

Schedule of Investments (Unaudited)

Delaware Moderate Allocation Portfolio

June 30, 2009

	Number of Shares	Value (U.S. \$)
Common Stock – 46.38%		
<i>U.S. Markets – 28.48%</i>		
<i>Consumer Discretionary – 2.43%</i>		
†Aeropostale	2,065	\$70,768
American Eagle Outfitters	8,670	122,854
†Bally Technologies	3,200	95,744
†Buffalo Wild Wings	1,560	50,731
Burger King Holdings	8,370	144,550
Cablevision Systems Class A	200	3,882
†CEC Entertainment	1,575	46,431
†Citi Trends	1,860	48,137
CKE Restaurants	8,850	75,048
DeVry	1,960	98,078
†DIRECTV Group	600	14,826
Gap	35,400	580,560
†G-III Apparel Group	2,400	27,576
Guess	630	16,241
†Gymboree	2,015	71,492
†Hibbett Sports	2,890	52,020
†Jack in the Box	4,385	98,443
†Jarden	8,930	167,438
†Jo-Ann Stores	2,230	46,094
†Lincoln Education Services	3,310	69,278
†Marvel Entertainment	3,020	107,482
Mattel	37,100	595,455
McDonald's	4,950	284,576
National CineMedia	3,800	52,288
NIKE Class B	13,090	677,800
†Papa John's International	2,245	55,654
Phillips-Van Heusen	1,870	53,650
Staples	30,400	613,168
Tanger Factory Outlet Centers	1,705	55,293
Time Warner Cable	5,440	172,285
†Tractor Supply	1,355	55,989
†Ulta Salon Cosmetics & Fragrance	9,210	102,415
†Urban Outfitters	7,240	151,099
†Viacom Class B	4,500	102,150
Weight Watchers International	14,500	373,665
†WMS Industries	1,520	<u>47,895</u>
		<u>5,401,055</u>
<i>Consumer Staples – 3.14%</i>		
Archer-Daniels-Midland	26,000	696,020
Bunge	2,700	162,675
Casey's General Stores	3,245	83,364
†Chattem	1,560	106,236
Colgate-Palmolive	2,630	186,046
CVS Caremark	27,260	868,775
Heinz (H.J.)	15,000	535,500
Kimberly-Clark	10,400	545,272
Kraft Foods Class A	23,100	585,354
Lance	1,305	30,185
PepsiCo	6,210	341,302
Philip Morris International	1,780	77,644
Procter & Gamble	20,350	1,039,884
Safeway	27,400	558,138
†Smart Balance	6,660	45,355
Smucker (J.M.)	2,670	129,922
†Susser Holdings	2,755	30,828
Walgreen	20,300	596,820

(Unaudited)

Wal-Mart Stores	7,400	<u>358,456</u>
		<u>6,977,776</u>
<i>Energy – 2.36%</i>		
Arch Coal	4,350	66,860
Berry Petroleum Class A	2,335	43,408
†Bristow Group	535	15,852
†Carrizo Oil & Gas	4,785	82,063
Chevron	12,430	823,487
ConocoPhillips	23,125	972,637
EOG Resources	11,490	780,400
EQT	3,820	133,356
†EXCO Resources	4,115	53,166
Exxon Mobil	10,860	759,223
Lufkin Industries	1,510	63,496
Marathon Oil	17,600	530,288
Massey Energy	3,130	61,160
†National Oilwell Varco	3,960	129,334
Occidental Petroleum	3,660	240,865
Penn Virginia	3,605	59,014
Schlumberger	5,050	273,256
St. Mary Land & Exploration	5,180	108,107
†Willbros Group	4,995	<u>62,487</u>
		<u>5,258,459</u>
<i>Financials – 3.37%</i>		
Alexandria Real Estate Equities	1,165	41,695
Allstate	22,200	541,680
Apollo Investment	9,020	54,120
Bank of New York Mellon	43,860	1,285,536
Berkley (W.R.)	4,470	95,971
Blackstone Group	2,000	21,080
Capital One Financial	5,200	113,776
@†Cardtronics	1,550	5,906
City Holding	2,215	67,247
CME Group	2,200	684,442
Dime Community Bancshares	7,240	65,956
EastGroup Properties	1,595	52,667
First Commonwealth Financial	5,100	32,334
First Niagara Financial Group	6,635	75,772
Goldman Sachs Group	1,870	275,713
Hanover Insurance Group	2,970	113,187
Harleysville Group	1,820	51,360
Home Properties	2,750	93,775
Host Hotels & Resorts	5,870	49,249
Independent Bank	2,930	57,721
†IntercontinentalExchange	7,400	845,376
JPMorgan Chase	11,790	402,157
†Nasdaq OMX Group	6,900	147,039
optionsXpress Holdings	4,785	74,311
PNC Financial Services Group	2,060	79,949
†ProAssurance	1,870	86,413
Prosperity Bancshares	2,030	60,555
Protective Life	4,361	49,890
Provident Finance	5,685	51,734
Prudential Financial	2,530	94,167
†RiskMetrics Group	3,555	62,781
RLI	1,475	66,080
Senior Housing Properties Trust	4,755	77,602
Simon Property Group	1,340	68,916
Smittown Bancorp	1,785	22,830
Sovran Self Storage	2,735	67,281
TCF Financial	3,945	52,745
†Texas Capital Bancshares	4,740	73,328
Travelers	18,410	755,546
Trustmark	3,570	68,972
U.S. Bancorp	7,330	131,354
Washington Federal	4,145	53,885
Webster Financial	3,360	27,048

(Unaudited)

Wells Fargo	11,920	<u>289,179</u>
		<u>7,488,325</u>
<i>Health Care – 4.85%</i>		
Abbott Laboratories	5,240	246,490
†Align Technology	4,815	51,039
†Alkermes	7,470	80,825
Allergan	15,200	723,216
†Alliance HealthCare Services	4,265	31,262
†Amgen	3,840	203,290
†AMN Healthcare Services	6,190	39,492
†Bio-Rad Laboratories Class A	980	73,970
Bristol-Myers Squibb	26,300	534,153
Cardinal Health	16,300	497,965
†Catalyst Health Solutions	3,200	79,808
†Celera	7,270	55,470
†Celgene	2,010	96,158
†Conmed	3,965	61,537
†CryoLife	4,665	25,844
†Dionex	1,605	97,953
†Express Scripts	3,410	234,438
†Gen-Probe	2,240	96,275
†Gilead Sciences	15,650	733,046
†Hologic	8,420	119,817
†Intuitive Surgical	1,100	180,026
Johnson & Johnson	17,430	990,024
†Medarex	11,865	99,073
†Medco Health Solutions	13,600	620,296
Medtronic	5,560	193,988
Merck	26,270	734,509
†Merit Medical	3,235	52,731
†Noven Pharmaceuticals	6,425	91,878
†Odyssey HealthCare	3,855	39,629
†ONYX Pharmaceuticals	3,065	86,617
†OSI Pharmaceuticals	2,210	62,388
Pfizer	35,000	525,000
†PharMerica	1,630	31,997
†Psychiatric Solutions	3,735	84,934
Quest Diagnostics	11,200	632,016
†Quidel	3,085	44,918
†Regeneron Pharmaceuticals	3,685	66,035
†Res-Care	3,855	55,127
†SonoSite	2,310	46,339
†Sun Healthcare Group	7,375	62,245
†Thermo Fisher Scientific	3,340	136,172
†United Therapeutics	835	69,581
UnitedHealth Group	32,430	810,101
†Vertex Pharmaceuticals	2,750	98,010
West Pharmaceutical Services	2,080	72,488
Wyeth	17,770	<u>806,580</u>
		<u>10,774,750</u>
<i>Industrials – 2.53%</i>		
AAON	4,355	86,752
Acuity Brands	2,410	67,601
Administaff	2,785	64,807
American Ecology	2,870	51,430
Applied Industrial Technologies	3,200	63,040
Barnes Group	3,180	37,810
†BWAY	385	6,749
†Chart Holding Industries	5,085	92,445
†Columbus McKinnon	4,355	55,091
†CRA International	1,870	51,911
Deere	2,400	95,880
†DynCorp International Class A	4,785	80,340
†ESCO Technologies	1,080	48,384
Expeditors International Washington	17,700	590,118
Fluor	3,070	157,460
†FTI Consulting	1,280	64,922

(Unaudited)

General Electric	18,810	220,453
Goodrich	4,170	208,375
†GrafTech International	8,755	99,019
Granite Construction	2,475	82,368
†Graphic Packaging Holding	2,394	4,381
Healthcare Services Group	3,965	70,894
Honeywell International	3,070	96,398
†Hub Group Class A	3,510	72,446
†Huron Consulting Group	1,200	55,476
†Kadant	3,200	36,128
†Kforce	7,830	64,754
Koppers Holdings	1,375	36,259
Lockheed Martin	1,130	91,135
McGrath RentCorp	3,260	62,136
Norfolk Southern	5,560	209,445
Northrop Grumman	10,900	497,912
Otter Tail	3,145	68,687
Republic Services	3,760	91,782
Rockwell Collins	2,510	104,742
Roper Industries	2,370	107,385
†Tetra Technologies	1,095	31,372
†Titan Machinery	2,945	37,372
Triumph Group	2,165	86,600
†Tutor Perini	2,410	41,838
United Parcel Service Class B	10,300	514,897
†United Stationers	2,200	76,736
United Technologies	5,180	269,153
†URS	1,410	69,823
Waste Management	21,400	<u>602,623</u>
		<u>5,625,329</u>
<i>Information Technology – 6.63%</i>		
†Adobe Systems	16,300	461,290
†Anixter International	2,700	101,493
†Apple	8,770	1,249,111
†Atheros Communications	2,385	45,887
†Blackboard	2,605	75,180
†Cisco Systems	17,910	333,842
†Digital River	2,165	78,633
†EMC	15,770	206,587
†FARO Technologies	3,995	62,042
†Google Class A	2,780	1,172,020
Hewlett-Packard	8,320	321,568
iGate	12,750	84,405
infoGROUP	11,360	64,866
†Informatica	3,995	68,674
Intel	59,970	992,504
International Business Machines	7,270	759,133
†Intuit	25,000	704,000
†IPG Photonics	5,325	58,415
IXYS	3,555	35,977
†J2 Global Communications	3,460	78,058
†JDA Software Group	5,670	84,823
†Lawson Software	17,740	98,989
†LogMein	940	15,040
MasterCard Class A	3,500	585,585
†McAfee	2,690	113,491
Microsoft	24,070	572,144
Motorola	85,800	568,854
†NetAPP	6,020	118,714
†NETGEAR	3,515	50,651
NIC	4,980	33,715
†Nuance Communications	7,190	86,927
†Progress Software	3,685	78,011
QUALCOMM	28,300	1,279,160
Quality Systems	1,560	88,858
†Radiant Systems	3,815	31,665
†Rofin-Sinar Technologies	2,790	55,828

(Unaudited)

