in the market. So, the lower the capital gains tax, the higher the P/Es. I have tested this proposition, and it actually works that way. When the capital gains tax went above 35%, the Dow's P/E averaged 11.7x. When the tax was 20% or less, the Dow's P/E has averaged 15.1x.

The dividend yield on the S&P 500 at the end of 1968, when stocks were near their highs after the run-up, was nearly 3%. Today's average dividend yield is only about 1.2%. However, I do not consider this a matter of concern. Either because their earnings were reduced or because they prefer using the money to buy back their own stocks, companies just aren't paying out dividends the way they used to. Earnings are important, but I don't think dividend payment rates are necessarily significant.

Only 21 companies went public in the first quarter compared with 123 a year ago. At least 80 companies canceled or postponed action. I consider these figures bullish. Too much new stock coming to market hurts the market because it increases supply. When the supply dries up, it gives the bulls a chance. Also, too many dubious companies entered the market in the past couple of years, a sign that trouble was brewing. Now only a quality offering can make the grade. When you get only quality offerings and few misfits, it is a bullish indicator.

Some market analysts say we won't see a long-term market rally until there is a so-called capitulation by many investors who lose faith and sell out all

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their holdings. People panicked at the bottoms of 1987, 1990, and 1998. It is a good sign when people finally give up and walk away because it means more cash is on the sidelines. Stock funds saw net withdrawals of \$3.1 billion in February, the first withdrawal from stock funds since August 1998. March projections point to another \$9.7 billion of net withdrawals. There has been more than \$100 billion unwinding of margin debt, and hedge funds are holding a great deal of short sales and lots of cash. We have seen nothing but capitulation in the last few months.

I am not overly concerned about the so-called negative wealth effect on the market and the economy. It's true that the stock market is a much bigger part of the economy with more than 50% of households owning stocks or mutual funds. Many of these investors feel a lot poorer

3

now. However, the wealth effect historically has been very small relative to the income effect. The stock market drop will sober people up, reduce some forms of spending, and abet the economic slowdown. It is not the end of the world by a long shot.

Summing up, the market positives include the already-mentioned four Fed rate cuts, the bear magazine covers, and the capitulation of the margin holders and the mutual fund owner. We have already seen the extremes of market pessimism. As a consequence, my monetary and sentiment indicators are about as favorable as they can get.

On the negative side, there is always a chance of something like a sudden war that doubles prices. I have no way to predict that. Other risks are the normal ones like inflation coming back--which is not realistic near term--and the Fed over-stimulating and overheating the economy. There is no way the Fed is going to tighten in the near future because of inflation. I would forget that risk for the moment, although it might rise in the future. The other risk is of extreme deflation and something worse than a recession like we have seen in Japan. It is just not going to happen. Our banking system is fine, our economy is not gridlocked like Japan's, and the Fed is on the case.

With the market positives far outweighing the potential negatives, our market stance is bullish.

### PORTFOLIO COMPOSITION

In accordance with our investment policy guidelines, all of our bonds are U.S. government obligations. The portfolio's average duration (a measure of sensitivity to interest rate changes) was 7.8 years as of March 31, 2001. This compares with 8.5 years at year-end. Since these bonds are highly liquid, they provide the flexibility to respond quickly to changing market conditions.

Aside from minor changes in percentages held, our leading industry groups on March 31 were unchanged from the year-end listing. They included financial services, technology, health care, energy, retailing, and telecommunications. We added to our holdings in the financial services and energy areas, and the retailing sector held up well.

Our leading individual positions at the end of the first quarter included General Electric, Pfizer, Microsoft, Exxon Mobil, Wal-Mart, Citigroup, Tyco, Merck, Bristol Myers, and American International Group.

The only new company in the above listing is Microsoft, which had good relative performance and is up for the year. Cisco, which is no longer in the

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group, declined in value.

Sincerely,  
/s/ Martin E. Zweig, Ph.D.  
Martin E. Zweig, Ph.D.  
Chairman

4

### OUR PRIVACY COMMITMENT

The Zweig Total Return Fund, Inc. recognizes that protecting the privacy and security of the confidential personal information we collect about you is an important responsibility. The following information will help you understand our privacy policy and how we will handle and maintain confidential personal information as we fulfill our obligations to protect your privacy. "Personal information" refers to the nonpublic financial information obtained by us in connection with providing you a financial product or service.

