

FLAHERTY & CRUMRINE TOTAL RETURN FUND INC

Form N-30B-2

October 26, 2018

FLAHERTY & CRUMRINE Total Return Fund

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

Preferreds performed well in the third fiscal quarter¹, bringing total return for the year just back into positive territory. While these returns have not kept pace with returns in recent years, preferreds continue to outperform certain areas of the fixed income market. Total return² on net asset value (“NAV”) was 2.2% for the quarter, and 0.3% for the first nine months of fiscal 2018. Total return on market price over the same periods was 3.5% and -2.5%, respectively.

By most accounts, it has been a challenging year for corporate bond investments. As the current economic cycle has matured, interest rates rose modestly and credit spreads gradually widened. The yield curve flattened as the Federal Reserve methodically raised its benchmark rate while the long end of the Treasury yield curve moved up only modestly given a limited increase in broad-based inflation and subdued expectations for long-term economic growth. Over the first nine months of the Fund’s fiscal year, the Bloomberg Barclays U.S. Aggregate Index returned -0.5%, while the Bloomberg Barclays Long U.S. Credit Index returned -2.7%.

Preferreds outperformed these fixed-income benchmarks for a few key reasons. First, duration is moderate for many preferreds – and for the Fund’s portfolio specifically. We won’t repeat the merits of fixed-to-float preferreds here, but as previously discussed they offer attractive yields with intermediate duration. Owning both fixed-rate and fixed-to-float preferreds allows for management of portfolio duration despite the long-term nature of the Fund’s investments.

Second, an issuer’s preferreds generally yield more than its corporate bonds. The Fund’s strategy is to identify investment-grade issuers and invest down the capital structure (into preferreds) to earn extra yield for what is, in most cases, similar default risk. For issuers with solid credit quality, preferreds have consistently outperformed corporate bonds over a credit cycle. Over time, higher yields can make up for a lot of principal change and dampen effects of higher interest rates.

Outperformance of preferreds over other fixed income securities has been even better when considered after-tax. If shareholders missed our discussion on taxes in the semi-annual report dated May 31, 2018, we encourage a read. Most preferreds offer tax-advantaged income, which further enhances the extra yield earned for subordination (i.e. being lower in the capital structure than senior debt).

We believe the case for preferreds as an income investment remains largely intact, with a combination of higher relative yields, tax advantages, and benign credit conditions. Returns may be bumpy as markets navigate a late-cycle economy (albeit one that’s currently showing few signs of weakness) and an active Federal Reserve. For fixed-income investors, however, preferreds’ combination of credit quality, intermediate duration and yield should remain attractive.

Sincerely,

The Flaherty & Crumrine Portfolio Management Team

September 30, 2018

¹ June 1, 2018 – August 31, 2018

² Following the methodology required by the Securities and Exchange Commission, total return assumes dividend reinvestment.

Flaherty & Crumrine Total Return Fund Incorporated

PORTFOLIO OVERVIEW

August 31, 2018 (Unaudited)

Fund Statistics

| | | |
|---------------------------------|-----------|---|
| Net Asset Value | \$ 20.60 | |
| Market Price | \$ 19.70 | |
| Discount | 4.37 | % |
| Yield on Market Price | 7.25 | % |
| Common Stock Shares Outstanding | 9,958,104 | |

Security Ratings** % of Net Assets†

| | | |
|--------------|------|---|
| BBB | 56.0 | % |
| BB | 33.2 | % |
| Below “BB” | 1.1 | % |
| Not Rated*** | 8.5 | % |

Portfolio Rating Guidelines % of Net Assets†

| | | |
|---|------|---|
| Security Rated Below Investment Grade By All**** | 33.3 | % |
| Issuer or Senior Debt Rated Below Investment Grade by All*****2.6 | | % |

**Ratings are from Moody’s Investors Service, Inc. “Not Rated” securities are those with no ratings available from Moody’s.

***Excludes common stock and money market fund investments and net other assets and liabilities of 1.2%.

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

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

Industry Categories* % of Net Assets†

Top 10 Holdings by Issuer % of Net Assets†

| | | |
|---------------------|-----|---|
| JPMorgan Chase & Co | 4.7 | % |
| MetLife Inc | 4.6 | % |

| | | |
|----------------------------------|-----|---|
| Wells Fargo & Company | 4.2 | % |
| PNC Financial Services Group Inc | 4.1 | % |
| Citigroup Inc | 3.8 | % |
| Liberty Mutual Group | 3.7 | % |
| BNP Paribas | 3.5 | % |
| Morgan Stanley | 3.4 | % |
| Enbridge Energy Partners | 3.0 | % |
| Fifth Third Bancorp | 3.0 | % |

| | | |
|--|----------------------------------|---|
| | % of Net Assets*****† | |
| Holdings Generating Qualified Dividend Income (QDI) for Individuals | 60 | % |
| Holdings Generating Income Eligible for the Corporate Dividends Received Deduction (DRD) | 43 | % |

