

## Schedule of Investments (Unaudited)

### Delaware Minnesota High-Yield Municipal Bond Fund

November 30, 2009

	Principal Amount	Value
<b>Municipal Bonds – 96.73%</b>		
<i>Corporate-Backed Revenue Bonds – 3.36%</i>		
Cloquet Pollution Control Revenue Refunding (Potlatch Project) 5.90% 10/1/26	\$1,700,000	\$1,550,978
Laurentian Energy Authority I Cogeneration Revenue Series A 5.00% 12/1/21	1,750,000	1,673,858
Sartell Environmental Improvement Revenue Refunding (International Paper) Series A 5.20% 6/1/27	1,750,000	<u>1,596,035</u>
		<u>4,820,871</u>
<i>Education Revenue Bonds – 8.80%</i>		
Baytown Township Lease Revenue (St. Croix Preparatory Academy) Series A 7.00% 8/1/38	500,000	461,840
Minnesota Higher Education Facilities Authority Revenue (Augsburg College)		
Series 6-C 5.00% 5/1/23	700,000	699,972
Series 6-J1 5.00% 5/1/36	1,000,000	926,790
(Bethel University) Refunding Series 6-R 5.50% 5/1/37	1,500,000	1,378,920
(Macalester College) Series 6-P 4.25% 3/1/32	1,000,000	933,270
(St. John's University) Series 6-U 4.75% 10/1/33	825,000	794,186
(St. Olaf) Series 6-O 4.50% 10/1/32	1,000,000	915,630
5.00% 10/1/22	1,000,000	1,065,090
(University of St. Thomas) Series 6-I 5.00% 4/1/23	1,500,000	1,587,450
University of Minnesota Series A 5.125% 4/1/34	1,000,000	1,061,650
University of Minnesota Special Purpose Revenue (Supported Stadium Debt) 5.00% 8/1/29	2,660,000	<u>2,780,950</u>
		<u>12,605,748</u>
<i>Electric Revenue Bonds – 6.11%</i>		
Chaska Electric Revenue Refunding (Generating Facilities) Series A 5.25% 10/1/25	1,000,000	1,041,180
Minnesota Municipal Power Agency Electric Revenue Series A 5.00% 10/1/34	2,750,000	2,779,232
Northern Municipal Power Agency Electric System Revenue Series A 5.00% 1/1/18 (ASSURED GTY)	1,000,000	1,123,540
Refunding 5.00% 1/1/16 (ASSURED GTY)	1,200,000	1,351,044
Southern Minnesota Municipal Power Agency Supply System Revenue Series A 5.25% 1/1/16 (AMBAC)	1,000,000	1,116,040
Western Minnesota Municipal Power Agency Supply Revenue Series A 5.00% 1/1/30 (NATL-RE)	1,335,000	<u>1,348,230</u>
		<u>8,759,266</u>
<i>Health Care Revenue Bonds – 26.79%</i>		
Aitkin Health Care Facilities Revenue Refunding (Riverwood Health Care Center) 5.50% 2/1/24	700,000	649,810
Apple Valley Economic Development Authority Health Care Revenue (Augustanna Home St. Paul Project) Series A 5.80% 1/1/30	1,000,000	885,280
Bemidji Health Care Facilities First Mortgage Revenue (North Country Health Services) 5.00% 9/1/31 (RADIAN)	1,350,000	1,236,060
Refunding 5.00% 9/1/20	1,150,000	1,160,408
Breckenridge Catholic Health Initiatives Series A 5.00% 5/1/30	2,000,000	2,022,820
Detroit Lakes Housing & Health Facilities Revenue Refunding (Mankato Lutheran Homes) Series D 5.50% 8/1/21	500,000	475,970
Glencoe Health Care Facilities Revenue (Glencoe Regional Health Services Project) 5.00% 4/1/20	1,100,000	1,095,534
5.00% 4/1/31	1,965,000	1,767,183
Mahtomedi Senior Housing Revenue Refunding (St. Andrews Village Project) 5.75% 12/1/40	1,000,000	797,640
Maple Grove Health Care Facilities Revenue (North Memorial Health Care) 5.00% 9/1/35	1,880,000	1,677,693
Maple Grove Health Care System Revenue (Maple Grove Hospital) 5.25% 5/1/28	2,200,000	2,230,932
5.25% 5/1/37	1,000,000	940,550
Minneapolis Health Care System Revenue (Fairview Health Services) Series A 6.625% 11/15/28	1,900,000	2,148,539
Series B 6.50% 11/15/38 (ASSURED GTY)	250,000	276,995
Series D 5.00% 11/15/34 (AMBAC)	1,000,000	950,750
Minneapolis-St. Paul Housing & Redevelopment Authority (Health Partners Obligation Group Project) 6.00% 12/1/17	525,000	543,065
Minnesota Agricultural & Economic Development Board Revenue (Benedictine Health Systems) 5.75% 2/1/29	1,000,000	888,920
Moorhead Economic Development Authority Multifamily Housing Revenue Refunding (Eventide Project) Series A 5.15% 6/1/29	550,000	457,325
Northfield Hospital Revenue 5.375% 11/1/31	1,000,000	901,780

