

DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC  
Form N-Q  
April 27, 2007

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM N-Q

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number: 811-7460

Exact name of registrant as specified in charter: Delaware Investments Dividend and  
Income Fund, Inc.

Address of principal executive offices: 2005 Market Street  
Philadelphia, PA 19103

Name and address of agent for service: David F. Connor, Esq.  
2005 Market Street  
Philadelphia, PA 19103

Registrant's telephone number, including area code: (800) 523-1918

Date of fiscal year end: November 30

Date of reporting period: February 28, 2007

**Item 1. Schedule of Investments.**

**Schedule of Investments (Unaudited)**

**Delaware Investments Dividend and Income Fund, Inc.**

February 28, 2007

|  | Number of<br>Shares | Value     |
|--|---------------------|-----------|
| <b>Common Stock</b> <input type="checkbox"/> 79.08%          |                     |           |
| <i>Consumer Discretionary</i> <input type="checkbox"/> 5.68% |                     |           |
| @=□□Avado Brands   | 1,390               | \$ -      |
| *□Charter Communications Class A                             | 9,000               | 27,090    |
| Gap  | 132,200             | 2,536,918 |
| Limited Brands   | 87,800              | 2,430,304 |
| Mattel   | 110,000             | 2,861,100 |
| Starwood Hotels & Resorts Worldwide                          | 10,900              | 717,220   |
| *□Time Warner Cable Class A                                  | 8,900               | 344,867   |
|  |                     | 8,917,499 |
| <i>Consumer Staples</i> <input type="checkbox"/> 5.09%       |                     |           |
| Heinz (H.J.)   | 56,500              | 2,591,655 |
| Kimberly-Clark   | 38,500              | 2,622,235 |

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|  |         |            |
|--|---------|------------|
| Safeway  | 80,600  | 2,786,342  |
|  |         | 8,000,232  |
| <i>Diversified REITs</i> □ 2.41%               |         |            |
| iStar Financial                                | 33,900  | 1,622,115  |
| Liberty Property Trust                         | 17,100  | 876,375    |
| *Spirit Finance                                | 35,900  | 463,828    |
| *Washington Real Estate Investment Trust       | 20,600  | 823,588    |
|  |         | 3,785,906  |
| <i>Energy</i> □ 3.18%                          |         |            |
| Chevron  | 36,900  | 2,531,709  |
| ConocoPhillips                                 | 34,900  | 2,283,158  |
| *□Petroleum Geo-Services ADR                   | 8,001   | 185,943    |
|  |         | 5,000,810  |
| <i>Financials</i> □ 12.92%                     |         |            |
| Allstate                                       | 43,000  | 2,582,580  |
| Aon  | 72,500  | 2,729,624  |
| Chubb  | 47,600  | 2,429,980  |
| Hartford Financial Services Group              | 27,100  | 2,562,576  |
| □Highland Distressed Opportunities             | 41,000  | 604,750    |
| Huntington Bancshares                          | 97,900  | 2,266,385  |
| Morgan Stanley                                 | 33,200  | 2,487,344  |
| Wachovia                                       | 43,700  | 2,419,669  |
| Washington Mutual                              | 51,200  | 2,205,696  |
|  |         | 20,288,604 |
| <i>Health Care</i> □ 10.27%                    |         |            |
| Abbott Laboratories                            | 53,900  | 2,944,018  |
| Baxter International                           | 53,900  | 2,695,539  |
| Bristol-Myers Squibb                           | 102,800 | 2,712,892  |
| Merck & Co.                                    | 64,300  | 2,839,488  |
| Pfizer   | 98,900  | 2,468,544  |
| *Wyeth   | 50,500  | 2,470,460  |
|  |         | 16,130,941 |
| <i>Health Care REITs</i> □ 2.22%               |         |            |
| Health Care Property Investors                 | 28,400  | 1,044,268  |
| *Medical Properties Trust                      | 35,000  | 537,600    |
| *Nationwide Health Properties                  | 28,900  | 956,012    |
| *Ventas  | 20,700  | 948,681    |
|  |         | 3,486,561  |
| <i>Hotel REITs</i> □ 1.16%                     |         |            |
| Hersha Hospitality Trust                       | 97,800  | 1,090,470  |
| *Highland Hospitality                          | 14,700  | 241,227    |
| Host Hotels & Resorts                          | 18,400  | 483,552    |
|  |         | 1,815,249  |
| <hr/>  |         |            |
| <i>Industrial REITs</i> 2.74%                  |         |            |
| AMB Property                                   | 22,700  | 1,334,306  |
| *First Potomac Realty Trust                    | 21,700  | 649,915    |
| ProLogis                                       | 35,100  | 2,321,163  |
|  |         | 4,305,384  |
| <i>Industrials</i> □ 5.81%                     |         |            |
| □Allied Waste Industries                       | 1       | 12         |
| Donnelley (R.R.) & Sons                        | 74,700  | 2,702,646  |
| □Foster Wheeler                                | 4,760   | 263,126    |
| □Genesis Lease ADR                             | 73,000  | 1,806,750  |
| *□Grupo Aeroportuario del Centro Norte Sab ADR | 16,100  | 378,028    |
| *Macquarie Infrastructure                      | 43,300  | 1,667,050  |
| *□Teekay Petrojarl ADR                         | 2,167   | 24,693     |
| Waste Management                               | 66,800  | 2,274,540  |
|  |         | 9,116,845  |
| <i>Information Technology</i> □ 6.81%          |         |            |