#### Information We Collect

We collect personal information to help us serve your financial needs, offer new products or services, provide customer service and fulfill legal and regulatory requirements. The type of information that we collect varies according to the products or services involved, and may include:

- . Information we receive from you on applications and related forms (such as name, address, social security number, assets and income); and
- . Information about your transactions and relationships with us, our affiliates, or others (such as products or services purchased, account balances and payment history).

#### Information Disclosed in Administering Products and Services

We will not disclose personal information about current or former customers to non-affiliated third parties except as permitted or required by law. We do not sell any personal information about you to any third party. In the normal course of business, personal information may be shared with persons or entities involved in servicing and administering products and services on our behalf, including your broker, financial advisor or financial planner and other service providers and affiliates assisting us.

#### Procedures to Protect Confidentiality and Security of Your Personal Information

We have procedures in place that limit access to personal information to those employees and service providers who need to know such information in order to perform business services on our behalf. We educate our employees on the importance of protecting the privacy and security of confidential personal information. We also maintain physical, electronic and procedural safeguards that comply with federal and state regulations to guard your personal information.

We will update our policy and procedures where necessary to ensure that your privacy is maintained and that we conduct our business in a way that fulfills our commitment to you. If we make any material changes in our privacy policy, we will make that information available to customers through our Web site and/or other communications.

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5

THE ZWEIG TOTAL RETURN FUND, INC.

STATEMENT OF NET ASSETS

March 31, 2001

(Unaudited)

|                                        | Number of<br>Shares | Value        |
|----------------------------------------|---------------------|--------------|
|                                        | -----               | -----        |
| Common Stocks 33.59%                   |                     |              |
| Aerospace & Air Transport 0.64%        |                     |              |
| Boeing Co.....                         | 33,100              | \$ 1,844,001 |
| Southwest Airlines Co.....             | 60,000              | 1,065,000    |
| United Technologies Corp. ....         | 15,000              | 1,099,500    |
|                                        |                     | -----        |
|                                        |                     | 4,008,501    |
|                                        |                     | -----        |
| Automotive 0.45%                       |                     |              |
| Ford Motor Co. ....                    | 45,000              | 1,265,400    |
| General Motors Corp. ....              | 30,000              | 1,555,500    |
|                                        |                     | -----        |
|                                        |                     | 2,820,900    |
|                                        |                     | -----        |
| Building & Forest Products 0.30%       |                     |              |
| Cemex S.A. de CV, ADR.....             | 30,000              | 645,000      |
| International Paper Co. ....           | 34,500              | 1,244,760    |
|                                        |                     | -----        |
|                                        |                     | 1,889,760    |
|                                        |                     | -----        |
| Chemicals 0.54%                        |                     |              |
| Dow Chemical Co. ....                  | 42,000              | 1,325,940    |
| E. I. du Pont de Nemours & Co. ....    | 34,500              | 1,404,150    |
| Praxair, Inc. ....                     | 15,000              | 669,750      |
|                                        |                     | -----        |
|                                        |                     | 3,399,840    |
|                                        |                     | -----        |
| Commercial Services 0.28%              |                     |              |
| Modis Professional Services, Inc. .... | 60,100 (a)          | 276,460      |
| Omnicom Group, Inc. ....               | 18,000              | 1,491,840    |
|                                        |                     | -----        |
|                                        |                     | 1,768,300    |
|                                        |                     | -----        |
| Consumer Products 1.27%                |                     |              |
| Adolph Coors Co., Class B.....         | 15,000              | 981,600      |
| Anheuser-Busch Cos., Inc. ....         | 15,000              | 688,950      |
| Coca-Cola Co. ....                     | 37,500              | 1,693,500    |
| Kimberly-Clark Corp. ....              | 30,000              | 2,034,900    |
| Leggett & Platt, Inc. ....             | 30,000              | 576,900      |
| PepsiCo, Inc. ....                     | 45,000              | 1,977,750    |
|                                        |                     | -----        |
|                                        |                     | 7,953,600    |
|                                        |                     | -----        |
| Electronics -- Electrical 1.23%        |                     |              |
| General Electric Co. ....              | 150,000             | 6,279,000    |
| Jabil Circuit, Inc. ....               | 22,600 (a)          | 488,612      |
| Sanmina Corp. ....                     | 15,000 (a)          | 293,437      |
| Sollectron Corp. ....                  | 33,000 (a)          | 627,330      |

