

Schedule of Investments (Unaudited)

Delaware Foundation[®] Conservative Allocation Fund

December 31, 2009

	Number of Shares	Value (U.S. \$)
Common Stock – 31.23%		
<i>U.S. Markets – 18.17%</i>		
<i>Consumer Discretionary – 1.90%</i>		
†AFC Enterprises	1,025	\$8,364
American Eagle Outfitters	1,620	27,508
†Bally Technologies	270	11,148
Big 5 Sporting Goods	355	6,099
†Buffalo Wild Wings	330	13,289
Burger King Holdings	1,740	32,747
†Carmike Cinemas	435	3,289
†CEC Entertainment	275	8,778
†Citi Trends	430	11,877
CKE Restaurants	1,500	12,690
Cooper Tire & Rubber	400	8,020
†DIRECTV Group	450	15,008
†DSW Class A	515	13,328
†G-III Apparel Group	635	13,760
Guess	750	31,725
†Gymboree	330	14,352
†Iconix Brand Group	850	10,753
†Jack in the Box	735	14,457
Jarden	1,150	35,547
†Jo-Ann Stores	355	12,865
Jones Apparel Group	640	10,278
†Jos. A. Bank Clothiers	130	5,485
†Lincoln Educational Services	540	11,702
Lowe's	9,100	212,848
Mattel	5,900	117,882
McDonald's	740	46,206
Meredith	780	24,063
†Mobile Mini	507	7,144
National CineMedia	635	10,522
NIKE Class B	1,650	109,016
Nordstrom	350	13,153
†Papa John's International	380	8,877
†Perry Ellis International	575	8,660
Phillips-Van Heusen	945	38,443
†Shuffle Master	995	8,199
Staples	4,800	118,031
Tanger Factory Outlet Centers	380	14,816
†Tenneco	450	7,979
†Time Warner Cable	770	31,870
†Tractor Supply	300	15,888
†Ulta Salon Cosmetics & Fragrance	815	14,800
†Urban Outfitters	1,040	36,390
†Viacom Class B	940	27,946
Wal-Mart Stores	830	44,364
Weight Watchers International	900	26,244
†WMS Industries	850	<u>34,000</u>
		<u>1,310,410</u>
<i>Consumer Staples – 1.75%</i>		
Archer-Daniels-Midland	4,750	148,723
Bunge	175	11,170
Casey's General Stores	470	15,002
†Chattem	135	12,596
Coca-Cola	210	11,970
Colgate-Palmolive	370	30,396
CVS Caremark	5,030	162,016
Heinz (H.J.)	2,800	119,728
Kimberly-Clark	1,800	114,678

(Unaudited)

Kraft Foods Class A	4,273	116,140
Lance	225	5,918
PepsiCo	890	54,112
Procter & Gamble	2,720	164,913
Safeway	5,700	121,353
†Susser Holdings	1,245	10,695
Walgreen	3,000	<u>110,160</u>
		<u>1,209,570</u>
<i>Energy – 1.78%</i>		
Anadarko Petroleum	270	16,853
Berry Petroleum Class A	515	15,012
†Bristow Group	355	13,650
†Carrizo Oil & Gas	575	15,232
Chesapeake Energy	630	16,304
Chevron	2,060	158,599
ConocoPhillips	4,435	226,496
Devon Energy	330	24,255
EOG Resources	1,800	175,140
EQT	420	18,446
Exxon Mobil	1,690	115,241
†Key Energy Services	1,270	11,163
Lufkin Industries	270	19,764
Marathon Oil	3,800	118,636
National Oilwell Varco	3,070	135,356
Occidental Petroleum	510	41,489
Penn Virginia	600	12,774
†Pioneer Drilling	1,170	9,243
†Rosetta Resources	635	12,656
Schlumberger	719	46,800
†Swift Energy	430	10,303
†Willbros Group	830	<u>14,002</u>
		<u>1,227,414</u>
<i>Financials – 2.05%</i>		
AFLAC	750	34,688
Allstate	4,100	123,164
American Equity Investment Life Holding	615	4,576
AmTrust Financial Services	675	7,979
Apollo Investment	1,390	13,247
Ares Capital	830	10,334
Bank of America	860	12,952
Bank of New York Mellon	8,690	243,058
Berkley (W.R.)	650	16,016
Blackstone Group	1,000	13,120
Capital One Financial	600	23,004
City Holding	365	11,800
CME Group	325	109,184
Dime Community Bancshares	1,120	13,126
EastGroup Properties	355	13,589
Entertainment Properties Trust	395	13,932
First Mercury Financial	645	8,843
Flushing Financial	850	9,571
Goldman Sachs Group	310	52,340
Harleysville Group	365	11,603
Home Properties	410	19,561
†Host Hotels & Resorts	1,430	16,688
Independent Bank	380	7,938
†IntercontinentalExchange	1,100	123,530
JPMorgan Chase	1,370	57,088
†Nasdaq OMX Group	1,020	20,216
optionsXpress Holdings	850	13,133
†ProAssurance	210	11,279
Prosperity Bancshares	395	15,986
Protective Life	540	8,937
Provident Finance Services	955	10,171
Prudential Financial	590	29,358
†RiskMetrics Group	595	9,466
RLI	245	13,046

(Unaudited)

Sovran Self Storage	395	14,113
TCF Financial	1,440	19,613
†Texas Capital Bancshares	595	8,306
Torchmark	620	27,249
Travelers	2,950	147,087
Trustmark	615	13,862
Univest Corporation of Pennsylvania	275	4,821
Webster Financial	765	9,081
Wells Fargo	2,480	<u>66,935</u>
		<u>1,413,590</u>
<i>Health Care – 2.74%</i>		
Abbott Laboratories	660	35,633
†Affymetrix	940	5,490
†Air Methods	115	3,866
†Align Technology	660	11,761
†Alkermes	1,250	11,763
Allergan	2,500	157,525
†Alliance HealthCare Services	2,406	13,738
†Amgen	670	37,902
†AMN Healthcare Services	1,030	9,332
Bristol-Myers Squibb	4,700	118,675
Cardinal Health	3,700	119,288
†Catalyst Health Solutions	485	17,688
†Celera	1,430	9,881
†Celgene	310	17,261
†Conmed	655	14,934
†CryoLife	1,250	8,025
†Express Scripts	470	40,632
†Gen-Probe	520	22,308
†Gilead Sciences	2,880	124,646
†Human Genome Sciences	205	6,273
Johnson & Johnson	2,130	137,193
†Martek Biosciences	435	8,239
†Medco Health Solutions	2,100	134,211
†Medivation	135	5,083
Merck	5,704	208,423
†Merit Medical Systems	645	12,442
†Odyssey HealthCare	640	9,971
†ONYX Pharmaceuticals	535	15,697
†OSI Pharmaceuticals	295	9,154
Pfizer	10,887	198,035
†PharMerica	475	7,543
†Psychiatric Solutions	535	11,310
Quest Diagnostics	2,000	120,760
†Quidel	670	9,233
†Regeneron Pharmaceuticals	700	16,926
†Res-Care	645	7,224
†SonoSite	465	10,988
†Sun Healthcare Group	1,225	11,233
†Thermo Fisher Scientific	590	28,137
UnitedHealth Group	3,770	114,910
†Vertex Pharmaceuticals	400	17,140
West Pharmaceutical Services	350	<u>13,720</u>
		<u>1,894,193</u>
<i>Industrials – 1.62%</i>		
AAON	470	9,160
Acuity Brands	350	12,474
Administaff	460	10,851
†Alaska Air Group	535	18,490
American Ecology	485	8,264
Applied Industrial Technologies	535	11,807
Barnes Group	640	10,816
†Chart Industries	615	10,178
†Columbus McKinnon	730	9,972
†CRA International	315	8,395
Deere	320	17,309
Ducommun	250	4,678

(Unaudited)

†DynCorp International Class A	750	10,763
ESCO Technologies	175	6,274
†Esterline Technologies	295	12,027
Expeditors International Washington	2,800	97,244
Fluor	450	20,268
General Electric	3,110	47,054
Goodrich	600	38,550
Granite Construction	295	9,930
†Hawaiian Holdings	790	5,530
Haynes International	350	11,540
Honeywell International	810	31,752
†Hub Group Class A	595	15,964
†Kadant	490	7,820
†Kforce	755	9,438
Koppers Holdings	445	13,546
Lockheed Martin	350	26,373
McGrath RentCorp	550	12,298
†Metalico	2,090	10,283
†MYR Group/Delaware	295	5,334
Norfolk Southern	660	34,597
Northrop Grumman	2,600	145,209
Republic Services	530	15,004
Rockwell Collins	330	18,269
Roper Industries	330	17,282
†Tetra Tech	420	11,411
†Titan Machinery	565	6,520
Triumph Group	230	11,098
†Tutor Perini	505	9,130
Union Pacific	420	26,838
United Parcel Service Class B	1,600	91,792
†United Stationers	300	17,055
United Technologies	770	53,446
†URS	370	16,472
Waste Management	3,600	<u>121,716</u>
		<u>1,120,221</u>
<i>Information Technology – 4.49%</i>		
†Adobe Systems	2,500	91,950
American Software Class A	925	5,550
†Amkor Technology	1,475	10,561
†Anixter International	365	17,192
†Apple	1,260	265,683
†Applied Micro Circuits	1,170	8,740
†Atheros Communications	475	16,264
†Cisco Systems	2,780	66,553
†Digital River	395	10,661
†EMC	2,170	37,910
†Expedia	750	19,283
†FARO Technologies	630	13,507
†Google Class A	400	247,991
Hewlett-Packard	1,280	65,933
iGate	1,565	15,650
infoGROUP	1,515	12,150
†Informatica	710	18,361
Intel	10,260	209,304
International Business Machines	1,160	151,844
†Intuit	4,100	125,911
†IPG Photonics	505	8,454
†IXYS	1,215	9,015
†J2 Global Communications	595	12,108
†JDA Software Group	535	13,626
†Lawson Software	1,925	12,801
MasterCard Class A	475	121,591
†McAfee	590	23,936
†MEMC Electronic Materials	3,600	49,032
Microsoft	3,530	107,630
†Motorola	14,400	111,744
†NetAPP	860	29,575

(Unaudited)

†NETGEAR	585	12,689
NIC	840	7,678
†Nuance Communications	1,080	16,783
†ON Semiconductor	1,480	13,039
†priceline.com	450	98,325
†Progress Software	540	15,773
QUALCOMM	4,440	205,394
Quality Systems	255	16,011
†Radiant Systems	1,000	10,400
†Rightnow Technologies	330	5,732
†Rofin-Sinar Technologies	335	7,909
†Sapient	1,615	13,356
†SAVVIS	785	11,029
†Semtech	570	9,696
†Smith Micro Software	1,000	9,140
†SolarWinds	370	8,514
†Symantec	6,240	111,634
†Synaptics	490	15,019
†Tekelec	980	14,974
†TeleTech Holdings	680	13,620
†Teradata	3,600	113,148
United Online	1,590	11,432
†ValueClick	1,185	11,992
†VeriSign	4,700	113,928
†ViaSat	475	15,096
Visa Class A	2,000	174,920
†Vocus	595	10,710
Xerox	14,200	<u>120,132</u>
		<u>3,098,583</u>
<i>Materials – 0.63%</i>		
Alcoa	1,660	26,759
Dow Chemical	1,380	38,129
duPont (E.I.) deNemours	3,600	121,213
Freeport-McMoRan Copper & Gold	425	34,123
Olin	785	13,753
†Owens-Illinois	780	25,639
Praxair	1,000	80,310
Rock-Tenn Class A	315	15,879
†Rockwood Holdings	585	13,783
Schulman (A.)	635	12,814
Silgan Holdings	200	11,576
United States Steel	820	<u>45,198</u>
		<u>439,176</u>
<i>Telecommunications – 0.74%</i>		
Alaska Communications Systems Group	1,100	8,778
†Arris Group	815	9,315
AT&T	4,760	133,423
†Crown Castle International	3,900	152,256
†GeoEye	200	5,576
†Knology	1,070	11,717
NTELOS Holdings	635	11,316
Plantronics	220	5,716
Verizon Communications	5,170	<u>171,282</u>
		<u>509,379</u>
<i>Utilities – 0.47%</i>		
Edison International	3,200	111,296
NorthWestern	255	6,635
†NRG Energy	660	15,583
Otter Tail	355	8,804
Progress Energy	2,923	119,872
Sempra Energy	480	26,870
UIL Holdings	250	7,020
UNITIL	345	7,928
Wisconsin Energy	470	<u>23,420</u>
		<u>327,428</u>
Total U.S. Markets (cost \$11,328,900)		<u>12,549,964</u>

(Unaudited)

