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ZWEIG TOTAL RETURN FUND INC
Form N-CSR
March 08, 2004

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT
INVESTMENT COMPANIES

Investment Company Act file number 811-05620

The Zweig Total Return Fund, Inc

(Exact name of registrant as specified in charter)

900 Third Avenue

New York, NY 10022

(Address of principal executive offices) (Zip code)

Bank of New York.
101 Barclay St., 13E
New York, NY 10286

(Name and address of agent for service)

Registrant's telephone number, including area code: (212) 298-1635

Date of fiscal year end: December 31, 2003

Date of reporting period: December 31, 2003

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

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

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Item 1. Reports to Stockholders.

February 1, 2004

Dear Shareholder:

When we think about 2003, we'll remember a year in which financial services underwent significant change. National news events reflected regulatory concern regarding the business conduct of a few mutual fund companies. As a result, certain industry-wide practices came under increased scrutiny. Your fund's Board of Trustees recognizes the seriousness of these issues. As a result, it has expanded its review of policies and procedures to insure compliance with applicable rules and regulations. Additionally, the Board has undertaken a review of its own structure and governance protocols to insure that our practices are not only compliant with regulatory standards, but, whenever practical, also conform to best practices that value your interests and help you invest wisely.

The Zweig Total Return Fund announced new management effective April 1, 2003. Carlton Neel and David Dickerson have managed the Fund since that time in conjunction with the asset allocation strategies provided by Dr. Martin Zweig and his advisory firm Zweig Consulting LLC. Mr. Neel and Mr. Dickerson currently manage several other funds in the Phoenix open-end mutual fund complex, including the Phoenix-Market Neutral fund, and several small-cap value portfolios. The Fund's investment objectives have remained the same under the new management.

I hope that you'll take time to review the activities and performance information included in this Zweig Total Return Fund Annual Report.

The Zweig Total Return Fund's net asset value increased 3.18% for the three months ended December 31, 2003, including the \$0.067 in reinvested distributions. Consistent with our policy of seeking to minimize risks, while earning reasonable returns, the Fund's average overall exposure during the quarter was approximately 80%.

For the year ended December 31, 2003 the Fund's net asset value gained 7.08%, including the \$0.477 in reinvested distributions. During the same period, the S&P 500 Index increased 28.71% and the Lehman Brothers Government Bond Index increased 2.35%. Our average overall exposure to the bond and equity markets for the year was approximately 68%.

The Fund recently announced a distribution of \$0.010 payable on January 12, 2004, to holders of record on December 31, 2003. Including this distribution, the Fund's total payout since its inception is now \$12.523.

Sincerely,

/s/ Philip R. McLoughlin
Philip R. McLoughlin
Chairman

MARKET OUTLOOK

Our bond exposure at year-end was 62% with average duration (a measure of sensitivity to interest rates) of 2.8 years. On September 30 our bond exposure was 34% with average duration of 2.9 years. If we were fully invested, we would be at 62.5% in bonds and 37.5% in stocks. Consequently, at 62% we are at 99% of

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a full investment (62 divided by 62.5%).

The resurgent economy and strong stock market drove investors away from Treasury securities and pushed interest rates generally higher during the year. The yield on the bellwether 10-year Treasury note began the year at 3.82% and rose to 4.5% by year-end. Despite the advance in yields, the coupon yield of roughly 4% on the Treasury note was sufficient to eke out a slight gain for the year.

Treasury prices rallied in the first and second quarters as yields fell to a 45-year low of

3.1% in early June. Much of the year's first-half rally was fueled by the Federal Reserve's pledge to fight deflationary forces in the economy, including possible buy-backs of longer maturity bonds. For the first half of the year 10-year notes returned 4.6%.

Bonds did not react well to the Fed's cut of 25 basis points on June 23 that took the overnight rate to 1.00%. Many investors were hoping for, or even counting on, a half-point cut. Their fears that the prospect for lower interest rates had come to the end of the road were confirmed by much stronger economic data in July and August. The 10-year note lost 7.08% in July, the worst monthly return for Treasuries in over twenty years. August saw a rebound with more than half of the losses erased. Generally speaking, the third quarter was one of the most volatile and difficult quarters the bond market has ever experienced. By September 30 the 10-year note had lost 1.87% and the yield had risen to 3.93%.

Things settled down for the bond market in the fourth quarter and the 10-year note traded in a range between 4% and 4.5%. Most analysts believe the Fed will tighten monetary policy this year and increase its overnight rate from 1.00%. Consequently, most investors are cautious on the bond outlook for 2004.

We held a high duration and committed to bonds for most of the first half of 2003 and trimmed our exposure in a timely way at mid-year. While we generally share the prevailing cautious outlook for the bond market, we are perhaps a bit more sanguine for the near term. We believe it is unlikely that the Fed will raise rates before the November elections. As always, we will remain flexible and stick to the dictates of our research.

Our exposure in U.S. common stocks at the year-end was 23% against 19% on September 30, 2003. At 23% we are at about 61% of a full position (23% divided by 37.5%).

After slipping for three consecutive years, the stock market surged in 2003. The Dow Jones Industrial Average gained 25.3%, the Standard & Poor's 500 Index climbed 28.67%, and the NASDAQ Composite Index jumped 50%.

Several factors were responsible for the market's strong performance. First, there was the outcome of the Iraq war. When it started, many people worried about its duration and sold stock. When the war went well, the market started to bounce back from an oversold position. Secondly, investors awoke to the fact that the economy was actually improving and that earnings were coming in nicely.

I believe the rally in the last three or four months of the year was spurred by economic news exceeding even the most bullish expectations. The Gross Domestic Product soared 8.2% in the third quarter and the fourth quarter appeared quite strong. Also, earnings were extremely good, rising 11.6% for the third quarter, the biggest quarterly increase since 1992.

Traditionally, the market does not do well when the GDP is extraordinarily

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high or when earnings are really great. That's usually when inflation begins to pick up and the Federal Reserve starts to tighten. But that hasn't happened this time. Instead, the Fed held its interest rate at one percent despite the rising economy. With interest rates low and the economy advancing, all the speculative money went into the stock market.

When the Fed held interest rates steady at its December meeting, it reiterated that its cheap money policy could be maintained for "a considerable period." It also said that the risk of a fall in inflation was almost equal to a rise. In addition, the Fed saw equal upside and downside risks for achieving sustainable economic growth over the next few quarters.

I think that the Fed is right about the diverse pressures on prices but that's about the only thing I agree with. There are some deflationary

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threats in the world, especially from the constant lowering of prices on imported goods stemming from low foreign labor costs. However commodity prices around the world have leaped. China, whose economy is booming, is possibly the biggest buyer of oil, copper, and a host of other commodities. This translates into some inflationary pressures.

Right now I think we are heading into bubble number two. It's not like bubble number one but the market is extremely overvalued and there's an awful lot of optimism, as measured by my sentiment model. I believe many people rationalize the high price/earnings ratios because short term interest rates are so low. Rates have nowhere to go on the downside but in my opinion, there's plenty of room on the upside and we are getting inflationary pressures. Should rates rise, it will be impossible to justify the current price to earnings ratios. However if earnings continue to be strong, then who knows? Maybe the market can continue to rise.

The stock market was much less volatile last year. There were only 15 days in which the Dow gained or declined 2% compared with 48 in 2002, 25 in 2001, and 31 in 2000. Ironically, the market historically does best coming off a period of very high volatility. Although this indicator doesn't work all the time, the lack of volatility frequently is a sign of complacency.

Meanwhile, money is pouring into stock mutual funds. The public invested more than \$150 billion in the funds since the market began to rally last March, the fastest inflow since the market peak in 2000. November's inflow of \$15 billion was the eighth consecutive month of positive inflows. Despite three years of losses, mutual fund assets are up 13% since the end of 2002. So far inflows have helped the market but at some point they will be overdone. If this is a bubble, it is very possible that the high inflows could continue for a year or two or even longer. The last bubble began in 1996 and didn't end until 2000.

