

Edgar Filing: Delaware Enhanced Global Dividend & Income Fund - Form N-Q

Delaware Enhanced Global Dividend & Income Fund
Form N-Q
April 29, 2010

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: | 811-22050 |
| Exact name of registrant as specified in charter: | Delaware Enhanced Global Dividend and Income Fund |
| 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, 2010 |

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Item 1. Schedule of Investments.

Schedule of Investments (Unaudited)

Delaware Enhanced Global Dividend and Income Fund

February 28, 2010

| | Number of Shares | Value (U.S. \$) |
|---------------------------------------|---------------------|--------------------|
| Common Stock – 52.90%v | | |
| Consumer Discretionary – 8.24% | | |
| Autoliv | 18,600 | \$ 829,746 |
| Bayerische Motoren Werke | 19,215 | 779,196 |
| Comcast Class A | 35,800 | 588,552 |
| †DIRECTV Group | 1,900 | 64,315 |
| Disney (Walt) | 18,000 | 562,320 |
| *Don Quijote | 29,100 | 737,082 |
| *Esprit Holdings | 104,132 | 742,554 |
| Home Depot | 19,200 | 599,040 |
| *KB HOME | 17,000 | 276,760 |
| Lowe's | 24,900 | 590,379 |
| Mattel | 29,700 | 653,103 |
| McGraw-Hill Companies | 19,500 | 666,900 |
| *PPR | 4,857 | 557,475 |
| *Publicis Groupe | 18,023 | 710,979 |
| Round One | 53,382 | 343,741 |
| Target | 12,200 | 628,544 |
| Techtronic Industries | 858,500 | 656,981 |
| Toyota Motor | 21,184 | 794,132 |
| Vivendi | 35,235 | 887,621 |
| WPP Group | 47,937 | 441,913 |
| Yue Yuen Industrial Holdings | 210,000 | 626,321 |
| | | 12,737,654 |
| Consumer Staples – 4.76% | | |
| Archer-Daniels-Midland | 19,300 | 566,648 |
| Chaoda Modern Agriculture Holdings | 766,000 | 828,962 |
| *Coca-Cola Amatil | 77,328 | 777,344 |
| CVS Caremark | 18,400 | 621,000 |
| @Greggs | 85,308 | 537,681 |
| Heinz (H.J.) | 13,900 | 638,010 |
| Kimberly-Clark | 9,200 | 558,808 |
| Kraft Foods Class A | 21,700 | 616,931 |
| Metro | 13,914 | 713,438 |
| Parmalat | 317,956 | 802,276 |
| Safeway | 27,800 | 692,776 |
| | | 7,353,874 |
| Diversified REITs – 1.24% | | |
| British Land | 27,905 | 187,200 |
| *Corio | 2,648 | 163,847 |
| *Digital Realty Trust | 4,400 | 226,952 |
| Duke Realty | 8,600 | 95,460 |
| Entertainment Properties Trust | 8,236 | 314,779 |
| Goodman Group | 247,237 | 132,907 |
| Investors Real Estate Trust | 10,260 | 91,724 |
| Lexington Realty Trust | 28,070 | 167,017 |
| Stockland | 70,059 | 254,844 |
| *Unibail-Rodamco | 1,399 | 276,228 |
| | | 1,910,958 |
| Energy – 5.17% | | |
| Anadarko Petroleum | 9,500 | 666,235 |
| Chevron | 7,700 | 556,710 |
| CNOOC | 571,000 | 900,417 |
| ConocoPhillips | 11,700 | 561,600 |
| Devon Energy | 8,300 | 571,538 |
| Exxon Mobil | 8,600 | 559,000 |

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| | | |
|-------------------------|--------|---------|
| Marathon Oil | 18,800 | 544,260 |
| National Oilwell Varco | 13,500 | 586,845 |
| Occidental Petroleum | 7,300 | 582,905 |
| Petroleo Brasileiro ADR | 21,300 | 817,920 |

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| | | |
|----------------------------------|-----------|------------|
| *Total | 6,572 | 366,734 |
| †Transocean | 8,700 | 694,434 |
| Williams Companies | 27,400 | 590,196 |
| | | 7,998,794 |
| Financials – 7.24% | | |
| Allstate | 20,000 | 625,000 |
| *AXA | 29,912 | 602,210 |
| Banco Santander | 61,383 | 798,155 |
| Bank of New York Mellon | 21,500 | 613,180 |
| BB&T | 23,000 | 656,190 |
| Comerica | 20,100 | 725,208 |
| Fifth Street Finance | 26,754 | 303,123 |
| JPMorgan Chase & Co | 14,100 | 591,777 |
| Marsh & McLennan | 27,100 | 629,262 |
| Mitsubishi UFJ Financial Group | 162,789 | 822,832 |
| *Nordea Bank | 77,142 | 753,054 |
| *Solar Capital | 43,539 | 805,472 |
| Standard Chartered | 33,184 | 790,966 |
| State Street | 13,500 | 606,285 |
| SunTrust Banks | 28,400 | 676,204 |
| Travelers Companies | 12,100 | 636,339 |
| UniCredit | 221,894 | 561,098 |
| | | 11,196,355 |
| Health Care – 4.55% | | |
| Abbott Laboratories | 10,900 | 591,652 |
| †Alliance HealthCare Services | 6,522 | 32,545 |
| Astellas Pharma | 22,200 | 835,968 |
| AstraZeneca | 7,735 | 340,193 |
| Bristol-Myers Squibb | 22,700 | 556,377 |
| Cardinal Health | 18,200 | 618,254 |
| Johnson & Johnson | 9,200 | 579,600 |
| Merck | 16,100 | 593,768 |
| Novartis | 16,853 | 937,279 |
| Novo Nordisk Class B | 6,315 | 446,000 |
| Pfizer | 31,844 | 558,862 |
| Quest Diagnostics | 9,500 | 539,125 |
| Sanofi-Aventis | 5,578 | 408,034 |
| | | 7,037,657 |
| Health Care REITs – 0.06% | | |
| Nationwide Health Properties | 2,800 | 92,932 |
| | | 92,932 |
| Hotel REITs – 0.04% | | |
| †Chesapeake Lodging Trust | 2,995 | 59,840 |
| | | 59,840 |
| Industrial REITs – 0.37% | | |
| Cambridge Industrial Trust | 1,170,000 | 370,385 |
| DCT Industrial Trust | 16,877 | 83,035 |
| ING Industrial Fund | 307,371 | 117,040 |
| | | 570,460 |
| Industrials – 6.77% | | |
| Asahi Glass | 87,000 | 868,727 |
| *Compagnie de Saint-Gobain | 12,981 | 610,183 |
| Deutsche Post | 41,827 | 678,913 |
| Finmeccanica | 47,491 | 614,027 |
| †Flextronics International | 6,400 | 44,544 |
| General Electric | 38,300 | 615,098 |
| Honeywell International | 15,000 | 602,400 |
| ITOCHU | 98,398 | 793,121 |
| Koninklijke Philips Electronics | 23,613 | 690,343 |
| *†Mobile Mini | 2,394 | 32,534 |
| Northrop Grumman | 10,600 | 649,356 |
| *Pitney Bowes | 25,900 | 593,110 |
| Singapore Airlines | 76,000 | 804,496 |
| Teleperformance | 28,050 | 894,162 |
| Tomkins | 256,722 | 754,422 |
| Vallourec | 3,313 | 633,163 |
| *Waste Management | 18,000 | 594,360 |
| | | 10,472,959 |

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Information Technology – 4.20%

†CGI Group Class A

130,675

1,838,152

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| | | |
|---|---------|-----------|
| †EMC | 52,500 | 918,225 |
| Intel | 29,600 | 607,688 |
| International Business Machines | 4,600 | 584,936 |
| †Motorola | 73,200 | 494,832 |
| Nokia | 65,219 | 878,762 |
| *†Sohu.com | 10,200 | 522,342 |
| Xerox | 69,100 | 647,467 |
| | | 6,492,404 |
| Malls REITs – 0.42% | | |
| Simon Property Group | 8,264 | 646,989 |
| | | 646,989 |
| Manufactured Housing REITs – 0.07% | | |
| Equity Lifestyle Properties | 2,300 | 114,402 |
| | | 114,402 |
| Materials – 2.76% | | |
| *Agrium | 16,000 | 1,035,999 |
| *ArcelorMittal | 11,050 | 420,859 |
| Dow Chemical | 22,000 | 622,820 |
| duPont (E.I.) deNemours | 18,100 | 610,332 |
| Lafarge | 9,521 | 617,511 |
| Nucor | 13,100 | 542,340 |
| *Vale ADR | 14,800 | 412,328 |
| | | 4,262,189 |
| Mortgage REITs – 0.13% | | |
| Annaly Capital Management | 2,600 | 47,788 |
| Chimera Investment | 12,100 | 48,400 |
| Cypress Sharpridge Investments | 8,200 | 108,486 |
| | | 204,674 |
| Multifamily REITs – 0.10% | | |
| Camden Property Trust | 3,900 | 156,195 |
| | | 156,195 |
| Office REITs – 0.44% | | |
| Government Properties Income Trust | 3,852 | 90,715 |
| Mack-Cali Realty | 8,300 | 278,382 |
| Orix REIT | 17 | 81,718 |
| Parkway Properties | 3,500 | 58,100 |
| SL Green Realty | 3,300 | 168,498 |
| | | 677,413 |
| Real Estate Management & Development – 0.38% | | |
| Mitsubishi Estate | 10,549 | 165,663 |
| Renhe Commercial Holdings | 198,000 | 45,406 |
| Shimao Property Holdings | 25,500 | 42,511 |
| Starwood Property Trust | 17,700 | 331,167 |
| | | 584,747 |
| Shopping Center REITs – 0.62% | | |
| *Kimco Realty | 16,900 | 234,741 |
| Link REIT | 33,000 | 82,989 |
| Macquarie CountryWide Trust | 355,587 | 181,595 |
| Ramco-Gershenson Properties Trust | 13,783 | 138,106 |
| *Regency Centers | 3,900 | 135,213 |
| Westfield Group | 16,989 | 182,960 |
| | | 955,604 |
| Single Tenant REITs – 0.13% | | |
| *National Retail Properties | 9,337 | 198,131 |
| | | 198,131 |
| Telecommunications – 2.51% | | |
| AT&T | 21,300 | 528,453 |
| Chunghwa Telecom ADR | 35,002 | 653,834 |
| *Frontier Communications | 25,700 | 200,203 |
| †GeoEye | 500 | 11,910 |
| Telstra | 128,729 | 342,544 |
| *TELUS | 26,384 | 865,843 |
| Verizon Communications | 17,900 | 517,847 |
| Vodafone Group | 351,723 | 758,974 |
| | | 3,879,608 |
| Utilities – 2.70% | | |
| American Electric Power | 17,000 | 571,540 |

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| Duke Energy | 34,400 | 562,440 |
| Edison International | 16,800 | 548,184 |
| National Grid | 79,634 | 792,408 |