§Developed Markets – 8.40%

Consumer Discretionary – 1.65%

Autoliv	3,300	143,087
±Bayerische Motoren Werke	2,464	112,723
±Don Quijote	3,900	94,698
±Esprit Holdings	14,931	99,058
±PPR	877	105,131
±Publicis Groupe	2,271	92,217
±Round One	6,500	38,576
±Techtronic Industries	113,500	94,084
±Toyota Motor	1,899	80,115
±Vivendi	4,641	137,560
±WPP Group	6,150	60,086
±Yue Yuen Industrial Holdings	28,000	<u>81,064</u>
		<u>1,138,399</u>

Consumer Staples – 0.69%

±Coca-Cola Amatil	12,303	126,851
±First Pacific	46,136	28,039
±Greggs	12,683	88,950
±Metro	1,807	111,067
±Parmalat	42,416	<u>118,426</u>
		<u>473,333</u>

Energy – 0.63%

±BP	8,854	85,646
±CNOOC	75,000	116,841
†Nabors Industries	805	17,621
Noble	420	17,094
Tenaris ADR	425	18,126
±Total	1,309	83,966
†Transocean	1,162	<u>96,214</u>
		<u>435,508</u>

Financials – 1.00%

Aspen Insurance Holdings	835	21,251
Assured Guaranty	340	7,398
±AXA	3,884	91,072
±Banco Santander	7,083	116,889
±Franshion Properties China	56,000	19,596
Max Capital Group	555	12,377
±Mitsubishi UFJ Financial Group	22,181	109,329
±Nordea Bank	10,399	105,303
±Standard Chartered	4,564	114,741
±UniCredit	28,853	<u>96,350</u>
		<u>694,306</u>

Health Care – 0.75%

±Astellas Pharma	2,800	104,532
±AstraZeneca	1,002	47,087
†Eurand	990	12,771
±Novartis	2,248	122,643
Novo Nordisk ADR	1,500	95,775
±Novo Nordisk Class B	1,226	78,159
±Sanofi-Aventis	723	<u>56,783</u>
		<u>517,750</u>

Industrials – 1.44%

±Asahi Glass	9,000	85,664
±Cie de Saint-Gobain	2,415	130,831
±Deutsche Post	6,174	119,740
±Finmeccanica	6,104	97,601
†Flextronics International	900	6,579
±Koninklijke Philips Electronics	4,818	142,227
±Singapore Airlines	10,117	107,130
±Teleperformance	3,803	123,232
±Tomkins	33,145	103,540
±Vallourec	423	<u>76,427</u>
		<u>992,971</u>

Information Technology – 0.55%

Accenture Class A	503	20,875
†CGI Group Class A	18,283	247,799

(Unaudited)

±Nokia	8,736	<u>112,807</u>
		<u>381,481</u>
<i>Materials – 0.76%</i>		
Agrium	1,800	110,700
Alumina ADR	1,150	7,533
±Anglo American	654	28,329
±ArcelorMittal	1,453	66,323
±@Griffin Mining	5,200	3,133
±Lafarge	1,261	103,711
±Linde	843	101,058
Syngenta ADR	1,800	<u>101,286</u>
		<u>522,073</u>
<i>Telecommunications – 0.77%</i>		
China Mobile ADR	3,900	181,077
±China Unicom Hong Kong	12,000	15,747
China Unicom Hong Kong ADR	4,608	60,411
Philippine Long Distance Telephone ADR	100	5,667
±Telstra	16,637	51,148
TELUS	3,459	112,299
±Vodafone Group	46,303	<u>107,176</u>
		<u>533,525</u>
<i>Utilities – 0.16%</i>		
±National Grid	10,293	<u>112,331</u>
		<u>112,331</u>
Total Developed Markets (cost \$5,065,245)		<u>5,801,677</u>
<i>XEmerging Markets – 4.66%</i>		
<i>Consumer Discretionary – 0.17%</i>		
†Focus Media Holding ADR	2,475	39,229
†#Grupo Clarin Class B GDR 144A	600	2,949
Grupo Televisa ADR	1,325	27,507
±JD Group	1,200	7,943
±Oriental Holdings	3,800	6,306
±Sun International	500	6,391
±Turk Sise ve Cam Fabrikalari	6,669	8,349
Wal-Mart de Mexico Series V	4,334	<u>19,321</u>
		<u>117,995</u>
<i>Consumer Staples – 0.25%</i>		
Brazil Foods ADR	200	10,474
†Cosan Class A	2,100	18,270
@Cresud ADR	2,790	40,127
Fomento Economico Mexicano ADR	600	28,728
±Gudang Garam	9,500	21,630
†±Lotte Confectionery	12	13,301
±President Chain Store	5,680	13,490
±Tongaat Hulett	600	7,988
†Wimm-Bill-Dann Foods ADR	900	<u>21,447</u>
		<u>175,455</u>
<i>Energy – 1.05%</i>		
China Petroleum & Chemical ADR	225	19,816
±China Shenhua Energy	3,500	16,989
Gazprom ADR	3,480	88,740
KazMunaiGas Exploration Production GDR	1,800	44,640
LUKOIL ADR	200	11,460
LUKOIL ADR (London International Exchange)	200	11,280
@Oil & Gas Development GDR	200	2,623
±PetroChina	8,000	9,510
PetroChina ADR	275	32,714
Petroleo Brasileiro SA ADR	2,900	138,272
Petroleo Brasileiro SP ADR	4,300	182,278
±Polski Koncern Naftowy Orlen	929	10,942
@PTT Exploration & Production	4,364	19,241
#Reliance Industries GDR 144A	870	41,195
Rosneft Oil GDR	606	5,103
±Sasol	462	18,439
Sasol ADR	300	11,982
±SK Energy	171	17,157

(Unaudited)

±SK Holdings	73	5,563
±Surgutneftegaz ADR	2,737	24,199
±Tambang Batubara Bukit Asam	7,000	<u>12,706</u>
		<u>724,849</u>
<i>Financials – 0.61%</i>		
±Alarko Gayrimenkul Yatirim Ortakligi	194	1,809
Banco Bradesco ADR	1,500	32,805
Banco Santander Brasil ADR	2,300	32,062
±Bangkok Bank	5,000	17,504
†±Bank Hapoalim	2,094	9,096
±Bank Leumi Le-Israel	2,040	9,310
Credicorp	400	30,808
Cyrela Brazil Realty	784	11,020
†Grupo Financiero Galicia ADR	14,000	80,640
±Hong Leong Bank	7,400	17,533
†±@Indiabulls Real Estate GDR	200	976
@IRSA Inversiones y Representaciones GDR	1,900	18,050
Itau Unibanco Holding ADR	1,952	44,584
KB Financial Group ADR	727	36,968
±KLCC Property Holdings	5,900	5,912
@Sberbank	13,268	37,270
±Standard Bank Group	1,200	16,415
±Turkiye Is Bankasi Class C	2,346	9,884
†±UEM Land Holdings	10,968	<u>4,737</u>
		<u>417,383</u>
<i>Industrials – 0.20%</i>		
±Alarko Holding	6,924	18,478
†±CJ	241	12,955
†Empresas	7,250	16,909
±Evergreen Marine	29,000	16,153
±Fosun International	20,604	14,283
†±Hyundai Elevator	75	3,732
†±Metallurgical	10,000	5,920
±Siam Cement NVDR	3,200	22,536
±Sinotrans	13,000	3,392
±Walsin Lihwa	44,000	16,484
±Yazicilar Holding Class A	1,400	<u>9,042</u>
		<u>139,884</u>
<i>Information Technology – 0.29%</i>		
Infosys Technologies ADR	875	48,361
LG Display ADR	400	6,772
±Samsung Electronics	73	49,990
†Shanda Games ADR	1,500	15,285
†Shanda Interactive Entertainment ADR	100	5,261
†Sina	600	27,108
†±SK Communications	313	4,178
±Taiwan Semiconductor Manufacturing	7,034	14,175
±United Microelectronics	24,000	12,964
United Microelectronics ADR	4,500	<u>17,460</u>
		<u>201,554</u>
<i>Materials – 0.63%</i>		
Aluminum Corporation of China ADR	625	17,031
±ArcelorMittal South Africa	810	11,178
Cemex ADR	1,872	22,127
Cia de Minas Buenaventura ADR	1,000	33,470
Cia Siderurgica Nacional ADR	1,125	35,921
†Fibria Celulose ADR	1,137	25,969
±Formosa Chemicals & Fibre	8,240	17,862
Gold Fields ADR	2,000	26,220
Grupo Mexico Class B	0	0
±Impala Platinum Holdings	636	17,314
±Israel Chemicals	1,811	23,747
†MMC Norilsk Nickel ADR	783	11,220
POSCO ADR	225	29,498
±Sinopec Shanghai Petrochemical	27,034	10,618
Vale ADR	5,225	<u>151,683</u>
		<u>433,858</u>

(Unaudited)

Telecommunications – 0.84%

America Movil ADR	1,250	58,725
†±Blue Label Telecoms	2,977	2,063
±China Telecom	36,000	14,886
†Chunghwa Telecom ADR	4,911	91,197
KT ADR	2,800	47,096
†±LG Telecom	13,400	97,519
Mobile Telesystems ADR	300	14,667
SK Telecom ADR	6,200	100,812
±Telkom	901	4,537
Telkom ADR	500	10,171
Tim Participacoes ADR	675	20,054
±Turkcell Iletisim Hizmet	1,200	8,492
Turkcell Iletisim Hizmet ADR	825	14,429
±Vodacom Group	12,191	92,725
		<u>577,373</u>

Utilities – 0.62%

AES Tiete	2,291	22,608
Centrais Eletricas Brasileiras	7,000	145,943
Cia Energetica de Minas Gerais ADR	625	11,288
Energias do Brasil	3,900	75,069
±Huadian Power International Class H	40,000	10,567
Huaneng Power International ADR	3,450	77,349
Korea Electric Power ADR	4,500	65,430
Pampa Energia ADR	500	5,850
†±Polska Grupa Energetyczna	1,001	8,551
±Tanjong	1,700	8,346
		<u>431,001</u>

Total Emerging Markets (cost \$2,611,048)

Total Common Stock (cost \$19,005,193)

3,219,352
21,570,993

Convertible Preferred Stock – 0.22%

Basic Materials – 0.03%

Freeport-McMoRan Copper & Gold 6.75% exercise price \$72.91, expiration date 5/1/10	168	19,362
		<u>19,362</u>

Energy – 0.03%

Whiting Petroleum 6.25% exercise price \$43.42, expiration date 12/31/49	121	21,739
		<u>21,739</u>

Health Care & Pharmaceuticals – 0.16%

Mylan 6.50% exercise price \$17.08, expiration date 11/15/10	96	109,344
		<u>109,344</u>

Total Convertible Preferred Stock (cost \$108,456)

150,445

Exchange Traded Funds – 5.40%

Equity Funds – 5.40%

iShares MSCI EAFE Growth Index	64,930	3,578,942
iShares MSCI Emerging Markets Index	3,600	149,400
Total Exchange Traded Funds (cost \$3,760,134)		<u>3,728,342</u>

Principal Amount[□]

Agency Collateralized Mortgage Obligations – 0.48%

Fannie Mae REMICS Series 2003-32 PH 5.50% 3/25/32	USD	150,000	158,095
Freddie Mac REMICS Series 2512 PG 5.50% 10/15/22		165,000	175,443
Total Agency Collateralized Mortgage Obligations (cost \$307,388)			<u>333,538</u>

Agency Mortgage-Backed Securities – 3.54%

Fannie Mae S.F. 15 yr			
4.50% 8/1/23		429,903	443,117
5.00% 9/1/18		71,706	75,547
5.50% 7/1/22		102,005	108,234
Fannie Mae S.F. 30 yr			
4.50% 6/1/38		146,753	146,646
5.00% 12/1/36		806,402	829,125
6.50% 2/1/36		46,561	50,182
Fannie Mae S.F. 30 yr TBA			
4.50% 1/1/40		130,000	129,756

(Unaudited)

5.50% 1/1/40	185,000	193,643
6.00% 1/25/40	185,000	195,926
Freddie Mac S.F. 30 yr. TBA 4.00% 1/1/40	285,000	274,802
Total Agency Mortgage-Backed Securities (cost \$2,383,386)		<u>2,446,978</u>