†SanDisk	4,075	59,862
†Sapient	9,800	61,642
†SAVVIS	7,595	87,039
†Semtech	3,470	55,208
†SolarWinds	2,255	37,185
†Symantec	34,270	533,241
†Synaptics	2,715	104,935
†Tekelec	6,585	110,826
†TeleTech Holdings	5,115	77,492
†Teradata	26,000	609,180
United Online	10,440	67,964
†ValueClick	5,670	59,648
†VeriSign	25,700	474,936
†ViaSat	4,340	111,278
Visa Class A	13,900	865,414
†Vocus	3,540	69,950
Xerox	84,100	<u>544,968</u>
		<u>14,746,908</u>
<i>Materials – 1.07%</i>		
Alcoa	8,330	86,049
Compass Minerals International	1,255	68,912
duPont (E.I.) deNemours	25,360	649,723
Freeport-McMoRan Copper & Gold	2,550	127,781
Lubrizol	3,580	169,370
Monsanto	2,010	149,423
†Owens-Illinois	5,300	148,453
=π†PT Holdings	35	0
Praxair	6,800	483,276
Rock-Tenn Class A	2,785	106,276
†Rockwood Holdings	4,520	66,173
Schulman (.A.)	3,760	56,814
Silgan Holdings	1,840	90,215
United States Steel	4,750	<u>169,765</u>
		<u>2,372,230</u>
<i>Telecommunications – 1.10%</i>		
Alaska Communications Systems Group	10,225	74,847
AT&T	26,750	664,470
†Crown Castle International	24,500	588,490
†Knology	5,755	49,666
†MetroPCS Communications	7,190	95,699
NTELOS Holdings	3,835	70,641
Verizon Communications	29,440	<u>904,690</u>
		<u>2,448,503</u>
<i>Utilities – 1.00%</i>		
Black Hills	1,515	34,830
Cleco	5,130	115,015
Edison International	19,400	610,323
Exelon	3,290	168,481
FirstEnergy	2,570	99,588
Piedmont Natural Gas	2,310	55,694
PPL	5,510	181,610
Progress Energy	15,400	582,582
Sempra Energy	3,340	165,764
UIL Holdings	2,345	52,645
UNITIL	1,715	35,363
Wisconsin Energy	3,290	<u>133,936</u>
		<u>2,235,831</u>
Total U.S. Markets (cost \$61,486,250)		<u>63,329,166</u>
<i>§Developed Markets – 12.80%</i>		
<i>Consumer Discretionary – 2.21%</i>		
Bayerische Motoren Werke	15,229	573,053
Don Quijote	29,300	563,614
Esprit Holdings	94,516	527,467
PPR	6,626	540,432
Publicis Groupe	13,948	425,084
Round One	52,058	519,337

(Unaudited)

Techtronic Industries	609,500	422,330
Toyota Motor	13,689	521,526
Vivendi	23,419	559,517
WPP Group	38,408	<u>254,905</u>
		<u>4,907,265</u>
<i>Consumer Staples – 1.07%</i>		
Coca-Cola Amatil	80,446	557,748
First Pacific	269,978	155,022
@Greggs	72,320	443,691
Metro	11,407	544,583
Parmalat	277,359	<u>668,684</u>
		<u>2,369,728</u>
<i>Energy – 1.23%</i>		
BP	141,477	1,111,846
CNOOC ADR	500	61,515
†Nabors Industries	6,310	98,310
Tenaris ADR	2,650	71,656
Total	16,877	910,820
†Transocean	6,502	<u>483,034</u>
		<u>2,737,181</u>
<i>Financials – 1.26%</i>		
Aspen Insurance Holdings	8,045	179,725
AXA	24,782	465,393
Everest Re Group	1,480	105,924
IPC Holdings	2,625	71,768
Link REIT	16,500	35,215
Max Capital Group	4,490	82,885
Mitsubishi UFJ Financial Group	140,273	870,790
Nordea Bank	61,895	490,084
Standard Chartered	26,523	<u>497,325</u>
		<u>2,799,109</u>
<i>Health Care – 1.26%</i>		
AstraZeneca	12,404	545,042
†Eurand	7,180	93,340
Novartis	15,269	618,882
Novo Nordisk Class B	10,459	565,266
Novo Nordisk ADR	8,700	473,802
Sanofi-Aventis	8,671	<u>509,184</u>
		<u>2,805,516</u>
<i>Industrials – 2.20%</i>		
Asahi Glass	69,000	555,123
Cie de Saint-Gobain	10,450	349,182
Deutsche Post	58,191	753,694
Finmeccanica	38,340	539,332
†Flextronics International	1,100	4,521
IESI-BFC	4,210	49,047
Koninklijke Philips Electronics	28,939	532,704
Singapore Airlines	49,083	450,707
Teleperformance	23,310	708,441
Tomkins	208,496	508,400
Vallourec	3,632	<u>440,773</u>
		<u>4,891,924</u>
<i>Information Technology – 1.00%</i>		
Accenture Class A	3,520	117,779
Canon	14,200	465,815
†CGI Group Class A	112,028	995,976
Nokia	44,770	<u>655,527</u>
		<u>2,235,097</u>
<i>Materials – 1.09%</i>		
†Agrium	12,700	506,603
Alumina ADR	12,675	58,305
Anglo American	4,712	136,715
@Griffin Mining	6,400	3,974
Lafarge	11,335	767,047
Linde	6,430	525,483
Syngenta ADR	9,100	<u>423,332</u>
		<u>2,421,459</u>

(Unaudited)

Telecommunications – 1.22%

China Mobile ADR	12,325	617,236
China Unicom Hong Kong	22,000	29,126
China Unicom Hong Kong ADR	32,643	435,458
France Telecom	18,799	426,068
Philippine Long Distance Telephone ADR	200	9,944
Telstra	103,018	281,218
Telus	9,898	262,545
Vodafone Group	336,809	<u>649,546</u>

2,711,141

Utilities – 0.26%

National Grid	63,730	<u>573,906</u>
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573,906

Total Developed Markets (cost \$26,478,420)

28,452,326

XEmerging Markets – 5.10%

Consumer Discretionary – 0.24%

†Focus Media Holding ADR	22,850	184,171
†#Grupo Clarin Class B GDR 144A	700	2,581
Grupo Televisa ADR	15,500	263,500
JD Group	2,499	13,104
@Oriental Holdings	7,100	11,009
Sun International	1,059	10,480
†Turk Sise ve Cam Fabrikalari	13,455	11,002
Wal-Mart de Mexico Series V	9,488	<u>28,125</u>

523,972

Consumer Staples – 0.27%

†Cosan Class A	24,625	127,558
@Cresud ADR	5,450	51,394
Fomento Economico Mexicano ADR	4,425	142,662
Gudang Garam	26,000	31,967
Lotte Confectionery	244	191,403
President Chain Store	10,000	25,593
Tongaat Hulett	1,136	13,239
†Wimm-Bill-Dann Foods ADR	525	<u>28,849</u>

612,665

Energy – 0.65%

China Petroleum & Chemical ADR	2,400	182,064
China Shenhua Energy	8,000	29,471
Gazprom ADR	12,765	264,236
KazMunaiGas Exploration Production GDR	3,450	65,205
LUKOIL ADR	200	8,940
LUKOIL ADR (London International Exchange)	611	27,110
@Oil & Gas Development GDR	300	2,897
PetroChina	14,000	15,536
PetroChina ADR	1,400	154,672
Petroleo Brasileiro SA ADR	2,900	118,842
Petroleo Brasileiro SP ADR	1,800	60,048
Polski Koncern Naftowy Orlen	12,763	106,070
PTT Exploration & Production	8,319	33,208
#Reliance Industries GDR 144A	979	83,424
Rosenfet Oil GDR	4,323	24,150
Sasol	873	30,554
Sasol ADR	700	24,374
SK Energy	1,404	112,888
Surgutneftegaz ADR	6,017	41,818
Tambang Batubara Bukit Asam	49,991	<u>56,811</u>

1,442,318

Financials – 1.03%

†Alarko Gayrimenkul Yatirim Ortakligi	100	1,097
Banco Bradesco ADR	16,325	241,120
Bangkok Bank	36,000	118,345
†Bank Hapoalim	15,080	40,065
Bank Leumi Le-Israel	14,688	38,651
†Companhia Brasileira de Meios de Pagamento	7,200	61,937
Credicorp	1,050	61,110
†Grupo Financiero Galicia ADR	180,000	592,200

(Unaudited)

Hong Leong Bank	14,000	22,703
@Indiabulls Real Estate GDR	200	816
†@IRSA Inversiones y Representaciones GDR	11,575	55,444
Itau Unibanco Holding ADR	12,500	197,875
KB Financial Group ADR	11,125	370,574
KLCC Property Holdings	11,200	10,387
Sberbank	240,174	303,820
Standard Bank Group	6,860	78,880
Turkiye Is Bankasi Class C	33,232	97,909
†UEM Land Holdings	20,749	9,209
		<u>2,302,142</u>
<i>Health Care – 0.13%</i>		
Teva Pharmaceutical Industries ADR	6,075	299,741
		<u>299,741</u>
<i>Industrials – 0.11%</i>		
Alarko Holding	30,979	57,899
CJ	1,110	37,789
Evergreen Marine	54,000	26,869
†Gol Linhas Aereas Inteligentes ADR	3,850	21,830
Hyundai Elevator	141	7,311
Siam Cement NVDR	6,400	29,117
Sinotrans	16,000	3,634
SK Holdings	139	11,612
Walsin Lihwa	83,000	26,522
Yazicilar Holding Class A	2,877	12,602
		<u>235,185</u>
<i>Information Technology – 0.47%</i>		
Infosys Technologies ADR	1,925	70,802
†LDK Solar ADR	1,175	13,254
LG Display ADR	700	8,743
Samsung Electronics	1,702	790,386
†Sina	3,250	95,810
†SK Communications	593	4,438
Taiwan Semiconductor Manufacturing	14,000	23,305
United Microelectronics	46,000	15,399
United Microelectronics ADR	8,600	22,704
		<u>1,044,841</u>
<i>Materials – 0.65%</i>		
Aluminum Corporation of China ADR	1,400	32,676
ArcelorMittal South Africa	8,074	99,957
†Braskem ADR	19,875	146,280
†Cemex ADR	35,204	328,805
Cia de Minas Buenaventura ADR	2,750	66,083
Cia Siderurgica Nacional ADR	2,525	56,434
Formosa Chemicals & Fibre	15,000	22,550
Gold Fields ADR	6,675	80,434
Impala Platinum Holdings	1,398	30,890
Israel Chemicals	4,873	48,284
MMC Norilsk Nickel ADR	5,636	51,851
POSCO ADR	1,425	117,805
Usinas Siderurgicas de Minas Gerais	3,000	63,101
Vale ADR	14,925	263,128
†Votorantim Celulose e Papel ADR	2,800	29,988
		<u>1,438,266</u>
<i>Telecommunications – 1.12%</i>		
America Movil ADR	8,900	344,608
China Telecom	260,000	129,498
Chunghwa Telecom ADR	43,454	861,692
KT ADR	7,850	112,726
Mobile Telesystems ADR	675	24,928
SK Telecom ADR	33,025	500,329
Telkom	1,704	8,390
Telkom ADR	1,550	31,062
Tim Participacoes ADR	1,475	25,709
Turkcell Iletisim Hizmet	1,500	8,323
Turkcell Iletisim Hizmet ADR	10,650	147,609
†Vodacom Group	40,220	298,235

(Unaudited)