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Owatonna Senior Housing Revenue (Senior Living Project) Series A		
5.80% 10/1/29	400,000	356,072
6.00% 4/1/41	1,250,000	1,075,188
Shakopee Health Care Facilities Revenue (St. Francis Regional Medical Center) 5.25% 9/1/34	1,000,000	915,860
St. Cloud Minnesota Health Care Revenue (Centracare Health System Project) 5.50% 5/1/39 (ASSURED GTY)	1,500,000	1,529,190
St. Louis Park Health Care Facilities Revenue Refunding (Park Nicollet Health Services)		
Series C 5.50% 7/1/23	1,000,000	1,048,740
St. Paul Housing & Redevelopment Authority Health Care Facilities Revenue (Health Partners Obligation Group Project) 5.25% 5/15/36	1,000,000	890,240
St. Paul Housing & Redevelopment Authority Health Care Revenue (Allina Health System)		
Series A 5.00% 11/15/18 (NATL-RE)	1,900,000	1,975,810
St. Paul Housing & Redevelopment Authority Hospital Revenue (Health East Project)		
6.00% 11/15/25	1,000,000	960,330
6.00% 11/15/30	1,000,000	909,210
Series A 5.70% 11/1/15	705,000	699,734
Series B 5.85% 11/1/17	250,000	245,798
St. Paul Housing & Redevelopment Authority Multifamily Housing Revenue Refunding (Marion Center Project) Series A 5.375% 5/1/43	1,000,000	797,280
Stillwater Health Care Revenue (Health System Obligation Group)		
5.00% 6/1/25	2,000,000	2,001,900
5.00% 6/1/35	1,000,000	922,870
@Twin Valley Congregate Housing Revenue (Living Options Project) 5.95% 11/1/28	1,825,000	1,613,775
Winona Health Care Facilities Revenue Refunding (Winona Health Obligation Group) 5.15% 7/1/31	1,500,000	<u>1,333,455</u>
		<u>38,382,706</u>
<i>Housing Revenue Bonds – 13.04%</i>		
Chanhassen Multifamily Housing Revenue Refunding (Heritage Park Apartments Project)		
6.20% 7/1/30 (FHA) (AMT) (HUD Section 8)	300,000	300,222
Chaska Multifamily Housing Revenue (West Suburban Housing Partners Project) 5.875% 3/1/31 (AMT)	1,000,000	772,650
@Hutchinson Multifamily Housing Revenue (Evergreen Apartments Project) 5.75% 11/1/28 (HUD Section 8)	1,600,000	1,323,472
Minneapolis Multifamily Housing Revenue		
(Grant Street Apartments Project) Refunding Series A 7.25% 11/1/29	2,085,000	2,099,783
(Olson Townhomes Project) 6.00% 12/1/19 (AMT)	1,265,000	1,265,051
(Trinity Apartments) Refunding Series A 6.75% 5/1/21 (HUD Section 8)	590,000	591,263
Minneapolis-St. Paul Housing Finance Board Single Family Mortgage (City Living Project)		
Series A-2 5.00% 12/1/38 (GNMA) (FNMA) (AMT)	858,572	836,661
Minnesota Housing Finance Agency		
(Rental Housing)		
Series A 4.875% 8/1/24 (AMT)	585,000	582,836
Series A-1 5.00% 8/1/40 (AMT)	2,265,000	2,136,256
(Residential Housing)		
Series G 5.00% 7/1/36 (AMT)	1,000,000	950,610
Series I 4.85% 7/1/38 (AMT)	1,145,000	1,058,449
Series L 5.10% 7/1/38 (AMT)	1,500,000	1,441,095
Series M 4.875% 7/1/37 (AMT)	2,500,000	2,329,649
(Single Family Mortgage)		
Series E 6.25% 1/1/23 (AMT)	5,000	5,006
Series J 5.90% 7/1/28 (AMT)	490,000	490,279
Series M 5.875% 1/1/17	10,000	10,015
@St. Cloud Housing & Redevelopment Authority Multifamily Housing Revenue (Sterling Heights Apartments Project) 7.55% 4/1/39 (AMT)	530,000	447,665
St. Paul Housing & Redevelopment Authority Multifamily Housing Revenue (Shelby Grotto Housing Project) 5.50% 9/20/44 (GNMA) (FHA) (AMT)	750,000	759,683
Stillwater Multifamily Housing Revenue (Orleans Homes Project) 5.50% 2/1/42 (AMT)	750,000	586,433
@Washington County Housing & Redevelopment Authority Revenue Refunding (Briar Pond Project) Series B 7.125% 8/20/34	810,000	<u>693,352</u>
		<u>18,680,430</u>
<i>Lease Revenue Bonds – 1.01%</i>		
Hibbing Economic Development Authority Revenue (Public Project - Hibbing Lease Obligation) 6.40% 2/1/12	410,000	410,180
St. Paul Port Authority Lease Revenue (Robert Street Office Building Project) Series 3-11 5.00% 12/1/27	1,000,000	<u>1,034,410</u>
		<u>1,444,590</u>
<i>Local General Obligation Bonds – 11.59%</i>		
Chaska Independent School District #112 Series A 4.50% 2/1/28 (NATL-RE)	1,000,000	1,028,650
Farmington Independent School District #192 Series B 5.00% 2/1/27 (FSA)	1,000,000	1,062,300
Foley Independent School District #51 (School Building) Refunding Series A 5.00% 2/1/21	1,105,000	1,216,815
Hopkins Independent School District #270 Facilities 5.00% 2/1/26 (NATL-RE)	1,055,000	1,114,871
Lakeville Independent School District #194 Series A 4.75% 2/1/22 (FSA)	1,000,000	1,041,110

