

# Semiannual Report

SEPTEMBER 30, 2006

Ivy Balanced Fund

Ivy Bond Fund

Ivy Cundill Global Value Fund

Ivy Dividend Income Fund

Ivy European Opportunities Fund

Ivy Global Natural Resources Fund

Ivy International Fund

Ivy International Balanced Fund

Ivy International Value Fund

Ivy Mortgage Securities Fund

Ivy Pacific Opportunities Fund

Ivy Real Estate Securities Fund

Ivy Small Cap Value Fund

Ivy Value Fund



IVY FUNDS®

# CONTENTS

3	President's Letter
5	Illustration of Fund Expenses
13	Ivy Balanced Fund
28	Ivy Bond Fund
48	Ivy Cundill Global Value Fund
61	Ivy Dividend Income Fund
74	Ivy European Opportunities Fund
87	Ivy Global Natural Resources Fund
106	Ivy International Fund
121	Ivy International Balanced Fund
137	Ivy International Value Fund
152	Ivy Mortgage Securities Fund
171	Ivy Pacific Opportunities Fund
185	Ivy Real Estate Securities Fund
197	Ivy Small Cap Value Fund
210	Ivy Value Fund
223	Notes to Financial Statements
252	Report of Independent Registered Public Accounting Firm
254	Income Tax Information
255	Renewal of Investment Management Agreements
262	Proxy Voting Information
263	Quarterly Portfolio Schedule Information
264	IRA Disclosure

**This report is submitted for the general information of the shareholders of Ivy Funds. It is not authorized for distribution to prospective investors in the Funds unless preceded or accompanied by a current Ivy Funds prospectus and current performance information.**

# President's Letter

September 30, 2006

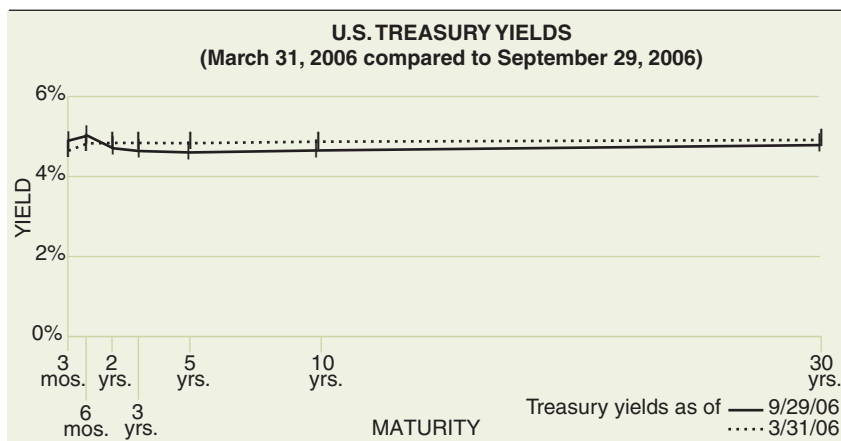


DEAR SHAREHOLDER:

Enclosed is our report on your Fund's operations for the six months ended September 30, 2006. It has been an especially volatile period. Overall, stock prices rose as energy prices fell and the U.S. housing market deteriorated. The S&P 500 Index advanced 4.14 percent, led by telecommunications and financial stocks. Energy stocks were the weakest performers during the period. International stocks also posted solid gains, as the Morgan Stanley Capital International EAFE Index climbed 4.66 percent.

## The Fed pauses. The world does not.

Bond yields climbed and prices declined for much of the past six months as central banks around the world continued to tighten monetary policies. In August, however, the Federal Reserve ended a two-year long streak of boosting short-term U.S. interest rates amid signs that inflation was easing. This helped ignite a modest summer rebound in the U.S. fixed income market. The Citigroup Broad Investment Grade Index returned 3.73 percent for the period. For investors, the difference in income potential between money market securities (those maturing in



Source: Bloomberg. Past performance does not guarantee future results. Yields shown fluctuate daily and are not representative of the income potential of a specific mutual fund.

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less than a year) and taxable bonds that mature in 10 to 30 years narrowed. As of September 30, 2006, three-month and six-month U.S. Treasury bills yielded slightly more than 30-year bonds, on average. Such a pattern is generally associated with a slowdown in economic growth. Consumers appear to be growing wary of spending to excess as home “for sale” signs have become about as difficult to remove from lawns as dandelions, and as numerous.

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### Energy prices hit record, then slide.

The cost of energy has been one of the top economic stories since March. Oil and gasoline prices all reached record highs, only to fall back during the summer as energy stockpiles reached greater-than-expected levels and the U.S. hurricane season was mild. At its peak this past July, oil reached \$78.40 a barrel, a nearly eight-fold increase from 1986, and more than double the price just three years ago. Gasoline, peaking at over \$3 per gallon in the spring, had fallen to about \$2.25 as of this writing.

We believe that, over the longer term, the cost of energy will resume an upward path. There’s just too much long-term global demand relative to known reserves, in our opinion, especially in rapidly growing countries such as China and India. Also, our appetite for hydrocarbons in the U.S. remains voracious. Global weather patterns and geopolitics appear to be calmer for the moment, but we feel there’s still ample long-term risk to oil

Respectfully,



Henry J. Herrmann, CFA  
President

The opinions expressed in this letter are those of the President of Ivy Funds, and are current only through the end of the period of the report, as stated on the cover. The President’s views are subject to change at any time, based on market and other conditions, and no forecasts can be guaranteed.

and gas supplies from the wrath of both nature and political extremism.

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### Profit growth appears less robust.

As energy prices have retreated, it appears that one of the chief engines for double-digit corporate profit growth for the S&P 500 may stall in the months ahead. Without the contribution of record oil company earnings, large company profits would have grown 8.2 percent in the past year, versus the reported 13 percent (Source: Bloomberg). We think that falling energy prices have both positive and negative implications for stocks. While it now means lower production and transportation costs for many companies and consumers, helping earnings of firms such as airlines, it is also a headwind for energy firms and utility earnings.

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### Plan ahead.

None of us can predict with certainty what the price of gas will be down the road, or pinpoint exactly what it will cost to heat and maintain our homes. What we can do, however, is plan as much as we can for the trip ahead – both our economic journey and our ongoing journey toward our financial goals. I firmly believe that with a personal financial plan, you and your financial advisor can build an effective road map to help you more efficiently meet the financial bumps and challenges ahead.

Thank you for your continued confidence in us as long-term stewards of your investments.

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# Illustration of Fund Expenses

As a shareholder of a Fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchase payments, redemption fees and exchange fees; and (2) ongoing costs, including management fees, distribution and service fees, and other Fund expenses. The following tables are intended to help you understand your ongoing costs (in dollars) of investing in a Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of \$1,000 invested at the beginning of the period and held for the six-month period ended September 30, 2006.

## Actual Expenses

The first line for each share class in the following tables provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, a \$7,500 account value divided by \$1,000 = 7.5), then multiply the result by the number in the first line under the heading entitled “Expenses Paid During Period” to estimate the expenses you paid on your account during this period. There may be additional fees charged to holders of certain accounts that are not included in the expenses shown in the tables. These fees apply to Individual Retirement Accounts (IRAs), IRA Rollovers, Roth IRAs, Conversion Roth IRAs, Simplified Employee Pension (SEP), Simple IRAs, Tax-Sheltered Accounts (TSAs), Keogh Plans, Owner Only 401(k) (Exclusive K) Plans and Final Pay Plans. As of the close of the six months covered by the tables, a customer is charged an annual fee of \$15 within each plan type. This fee is waived for IRA Rollovers and Conversion Roth IRAs if the customer owns another type of IRA. Coverdell Education Savings Account plans are charged an annual fee of \$10 per customer. You should consider the additional fees that were charged to your Fund account over the six-month period when you estimate the total ongoing expenses paid over the period and the impact of these fees on your ending account value as such additional expenses are not reflected in the information provided in the expense tables. Additional fees have the effect of reducing investment returns.

## Hypothetical Example for Comparison Purposes

The second line for each share class of the following tables provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds. Please note that the expenses shown in the tables are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads), redemption fees or exchange fees. Therefore, the second line of each share class in the tables is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

### Ivy Balanced Fund Expenses

	Beginning Account Value 3-31-06	Ending Account Value 9-30-06	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended September 30, 2006				
Based on Actual Fund Return <sup>(1)</sup>				
Class A .....	\$1,000	\$1,033.00	1.41%	\$ 7.22
Class B .....	1,000	1,027.90	2.42	12.27
Class C .....	1,000	1,028.50	2.18	11.06
Class Y .....	1,000	1,033.70	1.26	6.41
Based on 5% Return <sup>(2)</sup>				
Class A .....	\$1,000	\$1,017.98	1.41%	\$ 7.16
Class B .....	1,000	1,012.93	2.42	12.18
Class C .....	1,000	1,014.13	2.18	10.98
Class Y .....	1,000	1,018.73	1.26	6.36

### Ivy Bond Fund Expenses

	Beginning Account Value 3-31-06	Ending Account Value 9-30-06	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended September 30, 2006				
Based on Actual Fund Return <sup>(1)</sup>				
Class A .....	\$1,000	\$1,036.60	1.22%	\$ 6.21
Class B .....	1,000	1,030.70	2.35	11.98
Class C .....	1,000	1,032.00	2.10	10.67
Class Y .....	1,000	1,036.30	1.28	6.52
Based on 5% Return <sup>(2)</sup>				
Class A .....	\$1,000	\$1,018.94	1.22%	\$ 6.16
Class B .....	1,000	1,013.29	2.35	11.88
Class C .....	1,000	1,014.56	2.10	10.58
Class Y .....	1,000	1,018.67	1.28	6.46

See footnotes on page 12.

### Ivy Cundill Global Value Fund Expenses

	Beginning Account Value 3-31-06	Ending Account Value 9-30-06	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended September 30, 2006				
Based on Actual Fund Return <sup>(1)</sup>				
Class A .....	\$1,000	\$ 998.10	1.57%	\$ 7.89
Class B .....	1,000	994.10	2.47	12.36
Class C .....	1,000	995.40	2.23	11.17
Class Y .....	1,000	1,000.00	1.20	6.00
Class I .....	1,000	1,000.70	1.16	5.80
Advisor Class .....	1,000	1,001.30	1.06	5.30
Based on 5% Return <sup>(2)</sup>				
Class A .....	\$1,000	\$1,017.22	1.57%	\$ 7.97
Class B .....	1,000	1,012.69	2.47	12.48
Class C .....	1,000	1,013.89	2.23	11.28
Class Y .....	1,000	1,019.05	1.20	6.06
Class I .....	1,000	1,019.25	1.16	5.86
Advisor Class .....	1,000	1,019.76	1.06	5.35

### Ivy Dividend Income Fund Expenses

	Beginning Account Value 3-31-06	Ending Account Value 9-30-06	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended September 30, 2006				
Based on Actual Fund Return <sup>(1)</sup>				
Class A .....	\$1,000	\$1,020.60	1.38%	\$ 6.97
Class B .....	1,000	1,016.70	2.29	11.60
Class C .....	1,000	1,016.60	2.19	11.09
Class Y .....	1,000	1,021.10	1.31	6.67
Based on 5% Return <sup>(2)</sup>				
Class A .....	\$1,000	\$1,018.17	1.38%	\$ 6.96
Class B .....	1,000	1,013.59	2.29	11.58
Class C .....	1,000	1,014.10	2.19	11.08
Class Y .....	1,000	1,018.51	1.31	6.66

See footnotes on page 12.

### Ivy European Opportunities Fund Expenses

	Beginning Account Value 3-31-06	Ending Account Value 9-30-06	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended September 30, 2006				
Based on Actual Fund Return <sup>(1)</sup>				
Class A .....	\$1,000	\$1,017.90	1.68%	\$ 8.48
Class B .....	1,000	1,013.90	2.45	12.39
Class C .....	1,000	1,014.40	2.37	11.99
Class Y .....	1,000	1,018.80	1.48	7.47
Advisor Class .....	1,000	1,020.40	1.23	6.26
Based on 5% Return <sup>(2)</sup>				
Class A .....	\$1,000	\$1,016.67	1.68%	\$ 8.47
Class B .....	1,000	1,012.81	2.45	12.38
Class C .....	1,000	1,013.20	2.37	11.98
Class Y .....	1,000	1,017.63	1.48	7.47
Advisor Class .....	1,000	1,018.92	1.23	6.26

### Ivy Global Natural Resources Fund Expenses

	Beginning Account Value 3-31-06	Ending Account Value 9-30-06	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended September 30, 2006				
Based on Actual Fund Return <sup>(1)</sup>				
Class A .....	\$1,000	\$ 990.40	1.34%	\$ 6.67
Class B .....	1,000	986.40	2.14	10.73
Class C .....	1,000	986.40	2.07	10.33
Class Y .....	1,000	991.10	1.19	5.97
Class R .....	1,000	989.00	1.65	8.25
Advisor Class .....	1,000	991.60	1.02	5.08
Based on 5% Return <sup>(2)</sup>				
Class A .....	\$1,000	\$1,018.37	1.34%	\$ 6.76
Class B .....	1,000	1,014.32	2.14	10.88
Class C .....	1,000	1,014.71	2.07	10.48
Class Y .....	1,000	1,019.08	1.19	6.06
Class R .....	1,000	1,016.80	1.65	8.37
Advisor Class .....	1,000	1,019.94	1.02	5.15

See footnotes on page 12.



### Ivy International Fund Expenses

	Beginning Account Value 3-31-06	Ending Account Value 9-30-06	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended September 30, 2006				
Based on Actual Fund Return <sup>(1)</sup>				
Class A .....	\$1,000	\$1,012.80	1.52%	\$ 7.65
Class B .....	1,000	1,006.50	2.67	13.44
Class C .....	1,000	1,006.50	2.64	13.34
Class Y .....	1,000	1,012.50	1.53	7.75
Class I .....	1,000	1,014.30	1.22	6.14
Advisor Class .....	1,000	995.80	4.73	23.65
Based on 5% Return <sup>(2)</sup>				
Class A .....	\$1,000	\$1,017.47	1.52%	\$ 7.67
Class B .....	1,000	1,011.66	2.67	13.48
Class C .....	1,000	1,011.81	2.64	13.38
Class Y .....	1,000	1,017.42	1.53	7.77
Class I .....	1,000	1,018.96	1.22	6.16
Advisor Class .....	1,000	1,001.38	4.73	23.72

### Ivy International Balanced Fund Expenses

	Beginning Account Value 3-31-06	Ending Account Value 9-30-06	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended September 30, 2006				
Based on Actual Fund Return <sup>(1)</sup>				
Class A .....	\$1,000	\$1,058.00	1.44%	\$ 7.41
Class B .....	1,000	1,052.00	2.51	12.93
Class C .....	1,000	1,054.00	2.24	11.50
Class Y .....	1,000	1,058.30	1.38	7.10
Based on 5% Return <sup>(2)</sup>				
Class A .....	\$1,000	\$1,017.83	1.44%	\$ 7.26
Class B .....	1,000	1,012.51	2.51	12.68
Class C .....	1,000	1,013.83	2.24	11.28
Class Y .....	1,000	1,018.15	1.38	6.96

See footnotes on page 12.

### Ivy International Value Fund Expenses

	Beginning Account Value 3-31-06	Ending Account Value 9-30-06	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended September 30, 2006				
Based on Actual Fund Return <sup>(1)</sup>				
Class A .....	\$1,000	\$1,026.10	1.60%	\$ 8.10
Class B .....	1,000	1,021.80	2.37	12.03
Class C .....	1,000	1,021.80	2.38	12.03
Class Y .....	1,000	1,026.00	1.65	8.41
Advisor Class .....	1,000	1,026.80	1.38	6.99
Based on 5% Return <sup>(2)</sup>				
Class A .....	\$1,000	\$1,017.03	1.60%	\$ 8.07
Class B .....	1,000	1,013.17	2.37	11.98
Class C .....	1,000	1,013.13	2.38	11.98
Class Y .....	1,000	1,016.79	1.65	8.37
Advisor Class .....	1,000	1,018.14	1.38	6.96

### Ivy Mortgage Securities Fund Expenses

	Beginning Account Value 3-31-06	Ending Account Value 9-30-06	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended September 30, 2006				
Based on Actual Fund Return <sup>(1)</sup>				
Class A .....	\$1,000	\$1,036.60	1.17%	\$ 6.01
Class B .....	1,000	1,031.20	2.20	11.17
Class C .....	1,000	1,032.50	1.95	9.96
Class Y .....	1,000	1,037.30	1.03	5.30
Based on 5% Return <sup>(2)</sup>				
Class A .....	\$1,000	\$1,019.20	1.17%	\$ 5.96
Class B .....	1,000	1,014.06	2.20	11.08
Class C .....	1,000	1,015.27	1.95	9.87
Class Y .....	1,000	1,019.91	1.03	5.25

See footnotes on page 12.

### Ivy Pacific Opportunities Fund Expenses

	Beginning Account Value 3-31-06	Ending Account Value 9-30-06	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended September 30, 2006				
Based on Actual Fund Return <sup>(1)</sup>				
Class A .....	\$1,000	\$1,023.70	1.86%	\$ 9.41
Class B .....	1,000	1,018.10	2.91	14.73
Class C .....	1,000	1,019.30	2.61	13.23
Class Y .....	1,000	1,025.00	1.61	8.20
Advisor Class .....	1,000	1,026.40	1.26	6.38
Based on 5% Return <sup>(2)</sup>				
Class A .....	\$1,000	\$1,015.73	1.86%	\$ 9.37
Class B .....	1,000	1,010.49	2.91	14.68
Class C .....	1,000	1,011.98	2.61	13.18
Class Y .....	1,000	1,017.01	1.61	8.17
Advisor Class .....	1,000	1,018.73	1.26	6.36

### Ivy Real Estate Securities Fund Expenses

	Beginning Account Value 3-31-06	Ending Account Value 9-30-06	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended September 30, 2006				
Based on Actual Fund Return <sup>(1)</sup>				
Class A .....	\$1,000	\$1,064.20	1.61%	\$ 8.36
Class B .....	1,000	1,059.10	2.64	13.59
Class C .....	1,000	1,059.90	2.46	12.77
Class Y .....	1,000	1,065.40	1.38	7.13
Class R .....	1,000	1,064.10	1.69	8.77
Based on 5% Return <sup>(2)</sup>				
Class A .....	\$1,000	\$1,017.00	1.61%	\$ 8.17
Class B .....	1,000	1,011.84	2.64	13.28
Class C .....	1,000	1,012.72	2.46	12.48
Class Y .....	1,000	1,018.13	1.38	6.96
Class R .....	1,000	1,016.58	1.69	8.57

See footnotes on page 12.

### Ivy Small Cap Value Fund Expenses

	Beginning Account Value 3-31-06	Ending Account Value 9-30-06	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended September 30, 2006				
Based on Actual Fund Return <sup>(1)</sup>				
Class A .....	\$ 1,000	\$ 979.70	1.79%	\$ 8.91
Class B .....	1,000	974.50	2.89	14.32
Class C .....	1,000	976.10	2.57	12.75
Class Y .....	1,000	982.30	1.41	7.04
Based on 5% Return <sup>(2)</sup>				
Class A .....	\$ 1,000	\$ 1,016.09	1.79%	\$ 9.07
Class B .....	1,000	1,010.60	2.89	14.58
Class C .....	1,000	1,012.20	2.57	12.98
Class Y .....	1,000	1,018.01	1.41	7.16

### Ivy Value Fund Expenses

	Beginning Account Value 3-31-06	Ending Account Value 9-30-06	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended September 30, 2006				
Based on Actual Fund Return <sup>(1)</sup>				
Class A .....	\$ 1,000	\$ 1,041.80	1.51%	\$ 7.76
Class B .....	1,000	1,036.40	2.49	12.73
Class C .....	1,000	1,036.90	2.40	12.22
Class Y .....	1,000	1,042.80	1.28	6.54
Based on 5% Return <sup>(2)</sup>				
Class A .....	\$ 1,000	\$ 1,017.50	1.51%	\$ 7.67
Class B .....	1,000	1,012.60	2.49	12.58
Class C .....	1,000	1,013.06	2.40	12.08
Class Y .....	1,000	1,018.63	1.28	6.46

\*Fund expenses for each share class are equal to the Fund's annualized expense ratio for each share class (provided in the tables), multiplied by the average account value over the period, multiplied by 183 days in the six-month period ended September 30, 2006, and divided by 365.

(1) This section uses the Fund's actual total return and actual Fund expenses. It is a guide to the actual expenses paid by the Fund in the period. The "Ending Account Value" shown is computed using the Fund's actual return and the "Expenses Paid During Period" column shows the dollar amount that would have been paid by an investor who started with \$1,000 in the Fund. A shareholder may use the information here, together with the dollar amount invested, to estimate the expenses that were paid over the period. For every thousand dollars a shareholder has invested, the expenses are listed in the fourth column.

(2) This section uses a hypothetical 5% annual return and actual Fund expenses. It helps to compare the Fund's ongoing costs with other mutual funds. A shareholder can compare the Fund's ongoing costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

The above illustrations are based on ongoing costs only and do not include any transactional costs, such as sales loads, redemption fees or exchange fees.

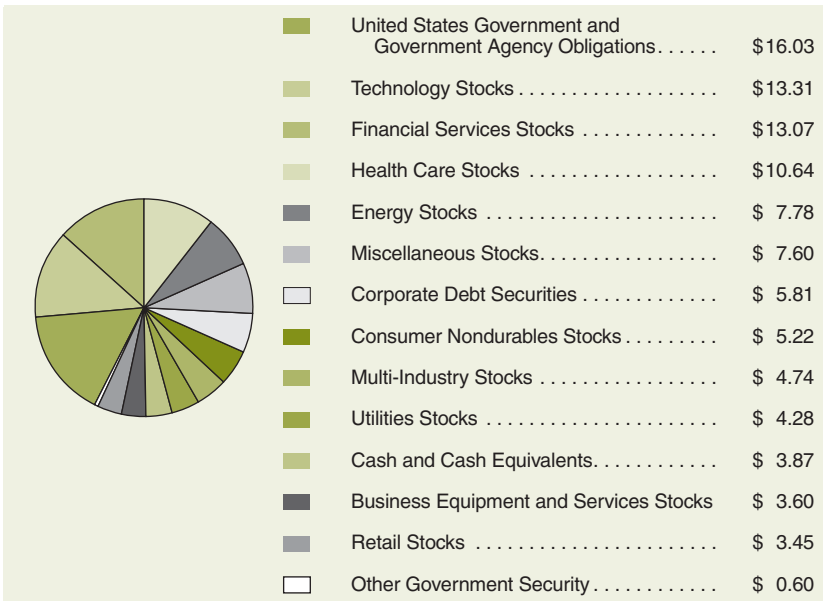
## SHAREHOLDER SUMMARY OF IVY BALANCED FUND

### Portfolio Highlights

On September 30, 2006, Ivy Balanced Fund had net assets totaling \$95,041,699 invested in a diversified portfolio of:

68.91%	Domestic Common Stocks
16.03%	United States Government and Government Agency Obligations
4.78%	Foreign Common Stocks
4.77%	Domestic Corporate Debt Securities
3.87%	Cash and Cash Equivalents
1.04%	Foreign Corporate Debt Securities
0.60%	Other Government Security

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2006, your Fund owned:



# The Investments of Ivy Balanced Fund

September 30, 2006

COMMON STOCKS	Shares	Value
<b>Air Transportation – 0.97%</b>		
Southwest Airlines Co. . . . .	55,300	<u>\$ 921,298</u>
<b>Aircraft – 1.38%</b>		
Boeing Company (The) . . . . .	16,600	<u>1,308,910</u>
<b>Banks – 3.60%</b>		
Bank of America Corporation . . . . .	16,600	889,262
Northern Trust Corporation . . . . .	22,600	1,320,405
Wells Fargo & Company . . . . .	33,600	1,215,648
		<u>3,425,315</u>
<b>Beverages – 2.65%</b>		
Brown-Forman Corporation, Class B . . . . .	12,400	950,460
PepsiCo, Inc. . . . .	24,000	1,566,240
		<u>2,516,700</u>
<b>Business Equipment and Services – 2.58%</b>		
NYSE Group, Inc.* . . . . .	19,800	1,480,050
Pitney Bowes Inc. . . . .	21,800	967,266
		<u>2,447,316</u>
<b>Chemicals – Specialty – 1.04%</b>		
Air Products and Chemicals, Inc. . . . .	14,900	<u>988,913</u>
<b>Communications Equipment – 3.50%</b>		
Cisco Systems, Inc.* . . . . .	59,200	1,360,712
Nokia Corporation, Series A, ADR . . . . .	56,200	1,106,578
QUALCOMM Incorporated . . . . .	23,700	861,732
		<u>3,329,022</u>
<b>Computers – Micro – 1.41%</b>		
Apple Computer, Inc.* . . . . .	17,400	<u>1,339,452</u>
<b>Computers – Peripherals – 1.14%</b>		
Microsoft Corporation . . . . .	39,758	<u>1,086,387</u>
<b>Defense – 2.28%</b>		
General Dynamics Corporation . . . . .	30,200	<u>2,164,434</u>
<b>Electrical Equipment – 1.13%</b>		
Emerson Electric Co. . . . .	12,800	<u>1,073,408</u>
<b>Electronic Components – 2.86%</b>		
Advanced Micro Devices, Inc.* . . . . .	64,100	1,592,885
Microchip Technology Incorporated . . . . .	34,700	1,124,801
		<u>2,717,686</u>

See Notes to Schedule of Investments on page 20.

# The Investments of Ivy Balanced Fund

September 30, 2006

COMMON STOCKS (Continued)	Shares	Value
<b>Electronic Instruments – 0.74%</b>		
Lam Research Corporation* . . . . .	15,500	<u>\$ 702,537</u>
<b>Finance Companies – 2.57%</b>		
SLM Corporation . . . . .	46,900	<u>2,437,862</u>
<b>Food and Related – 0.85%</b>		
Campbell Soup Company . . . . .	22,200	<u>810,300</u>
<b>Health Care – Drugs – 4.97%</b>		
Allergan, Inc. . . . .	13,500	1,520,235
Amgen Inc.* . . . . .	13,500	965,385
Gilead Sciences, Inc.* . . . . .	18,900	1,298,525
Novartis AG, ADR . . . . .	16,100	940,884
		<u>4,725,029</u>
<b>Health Care – General – 4.60%</b>		
Biomet, Inc. . . . .	27,400	881,869
DENTSPLY International Inc. . . . .	35,000	1,054,725
Johnson & Johnson . . . . .	26,200	1,701,428
Zimmer Holdings, Inc.* . . . . .	10,900	735,750
		<u>4,373,772</u>
<b>Hospital Supply and Management – 1.07%</b>		
Medtronic, Inc. . . . .	21,800	<u>1,012,392</u>
<b>Household – General Products – 1.72%</b>		
Colgate-Palmolive Company . . . . .	26,300	<u>1,633,230</u>
<b>Insurance – Life – 1.11%</b>		
Aflac Incorporated . . . . .	23,000	<u>1,052,480</u>
<b>Insurance – Property and Casualty – 1.00%</b>		
Berkshire Hathaway Inc., Class B* . . . . .	300	<u>952,200</u>
<b>Motion Pictures – 1.31%</b>		
News Corporation Limited, Class A . . . . .	63,400	<u>1,245,810</u>
<b>Multiple Industry – 4.74%</b>		
Altria Group, Inc. . . . .	9,800	750,190
General Electric Company . . . . .	63,680	2,247,904
Las Vegas Sands, Inc.* . . . . .	22,100	1,510,535
		<u>4,508,629</u>
<b>Non-Residential Construction – 0.95%</b>		
Fluor Corporation . . . . .	11,700	<u>899,613</u>

See Notes to Schedule of Investments on page 20.

# The Investments of Ivy Balanced Fund

September 30, 2006

COMMON STOCKS (Continued)	Shares	Value
<b>Petroleum – International – 4.52%</b>		
BP p.l.c., ADR .....	19,000	\$ 1,246,020
ChevronTexaco Corporation .....	13,500	875,610
Exxon Mobil Corporation .....	32,400	2,174,040
		<u>4,295,670</u>
<b>Petroleum – Services – 3.26%</b>		
Schlumberger Limited .....	34,200	2,121,426
Smith International, Inc. ....	25,200	977,760
		<u>3,099,186</u>
<b>Publishing – 1.04%</b>		
Meredith Corporation .....	20,100	<u>991,533</u>
<b>Retail – General Merchandise – 2.62%</b>		
Target Corporation .....	25,600	1,414,400
Wal-Mart Stores, Inc. ....	21,900	1,080,108
		<u>2,494,508</u>
<b>Retail – Specialty Stores – 0.83%</b>		
Best Buy Co., Inc. ....	14,800	<u>792,688</u>
<b>Security and Commodity Brokers – 4.79%</b>		
American Express Company .....	17,800	998,224
Chicago Mercantile Exchange Holdings Inc. ....	1,500	717,375
Legg Mason, Inc. ....	8,100	816,966
Merrill Lynch & Co., Inc. ....	9,700	758,734
Morgan (J.P.) Chase & Co. ....	26,800	1,258,528
		<u>4,549,827</u>
<b>Timesharing and Software – 1.02%</b>		
Paychex, Inc. ....	26,400	<u>972,048</u>
<b>Trucking and Shipping – 1.16%</b>		
Expeditors International of Washington, Inc. ....	24,800	<u>1,105,708</u>
<b>Utilities – Electric – 1.66%</b>		
Exelon Corporation .....	26,000	<u>1,574,040</u>
<b>Utilities – Telephone – 2.62%</b>		
AT&T Inc. ....	38,100	1,240,536
UBS AG .....	21,000	1,245,510
		<u>2,486,046</u>
<b>TOTAL COMMON STOCKS – 73.69%</b>		<b>\$70,033,949</b>
(Cost: \$55,377,496)		

See Notes to Schedule of Investments on page 20.



# The Investments of Ivy Balanced Fund

September 30, 2006

CORPORATE DEBT SECURITIES	Principal Amount in Thousands	Value
<b>Banks – 0.28%</b>		
Wells Fargo Bank, N.A., 7.55%, 6–21–10 .....	\$250	<u>\$ 270,169</u>
<b>Beverages – 0.36%</b>		
Diageo Capital plc, 3.5%, 11–19–07 .....	350	<u>343,142</u>
<b>Finance Companies – 2.53%</b>		
American International Group, 3.85%, 11–26–07 (A) .....	500	492,169
Banco Hipotecario Nacional: 7.916%, 7–25–09 (A) .....	6	162
8.0%, 3–31–11 (A) .....	269	72,527
First Union-Lehman Brothers-Bank of America Commercial Mortgage Trust, 6.56%, 11–18–35 .....	413	418,359
General Motors Acceptance Corporation, 6.125%, 8–28–07 .....	300	299,573
Prudential Insurance Company of America, 6.6%, 5–15–08 (A) .....	750	765,560
Unilever Capital Corporation, 5.9%, 11–15–32 .....	350	352,021
		<u>2,400,371</u>
<b>Food and Related – 1.29%</b>		
Archer-Daniels-Midland Company, 7.0%, 2–1–31 .....	700	810,725
Cargill, Inc., 6.375%, 6–1–12 (A) .....	400	420,022
		<u>1,230,747</u>
<b>Insurance – Life – 0.51%</b>		
StanCorp Financial Group, Inc., 6.875%, 10–1–12 .....	450	<u>480,459</u>
<b>Real Estate Investment Trust – 0.84%</b>		
Vornado Realty L.P., 5.625%, 6–15–07 .....	800	<u>799,223</u>
<b>TOTAL CORPORATE DEBT SECURITIES – 5.81%</b>		<u>\$ 5,524,111</u>
(Cost: \$5,450,537)		

See Notes to Schedule of Investments on page 20.

# The Investments of Ivy Balanced Fund

September 30, 2006

OTHER GOVERNMENT SECURITY – 0.60%	Principal Amount in Thousands	Value
<b>Canada</b>		
Hydro-Quebec, 8.0%, 2–1–13 .....	\$ 500	<u>\$ 574,906</u>
(Cost: \$574,688)		

## UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS

### Mortgage-Backed Obligations – 5.55%

#### Federal National Mortgage Association Fixed Rate

##### Pass-Through Certificates:

6.23%, 1–1–08 .....	421	421,458
6.0%, 9–1–17 .....	435	441,985
5.0%, 1–1–18 .....	487	479,945
5.5%, 4–1–18 .....	431	432,155
6.5%, 10–1–28 .....	165	170,185
6.5%, 2–1–29 .....	36	36,563
7.0%, 5–1–31 .....	32	33,258
7.5%, 5–1–31 .....	58	60,705
7.0%, 7–1–31 .....	49	50,319
7.0%, 9–1–31 .....	73	75,867
7.0%, 9–1–31 .....	54	55,470
7.0%, 11–1–31 .....	161	166,638
6.5%, 2–1–32 .....	180	184,479
7.0%, 2–1–32 .....	208	214,730
7.0%, 2–1–32 .....	108	111,541
6.5%, 3–1–32 .....	52	53,564
7.0%, 3–1–32 .....	115	119,217
7.0%, 6–1–32 .....	36	37,231
7.0%, 7–1–32 .....	227	235,257
6.5%, 8–1–32 .....	92	94,499
6.0%, 9–1–32 .....	685	689,948
6.5%, 9–1–32 .....	159	163,452
5.5%, 5–1–33 .....	331	326,551
5.5%, 5–1–33 .....	191	188,879
5.5%, 5–1–33 .....	130	128,178
5.5%, 6–1–33 .....	307	303,692
		<u>5,275,766</u>

See Notes to Schedule of Investments on page 20.

# The Investments of Ivy Balanced Fund

September 30, 2006

UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS (Continued)	Principal Amount in Thousands	Value
<b>Treasury Obligations – 10.48%</b>		
United States Treasury Bond, 7.5%, 11–15–16 .....	\$ 500	\$ 612,500
United States Treasury Notes:		
3.0%, 2–15–08 .....	900	878,660
4.0%, 3–15–10 .....	800	784,813
4.25%, 10–15–10 .....	2,000	1,975,156
3.875%, 2–15–13 .....	1,250	1,200,635
3.625%, 5–15–13 .....	750	708,633
4.25%, 8–15–13 .....	900	881,016
4.25%, 8–15–15 .....	3,000	2,918,319
		<u>9,959,732</u>
<b>TOTAL UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS – 16.03%</b>		<b>\$15,235,498</b>
(Cost: \$15,487,794)		
<b>SHORT-TERM SECURITIES</b>		
<b>Aluminum – 2.11%</b>		
Alcoa Incorporated, 5.4%, 10–2–06 .....	2,003	<u>2,002,700</u>
<b>Finance Companies – 1.31%</b>		
Preferred Receivables Funding Corp., 5.26%, 10–19–06 .....	1,250	<u>1,246,712</u>
<b>TOTAL SHORT-TERM SECURITIES – 3.42%</b>		<b>\$ 3,249,412</b>
(Cost: \$3,249,412)		
<b>TOTAL INVESTMENT SECURITIES – 99.55%</b>		<b>\$94,617,876</b>
(Cost: \$80,139,927)		
<b>CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.45%</b>		<b>423,823</b>
<b>NET ASSETS – 100.00%</b>		<b>\$95,041,699</b>

See Notes to Schedule of Investments on page 20.

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# The Investments of Ivy Balanced Fund

*September 30, 2006*

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## **Notes to Schedule of Investments**

Certain acronyms may be used within the body of the Fund's holdings. The definitions of these acronyms are as follows: ADR – American Depositary Receipts; CMO – Collateralized Mortgage Obligation; GDR – Global Depositary Receipts and REMIC – Real Estate Mortgage Investment Conduit.

\*No dividends were paid during the preceding 12 months.

(A) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At September 30, 2006, the total value of these securities amounted to \$1,750,440 or 1.84% of net assets.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

# Statement of Assets and Liabilities

## IVY BALANCED FUND

September 30, 2006

(In Thousands, Except for Per Share Amounts)

### ASSETS

Investment securities – at value (cost – \$80,140) (Notes 1 and 3) . . . . .	\$94,618
Receivables:	
Investment securities sold . . . . .	450
Dividends and interest . . . . .	281
Fund shares sold . . . . .	51
Prepaid and other assets . . . . .	19
Total assets . . . . .	<u>95,419</u>

### LIABILITIES

Payable to Fund shareholders . . . . .	224
Accrued management fee (Note 2) . . . . .	54
Accrued service fee (Note 2) . . . . .	36
Accrued shareholder servicing (Note 2) . . . . .	23
Due to custodian . . . . .	7
Accrued accounting services fee (Note 2) . . . . .	4
Accrued distribution fee (Note 2) . . . . .	3
Other . . . . .	26
Total liabilities . . . . .	<u>377</u>
Total net assets . . . . .	<u>\$95,042</u>

### NET ASSETS

Capital paid in (shares authorized – unlimited) . . . . .	\$82,232
Accumulated undistributed income (loss):	
Accumulated undistributed net investment income . . . . .	104
Accumulated undistributed net realized loss on investment transactions . . . . .	(1,772)
Net unrealized appreciation in value of investments . . . . .	14,478
Net assets applicable to outstanding units of capital . . . . .	<u>\$95,042</u>
Net asset value per share (net assets divided by shares outstanding):	
Class A . . . . .	\$15.64
Class B . . . . .	\$15.60
Class C . . . . .	\$15.61
Class Y . . . . .	\$15.64
Capital shares outstanding:	
Class A . . . . .	3,653
Class B . . . . .	134
Class C . . . . .	134
Class Y . . . . .	2,158

See Notes to Financial Statements.

# Statement of Operations

## IVY BALANCED FUND

For the Six Months Ended September 30, 2006

(In Thousands)

### INVESTMENT INCOME

Income (Note 1B):	
Interest and amortization . . . . .	\$ 654
Dividends (net of foreign withholding taxes of \$1) . . . . .	493
Total income . . . . .	<u>1,147</u>
Expenses (Note 2):	
Accounting services fee . . . . .	24
Audit fees . . . . .	14
Custodian fees . . . . .	6
Distribution fee:	
Class A . . . . .	3
Class B . . . . .	8
Class C . . . . .	8
Class Y . . . . .	1
Investment management fee . . . . .	335
Legal fees . . . . .	—*
Service fee:	
Class A . . . . .	68
Class B . . . . .	3
Class C . . . . .	2
Class Y . . . . .	43
Shareholder servicing:	
Class A . . . . .	80
Class B . . . . .	5
Class C . . . . .	3
Class Y . . . . .	27
Other . . . . .	39
Total expenses . . . . .	<u>669</u>
Net investment income . . . . .	<u>478</u>

### REALIZED AND UNREALIZED GAIN ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on investments . . . . .	1,502
Unrealized appreciation in value of investments during the period . . . . .	1,038
Net gain on investments . . . . .	<u>2,540</u>
Net increase in net assets resulting from operations . . . . .	<u>\$3,018</u>

\*Not shown due to rounding.

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY BALANCED FUND

(In Thousands)

	For the six months ended September 30, 2006	For the fiscal year ended March 31, 2006
<b>DECREASE IN NET ASSETS</b>		
Operations:		
Net investment income . . . . .	\$ 478	\$ 1,020
Realized net gain on investments . . . . .	1,502	3,508
Unrealized appreciation. . . . .	1,038	4,702
Net increase in net assets resulting from operations. . . . .	3,018	9,230
Distributions to shareholders from (Note 1F):(1)		
Net investment income:		
Class A. . . . .	(295)	(515)
Class B. . . . .	(1)	(1)
Class C. . . . .	(3)	(1)
Class Y. . . . .	(200)	(423)
Realized gains on investment transactions:		
Class A. . . . .	(—)	(—)
Class B. . . . .	(—)	(—)
Class C. . . . .	(—)	(—)
Class Y. . . . .	(—)	(—)
	(499)	(940)
Capital share transactions (Note 5) . . . . .	(6,368)	(9,813)
Total decrease . . . . .	(3,849)	(1,523)
<b>NET ASSETS</b>		
Beginning of period. . . . .	98,891	100,414
End of period. . . . .	\$95,042	\$98,891
Undistributed net investment income . . . . .	\$ 104	\$ 125

(1) See "Financial Highlights" on pages 24 - 27.

# Financial Highlights

## IVY BALANCED FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the		For the	For the fiscal year ended		
	six months	fiscal year ended		fiscal period	September 30,		
	ended	March 31,		ended	2003	2002	2001
	9-30-06	2006	2005	3-31-04	2003	2002	2001
Net asset value, beginning of period . . . . .	\$15.22	\$14.00	\$13.35	\$12.18	\$10.54	\$11.45	\$19.73
Income (loss) from investment operations:							
Net investment income . . . . .	0.08	0.15	0.14	0.05	0.16	0.23	0.22
Net realized and unrealized gain (loss) on investments . . . . .	0.42	1.21	0.65	1.16	1.64	(0.89)	(6.08)
Total from investment operations . . . . .	0.50	1.36	0.79	1.21	1.80	(0.66)	(5.86)
Less distributions from:							
Net investment income . . . . .	(0.08)	(0.14)	(0.14)	(0.04)	(0.16)	(0.25)	(0.20)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(2.22)
Total distributions . . . . .	(0.08)	(0.14)	(0.14)	(0.04)	(0.16)	(0.25)	(2.42)
Net asset value, end of period . . . . .	\$15.64	\$15.22	\$14.00	\$13.35	\$12.18	\$10.54	\$11.45
Total return <sup>(1)</sup> . . . . .	3.30%	9.71%	5.90%	10.06%	17.17% <sup>(2)</sup>	-5.91%	-32.35%
Net assets, end of period (in millions) . . . . .	\$57	\$57	\$54	\$52	\$38	\$37	\$45
Ratio of expenses to average net assets including voluntary expense waiver . . . . .	1.41% <sup>(3)</sup>	1.42%	1.53%	1.52% <sup>(3)(4)</sup>	1.29%	1.22%	1.12%
Ratio of net investment income to average net assets including voluntary expense waiver . . . . .	0.98% <sup>(3)</sup>	1.00%	1.02%	0.86% <sup>(3)(4)</sup>	1.41%	1.84%	1.57%
Ratio of expenses to average net assets excluding voluntary expense waiver . . . . .	1.41% <sup>(3)(5)</sup>	1.42% <sup>(5)</sup>	1.53% <sup>(5)</sup>	1.57% <sup>(3)(4)</sup>	1.62%	1.52%	1.40%
Ratio of net investment income to average net assets excluding voluntary expense waiver . . . . .	0.98% <sup>(3)(5)</sup>	1.00% <sup>(5)</sup>	1.02% <sup>(5)</sup>	0.81% <sup>(3)(4)</sup>	1.08%	1.54%	1.29%
Portfolio turnover rate . . . . .	14%	49%	37%	29%	110%	129%	158%

(1) Total return calculated without taking into account the sales load deducted on an initial purchase.

(2) Advantus Capital reimbursed the Fund for losses related to certain investment trades. With reimbursed losses, the total return for Class A, for the year ended September 30, 2003, would have been 17.26%.

(3) Annualized.

(4) In connection with the reorganization plan effected December 8, 2003, Class B and Class C shares of the predecessor Advantus Fund were exchanged into Class A shares at the time of the merger. The ratios shown above reflect a blended rate that includes the effect of income and expenses for those Class B and Class C shares from October 1, 2003 up to the time of the merger. Actual expenses that applied to Class A shareholders were lower than shown above.

(5) There was no waiver of expenses during the period.

See Notes to Financial Statements.



# Financial Highlights

## IVY BALANCED FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-06	For the fiscal year ended March 31,		For the period from 12-8-03 <sup>(1)</sup> to 3-31-04
		2006	2005	
Net asset value, beginning of period . . . . .	\$15.18	\$13.98	\$13.33	\$12.96
Income (loss) from investment operations:				
Net investment income (loss) . . . . .	(0.00)	0.00	0.01	0.01
Net realized and unrealized gain on investments . . . . .	0.42	1.21	0.64	0.39
Total from investment operations . . . . .	0.42	1.21	0.65	0.40
Less distributions from:				
Net investment income . . . . .	(0.00)*	(0.01)	(0.00)*	(0.03)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)*	(0.01)	(0.00)*	(0.03)
Net asset value, end of period . . . . .	<u>\$15.60</u>	<u>\$15.18</u>	<u>\$13.98</u>	<u>\$13.33</u>
Total return . . . . .	2.79%	8.62%	4.90%	3.05%
Net assets, end of period (in thousands) . . . . .	\$2,096	\$1,995	\$1,503	\$338
Ratio of expenses to average net assets . . . . .	2.42% <sup>(2)</sup>	2.41%	2.52%	2.76% <sup>(2)</sup>
Ratio of net investment income (loss) to average net assets . . . . .	-0.03% <sup>(2)</sup>	0.01%	0.06%	-0.42% <sup>(2)</sup>
Portfolio turnover rate . . . . .	14%	49%	37%	29% <sup>(3)</sup>

\*Not shown due to rounding..

(1)Commencement of operations of the class.

(2)Annualized.

(3)For the six months ended March 31, 2004

# Financial Highlights

## IVY BALANCED FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the fiscal year		For the
	six months	ended March 31,		period from
	ended	2006	2005	12-8-03 <sup>(1)</sup>
	9-30-06			to
				3-31-04
Net asset value,				
beginning of period . . . . .	\$15.20	\$13.98	\$13.34	\$12.96
Income from				
investment operations:				
Net investment income . . . . .	0.01	0.03	0.03	0.02
Net realized and unrealized				
gain on investments . . . . .	0.42	1.20	0.63	0.39
Total from investment operations . . . . .	0.43	1.23	0.66	0.41
Less distributions from:				
Net investment income . . . . .	(0.02)	(0.01)	(0.02)	(0.03)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.02)	(0.01)	(0.02)	(0.03)
Net asset value, end of period . . . . .	\$15.61	\$15.20	\$13.98	\$13.34
Total return . . . . .	2.85%	8.80%	4.98%	3.13%
Net assets, end of period				
(in thousands) . . . . .	\$2,092	\$1,996	\$898	\$301
Ratio of expenses to				
average net assets . . . . .	2.18% <sup>(2)</sup>	2.25%	2.38%	2.43% <sup>(2)</sup>
Ratio of net investment income				
(loss) to average net assets . . . . .	0.21% <sup>(2)</sup>	0.21%	0.19%	-0.12% <sup>(2)</sup>
Portfolio turnover rate . . . . .	14%	49%	37%	29% <sup>(3)</sup>

(1)Commencement of operations of the class.

(2)Annualized.

(3)For the six months ended March 31, 2004.

See Notes to Financial Statements.

# Financial Highlights

## IVY BALANCED FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the fiscal year		For the
	six months	ended March 31,		period from
	ended	2006	2005	12-8-03 <sup>(1)</sup>
	9-30-06			to
				3-31-04
Net asset value,				
beginning of period . . . . .	\$15.22	\$14.00	\$13.35	\$12.96
Income from investment operations:				
Net investment income . . . . .	0.09	0.17	0.17	0.04
Net realized and unrealized				
gain on investments. . . . .	0.42	1.21	0.65	0.40
Total from investment operations . . . . .	0.51	1.38	0.82	0.44
Less distributions from:				
Net investment income . . . . .	(0.09)	(0.16)	(0.17)	(0.05)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.09)	(0.16)	(0.17)	(0.05)
Net asset value, end of period . . . . .	\$15.64	\$15.22	\$14.00	\$13.35
Total return . . . . .	3.37%	9.89%	6.16%	3.43%
Net assets, end of period				
(in millions) . . . . .	\$34	\$38	\$44	\$53
Ratio of expenses to				
average net assets . . . . .	1.26% <sup>(2)</sup>	1.26%	1.30%	1.36% <sup>(2)</sup>
Ratio of net investment income				
to average net assets . . . . .	1.13% <sup>(2)</sup>	1.15%	1.25%	0.97% <sup>(2)</sup>
Portfolio turnover rate . . . . .	14%	49%	37%	29% <sup>(3)</sup>

(1)Commencement of operations of the class.

(2)Annualized.

(3)For the six months ended March 31, 2004.

## SHAREHOLDER SUMMARY OF IVY BOND FUND

### Portfolio Highlights

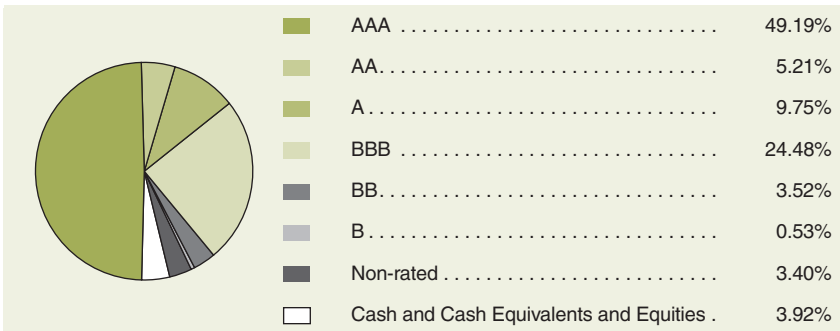
On September 30, 2006, Ivy Bond Fund had net assets totaling \$66,240,265 invested in a diversified portfolio of:

96.08%	Bonds
3.14%	Cash and Cash Equivalents
0.78%	Preferred Stocks

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2006, your Fund owned:



On September 30, 2006, the breakdown of bonds (by ratings) held by the Fund was as follows:



Ratings reflected in the wheel above are taken from the following sources in order of preference: Standard & Poor's and Moody's.

Certain U.S. government securities in which the Fund may invest, such as Treasury securities and securities issued by the Government National Mortgage Association (Ginnie Mae), are backed by the full faith and credit of the U.S. government, other U.S. government securities in which the Fund may invest, such as securities issued by the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal Home Loan Banks (FHLB), are not backed by the full faith and credit of the U.S. government, are not issued or guaranteed by the U.S. government and, instead, may be supported only by the right of the issuer to borrow from the U.S. Treasury or by the credit of the issuer.

# The Investments of Ivy Bond Fund

September 30, 2006

PREFERRED STOCKS	Shares	Value
<b>Real Estate Investment Trust</b>		
PS Business Parks, Inc., 7.0% Cumulative . . . . .	10,500	\$ 262,500
Public Storage, Inc., 6.25% Cumulative. . . . .	10,500	252,525
<b>TOTAL PREFERRED STOCKS – 0.78%</b>		<b>\$ 515,025</b>
(Cost: \$520,050)		

CORPORATE DEBT SECURITIES	Principal Amount in Thousands	
<b>Aluminum – 0.28%</b>		
Steelcase Inc., 6.5%, 8–15–11 . . . . .	\$ 185	<u>188,051</u>
<b>Asset-Backed Securities – 6.05%</b>		
ABFS Mortgage Loan Trust 2002–4, 7.423%, 12–15–33 . . . . .	120	120,333
Associates Manufactured Housing Contract Pass-Through Certificates, 7.725%, 6–15–28 . . . . .	190	193,243
C-Bass 2006-CB2 Trust, 5.86%, 12–25–36 . . . . .	530	535,700
C-Bass 2006-MH1 Trust: 6.24%, 9–25–36 (A) . . . . .	105	106,440
6.25%, 9–25–36 (A) . . . . .	170	170,797
Centex Home Equity Loan Trust 2005-C, 5.048%, 6–25–35 . . . . .	370	359,060
Citibank Credit Card Issuance Trust, Class 2005-C1, 5.5%, 3–24–17 . . . . .	200	198,708
CountryPlace Manufactured Housing Contract Trust 2005–1, 5.2%, 12–15–35 (A) . . . . .	300	286,675
FFCA Secured Lending Corporation, 6.73%, 10–18–25 (A) . . . . .	13	13,281
Green Tree Financial Corporation: 6.4%, 10–15–18 . . . . .	85	86,801
7.35%, 5–15–27 . . . . .	46	47,426
Home Equity Loan Trust 2003-HS2, 5.09%, 7–25–33 . . . . .	65	63,650

See Notes to Schedule of Investments on page 40.

# The Investments of Ivy Bond Fund

September 30, 2006

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Asset-Backed Securities (Continued)</b>		
MMCA Auto Owner:		
Trust 2002-2, 4.67%, 3-15-10 .....	\$ 126	\$ 125,511
Trust 2002-3, 4.6%, 8-17-09 .....	500	499,326
Trust 2002-4, Class C Asset Backed Notes, 4.56%, 11-16-09 .....	16	16,227
MMCA Automobile Trust 2002-1, 5.37%, 1-15-10 .....	25	24,988
National Collegiate Trust 1997-S2 (The), 7.24%, 9-20-14 .....	213	206,060
Origen Manufactured Housing Contract:		
Trust 2004-A, 5.7%, 1-15-35 .....	100	98,697
Trust 2004-B, 5.73%, 11-15-35 .....	50	48,583
Trust 2005-A: 4.49%, 5-15-18 .....	200	196,979
5.86%, 6-15-36 .....	120	116,334
Trust 2005-B, 5.605%, 5-15-22 .....	80	79,665
Vanderbilt Mortgage and Finance, Inc.:		
8.75%, 1-7-16 .....	91	91,298
6.38%, 3-7-28 .....	147	146,493
WFS Financial 2005-2 Owner Trust, 4.39%, 11-19-12 .....	175	173,267
		<u>4,005,542</u>
<b>Banks – 0.38%</b>		
Wells Fargo Mortgage Backed Securities 2001-14 Trust, 5.6%, 3-15-16 .....	250	<u>252,280</u>
<b>Beverages – 0.95%</b>		
SABMiller plc, 6.5%, 7-1-16 (A) .....	600	<u>626,774</u>
<b>Broadcasting – 1.13%</b>		
Cox Communications, Inc., 7.125%, 10-1-12 .....	450	479,576
Viacom Inc., 6.875%, 4-30-36 (A) .....	275	271,862
		<u>751,438</u>

See Notes to Schedule of Investments on page 40.

# The Investments of Ivy Bond Fund

September 30, 2006

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Business Equipment and Services – 1.38%</b>		
HSBC Finance Corporation, 5.7%, 6–1–11 . . . . .	\$ 400	\$ 407,142
International Lease Finance Corporation: 5.875%, 5–1–13 . . . . .	250	256,588
5.625%, 9–20–13 . . . . .	250	251,583
		<u>915,313</u>
<b>Collateralized Mortgage Obligations – 7.18%</b>		
Banc of America:		
Alternative Loan Trust 2005–10:		
5.66792%, 11–25–35 . . . . .	286	281,235
5.66792%, 11–25–35 . . . . .	138	133,415
Alternative Loan Trust 2005–12:		
5.80625%, 1–25–36 . . . . .	306	301,391
5.80625%, 1–25–36 . . . . .	222	205,968
Alternative Loan Trust 2006–4,		
6.22471%, 5–25–36 . . . . .	328	327,461
Mortgage Trust 2004–7,		
5.75%, 8–25–34 . . . . .	103	102,015
Banco Hipotecario Nacional,		
7.916%, 7–25–09 (A) . . . . .	7	184
BlackRock Capital Finance,		
7.75%, 9–25–26 (A) . . . . .	130	130,368
Charlie Mac Trust 2004–2,		
5.0%, 10–25–34 . . . . .	222	211,403
Chase Mortgage Finance Trust, Series 2003-S11,		
5.5%, 10–25–33 . . . . .	127	124,301
Credit Suisse First Boston Mortgage Securities Corp.,		
6.0%, 11–25–18 . . . . .	56	56,502
Global Mortgage Securitization 2005-A Ltd. and Global Mortgage Securitization 2005-A LLC:		
5.25%, 4–25–32 . . . . .	203	194,691
5.40266%, 4–25–32 . . . . .	301	271,361
Global Mortgage Securitization Ltd. and Global Mortgage Securitization, LLC:		
5.25%, 11–25–32 (A) . . . . .	314	305,947
5.25%, 11–25–32 (A) . . . . .	269	264,108
J.P. Morgan Mortgage Trust 2005-S2,		
5.66689%, 9–25–35 . . . . .	520	512,755
Lehman XS Trust, Series 2005–8,		
5.69%, 12–25–35 . . . . .	585	585,404
MASTR Asset Securitization Trust 2003–10,		
5.5%, 11–25–33 . . . . .	195	191,020
Mellon Residential Funding,		
6.75%, 6–26–28 . . . . .	64	64,045

See Notes to Schedule of Investments on page 40.

# The Investments of Ivy Bond Fund

September 30, 2006

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Collateralized Mortgage Obligations (Continued)</b>		
RALI Series 2003-QS10 Trust, 5.75%, 5-25-33 . . . . .	\$ 247	\$ 244,318
Structured Asset Securities Corporation, 5.63%, 5-25-34 . . . . .	250	246,963
		<u>4,754,855</u>
<b>Conduit – 13.51%</b>		
Banc of America Commercial Mortgage Inc., Commercial Mortgage Pass-Through Certificates, Series 2002-2, 6.2%, 7-11-43 (A) . . . . .	275	285,085
Bear Stearns Commercial Mortgage Securities Inc., Series 1999-WF2: 6.0%, 7-15-31 (A) . . . . .	500	504,666
6.0%, 7-15-31 (A) . . . . .	100	102,427
Bear Stearns Commercial Mortgage Securities: Trust 2004-PWR4, 5.468%, 6-11-41 . . . . .	1,500	1,510,998
Trust 2002-TOP6, 6.0%, 10-15-36 (A) . . . . .	320	317,230
CD 2006-CD2 Mortgage Trust, 5.80516%, 1-15-46 (A) . . . . .	710	717,884
COMM 2006-CNL2: 5.5699%, 2-5-19 (A) . . . . .	225	223,098
5.5699%, 2-5-19 (A) . . . . .	95	95,086
Commercial Mortgage Asset Trust, 6.0%, 11-17-32 . . . . .	225	230,414
DLJ Commercial Mortgage Corp. 1998-CG1, 7.37751%, 6-10-31 (A) . . . . .	350	384,123
GE Capital Commercial Mortgage Corp. 2002-2, 6.039%, 8-11-36 (A) . . . . .	565	584,434
GS Mortgage Securities Corporation II, Commercial Mortgage Pass-Through Certificates, Series 2001-LI B, 6.733%, 2-14-16 (A) . . . . .	225	237,956
Hilton Hotel Pool Trust: 5.83%, 10-3-15 (A) . . . . .	790	798,352
7.653%, 10-3-15 (A) . . . . .	430	453,016

See Notes to Schedule of Investments on page 40.



# The Investments of Ivy Bond Fund

September 30, 2006

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Conduit (Continued)</b>		
J.P. Morgan Chase Commercial Mortgage Securities Trust 2006-CIBC14, 5.481%, 12-12-44 .....	\$ 305	\$ 307,631
Multi Security Asset Trust LP, Commercial Mortgage- Backed Securities Pass-Through Certificates, Series 2005-RR4:		
1.0668%, 11-28-35 (Interest Only) (A) .....	6,450	168,970
5.88%, 11-28-35 (A) .....	155	148,605
5.88%, 11-28-35 (A) .....	105	102,759
Nomura Asset Securities Corporation, Commercial Mortgage Pass-Through Certificates, Series1998-D6, 6.0%, 3-15-30 (A) .....	300	308,805
Paine Webber Mortgage Acceptance Corporation, 7.655%, 1-2-12 (A) .....	250	251,312
Wachovia Bank Commercial Mortgage Trust (The), 4.942%, 11-15-34 (A) .....	285	274,220
Wachovia Bank Commercial Mortgage Trust Commercial Mortgage Pass-Through Certificates Series 2006-C26, 6.011%, 6-15-45 .....	900	942,813
		<u>8,949,884</u>
<b>Electronic Components – 0.35%</b>		
Avnet, Inc., 6.625%, 9-15-16 .....	225	<u>229,000</u>
<b>Finance Companies – 12.72%</b>		
Allied Capital Corporation, 6.625%, 7-15-11 .....	585	596,337
Asset Securitization Corporation:		
1.7035%, 10-13-26 (Interest Only) (A) .....	1,209	51,848
7.65%, 2-14-43 .....	170	185,169
BAC Capital Trust VI, 5.625%, 3-8-35 .....	300	278,945
CSAB Mortgage-Backed Trust 2006-2, 6.08%, 9-25-36 .....	650	648,984
CWHEQ Home Equity Loan Trust, Series 2006-S6, 5.962%, 3-25-34 .....	210	209,998
Caithness Coso Funding Corp., 5.489%, 6-15-19 (A) .....	243	242,856
Capital Auto Receivables Asset Trust 2006-1, 7.16%, 1-15-13 (A) .....	245	247,986

See Notes to Schedule of Investments on page 40.

# The Investments of Ivy Bond Fund

September 30, 2006

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Finance Companies (Continued)</b>		
Capital One Financial Corporation, 6.15%, 9-1-16	\$ 315	\$ 318,737
ERAC USA Finance Company, 5.9%, 11-15-15 (A)	520	524,637
Ford Credit Auto Owner Trust 2006-B, 7.12%, 2-15-13 (A)	140	142,289
Ford Motor Credit Company, 6.36651%, 11-16-06	350	349,779
Fund American Companies, Inc., 5.875%, 5-15-13	425	420,080
GMACM Home Equity Loan Trust 2006-HE3, 6.088%, 10-25-36	485	488,395
General Motors Acceptance Corporation, 6.40688%, 1-16-07	275	274,779
J.P. Morgan Mortgage Acquisition Trust: 2006-CW2, 6.337%, 8-25-36	590	600,297
2006-WF1, 6.41%, 7-25-36	1,095	1,116,467
JPMorgan Chase Capital XVIII, 6.95%, 8-17-36	425	451,427
Metropolitan Asset Funding, Inc., 7.525%, 4-20-27 (A)	13	13,144
Morgan Stanley Capital I, Inc., Commercial Mortgage Pass-Through Certificates, Series 1998-XL2, 6.43663%, 10-3-34	500	509,964
Selkirk Cogen Funding Corporation, 8.65%, 12-26-07	135	138,433
St. George Funding Company LLC, 8.485%, 12-29-49 (A)	200	210,943
Symetra Financial Corporation, 6.125%, 4-1-16 (A)	400	402,713
		<b><u>8,424,207</u></b>
<b>Health Care – Drugs – 1.30%</b>		
Abbott Laboratories, 5.875%, 5-15-16	400	414,379
AmerisourceBergen Corporation: 5.625%, 9-15-12	150	147,442
5.875%, 9-15-15	125	122,547
Cardinal Health, Inc., 5.85%, 12-15-17	175	174,698
		<b><u>859,066</u></b>

See Notes to Schedule of Investments on page 40.

# The Investments of Ivy Bond Fund

September 30, 2006

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Hospital Supply and Management – 1.50%</b>		
Laboratory Corporation of America Holdings:		
5.5%, 2–1–13 .....	\$215	\$ 210,713
5.625%, 12–15–15 .....	285	282,857
MedPartners, Inc.,		
7.375%, 10–1–06 .....	500	500,000
		<u>993,570</u>
<b>Insurance – Life – 0.72%</b>		
StanCorp Financial Group, Inc.,		
6.875%, 10–1–12 .....	450	<u>480,459</u>
<b>Insurance – Property and Casualty – 0.78%</b>		
Assurant, Inc.,		
6.75%, 2–15–34 .....	200	211,108
Commerce Group, Inc. (The),		
5.95%, 12–9–13 .....	305	304,725
		<u>515,833</u>
<b>Multiple Industry – 1.56%</b>		
CRH America, Inc.,		
6.0%, 9–30–16 .....	370	370,519
Tyco International Group S.A.,		
7.0%, 6–15–28 .....	235	267,317
Western Union Company (The),		
5.93%, 10–1–16 (A) .....	395	398,251
		<u>1,036,087</u>
<b>Petroleum – Services – 0.55%</b>		
Energy Transfer Partners, L.P.,		
5.65%, 8–1–12 .....	365	<u>361,704</u>
<b>Real Estate Investment Trust – 4.36%</b>		
Brandywine Operating Partnership, L.P.,		
5.625%, 12–15–10 .....	420	421,643
Equity One, Inc.,		
6.25%, 1–15–17 .....	335	342,696
Healthcare Realty Trust Incorporated,		
5.125%, 4–1–14 .....	450	428,720
Nationwide Health Properties, Inc.:		
6.5%, 7–15–11 .....	175	178,948
6.0%, 5–20–15 .....	265	262,521

See Notes to Schedule of Investments on page 40.

# The Investments of Ivy Bond Fund

September 30, 2006

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Real Estate Investment Trust (Continued)</b>		
Simon Property Group, L.P., 5.875%, 3-1-17 .....	\$645	\$ 651,657
Vornado Realty L.P., 5.625%, 6-15-07 .....	600	599,417
		<u>2,885,602</u>
<b>Security and Commodity Brokers – 2.30%</b>		
Janus Capital Group Inc., 5.875%, 9-15-11 .....	320	321,971
Jefferies Group, Inc., 6.25%, 1-15-36 .....	225	217,078
Morgan Stanley Dean Witter & Co., 6.75%, 4-15-11 .....	500	528,618
Nuveen Investments, Inc., 5.5%, 9-15-15 .....	465	454,402
		<u>1,522,069</u>
<b>Textile – 0.57%</b>		
Mohawk Industries, Inc.: 5.75%, 1-15-11 .....	190	189,199
6.125%, 1-15-16 .....	190	188,852
		<u>378,051</u>
<b>Utilities – Electric – 2.27%</b>		
MidAmerican Energy Holdings Company, 6.125%, 4-1-36 (A) .....	475	480,131
National Grid plc., 6.3%, 8-1-16 .....	285	295,682
Oncor Electric Delivery Company, 7.0%, 9-1-22 .....	450	487,667
Pennsylvania Electric Company, 5.125%, 4-1-14 .....	250	242,027
		<u>1,505,507</u>
<b>Utilities – Gas and Pipeline – 0.40%</b>		
Northwest Pipeline Corporation, 7.0%, 6-15-16 (A) .....	260	265,850
		<u>265,850</u>
<b>TOTAL CORPORATE DEBT SECURITIES – 60.24%</b>		<b>\$39,901,142</b>
(Cost: \$39,868,967)		

See Notes to Schedule of Investments on page 40.

