

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

Delaware Enhanced Global Dividend & Income Fund
Form N-Q
October 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: | August 31, 2010 |

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Item 1. Schedule of Investments.

Schedule of Investments (Unaudited)

Delaware Enhanced Global Dividend and Income Fund

August 31, 2010

| | Number of Shares | Value (U.S. \$) |
|---------------------------------------|---------------------|--------------------|
| Common Stock – 48.95% | | |
| Consumer Cyclical – 0.49% | | |
| Whirlpool | 10,000 | 741,600 |
| | | 741,600 |
| Consumer Discretionary – 6.74% | | |
| *Autoliv | 7,000 | 378,980 |
| Bayerische Motoren Werke | 19,320 | 1,016,219 |
| Comcast Class A | 26,000 | 445,120 |
| †DIRECTV Class A | 1,900 | 72,048 |
| Disney (Walt) | 14,400 | 469,296 |
| *Don Quijote | 29,300 | 715,323 |
| Esprit Holdings | 67,832 | 380,202 |
| Home Depot | 17,500 | 486,675 |
| *KB HOME | 17,000 | 175,270 |
| Lowe's | 23,600 | 479,080 |
| Mattel | 21,800 | 457,582 |
| McGraw-Hill | 16,200 | 447,930 |
| *PPR | 2,948 | 383,829 |
| *Publicis Groupe | 9,194 | 385,038 |
| *Round One | 52,082 | 225,662 |
| Target | 9,300 | 475,788 |
| Techtronic Industries | 863,500 | 750,416 |
| Toyota Motor | 28,484 | 969,696 |
| Vivendi | 35,426 | 826,426 |
| Yue Yuen Industrial Holdings | 211,000 | 691,697 |
| | | 10,232,277 |
| Consumer Staples – 3.94% | | |
| Archer-Daniels-Midland | 18,300 | 563,274 |
| *Chaoda Modern Agriculture Holdings | 994,000 | 741,152 |
| Coca-Cola Amatil | 62,016 | 658,282 |
| CVS Caremark | 16,100 | 434,700 |
| Greggs | 85,771 | 589,045 |
| Kimberly-Clark | 7,900 | 508,760 |
| Kraft Foods Class A | 16,800 | 503,160 |
| Metro | 13,990 | 702,006 |
| Parmalat | 344,745 | 829,567 |
| Safeway | 24,500 | 460,600 |
| | | 5,990,546 |
| Diversified REITs – 0.90% | | |

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|--------------------------------|---------|-----------|
| *Digital Realty Trust | 4,400 | 260,788 |
| Duke Realty | 8,600 | 96,406 |
| Entertainment Properties Trust | 8,236 | 354,889 |
| Goodman Group | 247,237 | 139,687 |
| Investors Real Estate Trust | 10,260 | 84,132 |
| Lexington Realty Trust | 28,070 | 187,227 |
| Stockland | 70,059 | 245,600 |
| | | 1,368,729 |
| Energy – 4.76% | | |
| Anadarko Petroleum | 9,500 | 436,905 |
| Chevron | 6,800 | 504,288 |
| CNOOC | 574,000 | 991,754 |
| ConocoPhillips | 8,700 | 456,141 |
| Devon Energy | 7,700 | 464,156 |
| Exxon Mobil | 8,300 | 491,028 |
| Marathon Oil | 14,300 | 436,007 |
| National Oilwell Varco | 12,200 | 458,598 |
| Noble | 22,000 | 684,640 |
| Occidental Petroleum | 6,000 | 438,480 |
| Petroleo Brasileiro ADR | 21,400 | 632,584 |
| *Total | 16,354 | 764,056 |

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|--------------------------------|-----------|-----------|
| Williams | 25,600 | 464,128 |
| | | 7,222,765 |
| Financials – 6.40% | | |
| Allstate | 17,000 | 469,200 |
| *AXA | 29,912 | 464,880 |
| Banco Santander | 76,183 | 892,662 |
| Bank of New York Mellon | 18,500 | 448,995 |
| BB&T | 17,700 | 391,524 |
| Comerica | 12,600 | 433,566 |
| *Fifth Street Finance | 26,754 | 263,794 |
| JPMorgan Chase | 12,200 | 443,592 |
| Marsh & McLennan | 21,400 | 507,608 |
| Mitsubishi UFJ Financial Group | 163,689 | 781,327 |
| Nordea Bank | 77,561 | 695,094 |
| *Solar Capital | 43,539 | 855,106 |
| †Standard Chartered | 33,364 | 894,226 |
| State Street | 12,300 | 431,484 |
| SunTrust Banks | 19,400 | 436,306 |
| Travelers | 9,600 | 470,208 |
| UniCredit | 360,568 | 846,167 |
| | | 9,725,739 |
| Healthcare – 4.32% | | |
| Abbott Laboratories | 10,300 | 508,202 |
| †Alliance Healthcare Services | 6,522 | 27,392 |
| Baxter International | 12,400 | 527,744 |
| Bristol-Myers Squibb | 19,700 | 513,776 |
| Cardinal Health | 13,800 | 413,448 |
| Johnson & Johnson | 8,100 | 461,862 |
| Meda Class A | 106,881 | 832,071 |
| Merck | 13,703 | 481,790 |
| Novartis | 15,830 | 831,722 |
| Pace | 87,054 | 432,475 |
| Pfizer | 31,844 | 507,275 |
| Quest Diagnostics | 9,500 | 413,250 |
| Sanofi-Aventis | 10,644 | 610,581 |
| | | 6,561,588 |
| Healthcare REITs – 0.13% | | |
| Cogdell Spencer | 15,000 | 92,700 |
| Nationwide Health Properties | 2,800 | 107,716 |
| | | 200,416 |
| Industrial REITs – 0.42% | | |
| Cambridge Industrial Trust | 1,170,000 | 440,174 |
| *DCT Industrial Trust | 16,877 | 78,141 |
| ING Industrial Fund | 307,371 | 124,435 |
| | | 642,750 |
| Industrials – 6.02% | | |
| Alstom | 16,188 | 772,095 |
| *Asahi Glass | 68,000 | 663,731 |
| Compagnie de Saint-Gobain | 13,051 | 480,251 |

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|---------------------------------|---------|-----------|
| Deutsche Post | 46,439 | 757,926 |
| Finmeccanica | 60,878 | 611,347 |
| †Flextronics International | 6,400 | 31,552 |
| Fluor | 9,900 | 442,134 |
| General Electric | 29,700 | 430,056 |
| Honeywell International | 11,800 | 461,262 |
| ITOCHU | 99,398 | 811,653 |
| Koninklijke Philips Electronics | 12,759 | 357,465 |
| *†Mobile Mini | 2,394 | 34,067 |
| Northrop Grumman | 8,200 | 443,784 |
| *Pitney Bowes | 19,600 | 377,104 |
| Singapore Airlines | 54,000 | 601,505 |
| Teleperformance | 28,202 | 680,417 |
| Vallourec | 8,113 | 696,907 |
| *Waste Management | 14,900 | 493,041 |
| | | 9,146,297 |
| Information Technology – 4.36% | | |
| †CGI Group Class A | 111,216 | 1,537,322 |
| †EMC | 52,500 | 957,600 |
| HTC | 53,450 | 975,532 |
| Intel | 23,100 | 409,332 |

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| International Business Machines | 3,800 | 468,274 |
| †Motorola | 66,200 | 498,486 |
| Nokia | 65,573 | 560,448 |
| *+Sohu.com | 16,600 | 805,100 |
| Xerox | 49,200 | 415,248 |
| | | 6,627,342 |
| Malls REITs – 0.49% | | |
| Simon Property Group | 8,264 | 747,479 |
| | | 747,479 |
| Manufactured Housing REITs – 0.08% | | |
| Equity Lifestyle Properties | 2,300 | 118,979 |
| | | 118,979 |
| Materials – 2.69% | | |
| Agrium | 4,200 | 292,194 |
| *ArcelorMittal | 13,851 | 404,119 |
| Dow Chemical | 18,300 | 445,971 |
| duPont (E.I.) deNemours | 11,800 | 481,086 |
| Lafarge | 11,584 | 533,643 |
| *Nucor | 12,500 | 459,750 |
| Rexam | 165,442 | 767,612 |
| *Vale ADR | 26,100 | 698,175 |
| | | 4,082,550 |
| Mortgage REITs – 0.10% | | |
| Chimera Investment | 12,100 | 47,553 |
| Cypress Sharpridge Investments | 8,200 | 110,454 |
| | | 158,007 |
| Multifamily REITs – 0.12% | | |
| *Camden Property Trust | 3,900 | 178,464 |
| | | 178,464 |
| Office REITs – 0.45% | | |
| Government Properties Income Trust | 3,852 | 98,881 |
| Mack-Cali Realty | 8,300 | 256,054 |
| Orix REIT | 17 | 80,235 |
| Parkway Properties | 3,500 | 51,170 |
| SL Green Realty | 3,300 | 198,924 |
| | | 685,264 |
| Real Estate Management & Development – 0.38% | | |
| Mitsubishi Estate | 10,549 | 158,593 |
| Renhe Commercial Holdings | 198,000 | 39,199 |
| Shimao Property Holdings | 25,500 | 41,371 |
| Starwood Property Trust | 17,700 | 336,654 |
| | | 575,817 |
| Shopping Center REITs – 0.85% | | |
| Charter Hall Retail REIT | 355,587 | 188,248 |
| *Corio | 2,648 | 151,933 |
| *Kimco Realty | 8,157 | 121,621 |
| Link REIT | 33,000 | 96,301 |
| Ramco-Gershenson Properties Trust | 13,783 | 143,895 |
| *Regency Centers | 3,900 | 142,194 |

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| *Unibail-Rodamco | 1,399 | 263,784 |
| Westfield Group | 16,989 | 189,101 |
| | | 1,297,077 |
| Single Tenant REITs – 0.15% | | |
| *National Retail Properties | 9,337 | 227,449 |
| | | 227,449 |
| Telecommunications – 2.71% | | |
| AT&T | 18,500 | 500,055 |
| Chunghwa Telecom ADR | 28,101 | 578,038 |
| Frontier Communications | 65,000 | 502,450 |
| †GeoEye | 500 | 18,220 |
| Telefonica | 38,089 | 844,628 |
| *TELUS | 17,706 | 730,589 |
| Verizon Communications | 16,500 | 486,915 |
| Vodafone Group | 189,760 | 457,097 |
| | | 4,117,992 |
| Utilities – 2.45% | | |
| American Electric Power | 13,300 | 470,953 |
| Duke Energy | 29,100 | 500,229 |
| Edison International | 14,900 | 502,875 |
| National Grid | 80,066 | 673,981 |

