BOULDER TOTAL RETURN FUND INC
Form N-CSR
February 06, 2015
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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:

811-07390

Boulder Total Return Fund, Inc.

(Exact Name of Registrant as Specified in Charter)

Fund Administrative Services, LLC

2344 Spruce Street, Suite A

Boulder, CO 80302

(Address of Principal Executive Offices)(Zip Code)

Fund Administrative Services, LLC

2344 Spruce Street, Suite A

Boulder, CO 80302

(Name and Address of Agent for Service)

Registrant s Telephone Number, including Area Code:

(303) 444-5483

Date of Fiscal Year End: November 30

Date of Reporting Period: December 1, 2013-November 30, 2014

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Item 1. Reports to Stockholders.

The Report to Stockholders is attached herewith.

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Boulder Total Return Fund, Inc. Letter from the Advisers

November 30, 2014 (Unaudited)

Dear Stockholders:

As you are already probably aware, the merger of the Boulder Total Return Fund, Inc. (the Fund), Boulder Growth & Income Fund, Inc., First Opportunity Fund, Inc. and The Denali Fund Inc. into a single surviving fund has officially received stockholder approval. It has been a long process to reach this point and we appreciate your support and patience throughout it all. We are excited by the opportunity to bring these four funds together as we believe it represents an important step in our efforts to better serve the stockholders of all of these funds. In light of this momentous event, I believe we have an opportunity to break from the normal and attempt to provide something new and hopefully more insightful. Let us begin by starting with the familiar and review the performance of the Fund.

For the one-year period ending November 30, 2014, the Fund generated a strong absolute return of 18.4% on net assets that outpaced the 16.9% return generated by the S&P 500 Index and the 13.4% return generated by the Dow Jones Industrial Average (DJIA), but lagged the 19.5% return generated by the NASDAQ Composite. In addition to the relative outperformance for the period, the Fund has continued to outperform its benchmarks on a net assets basis since we became the investment advisers to the Fund in August of 1999 as evidenced in the below table. It is also important to note that over the one-year period the Fund s return on a market basis of 22.2% exceeded the Fund s return on a net assets basis resulting in a narrowing of the discount of the Fund s share price relative to its net asset value. While it is impossible to definitively state what drove the discount narrowing over this period, we believe our recent efforts to address the Fund s share price discount have been in part a contributor to this reduction.

	3 Months	**6 Months**	**One Year**	**Three Years***	**Five Years***	**Ten Years***	**Since August 1999****
Boulder Total Return Fund (NAV)	5.8%	9.9%	18.4%	22.1%	17.8%	8.3%	8.6%
Boulder Total Return Fund (Market)	5.4%	12.3%	22.2%	22.3%	17.0%	7.4%	8.3%
S&P 500 Index	3.7%	8.6%	16.9%	20.9%	15.9%	8.1%	4.9%
Dow Jones Industrial Average	4.8%	7.8%	13.4%	16.9%	14.4%	8.3%	5.8%
NASDAQ Composite	5.0%	13.7%	19.5%	24.0%	18.9%	9.8%	4.7%

* *Annualized.*

** *Annualized since August 1999, when the current advisers became investment advisers to the Fund. Does not include the effect of dilution on non-participating stockholders from the July 2003 rights offering.*

The performance data quoted represents past performance. Past performance is no guarantee of future results. Fund returns include reinvested dividends and distributions, but do not reflect the reduction of taxes that a stockholder would pay on Fund distributions or the sale of Fund shares and do not reflect brokerage commissions, if any. Returns of the S&P 500 Index, the DJIA and the NASDAQ Composite include reinvested dividends and distributions, but do not reflect the effect of commissions, expenses or taxes, as applicable. You cannot invest directly in any of these indices. The investment return and the principal value of an investment will fluctuate and shares, if sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.

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Letter from the Advisers Boulder Total Return Fund, Inc.
November 30, 2014 (Unaudited)

Upon a closer examination it can be seen that the Fund s performance was negatively impacted on an absolute and relative basis by the performance of a few of the Fund s positions. Chief among these was the Fund s position in Freeport-McMoRan Inc. (Freeport-McMoRan), which generated a negative 19.6% return for the period with the negative impact on the Fund s performance amplified by the weight of the position as it accounted for roughly 0.9% of total assets at period end. The weak performance was primarily driven by a combination of factors including the lingering issues at its Indonesian mining operations that we detailed in prior letters as well as a decline in commodity prices, especially for crude oil. While these issues are of definite concern, we continue to view them as being more short-term in nature. When balanced against the company s favorable long-term growth prospects, low cost, diversified asset base and a stock that we believe is attractively valued, we continue to believe the Fund s position in Freeport-McMoRan should perform well over the longer-run.

