

## OFFICERS AND DIRECTORS

**George R. Aylward**, *President, Chairman and Chief Executive Officer*

**Carlton Neel**, *Executive Vice President*

**David Dickerson**, *Senior Vice President*

**Marc Baltuch**, *Chief Compliance Officer and Vice President*

**Moshe Luchins**, *Vice President*

**Kevin J. Carr**, *Chief Legal Officer and Secretary*

**W. Patrick Bradley**, *Treasurer and Chief Financial Officer*

**Jacqueline Porter**, *Vice President and Assistant Treasurer*

**Charles H. Brunie**, *Director*

**Wendy Luscombe**, *Director*

**Alden C. Olson, Ph.D.**, *Director*

**James B. Rogers, Jr.**, *Director*

**R. Keith Walton**, *Director*

# The Zweig Total Return Fund, Inc.

## Annual Report

December 31, 2010

### Investment Adviser

**Zweig Advisers LLC**  
900 Third Avenue  
New York, NY 10022-4793

### Fund Administrator

**VP Distributors, Inc.**  
100 Pearl Street  
Hartford, CT 06103-4506

### Custodian

**The Bank of New York Mellon**  
One Wall Street  
New York, NY 10286

### Legal Counsel

**Katten Muchin Rosenman LLP**  
575 Madison Avenue  
New York, NY 10022-2585

### Transfer Agent

**Computershare Trust Company, NA**  
P.O. Box 43010  
Providence, RI 02940-3010

### Independent Registered Public Accounting Firm

**PricewaterhouseCoopers LLP**  
2001 Market Street  
Philadelphia, PA 19103-7042

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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.

**Zweig**  
Advisers  
A VIRTUS INVESTMENT PARTNER

**VIRTUS**  
INVESTMENT PARTNERS

## FUND DISTRIBUTIONS AND MANAGED DISTRIBUTION PLAN

The Fund has a Managed Distribution Plan to pay 10% of the Fund's net asset value on an annualized basis. Distributions may represent earnings from net investment income, realized capital gains, or, if necessary, return of capital. The board believes that regular monthly, fixed cash payouts will enhance shareholder value and serve the long-term interests of shareholders. You should not draw any conclusions about the Fund's investment performance from the amount of the distributions or from the terms of the Fund's Managed Distribution Plan.

The Fund estimates that it has distributed more than its income and net realized capital gains in the fiscal year to date; therefore, a portion of your distributions may be a return of capital. A return of capital may occur, for example, when some or all of the money that you invested in the Fund is paid back to you. A return of capital distribution does not necessarily reflect the Fund's investment performance and should not be confused with "yield" or "income".

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

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

Information on the Zweig funds is available at *www.Virtus.com*. Section 19(a) notices are posted on the website at: <http://www.virtus.com/products/closed/details.aspx?type=individual&fundid=ZTR>

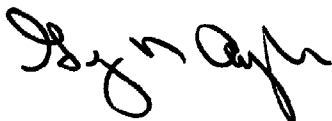
**Dear Fellow ZTR Shareholder:**

I am pleased to share with you the manager's report and commentary for the Zweig Total Return Fund, Inc. for the fiscal year ended December 31, 2010.

The Zweig Total Return Fund's net asset value increased 5.06% for the quarter ended December 31, 2010, including \$0.099 in re-invested distributions. During the same period, the Fund's Composite Index increased 4.11% including re-invested dividends. The Fund's average exposure for the quarter was approximately 40% in bonds and 29% in equities.

For the fiscal year ended December 31, 2010, the Fund's net asset value rose 7.21%, including \$0.396 in re-invested distributions. During the same period, the Fund's Composite Index increased 10.82% including re-invested dividends. The Fund's average exposure for the year was approximately 36% in bonds and 40% in equities.

Sincerely,



George R. Aylward  
*President, Chairman and  
Chief Executive Officer  
The Zweig Total Return  
Fund, Inc.*

## MARKET OVERVIEW AND OUTLOOK

### EQUITY MARKET

Marking the second year of recovery from the financial crisis, the stock market climbed higher in 2010. Gaining 7.3%<sup>(1)</sup> in the fourth quarter and 18.5%<sup>(1)</sup> for the second half, the Dow Jones Industrial Average rose 11%<sup>(1)</sup> for the year and closed at 11,577.51. The Dow ended 76.8%<sup>(1)</sup> above its low of 6,547.05 on March 9, 2009 but still lags 18%<sup>(1)</sup> below its all-time high of 14,164.53 on October 9, 2007. Increasing 6.5%<sup>(1)</sup> in December alone, the S&P 500 Index moved up 12.8%<sup>(1)</sup> for the year to finish at 1,257.64. This followed a gain of 23%<sup>(1)</sup> in 2009. Paced by its strong technology positions, the Nasdaq Composite finished at 2,652.87, a rise of 16.9%<sup>(1)</sup> for 2010.

Despite losses in the debt-challenged countries of Portugal, Italy, Ireland, Greece and Spain, the broad STOXX Europe 600 advanced 9%<sup>(1)</sup> to end 2010 at a two-year high. The biggest gainer was Germany's DAX Index, which increased 16%<sup>(1)</sup>. The U.K.'s FTSE 100 rose 9%<sup>(1)</sup>. In Asia, most markets soared but China and Japan, the two biggest economies, lost ground. The Shanghai Composite slipped 14%<sup>(1)</sup> and the Nikkei 225 Stock Average dipped 3%<sup>(1)</sup>.

Stating that he expected economic growth to be "moderately stronger this year," Federal Reserve (the "Fed") Chairman Ben S. Bernanke told Congress that "we have seen increased evidence that a self-sustaining recovery in consumer and business spending may be taking hold." However, he cautioned that employment "improved only moderately" and that "it could take four or five more years for the job market to normalize fully."

<sup>(1)</sup> Return excludes reinvested dividends

The continued weakness in hiring was evident in the Labor Department's report for December. While the jobless rate dropped to 9.4% from November's 9.8%, employers added only 103,000 jobs in December, far below the pace needed to establish a stabilized labor market. Much of the decline in the unemployment rate was attributed to the large number of discouraged people no longer seeking work.

Signs of economic strength came from the Institute of Supply Management. Its index of manufacturing activity expanded in December to 57. Figures above 50 signal expansion. The agency's barometer of service sector activities climbed to 57.1 in December, the twelfth straight month of expansion and the highest figure since May 2006.

Also encouraging was the report by the Commerce Department that new orders received by American factories, excluding transportation, rose 2.4% in November, the largest gain in eight months. October showed a 0.1% rise. Unfilled orders increased 0.6% in November after rising 0.7% in October.

Reflecting an improved economy, the nation's gross domestic product increased 2.6% in the third quarter, an upward revision of the earlier 2.5% growth estimate and significantly above the 1.7% gain in the second quarter, according to the Commerce Department. Further economic growth was indicated by the surge in U.S. exports in October, the last month for which figures are available. A 3.2% gain in exports and a 0.5% drop in imports brought the domestic trade deficit to a nine-month low of \$38.7 billion, according to the Commerce Department. October exports were the largest since August 2008, the month before the economic crisis hit.

The value of the dollar, a key factor in international trade, gained strength in 2010, with the US Dollar Index, which measures the dollar

against a basket of world currencies, gaining 1.5%. The dollar ended the year up 6.6% against the euro and 3.6% against the British pound. However the dollar dropped 12.8% against the Japanese yen.

Housing activity, a major component of the economy, presented a mixed picture. The Commerce Department reported that housing starts rose 3.9% in November to a seasonally-adjusted annual rate of 555,000 units. However new building permits declined 4% in November to the lowest level since April 2009, following a 0.9% gain in October. Sales of new homes reached a seasonally-adjusted annual rate of 290,000 against 275,000 in October but was still only at 20% of the peak level of 2005. Overall construction spending increased 0.4% in November to an annual pace of \$810.2 billion, a five-month high.

Rather than investing in expansion and hiring workers, non-financial companies in the U.S. were holding \$1.93 trillion in cash and other liquid assets at the end of September, up from \$1.8 trillion at the end of June, according to the Federal Reserve. Cash represented 7.4% of the total assets, the largest proportion since 1959.

Marking the first world-wide increase in mergers and acquisitions since the financial crisis, global volume reached \$2.74 trillion last year against \$2.2 trillion in 2009, according to Dealogic. The U.S. share was \$874.7 billion with 9,627 deals. Europe accounted for \$786.3 billion in deals and emerging markets, with 32% of the total, saw \$889.3 billion in deals. While down 4% from the third quarter of 2010, global volume in the fourth quarter grew 17% to \$738 billion from \$630.3 billion in the final quarter a year ago.

Initial public offerings also came back to life in 2010. World-wide registrations totaled 1,376 and raised \$269.4 billion, more than double the amounts in 2009 and 2008, according to Dealogic.