# The Investments of Ivy Bond Fund

September 30, 2006

MUNICIPAL OBLIGATION – TAXABLE – 0.14%	Principal Amount in Thousands	Value
<b>Minnesota</b>		
City of Eden Prairie, Minnesota, Taxable Multifamily Housing Revenue Refunding Bonds (GNMA Collateralized Mortgage Loan – Parkway Apartments Project), Series 2000B, 7.35%, 2–20–09 .....		
	\$ 95	<u>\$ 95,575</u>
(Cost: \$95,000)		
<b>UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS</b>		
<b>Agency Obligations – 2.57%</b>		
Federal National Mortgage Association:		
3.0%, 3–2–07 .....	640	633,963
4.25%, 5–15–09 .....	500	492,017
5.125%, 1–2–14 .....	575	573,405
		<u>1,699,385</u>
<b>Mortgage-Backed Obligations – 23.61%</b>		
Federal Home Loan Mortgage Corporation Fixed Rate		
Participation Certificates:		
3.5%, 2–15–30 .....	125	117,184
6.5%, 9–1–32 .....	239	245,517
6.0%, 11–1–33 .....	488	491,439
5.5%, 5–1–34 .....	200	198,085
5.5%, 5–1–34 .....	147	145,870
5.5%, 6–1–34 .....	1,652	1,632,052
5.0%, 9–1–34 .....	44	42,018
5.5%, 9–1–34 .....	165	162,580
5.5%, 10–1–34 .....	384	379,939
5.5%, 7–1–35 .....	463	457,276
5.5%, 7–1–35 .....	251	247,816
5.5%, 10–1–35 .....	626	617,647
Federal National Mortgage Association Fixed Rate		
Pass-Through Certificates:		
6.23%, 1–1–08 .....	140	140,486
5.5%, 1–1–17 .....	204	204,114
6.0%, 9–1–17 .....	113	114,916
5.5%, 3–1–18 .....	120	120,334
5.0%, 6–1–18 .....	457	450,191
5.0%, 7–1–18 .....	161	159,163
7.5%, 5–1–31 .....	134	140,038
7.0%, 9–1–31 .....	49	51,033

See Notes to Schedule of Investments on page 40.

# The Investments of Ivy Bond Fund

September 30, 2006

UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS (Continued)	Principal Amount in Thousands	Value
<b>Mortgage-Backed Obligations (Continued)</b>		
Federal National Mortgage Association Fixed Rate		
Pass-Through Certificates: (Continued)		
7.0%, 11-1-31 .....	\$ 90	\$ 92,577
6.5%, 12-1-31 .....	58	59,674
7.0%, 2-1-32 .....	94	97,605
7.0%, 3-1-32 .....	98	101,270
6.5%, 4-1-32 .....	26	26,602
6.5%, 5-1-32 .....	28	28,618
6.5%, 7-1-32 .....	72	74,176
6.5%, 8-1-32 .....	67	68,872
6.5%, 8-1-32 .....	59	60,534
6.5%, 9-1-32 .....	100	102,846
6.5%, 9-1-32 .....	43	43,951
6.0%, 10-1-32 .....	134	135,472
6.5%, 10-1-32 .....	122	125,324
6.0%, 11-1-32 .....	148	149,406
6.0%, 3-1-33 .....	108	108,623
5.5%, 4-1-33 .....	175	173,533
6.0%, 4-1-33 .....	234	235,171
5.5%, 5-1-33 .....	131	129,270
5.5%, 1-1-34 .....	126	124,579
5.5%, 1-1-34 .....	122	120,582
5.5%, 3-1-34 .....	174	171,745
5.5%, 3-1-34 .....	75	73,892
5.5%, 4-1-34 .....	185	182,605
5.5%, 4-1-34 .....	58	56,939
5.0%, 5-1-34 .....	75	72,625
5.5%, 5-1-34 .....	155	152,646
5.5%, 10-1-34 .....	340	334,900
6.0%, 10-1-34 .....	1,175	1,180,141
5.5%, 11-1-34 .....	1,416	1,398,079
6.0%, 11-1-34 .....	959	964,422
5.5%, 2-1-35 .....	218	215,236
4.5%, 3-1-35 .....	514	480,247
5.0%, 7-1-35 .....	304	291,386
5.0%, 7-1-35 .....	106	102,141
5.0%, 7-1-35 .....	54	51,488
4.5%, 9-1-35 .....	441	412,084
5.5%, 10-1-35 .....	1,048	1,033,883
Government National Mortgage Association Agency REMIC/CMO (Interest Only), 0.97056%, 6-17-45 .....	5,157	290,842
		<b><u>15,641,684</u></b>

See Notes to Schedule of Investments on page 40.

# The Investments of Ivy Bond Fund

September 30, 2006

UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS (Continued)	Principal Amount in Thousands	Value
<b>Treasury Inflation Protected Obligation – 1.79%</b>		
United States Treasury Note, 1.875%, 7–15–13 (B) .....	\$1,100	<u>\$ 1,187,235</u>
<b>Treasury Obligations – 7.73%</b>		
United States Treasury Bond, 5.375%, 2–15–31 .....	390	421,230
United States Treasury Notes:		
6.25%, 2–15–07 .....	2,500	2,510,547
3.375%, 10–15–09 (C) .....	1,400	1,351,218
4.375%, 8–15–12 .....	400	395,828
4.25%, 11–15–14 .....	450	438,855
		<u>5,117,678</u>
<b>TOTAL UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS- 35.70%</b>		<b>\$23,645,982</b>
(Cost: \$23,848,979)		
<b>SHORT-TERM SECURITIES</b>		
<b>Aluminum – 2.52%</b>		
Alcoa Incorporated, 5.4%, 10–2–06 .....	1,669	<u>1,668,750</u>
<b>Finance Companies – 1.95%</b>		
Preferred Receivables Funding Corp., 5.26%, 10–19–06 .....	1,300	<u>1,296,581</u>
<b>TOTAL SHORT-TERM SECURITIES – 4.47%</b>		<b>\$ 2,965,331</b>
(Cost: \$2,965,331)		
<b>TOTAL INVESTMENT SECURITIES – 101.33%</b>		<b>\$67,123,055</b>
(Cost: \$67,298,327)		
<b>LIABILITIES, NET OF CASH AND OTHER ASSETS – (1.33%)</b>		<b>(882,790)</b>
<b>NET ASSETS – 100.00%</b>		<b>\$66,240,265</b>

See Notes to Schedule of Investments on page 40.

# The Investments of Ivy Bond Fund

September 30, 2006

## Notes to Schedule of Investments

Certain acronyms may be used within the body of the Fund's holdings. The definitions of these acronyms are as follows: ADR – American Depositary Receipts; CMO – Collateralized Mortgage Obligation; GDR – Global Depositary Receipts and REMIC – Real Estate Mortgage Investment Conduit.

(A) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At September 30, 2006, the total value of these securities amounted to \$11,115,112 or 16.78% of net assets.

(B) The interest rate for this security is a stated rate, but the interest payments are determined by multiplying the inflation-adjusted principal by one half of the stated rate for each semiannual interest payment date.

(C) Security serves as collateral for the following open futures contracts at September 30, 2006. (See Note 7 to financial statements):

Type	Number of Contracts	Expiration Date	Market Value	Underlying Face Amount at Value
U.S. 2 year Treasury Note	24	12-29-06	\$4,908,000	\$4,896,104
U.S. 5 year Treasury Note	6	12-29-06	633,094	628,811
U.S. 10 year Treasury Note	47	12-29-06	(5,078,938)	(5,032,499)
			<u>\$ 462,156</u>	<u>\$ 492,416</u>

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.



# Statement of Assets and Liabilities

## IVY BOND FUND

September 30, 2006

(In Thousands, Except for Per Share Amounts)

### ASSETS

Investment securities – at value (cost – \$67,298) (Notes 1 and 3) . . . . .	\$67,123
Receivables:	
Fund shares sold . . . . .	550
Dividends and interest . . . . .	542
Variation margin . . . . .	3
Prepaid and other assets . . . . .	19
Total assets . . . . .	<u>68,237</u>

### LIABILITIES

Payable for investment securities purchased . . . . .	1,695
Payable to Fund shareholders . . . . .	172
Accrued service fee (Note 2) . . . . .	32
Accrued management fee (Note 2) . . . . .	28
Dividends payable . . . . .	21
Accrued shareholder servicing (Note 2) . . . . .	16
Due to custodian . . . . .	6
Accrued accounting services fee (Note 2) . . . . .	4
Accrued distribution fee (Note 2) . . . . .	2
Other . . . . .	21
Total liabilities . . . . .	<u>1,997</u>
Total net assets . . . . .	<u>\$66,240</u>

### NET ASSETS

Capital paid in (shares authorized – unlimited) . . . . .	\$67,158
Accumulated undistributed income (loss):	
Accumulated undistributed net investment income . . . . .	—
Accumulated undistributed net realized loss on investment transactions . . . . .	(712)
Net unrealized depreciation in value of investments . . . . .	(206)
Net assets applicable to outstanding units of capital . . . . .	<u>\$66,240</u>
Net asset value per share (net assets divided by shares outstanding):	
Class A . . . . .	\$10.42
Class B . . . . .	\$10.42
Class C . . . . .	\$10.42
Class Y . . . . .	\$10.42
Capital shares outstanding:	
Class A . . . . .	5,946
Class B . . . . .	166
Class C . . . . .	243
Class Y . . . . .	3

See Notes to Financial Statements.

# Statement of Operations

## IVY BOND FUND

For the Six Months Ended September 30, 2006

(In Thousands)

### INVESTMENT INCOME

Income (Note 1B):	
Interest and amortization . . . . .	\$1,723
Dividends . . . . .	17
Total income . . . . .	<u>1,740</u>
Expenses (Note 2):	
Accounting services fee . . . . .	22
Audit fees . . . . .	13
Custodian fees . . . . .	7
Distribution fee:	
Class A . . . . .	2
Class B . . . . .	6
Class C . . . . .	9
Investment management fee . . . . .	161
Legal fees . . . . .	—*
Registration fees . . . . .	23
Service fee:	
Class A . . . . .	70
Class B . . . . .	2
Class C . . . . .	3
Class Y . . . . .	—*
Shareholder servicing:	
Class A . . . . .	56
Class B . . . . .	4
Class C . . . . .	4
Class Y . . . . .	—*
Other . . . . .	12
Total expenses . . . . .	<u>394</u>
Net investment income . . . . .	<u>1,346</u>

### REALIZED AND UNREALIZED GAIN (LOSS)

#### ON INVESTMENTS (NOTES 1 AND 3)

Realized net loss on securities . . . . .	(264)
Realized net loss on futures . . . . .	(47)
Realized net loss on investments . . . . .	<u>(311)</u>
Unrealized appreciation in value of securities during the period . . . . .	1,129
Unrealized depreciation in value of futures during the period . . . . .	(46)
Unrealized appreciation in value of investments during the period . . . . .	1,083
Net gain on investments . . . . .	<u>772</u>
Net increase in net assets resulting from operations . . . . .	<u>\$2,118</u>

\*Not shown due to rounding.

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY BOND FUND

(In Thousands)

	For the six months ended September 30, 2006	For the fiscal year ended March 31, 2006
<b>INCREASE IN NET ASSETS</b>		
Operations:		
Net investment income . . . . .	\$ 1,346	\$ 2,230
Realized net loss on investments . . . . .	(311)	(230)
Unrealized appreciation (depreciation) . . . . .	1,083	(1,046)
Net increase in net assets resulting from operations . . . . .	2,118	954
Distributions to shareholders from (Note 1F):(1)		
Net investment income:		
Class A . . . . .	(1,277)	(2,164)
Class B . . . . .	(26)	(33)
Class C . . . . .	(42)	(33)
Class Y . . . . .	(1)	(1)
Realized gains on investment transactions:		
Class A . . . . .	(—)	(—)
Class B . . . . .	(—)	(—)
Class C . . . . .	(—)	(—)
Class Y . . . . .	(—)	(—)
	(1,346)	(2,231)
Capital share transactions (Note 5) . . . . .	6,738	9,284
Total increase . . . . .	7,510	8,007
<b>NET ASSETS</b>		
Beginning of period . . . . .	58,730	50,723
End of period . . . . .	\$66,240	\$58,730
Undistributed net investment income (loss) . . . . .	\$ —	\$ (—)*

\*Not shown due to rounding.

(1)See "Financial Highlights" on pages 44 - 47.

# Financial Highlights

## IVY BOND FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the		For the	For the fiscal year ended		
	six months	fiscal year ended		fiscal period	September 30,		
	ended	March 31,		ended			
	9-30-06	2006	2005	3-31-04	2003	2002	2001
Net asset value, beginning of period . . .	\$ 10.28	\$ 10.52	\$ 10.83	\$ 10.73	\$ 10.57	\$ 10.30	\$ 9.60
Income (loss) from investment operations:							
Net investment income . . .	0.22	0.42	0.41	0.23	0.45	0.52	0.58
Net realized and unrealized gain (loss) on investments . . . . .	0.14	(0.24)	(0.30)	0.09	0.15	0.27	0.70
Total from investment operations . . . . .	0.36	0.18	0.11	0.32	0.60	0.79	1.28
Less distributions from:							
Net investment income . . . . .	(0.22)	(0.42)	(0.42)	(0.22)	(0.44)	(0.52)	(0.58)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.22)	(0.42)	(0.42)	(0.22)	(0.44)	(0.52)	(0.58)
Net asset value, end of period . . . . .	\$ 10.42	\$ 10.28	\$ 10.52	\$ 10.83	\$ 10.73	\$ 10.57	\$ 10.30
Total return <sup>(1)</sup> . . . . .	3.66%	1.74%	1.04%	3.03%	5.84%	7.90%	13.68%
Net assets, end of period (in millions) . .	\$62	\$56	\$49	\$23	\$18	\$17	\$16
Ratio of expenses to average net assets including reimbursement . . . . .	1.22% <sup>(2)</sup>	1.23%	1.17%	1.46% <sup>(2)(3)</sup>	1.15%	1.15%	1.15%
Ratio of net investment income to average net assets including reimbursement . . . . .	4.46% <sup>(2)</sup>	4.03%	3.84%	4.53% <sup>(2)(3)</sup>	4.25%	5.07%	5.77%
Ratio of expenses to average net assets excluding reimbursement . . . . .	1.22% <sup>(2)(4)</sup>	1.23% <sup>(4)</sup>	1.43%	2.36% <sup>(2)(3)</sup>	2.01%	1.92%	1.99%
Ratio of net investment income to average net assets excluding reimbursement . . . . .	4.46% <sup>(2)(4)</sup>	4.03% <sup>(4)</sup>	3.58%	3.64% <sup>(2)(3)</sup>	3.39%	4.30%	4.93%
Portfolio turnover rate . . . . .	45%	126%	200%	78%	119%	148%	252%

(1) Total return calculated without taking into account the sales load deducted on an initial purchase.

(2) Annualized.

(3) In connection with the reorganization plan effected December 8, 2003, Class B and Class C shares of the predecessor Advantus Fund were exchanged into Class A shares at the time of the merger. The ratios shown above reflect a blended rate that includes the effect of income and expenses for those Class B and Class C shares from October 1, 2003 up to the time of merger. Expenses for Class A shares before and after the merger were limited to 1.15% of average net assets.

(4) There was no waiver of expenses during the period.

See Notes to Financial Statements.

# Financial Highlights

## IVY BOND FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the fiscal year		For the
	six months	ended March 31,		period from
	ended	2006	2005	12-8-03 <sup>(1)</sup>
	9-30-06			to
				3-31-04
Net asset value,				
beginning of period . . . . .	\$10.28	\$10.52	\$10.83	\$10.64
Income (loss) from investment				
operations:				
Net investment income . . . . .	0.17	0.30	0.28	0.11
Net realized and unrealized				
gain (loss) on investments . . . . .	0.14	(0.24)	(0.31)	0.19
Total from investment operations . . . . .	0.31	0.06	(0.03)	0.30
Less distributions from:				
Net investment income . . . . .	(0.17)	(0.30)	(0.28)	(0.11)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.17)	(0.30)	(0.28)	(0.11)
Net asset value, end of period . . . . .	<u>\$10.42</u>	<u>\$10.28</u>	<u>\$10.52</u>	<u>\$10.83</u>
Total return . . . . .	3.07%	0.57%	-0.23%	2.77%
Net assets, end of period				
(in thousands) . . . . .	\$1,725	\$1,451	\$744	\$287
Ratio of expenses to				
average net assets . . . . .	2.35% <sup>(2)</sup>	2.38%	2.45%	2.76% <sup>(2)</sup>
Ratio of net investment income				
to average net assets . . . . .	3.33% <sup>(2)</sup>	2.90%	2.63%	3.04% <sup>(2)</sup>
Portfolio turnover rate . . . . .	45%	126%	200%	78% <sup>(3)</sup>

(1)Commencement of operations of the class.

(2)Annualized.

(3)For the six months ended March 31, 2004.

See Notes to Financial Statements.

# Financial Highlights

## IVY BOND FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-06	For the fiscal year ended March 31, 2006      2005		For the period from 12-8-03 <sup>(1)</sup> to 3-31-04
Net asset value, beginning of period . . . . .	\$10.28	\$10.52	\$10.83	\$10.64
Income (loss) from investment operations:				
Net investment income . . . . .	0.18	0.31	0.27	0.11
Net realized and unrealized gain (loss) on investments . . . . .	0.14	(0.24)	(0.31)	0.19
Total from investment operations . . . . .	0.32	0.07	(0.04)	0.30
Less distributions from:				
Net investment income . . . . .	(0.18)	(0.31)	(0.27)	(0.11)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.18)	(0.31)	(0.27)	(0.11)
Net asset value, end of period . . . . .	<u>\$10.42</u>	<u>\$10.28</u>	<u>\$10.52</u>	<u>\$10.83</u>
Total return . . . . .	3.20%	0.66%	-0.40%	2.77%
Net assets, end of period (in thousands) . . . . .	\$2,532	\$1,737	\$547	\$115
Ratio of expenses to average net assets . . . . .	2.10% <sup>(2)</sup>	2.28%	2.59%	2.61% <sup>(2)</sup>
Ratio of net investment income to average net assets . . . . .	3.58% <sup>(2)</sup>	3.01%	2.47%	3.09% <sup>(2)</sup>
Portfolio turnover rate . . . . .	45%	126%	200%	78% <sup>(3)</sup>

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the six months ended March 31, 2004.

See Notes to Financial Statements.

# Financial Highlights

## IVY BOND FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the fiscal year		For the
	six months	ended March 31,		period from
	ended	2006	2005	12-8-03 <sup>(1)</sup>
	9-30-06			to
				3-31-04
Net asset value,				
beginning of period . . . . .	\$10.28	\$10.52	\$10.83	\$10.64
Income (loss) from				
investment operations:				
Net investment income . . . . .	0.22	0.41	0.39	0.13
Net realized and unrealized				
gain (loss) on investments . . . . .	0.14	(0.24)	(0.31)	0.19
Total from investment operations . . . . .	0.36	0.17	0.08	0.32
Less distributions from:				
Net investment income . . . . .	(0.22)	(0.41)	(0.39)	(0.13)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.22)	(0.41)	(0.39)	(0.13)
Net asset value, end of period . . . . .	<u>\$10.42</u>	<u>\$10.28</u>	<u>\$10.52</u>	<u>\$10.83</u>
Total return . . . . .	3.63%	1.62%	0.75%	3.03%
Net assets, end of period				
(in thousands) . . . . .	\$35	\$20	\$34	\$25
Ratio of expenses to				
average net assets . . . . .	1.28% <sup>(2)</sup>	1.34%	1.46%	1.54% <sup>(2)</sup>
Ratio of net investment income				
to average net assets . . . . .	4.41% <sup>(2)</sup>	3.91%	3.65%	3.99% <sup>(2)</sup>
Portfolio turnover rate . . . . .	45%	126%	200%	78% <sup>(3)</sup>

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the six months ended March 31, 2004.

See Notes to Financial Statements.

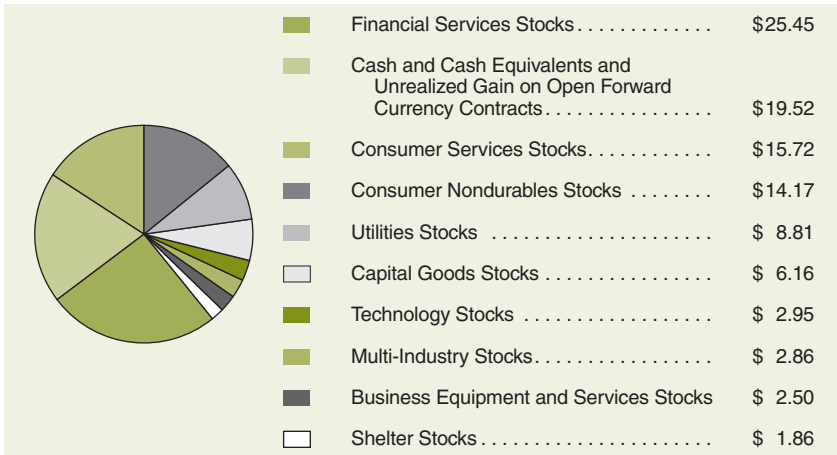
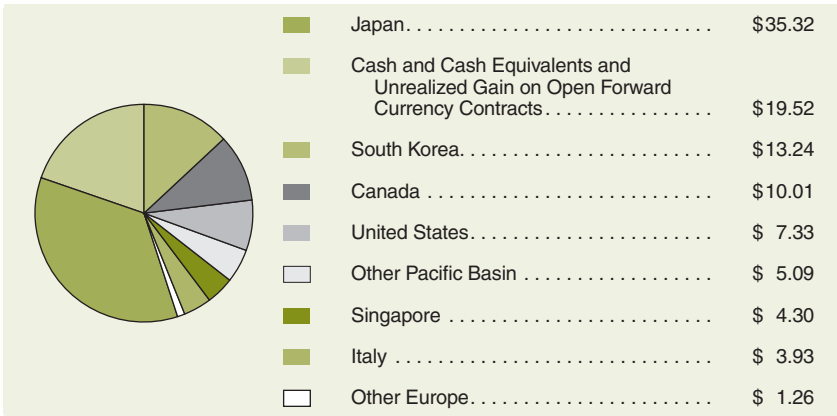
## SHAREHOLDER SUMMARY OF IVY CUNDILL GLOBAL VALUE FUND

### Portfolio Highlights

On September 30, 2006, Ivy Cundill Global Value Fund had net assets totaling \$945,236,157 invested in a diversified portfolio of:

73.15%	Foreign Common Stocks
19.52%	Cash and Cash Equivalents and Unrealized Gain on Open Forward Currency Contracts
7.33%	Domestic Common Stocks

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2006, your Fund was invested by country and by industry, respectively, as follows:





# The Investments of Ivy Cundill Global Value Fund

September 30, 2006

COMMON STOCKS	Shares	Value
<b>Canada – 10.01%</b>		
BCE Inc. (A) . . . . .	1,815,800	\$ 49,255,250
Fairfax Financial Holdings Limited (A) . . . . .	214,300	27,805,797
Legacy Hotels Real Estate Investment Trust (A) . . . . .	1,289,300	11,084,923
Legacy Hotels Real Estate Investment Trust (A)(B) . . . . .	753,900	6,481,753
		<u>94,627,723</u>
<b>Germany – 1.26%</b>		
Munchener Ruckversicherungs-Gesellschaft Aktiengesellschaft, Registered Shares (A) . . . . .	75,184	<u>11,893,336</u>
<b>Hong Kong – 2.86%</b>		
First Pacific Company Limited (A) . . . . .	57,628,000	<u>27,073,284</u>
<b>Italy – 3.93%</b>		
Italmobiliare S.p.A., Non-Convertible Savings Shares (A) . . . . .	521,786	<u>37,145,187</u>
<b>Japan – 35.32%</b>		
ACOM CO., LTD. (A) . . . . .	850,000	36,266,667
AlFUL Corporation (A) . . . . .	694,000	26,849,355
Asatsu-DK Inc. (A) . . . . .	776,800	23,608,144
Coca-Cola West Holdings Company, Limited (A) . . . . .	1,879,200	37,544,229
Kirin Brewery Company, Limited (A) . . . . .	2,913,000	38,889,321
Lion Corporation (A) . . . . .	2,500,000	13,460,317
Mabuchi Motor Co., Ltd. (A) . . . . .	456,100	27,877,604
NIPPONKOA Insurance Company, Limited (A) . . . . .	1,900,000	15,151,746
Nikko Cordial Corporation (A) . . . . .	3,651,500	42,349,672
Nippon Television Network Corporation (A) . . . . .	180,000	24,594,286
TV Asahi Corporation (A) . . . . .	6,612	14,049,625
Takefuji Corporation (A) . . . . .	725,000	33,265,608
		<u>333,906,574</u>
<b>Malaysia – 2.23%</b>		
AmcorpGroup Berhad (A)* . . . . .	57,951,500	<u>21,056,131</u>
<b>Singapore – 4.30%</b>		
Singapore Press Holdings Limited (A) . . . . .	15,738,000	<u>40,626,979</u>
<b>South Korea – 13.24%</b>		
Korea Electric Power Corporation (A) . . . . .	875,324	34,087,915
Korea Investment Holdings Co., Ltd. (A) . . . . .	1,085,230	46,964,511
Korea Tobacco & Ginseng Corporation (A)* . . . . .	725,400	44,079,789
		<u>125,132,215</u>

See Notes to Schedule of Investments on page 51.

# The Investments of Ivy Cundill Global Value Fund

September 30, 2006

COMMON STOCKS (Continued)	Shares	Value
<b>United States – 7.33%</b>		
DIRECTV Group, Inc. (The)* . . . . .	2,200,000	\$ 43,296,000
Liberty Global, Inc., Series C* . . . . .	270,544	6,783,891
Liberty Media Corporation, Liberty Interactive Series A* . . . . .	941,925	19,210,560
		<u>69,290,451</u>
<b>TOTAL COMMON STOCKS – 80.48%</b>		<b>\$760,751,880</b>

(Cost: \$672,524,753)

UNREALIZED GAIN (LOSS) ON OPEN FORWARD CURRENCY CONTRACTS – 0.69%	Face Amount in Thousands	
Euro, 1–19–07 (C) . . . . .	EUR8,914	1,667
Euro, 3–23–07 (C) . . . . .	25,233	99,924
Japanese Yen, 1–19–07 (C) . . . . .	JPY16,183,235	6,308,796
Japanese Yen, 3–23–07 (C) . . . . .	19,311	912,544
Malaysian Ringgit, 1–19–07 (C) . . . . .	MYR15,941	15,741
Malaysian Ringgit, 3–23–07 (C) . . . . .	48,930	84,817
Singapore Dollar, 1–19–07 (C) . . . . .	SGD21,275	16,012
Singapore Dollar, 3–23–07 (C) . . . . .	34,840	170,967
South Korean Won, 1–19–07 (C) . . . . .	KRW10,193,580	8,240
South Korean Won, 1–19–07 (C) . . . . .	36,077,726	(401,839)
South Korean Won, 3–23–07 (C) . . . . .	52,495,743	(682,817)
		<u>\$ 6,534,052</u>

SHORT-TERM SECURITIES	Principal Amount in Thousands	
<b>Repurchase Agreements – 12.09%</b>		
J.P. Morgan Securities Inc., 4.9% Repurchase Agreement dated 9–29–06 to be repurchased at \$108,323,214 on 10–2–06, 4.9%, 10–2–06 (D) . . . . .	\$108,279	108,279,000
J.P. Morgan Securities Inc., 4.9% Repurchase Agreement dated 9–29–06 to be repurchased at \$6,037,464 on 10–2–06, 4.9%, 10–2–06 (E) . . . . .	6,035	6,035,000
		<u>114,314,000</u>

See Notes to Schedule of Investments on page 51.

# The Investments of Ivy Cundill Global Value Fund

September 30, 2006

SHORT-TERM SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>United States Government Obligations – 6.85%</b>		
<b>Treasury Obligations</b>		
United States Treasury Bills:		
4.96%, 10–19–06 .....	\$15,000	\$ 14,962,800
5.02%, 10–19–06 .....	15,000	14,962,350
5.01%, 11–16–06 .....	25,000	24,839,958
5.05%, 11–24–06 .....	10,000	9,924,250
		<b>64,689,358</b>
<b>TOTAL SHORT-TERM SECURITIES – 18.94%</b>		<b>\$ 179,003,358</b>
(Cost: \$179,003,358)		
<b>TOTAL INVESTMENT SECURITIES – 100.11%</b>		<b>\$ 946,289,290</b>
(Cost: \$851,528,111)		
<b>LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.11%)</b>		<b>(1,053,133)</b>
<b>NET ASSETS – 100.00%</b>		<b>\$ 945,236,157</b>

## Notes to Schedule of Investments

\*No dividends were paid during the preceding 12 months.

(A) Listed on an exchange outside the United States.

(B) Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At September 30, 2006, the total value of this security amounted to 0.69% of net assets.

(C) Principal amounts are denominated in the indicated foreign currency, where applicable (EUR – Euro, JPY – Japanese Yen, KRW – South Korean Won, MYR – Malaysian Ringgit, SGD – Singapore Dollar).

(D) Collateralized by \$111,000,000 United States Treasury Note, 4.25% due 11–15–14; market value and accrued interest aggregate \$110,111,620.

(E) Collateralized by \$4,959,000 United States Treasury Note, 6.5% due 11–15–26; market value and accrued interest aggregate \$6,134,266.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

# Statement of Assets and Liabilities

## IVY CUNDILL GLOBAL VALUE FUND

September 30, 2006

(In Thousands, Except for Per Share Amounts)

### ASSETS

Investment securities – at value (Notes 1 and 3):	
Securities (cost – \$737,214) . . . . .	\$831,975
Repurchase agreements (cost – \$114,314) . . . . .	114,314
	<u>946,289</u>
Receivables:	
Fund shares sold . . . . .	2,223
Dividends and interest . . . . .	1,752
Investment securities sold . . . . .	713
Prepaid and other assets . . . . .	59
Total assets . . . . .	<u>951,036</u>

### LIABILITIES

Payable for investment securities purchased . . . . .	2,744
Payable to Fund shareholders . . . . .	1,011
Accrued management fee (Note 2) . . . . .	719
Due to custodian . . . . .	343
Accrued service fee (Note 2) . . . . .	342
Accrued shareholder servicing (Note 2) . . . . .	262
Accrued distribution fee (Note 2) . . . . .	172
Accrued accounting services fee (Note 2) . . . . .	11
Accrued administrative fee (Note 2) . . . . .	8
Other . . . . .	188
Total liabilities . . . . .	<u>5,800</u>
Total net assets . . . . .	<u>\$945,236</u>

### NET ASSETS

Capital paid in (shares authorized – unlimited) . . . . .	\$821,819
Accumulated undistributed income:	
Accumulated undistributed net investment income . . . . .	1,361
Accumulated undistributed net realized gain on investment transactions . . . . .	27,299
Net unrealized appreciation in value of investments . . . . .	94,757
Net assets applicable to outstanding units of capital . . . . .	<u>\$945,236</u>
Net asset value per share (net assets divided by shares outstanding):	
Class A . . . . .	\$15.50
Class B . . . . .	\$15.14
Class C . . . . .	\$15.09
Class Y . . . . .	\$15.56
Advisor Class . . . . .	\$15.56
Class I . . . . .	\$15.42
Capital shares outstanding:	
Class A . . . . .	41,738
Class B . . . . .	3,717
Class C . . . . .	14,892
Class Y . . . . .	926
Advisor Class . . . . .	197
Class I . . . . .	1

See Notes to Financial Statements.

# Statement of Operations

## IVY CUNDILL GLOBAL VALUE FUND

For the Six Months Ended September 30, 2006

(In Thousands)

### INVESTMENT INCOME

Income (Note 1B):	
Dividends (net of foreign withholding taxes of \$904) .....	\$ 7,067
Interest and amortization .....	4,770
Total income .....	<u>11,837</u>
Expenses (Note 2):	
Accounting services fee .....	68
Administrative fee .....	47
Audit fees .....	11
Custodian fees .....	112
Distribution fee:	
Class A .....	55
Class B .....	211
Class C .....	827
Class Y .....	1
Investment management fee .....	4,346
Legal fees .....	11
Service fee:	
Class A .....	743
Class B .....	70
Class C .....	276
Class Y .....	18
Shareholder servicing:	
Class A .....	887
Class B .....	117
Class C .....	212
Class Y .....	13
Advisor Class .....	1
Class I .....	—*
Other .....	258
Total .....	<u>8,284</u>
Less expenses in excess of voluntary limit (Note 2) .....	(18)
Total expenses .....	<u>8,266</u>
Net investment income .....	<u>3,571</u>

### REALIZED AND UNREALIZED GAIN (LOSS)

#### ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on securities .....	26,269
Realized net gain on forward currency contracts .....	2,510
Realized net loss on foreign currency transactions .....	(437)
Realized net gain on investments .....	<u>28,342</u>
Unrealized depreciation in value of securities during the period .....	(37,050)
Unrealized appreciation in value of forward currency contracts during the period .....	2,095
Unrealized depreciation in value of investments during the period .....	<u>(34,955)</u>
Net loss on investments .....	<u>(6,613)</u>
Net decrease in net assets resulting from operations .....	<u>\$ (3,042)</u>

\*Not shown due to rounding.

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY CUNDILL GLOBAL VALUE FUND

(In Thousands)

	For the six months ended September 30, 2006	For the fiscal year ended March 31, 2006
<b>INCREASE IN NET ASSETS</b>		
Operations:		
Net investment income .....	\$ 3,571	\$ 6,038
Realized net gain on investments .....	28,342	27,211
Unrealized appreciation (depreciation) .....	(34,955)	80,530
Net increase (decrease) in net assets resulting from operations .....	(3,042)	113,779
Distributions to shareholders from (Note 1F):(1)		
Net investment income:		
Class A .....	(—)	(5,373)
Class B .....	(—)	(65)
Class C .....	(—)	(616)
Class Y .....	(—)	(252)
Advisor Class .....	(—)	(39)
Class I .....	(—)	(—)*
Realized gains on investment transactions:		
Class A .....	(—)	(16,729)
Class B .....	(—)	(1,681)
Class C .....	(—)	(5,678)
Class Y .....	(—)	(569)
Advisor Class .....	(—)	(99)
Class I .....	(—)	(1)
	(—)	(31,102)
Capital share transactions (Note 5) .....	35,073	363,040
Total increase .....	32,031	445,717
<b>NET ASSETS</b>		
Beginning of period .....	913,205	467,488
End of period .....	\$ 945,236	\$ 913,205
Undistributed net investment income (loss) .....	\$ 1,361	\$ (1,773)

\*Not shown due to rounding.

(1) See "Financial Highlights" on pages 55 - 60.

See Notes to Financial Statements.

# Financial Highlights

## IVY CUNDILL GLOBAL VALUE FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-06	For the fiscal year ended March 31, 2006      2005		For the fiscal period ended 3-31-04	For the fiscal year ended December 31, 2003      2002		For the period from 9-4-01 <sup>(1)</sup> to 12-31-01
Net asset value, beginning of period. . . .	\$15.52	\$13.79	\$12.57	\$11.41	\$ 8.39	\$9.64	\$10.15
Income (loss) from investment operations:							
Net investment income (loss) . . . . .	0.08	0.17	0.04	0.01	0.01	(0.00) <sup>(2)</sup>	0.01
Net realized and unrealized gain (loss) on investments. . . . .	(0.10)	2.21	1.25	1.15	3.05	(1.17)	(0.23)
Total from investment operations. . . . .	(0.02)	2.38	1.29	1.16	3.06	(1.17)	(0.22)
Less distributions from:							
Net investment income. .	(0.00)	(0.16)	(0.07)	(0.00)	(0.04)	(0.00)	(0.02)
Capital gains. . . . .	(0.00)	(0.49)	(0.00)	(0.00)	(0.00)	(0.08)	(0.27)
Total distributions. . . . .	(0.00)	(0.65)	(0.07)	(0.00)	(0.04)	(0.08)	(0.29)
Net asset value, end of period . . . . .	\$15.50	\$15.52	\$13.79	\$12.57	\$11.41	\$8.39	\$ 9.64
Total return <sup>(3)</sup> . . . . .	-0.19%	17.49%	10.29%	10.17%	36.43%	-12.17%	-2.07%
Net assets, end of period (in thousands) . . . . .	\$646,730	\$624,894	\$320,750	\$58,678	\$29,530	\$1,403	\$213
Ratio of expenses to average net assets including reimbursement. . . . .	1.57% <sup>(4)</sup>	1.62%	1.74%	1.70% <sup>(4)</sup>	2.05%	2.28%	4.47% <sup>(4)</sup>
Ratio of net investment income (loss) to average net assets including reimbursement. . . . .	0.97% <sup>(4)</sup>	1.09%	0.08%	-0.09% <sup>(4)</sup>	0.18%	0.02%	0.94% <sup>(4)</sup>
Ratio of expenses to average net assets excluding reimbursement. . . . .	1.57% <sup>(4)(5)</sup>	1.62% <sup>(5)</sup>	1.74% <sup>(5)</sup>	1.84% <sup>(4)</sup>	2.21%	4.97%	31.77% <sup>(4)</sup>
Ratio of net investment income (loss) to average net assets excluding reimbursement. . . . .	0.97% <sup>(4)(5)</sup>	1.09% <sup>(5)</sup>	0.08% <sup>(5)</sup>	-0.23% <sup>(4)</sup>	0.02%	-2.67%	-26.36% <sup>(4)</sup>
Portfolio turnover rate. . . .	13%	4%	5%	1%	24%	122%	57% <sup>(6)</sup>

(1) Commencement of operations of the class.

(2) Based on average shares outstanding.

(3) Total return calculated without taking into account the sales load deducted on an initial purchase.

(4) Annualized.

(5) There was no waiver of expenses during the period.

(6) For the 12 months ended December 31, 2001.

See Notes to Financial Statements.

# Financial Highlights

## IVY CUNDILL GLOBAL VALUE FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-06	For the fiscal year ended March 31, 2006      2005		For the fiscal period ended 3-31-04	For the fiscal year ended December 31, 2003      2002		For the period from 9-26-01 <sup>(1)</sup> to 12-31-01
Net asset value, beginning of period. . . .	\$15.23	\$13.54	\$12.38	\$11.26	\$ 8.32	\$9.61	\$9.26
Income (loss) from investment operations:							
Net investment income (loss) . . . . .	0.01	0.06	(0.01)	(0.02)	(0.06)	(0.05) <sup>(2)</sup>	0.01
Net realized and unrealized gain (loss) on investments. . . . .	(0.10)	2.14	1.17	1.14	3.00	(1.16)	0.62
Total from investment operations . . . . .	(0.09)	2.20	1.16	1.12	2.94	(1.21)	0.63
Less distributions from:							
Net investment income.	(0.00)	(0.02)	(0.00)	(0.00)	(0.00)	(0.00)	(0.02)
Capital gains . . . . .	(0.00)	(0.49)	(0.00)	(0.00)	(0.00)	(0.08)	(0.26)
Total distributions . . . . .	(0.00)	(0.51)	(0.00)	(0.00)	(0.00)	(0.08)	(0.28)
Net asset value, end of period. . . . .	\$15.14	\$15.23	\$13.54	\$12.38	\$11.26	\$8.32	\$9.61
Total return . . . . .	-0.59%	16.43%	9.37%	9.95%	35.34%	-12.62%	6.91%
Net assets, end of period (in millions) . . . . .	\$56	\$57	\$37	\$12	\$7	\$2	\$1
Ratio of expenses to average net assets including reimbursement. . . . .	2.47% <sup>(3)</sup>	2.51%	2.62%	2.52% <sup>(3)</sup>	3.20%	2.84%	6.04% <sup>(3)</sup>
Ratio of net investment income (loss) to average net assets including reimbursement. . . . .	0.08% <sup>(3)</sup>	0.21%	-0.86%	-1.31% <sup>(3)</sup>	-1.13%	-0.54%	0.60% <sup>(3)</sup>
Ratio of expenses to average net assets excluding reimbursement. . . . .	2.47% <sup>(3)(4)</sup>	2.51% <sup>(4)</sup>	2.62% <sup>(4)</sup>	2.67% <sup>(3)</sup>	3.36%	5.53%	39.53% <sup>(3)</sup>
Ratio of net investment income (loss) to average net assets excluding reimbursement. . . . .	0.08% <sup>(3)(4)</sup>	0.21% <sup>(4)</sup>	-0.86% <sup>(4)</sup>	-1.46% <sup>(3)</sup>	-1.29%	-3.23%	-32.89% <sup>(3)</sup>
Portfolio turnover rate. . . .	13%	4%	5%	1%	24%	122%	57% <sup>(5)</sup>

(1) Commencement of operations of the class.

(2) Based on average shares outstanding.

(3) Annualized.

(4) There was no waiver of expenses during the period.

(5) For the 12 months ended December 31, 2001.

See Notes to Financial Statements.



# Financial Highlights

## IVY CUNDILL GLOBAL VALUE FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-06	For the fiscal year ended March 31, 2006      2005		For the fiscal period ended 3-31-04	For the fiscal year ended December 31, 2003      2002		For the period from 10-19-01 <sup>(1)</sup> to 12-31-01
Net asset value, beginning of period . . .	\$15.16	\$13.48	\$12.30	\$11.19	\$ 8.26	\$9.57	\$9.44
Income (loss) from investment operations:							
Net investment income (loss) . . . . .	0.02	0.08	(0.02)	(0.01)	(0.03)	(0.07) <sup>(2)</sup>	0.01
Net realized and unrealized gain (loss) on investments . . . . .	(0.09)	2.14	1.20	1.12	2.96	(1.16)	0.40
Total from investment operations . . . . .	(0.07)	2.22	1.18	1.11	2.93	(1.23)	0.41
Less distributions from:							
Net investment income .	(0.00)	(0.05)	(0.00)	(0.00)	(0.00)	(0.00)	(0.02)
Capital gains . . . . .	(0.00)	(0.49)	(0.00)	(0.00)	(0.00)	(0.08)	(0.26)
Total distributions . . . . .	(0.00)	(0.54)	(0.00)	(0.00)	(0.00)	(0.08)	(0.28)
Net asset value, end of period . . . . .	\$15.09	\$15.16	\$13.48	\$12.30	\$11.19	\$8.26	\$9.57
Total return . . . . .	-0.46%	16.70%	9.59%	9.92%	35.47%	-12.88%	4.44%
Net assets, end of period (in thousands) . . . . .	\$224,724	\$211,242	\$96,375	\$23,840	\$11,235	\$446	\$30
Ratio of expenses to average net assets including reimbursement . . . . .	2.23% <sup>(3)</sup>	2.28%	2.42%	2.35% <sup>(3)</sup>	2.93%	3.10%	7.71% <sup>(3)</sup>
Ratio of net investment income (loss) to average net assets including reimbursement . . . . .	0.30% <sup>(3)</sup>	0.43%	-0.62%	-1.09% <sup>(3)</sup>	-0.83%	-0.80%	0.99% <sup>(3)</sup>
Ratio of expenses to average net assets excluding reimbursement . . . . .	2.23% <sup>(3)(4)</sup>	2.28% <sup>(4)</sup>	2.42% <sup>(4)</sup>	2.50% <sup>(3)</sup>	3.10%	5.79%	51.61% <sup>(3)</sup>
Ratio of net investment income (loss) to average net assets excluding reimbursement . . . . .	0.30% <sup>(3)(4)</sup>	0.43% <sup>(4)</sup>	-0.62% <sup>(4)</sup>	-1.23% <sup>(3)</sup>	-1.00%	-3.49%	-42.91% <sup>(3)</sup>
Portfolio turnover rate . . .	13%	4%	5%	1%	24%	122%	57% <sup>(5)</sup>

(1) Commencement of operations of the class.

(2) Based on average shares outstanding.

(3) Annualized.

(4) There was no waiver of expenses during the period.

(5) For the 12 months ended December 31, 2001.

See Notes to Financial Statements.

# Financial Highlights

## IVY CUNDILL GLOBAL VALUE FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-06	For the fiscal year ended March 31, 2006      2005		For the fiscal period ended 3-31-04	For the period from 7-24-03 <sup>(1)</sup> to 12-31-03
Net asset value, beginning of period . . . . .	\$15.56	\$13.82	\$12.58	\$11.40	\$ 9.84
Income (loss) from investment operations:					
Net investment income (loss) . . . . .	0.10	0.19	0.07	(0.01)	0.02
Net realized and unrealized gain (loss) on investments . . . . .	(0.10)	2.26	1.29	1.19	1.58
Total from investment operations . . . . .	0.00	2.45	1.36	1.18	1.60
Less distributions from:					
Net investment income . .	(0.00)	(0.22)	(0.12)	(0.00)	(0.04)
Capital gains . . . . .	(0.00)	(0.49)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.71)	(0.12)	(0.00)	(0.04)
Net asset value, end of period . . . . .	\$15.56	\$15.56	\$13.82	\$12.58	\$11.40
Total return . . . . .	0.00%	17.99%	10.90%	10.35%	16.28%
Net assets, end of period (in millions) . . . . .	\$15	\$17	\$10	\$2	\$1
Ratio of expenses to average net assets including reimbursement . . . . .	1.20% <sup>(2)</sup>	1.19%	1.20%	1.20% <sup>(2)</sup>	1.76% <sup>(2)</sup>
Ratio of net investment income (loss) to average net assets including reimbursement . . . . .	1.35% <sup>(2)</sup>	1.46%	0.52%	-0.32% <sup>(2)</sup>	0.55% <sup>(2)</sup>
Ratio of expenses to average net assets excluding reimbursement . . . . .	1.43% <sup>(2)</sup>	1.46%	1.56%	1.80% <sup>(2)</sup>	2.09% <sup>(2)</sup>
Ratio of net investment income (loss) to average net assets excluding reimbursement . . . . .	1.12% <sup>(2)</sup>	1.19%	0.16%	-0.92% <sup>(2)</sup>	0.22% <sup>(2)</sup>
Portfolio turnover rate . . . . .	13%	4%	5%	1%	24% <sup>(3)</sup>

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the 12 months ended December 31, 2003.

See Notes to Financial Statements.

# Financial Highlights

## IVY CUNDILL GLOBAL VALUE FUND

Advisor Class Shares<sup>(1)</sup>

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the fiscal		For the	For the fiscal year		
	six months	year ended		fiscal period	ended December 31,		
	ended	March 31,		ended			
	9-30-06	2006	2005	3-31-04	2003	2002	2001
Net asset value, beginning of period . . . . .	\$15.54	\$13.77	\$12.54	\$11.37	\$ 8.34	\$9.55	\$10.07
Income (loss) from investment operations:							
Net investment income (loss) . . . . .	0.11	0.22	0.04	(0.01)	(0.01)	0.04 <sup>(2)</sup>	0.03
Net realized and unrealized gain (loss) on investments . . . . .	(0.09)	2.23	1.32	1.18	3.10	(1.17)	(0.25)
Total from investment operations . . . . .	0.02	2.45	1.36	1.17	3.09	(1.13)	(0.22)
Less distributions from:							
Net investment income . .	(0.00)	(0.19)	(0.13)	(0.00)	(0.06)	(0.00)	(0.02)
Capital gains . . . . .	(0.00)	(0.49)	(0.00)	(0.00)	(0.00)	(0.08)	(0.28)
Total distributions . . . . .	(0.00)	(0.68)	(0.13)	(0.00)	(0.06)	(0.08)	(0.30)
Net asset value, end of period . . . . .	\$15.56	\$15.54	\$13.77	\$12.54	\$11.37	\$8.34	\$ 9.55
Total return . . . . .	0.13%	18.09%	10.86%	10.29%	37.11%	-11.86%	-2.13%
Net assets, end of period (in millions) . . . . .	\$3	\$3	\$3	\$3	\$3	\$2	\$1
Ratio of expenses to average net assets including reimbursement . . . . .	1.06% <sup>(3)</sup>	1.12%	1.23%	1.26% <sup>(3)</sup>	2.12%	1.83%	1.40%
Ratio of net investment income (loss) to average net assets including reimbursement . . . . .	1.49% <sup>(3)</sup>	1.57%	0.41%	-0.17% <sup>(3)</sup>	-0.07%	0.47%	0.37%
Ratio of expenses to average net assets excluding reimbursement . . . . .	1.06% <sup>(3)(4)</sup>	1.12% <sup>(4)</sup>	1.23% <sup>(4)</sup>	1.41% <sup>(3)</sup>	2.28%	4.52%	10.30%
Ratio of net investment income (loss) to average net assets excluding reimbursement . . . . .	1.49% <sup>(3)(4)</sup>	1.57% <sup>(4)</sup>	0.41% <sup>(4)</sup>	-0.32% <sup>(3)</sup>	-0.23%	-2.22%	-8.53%
Portfolio turnover rate . . . . .	13%	4%	5%	1%	24%	122%	57%

(1) See Note 5 to financial statements.

(2) Based on average shares outstanding.

(3) Annualized.

(4) There was no waiver of expenses during the period.

See Notes to Financial Statements.

# Financial Highlights

## IVY CUNDILL GLOBAL VALUE FUND

Class I Shares<sup>(1)</sup>

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-06	For the fiscal year ended March 31, 2006      2005		For the fiscal period ended 3-31-04	For the fiscal year ended 12-31-03	For the period from 11-5-02 <sup>(2)</sup> to 12-31-02
Net asset value, beginning of period . . . . .	\$15.41	\$13.70	\$12.49	\$11.33	\$ 8.31	\$8.85
Income (loss) from investment operations:						
Net investment income (loss) . . . . .	0.11	0.25 <sup>(3)</sup>	0.02	(0.01)	0.00	0.26
Net realized and unrealized gain (loss) on investments . . . . .	(0.10)	2.16 <sup>(3)</sup>	1.30	1.17	3.08	(0.72)
Total from investment operations . . . . .	0.01	2.41	1.32	1.16	3.08	(0.46)
Less distributions from:						
Net investment income . . . .	(0.00)	(0.21)	(0.11)	(0.00)	(0.06)	(0.00)
Capital gains . . . . .	(0.00)	(0.49)	(0.00)	(0.00)	(0.00)	(0.08)
Total distributions . . . . .	(0.00)	(0.70)	(0.11)	(0.00)	(0.06)	(0.08)
Net asset value, end of period . . . . .	\$15.42	\$15.41	\$13.70	\$12.49	\$11.33	\$8.31
Total return . . . . .	0.07%	17.88%	10.62%	10.24%	37.12%	-5.23%
Net assets, end of period (in thousands) . . . . .	\$24	\$24	\$70	\$63	\$57	\$42
Ratio of expenses to average net assets including reimbursement . . . . .	1.16% <sup>(4)</sup>	1.28%	1.49%	1.39% <sup>(4)</sup>	2.03%	11.51% <sup>(4)</sup>
Ratio of net investment income (loss) to average net assets including reimbursement . .	1.38% <sup>(4)</sup>	1.20%	0.16%	-0.29% <sup>(4)</sup>	0.03%	2.96% <sup>(4)</sup>
Ratio of expenses to average net assets excluding reimbursement . . . . .	1.16% <sup>(4)(5)</sup>	1.28% <sup>(5)</sup>	1.49% <sup>(5)</sup>	1.53% <sup>(4)</sup>	2.20%	28.44% <sup>(4)</sup>
Ratio of net investment income (loss) to average net assets excluding reimbursement . .	1.38% <sup>(4)(5)</sup>	1.20% <sup>(5)</sup>	0.16% <sup>(5)</sup>	-0.44% <sup>(4)</sup>	-0.13%	-13.97 % <sup>(4)</sup>
Portfolio turnover rate . . . . .	13%	4%	5%	1%	24%	122% <sup>(6)</sup>

(1) See Note 5 to financial statements.

(2) Commencement of operations of the class.

(3) Based on average weekly shares outstanding.

(4) Annualized.

(5) There was no waiver of expenses during the period.

(6) For the 12 months ended December 31, 2002.

See Notes to Financial Statements.

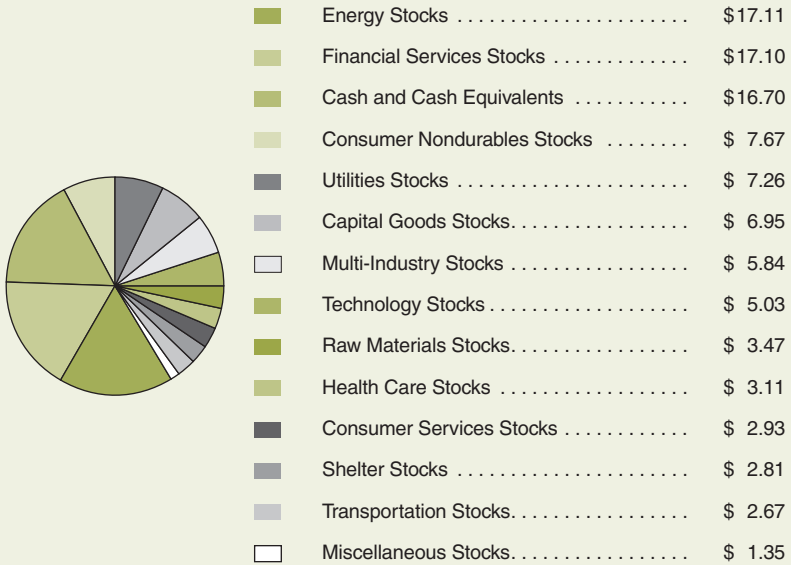
## SHAREHOLDER SUMMARY OF IVY DIVIDEND INCOME FUND

### Portfolio Highlights

On September 30, 2006, Ivy Dividend Income Fund had net assets totaling \$101,976,360 invested in a diversified portfolio of:

76.42%	Domestic Common Stocks
16.70%	Cash and Cash Equivalents
6.88%	Foreign Common Stocks

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2006, your Fund owned:



# The Investments of Ivy Dividend Income Fund

September 30, 2006

COMMON STOCKS	Shares	Value
<b>Aircraft – 2.20%</b>		
Boeing Company (The) . . . . .	18,250	\$ 1,439,012
Goodrich Corporation. . . . .	19,900	806,348
		<u>2,245,360</u>
<b>Banks – 3.15%</b>		
Bank of America Corporation. . . . .	37,550	2,011,553
Mellon Financial Corporation. . . . .	13,750	537,625
Wells Fargo & Company . . . . .	18,200	658,476
		<u>3,207,654</u>
<b>Beverages – 2.24%</b>		
Diageo plc, ADR. . . . .	21,500	1,527,360
PepsiCo, Inc. . . . .	11,600	757,016
		<u>2,284,376</u>
<b>Business Equipment and Services – 0.78%</b>		
Genuine Parts Company . . . . .	18,500	<u>797,905</u>
<b>Capital Equipment – 3.17%</b>		
Caterpillar Inc. . . . .	16,550	1,088,990
Deere & Company . . . . .	25,500	2,139,705
		<u>3,228,695</u>
<b>Chemicals – Petroleum and Inorganic – 0.71%</b>		
du Pont (E.I.) de Nemours and Company . . . . .	17,000	<u>728,280</u>
<b>Chemicals – Specialty – 1.70%</b>		
Air Products and Chemicals, Inc. . . . .	26,200	<u>1,738,894</u>
<b>Computers – Peripherals – 1.90%</b>		
SAP Aktiengesellschaft, ADR . . . . .	39,100	<u>1,935,450</u>
<b>Electrical Equipment – 0.49%</b>		
Emerson Electric Co. . . . .	5,950	<u>498,967</u>
<b>Electronic Components – 0.93%</b>		
Microchip Technology Incorporated. . . . .	29,400	<u>953,001</u>
<b>Finance Companies – 3.20%</b>		
SLM Corporation . . . . .	62,805	<u>3,264,604</u>
<b>Food and Related – 0.82%</b>		
Campbell Soup Company . . . . .	23,000	<u>839,500</u>

See Notes to Schedule of Investments on page 66.

# The Investments of Ivy Dividend Income Fund

September 30, 2006

<b>COMMON STOCKS</b> (Continued)	<b>Shares</b>	<b>Value</b>
<b>Health Care – Drugs – 1.15%</b>		
Pfizer Inc. . . . .	41,450	<u>\$ 1,175,522</u>
<b>Health Care – General – 1.13%</b>		
Johnson & Johnson . . . . .	17,800	<u>1,155,932</u>
<b>Hospital Supply and Management – 0.83%</b>		
Medtronic, Inc. . . . .	18,150	<u>842,886</u>
<b>Hotels and Gaming – 2.93%</b>		
Harrah's Entertainment, Inc. . . . .	16,000	1,062,880
Starwood Hotels & Resorts Worldwide, Inc. . . . .	33,600	1,921,584
		<u>2,984,464</u>
<b>Household – General Products – 3.27%</b>		
Colgate-Palmolive Company . . . . .	32,950	2,046,195
Procter & Gamble Company (The) . . . . .	20,850	1,292,283
		<u>3,338,478</u>
<b>Insurance – Life – 0.49%</b>		
Aflac Incorporated . . . . .	11,000	<u>503,360</u>
<b>Insurance – Property and Casualty – 3.45%</b>		
ACE Limited . . . . .	9,300	508,989
Allstate Corporation (The) . . . . .	21,300	1,336,149
Everest Re Group, Ltd. . . . .	5,300	516,909
St. Paul Companies, Inc. (The) . . . . .	24,650	1,155,839
		<u>3,517,886</u>
<b>Metal Fabrication – 1.14%</b>		
Loews Corporation, Carolina Group . . . . .	21,000	<u>1,163,190</u>
<b>Mining – 1.06%</b>		
Freeport-McMoRan Copper & Gold Inc., Class B . . . . .	20,300	<u>1,081,178</u>
<b>Multiple Industry – 5.84%</b>		
3M Company . . . . .	11,350	844,667
Altria Group, Inc. . . . .	32,250	2,468,737
General Electric Company . . . . .	74,750	2,638,675
		<u>5,952,079</u>
<b>Non-Residential Construction – 2.15%</b>		
Fluor Corporation . . . . .	28,550	<u>2,195,210</u>

See Notes to Schedule of Investments on page 66.

# The Investments of Ivy Dividend Income Fund

September 30, 2006

COMMON STOCKS (Continued)	Shares	Value
<b>Petroleum – International – 6.81%</b>		
Anadarko Petroleum Corporation .....	36,400	\$ 1,595,412
BP p.l.c., ADR .....	11,250	737,775
ConocoPhillips .....	17,519	1,042,906
Exxon Mobil Corporation .....	46,050	3,089,955
Marathon Oil Corporation.....	6,200	476,780
		<u>6,942,828</u>
<b>Petroleum – Services – 10.30%</b>		
BJ Services Company .....	31,950	962,653
Baker Hughes Incorporated .....	33,950	2,315,390
Grant Prideco, Inc.* .....	19,200	730,176
National Oilwell Varco, Inc.* .....	18,500	1,083,175
Schlumberger Limited .....	46,800	2,903,004
Transocean Inc.* .....	14,400	1,054,512
Valero GP Holdings, LLC* .....	32,200	624,680
Weatherford International Ltd.* .....	19,850	828,142
		<u>10,501,732</u>
<b>Railroad – 1.05%</b>		
Union Pacific Corporation .....	12,150	<u>1,069,200</u>
<b>Real Estate Investment Trust – 2.81%</b>		
Host Hotels & Resorts, Inc. ....	20,571	471,693
ProLogis .....	18,550	1,058,463
Simon Property Group, Inc. ....	14,750	1,336,645
		<u>2,866,801</u>
<b>Retail – General Merchandise – 0.57%</b>		
Federated Department Stores, Inc. ....	13,462	<u>581,693</u>
<b>Security and Commodity Brokers – 6.81%</b>		
AllianceBernstein Holding L.P. ....	33,750	2,328,412
Chicago Mercantile Exchange Holdings Inc. ....	4,950	2,367,338
Legg Mason, Inc. ....	4,350	438,741
Morgan (J.P.) Chase & Co. ....	38,452	1,805,706
		<u>6,940,197</u>
<b>Tobacco – 1.34%</b>		
Reynolds American Inc. ....	22,100	<u>1,369,537</u>
<b>Trucking and Shipping – 1.62%</b>		
United Parcel Service, Inc., Class B .....	22,900	<u>1,647,426</u>

See Notes to Schedule of Investments on page 66.



# The Investments of Ivy Dividend Income Fund

September 30, 2006

COMMON STOCKS (Continued)	Shares	Value
<b>Utilities – Electric – 1.77%</b>		
Dominion Resources, Inc. ....	12,250	\$ 937,002
NRG Energy, Inc.* .....	19,100	865,230
		<u>1,802,232</u>
<b>Utilities – Gas and Pipeline – 2.44%</b>		
Enbridge Inc. ....	29,750	960,330
Kinder Morgan, Inc. ....	14,550	1,525,568
		<u>2,485,898</u>
<b>Utilities – Telephone – 3.05%</b>		
BellSouth Corporation .....	22,500	961,875
Iowa Telecommunications Services, Inc. ....	54,750	1,083,503
Windstream Corporation .....	80,550	1,062,455
		<u>3,107,833</u>
<b>TOTAL COMMON STOCKS – 83.30%</b>		<b>\$ 84,948,248</b>
(Cost: \$68,460,198)		

SHORT-TERM SECURITIES	Principal Amount in Thousands	
<b>Commercial Paper</b>		
<b>Aluminum – 3.41%</b>		
Alcoa Incorporated, 5.4%, 10–2–06 .....	\$3,476	<u>3,475,479</u>
<b>Banks – 1.96%</b>		
Wells Fargo Bank, N.A., 5.27%, 10–18–06 .....	2,000	<u>2,000,000</u>
<b>Finance Companies – 4.31%</b>		
Preferred Receivables Funding Corp., 5.26%, 10–19–06 .....	1,500	1,496,055
Three Pillars Funding LLC, 5.37%, 10–2–06 .....	2,897	2,896,568
		<u>4,392,623</u>
<b>Multiple Industry – 2.93%</b>		
General Electric Capital Corporation, 5.23%, 10–27–06 .....	3,000	<u>2,988,668</u>

See Notes to Schedule of Investments on page 66.

# The Investments of Ivy Dividend Income Fund

September 30, 2006

SHORT-TERM SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Commercial Paper (Continued)</b>		
<b>Publishing – 2.94%</b>		
Gannett Co., Inc., 5.26%, 10–3–06 .....	\$3,000	<u>\$ 2,999,123</u>
<b>Total Commercial Paper – 15.55%</b>		<b>15,855,893</b>
<b>Municipal Obligation – 0.98%</b>		
<b>California</b>		
County of Sacramento, Taxable Pension Funding Bonds, Series 1995B (Bayerische Landesbank Girozentrale, New York Branch), 5.39%, 10–4–06 .....	1,000	<u>1,000,000</u>
<b>TOTAL SHORT-TERM SECURITIES – 16.53%</b>		<b>\$ 16,855,893</b>
(Cost: \$16,855,893)		
<b>TOTAL INVESTMENT SECURITIES – 99.83%</b>		<b>\$101,804,141</b>
(Cost: \$85,316,091)		
<b>CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.17%</b>		<b>172,219</b>
<b>NET ASSETS – 100.00%</b>		<b>\$101,976,360</b>

## Notes to Schedule of Investments

Certain acronyms may be used within the body of the Fund's holdings. The definitions of these acronyms are as follows: ADR – American Depositary Receipts; CMO – Collateralized Mortgage Obligation; GDR – Global Depositary Receipts and REMIC – Real Estate Mortgage Investment Conduit.

\*No dividends were paid during the preceding 12 months.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

# Statement of Assets and Liabilities

## IVY DIVIDEND INCOME FUND

September 30, 2006

(In Thousands, Except for Per Share Amounts)

### ASSETS

Investment securities – at value (cost – \$85,316) (Notes 1 and 3) . . . . .	\$ 101,804
Cash . . . . .	1
Receivables:	
Fund shares sold . . . . .	267
Dividends and interest . . . . .	202
Prepaid and other assets . . . . .	29
Total assets . . . . .	<u>102,303</u>

### LIABILITIES

Payable to Fund shareholders . . . . .	178
Accrued management fee (Note 2) . . . . .	57
Accrued shareholder servicing (Note 2) . . . . .	30
Accrued service fee (Note 2) . . . . .	28
Accrued distribution fee (Note 2) . . . . .	14
Accrued accounting services fee (Note 2) . . . . .	4
Other . . . . .	16
Total liabilities . . . . .	<u>327</u>
Total net assets . . . . .	<u>\$101,976</u>

### NET ASSETS

Capital paid in (shares authorized – unlimited) . . . . .	\$ 84,048
Accumulated undistributed income:	
Accumulated undistributed net investment income . . . . .	115
Accumulated undistributed net realized gain on investment transactions . . . . .	1,325
Net unrealized appreciation in value of investments . . . . .	<u>16,488</u>
Net assets applicable to outstanding units of capital . . . . .	<u>\$101,976</u>

### Net asset value per share (net assets divided by shares outstanding):

Class A . . . . .	\$14.62
Class B . . . . .	\$14.55
Class C . . . . .	\$14.55
Class Y . . . . .	\$14.62

### Capital shares outstanding:

Class A . . . . .	5,263
Class B . . . . .	562
Class C . . . . .	1,086
Class Y . . . . .	72

# Statement of Operations

## IVY DIVIDEND INCOME FUND

For the Six Months Ended September 30, 2006

(In Thousands)

### INVESTMENT INCOME

Income (Note 1B):	
Dividends (net of foreign withholding taxes of \$4) .....	\$ 966
Interest and amortization .....	298
Total income .....	<u>1,264</u>
Expenses (Note 2):	
Accounting services fee .....	24
Audit fees .....	10
Custodian fees .....	3
Distribution fee:	
Class A .....	3
Class B .....	29
Class C .....	55
Investment management fee .....	322
Legal fees .....	—*
Service fee:	
Class A .....	83
Class B .....	10
Class C .....	18
Class Y .....	1
Shareholder servicing:	
Class A .....	89
Class B .....	16
Class C .....	23
Class Y .....	1
Other .....	40
Total expenses .....	<u>727</u>
Net investment income .....	<u>537</u>

### REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on securities .....	1,183
Realized net gain on swaps .....	326
Realized net gain on investments .....	<u>1,509</u>
Unrealized depreciation in value of investments during the period .....	(292)
Net gain on investments .....	<u>1,217</u>
Net increase in net assets resulting from operations .....	<u>\$1,754</u>

\*Not shown due to rounding.

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY DIVIDEND INCOME FUND

(In Thousands)

	For the six months ended September 30, 2006	For the fiscal year ended March 31, 2006
<b>INCREASE IN NET ASSETS</b>		
Operations:		
Net investment income .....	\$ 537	\$ 440
Realized net gain (loss) on investments .....	1,509	(174)
Unrealized appreciation (depreciation) .....	(292)	11,630
Net increase in net assets resulting from operations .....	1,754	11,896
Distributions to shareholders from (Note 1F):(1)		
Net investment income:		
Class A .....	(415)	(397)
Class B .....	(10)	(6)
Class C .....	(28)	(13)
Class Y .....	(6)	(10)
Realized gains on investment transactions:		
Class A .....	(-)	(98)
Class B .....	(-)	(14)
Class C .....	(-)	(25)
Class Y .....	(-)	(2)
	(459)	(565)
Capital share transactions (Note 5) .....	17,427	22,983
Total increase .....	18,722	34,314
<b>NET ASSETS</b>		
Beginning of period .....	83,254	48,940
End of period .....	\$101,976	\$83,254
Undistributed net investment income .....	\$ 115	\$ 37

(1) See "Financial Highlights" on pages 70 - 73.