		<u>2,493,109</u>
<i>Utilities – 0.43%</i>		
AES Tiete	10,465	98,519
Centrais Eletricas Brasileiras	19,800	288,092
Cia Energetica de Minas Gerais ADR	1,375	18,480
Energias do Brasil	7,500	101,736
Huaneng Power International ADR	9,525	267,367
Korea Electric Power ADR	14,675	168,763
Tanjong	3,300	<u>12,486</u>
		<u>955,443</u>
Total Emerging Markets (cost \$10,516,011)		<u>11,347,682</u>
Total Common Stock (cost \$98,480,681)		<u>103,129,174</u>

Convertible Preferred Stock – 0.32%

Banking, Finance & Insurance – 0.06%

Nationwide Health Properties 7.75% exercise price \$22.25, expiration date 12/31/49	1,050	<u>129,124</u>
		<u>129,124</u>

Basic Materials – 0.07%

Freeport-McMoRan Copper & Gold 6.75% exercise price \$73.24, expiration date 5/1/10	2,000	<u>159,500</u>
		<u>159,500</u>

Energy – 0.02%

Whiting Petroleum 6.25% exercise price \$43.42, expiration date 12/31/49	500	<u>49,320</u>
		<u>49,320</u>

Health Care & Pharmaceuticals – 0.10%

Inverness Medical Innovations Series B 3.00% exercise price \$69.32, expiration date 12/31/49	187	41,682
Mylan 6.50% exercise price \$17.08, expiration date 11/15/10	130	111,981
Schering-Plough 6.00% exercise price \$33.69, expiration date 8/13/10	300	<u>68,044</u>
		<u>221,707</u>

Telecommunications – 0.07%

Crown Castle International 6.25% exercise price \$36.88, expiration date 8/15/12	3,000	<u>143,063</u>
		<u>143,063</u>

Total Convertible Preferred Stock (cost \$546,874)

702,714

Exchange Traded Funds – 8.29%

iShares FTSE/Xinhua China 25 I	11,425	438,377
iShares MSCI EAFE Growth Index	374,200	17,284,298
iShares MSCI Emerging Markets Index	22,225	<u>716,312</u>
Total Exchange Traded Funds (cost \$17,934,870)		<u>18,438,987</u>

Principal Amount^o

Agency Asset-Backed Securities – 0.04%

Fannie Mae Grantor Trust Series 2003-T4 2A5 5.407% 9/26/33	USD	71,703	55,432
*Fannie Mae Whole Loan Series 2002-W11 AV1 0.649% 11/25/32		24,845	<u>24,514</u>
Total Agency Asset-Backed Securities (cost \$95,977)			<u>79,946</u>

Agency Collateralized Mortgage Obligations – 1.33%

*Fannie Mae ACES Series 2006-M2 A2F 5.259% 5/25/20	230,000	238,552
Fannie Mae Grantor Trust Series 2001-T8 A2 9.50% 7/25/41	65,072	70,864
Fannie Mae REMICS		
Series 1996-46 ZA 7.50% 11/25/26	80,209	86,609
Series 2003-32 PH 5.50% 3/25/32	120,000	125,156
Series 2003-122 aj 4.50% 2/25/28	73,325	74,819
Fannie Mae Whole Loan		
Series 2004-W9 2A1 6.50% 2/25/44	113,398	120,751
Series 2004-W11 1A2 6.50% 5/25/44	123,956	133,233
Freddie Mac REMICS		
Series 1730 Z 7.00% 5/15/24	64,814	67,149
Series 2512 PG 5.50% 10/15/22	180,000	187,304
Series 2557 WE 5.00% 1/15/18	220,000	234,083
Series 2662 MA 4.50% 10/15/31	133,496	136,243
Series 2694 QG 4.50% 1/15/29	225,000	232,019
Series 2872 GC 5.00% 11/15/29	200,000	209,774
Series 2890 PC 5.00% 7/15/30	380,000	398,643
Series 3022 MB 5.00% 12/15/28	165,000	171,768
Series 3131 MC 5.50% 4/15/33	145,000	151,657
Series 3337 PB 5.50% 7/15/30	170,000	176,112

(Unaudited)

◆Freddie Mac Structured Pass Through Securities Series T-58 2A 6.50% 9/25/43	139,135	147,831
Total Agency Collateralized Mortgage Obligations (cost \$2,846,480)		<u>2,962,567</u>
Agency Mortgage-Backed Securities – 2.36%		
Fannie Mae 6.50% 8/1/17	76,830	81,366
Fannie Mae Relocation 30 yr		
5.00% 11/1/33	77,668	78,612
5.00% 1/1/34	134,904	136,543
5.00% 1/1/36	69,711	70,558
Fannie Mae S.F. 15 yr		
5.00% 9/1/18	85,881	89,929
5.50% 6/1/22	53,186	55,734
Fannie Mae S.F. 30 yr		
4.50% 6/1/38	108,717	108,642
5.00% 12/1/36	362,157	370,009
5.00% 12/1/37	104,244	106,309
5.00% 2/1/38	79,166	80,729
6.50% 9/1/36	37,420	39,917
6.50% 11/1/37	359,824	383,725
6.50% 8/1/38	415,028	442,573
7.50% 6/1/31	49,247	53,766
Fannie Mae S.F. 30 yr TBA 4.50% 7/1/39	2,070,000	2,065,470
•Freddie Mac ARM		
5.164% 4/1/34	23,015	23,697
5.677% 7/1/36	104,883	109,697
Freddie Mac Relocation 30 yr 5.00% 9/1/33	404,645	409,054
Freddie Mac S.F. 15 yr		
4.00% 2/1/14	166,425	169,460
5.00% 6/1/18	101,621	105,647
Freddie Mac S.F. 30 yr 7.00% 11/1/33	60,709	65,788
Freddie Mac S.F. 30 yr TBA 4.00% 7/1/39	175,000	169,613
GNMA I S.F. 30 yr 7.50% 9/15/31	19,468	21,315
Total Agency Mortgage-Backed Securities (cost \$5,127,226)		<u>5,238,153</u>
Commercial Mortgage-Backed Securities – 2.18%		
#American Tower Trust 144A		
Series 2007-1A AFX 5.42% 4/15/37	100,000	91,000
Series 2007-1A D 5.957% 4/15/37	60,000	52,500
Bank of America Commercial Mortgage Securities		
•Series 2004-3 A5 5.389% 6/10/39	155,000	139,842
Series 2004-4 A4 4.502% 7/10/42	175,000	165,368
•Series 2005-6 AM 5.179% 9/10/47	100,000	62,000
Series 2006-4 A4 5.634% 7/10/46	135,000	106,527
•Series 2007-3 A4 5.658% 6/10/49	100,000	70,765
•Series 2007-4 AM 5.812% 2/10/51	130,000	64,883
Bear Stearns Commercial Mortgage Securities		
•Series 2004-PWR4 A3 5.468% 6/11/41	70,000	63,544
•Series 2005-PW10 A4 5.405% 12/11/40	130,000	115,647
•Series 2006-PW12 A4 5.719% 9/11/38	55,000	47,832
Series 2007-PW15 A4 5.331% 2/11/44	155,000	125,442
•Series 2007-PW16 A4 5.717% 6/11/40	150,000	123,102
•Series 2007-T28 A4 5.742% 9/11/42	235,000	193,923
◆Commercial Mortgage Pass Through Certificates		
•#Series 2001-J1A A2 144A 6.457% 2/16/34	152,070	154,647
•Series 2005-C6 A5A 5.116% 6/10/44	185,000	150,725
Series 2006-C7 A2 5.69% 6/10/46	140,000	131,788
•Credit Suisse Mortgage Capital Certificates Series 2006-C1 AAB 5.551% 2/15/39	75,000	67,634
#Crown Castle Towers Series 2005-1A C 144A 5.074% 6/15/35	140,000	138,600
First Union National Bank-Bank of America Commercial Mortgage Trust Series 2001-C1 C 6.403% 3/15/33	60,000	55,194
Goldman Sachs Mortgage Securities II		
Series 2004-GG2 A3 4.602% 8/10/38	104,022	103,889
•Series 2004-GG2 A5 5.279% 8/10/38	175,000	161,253
•Series 2004-GG2 A6 5.396% 8/10/38	100,000	89,153
Series 2005-GG4 A4 4.761% 7/10/39	160,000	123,339
Series 2005-GG4 A4A 4.751% 7/10/39	220,000	186,771
@•Series 2006-RR3 A1S 144A 5.66% 7/18/56	145,000	27,550
•Series 2007-GG10 A4 5.805% 8/10/45	65,000	49,119
Greenwich Capital Commercial Funding		

(Unaudited)

Series 2004-GG1 A4 4.755% 6/10/36	60,000	60,241
•Series 2004-GG1 A7 5.317% 6/10/36	70,000	64,674
JPMorgan Chase Commercial Mortgage Securities		
Series 2002-C1 A3 5.376% 7/12/37	215,000	213,003
Series 2003-C1 A2 4.985% 1/12/37	162,000	151,191
•Series 2005-LDP5 A4 5.179% 12/15/44	140,000	118,355
Series 2006-LDP9 A2 5.134% 5/15/47	15,000	12,414
LB-UBS Commercial Mortgage Trust		
Series 2001-C2 A1 6.27% 6/15/20	8,335	8,397
Series 2002-C1 A4 6.462% 3/15/31	170,000	176,520
•Merrill Lynch Mortgage Trust Series 2006-C1 ASB 5.656% 5/12/39	255,000	233,292
•Morgan Stanley Capital I		
Series 2004-T15 A4 5.27% 6/11/41	145,000	130,811
Series 2007-IQ14 A4 5.692% 4/15/49	175,000	127,561
Series 2007-T27 A4 5.65% 6/13/42	305,000	255,915
#SBA Commercial Mortgage Securities Trust Series 2006-1A B 144A 5.451% 11/15/36	195,000	176,067
Wachovia Bank Commercial Mortgage Trust		
•Series 2005-C20 A5 5.087% 7/15/42	105,000	96,708
Series 2006-C28 A2 5.50% 10/15/48	165,000	159,367
Total Commercial Mortgage-Backed Securities (cost \$5,261,507)		<u>4,846,553</u>

Convertible Bonds – 1.15%

Banking, Finance & Insurance – 0.11%

National City 4.00% exercise price \$482.51, expiration date 2/1/11	110,000	108,625
#SVB Financial Group 144A 3.875% exercise price \$53.04, expiration date 4/15/11	155,000	139,888
		<u>248,513</u>

Basic Materials – 0.08%

#Sino-Forest 144A 5.00% exercise price \$20.29, expiration date 8/1/13	85,000	70,550
Rayonier TRS Holdings 3.75% exercise price \$54.82, expiration date 10/15/12	105,000	100,800
		<u>171,350</u>

Building & Materials – 0.01%

Beazer Homes USA 4.625% exercise price \$49.64, expiration date 6/15/24	45,000	27,113
		<u>27,113</u>

Electronics & Electrical Equipment – 0.05%

Flextronics International 1.00% exercise price \$15.53, expiration date 8/1/10	110,000	104,363
		<u>104,363</u>

Energy – 0.11%

Chesapeake Energy 2.25% exercise price \$85.89, expiration date 12/15/38	220,000	136,125
Transocean 1.50% 12/15/37 exercise price \$168.61, expiration date 12/15/37	120,000	110,550
		<u>246,675</u>