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

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

3

Shares/\$ Par Value**Preferred Securities\$ —****93.8%****Banking — 56.1%**

Flaherty & Crumrine Total Return Fund Incorporated

PORTFOLIO OF INVESTMENTS**August 31, 2018 (Unaudited)**

| | | | |
|--------------|---|--------------|-----------|
| \$ 2,550,000 | Australia & New Zealand Banking Group Ltd., 6.75% to 06/15/26 then ISDA5 + 5.168%, 144A**** | \$ 2,652,000 | ** (1)(2) |
| \$ 3,000,000 | Banco Bilbao Vizcaya Argentaria SA, 6.125% to 11/16/27 then SW5 + 3.87% | 2,653,710 | ** (1)(2) |
| \$ 710,000 | Banco Mercantil del Norte SA, 7.625% to 01/06/28 then T10Y + 5.353%, 144A**** | 723,845 | ** (2) |
| \$ 2,550,000 | Bank of America Corporation, 5.875% to 03/15/28 then 3ML + 2.931%, Series FF | 2,553,187 | *(1) |
| | Barclays Bank PLC: | | |
| 84,112 | 8.125%, Series 5 | 2,223,921 | ** (1)(2) |
| \$ 1,345,000 | 7.75%, to 09/15/23 then SW5 + 4.842% | 1,360,199 | ** (2) |
| \$ 3,220,000 | 7.875% to 03/15/22 then SW5 + 6.772%, 144A**** | 3,350,503 | ** (1)(2) |
| | BNP Paribas: | | |
| \$ 560,000 | 7.00%, to 08/16/28 then SW5 + 3.98%, 144A**** | 561,400 | ** (2) |
| \$ 7,830,000 | 7.375% to 08/19/25 then SW5 + 5.15%, 144A**** | 8,254,777 | ** (1)(2) |
| \$ 2,000,000 | 7.625% to 03/30/21 then SW5 + 6.314%, 144A**** | 2,130,000 | ** (1)(2) |
| | Capital One Financial Corporation: | | |
| 2,910 | 6.00%, Series B | 74,656 | * |
| 17,022 | 6.00%, Series H | 448,104 | * |
| 15,436 | 6.20%, Series F | 404,732 | * |
| 28,100 | 6.70%, Series D | 741,418 | *(1) |
| | Citigroup, Inc.: | | |
| \$ 1,120,000 | 5.95% to 05/15/25 then 3ML + 3.905%, Series P | 1,142,064 | * |
| 227,619 | 6.875% to 11/15/23 then 3ML + 4.13%, Series K | 6,340,327 | *(1) |
| 155,338 | 7.125% to 09/30/23 then 3ML + 4.04%, Series J | 4,420,143 | *(1) |
| | CoBank ACB: | | |
| 15,300 | 6.125%, Series G, 144A**** | 1,537,650 | * |
| 17,500 | 6.20% to 01/01/25 then 3ML + 3.744%, Series H, 144A**** | 1,872,500 | * |

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| | | | |
|---------------|---|-----------|-----------|
| 25,000 | 6.25% to 10/01/22 then 3ML + 4.557%, Series F, 144A**** | 2,612,500 | *(1) |
| \$ 609,000 | 6.25% to 10/01/26 then 3ML + 4.66%, Series I, 144A**** | 648,585 | * |
| \$ 10,000,000 | Colonial BancGroup, 7.114%, 144A**** | 1,000 | (3)(4)†† |
| \$ 395,000 | Credit Agricole SA, 7.875% to 01/23/24 then SW5 + 4.898%, 144A**** | 420,160 | ** (2) |
| 334,976 | Fifth Third Bancorp, 6.625% to 12/31/23 then 3ML + 3.71%, Series I | 9,360,904 | *(1) |
| | First Horizon National Corporation: | | |
| 875 | First Tennessee Bank, 3ML + 0.85%, min 3.75%, 3.75% ⁽⁵⁾ , 144A**** | 682,591 | * |
| 3 | FT Real Estate Securities Company, 9.50% 03/31/31, 144A**** | 3,888,000 | |
| | Goldman Sachs Group: | | |
| \$ 2,700,000 | 5.00% to 11/10/22 then 3ML + 2.874%, Series P | 2,560,928 | *(1) |
| \$ 390,000 | 5.70% to 05/10/19 then 3ML + 3.884%, Series L | 395,893 | * |
| 60,000 | 6.375% to 05/10/24 then 3ML + 3.55%, Series K | 1,633,800 | *(1) |
| | HSBC Holdings PLC: | | |
| \$ 500,000 | 6.00% to 05/22/27 then ISDA5 + 3.746% | 485,650 | ** (2) |
| \$ 4,265,000 | 6.50% to 03/23/28 then ISDA5 + 3.606% | 4,179,700 | ** (1)(2) |
| \$ 1,370,000 | 6.875% to 06/01/21 then ISDA5 + 5.514% | 1,429,937 | ** (1)(2) |
| \$ 1,400,000 | HSBC Capital Funding LP, 10.176% to 06/30/30 then 3ML + 4.98%, 144A**** | 2,089,500 | (1)(2) |