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7,688,379

6

|                                         | Number of<br>Shares | Value        |
|-----------------------------------------|---------------------|--------------|
| Engineering & Machinery 0.35%           |                     |              |
| Ingersoll-Rand Co. ....                 | 37,500              | \$ 1,489,125 |
| SPX Corp. ....                          | 7,500               | 680,700      |
|                                         |                     | 2,169,825    |
| Financial Services 6.27%                |                     |              |
| ACE Ltd. ....                           | 30,100              | 1,106,476    |
| Allstate Corp. ....                     | 50,900              | 2,134,746    |
| American Express Co. ....               | 30,000              | 1,239,000    |
| American International Group, Inc. .... | 42,000              | 3,381,000    |
| Bank of America Corp. ....              | 45,000              | 2,463,750    |
| Bank of New York Co., Inc. ....         | 30,000              | 1,477,200    |
| Citigroup, Inc. ....                    | 90,000              | 4,048,200    |
| Fannie Mae.....                         | 22,500              | 1,791,000    |
| FleetBoston Financial Corp. ....        | 30,000              | 1,132,500    |
| Freddie Mac.....                        | 49,500              | 3,209,085    |
| H & R Block, Inc. ....                  | 22,500              | 1,126,350    |
| Household International, Inc. ....      | 30,000              | 1,777,200    |
| J.P. Morgan Chase & Co. ....            | 62,950              | 2,826,455    |
| KeyCorp.....                            | 30,000              | 774,000      |
| Knight Trading Group, Inc. ....         | 45,000 (a)          | 658,125      |
| Lehman Brothers Holdings, Inc. ....     | 30,000              | 1,881,000    |
| Marsh & McLennan Cos., Inc. ....        | 15,000              | 1,425,450    |
| Merrill Lynch & Co., Inc. ....          | 30,000              | 1,662,000    |
| Morgan Stanley Dean Witter & Co. ....   | 28,500              | 1,524,750    |
| SouthTrust Corp. ....                   | 18,000              | 823,500      |
| Washington Mutual, Inc. ....            | 52,500              | 2,874,375    |
|                                         |                     | 39,336,162   |
| Health Care 4.24%                       |                     |              |
| Amgen, Inc. ....                        | 34,600 (a)          | 2,082,487    |
| Baxter International, Inc. ....         | 7,500               | 706,050      |
| Bristol-Myers Squibb Co. ....           | 57,200              | 3,397,680    |
| Cardinal Health, Inc. ....              | 18,000              | 1,741,500    |
| Johnson & Johnson.....                  | 36,000              | 3,148,920    |
| MedImmune, Inc. ....                    | 25,700 (a)          | 921,987      |
| Merck & Co., Inc. ....                  | 45,000              | 3,415,500    |
| Pfizer, Inc. ....                       | 126,100             | 5,163,795    |
| Pharmacia Corp.....                     | 22,500              | 1,133,325    |
| St. Jude Medical, Inc. ....             | 30,000              | 1,615,500    |
| Tenet Healthcare Corp. ....             | 36,000 (a)          | 1,584,000    |
| Wellpoint Health Networks, Inc. ....    | 18,000 (a)          | 1,715,580    |
|                                         |                     | 26,626,324   |

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|                                                |        |           |       |
|------------------------------------------------|--------|-----------|-------|
| Hotels & Resorts                               | 0.18%  |           |       |
| Starwood Hotels & Resorts Worldwide, Inc. .... | 33,000 | 1,122,330 | ----- |