Health Care & Pharmaceuticals – 0.17%

Hologic 2.00% 12/15/37 exercise price \$38.59, expiration date 12/15/37	145,000	103,675
Medtronic 1.625% exercise price \$55.41, expiration date 4/15/13	200,000	185,249
•Wyeth 0.965% exercise price \$60.09, expiration date 1/15/24	88,000	88,273
		<u>377,197</u>

Leisure, Lodging & Entertainment – 0.02%

#International Game Technology 144A 3.25% exercise price \$19.97, expiration date 5/1/14	40,000	43,250
		<u>43,250</u>

Real Estate – 0.15%

#Digital Realty Trust 144A 5.00% exercise price \$43.00, expiration date 4/15/29	130,000	128,538
#Host Hotels & Resorts 144A 3.25% exercise price \$16.00, expiration date 3/15/24	125,000	121,406
ProLogis 2.25% exercise price \$59.75 expiration date 4/1/37	95,000	76,475
		<u>326,419</u>

Telecommunications – 0.38%

Alaska Communications Systems Group 5.75% exercise price \$12.90, expiration date 3/1/13	139,000	112,590
Interpublic Group 4.25% exercise price \$12.42, expiration date 3/15/23	50,000	44,625
NII Holdings 3.125% exercise price \$118.32, expiration date 6/15/12	215,000	166,356
Qwest Communications International 3.50% exercise price \$5.23, expiration date 11/15/25	145,000	143,550
#SBA Communications 144A 4.00% exercise price \$30.38, expiration date 10/1/14	125,000	126,250
#Virgin Media 144A 6.50% exercise price \$19.22, expiration date 11/15/16	340,000	265,199
		<u>858,570</u>

Transportation – 0.07%

Bristow Group 3.00% exercise price \$77.34, expiration date 6/15/38	210,000	150,413
		<u>150,413</u>

Total Convertible Bonds (cost \$2,372,180)

2,553,863

(Unaudited)

Corporate Bonds– 23.95%

Banking – 3.65%

•BAC Capital Trust XIV 5.63% 12/31/49	132,000	66,034
Bank of America		
5.125% 11/15/14	135,000	127,067
5.30% 3/15/17	220,000	186,941
5.65% 5/1/18	75,000	66,383
Barclays Bank		
6.75% 5/22/19	365,000	362,641
#144A 6.05% 12/4/17	150,000	130,280
BB&T		
4.90% 6/30/17	220,000	195,880
6.85% 4/30/19	440,000	458,401
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	20,000	17,725
7.375% 5/23/14	125,000	129,029
Citigroup		
6.125% 5/15/18	170,000	148,936
6.50% 8/19/13	600,000	583,344
8.50% 5/22/19	150,000	152,839
Credit Suisse New York 5.50% 5/1/14	400,000	416,014
GMAC		
6.625% 5/15/12	5,000	4,073
6.875% 8/28/12	10,000	8,155
#144A 6.00% 12/15/11	15,000	12,975
#144A 6.625% 5/15/12	356,000	300,820
#144A 6.875% 9/15/11	124,000	109,740
#144A 6.875% 8/28/12	45,000	38,025
JPMorgan Chase 6.30% 4/23/19	480,000	483,671
JPMorgan Chase Capital XXV 6.80% 10/1/37	550,000	474,351
Morgan Stanley		
5.30% 3/1/13	85,000	86,165
5.375% 10/15/15	290,000	284,530
6.25% 8/28/17	450,000	436,096
PNC Funding		
5.25% 11/15/15	310,000	295,151
5.625% 2/1/17	330,000	306,295
@Popular North America Capital Trust I 6.564% 9/15/34	160,000	85,518
•#Rabobank Nederland 144A 11.00% 12/29/49	410,000	457,281
#Russian Agricultural Bank 144A 9.00% 6/11/14	138,000	140,070
U.S. Bank North America 4.80% 4/15/15	87,000	85,577
•USB Capital IX 6.189% 4/15/49	615,000	415,279
VTB Capital		
#144A 6.875% 5/29/18	180,000	162,900
6.875% 5/29/18	100,000	92,000
Wachovia 5.75% 6/15/17	55,000	54,346
•Wells Fargo Capital XIII 7.70% 12/29/49	755,000	627,130
Zions Bancorp		
5.50% 11/16/15	75,000	54,052
6.00% 9/15/15	80,000	<u>57,268</u>
		<u>8,120,754</u>
Basic Industry – 1.56%		
ArcelorMittal		
6.125% 6/1/18	415,000	363,722
9.85% 6/1/19	105,000	113,499
California Steel Industries 6.125% 3/15/14	27,000	22,950
#Compass Minerals International 144A 8.00% 6/1/19	80,000	79,700
Domtar 7.125% 8/15/15	50,000	42,000
Dow Chemical 8.55% 5/15/19	380,000	381,302
Freeport-McMoRan Copper & Gold		
8.25% 4/1/15	20,000	20,223
8.375% 4/1/17	190,000	191,694
Georgia-Pacific		
7.70% 6/15/15	3,000	2,820
8.875% 5/15/31	5,000	4,350

(Unaudited)

#144A 7.00% 1/15/15	90,000	84,600
#144A 8.25% 5/1/16	45,000	43,875
#GTL Trade Finance 144A 7.25% 10/20/17	173,000	164,350
Huntsman International		
7.375% 1/1/15	155,000	122,450
7.875% 11/15/14	25,000	19,938
Innophos 8.875% 8/15/14	185,000	170,200
@#Innophos Holding 144A 9.50% 4/15/12	5,000	4,400
Lubrizol 8.875% 2/1/19	320,000	372,379
#MacDermid 144A 9.50% 4/15/17	15,000	11,025
Nalco		
8.875% 11/15/13	40,000	41,000
#144A 8.25% 5/15/17	125,000	126,250
•Noranda Aluminum Acquisition PIK 5.413% 5/15/15	35,184	19,571
Norske Skog Canada 8.625% 6/15/11	55,000	33,275
@#Potlatch 12.50% 12/1/09	25,000	25,791
Reliance Steel & Aluminum 6.85% 11/15/36	210,000	120,611
Rockwood Specialties Group 7.50% 11/15/14	90,000	85,050
•Ryerson 8.403% 11/1/14	5,000	3,663
@#Sappi Papier Holding 144A 6.75% 6/15/12	110,000	73,788
Southern Copper 7.50% 7/27/35	187,000	169,529
Steel Dynamics		
6.75% 4/1/15	50,000	44,750
#144A 8.25% 4/15/16	35,000	33,163
#Teck Resources 144A		
10.25% 5/15/16	25,000	26,220
10.75% 5/15/19	135,000	145,349
US Steel 7.00% 2/1/18	30,000	26,102
@#Vale Overseas 6.875% 11/21/36	194,000	184,689
#Vedanta Resources 144A 9.50% 7/18/18	100,000	83,500
		<u>3,457,778</u>
<i>Brokerage – 0.77%</i>		
Goldman Sachs Group		
5.25% 10/15/13	95,000	97,049
5.95% 1/18/18	213,000	206,941
6.15% 4/1/18	445,000	433,962
6.75% 10/1/37	180,000	160,488
7.50% 2/15/19	150,000	160,893
Jefferies Group		
6.25% 1/15/36	55,000	38,041
6.45% 6/8/27	230,000	169,579
8.50% 7/15/19	60,000	59,617
LaBranche 11.00% 5/15/12	225,000	206,156
Lazard Group		
6.85% 6/15/17	173,000	159,163
7.125% 5/15/15	32,000	29,434
		<u>1,721,323</u>
<i>Capital Goods – 1.09%</i>		
Allied Waste North America		
6.875% 6/1/17	30,000	29,745
7.125% 5/15/16	120,000	120,762
Anixter 10.00% 3/15/14	24,000	24,000
Associated Materials 9.75% 4/15/12	35,000	30,800
#BAE Systems Holdings 144A		
4.95% 6/1/14	40,000	40,249
6.375% 6/1/19	175,000	179,246
Browning-Ferris Industries 7.40% 9/15/35	265,000	248,835
Building Materials 7.75% 8/1/14	70,000	62,650
#BWAY 144A 10.00% 4/15/14	50,000	50,125
Casella Waste Systems 9.75% 2/1/13	97,000	87,785
Celestica 7.625% 7/1/13	40,000	39,200
Crown Americas Capital 7.625% 11/15/13	90,000	88,200
#Crown Americas Capital II 144A 7.625% 5/15/17	65,000	63,050
Flextronics International 6.25% 11/15/14	45,000	42,300
Graham Packaging Capital 9.875% 10/15/14	175,000	163,625
Graphic Packaging International		
8.50% 8/15/11	61,000	60,695

(Unaudited)

9.50% 8/15/13	85,000	81,600
#144A 9.50% 6/15/17	35,000	34,650
@Intertape Polymer 8.50% 8/1/14	5,000	2,231
L-3 Communications 6.125% 7/15/13	40,000	37,900
Moog 7.25% 6/15/18	5,000	4,700
#Owens-Brockway Glass Container 144A 7.375% 5/15/16	25,000	24,375
Owens Corning 6.50% 12/1/16	40,000	35,112
#Plastipak Holdings 144A 8.50% 12/15/15	60,000	54,075
Pregis 12.375% 10/15/13	10,000	7,500
RBS Global/Rexnord 11.75% 8/1/16	45,000	33,413
Rock-Tenn		
9.25% 3/15/16	5,000	5,113
#144A 9.25% 3/15/16	50,000	51,125
Sanmina-SCI 8.125% 3/1/16	37,000	27,149
#Sealed Air 144A 7.875% 6/15/17	30,000	29,776
Solo Cup 8.50% 2/15/14	70,000	57,750
Thermadyne Holdings 10.00% 2/1/14	55,000	36,919
Tyco International Finance 8.50% 1/15/19	310,000	344,292
USG 6.30% 11/15/16	60,000	44,700
Waste Management		
7.375% 8/1/10	40,000	41,693
7.375% 3/11/19	15,000	16,102
WMX Technologies 7.10% 8/1/26	135,000	<u>127,513</u>
		<u>2,428,955</u>
<i>Consumer Cyclical – 2.07%</i>		
#Allison Transmission 144A 11.00% 11/1/15	75,000	59,625
Beazer Homes USA 8.625% 5/15/11	25,000	17,125
Carrols 9.00% 1/15/13	30,000	28,275
CVS Caremark 4.875% 9/15/14	155,000	157,495
#♦CVS Pass-Through Trust 144A 8.353% 7/10/31	405,000	407,024
Delta Air Lines		
7.711% 9/18/11	30,000	25,200
7.92% 11/18/10	50,000	46,000
Denny's Holdings 10.00% 10/1/12	35,000	34,125
Dollar General PIK 11.875% 7/15/17	45,000	48,825
Ford Motor Credit		
7.25% 10/25/11	225,000	194,709
7.375% 10/28/09	175,000	173,513
7.375% 2/1/11	20,000	18,112
8.625% 11/1/10	70,000	65,814
9.875% 8/10/11	40,000	37,019
Gaylord Entertainment		
6.75% 11/15/14	60,000	45,150
8.00% 11/15/13	53,000	45,448
Global Cash Access 8.75% 3/15/12	70,000	65,100
Goodyear Tire & Rubber		
7.857% 8/15/11	20,000	19,600
9.00% 7/1/15	30,000	29,850
10.50% 5/15/16	125,000	126,875
#Harras Operating Escrow 144A 11.25% 6/1/17	235,000	223,250
#Interface 144A 11.375% 11/1/13	10,000	10,400
#Invista 144A 9.25% 5/1/12	55,000	52,113
#Landry's Restaurants 144A 14.00% 8/15/11	40,000	38,200
Levi Strauss 9.75% 1/15/15	150,000	148,125
Macy's Retail Holdings		
6.65% 7/15/24	185,000	122,764
8.875% 7/15/15	115,000	111,414
10.625% 11/1/10	32,000	32,632
Meritage Homes		
6.25% 3/15/15	5,000	3,950
7.00% 5/1/14	70,000	57,750
MGM MIRAGE		
7.50% 6/1/16	60,000	39,225
7.625% 1/15/17	70,000	45,675
#144A 11.125% 11/15/17	100,000	106,500
#144A13.00% 11/15/13	135,000	148,500
M/I Homes 6.875% 4/1/12	35,000	28,175