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|   |         |            |
|---|---------|------------|
| Hewlett-Packard                           | 71,300  | 2,807,794  |
| Intel                                     | 125,100 | 2,483,235  |
| International Business Machines           | 28,700  | 2,669,387  |
| ☐Xerox                                    | 158,700 | 2,740,749  |
|   |         | 10,701,165 |
| <i>Mall REITs</i> ☐ 4.14%                 |         |            |
| General Growth Properties                 | 26,706  | 1,693,962  |
| Macerich                                  | 17,700  | 1,656,720  |
| Simon Property Group                      | 27,900  | 3,145,446  |
|   |         | 6,496,128  |
| <i>Manufactured Housing REITs</i> ☐ 0.42% |         |            |
| Equity Lifestyle Properties               | 11,600  | 652,500    |
|   |         | 652,500    |
| <i>Materials</i> ☐ 1.77%                  |         |            |
| duPont (E.I.) deNemours                   | 54,700  | 2,776,025  |
|   |         | 2,776,025  |
| <i>Media</i> ☐ 0.16%                      |         |            |
| ☐Adelphia                                 | 325,000 | 97,500     |
| ☐Adelphia Recovery Trust Series ACC-1     | 318,962 | 26,474     |
| ☐Adelphia Recovery Trust Series Arahova   | 217,473 | 115,261    |
| ☐Century Communications                   | 500,000 | 17,500     |
|   |         | 256,735    |
| <i>Mortgage REITs</i> ☐ 0.95%             |         |            |
| *American Home Mortgage Investment        | 18,800  | 514,180    |
| *Gramercy Capital                         | 6,800   | 218,688    |
| JER Investors Trust                       | 20,900  | 397,518    |
| *Luminent Mortgage Capital                | 38,700  | 356,814    |
|   |         | 1,487,200  |
| <i>Multifamily REITs</i> ☐ 1.21%          |         |            |
| American Campus Communities               | 15,000  | 453,750    |
| Equity Residential                        | 28,400  | 1,442,436  |
|   |         | 1,896,186  |
| <i>Office REITs</i> ☐ 3.89%               |         |            |
| Alexandria Real Estate Equities           | 9,200   | 967,748    |
| *Brandywine Realty Trust                  | 37,848  | 1,349,281  |
| Duke Realty                               | 27,000  | 1,189,620  |
| Highwoods Properties                      | 11,300  | 499,234    |
| Mack-Cali Realty                          | 10,200  | 527,136    |
| *Parkway Properties                       | 15,600  | 839,124    |
| PS Business Parks                         | 8,800   | 633,600    |
| SL Green Realty                           | 656     | 95,684     |
|   |         | 6,101,427  |
| <i>Self-Storage REITs</i> ☐ 0.97%         |         |            |
| Public Storage                            | 12,200  | 1,235,494  |
| *U-Store-It Trust                         | 13,000  | 280,800    |
|   |         | 1,516,294  |
| <i>Shopping Center REITs</i> ☐ 1.25%      |         |            |
| Cedar Shopping Centers                    | 46,200  | 741,510    |
| *New Plan Excel Realty Trust              | 29,400  | 981,666    |
| *Ramco-Gershenson Properties              | 6,600   | 235,620    |
|   |         | 1,958,796  |
| <i>Specialty REITs</i> ☐ 0.76%            |         |            |
| *Entertainment Properties Trust           | 18,300  | 1,198,650  |
|   |         | 1,198,650  |
| <hr/>                                     |         |            |
| <i>Telecommunications</i> 3.48%           |         |            |
| AT&T                                      | 76,100  | 2,800,480  |

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|   |         |                    |
|---|---------|--------------------|
| Verizon Communications                        | 71,400  | 2,672,502          |
|   |         | 5,472,982          |
| <i>Utilities</i> □ 1.79%                      |         |                    |
| □Mirant                                       | 6,023   | 224,417            |
| Progress Energy                               | 52,900  | 2,584,694          |
| □USGen  | 250,000 | -                  |
|   |         | 2,809,111          |
| <b>Total Common Stock (cost \$98,686,621)</b> |         | <b>124,171,230</b> |

**Convertible Preferred Stock** □ 3.29%

|   |        |           |
|---|--------|-----------|
| <i>Banking, Finance &amp; Insurance</i> □ 1.55%                                 |        |           |
| Aspen Insurance 5.625% exercise price \$29.28, expiration date 12/31/49         | 8,800  | 487,300   |
| □Citigroup Funding 4.673% exercise price \$29.50, expiration date 9/27/08       | 17,000 | 564,231   |
| *E Trade Financial 6.125% exercise price \$21.82, expiration date 11/18/08      | 9,000  | 271,125   |
| Lehman Brothers Holdings 6.25% exercise price \$54.24, expiration date 10/15/07 | 16,000 | 440,000   |
| *Marshall & Ilsley 6.50% exercise price \$46.28, expiration date 8/15/07        | 12,500 | 333,250   |
| Sovereign Capital Trust 4.375% exercise price \$29.16, expiration date 3/1/34   | 6,800  | 340,850   |
|   |        | 2,436,756 |

*Basic Materials* □ 0.38%

|   |       |         |
|---|-------|---------|
| *Freeport-McMoRan Copper & Gold 5.50% exercise price \$47.27 expiration date 12/31/49 | 115   | 155,753 |
| Huntsman 5.00% exercise price \$28.29, expiration date 2/16/08                        | 9,900 | 435,600 |
|   |       | 591,353 |

*Cable, Media & Publishing* □ 0.27%

|  |     |         |
|--|-----|---------|
| #Interpublic Group 5.25% 144A exercise price \$13.66, expiration date 12/31/49 | 360 | 417,150 |
|  |     | 417,150 |

*Energy* □ 0.46%

|  |       |         |
|--|-------|---------|
| *Chesapeake Energy 4.50% exercise price \$44.17, expiration date 12/31/49            | 3,650 | 354,050 |
| El Paso Energy Capital Trust I 4.75% exercise price \$41.59, expiration date 3/31/28 | 9,250 | 362,600 |
|  |       | 716,650 |

*Telecommunications* □ 0.13%

|   |     |         |
|---|-----|---------|
| Lucent Technologies Capital Trust I 7.75% exercise price \$24.80, expiration date 3/15/17 | 205 | 212,354 |
|   |     | 212,354 |

*Utilities* □ 0.50%

|  |       |         |
|--|-------|---------|
| Entergy 7.625% exercise price \$87.64, expiration date 2/17/09   | 6,750 | 417,656 |
| NRG Energy 5.75% exercise price \$60.45, expiration date 3/16/09 | 1,225 | 372,553 |
|  |       | 790,209 |

**Total Convertible Preferred Stock (cost \$4,718,021)**

**5,164,472**

**Preferred Stock** □ 4.02%

*Leisure, Lodging & Entertainment* □ 0.65%

|                                      |        |           |
|--------------------------------------|--------|-----------|
| *Red Lion Hotels Capital Trust 9.50% | 37,649 | 1,012,758 |
|                                      |        | 1,012,758 |