# Financial Highlights

## IVY DIVIDEND INCOME FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-06	For the fiscal year ended March 31, 2006      2005		For the fiscal period ended 3-31-04	For the period from 6-30-03 <sup>(1)</sup> to 12-31-03
Net asset value, beginning of period . . . . .	\$14.41	\$12.13	\$11.07	\$11.03	\$10.00
Income from investment operations:					
Net investment income . . . . .	0.10	0.12 <sup>(2)</sup>	0.09	0.01	0.04
Net realized and unrealized gain on investments . . . . .	0.20	2.30 <sup>(2)</sup>	1.10	0.04	1.03
Total from investment operations . . . . .	0.30	2.42	1.19	0.05	1.07
Less distributions from:					
Net investment income . . . . .	(0.09)	(0.11)	(0.09)	(0.01)	(0.04)
Capital gains . . . . .	(0.00)	(0.03)	(0.04)	(0.00)	(0.00)
Total distributions . . . . .	(0.09)	(0.14)	(0.13)	(0.01)	(0.04)
Net asset value, end of period . . . . .	\$14.62	\$14.41	\$12.13	\$11.07	\$11.03
Total return <sup>(3)</sup> . . . . .	2.06%	19.99%	10.78%	0.41%	10.70%
Net assets, end of period (in millions) . . . . .	\$77	\$61	\$32	\$17	\$16
Ratio of expenses to average net assets including voluntary expense waiver . . . .	1.38% <sup>(4)</sup>	1.45%	1.59%	2.00% <sup>(4)</sup>	1.11% <sup>(4)</sup>
Ratio of net investment income to average net assets including voluntary expense waiver . . . . .	1.36% <sup>(4)</sup>	0.92%	0.94%	0.20% <sup>(4)</sup>	1.34% <sup>(4)</sup>
Ratio of expenses to average net assets excluding voluntary expense waiver . . . .	1.38% <sup>(4)(5)</sup>	1.45% <sup>(5)</sup>	1.59% <sup>(5)</sup>	2.40% <sup>(4)</sup>	1.81% <sup>(4)</sup>
Ratio of net investment income (loss) to average net assets excluding voluntary expense waiver . . . .	1.36% <sup>(4)(5)</sup>	0.92% <sup>(5)</sup>	0.94% <sup>(5)</sup>	-0.20% <sup>(4)</sup>	0.64% <sup>(4)</sup>
Portfolio turnover rate . . . . .	9%	15%	32%	12%	16%

(1) Commencement of operations of the class.

(2) Based on average weekly shares outstanding.

(3) Total return calculated without taking into account the sales load deducted on an initial purchase.

(4) Annualized.

(5) There was no waiver of expenses during the period.

See Notes to Financial Statements.

# Financial Highlights

## IVY DIVIDEND INCOME FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-06	For the fiscal year ended March 31, 2006      2005		For the fiscal period ended 3-31-04	For the period from 6-30-03 <sup>(1)</sup> to 12-31-03
Net asset value, beginning of period . . . . .	\$14.34	\$12.09	\$11.05	\$11.03	\$10.00
Income (loss) from investment operations:					
Net investment income (loss) . . . . .	0.03	0.01	0.02	(0.02)	0.01
Net realized and unrealized gain on investments. . . . .	0.20	2.28	1.06	0.04	1.03
Total from investment operations . . . . .	0.23	2.29	1.08	0.02	1.04
Less distributions from:					
Net investment income . . . . .	(0.02)	(0.01)	(0.00)	(0.00)	(0.01)
Capital gains . . . . .	(0.00)	(0.03)	(0.04)	(0.00)	(0.00)
Total distributions . . . . .	(0.02)	(0.04)	(0.04)	(0.00)	(0.01)
Net asset value, end of period . . . . .	\$14.55	\$14.34	\$12.09	\$11.05	\$11.03
Total return . . . . .	1.67%	18.94%	9.76%	0.18%	10.36%
Net assets, end of period (in millions) . . . . .	\$8	\$7	\$6	\$2	\$2
Ratio of expenses to average net assets including voluntary expense waiver . . . .	2.29% <sup>(2)</sup>	2.32%	2.44%	2.99% <sup>(2)</sup>	2.03% <sup>(2)</sup>
Ratio of net investment income (loss) to average net assets including voluntary expense waiver . . . .	0.46% <sup>(2)</sup>	0.03%	0.11%	-0.81% <sup>(2)</sup>	0.36% <sup>(2)</sup>
Ratio of expenses to average net assets excluding voluntary expense waiver . . . .	2.29% <sup>(2)(3)</sup>	2.32% <sup>(3)</sup>	2.44% <sup>(3)</sup>	3.39% <sup>(2)</sup>	2.73% <sup>(2)</sup>
Ratio of net investment income (loss) to average net assets excluding voluntary expense waiver . . . .	0.46% <sup>(2)(3)</sup>	0.03% <sup>(3)</sup>	0.11% <sup>(3)</sup>	-1.21% <sup>(2)</sup>	-0.34% <sup>(2)</sup>
Portfolio turnover rate . . . . .	9%	15%	32%	12%	16%

(1) Commencement of operations of the class.

(2) Annualized.

(3) There was no waiver of expenses during the period.

See Notes to Financial Statements.

# Financial Highlights

## IVY DIVIDEND INCOME FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-06	For the fiscal year ended March 31, 2006      2005		For the fiscal period ended 3-31-04	For the period from 6-30-03 <sup>(1)</sup> to 12-31-03
Net asset value, beginning of period . . . . .	\$14.34	\$12.09	\$11.05	\$11.03	\$10.00
Income (loss) from investment operations:					
Net investment income (loss) . . . . .	0.04	0.01	0.01	(0.02)	0.01
Net realized and unrealized gain on investments . . . . .	0.20	2.28	1.07	0.04	1.03
Total from investment operations . . . . .	0.24	2.29	1.08	0.02	1.04
Less distributions from:					
Net investment income . . . . .	(0.03)	(0.01)	(0.00)	(0.00)	(0.01)
Capital gains . . . . .	(0.00)	(0.03)	(0.04)	(0.00)	(0.00)
Total distributions . . . . .	(0.03)	(0.04)	(0.04)	(0.00)	(0.01)
Net asset value, end of period . . . . .	\$14.55	\$14.34	\$12.09	\$11.05	\$11.03
Total return . . . . .	1.66%	18.95%	9.76%	0.18%	10.38%
Net assets, end of period (in millions) . . . . .	\$16	\$14	\$10	\$6	\$5
Ratio of expenses to average net assets including voluntary expense waiver . . . .	2.19% <sup>(2)</sup>	2.27%	2.42%	2.88% <sup>(2)</sup>	1.98% <sup>(2)</sup>
Ratio of net investment income (loss) to average net assets including voluntary expense waiver . . . .	0.57% <sup>(2)</sup>	0.08%	0.10%	-0.68% <sup>(2)</sup>	0.45% <sup>(2)</sup>
Ratio of expenses to average net assets excluding voluntary expense waiver . . . .	2.19% <sup>(2)(3)</sup>	2.27% <sup>(3)</sup>	2.42% <sup>(3)</sup>	3.28% <sup>(2)</sup>	2.68% <sup>(2)</sup>
Ratio of net investment income (loss) to average net assets excluding voluntary expense waiver . . . .	0.57% <sup>(2)(3)</sup>	0.08% <sup>(3)</sup>	0.10% <sup>(3)</sup>	-1.08% <sup>(2)</sup>	-0.25% <sup>(2)</sup>
Portfolio turnover rate . . . . .	9%	15%	32%	12%	16%

(1) Commencement of operations of the class.

(2) Annualized.

(3) There was no waiver of expenses during the period.

See Notes to Financial Statements.



# Financial Highlights

## IVY DIVIDEND INCOME FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-06	For the fiscal year ended March 31, 2006      2005		For the fiscal period ended 3-31-04	For the period from 6-30-03 <sup>(1)</sup> to 12-31-03
Net asset value, beginning of period . . . . .	\$14.41	\$12.13	\$11.07	\$11.03	\$10.00
Income from investment operations:					
Net investment income . . . . .	0.09 <sup>(2)</sup>	0.15 <sup>(2)</sup>	0.11	0.01	0.05
Net realized and unrealized gain on investments . . . . .	0.21 <sup>(2)</sup>	2.29 <sup>(2)</sup>	1.10	0.04	1.03
Total from investment operations . . . . .	0.30	2.44	1.21	0.05	1.08
Less distributions from:					
Net investment income . . . . .	(0.09)	(0.13)	(0.11)	(0.01)	(0.05)
Capital gains . . . . .	(0.00)	(0.03)	(0.04)	(0.00)	(0.00)
Total distributions . . . . .	(0.09)	(0.16)	(0.15)	(0.01)	(0.05)
Net asset value, end of period . . . . .	\$14.62	\$14.41	\$12.13	\$11.07	\$11.03
Total return . . . . .	2.11%	20.14%	10.94%	0.42%	10.78%
Net assets, end of period (in millions) . . . . .	\$1	\$1	\$1	\$1	\$1
Ratio of expenses to average net assets including voluntary expense waiver . . . .	1.31% <sup>(3)</sup>	1.34%	1.44%	1.91% <sup>(3)</sup>	1.25% <sup>(3)</sup>
Ratio of net investment income to average net assets including voluntary expense waiver . . . . .	1.36% <sup>(3)</sup>	1.03%	1.09%	0.28% <sup>(3)</sup>	1.08% <sup>(3)</sup>
Ratio of expenses to average net assets excluding voluntary expense waiver . . . .	1.31% <sup>(3)(4)</sup>	1.34% <sup>(4)</sup>	1.44% <sup>(4)</sup>	2.31% <sup>(3)</sup>	1.95% <sup>(3)</sup>
Ratio of net investment income (loss) to average net assets excluding voluntary expense waiver . . . .	1.36% <sup>(3)(4)</sup>	1.03% <sup>(4)</sup>	1.09% <sup>(4)</sup>	-0.12% <sup>(3)</sup>	0.38% <sup>(3)</sup>
Portfolio turnover rate . . . . .	9%	15%	32%	12%	16%

(1) Commencement of operations of the class.

(2) Based on average weekly shares outstanding.

(3) Annualized.

(4) There was no waiver of expenses during the period.

See Notes to Financial Statements.

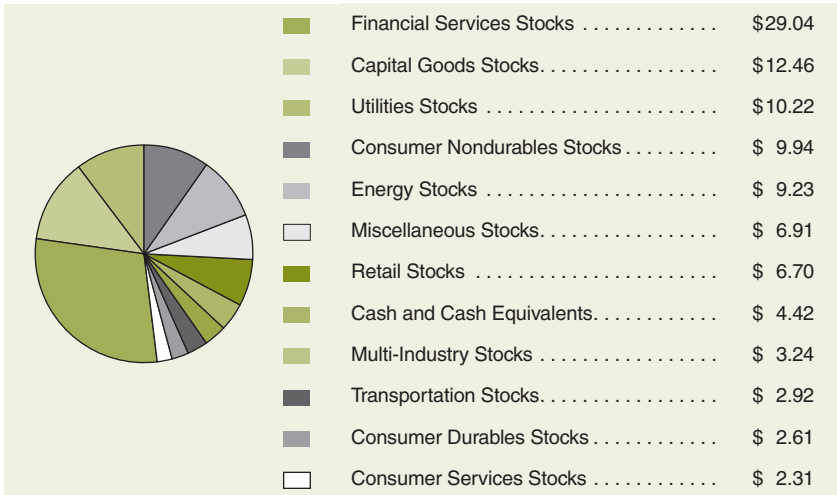
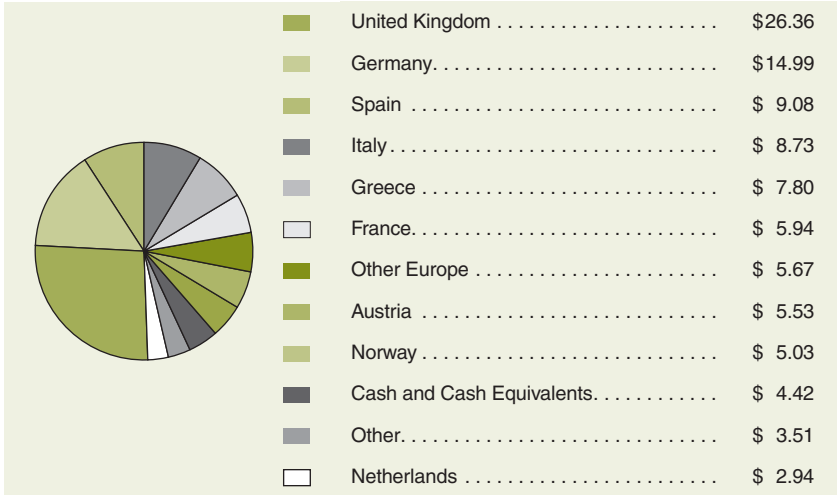
## SHAREHOLDER SUMMARY OF IVY EUROPEAN OPPORTUNITIES FUND

### Portfolio Highlights

On September 30, 2006, Ivy European Opportunities Fund had net assets totaling \$370,869,093 invested in a diversified portfolio of:

95.58%	Foreign Common Stocks
4.42%	Cash and Cash Equivalents

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2006, your Fund was invested by country and by industry, respectively, as follows:



# The Investments of Ivy European Opportunities Fund

September 30, 2006

COMMON STOCKS	Shares	Value
<b>Argentina – 1.18%</b>		
NDS Group plc, ADR* .....	100,000	<b>\$ 4,397,000</b>
<b>Austria – 5.53%</b>		
AGRANA Beteiligungs-AG (A) .....	36,000	3,638,757
OMV Aktiengesellschaft (A) .....	180,000	9,326,283
Telekom Austria Aktiengesellschaft (A) .....	138,000	3,482,330
Wienerberger AG (A) .....	86,000	4,061,120
		<b>20,508,490</b>
<b>Bermuda – 2.33%</b>		
SeaDrill Limited (A)* .....	659,611	<b>8,651,166</b>
<b>France – 5.94%</b>		
Amboise Investissement (A)* .....	76,021	1,041,106
Compagnie Generale des Etablissements Michelin, Class B (A) .....	53,000	3,884,556
France Telecom (A) .....	360,000	8,262,639
Sanofi-Aventis (A) .....	52,534	4,676,439
Technip-Coflexip (A) .....	73,000	4,148,895
		<b>22,013,635</b>
<b>Germany – 14.99%</b>		
Commerzbank Aktiengesellschaft (A) .....	314,903	10,669,670
Deutsche Post AG (A) .....	320,000	8,391,474
Hypo Real Estate Holding AG (A) .....	159,825	9,967,149
KARSTADT QUELLE Aktiengesellschaft (A)* .....	177,313	4,233,783
Pfleiderer Ag, Registered Shares (A) .....	425,982	10,273,998
SAP Aktiengesellschaft (A) .....	18,654	3,701,894
SGL Carbon AG (A)* .....	108,370	2,088,769
Siemens AG (A) .....	72,000	6,282,345
		<b>55,609,082</b>
<b>Greece – 7.80%</b>		
Alpha Bank (A) .....	249,113	6,646,299
Coca-Cola Hellenic Bottling Company S.A. (A) .....	223,867	7,715,734
National Bank of Greece S.A. (A) .....	222,519	9,576,717
Titan Cement Company S.A. (A) .....	105,000	4,976,985
		<b>28,915,735</b>

See Notes to Schedule of Investments on page 78.

# The Investments of Ivy European Opportunities Fund

September 30, 2006

COMMON STOCKS (Continued)	Shares	Value
<b>Ireland – 1.76%</b>		
CRH public limited company (A) .....	193,000	<b>\$ 6,531,961</b>
<b>Italy – 8.73%</b>		
AZIMUT HOLDING S.P.A. (A) .....	567,000	6,470,879
ENEL S.p.A. (A) .....	1,166,792	10,645,399
Eni S.p.A. (A) .....	125,000	3,704,303
Geox S.p.A. (A)(B) .....	200,000	2,490,458
Sanpaolo Imi SpA (A) .....	189,500	4,000,932
UniCredito Italiano S.p.A. (A) .....	610,000	5,062,642
		<b>32,374,613</b>
<b>Luxembourg – 1.38%</b>		
SES GLOBAL S.A., Fiduciary Deposit Receipts (A) .....	340,922	<b>5,114,197</b>
<b>Netherlands – 2.94%</b>		
Aalberts Industries N.V. (A) .....	74,000	5,484,714
Trader Media East Limited, GDR* .....	301,000	2,347,800
Univar N.V. (A) .....	72,894	3,054,928
		<b>10,887,442</b>
<b>Norway – 5.03%</b>		
Bergesen Worldwide Offshore Limited (A)* .....	679,878	2,448,002
Prosafe ASA (A) .....	54,771	3,356,786
Sinvest ASA (A)* .....	214,000	3,754,328
Statoil ASA (A) .....	385,000	9,099,110
		<b>18,658,226</b>
<b>Spain – 9.08%</b>		
Altadis, S.A. (A) .....	193,581	9,190,440
Banco Bilbao Vizcaya Argentaria, S.A. (A) .....	323,800	7,493,374
Banco Santander Central Hispano, S.A. (A) .....	476,647	7,537,044
Enagas, S.A. (A) .....	89,843	2,177,121
Telefonica, S.A. (A) .....	420,000	7,280,405
		<b>33,678,384</b>
<b>Sweden – 1.13%</b>		
Investor AB, B Shares (A) .....	201,317	<b>4,189,440</b>
<b>Switzerland – 1.40%</b>		
Lonza Group Ltd, Registered Shares (A) .....	75,000	<b>5,194,130</b>

See Notes to Schedule of Investments on page 78.

# The Investments of Ivy European Opportunities Fund

September 30, 2006

COMMON STOCKS (Continued)	Shares	Value
<b>United Kingdom – 26.36%</b>		
Admiral Group Plc (A) . . . . .	295,574	\$ 4,587,819
Aurora Russia Limited (A)* . . . . .	970,000	1,580,071
Enterprise Inns plc (A) . . . . .	160,000	3,160,516
Evolution Group Plc (The) (A) . . . . .	2,592,416	6,771,182
Halfords Group Plc (A) . . . . .	921,998	5,791,727
IP Group plc (A)* . . . . .	1,619,705	4,306,355
ITV plc (A) . . . . .	1,896,320	3,435,169
Imperial Tobacco Group PLC (A) . . . . .	230,000	7,665,375
Interserve Plc (A) . . . . .	194,500	1,311,015
Investec plc (A) . . . . .	540,000	5,303,039
Man Group plc (A) . . . . .	642,000	5,385,160
Old Mutual plc (A) . . . . .	1,850,000	5,801,925
Omega International Group PLC (A) . . . . .	270,000	1,592,428
Persimmon plc (A) . . . . .	100,000	2,505,196
Premier Brands Foods plc (A) . . . . .	918,000	4,567,741
Punch Taverns plc (A) . . . . .	318,368	5,779,134
Regal Petroleum plc (A)* . . . . .	667,000	1,929,478
Regal Petroleum plc (A)(B)* . . . . .	1,050,000	3,037,409
Royal Bank of Scotland Group plc (The) (A) . . . . .	159,950	5,507,462
tesco plc (A) . . . . .	800,000	5,392,350
Travis Perkins plc (A) . . . . .	194,276	6,314,725
Vodafone Group Plc (A) . . . . .	2,633,967	6,028,993
		<b>97,754,269</b>
<b>TOTAL COMMON STOCKS – 95.58%</b>		<b>\$354,477,770</b>
(Cost: \$285,917,958)		

See Notes to Schedule of Investments on page 78.

# The Investments of Ivy European Opportunities Fund

September 30, 2006

SHORT-TERM SECURITIES	Principal Amount in Thousands	Value
<b>Commercial Paper – 1.80%</b>		
<b>Banks</b>		
Rabobank USA Financial Corp. (Rabobank Nederland), 5.35%, 10–2–06 .....	\$9,256	<u>\$ 9,254,625</u>
<b>Other Government Security – 2.50%</b>		
<b>Supranational</b>		
Central American Bank for Economic Integration (Barclays Bank PLC), 5.25%, 10–24–06 .....	6,700	<u>6,677,527</u>
<b>TOTAL SHORT-TERM SECURITIES – 4.30%</b>		<b>\$ 15,932,152</b>
(Cost: \$15,932,152)		
<b>TOTAL INVESTMENT SECURITIES – 99.88%</b>		<b>\$370,409,922</b>
(Cost: \$301,850,110)		
<b>CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.12%</b>		<b>459,171</b>
<b>NET ASSETS – 100.00%</b>		<b>\$370,869,093</b>

## Notes to Schedule of Investments

Certain acronyms may be used within the body of the Fund's holdings. The definitions of these acronyms are as follows: ADR – American Depositary Receipts; CMO – Collateralized Mortgage Obligation; GDR – Global Depositary Receipts and REMIC – Real Estate Mortgage Investment Conduit.

\*No dividends were paid during the preceding 12 months.

(A) Listed on an exchange outside the United States.

(B) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At September 30, 2006, the total value of these securities amounted to \$5,527,867 or 1.49% of net assets.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

# Statement of Assets and Liabilities

## IVY EUROPEAN OPPORTUNITIES FUND

September 30, 2006

(In Thousands, Except for Per Share Amounts)

### ASSETS

Investment securities – at value (cost – \$301,850) (Notes 1 and 3) . . . . .	\$370,410
Receivables:	
Fund shares sold . . . . .	1,233
Dividends and interest . . . . .	471
Investment securities sold . . . . .	428
Prepaid and other assets . . . . .	40
Total assets . . . . .	<u>372,582</u>

### LIABILITIES

Payable to Fund shareholders . . . . .	714
Accrued management fee (Note 2) . . . . .	285
Due to custodian . . . . .	231
Accrued service fee (Note 2) . . . . .	131
Accrued shareholder servicing (Note 2) . . . . .	125
Accrued distribution fee (Note 2) . . . . .	57
Payable for investment securities purchased . . . . .	52
Accrued accounting services fee (Note 2) . . . . .	8
Accrued administrative fee (Note 2) . . . . .	3
Other . . . . .	107
Total liabilities . . . . .	<u>1,713</u>

    Total net assets . . . . . \$370,869

### NET ASSETS

Capital paid in (shares authorized – unlimited) . . . . .	\$316,440
Accumulated undistributed income (loss):	
Accumulated undistributed net investment income . . . . .	3,091
Accumulated undistributed net realized loss on investment transactions . . . . .	(17,222)
Net unrealized appreciation in value of investments . . . . .	68,560
Net assets applicable to outstanding units of capital . . . . .	<u>\$370,869</u>

### Net asset value per share (net assets divided by shares outstanding):

Class A . . . . .	\$34.18
Class B . . . . .	\$32.85
Class C . . . . .	\$32.98
Class Y . . . . .	\$34.23
Advisor Class . . . . .	\$34.57

### Capital shares outstanding:

Class A . . . . .	7,931
Class B . . . . .	1,284
Class C . . . . .	1,556
Class Y . . . . .	124
Advisor Class . . . . .	60

See Notes to Financial Statements.

# Statement of Operations

## IVY EUROPEAN OPPORTUNITIES FUND

For the Six Months Ended September 30, 2006

(In Thousands)

### INVESTMENT INCOME

Income (Note 1B):	
Dividends (net of foreign withholding taxes of \$706) .....	\$ 5,856
Interest and amortization .....	380
Total income .....	<u>6,236</u>
Expenses (Note 2):	
Accounting services fee .....	40
Administrative fee .....	17
Audit fees .....	22
Custodian fees .....	60
Distribution fee:	
Class A .....	14
Class B .....	160
Class C .....	191
Class Y .....	—*
Investment management fee .....	1,681
Service fee:	
Class A .....	301
Class B .....	56
Class C .....	67
Class Y .....	5
Shareholder servicing:	
Class A .....	409
Class B .....	71
Class C .....	68
Class Y .....	4
Advisor Class .....	1
Other .....	107
Total expenses .....	<u>3,274</u>
Net investment income .....	<u>2,962</u>

### REALIZED AND UNREALIZED GAIN (LOSS)

#### ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on securities .....	14,361
Realized net gain on foreign currency transactions .....	155
Realized net gain on investments .....	<u>14,516</u>
Unrealized depreciation in value of investments during the period .....	(11,921)
Net gain on investments .....	<u>2,595</u>
Net increase in net assets resulting from operations .....	<u>\$ 5,557</u>

\*Not shown due to rounding.

See Notes to Financial Statements.



# Statement of Changes in Net Assets

## IVY EUROPEAN OPPORTUNITIES FUND

(In Thousands)

	For the six months ended September 30, 2006	For the fiscal year ended March 31, 2006
<b>INCREASE IN NET ASSETS</b>		
Operations:		
Net investment income .....	\$ 2,962	\$ 503
Realized net gain on investments .....	14,516	28,234
Unrealized appreciation (depreciation) .....	(11,921)	24,816
Net increase in net assets resulting from operations .....	5,557	53,553
Distributions to shareholders from (Note 1F):(1)		
Net investment income:		
Class A .....	(—)	(1,364)
Class B .....	(—)	(—)
Class C .....	(—)	(—)
Class Y .....	(—)	(28)
Advisor Class .....	(—)	(36)
Realized gains on investment transactions:		
Class A .....	(—)	(—)
Class B .....	(—)	(—)
Class C .....	(—)	(—)
Class Y .....	(—)	(—)
Advisor Class .....	(—)	(—)
	(—)	(1,428)
Capital share transactions (Note 5) .....	29,377	20,922
Total increase .....	34,934	73,047
<b>NET ASSETS</b>		
Beginning of period .....	335,935	262,888
End of period .....	<u>\$370,869</u>	<u>\$335,935</u>
Undistributed net investment income (loss) .....	<u>\$ 3,091</u>	<u>\$ (26)</u>

(1) See "Financial Highlights" on pages 82 - 86.

# Financial Highlights

## IVY EUROPEAN OPPORTUNITIES FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six	For the fiscal year		For the	For the fiscal year ended		
	months	ended March 31,		fiscal period	December 31,		
	ended	2006	2005	ended	2003	2002	2001
	9-30-06			3-31-04			
Net asset value, beginning of period . . . . .	\$33.58	\$28.31	\$22.30	\$19.89	\$13.20	\$13.65	\$17.25
Income (loss) from investment operations:							
Net investment income (loss) . . . . .	0.29	0.10	(0.03)	(0.03)	0.02	0.01 <sup>(1)</sup>	(0.08)
Net realized and unrealized gain (loss) on investments . . . . .	0.31	5.37	6.05	2.44	6.71	(0.46) <sup>(2)</sup>	(3.49) <sup>(2)</sup>
Total from investment operations . . . . .	0.60	5.47	6.02	2.41	6.73	(0.45)	(3.57)
Less distributions from:							
Net investment income . .	(0.00)	(0.20)	(0.01)	(0.00)	(0.04)	(0.00)	(0.00)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.03)
Total distributions . . . . .	(0.00)	(0.20)	(0.01)	(0.00)	(0.04)	(0.00)	(0.03)
Net asset value, end of period . . . . .	\$34.18	\$33.58	\$28.31	\$22.30	\$19.89	\$13.20	\$13.65
Total return <sup>(3)</sup> . . . . .	1.79%	19.41%	27.02%	12.12%	51.02%	-3.30% <sup>(2)</sup>	-20.67% <sup>(2)</sup>
Net assets, end of period (in millions) . . . . .	\$271	\$235	\$170	\$79	\$38	\$20	\$31
Ratio of expenses to average net assets including reimbursement . . . . .	1.68% <sup>(4)</sup>	1.72%	1.79%	1.72% <sup>(4)</sup>	2.26%	2.15%	2.15%
Ratio of net investment income (loss) to average net assets including reimbursement . . . . .	1.85% <sup>(4)</sup>	0.35%	-0.07%	-0.61% <sup>(4)</sup>	0.18%	0.06%	-0.44%
Ratio of expenses to average net assets excluding reimbursement . . . . .	1.68% <sup>(4)(5)</sup>	1.72% <sup>(5)</sup>	1.79% <sup>(5)</sup>	1.72% <sup>(4)(5)</sup>	2.26% <sup>(5)</sup>	2.15% <sup>(5)</sup>	2.17%
Ratio of net investment income (loss) to average net assets excluding reimbursement . . . . .	1.85% <sup>(4)(5)</sup>	0.35% <sup>(5)</sup>	-0.07% <sup>(5)</sup>	-0.61% <sup>(4)(5)</sup>	0.18% <sup>(5)</sup>	0.06% <sup>(5)</sup>	-0.46%
Portfolio turnover rate . . . . .	18%	62%	63%	31%	123%	69%	66%

(1)Based on average shares outstanding.

(2)Includes redemption fees added to capital.

(3)Total return calculated without taking into account the sales load deducted on an initial purchase.

(4)Annualized.

(5)There was no waiver of expenses during the period.

See Notes to Financial Statements.

# Financial Highlights

## IVY EUROPEAN OPPORTUNITIES FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the fiscal year		For the	For the fiscal year		
	six months	ended		fiscal period	ended December 31,		
	ended	March 31,		ended			
	9-30-06	2006	2005	3-31-04	2003	2002	2001
Net asset value,							
beginning of period . . .	\$32.40	\$27.32	\$21.66	\$19.36	\$12.93	\$13.54	\$17.26
Income (loss) from							
investment operations:							
Net investment							
income (loss) . . . . .	0.19	(0.11)	(0.17)	(0.09)	(0.07)	(0.10) <sup>(1)</sup>	(0.20)
Net realized and							
unrealized gain (loss)							
on investments . . . . .	0.26	5.19	5.83	2.39	6.50	(0.51)	(3.49)
Total from investment							
operations . . . . .	0.45	5.08	5.66	2.30	6.43	(0.61)	(3.69)
Less distributions from:							
Net investment							
income . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.03)
Total distributions . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.03)
Net asset value,							
end of period . . . . .	\$32.85	\$32.40	\$27.32	\$21.66	\$19.36	\$12.93	\$13.54
Total return . . . . .	1.39%	18.59%	26.13%	11.88%	49.73%	-4.51%	-21.35%
Net assets, end of period							
(in millions) . . . . .	\$42	\$44	\$40	\$32	\$29	\$25	\$34
Ratio of expenses to							
average net assets							
including							
reimbursement . . . . .	2.45% <sup>(2)</sup>	2.45%	2.53%	2.58% <sup>(2)</sup>	3.00%	2.92%	2.89%
Ratio of net investment							
income (loss) to average							
net assets including							
reimbursement . . . . .	1.18% <sup>(2)</sup>	-0.30%	-0.73%	-1.57% <sup>(2)</sup>	-0.47%	-0.70%	-1.18%
Ratio of expenses to							
average net assets							
excluding							
reimbursement . . . . .	2.45% <sup>(2)(3)</sup>	2.45% <sup>(3)</sup>	2.53% <sup>(3)</sup>	2.58% <sup>(2)(3)</sup>	3.00% <sup>(3)</sup>	2.92% <sup>(3)</sup>	2.91%
Ratio of net investment							
income (loss) to average							
net assets excluding							
reimbursement . . . . .	1.18% <sup>(2)(3)</sup>	-0.30% <sup>(3)</sup>	-0.73% <sup>(3)</sup>	-1.57% <sup>(2)(3)</sup>	-0.47% <sup>(3)</sup>	-0.70% <sup>(3)</sup>	-1.20%
Portfolio turnover rate . . . .	18%	62%	63%	31%	123%	69%	66%

(1)Based on average shares outstanding.

(2)Annualized.

(3)There was no waiver of expenses during the period.

See Notes to Financial Statements.

# Financial Highlights

## IVY EUROPEAN OPPORTUNITIES FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the fiscal year		For the	For the fiscal year		
	six months	ended March 31,		fiscal period	ended December 31,		
	ended	2006	2005	ended	2003	2002	2001
	9-30-06			3-31-04			
Net asset value,							
beginning of period . . . .	\$32.52	\$27.42	\$21.74	\$19.43	\$12.98	\$13.59	\$17.32
Income (loss) from							
investment operations:							
Net investment							
income (loss) . . . . .	0.20	(0.09)	(0.14)	(0.08)	(0.07)	(0.10) <sup>(1)</sup>	(0.22)
Net realized and							
unrealized gain (loss)							
on investments . . . . .	0.26	5.19	5.82	2.39	6.52	(0.51)	(3.48)
Total from investment							
operations . . . . .	0.46	5.10	5.68	2.31	6.45	(0.61)	(3.70)
Less distributions from:							
Net investment							
income . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.03)
Total distributions . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.03)
Net asset value,							
end of period . . . . .	\$32.98	\$32.52	\$27.42	\$21.74	\$19.43	\$12.98	\$13.59
Total return . . . . .	1.44%	18.60%	26.13%	11.89%	49.69%	-4.49%	-21.32%
Net assets, end of period							
(in millions) . . . . .	\$52	\$51	\$45	\$27	\$23	\$19	\$25
Ratio of expenses to							
average net assets							
including							
reimbursement . . . . .	2.37% <sup>(2)</sup>	2.42%	2.51%	2.56% <sup>(2)</sup>	2.98%	2.92%	2.91%
Ratio of net investment							
income (loss) to average							
net assets including							
reimbursement . . . . .	1.23% <sup>(2)</sup>	-0.29%	-0.79%	-1.54% <sup>(2)</sup>	-0.43%	-0.70%	-1.20%
Ratio of expenses to							
average net assets							
excluding							
reimbursement . . . . .	2.37% <sup>(2)(3)</sup>	2.42% <sup>(3)</sup>	2.51% <sup>(3)</sup>	2.56% <sup>(2)(3)</sup>	2.98% <sup>(3)</sup>	2.92% <sup>(3)</sup>	2.93%
Ratio of net investment							
income (loss) to average							
net assets excluding							
reimbursement . . . . .	1.23% <sup>(2)(3)</sup>	-0.29% <sup>(3)</sup>	-0.79% <sup>(3)</sup>	-1.54% <sup>(2)(3)</sup>	-0.43% <sup>(3)</sup>	-0.70% <sup>(3)</sup>	-1.22%
Portfolio turnover rate . . . .	18%	62%	63%	31%	123%	69%	66%

(1)Based on average shares outstanding.

(2)Annualized.

(3)There was no waiver of expenses during the period.

See Notes to Financial Statements.

# Financial Highlights

## IVY EUROPEAN OPPORTUNITIES FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-06	For the fiscal year ended March 31, 2006      2005		For the fiscal period ended 3-31-04	For the period from 7-24-03 <sup>(1)</sup> to 12-31-03
Net asset value, beginning of period . . . . .	\$33.60	\$28.33	\$22.30	\$19.89	\$14.88
Income (loss) from investment operations:					
Net investment income (loss) . . . . .	0.36	0.18	0.09	(0.02)	(0.04)
Net realized and unrealized gain on investments. . . . .	0.27	5.34	6.00	2.43	5.12
Total from investment operations . . . . .	0.63	5.52	6.09	2.41	5.08
Less distributions from:					
Net investment income . . . .	(0.00)	(0.25)	(0.06)	(0.00)	(0.07)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.25)	(0.06)	(0.00)	(0.07)
Net asset value, end of period . . . . .	\$34.23	\$33.60	\$28.33	\$22.30	\$19.89
Total return . . . . .	1.88%	19.60%	27.32%	12.12%	34.14%
Net assets, end of period (in millions) . . . . .	\$4	\$4	\$4	\$4	\$3
Ratio of expenses to average net assets . . . . .	1.48% <sup>(2)</sup>	1.55%	1.61%	1.75% <sup>(2)</sup>	1.51% <sup>(2)</sup>
Ratio of net investment income (loss) to average net assets . . . . .	2.15% <sup>(2)</sup>	0.60%	0.53%	-0.71% <sup>(2)</sup>	-0.58% <sup>(2)</sup>
Portfolio turnover rate . . . . .	18%	62%	63%	31%	123% <sup>(3)</sup>

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the 12 months ended December 31, 2003.

See Notes to Financial Statements.

# Financial Highlights

## IVY EUROPEAN OPPORTUNITIES FUND

Advisor Class Shares<sup>(1)</sup>

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the fiscal		For the	For the fiscal year ended		
	six months	year ended		fiscal period	December 31,		
	ended	March 31,		ended			
	9-30-06	2006	2005	3-31-04	2003	2002	2001
Net asset value,							
beginning of period . . .	\$33.88	\$28.55	\$22.48	\$20.03	\$13.34	\$13.80	\$17.39
Income (loss) from							
investment operations:							
Net investment							
income (loss) . . . . .	0.71	0.35 <sup>(2)</sup>	0.21	(0.01)	0.24	0.06 <sup>(2)</sup>	(0.02)
Net realized and							
unrealized gain (loss)							
on investments . . . . .	(0.02)	5.32 <sup>(2)</sup>	5.99	2.46	6.58	(0.52)	(3.54)
Total from investment							
operations . . . . .	0.69	5.67	6.20	2.45	6.82	(0.46)	(3.56)
Less distributions from:							
Net investment							
income . . . . .	(0.00)	(0.34)	(0.13)	(0.00)	(0.13)	(0.00)	(0.00)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.03)
Total distributions . . . . .	(0.00)	(0.34)	(0.13)	(0.00)	(0.13)	(0.00)	(0.03)
Net asset value,							
end of period . . . . .	\$34.57	\$33.88	\$28.55	\$22.48	\$20.03	\$13.34	\$13.80
Total return . . . . .	2.04%	20.00%	27.64%	12.23%	51.12%	-3.33%	-20.44%
Net assets, end of period							
(in millions) . . . . .	\$2	\$2	\$4	\$4	\$4	\$6	\$9
Ratio of expenses to							
average net assets							
including							
reimbursement . . . . .	1.23% <sup>(3)</sup>	1.25%	1.36%	1.41% <sup>(3)</sup>	1.96%	1.81%	1.72%
Ratio of net investment							
income (loss) to average							
net assets including							
reimbursement . . . . .	2.50% <sup>(3)</sup>	1.13%	0.51%	-0.41% <sup>(3)</sup>	1.02%	0.40%	0.00%
Ratio of expenses to							
average net assets							
excluding							
reimbursement . . . . .	1.23% <sup>(3)(4)</sup>	1.25% <sup>(4)</sup>	1.36% <sup>(4)</sup>	1.41% <sup>(3)(4)</sup>	1.96% <sup>(4)</sup>	1.81% <sup>(4)</sup>	1.74%
Ratio of net investment							
income (loss) to average							
net assets excluding							
reimbursement . . . . .	2.50% <sup>(3)(4)</sup>	1.13% <sup>(4)</sup>	0.51% <sup>(4)</sup>	-0.41% <sup>(3)(4)</sup>	1.02% <sup>(4)</sup>	0.40% <sup>(4)</sup>	-0.02%
Portfolio turnover rate . . . .	18%	62%	63%	31%	123%	69%	66%

(1) See Note 5 to financial statements.

(2) Based on average shares outstanding.

(3) Annualized.

(4) There was no waiver of expenses during the period.

See Notes to Financial Statements.

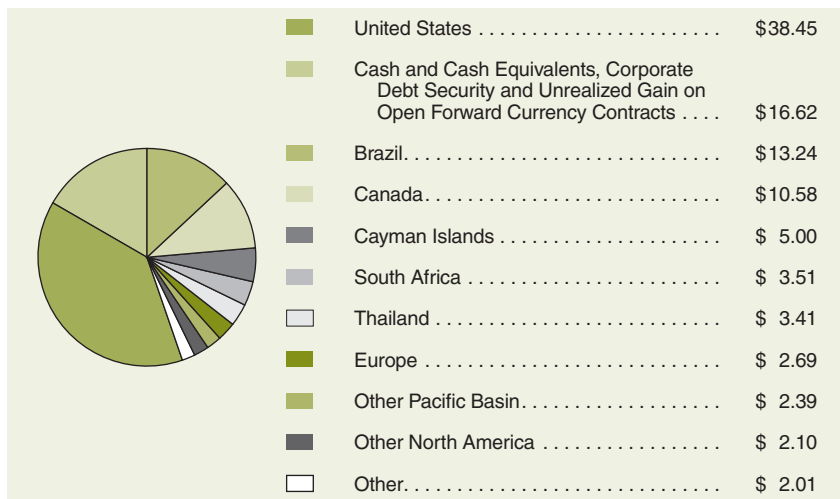
## SHAREHOLDER SUMMARY OF IVY GLOBAL NATURAL RESOURCES FUND

### Portfolio Highlights

On September 30, 2006, Ivy Global Natural Resources Fund had net assets totaling \$3,946,862,021 invested in a diversified portfolio of:

44.93%	Foreign Common Stocks
38.45%	Domestic Common Stocks
16.62%	Cash and Cash Equivalents, Corporate Debt Security and Unrealized Gain on Open Forward Currency Contracts

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2006, your Fund was invested by country and by industry, respectively, as follows:



# The Investments of Ivy Global Natural Resources Fund

September 30, 2006

COMMON STOCKS	Shares	Value
<b>Australia – 1.20%</b>		
Lihir Gold Limited (A)*	20,500,000	\$ 44,155,350
Sino Gold Limited (A)*	1,086,900	3,402,284
		<u>47,557,634</u>
<b>Bermuda – 1.16%</b>		
China Gas Holdings Limited (A)	145,001,000	23,823,594
Tsakos Energy Navigation Limited	114,900	5,124,540
Weatherford International Ltd.*	400,000	16,688,000
		<u>45,636,134</u>
<b>Brazil – 13.24%</b>		
Aracruz Celulose S.A., ADR	779,300	38,785,761
Arcelor Brasil S.A. (A)	700,000	12,307,869
Bradespar S.A. (A)	850,000	28,420,641
CPFL Energia S.A., ADR	250,000	9,607,500
Companhia de Saneamento Basico do Estado de Sao Paulo – SABESP, ADR	850,000	25,585,000
Companhia Energetica de Minas Gerais – CEMIG, ADR	820,600	32,208,550
Companhia Siderurgica Nacional (A)	1,414,800	40,180,242
Companhia Siderurgica Nacional, ADR	1,800,000	51,174,000
Companhia Vale do Rio Doce, ADR	5,600,000	120,736,000
Companhia Vale do Rio Doce, Class A (A)	699,550	12,933,776
Cosan S.A. Industria e Comercio (A)*	995,000	16,131,054
Petroleo Brasileiro S.A. – Petrobras, ADR	225,000	18,861,750
Suzano Bahia Sul Papel E Celulose S.A. (A)	10,525,000	73,335,671
Votorantim Celulose e Papel S.A. (A)	750,000	12,676,494
Votorantim Celulose e Papel S.A., ADR	1,750,000	29,645,000
		<u>522,589,308</u>
<b>Canada – 10.58%</b>		
Agnico-Eagle Mines Limited (A)	488,400	15,122,813
Barrick Gold Corporation (A)	5,000,000	153,567,435
Breaker Energy Ltd., Class A (A)*	2,300,000	12,346,231
Cambior Inc. (A)*	14,850,000	52,079,624
Canadian National Railway Company (A)	100,000	4,182,510
Crew Energy Inc. (A)*	1,050,000	11,141,132
Eldorado Gold Corporation (A)*	4,000,000	17,356,296
Ferus Gas Industries Trust (A)(B)(C)*	615,000	1,925,744
Highpine Oil & Gas Limited (A)*	400,000	6,080,072
IAMGOLD Corporation (A)	2,850,000	24,095,281
Kinross Gold Corporation (A)*	5,200,000	65,084,321
Pason Systems Inc. (A)	993,600	14,027,294
Pure Energy Services Ltd. (A)(B)*	481,500	6,526,258

See Notes to Schedule of Investments on page 95.



# The Investments of Ivy Global Natural Resources Fund

September 30, 2006

COMMON STOCKS (Continued)	Shares	Value
<b>Canada (Continued)</b>		
Savanna Energy Services Corp. (A)* . . . . .	500,000	\$ 8,186,088
Trican Well Service Ltd. (A) . . . . .	1,200,000	20,215,612
zed.i solutions inc. (A)* . . . . .	4,000,000	4,151,197
zed.i solutions inc. (A)(B)* . . . . .	1,300,000	1,349,139
		<b><u>417,437,047</u></b>
<b>Cayman Islands – 5.00%</b>		
Apex Silver Mines Limited* . . . . .	2,492,500	41,525,050
Noble Corporation . . . . .	2,100,000	134,778,000
Transocean Inc.* . . . . .	290,000	21,236,700
		<b><u>197,539,750</u></b>
<b>France – 0.26%</b>		
L'Air Liquide S.A. (A)* . . . . .	50,000	<b><u>10,201,494</u></b>
<b>Germany – 0.91%</b>		
Siemens AG (A) . . . . .	175,000	15,269,588
Wacker Chemie AG (A)* . . . . .	175,000	20,637,577
		<b><u>35,907,165</u></b>
<b>Japan – 0.11%</b>		
Sumitomo Titanium Corporation (A) . . . . .	36,000	<b><u>4,281,905</u></b>
<b>Mexico – 2.10%</b>		
Cemex, S.A. de C.V., ADR* . . . . .	2,750,000	<b><u>82,720,000</u></b>
<b>Peru – 0.85%</b>		
Compania de Minas Buenaventura S.A.A., ADR . . . . .	1,250,000	<b><u>33,750,000</u></b>
<b>South Africa – 3.51%</b>		
Gold Fields Limited, ADR . . . . .	6,000,000	107,040,000
Impala Platinum Holdings Limited (A) . . . . .	139,500	23,014,925
Mvelaphanda Resources Limited (A)* . . . . .	2,000,000	8,666,346
		<b><u>138,721,271</u></b>
<b>South Korea – 1.08%</b>		
GS Holdings Corp. (A) . . . . .	1,215,940	<b><u>42,533,806</u></b>
<b>Thailand – 3.41%</b>		
Banpu Public Company Limited, Registered Shares (A) . . . . .	3,292,800	12,797,785
PTT Public Company Limited (A). . . . .	13,200,000	75,900,439
Rayong Refinery Public Company Limited (A)* . . . . .	15,000,000	7,626,780
Thai Oil Public Company Limited (A) . . . . .	24,000,000	38,333,555
		<b><u>134,658,559</u></b>

See Notes to Schedule of Investments on page 95.

# The Investments of Ivy Global Natural Resources Fund

September 30, 2006

COMMON STOCKS (Continued)	Shares	Value
<b>United Kingdom – 1.52%</b>		
Randgold Resources Limited, ADR* . . . . .	2,230,900	\$ 45,454,587
Titanium Resources Group Ltd. (A)* . . . . .	12,404,200	14,399,453
		<u>59,854,040</u>
<b>United States – 38.45%</b>		
Air Products and Chemicals, Inc. . . . .	1,900,000	126,103,000
Alpha Natural Resources, Inc.* . . . . .	2,402,800	37,868,128
Applied Materials, Inc. . . . .	500,000	8,860,000
Arch Coal, Inc. . . . .	4,000,000	115,640,000
Atwood Oceanics, Inc.* . . . . .	1,200,000	53,964,000
Aventine Renewable Energy Holdings, Inc.* . . . . .	760,231	16,261,341
Avery Dennison Corporation . . . . .	375,000	22,563,750
Baker Hughes Incorporated . . . . .	1,150,000	78,430,000
Bunge Limited . . . . .	1,100,000	63,745,000
CONSOL Energy Inc. . . . .	1,000,000	31,730,000
Cameron International Corporation* . . . . .	850,000	41,063,500
Celanese Corporation, Series A . . . . .	1,815,400	32,495,660
ConocoPhillips . . . . .	500,000	29,765,000
Diamond Offshore Drilling, Inc. . . . .	1,000,000	72,370,000
Exxon Mobil Corporation . . . . .	600,000	40,260,000
Foundation Coal Holdings, Inc. . . . .	1,000,000	32,370,000
GlobalSanteFe Corporation . . . . .	1,500,000	74,985,000
Grant Prideco, Inc.* . . . . .	1,113,700	42,354,011
Helmerich & Payne, Inc. . . . .	750,000	17,272,500
Hexcel Corporation* . . . . .	2,000,000	28,300,000
Horizon Offshore, Inc.* . . . . .	400,000	6,836,000
iShares Silver Trust* . . . . .	150,000	17,176,500
MEMC Electronic Materials, Inc.* . . . . .	1,000,000	36,630,000
Nalco Holdings LLC* . . . . .	1,500,000	27,780,000
Peabody Energy Corporation . . . . .	2,200,000	80,916,000
Praxair, Inc. . . . .	1,500,000	88,740,000
Rohm and Haas Company . . . . .	1,100,000	52,085,000
Smith International, Inc. . . . .	2,400,000	93,120,000
streetTRACKS Gold Trust* . . . . .	350,000	20,804,000
Valero Energy Corporation . . . . .	2,000,000	102,940,000
VeraSun Energy Corporation* . . . . .	1,500,000	24,075,000
		<u>1,517,503,390</u>
<b>TOTAL COMMON STOCKS – 83.38%</b>		<b>\$3,290,891,503</b>
(Cost: \$2,966,790,614)		

See Notes to Schedule of Investments on page 95.

# The Investments of Ivy Global Natural Resources Fund

September 30, 2006

<b>CORPORATE DEBT SECURITY – 0.13%</b>	<b>Principal Amount in Thousands</b>	<b>Value</b>
<b>Brazil</b>		
Bahia Sul Celulose S.A., 0.0%, 12–1–12 (B)(D) . . . . .	BRL10,692	<b>\$ 5,280,992</b>
(Cost: \$5,312,130)		
<b>UNREALIZED GAIN (LOSS) ON OPEN FORWARD CURRENCY CONTRACTS – 0.01%</b>		
	<b>Face Amount in Thousands</b>	
Brazilian Real, 10–18–06 (D) . . . . .	BRL31,600	(532,783)
Brazilian Real, 11–22–06 (D) . . . . .	73,000	248,336
Canadian Dollar, 10–18–06 (D) . . . . .	CAD168,500	(1,962,324)
Canadian Dollar, 11–22–06 (D) . . . . .	225,000	476,717
South African Rand, 10–18–06 (D) . . . . .	ZAR124,440	928,655
South African Rand, 11–22–06 (D) . . . . .	60,300	787,703
South African Rand, 12–13–06 (D) . . . . .	70,000	627,788
		<b>\$ 574,092</b>
<b>SHORT-TERM SECURITIES</b>		
<b>Certificate of Deposit – 0.25%</b>		
<b>Banks</b>		
Wells Fargo Bank, N.A., 5.27%, 10–18–06 . . . . .	\$10,000	<b>10,000,000</b>
<b>Commercial Paper</b>		
<b>Banks – 1.03%</b>		
LaSalle Bank Corporation, 5.23%, 10–23–06 . . . . .	20,000	19,936,078
Rabobank USA Financial Corp. (Rabobank Nederland), 5.35%, 10–2–06 . . . . .	20,546	<b>20,542,947</b>
		<b>40,479,025</b>
<b>Beverages – 1.18%</b>		
Anheuser-Busch Companies, Inc., 5.3%, 10–2–06 . . . . .	15,000	14,997,792
Concentrate Manufacturing Company of Ireland (The) (PepsiCo, Inc.), 5.25%, 10–12–06 . . . . .	31,500	<b>31,449,469</b>
		<b>46,447,261</b>

See Notes to Schedule of Investments on page 95.

# The Investments of Ivy Global Natural Resources Fund

September 30, 2006

SHORT-TERM SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Commercial Paper (Continued)</b>		
<b>Capital Equipment – 0.63%</b>		
Caterpillar Financial Services Corp., 5.19%, 10–2–06 .....	\$25,000	<u>\$ 24,996,396</u>
<b>Finance Companies – 1.33%</b>		
Ciesco, LLC, 5.35%, 10–2–06 .....	8,520	8,518,734
Kitty Hawk Funding Corp., 5.26%, 10–3–06 .....	10,000	9,997,078
Preferred Receivables Funding Corp., 5.27%, 10–25–06 .....	10,000	9,964,867
Prudential Funding LLC, 5.23%, 10–4–06 .....	17,000	16,992,591
Three Pillars Funding LLC, 5.26%, 10–20–06 .....	7,000	<u>6,980,567</u>
		<u><b>52,453,837</b></u>
<b>Food and Related – 0.35%</b>		
Nestle Capital Corp., 5.225%, 10–3–06 .....	13,889	<u>13,884,968</u>
<b>Forest and Paper Products – 1.01%</b>		
Kimberly-Clark Worldwide Inc., 5.2%, 10–17–06 .....	40,000	<u>39,907,556</u>
<b>Health Care – Drugs – 1.14%</b>		
Alcon Capital Corporation (Nestle S.A.): 5.23%, 10–5–06 .....	30,000	29,982,567
5.22%, 10–11–06 .....	15,000	<u>14,978,250</u>
		<u><b>44,960,817</b></u>
<b>Household – General Products – 0.77%</b>		
Colgate-Palmolive Company, 5.2%, 10–18–06 .....	30,545	<u>30,469,995</u>
<b>Mining – 0.25%</b>		
BHP Billiton Finance (USA) Limited (BHP Billiton Limited), 5.27%, 10–11–06 .....	10,000	<u>9,985,361</u>
<b>Motor Vehicles– 0.17%</b>		
Harley-Davidson Funding Corp., 5.21%, 10–26–06 .....	7,000	<u>6,974,674</u>

See Notes to Schedule of Investments on page 95.

# The Investments of Ivy Global Natural Resources Fund

September 30, 2006

SHORT-TERM SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Commercial Paper (Continued)</b>		
<b>Multiple Industry – 0.91%</b>		
Honeywell International Inc., 5.26%, 10–3–06 .....	\$16,000	\$ 15,995,324
Scripps (E.W.) Co., 5.23%, 10–17–06 .....	20,000	19,953,511
		<u><b>35,948,835</b></u>
<b>Petroleum – International – 0.99%</b>		
Shell International Finance B.V. and Royal Dutch Shell plc (Royal Dutch Shell plc):		
5.22%, 10–3–06 .....	25,000	24,992,750
5.21%, 10–30–06 .....	13,900	13,841,663
		<u><b>38,834,413</b></u>
<b>Publishing – 0.50%</b>		
Gannett Co., Inc., 5.22%, 10–11–06 .....		
	19,800	<u><b>19,771,290</b></u>
<b>Retail – General Merchandise – 1.77%</b>		
Target Corporation, 5.21%, 10–10–06 .....		
	15,000	14,980,462
Wal-Mart Stores, Inc., 5.2%, 10–11–06 .....		
	55,000	54,920,555
		<u><b>69,901,017</b></u>
<b>Retail – Specialty Stores – 1.43%</b>		
Home Depot, Inc. (The):		
5.36%, 10–2–06 .....	38,217	38,211,310
5.21%, 10–18–06 .....	18,057	18,012,575
		<u><b>56,223,885</b></u>
<b>Security and Commodity Brokers – 1.23%</b>		
American Express Credit Corp., 5.23%, 10–30–06 .....		
	25,000	24,894,674
UBS Finance Delaware LLC (UBS AG), 5.34%, 10–2–06 .....		
	23,647	23,643,492
		<u><b>48,538,166</b></u>
<b>Trucking and Shipping – 0.38%</b>		
United Parcel Service Inc., 5.18%, 10–13–06 .....		
	15,000	<u><b>14,974,100</b></u>

See Notes to Schedule of Investments on page 95.

# The Investments of Ivy Global Natural Resources Fund

September 30, 2006

SHORT-TERM SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Commercial Paper (Continued)</b>		
<b>Utilities – Telephone – 0.89%</b>		
BellSouth Corporation:		
5.24%, 10–10–06 .....	\$20,000	\$ 19,973,800
5.25%, 10–12–06 .....	15,000	14,975,938
		<u>34,949,738</u>
<b>Total Commercial Paper – 15.96%</b>		<b>629,701,334</b>
<b>Commercial Paper (backed by irrevocable bank letter of credit)</b>		
<b>Food and Related – 0.31%</b>		
COFCO Capital Corp. (Rabobank Nederland),		
5.26%, 10–18–06 .....	12,000	<u>11,970,193</u>
<b>Multiple Industry – 0.30%</b>		
Louis Dreyfus Corporation (Barclays Bank PLC, New York Branch),		
5.27%, 10–20–06 .....	12,000	<u>11,966,623</u>
<b>Total Commercial Paper (backed by irrevocable bank letter of credit) – 0.61%</b>		<b>23,936,816</b>
<b>Municipal Obligation – 0.06%</b>		
<b>Kansas</b>		
City of Park City, Kansas, Taxable Industrial Revenue Bonds (The Hayes Company, Inc.), Series 2001 ( U.S. Bank, National Association),		
5.4%, 10–2–06 .....	2,445	<u>2,445,000</u>
<b>TOTAL SHORT-TERM SECURITIES – 16.88%</b>		<b>\$ 666,083,150</b>
(Cost: \$666,083,150)		
<b>TOTAL INVESTMENT SECURITIES – 100.40%</b>		<b>\$3,962,829,737</b>
(Cost: \$3,638,185,894)		
<b>LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.40%)</b>		<b>(15,967,716)</b>
<b>NET ASSETS – 100.00%</b>		<b>\$3,946,862,021</b>

See Notes to Schedule of Investments on page 95.

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# The Investments of Ivy Global Natural Resources Fund

September 30, 2006

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## Notes to Schedule of Investments

Certain acronyms may be used within the body of the Fund's holdings. The definitions of these acronyms are as follows: ADR – American Depositary Receipts; CMO – Collateralized Mortgage Obligation; GDR – Global Depositary Receipts and REMIC – Real Estate Mortgage Investment Conduit.

\*No dividends were paid during the preceding 12 months.

(A) Listed on an exchange outside the United States.

(B) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At September 30, 2006, the total value of these securities amounted to \$15,082,133 or 0.38% of net assets.

(C) Security valued in good faith by the Valuation Committee appointed by the Board of Trustees.

(D) Principal amounts are denominated in the indicated foreign currency, where applicable (BRL – Brazilian Real, CAD – Canadian Dollar, ZAR – South African Rand).

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

# Statement of Assets and Liabilities

## IVY GLOBAL NATURAL RESOURCES FUND

September 30, 2006

(In Thousands, Except for Per Share Amounts)

### ASSETS

Investment securities – at value (cost – \$3,638,186) (Notes 1 and 3) . . . . .	\$3,962,830
Cash . . . . .	2,956
Cash denominated in foreign currencies (cost – \$11,908) . . . . .	12,249
Receivables:	
Fund shares sold . . . . .	14,696
Investment securities sold . . . . .	8,745
Dividends and interest . . . . .	5,313
Prepaid and other assets . . . . .	126
Total assets . . . . .	<u>4,006,915</u>

### LIABILITIES

Payable for investment securities purchased . . . . .	49,154
Payable to Fund shareholders . . . . .	3,739
Accrued management fee (Note 2) . . . . .	2,700
Accrued service fee (Note 2) . . . . .	1,851
Accrued shareholder servicing (Note 2) . . . . .	784
Accrued distribution fee (Note 2) . . . . .	707
Accrued accounting services fee (Note 2) . . . . .	14
Accrued administrative fee (Note 2) . . . . .	8
Other . . . . .	1,096
Total liabilities . . . . .	<u>60,053</u>

Total net assets . . . . .	<u>\$3,946,862</u>
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### NET ASSETS

Capital paid in (shares authorized – unlimited) . . . . .	\$3,144,955
Accumulated undistributed income:	
Accumulated undistributed net investment income . . . . .	20,419
Accumulated undistributed net realized gain on investment transactions . . . . .	456,890
Net unrealized appreciation in value of investments . . . . .	324,598
Net assets applicable to outstanding units of capital . . . . .	<u>\$3,946,862</u>

### Net asset value per share (net assets divided by shares outstanding):

Class A . . . . .	\$29.84
Class B . . . . .	\$28.18
Class C . . . . .	\$27.66
Class Y . . . . .	\$30.00
Class R . . . . .	\$29.77
Advisor Class . . . . .	\$29.67

### Capital shares outstanding:

Class A . . . . .	88,421
Class B . . . . .	8,346
Class C . . . . .	32,672
Class Y . . . . .	5,620
Class R . . . . .	28
Advisor Class . . . . .	10

See Notes to Financial Statements.



# Statement of Operations

## IVY GLOBAL NATURAL RESOURCES FUND

For the Six Months Ended September 30, 2006

(In Thousands)

### INVESTMENT INCOME

Income (Note 1B):	
Dividends (net of foreign withholding taxes of \$1,823) .....	\$ 30,272
Interest and amortization .....	10,684
Total income .....	<u>40,956</u>
Expenses (Note 2):	
Accounting services fee .....	84
Administrative fee .....	51
Audit fees .....	26
Custodian fees .....	337
Distribution fee:	
Class A .....	137
Class B .....	899
Class C .....	3,376
Class Y .....	4
Class R .....	—*
Investment management fee .....	16,210
Legal fees .....	9
Service fee:	
Class A .....	3,118
Class B .....	313
Class C .....	1,125
Class Y .....	194
Class R .....	—*
Shareholder servicing:	
Class A .....	2,440
Class B .....	295
Class C .....	754
Class Y .....	121
Class R .....	—*
Advisor Class .....	—*
Other .....	790
Total .....	<u>30,283</u>
Less expenses in excess of voluntary limit (Note 2) .....	(68)
Total expenses .....	<u>30,215</u>
Net investment income .....	<u>10,741</u>

\*Not shown due to rounding.

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# Statement of Operations

## IVY GLOBAL NATURAL RESOURCES FUND

For the Six Months Ended September 30, 2006

(In Thousands)

(Continued)

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### REALIZED AND UNREALIZED GAIN

#### (LOSS) ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on securities . . . . .	\$319,298
Realized net loss on forward currency contracts . . . . .	(2,080)
Realized net loss on foreign currency transactions . . . . .	(726)
Realized net gain on investments . . . . .	<u>316,492</u>
Unrealized depreciation in value of securities during the period . . . . .	(390,985)
Unrealized depreciation in value of forward currency contracts during the period . . . . .	(2,578)
Unrealized depreciation in value of foreign currency exchange during the period . . . . .	(152)
Unrealized depreciation in value of investments during the period . . . . .	<u>(393,715)</u>
Net loss on investments . . . . .	<u>(77,223)</u>
Net decrease in net assets resulting from operations . . . . .	<u><u>\$ (66,482)</u></u>

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY GLOBAL NATURAL RESOURCES FUND

(In Thousands)

	For the six months ended September 30, 2006	For the fiscal year ended March 31, 2006
<b>INCREASE IN NET ASSETS</b>		
Operations:		
Net investment income .....	\$ 10,741	\$ 12,286
Realized net gain on investments .....	316,492	193,237
Unrealized appreciation (depreciation) .....	(393,715)	598,047
Net increase (decrease) in net assets resulting from operations .....	(66,482)	803,570
Distributions to shareholders from (Note 1F):(1)		
Net investment income:		
Class A .....	(—)	(—)
Class B .....	(—)	(—)
Class C .....	(—)	(—)
Class Y .....	(—)	(—)
Class R .....	(—)	(—)
Advisor Class .....	(—)	(—)
Realized gains on investment transactions:		
Class A .....	(—)	(88,621)
Class B .....	(—)	(10,090)
Class C .....	(—)	(33,629)
Class Y .....	(—)	(3,474)
Class R .....	(—)	(—)
Advisor Class .....	(—)	(18)
	(—)	(135,832)
Capital share transactions (Note 5) .....	529,819	1,476,705
Total increase .....	463,337	2,144,443
<b>NET ASSETS</b>		
Beginning of period .....	3,483,525	1,339,082
End of period .....	\$3,946,862	\$3,483,525
Undistributed net investment income .....	\$ 20,419	\$ 10,404

(1)See "Financial Highlights" on pages 100 - 105.

# Financial Highlights

## IVY GLOBAL NATURAL RESOURCES FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the fiscal year		For the	For the fiscal year		
	six months	ended March 31,		fiscal period	ended December 31,		
	ended	2006	2005	ended	2003	2002	2001
	9-30-06			3-31-04			
Net asset value,							
beginning of period . . . . .	\$30.13	\$22.65	\$17.63	\$16.69	\$11.50	\$11.05	\$ 9.74
Income (loss) from							
investment operations:							
Net investment							
income (loss) . . . . .	0.10	0.12	(0.04)	0.03	0.10	(0.11) <sup>(1)</sup>	0.04 <sup>(1)</sup>
Net realized and							
unrealized gain (loss)							
on investments . . . . .	(0.39)	8.88	5.06	0.91	5.14	0.63 <sup>(2)</sup>	1.45
Total from investment							
operations . . . . .	(0.29)	9.00	5.02	0.94	5.24	0.52	1.49
Less distributions from:							
Net investment income . .	(0.00)	(0.00)	(0.00)*	(0.00)	(0.05)	(0.00)	(0.18)
Capital gains . . . . .	(0.00)	(1.52)	(0.00)	(0.00)	(0.00)	(0.07)	(0.00)
Total distributions . . . . .	(0.00)	(1.52)	(0.00)*	(0.00)	(0.05)	(0.07)	(0.18)
Net asset value,							
end of period . . . . .	\$29.84	\$30.13	\$22.65	\$17.63	\$16.69	\$11.50	\$11.05
Total return <sup>(3)</sup> . . . . .	-0.96%	40.76%	28.50%	5.63%	45.61%	4.66% <sup>(2)</sup>	15.40%
Net assets, end of period							
(in millions) . . . . .	\$2,638	\$2,343	\$895	\$192	\$95	\$17	\$8
Ratio of expenses to average							
net assets including							
reimbursement . . . . .	1.34% <sup>(4)</sup>	1.40%	1.55%	1.65% <sup>(4)</sup>	1.89%	2.22%	2.25%
Ratio of net investment							
income (loss) to average							
net assets including							
reimbursement . . . . .	0.76% <sup>(4)</sup>	0.73%	-0.52%	-0.80% <sup>(4)</sup>	-0.66%	-0.91%	0.38%
Ratio of expenses to average							
net assets excluding							
reimbursement . . . . .	1.34% <sup>(4)(5)</sup>	1.40% <sup>(5)</sup>	1.55% <sup>(5)</sup>	1.65% <sup>(4)(5)</sup>	1.89% <sup>(5)</sup>	2.38%	3.71%
Ratio of net investment							
income (loss) to average							
net assets excluding							
reimbursement . . . . .	0.76% <sup>(4)(5)</sup>	0.73% <sup>(5)</sup>	-0.52% <sup>(5)</sup>	-0.80% <sup>(4)(5)</sup>	-0.66% <sup>(5)</sup>	-1.07%	-1.08%
Portfolio turnover rate . . . . .	65%	104%	110%	29%	58%	67%	169%

\*Not shown due to rounding.

(1)Based on average shares outstanding.

(2)Includes redemption fees added to capital.

(3)Total return calculated without taking into account the sales load deducted on an initial purchase.

(4)Annualized.

(5)There was no waiver of expenses during the period.

See Notes to Financial Statements.