The U.S. saw 110 new stocks, valued at \$35.5 billion, enter the market, more than double the 2009 total of \$13.9 billion. China, with 471 offerings, raised \$104.4 billion, dominating the market. China alone raised more money than the U.S. and Europe combined.

While U.S. consumer spending increased 0.4% in November from October, the pace of inflation remained subdued. The consumer price index rose only 0.1% in November and was up 1.1% for the year, according to the Labor Department. The core measurement, which excludes volatile food and energy prices, also gained 0.1% for the month and was only 0.8% higher than a year ago. The Producer Price Index rose 0.8% in November and was 3.5% above a year earlier. However the producer price core gauge was only 1.2% above the 2009 level.

Consumer confidence slipped in November but stock market analysts and investors remained very bullish. The Conference Board reported that its index of consumer attitudes fell to 52.5 in December from an upward revised 54.3 in November. Expressing more positive views, advisors surveyed by Investors Intelligence showed 56% bulls at the year-end and only 20% bears. Similar views were reported by members of the American Institute of Investors, which had 62% bulls and 20% bears. These figures show a stronger bullish sentiment than at the end of the third quarter when analysts stood at 43% bulls and 28% bears and investors at 42% bulls and 32% bears. We believe that these readings indicate an excess of optimism which is not good for the market.

A less optimistic outlook prevailed for company earnings. Analysts expect profits to rise by

13.4% this year, far below the projected increase of 37.8% for 2010, according to Thomson Reuters. The higher profits last year were largely driven by cost savings by companies. During the recession they became lean and mean, laying off workers and concentrating on reducing expenditures. Consequently, earnings climbed substantially. However, as the latest forecast from analysts shows, they will not rise forever.

Based on estimated earnings, Bloomberg News reported that stocks in the S&P 500 were trading at a price/earnings ratio of 15.03 on December 31, 2010 against 15.92 on September 30 and 19.61 at the end of 2009. The P/Es for trailing twelve-month earnings were 21.25, 21.35 and 16.99 respectively. The declines in P/E's during the year reflect the higher earnings even though the market went up. On the surface, the valuations appear reasonable but they are not cheap.

Looking forward, the major problem, as we mentioned earlier, is too much optimism. As a result, our sentiment indicator is negative. With the market continuing to rise slowly, our tape indicator is fine. Our monetary indicator, which depends largely on Fed actions, is okay. At the moment the Fed is buying bonds and definitely not tightening, holding short-term interest rates near zero. Given our policy not to fight the tape or the Fed, we have these two factors going for us. However, there still is excessive optimism to worry about.

Because of our nervousness about the sentiment data, our market posture is somewhat better than neutral but less than moderately bullish. After cutting back recently from 80%, we are currently at about 75% invested.

## BOND MARKET

Last year turned out to be much better for bonds than most economists and strategists expected. The benchmark 10-year Treasury began 2010 at a yield of 3.84% and traded upward briefly to nearly 4% in early April when the economy seemed to be gaining momentum. (Yields move in the opposite direction from price - when bond yields rise, bond prices fall.) It then began a huge rally as data showed the broad economy struggling. Ultimately the yield on the 10-year Treasury hit a low of 2.38% in early October as discussion of a possible “double dip” mounted and anemic job growth created further worries about the recovery.

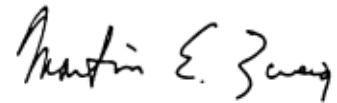
However, as corporate earnings and retail sales came in stronger than expected, the bond market sold off, with yields rising to 3.30% on the 10-year Treasury by the end of 2010. Overall, the actual return on the 10-year Treasury was 7.9%, including both coupon yield and price appreciation. The broad index of the Barclay’s Government had a total return of 5.53%.

Given that stocks also had a good year, with an especially upbeat second half, it is not surprising that corporate bonds out-performed Treasury bonds in 2010. Generally, the lowest credit ratings (junk bonds) did best, with higher credit bonds not faring quite as well. Treasury Inflation Protected Securities (TIPS) slightly underperformed their plain vanilla counterparts. However, the difference was very small by the end of the year as deflation fears abated and commodity prices rose, invoking the spectre of inflation.

Overall, the year could be viewed as an economic disappointment, which generally leads to better bond prices. In addition, the Fed’s policy of “quantitative easing” also supported bonds across the risk spectrum. While this program will not last indefinitely, the Fed appears to have an easy money policy, under which asset prices should remain firm.

The Fund’s bond portfolio did not change much during the fourth quarter. Our bonds have a relatively low duration, (a measure of sensitivity to interest rates) and we hold a diversified mix of corporate bonds, Treasury bonds of various maturities and TIPS. While the low duration curtailed performance somewhat, the corporate exposure helped as did sales of bonds at lower yield levels (higher prices) during the year. The bond model remained cautious and, given the recent sharp end-of-year selloff in bonds, we remain marginally more on the sidelines. If the Fed is willing to err on the side of inflation (rather than risk deflation), bonds will likely struggle in the future. As a result, we are taking a cautious stand on the bond portfolio in the new year.

Sincerely,



Martin E. Zweig, Ph.D.  
President  
Zweig Consulting LLC

*The preceding information is the opinion of portfolio management. Past performance is no guarantee of future results, and there is no guarantee that market forecasts will be realized.*

*For information regarding the indexes cited, and key investment terms used in this report see page 7.*

*As interest rates rise, bond prices fall. As such, this Fund’s share value may decline substantially and it is possible to lose a significant portion of your principal when interest rates rise.*

## PORTFOLIO COMPOSITION

The Fund's leading equity sectors on December 31, 2010 included Information Technology, Energy, Materials, Consumer Discretionary, and Industrials. Although the percentages held varied, all of the above were in our previous listing. During the quarter, we added to our positions in Financials and Materials and reduced our holdings in Telecommunications and Health Care.

Our leading individual positions on December 31, 2010 included Altria, Chevron, ConocoPhillips, DuPont, Hudson City Bancorp, McDonald's, Nokia, Nucor, PepsiCo, and Verizon. All of the above, with the exception of Nokia, Nucor, and PepsiCo, appeared in our previous listing. During the quarter, we added to our positions in Nokia and Nucor but there were no changes in PepsiCo shares held.

No longer among our top holdings are AT&T, Exelon, and Johnson & Johnson, where we eliminated our positions.

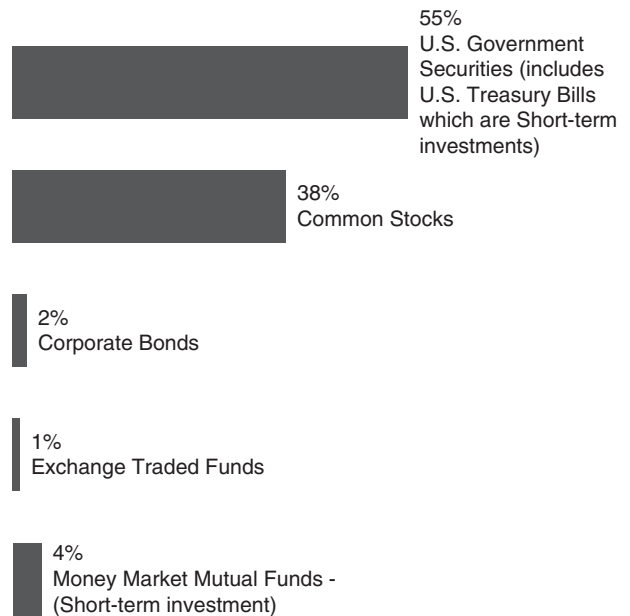
Sincerely,



Carlton Neel  
*Executive Vice President  
Zweig Advisers, LLC*

## Asset Allocation as of December 31, 2010

The following graph illustrates asset allocations within certain sectors and as a percentage of total investments as of December 31, 2010.



## Key Investment Terms

**American Depositary Receipt (ADR):** Represents shares of foreign companies traded in U.S. dollars on U.S. exchanges that are held by a U.S. bank or a trust. Foreign companies use ADRs in order to make it easier for Americans to buy their shares.

**Barclay's Government Index:** Measures the investment return of all medium and longer public issues of U.S. treasury, agency, investment-grade corporate, and investment-grade international dollar denominated bonds with maturities longer than 10 years. The average maturity is approximately 20 years.

**Commerce Department:** The cabinet department in the U.S. Government that deals with business, trade and commerce. Its objective is to foment higher standards of living for Americans through the creations of jobs. It aims to achieve this by promoting an infrastructure of monetary and economic growth, competitive technology and favorable international trade.

**Conference Board Report:** Widely followed economic indicators, particularly the Consumer Confidence Index ("CCI"). The Conference Board also connects some 2,000 companies via forums and peer-to-peer meetings to discuss what matters to companies today: issues such as top-line growth in a shifting economic environment and corporate governance standards.