Commercial Mortgage-Backed Securities – 2.75%

#American Tower Trust 144A		
Series 2007-1A AFX 5.42% 4/15/37	70,000	71,925
Series 2007-1A D 5.957% 4/15/37	25,000	25,500
Bank of America Commercial Mortgage Securities		
Series 2004-4 A4 4.502% 7/10/42	225,000	225,296
•Series 2005-1 A5 5.095% 11/10/42	35,000	34,720
Series 2006-4 A4 5.634% 7/10/46	50,000	46,841
•Series 2007-4 AM 5.811% 2/10/51	30,000	21,653
Bear Stearns Commercial Mortgage Securities		
•Series 2004-PWR4 A3 5.468% 6/11/41	90,000	90,973
•Series 2005-PW10 A4 5.405% 12/11/40	85,000	83,300
•Series 2005-T20 A4A 5.149% 10/12/42	60,000	58,884
•Series 2006-PW12 A4 5.719% 9/11/38	25,000	25,386
Series 2007-PW15 A4 5.331% 2/11/44	35,000	30,204
•◆Commercial Mortgage Pass Through Certificates Series 2005-C6 A5A 5.116% 6/10/44	50,000	48,547
Goldman Sachs Mortgage Securities II		
•Series 2004-GG2 A5 5.279% 8/10/38	225,000	219,905
•Series 2004-GG2 A6 5.396% 8/10/38	55,000	54,047
Series 2005-GG4 A4A 4.751% 7/10/39	50,000	48,408
•Series 2007-GG10 A4 5.805% 8/10/45	65,000	55,812
•Greenwich Capital Commercial Funding Series 2004-GG1 A7 5.317% 6/10/36	25,000	25,375
•JPMorgan Chase Commercial Mortgage Securities Series 2005-LDP5 A4 5.179% 12/15/44	70,000	69,298
LB-UBS Commercial Mortgage Trust Series 2004-C1 A4 4.568% 1/15/31	75,000	73,362
•Morgan Stanley Capital I		
Series 2004-T15 A4 5.27% 6/13/41	455,000	455,742
•Series 2007-T27 A4 5.649% 6/11/42	140,000	135,166
Total Commercial Mortgage-Backed Securities (cost \$1,743,964)		<u>1,900,344</u>

Convertible Bonds – 2.80%

<i>Aerospace & Defense – 0.06%</i>		
L-3 Communications Holdings 3.00% exercise price \$100.14, expiration date 8/1/35	38,000	40,090
		<u>40,090</u>
<i>Automobiles & Automotive Parts – 0.07%</i>		
ArvinMeritor 4.00% exercise price \$26.73, expiration date 2/15/27	60,000	44,850
		<u>44,850</u>
<i>Banking, Finance & Insurance – 0.06%</i>		
Jefferies Group 3.875% exercise price \$39.20, expiration date 11/1/29	42,000	41,685
		<u>41,685</u>
<i>Basic Materials – 0.16%</i>		
Century Aluminum 1.75% exercise price \$30.54, expiration date 8/1/24	5,000	4,806
Rayonier TRS Holdings 3.75% exercise price \$54.81, expiration date 10/15/12	64,000	68,321
#Sino-Forest 144A 5.00% exercise price \$20.29, expiration date 8/1/13	29,000	34,401
		<u>107,528</u>
<i>Building & Materials – 0.04%</i>		
Beazer Homes USA 4.625% exercise price \$49.64, expiration date 6/15/24	28,000	26,110
		<u>26,110</u>
<i>Computers & Technology – 0.07%</i>		
SanDisk 1.00% exercise price \$82.36, expiration date 5/15/13	55,000	46,131
		<u>46,131</u>
<i>Electronics & Electrical Equipment – 0.31%</i>		
Advanced Micro Devices 6.00% exercise price \$28.08, expiration date 5/1/15	70,000	63,350
Flextronics International 1.00% exercise price \$15.53, expiration date 8/1/10	68,000	67,150
#Intel 144A 3.25% exercise price \$22.68, expiration date 8/1/39	38,000	43,843
Linear Technology 3.00% exercise price \$46.13, expiration date 5/1/27	42,000	42,315
		<u>216,658</u>
<i>Energy – 0.19%</i>		
Chesapeake Energy 2.25% exercise price \$85.89, expiration date 12/15/38	106,000	80,693
Peabody Energy 4.75% exercise price \$58.44, expiration date 12/15/41	51,000	51,765
		<u>132,458</u>
<i>Health Care & Pharmaceuticals – 0.20%</i>		

(Unaudited)

ΦHologic 2.00% exercise price \$38.59, expiration date 12/15/37	115,000	98,756
Inverness Medical Innovations 3.00% exercise price \$43.98, expiration date 5/15/16	35,000	<u>40,338</u>
		<u>139,094</u>
<i>Leisure, Lodging & Entertainment – 0.19%</i>		
#Gaylord Entertainment 144A 3.75% exercise price \$27.25, expiration date 10/1/14	105,000	107,494
#International Game Technology 144A 3.25% exercise price \$19.97, expiration date 5/1/14	21,000	<u>25,699</u>
		<u>133,193</u>
<i>Real Estate – 0.32%</i>		
#Corporate Office Properties 144A 3.50% exercise price \$53.12, expiration date 9/15/26	36,000	35,010
#Digital Realty Trust 144A 5.50% exercise price \$43.00, expiration date 4/15/29	72,000	94,049
Health Care REIT 4.75% exercise price \$50.00, expiration date 7/15/27	30,000	33,638
National Retail Properties 5.125% exercise price \$25.42, expiration date 6/15/28	55,000	<u>58,712</u>
		<u>221,409</u>
<i>Telecommunications – 0.95%</i>		
Alaska Communications Systems Group 5.75% exercise price \$12.90, expiration date 3/1/13	83,000	76,256
Interpublic Group 4.25% exercise price \$12.42, expiration date 3/15/23	34,000	33,958
Leap Wireless International 4.50% exercise price \$93.21, expiration date 7/15/14	35,000	29,138
Level 3 Communications 5.25% exercise price \$3.98, expiration date 12/15/11	57,000	54,364
Lucent Technologies 2.75% exercise price \$16.75, expiration date 6/15/23	76,000	75,715
NII Holdings 3.125% exercise price \$118.32, expiration date 6/15/12	85,000	78,413
#SBA Communications 144A 4.00% exercise price \$30.38, expiration date 10/1/14	106,000	139,654
VeriSign 3.25% exercise price \$34.37, expiration date 8/15/37	64,000	57,200
#Virgin Media 144A 6.50% exercise price \$19.22, expiration date 11/15/16	94,000	<u>111,859</u>
		<u>656,557</u>
<i>Transportation – 0.18%</i>		
Bristow Group 3.00% exercise price \$77.34, expiration date 6/15/38	140,000	<u>126,175</u>
		<u>126,175</u>
Total Convertible Bonds (cost \$1,622,315)		<u>1,931,938</u>
Corporate Bonds – 35.48%		
<i>Banking – 5.78%</i>		
•BAC Capital Trust XIV 5.63% 12/31/49	80,000	55,800
Bank of America		
5.125% 11/15/14	60,000	62,274
6.10% 6/15/17	300,000	305,367
Barclays Bank		
6.75% 5/22/19	100,000	111,740
#144A 6.05% 12/4/17	115,000	117,218
BB&T 5.25% 11/1/19	125,000	120,697
Capital One Financial 7.375% 5/23/14	170,000	192,662
Capital One Capital VI 8.875% 5/15/40	70,000	75,075
#CDP Financial 144A 4.40% 11/25/19	250,000	239,945
Citigroup		
6.01% 1/15/15	40,000	40,888
6.375% 8/12/14	150,000	157,192
6.50% 8/19/13	80,000	85,284
•Citigroup Capital XXI 8.30% 12/21/57	20,000	19,350
Credit Suisse/New York 6.00% 2/15/18	115,000	120,522
#GMAC 144A		
6.00% 12/15/11	10,000	9,900
6.875% 9/15/11	65,000	64,675
6.875% 8/28/12	65,000	64,350
JPMorgan Chase 5.75% 1/2/13	45,000	48,025
JPMorgan Chase Capital XXII 6.45% 2/2/37	40,000	36,821
JPMorgan Chase Capital XVIII 6.95% 8/17/36	40,000	38,977
JPMorgan Chase Capital XXV 6.80% 10/1/37	155,000	154,479
Korea Development Bank 5.30% 1/17/13	100,000	105,153
Morgan Stanley		
6.00% 4/28/15	115,000	122,640
6.25% 8/28/17	155,000	162,001
PNC Funding		
5.25% 11/15/15	55,000	56,631
5.625% 2/1/17	185,000	183,585
@Popular North America Capital Trust I 6.564% 9/15/34	30,000	17,594
•#Rabobank Nederland 144A 11.00% 12/29/49	165,000	201,736
Regions Financial 7.75% 11/10/14	110,000	108,592
Rentenbank 6.00% 7/15/14	47,000	42,042
	AUD	

(Unaudited)

•USB Capital IX 6.189% 10/29/49	275,000	223,781
VTB Capital 6.875% 5/29/18	100,000	101,000
Wachovia		
5.25% 8/1/14	25,000	25,908
5.625% 10/15/16	170,000	174,067
•Wells Fargo Capital XIII 7.70% 12/29/49	195,000	190,125
Westpac Banking 4.875% 11/19/19	75,000	74,169
Zions Bancorporation		
5.50% 11/16/15	15,000	10,617
5.65% 5/15/14	5,000	3,646
6.00% 9/15/15	40,000	28,323
7.75% 9/23/14	45,000	39,750
		<u>3,992,601</u>
<i>Basic Industry – 2.28%</i>		
#Algoma Acquisition 144A 9.875% 6/15/15	40,000	34,250
ArcelorMittal		
6.125% 6/1/18	50,000	51,676
9.00% 2/15/15	25,000	29,558
9.85% 6/1/19	70,000	90,687
Century Aluminum 8.00% 5/15/14	30,300	29,694
#Compass Minerals International 144A 8.00% 6/1/19	25,000	25,875
Cytec Industries 6.00% 10/1/15	68,000	71,774
Dow Chemical		
5.70% 5/15/18	45,000	45,789
8.55% 5/15/19	95,000	113,539
#Essar Steel Algoma 144A 9.375% 3/15/15	40,000	39,650
#FMG Finance 144A 10.625% 9/1/16	50,000	55,563
Freeport-McMoRan Copper & Gold 8.375% 4/1/17	50,000	54,825
#Georgia-Pacific 144A 8.25% 5/1/16	40,000	42,600
Huntsman International		
7.375% 1/1/15	60,000	57,900
7.875% 11/15/14	10,000	9,825
Innophos 8.875% 8/15/14	60,000	61,200
International Paper 7.30% 11/15/39	35,000	37,247
Lubrizol 8.875% 2/1/19	95,000	118,305
#MacDermid 144A 9.50% 4/15/17	35,000	35,175
#Momentive Performance Materials 144A 12.50% 6/15/14	25,000	27,625
Nalco		
8.875% 11/15/13	40,000	41,400
#144A 8.25% 5/15/17	10,000	10,675
#NewPage 144A 11.375% 12/31/14	45,000	45,675
•Noranda Aluminum Acquisition PIK 5.274% 5/15/15	30,924	24,159
Novelis		
7.25% 2/15/15	35,000	33,513
#144A 11.50% 2/15/15	25,000	26,906
Reliance Steel & Aluminum 6.85% 11/15/36	50,000	42,171
Ryerson 12.00% 11/1/15	20,000	21,000
#Sappi Papier Holding 144A 6.75% 6/15/12	40,000	38,342
Steel Dynamics 6.75% 4/1/15	50,000	49,813
Teck Resources		
10.25% 5/15/16	15,000	17,550
#144A 10.75% 5/15/19	40,000	48,000
US Steel 7.00% 2/1/18	35,000	34,334
Vale Overseas		
6.875% 11/21/36	59,000	59,098
6.875% 11/10/39	50,000	50,586
		<u>1,575,979</u>
<i>Brokerage – 0.79%</i>		
E TRADE Financial PIK 12.50% 11/30/17	42,000	47,933
Goldman Sachs		
5.125% 1/15/15	70,000	73,634
6.25% 9/1/17	45,000	48,332
Goldman Sachs Group		
5.25% 10/15/13	25,000	26,573
5.95% 1/18/18	30,000	31,730
Jefferies Group		
6.25% 1/15/36	10,000	7,991

(Unaudited)

