

FLAHERTY & CRUMRINE/CLAYMORE TOTAL RETURN FUND INC
Form N-CSRS
July 20, 2005

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 811-21380

FLAHERTY & CRUMRINE/CLAYMORE TOTAL RETURN FUND INCORPORATED

(Exact name of registrant as specified in charter)

301 E. Colorado Boulevard, Suite 720
PASADENA, CA 91101

(Address of principal executive offices) (Zip code)

Donald F. Crumrine
Flaherty & Crumrine Inc.
301 E. Colorado Boulevard, Suite 720
PASADENA, CA 91101

(Name and address of agent for service)

registrant's telephone number, including area code: 626-795-7300

Date of fiscal year end: NOVEMBER 30

Date of reporting period: MAY 31, 2005

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. ss. 3507.

ITEM 1. REPORTS TO STOCKHOLDERS.

The Report to Shareholders is attached herewith.

[GRAPHIC OMITTED]

LIGHTHOUSE

FLAHERTY & CRUMRINE/CLAYMORE
=====

TOTAL RETURN FUND

SEMI-ANNUAL
REPORT

MAY 31, 2005

web site: www.fcclaymore.com

FLAHERTY & CRUMRINE/CLAYMORE TOTAL RETURN FUND

Dear Shareholder:

During the first half of fiscal 2005, the Flaherty & Crumrine/Claymore Total Return Fund performed well under challenging conditions for investing. For the first two fiscal quarters of 2005, the Fund produced a total return on net asset value ("NAV") of +4.8%(1). In the three month period ending May 31, 2005, the total return on NAV for the Fund was -0.5%(1). As can be seen from the table below, over the longer term, the Fund has outpaced the return on the Lipper Domestic Investment Grade Bond Funds.

TOTAL RETURN PER YEAR ON NET ASSET VALUE(1)
FOR PERIODS ENDING MAY 31, 2005

	ONE YEAR ----	LIFE OF FUND(2) -----
Flaherty & Crumrine/Claymore Total Return Fund	9.7%	7.4%
Lipper Domestic Investment Grade Bond Funds(3)	8.1%	7.1%

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- (1) Based on monthly data provided by Lipper Inc. Distributions are assumed to be reinvested at NAV in accordance with Lipper's practice, which differs from the procedures used elsewhere in this report.
 - (2) Since inception on August 29, 2003.
 - (3) Includes all U.S. Government bond, mortgage bond and term trust and investment grade bond funds in Lipper's closed-end fund database at each point in time.
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Along with Federal Reserve Chairman Alan Greenspan, we share some confusion about the "conundrum" of falling LONG-TERM interest rates in the face of steady increases in SHORT-TERM rates. In the twelve month period ending May 31, 2005, short-term rates have climbed almost 200 basis points. During the same

period, long-term rates have FALLEN over 100 basis points. We discuss some reasons for the flattening yield curve in the Question and Answer ("Q&A") section that follows, but, suffice it to say, these yield curve shifts are without precedent for this phase of an economic cycle. (For an even more in-depth analysis, we invite you to read the 2ND QUARTER REVIEW OF ECONOMIC CONDITIONS on the Fund's website.)

The flattening yield curve has impacted the Fund in different ways. As we've discussed in the past, rising short-term interest rates have the direct and immediate effect of increasing the rate (cost) the Fund must pay on its Auction Market Preferred Stock ("AMPS") leverage. Falling long-term interest rates contribute to appreciation in the investment portfolio, but also increase the likelihood that some of the higher-yielding securities in the portfolio will be redeemed by the issuer, forcing us to replace them with lower-yielding new issues. These were the main factors behind the dividend reduction in April.

Market conditions will always have a big impact on the dividend rate, and the dividend rate on the Fund can change from time to time. What makes the Fund unusual, however, is the use of strategies which are expected to result in the Fund's income increasing as long-term interest rates rise

significantly, while being relatively resistant to declines in long-term interest rates. Nevertheless, it is important to be realistic about the dividend. When long-term interest rates are hovering around 4%, as they presently are, the portfolio cannot produce the same level of income as when these rates are at 5 or 6%.

We resolutely avoid predicting interest rates, but it is difficult for us to believe that long-term interest rates can remain this low if the U.S. economy continues to grow at the current pace. If rates do increase, the Fund's hedges should appreciate in value and a portion of those gains could be reinvested in additional income-producing securities. In addition, issuers would be less inclined to call some of their higher-yielding issues, since the cost of refinancing presumably also would go up.

Of course, our investment approach will remain the same regardless of the direction of long-term interest rates. We'll identify companies with stable or improving fundamental credit quality, and invest in the most attractive securities we can find at the best prices obtainable (more on this in the Q&A).

For one of the few times in recent memory, the size of the preferred market is growing by a meaningful amount (more on this in the Q&A). We're still assessing the implications, but one thing is certain -- over the long run, this is a very good thing. In our experience, new supply has stimulated preferred market activity and enhanced our ability to add value to the performance of the Fund.

It is basic economic theory that prices will fall to absorb new supply, unless demand also increases. During the past quarter, new supply seemed to outstrip demand by a bit, as, broadly speaking, preferred prices underperformed most other fixed-income market segments. The Fund's preferred holdings, however, bucked the trend and made money during the quarter. Our returns still lagged the performance of long-term U.S. Treasury bonds, but, thanks to the "safety-net" hedging strategy, the loss on our hedges was contained and the overall performance was very respectable.

There are a number of interesting developments in the Fund and the preferred market. We've addressed these in greater detail in the following Q&A. We also encourage you to take advantage of the Fund's website, WWW.FCCLAYMORE.COM. It contains a wide range of useful and up-to-date

information about the Fund. Finally, if you'd like to learn more about specific preferred issues, visit WWW.PREFERREDSTOCKGUIDE.COM, a site created by the Fund's manager, Flaherty & Crumrine.

Sincerely,

/s/ Donald F. Crumrine

/s/ Robert M. Ettinger

Donald F. Crumrine
Chairman of the Board

Robert M. Ettinger
President

July 12, 2005

2

QUESTIONS & ANSWERS

1. HOW DID THE FUND'S PREFERRED SECURITIES PERFORM DURING THE QUARTER?

Broadly speaking, the Fund's preferred portfolio performed satisfactorily, although to some extent the answer depends on which measure we use for comparing performance. The total return (principal change plus income) on this portion of the Fund was +1.6% during the quarter(1). This compares to +5.4% for long-term U.S. Treasury Bonds(2), +1.2% for intermediate-term corporate bonds(3) and -0.6% for the S&P 500.

The Fund's preferred portfolio also outperformed the Merrill Lynch Index of DRD Eligible Preferred Stock and the Merrill Lynch Index of Hybrid Preferred Securities. The total returns on these indices were -0.3% and -1.4%, respectively.

As the numbers indicate, it is important to own the right preferreds. The three key components of our investment decision-making process are credit quality, issue terms, and price. We spend most of our time thinking about all three, and then fine-tuning the portfolio to reflect our best judgment.

2. WHAT CAUSED THE OVERALL PREFERRED MARKET TO WEAKEN DURING THE QUARTER?

The market for preferred securities has been experiencing some growing pains recently. In contrast to the past few years when the size of the preferred market changed very little, during the past few months there has been a steady supply of new issues brought to market. For the market to absorb this supply, yields on preferred securities have risen in relation to other fixed-income investments, and, as a result, the broader market of preferred securities underperformed other segments of the fixed-income market.

3. WHAT FACTORS ARE DRIVING THE GROWTH IN THE PREFERRED MARKET?

One obvious reason is that issuers find the current low interest rate environment attractive. In addition, Moody's Investors Service ("Moody's") has made changes which could induce some companies to issue preferred stock. In the esoteric world of credit rating, the treatment of preferred stock has been somewhat inconsistent. Moody's has attempted to clarify their ratings approach, and several issuers have already responded.

One important aspect of the new approach at Moody's is to treat an issuer's dividend-paying preferred stock (with certain characteristics) less like debt and more like equity than in the past. As a result, some companies may find that substituting debt with preferred can improve the "quality" of their

balance sheet and thus lower overall financing costs. Others may issue preferred stock and use the proceeds for a common stock buyback program; substituting preferred stock for common stock, which means the company's income and market value are split among fewer common shares. Preferred stock is also likely to be used more prominently in merger and acquisition financing packages.

We expect the supply of new issues to continue at a steady, manageable rate over the next few quarters, and possibly much longer. Many companies will now be inclined to issue preferred securities as a bigger part of their overall financing strategy.