**Consumer Price Index (CPI):** Measures the pace of inflation by measuring the change in consumer prices of goods and services, including housing, electricity, food, and transportation, as determined by a monthly survey of the U.S. Bureau of Labor Statistics. Also called the cost-of-living index.

**DAX Index:** A total return index of 30 selected German blue chip companies traded on the Frankfurt Stock exchange. It is a free float weighted index.

**Dealogic:** Provides technology, data analytics, and consulting services platform to Investment Bank and Capital Markets professionals.

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

**Duration:** A measure of a fixed income fund's sensitivity to interest rate changes. For example, if a fund's duration is 5 years, a 1% increase in interest rates would result in a 5% decline in the fund's price. Similarly, a 1% decline in interest rates would result in a 5% gain in the fund's price.

**Federal Reserve:** The central bank of the United States, responsible for controlling the money supply, interest rates and credit with the goal of keeping the U.S. economy and currency stable. Governed by a seven-member board, the system includes 12 regional Federal Reserve Banks, 25 branches and all national and state banks that are part of the system.

**FTSE 100 Index:** A capitalization weighted index of the 100 most capitalized companies traded on the London Stock Exchange.

**Gross domestic product (GDP):** An important measure of the United States' economic performance, GDP is the total market value of all final goods and services produced in the U.S. during any quarter or year.

**Inflation:** Rise in the prices of goods and services resulting from increased spending relative to the supply of goods on the market.

**Initial public offering (IPO):** A company's first sale of stock to the public.

**Institute for Supply Management (ISM) Report on Business<sup>®</sup>:** An economic forecast, released monthly, that measures U.S. manufacturing conditions and is arrived at by surveying 300 purchasing professionals in the manufacturing sector representing 20 industries in all 50 states.

**Investors Intelligence Survey:** A weekly survey published by Chartcraft, an investment services company, of the current sentiment of approximately 150 market newsletter writers. Participants are classified into three categories: bullish, bearish or waiting for a correction.

**NASDAQ Composite® Index:** A market capitalization-weighted index of all issues listed in the NASDAQ (National Association Of Securities Dealers Automated Quotation System) Stock Market, except for closed-end funds, convertible debentures, exchange traded funds, preferred stocks, rights, warrants, units and other derivative securities. The index is calculated on a total return basis with dividends reinvested.

**Nikkei 225 Stock Average:** A price weighted average of 225 top-rated Japanese companies listed in the First Section of the Tokyo Stock Exchange.

**Price-to-earnings ratio (P/E):** A valuation measure calculated by dividing a stock's price by its current or projected earnings per share. The P/E ratio gives an idea of how much an investor is paying for current or future earnings power.

**Producer Price Index (PPI):** Measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services.

**S&P 500® Index:** A free-float market capitalization-weighted index of 500 of the largest U.S. companies. The index is calculated on a total return basis with dividends reinvested.

**Shanghai Composite Index:** A capitalization weighted index that tracks the daily price performance of all A shares and B shares listed on the Shanghai Stock Exchange.

**STOXX Europe 600 Index:** A broad based capitalization weighted index of European based stocks. It is a free float weighted index.

**The Zweig Total Return Fund Composite Index:** A composite index consisting of 50% Barclays Capital U.S. Government Bond Index (formerly Lehman Brothers Government Bond Index) and 50% S&P 500® Index.

**Thomson Reuters:** An information company that supplies news services to newspapers, news agencies, broadcasters and other media subscribers as well as to businesses governments, institutions, and individuals.

**Treasury-Inflation Protected Securities (TIPS):** U.S. Treasury bonds and notes whose value is adjusted according to changes to the inflation rate daily, as measured by the consumer price index. As inflation occurs, the value of TIPS increases.

*Indexes cited are unmanaged and not available for direct investment; therefore their performance does not reflect the expenses associated with the active management of an actual portfolio.*

# THE ZWEIG TOTAL RETURN FUND, INC.

## SCHEDULE OF INVESTMENTS

December 31, 2010

(\$ reported in thousands)

	<u>Par</u>	<u>Value</u>
<b>INVESTMENTS</b>		
<b>U.S. GOVERNMENT SECURITIES</b>	<b>26.6%</b>	
U.S. Treasury Inflation Indexed Notes		
1.625%, 1/15/15 <sup>(4)</sup> .....	\$ 28,000	\$ 34,198
2.000%, 1/15/16 <sup>(4)</sup> .....	25,000	29,997
2.375%, 1/15/17 <sup>(4)</sup> .....	31,000	37,464
U.S. Treasury Note 4.000%, 11/15/12 .....	18,500	19,695
<b>Total U.S. Government Securities</b>		
(Identified Cost \$107,766) .....		<u>121,354</u>
<b>CORPORATE BONDS</b>	<b>2.2%</b>	
<b>INDUSTRIALS — 2.2%</b>		
CSX Corp. 6.250%, 3/15/18 .....	4,000	4,589
Ingersoll-Rand Global Holding Co., Ltd. 6.875%, 8/15/18 .....	4,814	5,540
<b>Total Corporate Bonds</b>		
(Identified Cost \$8,259) .....		<u>10,129</u>
	<b>Number of</b>	<b>Value</b>
	<b>Shares</b>	
<b>COMMON STOCKS</b>	<b>37.7%</b>	
<b>CONSUMER DISCRETIONARY — 4.3%</b>		
AutoZone, Inc. <sup>(2)</sup> .....	8,000	\$ 2,181
Best Buy Co., Inc. ....	96,000	3,292
Comcast Corp. Class A .....	174,000	3,823
Darden Restaurants, Inc. <sup>(5)</sup> .....	80,000	3,715
Lululemon Athletica, Inc. <sup>(2)</sup> .....	36,000	2,463
McDonald's Corp. ....	56,000	4,298
		<u>19,772</u>
<b>CONSUMER STAPLES — 2.1%</b>		
Altria Group, Inc. ....	215,000	5,293
PepsiCo, Inc. ....	67,000	4,377
		<u>9,670</u>

See notes to financial statements

	<u>Number of Shares</u>	<u>Value</u>
<b>ENERGY — 7.5%</b>		
Chesapeake Energy Corp. ....	161,000	\$ 4,172
Chevron Corp. ....	55,000	5,019
ConocoPhillips ....	75,000	5,107
El Paso Corp. ....	181,000	2,491
Halliburton Co. ....	86,000	3,511
Massey Energy Co. ....	60,000	3,219
Occidental Petroleum Corp. ....	37,000	3,630
Petroleo Brasileiro S.A. ADR ....	87,000	3,292
Williams Cos., Inc. (The) ....	160,000	3,955
		<u>34,396</u>
<b>FINANCIALS — 3.1%</b>		
Bank of America Corp. ....	204,000	2,721
Citigroup, Inc. <sup>(2)</sup> ....	499,000	2,360
Goldman Sachs Group, Inc. (The) ....	21,000	3,531
Hudson City Bancorp, Inc. ....	433,000	5,517
		<u>14,129</u>
<b>HEALTH CARE — 1.7%</b>		
Biogen Idec, Inc. <sup>(2)</sup> ....	33,000	2,212
Gilead Sciences, Inc. <sup>(2)</sup> ....	62,000	2,247
UnitedHealth Group, Inc. ....	90,000	3,250
		<u>7,709</u>
<b>INDUSTRIALS — 4.2%</b>		
Alaska Air Group, Inc. <sup>(2)</sup> ....	39,000	2,211
Caterpillar, Inc. ....	41,000	3,840
DryShips, Inc. <sup>(2)(5)</sup> ....	374,000	2,057
Foster Wheeler AG <sup>(2)</sup> ....	62,000	2,140
L-3 Communications Holdings, Inc. ....	49,000	3,454
Union Pacific Corp. ....	36,000	3,336
United Continental Holdings, Inc. <sup>(2)(5)</sup> ....	80,000	1,906
		<u>18,944</u>
<b>INFORMATION TECHNOLOGY — 8.4%</b>		
Amkor Technology, Inc. <sup>(2)(5)</sup> ....	302,000	2,232
Cisco Systems, Inc. <sup>(2)</sup> ....	96,000	1,942
Corning, Inc. ....	192,000	3,709
Hewlett-Packard Co. ....	75,000	3,158
Intel Corp. ....	192,000	4,038
International Business Machines Corp. ....	23,000	3,375
Microsoft Corp. ....	140,000	3,909
Nokia Oyj Sponsored ADR <sup>(5)</sup> ....	453,000	4,675