6.45% 6/8/27	125,000	106,790
LaBranche 11.00% 5/15/12	85,000	82,131
Lazard Group		
6.85% 6/15/17	44,000	44,345
7.125% 5/15/15	73,000	<u>75,869</u>
		<u>545,328</u>
<i>Capital Goods – 1.91%</i>		
Allied Waste North America		
6.875% 6/1/17	20,000	21,256
7.125% 5/15/16	150,000	159,953
AMH Holdings 11.25% 3/1/14	5,000	4,850
Anixter 10.00% 3/15/14	25,000	27,750
#BAE Systems Holdings 144A 4.95% 6/1/14	10,000	10,423
Building Materials 7.75% 8/1/14	65,000	64,675
#BWAY 144A 10.00% 4/15/14	45,000	47,813
•#C8 Capital 144A 6.64% 12/31/49	100,000	69,563
#Case New Holland 144A 7.75% 9/1/13	20,000	20,550
Casella Waste Systems		
9.75% 2/1/13	45,000	44,663
#144A 11.00% 7/15/14	10,000	10,875
#CPM Holdings 144A 10.625% 9/1/14	10,000	10,600
Crown Americas 7.625% 11/15/13	16,000	16,600
#Crown Americas Capital III144A 7.625% 5/15/17	15,000	15,638
Eastman Kodak 7.25% 11/15/13	15,000	12,450
Graham Packaging Capital		
9.875% 10/15/14	59,000	60,475
#144A 8.25% 1/1/17	15,000	14,888
Graphic Packaging International		
9.50% 8/15/13	50,000	51,875
#144A 9.50% 6/15/17	15,000	15,975
#Greif 144A 7.75% 8/1/19	15,000	15,375
Intertape Polymer 8.50% 8/1/14	20,000	17,225
Jabil Circuit 7.75% 7/15/16	20,000	21,100
L-3 Communications 6.125% 7/15/13	40,000	40,600
#Owens Brockway Glass Container 144A 7.375% 5/15/16	10,000	10,375
#Plastipak Holdings 144A		
8.50% 12/15/15	24,000	24,750
10.625% 8/15/19	20,000	22,150
Pregis 12.375% 10/15/13	59,000	57,451
RBS Global/Rexnord 11.75% 8/1/16	40,000	39,800
Sanmina-SCI 8.125% 3/1/16	50,000	50,125
#Sealed Air 144A 7.875% 6/15/17	10,000	10,667
Smurfit Kappa Funding 7.75% 4/1/15	25,000	24,156
Solo Cup 8.50% 2/15/14	45,000	44,213
Terex 8.00% 11/15/17	30,000	29,025
#Trimas 144A 9.75% 12/15/17	20,000	19,725
Tyco International Finance 8.50% 1/15/19	135,000	163,312
USG		
6.30% 11/15/16	40,000	36,000
#144A 9.75% 8/1/14	10,000	<u>10,725</u>
		<u>1,317,646</u>
<i>Consumer Cyclical – 3.57%</i>		
#Allison Transmission 144A 11.00% 11/1/15	80,000	84,399
American Axle & Manufacturing		
5.25% 2/11/14	40,000	34,900
7.875% 3/1/17	20,000	17,000
ArvinMeritor 8.125% 9/15/15	55,000	52,800
Beazer Homes USA 8.625% 5/15/11	30,000	29,400
Burlington Coat Factory Investment Holdings 14.50% 10/15/14	90,000	90,449
Burlington Coat Factory Warehouse 11.125% 4/15/14	25,000	25,938
Carrols 9.00% 1/15/13	10,000	10,200
CVS Caremark 6.60% 3/15/19	20,000	21,924
◆#CVS Pass Through Trust 144A 8.353% 7/10/31	188,708	208,167
Darden Restaurants 6.80% 10/15/37	75,000	78,013
Ford Motor 7.45% 7/16/31	85,000	75,544
Ford Motor Credit 12.00% 5/15/15	100,000	116,079
Gaylord Entertainment 6.75% 11/15/14	10,000	9,350

(Unaudited)

Global Cash Access 8.75% 3/15/12	15,000	15,019
Goodyear Tire & Rubber		
9.00% 7/1/15	25,000	26,125
10.50% 5/15/16	40,000	44,400
#Harrah's Operating 144A 10.00% 12/15/18	75,000	60,563
#Harrahs Operating Escrow 144A 11.25% 6/1/17	60,000	63,075
Interface		
9.50% 2/1/14	5,000	4,944
#144A 11.375% 11/1/13	20,000	22,450
#Invista 144A 9.25% 5/1/12	50,000	51,000
K Hovnanian Enterprises		
6.25% 1/15/15	15,000	10,800
7.50% 5/15/16	25,000	18,000
#144A 10.625% 10/15/16	25,000	26,250
#Landry's Restaurants 144A 11.625% 12/1/15	15,000	15,975
M/I Homes 6.875% 4/1/12	10,000	9,475
Macy's Retail Holdings		
6.65% 7/15/24	55,000	50,325
8.875% 7/15/15	30,000	33,225
Meritage Homes		
6.25% 3/15/15	5,000	4,625
7.00% 5/1/14	30,000	28,800
MGM MIRAGE		
6.625% 7/15/15	15,000	11,738
7.50% 6/1/16	35,000	27,475
7.625% 1/15/17	35,000	27,388
13.00% 11/15/13	25,000	28,813
#144A 11.125% 11/15/17	15,000	16,688
#144A 11.375% 3/1/18	30,000	27,000
Mobile Mini		
6.875% 5/1/15	5,000	4,750
9.75% 8/1/14	20,000	20,900
Mohawk Industries 6.875% 1/15/16	15,000	15,000
Mohegan Tribal Gaming Authority 6.875% 2/15/15	20,000	13,100
New Albertsons 7.25% 5/1/13	10,000	10,175
#Norcraft 144A 10.50% 12/15/15	20,000	20,600
Norcraft Holdings 9.75% 9/1/12	26,000	25,090
Nordstrom		
6.75% 6/1/14	70,000	78,250
7.00% 1/15/38	35,000	38,875
#NCL 144A 11.75% 11/15/16	20,000	19,850
OSI Restaurant Partners 10.00% 6/15/15	32,000	28,400
Pinnacle Entertainment		
7.50% 6/15/15	75,000	69,375
#144A 8.625% 8/1/17	20,000	20,500
#@Pokagon Gaming Authority 144A 10.375% 6/15/14	20,000	20,900
Rite Aid 9.375% 12/15/15	60,000	53,100
Royal Caribbean Cruises		
6.875% 12/1/13	25,000	24,688
7.00% 6/15/13	5,000	5,013
Ryland Group 8.40% 5/15/17	25,000	26,875
Sally Holdings 10.50% 11/15/16	45,000	48,600
#Sealy Mattress 144A 10.875% 4/15/16	10,000	11,175
#Shingle Springs Tribal Gaming Authority 144A 9.375% 6/15/15	45,000	34,425
Speedway Motorsports 8.75% 6/1/16	15,000	15,900
#Standard Pacific Escrow 144A 10.75% 9/15/16	30,000	30,750
Target 4.00% 6/15/13	65,000	67,791
Tenneco 8.625% 11/15/14	45,000	45,619
Toys R Us 7.625% 8/1/11	15,000	15,319
#Toys R Us Property 144A 10.75% 7/15/17	25,000	27,500
#TRW Automotive 144A 8.875% 12/1/17	50,000	52,250
#Volvo Treasury 144A 5.95% 4/1/15	100,000	103,306
Wynn Las Vegas 6.625% 12/1/14	40,000	38,850
		<u>2,465,242</u>
Consumer Non-Cyclical – 2.74%		
Accellent 10.50% 12/1/13	40,000	38,700
#Alliance One International 144A 10.00% 7/15/16	60,000	63,300

(Unaudited)

#Anheuser-Busch InBev Worldwide 144A 7.20% 1/15/14	90,000	102,165
Bausch & Lomb 9.875% 11/1/15	40,000	42,400
Beckman Coulter		
6.00% 6/1/15	70,000	76,406
7.00% 6/1/19	25,000	28,381
#Bio-Rad Laboratories 144A 8.00% 9/15/16	10,000	10,575
#CareFusion 144A 6.375% 8/1/19	160,000	171,591
Constellation Brands 7.25% 9/1/16	20,000	20,400
Delhaize Group 5.875% 2/1/14	40,000	42,999
DJO Finance 10.875% 11/15/14	25,000	26,500
#Dole Food 144A		
8.00% 10/1/16	20,000	20,400
13.875% 3/15/14	17,000	20,528
Hospira 6.40% 5/15/15	150,000	166,212
Ingles Markets 8.875% 5/15/17	25,000	26,125
Inverness Medical Innovations 9.00% 5/15/16	35,000	35,963
Jarden 8.00% 5/1/16	40,000	41,500
#JBS USA Finance 144A 11.625% 5/1/14	42,000	47,775
LVB Acquisition 11.625% 10/15/17	20,000	22,200
LVB Acquisition PIK 10.375% 10/15/17	15,000	16,350
Medco Health Solutions 7.125% 3/15/18	110,000	123,849
#M-Foods Holdings 144A 9.75% 10/1/13	10,000	10,438
#National Money Mart 144A 10.375% 12/15/16	35,000	35,963
#Novasep Holding 144A 9.75% 12/15/16	100,000	98,000
Psychiatric Solutions		
7.75% 7/15/15	25,000	24,313
#144A 7.75% 7/15/15	15,000	14,213
Quest Diagnostic		
5.45% 11/1/15	150,000	162,367
6.40% 7/1/17	45,000	49,455
Smithfield Foods		
7.75% 5/15/13	60,000	58,500
#144A 10.00% 7/15/14	15,000	16,350
Supervalu		
7.50% 11/15/14	25,000	25,438
8.00% 5/1/16	25,000	25,500
#Tops Markets 144A 10.125% 10/15/15	15,000	15,525
#Tyson Foods 144A 10.50% 3/1/14	25,000	28,688
Universal Hospital Services PIK 8.50% 6/1/15	15,000	14,850
Yale University 2.90% 10/15/14	115,000	114,701
Yankee Acquisition 9.75% 2/15/17	55,000	54,450
		<u>1,893,070</u>
<i>Energy – 4.83%</i>		
AmeriGas Partners 7.125% 5/20/16	5,000	5,025
Berry Petroleum 10.25% 6/1/14	20,000	21,850
Chesapeake Energy		
6.50% 8/15/17	55,000	54,175
6.625% 1/15/16	49,000	48,755
Complete Production Service 8.00% 12/15/16	40,000	39,650
Copano Energy 7.75% 6/1/18	25,000	25,188
Denbury Resources 9.75% 3/1/16	20,000	21,450
Dynergy Holdings 7.75% 6/1/19	60,000	52,350
El Paso		
6.875% 6/15/14	30,000	30,128
7.00% 6/15/17	5,000	4,984
7.25% 6/1/18	50,000	49,650
Enbridge Energy Partners 9.875% 3/1/19	80,000	101,462
Energy Transfer Partners 9.70% 3/15/19	60,000	74,225
Enterprise Products Operating		
5.00% 3/1/15	35,000	36,013
•8.375% 8/1/66	60,000	58,572
9.75% 1/31/14	55,000	65,698
Forest Oil 7.25% 6/15/19	25,000	24,813
Geophysique-Veritas 7.75% 5/15/17	35,000	34,913
#Helix Energy Solutions 144A 9.50% 1/15/16	25,000	25,750
#Hercules Offshore 144A 10.50% 10/15/17	40,000	42,400
#Hilcorp Energy Finance I 144A		

(Unaudited)

7.75% 11/1/15	5,000	4,925
9.00% 6/1/16	40,000	40,800
#Holly 144A 9.875% 6/15/17	25,000	26,438
Inergy Finance		
6.875% 12/15/14	15,000	14,888
#144A 8.75% 3/1/15	10,000	10,325
International Coal Group 10.25% 7/15/14	50,000	48,313
Key Energy Services 8.375% 12/1/14	40,000	40,300
Kinder Morgan Energy Partners		
6.85% 2/15/20	5,000	5,557
9.00% 2/1/19	210,000	258,824
Mariner Energy 8.00% 5/15/17	50,000	48,250
Massey Energy 6.875% 12/15/13	40,000	40,150
#Midcontinent Express Pipeline 144A 6.70% 9/15/19	235,000	241,455
#Murray Energy 144A 10.25% 10/15/15	25,000	25,000
Nexen 7.50% 7/30/39	95,000	109,263
Noble Energy 8.25% 3/1/19	80,000	95,870
OPTI Canada		
7.875% 12/15/14	30,000	24,750
8.25% 12/15/14	30,000	24,863
Petrobras International Finance 5.75% 1/20/20	70,000	71,560
PetroHawk Energy		
9.125% 7/15/13	40,000	42,000
#144A 10.50% 8/1/14	10,000	10,975
Petroleum Development 12.00% 2/15/18	25,000	25,906
Plains All American Pipeline		
5.75% 1/15/20	180,000	180,473
6.125% 1/15/17	145,000	152,519
Plains Exploration & Production 8.625% 10/15/19	15,000	15,488
Pride International 8.50% 6/15/19	105,000	121,800
Quicksilver Resources		
7.125% 4/1/16	30,000	28,125
11.75% 1/1/16	15,000	17,100
Range Resources 8.00% 5/15/19	25,000	26,875
Regency Energy Partners		
8.375% 12/15/13	10,000	10,400
#144A 9.375% 6/1/16	15,000	16,050
#SandRidge Energy 144A		
8.75% 1/15/20	40,000	40,200
9.875% 5/15/16	45,000	47,588
•TransCanada Pipelines 6.35% 5/15/67	65,000	61,075
Weatherford International		
4.95% 10/15/13	45,000	46,969
5.95% 6/15/12	20,000	21,417
9.625% 3/1/19	210,000	262,227
#Woodside Petroleum 144A		
4.50% 11/10/14	225,000	227,250
5.00% 11/15/13	30,000	30,718
		<u>3,333,737</u>
<i>Financials – 1.11%</i>		
Capital One Capital V 10.25% 8/15/39	40,000	46,621
Cardtronics 9.25% 8/15/13	30,000	31,013
FTI Consulting 7.75% 10/1/16	40,000	40,700
General Electric Capital 6.00% 8/7/19	315,000	327,571
International Lease Finance		
5.25% 1/10/13	40,000	32,647
5.35% 3/1/12	6,000	5,211
5.55% 9/5/12	36,000	29,995
5.625% 9/20/13	35,000	27,476
5.875% 5/1/13	115,000	91,474
6.375% 3/25/13	10,000	8,227
6.625% 11/15/13	60,000	48,338
Nuveen Investments 10.50% 11/15/15	85,000	77,563
		<u>766,836</u>
<i>Insurance – 0.67%</i>		
MetLife		
6.40% 12/15/36	135,000	120,150