*Real Estate* □ 3.37%

|                                   |        |           |
|-----------------------------------|--------|-----------|
| *Equity Inns Series B 8.75%       | 35,700 | 942,480   |
| LaSalle Hotel Properties 10.25%   | 49,200 | 1,244,760 |
| Ramco-Gershenson Properties 9.50% | 40,000 | 1,054,400 |
| SL Green Realty 7.625%            | 80,000 | 2,054,400 |
|                                   |        | 5,296,040 |

**Total Preferred Stock (cost \$6,063,725)**

**6,308,798**

**Principal  
Amount**

**Commercial Mortgage-Backed Securities** □ 0.19%

|  |           |         |
|--|-----------|---------|
| #First Union National Bank Commercial Mortgage Series 2001-C2 L 144A 6.46% 1/12/43 | \$300,000 | 304,688 |
|--|-----------|---------|

**Total Commercial Mortgage-Backed Securities (cost \$304,488)**

**304,688**

**Convertible Bonds** □ 9.57%

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*Aerospace & Defense* □ 0.54%

|   |         |         |
|---|---------|---------|
| #AAR 144A 1.75% 2/1/26 exercise price \$29.43, expiration date 2/1/26                 | 260,000 | 305,175 |
| EDO 4.00% 11/15/25 exercise price \$34.19, expiration date 11/15/25                   | 235,000 | 231,769 |
| #L-3 Communications 144A 3.00% 8/1/35 exercise price \$102.16, expiration date 8/1/35 | 290,000 | 311,025 |
|   |         | 847,969 |

*Automobiles & Automotive Parts* □ 0.37%

|   |         |         |
|---|---------|---------|
| Ford Motor 4.25% 12/15/36 exercise price \$9.20, expiration date 12/15/36 | 520,000 | 583,050 |
|   |         | 583,050 |

*Banking, Finance & Insurance* □ 0.18%

|   |         |         |
|---|---------|---------|
| □#US Bancorp 144A 3.615% 9/20/36 exercise price \$38.28, expiration date 12/20/36 | 275,000 | 277,503 |
|   |         | 277,503 |

*Cable, Media & Publishing* □ 0.35%

|   |         |         |
|---|---------|---------|
| #Playboy Enterprises 144A 3.00% 3/15/25 exercise price \$17.02, expiration date 3/15/25 | 600,000 | 553,500 |
|   |         | 553,500 |

*Computers & Technology* □ 1.87%

|  |         |           |
|--|---------|-----------|
| Fairchild Semiconductor 5.00% 11/1/08 exercise price \$30.00, expiration date 11/1/08      | 410,000 | 407,438   |
| Hutchinson Technology 3.25% 1/15/26 exercise price \$36.43, expiration date 1/15/26        | 340,000 | 314,925   |
| #Informatica 144A 3.00% 3/15/26 exercise price \$20.00, expiration date 3/15/26            | 510,000 | 515,738   |
| #Intel 144A 2.95% 12/15/35 exercise price \$31.53, expiration date 12/15/35                | 255,000 | 228,544   |
| ^ON Semiconductor Series B 1.149% 4/15/24 expiration price \$9.82, expiration date 4/15/24 | 575,000 | 663,405   |
| SanDisk 1.00% 5/15/13 exercise price \$82.36, expiration date 5/15/13                      | 280,000 | 235,200   |
| #Sybase 144A 1.75% 2/22/25 exercise price \$25.22, expiration date 2/22/25                 | 500,000 | 564,374   |
|  |         | 2,929,624 |

*Energy* □ 0.72%

|   |         |           |
|---|---------|-----------|
| Halliburton 3.125% 7/15/23 exercise price \$18.80, expiration date 7/15/23      | 250,000 | 418,750   |
| Pride International 3.25% 5/1/33 exercise price \$25.70, expiration date 5/1/33 | 230,000 | 284,338   |
| Schlumberger 2.125% 6/1/23 exercise price \$40.00, expiration date 6/1/23       | 260,000 | 421,525   |
|   |         | 1,124,613 |

*Health Care & Pharmaceuticals* □ 1.58%

|   |         |           |
|---|---------|-----------|
| #Allergan 144A 1.50% 4/1/26 exercise price \$126.66, expiration date 4/1/26             | 415,000 | 436,787   |
| Amgen   |         |           |
| *0.375% 2/1/13 exercise price \$79.48, expiration date 2/1/13                           | 235,000 | 227,069   |
| #144A 0.375% 2/1/13 exercise price \$79.48, expiration date 2/1/13                      | 165,000 | 159,431   |
| □Bristol-Myers Squibb 4.86% 9/15/23 exercise price \$41.28, expiration date 9/15/23     | 300,000 | 303,750   |
| CV Therapeutics 3.25% 8/16/13 exercise price \$27.00, expiration date 8/16/13           | 125,000 | 109,375   |
| #Nektar Therapeutics 144A 3.25% 9/28/12 exercise price \$21.52, expiration date 9/28/12 | 350,000 | 330,313   |
| Teva Pharmaceutical Finance 0.25% 2/1/26 exercise price \$47.16, expiration date 2/1/26 | 345,000 | 337,238   |
| □Wyeth 4.877% 1/15/24 exercise price \$60.39, expiration date 1/15/24                   | 550,000 | 586,739   |
|   |         | 2,490,702 |

*Leisure, Lodging & Entertainment* □ 0.74%

|   |         |           |
|---|---------|-----------|
| #International Game Technology 144A 2.60% 12/15/36 exercise price \$61.78, expiration date 12/15/36 | 375,000 | 368,438   |
| #Regal Entertainment Group 144A 3.75% 5/15/08 exercise price \$14.55, expiration date 5/15/08       | 550,000 | 801,625   |
|   |         | 1,170,063 |

*Real Estate* □ 0.72%

|  |           |           |
|--|-----------|-----------|
| MeriStar Hospitality 9.50% 4/1/10 exercise price \$10.18, expiration date 4/1/10 | 1,100,000 | 1,129,150 |
|  |           | 1,129,150 |

*Retail* □ 1.07%

|   |         |           |
|---|---------|-----------|
| «Dick's Sporting Goods 1.606% 2/18/24 exercise price \$58.13, expiration date 2/18/24 | 380,000 | 362,425   |
| □Lowe's Companies 0.861% 10/19/21 exercise price \$29.05, expiration date 10/19/21    | 280,000 | 316,400   |
| #Saks 144A 2.00% 3/15/24 exercise price \$11.97, expiration date 3/15/24              | 425,000 | 712,406   |
| #United Auto Group 144A 3.50% 4/1/26 exercise price \$23.69, expiration date 4/1/26   | 260,000 | 287,625   |
|   |         | 1,678,856 |