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Metropolitan Council Minneapolis-St. Paul Metropolitan Area Waste Water Treatment Series B 5.00% 12/1/21	500,000	555,580
Series C 5.00% 3/1/28	1,000,000	1,073,940
Minneapolis Various Purposes 4.00% 12/1/23	1,500,000	1,550,655
Moorhead Improvement Series B 5.00% 2/1/33 (NATL-RE)	750,000	766,350
Perham Disposal System 6.00% 5/1/22 (AMT)	1,500,000	1,517,775
South Washington County Independent School District #833 Series A 4.75% 2/1/27	1,500,000	1,596,495
Todd Morrison Cass & Wadena Counties United Hospital District (Health Care Facilities-Lakewood) 5.00% 12/1/21	610,000	633,204
5.125% 12/1/24	205,000	211,701
5.25% 12/1/26	1,540,000	1,592,622
White Bear Lake Independent School District #624 (Formerly Joint Independent Consolidated Ramsey County School District #39 & Washington & Anoka Counties School District #103) Series B 4.75% 2/1/22	1,500,000	<u>1,650,886</u>
		<u>16,612,954</u>
<i>§ Pre-Refunded Bonds – 9.26%</i>		
Andover Economic Development Authority Public Facilities Lease Revenue (Andover Community Center) 5.20% 2/1/34-14	1,000,000	1,114,340
Duluth Economic Development Authority Health Care Facilities Revenue (Benedictine Health System - St. Mary's Hospital) 5.25% 2/15/28-14	1,000,000	1,151,700
5.25% 2/15/33-14	2,250,000	2,591,325
Minneapolis Community Development Agency Supported Development Revenue (Limited Tax Common Bond Fund) Series G-3 5.45% 12/1/31-11	1,000,000	1,090,630
Minneapolis Health Care System Revenue (Allina Health Systems) Series A 5.75% 11/15/32-12	2,000,000	2,283,800
(Fairview Health Services) Series A 5.625% 5/15/32-12	2,000,000	2,253,060
Minnesota Higher Education Facilities Authority Revenue (College of Art & Design Project) Series 5-D 6.75% 5/1/26-10	500,000	513,345
Puerto Rico Electric Power Authority Revenue Series II 5.25% 7/1/31-12	1,000,000	1,125,260
St. Louis Park Health Care Facilities Revenue (Park Nicollet Health Services) Series B 5.25% 7/1/30-14	1,000,000	<u>1,152,870</u>
		<u>13,276,330</u>
<i>Special Tax Revenue Bonds – 7.82%</i>		
Hennepin County Sales Tax Revenue (First Lien - Ball Park Project) Series B 5.00% 12/15/24	1,000,000	1,106,250
(Second Lien - Ballpark Project) Series B 5.00% 12/15/20	1,500,000	1,689,854
5.00% 12/15/24	1,000,000	1,098,890
Minneapolis Supported Development Revenue (Limited Tax-Common Bond Fund) Series 2A 5.00% 6/1/28	1,170,000	1,089,750
Minneapolis Tax Increment Revenue @ (Ivy Tower Project) 5.70% 2/1/29	785,000	514,340
(St. Anthony Falls Project) 5.65% 2/1/27	500,000	432,210
Minnesota 911 Revenue (Public Safety Radio Commission System Project) 5.00% 6/1/24 (ASSURED GTY)	1,000,000	1,086,650
Puerto Rico Commonwealth Infrastructure Financing Authority Special Tax Revenue Series B 5.00% 7/1/46	800,000	713,832
Puerto Rico Sales Tax Financing Revenue First Subordinate Series A 5.75% 8/1/37	930,000	943,690
St. Paul Port Authority (Brownsfields Redevelopment Tax) Series 2 5.00% 3/1/37	1,500,000	1,525,440
Virgin Islands Public Finance Authority Revenue (Senior Lien - Matching Fund Loan Note) Series A 5.25% 10/1/24	1,000,000	<u>1,010,120</u>
		<u>11,211,026</u>
<i>State General Obligation Bonds – 3.32%</i>		
Minnesota State 5.00% 6/1/14	1,000,000	1,160,120
5.00% 8/1/21 (FSA)	1,250,000	1,379,675
Puerto Rico Commonwealth Public Improvement Series A 5.25% 7/1/22	1,000,000	994,490
Un-Refunded Balance 5.00% 7/1/34	185,000	164,844
Puerto Rico Government Development Bank Senior Notes Series B 5.00% 12/1/14	1,000,000	<u>1,053,090</u>
		<u>4,752,219</u>
<i>Transportation Revenue Bond – 1.41%</i>		
Minneapolis - St. Paul Metropolitan Airports Commission Revenue Series A 5.00% 1/1/28 (NATL-RE)	2,000,000	<u>2,017,540</u>
		<u>2,017,540</u>
<i>Water &amp; Sewer Revenue Bonds – 4.22%</i>		
Minnesota Public Facilities Authority Clean Water Revenue Series B 5.00% 3/1/18	2,000,000	2,354,700
Minnesota Public Facilities Authority Water Pollution Control Revenue Refunding Series C 5.00% 3/1/18	1,000,000	1,121,470

