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ZWEIG FUND INC /MD/
Form N-30B-2
November 20, 2001

[PHOTO]

Dear Shareholder:

The net asset value of the Zweig Fund, Inc. decreased 16.4% during the three months ended September 30, 2001, including the \$0.22 distribution paid on July 26, 2001. During the same period, the S&P 500 Index declined 14.7%, including dividends. The Fund's exposure during the third quarter averaged approximately 97%.

For the nine months ended September 30, 2001, the Fund's net asset value declined 24.3%, including \$0.71 in distributions. During this span, the S&P 500 Index fell 20.4%, including dividends. Our average exposure for this period was 96%.

The third quarter was a difficult one for the equity markets. The Dow Jones Industrial Average dropped 15.8%, its worst showing since the last quarter of 1987. The Nasdaq composite declined 31%, and the S&P 500 Index, as noted above, was down nearly 15%./1/ According to Lipper Inc., 99% of equity mutual funds finished the quarter in the red, and the average diversified mutual fund dipped 16.2%.

In line with our indicators, which have served us so well in the past, we were bullish during the quarter for the following reasons.

/1/The Dow Jones Industrial Average and the S&P 500 Index measure broad stock market total-return performance. The Nasdaq composite measures technology-oriented stock total-return performance. All of the indices are unmanaged and not available for direct investment.

November 1, 2001

Historically, going back to 1913, there have been roughly 11.9 cumulative years when we were in a similar mode--three or more Federal Reserve interest rate cuts and a growing money supply--and the average annual return for the S&P 500 during that period was 32.8%. The average rate of return for the remaining 76 years was in the vicinity of 2.2%.

That is basically why we were bullish. Other indicators pointed in the same direction. What went wrong--and that was before the terrorist attacks on September 11--is that I underestimated the impact of the bursting of the technology bubble on the market and the economy. I thought the Fed actions would induce capital expenditures in other areas sooner and stimulate consumer spending. The housing market, for example, did show improvement. However, conditions unexpectedly worsened in August and the events of September 11 only exacerbated the market's weakness.

DISTRIBUTION DECLARED

On September 20, 2001, the Fund announced a distribution of \$0.18 payable on October 26, 2001, to stockholders of record as of October 10, 2001. Including this distribution, our total payout since the Fund's inception is now \$16.73.

MARKET OUTLOOK

The World Trade Center attack is perhaps the equivalent of a 1000-year

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flood. It presents an entirely new and different set of largely unpredictable eventualities. However, what happened to the market after the sneak attack on Pearl Harbor on December 7, 1941, might provide a clue. At the time of the attack, the market was already down roughly 10% from its previous high. On news of the attack, the Dow fell 8.8% over a two-week period before recovering in early

January. By November 1942, less than a year later, the Dow had rallied back to its pre-attack level.

As far as the post-September 11 stock market is concerned, I think there will be at least five and perhaps six areas of economic stimulus that will be very important. They are:

One, we will see some tax cuts. I am not sure how Congress will work out the specifics, but there is some bipartisanship and we'll get something.

Two, there will be more government spending. President Bush is requesting an economic stimulus package of \$75 billion on top of \$40 billion in emergency spending and \$15 billion to the airlines. And, we expect there will be more of that.

Three, we have lower oil prices, partly because of the attack. The effect is almost like a tax cut.

Four, the Fed has cut rates two more times since the attack, and it is flooding the economy with liquidity. This may be temporary, but it should help.

Five, the insurance companies will pay out at least \$40 billion. That is not just for the World Trade Center. It includes life and other property insurance that will go back to rebuilding the economy.

Then, there is a sixth stimulus that has nothing to do with the terrorist attack. It is the huge inventory drop, which I was paying a lot of attention to prior to September 11. Capacity utilization is also way down, but at some point, inventory gets so thin that it has to be rebuilt.

These are all positives for the economy. As for negatives, we may see one for housing, depending on the direction of prices. Also, consumer confidence is pretty poor. Consumer confidence is also low at the end of a recession. That did not bother me before the attack, but there's an additional fear factor here. If consumers are reluctant to spend--and I am not making a prediction--there could be some problems.

I don't know whether or when people will go back to living normally, but there will be increased spending. But will it be enough to give us a vigorous recovery? My guess is probably not. However, I think we will come off the lows.

There is an enormous shock effect right now. Whatever the gross national product is for the third and fourth quarters, I believe we will see a positive first quarter in 2002, but I don't look for it to be huge.

Prior to the attack, consumers were concerned about the weakening economy. S&P 500 earnings were down about 22% for the quarter, and the unemployment rate was up 1% this year to 4.9%. However, the S&P has returned 15.8% in previous periods when earnings were down versus only 3.8% when earnings were up 10% or better. In addition, in the nine previous cases when unemployment rose 1% as it has this year, the S&P was higher a year later in every case by an average of 24.9%. History shows that once economic weakness is this

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widespread and the Fed is cutting rates, stocks soon bottom and head sharply higher.