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|---|-----|-----------|-------------------------------|
| NorthWestern | | 3,800 | 95,190 |
| Progress Energy | | 14,400 | 551,376 |
| Public Service Enterprise Group | | 17,800 | 529,016 |
| Sempra Energy | | 10,600 | 521,202 |
| | | | 4,171,356 |
| Total Common Stock (cost \$91,321,638) | | | 81,775,195 |
| Convertible Preferred Stock – 1.11% | | | |
| Banking, Finance & Insurance – 0.02% | | | |
| @Fannie Mae 8.75% exercise price \$32.45, expiration date 5/13/11 | | 20,000 | 30,600 |
| | | | 30,600 |
| Energy – 0.18% | | | |
| Whiting Petroleum 6.25% exercise price \$43.42, expiration date 12/31/49 | | 1,500 | 274,500 |
| | | | 274,500 |
| Health Care & Pharmaceuticals – 0.42% | | | |
| *Merck 6.00% exercise price \$52.85, expiration date 8/13/10 | | 22 | 5,544 |
| Mylan 6.50% exercise price \$17.08, expiration date 11/15/10 | | 505 | 650,945 |
| | | | 656,489 |
| Telecommunications – 0.49% | | | |
| Lucent Technologies Capital Trust I 7.75% exercise price \$24.80, expiration date 3/15/17 | | 1,000 | 752,750 |
| | | | 752,750 |
| Total Convertible Preferred Stock (cost \$2,674,190) | | | 1,714,339 |
| | | | Principal Amount ^o |
| Agency Collateralized Mortgage Obligations – 0.36% | | | |
| Fannie Mae | | | |
| Series 2001-50 BA 7.00% 10/25/41 | USD | 173,380 | 187,196 |
| Series 2003-122 4.50% 2/25/28 | | 100,771 | 104,657 |
| Freddie Mac | | | |
| Series 2557 WE 5.00% 1/15/18 | | 60,000 | 64,406 |
| Series 3094 US 6.75% 9/15/34 | | 55,049 | 54,402 |
| Series 3131 MC 5.50% 4/15/33 | | 40,000 | 42,971 |
| Series 3173 PE 6.00% 4/15/35 | | 65,000 | 70,553 |
| Series 3337 PB 5.50% 7/15/30 | | 25,000 | 26,401 |
| Total Agency Collateralized Mortgage Obligations (cost \$516,179) | | | 550,586 |
| Agency Mortgage-Backed Securities – 2.42% | | | |
| •Fannie Mae ARM | | | |
| 5.117% 3/1/38 | | 63,558 | 66,868 |
| 5.148% 11/1/35 | | 28,816 | 30,325 |
| 5.369% 4/1/36 | | 34,694 | 36,229 |
| 6.015% 10/1/36 | | 40,110 | 41,925 |
| 6.085% 10/1/36 | | 26,191 | 27,385 |
| 6.307% 4/1/36 | | 154,406 | 161,162 |
| Fannie Mae S.F. 15 yr 5.50% 1/1/23 | | 67,853 | 72,394 |
| Fannie Mae S.F. 15 yr TBA 4.00% 3/1/25 | | 500,000 | 510,391 |
| Fannie Mae S.F. 30 yr | | | |
| 5.00% 12/1/36 | | 217,766 | 226,491 |
| 5.00% 12/1/37 | | 28,858 | 29,976 |
| 5.00% 2/1/38 | | 21,798 | 22,643 |
| 6.50% 6/1/36 | | 50,281 | 53,819 |
| 6.50% 10/1/36 | | 37,891 | 40,557 |
| 6.50% 12/1/37 | | 53,258 | 56,922 |
| Freddie Mac 6.00% 1/1/17 | | 77,175 | 80,966 |
| •Freddie Mac ARM | | | |
| 5.687% 7/1/36 | | 24,546 | 25,533 |
| 5.819% 10/1/36 | | 63,108 | 65,386 |
| Freddie Mac S.F. 15 yr | | | |
| 5.00% 6/1/18 | | 23,700 | 25,187 |
| 5.00% 12/1/22 | | 142,962 | 151,617 |
| Freddie Mac S.F. 30 yr | | | |
| 5.00% 1/1/34 | | 1,075,184 | 1,122,464 |
| 7.00% 11/1/33 | | 63,877 | 70,383 |
| 9.00% 9/1/30 | | 56,952 | 66,272 |
| GNMA I.S.F. 30 yr | | | |

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|----------------|---------|---------|
| 7.50% 12/15/23 | 120,229 | 135,411 |
| 7.50% 1/15/32 | 87,541 | 98,938 |
| 9.50% 9/15/17 | 79,852 | 90,519 |
| 12.00% 5/15/15 | 59,412 | 67,577 |

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| GNMA II S.F. 30 yr | | |
| 6.00% 11/20/28 | 105,234 | 113,744 |
| 6.50% 2/20/30 | 223,646 | 245,266 |
| Total Agency Mortgage-Backed Securities (cost \$3,518,521) | | 3,736,350 |
| Commercial Mortgage-Backed Securities – 2.57% | | |
| #American Tower Trust 144A | | |
| Series 2007-1A AFX 5.42% 4/15/37 | 75,000 | 78,750 |
| Series 2007-1A D 5.957% 4/15/37 | 25,000 | 26,250 |
| Bank of America Commercial Mortgage Securities | | |
| •Series 2004-3 A5 5.414% 6/10/39 | 50,000 | 52,344 |
| Series 2004-5 A3 4.561% 11/10/41 | 475,000 | 485,836 |
| Series 2005-1 A3 4.877% 11/10/42 | 62,387 | 62,366 |
| •Series 2005-6 A4 5.179% 9/10/47 | 180,000 | 186,836 |
| •Series 2005-6 AM 5.179% 9/10/47 | 25,000 | 22,692 |
| •Series 2007-4 AM 5.811% 2/10/51 | 40,000 | 30,856 |
| Bear Stearns Commercial Mortgage Securities | | |
| •Series 2005-PW10 A4 5.405% 12/11/40 | 100,000 | 102,801 |
| •Series 2005-T20 A4A 5.15% 10/12/42 | 230,000 | 240,318 |
| •Series 2006-PW12 A4 5.719% 9/11/38 | 25,000 | 26,108 |
| Series 2006-PW14 A4 5.201% 12/11/38 | 60,000 | 60,248 |
| Series 2007-PW15 A4 5.331% 2/11/44 | 75,000 | 69,427 |
| •Series 2007-T28 A4 5.742% 9/11/42 | 65,000 | 66,906 |
| w•Commercial Mortgage Pass Through Certificates Series 2005-C6 A5A 5.116% 6/10/44 | 95,000 | 97,497 |
| Goldman Sachs Mortgage Securities II | | |
| •Series 2004-GG2 A6 5.396% 8/10/38 | 60,000 | 61,726 |
| Series 2005-GG4 A4A 4.751% 7/10/39 | 420,000 | 427,305 |
| •Series 2006-GG6 A4 5.553% 4/10/38 | 60,000 | 58,962 |
| •Greenwich Capital Commercial Funding Series 2004-GG1 A7 5.317% 6/10/36 | 25,000 | 26,134 |
| •JPMorgan Chase Commercial Mortgage Securities | | |
| Series 2005-LDP3 A4A 4.936% 8/15/42 | 35,000 | 35,429 |
| Series 2005-LDP5 A4 5.18% 12/15/44 | 150,000 | 154,635 |
| •LB-UBS Commercial Mortgage Trust Series 2004-C4 A4 2004-C4 A4 5.223% 6/15/29 | 475,000 | 488,535 |
| •Merrill Lynch/Countrywide Commercial Mortgage Trust Series 2007-7 A4 5.747% 6/12/50 | 150,000 | 131,986 |
| Morgan Stanley Capital I | | |
| Series 2005-IQ9 A4 4.66% 7/15/56 | 350,000 | 354,412 |
| •Series 2006-HQ9 A4 5.731% 7/12/44 | 315,000 | 330,869 |
| •Series 2007-IQ14 A4 5.692% 4/15/49 | 150,000 | 132,478 |
| •Series 2007-T27 A4 5.649% 6/11/42 | 160,000 | 162,538 |
| Total Commercial Mortgage-Backed Securities (cost \$3,721,750) | | 3,974,244 |
| Convertible Bonds – 10.36% | | |
| Aerospace & Defense – 0.33% | | |
| L-3 Communications Holdings 3.00% exercise price \$100.14, expiration date 8/1/35 | 460,000 | 482,425 |
| *#L-3 Communications Holdings 144A 3.00% exercise price \$100.14, expiration date 8/1/35 | 25,000 | 26,219 |
| | | 508,644 |
| Automobiles & Automotive Parts – 0.19% | | |
| ArvinMeritor 4.00% exercise price \$26.73, expiration date 2/15/27 | 380,000 | 298,300 |
| | | 298,300 |
| Banking, Finance & Insurance – 0.40% | | |
| Jefferies Group 3.875% exercise price \$39.20 expiration date 11/1/29 | 615,000 | 613,463 |
| | | 613,463 |
| Basic Materials – 0.93% | | |
| Century Aluminum 1.75% exercise price \$30.54, expiration date 8/1/24 | 30,000 | 26,813 |
| Rayonier TRS Holdings 3.75% exercise price \$54.81, expiration date 10/15/12 | 910,000 | 963,462 |
| #Sino-Forest 144A 5.00% exercise price \$20.29, expiration date 8/1/13 | 360,000 | 440,550 |
| | | 1,430,825 |
| Building & Materials – 0.06% | | |
| Beazer Homes USA 4.625% exercise price \$49.64, expiration date 6/15/24 | 90,000 | 87,300 |
| | | 87,300 |

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Computers & Technology – 1.49%

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| Advanced Micro Devices 6.00% exercise price \$28.08, expiration date 5/1/15 | 775,000 | 719,781 |
| Euronet Worldwide 3.50% exercise price \$40.48, expiration date 10/15/25 | 900,000 | 829,124 |
| *#Intel 144A 3.25% exercise price \$22.68, expiration date 8/1/39 | 125,000 | 141,094 |
| Linear Technology 3.00% exercise price \$46.12, expiration date 5/1/27 | 310,000 | 300,313 |
| SanDisk 1.00% exercise price \$82.35, expiration date 5/15/13 | 385,000 | 320,513 |

2,310,825

Electronics & Electrical Equipment – 0.09%

| | | |
|--|---------|---------|
| Flextronics International 1.00% exercise price \$15.53, expiration date 8/1/10 | 140,000 | 139,125 |
| | | 139,125 |