- (1) The return here differs from those in the Shareholder letter primarily because it excludes the impact of the Fund's hedging instruments.
- (2) Lehman Bros. Long U.S. Treasury Index
- (3) Lehman Bros. Intermediate U.S. Credit Index

3

4. HOW DID THE FUND'S HEDGE PERFORM DURING THE QUARTER?

The hedge produced a drag on overall performance during the quarter; however, the put option strategy helped contain the extent of the loss. The yield on long-term U.S. Treasury bonds declined 40 basis points during the period, from 4.72% to 4.32%. The Fund's "safety-net" hedging strategy is designed to mitigate the impact from a move of this magnitude, and during the period the strategy worked as expected.

We are asked from time to time why we continue hedging when interest rates are falling. In hindsight, this seems like a reasonable question, but actually the future direction of interest rates is always a mystery. Consequently, the Fund always employs a hedge against substantial increases in long-term interest rates. This is a core component of the Fund's overall investment strategy and we have no intention of changing it.

5. HOW DOES THE FUND'S MANAGER SELECT THE HOLDINGS IN THE PORTFOLIO?

Owning the best issues at the best prices sounds a lot like favoring motherhood and apple pie. To us, however, it means much more. We begin with credit quality. Our analysts dissect the balance sheet and income statements of every company we invest in. As investors in the preferred and debt securities of a company, we think more as lenders than as owners; we're more concerned about stability than growth.

The next step for us is to understand the nuances of each particular security we buy. If we drew a continuum of ways to invest in a company, common stock would be at one end and senior borrowing (e.g. corporate bonds) would be at the other. The area in the middle is occupied by the various types of "hybrid" securities the Fund may invest in. The terms and covenants for these issues can vary quite a bit, and these variances affect the value of the security.

The final step is valuation. We take apart all of the pieces and use a combination of experience and analytic tools to value each part, and then we add them all up. With this price in hand, we simply try to be a good neighbor -- if someone wants to sell below our price or buy above our price, we'll make every effort to accommodate them!

6. WHAT IS THE OUTLOOK FOR THE FUND'S DIVIDEND RATE FOR THE REMAINDER OF THE FISCAL YEAR?

When the Fund reduced the monthly dividend in April, we anticipated that the new rate would be sustainable throughout the fiscal year. While we can make no guarantees, based on our current projections, the Fund is expected to produce sufficient income to continue the dividend at the present rate for the remainder of the fiscal year ending November 30th.

7. WHAT IS THE BREAKDOWN BETWEEN DIVIDENDS AND INTEREST THIS YEAR?

Recall that dividends may be taxed at lower rates than other types of income for individual and corporate investors (approximately 15% and 10.5%, respectively). Producing preferentially-taxed dividend income is not an objective of the Fund, but such dividends comprised a meaningful portion of the distributions in 2004 (26% for individual investors and 21% for corporate).

Since some investors may benefit from lower tax rates on dividend income, we realize this is a very important question; unfortunately, the composition of distributions made by the Fund cannot be determined until the end of the fiscal year on November 30th. Once the books are closed, we add up dividends and interest earned, short and long-term realized gains (or losses), and subtract the expenses incurred by the Fund. Only then are we able to compute the exact breakdown between qualified dividend income (eligible for lower tax treatment) and other income.

4

A review of the portfolio holdings in this report shows that as of May 31st, 24% of the portfolio's value was in issues that pay qualified dividends. THIS IS NOT THE PERCENTAGE OF INCOME THAT IS QUALIFIED DIVIDENDS. The amount of dividend-paying securities held in the portfolio correlates well with the composition of the portfolio's income, but there are a number of additional things (such as realized gains and losses) that factor into the breakdown. Of course, the composition of the portfolio's holdings is sure to change over the balance of the year.

8. WHAT IS THE OUTLOOK FOR THE FUND'S DIVIDEND RATE OVER THE LONGER TERM?

The further we look into the future, the hazier our crystal ball becomes. Forecasting the dividend beyond periods of six to twelve months is tricky because the projections must be based on assumptions that become increasingly less reliable.

An alternative approach is to remember the primary factors that influence the dividend:

- o The income earned on the Fund's investment portfolio;
- o The rate the Fund must pay on its leverage; and,
- o The cost of the Fund's hedging strategy.

The income earned on the Fund's investment portfolio will be determined primarily by two things -- the level of long-term interest rates (typically measured by the yield on 30 year U.S. Treasury bonds), and the relationship of yields on preferred securities to the yield on 30 year U.S. Treasury bonds. Recently, the yield on the 30 year U.S. Treasury bond has been hovering around historically low levels, AND yields on preferred securities also appear low by historical standards. If these conditions persist for long, we'll start to feel

the pinch on our investment income, as issuers accelerate the redemption of our higher-yielding securities.

The rate the Fund pays on its shares of AMPS (the securities used to leverage the Fund) is closely correlated to short-term rates. The much publicized increases in short-term interest rates orchestrated by the Federal Reserve have materially increased the Fund's cost of leverage. In the months leading up to the Fed's policy change last year, the Fund was paying roughly 1% on its leverage. Recently, the rate has been closer to 3%!

The cost of the Fund's hedging strategy is the third major item influencing the dividend rate. We like to use the analogy of an insurance policy -- the fund pays premiums to buy "insurance", and we collect if long-term interest rates rise significantly. The cost of the insurance is determined by many things, but a key item is the differential between short- and long-term interest rates. As a general rule, when this differential is large, the cost of hedging is high. Since short-term rates have been rising and long-term rates have been falling, the cost of the Fund's hedges has been falling.

Put it all together and we have a three-legged dividend stool, and each leg can move up or down for different reasons. Trying to forecast changes in one leg is difficult enough, let alone all three. Having said that, we can make some general observations about how the legs of the stool relate to one another. We have already noted that falling long-term interest rates and rising short-term interest rates tend to lower income. At the same time, a flatter yield curve (i.e. a smaller difference between long and short rates) lowers the cost of hedging, potentially improving returns going forward. Although far from perfect, over the long run there is some degree of balance among the three legs of the stool.

5

As mentioned in the letter, the dividend rate on the Fund does change from time to time. The Fund's hedging strategy is intended to make the increases larger and more frequent, but cuts will be made occasionally. Market conditions have a big impact on the dividend rate, but over time we believe the Fund's strategy (and our ability to execute it) should deliver more income for our investors.

9. HOW DOES THE FUND SET THE DIVIDEND?

The Fund's Board of Directors must declare each and every dividend distribution. The distribution amounts are based upon projections provided to the Board by management, and are based on considerations like those discussed above.

Early in the life of the Fund, the Board adopted the procedure of a "Standing Dividend Resolution", declaring a continuing monthly dividend at a specified rate. Unless the Board acts to change the Standing Dividend Resolution, the Fund will continue to pay the dividend at the prevailing rate. If and when conditions warrant, management will request a meeting of the Board and recommend a different rate, and a new Standing Dividend Resolution may be adopted.

10. WHY HAVE LONG AND SHORT RATES MOVED IN OPPOSITE DIRECTIONS AND WILL THIS PATTERN PERSIST GOING FORWARD?

Normally during periods of Federal Reserve tightening, the yield curve "flattens" as short rates rise more than long rates. However, in this period of Fed tightening the yield curve has flattened dramatically because long rates

have fallen even as short rates have increased -- an unprecedented development.

There are a number of reasons why long rates have fallen during this period. Analysts have cited foreign trade policy, shifts in global savings patterns, subdued inflation, and increased demand for long-duration assets. More recently, concerns over slowing economic growth outside the U.S. have pushed global yields lower, particularly in Europe. Finally, technical factors probably contributed to lower yields as well: many investors correctly anticipated Fed tightening, but not the decline in long rates, causing some to cover shorts in long-term bonds at higher prices and lower yields.

The second part of the question, will this pattern persist going forward, is more difficult to answer, but we believe the answer is no. Put simply, if the Fed keeps tightening and bonds keep rallying, soon investors would earn higher yields on less volatile short-term instruments than on more volatile long-term bonds. Foreign investors in particular then might shift investments to short-term instruments as their yields rise above those of current longer-duration holdings. In addition, business investment remains sturdy while corporate profit growth has slowed, suggesting that corporate demand for borrowing and hence bond issuance may increase in coming quarters.

There are many, many pieces to the yield-curve puzzle, but putting it all together, we expect that short-term and long-term rates will move more closely together - and in the same direction! - going forward, which should benefit either our cost of leverage if rates fall or our hedges if rates increase.