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Series D 5.00% 3/1/14	1,000,000	1,154,640
St. Paul Sewer Revenue Series D 5.00% 12/1/19	1,220,000	<u>1,410,149</u>
		<u>6,040,959</u>
<b>Total Municipal Bonds (cost \$138,944,031)</b>		<b><u>138,604,639</u></b>
	<b>Number of Shares</b>	
<b>Short-Term Investments – 1.92%</b>		
<i>Money Market Instrument – 0.49%</i>		
Federated Minnesota Municipal Cash Trust	711,701	<u>711,701</u>
		<u>711,701</u>
	<b>Principal Amount</b>	
• <i>Variable Rate Demand Notes – 1.43%</i>		
Minneapolis Health Care System Revenue (Fairview Health Services) Series E 0.19% 11/15/47 (LOC – Wells Fargo Bank)	\$1,145,000	1,145,000
Minneapolis & St. Paul Housing & Redevelopment Authority Health Care System Revenue (Allina Health System) (LOC – JP Morgan Chase Bank) Series B-2 0.19% 11/15/35	500,000	500,000
University of Minnesota Series C 0.27% 12/1/36 (SPA – JP Morgan Chase Bank)	400,000	<u>400,000</u>
		<u>2,045,000</u>
<b>Total Short-Term Investments (cost \$2,756,701)</b>		<b><u>2,756,701</u></b>
<b>Total Value of Securities – 98.65%</b> (cost \$141,700,732)		<b>141,361,340</b>
<b>Receivables and Other Assets Net of Liabilities (See Notes) – 1.35%</b>		<b><u>1,933,126</u></b>
<b>Net Assets Applicable to 14,049,472 Shares Outstanding – 100.00%</b>		<b><u>\$143,294,466</u></b>

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

§Pre-Refunded bonds. Municipal bonds that are generally backed or secured by U.S. Treasury bonds. For Pre-Refunded Bonds, the stated maturity is followed by the year in which the bond is pre-refunded. See Note 3 in "Notes."