There is nothing wrong with the stock market rising but, at these valuations, I just don't know. Because these valuations are totally out of whack with previous market bottoms, I still don't believe the bottoms we have seen will be the final market bottom. Last year the price/earnings ratio of the S&P 500 fell to about 27 from 32. However this is still substantially above the historical average of 16. Meanwhile the NASDAQ 100 is selling at 40 times estimated 2004 earnings. Incidentally, I still believe that many earnings are overstated. I believe we still have many of the accounting problems and, for the most part, there is no recognition of the expense of stock options.

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One of the reasons I don't think the major trend bear market is over is the low level of cash at mutual funds. In November, the last month for which figures are available, the average stock mutual fund had only 4.6% of its assets in cash.* Normally at a stock market bottom you would see something like 9% or 10% in cash. I believe one reason for the present figure is that index funds are not holding any cash. I believe another reason is that many portfolio managers are afraid to carry cash because they think the real risk is lagging the market and not of the market crashing while they are 100% invested. Until I see higher levels of cash, I will remain skeptical.

As analysts are getting more bullish, insiders are selling more stock. During November insiders sold \$43 in stock for every dollar's worth they bought. It was the seventh consecutive month in which the sell-buy ratio topped twenty to one.* We have tested the insider numbers extensively. Because some insider sales involve the exercise of options, we just look at the amount they're buying. We have found that their purchases, relative to market capitalization, are very, very low. It doesn't mean that insiders are always right -- they sometimes are not -- but it is one of the negative signs for the market in my sentiment model.

Another negative in the model is margin debt. Although it is down roughly half from its

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2000 peak, it hasn't dropped nearly enough relative to what has occurred historically after major bear markets. It does not mean that the market can't go higher but I would not be wild about any further increases in margin debt. Short-selling indicators, on the other hand, are decent. The short interest ratio, which is the short position divided by the average daily volume, isn't bad, especially on NASDAQ. It is one of my few sentiment indicators that is okay, in my opinion.

One market positive last year was the tax bill that lowered the tax on dividends. That has helped the market. Companies in the S&P 500 are estimated to have paid a record of \$160.6 billion to shareholders in 2003, up from \$147.8 billion in 2002. More companies are initiating disbursements and others are increasing theirs. Unfortunately, dividend yields are very low. The S&P yield now is 1.6% and the Dow is 2%. Although yields look good relative to short-term rates, I think they don't offer much protection on the downside.

In a market where the dividend yield is, say, 6%, which we get at major market bottoms, investors have real protection if the market declines. Many investors seeking value would come into the market. Should the market dip moderately or mark time, the 6% figure would look good. If short-term interest rates rise, the current dividend yields would not look nearly as attractive as they are today.

Although consumer confidence has climbed quite a bit from its lows, with the Conference Board reporting a 91.3 figure for December, I see danger on the horizon. The Fed reported that total consumer debt hit a record of \$1.98 trillion in October. Since consumer spending accounts for about 75% of the GDP, the extremely high debt presents a troubling question: Where will the juice come to keep this economy going? Consumers have carried the economy but I don't know how they can keep increasing their debt at a fast enough rate. The problem might ease if more people get jobs or real income rises but with all the foreign competition, I believe that will be difficult.

Even more troublesome is the growing federal deficit that some analysts say

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could hit \$500 billion this year. As the late Senator Everett Dirksen once said, you take a billion here and a billion there, and pretty soon it adds up to real money. This number is staggering. I can't even comprehend \$500 billion in deficits. I believe it's fine to run a deficit to stimulate the economy during a recession, but when the economy is growing the deficit should be narrowing. If it keeps widening, at some point it would put upward pressure on interest rates that could hurt the economy.

Indicating a strong economy, the Institute for Supply Management's index of manufacturing activity surged to 66.2 in December from 62.8 in November and was the highest in twenty years. But, historically, this figure has a downside. When it has been in the bottom 20% of all readings, anything below 47, the market has gone up at a 16.9% annual rate. In the top 20% of all readings, any number above 59, the market has gone up only three-tenths of a percent.

That's because the stock market is a forward looking, discounting mechanism. So when the economy is limp and the ISM index is weak, I think it is usually a good time to buy stocks. Turn back the clock a year or so, and that's the period we were going through. Now with the economy booming, we've had several great quarters in a row and the ISM index is off the charts. Historically, when we get these kinds of readings, the Fed would be tightening. If the Fed continues to sit on its hands, it is possible that the stock market momentum will continue and we will get further into bubble number two.

These are very unusual times. We have a political situation the likes of which we have never seen. If there is a major terrorist attack on our country, the whole stock market could fall apart. We are running a budget deficit, which is okay in a recession, but we are not in a recession anymore. A lot of the spending is mandated for homeland security and we have to support our

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troops overseas. But if we don't narrow our deficit, it is likely the dollar will get weaker. It is already down 20% against the euro and 10% against the Japanese yen.

Worse to me than the budget deficit is the massive trade deficit. Some believe that the weak dollar is great for our economy because it helps our exports. But if we buy more expensive Japanese television sets or German cars or Italian shoes, or other foreign products are we really better off economically? What's more, if the weak dollar causes foreigners to sell their U.S. assets it could put upward pressure on bond yields and downward pressure on stocks. If we don't do something to strengthen the dollar we could wind up with a real economic headache.

Summing up, in my opinion the positives include the tape action with its very favorable ratio of advances versus declines. The strong earnings are also a positive, although they have a negative potential. As long as earnings are good, people feel confident about the market. The problem is that the expanding economy usually leads to higher interest rates. We haven't seen them yet. So another positive for the time being is the Fed keeping its gas pedal to the metal but eventually that will create difficulties down the road.

On the negative side are my sentiment indicators that are terrible on balance, the horrible valuations and the weak dollar. So far the weak dollar has helped to stimulate the economy but, if it slides further, it could be nasty.

If nothing disastrous happens to the world and the Fed keeps cheap money, I

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could see the market going up 20% to 30% but it would be kind of a bubble period. If bad things occur in the world, I could see the market dropping 20% to 30%.

Because of the risks involved on all sides, I am currently on the fence. We are about 57% invested in U.S. common stocks. Could I go to 60%? Yes, but I don't want to increase too much because of the downside risk. My mandate is to mitigate risk. If we are lagging the market a bit, fine. But, if there's a sharp downturn, I would kick myself for being heavily invested because I know about all the previously mentioned important negatives.

If everything stays comfortably stable for the next three or six months, this market could go a lot higher. However it just doesn't have a good feel to me because I still don't think we have touched the final bottom yet. The current situation reminds me of when the Japanese market peaked at the end of 1989. For the next thirteen years or so they had a long-term bear market.

Within that span they had three or four really big upward moves that were small bull markets. Of course a small bull market could be up 50% and that's what we have already seen in the NASDAQ. While NASDAQ is nowhere near its high, some averages have actually made new highs. However the whole picture just doesn't make me feel comfortable and I don't want to roll the dice with other people's money. I am not straddling the fence because I think the market will go sideways. I believe it could be volatile on the upside or the downside.

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

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

* Source: Zweig Consulting LLC

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PORTFOLIO COMPOSITION

In accordance with our investment policy guidelines, all our bonds are U.S. Government obligations. Since these bonds are highly liquid, they provide the flexibility to respond promptly to changing market conditions.

Our leading equity groups at year-end included financials, health care, technology, consumer discretionary, and energy. We added to our holdings of consumer discretionary during the quarter.

Our leading individual positions in U.S. equities included Citigroup, Occidental Petroleum, Pfizer, ConocoPhillips, Wells Fargo, Alcoa, Cisco Systems, Altria Group, Proctor & Gamble, and Exelon Corp. During the quarter we added to our positions in Occidental Petroleum, Conoco Phillips, and Proctor & Gamble. We trimmed our positions in Dell, Bank of America, Microsoft, Amgen, and Mylan Laboratories, all of which had appeared in our previous listing.

Sincerely,

[SIGNATURE]

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/s/ Carlton Neel
 Carlton Neel
 Executive Vice President
 Phoenix/Zweig Advisers LLC

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THE ZWEIG TOTAL RETURN FUND, INC.

