

## Schedule of Investments (Unaudited)

### Delaware Conservative Allocation Portfolio

June 30, 2009

	Number of Shares	Value (U.S. \$)
<b>Common Stock – 30.00%</b>		
<i>U.S. Markets – 18.07%</i>		
<i>Consumer Discretionary – 1.55%</i>		
†Aeropostale	275	\$9,424
American Eagle Outfitters	1,170	16,579
†Bally Technologies	420	12,566
†Buffalo Wild Wings	205	6,667
Burger King Holdings	1,140	19,688
Cablevision Systems Class A	150	2,912
†CEC Entertainment	215	6,338
†Citi Trends	240	6,211
CKE Restaurants	1,175	9,964
DeVry	260	13,010
†DIRECTV Group	250	6,178
Gap	5,300	86,920
†G-III Apparel Group	310	3,562
Guess	245	6,316
†Gymboree	260	9,225
†Hibbett Sports	370	6,660
†Jack in the Box	575	12,909
†Jarden	1,270	23,813
†Jo-Ann Stores	290	5,994
†Lincoln Education Services	485	10,151
†Marvel Entertainment	410	14,592
Mattel	5,700	91,484
McDonald's	660	37,943
National CineMedia	495	6,811
NIKE Class B	1,720	89,061
†Papa John's International	295	7,313
Phillips-Van Heusen	235	6,742
Staples	4,100	82,697
Tanger Factory Outlet Centers	225	7,297
Time Warner Cable	720	22,802
†Tractor Supply	175	7,231
†Ulta Salon Cosmetics & Fragrance	1,205	13,400
†Urban Outfitters	970	20,244
†Viacom Class B	630	14,301
Weight Watchers International	2,000	51,540
†WMS Industries	195	<u>6,144</u>
		<u>754,689</u>
<i>Consumer Staples – 2.03%</i>		
Archer-Daniels-Midland	4,250	113,773
Bunge	175	10,544
Casey's General Stores	390	10,019
†Chattem	215	14,642
Colgate-Palmolive	350	24,759
CVS Caremark	3,760	119,830
Heinz (H.J.)	2,300	82,110
Kimberly-Clark	1,600	83,888
Kraft Foods Class A	3,273	82,938
Lance	175	4,048
PepsiCo	830	45,617
Philip Morris International	250	10,905
Procter & Gamble	2,690	137,458
Safeway	4,600	93,702
†Smart Balance	865	5,891
Smucker (J.M.)	360	17,518
†Susser Holdings	350	3,917
Walgreen	2,700	79,380
Wal-Mart Stores	990	<u>47,956</u>
		<u>988,895</u>

**(Unaudited)***Energy – 1.44%*

Arch Coal	590	9,068
Berry Petroleum Class A	305	5,670
†Bristow Group	215	6,370
†Carrizo Oil & Gas	630	10,805
Chevron	1,720	113,950
ConocoPhillips	2,575	108,305
EOG Resources	1,545	104,936
EQT	510	17,804
†EXCO Resources	545	7,041
Exxon Mobil	1,450	101,370
Lufkin Industries	210	8,831
Marathon Oil	2,800	84,364
Massey Energy	410	8,011
†National Oilwell Varco	510	16,657
Occidental Petroleum	490	32,247
Penn Virginia	470	7,694
Schlumberger	669	36,200
St. Mary Land & Exploration	690	14,400
†Willbros Group	650	8,132
		<u>701,855</u>

*Financials – 2.13%*

Alexandria Real Estate Equities	150	5,369
Allstate	3,300	80,520
Apollo Investment	1,160	6,960
Bank of New York Mellon	6,140	179,962
Berkley (W.R.)	610	13,097
Blackstone Group	1,000	10,540
Capital One Financial	700	15,316
@†Cardtronics	1,200	4,572
City Holding	285	8,653
CME Group	300	93,333
Dime Community Bancshares	880	8,017
Eastgroup Properties	210	6,934
First Commonwealth Financial	675	4,280
First Niagara Financial Group	895	10,221
Goldman Sachs Group	250	36,860
Hanover Insurance Group	400	15,244
Harleysville Group	240	6,773
Home Properties	350	11,935
Host Hotels & Resorts	880	7,383
Independent Bank	400	7,880
†IntercontinentalExchange	1,050	119,951
JPMorgan Chase	1,560	53,212
†Nasdaq OMX Group	950	20,245
optionsXpress Holdings	665	10,327
PNC Financial Services Group	290	11,255
†ProAssurance	255	11,784
Prosperity Bancshares	265	7,905
Protective Life	562	6,429
Provident Finance	750	6,825
Prudential Financial	350	13,027
†RiskMetrics Group	465	8,212
RLI	190	8,512
Senior Housing Properties Trust	620	10,118
Simon Property Group	173	8,897
Smithtown Bancorp	235	3,006
Sovran Self Storage	355	8,733
TCF Financial	510	6,819
†Texas Capital Bancshares	580	8,973
Travelers	2,570	105,473
Trustmark	480	9,274
U.S. Bancorp	1,020	18,278
Washington Federal	555	7,215
Webster Financial	440	3,542
Wells Fargo	1,600	38,816
		<u>1,040,677</u>

*Health Care – 3.09%*

Abbott Laboratories	720	33,869
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**(Unaudited)**

†Align Technology	630	6,678
†Alkermes	980	10,604
Allergan	2,000	95,160
†Alliance Imaging	555	4,068
†Amgen	510	26,999
†AMN Healthcare Services	805	5,136
†Bio-Rad Laboratories Class A	125	9,435
Bristol-Myers Squibb	4,000	81,240
Cardinal Health	2,300	70,265
†Catalyst Health Solutions	415	10,350
†Celera	960	7,325
†Celgene	270	12,917
†Conmed	515	7,993
†Cryolife	600	3,324
†Dionex	210	12,816
†Express Scripts	440	30,250
†Gen-Probe	300	12,894
†Gilead Sciences	2,160	101,174
†Hologic	1,140	16,222
†Intuitive Surgical	150	24,549
Johnson & Johnson	2,560	145,407
†Medarex	1,575	13,151
†Medco Health Solutions	1,800	82,098
Medtronic	750	26,168
Merck	3,840	107,366
†Merit Medical Systems	420	6,846
†Noven Pharmaceuticals	880	12,584
†Odyssey HealthCare	500	5,140
†Onyx Pharmaceuticals	400	11,304
†OSI Pharmaceuticals	290	8,187
Pfizer	5,300	79,500
†Pharmerica	210	4,122
†Psychiatric Solutions	490	11,143
Quest Diagnostics	1,600	90,288
†Quidel	410	5,970
†Regeneron Pharmaceuticals	485	8,691
†Res-Care	505	7,222
†SonoSite	300	6,018
†Sun Healthcare Group	965	8,145
†Thermo Fisher Scientific	440	17,939
†United Therapeutics	115	9,583
UnitedHealth Group	4,470	111,661
†Vertex Pharmaceuticals	370	13,187
West Pharmaceutical Services	270	9,410
Wyeth	2,780	<u>126,183</u>
		<u>1,510,581</u>
<i>Industrials – 1.58%</i>		
AAON	570	11,354
Acuity Brands	370	10,379
Administaff	360	8,377
American Ecology	375	6,720
Applied Industrial Technologies	420	8,274
Barnes Group	415	4,934
†BWAY	300	5,259
†Chart Industries	665	12,090
†Columbus McKinnon	570	7,211
†CRA International	250	6,940
Deere	300	11,985
†DynCorp International Class A	585	9,822
†ESCO Technologies	140	6,272
Expeditors International Washington	2,400	80,016
Fluor	420	21,542
†FTI Consulting	180	9,130
General Electric	2,540	29,769
Goodrich	560	27,983
†GrafTech International	1,175	13,289
Granite Construction	325	10,816
†Graphic Packaging Holding	763	1,396
Healthcare Services Group	510	9,119

**(Unaudited)**

Honeywell International	420	13,188
†Hub Group Class A	465	9,598
†Huron Consulting Group	155	7,166
†Kadant	390	4,403
†Kforce	1,035	8,559
Koppers Holdings	180	4,747
Lockheed Martin	150	12,098
McGrath RentCorp	435	8,291
Norfolk Southern	740	27,876
Northrop Grumman	1,700	77,656
Otter Tail	410	8,954
†Perini	305	5,295
Republic Services	500	12,205
Rockwell Collins	310	12,936
Roper Industries	330	14,952
†Tetra Technologies	140	4,011
†Titan Machinery	385	4,886
Triumph Group	270	10,800
United Parcel Service Class B	1,400	69,986
†United Stationers	295	10,290
United Technologies	660	34,294
†URS	190	9,409
Waste Management	3,000	84,480
		<u>768,757</u>
<i>Information Technology – 4.24%</i>		
†Adobe Systems	2,200	62,260
†Anixter International	355	13,344
†Apple	1,190	169,493
†Atheros Communications	310	5,964
†Blackboard	315	9,091
†Cisco Systems	2,470	46,041
†Digital River	285	10,351
†EMC	2,030	26,593
†FARO Technologies	490	7,610
†Google Class A	385	162,312
Hewlett-Packard	1,120	43,288
iGate	1,670	11,055
infoGROUP	1,475	8,422
†Informatica	560	9,626
Intel	9,280	153,584
International Business Machines	1,060	110,685
†Intuit	3,500	98,560
†IPG Photonics	690	7,569
†Ixys	460	4,655
†J2 Global Communications	450	10,152
†JDA Software Group	715	10,696
†Lawson Software	2,070	11,551
†Logmein	130	2,080
MasterCard Class A	475	79,472
†McAfee	370	15,610
Microsoft	3,300	78,441
Motorola	13,100	86,853
†NetAPP	800	15,776
†NETGEAR	460	6,629
NIC	660	4,468
†Nuance Communications	1,010	12,211
†Progress Software	485	10,267
QUALCOMM	3,950	178,541
Quality Systems	200	11,392
†Radiant Systems	495	4,109
†Rofin-Sinar Technologies	375	7,504
†SanDisk	1,825	26,809
†Sapient	1,270	7,988
†SAVVIS	1,010	11,575
†Semtech	450	7,160
†Solarwinds	290	4,782
†Symantec	4,680	72,821
†Synaptics	355	13,721
†Tekelec	865	14,558