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| NorthWestern | 3,800 | 106,856 |
| Progress Energy | 11,400 | 489,174 |
| Public Service Enterprise Group | 14,700 | 469,812 |
| Sempra Energy | 10,000 | 509,200 |
| | | 3,723,080 |
| Total Common Stock (cost \$85,546,596) | | 74,372,207 |

| | | |
|---|--------|-----------|
| Convertible Preferred Stock – 1.34% | | |
| Banking, Finance & Insurance – 0.18% | | |
| Aspen Insurance 5.625% exercise price \$29.28, expiration date 12/31/49 | 1,700 | 90,631 |
| Citigroup 7.50% exercise price \$3.94, expiration date 12/15/12 | 1,400 | 160,230 |
| @Fannie Mae 8.75% exercise price \$32.45, expiration date 5/13/11 | 20,000 | 18,000 |
| | | 268,861 |
| Energy – 0.32% | | |
| Apache 6.00% exercise price \$109.12, expiration date 8/1/13 | 2,200 | 118,866 |
| Sandridge Energy 8.50% exercise price \$8.01, expiration date 12/31/49 | 4,440 | 367,987 |
| | | 486,853 |
| Healthcare & Pharmaceuticals – 0.35% | | |
| Mylan 6.50% exercise price \$17.08, expiration date 12/31/49 | 505 | 529,745 |
| | | 529,745 |
| Telecommunications – 0.49% | | |
| Lucent Technologies Capital Trust I 7.75% exercise price \$24.80, expiration date 3/15/17 | 1,000 | 750,000 |
| | | 750,000 |
| Total Convertible Preferred Stock (cost \$3,281,760) | | 2,035,459 |

| | | | |
|---|-----|----------------------------------|---------|
| | | Principal Amount ^o | |
| Agency Collateralized Mortgage Obligations – 0.32% | | | |
| Fannie Mae REMICs | | | |
| Series 2001-50 BA 7.00% 10/25/41 | USD | 159,105 | 184,463 |
| Series 2003-122 4.50% 2/25/28 | | 85,321 | 88,230 |
| Freddie Mac REMICs | | | |
| Series 2557 WE 5.00% 1/15/18 | | 60,000 | 66,594 |
| Series 3094 US 6.75% 9/15/34 | | 5,474 | 5,474 |
| Series 3131 MC 5.50% 4/15/33 | | 40,000 | 43,753 |
| Series 3173 PE 6.00% 4/15/35 | | 65,000 | 71,501 |
| Series 3337 PB 5.50% 7/15/30 | | 25,000 | 25,887 |
| Total Agency Collateralized Mortgage Obligations (cost \$440,422) | | | 485,902 |

| | | | |
|---|--|---------|---------|
| Agency Mortgage-Backed Securities – 2.18% | | | |
| •Fannie Mae ARM | | | |
| 5.07% 3/1/38 | | 34,079 | 36,263 |
| 5.131% 11/1/35 | | 21,676 | 23,126 |
| 5.335% 4/1/36 | | 21,249 | 22,290 |
| 5.998% 10/1/36 | | 21,350 | 22,619 |
| 6.044% 10/1/36 | | 11,551 | 12,227 |
| 6.302% 4/1/36 | | 77,881 | 83,430 |
| Fannie Mae S.F. 15 yr 5.50% 1/1/23 | | 52,506 | 56,559 |
| Fannie Mae S.F. 15 yr TBA 4.00% 9/1/25 | | 500,000 | 525,155 |

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| Fannie Mae S.F. 30 yr | | |
| 5.00% 12/1/36 | 187,642 | 200,346 |
| 5.00% 12/1/37 | 24,226 | 25,764 |
| 5.00% 2/1/38 | 18,172 | 19,325 |
| 6.50% 6/1/36 | 35,859 | 39,153 |
| 6.50% 10/1/36 | 29,572 | 32,288 |
| 6.50% 12/1/37 | 40,431 | 44,417 |
| Freddie Mac 6.00% 1/1/17 | 59,555 | 63,023 |
| Freddie Mac ARM | | |
| 5.67% 7/1/36 | 17,787 | 18,679 |
| 5.79% 10/1/36 | 45,743 | 48,716 |
| Freddie Mac S.F. 15 yr | | |
| 5.00% 6/1/18 | 20,680 | 22,145 |
| 5.00% 12/1/22 | 123,591 | 131,754 |
| Freddie Mac S.F. 30 yr | | |
| 5.00% 1/1/34 | 966,542 | 1,035,760 |
| 7.00% 11/1/33 | 53,545 | 60,761 |
| 9.00% 9/1/30 | 55,235 | 65,015 |
| GNMA I S.F. 30 yr | | |
| 7.50% 12/15/23 | 109,224 | 125,918 |
| 7.50% 1/15/32 | 83,148 | 95,468 |
| 9.50% 9/15/17 | 76,135 | 86,684 |
| 12.00% 5/15/15 | 50,463 | 57,740 |

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| GNMA II S.F. 30 yr | | |
| 6.00% 11/20/28 | 94,436 | 103,993 |
| 6.50% 2/20/30 | 220,236 | 246,901 |
| Total Agency Mortgage-Backed Securities (cost \$3,058,135) | | 3,305,519 |
| Commercial Mortgage-Backed Securities – 1.96% | | |
| #American Tower Trust 144A Series 2007-1A AFX 5.42% 4/15/37 | 75,000 | 82,321 |
| Bank of America Commercial Mortgage Securities | | |
| •Series 2004-3 A5 5.596% 6/10/39 | 50,000 | 53,804 |
| Series 2004-5 A3 4.561% 11/10/41 | 475,000 | 486,359 |
| Series 2005-1 A3 4.877% 11/10/42 | 48,143 | 48,374 |
| •Series 2005-6 A4 5.346% 9/10/47 | 180,000 | 198,635 |
| Bear Stearns Commercial Mortgage Securities | | |
| •Series 2005-PW10 A4 5.405% 12/11/40 | 100,000 | 108,856 |
| •Series 2005-T20 A4A 5.296% 10/12/42 | 230,000 | 254,324 |
| •Series 2006-PW12 A4 5.907% 9/11/38 | 25,000 | 27,541 |
| Series 2006-PW14 A4 5.201% 12/11/38 | 60,000 | 64,406 |
| Series 2007-PW15 A4 5.331% 2/11/44 | 75,000 | 76,257 |
| w•Commercial Mortgage Pass Through Certificates Series 2005-C6 A5A 5.116% 6/10/44 | 95,000 | 103,252 |
| Goldman Sachs Mortgage Securities II | | |
| •Series 2004-GG2 A6 5.396% 8/10/38 | 60,000 | 64,632 |
| Series 2005-GG4 A4A 4.751% 7/10/39 | 420,000 | 450,509 |
| •Series 2006-GG6 A4 5.553% 4/10/38 | 60,000 | 64,324 |
| •Greenwich Capital Commercial Funding Series 2004-GG1 A7 5.317% 6/10/36 | 25,000 | 27,196 |
| •JPMorgan Chase Commercial Mortgage Securities Series 2005-LDP3 A4A 4.936% 8/15/42 | 35,000 | 37,741 |
| •LB-UBS Commercial Mortgage Trust Series 2004-C4 A4 5.437% 6/15/29 | 475,000 | 501,003 |
| •Merrill Lynch/Countrywide Commercial Mortgage Trust Series 2007-7 A4 5.748% 6/12/50 | 150,000 | 150,763 |
| •Morgan Stanley Capital I Series 2007-T27 A4 5.802% 6/11/42 | 160,000 | 175,993 |
| Total Commercial Mortgage-Backed Securities (cost \$2,663,540) | | 2,976,290 |
| Convertible Bonds – 11.53% | | |
| Aerospace & Defense – 0.32% | | |
| *L-3 Communications Holdings 3.00% exercise price \$100.14, expiration date 8/1/35 | 460,000 | 464,025 |
| #L-3 Communications Holdings 144A 3.00% exercise price \$100.14, expiration date 8/1/35 | 25,000 | 25,219 |
| | | 489,244 |
| Auto Part & Equipment – 0.21% | | |
| ArvinMeritor 4.00% exercise price \$26.73, expiration date 2/15/27 | 380,000 | 318,725 |
| | | 318,725 |
| Banking, Finance & Insurance – 0.64% | | |
| Jefferies Group 3.875% exercise price \$39.20 expiration date 11/1/29 | 615,000 | 612,694 |
| #SVB Financial Group 144A 3.875% exercise price \$53.04 expiration date 4/15/11 | 351,000 | 355,826 |
| | | 968,520 |
| Basic Materials – 1.24% | | |
| #Owens-Brockway Glass Container 144A 3.00% exercise price \$47.47, expiration date 5/28/15 | 525,000 | 500,719 |
| Rayonier TRS Holdings 3.75% exercise price \$54.81, expiration date 10/15/12 | 910,000 | 971,425 |
| #Sino-Forest 144A 5.00% exercise price \$20.29, expiration date 8/1/13 | 360,000 | 409,050 |
| | | 1,881,194 |
| Buildings & Materials – 0.07% | | |
| Standard Pacific 6.00% exercise price \$8.37, expiration date 10/1/12 | 110,000 | 109,863 |

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| | | 109,863 |
| Cable, Media & Publishing – 0.32% | | |
| VeriSign 3.25% exercise price \$34.37, expiration date 8/15/37 | 480,000 | 489,000 |
| | | 489,000 |
| Computers & Technology – 2.18% | | |
| *Advanced Micro Devices 6.00% exercise price \$28.08, expiration date 5/1/15 | 321,000 | 315,784 |
| Euronet Worldwide 3.50% exercise price \$40.48, expiration date 10/15/25 | 900,000 | 874,124 |
| Intel 2.95% exercise price \$30.75, expiration date 12/15/35 | 395,000 | 383,644 |
| Linear Technology 3.00% exercise price \$45.36, expiration date 5/1/27 | 665,000 | 667,493 |
| #Rovi 144A 2.625% exercise price \$47.36, expiration date 2/15/40 | 385,000 | 434,088 |
| SanDisk 1.00% exercise price \$82.35, expiration date 5/15/13 | 695,000 | 641,138 |
| | | 3,316,271 |
| Energy – 0.69% | | |
| Chesapeake Energy 2.25% exercise price \$85.89, expiration date 12/15/38 | 750,000 | 565,312 |
| *Peabody Energy exercise 4.75% price \$58.40, expiration date 12/15/41 | 245,000 | 253,575 |
| *Transocean | | |
| 1.50% exercise price \$168.61, expiration date 12/15/37 | 236,000 | 217,170 |
| 1.625% exercise price \$168.61, expiration date 12/15/37 | 10,000 | 9,888 |
| | | 1,045,945 |