INVESTMENTS AND SECURITIES SOLD SHORT

December 31, 2003

	Number of Shares	Value
	-----	-----
INVESTMENTS		
DOMESTIC COMMON STOCKS	23.57%	
CONSUMER DISCRETIONARY	3.26%	
AutoZone, Inc.....	17,000 (a)	\$ 1,448,570
Best Buy Co., Inc.....	30,000 (a)	1,567,200
Delphi Corp.....	158,000	1,613,180
GAP (The), Inc.....	121,000	2,808,410
Home Depot, Inc.....	70,000 (b)	2,484,300
Liz Claiborne, Inc.....	44,000	1,560,240
Lowe's Cos., Inc.....	35,000 (b)	1,938,650
Tribune Co.....	34,500	1,780,200
Visteon Corp.....	186,000	1,936,260
		=====
		17,137,010
		=====
CONSUMER STAPLES	2.35%	
Altria Group, Inc.....	60,000 (b)	3,265,200
Coca-Cola Enterprises, Inc.....	70,000	1,530,900
Kimberly-Clark Corp.....	30,000	1,772,700
PepsiCo, Inc.....	26,100	1,216,782
Procter & Gamble Co.....	32,000	3,196,160
Wal-Mart Stores, Inc.....	26,000	1,379,300
		=====
		12,361,042
		=====
ENERGY	1.82%	
ConocoPhillips.....	54,000	3,540,780
Halliburton Co.....	64,000	1,664,000
Occidental Petroleum Corp.....	103,000	4,350,720
		=====
		9,555,500
		=====
FINANCIALS	4.77%	
AFLAC, Inc.....	46,000 (b)	1,664,280
Allstate Corp.....	30,600	1,316,412
Aon Corp.....	92,000	2,202,480
Bank of America Corp.....	32,000	2,573,760
Capital One Financial Corp.....	31,000 (b) (c)	1,899,990
Citigroup, Inc.....	94,000	4,562,760

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First Tennessee National Corp.....	43,000	1,896,300
Morgan Stanley.....	28,000	1,620,360
National City Corp.....	47,000	1,595,180

See notes to financial statements

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	Number of Shares	Value
	-----	-----
FINANCIALS (CONTINUED)		
Wachovia Corp.....	48,000	\$ 2,236,320
Wells Fargo & Co.....	59,800	3,521,622
		=====
		25,089,464
		=====
HEALTH CARE	4.07%	
Amgen, Inc.....	22,000 (a)	1,359,600
Angiotech Pharmaceuticals, Inc.....	38,000 (a)	1,748,000
Bristol-Myers Squibb Co.....	90,000	2,574,000
C. R. Bard, Inc.....	22,000	1,787,500
Caremark RX, Inc.....	66,000 (a)	1,671,780
Guidant Corp.....	22,000	1,324,400
McKesson Corp.....	44,000	1,415,040
Merck & Co., Inc.....	43,000	1,986,600
Mylan Laboratories, Inc.....	75,000	1,894,500
Pfizer, Inc.....	109,000	3,850,970
UnitedHealth Group, Inc.....	30,400	1,768,672
		=====
		21,381,062
		=====
INDUSTRIALS	2.18%	
Boeing Co.....	22,900	965,006
Deere & Co.....	28,000	1,821,400
L-3 Communications Holdings, Inc.....	38,000 (a)	1,951,680
Lockheed Martin Corp.....	33,000	1,696,200
Norfolk Southern Corp.....	81,000	1,915,650
Northrop Grumman Corp.....	15,000	1,434,000
PACCAR, Inc.....	19,000	1,617,280
Quality Distribution, Inc.....	2,500 (a)	48,875
		=====
		11,450,091
		=====
INFORMATION TECHNOLOGY	2.33%	
Amdocs Ltd.....	79,000 (a)	1,775,920
Cisco Systems, Inc.....	135,000 (a)	3,279,150
Dell, Inc.....	55,000 (a)	1,867,800
First Data Corp.....	30,700	1,261,463
Internet Security Systems, Inc.....	100,000 (a)	1,883,000
Microsoft Corp.....	79,000	2,175,660
		=====
		12,242,993
		=====
MATERIALS	1.17%	

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Alcoa, Inc.....	91,000	3,458,000
Georgia-Pacific Corp.....	88,000	2,698,960
		=====
		6,156,960
		=====

See notes to financial statements

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	Number of Shares	Value
	-----	-----
TELECOMMUNICATION SERVICES	0.28%	
CenturyTel, Inc.....	45,000	\$ 1,467,900
		=====
UTILITIES	1.34%	
Entergy Corp.....	39,000	2,228,070
Exelon Corp.....	48,000 (b)	3,185,280
PPL Corporation.....	38,000	1,662,500
		=====
		7,075,850
		=====
Total Domestic Common Stocks (cost \$106,580,630).		123,917,872
		=====
FOREIGN COMMON STOCKS	4.96%	
CONSUMER DISCRETIONARY	0.27%	
Honda Motor Co., Ltd. ADR (Japan).....	63,000 (b)	1,417,500

ENERGY	0.54%	
Talisman Energy, Inc. (Canada).....	23,800	1,347,080
Total S.A., ADR (France).....	16,000	1,480,160

		2,827,240

INFORMATION TECHNOLOGY	0.41%	
Nokia Corp., ADR (Finland).....	126,000	2,142,000

MATERIALS	3.74%	
BHP Billiton Ltd. (Australia).....	536,905	4,931,227
Freeport-McMoRan Copper & Gold, Inc., Class B (Indonesia).....	68,000 (b)	2,864,840
Newcrest Mining Ltd. (Australia).....	353,352	3,447,713
Rio Tinto Ltd. (Australia).....	169,789	4,758,897
WMC Resources Ltd. (Australia).....	862,083 (a)	3,656,885

		19,659,562

Total Foreign Common Stocks (cost \$21,113,225)...		26,046,302

PREFERRED STOCKS	4.92%	
FINANCIALS	4.92%	
ABN Amro North America, 144A, 8.75% Pfd.....	13,500 (d)	14,027,351
Citibank NA Series A, 6.34% Pfd.....	42,000 (a)	4,252,500
JP Morgan Chase & Co., Inc. Pfd.....	75,100 (a)	7,585,100

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Total Preferred Stocks (cost \$26,117,269)..... 25,864,951

See notes to financial statements

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	Principal Amount	Value
	-----	-----
U.S. GOVERNMENT SECURITIES	42.11%	
U.S. TREASURY BONDS	2.54%	
United States Treasury Bonds, 6.38%, 8/15/27.....	\$11,500,000	\$ 13,359,769
		=====
U.S. TREASURY NOTES	39.57%	
United States Treasury Notes, 2.00%, 8/31/05.....	11,250,000	11,326,028
United States Treasury Notes, 3.50%, 11/15/06.....	40,000,000	41,357,840
United States Treasury Notes, 4.75%, 11/15/08.....	9,000,000	9,637,740
United States Treasury Notes, 5.00%, 8/15/11.....	20,000,000	21,409,380
United States Treasury Notes, 6.00%, 8/15/09.....	21,900,000	24,812,875
United States Treasury Notes, 12.75% 11/15/10.....	83,000,000	99,499,569
		=====
		208,043,432
		=====
Total U.S. Government Securities (cost \$219,892,304)...		221,403,201
		=====
AGENCY NON-MORTGAGE BACKED SECURITIES	20.33%	
Federal Home Loan Mortgage Corp., 2.70%, 5/28/08..	24,900,000	25,001,891
Federal National Mortgage Association, 3.00%, 6/15/04.....	55,000,000	55,464,420
Federal National Mortgage Association, 3.15%, 5/28/08.....	26,570,000	26,411,430
		=====
Total Agency Non-Mortgage Backed Securities (cost \$107,060,983).....		106,877,741
		=====
SHORT-TERM INVESTMENT	3.60%	
Federal National Mortgage Association, 0.75%, 1/02/04 (cost \$18,899,606).....	18,900,000	18,899,606
		=====
Total Investments (cost \$499,664,017) -- 99.49%.....		523,009,673
Securities Sold Short (proceeds \$12,645,146) -- (2.68)%		(14,078,390)
Other assets less liabilities -- 3.19%.....		16,755,862
		=====
Net Assets -- 100%.....		\$ 525,687,145
		=====

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- (a) Non-income producing security.
 - (b) Position, or portion thereof, with an aggregate market value of \$16,259,910 has been segregated to collateralize securities sold short.
 - (c) Position is segregated as collateral for written options.
 - (d) Securities exempt from registration under Rule 144A of the Securities Act

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of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At December 31, 2003 these securities amounted to a value of \$14,027,351 or 2.66% of net assets.

