Market review

Following a strong first quarter of 2019, the S&P 500® Index had a respectable second quarter, rising 4.30%. However, the index was down at the end of May and the overriding story of the quarter was, once again, the US Federal Reserve coming to the rescue with a pivot toward dovishness and removing its previous “patient” approach. The market took its cue in June with a powerful rally of 7.05%. This performance was set against a backdrop of continued global weakening. Now, with all central banks (Reserve Bank of Australia, European Central Bank, Bank of Japan, and the Fed) fully in dovish mode, the backstop is in place in case global gross domestic product (GDP) weakens further. In addition, the G20 meetings were held during the last weekend in June, when the fate of the US-China tariff tussle could set the tone for short-term market moves. Tariffs are causing shortfalls for those companies that have reported or created indecision on further capital expenditure (capex) spend or hiring. The economic data are slowing from very strong levels. Initially, Europe and China began to weaken late last year and during early 2019, and now US data are also weakening across the board. As certain important data points like unemployment claims have bottomed out over the past year, and given the rise in the yield curve, we should see claims begin to rise over the next few quarters. In addition, due to tariffs and an overall global slowdown, the capex among US companies have decelerated, a trend that usually leads to less hiring.

As earnings estimates have not deviated much from the beginning of 2019, the move in equity markets has been from price-to-earnings (P/E) multiple expansion rising from 16.4 to 19.5, an 18% increase. In addition, defensive yield sectors such as real estate investment trusts (REITs) and utilities are two of the strongest sectors, in our view. This can be attributed to the Fed pivot but also to investors’ need to question the sustainability of this market rise given that cyclicals have trailed and any reflation should be led by more economically sensitive sectors. In addition, the KOSPI 200 Index and copper underperformed this year; these two indicators are generally good benchmarks that measure economic health. However, the market is now convinced that, at a minimum, a 25-basis-point cut in the federal funds rate will occur at the end of July and that anything less will be a disappointment. (One basis point is a hundredth of a percentage point.) As we enter the third quarter, our time and efforts will be focused on second quarter earnings and outlooks to gauge the economic temperature. Year to date, most asset classes are in positive territory, whether bonds, equities, real estate, commodities, and now bitcoin. As a result, the bar is set high for earnings to propel risk assets higher, given the multiple expansion through the second quarter.

Source: Bloomberg.

Within the Fund

For the second quarter, Delaware Wealth Builder Fund Institutional Class shares trailed the Fund’s primary benchmark, a blend of 60% S&P 500 Index and 40% Bloomberg Barclays US Aggregate Index, and its secondary benchmark, the S&P 500 Index. The Fund continued to maintain a modestly conservative tilt toward risk assets (equities). We believe the market environment has not changed significantly in terms of growth outpacing value, although we see the market beginning to focus on yield again.

- The Fund’s allocation to fixed income (which includes investment grade bonds, municipal bonds, and high yield bonds) and convertibles, which makes up more than 50% of the Fund’s portfolio, had a neutral effect on relative performance. Municipals and high yield bonds were additive to performance while an underweight to Treasurys and mild underperformance in investment grade credit and asset-backed securities (ABS) detracted from performance.
- The Fund’s investments in US large-cap value were the largest detractor from relative performance during the second quarter. Stock selection was the main driver of negative relative performance within this portion of the portfolio. The Fund’s allocation to the domestic large-cap value portion is below policy weight.
- The Fund’s opportunistic portion, which is designed to provide exposure to areas not overtly represented by other areas within the portfolio, had a positive effect on the Fund’s performance during the quarter.

Source: Bloomberg.
Outlook
We believe the outlook is significantly Fed policy dependent. We are in an unusual situation now where good news is bad for the market, as investors are pricing in a Fed cut at the July meeting. However, if jobs and earnings do come through positively, then Fed relief may not be forthcoming, Trump pressure notwithstanding. The market was struggling until the end of May when Fed Chairman Jerome Powell stated his intention to support risk assets if the market fell any further. We call this the “spoiled brat” market as it seems it can’t stand on its own earnings and needs constant adult supervision. Perhaps we are being too harsh but the reality for the past nine years has been that without Fed support, multiples would not be this high. One theory for lower rates is the massive deficit as a percentage of GDP, given that unemployment is so low. The Fed and Trump see the disconnect, as the last time this occurred was in 1967. As Trump needs lower rates and a higher market to strike a favorable trade deal, the Fed could, for the first time in recent memory, lower rates to fund this rising deficit. This would be beneficial to risk assets globally, and could cause a weaker dollar and help the S&P 500 Index to reach new highs.