6

 Flaherty & Crumrine/Claymore Total Return Fund Incorporated
 PORTFOLIO OVERVIEW
 MAY 31, 2005 (UNAUDITED)

FUND STATISTICS ON 05/31/05

Net Asset Value	\$	23.72
Market Price	\$	21.88
Discount		7.76%
Yield on Market Price		8.12%
Common Shares Outstanding		9,776,333

INDUSTRY CATEGORIES % OF PORTFOLIO

[GRAPHIC OMITTED]

EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC AS FOLLOWS:

Banks	36%
Utilities	26%
Insurance	17%
REITs	8%
Financial Services	5%

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Other 4%
 Oil and Gas 4%

MOODY'S RATINGS	% OF PORTFOLIO
AAA	0.1%
AA	1.5%
A	33.0%
BBB	47.3%
BB	10.2%
Not Rated	6.4%
Below Investment Grade*	9.9%

* BELOW INVESTMENT GRADE BY BOTH MOODY'S AND S&P.

TOP 10 HOLDINGS BY ISSUER	% OF PORTFOLIO
Wachovia Corp	5.3%
J.P. Morgan Chase	4.8%
Duke Energy	4.0%
Royal Bank of Scotland	3.7%
North Fork Bancorporation	3.2%
Lehman Brothers	3.1%
OneAmerica Financial	2.8%
Zurich RegCaPS	2.7%
Nexen, Inc.	2.6%
Constellation Energy	2.5%

Holdings Generating Qualified Dividend Income (QDI) for Individuals
 Holdings Generating Income Eligible for the Corporate Dividend Received Deduction (DRD)

** 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.

Flaherty & Crumrine/Claymore Total Return Fund Incorporated
 PORTFOLIO OF INVESTMENTS
 MAY 31, 2005 (UNAUDITED)

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PREFERRED SECURITIES -- 74.5%
 BANKING -- 36.2%

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	1,000	ABN AMRO North America, Inc., 6.59% Pfd., 144A****
\$	4,750,000	Astoria Capital Trust I, 9.75% 11/01/29 Capital Security, Series B
	25,000	BAC Capital Trust III, 7.00% Pfd.
	10,900	BAC Capital Trust V, 7.00% Pfd.
	50,900	Bank One Capital Trust VI, 7.20% Pfd.
\$	1,000,000	BT Preferred Capital Trust II, 7.875% 02/25/27 Capital Security
\$	10,000,000	Chase Capital I, 7.67% 12/01/26 Capital Security
	40,000	Cobank, ACB, 7.00% Pfd., 144A****
	20,000	Colonial Capital Trust IV, 7.875% Pfd.
	11,000	Comerica (Imperial) Capital Trust I, 7.60% Pfd.
\$	2,000,000	First Chicago NBD Capital A, 7.95% 12/01/26 Capital Security, 144A****
\$	400,000	First Empire Capital Trust I, 8.234% 02/01/27 Capital Security
\$	1,900,000	First Hawaiian Capital I, 8.343% 07/01/27 Capital Security, Series B
\$	2,000,000	First Midwest Capital Trust I, 6.95% Pfd. 12/01/33, Capital Security
	160,000	First Republic Bank, 6.25% Pfd.
\$	1,500,000	First Tennessee Capital Trust II, 6.30% 04/15/34 Capital Security, Series B
\$	2,000,000	First Union Institutional Capital II, 7.85% 01/01/27 Capital Security
\$	1,000,000	Fleet Capital Trust II, 7.92% 12/11/26 Capital Security
	18,000	Fleet Capital Trust VII, 7.20% Pfd.
	2	FT Real Estate Securities Company, 9.50% Pfd., 144A****
\$	7,100,000	GreenPoint Capital Trust I, 9.10% 06/01/27 Capital Security
\$	8,000,000	HBOS Capital Funding LP, 6.85% Pfd.
\$	855,000	HSBC Capital Trust II, 8.38% 05/15/27 Capital Security, 144A****
\$	3,000,000	Haven Capital Trust I, 10.46% 02/01/27 Capital Security
	4,200	Household Capital Trust VI, 8.25% Pfd.
\$	2,944,000	J.P. Morgan Capital Trust I, 7.54% 01/15/27 Capital Security
\$	6,000,000	Keycorp Institutional Capital A, 7.826% 12/01/26 Capital Security, Series A
	10	Marshall & Ilsley Investment II, 8.875% Pfd., 144A****
\$	1,000,000	NB Capital Trust IV, 8.25% Capital Security
\$	2,500,000	North Fork Capital Trust I, 8.70% 12/15/26 Capital Security
\$	810,000	North Fork Capital Trust II, 8.00% 12/15/27 Capital Security
	145,000	PFGI Capital Corporation, 7.75% Pfd.
\$	4,000,000	RBS Capital Trust B, 6.80% Pfd.
	2,100	Regions Financial Trust I, 8.00% Pfd.
\$	1,600,000	Republic New York Capital I, 7.75% 11/15/26 Capital Security
\$	716,000	Republic New York Capital II, 7.53% 12/04/26 Capital Security
		Roslyn Real Estate:
	25	8.95% Pfd., Pvt., Series C, 144A****
	10	Adj. Rate Pfd., Series D, 144A****

The accompanying notes are an integral part of the financial statements.

 Flaherty & Crumrine/Claymore Total Return Fund Incorporated
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 MAY 31, 2005 (UNAUDITED)

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PREFERRED SECURITIES -- (CONTINUED)
 BANKING -- (CONTINUED)

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		Royal Bank of Scotland Group PLC:
	20,000	6.35% Pfd., Series N
\$	6,820,000	7.648% Pfd.
\$	5,050,000	Union Planters Capital Trust, 8.20% 12/15/26 Capital Security
	19,000	USB Capital V, 7.25% Pfd.
\$	5,000,000	Wachovia Capital Trust I, 7.64% 01/15/27 Capital Security, 144A****
\$	1,170,000	Wachovia Capital Trust V, 7.965% 06/01/27 Capital Security, 144A****
	350,000	Wachovia Preferred Funding, 7.25% Pfd., Series A
\$	4,000,000	Webster Capital Trust I, 9.36% 01/29/27 Capital Security
	7,900	Wells Fargo Capital Trust IV, 7.00% Pfd.

FINANCIAL SERVICES -- 3.3%

	232,100	Lehman Brothers Holdings, Inc., 6.50% Pfd., Series F
	9,700	Merrill Lynch Capital Trust III, 7.00% Pfd.
	168,650	Merrill Lynch Capital Trust V, 7.28% Pfd.
	17,200	Morgan Stanley Capital Trust II, 7.25% Pfd.
	15,000	Morgan Stanley Capital Trust IV, 6.25% Pfd.
	6,000	Morgan Stanley Capital Trust V, 5.75% Pfd.

INSURANCE -- 11.4%

	15,000	AAG Holding Company, Inc., 7.25% Pfd.
	177,380	ACE Ltd., 7.80% Pfd., Series C
	40,000	Aegon NV, 6.375% Pfd.
\$	6,420,000	AON Capital Trust A, 8.205% 01/01/27 Capital Security
	191,700	Everest Re Capital Trust II, 6.20% Pfd., Series B
		ING Groep NV:
	36,000	7.05% Pfd.
	85,000	7.20% Pfd.
	26,500	PartnerRe Ltd., 6.50% Pfd., Series D
	30,000	Renaissancere Holdings Ltd., 6.08% Pfd., Series C
	40,000	St. Paul Capital Trust I, 7.60% Pfd.
\$	500,000	Sun Life Canada, 8.526% Pfd., 144A****
\$	4,815,000	USF&G Capital, 8.312% 07/01/46 Capital Security, 144A****
	30,000	XL Capital Ltd., 7.625% Pfd., Series B
	9,175	Zurich RegCaPS Funding Trust, 6.58% Pfd., 144A****

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine/Claymore Total Return Fund Incorporated
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 MAY 31, 2005 (UNAUDITED)

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PREFERRED SECURITIES -- (CONTINUED)
UTILITIES -- 14.4%

	122,700	Alabama Power Company, 5.30% Pfd.
	45,700	Baltimore Gas & Electric Company, 6.70% Pfd., Series 1993
\$	2,750,000	COMED Financing II, 8.50% 01/15/27 Capital Security, Series B
\$	2,500,000	Dominion Resources Capital Trust I, 7.83% 12/01/27 Capital Security
		Duke Energy Corporation:
	50,214	7.04% Pfd., Series Y
	22,934	7.85% Pfd., Series S
	20,000	Duquesne Light Company, 6.50% Pfd.
	20,000	Energy East Capital Trust I, 8.25% Pfd.
	758	Entergy Arkansas, Inc., 7.40% Pfd.
	70,000	FPC Capital I, 7.10% Pfd., Series A
\$	4,500,000	Houston Light & Power, Capital Trust II, 8.257%, 02/01/37 Capital Security
	30,445	Indianapolis Power & Light Company, 5.65% Pfd.
		Interstate Power & Light Company:
	90,000	7.10% Pfd., Series C
	38,600	8.375% Pfd., Series B
\$	5,000,000	PECO Energy Capital Trust IV, 5.75% 06/15/33 Capital Security
	16,200	PSEG Funding Trust II, 8.75% Pfd.
\$	1,800,000	Puget Capital Trust, 8.231% 06/01/27 Capital Security, Series B
	14,100	Puget Sound Energy Capital Trust, 8.40% 06/30/41
	151,100	Southern Union Company, 7.55% Pfd.
	10,000	Southwest Gas Capital II, 7.70% Pfd.
	5,000	Union Electric Company, \$7.64 Pfd.
	18,000	Vectren Utility Holdings, 7.25% Pfd. 10/15/31
	85,137	Wisconsin Power & Light Company, 6.50% Pfd.