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| Energy – 0.91% | | |
| Chesapeake Energy 2.25% exercise price \$85.89, expiration date 12/15/38 | 750,000 | 560,625 |
| Peabody Energy exercise 4.75% price \$58.45, expiration date 12/15/41 | 615,000 | 633,450 |
| Transocean 1.50% exercise price \$168.61, expiration date 12/15/37 | 220,000 | 210,925 |
| | | 1,405,000 |
| Health Care & Pharmaceuticals – 1.86% | | |
| Amgen 0.375% exercise price \$79.48, expiration date 2/1/13 | 435,000 | 437,175 |
| iHologic 2.00% exercise price \$38.59, expiration date 12/15/37 | 990,000 | 851,399 |
| *Inverness Medical Innovations 3.00% exercise price \$43.98, expiration date 5/15/16 | 530,000 | 588,962 |
| Medtronic 1.625% exercise price \$55.41, expiration date 4/15/13 | 525,000 | 547,313 |
| *Millipore 3.75% exercise price \$90.51, expiration date 6/1/26 | 390,000 | 456,300 |
| | | 2,881,149 |
| Leisure, Lodging & Entertainment – 0.62% | | |
| #Gaylord Entertainment 144A 3.75% exercise price \$27.25, expiration date 9/29/14 | 310,000 | 329,763 |
| *#International Game Technology 144A 3.25% exercise price \$19.97, expiration date 5/1/14 | 540,000 | 634,500 |
| | | 964,263 |
| Real Estate – 0.81% | | |
| #Corporate Office Properties 144A 3.50% exercise price \$53.12, expiration date 9/15/26 | 330,000 | 322,575 |
| *#Digital Realty Trust 144A 5.50% exercise price \$43.00, expiration date 4/15/29 | 380,000 | 498,513 |
| #Lexington Realty Trust 144A 6.00% exercise price \$7.09, expiration date 1/15/30 | 185,000 | 182,151 |
| ProLogis 2.25% exercise price \$75.98, expiration date 4/1/37 | 260,000 | 246,025 |
| | | 1,249,264 |
| Telecommunications – 2.18% | | |
| Alaska Communications System Group 5.75% exercise price \$12.90, expiration date 3/1/13 | 795,000 | 728,418 |
| Alcatel-Lucent USA 2.875% exercise price \$16.75, expiration date 6/15/23 | 45,000 | 45,000 |
| Leap Wireless International 4.50% exercise price \$93.21, expiration date 7/15/14 | 300,000 | 260,250 |
| Level 3 Communications 5.25% exercise price \$3.98, expiration date 12/15/11 | 690,000 | 660,675 |
| NII Holdings 3.125% exercise price \$118.32, expiration date 6/15/12 | 700,000 | 651,000 |
| Qwest Communications International 4.00% exercise price \$5.12, expiration date 11/15/25 | 200,000 | 212,500 |
| #SBA Communications 144A 4.00% exercise price \$30.38, expiration date 10/1/14 | 285,000 | 381,544 |
| VeriSign 3.25% exercise price \$34.37, expiration date 8/15/37 | 480,000 | 427,200 |
| | | 3,366,587 |
| Transportation – 0.49% | | |
| Bristow Group 3.00% exercise price \$77.34, expiration date 6/14/38 | 875,000 | 764,531 |
| | | 764,531 |
| Total Convertible Bonds (cost \$14,480,082) | | 16,019,276 |
| Corporate Bonds – 32.96% | | |
| Banking – 2.48% | | |
| •BAC Capital Trust XIV 5.63% 12/31/49 | 205,000 | 145,038 |
| #Barclays Bank 144A 6.05% 12/4/17 | 100,000 | 102,747 |
| Capital One Financial 7.375% 5/23/14 | 95,000 | 109,003 |
| Credit Suisse 5.40% 1/14/20 | 60,000 | 60,376 |
| •#HBOS Capital Funding 144A 6.071% 6/29/49 | 185,000 | 136,900 |
| JPMorgan Chase Capital | | |
| XVIII 6.95% 8/17/36 | 10,000 | 9,792 |
| XXII 6.45% 2/2/37 | 20,000 | 18,325 |
| XXV 6.80% 10/1/37 | 40,000 | 39,241 |
| •Kazkommerts Finance 2 8.625% 7/27/16 | 1,000,000 | 812,500 |
| #Lloyds TSB Bank 144A 5.80% 1/13/20 | 100,000 | 96,944 |
| PNC Funding | | |
| 5.125% 2/8/20 | 30,000 | 30,490 |
| 5.25% 11/15/15 | 60,000 | 63,231 |
| 5.625% 2/1/17 | 35,000 | 36,327 |
| @*Popular North America Capital Trust I 6.564% 9/15/34 | 25,000 | 16,521 |
| •#Rabobank Nederland 144A 11.00% 12/29/49 | 280,000 | 355,793 |
| Regions Financial 7.75% 11/10/14 | 40,000 | 41,192 |
| #Russian Agricultural Bank 144A 9.00% 6/11/14 | 1,000,000 | 1,142,500 |
| •USB Capital IX 6.189% 10/29/49 | 245,000 | 204,575 |
| Wachovia 5.625% 10/15/16 | 55,000 | 57,009 |
| •Wells Fargo Capital XIII 7.70% 12/29/49 | 90,000 | 89,100 |
| Zions Bancorporation | | |
| 5.50% 11/16/15 | 80,000 | 68,578 |
| 5.65% 5/15/14 | 15,000 | 13,140 |
| 6.00% 9/15/15 | 215,000 | 186,023 |

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| | | | |
|--|-----|-----------|-----------|
| Basic Industry – 4.38% | | | |
| #Algoma Acquisition 144A 9.875% 6/15/15 | | 160,000 | 141,200 |
| #Appleton Papers 144A 10.50% 6/15/15 | | 120,000 | 111,600 |
| Arcelormittal 9.85% 6/1/19 | | 65,000 | 82,029 |
| California Steel Industries 6.125% 3/15/14 | | 14,000 | 13,440 |
| Century Aluminum 8.00% 5/15/14 | | 111,100 | 109,989 |
| Cytec Industries 8.95% 7/1/17 | | 10,000 | 11,945 |
| Dow Chemical | | | |
| 5.90% 2/15/15 | | 30,000 | 32,515 |
| 8.55% 5/15/19 | | 40,000 | 48,437 |
| #Evraz Group 144A | | | |
| 8.25% 11/10/15 | | 1,000,000 | 1,002,500 |
| 9.50% 4/24/18 | | 100,000 | 104,250 |
| Freeport McMoRan Copper & Gold 8.375% 4/1/17 | | 120,000 | 130,375 |
| #Innophos Holding 144A 9.50% 4/15/12 | | 115,000 | 115,288 |
| #MacDermid 144A 9.50% 4/15/17 | | 340,000 | 341,700 |
| *#Momentive Performance Material 144A 12.50% 6/15/14 | | 65,000 | 71,825 |
| *Newpage 11.375% 12/31/14 | | 60,000 | 57,600 |
| #NewPage 144A 11.375% 12/31/14 | | 160,000 | 153,600 |
| •Noranda Aluminium Acquisition PIK 5.274% 5/15/15 | | 181,673 | 143,067 |
| @#Norske Skogindustrier 144A 7.125% 10/15/33 | | 150,000 | 80,250 |
| Novelis 7.25% 2/15/15 | | 30,000 | 27,975 |
| #Novelis 144A 11.50% 2/15/15 | | 105,000 | 112,088 |
| #PE Paper Escrow GmbH 144A 12.00% 8/1/14 | | 100,000 | 108,686 |
| Reliance Steel & Aluminum 6.85% 11/15/36 | | 24,000 | 21,563 |
| Ryerson | | | |
| •7.624% 11/1/14 | | 115,000 | 103,213 |
| 12.00% 11/1/15 | | 95,000 | 98,088 |
| Southern Copper 7.50% 7/27/35 | | 1,000,000 | 1,034,774 |
| #Steel Capital 144A 9.75% 7/29/13 | | 1,100,000 | 1,186,679 |
| Steel Dynamics 7.75% 4/15/16 | | 190,000 | 190,000 |
| #Teck Resources 144A 10.75% 5/15/19 | | 115,000 | 142,025 |
| Vale Overseas 6.875% 11/21/36 | | 979,000 | 996,363 |
| | | | 6,773,064 |
| Brokerage – 1.29% | | | |
| #Cemex Finance 144A 9.50% 12/14/16 | | 140,000 | 143,500 |
| Citigroup | | | |
| 6.01% 1/15/15 | | 65,000 | 68,063 |
| 6.50% 8/19/13 | | 25,000 | 26,912 |
| •Citigroup Capital XXI 8.30% 12/21/57 | | 100,000 | 93,250 |
| •E TRADE Financial PIK 12.50% 11/30/17 | | 236,000 | 274,350 |
| Goldman Sachs Group | | | |
| 5.125% 1/15/15 | | 50,000 | 52,878 |
| 5.95% 1/18/18 | | 10,000 | 10,512 |
| 6.25% 9/1/17 | | 20,000 | 21,564 |
| Jefferies Group | | | |
| 6.25% 1/15/36 | | 5,000 | 4,179 |
| 6.45% 6/8/27 | | 60,000 | 53,285 |
| Lazard Group | | | |
| 6.85% 6/15/17 | | 30,000 | 30,513 |
| 7.125% 5/15/15 | | 4,000 | 4,260 |
| Morgan Stanley | | | |
| 5.375% 10/15/15 | | 100,000 | 104,306 |
| 6.00% 4/28/15 | | 60,000 | 64,161 |
| #Morgan Stanley 144A 10.09% 5/3/17 | BRL | 2,000,000 | 1,034,780 |
| | | | 1,986,513 |
| Capital Goods – 2.01% | | | |
| AMH Holdings 11.25% 3/1/14 | USD | 105,000 | 104,475 |
| *#Associated Materials 144A 9.875% 11/15/16 | | 15,000 | 15,975 |
| #BAE Systems Holdings 144A 5.20% 8/15/15 | | 20,000 | 21,123 |
| #BWAY 144A 10.00% 4/15/14 | | 195,000 | 201,825 |
| #C8 Capital 144A 6.64% 12/31/49 | | 140,000 | 98,244 |
| #Dae Aviation 144A 11.25% 8/1/15 | | 120,000 | 110,100 |
| #FMG Finance 144A 10.625% 9/1/16 | | 185,000 | 207,200 |
| Graham Packaging 9.875% 10/15/14 | | 135,000 | 138,375 |
| #Graphic Packaging International 144A 9.50% 6/15/17 | | 105,000 | 110,775 |

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| | | |
|-----------------------------------|---------|---------|
| *Hexion US Finance 9.75% 11/15/14 | 204,000 | 193,800 |
| Intertape Polymer 8.50% 8/1/14 | 85,000 | 71,825 |
| *Manitowoc 9.50% 2/15/18 | 140,000 | 140,350 |
| #Plastipak Holdings 144A | | |
| 8.50% 12/15/15 | 105,000 | 105,525 |
| 10.625% 8/15/19 | 105,000 | 116,288 |

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| | | |
|---|---------|-----------|
| #Ply Gem Industries 144A 13.125% 7/15/14 | 135,000 | 136,350 |
| Pregis 12.375% 10/15/13 | 275,000 | 274,312 |
| *RBS Global/Rexnord 11.75% 8/1/16 | 235,000 | 245,574 |
| *Sally Holdings 10.50% 11/15/16 | 225,000 | 243,562 |
| Solo Cup 8.50% 2/15/14 | 205,000 | 195,775 |
| Thermadyne Holdings 11.50% 2/1/14 | 195,000 | 191,588 |
| #Trimas 144A 9.75% 12/15/17 | 115,000 | 116,150 |
| USG 6.30% 11/15/16 | 23,000 | 20,355 |
| #USG 144A 9.75% 8/1/14 | 45,000 | 47,475 |
| | | 3,107,021 |
| Consumer Cyclical – 2.29% | | |
| #Allison Transmission 144A 11.00% 11/1/15 | 200,000 | 208,500 |
| American Axle & Manufacturing 7.875% 3/1/17 | 150,000 | 131,250 |
| #American Axle & Manufacturing Holdings 144A 9.25% 1/15/17 | 50,000 | 52,000 |
| ArvinMeritor | | |
| *8.125% 9/15/15 | 145,000 | 132,675 |
| 10.625% 3/15/18 | 75,000 | 73,518 |
| Beazer Homes USA | | |
| 8.125% 6/15/16 | 50,000 | 42,500 |
| *8.375% 4/15/12 | 95,000 | 94,050 |
| Burlington Coat Factory Investment Holdings 14.50% 10/15/14 | 215,000 | 221,449 |
| *Burlington Coat Factory Warehouse 11.125% 4/15/14 | 70,000 | 71,575 |
| CVS Caremark 6.60% 3/15/19 | 10,000 | 11,240 |
| w#CVS Pass Through Trust 144A 8.353% 7/10/31 | 79,233 | 91,872 |
| Duane Reade 11.75% 8/1/15 | 65,000 | 82,225 |
| *Ford Motor 7.45% 7/16/31 | 270,000 | 238,612 |
| Ford Motor Credit | | |
| 7.80% 6/1/12 | 120,000 | 121,330 |
| 12.00% 5/15/15 | 155,000 | 177,235 |
| ‡General Motors 7.20% 1/15/11 | 240,000 | 73,800 |
| *GMAC 8.00% 12/31/18 | 145,000 | 135,575 |
| Interface 9.50% 2/1/14 | 25,000 | 25,688 |
| #Interface 144A 11.375% 11/1/13 | 40,000 | 45,200 |
| K Hovnanian Enterprises | | |
| 6.25% 1/15/15 | 35,000 | 26,425 |
| 7.50% 5/15/16 | 65,000 | 46,800 |
| #K Hovnanian Enterprises 144A 10.625% 10/15/16 | 65,000 | 68,250 |
| #Landry's Restaurants 144A 11.625% 12/1/15 | 205,000 | 215,249 |
| M/I Homes 6.875% 4/1/12 | 90,000 | 87,750 |
| Meritage Homes | | |
| 6.25% 3/15/15 | 35,000 | 33,163 |
| 7.00% 5/1/14 | 160,000 | 156,000 |
| Navistar International 8.25% 11/1/21 | 130,000 | 132,600 |
| Norcraft Holdings 9.75% 9/1/12 | 66,000 | 62,370 |
| #Norcraft Holdings 144A 10.50% 12/15/15 | 100,000 | 104,000 |
| *OSI Restaurant Partners 10.00% 6/15/15 | 127,000 | 120,650 |
| Quiksilver 6.875% 4/15/15 | 200,000 | 171,500 |
| *Rite Aid 9.375% 12/15/15 | 160,000 | 134,400 |
| #Standard Pacific Escrow 144A 10.75% 9/15/16 | 75,000 | 78,563 |
| *Tenneco 8.625% 11/15/14 | 70,000 | 69,125 |
| #Toys R Us Property 144A 10.75% 7/15/17 | 5,000 | 5,513 |
| | | 3,542,652 |
| Consumer Non-Cyclical – 1.40% | | |
| *#Alliance One International 144A 10.00% 7/15/16 | 205,000 | 214,224 |
| Beckman Coulter | | |
| 6.00% 6/1/15 | 25,000 | 27,637 |
| 7.00% 6/1/19 | 25,000 | 28,633 |
| #Cott Beverages 144A 8.375% 11/15/17 | 85,000 | 86,700 |
| #Dole Food 144A 13.875% 3/15/14 | 91,000 | 108,973 |
| #JBS USA 144A 11.625% 5/1/14 | 65,000 | 73,775 |
| #JohnsonDiversey Holdings 144A 10.50% 5/15/20 | 290,000 | 303,049 |
| Kraft Foods | | |
| 4.125% 2/9/16 | 5,000 | 5,100 |
| 5.375% 2/10/20 | 25,000 | 25,914 |
| LVB Acquisition 11.625% 10/15/17 | 125,000 | 138,750 |
| #Novasep Holding 144A 9.75% 12/15/16 | 140,000 | 130,200 |
| PHH 7.125% 3/1/13 | 135,000 | 127,744 |
| #Quintiles Transnational 144A 9.50% PIK 12/30/14 | 65,000 | 65,813 |