(Unaudited)

Mobile Mini 6.875% 5/1/15	42,000	35,175
Mohawk Industries 6.625% 1/15/16	30,000	26,691
New Albertsons 7.25% 5/1/13	10,000	9,650
Nordstrom		
6.75% 6/1/14	220,000	228,929
7.00% 1/15/38	40,000	35,880
OSI Restaurant Partners 10.00% 6/15/15	38,000	26,125
Pinnacle Entertainment 7.50% 6/15/15	125,000	107,500
@#Pokagon Gaming Authority 144A 10.375% 6/15/14	7,000	6,895
Ryland Group 8.40% 5/15/17	210,000	202,650
Sally Holdings 10.50% 11/15/16	125,000	124,375
#Sealy Mattress 144A 10.875% 4/15/16	20,000	21,050
#Shingle Springs Tribal Gaming Authority 144A 9.375% 6/15/15	60,000	36,300
#Speedway Motorsports 144A 8.75% 6/1/16	65,000	66,138
Target		
4.00% 6/15/13	10,000	9,927
5.125% 1/15/13	150,000	159,017
6.50% 10/15/37	100,000	101,484
7.00% 1/15/38	200,000	213,850
Toys R Us 7.625% 8/1/11	80,000	74,400
VF 6.45% 11/1/37	110,000	104,714
Wynn Las Vegas 6.625% 12/1/14	90,000	79,650
Yum Brands 6.875% 11/15/37	115,000	<u>116,282</u>
		<u>4,600,239</u>
<i>Consumer Non-Cyclical – 2.41%</i>		
Alliance Imaging 7.25% 12/15/12	50,000	48,750
Alliance One International		
11.00% 5/15/12	25,000	26,250
#144A 10.00% 7/15/16	90,000	85,725
#Anheuser-Busch InBev Worldwide 144A		
7.75% 1/15/19	285,000	312,223
8.20% 1/15/39	305,000	340,679
Bausch & Lomb 9.875% 11/1/15	34,000	32,640
Beckman Coulter		
6.00% 6/1/15	240,000	251,752
7.00% 6/1/19	65,000	68,822
#Bio-Rad Laboratories 144A 8.00% 9/15/16	45,000	44,663
ConAgra Foods 5.875% 4/15/14	275,000	291,851
Constellation Brands		
7.25% 9/1/16	65,000	60,450
8.125% 1/15/12	24,000	24,120
Cornell 10.75% 7/1/12	27,000	26,865
Cott Beverages USA 8.00% 12/15/11	32,000	29,920
Delhaize America 9.00% 4/15/31	331,000	402,874
Delhaize Group		
5.875% 2/1/14	60,000	61,663
6.50% 6/15/17	107,000	109,434
#Dole Food 144A 13.875% 3/15/14	55,000	60,775
Dr Pepper Snapple Group 6.12% 5/1/13	65,000	67,348
Elan Finance 7.75% 11/15/11	5,000	4,650
Express Scripts		
6.25% 6/15/14	340,000	360,138
7.25% 6/15/19	100,000	110,473
Hospira 6.40% 5/15/15	225,000	237,137
#Ingles Markets 144A 8.875% 5/15/17	45,000	44,438
Inverness Medical Innovations 9.00% 5/15/16	105,000	101,850
Jarden		
7.50% 5/1/17	20,000	17,600
8.00% 5/1/16	95,000	90,963
#JBS USA Finance 144A 11.625% 5/1/14	77,000	73,150
JohnsonDiversey Holdings 10.67% 5/15/13	35,000	29,575
Kroger		
6.80% 12/15/18	45,000	48,251
7.50% 1/15/14	235,000	263,213
LVB Acquisition		
11.625% 10/15/17	60,000	59,100
PIK 10.375% 10/15/17	50,000	48,625

(Unaudited)

McKesson		
6.50% 2/15/14	10,000	10,680
7.50% 2/15/19	335,000	377,919
Medco Health Solutions 7.125% 3/15/18	230,000	242,601
#M-Foods Holdings 144A 9.75% 10/1/13	25,000	24,188
National Beef Packing 10.50% 8/1/11	5,000	4,925
Psychiatric Solutions		
7.75% 7/15/15	25,000	23,000
#144A 7.75% 7/15/15	105,000	96,600
Quest Diagnostics		
5.45% 11/1/15	450,000	436,720
6.40% 7/1/17	20,000	20,444
@#Seminole Indian Tribe of Florida 144A		
7.80% 10/1/20	5,000	4,219
8.03% 10/1/20	5,000	4,090
Smithfield Foods		
7.75% 5/15/13	35,000	28,875
#144A 10.00% 7/15/14	95,000	94,288
Supervalu 8.00% 5/1/16	45,000	43,875
Tyson Foods		
7.85% 4/1/16	10,000	9,693
#144A 10.50% 3/1/14	55,000	59,950
Universal Hospital Services PIK 8.50% 6/1/15	33,000	31,268
		<u>5,349,302</u>
<i>Energy – 3.01%</i>		
AmeriGas Partners 7.125% 5/20/16	78,000	71,760
Anadarko Petroleum		
6.95% 6/15/19	20,000	20,220
8.70% 3/15/19	210,000	235,641
Berry Petroleum 10.25% 6/1/14	45,000	45,675
Bill Barrett 9.875% 7/15/16	15,000	14,276
Chesapeake Energy		
6.375% 6/15/15	38,000	34,010
6.625% 1/15/16	40,000	35,300
9.50% 2/15/15	310,000	313,875
Complete Production Services 8.00% 12/15/16	40,000	34,400
Copano Energy 7.75% 6/1/18	50,000	45,375
Denbury Resources		
7.50% 4/1/13	35,000	33,600
9.75% 3/1/16	34,000	35,105
Dynegy Holdings 7.75% 6/1/19	144,000	112,860
El Paso		
6.875% 6/15/14	55,000	51,603
7.00% 6/15/17	162,000	148,352
7.25% 6/1/18	45,000	41,773
Enbridge Energy Partners 9.875% 3/1/19	200,000	232,239
Energy Transfer Partners 9.70% 3/15/19	195,000	224,232
Enterprise Products Operating		
5.00% 3/1/15	120,000	110,687
5.60% 10/15/14	80,000	82,312
6.30% 9/15/17	185,000	186,212
6.50% 1/31/19	100,000	101,810
Forest Oil		
7.25% 6/15/19	65,000	58,500
7.75% 5/1/14	10,000	9,650
#Gaz Capital 144A 9.25% 4/23/19	139,000	140,216
Geophysique-Veritas		
7.50% 5/15/15	40,000	36,900
7.75% 5/15/17	75,000	68,625
#Gulfstream Natural Gas System 144A 6.95% 6/1/16	110,000	115,353
#Helix Energy Solutions Group 144A 9.50% 1/15/16	65,000	59,638
#Hilcorp Energy Finance I 144A		
7.75% 11/1/15	45,000	38,250
9.00% 6/1/16	45,000	39,375
#Holly 144A 9.875% 6/15/17	55,000	53,625
Husky Energy 5.90% 6/15/14	185,000	193,744
Inergy Finance		

(Unaudited)

6.875% 12/15/14	49,000	44,835
#144A 8.75% 3/1/15	10,000	9,825
International Coal 10.25% 7/15/14	50,000	35,500
Key Energy Services 8.375% 12/1/14	70,000	62,125
Kinder Morgan Energy Partners		
6.85% 2/15/20	365,000	374,832
9.00% 2/1/19	60,000	68,356
Mariner Energy 8.00% 5/15/17	45,000	37,575
MarkWest Energy Partners		
8.50% 7/15/16	20,000	17,300
8.75% 4/15/18	62,000	53,940
Massey Energy 6.875% 12/15/13	280,000	257,600
Noble Energy 8.25% 3/1/19	275,000	313,413
OPTI Canada		
7.875% 12/15/14	90,000	58,725
8.25% 12/15/14	62,000	41,230
Petrobras International Finance 7.875% 3/15/19	32,000	35,040
PetroHawk Energy		
7.875% 6/1/15	5,000	4,650
9.125% 7/15/13	185,000	185,000
#144A 10.50% 8/1/14	20,000	20,550
Petroleum Development 12.00% 2/15/18	42,000	35,490
Plains All American Pipeline		
6.50% 5/1/18	132,000	133,795
8.75% 5/1/19	275,000	312,584
#Power Sector Assets & Liabilities Management 144A 7.25% 5/27/19	100,000	101,250
Quicksilver Resources 11.75% 1/1/16	55,000	57,200
Range Resources		
7.25% 5/1/18	5,000	4,700
8.00% 5/15/19	90,000	88,988
#Ras Laffan Liquefied Natural Gas III 144A 5.832% 9/30/16	165,000	162,033
Regency Energy Partners		
8.375% 12/15/13	10,000	9,700
#144A 9.375% 6/1/16	75,000	72,938
#SandRidge Energy 144A 9.875% 5/15/16	55,000	53,350
Talisman Energy 7.75% 6/1/19	365,000	405,057
Transcontinental Gas Pipe Line 6.40% 4/15/16	30,000	30,831
Weatherford International		
5.15% 3/15/13	60,000	59,891
5.95% 6/15/12	75,000	78,360
7.00% 3/15/38	235,000	226,951
9.625% 3/1/19	30,000	35,350
9.875% 3/1/39	90,000	110,403
Whiting Petroleum 7.25% 5/1/13	83,000	79,058
		<u>6,703,618</u>
<i>Financials – 1.28%</i>		
Capital One Bank USA 8.80% 7/15/19	250,000	255,828
Cardtronics		
9.25% 8/15/13	45,000	40,500
9.25% 8/15/13	148,000	133,200
CIT Group		
4.75% 12/15/10	15,000	11,779
5.40% 1/30/16	20,000	11,307
5.65% 2/13/17	185,000	104,520
5.85% 9/15/16	140,000	79,138
#144A 12.00% 12/18/18	65,000	30,566
FTI Consulting		
7.625% 6/15/13	10,000	9,775
7.75% 10/1/16	40,000	38,400
General Electric Capital		
5.625% 5/1/18	140,000	132,635
5.875% 1/14/38	655,000	519,922
6.875% 1/10/39	250,000	225,692
Host Hotels & Resorts		
7.125% 11/1/13	20,000	18,900
#144A 9.00% 5/15/17	105,000	100,538
•#ILFC E-Capital Trust II 144A 6.25% 12/21/65	85,000	32,725

(Unaudited)