OIL AND GAS -- 0.8%

	2,750	EOG Resources, Inc., 7.195% Pfd., Series B
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REAL ESTATE INVESTMENT TRUST (REIT) -- 7.5%

		BRE Properties, Inc.:
	20,000	6.75% Pfd., REIT, Series C
	40,000	6.75% Pfd., REIT, Series D
	38,750	Carramerica Realty Corporation, 7.50% Pfd., REIT, Series E

The accompanying notes are an integral part of the financial statements.

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PREFERRED SECURITIES -- (CONTINUED)

REAL ESTATE INVESTMENT TRUST (REIT) -- (CONTINUED)

	Duke Realty Corporation:
50,000	6.50% Pfd., REIT, Series K
10,000	6.60% Pfd., REIT, Series L
19,549	6.625% Pfd., REIT, Series J
85,000	Equity Residential Properties, 8.29% Pfd., REIT, Series K
	PS Business Parks, Inc.:
57,000	6.875% Pfd., REIT, Series I
16,900	7.00% Pfd., REIT, Series H
174,500	7.20% Pfd., REIT, Series M
44,500	7.60% Pfd., REIT, Series L
45,000	7.95% Pfd., REIT, Series K
	Public Storage, Inc.:
25,100	6.18% Pfd., REIT, Series D
44,200	7.50% Pfd., REIT, Series V
1,400	7.625% Pfd., REIT, Series T
48,600	8.00% Pfd., REIT, Series R
125,000	Regency Centers Corporation, 7.25% Pfd., REIT
86,000	Weingarten Realty Investment, 6.95% Pfd., REIT

MISCELLANEOUS INDUSTRIES -- 0.9%

34,000	Ocean Spray Cranberries, Inc., 6.25% Pfd., 144A****
--------	---

TOTAL PREFERRED SECURITIES
(Cost \$257,701,441)

CORPORATE DEBT SECURITIES -- 23.6%

FINANCIAL SERVICES -- 1.4%

\$ 4,993,500	Lehman Brothers, Guaranteed Note, Variable Rate, 12/16/16, 144A****
--------------	---

INSURANCE -- 5.0%

20,000	American Financial Group, Inc., 7.125% 02/03/34, Senior Note
\$ 500,000	Liberty Mutual Group, 6.50% 03/15/35, 144A****
\$ 8,700,000	OneAmerica Financial Partners, 7.00% 10/15/33, 144A****
\$ 7,000,000	UnumProvident Corporation, 7.25% 03/15/28, Senior Notes

The accompanying notes are an integral part of the financial statements.

SHARES/\$ PAR

CORPORATE DEBT SECURITIES -- (CONTINUED)

OIL AND GAS -- 2.6%

356,200 Nexen, Inc., 7.35% Subordinated Notes

UTILITIES -- 11.5%

\$	7,100,000	Constellation Energy Group, 7.60% 04/01/32, Senior Notes
	27,200	Corp-Backed Trust Certificates, 7.875% 02/15/32, Series Duke Capital
\$	5,000,000	Duke Capital Corporation, 8.00% 10/01/19 Senior Notes
	5,000	Entergy Mississippi, Inc., 7.25%, 1st Mortgage
\$	4,000,000	Indianapolis Power & Light Company, 6.60% 01/01/34, 1st Mortgage, 144A****
\$	4,000,000	Interstate Power & Light Company, 6.45% 10/15/33, Senior Notes
\$	5,670,000	Oncor Electric Delivery Company, 7.25% 01/15/33, Secured
\$	2,800,000	Progress Energy, Inc., 7.75% 03/01/31
\$	1,200,000	TXU Corporation, 6.50% 11/15/24, 144A****
\$	4,000,000	Wisconsin Electric Power Company, 6.875% 12/01/95

MISCELLANEOUS -- 3.1%

	19,625	Ford Motor Company, 7.50% 06/10/43, Senior Notes
\$	6,265,000	General Motors Corporation, 8.80% 03/01/21
	42,300	Maytag Corporation, 7.875% 08/01/31
\$	3,550,000	Pulte Homes, Inc., 6.375% 05/15/33, Senior Notes
\$	950,000	Verizon Maryland, 7.15% 05/01/23

TOTAL CORPORATE DEBT SECURITIES
(Cost \$81,060,750)

COMMON STOCK AND CONVERTIBLE SECURITY -- 0.5%

INSURANCE -- 0.2%

36,000 XL Capital Ltd., 6.50% Mandatory Convertible, 05/15/07

UTILITIES -- 0.3%

25,000 FPL Group, Inc.

TOTAL COMMON STOCK AND CONVERTIBLE SECURITY
(Cost \$1,784,734)

The accompanying notes are an integral part of the financial statements.

 Flaherty & Crumrine/Claymore Total Return Fund Incorporated
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 MAY 31, 2005 (UNAUDITED)

SHARES/\$ PAR

OPTION CONTRACTS -- 0.5%

345	September Call Options on September U.S. Treasury Bond Futures, Expiring 08/26/05	
2,300	September Put Options on September U.S. Treasury Bond Futures, Expiring 08/26/05	

 TOTAL OPTION CONTRACTS
 (Cost \$2,142,427)

MONEY MARKET FUND -- 0.1%

259,852	BlackRock Provident Institutional, TempFund	
---------	---	--

 TOTAL MONEY MARKET FUND
 (Cost \$259,852)

TOTAL INVESTMENTS (Cost \$342,949,204***)	99.2%
OTHER ASSETS AND LIABILITIES (Net)	0.8%

TOTAL NET ASSETS AVAILABLE TO COMMON STOCK AND PREFERRED STOCK	100.0%++

AUCTION MARKET PREFERRED STOCK (AMPS) REDEMPTION VALUE	
TOTAL NET ASSETS AVAILABLE TO COMMON STOCK	

 * 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.

(1) Foreign Issuer

(2) All or a portion of this security has been pledged as collateral for written option positions.

+ Non-income producing.

++ The percentage shown for each investment category is the total value of

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that category as a percentage of net assets available to Common and Preferred Stock.

ABBREVIATIONS:

REIT -- Real Estate Investment Trust
 PFD. -- Preferred Securities
 PVT. -- Private Placement Securities

OPEN OPTION CONTRACTS WRITTEN

CONTRACTS	CONTRACT DESCRIPTION
345	September Call Options on September U.S. Treasury Bond Futures, Expiring 8/26/2005, Strike Price: 112
TOTAL OPEN OPTION CONTRACTS WRITTEN (premiums received: \$645,236)	

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine/Claymore Total Return Fund Incorporated
 STATEMENT OF ASSETS AND LIABILITIES
 MAY 31, 2005 (UNAUDITED)

ASSETS:

Investments, at value (Cost \$342,949,204) (See accompanying Portfolio of Investments)	\$
Receivable for Investments sold	
Dividends and interest receivable	
Prepaid expenses	
 Total Assets	

LIABILITIES:

Payable for securities purchased	\$1,000,000
Dividends payable to Common Shareholders	153,107
Investment advisory fee payable	165,061
Administration, Transfer Agent and Custodian fees and expenses payable	37,999
Servicing agent fees payable	17,725
Professional fees payable	33,660
Directors' fees payable	4,695
Accrued expenses and other payables	28,712
Accumulated undeclared distributions to Auction Market Preferred Stock Shareholders	109,243
Outstanding options written, at value (premiums received \$645,236) ...	1,967,578
 Total Liabilities	

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AUCTION MARKET PREFERRED STOCK (5,140 SHARES OUTSTANDING)

REDEMPTION VALUE

NET ASSETS AVAILABLE TO COMMON STOCK

NET ASSETS AVAILABLE TO COMMON STOCK consist of:

Distributions in excess of net investment income

Accumulated net realized loss on investments sold

Unrealized appreciation of investments

Par value of Common Stock

Paid-in capital in excess of par value of Common Stock

Total Net Assets Available to Common Stock

NET ASSET VALUE PER SHARE OF COMMON STOCK:

Common Stock (9,776,333 shares outstanding)

The accompanying notes are an integral part of the financial statements.