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#ServiceMaster PIK 144A 10.75% 7/15/15

135,000

139,050

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| | | | |
|---|--|-----------|-----------|
| Smithfield Foods | | | |
| 7.75% 5/15/13 | | 155,000 | 151,899 |
| 7.75% 7/1/17 | | 25,000 | 23,000 |
| #Smithfield Foods 144A 10.00% 7/15/14 | | 35,000 | 38,063 |
| #TOPS Markets 144A 10.125% 10/15/15 | | 135,000 | 140,063 |
| #Viskase 144A 9.875% 1/15/18 | | 135,000 | 137,363 |
| Yale University 2.90% 10/15/14 | | 45,000 | 45,882 |
| *Yankee Acquisition 9.75% 2/15/17 | | 145,000 | 145,362 |
| | | | 2,157,194 |
| Energy – 6.38% | | | |
| #Antero Resources Finance 144A 9.375% 12/1/17 | | 110,000 | 112,750 |
| #Aquilex Holdings 144A 11.125% 12/15/16 | | 100,000 | 105,000 |
| Chesapeake Energy 9.50% 2/15/15 | | 140,000 | 152,950 |
| Complete Production 8.00% 12/15/16 | | 130,000 | 127,075 |
| Copano Energy 7.75% 6/1/18 | | 125,000 | 122,813 |
| *#Crosstex Energy 144A 8.875% 2/15/18 | | 110,000 | 112,200 |
| Denbury Resources 9.75% 3/1/16 | | 105,000 | 113,663 |
| #Drummond 144A 9.00% 10/15/14 | | 135,000 | 135,675 |
| Dynergy Holdings 7.75% 6/1/19 | | 210,000 | 165,900 |
| El Paso | | | |
| 6.875% 6/15/14 | | 44,000 | 44,589 |
| 7.00% 6/15/17 | | 205,000 | 206,654 |
| Enbridge Energy Partners 9.875% 3/1/19 | | 50,000 | 65,911 |
| Energy Transfer Partners 9.70% 3/15/19 | | 45,000 | 56,783 |
| Enterprise Products Operating | | | |
| •8.375% 8/1/66 | | 115,000 | 116,436 |
| 9.75% 1/31/14 | | 45,000 | 54,888 |
| #Gazprom 144A 8.625% 4/28/34 | | 1,000,000 | 1,130,999 |
| #Gibson Energy 144A 10.00% 1/15/18 | | 80,000 | 78,400 |
| *#Headwaters 144A 11.375% 11/1/14 | | 140,000 | 142,100 |
| #Helix Energy Solutions Group 144A 9.50% 1/15/16 | | 235,000 | 238,525 |
| #Hercules Offshore 144A 10.50% 10/15/17 | | 125,000 | 125,000 |
| #Hilcorp Energy I 144A 7.75% 11/1/15 | | 220,000 | 215,050 |
| #Holly 144A 9.875% 6/15/17 | | 115,000 | 118,450 |
| *International Coal Group 10.25% 7/15/14 | | 180,000 | 184,500 |
| *Key Energy Services 8.375% 12/1/14 | | 250,000 | 248,750 |
| Kinder Morgan Energy Partners 9.00% 2/1/19 | | 20,000 | 25,294 |
| Lukoil International Finance 6.356% 6/7/17 | | 1,000,000 | 1,002,500 |
| Mariner Energy 8.00% 5/15/17 | | 140,000 | 134,400 |
| Markwest Energy Partners 8.75% 4/15/18 | | 75,000 | 76,313 |
| #Midcontinent Express Pipeline 144A | | | |
| 5.45% 9/15/14 | | 25,000 | 26,104 |
| 6.70% 9/15/19 | | 10,000 | 10,543 |
| #Murray Energy 144A 10.25% 10/15/15 | | 110,000 | 110,688 |
| Nexen 7.50% 7/30/39 | | 35,000 | 40,353 |
| #NFR Energy 144A 9.75% 2/15/17 | | 140,000 | 137,550 |
| Noble Energy 8.25% 3/1/19 | | 30,000 | 36,471 |
| OPTI Canada 7.875% 12/15/14 | | 255,000 | 225,675 |
| Pemex Project Funding Master Trust 6.625% 6/15/35 | | 1,000,000 | 955,809 |
| Petrobras International Finance 5.75% 1/20/20 | | 5,000 | 5,069 |
| PetroHawk Energy 7.875% 6/1/15 | | 55,000 | 55,275 |
| Petroleum Development 12.00% 2/15/18 | | 145,000 | 152,975 |
| Plains All American Pipeline 5.75% 1/15/20 | | 50,000 | 52,235 |
| Pride International 8.50% 6/15/19 | | 35,000 | 39,288 |
| Quicksilver Resources 7.125% 4/1/16 | | 200,000 | 187,000 |
| #SandRidge Energy 144A | | | |
| 8.75% 1/15/20 | | 10,000 | 9,850 |
| 9.875% 5/15/16 | | 185,000 | 191,938 |
| TNK-BP Finance 7.875% 3/13/18 | | 2,000,000 | 2,104,999 |
| •TransCanada Pipelines 6.35% 5/15/67 | | 30,000 | 28,233 |
| Weatherford International 9.625% 3/1/19 | | 25,000 | 31,902 |
| #Woodside Finance 144A | | | |
| 4.50% 11/10/14 | | 20,000 | 20,692 |
| 5.00% 11/15/13 | | 10,000 | 10,464 |
| 8.125% 3/1/14 | | 10,000 | 11,683 |
| | | | 9,858,364 |
| Finance & Investments – 1.24% | | | |

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| | | |
|--|---------|---------|
| •American International Group I 8.175% 5/15/58 | 115,000 | 78,488 |
| Capital One Capital V 10.25% 8/15/39 | 200,000 | 227,425 |
| Cardtronics 9.25% 8/15/13 | 85,000 | 87,338 |

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| | | | |
|--|-----|------------|-----------|
| City National Capital Trust I 9.625% 2/1/40 | | 140,000 | 152,994 |
| General Electric Capital | | | |
| 5.50% 1/8/20 | | 35,000 | 35,263 |
| 6.00% 8/7/19 | | 160,000 | 167,702 |
| •Genworth Financial 6.15% 11/15/66 | | 95,000 | 66,500 |
| International Lease Finance | | | |
| 5.35% 3/1/12 | | 20,000 | 18,492 |
| 5.55% 9/5/12 | | 70,000 | 62,759 |
| 5.625% 9/20/13 | | 165,000 | 140,855 |
| 6.375% 3/25/13 | | 60,000 | 52,881 |
| 6.625% 11/15/13 | | 155,000 | 136,683 |
| MetLife 6.40% 12/15/36 | | 100,000 | 87,500 |
| •#Metlife Capital Trust X 144A 9.25% 4/8/38 | | 125,000 | 140,000 |
| Nuveen Investments 10.50% 11/15/15 | | 395,000 | 359,449 |
| Prudential Financial 3.875% 1/14/15 | | 35,000 | 35,444 |
| Π@•XL Capital 6.50% 12/31/49 | | 85,000 | 67,473 |
| | | | 1,917,246 |
| Media – 2.13% | | | |
| Affinion Group 11.50% 10/15/15 | | 100,000 | 102,500 |
| #Cablevision Systems 144A 8.625% 9/15/17 | | 75,000 | 77,625 |
| *CCH II 13.50% 11/30/16 | | 115,000 | 136,419 |
| #Cengage Learning Acquisitions 144A 10.50% 1/15/15 | | 80,000 | 73,300 |
| #Charter Communications Operating 144A 10.875% 9/15/14 | | 65,000 | 72,719 |
| *Clear Channel Communications 10.75% 8/1/16 | | 185,000 | 142,450 |
| *#Columbus International 144A 11.50% 11/20/14 | | 130,000 | 138,450 |
| Comcast | | | |
| 4.95% 6/15/16 | | 30,000 | 31,283 |
| 5.15% 3/1/20 | | 20,000 | 20,221 |
| 6.50% 1/15/15 | | 5,000 | 5,680 |
| #COX Communications 144A | | | |
| 5.875% 12/1/16 | | 15,000 | 16,376 |
| 6.95% 6/1/38 | | 5,000 | 5,387 |
| DIRECTV Holdings 7.625% 5/15/16 | | 70,000 | 76,833 |
| #DirecTV Holdings 144A 4.75% 10/1/14 | | 20,000 | 20,958 |
| Dish DBS 7.875% 9/1/19 | | 80,000 | 82,800 |
| #Dish DBS 144A 7.875% 9/1/19 | | 55,000 | 56,925 |
| @Grupo Televisa 8.49% 5/11/37 | MXN | 10,000,000 | 674,257 |
| #GXS Worldwide 144A 9.75% 6/15/15 | USD | 140,000 | 133,700 |
| #MDC Partners 144A 11.00% 11/1/16 | | 70,000 | 75,250 |
| #Mediacom Capital 144A 9.125% 8/15/19 | | 65,000 | 65,650 |
| Nielsen Finance | | | |
| 10.00% 8/1/14 | | 110,000 | 114,675 |
| 11.50% 5/1/16 | | 40,000 | 44,750 |
| 11.625% 2/1/14 | | 85,000 | 95,094 |
| 12.50% 8/1/16 | | 95,000 | 86,450 |
| #Sinclair Television Group 144A 9.25% 11/1/17 | | 95,000 | 99,038 |
| #Terremark Worldwide 144A 12.25% 6/15/17 | | 125,000 | 137,813 |
| Time Warner Cable 8.25% 4/1/19 | | 40,000 | 48,678 |
| #Univision Communications 144A 12.00% 7/1/14 | | 95,000 | 103,313 |
| *•#Univision Communications PIK 144A 9.75% 3/15/15 | | 80,000 | 71,200 |
| #UPC Holding 144A 9.875% 4/15/18 | | 100,000 | 104,500 |
| #Vivendi 144A 5.75% 4/4/13 | | 55,000 | 59,516 |
| #XM Satellite Radio 144A 13.00% 8/1/13 | | 295,000 | 324,500 |
| | | | 3,298,310 |
| Real Estate – 0.13% | | | |
| #Digital Realty Trust 144A 5.875% 2/1/20 | | 10,000 | 9,906 |
| *#Felcor Lodging Trust 144A 10.00% 10/1/14 | | 140,000 | 136,850 |
| ProLogis 7.375% 10/30/19 | | 35,000 | 36,232 |
| Regency Centers 5.875% 6/15/17 | | 20,000 | 19,934 |
| | | | 202,922 |
| Services Cyclical – 1.91% | | | |
| #Ashtead Capital 144A 9.00% 8/15/16 | | 100,000 | 101,000 |
| Avis Budget Car Rental | | | |
| 7.625% 5/15/14 | | 185,000 | 173,437 |
| 7.75% 5/15/16 | | 125,000 | 113,438 |
| Delta Air Lines 7.92% 11/18/10 | | 90,000 | 90,900 |

