

## *FLAHERTY & CRUMRINE/CLAYMORE TOTAL RETURN FUND*

To the Shareholders of Flaherty & Crumrine/Claymore Total Return Fund:

During the third fiscal quarter of 2011<sup>1</sup>, total return on net asset value<sup>2</sup> of the Fund was -2.4%; the fiscal year-to-date return was a more pleasing +8.7%. Prior to this most recent quarter, the Fund had nine consecutive quarters of positive returns.

There was good news on the Fund's dividend during the quarter – a combination of very low borrowing cost on the Fund's leverage and relatively high income earned from the Fund's investment portfolio led to another increase in your monthly dividend. The new rate of \$0.1395 (beginning in August) is 3.3% higher than the previous level.

The Federal Reserve has indicated short-term interest rates are likely to stay at present levels at least through mid-2013. The Fund's borrowing rate is not directly tied to the Fed's short-term rate target, but the correlation is high, so borrowing costs should remain at or near current levels over the same period.

On the flip side, however, the task of projecting portfolio income has become more difficult, due both to the sharp decline in interest rates and changes in the regulatory environment in which many preferred issuers operate. For instance, bank regulators here and abroad have yet to issue final guidelines for bank capital; until they do, it is hard to predict when issuers may call outstanding preferreds. We think eventually portfolio income could fall (as higher dividend paying securities are called), but we are working hard to minimize the impact.

Conditions in financial markets are largely a tale of two houses – an ongoing economic drag from the residential housing market and a struggle of governments to get their financial houses in order. While there is a detailed discussion of these topics in our Quarterly Economic Update on the Fund's website, our thoughts are summarized here.

The drop in home prices and rise in foreclosures have eroded household wealth, pushed up savings, and slowed consumer spending, thus short-circuiting the cyclical recovery the economy normally would experience coming out of a deep recession. The resulting sluggish economic growth has encouraged companies to focus on reducing debt, lowering costs, and improving productivity. This has led to an unusual combination of strong profit growth and improving credit quality for corporations, but little improvement in employment. Finally, rising savings, limited demand for new investment, and highly accommodative monetary policy have pushed US Treasury rates to 60-year lows. As long as households seek to reduce indebtedness, which we expect will continue for some time, these conditions are likely to persist.

At the same time, the deleveraging that began in the household sector has spread to the government sector. Investors are questioning governments' ability and willingness to sustain current budgets and obligations, most visibly in the sovereign debt crisis boiling over in Europe. The uncertainty over how that situation will be resolved – and its short and long-term impact on the global economy – has sent many investors to the sidelines and out of risky assets. Although politicians are moving toward resolution of these issues, the solutions are often unpopular, and progress is likely to be slow.

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<sup>1</sup> June 1, 2011 – August 31, 2011

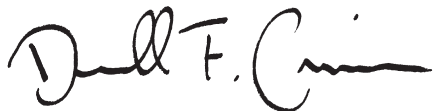
<sup>2</sup> Following the methodology required by the SEC, total return includes income and principal change, plus the impact of the Fund's leverage and expenses.

As of August 31, 12% of the Fund's portfolio consisted of securities issued or guaranteed by banks and insurance companies based in Europe. Each of these companies has operations throughout the world, but is tied most closely to economic conditions in the Eurozone. We believe these issuers are well capitalized and well managed, and therefore better able to handle market turbulence.

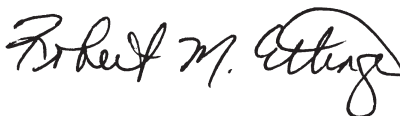
At the end of the day, we believe long-term investors will continue to earn attractive returns on preferred securities, although there may be some bumps along the way. We will continue to manage the Fund as we always have – in quiet times and in crisis – with a disciplined eye on credit fundamentals, relative value and risk management.

We encourage you to visit the Fund's website [www.fcclaymore.com](http://www.fcclaymore.com) for a more in-depth discussion of conditions in the preferred markets as well as the broader economy.