Flaherty & Crumrine Total Return Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)**August 31, 2018 (Unaudited)****Shares/\$ Par Value****Preferred Securities —
(Continued)****Banking — (Continued)**

| | | |
|--------------|--|-------------------|
| | Huntington Bancshares, Inc.: | |
| 140,000 | 6.25%, Series D | \$ 3,721,200 *(1) |
| \$ 1,400,000 | 5.70% to 04/15/23 then 3ML + 2.88%, Series E | 1,399,125 *(1) |
| 30,000 | ING Groep NV, 6.375% | 770,400 **(2) |
| | JPMorgan Chase & Company: | |
| 61,469 | 6.70%, Series T | 1,599,423 *(1) |
| \$ 7,000,000 | 3ML + 3.47%, 5.8089% ⁽⁵⁾ Series I | 7,057,750 *(1) |
| \$ 750,000 | 6.00% to 08/01/23 then 3ML + 3.30%, Series R | 783,577 *(1) |
| \$ 4,791,000 | 6.75% to 02/01/24 then 3ML + 3.78%, Series S | 5,279,442 *(1) |
| 122,200 | KeyCorp, 6.125% to 12/15/26 then 3ML + 3.892%, Series E | 3,425,877 *(1) |
| \$ 2,250,000 | Lloyds TSB Bank PLC, 12.00% to 12/16/24 then 3ML + 11.756%, 144A**** | 2,738,376 (2) |
| \$ 3,500,000 | M&T Bank Corporation, 6.45% to 02/15/24 then 3ML + 3.61%, Series E | 3,753,750 *(1) |
| \$ 730,000 | Macquarie Bank Ltd., 6.125% to 03/08/27 then SW5 + 3.703%, 144A**** | 670,687 **(2) |
| 58,320 | MB Financial, Inc., 6.00%, Series C | 1,522,152 *(1) |
| | Morgan Stanley: | |
| 213,700 | 5.85% to 04/15/27 then 3ML + 3.491%, Series K | 5,593,597 *(1) |
| 85,000 | 6.875% to 01/15/24 then 3ML + 3.94%, Series F | 2,393,175 *(1) |
| 86,900 | 7.125% to 10/15/23 then 3ML + 4.32%, Series E | 2,504,023 *(1) |
| 235,200 | New York Community Bancorp, Inc., 6.375% to 03/17/27 then 3ML + 3.821%, Series A | 6,559,728 *(1) |
| | PNC Financial Services Group, Inc.: | |
| 352,826 | 6.125% to 05/01/22 then 3ML + 4.067%, Series P | 9,824,440 *(1) |
| \$ 2,850,000 | 6.75% to 08/01/21 then 3ML + 3.678%, Series O | 3,102,225 *(1) |
| \$ 2,515,000 | Rabobank Nederland, 11.00% to 06/30/19 then 3ML + 10.868%, 144A**** | 2,672,187 (1)(2) |
| \$ 6,000,000 | Societe Generale SA, 6.75% to 04/06/28 then SW5 + 3.929%, 144A**** | 5,685,000 **(2) |
| 3,000 | Sovereign Bancorp: | |
| | Sovereign REIT, 12.00%, Series A, 144A**** | 3,532,500 |

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Standard Chartered PLC:

| | | | |
|------------------------|---|-----------|----------------------|
| \$ 3,510,000 | 7.50% to 04/02/22 then SW5 + 6.301%, 144A**** | 3,632,850 | ** ⁽¹⁾⁽²⁾ |
| \$ 1,500,000 | 7.75% to 04/02/23 then SW5 + 5.723%, 144A**** | 1,558,125 | ** ⁽¹⁾⁽²⁾ |
| 157,400 | State Street Corporation, 5.90% to 03/15/24 then 3ML + 3.108%, Series D | 4,272,623 | * ⁽¹⁾ |
| 13,616 | Sterling Bancorp, 6.50%, Series A | 362,668 | * |
| 39,000 | Valley National Bancorp, 5.50% to 09/30/22 then 3ML + 3.578%, Series B | 1,021,800 | * |
| Wells Fargo & Company: | | | |
| 24,700 | 5.625%, Series Y | 629,230 | * |
| 325 | 7.50%, Series L | 421,845 | * |
| 169,700 | 8.00%, Series J | 4,262,016 | * |
| 81,100 | 5.85% to 09/15/23 then 3ML + 3.09%, Series Q | 2,100,085 | * ⁽¹⁾ |
| \$ 1,250,000 | 5.875% to 06/15/25 then 3ML + 3.99%, Series U | 1,318,750 | * ⁽¹⁾ |
| \$ 1,458,000 | 3ML + 3.77%, 6.1106% ⁽⁵⁾ Series K | 1,478,631 | * ⁽¹⁾ |
| 106,200 | 6.625% to 03/15/24 then 3ML + 3.69%, Series R | 2,921,562 | * ⁽¹⁾ |

Flaherty & Crumrine Total Return Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)**August 31, 2018 (Unaudited)****Shares/\$ Par Value****Preferred Securities —
(Continued)****Banking — (Continued)**

| | | | |
|--------------|--|--------------|-----------|
| \$ 1,600,000 | Westpac Banking Corporation, 5.00% to 09/21/27 then ISDA5 + 2.888% | \$ 1,437,297 | ** (1)(2) |
| | Zions Bancorporation: | | |
| 5,000 | 6.30% to 03/15/23 then 3ML + 4.24%, Series G | 135,980 | * |
| \$ 1,500,000 | 7.20% to 09/15/23 then 3ML + 4.44%, Series J | 1,608,750 | * |
| | | 175,585,130 | |