**(Unaudited)**

†TeleTech Holdings	685	10,378
†Teradata	3,600	84,348
United Online	1,350	8,789
†ValueClick	770	8,100
†VeriSign	3,500	64,680
†ViaSat	555	14,230
Visa Class A	1,900	118,294
†Vocus	465	9,188
Xerox	13,500	<u>87,480</u>
		<u>2,071,156</u>
<i>Materials – 0.67%</i>		
A. Schulman	495	7,479
Alcoa	1,130	11,673
Compass Minerals International	165	9,060
duPont (E.I.) deNemours	3,680	94,282
†Freeport-McMoRan Copper & Gold Class B	425	21,297
Lubrizol	500	23,655
Monsanto	280	20,815
†Owens-Illinois	730	20,447
Praxair	900	63,963
Rock-Tenn Class A	380	14,501
†Rockwood Holdings	545	7,979
Silgan Holdings	240	11,767
United States Steel	610	<u>21,801</u>
		<u>328,719</u>
<i>Telecommunications – 0.70%</i>		
Alaska Communications Systems Group	1,290	9,443
AT&T	3,830	95,137
†Crown Castle International	3,300	79,266
†Knology	750	6,473
†MetroPCS Communications	1,010	13,443
NTELOS Holdings	495	9,118
Verizon Communications	4,120	<u>126,607</u>
		<u>339,487</u>
<i>Utilities – 0.64%</i>		
Black Hills	205	4,713
Cleco	665	14,909
Edison International	2,800	88,088
Exelon	440	22,532
FirstEnergy	350	13,563
Piedmont Natural Gas	305	7,354
PPL	740	24,390
Progress Energy	2,323	87,879
Sempra Energy	450	22,334
UIL Holdings	300	6,735
Unitil	200	4,124
Wisconsin Energy	440	<u>17,912</u>
		<u>314,533</u>
<b>Total U.S. Markets (cost \$9,557,172)</b>		<b><u>8,819,349</u></b>
<i>§Developed Markets – 7.84%</i>		
<i>Consumer Discretionary – 1.34%</i>		
Bayerische Motoren Werke	2,077	78,156
Don Quijote	4,000	76,944
Esprit Holdings	12,871	71,829
PPR	902	73,569
Publicis Groupe	1,915	58,362
Round One	5,500	54,869
Techtronic Industries	88,500	61,323
Toyota Motor	1,799	68,539
Vivendi	3,189	76,190
WPP Group	5,185	<u>34,412</u>
		<u>654,193</u>
<i>Consumer Staples – 0.67%</i>		
Coca-Cola Amatil	10,955	75,953
First Pacific	38,445	22,075
@Greggs	10,694	65,609
Metro	1,524	72,757
Parmalat	38,441	<u>92,677</u>

**(Unaudited)**

		<u>329,071</u>
<i>Energy – 0.75%</i>		
BP	19,886	156,280
†Nabors Industries	885	13,788
Tenaris ADR	425	11,492
Total	2,353	126,987
†Transocean	762	<u>56,609</u>
		<u>365,156</u>
<i>Financials – 0.78%</i>		
Aspen Insurance Holdings	1,110	24,797
AXA	3,274	61,484
Everest Re Group	215	15,388
IPC Holdings	350	9,569
Max Capital Group	565	10,430
Mitsubishi UFJ Financial Group	18,881	117,209
Nordea Bank	8,768	69,425
Standard Charter	3,849	<u>72,172</u>
		<u>380,474</u>
<i>Health Care – 0.78%</i>		
AstraZeneca	1,631	71,668
†Eurand	930	12,090
Novartis	2,138	86,657
Novo Nordisk ADR	1,200	65,352
Novo Nordisk Class B	1,424	76,961
Sanofi-Aventis	1,181	<u>69,351</u>
		<u>382,079</u>
<i>Industrials – 1.39%</i>		
Asahi Glass	9,000	72,407
Cie de Saint-Gobain	1,496	49,988
Deutsche Post	7,848	101,647
Finmeccanica	5,147	72,403
†Flextronics International	900	3,699
IESI-BFC	545	6,349
Koninklijke Philips Electronics	4,063	74,791
Singapore Airlines	8,117	74,535
Teleperformance	3,206	97,436
Tomkins	27,947	68,146
Vallourec	486	<u>58,980</u>
		<u>680,381</u>
<i>Information Technology – 0.62%</i>		
Accenture Limited Class A	473	15,827
Canon	1,900	62,327
†CGI Group Class A	15,416	137,055
Nokia	5,914	<u>86,593</u>
		<u>301,802</u>
<i>Materials – 0.67%</i>		
Agrium	1,700	67,813
Alumina ADR	1,150	5,290
Anglo American	654	18,975
@Griffin Mining	5,200	3,229
Lafarge	1,514	102,453
Linde	856	69,955
Syngenta ADR	1,250	<u>58,150</u>
		<u>325,865</u>
<i>Telecommunications – 0.68%</i>		
China Mobile ADR	500	25,040
China Unicom Hong Kong	12,000	15,887
China Unicom Hong Kong ADR	4,608	61,471
France Telecom	2,560	58,021
Philippine Long Distance Telephone ADR	100	4,972
Telstra	14,029	38,296
Telus	1,348	35,756
Vodafone Group	47,475	<u>91,557</u>
		<u>331,000</u>
<i>Utilities – 0.16%</i>		
National Grid	8,679	<u>78,157</u>
		<u>78,157</u>
<b>Total Developed Markets (cost \$4,074,146)</b>		<b><u>3,828,178</u></b>
<i>XEmerging Markets – 4.09%</i>		

**(Unaudited)***Consumer Discretionary – 0.18%*

†Focus Media Holding ADR	3,775	30,427
†#Grupo Clarin Class B GDR 144A	600	2,213
Grupo Televisa ADR	1,325	22,525
JD Group	1,200	6,292
@Oriental Holdings	3,800	5,892
Sun International	500	4,948
Turk Sise ve Cam Fabrikalari	6,669	5,453
Wal-Mart de Mexico Series V	4,334	<u>12,847</u>
		<u>90,597</u>

*Consumer Staples – 0.22%*

†Cosan Class A	2,100	10,878
@Cresud ADR	2,450	23,104
Fomento Economico Mexicano ADR	450	14,508
Gudang Garam	13,000	15,983
Lotte Confectionery	12	9,413
President Chain Store	5,000	12,797
Tongaat Hulett	600	6,992
†Wimm-Bill-Dann Foods ADR	225	<u>12,364</u>
		<u>106,039</u>

*Energy – 0.88%*

China Petroleum & Chemical ADR	225	17,069
China Shenhua Energy	3,500	12,894
Gazprom ADR	3,480	72,036
KazMunaiGas Exploration Production GDR	1,800	34,020
LUKOIL ADR	200	8,940
LUKOIL ADR (London International Exchange)	200	8,874
Oaa Rosenfet Oil GDR	606	3,385
@Oil & Gas Development GDR	200	1,931
PetroChina	8,000	8,878
PetroChina ADR	275	30,382
Petroleo Brasileiro SA ADR	1,300	53,274
Petroleo Brasileiro SP ADR	1,400	46,704
Polski Koncern Naftowy Orlen	929	7,721
PTT Exploration & Production	4,364	17,420
#Reliance Industries GDR 144A	435	37,068
Sasol	462	16,169
Sasol ADR	300	10,446
SK Energy	171	13,749
Surgutneftegaz ADR	2,737	19,022
Tambang Batubara Bukit Asam	7,000	<u>7,955</u>
		<u>427,937</u>

*Financials – 0.49%*

Alarko Gayrimenkul Yatirim Ortakligi	100	1,097
Banco Bradesco ADR	1,500	22,155
Bangkok Bank	5,000	16,437
†Bank Hapoalim	2,094	5,563
Bank Leumi Le-Israël	2,040	5,368
†Companhia Brasileira de Meios de Pagamento	1,100	9,463
Credicorp	200	11,640
†Grupo Financiero Galicia ADR	14,000	46,060
Hong Leong Bank	7,400	12,000
†@Indiabulls Real Estate GDR	200	816
@IRSA Inversiones y Representaciones GDR	1,900	9,101
Itau Unibanco Banco Multiplo ADR	1,775	28,098
†KB Financial Group ADR	675	22,484
KLCC Property Holdings	5,900	5,472
Sberbank	13,268	16,784
Standard Bank Group	1,200	13,798
Turkiye Is Bankasi Class C	2,346	6,912
†UEM Land Holdings	10,968	<u>4,868</u>
		<u>238,116</u>