Sincerely,



Donald F. Crumrine  
Chairman



Robert M. Ettinger  
President

October 14, 2011

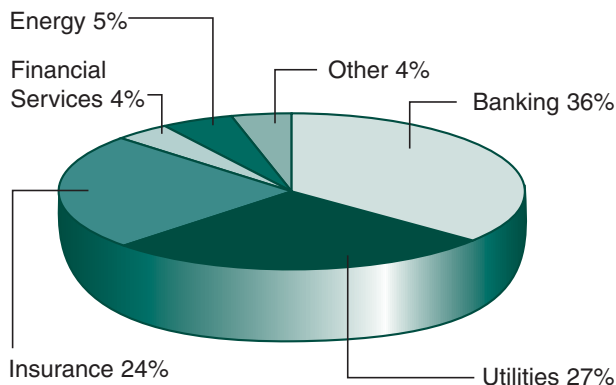
**PORTFOLIO OVERVIEW**  
**August 31, 2011 (Unaudited)**

**Fund Statistics**

Net Asset Value	\$	17.71
Market Price	\$	18.25
Premium		3.05%
Yield on Market Price		9.17%
Common Stock Shares Outstanding		9,822,790

**Industry Categories**

**% of Net Assets†**



**Moody's Ratings**      **% of Net Assets†**

A	7.5%
BBB	73.3%
BB	15.1%
Below "BB"	1.7%
Not Rated*	0.6%
Below Investment Grade**	9.0%

\* Does not include net other assets and liabilities of 1.8%.

\*\* Below investment grade by all of Moody's, S&P and Fitch.

**Top 10 Holdings by Issuer**

**% of Net Assets†**

Liberty Mutual Group	5.1%
Banco Santander	4.5%
Capital One Financial	4.0%
Metlife	3.8%
HSBC Plc	3.4%
Georgia Power	3.0%
Unum Group	2.9%
Enbridge Energy Partners	2.8%
Wells Fargo	2.8%
Axis Capital	2.5%

**% of Net Assets\*\*\*†**

Holdings Generating Qualified Dividend Income (QDI) for Individuals	34%
Holdings Generating Income Eligible for the Corporate Dividend Received Deduction (DRD)	22%