7

|                                            | Number of<br>Shares | Value        |       |
|--------------------------------------------|---------------------|--------------|-------|
|                                            | -----               | -----        |       |
| Investment Companies                       | 0.66%               |              |       |
| Nasdaq-100 Index.....                      | 90,000              | \$ 3,523,500 |       |
| Semiconductors Holders Trust.....          | 15,000              | 622,350      | ----- |
|                                            |                     | 4,145,850    | ----- |
| Manufacturing                              | 0.76%               |              |       |
| Textron, Inc. ....                         | 15,100              | 858,284      |       |
| Tyco International Ltd. ....               | 90,000              | 3,890,700    | ----- |
|                                            |                     | 4,748,984    | ----- |
| Media                                      | 1.79%               |              |       |
| Comcast Corp., Class A.....                | 62,300 (a)          | 2,612,706    |       |
| Gemstar--TV Guide International, Inc. .... | 15,000 (a)          | 431,250      |       |
| Grupo Televisa S.A., GDR.....              | 30,000 (a)          | 1,002,300    |       |
| McGraw-Hill Cos., Inc. ....                | 25,500              | 1,521,075    |       |
| New York Times Co., Class A.....           | 28,200              | 1,155,354    |       |
| News Corp. Ltd. ....                       | 30,000              | 942,000      |       |
| Viacom, Inc., Class B.....                 | 31,700 (a)          | 1,393,849    |       |
| Walt Disney Co. ....                       | 75,000              | 2,145,000    | ----- |
|                                            |                     | 11,203,534   | ----- |
| Metals                                     | 0.24%               |              |       |
| Alcoa, Inc. ....                           | 42,000              | 1,509,900    | ----- |
| Oil & Oil Services                         | 3.17%               |              |       |
| Baker Hughes, Inc.....                     | 45,000              | 1,633,950    |       |
| Burlington Resources, Inc.....             | 33,000              | 1,476,750    |       |
| Chevron Corp.....                          | 27,000              | 2,370,600    |       |
| Enron Corp.....                            | 45,100              | 2,620,310    |       |
| Exxon Mobil Corp.....                      | 57,100              | 4,625,100    |       |
| Kinder Morgan, Inc.....                    | 15,000              | 798,000      |       |
| Santa Fe International Corp.....           | 22,600              | 734,500      |       |
| Talisman Energy, Inc.....                  | 30,000 (a)          | 1,089,600    |       |
| Transocean Sedco Forex, Inc.....           | 30,000              | 1,300,500    |       |
| USX-Marathon Group.....                    | 60,000              | 1,617,000    |       |
| Williams Cos., Inc.....                    | 37,600              | 1,611,160    | ----- |
|                                            |                     | 19,877,470   | ----- |
| Railroads                                  | 0.13%               |              |       |
| Canadian National Railway.....             | 22,500              | 847,575      | ----- |
| Restaurants                                | 0.11%               |              |       |
| Wendy's International, Inc. ....           | 30,000              | 669,600      | ----- |

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8

|                                        | Number of<br>Shares | Value        |
|----------------------------------------|---------------------|--------------|
|                                        | -----               | -----        |
| Retailing                              | 2.58%               |              |
| CVS Corp. ....                         | 30,000              | \$ 1,754,700 |
| Federated Department Stores, Inc. .... | 4,500 (a)           | 186,975      |
| Home Depot, Inc. ....                  | 64,300              | 2,771,330    |
| Kroger Co. ....                        | 45,000 (a)          | 1,160,550    |
| Lowe's Cos., Inc. ....                 | 30,000              | 1,753,500    |
| Safeway, Inc. ....                     | 30,000 (a)          | 1,654,500    |
| Target Corp. ....                      | 30,000              | 1,082,400    |
| Wal-Mart Stores, Inc. ....             | 91,300              | 4,610,650    |
| Walgreen Co. ....                      | 30,000              | 1,224,000    |
|                                        |                     | -----        |
|                                        |                     | 16,198,605   |
|                                        |                     | -----        |
| Technology                             | 5.09%               |              |
| Agilent Technologies, Inc. ....        | 30,000 (a)          | 921,900      |
| AOL Time Warner, Inc. ....             | 63,000 (a)          | 2,529,450    |
| Applied Materials, Inc. ....           | 37,200 (a)          | 1,618,200    |
| Atmel Corp. ....                       | 45,000 (a)          | 441,562      |
| Cisco Systems, Inc. ....               | 119,700 (a)         | 1,892,756    |
| Citrix Systems, Inc. ....              | 15,000 (a)          | 316,875      |
| Compaq Computer Corp. ....             | 60,000              | 1,092,000    |
| Corning, Inc. ....                     | 15,000              | 310,350      |
| Cypress Semiconductor Corp. ....       | 30,000 (a)          | 531,900      |
| Dell Computer Corp. ....               | 59,000 (a)          | 1,515,563    |
| Electronic Data Systems Corp. ....     | 22,500              | 1,256,850    |
| EMC Corp. ....                         | 50,000 (a)          | 1,470,000    |
| First Data Corp. ....                  | 36,000              | 2,149,560    |
| Intel Corp. ....                       | 118,200             | 3,110,138    |
| i2 Technologies, Inc. ....             | 15,000 (a)          | 217,500      |
| JDS Uniphase Corp. ....                | 15,000 (a)          | 276,563      |
| Lucent Technologies, Inc. ....         | 62,800              | 626,116      |
| Microchip Technology, Inc. ....        | 22,500 (a)          | 569,531      |
| Microsoft Corp. ....                   | 85,500 (a)          | 4,675,781    |
| Motorola, Inc. ....                    | 36,200              | 516,212      |
| Network Appliance, Inc. ....           | 15,000 (a)          | 252,188      |
| Oracle Corp. ....                      | 112,700 (a)         | 1,688,246    |
| QUALCOMM, Inc. ....                    | 22,500 (a)          | 1,274,063    |
| Siebel Systems, Inc. ....              | 15,100 (a)          | 410,720      |
| Sun Microsystems, Inc. ....            | 90,000 (a)          | 1,383,300    |
| SunGuard Data Systems, Inc. ....       | 15,000 (a)          | 738,450      |
| USinternetworking, Inc. ....           | 29,950 (a)          | 34,630       |
| Yahoo!, Inc. ....                      | 8,800 (a)           | 138,600      |
|                                        |                     | -----        |
|                                        |                     | 31,959,004   |
|                                        |                     | -----        |