Another detractor on an absolute and relative basis was the Fund s position in the American Depository Receipts (ADRs) of Sanofi. For the period, the combined position in Sanofi generated a negative 5.9% return and accounted for approximately 1.9% of total assets at period end. The position had been performing fairly well up until October 2014 when returns quickly turned negative as the company made two material announcements. The first was that increased price competition in the U.S. would result in lower sales expectations for its core Diabetes products in the next year. The second was that the Board of Directors, in a surprising move, had removed the company s CEO. While both announcements were obviously unfavorable, it is the latter one that has caused us more concern as it has introduced uncertainty about the future direction of the company. Despite the increased uncertainty, we continue to view the Fund s position in Sanofi favorably as the company has, in our view, solid growth prospects, a good balance sheet, strong free cash flow generation and what we believe is an attractively valued stock.

The weak performance from these two positions was more than offset by the positive contributions from some of the Fund s larger positions, such as Berkshire Hathaway, Inc. (Berkshire Hathaway) and Wells Fargo & Company (Wells Fargo), as they generated returns for the period of 27.6% and 27.1%, respectively.

In addition to closely monitoring the existing holdings of the Fund, we continue to focus our efforts on researching new investment ideas. Any investment decision we make will adhere to our core philosophy of buying good businesses at attractive valuations for the long-run. If Mr. Market is unwilling to offer us such opportunities, we are willing to patiently wait in cash until fear gets the better of him. While attractive investment opportunities have been scarce due to elevated market valuations, we believe these labors bore some fruit during the period as we made a few changes to the Fund s holdings.

Two such changes were that we sold out of the Fund s position in Kohl s Corporation (Kohl s) with the proceeds going to boost the existing position in Chevron Corporation (Chevron). In general for Kohl s, we continue to like the company as we believe it is among the better operators in the retail space, it consistently generates high levels of free cash flow and it is a shareholder friendly allocator of capital. However, we have always had some concern with the uncertain long-term competitive landscape of the retail industry in light of the continued trend toward online shopping. When Kohl s stock traded at a material discount to our estimate of its intrinsic value, the additional margin of safety allowed us to be comfortable with this concern. As the company s market valuation moved above our estimate of intrinsic value, however, this margin of safety

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disappeared and along with it our comfort level with Kohl s stock. When the market is willing to pay us materially more for a company we own than what we believe it is worth, we will be happy to oblige as long as we have an opportunity to re-deploy those proceeds into a more attractive investment opportunity.

Fortunately, we believe we had such an opportunity with Chevron, as growing concerns about falling oil prices drove a selloff in the company s stock. As you know, we are bottom-up investors and we make no boasts about our abilities as macro prognosticators. How then were we able to gain comfort with a company whose earnings are highly dependent on volatile commodity prices, such as oil, natural gas liquids and natural gas? The simple answer is we recognize and understand our short comings. We know we are not able to predict with any sense of accuracy where commodity prices are going to be in the next day, much less the next year. Therefore, when we look to invest in commodity driven companies, we favor ones where other structural factors of the business help mute commodity price driven earnings volatility, such as commodity exposure diversification, geographic diversification, low cost operations and conservative leverage levels. Geographic and commodity exposure diversification can provide greater earnings stability as earnings are less reliant on any one commodity price or regional price differential. Low cost operations and conservative leverage ratios provide an increased margin of safety. Even if commodity prices fall dramatically and for an extended period of time, the companies with low cost operations and conservative balance sheets should be able to maintain some level of profitability and be able to weather an unforeseen storm.

Can oil prices fall further? Absolutely. Can oil prices remain depressed for an extended period? Sure. Will Chevron s earnings take a major hit if oil prices stay at the current lower levels? Yes. Are we concerned for the long-term future of Chevron? No. The reason is that in addition to being a return-focused and a high-quality operator, we believe Chevron benefits from all of the structural factors discussed above. Regardless of the short-term fluctuations in oil prices, we feel confident they will eventually recover. When they do, Chevron will be there, well-positioned to benefit. While the market focuses on the short-term outlook, we believe it has overlooked Chevron s many attractive long-term prospects. This is fine with us as we believe it has given us the chance to increase the Fund s stake in a good company at an attractive price.