*Telecommunications* □ 0.19%

|   |         |         |
|---|---------|---------|
| Qwest Communications International 3.50% 11/15/25 exercise price \$5.90, expiration date 11/15/25 | 180,000 | 294,750 |
|   |         | 294,750 |

*Transportation* □ 0.44%

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|   |         |                   |
|---|---------|-------------------|
| *#ExpressJet Holdings 144A 4.25% 8/1/23 exercise price \$18.20, expiration date 8/1/23  | 200,000 | 190,000           |
| JetBlue Airways   |         |                   |
| 3.50% 7/15/33 exercise price \$28.33, expiration date 7/15/33                           | 275,000 | 266,063           |
| 3.75% 3/15/35 exercise price \$17.10, expiration date 3/15/35                           | 225,000 | 232,875           |
|   |         | 688,938           |
| <i>Utilities</i> $\square$ 0.80%  |         |                   |
| #CenterPoint Energy 144A 3.75% 5/15/23 exercise price \$11.31, expiration date 5/15/23  | 800,000 | 1,265,000         |
| $\square$ Mirant (Escrow) 2.50% 6/15/21 exercise price \$67.95, expiration date 6/15/21 | 180,000 | -                 |
|   |         | 1,265,000         |
| <b>Total Convertible Bonds (cost \$13,482,496)</b>                                      |         | <b>15,033,718</b> |
| <b>Corporate Bonds</b> $\square$ 27.49%   |         |                   |
| <i>Basic Industry</i> $\square$ 3.02%   |         |                   |
| *AK Steel 7.875% 2/15/09  | 345,000 | 345,863           |
| Bowater   |         |                   |
| 9.00% 8/1/09  | 225,000 | 238,500           |
| 9.50% 10/15/12  | 300,000 | 317,250           |
| *Georgia-Pacific 8.875% 5/15/31   | 400,000 | 429,999           |
| #Hexion US Finance 144A 9.75% 11/15/14  | 300,000 | 319,500           |
| Lyondell Chemical   |         |                   |
| 8.00% 9/15/14   | 235,000 | 248,513           |
| 8.25% 9/15/16   | 250,000 | 270,000           |
| 10.50% 6/1/13   | 45,000  | 49,500            |
| *#Nell AF Sarl 144A 8.375% 8/15/15  | 325,000 | 344,500           |
| NewPage 10.00% 5/1/12   | 260,000 | 284,700           |
| Norske Skog Canada 8.625% 6/15/11   | 250,000 | 256,250           |
| <hr/>   |         |                   |
| $\square$ #Port Townsend Paper 144A 11.00% 4/15/11                                      | 350,000 | 302,750           |
| Potlatch 13.00% 12/1/09   | 250,000 | 288,535           |
| #Sappi Papier Holding 144A 7.50% 6/15/32  | 250,000 | 243,990           |
| $\square$ Solutia 6.72% 10/15/37  | 375,000 | 364,688           |
| Tembec Industries 8.625% 6/30/09  | 275,000 | 229,625           |
| #Tube City IMS 144A 9.75% 2/1/15  | 200,000 | 211,000           |
|   |         | 4,745,163         |
| <i>Brokerage</i> $\square$ 0.65%  |         |                   |
| E Trade Financial 8.00% 6/15/11   | 250,000 | 263,125           |
| LaBranche   |         |                   |
| 9.50% 5/15/09   | 265,000 | 279,575           |
| 11.00% 5/15/12  | 435,000 | 475,238           |
|   |         | 1,017,938         |
| <i>Capital Goods</i> $\square$ 1.96%  |         |                   |
| #Ahern Rentals 144A 9.25% 8/15/13   | 175,000 | 184,188           |
| Armor Holdings 8.25% 8/15/13  | 250,000 | 263,125           |
| Baldor Electric 8.625% 2/15/17  | 75,000  | 79,219            |
| Berry Plastics Holding 8.875% 9/15/14   | 245,000 | 254,800           |
| CPG International I 10.50% 7/1/13   | 150,000 | 157,875           |
| *Graham Packaging 9.875% 10/15/14   | 400,000 | 413,999           |
| Interface 10.375% 2/1/10  | 350,000 | 389,375           |
| Intertape Polymer 8.50% 8/1/14  | 405,000 | 379,429           |
| *#Momentive Performance Materials 144A 9.75% 12/1/14                                    | 250,000 | 263,125           |
| * $\square$ NTK Holdings 10.75% 3/1/14  | 75,000  | 59,250            |
| #RBS Global & Rexnord 144A  |         |                   |
| 9.50% 8/1/14  | 125,000 | 132,500           |
| *11.75% 8/1/16  | 190,000 | 209,000           |
| *Trimas 9.875% 6/15/12  | 295,000 | 295,000           |
|   |         | 3,080,885         |
| <i>Consumer Cyclical</i> $\square$ 2.51%  |         |                   |
| *Accuride 8.50% 2/1/15  | 250,000 | 254,375           |