*Industrials – 0.19%*

Alarko Holding	6,689	12,502
CJ	241	8,205
Evergreen Marine	29,000	14,429
†Gol Linhas Aereas Inteligentes ADR	1,625	9,214
Hyundai Elevator	75	3,889
Siam Cement NVDR	3,200	14,558

**(Unaudited)**

Sinotrans	13,000	2,952
SK Holdings	73	6,099
Walsin Lihwa	44,000	14,060
Yazicilar Holding Class A	1,400	<u>6,133</u>
		<u>92,041</u>
<i>Information Technology – 0.39%</i>		
Infosys Technologies ADR	875	32,183
LG Display ADR	400	4,996
Samsung Electronics	230	106,809
†Sina	500	14,740
†SK Communications	313	2,342
Taiwan Semiconductor Manufacturing	7,000	11,652
United Microelectronics	24,000	8,034
United Microelectronics ADR	4,500	<u>11,880</u>
		<u>192,636</u>
<i>Materials – 0.51%</i>		
Aluminum Corporation of China ADR	625	14,588
ArcelorMittal South Africa	810	10,028
Cemex ADR	1,872	17,484
Cia de Minas Buenaventura ADR	400	9,612
Cia Siderurgica Nacional ADR	1,125	25,144
Formosa Chemicals & Fibre	8,000	12,027
Gold Fields ADR	900	10,845
Grupo Mexico Class B	0	0
Impala Platinum Holdings	636	14,053
Israel Chemicals	1,811	17,944
MMC Norilsk Nickel ADR	783	7,204
Posco ADR	225	18,601
Vale ADR	4,325	76,250
†Votorantim Celulose e Papel ADR	1,250	<u>13,388</u>
		<u>247,168</u>
<i>Telecommunications – 0.66%</i>		
America Movil ADR	1,250	48,400
China Telecom	36,000	17,931
Chunghwa Telecom ADR	3,830	75,939
KT ADR	2,800	40,208
Mobile Telesystems ADR	300	11,079
SK Telecom ADR	2,200	33,330
Telkom	901	4,436
Telkom ADR	500	10,020
Tim Participacoes ADR	675	11,765
Turkcell Iletisim Hizmet	1,200	6,658
Turkcell Iletisim Hizmet ADR	825	11,435
†Vodacom Group	6,604	<u>48,969</u>
		<u>320,170</u>
<i>Utilities – 0.57%</i>		
AES Tiete	2,291	21,568
Centrais Eletricas Brasileiras	7,000	101,850
Cia Energetica de Minas Gerais ADR	625	8,400
Energias do Brasil	3,900	52,903
Huaneng Power International ADR	1,350	37,895
Korea Electric Power ADR	4,500	51,750
Tanjong	1,700	<u>6,432</u>
		<u>280,798</u>
<b>Total Emerging Markets (cost \$2,065,515)</b>		<b><u>1,995,502</u></b>
<b>Total Common Stock (cost \$15,696,833)</b>		<b><u>14,643,029</u></b>
<b>Convertible Preferred Stock – 1.02%</b>		
<i>Banking, Finance &amp; Insurance – 0.19%</i>		
Nationwide Health Properties 7.75% exercise price \$22.25, expiration date 12/31/49	750	<u>92,231</u>
		<u>92,231</u>
<i>Basic Materials – 0.23%</i>		
Freeport-McMoRan Copper & Gold 6.75% exercise price \$73.50, expiration date 5/1/10	1,400	<u>111,650</u>
		<u>111,650</u>
<i>Healthcare &amp; Pharmaceuticals – 0.38%</i>		
Inverness Medical Innovations Series B 3.00% exercise price \$69.32, expiration date 12/31/49	283	63,081
Mylan 6.50% exercise price \$17.08, expiration date 11/15/10	90	77,526
Schering-Plough 6.00% exercise price \$33.69, expiration date 8/13/10	200	<u>45,363</u>
		<u>185,970</u>

## (Unaudited)

### Telecommunication Services – 0.22%

Crown Castle International 6.25% exercise price \$36.88, expiration date 8/15/12	2,300	<u>109,681</u>
		<u>109,681</u>
<b>Total Convertible Preferred Stock (cost \$378,397)</b>		<b><u>499,532</u></b>

### Exchange Traded Fund – 5.11%

iShares MSCI EAFE Growth Index	54,000	<u>2,494,260</u>
<b>Total Exchange Traded Fund (cost \$3,077,410)</b>		<b><u>2,494,260</u></b>

### Agency Collateralized Mortgage Obligations – 0.67%

	Principal Amount <sup>□</sup>	
Fannie Mae REMICS Series 2003-32 PH 5.50% 3/25/32	USD 150,000	156,445
Freddie Mac REMICS Series 2512 PG 5.50% 10/15/22	165,000	<u>171,695</u>
<b>Total Agency Collateralized Mortgage Obligations (cost \$307,388)</b>		<b><u>328,140</u></b>

### Agency Mortgage-Backed Securities – 6.20%

Fannie Mae S.F. 15 yr		
4.50% 8/1/23	495,135	505,995
5.00% 9/1/18	81,197	85,023
5.50% 7/1/22	123,923	129,957
Fannie Mae S.F. 30 yr		
4.50% 6/1/38	148,249	148,147
5.00% 12/1/36	893,096	912,459
6.50% 8/1/38	410,312	437,544
Fannie Mae S.F. 30 yr TBA 4.50% 7/1/39	530,000	528,840
Freddie Mac S.F. 30 yr TBA 4.00% 7/1/39	285,000	<u>276,227</u>
<b>Total Agency Mortgage-Backed Securities (cost \$2,934,613)</b>		<b><u>3,024,192</u></b>

### Commercial Mortgage-Backed Securities – 3.32%

#American Tower Trust 144A		
Series 2007-1A AFX 5.42% 4/15/37	70,000	63,700
Series 2007-1A D 5.957% 4/15/37	25,000	21,875
Bank of America Commercial Mortgage Securities		
Series 2004-4 A4 4.502% 7/10/42	225,000	212,615
Series 2006-4 A4 5.634% 7/10/46	50,000	39,454
•Series 2007-4 AM 5.811% 2/10/51	30,000	14,973
Bear Sterns Commercial Mortgage Securities		
•Series 2004-PWR4 A3 5.468% 6/11/41	90,000	81,699
•Series 2005-PW10 A4 5.405% 12/11/40	30,000	26,688
•Series 2006-PW12 A4 5.719% 9/11/38	25,000	21,742
Series 2007-PW15 A4 5.331% 2/11/44	35,000	28,326
•Commercial Mortgage Pass Through Certificates Series 2005-C6 A5A 5.116% 6/10/44	50,000	40,737
Goldman Sachs Mortgage Securities II		
•Series 2004-GG2 A5 5.279% 8/10/38	225,000	207,326
•Series 2004-GG2 A6 5.396% 8/10/38	55,000	49,034
Series 2005-GG4 A4A 4.751% 7/10/39	50,000	42,448
Greenwich Capital Commercial Funding		
Series 2004-GG1 A4 4.755% 6/10/36	80,000	80,322
•Series 2004-GG1 A7 5.317% 6/10/36	25,000	23,098
•GS Mortgage Securities II Series 2007-GG10 A4 5.805% 8/10/45	65,000	49,119
•JPMorgan Chase Commercial Mortgage Securities Series 2005-LDP5 A4 5.179% 12/15/44	70,000	59,177
•Morgan Stanley Capital I		
Series 2004-T15 A4 5.27% 6/13/41	455,000	410,475
Series 2006-T23 A4 5.810% 8/12/41	35,000	29,609
Series 2007-T27 A4 5.65% 6/11/42	140,000	<u>117,469</u>
<b>Total Commercial Mortgage-Backed Securities (cost \$1,629,935)</b>		<b><u>1,619,886</u></b>

### Convertible Bonds – 2.63%

#### Banking, Finance & Insurance – 0.26%

National City 4.00% exercise price \$482.50, expiration date 2/1/11	75,000	74,063
#SVB Financial Group 144A 3.875% exercise price \$53.04, expiration date 4/15/11	60,000	<u>54,150</u>
		<u>128,213</u>

#### Basic Materials – 0.15%

Rayonier TRS Holdings 3.75% exercise price \$54.81, expiration date 10/15/12	75,000	<u>72,000</u>
		<u>72,000</u>

## (Unaudited)

### *Building & Materials – 0.02%*

Beazer Homes USA 4.625% exercise price \$49.64, expiration date 6/15/24	15,000	9,038
		<u>9,038</u>

### *Electronics & Electrical Equipment – 0.16%*

Flextronics International 1.00% exercise price \$15.53, expiration date 8/1/10	80,000	75,900
		<u>75,900</u>

### *Energy – 0.34%*

Chesapeake Energy 2.25% exercise price \$85.89, expiration date 12/15/38	140,000	86,625
Transocean 1.50% exercise price \$168.61, expiration date 12/15/37	85,000	78,306
		<u>164,931</u>

### *Health Care & Pharmaceuticals – 0.15%*

ΦHologic 2.00% exercise price \$38.59, expiration date 12/15/37	100,000	71,500
		<u>71,500</u>