International Lease Finance		
5.25% 1/10/13	20,000	15,132
5.35% 3/1/12	137,000	106,997
5.55% 9/5/12	75,000	58,308
5.625% 9/20/13	40,000	30,245
5.875% 5/1/13	165,000	125,078
6.375% 3/25/13	35,000	26,649
6.625% 11/15/13	240,000	184,893
Lender Processing Services 8.125% 7/1/16	52,000	51,220
@#Nuveen Investments 144A 10.50% 11/15/15	210,000	145,950
Regency Centers 5.875% 6/15/17	130,000	105,475
SLM 8.45% 6/15/18	255,000	218,471
Ventas Realty 6.50% 6/1/16	31,000	<u>27,939</u>
		<u>2,841,782</u>
<i>Insurance – 0.96%</i>		
ACE INA Holdings 5.90% 6/15/19	185,000	185,781
*#Liberty Mutual Group 144A 10.75% 6/15/58	300,000	216,362
MetLife		
6.40% 12/15/36	170,000	121,869
6.75% 6/1/16	305,000	310,932
6.817% 8/15/18	50,000	50,440
*#MetLife Capital Trust X 144A 9.25% 4/8/38	400,000	356,818
#Metropolitan Life Global Funding I 144A 5.125% 4/10/13	100,000	101,794
‡#◆Twin Reefs Pass Through Trust 144A 0.00% 12/31/49	200,000	650
UnitedHealth Group		
5.50% 11/15/12	250,000	258,907
5.80% 3/15/36	215,000	174,430
6.625% 11/15/37	100,000	89,928
WellPoint		
5.00% 1/15/11	190,000	194,877
5.95% 12/15/34	97,000	<u>78,310</u>
		<u>2,141,098</u>
<i>Media – 1.92%</i>		
Belo 6.75% 5/30/13	70,000	56,000
‡#Charter Communications Operating 144A		
8.00% 4/30/12	30,000	29,025
8.375% 4/30/14	15,000	14,438
10.875% 9/15/14	315,000	327,599
Comcast		
*1.439% 7/14/09	90,000	90,026
5.85% 11/15/15	119,000	123,485
6.30% 11/15/17	30,000	31,803
6.50% 1/15/15	119,000	126,368
#Cox Communications 144A		
6.25% 6/1/18	165,000	163,382
8.375% 3/1/39	275,000	307,521
CSC Holdings		
6.75% 4/15/12	20,000	19,400
#144A 8.50% 4/15/14	68,000	67,745
#144A 8.50% 6/15/15	5,000	4,938
DIRECTV Holdings 7.625% 5/15/16	45,000	43,988
EchoStar DBS 7.125% 2/1/16	120,000	112,500
#Expedia 144A 8.50% 7/1/16	5,000	4,825
Interpublic Group 6.25% 11/15/14	104,000	91,520
Lamar Media 6.625% 8/15/15	61,000	53,320
Mediacom Broadband 8.50% 10/15/15	30,000	27,150
Mediacom Capital 9.50% 1/15/13	45,000	43,088
Nielsen Finance		
10.00% 8/1/14	90,000	85,613
#144A 11.50% 5/1/16	25,000	24,438
Quebecor Media 7.75% 3/15/16	5,000	4,556
#Rainbow National Services 144A 10.375% 9/1/14	95,000	98,919
#Terremark Worldwide 144A 12.00% 6/15/17	55,000	53,075
Time Warner Cable		
6.75% 7/1/18	95,000	99,116
6.75% 6/15/39	385,000	375,898
7.50% 4/1/14	380,000	419,025

(Unaudited)

Time Warner Telecom Holdings 9.25% 2/15/14	95,000	94,763
#Univision Communications 144A 12.00% 7/1/14	175,000	172,813
Videotron		
6.875% 1/15/14	140,000	130,200
9.125% 4/15/18	30,000	30,638
Visant Holding 8.75% 12/1/13	38,000	37,525
#Vivendi 144A 6.625% 4/4/18	450,000	453,766
WPP Finance UK 8.00% 9/15/14	445,000	452,383
		<u>4,270,849</u>
<i>Services Non-Cyclical – 0.86%</i>		
ARAMARK 8.50% 2/1/15	228,000	222,300
Community Health Systems 8.875% 7/15/15	345,000	339,824
Corrections Corporation of America		
6.25% 3/15/13	5,000	4,763
7.75% 6/1/17	105,000	103,950
#Erac USA Finance 144A 6.375% 10/15/17	10,000	9,043
HCA		
6.50% 2/15/16	10,000	8,125
9.25% 11/15/16	440,000	434,499
•HealthSouth 7.218% 6/15/14	40,000	36,700
Hertz		
8.875% 1/1/14	25,000	23,125
10.50% 1/1/16	81,000	72,495
Iron Mountain		
6.625% 1/1/16	5,000	4,500
8.00% 6/15/20	160,000	149,600
8.75% 7/15/18	25,000	24,750
RSC Equipment Rental		
9.50% 12/1/14	37,000	29,878
#144A 10.00% 7/15/17	80,000	77,900
Select Medical 7.625% 2/1/15	145,000	118,538
Tenet Healthcare 7.375% 2/1/13	145,000	131,225
•US Oncology Holdings PIK 6.904% 3/15/12	130,000	110,175
		<u>1,901,390</u>
<i>Technology – 0.25%</i>		
Amkor Technology 7.75% 5/15/13	25,000	23,031
Avago Technologies Finance 10.125% 12/1/13	33,000	33,825
National Semiconductor 6.60% 6/15/17	19,000	16,643
Oracle 3.75% 7/8/14	135,000	135,000
SunGard Data Systems		
9.125% 8/15/13	96,000	91,200
10.25% 8/15/15	61,000	56,654
Xerox 8.25% 5/15/14	200,000	208,179
		<u>564,532</u>
<i>Telecommunications – 2.78%</i>		
=@†Allegiance Telecom 11.75% 2/15/08	15,000	0
America Movil 5.625% 11/15/17	112,000	110,029
American Tower		
7.00% 10/15/17	40,000	38,900
7.125% 10/15/12	20,000	20,225
AT&T 6.55% 2/15/39	65,000	65,096
AT&T Wireless 8.125% 5/1/12	355,000	397,704
Cincinnati Bell 7.00% 2/15/15	35,000	31,500
Citizens Communications		
6.25% 1/15/13	60,000	55,500
7.125% 3/15/19	159,000	136,343
Cricket Communications		
9.375% 11/1/14	145,000	143,550
#144A 7.75% 5/15/16	35,000	33,863
Crown Castle International 9.00% 1/15/15	145,000	148,263
Deutsche Telekom International Finance		
4.875% 7/8/14	180,000	181,366
5.25% 7/22/13	175,000	179,911
6.00% 7/8/19	135,000	136,456
#DigitalGlobe 144A 10.50% 5/1/14	15,000	15,600
GCI 7.25% 2/15/14	35,000	32,113
Hughes Network Systems 9.50% 4/15/14	107,000	104,860

(Unaudited)

Inmarsat Finance 10.375% 11/15/12	62,000	64,480
Intelsat Jackson Holdings 11.25% 6/15/16	205,000	210,125
#Intelsat Subsidiary Holdings 144A 8.875% 1/15/15	165,000	160,050
Lucent Technologies 6.45% 3/15/29	50,000	28,625
MetroPCS Wireless 9.25% 11/1/14	154,000	153,808
Nextel Communications 7.375% 8/1/15	200,000	160,500
#Nordic Telephone Holdings 144A 8.875% 5/1/16	90,000	87,300
#PAETEC Holding 144A 8.875% 6/30/17	60,000	56,700
Qwest		
7.50% 10/1/14	10,000	9,588
#144A 8.375% 5/1/16	45,000	43,650
Qwest Communications International 7.50% 2/15/14	10,000	9,175
Rogers Communications		
6.80% 8/15/18	220,000	236,248
8.00% 12/15/12	110,000	113,850
Sprint Capital 8.375% 3/15/12	55,000	54,450
Sprint Nextel 6.00% 12/1/16	265,000	217,962
Telecom Italia Capital		
4.00% 1/15/10	85,000	85,419
4.95% 9/30/14	340,000	325,856
5.25% 10/1/15	110,000	106,326
6.20% 7/18/11	110,000	113,926
7.175% 6/18/19	110,000	111,703
Telefonica Emisiones 4.949% 1/15/15	400,000	407,069
#Telesat Canada 144A		
11.00% 11/1/15	155,000	159,650
12.50% 11/1/17	25,000	24,750
Verizon Communications		
5.50% 2/15/18	180,000	179,063
6.10% 4/15/18	110,000	113,024
6.35% 4/1/19	153,000	159,454
#Verizon Wireless Capital 144A 5.55% 2/1/14	170,000	180,659
Virgin Media Finance 8.75% 4/15/14	110,000	107,800
Vodafone Group		
5.00% 12/16/13	10,000	10,381
5.00% 9/15/15	60,000	60,326
5.375% 1/30/15	470,000	479,987
Windstream 8.125% 8/1/13	119,000	115,728
		<u>6,178,911</u>
<i>Transportation – 0.27%</i>		
CSX		
5.75% 3/15/13	60,000	61,572
6.25% 3/15/18	125,000	126,279
7.375% 2/1/19	115,000	125,111
7.45% 4/1/38	145,000	157,490
7.90% 5/1/17	50,000	55,369
Kansas City Southern Railway 13.00% 12/15/13	65,000	71,825
		<u>597,646</u>
<i>Utilities – 1.07%</i>		
AES		
8.00% 10/15/17	40,000	37,400
8.00% 6/1/20	190,000	171,475
#144A 8.75% 5/15/13	16,000	16,320
Ameren 8.875% 5/15/14	50,000	51,657
#Calpine Construction Finance 144A 8.00% 6/1/16	105,000	101,063
Commonwealth Edison 6.15% 9/15/17	150,000	156,086
Edison Mission Energy		
7.00% 5/15/17	35,000	27,038
7.20% 5/15/19	70,000	52,500
Illinois Power		
6.125% 11/15/17	275,000	267,609
9.75% 11/15/18	90,000	103,782
Indiana Michigan Power 7.00% 3/15/19	160,000	172,269
Ipalco Enterprises Inc 8.625% 11/14/11	40,000	40,400
Jersey Central Power & Light 7.35% 2/1/19	230,000	253,294
#Kansas Gas & Electric 144A 6.70% 6/15/19	75,000	78,908

(Unaudited)