My indicators are bullish. Our monetary model is supported by nine Fed cuts, T-bills yields down over 50%, long bond yields off over 20%, and a dramatically steeper yield curve. Our sentiment model is extremely bullish as well because of the widespread pessimism. The puts/calls ratio, investor sentiment surveys, and cash levels show that investors have raised cash in fear of lower stock prices. In previous instances when investors have shown this level of pessimism, the market has returned over 32% a year.

In view of the above considerations, we remain bullish and as of this writing, are about 97% invested.

2

PORTFOLIO COMPOSITION

Our leading industry groups as of September 30 included health care, financial services, technology, telecommunications, oil and oil services, and retailing. These groups all appeared on our June 30 listing. During the quarter, we increased our position in health care, a category that held up well in a difficult market. Our holdings were trimmed in oil and oil services, a group that underperformed. Technology lost exposure because of market weakness.

Some of our largest individual holdings include Pfizer, Microsoft, General Electric, Citigroup, Wal-Mart, Johnson & Johnson, Tyco, SBC Communications, Verizon, and Eli Lilly.

Eli Lilly is new to our portfolio. Johnson & Johnson, SBC Communications, and Verizon showed relatively good performance during the quarter. Among the top holdings listed in our previous quarterly report, we have reduced our stake in AOL Time Warner, and IBM and Intel underperformed.

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

3

THE ZWEIG FUND, INC.

STATEMENT OF NET ASSETS
September 30, 2001
(Unaudited)

		Number of Shares	Value
		-----	-----
Common Stocks	95.45%		
Aerospace & Air Transport	0.55%		
United Technologies Corp.		52,500	\$ 2,441,250

Automotive	0.33%		

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General Motors Corp.	34,000	1,458,600

Building & Forest Products	1.70%	
Cemex S.A. de CV, ADR.....	61,144	1,255,898
International Paper Co.	86,300	2,968,440
Weyerhaeuser Co.	68,000	3,312,280

		7,536,618

Chemicals	0.88%	
Dow Chemical Co.	119,100	3,901,716

Commercial Services	0.61%	
Omnicom Group, Inc.	42,000	2,725,800

Consumer Products	3.90%	
Anheuser-Busch Cos., Inc.	68,000	2,847,840
Avon Products, Inc.	34,000	1,572,500
Kimberly-Clark Corp.	68,000	4,216,000
PepsiCo, Inc.	102,200	4,956,700
Procter & Gamble Co.	51,000	3,712,290

		17,305,330

Electronics -- Electrical	4.27%	
Celestica, Inc.	34,000 (a)	928,200
Emerson Electric Co.	68,000	3,200,080
Flextronics International Ltd.	34,000 (a)	562,360
General Electric Co.	350,000	13,020,000
Jabil Circuit, Inc.	68,000 (a)	1,217,200

		18,927,840

Engineering & Machinery	0.33%	
SPX Corp.	17,500	1,450,750

4

	Number of Shares	Value
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Financial Services	19.02%	
American International Group, Inc.	108,900	\$ 8,494,200
Bank of America Corp.	136,300	7,959,920
Capital One Financial Corp.	68,000	3,130,040
Citigroup, Inc.	276,000	11,178,000
Fannie Mae.....	91,900	7,357,514
Freddie Mac.....	123,000	7,995,000
H & R Block, Inc.	136,000	5,244,160
Household International, Inc.	68,000	3,833,840
Lehman Brothers Holdings, Inc.	78,200	4,445,670
Lincoln National Corp.	68,000	3,170,840
MBNA Corp.	68,000	2,059,720
Merrill Lynch & Co., Inc.	51,000	2,070,600
MetLife, Inc.	102,000	3,029,400

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Oil & Oil Services	6.43%		
Anadarko Petroleum Corp.	81,600	3,923,328	
BJ Services Co.	68,000 (a)	1,209,720	
Chevron Corp.	50,800	4,305,300	
El Paso Corp.	68,000	2,825,400	
Enron Corp.	69,900	1,903,377	
Exxon Mobil Corp.	190,800	7,517,520	
Occidental Petroleum Corp.	68,000	1,655,120	
Santa Fe International Corp.	34,000	722,500	
Talisman Energy, Inc.	51,000	1,734,510	
USX-Marathon Group.....	102,400	2,739,200	

		28,535,975	

Railroads	0.36%		
CSX Corp.	51,000	1,606,500	

Restaurants	0.62%		
McDonald's Corp.	102,000	2,768,280	

Retailing	5.65%		
Home Depot, Inc.	164,000	6,292,680	
Kroger Co.	68,000	1,675,520	
Lowe's Cos., Inc.	125,700	3,978,405	
Target Corp.	76,800	2,438,400	
Wal-Mart Stores, Inc.	215,500	10,667,250	

		25,052,255	

Technology	14.79%		
AOL Time Warner, Inc.	170,100 (a)	5,630,310	
Applied Materials, Inc.	70,200 (a)	1,996,488	
Cisco Systems, Inc.	280,300 (a)	3,414,054	
Corning, Inc.	35,000	308,700	
Cypress Semiconductor Corp.	70,000 (a)	1,040,200	
Dell Computer Corp.	187,900 (a)	3,481,787	
Electronic Data Systems Corp.	85,100	4,900,058	
EMC Corp.	115,000 (a)	1,351,250	

6

	Number of Shares	Value
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Technology (continued)		
First Data Corp.	68,300	\$ 3,979,158
Intel Corp.	305,600	6,246,464
International Business Machines Corp.	81,600	7,531,680
JDS Uniphase Corp.	36,000 (a)	221,200
Lucent Technologies, Inc.	147,200	843,456
Microchip Technology, Inc.	52,500 (a)	1,407,000
Microsoft Corp.	255,500 (a)	13,073,935
Motorola, Inc.	67,800	1,057,680
Network Appliance, Inc.	35,000 (a)	238,000
Oracle Corp.	262,300 (a)	3,299,734
QUALCOMM, Inc.	52,500 (a)	2,495,850
Siebel Systems, Inc.	85,200 (a)	1,108,452

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Sun Microsystems, Inc.	210,000 (a)	1,736,700
USInternetworking, Inc.	70,050 (a)	18,913
Yahoo!, Inc.	21,200 (a)	186,772

		65,567,841

Telecommunications	8.29%	
ADC Telecommunications, Inc.	122,500 (a)	427,525
Amdocs Ltd.	68,000 (a)	1,812,200
AT&T Corp.	210,000	4,053,000
AT&T Wireless Services, Inc.	155,378 (a)	2,321,347
General Motors Corp., Class H.....	140,000	1,866,200
Nokia Corp., ADR.....	150,000	2,347,500
Nortel Networks Corp.	140,000	785,400
SBC Communications, Inc.	187,100	8,816,152
Telephone & Data Systems, Inc.	34,100	3,215,630
TyCom Ltd.	52,500 (a)	412,125
Verizon Communications, Inc.	153,100	8,284,241
WorldCom, Inc.--WorldCom Group.....	161,050 (a)	2,422,192

		36,763,512

Utilities -- Electric & Gas	1.09%	
Calpine Corp.	91,600 (a)	2,089,396
Exelon Corp.	61,200	2,729,520

		4,818,916

Total Common Stocks.....		423,278,702

Unit Investment Trusts	1.22%	
S&P Mid-Cap 400 Depository Receipts.....	68,200	5,398,030

7

	Principal Amount	Value
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Short-Term Investments	3.34%	
Volkswagen Corp., 3.40%, 10/01/01.....	\$14,800,000	\$ 14,800,000

Total Investments -- 100.01%.....		443,476,732
Cash and Other Assets Less Liabilities -- (0.01)%.....		(12,469)

Net Assets (Equivalent to \$7.26 per share based on 61,073,403 shares of capital stock outstanding) -- 100.00%.....		\$443,464,263
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(a) Non-income producing security.

8

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THE ZWEIG FUND, INC.
 FINANCIAL HIGHLIGHTS
 September 30, 2001
 (Unaudited)

	Total Net Assets	Net Asset Value per share
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Beginning of period: December 31, 2000.....	\$ 620,354,228	\$ 10.32
Net investment income.....	\$ 251,462	\$ 0.01
Net realized and unrealized loss on investments.....	(143,001,193)	(2.36)
Dividends from net investment income and distributions from net long-term and short-term capital gains....	(42,856,261)	(0.71)
Net asset value of shares issued to shareholders in reinvestment of dividends resulting in issuance of common stock.....	8,716,027	--
	-----	-----
Net decrease in net assets/net asset value.....	(176,889,965)	(3.06)
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End of period: September 30, 2001.....	\$ 443,464,263	\$ 7.26
	=====	=====

 KEY INFORMATION

1-800-272-2700 Zweig Shareholder Relations:
 For general information and literature

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

REINVESTMENT PLAN

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

Jeffrey Lazar
Executive Vice President and Treasurer

Nancy J. Engberg
Secretary

Christopher M. Capano
Vice President

Charles H. Brunie
Director

Elliot S. Jaffe
Director

Wendy Luscombe
Director

Alden C. Olson, Ph.D.
Director

James B. Rogers, Jr.
Director

[LOGO] ZWEIG
The Zweig Fund, Inc.

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

September 30, 2001

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Legal Counsel
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This report is transmitted to the shareholders of The Zweig 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.

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[LOGO] PHOENIX INVESTMENT PARTNERS