(Unaudited)

6.817% 8/15/18	65,000	72,514
UnitedHealth Group		
5.50% 11/15/12	65,000	69,445
5.80% 3/15/36	25,000	22,477
6.00% 2/15/18	60,000	62,076
WellPoint		
5.00% 12/15/14	10,000	10,415
6.00% 2/15/14	40,000	43,419
7.00% 2/15/19	55,000	61,619
		<u>462,115</u>
<i>Media – 3.84%</i>		
Affinion Group 11.50% 10/15/15	20,000	21,050
#Cablevision Systems 144A 8.625% 9/15/17	20,000	20,925
CCH II 13.50% 11/30/16	50,000	59,125
#Cengage Learning Acquisitions 144A 10.50% 1/15/15	40,000	38,450
#Cequel Communications Holdings I 144A 8.625% 11/15/17	15,000	15,225
#Charter Communications Operating 144A 10.875% 9/15/14	54,000	60,750
Comcast		
4.95% 6/15/16	60,000	61,703
6.50% 1/15/15	255,000	285,999
#Cox Communications 144A		
5.875% 12/1/16	35,000	37,099
6.95% 6/1/38	55,000	58,444
8.375% 3/1/39	50,000	62,453
DIRECTV Holdings		
7.625% 5/15/16	185,000	202,371
#144A 4.75% 10/1/14	30,000	30,655
#DISH DBS 144A 7.875% 9/1/19	155,000	163,332
#GXS Worldwide 144A 9.75% 6/15/15	60,000	59,250
Interpublic Group 6.25% 11/15/14	52,000	50,180
Lamar Media 6.625% 8/15/15	55,000	53,375
LIN Television 6.50% 5/15/13	5,000	4,775
#Mediacom Capital 144A 9.125% 8/15/19	30,000	30,750
Nielsen Finance		
10.00% 8/1/14	75,000	78,563
Ω12.50% 8/1/16	15,000	13,763
Shaw Communication 6.75% 11/9/39	289,000	272,171
#Sinclair Television Group 144A 9.25% 11/1/17	25,000	26,125
Sirius XM Radio		
9.625% 8/1/13	15,000	15,000
#144A 9.75% 9/1/15	5,000	5,288
#Terremark Worldwide 144A 12.00% 6/15/17	50,000	55,500
Time Warner Cable 8.25% 4/1/19	290,000	345,995
Time Warner Telecom Holdings 9.25% 2/15/14	40,000	41,450
#Univision Communications 144A 12.00% 7/1/14	55,000	60,844
Videotron 9.125% 4/15/18	25,000	27,625
#Vivendi 144A		
5.75% 4/4/13	135,000	142,037
6.625% 4/4/18	60,000	65,131
WPP Finance UK 8.00% 9/15/14	140,000	159,375
#XM Satellite Radio 144A 13.00% 8/1/13	10,000	10,913
XM Satellite Radio Holdings PIK 10.00% 6/1/11	15,000	15,075
		<u>2,650,766</u>
<i>Real Estate – 0.30%</i>		
Developers Diversified Realty		
5.375% 10/15/12	30,000	28,213
9.625% 3/15/16	25,000	26,130
Host Hotels & Resorts		
7.125% 11/1/13	10,000	10,213
#144A 9.00% 5/15/17	30,000	32,588
ProLogis 7.375% 10/30/19	95,000	93,869
Ventas Realty 6.50% 6/1/16	20,000	19,400
		<u>210,413</u>
<i>Services Non-Cyclical – 1.10%</i>		
#Alliance HealthCare Services 144A 8.00% 12/1/16	25,000	24,500
ARAMARK 8.50% 2/1/15	65,000	67,274
Avis Budget Car Rental		

(Unaudited)

7.625% 5/15/14	40,000	38,200
7.75% 5/15/16	25,000	23,500
Community Health Systems 8.875% 7/15/15	59,000	61,213
HCA 9.25% 11/15/16	139,000	149,598
Hertz		
8.875% 1/1/14	35,000	35,963
10.50% 1/1/16	35,000	37,538
Iron Mountain		
8.00% 6/15/20	55,000	56,100
8.75% 7/15/18	5,000	5,213
RSC Equipment Rental		
9.50% 12/1/14	55,000	55,344
#144A 10.25% 11/15/19	30,000	30,263
Select Medical 7.625% 2/1/15	65,000	63,375
Tenet Healthcare 7.375% 2/1/13	55,000	55,413
•US Oncology Holdings PIK 6.428% 3/15/12	62,000	58,280
		<u>761,774</u>
<i>Technology – 0.74%</i>		
First Data 9.875% 9/24/15	160,000	150,000
Freescale Semiconductor 8.875% 12/15/14	175,000	161,437
SunGard Data Systems 10.25% 8/15/15	50,000	53,500
#Unisys 144A 12.75% 10/15/14	25,000	29,000
Xerox		
4.25% 2/15/15	70,000	69,591
8.25% 5/15/14	40,000	45,928
		<u>509,456</u>
<i>Telecommunications – 3.36%</i>		
America Movil 5.625% 11/15/17	50,000	52,017
American Tower 7.00% 10/15/17	80,000	89,000
AT&T 6.50% 9/1/37	145,000	150,782
Cincinnati Bell		
7.00% 2/15/15	35,000	34,738
8.25% 10/15/17	40,000	40,800
#Clearwire Communications 144A 12.00% 12/1/15	130,000	132,600
Cricket Communications		
9.375% 11/1/14	84,000	84,840
#144A 7.75% 5/15/16	15,000	15,038
Crown Castle International 9.00% 1/15/15	40,000	42,800
Deutsche Telekom International Finance 5.25% 7/22/13	55,000	58,430
#Digicel Group 144A 8.25% 9/1/17	110,000	107,800
#DigitalGlobe 144A 10.50% 5/1/14	10,000	10,750
#GCI 144A 8.625% 11/15/19	15,000	15,206
#Global Crossing 144A 12.00% 9/15/15	50,000	55,125
Hughes Network Systems 9.50% 4/15/14	45,000	46,688
#Intelsat Bermuda 144A 11.25% 2/4/17	90,000	90,675
Intelsat Jackson Holdings 11.25% 6/15/16	79,000	85,913
Intelsat Subsidiary Holding 8.875% 1/15/15	30,000	31,200
Level 3 Financing		
9.25% 11/1/14	25,000	23,750
12.25% 3/15/13	20,000	21,300
Lucent Technologies 6.45% 3/15/29	25,000	18,031
MetroPCS Wireless 9.25% 11/1/14	83,000	84,453
#NII Capital 144A		
8.875% 12/15/19	30,000	29,363
10.00% 8/15/16	45,000	47,363
PAETEC Holding 8.875% 6/30/17	20,000	20,350
#Qwest 144A 8.375% 5/1/16	30,000	32,325
Sprint Capital		
6.875% 11/15/28	45,000	37,631
8.75% 3/15/32	125,000	118,438
Sprint Nextel 6.00% 12/1/16	40,000	36,700
#Telcordia Technologies 144A 10.00% 3/15/13	70,000	62,650
Telecom Italia Capital		
5.25% 10/1/15	145,000	151,791
7.175% 6/18/19	70,000	78,177
Telesat Canada		
11.00% 11/1/15	40,000	43,600

(Unaudited)

12.50% 11/1/17	20,000	22,100
Verizon Communications 6.40% 2/15/38	55,000	57,689
Vodafone Group		
5.00% 12/16/13	15,000	15,897
5.00% 9/15/15	55,000	57,720
5.375% 1/30/15	120,000	129,101
#Wind Acquisition Finance 144A 11.75% 7/15/17	50,000	54,875
Windstream		
8.125% 8/1/13	20,000	20,850
#144A 7.875% 11/1/17	10,000	9,925
		<u>2,318,481</u>
<i>Transportation – 0.07%</i>		
Delta Air Lines 7.92% 11/18/10	15,000	15,075
Kansas City Southern Railway 13.00% 12/15/13	30,000	<u>34,950</u>
		<u>50,025</u>
<i>Utilities – 2.39%</i>		
AES		
8.00% 10/15/17	40,000	41,250
8.00% 6/1/20	125,000	127,813
Ameren 8.875% 5/15/14	30,000	33,727
#American Transmission Systems 144A 5.25% 1/15/22	50,000	49,481
#Calpine Construction Finance 144A 8.00% 6/1/16	50,000	51,750
#Centrais Eletricas Brasileiras 144A 6.875% 7/30/19	100,000	108,875
Edison Mission Energy		
7.00% 5/15/17	5,000	3,975
7.20% 5/15/19	20,000	15,250
7.50% 6/15/13	10,000	9,450
#Enel Finance International 144A 5.125% 10/7/19	100,000	100,809
Energy Future Holdings 10.875% 11/1/17	20,000	16,450
Illinois Power 9.75% 11/15/18	150,000	186,812
#Majapahit Holding 144A 8.00% 8/7/19	109,000	115,540
Mirant North America 7.375% 12/31/13	5,000	4,969
NRG Energy		
7.25% 2/1/14	20,000	20,300
7.375% 2/1/16	85,000	85,319
Orion Power Holdings 12.00% 5/1/10	5,000	5,150
Pennsylvania Electric 5.20% 4/1/20	130,000	128,286
PPL Electric Utilities 7.125% 11/30/13	45,000	51,483
Progress Energy 4.875% 12/1/19	70,000	68,158
Public Service Company of Oklahoma 5.15% 12/1/19	270,000	268,580
•Puget Sound Energy 6.974% 6/1/67	35,000	30,925
Sempra Energy 6.00% 10/15/39	60,000	59,451
Texas Competitive Electric Holdings 10.25% 11/1/15	52,000	42,380
TXU 5.55% 11/15/14	40,000	28,568
		<u>1,654,751</u>
Total Corporate Bonds (cost \$22,527,054)		<u>24,508,220</u>
Municipal Bonds – 0.42%		
California State 7.30% 10/1/39	115,000	109,189
California State Taxable Bond (Various Purposes) 7.55% 4/1/39	130,000	128,168
•Puerto Rico Sales Tax Financing Revenue First Subordinate Series A 5.00% 8/1/39	50,000	52,456
Total Municipal Bonds (cost \$298,733)		<u>289,813</u>
Non-Agency Asset-Backed Securities – 1.26%		
•#AH Mortgage Advance Trust Series 2009-ADV3 A1 144A 2.186% 10/6/21	55,000	55,209
#Bank of America Auto Trust Series 2009-3A A4 144A 2.67% 12/15/16	220,000	218,386
Capital Auto Receivables Asset Trust Series 2007-3 A3A 5.02% 9/15/11	58,259	59,089
Caterpillar Financial Asset Trust Series 2008-A A3 4.94% 4/25/14	90,000	92,109
Chase Issuance Trust		
Series 2005-A7 A7 4.55% 3/15/13	35,000	36,275
Series 2005-A10 A10 4.65% 12/17/12	35,000	36,072
CNH Equipment Trust		
•Series 2007-A A4 0.273% 9/17/12	14,326	14,253
•Series 2007-B A3B 0.833% 10/17/11	19,163	19,164
Series 2008-A A4A 4.93% 8/15/14	90,000	93,224
Series 2009-C A3 1.85% 12/16/13	25,000	24,902
Daimler Chrysler Auto Trust Series 2008-B A3A 4.71% 9/10/12	45,000	46,210

(Unaudited)

•#Golden Credit Card Trust Series 2008-3 A 144A 1.233% 7/15/17	100,000	98,863
John Deere Owner Trust Series 2008-A A3 4.18% 6/15/12	77,325	<u>78,323</u>
Total Non-Agency Asset-Backed Securities (cost \$853,719)		<u>872,079</u>