Midwest Generation 8.30% 7/2/09	2,738	2,725
Mirant North America 7.375% 12/31/13	75,000	72,375
NRG Energy		
7.25% 2/1/14	60,000	58,350
7.375% 2/1/16	120,000	113,850
7.375% 1/15/17	15,000	14,175
Orion Power Holdings 12.00% 5/1/10	10,000	10,400
Pacificorp 5.25% 6/15/35	35,000	33,388
PPL Electric Utilities 7.125% 11/30/13	150,000	168,520
RRI Energy 6.75% 12/15/14	91,000	88,156
Sempra Energy 6.50% 6/1/16	200,000	209,058
Texas Competitive Electric Holdings 10.25% 11/1/15	130,000	81,575
		<u>2,382,373</u>
Total Corporate Bonds (cost \$51,107,157)		<u>53,260,550</u>
Foreign Agencies – 0.17%Δ		
Germany – 0.10%		
KFW 4.875% 6/17/19	225,000	<u>233,603</u>
		<u>233,603</u>
Republic of Korea – 0.07%		
Korea Development Bank 5.30% 1/17/13	150,000	<u>148,300</u>
		<u>148,300</u>
Total Foreign Agencies (cost \$375,260)		<u>381,903</u>
Municipal Bonds – 0.32%		
California State Taxable Bond (Various Purposes) 7.55% 4/1/39	385,000	353,034
Oregon State Taxable Pension 5.892% 6/1/27	200,000	193,106
•Puerto Rico Sales Tax Financing Sales Tax Revenue First Subordinate Series B 5.00% 8/1/39	155,000	<u>156,889</u>
Total Municipal Bonds (cost \$747,268)		<u>703,029</u>
Non-Agency Asset-Backed Securities – 3.46%		
•Bank of America Credit Card Trust Series 2006-A10 A10 0.30% 2/15/12	1,150,000	1,148,880
#Cabela's Master Credit Card Trust 2008-1A A1 144A 4.31% 12/16/13	250,000	253,078
Capital Auto Receivables Asset Trust Series 2007-3 A3A 5.02% 9/15/11	242,294	246,720
Capital One Multi-Asset Execution Trust Series 2007-A7 A7 5.75% 7/15/20	190,000	195,560
Caterpillar Financial Asset Trust		
Series 2007-A A3A 5.34% 6/25/12	48,423	49,435
Series 2008-A A3 4.94% 4/25/14	150,000	150,040
@#Cendant Timeshare Receivables Funding 2004-1A A1 144A 3.67% 5/20/16	30,131	24,191
Chase Issuance Trust		
Series 2005-A7 A7 4.55% 3/15/13	170,000	175,707
Series 2005-A10 A10 4.65% 12/17/12	35,000	36,142
Citibank Credit Card Issuance Trust		
Series 2007-A3 A3 6.15% 6/15/39	225,000	223,896
•Series 2007-A6 A6 1.13% 7/12/12	2,000,000	1,979,616
CNH Equipment Trust		
•Series 2007-A A4 0.359% 9/17/12	24,204	23,476
•Series 2007-B A3B 0.92% 10/17/11	55,067	55,012
Series 2008-AA3 4.12% 5/15/12	60,000	60,613
Series 2008-A A4A 4.93% 8/15/14	170,000	167,005
Series 2008-B A3A 4.78% 7/16/12	100,000	101,471
•Countrywide Asset-Backed Certificates		
@Series 2006-11 1AF3 6.05% 9/25/46	45,000	20,058
Series 2006-15 A3 5.689% 10/25/46	25,000	10,813
@#Countrywide Asset-Backed NIM Certificates Series 2004-BC1 Note 144A 5.50% 4/25/35	89	0
Daimler Chrysler Auto Trust Series 2008-B A3A 4.71% 9/10/12	175,000	179,224
Discover Card Master Trust		
Series 2007-A1 A1 5.65% 3/16/20	205,000	205,381
Series 2008-A4 A4 5.65% 12/15/15	200,000	207,921
@#Dunkin Securitization Series 2006-1 A2 144A 5.779% 6/20/31	290,000	262,085
•#Golden Credit Card Trust Series 2008-3 A 144A 1.32% 7/15/17	175,000	166,359
#Harley-Davidson Motorcycle Trust Series 2006-1 A2 144A 5.04% 10/15/12	52,614	53,936
Hyundai Auto Receivables Trust		
Series 2007-A A3A 5.04% 1/17/12	48,837	49,896
Series 2008-A A3 4.93% 12/17/12	115,000	117,289
John Deere Owner Trust Series 2008-A A3 4.18% 6/15/12	190,000	192,764
•MBNA Credit Card Master Note Trust Series 2005-A4 A4 0.36% 11/15/12	95,000	94,131
•Merrill Lynch Mortgage Investors Series 2006-AR1 A2C 0.47% 3/25/37	425,000	134,173

(Unaudited)

Mid-State Trust		
Series 11 A1 4.864% 7/15/38	90,702	49,105
Series 2004-1 A 6.005% 8/15/37	44,882	33,401
#Series 2006-1 A 144A 5.787% 10/15/40	68,981	45,788
πRenaissance Home Equity Loan Trust Series 2007-2 AF2 5.675% 6/25/37	95,000	42,131
•Residential Asset Securities Series 2006-KS3 A13 0.48% 4/25/36	704,309	533,410
RSB Bondco Series 2007-A A2 5.72% 4/1/18	170,000	181,346
πStructured Asset Securities Series 2001-SB1 A2 3.375% 8/25/31	133,828	106,325
World Omni Auto Receivables Trust Series 2008-A A3A 3.94% 10/15/12	110,000	111,346
Total Non-Agency Asset-Backed Securities (cost \$8,291,309)		<u>7,687,724</u>

Non-Agency Collateralized Mortgage Obligations – 2.45%

@American Home Mortgage Investment Trust Series 2005-2 5A1 5.064% 9/25/35	23,694	18,617
Bank of America Alternative Loan Trust		
Series 2003-10 2A1 6.00% 12/25/33	281,029	259,908
Series 2004-10 1CB1 6.00% 11/25/34	30,200	24,608
Series 2005-3 2A1 5.50% 4/25/20	147,173	133,422
Series 2005-5 2CB1 6.00% 6/25/35	152,187	110,312
Bank of America Funding Securities		
Series 2005-8 1A1 5.50% 1/25/36	141,405	124,746
@•Series 2006-H 1A2 4.518% 9/20/46	8,671	1,960
Bank of America Mortgage Securities		
•Series 2003-D 1A2 3.718% 5/25/33	813	526
Series 2005-9 2A1 4.75% 10/25/20	222,810	212,714
Chase Mortgage Finance Series 2003-S8 A2 5.00% 9/25/18	315,186	313,511
Citicorp Mortgage Securities Series 2006-4 3A1 5.50% 8/25/21	51,308	44,975
•Citigroup Mortgage Loan Trust Series 2007-AR8 1A3A 6.015% 8/25/37	175,437	90,711
Countrywide Alternative Loan Trust		
Series 2004-28CB 6A1 6.00% 1/25/35	87,540	67,830
π•Series 2005-63 3A1 5.888% 11/25/35	255,908	143,343
◆Countrywide Home Loan Mortgage Pass Through Trust		
@•Series 2004-12 1M 4.030% 8/25/34	608,928	89,616
@•Series 2004-HYB4 M 4.11% 9/20/34	70,057	40,155
Series 2006-1 A2 6.00% 3/25/36	117,368	92,116
@Series 2006-1 A3 6.00% 3/25/36	48,328	12,799
@Series 2006-17 A5 6.00% 12/25/36	67,062	58,892
π•Series 2006-HYB3 3A1A 6.046% 5/20/36	216,134	120,920
Credit Suisse First Boston Mortgage Securities		
Series 2003-29 5A1 7.00% 12/25/33	55,153	46,052
Series 2004-1 3A1 7.00% 2/25/34	32,705	30,579
First Horizon Asset Securities		
Series 2003-5 1A17 8.00% 7/25/33	59,453	60,549
•Series 2004-AR5 4A1 5.705% 10/25/34	145,017	111,558
•Series 2007-AR2 1A1 5.843% 8/25/37	104,087	61,276
•Series 2007-AR3 2A2 6.29% 11/25/37	27,404	16,606
#GSMPS Mortgage Loan Trust 144A		
•Series 1998-3 A 7.75% 9/19/27	54,398	53,350
•Series 1999-3 A 8.00% 8/19/29	80,640	81,031
Series 2005-RP1 1A3 8.00% 1/25/35	102,557	86,824
Series 2005-RP1 1A4 8.50% 1/25/35	48,496	42,349
@GSR Mortgage Loan Trust Series 2006-1F 5A2 6.00% 2/25/36	160,862	79,601
Lehman Mortgage Trust Series 2006-1 3A3 5.50% 2/25/36	202,624	156,926
MASTR Alternative Loans Trust Series 2003-6 3A1 8.00% 9/25/33	24,669	24,005
•MASTR ARM Trust		
Series 2003-6 1A2 5.70% 12/25/33	36,942	31,817
Series 2005-1 B1 4.921% 3/25/35	259,904	25,972
Series 2005-6 7A1 5.34% 6/25/35	154,191	94,898
#MASTR Reperforming Loan Trust 144A		
Series 2005-1 1A5 8.00% 8/25/34	150,439	160,735
Series 2005-2 1A4 8.00% 5/25/35	127,570	115,135
•#MASTR Specialized Loan Trust Series 2005-2 A2 144A 5.006% 7/25/35	79,857	51,907
•MLCC Mortgage Investors Series 2004-HB1 A1 0.67% 4/25/29	214,588	110,047
Prime Mortgage Trust Series 2004-CL1 1A1 6.00% 2/25/34	66,169	59,211
Residential Asset Mortgage Products		
Series 2004-SL1 A3 7.00% 11/25/31	13,101	13,090
Series 2004-SL4 A3 6.50% 7/25/32	81,376	74,446
•Residential Funding Mortgage Securities I Series 2006-SA3 3A1 6.04% 9/25/36	182,464	118,403

(Unaudited)

•Structured ARM Loan Trust			
Series 2004-3AC A2 3.982% 3/25/34		179,519	145,955
Series 2006-5 5A4 5.436% 6/25/36		98,878	23,475
Structured Asset Securities			
•Series 2002-22H 1A 6.931% 11/25/32		45,095	37,364
Series 2004-12H 1A 6.00% 5/25/34		146,595	102,187
•Series 2005-6 B2 5.332% 5/25/35		94,120	15,747
◆Washington Mutual Alternative Mortgage Pass Through Certificates Series 2005-9 3CB 5.50% 10/25/20		211,004	157,528
◆Washington Mutual Mortgage Pass Through Certificates			
Series 2006-AR10 1A1 5.928% 9/25/36		220,860	142,108
Series 2007-HY1 1A1 5.687% 2/25/37		173,479	96,821
Wells Fargo Mortgage-Backed Securities Trust			
•Series 2004-T A1 3.954% 9/25/34		41,862	37,141
Series 2005-12 1A7 5.50% 11/25/35		318,258	233,025
Series 2005-17 1A2 5.50% 1/25/36		245,062	154,925
•Series 2005-AR16 2A1 4.439% 10/25/35		9,244	8,135
•Series 2005-AR16 6A4 5.001% 10/25/35		316,874	128,977
Series 2006-1 A3 5.00% 3/25/21		23,123	20,919
Series 2006-4 2A3 5.75% 4/25/36		89,104	26,272
•Series 2006-AR5 2A1 5.537% 4/25/36		27,651	17,944
•Series 2006-AR10 5A1 5.594% 7/25/36		203,552	129,378
•Series 2006-AR11 A7 5.508% 8/25/36		219,079	62,522
•Series 2006-AR14 2A4 6.077% 10/25/36		113,981	31,796
Series 2007-8 2A6 6.00% 7/25/37		65,000	41,730
Series 2007-13 A7 6.00% 9/25/37		208,770	176,378
Total Non-Agency Collateralized Mortgage Obligations (cost \$7,961,829)			<u>5,458,375</u>
Sovereign Debt – 1.11%Δ			
<i>Brazil – 0.38%</i>			
#Banco Nacional de Desenvolvimento Economico e Social 144A 6.50% 6/10/19	USD	135,000	135,945
Republic of Brazil			
5.875% 1/15/19		100,000	101,400
12.50% 1/5/16	BRL	1,070,000	<u>609,088</u>
			<u>846,433</u>
<i>Colombia – 0.07%</i>			
Republic of Colombia 7.375% 3/18/19	USD	136,000	<u>145,860</u>
			<u>145,860</u>
<i>Indonesia – 0.26%</i>			
Indonesia Government 10.75% 5/15/16	IDR	3,164,000,000	318,335
#Republic of Indonesia 144A 6.875% 1/17/18		274,000	<u>263,725</u>
			<u>582,060</u>
<i>Mexico – 0.32%</i>			
Mexican Bonos 10.00% 11/20/36	MXN	7,588,600	637,458
United Mexican States 5.95% 3/19/19	USD	70,000	<u>71,050</u>
			<u>708,508</u>
<i>Russia – 0.04%</i>			
Russian Eurobond 7.50% 3/31/30		101,760	<u>101,200</u>
			<u>101,200</u>
<i>Turkey – 0.04%</i>			
Republic of Turkey 11.875% 1/15/30		53,000	<u>81,090</u>
			<u>81,090</u>
Total Sovereign Debt (cost \$2,389,757)			<u>2,465,151</u>
Supranational Banks – 0.33%			
European Investment Bank			
3.125% 6/4/14		95,000	95,308
6.00% 8/14/13	AUD	438,000	354,988
6.25% 4/15/14	GBP	97,000	178,204
11.25% 2/14/13	BRL	220,000	<u>115,944</u>
Total Supranational Banks (cost \$722,485)			<u>744,444</u>
U.S. Treasury Obligations – 1.61%			
U.S. Treasury Bill 0.08% 7/23/09		1,912,994	1,912,887
U.S. Treasury Notes			
2.625% 6/30/14		645,000	647,221
≈3.125% 5/15/19		1,055,000	<u>1,020,716</u>
Total U.S. Treasury Obligations (cost \$3,564,286)			<u>3,580,824</u>