Now, the fact that I just covered the vast majority of activity in the Fund in just a few paragraphs highlights what we believe is an underappreciated aspect of our investment philosophy, which is low portfolio turnover. We are investors and not speculators. When we make a buy decision, we are making a decision to purchase an interest in a business that we plan to hold for a long time. A result of our buy and hold philosophy is that portfolio turnover, in the ordinary course of business, will tend to be low and we believe this is beneficial for a couple of reasons. First, it allows us to keep trading activity and its related costs to a minimum. The logic here is simple: we believe the Fund s assets are better spent appreciating in long-term investments in high quality companies than unnecessarily lining the pockets of our brokers. Secondly, the less time spent on trading is more time we have to focus our efforts on research. It is through research and not trading where we believe we are able to provide the greatest value to you and the Fund.

Ignoring the obvious chance to segue into an in- depth discussion of our research process, I will save that for another time as it is probably best to bring this letter to a close before it becomes overlong. Going forward, our priorities are twofold. The first is to continue to navigate through this difficult market environment where we believe valuations remain elevated. We seek to

accomplish this by remaining committed to our investment philosophy of investing in good businesses at attractive valuations for the long-run. The second is to move forward with the recently approved reorganization, which we expect to complete in March 2015.

Until then, I would like to wish you all the best in the New Year and I look forward to writing you again soon.

Sincerely,

Brendon Fischer, CFA

Portfolio Manager

January 6, 2015

The views and opinions in the preceding commentary are as of the date of this letter and are subject to change at any time. This material represents an assessment of the market environment at a specific point in time, should not be relied upon as investment advice and is not intended to predict or depict performance of any investment.

Portfolio weightings and other figures in the foregoing commentary are provided as of period-end, unless otherwise stated.

Note to Stockholders on the Fund s Discount. As most stockholders are aware, the Fund s shares presently trade at a significant discount to net asset value. The Fund s board of directors is aware of this, monitors the discount and periodically reviews the limited options available to mitigate the discount. In addition, there are several factors affecting the Fund s discount over which the board and management have little control. In the end, the market sets the Fund s share price. For long-term stockholders of a closed-end fund, we believe the Fund s discount should only be one of many factors taken into consideration at the time of your investment decision.

Note to Stockholders on Leverage. The Fund is currently leveraged through a credit facility. The Fund may utilize leverage to seek to enhance the returns for its stockholders over the long- term; however, this objective may not be achieved in all interest rate environments. Leverage creates certain risks for stockholders, including the likelihood of greater volatility of the Fund s NAV and market price. There are certain risks associated with borrowing through a line of credit, including, but not limited to risks associated with purchasing securities on margin. In addition, borrowing through a line of credit subjects the Fund to contractual restrictions on its operations and requires the Fund to maintain certain asset coverage ratios on its outstanding indebtedness.

Note to Stockholders on Concentration of Investments. The Fund s investment advisers feel it is important that stockholders be aware that the Fund is highly concentrated in a small number of positions. Concentrating investments in a fewer number of securities may involve a degree of risk that is greater than a fund which has less concentrated investments spread out over a greater number of securities.

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Boulder Total Return Fund, Inc. | Financial Data
November 30, 2014 (Unaudited)

	Per Share of Common Stock		
	Net Asset Value	**Market Price**	**Dividend Paid**
11/30/13	$ 29.16	$ 22.81	$ 0.00
12/31/13	29.41	23.01	0.08 *
1/31/14	27.36	21.90	0.00
2/28/14	28.77	22.73	0.00
3/31/14	30.51	24.33	0.00
4/30/14	31.21	24.95	0.00
5/31/14	31.32	24.72	0.00
6/30/14	31.63	25.66	0.02 **
7/31/14	30.45	25.14	0.00
8/31/14	32.51	26.31	0.00
9/30/14	32.29	26.34	0.00
10/31/14	32.41	26.26	0.00
11/30/14	34.38	27.74	0.00

** This distribution consisted of $0.08 per share long-term capital gain.*
***This distribution consisted of $0.02 per share long-term capital gain.*

INVESTMENTS AS A % OF TOTAL NET ASSETS

AVAILABLE TO COMMON STOCKHOLDERS

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Portfolio of Investments
November 30, 2014

Boulder Total Return Fund, Inc.