Financial Services — 0.8%

| | | | |
|--------------|---|-----------|--------|
| \$ 1,100,000 | Credit Suisse Group AG, 7.50% to 07/17/23 then SW5 + 4.60%, 144A**** | 1,140,150 | ** (2) |
| \$ 640,000 | E*TRADE Financial Corporation, 5.30% to 03/15/23 then 3ML + 3.16%, Series B | 638,080 | * |
| \$ 610,000 | General Motors Financial Company, 5.75% to 09/30/27 then 3ML + 3.598%, Series A | 595,131 | * |
| | | 2,373,361 | |

Insurance — 20.3%

| | | | |
|--------------|--|-----------|-----------|
| 145,144 | Allstate Corporation, 6.625%, Series E | 3,775,645 | * (1) |
| \$ 1,290,000 | Aon Corporation, 8.205% 01/01/27 | 1,583,475 | (1) |
| | Arch Capital Group, Ltd.: | | |
| 16,000 | 5.25%, Series E | 387,955 | ** (2) |
| 14,200 | 5.45%, Series F | 352,018 | ** (2) |
| | Aspen Insurance Holdings Ltd.: | | |
| 25,000 | 5.625% | 626,500 | ** (2) |
| 9,000 | 5.95% to 07/01/23 then 3ML + 4.06% | 233,550 | ** (2) |
| \$ 620,000 | AXA SA, 6.379% to 12/14/36 then 3ML + 2.256%, 144A**** | 663,400 | ** (1)(2) |
| 5,000 | Axis Capital Holdings Ltd., 5.50%, Series E | 124,950 | ** (2) |
| \$ 1,550,000 | Chubb Ltd.: | | |
| | Ace Capital Trust II, 9.70% 04/01/30 | 2,181,625 | (1)(2) |
| 210,000 | Delphi Financial Group, 3ML + 3.19%, 5.5038% ⁽⁵⁾ 05/15/37 | 4,751,250 | (1) |
| 61,000 | Enstar Group Ltd., 7.00% to 08/31/28 then 3ML + 4.015%, Series D | 1,603,385 | ** (1)(2) |

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| | | | |
|--------------|--|-----------|----------|
| \$ 1,519,000 | Everest Reinsurance Holdings, 3ML + 2.385%, 4.6988% ⁽⁵⁾ 05/15/37 | 1,503,810 | (1) |
| 7,500 | Hartford Financial Services Group, Inc., 7.875% to 04/15/22 then 3ML + 5.596%, 04/15/42 | 214,463 | |
| \$ 6,351,000 | Liberty Mutual Group, 7.80% 03/15/37, 144A**** | 7,510,058 | (1) |
| | MetLife, Inc.: | | |
| \$ 5,335,000 | 9.25% 04/08/38, 144A**** | 7,282,275 | (1) |
| \$ 4,130,000 | 10.75% 08/01/39 | 6,370,525 | (1) |
| \$ 577,000 | MetLife Capital Trust IV, 7.875% 12/15/37, 144A**** | 718,365 | (1) |
| | PartnerRe Ltd.: | | |
| 33,950 | 5.875%, Series I | 853,843 | **(1)(2) |
| 13,917 | 6.50%, Series G | 365,460 | **(1)(2) |
| 117,494 | 7.25%, Series H | 3,290,419 | **(1)(2) |
| \$ 704,000 | Prudential Financial, Inc., 5.625% to 06/15/23 then 3ML + 3.92%, 06/15/43 | 737,074 | (1) |
| \$ 5,300,000 | QBE Insurance Group Ltd., 7.50% to 11/24/23 then SW10 + 6.03%, 11/24/43, 144A**** | 5,796,875 | (1)(2) |
| 24,400 | RenaissanceRe Holdings Ltd., 5.75%, Series F | 619,638 | **(2) |

Flaherty & Crumrine Total Return Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)**August 31, 2018 (Unaudited)****Shares/\$ Par Value****Preferred Securities —
(Continued)****Insurance — (Continued)**

| | | | |
|--------------|--|--------------|--------|
| \$ 4,476,000 | Unum Group: Provident Financing Trust I, 7.405% 03/15/38 | \$ 4,925,838 | (1) |
| 60,339 | W.R. Berkley Corporation, 5.75% 06/01/56 XL Group Limited: | 1,502,139 | (1) |
| \$ 2,000,000 | Catlin Insurance Company Ltd., 3ML + 2.975%, 5.3169% ⁽⁵⁾ , 144A**** | 1,980,000 | (1)(2) |
| \$ 3,446,000 | XL Capital Ltd., 3ML + 2.4575%, 4.7967% ⁽⁵⁾ , Series E | 3,394,655 | (1)(2) |
| | | 63,349,190 | |