### *Leisure, Lodging & Entertainment – 0.05%*

#International Game Technology 144A 3.25% exercise price \$19.97, expiration date 5/1/14	25,000	27,031
		<u>27,031</u>

### *Real Estate – 0.41%*

#Digital Realty Trust 144A 5.50% exercise price \$43.00, expiration date 4/15/29	80,000	79,100
#Host Hotels & Resorts 144A 3.25% exercise price \$16.00, expiration date 3/15/24	90,000	87,413
ProLogis 2.25% exercise price \$75.98 expiration date 4/1/37	45,000	36,225
		<u>202,738</u>

### *Telecommunications – 0.90%*

Alaska Communications Systems Group 5.75% exercise price \$12.90, expiration date 3/1/13	97,000	78,570
Interpublic Group 4.25% exercise price \$12.42, expiration date 3/15/23	15,000	13,388
NII Holdings 3.125% exercise price \$118.32, expiration date 6/15/12	125,000	96,718
#SBA Communications 144A 4.00% exercise price \$30.38, expiration date 10/1/14	80,000	80,800
#Virgin Media 144A 6.50% exercise price \$19.22, expiration date 11/15/16	220,000	171,599
		<u>441,075</u>

### *Transportation – 0.19%*

Bristow Group 3.00% exercise price \$77.34, expiration date 6/15/38	130,000	93,113
		<u>93,113</u>

### **Total Convertible Bonds (cost \$1,158,417)**

**1,285,539**

### **Corporate Bonds – 34.93%**

#### *Banking – 5.74%*

•BAC Capital Trust XIV 5.63% 12/31/49	40,000	20,010
Bank of America		
5.125% 11/15/14	60,000	56,474
5.65% 5/1/18	30,000	26,553
6.00% 10/15/36	250,000	200,965
Barclays Bank 6.75% 5/22/19	100,000	99,354
BB&T		
4.90% 6/30/17	145,000	129,103
6.85% 4/30/19	85,000	88,555
BB&T Capital Trust I 5.85% 8/18/35	5,000	3,761
BB&T Capital Trust II 6.75% 6/7/36	5,000	4,011
Capital One Financial		
6.15% 9/1/16	10,000	8,863
7.375% 5/23/14	75,000	77,417
Citigroup		
6.125% 5/15/18	65,000	56,946
6.50% 8/19/13	170,000	165,281
8.50% 5/22/19	55,000	56,041
Credit Suisse/New York 5.50% 5/1/14	115,000	119,604
#GMAC 144A		
6.00% 12/15/11	10,000	8,650
6.625% 5/15/12	60,000	50,700
6.875% 9/15/11	55,000	48,675
6.875% 8/28/12	45,000	38,025
JPMorgan Chase 6.30% 4/23/19	135,000	136,032
JPMorgan Chase Capital XXV 6.80% 10/1/37	235,000	202,677
Morgan Stanley		
5.30% 3/1/13	115,000	116,576
6.25% 8/28/17	155,000	150,211
PNC Funding		
5.25% 11/15/15	55,000	52,365

**(Unaudited)**

5.625% 2/1/17	185,000	171,711
@Popular North America Capital Trust I 6.564% 9/15/34	75,000	40,086
•#Rabobank Nederland 144A 11.00% 12/29/49	170,000	189,604
US Bank North America 4.80% 4/15/15	2,000	1,967
•USB Capital IX 6.189% 10/29/49	275,000	185,694
VTB Capital 6.875% 5/29/18	100,000	92,000
•Wells Fargo Capital XIII 7.70% 12/29/49	200,000	166,127
Zions Bancorporation		
5.50% 11/16/15	15,000	10,810
6.00% 9/15/15	40,000	28,634
		<u>2,803,482</u>
<i>Basic Industry – 2.26%</i>		
ArcelorMittal		
6.125% 6/1/18	135,000	118,319
9.85% 6/1/19	40,000	43,238
#Compass Minerals International 144A 8.00% 6/1/19	25,000	24,906
Domtar 7.125% 8/15/15	49,000	41,160
Dow Chemical 8.55% 5/15/19	115,000	115,394
Freeport-McMoRan Copper & Gold		
8.25% 4/1/15	44,000	44,490
8.375% 4/1/17	25,000	25,223
#Georgia-Pacific 144A		
7.00% 1/15/15	25,000	23,500
8.25% 5/1/16	40,000	39,000
Huntsman International		
7.375% 1/1/15	150,000	118,501
7.875% 11/15/14	10,000	7,975
Innophos 8.875% 8/15/14	60,000	55,200
Lubrizol 8.875% 2/1/19	95,000	110,550
Nalco		
8.875% 11/15/13	40,000	41,000
#144A 8.25% 5/15/17	10,000	10,100
Reliance Steel & Aluminum 6.85% 11/15/36	50,000	28,717
Rockwood Specialties Group 7.50% 11/15/14	50,000	47,250
@#Sappi Papier Holding 144A 6.75% 6/15/12	35,000	23,478
Steel Dynamics 6.75% 4/1/15	50,000	44,750
#Teck Resources 144A		
10.25% 5/15/16	15,000	15,732
10.75% 5/15/19	35,000	37,683
US Steel 7.00% 2/1/18	35,000	30,452
@Vale Overseas 6.875% 11/21/36	59,000	56,168
		<u>1,102,786</u>
<i>Brokerage – 1.04%</i>		
Goldman Sachs Group		
5.25% 10/15/13	25,000	25,539
5.95% 1/18/18	75,000	72,867
6.15% 4/1/18	140,000	136,527
6.75% 10/1/37	50,000	44,580
7.50% 2/15/19	45,000	48,268
Jefferies Group		
6.25% 1/15/36	10,000	6,917
6.45% 6/8/27	80,000	58,984
8.50% 7/15/19	15,000	14,904
LaBranche 11.00% 5/15/12	55,000	50,394
Lazard Group		
6.85% 6/15/17	44,000	40,481
7.125% 5/15/15	8,000	7,358
		<u>506,819</u>
<i>Capital Goods – 1.87%</i>		
Allied Waste North America		
6.875% 6/1/17	20,000	19,830
7.125% 5/15/16	55,000	55,349
Anixter 10.00% 3/15/14	10,000	10,000
Associated Materials 9.75% 4/15/12	30,000	26,400
#BAE Systems Holdings 144A		
4.95% 6/1/14	10,000	10,062
6.375% 6/1/19	55,000	56,334
Browning-Ferris Industries 7.40% 9/15/35	65,000	61,035
Building Materials 7.75% 8/1/14	65,000	58,175

**(Unaudited)**

#BWAY 144A 10.00% 4/15/14	40,000	40,100
Casella Waste Systems 9.75% 2/1/13	30,000	27,150
Celestica 7.625% 7/1/13	30,000	29,400
Crown Americas		
7.625% 11/15/13	40,000	39,200
#144A 7.625% 5/15/17	15,000	14,550
Graham Packaging Capital 9.875% 10/15/14	49,000	45,815
Graphic Packaging International		
8.50% 8/15/11	7,000	6,965
9.50% 8/15/13	50,000	48,000
#144A 9.50% 6/15/17	15,000	14,850
L-3 Communications 6.125% 7/15/13	40,000	37,900
#Owens-Brockway Glass Container 144A 7.375% 5/15/16	10,000	9,750
Owens Corning 6.50% 12/1/16	20,000	17,556
#Plastipak Holdings 144A 8.50% 12/15/15	20,000	18,025
Pregis 12.375% 10/15/13	5,000	3,750
RBS Global/Rexnord 11.75% 8/1/16	40,000	29,700
#Rock-Tenn 144A 9.25% 3/15/16	25,000	25,563
Sanmina-SCI 8.125% 3/1/16	20,000	14,675
#Sealed Air 144A 7.875% 6/15/17	10,000	9,925
Solo Cup 8.50% 2/15/14	25,000	20,625
Tyco International Finance 8.50% 1/15/19	80,000	88,851
USG 6.30% 11/15/16	30,000	22,350
Waste Management		
7.10% 8/1/26	50,000	47,227
7.375% 3/11/19	5,000	<u>5,367</u>
		<u>914,479</u>
<i>Consumer Cyclical – 2.83%</i>		
#Allison Transmission 144A 11.00% 11/1/15	25,000	19,875
Beazer Homes USA 8.625% 5/15/11	10,000	6,850
Carrols 9.00% 1/15/13	10,000	9,425
CVS Caremark 4.875% 9/15/14	25,000	25,402
◆#CVS Pass Through Trust 144A 8.353% 7/10/31	145,000	145,725
Dollar General PIK 11.875% 7/15/17	15,000	16,275
Ford Motor Credit		
7.25% 10/25/11	45,000	38,942
7.375% 10/28/09	55,000	54,533
8.00% 6/1/14	40,000	32,395
8.625% 11/1/10	70,000	65,814
Gaylord Entertainment		
6.75% 11/15/14	10,000	7,525
8.00% 11/15/13	32,000	27,440
Global Cash Access 8.75% 3/15/12	50,000	46,500
Goodyear Tire & Rubber		
9.00% 7/1/15	25,000	24,875
10.50% 5/15/16	40,000	40,600
#Harrhars Operating Escrow 144A 11.25% 6/1/17	70,000	66,500
Inergy Finance		
6.875% 12/15/14	15,000	13,725
#144A 8.75% 3/1/15	10,000	9,825
#Interface 144A 11.375% 11/1/13	5,000	5,200
#Invista 144A 9.25% 5/1/12	50,000	47,375
#Landry's Restaurants 144A 14.00% 8/15/11	20,000	19,100
Levi Strauss 9.75% 1/15/15	45,000	44,438
Macy's Retail Holdings		
6.65% 7/15/24	55,000	36,497
8.875% 7/15/15	30,000	29,064
10.625% 11/1/10	15,000	15,296
Meritage Homes		
6.25% 3/15/15	5,000	3,950
7.00% 5/1/14	30,000	24,750
MGM MIRAGE		
6.625% 7/15/15	15,000	9,863
7.50% 6/1/16	5,000	3,269
7.625% 1/15/17	20,000	13,050
#144A 11.125% 11/15/17	15,000	15,975
#144A 13.00% 11/15/13	45,000	49,500
Mohawk Industries 6.625% 1/15/16	15,000	13,346
New Albertsons 7.25% 5/1/13	10,000	9,650