 Flaherty & Crumrine/Claymore Total Return Fund Incorporated
 STATEMENT OF OPERATIONS
 FOR THE SIX MONTHS ENDED MAY 31, 2005 (UNAUDITED)

INVESTMENT INCOME:

Dividends++

Interest

Total Investment Income

EXPENSES:

Investment advisory fee \$979,061

Servicing agent fee 106,059

Administrator's fee 134,925

Auction Market Preferred broker commissions and auction
 agent fees 162,409

Professional fees 67,413

Insurance expense 78,715

Transfer agent fees and expenses 41,581

Directors' fees and expenses 39,130

Custodian fees and expenses 21,426

Chief Compliance Officer fees and expenses 19,694

Other 59,183

Total Expenses

NET INVESTMENT INCOME

REALIZED AND UNREALIZED (LOSS)/GAIN ON INVESTMENTS:

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Net realized loss on investments sold during the period
 Change in net unrealized appreciation of investments held
 during the period

NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS

DISTRIBUTIONS TO AUCTION MARKET PREFERRED STOCK

SHAREHOLDERS:

From net investment income (including changes in accumulated
 undeclared distributions)

NET INCREASE IN NET ASSETS TO COMMON STOCK RESULTING

FROM OPERATIONS

++ For Federal income tax purposes, a significant portion of this amount does
 not qualify for the inter-corporate dividends received deduction ("DRD")
 or as qualified dividend income ("QDI") for individuals.

The accompanying notes are an integral part of the financial statements.

 Flaherty & Crumrine/Claymore Total Return Fund Incorporated
 STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE TO COMMON STOCK(1)

OPERATIONS:

Net investment income \$
 Net realized loss on investments sold during the period
 Change in net unrealized appreciation of investments held
 during the period
 Distributions to AMPS* Shareholders from net investment income,
 including changes in accumulated undeclared distributions

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS

DISTRIBUTIONS:

Dividends paid from net investment income to Common
 Stock Shareholders(1)

TOTAL DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS

FUND SHARE TRANSACTIONS:

Increase from Common Stock transactions
 Increase due to Cost of AMPS* Issuance(2)

NET INCREASE IN NET ASSETS AVAILABLE TO COMMON STOCK RESULTING

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FROM FUND SHARE TRANSACTIONS	
NET INCREASE/(DECREASE) IN NET ASSETS AVAILABLE TO COMMON STOCK FOR THE PERIOD	\$ ==

NET ASSETS AVAILABLE TO COMMON STOCK:	
Beginning of period	\$ 2
Net increase/(decrease) in net assets during the period	---
End of period (including distributions in excess of net investment income of (\$755,808) and undistributed net investment income of \$565,250, respectively)	\$ 2 ==

* Auction Market Preferred Stock.

- (1) Includes income earned, but not paid out, in prior fiscal year.
- (2) Reduction to cost of AMPS issuance due to adjustment of cost estimate for the fiscal year ended November 30, 2004.

The accompanying notes are an integral part of the financial statements.

 Flaherty & Crumrine/Claymore Total Return Fund Incorporated
 FINANCIAL HIGHLIGHTS
 FOR A COMMON SHARE OUTSTANDING THROUGHOUT EACH PERIOD.

Contained below is per share operating performance data, total investment returns, ratios to average net assets and other supplemental data. This information has been derived from information provided in the financial statements and market price data for the Fund's shares.

	SIX MONTHS ENDED MAY 31, 2005 (UNAUDITED)	NO
	-----	---
PER SHARE OPERATING PERFORMANCE:		
Net asset value, beginning of period	\$ 23.56	\$
	-----	---
INVESTMENT OPERATIONS:		
Net investment income	0.99	
Net realized and unrealized gain/(loss) on investments	0.30	
DISTRIBUTIONS TO AMPS* SHAREHOLDERS:		
From net investment income	(0.18)	
From net realized capital gains	--	
	-----	---
Total from investment operations	1.11	
	-----	---
COST OF ISSUANCE OF AMPS*	--	

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DISTRIBUTIONS TO COMMON SHAREHOLDERS:

From net investment income	(0.95)
From net realized capital gains	--

Total distributions to Common Shareholders	(0.95)

Net asset value, end of period	\$ 23.72
	=====
Market value, end of period	\$ 21.88
	=====
Total investment return based on net asset value****	4.90%***
	=====
Total investment return based on market value ****	(5.60%)***
	=====

RATIOS TO AVERAGE NET ASSETS AVAILABLE

TO COMMON STOCK SHAREHOLDERS:

Total net assets, end of period (in 000's)	\$ 231,864
Operating expenses	1.46%**
Net investment income +	6.77%**

SUPPLEMENTAL DATA:++

Portfolio turnover rate	16%***
Total net assets available to Common and Preferred Stock, end of period (in 000's)	\$ 360,364
Ratio of operating expenses to total average net assets available to Common and Preferred Stock	0.94%**

* Auction Market Preferred Stock.

** Annualized.

*** Not annualized.

**** Assumes reinvestment of distributions at the price obtained by the Fund's Dividend Reinvestment and Cash Purchase Plan.

+ The net investment income ratios reflect income net of operating expenses and payments to AMPS Shareholders.

++ Information presented under heading Supplemental Data includes AMPS.

(1) Commencement of operations.

(2) Net asset value at beginning of period reflects the deduction of the sales load of \$1.125 per share and offering costs of \$0.05 per share paid by the shareholder from the \$25.00 offering price.

(3) Total return on net asset value is calculated assuming a purchase at the offering price of \$25.00 less the sales load of \$1.125 and offering costs of \$0.05 and the ending net asset value per share. Total return on market value is calculated assuming a purchase at the offering price of \$25.00 on the inception date of trading (August 29, 2003) and the sale at the current market price on the last day of the period. Total return on net asset value and total return on market value are not computed on an annualized basis.

The accompanying notes are an integral part of the financial statements.

 Flaherty & Crumrine/Claymore Total Return Fund Incorporated
 FINANCIAL HIGHLIGHTS (CONTINUED)
 PER SHARE OF COMMON STOCK (UNAUDITED)

	TOTAL DIVIDENDS PAID	NET ASSET VALUE	NYSE CLOSING PRICE	DIVIDEND REINVESTME PRICE (1)
	-----	-----	-----	-----
December 31, 2004	\$0.1625	\$ 24.08	\$ 24.80	\$ 24.08
January 31, 2005	0.1625	24.33	24.28	24.50
February 28, 2005	0.1625	24.31	23.55	23.87
March 31, 2005	0.1625	23.68	21.48	21.86
April 30, 2005	0.1480	23.61	21.55	21.59
May 31, 2005	0.1480	23.72	21.88	21.95

 (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 payment 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.

The accompanying notes are an integral part of the financial statements.

 Flaherty & Crumrine/Claymore Total Return Fund Incorporated
 FINANCIAL HIGHLIGHTS (CONTINUED)

The table below sets out information with respect to Auction Market Preferred Stock (AMPS) currently outstanding.

DATE	TOTAL SHARES OUTSTANDING (1)	ASSET COVERAGE PER SHARE (2)	INVOLUNTARY LIQUIDATING PREFERENCE PER SHARE
-----	-----	-----	-----
05/31/05*	5,140	\$70,131	\$25,000
11/30/04	5,140	69,732	25,000
11/30/03	5,140	70,831	25,000

 (1) See note 6.

(2) Calculated by subtracting the Fund's total liabilities (excluding the AMPS) from the Fund's total assets and dividing that amount by the number of AMPS shares outstanding.

(3) Excludes accumulated undeclared dividends.

* Unaudited.

The accompanying notes are an integral part of the financial statements.

19

Flaherty & Crumrine/Claymore Total Return Fund Incorporated
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

1. ORGANIZATION

Flaherty & Crumrine/Claymore Total Return Fund Incorporated (the "Fund") was incorporated as a Maryland corporation on July 18, 2003, and commenced operations on August 29, 2003 as a diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the "1940 Act"). The Fund's primary investment objective is to provide its common shareholders with high current income. The Fund's secondary investment objective is capital appreciation.

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 is in conformity with accounting principles generally accepted in the United States of America and requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

PORTFOLIO VALUATION: The net asset value of the Fund's Common Stock is determined by the Fund's Administrator no less frequently than on the last business day of each week and month. It is determined by dividing the value of the Fund's net assets available to Common Stock by the number of shares of Common Stock outstanding. The value of the Fund's net assets attributable to common shares is deemed to equal the value of the Fund's total assets less (i) the Fund's liabilities, and (ii) the aggregate liquidation value of its Auction Market Preferred Stock ("AMPS").