@Illiquid security. At November 30, 2009, the aggregate amount of illiquid securities was \$4,592,604, which represented 3.21% of the Fund's net assets. See Note 3 in "Notes."

### Summary of Abbreviations:

AMBAC – Insured by the AMBAC Assurance Corporation  
AMT – Subject to Alternative Minimum Tax  
ASSURED GTY – Insured by the Assured Guaranty Corporation  
FHA – Insured by the Federal Housing Administration  
FNMA – Federal National Mortgage Association Collateral  
FSA – Insured by Financial Security Assurance  
GNMA – Government National Mortgage Association Collateral  
HUD – Housing and Urban Development  
LOC – Letter of Credit  
NATL-RE – Insured by the National Public Finance Guarantee Corporation  
RADIAN – Insured by Radian Asset Assurance  
SPA – Stand-by Purchase Agreement

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## Notes

### 1. Significant Accounting Policies

The following accounting policies are in accordance with U.S. generally accepted accounting principles (GAAP) and are consistently followed by Voyageur Mutual Funds - Delaware Minnesota High-Yield Municipal Bond Fund (Fund). This report covers the period of time since the Fund's last fiscal year end.

**Security Valuation** – Debt securities 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. Open-end investment companies are valued at their published net asset value. Generally, other securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith under the direction of the Fund's Board of Trustees (Board). In determining whether market quotations are readily available or fair valuation will be used, various factors will be taken into consideration, such as market closures or suspension of trading in a security.

**Federal Income Taxes** – No provision for federal income taxes has been made as the Fund intends to continue to qualify for federal income tax purposes as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended, and make the requisite distributions to shareholders. The Fund evaluates tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold are recorded as a tax benefit or expense in the

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current year. Management has analyzed the Fund's tax positions taken on federal income tax returns for all open tax years (tax years ended August 31, 2006 – August 31, 2009), and has concluded that no provision for federal income tax is required in the Fund's financial statements.

**Class Accounting** – Investment income and common expenses are allocated to the various classes of the Fund on the basis of “settled shares” of each class in relation to the net assets of the Fund. Realized and unrealized gain (loss) on investments are allocated to the various classes of the Fund on the basis of daily net assets of each class. Distribution expenses relating to a specific class are charged directly to that class.

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

**Other** – Expenses directly attributable to the Fund are charged directly to the Fund. Other expenses common to various funds within the Delaware Investments<sup>®</sup> Family of Funds are generally allocated amongst such funds on the basis of average net assets. Management fees and some other expenses are paid monthly. Security transactions are recorded on the date the securities are purchased or sold (trade date) for financial reporting purposes. Costs used in calculating realized gains and losses on the sale of investment securities are those of the specific securities sold. Interest income is recorded on the accrual basis. Discounts and premiums are amortized to interest income over the lives of the respective securities. The Fund declares dividends daily from net investment income and pays such dividends monthly and declares and pays distributions from net realized gain on investments, if any, annually.

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

Management has evaluated whether any events or transactions occurred subsequent to November 30, 2009 through January 25, 2010, the date of issuance of the Fund's schedule of portfolio holdings, and determined that there were no material events or transactions that would require recognition or disclosure in the Fund's schedule of portfolio holdings.

### 2. Investments

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

Cost of investments	<u>\$ 141,700,732</u>
Aggregate unrealized appreciation	4,835,410
Aggregate unrealized depreciation	<u>(5,174,802)</u>
Net unrealized depreciation	<u>\$ (339,392)</u>

For federal income tax purposes, at August 31, 2009, capital loss carryforwards of \$1,409,732 may be carried forward and applied against future capital gains. Such capital loss carryforwards will expire as follows: \$57,521 expires in 2010, \$243,334 expires in 2011, \$684,248 expires in 2012, \$96,079 expires in 2015, \$198,826 expires in 2016, and \$129,724 expires in 2017.

The Fund applies the provisions, as amended to date, of Accounting Standards Codification 820 (ASC 820), Fair Value Measurements and Disclosures. ASC 820 defines fair value as the price that the Fund would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. ASC 820 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 Fund's investment in its entirety is assigned a level based upon the observability of the inputs which are significant to the overall valuation. The three-tier hierarchy of inputs is summarized below.