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| Healthcare & Pharmaceuticals – 1.92% | | |
| Alere 3.00% exercise price \$43.98, expiration date 5/15/16 | 530,000 | 473,688 |
| Amgen 0.375% exercise price \$79.48, expiration date 2/1/13 | 435,000 | 433,913 |
| fHologic 2.00% exercise price \$38.59, expiration date 12/15/37 | 910,000 | 826,962 |
| LifePoint Hospitals 3.25% exercise price \$61.22, expiration date 8/15/25 | 665,000 | 644,219 |
| Medtronic 1.625% exercise price \$55.79, expiration date 4/15/13 | 525,000 | 528,281 |
| | | 2,907,063 |
| Leisure, Lodging & Entertainment – 1.09% | | |
| #Gaylord Entertainment 144A 3.75% exercise price \$27.25, expiration date 10/1/14 | 310,000 | 364,250 |
| *International Game Technology 3.25% exercise price \$19.97, expiration date 5/1/14 | 540,000 | 593,325 |
| Live Nation Entertainment 2.875% exercise price \$27.14, expiration date 7/15/27 | 837,000 | 703,080 |
| | | 1,660,655 |
| Real Estate – 0.50% | | |
| #Digital Realty Trust 144A 5.50% exercise price \$43.00, expiration date 4/15/29 | 380,000 | 562,400 |
| #Lexington Realty Trust 144A 6.00% exercise price \$7.09, expiration date 1/15/30 | 185,000 | 197,025 |
| | | 759,425 |
| Telecommunications – 2.12% | | |
| Alaska Communications System Group 5.75% exercise price \$12.90, expiration date 3/1/13 | 795,000 | 784,068 |
| *Leap Wireless International 4.50% exercise price \$93.21, expiration date 7/15/14 | 790,000 | 691,249 |
| Level 3 Communications 5.25% exercise price \$3.98, expiration date 12/15/11 | 690,000 | 679,650 |
| NII Holdings 3.125% exercise price \$118.32, expiration date 6/15/12 | 700,000 | 680,750 |
| SBA Communications 4.00% exercise price \$30.38, expiration date 10/1/14 | 285,000 | 385,463 |
| | | 3,221,180 |
| Transportation – 0.23% | | |
| Bristow Group 3.00% exercise price \$77.34, expiration date 6/14/38 | 401,000 | 347,366 |
| | | 347,366 |
| Total Convertible Bonds (cost \$15,917,772) | | 17,514,451 |
| Corporate Bonds – 35.54% | | |
| Banking – 1.88% | | |
| *Bank of America 3.70% 9/1/15 | 20,000 | 19,985 |
| Goldman Sachs Group 3.70% 8/1/15 | 5,000 | 5,067 |
| #HBOS Capital Funding 144A 6.071% 6/29/49 | 225,000 | 176,625 |
| JPMorgan Chase 4.40% 7/22/20 | 45,000 | 45,706 |
| JPMorgan Chase Capital XXV 6.80% 10/1/37 | 55,000 | 56,305 |
| ·Kazkommerts Finance 2 8.625% 7/27/16 | 1,000,000 | 865,000 |
| PNC Funding | | |
| 5.125% 2/8/20 | 30,000 | 32,434 |
| 5.25% 11/15/15 | 60,000 | 65,388 |
| 5.625% 2/1/17 | 35,000 | 38,819 |
| #Rabobank Nederland 144A 11.00% 12/29/49 | 205,000 | 269,063 |
| #Russian Agricultural Bank 144A 9.00% 6/11/14 | 1,000,000 | 1,142,501 |
| ·USB Capital IX 6.189% 4/15/49 | 80,000 | 63,200 |
| Wachovia 5.625% 10/15/16 | 55,000 | 60,738 |
| ·Wells Fargo Capital XIII 7.70% 12/29/49 | 5,000 | 5,138 |
| Zions Bancorp 5.65% 5/15/14 | 15,000 | 14,280 |
| | | 2,860,249 |
| Basic Industry – 3.50% | | |
| *AK Steel 7.625% 5/15/20 | 150,000 | 151,875 |

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|---|-----------|-----------|
| *Alcoa 6.15% 8/15/20 | 15,000 | 15,160 |
| #Algoma Acquisition 144A 9.875% 6/15/15 | 206,000 | 181,280 |
| *#Appleton Papers 144A 10.50% 6/15/15 | 155,000 | 144,538 |
| ArcelorMittal 9.85% 6/1/19 | 15,000 | 18,878 |
| Century Aluminum 8.00% 5/15/14 | 146,100 | 145,004 |
| Cytec Industries 8.95% 7/1/17 | 30,000 | 37,436 |
| Dow Chemical 8.55% 5/15/19 | 25,000 | 31,388 |
| #Essar Steel Algoma 144A 9.375% 3/15/15 | 15,000 | 14,888 |
| #Evraz Group 144A 8.25% 11/10/15 | 1,000,000 | 1,043,749 |
| #FMG Finance 144A 10.625% 9/1/16 | 308,000 | 358,434 |
| Freeport-McMoRan Copper & Gold 8.375% 4/1/17 | 75,000 | 83,356 |
| International Paper 9.375% 5/15/19 | 35,000 | 45,389 |
| Lyondell Chemical 11.00% 5/1/18 | 175,000 | 190,969 |
| #MacDermid 144A 9.50% 4/15/17 | 240,000 | 244,500 |
| Millar Western Forest Products 7.75% 11/15/13 | 165,000 | 143,138 |
| NewPage 11.375% 12/31/14 | 176,000 | 143,880 |
| ·Noranda Aluminium Acquisition PIK 5.373% 5/15/15 | 211,596 | 167,161 |
| Novelis | | |
| 7.25% 2/15/15 | 53,000 | 53,398 |
| 11.50% 2/15/15 | 118,000 | 130,390 |

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| | | | |
|---|-----|-----------|-----------|
| #PE Paper Escrow GmbH 144A 12.00% 8/1/14 | | 120,000 | 135,664 |
| Reliance Steel & Aluminum 6.85% 11/15/36 | | 24,000 | 24,246 |
| Ryerson | | | |
| 7.841% 11/1/14 | | 118,000 | 110,035 |
| 12.00% 11/1/15 | | 130,000 | 134,388 |
| *#Steel Dynamics 144A 7.625% 3/15/20 | | 140,000 | 144,200 |
| Teck Resources | | | |
| 9.75% 5/15/14 | | 20,000 | 24,799 |
| 10.25% 5/15/16 | | 5,000 | 6,050 |
| 10.75% 5/15/19 | | 118,000 | 146,834 |
| Vale Overseas | | | |
| 6.875% 11/21/36 | | 979,000 | 1,117,190 |
| 6.875% 11/10/39 | | 10,000 | 11,502 |
| *Verso Paper Holdings 11.375% 8/1/16 | | 155,000 | 124,775 |
| | | | 5,324,494 |
| Brokerage – 1.16% | | | |
| E TRADE Financial PIK 12.50% 11/30/17 | | 305,000 | 341,600 |
| Goldman Sachs Group 5.375% 3/15/20 | | 40,000 | 41,360 |
| Jefferies Group | | | |
| 6.25% 1/15/36 | | 5,000 | 4,689 |
| 6.45% 6/8/27 | | 60,000 | 60,513 |
| Lazard Group | | | |
| 6.85% 6/15/17 | | 30,000 | 31,977 |
| 7.125% 5/15/15 | | 4,000 | 4,315 |
| #Morgan Stanley 144A 10.09% 5/3/17 | BRL | 2,000,000 | 1,087,669 |
| #Penson Worldwide 144A 12.50% 5/15/17 | USD | 185,000 | 183,613 |
| | | | 1,755,736 |
| Capital Goods – 2.10% | | | |
| AMH Holdings 11.25% 3/1/14 | | 176,000 | 179,300 |
| *#Cemex Espana Luxembourg 144A 9.25% 5/12/20 | | 124,000 | 113,925 |
| *#Cemex Finance 144A 9.50% 12/14/16 | | 170,000 | 164,050 |
| #DAE Aviation Holdings 144A 11.25% 8/1/15 | | 155,000 | 156,938 |
| #Express 144A 8.75% 3/1/18 | | 93,000 | 96,720 |
| *Hexion US/Nova Scotia Finance 9.75% 11/15/14 | | 252,000 | 248,850 |
| Intertape Polymer US 8.50% 8/1/14 | | 108,000 | 91,800 |
| L-3 Communications 4.75% 7/15/20 | | 15,000 | 15,841 |
| *Manitowoc 9.50% 2/15/18 | | 176,000 | 181,720 |
| *NXP BV/NXP Funding 9.50% 10/15/15 | | 265,000 | 258,375 |
| #Plastipak Holdings 144A 10.625% 8/15/19 | | 118,000 | 131,570 |
| Ply Gem Industries 13.125% 7/15/14 | | 191,000 | 192,433 |
| Pregis 12.375% 10/15/13 | | 367,000 | 368,834 |
| *RBS Global/Rexnord 11.75% 8/1/16 | | 272,000 | 292,400 |
| Solo Cup 8.50% 2/15/14 | | 91,000 | 77,350 |
| #Susser Holdings & Finance 144A 8.50% 5/15/16 | | 160,000 | 164,800 |
| Thermadyne Holdings 10.50% 2/1/14 | | 231,000 | 234,754 |
| Thermo Fisher Scientific 4.70% 5/1/20 | | 5,000 | 5,639 |
| #Trimas 144A 9.75% 12/15/17 | | 150,000 | 155,625 |
| #USG 144A 9.75% 8/1/14 | | 55,000 | 57,269 |
| | | | 3,188,193 |