Shares	Description	Value (Note 2)
LONG TERM INVESTMENTS 115.3%		
DOMESTIC COMMON STOCK 105.1%		
Banks 5.3%		
410,511	Wells Fargo & Co.[(1)]	$22,364,639
Construction Machinery 1.6%		
65,300	Caterpillar, Inc.[(1)]	6,569,180
Diversified 52.4%		
690	Berkshire Hathaway, Inc., Class A*[(1)(2)]	153,914,850
460,000	Berkshire Hathaway, Inc., Class B*[(1)(2)]	68,397,400
		222,312,250
Diversified Financial Services 5.4%		
10,700	American Express Co.	988,894
361,650	JPMorgan Chase & Co.[(1)(2)]	21,756,864
		22,745,758
Environmental Control 0.3%		
30,000	Republic Services, Inc.[(1)]	1,188,300
Healthcare Products & Services 2.3%		
90,800	Johnson & Johnson[(1)]	9,829,100
Manufacturing 0.3%		
8,000	3M Co.[(1)]	1,280,720
Mining 1.0%		
163,000	Freeport-McMoRan, Inc.[(1)]	4,376,550
Oil & Gas 2.9%		
114,400	Chevron Corp.[(1)]	12,454,728
Registered Investment Companies (RICs) 4.2%		
736,836	Cohen & Steers Infrastructure Fund, Inc.	17,573,539
Retail 24.3%		
370,000	Wal-Mart Stores, Inc.[(1)]	32,389,800
915,000	Yum! Brands, Inc.[(1)(2)]	70,683,750
		103,073,550
Software & Services 2.2%		

21,000	International Business Machines Corp.	3,405,570
143,300	Oracle Corp.(1)(2)	6,077,353
		9,482,923

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Boulder Total Return Fund, Inc.

Portfolio of Investments
November 30, 2014

Shares	Description	Value (Note 2)
Technology, Hardware & Equipment 2.7%		
416,700	Cisco Systems, Inc.[1][2]	$11,517,588
Tobacco Products 0.2%		
9,700	Philip Morris International, Inc.[1]	843,221
TOTAL DOMESTIC COMMON STOCK (Cost $162,340,603)		445,612,046
FOREIGN COMMON STOCK 9.2%		
Beverages 2.7%		
60,000	Heineken Holding NV	4,102,660
95,117	Heineken NV	7,480,820
		11,583,480
Pharmaceuticals 2.2%		
190,000	Sanofi, ADR	9,175,100
Real Estate 3.2%		
529,500	Cheung Kong Holdings, Ltd.	9,715,721
126,445	Henderson Land Development Co., Ltd.	847,831
6,156,000	Midland Holdings, Ltd.*	3,254,518
		13,818,070
Real Estate Investment Trusts (REITs) 1.1%		
4,779,336	Kiwi Income Property Trust	4,499,257
TOTAL FOREIGN COMMON STOCK (Cost $25,779,153)		39,075,907
LIMITED PARTNERSHIPS 1.0%		
109,900	Enterprise Products Partners L.P.	4,103,666
TOTAL LIMITED PARTNERSHIPS (Cost $2,408,627)		4,103,666
TOTAL LONG TERM INVESTMENTS (Cost $190,528,383)		488,791,619

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Portfolio of Investments — Boulder Total Return Fund, Inc.

November 30, 2014

Shares	Description	Value (Note 2)
SHORT TERM INVESTMENTS 0.7%		
MONEY MARKET FUNDS 0.7%		
3,048,566	Dreyfus Treasury & Agency Cash Management Money Market Fund, Institutional Class, 7-Day Yield - 0.010%	$3,048,566
TOTAL MONEY MARKET FUNDS (Cost $3,048,566)		3,048,566
TOTAL SHORT TERM INVESTMENTS (Cost $3,048,566)		3,048,566
TOTAL INVESTMENTS 116.0% (Cost $193,576,949)		491,840,185
LEVERAGE FACILITY (16.0%)		(67,536,464)
OTHER ASSETS AND LIABILITIES (0.0%)[3]		(127,889)
TOTAL NET ASSETS AVAILABLE TO COMMON STOCKHOLDERS 100.0%		$424,175,832

* *Non-income producing security.*

[1] *Pledged security; a portion or all of the security is pledged as collateral for borrowings as of November 30, 2014. (See Note 11).*

[2] *Loaned security; a portion or all of the security is on loan as of November 30, 2014. (See Note 11).*

[3] *Less than (0.05)% of Total Net Assets Available to Common Stockholders.*

Percentages are stated as a percent of the Total Net Assets Available to Common Stockholders.

Common Abbreviations:

ADR - American Depositary Receipt.

L.P. - Limited Partnership.

Ltd. - Limited.

NV - Naamloze Vennootchap is the Dutch term for a public limited liability corporation.

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Boulder Total Return Fund, Inc.

Portfolio of Investments
November 30, 2014

Regional Breakdown as a % of Total Net Assets Available to Co