Glossary:

ADR -- American Depositary Receipt

For Federal income tax purposes, the tax basis of investments owned at December 31, 2003 was \$501,475,674 and net unrealized depreciation of investments consisted of:

Gross unrealized appreciation.....		\$28,494,347
Gross unrealized depreciation.....		(6,960,348)
-	-	-----
Net unrealized appreciation.....		\$21,533,999
=	=	=====

See notes to financial statements

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	Number of Shares	Value
	-----	-----
SECURITIES SOLD SHORT		
DOMESTIC COMMON STOCKs		
CONSUMER DISCRETIONARY		
Circuit City Stores, Inc.....	200,000	\$ 2,026,000
Ford Motor Co.....	180,000	2,880,000
Tiffany & Co.....	14,000	632,800
		=====
		5,538,800
		=====
FINANCIALS		
Bank of New York Co., Inc. (The).....	73,000	2,417,760
Marsh & McLennan Cos., Inc.....	51,000	2,442,390
		=====
		4,860,150
		=====
HEALTH CARE		
Cephalon, Inc.....	48,000	2,323,680
		=====
INDUSTRIALS		
Expeditors International of Washington, Inc.	36,000	1,355,760
		=====
Total Securities Sold Short (proceeds \$12,645,146)..		\$14,078,390
		=====

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For Federal income tax purposes, the tax basis of securities sold short at December 31, 2003 was \$12,645,146 and net unrealized depreciation of investments consisted of:

Gross unrealized appreciation..	\$ 66,397
Gross unrealized depreciation..	(1,499,641)

Net unrealized appreciation....	\$ (1,433,244)
	=====

See notes to financial statements

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THE ZWEIG TOTAL RETURN FUND, INC.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2003

ASSETS

Investments, at value (identified cost \$499,664,017).....	\$523,009,673
Foreign currency at value (identified cost \$45,065).....	46,162
Cash.....	95,902
Deposits with broker for securities sold short.....	14,110,510
Interest receivable.....	3,051,845
Dividends receivable.....	198,709
Prepaid expenses.....	18,444

Total Assets.....	540,531,245

LIABILITIES

Securities sold short, at value (proceeds \$12,645,146)...	14,078,390
Options written, at value (premiums received \$50,218)....	58,900
Payable for investment securities purchased.....	52,686
Accrued advisory fees (Note 4).....	309,515
Accrued administration fees (Note 4).....	57,481
Other accrued expenses.....	287,128

Total Liabilities.....	14,844,100

NET ASSETS

\$525,687,145

NET ASSET VALUE, PER SHARE

(\$525,687,145 / 92,198,271 shares outstanding -- Note 5). \$ 5.70

Net Assets consist of

Capital paid-in.....	\$555,169,343
Undistributed net investment income.....	241,103
Accumulated net realized loss on investments.....	(51,628,128)
Net unrealized appreciation on investments.....	23,338,071
Net unrealized depreciation on securities sold short.....	(1,433,244)

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\$525,687,145

=====

See notes to financial statements

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THE ZWEIG TOTAL RETURN FUND, INC.

STATEMENT OF OPERATIONS

For the Year Ended December 31, 2003

INVESTMENT INCOME

Income

Interest.....	\$11,273,935
Dividends (net of foreign withholding taxes of \$11,429).....	2,927,100

Total Income.....	14,201,035

Expenses

Investment advisory fees.....	3,650,911
Administrative fees.....	678,026
Transfer agent fees.....	233,278
Printing and postage expenses.....	214,976
Professional fees.....	164,428
Directors' fees and expenses.....	140,266
Custodian fees.....	68,381
Miscellaneous.....	236,506

Expenses before dividends on short sales.....	5,386,772
Dividends on short sales sales.....	145,288

Net Expenses.....	5,532,060

Net Investment Income.....	8,668,975

NET REALIZED AND UNREALIZED GAINS (LOSSES)

Net realized gain (loss) on:

Investments.....	2,657,308
Foreign currency transactions.....	(16,884)
Short sales.....	(2,380,900)

Net change in unrealized appreciation (depreciation) on:

Investments.....	26,774,934
Options written.....	(8,682)
Foreign currency and foreign currency transactions.....	1,097
Short sales.....	(1,433,244)

Net realized and unrealized gain.....	25,593,629

Net increase in net assets resulting from operations	\$34,262,604
	=====

See notes to financial statements

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THE ZWEIG TOTAL RETURN FUND, INC.

STATEMENT OF CHANGES IN NET ASSETS

	For the Year End	
	December 31,	
	2003	2002
	-----	-----
INCREASE (DECREASE) IN NET ASSETS		
Operations		
Net investment income	\$ 8,668,975	\$ 13,200,000
Net realized gain (loss).....	259,524	(46,100)
Net change in unrealized appreciation (depreciation)	25,334,105	14,100,000
	-----	-----
Net increase (decrease) in net assets resulting from operations.....	34,262,604	(18,700,000)
	-----	-----
Dividends and distributions to shareholders from		
Net investment income.....	(11,504,964)	(15,600,000)
Tax return of capital.....	(32,358,803)	(40,900,000)
	-----	-----
Total dividends and distributions to shareholders.....	(43,863,767)	(56,500,000)
	-----	-----
Capital share transactions		
Net asset value of shares issued to shareholders in reinvestment of distributions resulting in issuance of common stock.....	2,524,990	6,400,000
	-----	-----
Net increase in net assets derived from capital share transactions.....	2,524,990	6,400,000
	-----	-----
Net decrease in net assets.....	(7,076,173)	(68,800,000)
	-----	-----
NET ASSETS		
Beginning of year.....	532,763,318	601,600,000
	-----	-----
End of year (including undistributed net investment income of \$241,103 and \$4,404,654, respectively).....	\$525,687,145	\$532,700,000
	=====	=====

See notes to financial statements

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THE ZWEIG TOTAL RETURN FUND, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

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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 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 accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

A. Portfolio Valuation

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. Debt securities are valued on the basis of broker quotations or valuations provided by a pricing service which, in determining value, utilizes information with respect to recent sales, market transactions in comparable securities, quotations from dealers and various relationships between securities. Short-term investments having a remaining maturity of 60 days or less are valued at amortized cost which approximates market value. Securities for which market quotations are not readily available, (of which there were none at December 31, 2003) and other assets, if any, are valued at fair value as determined under procedures approved by the Board of Directors of the Fund.

B. Security Transactions and Investment Income

Security transactions are recorded on trade date. Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis. Discount and premium on securities purchased other than short-term securities are accreted on the constant yield method over the life of the respective securities.

Realized gains and losses on sales of investments are determined on the identified cost basis for financial reporting and tax purposes.

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C. Federal Income Tax Information

It is the policy of the Fund to comply with the requirements of the Internal Revenue Code ("the Code"), applicable to regulated investment companies, and to distribute all of its taxable income to its shareholders. In addition, the Fund intends to distribute an amount sufficient to avoid the imposition of any excise tax under Section 4982 of the Code. Therefore, no provision for federal income taxes or excise taxes has been made.

D. Dividends and Distributions to Shareholders

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Distributions to shareholders are recorded on the ex-dividend date. Income and capital gain distributions are determined in accordance with tax regulations that may differ from generally accepted accounting principles. These differences include the treatment of premium amortization, losses deferred due to wash sales, differing treatment of certain income and gain transactions, and the timing of distributions. For financial reporting purposes, book basis capital accounts are adjusted to reflect the tax character of permanent book/tax differences. The reclassifications have no impact on the net assets or net asset value of the Fund. As of December 31, 2003, the Fund decreased undistributed net investment income by \$1,327,562, increased accumulated net realized loss by \$4,574,891 and increased paid in capital by \$5,902,453.