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| | | |
|---|---------|---------|
| Consumer Cyclical – 2.67% | | |
| *#Allison Transmission 144A 11.00% 11/1/15 | 246,000 | 265,680 |
| Ally Financial 8.00% 12/31/18 | 191,000 | 185,986 |
| *American Axle & Manufacturing 7.875% 3/1/17 | 196,000 | 182,280 |
| Ames True Temper 10.00% 7/15/12 | 110,000 | 110,825 |
| *ArvinMeritor | | |
| 8.125% 9/15/15 | 206,000 | 207,545 |
| 10.625% 3/15/18 | 98,000 | 106,820 |
| *Beazer Homes USA | | |
| 8.125% 6/15/16 | 124,000 | 109,120 |
| 9.125% 6/15/18 | 65,000 | 57,850 |
| Burlington Coat Factory Investment Holdings 14.50% 10/15/14 | 336,000 | 358,680 |
| *#CKE Restaurants 144A 11.375% 7/15/18 | 155,000 | 151,900 |
| w#CVS Pass Through Trust 144A 8.353% 7/10/31 | 78,545 | 98,320 |
| *Ford Motor 7.45% 7/16/31 | 339,000 | 332,220 |
| Ford Motor Credit 12.00% 5/15/15 | 195,000 | 230,667 |
| #Games Merger 144A 11.00% 6/1/18 | 145,000 | 152,975 |
| Goodyear Tire & Rubber 8.25% 8/15/20 | 75,000 | 77,156 |
| Interface | | |
| 9.50% 2/1/14 | 20,000 | 20,800 |
| 11.375% 11/1/13 | 52,000 | 59,020 |

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| | | |
|--|---------|-----------|
| K Hovnanian Enterprises | | |
| 6.25% 1/15/15 | 137,000 | 92,475 |
| 7.50% 5/15/16 | 78,000 | 52,065 |
| Landry's Restaurants 11.625% 12/1/15 | 263,000 | 274,178 |
| M/I Homes 6.875% 4/1/12 | 103,000 | 102,871 |
| Norcraft Holdings | | |
| 9.75% 9/1/12 | 119,000 | 111,860 |
| 10.50% 12/15/15 | 124,000 | 128,650 |
| *OSI Restaurant Partners 10.00% 6/15/15 | 168,000 | 168,000 |
| Quiksilver 6.875% 4/15/15 | 250,000 | 232,500 |
| *Rite Aid 9.375% 12/15/15 | 104,000 | 84,890 |
| Standard Pacific 10.75% 9/15/16 | 98,000 | 103,635 |
| | | 4,058,968 |
| Consumer Non-Cyclical – 2.36% | | |
| Abbott Laboratories 4.125% 5/27/20 | 35,000 | 38,070 |
| Alere 9.00% 5/15/16 | 184,000 | 186,759 |
| #Alion Science & Technology 144A 12.00% 11/1/14 | 145,249 | 143,978 |
| Alliance One International 10.00% 7/15/16 | 239,000 | 251,547 |
| #Anheuser-Busch InBev Worldwide 144A 5.00% 4/15/20 | 35,000 | 38,459 |
| *Baxter International 4.50% 8/15/19 | 35,000 | 39,079 |
| #Brambles USA 144A | | |
| 3.95% 4/1/15 | 10,000 | 10,353 |
| 5.35% 4/1/20 | 20,000 | 21,544 |
| #Cott Beverages 144A 8.375% 11/15/17 | 108,000 | 113,265 |
| Covidien International Finance 4.20% 6/15/20 | 20,000 | 21,470 |
| Dean Foods | | |
| 6.90% 10/15/17 | 30,000 | 27,450 |
| *7.00% 6/1/16 | 100,000 | 94,250 |
| Diversey Holdings 10.50% 5/15/20 | 282,000 | 316,713 |
| Dole Food 13.875% 3/15/14 | 91,000 | 109,883 |
| General Mills 5.65% 2/15/19 | 20,000 | 23,627 |
| Iron Mountain 8.375% 8/15/21 | 140,000 | 149,450 |
| Kraft Foods 5.375% 2/10/20 | 20,000 | 22,268 |
| #Lantheus Medical Imaging 144A 9.75% 5/15/17 | 180,000 | 182,700 |
| LVB Acquisition 11.625% 10/15/17 | 160,000 | 176,800 |
| Medco Health Solutions 7.125% 3/15/18 | 35,000 | 43,145 |
| #New Enterprise Stone & Lime 144A 11.00% 9/1/18 | 30,000 | 30,000 |
| #Novasep Holding 144A 9.75% 12/15/16 | 170,000 | 153,213 |
| Pfizer 6.20% 3/15/19 | 30,000 | 37,142 |
| #PHH 144A 9.25% 3/1/16 | 155,000 | 157,519 |
| Pinnacle Foods Finance 10.625% 4/1/17 | 150,000 | 157,313 |
| #Quintiles Transnational 144A 9.50% 12/30/14 | 88,000 | 89,980 |
| #ServiceMaster PIK 144A 10.75% 7/15/15 | 170,000 | 178,925 |
| Smithfield Foods 7.75% 7/1/17 | 129,000 | 126,098 |
| #TOPS Markets 144A 10.125% 10/15/15 | 170,000 | 179,350 |
| #Viskase 144A 9.875% 1/15/18 | 191,000 | 194,343 |
| Yale University 2.90% 10/15/14 | 45,000 | 47,772 |
| *Yankee Acquisition 9.75% 2/15/17 | 180,000 | 184,500 |
| Zimmer Holdings 4.625% 11/30/19 | 30,000 | 32,508 |

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| | | 3,579,473 |
|--|---------|-----------|
| Energy – 7.42% | | |
| #American Petroleum Tankers 144A 10.25% 5/1/15 | 265,000 | 269,638 |
| Anadarko Petroleum 6.375% 9/15/17 | 20,000 | 19,818 |
| Antero Resources Finance 9.375% 12/1/17 | 134,000 | 139,025 |
| #Aquilix Holdings 144A 11.125% 12/15/16 | 149,000 | 148,069 |
| Baker Hughes 5.125% 9/15/40 | 20,000 | 20,978 |
| *Chesapeake Energy | | |
| 6.50% 8/15/17 | 135,000 | 137,700 |
| 9.50% 2/15/15 | 125,000 | 141,250 |
| Complete Production Services 8.00% 12/15/16 | 153,000 | 155,678 |
| Copano Energy 7.75% 6/1/18 | 148,000 | 148,740 |
| *Crosstex Energy 8.875% 2/15/18 | 145,000 | 150,438 |
| #Drummond 144A 9.00% 10/15/14 | 170,000 | 178,713 |
| Dynegy Holdings 7.75% 6/1/19 | 131,000 | 85,150 |
| El Paso | | |
| *6.875% 6/15/14 | 44,000 | 46,777 |
| 7.00% 6/15/17 | 205,000 | 217,531 |
| ·Enbridge Energy Partners 8.05% 10/1/37 | 20,000 | 20,100 |
| Energy Transfer Partners 9.70% 3/15/19 | 25,000 | 32,349 |

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| | | |
|--|-----------|-----------|
| Enterprise Products Operating | | |
| ·7.034% 1/15/68 | 35,000 | 33,954 |
| 9.75% 1/31/14 | 45,000 | 55,205 |
| #Gazprom 144A 8.625% 4/28/34 | 1,000,000 | 1,233,799 |
| #Global Geophysical Services 144A 10.50% 5/1/17 | 80,000 | 79,600 |
| *Headwaters 11.375% 11/1/14 | 175,000 | 185,500 |
| #Helix Energy Solutions Group 144A 9.50% 1/15/16 | 206,000 | 203,940 |
| *#Hercules Offshore 144A 10.50% 10/15/17 | 155,000 | 141,825 |
| #Hilcorp Energy I 144A 8.00% 2/15/20 | 190,000 | 194,750 |
| Holly 9.875% 6/15/17 | 149,000 | 157,195 |
| International Coal Group 9.125% 4/1/18 | 171,000 | 181,688 |
| *Key Energy Services 8.375% 12/1/14 | 285,000 | 295,688 |
| Kinder Morgan Energy Partners | | |
| 6.55% 9/15/40 | 5,000 | 5,596 |
| *9.00% 2/1/19 | 20,000 | 26,144 |
| #Linn Energy 144A 8.625% 4/15/20 | 175,000 | 185,500 |
| Lukoil International Finance 6.356% 6/7/17 | 1,000,000 | 1,048,749 |
| #Midcontinent Express Pipeline 144A | | |
| 5.45% 9/15/14 | 25,000 | 26,659 |
| 6.70% 9/15/19 | 10,000 | 10,916 |
| #Murray Energy 144A 10.25% 10/15/15 | 171,000 | 175,703 |
| Nexen 7.50% 7/30/39 | 25,000 | 31,464 |
| *#NFR Energy 144A 9.75% 2/15/17 | 186,000 | 188,790 |
| Noble Energy 8.25% 3/1/19 | 20,000 | 25,928 |
| Noble Holding International 4.90% 8/1/20 | 25,000 | 26,775 |
| OPTI Canada | | |
| 7.875% 12/15/14 | 291,000 | 225,525 |
| *8.25% 12/15/14 | 97,000 | 76,145 |
| *Pemex Project Funding Master Trust 6.625% 6/15/35 | 1,000,000 | 1,092,482 |
| PetroHawk Energy 7.875% 6/1/15 | 165,000 | 172,013 |
| Petroleum Development 12.00% 2/15/18 | 181,000 | 195,480 |
| #Pioneer Drilling 144A 9.875% 3/15/18 | 88,000 | 88,440 |
| Plains All American Pipeline 8.75% 5/1/19 | 25,000 | 31,816 |
| Pride International | | |
| 6.875% 8/15/20 | 15,000 | 15,806 |
| 8.50% 6/15/19 | 20,000 | 22,750 |
| Quicksilver Resources 7.125% 4/1/16 | 248,000 | 239,320 |
| #SandRidge Energy 144A 9.875% 5/15/16 | 219,000 | 219,000 |
| #Semco Energy 144A 5.15% 4/21/20 | 30,000 | 32,850 |
| Shell International Finance 4.375% 3/25/20 | 15,000 | 16,475 |
| Statoil 5.10% 8/17/40 | 15,000 | 16,238 |
| TNK-BP Finance 7.875% 3/13/18 | 2,000,000 | 2,261,399 |
| Total Capital 4.45% 6/24/20 | 20,000 | 21,941 |
| ·TransCanada Pipelines 6.35% 5/15/67 | 35,000 | 31,988 |
| Transocean 6.80% 3/15/38 | 10,000 | 9,592 |
| Weatherford International 9.625% 3/1/19 | 25,000 | 32,852 |
| #Woodside Finance 144A | | |
| 4.50% 11/10/14 | 20,000 | 21,280 |
| 8.125% 3/1/14 | 15,000 | 17,605 |