We are constantly looking for a catalyst that could emerge and send risk assets even higher, including a potential trade deal, massive China stimulus, and the Fed cutting more than the market expected. Any number of positive developments could be supportive of higher market multiples. However, to us, over time, stocks follow earnings, and economic data have been weak. With no trade deal, earnings could disappoint.
Average annual total returns (%) as of June 30, 2019

<table>
<thead>
<tr>
<th></th>
<th>2019¹</th>
<th>1 YEAR</th>
<th>3 YEAR</th>
<th>5 YEAR</th>
<th>10 YEAR</th>
<th>LIFETIME</th>
<th>INCEPTION DATE</th>
<th>EXPENSE RATIO (%)</th>
<th>GROSS</th>
<th>NET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional Class</td>
<td>2.07</td>
<td>4.73</td>
<td>5.04</td>
<td>3.95</td>
<td>9.77</td>
<td>7.63</td>
<td>12/2/96</td>
<td>0.84</td>
<td>0.84</td>
<td></td>
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<tr>
<td>Class A (at NAV)</td>
<td>2.00</td>
<td>4.45</td>
<td>4.77</td>
<td>3.69</td>
<td>9.49</td>
<td>7.44</td>
<td>12/2/96</td>
<td>1.09</td>
<td>1.09</td>
<td></td>
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<tr>
<td>Class A (at Offer)²</td>
<td>-3.87</td>
<td>-1.56</td>
<td>2.72</td>
<td>2.48</td>
<td>8.84</td>
<td>7.16</td>
<td></td>
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<tr>
<td>Class R</td>
<td>2.01</td>
<td>4.26</td>
<td>4.52</td>
<td>3.44</td>
<td>9.23</td>
<td>5.98</td>
<td>10/1/03</td>
<td>1.34</td>
<td>1.34</td>
<td></td>
</tr>
<tr>
<td>60% S&amp;P 500 Index / 40% Bloomberg Barclays US Aggregate Index</td>
<td>3.96</td>
<td>9.87</td>
<td>9.51</td>
<td>7.75</td>
<td>10.50</td>
<td>—</td>
<td>12/2/96</td>
<td>1.09</td>
<td>1.09</td>
<td></td>
</tr>
</tbody>
</table>

1. Returns for less than one year are not annualized. 2. Includes maximum 5.75% front-end sales charge.

The performance quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 800 523-1918 or visiting delawarefunds.com/performance.

Total returns may reflect waivers and/or expense reimbursements by the manager and/or distributor for some or all of the periods shown. Performance would have been lower without such waivers and reimbursements.

Performance at NAV assumes that no front-end sales charge applied. Performance at offer assumes that a front-end sales charge applied to the extent applicable.

The Fund may invest up to 45% of its net assets in high yield, higher-risk corporate bonds. • Fixed income securities and bond funds can lose value, and investors can lose principal, as interest rates rise. They also may be affected by economic conditions that hinder an issuer’s ability to make interest and principal payments on its debt. The Fund may also be subject to prepayment risk, the risk that the principal of a bond that is held by a portfolio will be prepaid prior to maturity, at the time when interest rates are lower than what the bond was paying. A portfolio may then have to reinvest that money at a lower interest rate. • High yielding, non-investment-grade bonds (junk bonds) involve higher risk than investment grade bonds. • International investments entail risks not ordinarily associated with US investments including fluctuation in currency values, differences in accounting principles, or economic or political instability in other nations. Investing in emerging markets can be riskier than investing in established foreign markets due to increased volatility and lower trading volume.

Index performance returns do not reflect any management fees, transaction costs, or expenses. Indices are unmanaged and one cannot invest directly in an index.

The Bloomberg Barclays US Aggregate Index is a broad composite that tracks the investment grade domestic bond market. The S&P 500 Index measures the performance of 500 mostly large-cap stocks weighted by market value, and is often used to represent performance of the US stock market. The KOSPI 200 Index is a capitalization-weighted index of 200 Korean stocks that make up 93% of the total market value of the Korea Stock Exchange.

The price-to-earnings ratio (P/E ratio) is a valuation ratio of a company’s current share price compared to its earnings per share. Generally, a high P/E ratio means that investors are anticipating higher growth in the future.

Gross domestic product is a measure of all goods and services produced by a nation in a year.

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 its summary prospectus, which may be obtained by visiting delawarefunds.com/literature or calling 800 523-1918. Investors should read the prospectus and the summary prospectus carefully before investing.

The views expressed represent the investment team’s assessment of the Fund and market environment as of the date indicated, and should not be considered a recommendation to buy, hold, or sell any security, and should not be relied on as research or investment advice.

As of June 30, 2019, the weightings of the top 10 equity holdings indicated as a percentage of the Fund’s net assets were: AT&T Inc. 1.51%; Verizon Communications Inc. 1.41%; BB&T Corp. 1.27%; Brookdale Senior Living Inc. 1.12%; Broadcom Inc. 1.20%; Occidental Petroleum Corp. 1.20%; Edison International 1.17%; Honeywell International Inc. 1.15%; Wells Fargo 1.12%; AstraZeneca PLC 1.12%. Holdings are as of the date indicated and subject to change. List may exclude cash, cash equivalents, and exchange-traded funds (ETFs) that are used for cash management purposes. Please see the Fund’s complete list of holdings on our website for more information.

Investing involves risk, including the possible loss of principal.

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