(Unaudited)

		Number of Shares	
Preferred Stock – 0.14%			
Braskem Class A		1,873	6,856
•PNC Funding 8.25%		245,000	205,732
@Transneft		194	98,940
Total Preferred Stock (cost \$317,833)			<u>311,528</u>
			Principal Amount^o
≠Discounted Commercial Paper – 1.70%			
Abbott Laboratories 0.19% 7/6/09	USD	500,000	499,981
Bank of Nova Scotia 0.30% 7/8/09		500,000	499,977
ConocoPhillips 0.35% 9/15/09		400,000	399,726
Cornell University 0.35% 11/18/09		250,000	249,658
General Re 0.235% 8/7/09		450,000	449,857
JPMorgan Chase Funding 0.601% 8/17/09		399,000	398,828
L'Oreal USA 0.30% 7/17/09		500,000	499,947
National Rural Utilities 0.29% 8/24/09		250,000	249,845
University of California 0.30% 9/17/09		525,000	524,653
Total Discounted Commercial Paper (cost \$3,772,384)			<u>3,772,472</u>
≠Discount Note – 3.51%			
Federal Home Loan Bank 0.01% 7/1/09		7,797,179	7,797,179
Total Discount Note (cost \$7,797,179)			<u>7,797,179</u>
Total Value of Securities Before Securities Lending Collateral – 100.80% (cost \$219,712,540)			<u>224,115,136</u>
		Number of Shares	
Securities Lending Collateral* – 0.00%			
Investment Companies			
†Mellon GSL Reinvestment Trust II		50,338	<u>5</u>
Total Securities Lending Collateral (cost \$50,338)			<u>5</u>
Total Value of Securities – 100.80% (cost \$219,762,878)			<u>224,115,141</u>
Liabilities Net of Receivables and Other Assets (See Notes) – (0.80%)			<u>(1,772,026)</u>
Net Assets Applicable to 25,798,601 Shares Outstanding – 100.00%			<u>\$222,343,115</u>

^oPrincipal amount is stated in the currency in which each security is denominated.

AUD – Australian Dollar
BRL – Brazilian Real
CAD – Canadian Dollar
EUR – European Monetary Unit
GBP – British Pound Sterling
IDR – Indonesia Rupiah
HKD – Hong Kong Dollar
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

†Non income producing security.

*See Note 4 in "Notes."

ΔSecurities have been classified by country of origin.

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

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

◆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.

(Unaudited)

#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 \$13,213,599, which represented 5.94% of the Portfolio's net assets. See Note 5 in "Notes."

@Illiquid security. At June 30, 2009, the aggregate amount of illiquid securities was \$1,847,166, which represented 0.83% of the Portfolio's net assets. See Note 5 in "Notes."

πRestricted Security. These investments are in securities not registered under the Securities Act of 1933, as amended, and have certain restrictions on resale which may limit their liquidity. At June 30, 2009, the aggregate amount of restricted securities was \$412,719 or 0.19% of the Portfolio's net assets. See Note 5 in "Notes."

=Security is being fair valued in accordance with the Portfolio's fair valuation policy. At June 30, 2009, the aggregate amount of fair valued securities was \$0, which represented 0.00% of the Portfolio's net assets. See Note 1 in "Notes."

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

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

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

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

Summary of Abbreviations:

ACES – Automatic Common Exchange Security

ADR – American Depositary Receipts

ARM – Adjustable Rate Mortgage

GDR – Global Depositary Receipts

GSMPS – Goldman Sachs Reperforming Mortgage Securities Inc.

MASTR – Mortgage Asset Securitization Transactions, Inc.

NVDR – Non Voting Depositary Receipts

PIK – Pay-in-Kind

REIT – Real Estate Investment Trust

REMIC – Real Estate Mortgage Investment Conduit

RSB – Rate Stabilization Bonds

S.F. – Single Family

TBA – To be announced

yr – year

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

Foreign Currency Exchange Contracts¹

<u>Contracts to Receive (Deliver)</u>	<u>In Exchange For</u>	<u>Settlement Date</u>	<u>Unrealized Appreciation (Depreciation)</u>
AUD 765,607	USD (608,811)	7/31/09	\$ 6,147
BRL 108,000	USD (55,976)	7/1/09	(839)
BRL 1,334,762	USD (660,120)	8/31/09	21,315
CAD 145,270	USD (125,000)	7/31/09	(75)
CAD 782,572	USD (684,222)	7/31/09	(11,250)
GBP 329,032	USD (541,241)	7/31/09	(64)
HKD (87,211)	USD 11,253	7/3/09	(1)
KRW 220,648,200	USD (177,000)	7/31/09	(3,582)
NOK 7,470,342	USD (1,156,436)	7/31/09	3,795
NZD 433,452	USD (276,065)	7/31/09	2,748
NZD 591,721	USD (377,707)	7/31/09	2,911
PLN 1,479,311	USD (455,131)	7/31/09	9,768
SEK 4,857,046	USD (609,401)	7/31/09	19,969
TRY 549,536	USD (352,266)	7/31/09	1,485
			<u>\$52,327</u>

Financial Futures Contract²

<u>Contracts to Sell</u>	<u>Notional Proceeds</u>	<u>Notional Value</u>	<u>Expiration Date</u>	<u>Unrealized Depreciation</u>
(43) U.S. Treasury 10 yr Notes	\$(4,999,000)	\$(4,999,422)	9/21/09	\$(422)

Swap Contract³

Credit Default Swap Contract

(Unaudited)

<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: Barclays CDX.NA.HY.12	\$1,728,000	5.00%	6/20/14	\$76,814

The use of foreign currency exchange contracts, financial futures contracts and swap contracts involves elements of market risk and risks in excess of the amounts 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.

^{1, 2, 3} See Note 3 in "Notes."

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[®] Foundation Funds – Delaware Moderate 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 swaps 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'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. 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[®] 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 Portfolio isolates 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.

(Unaudited)

Other – Expenses directly attributable to the Portfolio are charged directly to the Portfolio. 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. 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 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:

Cost of investments	<u>\$221,968,209</u>
Aggregate unrealized appreciation	11,093,027
Aggregate unrealized depreciation	<u>(8,946,095)</u>
Net unrealized appreciation	<u>\$ 2,146,932</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	\$-	\$25,571,032	\$702,286	\$26,273,318
Common Stock	103,123,696	5,478	-	103,129,174
Corporate Debt	-	55,693,526	407,025	56,100,551
Foreign Debt	-	3,892,130	115,944	4,008,074
Investment Companies	18,438,987	-	-	18,438,987
Municipal Bonds	-	703,029	-	703,029
U.S. Treasury Obligations	3,580,824	-	-	3,580,824
Securities Lending Collateral	-	-	5	5
Short-Term	-	11,569,651	-	11,569,651
Other	<u>105,796</u>	<u>205,732</u>	-	<u>311,528</u>
Total	<u>\$125,249,303</u>	<u>\$97,640,578</u>	<u>\$1,225,260</u>	<u>\$224,115,141</u>
Derivatives	\$-	\$128,719	\$-	\$128,719

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

	Total	Corporate Debt	Foreign Debt	Agency, Asset-Backed & Other Mortgage-Backed Securities	Securities Lending Collateral
Balance as of 9/30/08	\$ -	\$ -	\$ -	\$-	\$-
Net purchases, sales, and settlements	499,600	405,000	94,600	-	-
Net change in unrealized appreciation/depreciation	(71,532)	2,025	21,344	(44,568)	(50,333)
Net transfers in and/or out of Level 3	<u>797,192</u>	-	-	<u>746,854</u>	<u>50,338</u>
Balance as of 6/30/09	<u>\$1,225,260</u>	<u>\$407,025</u>	<u>\$115,944</u>	<u>\$702,286</u>	<u>\$ 5</u>
Net change in unrealized appreciation/depreciation from investments still held as of 6/30/09	\$(71,532)	\$2,025	\$21,344	\$(44,568)	\$(50,333)

(Unaudited)

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 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 period 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.

(Unaudited)

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.

As the seller of protection in a CDS contract, the Portfolio would be required to pay the par (or other agreed-upon) value of a reference security (or basket of securities) to the counterparty in the event of a default, bankruptcy, failure to pay, obligation acceleration, modified restructuring, or agreed upon event (each of these events is a "Credit Event"). As the seller of protection, the Portfolio would have credit exposure to the reference security (or basket of securities). The Portfolio will not sell protection in a CDS contract if it cannot otherwise hold the security (or basket of securities). At June 30, 2009, the notional amount of protection sold by the Portfolio totaled \$1,728,000 (0.78% of net assets), which reflects the maximum potential amount the Portfolio could be required to pay under such contracts. See the schedule of investments for a description of swap contracts outstanding.

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 their 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 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 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 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 Portfolio, 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 invests 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 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

(Unaudited)

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 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 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. 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. Rule 144A and illiquid securities have been identified on the schedule of investments.

6. Fund Merger

On November 19, 2008, the Board for Delaware Balanced Fund (the Reorganizing Fund) approved a proposal to reorganize the Reorganizing Fund and into Delaware Moderate Allocation Portfolio (the Acquiring Fund). The Board responsible for the Acquiring Fund also approved the reorganization. Effective as of the close of business on December 8, 2008, the Reorganizing Fund was closed to new investors. The merger was approved by a majority of the Reorganizing Fund's shareholders and was effected April 17, 2009.

7. 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 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 Moderate Allocation Fund. The change will be effective October 19, 2009.