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

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

**PORTFOLIO OF INVESTMENTS****August 31, 2011 (Unaudited)**

<u>Shares/\$ Par</u>		<u>Value</u>
<b>Preferred Securities — 91.8%</b>		
<b>Banking — 35.8%</b>		
\$ 4,850,000	Astoria Capital Trust I, 9.75% 11/01/29, Series B .....	\$ 5,054,010 <sup>(1)</sup>
439,755	Banco Santander, 10.50% Pfd., Series 10 .....	12,052,057 <sup>***(1)(2)</sup>
	Bank of America Corporation:	
8,220	8.20% Pfd. ....	204,678*
17,540	8.625% Pfd. ....	442,008*
\$ 1,000,000	BankAmerica Institutional, Series A, 8.07% 12/31/26, 144A**** .....	1,000,000
	Barclays Bank PLC:	
\$ 3,600,000	6.278% .....	2,666,250 <sup>***(1)(2)</sup>
1,900	7.75% Pfd., Series 4 .....	46,113 <sup>***(2)</sup>
126,900	8.125% Pfd., Series 5 .....	3,130,623 <sup>***(1)(2)</sup>
8,700	BB&T Capital Trust V, 8.95% Pfd. 09/15/63 .....	234,085
57,157	BB&T Capital Trust VI, 9.60% Pfd. 08/01/64 .....	1,539,238 <sup>(1)</sup>
\$ 2,050,000	BBVA International Preferred, 5.919% .....	1,517,875 <sup>***(1)(2)</sup>
\$ 3,000,000	BNP Paribas, 7.195%, 144A**** .....	2,610,000 <sup>***(1)(2)</sup>
\$ 7,250,000	Capital One Capital III, 7.686% 08/15/36 .....	7,268,125 <sup>(1)</sup>
\$ 1,500,000	Capital One Capital V, 10.25% 08/15/39 .....	1,566,525 <sup>(1)</sup>
\$ 1,643,000	Capital One Capital VI, 8.875% 05/15/40 .....	1,672,893 <sup>(1)</sup>
83,300	Citigroup Capital XIII, 7.875% Pfd. 10/30/40 .....	2,171,006 <sup>(1)</sup>
\$ 10,000,000	Colonial BancGroup, 7.114%, 144A**** .....	387,500 <sup>(3)††</sup>
7,000	FBOP Corporation, Adj. Rate Pfd., 144A**** .....	5,460 <sup>*(3)(4)†</sup>
\$ 2,150,000	Fifth Third Capital Trust IV, 6.50% 04/15/37 .....	2,004,875 <sup>(1)</sup>
13,150	Fifth Third Capital Trust V, 7.25% Pfd. 08/15/67 .....	330,328
133,051	Fifth Third Capital Trust VI, 7.25% Pfd. 11/15/67 .....	3,334,591 <sup>(1)</sup>
2,000	First Republic Preferred Capital Corporation, 10.50% Pfd., 144A**** .....	2,042,500
3,900	First Tennessee Bank, Adj. Rate Pfd., 3.75% <sup>(5)</sup> , 144A**** .....	2,531,344*
\$ 600,000	First Union Capital II, 7.95% 11/15/29 .....	612,790 <sup>(1)</sup>
\$ 500,000	Fleet Capital Trust II, 7.92% 12/11/26 .....	493,750
3	FT Real Estate Securities Company, 9.50% Pfd., 144A**** .....	2,875,500
	Goldman Sachs:	
\$ 865,000	Capital I, 6.345% 02/15/34 .....	802,397 <sup>(1)</sup>
\$ 881,000	Capital II, 5.793% .....	638,725 <sup>(1)</sup>
1,500	STRIPES Custodial Receipts, Adj. Rate, 10.70% <sup>(5)</sup> , Pvt. ....	711,000 <sup>*(3)(4)</sup>
172,000	HSBC Holdings PLC, 8.00% Pfd., Series 2 .....	4,587,670 <sup>***(1)(2)</sup>
\$ 1,000,000	HSBC USA Capital Trust II, 8.38% 05/15/27, 144A**** .....	1,018,027 <sup>(1)</sup>
	HSBC USA, Inc.:	
100,000	6.50% Pfd., Series H .....	2,505,150 <sup>*(1)</sup>
1,828	\$2.8575 Pfd. ....	85,516*
41,175	ING Groep NV, 8.50% Pfd. ....	1,008,376 <sup>***(2)</sup>
\$ 1,850,000	JPMorgan Chase Capital XVIII, 6.95% 08/17/36, Series R .....	1,831,770 <sup>(1)</sup>

**PORTFOLIO OF INVESTMENTS (Continued)****August 31, 2011 (Unaudited)**

<u>Shares/\$ Par</u>		<u>Value</u>
<b>Preferred Securities — (Continued)</b>		
<b>Banking — (Continued)</b>		
\$ 500,000	JPMorgan Chase Capital XXVII, 7.00% 11/01/39, Series AA	\$ 501,899 <sup>(1)</sup>
72,935	Keycorp Capital IX, 6.75% Pfd. 12/15/66	1,859,843 <sup>(1)</sup>
72,900	Keycorp Capital X, 8.00% Pfd. 03/15/68	1,877,904 <sup>(1)</sup>
\$ 1,000,000	Lloyds Banking Group PLC, 6.657%, 144A****	575,000** <sup>(2)†</sup>
\$ 775,000	MBNA Capital, 8.278% 12/01/26, Series A	777,906
\$ 1,676,000	National City Preferred Capital Trust I, 12.00%	1,821,792
\$ 1,150,000	NB Capital Trust IV, 8.25% 04/15/27	1,158,625
39,995	PNC Financial Services, 9.875% Pfd., Series L	1,127,359* <sup>(1)</sup>
\$ 1,000,000	PNC Preferred Funding Trust III, 8.70%, 144A****	1,025,250 <sup>(1)</sup>
3,000	Sovereign REIT, 12.00% Pfd., Series A, 144A****	3,671,535
8,100	SunTrust Capital IX, 7.875% Pfd. 03/15/68	205,841
\$ 1,500,000	Wachovia Capital Trust III, Adj. Rate, 5.56975% <sup>(5)</sup>	1,318,125* <sup>(1)</sup>
51,737	Wachovia Preferred Funding, 7.25% Pfd., Series A	1,344,257 <sup>(1)</sup>
\$ 2,800,000	Webster Capital Trust IV, 7.65% 06/15/37	2,850,417
	Wells Fargo & Company:	
2,325	7.50% Pfd., Series L	2,420,255* <sup>(1)</sup>
50,000	8.00% Pfd., Series J	1,450,000*
\$ 160,000	Wells Fargo Capital XV, 9.75%	166,000
		<u>95,134,763</u>
<b>Financial Services — 3.5%</b>		
\$ 250,000	Ameriprise Financial, Inc., 7.518% 06/01/66	253,125
\$ 1,300,000	Claudius, Ltd. - Credit Suisse AG, 7.875%, Series B	1,293,500 <sup>(2)</sup>
\$ 3,000,000	Gulf Stream-Compass 2005 Composite Notes, 144A****	2,150,370 <sup>(3)(4)</sup>
	Heller Financial, Inc.:	
39,000	6.687% Pfd., Series C	3,890,250* <sup>(1)</sup>
7,750	6.95% Pfd., Series D	784,446*
32,200	HSBC Finance Corporation, 6.36% Pfd., Series B	741,002*
	Lehman Brothers Holdings, Inc.:	
20,000	5.67% Pfd., Series D	6,200*††
85,000	7.95% Pfd.	2,380*††
		<u>9,121,273</u>
<b>Insurance — 20.1%</b>		
\$ 1,550,000	Ace Capital Trust II, 9.70% 04/01/30	2,076,978 <sup>(1)(2)</sup>
\$ 1,775,000	AON Corporation, 8.205% 01/01/27	2,039,324 <sup>(1)</sup>
12,150	Arch Capital Group Ltd., 7.875% Pfd., Series B	309,066** <sup>(1)(2)</sup>