See notes to financial statements

	<u>Number of Shares</u>	<u>Value</u>
<b>INFORMATION TECHNOLOGY (CONTINUED)</b>		
QUALCOMM, Inc. ....	74,000	\$ 3,662
Research In Motion Ltd. <sup>(2)</sup> .....	38,000	2,209
SanDisk Corp. <sup>(2)</sup> .....	45,000	2,244
Visa, Inc. Class A .....	43,000	3,026
		<u>38,179</u>
<b>MATERIALS — 5.2%</b>		
Alcoa, Inc. ....	251,000	3,863
Du Pont (E.I.) de Nemours & Co. ....	91,000	4,539
Freeport-McMoRan Copper & Gold, Inc. ....	32,000	3,843
Monsanto Co. ....	53,000	3,691
Nucor Corp. ....	120,000	5,259
Potash Corp. of Saskatchewan, Inc. ....	16,000	2,477
		<u>23,672</u>
<b>TELECOMMUNICATION SERVICES — 1.2%</b>		
Verizon Communications, Inc. ....	157,000	5,618
		<u>5,618</u>
<b>Total Common Stocks</b>		
(Identified Cost \$148,036) .....		<u>172,089</u>
<b>EXCHANGE-TRADED FUNDS 0.7%</b>		
Templeton Dragon Fund, Inc. ....	108,000	3,317
<b>Total Exchange-Traded Funds</b>		
(Identified Cost \$1,797) .....		<u>3,317</u>
<b>Total Long Term Investments — 67.2%</b>		
(Identified Cost \$265,858) .....		<u>306,889</u>
	<u>Par</u>	
<b>SHORT-TERM INVESTMENTS 32.6%</b>		
<b>U.S. TREASURY BILLS<sup>(3)</sup> — 28.4%</b>		
0.180%, 2/24/11 <sup>(5)</sup> .....	\$ 5,000	4,999
0.165%, 4/21/11 .....	58,000	57,976
0.190%, 6/2/11 .....	27,000	26,983
0.227%, 9/22/11 .....	40,000	39,936
		<u>129,894</u>

See notes to financial statements

	<u>Number of Shares</u>	<u>Value</u>
<b>MONEY MARKET MUTUAL FUNDS — 4.2%</b>		
Dreyfus Cash Management Fund — Institutional Shares (seven-day effective yield 0.140%) .....	19,145,174	\$ 19,145
		<u>19,145</u>
<b>Total Short-Term Investments</b> (Identified Cost \$149,026) .....		<u>149,039</u>
<b>SECURITIES LENDING COLLATERAL 3.0%</b>		
Dreyfus Institutional Cash Advantage Fund (seven-day effective yield 0.180%)(6) .....	13,907,000	13,907
		<u>13,907</u>
<b>Total Securities Lending Collateral</b> (Identified Cost \$13,907) .....		<u>13,907</u>
<b>Total Investments</b> (Identified Cost \$428,791) — <b>102.8%</b> .....		469,835 <sup>(1)</sup>
<b>Other Assets and Liabilities, Net — (2.8%)</b> .....		<u>(12,800)</u>
<b>Net Assets — 100.0%</b> .....		<u><u>457,035</u></u>

**(Reported in thousands)**

The following table provides a summary of inputs used to value the Fund's net assets as of December 31, 2010 (See Security Valuation Note 2A in the Notes to Financial Statements.):

	<u>Total Value at December 31, 2010</u>	<u>Level 1 Quoted Prices</u>	<u>Level 2 Significant Observable Inputs</u>
Debt Securities:			
U.S. Government Securities (includes short-term investments) .....	\$251,248	\$ —	\$251,248
Corporate Bonds .....	10,129	—	10,129
Equity Securities:			
Common Stocks .....	172,089	172,089	—
Exchange-Traded Funds .....	3,317	3,317	—
Money Market Mutual Funds .....	19,145	19,145	—
Securities Lending Collateral .....	<u>13,907</u>	<u>13,907</u>	<u>—</u>
Total .....	<u>\$469,835</u>	<u>\$208,458</u>	<u>\$261,377</u>

There are no Level 3 (significant unobservable inputs) priced securities.

- 
- (1) Federal Income Tax Information: For tax information at December 31, 2010, see Note 9 Federal Income Tax Information in the Notes to Financial Statements.
  - (2) Non-income producing.
  - (3) The rate shown is the discount rate.
  - (4) Principal amount is adjusted daily pursuant to the change in the Consumer Price Index.
  - (5) All or a portion of security is on loan.
  - (6) Represents security purchased with cash collateral received for securities on loan.

See notes to financial statements

# THE ZWEIG TOTAL RETURN FUND, INC.

## STATEMENT OF ASSETS AND LIABILITIES

December 31, 2010

(Reported in thousands except shares outstanding and per share amounts)

### ASSETS

Investment securities at value (Identified Cost \$428,791) .....	\$469,835
Receivables:	
Dividends and interest .....	1,397
Prepaid expenses .....	<u>177</u>
Total Assets .....	<u>471,409</u>

### LIABILITIES

Payables:	
Collateral on securities loaned .....	13,907
Investment advisory fee .....	270
Administration fee .....	25
Professional fees .....	68
Transfer agent fee .....	9
Other accrued expenses .....	<u>95</u>
Total Liabilities .....	<u>14,374</u>

**NET ASSETS** \$457,035

### NET ASSET VALUE PER SHARE

(\$457,035/114,594,744) .....

	<u>\$ 3.99</u>
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### Net Assets Consist of:

Capital paid in on shares of beneficial interest .....	\$419,039
Accumulated undistributed net investment income (loss) .....	452
Accumulated net realized gain (loss) .....	(3,500)
Net unrealized appreciation (depreciation) .....	<u>41,044</u>

**Net Assets** .....

	<u>\$457,035</u>
--	------------------

See notes to financial statements

# THE ZWEIG TOTAL RETURN FUND, INC.

## STATEMENT OF OPERATIONS

Year Ended December 31, 2010

(Reported in thousands)

### INVESTMENT INCOME

#### Income

Interest .....	\$ 6,179
Dividends (net of foreign taxes withheld of \$33) .....	4,200
Security lending .....	<u>4</u>
Total Investment Income .....	<u>10,383</u>

#### Expenses

Investment advisory fees .....	3,175
Administration fees .....	295
Printing fees and expenses .....	569
Professional fees .....	323
Directors' fees .....	171
Transfer agent fees and expenses .....	138
Custodian fees .....	13
Miscellaneous expenses .....	<u>295</u>
Total Expenses .....	<u>4,979</u>
Net Investment Income .....	<u>5,404</u>

### NET REALIZED AND UNREALIZED GAIN (LOSSES)

#### Net realized gain (loss) on:

Investments .....	13,215
-------------------	--------

#### Net change in unrealized appreciation (depreciation) on:

Investments .....	<u>10,578</u>
-------------------	---------------

Net realized and unrealized gain (loss) .....	<u>23,793</u>
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Net increase (decrease) in net assets resulting from operations .....	<u><u>\$29,197</u></u>
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See notes to financial statements

# THE ZWEIG TOTAL RETURN FUND, INC.

## STATEMENT OF CHANGES IN NET ASSETS

(Reported in thousands)

	<u>For the Year Ended December 31, 2010</u>	<u>For the Year Ended December 31, 2009</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>		
<b>Operations</b>		
Net investment income .....	\$ 5,404	\$ 6,280
Net realized gain (loss) .....	13,215	(12,806)
Net change in unrealized appreciation (depreciation) ...	<u>10,578</u>	<u>66,356</u>
Net increase in net assets resulting from operations .....	<u>29,197</u>	<u>59,830</u>
<b>Dividends and distributions to shareholders from</b>		
Net investment income .....	(5,513)	(6,825)
Net realized short-term gains .....	(8,649)	(357)
Net realized long-term gains .....	(616)	(27)
Tax return of capital .....	<u>(30,601)</u>	<u>(38,171)</u>
Total dividends and distributions to shareholders ..	<u>(45,379)</u>	<u>(45,380)</u>
Net increase (decrease) in net assets .....	(16,182)	14,450
<b>NET ASSETS</b>		
Beginning of period .....	<u>473,217</u>	<u>458,767</u>
End of period .....	<u>\$457,035</u>	<u>\$473,217</u>
Accumulated undistributed net investment income (loss) at end of period .....	\$ 452	\$ 563

See notes to financial statements

# THE ZWEIG TOTAL RETURN FUND, INC.

## FINANCIAL HIGHLIGHTS

(Selected data for a share outstanding throughout each period)