Non-Agency Collateralized Mortgage Obligations – 1.58%

Bank of America Alternative Loan Trust		
Series 2004-2 1A1 6.00% 3/25/34	2,330	2,258
Series 2004-10 1CB1 6.00% 11/25/34	7,819	6,326
Series 2005-3 2A1 5.50% 4/25/20	7,200	6,426
Series 2005-5 2CB1 6.00% 6/25/35	2,662	1,781
Series 2005-6 7A1 5.50% 7/25/20	4,744	4,353
Series 2005-9 5A1 5.50% 10/25/20	131,194	120,371
Bank of America Funding Securities		
Series 2005-8 1A1 5.50% 1/25/36	32,001	29,335
•@Series 2006-H 1A2 3.583% 9/20/46	2,762	399
•ChaseFlex Trust Series 2006-1 A4 6.30% 6/25/36	100,000	63,674
Citicorp Mortgage Securities Series 2006-4 3A1 5.50% 8/25/21	42,154	40,362
•Citigroup Mortgage Loan Trust Series 2007-AR8 1A3A 5.817% 8/25/37	165,301	117,968
◆Countrywide Home Loan Mortgage Pass Through Trust		
Series 2005-23 A1 5.50% 11/25/35	132,165	121,158
@Series 2006-17 A5 6.00% 12/25/36	17,411	15,463
•First Horizon Asset Securities Series 2007-AR3 2A2 6.289% 11/25/37	33,871	22,933
Lehman Mortgage Trust Series 2005-2 2A3 5.50% 12/25/35	92,425	<u>80,664</u>
•MLCC Mortgage Investors Series 2004-HB1 A1 0.591% 4/25/29	200,441	142,148
•Structured ARM Loan Trust Series 2004-3AC A2 3.013% 3/25/34	41,241	37,186
◆Washington Mutual Mortgage Pass Through Certificates		
Series 2004-CB3 4A 6.00% 10/25/19	9,358	9,318
•Series 2006-AR10 1A1 5.921% 9/25/36	28,378	21,525
•Series 2007-HY1 1A1 5.677% 2/25/37	38,271	24,353
Wells Fargo Mortgage Backed Securities Trust		
Series 2006-1 A3 5.00% 3/25/21	5,018	4,742
Series 2006-2 3A1 5.75% 3/25/36	37,899	32,178
•Series 2006-AR5 2A1 5.541% 4/25/36	27,725	21,609
•Series 2006-AR6 7A1 5.112% 3/25/36	161,071	143,593
•Series 2006-AR10 5A1 5.587% 7/25/36	29,796	<u>23,196</u>
Total Non-Agency Collateralized Mortgage Obligations (cost \$904,479)		<u>1,093,319</u>

Regional Authorities – 0.15%Δ

Canada – 0.15%		
Province of Ontario Canada		
4.00% 10/7/19	55,000	52,769
4.40% 6/2/19	CAD 49,000	47,218
Province of Quebec Canada 4.50% 12/1/19	CAD 6,000	<u>5,767</u>
Total Regional Authorities (cost \$107,405)		<u>105,754</u>

«Senior Secured Loans – 0.40%

Energy Futures Holdings Term Tranche Loan B2 3.735% 10/10/14	USD	63,837	52,007
Ford Motor Term Tranche Loan B 3.287% 12/15/13		113,872	105,401
Nuveen Investments 2nd Lien Term Tranche Loan 12.50% 7/9/15		60,000	62,190
PQ Term Tranche Loan 6.74% 7/30/15		65,000	<u>56,388</u>
Total Senior Secured Loans (cost \$245,268)			<u>275,986</u>

Sovereign Debt – 1.54%Δ

Brazil – 0.54%			
Republic of Brazil			
12.50% 1/5/16	BRL	324,000	210,981
12.50% 1/5/22	BRL	250,000	<u>162,794</u>
			<u>373,775</u>
Indonesia – 0.32%			
Indonesia Government			
10.75% 5/15/16	IDR	981,000,000	112,110
12.80% 6/15/21	IDR	900,000,000	<u>112,674</u>
			<u>224,784</u>
Mexico – 0.34%			

(Unaudited)

Mexican Bonos 10.00% 11/20/36	MXN	2,710,000	<u>236,341</u>
			<u>236,341</u>
<i>Norway – 0.09%</i>			
Eksportfinans 3.00% 11/17/14	USD	60,000	<u>59,148</u>
			<u>59,148</u>
<i>Poland – 0.10%</i>			
Poland Government 5.50% 10/25/19	PLN	200,000	<u>65,969</u>
			<u>65,969</u>
<i>Republic of Korea – 0.15%</i>			
#Korea Expressway 144A 4.50% 3/23/15	USD	100,000	<u>102,124</u>
			<u>102,124</u>
Total Sovereign Debt (cost \$993,747)			<u>1,062,141</u>
Supranational Banks– 1.13%			
European Investment Bank			
9.00% 12/21/18	ZAR	900,000	116,472
^10.902% 3/30/16	TRY	130,000	46,072
11.25% 2/14/13	BRL	220,000	130,578
International Bank for Reconstruction			
5.75% 8/20/12	MXN	1,580,000	119,246
5.75% 10/21/19	AUD	433,000	<u>369,355</u>
Total Supranational Banks (cost \$751,968)			<u>781,723</u>
U.S. Treasury Obligations – 1.82%			
U.S. Treasury Inflation Index Notes			
1.625% 1/15/15	USD	362,285	377,228
∞2.00% 1/15/14		257,389	272,511
2.375% 1/15/17		171,514	185,462
U.S. Treasury Bond 4.50% 8/15/39		115,000	112,431
U.S. Treasury Notes			
2.125% 11/30/14		20,000	19,533
3.375% 11/15/19		300,000	<u>288,658</u>
Total U.S. Treasury Obligations (cost \$1,274,431)			<u>1,255,823</u>
		Number of	
		Shares	
Preferred Stock – 0.16%			
•Bank of America 8.125%		40,000	38,560
Braskem Class A		990	7,997
•PNC Financial Services 8.25%		30,000	30,614
@Transneft 0.939%		40	<u>33,600</u>
Total Preferred Stock (cost \$90,916)			<u>110,771</u>
		Principal	
		Amount [□]	
#Discounted Commercial Paper – 2.32%			
Cornell University 0.25% 3/9/10	USD	250,000	249,998
General Electric Capital Services 0.15% 1/19/10		250,000	249,982
ING (US) Funding 0.401% 1/6/10		425,000	424,988
JPMorgan Chase 0.17% 2/16/10		250,000	249,934
Koch Resources 0.18% 1/22/10		425,000	<u>424,955</u>
Total Discounted Commercial Paper (cost \$1,599,742)			<u>1,599,857</u>
#Discount Note – 0.56%			
Federal Home Loan Bank 0.001% 1/4/10		386,000	<u>386,000</u>
Total Discount Note (cost \$386,000)			<u>386,000</u>
Total Value of Securities – 93.24%			
(cost \$58,964,298)			64,404,064
Receivables and Other Assets Net of Liabilities (See Notes) – 6.76%[□]			<u>4,666,038</u>
Net Assets Applicable to 7,290,975 Shares Outstanding – 100.00%			<u>\$69,070,102</u>

[□]Principal amount is stated in the currency in which each security is denominated.

AUD – Australian Dollar

BRL – Brazilian Real

CAD – Canadian Dollar

(Unaudited)

EUR – European Monetary Unit
GBP – British Pound Sterling
IDR – Indonesian Rupiah
ILS – Israeli Shekel
INR – Indian Rupee
KRW – South Korean Won
MXN – Mexican Peso
MYR – Malaysian Ringgit
NOK – Norwegian Kroner
PLN – Polish Zloty
SGD – Singapore Dollar
TRY – Turkish Lira
TWD – Taiwan Dollar
USD – United States Dollar
ZAR – South African Rand

«Senior Secured Loans generally pay interest at rates which are periodically redetermined by reference to a base lending rate plus a premium. These base lending rates are generally: (i) the prime rate offered by one or more United States banks, (ii) the lending rate offered by one or more European banks such as the London Inter-Bank Offered Rate (LIBOR), and (iii) the certificate of deposit rate. Senior Secured Loans may be subject to restrictions on resale. Stated rate in effect at December 31, 2009. ¢Step coupon bond. Coupon increases periodically based on a predetermined schedule. Stated rate in effect at December 31, 2009.

□Of this amount, \$5,219,253 represents receivable for securities sold and cash as of December 31, 2009.

∞Fully or partially pledged as collateral for financial futures contracts.

•Variable rate security. The rate shown is the rate as of December 31, 2009.

#Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. At December 31, 2009, the aggregate amount of Rule 144A securities was \$69,070,102, which represented 10.19% of the Portfolio's net assets. See Note 5 in "Notes."

@Illiquid security. At December 31, 2009, the aggregate amount of illiquid securities was \$209,376, which represented 0.30% of the Portfolio's net assets. See Note 5 in "Notes."

≠The rate shown is the effective yield at time of purchase.

†Non income producing security.

±Security is being valued based on international fair value pricing. At December 31, 2009, the aggregate amount of international fair value priced securities was \$5,332,503 which represented 7.72% the Portfolio's net assets. See Note 1 in "Notes."

◆Pass Through Agreement. Security represents the contractual right to receive a proportionate amount of underlying payments due to the counterparty pursuant to various agreements related to the rescheduling of obligations and the exchange of certain notes.

ΔSecurities have been classified by country of origin.

§Developed Markets – countries that are thought to be most developed and therefore less risky than emerging markets.

XEmerging Markets – developing countries with relatively low per capita income, often with above-average economic growth potential but with more risk.

ΩStep coupon bond. Indicates security that has a zero coupon that remains in effect until a predetermined date at which time the stated interest rate becomes effective.

^Zero coupon security. The rate shown is the yield at the time of purchase.

Summary of Abbreviations:

ADR – American Depositary Receipts

ARM – Adjustable Rate Mortgage

CDS – Credit Default Swap

GDR – Global Depositary Receipts

NVDR – Non-Voting Depositary Receipts

PIK – Pay-in-Kind

REIT – Real Estate Investment Trust

REMIC – Real Estate Mortgage Investment Conduit

S.F. – Single Family

TBA – To be announced

yr – year

¹The following foreign currency exchange contracts, financial futures contracts, and swap contracts were outstanding at December 31, 2009:

Foreign Currency Exchange Contracts

<u>Contracts to Receive (Deliver)</u>	<u>In Exchange For</u>	<u>Settlement Date</u>	<u>Unrealized Appreciation (Depreciation)</u>
AUD (6,508)	USD 5,901	1/8/10	\$ 61
AUD (69,933)	USD 64,000	1/8/10	1,236
BRL (322,200)	USD 179,000	1/8/10	(5,525)
CAD 128,014	USD (119,533)	1/8/10	2,310
CAD 186,035	USD (173,710)	1/8/10	3,356
EUR 3,004	USD (4,460)	1/8/10	(159)
GBP 119	USD (197)	1/8/10	(4)
IDR 804,778,000	USD (84,332)	1/8/10	917
ILS 321,759	USD (85,327)	1/29/10	(495)
INR 5,079,400	USD (109,000)	10/20/10	(2,078)

(Unaudited)

KRW	467,330,997	USD	(402,594)	1/8/10	(1,931)
MYR	743,058	USD	(219,515)	1/8/10	(2,576)
NOK	(401,927)	USD	69,942	1/8/10	619
NOK	2,240,286	USD	(394,326)	1/8/10	(7,929)
PLN	(403,973)	USD	139,711	1/8/10	(1,060)
PLN	(121,298)	USD	43,282	1/8/10	1,014
PLN	361,192	USD	(128,967)	1/8/10	(3,105)
SGD	304,489	USD	(219,167)	1/8/10	(2,485)
TRY	(69,015)	USD	45,669	1/8/10	(398)
TWD	6,987,675	USD	(216,605)	1/8/10	1,840
ZAR	(950,682)	USD	124,180	1/6/10	(3,968)
					<u>\$(20,360)</u>

Financial Futures Contracts

<u>Contracts to Sell</u>	<u>Notional Proceeds</u>	<u>Notional Value</u>	<u>Expiration Date</u>	<u>Unrealized Appreciation</u>
(18) U.S. Treasury 5 yr Notes	\$(2,097,258)	\$(2,058,891)	3/31/10	\$ 38,367

Swap Contracts

CDS Contracts

<u>Swap Counterparty & Referenced Obligation</u>	<u>Notional Value</u>	<u>Annual Protection Payments</u>	<u>Termination Date</u>	<u>Unrealized Appreciation</u>
Protection Sold: Citigroup Global Markets MetLife 5 yr CDS	\$30,000	5.00%	9/20/14	\$2,042

The use of foreign currency exchange contracts, financial futures contracts, and CDS contracts involves elements of market risk and risks in excess of the amount recognized in the financial statements. The notional values presented above represents the Portfolio's (as defined below) total exposure in such contracts, whereas only the net unrealized appreciation (depreciation) is reflected in the Portfolio's net assets.

¹See Note 3 in "Notes."

Notes

1. Significant Accounting Policies

The following accounting policies are in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and are consistently followed by Delaware Group[®] Foundation Funds – Delaware Foundation[®] Conservative Allocation Fund (Fund). This report covers the period of time since the Fund's last fiscal year end.

Security Valuation – Equity securities, except those traded on the Nasdaq Stock Market, Inc. (Nasdaq), are valued at the last quoted sales price as of the time of the regular close of the New York Stock Exchange (NYSE) on the valuation date. Securities traded on the Nasdaq are valued in accordance with the Nasdaq Official Closing Price, which may not be the last sales price. If on a particular day an equity security does not trade, then the mean between the bid and ask prices will be used. Securities listed on a foreign exchange are valued at the last quoted sales price on the valuation date. U.S. government and agency securities are valued at the mean between the bid and ask prices. Other debt securities, credit default swap (CDS) contracts and interest rate swap contracts are valued by an independent pricing service or broker. To the extent current market prices are not available, the pricing service may take into account developments related to the specific security, as well as transactions in comparable securities. Short-term debt securities are valued at market value. Investment companies are valued at net asset value per share. Foreign currency exchange contracts are valued at the mean between the bid and ask prices. Interpolated values are derived when the settlement date of the contract is an interim date for which quotations are not available. Financial futures contracts are valued at the daily quoted settlement prices. Exchange-traded options are valued at the last reported sale price or, if no sales are reported, at the mean between the last reported bid and ask prices. Generally, other securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith under the direction of the Fund's Board of Trustees (Board). In determining whether market quotations are readily available or fair valuation will be used, various factors will be taken into consideration, such as market closures or suspension of trading in a security. The Fund may use fair value pricing more frequently for securities traded primarily in non-U.S. markets because, among other things, most foreign markets close well before the Fund values its securities at 4:00 p.m. Eastern time. The earlier close of these foreign markets gives rise to the possibility that significant events, including broad market moves, government actions or pronouncements, aftermarket trading, or news events may have occurred in the interim. To account for this, the Fund may frequently value foreign securities using fair value prices based on third-party vendor modeling tools (international fair value pricing).

Federal Income Taxes – No provision for federal income taxes has been made as the Fund intends to continue to qualify for federal income tax purposes as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended, and make the requisite distributions to shareholders. The Fund evaluates tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold are recorded as a tax benefit or expense in the current year. Management has analyzed the Fund's tax positions taken on federal income tax returns for all open tax years (tax years ended September 2006 - September 2009), and has concluded that no provision for federal income tax is required in the Fund's financial statements.

(Unaudited)

Class Accounting – Investment income, common expenses and realized and unrealized gain (loss) on investments are allocated to the various classes of the Fund on the basis of daily net assets of each class. Distribution expenses relating to a specific class are charged directly to that class.

Repurchase Agreements – The Fund may invest in a pooled cash account along with other members of the Delaware Investments[®] Family of Funds pursuant to an exemptive order issued by the Securities and Exchange Commission. The aggregate daily balance of the pooled cash account is invested in repurchase agreements secured by obligations of the U.S. government. The respective collateral is held by the Fund's custodian bank until the maturity of the respective repurchase agreements. Each repurchase agreement is at least 102% collateralized. However, in the event of default or bankruptcy by the counterparty to the agreement, realization of the collateral may be subject to legal proceedings. At December 31, 2009, the Fund held no investments in repurchase agreements.

Foreign Currency Transactions – Transactions denominated in foreign currencies are recorded at the prevailing exchange rates on the valuation date. The value of all assets and liabilities denominated in foreign currencies is translated into U.S. dollars at the exchange rate of such currencies against the U.S. dollar daily. Transaction gains or losses resulting from changes in exchange rates during the reporting period or upon settlement of the foreign currency transaction are reported in operations for the current period. The Fund isolates that portion of realized gains and losses on investments in debt securities, which are due to changes in the foreign exchange rates from that which are due to changes in market prices of debt securities. For foreign equity securities, these changes are included in realized gains (losses) on investments. The Fund reports certain foreign currency related transactions as components of realized gains (losses) for financial reporting purposes, whereas such components are treated as ordinary income (loss) for federal income tax purposes.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Other – Expenses directly attributable to the Fund are charged directly to the Fund. Other expenses common to various funds within the Delaware Investments[®] Family of Funds are generally allocated amongst such funds on the basis of average net assets. Management fees and some other expenses are paid monthly. Security transactions are recorded on the date the securities are purchased or sold (trade date) for financial reporting purposes. Costs used in calculating realized gains and losses on the sale of investment securities are those of the specific securities sold. Dividend income is recorded on the ex-dividend date and interest income is recorded on the accrual basis. Discounts and premiums on non-convertible bonds are amortized to interest income over the lives of the respective securities. Realized gains (losses) on paydowns of mortgage- and asset-backed securities are classified as interest income. Foreign dividends are also recorded on the ex-dividend date or as soon after the ex-dividend date that the Fund is aware of such dividends, net of all non-rebatable tax withholdings. Withholding taxes on foreign dividends and interest have been recorded in accordance with the Fund's understanding of the applicable country's tax rules and rates. The Fund declares dividends and pays dividends from net investment income and distributions from net realized gain on investments, if any, annually.

On July 1, 2009, the Financial Accounting Standards Board (FASB) issued the FASB Accounting Standards Codification (Codification). The Codification became the single source of authoritative nongovernmental U.S. GAAP, superseding existing literature of the FASB, American Institute of Certified Public Accountants, Emerging Issues Task Force and other sources. The Codification is effective for interim and annual periods ending after September 15, 2009. The Fund adopted the Codification for the year ended September 30, 2009. There was no impact to financial statements as the Codification requirements are disclosure-only in nature.

2. Investments

At December 31, 2009, the cost of investments for federal income tax purposes has been estimated since the final tax characteristics cannot be determined until fiscal year end. At December 31, 2009, the cost of investments and unrealized appreciation (depreciation) for the Fund were as follows:

Cost of investments	<u>\$ 59,244,944</u>
Aggregate unrealized appreciation	\$5,995,569
Aggregate unrealized depreciation	<u>(836,449)</u>
Net unrealized appreciation	<u>\$ 5,159,120</u>

For federal income tax purposes, at September 30, 2009, capital loss carryforwards of \$666,298 may be carried forward and applied against future capital gains. Such capital loss carryforwards expire in 2017.

U.S. GAAP defines fair value as the price that the Fund would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. A framework for measuring fair value, and a three level hierarchy for fair value measurements has been established based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available under the circumstances. The Fund's investment in its entirety is assigned a level based upon the observability of the inputs which are significant to the overall valuation. The three-tier hierarchy of inputs is summarized below.

Level 1 – inputs are quoted prices in active markets

Level 2 – inputs are observable, directly or indirectly

Level 3 – inputs are unobservable and reflect assumptions on the part of the reporting entity

(Unaudited)

The following table summarizes the valuation of the Fund's investments by the fair value hierarchy levels as of December 31, 2009:

	Level 1	Level 2	Level 3	Total
Agency, Asset-Backed & Mortgage-Backed Securities	\$ -	\$ 6,492,186	\$ 154,072	\$ 6,646,258
Common Stock	16,222,743	5,348,250	-	21,570,993
Corporate Debt	21,739	26,844,850	-	26,866,589
Foreign Debt	-	1,699,794	249,824	1,949,618
Investment Companies	3,728,342	-	-	3,728,342
Municipal Bonds	-	289,813	-	289,813
U.S. Treasury Obligations	1,255,823	-	-	1,255,823
Short-Term	-	1,985,857	-	1,985,857
Other	41,597	69,174	-	110,771
Total	<u>\$21,270,244</u>	<u>\$42,729,924</u>	<u>\$403,896</u>	<u>\$64,404,064</u>
Foreign Currency Exchange Contracts	\$-	<u>\$(20,360)</u>	\$-	<u>\$(20,360)</u>
Financial Futures Contracts	\$-	<u>\$38,367</u>	\$-	<u>\$38,367</u>
Swap Contracts	\$-	<u>\$2,042</u>	\$-	<u>\$2,042</u>

The following are the reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value:

	Total	Agency, Asset-Backed & Mortgage-Backed Securities	Foreign Debt
Balance as of 9/30/09	\$ 225,452	\$ 97,367	\$ 128,085
Net change in unrealized appreciation/depreciation	4,645	1,705	2,940
Purchases	<u>173,799</u>	<u>55,000</u>	<u>118,799</u>
Balance as of 12/31/09	<u>\$403,896</u>	<u>\$154,072</u>	<u>\$249,824</u>
Net change in unrealized appreciation/depreciation from investments still held as of 12/31/09	\$ 4,645	\$1,705	\$2,940

3. Derivatives

U.S. GAAP requires enhanced disclosures that enable investors to understand: 1) how and why an entity uses derivatives, 2) how they are accounted for, and 3) how they affect an entity's results of operations and financial position.

Foreign Currency Exchange Contracts – The Fund may enter into foreign currency exchange contracts as a way of managing foreign exchange rate risk. The Fund may enter into these contracts to fix the U.S. dollar value of a security that it has agreed to buy or sell for the period between the date the trade was entered into and the date the security is delivered and paid for. The Fund may also use these contracts to hedge the U.S. dollar value of securities it already owns that are denominated in foreign currencies. The change in value is recorded as an unrealized gain or loss. When the contract is closed, a realized gain or loss is recorded equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

The use of foreign currency exchange contracts and foreign cross currency exchange contracts does not eliminate fluctuations in the underlying prices of the securities, but does establish a rate of exchange that can be achieved in the future. Although foreign currency exchange contracts limit the risk of loss due to a decline in the value of the hedged currency, they also limit any potential gain that might result should the value of the currency increase. In addition, the Fund could be exposed to risks if the counterparties to the contracts are unable to meet the terms of their contracts. The Fund's maximum risk of loss from counterparty credit risk is the value of its currency exchanged with the counterparty. The risk is generally mitigated by having a netting arrangement between the Fund and the counterparty and by the posting of collateral by the counterparty to the Fund to cover the Fund's exposure to the counterparty.

Financial Futures Contracts – The Fund may use futures in the normal course of pursuing its investment objectives. The Fund may invest in financial futures contracts to hedge its existing Fund portfolio against fluctuations in fair value caused by changes in prevailing market interest rates. Upon entering into a financial futures contract, the Fund deposits cash or pledges U.S. government securities to a broker, equal to the minimum "initial margin" requirements of the exchange on which the contract is traded. Subsequent payments are received from the broker or paid to the broker each day, based on the daily fluctuation in the market value of the contract. These receipts or payments are known as "variation margin" and are recorded daily by the Fund as unrealized gains or losses until the contracts are closed. When the contracts are closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. Risks of entering into financial futures contracts include potential imperfect correlation between the financial futures contracts and the underlying securities and the possibility of an illiquid secondary market for these instruments. When investing in futures, there is minimal counterparty credit risk to the Fund because futures are exchange-traded and the exchange's clearinghouse, as counterparty to all exchange-traded futures, guarantees against default.

Swap Contracts – The Fund may enter into interest rate swap contracts, index swap contracts and CDS contracts in the normal course of pursuing its investment objectives. The Fund may use interest rate swaps to adjust the Fund's sensitivity to interest rates or to hedge against changes in interest rates. Index swaps may be used to gain exposure to markets that the Fund invests in, such as the corporate bond market. The Fund may also use index swaps as a substitute for futures or options

(Unaudited)

contracts if such contracts are not directly available to the Fund on favorable terms. The Fund may enter into CDS contracts in order to hedge against a credit event, to enhance total return or to gain exposure to certain securities or markets.

Interest Rate Swaps. An interest rate swap involves payments received by the Fund from another party based on a variable or floating interest rate, in return for making payments based on a fixed interest rate. An interest rate swap can also work in reverse with the Fund receiving payments based on a fixed interest rate and making payments based on a variable or floating interest rate. Interest rate swaps may be used to adjust the Fund's sensitivity to interest rates or to hedge against changes in interest rates. Periodic payments on such contracts are accrued daily and recorded as unrealized appreciation/depreciation on swap contracts. Upon periodic payment/receipt or termination of the contract, such amounts are recorded as realized gains or losses on swap contracts. The Fund's maximum risk of loss from counterparty credit risk is the discounted net value of the cash flows to be received from/paid to the counterparty over the interest rate swap contract's remaining life, to the extent that the amount is positive. This risk is mitigated by having a netting arrangement between the Fund and the counterparty and by the posting of collateral by the counterparty to the Fund to cover the Fund's exposure to the counterparty.