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|   |         |           |
|---|---------|-----------|
| Carrols 9.00% 1/15/13                                 | 300,000 | 311,250   |
| Denny's 10.00% 10/1/12                                | 50,000  | 53,500    |
| Ford Motor Credit                                     |         |           |
| 7.375% 10/28/09                                       | 300,000 | 302,431   |
| □8.11% 1/13/12  | 125,000 | 125,825   |
| *9.875% 8/10/11                                       | 225,000 | 242,984   |
| *General Motors 8.375% 7/15/33                        | 500,000 | 466,249   |
| GMAC 6.875% 9/15/11                                   | 185,000 | 187,401   |
| #Goodyear Tire & Rubber 144A 8.625% 12/1/11           | 125,000 | 133,438   |
| Lear 8.75% 12/1/16                                    | 150,000 | 145,313   |
| *#Michaels Stores 144A 11.375% 11/1/16                | 245,000 | 267,050   |
| Neiman Marcus PIK 9.00% 10/15/15                      | 230,000 | 254,150   |
| *NPC International 9.50% 5/1/14                       | 275,000 | 291,500   |
| O'Charleys 9.00% 11/1/13                              | 200,000 | 213,000   |
| Rite Aid  |         |           |
| 8.625% 3/1/15   | 175,000 | 171,063   |
| *9.25% 6/1/13   | 370,000 | 374,624   |
| #Vitro 144A   |         |           |
| 8.625% 2/1/12   | 65,000  | 65,975    |
| 9.125% 2/1/17   | 85,000  | 87,125    |
|   |         | 3,947,253 |
| <i>Consumer Non-Cyclical □ 1.35%</i>                  |         |           |
| *Constellation Brands 8.125% 1/15/12                  | 300,000 | 313,500   |
| #Elan Finance 144A 8.875% 12/1/13                     | 300,000 | 306,000   |
| Ingles Markets 8.875% 12/1/11                         | 290,000 | 303,775   |
| National Beef Packing 10.50% 8/1/11                   | 400,000 | 420,999   |
| Pilgrim's Pride                                       |         |           |
| *8.375% 5/1/17  | 185,000 | 182,688   |
| 9.625% 9/15/11  | 250,000 | 263,125   |
| *Swift 12.50% 1/1/10                                  | 225,000 | 236,813   |
| True Temper Sports 8.375% 9/15/11                     | 100,000 | 90,000    |
|   |         | 2,116,900 |
| <i>Emerging Markets □ 0.11%</i>                       |         |           |
| #True Move 144A 10.75% 12/16/13                       | 175,000 | 179,375   |
|   |         | 179,375   |
| <i>Energy □ 2.55%</i>                                 |         |           |
| *Bluewater Finance 10.25% 2/15/12                     | 150,000 | 157,125   |
| Chesapeake Energy 6.625% 1/15/16                      | 70,000  | 70,700    |
| <hr/>   |         |           |
| Compton Petroleum Finance 7.625% 12/1/13              | 375,000 | 369,375   |
| El Paso Natural Gas 7.625% 8/1/10                     | 200,000 | 209,500   |
| #El Paso Performance Linked Trust 144A 7.75% 7/15/11  | 175,000 | 186,813   |
| El Paso Production 7.75% 6/1/13                       | 100,000 | 105,000   |
| Geophysique-Veritas                                   |         |           |
| 7.50% 5/15/15   | 75,000  | 76,875    |
| 7.75% 5/15/17   | 75,000  | 78,000    |
| #Hilcorp Energy I 144A                                |         |           |
| 7.75% 11/1/15   | 75,000  | 75,375    |
| *9.00% 6/1/16   | 275,000 | 294,250   |
| Inergy Finance  |         |           |
| 6.875% 12/15/14                                       | 150,000 | 148,500   |
| 8.25% 3/1/16  | 75,000  | 79,500    |
| Mariner Energy 7.50% 4/15/13                          | 200,000 | 196,500   |
| Massey Energy 6.625% 11/15/10                         | 25,000  | 25,438    |
| #OPTI Canada 144A 8.25% 12/15/14                      | 200,000 | 208,000   |
| PetroHawk Energy 9.125% 7/15/13                       | 475,000 | 507,062   |
| #Regency Energy Partners 144A 8.375% 12/15/13         | 435,000 | 446,962   |
| □Secunda International 13.36% 9/1/12                  | 260,000 | 271,700   |
| #Stallion Oilfield Services/Finance 144A 9.75% 2/1/15 | 250,000 | 260,625   |
| Whiting Petroleum 7.25% 5/1/13                        | 235,000 | 235,881   |



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|  |         |                   |
|--|---------|-------------------|
| *6.50% 2/15/16                                       | 425,000 | 366,563           |
| #144A 9.25% 11/15/16                                 | 25,000  | 26,844            |
| #Healthsouth 144A 10.75% 6/15/16                     | 550,000 | 617,375           |
| US Oncology 10.75% 8/15/14                           | 250,000 | 276,250           |
| ¶Vanguard Health 11.25% 10/1/15                      | 700,000 | 575,750           |
| *WCA Waste 9.25% 6/15/14                             | 300,000 | 319,500           |
|  |         | 3,849,531         |
| <i>Technology &amp; Electronics</i> □ 0.62%          |         |                   |
| *#Freescale Semiconductor 144A 10.125% 12/15/16      | 425,000 | 437,219           |
| #Open Solutions 144A 9.75% 2/1/15                    | 20,000  | 20,750            |
| #PGS Solutions 144A 9.625% 2/15/15                   | 50,000  | 51,764            |
| *Solectron Global Finance 8.00% 3/15/16              | 290,000 | 291,450           |
| □#UGS Capital II PIK 144A 10.348% 6/1/11             | 161,307 | 164,130           |
|  |         | 965,313           |
| <i>Telecommunications</i> □ 3.31%                    |         |                   |
| *American Tower 7.125% 10/15/12                      | 300,000 | 311,625           |
| American Towers 7.25% 12/1/11                        | 100,000 | 103,875           |
| #Broadview Networks Holdings 144A 11.375% 9/1/12     | 200,000 | 213,000           |
| #Cricket Communications 144A 9.375% 11/1/14          | 275,000 | 291,500           |
| *#Digicel Group 144A 8.875% 1/15/15                  | 275,000 | 269,156           |
| #Digicel Limited 144A 9.25% 9/1/12                   | 275,000 | 294,250           |
| □#Hellas Telecommunications II 144A 11.115% 1/15/15  | 275,000 | 286,000           |
| Hughes Network Systems/Finance 9.50% 4/15/14         | 575,000 | 612,374           |
| ¶Inmarsat Finance 10.375% 11/15/12                   | 500,000 | 471,249           |
| Level 3 Communications 11.50% 3/1/10                 | 275,000 | 306,625           |
| #Level 3 Financing 144A 8.75% 2/15/17                | 210,000 | 211,838           |
| #MetroPCS Wireless 144A 9.25% 11/1/14                | 135,000 | 142,425           |
| □PAETEC Holding 13.87% 10/1/09                       | 150,000 | 159,375           |
| Qwest  |         |                   |
| 7.50% 10/1/14  | 375,000 | 399,844           |
| □8.61% 6/15/13                                       | 200,000 | 219,250           |
| Rural Cellular                                       |         |                   |
| 9.875% 2/1/10  | 275,000 | 292,188           |
| 11.11% 11/1/12                                       | 170,000 | 177,650           |
| Triton PCS   |         |                   |
| *8.50% 6/1/13  | 150,000 | 154,688           |
| 9.375% 2/1/11  | 275,000 | 284,281           |
|  |         | 5,201,193         |
| <i>Utilities</i> □ 1.19%                             |         |                   |
| □#Calpine 144A 8.496% 7/15/07                        | 337,238 | 365,060           |
| Elwood Energy 8.159% 7/5/26                          | 275,328 | 294,932           |
| Midwest Generation                                   |         |                   |
| 8.30% 7/2/09   | 210,697 | 217,281           |
| 8.75% 5/1/34   | 200,000 | 216,500           |
| Mirant Americas 8.30% 5/1/11                         | 375,000 | 384,375           |
| Mirant North America 7.375% 12/31/13                 | 100,000 | 103,250           |
| Orion Power Holdings 12.00% 5/1/10                   | 250,000 | 291,250           |
|  |         | 1,872,648         |
| <b>Total Corporate Bonds (cost \$41,669,518)</b>     |         | <b>43,161,846</b> |
| <b>«Senior Secured Loans</b> □ 0.64%                 |         |                   |
| Ford Motor 8.36% 12/15/13                            | 300,000 | 304,125           |
| HCA 7.864% 11/17/13                                  | 150,000 | 151,500           |
| Talecris Biotherapeutics 13.50% 12/6/14              | 150,000 | 153,375           |
| Telesat Canada 9.00% 2/14/08                         | 400,000 | 400,000           |
| <b>Total Senior Secured Loans (cost \$1,000,000)</b> |         | <b>1,009,000</b>  |