	Year Ended December 31,				
	2010	2009	2008	2007	2006
<b>Per Share Data</b>					
Net asset value, beginning of period	\$ 4.13	\$ 4.00	\$ 4.97	\$ 5.11	\$ 5.28
<b>Income from Investment Operations</b>					
Net investment income (loss) <sup>(3)</sup>	0.05	0.05	0.07	0.12	0.13
Net realized and unrealized gains (losses)	0.21	0.48	(0.58)	0.26	0.22
Total from investment operations	0.26	0.53	(0.51)	0.38	0.35
<b>Dividends and Distributions</b>					
Dividends from net investment income	(0.05)	(0.06)	(0.10)	(0.14)	(0.15)
Distributions from net realized gains	(0.08)	(0.01)	(0.06)	(0.15)	(0.07)
Tax return of capital	(0.27)	(0.33)	(0.30)	(0.21)	(0.30)
Total dividends and distributions	(0.40)	(0.40)	(0.46)	(0.50)	(0.52)
Dilutive effect on net assets as a result of rights offering	—	—	— <sup>(6)</sup>	(0.02) <sup>(4)</sup>	—
Change in net asset value	(0.14)	0.13	(0.97)	(0.14)	(0.17)
Net asset value, end of period	\$ 3.99	\$ 4.13	\$ 4.00	\$ 4.97	\$ 5.11
Market value, end of period <sup>(1)</sup>	\$ 3.56	\$ 3.91	\$ 3.37	\$ 4.53	\$ 5.89
Total investment return <sup>(2)</sup>	1.04%	29.74%	(16.90)%	(14.99)% <sup>(5)</sup>	39.23%
Total return on Net Asset Value <sup>(7)</sup>	7.21%	15.46%	(10.09)%	7.93%	7.29%
<b>Ratios/Supplemental Data:</b>					
Net assets, end of period (in thousands)	\$457,035	\$473,217	\$458,767	\$569,656	\$476,846
Ratio of expenses to average net assets (excluding dividends on short sales)	1.10%	1.14%	1.03%	0.96%	1.00%
Ratio of expenses to average net assets (including dividends on short sales)	1.10%	1.14%	1.03%	0.96%	1.01%
Ratio of net investment income to average net assets	1.19%	1.38%	1.66%	2.46%	2.47%
Portfolio turnover rate	25%	35%	61%	36%	22%

For explanations of the Footnotes see page 17.

See notes to financial statements

- 
- (1) Closing Price — New York Stock Exchange.
  - (2) Total investment return is calculated assuming a purchase of a share of the Fund's common stock at the opening NYSE share price on the first business day and a sale at the closing NYSE share price on the last business day of each period reported. Dividends and distributions, if any, are assumed for the purpose of this calculation, to be reinvested at prices obtained under the Fund's Automatic Reinvestment and Cash Purchase Plan. Generally, total investment return based on net asset value will be higher than total investment return based on market value in periods where there is an increase in the discount or a decrease in the premium of the market value to the net assets from the beginning to the end of such periods. Conversely, total investment return based on net asset value will be lower than total investment return based on market value in periods where there is a decrease in the discount or an increase in the premium of the market value to the net asset value from the beginning to the end of such periods.
  - (3) Computed using average shares outstanding.
  - (4) Shares were sold at a 5% discount from a 5-day average market price from 5/14/07 to 5/18/07.
  - (5) Total investment return includes the dilutive effect of the rights offering. Without this effect, the total investment return would have been (13.82)%.
  - (6) Amount is less than \$0.005.
  - (7) NAV return is calculated using the opening Net Asset Value price of the Fund's common stock on the first business day and the closing Net Asset Value price of the Fund's common stock on the last business day of each period reported. Dividends and distributions, if any, are assumed for the purpose of this calculation, to be reinvested at prices obtained under the Fund's Automatic Reinvestment and Cash Purchase Plan.

See notes to financial statements

# THE ZWEIG TOTAL RETURN FUND, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

### NOTE 1 — ORGANIZATION

The Zweig Total Return Fund, Inc. (the “Fund”) is a closed-end, diversified management investment company registered under the Investment Company Act of 1940 (the “Act”). The Fund was incorporated under the laws of the State of Maryland on July 21, 1988. The Fund’s investment objective is to seek the highest total return, consisting of capital appreciation and current income, consistent with the preservation of capital.

### NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates and those differences could be significant.

#### A. Security Valuation:

Security Valuation procedures for the funds have been approved by the Board of Trustees. All internally fair valued securities referred to below are approved by a valuation committee appointed under the direction of the Board of Trustees.

The Fund utilizes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels.

- Level 1 — quoted prices in active markets for identical securities
- Level 2 — prices determined using other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 — prices determined using significant unobservable inputs (including the valuation committee’s own assumptions in determining the fair value of investments)

A description of the valuation techniques applied to the Fund’s major categories of assets and liabilities measured at fair value on a recurring basis is as follows:

Equity securities are valued at the official closing price (typically last sale) on the exchange on which the securities are primarily traded, or if no closing price is available, at the last bid price and are categorized as Level 1 in the hierarchy. Restricted equity securities and private placements that are not widely traded, are illiquid or are internally fair valued by the valuation committee, are generally categorized as Level 3 in the hierarchy.

Certain foreign securities may be fair valued in cases where closing prices are not readily available or are deemed not reflective of readily available market prices. For example, significant events (such as movement in the U.S. securities market, or other regional and local developments) may occur between the time that foreign markets close (where the security is principally traded) and the time that the Fund

calculates its net asset value (generally, the close of the NYSE) that may impact the value of securities traded in these foreign markets. In such cases the Fund fair values foreign securities using an external pricing service which considers the correlation of the trading patterns of the foreign security to the intraday trading in the U.S. markets for investments such as American Depositary Receipts, financial futures, exchange-traded funds, and certain indexes as well as prices for similar securities. Such fair valuations are categorized as Level 2 in the hierarchy. Because the frequency of significant events is not predictable, fair valuation of certain Foreign Common stocks may occur on a frequent basis.

Debt securities, including restricted securities, are valued based on evaluated quotations received from independent pricing services or from dealers who make markets in such securities. For most bond types, the pricing service utilizes matrix pricing which considers yield or price of bonds of comparable quality, coupon, maturity, current cash flows, type, and current day trade information, as well as dealer supplied prices. These valuations are generally categorized as Level 2 in the hierarchy. Structured debt instruments such as Mortgage-Backed and Asset-Backed securities may also incorporate collateral analysis and utilize cash flow models for valuation and are generally categorized as Level 2 in the hierarchy. Pricing services do not provide pricing for all securities and therefore dealer supplied prices are utilized representing indicative bids based on pricing models used by market makers in the security and are generally categorized as Level 2 in the hierarchy. Debt securities that are not widely traded, are illiquid, or are internally fair valued by the valuation committee are generally categorized as Level 3 in the hierarchy.

Listed derivatives that are actively traded are valued based on quoted prices from the exchange and are categorized as Level 1 in the hierarchy. Over the counter (OTC) derivative contracts, which include forward currency contracts and equity linked instruments are valued based on inputs observed from actively quoted markets and are categorized as Level 2 in the hierarchy.

Investments in open-end mutual funds are valued at their closing net asset value determined as of the close of business of the New York Stock Exchange (generally 4:00 p.m. Eastern time) each business day and are categorized as Level 1 in the hierarchy.

Short-term Notes having a remaining maturity of 60 days or less are valued at amortized cost, which approximates market and are generally categorized as Level 2 in the hierarchy.

A summary of the inputs used to value the Fund's major categories of assets and liabilities, which primarily include investments of the Fund, by each major security type is disclosed at the end of the Schedule of Investments for the Fund. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

## **B. Security Transactions and Related Income:**

Security transactions are recorded on the trade date. Dividend income is recorded on the ex-dividend date, or in the case of certain foreign securities, as soon as the Fund is notified. Interest income is recorded on the accrual basis. The Fund amortizes premiums and accretes discounts using the effective interest method. Realized gains and losses are determined on the identified cost basis.

## **C. Security Lending (\$ reported in thousands):**

The Fund may loan securities to qualified brokers through an agreement with The Bank of New York Mellon ("BNY Mellon"). Under the terms of the agreement, the Fund is required to maintain collateral with a market value not less than 100% of the market value of loaned securities. Collateral is adjusted daily in connection with changes in the market value of securities on loan. Collateral may consist

of cash and U.S. Government Securities. Cash collateral is invested in a short-term money market fund. Dividends earned on the collateral and premiums paid by the broker are recorded as income by the Fund net of fees and rebates charged by BNY Mellon for its services in connection with this securities lending program. Lending portfolio securities involves a risk of delay in the recovery of the loaned securities or in the foreclosure on collateral.

At December 31, 2010, the Fund had securities on loan with a market value of \$15,076 for which the Fund received cash collateral of \$13,907 and U.S. Government Securities Collateral of \$1,527.