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| | | 11,268,319 |
|---|---------|------------|
| Finance & Investments – 1.25% | | |
| American International Group I 8.175% 5/15/58 | 270,000 | 233,550 |
| Cardtronics 8.25% 9/1/18 | 75,000 | 77,063 |
| City National Capital Trust I 9.625% 2/1/40 | 25,000 | 26,392 |
| General Electric Capital 6.00% 8/7/19 | 105,000 | 118,210 |
| Genworth Financial 6.15% 11/15/66 | 336,000 | 237,720 |
| #ILFC E-Capital Trust II 144A 6.25% 12/21/65 | 355,000 | 227,644 |
| #Liberty Mutual Group 144A 7.00% 3/15/37 | 180,000 | 152,206 |
| MetLife 6.40% 12/15/36 | 100,000 | 91,500 |
| Nuveen Investments 10.50% 11/15/15 | 573,000 | 547,214 |
| Prudential Financial 3.875% 1/14/15 | 35,000 | 36,509 |
| P.XL Capital 6.50% 12/31/49 | 205,000 | 156,579 |
| | | 1,904,587 |
| Media – 2.36% | | |
| Affinion Group 11.50% 10/15/15 | 113,000 | 119,356 |
| *Cablevision Systems 8.00% 4/15/20 | 15,000 | 16,088 |
| #Cablevision Systems 144A 8.625% 9/15/17 | 73,000 | 79,935 |
| #CCO Holdings Capital 144A | | |
| 7.875% 4/30/18 | 40,000 | 41,600 |
| *8.125% 4/30/20 | 50,000 | 52,875 |

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| | | |
|--|---------|-----------|
| #Charter Communications Operating 144A 10.875% 9/15/14 | 83,000 | 93,375 |
| *Clear Channel Communications 10.75% 8/1/16 | 113,000 | 83,903 |
| *#Columbus International 144A 11.50% 11/20/14 | 270,000 | 298,350 |
| Comcast 5.90% 3/15/16 | 45,000 | 52,039 |
| #COX Communications 144A | | |
| 6.25% 6/1/18 | 15,000 | 17,576 |
| 6.95% 6/1/38 | 5,000 | 6,112 |
| DirecTV Holdings | | |
| 4.60% 2/15/21 | 20,000 | 20,460 |
| 7.625% 5/15/16 | 65,000 | 71,746 |
| Dish DBS 7.875% 9/1/19 | 170,000 | 178,075 |
| *Gray Television 10.50% 6/29/15 | 175,000 | 169,313 |
| #GXS Worldwide 144A 9.75% 6/15/15 | 175,000 | 168,875 |
| #inVentiv Health 144A 10.00% 8/15/18 | 175,000 | 171,500 |
| #MDC Partners 144A 11.00% 11/1/16 | 93,000 | 100,440 |
| #NBC Universal 144A 5.15% 4/30/20 | 50,000 | 53,922 |
| #Nexstar Broadcasting/Mission Broadcasting 144A 8.875% 4/15/17 | 165,000 | 168,506 |
| Nielsen Finance | | |
| 11.50% 5/1/16 | 50,000 | 56,313 |
| *11.625% 2/1/14 | 85,000 | 95,731 |
| W12.50% 8/1/16 | 141,000 | 140,471 |
| Omnicom Group 4.45% 8/15/20 | 15,000 | 15,406 |
| #Sinclair Television Group 144A 9.25% 11/1/17 | 118,000 | 122,130 |
| #Sitel 144A 11.50% 4/1/18 | 171,000 | 129,105 |
| Terremark Worldwide 12.00% 6/15/17 | 160,000 | 181,600 |
| Time Warner Cable 8.25% 4/1/19 | 35,000 | 44,962 |
| #Univision Communications PIK 144A 9.75% 3/15/15 | 183,200 | 165,796 |
| #UPC Holding 144A 9.875% 4/15/18 | 120,000 | 125,550 |
| #Vivendi 144A | | |
| 5.75% 4/4/13 | 55,000 | 59,546 |
| 6.625% 4/4/18 | 25,000 | 28,983 |
| #XM Satellite Radio 144A 13.00% 8/1/13 | 403,000 | 458,412 |
| | | 3,588,051 |
| Real Estate – 0.18% | | |
| Developers Diversified Realty | | |
| 7.50% 4/1/17 | 5,000 | 5,039 |
| *7.875% 9/1/20 | 20,000 | 20,384 |
| #Digital Realty Trust 144A 5.875% 2/1/20 | 10,000 | 10,620 |
| *Felcor Lodging 10.00% 10/1/14 | 176,000 | 188,759 |
| ProLogis | | |
| 6.25% 3/15/17 | 15,000 | 14,556 |
| 7.375% 10/30/19 | 15,000 | 15,089 |
| Regency Centers 5.875% 6/15/17 | 20,000 | 21,702 |
| | | 276,149 |
| Services Cyclical – 2.63% | | |
| *ARMARK 8.50% 2/1/15 | 150,000 | 155,438 |
| #Ashtead Capital 144A 9.00% 8/15/16 | 130,000 | 132,438 |
| Burlington Northern Santa Fe 4.70% 10/1/19 | 35,000 | 38,599 |
| #Delta Air Lines 144A 12.25% 3/15/15 | 160,000 | 176,600 |

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| | | |
|--|---------|---------|
| *DryShips 5.00% 12/1/14 | 570,000 | 458,849 |
| #Equinox Holdings 144A 9.50% 2/1/16 | 181,000 | 181,905 |
| #ERAC USA Finance 144A 5.25% 10/1/20 | 40,000 | 42,887 |
| General Maritime 12.00% 11/15/17 | 176,000 | 187,000 |
| *Global Cash Access 8.75% 3/15/12 | 33,000 | 32,876 |
| *Harrah's Operating 10.00% 12/15/18 | 405,000 | 317,925 |
| *#Kansas City Southern de Mexico 144A 8.00% 2/1/18 | 164,000 | 175,070 |
| Kansas City Southern Railway 13.00% 12/15/13 | 2,000 | 2,425 |
| *#MCE Finance 144A 10.25% 5/15/18 | 150,000 | 161,250 |
| MGM Mirage | | |
| 11.125% 11/15/17 | 2,000 | 2,245 |
| 13.00% 11/15/13 | 105,000 | 121,800 |
| *#MGM Mirage 144A 11.375% 3/1/18 | 470,000 | 427,700 |
| *Mohegan Tribal Gaming Authority | | |
| 6.875% 2/15/15 | 52,000 | 29,640 |
| 7.125% 8/15/14 | 119,000 | 69,020 |
| NCL 11.75% 11/15/16 | 181,000 | 200,910 |
| *Peninsula Gaming 10.75% 8/15/17 | 190,000 | 200,450 |
| #Pinnacle Entertainment 144A 8.75% 5/15/20 | 75,000 | 72,750 |
| @#Pokagon Gaming Authority 144A 10.375% 6/15/14 | 10,000 | 10,425 |
| *Royal Caribbean Cruises 6.875% 12/1/13 | 125,000 | 127,969 |

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| | | | |
|---|--|---------|-----------|
| *RSC Equipment Rental | | | |
| 9.50% 12/1/14 | | 168,000 | 172,200 |
| 10.25% 11/15/19 | | 3,000 | 3,135 |
| #Shingle Springs Tribal Gaming Authority 144A 9.375% 6/15/15 | | | |
| | | 201,000 | 154,268 |
| *#Swift Transportation 144A 12.50% 5/15/17 | | | |
| | | 80,000 | 80,600 |
| #United Air Lines 144A 12.00% 11/1/13 | | | |
| | | 241,000 | 259,075 |
| | | | 3,995,449 |
| Services Non-cyclical – 1.81% | | | |
| Accellent 10.50% 12/1/13 | | | |
| | | 124,000 | 124,310 |
| Allied Waste North America | | | |
| 6.875% 6/1/17 | | 40,000 | 44,210 |
| 7.125% 5/15/16 | | 30,000 | 32,288 |
| Amgen 4.50% 3/15/20 | | | |
| | | 5,000 | 5,585 |
| *Bausch & Lomb 9.875% 11/1/15 | | | |
| | | 230,000 | 239,775 |
| BioScrip 10.25% 10/1/15 | | | |
| | | 171,000 | 173,779 |
| CareFusion 6.375% 8/1/19 | | | |
| | | 65,000 | 77,685 |
| Casella Waste Systems 9.75% 2/1/13 | | | |
| | | 340,000 | 344,674 |
| *Community Health Systems 8.875% 7/15/15 | | | |
| | | 135,000 | 140,400 |
| DJO Finance 11.75% 11/15/14 | | | |
| | | 204,000 | 213,690 |
| #Genzyme 144A 5.00% 6/15/20 | | | |
| | | 95,000 | 106,089 |
| HCA 9.25% 11/15/16 | | | |
| | | 185,000 | 198,875 |
| Hospira 6.40% 5/15/15 | | | |
| | | 95,000 | 109,890 |
| Life Technologies | | | |
| 4.40% 3/1/15 | | 5,000 | 5,300 |
| 6.00% 3/1/20 | | 40,000 | 45,741 |
| #Multiplan 144A 9.875% 9/1/18 | | | |
| | | 165,000 | 166,238 |
| #Radiation Therapy Services 144A 9.875% 4/15/17 | | | |
| | | 180,000 | 176,850 |
| #Radnet Management 144A 10.375% 4/1/18 | | | |
| | | 180,000 | 158,850 |
| #Roche Holdings 144A 6.00% 3/1/19 | | | |
| | | 55,000 | 66,809 |
| *Select Medical 7.625% 2/1/15 | | | |
| | | 124,000 | 117,490 |
| State Jude Medical 4.875% 7/15/19 | | | |
| | | 5,000 | 5,681 |
| ·US Oncology Holdings 6.643% 3/15/12 | | | |
| | | 190,000 | 178,125 |
| Wellpoint 4.35% 8/15/20 | | | |
| | | 10,000 | 10,322 |
| | | | 2,742,656 |
| Technology – 0.71% | | | |
| #Aspect Software 144A 10.625% 5/15/17 | | | |
| | | 180,000 | 185,625 |
| Cisco Systems 4.45% 1/15/20 | | | |
| | | 55,000 | 60,641 |
| First Data 11.25% 3/31/16 | | | |
| | | 200,000 | 132,500 |
| #International Wire Group 144A 9.75% 4/15/15 | | | |
| | | 155,000 | 155,775 |
| #MagnaChip Semiconductor Finance 144A 10.50% 4/15/18 | | | |
| | | 130,000 | 134,875 |
| National Semiconductor | | | |
| 3.95% 4/15/15 | | 5,000 | 5,244 |
| 6.60% 6/15/17 | | 15,000 | 17,583 |
| #Oracle 144A 3.875% 7/15/20 | | | |
| | | 10,000 | 10,650 |
| *Sanmina-SCI 8.125% 3/1/16 | | | |
| | | 66,000 | 66,825 |
| #Seagate Technology International 144A 10.00% 5/1/14 | | | |
| | | 5,000 | 5,863 |
| *Sungard Data Systems 10.25% 8/15/15 | | | |
| | | 285,000 | 300,675 |
| | | | 1,076,256 |
| Telecommunications – 4.34% | | | |