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|--|---------|---------|
| *#Equinox Holdings 144A 9.50% 2/1/16 | 140,000 | 138,600 |
| #Galaxy Entertainment Finance 144A 9.875% 12/15/12 | 305,000 | 317,962 |
| #General Maritime 144A 12.00% 11/15/17 | 140,000 | 145,600 |
| Global Cash Access 8.75% 3/15/12 | 40,000 | 39,800 |

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|--|-----------|-----------|
| #Harrah's Operating 144A 10.00% 12/15/18 | 225,000 | 171,000 |
| *Hertz 10.50% 1/1/16 | 140,000 | 145,600 |
| International Game Technology 7.50% 6/15/19 | 15,000 | 17,139 |
| #Kansas City Southern de Mexico 144A 8.00% 2/1/18 | 140,000 | 138,950 |
| MGM Mirage | | |
| *7.50% 6/1/16 | 175,000 | 139,563 |
| 13.00% 11/15/13 | 95,000 | 108,775 |
| *#MGM Mirage 144A 11.375% 3/1/18 | 195,000 | 181,349 |
| Mohegan Tribal Gaming Authority | | |
| 6.875% 2/15/15 | 40,000 | 28,000 |
| *7.125% 8/15/14 | 95,000 | 70,775 |
| #National Money Mart 144A 10.375% 12/15/16 | 140,000 | 146,650 |
| *#NCL 144A 11.75% 11/15/16 | 70,000 | 72,975 |
| Pinnacle Entertainment 7.50% 6/15/15 | 145,000 | 120,713 |
| Royal Caribbean Cruises 6.875% 12/1/13 | 125,000 | 125,000 |
| RSC Equipment Rental 9.50% 12/1/14 | 135,000 | 131,288 |
| #Shingle Springs Tribal Gaming Authority 144A 9.375% 6/15/15 | 110,000 | 88,000 |
| #United Air Lines 144A 12.00% 11/1/13 | 140,000 | 136,500 |
| | | 2,943,014 |
| Services Non-cyclical – 1.32% | | |
| Accellent 10.50% 12/1/13 | 100,000 | 100,250 |
| Allied Waste North America | | |
| 6.875% 6/1/17 | 40,000 | 43,262 |
| 7.125% 5/15/16 | 30,000 | 32,441 |
| Bausch & Lomb 9.875% 11/1/15 | 205,000 | 211,150 |
| #CareFusion 144A 6.375% 8/1/19 | 65,000 | 71,564 |
| Casella Waste Systems 9.75% 2/1/13 | 305,000 | 306,907 |
| Cornell 10.75% 7/1/12 | 60,000 | 61,350 |
| DJO Finance 10.875% 11/15/14 | 130,000 | 139,750 |
| HCA 9.25% 11/15/16 | 175,000 | 186,156 |
| Hospira 6.40% 5/15/15 | 95,000 | 106,807 |
| Inverness Medical Innovations 9.00% 5/15/16 | 160,000 | 161,200 |
| Life Technologies | | |
| 4.40% 3/1/15 | 5,000 | 5,067 |
| 6.00% 3/1/20 | 40,000 | 41,318 |
| *Psychiatric Solutions 7.75% 7/15/15 | 140,000 | 135,100 |
| #Psychiatric Solutions 144A 7.75% 7/15/15 | 60,000 | 56,400 |
| Select Medical 7.625% 2/1/15 | 140,000 | 132,300 |
| UnitedHealth Group 5.80% 3/15/36 | 5,000 | 4,834 |
| Universal Hospital Services PIK 8.50% 6/1/15 | 120,000 | 117,000 |
| •US Oncology Holdings 6.428% 3/15/12 | 140,000 | 132,300 |
| | | 2,045,156 |
| Technology – 0.57% | | |
| *First Data 9.875% 9/24/15 | 280,000 | 243,600 |
| Freescall Semiconductor 8.875% 12/15/14 | 165,000 | 147,263 |
| Sanmina-SCI 8.125% 3/1/16 | 231,000 | 228,690 |
| *Sungard Data Systems 10.25% 8/15/15 | 250,000 | 260,625 |
| | | 880,178 |
| Telecommunications – 3.96% | | |
| American Tower 7.00% 10/15/17 | 30,000 | 33,600 |
| Cincinnati Bell 8.25% 10/15/17 | 100,000 | 100,500 |
| Citizens Utilities 7.125% 3/15/19 | 120,000 | 112,800 |
| #Clearwire Communications 144A 12.00% 12/1/15 | 280,000 | 275,100 |
| *Cricket Communications 9.375% 11/1/14 | 138,000 | 138,000 |
| #Digicel Group 144A | | |
| 8.25% 9/1/17 | 100,000 | 95,500 |
| *8.875% 1/15/15 | 1,100,000 | 1,055,999 |
| 9.125% 1/15/15 | 100,000 | 97,000 |
| #GCI 144A 8.625% 11/15/19 | 140,000 | 142,975 |
| #GeoEye 144A 9.625% 10/1/15 | 80,000 | 81,600 |
| #Global Crossing 144A 12.00% 9/15/15 | 125,000 | 136,563 |
| Intelsat 6.50% 11/1/13 | 135,000 | 126,563 |
| Intelsat Bermuda 11.25% 2/4/17 | 435,000 | 443,155 |
| Intelsat Jackson Holdings 11.25% 6/15/16 | 130,000 | 139,425 |
| Level 3 Financing 9.25% 11/1/14 | 105,000 | 100,013 |
| #Level 3 Financing 144A 10.00% 2/1/18 | 85,000 | 78,413 |
| *MetroPCS Wireless 9.25% 11/1/14 | 218,000 | 218,545 |

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| | | |
|---|---------|---------|
| #NII Capital 144A 10.00% 8/15/16 | 200,000 | 218,000 |
| #Nordic Telephone Holdings 144A 8.875% 5/1/16 | 110,000 | 118,250 |

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| | | |
|---|---------|------------|
| PAETEC Holding | | |
| 8.875% 6/30/17 | 105,000 | 106,313 |
| *9.50% 7/15/15 | 75,000 | 73,313 |
| Qwest Capital Funding 7.75% 2/15/31 | 80,000 | 70,800 |
| Qwest Communications International 7.50% 2/15/14 | 85,000 | 86,275 |
| Rogers Wireless 7.50% 3/15/15 | 15,000 | 17,763 |
| Sprint Capital | | |
| 6.875% 11/15/28 | 55,000 | 41,938 |
| 8.75% 3/15/32 | 450,000 | 399,374 |
| *#Telcordia Technologies 144A 10.00% 3/15/13 | 165,000 | 156,338 |
| Telecom Italia Capital 5.25% 10/1/15 | 90,000 | 94,570 |
| Telesat Canada | | |
| 11.00% 11/1/15 | 120,000 | 131,400 |
| 12.50% 11/1/17 | 140,000 | 157,500 |
| US West Communications 7.25% 9/15/25 | 85,000 | 81,600 |
| #Viasat 144A 8.875% 9/15/16 | 70,000 | 71,575 |
| Virgin Media 6.50% 11/15/16 | 307,000 | 361,492 |
| Virgin Media Finance 8.375% 10/15/19 | 100,000 | 101,125 |
| West 11.00% 10/15/16 | 105,000 | 105,788 |
| #Wind Acquisition Finance 144A | | |
| 11.75% 7/15/17 | 140,000 | 150,500 |
| 12.00% 12/1/15 | 150,000 | 161,250 |
| #Windstream 144A 7.875% 11/1/17 | 45,000 | 44,213 |
| | | 6,125,128 |
| Utilities – 1.47% | | |
| AES | | |
| 7.75% 3/1/14 | 105,000 | 105,656 |
| 8.00% 6/1/20 | 5,000 | 4,931 |
| Ameren 8.875% 5/15/14 | 10,000 | 11,649 |
| *#American Transmission Systems 144A 5.25% 1/15/22 | 20,000 | 20,518 |
| CMS Energy 6.55% 7/17/17 | 10,000 | 10,234 |
| #EDF 4.60% 1/27/20 | 15,000 | 15,037 |
| Edison Mission Energy 7.50% 6/15/13 | 80,000 | 74,400 |
| Elwood Energy 8.159% 7/5/26 | 157,828 | 151,871 |
| Energy Future Holdings | | |
| 5.55% 11/15/14 | 100,000 | 73,478 |
| *11.375% 11/1/17 | 100,000 | 76,250 |
| Illinois Power 9.75% 11/15/18 | 80,000 | 104,102 |
| Korea Southern Power 5.375% 4/18/13 | 630,000 | 661,100 |
| *Mirant Americas Generation 8.50% 10/1/21 | 215,000 | 202,101 |
| NRG Energy 7.375% 2/1/16 | 115,000 | 113,706 |
| Orion Power Holdings 12.00% 5/1/10 | 205,000 | 207,307 |
| Pennsylvania Electric 5.20% 4/1/20 | 45,000 | 45,462 |
| PPL Electric Utilities 7.125% 11/30/13 | 25,000 | 28,914 |
| Public Service Co. of Oklahoma 5.15% 12/1/19 | 45,000 | 45,972 |
| •Puget Sound Energy 6.974% 6/1/67 | 165,000 | 147,039 |
| *Texas Competitive Electric Holdings 10.50% 11/1/15 | 220,000 | 165,528 |
| | | 2,265,255 |
| Total Corporate Bonds (cost \$48,052,251) | | 50,937,362 |
| Non-Agency Asset-Backed Securities – 0.55% | | |
| •#AH Mortgage Advance Trust 144A Series 2009-ADV3 A1 2.179% 10/6/21 | 40,000 | 39,800 |
| Capital Auto Receivables Asset Trust Series 2007-3 A3A 5.02% 9/15/11 | 33,052 | 33,455 |
| Caterpillar Financial Asset Trust | | |
| Series 2007-A A3A 5.34% 6/25/12 | 6,654 | 6,755 |
| Series 2008-A A3 4.94% 4/25/14 | 56,307 | 57,530 |
| @Centex Home Equity Series 2005-D AF4 5.27% 10/25/35 | 69,472 | 68,882 |
| Chase Issuance Trust Series 2005-A7 A7 4.55% 3/15/13 | 45,000 | 46,571 |
| Citicorp Residential Mortgage Securities Series 2006-3 A5 5.948% 11/25/36 | 100,000 | 70,206 |
| CNH Equipment Trust | | |
| Series 2008-A A3 4.12% 5/15/12 | 8,150 | 8,262 |
| Series 2008-A A4 4.93% 8/15/14 | 30,000 | 31,242 |
| Series 2008-B A3A 4.78% 7/16/12 | 16,633 | 16,950 |
| Series 2009-C A3 1.85% 12/16/13 | 15,000 | 15,120 |
| Discover Card Master Trust Series 2007-A1 A1 5.65% 3/16/20 | 100,000 | 110,365 |
| #Dunkin Securitization 144A Series 2006-1 A2 5.779% 6/20/31 | 150,000 | 146,110 |
| Harley-Davidson Motorcycle Trust | | |

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| | | |
|---------------------------------|--------|--------|
| Series 2005-2 A2 4.07% 2/15/12 | 28,856 | 28,989 |
| Series 2006-2 A2 5.35% 3/15/13 | 61,049 | 62,763 |
| Hyundai Auto Receivables Trust | | |
| Series 2007-A A3A 5.04% 1/17/12 | 6,738 | 6,843 |
| Series 2008-A A3 4.93% 12/17/12 | 30,000 | 31,242 |

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| | | | |
|--|--|--------|---------|
| John Deere Owner Trust Series 2008-A A3 4.18% 6/15/12 | | 21,775 | 22,084 |
| •MBNA Credit Card Master Note Trust Series 2005-A4 0.27% 11/15/12 | | 30,000 | 29,968 |
| •Merrill Auto Trust Securitization Series 2007-1 A4 0.29% 12/15/13 | | 25,000 | 24,816 |
| Total Non-Agency Asset-Backed Securities (cost \$859,351) | | | 857,953 |

| | | | |
|---|--|---------|---------|
| Non-Agency Collateralized Mortgage Obligations – 0.47% | | | |
| @•Bear Stearns ARM Trust Series 2007-1 3A2 5.718% 2/25/47 | | 230,990 | 29,564 |
| Citicorp Mortgage Securities | | | |
| Series 2006-4 3A1 5.50% 8/25/21 | | 30,880 | 29,814 |
| Series 2007-1 2A1 5.50% 1/25/22 | | 177,396 | 154,995 |
| •Series 2007-AR8 1A3A 5.813% 8/25/37 | | 79,564 | 58,233 |
| •First Horizon Asset Securities | | | |
| Series 2007-AR2 1A1 5.811% 8/25/37 | | 119,100 | 91,226 |
| Series 2007-AR3 2A2 6.291% 11/25/37 | | 86,247 | 67,788 |
| •GSR Mortgage Loan Trust Series 2006-AR1 3A1 5.344% 1/25/36 | | 163,702 | 136,067 |
| •MASTR ARMs Trust Series 2006-2 4A1 4.981% 2/25/36 | | 82,796 | 76,527 |
| •Wells Fargo Mortgage Backed Securities Trust | | | |
| Series 2005-AR2 2A1 2.895% 3/25/35 | | 65,584 | 58,072 |
| Series 2005-AR16 6A4 4.998% 10/25/35 | | 55,618 | 20,886 |
| Total Non-Agency Collateralized Mortgage Obligations (cost \$1,078,345) | | | 723,172 |

| | | | |
|--|--|---------|---------|
| «Senior Secured Loans – 0.29% | | | |
| Alion Science Term Tranche Loan B 9.50% 2/6/13 | | 60,000 | 59,944 |
| Energy Futures Holdings Term Tranche Loan B2 3.729% 10/10/14 | | 167,346 | 135,415 |
| Harrahs Chester Downs & Marina 12.375% 12/31/16 | | 103,031 | 104,319 |
| PQ Corp Term Tranche Loan B 6.74% 7/30/15 | | 165,000 | 150,769 |
| Total Senior Secured Loans (cost \$421,574) | | | 450,447 |

| | | | |
|---|-----|---------------|-----------|
| Sovereign Debt – 5.26%Δ | | | |
| Barbados – 1.15% | | | |
| #Republic of Barbados 144A 6.625% 12/5/35 | | 2,000,000 | 1,770,354 |
| | | | 1,770,354 |
| Brazil – 1.08% | | | |
| Banco Nacional Desenvolve Economico e Social 6.369% 6/16/18 | | 500,000 | 528,750 |
| Federal Republic of Brazil 10.25% 1/10/28 | BRL | 2,000,000 | 1,134,383 |
| | | | 1,663,133 |
| Colombia – 0.35% | | | |
| #Santa Fe de Bogota D.C. 144A 9.75% 7/26/28 | COP | 1,000,000,000 | 539,017 |
| | | | 539,017 |
| Mexico – 1.06% | | | |
| Mexican Bonos | | | |
| 7.50% 6/3/27 | MXN | 20,000,000 | 1,476,441 |
| 8.50% 5/31/29 | MXN | 1,970,000 | 157,722 |
| | | | 1,634,163 |
| Pakistan – 1.09% | | | |
| @#Republic of Pakistan 144A 6.875% 6/1/17 | USD | 2,000,000 | 1,690,000 |
| | | | 1,690,000 |
| United Kingdom – 0.53% | | | |
| @#CS International for City of Kyiv Ukraine 144A 8.25% 11/26/12 | | 1,000,000 | 827,500 |
| | | | 827,500 |
| Total Sovereign Debt (cost \$8,498,833) | | | 8,124,167 |

| | | | |
|--|-----|------------|-----------|
| Supranational Banks – 4.60% | | | |
| European Bank for Reconstruction & Development 7.00% 7/30/12 | | 41,000,000 | 963,529 |
| European Investment Bank | | | |
| 8.00% 10/21/13 | ZAR | 6,880,000 | 885,869 |
| ^10.708% 3/2/15 | TRY | 5,490,000 | 2,136,475 |
| 11.25% 2/14/13 | BRL | 1,800,000 | 1,060,886 |
| Inter-American Development Bank 9.00% 8/6/10 | BRL | 2,081,000 | 1,155,049 |
| International Bank for Reconstruction & Development 9.75% 8/2/10 | ZAR | 7,000,000 | 913,474 |
| Total Supranational Banks (cost \$7,272,223) | | | 7,115,282 |

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| | | | | |
|--|-----|--|--------|---------|
| U.S. Treasury Obligations – 0.07% | | | | |
| U.S. Treasury Bond 4.375% 11/15/39 | USD | | 25,000 | 24,375 |
| U.S. Treasury Notes | | | | |
| 2.375% 2/28/15 | | | 55,000 | 55,254 |
| *3.625% 2/15/20 | | | 25,000 | 25,074 |
| Total U.S. Treasury Obligations (cost \$103,766) | | | | 104,703 |

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| | | | |
|---|-----|------------|--------------------------------|
| Leveraged Non-Recourse Securities – 0.00% | | | |
| w#JPMorgan Pass Through Trust Series 2007-B 144A 0.00% 1/15/87 | | 500,000 | 0 |
| Total Leveraged Non-Recourse Securities (cost \$425,000) | | | 0 |
| Number of Shares | | | |
| Closed-End Fund – 0.16% | | | |
| ING UK Real Estate Trust | | 317,470 | 250,543 |
| Total Closed-End Fund (cost \$681,549) | | | 250,543 |
| Exchange Traded Fund – 0.01% | | | |
| *ProShares UltraShort Real Estate | | 2,600 | 19,032 |
| Total Exchange Traded Funds (cost \$54,032) | | | 19,032 |
| Limited Partnership – 0.04% | | | |
| Blackstone Group | | 4,000 | 55,920 |
| Total Limited Partnership (cost \$53,797) | | | 55,920 |
| Preferred Stock – 0.38% | | | |
| •Bank of America | | | |
| 8.00% | | 140,000 | 133,627 |
| 8.125% | | 75,000 | 71,578 |
| Developers Diversified Realty Series I 7.50% | | 1,925 | 41,734 |
| *Digital Realty Series A 8.50% | | 2,650 | 68,079 |
| Freddie Mac 6.02% | | 32,000 | 28,800 |
| •PNC Financial Services Group 8.25% | | | |
| Prologis Series G 6.75% | | 7,050 | 149,318 |
| *Vornado Realty Trust 6.625% | | 3,700 | 80,845 |
| Total Preferred Stock (cost \$1,294,847) | | | 584,536 |
| Principal Amount^o | | | |
| Residual Interest Trust Certificates – 0.00% | | | |
| =w#Freddie Mac Auction Pass Through Trust Series 2007-6 Series 7-6B 144A | USD | 200,000 | 0 |
| Total Residual Interest Trust Certificates (cost \$217,676) | | | 0 |
| Discount Note – 7.85% | | | |
| Federal Home Loan Bank 0.06% 3/1/10 | | 12,134,075 | 12,134,075 |
| Total Discount Note (cost \$12,134,075) | | | 12,134,075 |
| Total Value of Securities Before Securities Lending Collateral – 122.36% | | | |
| (cost \$197,379,679) | | | 189,127,182 |
| Securities Lending Collateral** – 8.77% | | | |
| Investment Companies | | | |
| Mellon GSL DBT II Collateral Fund | | 10,939,770 | 10,939,770 |
| BNY Mellon SL DBT II Liquidating Fund | | 2,627,998 | 2,603,032 |
| @†Mellon GSL Reinvestment Trust II | | 328,120 | 13,945 |
| Total Securities Lending Collateral (cost \$13,895,888) | | | 13,556,747 |
| Total Value of Securities – 131.13% | | | |
| (cost \$211,275,567) | | | 202,683,929^o |
| Obligation to Return Securities Lending Collateral** – (8.99%) | | | |
| | | | (13,895,888) |
| Borrowing Under Line of Credit – (25.88%) | | | |
| | | | (40,000,000) |
| Receivables and Other Assets Net of Liabilities (See Notes) – 3.74% | | | |
| | | | 5,775,300 |
| Net Assets Applicable to 12,952,983 Shares Outstanding – 100.00% | | | |
| | | | \$ 154,563,341 |

^oPrincipal amount shown is stated in the currency in which each security is denominated.

BRL – Brazilian Real

COP – Colombian Peso

EUR – European Monetary Unit

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MXN – Mexican Peso

TRY – Turkish Lira

USD – United States Dollar

ZAR – South African Rand

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vSecurities have been classified by type of business.

*Fully or partially on loan.

†Non income producing security.

‡Non income producing security. Security is currently in default.

@Illiquid security. At February 28, 2010, the aggregate amount of illiquid securities was \$4,036,673, which represented 2.61% of the Fund's net assets. See Note 6 in "Notes."

•Variable rate security. The rate shown is the rate as of February 28, 2010.

#Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. At February 28, 2010, the aggregate amount of Rule 144A securities was \$28,005,013, which represented 18.12% of the Fund's net assets. See Note 6 in "Notes."

wPass Through Agreement. Security represents the contractual right to receive a proportionate amount of underlying payments due to the counterparty pursuant to various agreements related to the rescheduling of obligations and the exchange of certain notes.

φStep coupon bond. Coupon increases/decreases periodically based on a predetermined schedule. Stated rate in effect at February 28, 2010.

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.

ΔSecurities have been classified by country of origin.

«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.

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

=Security is being fair valued in accordance with the Fund's fair valuation policy. At February 28, 2010, the aggregate amount of fair valued securities was \$0, which represented 0.00% of the Fund's net assets. See Note 1 in "Notes."

≠The rate shown is the effective yield at the time of purchase.

**See Note 5 in "Notes."

©Includes \$13,448,897 of securities loaned.

ΠRestricted Security. These investments are in securities not registered under the Securities Act of 1933, as amended, and have certain restrictions on resale which may limit their liquidity. At February 28, 2010, the aggregate amount of the restricted securities was \$67,473 or 0.04% of the Fund's net assets. See Note 6 in "Notes."

Summary of Abbreviations:

ADR – American Depositary Receipts

ARM – Adjustable Rate Mortgage

CDS – Credit Default Swap

GNMA – Government National Mortgage Association

MASTR – Mortgage Asset Securitization Transactions, Inc.