Number of

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|  | Shares |   |
|--|--------|---|
| <b>Warrant</b> <input type="checkbox"/> <b>0.00%</b>                                   |        |   |
| <input type="checkbox"/> #Solutia 144A, exercise price \$7.59, expiration date 7/15/09 | 650    | - |
| <b>Total Warrant (cost \$55,294)</b>   |        | - |

|   | Principal<br>Amount |                    |
|---|---------------------|--------------------|
| <b>Repurchase Agreements</b> <input type="checkbox"/> <b>3.23%</b>  |                     |                    |
| With BNP Paribas 5.25% 3/1/07<br>(dated 2/28/07, to be repurchased at \$2,707,595,<br>collateralized by \$896,300 U.S. Treasury Notes 3.50%<br>due 2/15/10, market value \$871,978, \$659,300<br>U.S. Treasury Notes 4.00% due 4/15/10,<br>market value \$659,432, \$906,800<br>U.S. Treasury Notes 6.00% due 8/15/09, market value<br>\$939,101 and \$290,100 U.S. Treasury Notes 6.125%<br>due 8/15/07, market value \$292,266) | \$2,707,200         | 2,707,200          |
| With Cantor Fitzgerald 5.24% 3/1/07<br>(dated 2/28/07, to be repurchased at \$921,834,<br>collateralized by \$945,800 U.S. Treasury Bills<br>due 4/12/07, market value \$940,282)   | 921,700             | 921,700            |
| With UBS Warburg 5.25% 3/1/07<br>(dated 2/28/07, to be repurchased at \$1,440,310,<br>collateralized by \$1,419,300 U.S. Treasury Notes 5.50%<br>due 5/15/09, market value \$1,469,395)   | 1,440,100           | 1,440,100          |
| <b>Total Repurchase Agreements (cost \$5,069,000)</b>   |                     | <b>5,069,000</b>   |
| <b>Total Value of Securities Before Securities Lending Collateral</b> <input type="checkbox"/> <b>127.51%</b><br>(cost \$171,049,163)   |                     | <b>200,222,752</b> |

| <b>Securities Lending Collateral**</b> <input type="checkbox"/> <b>13.39%</b>              |           |           |
|--|-----------|-----------|
| Short-Term Investments <input type="checkbox"/> 13.39%                                     |           |           |
| <i>Fixed Rate Notes</i> <input type="checkbox"/> <i>3.01%</i>                              |           |           |
| Citigroup Global Markets 5.32% 3/1/07  | 4,193,437 | 4,193,437 |
| ING Bank, Amsterdam 5.33% 7/9/07   | 530,651   | 530,651   |
|  |           | 4,724,088 |
| <input type="checkbox"/> <i>Variable Rate Notes</i> <input type="checkbox"/> <i>10.38%</i> |           |           |
| ANZ National 5.32% 3/31/08   | 106,131   | 106,131   |
| Australia New Zealand 5.32% 3/31/08  | 530,651   | 530,651   |
| Bank of New York 5.31% 3/31/08   | 424,521   | 424,521   |
| Barclays New York 5.31% 5/18/07  | 742,911   | 742,911   |
| Bayerische Landesbank, New York 5.37% 3/31/08  | 530,651   | 530,651   |
| Bear Stearns 5.38% 8/31/07   | 742,911   | 742,911   |
| BNP Paribas 5.33% 3/31/08  | 530,651   | 530,651   |
| Calyon, New York 5.33% 8/14/07   | 265,326   | 265,326   |
| Canadian Imperial Bank, New York<br>5.32% 3/31/08  | 424,521   | 371,456   |
| 5.33% 8/15/07  | 371,456   | 424,521   |
| CDC Financial Products 5.36% 3/30/07   | 689,846   | 689,846   |
| Citigroup Global Markets 5.38% 3/7/07  | 689,846   | 689,846   |
| Commonwealth Bank, Australia 5.32% 3/31/08   | 530,651   | 530,651   |
| Deutsche Bank, London 5.34% 8/20/07  | 742,911   | 742,911   |
| Dexia Bank, New York 5.33% 9/28/07   | 742,886   | 742,802   |
| Goldman Sachs Group 5.45% 2/29/08  | 689,846   | 689,846   |

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|   |         |         |
|---|---------|---------|
| Marshall & Ilsley Bank 5.30% 3/31/08        | 583,716 | 583,716 |
| Merrill Lynch Mortgage Capital 5.41% 3/8/07 | 689,846 | 689,846 |
| Morgan Stanley 5.49% 3/31/08                | 689,846 | 689,846 |
| National Australia Bank 5.31% 3/7/07        | 658,007 | 658,007 |
| National City Bank, Cleveland 5.32% 3/2/07  | 636,838 | 636,839 |
| National Rural Utilities 5.31% 3/31/08      | 838,429 | 838,429 |
| Nordea Bank New York 5.31% 5/16/07          | 265,325 | 265,323 |
| Nordea Bank Norge 5.33% 3/31/08             | 530,651 | 530,651 |
| Royal Bank of Scotland Group 5.31% 3/31/08  | 530,651 | 530,651 |
| Societe Generale, New York 5.29% 3/31/08    | 265,326 | 265,326 |
| Sun Trust Bank, Atlanta 5.33% 7/30/07       | 689,846 | 689,846 |

|  |         |                   |
|--|---------|-------------------|
| Toronto Dominion, New York 5.32% 5/29/07                       | 636,782 | 636,782           |
| Wells Fargo 5.33% 3/31/08                                      | 530,651 | 530,651           |
|  |         | 16,301,545        |
| <b>Total Securities Lending Collateral (cost \$21,025,633)</b> |         | <b>21,025,633</b> |

|  |  |                          |
|--|--|--------------------------|
| <b>Total Value of Securities</b> □ 140.90%                                 |  |                          |
| (cost \$192,074,796)   |  | 221,248,385 <sup>©</sup> |
| <b>Obligation to Return Securities Lending Collateral**</b> □ (13.39%)     |  | (21,025,633)             |
| <b>Commercial Paper Payable</b> □ (27.89%)                                 |  |                          |
| (par \$44,000,000)   |  | (43,794,831)             |
| <b>Receivables and Other Assets Net of Liabilities (See Notes)</b> □ 0.38% |  | 594,460                  |
| <b>Net Assets Applicable to 11,009,236 Shares Outstanding</b> □ 100.00%    |  | <b>\$157,022,381</b>     |

□ Non-income producing security for the period ended February 28, 2007.

□ Non-income producing security. Security is currently in default.

= Security is being fair valued in accordance with the Fund's fair valuation policy. At February 28, 2007, the aggregate amount of fair valued securities equaled \$0, which represented 0.00% of the Fund's net assets. See Note 1 in "Notes."

@ Illiquid security. At February 28, 2007, the aggregate amount of illiquid securities equaled \$0, which represented 0.00% of the Fund's net assets. See Note 5 in "Notes."

Π Restricted Security. Investment in a security not registered under the Securities Act of 1933, as amended. This security has certain restrictions on resale which may limit its liquidity. At February 28, 2007, the aggregate amount of the restricted security equaled \$0 or 0.00% of the Fund's net assets. See Note 5 in "Notes."

□ Variable rate security. The rate shown is the rate as of February 28, 2007.

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

« Step coupon bond. Coupon increases/decreases periodically based on a predetermined schedule. Stated rate in effect at February 28, 2007.

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

# Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. At February 28, 2007, the aggregate amount of Rule 144A securities equaled \$19,491,905, which represented 12.41% of the Fund's net assets. See Note 5 in "Notes."

« Senior Secured Loans generally pay interest at rates which are periodically redetermined by reference to a base lending rate plus a premium. These base lending rates are generally (i) the prime rate offered by one or more United States banks, (ii) the lending rate offered by one or more European banks such as the London Inter-Bank Offered Rate ('LIBOR') and (iii) the certificate of deposit rate. Senior Secured Loans may be subject to restrictions on resale.

\* Fully or partially on loan.

\*\* See Note 4 in "Notes."

© Includes \$20,738,060 of securities loaned.

**Summary of Abbreviations:**

ADR □ American Depositary Receipts

GMAC □ General Motors Acceptance Corporation

REITs □ Real Estate Investment Trusts

PIK □ Pay-in-kind

## Notes

### 1. Significant Accounting Policies

The following accounting policies are in accordance with U.S. generally accepted accounting principals and are consistently followed by Delaware Investments Dividend and Income Fund, Inc. (the "Fund").

**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 the asked prices will be used. U.S. Government and agency securities are valued at the mean between the bid and asked prices. Long-term debt securities are valued by an independent pricing service and such prices are believed to reflect the fair value of such securities. Short-term debt securities having less than 60 days to maturity are valued at amortized cost, which approximates market value. Securities lending collateral is valued at amortized cost, which approximates value. 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 Directors. 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 with respect to foreign securities, aftermarket trading or significant events after local market trading (e.g., government actions or pronouncements, trading volume or volatility on markets, exchanges among dealers, or news events).

In September 2006, Financial Accounting Standards Board (FASB) issued FASB Statement No. 157 "Fair Value Measurements" (Statement 157). Statement 157 establishes a framework for measuring fair value in generally accepted accounting principles, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. Statement 157 is intended to increase consistency and comparability among fair value estimates used in financial reporting. Statement 157 is effective for fiscal years beginning after November 15, 2007. Management does not expect the adoption of Statement 157 to have an impact on the amounts reported in the financial statements.

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**Federal Income Taxes** The Fund intends to continue to qualify for federal income tax purposes as a regulated investment company and make the requisite distributions to shareholders. Accordingly, no provision for federal income taxes has been made in the financial statements.

On July 13, 2006, FASB released FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" (FIN 48). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the financial statements. FIN 48 requires the evaluation of 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 would be recorded as a tax benefit or expense in the current year. Adoption of FIN 48 is required for fiscal years beginning after December 15, 2006 and is to be applied to all open tax years as of the effective date. Recent SEC guidance allows implementing FIN 48 in Fund net asset value calculations as late as the Fund's last net asset value calculation in the first required financial statement reporting period. As a result, the Fund will incorporate FIN 48 in its semiannual report on May 31, 2008. Although the Fund's tax positions are currently being evaluated, management does not expect the adoption of FIN 48 to have a material impact on the Fund's financial statements.

**Repurchase Agreements** The Fund may invest in a pooled cash account along with members of the Delaware Investments<sup>®</sup> Family of Funds pursuant to an exemptive order issued by the Securities and Exchange Commission. The aggregate daily balance of the pooled cash account is invested in repurchase agreements secured by obligations of the U.S. government. The respective collateral is held by the Fund's custodian bank until the maturity of the respective repurchase agreements. Each repurchase agreement is at least 102% collateralized. However, in the event of default or bankruptcy by the counterparty to the agreement, realization of the collateral may be subject to legal proceedings.