Securities listed on a national securities exchange are valued on the basis of the last sale on such exchange on the day of valuation, except as described hereafter. In the absence of sales of listed securities and with respect to (a) securities for which the most recent sale prices are not deemed to represent fair market value and (b) unlisted securities (other than money market instruments), securities are valued at the mean between the closing bid and asked prices when quoted prices for investments are readily available. Investments in over-the-counter derivative instruments, such as interest rate swaps and options thereon ("swaptions"), are valued at the prices obtained from the broker/dealer or bank that is the counterparty to such instrument, subject to comparison of such valuation with a valuation obtained from a broker/dealer or bank that is not a counterparty to the particular derivative instrument. Investments for which market quotations are not readily available or for which management determines that the prices are not reflective of current market conditions are valued at fair value as determined in good faith by or under the direction of the Board of Directors of the Fund, including reference to

valuations of other securities which are comparable in quality, maturity and type. Investments in money market instruments, which mature in 60 days or less, are valued at amortized cost. Investments in money market funds are valued at the net asset value of such funds.

SECURITIES TRANSACTIONS AND INVESTMENT INCOME: Securities transactions are recorded as of the trade date. Realized gains and losses from securities sold are recorded on the identified cost basis. Dividend income is recorded on ex-dividend dates. Interest income is recorded on the accrual basis. The Fund

20

Flaherty & Crumrine/Claymore Total Return Fund Incorporated
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

also amortizes premiums and accretes discounts on those fixed income securities, including capital securities and bonds, which trade and are quoted on an "accrued income" basis.

OPTIONS: Purchases of options are recorded as an investment, the value of which is marked-to-market at each valuation date. When the Fund enters into a closing sale transaction, the Fund will record a gain or loss depending on the difference between the purchase and sale price. The risks associated with purchasing options and the maximum loss the Fund would incur are limited to the purchase price originally paid.

When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability, the value of which is marked-to-market at each valuation date. When a written option expires, the Fund realizes a gain equal to the amount of the premium originally received. When the Fund enters into a closing purchase transaction, the Fund realizes a gain (or loss if the cost of the closing purchase transaction exceeds the premium received when the option was written) without regard to any unrealized gain or loss on the underlying security, and the liability related to such option is eliminated. When a call option is exercised, the Fund realizes a gain or loss from the sale of the underlying security and the proceeds from such sale are increased by the amount of the premium originally received. When a put option is exercised, the amount of the premium originally received will reduce the cost of the security which the Fund purchased upon exercise.

The risk in writing a call option is that the Fund may forego the opportunity for profit if the market price of the underlying security increases and the option is exercised. The risk in writing a put option is that the Fund may incur a loss if the market price of the underlying security decreases and the option is exercised.

REPURCHASE AGREEMENTS: The Fund may engage in repurchase agreement transactions. The Fund's investment adviser reviews and approves the eligibility of the banks and dealers with which the Fund may enter into repurchase agreement transactions. The value of the collateral underlying such transactions is at least equal at all times to the total amount of the repurchase obligations, including interest. The Fund maintains possession of the collateral through its custodian and, in the event of counterparty default, the Fund has the right to use the collateral to offset losses incurred. There is the possibility of loss to the Fund in the event the Fund is delayed or prevented from exercising its rights to dispose of the collateral securities.

DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS: The Fund expects to declare

dividends on a monthly basis to shareholders of Common Stock ("Shareholders"). The Shareholders of AMPS are entitled to receive cumulative cash dividends at the applicable rate for such series as declared by the Fund's Board of Directors. Distributions to Shareholders are recorded on the ex-dividend date. Any net realized short-term capital gains will be distributed to Shareholders at least annually. Any net realized long-term capital gains may be distributed to Shareholders at least annually or may be retained by the Fund as determined by the Fund's Board of Directors. Capital gains retained by the Fund are subject to tax at the capital gains corporate tax rate. Subject to the Fund qualifying as a regulated investment company, any taxes paid by the Fund on such net realized long-term gains may be used by the Fund's Shareholders as a credit against their own tax liabilities.

 Flaherty & Crumrine/Claymore Total Return Fund Incorporated
 NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

FEDERAL INCOME TAXES: The Fund intends to continue to qualify as a regulated investment company by complying with the requirements under subchapter M of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies and intends to distribute substantially all of its taxable net investment income to its Shareholders. Therefore, no federal income tax provision will be required.

Income and capital gain distributions are determined and characterized in accordance with income tax regulations which may differ from generally accepted accounting principles. These differences are primarily due to (1) differing treatments of income and gains on various investment securities held by the Fund, including timing differences, (2) the attribution of expenses against certain components of taxable investment income, and (3) federal regulations requiring proportionate allocation of income and gains to all classes of shareholders.

Distributions from net realized gains for book purposes may include short-term capital gains, which are included as ordinary income for tax purposes, and may exclude amortization of premium on "accrued income" securities, which are not reflected in ordinary income for tax purposes. The tax character of distributions paid, including changes in accumulated undeclared distributions to AMPS Shareholders, during 2005 and 2004 was as follows:

	DISTRIBUTIONS PAID IN FISCAL YEAR 2005		DISTRIBUTIONS PAID IN FISCAL	
	ORDINARY INCOME	LONG-TERM CAPITAL GAINS	ORDINARY INCOME	LONG-TERM C
Common	N/A	N/A	\$19,362,709	
Preferred	N/A	N/A	\$ 1,878,375	

As of November 30, 2004, the components of distributable earnings (i.e., ordinary income and capital gain/loss) available to Common and Preferred Stock shareholders, on a tax basis were as follows:

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CAPITAL (LOSS) CARRYFORWARD	UNDISTRIBUTED ORDINARY INCOME	UNDISTRIBUTED LONG-TERM GAIN	NET U APPRECIATIO
\$ (9,103,078)	\$1,673,950	\$0	\$7,

At November 30, 2004, the composition of the Fund's \$9,103,078 accumulated realized capital losses was \$573,838 and \$8,529,240 in 2003 and 2004, respectively. These losses may be carried forward and offset against any future capital gains through 2011 and 2012, respectively.

EXCISE TAX: The Internal Revenue Code of 1986, as amended, imposes a 4% nondeductible excise tax on the Fund to the extent the Fund does not distribute by the end of any calendar year at least (1) 98% of the sum of its net investment income for that year and its capital gains (both long-term and short-term) for its fiscal year and (2) certain undistributed amounts from previous years. The Fund paid \$35,198 of Federal excise taxes attributable to calendar year 2004 in March 2005.

 Flaherty & Crumrine/Claymore Total Return Fund Incorporated
 NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

3. INVESTMENT ADVISORY FEE, SERVICING AGENT FEE, ADMINISTRATION FEE, TRANSFER AGENT FEE, CUSTODIAN FEE, DIRECTORS' FEES AND CHIEF COMPLIANCE OFFICER FEE

Flaherty & Crumrine Incorporated (the "Adviser") serves as the Fund's investment adviser. The Fund pays the Adviser a monthly fee at an annual rate of 0.575% of the first \$200 million of the Fund's average weekly total managed assets, 0.50% of the next \$300 million of the Fund's average weekly total managed assets, and 0.45% of the Fund's average weekly total managed assets above \$500 million.

For purposes of calculating such fee and the fees to the Servicing Agent, the Administrator and the Custodian (described below), the Fund's average weekly total managed assets means the total assets of the Fund (including assets attributable to any AMPS outstanding or otherwise attributable to the use of leverage) minus the sum of accrued liabilities (other than debt representing financial leverage). For purposes of determining total managed assets, the liquidation preference of any AMPS issued by the Fund is not treated as a liability.

Claymore Securities, Inc. (the "Servicing Agent") serves as the Fund's Servicing Agent. In this capacity, it acts as Shareholder Servicing Agent to the Fund. As compensation for its services, the Fund pays the Servicing Agent a fee computed and paid monthly at the annual rate of 0.025% of the first \$200 million of the Fund's average weekly total managed assets, 0.10% of the next \$300 million of the Fund's average weekly total managed assets and 0.15% of the Fund's average weekly total managed assets above \$500 million.

PFPC Inc., a member of the PNC Financial Services Group, Inc. ("PNC Financial Services"), serves as the Fund's Administrator. As Administrator, PFPC Inc. calculates the net asset value of the Fund's shares attributable to Common and Preferred Stock and generally assists in all aspects of the Fund's administration and operation. As compensation for PFPC Inc.'s services as Administrator, the Fund pays PFPC Inc. a monthly fee at an annual rate of 0.10% of the first \$200 million of the Fund's average weekly total managed assets,

0.04% of the next \$300 million of the Fund's average weekly total managed assets, 0.03% of the next \$500 million of the Fund's average weekly total managed assets and 0.02% of the Fund's average weekly total managed assets above \$1 billion.