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| | | |
|---|-----------|-----------|
| *American Tower 5.05% 9/1/20 | 25,000 | 25,263 |
| Citizens Utilities 7.125% 3/15/19 | 120,000 | 118,800 |
| #Clearwire Communications 144A 12.00% 12/1/15 | 535,000 | 538,325 |
| *Cricket Communications 10.00% 7/15/15 | 175,000 | 184,188 |
| #Crown Castle Towers 144A 4.883% 8/15/20 | 30,000 | 31,156 |
| #Digicel Group 144A | | |
| *8.25% 9/1/17 | 120,000 | 125,250 |
| *8.875% 1/15/15 | 1,120,000 | 1,133,999 |
| 9.125% 1/15/15 | 120,000 | 121,800 |
| Global Crossing 12.00% 9/15/15 | 273,000 | 304,395 |
| Intelsat 6.50% 11/1/13 | 155,000 | 148,413 |
| Intelsat Bermuda | | |
| 11.25% 2/4/17 | 595,000 | 618,799 |
| 11.50% 2/4/17 | 49,938 | 51,686 |
| Level 3 Financing 10.00% 2/1/18 | 193,000 | 167,428 |
| NII Capital 10.00% 8/15/16 | 235,000 | 264,669 |
| *PAETEC Holding 9.50% 7/15/15 | 138,000 | 138,345 |
| #Primus Telecommunications Holding 144A 13.00% 12/15/16 | 115,000 | 116,725 |
| Qwest 8.375% 5/1/16 | 40,000 | 46,800 |
| *Qwest Communications International 7.50% 2/15/14 | 85,000 | 87,019 |
| Sprint Capital 8.75% 3/15/32 | 389,000 | 376,844 |

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| | | |
|---|---------|------------|
| #Telcordia Technologies 144A 11.00% 5/1/18 | 185,000 | 182,456 |
| Telecom Italia Capital | | |
| 5.25% 10/1/15 | 35,000 | 37,296 |
| 6.175% 6/18/14 | 55,000 | 60,350 |
| Telesat Canada | | |
| 11.00% 11/1/15 | 132,000 | 150,150 |
| 12.50% 11/1/17 | 187,000 | 219,258 |
| *#Trilogy International Partners 144A 10.25% 8/15/16 | 95,000 | 86,925 |
| Viasat 8.875% 9/15/16 | 93,000 | 98,929 |
| Virgin Media 6.50% 11/15/16 | 307,000 | 416,752 |
| *Virgin Media Finance 8.375% 10/15/19 | 120,000 | 131,400 |
| *West 11.00% 10/15/16 | 191,000 | 201,505 |
| #Wind Acquisition Finance 144A | | |
| 11.75% 7/15/17 | 170,000 | 187,850 |
| 12.00% 12/1/15 | 160,000 | 169,600 |
| *Windstream 7.875% 11/1/17 | 45,000 | 45,900 |
| | | 6,588,275 |
| Utilities – 1.17% | | |
| AES | | |
| 7.75% 3/1/14 | 105,000 | 110,381 |
| *8.00% 6/1/20 | 39,000 | 41,145 |
| #American Transmission Systems 144A 5.25% 1/15/22 | 25,000 | 27,821 |
| CMS Energy | | |
| 6.55% 7/17/17 | 10,000 | 10,656 |
| 8.75% 6/15/19 | 10,000 | 11,771 |
| Commonwealth Edison | | |
| 4.00% 8/1/20 | 30,000 | 31,726 |
| 5.80% 3/15/18 | 5,000 | 5,881 |
| Duke Energy | | |
| *4.30% 6/15/20 | 25,000 | 27,728 |
| 5.30% 2/15/40 | 20,000 | 22,490 |
| Elwood Energy 8.159% 7/5/26 | 166,028 | 153,576 |
| Energy Future Holdings 5.55% 11/15/14 | 74,000 | 37,555 |
| Florida Power 5.65% 6/15/18 | 15,000 | 17,850 |
| *Illinois Power 9.75% 11/15/18 | 80,000 | 107,844 |
| Korea Southern Power 5.375% 4/18/13 | 630,000 | 668,565 |
| *Mirant Americas Generation 8.50% 10/1/21 | 245,000 | 222,338 |
| *PacifiCorp 5.50% 1/15/19 | 20,000 | 23,587 |
| Pennsylvania Electric 5.20% 4/1/20 | 45,000 | 49,433 |
| Public Service Oklahoma 5.15% 12/1/19 | 30,000 | 33,244 |
| ●Puget Sound Energy 6.974% 6/1/67 | 165,000 | 153,390 |
| Virginia Electric & Power 3.45% 9/1/22 | 20,000 | 20,090 |
| | | 1,777,071 |
| Total Corporate Bonds (cost \$50,997,699) | | 53,983,926 |
| Non-Agency Asset-Backed Securities – 0.39% | | |
| ●#AH Mortgage Advance Trust 144A Series 2009-ADV3 A1 0.246% 10/6/21 | 40,000 | 39,970 |
| Ally Auto Receivables Trust Series 2010-2 A3 1.00% 7/15/14 | 10,000 | 10,093 |
| @Centex Home Equity Series 2005-D AF4 5.27% 10/25/35 | 13,928 | 13,869 |

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| | | |
|---|---------|---------|
| •Citibank Credit Card Issuance Trust Series 2004-C1 C1 0.93% 7/15/13 | 10,000 | 9,895 |
| Citicorp Residential Mortgage Securities Series 2006-3 A5 5.948% 11/25/36 | 100,000 | 83,485 |
| CNH Equipment Trust | | |
| Series 2008-A A3 4.12% 5/15/12 | 2,814 | 2,823 |
| Series 2008-A A4 4.93% 8/15/14 | 30,000 | 30,966 |
| Series 2008-B A3A 4.78% 7/16/12 | 7,629 | 7,691 |
| Series 2009-C A3 1.85% 12/16/13 | 15,000 | 15,189 |
| Discover Card Master Trust Series 2007-A1 A1 5.65% 3/16/20 | 100,000 | 118,867 |
| #Dunkin Securitization 144A Series 2006-1 A2 5.779% 6/20/31 | 150,000 | 148,798 |
| Harley-Davidson Motorcycle Trust Series 2006-2 A2 5.35% 3/15/13 | 38,922 | 39,617 |
| Hyundai Auto Receivables Trust Series 2007-A A3A 5.04% 1/17/12 | 1,681 | 1,688 |
| John Deere Owner Trust | | |
| Series 2009-A A4 3.96% 5/16/16 | 25,000 | 26,331 |
| Series 2010-A 4A 2.13% 10/17/16 | 15,000 | 15,408 |
| •Merrill Auto Trust Securitization Series 2007-1 A4 0.34% 12/15/13 | 18,333 | 18,263 |
| World Omni Auto Receivables Trust Series 2008-A A3A 1.65% 2/15/13 | 10,000 | 10,088 |
| Total Non-Agency Asset-Backed Securities (cost \$576,463) | | 593,041 |
| Non-Agency Collateralized Mortgage Obligations – 0.34% | | |
| @•Bear Stearns ARM Trust Series 2007-1 3A2 5.644% 2/25/47 | 218,028 | 21,573 |

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|--|-----|----------------|-------------------|
| Citicorp Mortgage Securities | | | |
| Series 2006-4 3A1 5.50% 8/25/21 | | 22,829 | 22,654 |
| Series 2007-1 2A1 5.50% 1/25/22 | | 139,575 | 133,222 |
| •Series 2007-AR8 1A3A 5.76% 8/25/37 | | 76,768 | 59,587 |
| •First Horizon Asset Securities Series 2007-AR2 1A1 5.785% 8/25/37 | | 105,428 | 81,340 |
| •GSR Mortgage Loan Trust Series 2006-AR1 3A1 5.336% 1/25/36 | | 156,915 | 137,351 |
| •MASTR ARMs Trust Series 2006-2 4A1 4.99% 2/25/36 | | 72,010 | 67,495 |
| Total Non-Agency Collateralized Mortgage Obligations (cost \$782,306) | | | 523,222 |
| «Senior Secured Loans – 0.53% | | | |
| Energy Futures Holdings Tranche B2 3.941% 10/10/14 | | 311,490 | 236,991 |
| Graham Packaging Bridge 10.00% 11/10/11 | | 320,000 | 320,000 |
| Harrahs Chester Downs & Marina 12.375% 12/31/16 | | 99,094 | 99,919 |
| PQ Tranche B 6.82% 7/30/15 | | 165,000 | 151,319 |
| Total Senior Secured Loans (cost \$788,340) | | | 808,229 |
| Sovereign Debt – 10.61% | | | |
| Barbados – 1.26% | | | |
| #Republic of Barbados 144A 6.625% 12/5/35 | | 2,000,000 | 1,908,974 |
| | | | 1,908,974 |
| Brazil – 0.37% | | | |
| Banco Nacional de Desenvolvimento Economico e Social 6.369% 6/16/18 | | 500,000 | 568,750 |
| | | | 568,750 |
| Colombia – 0.48% | | | |
| #Santa Fe de Bogota D.C. 144A 9.75% 7/26/28 | COP | 1,000,000,000 | 727,085 |
| | | | 727,085 |
| Indonesia – 6.69% | | | |
| Indonesia Treasury Bond | | | |
| 9.50% 7/15/23 | IDR | 1,820,000,000 | 219,693 |
| 9.50% 7/15/31 | IDR | 45,000,000,000 | 5,172,300 |
| 11.00% 11/15/20 | IDR | 35,825,000,000 | 4,770,883 |
| | | | 10,162,876 |
| Panama – 1.18% | | | |
| @#Republic of Pakistan 144A 6.875% 6/1/17 | USD | 2,000,000 | 1,790,000 |
| | | | 1,790,000 |
| United Kingdom – 0.63% | | | |
| @#CS International for City of Kyiv Ukraine 144A 8.25% 11/26/12 | | 1,000,000 | 955,000 |
| | | | 955,000 |
| Total Sovereign Debt (cost \$15,718,390) | | | 16,112,685 |
| Supranational Banks – 2.05% | | | |
| European Bank for Reconstruction & Development 7.00% 7/30/12 | INR | 41,000,000 | 918,327 |
| European Investment Bank | | | |
| 8.00% 10/21/13 | ZAR | 6,880,000 | 960,240 |
| 9.625% 4/1/15 | TRY | 1,800,000 | 1,242,774 |
| Total Supranational Banks (cost \$3,152,028) | | | 3,121,341 |
| U.S. Treasury Obligations – 0.32% | | | |
| U.S. Treasury Bond 4.375% 5/15/40 | | 25,000 | 28,848 |