**(Unaudited)**

Nordstrom		
6.75% 6/1/14	70,000	72,841
7.00% 1/15/38	10,000	8,970
OSI Restaurant Partners 10.00% 6/15/15	12,000	8,250
Pinnacle Entertainment 7.50% 6/15/15	40,000	34,400
Ryland Group 8.40% 5/15/17	25,000	24,125
Sally Holdings 10.50% 11/15/16	30,000	29,850
#Sealy Mattress 144A 10.875% 4/15/16	10,000	10,525
#Shingle Springs 144A 9.375% 6/15/15	20,000	12,100
#Speedway Motorsports 144A 8.75% 6/1/16	15,000	15,263
Target 4.00% 6/15/13	65,000	64,527
Toys R Us 7.625% 8/1/11	25,000	23,250
VF 6.45% 11/1/37	25,000	23,799
Wynn Las Vegas 6.625% 12/1/14	40,000	35,400
Yum Brands 6.875% 11/15/37	25,000	25,279
		<u>1,381,128</u>
<i>Consumer Non-Cyclical – 3.71%</i>		
Alliance One International		
11.00% 5/15/12	20,000	21,000
#144A 10.00% 7/15/16	30,000	28,575
#Anheuser-Busch InBev Worldwide 144A		
7.75% 1/15/19	120,000	131,463
8.20% 1/15/39	75,000	83,774
Bausch & Lomb 9.875% 11/1/15	25,000	24,000
Beckman Coulter		
6.00% 6/1/15	70,000	73,428
7.00% 6/1/19	25,000	26,470
#Bio-Rad Laboratories 144A 8.00% 9/15/16	10,000	9,925
ConAgra Foods 5.875% 4/15/14	105,000	111,434
Constellation Brands		
7.25% 9/1/16	20,000	18,600
8.125% 1/15/12	20,000	20,100
Cott Beverages USA 8.00% 12/15/11	20,000	18,700
Delhaize America 9.00% 4/15/31	85,000	103,457
Delhaize Group		
5.875% 2/1/14	40,000	41,108
6.50% 6/15/17	32,000	32,728
#Dole Food 144A 13.875% 3/15/14	25,000	27,625
Dr Pepper Snapple Group 6.12% 5/1/13	20,000	20,722
Elan Finance 7.75% 11/15/11	5,000	4,650
Express Scripts		
6.25% 6/15/14	110,000	116,515
7.25% 6/15/19	30,000	33,142
Hospira 6.40% 5/15/15	65,000	68,506
#Ingles Markets 144A 8.875% 5/15/17	20,000	19,750
Inverness Medical Innovations 9.00% 5/15/16	35,000	33,950
Jarden		
7.50% 5/1/17	15,000	13,200
8.00% 5/1/16	40,000	38,300
#JBS USA 144A 11.625% 5/1/14	42,000	39,900
JohnsonDiversey Holdings 10.67% 5/15/13	20,000	16,900
Kroger		
6.80% 12/15/18	15,000	16,084
7.50% 1/15/14	60,000	67,203
LVB Acquisition 11.625% 10/15/17	20,000	19,700
LVB Acquisition PIK 10.375% 10/15/17	15,000	14,588
McKesson		
6.50% 2/15/14	15,000	16,020
7.50% 2/15/19	85,000	95,890
Medco Health Solutions 7.125% 3/15/18	70,000	73,835
#M-Foods Holdings 144A 9.75% 10/1/13	10,000	9,675
Psychiatric Solutions		
7.75% 7/15/15	25,000	23,000
#144A 7.75% 7/15/15	15,000	13,800
Quest Diagnostic		
5.45% 11/1/15	150,000	145,573
6.40% 7/1/17	5,000	5,111
Smithfield Foods		
7.75% 5/15/13	20,000	16,500

**(Unaudited)**

#144A 10.00% 7/15/14	30,000	29,775
SUPERVALU 8.00% 5/1/16	10,000	9,750
#Tyson Foods 144A 10.50% 3/1/14	25,000	27,250
Universal Hospital Services PIK 8.50% 6/1/15	15,000	14,213
US Oncology Holdings PIK 6.904% 3/15/12	40,000	<u>33,900</u>
		<u>1,809,789</u>
<i>Energy – 3.85%</i>		
AmeriGas Partners 7.125% 5/20/16	25,000	23,000
Anadarko Petroleum		
6.95% 6/15/19	5,000	5,055
8.70% 3/15/19	65,000	72,937
Berry Petroleum 10.25% 6/1/14	15,000	15,225
Bill Barrett 9.875% 7/15/16	5,000	4,759
Chesapeake Energy		
6.375% 6/15/15	25,000	22,375
6.625% 1/15/16	49,000	43,243
9.50% 2/15/15	30,000	30,375
Complete Production Service 8.00% 12/15/16	15,000	12,900
Copano Energy 7.75% 6/1/18	25,000	22,688
Denbury Resources 9.75% 3/1/16	20,000	20,650
Dynergy Holdings 7.75% 6/1/19	45,000	35,269
El Paso		
6.875% 6/15/14	30,000	28,147
7.00% 6/15/17	5,000	4,579
7.25% 6/1/18	50,000	46,414
Enbridge Energy Partners 9.875% 3/1/19	70,000	81,283
Energy Transfer Partners 9.70% 3/15/19	60,000	68,995
Enterprise Products Operating		
5.00% 3/1/15	50,000	46,120
5.60% 10/15/14	25,000	25,723
6.30% 9/15/17	45,000	45,295
6.50% 1/31/19	30,000	30,543
Forest Oil 7.25% 6/15/19	25,000	22,500
Geophysique-Veritas 7.75% 5/15/17	35,000	32,025
#Gulfstream Natural Gas System 144A 6.95% 6/1/16	20,000	20,973
#Helix Energy Solutions 144A 9.50% 1/15/16	20,000	18,350
#Hilcorp Energy Finance I 144A 9.00% 6/1/16	40,000	35,000
#Holly 144A 9.875% 6/15/17	20,000	19,500
Husky Energy 5.90% 6/15/14	55,000	57,600
Key Energy Services 8.375% 12/1/14	35,000	31,063
Kinder Morgan Energy Partners		
6.85% 2/15/20	110,000	112,962
9.00% 2/1/19	15,000	17,089
Mariner Energy 8.00% 5/15/17	35,000	29,225
Massey Energy 6.875% 12/15/13	75,000	69,000
Noble Energy 8.25% 3/1/19	85,000	96,872
OPTI Canada		
7.875% 12/15/14	15,000	9,788
8.25% 12/15/14	30,000	19,950
Petrobras International Finance 7.875% 3/15/19	32,000	35,040
PetroHawk Energy		
9.125% 7/15/13	40,000	40,000
#144A 10.50% 8/1/14	10,000	10,275
Plains All American Pipeline		
6.50% 5/1/18	40,000	40,544
8.75% 5/1/19	75,000	85,249
Quicksilver Resources 11.75% 1/1/16	15,000	15,600
Range Resources		
7.25% 5/1/18	15,000	14,100
8.00% 5/15/19	15,000	14,831
Regency Energy Partners		
8.375% 12/15/13	10,000	9,700
#144A 9.375% 6/1/16	15,000	14,588
#SandRidge Energy 144A 9.875% 5/15/16	20,000	19,400
Talisman Energy 7.75% 6/1/19	110,000	122,071
Weatherford International		
5.15% 3/15/13	25,000	24,955
5.95% 6/15/12	20,000	20,896
7.00% 3/15/38	65,000	62,774