PFPC Inc. also serves as the Fund's Common Stock dividend-paying agent and registrar (Transfer Agent). As compensation for PFPC Inc.'s services, the Fund pays PFPC Inc. a fee at an annual rate of 0.02% of the first \$150 million of the Fund's average weekly net assets attributable to Common Stock, 0.01% of the next \$350 million of the Fund's average weekly net assets attributable to Common Stock, and 0.005% of the next \$500 million of the Fund's average weekly net assets attributable to the Common Stock and 0.0025% of the Fund's average weekly net assets attributable to the Common Stock above \$1 billion, plus certain out-of-pocket expenses. For purpose of calculating such fee, the Fund's average weekly net assets attributable to the Common Stock will be deemed to be the average weekly value of the Fund's total assets minus the sum of the Fund's liabilities and accumulated dividends, if any, on AMPS. For this calculation, the Fund's liabilities are deemed to include the aggregate liquidation preference of any outstanding Fund preferred shares.

23

Flaherty & Crumrine/Claymore Total Return Fund Incorporated
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

PFPC Trust Company ("PFPC Trust") serves as the Fund's Custodian. PFPC Trust is an indirect subsidiary of PNC Financial Services. As compensation for PFPC Trust's services as custodian, the Fund pays PFPC Trust a monthly fee at the annual rate of 0.010% of the first \$200 million of the Fund's average weekly total managed assets, 0.008% of the next \$300 million of the Fund's average weekly total managed assets, 0.006% of the next \$500 million of the Fund's average weekly total managed assets, and 0.005% of the Fund's average weekly total managed assets above \$1 billion.

The Fund currently pays each Director who is not a director, officer or employee of the Adviser or the Servicing Agent a fee of \$9,000 per annum, plus \$500 for each in-person meeting of the Board of Directors or any committee and \$150 for each telephone meeting. The Audit Committee Chairman receives an additional annual fee of \$2,500. The Fund also reimburses all Directors for travel and out-of-pocket expenses incurred in connection with such meetings.

On July 23, 2004, the Board of Directors designated Peter C. Stimes as Chief Compliance Officer ("CCO") of the Fund. The Fund currently pays Mr. Stimes, in his capacity as CCO, \$37,500 per annum and reimburses out-of-pocket expenses in connection with his role as CCO.

4. PURCHASES AND SALES OF SECURITIES

For the six months ended May 31, 2005, the cost of purchases and proceeds from sales of securities excluding short-term investments, aggregated \$55,571,922 and \$60,227,606, respectively.

At May 31, 2005, the aggregate cost of securities for federal income tax purposes was \$340,658,579, the aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was \$20,466,014 and the aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$3,562,447.

5. COMMON STOCK

At May 31, 2005, 240,000,000 shares of \$0.01 par value Common Stock were authorized.

	SIX MONTHS ENDED 5/31/05		YE
	SHARES	AMOUNT	SHARES
Shares issued under the Dividend			1
Reinvestment and Cash Purchase Plan	22,381	\$536,884	74,754

6. AUCTION MARKET PREFERRED STOCK (AMPS)

The Fund's Articles of Incorporation authorize the issuance of up to 10,000,000 shares of \$0.01 par value preferred stock. The AMPS, which consist of Series T7 and W28, are senior to the Common Stock and result in the financial leveraging of the Common Stock. Such leveraging tends to magnify both the risks and opportunities to Common Stock Shareholders. Dividends on AMPS are cumulative.

 Flaherty & Crumrine/Claymore Total Return Fund Incorporated
 NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

The Fund is required to meet certain asset coverage tests with respect to the AMPS. If the Fund fails to meet these requirements and does not correct such failure, the Fund may be required to redeem, in part or in full, AMPS at a redemption price of \$25,000 per share plus an amount equal to the accumulated and unpaid dividends on such shares in order to meet these requirements. Additionally, failure to meet the foregoing asset requirements could restrict the Fund's ability to pay dividends to Common Stock Shareholders and could lead to sales of portfolio securities at inopportune times.

An auction of the AMPS is generally held every 7 days for Series T7 and every 28 days for Series W28. Existing Shareholders may submit an order to hold, bid or sell such shares at par value on each auction date. AMPS Shareholders may also trade shares in the secondary market between auction dates.

At May 31, 2005, 2,570 shares for each Series T7 and W28 of Auction Market Preferred Shares were outstanding at the annualized rate of 2.95% and 3.12% for Series T7 and W28, respectively. The dividend rate, as set by the auction process, is generally expected to vary with short-term interest rates. These rates may vary in a manner unrelated to the income received on the Fund's assets, which could have either a beneficial or detrimental impact on net investment income and gains available to Common Stock Shareholders. While the Fund expects to structure its portfolio holdings and hedging transactions to lessen such risks to Common Stock Shareholders, there can be no assurance that such results will be attained.

7. PORTFOLIO INVESTMENTS, CONCENTRATION AND INVESTMENT QUALITY

The Fund invests primarily in a diversified portfolio of preferred and debt securities. This includes fully taxable ("hybrid") preferred securities and traditional preferred stocks eligible for the inter-corporate dividends received deduction ("DRD"). Under normal market conditions, at least 50% of the value of the Fund's total assets will be invested in preferred securities. A security will be characterized as a hybrid preferred security (a) if an issuer can defer payment of income for eighteen months or more without triggering an event of default and (b) if such issue is a junior and fully subordinated liability of an issuer or its ultimate guarantor. Certain of its investments in hybrid, i.e. fully taxable, preferred securities will be considered debt securities to the extent that, in the opinion of the Adviser, such investments are deemed not to have these characteristics. Under normal market conditions, the Fund invests at least 25% of its total assets in securities issued by companies in the utilities industry and at least 25% of its total assets in securities issued by companies in the banking industry. Because of the Fund's concentration of investments in the utility industry and in the banking industry, the ability of the Fund to maintain its dividend and the value of the Fund's investments could be adversely affected by the possible inability of companies in these industries to pay dividends and interest on their securities and the ability of holders of securities of such companies to realize any value from the assets of the issuer upon liquidation or bankruptcy.

The Fund may invest up to 20% of its total assets in securities rated below investment grade. These securities must be rated at least either "Ba3" by Moody's Investors Service, Inc. or "BB-" by Standard &

25

Flaherty & Crumrine/Claymore Total Return Fund Incorporated
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

Poor's or judged to be comparable in quality, in either case, at the time of purchase. However, these securities must be issued by an issuer having a class of senior debt rated investment grade outstanding.

The Fund may invest up to 15% of its total assets in common stocks, which total includes those convertible securities that trade in close relationship to the underlying common stock of an issuer.

In addition to foreign money market securities, the Fund may invest up to 30% of its total assets in the securities of companies organized outside the United States. All foreign securities held by the Fund will be denominated in U.S. dollars.

8. SPECIAL INVESTMENT TECHNIQUES

The Fund may employ certain investment techniques in accordance with its fundamental investment policies. These may include the use of when-issued and delayed delivery transactions. Securities purchased or sold on a when-issued or delayed delivery basis may be settled within 45 days after the date of the transaction. Such transactions may expose the Fund to credit and market valuation risk greater than that associated with regular trade settlement procedures. The Fund may also enter into transactions, in accordance with its investment policies, involving any or all of the following: lending of portfolio securities, short sales of securities, futures contracts, interest rate swaps, options on futures contracts, options on securities, swaptions, and certain credit derivative transactions including, but not limited to, the purchase and sale of credit protection. As in the case of when-issued securities, the use of

over-the-counter derivatives, such as interest rate swaps, swaptions, and credit default swaps may expose the Fund to greater credit, operations, liquidity, and valuation risk than is the case with regulated, exchange traded futures and options. These transactions are used for hedging or other appropriate risk-management purposes, or, under certain other circumstances, to increase return. No assurance can be given that such transactions will achieve their desired purposes or will result in an overall reduction of risk to the Fund.

26

Flaherty & Crumrine/Claymore Total Return Fund Incorporated
ADDITIONAL INFORMATION (UNAUDITED)

DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

Under the Fund's Dividend Reinvestment and Cash Purchase Plan (the "Plan"), a shareholder whose Common Stock is registered in his own name will have all distributions reinvested automatically by PFPC Inc. as agent under the Plan, unless the shareholder elects to receive cash. Distributions with respect to shares registered in the name of a broker-dealer or other nominee (that is, in "street name") may be reinvested by the broker or nominee in additional shares under the Plan, but only if the service is provided by the broker or nominee, unless the shareholder elects to receive distributions in cash. A shareholder who holds Common Stock registered in the name of a broker or other nominee may not be able to transfer the Common Stock to another broker or nominee and continue to participate in the Plan. Investors who own Common Stock registered in street name should consult their broker or nominee for details regarding reinvestment.