9

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|                                                                                                                        | Number of<br>Shares | Value         |
|------------------------------------------------------------------------------------------------------------------------|---------------------|---------------|
|                                                                                                                        | -----               | -----         |
| Telecommunications                                                                                                     | 2.48%               |               |
| ADC Telecommunications, Inc. ....                                                                                      | 52,500 (a)          | \$ 446,250    |
| AT&T Corp. ....                                                                                                        | 90,000              | 1,917,000     |
| AT&T Wireless Group.....                                                                                               | 37,200 (a)          | 713,496       |
| General Motors Corp., Class H.....                                                                                     | 60,000              | 1,170,000     |
| Nokia Corp., ADR.....                                                                                                  | 51,800              | 1,243,200     |
| Nortel Networks Corp. ....                                                                                             | 60,000              | 843,000       |
| SBC Communications, Inc. ....                                                                                          | 52,500              | 2,343,075     |
| Tele Norte Leste Participacoes S.A., ADR.....                                                                          | 43,000              | 700,040       |
| Telephone & Data Systems, Inc. ....                                                                                    | 22,500              | 2,103,750     |
| TyCom, Ltd. ....                                                                                                       | 22,500 (a)          | 295,875       |
| Verizon Communications, Inc. ....                                                                                      | 52,500              | 2,588,250     |
| WorldCom, Inc. ....                                                                                                    | 63,950 (a)          | 1,195,066     |
|                                                                                                                        |                     | -----         |
|                                                                                                                        |                     | 15,559,002    |
|                                                                                                                        |                     | -----         |
| Utilities -- Electric & Gas                                                                                            | 0.83%               |               |
| AES Corp. ....                                                                                                         | 30,000 (a)          | 1,498,800     |
| Calpine Corp. ....                                                                                                     | 18,000 (a)          | 991,260       |
| Dynegy, Inc. ....                                                                                                      | 15,000              | 765,150       |
| Exelon Corp. ....                                                                                                      | 30,000              | 1,968,000     |
|                                                                                                                        |                     | -----         |
|                                                                                                                        |                     | 5,223,210     |
|                                                                                                                        |                     | -----         |
| Total Common Stocks .....                                                                                              |                     | 210,726,655   |
|                                                                                                                        |                     | -----         |
| Unit Investment Trusts                                                                                                 | 0.61%               |               |
| S&P 500 Depositary Receipts.....                                                                                       | 45,000              | 3,798,000     |
|                                                                                                                        |                     | -----         |
|                                                                                                                        | Principal<br>Amount | Value         |
|                                                                                                                        | -----               | -----         |
| United States Government Obligations                                                                                   | 61.29%              |               |
| FHLMC, 6.875%, 1/15/05.....                                                                                            | \$70,500,000        | 74,737,332    |
| FHLMC, 5.125%, 10/15/08.....                                                                                           | 38,100,000          | 37,030,266    |
| FHLMC, 7.00%, 3/15/10.....                                                                                             | 42,000,000          | 45,734,010    |
| United States Treasury Notes, 6.125%, 8/15/07.....                                                                     | 28,800,000          | 30,845,261    |
| United States Treasury Notes, 6.00%, 8/15/09.....                                                                      | 21,900,000          | 23,401,355    |
| United States Treasury Bonds, 10.75%, 5/15/03.....                                                                     | 15,000,000          | 16,937,700    |
| United States Treasury Bonds, 8.125%, 5/15/21.....                                                                     | 25,000,000          | 32,550,775    |
| United States Treasury Bonds, 7.25%, 8/15/22.....                                                                      | 30,500,000          | 36,637,820    |
| United States Treasury Bonds, 6.00%, 2/15/26.....                                                                      | 33,500,000          | 35,135,168    |
| United States Treasury Bonds, 6.50%, 11/15/26.....                                                                     | 24,000,000          | 26,810,520    |
| United States Treasury Bonds, 5.375%, 2/15/31.....                                                                     | 25,000,000          | 24,687,525    |
|                                                                                                                        |                     | -----         |
| Total United States Government Obligations.....                                                                        |                     | 384,507,732   |
|                                                                                                                        |                     | -----         |
| Short-Term Investments                                                                                                 | 3.77%               |               |
| UBS Finance, 5.50%, 4/02/01.....                                                                                       | 23,700,000          | 23,696,379    |
|                                                                                                                        |                     | -----         |
| Total Investments -- 99.26%.....                                                                                       |                     | 622,728,766   |
| Cash and Other Assets Less Liabilities -- 0.74%.....                                                                   |                     | 4,661,209     |
|                                                                                                                        |                     | -----         |
| Net Assets (Equivalent to \$6.99 per share based on 89,732,966<br>shares of capital stock outstanding) -- 100.00%..... |                     | \$627,389,975 |