**PORTFOLIO OF INVESTMENTS (Continued)****August 31, 2011 (Unaudited)**

<u>Shares/\$ Par</u>	<u>Value</u>
<b>Preferred Securities — (Continued)</b>	
<b>Insurance — (Continued)</b>	
AXA SA:	
\$ 1,196,000 6.379%, 144A****	\$ 932,880** <sup>(1)(2)</sup>
\$ 114,000 6.463%, 144A****	88,920** <sup>(2)</sup>
66,600 Axis Capital Holdings, 7.50% Pfd., Series B	6,508,072 <sup>(1)(2)</sup>
160,000 Delphi Financial Group, 7.376% Pfd. 05/15/37	3,830,000 <sup>(1)</sup>
\$ 5,760,000 Everest Re Holdings, 6.60% 05/15/37	5,256,000 <sup>(1)</sup>
\$ 8,300,000 Liberty Mutual Group, 10.75% 06/15/58, 144A****	10,292,000 <sup>(1)</sup>
\$ 1,700,000 MetLife Capital Trust IV, 7.875% 12/15/37, 144A****	1,742,500 <sup>(1)</sup>
\$ 4,330,000 MetLife Capital Trust X, 9.25% 04/08/38, 144A****	5,131,050 <sup>(1)</sup>
\$ 2,250,000 MetLife, Inc., 10.75% 08/01/39	3,090,431 <sup>(1)</sup>
Principal Financial Group:	
12,000 5.563% Pfd., Series A	1,161,376*
87,800 6.518% Pfd., Series B	2,244,388 <sup>(1)</sup>
109,000 Scottish Re Group Ltd., 7.25% Pfd.	1,004,849** <sup>(2)†</sup>
\$ 1,750,000 Stancorp Financial Group, 6.90% 06/01/67	1,560,228 <sup>(1)</sup>
\$ 3,615,000 USF&G Capital, 8.312% 07/01/46, 144A****	4,467,312 <sup>(1)</sup>
\$ 1,800,000 XL Capital Ltd., 6.50%, Series E	1,606,500 <sup>(1)(2)</sup>
	<u>53,341,874</u>
<b>Utilities — 26.1%</b>	
62,243 Alabama Power Company, 6.45% Pfd.	1,731,133 <sup>(1)</sup>
33,700 Baltimore Gas & Electric Company, 6.70% Pfd., Series 1993	3,390,011 <sup>(1)</sup>
118,380 Calenergy Capital Trust III, 6.50% Pfd. 09/01/27	5,859,810 <sup>(1)</sup>
\$ 3,700,000 COMED Financing III, 6.35% 03/15/33	3,285,493 <sup>(1)</sup>
20,170 Constellation Energy Group, 8.625% Pfd. 06/15/63, Series A	545,195 <sup>(1)</sup>
\$ 2,500,000 Dominion Resources Capital Trust I, 7.83% 12/01/27	2,525,477 <sup>(1)</sup>
\$ 3,500,000 Dominion Resources, Inc., 7.50% 06/30/66	3,591,094 <sup>(1)</sup>
83,000 Entergy Arkansas, Inc., 6.45% Pfd.	2,075,000 <sup>(1)</sup>
57,000 Entergy Louisiana, Inc., 6.95% Pfd.	5,612,722 <sup>(1)</sup>
FPL Group Capital, Inc.:	
\$ 4,197,000 6.65% 06/15/67	4,065,374 <sup>(1)</sup>
\$ 1,975,000 7.30% 09/01/67, Series D	2,041,644 <sup>(1)</sup>
75,000 Georgia Power Company, 6.50% Pfd., Series 2007A	8,025,000 <sup>(1)</sup>
5,000 Gulf Power Company, 6.45% Pfd., Series 2007A	537,856*
30,445 Indianapolis Power & Light Company, 5.65% Pfd.	2,850,413 <sup>(1)</sup>
95,000 Interstate Power & Light Company, 8.375% Pfd., Series B	2,784,688 <sup>(1)</sup>
\$ 4,000,000 PECO Energy Capital Trust IV, 5.75% 06/15/33	3,506,192 <sup>(1)</sup>
\$ 825,000 PPL Capital Funding, 6.70% 03/30/67, Series A	797,032 <sup>(1)</sup>
64,500 PPL Electric Utilities Corporation, 6.25% Pfd.	1,630,644*

Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
**PORTFOLIO OF INVESTMENTS (Continued)**  
**August 31, 2011 (Unaudited)**

<u>Shares/\$ Par</u>	<u>Value</u>
<b>Preferred Securities — (Continued)</b>	
<b>Utilities — (Continued)</b>	
\$ 5,175,000 Puget Sound Energy, Inc., 6.974% 06/01/67 .....	\$ 5,237,819 <sup>(1)</sup>
Southern California Edison:	
17,000 6.00% Pfd., Series C .....	1,671,845 <sup>(1)</sup>
41,000 6.50% Pfd., Series D .....	4,137,158 <sup>(1)</sup>
\$ 3,615,000 WPS Resources Corporation, 6.11% 12/01/66 .....	3,456,113 <sup>(1)</sup>
	<u>69,357,713</u>
<b>Energy — 5.0%</b>	
\$ 7,050,000 Enbridge Energy Partners LP, 8.05% 10/01/37 .....	7,400,491 <sup>(1)</sup>
\$ 5,550,000 Enterprise Products Partners, 8.375% 08/01/66, Series A .....	5,812,493 <sup>(1)</sup>
	<u>13,212,984</u>
<b>Real Estate Investment Trust (REIT) — 0.1%</b>	
10,000 PS Business Parks, Inc., 6.875% Pfd., Series R .....	255,000
	<u>255,000</u>
<b>Miscellaneous Industries — 1.2%</b>	
37,400 Ocean Spray Cranberries, Inc., 6.25% Pfd., 144A**** .....	3,260,812 <sup>(1)</sup>
	<u>3,260,812</u>
<b>Total Preferred Securities</b>	
(Cost \$244,890,021) .....	<u>243,684,419</u>
<b>Corporate Debt Securities — 6.4%</b>	
<b>Banking — 0.2%</b>	
\$ 635,000 Goldman Sachs Group, 6.75% 10/01/37, Sub Notes .....	604,547 <sup>(1)</sup>
	<u>604,547</u>
<b>Financial Services — 0.3%</b>	
\$ 4,726,012 Lehman Brothers, Guaranteed Note, Variable Rate, 5.843%, 12/16/16, 144A**** ..	800,114 <sup>(3)(4)††</sup>
	<u>800,114</u>
<b>Insurance — 4.1%</b>	
\$ 3,400,000 Liberty Mutual Insurance, 7.697% 10/15/97, 144A**** .....	3,153,520 <sup>(1)</sup>
\$ 7,000,000 UnumProvident Corporation, 7.25% 03/15/28 .....	7,678,139 <sup>(1)</sup>
	<u>10,831,659</u>