The number of shares of Common Stock distributed to participants in the Plan in lieu of a cash dividend is determined in the following manner. Whenever the market price per share of the Fund's Common Stock is equal to or exceeds the net asset value per share on the valuation date, participants in the Plan will be issued new shares valued at the higher of net asset value or 95% of the then current market value. Otherwise, PFPC Inc. will buy shares of the Fund's Common Stock in the open market, on the New York Stock Exchange or elsewhere, on or shortly after the payment date of the dividend or distribution and continuing until the ex-dividend date of the Fund's next distribution to holders of the Common Stock or until it has expended for such purchases all of the cash that would otherwise be payable to the participants. The number of purchased shares that will then be credited to the participants' accounts will be based on the average per share purchase price of the shares so purchased, including brokerage commissions. If PFPC Inc. commences purchases in the open market and the then current market price of the shares (plus any estimated brokerage commissions) subsequently exceeds their net asset value most recently determined before the completion of the purchases, PFPC Inc. will attempt to terminate purchases in the open market and cause the Fund to issue the remaining dividend or distribution in shares. In this case, the number of shares received by the participant will be based on the weighted average of prices paid for shares purchased in the open market and the price at which the Fund issues the remaining shares. These remaining shares will be issued by the Fund at the higher of net asset value or 95% of the then current market value.

Plan participants are not subject to any charge for reinvesting dividends or capital gains distributions. Each Plan participant will, however, bear a proportionate share of brokerage commissions incurred with respect to PFPC Inc.'s open market purchases in connection with the reinvestment of dividends or capital gains distributions. For the six months ended May 31, 2005, \$793 in

brokerage commissions were incurred.

The automatic reinvestment of dividends and capital gains distributions will not relieve Plan participants of any income tax that may be payable on the dividends or capital gains distributions. A participant in the Plan will be treated for Federal income tax purposes as having received, on the dividend payment date, a dividend or distribution in an amount equal to the cash that the participant could have received instead of shares.

27

Flaherty & Crumrine/Claymore Total Return Fund Incorporated
ADDITIONAL INFORMATION (UNAUDITED) (CONTINUED)

In addition to acquiring shares of Common Stock through the reinvestment of cash dividends and distributions, a Shareholder may invest any further amounts from \$100 to \$3,000 semi-annually at the then current market price in shares purchased through the Plan. Such semi-annual investments are subject to any brokerage commission charges incurred.

A Shareholder whose Common Stock is registered in his or her own name may terminate participation in the Plan at any time by notifying PFPC Inc. in writing, by completing the form on the back of the Plan account statement and forwarding it to PFPC Inc. or by calling PFPC Inc., directly. A termination will be effective immediately if notice is received by PFPC Inc. not less than 10 days before any dividend or distribution record date. Otherwise, the termination will be effective, and only with respect to any subsequent dividends or distributions, on the first day after the dividend or distribution has been credited to the participant's account in additional shares of the Fund. Upon termination and according to a participant's instructions, PFPC Inc. will either (a) issue certificates for the whole shares credited to the shareholder's Plan account and a check representing any fractional shares or (b) sell the shares in the market. Shareholders who hold Common Stock registered in the name of a broker or other nominee should consult their broker or nominee to terminate participation.

The Plan is described in more detail in the Fund's Plan brochure. Information concerning the Plan may be obtained from PFPC Inc. at 1-800-331-1710.

ADDITIONAL COMPENSATION AGREEMENT

The Adviser has agreed to compensate Merrill Lynch from its own resources at an annualized rate of 0.15% of the Fund's total managed assets for certain services, including after-market support services designed to maintain the visibility of the Fund.

PROXY VOTING POLICIES AND PROXY VOTING RECORD ON FORM N-PX

The Fund files Form N-PX with its complete proxy voting record for the 12 months ended June 30th, no later than August 31st of each year. The Fund filed its initial Form N-PX with the Securities and Exchange Commission ("SEC") on August 18, 2004. This filing as well as the Fund's proxy voting policies and procedures are available (i) without charge, upon request, by calling the Fund's transfer agent at 1-800-331-1710, (ii) on the Fund's website at WWW.FCCLAYMORE.COM and (iii) on the SEC's website at WWW.SEC.GOV.

PORTFOLIO SCHEDULE ON FORM N-Q

The Fund files a complete schedule of portfolio holdings with the SEC for the first and third fiscal quarters on Form N-Q, the latest of which was filed for the quarter ended February 28, 2005. The Fund's Form N-Q is available on the SEC's website at WWW.SEC.GOV or may be viewed and obtained from the SEC's Public Reference Room in Washington D.C. Information on the operation of the Public Reference Section may be obtained by calling 1-800-SEC-0330.

 Flaherty & Crumrine/Claymore Total Return Fund Incorporated
 ADDITIONAL INFORMATION (UNAUDITED) (CONTINUED)

PORTFOLIO MANAGEMENT TEAM

In managing the day-to-day operations of the Fund, the Adviser relies on the expertise of its team of money management professionals, consisting of Messrs. Crumrine, Ettinger, Stimes, Stone and Chadwick. The professional backgrounds of each member of the management team are included in the "Information about Fund Directors and Officers" section of this report beginning on page 30.

CERTIFICATIONS

Donald F. Crumrine, as the Fund's Chief Executive Officer, has certified to the New York Stock Exchange that, as of May 18, 2005, he was not aware of any violation by the Fund of applicable NYSE corporate governance listing standards. The Fund's reports to the SEC on Forms N-CSR and N-Q contain certifications by the Fund's principal executive officer and principal financial officer that relate to the Fund's disclosure in such reports and that are required by rule 30a-2(a) under the 1940 Act.

MEETING OF SHAREHOLDERS

On April 21, 2005, the Fund held its Annual Meeting of Shareholders (the "Meeting") for the following purposes: election of directors of the Fund ("Proposal 1"), and approval of an amendment to the Fund's Articles Supplementary Establishing and Fixing the Rights and Preferences of Auction Market Preferred Stock ("Articles Supplementary") relating to the term of office of certain Directors ("Proposal 2"). Both proposals were approved by shareholders and the results of the proposals are as follows:

PROPOSAL 1: ELECTION OF DIRECTORS.

NAME	FOR	WITHHELD
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PREFERRED STOCK		
David Gale	3,129	4
Morgan Gust	3,129	4

Martin Brody, Donald F. Crumrine, and Robert F. Wulf continue to serve in their capacities as Directors of the Fund.

PROPOSAL 2: AMENDMENT TO THE ARTICLES SUPPLEMENTARY RELATING TO THE TERM OF OFFICE OF CERTAIN DIRECTORS.

FOR AGAINST WITHHELD

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COMMON STOCK	7,554,885	63,287	138,873
PREFERRED STOCK	3,128	5	--

29

 Flaherty & Crumrine/Claymore Total Return Fund Incorporated
 ADDITIONAL INFORMATION (UNAUDITED) (CONTINUED)

INFORMATION ABOUT FUND DIRECTORS AND OFFICERS

The business and affairs of the Fund are managed under the direction of the Fund's Board of Directors. Information pertaining to the Directors and officers of the Fund is set forth below.

NAME, ADDRESS, AND AGE -----	POSITION(S) HELD WITH FUND -----	TERM OF OFFICE AND LENGTH OF TIME SERVED* -----	PRINCIPAL OCCUPATION(S) DURING PAST FIVE YEARS -----	NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY DIRECTOR -----
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NON-INTERESTED
DIRECTORS:

MARTIN BRODY c/o HMK Associates 30 Columbia Turnpike Florham Park, NJ 07932 Age: 83	Director	Class II Director since January 2003	Retired	2
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DAVID GALE+ Delta Dividend Group, Inc. 220 Montgomery Street Suite 426 San Francisco, CA 94104 Age: 56	Director	Class I Director since January 2003	President & CEO of Delta Dividend Group, Inc. (investments).	4
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* The Fund's Board of Directors is divided into three classes, each class having a term of office of one class expires and the successor or successors elected to such class serve term for each class expires as follows:

CLASS I DIRECTORS - one year term expires at the Fund's 2008
 directors may continue in office until their successors are duly
 CLASS II DIRECTORS - two year term expires at the Fund's 2006
 directors may continue in office until their successors are duly

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CLASS III DIRECTORS - three year term expires at the Fund's 200
directors may continue in office until their successors are duly

+ As a Director, represents holders of shares of the Fund's Auction Market Preferred Stock.

30

Flaherty & Crumrine/Claymore Total Return Fund Incorporated
ADDITIONAL INFORMATION (UNAUDITED) (CONTINUED)

NAME, ADDRESS,	POSITION(S)	TERM OF OFFICE	PRINCIPAL OCCUPATION(S)	NUMBER OF FUNDS IN FUND COMPLE
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