The components of distributable earnings on a tax basis (excluding unrealized appreciation (depreciation) which is disclosed in the schedule of Investments and Securities Sold Short) consist of undistributed ordinary income of \$0 and undistributed long-term capital gains of \$0. The Fund has \$51,333,052 of capital loss carryovers, \$46,558,126 expiring in 2010 and \$4,774,926 expiring in 2011 which may be used to offset future capital gains. The Fund may not realize the benefits of these losses to the extent it does not realize gains on investments prior to the expiration of the capital loss carryovers. In addition, under certain conditions, the Fund may lose the benefit of these losses to the extent that distributions to shareholders exceed required distribution amounts as defined under the Internal Revenue Code. Shareholders may also pay additional taxes on these excess distributions.

E. 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 separate that portion of the results of operations arising from changes in exchange rates and that portion arising from changes in the market prices of the securities.

F. Forward currency contracts

The Fund may enter into forward currency contracts in conjunction with the planned purchase or sale of foreign denominated securities in order to hedge the U.S. dollar cost or proceeds. Forward currency contracts involve, to varying degrees, elements of market risk in excess of the amount recognized in the Statement of Assets and Liabilities. Risks arise from the possible movements in foreign exchange rates or if the counterparty does not perform under the contract.

A forward currency contract involves an obligation to purchase or sell a specific currency at a future date, which may be any number of days from the date of the contract agreed upon by the parties, at a price set at the time of the contract. These contracts are traded directly between currency traders and their customers. The contract is marked-to-market daily and the change in market value is recorded by each Fund as an unrealized gain or loss. When the

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contract is closed or offset with the same counterparty, the Fund records a realized gain or loss equal to the change in the value of the contract when it was opened and the value at the time it was closed or offset.

G. Options

The Fund may write covered options or purchase options contracts for the purpose of hedging against changes in the market value of the underlying securities of foreign currencies.

The Fund will realize a gain or loss upon the expiration or closing of the option transaction. Gains and losses on written options are reported separately in the Statement of Operations. When a written option is exercised, the proceeds on sales or amounts paid are adjusted by the amount of premium received. Options written are reported as a liability in the Statement of Assets and Liabilities and subsequently marked-to-market to reflect the current value of the option. The risk associated with written options is that the change in value of options contracts may not correspond to the change in the value of the hedged instruments.

The Fund may purchase options which are included in the Fund's schedule of Investments and securities sold short and subsequently marked-to-market to reflect the current value of the option. When a purchased option is exercised, the cost of the security is adjusted by the amount of the premium paid.

H. Short Sales

A short sale is a transaction in which the Fund sells a security it does not own in anticipation of a decline in market price. To sell a security short, the Fund must borrow the security. The Fund's obligation to replace the security borrowed and sold short will be fully collateralized at all times by the proceeds from the short sale retained by the broker and by cash and securities deposited in a segregated account with the Fund's custodian. If the price of the security sold short increases between the time of the short sale and the time the Fund replaces the borrowed security, the Fund will realize a loss, and if the price declines during the period, the Fund will realize a gain. Any realized gain will be decreased by, and any realized loss increased by, the amount of transaction costs. Dividends on short sales are recorded as an expense to the Fund on ex-dividend date. At December 31, 2003, the value of securities sold short amounted to \$14,078,390 against which collateral of \$16,259,910 was held. The collateral includes the deposits with broker for securities held short and the value of the segregated investments held long, as shown in the schedule of Investments and Securities Sold Short. Short selling used in the management of the Fund may accelerate the velocity of potential losses if the prices of securities sold short appreciate quickly. Stocks purchased may decline in value at the same time stocks sold short appreciate in value, thereby increasing potential losses.

NOTE 3 -- Portfolio Transactions

During the year ended December 31, 2003, purchases and sales transactions (excluding short-term instruments, securities sold short, written options and forward currency contracts) were as follows:

	Purchases	Sales
	-----	-----
Investment securities.....	\$220,917,664	\$334,496,031
U.S. government securities	215,000,206	11,500,227

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Transactions in written options for the year ended December 31, 2003, were as follows:

	Number of	Premiums
	Contracts	Received
	-----	-----
Option contracts outstanding at December 31, 2002	--	\$ --
Option contracts written.....	310	50,218
Option contract sold.....	--	--
Option contracts exercised.....	--	--
Option contracts expired.....	--	--
	---	-----
Option contracts outstanding at December 31, 2003	310	\$50,218
	===	=====

	Par	Par	Expiration	Exercise	Market
	Subject	Subject	Date	Price	Value
	to Call	to Put	-----	-----	-----
	-----	-----	-----	-----	-----
Call Option Written					

Capital One Financial Corp.	310	n/a	03/20/2004	\$65.00	\$58,900

NOTE 4 -- Investment Advisory Fees and Other Transactions with Affiliates

a) Investment Advisory Fee: The Investment Advisory Agreement (the "Agreement") between Phoenix/Zweig Advisers LLC (the "Adviser"), the Fund's investment 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. Phoenix/Zweig Advisers LLC is a wholly-owned subsidiary of Phoenix Investment Partners, Ltd. ("PXP"). PXP is an indirect, wholly-owned subsidiary of The Phoenix Companies, Inc. ("PNX"). 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, on an annual basis, to 0.70% of the Fund's average daily net assets. During the year ended December 31, 2003, the Fund accrued advisory fees of \$3,650,911.

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: Phoenix Equity Planning Corporation ("PEPCO"), an indirect wholly-owned subsidiary of PNX, serves as the Fund's Administrator (the "Administrator") pursuant to an Administration Agreement with the Fund. Under the terms of the Agreement the Administrator receives a fee for financial

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reporting, tax services and oversight of the subagent's performance at a rate of 0.13% of the Fund's average daily net assets. During the year ended December 31, 2003, the Fund accrued administration fees of \$678,026.

c) Directors' Fee: The Fund pays each Director who is not an interested person of the Fund or the Adviser a fee of \$10,000 per year plus \$1,500 per Directors' or committee meeting attended, together with the out-of-pocket costs relating to attendance at such meetings. Any Director of the Fund who is an interested person of the Fund or the Adviser receives no remuneration from the Fund.

d) Brokerage Commissions: During the year ended December 31, 2003, the Fund paid PXP Securities Corp., a wholly-owned subsidiary of PXP, brokerage commissions of \$0 in connection with portfolio

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transactions effected through them. In addition, PXP Securities Corp. charged \$51,698 in commissions for transactions effected on behalf of the participants in the Fund's Automatic Reinvestment and Cash Purchase Plan.

NOTE 5 -- Capital Stock and Reinvestment Plan

At December 31, 2003, the Fund had one class of common stock, par value \$.001 per share, of which 500,000,000 shares are authorized and 92,198,271 shares are outstanding.

Registered shareholders may elect to receive all distributions in cash paid by check mailed directly to the shareholder by EquiServe 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 EquiServe, as the Plan agent, in whole or fractional shares of the Fund, as the case may be. During the year ended December 31, 2003 and the year ended December 31, 2002, 436,543 and 1,001,040 shares, respectively, were issued pursuant to the Plan.

On December 31, 2003, the Fund announced a distribution of \$0.01 per share to shareholders of record on December 31, 2003. This distribution has an ex-dividend date of January 5, 2004 and is payable on January 12, 2004.