Level 1 – inputs are quoted prices in active markets

Level 2 – inputs are observable, directly or indirectly

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

The following table summarizes the valuation of the Fund's investments by the ASC 820 fair value hierarchy levels as of November 30, 2009:

	Level 1	Level 2	Total
Municipal Bonds	\$-	\$ 140,649,639	\$140,649,639
Short-Term	<u>711,701</u>	=	<u>711,701</u>
Total	<u>\$711,701</u>	<u>\$140,649,639</u>	<u>\$141,361,340</u>

There were no Level 3 securities at the beginning or end of the period.

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### **3. Credit and Market Risk**

The Fund concentrates its investments in securities issued by Minnesota municipalities. The value of these investments may be adversely affected by new legislation within the state, regional or local economic conditions, and differing levels of supply and demand for municipal bonds. Many municipalities insure repayment for their obligations. Although bond insurance reduces the risk of loss due to default by an issuer, such bonds remain subject to the risk that value may fluctuate for other reasons and there is no assurance that the insurance company will meet its obligations. A real or perceived decline in creditworthiness of a bond insurer can have an adverse impact on the value of insured bonds held in the Fund. At November 30, 2009, 14% of the Fund's net assets were insured by bond insurers. These securities have been identified in the schedule of investments.

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

The Fund may invest in advance refunded bonds, escrow secured bonds or defeased bonds. Under current federal tax laws and regulations, state and local government borrowers are permitted to refinance outstanding bonds by issuing new bonds. The issuer refinances the outstanding debt to either reduce interest costs or to remove or alter restrictive covenants imposed by the bonds being refinanced. A refunding transaction where the municipal securities are being refunded within 90 days from the issuance of the refunding issue is known as a "current refunding." "Advance refunded bonds" are bonds in which the refunded bond issue remains outstanding for more than 90 days following the issuance of the refunding issue. In an advance refunding, the issuer will use the proceeds of a new bond issue to purchase high grade interest bearing debt securities which are then deposited in an irrevocable escrow account held by an escrow agent to secure all future payments of principal and interest and bond premium of the advance refunded bond. Bonds are "escrowed to maturity" when the proceeds of the refunding issue are deposited in an escrow account for investment sufficient to pay all of the principal and interest on the original interest payment and maturity dates.

Bonds are considered "pre-refunded" when the refunding issue's proceeds are escrowed only until a permitted call date or dates on the refunded issue with the refunded issue being redeemed at the time, including any required premium. Bonds become "defeased" when the rights and interests of the bondholders and of their lien on the pledged revenues or other security under the terms of the bond contract and are substituted with an alternative source of revenues (the escrow securities) sufficient to meet payments of principal and interest to maturity or to the first call dates. Escrowed secured bonds will often receive a rating of AAA from Moody's, S&P, and/or Fitch Ratings due to the strong credit quality of the escrow securities and the irrevocable nature of the escrow deposit agreement.

The Fund may invest up to 15% of its net assets in illiquid securities, which may include securities with contractual restrictions on resale, securities exempt from registration under Rule 144A of the Securities Act of 1933, as amended, and other securities which may not be readily marketable. The relative illiquidity of these securities may impair the Fund from disposing of them in a timely manner and at a fair price when it is necessary or desirable to do so. While maintaining oversight, the Fund's Board has delegated to Delaware Management Company (DMC), a series of Delaware Management Business Trust, the day-to-day functions of determining whether individual securities are liquid for purposes of the Fund's limitation on investments in illiquid assets. Securities eligible for resale pursuant to Rule 144A, which are determined to be liquid, are not subject to the Fund's 15% limit on investments in illiquid securities. As of November 30, 2009, there were no Rule 144A securities. Illiquid securities have been identified on the schedule of investments.

### **4. Sale of Delaware Investments to Macquarie Group**

On August 18, 2009, Lincoln National Corporation (parent company of Delaware Investments) and Macquarie Group (Macquarie) entered into an agreement pursuant to which Delaware Investments, including DMC, DDLP and DSC, would be acquired by Macquarie, an Australia-based global provider of banking, financial, advisory, investment and funds management services (Transaction). The Transaction was completed on January 4, 2010. DMC, DDLP and DSC are now wholly owned subsidiaries of Macquarie.

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