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(a) Non-income producing security.

10

THE ZWEIG TOTAL RETURN FUND, INC.

FINANCIAL HIGHLIGHTS

March 31, 2001

(Unaudited)

|                                                                                                                      | Total Net Assets | Net Asset Value<br>per share |
|----------------------------------------------------------------------------------------------------------------------|------------------|------------------------------|
|                                                                                                                      | -----            | -----                        |
| Beginning of period: December 31,<br>2000.....                                                                       | \$671,055,863    | \$ 7.48                      |
| Net investment income.....                                                                                           | \$ 3,683,756     | \$ 0.04                      |
| Net realized and unrealized<br>loss on investments.....                                                              | (31,197,580)     | (0.35)                       |
| Dividends from net investment<br>income and distributions from<br>net long-term and short-term<br>capital gains..... | (16,152,064)     | (0.18)                       |
|                                                                                                                      | -----            | -----                        |
| Net decrease in net assets/net<br>asset value.....                                                                   | (43,665,888)     | (0.49)                       |
|                                                                                                                      | -----            | -----                        |
| End of period: March 31, 2001....                                                                                    | \$627,389,975    | \$ 6.99                      |
|                                                                                                                      | =====            | =====                        |

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KEY INFORMATION

- 1-800-272-2700 Zweig Shareholder Relations:  
For general information and literature
- 1-800-272-2700 The Zweig Total Return Fund Hot Line:  
For updates on net asset value, share price, major industry  
groups and other key information

REINVESTMENT PLAN

Many of you have questions about our reinvestment plan. We urge shareholders who want to take advantage of this plan and whose shares are held in "Street Name," to consult your broker as soon as possible to determine if you must change registration

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into your own name to  
participate.

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Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that the Fund may from time to time purchase its shares of common stock in the open market when Fund shares are trading at a discount from their net asset value.

11

### OFFICERS AND DIRECTORS

Martin E. Zweig, Ph.D.  
Chairman of the Board and President

Jeffrey Lazar  
Executive Vice President and Treasurer

Nancy J. Engberg  
Secretary

Christopher M. Capano  
Vice President

Charles H. Brunie  
Director

Elliot S. Jaffe  
Director

Wendy Luscombe  
Director

Alden C. Olson, Ph.D.  
Director

James B. Rogers, Jr.  
Director

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Phoenix/Zweig Advisers LLC  
900 Third Avenue  
New York, NY 10022

Fund Administrator  
Phoenix Equity Planning Corp.  
56 Prospect St.  
P.O. Box 150480  
Hartford, CT 06115-0480

Custodian  
The Bank of New York  
One Wall Street  
New York, NY 10286

Transfer Agent  
State Street Bank & Trust Co.  
c/o EquiServe  
PO Box 8040

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Boston, MA 02266

Legal Counsel  
Rosenman & Colin LLP  
575 Madison Avenue  
New York, NY 10022

Quarterly Report

[LOGO OF ZWEIG]  
The Zweig Total  
Return Fund, Inc.

March 31, 2001

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This report is transmitted to the shareholders of The Zweig Total Return Fund, Inc. for their information. This is not a prospectus, circular or representation intended for use in the purchase of shares of the Fund or any securities mentioned in this report.

PXP 1376  
[LOGO OF PHOENIX INVESTMENT PARTNERS]

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