**PORTFOLIO OF INVESTMENTS (Continued)**

**August 31, 2011 (Unaudited)**

<u>Shares/\$ Par</u>		<u>Value</u>
<b>Corporate Debt Securities — (Continued)</b>		
<b>Utilities — 0.8%</b>		
Southern Union Company:		
\$ 1,000,000	7.60% 02/01/24, Senior Notes .....	\$ 1,217,807 <sup>(1)</sup>
\$ 700,000	8.25% 11/15/29, Senior Notes .....	864,101 <sup>(1)</sup>
		<u>2,081,908</u>
<b>Miscellaneous Industries — 1.0%</b>		
16,500	Corp-Backed Trust Certificates, 7.00% 11/15/28, Series Sprint .....	408,705 <sup>(1)</sup>
	Pulte Homes, Inc.:	
25,844	7.375% 06/01/46 .....	570,442
\$ 2,160,000	7.875% 06/15/32 .....	1,857,600 <sup>(1)</sup>
		<u>2,836,747</u>
<b>Total Corporate Debt Securities</b>		
(Cost \$20,254,781) .....		<u>17,154,975</u>
<b>Common Stock — 0.4%</b>		
<b>Banking — 0.2%</b>		
13,500	CIT Group, Inc. ....	466,695*†
		<u>466,695</u>
<b>Utilities — 0.2%</b>		
7,840	Exelon Corporation .....	338,061*
11,653	PPL Corporation .....	336,539*
		<u>674,600</u>
<b>Total Common Stock</b>		
(Cost \$3,163,176) .....		<u>1,141,295</u>
<b>Money Market Fund — 0.1%</b>		
162,893	BlackRock Liquidity Funds, T-Fund .....	162,893
<b>Total Money Market Fund</b>		
(Cost \$162,893) .....		<u>162,893</u>

**PORTFOLIO OF INVESTMENTS (Continued)****August 31, 2011 (Unaudited)**

		<u>Value</u>
<b>Total Investments</b> (Cost \$268,470,871 <sup>***</sup> ) .....	98.7%	\$ 262,143,582
<b>Other Assets And Liabilities</b> (Net) .....	<u>1.3%</u>	<u>3,404,853</u>
<b>Total Managed Assets</b> .....	<u>100.0%</u> ‡	<u>\$ 265,548,435</u>
<b>Loan Principal Balance</b> .....		<u>(91,600,000)</u>
<b>Total Net Assets Available To Common Stock</b> .....		<u>\$ 173,948,435</u>

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

\*\* Securities distributing Qualified Dividend Income only.

\*\*\* Aggregate cost of securities held.

\*\*\*\* Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional buyers. At August 31, 2011, these securities amounted to \$49,761,594 or 18.7% of total managed assets.

(1) All or a portion of this security is pledged as collateral for the Fund's loan. The total value of such securities was \$200,269,959 at August 31, 2011.

(2) Foreign Issuer.

(3) Illiquid

(4) Fair valued as of August 31, 2011.

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

† Non-income producing.

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

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

**ABBREVIATIONS:**

**Pfd.** — Preferred Securities

**Pvt.** — Private Placement Securities

**REIT** — Real Estate Investment Trust

**STRIPES** — Structured Residual Interest Preferred Enhanced Securities

**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE TO COMMON STOCK<sup>(1)</sup>**

**For the period from December 1, 2010 through August 31, 2011 (Unaudited)**

	<u>Value</u>
<b>OPERATIONS:</b>	
Net investment income . . . . .	\$ 12,093,494
Net realized gain/(loss) on investments sold during the period . . . . .	2,681,135
Change in net unrealized appreciation/depreciation of investments . . . . .	<u>(73,174)</u>
<b>Net increase in net assets resulting from operations . . . . .</b>	<b>14,701,455</b>
<b>DISTRIBUTIONS:</b>	
Dividends paid from net investment income to Common Stock Shareholders <sup>(2)</sup> . . . .	<u>(12,359,862)</u>
<b>Total Distributions to Common Stock Shareholders . . . . .</b>	<b>(12,359,862)</b>
<b>FUND SHARE TRANSACTIONS:</b>	
Increase from shares issued under the Dividend Reinvestment and Cash Purchase Plan . . . . .	<u>338,683</u>
<b>Net increase in net assets available to Common Stock resulting from Fund share transactions . . . . .</b>	<b>338,683</b>
<b>NET INCREASE IN NET ASSETS AVAILABLE TO COMMON STOCK FOR THE PERIOD . . . . .</b>	<b><u><u>\$ 2,680,276</u></u></b>