NOTE 6 -- Financial Highlights

Selected data for a share outstanding throughout each year:

	Year Ended December 31,				
	2003	2002	2001	2000	1999
Per Share Data					
Net asset value, beginning of period....	\$ 5.81	\$ 6.63	\$ 7.48	\$ 7.89	\$ 8.43
Income From Investment Operations					
Net investment income	0.09	0.15	0.18 (a)	0.30	0.28
Net realized and unrealized gains (losses)	0.27	(0.35)	(0.32) (a)	0.02	(0.01)

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Total from investment operations	0.36	(0.20)	(0.14)	0.32	0.27
	-----	-----	-----	-----	-----
Dividends and Distributions					
Anti-dilutive effect of share repurchase program.....	--	--	--	0.01	0.01
	-----	-----	-----	-----	-----
Dividends from net investment income....	(0.12)	(0.17)	(0.22)	(0.30)	(0.28)
Distributions from net realized gains...	--	--	--	(0.25)	(0.13)
Tax return of capital.....	(0.35)	(0.45)	(0.49)	(0.19)	(0.41)
	-----	-----	-----	-----	-----
Total dividends and distributions	(0.47)	(0.62)	(0.71)	(0.74)	(0.82)
	-----	-----	-----	-----	-----
Net asset value, end of period.....	\$ 5.70	\$ 5.81	\$ 6.63	\$ 7.48	\$ 7.89
	=====	=====	=====	=====	=====
Market value, end of period **.....	\$ 5.01	\$ 5.49	\$ 7.05	\$ 6.57	\$ 6.50
	=====	=====	=====	=====	=====
Total investment return***.....	(0.40)%	(14.06)%	18.73%	12.64%	(18.72)%
	=====	=====	=====	=====	=====
Ratios/Supplemental Data					
Net assets, end of period (in thousands)	\$525,687	\$532,763	\$601,655	\$671,056	\$714,637
Ratio of expenses to average net assets (does not include the dividends on short sales).....	1.03%	0.99%	1.04%	1.00%	0.97%
Ratio of expenses to average net assets (includes the dividends on short sales)	1.06%	0.99%	1.04%	1.00%	0.97%
Ratio of net investment income to average net assets.....	1.66%	2.37%	2.51%	3.87%	3.50%
Portfolio turnover rate.....	94.1%	90.8%	86.3%	121.6%	172.3%

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 **Closing Price -- New York Stock Exchange.

***Total investment return is calculated assuming a purchase of common stock on the opening of the first business day and a sale on the closing of 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 years. 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.

(a)As required, effective January 1, 2001, the Fund adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities. The effect of the change for the year ended December 31, 2001 is shown below. Per share ratios and supplemental data for periods prior to January 1, 2001, have not been restated to reflect this change in presentation.

Decrease net investment income..... \$(.02)
 Increase net realized and unrealized gains and losses..... \$.02

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Decrease ratio of net investment income..... (.23)%

UNAUDITED DISCLOSURES

Proxy Voting Procedures

The Adviser votes proxies relating to portfolio securities in accordance with procedures that have been approved by the Fund's Board of Trustees. You may obtain a description of these procedures, free of charge, by calling "toll-free" 800-243-1574. This information is also available through the Securities and Exchange Commission's website at <http://www.sec.gov>.

Tax Information Notice

For Federal income tax purposes, 17.2% of the current year net income earned dividends paid by the Zweig Total Return Fund will qualify for the dividends received deduction for corporate shareholders when paid.

Effective for the calendar year 2003, qualified dividends will be taxed at a lower rate for individual shareholders. 17.4% of the ordinary income dividends distributed by the Zweig Total Return Fund and applicable to qualifying dividends received after January 1, 2003, will qualify for the lower tax rate. This Fund plans to designate the maximum amount allowable under the Jobs and Growth Tax Relief Reconciliation Act. The actual percentage for the calendar year will be designated in the year-end tax statements.

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Report of Independent Auditors

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 securities sold short, 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, 2003, the result 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 auditing standards generally accepted in the United States of America, which 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, 2003 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PRICEWATERHOUSECOOPERS LLP

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New York, New York
February 18, 2004

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FUND MANAGEMENT

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

Name, (Age), Address and Position(s) with Fund	Term of Office and Length of Time Served	Number of Portfolios in Fund Complex Overseen by Director	Principal Occupation(s) During Past 5 Years and Other Dire
DISINTERESTED DIRECTORS			
Charles H. Brunie (73)..... Brunie Associates 600 Third Avenue, 17th Floor New York, NY 10016 Director	Term: Until 2006. Served since: 1988.	2	Director of The Zweig Fund, Inc. (since 2001); Chairman, Brunie Associates (investment management) (since 2001); Chairman, Oppenheimer Capital (investment management) (since 2001); Chairman Emeritus, Board of Trustees, Milken Institute (since 1990). Trustee, Milken Institute Friedman Foundation for Vouchers (1999-2002). Trustee, Hudson Institute (since 2002). American Spectator (since 2002).
Wendy Luscombe (52)..... 480 Churchtown Road Craryville, NY 12521 Director	Term: Until 2005. Served since: 2002.	2	Director of The Zweig Fund, Inc. (since 2001); Chairman, WKL Associates, Inc. (investment management) (since 1994). Fellow, Royal Institution of Chartered Surveyors (since 1994). Member, Chartered Institute of Arbitrators (since 1994). Endeavour Real Estate Securities, Ltd. (since 2000). Director, PXRE, Corp. (since 1994). Member and Chairman of Management Oversight Committee, Deutsche Bank Real Estate Opportunities Fund (since 2003)
Alden C. Olson (76)..... 2711 Ramparte Path Holt, MI 48842 Director	Term: Until 2004. Served since: 1996.	2	Director of The Zweig Fund, Inc. (since 2001); retired. Chartered Financial Analyst (since 1996). Professor of Financial Management, Inv. Management, Michigan State University (1959 to 1999)
James B. Rogers, Jr. (61)... 352 Riverside Drive New York, NY 10025 Director	Term: Until 2006. Served since: 1988.	2	Director of The Zweig Fund, Inc. (since 2001); investor (since 1980). Chairman, Beela (investments and media) (since 1980). Commentator on CNBC (1998). Author of "Biker: On the Road with Jim Rogers" (1998). "Adventure Capitalist" (2003). Visiting Professor, Columbia University (1998). Columnist, Entrepreneur Magazine (since 1995). Director, Emergent Brewery Fund (1993-2002). Director, Le (since 1996).

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Century Association (since 2000).

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Name, (Age), Address and Position(s) with Fund	Term of Office and Length of Time Served	Number of Portfolios in Fund Complex Overseen by Director	Principal Occupation(s) During Past 5 Years and Other Directorships
--	--	---	---

OFFICERS WHO ARE NOT DIRECTORS

Carlton Neel (36)..... 900 Third Ave. New York, NY 10022 Executive Vice President	Served since: 2003.		Executive Vice President of The Zweig Fund, (since 2003); Senior Vice President and Portfolio Manager, Phoenix/Zweig Advisers LLC (since 2003). Managing Director and Co-Founder, Shelter Rock Capital Partners, LP (2002-2003). Senior Vice President and Portfolio Manager, Phoenix/Zweig Advisers LLC (since 2002). Vice President, JP Morgan & Co. (1990-2002).
David Dickerson (36)..... 900 Third Ave. New York, NY 10022 Vice President	Served since: 2003.		Senior Vice President of The Zweig Fund, Inc. (since 2003); Senior Vice President and Portfolio Manager, Phoenix/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).
Nancy J. Engberg (47).... 56 Prospect Street Hartford, CT 06115 Secretary	Served since: 2000.		Secretary of The Zweig Fund, Inc. (since 2000). President and Chief Compliance Officer (since December 2003) and Vice President and Investment Counsel (2002-2003), The Phoenix Companies, its insurance company subsidiaries; Vice President and Counsel, Phoenix Investment Partners, Ltd. (since 1999). Counsel, Phoenix Home Life Mutual Insurance Company (1994 to 1999).
Nancy Curtiss (51)..... 56 Prospect Street Hartford, CT 06115 Treasurer	Served since: 2003.		Treasurer of The Zweig Fund, Inc. (since 2000). President, Operations (since 2003); Vice President, Fund Accounting (1994-2003) and Treasurer (1994-2003), Phoenix Equity Planning Corporation. Managing multiple funds in Phoenix Fund Complex (since 1994).

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THE ZWEIG TOTAL RETURN FUND, INC.