# Financial Highlights

## IVY GLOBAL NATURAL RESOURCES FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the fiscal year		For the	For the fiscal year		
	six months	ended March 31,		fiscal period	ended December 31,		
	ended	2006	2005	ended	2003	2002	2001
	9-30-06			3-31-04			
Net asset value,							
beginning of period . . . . .	\$28.57	\$21.72	\$17.04	\$16.16	\$11.19	\$10.81	\$ 9.56
Income (loss) from							
investment operations:							
Net investment							
income (loss) . . . . .	0.00	0.03	(0.04)	(0.01)	(0.06)	(0.19) <sup>(1)</sup>	(0.02) <sup>(1)</sup>
Net realized and							
unrealized gain (loss)							
on investments . . . . .	(0.39)	8.34	4.72	0.89	5.03	0.57	1.42
Total from investment							
operations . . . . .	(0.39)	8.37	4.68	0.88	4.97	0.38	1.40
Less distributions from:							
Net investment income . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.15)
Capital gains . . . . .	(0.00)	(1.52)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(1.52)	(0.00)	(0.00)	(0.00)	(0.00)	(0.15)
Net asset value,							
end of period . . . . .	\$28.18	\$28.57	\$21.72	\$17.04	\$16.16	\$11.19	\$10.81
Total return . . . . .	-1.36%	39.59%	27.46%	5.45%	44.42%	3.52%	14.73%
Net assets, end of period							
(in millions) . . . . .	\$235	\$223	\$110	\$30	\$21	\$9	\$5
Ratio of expenses to average							
net assets including							
reimbursement . . . . .	2.14% <sup>(2)</sup>	2.23%	2.39%	2.42% <sup>(2)</sup>	2.90%	2.93%	2.87%
Ratio of net investment loss							
to average net assets							
including reimbursement.	-0.04% <sup>(2)</sup>	-0.10%	-1.35%	-1.59% <sup>(2)</sup>	-1.54%	-1.62%	-0.24%
Ratio of expenses to average							
net assets excluding							
reimbursement . . . . .	2.14% <sup>(2)(3)</sup>	2.23% <sup>(3)</sup>	2.39% <sup>(3)</sup>	2.42% <sup>(2)(3)</sup>	2.90% <sup>(3)</sup>	3.09%	4.33%
Ratio of net investment							
loss to average net							
assets excluding							
reimbursement . . . . .	-0.04% <sup>(2)(3)</sup>	-0.10% <sup>(3)</sup>	-1.35% <sup>(3)</sup>	-1.59% <sup>(2)(3)</sup>	-1.54% <sup>(3)</sup>	-1.78%	-1.70%
Portfolio turnover rate . . . . .	65%	104%	110%	29%	58%	67%	169%

(1)Based on average shares outstanding.

(2)Annualized.

(3)There was no waiver of expenses during the period.

See Notes to Financial Statements.

# Financial Highlights

## IVY GLOBAL NATURAL RESOURCES FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the fiscal year		For the	For the fiscal year		
	six months	ended March 31,		fiscal period	ended December 31,		
	ended	2006	2005	ended	2003	2002	2001
	9-30-06			3-31-04			
Net asset value,							
beginning of period . . . . .	\$28.04	\$21.32	\$16.72	\$15.86	\$10.97	\$10.61	\$ 9.40
Income (loss) from							
investment operations:							
Net investment							
income (loss) . . . . .	0.01	0.02	(0.09)	0.00	0.04	(0.18) <sup>(1)</sup>	(0.02) <sup>(1)</sup>
Net realized and							
unrealized gain (loss)							
on investments . . . . .	(0.39)	8.22	4.69	0.86	4.85	0.55	1.39
Total from investment							
operations . . . . .	(0.38)	8.24	4.60	0.86	4.89	0.37	1.37
Less distributions from:							
Net investment income . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.16)
Capital gains . . . . .	(0.00)	(1.52)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)
Total distributions . . . . .	(0.00)	(1.52)	(0.00)	(0.00)	(0.00)	(0.01)	(0.16)
Net asset value,							
end of period . . . . .	\$27.66	\$28.04	\$21.32	\$16.72	\$15.86	\$10.97	\$10.61
Total return . . . . .	-1.36%	39.72%	27.51%	5.42%	44.58%	3.46%	14.62%
Net assets, end of period							
(in millions) . . . . .	\$904	\$801	\$312	\$64	\$34	\$5	\$2
Ratio of expenses to average							
net assets including							
reimbursement . . . . .	2.07% <sup>(2)</sup>	2.15%	2.31%	2.38% <sup>(2)</sup>	2.65%	2.94%	2.86%
Ratio of net investment							
income (loss) to average							
net assets including							
reimbursement . . . . .	0.03% <sup>(2)</sup>	-0.02%	-1.28%	-1.54% <sup>(2)</sup>	-1.48%	-1.64%	-0.23%
Ratio of expenses to average							
net assets excluding							
reimbursement . . . . .	2.07% <sup>(2)(3)</sup>	2.15% <sup>(3)</sup>	2.31% <sup>(3)</sup>	2.38% <sup>(2)(3)</sup>	2.65% <sup>(3)</sup>	3.10%	4.32%
Ratio of net investment							
income (loss) to average							
net assets excluding							
reimbursement . . . . .	0.03% <sup>(2)(3)</sup>	-0.02% <sup>(3)</sup>	-1.28% <sup>(3)</sup>	-1.54% <sup>(2)(3)</sup>	-1.48% <sup>(3)</sup>	-1.80%	-1.69%
Portfolio turnover rate . . . . .	65%	104%	110%	29%	58%	67%	169%

(1)Based on average shares outstanding.

(2)Annualized.

(3)There was no waiver of expenses during the period.

See Notes to Financial Statements.

# Financial Highlights

## IVY GLOBAL NATURAL RESOURCES FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-06	For the fiscal year ended March 31, 2006      2005		For the fiscal period ended 3-31-04	For the period from 7-24-03 <sup>(1)</sup> to 12-31-03
Net asset value, beginning of period . . . . .	\$30.27	\$22.70	\$17.66	\$16.70	\$12.60
Income (loss) from investment operations:					
Net investment income (loss) . . . . .	0.14 <sup>(2)</sup>	0.24 <sup>(2)</sup>	(0.02)	0.01	0.00
Net realized and unrealized gain (loss) on investments . . . . .	(0.41) <sup>(2)</sup>	8.85 <sup>(2)</sup>	5.13	0.95	4.16
Total from investment operations . . . . .	(0.27)	9.09	5.11	0.96	4.16
Less distributions from:					
Net investment income . . . . .	(0.00)	(0.00)	(0.07)	(0.00)	(0.06)
Capital gains . . . . .	(0.00)	(1.52)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(1.52)	(0.07)	(0.00)	(0.06)
Net asset value, end of period . . .	\$30.00	\$30.27	\$22.70	\$17.66	\$16.70
Total return . . . . .	-0.89%	41.07%	28.98%	5.75%	33.03%
Net assets, end of period (in millions) . . . . .	\$169	\$116	\$21	\$4	\$1
Ratio of expenses to average net assets including reimbursement . . . . .	1.19% <sup>(3)(4)</sup>	1.20% <sup>(4)</sup>	1.20% <sup>(4)</sup>	1.20% <sup>(3)(4)</sup>	1.39% <sup>(3)</sup>
Ratio of net investment income (loss) to average net assets including reimbursement . . . . .	0.88% <sup>(3)(4)</sup>	0.91% <sup>(4)</sup>	-0.19% <sup>(4)</sup>	-0.35% <sup>(3)(4)</sup>	-0.54% <sup>(3)</sup>
Ratio of expenses to average net assets excluding reimbursement . . . . .	1.28% <sup>(3)(4)</sup>	1.35% <sup>(4)</sup>	1.48% <sup>(4)</sup>	1.63% <sup>(3)(4)</sup>	1.39% <sup>(3)(5)</sup>
Ratio of net investment income (loss) to average net assets excluding reimbursement . . . . .	0.80% <sup>(3)(4)</sup>	0.76% <sup>(4)</sup>	-0.47% <sup>(4)</sup>	-0.79% <sup>(3)(4)</sup>	-0.54% <sup>(3)(5)</sup>
Portfolio turnover rate . . . . .	65%	104%	110%	29%	58% <sup>(6)</sup>

(1) Commencement of operations of the class.

(2) Based on average weekly shares outstanding.

(3) Annualized.

(4) See Note 2.

(5) There was no waiver of expenses during the period.

(6) For the 12 months ended December 31, 2003.

See Notes to Financial Statements.

# Financial Highlights

## IVY GLOBAL NATURAL RESOURCES FUND

Class R Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended <b>9-30-06</b>	For the period from <b>12-29-05<sup>(1)</sup></b> to <b>3-31-06</b>
Net asset value, beginning of period . . . . .	\$30.10	\$26.11
Income (loss) from investment operations:		
Net investment income (loss) . . . . .	(0.03)	0.06
Net realized and unrealized gain (loss) on investments . . . . .	(0.30)	3.93
Total from investment operations . . . . .	(0.33)	3.99
Less distributions from:		
Net investment income . . . . .	(0.00)	(0.00)
Capital gains . . . . .	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.00)
Net asset value, end of period . . . . .	<u>\$29.77</u>	<u>\$30.10</u>
Total return . . . . .	-1.10%	15.28%
Net assets, end of period (in thousands) . . . . .	\$837	\$115
Ratio of expenses to average net assets . . . . .	1.65% <sup>(2)</sup>	1.69% <sup>(2)</sup>
Ratio of net investment income to average net assets . . . . .	0.54% <sup>(2)</sup>	0.82% <sup>(2)</sup>
Portfolio turnover rate . . . . .	65%	104% <sup>(3)</sup>

(1)Commencement of operations of the class.

(2)Annualized.

(3)For the fiscal year ended March 31, 2006.

See Notes to Financial Statements.



# Financial Highlights

## IVY GLOBAL NATURAL RESOURCES FUND

Advisor Class Shares<sup>(1)</sup>

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended	For the fiscal year ended March 31,		For the fiscal period ended	For the fiscal year ended December 31,		
	9-30-06	2006	2005	3-31-04	2003	2002	2001
Net asset value,							
beginning of period . . . . .	\$29.92	\$22.45	\$17.47	\$16.54	\$11.43	\$11.02	\$ 9.74
Income (loss) from							
investment operations:							
Net investment							
income (loss) . . . . .	0.17	0.13	(0.14)	(0.03)	(0.58)	(0.07)	0.09 <sup>(2)</sup>
Net realized and							
unrealized gain (loss)							
on investments . . . . .	(0.42)	8.86	5.14	0.96	5.78	0.56	1.43
Total from investment							
operations . . . . .	(0.25)	8.99	5.00	0.93	5.20	0.49	1.52
Less distributions from:							
Net investment income . . . . .	(0.00)	(0.00)	(0.02)	(0.00)	(0.09)	(0.00)	(0.24)
Capital gains . . . . .	(0.00)	(1.52)	(0.00)	(0.00)	(0.00)	(0.08)	(0.00)
Total distributions . . . . .	(0.00)	(1.52)	(0.02)	(0.00)	(0.09)	(0.08)	(0.24)
Net asset value,							
end of period . . . . .	\$29.67	\$29.92	\$22.45	\$17.47	\$16.54	\$11.43	\$11.02
Total return . . . . .	-0.84%	41.09%	28.63%	5.62%	45.55%	4.46%	15.71%
Net assets, end of period							
(in thousands) . . . . .	\$307	\$368	\$476	\$512	\$484	\$570	\$465
Ratio of expenses to average							
net assets including							
reimbursement . . . . .	1.02% <sup>(3)</sup>	1.25%	1.47%	1.57% <sup>(3)</sup>	2.19%	1.82%	1.78%
Ratio of net investment							
income (loss) to average							
net assets including							
reimbursement . . . . .	1.08% <sup>(3)</sup>	0.97%	-0.36%	-0.74% <sup>(3)</sup>	-0.41%	-0.51%	0.85%
Ratio of expenses to average							
net assets excluding							
reimbursement . . . . .	1.02% <sup>(3)(4)</sup>	1.25% <sup>(4)</sup>	1.47% <sup>(4)</sup>	1.57% <sup>(3)(4)</sup>	2.19% <sup>(4)</sup>	1.98%	3.24%
Ratio of net investment							
income (loss) to average							
net assets excluding							
reimbursement . . . . .	1.08% <sup>(3)(4)</sup>	0.97% <sup>(4)</sup>	-0.36% <sup>(4)</sup>	-0.74% <sup>(3)(4)</sup>	-0.41% <sup>(4)</sup>	-0.67%	-0.61%
Portfolio turnover rate . . . . .	65%	104%	110%	29%	58%	67%	169%

(1) See Note 5 to financial statements.

(2) Based on average shares outstanding.

(3) Annualized.

(4) There was no waiver of expenses during the period.

See Notes to Financial Statements.

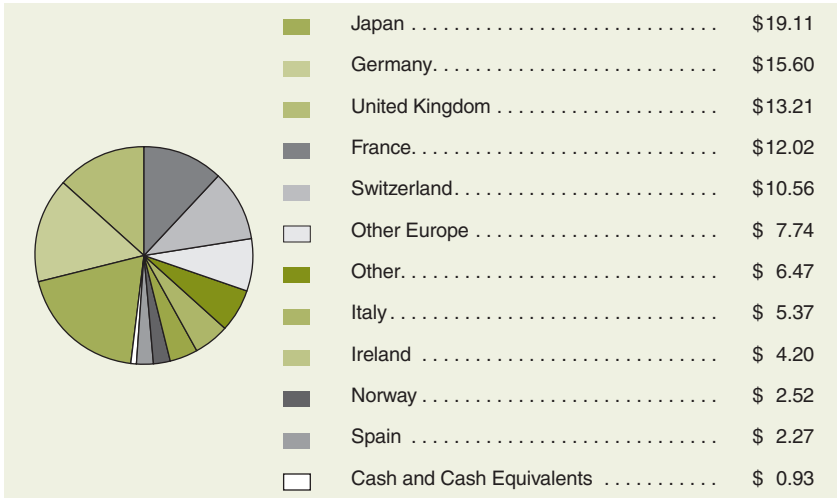
## SHAREHOLDER SUMMARY OF IVY INTERNATIONAL FUND

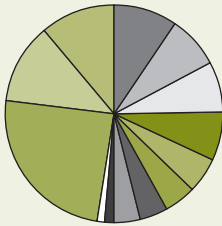
### Portfolio Highlights









On September 30, 2006, Ivy International Fund had net assets totaling \$218,320,066 invested in a diversified portfolio of:

96.38%	Foreign Common Stocks
1.44%	Other Government Security
1.25%	Domestic Common Stocks
0.93%	Cash and Cash Equivalents

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2006, your Fund was invested by country and by industry, respectively, as follows:





	Financial Services Stocks . . . . .	\$24.40
	Capital Goods Stocks . . . . .	\$11.96
	Consumer Nondurables Stocks . . . . .	\$11.08
	Technology Stocks . . . . .	\$ 9.45
	Health Care Stocks . . . . .	\$ 7.86
	Utilities Stocks . . . . .	\$ 7.69
	Miscellaneous Stocks . . . . .	\$ 7.00
	Energy Stocks . . . . .	\$ 5.39
	Raw Materials Stocks . . . . .	\$ 4.73
	Consumer Durables Stocks . . . . .	\$ 4.17
	Business Equipment and Services Stocks	\$ 3.90
	Other Government Security . . . . .	\$ 1.44
	Cash and Cash Equivalents . . . . .	\$ 0.93

# The Investments of Ivy International Fund

September 30, 2006

COMMON STOCKS	Shares	Value
<b>Australia – 1.45%</b>		
Novogen LTD (A)*	474,580	\$ 1,092,948
QBE Insurance Group Limited (A)	113,000	2,063,365
		<u>3,156,313</u>
<b>Belgium – 1.22%</b>		
InBev NV (A)	21,000	1,156,237
KBC Group NV (A)	14,300	1,505,960
		<u>2,662,197</u>
<b>Brazil – 0.47%</b>		
Gol Linhas Aereas Inteligentes S.A., ADR	30,000	<u>1,030,500</u>
<b>Canada – 1.82%</b>		
EnCana Corporation (A)	43,000	2,000,832
Shoppers Drug Mart Corporation (A)(B)	48,450	1,979,179
		<u>3,980,011</u>
<b>China – 0.45%</b>		
China Mobile (Hong Kong) Limited (A)	140,000	<u>989,263</u>
<b>Finland – 0.76%</b>		
Nokia OYJ (A)	84,500	<u>1,677,978</u>
<b>France – 12.02%</b>		
ALSTOM (A)*	23,400	2,117,130
Cap Gemini SA (A)	25,500	1,352,589
Pernod Ricard (A)	11,650	2,424,221
Pinault-Printemps-Redoute SA (A)	10,450	1,549,061
Sanofi-Aventis (A)	12,800	1,139,423
SR.Teleperformance (A)(B)	50,000	1,864,039
STMicroelectronics N.V. (A)	84,700	1,468,215
TOTAL S.A. (A)	51,000	3,346,711
VINCI (A)	62,000	6,902,778
Vivendi Universal (A)	113,000	4,073,737
		<u>26,237,904</u>
<b>Germany – 14.16%</b>		
Allianz Aktiengesellschaft, Registered Shares (A)	14,800	2,561,347
Commerzbank Aktiengesellschaft (A)	48,500	1,643,296
Continental Aktiengesellschaft (A)	17,000	1,974,829
E.ON AG (A)	20,000	2,376,587
elexis AG (A)	48,000	1,039,601
Fresenius AG (A)	7,530	1,343,944
Hypo Real Estate Holding AG (A)	28,000	1,746,161
Munchener Ruckversicherungs-Gesellschaft Aktiengesellschaft, Registered Shares (A)	7,150	1,131,057
RWE Aktiengesellschaft (A)	28,300	2,614,290

See Notes to Schedule of Investments on page 111.

# The Investments of Ivy International Fund

September 30, 2006

COMMON STOCKS (Continued)	Shares	Value
<b>Germany (Continued)</b>		
SAP Aktiengesellschaft (A) . . . . .	21,200	\$ 4,207,149
Salzgitter AG (A) . . . . .	20,000	1,881,792
Siemens AG (A) . . . . .	60,900	5,313,817
Vivacon AG (A)* . . . . .	20,000	489,976
Wacker Chemie AG (A)* . . . . .	22,000	2,594,438
		<b><u>30,918,284</u></b>
<b>Greece – 1.90%</b>		
Bank of Cyprus Limited (A) . . . . .	250,000	2,542,448
Piraeus Bank S.A. (A) . . . . .	62,500	1,619,939
		<b><u>4,162,387</u></b>
<b>Ireland – 4.20%</b>		
Anglo Irish Bank Corporation plc (Great Britain) (A) . . . . .	280,000	4,601,514
Anglo Irish Bank Corporation plc (Ireland) (A) . . . . .	145,000	2,381,088
CRH public limited company (A) . . . . .	64,700	2,189,730
		<b><u>9,172,332</u></b>
<b>Italy – 5.37%</b>		
Banca Intesa S.p.A. (A) . . . . .	430,000	2,829,916
Banca Italease S.p.A. (A) . . . . .	29,300	1,445,290
Banco Popolare di Verona e Novara S.c. a r.l. (A) . . . . .	38,000	1,049,974
Saipem S.p.A. (A) . . . . .	78,300	1,701,807
UniCredito Italiano S.p.A. (A) . . . . .	567,001	4,705,775
		<b><u>11,732,762</u></b>
<b>Japan – 19.11%</b>		
Astellas Pharma Inc. (A) . . . . .	58,000	2,332,275
Canon Inc. (A) . . . . .	79,200	4,130,133
Central Japan Railway Company (A) . . . . .	210	2,240,000
Chubu Electric Power Company, Incorporated (A) . . . . .	44,000	1,143,534
CREDIT SAISON CO., LTD. (A) . . . . .	48,000	2,023,619
DENSO CORPORATION (A) . . . . .	37,700	1,324,487
Hoya Corporation (A) . . . . .	58,000	2,184,974
Japan Tobacco Inc. (A) . . . . .	400	1,554,286
Kabushiki Kaisha Mitsubishi Tokyo Financial Group (A) . . . . .	85	1,093,757
Mitsubishi Estate Co., Ltd. (A) . . . . .	145,000	3,166,984
Mizuho Financial Group, Inc. (A) . . . . .	510	3,954,794
SMC Corporation (A) . . . . .	20,400	2,699,276
SUMCO Corporation (A) . . . . .	30,000	2,222,222
Sega Sammy Holdings Inc. (A) . . . . .	72,000	2,316,190
Shin-Etsu Chemical Co., Ltd. (A)* . . . . .	28,500	1,819,175
Sumitomo Mitsui Financial Group, Inc. (A) . . . . .	114	1,196,698
Tokyo Electric Power Company, Incorporated (The) (A) . . . . .	42,000	1,208,889
Toyota Motor Corporation (A) . . . . .	80,000	4,347,937
YAMADA-DENKI Co., Ltd. (A) . . . . .	7,500	751,746
		<b><u>41,710,976</u></b>

See Notes to Schedule of Investments on page 111.

# The Investments of Ivy International Fund

September 30, 2006

COMMON STOCKS (Continued)	Shares	Value
<b>Korea – 1.03%</b>		
Samsung Electronics Co., Ltd. (A) . . . . .	3,200	<u>\$ 2,245,495</u>
<b>Luxembourg – 0.83%</b>		
Tenaris S.A., ADR . . . . .	51,000	<u>1,804,380</u>
<b>Netherlands – 0.53%</b>		
Euronext N.V. (A) . . . . .	12,000	<u>1,166,356</u>
<b>Norway – 2.52%</b>		
Aceryg S.A. (A)* . . . . .	87,000	1,486,302
Orkla ASA (A) . . . . .	45,000	2,140,854
Statoil ASA (A) . . . . .	79,000	1,867,090
		<u>5,494,246</u>
<b>Russia – 1.50%</b>		
OAO LUKOIL, ADR . . . . .	43,500	<u>3,284,250</u>
<b>Spain – 2.27%</b>		
Eragas, S.A. (A) . . . . .	159,000	3,852,969
Telefonica, S.A. (A) . . . . .	63,000	1,092,061
		<u>4,945,030</u>
<b>Sweden – 1.00 %</b>		
Telefonaktiebolaget LM Ericsson, B Shares (A) . . . . .	628,000	<u>2,176,702</u>
<b>Switzerland – 10.56%</b>		
Compagnie Financiere Richemont SA (A) . . . . .	30,100	1,449,094
Credit Suisse Group, Registered Shares (A) . . . . .	56,800	3,286,401
Holcim Ltd, Registered Shares (A) . . . . .	32,700	2,672,590
Nestle S.A., Registered Shares (A) . . . . .	14,680	5,118,541
Novartis AG, Registered Shares (A) . . . . .	113,400	6,620,177
UBS AG (A) . . . . .	20,800	1,244,224
Zurich Financial Services, Registered Shares (A) . . . . .	10,800	2,653,685
		<u>23,044,712</u>
<b>United Kingdom – 13.21%</b>		
BAE SYSTEMS plc (A) . . . . .	285,000	2,109,125
BHP Billiton Plc (A) . . . . .	129,200	2,230,381
Barclays PLC (A) . . . . .	141,000	1,779,363
British American Tobacco p.l.c. (A) . . . . .	170,000	4,596,229
Cadbury Schweppes plc (A) . . . . .	107,000	1,138,937
Diageo plc (A) . . . . .	56,000	989,272
GlaxoSmithKline plc (A) . . . . .	174,000	4,632,702
IG Group Holdings plc (A)(B) . . . . .	272,000	1,319,029
Reckitt Benckiser plc (A) . . . . .	87,500	3,627,198
Royal Bank of Scotland Group plc (The) (A) . . . . .	119,600	4,118,115
Vodafone Group Plc (A) . . . . .	1,000,000	2,288,940
		<u>28,829,291</u>

See Notes to Schedule of Investments on page 111.

# The Investments of Ivy International Fund

September 30, 2006

COMMON STOCKS (Continued)	Shares	Value
<b>United States – 1.25%</b>		
Research In Motion Limited* . . . . .	14,250	\$ 1,463,119
Schlumberger Limited . . . . .	20,400	1,265,412
		<u>2,728,531</u>
<b>TOTAL COMMON STOCKS – 97.63%</b>		<b>\$213,149,900</b>
(Cost: \$173,010,238)		
OTHER GOVERNMENT SECURITY – 1.44%	Principal Amount in Thousands	
<b>Germany</b>		
German Treasury Bill, 0.0%, 1–17–07 (C) . . . . .	EUR2,500	<b>\$ 3,140,949</b>
(Cost: \$3,164,092)		
<b>SHORT-TERM SECURITY – 1.05%</b>		
<b>Security and Commodity Brokers</b>		
UBS Finance Delaware LLC (UBS AG), 5.34%, 10–2–06 . . . . .	\$2,289	<b>\$ 2,288,660</b>
(Cost: \$2,288,660)		
<b>TOTAL INVESTMENT SECURITIES – 100.12%</b>		<b>\$218,579,509</b>
(Cost: \$178,462,990)		
<b>LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.12%)</b>		<b>(259,443)</b>
<b>NET ASSETS – 100.00%</b>		<b>\$218,320,066</b>

## Notes to Schedule of Investments

Certain acronyms may be used within the body of the Fund's holdings. The definitions of these acronyms are as follows: ADR – American Depositary Receipts; CMO – Collateralized Mortgage Obligation; GDR – Global Depositary Receipts and REMIC – Real Estate Mortgage Investment Conduit.

\*No dividends were paid during the preceding 12 months.

(A) Listed on an exchange outside the United States.

(B) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At September 30, 2006, the total value of these securities amounted to \$5,162,247 or 2.36% of net assets.

(C) Principal amounts are denominated in the indicated foreign currency, where applicable (EUR = Euro).

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

# Statement of Assets and Liabilities

## IVY INTERNATIONAL FUND

September 30, 2006

(In Thousands, Except for Per Share Amounts)

### ASSETS

Investment securities – at value (cost – \$178,463) (Notes 1 and 3) . . . . .	\$218,580
Receivables:	
Dividends and interest . . . . .	681
Fund shares sold . . . . .	95
Prepaid and other assets . . . . .	33
Total assets . . . . .	<u>219,389</u>

### LIABILITIES

Payable to Fund shareholders . . . . .	547
Accrued management fee (Note 2) . . . . .	152
Accrued service fee (Note 2) . . . . .	84
Accrued shareholder servicing (Note 2) . . . . .	84
Accrued distribution fee (Note 2) . . . . .	40
Due to custodian . . . . .	18
Accrued accounting services fee (Note 2) . . . . .	6
Accrued administrative fee (Note 2) . . . . .	2
Other . . . . .	136
Total liabilities . . . . .	<u>1,069</u>
Total net assets . . . . .	<u>\$218,320</u>

### NET ASSETS

Capital paid in (shares authorized – unlimited) . . . . .	\$463,058
Accumulated undistributed income (loss):	
Accumulated undistributed net investment income . . . . .	650
Accumulated undistributed net realized loss	
on investment transactions . . . . .	(285,523)
Net unrealized appreciation in value of investments . . . . .	40,135
Net assets applicable to outstanding units of capital . . . . .	<u>\$218,320</u>

### Net asset value per share (net assets divided by shares outstanding):

Class A . . . . .	\$30.11
Class B . . . . .	\$27.76
Class C . . . . .	\$27.70
Class Y . . . . .	\$30.11
Advisor Class . . . . .	\$28.83
Class I . . . . .	\$30.49

### Capital shares outstanding:

Class A . . . . .	4,943
Class B . . . . .	420
Class C . . . . .	1,920
Class Y . . . . .	145
Advisor Class . . . . .	—*
Class I . . . . .	9

\* Not shown due to rounding.

See Notes to Financial Statements.



# Statement of Operations

## IVY INTERNATIONAL FUND

For the Six Months Ended September 30, 2006

(In Thousands)

### INVESTMENT INCOME

Income (Note 1B):	
Dividends (net of foreign withholding taxes of \$289) .....	\$ 2,568
Interest and amortization .....	219
Total income .....	<u>2,787</u>
Expenses (Note 2):	
Accounting services fee .....	36
Administrative fee .....	11
Audit fees .....	34
Custodian fees .....	90
Distribution fee:	
Class A .....	7
Class B .....	46
Class C .....	204
Class Y .....	—*
Investment management fee .....	952
Service fee:	
Class A .....	158
Class B .....	15
Class C .....	68
Class Y .....	7
Shareholder servicing:	
Class A .....	177
Class B .....	34
Class C .....	154
Class Y .....	6
Advisor Class .....	—*
Class I .....	—*
Other .....	75
Total expenses .....	<u>2,074</u>
Net investment income .....	<u>713</u>

### REALIZED AND UNREALIZED GAIN

#### (LOSS) ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on securities .....	20,505
Realized net gain on foreign currency transactions .....	3
Realized net gain on investments .....	<u>20,508</u>
Unrealized depreciation in value of investments during the period .....	(19,319)
Net gain on investments .....	1,189
Net increase in net assets resulting from operations .....	<u>\$ 1,902</u>

\*Not shown due to rounding.

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY INTERNATIONAL FUND

(In Thousands)

	For the six months ended September 30, 2006	For the fiscal year ended March 31, 2006
<b>INCREASE (DECREASE) IN NET ASSETS</b>		
Operations:		
Net investment income . . . . .	\$ 713	\$ 212
Realized net gain on investments . . . . .	20,508	21,213
Unrealized appreciation (depreciation) . . . . .	(19,319)	19,510
Net increase in net assets resulting from operations . . . . .	1,902	40,935
Distributions to shareholders from (Note 1F):(1)		
Net investment income:		
Class A . . . . .	(—)	(831)
Class B . . . . .	(—)	(—)
Class C . . . . .	(—)	(—)
Class Y . . . . .	(—)	(3)
Advisor Class . . . . .	(—)	(—)
Class I . . . . .	(—)	(2)
Realized gains on investment transactions:		
Class A . . . . .	(—)	(—)
Class B . . . . .	(—)	(—)
Class C . . . . .	(—)	(—)
Class Y . . . . .	(—)	(—)
Advisor Class . . . . .	(—)	(—)
Class I . . . . .	(—)	(—)
	(—)	(836)
Capital share transactions (Note 5) . . . . .	(14,679)	41,908
Total increase (decrease) . . . . .	(12,777)	82,007
<b>NET ASSETS</b>		
Beginning of period . . . . .	231,097	149,090
End of period . . . . .	\$218,320	\$231,097
Undistributed net investment income (loss) . . . . .	\$ 650	\$ (66)

(1) See "Financial Highlights" on pages 115 - 120.

See Notes to Financial Statements.

# Financial Highlights

## IVY INTERNATIONAL FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the fiscal		For the	For the fiscal year		
	six months	year ended		fiscal period	ended December 31,		
	ended	March 31,		ended			
	9-30-06	2006	2005	3-31-04	2003	2002	2001
Net asset value,							
beginning of period . . . . .	\$ 29.74	\$22.86	\$21.34	\$20.64	\$16.35	\$20.69	\$26.20
Income (loss) from							
investment operations:							
Net investment							
income (loss) . . . . .	0.16	0.08	(0.02)	(0.01)	(0.02)	0.06 <sup>(1)</sup>	0.05
Net realized and							
unrealized gain (loss)							
on investments . . . . .	0.21	6.97	1.54	0.71	4.31	(4.40) <sup>(2)</sup>	(5.56)
Total from investment							
operations . . . . .	0.37	7.05	1.52	0.70	4.29	(4.34)	(5.51)
Less distributions from:							
Net investment income . .	(0.00)	(0.17)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.17)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Net asset value,							
end of period . . . . .	\$ 30.11	\$29.74	\$22.86	\$21.34	\$20.64	\$16.35	\$20.69
Total return <sup>(3)</sup> . . . . .	1.28%	30.92%	7.12%	3.39%	26.24%	-20.96% <sup>(2)</sup>	-21.03%
Net assets, end of period							
(in millions) . . . . .	\$149	\$156	\$122	\$125	\$124	\$127	\$345
Ratio of expenses to average							
net assets including							
reimbursement . . . . .	1.52% <sup>(4)</sup>	1.59%	1.61%	1.69% <sup>(4)</sup>	1.81%	1.89%	1.60%
Ratio of net investment							
income (loss) to average							
net assets including							
reimbursement . . . . .	0.97% <sup>(4)</sup>	0.25%	-0.15%	-0.26% <sup>(4)</sup>	-0.07%	0.32%	0.18%
Ratio of expenses to average							
net assets excluding							
reimbursement . . . . .	1.52% <sup>(4)(5)</sup>	1.59% <sup>(5)</sup>	1.61% <sup>(5)</sup>	1.69% <sup>(4)(5)</sup>	1.81% <sup>(5)</sup>	1.89% <sup>(5)</sup>	1.66%
Ratio of net investment							
income (loss) to average							
net assets excluding							
reimbursement . . . . .	0.97% <sup>(4)(5)</sup>	0.25% <sup>(5)</sup>	-0.15% <sup>(5)</sup>	-0.26% <sup>(4)(5)</sup>	-0.07% <sup>(5)</sup>	0.32% <sup>(5)</sup>	0.12%
Portfolio turnover rate . . . . .	46%	75%	76%	27%	136%	34%	43%

(1)Based on average weekly shares outstanding.

(2)Includes redemption fees added to capital.

(3)Total return calculated without taking into account the sales load deducted on an initial purchase.

(4)Annualized.

(5)There was no waiver of expenses during the period.

See Notes to Financial Statements.

# Financial Highlights

## IVY INTERNATIONAL FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the fiscal		For the	For the fiscal year		
	six months	year ended		fiscal period	ended December 31,		
	ended	March 31,		ended	ended December 31,		
	9-30-06	2006	2005	3-31-04	2003	2002	2001
Net asset value,							
beginning of period . . . .	\$ 27.58	\$21.30	\$20.12	\$19.52	\$15.62	\$20.03	\$25.64
Income (loss) from							
investment operations:							
Net investment loss . . . .	(0.02) <sup>(1)</sup>	(0.17) <sup>(1)</sup>	(0.22) <sup>(1)</sup>	(0.07)	(0.23)	(0.12) <sup>(1)</sup>	(0.21)
Net realized and							
unrealized gain (loss)							
on investments . . . . .	0.20 <sup>(1)</sup>	6.45 <sup>(1)</sup>	1.40 <sup>(1)</sup>	0.67	4.13	(4.29)	(5.40)
Total from investment							
operations . . . . .	0.18	6.28	1.18	0.60	3.90	(4.41)	(5.61)
Less distributions from:							
Net investment income . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Net asset value,							
end of period . . . . .	\$27.76	\$27.58	\$21.30	\$20.12	\$19.52	\$15.62	\$20.03
Total return . . . . .	0.65%	29.48%	5.87%	3.08%	24.97%	-22.00%	-21.88%
Net assets, end of period							
(in millions) . . . . .	\$12	\$13	\$17	\$49	\$55	\$68	\$137
Ratio of expenses to							
average net assets							
including							
reimbursement . . . . .	2.67% <sup>(2)</sup>	2.74%	2.75%	2.75% <sup>(2)</sup>	2.84%	2.85%	2.54%
Ratio of net investment							
loss to average net							
assets including							
reimbursement . . . . .	-0.18% <sup>(2)</sup>	-0.72%	-1.09%	-1.35% <sup>(2)</sup>	-1.06%	-0.64%	-0.76%
Ratio of expenses to							
average net assets							
excluding							
reimbursement . . . . .	2.67% <sup>(2)(3)</sup>	2.74% <sup>(3)</sup>	2.75% <sup>(3)</sup>	2.75% <sup>(2)(3)</sup>	2.84% <sup>(3)</sup>	2.85% <sup>(3)</sup>	2.60%
Ratio of net investment							
loss to average net							
assets excluding							
reimbursement . . . . .	-0.18% <sup>(2)(3)</sup>	-0.72% <sup>(3)</sup>	-1.09% <sup>(3)</sup>	-1.35% <sup>(2)(3)</sup>	-1.06% <sup>(3)</sup>	-0.64% <sup>(3)</sup>	-0.82%
Portfolio turnover rate . . . . .	46%	75%	76%	27%	136%	34%	43%

(1)Based on average weekly shares outstanding.

(2)Annualized.

(3)There was no waiver of expenses during the period.

See Notes to Financial Statements.

# Financial Highlights

## IVY INTERNATIONAL FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-06	For the fiscal year ended March 31,		For the fiscal period ended 3-31-04	For the fiscal year ended December 31,		
		2006	2005		2003	2002	2001
Net asset value, beginning of period. . . . .	\$ 27.52	\$21.20	\$20.00	\$19.39	\$15.52	\$19.90	\$25.46
Income (loss) from investment operations:							
Net investment loss . . . . .	(0.02)	(0.09) <sup>(1)</sup>	(0.32)	(0.07)	(0.20)	(0.11) <sup>(1)</sup>	(0.21)
Net realized and unrealized gain (loss) on investments. . . . .	0.20	6.41 <sup>(1)</sup>	1.52	0.68	4.07	(4.27)	(5.35)
Total from investment operations. . . . .	0.18	6.32	1.20	0.61	3.87	(4.38)	(5.56)
Less distributions from:							
Net investment income. . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Net asset value, end of period. . . . .	\$ 27.70	\$27.52	\$21.20	\$20.00	\$19.39	\$15.52	\$19.90
Total return . . . . .	0.65%	29.81%	6.00%	3.15%	24.94%	-22.00%	-21.84%
Net assets, end of period (in millions). . . . .	\$53	\$56	\$9	\$11	\$12	\$14	\$26
Ratio of expenses to average net assets including reimbursement . . . . .	2.64% <sup>(2)</sup>	2.43%	2.64%	2.67% <sup>(2)</sup>	2.80%	2.83%	2.54%
Ratio of net investment loss to average net assets including reimbursement . . . . .	-0.16% <sup>(2)</sup>	-0.39%	-1.14%	-1.25% <sup>(2)</sup>	-0.94%	-0.62%	-0.76%
Ratio of expenses to average net assets excluding reimbursement . . . . .	2.64% <sup>(2)(3)</sup>	2.43% <sup>(3)</sup>	2.64% <sup>(3)</sup>	2.67% <sup>(2)(3)</sup>	2.80% <sup>(3)</sup>	2.83% <sup>(3)</sup>	2.60%
Ratio of net investment loss to average net assets excluding reimbursement . . . . .	-0.16% <sup>(2)(3)</sup>	-0.39% <sup>(3)</sup>	-1.14% <sup>(3)</sup>	-1.25% <sup>(2)(3)</sup>	-0.94% <sup>(3)</sup>	-0.62% <sup>(3)</sup>	-0.82%
Portfolio turnover rate. . . . .	46%	75%	76%	27%	136%	34%	43%

(1)Based on average weekly shares outstanding.

(2)Annualized.

(3)There was no waiver of expenses during the period.

See Notes to Financial Statements.

# Financial Highlights

## IVY INTERNATIONAL FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-06	For the fiscal year ended March 31, 2006      2005		For the fiscal period ended 3-31-04	For the period from 7-24-03 <sup>(1)</sup> to 12-31-03
Net asset value, beginning of period . . .	\$29.74	\$22.86	\$21.35	\$20.65	\$17.69
Income (loss) from investment operations:					
Net investment income (loss) . . . . .	0.25	0.18 <sup>(2)</sup>	(0.09)	(0.02)	0.02
Net realized and unrealized gain on investments. . . . .	0.12	6.87 <sup>(2)</sup>	1.60	0.72	2.94
Total from investment operations . . . . .	0.37	7.05	1.51	0.70	2.96
Less distributions from:					
Net investment income . . . . .	(0.00)	(0.17)	(0.00)	(0.00)	(0.00)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.17)	(0.00)	(0.00)	(0.00)
Net asset value, end of period . . . . .	\$30.11	\$29.74	\$22.86	\$21.35	\$20.65
Total return . . . . .	1.25%	30.95%	7.07%	3.39%	16.73%
Net assets, end of period (in thousands) . . . . .	\$4,354	\$6,144	\$229	\$140	\$135
Ratio of expenses to average net assets . . .	1.53% <sup>(3)</sup>	1.58%	1.66%	1.76% <sup>(3)</sup>	0.59% <sup>(3)</sup>
Ratio of net investment income (loss) to average net assets . . .	1.07% <sup>(3)</sup>	0.81%	-0.33%	-0.32% <sup>(3)</sup>	0.24% <sup>(3)</sup>
Portfolio turnover rate . . . .	46%	75%	76%	27%	136% <sup>(4)</sup>

(1) Commencement of operations of the class.

(2) Based on average weekly shares outstanding.

(3) Annualized.

(4) For the 12 months ended December 31, 2003.

See Notes to Financial Statements.

# Financial Highlights

## IVY INTERNATIONAL FUND

Advisor Class Shares<sup>(1)</sup>

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the fiscal		For the	For the fiscal year		
	six months	year ended		fiscal period	ended December 31,		
	ended	March 31,		ended			
	9-30-06	2006	2005	3-31-04	2003	2002 <sup>(2)</sup>	2001
Net asset value,							
beginning of period . . . . .	\$28.96	\$22.84	\$21.66	\$21.00	\$16.85	\$20.67	\$26.25
Income (loss) from							
investment operations:							
Net investment							
income (loss) . . . . .	(0.33)	(0.75)	(0.38)	(0.08)	(1.00)	(0.24)	0.01
Net realized and							
unrealized gain (loss)							
on investments . . . . .	0.20	6.87	1.56	0.74	5.15	(3.58)	(5.59)
Total from investment							
operations . . . . .	(0.13)	6.12	1.18	0.66	4.15	(3.82)	(5.58)
Less distributions from:							
Net investment income . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Net asset value,							
end of period . . . . .	\$28.83	\$28.96	\$22.84	\$21.66	\$21.00	\$16.85	\$20.67
Total return . . . . .	-0.42%	26.80%	5.45%	3.14%	25.00%	-18.71%	-21.26%
Net assets, end of period							
(in thousands) . . . . .	\$1	\$1	\$1	\$1	\$1	\$2	\$5
Ratio of expenses to average							
net assets including							
reimbursement . . . . .	4.73% <sup>(3)</sup>	4.71%	3.11%	2.35% <sup>(3)</sup>	2.72%	3.46%	1.69%
Ratio of net investment							
income (loss) to average							
net assets including							
reimbursement . . . . .	-2.36% <sup>(3)</sup>	-3.03%	-1.75%	-1.58% <sup>(3)</sup>	-0.98%	-1.24%	0.09%
Ratio of expenses to							
average net assets							
excluding							
reimbursement . . . . .	4.73% <sup>(3)(4)</sup>	4.71% <sup>(4)</sup>	3.11% <sup>(4)</sup>	2.35% <sup>(3)(4)</sup>	2.72% <sup>(4)</sup>	3.46% <sup>(4)</sup>	1.75%
Ratio of net investment							
income (loss) to average							
net assets excluding							
reimbursement . . . . .	-2.36% <sup>(3)(4)</sup>	-3.03% <sup>(4)</sup>	-1.75% <sup>(4)</sup>	-1.58% <sup>(3)(4)</sup>	-0.98% <sup>(4)</sup>	-1.24% <sup>(4)</sup>	0.03%
Portfolio turnover rate . . . . .	46%	75%	76%	27%	136%	34%	43%

(1) See Note 5 to financial statements.

(2) Advisor Class Shares were outstanding for the period from 1-1-02 through 6-11-02 and from 7-3-02 through 12-31-02.

(3) Annualized.

(4) There was no waiver of expenses during the period.

See Notes to Financial Statements.

# Financial Highlights

## IVY INTERNATIONAL FUND

Class I Shares<sup>(1)</sup>

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the fiscal		For the	For the fiscal year ended		
	six months	year ended		fiscal period	December 31,		
	ended	March 31,		ended			
	9-30-06	2006	2005	3-31-04	2003	2002	2001
Net asset value,							
beginning of period . . . .	\$ 30.07	\$23.13	\$21.58	\$20.86	\$16.48	\$20.85	\$26.35
Income (loss) from							
investment operations:							
Net investment							
income (loss) . . . . .	0.33	0.15 <sup>(2)</sup>	0.29	(0.00)	(0.08)	0.14 <sup>(2)</sup>	0.15
Net realized and							
unrealized gain (loss)							
on investments . . . . .	0.09	7.02 <sup>(2)</sup>	1.26	0.72	4.46	(4.51)	(5.65)
Total from investment							
operations . . . . .	0.42	7.17	1.55	0.72	4.38	(4.37)	(5.50)
Less distributions from:							
Net investment income . .	(0.00)	(0.23)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.23)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Net asset value,							
end of period . . . . .	\$ 30.49	\$30.07	\$23.13	\$21.58	\$20.86	\$16.48	\$20.85
Total return . . . . .	1.43%	31.12%	7.18%	3.45%	26.58%	-20.95%	-20.87%
Net assets, end of period							
(in thousands) . . . . .	\$263	\$299	\$345	\$669	\$684	\$1,304	\$17,062
Ratio of expenses to							
average net assets							
including							
reimbursement . . . . .	1.22% <sup>(3)</sup>	1.39%	1.47%	1.38% <sup>(3)</sup>	1.66%	1.51%	1.24%
Ratio of net investment							
income to average net							
assets including							
reimbursement . . . . .	1.27% <sup>(3)</sup>	0.51%	0.20%	0.04% <sup>(3)</sup>	0.06%	0.70%	0.54%
Ratio of expenses to							
average net assets							
excluding							
reimbursement . . . . .	1.22% <sup>(3)(4)</sup>	1.39% <sup>(4)</sup>	1.47% <sup>(4)</sup>	1.38% <sup>(3)(4)</sup>	1.66% <sup>(4)</sup>	1.51% <sup>(4)</sup>	1.30%
Ratio of net investment							
income to average net							
assets excluding							
reimbursement . . . . .	1.27% <sup>(3)(4)</sup>	0.51% <sup>(4)</sup>	0.20% <sup>(4)</sup>	0.04% <sup>(3)(4)</sup>	0.06% <sup>(4)</sup>	0.70% <sup>(4)</sup>	0.48%
Portfolio turnover rate . . . .	46%	75%	76%	27%	136%	34%	43%

(1) See Note 5 to financial statements.

(2) Based on average weekly shares outstanding.

(3) Annualized.

(4) There was no waiver of expenses during the period.

See Notes to Financial Statements.



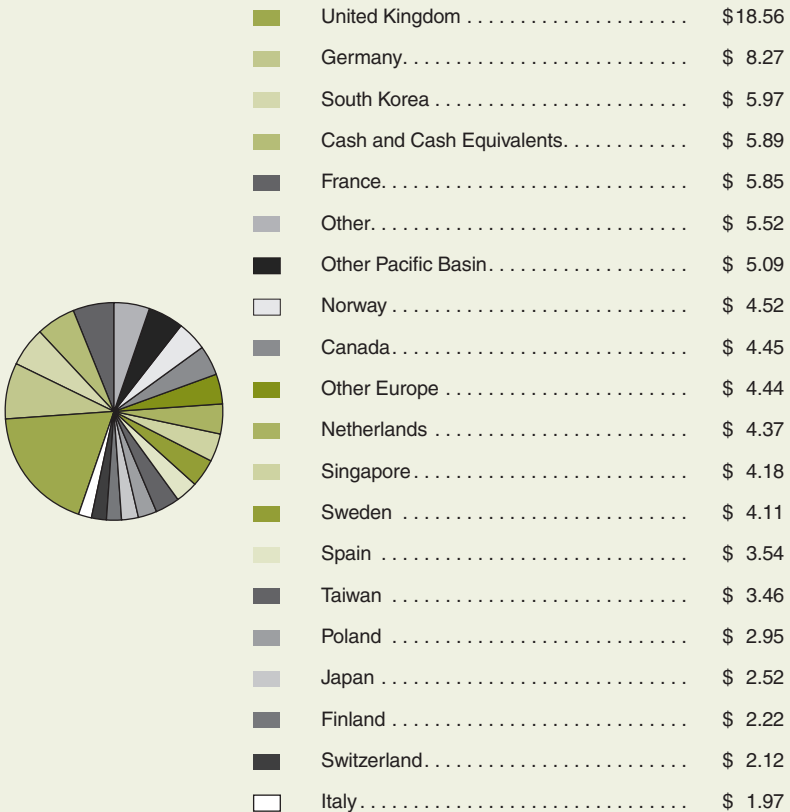
## SHAREHOLDER SUMMARY OF IVY INTERNATIONAL BALANCED FUND

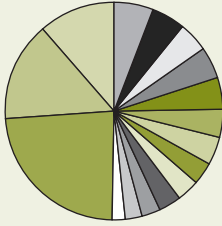
### Portfolio Highlights

On September 30, 2006, Ivy International Balanced Fund had net assets totaling \$172,866,836 invested in a diversified portfolio of:

66.06%	Foreign Common Stocks
23.40%	Other Government Securities
5.89%	Cash and Cash Equivalents
4.65%	Corporate Debt Security

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2006, your Fund was invested by country and by industry, respectively, as follows:





Other Government Securities . . . . .	\$23.40
Financial Services Stocks . . . . .	\$14.83
Utilities Stocks . . . . .	\$11.24
Cash and Cash Equivalents. . . . .	\$ 5.89
Consumer Services Stocks . . . . .	\$ 4.97
Technology Stocks . . . . .	\$ 4.68
Corporate Debt Security . . . . .	\$ 4.65
Miscellaneous Stocks. . . . .	\$ 4.54
Energy Stocks . . . . .	\$ 4.39
Retail Stocks . . . . .	\$ 4.09
Capital Goods Stocks. . . . .	\$ 3.43
Consumer Nondurables Stocks . . . . .	\$ 3.34
Shelter Stocks . . . . .	\$ 3.27
Consumer Durables Stocks . . . . .	\$ 2.65
Health Care Stocks . . . . .	\$ 2.45
Business Equipment and Services Stocks	\$ 2.18

# The Investments of Ivy International Balanced Fund

September 30, 2006

COMMON STOCKS	Shares	Value
<b>Australia – 1.35%</b>		
National Australia Bank Limited (A) . . . . .	54,242	\$ 1,483,657
Qantas Airways Limited (A) . . . . .	238,698	695,596
Qantas Airways Limited (A)(B). . . . .	54,528	158,901
		<u>2,338,154</u>
<b>Belgium – 1.52%</b>		
Agfa-Gevaert N.V. (A) . . . . .	53,270	1,263,171
Belgacom SA (A) . . . . .	35,110	1,368,587
		<u>2,631,758</u>
<b>Bermuda – 1.15%</b>		
ACE Limited . . . . .	22,750	1,245,108
XL Capital Ltd, Class A . . . . .	10,870	746,769
		<u>1,991,877</u>
<b>Canada – 1.14%</b>		
Barrick Gold Corporation (A) . . . . .	17,500	537,486
Domtar Inc. (A) . . . . .	156,610	919,134
Quebecor World Inc. (A) . . . . .	50,200	523,221
		<u>1,979,841</u>
<b>China – 0.64%</b>		
China Telecom Corporation Limited (A) . . . . .	2,700,000	977,325
China Telecom Corporation Limited (A)(B) . . . . .	360,000	130,310
		<u>1,107,635</u>
<b>Denmark – 1.38%</b>		
Vestas Wind Systems A/S (A)* . . . . .	89,660	<u>2,394,053</u>
<b>Finland – 1.66%</b>		
Stora Enso Oyj, Class R (A) . . . . .	70,140	1,063,738
UPM-Kymmene Corporation (A) . . . . .	76,130	1,809,102
		<u>2,872,840</u>
<b>France – 5.85%</b>		
AXA S.A. (A) . . . . .	49,520	1,826,050
France Telecom (A) . . . . .	123,814	2,841,751
Sanofi-Aventis (A) . . . . .	22,948	2,042,771
THOMSON (A) . . . . .	134,500	2,113,155
TOTAL S.A. (A) . . . . .	19,680	1,291,437
		<u>10,115,164</u>
<b>Germany – 3.49%</b>		
Deutsche Post AG (A) . . . . .	70,260	1,842,453
E.ON AG (A) . . . . .	5,810	690,398
Munchener Ruckversicherungs-Gesellschaft Aktiengesellschaft, Registered Shares (A) . . . . .	13,690	2,165,617
Siemens AG (A) . . . . .	15,270	1,332,381
		<u>6,030,849</u>

See Notes to Schedule of Investments on page 129.

# The Investments of Ivy International Balanced Fund

September 30, 2006

COMMON STOCKS (Continued)	Shares	Value
<b>Hong Kong – 1.22%</b>		
Hutchison Whampoa Limited, Ordinary Shares (A) . . . . .	239,000	<b>\$ 2,110,633</b>
<b>Israel – 1.16%</b>		
Check Point Software Technologies Ltd.* . . . . .	105,440	<b>2,009,159</b>
<b>Italy – 1.97%</b>		
Eni S.p.A. (A) . . . . .	52,440	1,554,029
Mediaset S.p.A. (A) . . . . .	171,865	1,846,991
		<b>3,401,020</b>
<b>Japan – 2.52%</b>		
KDDI CORPORATION (A) . . . . .	196	1,221,215
Konica Minolta Holdings, Inc. (A) . . . . .	76,500	1,024,533
Sony Corporation (A)* . . . . .	25,900	1,048,059
Takeda Pharmaceutical Company Limited (A) . . . . .	16,900	1,054,417
		<b>4,348,224</b>
<b>Netherlands – 4.37%</b>		
Akzo Nobel N.V. (A) . . . . .	16,030	987,481
ING Groep N.V., Certicaaten Van Aandelen (A) . . . . .	56,890	2,502,522
Koninklijke Philips Electronics N.V., Ordinary Shares (A) .	40,460	1,419,622
Reed Elsevier NV (A) . . . . .	158,290	2,639,471
		<b>7,549,096</b>
<b>Norway – 2.31%</b>		
Norske Skogindustrier ASA (A) . . . . .	124,071	1,864,892
Telenor ASA (A) . . . . .	163,300	2,129,260
		<b>3,994,152</b>
<b>Portugal – 0.24%</b>		
Portugal Telecom, SGPS, S.A., Ordinary Shares (A) . . . . .	33,040	<b>412,681</b>
<b>Singapore – 1.84%</b>		
DBS Group Holdings Ltd (A) . . . . .	33,000	398,930
Flextronics International Ltd.* . . . . .	78,020	985,003
Venture Corporation Limited (A) . . . . .	226,000	1,792,917
		<b>3,176,850</b>
<b>South Korea – 3.29%</b>		
KT Corporation, ADR . . . . .	48,730	1,046,233
Kookmin Bank, ADR* . . . . .	16,440	1,282,813
POSCO, ADR . . . . .	9,340	606,446
SK Telecom Co., Ltd., ADR (A) . . . . .	41,000	968,830
Samsung Electronics Co., Ltd. (A) . . . . .	530	371,910
Samsung Electronics Co., Ltd., GDR (B) . . . . .	4,010	1,407,510
		<b>5,683,742</b>

See Notes to Schedule of Investments on page 129.

# The Investments of Ivy International Balanced Fund

September 30, 2006

COMMON STOCKS (Continued)	Shares	Value
<b>Spain – 3.28%</b>		
Gamesa Corporacion Tecnologica, S.A. (A) . . . . .	53,110	\$ 1,163,745
Iberdrola, S.A. (A) . . . . .	17,743	794,218
Repsol YPF, S.A. (A) . . . . .	70,566	2,100,131
Telefonica, S.A., ADR . . . . .	30,685	1,589,790
Telefonica, S.A., Brazilian Depository Receipts (A) . . . . .	569	9,761
		<b>5,657,645</b>
<b>Sweden – 1.54%</b>		
Nordea Bank AB, Finnish Depository Receipts (A) . . . . .	89,560	1,175,418
Securitas AB, Class B (A) . . . . .	78,750	988,653
Securitas Direct AB, Class B (A)* . . . . .	78,750	197,731
Securitas Systems AB, Class B (A)* . . . . .	78,750	295,521
		<b>2,657,323</b>
<b>Switzerland – 2.12%</b>		
Lonza Group Ltd, Registered Shares (A) . . . . .	5,800	401,679
Nestle S.A., Registered Shares (A) . . . . .	4,100	1,429,565
Swiss Reinsurance Company, Registered Shares (A) . . . . .	23,920	1,830,656
		<b>3,661,900</b>
<b>Taiwan – 3.46%</b>		
Chunghwa Telecom Co., Ltd., ADR . . . . .	124,989	2,163,553
Compal Electronics Inc., GDR . . . . .	54,799	242,557
Compal Electronics Inc., GDR (B) . . . . .	133,829	592,367
Lite-On Technology Corporation, GDR . . . . .	103,504	1,277,477
Mega Financial Holding Company (A) . . . . .	2,404,000	1,703,265
		<b>5,979,219</b>
<b>United Kingdom – 18.56%</b>		
AMVESCAP PLC (A) . . . . .	26,400	286,693
Alliance Boots plc (A) . . . . .	61,929	898,635
Aviva plc (A) . . . . .	114,650	1,680,821
BAE SYSTEMS plc (A) . . . . .	93,350	690,831
BBA Group plc (A) . . . . .	206,090	1,027,382
BP p.l.c. (A) . . . . .	156,820	1,708,874
British Sky Broadcasting Group plc (A) . . . . .	230,870	2,360,183
Cadbury Schweppes plc (A) . . . . .	72,900	775,968
Compass Group PLC (A) . . . . .	740,110	3,717,248
GlaxoSmithKline plc (A) . . . . .	42,970	1,144,064
Group 4 Securicor plc (A) . . . . .	549,350	1,738,287
HSBC Holdings plc (A) . . . . .	75,570	1,378,849
Old Mutual plc (A) . . . . .	661,240	2,073,765
Pearson plc (A) . . . . .	86,110	1,226,135
Rentokil Initial plc (A) . . . . .	376,520	1,032,788
Royal Bank of Scotland Group plc (The) (A) . . . . .	75,290	2,592,415
Royal Dutch Shell plc, Class B (A) . . . . .	27,641	938,290

See Notes to Schedule of Investments on page 129.

# The Investments of Ivy International Balanced Fund

September 30, 2006

<b>COMMON STOCKS</b> (Continued)	<b>Shares</b>	<b>Value</b>
<b>United Kingdom</b> (Continued)		
tesco plc (A) . . . . .	157,950	\$ 1,064,652
Unilever PLC (A) . . . . .	52,092	1,284,524
Vodafone Group Plc (A) . . . . .	1,279,188	2,927,984
Vodafone Group Plc, ADR . . . . .	6,590	150,647
Wm MORRISON SUPERMARKETS PLC (A) . . . . .	304,810	1,388,250
		<u><b>32,087,285</b></u>
<b>TOTAL COMMON STOCKS – 66.06%</b>		<b>\$114,191,100</b>
(Cost: \$94,333,748)		

<b>CORPORATE DEBT SECURITY – 4.65%</b>	<b>Principal Amount in Thousands</b>	
<b>Germany</b>		
KfW, Frankfurt am Main, 0.201%, 8–8–11 (C) . . . . .	JPY950,000	<b>\$ 8,046,985</b>
(Cost: \$8,289,643)		

## **OTHER GOVERNMENT SECURITIES**

### **Australia – 0.53%**

Queensland Treasury Corporation:		
6.0%, 8–14–13 (C) . . . . .	AUD1,200	904,480
6.0%, 10–14–15 (C) . . . . .	10	7,588
		<u><b>912,068</b></u>

### **Austria – 0.32%**

Republic of Austria:		
5.5%, 10–20–07 (C) . . . . .	EUR360	465,022
4.0%, 7–15–09 (C) . . . . .	70	89,675
		<u><b>554,697</b></u>

### **Belgium – 0.40%**

Belgium Government Bond:		
7.5%, 7–29–08 (C) . . . . .	405	547,891
5.0%, 9–28–12 (C) . . . . .	100	135,883
		<u><b>683,774</b></u>

### **Canada – 3.31%**

Canadian Government Bond:		
3.25%, 12–1–06 (C) . . . . .	CAD4,210	3,760,657
7.0%, 12–1–06 (C) . . . . .	330	296,517
4.5%, 9–1–07 (C) . . . . .	1,040	934,023
6.0%, 6–1–11 (C) . . . . .	748	728,694
		<u><b>5,719,891</b></u>

See Notes to Schedule of Investments on page 129.

# The Investments of Ivy International Balanced Fund

September 30, 2006

OTHER GOVERNMENT SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Finland – 0.56%</b>		
Finland Government Bond:		
3.0%, 7–4–08 (C) .....	EUR400	\$ 502,403
5.0%, 4–25–09 (C) .....	60	78,670
5.75%, 2–23–11 (C) .....	280	385,341
		<u>966,414</u>
<b>Germany – 0.13%</b>		
Deutsche Bundesrepublik,		
5.0%, 7–4–11 (C) .....	170	<u>228,391</u>
<b>Ireland – 0.43%</b>		
Ireland Government Bond,		
5.0%, 4–18–13 (C) .....	540	<u>738,242</u>
<b>New Zealand – 0.15%</b>		
New Zealand Government Bond,		
6.0%, 11–15–11 (C) .....	NZD410	<u>265,709</u>
<b>Norway – 2.21%</b>		
Norway Government Bond,		
6.75%, 1–15–07 (C) .....	NOK17,135	2,648,078
Norway Treasury Bill,		
0.0%, 6–20–07 (C) .....	7,800	1,166,736
		<u>3,814,814</u>
<b>Poland – 2.95%</b>		
Poland Government Bond:		
8.5%, 11–12–06 (C) .....	PLN2,410	773,172
8.5%, 5–12–07 (C) .....	5,300	1,733,086
6.0%, 5–24–09 (C) .....	4,275	1,393,146
6.25%, 10–24–15 (C) .....	3,250	1,091,976
5.75%, 9–23–22 (C) .....	320	101,660
		<u>5,093,040</u>
<b>Singapore – 2.34%</b>		
Singapore Government Bond,		
2.625%, 10–1–07 (C) .....	SGD6,450	<u>4,046,454</u>
<b>South Korea – 2.68%</b>		
South Korea Treasury Bond:		
4.75%, 3–3–07 (C) .....	KRW2,300,000	2,432,040
3.75%, 9–10–07 (C) .....	1,100,000	1,153,438
4.5%, 9–9–08 (C) .....	1,000,000	1,054,271
		<u>4,639,749</u>

See Notes to Schedule of Investments on page 129.

# The Investments of Ivy International Balanced Fund

September 30, 2006

OTHER GOVERNMENT SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Spain – 0.26%</b>		
Spain Government Bond, 6.0%, 1–31–08 (C) .....	EUR350	\$ <u>457,293</u>
<b>Supranational – 3.21%</b>		
European Investment Bank, 2.125%, 9–20–07 (C) .....	JPY645,000	<u>5,544,712</u>
<b>Sweden – 2.57%</b>		
Sweden Government Bond:		
8.0%, 8–15–07 (C) .....	SEK24,480	3,477,171
6.5%, 5–5–08 (C) .....	4,400	629,245
Sweden Treasury Bill, 0.0%, 6–20–07 (C) .....	2,500	<u>334,510</u>
		<u>4,440,926</u>
<b>Thailand – 1.35%</b>		
Thailand Government Bond, 8.0%, 12–8–06 (C) .....	THB41,250	1,103,768
Thailand Treasury Bills:		
0.0%, 10–5–06 (C) .....	16,300	433,740
0.0%, 3–8–07 (C) .....	4,100	107,083
0.0%, 5–3–07 (C) .....	27,000	698,360
		<u>2,342,951</u>
<b>TOTAL OTHER GOVERNMENT SECURITIES – 23.40%</b>		<b>\$ <u>40,449,125</u></b>
(Cost: \$38,012,658)		
<b>SHORT-TERM SECURITIES</b>		
<b>Commercial Paper</b>		
<b>Banks – 3.01%</b>		
Rabobank USA Financial Corp. (Rabobank Nederland), 5.35%, 10–2–06 .....	\$5,198	<u>5,197,228</u>
<b>Food and Related – 1.73%</b>		
General Mills, Inc., 5.3%, 10–2–06 .....	3,000	<u>2,999,558</u>
<b>Total Commercial Paper – 4.74%</b>		<b><u>8,196,786</u></b>

See Notes to Schedule of Investments on page 129.



# The Investments of Ivy International Balanced Fund

September 30, 2006

SHORT-TERM SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Commercial Paper (backed by irrevocable bank letter of credit)</b>		
<b>Multiple Industry – 1.73%</b>		
Louis Dreyfus Corporation (Barclays Bank PLC, New York Branch), 5.27%, 10–20–06 .....	\$3,000	<b>\$ 2,991,656</b>
<b>Food and Related – 1.16%</b>		
COFCO Capital Corp. (Rabobank Nederland), 5.27%, 10–18–06 .....	2,000	<b>1,995,023</b>
<b>Total Commercial Paper (backed by irrevocable bank letter of credit) – 2.89%</b>		<b>4,986,679</b>
<b>TOTAL SHORT-TERM SECURITIES – 7.63%</b> (Cost: \$13,183,465)		<b>\$ 13,183,465</b>
<b>TOTAL INVESTMENT SECURITIES – 101.74%</b> (Cost: \$153,819,514)		<b>\$175,870,675</b>
<b>LIABILITIES, NET OF CASH AND OTHER ASSETS – (1.74%)</b>		<b>(3,003,839)</b>
<b>NET ASSETS – 100.00%</b>		<b>\$172,866,836</b>

## Notes to Schedule of Investments

Certain acronyms may be used within the body of the Fund's holdings. The definitions of these acronyms are as follows: ADR – American Depositary Receipts; CMO – Collateralized Mortgage Obligation; GDR – Global Depositary Receipts and REMIC – Real Estate Mortgage Investment Conduit.

\*No dividends were paid during the preceding 12 months.

(A) Listed on an exchange outside the United States.

(B) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At September 30, 2006, the total value of these securities amounted to \$2,289,088 or 1.32% of net assets.

(C) Principal amounts are denominated in the indicated foreign currency, where applicable (AUD – Australian Dollar, CAD – Canadian Dollar, EUR – Euro, JPY – Japanese Yen, KRW – South Korean Won, NOK – Norwegian Krone, NZD – New Zealand Dollar, PLN – Polish Zloty, SEK – Swedish Krona, SGD – Singapore Dollar, THB – Thailand Baht).

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

# Statement of Assets and Liabilities

## IVY INTERNATIONAL BALANCED FUND

September 30, 2006

(In Thousands, Except for Per Share Amounts)

### ASSETS

Investment securities – at value (cost – \$153,820) (Notes 1 and 3) . . . . .	\$175,871
Cash . . . . .	7
Cash denominated in foreign currencies (cost – \$275) . . . . .	277
Receivables:	
Dividends and interest . . . . .	1,124
Fund shares sold . . . . .	901
Investment securities sold . . . . .	624
Prepaid and other assets . . . . .	26
Total assets . . . . .	<u>\$178,830</u>

### LIABILITIES

Payable for investment securities purchased . . . . .	5,529
Payable to Fund shareholders . . . . .	146
Accrued management fee (Note 2) . . . . .	96
Accrued shareholder servicing (Note 2) . . . . .	50
Accrued service fee (Note 2) . . . . .	48
Accrued distribution fee (Note 2) . . . . .	13
Accrued accounting services fee (Note 2) . . . . .	6
Other . . . . .	75
Total liabilities . . . . .	<u>5,963</u>
Total net assets . . . . .	<u>\$172,867</u>

### NET ASSETS

Capital paid in (shares authorized – unlimited) . . . . .	\$143,556
Accumulated undistributed income:	
Accumulated undistributed net investment income . . . . .	1,669
Accumulated undistributed net realized gain on investment transactions . . . . .	5,571
Net unrealized appreciation in value of investments . . . . .	22,071
Net assets applicable to outstanding units of capital . . . . .	<u>\$172,867</u>
Net asset value per share (net assets divided by shares outstanding):	
Class A . . . . .	\$15.81
Class B . . . . .	\$15.76
Class C . . . . .	\$15.78
Class Y . . . . .	\$15.81
Capital shares outstanding:	
Class A . . . . .	9,355
Class B . . . . .	495
Class C . . . . .	1,043
Class Y . . . . .	46

See Notes to Financial Statements.

# Statement of Operations

## IVY INTERNATIONAL BALANCED FUND

For the Six Months Ended September 30, 2006

(In Thousands)

### INVESTMENT INCOME

Income (Note 1B):	
Dividends (net of foreign withholding taxes of \$222) .....	\$1,717
Interest and amortization .....	894
Total income .....	<u>2,611</u>
Expenses (Note 2):	
Accounting services fee .....	33
Audit fees .....	15
Custodian fees .....	33
Distribution fee:	
Class A .....	9
Class B .....	24
Class C .....	42
Investment management fee .....	512
Legal fees .....	1
Service fee:	
Class A .....	151
Class B .....	8
Class C .....	14
Class Y .....	1
Shareholder servicing:	
Class A .....	189
Class B .....	19
Class C .....	18
Class Y .....	1
Other .....	64
Total expenses .....	<u>1,134</u>
Net investment income .....	<u>1,477</u>

### REALIZED AND UNREALIZED GAIN ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on securities .....	2,091
Realized net gain on foreign currency transactions .....	1,407
Realized net gain on investments .....	<u>3,498</u>
Unrealized appreciation in value of investments during the period .....	3,102
Net gain on investments .....	<u>6,600</u>
Net increase in net assets resulting from operations .....	<u>\$8,077</u>

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY INTERNATIONAL BALANCED FUND

(In Thousands)

	For the six months ended September 30, 2006	For the fiscal year ended March 31, 2006
<b>INCREASE IN NET ASSETS</b>		
Operations:		
Net investment income .....	\$ 1,477	\$ 2,184
Realized net gain on investments .....	3,498	7,222
Unrealized appreciation .....	3,102	2,100
Net increase in net assets resulting from operations .....	8,077	11,506
Distributions to shareholders from (Note 1F):(1)		
Net investment income:		
Class A .....	(1,741)	(2,545)
Class B .....	(52)	(62)
Class C .....	(107)	(125)
Class Y .....	(10)	(14)
Realized gains on investment transactions:		
Class A .....	(—)	(3,892)
Class B .....	(—)	(186)
Class C .....	(—)	(309)
Class Y .....	(—)	(19)
	(1,910)	(7,152)
Capital share transactions (Note 5) .....	38,834	18,804
Total increase .....	45,001	23,158
<b>NET ASSETS</b>		
Beginning of period .....	127,866	104,708
End of period .....	\$ 172,867	\$ 127,866
Undistributed net investment income .....	\$ 1,669	\$ 695

(1) See "Financial Highlights" on pages 133 - 136.

See Notes to Financial Statements.

# Financial Highlights

## IVY INTERNATIONAL BALANCED FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the fiscal year		For the	For the fiscal year		
	six months	ended March 31,		fiscal period	ended September 30,		
	ended	2006	2005	ended	2003	2002	2001
	9-30-06			3-31-04			
Net asset value, beginning of period.....	\$15.15	\$14.63	\$13.07	\$11.33	\$ 8.72	\$9.28	\$11.59
Income (loss) from investment operations:							
Net investment income....	0.15	0.29	0.22	0.09	0.21	0.18	0.18
Net realized and unrealized gain (loss) on investments.....	0.72	1.14	1.69	1.83	2.40	(0.59)	(1.28)
Total from investment operations.....	0.87	1.43	1.91	1.92	2.61	(0.41)	(1.10)
Less distributions from:							
Net investment income....	(0.21)	(0.36)	(0.28)	(0.18)	(0.00)	(0.00)	(0.11)
Capital gains.....	(0.00)	(0.55)	(0.07)	(0.00)	(0.00)	(0.13)	(1.10)
Tax return of capital.....	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.02)	(0.00)
Total distributions.....	(0.21)	(0.91)	(0.35)	(0.18)	(0.00)	(0.15)	(1.21)
Net asset value, end of period.....	\$15.81	\$15.15	\$14.63	\$13.07	\$11.33	\$8.72	\$ 9.28
Total return <sup>(1)</sup> .....	5.80%	10.14%	14.81%	17.05%	29.93%	-4.62%	-10.57%
Net assets, end of period (in millions).....	\$148	\$112	\$97	\$60	\$46	\$36	\$40
Ratio of expenses to average net assets including reimbursement.....	1.44% <sup>(2)</sup>	1.45%	1.42%	1.54% <sup>(2)(3)</sup>	1.67%	1.62%	1.62%
Ratio of net investment income to average net assets including reimbursement.....	2.13% <sup>(2)</sup>	1.94%	1.71%	1.43% <sup>(2)(3)</sup>	2.06%	1.84%	1.60%
Ratio of expenses to average net assets excluding reimbursement.....	1.44% <sup>(2)(4)</sup>	1.45% <sup>(4)</sup>	1.42% <sup>(4)</sup>	1.60% <sup>(2)(3)</sup>	1.71%	1.72%	1.73%
Ratio of net investment income to average net assets excluding reimbursement.....	2.13% <sup>(2)(4)</sup>	1.94% <sup>(4)</sup>	1.71% <sup>(4)</sup>	1.37% <sup>(2)(3)</sup>	2.02%	1.74%	1.49%
Portfolio turnover rate.....	16%	27%	16%	15%	39%	48%	36%

(1) Total return calculated without taking into account the sales load deducted on an initial purchase.

(2) Annualized.

(3) In connection with the reorganization plan effected December 8, 2003, Class B and Class C shares of the predecessor Advantus Fund were exchanged into Class A shares at the time of the merger. The ratios shown above reflect a blended rate that includes the effect of income and expenses for those Class B and Class C shares from October 1, 2003 up to the time of merger. Actual expenses that applied to Class A shareholders were lower than shown above.

(4) There is no waiver of expenses during the period.

See Notes to Financial Statements.

# Financial Highlights

## IVY INTERNATIONAL BALANCED FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the fiscal year		For the
	six months	ended March 31,		period from
	ended	2006	2005	12-8-03 <sup>(1)</sup>
	9-30-06			to
				3-31-04
Net asset value,				
beginning of period . . . . .	\$15.11	\$14.59	\$13.04	\$12.34
Income from investment operations:				
Net investment income . . . . .	0.07	0.08	0.03 <sup>(2)</sup>	0.19
Net realized and unrealized				
gain on investments. . . . .	0.71	1.18	1.70 <sup>(2)</sup>	0.69
Total from investment operations . . . . .	0.78	1.26	1.73	0.88
Less distributions from:				
Net investment income . . . . .	(0.13)	(0.19)	(0.11)	(0.18)
Capital gains . . . . .	(0.00)	(0.55)	(0.07)	(0.00)
Total distributions . . . . .	(0.13)	(0.74)	(0.18)	(0.18)
Net asset value, end of period . . . . .	<u>\$15.76</u>	<u>\$15.11</u>	<u>\$14.59</u>	<u>\$13.04</u>
Total return . . . . .	5.20%	8.93%	13.37%	7.18%
Net assets, end of period				
(in thousands) . . . . .	\$7,808	\$5,548	\$3,049	\$225
Ratio of expenses to				
average net assets . . . . .	2.51% <sup>(3)</sup>	2.59%	2.64%	3.01% <sup>(3)</sup>
Ratio of net investment income				
to average net assets . . . . .	1.05% <sup>(3)</sup>	0.73%	0.20%	1.09% <sup>(3)</sup>
Portfolio turnover rate . . . . .	16%	27%	16%	15% <sup>(4)</sup>

(1) Commencement of operations of the class.

(2) Based on average weekly shares outstanding.

(3) Annualized.

(4) For the six months ended March 31, 2004.

See Notes to Financial Statements.

# Financial Highlights

## IVY INTERNATIONAL BALANCED FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the fiscal year		For the
	six months ended 9-30-06	ended March 31, 2006	2005	period from 12-8-03 <sup>(1)</sup> to 3-31-04
Net asset value,				
beginning of period . . . . .	\$15.12	\$14.60	\$13.04	\$12.34
Income from investment operations:				
Net investment income . . . . .	0.09	0.11	0.07 <sup>(2)</sup>	0.19
Net realized and unrealized gain on investments. . . . .	0.72	1.19	1.69 <sup>(2)</sup>	0.69
Total from investment operations . . . . .	0.81	1.30	1.76	0.88
Less distributions from:				
Net investment income . . . . .	(0.15)	(0.23)	(0.13)	(0.18)
Capital gains . . . . .	(0.00)	(0.55)	(0.07)	(0.00)
Total distributions . . . . .	(0.15)	(0.78)	(0.20)	(0.18)
Net asset value, end of period . . . . .	<u>\$15.78</u>	<u>\$15.12</u>	<u>\$14.60</u>	<u>\$13.04</u>
Total return . . . . .	5.40%	9.21%	13.58%	7.18%
Net assets, end of period (in thousands) . . . . .	\$16,458	\$9,422	\$3,968	\$307
Ratio of expenses to average net assets . . . . .	2.24% <sup>(3)</sup>	2.29%	2.44%	2.86% <sup>(3)</sup>
Ratio of net investment income to average net assets . . . . .	1.28% <sup>(3)</sup>	0.98%	0.44%	1.13% <sup>(3)</sup>
Portfolio turnover rate . . . . .	16%	27%	16%	15% <sup>(4)</sup>

(1) Commencement of operations of the class.

(2) Based on average weekly shares outstanding.

(3) Annualized.

(4) For the six months ended March 31, 2004.

# Financial Highlights

## IVY INTERNATIONAL BALANCED FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the fiscal year		For the
	six months	ended March 31,		period from
	ended	2006	2005	12-8-03 <sup>(1)</sup>
	9-30-06			to
				3-31-04
Net asset value,				
beginning of period . . . . .	\$15.15	\$14.63	\$13.07	\$12.34
Income from investment operations:				
Net investment income . . . . .	0.17	0.29 <sup>(2)</sup>	0.24 <sup>(2)</sup>	0.21
Net realized and unrealized				
gain on investments. . . . .	0.70	1.14 <sup>(2)</sup>	1.67 <sup>(2)</sup>	0.70
Total from investment operations . . . . .	0.87	1.43	1.91	0.91
Less distributions from:				
Net investment income . . . . .	(0.21)	(0.36)	(0.28)	(0.18)
Capital gains . . . . .	(0.00)	(0.55)	(0.07)	(0.00)
Total distributions . . . . .	(0.21)	(0.91)	(0.35)	(0.18)
Net asset value, end of period . . . . .	<u>\$15.81</u>	<u>\$15.15</u>	<u>\$14.63</u>	<u>\$13.07</u>
Total return . . . . .	5.83%	10.18%	14.84%	7.47%
Net assets, end of period				
(in thousands) . . . . .	\$725	\$662	\$397	\$185
Ratio of expenses to				
average net assets . . . . .	1.38% <sup>(3)</sup>	1.41%	1.40%	1.79% <sup>(3)</sup>
Ratio of net investment income				
to average net assets . . . . .	2.29% <sup>(3)</sup>	1.99%	1.72%	2.00% <sup>(3)</sup>
Portfolio turnover rate . . . . .	16%	27%	16%	15% <sup>(4)</sup>

(1) Commencement of operations of the class.

(2) Based on average weekly shares outstanding.

(3) Annualized.

(4) For the six months ended March 31, 2004.

See Notes to Financial Statements.



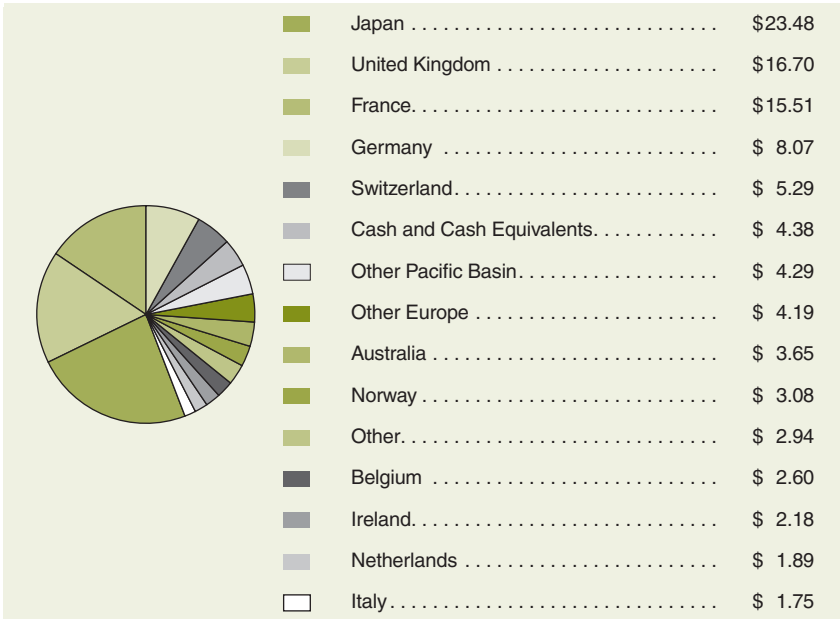
## SHAREHOLDER SUMMARY OF IVY INTERNATIONAL VALUE FUND

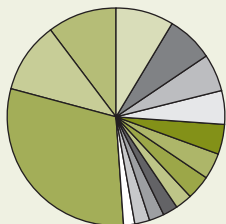
### Portfolio Highlights

On September 30, 2006, Ivy International Value Fund had net assets totaling \$138,842,070 invested in a diversified portfolio of:

93.84%	Foreign Common Stocks
4.38%	Cash and Cash Equivalents
1.78%	Other Government Securities

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2006, your Fund was invested by country and by industry, respectively, as follows:





Financial Services Stocks . . . . .	\$30.28
Capital Goods Stocks . . . . .	\$10.58
Utilities Stocks . . . . .	\$10.11
Consumer Nondurables Stocks . . . . .	\$ 8.66
Consumer Durables Stocks . . . . .	\$ 7.16
Technology Stocks . . . . .	\$ 5.31
Energy Stocks . . . . .	\$ 5.24
Cash and Cash Equivalents . . . . .	\$ 4.38
Transportation Stocks . . . . .	\$ 3.75
Miscellaneous Stocks . . . . .	\$ 3.71
Consumer Services Stocks . . . . .	\$ 2.49
Shelter Stocks . . . . .	\$ 2.33
Multi-Industry Stocks . . . . .	\$ 2.22
Raw Materials Stocks . . . . .	\$ 2.00
Other Government Securities . . . . .	\$ 1.78

# The Investments of Ivy International Value Fund

September 30, 2006

COMMON STOCKS	Shares	Value
<b>Australia – 3.65%</b>		
Foster's Group Limited (A) . . . . .	300,000	\$ 1,439,921
Metcash Limited (A) . . . . .	396,660	1,283,039
National Australia Bank Limited (A) . . . . .	47,210	1,291,314
Rio Tinto Limited (A) . . . . .	20,020	1,045,957
		<u>5,060,231</u>
<b>Belgium – 2.60%</b>		
Almancora Comm. VA (A) . . . . .	12,250	1,584,433
Fortis (A) . . . . .	50,000	2,028,886
		<u>3,613,319</u>
<b>Brazil – 0.87%</b>		
Petroleo Brasileiro S.A. – Petrobras, ADR . . . . .	14,460	<u>1,212,182</u>
<b>Canada – 1.76%</b>		
EnCana Corporation (A) . . . . .	23,550	1,095,804
Petro-Canada (A) . . . . .	33,400	1,344,964
		<u>2,440,768</u>
<b>Cayman Islands – 0.31%</b>		
Actions Semiconductor Co., Ltd.* . . . . .	51,200	<u>435,712</u>
<b>Finland – 1.26%</b>		
Nokia Corporation, Series A, ADR . . . . .	89,060	<u>1,753,591</u>
<b>France – 15.51%</b>		
ALSTOM (A)* . . . . .	12,270	1,110,136
BNP Paribas (A) . . . . .	27,190	2,925,491
Compagnie de Saint-Gobain (A) . . . . .	16,480	1,195,339
Compagnie Generale des Etablissements Michelin, Class B (A) . . . . .	24,850	1,821,344
France Telecom (A) . . . . .	75,700	1,737,449
Natexis Banques Populaires (A) . . . . .	5,000	1,384,715
SUEZ (A) . . . . .	28,640	1,259,476
Sanofi-Aventis (A) . . . . .	17,632	1,569,555
Technip-Coflexip (A) . . . . .	22,590	1,283,884
TOTAL S.A. (A) . . . . .	37,090	2,433,912
VINCI (A) . . . . .	12,190	1,357,175
Vivendi Universal (A) . . . . .	95,940	3,458,711
		<u>21,537,187</u>

See Notes to Schedule of Investments on page 143.

# The Investments of Ivy International Value Fund

September 30, 2006

COMMON STOCKS (Continued)	Shares	Value
<b>German – 6.90%</b>		
Commerzbank Aktiengesellschaft (A) . . . . .	81,550	\$ 2,763,110
Deutsche Bank AG (A) . . . . .	17,100	2,069,278
E.ON AG (A) . . . . .	17,740	2,108,032
Infineon Technologies AG, ADR* . . . . .	63,780	754,517
Siemens AG (A) . . . . .	21,550	1,880,341
		<u>9,575,278</u>
<b>Hong Kong – 1.35%</b>		
Agile Property Holdings Limited (A)(B) . . . . .	1,478,000	1,202,791
Cheung Kong (Holdings) Limited (A) . . . . .	63,000	676,445
		<u>1,879,236</u>
<b>Ireland – 2.18%</b>		
Allied Irish Banks, p.l.c. (A) . . . . .	45,710	1,215,479
Irish Life & Permanent plc (A) . . . . .	72,120	1,807,092
		<u>3,022,571</u>
<b>Italy – 1.75%</b>		
UniCredito Italiano S.p.A. (A) . . . . .	291,860	<u>2,422,267</u>
<b>Japan – 23.48%</b>		
Central Japan Railway Company (A) . . . . .	187	1,994,667
Chubu Electric Power Company, Incorporated (A) . . . . .	134,400	3,492,978
Daiwa Securities Group Inc. (A) . . . . .	169,000	1,971,488
DENSO CORPORATION (A) . . . . .	44,500	1,563,386
Hitachi Transport System, Ltd. (A) . . . . .	131,500	1,285,778
JFE Holdings, Inc. (A) . . . . .	19,900	779,996
Kurita Water Industries Ltd. (A)* . . . . .	71,000	1,376,423
Matsushita Electric Industrial Co., Ltd. (A)* . . . . .	61,000	1,291,005
Mitsubishi Corporation (A) . . . . .	48,500	911,492
Mitsubishi Estate Co., Ltd. (A) . . . . .	62,000	1,354,159
Mizuho Financial Group, Inc. (A) . . . . .	240	1,861,079
NTT DoCoMo, Inc. (A) . . . . .	840	1,294,222
Nissan Motor Co., Ltd. (A)* . . . . .	126,500	1,416,800
Nissin Kogyo Co., Ltd. (A)* . . . . .	30,900	690,590
Sega Sammy Holdings Inc. (A) . . . . .	42,900	1,380,063
SHIMA SEIKI MFG., Ltd. (A) . . . . .	21,000	487,111
Shimachu Co., Ltd. (A)* . . . . .	45,000	1,321,905
Shimizu Corporation (A) . . . . .	289,000	1,651,429

See Notes to Schedule of Investments on page 143.

# The Investments of Ivy International Value Fund

September 30, 2006

COMMON STOCKS (Continued)	Shares	Value
<b>Japan (Continued)</b>		
Sumitomo Metal Industries, Ltd. (A) . . . . .	193,000	\$ 740,140
Sumitomo Mitsui Financial Group, Inc. (A) . . . . .	190	1,994,497
Sumitomo Mitsui Financial Group, Inc. (A)(B) . . . . .	29	304,423
Tokyo Electric Power Company, Incorporated (The) (A) . . . . .	45,800	1,318,265
Toyota Motor Corporation (A) . . . . .	39,000	2,119,619
		<u>32,601,515</u>
<b>Netherlands – 1.89%</b>		
Koninklijke Philips Electronics N.V., Ordinary Shares (A) . . . . .	36,600	1,284,186
TNT N.V. (A) . . . . .	35,120	1,332,014
		<u>2,616,200</u>
<b>New Zealand – 0.96%</b>		
Fletcher Building Limited (A) . . . . .	237,830	1,332,094
<b>Norway – 3.08%</b>		
Cermaq ASA (A)(B) . . . . .	81,600	875,188
Orkla ASA (A) . . . . .	34,300	1,631,807
Songa Offshore ASA (A)* . . . . .	74,860	587,837
Statoil ASA (A) . . . . .	50,000	1,181,703
		<u>4,276,535</u>
<b>South Korea – 2.32%</b>		
Hynix Semiconductor Inc. (A)* . . . . .	34,630	1,365,072
Korea Exchange Bank (A)* . . . . .	83,500	1,067,741
Kyeryong Construction Industrial Co. Ltd (A) . . . . .	20,000	789,432
		<u>3,222,245</u>
<b>Spain – 1.11%</b>		
Tecnicas Reunidas, S.A. (A)(B)* . . . . .	50,500	1,545,846
<b>Sweden – 0.86%</b>		
Telefonaktiebolaget LM Ericsson, ADR . . . . .	34,600	1,192,143
<b>Switzerland – 5.29%</b>		
Credit Suisse Group, Registered Shares (A) . . . . .	36,360	2,103,759
Nestle S.A., Registered Shares (A) . . . . .	5,770	2,011,852
Swiss Reinsurance Company, Registered Shares (A) . . . . .	17,740	1,357,686
Zurich Financial Services, Registered Shares (A) . . . . .	7,640	1,877,236
		<u>7,350,533</u>
<b>Taiwan – 0.62%</b>		
Himax Technologies, Inc., ADR* . . . . .	149,380	853,707

See Notes to Schedule of Investments on page 143.

# The Investments of Ivy International Value Fund

September 30, 2006

COMMON STOCKS (Continued)	Shares	Value
<b>United Kingdom – 16.09%</b>		
BAE SYSTEMS plc (A) . . . . .	228,920	\$ 1,694,108
Barclays PLC (A) . . . . .	218,160	2,753,091
British American Tobacco p.l.c. (A) . . . . .	70,970	1,918,790
Cadbury Schweppes plc (A) . . . . .	152,280	1,620,910
Diageo plc (A) . . . . .	70,570	1,246,659
HSBC Holdings plc (A) . . . . .	73,450	1,340,168
Old Mutual plc (A) . . . . .	372,070	1,166,877
Prudential plc (A) . . . . .	143,720	1,785,434
Royal Bank of Scotland Group plc (The) (A) . . . . .	64,620	2,225,022
Smiths Group plc (A) . . . . .	69,390	1,164,750
Vodafone Group Plc (A) . . . . .	1,232,179	2,820,383
WPP Group plc (A) . . . . .	108,490	1,344,724
Xstrata plc (A) . . . . .	30,560	1,262,819
		<b><u>22,343,735</u></b>
<b>TOTAL COMMON STOCKS – 93.84%</b>		<b>\$130,286,895</b>
(Cost: \$119,976,035)		

OTHER GOVERNMENT SECURITIES	Principal Amount in Thousands	
<b>Germany – 1.17%</b>		
Bundesschatzanweisungen Federal Treasury Notes, 2.0%, 6–15–07 (C) . . . . .	EUR1,300	<b><u>1,631,029</u></b>
<b>United Kingdom – 0.61%</b>		
United Kingdom Treasury, 4.5%, 3–7–07 (C) . . . . .	GBP450	<b><u>840,922</u></b>
<b>OTHER GOVERNMENT SECURITIES – 1.78%</b>		<b>\$ 2,471,951</b>
(Cost: \$2,455,697)		

See Notes to Schedule of Investments on page 143.

# The Investments of Ivy International Value Fund

September 30, 2006

SHORT-TERM SECURITIES	Principal Amount in Thousands	Value
<b>Commercial Paper – 3.03%</b>		
<b>Security and Commodity Brokers</b>		
UBS Finance Delaware LLC (UBS AG), 5.34%, 10–2–06 .....	\$4,217	<b>\$ 4,216,375</b>
<b>Commercial Paper (backed by irrevocable bank letter of credit) – 1.44%</b>		
<b>Multiple Industry</b>		
Louis Dreyfus Corporation (Barclays Bank PLC, New York Branch), 5.26%, 10–18–06 .....	2,000	<b>1,995,032</b>
<b>TOTAL SHORT-TERM SECURITIES – 4.47%</b>		<b>\$ 6,211,407</b>
(Cost: \$6,211,407)		
<b>TOTAL INVESTMENT SECURITIES – 100.09%</b>		<b>\$138,970,253</b>
(Cost: \$128,643,139)		
<b>LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.09%)</b>		<b>(128,183)</b>
<b>NET ASSETS – 100.00%</b>		<b>\$138,842,070</b>

## Notes to Schedule of Investments

Certain acronyms may be used within the body of the Fund's holdings. The definitions of these acronyms are as follows: ADR – American Depositary Receipts; CMO – Collateralized Mortgage Obligation; GDR – Global Depositary Receipts and REMIC – Real Estate Mortgage Investment Conduit.

\*No dividends were paid during the preceding 12 months.

(A) Listed on an exchange outside the United States.

(B) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At September 30, 2006, the total value of these securities amounted to \$3,928,248 or 2.83% of total net assets.

(C) Principal amounts are denominated in the indicated foreign currency, where applicable (EUR – Euro, GBP – Great Britain Pound)

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

# Statement of Assets and Liabilities

## IVY INTERNATIONAL VALUE FUND

September 30, 2006

(In Thousands, Except for Per Share Amounts)

### ASSETS

Investment securities – at value (cost – \$128,643) (Notes 1 and 3) . . . . .	\$ 138,970
Receivables:	
Investment securities sold . . . . .	1,254
Fund shares sold . . . . .	914
Dividends and interest . . . . .	409
Prepaid and other assets . . . . .	31
Total assets . . . . .	<u>141,578</u>

### LIABILITIES

Payable for investment securities purchased . . . . .	2,008
Payable to Fund shareholders . . . . .	453
Accrued management fee (Note 2) . . . . .	93
Accrued service fee (Note 2) . . . . .	45
Accrued shareholder servicing (Note 2) . . . . .	38
Due to custodian . . . . .	29
Accrued distribution fee (Note 2) . . . . .	21
Accrued accounting services fee (Note 2) . . . . .	4
Accrued administrative fee (Note 2) . . . . .	1
Other . . . . .	44
Total liabilities . . . . .	<u>2,736</u>
Total net assets . . . . .	<u>\$138,842</u>

### NET ASSETS

Capital paid in (shares authorized – unlimited) . . . . .	\$120,567
Accumulated undistributed income:	
Accumulated undistributed net investment income . . . . .	633
Accumulated undistributed net realized gain on investment transactions . . . . .	7,315
Net unrealized appreciation in value of investments . . . . .	10,327
Net assets applicable to outstanding units of capital . . . . .	<u>\$138,842</u>
Net asset value per share (net assets divided by shares outstanding):	
Class A . . . . .	\$16.14
Class B . . . . .	\$14.99
Class C . . . . .	\$14.97
Class Y . . . . .	\$16.20
Advisor Class . . . . .	\$16.07
Capital shares outstanding:	
Class A . . . . .	6,284
Class B . . . . .	921
Class C . . . . .	1,475
Class Y . . . . .	96
Advisor Class . . . . .	—*

\*Not shown due to rounding.

See Notes to Financial Statements.



# Statement of Operations

## IVY INTERNATIONAL VALUE FUND

For the Six Months Ended September 30, 2006

(In Thousands)

### INVESTMENT INCOME

Income (Note 1B):	
Dividends (net of foreign withholding taxes of \$217) .....	\$1,578
Interest and amortization .....	154
Total income .....	<u>1,732</u>
Expenses (Note 2):	
Accounting services fee .....	27
Administrative fee .....	6
Audit fees .....	21
Custodian fees .....	25
Distribution fee:	
Class A .....	4
Class B .....	50
Class C .....	67
Investment management fee .....	497
Legal fees .....	—*
Service fee:	
Class A .....	101
Class B .....	18
Class C .....	22
Class Y .....	2
Shareholder servicing:	
Class A .....	113
Class B .....	18
Class C .....	24
Class Y .....	2
Advisor Class .....	—*
Other .....	63
Total expenses .....	<u>1,060</u>
Net investment income .....	<u>672</u>

### REALIZED AND UNREALIZED GAIN (LOSS)

#### ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on securities .....	10,617
Realized net loss on foreign currency transactions .....	(30)
Realized net gain on investments .....	<u>10,587</u>
Unrealized depreciation in value of investments during the period .....	(8,280)
Net gain on investments .....	<u>2,307</u>
Net increase in net assets resulting from operations .....	<u>\$2,979</u>

\*Not shown due to rounding.

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY INTERNATIONAL VALUE FUND

(In Thousands)

	For the six months ended September 30, 2006	For the fiscal year ended March 31, 2006
<b>INCREASE IN NET ASSETS</b>		
Operations:		
Net investment income (loss) . . . . .	\$ 672	\$ (57)
Realized net gain on investments . . . . .	10,587	8,135
Unrealized appreciation (depreciation) . . . . .	(8,280)	11,320
Net increase in net assets resulting from operations . . . . .	2,979	19,398
Distributions to shareholders from (Note 1F):(1)		
Net investment income:		
Class A . . . . .	(—)	(—)
Class B . . . . .	(—)	(—)
Class C . . . . .	(—)	(—)
Class Y . . . . .	(—)	(—)
Advisor Class . . . . .	(—)	(—)
Realized gains on investment transactions:		
Class A . . . . .	(—)	(—)
Class B . . . . .	(—)	(—)
Class C . . . . .	(—)	(—)
Class Y . . . . .	(—)	(—)
Advisor Class . . . . .	(—)	(—)
	(—)	(—)
Capital share transactions (Note 5) . . . . .	37,463	34,858
Total increase . . . . .	40,442	54,256
<b>NET ASSETS</b>		
Beginning of period . . . . .	98,400	44,144
End of period . . . . .	\$ 138,842	\$ 98,400
Undistributed net investment income (loss) . . . . .	\$ 633	\$ (9)

(1) See "Financial Highlights" on pages 147 - 151.

# Financial Highlights

## IVY INTERNATIONAL VALUE FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the		For the	For the fiscal year ended		
	six months	fiscal year ended		fiscal period	December 31,		
	ended	March 31,		ended	2003	2002	2001
	9-30-06	2006	2005	3-31-04			
Net asset value,							
beginning of period . . .	\$15.73	\$11.61	\$10.14	\$ 9.73	\$7.65	\$9.10	\$11.01
Income (loss) from							
investment operations:							
Net investment							
income (loss) . . . . .	0.11 <sup>(1)</sup>	(0.06)	(0.02)	(0.01)	(0.02)	0.08 <sup>(1)</sup>	0.07
Net realized and							
unrealized gain (loss)							
on investments . . . . .	0.30 <sup>(1)</sup>	4.18	1.49	0.42	2.10	(1.53) <sup>(1)</sup>	(1.96) <sup>(2)</sup>
Total from investment							
operations . . . . .	0.41	4.12	1.47	0.41	2.08	(1.45)	(1.89)
Less distributions from:							
Net investment income .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.02)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.02)
Net asset value,							
end of period . . . . .	\$16.14	\$15.73	\$11.61	\$10.14	\$9.73	\$7.65	\$ 9.10
Total return <sup>(3)</sup> . . . . .	2.61%	35.49%	14.50%	4.21%	27.19%	-15.93% <sup>(2)</sup>	-17.17% <sup>(2)</sup>
Net assets, end of							
period (in millions) . . .	\$101	\$67	\$17	\$10	\$9	\$8	\$ \$13
Ratio of expenses to							
average net							
assets including							
reimbursement . . . . .	1.60% <sup>(4)</sup>	1.82%	1.99%	2.16% <sup>(4)</sup>	2.28%	1.77%	1.77%
Ratio of net investment							
income (loss) to average							
net assets including							
reimbursement . . . . .	1.34% <sup>(4)</sup>	0.14%	0.09%	-0.41% <sup>(4)</sup>	-0.19%	0.91%	0.58%
Ratio of expenses to							
average net							
assets excluding							
reimbursement . . . . .	1.60% <sup>(4)(5)</sup>	1.82% <sup>(5)</sup>	1.99% <sup>(5)</sup>	2.16% <sup>(4)(5)</sup>	2.28% <sup>(5)</sup>	2.32%	2.15%
Ratio of net investment							
income (loss) to average							
net assets excluding							
reimbursement . . . . .	1.34% <sup>(4)(5)</sup>	0.14% <sup>(5)</sup>	0.09% <sup>(5)</sup>	-0.41% <sup>(4)(5)</sup>	-0.19% <sup>(5)</sup>	0.36%	0.20%
Portfolio turnover rate . . . .	53%	90%	106%	23%	148%	48%	39%

(1)Based on average weekly shares outstanding.

(2)Includes redemption fees added to capital.

(3)Total return calculated without taking into account the sales load deducted on an initial purchase.

(4)Annualized.

(5)There was no waiver of expenses during the period.

See Notes to Financial Statements.

# Financial Highlights

## IVY INTERNATIONAL VALUE FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-06	For the fiscal year ended March 31,		For the fiscal period ended 3-31-04	For the fiscal year ended December 31,		
		2006	2005		2003	2002	2001
Net asset value, beginning of period. . . .	\$14.67	\$10.91	\$ 9.60	\$9.24	\$7.32	\$8.97	\$10.94
Income (loss) from investment operations:							
Net investment income (loss) . . . . .	0.05 <sup>(1)</sup>	(0.12)	(0.08)	(0.03)	(0.08)	0.01 <sup>(1)</sup>	(0.02)
Net realized and unrealized gain (loss) on investments. . . . .	0.27 <sup>(1)</sup>	3.88	1.39	0.39	2.00	(1.66) <sup>(1)</sup>	(1.93)
Total from investment operations. . . . .	0.32	3.76	1.31	0.36	1.92	(1.65)	(1.95)
Less distributions from:							
Net investment income . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.02)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.02)
Net asset value, end of period. . . . .	\$14.99	\$14.67	\$10.91	\$9.60	\$9.24	\$7.32	\$ 8.97
Total return . . . . .	2.18%	34.46%	13.65%	3.90%	26.23%	-18.39%	-17.84%
Net assets, end of period (in millions) . . . .	\$14	\$15	\$20	\$24	\$25	\$28	\$46
Ratio of expenses to average net assets including reimbursement . . . . .	2.37% <sup>(2)</sup>	2.62%	2.76%	2.91% <sup>(2)</sup>	2.95%	2.50%	2.50%
Ratio of net investment income (loss) to average net assets including reimbursement . . . . .	0.69% <sup>(2)</sup>	-0.41%	-0.58%	-1.20% <sup>(2)</sup>	-0.82%	0.18%	-0.15%
Ratio of expenses to average net assets excluding reimbursement . . . . .	2.37% <sup>(2)(3)</sup>	2.62% <sup>(3)</sup>	2.76% <sup>(3)</sup>	2.91% <sup>(2)(3)</sup>	2.95% <sup>(3)</sup>	3.05%	2.88%
Ratio of net investment income (loss) to average net assets excluding reimbursement . . . . .	0.69% <sup>(2)(3)</sup>	-0.41% <sup>(3)</sup>	-0.58% <sup>(3)</sup>	-1.20% <sup>(2)(3)</sup>	-0.82% <sup>(3)</sup>	-0.37%	-0.53%
Portfolio turnover rate . . . .	53%	90%	106%	23%	148%	48%	39%

(1)Based on average weekly shares outstanding.

(2)Annualized.

(3)There was no waiver of expenses during the period.

See Notes to Financial Statements.

# Financial Highlights

## IVY INTERNATIONAL VALUE FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the		For the	For the fiscal year ended		
	six months	fiscal year ended		fiscal period	December 31,		
	ended	March 31,		ended	2003	2002	2001
	9-30-06	2006	2005	3-31-04			
Net asset value,							
beginning of period . . . . .	\$14.65	\$10.90	\$ 9.59	\$9.23	\$7.32	\$8.97	\$10.94
Income (loss) from							
investment operations:							
Net investment							
income (loss) . . . . .	0.04 <sup>(1)</sup>	(0.02)	(0.07)	(0.03)	(0.08)	0.01 <sup>(1)</sup>	(0.02)
Net realized and							
unrealized gain (loss)							
on investments . . . . .	0.28 <sup>(1)</sup>	3.77	1.38	0.39	1.99	(1.66) <sup>(1)</sup>	(1.93)
Total from investment							
operations . . . . .	0.32	3.75	1.31	0.36	1.91	(1.65)	(1.95)
Less distributions from:							
Net investment							
income . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.02)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.02)
Net asset value,							
end of period . . . . .	\$14.97	\$14.65	\$10.90	\$9.59	\$9.23	\$7.32	\$ 8.97
Total return . . . . .	2.18%	34.40%	13.66%	3.90%	26.09%	-18.39%	-17.84%
Net assets, end of							
period (in millions) . . . . .	\$22	\$15	\$7	\$8	\$8	\$9	\$16
Ratio of expenses							
to average net							
assets including							
reimbursement . . . . .	2.38% <sup>(2)</sup>	2.58%	2.79%	3.01% <sup>(2)</sup>	3.01%	2.50%	2.51%
Ratio of net investment							
income (loss) to average							
net assets including							
reimbursement . . . . .	0.60% <sup>(2)</sup>	-0.50%	-0.63%	-1.30% <sup>(2)</sup>	-0.82%	0.18%	-0.16%
Ratio of expenses							
to average net							
assets excluding							
reimbursement . . . . .	2.38% <sup>(2)(3)</sup>	2.58% <sup>(3)</sup>	2.79% <sup>(3)</sup>	3.01% <sup>(2)(3)</sup>	3.01% <sup>(3)</sup>	3.05%	2.89%
Ratio of net investment							
income (loss) to average							
net assets excluding							
reimbursement . . . . .	0.60% <sup>(2)(3)</sup>	-0.50% <sup>(3)</sup>	-0.63% <sup>(3)</sup>	-1.30% <sup>(2)(3)</sup>	-0.82% <sup>(3)</sup>	-0.37%	-0.54%
Portfolio turnover rate . . . . .	53%	90%	106%	23%	148%	48%	39%

(1)Based on average weekly shares outstanding.

(2)Annualized.

(3)There was no waiver of expenses during the period.

See Notes to Financial Statements.

# Financial Highlights

## IVY INTERNATIONAL VALUE FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the		For the	For the
	six months	fiscal year ended		fiscal period	period from
	ended	March 31,		ended	7-24-03 <sup>(1)</sup>
	9-30-06	2006	2005	3-31-04	to
					12-31-03
Net asset value,					
beginning of period . . . . .	\$15.79	\$11.64	\$10.15	\$ 9.74	\$8.16
Income (loss) from					
investment operations:					
Net investment					
income (loss) . . . . .	0.10 <sup>(2)</sup>	(0.06)	(0.01)	(0.01)	(0.01)
Net realized and					
unrealized gain					
on investments . . . . .	0.31 <sup>(2)</sup>	4.21	1.50	0.42	1.59
Total from investment					
operations . . . . .	0.41	4.15	1.49	0.41	1.58
Less distributions from:					
Net investment					
income . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Net asset value,					
end of period . . . . .	\$16.20	\$15.79	\$11.64	\$10.15	\$9.74
Total return . . . . .	2.60%	35.65%	14.68%	4.21%	19.36%
Net assets, end of period					
(in thousands) . . . . .	\$1,562	\$1,025	\$294	\$145	\$125
Ratio of expenses to					
average net assets . . . . .	1.65% <sup>(3)</sup>	1.72%	1.82%	2.08% <sup>(3)</sup>	1.47% <sup>(3)</sup>
Ratio of net investment					
income (loss) to					
average net assets . . . . .	1.24% <sup>(3)</sup>	0.13%	0.29%	-0.31% <sup>(3)</sup>	-0.38% <sup>(3)</sup>
Portfolio turnover rate . . . . .	53%	90%	106%	23%	148% <sup>(4)</sup>

(1) Commencement of operations of the class.

(2) Based on average weekly shares outstanding.

(3) Annualized.

(4) For the 12 months ended December 31, 2003.

See Notes to Financial Statements.

# Financial Highlights

## IVY INTERNATIONAL VALUE FUND

Advisor Class Shares<sup>(1)</sup>

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the		For the	For the fiscal year ended		
	six months	fiscal year ended		fiscal period	December 31,		
	ended	March 31,		ended			
	9-30-06	2006	2005	3-31-04	2003	2002	2001
Net asset value,							
beginning of period . . . . .	\$15.65	\$11.52	\$10.04	\$ 9.63	\$7.54	\$9.14	\$11.03
Income (loss) from							
investment operations:							
Net investment							
income (loss) . . . . .	0.13	0.14 <sup>(2)</sup>	0.03 <sup>(2)</sup>	(0.00)	0.67	0.10 <sup>(2)</sup>	0.11
Net realized and							
unrealized gain (loss)							
on investments . . . . .	0.29	3.99 <sup>(2)</sup>	1.45 <sup>(2)</sup>	0.41	1.42	(1.70) <sup>(2)</sup>	(1.98)
Total from investment							
operations . . . . .	0.42	4.13	1.48	0.41	2.09	(1.60)	(1.87)
Less distributions from:							
Net investment							
income . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.02)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.02)
Net asset value,							
end of period . . . . .	\$16.07	\$15.65	\$11.52	\$10.04	\$9.63	\$7.54	\$ 9.14
Total return . . . . .	2.68%	35.85%	14.74%	4.26%	27.72%	-17.51%	-17.03%
Net assets, end of							
period (in thousands) . . .	\$1	\$1	\$31	\$41	\$39	\$124	\$377
Ratio of expenses to average							
net assets including							
reimbursement . . . . .	1.38% <sup>(3)</sup>	1.84%	1.91%	1.62% <sup>(3)</sup>	2.59%	1.50%	1.47%
Ratio of net investment							
income to average net							
assets including							
reimbursement . . . . .	1.67% <sup>(3)</sup>	1.15%	0.29%	0.11% <sup>(3)</sup>	1.43%	1.18%	0.89%
Ratio of expenses to average							
net assets excluding							
reimbursement . . . . .	1.38% <sup>(3)(4)</sup>	1.84% <sup>(4)</sup>	1.91% <sup>(4)</sup>	1.62% <sup>(3)(4)</sup>	2.59% <sup>(4)</sup>	2.05%	1.85%
Ratio of net investment							
income to average net							
assets excluding							
reimbursement . . . . .	1.67% <sup>(3)(4)</sup>	1.15% <sup>(4)</sup>	0.29% <sup>(4)</sup>	0.11% <sup>(3)(4)</sup>	1.43% <sup>(4)</sup>	0.63%	0.51%
Portfolio turnover rate . . . . .	53%	90%	106%	23%	148%	48%	39%

(1) See Note 5 to financial statements.

(2) Based on average weekly shares outstanding.

(3) Annualized.

(4) There was no waiver of expenses during the period.

See Notes to Financial Statements.

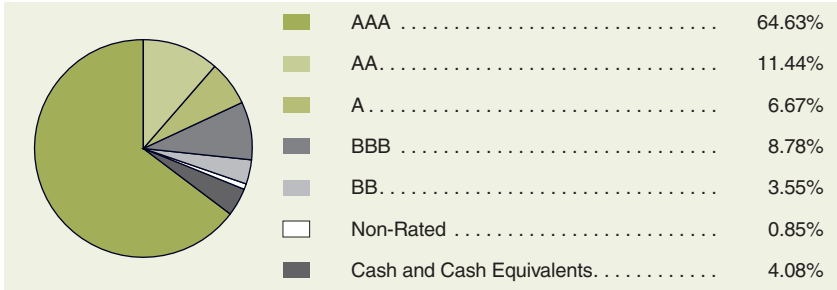
## SHAREHOLDER SUMMARY OF IVY MORTGAGE SECURITIES FUND

### Portfolio Highlights

On September 30, 2006, Ivy Mortgage Securities Fund had net assets totaling \$296,690,376 invested in a diversified portfolio of:

50.32%	Corporate Bonds
45.60%	United States Government Mortgage-Backed Obligations
4.08%	Cash and Cash Equivalents

On September 30, 2006, the breakdown of bonds (by ratings) held by the Fund was as follows:



Ratings reflected in the wheel are taken from the following sources in order of preference: Standard & Poor's, Moody's or management's internal ratings, where no other ratings are available.

Certain U.S. government securities in which the Fund may invest, such as securities issued by the Government National Mortgage Association (Ginnie Mae), are backed by the full faith and credit of the U.S. government. However, other U.S. government securities in which the Fund may invest, such as securities issued by the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal Home Loan Banks (FHLB), are not backed by the full faith and credit of the U.S. government, are not insured or guaranteed by the U.S. government and, instead, may be supported only by the right of the issuer to borrow from the U.S. Treasury or by the credit of the issuer.



# The Investments of Ivy Mortgage Securities Fund

September 30, 2006

CORPORATE DEBT SECURITIES	Principal Amount in Thousands	Value
<b>Finance Companies</b>		
ABFS Mortgage Loan Trust:		
2001-2, 6.99%, 12-25-31 .....	\$1,439	\$ 1,467,225
2002-4, 7.423%, 12-15-33 .....	1,485	1,489,115
Asset Securitization Corporation:		
1.7035%, 10-13-26 (A) (Interest Only) .....	5,233	224,381
2.55345%, 8-13-29 (Interest Only) .....	7,379	471,717
7.65%, 2-14-43 .....	1,430	1,557,598
Associates Manufactured Housing Contract Pass- Through Certificates,		
7.9%, 3-15-27 .....	1,800	1,843,317
Banc of America Alternative Loan Trust:		
2004-11, 6.0%, 12-25-34 .....	1,350	1,338,176
2005-6, 6.0%, 7-25-35 .....	988	981,811
2005-8: 5.57297%, 9-25-35 .....	2,095	2,044,132
5.57297%, 9-25-35 .....	416	400,597
2005-10, 5.66792%, 11-25-35 .....	1,178	1,078,277
2005-12, 5.80625%, 1-25-36 .....	1,668	1,621,818
2006-4: 6.22471%, 5-25-36 .....	909	860,180
6.22471%, 5-25-36 .....	651	649,960
Banc of America Commercial Mortgage Inc., Commercial Mortgage Pass-Through Certificates:		
Series 2001-PB1, 6.15%, 5-11-35 (A) .....	2,000	2,052,399
Series 2002-2, 6.2%, 7-11-43 (A) .....	1,200	1,244,009
Series 2003-1, 4.9%, 9-11-36 (A) .....	1,000	960,013
Series 2004-6, 5.104%, 12-10-42 (A) .....	800	778,206
Banc of America Funding 2004-2 Trust, 6.5%, 7-20-32 .....		
	1,243	1,266,511

See Notes to Schedule of Investments on page 163.

# The Investments of Ivy Mortgage Securities Fund

September 30, 2006

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Finance Companies (Continued)</b>		
Banc of America Funding Corporation, 5.00871%, 9-20-34 .....	\$1,432	\$ 1,390,698
Banc of America Mortgage 2005-J Trust, 5.09762%, 11-25-35 .....	2,633	2,607,740
Banc of America Mortgage Alternative Loan Trust 2003-5, 5.5%, 7-25-33 (A) .....	1,298	1,196,856
Banc of America Mortgage Trust: 2004-2: 5.0%, 3-25-19 .....	319	311,384
5.0%, 3-25-19 .....	249	239,051
2004-3: 4.875%, 4-25-19 .....	430	417,529
4.875%, 4-25-19 .....	231	220,455
2004-7, 5.75%, 8-25-34 .....	1,269	1,253,327
Banc of America Structured Securities Trust 2002-X1 F, 6.274%, 10-11-33 (A) .....	1,750	1,806,576
Banco Hipotecario Nacional: 7.916%, 7-25-09 (A) .....	23	582
2.57%, 3-25-11 (A) .....	10	250
7.54%, 5-31-17 (A) .....	6	189
BankAmerica Manufactured Housing Contract Trust: 7.8%, 10-10-26 .....	2,000	2,041,597
7.015%, 1-10-28 .....	1,448	1,465,958
Bear Stearns Commercial Mortgage Securities Inc.:		
Series 2000-WF1 Trust Fund, 6.5%, 2-15-32 .....	1,015	1,044,607
Series 2001-TOP2 Trust Fund: 7.50419%, 2-15-35 (A) .....	3,000	3,220,566
7.84419%, 2-15-35 (A) .....	795	871,362
Trust 2002-TOP6, 6.0%, 10-15-36 (A) .....	937	929,384
Bear Stearns Mortgage Securities Inc., 8.0%, 11-25-29 .....	522	519,624
BlackRock Capital Finance, 7.75%, 9-25-26 (A) .....	695	695,297

See Notes to Schedule of Investments on page 163.

# The Investments of Ivy Mortgage Securities Fund

September 30, 2006

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Finance Companies (Continued)</b>		
C-Bass:		
2005-CB3 Trust, 5.109%, 12-25-34 .....	\$1,254	\$ 1,186,225
2006-CB2 Trust, 5.717%, 12-25-36 .....	977	973,448
2006-MH1 Trust, 5.97%, 9-25-36 (A) .....	1,445	1,459,902
CHL Mortgage Pass-Through Trust 2003-28, 4.15%, 8-25-33 .....	1,500	1,416,565
COMM 2006-CNL2, 5.5699%, 2-5-19 (A) .....	925	925,842
CSAB Mortgage-Backed Trust 2006-2, 6.08%, 9-25-36 .....	3,540	3,534,469
CWHEQ Home Equity Loan Trust, Series 2006-S3, 6.518%, 1-25-29 .....	2,135	2,191,594
Capital Auto Receivables Asset Trust 2006-1, 7.16%, 1-15-13 (A) .....	1,140	1,153,893
Centex Home Equity Loan Trust 2005-C, 5.048%, 6-25-35 .....	2,301	2,232,967
Charlie Mac Trust 2004-2, 5.0%, 10-25-34 .....	2,547	2,426,906
Chase Mortgage Finance Trust:		
Series 2003-S2, 5.0%, 3-25-18 .....	2,008	1,983,562
Series 2003-S11, 5.5%, 10-25-33 .....	956	932,255
Collateralized Mortgage Obligation Trust, 5.0%, 7-1-18 .....	38	37,594
Conseco Finance Securitizations Corp., 6.981%, 6-15-32 .....	1,200	1,207,949
CountryPlace Manufactured Housing Contract Trust 2005-1, 4.8%, 12-15-35 (A) .....	1,275	1,242,699
Countrywide Home Loans, Inc. Asset-Backed Certificates, Series 2005-10, 4.915%, 2-25-36 .....	5,000	4,864,211
Credit Suisse First Boston Mortgage Securities Corp., 6.0%, 11-25-18 .....	619	621,517
DLJ Commercial Mortgage Corp. 1998-CG1, 7.37751%, 6-10-31 (A) .....	1,640	1,799,893
FFCA Secured Lending Corporation:		
6.43%, 2-18-22 (A) .....	1,500	1,413,661
6.68%, 2-18-22 (A) .....	1,000	934,287

See Notes to Schedule of Investments on page 163.

# The Investments of Ivy Mortgage Securities Fund

September 30, 2006

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Finance Companies (Continued)</b>		
Ford Credit Auto Owner Trust 2006-B, 7.12%, 2-15-13 (A) .....	\$ 635	\$ 645,384
GMAC Commercial Mortgage Securities, 5.94%, 7-1-13 (A) .....	215	213,309
Global Mortgage Securitization 2005-A Ltd. and Global Mortgage Securitization 2005-A LLC:		
5.25%, 4-25-32 .....	832	796,463
5.40266%, 4-25-32 .....	1,295	1,168,940
Global Mortgage Securitization Ltd. and Global Mortgage Securitization, LLC:		
5.25%, 11-25-32 (A) .....	1,156	1,125,012
5.25%, 11-25-32 (A) .....	539	528,216
Green Tree Financial Corporation:		
7.65%, 4-15-19 .....	872	904,189
8.3%, 11-15-19 .....	668	693,208
9.1%, 4-15-25 .....	1,075	1,358,153
9.0%, 6-15-25 .....	1,052	1,251,583
Hilton Hotel Pool Trust:		
5.83%, 10-3-15 (A) .....	500	505,286
7.653%, 10-3-15 (A) .....	1,955	2,059,641
Home Equity Loan Trust 2003-HS2, 5.09%, 7-25-33 .....	323	318,248
J.P. Morgan Chase Commercial Mortgage Securities Corp., 6.2207%, 10-12-37 (A) .....	2,300	2,393,045
J.P. Morgan Mortgage Acquisition Trust:		
2006-CW2, 6.337%, 8-25-36 .....	2,725	2,772,558
2006-WF1, 6.41%, 7-25-36 .....	2,510	2,559,207
J.P. Morgan Mortgage Trust:		
2004-A3, 4.30156%, 7-25-34 .....	1,587	1,541,251
2005-S2, 5.66689%, 9-25-35 .....	2,278	2,247,319
2006-S3, 6.187%, 8-25-36 .....	1,222	1,231,892
Lehman ABS Manufactured Housing Contract Trust 2001-B, 5.873%, 5-15-22 .....	922	924,330
Lehman XS Trust, Series 2005-8, 5.69%, 12-25-35 .....	3,057	3,059,110
MASTR Asset Securitization Trust 2003-10, 5.5%, 11-25-33 .....	1,568	1,534,983

See Notes to Schedule of Investments on page 163.

# The Investments of Ivy Mortgage Securities Fund

September 30, 2006

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Finance Companies (Continued)</b>		
MMCA Auto Owner Trust 2002-2, 4.67%, 3-15-10 . . . . .	\$ 589	\$ 586,629
MMCA Automobile Trust 2002-1, 5.37%, 1-15-10 . . . . .	74	73,493
Metropolitan Asset Funding, Inc., 6.98%, 5-20-12 (A) . . . . .	46	46,206
Mid-State Capital Corporation 2004-1 Trust:		
6.005%, 8-15-37 . . . . .	386	392,558
6.497%, 8-15-37 . . . . .	1,403	1,403,084
Mid-State Trust:		
7.4%, 7-1-35 . . . . .	1,460	1,516,994
7.79%, 7-1-35 . . . . .	642	664,426
Morgan Stanley Dean Witter Capital I Trust 2002-IQ3, 6.60835%, 9-15-37 (A) . . . . .	768	786,069
Multi Security Asset Trust LP, Commercial		
Mortgage-Backed Securities Pass-Through Certificates, Series 2005-RR4:		
1.0668%, 11-28-35 (A) (Interest Only) . . . . .	33,100	867,165
5.88%, 11-28-35 (A) . . . . .	680	651,946
5.88%, 11-28-35 (A) . . . . .	340	332,744
NationsLink Funding Corporation, Commercial		
Mortgage Pass-Through Certificates, Series 1998-2, 5.0%, 8-20-30 (A) . . . . .	1,000	951,547
Nomura Asset Securities Corporation, Commercial		
Mortgage Pass-Through Certificates, Series 1998-D6, 6.0%, 3-15-30 (A) . . . . .	1,650	1,698,425
Oakwood Mortgage Investors, Inc.:		
8.1%, 10-15-21 (A) . . . . .	477	480,448
7.375%, 8-15-27 . . . . .	424	428,804
Origen Manufactured Housing Contract Trust:		
2004-A:		
5.7%, 1-15-35 . . . . .	543	535,926
5.91%, 1-15-35 . . . . .	1,600	1,586,639
2004-B,		
4.75%, 8-15-21 . . . . .	400	384,337
2005-A,		
4.97%, 10-15-21 . . . . .	935	906,845
2005-B:		
5.605%, 5-15-22 . . . . .	360	358,494
5.91%, 1-15-37 . . . . .	600	596,378

See Notes to Schedule of Investments on page 163.

# The Investments of Ivy Mortgage Securities Fund

September 30, 2006

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Finance Companies (Continued)</b>		
Paine Webber Mortgage Acceptance Corporation, 7.655%, 1–2–12 (A) .....	\$2,450	\$ 2,462,854
Prudential Home Mortgage Securities:		
6.98001%, 9–28–08 (A) .....	11	11,120
6.73001%, 4–28–24 (A) .....	4	4,401
8.05012%, 9–28–24 (A) .....	29	28,765
RALI Series:		
2003-QS10 Trust, 5.5%, 5–25–33 .....	2,202	2,170,820
2003-QS11 Trust, 5.75%, 6–25–33 .....	2,539	2,513,381
RAMP Series 2005-RS1 Trust, 5.145%, 1–25–35 .....	1,075	1,046,097
RESI Finance Limited Partnership 2003-C and RESI Finance DE Corporation 2003-C, 6.73%, 9–10–35 (A) .....	1,310	1,332,866
RFMSI Series 2004-S5 Trust:		
4.5%, 5–25–19 .....	359	343,200
4.5%, 5–25–19 .....	179	168,517
Salomon Brothers Mortgage Securities VII, Inc., Mortgage Pass-Through Certificates, Series 1997-HUD1, 7.75%, 12–25–30 .....	1,572	1,615,880
Structured Adjustable Rate Mortgage Loan Trust, Series 2005–21, 5.4%, 11–25–35 .....	1,575	1,499,238
Structured Asset Mortgage Investments, Inc.:		
6.75%, 4–30–30 .....	22	21,909
6.75%, 4–30–30 .....	10	10,176
Structured Asset Securities Corporation:		
5.54%, 11–25–32 .....	642	638,118
5.25%, 8–25–33 .....	1,329	1,265,550
5.25%, 8–25–33 .....	579	544,496
5.63%, 5–25–34 .....	1,100	1,086,637
6.0%, 6–25–34 .....	2,750	2,731,741
Vanderbilt Mortgage and Finance, Inc.:		
7.07%, 12–7–14 .....	96	95,993
7.955%, 12–7–24 .....	878	923,345
7.525%, 11–7–26 .....	915	928,948
Wachovia Bank Commercial Mortgage Trust (The), 4.942%, 11–15–34 (A) .....	964	927,536
Washington Mutual MSC Mortgage Pass-Through Certificates Series 2002-MS11 Trust, 5.59932%, 12–25–32 .....	993	978,889

See Notes to Schedule of Investments on page 163.

# The Investments of Ivy Mortgage Securities Fund

September 30, 2006

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Finance Companies (Continued)</b>		
Wells Fargo Mortgage Backed Securities:		
2003-4 Trust, 5.5%, 6-25-33 .....	\$ 955	\$ 897,856
2004-1 Trust (The), 5.5%, 2-25-34 .....	1,664	1,631,616
2005-16 Trust, 5.75%, 1-25-36 .....	500	497,431
2006-9 Trust, 6.0%, 8-25-36 .....	2,772	2,734,590
<b>TOTAL CORPORATE DEBT SECURITIES – 50.32%</b>		<b>\$149,294,367</b>
(Cost: \$150,764,103)		

## UNITED STATES GOVERNMENT AGENCY OBLIGATIONS

### Mortgage-Backed Obligations

Federal Home Loan Mortgage Corporation Agency		
REMIC/CMO, 5.0%, 6-15-31 .....	2,000	1,917,552
Federal Home Loan Mortgage Corporation Fixed		
Rate Participation Certificates:		
9.49673%, 3-15-09 .....	565	590,672
5.5%, 12-1-17 .....	821	823,037
5.5%, 9-1-19 .....	1,515	1,515,951
5.5%, 5-1-20 .....	1,879	1,879,009
5.5%, 6-1-20 .....	1,561	1,561,196
3.5%, 2-15-30 .....	2,000	1,874,942
6.5%, 9-1-32 .....	1,281	1,315,268
5.0%, 7-15-33 .....	2,505	2,388,335
5.5%, 5-1-34 .....	1,031	1,021,089
5.5%, 5-1-34 .....	1,418	1,404,606
6.5%, 5-1-34 .....	1,006	1,026,201
5.5%, 10-1-34 .....	1,159	1,145,713
5.5%, 7-1-35 .....	5,212	5,142,283
5.0%, 8-1-35 .....	980	942,719
5.5%, 10-1-35 .....	1,854	1,830,064
5.0%, 12-1-35 .....	947	911,081

See Notes to Schedule of Investments on page 163.

# The Investments of Ivy Mortgage Securities Fund

September 30, 2006

UNITED STATES GOVERNMENT AGENCY OBLIGATIONS (Continued)	Principal Amount in Thousands	Value
<b>Mortgage-Backed Obligations (Continued)</b>		
Federal National Mortgage Association Fixed Rate		
Pass-Through Certificates:		
5.5%, 1-1-17 .....	\$1,651	\$ 1,655,272
6.0%, 1-1-18 .....	515	523,205
5.5%, 2-1-18 .....	526	526,941
5.5%, 3-1-18 .....	2,407	2,411,905
5.0%, 5-1-18 .....	1,579	1,556,276
5.0%, 10-1-18 .....	1,612	1,588,547
5.5%, 9-1-19 .....	413	412,914
5.5%, 2-1-24 .....	601	598,358
6.0%, 8-1-29 .....	477	481,310
7.0%, 11-1-31 .....	224	231,441
6.5%, 2-1-32 .....	207	212,861
6.5%, 2-1-32 .....	179	183,393
6.5%, 2-1-32 .....	148	152,050
7.0%, 2-1-32 .....	302	312,314
7.0%, 3-1-32 .....	419	433,283
6.5%, 4-1-32 .....	89	91,005
6.5%, 5-1-32 .....	167	171,708
6.5%, 7-1-32 .....	774	794,741
6.0%, 9-1-32 .....	175	176,860
6.0%, 10-1-32 .....	1,096	1,107,680
6.0%, 10-1-32 .....	1,134	1,146,268
6.5%, 10-1-32 .....	74	75,954
6.0%, 11-1-32 .....	986	996,495
6.0%, 11-1-32 .....	566	571,509
6.0%, 3-1-33 .....	1,465	1,479,861
6.0%, 3-1-33 .....	1,344	1,357,787
6.0%, 3-1-33 .....	924	933,598
6.0%, 3-1-33 .....	281	283,480
5.5%, 4-1-33 .....	1,901	1,879,940
5.5%, 5-1-33 .....	619	611,398
5.5%, 5-1-33 .....	327	323,175
6.0%, 6-1-33 .....	1,993	2,006,118
5.0%, 11-1-33 .....	1,884	1,817,003
6.0%, 12-1-33 .....	602	607,430
5.0%, 1-1-34 .....	1,823	1,758,222
5.5%, 1-1-34 .....	1,723	1,702,695

See Notes to Schedule of Investments on page 163.



# The Investments of Ivy Mortgage Securities Fund

September 30, 2006

UNITED STATES GOVERNMENT AGENCY OBLIGATIONS (Continued)	Principal Amount in Thousands	Value
<b>Mortgage-Backed Obligations (Continued)</b>		
Federal National Mortgage Association Fixed Rate		
Pass-Through Certificates: (Continued)		
5.0%, 3-1-34 .....	\$1,074	\$ 1,035,419
5.0%, 3-1-34 .....	432	416,447
5.5%, 3-1-34 .....	2,715	2,686,587
5.5%, 4-1-34 .....	2,571	2,538,343
5.5%, 4-1-34 .....	2,215	2,191,255
5.0%, 5-1-34 .....	203	195,144
5.5%, 7-1-34 .....	2,031	2,008,032
6.0%, 8-1-34 .....	718	722,046
5.5%, 9-1-34 .....	1,524	1,504,974
6.0%, 9-1-34 .....	1,048	1,054,613
6.5%, 9-1-34 .....	1,391	1,418,379
5.0%, 10-1-34 .....	600	576,563
5.5%, 10-1-34 .....	2,221	2,193,601
5.5%, 10-1-34 .....	1,400	1,379,000
6.0%, 10-1-34 .....	5,506	5,530,089
5.5%, 11-1-34 .....	829	816,698
6.0%, 11-1-34 .....	479	482,211
6.5%, 11-1-34 .....	98	99,731
6.0%, 12-1-34 .....	5,642	5,676,262
5.5%, 1-1-35 .....	758	747,475
4.5%, 2-1-35 .....	497	465,600
5.5%, 2-1-35 .....	2,853	2,813,405
5.5%, 2-1-35 .....	2,200	2,174,046
5.5%, 2-1-35 .....	1,310	1,293,189
4.787%, 3-1-35 .....	2,558	2,513,188
6.5%, 3-1-35 .....	1,486	1,519,010
6.0%, 4-1-35 .....	2,123	2,132,851
5.172%, 6-1-35 .....	1,235	1,223,049
6.0%, 6-1-35 .....	3,196	3,215,639
4.673%, 7-1-35 .....	1,527	1,510,224
5.0%, 7-1-35 .....	902	867,582
5.5%, 7-1-35 .....	935	921,893
5.5%, 10-1-35 .....	1,949	1,923,428
5.5%, 10-1-35 .....	1,070	1,055,658
5.5%, 2-1-36 .....	1,920	1,879,412
6.5%, 2-1-36 .....	743	757,122
6.5%, 6-1-36 .....	1,419	1,445,353
6.0%, 8-1-36 .....	2,188	2,198,177

See Notes to Schedule of Investments on page 163.

# The Investments of Ivy Mortgage Securities Fund

September 30, 2006

UNITED STATES GOVERNMENT AGENCY OBLIGATIONS (Continued)	Principal Amount in Thousands	Value
<b>Mortgage-Backed Obligations (Continued)</b>		
Government National Mortgage Association Agency REMIC/CMO (Interest Only):		
1.22286%, 3-16-34 .....	\$ 8,281	\$ 388,936
0.9032%, 7-16-40 .....	4,579	170,590
0.32318%, 3-16-42 .....	20,033	298,825
0.97056%, 6-17-45 .....	20,228	1,140,821
Government National Mortgage Association Fixed Rate Pass-Through Certificates:		
7.875%, 5-15-17 .....	662	676,440
6.25%, 7-15-24 .....	289	296,291
5.5%, 3-16-32 .....	4,575	4,558,893
5.0%, 7-15-34 .....	1,029	1,000,356
5.5%, 12-15-34 .....	1,961	1,949,059
6.0%, 10-1-36 .....	2,800	2,833,250
United States Department of Veterans Affairs, Guaranteed REMIC Pass-Through Certificates, Vendee Mortgage Trust:		
1995-1 Class 1, 7.21222%, 2-15-25 .....	253	262,562
1995-1 Class 2, 7.7925%, 2-15-25 .....	85	88,701
<b>TOTAL UNITED STATES GOVERNMENT AGENCY OBLIGATIONS – 45.60%</b>		<b>\$135,309,134</b>
(Cost: \$137,825,739)		

## SHORT-TERM SECURITIES

### Aluminum – 0.67%

Alcan Aluminum Corp., 5.5%, 10-2-06 .....	1,988	<u>1,987,696</u>
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### Beverages – 1.68%

Concentrate Manufacturing Company of Ireland (The) (PepsiCo, Inc.), 5.25%, 10-12-06 .....	5,000	<u>4,991,979</u>
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### Finance Companies – 1.68%

General Electric Capital Corporation, 5.23%, 10-27-06 .....	5,000	<u>4,981,114</u>
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See Notes to Schedule of Investments on page 163.

# The Investments of Ivy Mortgage Securities Fund

September 30, 2006

SHORT-TERM SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Food and Related – 1.69%</b>		
General Mills, Inc., 5.3%, 10–2–06 .....	\$5,000	<u>\$ 4,999,264</u>
<b>Publishing – 1.35%</b>		
Gannett Co., Inc., 5.26%, 10–3–06 .....	4,000	<u>3,998,831</u>
<b>Retail – General Merchandise – 0.62%</b>		
Home Depot, Inc. (The), 5.36%, 10–2–06 .....	1,850	<u>1,849,725</u>
<b>TOTAL SHORT-TERM SECURITIES – 7.69%</b>		<b>\$ 22,808,609</b>
(Cost: \$22,808,609)		
<b>TOTAL INVESTMENT SECURITIES – 103.61%</b>		<b>\$307,412,110</b>
(Cost: \$311,398,451)		
<b>LIABILITIES, NET OF CASH AND OTHER ASSETS – (3.61%)</b>		<b>(10,721,734)</b>
<b>NET ASSETS – 100.00%</b>		<b>\$296,690,376</b>

## Notes to Schedule of Investments

Certain acronyms may be used within the body of the Fund's holdings. The definitions of these acronyms are as follows: ADR – American Depositary Receipts; CMO – Collateralized Mortgage Obligation; GDR – Global Depositary Receipts and REMIC – Real Estate Mortgage Investment Conduit.

(A) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At September 30, 2006, the total value of these securities amounted to \$40,962,232 or 13.81% of net assets.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

# Statement of Assets and Liabilities

## IVY MORTGAGE SECURITIES FUND

September 30, 2006

(In Thousands, Except for Per Share Amounts)

### ASSETS

Investment securities – at value (cost – \$311,398) (Notes 1 and 3) . . . . .	\$307,412
Receivables:	
Investment securities sold . . . . .	5,901
Interest . . . . .	1,414
Fund shares sold . . . . .	738
Prepaid and other assets . . . . .	26
Total assets . . . . .	<u>315,491</u>

### LIABILITIES

Payable for investment securities purchased . . . . .	17,716
Payable to Fund shareholders . . . . .	411
Accrued management fee (Note 2) . . . . .	120
Dividends payable . . . . .	117
Due to custodian . . . . .	112
Accrued service fee (Note 2) . . . . .	108
Accrued shareholder servicing (Note 2) . . . . .	85
Accrued distribution fee (Note 2) . . . . .	18
Accrued accounting services fee (Note 2) . . . . .	8
Other . . . . .	106
Total liabilities . . . . .	<u>18,801</u>
Total net assets . . . . .	<u>\$296,690</u>

### NET ASSETS

Capital paid in (shares authorized – unlimited) . . . . .	\$301,784
Accumulated undistributed income (loss):	
Accumulated undistributed net investment income . . . . .	—
Accumulated undistributed net realized loss on investment transactions . . . . .	(1,108)
Net unrealized depreciation in value of investments . . . . .	(3,986)
Net assets applicable to outstanding units of capital . . . . .	<u>\$296,690</u>
Net asset value per share (net assets divided by shares outstanding):	
Class A . . . . .	\$10.56
Class B . . . . .	\$10.56
Class C . . . . .	\$10.56
Class Y . . . . .	\$10.56
Capital shares outstanding:	
Class A . . . . .	24,403
Class B . . . . .	1,046
Class C . . . . .	1,743
Class Y . . . . .	884

See Notes to Financial Statements.

# Statement of Operations

## IVY MORTGAGE SECURITIES FUND

For the Six Months Ended September 30, 2006

(In Thousands)

### INVESTMENT INCOME

Income (Note 1B):	
Interest and amortization . . . . .	\$8,550
Expenses (Note 2):	
Accounting services fee . . . . .	48
Audit fees . . . . .	14
Custodian fees . . . . .	14
Distribution fee:	
Class A . . . . .	11
Class B . . . . .	40
Class C . . . . .	69
Class Y . . . . .	—*
Investment management fee . . . . .	707
Legal fees . . . . .	2
Service fee:	
Class A . . . . .	297
Class B . . . . .	13
Class C . . . . .	23
Class Y . . . . .	10
Shareholder servicing:	
Class A . . . . .	362
Class B . . . . .	29
Class C . . . . .	30
Class Y . . . . .	7
Other . . . . .	102
Total . . . . .	<u>1,778</u>
Net investment income . . . . .	<u>6,772</u>

### REALIZED AND UNREALIZED GAIN (LOSS)

#### ON INVESTMENTS (NOTES 1 AND 3)

Realized net loss on securities . . . . .	(252)
Realized net loss on futures . . . . .	(27)
Realized net loss on investments . . . . .	<u>(279)</u>
Unrealized appreciation in value of investments	
during the period . . . . .	3,158
Net gain on investments . . . . .	<u>2,879</u>
Net increase in net assets resulting from operations . . . . .	<u>\$9,651</u>

\*Not shown due to rounding.

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY MORTGAGE SECURITIES FUND

(In Thousands)

	For the six months ended September 30, 2006	For the fiscal year ended March 31, 2006
<b>INCREASE IN NET ASSETS</b>		
Operations:		
Net investment income .....	\$ 6,772	\$ 11,152
Realized net loss on investments .....	(279)	(761)
Unrealized appreciation (depreciation) .....	3,158	(5,078)
Net increase in net assets resulting from operations .....	9,651	5,313
Distributions to shareholders from (Note 1F):(1)		
Net investment income:		
Class A .....	(5,984)	(9,905)
Class B .....	(204)	(323)
Class C .....	(377)	(623)
Class Y .....	(207)	(301)
Realized gains on investment transactions:		
Class A .....	(—)	(—)
Class B .....	(—)	(—)
Class C .....	(—)	(—)
Class Y .....	(—)	(—)
	(6,772)	(11,152)
Capital share transactions (Note 5) .....	13,922	72,999
Total increase .....	16,801	67,160
<b>NET ASSETS</b>		
Beginning of period .....	279,889	212,729
End of period .....	\$296,690	\$279,889
Undistributed net investment income (loss) .....	\$ —	\$ (—)*

\*Not shown due to rounding.

(1) See "Financial Highlights" on pages 167 - 170.

See Notes to Financial Statements.

# Financial Highlights

## IVY MORTGAGE SECURITIES FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the fiscal		For the	For the fiscal year		
	six months	year ended		fiscal period	ended September 30,		
	ended	March 31,		ended			
	9-30-06	2006	2005	3-31-04	2003	2002	2001
Net asset value,							
beginning of period . . . . .	\$ 10.44	\$10.68	\$ 10.96	\$ 10.97	\$ 11.07	\$10.99	\$ 10.37
Income (loss) from							
investment operations:							
Net investment income . . . . .	0.25	0.48	0.49	0.25	0.59	0.70	0.73
Net realized and unrealized							
gain (loss) on							
investments . . . . .	0.12	(0.24)	(0.27)	0.03	(0.12)	0.11	0.65
Total from investment							
operations . . . . .	0.37	0.24	0.22	0.28	0.47	0.81	1.38
Less distributions from:							
Net investment income . . . . .	(0.25)	(0.48)	(0.49)	(0.25)	(0.57)	(0.72)	(0.72)
Capital gains . . . . .	(0.00)	(0.00)	(0.01)	(0.04)	(0.00)	(0.00)	(0.00)
Tax return of capital . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.04)
Total distributions . . . . .	(0.25)	(0.48)	(0.50)	(0.29)	(0.57)	(0.73)	(0.76)
Net asset value,							
end of period . . . . .	\$10.56	\$10.44	\$10.68	\$10.96	\$10.97	\$11.07	\$10.99
Total return <sup>(1)</sup> . . . . .	3.66%	2.24%	2.12%	2.70%	4.19% <sup>(2)</sup>	7.88%	13.90%
Net assets, end of period							
(in millions) . . . . .	\$258	\$243	\$188	\$134	\$91	\$67	\$42
Ratio of expenses to average							
net assets including							
reimbursement . . . . .	1.17% <sup>(3)</sup>	1.05%	0.95%	1.05% <sup>(3)(4)</sup>	0.97%	0.95%	0.95%
Ratio of net investment income							
to average net assets							
including reimbursement . . . . .	4.87% <sup>(3)</sup>	4.51%	4.59%	4.56% <sup>(3)(4)</sup>	5.27%	6.24%	6.75%
Ratio of expenses to average							
net assets excluding							
reimbursement . . . . .	1.17% <sup>(3)(5)</sup>	1.16%	1.23%	1.38% <sup>(3)(4)</sup>	1.12%	1.21%	1.31%
Ratio of net investment income							
to average net assets							
excluding reimbursement . . . . .	4.87% <sup>(3)(5)</sup>	4.40%	4.31%	4.22% <sup>(3)(4)</sup>	5.12%	5.98%	6.39%
Portfolio turnover rate . . . . .	70%	154%	200%	57%	83%	99%	55%

(1) Total return calculated without taking into account the sales load deducted on an initial purchase.

(2) Advantus Capital reimbursed the Fund for losses related to certain investment trades. With reimbursed losses, the total return for Class A, for the year ended September 30, 2003, would have been 4.28%.

(3) Annualized.

(4) In connection with the reorganization plan effected December 8, 2003, Class B and Class C shares of the predecessor Advantus Fund were exchanged into Class A shares at the time of the merger. The ratios shown reflect a blended rate that includes income and expenses for those Class B and Class C shares before October 1, 2003 up to the time of merger. Expenses for Class A shares before and after the merger were limited to 0.95% of average net assets.

(5) There was no waiver of expenses during the period.

See Notes to Financial Statements.

# Financial Highlights

## IVY MORTGAGE SECURITIES FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the		For the
	six months	fiscal year ended		period from
	ended	March 31,		12-8-03 <sup>(1)</sup>
	9-30-06	2006	2005	to
				3-31-04
Net asset value,				
beginning of period . . . . .	\$10.44	\$10.68	\$10.96	\$10.87
Income (loss) from				
investment operations:				
Net investment income . . . . .	0.19	0.36	0.37	0.12
Net realized and unrealized gain				
(loss) on investments . . . . .	0.12	(0.24)	(0.27)	0.13
Total from investment operations . . . . .	0.31	0.12	0.10	0.25
Less distributions from:				
Net investment income . . . . .	(0.19)	(0.36)	(0.37)	(0.12)
Capital gains . . . . .	(0.00)	(0.00)	(0.01)	(0.04)
Total distributions . . . . .	(0.19)	(0.36)	(0.38)	(0.16)
Net asset value, end of period . . . . .	\$10.56	\$10.44	\$10.68	\$10.96
Total return . . . . .	3.12%	1.12%	0.92%	2.32%
Net assets, end of period				
(in millions) . . . . .	\$11	\$11	\$7	\$1
Ratio of expenses to				
average net assets . . . . .	2.20% <sup>(2)</sup>	2.16%	2.16%	1.89% <sup>(2)</sup>
Ratio of net investment income				
to average net assets . . . . .	3.85% <sup>(2)</sup>	3.41%	3.29%	3.59% <sup>(2)</sup>
Portfolio turnover rate . . . . .	70%	154%	200%	57% <sup>(3)</sup>

(1)Commencement of operations of the class.

(2)Annualized.

(3)For the six months ended March 31, 2004.

See Notes to Financial Statements.



# Financial Highlights

## IVY MORTGAGE SECURITIES FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the		For the
	six months	fiscal year ended		period from
	ended	March 31,		12-8-03 <sup>(1)</sup>
	9-30-06	2006	2005	to
				3-31-04
Net asset value,				
beginning of period . . . . .	\$10.44	\$10.68	\$10.96	\$10.87
Income (loss) from				
investment operations:				
Net investment income . . . . .	0.21	0.38	0.38	0.12
Net realized and unrealized				
gain (loss) on investments . . . . .	0.12	(0.24)	(0.27)	0.13
Total from investment operations . . . . .	0.33	0.14	0.11	0.25
Less distributions from:				
Net investment income . . . . .	(0.21)	(0.38)	(0.38)	(0.12)
Capital gains . . . . .	(0.00)	(0.00)	(0.01)	(0.04)
Total distributions . . . . .	(0.21)	(0.38)	(0.39)	(0.16)
Net asset value, end of period . . . . .	\$10.56	\$10.44	\$10.68	\$10.96
Total return . . . . .	3.25%	1.34%	1.05%	2.32%
Net assets, end of period				
(in millions) . . . . .	\$19	\$19	\$12	\$2
Ratio of expenses to				
average net assets . . . . .	1.95% <sup>(2)</sup>	1.93%	2.03%	1.86% <sup>(2)</sup>
Ratio of net investment income				
to average net assets . . . . .	4.09% <sup>(2)</sup>	3.63%	3.41%	3.61% <sup>(2)</sup>
Portfolio turnover rate . . . . .	70%	154%	200%	57% <sup>(3)</sup>

(1)Commencement of operations of the class.

(2)Annualized.

(3)For the six months ended March 31, 2004.

See Notes to Financial Statements.

# Financial Highlights

## IVY MORTGAGE SECURITIES FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the		For the
	six months	fiscal year ended		period from
	ended	March 31,		12-8-03 <sup>(1)</sup>
	9-30-06	2006	2005	to
				3-31-04
Net asset value,				
beginning of period . . . . .	\$10.44	\$10.68	\$10.96	\$10.87
Income (loss) from				
investment operations:				
Net investment income . . . . .	0.25	0.48	0.48	0.15
Net realized and unrealized				
gain (loss) on investments . . . . .	0.12	(0.24)	(0.27)	0.13
Total from investment operations . . . . .	0.37	0.24	0.21	0.28
Less distributions from:				
Net investment income . . . . .	(0.25)	(0.48)	(0.48)	(0.15)
Capital gains . . . . .	(0.00)	(0.00)	(0.01)	(0.04)
Total distributions . . . . .	(0.25)	(0.48)	(0.49)	(0.19)
Net asset value, end of period . . . . .	\$10.56	\$10.44	\$10.68	\$10.96
Total return . . . . .	3.73%	2.26%	1.95%	2.56%
Net assets, end of period				
(in millions) . . . . .	\$9	\$7	\$6	\$3
Ratio of expenses to				
average net assets . . . . .	1.03% <sup>(2)</sup>	1.03%	1.12%	1.09% <sup>(2)</sup>
Ratio of net investment income				
to average net assets . . . . .	5.02% <sup>(2)</sup>	4.53%	4.41%	4.38% <sup>(2)</sup>
Portfolio turnover rate . . . . .	70%	154%	200%	57% <sup>(3)</sup>

(1)Commencement of operations of the class.

(2)Annualized.

(3)For the six months ended March 31, 2004.

See Notes to Financial Statements.

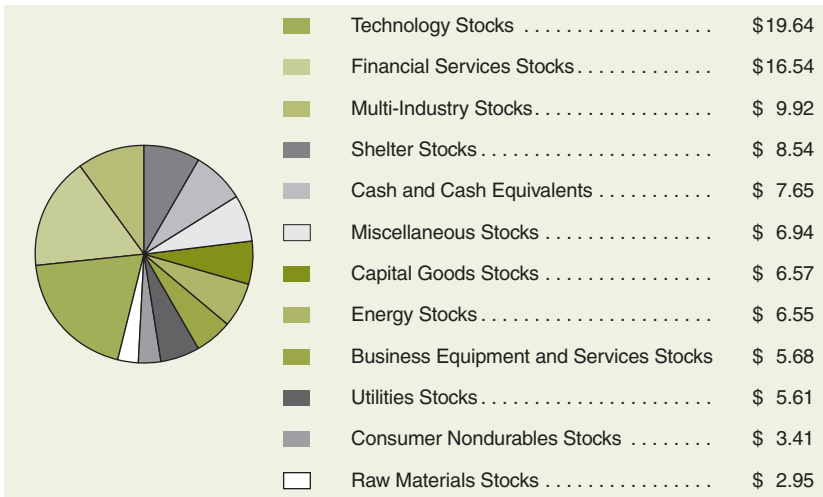
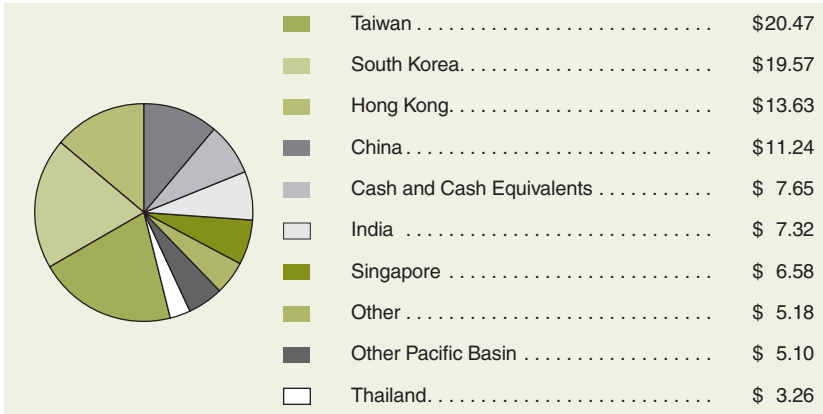
## SHAREHOLDER SUMMARY OF IVY PACIFIC OPPORTUNITIES FUND

### Portfolio Highlights

On September 30, 2006, Ivy Pacific Opportunities Fund had net assets totaling \$293,521,571 invested in a diversified portfolio of:

91.84%	Foreign Common Stocks
7.65%	Cash and Cash Equivalents
0.51%	Domestic Common Stock

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2006, your Fund was invested by country and by industry, respectively, as follows:



# The Investments of Ivy Pacific Opportunities Fund

September 30, 2006

COMMON STOCKS	Shares	Value
<b>Australia – 1.97%</b>		
Macquarie Bank Limited (A) . . . . .	35,000	\$ 1,803,814
Macquarie Infrastructure Group (A) . . . . .	600,000	1,430,978
Rio Tinto Limited (A) . . . . .	48,620	2,540,181
		<u>5,774,973</u>
<b>Bermuda – 0.60%</b>		
REXCAPITAL Financial Holdings Limited (A)* . . . . .	37,575,000	<u>1,760,428</u>
<b>Cayman Islands – 3.18%</b>		
Actions Semiconductor Co., Ltd.* . . . . .	220,800	1,879,008
China Techfaith Wireless Communication Technology Limited, ADR* . . . . .	272,100	2,172,718
KongZhong Corporation, ADR* . . . . .	300,000	2,176,500
New Oriental Education & Technology Group Inc., ADR* . . . . .	66,000	1,600,500
Shanda Interactive Entertainment Limited, ADR* . . . . .	100,000	1,499,500
		<u>9,328,226</u>
<b>China – 11.24%</b>		
China GrenTech Corporation Limited, ADR* . . . . .	375,504	3,865,814
China Life Insurance Company Limited, H Shares (A) . . . . .	1,000,000	1,956,191
China Mobile (Hong Kong) Limited (A) . . . . .	459,000	3,243,369
China Resources Power Holdings Company Limited (A) . . . . .	1,600,000	1,692,285
China Shenhua Energy Company Limited, H Shares (A)(B) . . . . .	1,200,000	1,931,546
Heng Tai Consumables Group Limited (A) . . . . .	18,000,000	1,501,800
Mindray Medical International Limited, ADR* . . . . .	40,000	667,600
NetEase.com, Inc., ADR* . . . . .	91,280	1,494,254
PetroChina Company Limited, H Shares (A) . . . . .	3,500,000	3,764,769
PetroChina Company Limited, H Shares (A)(B) . . . . .	1,526,000	1,641,439
Suntech Power Holdings Co., Ltd., ADR* . . . . .	100,000	2,583,000
Tong Ren Tang Technologies Co. Ltd. (A) . . . . .	1,000,000	1,730,279
Vimicro International Corporation, ADR* . . . . .	225,000	2,477,250
Wah Sang Gas Holdings Limited (A)(C)* . . . . .	736,000	15,116
ZTE Corporation, H Shares (A) . . . . .	1,200,000	4,436,087
		<u>33,000,799</u>
<b>Hong Kong – 13.63%</b>		
Agile Property Holdings Limited (A) . . . . .	1,000,000	813,796
Agile Property Holdings Limited (A)(B) . . . . .	3,000,000	2,441,388
Beijing Enterprises Holdings Limited (A) . . . . .	2,000,000	3,773,754
Cheung Kong (Holdings) Limited (A) . . . . .	450,000	4,831,753
China BlueChemical Ltd. (A)(B)* . . . . .	500,000	145,046

See Notes to Schedule of Investments on page 176.

# The Investments of Ivy Pacific Opportunities Fund

September 30, 2006

COMMON STOCKS (Continued)	Shares	Value
<b>Hong Kong (Continued)</b>		
China Merchants Bank Co., Limited (A)(B)*	2,000,000	\$ 2,818,763
China Oilfield Services Limited (A)	5,800,000	3,119,380
China Yurun Food Group Limited (A)	3,500,000	2,911,182
Hutchison Whampoa Limited, Ordinary Shares (A)	370,000	3,267,507
Lee & Man Paper Manufacturing Limited (A)	1,658,000	3,111,417
Panva Gas Holdings Limited (A)*	5,000,000	1,707,175
Shimao Property Holdings Limited (A)*	2,000,000	2,141,028
Shui On Land Limited (A)(B)*	2,500,000	1,716,802
Singamas Container Holdings Limited (A)	3,500,000	1,841,952
Sinolink Worldwide Holdings Limited (A)	11,680,000	2,623,658
Sun Hung Kai Properties Limited (A)	250,000	2,729,233
		<b>39,993,834</b>
<b>India – 7.32%</b>		
Bharat Heavy Electricals Limited (A)	84,570	4,417,344
Bharti Airtel Limited (A)*	36,600	398,276
ICICI Bank Limited, ADR	150,000	4,606,500
Infosys Technologies Limited (A)	90,000	3,624,790
ONGC Videsh Limited (A)	200,000	5,094,611
Tata Motors Limited (A)	178,000	3,339,850
		<b>21,481,371</b>
<b>Indonesia – 0.93%</b>		
Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk., Series B Shares (A)	2,982,000	<b>2,731,480</b>
<b>Malaysia – 2.20%</b>		
Genting Berhad (A)	200,000	1,306,941
IOI Corporation Berhad (A)	535,700	2,353,129
LION DIVERSIFIED HOLDINGS BERHAD (A)	2,000,000	2,792,842
		<b>6,452,912</b>
<b>Singapore – 6.58%</b>		
DBS Group Holdings Ltd (A)	266,000	3,215,615
Hongkong Land Holdings Limited	848,300	3,291,404
K-REIT Asia (A)	2,092,400	2,345,016
Keppel Corporation Limited (A)	362,540	3,378,304
Keppel Land Limited (A)	1,000,000	3,122,934
SembCorp Industries Ltd (A)	1,000,000	2,115,536
Singapore Telecommunications Limited (A)	1,209,350	1,857,903
		<b>19,326,712</b>
<b>South Korea – 19.57%</b>		
Daegu Bank, Ltd. (A)	180,000	3,015,059
Daelim Industrial Co., Ltd. (A)	37,000	2,522,061
GMARKET INC., ADR*	43,000	625,650

See Notes to Schedule of Investments on page 176.

# The Investments of Ivy Pacific Opportunities Fund

September 30, 2006

COMMON STOCKS (Continued)	Shares	Value
<b>South Korea (Continued)</b>		
Hana Financial Group, Inc. (A) . . . . .	115,000	\$ 5,262,351
Hynix Semiconductor Inc. (A)* . . . . .	140,000	5,518,626
Kookmin Bank (A) . . . . .	108,000	8,514,452
Korea Exchange Bank (A)* . . . . .	200,000	2,557,464
Kyeryong Construction Industrial Co. Ltd (A) . . . . .	78,000	3,078,785
LG Chem, Ltd. (A) . . . . .	48,500	1,927,186
Lotte Shopping Co., Ltd., GDR* . . . . .	106,820	1,867,214
Lotte Shopping Co., Ltd., GDR (B)* . . . . .	50,000	874,000
Phicom Corporation (A) . . . . .	160,000	929,987
SK Corporation (A) . . . . .	46,000	3,057,754
SK Telecom Co., Ltd. (A) . . . . .	15,000	3,194,188
Samsung Electronics Co., Ltd. (A) . . . . .	16,960	11,901,125
Shinsegae Co., Ltd. (A) . . . . .	5,000	2,589,168
		<b>57,435,070</b>
<b>Taiwan – 20.47%</b>		
ASE Test Limited* . . . . .	150,000	1,284,000
Asustek Computer Inc. (A) . . . . .	1,281,500	3,008,461
Cathay Financial Holding Co., Ltd. (A) . . . . .	1,259,662	2,523,320
Chunghwa Telecom Co., Ltd., ADR . . . . .	190,740	3,301,709
E.Sun Financial Holding Co., Ltd. (A) . . . . .	5,100,000	3,058,690
Far Eastern Textile Ltd. (A) . . . . .	3,816,000	2,830,510
Foxconn Technology Co., Ltd. (A) . . . . .	397,900	3,582,573
Himax Technologies, Inc., ADR* . . . . .	500,000	2,857,500
Hon Hai Precision Ind. Co., Ltd. (A) . . . . .	744,000	4,529,526
iShares MSCI Taiwan Index Fund . . . . .	650,000	8,417,500
MediaTek Incorporation (A) . . . . .	372,900	3,537,748
Nan Ya Printed Circuit Board Corporation (A) . . . . .	375,000	2,594,607
TSRC Corporation (A) . . . . .	3,195,000	1,766,553
Taiwan Fertilizer Co., Ltd. (A) . . . . .	1,500,000	2,438,251
Taiwan Semiconductor Manufacturing Company Ltd. (A) . . . . .	3,077,367	5,550,837
Wistron Corporation (A) . . . . .	3,151,470	3,575,427
Yuanta Core Pacific Securities Co., Ltd. (A) . . . . .	4,000,000	2,664,854
ZyXEL Communications Corporation (A) . . . . .	1,966,200	2,563,382
		<b>60,085,448</b>
<b>Thailand – 3.26%</b>		
Bangkok Bank Public Company Limited (A) . . . . .	824,000	2,412,884
Banpu Public Company Limited, Registered Shares (A) . . . . .	650,000	2,526,288
LAND AND HOUSES PUBLIC COMPANY LIMITED (A) . . . . .	3,405,700	675,428
PTT Public Company Limited (A) . . . . .	315,000	1,811,260
Thai Oil Public Company Limited (A) . . . . .	1,000,000	1,597,231
Thai Oil Public Company Limited (A)(B) . . . . .	350,000	559,031
		<b>9,582,122</b>

See Notes to Schedule of Investments on page 176.

# The Investments of Ivy Pacific Opportunities Fund

September 30, 2006

COMMON STOCKS (Continued)	Shares	Value
<b>United Kingdom – 0.89%</b>		
Standard Chartered PLC (A)(C) .....	103,050	\$ <u>2,624,129</u>
<b>United States – 0.51%</b>		
Comtech Group, Inc.* .....	100,000	<u>1,497,500</u>
<b>TOTAL COMMON STOCKS – 92.35%</b>		<b>\$271,075,004</b>
(Cost: \$235,984,986)		
SHORT-TERM SECURITIES	Principal Amount in Thousands	
<b>Finance Companies – 1.02%</b>		
Three Pillars Funding LLC, 5.26%, 10–20–06 .....	\$3,000	<u>2,991,672</u>
<b>Multiple Industry – 1.70%</b>		
General Electric Capital Corporation, 5.23%, 10–27–06 .....	5,000	<u>4,981,114</u>
<b>Security and Commodity Brokers – 1.16%</b>		
UBS Finance Delaware LLC (UBS AG), 5.34%, 10–2–06 .....	3,401	<u>3,400,495</u>
<b>Total Commercial Paper – 3.88%</b>		<b>11,373,281</b>
<b>Commercial Paper (backed by irrevocable bank letter of credit) – 1.36%</b>		
<b>Multiple Industry</b>		
Louis Dreyfus Corporation (Barclays Bank PLC, New York Branch), 5.27%, 10–18–06 .....	4,000	<u>3,990,046</u>
<b>TOTAL SHORT-TERM SECURITIES – 5.24%</b>		<b>\$ 15,363,327</b>
(Cost: \$15,363,327)		
<b>TOTAL INVESTMENT SECURITIES – 97.59%</b>		<b>\$286,438,331</b>
(Cost: \$251,348,313)		
<b>CASH AND OTHER ASSETS, NET OF LIABILITIES – 2.41%</b>		<b>7,083,240</b>
<b>NET ASSETS – 100.00%</b>		<b>\$293,521,571</b>

See Notes to Schedule of Investments on page 176.

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# The Investments of Ivy Pacific Opportunities Fund

*September 30, 2006*

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## **Notes to Schedule of Investments**

Certain acronyms may be used within the body of the Fund's holdings. The definitions of these acronyms are as follows: ADR – American Depositary Receipts; CMO – Collateralized Mortgage Obligation; GDR – Global Depositary Receipts and REMIC – Real Estate Mortgage Investment Conduit.

\*No dividends were paid during the preceding 12 months.

(A) Listed on an exchange outside the United States.

(B) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At September 30, 2006, the total value of these securities amounted to \$12,128,015 or 4.13% of net assets.

(C) Securities valued in good faith by management's valuation committee subject to the supervision of the Board of Trustees.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.



# Statement of Assets and Liabilities

## IVY PACIFIC OPPORTUNITIES FUND

September 30, 2006

(In Thousands, Except for Per Share Amounts)

### ASSETS

Investment securities – at value (cost – \$251,348) (Notes 1 and 3) . . . . .	\$286,438
Cash . . . . .	707
Cash denominated in foreign currencies (cost – \$7,217). . . . .	7,187
Receivables:	
Dividends and interest . . . . .	1,768
Fund shares sold . . . . .	1,242
Prepaid and other assets . . . . .	40
Total assets . . . . .	<u>297,382</u>

### LIABILITIES

Payable for investment securities purchased . . . . .	2,497
Payable to Fund shareholders . . . . .	390
Accrued management fee (Note 2) . . . . .	236
Accrued shareholder servicing (Note 2) . . . . .	123
Accrued service fee (Note 2) . . . . .	65
Accrued distribution fee (Note 2) . . . . .	22
Accrued accounting services fee (Note 2) . . . . .	6
Accrued administrative fee (Note 2) . . . . .	2
Other . . . . .	519
Total liabilities . . . . .	<u>3,860</u>
Total net assets . . . . .	<u>\$293,522</u>

### NET ASSETS

Capital paid in (shares authorized – unlimited) . . . . .	\$243,555
Accumulated undistributed income:	
Accumulated undistributed net investment income . . . . .	621
Accumulated undistributed net realized gain . . . . .	
on investment transactions . . . . .	14,513
Net unrealized appreciation in value of investments . . . . .	34,833
Net assets applicable to outstanding units of capital . . . . .	<u>\$293,522</u>
Net asset value per share (net assets divided by shares outstanding):	
Class A . . . . .	\$14.66
Class B . . . . .	\$13.53
Class C . . . . .	\$13.71
Class Y . . . . .	\$14.77
Advisor Class . . . . .	\$14.38
Capital shares outstanding:	
Class A . . . . .	17,151
Class B . . . . .	1,039
Class C . . . . .	1,642
Class Y . . . . .	368
Advisor Class . . . . .	6

See Notes to Financial Statements.

# Statement of Operations

## IVY PACIFIC OPPORTUNITIES FUND

For the Six Months Ended September 30, 2006

(In Thousands)

### INVESTMENT INCOME

Income (Note 1B):	
Dividends (net of foreign withholding taxes of \$444) .....	\$3,463
Interest and amortization .....	333
Total income .....	<u>3,796</u>
Expenses (Note 2):	
Accounting services fee .....	35
Administrative fee .....	13
Audit fees .....	11
Custodian fee .....	130
Distribution fee:	
Class A .....	14
Class B .....	48
Class C .....	78
Class Y .....	—*
Investment management fee .....	1,311
Legal fees .....	2
Service fee:	
Class A .....	266
Class B .....	16
Class C .....	26
Class Y .....	6
Shareholder servicing:	
Class A .....	463
Class B .....	45
Class C .....	44
Class Y .....	4
Advisor Class .....	—*
Other .....	69
Total expenses .....	<u>2,581</u>
Net investment income .....	<u>1,215</u>

### REALIZED AND UNREALIZED GAIN

#### (LOSS) ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on securities .....	8,740
Realized net loss on foreign currency transactions .....	(350)
Realized net gain on investments .....	<u>8,390</u>
Unrealized depreciation in value of investments during the period .....	(4,199)
Net gain on investments .....	<u>4,191</u>
Net increase in net assets resulting from operations .....	<u>\$5,406</u>

\*Not shown due to rounding.

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY PACIFIC OPPORTUNITIES FUND

(In Thousands)

	For the six months ended September 30, 2006	For the fiscal year ended March 31, 2006
<b>INCREASE IN NET ASSETS</b>		
Operations:		
Net investment income .....	\$ 1,215	\$ 171
Realized net gain on investments .....	8,390	10,443
Unrealized appreciation (depreciation) .....	(4,199)	32,645
Net increase in net assets resulting from operations .....	5,406	43,259
Distributions to shareholders from (Note 1F):(1)		
Net investment income:		
Class A .....	(—)	(427)
Class B .....	(—)	(—)
Class C .....	(—)	(—)
Class Y .....	(—)	(14)
Advisor Class .....	(—)	(1)
Realized gains on investment transactions:		
Class A .....	(—)	(977)
Class B .....	(—)	(71)
Class C .....	(—)	(102)
Class Y .....	(—)	(19)
Advisor Class .....	(—)	(1)
	(—)	(1,612)
Capital share transactions (Note 5) .....	64,090	103,589
Total increase .....	69,496	145,236
<b>NET ASSETS</b>		
Beginning of period .....	224,026	78,790
End of period .....	\$293,522	\$224,026
Undistributed net investment income (loss) .....	\$ 621	\$ (244)

(1) See "Financial Highlights" on pages 180 - 184.

# Financial Highlights

## IVY PACIFIC OPPORTUNITIES FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six	For the fiscal		For the	For the fiscal year		
	months	year ended		fiscal period	ended December 31,		
	ended	March 31,		ended			
	9-30-06	2006	2005	3-31-04	2003	2002	2001
Net asset value,							
beginning of period . . . . .	\$14.32	\$10.61	\$ 9.55	\$9.11	\$5.96	\$6.72	\$7.42
Income (loss) from							
investment operations:							
Net investment							
income (loss) . . . . .	0.07	0.02 <sup>(1)</sup>	(0.07)	0.00	(0.02)	0.01 <sup>(1)</sup>	(0.03) <sup>(1)</sup>
Net realized and							
unrealized gain (loss)							
on investments . . . . .	0.27	3.83 <sup>(1)</sup>	1.13	0.44	3.17	(0.77) <sup>(2)</sup>	(0.66) <sup>(2)</sup>
Total from investment							
operations . . . . .	0.34	3.85	1.06	0.44	3.15	(0.76)	(0.69)
Less distributions from:							
Net investment income . . . . .	(0.00)	(0.04)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)
Capital gains . . . . .	(0.00)	(0.10)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.14)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)
Net asset value,							
end of period . . . . .	\$14.66	\$14.32	\$10.61	\$9.55	\$9.11	\$5.96	\$6.72
Total return <sup>(3)</sup> . . . . .	2.37%	36.51%	11.10%	4.83%	52.85%	-11.31% <sup>(2)</sup>	-9.29% <sup>(2)</sup>
Net assets, end of period							
(in millions) . . . . .	\$251	\$191	\$64	\$29	\$18	\$5	\$6
Ratio of expenses to average							
net assets including							
reimbursement . . . . .	1.86% <sup>(4)</sup>	1.95%	2.22%	2.07% <sup>(4)</sup>	2.64%	2.21%	2.21%
Ratio of net investment							
income (loss) to average							
net assets including							
reimbursement . . . . .	1.03% <sup>(4)</sup>	0.24%	-0.80%	-1.07% <sup>(4)</sup>	-0.39%	0.20%	-0.49%
Ratio of expenses to average							
net assets excluding							
reimbursement . . . . .	1.86% <sup>(4)(5)</sup>	1.95% <sup>(5)</sup>	2.22% <sup>(5)</sup>	2.07% <sup>(4)(5)</sup>	2.73%	3.52%	3.57%
Ratio of net investment							
income (loss) to average							
net assets excluding							
reimbursement . . . . .	1.03% <sup>(4)(5)</sup>	0.24% <sup>(5)</sup>	-0.80% <sup>(5)</sup>	-1.07% <sup>(4)(5)</sup>	-0.48%	-1.11%	-1.85%
Portfolio turnover rate . . . . .	34%	87%	87%	61%	187%	16%	82%

(1)Based on average shares outstanding.

(2)Includes redemption fees added to capital.

(3)Total return calculated without taking into account the sales load deducted on an initial purchase.

(4)Annualized.

(5)There was no waiver of expenses during the period.

See Notes to Financial Statements.

# Financial Highlights

## IVY PACIFIC OPPORTUNITIES FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six	For the fiscal		For the	For the fiscal year		
	months	year ended		fiscal period	ended December 31,		
	ended	March 31,		ended			
	9-30-06	2006	2005	3-31-04	2003	2002	2001
Net asset value,							
beginning of period . . . . .	\$13.29	\$ 9.91	\$9.01	\$8.61	\$5.75	\$6.56	\$7.33
Income (loss) from							
investment operations:							
Net investment							
income (loss) . . . . .	0.03	(0.06) <sup>(1)</sup>	(0.13)	(0.04)	(0.06)	(0.04) <sup>(1)</sup>	(0.08) <sup>(1)</sup>
Net realized and							
unrealized gain (loss)							
on investments . . . . .	0.21	3.54 <sup>(1)</sup>	1.03	0.44	2.92	(0.77)	(0.68)
Total from investment							
operations . . . . .	0.24	3.48	0.90	0.40	2.86	(0.81)	(0.76)
Less distributions from:							
Net investment income . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)
Capital gains . . . . .	(0.00)	(0.10)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.10)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)
Net asset value,							
end of period . . . . .	\$13.53	\$13.29	\$9.91	\$9.01	\$8.61	\$5.75	\$6.56
Total return . . . . .	1.81%	35.26%	9.99%	4.65%	49.74%	-12.35%	-10.35%
Net assets, end of period							
(in millions) . . . . .	\$14	\$11	\$6	\$6	\$6	\$3	\$4
Ratio of expenses to average							
net assets including							
reimbursement . . . . .	2.91% <sup>(2)</sup>	2.91%	3.06%	2.86% <sup>(2)</sup>	3.46%	2.96%	2.95%
Ratio of net investment							
loss to average net							
assets including							
reimbursement . . . . .	-0.02% <sup>(2)</sup>	-0.51%	-1.57%	-1.92% <sup>(2)</sup>	-1.15%	-0.55%	-1.22%
Ratio of expenses to average							
net assets excluding							
reimbursement . . . . .	2.91% <sup>(2)(3)</sup>	2.91% <sup>(3)</sup>	3.06% <sup>(3)</sup>	2.86% <sup>(2)(3)</sup>	3.55%	4.27%	4.31%
Ratio of net investment							
loss to average net							
assets excluding							
reimbursement . . . . .	-0.02% <sup>(2)(3)</sup>	-0.51% <sup>(3)</sup>	-1.57% <sup>(3)</sup>	-1.92% <sup>(2)(3)</sup>	-1.24%	-1.86%	-2.58%
Portfolio turnover rate . . . . .	34%	87%	87%	61%	187%	16%	82%

(1)Based on average shares outstanding.

(2)Annualized.

(3)There was no waiver of expenses during the period.

See Notes to Financial Statements.

# Financial Highlights

## IVY PACIFIC OPPORTUNITIES FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-06	For the fiscal year ended March 31,		For the fiscal period ended 3-31-04	For the fiscal year ended December 31,		
		2006	2005		2003	2002	2001
Net asset value, beginning of period . . . . .	\$13.45	\$10.01	\$ 9.09	\$8.68	\$5.75	\$6.55	\$7.31
Income (loss) from investment operations:							
Net investment income (loss) . . . . .	0.03	(0.06) <sup>(1)</sup>	(0.09)	(0.02)	(0.05)	(0.03) <sup>(1)</sup>	(0.08) <sup>(1)</sup>
Net realized and unrealized gain (loss) on investments . . . . .	0.23	3.60 <sup>(1)</sup>	1.01	0.43	2.98	(0.77)	(0.67)
Total from investment operations . . . . .	0.26	3.54	0.92	0.41	2.93	(0.80)	(0.75)
Less distributions from:							
Net investment income . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)
Capital gains . . . . .	(0.00)	(0.10)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.10)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)
Net asset value, end of period . . . . .	\$13.71	\$13.45	\$10.01	\$9.09	\$8.68	\$5.75	\$6.55
Total return . . . . .	1.93%	35.51%	10.12%	4.72%	50.96%	-12.21%	-10.25%
Net assets, end of period (in millions) . . . . .	\$23	\$18	\$7	\$3	\$2	\$1	\$1
Ratio of expenses to average net assets including reimbursement . . . . .	2.61% <sup>(2)</sup>	2.75%	3.06%	2.57% <sup>(2)</sup>	3.48%	2.94%	2.90%
Ratio of net investment income (loss) to average net assets including reimbursement . . . . .	0.29% <sup>(2)</sup>	-0.50%	-1.68%	-1.59% <sup>(2)</sup>	-1.14%	-0.53%	-1.18%
Ratio of expenses to average net assets excluding reimbursement . . . . .	2.61% <sup>(2)(3)</sup>	2.75% <sup>(3)</sup>	3.06% <sup>(3)</sup>	2.57% <sup>(2)(3)</sup>	3.57%	4.25%	4.26%
Ratio of net investment income (loss) to average net assets excluding reimbursement . . . . .	0.29% <sup>(2)(3)</sup>	-0.50% <sup>(3)</sup>	-1.68% <sup>(3)</sup>	-1.59% <sup>(2)(3)</sup>	-1.23%	-1.84%	-2.54%
Portfolio turnover rate . . . . .	34%	87%	87%	61%	187%	16%	82%

(1)Based on average shares outstanding.

(2)Annualized.

(3)There was no waiver of expenses during the period.

See Notes to Financial Statements.

# Financial Highlights

## IVY PACIFIC OPPORTUNITIES FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-06	For the fiscal year ended March 31, 2006      2005		For the fiscal period ended 3-31-04	For the period from 7-24-03 <sup>(1)</sup> to 12-31-03
Net asset value, beginning of period . . . . .	\$14.41	\$10.67	\$ 9.58	\$9.13	\$6.85
Income (loss) from investment operations:					
Net investment income (loss) . . . . .	0.08	0.04 <sup>(2)</sup>	(0.04)	(0.00)	(0.01)
Net realized and unrealized gain on investments . . . . .	0.28	3.87 <sup>(2)</sup>	1.13	0.45	2.29
Total from investment operations	0.36	3.91	1.09	0.45	2.28
Less distributions from:					
Net investment income . . . . .	(0.00)	(0.07)	(0.00)	(0.00)	(0.00)
Capital gains . . . . .	(0.00)	(0.10)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.17)	(0.00)	(0.00)	(0.00)
Net asset value, end of period . .	\$14.77	\$14.41	\$10.67	\$9.58	\$9.13
Total return . . . . .	2.50%	36.90%	11.38%	4.93%	33.28%
Net assets, end of period (in thousands) . . . . .	\$5,437	\$3,790	\$1,100	\$707	\$497
Ratio of expenses to average net assets including reimbursement . . . . .	1.61% <sup>(3)</sup>	1.68%	1.88%	1.64% <sup>(3)</sup>	2.01% <sup>(3)</sup>
Ratio of net investment income (loss) to average net assets including reimbursement . . . . .	1.30% <sup>(3)</sup>	0.46%	-0.47%	-0.68% <sup>(3)</sup>	-0.40% <sup>(3)</sup>
Ratio of expenses to average net assets excluding reimbursement . . . . .	1.61% <sup>(3)(5)</sup>	1.68% <sup>(5)</sup>	1.88% <sup>(5)</sup>	1.64% <sup>(3)(5)</sup>	2.18% <sup>(3)</sup>
Ratio of net investment income (loss) to average net assets excluding reimbursement . . . . .	1.30% <sup>(3)(5)</sup>	0.46% <sup>(5)</sup>	-0.47% <sup>(5)</sup>	-0.68% <sup>(3)(5)</sup>	-0.57% <sup>(3)</sup>
Portfolio turnover rate . . . . .	34%	87%	87%	61%	187% <sup>(4)</sup>

(1) Commencement of operations of the class.

(2) Based on average weekly shares outstanding.

(3) Annualized.

(4) For the 12 months ended December 31, 2003.

(5) There was no waiver of expenses during the period.

See Notes to Financial Statements.

# Financial Highlights

## IVY PACIFIC OPPORTUNITIES FUND

Advisor Class Shares<sup>(1)</sup>

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-06	For the fiscal year ended March 31,		For the fiscal period ended 3-31-04	For the fiscal year ended December 31,		
		2006	2005		2003	2002	2001
Net asset value, beginning of period . . . .	\$14.01	\$10.38	\$ 9.28	\$8.85	\$5.81	\$6.59	\$7.30
Income (loss) from investment operations:							
Net investment income (loss) . . . . .	0.12	0.14 <sup>(2)</sup>	(0.01)	(0.01)	(0.01)	0.04 <sup>(2)</sup>	(0.02) <sup>(2)</sup>
Net realized and unrealized gain (loss) on investments . . . . .	0.25	3.70 <sup>(2)</sup>	1.11	0.44	3.05	(0.82)	(0.68)
Total from investment operations . . . . .	0.37	3.84	1.10	0.43	3.04	(0.78)	(0.70)
Less distributions from:							
Net investment income . .	(0.00)	(0.11)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)
Capital gains . . . . .	(0.00)	(0.10)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.21)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)
Net asset value, end of period . . . . .	\$14.38	\$14.01	\$10.38	\$9.28	\$8.85	\$5.81	\$6.59
Total return . . . . .	2.64%	37.28%	11.85%	4.86%	52.32%	-11.84%	-9.58%
Net assets, end of period (in thousands) . . . . .	\$78	\$76	\$64	\$58	\$55	\$34	\$3
Ratio of expenses to average net assets including reimbursement . . . . .	1.26% <sup>(3)</sup>	1.42%	1.56%	1.82% <sup>(3)</sup>	2.49%	1.74%	2.03%
Ratio of net investment income (loss) to average net assets including reimbursement . . . . .	1.65% <sup>(3)</sup>	1.12%	-0.06%	-0.88% <sup>(3)</sup>	-0.09%	0.67%	-0.31%
Ratio of expenses to average net assets excluding reimbursement . . . . .	1.26% <sup>(3)(4)</sup>	1.42% <sup>(4)</sup>	1.56% <sup>(4)</sup>	1.82% <sup>(3)(4)</sup>	2.65%	3.05%	3.39%
Ratio of net investment income (loss) to average net assets excluding reimbursement . . . . .	1.65% <sup>(3)(4)</sup>	1.12% <sup>(4)</sup>	-0.06% <sup>(4)</sup>	-0.88% <sup>(3)(4)</sup>	-0.25%	-0.64%	-1.67%
Portfolio turnover rate . . . .	34%	87%	87%	61%	187%	16%	82%

(1) See Note 5 to financial statements.

(2) Based on average shares outstanding.

(3) Annualized.

(4) There was no waiver of expenses during the period.

See Notes to Financial Statements.



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## SHAREHOLDER SUMMARY OF IVY REAL ESTATE SECURITIES FUND

### Portfolio Highlights

On September 30, 2006, Ivy Real Estate Securities Fund had net assets totaling \$580,375,769 invested in a diversified portfolio of:

96.45%	Common Stocks
3.55%	Cash and Cash Equivalents

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2006, your Fund owned:



# The Investments of Ivy Real Estate Securities Fund

September 30, 2006

COMMON STOCKS	Shares	Value
<b>Business Equipment and Services – 3.80%</b>		
Brookfield Properties Corporation . . . . .	581,400	\$ 20,535,048
CB Richard Ellis Group, Inc., Class A* . . . . .	61,400	1,510,440
		<u>22,045,488</u>
<b>Health Care – General – 0.43%</b>		
Brookdale Senior Living, Inc. . . . .	53,600	<u>2,488,112</u>
<b>Hotels and Gaming – 2.70%</b>		
Hilton Hotels Corporation . . . . .	176,200	4,907,170
Marriott International, Inc., Class A . . . . .	69,700	2,693,208
Starwood Hotels & Resorts Worldwide, Inc. . . . .	141,600	8,098,104
		<u>15,698,482</u>
<b>Multiple Industry – 1.02%</b>		
Forest City Enterprises, Inc., Class A . . . . .	108,678	<u>5,901,215</u>
<b>Real Estate Investment Trust – 88.50%</b>		
AMB Property Corporation . . . . .	123,500	6,806,085
Acadia Realty Trust . . . . .	82,900	2,113,950
Alexandria Real Estate Equities, Inc. . . . .	71,100	6,669,180
American Campus Communities, Inc. . . . .	317,200	8,091,772
American Financial Realty Trust . . . . .	179,400	2,002,104
Apartment Investment and Management Company, Class A . . . . .	179,500	9,766,595
Archstone-Smith Trust . . . . .	375,900	20,463,996
Associated Estates Realty Corporation . . . . .	35,400	547,638
AvalonBay Communities, Inc. . . . .	136,700	16,458,680
BioMed Realty Trust, Inc. . . . .	410,312	12,448,866
Boston Properties, Inc. . . . .	158,400	16,369,056
Brandywine Realty Trust . . . . .	382,800	12,460,140
CBL & Associates Properties, Inc. . . . .	163,900	6,869,049
Camden Property Trust . . . . .	215,000	16,342,150
Colonial Properties Trust . . . . .	61,300	2,930,753
Columbia Equity Trust, Inc. . . . .	154,200	2,567,430
Corporate Office Properties Trust . . . . .	126,500	5,662,140
Cousins Properties Incorporated . . . . .	97,200	3,325,212
Developers Diversified Realty Corporation . . . . .	291,900	16,276,344
Duke Realty Corporation . . . . .	234,200	8,747,370
EastGroup Properties, Inc. . . . .	9,500	473,670
Equity Inns, Inc. . . . .	67,700	1,077,784
Equity Lifestyle Properties, Inc. . . . .	81,300	3,716,223
Equity Residential . . . . .	435,200	22,012,416
Essex Property Trust, Inc. . . . .	20,700	2,512,980
First Industrial Realty Trust, Inc. . . . .	92,800	4,083,200
First Potomac Realty Trust . . . . .	132,800	4,013,216

See Notes to Schedule of Investments on page 188.

# The Investments of Ivy Real Estate Securities Fund

September 30, 2006

COMMON STOCKS (Continued)	Shares	Value
<b>Real Estate Investment Trust (Continued)</b>		
General Growth Properties, Inc. ....	383,932	\$ 18,294,360
Healthcare Realty Trust Incorporated .....	31,300	1,202,233
Home Properties, Inc. ....	91,800	5,247,288
Host Hotels & Resorts, Inc. ....	837,947	19,214,125
Innkeepers USA Trust .....	165,700	2,699,253
Kilroy Realty Corporation .....	63,100	4,753,954
Kimco Realty Corporation .....	473,200	20,286,084
Kite Realty Group Trust .....	434,100	7,397,064
LaSalle Hotel Properties .....	65,200	2,825,768
Liberty Property Trust .....	176,700	8,444,493
Macerich Company (The) .....	130,500	9,964,980
Mack-Cali Realty Corporation .....	120,300	6,231,540
Maguire Properties, Inc. ....	251,000	10,225,740
Mid-America Apartment Communities, Inc. ....	51,700	3,165,074
Newcastle Investment Corp. ....	118,600	3,250,826
Omega Healthcare Investors, Inc. ....	103,200	1,549,032
Parkway Properties, Inc. ....	52,000	2,417,480
ProLogis .....	627,565	35,808,859
Public Storage, Inc. ....	229,000	19,691,710
Regency Centers Corporation .....	122,200	8,402,472
SL Green Realty Corp. ....	102,300	11,426,910
Simon Property Group, Inc. ....	383,800	34,779,956
Sunstone Hotel Investors, Inc. ....	260,900	7,753,948
Taubman Centers, Inc. ....	92,400	4,104,408
U-Store-It Trust .....	227,200	4,875,712
United Dominion Realty Trust, Inc. ....	408,442	12,334,948
Ventas, Inc. ....	153,400	5,912,036
Vornado Realty Trust .....	193,800	21,124,200
Weingarten Realty Investors .....	127,000	5,463,540
		<b>513,655,992</b>
<b>TOTAL COMMON STOCKS – 96.45%</b>		<b>\$559,789,289</b>
(Cost: \$409,702,742)		

SHORT-TERM SECURITIES	Principal Amount in Thousands	
<b>Finance Companies – 0.86%</b>		
PACCAR Financial Corp., 5.24%, 10–5–06 .....	\$3,000	2,998,253
Preferred Receivables Funding Corp., 5.26%, 10–19–06 .....	2,000	1,994,740
		<b>4,992,993</b>

See Notes to Schedule of Investments on page 188.

# The Investments of Ivy Real Estate Securities Fund

September 30, 2006

SHORT-TERM SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Food and Related – 0.34%</b>		
General Mills, Inc., 5.3%, 10–2–06 .....	\$2,000	<u>\$ 1,999,706</u>
<b>Forest and Paper Products – 0.62%</b>		
Sonoco Products Co., 5.4%, 10–2–06 .....	3,573	<u>3,572,464</u>
<b>Insurance – Life – 0.86%</b>		
American General Finance Corporation, 5.25%, 10–11–06 .....	5,000	<u>4,992,708</u>
<b>Retail – General Merchandise – 0.72%</b>		
Home Depot, Inc. (The), 5.36%, 10–2–06 .....	2,185	2,184,675
Target Corporation, 5.35%, 10–2–06 .....	2,000	<u>1,999,703</u> <u>4,184,378</u>
<b>TOTAL SHORT-TERM SECURITIES – 3.40%</b>		<u>\$ 19,742,249</u>
(Cost: \$19,742,249)		
<b>TOTAL INVESTMENT SECURITIES – 99.85%</b>		<u>\$579,531,538</u>
(Cost: \$429,444,991)		
<b>CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.15%</b>		<u>844,231</u>
<b>NET ASSETS – 100.00%</b>		<u>\$580,375,769</u>

## Notes to Schedule of Investments

\*No dividends were paid during the preceding 12 months.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

# Statement of Assets and Liabilities

## IVY REAL ESTATE SECURITIES FUND

September 30, 2006

(In Thousands, Except for Per Share Amounts)

### ASSETS

Investment securities – at value (cost – \$429,445) (Notes 1 and 3) . . . . .	\$579,532
Cash . . . . .	54
Receivables:	
Dividends and interest . . . . .	1,884
Fund shares sold . . . . .	1,509
Investment securities sold . . . . .	783
Prepaid and other assets . . . . .	35
Total assets . . . . .	<u>\$583,797</u>

### LIABILITIES

Payable for investment securities purchased . . . . .	2,155
Payable to Fund shareholders . . . . .	448
Accrued management fee (Note 2) . . . . .	421
Accrued shareholder servicing (Note 2) . . . . .	152
Accrued service fee (Note 2) . . . . .	124
Accrued distribution fee (Note 2) . . . . .	23
Accrued accounting services fee (Note 2) . . . . .	14
Other . . . . .	84
Total liabilities . . . . .	<u>3,421</u>
Total net assets . . . . .	<u>\$580,376</u>

### NET ASSETS

Capital paid in (shares authorized – unlimited) . . . . .	\$408,448
Accumulated undistributed income:	
Accumulated undistributed net investment income . . . . .	160
Accumulated undistributed net realized gain on investment transactions . . . . .	21,681
Net unrealized appreciation in value of investments . . . . .	150,087
Net assets applicable to outstanding units of capital . . . . .	<u>\$580,376</u>

### Net asset value per share (net assets divided by shares outstanding):

Class A . . . . .	\$24.51
Class B . . . . .	\$24.36
Class C . . . . .	\$24.42
Class Y . . . . .	\$24.52
Class R . . . . .	\$24.51

### Capital shares outstanding:

Class A . . . . .	12,525
Class B . . . . .	706
Class C . . . . .	848
Class Y . . . . .	9,598
Class R . . . . .	5

See Notes to Financial Statements.

# Statement of Operations

## IVY REAL ESTATE SECURITIES FUND

For the Six Months Ended September 30, 2006

(In Thousands)

### INVESTMENT INCOME

Income (Note 1B):	
Dividends (net of foreign withholding taxes of \$32) .....	\$ 5,567
Interest and amortization .....	262
Total income .....	<u>5,829</u>
Expenses (Note 2):	
Accounting services fee .....	73
Audit fees .....	14
Custodian fees .....	17
Distribution fee:	
Class A .....	17
Class B .....	58
Class C .....	66
Class Y .....	4
Class R .....	—*
Investment management fee .....	2,303
Legal fees .....	5
Service fee:	
Class A .....	317
Class B .....	19
Class C .....	22
Class Y .....	260
Class R .....	—*
Shareholder servicing:	
Class A .....	476
Class B .....	48
Class C .....	39
Class Y .....	160
Class R .....	—*
Other .....	137
Total expenses .....	<u>4,035</u>
Net investment income .....	<u>1,794</u>

### REALIZED AND UNREALIZED GAIN ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on investments .....	15,450
Unrealized appreciation in value of investments during the period .....	16,532
Net gain on investments .....	<u>31,982</u>
Net increase in net assets resulting from operations .....	<u>\$33,776</u>

\*Not shown due to rounding.

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY REAL ESTATE SECURITIES FUND

(In Thousands)

	For the six months ended September 30, 2006	For the fiscal year ended March 31, 2006
<b>INCREASE IN NET ASSETS</b>		
Operations:		
Net investment income .....	\$ 1,794	\$ 4,120
Realized net gain on investments .....	15,450	16,076
Unrealized appreciation .....	16,532	95,208
Net increase in net assets resulting from operations .....	33,776	115,404
Distributions to shareholders from (Note 1F):(1)		
Net investment income:		
Class A .....	(947)	(1,724)
Class B .....	(—)	(4)
Class C .....	(—)	(16)
Class Y .....	(985)	(2,078)
Class R .....	(—)*	(—)*
Realized gains on investment transactions:		
Class A .....	(—)	(7,984)
Class B .....	(—)	(494)
Class C .....	(—)	(541)
Class Y .....	(—)	(6,941)
Class R .....	(—)	(—)
	(1,932)	(19,782)
Capital share transactions (Note 5) .....	44,916	85,348
Total increase .....	76,760	180,970
<b>NET ASSETS</b>		
Beginning of period .....	503,616	322,646
End of period .....	\$580,376	\$503,616
Undistributed net investment income .....	\$ 160	\$ 298

\*Not shown due to rounding.

(1)See "Financial Highlights" on pages 192 - 196.

# Financial Highlights

## IVY REAL ESTATE SECURITIES FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the		For the	For the fiscal year		
	six months	fiscal year ended		fiscal period	ended July 31,		
	ended	March 31,		ended	2003	2002	2001
	9-30-06	2006	2005	3-31-04			
Net asset value,							
beginning of period . . . . .	\$23.11	\$18.13	\$16.99	\$13.42	\$11.93	\$11.67	\$11.23
Income from investment							
operations:							
Net investment income . . . . .	0.06	0.15	0.15 <sup>(1)</sup>	0.62	0.48	0.32	0.51
Net realized and unrealized							
gain on investments . . . . .	1.42	5.81	1.93 <sup>(1)</sup>	3.38	1.72	1.01	0.47
Total from investment							
operations . . . . .	1.48	5.96	2.08	4.00	2.20	1.33	0.98
Less distributions from:							
Net investment income . . . . .	(0.08)	(0.18)	(0.25)	(0.24)	(0.48)	(0.28)	(0.54)
Capital gains . . . . .	(0.00)	(0.80)	(0.69)	(0.19)	(0.23)	(0.79)	(0.00)
Total distributions . . . . .	(0.08)	(0.98)	(0.94)	(0.43)	(0.71)	(1.07)	(0.54)
Net asset value,							
end of period . . . . .	\$24.51	\$23.11	\$18.13	\$16.99	\$13.42	\$11.93	\$11.67
Total return <sup>(2)</sup> . . . . .	6.42%	33.53%	12.09%	29.78%	19.65%	12.31%	9.10%
Net assets, end of period							
(in millions) . . . . .	\$307	\$256	\$155	\$44	\$60	\$32	\$17
Ratio of expenses to average							
net assets including							
voluntary expense waiver . . . . .	1.61% <sup>(3)</sup>	1.64%	1.67%	1.48% <sup>(3)(4)</sup>	1.46%	1.50%	1.50%
Ratio of net investment							
income to average net							
assets including voluntary							
expense waiver . . . . .	0.65% <sup>(3)</sup>	0.91%	0.95%	4.35% <sup>(3)(4)</sup>	2.95%	2.83%	4.29%
Ratio of expenses to average							
net assets excluding							
voluntary expense waiver . . . . .	1.61% <sup>(3)(5)</sup>	1.64% <sup>(5)</sup>	1.67% <sup>(5)</sup>	1.49% <sup>(3)(4)</sup>	1.46% <sup>(5)</sup>	1.69%	1.99%
Ratio of net investment income							
to average net assets							
excluding voluntary							
expense waiver . . . . .	0.65% <sup>(3)(5)</sup>	0.91% <sup>(5)</sup>	0.95% <sup>(5)</sup>	4.34% <sup>(3)(4)</sup>	2.95% <sup>(5)</sup>	2.64%	3.81%
Portfolio turnover rate . . . . .	21%	35%	48%	35%	48%	101%	173%

(1)Based on average weekly shares outstanding.

(2)Total return calculated without taking into account the sales load deducted on an initial purchase.

(3)Annualized.

(4)In connection with the reorganization plan effected December 8, 2003, Class B and Class C shares of the predecessor Advantus Fund were exchanged into Class A shares at the time of the merger. The ratios shown above reflect a blended rate that includes the effect of income and expenses for those Class B and Class C shares from August 1, 2003 up to the time of merger. Actual expenses that applied to Class A shareholders were lower than shown above.

(5)There was no waiver of expenses during the period.

See Notes to Financial Statements.



# Financial Highlights

## IVY REAL ESTATE SECURITIES FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-06	For the fiscal year ended March 31,		For the period from 12-8-03 <sup>(1)</sup> to 3-31-04
		2006	2005	
Net asset value, beginning of period . . . . .	\$23.00	\$18.08	\$16.97	\$ 15.18
Income (loss) from investment operations:				
Net investment income (loss) . . . . .	(0.04)	0.01	(0.07) <sup>(2)</sup>	0.07
Net realized and unrealized gain on investments . . . . .	1.40	5.72	1.95 <sup>(2)</sup>	2.08
Total from investment operations . . . . .	1.36	5.73	1.88	2.15
Less distributions from:				
Net investment income . . . . .	(0.00)	(0.01)	(0.08)	(0.17)
Capital gains . . . . .	(0.00)	(0.80)	(0.69)	(0.19)
Total distributions . . . . .	(0.00)	(0.81)	(0.77)	(0.36)
Net asset value, end of period . . . . .	\$24.36	\$23.00	\$18.08	\$16.97
Total return . . . . .	5.91%	32.19%	10.91%	14.46%
Net assets, end of period (in millions) . . . . .	\$17	\$15	\$10	\$2
Ratio of expenses to average net assets . . . . .	2.64% <sup>(3)</sup>	2.66%	2.73%	3.02% <sup>(3)</sup>
Ratio of net investment income (loss) to average net assets . . . . .	-0.34% <sup>(3)</sup>	0.01%	-0.24%	-5.40% <sup>(3)</sup>
Portfolio turnover rate . . . . .	21%	35%	48%	35% <sup>(4)</sup>

(1) Commencement of operations of the class.

(2) Based on average weekly shares outstanding.

(3) Annualized.

(4) For the eight months ended March 31, 2004.

See Notes to Financial Statements.

# Financial Highlights

## IVY REAL ESTATE SECURITIES FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the fiscal year		For the
	six months	ended March 31,		period from
	ended	2006	2005	12-8-03 <sup>(1)</sup>
	9-30-06			to
				3-31-04
Net asset value,				
beginning of period . . . . .	\$23.04	\$18.10	\$16.99	\$15.18
Income (loss) from				
investment operations:				
Net investment income (loss) . . . . .	(0.03)	0.03	0.12	0.08
Net realized and unrealized				
gain on investments . . . . .	1.41	5.73	1.82	2.09
Total from investment operations . . . . .	1.38	5.76	1.94	2.17
Less distributions from:				
Net investment income . . . . .	(0.00)	(0.02)	(0.14)	(0.17)
Capital gains . . . . .	(0.00)	(0.80)	(0.69)	(0.19)
Total distributions . . . . .	(0.00)	(0.82)	(0.83)	(0.36)
Net asset value, end of period . . . . .	\$24.42	\$23.04	\$18.10	\$16.99
Total return . . . . .	5.99%	32.38%	11.21%	14.59%
Net assets, end of period				
(in millions) . . . . .	\$21	\$17	\$10	\$2
Ratio of expenses to				
average net assets . . . . .	2.46% <sup>(2)</sup>	2.46%	2.49%	2.82% <sup>(2)</sup>
Ratio of net investment income				
(loss) to average net assets . . . . .	-0.22% <sup>(2)</sup>	0.15%	0.14%	-4.46% <sup>(2)</sup>
Portfolio turnover rate . . . . .	21%	35%	48%	35% <sup>(3)</sup>

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the eight months ended March 31, 2004.

See Notes to Financial Statements.

# Financial Highlights

## IVY REAL ESTATE SECURITIES FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the fiscal year		For the
	six months	ended March 31,		period from
	ended	2006	2005	12-8-03 <sup>(1)</sup>
	9-30-06			to
				3-31-04
Net asset value,				
beginning of period . . . . .	\$23.12	\$18.14	\$16.99	\$15.18
Income from investment operations:				
Net investment income . . . . .	0.11	0.27	0.26 <sup>(2)</sup>	0.04
Net realized and unrealized				
gain on investments. . . . .	1.40	5.75	1.87 <sup>(2)</sup>	2.15
Total from investment operations . . . . .	1.51	6.02	2.13	2.19
Less distributions from:				
Net investment income . . . . .	(0.11)	(0.24)	(0.29)	(0.19)
Capital gains . . . . .	(0.00)	(0.80)	(0.69)	(0.19)
Total distributions . . . . .	(0.11)	(1.04)	(0.98)	(0.38)
Net asset value, end of period . . . . .	\$24.52	\$23.12	\$18.14	\$16.99
Total return . . . . .	6.54%	33.86%	12.40%	14.78%
Net assets, end of period				
(in millions) . . . . .	\$235	\$216	\$148	\$91
Ratio of expenses to				
average net assets . . . . .	1.38% <sup>(3)</sup>	1.39%	1.44%	1.60% <sup>(3)</sup>
Ratio of net investment income				
to average net assets . . . . .	0.91% <sup>(3)</sup>	1.27%	1.59%	0.14% <sup>(3)</sup>
Portfolio turnover rate . . . . .	21%	35%	48%	35% <sup>(4)</sup>

(1) Commencement of operations of the class.

(2) Based on average weekly shares outstanding.

(3) Annualized.

(4) For the eight months ended March 31, 2004.

See Notes to Financial Statements.

# Financial Highlights

## IVY REAL ESTATE SECURITIES FUND

Class R Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended <b>9-30-06</b>	For the period from 12-29-05 <sup>(1)</sup> to <b>3-31-06</b>
Net asset value, beginning of period	\$23.11	\$20.55
Income (loss) from investment operations:		
Net investment income (loss)	0.08	(0.20)
Net realized and unrealized gain on investments	1.39	2.79
Total from investment operations	1.47	2.59
Less distributions from:		
Net investment income	(0.07)	(0.03)
Capital gains	(0.00)	(0.00)
Total distributions	(0.07)	(0.03)
Net asset value, end of period	<u>\$24.51</u>	<u>\$23.11</u>
Total return	6.41%	12.59%
Net assets, end of period (in thousands)	\$120	\$113
Ratio of expenses to average net assets	1.69% <sup>(2)</sup>	1.73% <sup>(2)</sup>
Ratio of net investment income (loss) to average net assets	0.65% <sup>(2)</sup>	-3.64% <sup>(2)</sup>
Portfolio turnover rate	21%	35% <sup>(3)</sup>

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the fiscal year ended March 31, 2006.

See Notes to Financial Statements.

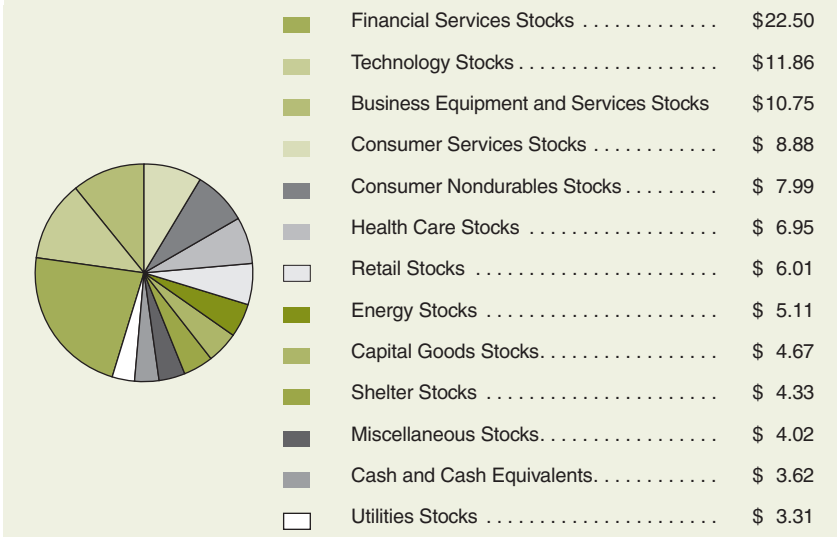
## SHAREHOLDER SUMMARY OF IVY SMALL CAP VALUE FUND

### Portfolio Highlights

On September 30, 2006, Ivy Small Cap Value Fund had net assets totaling \$127,164,909 invested in a diversified portfolio of:

96.38%	Common Stocks
3.62%	Cash and Cash Equivalents

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2006, your Fund owned:



# The Investments of Ivy Small Cap Value Fund

September 30, 2006

COMMON STOCKS	Shares	Value
<b>Aircraft – 1.67%</b>		
K&F Industries Holdings, Inc. ....	40,300	\$ 756,834
Orbital Sciences Corporation .....	72,900	1,368,333
		<u>2,125,167</u>
<b>Apparel – 1.10%</b>		
Phillips-Van Heusen Corporation .....	33,535	<u>1,400,757</u>
<b>Banks – 9.10%</b>		
Boston Private Financial Holdings, Inc. ....	63,700	1,775,638
Cathay General Bancorp .....	30,700	1,107,502
Central Pacific Financial Corp. ....	32,800	1,199,824
First Midwest Bancorp, Inc. ....	52,400	1,987,008
First Niagara Financial Group, Inc. ....	110,900	1,618,586
Taylor Capital Group, Inc. ....	34,700	1,025,559
Umpqua Holdings Corporation .....	54,774	1,565,989
Wintrust Financial Corporation .....	25,700	1,287,699
		<u>11,567,805</u>
<b>Broadcasting – 0.51%</b>		
Outdoor Channel Holdings, Inc. ....	59,500	<u>646,467</u>
<b>Business Equipment and Services – 7.70%</b>		
Brink's Company (The) .....	55,000	2,918,300
CACI International Inc .....	19,100	1,050,691
Education Realty Trust, Inc. ....	72,900	1,076,004
PRA International .....	32,791	875,520
Sunterra Corporation .....	17,765	201,366
Waste Connections, Inc. ....	49,500	1,876,545
Watson Wyatt & Company Holdings, Inc., Class A .....	43,800	1,792,296
		<u>9,790,722</u>
<b>Capital Equipment – 1.33%</b>		
CARBO Ceramics Inc. ....	11,290	406,779
Goodman Global, Inc. ....	30,500	407,175
Warnaco Group, Inc. (The) .....	45,100	870,881
		<u>1,684,835</u>
<b>Communications Equipment – 3.45%</b>		
Dycom Industries, Inc. ....	46,800	1,006,200
Emulex Corporation .....	38,700	703,179
LoJack Corporation .....	35,387	692,877
Polycom, Inc. ....	81,100	1,988,166
		<u>4,390,422</u>

See Notes to Schedule of Investments on page 202.

# The Investments of Ivy Small Cap Value Fund

September 30, 2006

COMMON STOCKS (Continued)	Shares	Value
<b>Computers – Peripherals – 4.52%</b>		
Electronics for Imaging, Inc. ....	73,500	\$ 1,680,210
Imation Corp. ....	38,500	1,545,775
Lawson Software, Inc. ....	103,200	747,168
TIBCO Software Inc. ....	197,100	1,767,987
		<u>5,741,140</u>
<b>Construction Materials – 0.96%</b>		
Texas Industries, Inc. ....	23,500	<u>1,223,410</u>
<b>Containers – 3.34%</b>		
AptarGroup, Inc. ....	25,000	1,272,000
Jarden Corporation ....	55,050	1,814,998
Silgan Holdings Inc. ....	31,000	1,164,050
		<u>4,251,048</u>
<b>Cosmetics and Toiletries – 0.62%</b>		
Bare Escentuals, Inc. ....	2,400	64,980
Nu Skin Enterprises, Inc., Class A ....	41,700	730,584
		<u>795,564</u>
<b>Electronic Components – 1.75%</b>		
PMC-Sierra, Inc. ....	148,800	884,616
Trident Microsystems, Inc. ....	30,800	716,562
Varian Semiconductor Equipment Associates, Inc. ....	17,100	627,314
		<u>2,228,492</u>
<b>Electronic Instruments – 0.47%</b>		
Progressive Gaming International Corporation ....	72,700	<u>595,413</u>
<b>Finance Companies – 2.54%</b>		
Hanover Insurance Group, Inc. (The) ....	53,500	2,387,705
Jackson Hewitt Tax Service Inc. ....	28,200	846,282
		<u>3,233,987</u>
<b>Food and Related – 2.98%</b>		
Hain Celestial Group, Inc. (The) ....	81,300	2,080,467
Pilgrim's Pride Corporation ....	30,800	842,380
Ralcorp Holdings, Inc. ....	17,900	863,317
		<u>3,786,164</u>
<b>Health Care – Drugs – 0.81%</b>		
Axcan Pharma Inc. ....	75,782	<u>1,032,909</u>
<b>Health Care – General – 5.17%</b>		
DJO Incorporated ....	84,797	3,521,619
Hologic, Inc. ....	18,500	804,935
PolyMedica Corporation ....	21,700	928,543
Radiation Therapy Services, Inc. ....	45,293	1,323,688
		<u>6,578,785</u>

See Notes to Schedule of Investments on page 202.

# The Investments of Ivy Small Cap Value Fund

September 30, 2006

COMMON STOCKS (Continued)	Shares	Value
<b>Hospital Supply and Management – 0.97%</b>		
Magellan Health Services, Inc. ....	28,900	<u>\$ 1,230,417</u>
<b>Hotels and Gaming – 4.91%</b>		
Gaylord Entertainment Company .....	28,100	1,232,185
Orient-Express Hotels Ltd. ....	44,200	1,652,196
Pinnacle Entertainment, Inc. ....	48,700	1,369,444
Shuffle Master, Inc. ....	24,700	666,777
Vail Resorts, Inc. ....	32,900	1,316,658
		<u>6,237,260</u>
<b>Insurance – Property and Casualty – 4.17%</b>		
Aspen Insurance Holdings Limited .....	85,200	2,200,716
Endurance Specialty Holdings Ltd. ....	33,659	1,186,816
Platinum Underwriters Holdings, Ltd. ....	62,300	1,920,709
		<u>5,308,241</u>
<b>Leisure Time Industry – 1.52%</b>		
Marvel Entertainment, Inc. ....	62,000	1,496,680
RC2 Corporation .....	13,066	438,560
		<u>1,935,240</u>
<b>Motion Pictures – 1.16%</b>		
Regal Entertainment Group .....	74,500	<u>1,476,590</u>
<b>Motor Vehicle Parts – 2.95%</b>		
Copart, Inc. ....	44,600	1,257,051
Directed Electronics, Inc. ....	83,897	1,267,264
Tenneco Automotive Inc. ....	52,700	1,232,653
		<u>3,756,968</u>
<b>Non-Residential Construction – 2.38%</b>		
Washington Group International, Inc. ....	51,300	<u>3,020,288</u>
<b>Petroleum – Domestic – 2.09%</b>		
Comstock Resources, Inc. ....	47,100	1,278,765
Goodrich Petroleum Corporation .....	45,676	1,375,761
		<u>2,654,526</u>
<b>Petroleum – Services – 3.02%</b>		
Hercules Offshore, Inc. ....	33,783	1,048,793
Hornbeck Offshore Services, Inc. ....	26,000	871,000
Oceaneering International, Inc. ....	35,000	1,078,000
Universal Compression Holdings, Inc. ....	15,700	839,165
		<u>3,836,958</u>
<b>Publishing – 0.78%</b>		
Scholastic Corporation .....	31,700	<u>986,663</u>

See Notes to Schedule of Investments on page 202.



# The Investments of Ivy Small Cap Value Fund

September 30, 2006

COMMON STOCKS (Continued)	Shares	Value
<b>Real Estate Investment Trust – 4.33%</b>		
BioMed Realty Trust, Inc. ....	41,500	\$ 1,259,110
Corporate Office Properties Trust .....	35,600	1,593,456
Innkeepers USA Trust .....	72,000	1,172,880
Strategic Hotels & Resorts, Inc. ....	74,300	1,477,084
		<u>5,502,530</u>
<b>Restaurants – 1.31%</b>		
Landry's Restaurants, Inc. ....	55,024	<u>1,658,974</u>
<b>Retail – General Merchandise – 1.03%</b>		
Saks Incorporated .....	75,700	<u>1,308,096</u>
<b>Retail – Specialty Stores – 3.67%</b>		
Big 5 Sporting Goods Corporation .....	34,000	774,180
Finish Line, Inc. (The), Class A .....	48,800	615,368
Genesco Inc. ....	18,500	637,695
Guitar Center, Inc. ....	16,900	754,669
Talbots, Inc. (The) .....	69,327	1,889,161
		<u>4,671,073</u>
<b>Savings and Loans – 1.64%</b>		
Sterling Financial Corporation .....	38,548	1,249,533
WSFS Financial Corporation .....	13,492	838,865
		<u>2,088,398</u>
<b>Security and Commodity Brokers – 5.05%</b>		
GFI Group Inc. ....	25,300	1,397,952
National Financial Partners Corp. ....	34,703	1,423,864
Piper Jaffray Companies .....	59,400	3,600,828
		<u>6,422,644</u>
<b>Timesharing and Software – 3.05%</b>		
Hyperion Solutions Corporation .....	37,600	1,297,200
Per-Se Technologies, Inc. ....	77,400	1,765,107
TradeStation Group, Inc. ....	54,600	821,457
		<u>3,883,764</u>
<b>Trucking and Shipping – 1.02%</b>		
Kirby Corporation .....	41,500	<u>1,300,195</u>

See Notes to Schedule of Investments on page 202.

# The Investments of Ivy Small Cap Value Fund

September 30, 2006

COMMON STOCKS (Continued)	Shares	Value
<b>Utilities – Electric – 3.31%</b>		
Black Hills Corporation .....	33,100	\$ 1,112,491
El Paso Electric Company .....	7,980	178,273
ITC Holdings Corp. ....	18,500	577,200
PNM Resources, Inc. ....	42,900	1,182,753
Pike Electric Corporation .....	77,400	1,153,260
		<u>4,203,977</u>
<b>TOTAL COMMON STOCKS – 96.38%</b>		<b>\$122,555,889</b>
(Cost: \$115,670,359)		
	<b>Principal Amount in Thousands</b>	
<b>SHORT-TERM SECURITIES</b>		
<b>Forest and Paper Products – 1.56%</b>		
Sonoco Products Co., 5.4%, 10–2–06 .....	\$1,988	<u>1,987,702</u>
<b>Retail – General Merchandise – 3.19%</b>		
Home Depot, Inc. (The), 5.36%, 10–2–06 .....	4,060	<u>4,059,395</u>
<b>TOTAL SHORT-TERM SECURITIES – 4.75%</b>		<b>\$ 6,047,097</b>
(Cost: \$6,047,097)		
<b>TOTAL INVESTMENT SECURITIES – 101.13%</b>		<b>\$128,602,986</b>
(Cost: \$121,717,456)		
<b>LIABILITIES, NET OF CASH AND OTHER ASSETS – (1.13%)</b>		<b>(1,438,077)</b>
<b>NET ASSETS – 100.00%</b>		<b>\$127,164,909</b>

## Notes to Schedule of Investments

\*No dividends were paid during the preceding 12 months.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

# Statement of Assets and Liabilities

## IVY SMALL CAP VALUE FUND

September 30, 2006

(In Thousands, Except for Per Share Amounts)

### ASSETS

Investment securities – at value (cost – \$121,717) (Notes 1 and 3) . . . . .	\$128,603
Receivables:	
Investment securities sold . . . . .	1,782
Fund shares sold . . . . .	294
Dividends and interest . . . . .	95
Prepaid and other assets . . . . .	20
Total assets . . . . .	<u>130,794</u>

### LIABILITIES

Payable for investment securities purchased . . . . .	3,057
Payable to Fund shareholders . . . . .	322
Accrued management fee (Note 2) . . . . .	88
Accrued shareholder servicing (Note 2) . . . . .	62
Accrued service fee (Note 2) . . . . .	31
Due to custodian . . . . .	17
Accrued distribution fee (Note 2) . . . . .	10
Accrued accounting services fee (Note 2) . . . . .	5
Other . . . . .	37
Total liabilities . . . . .	<u>3,629</u>
Total net assets . . . . .	<u>\$127,165</u>

### NET ASSETS

Capital paid in (shares authorized – unlimited) . . . . .	\$109,779
Accumulated undistributed income (loss):	
Accumulated undistributed net investment loss . . . . .	(392)
Accumulated undistributed net realized gain on investment transactions . . . . .	10,892
Net unrealized appreciation in value of investments . . . . .	6,886
Net assets applicable to outstanding units of capital . . . . .	<u>\$127,165</u>
Net asset value per share (net assets divided by shares outstanding):	
Class A . . . . .	\$15.91
Class B . . . . .	\$15.32
Class C . . . . .	\$15.49
Class Y . . . . .	\$16.07
Capital shares outstanding:	
Class A . . . . .	5,611
Class B . . . . .	457
Class C . . . . .	667
Class Y . . . . .	1,279

See Notes to Financial Statements.

# Statement of Operations

## IVY SMALL CAP VALUE FUND

For the Six Months Ended September 30, 2006

(In Thousands)

### INVESTMENT LOSS

Income (Note 1B):	
Dividends . . . . .	\$ 648
Interest and amortization . . . . .	114
Total income . . . . .	<u>762</u>
Expenses (Note 2):	
Accounting services fee . . . . .	32
Audit fees . . . . .	12
Custodian fees . . . . .	8
Distribution fee:	
Class A . . . . .	6
Class B . . . . .	26
Class C . . . . .	37
Class Y . . . . .	1
Investment management fee . . . . .	526
Legal fees . . . . .	1
Service fee:	
Class A . . . . .	101
Class B . . . . .	9
Class C . . . . .	12
Class Y . . . . .	26
Shareholder servicing:	
Class A . . . . .	217
Class B . . . . .	28
Class C . . . . .	26
Class Y . . . . .	16
Other . . . . .	60
Total expenses . . . . .	<u>1,144</u>
Net investment loss . . . . .	<u>(382)</u>

### REALIZED AND UNREALIZED GAIN (LOSS)

#### ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on investments . . . . .	6,587
Unrealized depreciation in value of investments during the period . . . . .	<u>(8,710)</u>
Net loss on investments . . . . .	<u>(2,123)</u>
Net decrease in net assets resulting from operations . . . . .	<u><u>\$(2,505)</u></u>

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY SMALL CAP VALUE FUND

(In Thousands)

	For the six months ended September 30, 2006	For the fiscal year ended March 31, 2006
<b>INCREASE IN NET ASSETS</b>		
Operations:		
Net investment loss . . . . .	\$ (382)	\$ (911)
Realized net gain on investments . . . . .	6,587	15,553
Unrealized appreciation (depreciation) . . . . .	(8,710)	3,388
Net increase (decrease) in net assets resulting from operations . . . . .	(2,505)	18,030
Distributions to shareholders from (Note 1F):(1)		
Net investment income:		
Class A . . . . .	(—)	(—)
Class B . . . . .	(—)	(—)
Class C . . . . .	(—)	(—)
Class Y . . . . .	(—)	(—)
Realized gains on investment transactions:		
Class A . . . . .	(—)	(13,964)
Class B . . . . .	(—)	(1,186)
Class C . . . . .	(—)	(1,589)
Class Y . . . . .	(—)	(4,122)
	(—)	(20,861)
Capital share transactions (Note 5) . . . . .	2,570	26,322
Total increase . . . . .	65	23,491
<b>NET ASSETS</b>		
Beginning of period . . . . .	127,100	103,609
End of period . . . . .	<u>\$127,165</u>	<u>\$127,100</u>
Undistributed net investment loss . . . . .	<u>\$ (392)</u>	<u>\$ (10)</u>

(1) See "Financial Highlights" on pages 206 - 209.

# Financial Highlights

## IVY SMALL CAP VALUE FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the		For the	For the fiscal year		
	six months	fiscal year ended		fiscal period	ended July 31,		
	ended	March 31,		ended	2003	2002	2001
	9-30-06	2006	2005	3-31-04			
Net asset value, beginning of period . . . . .	\$16.24	\$16.88	\$16.68	\$13.02	\$12.25	\$15.05	\$11.47
Income (loss) from investment operations:							
Net investment loss . . . . .	(0.04)	(0.11)	(0.13)	(0.08)	(0.09)	(0.08)	(0.06)
Net realized and unrealized gain (loss) on investments . . . . .	(0.29)	2.62	1.52	3.76	1.74	(1.84)	4.04
Total from investment operations . . . . .	(0.33)	2.51	1.39	3.68	1.65	(1.92)	3.98
Less distributions from:							
Net investment income . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)*	(0.00)	(0.00)
Capital gains . . . . .	(0.00)	(3.15)	(1.19)	(0.02)	(0.88)	(0.88)	(0.40)
Total distributions . . . . .	(0.00)	(3.15)	(1.19)	(0.02)	(0.88)	(0.88)	(0.40)
Net asset value, end of period . . . . .	\$15.91	\$16.24	\$16.88	\$16.68	\$13.02	\$12.25	\$15.05
Total return <sup>(1)</sup> . . . . .	-2.03%	16.44%	8.23%	28.29%	14.91%	-13.27%	35.18%
Net assets, end of period (in millions) . . . . .	\$89	\$86	\$66	\$65	\$59	\$53	\$55
Ratio of expenses to average net assets including voluntary expense waiver . . . . .	1.79% <sup>(2)</sup>	1.80%	1.76%	1.65% <sup>(2)(3)</sup>	1.53%	1.27%	1.40%
Ratio of net investment loss to average net assets including voluntary expense waiver . . . . .	-0.56% <sup>(2)</sup>	-0.76%	-0.79%	-0.76% <sup>(2)(3)</sup>	-0.82%	-0.57%	-0.56%
Ratio of expenses to average net assets excluding voluntary expense waiver . . . . .	1.79% <sup>(2)(4)</sup>	1.80% <sup>(4)</sup>	1.76% <sup>(4)</sup>	1.65% <sup>(2,3,4)</sup>	1.53% <sup>(4)</sup>	1.37%	1.51%
Ratio of net investment loss to average net assets excluding voluntary expense waiver . . . . .	-0.56% <sup>(2)(4)</sup>	-0.76% <sup>(4)</sup>	-0.79% <sup>(4)</sup>	-0.76% <sup>(2,3,4)</sup>	-0.82% <sup>(4)</sup>	-0.67%	-0.67%
Portfolio turnover rate . . . . .	66%	157%	124%	27%	54%	37%	38%

\*Not shown due to rounding.

(1) Total return calculated without taking into account the sales load deducted on an initial purchase.

(2) Annualized.

(3) In connection with the reorganization plan effected December 8, 2003, Class B and Class C shares of the predecessor Advantus Fund were exchanged into Class A shares at the time of the merger. The ratios shown above reflect a blended rate that includes the effect of income and expenses for those Class B and Class C shares from August 1, 2003 up to the time of the merger. Actual expenses that applied to Class A shareholders were lower than shown above.

(4) There was no waiver of expenses during the period.

See Notes to Financial Statements.

# Financial Highlights

## IVY SMALL CAP VALUE FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-06	For the fiscal year ended March 31,		For the period from 12-8-03 <sup>(1)</sup> to 3-31-04
		2006	2005	
Net asset value, beginning of period . . . . .	\$15.72	\$16.59	\$16.61	\$15.27
Income (loss) from investment operations:				
Net investment loss . . . . .	(0.12)	(0.25)	(0.23)	(0.05)
Net realized and unrealized gain (loss) on investments . . . . .	(0.28)	2.53	1.40	1.41
Total from investment operations . . . . .	(0.40)	2.28	1.17	1.36
Less distributions from:				
Net investment income . . . . .	(0.00)	(0.00)	(0.00)	(0.00)
Capital gains . . . . .	(0.00)	(3.15)	(1.19)	(0.02)
Total distributions . . . . .	(0.00)	(3.15)	(1.19)	(0.02)
Net asset value, end of period . . . . .	\$15.32	\$15.72	\$16.59	\$16.61
Total return . . . . .	-2.55%	15.28%	6.92%	8.93%
Net assets, end of period (in millions) . . . . .	\$7	\$7	\$5	\$1
Ratio of expenses to average net assets . . . . .	2.89% <sup>(2)</sup>	2.84%	3.02%	3.79% <sup>(2)</sup>
Ratio of net investment loss to average net assets . . . . .	-1.66% <sup>(2)</sup>	-1.80%	-1.88%	-2.93% <sup>(2)</sup>
Portfolio turnover rate . . . . .	66%	157%	124%	27% <sup>(3)</sup>

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the eight months ended March 31, 2004.

# Financial Highlights

## IVY SMALL CAP VALUE FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the fiscal year		For the
	six months ended 9-30-06	ended March 31, 2006      2005		period from 12-8-03 <sup>(1)</sup> to 3-31-04
Net asset value, beginning of period . . . . .	\$15.87	\$16.67	\$16.63	\$15.27
Income (loss) from investment operations:				
Net investment loss . . . . .	(0.09)	(0.21)	(0.19)	(0.05)
Net realized and unrealized gain (loss) on investments . . . . .	(0.29)	2.56	1.42	1.43
Total from investment operations . . . . .	(0.38)	2.35	1.23	1.38
Less distributions from:				
Net investment income . . . . .	(0.00)	(0.00)	(0.00)	(0.00)
Capital gains . . . . .	(0.00)	(3.15)	(1.19)	(0.02)
Total distributions . . . . .	(0.00)	(3.15)	(1.19)	(0.02)
Net asset value, end of period . . . . .	\$15.49	\$15.87	\$16.67	\$16.63
Total return . . . . .	-2.39%	15.64%	7.28%	9.06%
Net assets, end of period (in millions) . . . . .	\$10	\$10	\$8	\$2
Ratio of expenses to average net assets . . . . .	2.57% <sup>(2)</sup>	2.54%	2.65%	2.83% <sup>(2)</sup>
Ratio of net investment loss to average net assets . . . . .	-1.34% <sup>(2)</sup>	-1.50%	-1.53%	-2.00% <sup>(2)</sup>
Portfolio turnover rate . . . . .	66%	157%	124%	27% <sup>(3)</sup>

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the eight months ended March 31, 2004.

See Notes to Financial Statements.



# Financial Highlights

## IVY SMALL CAP VALUE FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the fiscal year		For the
	six months	ended March 31,		period from
	ended	2006	2005	12-8-03 <sup>(1)</sup>
	9-30-06			to
				3-31-04
Net asset value,				
beginning of period . . . . .	\$16.36	\$16.92	\$16.68	\$15.27
Income (loss) from				
investment operations:				
Net investment income (loss) . . . . .	0.00	(0.06)	(0.10)	(0.04)
Net realized and				
unrealized gain				
(loss) on investments. . . . .	(0.29)	2.65	1.53	1.47
Total from investment operations . . . . .	(0.29)	2.59	1.43	1.43
Less distributions from:				
Net investment income . . . . .	(0.00)	(0.00)	(0.00)	(0.00)
Capital gains . . . . .	(0.00)	(3.15)	(1.19)	(0.02)
Total distributions . . . . .	(0.00)	(3.15)	(1.19)	(0.02)
Net asset value, end of period . . . . .	\$16.07	\$16.36	\$16.92	\$16.68
Total return . . . . .	-1.77%	16.88%	8.48%	9.38%
Net assets, end of period				
(in millions) . . . . .	\$21	\$24	\$25	\$25
Ratio of expenses to				
average net assets . . . . .	1.41% <sup>(2)</sup>	1.41%	1.53%	1.60% <sup>(2)</sup>
Ratio of net investment loss				
to average net assets . . . . .	-0.17% <sup>(2)</sup>	-0.37%	-0.56%	-0.82% <sup>(2)</sup>
Portfolio turnover rate. . . . .	66%	157%	124%	27% <sup>(3)</sup>

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the eight months ended March 31, 2004.

See Notes to Financial Statements.

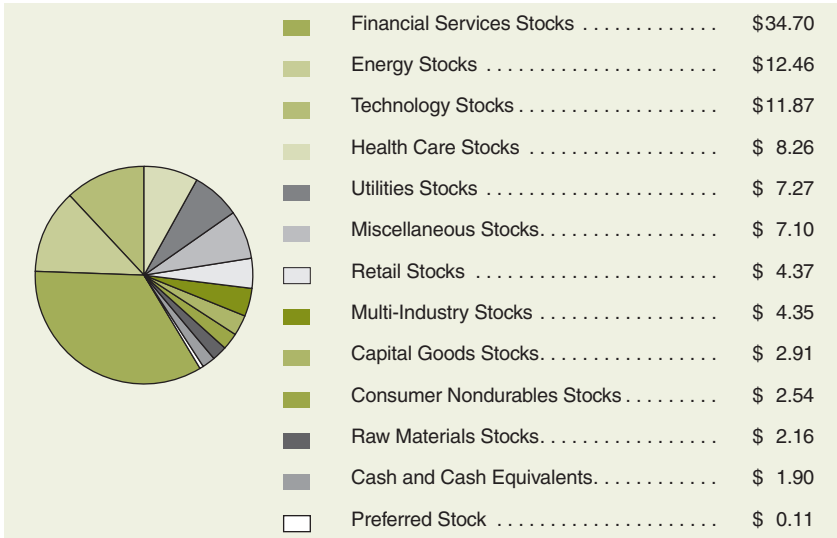
## SHAREHOLDER SUMMARY OF IVY VALUE FUND

### Portfolio Highlights

On September 30, 2006, Ivy Value Fund had net assets totaling \$85,354,795 invested in a diversified portfolio of:

97.99%	Common Stocks
1.90%	Cash and Cash Equivalents
0.11%	Preferred Stock

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2006, your Fund owned:



# The Investments of Ivy Value Fund

September 30, 2006

COMMON STOCKS	Shares	Value
<b>Aircraft – 2.60%</b>		
Lockheed Martin Corporation (A) . . . . .	9,600	\$ 826,176
Raytheon Company . . . . .	29,100	1,397,091
		<u>2,223,267</u>
<b>Banks – 11.64%</b>		
Bank of America Corporation . . . . .	80,856	4,331,456
Citigroup Inc. . . . .	47,113	2,340,103
National City Corporation . . . . .	29,800	1,090,680
Wachovia Corporation . . . . .	20,950	1,169,010
Wells Fargo & Company . . . . .	27,800	1,005,804
		<u>9,937,053</u>
<b>Beverages – 1.17%</b>		
Diageo plc, ADR . . . . .	14,050	<u>998,112</u>
<b>Business Equipment and Services – 1.49%</b>		
Realogy Businesses of Cendant Corporation* . . . . .	16,950	384,426
Waste Management, Inc. (A) . . . . .	24,200	887,656
		<u>1,272,082</u>
<b>Capital Equipment – 0.94%</b>		
Illinois Tool Works Inc. . . . .	17,880	<u>802,812</u>
<b>Chemicals – Petroleum and Inorganic – 0.98%</b>		
E.I. du Pont de Nemours and Company . . . . .	19,450	<u>833,238</u>
<b>Chemicals – Specialty – 0.68%</b>		
Air Products and Chemicals, Inc. . . . .	8,800	<u>584,056</u>
<b>Communications Equipment – 1.26%</b>		
Cisco Systems, Inc. (A)* . . . . .	31,300	719,430
Nokia Corporation, Series A, ADR . . . . .	17,900	352,451
		<u>1,071,881</u>
<b>Computers – Main and Mini – 5.13%</b>		
Hewlett-Packard Company (A) . . . . .	97,300	3,569,937
Xerox Corporation* . . . . .	52,200	812,232
		<u>4,382,169</u>
<b>Computers – Peripherals – 0.91%</b>		
Adobe Systems Incorporated (A)* . . . . .	20,800	<u>779,272</u>
<b>Defense – 1.48%</b>		
General Dynamics Corporation (A) . . . . .	17,600	<u>1,261,392</u>

See Notes to Schedule of Investments on page 215.

# The Investments of Ivy Value Fund

September 30, 2006

COMMON STOCKS (Continued)	Shares	Value
<b>Electronic Components – 0.49%</b>		
Motorola, Inc. ....	16,800	<u>\$ 420,000</u>
<b>Finance Companies – 5.52%</b>		
Capital One Financial Corporation.....	18,000	1,415,880
Fannie Mae.....	28,500	1,593,435
Freddie Mac.....	25,700	1,704,681
		<u>4,713,996</u>
<b>Food and Related – 1.37%</b>		
General Mills, Inc. ....	20,700	<u>1,171,620</u>
<b>Furniture and Furnishings – 0.73%</b>		
Masco Corporation.....	22,800	<u>625,176</u>
<b>Health Care – Drugs – 4.12%</b>		
AmerisourceBergen Corporation.....	11,300	510,760
McKesson Corporation.....	25,400	1,339,088
Pfizer Inc. ....	58,800	1,667,568
		<u>3,517,416</u>
<b>Health Care – General – 1.93%</b>		
Boston Scientific Corporation (A)*.....	47,700	705,483
Da Vita Inc. (A)*.....	16,200	937,494
		<u>1,642,977</u>
<b>Hospital Supply and Management – 2.21%</b>		
Aetna Inc. ....	26,000	1,028,300
Coventry Health Care, Inc.*.....	16,700	860,384
		<u>1,888,684</u>
<b>Hotels and Gaming – 0.44%</b>		
Wyndham Worldwide businesses of Cendant Corporation*.....	13,560	<u>379,273</u>
<b>Insurance – Life – 3.71%</b>		
UnumProvident Corporation.....	163,100	<u>3,162,509</u>
<b>Insurance – Property and Casualty – 5.50%</b>		
Assurant, Inc. ....	17,000	907,970
Everest Re Group, Ltd. (A).....	11,900	1,160,607
MBIA Inc. ....	7,700	473,088
St. Paul Companies, Inc. (The).....	45,952	2,154,689
		<u>4,696,354</u>
<b>Leisure Time Industry – 0.15%</b>		
Avis Budget Group, Inc. ....	6,780	<u>124,006</u>

See Notes to Schedule of Investments on page 215.

# The Investments of Ivy Value Fund

September 30, 2006

COMMON STOCKS (Continued)	Shares	Value
<b>Metal Fabrication – 1.97%</b>		
Loews Corporation, Carolina Group (A) .....	30,300	<u>\$ 1,678,317</u>
<b>Motion Pictures – 0.64%</b>		
News Corporation Limited, Class A (A) .....	27,600	<u>542,340</u>
<b>Motor Vehicle Parts – 0.89%</b>		
American Axle & Manufacturing Holdings, Inc. (A) .....	45,700	<u>762,733</u>
<b>Multiple Industry – 4.35%</b>		
Altria Group, Inc. ....	30,600	2,342,430
Genworth Financial, Inc. ....	18,000	630,180
Mirant Corporation* .....	27,000	737,370
		<u>3,709,980</u>
<b>Petroleum – International – 12.06%</b>		
Anadarko Petroleum Corporation .....	22,400	981,792
ChevronTexaco Corporation .....	41,600	2,698,176
ConocoPhillips .....	15,800	940,574
Devon Energy Corporation .....	18,200	1,149,330
Exxon Mobil Corporation (A) .....	67,406	4,522,943
		<u>10,292,815</u>
<b>Petroleum – Services – 0.40%</b>		
Halliburton Company .....	11,900	<u>338,555</u>
<b>Railroad – 1.74%</b>		
Union Pacific Corporation .....	16,900	<u>1,487,200</u>
<b>Real Estate Investment Trust – 1.02%</b>		
Duke Realty Corporation .....	23,400	<u>873,990</u>
<b>Restaurants – 1.76%</b>		
McDonald's Corporation .....	38,400	<u>1,502,208</u>
<b>Retail – General Merchandise – 2.61%</b>		
Dollar General Corporation .....	52,750	718,982
Family Dollar Stores, Inc. ....	30,600	894,744
J. C. Penney Company, Inc. (A) .....	9,000	615,510
		<u>2,229,236</u>
<b>Security and Commodity Brokers – 8.33%</b>		
Bear Stearns Companies Inc. (The) .....	7,100	994,710
CIT Group Inc. ....	20,000	972,600
J.P. Morgan Chase & Co. ....	71,302	3,348,342
Morgan Stanley .....	24,600	1,793,586
		<u>7,109,238</u>

See Notes to Schedule of Investments on page 215.

# The Investments of Ivy Value Fund

September 30, 2006

COMMON STOCKS (Continued)	Shares	Value
<b>Steel – 0.50%</b>		
Mittal Steel Company N.V. ....	12,200	\$ <u>423,828</u>
<b>Utilities – Electric – 4.11%</b>		
Energy East Corporation .....	52,100	1,235,812
Exelon Corporation .....	8,800	532,752
NRG Energy, Inc.* .....	18,300	828,990
PPL Corporation.....	27,700	911,330
		<u>3,508,884</u>
<b>Utilities – Telephone – 3.16%</b>		
AT&T Inc. ....	52,400	1,706,144
Verizon Communications Inc. ....	26,600	987,658
		<u>2,693,802</u>
<b>TOTAL COMMON STOCKS – 97.99%</b>		<b>\$83,640,471</b>
(Cost: \$71,449,090)		
<b>PREFERRED STOCK – 0.11%</b>		
<b>Finance Companies</b>		
Federal National Mortgage Association, 5.375% Convertible. ....	1	\$ <u>96,273</u>
(Cost: \$100,000)		
	<b>Principal Amount in Thousands</b>	
<b>SHORT-TERM SECURITY – 2.01%</b>		
<b>Aluminum</b>		
Alcoa Incorporated, 5.4%, 10–2–06 .....	\$1,715	\$ <u>1,714,743</u>
(Cost: \$1,714,743)		
<b>TOTAL INVESTMENT SECURITIES – 100.11%</b>		<b>\$85,451,487</b>
(Cost: \$73,263,833)		
<b>LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.11%)</b>		<b>(96,692)</b>
<b>NET ASSETS –100.00 %</b>		<b>\$85,354,795</b>

See Notes to Schedule of Investments on page 215.

# The Investments of Ivy Value Fund

September 30, 2006

## Notes to Schedule of Investments

Certain acronyms may be used within the body of the Fund's holdings. The definitions of these acronyms are as follows: ADR – American Depositary Receipts; CMO – Collateralized Mortgage Obligation; GDR – Global Depositary Receipts and REMIC – Real Estate Mortgage Investment Conduit.

\*No dividends were paid during the preceding 12 months.

(A) Securities serve as cover for the following written options outstanding at September 30, 2006. (See Note 6 to financial statements):

Underlying Security	Contracts Subject to Call	Expiration Month/ Exercise Price	Premium Received	Market Value
Adobe Systems Incorporated	208	November/42.5	\$ 8,632	\$ 5,720
Boston Scientific Corporation	159	October/19	3,975	155
Boston Scientific Corporation	159	November/19	8,014	496
Boston Scientific Corporation	159	December/19	6,201	1,397
Cisco Systems, Inc.	152	October/22.5	5,188	12,160
General Dynamics Corporation	30	November/72.5	3,840	5,100
Hewlett-Packard Company	171	November/40	7,951	10,260
J. C. Penney Company, Inc.	135	November/73	10,003	15,991
Lockheed Martin Corporation	23	November/90	2,369	2,921
News Corporation Limited, Class A	105	October/20	4,095	1,575
Waste Management, Inc.	58	October/37.5	2,552	2,320
			<u>\$62,820</u>	<u>\$58,095</u>

Underlying Security	Contracts Subject to Put	Expiration Month/ Exercise Price	Premium Received	Market Value
American Axle & Manufacturing Holdings, Inc.	245	October/12.5	\$11,759	\$ 1,225
American Axle & Manufacturing Holdings, Inc.	215	November/12.5	6,074	5,375
American Axle & Manufacturing Holdings, Inc.	215	November/15	19,597	15,050
Da Vita Inc.	53	October/45	2,332	398
Everest Re Group, Ltd.	44	October/85	4,488	110
J. C. Penney Company, Inc.	38	November/55	2,394	760
Loews Corporation, Carolina Group	36	October/55	3,230	3,240
			<u>\$49,874</u>	<u>\$26,158</u>

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

# Statement of Assets and Liabilities

## IVY VALUE FUND

September 30, 2006

(In Thousands, Except for Per Share Amounts)

### ASSETS

Investment securities – at value (cost – \$73,264) (Notes 1 and 3) . . . . .	\$85,451
Receivables:	
Fund shares sold . . . . .	548
Dividends and interest . . . . .	84
Investment securities sold . . . . .	50
Prepaid and other assets . . . . .	18
Total assets . . . . .	<u>86,151</u>

### LIABILITIES

Payable for investment securities purchased . . . . .	441
Payable to Fund shareholders . . . . .	91
Outstanding written options – at value (premium received – \$113) (Note 6) . . . . .	84
Accrued management fee (Note 2) . . . . .	48
Due to custodian . . . . .	36
Accrued service fee (Note 2) . . . . .	35
Accrued shareholder servicing (Note 2) . . . . .	31
Accrued accounting services fee (Note 2) . . . . .	4
Accrued distribution fee (Note 2) . . . . .	4
Other . . . . .	22
Total liabilities . . . . .	<u>796</u>
Total net assets . . . . .	<u>\$85,355</u>

### NET ASSETS

Capital paid in (shares authorized – unlimited) . . . . .	\$72,051
Accumulated undistributed income:	
Accumulated undistributed net investment income . . . . .	33
Accumulated undistributed net realized gain on investment transactions . . . . .	1,055
Net unrealized appreciation in value of investments . . . . .	12,216
Net assets applicable to outstanding units of capital . . . . .	<u>\$85,355</u>
Net asset value per share (net assets divided by shares outstanding):	
Class A . . . . .	\$17.83
Class B . . . . .	\$17.66
Class C . . . . .	\$17.71
Class Y . . . . .	\$17.83
Capital shares outstanding:	
Class A . . . . .	3,562
Class B . . . . .	290
Class C . . . . .	245
Class Y . . . . .	694

See Notes to Financial Statements.



# Statement of Operations

## IVY VALUE FUND

For the Six Months Ended September 30, 2006

(In Thousands)

### INVESTMENT INCOME

Income (Note 1B):	
Dividends (net of foreign withholding taxes of \$1) . . . . .	\$ 831
Interest and amortization . . . . .	57
Total income . . . . .	<u>888</u>
Expenses (Note 2):	
Accounting services fee . . . . .	23
Audit fees . . . . .	12
Custodian fees . . . . .	7
Distribution fee:	
Class A . . . . .	3
Class B . . . . .	18
Class C . . . . .	15
Class Y . . . . .	—*
Investment management fee . . . . .	282
Legal fees . . . . .	1
Service fee:	
Class A . . . . .	72
Class B . . . . .	6
Class C . . . . .	5
Class Y . . . . .	15
Shareholder servicing:	
Class A . . . . .	107
Class B . . . . .	14
Class C . . . . .	10
Class Y . . . . .	9
Other . . . . .	38
Total expenses . . . . .	<u>637</u>
Net investment income . . . . .	<u>251</u>

### REALIZED AND UNREALIZED GAIN ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on securities . . . . .	647
Realized net gain on written options . . . . .	104
Realized net gain on investments . . . . .	<u>751</u>
Unrealized appreciation in value of securities during the period . . . . .	2,268
Unrealized appreciation in value of written options during the period . . . . .	25
Unrealized appreciation in value of investments during the period . . . . .	<u>2,293</u>
Net gain on investments . . . . .	<u>3,044</u>
Net increase in net assets resulting from operations . . . . .	<u>\$3,295</u>

\*Not shown due to rounding.

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY VALUE FUND

(In Thousands)

	For the six months ended September 30, 2006	For the fiscal year ended March 31, 2006
<b>INCREASE IN NET ASSETS</b>		
Operations:		
Net investment income . . . . .	\$ 251	\$ 464
Realized net gain on investments . . . . .	751	4,588
Unrealized appreciation. . . . .	2,293	708
Net increase in net assets resulting from operations. . . . .	<u>3,295</u>	<u>5,760</u>
Distributions to shareholders from (Note 1F):(1)		
Net investment income:		
Class A. . . . .	(191)	(341)
Class B. . . . .	(—)	(1)
Class C. . . . .	(—)	(2)
Class Y. . . . .	(49)	(160)
Realized gains on investment transactions:		
Class A. . . . .	(—)	(—)
Class B. . . . .	(—)	(—)
Class C. . . . .	(—)	(—)
Class Y. . . . .	(—)	(—)
	<u>(240)</u>	<u>(504)</u>
Capital share transactions (Note 5) . . . . .	2,882	7,758
Total increase . . . . .	<u>5,937</u>	<u>13,014</u>
<b>NET ASSETS</b>		
Beginning of period. . . . .	79,418	66,404
End of period. . . . .	<u>\$85,355</u>	<u>\$79,418</u>
Undistributed net investment income . . . . .	<u>\$ 33</u>	<u>\$ 22</u>

(1)See "Financial Highlights" on pages 219 - 222.

# Financial Highlights

## IVY VALUE FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six	For the		For the	For the	For the	For the
	months	fiscal year ended		fiscal period	fiscal year	period from	fiscal year
	ended	March 31,		ended	ended	10-1-01 to	ended
	9-30-06	2006	2005	3-31-04	7-31-03	7-31-02	9-30-01
Net asset value, beginning of period . . .	\$17.17	\$16.04	\$14.54	\$12.54	\$11.81	\$12.59	\$15.08
Income (loss) from investment operations:							
Net investment income . . .	0.06	0.10	0.15	0.08	0.12	0.08	0.09
Net realized and unrealized gain (loss) on investments . . . . .	0.66	1.14	1.48	1.98	0.72	(0.78)	(2.50)
Total from investment operations . . . . .	0.72	1.24	1.63	2.06	0.84	(0.70)	(2.41)
Less distributions from:							
Net investment income . . .	(0.06)	(0.11)	(0.13)	(0.06)	(0.11)	(0.08)	(0.08)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.06)	(0.11)	(0.13)	(0.06)	(0.11)	(0.08)	(0.08)
Net asset value, end of period . . . . .	\$17.83	\$17.17	\$16.04	\$14.54	\$12.54	\$11.81	\$12.59
Total return <sup>(1)</sup> . . . . .	4.18%	7.75%	11.21%	16.32%	7.23%	-5.72%	-15.97%
Net assets, end of period (in millions) . . . . .	\$64	\$58	\$41	\$52	\$64	\$58	\$66
Ratio of expenses to average net assets including expense waiver . . . . .	1.51% <sup>(2)</sup>	1.53%	1.47%	1.45% <sup>(2)(3)</sup>	1.29%	1.24% <sup>(2)</sup>	1.24%
Ratio of net investment income to average net assets including expense waiver . . . . .	0.69% <sup>(2)</sup>	0.65%	0.92%	0.61% <sup>(2)(3)</sup>	1.05%	0.70% <sup>(2)</sup>	0.61%
Ratio of expenses to average net assets excluding expense waiver . . . . .	1.51% <sup>(2)(4)</sup>	1.53% <sup>(4)</sup>	1.47% <sup>(4)</sup>	1.52% <sup>(2)(3)</sup>	1.50%	1.41% <sup>(2)</sup>	1.39%
Ratio of net investment income to average net assets excluding expense waiver . . . . .	0.69% <sup>(2)(4)</sup>	0.65% <sup>(4)</sup>	0.92% <sup>(4)</sup>	0.53% <sup>(2)(3)</sup>	0.84%	0.53% <sup>(2)</sup>	0.46%
Portfolio turnover rate . . . . .	41%	63%	81%	86%	123%	95%	148%

(1) Total return calculated without taking into account the sales load deducted on an initial purchase.

(2) Annualized.

(3) In connection with the reorganization plan effected December 8, 2003, Class B and Class C shares of the predecessor Advantus Fund were exchanged into Class A shares at the time of the merger. The ratios shown above reflect a blended rate that includes the effect of income and expenses for those Class B and Class C shares from August 1, 2003 up to the time of the merger. Actual expenses that applied to Class A shareholders were lower than shown above.

(4) There was no waiver of expenses during the period.

See Notes to Financial Statements.

# Financial Highlights

## IVY VALUE FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the		For the
	six months	fiscal year ended		period from
	ended	March 31,		12-8-03 <sup>(1)</sup>
	9-30-06	2006	2005	to
				3-31-04
Net asset value,				
beginning of period . . . . .	\$17.04	\$15.97	\$14.50	\$13.63
Income (loss) from				
investment operations:				
Net investment income (loss) . . . . .	(0.02)	(0.04)	0.03	0.01
Net realized and unrealized				
gain on investments . . . . .	0.64	1.12	1.44	0.90
Total from investment operations . . . . .	0.62	1.08	1.47	0.91
Less distributions from:				
Net investment income . . . . .	(0.00)	(0.01)	(0.00)	(0.04)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.01)	(0.00)	(0.04)
Net asset value, end of period . . . . .	\$17.66	\$17.04	\$15.97	\$14.50
Total return . . . . .	3.64%	6.73%	10.14%	6.65%
Net assets, end of period				
(in millions) . . . . .	\$5	\$5	\$2	\$1
Ratio of expenses to				
average net assets . . . . .	2.49% <sup>(2)</sup>	2.50%	2.53%	3.12% <sup>(2)</sup>
Ratio of net investment				
income (loss) to				
average net assets . . . . .	-0.28% <sup>(2)</sup>	-0.33%	0.07%	-1.29% <sup>(2)</sup>
Portfolio turnover rate . . . . .	41%	63%	81%	86% <sup>(3)</sup>

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the eight months ended March 31, 2004.

See Notes to Financial Statements.

# Financial Highlights

## IVY VALUE FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the		For the
	six months	fiscal year ended		period from
	ended	March 31,		12-8-03 <sup>(1)</sup>
	9-30-06	2006	2005	to
				3-31-04
Net asset value,				
beginning of period . . . . .	\$17.08	\$16.00	\$14.51	\$13.63
Income (loss) from				
investment operations:				
Net investment income (loss) . . . . .	(0.01)	(0.04)	0.03	0.02
Net realized and unrealized				
gain on investments . . . . .	0.64	1.13	1.46	0.90
Total from investment operations . . . . .	0.63	1.09	1.49	0.92
Less distributions from:				
Net investment income . . . . .	(0.00)	(0.01)	(0.00)	(0.04)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.01)	(0.00)	(0.04)
Net asset value, end of period . . . . .	\$17.71	\$17.08	\$16.00	\$14.51
Total return . . . . .	3.69%	6.80%	10.27%	6.73%
Net assets, end of period				
(in millions) . . . . .	\$4	\$4	\$3	\$1
Ratio of expenses to				
average net assets . . . . .	2.40% <sup>(2)</sup>	2.41%	2.42%	2.90% <sup>(2)</sup>
Ratio of net investment				
income (loss) to				
average net assets . . . . .	-0.19% <sup>(2)</sup>	-0.23%	0.15%	-1.18% <sup>(2)</sup>
Portfolio turnover rate . . . . .	41%	63%	81%	86% <sup>(3)</sup>

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the eight months ended March 31, 2004.

See Notes to Financial Statements.

# Financial Highlights

## IVY VALUE FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the	For the		For the
	six months	fiscal year ended		period from
	ended	March 31,		12-8-03 <sup>(1)</sup>
	9-30-06	2006	2005	to
				3-31-04
Net asset value,				
beginning of period . . . . .	\$17.18	\$16.05	\$14.54	\$13.63
Income from investment operations:				
Net investment income . . . . .	0.08	0.13	0.17	0.01
Net realized and unrealized				
gain on investments. . . . .	0.64	1.15	1.49	0.95
Total from investment operations . . . . .	0.72	1.28	1.66	0.96
Less distributions from:				
Net investment income . . . . .	(0.07)	(0.15)	(0.15)	(0.05)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.07)	(0.15)	(0.15)	(0.05)
Net asset value, end of period . . . . .	<u>\$17.83</u>	<u>\$17.18</u>	<u>\$16.05</u>	<u>\$14.54</u>
Total return . . . . .	4.28%	7.99%	11.44%	7.05%
Net assets, end of period				
(in millions) . . . . .	\$12	\$12	\$20	\$22
Ratio of expenses to				
average net assets . . . . .	1.28% <sup>(2)</sup>	1.31%	1.34%	1.48% <sup>(2)</sup>
Ratio of net investment				
income to average				
net assets . . . . .	0.92% <sup>(2)</sup>	0.89%	1.09%	0.35% <sup>(2)</sup>
Portfolio turnover rate . . . . .	41%	63%	81%	86% <sup>(3)</sup>

(1)Commencement of operations of the class.

(2)Annualized.

(3)For the eight months ended March 31, 2004.

See Notes to Financial Statements.

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# Notes To Financial Statements

September 30, 2006

## NOTE 1 – Significant Accounting Policies

Ivy Funds (formerly Ivy Fund) (the Trust) is organized as a Massachusetts business trust under a Declaration of Trust dated December 21, 1983 and is registered under the Investment Company Act of 1940 as a diversified, open-end management investment company. The Trust issues fourteen series of capital shares; each series represents ownership of a separate mutual fund (Fund). The assets belonging to each Fund are held separately by the custodian. The capital shares of each Fund represent a pro rata beneficial interest in the principal, net income and realized and unrealized capital gains or losses of its respective investments and other assets. The following is a summary of significant accounting policies consistently followed by the Trust in the preparation of its financial statements. The policies are in conformity with accounting principles generally accepted in the United States of America.

- A. Security valuation** – Each stock and convertible bond is valued at the latest sale price thereof on each business day of the fiscal period as reported by the principal securities exchange on which the issue is traded or, if no sale is reported for a stock, the average of the latest bid and asked prices. Bonds, other than convertible bonds, are valued using a pricing system provided by a pricing service or dealer in bonds. Convertible bonds are valued using this pricing system only on days when there is no sale reported. Stocks which are traded over-the-counter are priced using the Nasdaq Stock Market, which provides information on bid and asked prices quoted by major dealers in such stocks. Restricted securities and securities for which quotations are not readily available or are deemed not to be reliable because of significant events or circumstances identified between the closing of their principal markets and the closing of the New York Stock Exchange are valued at fair value as determined in good faith under procedures established by and under the general supervision of the Trust's Board of Trustees. Management's valuation committee makes fair value determinations for the Trust, subject to the supervision of the Board of Trustees. Short-term debt securities, purchased with less than 60 days to maturity, are valued at amortized cost, which approximates market value. Short-term debt securities denominated in foreign currencies are valued at amortized cost in that currency.
- B. Security transactions and related investment income** – Security transactions are accounted for on the trade date (date the order to buy or sell is executed). Securities gains and losses are calculated on the identified cost basis. Premium and discount on the purchase of bonds are amortized for both financial and tax reporting purposes over the remaining lives of the bonds. Dividend income is recorded on the ex-dividend date except that certain dividends from foreign securities are recorded as soon as the Fund is informed of the ex-dividend date. Interest income is recorded on the accrual basis. See Note 3 – Investment Securities Transactions.
- C. Foreign currency translations** – All assets and liabilities denominated in foreign currencies are translated into United States dollars daily. Purchases and sales of investment securities and accruals of income and expenses are translated at the rate of exchange prevailing on the date of the transaction. For assets and liabilities other than investments in securities, net realized and unrealized gains and losses from foreign currency translation arise from changes in currency exchange rates. The Trust combines fluctuations from currency exchange rates and fluctuations in market value when computing net realized and unrealized gain or loss from investments.

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- D. Forward foreign currency exchange contracts** – A forward foreign currency exchange contract (Forward Contract) is an obligation to purchase or sell a specific currency at a future date at a fixed price. Forward Contracts are marked-to-market daily at the applicable translation rates and the resulting unrealized gains or losses are reflected in the Trust's financial statements. Gains or losses are realized by the Trust at the time the Forward Contract is extinguished. Contracts may be extinguished either by entry into a closing transaction or by delivery of the currency. Risks may arise from the possibility that the other party will not complete the obligations of the contract and from unanticipated movements in the value of the foreign currency relative to the United States dollar. The Trust uses Forward Contracts to attempt to reduce the overall risk of its investments.
- E. Federal income taxes** – It is the Trust's policy to distribute all of its taxable income and capital gains to its shareholders and otherwise qualify as a regulated investment company under Subchapter M of the Internal Revenue Code. In addition, the Trust intends to pay distributions as required to avoid imposition of excise tax. Accordingly, provision has not been made for Federal income taxes. See Note 4 – Federal Income Tax Matters.
- F. Dividends and distributions** – Dividends and distributions to shareholders are recorded by each Fund on the business day following record date. Net investment income dividends and capital gains distributions are determined in accordance with income tax regulations which may differ from accounting principles generally accepted in the United States of America. These differences are due to differing treatments for items such as deferral of wash sales and post-October losses, foreign currency transactions, net operating losses and expiring capital loss carryovers.
- G. Repurchase agreements** – Repurchase agreements are collateralized by the value of the resold securities which, during the entire period of the agreement, remains at least equal to the value of the loan, including accrued interest thereon. The collateral for the repurchase agreement is held by the custodian bank.
- H. Recently issued accounting standards** – In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 prescribes the minimum recognition threshold a tax position must meet in connection with accounting for uncertainties in income tax positions taken or expected to be taken by an entity, including mutual funds, in a tax return before being measured and recognized in the financial statements. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Trust will adopt FIN 48 during 2007 and its potential impact on each Fund's financial statements, if any, is currently being assessed by management. In September 2006, FASB issued Statement on Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value for purposes of financial statement presentation, establishes a hierarchy for measuring fair value in generally accepted accounting principles and expands financial statement disclosures about fair value measurements that are relevant to mutual funds. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The Trust will adopt SFAS No. 157 during 2008 and its potential impact, if any, on each Fund's financial statements is currently being assessed by management.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.



## NOTE 2 – Investment Management And Payments To Affiliated Persons

Ivy Investment Management Company (IICO), a wholly owned subsidiary of Waddell & Reed Financial, Inc. (WDR), serves as the investment manager for each Fund. Prior to March 8, 2005, IICO was known as Waddell & Reed Ivy Investment Company. IICO provides advice and supervises investments for which services it is paid a fee. The fee is payable by each Fund at the following annual rates:

<b>Fund</b>	<b>Net Asset Breakpoints</b>	<b>Annual Rate</b>
Ivy Balanced Fund	Up to \$1 Billion	0.70%
	Over \$1 Billion up to \$2 Billion	0.65%
	Over \$2 Billion up to \$3 Billion	0.60%
	Over \$3 Billion	0.55%
Ivy Bond Fund	Up to \$500 Million	0.525%
	Over \$500 Million and up to \$1 Billion	0.50%
	Over \$1 Billion and up to \$1.5 Billion	0.45%
	Over \$1.5 Billion	0.40%
Ivy Cundill Global Value Fund	Up to \$500 Million	1.00%
	Over \$500 Million and up to \$1 Billion	0.85%
	Over \$1 Billion and up to \$2 Billion	0.83%
	Over \$2 Billion and up to \$3 Billion	0.80%
	Over \$3 Billion	0.76%
Ivy Dividend Income Fund	Up to \$1 Billion	0.70%
	Over \$1 Billion up to \$2 Billion	0.65%
	Over \$2 Billion up to \$3 Billion	0.60%
	Over \$3 Billion	0.55%
Ivy European Opportunities Fund	Up to \$250 Million	1.00%
	Over \$250 Million up to \$500 Million	0.85%
	Over \$500 Million	0.75%
Ivy Global Natural Resources Fund	Up to \$500 Million	1.00%
	Over \$500 Million and up to \$1 Billion	0.85%
	Over \$1 Billion and up to \$2 Billion	0.83%
	Over \$2 Billion and up to \$3 Billion	0.80%
	Over \$3 Billion	0.76%
Ivy International Fund	Up to \$1 Billion	0.85%
	Over \$1 Billion up to \$2 Billion	0.83%
	Over \$2 Billion up to \$3 Billion	0.80%
	Over \$3 Billion	0.70%
Ivy International Balanced Fund	Up to \$1 Billion	0.70%
	Over \$1 Billion up to \$2 Billion	0.65%
	Over \$2 Billion up to \$3 Billion	0.60%
	Over \$3 Billion	0.55%
Ivy International Value Fund	Up to \$1 Billion	0.85%
	Over \$1 Billion and up to \$2 Billion	0.83%
	Over \$2 Billion and up to \$3 Billion	0.80%
	Over \$3 Billion	0.70%

<b>Fund (Continued)</b>	<b>Net Asset Breakpoints</b>	<b>Annual Rate</b>
Ivy Mortgage Securities Fund	Up to \$500 Million	0.50%
	Over \$500 Million and up to \$1 Billion	0.45%
	Over \$1 Billion and up to \$1.5 Billion	0.40%
	Over \$1.5 Billion	0.35%
Ivy Pacific Opportunities Fund	Up to \$500 Million	1.00%
	Over \$500 Million and up to \$1 Billion	0.85%
	Over \$1 Billion and up to \$2 Billion	0.83%
	Over \$2 Billion and up to \$3 Billion	0.80%
	Over \$3 Billion	0.76%
Ivy Real Estate Securities Fund	Up to \$1 Billion	0.90%
	Over \$1 Billion up to \$2 Billion	0.87%
	Over \$2 Billion up to \$3 Billion	0.84%
	Over \$3 Billion	0.80%
Ivy Small Cap Value Fund	Up to \$1 Billion	0.85%
	Over \$1 Billion up to \$2 Billion	0.83%
	Over \$2 Billion up to \$3 Billion	0.80%
	Over \$3 Billion	0.76%
Ivy Value Fund	Up to \$1 Billion	0.70%
	Over \$1 Billion up to \$2 Billion	0.65%
	Over \$2 Billion up to \$3 Billion	0.60%
	Over \$3 Billion	0.55%

Prior to March 27, 2006, the fee was payable by Ivy International Fund and Ivy International Value Fund at the following annual rates:

Ivy International Fund	Up to \$2 Billion	1.00%
	Over \$2 Billion and up to \$2.5 Billion	0.90%
	Over \$2.5 Billion and up to \$3 Billion	0.80%
	Over \$3 Billion	0.70%
Ivy International Value Fund	Up to \$500 Million	1.00%
	Over \$500 Million to \$1 Billion	0.85%
	Over \$1 Billion up to \$2 Billion	0.83%
	Over \$2 Billion up to \$3 Billion	0.80%
	Over \$3 Billion	0.76%

These fees are accrued daily and are paid monthly. However, IICO has voluntarily agreed to waive its management fee for Ivy Dividend Income Fund on any day that the Fund's net assets are less than \$25 million, subject to IICO's right to change or modify this waiver.

Mackenzie Financial Corporation (MFC) serves as subadvisor to Ivy Global Natural Resources under an agreement with IICO and receives a fee as follows: 0.50% of the Fund's average daily net assets up to \$500 million, 0.425% of net assets over \$500 million and up to \$1 billion, 0.415% of net assets over \$1 billion and up to \$2 billion, 0.40% of net assets over \$2 billion and up to \$3 billion, and 0.38% of net assets over \$3 billion.

Cundill Investment Research Ltd. served as subadvisor to Ivy Cundill Global Value Fund under an agreement with IICO and received a fee that is shown in the following table:

<b>Fund</b>	<b>Net Asset Breakpoints</b>	<b>Annual Rate</b>
Ivy Cundill Global Value Fund	On the first \$500 Million	0.50%
	On the next \$500 Million	0.425%
	On the next \$1 Billion	0.415%
	On the next \$1 Billion	0.40%
	On all assets exceeding \$3 Billion	0.38%

Effective September 22, 2006, MFC became the interim subadvisor to Ivy Cundill Global Value Fund. Its fee is the same as that payable to Cundill Investment Research Ltd.

Henderson Global Investors (North America) Inc. (HGINA) serves as subadvisor to Ivy European Opportunities Fund under an agreement with IICO. Henderson Investment Management Ltd., under a subadvisory agreement with HGINA, serves as subadvisor to the Fund. Prior to July 1, 2004 HGINA received a fee payable monthly at an annual rate of 0.45% of the first \$100,000,000 of net assets and 0.40% thereafter of the portion of the Fund's average daily net assets managed by HGINA.

Effective July 1, 2004, HGINA receives a fee payable monthly at an annual rate of 0.50% of average net assets.

Advantus Capital Management, Inc. serves as subadvisor to Ivy Bond Fund, Ivy Mortgage Securities Fund and Ivy Real Estate Securities Fund under an agreement with IICO and receives a fee equal to, on an annual basis, 0.27%, 0.30% and 0.55% of the respective Fund's average net assets.

BlackRock Financial Management, Inc. served as subadvisor to Ivy Small Cap Value Fund under an agreement with IICO and received a fee equal to, on an annual basis, 0.50% of the Fund's average net assets. Effective September 27, 2006, BlackRock Capital Management, Inc. became the interim subadvisor to the Fund. Its fee is the same as that payable to the predecessor.

Templeton Investment Counsel, LLC serves as subadvisor to Ivy International Balanced Fund under an agreement with IICO and receives a fee that is shown in the following table:

<b>Fund</b>	<b>Net Asset Breakpoints</b>	<b>Annual Rate</b>
Ivy International Balanced Fund	On the first \$100 Million	0.50%
	All net assets exceeding \$100 Million	0.40%

Pursuant to a Master Fund Accounting Services Agreement, IICO provides certain accounting and pricing services for each Fund. As of March 18, 2003, IICO assigned its responsibilities under the Accounting Services Agreement to Waddell & Reed Services Company (WRSCO), an indirect subsidiary of WDR. For these services, each Fund pays WRSCO a monthly fee of one-twelfth of the annual fee shown in the following table:

**Accounting Services Fee**

Average Net Asset Level (in millions)	Annual Fee Rate for Each Level
From \$ 0 to \$ 10	\$ 0
From \$ 10 to \$ 25	\$ 11,500
From \$ 25 to \$ 50	\$ 23,100
From \$ 50 to \$ 100	\$ 35,500
From \$ 100 to \$ 200	\$ 48,400
From \$ 200 to \$ 350	\$ 63,200
From \$ 350 to \$ 550	\$ 82,500
From \$ 550 to \$ 750	\$ 96,300
From \$ 750 to \$1,000	\$121,600
\$1,000 and Over	\$148,500

In addition, for each class of shares in excess of one, each Fund pays WRSCO a monthly per-class fee equal to 2.5% of the monthly accounting services base fee.

Under the Shareholder Servicing Agreement, with respect to Class A, Class B, Class C, Class I and Advisor Class shares, for each shareholder account that was in existence at any time during the prior month: Ivy Balanced Fund, Ivy Dividend Income Fund, Ivy International Balanced Fund, Ivy Real Estate Securities Fund, Ivy Small Cap Value Fund and Ivy Value Fund pay WRSCO a monthly fee of \$1.5792; Ivy Bond Fund and Ivy Mortgage Securities Fund pay WRSCO a monthly fee of \$1.6958; and Ivy Cundill Global Value Fund, Ivy European Opportunities Fund, Ivy Global Natural Resources Fund, Ivy International Fund, Ivy International Value Fund and Ivy Pacific Opportunities Fund each pay WRSCO a monthly fee of \$1.5042, except that, effective September 1, 2006, for broker-serviced accounts, each Fund pays a monthly charge of \$0.50. For Class Y shares, each Fund pays WRSCO a monthly fee at an annual rate of 0.15% of the average daily net assets of the class for the preceding month. For Class R shares, each Fund pays WRSCO a monthly fee at an annual rate of 0.20% of the average daily net assets of the class for the preceding month. Effective September 1, 2006, the Shareholder Servicing Agreement with respect to Class A, Class B and Class C shares has been revised so that each Fund pays WRSCO an annual fee (payable monthly) for each account of the Fund that is non-networked and is as shown above; however, WRSCO has agreed to reduce those fees if the number of total Fund accounts within the Waddell & Reed Fund Complex, which is comprised of the Ivy Family of Funds and the Waddell & Reed Advisors Funds, W&R Target Funds, Inc. and Waddell & Reed InvestEd Portfolios, Inc., reaches certain levels. For certain networked accounts (that is, those accounts whose Fund shares are purchased through certain financial companies who are agents of the Funds for the limited purpose of purchases and sales), WRSCO has agreed to reduce its monthly per account fees charged to the Funds to \$0.50 per account, with the Funds bearing the remainder of the costs charged by the financial services companies (which historically has averaged \$6.00 per year per account but could be \$20.00, or higher, per account). Each Fund also reimburses WRSCO for certain out-of-pocket costs for all classes. Certain broker-dealers that maintain shareholder accounts with each Fund through an omnibus account provide transfer agent and other shareholder-related services that would otherwise be provided by WRSCO if the individual accounts that comprise the omnibus account were opened by their beneficial owners directly. WRSCO pays such broker-dealers a per account fee for each open account within the omnibus account, or a fixed rate (e.g., 0.10%) fee, based on the average daily net asset value of the omnibus account (or a combination thereof).

Pursuant to an Administrative Services Agreement, IICO provides certain administrative services to each Fund. The administrative fee for each Fund is a monthly fee at the annual rate of 0.01% of each Fund's average daily net assets.

As principal underwriter for the Trust's shares, IFDI receives sales commissions (which are not an expense of the Trust) for Class A shares. A contingent deferred sales charge (CDSC) may be assessed against a shareholder's redemption amount of Class B, Class C or certain Class A shares and is paid to IFDI. During the six-month period ended September 30, 2006, IFDI received the following amounts in sales commissions and CDSC:

	Sales Commissions	CDSC		
		Class A	Class B	Class C
Ivy Balanced Fund . . . . .	\$ 54,618	\$ —	\$ 1,833	\$ 121
Ivy Bond Fund . . . . .	97,741	—	1,055	102
Ivy Cundill Global Value Fund . . . . .	1,303,508	9,934	39,848	28,371
Ivy Dividend Income Fund . . . . .	171,980	—	3,939	1,184
Ivy European Opportunities Fund . . . . .	689,127	43,292	15,274	2,346
Ivy Global Natural Resources Fund . . . . .	3,775,557	25,961	236,552	117,888
Ivy International Fund . . . . .	81,297	—	4,892	938
Ivy International Balanced Fund . . . . .	336,885	31,295	1,147	437
Ivy International Value Fund . . . . .	291,505	101	1,469	1,460
Ivy Mortgage Securities Fund . . . . .	539,602	253	20,120	3,638
Ivy Pacific Opportunities Fund . . . . .	1,065,607	66,288	8,928	3,429
Ivy Real Estate Securities Fund . . . . .	837,082	122	9,313	1,056
Ivy Small Cap Value Fund . . . . .	217,503	99	2,946	336
Ivy Value Fund . . . . .	130,638	—	797	160

With respect to Class A, Class B and Class C shares, IFDI pays sales commissions and all expenses in connection with the sale of the Trust's shares, except for registration fees and related expenses. During the six-month period ended September 30, 2006, IFDI paid the following amounts:

Ivy Balanced Fund . . . . .	\$ 47,421
Ivy Bond Fund . . . . .	90,920
Ivy Cundill Global Value Fund . . . . .	1,471,380
Ivy Dividend Income Fund . . . . .	161,776
Ivy European Opportunities Fund . . . . .	677,159
Ivy Global Natural Resources Fund . . . . .	5,729,088
Ivy International Fund . . . . .	109,078
Ivy International Balanced Fund . . . . .	354,819
Ivy International Value Fund . . . . .	378,372
Ivy Mortgage Securities Fund . . . . .	505,681
Ivy Pacific Opportunities Fund . . . . .	972,534
Ivy Real Estate Securities Fund . . . . .	769,760
Ivy Small Cap Value Fund . . . . .	201,478
Ivy Value Fund . . . . .	121,288

Under a Distribution and Service Plan for Class A shares adopted by the Trust pursuant to Rule 12b-1 under the Investment Company Act of 1940, each Fund may pay a distribution and/or service fee to IFDI in an amount not to exceed 0.25% of the Fund's average annual net assets attributable to that class. The fee is to be paid to reimburse IFDI for amounts it expends in connection with the distribution of the Class A shares and/or provision of personal services to Fund shareholders and/or maintenance of shareholder accounts.

Under a Distribution and Service Plan for Class B and Class C shares adopted by the Trust pursuant to Rule 12b-1 under the Investment Company Act of 1940, each Fund may pay IFDI a service fee in an amount not to exceed 0.25% of the Fund's average annual net assets attributable

to that class. The fee is to be paid to reimburse IFDI for amounts it expends in connection with the provision of personal services to Fund shareholders and/or maintenance of shareholder accounts.

Under the Distribution and Service Plan for Class B shares and Class C shares adopted by the Trust pursuant to Rule 12b-1 under the Investment Company Act of 1940, each Fund may pay IFDI a distribution fee not to exceed 0.75% of the Fund's average annual net assets attributable to that class to compensate IFDI for its services in connection with the distribution of shares of that class. The Class B Plan and the Class C Plan each permit IFDI to receive compensation, through the distribution fee, for its distribution activities for that class.

Under the Class Y Plan, each Fund may pay IFDI a fee of up to 0.25%, on an annual basis, of the average daily net assets attributable to that class to compensate IFDI for, either directly or through third parties, distributing the Class Y shares of that Fund, providing personal service to Class Y shareholders and/or maintenance of Class Y shareholder accounts.

Under the Class R Plan, each Fund may pay IFDI a fee of up to 0.50%, on an annual basis, of the average daily net assets attributable to that class to compensate IFDI for, either directly or through third parties, distributing the Class R shares of that Fund, providing personal service to Class R shareholders and/or maintenance of Class R shareholder accounts.

In addition, IFDI and WRSCO have voluntarily agreed to waive sufficient Fund expenses to ensure that the total annual fund operating expenses do not exceed the following levels for the specified funds/classes:

<b>Fund and Class</b>	<b>Expense Limitation (as a percentage of average net assets of each Class)</b>
Ivy Cundill Global Value Fund, Class A . . . . .	1.90%
Ivy Cundill Global Value Fund, Class C . . . . .	2.55%
Ivy Cundill Global Value Fund, Class Y . . . . .	1.20%
Ivy Global Natural Resources Fund, Class A . . . . .	1.70%
Ivy Global Natural Resources Fund, Class C . . . . .	2.40%
Ivy Global Natural Resources Fund, Class Y. . . . .	1.20%

During the six-month period ended September 30, 2006, IFDI reimbursed the Fund's service fees (in thousands) as shown:

Ivy Cundill Global Value Fund, Class Y . . . . .	\$18
Ivy Global Natural Resources Fund, Class Y. . . . .	68

The Fund paid Trustees' regular compensation of \$154,581, which is included in other expenses.

### NOTE 3 – Investment Securities Transactions

Investment securities transactions for the six-month period ended September 30, 2006 are summarized as follows:

	Ivy Balanced Fund	Ivy Bond Fund	Ivy Cundill Global Value Fund
Purchases of investment securities, excluding short-term and U.S. government securities . . . . .	\$ 12,472,933	\$ 16,156,611	\$ 143,747,646
Purchases of U.S. government securities . . . . .	—	14,268,934	—
Purchases of short-term securities . . . . .	356,209,147	245,681,700	7,275,477,680
Proceeds from maturities and sales of investment securities, excluding short-term and U.S. government securities . . . . .	17,260,309	10,528,101	97,479,359
Proceeds from maturities and sales of U.S. government securities . . . . .	538,980	15,767,788	—
Proceeds from maturities and sales of short-term securities . . . . .	357,763,514	242,144,373	7,289,693,000
	Ivy Dividend Income Fund	Ivy European Opportunities Fund	Ivy Global Natural Resources Fund
Purchases of investment securities, excluding short-term and U.S. government securities . . . . .	\$ 12,847,626	\$ 89,404,893	\$ 2,332,508,809
Purchases of U.S. government securities . . . . .	—	—	—
Purchases of short-term securities . . . . .	714,897,046	1,171,612,214	14,377,249,535
Proceeds from maturities and sales of investment securities, excluding short-term and U.S. government securities . . . . .	7,421,444	60,237,450	2,242,578,864
Proceeds from maturities and sales of U.S. government securities . . . . .	—	—	—
Proceeds from maturities and sales of short-term securities . . . . .	702,951,000	1,166,210,434	13,824,055,617

	Ivy International Fund	Ivy International Balanced Fund	Ivy International Value Fund
Purchases of investment securities, excluding short-term and U.S. government securities. . . . .	\$100,472,933	\$ 60,633,823	\$ 97,727,081
Purchases of U.S. government securities. . . . .	—	—	—
Purchases of short-term securities . . . . .	596,566,814	665,172,435	431,087,146
Proceeds from maturities and sales of investment securities, excluding short-term and U.S. government securities. . . . .	117,949,219	21,271,090	58,999,852
Proceeds from maturities and sales of U.S. government securities. . . . .	—	—	—
Proceeds from maturities and sales of short-term securities. . . . .	595,447,909	661,083,937	430,402,054
	Ivy Mortgage Securities Fund	Ivy Pacific Opportunities Fund	Ivy Real Estate Securities Fund
Purchases of investment securities, excluding short-term and U.S. government securities. . . . .	\$ 40,865,457	\$139,528,786	\$145,401,043
Purchases of U.S. government securities. . . . .	165,227,952	—	—
Purchases of short-term securities . . . . .	1,343,955,181	823,405,238	556,970,884
Proceeds from maturities and sales of investment securities, excluding short-term and U.S. government securities. . . . .	18,017,706	82,838,462	105,942,817
Proceeds from maturities and sales of U.S. government securities. . . . .	175,086,923	—	—
Proceeds from maturities and sales of short-term securities. . . . .	1,347,055,927	823,734,638	546,487,782



	Ivy Small Cap Value Fund	Ivy Value Fund
Purchases of investment securities, excluding short-term and U.S. government securities . . . . .	\$ 83,249,850	\$ 35,423,873
Purchases of U.S. government securities . . . . .	—	—
Purchases of short-term securities . . . . .	460,772,283	278,188,684
Proceeds from maturities and sales of investment securities, excluding short-term and U.S. government securities . . . . .	79,962,304	32,441,305
Proceeds from maturities and sales of U.S. government securities . . . . .	—	—
Proceeds from maturities and sales of short-term securities . . . . .	460,669,000	278,031,000

For Federal income tax purposes, cost of investments owned at September 30, 2006 and the related unrealized appreciation (depreciation) were as follows:

	Cost	Appreciation	Depreciation	Aggregate Appreciation (Depreciation)
Ivy Balanced Fund . . . . .	\$ 80,141,665	\$ 15,060,824	\$ 584,613	\$ 14,476,211
Ivy Bond Fund . . . . .	67,325,470	499,810	702,225	(202,415)
Ivy Cundill Global Value Fund . . . . .	859,566,242	134,880,862	48,157,814	86,723,048
Ivy Dividend Income Fund . . . . .	85,319,846	16,863,434	379,139	16,484,295
Ivy European Opportunities Fund . . . . .	301,850,110	76,494,839	7,935,027	68,559,812
Ivy Global Natural Resources Fund . . . . .	3,642,055,234	412,543,416	91,768,913	320,774,503
Ivy International Fund . . . . .	178,512,153	42,642,241	2,574,885	40,067,356
Ivy International Balanced Fund . . . . .	153,885,937	23,545,516	1,560,778	21,984,738
Ivy International Value Fund . . . . .	128,643,139	11,818,713	1,491,599	10,327,114
Ivy Mortgage Securities Fund . . . . .	311,398,451	1,722,616	5,708,957	(3,986,341)
Ivy Pacific Opportunities Fund . . . . .	251,549,238	45,343,820	10,454,727	34,889,093
Ivy Real Estate Securities Fund . . . . .	430,078,102	149,453,726	290	149,453,436
Ivy Small Cap Value Fund . . . . .	121,758,905	9,841,397	2,997,316	6,844,081
Ivy Value Fund . . . . .	73,411,194	13,396,580	1,356,287	12,040,293

## NOTE 4 – Federal Income Tax Matters

For Federal income tax purposes, the Funds' distributed and undistributed earnings and profit for the fiscal year ended March 31, 2006 and the related Capital Loss Carryover and post-October activity were as follows:

	Ivy Balanced Fund	Ivy Bond Fund
Net ordinary income . . . . .	\$1,023,512	\$2,232,116
Distributed ordinary income . . . . .	939,508	2,232,474
Undistributed ordinary income . . . . .	135,433*	29,458*
Realized long-term capital gains . . . . .	—	—
Distributed long-term capital gains . . . . .	—	—
Undistributed long-term capital gains . . . . .	—	—
Capital loss carryover . . . . .	—	—
Post-October losses deferred . . . . .	—	317,165

	Ivy Cundill Global Value Fund	Ivy Dividend Income Fund	Ivy European Opportunities Fund
Net ordinary income . . . . .	\$15,337,501	\$442,427	\$636,432
Distributed ordinary income . . . . .	15,451,789	426,737	636,432
Undistributed ordinary income . . . . .	114,827	39,689*	—
Realized long-term capital gains . . . . .	18,488,348	—	—
Distributed long-term capital gains . . . . .	15,650,361	138,435	—
Undistributed long-term capital gains . . . . .	3,596,793	—	—
Capital loss carryover . . . . .	—	179,769	—
Post-October losses deferred . . . . .	—	—	—

	Ivy Global Natural Resources Fund	Ivy International Fund	Ivy International Balanced Fund
Net ordinary income . . . . .	\$135,371,619	\$144,755	\$4,471,422
Distributed ordinary income . . . . .	101,176,422	144,755	3,209,232
Undistributed ordinary income . . . . .	110,003,336	—	1,520,930*
Realized long-term capital gains . . . . .	79,698,894	—	4,959,351
Distributed long-term capital gains . . . . .	34,655,535	—	3,943,335
Undistributed long-term capital gains . . . . .	49,157,944	—	2,728,786
Capital loss carryover . . . . .	—	—	—
Post-October losses deferred . . . . .	1,346,087	—	—

	Ivy International Value Fund	Ivy Mortgage Securities Fund	Ivy Pacific Opportunities Fund
Net ordinary income . . . . .	\$ —	\$11,160,756	\$5,768,344
Distributed ordinary income . . . . .	—	11,110,574	905,339
Undistributed ordinary income . . . . .	—	171,655*	4,863,005
Realized long-term capital gains . . . . .	—	—	2,307,247
Distributed long-term capital gains . . . . .	—	—	705,425
Undistributed long-term capital gains . . . . .	—	—	1,601,822
Capital loss carryover . . . . .	—	164,447	—
Post-October losses deferred . . . . .	—	664,938	97,573
	Ivy Real Estate Securities Fund	Ivy Small Cap Value Fund	Ivy Value Fund
Net ordinary income . . . . .	\$ 9,033,062	\$ 3,748,108	\$465,651
Distributed ordinary income . . . . .	9,460,563	387,240	503,885
Undistributed ordinary income . . . . .	1,908,079*	3,360,868	29,140*
Realized long-term capital gains . . . . .	11,385,412	10,517,925	475,195
Distributed long-term capital gains . . . . .	10,320,484	20,474,055	—
Undistributed long-term capital gains . . . . .	5,490,304	1,066,976	475,195
Capital loss carryover . . . . .	—	—	—
Post-October losses deferred . . . . .	266	—	—

\*This entire amount was distributed prior to September 30, 2006.

Internal Revenue Code regulations permit each Fund to defer into its next fiscal year net capital losses or net long-term capital losses and currency losses incurred between each November 1 and the end of its fiscal year (post-October losses).

Capital Loss Carryovers are available to offset future realized capital gain net income for Federal income tax purposes. The following shows the totals by year in which the capital loss carryovers will expire if not utilized.

	Ivy Balanced Fund	Ivy Bond Fund	Ivy Dividend Income Fund
March 31, 2009 . . . . .	\$ —	\$28,681	\$ —
March 31, 2010 . . . . .	3,228,915	—	—
March 31, 2014 . . . . .	—	—	179,769
Total carryover . . . . .	<u>\$3,228,915</u>	<u>\$28,681</u>	<u>\$179,769</u>

	Ivy European Opportunities Fund	Ivy Global Natural Resources Fund	Ivy International Fund
March 31, 2007 .....	\$ —	\$ 143,237	\$ —
March 31, 2008 .....	—	—	814,927
March 31, 2009 .....	—	—	111,513,617
March 31, 2010 .....	19,525,164	167,845	146,210,535
March 31, 2011 .....	12,058,021	—	47,213,802
March 31, 2012 .....	—	—	—
Total carryover .....	<u>\$31,583,185</u>	<u>\$311,082</u>	<u>\$305,752,881</u>

	Ivy International Value Fund	Ivy Mortgage Securities Fund	Ivy Pacific Opportunities Fund
March 31, 2007 .....	\$ —	\$ —	\$ 157,220
March 31, 2008 .....	—	—	157,220
March 31, 2009 .....	—	—	157,220
March 31, 2010 .....	—	—	157,220
March 31, 2011 .....	1,139,666	—	—
March 31, 2012 .....	2,150,883	—	—
March 31, 2014 .....	—	164,447	—
Total carryover .....	<u>\$3,290,549</u>	<u>\$164,447</u>	<u>\$628,880</u>

Ivy Developing Markets Fund was merged into Ivy Pacific Opportunities Fund as of June 16, 2003. At the time of the merger, Ivy Developing Markets Fund had capital loss carryovers available to offset future gains of the Ivy Pacific Opportunities Fund. These carryovers are limited to \$157,220 for each period ending from March 31, 2007 through 2010 plus any unused limitations from prior years.

Ivy International Growth Fund was merged into Ivy International Fund as of March 27, 2006 (see Note 9). At the time of the merger, Ivy International Growth Fund had capital loss carryovers available to offset future gains of the Ivy International Fund. These carryovers are limited to \$4,168,614 for the period ending March 31, 2007 and \$3,234,412 for each period ending from March 31, 2008 through 2010 plus any unused limitations from prior years and the amount of certain built-in gains realized, if any.

## Note 5 – Multiclass Operations

Each Fund within the Trust offers four classes of shares, Class A, Class B, Class C and Class Y, each of which have equal rights as to assets and voting privileges. In addition, Ivy Global Natural Resources Fund and Ivy Real Estate Securities Fund offer Class R shares, which also have equal rights as to assets and voting privileges. Ivy Cundill Global Value Fund, Ivy European Opportunities Fund, Ivy Global Natural Resources Fund, Ivy International Fund, Ivy International Value Fund and Ivy Pacific Opportunities Fund also offered Advisor Class shares and Ivy Cundill Global Value Fund and Ivy International Fund also offered Class I shares. Advisor Class and Class I shares are no longer available for investment. A comprehensive discussion of the terms under which shares of each class are offered is contained in the Prospectuses and the Statement of Additional Information for the Trust.

Income, non-class specific expenses, and realized and unrealized gains and losses are allocated daily to each class of shares based on the value of their relative net assets as of the beginning of each day adjusted for the prior day's capital share activity.

Transactions in capital stock for the six-month period ended September 30, 2006 are summarized below. Amounts are in thousands.

	Ivy Balanced Fund	Ivy Bond Fund
Shares issued from sale of shares:		
Class A .....	373	911
Class B .....	32	43
Class C .....	39	199
Class Y .....	78	3
Shares issued from reinvestment of dividends and/or capital gains distribution:		
Class A .....	19	57
Class B .....	—*	2
Class C .....	—*	3
Class Y .....	13	—*
Shares redeemed:		
Class A .....	(496)	(412)
Class B .....	(29)	(21)
Class C .....	(37)	(128)
Class Y .....	(412)	(2)
Increase (decrease) in outstanding capital shares .....	<u>(420)</u>	<u>655</u>
Value issued from sale of shares:		
Class A .....	\$ 5,692	\$ 9,367
Class B .....	480	444
Class C .....	598	2,048
Class Y .....	1,189	30
Value issued from reinvestment of dividends and/or capital gains distribution:		
Class A .....	284	585
Class B .....	1	24
Class C .....	3	33
Class Y .....	200	1
Value redeemed:		
Class A .....	(7,555)	(4,232)
Class B .....	(438)	(218)
Class C .....	(561)	(1,327)
Class Y .....	(6,261)	(17)
Increase (decrease) in outstanding capital .....	<u>\$(6,368)</u>	<u>\$ 6,738</u>

\*Not shown due to rounding

	Ivy Cundill Global Value Fund	Ivy Dividend Income Fund	Ivy European Opportunities Fund
Shares issued from sale of shares:			
Class A .....	6,773	1,588	1,840
Class B .....	367	99	96
Class C .....	2,120	206	198
Class Y .....	112	28	44
Advisor Class .....	—	NA	—
Class I .....	—	NA	NA
Shares issued from reinvestment of dividends and/or capital gains distribution:			
Class A .....	—	27	—
Class B .....	—	1	—
Class C .....	—	2	—
Class Y .....	—	—*	—
Advisor Class .....	—	NA	—
Class I .....	—	NA	NA
Shares redeemed:			
Class A .....	(5,307)	(623)	(903)
Class B .....	(417)	(34)	(167)
Class C .....	(1,160)	(86)	(201)
Class Y .....	(244)	(10)	(37)
Advisor Class .....	(10)	NA	(15)
Class I .....	(—)	NA	NA
Increase in outstanding capital shares .....	<u>2,234</u>	<u>1,198</u>	<u>855</u>
Value issued from sale of shares:			
Class A .....	\$104,460	\$23,119	\$61,822
Class B .....	5,541	1,436	3,102
Class C .....	31,964	2,974	6,492
Class Y .....	1,732	404	1,484
Advisor Class .....	—	NA	—
Class I .....	—	NA	NA
Value issued from reinvestment of dividends and/or capital gains distribution:			
Class A .....	—	396	—
Class B .....	—	10	—
Class C .....	—	27	—
Class Y .....	—	5	—
Advisor Class .....	—	NA	—
Class I .....	—	NA	NA
Value redeemed:			
Class A .....	(81,347)	(9,060)	(29,921)
Class B .....	(6,182)	(491)	(5,402)
Class C .....	(17,232)	(1,246)	(6,462)
Class Y .....	(3,713)	(147)	(1,222)
Advisor Class .....	(150)	NA	(516)
Class I .....	(—)	NA	NA
Increase in outstanding capital .....	<u>\$ 35,073</u>	<u>\$17,427</u>	<u>\$29,377</u>

\*Not shown due to rounding.

	Ivy Global Natural Resources Fund	Ivy International Fund	Ivy International Balanced Fund
Shares issued from sale of shares:			
Class A . . . . .	22,126	352	2,787
Class B . . . . .	1,346	48	147
Class C . . . . .	7,292	76	484
Class Y . . . . .	2,435	21	8
Class R . . . . .	26	NA	NA
Advisor Class . . . . .	—	—	NA
Class I . . . . .	NA	—	NA
Shares issued from reinvestment of dividends and/or capital gains distribution:			
Class A . . . . .	—	—	107
Class B . . . . .	—	—	3
Class C . . . . .	—	—	6
Class Y . . . . .	—	—	1
Class R . . . . .	—	NA	NA
Advisor Class . . . . .	—	—	NA
Class I . . . . .	NA	—	NA
Shares redeemed:			
Class A . . . . .	(11,451)	(636)	(946)
Class B . . . . .	(813)	(99)	(22)
Class C . . . . .	(3,183)	(198)	(70)
Class Y . . . . .	(660)	(83)	(7)
Class R . . . . .	(2)	NA	NA
Advisor Class . . . . .	(2)	(—)	NA
Class I . . . . .	NA	(1)	NA
Increase (decrease) in outstanding capital shares . . . . .	17,114	(520)	2,498

(Continued)	Ivy Global Natural Resources Fund	Ivy International Fund	Ivy International Balanced Fund
Value issued from sale of shares:			
Class A . . . . .	\$684,863	\$ 10,477	\$43,346
Class B . . . . .	39,588	1,326	2,271
Class C . . . . .	210,694	2,080	7,526
Class Y . . . . .	76,502	616	129
Class R . . . . .	757	NA	NA
Advisor Class . . . . .	—	—	NA
Class I . . . . .	NA	—	NA
Value issued from reinvestment of dividends and/or capital gains distribution:			
Class A . . . . .	—	—	1,625
Class B . . . . .	—	—	47
Class C . . . . .	—	—	95
Class Y . . . . .	—	—	8
Class R . . . . .	—	NA	NA
Advisor Class . . . . .	—	—	NA
Class I . . . . .	NA	—	NA
Value redeemed:			
Class A . . . . .	(349,922)	(18,643)	(14,682)
Class B . . . . .	(23,357)	(2,700)	(335)
Class C . . . . .	(89,223)	(5,403)	(1,092)
Class Y . . . . .	(19,976)	(2,392)	(104)
Class R . . . . .	(47)	NA	NA
Advisor Class . . . . .	(60)	(—)	NA
Class I . . . . .	NA	(40)	NA
Increase (decrease) in outstanding capital . . . .	<u>\$529,819</u>	<u>\$(14,679)</u>	<u>\$38,834</u>



	Ivy International Value Fund	Ivy Mortgage Securities Fund	Ivy Pacific Opportunities Fund
Shares issued from sale of shares:			
Class A	2,518	5,038	5,994
Class B	201	208	338
Class C	545	411	454
Class Y	59	337	228
Advisor Class	—	NA	—
Shares issued from reinvestment of dividends and/or capital gains distribution:			
Class A	—	512	—
Class B	—	17	—
Class C	—	31	—
Class Y	—	17	—
Advisor Class	—	NA	—
Shares redeemed:			
Class A	(535)	(4,359)	(2,153)
Class B	(280)	(198)	(134)
Class C	(99)	(505)	(183)
Class Y	(27)	(178)	(123)
Advisor Class	(—)*	NA	(—)*
Increase in outstanding capital shares	<u>2,382</u>	<u>1,331</u>	<u>4,421</u>
Value issued from sale of shares:			
Class A	\$39,822	\$52,521	\$86,598
Class B	2,964	2,169	4,529
Class C	8,055	4,284	6,164
Class Y	917	3,509	3,272
Advisor Class	—	NA	—
Value issued from reinvestment of dividends and/or capital gains distribution:			
Class A	—	5,346	—
Class B	—	181	—
Class C	—	327	—
Class Y	—	171	—
Advisor Class	—	NA	—
Value redeemed:			
Class A	(8,366)	(45,410)	(30,481)
Class B	(4,050)	(2,060)	(1,775)
Class C	(1,454)	(5,262)	(2,447)
Class Y	(425)	(1,854)	(1,770)
Advisor Class	(—)*	NA	(—)*
Increase in outstanding capital	<u>\$37,463</u>	<u>\$13,922</u>	<u>\$64,090</u>

\*Not shown due to rounding.

	Ivy Real Estate Securities Fund	Ivy Small Cap Value Fund	Ivy Value Fund
Shares issued from sale of shares:			
Class A	2,678	1,023	832
Class B	103	63	69
Class C	198	117	64
Class Y	1,060	117	40
Class R	—*	NA	NA
Shares issued from reinvestment of dividends and/or capital gains distribution:			
Class A	39	—	11
Class B	—	—	—
Class C	—	—	—
Class Y	42	—	3
Class R	—*	NA	NA
Shares redeemed:			
Class A	(1,273)	(703)	(687)
Class B	(42)	(47)	(50)
Class C	(75)	(74)	(55)
Class Y	(840)	(326)	(63)
Class R	(—)*	NA	NA
Increase in outstanding capital shares	<u>1,890</u>	<u>170</u>	<u>164</u>
Value issued from sale of shares:			
Class A	\$61,625	\$16,066	\$14,296
Class B	2,343	962	1,166
Class C	4,573	1,797	1,083
Class Y	24,701	1,871	690
Class R	—*	NA	NA
Value issued from reinvestment of dividends and/or capital gains distribution:			
Class A	912	—	189
Class B	—	—	—
Class C	—	—	—
Class Y	984	—	49
Class R	—*	NA	NA
Value redeemed:			
Class A	(28,914)	(11,018)	(11,733)
Class B	(956)	(717)	(836)
Class C	(1,707)	(1,145)	(936)
Class Y	(18,645)	(5,246)	(1,086)
Class R	(—)*	NA	NA
Increase in outstanding capital	<u>\$44,916</u>	<u>\$ 2,570</u>	<u>\$ 2,882</u>

\*Not shown due to rounding.

Transactions in capital stock for the fiscal year ended March 31, 2006 are summarized below. Amounts are in thousands.

	Ivy Balanced Fund	Ivy Bond Fund
Shares issued from sale of shares:		
Class A .....	699	1,197
Class B .....	61	104
Class C .....	93	154
Class Y .....	268	2
Shares issued from reinvestment of dividends and/or capital gains distribution:		
Class A .....	33	84
Class B .....	—*	3
Class C .....	—*	3
Class Y .....	29	—*
Shares redeemed:		
Class A .....	(836)	(586)
Class B .....	(37)	(36)
Class C .....	(26)	(40)
Class Y .....	(960)	(4)
Increase (decrease) in outstanding capital shares .....	<u>(676)</u>	<u>881</u>
Value issued from sale of shares:		
Class A .....	\$10,172	\$12,586
Class B .....	873	1,089
Class C .....	1,351	1,620
Class Y .....	3,925	24
Value issued from reinvestment of dividends and/or capital gains distribution:		
Class A .....	493	885
Class B .....	1	30
Class C .....	1	33
Class Y .....	423	1
Value redeemed:		
Class A .....	(12,215)	(6,143)
Class B .....	(531)	(378)
Class C .....	(386)	(424)
Class Y .....	(13,920)	(39)
Increase (decrease) in outstanding capital .....	<u>\$ (9,813)</u>	<u>\$ 9,284</u>

\*Not shown due to rounding

	Ivy Cundill Global Value Fund	Ivy Dividend Income Fund	Ivy European Opportunities Fund
Shares issued from sale of shares:			
Class A .....	20,739	2,368	3,307
Class B .....	1,345	173	262
Class C .....	7,470	352	406
Class Y .....	775	25	67
Advisor Class .....	—*	NA	—
Class I .....	—	NA	NA
Shares issued from reinvestment of dividends and/or capital gains distribution:			
Class A .....	1,449	34	45
Class B .....	113	1	—
Class C .....	419	3	—
Class Y .....	45	1	1
Advisor Class .....	9	NA	1
Class I .....	—*	NA	NA
Shares redeemed:			
Class A .....	(5,174)	(796)	(2,346)
Class B .....	(451)	(142)	(388)
Class C .....	(1,104)	(214)	(481)
Class Y .....	(483)	(60)	(86)
Advisor Class .....	(20)	NA	(75)
Class I .....	(4)	NA	NA
Increase in outstanding capital shares .....	<u>25,128</u>	<u>1,745</u>	<u>713</u>
Value issued from sale of shares:			
Class A .....	\$301,972	\$31,516	\$96,107
Class B .....	19,035	2,256	7,330
Class C .....	106,253	4,637	11,400
Class Y .....	11,417	348	1,934
Advisor Class .....	2	NA	—
Class I .....	—	NA	NA
Value issued from reinvestment of dividends and/or capital gains distribution:			
Class A .....	21,288	459	1,325
Class B .....	1,631	20	—
Class C .....	6,019	37	—
Class Y .....	655	12	27
Advisor Class .....	134	NA	30
Class I .....	1	NA	NA
Value redeemed:			
Class A .....	(75,706)	(10,687)	(68,210)
Class B .....	(6,439)	(1,916)	(10,777)
Class C .....	(15,720)	(2,854)	(13,590)
Class Y .....	(7,160)	(845)	(2,464)
Advisor Class .....	(292)	NA	(2,190)
Class I .....	(50)	NA	NA
Increase in outstanding capital .....	<u>\$363,040</u>	<u>\$22,983</u>	<u>\$20,922</u>

\*Not shown due to rounding.

	Ivy Global Natural Resources Fund	Ivy International Fund	Ivy International Balanced Fund
Shares issued from sale of shares:			
Class A . . . . .	44,945	824	4,510
Class B . . . . .	3,329	45	205
Class C . . . . .	14,993	32	458
Class Y . . . . .	3,174	8	37
Class R . . . . .	4	NA	NA
Advisor Class . . . . .	—	—	NA
Class I . . . . .	NA	—	NA
Shares issued in connection with merger of Ivy International Growth Fund:			
Class A . . . . .	NA	622	NA
Class B . . . . .	NA	159	NA
Class C . . . . .	NA	1,691	NA
Class Y . . . . .	NA	198	NA
Shares issued from reinvestment of dividends and/or capital gains distribution:			
Class A . . . . .	3,194	29	377
Class B . . . . .	359	—	17
Class C . . . . .	1,265	—	29
Class Y . . . . .	120	—*	2
Class R . . . . .	—	NA	NA
Advisor Class . . . . .	1	—	NA
Class I . . . . .	NA	—*	NA
Shares redeemed:			
Class A . . . . .	(9,897)	(1,603)	(4,132)
Class B . . . . .	(958)	(540)	(63)
Class C . . . . .	(2,318)	(101)	(136)
Class Y . . . . .	(395)	(10)	(23)
Class R . . . . .	(—)	NA	NA
Advisor Class . . . . .	(9)	(—)	NA
Class I . . . . .	NA	(5)	NA
Increase in outstanding capital shares . . . .	<u>57,807</u>	<u>1,349</u>	<u>1,281</u>

\*Not shown due to rounding.

(Continued)	Ivy Global Natural Resources Fund	Ivy International Fund	Ivy International Balanced Fund
Value issued from sale of shares:			
Class A .....	\$1,165,684	\$20,366	\$66,425
Class B .....	80,686	1,077	3,002
Class C .....	361,451	786	6,699
Class Y .....	83,597	197	545
Class R .....	100	NA	NA
Advisor Class .....	—	—	NA
Class I .....	NA	—	NA
Value issued in connection with merger of Ivy International Growth Fund:			
Class A .....	NA	18,225	NA
Class B .....	NA	4,308	NA
Class C .....	NA	45,833	NA
Class Y .....	NA	5,818	NA
Value issued from reinvestment of dividends and/or capital gains distribution:			
Class A .....	83,464	770	5,444
Class B .....	8,924	—	236
Class C .....	30,828	—	417
Class Y .....	3,158	3	31
Class R .....	—	NA	NA
Advisor Class .....	13	—	NA
Class I .....	NA	2	NA
Value redeemed:			
Class A .....	(252,205)	(40,726)	(60,740)
Class B .....	(22,930)	(11,967)	(934)
Class C .....	(55,523)	(2,389)	(1,987)
Class Y .....	(10,323)	(274)	(334)
Class R .....	(—)	NA	NA
Advisor Class .....	(219)	(—)	NA
Class I .....	NA	(121)	NA
Increase in outstanding capital .....	<u>\$1,476,705</u>	<u>\$41,908</u>	<u>\$18,804</u>

	Ivy International Value Fund	Ivy Mortgage Securities Fund	Ivy Pacific Opportunities Fund
Shares issued from sale of shares:			
Class A . . . . .	3,440	11,305	8,544
Class B . . . . .	321	527	437
Class C . . . . .	515	1,124	795
Class Y . . . . .	59	416	229
Advisor Class . . . . .	—	NA	—
Shares issued from reinvestment of dividends and/or capital gains distribution:			
Class A . . . . .	—	813	109
Class B . . . . .	—	27	6
Class C . . . . .	—	51	8
Class Y . . . . .	—	27	3
Advisor Class . . . . .	—	NA	—*
Shares redeemed:			
Class A . . . . .	(610)	(6,495)	(1,357)
Class B . . . . .	(1,113)	(182)	(262)
Class C . . . . .	(146)	(537)	(164)
Class Y . . . . .	(20)	(247)	(72)
Advisor Class . . . . .	(3)	NA	(1)
Increase in outstanding capital shares . . . . .	<u>2,443</u>	<u>6,829</u>	<u>8,275</u>
Value issued from sale of shares:			
Class A . . . . .	\$46,962	\$120,577	\$107,057
Class B . . . . .	4,021	5,628	5,106
Class C . . . . .	6,847	12,002	9,476
Class Y . . . . .	800	4,437	2,865
Advisor Class . . . . .	—	NA	—
Value issued from reinvestment of dividends and/or capital gains distribution:			
Class A . . . . .	—	8,651	1,371
Class B . . . . .	—	287	67
Class C . . . . .	—	542	97
Class Y . . . . .	—	283	33
Advisor Class . . . . .	—	NA	—*
Value redeemed:			
Class A . . . . .	(8,349)	(69,143)	(16,746)
Class B . . . . .	(13,321)	(1,932)	(2,947)
Class C . . . . .	(1,794)	(5,707)	(1,903)
Class Y . . . . .	(276)	(2,626)	(879)
Advisor Class . . . . .	(32)	NA	(8)
Increase in outstanding capital . . . . .	<u>\$34,858</u>	<u>\$ 72,999</u>	<u>\$103,589</u>

\*Not shown due to rounding.

	Ivy Real Estate Securities Fund	Ivy Small Cap Value Fund	Ivy Value Fund
Shares issued from sale of shares:			
Class A .....	4,941	1,808	1,674
Class B .....	233	145	161
Class C .....	299	186	110
Class Y .....	2,267	268	90
Class R .....	5	NA	NA
Shares issued from reinvestment of dividends and/or capital gains distribution:			
Class A .....	456	918	20
Class B .....	24	75	—*
Class C .....	26	107	—*
Class Y .....	436	273	10
Class R .....	—*	NA	NA
Shares redeemed:			
Class A .....	(2,833)	(1,356)	(828)
Class B .....	(161)	(97)	(48)
Class C .....	(169)	(135)	(48)
Class Y .....	(1,526)	(495)	(654)
Class R .....	(—)	NA	NA
Increase in outstanding capital shares .....	<u>3,998</u>	<u>1,697</u>	<u>487</u>
Value issued from sale of shares:			
Class A .....	\$ 102,220	\$ 30,229	\$ 27,487
Class B .....	4,734	2,371	2,626
Class C .....	6,148	3,069	1,795
Class Y .....	47,284	4,497	1,477
Class R .....	100	NA	NA
Value issued from reinvestment of dividends and/or capital gains distribution:			
Class A .....	9,405	13,765	334
Class B .....	484	1,091	1
Class C .....	540	1,564	2
Class Y .....	9,017	4,120	160
Class R .....	—*	NA	NA
Value redeemed:			
Class A .....	(56,847)	(22,367)	(13,682)
Class B .....	(3,275)	(1,545)	(784)
Class C .....	(3,453)	(2,217)	(792)
Class Y .....	(31,009)	(8,255)	(10,866)
Class R .....	(—)	NA	NA
Increase in outstanding capital .....	<u>\$ 85,348</u>	<u>\$ 26,322</u>	<u>\$ 7,758</u>

\*Not shown due to rounding.



## NOTE 6 – Options

Options purchased by a Fund are accounted for in the same manner as marketable portfolio securities. The cost of portfolio securities acquired through the exercise of call options is increased by the premium paid to purchase the call. The proceeds from securities sold through the exercise of put options are decreased by the premium paid to purchase the put.

When a Fund writes (sells) an option, an amount equal to the premium received by the Fund is recorded as a liability. The amount of the liability is subsequently adjusted to reflect the current market value of the option written. The current market value of an option is the last sales price on the principal exchange on which the option is traded or, in the absence of transactions, the mean between the bid and asked prices or at a value supplied by a broker-dealer. When an option expires on its stipulated expiration date or a Fund enters into a closing purchase transaction, the Fund realizes a gain (or loss if the cost of a closing purchase transaction exceeds the premium received when the call option was sold) and the liability related to such option is extinguished. When 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 realized a gain or loss. For each Fund, when a written put is exercised, the cost basis of the securities purchased by the Fund is reduced by the amount of the premium received.

For Ivy Value Fund, transactions in written call options were as follows:

	<b>Number of Contracts</b>	<b>Premiums Received</b>
Outstanding at March 31, 2006 . . . . .	420	\$ 24,522
Options written . . . . .	2,062	100,260
Options terminated in closing purchase transactions . . . . .	(207)	(14,115)
Options exercised . . . . .	(153)	(7,113)
Options expired . . . . .	(763)	(40,734)
Outstanding at September 30, 2006 . . . . .	<u>1,359</u>	<u>\$ 62,820</u>

For Ivy Value Fund, transactions in written put options were as follows:

	<b>Number of Contracts</b>	<b>Premiums Received</b>
Outstanding at March 31, 2006 . . . . .	367	\$ 29,642
Options written . . . . .	1,889	112,944
Options terminated in closing purchase transactions . . . . .	(—)	(—)
Options exercised . . . . .	(346)	(27,125)
Options expired . . . . .	(1,064)	(65,587)
Outstanding at September 30, 2006 . . . . .	<u>846</u>	<u>\$ 49,874</u>

## NOTE 7 – Futures

The Trust may engage in buying and selling futures contracts. Upon entering into a futures contract, the Trust is required to deposit, in a segregated account, an amount of cash or United States Treasury Bills equal to a varying specified percentage of the contract amount. This amount is known as the initial margin. Subsequent payments (variation margins) are made or received by the Trust each day, dependent on the daily fluctuations in the value of the underlying debt security or index. These changes in the variation margins are recorded by the Trust as unrealized gains or losses. Upon the closing of the contracts, the cumulative net change in the variation margin is recorded as realized gain or loss. The Trust uses futures to attempt to reduce the overall risk of its investments.

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## NOTE 8 – Swaps

Each Fund may invest in swap agreements, which are agreements to exchange the return generated by one instrument for the return generated by another instrument. The Fund may enter into credit default, total return, variance and other swap agreements to: 1) preserve a return or a spread on a particular investment or portion of its portfolio; 2) to protect against any increase in the price of securities the Fund anticipates purchasing at a later date; or 3) to attempt to enhance yield.

Credit default swaps involve the exchange of a fixed rate premium for protection against the loss in value of an underlying security in the event of a defined credit event, such as payment default or bankruptcy. Under a credit default swap one party acts as a guarantor by receiving the fixed periodic payment in exchange for the commitment to purchase the underlying security at par if the defined credit event occurs. Each Fund may enter into credit default swaps in which either it or its counterparty act as the guarantor.

Total return swaps involve a commitment to pay periodic interest payments in exchange for a market-linked return based on a security or a basket of securities representing a variety of securities or a particular index. To the extent the total return of the security, index or other financial measure underlying the transaction exceeds or falls short of the offsetting interest rate obligation, the Fund will receive a payment from or make a payment to the counterparty.

Variance swaps involve a contract in which two parties agree to exchange cash flows based on the measured variance of a specified underlying or index during a certain time period. On the trade date, the two parties agree on the strike price of the contract (the reference level against which cash flows are exchanged), as well as the number of units in the transaction and the length of the contract. Like an option contract, the value of a variance swap is influenced by both realized and implied volatility, as well as the passage of time. Each Fund may enter into variance swaps to manage volatility risk.

The creditworthiness of firms with which a Fund enters into a swap agreement is monitored by IICO. If a firm's creditworthiness declines, the value of the agreement would likely decline, potentially resulting in losses. If a default occurs by the counterparty to such a transaction, the Fund will have contractual remedies pursuant to the agreement related to the transaction.

Swaps are marked-to-market daily based on dealer-supplied valuations and changes in value, if any, are recorded as unrealized appreciation (depreciation) in the Statement of Operations. Collateral, in the form of cash or securities, may be required to be held in segregated accounts with the custodian or counterparty. Payments received or made at the beginning of the measurement period are reflected as such on the Statement of Assets and Liabilities. These upfront payments, as well as any periodic payments, are recorded as realized gain or loss in the Statement of Operations. Gains or losses may be realized upon termination of the swap agreement.

Entering into swap agreements involves certain risks. Among these are possible failure of the counterparty to fulfill its obligations, possible lack of liquidity, and unfavorable changes in interest rates or underlying investments.

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## **NOTE 9 – Acquisition of Ivy International Growth Fund**

On March 27, 2006, Ivy International Fund acquired all the net assets of Ivy International Growth Fund pursuant to a plan of reorganization approved by the shareholders of Ivy International Growth Fund on March 17, 2006. The acquisition was accomplished by a tax-free exchange of 2,671,036 shares of Ivy International Fund (valued at \$74,183,759) for the 5,422,375 shares of Ivy International Growth Fund outstanding on March 27, 2006. Ivy International Growth Fund had net assets of \$74,183,759, including \$17,373,263 of net unrealized appreciation in value of investments and \$37,072,675 of accumulated net realized losses on investments, which were combined with those of Ivy International Fund. The aggregate net assets of Ivy International Fund and Ivy International Growth Fund immediately before the acquisition were \$155,403,615 and \$74,183,759, respectively. The aggregate net assets of Ivy International Fund and Ivy International Growth Fund immediately following the acquisition were \$229,587,374 and \$0, respectively.

## **NOTE 10 – Liquidation of Ivy Cash Reserves Fund**

On September 29, 2006, Ivy Cash Reserves Fund was liquidated.

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# Report of Independent Registered Public Accounting Firm

## The Board of Trustees and Shareholders of Ivy Funds:

We have audited the accompanying statements of assets and liabilities, including the schedules of investments, of Balanced Fund, Bond Fund, Cundill Global Value Fund, Dividend Income Fund, European Opportunities Fund, Global Natural Resources Fund, International Fund, International Balanced Fund, International Value Fund, Mortgage Securities Fund, Pacific Opportunities Fund, Real Estate Securities Fund, Small Cap Value Fund and Value Fund (collectively the "Funds") comprising Ivy Funds as of September 30, 2006, and the related statements of operations for the six-month period then ended, the statements of changes in net assets for the six-month period then ended and the year ended March 31, 2006, and the financial highlights for the periods presented (except as noted below). These financial statements and financial highlights are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights of the Real Estate Securities Fund, Small Cap Value Fund and Value Fund for each of the periods ended July 31, 2003 and prior were audited by other auditors whose report, dated September 5, 2003, expressed an unqualified opinion on those financial highlights. The financial highlights of the Balanced Fund, Bond Fund, International Balanced Fund and Mortgage Securities Fund for each of the periods ended September 30, 2003 and prior were audited by other auditors whose report, dated November 7, 2003, expressed an unqualified opinion on those financial highlights. The financial highlights of the Cundill Global Value Fund, European Opportunities Fund, Global Natural Resources Fund, International Fund, International Value Fund and Pacific Opportunities Fund for the period ended December 31, 2001 were audited by other auditors whose report, dated February 8, 2002, expressed an unqualified opinion on those financial highlights.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Funds are not required to have, nor were we engaged to perform, an audit of their internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of September 30, 2006, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

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In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of each of the respective Funds of Ivy Funds as of September 30, 2006, the results of their operations for the six-month period then ended, the changes in their net assets for the six-month period then ended and the year ended March 31, 2006, and the financial highlights for the periods presented (except as noted above in references to the reports of other auditors), in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP  
Kansas City, Missouri  
November 16, 2006

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## Income Tax Information

Dividends are declared and recorded by Ivy Cash Reserves Fund on each day the New York Stock Exchange is open for business. Dividends are paid monthly usually on the 27th of the month or on the preceding business day if the 27th is a weekend or holiday. Dividends paid during the period beginning April 1, 2006 thru the date of liquidation of September 29, 2006 are not qualified dividend income for individuals and are not eligible for the dividends received deduction for corporations.

The tax status of dividends paid will be reported to you on Form 1099-DIV after the close of the applicable calendar year.

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# Renewal of Investment Management Agreements for the Ivy Funds

At a Meeting of the Board of Trustees of Ivy Funds (the Trust) held on August 15 and 16, 2006, the Trustees, including all of the Trustees who are not "interested persons" as defined in Section 2(a)(19) of the 1940 Act, unanimously approved the continuance of the existing management agreements between Ivy Investment Management Company (IICO) and the Trust. The existing management agreements considered were: (i) the Master Business Management and Investment Advisory Agreement between the Trust and IICO (with respect to the Ivy Cundill Global Value Fund, Ivy European Opportunities Fund, Ivy International Fund, Ivy International Value Fund and Ivy Pacific Opportunities Fund); (ii) the Investment Management Agreement between the Trust and IICO (with respect to the Ivy Dividend Income Fund); (iii) the Investment Management Agreement between the Trust and IICO (with respect to the Ivy Balanced Fund, Ivy Bond Fund, Ivy International Balanced Fund, Ivy Mortgage Securities Fund, Ivy Real Estate Securities Fund, Ivy Small Cap Value Fund, Ivy Value Fund and Ivy Global Natural Resources Fund); and (iv) the Subadvisory Agreements between IICO and:

- Henderson Investment Management Limited and Henderson Global Investors (North America) Inc. (Ivy European Opportunities Fund)
  - Cundill Investment Research Ltd. (Ivy Cundill Global Value Fund)
  - Adventus Capital Management, Inc. (Ivy Bond Fund, Ivy Mortgage Securities Fund, Ivy Real Estate Securities Fund)
  - Templeton Investment Counsel, LLC (Ivy International Balanced Fund)
  - BlackRock Financial Management, Inc. (Ivy Small Cap Value Fund)
  - Mackenzie Financial Corporation (Ivy Global Natural Resources Fund)
- (each such subadviser referred to herein as a "Subadviser").

The Board's Independent Trustees were assisted in their review by independent legal counsel and met with such counsel separately from representatives of IICO. Independent legal counsel provided the Board with a memorandum that discussed the various factors that the Board should consider as part of its review of the various agreements, including, among other things, the nature and the quality of the services provided by IICO, profitability (including any fall-out benefits) from the relationships with the Funds, economies of scale, the role played by the Independent Trustees, and information on comparative fees and expenses. The Board also considered the written responses and supplementary materials produced by IICO and each Subadviser in response to a 15(c) due diligence request list submitted by the Independent Trustees' counsel prior to the meeting. Included in those responses, which had been provided to the Board prior to the meeting, was a Fund-by-Fund profitability analysis prepared by IICO. The Board also received extensive materials on performance, expenses and comparable fund information from Lipper, Inc., an independent mutual fund rating service. Finally, the Independent Trustees received a report from two of the Independent Trustees who conducted a preliminary review of all of this information prior to the meeting. The Independent Trustees discussed this material extensively among themselves, with their independent legal counsel and with the other Board members, after which the Board considered various factors described below, none of which by itself was considered dispositive. However, the material factors and conclusions that formed the basis for the Board's determination to approve the agreements are discussed separately below.

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## Nature, Extent and Quality of Services

The Board considered the fact that they were provided with performance and expense information for each of the Funds during the year in regularly scheduled Board meetings, during which they met with the Funds' portfolio managers and other investment personnel. In that regard, they discussed the nature, extent and quality of services provided to each of the Funds by IICO and each Subadviser, taking into account the investment objective and strategy of the Fund and the knowledge the Board gained from those regular meetings, including from the materials provided in connection with those meetings. In addition, the Board reviewed the resources and key personnel of IICO and each Subadviser. The Board also considered other services provided to the Funds by IICO and each Subadviser, such as managing the quality of execution of portfolio transactions and the selection of broker-dealers for those transactions, monitoring adherence to the Funds' investment restrictions, producing reports, providing support services for the Board and Board committees, communicating with shareholders and overseeing the activities of other service providers, including monitoring compliance with various Fund policies and procedures and with applicable securities laws and regulations. The Board concluded that the nature and extent of the services provided by IICO and each Subadviser were appropriate, that the quality of those services had been consistent with quality norms in the industry and that the Funds were likely to benefit from the continued provision of those services.

## Benefits from the Relationship with the Funds

The Board next discussed whether IICO or any Subadviser derives any other direct or indirect benefits from serving the Funds. The Board considered benefits that accrue to each organization from its respective relationship with a Fund, including the fact that a variety of services are provided by affiliates of IICO, including distribution, shareholder servicing and transfer agency services. After full consideration of these and other factors, the Board concluded that none of IICO, any Subadviser or any of their affiliates receive any additional direct or indirect benefits that would preclude the Board from approving the continuation of the investment advisory contract with IICO or the investment sub-advisory agreements.

## Economies of Scale

The Board discussed whether economies of scale are being realized by the Funds and whether fee levels reflect those economies of scale for the benefit of the Funds' shareholders. In that context, the Board discussed the current level of the Funds' advisory fee breakpoints and also considered the current and anticipated asset levels of the Funds and the potential for growth in each Fund. The Board concluded that the current asset size of the Funds and other relevant factors did not warrant further reevaluation or restructuring of the fee breakpoints for the Funds at this time.

## Performance of the Funds and Costs of Services Provided

The Board considered, on a Fund-by-Fund basis, the performance of each Fund and the costs of the services provided. Among other things, the Board examined the short- and long-term performance of each Fund, as well as their expenses as compared to similar funds and peer groups, as described below.

### Ivy Balanced Fund

The Board examined the investment performance of the Ivy Balanced Fund, including the Fund's performance for the one-, three-, five-, seven- and ten-year time periods. The Board also examined the performance of the Fund against the Lipper Mixed-Asset Target Allocation Growth Funds Universe Average for those same periods. After extensively reviewing all of the performance information provided, the Board concluded that the Fund's performance in this asset class was acceptable.



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The Board next considered the expenses of the Fund and the cost of the services provided by IICO, comparing the Fund's expenses, including IICO's advisory fees, with the expenses and advisory fees of other investment advisers managing similarly situated funds. The Board also made reference to the analysis of IICO's profitability in managing the Fund, and considered the impact the small amount of assets in the Fund and the Fund's small average account size have on the Fund's expenses. After completing this examination, the Board concluded that the Fund's expenses are acceptable at the current time.

#### **Ivy Bond Fund**

The Board examined the investment performance of the Ivy Bond Fund, including the Fund's performance for the one-, three-, five-, seven- and ten-year time periods. The Board also examined the performance of the Fund against the Lipper Corporate Debt Funds A Rated Universe Average for those same periods. After extensively reviewing all of the performance information provided, the Board concluded that the Fund's performance in this asset class was acceptable.

The Board next considered the expenses of the Fund and the cost of the services provided by IICO and Advantus Capital Management, Inc., comparing the Fund's expenses, including IICO's advisory fees, with the expenses and advisory fees of other investment advisers managing similarly situated funds. The Board also considered the advisory fees that IICO (or its affiliated investment adviser) receives for managing separate account clients in the same asset class, noting IICO's explanation as to why its average fees are lower for those accounts, including, among other things, the additional services IICO performs for the Fund. The Board also made reference to the analysis of IICO's profitability in managing the Fund, and considered the assets in the Fund and the Fund's average account size. After completing this examination, the Board concluded that the Fund's expenses are acceptable at the current time.

#### **Ivy Cundill Global Value Fund**

The Board examined the investment performance of the Ivy Cundill Global Value Fund, including the Fund's performance for the one- and three-year time periods. The Board also examined the performance of the Fund against the Lipper Global Funds Universe Average for the same periods. After extensively reviewing all of the performance information provided, as well as the Fund's current asset levels, the Board concluded that the Fund's performance in this asset class was acceptable.

The Board next considered the expenses of the Fund and the cost of the services provided by IICO and Cundill Investment Research Ltd., comparing the Fund's expenses, including the advisory fees, with the expenses and advisory fees of other investment advisers managing similarly situated funds. The Board also made reference to the analysis of IICO's profitability in managing the Fund, as well as the fact that the second breakpoint in IICO's advisory fee could shortly be reached. After completing this examination, the Board concluded that the Fund's expenses are acceptable at the current time.

#### **Ivy Dividend Income Fund**

The Board examined the investment performance of the Ivy Dividend Income Fund, including the Fund's performance for the one-year time period. The Board also examined the performance of the Fund against the Lipper Equity Income Funds Universe Average for the same periods. After extensively reviewing all of the performance information provided, the Board concluded that the Fund's performance in this asset class was acceptable.

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The Board next considered the expenses of the Fund and the cost of the services provided by IICO, comparing the Fund's expenses, including IICO's advisory fees, with the expenses and advisory fees of other investment advisers managing similarly situated funds. The Board also made reference to the analysis of IICO's profitability in managing the Fund, and considered the Fund's average account size and non-management expenses. After completing this examination, the Board concluded that the Fund's expenses are acceptable at the current time.

#### **Ivy European Opportunities Fund**

The Board examined the investment performance of the Ivy European Opportunities Fund, including the Fund's performance for the one-, three-, five- and seven-year time periods. The Board also examined the performance of the Fund against the Lipper European Region Funds Universe Average for the same periods. After extensively reviewing all of the performance information provided, the Board concluded that the Fund's performance in this asset class was acceptable.

The Board next considered the expenses of the Fund and the cost of the services provided by IICO and Henderson Investment Management Limited (and Henderson Global Investors), comparing the Fund's expenses, including advisory fees, with the expenses and advisory fees of other investment advisers managing similarly situated funds. The Board also made reference to the analysis of IICO's profitability in managing the Fund, as well as the fact that the Fund's assets have reached the second breakpoint in the Fund's advisory fee schedule. After completing this examination, the Board concluded that the Fund's expenses are acceptable at the current time.

#### **Ivy Global Natural Resources Fund**

The Board examined the investment performance of the Ivy Global Natural Resources Fund, including the Fund's performance for the one-, three-, five- and seven-year time periods. The Board also examined the performance of the Fund against the Lipper Natural Resources Funds Universe Average for the same periods. After extensively reviewing all of the performance information provided, including the size of the Fund, the Board concluded that the Fund's performance in this asset class was acceptable.

The Board next considered the expenses of the Fund and the cost of the services provided by IICO and Mackenzie Financial Corporation, comparing the Fund's expenses, including advisory fees, with the expenses and advisory fees of other investment advisers managing similarly situated funds. The Board also made reference to the analysis of IICO's profitability in managing the Fund, as well as the fact that the Fund's asset levels have reached the last breakpoint in the Fund's advisory fee schedule. After completing this examination, the Board concluded that the Fund's expenses are acceptable at the current time.

#### **Ivy International Fund**

The Board examined the investment performance of the Ivy International Fund, including the Fund's performance for the one-, three-, five-, seven- and ten-year time periods. The Board also examined the performance of the Fund against the Lipper International Large-Cap Core Funds Universe Average for the same periods, as well as the Fund's recent performance. After extensively reviewing all of the performance information provided, the Board concluded that the Fund's performance in this asset class was acceptable.

The Board next considered the expenses of the Fund and the cost of the services provided by IICO, comparing the Fund's expenses, including IICO's advisory fees, with the expenses and advisory fees of other investment advisers managing similarly situated funds. The Board also considered the advisory fees that IICO (or its affiliated investment adviser) receives for managing separate account clients in the same asset class, noting IICO's explanation as to why its average fees are lower for those accounts, including, among other things, the additional services IICO

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performs for the Fund. The Board also made reference to the analysis of IICO's profitability in managing the Fund. After completing this examination, the Board concluded that the Fund's expenses are acceptable at the current time.

#### **Ivy International Balanced Fund**

The Board examined the investment performance of the Ivy International Balanced Fund, including the Fund's performance for the one-, three-, five-, seven- and ten-year time periods. The Board also examined the performance of the Fund against the Lipper Mixed-Asset Target Allocation Growth Funds Universe Average for the same periods. After extensively reviewing all of the performance information provided, the Board concluded that the Fund's performance in this asset class was acceptable.

The Board next considered the expenses of the Fund and the cost of the services provided by IICO and Templeton Investment Counsel, comparing the Fund's expenses, including advisory fees, with the expenses and advisory fees of other investment advisers managing similarly situated funds. The Board also made reference to the analysis of IICO's profitability in managing the Fund. After completing this examination, the Board concluded that the Fund's expenses are acceptable at the current time.

#### **Ivy International Value Fund**

The Board examined the investment performance of the Ivy International Value Fund, including the Fund's performance for the one-, three-, five-, and seven-year time periods. The Board also examined the performance of the Fund against the Lipper International Multi-Cap Value Index and Lipper International Large-Cap Core Funds Universe Average for the same periods. After extensively reviewing all of the performance information provided, the Board concluded that the Fund's performance in this asset class was acceptable.

The Board next considered the expenses of the Fund and the cost of the services provided by IICO, comparing the Fund's expenses, including IICO's advisory fees, with the expenses and advisory fees of other investment advisers managing similarly situated funds, noting that other investment advisers appear to be waiving their fees in managing comparable funds. The Board also made reference to the analysis of IICO's profitability in managing the Fund. After completing this examination, the Board concluded that the Fund's expenses are acceptable at the current time.

#### **Ivy Mortgage Securities Fund**

The Board examined the investment performance of the Ivy Mortgage Securities Fund, including the Fund's performance for the one-, three-, five-, seven- and ten-year time periods. The Board also examined the performance of the Fund against the Lipper U.S. Mortgage Funds Universe Average for the same periods. After extensively reviewing all of the performance information provided, the Board concluded that the Funds performance in this asset class was acceptable.

The Board next considered the expenses of the Fund and the cost of the services provided by IICO and Advantus Capital Management, comparing the Fund's expenses, including advisory fees, with the expenses and advisory fees of other investment advisers managing similarly situated funds. The Board also made reference to the analysis of IICO's profitability in managing the Fund. After completing this examination, the Board concluded that the Fund's expenses are acceptable at the current time.

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## **Ivy Pacific Opportunities Fund**

The Board examined the investment performance of the Ivy Pacific Opportunities Fund, including the Fund's performance for the one-, three-, five-, seven- and ten-year time periods. The Board also examined the performance of the Fund against the Lipper Pacific ex-Japan Funds Universe Average for the same periods. After extensively reviewing all of the performance information provided, the Board concluded that the Fund's performance in this asset class was acceptable.

The Board next considered the expenses of the Fund and the cost of the services provided by IICO, comparing the Fund's expenses, including IICO's advisory fees, with the expenses and advisory fees of other investment advisers managing similarly situated funds. The Board also made reference to the analysis of IICO's profitability in managing the Fund. After completing this examination, the Board concluded that the Fund's expenses are acceptable at the current time.

## **Real Estate Securities Fund**

The Board examined the investment performance of the Ivy Real Estate Securities Fund, including the Fund's performance for the one-, three-, five- and seven-year time periods. In light of recent performance, the Board determined to enhance its monitoring of the performance of this Fund. The Board also examined the performance of the Fund against the Lipper Real Estate Funds Universe Average for the same periods. After extensively reviewing all of the performance information provided, the Board concluded that the Fund's performance in this asset class was acceptable.

The Board next considered the expenses of the Fund and the cost of the services provided by IICO and Advantus Capital Management, comparing the Fund's expenses, including advisory fees, with the expenses and advisory fees of other investment advisers managing similarly situated funds. The Board also made reference to the analysis of IICO's profitability in managing the Fund, and considered the impact the Fund's average account size has on the Fund's expenses. After noting that the Fund's asset levels had reached half the amount needed to reach the Fund's first breakpoint, the Board concluded that the Fund's expenses are acceptable at the current time.

## **Ivy Small Cap Value Fund**

The Board examined the investment performance of the Ivy Small Cap Value Fund, including the Fund's performance for the one-, three-, five- and seven-year time periods. The Board also examined the performance of the Fund against the Lipper Small-Cap Value Funds Universe Average for the same periods. After extensively reviewing all of the performance information provided, the Board concluded that the Fund's performance in this asset class was acceptable, although they agreed to closely monitor the performance of the Fund in the near future as a result of corporate changes involving the parent of the Fund's investment sub-adviser.

The Board next considered the expenses of the Fund and the cost of the services provided by IICO and BlackRock Financial Management, comparing the Fund's expenses, including the advisory fees, with the expenses and advisory fees of other investment advisers managing similarly situated funds. The Board also made reference to the analysis of IICO's profitability in managing the Fund. After completing this examination, the Board concluded that the Fund's expenses are acceptable at the current time.

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## Ivy Value Fund

The Board examined the investment performance of the Ivy Value Fund, including the Fund's one-, three-, five-, seven- and ten-year performance, as well as recent performance. The Board also examined the performance of the Fund against the Lipper Large-Cap Value Funds Universe Average for the same periods. After extensively reviewing all of the performance information provided, the Board concluded that the Fund's performance in this asset class was acceptable.

The Board next considered the expenses of the Fund and the cost of the services provided by IICO, comparing the Fund's expenses, including IICO's advisory fees, with the expenses and advisory fees of other investment advisers managing similarly situated funds. The Board also considered the advisory fees that IICO (or its affiliated investment adviser) receives for managing separate account clients in the same asset class, noting IICO's rationale as to why its average fees are lower for those accounts, including, among other things, the additional services IICO performs for the Fund. The Board also made reference to the analysis of IICO's profitability in managing the Fund. After completing this examination, the Board concluded that the Fund's expenses are acceptable at the current time.

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# Proxy Voting Information

## **Proxy Voting Guidelines**

A description of the policies and procedures Ivy Funds uses to determine how to vote proxies relating to portfolio securities is available (i) without charge, upon request, by calling 800.777.6472 and (ii) on the Securities and Exchange Commission's (SEC) website at [www.sec.gov](http://www.sec.gov).

## **Proxy Voting Records**

Information regarding how Ivy Funds voted proxies relating to portfolio securities during the most recent 12 month period ending June 30 is available on Form N-PX through the Ivy Funds' website at [www.ivyfund.com](http://www.ivyfund.com) and on the SEC's website at [www.sec.gov](http://www.sec.gov).

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## Quarterly Portfolio Schedule Information

A complete schedule of portfolio holdings for the first and third quarters of each fiscal year is filed with the Securities and Exchange Commission (SEC) on the Fund's Form N-Q. This form may be obtained in the following ways:

- On the SEC's website at [www.sec.gov](http://www.sec.gov).
- For review and copy at the SEC's Public Reference Room in Washington, DC. Information on the operations of the Public Reference Room may be obtained by calling 1.800.SEC.0330.
- On the Ivy Funds' website at [www.ivyfund.com](http://www.ivyfund.com).

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## To All traditional IRA Planholders:

As required by law, we are hereby providing notice to you that income tax may be withheld automatically from any distribution or withdrawal from a traditional IRA. The Fund is generally required to withhold taxes unless you make a written election not to have taxes withheld. The election may be made on the distribution/withdrawal form provided by Waddell & Reed, Inc. which can be obtained from your Waddell & Reed representative or by submitting Internal Revenue Service Form W-4P. Once made, an election can be revoked by providing written notice to Waddell & Reed, Inc. If you elect not to have tax withheld you may be required to make payments of estimated tax. Penalties may be imposed by the IRS if withholding and estimated tax payments are not adequate.



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This page is for your notes and calculations.

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## THE IVY FUNDS FAMILY

### Global/International Funds

- Cundill Global Value Fund
- European Opportunities Fund
- International Fund
- International Balanced Fund
- International Value Fund
- Pacific Opportunities Fund

### Domestic Equity Funds

- Capital Appreciation Fund
- Core Equity Fund
- Dividend Income Fund
- Large Cap Growth Fund
- Mid Cap Growth Fund
- Small Cap Growth Fund
- Small Cap Value Fund
- Value Fund

### Fixed Income Funds

- Bond Fund
- High Income Fund
- Limited-Term Bond Fund
- Mortgage Securities Fund
- Municipal Bond Fund

### Money Market Funds

- Money Market Fund

### Specialty Funds

- Asset Strategy Fund
- Balanced Fund
- Energy Fund
- Global Natural Resources Fund
- Real Estate Securities Fund
- Science and Technology Fund

1.800.777.6472

Visit us online at [www.ivyfund.com](http://www.ivyfund.com)

The Ivy Funds are managed by Ivy Investment Management Company and distributed by its subsidiary, Ivy Funds Distributor, Inc.

Investors should consider the investment objectives, risks, charges and expenses of a fund carefully before investing. For a prospectus containing this and other information for the Ivy Funds, call your financial advisor or visit us online at [www.ivyfund.com](http://www.ivyfund.com). Please read the prospectus carefully before investing.



IVY FUNDS<sup>®</sup>

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