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| | | |
|--|------------------|----------------|
| *U.S. Treasury Notes | | |
| 0.75% 8/15/13 | 30,000 | 30,042 |
| 1.25% 8/31/15 | 375,000 | 373,418 |
| 2.625% 8/15/20 | 55,000 | 55,713 |
| Total U.S. Treasury Obligations (cost \$483,569) | | 488,021 |
| Leveraged Non-Recourse Security – 0.00% | | |
| @w#JPMorgan Pass Through Trust Series 2007-B 144A 8.845% 1/15/87 | 500,000 | 0 |
| Total Leveraged Non-Recourse Security (cost \$425,000) | | 0 |
| | Number of | |
| | Shares | |
| Exchange Traded Funds – 0.46% | | |
| iShares Dow Jones U.S. Real Estate Index Fund | 13,400 | 682,998 |
| *ProShares UltraShort Real Estate | 520 | 12,423 |
| Total Exchange Traded Funds (cost \$730,873) | | 695,421 |
| Preferred Stock – 0.32% | | |
| *Ally Financial 7.00% | 200 | 165,219 |
| Developers Diversified Realty Series I 7.50% | 1,925 | 46,604 |
| Freddie Mac 6.02% | 33,000 | 11,220 |
| •PNC Financial Services Group 8.25% | 10,000 | 10,526 |
| *ProLogis Series G 6.75% | 7,050 | 160,952 |
| *Vornado Realty Trust 6.625% | 3,700 | 90,650 |
| Total Preferred Stock (cost \$1,239,076) | | 485,171 |

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| | | Principal Amount ^o | |
|--|-----|----------------------------------|--------------------------|
| Residual Interest Trust Certificate – 0.00% | | | |
| @=w#Freddie Mac Auction Pass Through Trust Series 2007-6 144A 0.00% | USD | 175,000 | 0 |
| Total Residual Interest Trust Certificate (cost \$190,466) | | | 0 |
| Warrant – 0.00% | | | |
| | | Number of Shares | |
| Alion Science & Technology | | 115 | 1 |
| Total Warrant (cost \$0) | | | 1 |
| Discount Note – 7.00% | | | |
| | | Principal Amount ^o | |
| Federal Home Loan Bank 0.10% 9/1/10 | | 10,628,034 | 10,628,034 |
| Total Discount Note (cost \$10,628,034) | | | 10,628,034 |
| Total Value of Securities Before Securities Lending Collateral – 123.84% (cost \$196,620,469) | | | 188,128,920 |
| Securities Lending Collateral** – 9.14% | | | |
| Investment Companies | | Number of Shares | |
| BNY Mellon Securities Lending Overnight Fund | | 13,440,183 | 13,440,183 |
| BNY Mellon SL DB II Liquidating Fund | | 444,492 | 431,557 |
| @†Mellon GSL Reinvestment Trust II | | 328,120 | 16,964 |
| Total Securities Lending Collateral (cost \$14,212,795) | | | 13,888,704 |
| Total Value of Securities – 132.98% (cost \$210,833,264) | | | 202,017,624 ^o |
| Written Options – (0.10%) | | | |
| iShares MSCI EAFE Small Cap Fund exercise price \$49, expiration date 9/18/10 | | 134 | (29,614) |
| EMC exercise price \$19 expiration date 10/16/10 | | 525 | (22,050) |
| KB HOME exercise price \$12 expiration date 10/16/10 | | 170 | (4,760) |
| Noble exercise price \$29 expiration date 10/16/10 | | 220 | (66,220) |
| Whirlpool exercise price \$80 expiration date 10/16/10 | | 100 | (26,200) |
| Total Written Options (Proceeds \$162,213) | | | (148,844) |
| Obligation to Return Securities Lending Collateral** – (9.36%) | | | (14,212,795) |
| Borrowing Under Line of Credit – (26.33%) | | | (40,000,000) |
| Receivables and Other Assets Net of Liabilities – 2.81% (See Notes) | | | 4,263,788 |
| Net Assets Applicable to 13,003,075 Shares Outstanding – 100.00% | | | \$ 151,919,773 |

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

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BRL – Brazilian Real
COP – Colombian Peso
IDR – Indonesian Rupiah
TRY – Turkish Lira
USD – United States Dollar
ZAR – South African Rand

*Fully or partially on loan.

†Non income producing security.

@Illiquid security. At August 31, 2010, the aggregate amount of illiquid securities was \$2,825,831, which represented 1.86% of the Fund's net assets. See Note 6 in "Notes."

#Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. At August 31, 2010, the aggregate amount of Rule 144A securities was \$28,745,484, which represented 18.92% of the Fund's net assets. See Note 6 in "Notes."

●Variable rate security. The rate shown is the rate as of August 31, 2010.

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 August 31, 2010.

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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 August 31, 2010, the aggregate amount of the restricted securities was \$156,579 or 0.10% of the Fund's net assets. See Note 6 in "Notes."

ΩStep 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.

«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. Stated rate in effect at August 31, 2010

=Security is being fair valued in accordance with the Fund's fair valuation policy. At August 31, 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 \$13,719,351 of securities loaned.

Summary of Abbreviations:

ADR – American Depositary Receipts

ARM – Adjustable Rate Mortgage

BC – Barclay Bank

CDS – Credit Default Swap

CGM –Citigroup Global Markets

CMB – Chase Manhattan Bank

GNMA – Government National Mortgage Association

JPMS –JPMorgan Securities

MASTR – Mortgage Asset Securitization Transactions, Inc.

PIK – Pay-in-kind

REIT – Real Estate Investment Trust

REMICs – Real Estate Mortgage Investment Conduits

S.F. – Single Family

TBA – To be announced

yr – Year

1The following foreign currency exchange contracts and swap contracts were outstanding at August 31, 2010:

Foreign Currency Exchange Contracts

| Counterparty | Contracts to Receive (Deliver) | In Exchange For | Settlement Date | Appreciation | Unrealized |
|--------------|--------------------------------|-----------------|-----------------|--------------|--------------|
| | | | | | Appreciation |
| BC | BRL 2,000,000 | USD (2,257,844) | 9/15/10 | | \$ 15,401 |
| CMB | BRL 4,026,866 | USD (2,257,844) | 9/15/10 | | 28,102 |
| | | | | | \$ 43,503 |

Swap Contracts

CDS Contracts

| Swap Counterparty & Referenced Obligation | Notional Value | Annual Protection Payments | Termination Date | Unrealized |
|--|----------------|----------------------------|------------------|-----------------------------|
| | | | | Appreciation (Depreciation) |
| Protection Purchased: | | | | |
| BA | | | | |
| ITRAXX Europe Subordinate Financials 13.1 5 yr CDS | \$ 105,000 | 1.00% | 6/20/15 | \$ 427 |
| JPMS | | | | |

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| | | | | |
|-----------------------------------|------------|-------|---------|----------|
| ITRAXX Europe Subordinate | | | | |
| Financials 13.1 5 yr CDS | 70,000 | 1.00% | 6/20/15 | (1,408) |
| Penny (J.C.) 5 yr CDS | 85,000 | 1.00% | 3/20/15 | 3,420 |
| Sunoco 5 yr CDS | 40,000 | 1.00% | 3/20/15 | 1,256 |
| Viacom 5 yr CDS | 25,000 | 1.00% | 9/20/15 | (63) |
| | \$ 325,000 | | | \$ 3,632 |
| Protection Sold / Moody's Rating: | | | | |
| CGM | | | | |
| MetLife 5 yr CDS / A | \$ 25,000 | 5.00% | 9/20/14 | \$ 691 |
| JPMS | | | | |
| Comcast 5 yr CDS / Baa | 25,000 | 1.00% | 9/20/15 | 106 |
| Valero Energy 5 yr CDS / Baa | 40,000 | 1.00% | 3/20/15 | (779) |
| | \$ 90,000 | | | \$ 18 |
| Total | | | | \$ 3,650 |

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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 3 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 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. Generally, 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 implemented a managed distribution policy. Under the policy, the Fund is managed with a goal of generating as much of the distribution as possible from net investment income and short-term capital gains. The balance of the distribution will then come from long-term capital gains to the extent permitted, and if necessary, a return of capital. Even though the Fund may realize current year capital gains, such gains may be offset, in whole or in part, by the Fund's capital loss carryovers from prior years. For federal income tax purposes, the effect of such capital loss carryovers may be to convert (to the extent of such current year gains) what would otherwise be returns of capital into distributions taxable as ordinary income. This tax effect can occur during times of extended market volatility. The actual determination of the source of the Fund's distributions can be made only at year-end. Shareholders should receive written notification regarding the actual components and tax treatments of all Fund distributions for the calendar year 2010 in early 2011.

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 August 31, 2010, the Fund held no investments in repurchase agreements.

To Be Announced Trades—The Fund may contract to purchase securities for a fixed price at a transaction date beyond the customary settlement period (i.e., "when issued," "delayed delivery," "forward commitment," or "TBA transactions") consistent with the Fund's ability to manage its investment portfolio and meet redemption requests. These transactions involve a commitment by the Fund to purchase securities for a predetermined price or yield with payment and delivery taking place more than three days in the future, or after a period longer than the customary settlement period for that type of security. No interest will be earned by the Fund on such purchases until the securities are delivered; however the market value may change prior to delivery.

Foreign Currency Transactions—Transactions denominated in foreign currencies are recorded at the prevailing exchange rates on the valuation date in accordance with the Fund's prospectus. 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

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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 and disclosure of contingent 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 and such differences could be material.

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. Taxable non-cash dividends are recorded as dividend income. Discounts and premiums on non-convertible bonds are amortized to interest income over the lives of the respective securities. Distributions received from investments in Real Estate Investment Trusts (REITs) are recorded as dividend income on the ex-dividend date, subject to reclassification upon notice of the character of such distributions by the issuer. 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.

2. Investments

At August 31, 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 August 31, 2010, the cost of investments and unrealized appreciation (depreciation) for the Fund were as follows:

| | |
|-----------------------------------|----------------|
| Cost of investments | \$ 211,827,487 |
| Aggregate unrealized appreciation | \$ 10,152,975 |
| Aggregate unrealized depreciation | (19,962,838) |
| Net unrealized depreciation | \$ (9,809,863) |

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 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 level hierarchy of inputs is summarized below.