#### **D. Income Taxes:**

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

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

The Fund follows the authoritative guidance on accounting for and disclosure of uncertainty in tax positions, which requires the Fund to determine whether a tax position is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Fund has determined that there was no effect on the financial statements from the following of this authoritative guidance. The Fund does not expect that the total amount of unrecognized tax benefits will materially change over the next twelve months. The Fund files tax returns as prescribed by the tax laws of the jurisdictions in which they operate. In the normal course of business, the Fund is subject to examination by federal, state and local jurisdictions, where applicable. As of December 31, 2010, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations is from the year 2007 forward (with limited exceptions).

#### **E. Dividends and Distributions to Shareholders:**

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

The Fund has a Managed Distribution Plan to pay 10 percent of the Fund's net asset value ("NAV") on an annualized basis. Distributions may represent earnings from net investment income, realized capital gains, or, if necessary, return of capital. Shareholders should not draw any conclusions about the Fund's investment performance from the terms of the Fund's Managed Distribution Plan.

## **F. Foreign Currency Translation:**

Foreign securities and other assets and liabilities are valued using the foreign currency exchange rate effective at the end of the reporting period. Cost of investments is translated at the currency exchange rate effective at the trade date. The gain or loss resulting from a change in currency exchange rates between the trade and settlement dates of a portfolio transaction is treated as a gain or loss on foreign currency. Likewise, the gain or loss resulting from a change in currency exchange rates between the date income is accrued and paid is treated as a gain or loss on foreign currency. The Fund does not isolate that portion of the results of operations arising from changes in exchange rates and that portion arising from changes in the market prices of securities.

## **NOTE 3 — INVESTMENT ADVISORY FEES AND OTHER TRANSACTIONS WITH AFFILIATES**

### **(\$ reported in thousands unless otherwise noted)**

Zweig Advisers LLC, (the “Adviser”) an indirect wholly-owned subsidiary of Virtus Investment Partners, Inc. (“Virtus”), is the adviser to the Fund.

**a) Investment Advisory Fee:** The Investment Advisory Agreement (the “Agreement”) between the Adviser and the Fund provides that, subject to the direction of the Board of Directors of the Fund and the applicable provisions of the Act, the Adviser is responsible for the actual management of the Fund’s portfolio. The responsibility for making decisions to buy, sell, or hold a particular investment rests with the Adviser, subject to review by the Board of Directors and the applicable provisions of the Act. For the services provided by the Adviser under the Agreement, the Fund pays the Adviser a monthly fee equal to, on an annual basis, 0.70% of the Fund’s average daily net assets. During the fiscal year ended (the “period”) December 31, 2010, the Fund incurred advisory fees of \$3,175.

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

**b) Administration Fee:** VP Distributors, Inc., an indirect wholly-owned subsidiary of Virtus, serves as the Fund’s Administrator (the “Administrator”) pursuant to an Administration Agreement. During the year ended December 31, 2010, the Fund incurred Administration fees of \$295. A portion of these fees are paid to an external service provider.

**c) Directors Fee (\$ not reported in thousands):** During the period the Fund paid each Director, who is not an interested person of the Fund or the Adviser, a fee of \$11,000 per year plus \$1,500 per Director for each committee meeting attended, together with the out-of-pocket costs relating to attendance at such meetings. The co-lead Directors are paid an additional \$10,000 retainer each per year in lieu of compensation for executive committee meetings. The Audit Committee chairperson is paid an additional fee of \$5,000 per year. Any Director of the Fund who is an interested person of the Fund or the Adviser receives no remuneration from the Fund.

**NOTE 4 — PURCHASES AND SALES OF SECURITIES:**

**(\$ reported in thousands)**

Purchases and sales of securities (excluding U.S. Government and agency securities and short-term securities) for the year ended December 31, 2010, were as follows:

Purchases .....	\$ 83,529
Sales .....	125,824

Purchases and sales of long-term U.S. Government and agency securities for the year ended December 31, 2010, were as follows:

Purchases .....	\$ —
Sales .....	51,903

**NOTE 5 — INDEMNIFICATIONS**

Under the Fund’s organizational documents and related agreements, its directors and officers are indemnified against certain liabilities arising out of the performance of their duties to the Fund. In addition, the Fund enters into contracts that contain a variety of indemnifications. The Fund’s maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these arrangements.

**NOTE 6 — CAPITAL STOCK AND REINVESTMENT PLAN**

At December 31, 2010, the Fund had one class of common stock, par value \$0.001 per share, of which 500,000,000 shares are authorized and 114,594,744 shares are outstanding.

Registered shareholders may elect to have all distributions paid by check mailed directly to the shareholder by Computershare as dividend paying agent. Pursuant to the Automatic Reinvestment and Cash Purchase Plan (the “Plan”), shareholders not making such election will have all such amounts automatically reinvested by Computershare, as the Plan agent, in whole or fractional shares of the Fund, as the case may be. During the periods ended December 31, 2010 and December 31, 2009, there were no shares issued pursuant to the Plan.

On December 20, 2010, the Fund announced a distribution of \$0.033 per share to shareholders of record on December 31, 2010. This distribution has an ex-dividend date of January 4, 2011, and is payable on January 10, 2011. Please see inside front cover for more information on the Fund’s distributions.

**NOTE 7 — CREDIT RISK AND ASSET CONCENTRATIONS**

In countries with limited or developing markets, investments may present greater risks than in more developed markets and the prices of such investments may be volatile. The consequences of political, social or economic changes in these markets may have disruptive effects on the market prices of these investments and the income they generate, as well as the Fund’s ability to repatriate such amounts.

The Fund may invest a high percentage of its assets in specific sectors of the market in its pursuit of a greater investment return. Fluctuations in these sectors of concentration may have a greater impact on the Fund, positive or negative, than if the Fund did not concentrate its investments in such sectors.

#### **NOTE 8 — REGULATORY EXAMS**

Federal and state regulatory authorities from time to time make inquiries and conduct examinations regarding compliance by Virtus and its subsidiaries (collectively “the Company”) with securities and other laws and regulations affecting their registered products.

There are currently no such matters which the Company believes will be material to these financial statements.

#### **NOTE 9 — FEDERAL INCOME TAX INFORMATION**

**(\$ reported in thousands)**

At December 31, 2010, federal tax cost and aggregate gross unrealized appreciation (depreciation) of securities held by the Fund were as follows:

<u>Federal Tax Cost</u>	<u>Unrealized Appreciation</u>	<u>Unrealized Depreciation</u>	<u>Net Unrealized Appreciation (Depreciation)</u>
\$432,072	\$45,811	\$(8,048)	\$37,763

For the period ended December 31, 2010, the Fund utilized losses of \$9,438 deferred in prior years against current year capital gains.

Under current tax law, foreign currency and capital losses realized after October 31 may be deferred and treated as occurring on the first day of the following fiscal year. For the fiscal year ended December 31, 2010, the Fund deferred \$218 and recognized \$1,398 of post-October losses.

The components of distributable earnings on a tax basis (excluding unrealized appreciation (depreciation) which is disclosed in the table above) consist of undistributed ordinary income of \$0 and undistributed long-term capital gains of \$0.

The differences between the book and tax basis components of distributable earnings relate principally to the timing of recognition of income and gains for federal income tax purposes. Short-term gain distributions reported in the Statement of Changes in Net Assets, if any, are reported as ordinary income for federal tax purposes. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purpose.

#### **NOTE 10 — RECLASSIFICATION OF CAPITAL ACCOUNTS**

As of December 31, 2010, the Fund increased undistributed net investment income by \$30,599, decreased the accumulated net realized loss by \$6,582, and decreased capital paid in on shares of beneficial interest by \$37,181.

## **NOTE 11 — RECENT ACCOUNTING PRONOUNCEMENT**

In January 2010, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) No. 2010-06 “Improving Disclosures about Fair Value Measurements.” ASU 2010-06 will require reporting entities to make new disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. The new and revised disclosures are effective for interim and annual reporting periods beginning after December 15, 2010. At this time, management is evaluating the implications of ASU No. 2010-06 and its impact on the financial statements has not been determined.

## **NOTE 12 — SUBSEQUENT EVENT EVALUATIONS**

Management has evaluated the impact of all subsequent events on the Fund through the date the financial statements were issued, and has determined that the following subsequent event requires recognition or disclosure in these financial statements.

On January 18, 2011, the Fund announced that it had issued 29.5 million Common Shares pursuant to its recently completed non-transferable rights offering.

Total net proceeds of the rights offering are estimated at approximately \$98 million, after deduction for estimated offering expenses. Net proceeds were calculated based on a share subscription price of \$3.34, which equals 95% of \$3.52, the average of the last reported sales prices of the Fund’s Common Shares on January 7, 2011 (the Pricing Date) and the four preceding business days.



## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of The Zweig Total Return Fund, Inc.:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of The Zweig Total Return Fund, Inc. (the "Fund") at December 31, 2010, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2010 by correspondence with the custodian, provide a reasonable basis for our opinion.