PIK – Pay-in-kind

REIT – Real Estate Investment Trust

S.F. – Single Family

TBA – To be announced

yr – Year

1The following foreign currency exchange contracts and swap contracts were outstanding at February 28, 2010:

Foreign Currency Exchange Contracts

| Contracts to Receive | In Exchange For | Settlement Date | Unrealized Appreciation |
|----------------------|-----------------|-----------------|-------------------------|
| EUR 1,800 | USD (2,439) | 3/1/10 | \$12 |

Swap Contracts

CDS Contracts

| Swap Counterparty & Referenced Obligation | Notional Value | Annual Protection Payments | Termination Date | Unrealized Appreciation (Depreciation) |
|---|----------------|----------------------------|------------------|--|
| Protection Purchased: | | | | |
| Bank of America Consolidated Edison 5yr CDS | \$ 45,000 | 1.00% | 3/20/15 | \$ 131 |
| Barclays ITRAXX Eur Sub Financials 12.1 5yr CDS | 60,000 | 1.00% | 12/20/14 | (315) |
| J.P. Morgan Chase Penny (J.C.) | | | | |
| 5 yr CDS | 55,000 | 1.00% | 3/20/15 | 385 |
| 5 yr CDS | 40,000 | 1.00% | 3/20/15 | 407 |
| 5 yr CDS | 25,000 | 1.00% | 3/20/15 | 140 |

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| | | | | |
|------------------------|------------|-------|---------|----------|
| Sunoco 5 yr CDS | 75,000 | 1.00% | 3/20/15 | 3,299 |
| | \$ 300,000 | | | \$ 4,047 |
| Protection Sold: | | | | |
| Citigroup | | | | |
| MetLife 5 yr CDS | \$ 25,000 | 5.00% | 9/20/14 | \$ 718 |
| JPMorgan Chase | | | | |
| Macy's | | | | |
| 5 yr CDS | 55,000 | 1.00% | 3/20/15 | (183) |
| 5 yr CDS | 40,000 | 1.00% | 3/20/15 | (533) |
| 5 yr CDS | 25,000 | 1.00% | 3/20/15 | (58) |
| Valero Energy 5 yr CDS | 75,000 | 1.00% | 3/20/15 | (1,744) |
| | \$ 220,000 | | | (1,800) |
| Total | | | | \$ 2,247 |

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The use of foreign currency exchange contracts and swap contracts involves elements of market risk and risks in excess of the amounts recognized in the financial statements. The notional values presented above represent the Fund's (as defined below) total exposure in such contracts, whereas only the net unrealized appreciation (depreciation) is reflected in the Fund's net assets.

1See Note 4 in "Notes."

Notes

1. Significant Accounting Policies

The following accounting policies are in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and are consistently followed by Delaware Enhanced Global Dividend and Income Fund (Fund). This report covers the period of time since the Fund's last fiscal year end.

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 ask prices will be used. Securities listed on a foreign exchange are valued at the last quoted sales price on the valuation date. Short-term debt securities are valued at market value. U.S. government and agency securities are valued at the mean between the bid and ask prices. Other debt securities, credit default swap (CDS) contracts and interest rate swap contracts 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. Investment companies are valued at net asset value per share. Foreign currency exchange contracts are valued at the mean between the bid and ask prices. Interpolated values are derived when the settlement date of the contract is an interim date for which quotations are not available. Financial futures contracts and options on financial futures contracts are valued at the daily quoted settlement prices. Exchange-traded options are valued at the last reported sale price or, if no sales are reported, at the mean between the last reported bid and ask prices. Generally, index swap contracts and 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. The Fund may use fair value pricing more frequently for securities traded primarily in non-U.S. markets because, among other things, most foreign markets close well before the Fund values its securities at 4:00 p.m. Eastern time. The earlier close of these foreign markets gives rise to the possibility that significant events, including broad market moves, government actions or pronouncements, aftermarket trading, or news events may have occurred in the interim. To account for this, the Fund may frequently value foreign securities using fair value prices based on third-party vendor modeling tools (international fair value pricing).

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 current year. Management has analyzed the Fund's tax positions taken on federal income tax returns for all open tax years (November 30, 2007 – November 30, 2009), and has concluded that no provision for federal income tax is required in the Fund's financial statements.

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 to the extent permitted and, if necessary, a return of capital.

Repurchase Agreements – The Fund may invest in a pooled cash account along with other members of the Delaware Investments® 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. At February 28, 2010, the Fund held no investments in repurchase agreements.

Foreign Currency Transactions – Transactions denominated in foreign currencies are recorded at the prevailing exchange rates on the valuation date. The value of all assets and liabilities denominated in foreign currencies is translated into U.S. dollars at the exchange rate of such currencies against the U.S. dollar daily. Transaction gains or losses resulting from changes in exchange rates during the reporting period or upon settlement of the foreign currency transaction are reported in operations for the current period. The Fund isolates that portion of realized gains and losses on investments in debt securities, which is due to changes in foreign exchange rates from that which are due to changes in market prices of debt securities. For foreign equity securities, these changes are included in realized gains (losses) on investments. The Fund reports certain foreign currency related transactions as components of realized gains (losses) for financial reporting purposes, whereas such components are treated as ordinary income (loss) for federal income tax purposes.

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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® 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 bonds are amortized to interest income over the lives of the respective securities. Realized gains (losses) on paydowns of mortgage- and asset-backed securities are classified as interest income. Foreign dividends are also recorded on the ex-dividend date or as soon after the ex-dividend date that the Fund is aware of such dividends, net of all non-rebatable tax withholdings. Withholding taxes on foreign dividends and interest have been recorded in accordance with the Fund's understanding of the applicable country's tax rules and rates. Distributions received from investments in Real Estate Investment Trusts (REITs) are recorded as dividend income on the ex-dividend date, subject to reclassification upon notice of the character of such distributions by the issuer.

2. Investments

At February 28, 2010, the cost of investments for federal income tax purposes has been estimated since final tax characteristics cannot be determined until fiscal year end. At February 28, 2010, the cost of investments and unrealized appreciation (depreciation) for the Fund was as follows:

| | |
|-----------------------------------|----------------|
| Cost of investments | \$212,322,935 |
| Aggregate unrealized appreciation | 10,882,315 |
| Aggregate unrealized depreciation | (20,521,321) |
| Net unrealized depreciation | \$ (9,639,006) |

For federal income tax purposes, at November 30, 2009, capital loss carryforwards of \$58,412,011 may be carried forward and applied against future capital gains. Such capital loss carryforwards will expire as follows: \$1,676,026 expires in 2015, \$34,480,079 expires in 2016, and \$22,255,906 expires in 2017.

U.S. GAAP 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. A framework for measuring fair value and a three level hierarchy for fair value measurements has been established 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 fair value hierarchy levels as of February 28, 2010:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---------------|----------------|--------------|----------------|
| Agency, Asset-Backed & Mortgage-Backed Securities | \$ - | \$ 9,802,504 | \$ 39,801 | \$ 9,842,305 |
| Common Stock | 82,081,658 | - | - | 82,081,658 |
| Corporate Debt | 274,500 | 68,664,773 | 182,151 | 69,121,424 |
| Foreign Debt | - | 12,865,792 | 2,373,657 | 15,239,449 |
| Investment Companies | 19,032 | - | - | 19,032 |
| U.S. Treasury Obligations | 104,703 | - | - | 104,703 |
| Short-Term | - | 12,134,075 | - | 12,134,075 |
| Securities Lending Collateral | 10,939,770 | 2,603,032 | 13,945 | 13,556,747 |
| Other | - | 584,536 | - | 584,536 |
| Total | \$ 93,419,663 | \$ 106,654,712 | \$ 2,609,554 | \$ 202,683,929 |
| Foreign Currency Exchange Contracts | \$ - | \$ 12 | \$ - | \$ 12 |
| Swap Contracts | \$ - | \$ 2,247 | \$ - | \$ 2,247 |

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The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value:

| | Agency, Asset- Backed and Mortgage- Backed Securities | Corporate Debt | Foreign Debt | Securities Lending Collateral | Total |
|--|--|-------------------|-----------------|-------------------------------------|--------------|
| Balance as of 11/30/09 | \$ 131,070 | \$ - | \$ 3,479,000 | \$ 13,945 | \$ 3,624,015 |
| Purchases | - | 185,000 | 156,020 | - | 341,020 |
| Sales | (172,629) | - | (1,235,688) | - | (1,408,317) |
| Net realized gain (loss) | 6 | - | (4,286) | - | (4,280) |
| Transfers out of Level 3 | (502,127) | - | - | - | (502,127) |
| Net change in unrealized appreciation/depreciation | 583,481 | (2,849) | (21,389) | - | 554,243 |
| Balance as of 2/28/10 | \$ 39,801 | \$ 182,151 | \$ 2,373,657 | \$ 13,945 | \$ 2,609,554 |
| Net change in unrealized appreciation/depreciation from investments still held as of 2/28/10 | \$ 162,904 | \$ (2,849) | \$ (51,569) | \$ - | \$ 108,486 |

In January 2010, the Financial Accounting Standard Board issued an Accounting Standards Update, Improving Disclosures about Fair Value Measurements, which introduces new disclosure requirements and clarifies certain existing disclosure requirements around fair value measurements currently presented above. The new disclosures and clarifications of existing disclosures are generally effective for the Fund's year ending November 30, 2011 and interim periods therein. Management is evaluating the impact of this update on its current disclosures.

3. Line of Credit

For the period ended February 28, 2010, the Fund borrowed money pursuant to a \$50,000,000 Credit Agreement with The Bank of New York Mellon (BNY Mellon) that expires on June 30, 2010. Depending on market conditions, the amount borrowed by the Fund pursuant to the Credit Agreement may be reduced or possibly increased in the future.

At February 28, 2010, the par value of loans outstanding was \$40,000,000 at a variable interest rate of 1.5625%. During the period ended February 28, 2010, the average daily balance of loans outstanding was \$40,000,000 at a weighted average interest rate of approximately 1.5837%. Interest on borrowings is based on a variable short-term rate plus an applicable margin. The commitment fee is computed at a rate of 0.25% per annum on the unused balance. The loan is collateralized by the Fund's portfolio.

4. Derivatives

U.S. GAAP requires enhanced disclosures that enable investors to understand: 1) how and why an entity uses derivatives, 2) how they are accounted for, and 3) how they affect an entity's results of operations and financial position.

Foreign Currency Exchange Contracts

The Fund may enter into foreign currency exchange contracts and foreign cross currency exchange contracts as a way of managing foreign exchange rate risk. The Fund may enter into these contracts to fix the U.S. dollar value of a security that it has agreed to buy or sell for the period between the date the trade was entered into and the date the security is delivered and paid for. The Fund may also use these contracts to hedge the U.S. dollar value of securities it already owns that are denominated in foreign currencies. The change in value is recorded as an unrealized gain or loss. When the contract is closed, a realized gain or loss is recorded equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

The use of foreign currency exchange contracts and foreign cross currency exchange contracts does not eliminate fluctuations in the underlying prices of the securities, but does establish a rate of exchange that can be achieved in the future. Although foreign currency exchange contracts limit the risk of loss due to a decline in the value of the hedged currency, they also limit any potential gain that might result should the value of the currency increase. In addition, the Fund could be exposed to risks if the counterparties to the contracts are unable to meet the terms of their contracts. The Fund's maximum risk of loss from counterparty credit risk is the value of its currency exchanged with the counterparty. The risk is generally mitigated by having a netting arrangement between the Fund and the counterparty and by the posting of collateral by the counterparty to the Fund to cover the Fund's exposure to the counterparty.

Financial Futures Contracts

A futures contract is an agreement in which the writer (or seller) of the contract agrees to deliver to the buyer an amount of cash or securities equal to a specific dollar amount times the difference between the value of a specific security or index at the close of the last trading day of the contract and the price at which the agreement is made. The Fund may use futures in the normal course of pursuing its investment objective. The Fund may invest in financial futures contracts to hedge its existing portfolio securities against fluctuations in fair value caused by changes in prevailing market interest rates. Upon entering into a financial futures contract, the Fund deposits cash or pledges U.S. government securities to a broker, equal to the minimum "initial margin" requirements of the exchange on which the contract is traded. Subsequent payments are received from the broker or paid to the broker each day, based on the daily fluctuation in the market value of the contract. These receipts or payments are known as "variation margin" and are recorded daily by the Fund as unrealized gains or losses until the contracts are closed. When the contracts are closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. Risks of entering into futures contracts include potential imperfect correlation between the futures contracts and the underlying

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securities and the possibility of an illiquid secondary market for these instruments. When investing in futures, there is minimal counterparty credit risk to a Fund because futures are exchange-traded and the exchange's clearinghouse, as counterparty to all exchange-traded futures, guarantees against default. There were no financial futures contracts outstanding at February 28, 2010.

Swap Contracts

The Fund may enter into interest rate swap contracts, index swap contracts and CDS contracts in the normal course of pursuing its investment objective. The Fund may use interest rate swaps to adjust the Fund's sensitivity to interest rates or to hedge against changes in interest rates. Index swaps may be used to gain exposure to markets that the Fund invests in, such as the corporate bond market. The Fund may also use index swaps as a substitute for futures or options contracts if such contracts are not directly available to the Fund on favorable terms. The Fund may enter into CDS contracts in order to hedge against a credit event, to enhance total return or to gain exposure to certain securities or markets.