Index Swaps. Index swaps involve commitments to pay interest in exchange for a market linked return based on a notional amount. To the extent the total return of the security, instrument or basket of instruments underlying the transaction exceeds the offsetting interest obligation, the Fund will receive a payment from the counterparty. To the extent the total return of the security, instrument or basket of instruments underlying the transaction falls short of the offsetting interest obligation, the Fund will make a payment to the counterparty. The change in value of swap contracts outstanding, if any, is recorded as unrealized appreciation or depreciation daily. A realized gain or loss is recorded on maturity or termination of the swap contract. The Fund's maximum risk of loss from counterparty credit risk is the discounted net value of the cash flows to be received from/paid to the counterparty over the index swap contract's remaining life, to the extent that the amount is positive. This risk is mitigated by having a netting arrangement between the Fund and the counterparty and by the posting of collateral by the counterparty to the Fund to cover the Fund's exposure to the counterparty.

Credit Default Swaps. A CDS contract is a risk-transfer instrument through which one party (purchaser of protection) transfers to another party (seller of protection) the financial risk of a credit event (as defined in the CDS agreement), as it relates to a particular reference security or basket of securities (such as an index). In exchange for the protection offered by the seller of protection, the purchaser of protection agrees to pay the seller of protection a periodic amount at a stated rate that is applied to the notional amount of the CDS contract. In addition, an upfront payment may be made or received by the Fund in connection with an unwinding or assignment of a CDS contract. Upon the occurrence of a credit event, the seller of protection would pay the par (or other agreed-upon) value of the referenced security (or basket of securities) to the counterparty.

During the period ended December 31, 2009, the Fund entered into CDS contracts as seller of protection. Periodic receipts on such contracts are accrued daily and recorded as unrealized losses (gains) on swap contracts. Upon receipt, such amounts are recorded as realized losses (gains) on swap contracts. Upfront payments made or received in connection with CDS contracts are amortized over the expected life of the CDS contracts as unrealized losses (gains) on swap contracts. The change in value of CDS contracts is recorded as unrealized appreciation or depreciation daily. A realized gain or loss is recorded upon a credit event (as defined in the CDS agreement) or the maturity or termination of the agreement. At December 31, 2009, the aggregate unrealized appreciation of credit default swaps was \$2,042. If a credit event has occurred as of December 31, 2009, the swaps' credit-risk-related contingent features would have been triggered and the Fund would have been required to pay \$30,000 less the value of the contracts' related reference obligations.

As disclosed in the footnotes to the statement of net assets, at December 31, 2009, the notional value of the protection sold was \$30,000, which reflects the maximum potential amount the Fund could be required to make as a seller of credit protection if a credit event occurs. The quoted market prices and resulting market values for credit default swap agreements on securities and credit indices serve as an indicator of the current status of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative if the swap agreement had been closed/sold as of the period end. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the reference entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement. At December 31, 2009, the net unrealized appreciation of the protection sold was \$2,042.

Credit default swaps may involve greater risks than if the Fund had invested in the referenced obligation directly. Credit default swaps are subject to general market risk, liquidity risk, counterparty risk and credit risk. The Fund's maximum risk of loss from counterparty credit risk, either as the seller of protection or the buyer of protection, is the fair value of the contract. This risk is mitigated by having a netting arrangement between the Fund and the counterparty and by the posting of collateral by the counterparty to the Fund to cover the Fund's exposure to the counterparty.

Swaps Generally. Because there is no organized market for swap contracts, the value of open swaps may differ from that which would be realized in the event the Fund terminated its position in the agreement. Risks of entering into these contracts include the potential inability of the counterparty to meet the terms of the contracts. This type of risk is generally limited to the amount of favorable movement in the value of the underlying security, instrument or basket of instruments, if any, at the day of default. Risks also arise from potential losses from adverse market movements and such losses could exceed the unrealized amounts shown on the schedule of investments.

(Unaudited)

Fair values of derivative instruments as of December 31, 2009 were as follows:

	Asset Derivatives		Liability Derivatives	
	Schedule of Investments Location	Fair Value	Schedule of Investments Location	Fair Value
Foreign exchange contracts (Forward Currency Contracts)	Receivables and Other Assets Net of Liabilities	\$10,670	Liabilities Net of Receivables and Other Assets	\$(31,030)
Interest rate contracts (Futures)	Receivables and Other Assets Net of Liabilities	38,367	Liabilities Net of Receivables and Other Assets	-
Credit contracts (Swaps)	Receivables and Other Assets Net of Liabilities	<u>2,042</u>	Liabilities Net of Receivables and Other Assets	<u>-</u>
Total		<u>\$51,079</u>		<u>\$(31,030)</u>

The effect of derivative instruments on the statement of operations for the period ended December 31, 2009 was as follows:

	Location of Gain or Loss on Derivatives Recognized in Income	Realized Gain or Loss on Derivatives Recognized in Income	Change in Unrealized Appreciation or Depreciation on Derivatives Recognized in Income
Foreign exchange contracts (Forward Currency Contracts)	Net realized gain on foreign currencies/net change in unrealized appreciation/depreciation of investments and foreign currencies	\$5,513	\$(20,842)
Interest rate contracts (Futures)	Net realized loss on futures contracts/net change in unrealized appreciation/depreciation of Investments and foreign currencies	(2,704)	38,714
Written options contracts (Options)	Net realized gain on options contracts and net change in unrealized appreciation/depreciation of foreign currencies	(6,061)	3,490
Credit contracts (Swaps)	Net realized gain on swap contracts/net change in unrealized appreciation/depreciation of investments and foreign currencies	<u>379</u>	<u>1,083</u>
Total		<u>\$25,707</u>	<u>\$ 22,445</u>

(Unaudited)

4. Securities Lending

The Fund, along with other funds in the Delaware Investments[®] Family of Funds, may lend its securities pursuant to a security lending agreement (Lending Agreement) with The Bank of New York Mellon (BNY Mellon). With respect to each loan, if the aggregate market value of securities collateral held plus cash collateral received on any business day is less than the aggregate market value of the securities which are the subject of such loan, the borrower will be notified to provide additional collateral not less than the applicable collateral requirements. Cash collateral received is generally invested in the BNY Mellon Securities Lending Overnight Fund (Collective Trust) established by BNY Mellon for the purpose of investment on behalf of clients participating in its securities lending programs. The Collective Trust may only hold cash and high quality assets with a maturity of one business day or less (Cash/Overnight Assets). The Collective Trust seeks to maintain a net asset value per unit of \$1.00, but there can be no assurance that it will always be able to do so. The Fund may incur investment losses as a result of investing securities lending collateral in the Collective Trust. This could occur if an investment in the Collective Trust defaulted or if it were necessary to liquidate assets in the Collective Trust to meet returns on outstanding security loans at a time when the Collective Trust's net asset value per unit was less than \$1.00. Under those circumstances, the Fund may not receive an amount from the Collective Trust that is equal in amount to the collateral the Fund would be required to return to the borrower of the securities and the Fund would be required to make up for this shortfall. The Fund can also accept U.S. government securities and letters of credit (non-cash collateral) in connection with securities loans. In the event of default or bankruptcy by the lending agent, realization and/or retention of the collateral may be subject to legal proceedings. In the event the borrower fails to return loaned securities and the collateral received is insufficient to cover the value of the loaned securities and provided such collateral shortfall is not the result of investment losses, the lending agent has agreed to pay the amount of the shortfall to the Fund, or at the discretion of the lending agent, replace the loaned securities. The Fund continues to record dividends or interest, as applicable, on the securities loaned and are subject to change in value of the securities loaned that may occur during the term of the loan. The Fund has the right under the Lending Agreement to recover the securities from the borrower on demand. With respect to security loans collateralized by non-cash collateral, the Fund receives loan premiums paid by the borrower. With respect to security loans collateralized by cash collateral, the earnings from the collateral investments are shared among the Fund, the security lending agent and the borrower. The Fund records security lending income net of allocations to the security lending agent and the borrower. The Fund had no securities out on loan as of December 31, 2009.

5. Credit and Market Risk

Some countries in which the Fund may invest require governmental approval for the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors. In addition, if there is deterioration in a country's balance of payments or for other reasons, a country may impose temporary restrictions on foreign capital remittances abroad.

The securities exchanges of certain foreign markets are substantially smaller, less liquid and more volatile than the major securities markets in the United States. Consequently, acquisition and disposition of securities by the Fund may be inhibited. In addition, a significant portion of the aggregate market value of equity securities listed on the major securities exchanges in emerging markets is held by a smaller number of investors. This may limit the number of shares available for acquisition or disposition by the Fund.

The Fund may invest in Real Estate Investment Trusts (REITs) and are subject to the risks associated with that industry. If the Fund holds real estate directly as a result of defaults or receives rental income directly from real estate holdings, its tax status as a regulated investment company may be jeopardized. There were no direct real estate holdings during the period ended December 31, 2009. The Fund's REIT holdings are also affected by interest rate changes, particularly if the REITs it holds use floating rate debt to finance their ongoing operations.

The Fund may invest a portion of its assets in high yield fixed income securities, which carry ratings of BB or lower by S&P and/or Ba or lower by Moody's. Investments in these higher yielding securities are generally accompanied by a greater degree of credit risk than higher rated securities. Additionally, lower rated securities may be more susceptible to adverse economic and competitive industry conditions than investment-grade securities.

The Fund invests a significant portion of its assets in small companies and may be subject to certain risks associated with ownership of securities of such companies. Investments in small-sized companies may be more volatile than investments in larger companies for a number of reasons, which include limited financial resources or a dependence on narrow product lines.

The Fund invests in fixed income securities whose value is derived from underlying mortgages or consumer loans. The value of these securities is sensitive to changes in economic conditions, including delinquencies and/or defaults, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates. Investors receive principal and interest payments as the underlying mortgages or consumer loans are paid back. Some of these securities are collateralized mortgage obligations (CMOs). CMOs are debt securities issued by U.S. government agencies or by financial institutions and other mortgage lenders, which are collateralized by a pool of mortgages held under an indenture. Prepayment of mortgages may shorten the stated maturity of the obligations and can result in a loss of premium, if any has been paid. Certain of these securities may be stripped (securities which provide only the principal or interest feature of the underlying security). The yield to maturity on an interest-only CMO is extremely sensitive not only to changes in prevailing interest rates, but also to the rate of principal payments (including prepayments) on the related underlying mortgage assets. A rapid rate of principal payments may have a material adverse affect on the Fund's yield to maturity. If the underlying mortgage assets experience greater than anticipated prepayments of principal, the Fund may fail to fully recoup its initial investment in these securities even if the securities are rated in the highest rating categories.

The Fund may invest up to 15% of its net assets in illiquid securities, which may include securities with contractual restrictions on resale, securities exempt from registration under Rule 144A of the Securities Act of 1933, as amended, and other securities which may not be readily marketable. The relative illiquidity of these securities may impair the Fund from disposing of them in a timely manner and at a fair price when it is necessary or desirable to do so. While maintaining oversight, the Fund's Board has delegated to Delaware Management Company (DMC), a series of Delaware Management Business Trust, the day-to-day functions of determining whether individual securities are liquid for purposes of the Fund's limitation on investments in illiquid assets. The Fund may also invest in securities exempt from registration under Section 4(2) of the Act, which exempts from registration transactions by an issuer not involving any public offerings. Securities eligible for resale pursuant to Rule 144A, which are determined to be liquid, are not subject to the Fund's 15% limit on investments in illiquid securities. As of December 31, 2009, there were no Section 4(2) securities. Rule 144A and illiquid securities have been identified on the schedule of investments.

6. Sale of Delaware Investments to Macquarie Group

On August 18, 2009, Lincoln National Corporation (parent company of Delaware Investments) and Macquarie Group (Macquarie) entered into an agreement pursuant to which Delaware Investments, including DMC, Delaware Distributors, L.P. (DDLDP), and Delaware Service Company (DSC), would be acquired by Macquarie, an

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Australia-based global provider of banking, financial, advisory, investment and funds management services (Transaction). The Transaction was completed on January 4, 2010. DMC, DDLP and DSC are now wholly owned subsidiaries of Macquarie.

The Transaction resulted in a change of control of DMC which, in turn, caused the termination of the investment advisory agreement between DMC and the Fund. On January 4, 2010, the new investment advisory agreement between DMC and the Fund that was approved by the shareholders became effective.

7. Subsequent Event

Management has evaluated whether any events or transactions occurred subsequent to December 31, 2009 through February 25, 2010, the date of issuance of the Fund's schedule of Fund holdings, and determined that, except as disclosed, there were no material events or transactions other than those already disclosed that would require recognition or disclosure in the Fund's schedule of Fund holdings.