Utilities — 6.4%

| | | | |
|--------------|--|------------|--------|
| \$ 900,000 | CenterPoint Energy, Inc., 6.125% to 09/01/23 then 3ML + 3.27%, Series A | 918,000 | * |
| \$ 3,394,000 | Commonwealth Edison: COMED Financing III, 6.35% 03/15/33 | 3,600,729 | (1) |
| 195,000 | Dominion Energy, Inc., 5.25% 07/30/76, Series A DTE Energy Company: | 4,807,725 | (1) |
| 30,000 | 5.375% 06/01/76, Series B | 742,110 | (1) |
| 46,993 | 6.00% 12/15/76, Series F | 1,234,976 | |
| \$ 2,940,000 | Emera, Inc., 6.75% to 06/15/26 then 3ML + 5.44%, 06/15/76, Series 2016A | 3,131,455 | (1)(2) |
| 2,200 | Georgia Power Company, 5.00% 10/01/77, Series 2017A | 54,043 | |
| 17,800 | Indianapolis Power & Light Company, 5.65% | 1,826,102 | *(1) |
| 100,233 | Integrus Energy Group, Inc., 6.00% to 08/01/23 then 3ML + 3.22%, 08/01/73 | 2,598,541 | (1) |
| \$ 440,000 | NiSource, Inc., 5.65% to 06/15/23 then T5Y + 2.843%, 144A**** | 446,050 | * |
| | Southern California Edison: SCE Trust V, 5.45% to 03/15/26 then 3ML + 3.79%, Series K | 781,650 | *(1) |
| 30,000 | | | |
| | | 20,141,381 | |

Energy — 7.2%

| | | | |
|------------|---|---------|--|
| \$ 750,000 | DCP Midstream LLC, 5.85% to 05/21/23 then 3ML + 3.85%, 05/21/43, 144A**** | 693,750 | |
| | DCP Midstream LP: | | |

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| | | | |
|--------------|---|------------|--------|
| \$ 1,550,000 | 7.375% to 12/15/22 then 3ML + 5.148%, Series A | 1,552,906 | (1) |
| 5,200 | 7.875% to 06/15/23 then 3ML + 4.919%, Series B | 134,602 | |
| \$ 1,500,000 | Enbridge, Inc., 6.00% to 01/15/27 then 3ML + 3.89%, 01/15/77 | 1,466,250 | (1)(2) |
| \$ 9,485,000 | Enbridge Energy Partners LP, 3ML + 3.7975%, 6.1349% ⁽⁵⁾ 10/01/37 | 9,537,467 | (1) |
| | Energy Transfer Partners LP: | | |
| 151,330 | 7.375% to 05/15/23 then 3ML + 4.53%, Series C | 3,883,567 | (1) |
| 2,100 | 7.625% to 08/15/23 then 3ML + 4.738%, Series D | 55,125 | |
| \$ 1,000,000 | Enterprise Products Operating L.P., 5.25% to 08/16/27 then 3ML + 3.033%, 08/16/77, Series E | 947,500 | |
| 3,000 | Kinder Morgan, Inc., 9.75% 10/26/18, Series A | 99,677 | * |
| 45,500 | NuStar Logistics LP, 3ML + 6.734%, 9.0732% ⁽⁵⁾ 01/15/43 | 1,180,498 | |
| | Transcanada Pipelines, Ltd.: | | |
| \$ 1,500,000 | 5.30% to 03/15/27 then 3ML + 3.208%, 03/15/77, Series 2017-A | 1,440,938 | (2) |
| \$ 1,500,000 | 5.875% to 08/15/26 then 3ML + 4.64%, 08/15/76, Series 2016-A | 1,533,750 | (1)(2) |
| | | 22,526,030 | |

Flaherty & Crumrine Total Return Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)**August 31, 2018 (Unaudited)****Shares/\$ Par Value****Preferred Securities —
(Continued)****Real Estate Investment
Trust (REIT) — 0.1 %**

| | | |
|--------|--|------------|
| 4,540 | Annaly Capital Management, Inc., 6.95% to 09/30/22 then 3ML + 4.993%, Series F | \$ 116,451 |
| 12,315 | National Retail Properties, Inc., 5.20%, Series F | 293,343 |
| | | 409,794 |

Miscellaneous Industries — 2.9 %

BHP Billiton Limited:

| | | | |
|--------------|--|-------------|------|
| \$ 600,000 | BHP Billiton Finance U.S.A., Ltd., 6.75% to 10/19/25 then SW5 + 5.093%, 10/19/75, 144A**** | 660,000 | (2) |
| \$ 718,000 | General Electric Company, 5.00% to 01/21/21 then 3ML + 3.33%, Series D | 707,679 | *(1) |
| \$ 4,350,000 | Land O' Lakes, Inc., 7.25%, Series B, 144A**** | 4,708,875 | * |
| 34,700 | Ocean Spray Cranberries, Inc., 6.25%, 144A**** | 3,079,625 | * |
| | | 9,156,179 | |
| | Total Preferred Securities | 293,541,065 | |
| | (Cost \$289,274,524) | | |

Corporate Debt Securities^{\$} — 5.1 %**Banking — 2.1 %**

| | | | |
|------------|---|-----------|-----|
| \$ 826,000 | Regions Financial Corporation, 7.375% 12/10/37, Sub Notes | 1,080,911 | (1) |
| 193,600 | Texas Capital Bancshares Inc., 6.50% 09/21/42, Sub Notes | 4,986,168 | (1) |
| 18,000 | Zions Bancorporation, 6.95% to 09/15/23 then 3ML + 3.89%, 09/15/28, Sub Notes | 532,530 | |
| | | 6,599,609 | |

Financial Services — 0.0 %

| | | | |
|--------------|---|--------|----------|
| \$ 4,726,012 | Lehman Brothers, Guaranteed Note, 5.843% 12/16/16, 144A**** | 46,788 | (3)(4)†† |
| | | 46,788 | |

Insurance — 1.3 %

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| | | | |
|--------------|---|-----------|-----|
| \$ 3,000,000 | Liberty Mutual Insurance, 7.697% 10/15/97, 144A**** | 4,083,550 | (1) |
| | | 4,083,550 | |

Energy — 0.4%

| | | | |
|------------|---|-----------|-----|
| \$ 940,000 | Energy Transfer Partners LP, 8.25% 11/15/29 | 1,147,443 | (1) |
| | | 1,147,443 | |

Communication — 0.5%

| | | |
|--------|--------------------|-----------|
| | Qwest Corporation: | |
| 29,941 | 6.50% 09/01/56 | 705,560 |
| 41,820 | 6.75% 06/15/57 | 1,022,708 |
| 500 | 7.00% 04/01/52 | 12,703 |
| | | 1,740,971 |

Flaherty & Crumrine Total Return Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)**August 31, 2018 (Unaudited)****Shares/\$ Par Value****Corporate Debt****Securities — (Continued)****Miscellaneous****Industries — 0.8%**

| | | | |
|--------------|------------------------------------|--------------|-----|
| \$ 2,160,000 | Pulte Group, Inc., 7.875% 06/15/32 | \$ 2,424,600 | (1) |
| | | 2,424,600 | |

| | |
|--|------------|
| Total Corporate Debt Securities | 16,042,961 |
| (Cost \$14,017,344) | |

Money Market Fund — 0.1%

| | | |
|---------|---|---------|
| 434,205 | BlackRock Liquidity Funds: T-Fund, Institutional Class | 434,205 |
|---------|---|---------|

| | |
|--------------------------------|---------|
| Total Money Market Fund | 434,205 |
| (Cost \$434,205) | |

| | | | |
|--|------|---|-------------|
| Total Investments (Cost \$303,726,073***) | 99.0 | % | 310,018,231 |
|--|------|---|-------------|

| | | | |
|---|-----|---|-----------|
| Other Assets And Liabilities (Net) | 1.0 | % | 3,033,033 |
|---|-----|---|-----------|

| | | | |
|-----------------------------|-------|----|----------------|
| Total Managed Assets | 100.0 | %‡ | \$ 313,051,264 |
|-----------------------------|-------|----|----------------|

| | | |
|-------------------------------|--------------|---|
| Loan Principal Balance | (107,900,000 |) |
|-------------------------------|--------------|---|

| | |
|---|----------------|
| Total Net Assets Available To Common Stock | \$ 205,151,264 |
|---|----------------|

Flaherty & Crumrine Total Return Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

August 31, 2018 (Unaudited)

§Date shown is maturity date unless referencing the end of the fixed-rate period of a fixed-to-floating rate security.

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

**Securities distributing Qualified Dividend Income only.

***Aggregate cost of securities held.

****Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional buyers. At August 31, 2018, these securities amounted to \$90,724,497 or 29.0% of total managed assets.

(1)All or a portion of this security is pledged as collateral for the Fund's loan. The total value of such securities was \$193,264,099 at August 31, 2018.

(2)Foreign Issuer.

(3)Level 3, illiquid security (designation is unaudited; see Note 2: Additional Accounting Standards).

(4)Valued at fair value as determined in good faith by or under the direction of the Board of Directors as of August 31, 2018.

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

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

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

ABBREVIATIONS:

3ML — 3-Month ICE LIBOR USD A/360

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

SW5 — 5-year USD Swap Semiannual 30/360

SW10 — 10-year USD Swap Semiannual 30/360

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

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

10

Flaherty & Crumrine Total Return Fund Incorporated

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE TO COMMON STOCK⁽¹⁾

For the period from December 1, 2017 through August 31, 2018 (Unaudited)

Value

OPERATIONS:

Net
investment
income

Net
realized
gain/(loss)

on
investment
sold

during
the
period

Change
in
net

unrealized
appreciation/depreciation
of
investments

**Net
decrease
in**

**net
assets**

**resulting
from
operations**

DISTRIBUTIONS:

Dividend
paid
from
net
investment
income

to
Common
Stock
Shareholders⁽²⁾

**Total
Distributions**

to (10,804,543)
Common
Stock
Shareholders

**NET
DECREASE
IN**

**NET
ASSETS
AVAILABLE
TO \$(10,835,205)
COMMON
STOCK
FOR
THE
period**

**NET
ASSETS
AVAILABLE
TO
COMMON
STOCK:**

Beginning
of \$ 215,986,469
period

Net
decrease
in
net
assets (10,835,205)
during
the
period

End
of \$ 205,151,264
period

⁽¹⁾These tables summarize the nine months ended August 31, 2018 and should be read in conjunction with the Fund's audited financial statements, including notes to the financial statements in its Annual Report dated November 30,

2017.

⁽²⁾May include income earned, but not paid out, in prior fiscal year.

11

Flaherty & Crumrine Total Return Fund Incorporated

Financial Highlights⁽¹⁾

For the period December 1, 2017 through August 31, 2018 (Unaudited)
For a Common Stock share outstanding throughout the period

11

PER SHARE OPERATING PERFORMANCE:

| | |
|--------------------------------------|----------|
| Net asset value, beginning of period | \$ 21.69 |
|--------------------------------------|----------|

INVESTMENT OPERATIONS:

| | |
|--|---------|
| Net investment income | 0.98 |
| Net realized and unrealized gain/(loss) on investments | (0.98) |
| Total from investment operations | 0.00 |

DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS:

| | |
|--|-----------|
| From net investment income | (1.09) |
| Total distributions to Common Stock Shareholders | (1.09) |
| Net asset value, end of period | \$ 20.60 |
| Market value, end of period | \$ 19.70 |
| Common Stock shares outstanding, end of period | 9,958,104 |

RATIOS TO AVERAGE NET ASSETS AVAILABLE TO COMMON STOCK SHAREHOLDERS:

| | | |
|---|------|----|
| Net investment income† | 6.24 | %* |
| Operating expenses including interest expense | 2.58 | %* |
| Operating expenses excluding interest expense | 1.23 | %* |

SUPPLEMENTAL DATA: ††

| | | |
|--|------------|-----|
| Portfolio turnover rate | 11 | %** |
| Total managed assets, end of period (in 000's) | \$ 313,051 | |
| Ratio of operating expenses including interest expense to average total managed assets | 1.70 | %* |
| Ratio of operating expenses excluding interest expense to average total managed assets | 0.81 | %* |

⁽¹⁾These tables summarize the nine months ended August 31, 2018 and should be read in conjunction with the Fund's audited financial statements, including notes to the financial statements, in its Annual Report dated November 30, 2017.

*Annualized.

**Not annualized.

†The net investment income ratio reflects income net of operating expenses, including interest expense.

††Information presented under heading Supplemental Data includes loan principal balance.

Flaherty & Crumrine Total Return Fund Incorporated

Financial Highlights (Continued)

Per Share of Common Stock (Unaudited)

12

| | Total Dividends Paid | Net Asset Value | NYSE Closing Price | Dividend Reinvestment Price⁽¹⁾ |
|-------------------|-------------------------------------|----------------------------|-------------------------------|--|
| December 29, 2017 | \$0.1260 | \$21.66 | \$21.61 | \$21.56 |
| January 31, 2018 | 0.1260 | 21.42 | 19.79 | 19.93 |
| February 28, 2018 | 0.1190 | 21.22 | 19.90 | 19.90 |
| March 29, 2018 | 0.1190 | 21.07 | 19.81 | 19.72 |
| April 30, 2018 | 0.1190 | 20.77 | 19.21 | 19.20 |
| May 31, 2018 | 0.1190 | 20.53 | 19.39 | 19.44 |
| June 29, 2018 | 0.1190 | 20.40 | 19.51 | 19.43 |
| July 31, 2018 | 0.1190 | 20.51 | 19.70 | 19.76 |
| August 31, 2018 | 0.1190 | 20.60 | 19.70 | 19.74 |

⁽¹⁾Whenever the net asset value per share of the Fund's Common Stock is less than or equal to the market price per share on the reinvestment date, new shares issued will be valued at the higher of net asset value or 95% of the then current market price. Otherwise, the reinvestment shares of Common Stock will be purchased in the open market.

Flaherty & Crumrine Total Return Fund Incorporated

Notes to Financial Statements (Unaudited)

1. Aggregate Information for Federal Income Tax Purposes

At August 31, 2018, the aggregate cost of securities for federal income tax purposes was \$315,346,504, the aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost was \$17,377,992 and the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was \$22,706,265.

2. Additional Accounting Standards

Fair Value Measurements: The Fund has analyzed all existing investments to determine the significance and character of all inputs to their fair value determination. The levels of fair value inputs used to measure the Fund's investments are characterized into a fair value hierarchy. Where inputs for an asset or liability fall into more than one level in the fair value hierarchy, the investment is classified in its entirety based on the lowest level input that is significant to that investment's valuation. The three levels of the fair value hierarchy are described below:

Level 1 – quoted prices in active markets for identical securities

Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Transfers in and out of levels are recognized at market value at the end of the period.

Flaherty & Crumrine Total Return Fund Incorporated

Notes to Financial Statements (Unaudited) (Continued)

A summary of the inputs used to value the Fund's investments as of August 31, 2018 is as follows:

| | Total Value at August 31, 2018 | Level 1 Quoted Price | Level 2 Significant Observable Inputs | Level 3 Significant Unobservable Inputs |
|-------------------------------------|---|-------------------------------------|--|--|
| Preferred Securities | | | | |
| Banking | \$175,585,130 | \$149,961,772 | \$25,622,358 | \$1,000 |
| Financial Services | 2,373,361 | 2,373,361 | — | — |
| Insurance | 63,349,190 | 34,432,859 | 28,916,331 | — |
| Utilities | 20,141,381 | 12,116,009 | 8,025,372 | — |
| Energy | 22,526,030 | 12,294,813 | 10,231,217 | — |
| Real Estate Investment Trust (REIT) | 409,794 | 409,794 | — | — |
| Miscellaneous Industries | 9,156,179 | 1,367,679 | 7,788,500 | — |
| Corporate Debt Securities | | | | |
| Banking | 6,599,609 | 5,518,698 | 1,080,911 | — |
| Financial Services | 46,788 | — | — | 46,788 |
| Insurance | 4,083,550 | — | 4,083,550 | — |
| Energy | 1,147,443 | — | 1,147,443 | — |
| Communication | 1,740,971 | 1,740,971 | — | — |
| Miscellaneous Industries | 2,424,600 | — | 2,424,600 | — |
| Money Market Fund | 434,205 | 434,205 | — | — |
| Total Investments | \$310,018,231 | \$220,650,161 | \$89,320,282 | \$47,788 |

During the reporting period, securities with an aggregate market value of \$1,980,000 were transferred into Level 1 from Level 2. The securities were transferred due to an increase in the quantity and quality of information related to trading activity or broker quotes for these securities. During the period, securities with an aggregate market value of \$4,477,595 were transferred into Level 2 from Level 1. The securities were transferred due to a decrease in the quantity and quality of the information related to trading activity or broker quotes for these securities. During the reporting period, there were no transfers into or out of Level 3.

The fair values of the Fund's investments are generally based on market information and quotes received from brokers or independent pricing services that are approved by the Board of Directors and are unaffiliated with the Adviser. To assess the continuing appropriateness of security valuations, management, in consultation with the Adviser, regularly compares current prices to prior prices, prices across comparable securities, actual sale prices for securities in the Fund's portfolio, and market information obtained by the Adviser as a function of being an active market participant.

Securities with quotes that are based on actual trades or actionable bids and offers with a sufficient level of activity on or near the measurement date are classified as Level 1. Securities that are priced using quotes derived from implied values, indicative bids and offers, or a limited number of actual trades—or the same information for securities that are similar in many respects to those being valued—are classified as Level 2. If market information is not available for securities being valued, or materially-comparable securities, then those securities are classified as Level 3. In considering market information, management

Flaherty & Crumrine Total Return Fund Incorporated

Notes to Financial Statements (Unaudited) (Continued)

evaluates changes in liquidity, willingness of a broker to execute at the quoted price, the depth and consistency of prices from pricing services, and the existence of observable trades in the market.

The following is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value:

| | Total Investments | Preferred Securities Banking | Corporate Debt Securities Financial Services |
|--|------------------------------|--|--|
| Balance as of 11/30/17 | \$94,575 | \$1,000 | \$93,575 |
| Accrued discounts/premiums | — | — | — |
| Realized gain/(loss) | — | — | — |
| Change in unrealized appreciation/(depreciation) | (46,787) | — | (46,787) |
| Purchases | — | — | — |
| Sales | — | — | — |
| Transfer in | — | — | — |
| Transfer out | — | — | — |
| Balance as of 08/31/18 | \$47,788 | \$1,000 | \$46,788 |

For the nine months ended August 31, 2018, total change in unrealized gain/(loss) on Level 3 securities still held at period-end and included in the change in net assets was \$(46,787).

The following table summarizes the valuation techniques used and unobservable inputs developed to determine the fair value of Level 3 investments:

| Category | Fair Value at 08/31/18 | Valuation Technique | Unobservable Input | Input Range (Wgt Avg) |
|---|---|---|---------------------------------------|----------------------------------|
| Preferred Securities (Banking) | \$ 1,000 | Bankruptcy recovery | Credit/Structure-specific recovery | 0.00% - 0.02% (0.01%) |
| Corporate Debt Securities (Financial Services) | 46,788 | Bankruptcy recovery and market information | Credit/Structure-specific recovery | 0.5% - 2.0% (1.0%) |

The significant unobservable inputs used in the fair value measurement technique for bankruptcy recovery are based on recovery analysis that is specific to the security being valued, including the level of subordination and structural features of the security, and the current status of any bankruptcy or liquidation proceedings. Observable market trades in bankruptcy claims are utilized by management, when available, to assess the appropriateness of valuations,

although the frequency of trading depends on the specific credit and seniority of the claim. Expected recoveries in bankruptcy by security type and industry do not tend to deviate much from historical recovery rates, which are very low (sometimes zero) for preferred securities and more moderate for senior debt. Significant changes in these inputs would result in a significantly higher or lower fair value measurement.

Directors

R. Eric Chadwick, CFA
Chairman of the Board

Morgan Gust

David Gale

Karen H. Hogan

Officers

R. Eric Chadwick, CFA
Chief Executive Officer and
President

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

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

Roger W. Ko
Assistant Treasurer

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

Linda M. Puchalski
Assistant Treasurer

Investment Adviser

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

Servicing Agent

Destra Capital Investments LLC
1-877-855-3434

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

•If your shares are held in a Brokerage Account, contact your Broker.

•If you have physical possession of your shares in certificate form, contact the Fund's Transfer Agent —

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

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

Quarterly
Report

August 31, 2018

www.preferredincome.com