**(Unaudited)**

9.625% 3/1/19	10,000	11,783
9.875% 3/1/39	30,000	36,801
Whiting Petroleum 7.25% 5/1/13	25,000	<u>23,813</u>
		<u>1,879,892</u>
<i>Financials – 1.46%</i>		
<b>Cardtronics</b>		
9.25% 8/15/13	60,000	54,000
<b>CIT Group</b>		
4.75% 12/15/10	10,000	7,853
5.40% 1/30/16	10,000	5,654
5.65% 2/13/17	35,000	19,774
5.85% 9/15/16	65,000	36,743
#144A 12.00% 12/18/18	30,000	14,107
FTI Consulting 7.75% 10/1/16	40,000	38,400
<b>General Electric Capital</b>		
5.875% 1/14/38	220,000	174,630
6.875% 1/10/39	80,000	72,221
<b>International Lease Finance</b>		
5.25% 1/10/13	10,000	7,566
5.35% 3/1/12	6,000	4,686
5.55% 9/5/12	36,000	27,988
5.625% 9/20/13	20,000	15,122
5.875% 5/1/13	115,000	87,175
6.625% 11/15/13	40,000	30,816
@#Nuveen Investments 144A 10.50% 11/15/15	65,000	45,175
SLM 8.45% 6/15/18	80,000	<u>68,540</u>
		<u>710,450</u>
<i>Insurance – 1.36%</i>		
<b>ACE INA Holdings 5.90% 6/15/19</b>		
	55,000	55,232
<b>#Liberty Mutual Group 144A 10.75% 6/15/58</b>		
	90,000	64,908
<b>MetLife</b>		
6.40% 12/15/36	200,000	143,376
6.75% 6/1/16	90,000	91,750
6.817% 8/15/18	50,000	50,440
<b>UnitedHealth Group</b>		
5.50% 11/15/12	65,000	67,316
5.80% 3/15/36	110,000	89,243
<b>WellPoint</b>		
5.00% 1/15/11	50,000	51,283
5.95% 12/15/34	64,000	<u>51,669</u>
		<u>665,217</u>
<i>Media – 2.97%</i>		
<b>Belo 6.75% 5/30/13</b>		
	20,000	16,000
<b>‡#Charter Communications Operating 144A</b>		
10.00% 4/30/12	30,000	29,025
10.375% 4/30/14	10,000	9,625
12.875% 9/15/14	84,000	87,360
<b>Comcast</b>		
•1.439% 7/14/09	5,000	5,001
5.85% 11/15/15	36,000	37,357
6.30% 11/15/17	5,000	5,300
6.50% 1/15/15	36,000	38,229
<b>#COX Communications 144A</b>		
6.25% 6/1/18	45,000	44,559
8.375% 3/1/39	100,000	111,826
<b>CSC Holdings</b>		
6.75% 4/15/12	25,000	24,250
#144A 8.50% 4/15/14	63,000	62,764
DIRECTV Holdings 7.625% 5/15/16	20,000	19,550
EchoStar DBS 7.125% 2/1/16	50,000	46,875
Interpublic Group 6.25% 11/15/14	52,000	45,760
Lamar Media 6.625% 8/15/15	30,000	26,400
Mediacom Capital 9.50% 1/15/13	25,000	23,938
Nielsen Finance 10.00% 8/1/14	75,000	71,344
#Terremark Worldwide 144A 12.00% 6/15/17	15,000	14,475
<b>Time Warner Cable</b>		
6.75% 7/1/18	30,000	31,300
6.75% 6/15/39	95,000	92,754
7.50% 4/1/14	140,000	154,378

**(Unaudited)**

Time Warner Telecom Holdings 9.25% 2/15/14	40,000	39,900
#Univision Communications 144A 12.00% 7/1/14	55,000	54,313
Videotron		
6.875% 1/15/14	30,000	27,900
9.125% 4/15/18	25,000	25,531
Visant Holding 8.75% 12/1/13	20,000	19,750
#Vivendi 144A 6.625% 4/4/18	140,000	141,172
WPP Finance UK 8.00% 9/15/14	140,000	<u>142,323</u>
		<u>1,448,959</u>
<i>Real Estate Investment Trusts – 0.13%</i>		
#Host Hotels & Resorts 144A 9.00% 5/15/17	30,000	28,725
@Potlatch 12.50% 12/1/09	15,000	15,475
Ventas Realty 6.50% 6/1/16	20,000	<u>18,025</u>
		<u>62,225</u>
<i>Services Non-Cyclical – 1.30%</i>		
ARAMARK 8.50% 2/1/15	60,000	58,500
Community Health Systems 8.875% 7/15/15	99,000	97,515
Corrections Corporation of America 7.75% 6/1/17	30,000	29,700
#Erac USA Finance 144A 6.375% 10/15/17	5,000	4,522
HCA 9.25% 11/15/16	139,000	137,262
•HealthSouth 7.218% 6/15/14	30,000	27,525
Hertz		
8.875% 1/1/14	20,000	18,500
10.50% 1/1/16	10,000	8,950
Iron Mountain		
8.00% 6/15/20	55,000	51,425
8.75% 7/15/18	5,000	4,950
RSC Equipment Rental		
9.50% 12/1/14	20,000	16,150
#144A 10.00% 7/15/17	20,000	19,475
Select Medical 7.625% 2/1/15	65,000	53,138
Tenet Healthcare 7.375% 2/1/13	120,000	<u>108,599</u>
		<u>636,211</u>
<i>Technology &amp; Electronics – 0.38%</i>		
Amkor Technologies 7.75% 5/15/13	10,000	9,213
Avago Technologies Finance 10.125% 12/1/13	15,000	15,375
National Semiconductor 6.60% 6/15/17	10,000	8,759
Oracle 3.75% 7/8/14	40,000	40,000
SunGard Data Systems 9.125% 8/15/13	52,000	49,400
Xerox 8.25% 5/15/14	60,000	<u>62,454</u>
		<u>185,201</u>
<i>Telecommunications – 4.05%</i>		
America Movil 5.625% 11/15/17	34,000	33,402
American Tower 7.125% 10/15/12	20,000	20,225
AT&T 6.55% 2/15/39	40,000	40,059
AT&T Wireless 8.125% 5/1/12	100,000	112,030
Cincinnati Bell 7.00% 2/15/15	35,000	31,500
Citizens Communications		
6.25% 1/15/13	15,000	13,875
7.125% 3/15/19	55,000	47,163
Cricket Communications		
9.375% 11/1/14	39,000	38,610
#144A 7.75% 5/15/16	15,000	14,513
Crown Castle International 9.00% 1/15/15	40,000	40,900
Deutsche Telekom International Finance		
4.875% 7/8/14	75,000	75,569
5.25% 7/22/13	55,000	56,543
6.00% 7/8/19	75,000	75,809
#DigitalGlobe 144A 10.50% 5/1/14	10,000	10,400
Hughes Network Systems 9.50% 4/15/14	35,000	34,300
Inmarsat Finance 10.375% 11/15/12	30,000	31,200
Intelsat Jackson Holdings 11.25% 6/15/16	89,000	91,225
#Intelsat Subsidiary Holding 144A 8.875% 1/15/15	30,000	29,100
Lucent Technologies 6.45% 3/15/29	25,000	14,313
MetroPCS Wireless 9.25% 11/1/14	48,000	47,940
Nextel Communications 7.375% 8/1/15	50,000	40,125
#PAETEC Holding 144A 8.875% 6/30/17	20,000	18,900
Qwest		

**(Unaudited)**

7.50% 10/1/14	10,000	9,588
#144A 8.375% 5/1/16	30,000	29,100
Rogers Communications		
6.80% 8/15/18	50,000	53,693
8.00% 12/15/12	30,000	31,050
Sprint Capital 8.375% 3/15/12	50,000	49,500
Sprint Nextel 6.00% 12/1/16	55,000	45,238
Telecom Italia Capital		
4.00% 1/15/10	5,000	5,025
4.95% 9/30/14	120,000	115,007
5.25% 10/1/15	30,000	28,998
7.175% 6/18/19	35,000	35,542
7.721% 6/4/38	25,000	25,533
Telefonica Emisiones 4.949% 1/15/15	125,000	127,208
#Telesat Canada 144A		
11.00% 11/1/15	40,000	41,200
12.50% 11/1/17	20,000	19,800
Verizon Communications		
5.50% 2/15/18	115,000	114,401
6.10% 4/15/18	70,000	71,924
#Verizon Wireless Capital 144A 5.55% 2/1/14	55,000	58,448
Virgin Media Finance 8.75% 4/15/14	30,000	29,400
Vodafone Group		
5.00% 12/16/13	15,000	15,572
5.00% 9/15/15	55,000	55,298
5.375% 1/30/15	35,000	35,744
5.625% 2/27/17	15,000	15,259
Windstream 8.125% 8/1/13	50,000	48,625
		<u>1,978,854</u>
<i>Transportation – 0.44%</i>		
CSX		
5.75% 3/15/13	15,000	15,393
6.25% 3/15/18	30,000	30,307
7.375% 2/1/19	40,000	43,517
7.45% 4/1/38	60,000	65,168
7.90% 5/1/17	10,000	11,074
Delta Air Lines 7.92% 11/18/10	15,000	13,800
Kansas City Southern Railway 13.00% 12/15/13	30,000	33,150
		<u>212,409</u>
<i>Utilities – 1.54%</i>		
AES		
8.00% 10/15/17	40,000	37,400
8.00% 6/1/20	30,000	27,075
Ameren 8.875% 5/15/14	10,000	10,331
#Calpine Construction Finance 144A 8.00% 6/1/16	50,000	48,125
Commonwealth Edison 6.15% 9/15/17	27,000	28,095
Edison Mission Energy		
7.00% 5/15/17	35,000	27,038
7.20% 5/15/19	20,000	15,000
Illinois Power		
6.125% 11/15/17	40,000	38,925
9.75% 11/15/18	45,000	51,891
Indiana Michigan Power 7.00% 3/15/19	40,000	43,067
IPALCO Enterprises 8.625% 11/14/11	12,000	12,120
Jersey Central Power & Light 7.35% 2/1/19	60,000	66,077
#Kansas Gas & Electric 144A 6.70% 6/15/19	25,000	26,303
Mirant North America 7.375% 12/31/13	5,000	4,825
NRG Energy		
7.25% 2/1/14	20,000	19,450
7.375% 2/1/16	70,000	66,413
Pacificorp 5.25% 6/15/35	40,000	38,158
PPL Electric Utilities 7.125% 11/30/13	45,000	50,556
RRI Energy 6.75% 12/15/14	42,000	40,688
Sempra Energy 6.50% 6/1/16	60,000	62,717
Texas Competitive Electric Holdings 10.25% 11/1/15	62,000	38,905
		<u>753,159</u>
<b>Total Corporate Bonds (cost \$15,887,283)</b>		<b><u>17,051,060</u></b>

