Delaware Diversified Income Fund

Fund focus

- A flexible core bond fund designed to weather market cycles
- An actively managed bond portfolio emphasizing risk control and income generation
- An experienced management team with more than 30-years average industry experience

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<th>Institutional Class</th>
<th>Class A</th>
<th>Class C</th>
<th>Class R</th>
<th>Class R6</th>
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<tbody>
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<td>DPFFX</td>
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Not FDIC Insured • No Bank Guarantee • May Lose Value
A flexible, dynamic approach to fixed income

In our view, bond investments are meant to solve problems, not create them. Low yielding, traditional fixed income sectors have made life challenging for income investors – and for many in the market, old habits have been hard to change. Flexibility is essential. Allowing a manager to utilize the full range of ever-evolving fixed income investments provides a fuller bodied, hard-working portfolio.

Mix it up

Experienced investors know that no single fixed income sector outperforms year after year. Building a fixed income portfolio that can deliver income, growth and principal protection requires a keen understanding of the opportunity set. Utilizing higher yielding sectors in a responsible way can help deliver on all three objectives while still providing a ‘bond-like’ experience for investors.

17.18 US Govt. 17.44 EM Hard 7.44 US HY 10.74 US Govt. 1.51 US MBS 17.13 US Govt. 15.21 EM Local 3.17 Global USD
8.15 US IG Corp 16.76 EM Local 5.79 Loans 8.79 Global USD 1.36 Global USD 10.16 Loans 10.51 Global 0.99 US MBS
7.84 US AGG 15.81 US HY 1.18 Global USD 7.46 US IG Corp 1.18 EM Hard 10.15 EM Hard 10.26 EM Hard 0.44 Loans
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6.23 US MBS 0.66 Loans 6.08 US MBS 0.55 US AGG 6.11 US IG Corp 6.42 US IG Corp 0.00 US Govt.
4.36 Global 4.21 US AGG 7.08 Global 2.45 US HY 0.09 Loans 2.65 US AGG 3.54 US AGG 2.15 Global
3.94 Global USD 4.13 US Govt. 5.25 EM Hard 1.63 Loans 4.47 US HY 1.67 US MBS 2.46 Global USD 2.51 US IG Corp
1.52 Loans 4.09 Global 7.81 US Govt. 3.08 Global 6.02 Global 1.49 Global 2.47 US MBS 4.26 EM Hard
1.75 EM Local 2.50 US MBS 8.98 EM Local 5.72 EM Local 14.92 EM Local 0.16 US Govt. 2.14 US Govt. 6.21 EM Local

Long-term resiliency

Delaware Diversified Income Fund has consistently delivered strong long-term outperformance.


Figure 1: DPFFX rolling 10 year returns vs its benchmark as of March 31, 2019

Source: Morningstar. Past performance is not a guarantee of future results.
Working with Delaware Funds® by Macquarie

Flexibility to capitalize on opportunities
Markets change. And so too has the role of bonds in your portfolio. Since 1997, the portfolio management team has managed a flexible, core fixed income portfolio driven by our active approach. We look for fixed income securities that we believe can provide an optimal mix of risk and reward—with a strong bias toward risk management. The chart below illustrates the flexibility of the investment mandate.

Flexibility when needed
Figure 2: Fund allocations between March 31, 2007 to March 31, 2019

Seeking total return with consistent income
We believe our approach can deliver a better experience over the long term than traditional core bond portfolios – and a higher yield. Our approach is grounded in a deep commitment to research and understanding and managing risks.

Figure 3: 10 year trailing risk/reward as of March 31, 2019
Investing involves risk, including the possible loss of principal. 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. The high yield secondary market is particularly susceptible to liquidity problems when institutional investors, such as mutual funds and certain other financial institutions, temporarily stop buying bonds for regulatory, financial, or other reasons. In addition, a less liquid secondary market makes it more difficult for the Fund to obtain precise valuations of the high yield securities in its portfolio. • The Fund may invest in derivatives, which may involve additional expenses and are subject to risk, including the risk that an underlying security or securities index moves in the opposite direction from what the portfolio manager anticipated. A derivatives transaction depends upon the counterparties’ ability to fulfill their contractual obligations. • If and when the Fund invests in forward foreign currency contracts or uses other investments to hedge against currency risks, the Fund will be subject to special risks, including counterparty risk. • The Fund may experience portfolio turnover in excess of 100%, which could result in higher transaction costs and tax liability. • 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 (formerly known as the Barclays US Aggregate Index) (the Fund’s benchmark) is a broad composite that tracks the investment grade domestic bond market. The Bloomberg Barclays 7-10 Year US Treasury Index measures the performance of US Treasury securities with a maturity from 7 up to but not including 10 years. The Bloomberg Barclays US Mortgage-Backed Securities (MBS) Index measures the performance of agency mortgage-backed pass-through securities (both fixed-rate and hybrid adjustable-rate mortgage) issued by the Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Association (Freddie Mac), and Government National Mortgage Association (Ginnie Mae). The Bloomberg Barclays Global Aggregate ex-US Dollar Index (USD Hedged) provides a broad-based measure of global investment grade fixed-rate debt markets, excluding US dollar-denominated securities. The index minimizes currency exposure by hedging those local currencies to the US dollar. The Bloomberg Barclays US Aggregate Bond Index measures the performance of publicly issued investment grade (Baa3/BBB- or better) corporate, US government, mortgage- and asset-backed securities with at least one year to maturity and at least $250 million par amount outstanding. The Bloomberg Barclays US Corporate Investment Grade Index is composed of US dollar—denominated, investment grade, SEC-registered corporate bonds issued by industrial, utility, and financial companies. All bonds in the index have at least one year to maturity. The J.P. Morgan Government Bond Index—Emerging Markets (GBI-EM) tracks local currency government bonds issued by emerging markets. The J.P. Morgan Emerging Markets Bond Index (EMDI) Global Diversified tracks total returns for US dollar—denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities, including Brady bonds, loans, and Eurobonds, and limits the weights of the index countries by only including a specified portion of those countries’ eligible current face amounts of debt outstanding. The Bloomberg Barclays US Corporate High-Yield Index is composed of US dollar—denominated, noninvestment grade corporate bonds for which the middle rating among Moody’s Investors Service, Inc., Fitch, Inc., and Standard & Poor’s is Ba1/BB+/B+/ or below. The S&P/LSTA (Loan Syndications and Trading Association) Leveraged Loan Index is a broad index designed to reflect the market value-weighted performance of US dollar-denominated institutional leveraged loans. The Morningstar Intermediate-Term Bond Category compares funds that invest primarily in corporate and other investment grade US fixed income issues and typically have durations of 3.5 to 6.0 years. These funds are less sensitive to interest rates, and therefore less volatile, than funds that have longer durations. Standard deviation measures historical volatility of returns. Yield-to-Worst represents the lowest potential yield that can be received on a bond. © 2019 Morningstar. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. All third-party marks cited are the property of their respective owners. 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