

Delaware Investments

One Commerce Square, 2005 Market Street  
Philadelphia, Pennsylvania 19103

Style: Short Term Fixed Income  
Sub-Style: Short Term Government  
Firm AUM: \$249.0 billion  
Firm Strategy AUM: \$164.0 million

Year Founded: 1929  
GIMA Status: Approved  
Firm Ownership: Macquarie Group Ltd.  
Professional-Staff: 362^

PRODUCT OVERVIEW
<p>Delaware Investments's short term government fixed income investment strategy seeks to improve returns on core cash holdings or short maturity investments. The manager's focus and seeks to maximize total return with "AAA" quality U.S. Treasury and U.S. Agency issues employed. Delaware utilizes a top-down philosophy in managing its short term government fixed income product. Value is added through several sources, but centers on sector allocation and yield curve positioning. Portfolio holdings are rotated between U.S. Treasuries and U.S. Agencies based on which sector is deemed to offer the best total return. Second, portfolio maturities are adjusted to capture yield curve shifts. Third, portfolio durations are adjusted within a range of 1.0 and 2.3 years, depending whether the Federal Reserve is tightening or easing short-term interest rates. This product is most appropriate for investors seeking a low sensitivity of portfolio value to changes in interest rates.</p> <p><b>The portfolio characteristics, portfolio statistics, portfolio weightings, allocation history and top five holdings are based on a representative account managed by the investment manager in the same or a substantially similar investment discipline and/or on information that the manager has provided to Morgan Stanley. The performance data and related analyses are based on the performance of the investment manager's composite described on page 3.</b></p>

TARGET PORTFOLIO CHARACTERISTICS	
Number of bond holdings:	5 to 10
Average credit quality:	AAA
Average maturity:	0.2 to 2.5 years
Average duration:	0.0 to 2.2 years
Average coupon:	3.0 to 4.0%
Average turnover rate:	200 to 400%

PORTFOLIO STATISTICS	-----06/18-----	12/17	
	Delaware	Index***	Delaware
Number of bond holdings	21	—	41
SEC Yield	—	—	—
Avg credit quality	AAA	—	AAA
Avg maturity	3.04 yrs.	—	2.78 yrs.
Avg duration	2.09 yrs.	—	2.08 yrs.
Avg coupon	3.0%	—	2.8%

FIXED INCOME SECTOR DISTRIBUTION (%) ^	06/18	03/18	12/17	09/17
U.S. Treasury	68.25	62.86	55.33	57.81
Mortgage-Backed Securities	26.28	26.29	32.07	30.37
U.S. Agencies	8.49	7.86	7.98	7.97
Cash/Cash Equivalents	-3.02	2.99	4.62	3.85

^As of 09/30/2016. Information as of 06/30/2018 is not yet available.  
\*Total may not equal 100% due to rounding.  
\*\*\*Index : BC Gov 1-3 Yr

## MANAGER'S INVESTMENT PROCESS

- Through quantitative and fundamental analysis, the manager seeks to identify market trends
- The manager seeks to maintain portfolio durations near that of the Barclay's 1-3 Year Government Index by limiting portfolio durations to a range of 1-2.2 years
- Portfolios are rotated between AAA quality Treasuries and Agencies in response to yield spread changes
- The manager will alter portfolio maturities among bullet, blanket, and dumbbell strategies in an attempt to capture yield curve shifts
- All portfolios are managed on a team basis

## RISK CONSIDERATIONS

Investing in securities entails risks, including: Fixed Income securities may be sensitive to changes in prevailing interest rates. When rates rise the value generally declines. There is no assurance that the private guarantors or insurers will meet their obligations. U.S. Treasuries are guaranteed by the U.S. government and, if held to maturity, offer a fixed rate of return and fixed principal value. Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations. Value investing does not guarantee a profit or eliminate risk. Not all companies whose stocks are considered to be value stocks are able to turn their business around or successfully employ corrective strategies which would result in stock prices that do not rise as initially expected.

## PORTFOLIO'S MATURITY STRUCTURE (%) \*

	06/18	03/18	12/17	09/17
0 to 2 Years	48.25	45.06	43.48	47.46
2 to 4 Years	18.93	16.74	11.54	15.18
4 to 6 Years	35.84	35.21	40.36	33.50
6 to 8 Years	0.00	0.00	0.00	0.00
8 to 12 Years	0.00	0.00	0.00	0.00
12 to 17 Years	0.00	0.00	0.00	0.00
Over 17 Years	0.00	0.00	0.00	0.00
Cash/Cash Equivalents	-3.02	2.99	4.62	3.86

## PORTFOLIO'S CREDIT QUALITY STRUCTURE (%) \*

### Investment Grade

	06/18	03/18	12/17	09/17
AAA	103.02	100.00	100.00	100.00
AA	0.00	0.00	0.00	0.00
A	0.00	0.00	0.00	0.00
BBB	0.00	0.00	0.00	0.00

### Below Investment Grade

BB	0.00	0.00	0.00	0.00
B	0.00	0.00	0.00	0.00
Below B	0.00	0.00	0.00	0.00
Not Rated	0.00	0.00	0.00	0.00
Cash/Cash Equivalents	-3.02	0.00	0.00	0.00

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