YEAR END RESULTS

Total Return

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	on Net Asset Value	Net Asset Value	NYSE Share Price	Premium (Discount)
Year ended 12/31/2003.....	7.08%	\$5.70	\$ 5.01	(12.11%)
Year ended 12/31/2002.....	(3.3%)	5.81	5.4900	(5.5%)
Year ended 12/31/2001.....	(1.9%)	6.63	7.0500	6.3%
Year ended 12/31/2000.....	5.7%	7.48	6.5700	(12.2%)
Year ended 12/31/1999.....	3.9%	7.89	6.5000	(17.6%)
Year ended 12/31/1998.....	8.8%	8.43	8.8750	5.3%
Year ended 12/31/1997.....	14.6%	8.61	9.4375	9.6%
Year ended 12/31/1996.....	6.3%	8.29	8.0000	(3.5%)
Year ended 12/31/1995.....	17.7%	8.63	8.6250	(0.1%)
Year ended 12/31/1994.....	(1.9%)	8.11	8.0000	(1.4%)
Year ended 12/31/1993.....	10.7%	9.11	10.7500	18.0%
Year ended 12/31/1992.....	2.1%	9.06	10.0000	10.4%
Year ended 12/31/1991.....	20.1%	9.79	10.6250	8.5%
Year ended 12/31/1990.....	4.2%	9.02	8.6250	(4.4%)
Year ended 12/31/1989.....	14.9%	9.59	9.7500	1.7%
Inception 9/30/88-12/31/88.....	1.1%	9.24	9.1250	(1.2%)

KEY INFORMATION

1-800-272-2700 Zweig Shareholder Relations:

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.

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.

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OFFICERS AND DIRECTORS

Philip R. McLoughlin
Chairman of the Board and President

Carlton Neel
Executive Vice President

David Dickerson
Senior Vice President

Nancy J. Engberg
Secretary

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Nancy Curtiss
Treasurer

Charles H. Brunie
Director

Wendy Luscombe
Director

Alden C. Olson, Ph.D.
Director

James B. Rogers, Jr.
Director

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

Fund Administrator
Phoenix Equity Planning Corporation
56 Prospect St.
PO Box 150480
Hartford, CT 06115-0480

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

Transfer Agent
EquiServe Trust Co., NA
PO Box 43010
Providence, RI 02940-3010

Legal Counsel
Katten Muchin Zavis Rosenman
575 Madison Avenue
New York, NY 10022

Independent Auditors
PricewaterhouseCoopers LLP
1177 Avenue of the Americas
New York, NY 10036

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 1336

3206-ANN (12/03)

Annual Report

Zweig

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The Zweig Total
Return Fund, Inc.

December 31, 2003

[GRAPHIC]

Item 2. Code of Ethics.

- (a) The registrant, as of the end of the period covered by this report, has adopted a code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party.
- (b) There have been no amendments, during the period covered by this report, to a provision of the code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party, and that relates to any element of the code of ethics description.
- (c) The registrant has not granted any waivers during the period covered by this report, including an implicit waiver, from a provision of the code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party, that relates to one or more of the items set forth in paragraph (b) of this item's instructions.

Item 3. Audit Committee Financial Expert.

The registrant does not have an audit committee financial expert at this time because none of the registrant's board of directors meets the technical definition of such an expert in form N-CSR. The audit committee of the board is in compliance with I) applicable rules of the listing requirements for closed-end fund audit committees, including the requirement that all members of the audit committee be "financially literate" and that at least one member of the audit committee have "accounting or related financial management expertise", as determined by the board."

Item 4. Principal Accountant Fees and Services.

Audit Fees

- (a) The aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for the audit of the registrant's annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years are \$55,500 and \$58,000.

Audit-Related Fees

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- (b) The aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal accountant that are reasonably related to the performance of the audit of the registrant's financial statements and are not reported under paragraph (a) of this Item are \$0 and \$1,000.

These services are for a review of the semi annual report.

Tax Fees

- (c) The aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning are \$7,000 and \$5,700. "Tax Fees" are those primarily associated with review of year-end distributions by the Fund to avoid excise tax for the Trust, periodic discussion with management on tax issues affecting the Trust, and reviewing and signing the Fund's federal income and excise tax returns.

All Other Fees

- (d) The aggregate fees billed in each of the last two fiscal years for products and services provided by the principal accountant, other than the services reported in paragraphs (a) through (c) of this Item are \$0.
- (e) (1) Disclose the audit committee's pre-approval policies and procedures described in paragraph (c) (7) of Rule 2-01 of Regulation S-X.

The Zweig Total Return Fund, Inc. (the "Fund") Board has adopted policies and procedures with regard to the pre-approval of services provided by PwC. The Audit Committee pre-approves: (i) all audit and no-audit services to be rendered to the Fund by PwC; and (ii) all non-audit services to be rendered to the Fund financial reporting of the Fund provided by PwC to the Adviser or any affiliate thereof that provides ongoing services to the Fund (collectively, "Covered Services"). The Audit Committee has adopted pre-approval procedures authorizing a member of the Audit Committee to pre-approve from time to time, on behalf of the Audit Committee, all Covered Services to be provided by PwC which are not otherwise pre-approved at a meeting of the Audit committee, provided that such delegate reports to the full Audit Committee at its next meeting. The pre-approval procedures do not include delegation of the Audit committee's responsibilities to management. Pre-approval has not been waived with respect to any of the services described above since the date on which the Audit Committee adopted its current pre-approval procedures.

- (e) (2) The percentage of services described in each of paragraphs (b) through (d) of this Item that were approved by the audit committee pursuant to paragraph (c) (7) (i) (C) of Rule 2-01 of Regulation S-X are as follows:

(b) 100%

(c) 100%

(d) Not applicable

- (f) The percentage of hours expended on the principal accountant's engagement to audit the registrant's financial statements for the most

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recent fiscal year that were attributed to work

performed by persons other than the principal accountant's full-time, permanent employees was less than fifty percent.

- (g) The aggregate non-audit fees billed by the registrant's accountant for services rendered to the registrant, and rendered to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the registrant for each of the last two fiscal years of the registrant was \$46,250 and \$248,000 respectively.
- (h) The registrant's audit committee of the board of directors has considered whether the provision of non-audit services that were rendered to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the registrant that were not pre-approved pursuant to paragraph (c) (7) (ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant's independence.

Item 5. Audit Committee of Listed registrants.

Not applicable.

Item 6. [Reserved]

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

THE ZWEIG TOTAL RETURN FUND, INC

STATEMENT OF POLICY WITH RESPECT TO PROXY VOTING

- I. Definitions. As used in this Statement of Policy, the following terms shall have the meanings ascribed below:
 - A. "Adviser" refers to Phoenix/Zweig Advisers LLC.
 - B. "Corporate Governance Matters" refers to changes involving the corporate ownership or structure of an issuer whose securities are within a Portfolio Holding, including changes in the state of incorporation, changes in capital structure, including increases and decreases of capital and preferred stock issuance, mergers and other corporate restructurings, and anti-takeover provisions such as staggered boards, poison pills, and supermajority voting provisions.
 - C. "Delegate" refers to the Adviser or Subadviser to whom responsibility has been delegated to vote proxies for the applicable Portfolio Holding, including any qualified, independent organization engaged by the Adviser to vote proxies on behalf of such delegated entity.
 - D. "Fund" shall individually and collectively mean and refer to The Zweig

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Total Return Fund, Inc. and The Zweig Total Return Fund, Inc., and each of them.

- E. "Management Matters" refers to stock option plans and other management compensation issues.
 - F. "Portfolio Holding" refers to any company or entity whose securities is held within the investment portfolio(s) of one or more of the Fund as of the date a proxy is solicited.
 - G. "Proxy Contests" refer to any meeting of shareholders of an issuer for which there are at least two sets of proxy statements and proxy cards, one solicited by management and the others by a dissident or group of dissidents.
 - H. "Social Issues" refers to social and environmental issues.
 - I. "Takeover" refers to "hostile" or "friendly" efforts to effect radical change in the voting control of the board of directors of a company.
- II. General Policy. It is the intention of the Fund to exercise stock ownership rights in Portfolio Holdings in a manner that is reasonably anticipated to further the best economic interests of shareholders of the Fund. Accordingly, the Fund or its Delegate(s) shall endeavor to analyze and vote all proxies that are considered likely to have financial implications, and, where appropriate, to participate in corporate governance, shareholder proposals, management communications and legal proceedings. The Fund and its Delegate(s) must also identify potential or actual conflicts

of interests in voting proxies and address any such conflict of interest in accordance with this Statement of Policy.