*PricewaterhouseCoopers LLP*

Philadelphia, Pennsylvania  
February 25, 2011

### **CERTIFICATION (Unaudited)**

In accordance with the requirements of the Sarbanes-Oxley Act, the Fund's CEO (the President of the Fund) and CFO (the Treasurer of the Fund) have filed the required "Section 302" certifications with the SEC on Form N-CSR.

In accordance with Section 303A of the NYSE listed company manual, the CEO certification has been filed with the NYSE.

### **TAX INFORMATION (Unaudited)**

For the fiscal year ended December 31, 2010, for federal income tax purposes, 27% of the ordinary income dividends earned by the Fund qualify for the dividends received deduction ("DRD") for corporate shareholders.

For the fiscal year ended December 31, 2010, the Fund hereby designates 28%, or the maximum amount allowable, of its ordinary income dividends ("QDI") to qualify for the lower tax rates applicable to individual shareholders.

For the fiscal year ended December 31, 2010, the Fund hereby designates \$738 (reported in thousands), or if subsequently different, as long-term capital gains dividends.

The actual percentages for the calendar year will be designated in the year-end tax statements.

## FUND MANAGEMENT

Information pertaining to the Directors and officers of the Fund as of December 31, 2010 is set forth below. The address of each individual, unless otherwise noted, is c/o Zweig Advisers LLC, 900 Third Avenue, New York, NY 10022.

### DISINTERESTED DIRECTORS

Unless otherwise noted, the address of each individual is 900 Third Avenue, New York, NY 10022.

<b><u>Name, Year of Birth (YOB) and Position(s) with Funds Number of Portfolios in Fund Complex Overseen by Director</u></b>	<b><u>Term of Office and Length of Time Served</u></b>	<b><u>Principal Occupation(s) During Past 5 Years and Other Directorships Held</u></b>
Charles H. Brunie ..... YOB: 1930 Director 2	Term: Until 2012. Served since: 1988	Chairman, Brunie Associates (investments) (since April 2001); Oppenheimer Capital (1969-2000), Chairman (1980-1990), Chairman Emeritus (1990-2000); Chairman Emeritus, Board of Trustees, Manhattan Institute (since 1990); Trustee, Milton and Rose D. Friedman Foundation for Vouchers (since 1996); Trustee, Hudson Institute (2002-2008); Chairman of the Board, American Spectator (since 2002); Chartered Financial Analyst (since 1969).
Wendy Luscombe ..... YOB: 1951 Director 2	Term: Until 2011. Served since: 2002	Co-lead Independent Director of The Zweig Total Return Fund, Inc. and of The Zweig Fund, Inc. (since 2006); Principal, WKL Associates, Inc. (independent fiduciary and consultant) (since 1994); Fellow, Royal Institution of Chartered Surveyors; Member, Chartered Institute of Arbitrators; Director, Endeavour Real Estate Securities, Ltd. REIT Mutual Fund (2000-2005); Director, PXRE Corp. (reinsurance) (1994-2007); Member and Chairman of Management Oversight Committee, Deutsche Bank Real Estate Opportunity Fund 1A and 1B (since 2003); Trustee, Acadia Realty Trust (since 2004); Member of National Association of Corporate Directors Teaching Facility (since 2007); Independent Director of Feldman Mall Properties, a private REIT (since 2010).
Alden C. Olson ..... YOB: 1928 Director 2	Term: Until 2013. Served since: 1996	Chairman of the Audit Committee of The Zweig Total Return Fund, Inc. and of The Zweig Fund, Inc. (since 2004); Currently retired; Chartered Financial Analyst (since 1964); Professor of Financial Management, Investments at Michigan State University (1959 to 1990).
James B. Rogers, Jr. .... YOB: 1942 Director 2	Term: Until 2012. Served since: 1988	Private investor (since 1980); Chairman, Beeland Interests (Media and Investments) (since 1980); Regular Commentator on Fox News (2002-2007); Author of "Investment Biker: On the Road with Jim Rogers" (1994), "Adventure Capitalist" (2003), "Hot Commodities" (2004), "A BULL IN CHINA" (2007) and "A Gift to My Children" (2009).

<u>Name, Year of Birth (YOB) and Position(s) with Funds Number of Portfolios in Fund Complex Overseen by Director</u>	<u>Term of Office and Length of Time Served</u>	<u>Principal Occupation(s) During Past 5 Years and Other Directorships Held</u>
R. Keith Walton ..... YOB: 1964 Director 2	Term: Until 2011. Served since: 2004	Co-lead Independent Director of The Zweig Total Return Fund, Inc. and of The Zweig Fund, Inc. (since 2006); Global Head of Government Affairs for Alcoa (since 2011); Senior Managing Director, BSE Management LLC (2010); Principal and Chief Administrative Officer, Global Infrastructure Partners (2007-2009); Director, Blue Crest Capital Management Funds (since 2006); Executive Vice President and Secretary (1996-2007) of the University at Columbia University; Director, Orchestra of St. Luke's (since 2000); Member (since 1997), Nominating and Governance Committee Board of Directors (since 2004), Council on Foreign Relations; Member of the Trilateral Commission (since 2009); Director of the Association for the Benefit of Children (since 2009); Director (2002-2009), Member, Executive Committee (2002-2009), Chair, Audit Committee (2003-2009), Apollo Theater Foundation, Inc.; Vice President and Trustee, The Trinity Episcopal School Corporation (2003-2009); Member, The Gillen Brewer School Board (2007-2009).

**INTERESTED DIRECTOR\***

<u>Name, Address, Age and Position(s) with Funds</u>	<u>Term of Office and Length of Time Served</u>	<u>Principal Occupation(s) During Past 5 Years and Other Directorships Held</u>
George R. Aylward ..... 100 Pearl Street Hartford, CT 06103 YOB: 1964 Director, Chairman of the Board and President 48	Term: Until 2013. Served since: 2006	Director, President and Chief Executive Officer (since 2008), Director and President (2006-2008), Chief Operating Officer (2004-2006), Vice President, Finance, (2001-2002), Virtus Investment Partners, Inc. and/or certain of its subsidiaries; Senior Executive Vice President and President, Asset Management (2007-2008), Senior Vice President and Chief Operating Officer, Asset Management (2004-2007), Vice President and Chief of Staff (2001-2004), The Phoenix Companies, Inc.; Various senior officer and directorship positions with Phoenix affiliates (2005-2008); President (2006-present), Executive Vice President (2004-2006), the Virtus Mutual Funds Family. Chairman, President and Chief Executive Officer, The Zweig Fund, Inc. and The Zweig Total Return Fund, Inc. (2006-present).

**OFFICERS WHO ARE NOT DIRECTORS\*\***

<b>Name, Address and Age Position(s) with Funds</b>	<b>Principal Occupation(s) During Past 5 Years and Other Directorships Held</b>
Carlton Neel ..... YOB: 1967 Executive Vice President	Senior Vice President and Portfolio Manager, Zweig Advisers LLC (since 2003); Managing Director and Co-Founder, Shelter Rock Capital Partners, LP (2002-2003); Senior Vice President and Portfolio Manager, Zweig Advisers LLC (1995-2002); Vice President, JP Morgan & Co. (1990-1995).
David Dickerson ..... YOB: 1967 Senior Vice President	Senior Vice President and Portfolio Manager, Zweig Advisers LLC (since 2003); Managing Director and Co-Founder, Shelter Rock Capital Partners, LP (2002-2003); Vice President and Portfolio Manager, Phoenix/Zweig Advisers LLC (1993-2002).
Marc Baltuch ..... YOB: 1945 Vice President and Chief Compliance Officer	Chief Compliance Officer of Zweig Advisers LLC (since 2004); President and Director of Watermark Securities, Inc. (since 1991); Secretary of Phoenix-Zweig Trust (1989-2003); Secretary of Phoenix-Euclid Market Neutral Fund (1998-2002); Assistant Secretary of Gotham Advisors, Inc. (1990-2005); Chief Compliance Officer of the Zweig Companies (since 1989) and of the Virtus, formerly Phoenix, Funds Complex (2004-2010); Chief Compliance Officer of Virtus Variable Insurance Trust , formerly The Phoenix Edge Series Fund (2004- February, 2011).
Kevin J. Carr ..... 100 Pearl Street Hartford, CT 06103 YOB: 1954 Secretary and Chief Legal Officer	Senior Vice President, Legal and Secretary, Virtus Investment Partners, Inc. and/or certain of its subsidiaries (since 2008); Vice President and Counsel, Phoenix Life Insurance Company (2005-2008); Compliance Officer of Investments and Counsel, Travelers Life & Annuity Company (January 2005-May 2005); Assistant General Counsel and certain other positions, The Hartford Financial Services Group (1995-2005).
Moshe Luchins ..... YOB: 1971 Vice President	Associate Counsel (1996-2005), Associate General Counsel (since 2006) of the Zweig Companies.
W. Patrick Bradley ..... 100 Pearl Street Hartford, CT 06103 YOB: 1972 Treasurer, Chief Financial Officer	Senior Vice President, Fund Administration (since 2009), Vice President, Fund Administration (2007-2009) Second Vice President, Fund Control & Tax (2004-2006), Virtus Investment Partners, Inc. and/or certain of its subsidiaries (formerly Phoenix) Vice President, Chief Financial Officer, Treasurer and Principal Accounting Officer (2006-present), Assistant Treasurer (2004-2006), Virtus Variable Insurance Trust. Chief Financial Officer and Treasurer (2005-present), Assistant Treasurer (2004-2006), certain funds within the Virtus Mutual Funds Family (formerly Phoenix).
Jacqueline Porter ..... 100 Pearl Street Hartford, CT 06103 YOB: 1958 Vice President and Assistant Treasurer	Vice President, Fund Administration and Tax, Virtus Investment Partners (since 2008); Phoenix Equity Planning Corporation (1995-2008); Vice President and Assistant Treasurer, multiple funds in the Virtus Mutual Fund Complex and Virtus Variable Insurance Trust (formerly Phoenix Edge Series Fund) (since 1995).