## (Unaudited)

### Foreign Agency – 0.16%Δ

Germany – 0.16%

KFW 4.875% 6/17/19

**Total Foreign Agency (cost \$74,777)**

75,000

77,868

**77,868**

### Municipal Bonds – 0.35%

California State 7.55% 4/1/39

•Puerto Rico Sales Tax Financing Revenue First Subordinate Series A 5.00% 8/1/39

**Total Municipal Bonds (cost \$182,803)**

130,000

119,206

50,000

50,610

**169,816**

### Non-Agency Asset-Backed Securities – 1.31%

Capital Auto Receivables Asset Trust Series 2007-3 A3A 5.02% 9/15/11

Caterpillar Financial Asset Trust Series 2008-A A3 4.94% 4/25/14

Chase Issuance Trust

Series 2005-A7 A7 4.55% 3/15/13

Series 2005-A10 A10 4.65% 12/17/12

CNH Equipment Trust

•Series 2007-A A4 0.36% 9/17/12

•Series 2007-B A3B 0.92% 10/17/11

Series 2008-A A4A 4.93% 8/15/14

•Countrywide Asset-Backed Certificates

@Series 2006-11 1AF3 6.05% 9/25/46

Series 2006-15 A3 5.689% 10/25/46

Daimler Chrysler Auto Trust Series 2008-B A3A 4.71% 9/10/12

•#Golden Credit Card Trust Series 2008-3 A 144A 1.32% 7/15/17

John Deere Owner Trust Series 2008-A A3 4.18% 6/15/12

**Total Non-Agency Asset-Backed Securities (cost \$628,673)**

66,080

67,287

90,000

90,024

35,000

36,175

35,000

36,142

19,363

18,781

55,067

55,012

90,000

88,414

20,000

8,915

20,000

8,650

45,000

46,086

100,000

95,063

90,000

91,309

**641,858**

### Non-Agency Collateralized Mortgage Obligations – 1.84%

Bank of America Alternative Loan Trust

Series 2004-2 1A1 6.00% 3/25/34

Series 2004-10 1CB1 6.00% 11/25/34

Series 2005-9 5A1 5.50% 10/25/20

Bank of America Funding Securities

Series 2005-8 1A1 5.50% 1/25/36

@•Series 2006-H 1A2 4.518% 9/20/46

Citicorp Mortgage Securities

Series 2006-4 3A1 5.50% 8/25/21

•Series 2007-AR8 1A3A 6.015% 8/25/37

◆Countrywide Home Loan Mortgage Pass Through Trust

Series 2005-23 A1 5.50% 11/25/35

@Series 2006-17 A5 6.00% 12/25/36

•First Horizon Asset Securities Series 2007-AR3 2A2 6.296% 11/25/37

@GSR Mortgage Loan Trust Series 2006-1F 5A2 6.00% 2/25/36

Lehman Mortgage Trust Series 2005-2 2A3 5.50% 12/25/35

•MLCC Mortgage Investors Series 2004-HB1 A1 0.645% 4/25/29

•Structured ARM Loan Trust Series 2004-3AC A2 3.982% 3/25/34

◆Washington Mutual Mortgage Pass Through Certificates

Series 2004-CB3 4A 6.00% 10/25/19

•Series 2006-AR10 1A1 5.928% 9/25/36

•Series 2006-AR14 1A4 5.603% 11/25/36

•Series 2007-HY1 1A1 5.687% 2/25/37

Wells Fargo Mortgage Backed Securities Trust

Series 2006-1 A3 5.00% 3/25/21

Series 2006-2 3A1 5.75% 3/25/36

•Series 2006-AR5 2A1 5.537% 4/25/36

•Series 2006-AR6 7A1 5.114% 3/25/36

•Series 2006-AR10 5A1 5.593% 7/25/36

•Series 2006-AR14 2A4 6.077% 10/25/36

**Total Non-Agency Collateralized Mortgage Obligations (cost \$839,974)**

8,236

2,413

2,039

140,126

6,711

127,033

33,491

29,545

2,890

653

56,195

49,258

175,437

90,711

52,602

40,619

12,419

10,906

19,574

11,862

18,705

9,256

116,059

106,456

211,141

108,279

43,911

35,701

10,859

9,865

15,127

9,733

34,691

20,261

41,484

23,153

5,781

5,230

43,270

30,384

15,362

9,969

177,673

134,137

16,416

10,434

56,991

15,898

**898,093**

### Sovereign Debt – 1.78%Δ

Brazil – 0.38%

Republic of Brazil 12.50% 1/5/16

BRL

324,000

184,434

**184,434**

Colombia – 0.30%



## (Unaudited)

KRW – South Korean Won  
MXN – Mexican Peso  
NOK – Norwegian Kroner  
NZD – New Zealand Dollar  
PLN – Polish Zloty  
SEK – Swedish Krona  
TRY – Turkish Lira  
USD – United States Dollar

ΦStep coupon bond. Coupon increases periodically based on a predetermined schedule. Stated rate in effect at June 30, 2009.

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

•Variable rate security. The rate shown is the rate as of June 30, 2009.

#Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. At June 30, 2009, the aggregate amount of Rule 144A securities was \$3,540,543, which represented 7.25% of the Portfolio's net assets. See Note 5 in "Notes."

@Illiquid security. At June 30, 2009, the aggregate amount of illiquid securities was \$344,766, which represented 0.71% of the Portfolio's net assets. See Note 5 in "Notes."

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

ΦStep coupon bond. Coupon increases periodically based on a predetermined schedule. Stated rate in effect at June 30, 2009.

†Non income producing security.

‡Non income producing security. Security is currently in default.

◆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.

§Developing Market – countries that are thought to be most developed and therefore less risky.

XEmerging Market – developing countries with relatively low per capita income, often with above-average economic growth potential.

### Summary of Abbreviations:

ADR – American Depositary Receipts

ARM – Adjustable Rate Mortgage

GDR – Global Depositary Receipts

NVDR – Non Voting Depositary Receipts

PIK – Pay-in-Kind

REMIC – Real Estate Mortgage Investment Conduit

S.F. – Single Family

TBA – To be announced

yr – year

The following foreign currency exchange contracts and financial futures contracts were outstanding at June 30, 2009:

### Foreign Currency Exchange Contracts<sup>1</sup>

<u>Contracts to Receive (Deliver)</u>	<u>In Exchange For</u>	<u>Settlement Date</u>	<u>Unrealized Appreciation (Depreciation)</u>
BRL 16,500	USD (8,552)	7/1/09	\$ (128)
BRL 246,850	USD (122,082)	8/31/09	3,942
CAD 48,811	USD (42,000)	7/31/09	(25)
CAD 241,201	USD (210,888)	7/31/09	(3,467)
GBP 100,811	USD (165,830)	7/31/09	(20)
HKD (11,892)	USD 1,534	7/3/09	-
KRW 68,563,000	USD (55,000)	7/31/09	(1,113)
NOK 2,240,286	USD (346,804)	7/31/09	1,138
NZD 180,425	USD (115,169)	7/31/09	887
PLN 435,091	USD (133,862)	7/31/09	2,873
SEK 1,433,753	USD (179,889)	7/31/09	5,895
TRY 177,041	USD (113,487)	7/31/09	478
			<u>\$10,460</u>

### Financial Futures Contracts<sup>1</sup>

<u>Contracts to Sell</u>	<u>Notional Cost</u>	<u>Notional Value</u>	<u>Expiration Date</u>	<u>Unrealized Appreciation</u>
18 U.S. Treasury 10 yr Notes	\$(2,088,322)	\$(2,092,781)	7/21/09	<u>\$(4,459)</u>

The use of foreign currency exchange contracts and financial futures contracts involves elements of market risk and risks in excess of the amount recognized in the financial statements. The notional values presented above represent 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.

<sup>1</sup>See Note 3 in "Notes."

## (Unaudited)

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### Notes

#### 1. Significant Accounting Policies

The following accounting policies are in accordance with U.S. generally accepted accounting principles and are consistently followed by Delaware Group<sup>®</sup> Foundation Funds – Delaware Conservative Allocation Portfolio (Portfolio).

**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. 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. 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 Portfolio'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 Portfolio 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 Portfolio 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 Portfolio 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 Portfolio 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 Portfolio evaluates tax positions taken or expected to be taken in the course of preparing the Portfolio 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. The Portfolio did not record any tax benefit or expense in the current period.