**NET ASSETS AVAILABLE TO COMMON STOCK:**

Beginning of period . . . . .	\$ 171,268,159
Net increase in net assets during the period . . . . .	<u>2,680,276</u>
End of period . . . . .	<u><u>\$ 173,948,435</u></u>

<sup>(1)</sup> These tables summarize the nine months ended August 31, 2011 and should be read in conjunction with the Fund's audited financial statements, including footnotes, in its Annual Report dated November 30, 2010.

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

**FINANCIAL HIGHLIGHTS<sup>(1)</sup>**

**For the period from December 1, 2010 through August 31, 2011 (Unaudited)  
For a Common Stock share outstanding throughout the period.**

**PER SHARE OPERATING PERFORMANCE:**

Net asset value, beginning of period . . . . . \$ 17.47

**INVESTMENT OPERATIONS:**

Net investment income . . . . . 1.23

Net realized and unrealized gain/(loss) on investments . . . . . 0.27

Total from investment operations . . . . . 1.50

**DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS:**

From net investment income . . . . . (1.26)

Total distributions to Common Stock Shareholders . . . . . (1.26)

Net asset value, end of period . . . . . \$ 17.71

Market value, end of period . . . . . \$ 18.25

Common Stock shares outstanding, end of period . . . . . 9,822,790

**RATIOS TO AVERAGE NET ASSETS AVAILABLE TO COMMON STOCK SHAREHOLDERS:**

Net investment income† . . . . . 9.12%\*

Operating expenses including interest expense . . . . . 1.99%\*

Operating expenses excluding interest expense . . . . . 1.36%\*

**SUPPLEMENTAL DATA:††**

Portfolio turnover rate . . . . . 10%\*\*

Total managed assets, end of period (in 000's) . . . . . \$ 265,548

Ratio of operating expenses including interest expense to total managed assets . . . . . 1.33%\*

Ratio of operating expenses excluding interest expense to total managed assets . . . . . 0.91%\*

<sup>(1)</sup> These tables summarize the nine months ended August 31, 2011 and should be read in conjunction with the Fund's audited financial statements, including footnotes, in its Annual Report dated November 30, 2010.

\* Annualized.

\*\* Not annualized.

† The net investment income ratios reflect income net of operating expenses, including interest expense.

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

**FINANCIAL HIGHLIGHTS (Continued)**

**Per Share of Common Stock (Unaudited)**

	<u>Total Dividends Paid</u>	<u>Net Asset Value</u>	<u>NYSE Closing Price</u>	<u>Dividend Reinvestment Price<sup>(1)</sup></u>
December 31, 2010 - Extra .....	\$0.0400	\$17.44	\$17.26	\$17.26
December 31, 2010 .....	0.1350	17.44	17.26	17.26
January 31, 2011 .....	0.1350	17.66	17.51	17.64
February 28, 2011 .....	0.1350	18.02	17.87	17.99
March 31, 2011 .....	0.1350	18.04	18.33	18.04
April 29, 2011 .....	0.1350	18.38	18.58	18.38
May 31, 2011 .....	0.1350	18.55	19.32	18.55
June 30, 2011 .....	0.1350	18.23	19.17	18.23
July 29, 2011 .....	0.1350	18.34	17.89	18.33
August 31, 2011 .....	0.1395	17.71	18.25	17.71

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

**NOTES TO FINANCIAL STATEMENTS (Unaudited)****1. Aggregate Information for Federal Income Tax Purposes**

At August 31, 2011, the aggregate cost of securities for federal income tax purposes was \$268,814,273, the aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was \$24,315,077 and the aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$30,985,768.

**2. Additional Accounting Standards**

*Fair Value Measurement:* The inputs and valuation techniques used to measure fair value of the Fund's investments are summarized into three levels as described in the hierarchy below:

- Level 1 – quoted prices in active markets for identical securities
- Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Transfers in and out of levels are recognized at market value at the end of the period. A summary of the inputs used to value the Fund's investments as of August 31, 2011 is as follows:

	Total Value at August 31, 2011	Level 1 Quoted Price	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Preferred Securities				
Banking	\$ 95,134,763	\$ 65,446,024	\$ 29,295,779	\$ 392,960
Financial Services	9,121,273	741,002	6,229,901	2,150,370
Insurance	53,341,874	29,250,784	24,091,090	—
Utilities	69,357,713	17,281,140	52,076,573	—
Energy	13,212,984	13,212,984	—	—
Real Estate Investment Trust (REIT)	255,000	255,000	—	—
Miscellaneous Industries	3,260,812	—	3,260,812	—
Corporate Debt Securities	17,154,975	3,665,602	12,689,259	800,114
Common Stock				
Banking	466,695	466,695	—	—
Utilities	674,600	674,600	—	—
Money Market Fund	162,893	162,893	—	—
Total Investments	<u>\$ 262,143,582</u>	<u>\$ 131,156,724</u>	<u>\$ 127,643,414</u>	<u>\$ 3,343,444</u>

The Fund did not have any significant transfers in and out of Level 1 and Level 2 during the period.

**NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)**

The valuation of the Fund's investments in Level 2 and Level 3 is based primarily on market information, where available. This includes, but is not limited to, prices provided by third-party providers, observable trading activity (including the recency, depth, and consistency of such information with quoted levels), and the depth and consistency of broker-quoted prices. In the event market information is not directly available, comparable information may be observed for securities that are similar in many respects to those being valued. The Fund may employ an income approach for certain securities that also takes into account credit risk, interest rate risk, and potential recovery prospects.

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

	Total Investments	Preferred Securities		
		Banking	Financial Services	Corporate Debt Securities
<b>Balance as of 11/30/10</b>	\$ 2,137,752	\$ 30,968	\$ 1,457,430	\$ 649,354
Accrued discounts/premiums	—	—	—	—
Realized gain/(loss)	—	—	—	—
Change in unrealized appreciation/ (depreciation)	818,692	(25,008)	692,940	150,760
Purchases	—	—	—	—
Sales	—	—	—	—
Transfers in	387,000	387,000 <sup>(1)</sup>	—	—
Transfers out	—	—	—	—
<b>Balance as of 8/31/11</b>	\$ 3,343,444	\$ 392,960	\$ 2,150,370	\$ 800,114

<sup>(1)</sup> Transferred from Level 2 to Level 3 because of lack of observable market data due to decrease in market activity for these securities.

For the period ended August 31, 2011, total change in unrealized gain/(loss) on Level 3 securities still held at period-end and included in the change in net assets was \$818,692.

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## Directors

Donald F. Crumrine, CFA  
Chairman of the Board  
David Gale  
Morgan Gust  
Karen H. Hogan  
Robert F. Wulf, CFA

## Officers

Donald F. Crumrine, CFA  
Chief Executive Officer  
Robert M. Ettinger, CFA  
President  
R. Eric Chadwick, CFA  
Chief Financial Officer,  
Vice President and Treasurer  
Chad C. Conwell  
Chief Compliance Officer,  
Vice President and Secretary  
Bradford S. Stone  
Vice President and  
Assistant Treasurer  
Laurie C. Lodolo  
Assistant Compliance Officer,  
Assistant Treasurer and  
Assistant Secretary  
Linda M. Puchalski  
Assistant Treasurer

## Investment Adviser

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

## Servicing Agent

Guggenheim Funds Distributors, Inc.  
1-866-233-4001

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

- If your shares are held in a Brokerage Account, contact your Broker.
- If you have physical possession of your shares in certificate form, contact the Fund's Transfer Agent —  
BNY Mellon Shareowner Services  
P.O. Box 358035  
Pittsburgh, PA 15252-8035  
1-866-351-7446

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



Flaherty & Crumrine/Claymore

TOTAL RETURN FUND

# Quarterly Report

## August 31, 2011

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