Level 1 – inputs are quoted prices in active markets for identical investments

Level 2 – other observable inputs (including, but not limited to: quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market-corroborated inputs)

Level 3 – inputs are significant unobservable inputs (including the fund’s own assumptions used to determine the fair value of investments)

The following table summarizes the valuation of the Fund’s investments by fair value hierarchy levels as of August 31, 2010:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---------------------|-----------------------|------------------|-----------------------|
| Agency, Asset-Backed & Mortgage-Backed Securities | \$ - | \$ 7,883,974 | \$ - | \$ 7,883,974 |
| Common Stock | 74,372,207 | - | - | 74,372,207 |
| Corporate Debt | - | 74,342,065 | - | 74,342,065 |
| Foreign Debt | - | 19,234,026 | - | 19,234,026 |
| Exchange Traded Funds | 695,421 | - | - | 695,421 |
| U.S. Treasury Obligations | - | 488,021 | - | 488,021 |
| Discount Note | - | 10,628,034 | - | 10,628,034 |
| Securities Lending Collateral | - | 13,871,740 | 16,964 | 13,888,704 |
| Other | - | 485,171 | 1 | 485,172 |
| Total | \$75,067,628 | \$ 126,933,031 | \$ 16,965 | \$ 202,017,624 |

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| Foreign Currency | | | | | | | | |
|--------------------------|----|--------|----|--------|----|---|----|--------|
| Exchange Contracts | \$ | - | \$ | 43,503 | \$ | - | \$ | 43,503 |
| Swap Contracts | \$ | - | \$ | 3,605 | \$ | - | \$ | 3,605 |
| Written Option Contracts | \$ | 13,369 | \$ | - | \$ | - | \$ | 13,369 |

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The following table summarizes the valuation of the Fund's investments by fair value hierarchy levels as of August 31, 2010.

| | Asset- and Mortgage- Backed | Foreign Debt | Other | Securities Lending Collateral | Total |
|--|-----------------------------------|-----------------|-------|-------------------------------------|--------------|
| Balance as of 11/30/09 | \$ 131,070 | \$ 3,479,000 | \$ - | \$ 13,945 | \$ 3,624,015 |
| Sales | (209,208) | (3,456,783) | - | - | (3,665,991) |
| Net realized gains | 12 | 94,384 | - | - | 94,396 |
| Transfers out of Level 3 | (107,764) | - | - | - | (107,764) |
| Net change in unrealized appreciation/depreciation | 185,890 | (116,601) | 1 | 3,019 | 72,309 |
| Balance as of 8/31/10 | \$ - | \$ - | \$ 1 | \$ 16,964 | \$ 16,965 |
| Net change in unrealized appreciation/depreciation from investments still held as of 8/31/10 | \$ 190,314 | \$ - | \$ 1 | \$ 3,019 | \$ 193,334 |

In January 2010, the Financial Accounting Standards Board issued an Accounting Standards Update, Improving Disclosures about Fair Value Measurements, which introduced new disclosure requirements and clarified 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, 2010 and interim periods therein. During the period ended August 31, 2010, the Fund made transfers out of Level 1 investments and into Level 2 investments in the amount of \$13,440,183, based on management's decision to classify the BNY Mellon Securities Lending Overnight Fund as Level 2 investments. Management has classified the BNY Mellon Securities Lending Overnight Fund as a Level 2 investment because the price is not quoted in an active market or listed on a public exchange. The BNY Mellon Securities Lending Overnight Fund is priced daily for investors in such Fund. Utilizing international fair value pricing could cause transfers from Level 1 investments to Level 2 investments in the hierarchy. During the period ended August 31, 2010, transfers out of Level 3 investments into Level 2 investments were made in the amount of \$107,764. This was due to the Fund's pricing vendor being able to supply a matrix price for an investment that had been utilizing a broker quoted price.

3. Line of Credit

For the period ended August 31, 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 29, 2011. 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 August 31, 2010, the par value of loans outstanding was \$40,000,000 at a variable interest rate of 1.5625%. During the period ended August 31, 2010, the average daily balance of loans outstanding was \$40,000,000 at a weighted average interest rate of approximately 1.7337%. Interest on borrowings is based on a variable short-term rate plus an applicable margin. The commitment fee is computed at a rate of 1.25% 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 enters into foreign currency exchange contracts as a way of managing foreign exchange rate risk. The Fund enters 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 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.

Options Contracts –During the period ended August 31, 2010, the Fund entered into options contracts in the normal course of pursuing its investment objective. The Fund may buy or write options contracts for any number of reasons, including: to manage the Fund’s exposure to changes in securities prices and foreign currencies; as an efficient means of adjusting the Fund’s overall exposure to certain markets; to protect the value of portfolio securities; and as a cash management tool. The Fund may buy or write call or put options on securities, financial indices, and foreign currencies. When the Fund buys an option, a premium is paid and an asset is recorded and adjusted on a daily basis to reflect the current market value of the options purchased. When the Fund writes an option, a premium is received and a liability is recorded and adjusted on a daily basis to reflect the current market value of the options written. Premiums received from writing options that expire unexercised are treated by the Fund on the expiration date as realized gains. The difference between the premium received and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is treated as realized gain or loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether the Fund has a realized gain or loss. If a put option is exercised, the premium reduces the cost basis of the securities purchased by the Fund. The Fund, as writer of an option, bears the market risk of an unfavorable change in the price of the security underlying the written option. When writing options, the Fund is subject to minimal counterparty credit risk because the counterparty is only obligated to pay premiums and does not bear the market risk of an unfavorable market change.

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Transactions in written options during the period ended August 31, 2010 for the Fund were as follows:

| | Number of contracts | Premiums |
|---|---------------------------|------------|
| Options outstanding at November 30, 2009 | - | \$ - |
| Options written | 2,519 | 594,976 |
| Options expired | (500) | (48,642) |
| Options terminated in closing purchase transactions | (870) | (384,121) |
| Options outstanding at August 31, 2010 | 1,149 | \$ 162,213 |

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 reference 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 August 31, 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 August 31, 2010, the aggregate unrealized appreciation of credit default swaps was \$3,650. If a credit event had occurred for all swap transactions where collateral posting was required as of August 31, 2010, the swaps' credit-risk-related contingent features would have been triggered and the Fund would have been required to pay \$235,000 less the value of the contracts' related reference obligations.

As disclosed in the footnotes to the schedule of investments, at August 31, 2010, the notional value of the protection sold was \$90,000, 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 had 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 or risk of default or other credit event occurring as defined under the terms of the agreement. At August 31, 2010, the net unrealized appreciation of the protection sold was \$18.

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Credit default swaps may involve greater risks than if the Fund had invested in the referenced 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 each 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 statement of net assets.

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Fair values of derivative instruments as of August 31, 2010 were as follows:

| | Asset Derivatives Schedule of Investments | Fair Value | Liability Derivatives Schedule of Investments | Fair Value |
|--|--|------------------|--|---------------|
| | Location | | Location | |
| Foreign exchange contracts (Forward currency contracts) | Receivables and other assets net of liabilities | \$ 43,503 | Liabilities net of receivables and other assets | \$ - |
| Credit contracts (Swaps contracts) | Receivables and other assets net of liabilities | 3,650 | Liabilities net of receivables and other assets | - |
| Written Options (Options) | Receivables and other assets net of liabilities | 13,369 | Liabilities net of receivables and other assets | - |
| Total | | \$ 60,522 | | \$ - |

The effect of derivative instruments on the statements of operations for the period ended August 31, 2010 was a follows:

| | Location of Gain or Loss on Derivatives Recognized in Income | Realized Gain or 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 | \$ (107,707) | \$ 42,543 |
| Credit contracts (Swaps contracts) | Net realized loss on swap contracts and net change in unrealized appreciation/depreciation of investments and foreign currencies | 1,835 | 3,650 |
| | Net realized loss on swap contracts and net change in unrealized appreciation/depreciation | | |

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| | | | |
|---------------------------|--|-----------|-----------|
| Written Options (Options) | of investments and foreign currencies | 150,191 | 13,369 |
| Total | | \$ 44,319 | \$ 59,562 |

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 on any business day the aggregate market value of securities collateral plus cash collateral held 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 by the end of the following business day which, together with the collateral already held, will be not less than the applicable collateral requirements for such security loan. If the aggregate market value of securities collateral and cash collateral held with respect to a security loan exceeds the applicable collateral requirement, upon the request of the borrower BNY Mellon must return enough collateral to the borrower by the end of the following business day to reduce the value of the remaining collateral to the applicable collateral requirement for such security loan. As a result of the foregoing, the value of the collateral held with respect to a loaned security may be temporarily more or less than the value of the security on loan.

Cash collateral received is generally invested in the BNY Mellon Securities Lending Overnight Fund (the "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 invest in U.S. government securities and high quality corporate debt, asset-backed and other money market securities and in repurchase agreements collateralized by such securities, provided that the Collective Trust will only hold such assets with a maturity of one business day or less ("Overnight Assets"). The Collective Trust seeks to maintain a net asset value per unit of \$1.00, but there can be no assurance that it 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 or another collateral investment pool. This could occur if an investment in a collateral investment pool defaulted or if it were necessary to liquidate assets in the collateral investment pool to meet returns on outstanding security loans at a time when the collateral investment pool's net asset value per unit was less than \$1.00. Under those circumstances, the Fund may not receive an amount from the collateral investment pool 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. Effective April 20, 2009, BNY Mellon transferred the assets of the Fund's previous collateral investment pool other than cash and Overnight Assets to the BNY Mellon SL DBT II Liquidating Fund (the "Liquidating Fund"), effectively bifurcating the previous collateral investment pool. The Fund's exposure to the Liquidating Fund is expected to decrease as the Liquidating Fund's assets mature or are sold. In October 2008, BNY Mellon transferred certain distressed securities from the previous collateral investment pool 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 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.

At August 31, 2010, the value of securities on loan was \$13,719,351, for which the Fund received collateral, comprised of securities collateral valued at \$27,404, and cash collateral of \$14,212,795. At August 31, 2010, the value of invested collateral was \$13,888,704. 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 Standard & Poor's Rating Group and/or Ba or lower by Moody's Investors Service. 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 the Fund's yield to maturity. If the underlying mortgage assets experience greater than anticipated prepayments of principal, the 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 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 August 31, 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, 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. Subsequent Events

Management has determined no material events or transactions occurred subsequent to August 31, 2010 that would require recognition or disclosure in the Fund's schedule of investments.

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:
