

DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC
Form N-CSR
February 04, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT
INVESTMENT COMPANIES

Investment Company Act file number: 811-07460

Exact name of registrant as specified in charter:
Delaware Investments Dividend and Income Fund, Inc.

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: November 30, 2007

Item 1. Reports to Stockholders

Annual Report

Delaware Investments Dividend and Income Fund, Inc.

November 30, 2007

Closed-end

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Funds are not FDIC insured and are not guaranteed. It is possible to lose the principal amount invested.

Mutual fund advisory services provided by Delaware Management Company, a series of Delaware Management Business Trust, which is a registered investment advisor.

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Portfolio management review

Delaware Investments Dividend and Income Fund, Inc.

Dec. 11, 2007

The managers of Delaware Investments Dividend and Income Fund, Inc. provided the answers to the questions below as a review of the Fund's activities for the fiscal year that ended Nov. 30, 2007.

How would you describe the investment environment during the year ended Nov. 30, 2007?

Stocks turned in only moderate gains during the past year, in the face of a slowing economy, declining corporate earnings growth, and a weaker housing market. Equity markets rose steadily early in the period. The sanguine conditions were interrupted, however, by a brief but sharp correction in late February and early March, as investors around the globe came to terms with weaker-than-expected economic data in the U.S.

Stocks recovered throughout the spring, but conditions deteriorated during summer months as investors, already nervous about rising energy prices and other pressures on consumer spending, began to focus more intently on the difficult conditions for homeowners and homebuilders. Falling home prices and rising interest rates triggered an increase in mortgage defaults and substantial losses for banks and home lenders. Financial institutions that had invested in securities backed by the riskiest loans faced some of the steepest losses overall. Lenders responded by dramatically tightening their borrowing requirements.

In this environment, nervous investors fled the stock market between mid-July and mid-August, while the bond market also went through a severe period of stagnation over several weeks in the summer.

Equity markets staged a temporary recovery in September after the Federal Reserve cut interest rates several times. The Fed's interest rate cuts weren't enough to satisfy investor anxiety, however. Markets fell sharply again during the fiscal period's final month, overcome by losses associated with the subprime mortgage crisis, as well as potentially meager consumer spending.

After several years of strong performance, REITs underperformed other stocks for the period. The FTSE NAREIT Equity REITs Index (which tracks the performance of U.S. REITs) returned -12.62% for one year ended Nov. 30, 2007.

Noninvestment grade, high yield bonds managed a positive performance of 2.69% for the same one-year period, despite the severe market conditions in August and a focus by investors on higher-quality investments as the year progressed (source: Lehman Brothers).

How did the Fund perform during the 12 months ended Nov. 30, 2007?

For its fiscal year ended Nov. 30, 2007, Delaware Investments Dividend and Income Fund, Inc. returned -0.94% at net asset value (NAV) and -5.99% at market value (MV) (both figures reflect reinvestment of all distributions). For the complete, annualized performance of Delaware Investments Dividend and Income Fund, Inc., please see the table on page 4. By comparison, the Fund's all-equity benchmark — the S&P 500 Index — advanced 7.72% for the same period (the index does not have a market value). The Fund's peer group, as measured by the Lipper Closed-end Income and Preferred Stock Funds Average, returned -6.26% at NAV and -11.25% at MV over that period.

What factors influenced the Fund's fiscal year performance?

As a whole, the Fund underperformed its benchmark. One noteworthy reason for the underperformance was the Fund's allocation to REITs. One of the primary strategies employed by this income-oriented fund is to invest in REITs for both their relatively high income potential and low correlation with other Fund assets. REITs as an asset class significantly underperformed the broad U.S. stock market during the period. REITs are not well represented in the S&P 500 Index; consequently, underperformance by REITs tends to serve as a drag on fund performance versus the benchmark. Further contributing to

The views expressed are current as of the date of this report and are subject to change.

(continues) 1

Portfolio management review

Delaware Investments Dividend and Income Fund, Inc.

underperformance were the Fund's domestic large-cap value equity holdings, where performance trailed the broad stock market as represented by the S&P 500 Index.

The Fund did pick up a measure of performance versus the S&P 500 Index from various individual holdings and sectors across the portfolio. Listed below are some positive and negative influences on performance, including individual holdings, within significant areas of the Fund's investment portfolio.

Domestic equity

In the equity portion of the Fund, an underweight allocation in the energy sector had a negative impact on performance as rising commodity prices propelled energy sector shares during the period. Likewise, an underweight position versus the S&P 500 Index (which we use as our benchmark index for equity sector weightings) in the cyclically-oriented industrials sector detracted from Fund returns. Disappointing stock selection in the consumer discretionary sector also hurt Fund returns relative to the performance benchmark.

Our decision to underweight companies within the financial sector helped the Fund's performance, since financial companies as a whole were negatively impacted by the subprime mortgage crisis. Yet, several of our individual financial services holdings still hurt performance.

We generally sought to reduce risk within the Fund. We believed a more defensive posture was best in light of slowing economic and corporate earnings growth. In general, we favored stocks with higher dividend yields, lower valuations, and potential for more predictable earnings over time.

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We were overweight versus the S&P 500 Index in healthcare, telecommunication services and, for part of the period, consumer staples stocks because we believe company earnings within these sectors have tended to be relatively stable when the economy has experienced a slowdown. We were underweight in cyclical (economically sensitive) sectors such as energy and industrials. Finally, we continued to focus on undervalued companies with stronger balance sheets, whose increased financial flexibility can be valuable to investors during difficult economic times.

With respect to specific securities, our investment in Washington Mutual, whose business is heavily tied to mortgage lending, detracted from performance. Midwest-based bank Huntington Bancshares was another disappointment. We believe the combination of challenging interest rate conditions in recent years, along with its exposure to the slower mid-west economy and troubled U.S. auto industry conspired to hurt Huntington's stock price.

The Fund's healthcare investments, including Merck and Baxter International, contributed to performance. Pharmaceutical maker Merck has benefited from a strong pipeline of promising new products and exceeded analysts' relatively low earnings expectations. We exited our position in Merck during the fiscal year. Baxter International performed well thanks to growing sales and earnings.

REITs

As part of its strategy aimed at generating income from multiple asset types, Delaware Investments Dividend and Income Fund, Inc. held a significant allocation in equity REITs, an asset class that struggled this year, detracting from Fund performance compared to the S&P 500 Index.

REITs were relatively stable at the outset, but their stock prices fell sharply through most of 2007. During the five years leading up to this slowdown, domestic REITs enjoyed annual compound returns exceeding 20%, outperforming all major domestic stock indices.* REIT returns in these prior periods were fueled by historically low interest rates and massive injections of liquidity engineered by the Federal Reserve as it sought to stimulate the economy. The actions created a boom in residential real estate markets. In REIT markets, this led to a major inflow of capital, fueling acquisitions and privatizations and pushing valuations ever higher. By February 2007, the REIT market had peaked, with valuations hitting all-time highs.

*Instances of high double-digit returns are unusual, cannot be sustained, and were achieved primarily during favorable market conditions.

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The downturn that followed was spurred by surging default rates on subprime mortgages. These defaults were accompanied by softening home sales, failing mortgage companies, and dramatic write-downs by major investment and money-center banks. The result was a tightening of credit standards and a drying up of the liquidity that had fueled acquisition and buyout activity earlier in the period.

Office REITs, such as Alexandria Real Estate Equities, helped us post positive results in a sector that experienced a setback during the period. Our outperformance was greatly enhanced by the takeover of Hilton Hotels.

Our weakest contributors included: Apartment Investment and Management Company, Starwood Hotels and Resorts, Brandywine Realty Trust, Mack-Cali Realty, and Duke Realty. We sold Brandywine, Mack-Cali and Duke because we anticipated declines in suburban office fundamentals such as increased supply, weaker job growth, and slowing rent growth. Sectors in which our stock picks detracted included specialty and diversified.

High yield fixed income

With regard to the Fund's high yield fixed income investments, the higher credit quality sectors (e.g., BB-rated bonds in particular) outperformed lower credit quality sectors (CCC-rated bonds) during the fiscal period. The high yield sectors that contributed to performance were integrated energy, health insurance, and life insurance. The worst-performing areas of the market were home builders, brokerage, and financials. We believe the subprime crisis contributed to a deterioration in liquidity in the high yield market and a negative trend in technicals. This caused an almost complete cessation of new-deal issuance in July and a pronounced deterioration in secondary market trading. This situation was exacerbated by the \$350 billion backlog of leverage buyout (LBO)

financing that has yet to be issued. Furthermore, issuance of collateralized loan obligations all but dried up, making it more difficult to issue the bank-loan portion of the LBO calendar. During September, liquidity improved and there was a resurgence in the new-issue market for existing high yield companies, as some seasoned issuers brought to market bond deals that were well received.

We generally favored B-rated credits over higher-quality credits, given the additional yield compensation for the risk accepted. The utility, energy, and capital goods sectors were the strongest relative contributors to performance.

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Performance summary

Delaware Investments Dividend and Income Fund, Inc.

The performance data quoted represent past performance; past performance does not guarantee future results. Investment return and principal value will fluctuate so your shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Funds that invest in bonds can lose their value as interest rates rise, and an investor can lose principal. Please obtain the performance data for the most recent month end by calling 800 523-1918.

A rise or fall in interest rates can have a significant impact on bond prices and the net asset value (NAV) of the Fund.

Fund performance

Average annual total returns

Through Nov. 30, 2007

	1 year	5 years	10 years	Lifetime
At market price	-5.99%	+12.23%	+5.99%	+8.47%
At net asset value	-0.94%	+14.35%	+7.15%	+9.74%

High yielding noninvestment grade bonds (["junk bonds"]) involve higher risk than investment grade bonds. Adverse conditions may affect the issuer's ability to pay interest and principal on these securities.

Funds that invest in REITs are subject to many of the risks associated with direct real estate ownership and, as such, may be adversely affected by declines in real-estate values and general and local economic conditions.

Diversification does not assure a profit or protect against loss in a declining market.

Returns reflect reinvestment of all distributions. Dividends and distributions, if any, are assumed, for the purpose of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment policy. Shares of the Fund were initially offered with a sales charge of 6%. Performance since inception does not include the sales charge or any brokerage commissions for purchases made since inception. Past performance is not a guarantee of future results.

The performance table above and the graph on page 5 do not reflect the deduction of taxes the shareholder would pay on Fund distributions or sales of Fund shares.

Fund basics

As of Nov. 30, 2007

Fund objective

The Fund seeks to achieve high current income. Capital appreciation is a secondary objective.

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Total Fund net assets

\$124 million

Number of holdings

347

Fund start date

March 26, 1993

NYSE symbol

DDF

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Market price versus net asset value

Nov. 30, 2006, through Nov. 30, 2007

	Starting value (Nov. 30, 2006)	Ending value (Nov. 30, 2007)
— Delaware Investments Dividend and Income Fund, Inc. @ NAV	\$14.20	\$11.85
— Delaware Investments Dividend and Income Fund, Inc. @ Market Price	\$13.46	\$10.66

Past performance is not a guarantee of future results.

Performance of a \$10,000 Investment

Nov. 30, 1997, through Nov. 30, 2007

	Starting value (Nov. 30, 1997)	Ending value (Nov. 30, 2007)
' Delaware Investments Dividend and Income Fund, Inc. @ NAV	\$10,000	\$19,924
' Delaware Investments Dividend and Income Fund, Inc. @ Market Price	\$10,000	\$17,899
' Lipper Closed-end Income and Preferred Stock Funds Average @ Market Price	\$10,000	\$17,879
' Lipper Closed-end Income and Preferred Stock Funds Average @ NAV	\$10,000	\$17,420

The chart assumes \$10,000 invested in the Fund on Nov. 30, 1997, and includes the reinvestment of all distributions at market value. The chart assumes \$10,000 invested in the Lipper Closed-end Income and Preferred Stock Funds Average at market price and at NAV. Performance of the Fund and the Lipper class at market value is based on market performance during the period. Performance of the Fund and Lipper class at NAV is based on the fluctuations in NAV during the period. Delaware Investments Dividend and Income Fund, Inc. was initially offered with a sales charge of 6%. Performance does not include fees, the initial sales charge, or any brokerage commissions for purchases. Investments in the Fund are not available at NAV.

Lipper Closed-end Income and Preferred Stock Funds Average represents the average return of closed-end income and preferred stock mutual funds tracked by Lipper (source: Lipper). You cannot invest directly in an

index.

Past performance is not a guarantee of future results.

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Sector allocation and top 10 equity holdings

Delaware Investments Dividend and Income Fund, Inc.

As of November 30, 2007

Sector designations may be different than the sector designations presented in other Fund materials.

Sector	Percentage of Net Assets
Common Stock	80.72%
Consumer Discretionary	5.82%
Consumer Staples	8.43%
Diversified REITs	0.38%
Energy	3.96%
Financials	11.54%
Health Care	10.04%
Health Care REITs	2.67%
Hotel REITs	1.40%
Industrial REITs	2.89%
Industrials	5.13%
Information Technology	9.47%
Mall REITs	4.14%
Manufactured Housing REITs	0.55%
Materials	1.87%
Mortgage REITs	0.24%
Multifamily REITs	1.75%
Office REITs	2.48%
Self-Storage REITs	0.83%
Shopping Center REITs	0.79%
Specialty Retail	0.47%
Telecommunications	3.66%
Utilities	2.21%
Convertible Preferred Stock	4.05%
Automobiles & Automotive Parts	0.20%
Banking, Finance & Insurance	0.93%
Basic Materials	0.70%
Cable, Media & Publishing	0.27%
Energy	0.55%
Health Care & Pharmaceuticals	0.33%
Telecommunications	0.32%
Utilities	0.75%
Preferred Stock	2.72%
Leisure, Lodging & Entertainment	0.72%

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Real Estate	2.00%
Convertible Bonds	11.61%
Aerospace & Defense	0.88%
Banking, Finance & Insurance	0.22%
Cable, Media & Publishing	0.43%
Computers & Technology	3.58%
Energy	1.41%
Health Care & Pharmaceuticals	1.87%
Leisure, Lodging & Entertainment	0.31%
Real Estate	0.72%
Retail	0.58%
Telecommunications	0.76%
Transportation	0.53%
Utilities	0.32%
Corporate Bonds	29.50%
Basic Industries	2.66%
Brokerage	0.41%
Capital Goods	1.71%
Consumer Cyclical	3.54%
Consumer Non-Cyclical	1.42%
Energy	4.13%
Finance & Investments	0.50%
Media	3.09%
Real Estate	0.46%
Services Cyclical	3.84%
Services Non-Cyclical	1.77%
Technology & Electronics	0.39%
Telecommunications	3.77%
Utilities	1.81%
Senior Secured Loans	3.70%
Warrant	0.00%
Discount Note	2.37%
Securities Lending Collateral	14.28%
Total Value of Securities	148.95%
Obligation to Return Securities Lending Collateral	(14.28%)
Borrowing Under Line of Credit	(16.14%)
Commercial Paper Payable	(19.31%)
Receivables and Other Assets Net of Liabilities	0.78%
Total Net Assets	100.00%

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Holdings are for informational purposes only and are subject to change at any time. They are not a recommendation to buy, sell, or hold any security.

	Percentage of Net Assets
Top 10 Equity Holdings	
Simon Property Group	2.30%

Gap	2.22%
Progress Energy	2.20%
Abbott Laboratories	2.20%
Baxter International	2.17%
Safeway	2.10%
Chubb	2.09%
Heinz (H.J.)	2.08%
Chevron	2.02%
Hartford Financial Services Group	2.00%

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Statement of net assets

Delaware Investments Dividend and Income Fund, Inc.

November 30, 2007

	Number of Shares	Value
Common Stock \square 80.72%		
Consumer Discretionary \square 5.82%		
\square Avado Brands	1,390	\$ 0
Gap	135,000	2,754,000
Limited Brands	91,200	1,831,296
Mattel	101,200	2,021,976
Starwood Hotels & Resorts Worldwide	11,300	606,584
\square Time Warner Cable Class A	7	182
		7,214,038
Consumer Staples \square 8.43%		
B&G Foods Class A	40,900	437,221
Heinz (H.J.)	54,400	2,573,120
*Kimberly-Clark	34,700	2,422,407
Kraft Foods Class A	69,800	2,411,590
Safeway	74,800	2,603,040
		10,447,378
Diversified REITs \square 0.38%		
*iStar Financial	16,000	468,320
		468,320
Energy \square 3.96%		
Chevron	28,500	2,501,445
ConocoPhillips	30,100	2,409,204
		4,910,649
Financials \square 11.54%		
Allstate	45,400	2,320,848
Chubb	47,400	2,585,669
Discover Financial Services	125,300	2,176,461
Hartford Financial Services Group	26,000	2,478,320
Highland Distressed Opportunities	20,800	196,768
Huntington Bancshares	28,500	447,165
Morgan Stanley	38,700	2,040,264

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Wachovia	8,200	352,600
*Washington Mutual	87,100	1,698,450
		14,296,545
Health Care □ 10.04%		
Abbott Laboratories	47,300	2,720,223
Baxter International	45,000	2,694,150
Bristol-Myers Squibb	81,700	2,420,771
Pfizer	101,000	2,399,760
Wyeth	45,000	2,209,500
		12,444,404
Health Care REITs □ 2.67%		
Health Care Property Investors	23,500	786,075
*Health Care REIT	9,500	425,695
*Medical Properties Trust	33,700	378,114
*Nationwide Health Properties	22,000	688,160
*Ventas	23,600	1,028,960
		3,307,004
Hotel REITs □ 1.40%		
Ashford Hospitality Trust	33,700	260,838
Hersha Hospitality Trust	94,300	959,974
Host Hotels & Resorts	27,100	520,049
		1,740,861
Industrial REITs □ 2.89%		
*AMB Property	21,900	1,339,404
First Potomac Realty Trust	13,400	252,724
ProLogis	30,500	1,995,310
		3,587,438
Industrials □ 5.13%		
*Donnelley (R.R.) & Sons	58,900	2,159,415
Genesis Lease ADR	51,000	943,500
Grupo Aeroportuario del Centro Norte ADR	10,200	276,114
*Macquarie Infrastructure	12,800	515,840
□Northwest Airlines	191	3,464
□@□=Port Townsend	350	218,400
Waste Management	65,400	2,244,528
		6,361,261
Information Technology □ 9.47%		
Hewlett-Packard	47,200	2,414,752
Intel	93,000	2,425,440
*International Business Machines	21,100	2,219,298
Motorola	145,700	2,326,829
*Xerox	139,100	2,348,008
		11,734,327
Mall REITs □ 4.14%		
General Growth Properties	25,706	1,193,787
Macerich	14,000	1,087,100
Simon Property Group	28,900	2,845,205
		5,126,092
Manufactured Housing REITs □ 0.55%		
Equity Lifestyle Properties	11,200	519,568
*Sun Communities	6,700	164,016
		683,584
Materials □ 1.87%		
duPont (E.I.) deNemours	50,200	2,316,730
		2,316,730

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Mortgage REITs □ 0.24%		
□Chimera Investment	19,000	294,690
		294,690
Multifamily REITs □ 1.75%		
*American Campus Communities	14,500	374,970
*Apartment Investment & Management		
Camden Property Trust	16,600	660,182
Equity Residential	7,300	384,053
	20,000	744,200
		2,163,405
Office REITs □ 2.48%		
*Alexandria Real Estate Equities	8,900	874,247
Duke Realty	17,100	449,559
Highwoods Properties	10,900	345,857
*Parkway Properties	15,000	593,550
PS Business Parks	8,500	458,575
SL Green Realty	3,400	353,260
		3,075,048

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	Number of Shares	Value
Common Stock (continued)		
Self-Storage REITs □ 0.83%		
Public Storage	13,300	\$ 1,028,622
		1,028,622
Shopping Center REITs □ 0.79%		
Cedar Shopping Centers	44,500	520,650
*Equity One	12,500	295,875
Ramco-Gershenson Properties		
	6,400	161,920
		978,445
Specialty Retail □ 0.47%		
*Entertainment Properties Trust	11,000	586,190
		586,190
Telecommunications □ 3.66%		
AT&T	58,500	2,235,285
□Century Communications	500,000	325
Verizon Communications	53,100	2,294,451
		4,530,061
Utilities □ 2.21%		
*□Mirant	189	7,294
Progress Energy	55,900	2,729,038
		2,736,332
Total Common Stock		100,031,424
(cost \$87,905,276)		
Convertible Preferred Stock		
□ 4.05%		
Automobiles & Automotive Parts □ 0.20%		
General Motors 5.25%		

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exercise price \$64.90, expiration date 3/6/32	12,225	244,133 244,133
Banking, Finance & Insurance		
□ 0.93%		
Aspen Insurance 5.625%		
exercise price \$29.28, expiration date		
12/31/49	8,800	492,800
•Citigroup Funding 4.583%		
exercise price \$29.50, expiration date		
9/27/08	19,000	495,329
XL Capital 7.00%		
exercise price \$80.59, expiration date		
2/15/09	8,000	171,360 1,159,489
Basic Materials □ 0.70%		
Freeport-McMoRan Copper &		
Gold 6.75%		
exercise price \$73.50, expiration date 5/1/10	2,700	394,200
Huntsman 5.00%		
exercise price \$27.90, expiration date		
2/16/08	9,900	476,438 870,638
Cable, Media & Publishing □ 0.27%		
#Interpublic Group 144A		
5.25% exercise price \$13.66, expiration date		
12/31/49	360	332,595 332,595
Energy □ 0.55%		
Chesapeake Energy		
4.50% exercise price \$44.17, expiration date		
12/31/49	3,650	384,163
El Paso Energy Capital Trust I		
4.75% exercise price \$41.59, expiration date		
3/31/28	5,250	206,850
McMoRan Exploration		
6.75% exercise price \$12.40, expiration date		
11/15/10	1,000	96,000 687,013
Health Care & Pharmaceuticals □ 0.33%		
Schering-Plough 6.00%		

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exercise price \$33.69, expiration date 8/13/10	1,500	405,938 405,938
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Telecommunications □ 0.32%

Lucent Technologies Capital Trust I 7.75% exercise price \$24.80, expiration date 3/15/17	425	394,134 394,134
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Utilities □ 0.75%

Entergy 7.625% exercise price \$87.46, expiration date 2/17/09	6,750	482,625
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NRG Energy 5.75% exercise price \$30.23, expiration date 3/16/09	1,225	450,494 933,119
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**Total Convertible Preferred
Stock**

(cost \$4,710,702) **5,027,059**

Preferred Stock □ 2.72%

Leisure, Lodging & Entertainment □ 0.72% Red Lion Hotels Capital Trust 9.50%	36,249	891,725 891,725
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Real Estate □ 2.00%

*Equity Inns Series B 8.75% SL Green Realty 7.625%	34,400 77,100	638,550 1,840,377 2,478,927
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Total Preferred Stock

(cost \$3,693,725) **3,370,652**

Principal
Amount

Convertible Bonds □ 11.61%

Aerospace & Defense □ 0.88% #AAR 144A 1.75% 2/1/26 exercise price \$29.43, expiration date 2/1/26	\$ 260,000	335,075
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EDO 4.00% 11/15/25 exercise price \$34.19, expiration date 11/15/25	235,000	392,156
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#L-3 Communications 144A 3.00% 8/1/35 exercise price \$101.70, expiration date 8/1/35	290,000	361,413 1,088,644
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Statement of net assets

Delaware Investments Dividend and Income Fund, Inc.

	Principal Amount	Value
Convertible Bonds (continued)		
Banking, Finance & Insurance □ 0.22%		
•#U.S. Bancorp 144A		
3.838% 9/20/36		
exercise price \$38.28,		
expiration date 9/20/36	\$ 275,000	\$ 275,743
		275,743
Cable, Media & Publishing □ 0.43%		
#Playboy Enterprises 144A		
3.00% 3/15/25 exercise price		
\$17.02, expiration date 3/15/25	600,000	534,750
		534,750
Computers & Technology □ 3.58%		
Advanced Micro Devices		
6.00% 5/1/15		
exercise price \$28.08,		
expiration date 5/1/15	230,000	183,713
#Advanced Micro Devices 144A		
6.00% 5/1/15		
exercise price \$28.08,		
expiration date 5/1/15	450,000	359,438
Euronet Worldwide		
3.50% 10/15/25		
exercise price \$40.48,		
expiration date 10/15/25	405,000	439,931
Fairchild Semiconductor		
5.00% 11/1/08		
exercise price \$30.00,		
expiration date 11/1/08	410,000	407,950
Flextronics International		
1.00% 8/1/10		
exercise price \$15.53,		
expiration date 8/1/10	400,000	408,000
Hutchinson Technology		
3.25% 1/15/26		
exercise price \$36.43,		
expiration date 1/15/26	340,000	331,075
#Informatica 144A 3.00% 3/15/26		
exercise price \$20.00,		
expiration date 3/15/26	510,000	566,737
#Intel 144A 2.95% 12/15/35		
exercise price \$31.53,		
expiration date 12/15/35	255,000	272,850

*ON Semiconductor

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2.625% 12/15/26		
exercise price \$10.50,		
expiration date 12/15/26	575,000	645,437
SanDisk 1.00% 5/15/13		
exercise price \$82.36,		
expiration date 5/15/13	280,000	237,300
#Sybase 144A 1.75% 2/22/25		
exercise price \$25.22,		
expiration date 2/22/25	500,000	578,124
		4,430,555
Energy □ 1.41%		
Halliburton 3.125% 7/15/23		
exercise price \$18.76,		
expiration date 7/15/23	250,000	491,250
*Peabody Energy		
4.75% 12/15/41		
exercise price \$58.45,		
expiration date 12/15/41	280,000	336,700
Pride International 3.25% 5/1/33		
exercise price \$25.70,		
expiration date 5/1/33	230,000	307,050
Schlumberger 2.125% 6/1/23		
exercise price \$40.00,		
expiration date 6/1/23	260,000	609,700
		1,744,700
Health Care & Pharmaceuticals □ 1.87%		
#Allergan 144A 1.50% 4/1/26		
exercise price \$63.33,		
expiration date 4/1/26	415,000	503,706
Amgen 0.375% 2/1/13		
exercise price \$79.48,		
expiration date 2/1/13	235,000	220,019
#Amgen 144A 0.375% 2/1/13		
exercise price \$79.48,		
expiration date 2/1/13	165,000	154,481
•Bristol-Myers Squibb		
5.194% 9/15/23		
exercise price \$41.28,		
expiration date 9/15/23	300,000	298,800
CV Therapeutics 3.25% 8/16/13		
exercise price \$27.00,		
expiration date 8/16/13	125,000	101,719
LifePoint Hospitals		
3.50% 5/15/14		
exercise price \$51.79,		
expiration date 5/14/14	110,000	100,650
Teva Pharmaceutical Finance		
0.25% 2/1/26		
exercise price \$47.06,		
expiration date 2/1/26	345,000	354,488
*•Wyeth 4.886% 1/15/24		
exercise price \$60.09,		

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expiration date 1/15/24	550,000	587,493
		2,321,356
Leisure, Lodging & Entertainment □		
0.31%		
#International Game Technology		
144A 2.60% 12/15/36		
exercise price \$61.78,		
expiration date 12/15/36	375,000	382,031
		382,031
Real Estate □ 0.72%		
#General Growth Properties 144A		
3.98% 4/15/27		
exercise price \$88.72,		
expiration date 4/15/27	445,000	384,369

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	Principal Amount	Value
Convertible Bonds (continued)		
Real Estate (continued)		
Health Care REIT 4.75% 12/1/26		
exercise price \$47.82,		
expiration date 12/1/26	\$ 255,000	\$ 270,619
MeriStar Hospitality 9.50% 4/1/10		
exercise price \$10.18,		
expiration date 4/1/10	230,000	236,095
		891,083
Retail □ 0.58%		
Pantry 3.00% 11/15/12		
exercise price \$50.10,		
expiration date 11/15/12	180,000	165,375
#Saks 144A 2.00% 3/15/24		
exercise price \$11.97,		
expiration date 3/15/24	160,000	282,800
#United Auto Group 144A		
3.50% 4/1/26		
exercise price \$23.69,		
expiration date 4/1/26	260,000	275,600
		723,775
Telecommunications □ 0.76%		
Level 3 Communications		
3.50% 6/15/12		
exercise price \$5.46,		
expiration date 6/15/12	165,000	150,563
NII Holdings 3.125% 6/15/12		
exercise price \$118.32,		
expiration date 6/15/12	410,000	363,874
#Nortel Networks 144A		
1.75% 4/15/12		
exercise price \$32.00,		
expiration date 4/15/12	115,000	96,744

2.125% 4/15/14