III. Factors to consider when voting.

- A. A Delegate may abstain from voting when it concludes that the effect on shareholders' economic interests or the value of the Portfolio Holding is indeterminable or insignificant.
- B. In analyzing anti-takeover measures, the Delegate shall vote on a case-by-case basis taking into consideration such factors as overall long-term financial performance of the target company relative to its industry competition. Key measures which shall be considered include, without limitation, five-year annual compound growth rates for sales, operating income, net income, and total shareholder returns (share price appreciation plus dividends). Other financial indicators that will be considered include margin analysis, cash flow, and debit levels.
- C. In analyzing contested elections, the Delegate shall vote on a case-by-case basis taking into consideration such factors as the qualifications of all director nominees. The Delegate shall also consider the independence and attendance record of board and key committee members. A review of the corporate governance profile shall be completed highlighting entrenchment devices that may reduce accountability.
- D. In analyzing corporate governance matters, the Delegate shall vote on a case-by-case basis taking into consideration such factors as tax and economic benefits associated with amending an issuer's state of incorporation, dilution or improved accountability associated with

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changes in capital structure, management proposals to require a supermajority shareholder vote to amend charters and bylaws and bundled or "conditioned" proxy proposals.

- E. In analyzing executive compensation proposals and management matters, the Adviser shall vote on a case-by-case basis taking into consideration such factors as executive pay and spending on perquisites, particularly in conjunction with sub-par performance and employee layoffs.
- F. In analyzing proxy contests for control, the Delegate shall vote on a case-by-case basis taking into consideration such factors as long-term financial performance of the target company relative to its industry; management's track record; background to the proxy

contest; qualifications of director nominees (both slates); evaluation of what each side is offering shareholders as well as the likelihood that the proposed objectives and goals can be met; and stock ownership positions.

- G. A Delegate shall generally vote against shareholder social matters proposals.

IV. Delegation.

- A. In the absence of a specific direction to the contrary from the Board of Trustees of the Fund, the Adviser will be responsible for voting proxies for all Portfolio Holdings in accordance with this Statement of Policy, or for delegating such responsibility as described below.
- B. The Adviser delegated with authority to vote proxies for Portfolio Holdings shall be deemed to assume a duty of care to safeguard the best interests of the Fund and its shareholders. No Delegate shall accept direction or inappropriate influence from any other client, director or employee of any affiliated company and shall not cast any vote inconsistent with this Statement of Policy without obtaining the prior approval of the Fund or its duly authorized representative(s).
- C. With regard to each Series for which there is a duly appointed Subadviser acting pursuant to an investment advisory agreement satisfying the requirements of Section 15(a) of the Investment Company Act of 1940, as amended, and the rules thereunder, the Subadviser may, pursuant to delegated authority from the Adviser, vote proxies for Portfolio Holdings with regard to the Series or portion of the assets thereof for which the Subadviser is responsible. In such case, the Subadviser shall vote proxies for the Portfolio Holdings in accordance with Sections II, III and V of this Statement of Policy, provided, however, that the Subadviser may vote proxies in accordance with its own proxy voting policy/procedures ("Subadviser Procedures") if the following two conditions are satisfied: (1) the Adviser must have approved the Subadviser Procedures based upon the Adviser's determination that the Subadviser Procedures are reasonably designed to further the best economic interests of the affected Fund shareholders, and (2) the Subadviser Procedures are reviewed and approved annually by the Board of Trustees. The Subadviser will promptly notify the Adviser of any material changes to the Subadviser Procedures. The Adviser will periodically review the votes by the Subadviser for consistency with this Statement of Policy.

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V. Conflicts of Interest

- A. The Fund and its Delegate(s) seek to avoid actual or perceived conflicts of interest in the voting of proxies for Portfolio Holdings between the interests of Fund shareholders, on one hand, and those of the Adviser, Delegate, principal underwriter, or any affiliated person of the Fund, on the other hand. The Board of Trustees may take into account a wide array of factors in determining whether such a conflict exists, whether such conflict is material in nature, and how to properly address or resolve the same.
- B. While each conflict situation varies based on the particular facts presented and the requirements of governing law, the Board of Trustees or its delegate(s) may take the following actions, among others, or otherwise give weight to the following factors, in addressing material conflicts of interest in voting (or directing Delegates to vote) proxies pertaining to Portfolio Holdings: (i) rely on the recommendations of an established, independent third party with qualifications to vote proxies such as Institutional Shareholder Services; (ii) vote pursuant to the recommendation of the proposing Delegate; (iii) abstaining; or (iv) where two or more Delegates provide conflicting requests, vote shares in proportion to the assets under management of the each proposing Delegate.
- C. The Adviser shall promptly notify the President of the Fund once any actual or potential conflict of interest exists and their recommendations for protecting the best interests of Fund's shareholders. No Adviser shall waive any conflict of interest or vote any conflicted proxies without the prior written approval of the Board of Trustees or the President of the Fund pursuant to section D of this Article.
- D. In the event that a determination, authorization or waiver under this Statement of Policy is requested at a time other than a regularly scheduled meeting of the Board of Trustees, the President of the Fund shall be empowered with the power and responsibility to interpret and apply this Statement of Policy and provide a report of his or her determinations at the next following meeting of the Board of Trustees.

VI. Miscellaneous.

- A. A copy of the current Statement of Policy with Respect to Proxy Voting and the voting records for the Fund reconciling proxies with Portfolio Holdings and recording proxy voting guideline compliance and justification, shall be kept in an easily accessible place and available upon request.
- B. The Adviser shall present a report of any material deviations from this Statement of Policy at every regularly scheduled meeting of the Board of Trustees and shall provide such other reports as the Board of Trustees may request from time to time. The Adviser shall provide to the Fund or any shareholder a record of its effectuation of proxy voting pursuant to this Statement of Policy at such times and in such format or medium as the Fund shall reasonably request. The Adviser shall be solely responsible for complying with the disclosure and reporting requirements under applicable laws and regulations, including, without limitation, Rule 206(4)-6 under the Investment Advisers Act of 1940. The Adviser shall gather, collate and present information relating to the its proxy voting activities of those of each Delegate in such format and medium as the Fund shall determine from time to time in order for the Fund to discharge its disclosure and

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reporting obligations pursuant to Rule 30b1-4 under the Investment Company Act of 1940, as amended.

- C. The Adviser shall pay all costs associated with proxy voting for Portfolio Holdings pursuant to this Statement of Policy and assisting the Fund in providing public notice of the manner in which such proxies were voted.
- D. The Adviser may delegate its responsibilities hereunder to a proxy committee established from time to time by the Adviser, as the case may be. In performing its duties hereunder, the Adviser, or any duly authorized committee, may engage the services of a research and/or voting adviser or agent, the cost of which shall be borne by such entity.
- E. This Statement of Policy shall be presented to the Board of Trustees annually for their amendment and/or approval.

Item 8. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.

Not applicable.

Item 9. Submission of Matters to a Vote of Security Holders.

Not applicable.

Item 10. Controls and Procedures.

- (a) The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on their evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (17 CFR 240.13a-15(b) or 240.15d-15(b)).
- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d))) that occurred during the registrant's last fiscal half-year (the registrant's second fiscal half-year in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 11. Exhibits.

- (a) (1) Code of ethics, or any amendment thereto, that is the subject of disclosure required by Item 2 is attached hereto.
- (a) (2) Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 are attached hereto.
- (a) (3) Not applicable.
- (b) Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 are attached hereto.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(registrant) The Zweig Total Return Fund, Inc.

By (Signature and Title)* /s/ Daniel T. Geraci

Daniel T. Geraci, President
(principal executive officer)

Date March 5, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title)* /s/ Daniel T. Geraci

Daniel T. Geraci, President
(principal executive officer)

Date March 5, 2004

By (Signature and Title)* /s/ Nancy G. Curtiss

Nancy G. Curtiss, Treasurer
(principal financial officer)

Date March 5, 2004

/*/ Print the name and title of each signing officer under his or her signature.