**Distributions** The Fund has a managed distribution policy. Under the policy, the Fund declares and pays monthly distributions and is managed with a goal of generating as much of the distribution as possible from ordinary income (net investment income and short-term capital gains). The balance of the distribution then comes from long-term capital gains and, if necessary, a return of capital. The current annualized rate is \$0.96 per share. The Fund continues to evaluate its monthly distribution in light of ongoing economic and market conditions and may change the amount of the monthly distributions in the future.

**Borrowings** The Fund issues short-term commercial paper at a discount from par. The discount is amortized as interest expense over the life of the commercial paper using the straight-line method (See Note 3).

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

**Other** ¶ Expenses directly attributable to the Fund are charged directly to the Fund. Other expenses common to various funds within the Delaware Investments® Family of Funds are generally allocated amongst such funds on the basis of average net assets. Management fees and some other expenses are paid monthly. Security transactions are recorded on the date the securities are purchased or sold (trade date) for financial reporting purposes. Costs used in calculating realized gains and losses on the sale of investment securities are those of the specific securities sold. Dividend income is recorded on the ex-dividend date and interest income is recorded on the accrual basis. Discounts and premiums on non-convertible debt securities are amortized to interest income over the lives of the respective securities. Distributions received from investments in Real Estate Investment Trusts (REITs) are recorded as dividend income on ex-dividend date, subject to reclassification upon notice of the character of such distributions by the issuer.

## 2. Investments

At February 28, 2007, the cost of investments for federal income tax purposes has been estimated since the final tax characteristics cannot be determined until fiscal year end. At February 28, 2007, the cost of investments and unrealized appreciation (depreciation) for the Fund was as follows:

|                                   |               |
|-----------------------------------|---------------|
| Cost of investments               | \$192,239,831 |
| Aggregate unrealized appreciation | 30,086,308    |
| Aggregate unrealized depreciation | (1,077,754)   |
| Net unrealized appreciation       | \$ 29,008,554 |

## 3. Commercial Paper

As of February 28, 2007, \$44,000,000 (par value) of commercial paper was outstanding with an amortized cost of \$43,794,831. The weighted average discount rate of commercial paper outstanding at February 28, 2007, was 5.31%. The average daily balance of commercial paper outstanding during the period ended February 28, 2007 was \$43,705,458 at a weighted discount rate of 5.31%. The maximum amount of commercial paper outstanding at any time during the period was \$44,000,000. In conjunction with the issuance of the commercial paper, the Fund entered into a line of credit arrangement with J.P. Morgan Chase for \$30,000,000. Interest on borrowings is based on market rates in effect at the time of borrowing. The commitment fee is computed at the rate of 0.10% per annum on the unused balance. During the period ended February 28, 2007, there were no borrowings under this arrangement.

## 4. Securities Lending

The Fund, along with other funds in the Delaware Investments® Family of Funds, may lend its securities pursuant to a security lending agreement (Lending Agreement) with J.P. Morgan Chase. Initial security loans made pursuant to the Lending Agreement are required to be secured by U.S. government obligations and/or cash collateral not less than 102% of the value of the securities issued in the United States. With respect to each loan, if the aggregate value of the collateral held on any business day is less than the aggregate 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 invested in fixed income securities, with a weighted average maturity not to exceed 90 days, rated in one of the top two tiers by Standard & Poor's Ratings Group or Moody's Investors Service, Inc. or repurchase agreements collateralized by such securities. However, in the event of default or bankruptcy by the lending agent, realization and/or retention of the collateral may be subject to legal proceedings. In the event the borrower fails to return loaned securities and the collateral received is insufficient to cover the value of the loaned securities and provided such collateral shortfall is not the result of investment losses, the lending agent has agreed to pay the amount of the shortfall to the Fund, or at the discretion of the lending agent, replace the loaned securities. The Fund continues to record dividends 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 Fund has the right under the Lending Agreement to recover the securities from the borrower on demand. The security lending agent and the borrower retain a portion of the earnings from the collateral investments. The Fund records security lending income net of such allocation.

At February 28, 2007, the value of the securities on loan was \$20,738,060, for which cash collateral was received and invested in accordance with the Lending Agreement. Such investments are presented on the Schedule of Investments under the caption ¶ Securities Lending Collateral. ¶

## 5. Credit and Market Risks

The Fund invests in high-yield fixed income securities, which carry ratings of BB or lower by Standard & Poor's Ratings Group and/or Ba or lower by Moody's Investors Service, Inc. Investments in these higher yielding securities are generally accompanied

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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 up to 10% of its total 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 of Directors has delegated to Delaware Management Company the day-to-day functions of determining whether individual securities are liquid for purposes of the Fund's limitation on investments in illiquid assets. Rule 144A and illiquid securities have been identified on the Schedule of Investments.

The Fund invests in REITs and is subject to some of the risks associated with that industry. If the Fund holds real estate directly as a result of defaults or receives rental income directly from real estate holdings, its tax status as a regulated investment company may be jeopardized. There were no direct real estate holdings during the period ended February 28, 2007. The Fund's REIT holdings are also affected by interest rate changes, particularly if the REITs it holds use floating rate debt to finance their ongoing operations.

### **6. Investment Management Personnel**

Delaware Investment Advisers (["DIA"]) has announced that it has entered into discussions with Logan Circle Partners about a possible transaction involving certain members of the taxable fixed income team. This team is also part of Delaware Management Company (["DMC"]), the investment manager to the Portfolio. Regardless of whether this transaction is consummated, DIA and DMC anticipate that they will continue to have substantial fixed income teams in place to support their commitment to managing fixed income strategies.

Although the precise scope of the expected transaction is still under consideration, the desire of the involved parties is to structure this transaction in a manner that minimizes any potential disruption to clients. It is anticipated that there would be an appropriate transition period which would allow for continued and consistent management of the fixed income products.

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### **Item 2. Controls and Procedures.**

The registrant's principal executive officer and principal financial officer have evaluated the registrant's disclosure controls and procedures within 90 days of the filing of this report and have concluded that they are effective in providing reasonable assurance that the information required to be disclosed by the registrant in its reports or statements filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

There were no significant changes in the registrant's internal control over financial reporting that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

### **Item 3. Exhibits.**

File as exhibits as part of this Form a separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the Act (17 CFR 270.30a-2(a)), exactly as set forth below:

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