**Class Accounting** – Investment income, common expenses and realized and unrealized gain (loss) on investments are allocated to the various classes of the Portfolio 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 Portfolio may invest in a pooled cash account along with other members of the Delaware Investments<sup>®</sup> 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 Portfolio'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 June 30, 2009, the Portfolio 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 Portfolios isolate that portion of realized gains and losses on investments in debt securities, which is 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 Portfolio 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. generally accepted accounting principles requires management to make estimates and assumptions that 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 Portfolio are charged directly to the Portfolio. Other expenses common to various funds within the Delaware Investments<sup>®</sup> 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. Foreign dividends are also recorded on the ex-dividend date or as soon after the ex-dividend date that the Portfolio 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 Portfolio's understanding of the applicable country's tax rules and rates. The Portfolio declares dividends and pays dividends from net investment income and distributions from net realized gain on investments, if any, annually.

#### 2. Investments

At June 30, 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 June 30, 2009, the cost of investments and unrealized appreciation (depreciation) for the Portfolio were as follows:

## (Unaudited)

Cost of investments	<u>\$50,209,458</u>
Aggregate unrealized appreciation	2,292,059
Aggregate unrealized depreciation	<u>(2,025,385)</u>
Net unrealized appreciation	<u>\$ 266,674</u>

Effective October 1, 2008, the Portfolio adopted Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157). FAS 157 defines fair value as the price that the Portfolio 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. FAS 157 also establishes a framework for measuring fair value, and a three level hierarchy for fair value measurements 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 Portfolio'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

The following table summarizes the valuation of the Portfolio's investments by the FAS 157 fair value hierarchy levels as of June 30, 2009:

	Level 1	Level 2	Level 3	Total
Agency, Asset-Backed & Mortgage-Backed Securities	\$ -	\$ 6,417,106	\$ 95,063	\$ 6,512,169
Common Stock	14,638,885	4,144	-	14,643,029
Corporate Debt	-	18,690,406	145,725	18,836,131
Foreign Debt	-	1,371,048	115,944	1,486,992
Investment Companies	2,494,260	-	-	2,494,260
Municipal Bonds	-	169,816	-	169,816
U.S. Treasury Obligations	1,384,749	-	-	1,384,749
Short-Term	-	4,379,018	-	4,379,018
Other	<u>24,024</u>	<u>12,596</u>	<u>-</u>	<u>36,620</u>
Total	<u>\$18,541,918</u>	<u>\$31,044,134</u>	<u>\$356,732</u>	<u>\$49,942,784</u>
Derivatives	\$ -	\$ 6,001	\$ -	\$ 6,001

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	Corporate Debt	Foreign Debt
Balance as of 9/30/08	\$ -	\$ -	\$ -	\$ -
Net change in unrealized appreciation/depreciation	18,319	(3,750)	725	21,344
Net purchases, sales, and settlements	145,000	-	145,000	-
Net transfers in and/or out of Level 3	<u>193,413</u>	<u>98,813</u>	<u>-</u>	<u>94,600</u>
Balance as of 6/30/09	<u>\$356,732</u>	<u>\$95,063</u>	<u>\$145,725</u>	<u>\$115,944</u>
Net change in unrealized appreciation/depreciation from investments still held as of 6/30/09	\$ 18,319	\$(3,750)	\$ 725	\$ 21,344

### 3. Derivatives

**Foreign Currency Exchange Contracts** – The Portfolio may enter into foreign currency exchange contracts as a way of managing foreign exchange rate risk. The Portfolio 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 Portfolio 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 Portfolio could be exposed to risks if the counterparties to the contracts are unable to meet the terms of their contracts. The Portfolio'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 Portfolio and the counterparty and by the posting of collateral by the counterparty to the Portfolio to cover the Portfolio's exposure to the counterparty.

**Financial Futures Contracts** – The Portfolio may use futures in the normal course of pursuing its investment objectives. The Portfolio may invest in financial futures contracts to hedge its existing portfolio securities against fluctuations in fair value caused by changes in prevailing market interest rates. Upon entering into a financial

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futures contract, the Portfolio 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 Portfolio as unrealized gains or losses until the contracts are closed. When the contracts are closed, the Portfolio 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 Portfolio because futures are exchange traded and the exchange’s clearinghouse, as counterparty to all exchange traded futures, guarantees against default.

**Swap Contracts** – The Portfolio may enter into interest rate swap contracts, index swap contracts and CDS contracts in the normal course of pursuing its investment objectives. The Portfolio may use interest rate swaps to adjust the Portfolio’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 Portfolio invests in, such as the corporate bond market. The Portfolio may also use index swaps as a substitute for futures or options contracts if such contracts are not directly available to the Portfolio on favorable terms. The Portfolio 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 Portfolio 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 Portfolio 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 Portfolio’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 Portfolio’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 Portfolio and the counterparty and by the posting of collateral by the counterparty to the Portfolio to cover the Portfolio’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 Portfolio 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 Portfolio 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 Portfolio’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 Portfolio and the counterparty and by the posting of collateral by the counterparty to the Portfolio to cover the Portfolio’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 Portfolio 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 six months ended June 30, 2009, the Portfolio entered into CDS contracts as a purchaser of protection. Periodic payments on such contracts are accrued daily and recorded as unrealized losses (gains) on swap contracts. Upon payment, 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. For the six months ended June 30, 2009, the Portfolio did not enter into any CDS contracts as a seller of protection. There were no outstanding swap contracts at June 30, 2009.

Credit default swaps may involve greater risks than if the Portfolio had invested in the referenced obligation directly. Credit default swaps are subject to general market risk, liquidity risk, counterparty risk and credit risk. The Portfolio’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 Portfolio and the counterparty and by the posting of collateral by the counterparty to the Portfolio to cover the Portfolio’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 Portfolio 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.

#### **4. Securities Lending**

The Portfolio, 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 Mellon GSL DBT II Collateral Portfolio (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 invest in fixed income securities, with a weighted average maturity not to exceed 90 days, rated in one of the top three tiers by Standard & Poor’s Ratings Group (S&P) or Moody’s Investors Service, Inc. (Moody’s) or repurchase agreements collateralized by such securities. 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. At June 30, 2009, the Collective Trust held only cash and assets with a maturity of one business day or less (Cash/Overnight Assets). The Portfolio 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

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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 Portfolio may not receive an amount from the Collective Trust that is equal in amount to the collateral the Portfolio would be required to return to the borrower of the securities and the Portfolio would be required to make up for this shortfall. The Portfolio 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 Series, or at the discretion of the lending agent, replace the loaned securities. The Portfolio continues to record dividends or interest, as applicable, on the securities loaned and is subject to change in value of the securities loaned that may occur during the term of the loan. The Portfolio 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 Portfolio 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 Portfolio, the security lending agent and the borrower. The Portfolio records security lending income net of allocations to the security lending agent and the borrower. The Portfolio had no securities out on loan as of June 30, 2009.

### **5. Credit and Market Risk**

Some countries in which the Portfolio 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 Portfolio 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 Portfolio.

The Portfolio may invest in Real Estate Investment Trusts (REITs) and are subject to the risks associated with that industry. If the Portfolio 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 June 30, 2009. The Portfolio'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 Portfolio 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 Portfolio 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 Portfolio 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 Portfolio's yield to maturity. If the underlying mortgage assets experience greater than anticipated prepayments of principal, the Portfolio may fail to fully recoup its initial investment in these securities even if the securities are rated in the highest rating categories.

The Portfolio 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 Portfolio 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 Portfolio's Board has delegated to Delaware Management Company, a series of Delaware Management Business Trust, the day-to-day functions of determining whether individual securities are liquid for purposes of the Portfolio's limitation on investments in illiquid assets. The Portfolio 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 Portfolio's 15% limit on investments in illiquid securities. As of June 30, 2009, there were no Section 4(2) securities. Rule 144A and illiquid securities have been identified on the schedule of investments.

### **6. Subsequent Events – Purchase of Delaware Investments by Macquarie Group**

On August 19, 2009, Lincoln National Corporation and Macquarie Group ("Macquarie") entered into an agreement pursuant to which Delaware Investments, including Delaware Management Company (DMC), Delaware Distributors, L.P. (DDL), and Delaware Service Company (DSC), will be acquired by Macquarie, an Australia-based global provider of banking, financial, advisory, investment and funds management services (the "Transaction"). Upon completion of the Transaction, DMC, DDL and DSC will be wholly-owned subsidiaries of Macquarie.

The Transaction will result in a change of control of DMC which, in turn, will cause the termination of the investment advisory agreement between DMC and the Fund. As a result, a Special Meeting of Shareholders (the "Meeting") of the Fund will be scheduled for the purpose of asking shareholders to approve a new investment advisory agreement between DMC and the Fund (the "New Agreement"). If approved by shareholders, the New Agreement will take effect upon the closing of the Transaction, which is currently anticipated to occur in the fourth quarter of 2009. Shareholders of the Fund will receive proxy materials including more detailed information about the Meeting, the Transaction and the proposed New Agreement.

Effective June 30, 2009, the Fund adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 165, Subsequent Events (FAS 165). In accordance with FAS 165, management has evaluated whether any events or transactions occurred subsequent to June 30, 2009 through August 15, 2009, the date of issuance of the Fund's schedule of portfolio holdings, and determined that there were no other material events or transactions that would require recognition or

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disclosure in the Fund's schedule of portfolio holdings.

On August 19, 2009, the Board of Trustees of Delaware Group Foundation Funds approved changing the name of the Fund to Delaware Foundation Conservative Allocation Fund. The change will be effective October 19, 2009.