Traditional value investing, research-driven defensiveness

Delaware Value® Fund
Resisting the grip of a prolonged bear market

Macroeconomic headwinds have been a consistent source of stress in recent years.

Many professional analysts believe that a secular bear market has been in place for at least a decade. Evidence of a bear market is particularly strong when stock market returns are adjusted for inflation, as the chart below illustrates.

A secular bear market is typically recognized as an extended period in which stock prices are either flat or generally trending downward. It may also include smaller bull markets, as began in late 2003 in the chart below. Secular bear markets can last a long time; it’s not uncommon to see them extend beyond 10 years.

Within a prolonged environment of range-bound asset prices, an emphasis on risk management, combined with in-depth fundamental research, can potentially lead to competitive long-term portfolio returns. This same defensiveness, moreover, may increase the potential of delivering competitive returns during an eventual market upturn.

Our view: In the midst of a secular bear market

Broad equity markets were generally range-bound during much of the prior decade, as reflected at right by the Russell 3000® Index. This trend was notable compared to the robust performance posted during the preceding 10 years.

The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies, representing approximately 98% of the investable U.S. equity market.

The graph shows the cumulative inflation-adjusted total return, including dividends, for the indicated index. The data series has a base date of Dec. 31, 1978, and a nominal starting value of 100. Adjusting for cumulative inflation between January 1979 and December 2012, the inflation-adjusted starting value is 352.6. Data are presented for illustrative purposes only, and they depict the 33-year period between 1979 and 2012; they are not meant to extend beyond that period of time. Index performance returns do not reflect any management fees, transaction costs, or expenses. Indices are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results. Chart is for illustrative purposes only, and not illustrative of the Fund’s performance. Please visit delawareinvestments.com for the most recent month-end performance.
Delaware Value® Fund follows an intensive, risk-aware approach that relies on:

An emphasis on downside protection that aims to position the portfolio to behave defensively during soft markets, and potentially participate when markets recover. The Fund’s holdings emphasize stocks that the team believes have relatively less potential downside exposure, reflecting the investment team’s philosophy of maintaining a margin of safety and “winning by not losing.”

A team-based portfolio construction process that brings together diverse research perspectives while encouraging independent thought and active deliberation. All investment decisions are subject to team-wide confirmation.

A disciplined research platform that delivers a clear understanding of a company’s business, its financial strength, and its relative valuation. It’s important to note that while we deeply understand each of the companies we hold within the Fund, we combine bottom-up (stock-by-stock) research with a macroeconomic overlay, which allows for a wider analysis of corporate or economic trends.

Structured building blocks

A relatively concentrated portfolio with a limited number of securities reflects the investment team’s deepest conviction ideas as well as its patience and long-term perspective.

A disciplined research process culminates in a relatively concentrated portfolio of approximately 33 stocks.¹

Each portfolio holding has a target weight of approximately 3%.

To ensure diversification, the Fund generally maintains exposure across all 10 major economic sectors.²

1. Target number of holdings. Actual number of portfolio holdings for Delaware Value Fund can be higher or lower at any specific time depending on the team’s assessment of the investment opportunities available. See the Fund’s prospectus for detailed information.
2. The 10 economic sectors are: consumer discretionary, consumer staples, energy, financials, healthcare, industrials, information technology, materials, telecommunication services, and utilities.

Diversification may not protect against market risk. There is no guarantee that dividend-paying stocks will continue to pay dividends.
Macquarie Group and Delaware Investments

Delaware Investments is a member of Macquarie Group, a global provider of banking, financial, advisory, investment, and funds management services, headquartered in Sydney, Australia, with more than 70 offices in 28 countries.

Based in Philadelphia, Delaware Investments is part of Macquarie Funds Group, which offers a range of investments for both retail and institutional investors across a variety of asset classes including equities, listed infrastructure, private equity and hedge fund of funds, listed real estate, currencies, fixed income, and cash.

Carefully consider the Fund’s investment objectives, risk factors, charges, and expenses before investing. This and other information can be found in the Fund’s prospectus and, if available, its summary prospectus, which may be obtained by visiting delawareinvestments.com or calling 800 523-1918. Investors should read the prospectus and, if available, the summary prospectus carefully before investing.

IMPORTANT RISK CONSIDERATIONS
Investing involves risk, including the possible loss of principal.

Because the Fund expects to hold a relatively concentrated portfolio of a limited number of securities, the Fund’s risk is increased because each investment has a greater effect on the Fund’s overall performance.

Information is as of the date indicated and subject to change.

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Investments in Delaware Investments® Family of Funds are not and will not be deposits with or liabilities of Macquarie Bank Limited ABN 46 008 583 542 and its holding companies, including their subsidiaries or related companies, and are subject to investment risk, including possible delays in repayment and loss of income and capital invested. No Macquarie Group company guarantees or will guarantee the performance of the Fund, the repayment of capital from the Fund, or any particular rate of return.

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