\* Director considered to be an “interested person,” as that term is defined in the Act. George R. Aylward is considered an interested person because, among other things, he is an officer of the Funds.

\*\* The Term of each Officer expires immediately following the 2011 Annual Meeting of Shareholders. Each Board considers reappointments annually.

## **KEY INFORMATION**

### **Zweig Shareholder Relations: 1-800-272-2700**

For general information and literature, as well as updates on net asset value, share price, major industry groups and other key information

## **REINVESTMENT PLAN**

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

## **REPURCHASE OF SECURITIES**

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

## **PROXY VOTING INFORMATION (FORM N-PX)**

The Adviser and Sub-Adviser vote proxies relating to portfolio securities in accordance with procedures that have been approved by the Fund’s Board of Directors. You may obtain a description of these procedures, along with information regarding how the Fund voted proxies during the most recent 12-month period ended June 30, 2010, free of charge, by calling toll-free 1-800-243-1574. This information is also available through the Securities and Exchange Commission’s website at <http://www.sec.gov>.

## **FORM N-Q INFORMATION**

The Fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission (the “SEC”) for the first and third quarters of each fiscal year on Form N-Q. Form N-Q is available on the SEC’s website at <http://www.sec.gov>. Form N-Q may be reviewed and copied at the SEC’s Public Reference Room. Information on the operation of the SEC’s Public Reference Room can be obtained by calling toll-free 1-800-SEC-0330.

## **Automatic Reinvestment and Cash Purchase Plan**

The Zweig Total Return Fund, Inc. (the “Fund”) allows you to conveniently reinvest distributions monthly in additional Fund shares thereby enabling you to compound your returns from the Fund. By choosing to reinvest, you’ll be able to invest money regularly and automatically, and watch your investment grow.

It is important to note that an automatic reinvestment plan does not ensure a profit, nor does it protect you against loss in a declining market.

### **Enrollment in the Reinvestment Plan**

It is the policy of the Fund to automatically reinvest distributions payable to shareholders. A “registered” shareholder automatically becomes a participant in the Fund’s Automatic Reinvestment and Cash Purchase Plan (the “Plan”). The Plan authorizes the Fund to credit all shares of common stock to participants upon a distribution regardless of whether the shares are trading at a discount or premium to the net asset value. Registered shareholders may terminate their participation and receive distributions in cash by contacting Computershare Trust Company, N.A. (the “Plan Administrator”). The termination will become effective with the next distribution if the Plan Administrator is notified at least 7 business days prior to the distribution payment date. Registered shareholders that wish to change their distribution option from cash payment to reinvest may do so by contacting the Plan Administrator at 1-800-272-2700.

In the case of banks, brokers, or other nominees which hold your shares for you as the beneficial owner, the Plan Administrator will administer the Plan based on the information provided by the bank, broker or nominee. To the extent that you wish to participate in the Plan, you should contact the broker, bank or nominee holding your shares to ensure that your account is properly represented. If necessary, you may have your shares taken out of the name of the broker, bank or nominee and register them in your own name.

### **How shares are purchased through the Reinvestment Plan**

When a distribution is declared, nonparticipants in the plan will receive cash. Participants in the Plan will receive shares of the Fund valued as described below:

If on the payable date of the distribution, the market price of the Fund’s common stock is less than the net asset value, the Plan Administrator will buy Fund shares on behalf of the Participant in the open market, on the New York Stock Exchange (NYSE) or elsewhere. The price per share will be equal to the weighted average price of all shares purchased, including commissions. Commission rates are currently \$0.02 per share, although the rate is subject to change and may vary. If, following the commencement of purchases and before the Plan Administrator has completed its purchases, the trading price equals or exceeds the most recent net asset value of the common shares, the Plan Administrator may cease purchasing shares on the open market and the Fund may issue the remaining shares at a price equal to the greater of (a) the net asset value on the last day the Plan Administrator purchased shares or (b) 95% of the market price on such day. In the case where the Plan Administrator has terminated open market purchase and the Fund has issued the remaining shares, the number of shares received by the Participant in respect of the cash distribution will be based on the weighted average of prices paid for shares

purchased in the open market and the price at which the Fund issued the remaining shares. Under certain circumstances, the rules and regulations of the Securities and Exchange Commission may require limitation or temporary suspension of market purchases of shares under the Plan. The Plan Administrator will not be accountable for its inability to make a purchase during such a period.

If on the payable date of the distribution, the market price is equal to or exceeds the net asset value, Participants will be issued new shares by the Fund at the greater of the (a) the net asset value on the payable date or (b) 95% of the market price on such date.

The automatic reinvestment of distributions will not relieve Participants of any income tax which may be payable on such distributions. A Participant in the Plan will be treated for federal income tax purposes, as having received on a payment date, a distribution in an amount equal to the cash the participant could have received instead of shares. If you participate in the Plan, you will receive a Form 1099-DIV concerning the Federal tax status of distributions paid during the year.

### **Voluntary Cash Purchase Plan**

Participants in the Plan have the option of making additional cash payments for investment in shares of the Fund. Such payments can be made in any amount from \$100 per payment to \$3,000 per month. The Plan Administrator will use the funds received to purchase Fund shares in the open market on the 15<sup>th</sup> of each month or the next business day if the 15<sup>th</sup> falls on a weekend or holiday (the "Investment Date"). The purchase price per share will be equal to the weighted average price of all shares purchased on the Investment Date, including commissions. There is no charge to shareholders for Cash Purchases. The plan administrator's fee will be paid by the Fund. However, each participating shareholder will pay pro rata share of brokerage commissions incurred (currently \$0.02 per share, but may vary and is subject to change) with respect to the Plan Administrator's open market purchases in connection with all cash investments. Voluntary cash payments should be sent to Computershare Trust Company, N.A., PO Box 43078, Providence, RI 02940-3078.

Participants have an unconditional right to obtain the return of any cash payment if the Plan Administrator receives written notice at least 5 business days before such payment is to be invested.

### **Automatic Monthly Investment**

Participants in the Plan may purchase additional shares by means of an Automatic Monthly Investment of not less than \$100 nor more than \$3,000 per month by electronic funds transfer from a pre-designated U.S bank account. If a Participant has already established a Plan account and wishes to initiate Automatic Monthly Investments, the Participant must complete and sign an automatic monthly investment form and return it to the Plan Administrator together with a voided check or deposit slip for the account from which funds are to be withdrawn. Automatic monthly investment forms may be obtained from the Plan Administrator by calling 1-800-272-2700.

### **Termination of Shares**

Shareholders wishing to liquidate shares held with the Plan Administrator must do so in writing or by calling 1-800-272-2700. The Plan Administrator does not charge a fee for liquidating your shares; however, currently a brokerage commission of \$0.02 will be charged. This charge may vary and is subject to change.

Once terminated, you may re-enroll in the Plan (provided you still have shares registered in your name) by contacting the Plan Administrator at 1-800-272-2700.

### **Additional Information**

For more information regarding the Automatic Reinvestment and Cash Purchase Plan, please contact the Plan Administrator at 1-800-272-2700 or visit our website at [Virtus.com](http://Virtus.com).

The Fund reserves the right to amend or terminate the Plan as applied to any voluntary cash payments made and any dividend or distribution paid subsequent to written notice of the change sent to the members of the Plan at least 90 days before the record date for such distribution. The Plan also may be amended or terminated by the Plan Administrator with at least 90 days written notice to participants in the Plan.