Interest Rate Swaps. An interest rate swap contract is an exchange of interest rates between counterparties. In one instance, an interest rate swap involves payments received by the Fund from another party based on a variable or floating interest rate, in return for making payments based on a fixed interest rate. An interest rate swap can also work in reverse with the Fund receiving payments based on a fixed interest rate and making payments based on a variable or floating interest rate. Interest rate swaps may be used to adjust the Fund's sensitivity to interest rates or to hedge against changes in interest rates. Periodic payments on such contracts are accrued daily and recorded as unrealized appreciation/depreciation on swap contracts. Upon periodic payment/receipt or termination of the contract, such amounts are recorded as realized gains or losses on swap contracts. The Fund's maximum risk of loss from counterparty credit risk is the discounted net value of the cash flows to be received from/paid to the counterparty over the interest rate swap contract's remaining life, to the extent that the amount is positive. This risk is mitigated by having a netting arrangement between the Fund and the counterparty and by the posting of collateral by the counterparty to the Fund to cover the Fund's exposure to the counterparty.

Index Swaps. Index swaps involve commitments to pay interest in exchange for a market linked return based on a notional amount. To the extent the total return of the security, instrument or basket of instruments underlying the transaction exceeds the offsetting interest obligation, the Fund will receive a payment from the counterparty. To the extent the total return of the security, instrument or basket of instruments underlying the transaction falls short of the offsetting interest obligation, the Fund will make a payment to the counterparty. The change in value of swap contracts outstanding, if any, is recorded as unrealized appreciation or depreciation daily. A realized gain or loss is recorded on maturity or termination of the swap contract. The Fund's maximum risk of loss from counterparty credit risk is the discounted net value of the cash flows to be received from/paid to the counterparty over the index swap contract's remaining life, to the extent that the amount is positive. This risk is mitigated by having a netting arrangement between the Fund and the counterparty and by the posting of collateral by the counterparty to the Fund to cover the Fund's exposure to the counterparty.

Credit Default Swaps. A CDS contract is a risk-transfer instrument through which one party (purchaser of protection) transfers to another party (seller of protection) the financial risk of a credit event (as defined in the CDS agreement), as it relates to a particular reference security or basket of securities (such as an index). In exchange for the protection offered by the seller of protection, the purchaser of protection agrees to pay the seller of protection a periodic amount at a stated rate that is applied to the notional amount of the CDS contract. In addition, an upfront payment may be made or received by the Fund in connection with an unwinding or assignment of a CDS contract. Upon the occurrence of a credit event, the seller of protection would pay the par (or other agreed-upon) value of the referenced security (or basket of securities) to the counterparty. Credit events generally include, among others, bankruptcy, failure to pay, and obligation default.

During the period ended February 28, 2010, the Fund entered into CDS contracts as a purchaser and seller of protection. Periodic payments (receipts) on such contracts are accrued daily and recorded as unrealized losses (gains) on swap contracts. Upon payment (receipt), such amounts are recorded as realized losses (gains) on swap contracts. Upfront payments made or received in connection with CDS contracts are amortized over the expected life of the CDS contracts as unrealized losses (gains) on swap contracts. The change in value of CDS contracts is recorded as unrealized appreciation or depreciation daily. A realized gain or loss is recorded upon a credit event (as defined in the CDS agreement) or the maturity or termination of the agreement. At February 28, 2010, the aggregate unrealized depreciation of credit default swaps was \$2,833. The Fund had posted \$300,000 as collateral, net of collateral received, for certain open derivatives. If a credit event had occurred for all swap transactions as of February 28, 2010, the swaps' credit-risk-related contingent features would have been triggered and the Fund would have been required to pay \$80,000 less the value of the contracts' related reference obligations.

As disclosed in the footnotes to the schedule of investments, at February 28, 2010, the notional value of the protection sold was \$220,000, which reflects the maximum potential amount the Fund would have been required to make as a seller of credit protection if a credit event had occurred. The quoted market prices and resulting market values for credit default swap agreements on securities and credit indices serve as an indicator of the current status of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative if the swap agreement has been closed/sold as of the period end. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the reference entity's credit soundness and a greater likelihood of risk of default or other credit event occurring as defined under the terms of the agreement. At February 28, 2010, the net unrealized depreciation of the protection sold was \$1,800.

Credit default swaps may involve greater risks than if the Fund had invested in the reference obligation directly. Credit default swaps are subject to general market risk, liquidity risk, counterparty risk and credit risk. The Fund's maximum risk of loss from counterparty credit risk, either as the seller of protection or the buyer of protection, is the fair value of the contract. This risk is mitigated by having a netting arrangement between the Fund and the counterparty and by the posting of collateral by the counterparty to the Fund to cover the Fund's exposure to the counterparty.

Swaps Generally. Because there is no organized market for swap contracts, the value of open swaps may differ from that which would be realized in the event the Fund terminated its position in the agreement. Risks of entering into these contracts include the potential inability of the counterparty to meet the terms of the contracts. This type of risk is generally limited to the amount of favorable movement in the value of the underlying security, instrument or basket of instruments, if any, at the day of default. Risks also arise from potential losses from adverse market movements and such losses could exceed the unrealized amounts shown on the schedule of investments.

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Fair values of derivative instruments as of February 28, 2010 were as follows:

| | Asset Derivatives | | Liability Derivatives | |
|--|--|-----------------|--|---------------|
| | Schedule of Investments Location | Fair Value | Schedule of Investments Location | Fair Value |
| Foreign exchange contracts (Forward Currency Contracts) | Receivables and other assets net of liabilities | \$ 12 | Liabilities net of receivables and other assets | \$ - |
| Credit contracts (Swaps) | Receivables and other assets net of liabilities | 2,562 | Liabilities net of receivables and other assets | 315 |
| Total | | \$ 2,574 | | \$ 315 |

The effect of derivative instruments on the statement of operations for the period ended February 28, 2010 was as follows:

| | Location of Gain or Loss on Derivatives Recognized in Income | Realized Loss on Derivatives Recognized in Income | Change in Unrealized Appreciation on Derivatives Recognized in Income |
|--|---|--|--|
| Foreign exchange contracts (Forward Currency Contracts) | Net realized loss on foreign currencies and net change in unrealized appreciation/depreciation of investments and foreign currencies | \$ (29,053) | \$ 12 |
| Credit contracts (Swaps) | Net realized loss on swap contracts and net change in unrealized appreciation/depreciation of investments and foreign currencies | (36) | 1,287 |
| Total | | \$ (29,089) | \$ 1,299 |

5. 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 BNY Mellon. With respect to each loan, if the aggregate market value of securities collateral held plus cash collateral received on any business day is less than the aggregate market 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 generally invested in the BNY Mellon Securities Lending Overnight Fund (Collective Trust) established by BNY Mellon for the purpose of investment on behalf of clients participating in its securities lending programs. The Collective Trust may only hold cash and high quality assets with a maturity of one business day or less (Cash/Overnight Assets). The Fund also has cash collateral invested in the BNY Mellon SL DBT II Liquidating Fund (Liquidating Fund), which generally holds the portfolio securities of the Fund's previous cash collateral pool other than its Cash/Overnight Assets. The Liquidating Fund invests in fixed income securities, with a weighted average maturity not to exceed 90 days, rated in one of the top three tiers by Standard & Poor's Ratings (S&P) Group or Moody's Investors Service, Inc. (Moody's) or repurchase agreements collateralized by such securities. The Fund will not make additional investments of cash collateral in the Liquidating Fund; the Fund's exposure to the Liquidating Fund is expected to decrease as the Liquidating Fund's assets mature or are sold. Both the Collective Trust and the Liquidating Fund seek to maintain a net asset value per unit of \$1.00, but there can be no assurance that they will always be able to do so. The Fund may incur investment losses as a result of investing securities lending collateral in the Collective Trust and the Liquidating Fund. This could occur if an investment in the Collective Trust or the Liquidating Fund defaulted or if it were necessary to liquidate assets in the Collective Trust or the Liquidating Fund to meet returns on outstanding security loans at a time when their net asset value per unit was less than \$1.00. Under those circumstances, the Fund may not receive an amount from the Collective Trust or the Liquidating Fund that is equal in amount to the collateral the Fund would be required to return to the borrower of the securities and the Fund would be required to make up for this shortfall. In October 2008, BNY Mellon transferred certain distressed securities from the Collective Trust into the Mellon GSL Reinvestment Trust II. The Fund can also accept U.S. government securities and letters of credit (non-cash collateral) in connection with securities loans. 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 or interest, as applicable, 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. With respect to security loans collateralized by non-cash collateral, the Fund receives loan

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premiums paid by the borrower. With respect to security loans collateralized by cash collateral, the earnings from the collateral investments are shared among the Fund, the security lending agent and the borrower. The Fund records security lending income net of allocations to the security lending agent and the borrower.

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At February 28, 2010, the value of securities on loan was \$13,448,897, for which the Fund received collateral, comprised of securities collateral valued at \$26,416, and cash collateral of \$13,895,888. At February 28, 2010, the value of invested collateral was \$13,556,747. Investments purchased with cash collateral are presented on the schedule of investments under the caption "Securities Lending Collateral."

6. Credit and Market Risk

The Fund borrows through its line of credit for purposes of leveraging. Leveraging may result in higher degrees of volatility because the Fund's net asset value could be subject to fluctuations in short-term interest rates and changes in market value of portfolio securities attributable to the leverage.

Some countries in which the Fund may invest require governmental approval for the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors. In addition, if there is deterioration in a country's balance of payments or for other reasons, a country may impose temporary restrictions on foreign capital remittances abroad.

The securities exchanges of certain foreign markets are substantially smaller, less liquid and more volatile than the major securities markets in the United States. Consequently, acquisition and disposition of securities by the Fund may be inhibited. In addition, a significant portion of the aggregate market value of equity securities listed on the major securities exchanges in emerging markets is held by a smaller number of investors. This may limit the number of shares available for acquisition or disposition by the Fund.

The Fund invests a portion of its assets in high yield fixed income securities, which carry ratings of BB or lower by S&P and/or Ba or lower by 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 invests in fixed income securities whose value is derived from an underlying pool of mortgages or consumer loans. The value of these securities is sensitive to changes in economic conditions, including delinquencies and/or defaults, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

Investors receive principal and interest payments as the underlying mortgages and consumer loans are paid back. Some of these securities are collateralized mortgage obligations (CMOs). CMOs are debt securities issued by U.S. government agencies or by financial institutions and other mortgage lenders, which are collateralized by a pool of mortgages held under an indenture. Prepayment of mortgages may shorten the stated maturity of the obligations and can result in a loss of premium, if any has been paid. Certain of these securities may be stripped (securities which provide only the principal or interest feature of the underlying security). The yield to maturity on an interest-only CMO is extremely sensitive not only to changes in prevailing interest rates, but also to the rate of principal payments (including prepayments) on the related underlying mortgage assets. A rapid rate of principal payments may have a material adverse effect on each Fund's yield to maturity. If the underlying mortgage assets experience greater than anticipated prepayments of principal, each Fund may fail to fully recoup its initial investment in these securities even if the securities are rated in the highest rating categories.

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, 2010. 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.

The Fund may invest up to 10% 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 10% limit on investments in illiquid securities. Rule 144A and illiquid securities have been identified on the schedule of investments.

7. Sale of Delaware Investments to Macquarie Group

On August 18, 2009, Lincoln National Corporation (former parent company of Delaware Investments) and Macquarie Group (Macquarie) entered into an agreement pursuant to which Delaware Investments, including DMC and Delaware Service Company, Inc. (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 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.

8. Subsequent Event

Management has evaluated whether any events or transactions occurred subsequent to February 28, 2010 through April 26, 2010, the date of issuance of the Fund's schedule of investments, and determined that there were no material events or transactions that would require recognition or disclosure in the Fund's schedule of investments.

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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:
