

# Annual Report

March 31, 2009

## **Domestic Equity Funds**

Ivy Dividend Opportunities Fund  
Ivy Micro Cap Growth Fund  
Ivy Small Cap Value Fund  
Ivy Value Fund

## **Global and International Funds**

Ivy Managed European/Pacific Fund  
Ivy Managed International Opportunities Fund  
Ivy Cundill Global Value Fund  
Ivy European Opportunities Fund  
Ivy International Balanced Fund  
Ivy International Core Equity Fund  
Ivy International Growth Fund  
Ivy Pacific Opportunities Fund

## **Specialty Funds**

Ivy Balanced Fund  
Ivy Global Natural Resources Fund  
Ivy Real Estate Securities Fund

## **Fixed-Income Funds**

Ivy Bond Fund  
Ivy Global Bond Fund  
Ivy Mortgage Securities Fund



**IVY FUNDS**<sup>®</sup>  
PROVEN | FOCUSED | CONSTANT

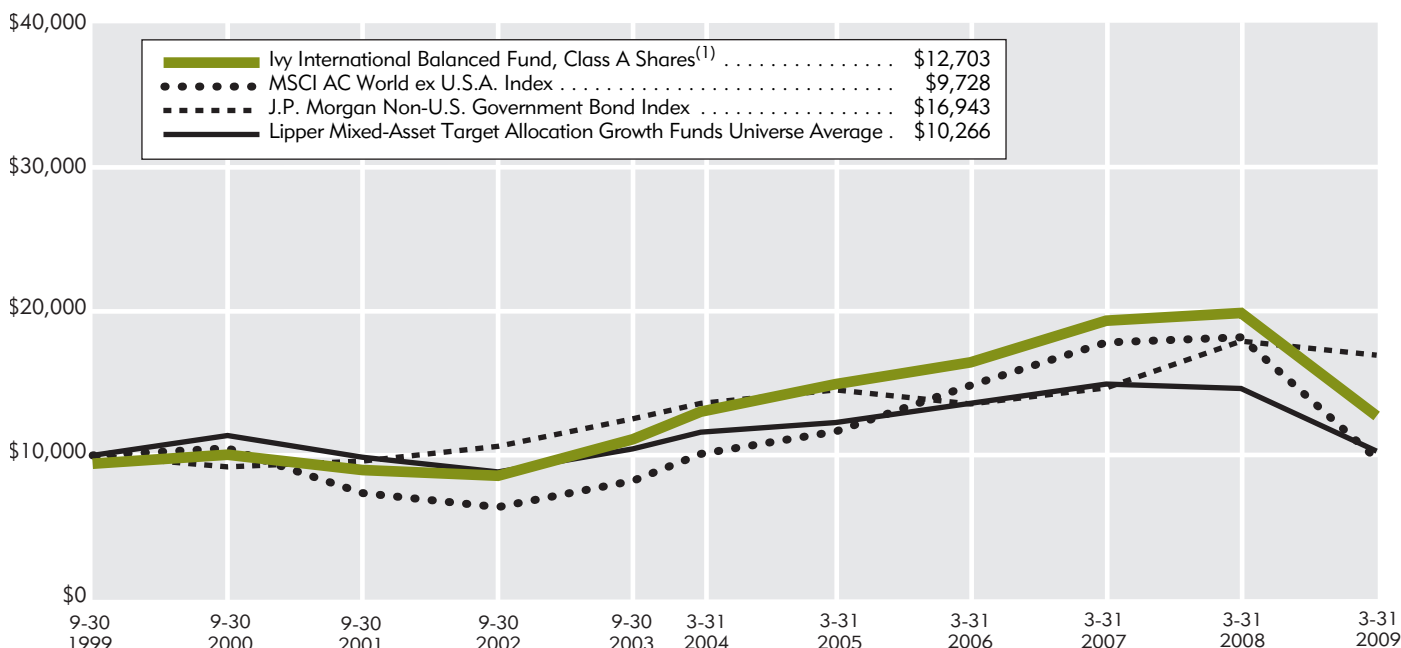
|   |     |
|---|-----|
| President's Letter  | 3   |
| Management Discussion, Portfolio Highlights, Illustration of Fund Expenses and Schedule of Investments: |     |
| Ivy Dividend Opportunities Fund   | 4   |
| Ivy Micro Cap Growth Fund   | 12  |
| Ivy Small Cap Value Fund  | 18  |
| Ivy Value Fund  | 25  |
| Ivy Managed European/Pacific Fund and Ivy Managed International Opportunities Fund                      | 32  |
| Ivy Cundill Global Value Fund   | 39  |
| Ivy European Opportunities Fund   | 46  |
| Ivy International Balanced Fund   | 53  |
| Ivy International Core Equity Fund  | 63  |
| Ivy International Growth Fund   | 70  |
| Ivy Pacific Opportunities Fund  | 78  |
| Ivy Balanced Fund   | 86  |
| Ivy Global Natural Resources Fund   | 94  |
| Ivy Real Estate Securities Fund   | 103 |
| Ivy Bond Fund   | 109 |
| Ivy Global Bond Fund  | 120 |
| Ivy Mortgage Securities Fund  | 130 |
| Statement of Assets and Liabilities   | 140 |
| Statement of Operations   | 143 |
| Statement of Changes in Net Assets  | 146 |
| Financial Highlights  | 152 |
| Notes to Financial Statements   | 188 |
| Report of Independent Registered Public Accounting Firm   | 213 |
| Income Tax Information  | 214 |
| Investment Management Agreement Approval  | 215 |
| Board of Trustees and Officers  | 216 |
| Shareholder Meeting Results   | 219 |
| Annual Privacy Notice   | 220 |
| Proxy Voting Information  | 221 |
| Quarterly Portfolio Schedule Information  | 222 |
| Householding Notice   | 223 |
| IRA Disclosure  | 224 |

**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, including current Lipper ranking information.**

# COMPARISON OF CHANGE IN VALUE OF \$10,000 INVESTMENT

## Ivy International Balanced Fund

(UNAUDITED)



Please note that the performance of the Fund's other share classes will be greater or less than the performance shown above for Class A based on the differences in loads and fees paid by shareholders investing in the different classes.

(1) The value of the investment in the Fund is impacted by the sales load at the time of the investment and by the ongoing expenses of the Fund and assumes reinvestment of dividends and distributions.

| Average Annual Total Return <sup>(2)</sup>              | Class A | Class B | Class C | Class E | Class I | Class Y |
|---|---------|---------|---------|---------|---------|---------|
| 1-year period ended 3-31-09                             | -39.70% | -38.96% | -36.50% | -39.78% | -35.72% | -35.95% |
| 5-year period ended 3-31-09                             | -1.62%  | -1.65%  | -1.26%  | —       | —       | -0.38%  |
| 10-year period ended 3-31-09                            | 3.06%   | —       | —       | —       | —       | —       |
| Since inception of Class <sup>(3)</sup> through 3-31-09 | —       | -0.26%  | 0.11%   | -21.69% | -18.66% | 1.01%   |

(2) Data quoted is past performance and is based on deduction of the maximum applicable sales load for each of the periods. Current performance may be lower or higher. Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate and shares, when redeemed, may be worth more or less than their original cost. Please visit [www.ivyfund.com](http://www.ivyfund.com) for the Fund's most recent month-end performance. Class A and Class E shares carry a maximum front-end sales load of 5.75%. Class B and Class C shares carry maximum contingent deferred sales charges (CDSC) of 5% and 1%, respectively. (Accordingly, the Class C shares reflect no CDSC since it only applies to Class C shares redeemed within twelve months after purchase.) Class I and Class Y shares are not subject to sales charges.

(3) 12-8-03 for Class B, Class C, and Class Y shares and 4-2-07 for Class E and Class I shares (the date on which shares were first acquired by shareholders). Past performance is not necessarily indicative of future performance. Indexes are unmanaged. The performance graph and table do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or on the redemption of Fund shares.

The Advantus International Balanced Fund merged into the Ivy International Balanced Fund on December 8, 2003. The performance shown for periods prior to this date is that of the Advantus International Balanced Fund Class A shares, restated to reflect current sales charges applicable to Ivy International Balanced Fund Class A shares. Performance has not been restated to reflect the fees and expenses applicable to the Ivy International Balanced Fund. If these expenses were reflected, performance shown would differ.



Henry J. Herrmann, CFA

**Dear Shareholder:**

Every generation faces great challenges and opportunities. A person born in 1909 would have faced huge obstacles two decades later as America's economy crashed into the Great Depression. At the time, at a point in life when many begin a career, the painful reality for younger adults was a decade of structural unemployment, loss of hope, and increasing global instability.

Since last September, it has become painfully apparent that America is being tested once again, in our jobs, as investors, as a global leader and as a culture. Greed, indifference and incompetence have shaken the global financial system to its core, while fear and political overreaction have paralyzed markets. It's distressing to see that, at times, rhetoric has substituted for sound policy, resulting in serious unintended consequences.

As you review the returns of your Ivy Fund(s) for the fiscal year ended March 31, 2009, we respectfully ask that you remember that a long-term perspective is an imperative part of a successful investment program. For the 12 months ended March 31, 2009, the Standard & Poor's 500 Index dropped 38.09 percent while the Barclays Capital Aggregate Bond Index rose 3.13 percent.

As with many aspects of life, financial decisions driven by emotion often do not generate the best results. While we cannot say for certain when the current financial crisis will begin to ebb, an objective reading of history has shown that yielding to despair over economic downturns is usually a losing strategy.

You'll see inside this report that this past fiscal year many of the Ivy Funds outpaced their Lipper peer group category and/or benchmark index on a relative basis. We know, however, such information is largely irrelevant to those of our shareholders who are struggling daily to pay mortgages, find new jobs or figure out how to cover anticipated health care and education bills.

The investment crisis of seven decades ago eventually brought out the best of America as well as a legacy of financial reform that, in 1940, included the law that created the modern mutual fund industry. It's not yet clear how or when Washington will come up with the right long-term answers to restore balance to our financial system and investor confidence, but we firmly believe in our country's enduring capacity to do so.

With the S&P 500 Index down 37 percent in calendar year 2008, the third worst annual return in the history of the index, and the U.S. recession now in its second year, it is tempting to say that we've seen the worst that this bear market can offer.

However we're not ready to state that unequivocally quite yet. It is clear that things now are less bad than they were, but the path to renewed growth has not yet been clearly defined.

**Economic Snapshot**

|                                       | 3-31-09 | 3-31-08  |
|---------------------------------------|---------|----------|
| U.S. unemployment rate                | 8.50%   | 5.10%    |
| Inflation (U.S. Consumer Price Index) | -0.40%  | 4.90%    |
| U.S. GDP                              | -6.10%  | 0.60%    |
| 30-year fixed mortgage rate           | 4.85%   | 5.63%    |
| Oil price per barrel                  | \$49.66 | \$101.58 |

Sources: Bloomberg, U.S. Department of Labor

All government statistics shown are subject to periodic revision.

The U.S. Consumer Price Index is the government's measure of the change in the retail cost of goods and services. Gross domestic product measures year-over-year changes in the output of goods and services. Mortgage rates shown reflect the average rate on a conventional loan with a 60-day lender commitment. Oil prices reflect the market price of West Texas intermediate grade crude.

As shown in the Economic Snapshot table above, the U.S. economy at March 31, 2009 is not in as good as shape as it was 12 months earlier. The unemployment rate is much higher. The economy is shrinking. For consumers, the good news is that inflation is lower and oil prices are roughly half what they were a year ago. Mortgage rates are also lower.

We believe that the investing and economic climate will get better in time. With perseverance, initiative and ingenuity, we believe the strengths of our nation's character will surface and prosperity will be restored. In this uncertain environment, we believe a very strong effort to manage risk is paramount. With that approach in mind, we will strive to earn your continued confidence for many years to come.

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.**



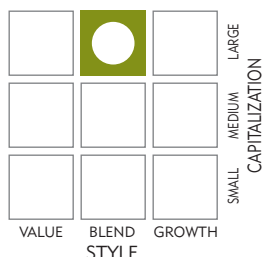
David P. Ginther

Below, David P. Ginther, CPA, portfolio manager of the Ivy Dividend Opportunities Fund, discusses positioning, performance and results for the fiscal year ended March 31, 2009. He has managed the Fund since its inception and has 14 years of industry experience.

**Investment Style**

○ Current ■ Historical

Source: Morningstar, Inc.



This diagram shows the Fund's equity investment style and the size of companies in the Fund, as measured by market capitalization. Shaded areas reflect quarterly data for the past three years.

**Fiscal Year Performance**

For the 12 Months Ended March 31, 2009

|  |         |
|--|---------|
| <b>Ivy Dividend Opportunities Fund</b><br>(Class A shares at net asset value)  | -37.92% |
| Benchmark(s) and/or Lipper Category  |         |
| <b>Russell 1000 Index</b><br>(generally reflects the performance of stocks that represent the equity market)   | -38.28% |
| <b>Lipper Equity Income Funds Universe Average</b><br>(generally reflects the performance of the universe of funds with similar investment objectives) | -36.87% |

Please note that Fund returns include applicable fees and expenses while index returns do not include any such fees.

**An extremely weak market environment**

We lost slightly less money than our benchmark this past fiscal year (before taking into account the effects of the Fund's sales charge) and somewhat more than our Lipper peer group, but our results are nonetheless disappointing. Our positioning and stock selection in several sectors contributed to our relatively weak performance.

During the fiscal year, we saw oil reach an all-time high at more than \$147 per barrel in mid-July before its unprecedented collapse to below \$35 per barrel this past winter. As such, the energy sector underperformed as oil prices collapsed and the world moved into a recession. Another casualty of the weakening economic conditions was the commodity-related sectors; they were the best performers in the first half of the fiscal year before becoming some of the worst-performing sectors as the markets sold off. Energy-related services and engineering

and construction stocks were especially hard hit. Our overweight position in the sector contributed to underperformance.

**Tough times for dividends**

Overall, the fiscal year was an exceptionally challenging time for dividend-paying stocks. Many financial sector firms such as large banks and industrial firms cut quarterly payouts to shareholders amid the worst U.S. recession since the 1970s, uncertainty regarding the effects of fiscal policy initiatives in Washington and a continuing global credit crunch. Every sector in the Russell 1000 posted declines for the fiscal year. Industrial firms in previously booming sectors such as farm equipment and railroads fell, and also were a source of underperformance.

We were defensively positioned, emphasizing stocks that we thought were less sensitive to the recession or, in the case of energy, have ample or growing free cash flow. Materials made the most significant positive contributions to the Fund's return, but this was more than offset by combined losses in every area of the Fund except consumer staples.

Going into the first calendar quarter of 2009, the Fund's financial sector positioning included a focus on banks that we thought would be a survivor. We were surprised by the severe depth of the recession, its continuing negative effects on bank balance sheets and loan losses, and the dividend cuts that hit nearly every major depository institution. We remain overweight energy and industrials. We are still very cautious on consumer discretionary spending due to the exceptionally weak job market and high consumer debt levels in a tight credit market.

Our continuing energy overweight is grounded in the belief that the current oil and gas oversupply problem is temporary, and that energy prices may steadily rebound over the next 12 to 18 months. OPEC has been more successful than expected in getting member countries to comply with oil export quotas, and this has helped oil recover to the \$50 a barrel range from less than \$35 a few months ago.

During much of the year, the Fund benefited from increasing its weighting in the consumer staples sector. More recently, as raw material costs have moderated, we feel consumer staples stocks could benefit from margin improvement even if global consumer demand remains lackluster. We continue to be cautious on

consumer discretionary spending due to the weakening U.S. employment environment and high consumer debt levels in a tight credit market.

### **A global lack of confidence**

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The financial crisis that unfolded in September 2008 led the U.S. into a recession that spread into a severe worldwide downturn. The result was a pronounced decline in U.S. equity markets and even more in other parts of the world. The poor performance of the stock markets during the fiscal year was due in large part to the deterioration of the credit markets and lack of confidence in the financial system. The decline in credit quality was accompanied by slower economic growth. To help combat slowing economies, the Federal Reserve lowered interest rates and injected capital in an effort to improve conditions and avoid a financial crisis.

Our investment strategy has remained consistent as we continue to focus on total returns. We continue to look for companies that we believe have strong balance sheets and high free cash flow yield. Meanwhile, the Fund remains focused on the consumer staples and energy sectors as strong cash flow generators, while remaining underweighted in technology, health care and consumer discretionary.

### **Our outlook**

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We are concerned that the perfect storm caused by a deterioration of credit markets, weakening housing market, rising unemployment and lack of confidence in the financial system will continue through most of calendar year 2009. Furthermore, we believe the U.S. economy will continue to weigh on consumer spending. Also, the consumer is dealing with rising unemployment and tighter credit standards.

On a positive note, we have seen a worldwide response to the financial crisis. Stimulus packages have been announced in the U.S, Europe and Asia, and over the coming months will be implemented. Also, we have become less concerned over inflation as commodity prices have retrenched and global economies have continued to slow. However, in the year ahead, we believe dividend-paying stocks may face continued challenges. In February, Standard & Poor's said it expected dividends paid by large company stocks to decline 13.3 percent overall in calendar year 2009, the worst annual drop since 1942, when dividends fell 16.9 percent.

**The Fund's performance noted above is at net asset value (NAV), and does not include the effect of any applicable sales charges. If reflected, the sales charge would reduce the performance noted.**

**As with any mutual fund, the value of the Fund's shares will change, and you could lose money on your investment. These and other risks are more fully described in the Fund's prospectus.**

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

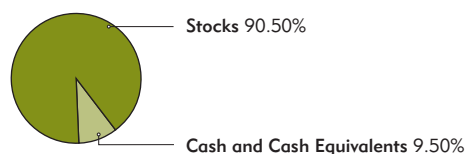
**The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of the Ivy Dividend Opportunities Fund.**

# PORTFOLIO HIGHLIGHTS

## Ivy Dividend Opportunities Fund

ALL DATA IS AS OF MARCH 31, 2009 (UNAUDITED)

### Asset Allocation



| Stocks                           | 90.50%       |
|----------------------------------|--------------|
| Energy                           | 20.54%       |
| Consumer Staples                 | 18.64%       |
| Industrials                      | 13.17%       |
| Information Technology           | 11.87%       |
| Materials                        | 7.06%        |
| Health Care                      | 6.47%        |
| Financials                       | 6.45%        |
| Consumer Discretionary           | 3.81%        |
| Telecommunication Services       | 1.28%        |
| Utilities                        | 1.21%        |
| <b>Cash and Cash Equivalents</b> | <b>9.50%</b> |

### Lipper Rankings

| Category: Lipper Equity Income Funds | Rank    | Percentile |
|--------------------------------------|---------|------------|
| 1 Year                               | 182/296 | 62         |
| 3 Year                               | 79/234  | 34         |
| 5 Year                               | 22/181  | 13         |

Past performance is no guarantee of future results. Rankings are for Class A Shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.

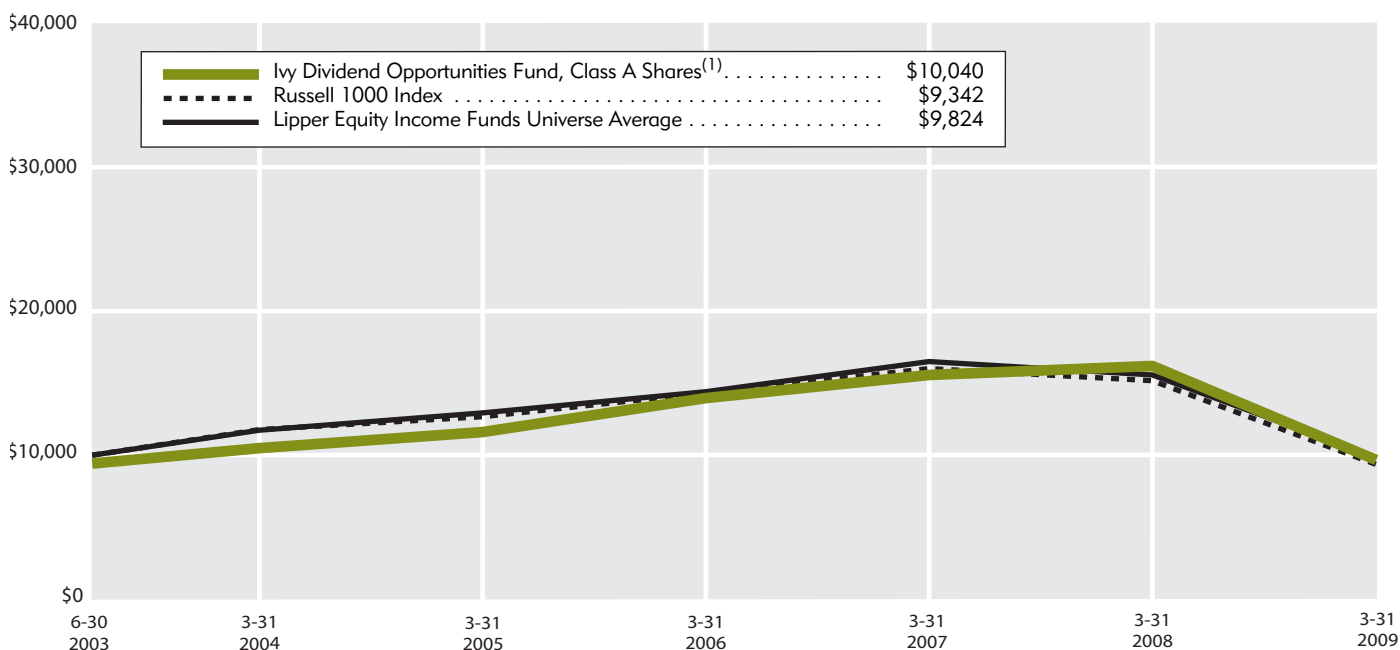
### Top 10 Equity Holdings

| Company                           | Sector                 |
|-----------------------------------|------------------------|
| Exxon Mobil Corporation           | Energy                 |
| Abbott Laboratories               | Health Care            |
| Colgate-Palmolive Company         | Consumer Staples       |
| Microchip Technology Incorporated | Information Technology |
| Lorillard, Inc.                   | Consumer Staples       |
| Philip Morris International Inc.  | Consumer Staples       |
| Schlumberger Limited              | Energy                 |
| Monsanto Company                  | Materials              |
| QUALCOMM Incorporated             | Information Technology |
| Deere & Company                   | Industrials            |

See your advisor or [www.ivyfund.com](http://www.ivyfund.com) for more information on the Fund's most recently published Top 10 Equity Holdings.

# COMPARISON OF CHANGE IN VALUE OF \$10,000 INVESTMENT Ivy Dividend Opportunities Fund

(UNAUDITED)



Please note that the performance of the Fund's other share classes will be greater or less than the performance shown above for Class A based on the differences in loads and fees paid by shareholders investing in the different classes.

(1) The value of the investment in the Fund is impacted by the sales load at the time of the investment and by the ongoing expenses of the Fund and assumes reinvestment of dividends and distributions.

| Average Annual Total Return <sup>(2)</sup>              | Class A | Class B | Class C | Class E | Class I | Class Y |
|---|---------|---------|---------|---------|---------|---------|
| 1-year period ended 3-31-09                             | -41.49% | -41.00% | -38.33% | -41.55% | -37.60% | -37.79% |
| 5-year period ended 3-31-09                             | -2.01%  | -1.95%  | -1.63%  | —       | —       | -0.71%  |
| 10-year period ended 3-31-09                            | —       | —       | —       | —       | —       | —       |
| Since inception of Class <sup>(3)</sup> through 3-31-09 | 0.07%   | 0.03%   | 0.32%   | -22.43% | -19.44% | 1.24%   |

(2) Data quoted is past performance and is based on deduction of the maximum applicable sales load for each of the periods. Current performance may be lower or higher. Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate and shares, when redeemed, may be worth more or less than their original cost. Please visit [www.ivyfund.com](http://www.ivyfund.com) for the Fund's most recent month-end performance. Class A and Class E shares carry a maximum front-end sales load of 5.75%. Class B and Class C shares carry maximum contingent deferred sales charges (CDSC) of 5% and 1%, respectively. (Accordingly, the Class C shares reflect no CDSC since it only applies to Class C shares redeemed within twelve months after purchase.) Class I and Class Y shares are not subject to sales charges.

(3) 6-30-03 for Class A, Class B, Class C and Class Y shares and 4-2-07 for Class E and Class I shares (the date on which shares were first acquired by shareholders)

Past performance is not necessarily indicative of future performance. Indexes are unmanaged. The performance graph and table do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or on the redemption of Fund shares.



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 Illustration of Fund Expenses for each fund is 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. Each example is based on an investment of \$1,000 invested at the beginning of the period and held for the six-month period ended March 31, 2009.

### Actual Expenses

The first line for each share class in each table 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 in each table provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of five percent 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 five percent hypothetical example with the five percent 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.

# ILLUSTRATION OF FUND EXPENSES

## Ivy Dividend Opportunities Fund

(UNAUDITED)

| For the Six Months Ended March 31, 2009          | Beginning Account Value 9-30-08 | Ending Account Value 3-31-09 | Annualized Expense Ratio Based on the Six-Month Period | Expenses Paid During Period* |
|--|---------------------------------|------------------------------|--|------------------------------|
| <b>Based on Actual Fund Return<sup>(1)</sup></b> |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$ 699.10                    | 1.47%  | \$ 6.20                      |
| Class B  | \$1,000                         | \$ 695.80                    | 2.56%  | \$10.85                      |
| Class C  | \$1,000                         | \$ 697.20                    | 2.10%  | \$ 8.91                      |
| Class E  | \$1,000                         | \$ 700.00                    | 1.37%  | \$ 5.78                      |
| Class I  | \$1,000                         | \$ 701.40                    | 0.97%  | \$ 4.17                      |
| Class Y  | \$1,000                         | \$ 700.10                    | 1.25%  | \$ 5.36                      |
| <b>Based on 5% Return<sup>(2)</sup></b>          |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$1,017.62                   | 1.47%  | \$ 7.36                      |
| Class B  | \$1,000                         | \$1,012.16                   | 2.56%  | \$12.88                      |
| Class C  | \$1,000                         | \$1,014.46                   | 2.10%  | \$10.58                      |
| Class E  | \$1,000                         | \$1,018.09                   | 1.37%  | \$ 6.86                      |
| Class I  | \$1,000                         | \$1,020.07                   | 0.97%  | \$ 4.95                      |
| Class Y  | \$1,000                         | \$1,018.68                   | 1.25%  | \$ 6.36                      |

\*Fund expenses for each share class are equal to the Fund's annualized expense ratio for each share class (provided in the table), multiplied by the average account value over the period, multiplied by 182 days in the six-month period ended March 31, 2009, 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 last column.

(2) This section uses a hypothetical five percent 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. See accompanying "Disclosure of Expenses" on page 8 for further information on how expenses were calculated.

# SCHEDULE OF INVESTMENTS

## Ivy Dividend Opportunities Fund (in thousands)

MARCH 31, 2009

| COMMON STOCKS   | Shares | Value        | COMMON STOCKS (Continued)                                 | Shares | Value         |
|---|--------|--------------|---|--------|---------------|
| <b>Aerospace &amp; Defense – 3.01%</b>                              |        |              | <b>Household Products – 4.64%</b>                         |        |               |
| Lockheed Martin Corporation   | 22     | \$ 1,539     | Colgate-Palmolive Company                                 | 121    | \$ 7,140      |
| Raytheon Company  | 113    | 4,414        | Procter & Gamble Company (The)                            | 43     | 2,022         |
|   |        | <u>5,953</u> |   |        | <u>9,162</u>  |
| <b>Asset Management &amp; Custody Banks – 0.67%</b>                 |        |              | <b>Hypermarkets &amp; Super Centers – 0.48%</b>           |        |               |
| AllianceBernstein Holding L.P.                                      | 90     | 1,321        | Wal-Mart Stores, Inc.                                     | 18     | 943           |
|   |        | <u>1,321</u> |   |        | <u>943</u>    |
| <b>Brewers – 1.26%</b>  |        |              | <b>Industrial Gases – 1.59%</b>                           |        |               |
| Molson Coors Brewing Company, Class B                               | 73     | 2,502        | Air Products and Chemicals, Inc.                          | 56     | 3,142         |
|   |        | <u>2,502</u> |   |        | <u>3,142</u>  |
| <b>Communications Equipment – 4.80%</b>                             |        |              | <b>Industrial Machinery – 1.02%</b>                       |        |               |
| Consolidated Communications Holdings, Inc.                          | 192    | 1,971        | Illinois Tool Works Inc.                                  | 65     | 2,005         |
| Nokia Corporation, Series A, ADR                                    | 217    | 2,536        |   |        | <u>2,005</u>  |
| QUALCOMM Incorporated   | 128    | 4,969        |   |        | <u>2,005</u>  |
|   |        | <u>9,476</u> | <b>Integrated Oil &amp; Gas – 5.83%</b>                   |        |               |
| <b>Computer Hardware – 1.51%</b>                                    |        |              | BP p.l.c., ADR  | 74     | 2,978         |
| Hewlett-Packard Company   | 93     | 2,977        | Exxon Mobil Corporation                                   | 125    | 8,536         |
|   |        | <u>2,977</u> |   |        | <u>11,514</u> |
| <b>Construction &amp; Engineering – 1.96%</b>                       |        |              | <b>Integrated Telecommunication Services – 1.28%</b>      |        |               |
| Fluor Corporation   | 112    | 3,882        | AT&T Inc.   | 64     | 1,610         |
|   |        | <u>3,882</u> | Iowa Telecommunications Services, Inc.                    | 81     | 926           |
| <b>Construction &amp; Farm Machinery &amp; Heavy Trucks – 2.36%</b> |        |              |   |        | <u>2,536</u>  |
| Deere & Company   | 142    | 4,663        | <b>Multi-Utilities – 1.21%</b>                            |        |               |
|   |        | <u>4,663</u> | Dominion Resources, Inc.                                  | 77     | 2,383         |
| <b>Data Processing &amp; Outsourced Services – 0.77%</b>            |        |              | <b>Oil &amp; Gas Drilling – 0.64%</b>                     |        |               |
| Visa Inc., Class A  | 28     | 1,529        | Transocean Inc. (A)                                       | 21     | 1,263         |
|   |        | <u>1,529</u> |   |        | <u>1,263</u>  |
| <b>Department Stores – 1.33%</b>                                    |        |              | <b>Oil &amp; Gas Equipment &amp; Services – 7.31%</b>     |        |               |
| Nordstrom, Inc.   | 157    | 2,629        | Halliburton Company                                       | 176    | 2,718         |
|   |        | <u>2,629</u> | National Oilwell Varco, Inc. (A)                          | 96     | 2,756         |
| <b>Distillers &amp; Vintners – 1.58%</b>                            |        |              | Schlumberger Limited                                      | 134    | 5,441         |
| Diageo plc, ADR   | 70     | 3,119        | Smith International, Inc.                                 | 86     | 1,840         |
|   |        | <u>3,119</u> | Weatherford International Ltd. (A)                        | 153    | 1,697         |
| <b>Diversified Banks – 0.86%</b>                                    |        |              |   |        | <u>14,452</u> |
| U.S. Bancorp  | 116    | 1,694        | <b>Oil &amp; Gas Exploration &amp; Production – 3.13%</b> |        |               |
|   |        | <u>1,694</u> | Apache Corporation  | 55     | 3,554         |
| <b>Diversified Metals &amp; Mining – 1.60%</b>                      |        |              | XTO Energy Inc.   | 86     | 2,631         |
| Rio Tinto plc, ADR  | 24     | 3,171        |   |        | <u>6,185</u>  |
|   |        | <u>3,171</u> | <b>Oil &amp; Gas Storage &amp; Transportation – 3.63%</b> |        |               |
| <b>Electrical Components &amp; Equipment – 1.51%</b>                |        |              | El Paso Pipeline Partners, L.P.                           | 159    | 2,739         |
| Emerson Electric Co.  | 104    | 2,985        | Enbridge Inc.   | 63     | 1,825         |
|   |        | <u>2,985</u> | NuStar GP Holdings, LLC                                   | 127    | 2,617         |
| <b>Fertilizers &amp; Agricultural Chemicals – 2.65%</b>             |        |              |   |        | <u>7,181</u>  |
| Monsanto Company  | 63     | 5,231        | <b>Other Diversified Financial Services – 1.22%</b>       |        |               |
|   |        | <u>5,231</u> | J.P. Morgan Chase & Co.                                   | 91     | 2,408         |
| <b>Health Care Equipment – 2.53%</b>                                |        |              | <b>Pharmaceuticals – 3.94%</b>                            |        |               |
| Baxter International Inc.   | 18     | 932          | Abbott Laboratories                                       | 163    | 7,797         |
| Medtronic, Inc.   | 108    | 3,171        |   |        | <u>7,797</u>  |
| Stryker Corporation   | 26     | 890          | <b>Property &amp; Casualty Insurance – 2.14%</b>          |        |               |
|   |        | <u>4,993</u> | ACE Limited   | 52     | 2,089         |
| <b>Hotels, Resorts &amp; Cruise Lines – 0.46%</b>                   |        |              | Travelers Companies, Inc. (The)                           | 52     | 2,131         |
| Starwood Hotels & Resorts Worldwide, Inc.                           | 72     | 908          |   |        | <u>4,220</u>  |
|   |        | <u>908</u>   |   |        | <u>4,220</u>  |

| COMMON STOCKS (Continued)  | Shares           | Value             |
|--|------------------|-------------------|
| <b>Railroads – 3.31%</b>   |                  |                   |
| Burlington Northern Santa Fe Corporation . . . . .                       | 40               | \$ 2,385          |
| Union Pacific Corporation . . . . .                                      | 101              | 4,160             |
|  |                  | <u>6,545</u>      |
| <b>Restaurants – 2.02%</b>   |                  |                   |
| McDonald's Corporation . . . . .   | 73               | 3,992             |
| <b>Semiconductors – 3.37%</b>  |                  |                   |
| Microchip Technology Incorporated . . . . .                              | 314              | 6,661             |
| <b>Soft Drinks – 3.31%</b>   |                  |                   |
| Coca-Cola Company (The) . . . . .  | 51               | 2,233             |
| PepsiCo, Inc. . . . .  | 84               | 4,309             |
|  |                  | <u>6,542</u>      |
| <b>Specialized Finance – 1.56%</b>                                       |                  |                   |
| CME Group Inc. . . . .   | 13               | 3,092             |
| <b>Steel – 1.22%</b>   |                  |                   |
| Nucor Corporation . . . . .  | 63               | 2,410             |
| <b>Systems Software – 1.42%</b>  |                  |                   |
| Microsoft Corporation . . . . .  | 153              | 2,814             |
| <b>Tobacco – 7.37%</b>   |                  |                   |
| Altria Group, Inc. . . . .   | 119              | 1,903             |
| Lorillard, Inc. . . . .  | 108              | 6,646             |
| Philip Morris International Inc. . . . .                                 | 169              | 6,008             |
|  |                  | <u>14,557</u>     |
| <b>TOTAL COMMON STOCKS – 90.50%</b>                                      |                  | <b>\$ 178,837</b> |
| (Cost: \$223,819)  |                  |                   |
| <b>SHORT-TERM SECURITIES</b>   |                  |                   |
|  | <b>Principal</b> |                   |
| <b>Commercial Paper – 8.29%</b>  |                  |                   |
| Deere & Company,<br>0.450%, 4-6-09 . . . . .                             | \$4,000          | 4,000             |
| Heinz (H.J.) Finance Co. (Heinz (H.J.) Co.),<br>2.000%, 4-2-09 . . . . . | 5,000            | 5,000             |
| McCormick & Co. Inc.,<br>0.400%, 4-1-09 . . . . .                        | 3,378            | 3,378             |
| Merck & Co., Inc.,<br>0.250%, 4-20-09 . . . . .                          | 4,000            | 3,999             |
|  |                  | <u>16,377</u>     |
| <b>Master Note – 0.95%</b>   |                  |                   |
| Toyota Motor Credit Corporation,<br>1.271%, 4-1-09 (B) . . . . .         | 1,883            | 1,883             |
| <b>TOTAL SHORT-TERM SECURITIES – 9.24%</b>                               |                  | <b>\$ 18,260</b>  |
| (Cost: \$18,260)   |                  |                   |
| <b>TOTAL INVESTMENT SECURITIES – 99.74%</b>                              |                  | <b>\$ 197,097</b> |
| (Cost: \$242,079)  |                  |                   |
| <b>CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.26%</b>                 |                  | <b>513</b>        |
| <b>NET ASSETS – 100.00%</b>  |                  | <b>\$ 197,610</b> |

#### Notes to Schedule of Investments

(A) No dividends were paid during the preceding 12 months.

(B) Variable rate security. Interest rate disclosed is that which is in effect at March 31, 2009.

The following acronym is used throughout this portfolio:

ADR = American Depositary Receipts

For Federal income tax purposes, cost of investments owned at March 31, 2009 and the related unrealized appreciation (depreciation) were as follows:

|                               |                 |
|-------------------------------|-----------------|
| Cost                          | \$ 244,355      |
| Gross unrealized appreciation | 2,556           |
| Gross unrealized depreciation | <u>(49,814)</u> |
| Net unrealized depreciation   | \$ (47,258)     |

Industry classifications are unaudited.



William Jeffery III



Kenneth F. McCain



Paul J. Ariano



Paul K. LeCoq



Carl Wiese

*Ivy Micro Cap Growth Fund is subadvised by Wall Street Associates.*

*Below, William Jeffery III, Kenneth F. McCain, Paul J. Ariano, CFA, Paul K. LeCoq and Carl Wiese, CFA, portfolio managers of the Ivy Micro Cap Growth Fund, discuss the Fund's positioning, performance and results for the Fund's initial fiscal period from Feb. 17, 2009 to March 31, 2009.*

## Initial Fiscal Period Performance

From February 17, 2009 to March 31, 2009

**Ivy Micro Cap Growth Fund (Class A shares at net asset value)** -2.30%

Benchmark(s) and/or Lipper Category

**Russell 2000 Growth Index** -1.31%

(generally reflects the performance of smaller company stocks)

**Russell Micro Cap Growth Index** -1.70%

(generally reflects the performance of stocks in the smallest category of publicly traded companies)

**Lipper Small-Cap Growth Funds Universe Average** 8.25%

(generally reflects the performance of the universe of funds with similar investment objectives)

*Please note that the Fund's returns include applicable fees and expenses, whereas the index returns do not include any such fees. Multiple indexes are shown because the Fund's management team expects to typically invest in companies of more than one level of market capitalization.*

## A disappointing start

We are disappointed that the Fund lost more money than both of its benchmarks and its Lipper peer group during its initial start up phase of operations. As with any equity investment, especially small companies, we believe relative performance is best analyzed over a multi-year period. During the approximately six-week period ended March 31, 2009, we strove to build a portfolio that reflects our long-term investment strategy. It was an environment of extreme market stress, but also a time when we thought we could sow the seeds of opportunity.

Our investments in the health care sector declined during the period and were the largest detractor from the Fund's performance. The sector fell sharply amid uncertainty surrounding the potential for health care legislation and regulatory changes from Washington. In an environment characterized by few concrete details and policy ambiguity, some investors stepped to the sidelines. During the period, the Fund benefited from investments in the technology sector. The Fund was over-weighted to this sector versus the benchmark and stock selection was additive. Investments in the consumer discretionary sector were also additive, as consumer stocks rebounded during the period. Stock selection in the energy and financials sectors added to portfolio returns.

## A recovery may be at hand

During the first calendar quarter of 2009, most stock market indices plunged to levels not seen in well over a decade. To us, broad declines were the culmination of a terrible market environment over the past 18 months marked by:

- Large established companies deteriorating quickly amid financial weakness.
- Brand name institutions being swallowed up and merged into their former competitors.
- Entire countries going bankrupt and others on the brink of bankruptcy.
- States and major U.S. cities running out of cash with which to meet obligations.
- Foreclosure rates that show no signs of abating, and increasing mortgage delinquency rates.
- Massive job layoffs and balance sheet restructuring.

Despite the negative environment, there were some positive signs as we began operations in February. Investors were encouraged by slightly brighter economic data (existing home sales, sentiment, durable goods orders, etc.), the implementation of financial rescue plans, and moderating rhetoric from Washington. The stock market began to recover on March 9 following a positive Treasury's discussion of financial assistance plans and better-than-expected economic reports.

## Our outlook

Current portfolio structure reflects an emphasis on several long-term themes expected to benefit from the unfolding market environment. We see a positive long-term trend continuing to develop in the energy sector and so we continue to maintain a position in the group. While short-run demand destruction, deleveraging and a "speculative unwind" have negatively impacted the sector, we believe it remains tied to a global secular infrastructure theme. We also anticipate that health care companies will become important contributors to long-term performance and we expect to maintain an overweight target versus the Fund's benchmarks.

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We think there's a clear, fundamental, positive case for health care companies as many are experiencing high relative profitability, attractive valuations and improving profit margins. Many factors continue to negatively impact household budgets, making stock selection extremely challenging and important within the consumer discretionary sector. Consumer confidence and spending have declined dramatically and the labor markets are suffering, making our current outlook for consumer-related companies quite bleak.

**The Fund's performance noted above is at net asset value (NAV), and does not include the effect of any applicable sales charges. If reflected, the sales charge would reduce the performance noted.**

As with any mutual fund, the value of the Fund's shares will change, and you could lose money on your investment. Investing in micro cap stocks may carry more risk than investing in stocks of larger, more established companies. These and other risks are more fully described in the Fund's prospectus.

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

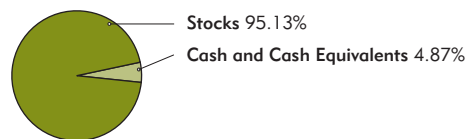
The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of the Ivy Micro Cap Growth Fund.

# PORTFOLIO HIGHLIGHTS

## Ivy Micro Cap Growth Fund

ALL DATA IS AS OF MARCH 31, 2009 (UNAUDITED)

### Asset Allocation



| Stocks                    | 95.13% |
|---------------------------|--------|
| Health Care               | 31.46% |
| Information Technology    | 29.29% |
| Consumer Discretionary    | 18.40% |
| Industrials               | 8.06%  |
| Energy                    | 5.14%  |
| Financials                | 2.54%  |
| Materials                 | 0.24%  |
| Cash and Cash Equivalents | 4.87%  |

### Top 10 Equity Holdings

| Company                             | Sector                 |
|-------------------------------------|------------------------|
| Phase Forward Incorporated          | Health Care            |
| Citi Trends Inc.                    | Consumer Discretionary |
| Ultimate Software Group, Inc. (The) | Information Technology |
| Auxilium Pharmaceuticals, Inc.      | Health Care            |
| InterMune, Inc.                     | Health Care            |
| Neutral Tandem, Inc.                | Information Technology |
| Questcor Pharmaceuticals, Inc.      | Health Care            |
| CommVault Systems, Inc.             | Information Technology |
| NetLogic Microsystems, Inc.         | Information Technology |
| NATCO Group Inc., Class A           | Energy                 |

See your advisor or [www.ivyfund.com](http://www.ivyfund.com) for more information on the Fund's most recently published Top 10 Equity Holdings.

| Cumulative Total Return <sup>(1)</sup>                  | Class A | Class B | Class C | Class Y | Class I |
|---|---------|---------|---------|---------|---------|
| 1-year period ended 3-31-09                             | —       | —       | —       | —       | —       |
| 5-year period ended 3-31-09                             | —       | —       | —       | —       | —       |
| 10-year period ended 3-31-09                            | —       | —       | —       | —       | —       |
| Since inception of Class <sup>(2)</sup> through 3-31-09 | -7.92%  | -7.28%  | -3.38%  | -2.30%  | -2.30%  |

(1) Data quoted is past performance and is based on deduction of the maximum applicable sales load for each of the periods. Current performance may be lower or higher. Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate and shares, when redeemed, may be worth more or less than their original cost. Please visit [www.ivyfund.com](http://www.ivyfund.com) for the Fund's most recent month-end performance. Class A shares carry a maximum front-end sales load of 5.75%. Class B and Class C shares carry maximum contingent deferred sales charges (CDSC) of 5% and 1%, respectively. Class I and Class Y shares are not subject to sales charges.

(2) 2-17-09 for Class A, Class B, Class C, Class I and Class Y shares (the date on which shares were first acquired by shareholders)

Past performance is not necessarily indicative of future performance. Indexes are unmanaged. The performance table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or on the redemption of Fund shares.

ILLUSTRATION OF FUND EXPENSES  
**Ivy Micro Cap Growth Fund**

(UNAUDITED)

| For the Six Months Ended March 31, 2009          | Beginning Account Value 9-30-08 | Ending Account Value 3-31-09 | Annualized Expense Ratio Based on the Six-Month Period | Expenses Paid During Period* |
|--|---------------------------------|------------------------------|--|------------------------------|
| <b>Based on Actual Fund Return<sup>(1)</sup></b> |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$ 977.00                    | 2.55%  | \$ 2.87                      |
| Class B  | \$1,000                         | \$ 976.00                    | 3.54%  | \$ 4.05                      |
| Class C  | \$1,000                         | \$ 976.00                    | 3.25%  | \$ 3.66                      |
| Class I  | \$1,000                         | \$ 977.00                    | 2.02%  | \$ 2.27                      |
| Class Y  | \$1,000                         | \$ 977.00                    | 2.27%  | \$ 2.57                      |
| <b>Based on 5% Return<sup>(2)</sup></b>          |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$1,012.23                   | 2.55%  | \$ 12.78                     |
| Class B  | \$1,000                         | \$1,007.26                   | 3.54%  | \$ 17.76                     |
| Class C  | \$1,000                         | \$1,008.71                   | 3.25%  | \$ 16.27                     |
| Class I  | \$1,000                         | \$1,014.84                   | 2.02%  | \$ 10.17                     |
| Class Y  | \$1,000                         | \$1,013.60                   | 2.27%  | \$ 11.38                     |

\*Fund expenses for each share class are equal to the Fund's annualized expense ratio for each share class (provided in the table), multiplied by the average account value over the period, multiplied by the number of days in the period (42 days for the period Based on Actual Fund Return and 182 days for the period Based on 5% Return) ended March 31, 2009, 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 last column.

(2) This section uses a hypothetical five percent 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.

See "Disclosure of Expenses" on page 8 for further information on how expenses were calculated.



**SCHEDULE OF INVESTMENTS**  
**Ivy Micro Cap Growth Fund** *(in thousands)*

MARCH 31, 2009

| COMMON STOCKS  | Shares | Value | COMMON STOCKS (Continued)   | Shares | Value |
|--|--------|-------|---|--------|-------|
| <b>Advertising – 1.05%</b>                             |        |       | <b>Electrical Components &amp; Equipment – 2.74%</b>              |        |       |
| MDC Partners Inc., Class A (A) . . . . .               | 12     | \$ 39 | Powell Industries, Inc. (A) . . . . .                             | 1      | \$ 39 |
|  |        |       | Ultralife Corporation (A) . . . . .                               | 7      | 54    |
| <b>Apparel Retail – 2.63%</b>                          |        |       | Yingli Green Energy Holding Company Limited,<br>ADR (A) . . . . . | 2      | 9     |
| Citi Trends Inc. (A) . . . . .                         | 4      | 98    |   |        | 102   |
| <b>Apparel, Accessories &amp; Luxury Goods – 2.84%</b> |        |       | <b>Health Care Equipment – 7.41%</b>                              |        |       |
| True Religion Apparel, Inc. (A) . . . . .              | 6      | 68    | Greatbatch, Inc. (A) . . . . .                                    | 2      | 29    |
| Volcom, Inc. (A) . . . . .                             | 4      | 38    | Micrus Endovascular Corporation (A) . . . . .                     | 4      | 24    |
|  |        | 106   | NuVasive, Inc. (A) . . . . .                                      | 2      | 47    |
| <b>Application Software – 7.20%</b>                    |        |       | Quidel Corporation (A) . . . . .                                  | 9      | 79    |
| Blackbaud, Inc. . . . .                                | 4      | 50    | Somanetics Corporation (A) . . . . .                              | 4      | 62    |
| Guidance Software, Inc. (A) . . . . .                  | 6      | 23    | Spectranetics Corporation (The) (A) . . . . .                     | 14     | 35    |
| Lawson Software, Inc. (A) . . . . .                    | 10     | 40    |   |        | 276   |
| NetScout Systems, Inc. (A) . . . . .                   | 7      | 53    | <b>Health Care Services – 4.75%</b>                               |        |       |
| OPNET Technologies, Inc. (A) . . . . .                 | 1      | 7     | athenahealth, Inc. (A) . . . . .                                  | 1      | 26    |
| Ultimate Software Group, Inc. (The) (A) . . . . .      | 6      | 95    | CardioNet, Inc. (A) . . . . .                                     | 2      | 42    |
|  |        | 268   | Genoptix, Inc. (A) . . . . .                                      | 3      | 71    |
| <b>Auto Parts &amp; Equipment – 0.94%</b>              |        |       | Health Grades, Inc. (A) . . . . .                                 | 18     | 38    |
| Westport Innovations Inc. (A) . . . . .                | 7      | 35    |   |        | 177   |
| <b>Biotechnology – 7.01%</b>                           |        |       | <b>Health Care Supplies – 1.18%</b>                               |        |       |
| Allos Therapeutics, Inc. (A) . . . . .                 | 12     | 75    | Rochester Medical Corporation (A) . . . . .                       | 4      | 44    |
| Dyax Corp. (A) . . . . .                               | 11     | 27    | <b>Health Care Technology – 2.71%</b>                             |        |       |
| Idenix Pharmaceuticals, Inc. (A) . . . . .             | 7      | 22    | Phase Forward Incorporated (A) . . . . .                          | 8      | 101   |
| InterMune, Inc. (A) . . . . .                          | 6      | 94    | <b>Industrial Machinery – 0.73%</b>                               |        |       |
| Pharmasset, Inc. (A) . . . . .                         | 4      | 43    | Graham Corporation . . . . .                                      | 3      | 27    |
|  |        | 261   | <b>Internet Software &amp; Services – 4.59%</b>                   |        |       |
| <b>Broadcasting – 1.80%</b>                            |        |       | comScore, Inc. (A) . . . . .                                      | 3      | 40    |
| DG FastChannel, Inc. (A) . . . . .                     | 2      | 41    | Constant Contact, Inc. (A) . . . . .                              | 4      | 50    |
| Global Traffic Network, Inc. (A) . . . . .             | 9      | 26    | Omnicore, Inc. (A) . . . . .                                      | 6      | 81    |
|  |        | 67    |   |        | 171   |
| <b>Cable &amp; Satellite – 1.45%</b>                   |        |       | <b>Investment Banking &amp; Brokerage – 1.53%</b>                 |        |       |
| RRSat Global Communications Network Ltd. . . . .       | 5      | 54    | RiskMetrics Group, Inc. (A) . . . . .                             | 4      | 57    |
| <b>Communications Equipment – 4.67%</b>                |        |       | <b>Life Sciences Tools &amp; Services – 1.18%</b>                 |        |       |
| Blue Coat Systems, Inc. (A) . . . . .                  | 3      | 40    | Bruker Corporation (A) . . . . .                                  | 7      | 44    |
| Cogo Group, Inc. (A) . . . . .                         | 7      | 43    | <b>Movies &amp; Entertainment – 1.42%</b>                         |        |       |
| Neutral Tandem, Inc. (A) . . . . .                     | 4      | 91    | Rentrak Corporation (A) . . . . .                                 | 6      | 53    |
|  |        | 174   | <b>Oil &amp; Gas Equipment &amp; Services – 4.70%</b>             |        |       |
| <b>Computer Storage &amp; Peripherals – 2.01%</b>      |        |       | NATCO Group Inc., Class A (A) . . . . .                           | 4      | 82    |
| Compellent Technologies, Inc. (A) . . . . .            | 4      | 42    | Natural Gas Services Group, Inc. (A) . . . . .                    | 4      | 33    |
| Netezza Corporation (A) . . . . .                      | 5      | 33    | T-3 Energy Services, Inc. (A) . . . . .                           | 5      | 60    |
|  |        | 75    |   |        | 175   |
| <b>Construction &amp; Engineering – 1.69%</b>          |        |       | <b>Oil &amp; Gas Exploration &amp; Production – 0.43%</b>         |        |       |
| Orion Marine Group, Inc. (A) . . . . .                 | 5      | 63    | Brigham Exploration Company (A) . . . . .                         | 9      | 16    |
| <b>Distributors – 1.48%</b>                            |        |       | <b>Pharmaceuticals – 7.23%</b>                                    |        |       |
| DXP Enterprises, Inc. (A) . . . . .                    | 5      | 55    | Auxilium Pharmaceuticals, Inc. (A) . . . . .                      | 3      | 94    |
| <b>Education Services – 2.28%</b>                      |        |       | Biodel Inc. (A) . . . . .   | 3      | 16    |
| Grand Canyon Education, Inc. (A) . . . . .             | 4      | 67    | Obagi Medical Products, Inc. (A) . . . . .                        | 7      | 38    |
| K12 Inc. (A) . . . . .                                 | 1      | 18    | Questcor Pharmaceuticals, Inc. (A) . . . . .                      | 18     | 89    |
|  |        | 85    | SuperGen, Inc. (A) . . . . .                                      | 18     | 32    |
|  |        |       |   |        | 269   |

| COMMON STOCKS (Continued)  | Shares           | Value          |
|--|------------------|----------------|
| <b>Regional Banks – 1.02%</b>                                    |                  |                |
| Webster Financial Corporation . . . . .                          | 9                | \$ 38          |
| <b>Research &amp; Consulting Services – 0.46%</b>                |                  |                |
| Hill International, Inc. (A) . . . . .                           | 6                | 17             |
| <b>Restaurants – 2.50%</b>                                       |                  |                |
| BJ's Restaurants, Inc. (A) . . . . .                             | 3                | 36             |
| McCormick & Schmick's Seafood<br>Restaurants, Inc. (A) . . . . . | 4                | 15             |
| Red Robin Gourmet Burgers, Inc. (A) . . . . .                    | 2                | 42             |
|  |                  | <u>93</u>      |
| <b>Semiconductors – 6.69%</b>                                    |                  |                |
| Cavium Networks, Inc. (A) . . . . .                              | 3                | 37             |
| Mellanox Technologies, Ltd. (A) . . . . .                        | 4                | 31             |
| Microtune, Inc. (A) . . . . .                                    | 18               | 32             |
| Monolithic Power Systems, Inc. (A) . . . . .                     | 3                | 43             |
| NetLogic Microsystems, Inc. (A) . . . . .                        | 3                | 85             |
| Pericom Semiconductor Corporation (A) . . . . .                  | 3                | 21             |
|  |                  | <u>249</u>     |
| <b>Specialty Chemicals – 0.24%</b>                               |                  |                |
| Flotek Industries, Inc. (A) . . . . .                            | 6                | 9              |
| <b>Systems Software – 4.13%</b>                                  |                  |                |
| ArcSight, Inc. (A) . . . . .                                     | 2                | 19             |
| CommVault Systems, Inc. (A) . . . . .                            | 8                | 87             |
| DemandTec, Inc. (A) . . . . .                                    | 6                | 48             |
|  |                  | <u>154</u>     |
| <b>Trucking – 2.44%</b>  |                  |                |
| Celadon Group, Inc. (A) . . . . .                                | 6                | 33             |
| Marten Transport, Ltd. (A) . . . . .                             | 3                | 58             |
|  |                  | <u>91</u>      |
| <b>TOTAL COMMON STOCKS – 95.13%</b>                              |                  | <b>\$3,543</b> |
| (Cost: \$3,588)  |                  |                |
| <b>SHORT-TERM SECURITIES</b>                                     |                  |                |
|  | <b>Principal</b> |                |
| <b>Commercial Paper – 4.65%</b>                                  |                  |                |
| Sonoco Products Co.,<br>0.550%, 4-1-09 . . . . .                 | \$ 173           | 173            |
| <b>Master Note – 3.57%</b>                                       |                  |                |
| Toyota Motor Credit Corporation,<br>1.271%, 4-1-09 (B) . . . . . | 133              | 133            |
| <b>TOTAL SHORT-TERM SECURITIES – 8.22%</b>                       |                  | <b>\$ 306</b>  |
| (Cost: \$306)  |                  |                |
| <b>TOTAL INVESTMENT SECURITIES – 103.35%</b>                     |                  | <b>\$3,849</b> |
| (Cost: \$3,894)  |                  |                |
| <b>LIABILITIES, NET OF CASH AND OTHER ASSETS – (3.35%)</b>       |                  | <b>(125)</b>   |
| <b>NET ASSETS – 100.00%</b>                                      |                  | <b>\$3,724</b> |

#### Notes to Schedule of Investments

(A) No dividends were paid during the preceding 12 months.

(B) Variable rate security. Interest rate disclosed is that which is in effect at March 31, 2009.

The following acronym is used throughout this portfolio:

ADR = American Depositary Receipts

For Federal income tax purposes, cost of investments owned at March 31, 2009 and the related unrealized appreciation (depreciation) were as follows:

|                               |              |
|-------------------------------|--------------|
| Cost                          | \$ 3,898     |
| Gross unrealized appreciation | 248          |
| Gross unrealized depreciation | <u>(297)</u> |
| Net unrealized depreciation   | \$ (49)      |

Industry classifications are unaudited.



Timothy J. Miller

Below, Timothy J. Miller, portfolio manager of the Ivy Small Cap Value Fund, discusses positioning, performance and results for the fiscal year ended March 31, 2009. He has managed the Fund for one year and has 30 years of industry experience.

**Investment Style**

Current  Historical

Source: Morningstar, Inc.



This diagram shows the Fund's equity investment style and the size of companies in the Fund, as measured by market capitalization. Shaded areas reflect quarterly data for the past three years.

**Fiscal Year Performance**

|  |         |
|--|---------|
| For the 12 Months Ended March 31, 2009   |         |
| <b>Ivy Small Cap Value Fund</b><br>(Class A shares at net asset value)   | -23.84% |
| Benchmark(s) and/or Lipper Category  |         |
| <b>Russell 2000 Value Index</b><br>(generally reflects the performance of small company value-style stocks)  | -38.92% |
| <b>Lipper Small-Cap Value Funds Universe Average</b><br>(generally reflects the performance of the universe of funds with similar investment objectives) | -39.40% |

Please note that Fund returns include applicable fees and expenses while index returns do not include any such fees.

This past fiscal year was characterized by a succession of downward market moves that may have hit a bottom in early March 2009. Global economic weakness brought on by a severe credit crisis led to near- unprecedented declines in markets across the world. The Fund was generally defensively positioned throughout the period, and this contributed to its ability to preserve significantly more capital than its Lipper peers and benchmark during the period.

Our stated strategy of identifying “low-expectation stocks with opportunity” proved to be fruitful in this environment. Consumer discretionary was the source of the greatest out-performance, followed by information technology, financials and energy. On the negative side of the ledger, the Fund underperformed in the utilities, consumer staples and health care sector. Our average cash position of about 12 percent also provided a bit of a cushion for the down market.

**Washington addresses higher education funding, fueling an industry rally**

In the consumer sector, our focus on identifying what we felt were attractively valued counter-cyclical industries and companies worked out. First and foremost, the for-profit education industry was identified as a group that has historically performed well in a recession. The stocks had been battered early in the year due to concerns over student-aid funding in a credit crunch environment. The federal government stepped in and addressed the funding issues with a number of measures that filled the void. This allowed the business to perform in its naturally counter-cyclical fashion and the stocks rallied accordingly. Our focus had been on those institutions providing shorter term technical degrees, health care degrees, and mechanical degrees. ITT Education, Corinthian Colleges, Inc., and Lincoln Education Services Corporation all performed very well during the year and the Fund had strong positive gains in all three stocks.

**Countercyclical opportunities: Headlights and Hollywood**

Two other groups identified with counter-cyclical economic behavior were the auto parts and repair industry and the movie theatre chains. The former generally benefits as a recession puts the brakes on new auto sales and forces consumers to spend more on maintenance and repair of existing vehicles. The theatre business provides a moderately priced form of near-home entertainment that typically does well in a recession as long as the movie product is desirable. Fortunately over the past year the studio output was well received, and our position in Regal Entertainment was up nicely. In the auto repair market, our primary holding was *Monro Muffler and Brake, Inc.* Other contributors in this sector that fit the counter-cyclical theme included *99 Cents Only Stores*, the *Cracker Barrel Old Country Store, Inc.* restaurant chain, and *Ameristar Casinos, Inc.*

Information technology was the next largest sector contributor for the year. A sector that normally doesn't hold up too well in a global slowdown, the IT sector in this cycle was not burdened with the financial/balance sheet/funding concerns that beleaguered many other industries in this correction. Nevertheless, the business was still vulnerable to a slowdown and this concern created some good bargain shopping opportunities for us. The best performers for the year were *Sybase, Inc.*, *Nvidia Corporation*, and *PMC Sierra, Inc.* We think *Sybase, Inc.* has a stable, cash generating legacy database

business that is funding growth in mobile messaging market. PMC Sierra, Inc. and Nvidia Corporation are both semiconductor companies serving special niches in the market that are showing signs of early recovery, hence the recent strong gains in those stocks. We continue to have keen interest in the IT group given what we feel are strong balance sheets and cyclically depressed valuations, and expect to maintain an overweighting in the sector going forward.

### **Small banks did much better than big ones**

The financial services sector is the epicenter of this global economic quake, and this sector accounted for an oversized 35 percent of the Russell 2000 Value Index during the fiscal year. We had a significantly lower weighting throughout the year and also benefited from strong stock selection, particularly in the insurance and banking groups. The strategy was to position the Fund in what we felt were higher quality companies where the industry duress had put undue pressure on the valuation of the stocks, creating an attractive risk/return opportunity. Examples included IPC Holdings Ltd. and RenaissanceRe Holdings Ltd. in the reinsurance space; and Bank of the Ozarks, Inc., First Financial Bankshares, and IBERIABANK Corporation. Significant positive gains were registered in Bank of the Ozarks, Inc. and IBERIABANK Corporation for the Fund. The outlook for the banking sector remains unsteady, in our view, but the small cap community banks in many cases are not burdened with as many issues as their larger brethren. We believe the survivors have an opportunity to gain meaningful market share and profit from the attractive spreads in the current interest rate curve. Other sector returns didn't deviate much from the index with the exception of utilities, where the Fund underperformed for the year. We were moderately underweight the sector, and had two poor performing stocks, Southwest Gas Corporation and MarkWest Energy, the latter of which was sold.

### **Our outlook**

To us, the market's prospects over the next year appear improved. Stocks have fallen to valuations at the low end of historical ranges reflecting the magnitude of last year's correction. Expectations remain very well contained, in our opinion, as the market is still feeling the aftershocks of the rapid economic deceleration. We remain focused on identifying what we feel are the best low-expectation opportunities in our small cap universe.

**The Fund's performance noted above is at net asset value (NAV), and does not include the effect of any applicable sales charges. If reflected, the sales charge would reduce the performance noted.**

**As with any mutual fund, the value of the Fund's shares will change, and you could lose money on your investment.**

**Investing in small-cap stocks may carry more risk than investing in stocks of larger, more established companies. Value stocks are stocks of companies that may have experienced adverse business or industry developments; or**

**may be subject to special risks that have caused the stocks to be out of favor and, in the opinion of the Fund's manager, undervalued. The value of a security believed by the Fund's manager to be undervalued may never reach what the manager believes to be its full value, or such security's value may decrease. These and other risks are more fully described in the Fund's prospectus.**

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

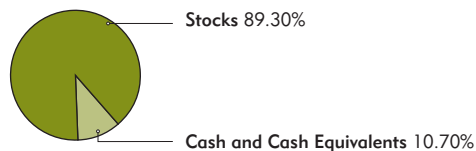
**The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of the Ivy Small Cap Value Fund.**

# PORTFOLIO HIGHLIGHTS

## Ivy Small Cap Value Fund

ALL DATA IS AS OF MARCH 31, 2009 (UNAUDITED)

### Asset Allocation



| Stocks                                   | 89.30% |
|--|--------|
| Financials                               | 21.69% |
| Consumer Discretionary                   | 20.84% |
| Information Technology                   | 15.56% |
| Industrials                              | 9.07%  |
| Consumer Staples                         | 6.01%  |
| Materials                                | 4.59%  |
| Utilities                                | 4.47%  |
| Health Care                              | 2.89%  |
| Telecommunication Services               | 2.04%  |
| Energy                                   | 1.78%  |
| Semiconductors & Semiconductor Equipment | 0.36%  |
| Cash and Cash Equivalents                | 10.70% |

### Lipper Rankings

| Category: Lipper Small-Cap Value Funds | Rank   | Percentile |
|--|--------|------------|
| 1 Year                                 | 9/329  | 3          |
| 3 Year                                 | 21/280 | 8          |
| 5 Year                                 | 48/218 | 22         |
| 10 Year                                | 25/107 | 24         |

Past performance is no guarantee of future results. Rankings are for Class A Shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.

### Top 10 Equity Holdings

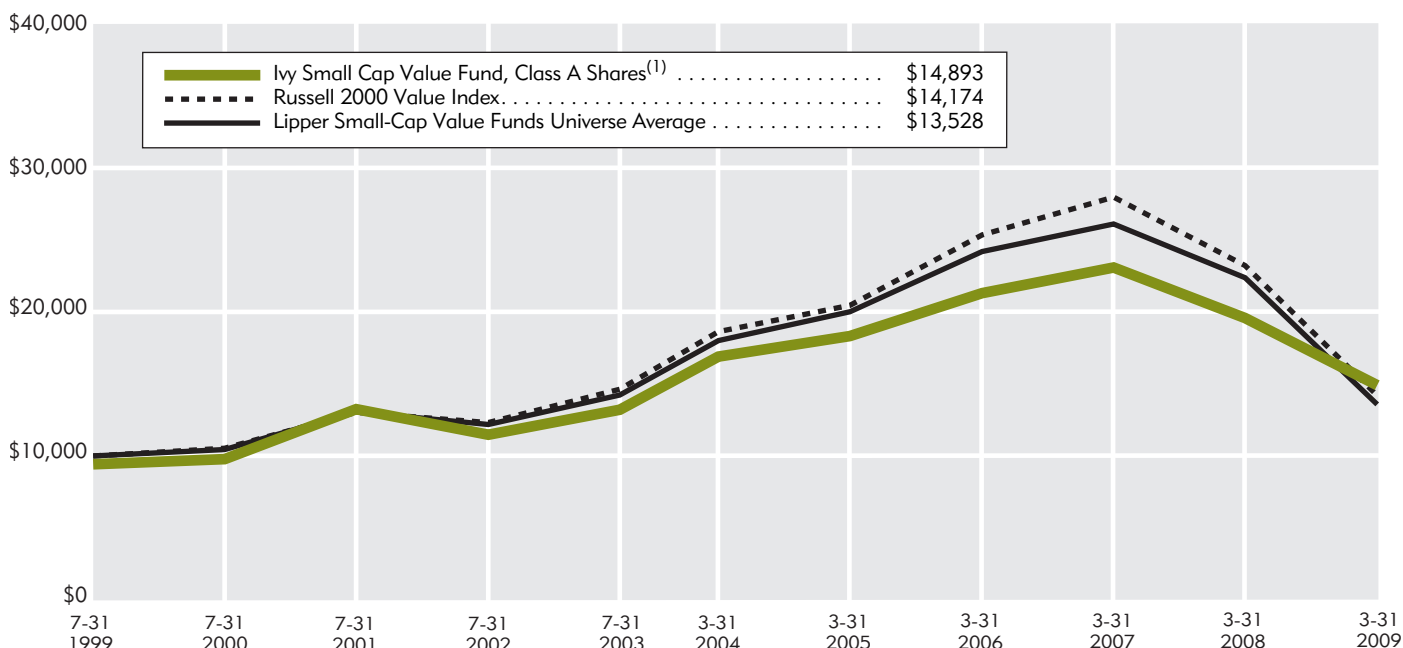
| Company                                | Sector                     |
|--|----------------------------|
| Silgan Holdings Inc.                   | Materials                  |
| Monro Muffler Brake, Inc.              | Consumer Discretionary     |
| BJ's Wholesale Club, Inc.              | Consumer Staples           |
| Regal Entertainment Group              | Consumer Discretionary     |
| Cracker Barrel Old Country Store, Inc. | Consumer Discretionary     |
| Ruddick Corporation                    | Consumer Staples           |
| Sensient Technologies Corporation      | Materials                  |
| IPC Holdings, Ltd.                     | Financials                 |
| Casey's General Stores, Inc.           | Consumer Staples           |
| tw telecom inc.                        | Telecommunication Services |

See your advisor or [www.ivyfund.com](http://www.ivyfund.com) for more information on the Fund's most recently published Top 10 Equity Holdings.

# COMPARISON OF CHANGE IN VALUE OF \$10,000 INVESTMENT

## Ivy Small Cap Value Fund

(UNAUDITED)



Please note that the performance of the Fund's other share classes will be greater or less than the performance shown above for Class A based on the differences in loads and fees paid by shareholders investing in the different classes.

(1) The value of the investment in the Fund is impacted by the sales load at the time of the investment and by the ongoing expenses of the Fund and assumes reinvestment of dividends and distributions.

| Average Annual Total Return <sup>(2)</sup>              | Class A | Class B | Class C | Class E <sup>(3)</sup> | Class I | Class Y |
|---|---------|---------|---------|------------------------|---------|---------|
| 1-year period ended 3-31-09                             | -28.22% | -27.73% | -24.46% | -27.82%                | -23.26% | -23.46% |
| 5-year period ended 3-31-09                             | -3.64%  | -3.71%  | -3.28%  | —                      | —       | -2.13%  |
| 10-year period ended 3-31-09                            | 5.50%   | —       | —       | —                      | —       | —       |
| Since inception of Class <sup>(4)</sup> through 3-31-09 | —       | -1.93%  | -1.49%  | -21.62%                | -18.97% | -0.34%  |

(2) Data quoted is past performance and is based on deduction of the maximum applicable sales load for each of the periods. Current performance may be lower or higher. Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate and shares, when redeemed, may be worth more or less than their original cost. Please visit [www.ivyfund.com](http://www.ivyfund.com) for the Fund's most recent month-end performance. Class A and Class E shares carry a maximum front-end sales load of 5.75%. Class B and Class C shares carry maximum contingent deferred sales charges (CDSC) of 5% and 1%, respectively. (Accordingly, the Class C shares reflect no CDSC since it only applies to Class C shares redeemed within twelve months after purchase.) Class I and Class Y shares are not subject to sales charges.

(3) Class E shares are not currently available for investment.

(4) 12-8-03 for Class B, Class C and Class Y shares and 4-2-07 for Class E and Class I shares (the date on which shares were first acquired by shareholders).

Past performance is not necessarily indicative of future performance. Indexes are unmanaged. The performance graph and table do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or on the redemption of Fund shares.

The Advantus Venture Fund merged into the Ivy Small Cap Value Fund on December 8, 2003. The performance shown for periods prior to this date is that of the Advantus Venture Fund Class A shares, restated to reflect current sales charges applicable to Ivy Small Cap Value Fund Class A shares. Performance has not been restated to reflect the fees and expenses applicable to the Ivy Small Cap Value Fund. If these expenses were reflected, performance shown would differ.

ILLUSTRATION OF FUND EXPENSES  
Ivy Small Cap Value Fund

(UNAUDITED)

| For the Six Months Ended March 31, 2009          | Beginning Account Value 9-30-08 | Ending Account Value 3-31-09 | Annualized Expense Ratio Based on the Six-Month Period | Expenses Paid During Period* |
|--|---------------------------------|------------------------------|--|------------------------------|
| <b>Based on Actual Fund Return<sup>(1)</sup></b> |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$ 768.10                    | 1.96%  | \$ 8.66                      |
| Class B  | \$1,000                         | \$ 763.30                    | 3.18%  | \$13.93                      |
| Class C  | \$1,000                         | \$ 765.20                    | 2.74%  | \$12.09                      |
| Class E**  | \$1,000                         | \$ 770.50                    | 1.30%  | \$ 5.75                      |
| Class I  | \$1,000                         | \$ 770.90                    | 1.18%  | \$ 5.22                      |
| Class Y  | \$1,000                         | \$ 770.10                    | 1.41%  | \$ 6.28                      |
| <b>Based on 5% Return<sup>(2)</sup></b>          |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$1,015.18                   | 1.96%  | \$ 9.87                      |
| Class B  | \$1,000                         | \$1,009.09                   | 3.18%  | \$15.87                      |
| Class C  | \$1,000                         | \$1,011.25                   | 2.74%  | \$13.78                      |
| Class E**  | \$1,000                         | \$1,018.46                   | 1.30%  | \$ 6.56                      |
| Class I  | \$1,000                         | \$1,019.07                   | 1.18%  | \$ 5.96                      |
| Class Y  | \$1,000                         | \$1,017.88                   | 1.41%  | \$ 7.16                      |

\*Fund expenses for each share class are equal to the Fund's annualized expense ratio for each share class (provided in the table), multiplied by the average account value over the period, multiplied by 182 days in the six-month period ended March 31, 2009, and divided by 365.

\*\*Class closed to investment.

(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 last column.

(2) This section uses a hypothetical five percent 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. See "Disclosure of Expenses" on page 8 for further information on how expenses were calculated.

# SCHEDULE OF INVESTMENTS

## Ivy Small Cap Value Fund *(in thousands)*

MARCH 31, 2009

| COMMON STOCKS   | Shares | Value        | COMMON STOCKS (Continued)                                 | Shares | Value        |
|---|--------|--------------|---|--------|--------------|
| <b>Airlines – 0.56%</b>   |        |              | <b>General Merchandise Stores – 2.20%</b>                 |        |              |
| Delta Air Lines, Inc. (A) . . . . .                               | 125    | \$ 706       | 99 Cents Only Stores (A) . . . . .                        | 138    | \$ 1,273     |
|   |        |              | Fred's Inc., Class A . . . . .                            | 131    | 1,482        |
|   |        |              |   |        | <u>2,755</u> |
| <b>Alternative Carriers – 1.64%</b>                               |        |              | <b>Health Care Facilities – 0.61%</b>                     |        |              |
| tw telecom inc. (A) . . . . .                                     | 234    | 2,043        | AmSurg Corp. (A) . . . . .                                | 48     | 765          |
|   |        |              |   |        |              |
| <b>Apparel Retail – 1.01%</b>                                     |        |              | <b>Homebuilding – 3.33%</b>                               |        |              |
| Finish Line, Inc. (The), Class A . . . . .                        | 190    | 1,255        | M.D.C. Holdings, Inc. . . . .                             | 47     | 1,460        |
|   |        |              | Pulte Homes, Inc. . . . .                                 | 128    | 1,399        |
| <b>Apparel, Accessories &amp; Luxury Goods – 1.01%</b>            |        |              | Ryland Group, Inc. (The) . . . . .                        | 79     | 1,310        |
| Warnaco Group, Inc. (The) (A) . . . . .                           | 53     | 1,265        |   |        | <u>4,169</u> |
|   |        |              | <b>Household Appliances – 0.52%</b>                       |        |              |
| <b>Application Software – 1.38%</b>                               |        |              | Snap-on Incorporated . . . . .                            | 26     | 643          |
| Lawson Software, Inc. (A) . . . . .                               | 108    | 460          |   |        |              |
| TIBCO Software Inc. (A) . . . . .                                 | 216    | 1,265        | <b>Human Resource &amp; Employment Services – 2.09%</b>   |        |              |
|   |        | <u>1,725</u> | Resources Connection, Inc. (A) . . . . .                  | 67     | 1,010        |
| <b>Asset Management &amp; Custody Banks – 2.18%</b>               |        |              | Watson Wyatt & Company Holdings, Inc., Class A . . . . .  | 32     | 1,600        |
| Affiliated Managers Group, Inc. (A) . . . . .                     | 49     | 2,027        |   |        | <u>2,610</u> |
| AllianceBernstein Holding L.P. . . . .                            | 48     | 699          | <b>Hypermarkets &amp; Super Centers – 2.42%</b>           |        |              |
|   |        | <u>2,726</u> | BJ's Wholesale Club, Inc. (A) . . . . .                   | 95     | 3,026        |
| <b>Automotive Retail – 2.45%</b>                                  |        |              |   |        |              |
| Monro Muffler Brake, Inc. . . . .                                 | 112    | 3,066        | <b>Integrated Telecommunication Services – 0.40%</b>      |        |              |
|   |        |              | SureWest Communications . . . . .                         | 64     | 503          |
| <b>Casinos &amp; Gaming – 2.36%</b>                               |        |              |   |        |              |
| Ameristar Casinos, Inc. . . . .                                   | 110    | 1,389        | <b>Investment Banking &amp; Brokerage – 3.43%</b>         |        |              |
| Pinnacle Entertainment, Inc. (A) . . . . .                        | 222    | 1,564        | KBW, Inc. (A) . . . . .                                   | 80     | 1,626        |
|   |        | <u>2,953</u> | Piper Jaffray Companies (A) . . . . .                     | 47     | 1,211        |
| <b>Communications Equipment – 1.63%</b>                           |        |              | Stifel Financial Corp. (A) . . . . .                      | 34     | 1,455        |
| Avocent Corporation (A) . . . . .                                 | 67     | 809          |   |        | <u>4,292</u> |
| Tellabs, Inc. (A) . . . . .                                       | 269    | 1,232        | <b>IT Consulting &amp; Other Services – 1.71%</b>         |        |              |
|   |        | <u>2,041</u> | CACI International Inc, Class A (A) . . . . .             | 33     | 1,189        |
| <b>Diversified Commercial &amp; Professional Services – 1.17%</b> |        |              | Forrester Research, Inc. (A) . . . . .                    | 46     | 954          |
| Corrections Corporation of America (A) . . . . .                  | 115    | 1,471        |   |        | <u>2,143</u> |
|   |        |              | <b>Managed Health Care – 2.28%</b>                        |        |              |
| <b>Education Services – 2.25%</b>                                 |        |              | AMERIGROUP Corporation (A) . . . . .                      | 55     | 1,507        |
| Corinthian Colleges, Inc. (A) . . . . .                           | 65     | 1,272        | Coventry Health Care, Inc. (A) . . . . .                  | 104    | 1,348        |
| Lincoln Educational Services Corporation (A) . . . . .            | 84     | 1,546        |   |        | <u>2,855</u> |
|   |        | <u>2,818</u> | <b>Metal &amp; Glass Containers – 2.74%</b>               |        |              |
| <b>Electric Utilities – 3.13%</b>                                 |        |              | Silgan Holdings Inc. . . . .                              | 65     | 3,428        |
| Cleco Corporation . . . . .                                       | 62     | 1,349        |   |        |              |
| NV Energy, Inc. . . . .   | 134    | 1,261        | <b>Movies &amp; Entertainment – 2.26%</b>                 |        |              |
| UIL Holdings Corporation . . . . .                                | 31     | 681          | Regal Entertainment Group . . . . .                       | 211    | 2,830        |
| Unitil Corporation . . . . .                                      | 31     | 631          |   |        |              |
|   |        | <u>3,922</u> | <b>Office REITs – 1.25%</b>                               |        |              |
| <b>Food Retail – 3.59%</b>  |        |              | Digital Realty Trust, Inc. . . . .                        | 47     | 1,569        |
| Casey's General Stores, Inc. . . . .                              | 79     | 2,109        |   |        |              |
| Ruddick Corporation . . . . .                                     | 106    | 2,386        | <b>Oil &amp; Gas Exploration &amp; Production – 1.78%</b> |        |              |
|   |        | <u>4,495</u> | Cabot Oil & Gas Corporation . . . . .                     | 43     | 1,006        |
| <b>Gas Utilities – 1.34%</b>                                      |        |              | Comstock Resources, Inc. (A) . . . . .                    | 41     | 1,216        |
| Southwest Gas Corporation . . . . .                               | 79     | 1,672        |   |        | <u>2,222</u> |



| COMMON STOCKS (Continued)                         | Shares | Value         |
|---|--------|---------------|
| <b>Regional Banks – 8.06%</b>                     |        |               |
| Bank of Marin Bancorp                             | 3      | \$ 67         |
| Bank of the Ozarks, Inc.                          | 45     | 1,029         |
| First Horizon National Corporation                | 110    | 1,184         |
| Glacier Bancorp, Inc.                             | 89     | 1,400         |
| Home BancShares, Inc.                             | 29     | 579           |
| IBERIABANK Corporation                            | 32     | 1,456         |
| Pacific Continental Corporation                   | 42     | 489           |
| PacWest Bancorp                                   | 75     | 1,068         |
| Sierra Bancorp                                    | 50     | 482           |
| Texas Capital Bancshares, Inc. (A)                | 111    | 1,244         |
| United Bankshares, Inc.                           | 15     | 258           |
| Wintrust Financial Corporation                    | 67     | 822           |
|   |        | <u>10,078</u> |
| <b>Reinsurance – 4.24%</b>                        |        |               |
| IPC Holdings, Ltd.                                | 78     | 2,122         |
| Platinum Underwriters Holdings, Ltd.              | 53     | 1,517         |
| RenaissanceRe Holdings Ltd.                       | 34     | 1,661         |
|   |        | <u>5,300</u>  |
| <b>Research &amp; Consulting Services – 0.99%</b> |        |               |
| Duff & Phelps Corporation, Class A (A)            | 79     | 1,236         |
| <b>Residential REITs – 1.29%</b>                  |        |               |
| American Campus Communities, Inc.                 | 93     | 1,611         |
| <b>Restaurants – 3.45%</b>                        |        |               |
| AFC Enterprises, Inc. (A)                         | 97     | 438           |
| Cracker Barrel Old Country Store, Inc.            | 96     | 2,738         |
| Jack in the Box Inc. (A)                          | 49     | 1,134         |
|   |        | <u>4,310</u>  |
| <b>Security &amp; Alarm Services – 2.09%</b>      |        |               |
| Brink's Company (The)                             | 43     | 1,135         |
| GEO Group, Inc. (The) (A)                         | 111    | 1,476         |
|   |        | <u>2,611</u>  |
| <b>Semiconductor Equipment – 1.35%</b>            |        |               |
| Lam Research Corporation (A)                      | 37     | 831           |
| Verigy Ltd. (A)                                   | 104    | 855           |
|   |        | <u>1,686</u>  |
| <b>Semiconductors – 5.39%</b>                     |        |               |
| Atmel Corporation (A)                             | 453    | 1,645         |
| Cirrus Logic, Inc. (A)                            | 196    | 737           |
| Cypress Semiconductor Corporation (A)             | 145    | 984           |
| NVIDIA Corporation (A)                            | 121    | 1,197         |
| PMC-Sierra, Inc. (A)                              | 271    | 1,730         |
| Sigma Designs, Inc. (A)                           | 37     | 455           |
|   |        | <u>6,748</u>  |
| <b>Specialized REITs – 0.40%</b>                  |        |               |
| Entertainment Properties Trust                    | 32     | 501           |
| <b>Specialty Chemicals – 1.85%</b>                |        |               |
| Sensient Technologies Corporation                 | 98     | 2,308         |
| <b>Systems Software – 1.55%</b>                   |        |               |
| Sybase, Inc. (A)                                  | 64     | 1,942         |

| COMMON STOCKS (Continued)                                  | Shares    | Value            |
|--|-----------|------------------|
| <b>Technology Distributors – 2.91%</b>                     |           |                  |
| Anixter International Inc. (A)                             | 27        | \$ 856           |
| Arrow Electronics, Inc. (A)                                | 66        | 1,252            |
| Avnet, Inc. (A)  | 87        | 1,525            |
|  |           | <u>3,633</u>     |
| <b>Thriffs &amp; Mortgage Finance – 0.84%</b>              |           |                  |
| First Niagara Financial Group, Inc.                        | 96        | 1,051            |
| <b>Trucking – 2.17%</b>                                    |           |                  |
| Marten Transport, Ltd. (A)                                 | 89        | 1,653            |
| Werner Enterprises, Inc.                                   | 70        | 1,062            |
|  |           | <u>2,715</u>     |
| <b>TOTAL COMMON STOCKS – 89.30%</b>                        |           | <b>\$111,698</b> |
| (Cost: \$123,528)  |           |                  |
| <b>SHORT-TERM SECURITIES</b>                               |           |                  |
|  | Principal |                  |
| <b>Commercial Paper – 9.65%</b>                            |           |                  |
| Abbott Laboratories,<br>0.320%, 4-14-09                    | \$2,000   | 2,000            |
| Baxter International Inc.,<br>0.330%, 4-9-09               | 3,000     | 3,000            |
| ConAgra Foods, Inc.,<br>0.200%, 4-1-09                     | 4,079     | 4,079            |
| Merck & Co., Inc.,<br>0.250%, 4-20-09                      | 3,000     | 2,999            |
|  |           | <u>12,078</u>    |
| <b>Master Note – 1.23%</b>                                 |           |                  |
| Toyota Motor Credit Corporation,<br>1.271%, 4-1-09 (B)     | 1,536     | 1,536            |
| <b>TOTAL SHORT-TERM SECURITIES – 10.88%</b>                |           | <b>\$ 13,614</b> |
| (Cost: \$13,614)   |           |                  |
| <b>TOTAL INVESTMENT SECURITIES – 100.18%</b>               |           | <b>\$125,312</b> |
| (Cost: \$137,142)  |           |                  |
| <b>LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.18%)</b> |           | <b>(227)</b>     |
| <b>NET ASSETS – 100.00%</b>                                |           | <b>\$125,085</b> |

#### Notes to Schedule of Investments

(A) No dividends were paid during the preceding 12 months.

(B) Variable rate security. Interest rate disclosed is that which is in effect at March 31, 2009.

For Federal income tax purposes, cost of investments owned at March 31, 2009 and the related unrealized appreciation (depreciation) were as follows:

|                               |             |
|-------------------------------|-------------|
| Cost                          | \$ 137,646  |
| Gross unrealized appreciation | 6,442       |
| Gross unrealized depreciation | (18,776)    |
| Net unrealized depreciation   | \$ (12,334) |

Industry classifications are unaudited.

See Accompanying Notes to Financial Statements.



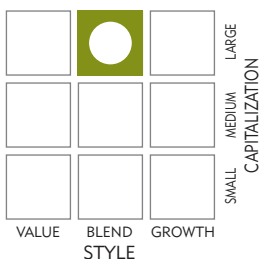
Matthew T. Norris

Below, Matthew T. Norris, CFA, portfolio manager of the Ivy Value Fund, discusses positioning, performance and results for the fiscal year ended March 31, 2009. He has managed the Fund since its inception and has 17 years of industry experience.

### Investment Style

○ Current ■ Historical

Source: Morningstar, Inc.



This diagram shows the Fund's equity investment style and the size of companies in the Fund, as measured by market capitalization. Shaded areas reflect quarterly data for the past three years.

### Fiscal Year Performance

For the 12 Months Ended March 31, 2009

**Ivy Value Fund (Class A shares at net asset value)** -37.09%

Benchmark(s) and/or Lipper Category

**Russell 1000 Value Index** -42.41%

(generally reflects the performance of value-style stocks)

**Lipper Large-Cap Value Funds Universe Average** -39.88%

(generally reflects the performance of the universe of funds with similar investment objectives)

Please note that Fund returns include applicable fees and expenses while index returns do not include any such fees.

### Global recession impacts equities

The economy, both domestic and global, led the equity markets on a dramatic path downward, particularly during the last half of the fiscal year. The weak economy and the dislocation in the U.S. financial system brought on some of the worst equity performances in modern history, as evidenced by the return of the index. The Fund's slight relative outperformance compared with the index was aided by stock selection and a generally defensive position for most of the year. Areas of strength for the Fund included insurance and capital goods, where our cautious approach avoided many poor performers in those areas. Good individual stock selection also helped preserve somewhat more capital in the real estate and banking areas.

Broadly, financials and consumer-facing areas were especially weak during the fiscal year. While we maintained a somewhat sizeable exposure to these areas, the impact was somewhat mitigated by our cautious approach. Although the Fund is typically close to fully invested, cash reserves were kept higher over most of the fiscal year. One of the Fund's larger areas of

focus has been energy, where our investments in pipeline companies have proven to be untimely. We do, however, believe it will be a good area for investment over the longer term.

An area of strength for the Fund during the period was insurance, where we believe there is tremendous value, and we avoided some high profile companies that severely underperformed. Generally, over the course of the fiscal year, technology, transportation and consumer staples sectors were overweight, while most financial sectors, retail, media and utilities were under-represented.

We continue to select investments one at a time, comparing where a stock is trading versus our evaluation of that company's intrinsic value. We then attempt to judge when and how that value will be realized before making an investment. This strategy has served us well historically and will continue to be employed.

### Our outlook

We continue to see a large number of companies that we believe are trading at substantial discounts to their intrinsic value. Most of these ideas are in sectors which did poorly last year, and were underweighted in the Fund. Over time, we would expect to exit the defensive names and strategies that were emphasized during the latter part of the fiscal year and move into names which we believe offer better prospects going forward. As we find new ideas or sell existing positions, the sector weightings will likely change to reflect our viewpoint of individual investments.

It would seem nearly impossible to have a worse year than we have just experienced. That does not ensure that the coming fiscal period will bring a positive return, however. We believe that certain areas of the economy are beginning to improve, such as technology, insurance and some aspects of health care. Others seem likely to improve over time, including consumer staples and banking. Overall, the weak markets have left a large number of companies trading significantly below our estimate of their value. Our focus continues to be on high, free cash flow-yielding companies where we are able to identify what we feel is underlying value. We believe there are more opportunities today than at any time over the last five years.

**The Fund's performance noted above is at net asset value (NAV), and does not include the effect of any applicable sales charges. If reflected, the sales charge would reduce the performance noted.**

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As with any mutual fund, the value of the Fund's shares will change, and you could lose money on your investment.

Value stocks are stocks of companies that may have experienced adverse business or industry developments; or may be subject to special risks that have caused the stocks to be out of favor and, in the opinion of the Fund's manager, undervalued. The value of a security believed by the Fund's manager to be undervalued may never reach what the manager believes to be its full value, or such security's value may decrease. These and other risks are more fully described in the Fund's prospectus.

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

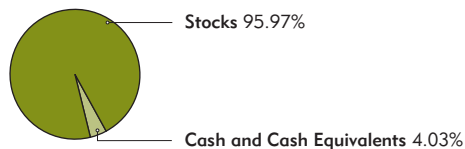
The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of the Ivy Value Fund.

# PORTFOLIO HIGHLIGHTS

## Ivy Value Fund

ALL DATA IS AS OF MARCH 31, 2009 (UNAUDITED)

### Asset Allocation



| Stocks                     | 95.97% |
|----------------------------|--------|
| Energy                     | 22.91% |
| Financials                 | 17.00% |
| Consumer Staples           | 11.30% |
| Health Care                | 11.02% |
| Industrials                | 10.90% |
| Information Technology     | 9.49%  |
| Telecommunication Services | 5.03%  |
| Consumer Discretionary     | 3.89%  |
| Materials                  | 3.29%  |
| Utilities                  | 1.14%  |
| Cash and Cash Equivalents  | 4.03%  |

### Lipper Rankings

| Category: Lipper Large-Cap Value Funds | Rank    | Percentile |
|--|---------|------------|
| 1 Year                                 | 124/589 | 22         |
| 3 Year                                 | 182/498 | 37         |
| 5 Year                                 | 192/415 | 47         |
| 10 Year                                | 154/190 | 81         |

Past performance is no guarantee of future results. Rankings are for Class A Shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.

### Top 10 Equity Holdings

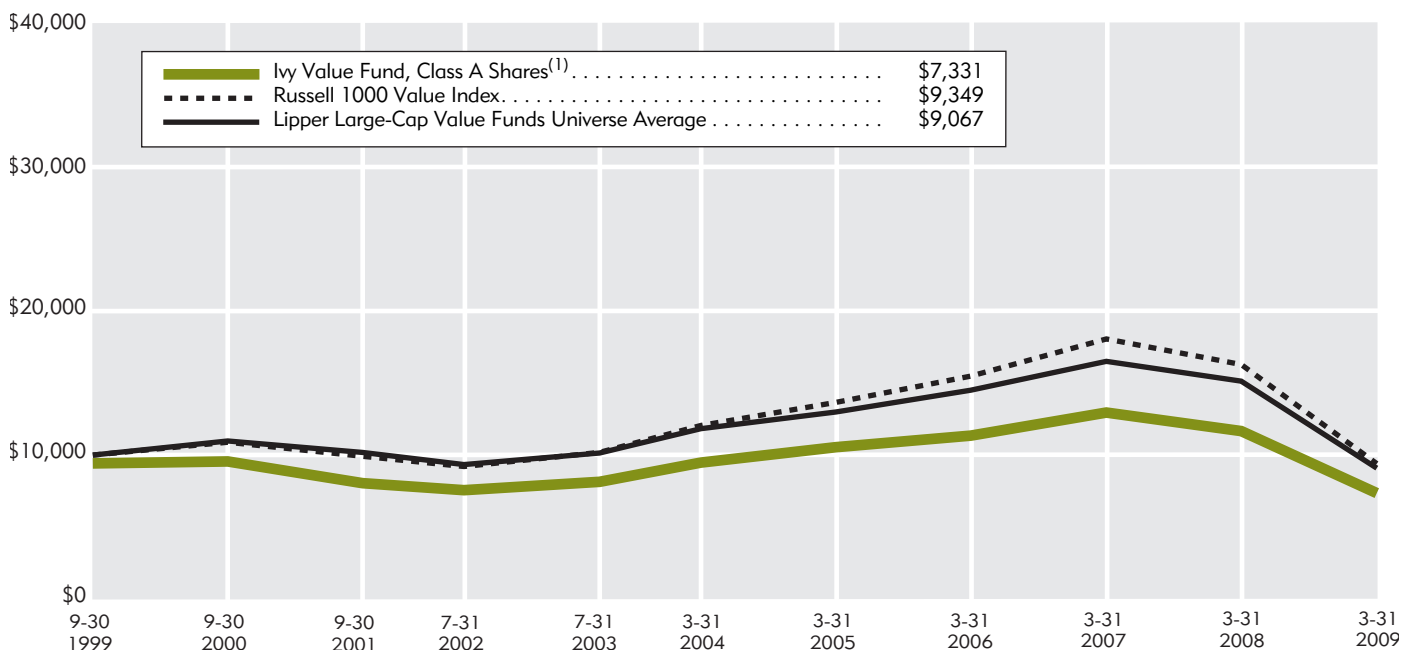
| Company                               | Sector                     |
|---------------------------------------|----------------------------|
| Chevron Corporation                   | Energy                     |
| Travelers Companies, Inc. (The)       | Financials                 |
| Verizon Communications Inc.           | Telecommunication Services |
| McKesson Corporation                  | Health Care                |
| Hewlett-Packard Company               | Information Technology     |
| Exxon Mobil Corporation               | Energy                     |
| Annaly Capital Management, Inc.       | Financials                 |
| AmerisourceBergen Corporation         | Health Care                |
| Molson Coors Brewing Company, Class B | Consumer Staples           |
| Marathon Oil Corporation              | Energy                     |

See your advisor or [www.ivyfund.com](http://www.ivyfund.com) for more information on the Fund's most recently published Top 10 Equity Holdings.

# COMPARISON OF CHANGE IN VALUE OF \$10,000 INVESTMENT

## Ivy Value Fund

(UNAUDITED)



Please note that the performance of the Fund's other share classes will be greater or less than the performance shown above for Class A based on the differences in loads and fees paid by shareholders investing in the different classes.

(1) The value of the investment in the Fund is impacted by the sales load at the time of the investment and by the ongoing expenses of the Fund and assumes reinvestment of dividends and distributions.

| Average Annual Total Return <sup>(2)</sup>              | Class A | Class B | Class C | Class E <sup>(3)</sup> | Class I | Class Y |
|---|---------|---------|---------|------------------------|---------|---------|
| 1-year period ended 3-31-09                             | -40.71% | -40.43% | -37.71% | -40.39%                | -36.67% | -36.80% |
| 5-year period ended 3-31-09                             | -6.07%  | -6.12%  | -5.79%  | —                      | —       | -4.71%  |
| 10-year period ended 3-31-09                            | -3.08%  | —       | —       | —                      | —       | —       |
| Since inception of Class <sup>(4)</sup> through 3-31-09 | —       | -4.62%  | -4.30%  | -26.69%                | -24.38% | -3.20%  |

(2) Data quoted is past performance and is based on deduction of the maximum applicable sales load for each of the periods. Current performance may be lower or higher. Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate and shares, when redeemed, may be worth more or less than their original cost. Please visit [www.ivyfund.com](http://www.ivyfund.com) for the Fund's most recent month-end performance. Class A and Class E shares carry a maximum front-end sales load of 5.75%. Class B and Class C shares carry maximum contingent deferred sales charges (CDSC) of 5% and 1%, respectively. (Accordingly, the Class C shares reflect no CDSC since it only applies to Class C shares redeemed within twelve months after purchase.) Class I and Class Y shares are not subject to sales charges.

(3) Class E shares are not currently available for investment.

(4) 12-8-03 for Class B, Class C and Class Y shares and 4-2-07 for Class E and Class I shares (the date on which shares were first acquired by shareholders).

Past performance is not necessarily indicative of future performance. Indexes are unmanaged. The performance graph and table do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or on the redemption of Fund shares.

The Advantus Cornerstone Fund merged into the Ivy Value Fund on December 8, 2003. The performance shown for periods prior to this date is that of the Advantus Cornerstone Fund Class A shares, restated to reflect current sales charges applicable to Ivy Value Fund Class A shares. Performance has not been restated to reflect the fees and expenses applicable to the Ivy Value Fund. If these expenses were reflected, performance shown would differ.

# ILLUSTRATION OF FUND EXPENSES

## Ivy Value Fund

(UNAUDITED)

| For the Six Months Ended March 31, 2009          | Beginning Account Value 9-30-08 | Ending Account Value 3-31-09 | Annualized Expense Ratio Based on the Six-Month Period | Expenses Paid During Period* |
|--|---------------------------------|------------------------------|--|------------------------------|
| <b>Based on Actual Fund Return<sup>(1)</sup></b> |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$ 705.30                    | 1.93%  | \$ 8.19                      |
| Class B  | \$1,000                         | \$ 700.10                    | 3.44%  | \$14.54                      |
| Class C  | \$1,000                         | \$ 702.30                    | 2.92%  | \$12.34                      |
| Class E**  | \$1,000                         | \$ 707.50                    | 1.29%  | \$ 5.46                      |
| Class I  | \$1,000                         | \$ 708.50                    | 1.14%  | \$ 4.87                      |
| Class Y  | \$1,000                         | \$ 707.40                    | 1.45%  | \$ 6.15                      |
| <b>Based on 5% Return<sup>(2)</sup></b>          |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$1,015.30                   | 1.93%  | \$ 9.67                      |
| Class B  | \$1,000                         | \$1,007.79                   | 3.44%  | \$17.17                      |
| Class C  | \$1,000                         | \$1,010.39                   | 2.92%  | \$14.58                      |
| Class E**  | \$1,000                         | \$1,018.52                   | 1.29%  | \$ 6.46                      |
| Class I  | \$1,000                         | \$1,019.27                   | 1.14%  | \$ 5.75                      |
| Class Y  | \$1,000                         | \$1,017.72                   | 1.45%  | \$ 7.26                      |

\*Fund expenses for each share class are equal to the Fund's annualized expense ratio for each share class (provided in the table), multiplied by the average account value over the period, multiplied by 182 days in the six-month period ended March 31, 2009, and divided by 365.

\*\*Class closed to investment.

(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 last column.

(2) This section uses a hypothetical five percent 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.

See "Disclosure of Expenses" on page 8 for further information on how expenses were calculated.

# SCHEDULE OF INVESTMENTS

## Ivy Value Fund *(in thousands)*

MARCH 31, 2009

| COMMON STOCKS   | Shares | Value        | COMMON STOCKS (Continued)                                 | Shares | Value        |
|---|--------|--------------|---|--------|--------------|
| <b>Aerospace &amp; Defense – 3.62%</b>                    |        |              | <b>Integrated Telecommunication Services – 5.02%</b>      |        |              |
| Lockheed Martin Corporation (A) . . . . .                 | 8      | \$ 573       | AT&T Inc. . . . .   | 7      | \$ 186       |
| Raytheon Company . . . . .                                | 21     | 829          | Verizon Communications Inc. . . . .                       | 58     | 1,758        |
|   |        | <u>1,402</u> |   |        | <u>1,944</u> |
| <b>Airlines – 0.66%</b>                                   |        |              | <b>Managed Health Care – 3.02%</b>                        |        |              |
| Delta Air Lines, Inc. (B) . . . . .                       | 32     | 179          | Coventry Health Care, Inc. (B) . . . . .                  | 14     | 184          |
| UAL Corporation (B) . . . . .                             | 17     | 76           | UnitedHealth Group Incorporated (A) . . . . .             | 44     | 917          |
|   |        | <u>255</u>   | WellPoint, Inc. (B) . . . . .                             | 2      | 68           |
| <b>Asset Management &amp; Custody Banks – 0.49%</b>       |        |              |   |        | <u>1,169</u> |
| Blackstone Group L.P. (The) . . . . .                     | 26     | 191          | <b>Metal &amp; Glass Containers – 1.45%</b>               |        |              |
| <b>Brewers – 2.92%</b>                                    |        |              | Pactiv Corporation (B) . . . . .                          | 39     | 562          |
| Molson Coors Brewing Company, Class B . . . . .           | 33     | 1,128        | <b>Mortgage REITs – 3.31%</b>                             |        |              |
| <b>Communications Equipment – 1.95%</b>                   |        |              | Annaly Capital Management, Inc. . . . .                   | 92     | 1,280        |
| Nokia Corporation, Series A, ADR . . . . .                | 65     | 755          | <b>Multi-Utilities – 1.15%</b>                            |        |              |
| <b>Computer Hardware – 6.19%</b>                          |        |              | Duke Energy Corporation . . . . .                         | 31     | 443          |
| Hewlett-Packard Company . . . . .                         | 47     | 1,504        | <b>Office Electronics – 1.35%</b>                         |        |              |
| International Business Machines Corporation (A) . . . . . | 9      | 891          | Xerox Corporation . . . . .                               | 115    | 522          |
|   |        | <u>2,395</u> | <b>Oil &amp; Gas Exploration &amp; Production – 1.41%</b> |        |              |
| <b>Consumer Finance – 1.14%</b>                           |        |              | Devon Energy Corporation . . . . .                        | 12     | 545          |
| Capital One Financial Corporation (A) . . . . .           | 36     | 443          | <b>Oil &amp; Gas Storage &amp; Transportation – 6.76%</b> |        |              |
| <b>Department Stores – 1.82%</b>                          |        |              | Boardwalk Pipeline Partners, LP (A) . . . . .             | 21     | 460          |
| Macy's Inc. . . . .                                       | 79     | 705          | Copano Energy, L.L.C., Units . . . . .                    | 5      | 71           |
| <b>Diversified Chemicals – 0.30%</b>                      |        |              | DCP Midstream Partners, LP . . . . .                      | 3      | 42           |
| Solutia Inc. (B) . . . . .                                | 61     | 114          | Enterprise Products Partners L.P. . . . .                 | 46     | 1,030        |
| <b>Drug Retail – 2.72%</b>                                |        |              | Kinder Morgan Energy Partners, L.P. . . . .               | 9      | 430          |
| CVS Corporation . . . . .                                 | 38     | 1,053        | MarkWest Energy Partners, L.P. . . . .                    | 7      | 81           |
| <b>Environmental &amp; Facilities Services – 1.58%</b>    |        |              | Regency Energy Partners LP (A) . . . . .                  | 40     | 504          |
| Waste Management, Inc. . . . .                            | 24     | 612          |   |        | <u>2,618</u> |
| <b>Health Care Distributors – 7.17%</b>                   |        |              | <b>Other Diversified Financial Services – 2.75%</b>       |        |              |
| AmerisourceBergen Corporation . . . . .                   | 38     | 1,244        | J.P. Morgan Chase & Co. . . . .                           | 40     | 1,066        |
| McKesson Corporation (A) . . . . .                        | 44     | 1,531        | <b>Packaged Foods &amp; Meats – 2.26%</b>                 |        |              |
|   |        | <u>2,775</u> | Kraft Foods Inc. . . . .                                  | 39     | 874          |
| <b>Home Improvement Retail – 1.92%</b>                    |        |              | <b>Pharmaceuticals – 0.83%</b>                            |        |              |
| Home Depot, Inc. (The) . . . . .                          | 31     | 740          | Johnson & Johnson . . . . .                               | 6      | 321          |
| <b>Industrial Machinery – 2.36%</b>                       |        |              | <b>Property &amp; Casualty Insurance – 6.96%</b>          |        |              |
| Illinois Tool Works Inc. . . . .                          | 30     | 913          | ACE Limited . . . . .                                     | 21     | 832          |
| <b>Integrated Oil &amp; Gas – 14.73%</b>                  |        |              | Travelers Companies, Inc. (The) . . . . .                 | 46     | 1,860        |
| Chevron Corporation . . . . .                             | 35     | 2,320        |   |        | <u>2,692</u> |
| Exxon Mobil Corporation (A) . . . . .                     | 20     | 1,335        | <b>Railroads – 2.68%</b>                                  |        |              |
| Marathon Oil Corporation . . . . .                        | 41     | 1,083        | Union Pacific Corporation . . . . .                       | 25     | 1,036        |
| Occidental Petroleum Corporation . . . . .                | 15     | 835          | <b>Regional Banks – 0.74%</b>                             |        |              |
| Targa Resources Partners LP . . . . .                     | 14     | 126          | SunTrust Banks, Inc. . . . .                              | 8      | 91           |
|   |        | <u>5,699</u> | Zions Bancorporation . . . . .                            | 20     | 194          |
|   |        |              |   |        | <u>285</u>   |

| COMMON STOCKS (Continued)  | Shares           | Value           |
|--|------------------|-----------------|
| <b>Reinsurance – 1.61%</b>   |                  |                 |
| Everest Re Group, Ltd. . . . .   | 7                | \$ 489          |
| RenaissanceRe Holdings Ltd. . . . .  | 3                | 133             |
|  |                  | <u>622</u>      |
| <b>Specialty Stores – 0.16%</b>  |                  |                 |
| Office Depot, Inc. (B) . . . . .   | 47               | 62              |
| <b>Tobacco – 3.40%</b>   |                  |                 |
| Altria Group, Inc. . . . .   | 38               | 615             |
| Philip Morris International Inc. (A). . . . .                                  | 20               | 701             |
|  |                  | <u>1,316</u>    |
| <b>TOTAL COMMON STOCKS – 94.43%</b>  |                  | <b>\$36,537</b> |
| (Cost: \$47,295)   |                  |                 |
| <b>PREFERRED STOCKS – 1.54%</b>  |                  |                 |
| <b>Diversified Metals &amp; Mining</b>   |                  |                 |
| Freeport-McMoRan Copper & Gold Inc.,<br>6.75% Cumulative Convertible . . . . . | 9                | \$ 594          |
| (Cost: \$449)  |                  |                 |
| <b>SHORT-TERM SECURITIES</b>   |                  |                 |
|  | <b>Principal</b> |                 |
| <b>Commercial Paper – 0.87%</b>  |                  |                 |
| Sonoco Products Co.,<br>0.550%, 4-1-09 . . . . .                               | \$340            | 340             |
| <b>Master Note – 3.03%</b>   |                  |                 |
| Toyota Motor Credit Corporation,<br>1.271%, 4-1-09 (C) . . . . .               | 1,171            | 1,171           |
| <b>TOTAL SHORT-TERM SECURITIES – 3.90%</b>                                     |                  | <b>\$ 1,511</b> |
| (Cost: \$1,511)  |                  |                 |
| <b>TOTAL INVESTMENT SECURITIES – 99.87%</b>                                    |                  | <b>\$38,642</b> |
| (Cost: \$49,255)   |                  |                 |
| <b>CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.13%</b>                       |                  | <b>52</b>       |
| <b>NET ASSETS – 100.00%</b>  |                  | <b>\$38,694</b> |

#### Notes to Schedule of Investments

(A) Securities serve as cover for the following written options outstanding at March 31, 2009:

| Underlying Security                          | Contracts Subject to Call | Expiration Month/Exercise Price | Premium Received | Market Value |
|--|---------------------------|---------------------------------|------------------|--------------|
| Boardwalk Pipeline Partners, LP:             | —*                        | May/22.5                        | \$ 4             | \$ 3         |
| Exxon Mobil Corporation:                     | —*                        | April/85.0                      | 13               | —*           |
|  | —*                        | July/75.0                       | 12               | 12           |
| International Business Machines Corporation: | —*                        | April/90.0                      | 9                | 13           |
| Lockheed Martin Corporation:                 | —*                        | April/85.0                      | 3                | —*           |
| McKesson Corporation:                        | —*                        | May/45.0                        | 6                | 1            |
| Philip Morris International Inc.:            | —*                        | June/40.0                       | 8                | 4            |
| Regency Energy Partners LP:                  | —*                        | May/12.5                        | 2                | 3            |
| UnitedHealth Group Incorporated:             | 1                         | April/30.0                      | 13               | 1            |
|  |                           |                                 | <u>\$70</u>      | <u>\$37</u>  |

| Underlying Security      | Contracts Subject to Put | Expiration Month/Exercise Price | Premium Received | Market Value |
|--------------------------|--------------------------|---------------------------------|------------------|--------------|
| Exxon Mobil Corporation: | —*                       | April/60.0                      | \$ 9             | \$ 2         |
|                          | —*                       | July/50.0                       | 7                | 5            |
|                          |                          |                                 | <u>\$16</u>      | <u>\$ 7</u>  |

\*Not shown due to rounding.

(B) No dividends were paid during the preceding 12 months.

(C) Variable rate security. Interest rate disclosed is that which is in effect at March 31, 2009

For Federal income tax purposes, cost of investments owned at March 31, 2009 and the related unrealized appreciation (depreciation) were as follows:

|                               |             |
|-------------------------------|-------------|
| Cost                          | \$ 50,291   |
| Gross unrealized appreciation | 2,462       |
| Gross unrealized depreciation | (14,111)    |
| Net unrealized depreciation   | \$ (11,649) |

Industry classifications are unaudited.





Michael L. Avery

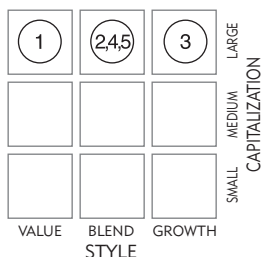
**Ivy Managed European/Pacific Fund and Ivy Managed International Opportunities Fund**

Below, Michael L. Avery, portfolio manager of the Ivy Managed European/Pacific Fund and the Ivy Managed International Opportunities Fund, discusses the positioning, performance and results for each Fund for the fiscal year ended March 31, 2009. He has managed each Fund since its inception on April 2, 2007 and he has 30 years of industry experience.

**Investment Style**

○ Current

Source: Morningstar, Inc.



This diagram shows the equity investment style and the size of companies, as measured by market capitalization, within each of the underlying funds that comprise the Ivy Managed European/Pacific Fund and/or the Ivy Managed International Opportunities Fund. The diagram reflects quarterly data for the past three years for the underlying funds.

- 1 Ivy International Balanced Fund
- 2 Ivy International Core Equity Fund
- 3 Ivy International Growth Fund
- 4 Ivy European Opportunities Fund
- 5 Ivy Pacific Opportunities Fund

**Fiscal Year Performance**

For the 12 Months Ended March 31, 2009

|   |         |
|---|---------|
| <b>Ivy Managed European/Pacific Fund</b><br>(Class A shares at net asset value)                                 | -43.93% |
| Benchmark(s)  |         |
| <b>MSCI AC Asia ex Japan Index</b><br>(generally reflects the performance of Asian stocks, not including Japan) | -44.03% |
| <b>MSCI Europe Index</b><br>(generally reflects the performance of European stocks)                             | -49.91% |

**Fiscal Year Performance**

For the 12 Months Ended March 31, 2009

|  |         |
|--|---------|
| <b>Ivy Managed International Opportunities Fund</b><br>(Class A shares at net asset value)   | -40.20% |
| Benchmark(s)   |         |
| <b>MSCI AC World ex-USA Index</b><br>(generally reflects the performance of overseas stocks) | -46.46% |

**Past performance is not necessarily indicative of future performance.** Please note that Fund returns include applicable fees and expenses, whereas the index returns do not include any such fees. Multiple indexes are shown for the Ivy Managed European/Pacific Fund because that Fund invests in multiple parts of the world outside the U.S. For additional performance information for each Fund, please see the Comparison of Change in Value of a \$10,000 Investment and the Average Annual Total Return information for each Fund found on pages 35 and 36 through of this report.

**Ivy Managed European/Pacific Fund:  
A shift from Europe to the Pacific**

During the past fiscal year, within the Ivy Managed European/Pacific Fund, we shifted the fund mix from an approximate 60/40 percent split between Ivy European Opportunities Fund and Ivy Pacific Opportunities Fund to a 32.9/67.0 percent split in favor of the Ivy Pacific Opportunities Fund. This positioning helped us outpace our two regional benchmarks during the fiscal year (before taking into account the effect of sales charges). Overall, it was an exceptionally challenging period for developed and emerging overseas markets, many of which lost more money than the U.S. stock market.

While Europe was slipping into a deep recession, parts of Asia, led primarily by China, appear poised for renewed growth as governments inject many billions of dollars of stimulus spending to build up infrastructure and encourage domestic consumption. Weak performance of the underlying Ivy European Opportunities Fund relative to its peers was also a factor in reducing our exposure (See pages 46 and 47 for complete information on Ivy European Opportunities Fund's results for the fiscal year ended March 31, 2009).

A global financial crisis since September 2008 has pushed Europe into the worst recession since World War II, forcing companies to reduce output and staff. Unemployment in Europe could reach 10 percent in calendar year 2009, according to the Organization for Economic Cooperation and Development (OECD). Leaders from the G-20 group of emerging and developed nations met in London in early April 2009 to attempt to forge a common response to the crisis. The euro-area economy is expected to shrink 4.1 percent in calendar year 2009 even as governments spend billions to fight the recession, according to the OECD. As of March 2009, manufacturing and service industries had contracted for 10 straight months in Europe. Euro-area inflation, meanwhile, has slowed to its lowest rate in 18 years of record-keeping.

In the Asian-Pacific markets, high growth in domestic demand and the positive effects of global economic rebalancing are forces that we believe will ultimately reward investors. At the end of the fiscal year, the underlying Ivy Pacific Opportunities Fund was overweight industrials and information technology, and was underweight consumer staples and health care.

In the coming months, we believe China's GDP (gross domestic product) growth will be stronger than anywhere else in the world, and that other Asian countries will benefit. In fact, we believe that if current growth trends continue, within three years the size of China's economy will eclipse that of Japan, which is currently suffering a severe recession. Across Asia, we will closely monitor events to confirm that business profitability and productivity are benefiting from government spending and a shift toward greater domestic consumer consumption.

### **Ivy Managed International Opportunities Fund: An attempt to manage risks in an exceptionally weak equities market**

This past fiscal year we allocated the greatest portion of the portfolio to Ivy International Balanced Fund (34.84 percent of net assets at March 31, 2009). This permitted the overall portfolio to gain exposure to international fixed-income markets that did well during the period, and helped the Fund outpace the MSCI AC World ex-USA benchmark.

Compared to our baseline target of a 20 percent allocation to each underlying Fund, we were substantially underweighted in Ivy European Opportunities Fund (9.83 percent of net assets at March 31, 2009). This positioning reflected our belief that the global financial crisis since September 2008 has pushed Europe into its worst recession in many decades, a downturn from which we believe Europe is not likely to quickly recover.

The overall portfolio was also slightly underweight Ivy International Growth Fund and Ivy Pacific Opportunities Fund for the fiscal year. Our positioning in Ivy International Core Equity Fund was higher than our baseline target (24.98 percent) as of March 31, 2009. (See Portfolio Highlights pie chart on page 34 for additional information).

### **Our outlook**

As we look ahead, we are very mindful of many international headwinds, including:

- **The likelihood of a protracted period of economic contraction in Europe and certain export-driven markets in Asia such as Japan.** The worst of the credit crisis may be behind us, but we believe that problems remain for the global economy, and for corporate balance sheets.
- **Weak corporate earnings.** The recession is likely to weigh on 2009 profits for many multi-national firms. One question is whether heavy corporate cost-cutting since last September might be sufficient to help offset weakened demand.
- **The unintended consequences of government action.** From the soybean fields of Argentina to the natural gas fields of Russia, we are seeing what appears to be a new era of activist and interventionist government, and the potential for more social unrest. More decision-making is driven by domestic politics and protectionist sentiment rather than what might be best for global trade or the collective good of an integrated global economy.

- **Deleveraging in developed markets such as Europe.** We faced a near implosion of the global financial system last autumn. While conditions may have begun to stabilize, we think much of the global economy will continue to focus on paying down/resolving debt in the quarters ahead, with the exception of China, which appears to have ample cash to stimulate growth.

Each Fund's performance noted above is at net asset value (NAV), and does not include the effect of any applicable sales charges. If reflected, the sales charge would reduce the performance noted.

As with any mutual fund, the value of each Fund's shares will change, and you could lose money on your investment.

Fixed-income securities are subject to interest rate risk and, as such, a Fund's net asset value may fall as interest rates rise.

International investing involves additional risks, including currency fluctuations, political or economic conditions affecting the foreign country, and differences in accounting standards and foreign regulations. These and other risks are more fully described in each Fund's prospectus.

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

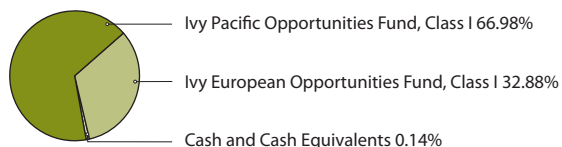
The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of the Ivy Managed European/Pacific Fund or the Ivy Managed International Opportunities Fund.

# PORTFOLIO HIGHLIGHTS

## Ivy Managed Funds

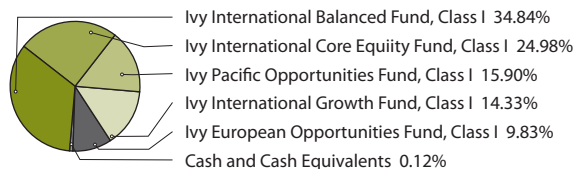
ALL DATA IS AS OF MARCH 31, 2009 (UNAUDITED)

### Ivy Managed European/Pacific Fund



|  |        |
|--|--------|
| Ivy Pacific Opportunities Fund, Class I  | 66.98% |
| Ivy European Opportunities Fund, Class I | 32.88% |
| Cash and Cash Equivalents                | 0.14%  |

### Ivy Managed International Opportunities Fund

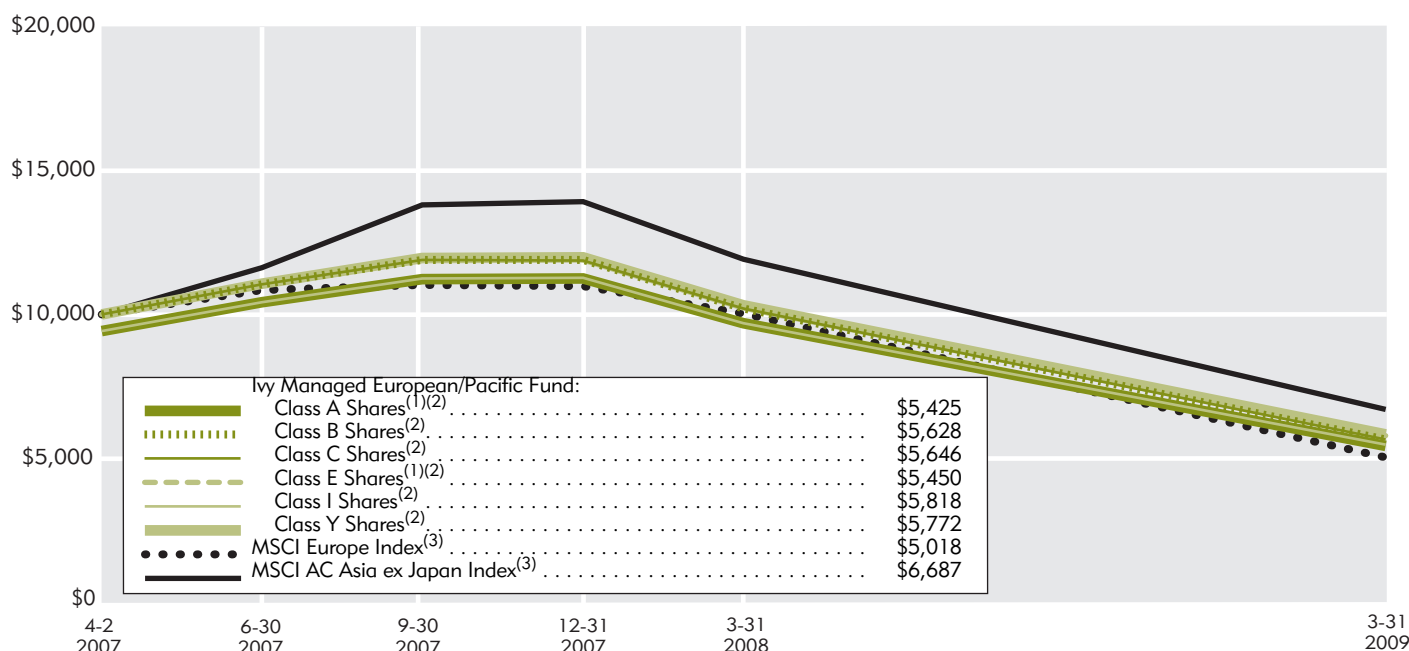


|   |        |
|---|--------|
| Ivy International Balanced Fund, Class I                | 34.84% |
| Ivy International Core Equity Fund, Class I             | 24.98% |
| Ivy Pacific Opportunities Fund, Class I                 | 15.90% |
| Ivy International Growth Fund, Class I                  | 14.33% |
| Ivy European Opportunities Fund, Class I <sup>(1)</sup> | 9.83%  |
| Cash and Cash Equivalents                               | 0.12%  |

*(1) The current percentage of investments in the underlying fund is currently not within the target allocation range disclosed in the Fund's prospectus due to market movements; this percentage is expected to change over time, and deviation from the target allocation range is permitted by the prospectus due to market movements.*

# COMPARISON OF CHANGE IN VALUE OF \$10,000 INVESTMENT Ivy Managed European/Pacific Fund

(UNAUDITED)



(1) The value of the investment in the Fund is impacted by the sales load at the time of the investment.

(2) The value of the investment in the Fund is impacted by the ongoing expenses of the Fund and assumes reinvestment of dividends and distributions.

(3) Because the Fund commenced operations on a date other than at the end of a month, and partial month calculations of the performances of the indexes (including income) are not available, investment in the indexes was effected as of March 31, 2007.

| Average Annual Total Return <sup>(4)</sup>              | Class A | Class B | Class C | Class E <sup>(5)</sup> | Class I | Class Y |
|---|---------|---------|---------|------------------------|---------|---------|
| 1-year period ended 3-31-09                             | -47.16% | -46.74% | -44.59% | -46.98%                | -43.56% | -43.84% |
| 5-year period ended 3-31-09                             | —       | —       | —       | —                      | —       | —       |
| 10-year period ended 3-31-09                            | —       | —       | —       | —                      | —       | —       |
| Since inception of Class <sup>(6)</sup> through 3-31-09 | -26.37% | -26.31% | -24.89% | -26.20%                | -23.75% | -24.06% |

(4) Data quoted is past performance and is based on deduction of the maximum applicable sales load for each of the periods. Current performance may be lower or higher. Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate and shares, when redeemed, may be worth more or less than their original cost. Please visit [www.ivyfund.com](http://www.ivyfund.com) for the Fund's most recent month-end performance. Class A and Class E shares carry a maximum front-end sales load of 5.75%. Class B and Class C shares carry maximum contingent deferred sales charges (CDSC) of 5% and 1%, respectively. (Accordingly, the Class C shares reflect no CDSC since it only applies to Class C shares redeemed within twelve months after purchase.) Class I and Class Y shares are not subject to sales charges.

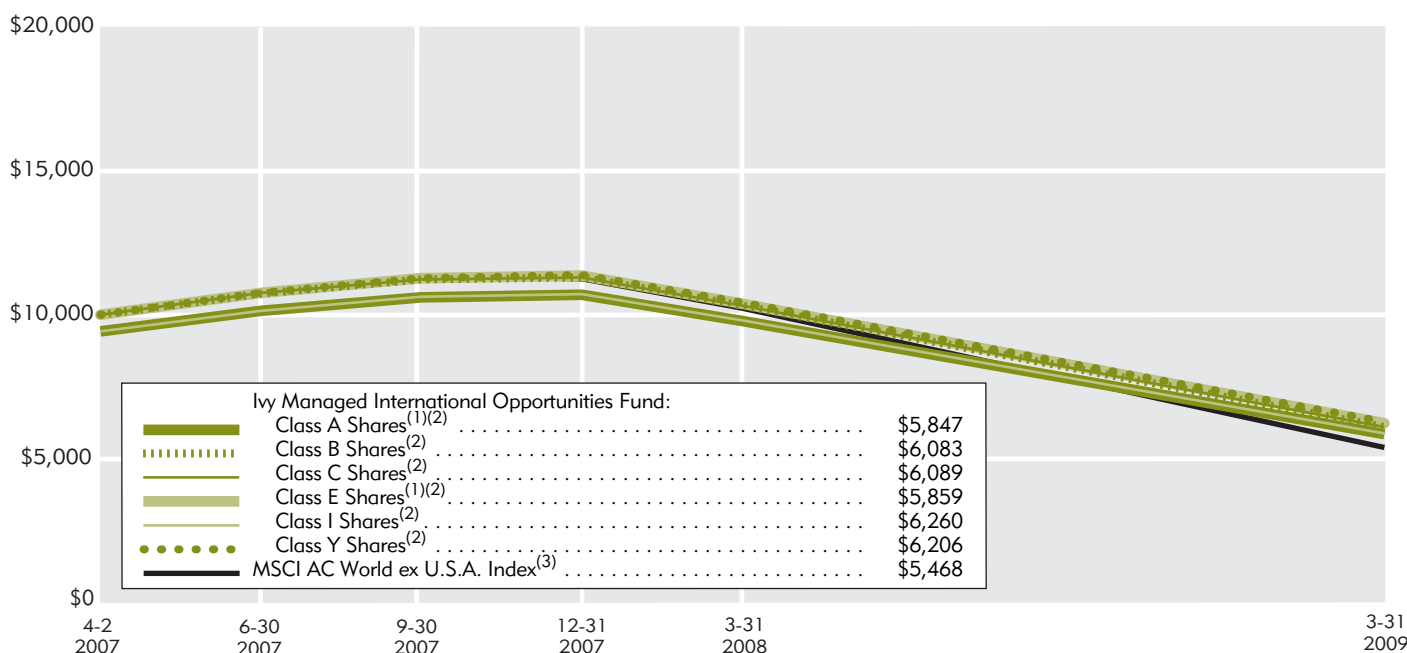
(5) Class E shares are not currently available for investment.

(6) 4-2-07 for Class A, Class B, Class C, Class E, Class I and Class Y shares (the date on which shares were first acquired by shareholders).

Past performance is not necessarily indicative of future performance. Indexes are unmanaged. The performance graph and table do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or on the redemption of Fund shares.

# COMPARISON OF CHANGE IN VALUE OF \$10,000 INVESTMENT Ivy Managed International Opportunities Fund

(UNAUDITED)



(1) The value of the investment in the Fund is impacted by the sales load at the time of the investment.

(2) The value of the investment in the Fund is impacted by the ongoing expenses of the Fund and assumes reinvestment of dividends and distributions.

(3) Because the Fund commenced operations on a date other than at the end of a month, and partial month calculations of the performances of the index (including income) are not available, investment in the index was effected as of March 31, 2007.

| Average Annual Total Return <sup>(4)</sup>              | Class A | Class B | Class C | Class E <sup>(5)</sup> | Class I | Class Y |
|---|---------|---------|---------|------------------------|---------|---------|
| 1-year period ended 3-31-09                             | -43.64% | -43.16% | -40.91% | -43.56%                | -39.86% | -40.21% |
| 5-year period ended 3-31-09                             | —       | —       | —       | —                      | —       | —       |
| 10-year period ended 3-31-09                            | —       | —       | —       | —                      | —       | —       |
| Since inception of Class <sup>(6)</sup> through 3-31-09 | -23.56% | -23.48% | -21.99% | -23.48%                | -20.90% | -21.25% |

(4) Data quoted is past performance and is based on deduction of the maximum applicable sales load for each of the periods. Current performance may be lower or higher. Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate and shares, when redeemed, may be worth more or less than their original cost. Please visit [www.ivyfund.com](http://www.ivyfund.com) for the Fund's most recent month-end performance. Class A and Class E shares carry a maximum front-end sales load of 5.75%. Class B and Class C shares carry maximum contingent deferred sales charges (CDSC) of 5% and 1%, respectively. (Accordingly, the Class C shares reflect no CDSC since it only applies to Class C shares redeemed within twelve months after purchase.) Class I and Class Y shares are not subject to sales charges.

(5) Class E shares are not currently available for investment.

(6) 4-2-07 for Class A, Class B, Class C, Class E, Class I and Class Y shares (the date on which shares were first acquired by shareholders).

Past performance is not necessarily indicative of future performance. Indexes are unmanaged. The performance graph and table do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or on the redemption of Fund shares.

Ivy Managed European/Pacific Fund

| For the Six Months Ended March 31, 2009          | Beginning Account Value 9-30-08 | Ending Account Value 3-31-09 | Annualized Expense Ratio Based on the Six-Month Period | Expenses Paid During Period* |
|--|---------------------------------|------------------------------|--|------------------------------|
| <b>Based on Actual Fund Return<sup>(1)</sup></b> |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$ 768.20                    | 0.81%  | \$3.54                       |
| Class B  | \$1,000                         | \$ 762.10                    | 1.90%  | \$8.37                       |
| Class C  | \$1,000                         | \$ 764.00                    | 1.66%  | \$7.32                       |
| Class E**  | \$1,000                         | \$ 769.70                    | 0.57%  | \$2.48                       |
| Class I  | \$1,000                         | \$ 770.90                    | 0.31%  | \$1.42                       |
| Class Y  | \$1,000                         | \$ 768.40                    | 0.78%  | \$3.45                       |
| <b>Based on 5% Return<sup>(2)</sup></b>          |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$ 1,020.89                  | 0.81%  | \$4.04                       |
| Class B  | \$1,000                         | \$ 1,015.47                  | 1.90%  | \$9.57                       |
| Class C  | \$1,000                         | \$ 1,016.63                  | 1.66%  | \$8.37                       |
| Class E**  | \$1,000                         | \$ 1,022.11                  | 0.57%  | \$2.83                       |
| Class I  | \$1,000                         | \$ 1,023.36                  | 0.31%  | \$1.62                       |
| Class Y  | \$1,000                         | \$ 1,021.05                  | 0.78%  | \$3.94                       |

Ivy Managed International Opportunities Fund

| For the Six Months Ended March 31, 2009          | Beginning Account Value 9-30-08 | Ending Account Value 3-31-09 | Annualized Expense Ratio Based on the Six-Month Period | Expenses Paid During Period* |
|--|---------------------------------|------------------------------|--|------------------------------|
| <b>Based on Actual Fund Return<sup>(1)</sup></b> |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$ 756.70                    | 0.61%  | \$2.72                       |
| Class B  | \$1,000                         | \$ 751.60                    | 1.50%  | \$6.57                       |
| Class C  | \$1,000                         | \$ 751.90                    | 1.38%  | \$6.04                       |
| Class E**  | \$1,000                         | \$ 756.80                    | 0.46%  | \$2.02                       |
| Class I  | \$1,000                         | \$ 758.90                    | 0.20%  | \$0.88                       |
| Class Y  | \$1,000                         | \$ 756.60                    | 0.66%  | \$2.90                       |
| <b>Based on 5% Return<sup>(2)</sup></b>          |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$ 1,021.88                  | 0.61%  | \$3.13                       |
| Class B  | \$1,000                         | \$ 1,017.46                  | 1.50%  | \$7.57                       |
| Class C  | \$1,000                         | \$ 1,018.03                  | 1.38%  | \$6.96                       |
| Class E**  | \$1,000                         | \$ 1,022.66                  | 0.46%  | \$2.33                       |
| Class I  | \$1,000                         | \$ 1,023.94                  | 0.20%  | \$1.01                       |
| Class Y  | \$1,000                         | \$ 1,021.65                  | 0.66%  | \$3.34                       |

\*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 182 days in the six-month period ended March 31, 2009, and divided by 365.

\*\*Class closed to investment.

(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 last column.

(2) This section uses a hypothetical five percent 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. See "Disclosure of Expenses" on page 8 for further information on how expenses were calculated.

# SCHEDULE OF INVESTMENTS

## Ivy Managed Funds *(in thousands)*

MARCH 31, 2009

### Ivy Managed European/Pacific Fund

| AFFILIATED MUTUAL FUNDS  | Shares    | Value           |
|--|-----------|-----------------|
| Ivy European Opportunities Fund, Class I                         | 904       | \$ 13,637       |
| Ivy Pacific Opportunities Fund, Class I                          | 3,087     | 27,783          |
| <b>TOTAL AFFILIATED MUTUAL FUNDS – 99.86%</b>                    |           | <b>\$41,420</b> |
| <i>(Cost: \$67,486)</i>  |           |                 |
| SHORT-TERM SECURITIES – 0.41%                                    | Principal |                 |
| <b>Master Note</b>   |           |                 |
| Toyota Motor Credit Corporation,<br>1.271%, 4-1-09 (A) . . . . . | \$170     | \$ 170          |
| <i>(Cost: \$170)</i>   |           |                 |
| <b>TOTAL INVESTMENT SECURITIES – 100.27%</b>                     |           | <b>\$41,590</b> |
| <i>(Cost: \$67,656)</i>  |           |                 |
| <b>LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.27%)</b>       |           | <b>(112)</b>    |
| <b>NET ASSETS – 100.00%</b>                                      |           | <b>\$41,478</b> |

#### Notes to Schedule of Investments

(A) Variable rate security. Interest rate disclosed is that which is in effect at March 31, 2009.

For Federal income tax purposes, cost of investments owned at March 31, 2009 and the related unrealized appreciation (depreciation) were as follows:

|                               |             |
|-------------------------------|-------------|
| Cost                          | \$ 73,385   |
| Gross unrealized appreciation | —           |
| Gross unrealized depreciation | (31,795)    |
| Net unrealized depreciation   | \$ (31,795) |

### Ivy Managed International Opportunities Fund

| AFFILIATED MUTUAL FUNDS  | Shares    | Value           |
|--|-----------|-----------------|
| Ivy European Opportunities Fund, Class I . . . . .               | 583       | \$ 8,801        |
| Ivy International Balanced Fund, Class I . . . . .               | 3,261     | 31,210          |
| Ivy International Core Equity Fund, Class I . . . . .            | 2,336     | 22,379          |
| Ivy International Growth Fund, Class I . . . . .                 | 642       | 12,834          |
| Ivy Pacific Opportunities Fund, Class I . . . . .                | 1,583     | 14,243          |
| <b>TOTAL AFFILIATED MUTUAL FUNDS – 99.88%</b>                    |           | <b>\$89,467</b> |
| <i>(Cost: \$144,684)</i>   |           |                 |
| SHORT-TERM SECURITIES – 0.28%                                    | Principal |                 |
| <b>Master Note</b>   |           |                 |
| Toyota Motor Credit Corporation,<br>1.271%, 4-1-09 (A) . . . . . | \$252     | \$ 252          |
| <i>(Cost: \$252)</i>   |           |                 |
| <b>TOTAL INVESTMENT SECURITIES – 100.16%</b>                     |           | <b>\$89,719</b> |
| <i>(Cost: \$144,936)</i>   |           |                 |
| <b>LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.16%)</b>       |           | <b>(144)</b>    |
| <b>NET ASSETS – 100.00%</b>                                      |           | <b>\$89,575</b> |

#### Notes to Schedule of Investments

(A) Variable rate security. Interest rate disclosed is that which is in effect at March 31, 2009.

For Federal income tax purposes, cost of investments owned at March 31, 2009 and the related unrealized appreciation (depreciation) were as follows:

|                               |             |
|-------------------------------|-------------|
| Cost                          | \$ 152,278  |
| Gross unrealized appreciation | —           |
| Gross unrealized depreciation | (62,559)    |
| Net unrealized depreciation   | \$ (62,559) |

See Accompanying Notes to Financial Statements.



James Thompson



Andrew Massie

Ivy Cundill Global Value Fund is subadvised by Mackenzie Financial Corporation.

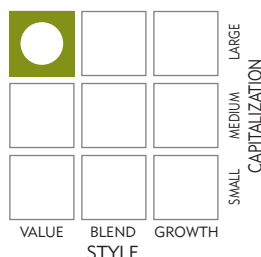
Below, Ivy Cundill Global Value Fund's portfolio managers James Thompson, Jr. and Andrew Massie discuss positioning, performance and results for the fiscal year ended March 31, 2009.

Mr. Thompson has 25 years of industry experience and became a co-manager of the Fund in April 2009. Mr. Massie has 26 years of industry experience and has managed the Fund for one year.

**Investment Style**

○ Current ■ Historical

Source: Morningstar, Inc.



This diagram shows the Fund's equity investment style and the size of companies in the Fund, as measured by market capitalization. Shaded areas reflect quarterly data for the past three years.

**Fiscal Year Performance**

For the 12 Months Ended March 31, 2009

|  |         |
|--|---------|
| <b>Ivy Cundill Global Value Fund</b><br>(Class A shares at net asset value)  | -33.87% |
| Benchmark(s) and/or Lipper Category  |         |
| <b>MSCI World Index</b><br>(generally reflects the performance of securities that represent the global stock market)   | -42.58% |
| <b>Lipper Global Funds Universe Average</b><br>(generally reflects the performance of the universe of funds with similar investment objectives)                | -41.25% |
| <b>Lipper Global Small-/Mid-Cap Funds Universe Average</b><br>(generally reflects the performance of the universe of funds with similar investment objectives) | -44.22% |

Please note that the Fund returns include applicable fees and expenses, whereas the index returns do not include any such fees. During the fiscal year, Lipper Inc. reassigned the Fund to the Lipper Global Small-/Mid-Cap Funds category and abolished the Lipper Global Small-/Mid-Cap Value Funds category, a prior Lipper category against which the Fund was compared. A broader secondary Lipper category used as an additional peer group comparison in fiscal years prior to the one ended March 31, 2009, the Lipper Global Funds category, will not be shown in subsequent reports.

**In difficult climate, research and flexibility are key**

The Fund, along with most equity-based investments, suffered with the global downturn in financial markets and the rapid slowing of global economies. Relatively speaking, the Fund fared better than the benchmark index and peer groups over the fiscal year. We believe that this is in part attributed to our deep value investment style, which focuses on companies that we feel possess strong balance sheets and ones with a reasonable amount of financial risk.

In general terms, we believe this style of investing and these sorts of investments have the potential to suffer less of the "downside" in weak markets. Similarly, our "benchmark agnostic" style, whereby the mandate is not required to have exposure in particular sectors or geographies, does not require the Fund to invest where the opportunity set may be less than optimal. In specific terms, the Fund's performance over the fiscal period was supported by our holdings in Japan, which fared better than that market and the benchmark. In Canada, the Fund's holding in Fairfax Financial Holdings Limited (property and casualty insurance) was one of the Fund's few positively performing holdings, returning roughly 12 percent in Canadian dollar terms with dividends reinvested. While the stock's price has pulled back from recent highs, its strength was derived not only from good insurance results but also from the company's investment portfolio, which included credit default swaps and various index short positions.

Throughout the fiscal year, we continued to hedge away currency risk where it made economic sense to do so. Throughout the market turmoil, the investors' rush to the perceived security of Treasuries and dollar-denominated assets helped the U.S. dollar appreciate in value relative to most other currencies. The consequential benefit to the Fund of currency hedging was preservation of gains on securities that would otherwise have been lost in an unhedged portfolio. Fairfax, discussed above, is an example of this effect.

Sectors that we favored over the year included information technology, where we had the opportunity to acquire positions in Microsoft Corporation and Dell Inc., both of which have net cash balance sheets, and if one takes cash out of the valuation, allows the investor to acquire the shares at very attractive multiples. Also in the information technology area, we acquired Samsung Electronics Co., Ltd. of Korea, a similarly strong participant as the world's low-cost producer of computer memory chips and cellular telephone handsets.

Financials was another important sector for the Fund. With the exception of Allied Irish Banks, p.l.c. in Ireland, we stayed away from global banking as, for the most part, it seemed that, given leverage levels, the common equity of many banks was at risk to capital raising or bailouts involving senior securities. Allied was bought as a small investment, as it seemed the two banks Allied held shares in (one based in the U.S. and the other in Poland), covered the market capitalization of Allied. As the global economic environment deteriorated and the shares began to



decline in value, the decision was made to exit the position. Fund exposure to the financial sector is currently concentrated in companies that we feel possess strong balance sheets, such as Germany's Muenchener Ruckversicherungs-Gesellschaft Aktiengesellschaft (Munich Re), the world's second largest reinsurer, with operations in investing and writing insurance. Fairfax, mentioned above, and the significantly overcapitalized Japanese, NIPPONKOA Insurance Company, Limited, are other holdings in financials.

True to a deep-value approach to investing, the Fund does not track benchmark weightings with respect to geographic region nor industry.

### **Our outlook**

Looking forward, we have been focusing our energy in a few specific areas, including investments in distressed debt. The Fund may own up to 20 percent of its portfolio in this sort of asset class. In U.S. equities, both media companies and logistics appear to be cheap from a deep value perspective. Similarly, in Europe, logistics and electronics companies have come to the forefront. In all cases, the Fund has the rare opportunity to invest in large, name brand companies trading at decade-plus lows in terms of valuation. In Asia, the opportunity set is diverse, from manufacturing to financials, to service companies.

We do not, and cannot, know when the markets will turn upward in any sustained fashion. Today, we do believe that stocks are inexpensive, which is not to say they may not become even more so. As we identify what we feel are superior investment candidates, the more expensive and potentially inferior positions will likely be turned over. We believe that our opportunities are large and, hopefully, our patience will be rewarded.

**The Fund's performance noted above is at net asset value (NAV), and does not include the effect of any applicable sales charges. If reflected, the sales charge would reduce the performance noted.**

**As with any mutual fund, the value of the Fund's shares will change, and you could lose money on your investment.**

Value stocks are stocks of companies that may have experienced adverse business or industry developments; or may be subject to special risks that have caused the stocks to be out of favor and, in the opinion of the Fund's manager, undervalued. The value of a security believed by the Fund's manager to be undervalued may never reach what the manager believes to be its full value, or such security's value may decrease.

International investing involves additional risks including currency fluctuations, political or economic conditions affecting the foreign country, and differences in accounting standards and foreign regulations. These and other risks are more fully described in the Fund's prospectus.

**The opinions expressed in this report are those of the portfolio managers and are current only through the end of the period of the report as stated on the cover. The managers' views are subject to change at any time based on market and other conditions, and no forecasts can be guaranteed.**

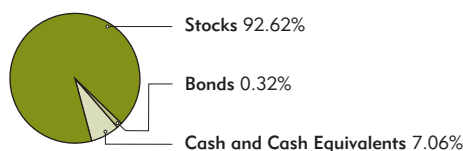
**The indexes noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of the Ivy Cundill Global Value Fund.**

# PORTFOLIO HIGHLIGHTS

## Ivy Cundill Global Value Fund

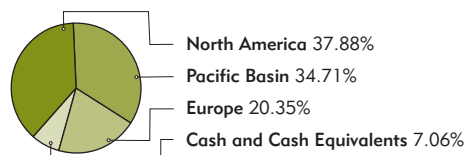
ALL DATA IS AS OF MARCH 31, 2009 (UNAUDITED)

### Asset Allocation



| Stocks                           | 92.62%       |
|----------------------------------|--------------|
| Financials                       | 22.06%       |
| Consumer Discretionary           | 21.02%       |
| Consumer Staples                 | 20.94%       |
| Telecommunication Services       | 10.06%       |
| Information Technology           | 9.67%        |
| Health Care                      | 3.95%        |
| Materials                        | 2.65%        |
| Industrials                      | 2.27%        |
| <b>Bonds</b>                     | <b>0.32%</b> |
| Corporate Debt Securities        | 0.32%        |
| <b>Cash and Cash Equivalents</b> | <b>7.06%</b> |

### Country Weightings



| North America                    | 37.88%        |
|----------------------------------|---------------|
| United States                    | 29.18%        |
| Canada                           | 8.70%         |
| <b>Pacific Basin</b>             | <b>34.71%</b> |
| Japan                            | 17.83%        |
| South Korea                      | 8.89%         |
| Hong Kong                        | 4.32%         |
| Thailand                         | 3.67%         |
| <b>Europe</b>                    | <b>20.35%</b> |
| Italy                            | 11.58%        |
| Germany                          | 8.77%         |
| <b>Cash and Cash Equivalents</b> | <b>7.06%</b>  |

### Lipper Rankings

| Category: Lipper Global Small-/Mid-Cap Funds | Rank  | Percentile |
|--|-------|------------|
| 1 Year                                       | 6/70  | 9          |
| 3 Year                                       | 14/59 | 24         |
| 5 Year                                       | 33/56 | 58         |

Past performance is no guarantee of future results. Rankings are for Class A Shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.

### Top 10 Equity Holdings

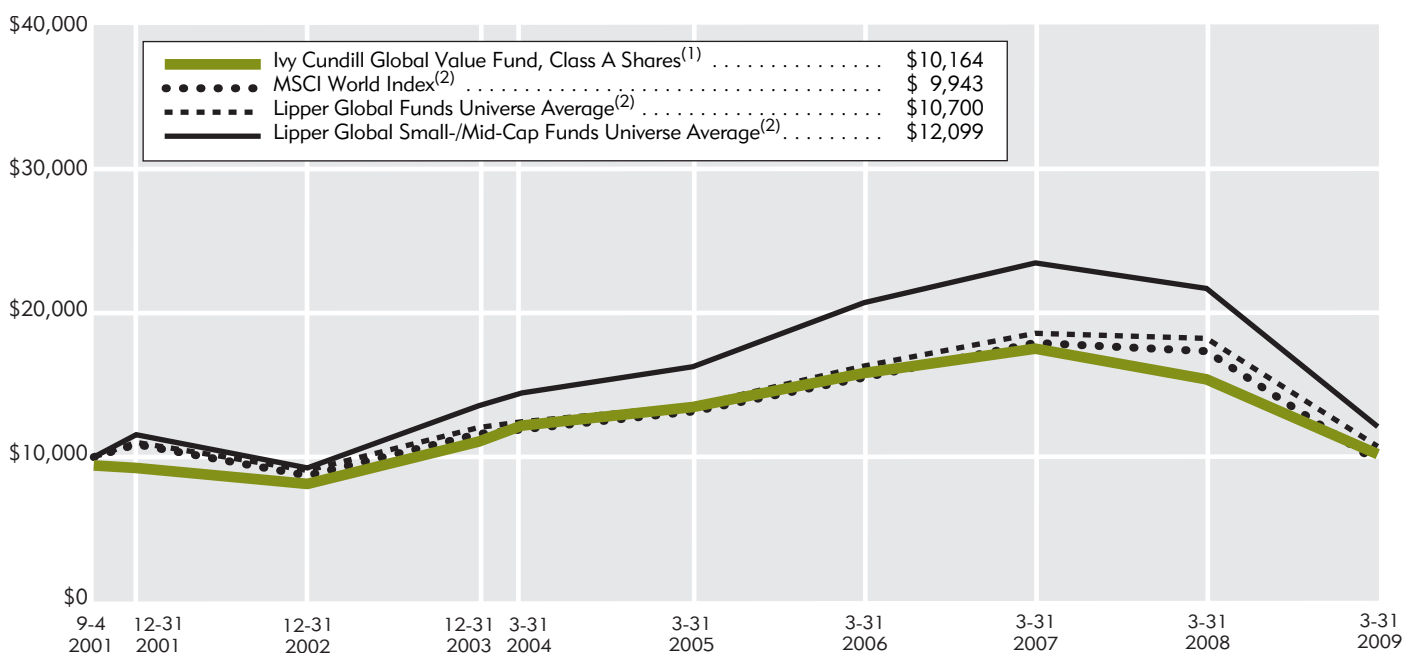
| Company  | Country       | Sector                     | Industry                              |
|--|---------------|----------------------------|---------------------------------------|
| DIRECTV Group, Inc. (The)  | United States | Consumer Discretionary     | Cable & Satellite                     |
| Munchener Ruckversicherungs-Gesellschaft Aktiengesellschaft, Registered Shares | Germany       | Financials                 | Insurance Brokers                     |
| Liberty Media Corporation, Series A Liberty Entertainment                      | United States | Consumer Discretionary     | Cable & Satellite                     |
| Seven & i Holdings Co., Ltd.   | Japan         | Consumer Staples           | Food Retail                           |
| First Pacific Company Limited  | Hong Kong     | Financials                 | Multi-Sector Holdings                 |
| Fairfax Financial Holdings Limited   | Canada        | Financials                 | Multi-Line Insurance                  |
| Kirin Brewery Company, Limited   | Japan         | Consumer Staples           | Brewers                               |
| Loblaw Companies Limited   | Canada        | Consumer Staples           | Food Retail                           |
| Samsung Electronics Co., Ltd.  | South Korea   | Information Technology     | Semiconductors                        |
| Deutsche Telekom AG, Registered Shares   | Germany       | Telecommunication Services | Integrated Telecommunication Services |

See your advisor or [www.ivyfund.com](http://www.ivyfund.com) for more information on the Fund's most recently published Top 10 Equity Holdings.

# COMPARISON OF CHANGE IN VALUE OF \$10,000 INVESTMENT

## Ivy Cundill Global Value Fund

(UNAUDITED)



Please note that the performance of the Fund's other share classes will be greater or less than the performance shown above for Class A based on the differences in loads and fees paid by shareholders investing in the different classes.

(1) The value of the investment in the Fund is impacted by the sales load at the time of the investment and by the ongoing expenses of the Fund and assumes reinvestment of dividends and distributions.

(2) Because the Fund commenced operations on a date other than at the end of a month, and partial month calculations of the performances of the indexes (including income) are not available, investment in the indexes was effected as of September 30, 2001.

| Average Annual Total Return <sup>(3)</sup>              | Class A | Class B | Class C | Class E | Class I | Class Y | Advisor Class <sup>(4)</sup> |
|---|---------|---------|---------|---------|---------|---------|------------------------------|
| 1-year period ended 3-31-09                             | -37.67% | -37.09% | -34.23% | -37.68% | -33.46% | -33.44% | -33.43%                      |
| 5-year period ended 3-31-09                             | -4.70%  | -4.55%  | -4.16%  | —       | —       | -3.10%  | -3.01%                       |
| 10-year period ended 3-31-09                            | —       | —       | —       | —       | —       | —       | —                            |
| Since inception of Class <sup>(5)</sup> through 3-31-09 | 0.21%   | 1.40%   | 1.23%   | -26.10% | -23.04% | 1.63%   | 1.79%                        |

(3) Data quoted is past performance and is based on deduction of the maximum applicable sales load for each of the periods. Current performance may be lower or higher. Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate and shares, when redeemed, may be worth more or less than their original cost. Please visit [www.ivyfund.com](http://www.ivyfund.com) for the Fund's most recent month-end performance. Class A and Class E shares carry a maximum front-end sales load of 5.75%. Class B and Class C shares carry maximum contingent deferred sales charges (CDSC) of 5% and 1%, respectively. (Accordingly, the Class C shares reflect no CDSC since it only applies to Class C shares redeemed within twelve months after purchase.) Class I and Class Y shares are not subject to sales charges.

(4) Advisor Class shares are no longer available for investment.

(5) 9-4-01 for Class A shares, 9-26-01 for Class B shares, 10-19-01 for Class C shares, 4-2-07 for Class E and Class I shares, 7-24-03 for Class Y shares and 4-19-00 for Advisor Class shares (the date on which shares were first acquired by shareholders).

Past performance is not necessarily indicative of future performance. Indexes are unmanaged. The performance graph and table do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or on the redemption of Fund shares.

ILLUSTRATION OF FUND EXPENSES  
Ivy Cundill Global Value Fund

(UNAUDITED)

| For the Six Months Ended March 31, 2009          | Beginning Account Value 9-30-08 | Ending Account Value 3-31-09 | Annualized Expense Ratio Based on the Six-Month Period | Expenses Paid During Period* |
|--|---------------------------------|------------------------------|--|------------------------------|
| <b>Based on Actual Fund Return<sup>(1)</sup></b> |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$ 741.30                    | 1.93%  | \$ 8.36                      |
| Class B  | \$1,000                         | \$ 738.70                    | 2.85%  | \$ 12.34                     |
| Class C  | \$1,000                         | \$ 740.40                    | 2.38%  | \$ 10.36                     |
| Class E  | \$1,000                         | \$ 742.80                    | 1.59%  | \$ 6.97                      |
| Class I  | \$1,000                         | \$ 744.30                    | 1.25%  | \$ 5.49                      |
| Class Y  | \$1,000                         | \$ 743.80                    | 1.20%  | \$ 5.23                      |
| Advisor Class**                                  | \$1,000                         | \$ 744.10                    | 1.18%  | \$ 5.15                      |
| <b>Based on 5% Return<sup>(2)</sup></b>          |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$ 1,015.32                  | 1.93%  | \$ 9.67                      |
| Class B  | \$1,000                         | \$ 1,010.71                  | 2.85%  | \$ 14.28                     |
| Class C  | \$1,000                         | \$ 1,013.05                  | 2.38%  | \$ 11.98                     |
| Class E  | \$1,000                         | \$ 1,016.98                  | 1.59%  | \$ 8.07                      |
| Class I  | \$1,000                         | \$ 1,018.68                  | 1.25%  | \$ 6.36                      |
| Class Y  | \$1,000                         | \$ 1,018.93                  | 1.20%  | \$ 6.06                      |
| Advisor Class**                                  | \$1,000                         | \$ 1,019.07                  | 1.18%  | \$ 5.96                      |

\*Fund expenses for each share class are equal to the Fund's annualized expense ratio for each share class (provided in the table), multiplied by the average account value over the period, multiplied by 182 days in the six-month period ended March 31, 2009, and divided by 365.

\*\*Class closed to investment.

(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 last column.

(2) This section uses a hypothetical five percent 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.

See "Disclosure of Expenses" on page 8 for further information on how expenses were calculated.

# SCHEDULE OF INVESTMENTS

## Ivy Cundill Global Value Fund *(in thousands)*

MARCH 31, 2009

| COMMON STOCKS   |        | Shares | Value            | CORPORATE DEBT SECURITIES   |         | Principal | Value            |
|---|--------|--------|------------------|---|---------|-----------|------------------|
| <b>Canada – 8.38%</b>   |        |        |                  | <b>Canada</b>   |         |           |                  |
| Fairfax Financial Holdings Limited (A) . . . . .  | 46     |        | \$ 11,868        | Nortel Networks Limited:  |         |           |                  |
| Loblaws Companies Limited (A) . . . . .   | 459    |        | 11,416           | 10.750%, 7–15–16 . . . . .  | \$4,606 | \$        | 829              |
|   |        |        | <u>23,284</u>    | 10.750%, 7–15–16 . . . . .  | 328     |           | <u>62</u>        |
| <b>Germany – 8.77%</b>  |        |        |                  | <b>TOTAL CORPORATE DEBT SECURITIES – 0.32%</b>  |         | <b>\$</b> | <b>891</b>       |
| Deutsche Telekom AG, Registered Shares (A) . . .  | 887    |        | 11,006           | (Cost: \$822)   |         |           |                  |
| Munchener Ruckversicherungs-Gesellschaft<br>Aktiengesellschaft, Registered Shares (A) . . . . | 109    |        | 13,361           | <b>SHORT-TERM SECURITIES – 10.53%</b>   |         |           |                  |
|   |        |        | <u>24,367</u>    | <b>Repurchase Agreements</b>  |         |           |                  |
| <b>Hong Kong – 4.32%</b>  |        |        |                  | J.P. Morgan Securities, Inc., Repurchase<br>Agreement dated 3-31-09 to be<br>repurchased at \$29,252, |         |           |                  |
| First Pacific Company Limited (A) . . . . .   | 35,054 |        | 12,016           | 0.120%, 4–1–09 (C) . . . . .  | 29,252  | \$        | <u>29,252</u>    |
|   |        |        |                  | (Cost: \$29,252)  |         |           |                  |
| <b>Italy – 11.58%</b>   |        |        |                  | <b>TOTAL INVESTMENT SECURITIES – 103.47%</b>  |         |           | <b>\$287,570</b> |
| EXOR S.p.A. (A)(B) . . . . .  | 856    |        | 8,636            | (Cost: \$369,210)   |         |           |                  |
| Italmobiliare S.p.A., Non-Convertible Savings<br>Shares (A) . . . . .                         | 273    |        | 5,150            | <b>LIABILITIES, NET OF CASH AND OTHER ASSETS – (3.47%)</b>  |         |           | <b>(9,648)</b>   |
| Mediaset S.p.A. (A) . . . . .   | 1,734  |        | 7,731            | <b>NET ASSETS – 100.00%</b>   |         |           | <b>\$277,922</b> |
| Parmalat SpA (A) . . . . .  | 5,178  |        | 10,660           |   |         |           |                  |
|   |        |        | <u>32,177</u>    |   |         |           |                  |
| <b>Japan – 17.83%</b>   |        |        |                  |   |         |           |                  |
| Asatsu-DK Inc. (A) . . . . .  | 180    |        | 3,014            |   |         |           |                  |
| Daiwa Securities Group Inc. (A) . . . . .   | 401    |        | 1,777            |   |         |           |                  |
| Kirin Brewery Company, Limited (A) . . . . .  | 1,071  |        | 11,442           |   |         |           |                  |
| NIPPONKOA Insurance Company,<br>Limited (A) . . . . .   | 799    |        | 4,626            |   |         |           |                  |
| Secom Co., Ltd. (A) . . . . .   | 84     |        | 3,095            |   |         |           |                  |
| Sega Sammy Holdings Inc. (A) . . . . .  | 963    |        | 8,539            |   |         |           |                  |
| Sekisui House, Ltd. (A) . . . . .   | 630    |        | 4,823            |   |         |           |                  |
| Seven & i Holdings Co., Ltd. (A) . . . . .  | 554    |        | 12,240           |   |         |           |                  |
|   |        |        | <u>49,556</u>    |   |         |           |                  |
| <b>South Korea – 8.89%</b>  |        |        |                  |   |         |           |                  |
| Korea Tobacco & Ginseng Corporation (A) . . . . .   | 40     |        | 2,227            |   |         |           |                  |
| Samsung Electronics Co., Ltd. (A) . . . . .   | 49     |        | 11,198           |   |         |           |                  |
| SK Telecom Co., Ltd. (A) . . . . .  | 67     |        | 9,257            |   |         |           |                  |
| SK Telecom Co., Ltd., ADR . . . . .   | 131    |        | 2,022            |   |         |           |                  |
|   |        |        | <u>24,704</u>    |   |         |           |                  |
| <b>Thailand – 3.67%</b>   |        |        |                  |   |         |           |                  |
| Thai Beverage Public Company Limited (A) . . . .  | 88,588 |        | 10,208           |   |         |           |                  |
|   |        |        |                  |   |         |           |                  |
| <b>United States – 29.18%</b>   |        |        |                  |   |         |           |                  |
| BCE Inc. . . . .  | 285    |        | 5,671            |   |         |           |                  |
| Dell Inc. (B) . . . . .   | 721    |        | 6,831            |   |         |           |                  |
| DIRECTV Group, Inc. (The) (B) . . . . .   | 587    |        | 13,376           |   |         |           |                  |
| FedEx Corporation . . . . .   | 72     |        | 3,221            |   |         |           |                  |
| Liberty Media Corporation, Series A Liberty<br>Entertainment (B) . . . . .                    | 646    |        | 12,890           |   |         |           |                  |
| Louisiana-Pacific Corporation . . . . .   | 1,000  |        | 2,230            |   |         |           |                  |
| Microsoft Corporation . . . . .   | 482    |        | 8,847            |   |         |           |                  |
| Montpelier Re Holdings Ltd. . . . .   | 695    |        | 9,005            |   |         |           |                  |
| Pfizer Inc. . . . .   | 807    |        | 10,990           |   |         |           |                  |
| Viacom Inc., Class B (B) . . . . .  | 463    |        | 8,054            |   |         |           |                  |
|   |        |        | <u>81,115</u>    |   |         |           |                  |
| <b>TOTAL COMMON STOCKS – 92.62%</b>   |        |        | <b>\$257,427</b> |   |         |           |                  |
| (Cost: \$339,136)   |        |        |                  |   |         |           |                  |

## Notes to Schedule of Investments

The following forward currency contracts were outstanding at March 31, 2009:

| Type | Currency         | Principal Amount of Contract (Denominated in Indicated Currency) | Settlement Date | Unrealized Appreciation | Unrealized Depreciation |
|------|------------------|--|-----------------|-------------------------|-------------------------|
| Sell | Euro             | 36,811   | 7-17-09         | \$—                     | \$1,460                 |
| Sell | Japanese Yen     | 1,470,481  | 4-17-09         | 623                     | —                       |
| Sell | Japanese Yen     | 2,606,447  | 4-17-09         | —                       | 503                     |
| Sell | Singapore Dollar | 14,758   | 4-17-09         | 451                     | —                       |
| Sell | South Korean Won | 30,162,930   | 7-17-09         | —                       | 1,663                   |
|      |                  |  |                 | <u>\$1,074</u>          | <u>\$3,626</u>          |

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

(B) No dividends were paid during the preceding 12 months.

(C) Collateralized by \$25,238 United States Treasury Bond, 4.500% due 5-15-38; market value and accrued interest aggregate \$29,949.

The following acronym is used throughout this portfolio:

ADR = American Depositary Receipts

### Market Sector Diversification

#### (as a % of net assets)

|                            |        |
|----------------------------|--------|
| Financials                 | 22.06% |
| Consumer Discretionary     | 21.02% |
| Consumer Staples           | 20.94% |
| Telecommunication Services | 10.06% |
| Information Technology     | 9.99%  |
| Health Care                | 3.95%  |
| Materials                  | 2.65%  |
| Industrials                | 2.27%  |
| Other+                     | 7.06%  |

+ Includes cash and cash equivalents and other assets and liabilities

For Federal income tax purposes, cost of investments owned at March 31, 2009 and the related unrealized appreciation (depreciation) were as follows:

|                               |                   |
|-------------------------------|-------------------|
| Cost                          | <u>\$ 369,248</u> |
| Gross unrealized appreciation | 20,020            |
| Gross unrealized depreciation | <u>(101,698)</u>  |
| Net unrealized depreciation   | \$ (81,678)       |

Industry and geographical classifications are unaudited.



Paul Casson

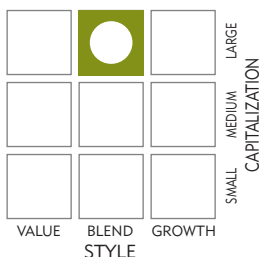
Ivy European Opportunities Fund is subadvised by Henderson Investment Management Ltd.

Below, Paul Casson, portfolio manager of the Ivy European Opportunities Fund, discusses positioning, performance and results for the fiscal year ended March 31, 2009. Mr. Casson has managed the Fund for three years and has 11 years of industry experience.

**Investment Style**

○ Current ■ Historical

Source: Morningstar, Inc.



This diagram shows the Fund's equity investment style and the size of companies in the Fund, as measured by market capitalization. Shaded areas reflect quarterly data for the past three years.

**Fiscal Year Performance**

For the 12 Months Ended March 31, 2009

|  |                |
|--|----------------|
| <b>Ivy European Opportunities Fund (Class A shares at net asset value)</b>                       | <b>-49.74%</b> |
| Benchmark(s) and/or Lipper Category  |                |
| <b>MSCI Europe Index</b>   | <b>-49.91%</b> |
| (generally reflects the performance of securities representing the European stock market)        |                |
| <b>Lipper European Region Funds Universe Average</b>   | <b>-49.60%</b> |
| (generally reflects the performance of the universe of funds with similar investment objectives) |                |

Please note that Fund returns include applicable fees and expenses while index returns do not include any such fees.

**Financials and energy stocks suffered most**

The Fund's substantial exposure to financial and energy stocks hurt our absolute and relative performance during the past fiscal year. During the summer of 2008 we began to position the Fund more defensively, and we sought to reduce risk in areas that historically served the Fund well, such as oil services. However, we were faced with a substantial market decline across all economic sectors. Health care stocks appeared cheap during the fiscal year, and we substantially increased our holdings in this sector. However, long-term concerns about earnings growth, patent expirations and risk tempered performance of the health care sector.

Our holdings in the energy sector damaged performance during the year as oil and gas prices collapsed, but appeared to recover during the first calendar quarter of 2009 as energy prices rebounded somewhat. Elsewhere, underweight positions in

materials and information technology have served us well. Finally, our holdings in more defensive areas – namely consumer staples and telecommunications (both overweight the benchmark) and utilities – were the strongest performers for the Fund.

**Increased volatility and financial turmoil hurt**

During early summer 2008, falling equity markets and rising bond yields signaled a growing fear of inflation. Toward the end of June, equity markets continued to fall, but bond yields fell as well, suggesting more general risk aversion was dominating market sentiment. European stocks were hit hard after the European Central Bank suggested it would raise interest rates in July, which it subsequently did.

Volatility for all risk assets remained high over the second half of the 2008 calendar year, driven by news flow from the financials sector. Credit markets were very tight, with inter-bank lending rates at historically high levels and the T-bill rate at one point dropping close to zero, reflecting banks' unwillingness to lend to one another. Authorities sought to alleviate the credit crisis through liquidity injections, restrictions on short-selling and, most significantly, the U.S. Treasury's proposed bail-out program to purchase toxic assets from the nation's failing financial institutions. The widely predicted global round of coordinated interest rate cuts came in November, and while this did little to prevent another decline in equity markets, combined with huge fiscal stimulus packages announced by the Chinese and U.S. governments, this helped equity markets rally into calendar year end.

Equity markets have continued to be volatile over the first quarter of 2009, with investors swinging between optimism and pessimism about the world economy. There was further weakness in the banking sector, as a second round of government bailouts led to fears of outright nationalization and further dilution for shareholders. Investors latched onto positive news flow on China and global trade as well as a decline in the rate of deterioration in the European and U.S. service sectors. However, markets soon reversed as a slew of poor economic data, profit warnings and equity issuance further weighed on investor sentiment. The catalyst for the fall was the U.S. Treasury's much-anticipated statement on its bank bailout package, which was deemed to be too short on detail. March, however, did see a rally in equities, supported by better-than-

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expected economic data combined with positive sentiment toward the U.S. Treasury's bank bailout plan.

### **Our outlook**

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There are signs that policymakers' reflationary efforts may have begun to have some traction as leading indicators of economic growth have shown signs of potential stability during the last two months of the fiscal year. However, business and consumer confidence remains at very depressed levels, and further confirmation of policy traction will be required to verify that the global economy has skirted a fall into sustained deflation. Earnings estimates continue to be cut, but are slowly becoming more realistic, in our view. We continue to believe that this fearful market should produce opportunities and that the unparalleled policy response from policymakers across the globe should take effect, potentially restoring confidence.

**The Fund's performance noted above is at net asset value (NAV), and does not include the effect of any applicable sales charges. If reflected, the sales charge would reduce the performance noted.**

**As with any mutual fund, the value of the Fund's shares will change, and you could lose money on your investment.**

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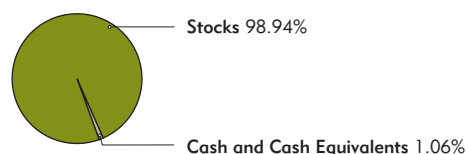


# PORTFOLIO HIGHLIGHTS

## Ivy European Opportunities Fund

ALL DATA IS AS OF MARCH 31, 2009 (UNAUDITED)

### Asset Allocation



| Stocks                           | 98.94%       |
|----------------------------------|--------------|
| Telecommunication Services       | 17.40%       |
| Consumer Staples                 | 16.49%       |
| Consumer Discretionary           | 14.26%       |
| Health Care                      | 13.06%       |
| Energy                           | 11.88%       |
| Financials                       | 8.88%        |
| Industrials                      | 7.18%        |
| Materials                        | 7.04%        |
| Utilities                        | 1.56%        |
| Information Technology           | 1.19%        |
| <b>Cash and Cash Equivalents</b> | <b>1.06%</b> |

### Lipper Rankings

| Category: Lipper European Region Funds | Rank   | Percentile |
|--|--------|------------|
| 1 Year                                 | 66/113 | 58         |
| 3 Year                                 | 64/96  | 66         |
| 5 Year                                 | 49/89  | 55         |

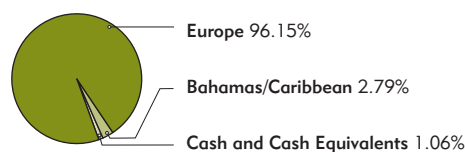
Past performance is no guarantee of future results. Rankings are for Class A Shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.

### Top 10 Equity Holdings

| Company                                | Country        | Sector                     | Industry                              |
|--|----------------|----------------------------|---------------------------------------|
| Deutsche Telekom AG, Registered Shares | Germany        | Telecommunication Services | Integrated Telecommunication Services |
| Imperial Tobacco Group PLC             | United Kingdom | Consumer Staples           | Tobacco                               |
| France Telecom                         | France         | Telecommunication Services | Integrated Telecommunication Services |
| Vodafone Group Plc                     | United Kingdom | Telecommunication Services | Wireless Telecommunication Service    |
| GlaxoSmithKline plc                    | United Kingdom | Health Care                | Pharmaceuticals                       |
| Novartis AG, Registered Shares         | Switzerland    | Health Care                | Pharmaceuticals                       |
| Sanofi-Aventis                         | France         | Health Care                | Pharmaceuticals                       |
| StatoilHydro ASA                       | Norway         | Energy                     | Integrated Oil & Gas                  |
| CRH public limited company             | Ireland        | Materials                  | Construction Materials                |
| Carrefour S.A.                         | France         | Consumer Staples           | Hypermarkets & Super Centers          |

See your advisor or [www.ivyfund.com](http://www.ivyfund.com) for more information on the Fund's most recently published Top 10 Equity Holdings.

### Country Weightings



| Europe                                 | 96.15%       |
|--|--------------|
| United Kingdom                         | 23.95%       |
| Germany                                | 15.02%       |
| France                                 | 13.36%       |
| Netherlands                            | 8.73%        |
| Ireland                                | 8.39%        |
| Switzerland                            | 7.27%        |
| Greece                                 | 5.28%        |
| Luxembourg                             | 3.88%        |
| Norway                                 | 3.57%        |
| Other Europe <sup>(1)</sup>            | 6.70%        |
| <b>Bahamas/Caribbean<sup>(2)</sup></b> | <b>2.79%</b> |
| <b>Cash and Cash Equivalents</b>       | <b>1.06%</b> |

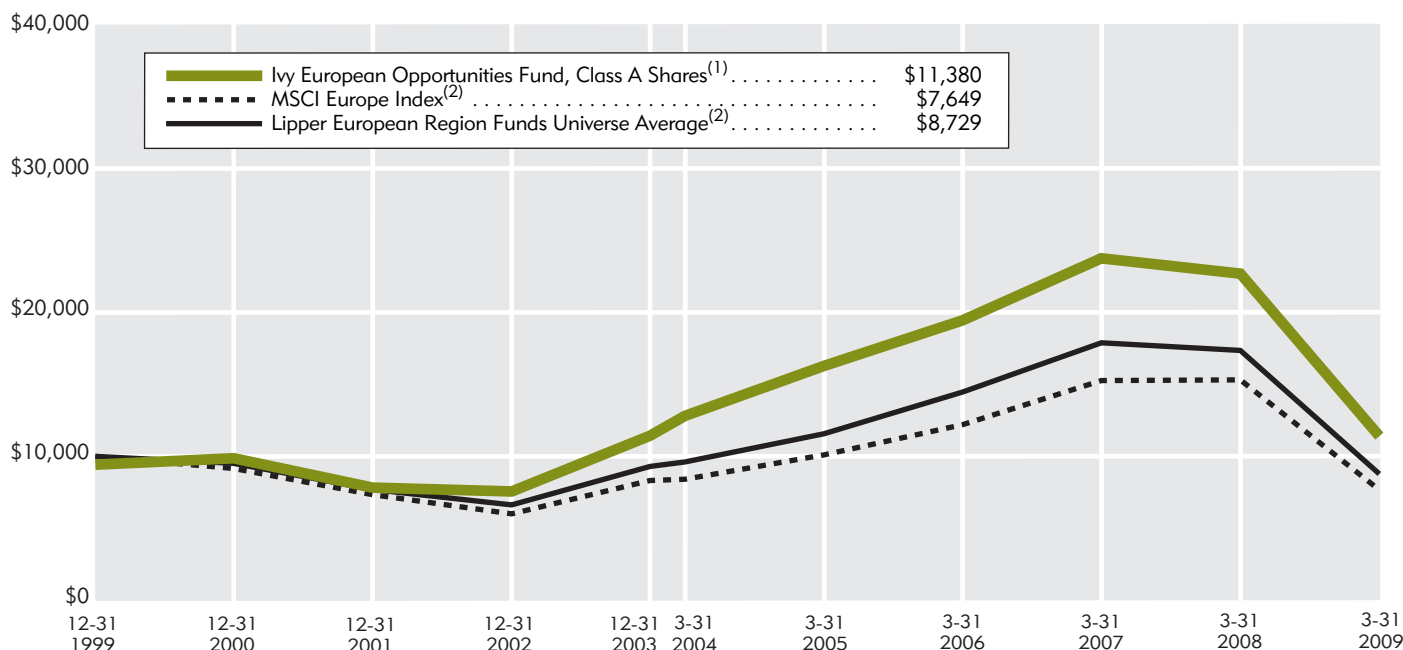
(1)Includes 1.97% Cyprus, 1.05% Denmark, 2.03% Italy and 1.65% Spain.

(2)Includes 1.55% British Virgin Islands and 1.24% Cayman Islands.

# COMPARISON OF CHANGE IN VALUE OF \$10,000 INVESTMENT

## Ivy European Opportunities Fund

(UNAUDITED)



Please note that the performance of the Fund's other share classes will be greater or less than the performance shown above for Class A based on the differences in loads and fees paid by shareholders investing in the different classes.

(1) The value of the investment in the Fund is impacted by the sales load at the time of the investment and by the ongoing expenses of the Fund and assumes reinvestment of dividends and distributions.

(2) Because the Fund commenced operations on a date other than at the end of a month, and partial month calculations of the performances of the indexes (including income) are not available, investment in the indexes was effected as of May 31, 1999.

| Average Annual Total Return <sup>(3)</sup>              | Class A | Class B | Class C | Class E <sup>(4)</sup> | Class I | Class Y | Advisor Class <sup>(4)</sup> |
|---|---------|---------|---------|------------------------|---------|---------|------------------------------|
| 1-year period ended 3-31-09                             | -52.63% | -51.93% | -50.07% | -52.36%                | -49.39% | -49.52% | -49.44%                      |
| 5-year period ended 3-31-09                             | -3.47%  | -3.22%  | -2.98%  | —                      | —       | -2.08%  | -1.84%                       |
| 10-year period ended 3-31-09                            | —       | —       | —       | —                      | —       | —       | —                            |
| Since inception of Class <sup>(5)</sup> through 3-31-09 | 13.76%  | 13.42%  | 5.83%   | -32.59%                | -30.42% | 5.46%   | 14.89%                       |

(3) Data quoted is past performance and is based on deduction of the maximum applicable sales load for each of the periods. Current performance may be lower or higher. Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate and shares, when redeemed, may be worth more or less than their original cost. Please visit [www.ivyfund.com](http://www.ivyfund.com) for the Fund's most recent month-end performance. Class A and Class E shares carry a maximum front-end sales load of 5.75%. Class B and Class C shares carry maximum contingent deferred sales charges (CDSC) of 5% and 1%, respectively. (Accordingly, the Class C shares reflect no CDSC since it only applies to Class C shares redeemed within twelve months after purchase.) Class I and Class Y shares are not subject to sales charges.

(4) Class E shares are not currently available for investment. Advisor Class shares are no longer available for investment.

(5) 5-4-99 for Class A shares, 5-24-99 for Class B shares, 10-24-99 for Class C shares, 4-2-07 for Class E and Class I shares, 7-24-03 for Class Y shares and 5-3-99 for Advisor Class shares (the date on which shares were first acquired by shareholders).

Past performance is not necessarily indicative of future performance. Indexes are unmanaged. The performance graph and table do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or on the redemption of Fund shares.

# ILLUSTRATION OF FUND EXPENSES

## Ivy European Opportunities Fund

(UNAUDITED)

| For the Six Months Ended March 31, 2009          | Beginning Account Value 9-30-08 | Ending Account Value 3-31-09 | Annualized Expense Ratio Based on the Six-Month Period | Expenses Paid During Period* |
|--|---------------------------------|------------------------------|--|------------------------------|
| <b>Based on Actual Fund Return<sup>(1)</sup></b> |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$ 679.20                    | 2.13%  | \$ 8.90                      |
| Class B  | \$1,000                         | \$ 676.10                    | 3.07%  | \$12.82                      |
| Class C  | \$1,000                         | \$ 677.00                    | 2.68%  | \$11.24                      |
| Class E**  | \$1,000                         | \$ 681.50                    | 1.41%  | \$ 5.89                      |
| Class I  | \$1,000                         | \$ 682.10                    | 1.27%  | \$ 5.30                      |
| Class Y  | \$1,000                         | \$ 681.30                    | 1.56%  | \$ 6.56                      |
| Advisor Class**                                  | \$1,000                         | \$ 681.40                    | 1.39%  | \$ 5.88                      |
| <b>Based on 5% Return<sup>(2)</sup></b>          |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$1,014.30                   | 2.13%  | \$10.68                      |
| Class B  | \$1,000                         | \$1,009.60                   | 3.07%  | \$15.37                      |
| Class C  | \$1,000                         | \$1,011.55                   | 2.68%  | \$13.48                      |
| Class E**  | \$1,000                         | \$1,017.90                   | 1.41%  | \$ 7.06                      |
| Class I  | \$1,000                         | \$1,018.60                   | 1.27%  | \$ 6.36                      |
| Class Y  | \$1,000                         | \$1,017.15                   | 1.56%  | \$ 7.87                      |
| Advisor Class**                                  | \$1,000                         | \$1,017.98                   | 1.39%  | \$ 7.06                      |

\*Fund expenses for each share class are equal to the Fund's annualized expense ratio for each share class (provided in the table), multiplied by the average account value over the period, multiplied by 182 days in the six-month period ended March 31, 2009, and divided by 365.

\*\*Class closed to investment.

(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 last column.

(2) This section uses a hypothetical five percent 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.

See "Disclosure of Expenses" on page 8 for further information on how expenses were calculated.

# SCHEDULE OF INVESTMENTS

## Ivy European Opportunities Fund *(in thousands)*

MARCH 31, 2009

| COMMON STOCKS AND RIGHTS                                       |        |          | COMMON STOCKS AND RIGHTS (Continued)  |                  |                   |
|--|--------|----------|---|------------------|-------------------|
|  | Shares | Value    |   | Shares           | Value             |
| <b>British Virgin Islands – 1.55%</b>                          |        |          | <b>Norway – 3.57%</b>   |                  |                   |
| Inmarsat plc (A) . . . . .                                     | 412    | \$ 2,886 | StatoilHydro ASA (A) . . . . .  | 381              | \$ 6,659          |
| <b>Cayman Islands – 1.24%</b>                                  |        |          | <b>Spain – 1.65%</b>  |                  |                   |
| Subsea 7 Inc. (A)(B) . . . . .                                 | 363    | 2,319    | Industria de Diseno Textil, S.A. (A) . . . . .                                    | 79               | 3,078             |
| <b>Cyprus – 1.97%</b>  |        |          | <b>Switzerland – 7.27%</b>  |                  |                   |
| Prosafe ASA (A)(B) . . . . .                                   | 668    | 2,377    | Adecco S.A. (A) . . . . .   | 96               | 3,004             |
| Prosafe Production (A)(B) . . . . .                            | 827    | 1,289    | ARYZTA AG (A)(B) . . . . .  | 81               | 1,900             |
|  |        | 3,666    | Novartis AG, Registered Shares (A) . . . . .                                      | 179              | 6,772             |
| <b>Denmark – 1.05%</b>   |        |          | Synthes, Inc. (A)(B) . . . . .  | 17               | 1,873             |
| Carlsberg Group (A) . . . . .                                  | 48     | 1,961    |   |                  | 13,549            |
| <b>France – 13.36%</b>   |        |          | <b>United Kingdom – 23.95%</b>  |                  |                   |
| BNP Paribas (A) . . . . .                                      | 62     | 2,550    | Ashtead Group plc (A) . . . . .   | 1,967            | 1,113             |
| Carrefour S.A. (A) . . . . .                                   | 157    | 6,134    | Aurora Russia Limited (A)(B) . . . . .  | 1,557            | 237               |
| France Telecom (A) . . . . .                                   | 319    | 7,284    | BP p.l.c. (A) . . . . .   | 603              | 4,041             |
| Sanofi-Aventis (A) . . . . .                                   | 120    | 6,723    | British Sky Broadcasting Group plc (A) . . . . .                                  | 607              | 3,769             |
| Societe Generale (A) . . . . .                                 | 56     | 2,208    | Capita Group Plc (The) (A) . . . . .  | 190              | 1,844             |
|  |        | 24,899   | GlaxoSmithKline plc (A) . . . . .   | 463              | 7,206             |
| <b>Germany – 14.07%</b>  |        |          | HSBC Holdings plc (A) . . . . .   | 334              | 1,862             |
| adidas AG (A) . . . . .  | 119    | 3,938    | Imperial Tobacco Group PLC (A) . . . . .  | 324              | 7,287             |
| Allianz Aktiengesellschaft, Registered<br>Shares (A) . . . . . | 27     | 2,275    | Man Group plc (A) . . . . .   | 627              | 1,964             |
| Bayer Aktiengesellschaft (A) . . . . .                         | 77     | 3,740    | MAXjet Airways, Inc. (A)(B)(C) . . . . .  | 1,129            | –*                |
| Deutsche Borse AG (A) . . . . .                                | 91     | 5,469    | MAXjet Airways, Inc. (A)(B) . . . . .   | 150              | –*                |
| Deutsche Telekom AG, Registered Shares (A) . . . . .           | 637    | 7,907    | tesco plc (A) . . . . .   | 1,213            | 5,795             |
| RWE Aktiengesellschaft (A) . . . . .                           | 41     | 2,900    | Vodafone Group Plc (A) . . . . .  | 4,145            | 7,227             |
|  |        | 26,229   | William Hill PLC (A) . . . . .  | 684              | 1,668             |
| <b>Greece – 5.28%</b>  |        |          | William Hill PLC, Rights (A)(B) . . . . .   | 684              | 628               |
| Coca-Cola Hellenic Bottling Company S.A. (A) . . . . .         | 155    | 2,232    |   |                  | 44,641            |
| HELLENIC TELECOMMUNICATIONS<br>ORGANISATION S.A. (A) . . . . . | 224    | 3,358    | <b>TOTAL COMMON STOCKS<br/>AND RIGHTS – 97.99%</b>                                |                  | <b>\$ 182,661</b> |
| OPAP S.A. (A) . . . . .  | 161    | 4,257    | (Cost: \$262,047)   |                  |                   |
|  |        | 9,847    | <b>PREFERRED STOCKS – 0.95%</b>   |                  |                   |
| <b>Ireland – 8.39%</b>   |        |          | <b>Germany</b>  |                  |                   |
| CRH public limited company (A)(B) . . . . .                    | 144    | 3,136    | Fresenius AG (A) . . . . .  | 39               | \$ 1,769          |
| CRH public limited company (A) . . . . .                       | 287    | 6,235    | (Cost: \$1,853)   |                  |                   |
| Grafton Group plc, Units (A)(B) . . . . .                      | 1,144  | 2,551    | <b>SHORT-TERM SECURITIES – 2.28%</b>  | <b>Principal</b> |                   |
| Paddy Power plc (A) . . . . .                                  | 231    | 3,721    | <b>Commercial Paper</b>   |                  |                   |
|  |        | 15,643   | Rabobank USA Financial Corp. (Rabobank<br>Nederland),<br>0.120%, 4–1–09 . . . . . |                  |                   |
| <b>Italy – 2.03%</b>   |        |          |   | \$4,247          | \$ 4,247          |
| Eni S.p.A. (A) . . . . .                                       | 195    | 3,784    | (Cost: \$4,247)   |                  |                   |
| <b>Luxembourg – 3.88%</b>                                      |        |          | <b>TOTAL INVESTMENT SECURITIES – 101.22%</b>                                      |                  | <b>\$ 188,677</b> |
| Acergy S.A. (A) . . . . .                                      | 269    | 1,681    | (Cost: \$268,147)   |                  |                   |
| SES GLOBAL S.A., Fiduciary Deposit<br>Receipts (A) . . . . .   | 290    | 5,542    | <b>LIABILITIES, NET OF CASH AND OTHER ASSETS – (1.22%)</b>                        |                  | <b>(2,270)</b>    |
|  |        | 7,223    | <b>NET ASSETS – 100.00%</b>   |                  | <b>\$ 186,407</b> |
| <b>Netherlands – 8.73%</b>                                     |        |          |   |                  |                   |
| ASML Holding N.V., Ordinary Shares (A) . . . . .               | 125    | 2,209    |   |                  |                   |
| Heineken N.V. (A) . . . . .                                    | 191    | 5,433    |   |                  |                   |
| Koninklijke KPN N.V. (A) . . . . .                             | 282    | 3,770    |   |                  |                   |
| TNT N.V. (A) . . . . .   | 284    | 4,865    |   |                  |                   |
|  |        | 16,277   |   |                  |                   |

## Notes to Schedule of Investments

\*Not shown due to rounding.

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

(B) No dividends were paid during the preceding 12 months.

(C) 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. This security has been determined to be illiquid under guidelines established by the Board of Trustees. At March 31, 2009, the total value of this security amounted to 0.00% of net assets.

### Market Sector Diversification

(as a % of net assets)

|                            |        |
|----------------------------|--------|
| Telecommunication Services | 17.40% |
| Consumer Staples           | 16.49% |
| Consumer Discretionary     | 14.26% |
| Health Care                | 13.06% |
| Energy                     | 11.88% |
| Financials                 | 8.88%  |
| Industrials                | 7.18%  |
| Materials                  | 7.04%  |
| Utilities                  | 1.56%  |
| Information Technology     | 1.19%  |
| Other+                     | 1.06%  |

+ Includes cash and cash equivalents and other assets and liabilities

For Federal income tax purposes, cost of investments owned at March 31, 2009 and the related unrealized appreciation (depreciation) were as follows:

|                               |                  |
|-------------------------------|------------------|
| Cost                          | <u>\$278,283</u> |
| Gross unrealized appreciation | 2,554            |
| Gross unrealized depreciation | <u>(92,160)</u>  |
| Net unrealized depreciation   | \$ (89,606)      |

Industry and geographical classifications are unaudited.



John C. Maxwell

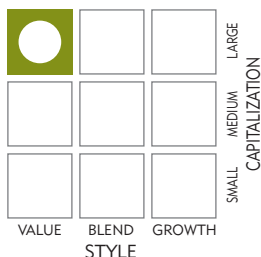
During the fiscal year ended March 31, 2009, Ivy International Balanced Fund was subadvised by Templeton Investment Counsel, LLC. Below, Dr. Michael Hasenstab and E. Tucker Scott, CFA, portfolio managers of the Ivy International Balanced Fund during the fiscal year, discuss the Fund's positioning, performance and results for the period.

Effective April 15, 2009, John C. Maxwell, CFA, of Ivy Investment Management Company, assumed responsibility for management of the Fund. Mr. Maxwell also manages Ivy International Core Equity Fund, which is discussed on pages 63 and 64. Mr. Maxwell has 16 years of industry experience.

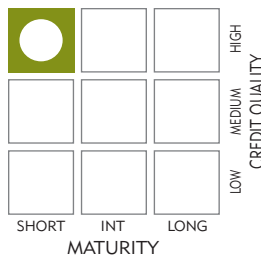
**Investment Style**

○ Current ■ Historical

Source: Morningstar, Inc.



This diagram shows the Fund's equity investment style and the size of companies in the Fund, as measured by market capitalization. Shaded areas reflect quarterly data for the past three years.



This diagram shows the Fund's fixed-income investment style by displaying the average credit quality of the bonds owned and the Fund's interest rate sensitivity, as measured by average maturity. Shaded areas show the past three years of quarterly data.

**Fiscal Year Performance**

For the 12 Months Ended March 31, 2009

|   |         |
|---|---------|
| <b>Ivy International Balanced Fund</b><br>(Class A shares at net asset value)   | -36.02% |
| Benchmark(s) and/or Lipper Category   |         |
| <b>MSCI AC World ex U.S.A. Index</b><br>(generally reflects the performance of securities representing international stock markets)   | -46.46% |
| <b>J.P. Morgan Non-U.S. Government Bond Index</b><br>(generally reflects the performance of securities representing the international government bond market)                 | -5.44%  |
| <b>Lipper Mixed-Asset Target Allocation Growth Funds Universe Average</b><br>(generally reflects the performance of the universe of funds with similar investment objectives) | -29.72% |

Multiple indexes are presented because the Fund invests in stocks, bonds and other instruments.

Please note that Fund returns include applicable fees and expenses while index returns do not include any such fees.

**Sector weightings negatively affected results**

The Fund's underweighting of energy, consumer staples and materials resulted in underperformance relative to its Lipper peer group for the fiscal year. Our strategy in the energy sector has been to invest in stocks that we felt would benefit from rising oil prices, but also had limited downside risk. As a result, the bulk of our holdings were in large integrated oil stocks. We felt these companies appeared well positioned to benefit from renewed strength in the energy sector and, with low cost structures, were well-protected from losing significant margin levels should oil prices substantially retreat. We also found select opportunities among low-multiple natural gas stocks. However, our performance in this area also did not meet expectations as natural gas prices dropped substantially. The materials sector appeared overvalued to us during the first half of the fiscal year. As a result, we owned few securities in this sector.

On the fixed-income side, we used the volatility of the past fiscal year to build diversified positions in global interest rates, currencies and sovereign credit markets. This broad diversification had a positive effect on the Fund's performance. Emerging market governments broadly used the economic growth cycle of the past few years to reduce sovereign debt burdens, improve fiscal positions, move to floating exchange rates and build foreign exchange reserves. As a result, they entered the current financial crisis with relatively strong credit positions. The emerging market private sector, however, broadly used this same period to increase exposure to external debt. While sovereign credit was broadly punished over the last six months on concern over access to financing and forced selling, we saw an increased need for differentiation of sovereign credit fundamentals and a potential opportunity where we felt that the default risk of the sovereign was mis-priced relative to its fundamentals.

We continue to favor Asian currencies as beneficiaries of the long-term structural theme of unwinding of global imbalances, which also left the region with the ability to respond to the current crisis through monetary and fiscal policy without threatening medium-term fundamentals. Additionally, we see value in many peripheral currencies which were negatively impacted by risk aversion or overshoot fundamentals during a necessary currency correction. The Mexican peso and South Korean won are two examples.

Stock selection in the information technology, consumer discretionary and health care sectors contributed positively to relative performance for the year. The technology companies we focused on have strong balance sheets, exciting new product cycles and high free cash-flow yields that we feel position them well for self-funded secular growth. These companies are also less economically sensitive than those in many other sectors. In consumer discretionary, our holdings in the retail and media areas contributed strongly. The companies in which we are invested are large, diversified conglomerates that we believe are better positioned to withstand the economic downturn than smaller, more specialized names. In the health care sector, we favored the pharmaceuticals industry for its bargain valuations, high free cash-flow yields and the revenue growth implications of aging global demographics. Our investment thesis has begun to materialize in the sector, and our health care holdings delivered relatively stronger performance for the fiscal year.

### **Dark days, loss of confidence**

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The last 12 months constituted one of the darkest periods in equity markets. In 2008 alone, investors witnessed the seizing up of global credit markets, the destruction of some \$30 trillion of stock market value, a huge decline of the BRIC (Brazil, Russia, India and China) markets, the implosion of Wall Street's most storied investment banking institutions and the realization of recessionary economic conditions around the world. Most major markets saw the worst returns since the Great Depression, the highest volatility since Black Monday (October 1987) and the weakest consumer confidence ever. The first quarter of 2009 saw a continuation of stock market price declines around the world, despite a strong rally that ended the period on a positive note. Global equities staged their biggest advance in five years over the final month of the quarter, as vital signs improved in the ailing financials sector, politicians delivered on their stimulus pledges and investors began to yield to enticingly low valuations. By the quarter's end, the scope of the rally left some stock indices – notably the BRIC and S&P 500 markets – hovering near official bull market territory. However, while aggressive policy measures have engendered a degree of optimism among the market's hardier investors, the prevailing ethos remains negative, fueled by a steady diet of disappointing news-flow throughout the first quarter of 2009. The world remains in an economic recession, the global financial system is still clinging to survival on government-administered life support and the market's double-digit move off recent lows has been greeted with a fair degree of skepticism.

We searched for misconceptions that have driven stock prices down, such as the arrival of near-term difficulties for a business that are temporary in nature and should correct over time. Times of crisis or panic can cause extreme volatility as these fears and misconceptions become exaggerated. The typical reaction is to sell, and panicked selling creates attractive opportunities to purchase stocks at bargain levels. Investing into such short-term pessimism and patiently waiting for the longer-term

fundamentals to evolve provides the potential to capture the upside that can come with purchasing stocks at depressed prices.

During the year, we emphasized the health care, telecommunications and consumer discretionary sectors. In health care, we focused on pharmaceuticals we felt had been punished by investors focused on increased generic competition, waning R&D productivity and political headwinds – risks that we feel are largely priced into current valuations. We believe the market is overlooking the high free cash flow yields, increasing dividend yields, restructuring potential, and favorable demographics that we believe should drive growth among select companies. In telecommunications, some companies traded at significantly discounted valuations while generating high free cash flow with strong long-term earnings potential. Many have geographically diverse revenue streams, which can insulate them somewhat from worsening economies in the developed world while providing exposure to the faster-growing consumer base in emerging markets. In consumer discretionary, we focused on companies that we believe are strong generators of cash flow with long-term earnings growth potential. We believe media stocks in particular offered these attractive characteristics.

### **A modified Japanese and Euro fixed-income position**

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Given weak growth, risk of capital outflows once the world normalizes and little room for further interest rate easing (interest rates are effectively at zero percent), we reduced yen positions. We think the recession in Europe is also likely to be more protracted than in the U.S., while future growth is also likely to be constrained by the more limited policy response and by the deleveraging of the banking system. We reduced our net negative euro position given a smaller scope for downside risk to the euro.

The ability of Japan and Europe to shift towards domestic drivers of growth to offset weak external demand while the global economy is experiencing sub-trend growth is currently under question. Therefore, we view the investment opportunity set as better elsewhere.

### **Our outlook**

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Skepticism abounds and stocks appear attractively priced, in our view. Whether valuations have fully troughed and sentiment has reached “maximum pessimism” is currently unknown, but we feel it is critical to look ahead knowing that key value indicators appear to be offering support for long-term investors. In the near-term, the market is most concerned with the ability of government-sponsored stimulus plans to successfully address the global financial crisis, stabilize economic conditions and restore confidence. To date, the U.S. government and Federal Reserve have spent, lent or guaranteed nearly \$13 trillion – an amount approaching the value of everything produced in the country last year. To lesser degrees, but with no less urgency, other nations have followed suit. For the time being, we will withhold comment on the future implications of the dramatic

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spike in unfunded U.S. government liabilities. We will posit, however, that a combination of vigilant policy response and heavy market attrition may have brought us near the end of the free-fall stage of this downturn, and that the global financial system may slowly be re-establishing the stability that will ultimately beget recovery. We believe that maintaining a disciplined, focused and objective perspective is the best way to seek strong, long-term returns.

**The Fund's performance noted above is at net asset value (NAV), and does not include the effect of any applicable sales charges. If reflected, the sales charge would reduce the performance noted.**

**As with any mutual fund, the value of the Fund's shares will change, and you could lose money on your investment.**

International investing involves additional risks including currency fluctuations, political or economic conditions affecting the foreign country, and differences in accounting standards and foreign regulations. Fixed-income securities are subject to interest rate risk and, as such, the Fund's net asset value may fall as interest rates rise. These and other risks are more fully described in the Fund's prospectus.

The opinions expressed in this report are those of the Fund's prior portfolio managers and are current only through the end of the period of the report as stated on the cover. The managers' views are subject to change at any time based on market and other conditions, and no forecasts can be guaranteed.

The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of the Ivy International Balanced Fund.

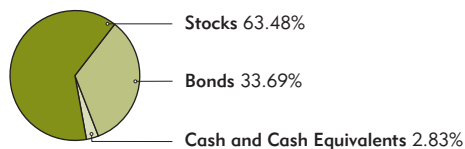


# PORTFOLIO HIGHLIGHTS

## Ivy International Balanced Fund

ALL DATA IS AS OF MARCH 31, 2009 (UNAUDITED)

### Asset Allocation



| Stocks                      | 63.48% |
|-----------------------------|--------|
| Consumer Discretionary      | 12.73% |
| Telecommunication Services  | 10.80% |
| Information Technology      | 10.78% |
| Financials                  | 9.14%  |
| Health Care                 | 6.40%  |
| Industrials                 | 6.40%  |
| Energy                      | 5.75%  |
| Consumer Staples            | 1.34%  |
| Materials                   | 0.14%  |
| Bonds                       | 33.69% |
| Other Government Securities | 33.69% |
| Cash and Cash Equivalents   | 2.83%  |

### Lipper Rankings

| Category: Lipper Mixed-Asset Target Allocation Growth Funds | Rank    | Percentile |
|---|---------|------------|
| 1 Year  | 603/682 | 89         |
| 3 Year  | 220/542 | 41         |
| 5 Year  | 56/449  | 13         |
| 10 Year   | 7/249   | 3          |

Past performance is no guarantee of future results. Rankings are for Class A Shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.

### Bond Portfolio Characteristics

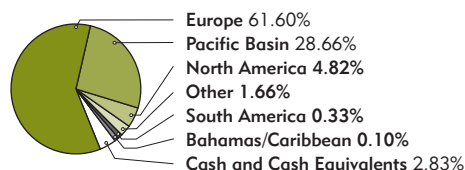
|                              |           |
|------------------------------|-----------|
| Average maturity             | 6.3 years |
| Effective duration           | 4.9 years |
| Weighted average bond rating | AA-       |

### Top 10 Equity Holdings

| Company   | Country        | Sector                     | Industry                              |
|---|----------------|----------------------------|---------------------------------------|
| France Telecom                                  | France         | Telecommunication Services | Integrated Telecommunication Services |
| Kingfisher plc                                  | United Kingdom | Consumer Discretionary     | Home Improvement Retail               |
| Samsung Electronics Co., Ltd.                   | South Korea    | Information Technology     | Semiconductors                        |
| Taiwan Semiconductor Manufacturing Company Ltd. | Taiwan         | Information Technology     | Semiconductors                        |
| Vodafone Group Plc                              | United Kingdom | Telecommunication Services | Wireless Telecommunication Service    |
| Adecco S.A.                                     | Switzerland    | Industrials                | Research & Consulting Services        |
| BP p.l.c.                                       | United Kingdom | Energy                     | Integrated Oil & Gas                  |
| GlaxoSmithKline plc                             | United Kingdom | Health Care                | Pharmaceuticals                       |
| Telefonica, S.A., ADR                           | Spain          | Telecommunication Services | Integrated Telecommunication Services |
| Check Point Software Technologies Ltd.          | Israel         | Information Technology     | Systems Software                      |

See your advisor or [www.ivyfund.com](http://www.ivyfund.com) for more information on the Fund's most recently published Top 10 Equity Holdings.

### Country Weightings



| Europe                             | 61.60% |
|------------------------------------|--------|
| United Kingdom                     | 14.78% |
| France                             | 13.29% |
| Germany                            | 7.05%  |
| Sweden                             | 5.37%  |
| Switzerland                        | 4.84%  |
| Netherlands                        | 3.74%  |
| Poland                             | 3.74%  |
| Other Europe <sup>(1)</sup>        | 8.79%  |
| Pacific Basin                      | 28.66% |
| South Korea                        | 7.41%  |
| Taiwan                             | 5.76%  |
| Japan                              | 5.08%  |
| Malaysia                           | 3.77%  |
| Other Pacific Basin <sup>(2)</sup> | 6.64%  |
| North America                      | 4.82%  |
| Mexico                             | 3.80%  |
| Other North America <sup>(3)</sup> | 1.02%  |
| Other <sup>(4)</sup>               | 1.66%  |
| South America <sup>(5)</sup>       | 0.33%  |
| Bahamas/Caribbean <sup>(6)</sup>   | 0.10%  |
| Cash and Cash Equivalents          | 2.83%  |

(1) Includes 1.02% Austria, 0.78% Belgium, 0.58% Greece, 0.49% Hungary, 0.84% Italy, 3.23% Norway, 0.44% Russia and 1.41% Spain.

(2) Includes 2.15% Australia, 1.06% China, 0.54% Hong Kong, 1.22% New Zealand and 1.67% Singapore.

(3) Includes 1.02% Canada.

(4) Includes 1.40% Israel and 0.26% Supranational.

(5) Includes 0.33% Brazil.

(6) Includes 0.10% Cayman Islands.

# ILLUSTRATION OF FUND EXPENSES

## Ivy International Balanced Fund

(UNAUDITED)

| For the Six Months Ended March 31, 2009          | Beginning Account Value 9-30-08 | Ending Account Value 3-31-09 | Annualized Expense Ratio Based on the Six-Month Period | Expenses Paid During Period* |
|--|---------------------------------|------------------------------|--|------------------------------|
| <b>Based on Actual Fund Return<sup>(1)</sup></b> |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$ 762.20                    | 1.59%  | \$ 6.96                      |
| Class B  | \$1,000                         | \$ 758.30                    | 2.63%  | \$11.52                      |
| Class C  | \$1,000                         | \$ 759.80                    | 2.19%  | \$ 9.59                      |
| Class E  | \$1,000                         | \$ 762.90                    | 1.33%  | \$ 5.91                      |
| Class I  | \$1,000                         | \$ 764.10                    | 1.00%  | \$ 4.41                      |
| Class Y  | \$1,000                         | \$ 763.10                    | 1.40%  | \$ 6.17                      |
| <b>Based on 5% Return<sup>(2)</sup></b>          |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$ 1,017.00                  | 1.59%  | \$ 7.97                      |
| Class B  | \$1,000                         | \$ 1,011.83                  | 2.63%  | \$13.18                      |
| Class C  | \$1,000                         | \$ 1,013.99                  | 2.19%  | \$10.98                      |
| Class E  | \$1,000                         | \$ 1,018.28                  | 1.33%  | \$ 6.76                      |
| Class I  | \$1,000                         | \$ 1,019.92                  | 1.00%  | \$ 5.05                      |
| Class Y  | \$1,000                         | \$ 1,017.95                  | 1.40%  | \$ 7.06                      |

\*Fund expenses for each share class are equal to the Fund's annualized expense ratio for each share class (provided in the table), multiplied by the average account value over the period, multiplied by 182 days in the six-month period ended March 31, 2009, 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 last column.

(2) This section uses a hypothetical five percent 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.

See "Disclosure of Expenses" on page 8 for further information on how expenses were calculated.

# SCHEDULE OF INVESTMENTS

## Ivy International Balanced Fund *(in thousands)*

MARCH 31, 2009

| COMMON STOCKS AND RIGHTS   | Shares | Value         | COMMON STOCKS AND RIGHTS (Continued)                                | Shares | Value        |
|--|--------|---------------|---|--------|--------------|
| <b>Austria – 1.02%</b>   |        |               | <b>Japan – 5.08%</b>  |        |              |
| Telekom Austria Aktiengesellschaft (A) . . . . .   | 129    | \$ 1,950      | Kabushiki Kaisha Mitsubishi Tokyo Financial Group (A) . . . . .     | 284    | \$ 1,397     |
| <b>Belgium – 0.78%</b>   |        |               | NGK SPARK PLUG CO., LTD. (A) . . . . .                              | 41     | 349          |
| Belgacom SA (A) . . . . .  | 47     | 1,486         | Olympus Corporation (A) . . . . .                                   | 87     | 1,420        |
| <b>Brazil – 0.33%</b>  |        |               | Promise Co., Ltd. (A) . . . . .                                     | 46     | 731          |
| Embraer-Empresa Brasileira de Aeronautica S.A. . . . .                                       | 47     | 622           | Sony Corporation (A) . . . . .                                      | 54     | 1,123        |
| <b>Canada – 0.85%</b>  |        |               | Toyota Motor Corporation (A) . . . . .                              | 79     | 2,519        |
| Biovail Corporation (A) . . . . .  | 149    | 1,625         | USS Co., Ltd. (A) . . . . .   | 48     | 2,125        |
| <b>Cayman Islands – 0.10%</b>  |        |               |   |        | <u>9,664</u> |
| Kingboard Chemical Holdings Limited (A) . . . . .  | 93     | 191           | <b>Netherlands – 2.24%</b>  |        |              |
| <b>China – 1.06%</b>   |        |               | ING Groep N.V., Certificaaten Van Aandelen (A) . . . . .            | 201    | 1,103        |
| China Telecom Corporation Limited (A)(C) . . . . .   | 360    | 149           | Koninklijke Philips Electronics N.V., Ordinary Shares (A) . . . . . | 36     | 529          |
| China Telecom Corporation Limited (A) . . . . .  | 1,848  | 763           | Randstad Holding nv (A) . . . . .                                   | 67     | 1,136        |
| Shanghai Electric Group Company Limited (A)(B) . . . . .                                     | 3,840  | 1,106         | Reed Elsevier NV (A) . . . . .                                      | 141    | 1,505        |
|  |        | <u>2,018</u>  |   |        | <u>4,273</u> |
| <b>France – 8.17%</b>  |        |               | <b>Norway – 2.68%</b>   |        |              |
| AXA S.A. (A) . . . . .   | 110    | 1,315         | Aker Solutions ASA (A) . . . . .                                    | 230    | 1,482        |
| Cap Gemini SA (A) . . . . .  | 26     | 835           | Norske Skogindustrier ASA (A)(B) . . . . .                          | 144    | 264          |
| Compagnie Generale des Etablissements Michelin, Class B (A) . . . . .                        | 20     | 754           | StatoilHydro ASA (A) . . . . .                                      | 104    | 1,813        |
| France Telecom (A) . . . . .   | 221    | 5,032         | Telenor ASA (A) . . . . .   | 268    | 1,533        |
| Sanofi-Aventis (A)(D) . . . . .  | 19     | 1,071         |   |        | <u>5,092</u> |
| Sanofi-Aventis (A) . . . . .   | 44     | 2,496         | <b>Russia – 0.44%</b>   |        |              |
| TOTAL S.A. (A) . . . . .   | 53     | 2,597         | Open Joint Stock Company Gazprom . . . . .                          | 57     | 842          |
| Vivendi Universal (A) . . . . .  | 55     | 1,446         | <b>Singapore – 1.67%</b>  |        |              |
|  |        | <u>15,546</u> | DBS Group Holdings Ltd (A) . . . . .                                | 107    | 594          |
| <b>Germany – 5.36%</b>   |        |               | Flextronics International Ltd. (B) . . . . .                        | 422    | 1,220        |
| Bayerische Motoren Werke Aktiengesellschaft (A) . . . . .                                    | 69     | 1,981         | Singapore Telecommunications Limited (A) . . . . .                  | 824    | 1,374        |
| Celesio AG (A) . . . . .   | 36     | 673           |   |        | <u>3,188</u> |
| Deutsche Post AG (A) . . . . .   | 70     | 758           | <b>South Korea – 2.22%</b>  |        |              |
| Infineon Technologies AG (A)(B) . . . . .  | 313    | 365           | KB Financial Group Inc., ADR . . . . .                              | 17     | 423          |
| Munchener Ruckversicherungs-Gesellschaft Aktiengesellschaft, Registered Shares (A) . . . . . | 17     | 2,100         | Samsung Electronics Co., Ltd. (A) . . . . .                         | 7      | 3,078        |
| SAP Aktiengesellschaft (A) . . . . .   | 73     | 2,572         | Samsung Electronics Co., Ltd., GDR (C) . . . . .                    | 4      | 721          |
| Siemens AG (A) . . . . .   | 30     | 1,745         |   |        | <u>4,222</u> |
|  |        | <u>10,194</u> | <b>Spain – 1.41%</b>  |        |              |
| <b>Hong Kong – 0.54%</b>   |        |               | Telefonica, S.A., ADR . . . . .                                     | 45     | 2,668        |
| Hutchison Whampoa Limited, Ordinary Shares (A) . . . . .                                     | 211    | 1,036         | Telefonica, S.A., Brazilian Depository Receipts (A) . . . . .       | 1      | 11           |
| <b>Israel – 1.40%</b>  |        |               |   |        | <u>2,679</u> |
| Check Point Software Technologies Ltd. (B) . . . . .   | 120    | 2,663         | <b>Sweden – 1.91%</b>   |        |              |
| <b>Italy – 0.84%</b>   |        |               | Niscayah Group AB (A) . . . . .                                     | 855    | 1,022        |
| AUTOGRILL S.p.A. (A) . . . . .   | 149    | 857           | Telefonaktiebolaget LM Ericsson, B Shares (A) . . . . .             | 324    | 2,620        |
| UniCredit S.p.A. (A) . . . . .   | 447    | 736           |   |        | <u>3,642</u> |
|  |        | <u>1,593</u>  | <b>Switzerland – 4.84%</b>  |        |              |
|  |        |               | ACE Limited . . . . .   | 46     | 1,878        |
|  |        |               | Adecco S.A. (A) . . . . .   | 93     | 2,901        |
|  |        |               | Nestle S.A., Registered Shares (A) . . . . .                        | 29     | 986          |
|  |        |               | Novartis AG, Registered Shares (A) . . . . .                        | 57     | 2,156        |
|  |        |               | Swiss Reinsurance Company, Registered Shares (A) . . . . .          | 36     | 584          |
|  |        |               | UBS AG (A)(B) . . . . .   | 75     | 706          |
|  |        |               |   |        | <u>9,211</u> |

| COMMON STOCKS AND RIGHTS (Continued)                               | Shares | Value             |
|--|--------|-------------------|
| <b>Taiwan – 5.76%</b>  |        |                   |
| Chunghwa Telecom Co., Ltd., ADR                                    | 139    | \$ 2,542          |
| Compal Electronics Inc., GDR (C)                                   | 119    | 428               |
| Compal Electronics Inc., GDR                                       | 55     | 198               |
| Lite-On Technology Corporation (A)                                 | 1,532  | 1,039             |
| Lite-On Technology Corporation, GDR (A)                            | 230    | 1,554             |
| Mega Financial Holding Company (A)                                 | 5,998  | 2,152             |
| Taiwan Semiconductor Manufacturing Company Ltd. (A)                | 2,026  | 3,050             |
|  |        | <u>10,963</u>     |
| <b>United Kingdom – 14.78%</b>                                     |        |                   |
| Aviva plc (A)  | 297    | 920               |
| BP p.l.c. (A)  | 424    | 2,846             |
| British Sky Broadcasting Group plc (A)                             | 204    | 1,266             |
| Compass Group PLC (A)  | 225    | 1,031             |
| GlaxoSmithKline plc (A)  | 176    | 2,741             |
| Group 4 Securicor plc (A)  | 499    | 1,386             |
| HSBC Holdings plc (A)  | 168    | 937               |
| HSBC Holdings plc, Rights (A)(B)                                   | 70     | 142               |
| Kingfisher plc (A)   | 1,775  | 3,804             |
| Lloyds Banking Group Plc (A)                                       | 97     | 98                |
| Marks and Spencer Group plc (A)                                    | 232    | 985               |
| Old Mutual plc (A)   | 1,744  | 1,298             |
| Pearson plc (A)  | 148    | 1,489             |
| Persimmon plc (A)  | 496    | 2,453             |
| Premier Brands Foods plc (A)                                       | 1,827  | 898               |
| Rentokil Initial plc (A)   | 751    | 478               |
| Royal Bank of Scotland Group plc (The) (A)                         | 813    | 287               |
| Royal Bank of Scotland Group plc (The), Subscription Shares (A)(B) | 349    | –*                |
| Royal Dutch Shell plc, Class B (A)                                 | 63     | 1,369             |
| tesco plc (A)  | 140    | 667               |
| Vodafone Group Plc (A)   | 1,679  | 2,926             |
| Vodafone Group Plc, ADR  | 7      | 115               |
|  |        | <u>28,136</u>     |
| <b>TOTAL COMMON STOCKS AND RIGHTS – 63.48%</b>                     |        | <b>\$ 120,836</b> |

(Cost: \$208,502)

| OTHER GOVERNMENT SECURITIES                              | Principal |              |
|--|-----------|--------------|
| <b>Australia – 2.15%</b>                                 |           |              |
| New South Wales Treasury Corporation, 6.000%, 5–1–12 (E) | AUD4,600  | 3,364        |
| Queensland Treasury Corporation, 6.000%, 7–14–09 (E)     | 1,050     | 737          |
|  |           | <u>4,101</u> |
| <b>Canada – 0.16%</b>                                    |           |              |
| Province of Ontario, 6.250%, 6–16–15 (E)                 | NZD559    | 315          |
| <b>France – 5.12%</b>                                    |           |              |
| French Treasury Bond (OAT), 4.250%, 10–25–17 (E)         | EUR6,920  | 9,753        |

| OTHER GOVERNMENT SECURITIES (Continued)                 | Principal | Value        |
|---|-----------|--------------|
| <b>Germany – 1.69%</b>                                  |           |              |
| KfW, Frankfurt/Main, Federal Republic of Germany:       |           |              |
| 3.000%, 12–4–09 (E)                                     | CHF3,100  | \$ 2,770     |
| 6.500%, 11–15–11 (E)                                    | NZD739    | 441          |
|   |           | <u>3,211</u> |
| <b>Greece – 0.58%</b>                                   |           |              |
| Hellenic Republic Government Bonds, 2.125%, 4–10–09 (E) | CHF1,250  | 1,098        |
| <b>Hungary – 0.49%</b>                                  |           |              |
| Republic of Hungary:                                    |           |              |
| 3.500%, 7–18–16 (E)                                     | EUR40     | 40           |
| 4.375%, 7–4–17 (E)                                      | 180       | 189          |
| 5.750%, 6–11–18 (E)                                     | 450       | 525          |
| 3.875%, 2–24–20 (E)                                     | 180       | 174          |
|   |           | <u>928</u>   |
| <b>Malaysia – 3.77%</b>                                 |           |              |
| Malaysian Government Bonds:                             |           |              |
| 3.756%, 4–28–11 (E)                                     | MYR8,550  | 2,400        |
| 3.461%, 7–31–13 (E)                                     | 12,435    | 3,378        |
| 3.814%, 2–15–17 (E)                                     | 1,955     | 521          |
| 4.240%, 2–7–18 (E)                                      | 3,110     | 874          |
|   |           | <u>7,173</u> |
| <b>Mexico – 3.80%</b>                                   |           |              |
| United Mexican States Government Bonds:                 |           |              |
| 8.000%, 12–19–13 (E)                                    | MXN34,000 | 2,469        |
| 7.250%, 12–15–16 (E)                                    | 35,000    | 2,405        |
| 10.000%, 12–5–24 (E)                                    | 28,500    | 2,354        |
|   |           | <u>7,228</u> |
| <b>Netherlands – 1.50%</b>                              |           |              |
| Netherlands Government Bonds, 4.500%, 7–15–17 (E)       | EUR2,000  | 2,848        |
| <b>New Zealand – 1.22%</b>                              |           |              |
| KfW, 6.375%, 2–17–15 (E)                                | NZD3,100  | 1,780        |
| New Zealand Government Bonds, 6.000%, 11–15–11 (E)      | 410       | 246          |
| Province of Manitoba, 6.375%, 9–1–15 (E)                | 535       | 306          |
|   |           | <u>2,332</u> |
| <b>Norway – 0.55%</b>                                   |           |              |
| Norway Government Bonds, 5.500%, 5–15–09 (E)            | NOK6,980  | 1,042        |
| <b>Poland – 3.74%</b>                                   |           |              |
| Poland Government Bonds:                                |           |              |
| 6.000%, 5–24–09 (E)                                     | PLN9,425  | 2,717        |
| 6.250%, 10–24–15 (E)                                    | 3,250     | 945          |
| 5.750%, 9–23–22 (E)                                     | 12,770    | 3,465        |
|   |           | <u>7,127</u> |

| <b>OTHER GOVERNMENT SECURITIES (Continued)</b>           |                  |                   |
|--|------------------|-------------------|
|  | <b>Principal</b> | <b>Value</b>      |
| <b>South Korea – 5.19%</b>                               |                  |                   |
| South Korea Treasury Bonds:                              |                  |                   |
| 4.750%, 6–10–09 (E) . . . . .                            | KRW1,100,000     | \$ 800            |
| 4.750%, 12–10–11 (E) . . . . .                           | 210,000          | 155               |
| 5.250%, 9–10–12 (E) . . . . .                            | 4,100,000        | 3,066             |
| 5.500%, 9–10–17 (E) . . . . .                            | 4,000,000        | 2,956             |
| 5.250%, 3–10–27 (E) . . . . .                            | 4,053,000        | 2,903             |
|  |                  | 9,880             |
| <b>Supranational – 0.27%</b>                             |                  |                   |
| European Investment Bank,                                |                  |                   |
| 6.500%, 9–10–14 (E) . . . . .                            | NZD861           | 506               |
|  |                  | 506               |
| <b>Sweden – 3.46%</b>                                    |                  |                   |
| Kingdom of Sweden (The),                                 |                  |                   |
| 5.250%, 3–15–11 (E) . . . . .                            | SEK47,170        | 6,197             |
| Sweden Government Bonds,                                 |                  |                   |
| 4.000%, 12–1–09 (E) . . . . .                            | 1,970            | 246               |
| Swedish Export Credit Corporation,                       |                  |                   |
| 7.625%, 6–30–14 (E) . . . . .                            | NZD255           | 145               |
|  |                  | 145               |
|  |                  | 6,588             |
| <b>TOTAL OTHER GOVERNMENT SECURITIES – 33.69%</b>        |                  | <b>\$ 64,130</b>  |
| (Cost: \$75,992)   |                  |                   |
| <b>SHORT-TERM SECURITIES – 2.08%</b>                     |                  |                   |
| <b>Commercial Paper</b>                                  |                  |                   |
| Rabobank USA Financial Corp.                             |                  |                   |
| (Rabobank Nederland),                                    |                  |                   |
| 0.120%, 4–1–09 . . . . .                                 | \$ 3,954         | \$ 3,954          |
| (Cost: \$3,954)  |                  |                   |
| <b>TOTAL INVESTMENT SECURITIES – 99.25%</b>              |                  | <b>\$ 188,920</b> |
| (Cost: \$288,448)  |                  |                   |
| <b>CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.75%</b> |                  | <b>1,427</b>      |
| <b>NET ASSETS – 100.00%</b>                              |                  | <b>\$ 190,347</b> |

## Notes to Schedule of Investments

The following forward currency contracts were outstanding at March 31, 2009:

| Type | Currency           | Principal Amount of Contract (Denominated in Indicated Currency) | Settlement Date | Unrealized Appreciation | Unrealized Depreciation |
|------|--------------------|--|-----------------|-------------------------|-------------------------|
| Sell | Euro               | 416  | 9-23-09         | \$ 35                   | \$ —                    |
| Sell | Euro               | 926  | 9-30-09         | 104                     | —                       |
| Sell | Euro               | 12,350   | 11-16-09        | —                       | 1,148                   |
| Buy  | Malaysian Ringgit  | 4,530  | 9-30-09         | —                       | 94                      |
| Buy  | Mexican Peso       | 41,699   | 12-22-09        | —                       | 120                     |
| Buy  | Mexican Peso       | 17,318   | 12-23-09        | —                       | 54                      |
| Buy  | Mexican Peso       | 27,767   | 12-24-09        | —                       | 83                      |
| Sell | New Zealand Dollar | 1,383  | 2-2-10          | —                       | 75                      |
| Buy  | Swedish Krona      | 4,000  | 9-23-09         | —                       | 100                     |
| Buy  | Swedish Krona      | 124,600  | 11-16-09        | —                       | 67                      |
|      |                    |  |                 | <u>\$ 139</u>           | <u>\$ 1,741</u>         |

\*Not shown due to rounding.

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

(B) No dividends were paid during the preceding 12 months.

(C) 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. These securities have been determined to be illiquid under guidelines established by the Board of Trustees. At March 31, 2009, the total value of these securities amounted to \$1,298 or 0.68% of net assets.

(D) 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. This security has been determined to be liquid under guidelines established by the Board of Trustees. At March 31, 2009, the total value of this security amounted to 0.56% of net assets.

(E) Principal amounts are denominated in the indicated foreign currency, where applicable (AUD – Australian Dollar, CHF – Swiss Franc, EUR – Euro, KRW – South Korean Won, MXN – Mexican Peso, MYR – Malaysian Ringgit, NOK – Norwegian Krone, NZD – New Zealand Dollar, PLN – Polish Zloty and SEK – Swedish Krona).

The following acronyms are used throughout this portfolio:

ADR = American Depositary Receipts

GDR = Global Depositary Receipts

### Market Sector Diversification

(as a % of net assets)

|                             |        |
|-----------------------------|--------|
| Other Government Securities | 33.69% |
| Consumer Discretionary      | 12.73% |
| Telecommunication Services  | 10.80% |
| Information Technology      | 10.78% |
| Financials                  | 9.14%  |
| Health Care                 | 6.40%  |
| Industrials                 | 6.40%  |
| Energy                      | 5.75%  |
| Consumer Staples            | 1.34%  |
| Materials                   | 0.14%  |
| Other+                      | 2.83%  |

+Includes cash and cash equivalents and other assets and liabilities

For Federal income tax purposes, cost of investments owned at March 31, 2009 and the related unrealized appreciation (depreciation) were as follows:

|                               |                   |
|-------------------------------|-------------------|
| Cost                          | <u>\$ 288,497</u> |
| Gross unrealized appreciation | 2,378             |
| Gross unrealized depreciation | <u>(101,955)</u>  |
| Net unrealized depreciation   | \$ (99,577)       |

Industry and geographical classifications are unaudited.

See Accompanying Notes to Financial Statements.



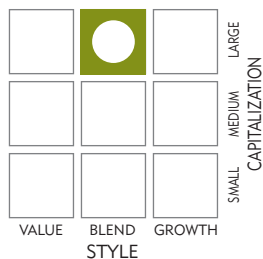
John C. Maxwell

Below, John C. Maxwell, CFA, portfolio manager of the Ivy International Core Equity Fund, discusses positioning, performance and results for the fiscal year ended March 31, 2009. Mr. Maxwell has managed and/or co-managed the Fund for three years and has 16 years of industry experience.

**Investment Style**

○ Current ■ Historical

Source: Morningstar, Inc.



This diagram shows the Fund's equity investment style and the size of companies in the Fund, as measured by market capitalization. Shaded areas reflect quarterly data for the past three years.

**Fiscal Year Performance**

For the 12 Months Ended March 31, 2009

|   |         |
|---|---------|
| <b>Ivy International Core Equity Fund</b><br>(Class A shares at net asset value)  | -41.28% |
| Benchmark(s) and/or Lipper Category   |         |
| <b>MSCI EAFE Index (with net dividends)</b><br>(generally reflects the performance of the international securities markets)   | -46.50% |
| <b>Lipper International Large-Cap Core Funds</b><br><b>Universe Average</b><br>(generally reflects the performance of the universe of funds with similar investment objectives) | -46.47% |

Please note that Fund returns include applicable fees and expenses while index returns do not include any such fees.

**Cash helped in a challenging market**

Overall, this past fiscal year was terrible for investors on an absolute basis, and the Fund was no exception. We are disappointed we did not do a better job of preserving your capital. Still, on a relative basis, we did better than the Fund's benchmark index and Lipper peer group. Two factors that contributed significantly to the Fund's relative performance last year were maintaining cash at the high end of the 0- to 10-percent range and being significantly underweight the financial sector. The consumer discretionary sector was another helpful relative performer as we had good stock selection in a sector where we were slightly overweight.

Other areas that contributed to our ability to retain somewhat more capital than our benchmark and Lipper peer group were consumer staples and telecommunications services, where we were overweight. Sectors that hurt our performance were energy,

health care and industrials. With regard to energy and health care, we had poor relative stock selection as we were in higher volatility stocks, while our industrials underperformance was driven by an overweight position in a poor-performing sector.

We manage the Fund more around sectors than countries, so the countries that fared well generally had exposure to the stronger sectors mentioned above. Our best-performing market was Switzerland, where we were overweight. Meanwhile, we collectively had about 6 percent of the Fund invested in emerging markets, and these stocks provided solid performance versus the benchmark. In addition, we had strong relative stock selection in France and Germany. Our worst-performing region was Scandinavia, where we were overweight and had a concentration of cyclical stocks causing us to underperform a poor-performing region.

**A global economic meltdown**

For international equity investing, the fiscal year was a particularly tough period. Market-related news events were so numerous that it feels like we compressed a decade of bad news into a single year. Oil spiked to \$147 a barrel before retreating to about \$35. Huge financial enterprises across numerous developed markets needed to be bailed out by their governments, while others failed. Credit costs soared as liquidity disappeared. Around November, economic activity globally seemed to grind to a halt. Industrial production and export declines in industrial countries like Japan, Germany and Korea fell dramatically in the final month of 2008 and continued into 2009. Indeed, it was a tough 12 months for international investing, not to mention the fact that the U.S. dollar appreciated further, subsequently hurting index returns. During the year, among the currencies we hedged were the Australian and Singapore dollars.

In the first half of the fiscal year the Fund had a growth tilt, generally favoring large cap over small, focusing our exposure on the growth of the emerging markets consumer and infrastructure companies. As such, we were overweight in industrials, consumer staples and telecommunications stocks and underweight early-cycle stocks. Throughout the year we held our cash position much closer to 10 percent of assets than zero, and we emphasized companies with strong free cash flow. In the middle of the fiscal year (September through November) the market went through a capitulation phase, caused largely by

forced selling from redemptions. During this period nothing other than cash worked, and in mid-November we decided to change the direction of the Fund.

From a thematic standpoint, we de-emphasized late-cycle stocks and started buying early-cycle stocks with strong balance sheets that appeared to have been oversold during the forced selling period. We also went from overweight stable growers to market weight, and underweight early cyclical companies to overweight. In the final analysis, after the huge sell-off we felt that valuation rather than stable business models would provide better downside protection and the opportunity to perform on a rebound.

From a sector standpoint, we significantly increased our weightings in consumer discretionary and information technology. While financials are typically strong early-cycle performers, we have remained underweight this area; with the possibility of nationalization and uncertainty over what would be left for shareholders, we were not comfortable buying into this area of the market. Overall, during this period we introduced sustainable dividend yield as a stock selection theme for the Fund.

### **Our outlook**

As we enter this fiscal year, we feel the Fund represents a good blend of defense and beta holdings. From a defensive standpoint, we still have a market weighting in companies that we feel are relatively stable and less sensitive to the economic cycle. Also, we believe our focus on cash generation and dividends across all our names could potentially provide a buffer should the market turn down again. We have been able to find what we feel are companies with good cash generation, solid balance sheets and strong competitive positions that have sold off as much as their riskier, financially leveraged peers. Today, our two major themes are: the strengthening emerging markets consumer, and high and believable dividends. Our ideal stock is one that is exposed to our themes and has strong cash generation, a strong balance sheet and relative sales growth. We expect incremental purchases will be among value stocks.

Going forward, we are optimistic based on three things: economic data appears to be stabilizing, credit conditions are improving (more liquidity at lower spreads), and governments are very focused and extremely aggressive in their efforts to avoid a depression. We are concerned for one reason: the current contraction in economic activity is the most severe we have seen since the first half of the previous century. Deep down, turns of this magnitude run the potential risk of feeding on themselves and driving economies into a depression. In the end, we have changed the direction of the Fund in an effort to help us participate on the potential upside while seeking to manage our downside risk.

We are watching spreads, leading economic indicators and money flows to see whether the global stimulus or the depth of the recession wins out. At this point, we are most concerned about spreads tightening on high-risk businesses – they remain

extremely wide in this area, but have come in a bit lately. We are encouraged that borrowing costs for high-grade enterprises and consumers have come down significantly. We are also encouraged that through the downturn, borrowing costs in most emerging markets have stayed very tight compared to previous downturns. From a leading economic indicators standpoint, we are encouraged that they are looking up slightly; we will continue to monitor this closely to determine whether it is in fact a change in direction. Finally, we want to see money flows continue to move into higher risk areas, such as high-yield and equities.

**The Fund's performance noted above is at net asset value (NAV), and does not include the effect of any applicable sales charges. If reflected, the sales charge would reduce the performance noted.**

**As with any mutual fund, the value of the Fund's shares will change, and you could lose money on your investment.**

**International investing involves additional risks, including currency fluctuations, political or economic conditions affecting the foreign country, and differences in accounting standards and foreign regulations. These and other risks are more fully described in the Fund's prospectus.**

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

**The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of the Ivy International Core Equity Fund.**

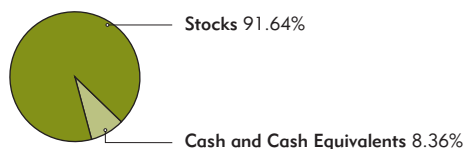


# PORTFOLIO HIGHLIGHTS

## Ivy International Core Equity Fund

ALL DATA IS AS OF MARCH 31, 2009 (UNAUDITED)

### Asset Allocation



| Stocks                           | 91.64%       |
|----------------------------------|--------------|
| Consumer Discretionary           | 15.38%       |
| Financials                       | 14.32%       |
| Consumer Staples                 | 13.33%       |
| Industrials                      | 10.92%       |
| Information Technology           | 10.75%       |
| Energy                           | 7.40%        |
| Health Care                      | 7.23%        |
| Telecommunication Services       | 7.05%        |
| Materials                        | 3.94%        |
| Utilities                        | 1.32%        |
| <b>Cash and Cash Equivalents</b> | <b>8.36%</b> |

### Lipper Rankings

| Category: Lipper International Large-Cap Core | Rank   | Percentile |
|---|--------|------------|
| 1 Year  | 16/282 | 6          |
| 3 Year  | 10/241 | 5          |
| 5 Year  | 2/214  | 1          |
| 10 Year                                       | 6/124  | 5          |

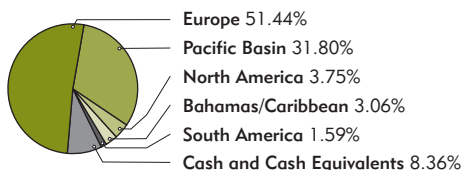
Past performance is no guarantee of future results. Rankings are for Class A Shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.

### Top 10 Equity Holdings

| Company                         | Country        | Sector                     | Industry                              |
|---------------------------------|----------------|----------------------------|---------------------------------------|
| TOTAL S.A.                      | France         | Energy                     | Integrated Oil & Gas                  |
| Nintendo Co., Ltd.              | Japan          | Information Technology     | Home Entertainment Software           |
| Sanofi-Aventis                  | France         | Health Care                | Pharmaceuticals                       |
| Roche Holdings AG, Genussschein | Switzerland    | Health Care                | Pharmaceuticals                       |
| Nestle S.A., Registered Shares  | Switzerland    | Consumer Staples           | Packaged Foods & Meats                |
| Vivendi Universal               | France         | Consumer Discretionary     | Movies & Entertainment                |
| BAE Systems plc                 | United Kingdom | Industrials                | Aerospace & Defense                   |
| Nissin Kogyo Co., Ltd.          | Japan          | Consumer Discretionary     | Auto Parts & Equipment                |
| Telstra Corporation Limited     | Australia      | Telecommunication Services | Integrated Telecommunication Services |
| Esprit Holdings Limited         | Bermuda        | Consumer Discretionary     | Apparel Retail                        |

See your advisor or [www.ivyfund.com](http://www.ivyfund.com) for more information on the Fund's most recently published Top 10 Equity Holdings.

### Country Weightings



| Europe                                 | 51.44%        |
|--|---------------|
| France                                 | 17.25%        |
| United Kingdom                         | 14.92%        |
| Germany                                | 7.36%         |
| Switzerland                            | 6.49%         |
| Other Europe <sup>(1)</sup>            | 5.42%         |
| <b>Pacific Basin</b>                   | <b>31.80%</b> |
| Japan                                  | 15.87%        |
| Australia                              | 6.07%         |
| Other Pacific Basin <sup>(2)</sup>     | 9.86%         |
| <b>North America<sup>(3)</sup></b>     | <b>3.75%</b>  |
| <b>Bahamas/Caribbean<sup>(4)</sup></b> | <b>3.06%</b>  |
| <b>South America<sup>(5)</sup></b>     | <b>1.59%</b>  |
| <b>Cash and Cash Equivalents</b>       | <b>8.36%</b>  |

(1) Includes 1.80% Denmark, 1.10% Finland, 1.42% Netherlands and 1.10% Sweden.

(2) Includes 2.53% China, 2.75% Hong Kong, 1.68% India and 2.90% Singapore.

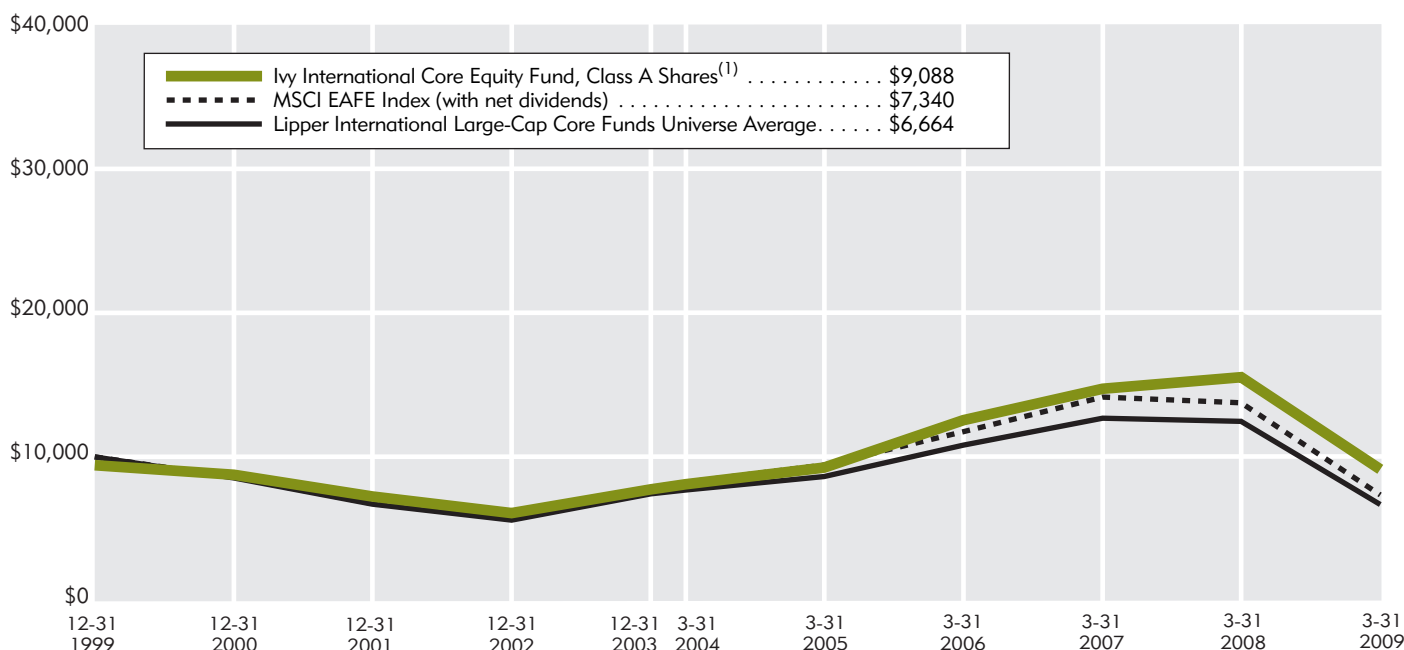
(3) Includes 1.16% Canada and 2.59% United States.

(4) Includes 1.94% Bermuda and 1.12% Cayman Islands.

(5) Includes 1.59% Brazil.

# COMPARISON OF CHANGE IN VALUE OF \$10,000 INVESTMENT Ivy International Core Equity Fund

(UNAUDITED)



Please note that the performance of the Fund's other share classes will be greater or less than the performance shown above for Class A based on the differences in loads and fees paid by shareholders investing in the different classes.

(1) The value of the investment in the Fund is impacted by the sales load at the time of the investment and by the ongoing expenses of the Fund and assumes reinvestment of dividends and distributions.

| Average Annual Total Return <sup>(2)</sup>              | Class A | Class B | Class C | Class E | Class I | Class Y |
|---|---------|---------|---------|---------|---------|---------|
| 1-year period ended 3-31-09                             | -44.66% | -44.07% | -41.64% | -44.72% | -40.98% | -41.12% |
| 5-year period ended 3-31-09                             | 1.20%   | 1.41%   | 1.68%   | —       | —       | 2.57%   |
| 10-year period ended 3-31-09                            | 1.27%   | 0.85%   | 0.88%   | —       | —       | —       |
| Since inception of Class <sup>(3)</sup> through 3-31-09 | —       | —       | —       | -23.95% | -20.99% | 6.25%   |

(2) Data quoted is past performance and is based on deduction of the maximum applicable sales load for each of the periods. Current performance may be lower or higher. Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate and shares, when redeemed, may be worth more or less than their original cost. Please visit [www.ivyfund.com](http://www.ivyfund.com) for the Fund's most recent month-end performance. Class A and Class E shares carry a maximum front-end sales load of 5.75%. Class B and Class C shares carry maximum contingent deferred sales charges (CDSC) of 5% and 1%, respectively. (Accordingly, the Class C shares reflect no CDSC since it only applies to Class C shares redeemed within twelve months after purchase.) Class I and Class Y shares are not subject to sales charges.

(3) 4-2-07 for Class E and Class I shares, and 7-24-03 for Class Y shares (the date on which shares were first acquired by shareholders).

Past performance is not necessarily indicative of future performance. Indexes are unmanaged. The performance graph and table do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or on the redemption of Fund shares.

ILLUSTRATION OF FUND EXPENSES  
Ivy International Core Equity Fund

(UNAUDITED)

| For the Six Months Ended March 31, 2009          | Beginning Account Value 9-30-08 | Ending Account Value 3-31-09 | Annualized Expense Ratio Based on the Six-Month Period | Expenses Paid During Period* |
|--|---------------------------------|------------------------------|--|------------------------------|
| <b>Based on Actual Fund Return<sup>(1)</sup></b> |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$ 755.40                    | 1.78%  | \$ 7.81                      |
| Class B  | \$1,000                         | \$ 751.50                    | 2.78%  | \$ 12.17                     |
| Class C  | \$1,000                         | \$ 753.20                    | 2.37%  | \$ 10.34                     |
| Class E  | \$1,000                         | \$ 756.50                    | 1.53%  | \$ 6.67                      |
| Class I  | \$1,000                         | \$ 757.60                    | 1.14%  | \$ 5.01                      |
| Class Y  | \$1,000                         | \$ 756.40                    | 1.40%  | \$ 6.15                      |
| <b>Based on 5% Return<sup>(2)</sup></b>          |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$1,016.03                   | 1.78%  | \$ 8.97                      |
| Class B  | \$1,000                         | \$1,011.05                   | 2.78%  | \$ 13.98                     |
| Class C  | \$1,000                         | \$1,013.10                   | 2.37%  | \$ 11.88                     |
| Class E  | \$1,000                         | \$1,017.30                   | 1.53%  | \$ 7.67                      |
| Class I  | \$1,000                         | \$1,019.26                   | 1.14%  | \$ 5.75                      |
| Class Y  | \$1,000                         | \$1,017.95                   | 1.40%  | \$ 7.06                      |

\*Fund expenses for each share class are equal to the Fund's annualized expense ratio for each share class (provided in the table), multiplied by the average account value over the period, multiplied by 182 days in the six-month period ended March 31, 2009, 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 last column.

(2) This section uses a hypothetical five percent 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.

See "Disclosure of Expenses" on page 8 for further information on how expenses were calculated.

# SCHEDULE OF INVESTMENTS

## Ivy International Core Equity Fund *(in thousands)*

MARCH 31, 2009

| COMMON STOCKS  | Shares | Value         | COMMON STOCKS (Continued)                           | Shares | Value            |
|--|--------|---------------|---|--------|------------------|
| <b>Australia – 6.07%</b>                             |        |               | <b>Japan – 15.87%</b>                               |        |                  |
| Brambles Limited (A) . . . . .                       | 1,111  | \$ 3,705      | Astellas Pharma Inc. (A) . . . . .                  | 112    | \$ 3,454         |
| David Jones Limited (A) . . . . .                    | 1,311  | 2,553         | Central Japan Railway Company (A) . . . . .         | 1      | 3,214            |
| National Australia Bank Limited (A) . . . . .        | 237    | 3,301         | Honda Motor Co., Ltd. (A) . . . . .                 | 110    | 2,615            |
| Telstra Corporation Limited (A) . . . . .            | 2,095  | 4,677         | Japan Tobacco Inc. (A) . . . . .                    | 1      | 2,994            |
|  |        | <u>14,236</u> | KOSE Corporation (A) . . . . .                      | 148    | 2,760            |
|  |        |               | Mitsubishi Electric Corporation (A) . . . . .       | 991    | 4,504            |
| <b>Bermuda – 1.94%</b>                               |        |               | Nintendo Co., Ltd. (A) . . . . .                    | 20     | 5,821            |
| Esprit Holdings Limited (A) . . . . .                | 894    | 4,561         | Nissin Kogyo Co., Ltd. (A) . . . . .                | 558    | 4,850            |
|  |        |               | Sumitomo Mitsui Financial Group, Inc. (A) . . . . . | 91     | 3,205            |
| <b>Brazil – 1.59%</b>                                |        |               | Trend Micro Incorporated (A)(B) . . . . .           | 134    | 3,842            |
| Petroleo Brasileiro S.A. – Petrobras, ADR . . . . .  | 122    | 3,722         |   |        | <u>37,259</u>    |
|  |        |               | <b>Netherlands – 1.42%</b>                          |        |                  |
| <b>Canada – 1.16%</b>                                |        |               | Heineken N.V. (A) . . . . .                         | 118    | 3,340            |
| Shoppers Drug Mart Corporation (A) . . . . .         | 79     | 2,721         |   |        |                  |
|  |        |               | <b>Singapore – 2.90%</b>                            |        |                  |
| <b>Cayman Islands – 1.12%</b>                        |        |               | DBS Group Holdings Ltd (A) . . . . .                | 653    | 3,640            |
| Mindray Medical International Limited, ADR . . . . . | 143    | 2,639         | Singapore Telecommunications Limited (A) . . . . .  | 1,899  | 3,165            |
|  |        |               |   |        | <u>6,805</u>     |
| <b>China – 2.53%</b>                                 |        |               | <b>Sweden – 1.10%</b>                               |        |                  |
| China Communications Construction                    |        |               | Svenska Cellulosa Aktiebolaget SCA (publ),          |        |                  |
| Company Limited, H Shares (A) . . . . .              | 2,543  | 2,791         | Class B (A) . . . . .                               | 340    | 2,577            |
| Industrial and Commercial Bank of China              |        |               |   |        |                  |
| (Asia) Limited (A) . . . . .                         | 6,037  | 3,137         | <b>Switzerland – 6.49%</b>                          |        |                  |
|  |        | <u>5,928</u>  | Nestle S.A., Registered Shares (A) . . . . .        | 152    | 5,120            |
| <b>Denmark – 1.80%</b>                               |        |               | Roche Holdings AG, Genussschein (A) . . . . .       | 38     | 5,168            |
| Carlsberg Group (A) . . . . .                        | 103    | 4,213         | Swiss Reinsurance Company, Registered               |        |                  |
|  |        |               | Shares (A) . . . . .                                | 122    | 1,992            |
| <b>Finland – 1.10%</b>                               |        |               | TEMENOS Group AG (A)(B) . . . . .                   | 275    | 2,965            |
| Nokia OYJ (A) . . . . .                              | 220    | 2,576         |   |        | <u>15,245</u>    |
|  |        |               | <b>United Kingdom – 14.92%</b>                      |        |                  |
| <b>France – 17.25%</b>                               |        |               | BAE Systems plc (A) . . . . .                       | 1,015  | 4,868            |
| ALSTOM (A) . . . . .                                 | 67     | 3,462         | Barclays PLC (A) . . . . .                          | 1,622  | 3,444            |
| AXA S.A. (A) . . . . .                               | 211    | 2,537         | British American Tobacco p.l.c. (A) . . . . .       | 111    | 2,561            |
| Compagnie Generale des Etablissements                |        |               | Home Retail Group plc (A) . . . . .                 | 1,019  | 3,282            |
| Michelin, Class B (A) . . . . .                      | 108    | 4,016         | Informa plc (A) . . . . .                           | 813    | 3,064            |
| Metropole Television SA (A) . . . . .                | 166    | 2,701         | International Power plc (A) . . . . .               | 1,028  | 3,105            |
| Publicis Groupe S.A. (A) . . . . .                   | 137    | 3,515         | Prudential plc (A) . . . . .                        | 602    | 2,919            |
| Sanofi-Aventis (A) . . . . .                         | 102    | 5,719         | Serco Group plc (A) . . . . .                       | 525    | 2,753            |
| Societe Generale (A) . . . . .                       | 71     | 2,793         | Tanfield Group PLC (A)(B) . . . . .                 | 2,233  | 321              |
| Technip-Coflexip (A) . . . . .                       | 119    | 4,188         | Unilever PLC (A) . . . . .                          | 237    | 4,477            |
| TOTAL S.A. (A) . . . . .                             | 134    | 6,629         | Vodafone Group Plc (A) . . . . .                    | 2,428  | 4,233            |
| Vivendi Universal (A) . . . . .                      | 187    | 4,933         |   |        | <u>35,027</u>    |
|  |        | <u>40,493</u> | <b>United States – 2.59%</b>                        |        |                  |
| <b>Germany – 6.04%</b>                               |        |               | Research In Motion Limited (B) . . . . .            | 67     | 2,874            |
| Bayer Aktiengesellschaft (A) . . . . .               | 56     | 2,709         | Sohu.com Inc. (B) . . . . .                         | 78     | 3,202            |
| Deutsche Borse AG (A) . . . . .                      | 50     | 3,036         |   |        | <u>6,076</u>     |
| Deutsche Telekom AG, Registered Shares (A) . . . . . | 361    | 4,481         | <b>TOTAL COMMON STOCKS – 90.32%</b>                 |        |                  |
| Symrise AG (A) . . . . .                             | 334    | 3,960         |   |        | <b>\$211,999</b> |
|  |        | <u>14,186</u> | (Cost: \$266,562)                                   |        |                  |
| <b>Hong Kong – 2.75%</b>                             |        |               | <b>PREFERRED STOCKS – 1.32%</b>                     |        |                  |
| Cheung Kong (Holdings) Limited (A) . . . . .         | 418    | 3,602         | <b>Germany</b>                                      |        |                  |
| CNOOC Limited (A) . . . . .                          | 2,837  | 2,851         | Henkel AG & Co. KGaA (A) . . . . .                  | 114    | \$ 3,095         |
|  |        | <u>6,453</u>  | (Cost: \$4,469)                                     |        |                  |
| <b>India – 1.68%</b>                                 |        |               |   |        |                  |
| Tata Consultancy Services Limited (A) . . . . .      | 370    | 3,942         |   |        |                  |

| SHORT-TERM SECURITIES  | Principal | Value            |
|--|-----------|------------------|
| <b>Commercial Paper – 6.74%</b>                              |           |                  |
| ConAgra Foods, Inc.,<br>0.250%, 4-3-09 .....                 | \$312     | \$ 312           |
| Diageo Capital plc (Diageo plc),<br>1.000%, 4-29-09 .....    | 3,000     | 2,998            |
| Roche Holdings, Inc.,<br>0.220%, 4-1-09 .....                | 5,000     | 5,000            |
| Vodafone Group PLC,<br>0.570%, 4-1-09 .....                  | 7,515     | 7,515            |
|  |           | <u>15,825</u>    |
| <b>Master Note – 0.42%</b>                                   |           |                  |
| Toyota Motor Credit Corporation,<br>1.271%, 4-1-09 (C) ..... | 983       | 983              |
|  |           | <u>983</u>       |
| <b>TOTAL SHORT-TERM SECURITIES – 7.16%</b>                   |           | <b>\$ 16,808</b> |
| (Cost: \$16,808)   |           |                  |
| <b>TOTAL INVESTMENT SECURITIES – 98.80%</b>                  |           | <b>\$231,902</b> |
| (Cost: \$287,839)  |           |                  |
| <b>CASH AND OTHER ASSETS, NET OF LIABILITIES – 1.20%</b>     |           | <b>2,822</b>     |
| <b>NET ASSETS – 100.00%</b>                                  |           | <b>\$234,724</b> |

#### Notes to Schedule of Investments

The following forward currency contracts were outstanding at March 31, 2009:

| Type | Currency          | Principal Amount Covered by Contract | Settlement Date | Unrealized Appreciation | Unrealized Depreciation |
|------|-------------------|--------------------------------------|-----------------|-------------------------|-------------------------|
| Buy  | Australian Dollar | 6,200                                | 5-18-09         | \$307                   | \$—                     |
| Sell | Singapore Dollar  | 7,200                                | 7-31-09         | 75                      | —                       |
|      |                   |                                      |                 | <u>\$382</u>            | <u>\$—</u>              |

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

(B) No dividends were paid during the preceding 12 months.

(C) Variable rate security. Interest rate disclosed is that which is in effect at March 31, 2009.

The following acronym is used throughout this portfolio:  
ADR = American Depositary Receipts

#### Market Sector Diversification

(as a % of net assets)

|                            |        |
|----------------------------|--------|
| Consumer Discretionary     | 15.38% |
| Financials                 | 14.32% |
| Consumer Staples           | 13.33% |
| Industrials                | 10.92% |
| Information Technology     | 10.75% |
| Energy                     | 7.40%  |
| Health Care                | 7.23%  |
| Telecommunication Services | 7.05%  |
| Materials                  | 3.94%  |
| Utilities                  | 1.32%  |
| Other+                     | 8.36%  |

+Includes cash and cash equivalents and other assets and liabilities

For Federal income tax purposes, cost of investments owned at March 31, 2009 and the related unrealized appreciation (depreciation) were as follows:

|                               |                   |
|-------------------------------|-------------------|
| Cost                          | <u>\$ 300,784</u> |
| Gross unrealized appreciation | 7,519             |
| Gross unrealized depreciation | <u>(76,401)</u>   |
| Net unrealized depreciation   | \$ (68,882)       |

Industry and geographical classifications are unaudited.



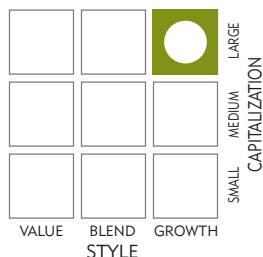
F. Chase Brundige

Below, F. Chase Brundige, CFA, portfolio manager of the Ivy International Growth Fund, discusses positioning, performance and results for the fiscal year ended March 31, 2009. He has managed the Fund for three months and has 15 years of industry experience.

### Investment Style

Current  Historical

Source: Morningstar, Inc.



This diagram shows the Fund's equity investment style and the size of companies in the Fund, as measured by market capitalization. Shaded areas reflect quarterly data for the past three years.

### Fiscal Year Performance

For the 12 Months Ended March 31, 2009

|  |         |
|--|---------|
| <b>Ivy International Growth Fund</b><br>(Class A shares at net asset value)  | -44.65% |
| Benchmark(s) and/or Lipper Category  |         |
| <b>MSCI EAFE Growth Index</b><br>(generally reflects the performance of the international growth securities markets) | -45.36% |
| <b>Lipper International Large-Cap Growth Funds</b><br><b>Universe Average</b>  | -46.94% |
| (generally reflects the performance of the universe of funds with similar investment objectives)                     |         |

Please note that Fund returns include applicable fees and expenses while index returns do not include any such fees.

### Financials led the way down in an exceptionally difficult year

While the Fund performed poorly on an absolute basis during the fiscal year, on a relative basis it preserved a bit more capital than its benchmark index and peer group (before taking into account the effects of the Fund's sales charge), largely due to higher-than-normal cash levels. The Fund also benefited from a somewhat more conservative posture through a focus on the consumer staples and telecommunications services sectors and underweight positions in the consumer discretionary sector and stocks exposed to the British pound. Stock selection within the energy sector also proved beneficial to the Fund's performance over the past fiscal year.

Working against us was unfavorable stock selection within the financials, materials, and information technology sectors. An underweight position in a strong Japanese yen also detracted from the Fund's performance.

Putting all of this into another perspective, the best-performing sector in the benchmark (health-care) declined 29 percent for the year, while the worst performer (financials) was down 56 percent. To be sure, holding cash was generally the only way to avoid losing money during the last 12 months as even well-positioned staples declined significantly. We reduced cyclical stock positions early in the year.

The past year was a challenging one for the global economy. Numerous events factored into the downturn, highlighted by the meltdown of the global financial system, culminating in the bankruptcy of Lehman Brothers, the rescue of many others, and trillions of dollars of government assistance worldwide. The economy was also battered by a sharp collapse in commodity prices and a volatile currency market.

### A global economical meltdown

During the fiscal year, there was also an immediate slowdown in industrial production and purchase order patterns. While this was, in part, a response to tighter credit, it was also an attempt to eliminate inventory problems. Elsewhere, stocks were affected by lower interest rates worldwide, but wider credit spreads in most areas of risk. Meanwhile, the onset of deleveraging led by mortgage lending ultimately contributed to a spike in consumer savings rates and lower spending.

Overseas, as Europe and Japan fell into recession, a severe credit crunch – coupled with weakened demand in emerging markets – damaged economic activity worldwide. Countries with destabilized housing markets, such as the United Kingdom, Ireland and Spain seemed especially vulnerable. Even so, Chinese fixed-asset investment continued its high rate of growth, despite the falloff in the export economy. Chinese bank lending, led by government policy, ramped up dramatically in the first three months of 2009.

### Our outlook

At this point, we feel that a sustained global stock market rally is unlikely. While calling the market is always very difficult, our best guess is that 2009 likely will be one of fits and starts. While we are hopeful that worst-case economic scenarios are behind us, we also feel that global growth is likely to struggle for several quarters. Although fiscal stimulus will aid growth in the short term, we believe it will be difficult to totally offset a global debt contraction and may not reignite Western consumer spending.

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Currently, the market is anticipating the eventual inventory restocking that has to occur after months where industrial production growth has measured in significantly negative territory. Our fear is that the market will over-extrapolate and eventually become disappointed with underlying demand.

Our investment strategy going forward is to focus on finding those special companies that we feel have leading margins and returns, while building upon positions and reducing cash when the market gives us opportunities. Likewise, we will pare positions when we feel the market has begun to expect too much.

**The Fund's performance noted above is at net asset value (NAV), and does not include the effect of any applicable sales charges. If reflected, the sales charge would reduce the performance noted.**

As with any mutual fund, the value of the Fund's shares will change, and you could lose money on your investment. International investing involves additional risks, including currency fluctuations, political or economic conditions affecting the foreign country, and differences in accounting standards and foreign regulations. These and other risks are more fully described in the Fund's prospectus.

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

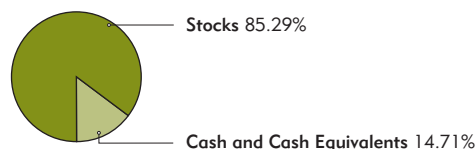
The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of the Ivy International Growth Fund.

# PORTFOLIO HIGHLIGHTS

## Ivy International Growth Fund

ALL DATA IS AS OF MARCH 31, 2009 (UNAUDITED)

### Asset Allocation



| Stocks                     | 85.29% |
|----------------------------|--------|
| Consumer Staples           | 16.39% |
| Industrials                | 12.73% |
| Financials                 | 8.67%  |
| Energy                     | 8.41%  |
| Information Technology     | 8.04%  |
| Telecommunication Services | 7.45%  |
| Health Care                | 6.58%  |
| Utilities                  | 5.72%  |
| Consumer Discretionary     | 5.72%  |
| Materials                  | 5.58%  |
| Cash and Cash Equivalents  | 14.71% |

### Lipper Rankings

| Category: Lipper International Large-Cap Growth | Rank   | Percentile |
|---|--------|------------|
| 1 Year  | 37/103 | 36         |
| 3 Year  | 16/85  | 19         |
| 5 Year  | 14/69  | 20         |
| 10 Year   | 33/42  | 77         |

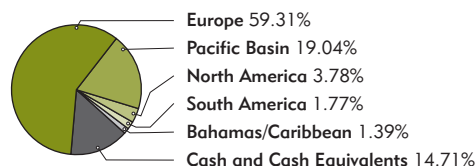
Past performance is no guarantee of future results. Rankings are for Class A Shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.

### Top 10 Equity Holdings

| Company                                      | Country        | Sector                     | Industry                           |
|--|----------------|----------------------------|------------------------------------|
| Roche Holdings AG, Genussschein              | Switzerland    | Health Care                | Pharmaceuticals                    |
| Nestle S.A., Registered Shares               | Switzerland    | Consumer Staples           | Packaged Foods & Meats             |
| TOTAL S.A.                                   | France         | Energy                     | Integrated Oil & Gas               |
| British American Tobacco p.l.c.              | United Kingdom | Consumer Staples           | Tobacco                            |
| VINCI  | France         | Industrials                | Construction & Engineering         |
| Nintendo Co., Ltd.                           | Japan          | Information Technology     | Home Entertainment Software        |
| Vodafone Group Plc                           | United Kingdom | Telecommunication Services | Wireless Telecommunication Service |
| Zurich Financial Services, Registered Shares | Switzerland    | Financials                 | Multi-Line Insurance               |
| Reckitt Benckiser Group plc                  | United Kingdom | Consumer Staples           | Household Products                 |
| E.ON AG                                      | Germany        | Utilities                  | Electric Utilities                 |

See your advisor or [www.ivyfund.com](http://www.ivyfund.com) for more information on the Fund's most recently published Top 10 Equity Holdings.

### Country Weightings



| Europe                             | 59.31% |
|------------------------------------|--------|
| United Kingdom                     | 15.71% |
| Switzerland                        | 13.94% |
| France                             | 11.65% |
| Germany                            | 7.44%  |
| Other Europe <sup>(1)</sup>        | 10.57% |
| Pacific Basin                      | 19.04% |
| Japan                              | 11.86% |
| China                              | 4.29%  |
| Other Pacific Basin <sup>(2)</sup> | 2.89%  |
| North America <sup>(3)</sup>       | 3.78%  |
| South America <sup>(4)</sup>       | 1.77%  |
| Bahamas/Caribbean <sup>(5)</sup>   | 1.39%  |
| Cash and Cash Equivalents          | 14.71% |

(1) Includes 1.81% Denmark, 1.40% Finland, 2.01% Italy, 2.61% Netherlands, 1.48% Spain and 1.26% Sweden.

(2) Includes 1.80% Australia and 1.09% Hong Kong.

(3) Includes 2.36% Canada and 1.42% United States.

(4) Includes 1.77% Brazil.

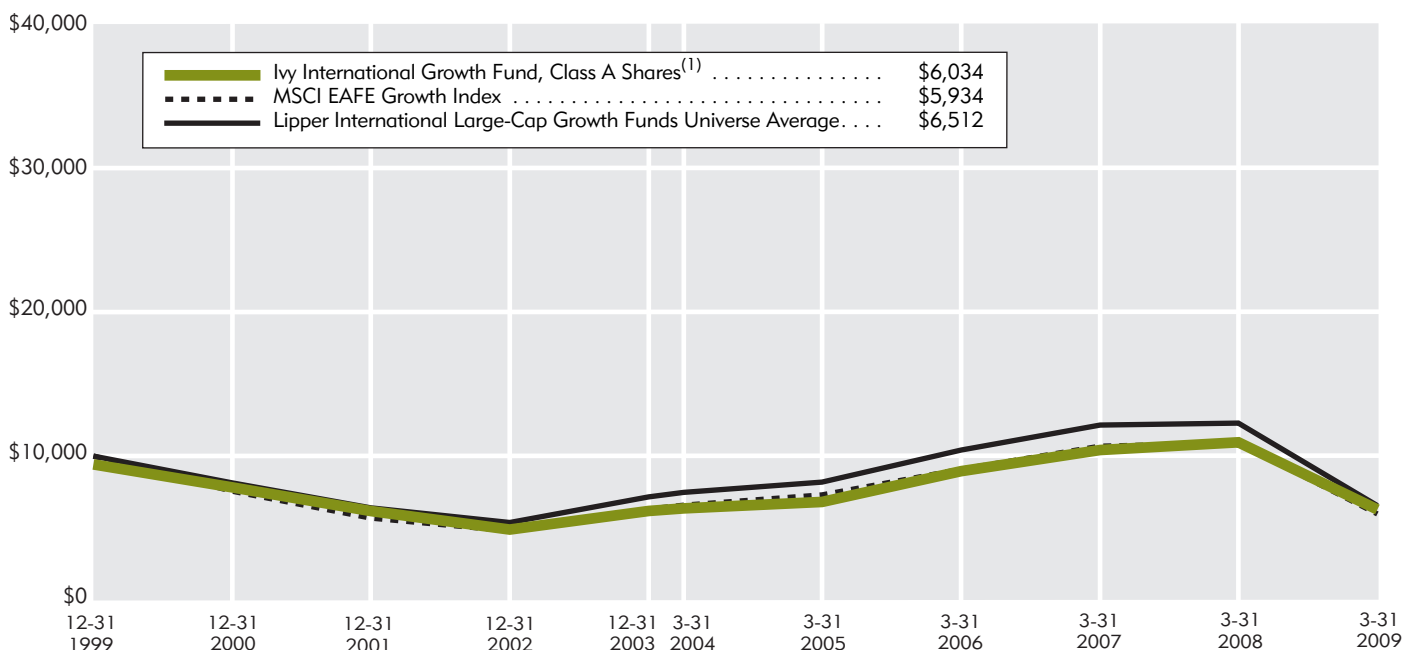
(5) Includes 1.39% Bermuda.



# COMPARISON OF CHANGE IN VALUE OF \$10,000 INVESTMENT

## Ivy International Growth Fund

(UNAUDITED)



Please note that the performance of the Fund's other share classes will be greater or less than the performance shown above for Class A based on the differences in loads and fees paid by shareholders investing in the different classes.

(1) The value of the investment in the Fund is impacted by the sales load at the time of the investment and by the ongoing expenses of the Fund and assumes reinvestment of dividends and distributions.

| Average Annual Total Return <sup>(2)</sup>              | Class A | Class B | Class C | Class E <sup>(3)</sup> | Class I | Class Y |
|---|---------|---------|---------|------------------------|---------|---------|
| 1-year period ended 3-31-09                             | -47.83% | -47.43% | -45.19% | -47.70%                | -44.42% | -44.55% |
| 5-year period ended 3-31-09                             | -2.19%  | -2.30%  | -2.01%  | —                      | —       | -1.00%  |
| 10-year period ended 3-31-09                            | -3.37%  | -3.82%  | -3.76%  | —                      | —       | —       |
| Since inception of Class <sup>(4)</sup> through 3-31-09 | —       | —       | —       | -25.81%                | -23.13% | 2.45%   |

(2) Data quoted is past performance and is based on deduction of the maximum applicable sales load for each of the periods. Current performance may be lower or higher. Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate and shares, when redeemed, may be worth more or less than their original cost. Please visit [www.ivyfund.com](http://www.ivyfund.com) for the Fund's most recent month-end performance. Class A and Class E shares carry a maximum front-end sales load of 5.75%. Class B and Class C shares carry maximum contingent deferred sales charges (CDSC) of 5% and 1%, respectively. (Accordingly, the Class C shares reflect no CDSC since it only applies to Class C shares redeemed within twelve months after purchase.) Class I and Class Y shares are not subject to sales charges.

(3) Class E shares are not currently available for investment.

(4) 4-2-07 for Class E and Class I shares and 7-24-03 for Class Y shares (the date on which shares were first acquired by shareholders).

Past performance is not necessarily indicative of future performance. Indexes are unmanaged. The performance graph and table do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or on the redemption of Fund shares.

# ILLUSTRATION OF FUND EXPENSES

## Ivy International Growth Fund

(UNAUDITED)

| For the Six Months Ended March 31, 2009          | Beginning Account Value 9-30-08 | Ending Account Value 3-31-09 | Annualized Expense Ratio Based on the Six-Month Period | Expenses Paid During Period* |
|--|---------------------------------|------------------------------|--|------------------------------|
| <b>Based on Actual Fund Return<sup>(1)</sup></b> |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$ 716.50                    | 1.65%  | \$ 7.04                      |
| Class B  | \$1,000                         | \$ 712.80                    | 2.78%  | \$ 11.82                     |
| Class C  | \$1,000                         | \$ 713.20                    | 2.68%  | \$ 11.48                     |
| Class E**  | \$1,000                         | \$ 717.60                    | 1.37%  | \$ 5.84                      |
| Class I  | \$1,000                         | \$ 718.40                    | 1.18%  | \$ 5.07                      |
| Class Y  | \$1,000                         | \$ 717.80                    | 1.31%  | \$ 5.58                      |
| <b>Based on 5% Return<sup>(2)</sup></b>          |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$1,016.72                   | 1.65%  | \$ 8.27                      |
| Class B  | \$1,000                         | \$1,011.09                   | 2.78%  | \$ 13.88                     |
| Class C  | \$1,000                         | \$1,011.55                   | 2.68%  | \$ 13.48                     |
| Class E**  | \$1,000                         | \$1,018.11                   | 1.37%  | \$ 6.86                      |
| Class I  | \$1,000                         | \$1,019.07                   | 1.18%  | \$ 5.96                      |
| Class Y  | \$1,000                         | \$1,018.42                   | 1.31%  | \$ 6.56                      |

\*Fund expenses for each share class are equal to the Fund's annualized expense ratio for each share class (provided in the table), multiplied by the average account value over the period, multiplied by 182 days in the six-month period ended March 31, 2009, and divided by 365.

\*\*Class closed to investment.

(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 last column.

(2) This section uses a hypothetical five percent 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. See "Disclosure of Expenses" on page 8 for further information on how expenses were calculated.

**SCHEDULE OF INVESTMENTS**  
**Ivy International Growth Fund** *(in thousands)*

MARCH 31, 2009

| COMMON STOCKS   | Shares | Value         | COMMON STOCKS (Continued)                                  | Shares | Value            |
|---|--------|---------------|--|--------|------------------|
| <b>Australia – 1.80%</b>  |        |               | <b>Japan – 11.86%</b>                                      |        |                  |
| Novogen LTD (A)(B) . . . . .  | 206    | \$ 72         | Canon Inc. (B) . . . . .                                   | 31     | \$ 904           |
| Telstra Corporation Limited (B) . . . . .   | 999    | 2,229         | Central Japan Railway Company (B) . . . . .                | —*     | 1,297            |
|   |        | <u>2,301</u>  | East Japan Railway Company (B) . . . . .                   | 33     | 1,720            |
| <b>Bermuda – 1.39%</b>  |        |               | Japan Tobacco Inc. (B) . . . . .                           | 1      | 2,406            |
| Esprit Holdings Limited (B) . . . . .   | 348    | 1,773         | Mitsubishi Electric Corporation (B) . . . . .              | 360    | 1,636            |
|   |        | <u>1,773</u>  | Nintendo Co., Ltd. (B) . . . . .                           | 12     | 3,510            |
| <b>Brazil – 1.77%</b>   |        |               | Shin-Etsu Chemical Co., Ltd. (B) . . . . .                 | 42     | 2,064            |
| Petroleo Brasileiro S.A. – Petrobras, ADR . . . . .   | 74     | 2,262         | Sumitomo Mitsui Financial Group, Inc. (B) . . . . .        | 47     | 1,637            |
|   |        | <u>2,262</u>  |  |        | <u>15,174</u>    |
| <b>Canada – 2.36%</b>   |        |               | <b>Netherlands – 2.61%</b>                                 |        |                  |
| Shoppers Drug Mart Corporation (B)(C) . . . . .   | 38     | 1,300         | Heineken N.V. (B) . . . . .                                | 46     | 1,292            |
| Shoppers Drug Mart Corporation (B) . . . . .  | 50     | 1,719         | Koninklijke KPN N.V. (B) . . . . .                         | 153    | 2,043            |
|   |        | <u>3,019</u>  |  |        | <u>3,335</u>     |
| <b>China – 4.29%</b>  |        |               | <b>Spain – 1.48%</b>                                       |        |                  |
| China Construction Bank Corporation (B)(C) . . . . .  | 3,025  | 1,717         | Telefonica, S.A. (B) . . . . .                             | 95     | 1,894            |
| China Life Insurance Company Limited, ADR . . . . .   | 34     | 1,665         |  |        | <u>1,894</u>     |
| China South Locomotive & Rolling Stock<br>Corporation Limited, H Shares (A)(B)(C) . . . . . | 1,590  | 727           | <b>Sweden – 1.26%</b>                                      |        |                  |
| Tencent Holdings Limited (B) . . . . .  | 187    | 1,384         | H & M Hennes & Mauritz AB (B) . . . . .                    | 43     | 1,608            |
|   |        | <u>5,493</u>  |  |        | <u>1,608</u>     |
| <b>Denmark – 1.81%</b>  |        |               | <b>Switzerland – 13.94%</b>                                |        |                  |
| Carlsberg Group (B) . . . . .   | 56     | 2,318         | Nestle S.A., Registered Shares (B) . . . . .               | 145    | 4,896            |
|   |        | <u>2,318</u>  | Roche Holdings AG, Genussschein (B) . . . . .              | 41     | 5,603            |
| <b>Finland – 1.40%</b>  |        |               | Syngenta AG (B) . . . . .                                  | 14     | 2,774            |
| Fortum Oyj (B) . . . . .  | 63     | 1,200         | TEMENOS Group AG (A)(B) . . . . .                          | 130    | 1,402            |
| Nokia OYJ (B) . . . . .   | 50     | 585           | Zurich Financial Services, Registered Shares (B) . . . . . | 20     | 3,150            |
|   |        | <u>1,785</u>  |  |        | <u>17,825</u>    |
| <b>France – 11.65%</b>  |        |               | <b>United Kingdom – 15.71%</b>                             |        |                  |
| ALSTOM (B) . . . . .  | 26     | 1,348         | BAE Systems plc (B) . . . . .                              | 505    | 2,422            |
| Compagnie Generale des Etablissements<br>Michelin, Class B (B) . . . . .                    | 17     | 633           | BHP Billiton Plc (B) . . . . .                             | 30     | 586              |
| EDF SA (B) . . . . .  | 32     | 1,243         | British American Tobacco p.l.c. (B) . . . . .              | 176    | 4,066            |
| Pinault-Printemps-Redoute SA (B) . . . . .  | 20     | 1,250         | IG Group Holdings plc (B)(C) . . . . .                     | 272    | 683              |
| Technip-Coflexip (B) . . . . .  | 57     | 2,017         | Informa plc (B) . . . . .                                  | 355    | 1,337            |
| TOTAL S.A. (B) . . . . .  | 95     | 4,698         | Marks and Spencer Group plc (B) . . . . .                  | 162    | 685              |
| VINCI (B) . . . . .   | 100    | 3,710         | National Grid plc (B) . . . . .                            | 250    | 1,920            |
|   |        | <u>14,899</u> | Prudential plc (B) . . . . .                               | 154    | 747              |
| <b>Germany – 5.30%</b>  |        |               | Reckitt Benckiser Group plc (B) . . . . .                  | 79     | 2,964            |
| Bayer Aktiengesellschaft (B) . . . . .  | 35     | 1,711         | Serco Group plc (B) . . . . .                              | 252    | 1,320            |
| E.ON AG (B) . . . . .   | 106    | 2,959         | Vodafone Group Plc (B) . . . . .                           | 1,930  | 3,365            |
| Vossloh AG (B) . . . . .  | 20     | 2,107         |  |        | <u>20,095</u>    |
|   |        | <u>6,777</u>  | <b>United States – 1.42%</b>                               |        |                  |
| <b>Hong Kong – 1.09%</b>  |        |               | Research In Motion Limited (A) . . . . .                   | 42     | 1,818            |
| Cheung Kong (Holdings) Limited (B) . . . . .  | 162    | 1,396         |  |        | <u>1,818</u>     |
|   |        | <u>1,396</u>  | <b>TOTAL COMMON STOCKS – 83.15%</b>                        |        |                  |
| <b>Italy – 2.01%</b>  |        |               |  |        | <b>\$106,341</b> |
| Banca Intesa S.p.A. (B) . . . . .   | 287    | 790           | (Cost: \$136,815)  |        |                  |
| Saipem S.p.A. (B) . . . . .   | 100    | 1,779         | <b>PREFERRED STOCKS – 2.14%</b>                            |        |                  |
|   |        | <u>2,569</u>  | <b>Germany</b>   |        |                  |
|   |        |               | Fresenius AG (B) . . . . .                                 | 60     | \$ 2,736         |
|   |        |               | (Cost: \$3,508)  |        |                  |

| <b>SHORT-TERM SECURITIES</b>  | <b>Principal</b> | <b>Value</b>      |
|---|------------------|-------------------|
| <b>Commercial Paper – 14.63%</b>  |                  |                   |
| Air Products and Chemicals, Inc.,<br>0.220%, 5–1–09 .....                               | \$3,302          | \$ 3,301          |
| Coca-Cola Company (The),<br>0.200%, 5–20–09 .....                                       | 5,000            | 4,999             |
| John Deere Credit Limited (John Deere<br>Capital Corporation),<br>0.460%, 4–15–09 ..... | 1,407            | 1,407             |
| Emerson Electric Co.,<br>0.200%, 4–21–09 .....  | 5,000            | 4,999             |
| Rabobank USA Financial Corp. (Rabobank<br>Nederland),<br>0.120%, 4–1–09 .....           | 4,000            | 4,000             |
|   |                  | <u>18,706</u>     |
| <b>Master Note – 1.29%</b>  |                  |                   |
| Toyota Motor Credit Corporation,<br>1.271%, 4–1–09 (D).....                             | 1,648            | <u>1,648</u>      |
| <b>TOTAL SHORT-TERM SECURITIES – 15.92%</b>   |                  | <b>\$ 20,354</b>  |
| (Cost: \$20,354)  |                  |                   |
| <b>TOTAL INVESTMENT SECURITIES – 101.21%</b>  |                  | <b>\$ 129,431</b> |
| (Cost: \$160,677)   |                  |                   |
| <b>LIABILITIES, NET OF CASH AND OTHER ASSETS – (1.21%)</b>                              |                  | <b>(1,543)</b>    |
| <b>NET ASSETS – 100.00%</b>   |                  | <b>\$ 127,888</b> |

## Notes to Schedule of Investments

The following forward currency contracts were outstanding at March 31, 2009:

| Type | Currency    | Principal Amount<br>of Contract<br>(Denominated in<br>Indicated Currency) | Settlement<br>Date | Unrealized<br>Appreciation | Unrealized<br>Depreciation |
|------|-------------|---|--------------------|----------------------------|----------------------------|
| Sell | Swiss Franc | 7,100   | 3-17-10            | \$ —                       | \$241                      |

\*Not shown due to rounding.

(A)No dividends were paid during the preceding 12 months.

(B>Listed on an exchange outside the United States.

(C)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. These securities have been determined to be liquid under guidelines established by the Board of Trustees. At March 31, 2009, the total value of these securities amounted to \$4,427 or 3.46% of net assets.

(D)Variable rate security. Interest rate disclosed is that which is in effect at March 31, 2009.

The following acronym is used throughout this portfolio:

ADR = American Depositary Receipts

### Market Sector Diversification

(as a % of net assets)

|                            |        |
|----------------------------|--------|
| Consumer Staples           | 16.39% |
| Industrials                | 12.73% |
| Financials                 | 8.67%  |
| Energy                     | 8.41%  |
| Information Technology     | 8.04%  |
| Telecommunication Services | 7.45%  |
| Health Care                | 6.58%  |
| Utilities                  | 5.72%  |
| Consumer Discretionary     | 5.72%  |
| Materials                  | 5.58%  |
| Other+                     | 14.71% |

+ Includes cash and cash equivalents and other assets and liabilities

For Federal income tax purposes, cost of investments owned at March 31, 2009 and the related unrealized appreciation (depreciation) were as follows:

|                               |             |
|-------------------------------|-------------|
| Cost                          | \$ 161,919  |
| Gross unrealized appreciation | 6,711       |
| Gross unrealized depreciation | (39,199)    |
| Net unrealized depreciation   | \$ (32,488) |

Industry and geographical classifications are unaudited.

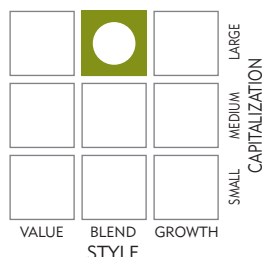


Frederick Jiang

Below, Frederick Jiang, CFA, portfolio manager of the Ivy Pacific Opportunities Fund, discusses positioning, performance and results for the fiscal year ended March 31, 2009. He has managed the Fund for five years and has 14 years of industry experience.

**Investment Style**

○ Current ■ Historical  
 Source: Morningstar, Inc.



This diagram shows the Fund's equity investment style and the size of companies in the Fund, as measured by market capitalization. Shaded areas reflect quarterly data for the past three years.

**Fiscal Year Performance**

|   |         |
|---|---------|
| For the 12 Months Ended March 31, 2009  |         |
| <b>Ivy Pacific Opportunities Fund</b><br>(Class A shares at net asset value)  | -38.76% |
| Benchmark(s) and/or Lipper Category   |         |
| <b>MSCI AC Asia ex Japan Index</b><br>(generally reflects the performance of stocks that represent Asian stocks outside Japan)                            | -43.86% |
| <b>Lipper Pacific Ex-Japan Funds Universe Average</b><br>(generally reflects the performance of the universe of funds with similar investment objectives) | -42.55% |

Please note that Fund returns include applicable fees and expenses while index returns do not include any such fees.

**Country selection helped drive results**

Country weightings, stock selection and cash positioning were the primary factors affecting our fiscal year results, and our ability to preserve somewhat more capital than our benchmark and Lipper peer group during an exceptionally challenging period. For much of the year, we had an overweight position in China (as much as 40 percent of the Fund at one point) and this helped our results this past winter as China's economy began to stabilize even as much of the developed world slipped deeper into the worst recession in decades.

Although all sectors in our benchmark and the Fund fell in value this past year, effective stock selection in materials, industrials and technology made significant positive contributions to the Fund's annual return. Financial stocks were the biggest source of relative weakness in the portfolio, as Asian lenders were affected by concerns about the health of the global economy as well as a decline in export manufacturing.

Despite the severe downturn, it appears that the Chinese economy is beginning to benefit from a comprehensive economic stimulus plan that it had enacted in November 2008. Unlike most western governments, China does not need to borrow to spend money on programs aimed at rekindling economic growth, and China appears to be using its ample resources to its advantage. To capitalize benefit from China's economic shift from export growth to self-financed infrastructure spending, our equity positioning included a diverse mix of Chinese companies.

As stock prices rebounded midway through the first calendar quarter of 2009, we reduced our strong overweight position in China to a modest overweight. We also increased our position in other Asian countries where we thought stocks had become excessively depressed. These markets include South Korea, Taiwan and Singapore, whose economies remain dependent on exports. We believe these countries may see increased export demand to China to offset continued weakness in demand from developed western markets.

Our position in India varied substantially throughout the year. We reduced our holdings in the summer and autumn as stock prices began to collapse and then reallocated money to Indian companies after the India market declined substantially. In our view, India is less dependent on trade than most of Asia, and although it faces huge budget challenges, we think domestic demand growth is likely to remain strong over the long term. Throughout the year, we remained cautious about Thailand and the Philippines, where political instability appears problematic.

Overall, our portfolio has reflected two consistent themes – the ongoing buildout of Asian infrastructure and the long-term growth in domestic consumer consumption across the continent. We maintained significant holdings in construction, machinery and power utilities. On the consumption side, we were positioned with significant holdings in financial services, telecom, and property developers.

**China: Solid prospects for a stimulus-led rebound**

For much of the fiscal year, most of the world's economy – including Asia – was impaired by a continuing credit crunch and a decline in global trade. However, China began to recover in the first calendar quarter of 2009. Lending activity grew to 4.6 trillion RMB as many new projects began to be funded. Infrastructure spending on highways, rail and three upgraded

third generation communications networks are helping to mitigate the effects of declining export demand to western nations. Although year-over-year exports have tumbled by 20 percent, a large share of displaced workers have already found new jobs in growing sectors.

China's command and control leadership has provided resources to underwrite a huge backlog of local projects that had been steadily building up over the prior three years. Railway investment has tripled from year-ago levels while agricultural spending has doubled, and coal-mining expenditures have jumped 59.6 percent, according to China's statistics bureau. The number of new government-sponsored projects has climbed 28 percent to 18,533. China has also started at least \$35 billion of energy projects since autumn, using cyclical weakness to boost and diversify its sources of energy supply.

### **Our outlook**

In the coming months, we believe that GDP (gross domestic product) growth in China and India will be relatively stronger than other parts of the world, and that other Asian countries will benefit. In fact, we believe that if current growth trends continue, within three years the size of China's economy will eclipse that of Japan, which is currently suffering a severe recession. India's growth is likely to be fueled by continued growth in domestic consumption given that exports are relatively modest.

Across Asia, we will closely monitor events to confirm that business profitability and productivity are benefiting from government spending and a shift toward greater domestic consumer consumption. Compared to developed markets, we think Asia will continue to benefit from a rate of high savings and relatively low levels of consumer, corporate and government debt. Many Asian countries other than Japan also enjoy favorable demographic trends that should help fuel continued growth, in our opinion.

For example, we think China has ample internal resources, and will increasingly use its global financial clout to convince trading partners to use the RMB as a currency in trade and foreign exchange reserve. In March 2009, we saw this tactic take shape in the form of currency swap agreements between China and several Asian nations, Belarus and Argentina, which supplies China with soybeans.

**The Fund's performance noted above is at net asset value (NAV), and does not include the effect of any applicable sales charges. If reflected, the sales charge would reduce the performance noted.**

**As with any mutual fund, the value of the Fund's shares will change, and you could lose money on your investment. International investing involves additional risks including currency fluctuations, political or economic conditions affecting the foreign country, and differences in accounting standards and foreign regulations. These and other risks are more fully described in the Fund's prospectus.**

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

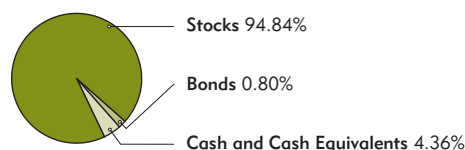
**The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of the Ivy Pacific Opportunities Fund.**

# PORTFOLIO HIGHLIGHTS

## Ivy Pacific Opportunities Fund

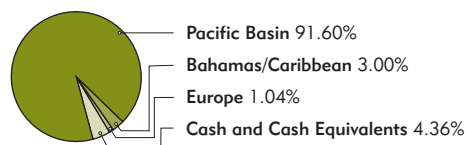
ALL DATA IS AS OF MARCH 31, 2009 (UNAUDITED)

### Asset Allocation



| Stocks                     | 94.84% |
|----------------------------|--------|
| Financials                 | 29.53% |
| Industrials                | 16.25% |
| Information Technology     | 14.09% |
| Telecommunication Services | 8.82%  |
| Energy                     | 6.60%  |
| Utilities                  | 6.93%  |
| Consumer Discretionary     | 6.03%  |
| Materials                  | 4.04%  |
| Consumer Staples           | 1.52%  |
| Health Care                | 1.03%  |
| Bonds                      | 0.80%  |
| Corporate Debt Securities  | 0.80%  |
| Cash and Cash Equivalents  | 4.36%  |

### Country Weightings



| Pacific Basin                      | 91.60% |
|------------------------------------|--------|
| China                              | 38.74% |
| South Korea                        | 15.59% |
| Taiwan                             | 11.17% |
| Hong Kong                          | 7.19%  |
| Singapore                          | 6.20%  |
| India                              | 6.20%  |
| Other Pacific Basin <sup>(1)</sup> | 6.51%  |
| Bahamas/Caribbean <sup>(2)</sup>   | 3.00%  |
| Europe <sup>(3)</sup>              | 1.04%  |
| Cash and Cash Equivalents          | 4.36%  |

(1) Includes 2.26% Indonesia, 2.69% Malaysia, 1.15% Thailand and 0.41% Vietnam.

(2) Includes 0.98% Bermuda and 2.02% Cayman Islands.

(3) Includes 1.04% United Kingdom.

### Lipper Rankings

| Category: Lipper Pacific Ex Japan Funds | Rank  | Percentile |
|---|-------|------------|
| 1 Year                                  | 14/50 | 28         |
| 3 Year                                  | 15/37 | 40         |
| 5 Year                                  | 10/36 | 28         |
| 10 Year                                 | 13/26 | 49         |

Past performance is no guarantee of future results. Rankings are for Class A Shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.

### Top 10 Equity Holdings

| Company  | Country     | Sector                     | Industry                                     |
|--|-------------|----------------------------|--|
| Industrial and Commercial Bank of China (Asia) Limited | China       | Financials                 | Diversified Banks                            |
| NetEase.com, Inc., ADR                                 | China       | Information Technology     | Internet Software & Services                 |
| China Resources Power Holdings Company Limited         | China       | Utilities                  | Independent Power Producers & Energy Traders |
| China Oilfield Services Limited                        | China       | Energy                     | Oil & Gas Drilling                           |
| China Life Insurance Company Limited, H Shares         | China       | Financials                 | Life & Health Insurance                      |
| Samsung Electronics Co., Ltd.                          | South Korea | Information Technology     | Semiconductors                               |
| China Mobile (Hong Kong) Limited, ADR                  | Hong Kong   | Telecommunication Services | Wireless Telecommunication Service           |
| Beijing Enterprises Holdings Limited                   | Hong Kong   | Industrials                | Industrial Conglomerates                     |
| TATA POWER COMPANY LIMITED (THE)                       | India       | Utilities                  | Electric Utilities                           |
| Hon Hai Precision Ind. Co., Ltd.                       | Taiwan      | Information Technology     | Electronic Manufacturing Services            |

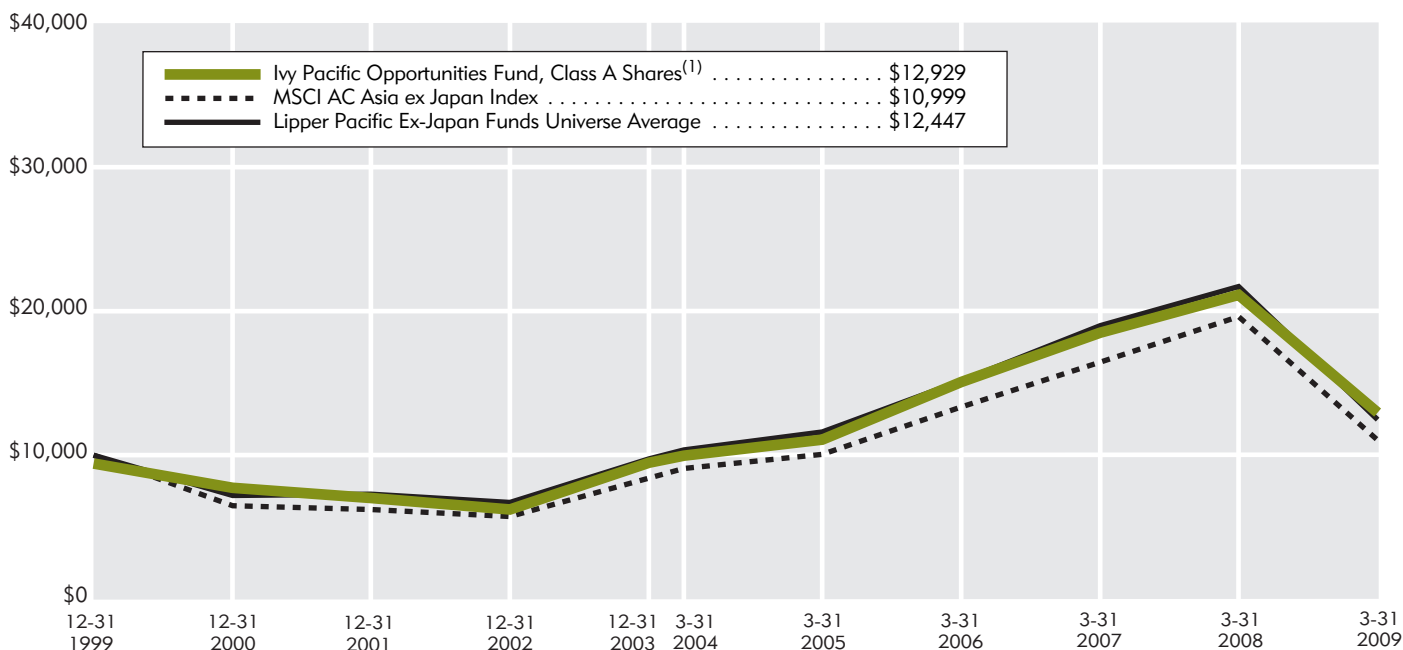
See your advisor or [www.ivyfund.com](http://www.ivyfund.com) for more information on the Fund's most recently published Top 10 Equity Holdings.



# COMPARISON OF CHANGE IN VALUE OF \$10,000 INVESTMENT

## Ivy Pacific Opportunities Fund

(UNAUDITED)



Please note that the performance of the Fund's other share classes will be greater or less than the performance shown above for Class A based on the differences in loads and fees paid by shareholders investing in the different classes.

(1) The value of the investment in the Fund is impacted by the sales load at the time of the investment and by the ongoing expenses of the Fund and assumes reinvestment of dividends and distributions.

| Average Annual Total Return <sup>(2)</sup>              | Class A | Class B | Class C | Class E <sup>(3)</sup> | Class I | Class Y | Advisor Class <sup>(3)</sup> |
|---|---------|---------|---------|------------------------|---------|---------|------------------------------|
| 1-year period ended 3-31-09                             | -42.28% | -41.42% | -39.22% | -41.97%                | -38.34% | -38.47% | -38.31%                      |
| 5-year period ended 3-31-09                             | 4.17%   | 4.19%   | 4.58%   | —                      | —       | 5.72%   | 6.06%                        |
| 10-year period ended 3-31-09                            | 6.68%   | 6.14%   | 6.39%   | —                      | —       | —       | 7.42%                        |
| Since inception of Class <sup>(4)</sup> through 3-31-09 | —       | —       | —       | -18.40%                | -15.78% | 11.38%  | —                            |

(2) Data quoted is past performance and is based on deduction of the maximum applicable sales load for each of the periods. Current performance may be lower or higher. Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate and shares, when redeemed, may be worth more or less than their original cost. Please visit [www.ivyfund.com](http://www.ivyfund.com) for the Fund's most recent month-end performance. Class A and Class E shares carry a maximum front-end sales load of 5.75%. Class B and Class C shares carry maximum contingent deferred sales charges (CDSC) of 5% and 1%, respectively. (Accordingly, the Class C shares reflect no CDSC since it only applies to Class C shares redeemed within twelve months after purchase.) Class I and Class Y shares are not subject to sales charges.

(3) Class E shares are not currently available for investment. Advisor Class shares are no longer available for investment.

(4) 4-2-07 for Class E and Class I shares and 7-24-03 for Class Y shares (the date on which shares were first acquired by shareholders).

Past performance is not necessarily indicative of future performance. Indexes are unmanaged. The performance graph and table do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or on the redemption of Fund shares.

# ILLUSTRATION OF FUND EXPENSES

## Ivy Pacific Opportunities Fund

(UNAUDITED)

| For the Six Months Ended March 31, 2009          | Beginning Account Value 9-30-08 | Ending Account Value 3-31-09 | Annualized Expense Ratio Based on the Six-Month Period | Expenses Paid During Period* |
|--|---------------------------------|------------------------------|--|------------------------------|
| <b>Based on Actual Fund Return<sup>(1)</sup></b> |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$ 855.20                    | 2.14%  | \$ 9.93                      |
| Class B  | \$1,000                         | \$ 849.50                    | 3.44%  | \$15.81                      |
| Class C  | \$1,000                         | \$ 851.80                    | 2.92%  | \$13.52                      |
| Class E**  | \$1,000                         | \$ 857.60                    | 1.46%  | \$ 6.78                      |
| Class I  | \$1,000                         | \$ 858.60                    | 1.33%  | \$ 6.13                      |
| Class Y  | \$1,000                         | \$ 858.00                    | 1.60%  | \$ 7.43                      |
| Advisor Class**                                  | \$1,000                         | \$ 858.60                    | 1.42%  | \$ 6.60                      |
| <b>Based on 5% Return<sup>(2)</sup></b>          |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$1,014.26                   | 2.14%  | \$10.78                      |
| Class B  | \$1,000                         | \$1,007.80                   | 3.44%  | \$17.17                      |
| Class C  | \$1,000                         | \$1,010.37                   | 2.92%  | \$14.68                      |
| Class E**  | \$1,000                         | \$1,017.64                   | 1.46%  | \$ 7.36                      |
| Class I  | \$1,000                         | \$1,018.31                   | 1.33%  | \$ 6.66                      |
| Class Y  | \$1,000                         | \$1,016.97                   | 1.60%  | \$ 8.07                      |
| Advisor Class**                                  | \$1,000                         | \$1,017.87                   | 1.42%  | \$ 7.16                      |

\*Fund expenses for each share class are equal to the Fund's annualized expense ratio for each share class (provided in the table), multiplied by the average account value over the period, multiplied by 182 days in the six-month period ended March 31, 2009, and divided by 365.

\*\*Class closed to investment.

(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 last column.

(2) This section uses a hypothetical five percent 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.

See "Disclosure of Expenses" on page 8 for further information on how expenses were calculated.

# SCHEDULE OF INVESTMENTS

## Ivy Pacific Opportunities Fund *(in thousands)*

MARCH 31, 2009

| COMMON STOCKS   | Shares | Value          | COMMON STOCKS (Continued)   | Shares | Value         |
|---|--------|----------------|---|--------|---------------|
| <b>Bermuda – 0.98%</b>  |        |                | <b>India – 6.20%</b>  |        |               |
| Esprit Holdings Limited (A) . . . . .   | 600    | \$ 3,061       | Bharti Airtel Limited (A)(B) . . . . .                                      | 436    | \$ 5,390      |
| <b>Cayman Islands – 2.02%</b>   |        |                | CESC Limited (A)(C) . . . . .   | 450    | 1,874         |
| Agria Corporation, ADR (B) . . . . .  | 25     | 28             | Nagarjuna Construction Company Limited (A) . . .                            | 1,435  | 1,749         |
| China Distance Education Holdings Limited,<br>ADR (B) . . . . .                             | 315    | 1,712          | Reliance Energy Limited (A) . . . . .                                       | 400    | 4,071         |
| CNinsure Inc., ADR (B) . . . . .  | 188    | 1,383          | TATA POWER COMPANY LIMITED (THE) (A) . . .                                  | 419    | 6,368         |
| Greentown China Holdings Limited (A) . . . . .  | 7,200  | 3,210          |   |        | <u>19,452</u> |
|   |        | <u>6,333</u>   | <b>Indonesia – 2.26%</b>  |        |               |
| <b>China – 37.94%</b>   |        |                | Perusahaan Perseroan (Persero) PT<br>Telekomunikasi Indonesia Tbk . . . . . | 142    | 3,637         |
| Agile Property Holdings Limited (A) . . . . .   | 8,798  | 4,989          | PT Bank Rakyat Indonesia (A) . . . . .                                      | 9,513  | 3,467         |
| Beijing New Building Material Company<br>Limited (A)(C) . . . . .                           | 2,000  | 2,960          |   |        | <u>7,104</u>  |
| China BlueChemical Ltd., H Shares (A) . . . . .   | 8,028  | 4,392          | <b>Malaysia – 2.69%</b>   |        |               |
| China CITIC Bank Corporation Limited,<br>H Shares (A) . . . . .                             | 13,824 | 5,232          | Gamuda Berhad (A) . . . . .   | 6,355  | 3,457         |
| China Communications Construction<br>Company Limited, H Shares (A) . . . . .                | 4,324  | 4,745          | Genting Berhad (A) . . . . .  | 2,068  | 2,088         |
| China Construction Bank Corporation<br>(A)(C) . . . . .                                     | 5,465  | 3,102          | Sime Darby Berhad (A) . . . . .   | 1,848  | 2,892         |
| China Life Insurance Company Limited,<br>H Shares (A) . . . . .                             | 2,558  | 8,413          |   |        | <u>8,437</u>  |
| China Merchants Bank Co., Limited,<br>H Shares (A)(C) . . . . .                             | 2,000  | 3,485          | <b>Singapore – 6.20%</b>  |        |               |
| China Oilfield Services Limited (A) . . . . .   | 10,696 | 8,477          | Cambridge Industrial Trust (A)(C) . . . . .                                 | 9,500  | 1,564         |
| China Resources Power Holdings Company<br>Limited (A) . . . . .                             | 4,086  | 8,581          | DBS Group Holdings Ltd (A) . . . . .  | 1,000  | 5,575         |
| China South Locomotive & Rolling Stock<br>Corporation Limited, H Shares (A)(B)(C) . . . . . | 9,629  | 4,399          | Keppel Corporation Limited (A) . . . . .                                    | 1,000  | 3,304         |
| China Unicom Limited (A) . . . . .  | 5,000  | 5,218          | Keppel Land Limited (A) . . . . .   | 1,742  | 1,663         |
| China Yurun Food Group Limited (A) . . . . .  | 2,901  | 3,706          | SembCorp Industries Ltd (A) . . . . .                                       | 2,629  | 4,078         |
| ChinaEdu Corporation, ADR (B) . . . . .   | 350    | 1,638          | United Overseas Bank Limited (A) . . . . .                                  | 507    | 3,252         |
| Ctrip.com International, Ltd. . . . .   | 100    | 2,740          |   |        | <u>19,436</u> |
| Enerchina Holdings Limited (A)(B) . . . . .   | 56,718 | 851            | <b>South Korea – 15.59%</b>   |        |               |
| Heng Tai Consumables Group Limited (A)(B) . . . . .   | 21,375 | 1,034          | ForHuman Co., Ltd. (A)(B) . . . . .   | 201    | 1,785         |
| Honghua Group Limited (A)(C) . . . . .  | 4,000  | 595            | Hyundai Motor Company (A) . . . . .   | 137    | 5,544         |
| Industrial and Commercial Bank of China<br>(Asia) Limited (A) . . . . .                     | 19,632 | 10,203         | KB Financial Group Inc. (A)(B) . . . . .                                    | 180    | 4,354         |
| KWG Property Holding Limited (A) . . . . .  | 14,012 | 4,043          | KCC Corporation (A) . . . . .   | 11     | 2,505         |
| NetEase.com, Inc., ADR (B)(D) . . . . .   | 350    | 9,397          | Korea Investment Holdings Co., Ltd. (A)(B) . . . . .                        | 172    | 3,752         |
| PetroChina Company Limited, H Shares (A) . . . . .  | 6,470  | 5,162          | Kyeryong Construction Industrial Co. Ltd (A) . . . . .                      | 103    | 1,599         |
| REXLot Holdings Limited (A)(B) . . . . .  | 52,975 | 1,675          | LG Corp. (A) . . . . .  | 134    | 4,828         |
| Simcere Pharmaceutical Group, ADR (B)(D) . . . . .  | 574    | 3,212          | NHN Corporation (A)(B) . . . . .  | 48     | 5,298         |
| Tencent Holdings Limited (A) . . . . .  | 468    | 3,460          | Samsung C&T Corporation (A) . . . . .                                       | 78     | 2,267         |
| Wah Sang Gas Holdings Limited (A)(B) . . . . .  | 736    | —*             | Samsung Electronics Co., Ltd. (A) . . . . .                                 | 17     | 7,181         |
| Yingli Green Energy Holding Company<br>Limited, ADR (B) . . . . .                           | 277    | 1,665          | SK Corporation (A) . . . . .  | 65     | 5,099         |
| Zhuzhou CSR Times Electric Co., Ltd.,<br>H Shares (A) . . . . .                             | 5,537  | 5,632          | SK Telecom Co., Ltd. (A) . . . . .  | 34     | 4,672         |
|   |        | <u>119,006</u> |   |        | <u>48,884</u> |
| <b>Hong Kong – 7.19%</b>  |        |                | <b>Taiwan – 11.17%</b>  |        |               |
| Beijing Enterprises Holdings Limited (A) . . . . .  | 1,538  | 6,407          | Acer Incorporated (A) . . . . .   | 2,160  | 3,253         |
| Cheung Kong (Holdings) Limited (A) . . . . .  | 443    | 3,818          | Asustek Computer Inc. (A) . . . . .   | 1,628  | 1,717         |
| China Mobile (Hong Kong) Limited, ADR (E) . . . . .   | 150    | 6,528          | First Commercial Bank Co., Ltd. (A) . . . . .                               | 11,557 | 5,344         |
| China National Building Material Company<br>Limited, H Shares (A) . . . . .                 | 1,500  | 2,220          | Fubon Financial Holding Co., Ltd. (A) . . . . .                             | 9,723  | 5,877         |
| Pan Asia Environmental Protection Group<br>Limited (A)(C) . . . . .                         | 13,372 | 1,483          | Hon Hai Precision Ind. Co., Ltd. (A) . . . . .                              | 2,748  | 6,218         |
| Pou Sheng International (Holdings) Limited<br>(A)(B)(C) . . . . .                           | 20,000 | 2,088          | Taiwan Cement Corporation (A) . . . . .                                     | 3,741  | 3,089         |
|   |        | <u>22,544</u>  | Taiwan Semiconductor Manufacturing<br>Company Ltd. (A) . . . . .            | 3,904  | 5,879         |
|   |        |                | Yuanta Financial Holdings Co., Ltd. (A) . . . . .                           | 8,000  | 3,663         |
|   |        |                |   |        | <u>35,040</u> |
|   |        |                | <b>Thailand – 1.15%</b>   |        |               |
|   |        |                | Advanced Info Service Public Company<br>Limited (A) . . . . .               | 962    | 2,241         |
|   |        |                | PTT Public Company Limited (A) . . . . .                                    | 315    | 1,368         |
|   |        |                |   |        | <u>3,609</u>  |

| COMMON STOCKS (Continued)   |         | Shares    | Value            |
|---|---------|-----------|------------------|
| <b>United Kingdom – 1.04%</b>   |         |           |                  |
| Standard Chartered PLC (A)(B) . . . . .   | 269     |           | \$ 3,250         |
| <b>TOTAL COMMON STOCKS – 94.43%</b>   |         |           | <b>\$296,156</b> |
| (Cost: \$392,292)   |         |           |                  |
| <b>INVESTMENT FUNDS – 0.41%</b>   |         |           |                  |
| <b>Vietnam</b>  |         |           |                  |
| Vietnam Azalea Fund Limited (B)(F)(G) . . . . .                                   | 500     |           | \$ 1,290         |
| (Cost: \$3,304)   |         |           |                  |
| <b>CORPORATE DEBT SECURITIES – 0.80%</b>  |         | Principal |                  |
| <b>China</b>  |         |           |                  |
| Suntech Power Holdings Co., Ltd., Convertible,<br>0.250%, 2–15–12 . . . . .       | \$2,800 |           | \$ 2,517         |
| (Cost: \$2,233)   |         |           |                  |
| <b>SHORT-TERM SECURITIES</b>  |         |           |                  |
| <b>Commercial Paper – 4.08%</b>   |         |           |                  |
| Merck & Co., Inc.,<br>0.250%, 4–20–09 . . . . .                                   | 3,000   |           | 3,000            |
| Rabobank USA Financial Corp. (Rabobank<br>Nederland),<br>0.120%, 4–1–09 . . . . . | 9,807   |           | 9,807            |
|   |         |           | <u>12,807</u>    |
| <b>Master Note – 0.62%</b>  |         |           |                  |
| Toyota Motor Credit Corporation,<br>1.271%, 4–1–09 (H) . . . . .                  | 1,941   |           | 1,941            |
| <b>TOTAL SHORT-TERM SECURITIES – 4.70%</b>  |         |           | <b>\$ 14,748</b> |
| (Cost: \$14,748)  |         |           |                  |
| <b>TOTAL INVESTMENT SECURITIES – 100.34%</b>                                      |         |           | <b>\$314,711</b> |
| (Cost: \$412,577)   |         |           |                  |
| <b>LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.34%)</b>                        |         |           | <b>(1,065)</b>   |
| <b>NET ASSETS – 100.00%</b>   |         |           | <b>\$313,646</b> |

#### Notes to Schedule of Investments

The following forward currency contracts were outstanding at March 31, 2009:

| Type | Currency         | Principal Amount<br>of Contract<br>(Denominated in<br>Indicated Currency) | Settlement<br>Date | Unrealized<br>Appreciation | Unrealized<br>Depreciation |
|------|------------------|---|--------------------|----------------------------|----------------------------|
| Sell | Singapore Dollar | 27,000  | 7–31–09            | \$282                      | \$—                        |

\*Not shown due to rounding.

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

(B) No dividends were paid during the preceding 12 months.

(C) 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. These securities have been determined to be liquid under guidelines established by the Board of Trustees. At March 31, 2009, the total value of these securities amounted to \$21,550 or 6.87% of net assets.

(D) Securities serve as collateral for the following open futures contracts at March 31, 2009:

| Description   | Type  | Expiration<br>Date | Number of<br>Contracts | Market<br>Value   | Unrealized<br>Depreciation |
|---|-------|--------------------|------------------------|-------------------|----------------------------|
| Hang Seng China Enterprises<br>Index Futures April 09 | Short | 4–30–09            | (1)                    | <u>\$(30,709)</u> | <u>\$(38)</u>              |

**Notes to Schedule of Investments (Continued)**

(E) Securities serve as cover for the following written options outstanding at March 31, 2009:

| Underlying Security                   | Contracts Subject to Call | Expiration Month/<br>Exercise Price | Premium Received | Market Value |
|---------------------------------------|---------------------------|-------------------------------------|------------------|--------------|
| China Construction Bank Corporation   | 11,865                    | June/4.8                            | <u>\$230</u>     | <u>\$426</u> |
| Underlying Security                   | Contracts Subject to Put  | Expiration Month/<br>Exercise Price | Premium Received | Market Value |
| China Construction Bank Corporation   | 11,865                    | June/3.2                            | \$321            | \$159        |
| China Mobile (Hong Kong) Limited, ADR | 2                         | June/35.0                           | 389              | 195          |
| Sohu.com Inc.                         | 1                         | June/35.0                           | 286              | 278          |
|                                       |                           |                                     | <u>\$996</u>     | <u>\$632</u> |

(F) Illiquid restricted security. At March 31, 2009, the following restricted security was owned:

| Security                    | Acquisition Date | Shares | Cost           | Market Value   |
|-----------------------------|------------------|--------|----------------|----------------|
| Vietnam Azalea Fund Limited | 6-14-07          | 500    | <u>\$3,304</u> | <u>\$1,290</u> |

The total value of this security represented approximately 0.41% of net assets at March 31, 2009.

(G) Deemed to be an affiliate due to the Fund owning at least 5% of the voting securities. The Fund and other mutual funds managed by its investment manager, Ivy Investment Management Company, or other related parties together own 30% of the outstanding shares of this security at March 31, 2009.

(H) Variable rate security. Interest rate disclosed is that which is in effect at March 31, 2009.

The following acronym is used throughout this portfolio:

ADR = American Depositary Receipts

**Market Sector Diversification**

(as a % of net assets)

|                            |        |
|----------------------------|--------|
| Financials                 | 29.53% |
| Industrials                | 16.25% |
| Information Technology     | 14.09% |
| Telecommunication Services | 8.82%  |
| Energy                     | 7.40%  |
| Utilities                  | 6.93%  |
| Consumer Discretionary     | 6.03%  |
| Materials                  | 4.04%  |
| Consumer Staples           | 1.52%  |
| Health Care                | 1.03%  |
| Other+                     | 4.36%  |

+ Includes cash and cash equivalents and other assets and liabilities

For Federal income tax purposes, cost of investments owned at March 31, 2009 and the related unrealized appreciation (depreciation) were as follows:

|                               |                    |
|-------------------------------|--------------------|
| Cost                          | <u>\$ 417,676</u>  |
| Gross unrealized appreciation | 24,000             |
| Gross unrealized depreciation | <u>(126,965)</u>   |
| Net unrealized depreciation   | <u>\$(102,965)</u> |

Industry and geographical classifications are unaudited.



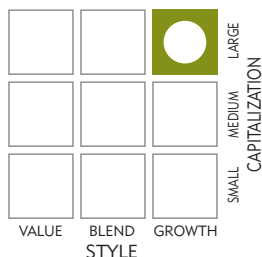
Cynthia P. Prince-Fox

Below, Cynthia P. Prince-Fox, portfolio manager of the Ivy Balanced Fund, discusses positioning, performance and results for the fiscal year ended March 31, 2009. She has managed the Fund for five years and has 26 years of industry experience.

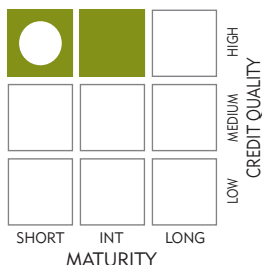
### Investment Style

○ Current ■ Historical

Source: Morningstar, Inc.



This diagram shows the Fund's equity investment style and the size of companies in the Fund, as measured by market capitalization. Shaded areas reflect quarterly data for the past three years.



This diagram shows the Fund's fixed-income investment style by displaying the average credit quality of the bonds owned and the Fund's interest rate sensitivity, as measured by average maturity. Shaded areas show the past three years of quarterly data.

### Fiscal Year Performance

| For the 12 Months Ended March 31, 2009  |         |
|---|---------|
| <b>Ivy Balanced Fund (Class A shares at net asset value)</b>  | -20.98% |
| Benchmark(s) and/or Lipper Category   |         |
| <b>S&amp;P 500 Index</b><br>(generally reflects the performance of large- and medium-sized U.S. stocks)   | -38.09% |
| <b>Citigroup Treasury/Government Sponsored/Credit Index</b><br>(generally reflects the performance of securities in the bond market)  | 2.09%   |
| <b>Lipper Mixed-Asset Target Allocation Growth Funds Universe Average</b><br>(generally reflects the performance of the universe of funds with similar investment objectives) | -29.72% |

Multiple indices are presented because the Fund invests in both stocks and bonds.

Please note that Fund returns include applicable fees and expenses while index returns do not include any such fees.

### Health care, consumer staples helped retain capital

For much of the fiscal year, we maintained a sizeable portion of the equity component of the Fund in traditional defensive sectors such as health care and consumer staples, which helped us outperform our equity benchmark and our peers. Early in the year, we also decided to significantly underweight the financials

sector, in light of concerns regarding mortgage and housing markets, and this positioning proved to be a significant positive driver of our relative performance.

Many negative events defined the year, from the AIG bailout and record high energy prices to the bankruptcy of Lehman Brothers and the collapse of the stock market. Additional pieces included falling home prices, rising unemployment and plummeting consumer confidence. Meanwhile, as the global economy fell into technical recession territory, governments worldwide stepped up to announce massive fiscal stimulus plans and slash interest rates. As these measures were publicized, sentiment and returns began to improve toward the end of the fourth quarter in 2008, only to completely reverse during the first quarter of 2009. The euphoria associated with a new administration wore off quickly as the state of our economy and the procession of bad news coming out of corporate America overwhelmed the change in command. The market reached new lows early in March as the viability of three household names came into question: Citibank, General Motors and General Electric.

### No where to hide in a bear market

There was no safe place to hide in the equity markets as all industry groups posted negative returns for the fiscal year. In fact, cash and U.S. Treasuries were our only defense during the turbulent fourth quarter of 2008. We have been of the belief that Congress and the Federal Reserve will prevail and have begun to position the Fund toward that eventuality. It is critical that credit markets begin functioning again, and because financial institutions will be central to that recovery process, we believe that industry likely will look dramatically different – increased regulation, consolidation and diversified powerhouses (which we seek to own). We were early in our thinking and have reduced positions established a few months ago.

For the year, one of the most significant negative impacts to performance came from infrastructure and energy, where we underestimated how quickly the price of energy would decrease. As such, we recently reduced our oil service exposure; we believe the next phase of the commodity correction likely will be supply destruction to correct an oversupplied market. We have seen clear evidence of this in the first quarter of 2009 as producers have reduced spending. While the Fund remains defensively positioned overall, we are adding companies that we believe are the market share gainers as we enter a possible recovery phase.

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## An unprepared financial system

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As we look back on the last year, it's clear that the financial system was unprepared for a once-in-a-lifetime decline in housing prices. To compound the problem, regulatory bodies did not keep up with all the new products and structures that were being bought and sold around the world. This helped to create a panic in the financial markets as investors ran toward the safest investment: U.S. Treasuries. After Lehman Brothers filed for bankruptcy, the ensuing fallout in the credit markets was truly unprecedented as even the most creditworthy borrowers found it difficult to fund their day-to-day business activities.

When will the housing crisis end? This is one of the most important questions the market is hoping to answer. While past performance is no guarantee of future results, history may be a useful guide as to when foreclosures might peak. The Federal Reserve Bank of Boston in the spring of 2008 published a paper on the Massachusetts housing market and its history of boom-bust cycles. The analysis discovered that 95 percent of all foreclosures occur when loan-to-value ratios exceed 80 percent. In addition, almost 50 percent of home foreclosures occur in the first three years of homeownership, and a full 25 percent occur in the first one to two years. Generally speaking, U.S. housing prices peaked in the 2005-2006 timeframe, so it is possible investors (and potentially, taxpayers) may face up to another year of large writeoffs in the financial sector. Even when the wave of foreclosures has crested, however, the ensuing economic aftershocks in other industries could take many months to clean up.

## Our outlook

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We expect that markets will remain volatile for some time as deteriorating economic conditions weigh on investors, and governments around the world work to stabilize their financial systems and economies. The United States and other countries are indeed experiencing significant declines, particularly where exports have been a key driver of growth. In certain industry classifications in the U.S. – namely housing and autos – we are shipping and producing to levels not sustainable from an economic standpoint. Automotive capacity will need to be cut if demand remains at current levels. From a housing starts perspective, foreclosures continue to create a significant overhang in supply and will need to be cleared before builders feel confident about adding new inventory.

If growth is going to resume, we need credit markets to start functioning and gaining traction. The first quarter of 2009 bore the brunt of aggressive stockpile cutbacks as companies moved toward balance sheet preservation. Given the level of inventory liquidation that occurred in the first three months of this year, we would expect that the rate of decline in the GDP will be equally as startling as the fourth quarter of 2008, despite a slight gain in personal consumption expenditures. We are closely watching the credit markets and remain focused on companies

that we feel have strong capital discipline and strong balance sheets.

**The Fund's performance noted above is at net asset value (NAV), and does not include the effect of any applicable sales charges. If reflected, the sales charge would reduce the performance noted.**

**As with any mutual fund, the value of the Fund's shares will change, and you could lose money on your investment. Fixed-income securities are subject to interest rate risk and, as such, the Fund's net asset value may fall as interest rates rise. These and other risks are more fully described in the Fund's prospectus.**

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

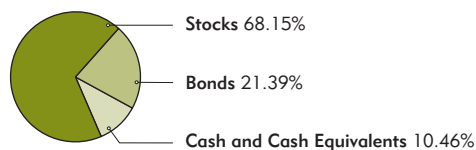
**The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of the Ivy Balanced Fund.**

# PORTFOLIO HIGHLIGHTS

## Ivy Balanced Fund

ALL DATA IS AS OF MARCH 31, 2009 (UNAUDITED)

### Asset Allocation



| Stocks   | 68.15% |
|--|--------|
| Consumer Staples   | 13.50% |
| Health Care  | 12.13% |
| Information Technology                                     | 11.36% |
| Financials   | 8.72%  |
| Energy   | 7.98%  |
| Industrials  | 5.64%  |
| Consumer Discretionary                                     | 3.80%  |
| Telecommunication Services                                 | 2.32%  |
| Utilities  | 1.59%  |
| Materials  | 1.11%  |
| Bonds  | 21.39% |
| Corporate Debt Securities                                  | 12.89% |
| United States Government and Government Agency Obligations | 8.50%  |
| Cash and Cash Equivalents                                  | 10.46% |

### Bond Portfolio Characteristics

|                              |           |
|------------------------------|-----------|
| Average maturity             | 2.8 years |
| Effective duration           | 2.2 years |
| Weighted average bond rating | AA+       |

### Top 10 Equity Holdings

| Company                         | Sector                     |
|---------------------------------|----------------------------|
| Colgate-Palmolive Company       | Consumer Staples           |
| Exxon Mobil Corporation         | Energy                     |
| Abbott Laboratories             | Health Care                |
| Gilead Sciences, Inc.           | Health Care                |
| Wal-Mart Stores, Inc.           | Consumer Staples           |
| PepsiCo, Inc.                   | Consumer Staples           |
| Johnson & Johnson               | Health Care                |
| Northern Trust Corporation      | Financials                 |
| AT&T Inc.                       | Telecommunication Services |
| Travelers Companies, Inc. (The) | Financials                 |

See your advisor or [www.ivyfunds.com](http://www.ivyfunds.com) for more information on the Fund's most recently published Top 10 Equity Holdings.

### Lipper Rankings

| Category: Lipper Mixed-Asset Target Allocation Growth Funds | Rank    | Percentile |
|---|---------|------------|
| 1 Year  | 30/682  | 5          |
| 3 Year  | 23/542  | 5          |
| 5 Year  | 15/449  | 4          |
| 10 Year   | 112/249 | 45         |

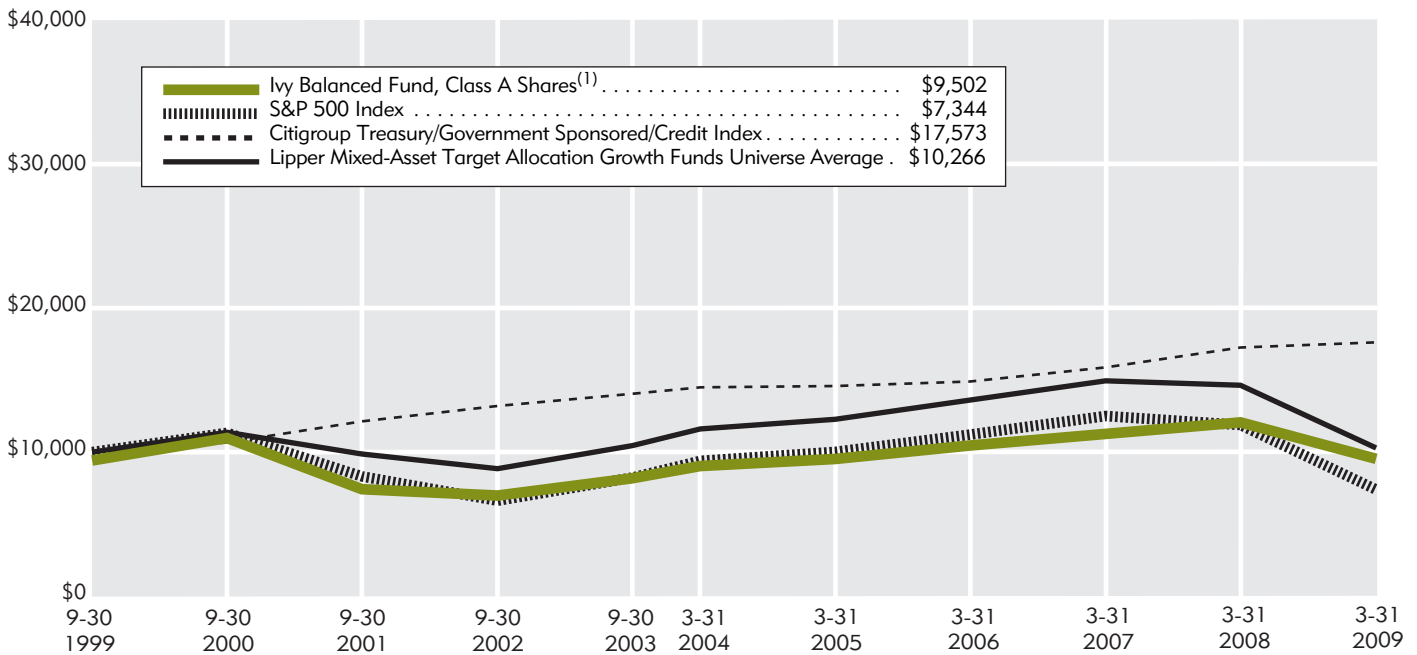
Past performance is no guarantee of future results. Rankings are for Class A Shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.



# COMPARISON OF CHANGE IN VALUE OF \$10,000 INVESTMENT

## Ivy Balanced Fund

(UNAUDITED)



Please note that the performance of the Fund's other share classes will be greater or less than the performance shown above for Class A based on the differences in loads and fees paid by shareholders investing in the different classes.

(1) The value of the investment in the Fund is impacted by the sales load at the time of the investment and by the ongoing expenses of the Fund and assumes reinvestment of dividends and distributions.

| Average Annual Total Return <sup>(2)</sup>              | Class A | Class B | Class C | Class E <sup>(3)</sup> | Class I | Class Y |
|---|---------|---------|---------|------------------------|---------|---------|
| 1-year period ended 3-31-09                             | -25.52% | -24.86% | -21.53% | -25.33%                | -20.72% | -20.89% |
| 5-year period ended 3-31-09                             | -0.08%  | -0.05%  | 0.32%   | —                      | —       | 1.26%   |
| 10-year period ended 3-31-09                            | -0.49%  | —       | —       | —                      | —       | —       |
| Since inception of Class <sup>(4)</sup> through 3-31-09 | —       | 0.52%   | 0.88%   | -10.58%                | -7.80%  | 1.83%   |

(2) Data quoted is past performance and is based on deduction of the maximum applicable sales load for each of the periods. Current performance may be lower or higher. Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate and shares, when redeemed, may be worth more or less than their original cost. Please visit [www.ivyfund.com](http://www.ivyfund.com) for the Fund's most recent month-end performance. Class A and Class E shares carry a maximum front-end sales load of 5.75%. Class B and Class C shares carry maximum contingent deferred sales charges (CDSC) of 5% and 1%, respectively. (Accordingly, the Class C shares reflect no CDSC since it only applies to Class C shares redeemed within twelve months after purchase.) Class I and Class Y shares are not subject to sales charges.

(3) Class E shares are not currently available for investment.

(4) 12-8-03 for Class B, Class C and Class Y shares and 4-2-07 for Class E and Class I shares (the date on which shares were first acquired by shareholders).

Past performance is not necessarily indicative of future performance. Indexes are unmanaged. The performance graph and table do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or on the redemption of Fund shares.

The Advantus Spectrum Fund merged into the Ivy Balanced Fund on December 8, 2003. The performance shown for periods prior to this date is that of the Advantus Spectrum Fund Class A shares, restated to reflect current sales charges applicable to Ivy Balanced Fund Class A shares. Performance has not been restated to reflect the fees and expenses applicable to the Ivy Balanced Fund. If these expenses were reflected, performance shown would differ.

# ILLUSTRATION OF FUND EXPENSES

## Ivy Balanced Fund

(UNAUDITED)

| For the Six Months Ended March 31, 2009          | Beginning Account Value 9-30-08 | Ending Account Value 3-31-09 | Annualized Expense Ratio Based on the Six-Month Period | Expenses Paid During Period* |
|--|---------------------------------|------------------------------|--|------------------------------|
| <b>Based on Actual Fund Return<sup>(1)</sup></b> |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$ 842.60                    | 1.33%  | \$ 6.17                      |
| Class B  | \$1,000                         | \$ 839.10                    | 2.24%  | \$10.30                      |
| Class C  | \$1,000                         | \$ 839.60                    | 1.93%  | \$ 8.83                      |
| Class E**  | \$1,000                         | \$ 843.80                    | 1.10%  | \$ 5.07                      |
| Class I  | \$1,000                         | \$ 843.80                    | 0.97%  | \$ 4.52                      |
| Class Y  | \$1,000                         | \$ 843.10                    | 1.22%  | \$ 5.62                      |
| <b>Based on 5% Return<sup>(2)</sup></b>          |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$1,018.28                   | 1.33%  | \$ 6.76                      |
| Class B  | \$1,000                         | \$1,013.75                   | 2.24%  | \$11.28                      |
| Class C  | \$1,000                         | \$1,015.29                   | 1.93%  | \$ 9.67                      |
| Class E**  | \$1,000                         | \$1,019.44                   | 1.10%  | \$ 5.55                      |
| Class I  | \$1,000                         | \$1,020.08                   | 0.97%  | \$ 4.95                      |
| Class Y  | \$1,000                         | \$1,018.83                   | 1.22%  | \$ 6.16                      |

\*Fund expenses for each share class are equal to the Fund's annualized expense ratio for each share class (provided in the table), multiplied by the average account value over the period, multiplied by 182 days in the six-month period ended March 31, 2009, and divided by 365.

\*\*Class closed to investment.

(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 last column.

(2) This section uses a hypothetical five percent 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. See "Disclosure of Expenses" on page 8 for further information on how expenses were calculated.

# SCHEDULE OF INVESTMENTS

## Ivy Balanced Fund *(in thousands)*

MARCH 31, 2009

| COMMON STOCKS  | Shares | Value        | COMMON STOCKS (Continued)                                 | Shares | Value            |
|--|--------|--------------|---|--------|------------------|
| <b>Aerospace &amp; Defense – 3.45%</b>               |        |              | <b>Hypermarkets &amp; Super Centers – 2.49%</b>           |        |                  |
| General Dynamics Corporation                         | 73     | \$ 3,024     | Wal-Mart Stores, Inc.                                     | 76     | \$ 3,975         |
| Lockheed Martin Corporation                          | 36     | 2,485        |   |        |                  |
|  |        | <u>5,509</u> | <b>Integrated Oil &amp; Gas – 6.50%</b>                   |        |                  |
| <b>Air Freight &amp; Logistics – 0.81%</b>           |        |              | BP p.l.c., ADR  | 65     | 2,623            |
| Expeditors International of Washington, Inc.         | 45     | 1,282        | Chevron Corporation                                       | 44     | 2,925            |
|  |        | <u>1,282</u> | Exxon Mobil Corporation                                   | 71     | 4,821            |
| <b>Asset Management &amp; Custody Banks – 2.39%</b>  |        |              |   |        | <u>10,369</u>    |
| Northern Trust Corporation                           | 64     | 3,817        | <b>Integrated Telecommunication Services – 2.32%</b>      |        |                  |
|  |        | <u>3,817</u> | AT&T Inc.   | 147    | 3,704            |
| <b>Biotechnology – 2.61%</b>                         |        |              | <b>Oil &amp; Gas Equipment &amp; Services – 0.92%</b>     |        |                  |
| Gilead Sciences, Inc. (A)                            | 90     | 4,160        | Schlumberger Limited                                      | 36     | 1,471            |
|  |        | <u>4,160</u> | <b>Oil &amp; Gas Exploration &amp; Production – 0.56%</b> |        |                  |
| <b>Communications Equipment – 4.77%</b>              |        |              | XTO Energy Inc.   | 29     | 891              |
| Cisco Systems, Inc. (A)                              | 209    | 3,498        |   |        | <u>891</u>       |
| Nokia Corporation, Series A, ADR                     | 84     | 983          | <b>Other Diversified Financial Services – 1.64%</b>       |        |                  |
| QUALCOMM Incorporated                                | 81     | 3,140        | J.P. Morgan Chase & Co.                                   | 98     | 2,610            |
|  |        | <u>7,621</u> | <b>Packaged Foods &amp; Meats – 1.75%</b>                 |        |                  |
| <b>Computer Hardware – 3.52%</b>                     |        |              | Hershey Foods Corporation                                 | 80     | 2,790            |
| Apple Inc. (A)                                       | 22     | 2,323        |   |        | <u>2,790</u>     |
| Hewlett-Packard Company                              | 103    | 3,302        | <b>Pharmaceuticals – 7.15%</b>                            |        |                  |
|  |        | <u>5,625</u> | Abbott Laboratories                                       | 93     | 4,441            |
| <b>Department Stores – 1.13%</b>                     |        |              | Allergan, Inc.  | 41     | 1,977            |
| Kohl's Corporation (A)                               | 43     | 1,807        | Bristol-Myers Squibb Company                              | 50     | 1,105            |
|  |        | <u>1,807</u> | Johnson & Johnson   | 74     | 3,892            |
| <b>Distillers &amp; Vintners – 1.07%</b>             |        |              |   |        | <u>11,415</u>    |
| Brown-Forman Corporation, Class B                    | 44     | 1,707        | <b>Property &amp; Casualty Insurance – 3.68%</b>          |        |                  |
|  |        | <u>1,707</u> | Berkshire Hathaway Inc., Class B (A)                      | 1      | 2,338            |
| <b>Diversified Chemicals – 1.11%</b>                 |        |              | Travelers Companies, Inc. (The)                           | 87     | 3,535            |
| E.I. du Pont de Nemours and Company                  | 80     | 1,775        |   |        | <u>5,873</u>     |
|  |        | <u>1,775</u> | <b>Regional Banks – 1.01%</b>                             |        |                  |
| <b>Electric Utilities – 1.59%</b>                    |        |              | PNC Financial Services Group, Inc. (The)                  | 55     | 1,611            |
| Exelon Corporation                                   | 56     | 2,533        |   |        | <u>1,611</u>     |
|  |        | <u>2,533</u> | <b>Semiconductors – 1.77%</b>                             |        |                  |
| <b>Electrical Components &amp; Equipment – 1.38%</b> |        |              | Microchip Technology Incorporated                         | 133    | 2,822            |
| Emerson Electric Co.                                 | 77     | 2,203        |   |        | <u>2,822</u>     |
|  |        | <u>2,203</u> | <b>Soft Drinks – 3.91%</b>                                |        |                  |
| <b>Footwear – 1.11%</b>                              |        |              | Coca-Cola Company (The)                                   | 53     | 2,320            |
| NIKE, Inc., Class B                                  | 38     | 1,768        | PepsiCo, Inc.   | 76     | 3,928            |
|  |        | <u>1,768</u> |   |        | <u>6,248</u>     |
| <b>Health Care Equipment – 0.71%</b>                 |        |              | <b>Systems Software – 1.30%</b>                           |        |                  |
| Zimmer Holdings, Inc. (A)                            | 31     | 1,131        | Microsoft Corporation                                     | 113    | 2,070            |
|  |        | <u>1,131</u> |   |        | <u>2,070</u>     |
| <b>Health Care Supplies – 1.66%</b>                  |        |              | <b>Tobacco – 1.12%</b>                                    |        |                  |
| DENTSPLY International Inc.                          | 99     | 2,650        | Philip Morris International Inc.                          | 50     | 1,783            |
|  |        | <u>2,650</u> |   |        | <u>1,783</u>     |
| <b>Home Improvement Retail – 1.56%</b>               |        |              | <b>TOTAL COMMON STOCKS – 68.15%</b>                       |        |                  |
| Home Depot, Inc. (The)                               | 106    | 2,497        |   |        | <b>\$108,766</b> |
|  |        | <u>2,497</u> | <i>(Cost: \$111,134)</i>                                  |        |                  |
| <b>Household Products – 3.16%</b>                    |        |              |   |        |                  |
| Colgate-Palmolive Company                            | 86     | 5,049        |   |        |                  |
|  |        | <u>5,049</u> |   |        |                  |

| CORPORATE DEBT SECURITIES                               | Principal | Value  |
|---|-----------|--------|
| <b>Agricultural Products – 0.47%</b>                    |           |        |
| Archer-Daniels-Midland Company,<br>7.000%, 2–1–31 ..... | \$700     | \$ 744 |
| <b>Beverage / Bottling – 0.63%</b>                      |           |        |
| Diageo Capital plc,<br>4.375%, 5–3–10 .....             | 1,000     | 1,011  |
| <b>Communications Equipment – 0.66%</b>                 |           |        |
| Cisco Systems, Inc.,<br>5.250%, 2–22–11 .....           | 1,000     | 1,057  |
| <b>Conglomerate / Diversified Mfg – 0.63%</b>           |           |        |
| Illinois Tool Works Inc.,<br>5.150%, 4–1–14 (B) .....   | 1,000     | 1,006  |
| <b>Department Stores – 0.63%</b>                        |           |        |
| Kohl's Corporation,<br>6.300%, 3–1–11 .....             | 1,000     | 1,009  |
| <b>Diversified Banks – 0.16%</b>                        |           |        |
| Wells Fargo Bank, N.A.,<br>7.550%, 6–21–10 .....        | 250       | 252    |
| <b>Electric – 0.37%</b>                                 |           |        |
| Hydro-Quebec,<br>8.000%, 2–1–13 .....                   | 500       | 582    |
| <b>Electric Utilities – 0.64%</b>                       |           |        |
| Exelon Corporation,<br>6.950%, 6–15–11 .....            | 1,000     | 1,021  |
| <b>Food Processors – 0.48%</b>                          |           |        |
| Cargill, Inc.,<br>6.375%, 6–1–12 (C) .....              | 400       | 404    |
| Unilever Capital Corporation,<br>5.900%, 11–15–32 ..... | 350       | 359    |
|   |           | 763    |
| <b>Food Retail – 0.66%</b>                              |           |        |
| Kroger Co. (The),<br>6.200%, 6–15–12 .....              | 1,000     | 1,051  |
| <b>Home Improvement Retail – 0.63%</b>                  |           |        |
| Home Depot, Inc. (The),<br>5.200%, 3–1–11 .....         | 1,000     | 1,006  |
| <b>Industrial – Other – 0.63%</b>                       |           |        |
| Praxair, Inc.,<br>4.375%, 3–31–14 .....                 | 1,000     | 1,000  |

| CORPORATE DEBT SECURITIES (Continued)                                | Principal | Value            |
|--|-----------|------------------|
| <b>Integrated Oil &amp; Gas – 0.32%</b>                              |           |                  |
| Chevron Corporation,<br>3.450%, 3–3–12 .....                         | \$500     | \$ 513           |
| <b>Integrated Telecommunication Services – 0.63%</b>                 |           |                  |
| AT&T Inc.,<br>4.850%, 2–15–14 .....                                  | 1,000     | 1,010            |
| <b>Life Insurance – 0.25%</b>  |           |                  |
| StanCorp Financial Group, Inc.,<br>6.875%, 10–1–12 .....             | 450       | 396              |
| <b>Machinery – 0.31%</b>   |           |                  |
| John Deere Capital Corporation,<br>5.250%, 10–1–12 .....             | 500       | 505              |
| <b>Metals / Mining – 0.94%</b>                                       |           |                  |
| Newmont Mining Corporation, Convertible,<br>3.000%, 2–15–12 .....    | 1,200     | 1,490            |
| <b>Oil &amp; Gas – 0.65%</b>   |           |                  |
| ConocoPhillips,<br>4.750%, 2–1–14 .....                              | 1,000     | 1,041            |
| <b>Oil &amp; Gas Exploration &amp; Production – 0.33%</b>            |           |                  |
| XTO Energy Inc.,<br>7.500%, 4–15–12 .....                            | 500       | 524              |
| <b>Other Non-Agency REMIC/CMO – 0.00%</b>                            |           |                  |
| Banco Hipotecario Nacional:  |           |                  |
| 7.916%, 7–25–09 (B) .....  | 7         | —*               |
| 8.000%, 3–31–11 (B) .....  | 42        | —*               |
|  |           | —*               |
| <b>Pharmaceuticals – 1.93%</b>                                       |           |                  |
| Abbott Laboratories,<br>3.750%, 3–15–11 .....                        | 1,000     | 1,032            |
| Pfizer Inc.,<br>4.450%, 3–15–12 .....                                | 1,000     | 1,027            |
| Roche Holding Ltd,<br>5.000%, 3–1–14 (C) .....                       | 1,000     | 1,024            |
|  |           | 3,083            |
| <b>Property &amp; Casualty Insurance – 0.62%</b>                     |           |                  |
| Berkshire Hathaway Finance Corporation,<br>4.000%, 4–15–12 (B) ..... | 1,000     | 999              |
| <b>Soft Drinks – 0.32%</b>   |           |                  |
| PepsiCo, Inc.,<br>3.750%, 3–1–14 .....                               | 500       | 507              |
| <b>TOTAL CORPORATE DEBT SECURITIES – 12.89%</b>                      |           | <b>\$ 20,570</b> |
| (Cost: \$19,863)   |           |                  |

| UNITED STATES GOVERNMENT<br>AGENCY OBLIGATIONS                       | Principal | Value           |
|--|-----------|-----------------|
| <b>Mortgage-Backed Obligations</b>                                   |           |                 |
| Federal National Mortgage Association                                |           |                 |
| Fixed Rate Pass-Through Certificates:                                |           |                 |
| 6.000%, 9-1-17 .....   | \$272     | \$ 285          |
| 5.000%, 1-1-18 .....   | 305       | 319             |
| 5.500%, 4-1-18 .....   | 166       | 175             |
| 6.500%, 10-1-28 .....  | 114       | 122             |
| 6.500%, 2-1-29 .....   | 22        | 24              |
| 7.000%, 5-1-31 .....   | 22        | 24              |
| 7.500%, 5-1-31 .....   | 35        | 38              |
| 7.000%, 7-1-31 .....   | 34        | 37              |
| 7.000%, 9-1-31 .....   | 49        | 53              |
| 7.000%, 9-1-31 .....   | 34        | 37              |
| 7.000%, 11-1-31 .....  | 111       | 120             |
| 6.500%, 2-1-32 .....   | 134       | 144             |
| 7.000%, 2-1-32 .....   | 123       | 133             |
| 7.000%, 2-1-32 .....   | 76        | 82              |
| 6.500%, 3-1-32 .....   | 34        | 36              |
| 7.000%, 3-1-32 .....   | 76        | 82              |
| 7.000%, 6-1-32 .....   | 26        | 28              |
| 7.000%, 7-1-32 .....   | 135       | 146             |
| 6.500%, 8-1-32 .....   | 56        | 60              |
| 6.000%, 9-1-32 .....   | 505       | 530             |
| 6.500%, 9-1-32 .....   | 120       | 129             |
| 5.500%, 5-1-33 .....   | 232       | 242             |
| 5.500%, 5-1-33 .....   | 141       | 147             |
| 5.500%, 5-1-33 .....   | 110       | 114             |
| 5.500%, 6-1-33 .....   | 227       | 236             |
| <b>TOTAL UNITED STATES GOVERNMENT<br/>AGENCY OBLIGATIONS – 2.09%</b> |           | <b>\$ 3,343</b> |

(Cost: \$3,238)

| UNITED STATES GOVERNMENT<br>OBLIGATIONS                       | Principal | Value            |
|---|-----------|------------------|
| <b>Treasury Obligations</b>                                   |           |                  |
| United States Treasury Bonds,                                 |           |                  |
| 7.500%, 11-15-16 .....  | 500       | 671              |
| United States Treasury Notes:                                 |           |                  |
| 4.000%, 3-15-10 .....   | 800       | 826              |
| 4.250%, 10-15-10 .....  | 2,000     | 2,114            |
| 3.875%, 2-15-13 .....   | 1,250     | 1,370            |
| 3.625%, 5-15-13 .....   | 750       | 817              |
| 4.250%, 8-15-13 .....   | 900       | 1,009            |
| 4.250%, 8-15-15 .....   | 3,000     | 3,420            |
| <b>TOTAL UNITED STATES GOVERNMENT<br/>OBLIGATIONS – 6.41%</b> |           | <b>\$ 10,227</b> |

(Cost: \$9,223)

| SHORT-TERM SECURITIES                        | Principal | Value         |
|--|-----------|---------------|
| <b>Commercial Paper – 8.99%</b>              |           |               |
| Baxter International Inc.,                   |           |               |
| 0.330%, 4-9-09 .....                         | 3,000     | 3,000         |
| Danaher Corporation,                         |           |               |
| 0.200%, 4-2-09 .....                         | 3,000     | 3,000         |
| Heinz (H.J.) Finance Co. (Heinz (H.J.) Co.), |           |               |
| 1.150%, 4-23-09 .....                        | 5,812     | 5,808         |
| Kellogg Co.,                                 |           |               |
| 0.930%, 4-2-09 .....                         | 2,000     | 2,000         |
| Sonoco Products Co.,                         |           |               |
| 0.550%, 4-1-09 .....                         | 548       | 548           |
|  |           | <u>14,356</u> |

See Accompanying Notes to Financial Statements.

| SHORT-TERM SECURITIES (Continued)                        | Principal | Value             |
|--|-----------|-------------------|
| <b>Master Note – 0.63%</b>                               |           |                   |
| Toyota Motor Credit Corporation,                         |           |                   |
| 1.271%, 4-1-09 (D) .....                                 | \$1,002   | \$ 1,002          |
| <b>TOTAL SHORT-TERM SECURITIES – 9.62%</b>               |           | <b>\$ 15,358</b>  |
| (Cost: \$15,358)   |           |                   |
| <b>TOTAL INVESTMENT SECURITIES – 99.16%</b>              |           | <b>\$ 158,264</b> |
| (Cost: \$158,816)  |           |                   |
| <b>CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.84%</b> |           | <b>1,335</b>      |
| <b>NET ASSETS – 100.00%</b>                              |           | <b>\$ 159,599</b> |

#### Notes to Schedule of Investments

\*Not shown due to rounding.

(A)No dividends were paid during the preceding 12 months.

(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. These securities have been determined to be illiquid under guidelines established by the Board of Trustees. At March 31, 2009, the total value of these securities amounted to \$2,005 or 1.26% of net assets.

(C)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. These securities have been determined to be liquid under guidelines established by the Board of Trustees. At March 31, 2009, the total value of these securities amounted to \$1,428 or 0.89% of net assets.

(D)Variable rate security. Interest rate disclosed is that which is in effect at March 31, 2009.

The following acronyms are used throughout this portfolio:

ADR = American Depositary Receipts

CMO = Collateralized Mortgage Obligation

REMIC = Real Estate Mortgage Investment Conduit

For Federal income tax purposes, cost of investments owned at March 31, 2009 and the related unrealized appreciation (depreciation) were as follows:

|                               |                   |
|-------------------------------|-------------------|
| Cost                          | <u>\$ 158,842</u> |
| Gross unrealized appreciation | 6,654             |
| Gross unrealized depreciation | <u>(7,232)</u>    |
| Net unrealized depreciation   | \$ (578)          |

Industry classifications are unaudited.



Frederick Sturm

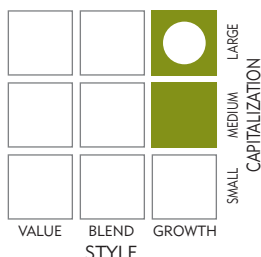
Ivy Global Natural Resources Fund is subadvised by Mackenzie Financial Corp. of Canada.

Below, Frederick Sturm, CFA, portfolio manager of the Ivy Global Natural Resources Fund, discusses positioning, performance and results for the fiscal year ended March 31, 2009. He has managed the Fund since its inception 12 years ago and has 27 years of industry experience.

### Investment Style

○ Current ■ Historical

Source: Morningstar, Inc.



This diagram shows the Fund's equity investment style and the size of companies in the Fund, as measured by market capitalization. Shaded areas reflect quarterly data for the past three years.

### Fiscal Year Performance

For the 12 Months Ended March 31, 2009

|  |         |
|--|---------|
| <b>Ivy Global Natural Resources Fund</b><br>(Class A shares at net asset value)  | -56.82% |
| Benchmark(s) and/or Lipper Category  |         |
| <b>MSCI Commodity-Related Index</b><br>(generally representative of an unmanaged group of natural resources stocks)  | -43.17% |
| <b>Lipper Global Natural Resources Funds Universe Average</b><br>(generally representative of the performance of funds with similar investment objectives) | -49.34% |
| <b>Lipper Natural Resources Funds Universe Average</b><br>(generally representative of the performance of funds with similar investment objectives)        | -50.17% |

Please note that the Fund returns include applicable investment fees and expenses, whereas the index returns do not include any such fees. Please note that Lipper changed the Fund's Lipper classification from the Lipper Natural Resources Funds Universe Average to the Lipper Global Natural Resources Funds Universe Average during the fiscal year. Both category averages are shown in this year's report for comparison purposes.

### Volatile, highly unusual market conditions affected results

The Fund had extremely disappointing performance over the fiscal year, resulting in underperformance for the period. We mishandled a highly unusual market event as hedge-fund liquidation of emerging market shares and currencies had a particularly negative impact from August to November. As a globally diversified Fund, roughly half of the assets were invested outside the U.S., whereas many members of our Lipper peer group are almost exclusively invested in the U.S. The vast majority of the performance gap can be explained by this difference. Our weighting in certain overseas energy stocks that fared poorly during the year was greater than the weighting in the MSCI Commodity-Related Index, and this also contributed

to our negative relative results. For instance, Petrobras and Gazprom, two international energy industry leaders with superior access to resources that we held, had declined on average by 65 percent at one point, whereas Exxon Mobil had slipped only 13 percent.

Over the fiscal period, the areas that carried higher weightings and brought negative impact included coal and consumable fuels, paper products, oil and gas equipment/servicing, and commodity chemical. We did see somewhat positive results from our relatively modest weightings in industrial gases and paper packaging.

We remain ever conscious that we have some way to go to recapture value for investors, and we feel that we began to take some steps toward that during the first three months of 2009, or the final months of the fiscal year. While maintaining our core discipline, we have made some important adjustments that we expect will prove useful in the years ahead. By the end of the fiscal year, individual security selection was again a useful contributor, and the Fund began to advance from its lows of November 2008. Our overall results are now coming back in line with other natural resource funds, but the emerging market and smaller cap exposure during the deflation shock of late 2008 set the Fund back compared to the benchmark and peer group. We acknowledge that there is a way to go in order to regain our former performance levels.

By early 2009, our global diversification was beneficial when compared to the resources sector and overall U.S. equity market. The Fund remained unhedged the Canadian dollar and Brazilian real, while having partial hedges on the Euro and British pound. We feel the sectors that are less sensitive to economic sluggishness, and that thus offer ongoing potential, include precious metals, utilities/master limited partnerships and agricultural commodities. At the end of the fiscal year, we held about a third of Fund assets in these areas. Demand for fertilizer has been soft, but we are impressed by the commitment of industry players to respond by reducing volume rather than price. Renewable energy remains an intriguing opportunity for the Fund long term, in our view. Near fiscal year-end, we added to our holdings of what we feel are world leaders in wind and solar.

## Global policy initiatives

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Will the global economy recover? Timing is, of course, not clear, but we believe there are hopeful signs. Like never before, global government policy is geared toward restoring the integrity of the banking system and creating a backdrop that will put idled cash back to work. We expect these policies will succeed progressively over the coming year. The best example is China, where such early efforts resulted in loans during the first calendar quarter of 2009 that matched loans for all of 2008. With these loans, leading indicators of business activity in China are already evidencing a reacceleration. We expect most other countries will also meet with success, and increased International Monetary Fund (IMF) support will be offered to countries that are struggling.

All of this gives us hope that the strongest bonds and the strongest stocks have already seen their lows. Rarely in history has investor patience been tested as much as this, and yet we feel this patience will be the key for investors to be in position to capture the potential gains the next bull market in financial assets may bring.

## Metals, oil and gas may improve

---

Copper has been our preferred metal toward fiscal year-end, but we are not inclined to chase a metals rally and intend to continue to hold a moderate underweight, because beyond government sponsored infrastructure spending, we believe that demand will likely stay soft for several months to come. We feel that iron ore will likely be softer for 2009 than we originally expected, so we trimmed back our exposure, even though we like the long-term asset quality of our core holding in CVRD.

Regarding crude oil, prices crashed during the fiscal year to a low of \$35, but have since recovered to around \$55. We believe Saudi Arabia is biased to prices not lower than \$40 and not higher than \$60 (for now). There is mounting evidence that non-OPEC oil production is severely constrained and the list of countries past peak production is growing. Excess capacity during one of the worst global economic environments ever is not likely to be much past 5 percent. Going forward, capacity is also not likely to expand rapidly because this takes time and capital and most companies and countries are reducing budgets for exploration rather than increasing them. In short, we like the prospects for oil. We are focused on companies that we feel can maintain and increase production over time, and continue to feel basins in Brazil, Canada and Russia provide that opportunity.

In the natural gas arena, price recovery likely will be delayed, in our view, but we are beginning the process of adding to leaders. One year ago we flagged that new supplies of natural gas could well suppress the price. This has come first from new shale resources like Marcellus and Haynesville, and could be compounded by increased liquid natural gas (LNG) imports. The producers are now responding by massively reducing development spending. We are not yet inclined to get excited about an imminent rebound in natural gas prices, but our experience guides us to add exposure to low cost, well financed,

and hedged producers while prices are still low. We have championed Petrohawk as the new low-cost leader, and it remains one of our top holdings, but we are also beginning the process of adding back some of the leaders we have held in the past. We want to have base holdings in place so that we can respond quickly should gas prices turn up sooner than we currently expect.

## A renewable energy theme

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We believe energy security and environment are likely to be multi-year features of fiscal policy spending in the U.S. and around the world. Rather than think in terms of oil and alternatives, we think about new sources of electricity generation. Nuclear, solar, wind farms and hybrid cars are all about electricity. New technology has improved the potential recovery of natural gas. This can also be fired up for electricity. We have woven this theme into the Fund, but recognize that tight credit markets may result in a few tough quarters before these growth themes gain strength again. We have been invested in renewable energy for several years, and we stand ready to participate more aggressively as opportunities are created.

## Our outlook

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If markets are indeed forming a bottom, then we think there is potential for gains from sectors that were most distressed during the sell-off. Coming out of the 2002 low it was the beaten down technology sector that posted some of the strongest initial gains. Coming out of the 1998 low, beaten down emerging market stocks had significant bounces. This time the resource sector was strongly impacted, and we would not be surprised by a recovery period favoring resources. We believe leading resource stocks reached a low during the fiscal year, and could potentially emerge from sustained recession pricing levels into an early recovery zone. We would expect them to trade in that zone awaiting support from renewed global growth.

During the fiscal period, we redefined volatility. Growth to recession, monetary tightening to unprecedented easing, record high oil prices to a 75 percent off sale, all within one year. It takes time for the economy and financial markets to transition from recession to renewed growth. Investors comparing their accounts to the peak of the past cycle will shake their heads. What is more constructive is to measure whether investment markets are digging in, building a base for the next positive cycle. As portfolio managers, we must be ready for continued market volatility. However, we think good companies with reasonable results should be rewarded during the coming year. The market is doing its best to get investors to look at the immediate past, instead of into the future. We believe the new fiscal year could bring constructive progress for the base of the next potential bond and stock market advance.

**The Fund's performance noted above is at net asset value (NAV), and does not include the effect of any applicable sales charges. If reflected, the sales charge would reduce the performance noted.**

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As with any mutual fund, the value of the Fund's shares will change, and you could lose money on your investment.

Investing in companies involved in one specified sector may be more risky and volatile than an investment with greater diversification. International investing involves additional risks, including currency fluctuations, political or economic conditions affecting the foreign country, and differences in accounting standards and foreign regulations. These and other risks are more fully described in the Fund's prospectus.

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

The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of the Ivy Global Natural Resources Fund.

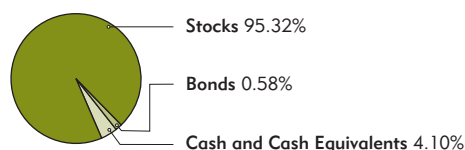


# PORTFOLIO HIGHLIGHTS

## Ivy Global Natural Resources Fund

ALL DATA IS AS OF MARCH 31, 2009 (UNAUDITED)

### Asset Allocation



| Stocks                    | 95.32% |
|---------------------------|--------|
| Energy                    | 45.34% |
| Materials                 | 32.52% |
| Industrials               | 10.24% |
| Utilities                 | 3.44%  |
| Information Technology    | 1.85%  |
| Financials                | 1.08%  |
| Consumer Staples          | 0.85%  |
| Bonds                     | 0.58%  |
| Corporate Debt Securities | 0.58%  |
| Cash and Cash Equivalents | 4.10%  |

### Lipper Rankings

| Category: Lipper Global Natural Resources Funds | Rank   | Percentile |
|---|--------|------------|
| 1 Year  | 87/101 | 86         |
| 3 Year  | 54/68  | 79         |
| 5 Year  | 42/46  | 90         |
| 10 Year   | 18/31  | 57         |

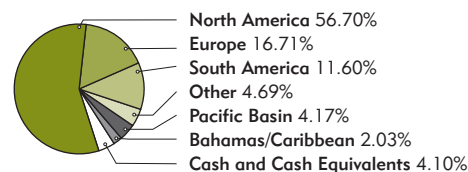
Past performance is no guarantee of future results. Rankings are for Class A Shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.

### Top 10 Equity Holdings

| Company                                 | Country        | Sector    | Industry                             |
|---|----------------|-----------|--------------------------------------|
| Potash Corporation of Saskatchewan Inc. | Canada         | Materials | Fertilizers & Agricultural Chemicals |
| Petrohawk Energy Corporation            | United States  | Energy    | Oil & Gas Exploration & Production   |
| Open Joint Stock Company Gazprom, ADR   | Russia         | Energy    | Integrated Oil & Gas                 |
| Randgold Resources Limited, ADR         | United Kingdom | Materials | Gold                                 |
| Canadian Natural Resources Limited      | Canada         | Energy    | Oil & Gas Exploration & Production   |
| Companhia Vale do Rio Doce, ADR         | Brazil         | Materials | Diversified Metals & Mining          |
| Transocean Inc.                         | United States  | Energy    | Oil & Gas Drilling                   |
| Cameron International Corporation       | United States  | Energy    | Oil & Gas Equipment & Services       |
| National Oilwell Varco, Inc.            | United States  | Energy    | Oil & Gas Equipment & Services       |
| Peabody Energy Corporation              | United States  | Energy    | Coal & Consumable Fuels              |

See your advisor or [www.ivyfund.com](http://www.ivyfund.com) for more information on the Fund's most recently published Top 10 Equity Holdings.

### Country Weightings



| North America                      | 56.70% |
|------------------------------------|--------|
| United States                      | 42.86% |
| Canada                             | 13.84% |
| Europe                             | 16.71% |
| Russia                             | 5.08%  |
| United Kingdom                     | 3.93%  |
| Other Europe <sup>(1)</sup>        | 7.70%  |
| South America                      | 11.60% |
| Brazil                             | 10.03% |
| Other South America <sup>(2)</sup> | 1.57%  |
| Other <sup>(3)</sup>               | 4.69%  |
| Pacific Basin <sup>(4)</sup>       | 4.17%  |
| Bahamas/Caribbean <sup>(5)</sup>   | 2.03%  |
| Cash and Cash Equivalents          | 4.10%  |

(1) Includes 0.31% Cyprus, 1.09% Denmark, 1.28% Germany, 0.92% Kazakhstan, 0.27% Luxembourg, 0.53% Netherlands, 1.87% Norway, 1.00% Spain and 0.43% Switzerland.

(2) Includes 0.94% Chile and 0.63% Peru.

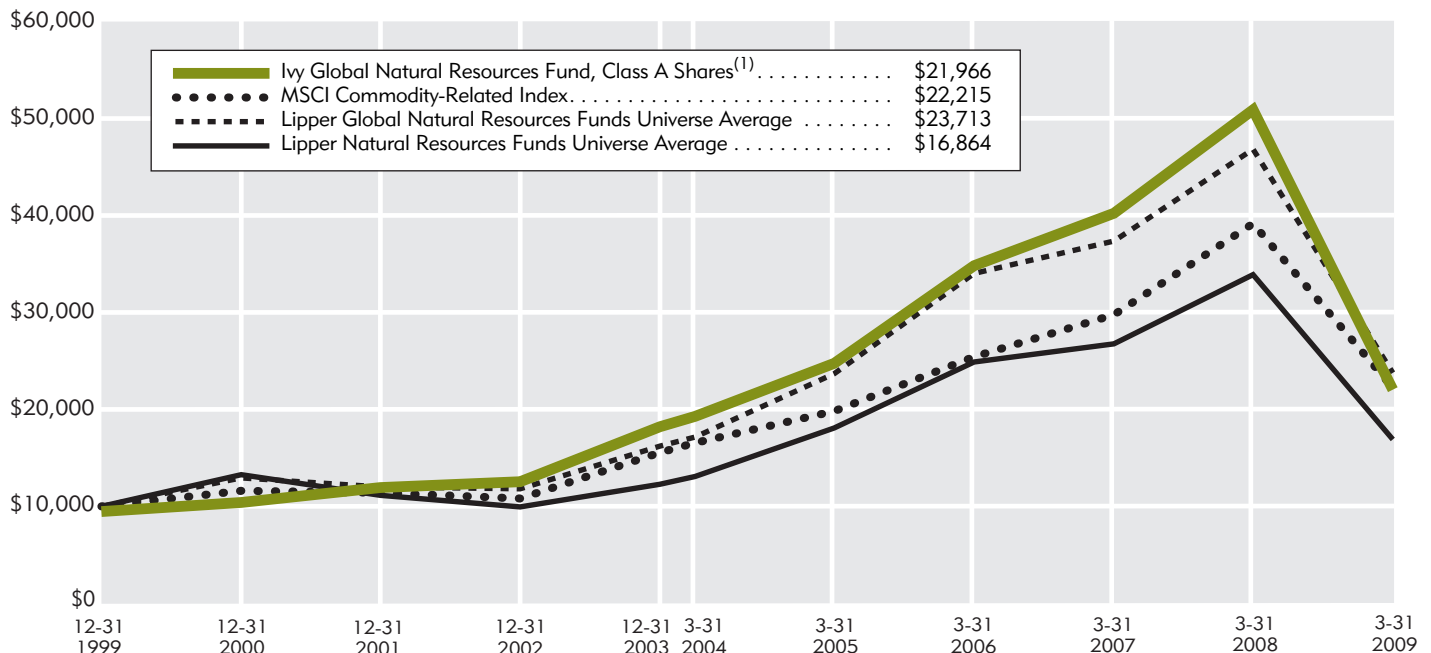
(3) Includes 1.50% Israel, 1.42% Panama and 1.77% South Africa.

(4) Includes 2.14% China, 0.28% Hong Kong, 0.37% Indonesia, 0.29% Philippines, 0.29% Singapore and 0.80% Thailand.

(5) Includes 0.85% Bermuda and 1.18% Cayman Islands.

# COMPARISON OF CHANGE IN VALUE OF \$10,000 INVESTMENT Ivy Global Natural Resources Fund

(UNAUDITED)



Please note that the performance of the Fund's other share classes will be greater or less than the performance shown above for Class A based on the differences in loads and fees paid by shareholders investing in the different classes.

(1) The value of the investment in the Fund is impacted by the sales load at the time of the investment and by the ongoing expenses of the Fund and assumes reinvestment of dividends and distributions.

| Average Annual Total Return <sup>(2)</sup>              | Class A | Class B | Class C | Class E | Class I | Class R | Class Y | Advisor Class <sup>(3)</sup> |
|---|---------|---------|---------|---------|---------|---------|---------|------------------------------|
| 1-year period ended 3-31-09                             | -59.31% | -58.33% | -57.10% | -59.31% | -56.60% | -56.86% | -56.67% | -56.62%                      |
| 5-year period ended 3-31-09                             | 1.48%   | 1.76%   | 1.95%   | —       | —       | —       | 2.93%   | 3.00%                        |
| 10-year period ended 3-31-09                            | 10.53%  | 10.34%  | 10.36%  | —       | —       | —       | —       | —                            |
| Since inception of Class <sup>(4)</sup> through 3-31-09 | —       | —       | —       | -28.88% | -26.04% | -9.46%  | 8.91%   | 11.69%                       |

(2) Data quoted is past performance and is based on deduction of the maximum applicable sales load for each of the periods. Current performance may be lower or higher. Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate and shares, when redeemed, may be worth more or less than their original cost. Please visit [www.ivyfund.com](http://www.ivyfund.com) for the Fund's most recent month-end performance. Class A and Class E shares carry a maximum front-end sales load of 5.75%. Class B and Class C shares carry maximum contingent deferred sales charges (CDSC) of 5% and 1%, respectively. (Accordingly, the Class C shares reflect no CDSC since it only applies to Class C shares redeemed within twelve months after purchase.) Class I, Class R and Class Y shares are not subject to sales charges.

(3) Advisor Class shares are no longer available for investment.

(4) 4-2-07 for Class E and Class I shares, 12-29-05 for Class R shares, 7-24-03 for Class Y shares, and 4-8-99 for Advisor Class shares (the date on which shares were first acquired by shareholders).

Past performance is not necessarily indicative of future performance. Indexes are unmanaged. The performance graph and table do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or on the redemption of Fund shares.

# ILLUSTRATION OF FUND EXPENSES

## Ivy Global Natural Resources Fund

(UNAUDITED)

| For the Six Months Ended March 31, 2009          | Beginning Account Value 9-30-08 | Ending Account Value 3-31-09 | Annualized Expense Ratio Based on the Six-Month Period | Expenses Paid During Period* |
|--|---------------------------------|------------------------------|--|------------------------------|
| <b>Based on Actual Fund Return<sup>(1)</sup></b> |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$ 618.30                    | 1.68%  | \$ 6.80                      |
| Class B  | \$1,000                         | \$ 616.00                    | 2.50%  | \$ 10.10                     |
| Class C  | \$1,000                         | \$ 616.50                    | 2.34%  | \$ 9.46                      |
| Class E  | \$1,000                         | \$ 619.80                    | 1.27%  | \$ 5.10                      |
| Class I  | \$1,000                         | \$ 620.40                    | 1.11%  | \$ 4.46                      |
| Class R  | \$1,000                         | \$ 618.50                    | 1.63%  | \$ 6.55                      |
| Class Y  | \$1,000                         | \$ 620.10                    | 1.21%  | \$ 4.86                      |
| Advisor Class**                                  | \$1,000                         | \$ 620.10                    | 1.06%  | \$ 4.86                      |
| <b>Based on 5% Return<sup>(2)</sup></b>          |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$ 1,016.56                  | 1.68%  | \$ 8.47                      |
| Class B  | \$1,000                         | \$ 1,012.45                  | 2.50%  | \$ 12.58                     |
| Class C  | \$1,000                         | \$ 1,013.26                  | 2.34%  | \$ 11.78                     |
| Class E  | \$1,000                         | \$ 1,018.61                  | 1.27%  | \$ 6.36                      |
| Class I  | \$1,000                         | \$ 1,019.42                  | 1.11%  | \$ 5.55                      |
| Class R  | \$1,000                         | \$ 1,016.80                  | 1.63%  | \$ 8.17                      |
| Class Y  | \$1,000                         | \$ 1,018.92                  | 1.21%  | \$ 6.06                      |
| Advisor Class**                                  | \$1,000                         | \$ 1,018.92                  | 1.06%  | \$ 6.06                      |

\*Fund expenses for each share class are equal to the Fund's annualized expense ratio for each share class (provided in the table), multiplied by the average account value over the period, multiplied by 182 days in the six-month period ended March 31, 2009, and divided by 365.

\*\*Class closed to investment.

(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 last column.

(2) This section uses a hypothetical five percent 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.

See "Disclosure of Expenses" on page 8 for further information on how expenses were calculated.

# SCHEDULE OF INVESTMENTS

## Ivy Global Natural Resources Fund *(in thousands)*

MARCH 31, 2009

| COMMON STOCKS  | Shares | Value          | COMMON STOCKS (Continued)                                       | Shares | Value          |
|--|--------|----------------|---|--------|----------------|
| <b>Bermuda – 0.85%</b>                                       |        |                | <b>Germany – 1.28%</b>  |        |                |
| Bunge Limited  | 425    | \$ 24,076      | SGL Carbon SE (A)(B)  | 1,500  | \$ 36,279      |
| <b>Brazil – 7.75%</b>  |        |                | <b>Hong Kong – 0.28%</b>  |        |                |
| Companhia de Saneamento de Minas Gerais (A)                  | 4,196  | 35,722         | Guangdong Investment Limited (A)                                | 20,000 | 8,063          |
| Companhia Energetica de Minas Gerais – CEMIG, ADR            | 450    | 6,651          | <b>Indonesia – 0.37%</b>  |        |                |
| Companhia Vale do Rio Doce, ADR                              | 7,250  | 81,780         | PT Tambang Batubara Bukit Asam (Persero) Tbk (A)                | 18,000 | 10,546         |
| Petroleo Brasileiro S.A.- Petrobras, ADR                     | 1,500  | 36,750         | <b>Israel – 1.50%</b>   |        |                |
| Suzano Bahia Sul Papel E Celulose S.A. (A)(B)                | 8,950  | 39,855         | Israel Chemicals Ltd. (A)                                       | 5,250  | 42,590         |
| Usinas Siderurgicas de Minas Gerais S.A. – USIMINAS (A)      | 500    | 5,733          | <b>Kazakhstan – 0.92%</b>                                       |        |                |
| Votorantim Celulose e Papel S.A. (A)                         | 885    | 4,090          | Joint Stock Company KazMunaiGas Exploration Production, GDR (A) | 1,750  | 26,041         |
| Votorantim Celulose e Papel S.A., ADR                        | 1,980  | 8,672          | <b>Luxembourg – 0.27%</b>                                       |        |                |
| Votorantim Celulose e Papel S.A., Rights (A)(B)              | 984    | –*             | Tenaris S.A., ADR   | 375    | 7,564          |
|  |        | <u>219,253</u> | <b>Netherlands – 0.53%</b>                                      |        |                |
| <b>Canada – 13.84%</b>                                       |        |                | AMG Advanced Metallurgical Group N.V. (A)(B)                    | 396    | 2,278          |
| Agrium Inc.  | 650    | 23,264         | Core Laboratories N.V.  | 175    | 12,803         |
| Aquiline Resources Inc. (A)(B)                               | 2,000  | 4,283          |   |        | <u>15,081</u>  |
| ARISE Technologies Corporation (A)(B)                        | 5,000  | 1,586          | <b>Norway – 1.87%</b>   |        |                |
| Atacama Minerals Corp. (A)(B)(C)                             | 5,880  | 1,865          | Aker Solutions ASA (A)  | 2,846  | 18,381         |
| Cameco Corporation   | 363    | 6,224          | Renewable Energy Corporation ASA (A)(B)                         | 4,000  | 34,594         |
| Canadian Natural Resources Limited (A)                       | 2,400  | 93,103         |   |        | <u>52,975</u>  |
| First Quantum Minerals Ltd. (A)                              | 1,000  | 28,157         | <b>Panama – 1.42%</b>   |        |                |
| First Uranium Corporation (A)(B)                             | 190    | 1,006          | McDermott International, Inc. (B)                               | 3,000  | 40,170         |
| Fort Chicago Energy Partners L.P., Class A (A)(B)            | 300    | 1,685          | <b>Peru – 0.63%</b>   |        |                |
| MGM Energy Corp. (A)(B)                                      | 12,543 | 1,045          | Compania de Minas Buenaventura S.A.A., ADR                      | 750    | 17,985         |
| Pason Systems Inc. (A)                                       | 193    | 1,459          | <b>Philippines – 0.29%</b>                                      |        |                |
| Potash Corporation of Saskatchewan Inc.                      | 1,900  | 153,539        | Energy Development Corporation (A)(B)                           | 86,700 | 7,007          |
| Silver Wheaton Corp. (B)                                     | 500    | 4,115          | Manila Water Company, Inc. (A)                                  | 5,175  | 1,179          |
| Silver Wheaton Corp. (A)(B)                                  | 1,000  | 8,209          |   |        | <u>8,186</u>   |
| Sino-Forest Corporation (A)(B)(D)                            | 2,011  | 14,018         | <b>Russia – 5.08%</b>   |        |                |
| Suncor Energy Inc. (A)                                       | 1,500  | 33,479         | Open Joint Stock Company Gazprom, ADR (A)                       | 7,250  | 107,429        |
| TriStar Oil & Gas Ltd. (A)(B)                                | 2,000  | 14,641         | Uralkali Group, GDR (A)   | 3,100  | 36,302         |
|  |        | <u>391,678</u> |   |        | <u>143,731</u> |
| <b>Cayman Islands – 1.18%</b>                                |        |                | <b>Singapore – 0.29%</b>  |        |                |
| China High Speed Transmission Equipment Group Co., Ltd. (A)  | 12,100 | 17,294         | Straits Asia Resources Limited (A)                              | 15,000 | 8,156          |
| Subsea 7 Inc. (A)(B)   | 2,500  | 15,987         | <b>South Africa – 1.77%</b>                                     |        |                |
|  |        | <u>33,281</u>  | Impala Platinum Holdings Limited (A)                            | 3,000  | 50,206         |
| <b>Chile – 0.94%</b>   |        |                | <b>Spain – 1.00%</b>  |        |                |
| Sociedad Quimica y Minera de Chile S.A., ADR                 | 1,000  | 26,560         | Gamesa Corporacion Tecnologica, S.A. (A)                        | 2,200  | 28,218         |
| <b>China – 1.70%</b>   |        |                | <b>Switzerland – 0.43%</b>                                      |        |                |
| Yingli Green Energy Holding Company Limited, ADR (B)(E)      | 8,000  | 48,160         | Noble Corporation   | 500    | 12,045         |
| <b>Cyprus – 0.31%</b>  |        |                |   |        |                |
| Buried Hill Energy (Cyprus) Public Company Limited (A)(B)(C) | 3,630  | 8,712          |   |        |                |
| <b>Denmark – 1.09%</b>                                       |        |                |   |        |                |
| Vestas Wind Systems A/S (A)(B)                               | 700    | 30,751         |   |        |                |

| COMMON STOCKS (Continued)  | Shares | Value              | PREFERRED STOCKS   | Shares    | Value              |
|--|--------|--------------------|--|-----------|--------------------|
| <b>Thailand – 0.80%</b>  |        |                    | <b>Brazil – 2.14%</b>  |           |                    |
| Banpu Public Company Limited (A) . . . . .                       | 2,875  | \$ 17,444          | Bradespar S.A. (A) . . . . .   | 3,120     | \$ 30,517          |
| Banpu Public Company Limited,<br>Registered Shares (A) . . . . . | 885    | 5,345              | CESP – Companhia Energetica de<br>Sao Paulo (A) . . . . .                                  | 4,000     | 22,606             |
|  |        | <u>22,789</u>      | Companhia Energetica de Minas<br>Gerais – CEMIG (A) . . . . .                              | 500       | 7,404              |
|  |        |                    |  |           | <u>60,527</u>      |
| <b>United Kingdom – 3.93%</b>                                    |        |                    | <b>United States – 0.63%</b>   |           |                    |
| Eurasian Natural Resources Corporation<br>PLC (A) . . . . .      | 2,500  | 16,177             | Konarka Technologies, Inc.,<br>8.0% Cumulative (B)(C) . . . . .                            | 3,500     | 17,920             |
| Randgold Resources Limited, ADR . . . . .                        | 1,750  | 95,113             |  |           |                    |
|  |        | <u>111,290</u>     |  |           |                    |
| <b>United States – 42.23%</b>                                    |        |                    | <b>TOTAL PREFERRED STOCKS – 2.77%</b>  |           |                    |
| Allegheny Technologies Incorporated . . . . .                    | 2,000  | 43,860             |  |           | <b>\$ 78,447</b>   |
| Alpha Natural Resources, Inc. (B) . . . . .                      | 1,050  | 18,638             | (Cost: \$113,615)  |           |                    |
| Bristow Group Inc. (B) . . . . .                                 | 550    | 11,787             | <b>CORPORATE DEBT SECURITIES</b>   |           |                    |
| Cameron International Corporation (B) . . . . .                  | 3,100  | 67,983             | <b>Principal</b>   |           |                    |
| Celanese Corporation, Series A . . . . .                         | 2,500  | 33,425             | <b>Brazil – 0.14%</b>  |           |                    |
| Chesapeake Energy Corporation . . . . .                          | 750    | 12,795             | Bahia Sul Celulose S.A.,<br>8.614%, 12–1–12 (D)(F)(G) . . . . .                            |           |                    |
| Complete Production Services, Inc. (B) . . . . .                 | 1,500  | 4,620              |  | BRL10,692 | 3,825              |
| CONSOL Energy Inc. . . . .                                       | 1,100  | 27,764             | <b>China – 0.44%</b>   |           |                    |
| Copano Energy, L.L.C., Units . . . . .                           | 1,000  | 13,320             | Yingli Green Energy Holding Company<br>Limited, Convertible,<br>0.000%, 12–15–12 . . . . . |           |                    |
| Crown Holdings, Inc. (B) . . . . .                               | 500    | 11,365             |  | \$21,798  | 12,534             |
| DCP Midstream Partners, LP . . . . .                             | 400    | 5,624              | <b>TOTAL CORPORATE DEBT SECURITIES – 0.58%</b>   |           |                    |
| Dril-Quip, Inc. (B) . . . . .                                    | 500    | 15,350             |  |           | <b>\$ 16,359</b>   |
| El Paso Corporation . . . . .                                    | 4,000  | 25,000             | (Cost: \$17,068)   |           |                    |
| Energy Recovery, Inc. (B) . . . . .                              | 1,000  | 7,600              | <b>SHORT-TERM SECURITIES</b>   |           |                    |
| Energy Transfer Equity, L.P. . . . .                             | 545    | 11,512             | <b>Commercial Paper</b>  |           |                    |
| Energy Transfer Partners, L.P. . . . .                           | 1,500  | 55,335             | Coca-Cola Company (The),<br>0.200%, 5–20–09 . . . . .                                      |           |                    |
| Enterprise Products Partners L.P. . . . .                        | 1,750  | 38,938             |  | 20,000    | 19,995             |
| First Solar, Inc. (B) . . . . .                                  | 100    | 13,270             | Emerson Electric Co.,<br>0.200%, 4–21–09 . . . . .   |           |                    |
| FMC Corporation . . . . .  | 450    | 19,413             |  | 7,600     | 7,599              |
| FMC Technologies, Inc. (B) . . . . .                             | 350    | 10,979             | Merck & Co., Inc.,<br>0.250%, 4–20–09 . . . . .  |           |                    |
| Foster Wheeler Ltd. (B) . . . . .                                | 1,700  | 29,699             |  | 10,000    | 9,999              |
| GrafTech International Ltd. (B) . . . . .                        | 4,750  | 29,260             | Nokia Corp.,<br>0.270%, 5–6–09 . . . . .   |           |                    |
| Halliburton Company . . . . .                                    | 2,000  | 30,940             |  | 12,000    | 11,997             |
| Magellan Midstream Holdings, L.P. . . . .                        | 700    | 12,250             | PACCAR Financial Corp.,<br>0.270%, 4–16–09 . . . . .                                       |           |                    |
| MarkWest Energy Partners, L.P. . . . .                           | 450    | 5,215              |  | 6,000     | 5,999              |
| Monsanto Company . . . . .                                       | 325    | 27,007             | Rabobank USA Financial Corp.<br>(Rabobank Nederland):<br>0.120%, 4–1–09 . . . . .          |           |                    |
| Mosaic Company . . . . .   | 800    | 33,584             |  | 16,321    | 16,321             |
| National Oilwell Varco, Inc. (B) . . . . .                       | 2,250  | 64,597             |  | 35,620    | 35,619             |
| Oceaneering International, Inc. (B) . . . . .                    | 900    | 33,183             | <b>TOTAL SHORT-TERM SECURITIES – 3.80%</b>   |           |                    |
| Owens-Illinois, Inc. (B) . . . . .                               | 4,000  | 57,760             |  |           | <b>\$ 107,529</b>  |
| Peabody Energy Corporation . . . . .                             | 2,500  | 62,600             | (Cost: \$107,529)  |           |                    |
| Petrohawk Energy Corporation (B) . . . . .                       | 7,500  | 144,225            | <b>TOTAL INVESTMENT SECURITIES – 99.70%</b>  |           |                    |
| Plains All American Pipeline, L.P. . . . .                       | 900    | 33,084             |  |           | <b>\$2,821,794</b> |
| Range Resources Corporation . . . . .                            | 400    | 16,464             | (Cost: \$4,215,799)  |           |                    |
| Regency Energy Partners LP . . . . .                             | 750    | 9,360              | <b>CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.30%</b>                                   |           |                    |
| Rockwood Holdings, Inc. (B) . . . . .                            | 3,500  | 27,790             |  |           | <b>8,378</b>       |
| Shaw Group Inc. (The) (B) . . . . .                              | 264    | 7,239              | <b>NET ASSETS – 100.00%</b>  |           |                    |
| Smith International, Inc. . . . .                                | 1,075  | 23,091             |  |           | <b>\$2,830,172</b> |
| Targa Resources Partners LP . . . . .                            | 600    | 5,376              |  |           |                    |
| Transocean Inc. (B) . . . . .                                    | 1,300  | 76,492             |  |           |                    |
| Verso Paper Holdings LLC . . . . .                               | 1,303  | 834                |  |           |                    |
| Williams Companies, Inc. (The) . . . . .                         | 532    | 6,055              |  |           |                    |
| Williams Partners L.P. . . . .                                   | 931    | 10,390             |  |           |                    |
|  |        | <u>1,195,073</u>   |  |           |                    |
| <b>TOTAL COMMON STOCKS – 92.55%</b>                              |        | <b>\$2,619,459</b> |  |           |                    |
| (Cost: \$3,977,587)  |        |                    |  |           |                    |

## Notes to Schedule of Investments

The following forward currency contracts were outstanding at March 31, 2009:

| Type | Currency           | Principal Amount of Contract (Denominated in Indicated Currency) | Settlement Date | Unrealized Appreciation | Unrealized Depreciation |
|------|--------------------|--|-----------------|-------------------------|-------------------------|
| Sell | British Pound      | 2,600  | 4-16-09         | \$ 102                  | \$ —                    |
| Sell | British Pound      | 500  | 4-16-09         | —                       | 4                       |
| Sell | British Pound      | 2,000  | 6-11-09         | —                       | 76                      |
| Sell | Euro               | 3,400  | 5-7-09          | —                       | 109                     |
| Sell | Euro               | 7,200  | 6-4-09          | —                       | 506                     |
| Sell | South African Rand | 43,800   | 4-15-09         | —                       | 341                     |
| Sell | South African Rand | 45,000   | 4-22-09         | —                       | 347                     |
| Sell | South African Rand | 30,000   | 5-6-09          | —                       | 4                       |
| Sell | South African Rand | 53,000   | 5-14-09         | —                       | 136                     |
| Sell | South African Rand | 56,000   | 6-10-09         | —                       | 661                     |
|      |                    |  |                 | <u>\$ 102</u>           | <u>\$ 2,184</u>         |

\*Not shown due to rounding.

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

(B) No dividends were paid during the preceding 12 months.

(C) Illiquid restricted securities. At March 31, 2009, the following restricted securities were owned:

| Security   | Acquisition Date | Shares | Cost             | Market Value     |
|--|------------------|--------|------------------|------------------|
| Atacama Minerals Corp.                             | 8-19-08          | 5,880  | \$ 4,664         | \$ 1,865         |
| Buried Hill Energy (Cyprus) Public Company Limited | 4-17-08          | 3,630  | 6,182            | 8,712            |
| Konarka Technologies, Inc., 8.0% Cumulative        | 8-31-07          | 3,500  | 10,850           | 17,920           |
|  |                  |        | <u>\$ 21,696</u> | <u>\$ 28,497</u> |

The total value of these securities represented approximately 1.01% of net assets at March 31, 2009.

(D) 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. These securities have been determined to be illiquid under guidelines established by the Board of Trustees. At March 31, 2009, the total value of these securities amounted to \$17,843 or 0.63% of net assets.

(E) Deemed to be an affiliate due to the Fund having at least 5% of the voting securities.

(F) Variable rate security. Interest rate disclosed is that which is in effect at March 31, 2009.

(G) Principal amounts are denominated in the indicated foreign currency, where applicable (BRL – Brazilian Real).

The following acronyms are used throughout this portfolio:

ADR = American Depositary Receipts

GDR = Global Depositary Receipts

### Market Sector Diversification

(as a % of net assets)

|                        |        |
|------------------------|--------|
| Energy                 | 45.34% |
| Materials              | 32.66% |
| Industrials            | 10.68% |
| Utilities              | 3.44%  |
| Information Technology | 1.85%  |
| Financials             | 1.08%  |
| Consumer Staples       | 0.85%  |
| Other+                 | 4.10%  |

+Includes cash and cash equivalents and other assets and liabilities

For Federal income tax purposes, cost of investments owned at March 31, 2009 and the related unrealized appreciation (depreciation) were as follows:

|                               |                |
|-------------------------------|----------------|
| Cost                          | \$ 4,876,458   |
| Gross unrealized appreciation | 116,277        |
| Gross unrealized depreciation | (2,170,941)    |
| Net unrealized depreciation   | \$ (2,054,664) |

Industry and geographical classifications are unaudited.

See Accompanying Notes to Financial Statements.



Joseph R. Betlej



Lowell R. Bolken

Ivy Real Estate Securities Fund is subadvised by Advantus Capital Management, Inc.

Below, Joseph R. Betlej, CFA, and Lowell R. Bolken, the Fund's portfolio managers, discuss positioning, performance and results for the fiscal year ended March 31, 2009. Mr. Betlej has managed the Fund since its inception and has 24 years of industry experience. Mr. Bolken has managed the Fund for three years and has 19 years of industry experience.

### Investment Style

○ Current ■ Historical

Source: Morningstar, Inc.



This diagram shows the Fund's equity investment style and the size of companies in the Fund, as measured by market capitalization. Shaded areas reflect quarterly data for the past three years.

### Fiscal Year Performance

For the 12 Months Ended March 31, 2009

|   |         |
|---|---------|
| <b>Ivy Real Estate Securities Fund</b><br>(Class A shares at net asset value)   | -56.07% |
| Benchmark(s) and/or Lipper Category   |         |
| <b>Dow Jones Wilshire Real Estate Securities Index</b><br>(generally reflects the performance of securities representing the commercial real estate market) | -61.02% |
| <b>Lipper Real Estate Funds Universe Average</b><br>(generally reflects the performance of the universe of funds with similar investment objectives)        | -58.46% |

Please note that Fund returns include applicable fees and expenses while index returns do not include any such fees.

### Financing became problematic for real estate

This past fiscal year was highly disappointing. The Fund retained somewhat more capital than our Lipper peer group (before taking into account the effect of sales charges) and benchmark through an increased allocation to cash and relative success in picking stocks that did not lose as much money as those in the benchmark.

Real estate stocks began the fiscal year in a tenuous situation. Real estate investment trust (REIT) stock prices had leveled off after weak performance in 2007. Operating fundamentals had remained relatively solid, but weakness was beginning to appear, particularly in property types with shorter leases (such as hotels and apartments). Debt markets for commercial real estate were challenged, with the cost of financing property rising and the available loan-to-values significantly less. Lenders, however, helped to stabilize the market with continued financing.

As fall approached, it was the broader financial markets that began to determine the prospects for real estate stocks. As household financial companies such as Bear Stearns, Lehman Brothers and others fell, the markets for debt began to collapse. Early in the past year, these stocks seemed to be thought of as a relative area of safety, particularly within the financial sector. The precipitous drop in real estate stocks seemed to be triggered by fear and panic, even though slowing fundamentals and limited capital availability to commercial real estate had already been anticipated by many market participants. Investors worried that if capital were not available to commercial real estate, there would be little ability to assign value to the underlying real estate assets and, hence, the stocks. Thus, REIT stocks tended to follow the direction of the broader financial sector.

Economic weakness and the limited ability to borrow affected more than just the real estate sector; weakness in tenants of all kinds would eventually be reflected in occupancy and rental rate trends. Consumers, hurt by the housing economy and investment losses, caused retailers to pull back on their demand for leasing in shopping centers across the country. Weakened economic demand resulted in decreased inventories, putting pressure on port markets in general, and distribution warehouse properties specifically. Job losses caused demand for office space to disappear, while apartment tenants dwindled in number as individuals attempted to find more efficient housing alternatives.

### REIT prices collapsed

REITs, in their role as a leading indicator, saw their prices collapse as the anticipated decline in the underlying real estate values was inevitable. The stocks traded at significant discounts to underlying value of the assets, even in disaster scenarios. The effects of economic stimulus and financial market interventions have yet to make a pronounced impact on the willingness of investors to take on real estate risk.

The best-performing sectors were manufactured homes, health care and self-storage; market participants consider these groups defensive in a weakening economic environment. The worst performers were regional malls (weakening consumers), industrial warehouse companies (fearing their transaction-oriented business models would not work in a capital-starved environment) and hotel companies (weak business traveler).

Due to concerns of a weakening economy and subsequent weakness in real estate fundamentals, we sought to position the Fund more conservatively. We built up larger cash positions in anticipation of potentially better buys in the future. In addition, volatility within the group allowed us the opportunity to trade securities within the portfolio a bit more aggressively, taking advantage of the price swings.

Noting that capital would be scarce, many REITs took dramatic steps as the year progressed in an effort to improve the quality of their balance sheets. Certain companies have sold assets, refinanced debt and, in certain cases, issued equity to provide more liquidity in an uncertain future. Some have gone to the extreme measure of cutting or suspending their dividend in order to preserve capital in their companies. Others have not been as aggressive, due to an unwillingness or inability to sell assets, and may be captive to tough financing markets in the near future. We believe that REITs that are positively positioned may be able to take advantage of tremendous opportunities that the market may offer. The Fund's focus has been on those companies with stronger balance sheets and only modest debt maturities in the next few years. Emphasis was also placed on experienced management teams deemed capable to lead their companies through tough markets. In addition, exposures to sectors with more defensive characteristics were enhanced during the year.

### **Our outlook**

We believe the market for real estate securities will be negatively affected if fundamentals continue to weaken. Headline risk remains high for the group as concerns likely will be raised regarding commercial mortgage vacancies and reductions in commercial real estate values across the country. It will likely be the financial markets that have the largest influence on real estate securities in the future. With the number of financial institutions that have collapsed, merged or downsized, the availability of financing could continue to be limited, impacting the clarity of real estate values.

As these forces buffet the commercial real estate market, we expect that price volatility will continue. However, due to the corrections in prices over the last two years, we feel that we are in much closer proximity to a bottom in pricing for REITs. Fortunately, there has been a relative absence of overbuilding due to credit market constraints, diminishing the deleterious effects of oversupply which often accompanies economic downturns. What will change the sentiment for REITs? The first possibility would be evidence in the economy that production is reviving and job losses are abating. Secondly, the consumer must emerge from hibernation. Lastly, lenders must embrace the liquidity and incentives that the federal government introduced to become a more sustainable form of capital for companies. Evidence suggests that REITs are cheap relative to historical valuation parameters, but we believe that the catalyst must come from the broader economy for positive momentum to take hold in real estate stocks.

The Fund's performance noted above is at net asset value (NAV), and does not include the effect of any applicable sales charges. If reflected, the sales charge would reduce the performance noted.

As with any mutual fund, the value of the Fund's shares will change, and you could lose money on your investment. Investment risks associated with real estate securities, in addition to other risks, include rental income fluctuation, depreciation, property tax value changes and differences in real estate market values. Real estate securities are subject to interest rate risk and, as such, the Fund's net asset value may fall as interest rates rise. Investing in companies involved in one specified sector may be more risky and volatile than an investment with greater diversification. These and other risks are more fully described in the Fund's prospectus.

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

The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of the Ivy Real Estate Securities Fund.

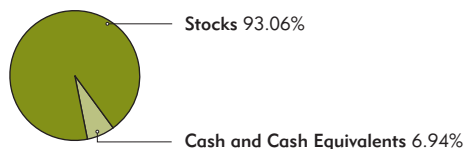


# PORTFOLIO HIGHLIGHTS

## Ivy Real Estate Securities Fund

ALL DATA IS AS OF MARCH 31, 2009 (UNAUDITED)

### Asset Allocation



|                                  |               |
|----------------------------------|---------------|
| <b>Stocks</b>                    | <b>93.06%</b> |
| Financials                       | 93.06%        |
| <b>Cash and Cash Equivalents</b> | <b>6.94%</b>  |

### Lipper Rankings

| Category: Lipper Real Estate Funds | Rank   | Percentile |
|------------------------------------|--------|------------|
| 1 Year                             | 54/232 | 24         |
| 3 Year                             | 66/192 | 35         |
| 5 Year                             | 68/167 | 41         |
| 10 Year                            | 21/70  | 30         |

*Past performance is no guarantee of future results. Rankings are for Class A Shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.*

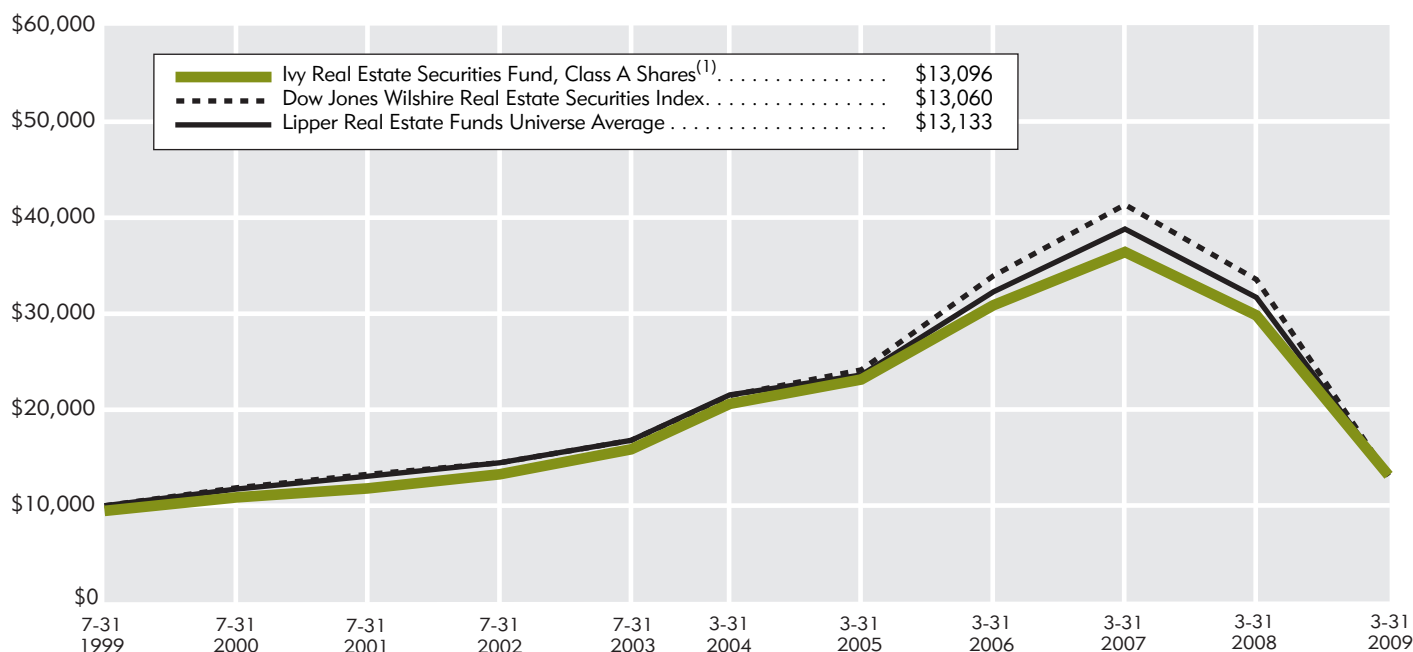
### Top 10 Equity Holdings

| Company                              | Sector     | Industry          |
|--------------------------------------|------------|-------------------|
| Simon Property Group, Inc.           | Financials | Retail REITs      |
| Public Storage, Inc.                 | Financials | Specialized REITs |
| Vornado Realty Trust                 | Financials | Diversified REITs |
| Equity Residential                   | Financials | Residential REITs |
| Health Care Property Investors, Inc. | Financials | Specialized REITs |
| Digital Realty Trust, Inc.           | Financials | Office REITs      |
| Boston Properties, Inc.              | Financials | Office REITs      |
| Essex Property Trust, Inc.           | Financials | Residential REITs |
| AvalonBay Communities, Inc.          | Financials | Residential REITs |
| Ventas, Inc.                         | Financials | Specialized REITs |

See your advisor or [www.ivyfund.com](http://www.ivyfund.com) for more information on the Fund's most recently published Top 10 Equity Holdings.

# COMPARISON OF CHANGE IN VALUE OF \$10,000 INVESTMENT Ivy Real Estate Securities Fund

(UNAUDITED)



Please note that the performance of the Fund's other share classes will be greater or less than the performance shown above for Class A based on the differences in loads and fees paid by shareholders investing in the different classes.

(1) The value of the investment in the Fund is impacted by the sales load at the time of the investment and by the ongoing expenses of the Fund and assumes reinvestment of dividends and distributions.

| Average Annual Total Return <sup>(2)</sup>              | Class A | Class B | Class C | Class E | Class I | Class R | Class Y |
|---|---------|---------|---------|---------|---------|---------|---------|
| 1-year period ended 3-31-09                             | -58.59% | -58.41% | -56.47% | -58.60% | -55.70% | -55.94% | -55.78% |
| 5-year period ended 3-31-09                             | -9.74%  | -9.81%  | -9.43%  | —       | —       | —       | -8.36%  |
| 10-year period ended 3-31-09                            | 3.50%   | —       | —       | —       | —       | —       | —       |
| Since inception of Class <sup>(3)</sup> through 3-31-09 | —       | -6.92%  | -6.54%  | -42.33% | -39.83% | -20.23% | -5.46%  |

(2) Data quoted is past performance and is based on deduction of the maximum applicable sales load for each of the periods. Current performance may be lower or higher. Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate and shares, when redeemed, may be worth more or less than their original cost. Please visit [www.ivyfund.com](http://www.ivyfund.com) for the Fund's most recent month-end performance. Class A and Class E shares carry a maximum front-end sales load of 5.75%. Class B and Class C shares carry maximum contingent deferred sales charges (CDSC) of 5% and 1%, respectively. (Accordingly, the Class C shares reflect no CDSC since it only applies to Class C shares redeemed within twelve months after purchase.) Class I, Class R and Class Y shares are not subject to sales charges.

(3) 12-8-03 for Class B, Class C and Class Y shares, 4-2-07 for Class E and Class I shares and 12-29-05 for Class R shares (the date on which shares were first acquired by shareholders).

Past performance is not necessarily indicative of future performance. Indexes are unmanaged. The performance graph and table do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or on the redemption of Fund shares.

The Advantus Real Estate Securities Fund merged into the Ivy Real Estate Securities Fund on December 8, 2003. The performance shown for periods prior to this date is that of the Advantus Real Estate Securities Fund Class A shares, restated to reflect current sales charges applicable to Ivy Real Estate Securities Fund Class A shares. Performance has not been restated to reflect the fees and expenses applicable to the Ivy Real Estate Securities Fund. If these expenses were reflected, performance shown would differ.

ILLUSTRATION OF FUND EXPENSES  
**Ivy Real Estate Securities Fund**

(UNAUDITED)

| For the Six Months Ended March 31, 2009          | Beginning Account Value 9-30-08 | Ending Account Value 3-31-09 | Annualized Expense Ratio Based on the Six-Month Period | Expenses Paid During Period* |
|--|---------------------------------|------------------------------|--|------------------------------|
| <b>Based on Actual Fund Return<sup>(1)</sup></b> |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$ 439.70                    | 2.21%  | \$ 7.92                      |
| Class B  | \$1,000                         | \$ 435.80                    | 3.74%  | \$13.35                      |
| Class C  | \$1,000                         | \$ 437.30                    | 3.13%  | \$11.21                      |
| Class E  | \$1,000                         | \$ 441.00                    | 1.67%  | \$ 5.98                      |
| Class I  | \$1,000                         | \$ 441.80                    | 1.18%  | \$ 4.25                      |
| Class R  | \$1,000                         | \$ 440.60                    | 1.71%  | \$ 6.12                      |
| Class Y  | \$1,000                         | \$ 441.50                    | 1.41%  | \$ 5.05                      |
| <b>Based on 5% Return<sup>(2)</sup></b>          |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$1,013.90                   | 2.21%  | \$11.08                      |
| Class B  | \$1,000                         | \$1,006.30                   | 3.74%  | \$18.66                      |
| Class C  | \$1,000                         | \$1,009.32                   | 3.13%  | \$15.67                      |
| Class E  | \$1,000                         | \$1,016.60                   | 1.67%  | \$ 8.37                      |
| Class I  | \$1,000                         | \$1,019.06                   | 1.18%  | \$ 5.96                      |
| Class R  | \$1,000                         | \$1,016.39                   | 1.71%  | \$ 8.57                      |
| Class Y  | \$1,000                         | \$1,017.90                   | 1.41%  | \$ 7.06                      |

\*Fund expenses for each share class are equal to the Fund's annualized expense ratio for each share class (provided in the table), multiplied by the average account value over the period, multiplied by 182 days in the six-month period ended March 31, 2009, 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 last column.

(2) This section uses a hypothetical five percent 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.

See "Disclosure of Expenses" on page 8 for further information on how expenses were calculated.

# SCHEDULE OF INVESTMENTS

## Ivy Real Estate Securities Fund *(in thousands)*

MARCH 31, 2009

| COMMON STOCKS   | Shares | Value         |
|---|--------|---------------|
| <b>Diversified REITs – 9.78%</b>                        |        |               |
| Liberty Property Trust                                  | 96     | \$ 1,818      |
| PS Business Parks, Inc.                                 | 81     | 2,967         |
| Vornado Realty Trust                                    | 239    | 7,956         |
| Washington Real Estate Investment Trust                 | 192    | 3,323         |
|   |        | <u>16,064</u> |
| <b>Industrial REITs – 4.60%</b>                         |        |               |
| AMB Property Corporation                                | 131    | 1,887         |
| EastGroup Properties, Inc.                              | 87     | 2,439         |
| First Potomac Realty Trust                              | 57     | 415           |
| ProLogis  | 432    | 2,811         |
|   |        | <u>7,552</u>  |
| <b>Office REITs – 17.12%</b>                            |        |               |
| Alexandria Real Estate Equities, Inc.                   | 49     | 1,773         |
| Boston Properties, Inc.                                 | 180    | 6,312         |
| Corporate Office Properties Trust                       | 188    | 4,670         |
| Cousins Properties Incorporated                         | 156    | 1,007         |
| Digital Realty Trust, Inc.                              | 197    | 6,523         |
| Douglas Emmett, Inc.                                    | 371    | 2,745         |
| Highwoods Properties, Inc.                              | 92     | 1,962         |
| Kilroy Realty Corporation                               | 143    | 2,463         |
| SL Green Realty Corp.                                   | 64     | 688           |
|   |        | <u>28,143</u> |
| <b>Real Estate Management &amp; Development – 0.38%</b> |        |               |
| CB Richard Ellis Group, Inc., Class A (A)               | 154    | 619           |
| <b>Residential REITs – 18.29%</b>                       |        |               |
| American Campus Communities, Inc.                       | 100    | 1,734         |
| AvalonBay Communities, Inc.                             | 124    | 5,822         |
| BRE Properties, Inc., Class A                           | 134    | 2,621         |
| Camden Property Trust                                   | 88     | 1,899         |
| Equity Residential                                      | 391    | 7,173         |
| Essex Property Trust, Inc.                              | 104    | 5,940         |
| Home Properties, Inc.                                   | 68     | 2,087         |
| Mid-America Apartment Communities, Inc.                 | 90     | 2,784         |
|   |        | <u>30,060</u> |
| <b>Retail REITs – 19.79%</b>                            |        |               |
| Acadia Realty Trust                                     | 205    | 2,172         |
| Federal Realty Investment Trust                         | 102    | 4,697         |
| Kimco Realty Corporation                                | 319    | 2,428         |
| Kite Realty Group Trust                                 | 73     | 178           |
| Macerich Company (The)                                  | 139    | 867           |
| National Retail Properties, Inc.                        | 167    | 2,644         |
| Regency Centers Corporation                             | 127    | 3,369         |
| Saul Centers, Inc.                                      | 61     | 1,390         |
| Simon Property Group, Inc.                              | 312    | 10,809        |
| Tanger Factory Outlet Centers, Inc.                     | 77     | 2,376         |
| Taubman Centers, Inc.                                   | 94     | 1,593         |
|   |        | <u>32,523</u> |
| <b>Specialized REITs – 22.85%</b>                       |        |               |
| Cogdell Spencer Inc.                                    | 92     | 470           |
| Entertainment Properties Trust                          | 39     | 607           |
| Health Care Property Investors, Inc.                    | 389    | 6,936         |
| Health Care REIT, Inc.                                  | 175    | 5,344         |
| Healthcare Realty Trust Incorporated                    | 63     | 938           |
| Hersha Hospitality Trust                                | 226    | 430           |

| COMMON STOCKS (Continued)            | Shares | Value             |
|--------------------------------------|--------|-------------------|
| <b>Specialized REITs (Continued)</b> |        |                   |
| Host Hotels & Resorts, Inc.          | 546    | \$ 2,142          |
| LaSalle Hotel Properties             | 118    | 689               |
| Nationwide Health Properties, Inc.   | 163    | 3,624             |
| Public Storage, Inc.                 | 192    | 10,614            |
| Ventas, Inc.                         | 255    | 5,765             |
|                                      |        | <u>37,559</u>     |
| <b>TOTAL COMMON STOCKS – 92.81%</b>  |        | <b>\$ 152,520</b> |
| (Cost: \$276,901)                    |        |                   |

| INVESTMENT FUNDS – 0.25%         | Shares | Value  |
|----------------------------------|--------|--------|
| <b>Sector Fund-Real Estate</b>   |        |        |
| ProShares UltraShort Real Estate | 8      | \$ 422 |
| (Cost: \$477)                    |        |        |

| SHORT-TERM SECURITIES   | Principal | Value        |
|---|-----------|--------------|
| <b>Commercial Paper – 5.54%</b>   |           |              |
| Abbott Laboratories,<br>0.320%, 4-14-09   | \$ 2,000  | 2,000        |
| John Deere Credit Limited (John Deere<br>Capital Corporation),<br>0.460%, 4-15-09 | 2,000     | 2,000        |
| Wisconsin Electric Power Co.,<br>0.150%, 4-1-09                                   | 5,110     | 5,110        |
|   |           | <u>9,110</u> |

| Master Note – 0.38%                                    | Shares | Value |
|--|--------|-------|
| Toyota Motor Credit Corporation,<br>1.271%, 4-1-09 (B) | 619    | 619   |

|  |                 |
|--|-----------------|
| <b>TOTAL SHORT-TERM SECURITIES – 5.92%</b> | <b>\$ 9,729</b> |
| (Cost: \$9,729)                            |                 |

|   |                   |
|---|-------------------|
| <b>TOTAL INVESTMENT SECURITIES – 98.98%</b> | <b>\$ 162,671</b> |
| (Cost: \$287,107)                           |                   |

|  |              |
|--|--------------|
| <b>CASH AND OTHER ASSETS, NET OF LIABILITIES – 1.02%</b> | <b>1,670</b> |
|--|--------------|

|                             |                   |
|-----------------------------|-------------------|
| <b>NET ASSETS – 100.00%</b> | <b>\$ 164,341</b> |
|-----------------------------|-------------------|

### Notes to Schedule of Investments

(A) No dividends were paid during the preceding 12 months.

(B) Variable rate security. Interest rate disclosed is that which is in effect at March 31, 2009.

For Federal income tax purposes, cost of investments owned at March 31, 2009 and the related unrealized appreciation (depreciation) were as follows:

|                               |              |
|-------------------------------|--------------|
| Cost                          | \$ 300,356   |
| Gross unrealized appreciation | 242          |
| Gross unrealized depreciation | (137,927)    |
| Net unrealized depreciation   | \$ (137,685) |

Industry classifications are unaudited.

See Accompanying Notes to Financial Statements.



Thomas B. Houghton



David W. Land



Christopher R. Sebald

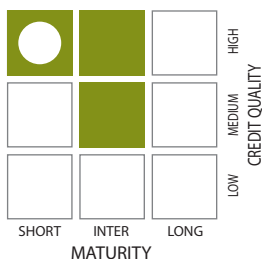
Ivy Bond Fund is subadvised by Advantus Capital Management, Inc.

Below, Thomas B. Houghton, CFA; David W. Land, CFA and Christopher R. Sebald, CFA; portfolio managers of the Ivy Bond Fund, discuss positioning, performance and results for the fiscal year ended March 31, 2009. Mr. Houghton has managed the Fund for four years and has 16 years of industry experience. Mr. Land has managed the Fund for four years and has 18 years of industry experience. Mr. Sebald has managed the Fund for five years and has 20 years of industry experience.

### Investment Style

○ Current ■ Historical

Source: Morningstar, Inc.



This diagram shows the Fund's fixed-income investment style by displaying the average credit quality of the bonds owned and the Fund's interest rate sensitivity, as measured by average maturity. Shaded areas show the past three years of quarterly data

### Fiscal Year Performance

For the 12 Months Ended March 31, 2009

|  |        |
|--|--------|
| <b>Ivy Bond Fund (Class A shares at net asset value)</b>   | -7.22% |
| Benchmark(s) and/or Lipper Category  |        |
| <b>Citigroup Broad Investment Grade Index</b>  | 4.52%  |
| (generally reflects the performance of securities representing the bond market)                  |        |
| <b>Lipper Corporate Debt A-Rated Funds Universe Average</b>                                      | -6.24% |
| (generally reflects the performance of the universe of funds with similar investment objectives) |        |

Please note that Fund returns include applicable fees and expenses while index returns do not include any such fees.

### Corporate bond, mortgage exposure led to weak results

We underperformed our Lipper peer group and benchmark index this past fiscal year due to the Fund's exposure to non-agency mortgage securities and corporate bonds. Due to the recession and significant credit crunch that enveloped the financial markets in 2008 and early 2009, there was a large disparity among the various sectors in which the Fund has typically focused and government-related securities that historically have not produced returns as competitive.

Treasury securities offered the best performance during the year, followed by securities issued by government agencies (Fannie Mae and Freddie Mac, for example). Corporate and non-agency mortgage securities fell by 6 percent to 30 percent, while Treasuries and agency mortgage-backed securities rose, in general, by 4 percent to 7 percent. In addition, lower quality securities performed worse than higher quality bonds during the year, with yields rising less on higher rated corporate and agency mortgage securities. The Fund had a lower proportion of high-

quality bonds than the index, which negatively influenced the Fund's return. Overall, performance was affected primarily by our sector allocation, rather than our selection of individual securities.

We increased the Fund's overall quality significantly during the year and increased exposure to securities that are guaranteed or supported by the federal government. That includes Treasuries, agency mortgage-backed securities and bonds of companies that have received (or could receive) funds from the federal government's Troubled Asset Relief Program. Our credit research and focus on security selection helped us avoid purchasing the bonds of companies with high-profile defaults, such as Lehman Brothers and Washington Mutual.

### Our outlook

We feel the markets have priced in a significant decline in the economy, including falling corporate profits, slower growth and very high bond defaults. In the fixed-income market, the rise in yields on non-government securities can only be compared with yields of similar bonds in the 1930s. While such a rise in these yields seems in excess of expected losses, it is too soon to know whether government actions will be adequate to forestall a severe recession or worse. The economy, we feel, is bound to suffer greater losses in the coming quarters in the event that companies and consumers continue to cut back on spending and investment. The unemployment rate is likely to rise throughout the rest of 2009 and corporate earnings are bound to see significant disappointment, in our opinion. Midway through last year, we increased quality in the Fund by increasing exposure to agency mortgage-backed securities and Treasuries while reducing commercial mortgage-backed securities and corporate bonds. More recently with Treasury yields remaining very low, we moved back into corporate bonds that offer higher yields and further increased holdings of agency mortgage-backed securities. However, we expect to remain in higher quality securities, due to our anticipation of rising defaults in the coming quarters as the recession and severe credit cycle play out.

**The Fund's performance noted above is at net asset value (NAV), and does not include the effect of any applicable sales charges. If reflected, the sales charge would reduce the performance noted.**

**As with any mutual fund, the value of the Fund's shares will change, and you could lose money on your investment.**

---

Fixed-income securities are subject to interest rate risk and, as such, the Fund's net asset value may fall as interest rates rise. These and other risks are more fully described in the Fund's prospectus.

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. 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.

On Sept. 7, 2008, the Federal Housing Finance Agency (FHFA), an agency of the U.S. government, placed Fannie Mae and Freddie Mac into conservatorship, a statutory process with the objective of returning the entities to normal business operations. FHFA will act as the conservator to operate Fannie Mae and Freddie Mac until they are stabilized. It is unclear what effect this conservatorship will have on the securities issued or guaranteed by Fannie Mae or Freddie Mac.

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

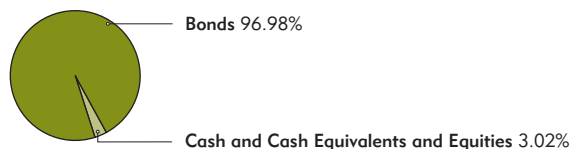
The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of the Ivy Bond Fund.

# PORTFOLIO HIGHLIGHTS

## Ivy Bond Fund

ALL DATA IS AS OF MARCH 31, 2009 (UNAUDITED)

### Asset Allocation



| Bonds  | 96.98% |
|--|--------|
| United States Government and Government Agency Obligations | 49.76% |
| Corporate Debt Securities                                  | 47.22% |
| Cash and Cash Equivalents and Equities                     | 3.02%  |

### Bond Portfolio Characteristics

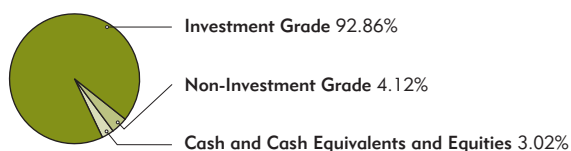
|                              |           |
|------------------------------|-----------|
| Average maturity             | 6.1 years |
| Effective duration           | 3.5 years |
| Weighted average bond rating | AA        |

### Lipper Rankings

| Category: Lipper Corporate Debt A-Rated Funds | Rank    | Percentile |
|---|---------|------------|
| 1 Year  | 95/162  | 59         |
| 3 Year  | 103/155 | 67         |
| 5 Year  | 96/140  | 69         |
| 10 Year                                       | 44/67   | 65         |

Past performance is no guarantee of future results. Rankings are for Class A Shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.

### Quality Weightings



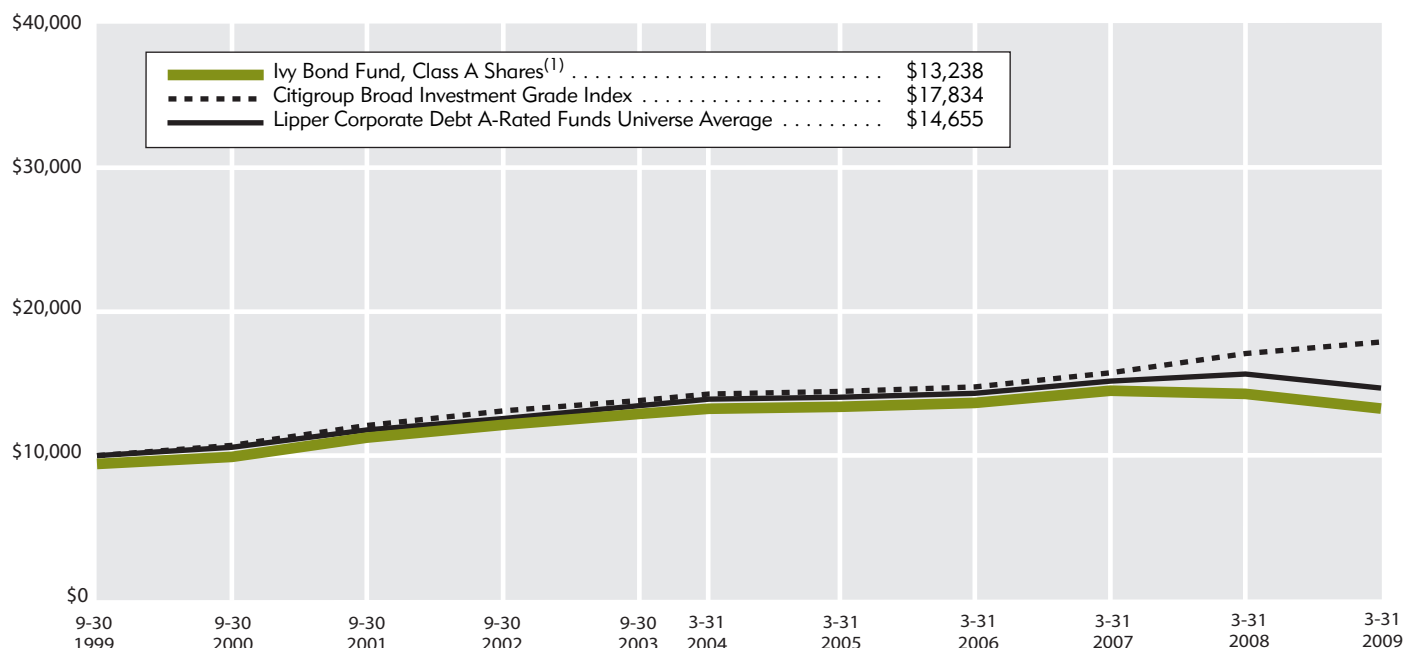
| Investment Grade                       | 92.86% |
|--|--------|
| AAA                                    | 65.17% |
| AA                                     | 2.61%  |
| A                                      | 7.54%  |
| BBB                                    | 17.54% |
| Non-Investment Grade                   | 4.12%  |
| BB                                     | 3.80%  |
| B                                      | 0.32%  |
| Cash and Cash Equivalents and Equities | 3.02%  |

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.

# COMPARISON OF CHANGE IN VALUE OF \$10,000 INVESTMENT

## Ivy Bond Fund

(UNAUDITED)



Please note that the performance of the Fund's other share classes will be greater or less than the performance shown above for Class A based on the differences in loads and fees paid by shareholders investing in the different classes.

(1) The value of the investment in the Fund is impacted by the sales load at the time of the investment and by the ongoing expenses of the Fund and assumes reinvestment of dividends and distributions.

| Average Annual Total Return <sup>(2)</sup>              | Class A | Class B | Class C | Class E | Class I | Class Y |
|---|---------|---------|---------|---------|---------|---------|
| 1-year period ended 3-31-09                             | -12.56% | -12.02% | -7.99%  | -12.69% | -6.88%  | -7.23%  |
| 5-year period ended 3-31-09                             | -1.19%  | -1.37%  | -1.01%  | —       | —       | -0.11%  |
| 10-year period ended 3-31-09                            | 2.77%   | —       | —       | —       | —       | —       |
| Since inception of Class <sup>(3)</sup> through 3-31-09 | —       | -0.78%  | -0.44%  | -7.44%  | -4.07%  | 0.46%   |

(2) Data quoted is past performance and is based on deduction of the maximum applicable sales load for each of the periods. Current performance may be lower or higher. Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate and shares, when redeemed, may be worth more or less than their original cost. Please visit [www.ivyfund.com](http://www.ivyfund.com) for the Fund's most recent month-end performance. Class A and Class E shares carry a maximum front-end sales load of 5.75%. Class B and Class C shares carry maximum contingent deferred sales charges (CDSC) of 5% and 1%, respectively. (Accordingly, the Class C shares reflect no CDSC since it only applies to Class C shares redeemed within twelve months after purchase.) Class I and Class Y shares are not subject to sales charges.

(3) 12-8-03 for Class B, Class C and Class Y shares and 4-2-07 for Class E and Class I shares (the date on which shares were first acquired by shareholders). Past performance is not necessarily indicative of future performance. Indexes are unmanaged. The performance graph and table do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or on the redemption of Fund shares.

The Advantus Bond Fund merged into the Ivy Bond Fund on December 8, 2003. The performance shown for periods prior to this date is that of the Advantus Bond Fund Class A shares, restated to reflect current sales charges applicable to Ivy Bond Fund Class A shares. Performance has not been restated to reflect the fees and expenses applicable to the Ivy Bond Fund. If these expenses were reflected, performance shown would differ.



# ILLUSTRATION OF FUND EXPENSES

## Ivy Bond Fund

(UNAUDITED)

| For the Six Months Ended March 31, 2009          | Beginning Account Value 9-30-08 | Ending Account Value 3-31-09 | Annualized Expense Ratio Based on the Six-Month Period | Expenses Paid During Period* |
|--|---------------------------------|------------------------------|--|------------------------------|
| <b>Based on Actual Fund Return<sup>(1)</sup></b> |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$ 965.00                    | 1.26%  | \$ 6.19                      |
| Class B  | \$1,000                         | \$ 957.70                    | 2.78%  | \$13.61                      |
| Class C  | \$1,000                         | \$ 961.30                    | 2.03%  | \$ 9.90                      |
| Class E  | \$1,000                         | \$ 965.30                    | 1.21%  | \$ 5.90                      |
| Class I  | \$1,000                         | \$ 966.90                    | 0.87%  | \$ 4.33                      |
| Class Y  | \$1,000                         | \$ 965.40                    | 1.17%  | \$ 5.70                      |
| <b>Based on 5% Return<sup>(2)</sup></b>          |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$1,018.66                   | 1.26%  | \$ 6.36                      |
| Class B  | \$1,000                         | \$1,011.05                   | 2.78%  | \$13.98                      |
| Class C  | \$1,000                         | \$1,014.79                   | 2.03%  | \$10.17                      |
| Class E  | \$1,000                         | \$1,018.90                   | 1.21%  | \$ 6.06                      |
| Class I  | \$1,000                         | \$1,020.58                   | 0.87%  | \$ 4.45                      |
| Class Y  | \$1,000                         | \$1,019.12                   | 1.17%  | \$ 5.86                      |

\*Fund expenses for each share class are equal to the Fund's annualized expense ratio for each share class (provided in the table), multiplied by the average account value over the period, multiplied by 182 days in the six-month period ended March 31, 2009, 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 last column.

(2) This section uses a hypothetical five percent 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.

See "Disclosure of Expenses" on page 8 for further information on how expenses were calculated.

# SCHEDULE OF INVESTMENTS

## Ivy Bond Fund *(in thousands)*

MARCH 31, 2009

| PREFERRED STOCKS                               | Shares | Value         |
|--|--------|---------------|
| <b>Diversified REIT's – 0.15%</b>              |        |               |
| PS Business Parks, Inc., 7.0% Cumulative ..... | 11     | \$ 168        |
| <b>Specialized REIT's – 0.03%</b>              |        |               |
| Public Storage, Inc., 6.25% Cumulative .....   | 2      | 38            |
| <b>TOTAL PREFERRED STOCKS – 0.18%</b>          |        | <b>\$ 206</b> |
| (Cost: \$315)                                  |        |               |

| CORPORATE DEBT SECURITIES   | Principal |              |
|---|-----------|--------------|
| <b>Banking – 1.80%</b>  |           |              |
| HSBC Finance Corporation,<br>5.700%, 6–1–11 .....   | \$ 400    | 339          |
| JPMorgan Chase & Co. (Federal Deposit<br>Insurance Corporation),<br>2.625%, 12–1–10 (A) ..... | 400       | 409          |
| PNC Funding Corp (Federal Deposit<br>Insurance Corporation),<br>2.300%, 6–22–12 (A) .....     | 625       | 631          |
| Sovereign Bank (Federal Deposit<br>Insurance Corporation),<br>2.750%, 1–17–12 (A) .....       | 705       | 719          |
|   |           | <u>2,098</u> |
| <b>Beverage / Bottling – 2.39%</b>  |           |              |
| Bottling Group, LLC,<br>6.950%, 3–15–14 .....   | 630       | 717          |
| Miller Brewing Company,<br>5.500%, 8–15–13 (B) .....  | 2,160     | 2,081        |
|   |           | <u>2,798</u> |
| <b>Biotechnology – 0.29%</b>  |           |              |
| Amgen Inc.,<br>6.400%, 2–1–39 .....   | 355       | 342          |
| <b>Cable &amp; Satellite – 1.32%</b>  |           |              |
| Cox Communications, Inc.,<br>7.125%, 10–1–12 .....  | 450       | 448          |
| Time Warner Cable Inc.:<br>7.500%, 4–1–14 .....   | 605       | 617          |
| 6.750%, 7–1–18 .....  | 500       | 470          |
|   |           | <u>1,535</u> |
| <b>Car Loan – 0.88%</b>   |           |              |
| Capital Auto Receivables Asset Trust 2007–1,<br>6.570%, 9–16–13 (C) .....                     | 625       | 405          |
| Capital Auto Receivables Asset Trust 2007–2,<br>8.300%, 2–18–14 (B) .....                     | 275       | 190          |
| Capital Auto Receivables Asset Trust 2007–3,<br>8.000%, 3–17–14 (C) .....                     | 480       | 322          |
| JPMorgan Auto Receivables Trust 2007–A,<br>7.090%, 2–15–14 (C) .....                          | 148       | 106          |
|   |           | <u>1,023</u> |
| <b>Conglomerate / Diversified Mfg – 0.51%</b>   |           |              |
| Illinois Tool Works Inc.,<br>6.250%, 4–1–19 (B) .....   | 590       | 595          |

| CORPORATE DEBT SECURITIES (Continued)  | Principal | Value        |
|--|-----------|--------------|
| <b>Construction &amp; Engineering – 0.19%</b>  |           |              |
| USG Corporation,<br>6.300%, 11–15–16 .....   | \$ 400    | \$ 220       |
| <b>Consumer Finance – 2.07%</b>  |           |              |
| American Express Bank, FSB (Federal Deposit<br>Insurance Corporation),<br>3.150%, 12–9–11 (A) .....          | 2,250     | 2,325        |
| Green Tree Financial Corporation,<br>6.400%, 10–15–18 .....  | 99        | 90           |
|  |           | <u>2,415</u> |
| <b>Consumer Products – 0.60%</b>   |           |              |
| Black & Decker Corporation (The),<br>8.950%, 4–15–14 .....   | 715       | 706          |
| <b>Electric – 1.70%</b>  |           |              |
| CenterPoint Energy Houston Electric, LLC,<br>7.000%, 3–1–14 .....  | 350       | 365          |
| FirstEnergy Generation Corp.,<br>6.850%, 6–1–34 .....  | 295       | 240          |
| Nevada Power Company,<br>7.125%, 3–15–19 .....   | 375       | 368          |
| PacifiCorp,<br>6.000%, 1–15–39 .....   | 790       | 782          |
| Pennsylvania Electric Company,<br>5.125%, 4–1–14 .....   | 250       | 234          |
|  |           | <u>1,989</u> |
| <b>Finance – Other – 3.81%</b>   |           |              |
| Allied Capital Corporation,<br>6.625%, 7–15–11 .....   | 685       | 127          |
| American Capital Strategies, Ltd.,<br>8.600%, 8–1–12 .....   | 635       | 273          |
| Capmark Financial Group Inc.,<br>7.800%, 5–10–17 .....   | 150       | 28           |
| CME Group Inc.,<br>5.750%, 2–15–14 .....   | 615       | 634          |
| General Electric Capital Corporation (Federal<br>Deposit Insurance Corporation):<br>1.625%, 1–7–11 (A) ..... | 1,415     | 1,423        |
| 3.000%, 12–9–11 (A) .....  | 305       | 314          |
| John Deere Capital Corporation (Federal<br>Deposit Insurance Corporation),<br>2.875%, 6–19–12 (A) .....      | 705       | 723          |
| Lazard Group LLC,<br>6.850%, 6–15–17 .....   | 800       | 645          |
| Symetra Financial Corporation,<br>8.300%, 10–15–37 (C)(D) .....  | 885       | 288          |
|  |           | <u>4,455</u> |
| <b>Gas Pipe Lines – 0.46%</b>  |           |              |
| Magellan Midstream Partners, L.P.,<br>6.400%, 7–15–18 .....  | 200       | 179          |
| Williams Partners L.P. and Williams Partners<br>Finance Corporation,<br>7.250%, 2–1–17 .....                 | 420       | 357          |
|  |           | <u>536</u>   |

| CORPORATE DEBT SECURITIES (Continued)   | Principal | Value        |
|---|-----------|--------------|
| <b>Health Care Supply – 0.98%</b>   |           |              |
| Baxter International Inc.,<br>4.000%, 3–1–14                                      | \$ 350    | \$ 356       |
| Humana Inc.,<br>8.150%, 6–15–38   | 520       | 384          |
| McKesson Corporation,<br>6.500%, 2–15–14  | 395       | 408          |
|   |           | <u>1,148</u> |
| <b>Industrial – Other – 0.33%</b>   |           |              |
| Waste Management, Inc.,<br>6.375%, 3–11–15  | 380       | 380          |
| <b>Information / Data Technology – 0.23%</b>                                      |           |              |
| Intuit Inc.,<br>5.750%, 3–15–17   | 310       | 270          |
| <b>Integrated Oil &amp; Gas – 0.33%</b>   |           |              |
| BP Capital Markets p.l.c.,<br>3.875%, 3–10–15                                     | 385       | 387          |
| <b>Investment Banking &amp; Brokerage – 3.01%</b>                                 |           |              |
| Goldman Sachs Group, Inc. (The),<br>5.700%, 9–1–12                                | 610       | 592          |
| Morgan Stanley:<br>5.300%, 3–1–13   | 635       | 611          |
| 4.750%, 4–1–14  | 165       | 135          |
| 6.250%, 8–28–17   | 300       | 279          |
| Morgan Stanley (Federal Deposit Insurance<br>Corporation),<br>2.900%, 12–1–10 (A) | 1,150     | 1,180        |
| Novartis Securities Investment Ltd.,<br>5.125%, 2–10–19                           | 715       | 726          |
|   |           | <u>3,523</u> |
| <b>Life Insurance – 0.58%</b>   |           |              |
| Liberty Mutual Holding Company Inc.,<br>7.800%, 3–15–37 (C)                       | 360       | 137          |
| StanCorp Financial Group, Inc.:<br>6.875%, 10–1–12                                | 450       | 396          |
| 6.900%, 6–1–67 (D)  | 300       | 147          |
|   |           | <u>680</u>   |
| <b>Oil &amp; Gas – 1.08%</b>  |           |              |
| Valero Energy Corporation:<br>4.750%, 4–1–14                                      | 685       | 642          |
| 10.500%, 3–15–39  | 600       | 619          |
|   |           | <u>1,261</u> |
| <b>Oil &amp; Gas Exploration &amp; Production – 0.41%</b>                         |           |              |
| Anadarko Petroleum Corporation,<br>7.625%, 3–15–14                                | 485       | 482          |
| <b>Oil &amp; Gas Storage &amp; Transportation – 2.81%</b>                         |           |              |
| Energy Transfer Partners, L.P.,<br>9.700%, 3–15–19                                | 1,000     | 1,062        |
| Kinder Morgan Energy Partners, L.P.,<br>9.000%, 2–1–19                            | 1,150     | 1,230        |
| Williams Companies, Inc. (The),<br>8.750%, 1–15–20 (B)                            | 1,000     | 995          |
|   |           | <u>3,287</u> |

| CORPORATE DEBT SECURITIES (Continued)  | Principal | Value  |
|--|-----------|--------|
| <b>Oilfield Machinery &amp; Service – 0.44%</b>  |           |        |
| Smith International, Inc.,<br>8.625%, 3–15–14  | \$ 500    | \$ 509 |
| <b>Other Mortgage-Backed Securities – 11.76%</b>   |           |        |
| ABFS Mortgage Loan Trust 2002–4,<br>7.423%, 12–15–33 (D)   | 84        | 38     |
| American Express Credit Account Master Trust,<br>0.586%, 12–15–13 (D)  | 485       | 448    |
| Asset Securitization Corporation,<br>7.766%, 2–14–43 (D)   | 170       | 103    |
| Asset Securitization Corporation (Interest Only),<br>1.422%, 10–13–26 (B)(D)(E)  | 863       | 20     |
| Associates Manufactured Housing Contract<br>Pass-Through Certificates,<br>7.725%, 6–15–28  | 61        | 59     |
| Banc of America Alternative Loan Trust<br>2005–10:<br>5.669%, 11–25–35 (D)   | 272       | 39     |
| 5.669%, 11–25–35 (D)   | 131       | 12     |
| Banc of America Alternative Loan Trust<br>2005–12:<br>5.806%, 1–25–36 (D)  | 290       | 34     |
| 5.806%, 1–25–36 (D)  | 210       | 16     |
| Banc of America Alternative Loan Trust<br>2006–4,<br>6.223%, 5–25–46 (D)   | 315       | 60     |
| Banc of America Alternative Loan Trust<br>2006–8,<br>6.280%, 11–25–46 (D)  | 140       | 5      |
| Banc of America Commercial Mortgage Inc.,<br>Commercial Mortgage Pass-Through<br>Certificates, Series 2001–1,<br>6.125%, 4–15–36 (B) | 380       | 228    |
| Banc of America Commercial Mortgage Inc.,<br>Commercial Mortgage Pass-Through<br>Certificates, Series 2002–2:<br>6.200%, 7–11–43 (B) | 275       | 149    |
| 4.772%, 7–11–43  | 438       | 438    |
| Banc of America Mortgage 2007–1 Trust,<br>6.000%, 3–25–37  | 165       | 19     |
| Banc of America Mortgage Trust 2004–7,<br>5.750%, 8–25–34  | 75        | 59     |
| Bear Stearns Commercial Mortgage<br>Securities Trust 2002–TOP6,<br>6.000%, 10–15–36 (B)  | 320       | 89     |
| Bear Stearns Commercial Mortgage<br>Securities Trust 2004–PWR4,<br>5.468%, 6–11–41 (D)   | 1,500     | 1,243  |
| BlackRock Capital Finance,<br>7.750%, 9–25–26 (B)  | 93        | 32     |
| CarMax Auto Owner Trust 2007–3,<br>7.580%, 3–17–14   | 380       | 250    |
| C-Bass 2006–CB2 Trust,<br>5.860%, 12–25–36   | 530       | 171    |
| C-Bass 2006–MH1 Trust:<br>6.240%, 10–25–36 (B)(D)  | 98        | 70     |
| 6.250%, 10–25–36 (B)(D)  | 170       | 92     |
| CD 2006–CD2 Mortgage Trust,<br>5.805%, 1–15–46 (C)(D)  | 710       | 246    |

| CORPORATE DEBT SECURITIES (Continued)   |           |       | CORPORATE DEBT SECURITIES (Continued)   |           |       |
|---|-----------|-------|---|-----------|-------|
|   | Principal | Value |   | Principal | Value |
| <b>Other Mortgage-Backed Securities (Continued)</b>   |           |       | <b>Other Mortgage-Backed Securities (Continued)</b>   |           |       |
| Cendant Mortgage Corporation and Bishop's Gate Residential Mortgage Trust, 6.250%, 6-25-32 (C) . . . . .            | \$ 102    | \$ 56 | Home Equity Loan Trust 2003-HS2, 5.090%, 7-25-33 (D) . . . . .  | \$ 10     | \$ 9  |
| Centex Home Equity Loan Trust 2005-C, 5.048%, 6-25-35 (D) . . . . .   | 370       | 247   | Hometown Commercial Capital, LLC Hometown Commercial Mortgage Pass-Through Notes 2006-1, 5.506%, 11-11-38 (C) . . . . .   | 432       | 177   |
| CHL Mortgage Pass-Through Trust 2004-J4, 5.250%, 5-25-34 . . . . .  | 672       | 313   | Hometown Commercial Trust 2007-1, Commercial Mortgage-Backed Notes, Series 2007-1, 6.057%, 4-11-17 (C) . . . . .  | 456       | 132   |
| Citibank Omni Master Trust, Class 2007-A9, 1.623%, 12-23-13 (D) . . . . .   | 660       | 598   | J.P. Morgan Mortgage Acquisition Trust 2006-CW2, 6.337%, 8-25-36 (D) . . . . .  | 590       | 190   |
| CitiMortgage Alternative Loan Trust, Series 2007-A7: 6.238%, 7-25-37 (D) . . . . .                                  | 153       | 3     | J.P. Morgan Mortgage Trust 2005-S2, 5.674%, 9-25-35 (D) . . . . .   | 492       | 86    |
| 6.250%, 7-25-37 . . . . .   | 416       | 189   | Lehman XS Trust, Series 2005-8, 5.690%, 12-25-35 . . . . .  | 577       | 401   |
| COMM 2006-CNL2, 5.570%, 2-5-19 (B)(D) . . . . .   | 95        | 30    | MBNA Credit Card Master Note Trust, 6.800%, 7-15-14 . . . . .   | 325       | 233   |
| Commercial Mortgage Asset Trust, 6.000%, 11-17-32 . . . . .   | 225       | 44    | Morgan Stanley Capital I Trust 2004-TOP15, 5.030%, 6-13-41 . . . . .  | 1,000     | 883   |
| CountryPlace Manufactured Housing Contract Trust 2005-1, 5.200%, 12-15-35 (C)(D) . . . . .                          | 300       | 136   | Morgan Stanley Capital I Trust 2007-HQ12, 5.632%, 6-12-12 (D) . . . . .   | 1,160     | 965   |
| CSFB Commercial Mortgage Trust 2003-C4, 5.322%, 8-15-36 (B)(D) . . . . .  | 500       | 114   | Multi Security Asset Trust LP, Commercial Mortgage-Backed Securities Pass-Through Certificates, Series 2005-RR4: 5.880%, 11-28-35 (C)(D) . . . . .                    | 155       | 11    |
| CWHEQ Home Equity Loan Trust, Series 2006-S3, 6.085%, 6-25-21 (D) . . . . .   | 672       | 147   | 5.880%, 11-28-35 (C)(D) . . . . .   | 105       | 7     |
| CWHEQ Home Equity Loan Trust, Series 2006-S6, 5.962%, 3-25-34 (D) . . . . .   | 210       | 33    | Multi Security Asset Trust LP, Commercial Mortgage-Backed Securities Pass-Through Certificates, Series 2005-RR4 (Interest Only), 1.146%, 11-28-35 (C)(D)(E) . . . . . | 2,638     | 36    |
| CWHEQ Home Equity Loan Trust, Series 2007-S2, 5.934%, 5-25-37 (D) . . . . .   | 547       | 147   | National Collegiate Trust 1997-S2 (The), 7.240%, 9-20-14 . . . . .  | 92        | 29    |
| Discover Card Execution Note Trust, 5.650%, 3-16-20 . . . . .   | 385       | 335   | Nomura Asset Securities Corporation, Commercial Mortgage Pass-Through Certificates, Series 1998-D6, 6.000%, 3-15-30 (B) . . . . .                                     | 500       | 298   |
| First Horizon Mortgage Pass-Through Trust 2003-8, 5.136%, 10-25-33 (D) . . . . .                                    | 90        | 23    | Origen Manufactured Housing Contract Trust 2004-A, 5.700%, 1-15-35 . . . . .  | 100       | 72    |
| Flagstar Home Equity Loan Trust 2007-1, 5.997%, 1-25-35 (B)(D) . . . . .  | 415       | 54    | Origen Manufactured Housing Contract Trust 2004-B, 5.730%, 11-15-35 (D) . . . . .   | 48        | 30    |
| Ford Credit Auto Owner Trust 2006-B, 7.120%, 2-15-13 (C) . . . . .  | 140       | 93    | Origen Manufactured Housing Contract Trust 2005-A: 4.490%, 5-15-18 . . . . .  | 62        | 60    |
| Ford Credit Auto Owner Trust 2006-C, 6.890%, 5-15-13 (C) . . . . .  | 200       | 126   | 5.860%, 6-15-36 (D) . . . . .   | 120       | 79    |
| Ford Credit Auto Owner Trust 2007-A, 7.050%, 12-15-13 (C) . . . . .   | 175       | 102   | Origen Manufactured Housing Contract Trust 2005-B, 5.605%, 5-15-22 . . . . .  | 80        | 56    |
| GE Capital Commercial Mortgage Corp. 2002-2, 6.039%, 8-11-36 (B) . . . . .  | 565       | 318   | RALI Series 2003-QS10 Trust, 5.750%, 5-25-33 . . . . .  | 231       | 144   |
| Global Mortgage Securitization 2005-A Ltd. and Global Mortgage Securitization 2005-A LLC: 5.250%, 4-25-32 . . . . . | 170       | 102   | RASC Series 2003-KS10 Trust, 6.410%, 12-25-33 . . . . .   | 85        | 24    |
| 5.399%, 4-25-32 (D) . . . . .   | 251       | 79    | Structured Asset Securities Corporation, 5.630%, 5-25-34 (D) . . . . .  | 162       | 81    |
| Global Mortgage Securitization Ltd. and Global Mortgage Securitization, LLC: 5.250%, 11-25-32 (C) . . . . .         | 257       | 178   | TIAA Seasoned Commercial Mortgage Trust 2007-C4, 5.683%, 8-15-39 (D) . . . . .  | 1,464     | 1,468 |
| 5.250%, 11-25-32 (C) . . . . .  | 221       | 167   | TimberStar Trust I, 6.208%, 10-15-36 (B) . . . . .  | 460       | 300   |
| GMACM Home Equity Loan Trust 2006-HE3, 6.088%, 10-25-36 (D) . . . . .   | 485       | 112   |   |           |       |
| GMACM Home Equity Loan Trust 2007-HE1, 5.952%, 8-25-37 (D) . . . . .  | 570       | 131   |   |           |       |

| CORPORATE DEBT SECURITIES (Continued)  | Principal | Value         |
|--|-----------|---------------|
| <b>Other Mortgage-Backed Securities (Continued)</b>  |           |               |
| Wells Fargo Alternative Loan 2007-PA3 Trust,<br>6.158%, 7-25-37 (D) .....                          | \$ 862    | \$ 61         |
| Wells Fargo Mortgage Backed Securities<br>2003-9 Trust,<br>5.250%, 8-25-33 (B) .....               | 258       | 115           |
|  |           | <u>13,744</u> |
| <b>Other Non-Agency REMIC/CMO – 1.90%</b>  |           |               |
| Banco Hipotecario Nacional,<br>7.916%, 7-25-09 (C) .....   | 7         | —*            |
| Bear Stearns Commercial Mortgage<br>Securities Inc.,<br>5.064%, 5-14-16 (B) .....                  | 2,000     | 2,005         |
| Bear Stearns Commercial Mortgage<br>Securities Inc., Series 1999-WF2,<br>6.000%, 7-15-31 (B) ..... | 500       | 199           |
| Mellon Residential Funding,<br>6.750%, 6-25-28 .....   | 19        | 19            |
|  |           | <u>2,223</u>  |
| <b>Pharmaceuticals – 0.62%</b>   |           |               |
| Laboratory Corporation of America Holdings,<br>5.500%, 2-1-13 .....                                | 215       | 207           |
| Pfizer Inc.,<br>3.173%, 3-15-11 (D) .....  | 500       | 510           |
|  |           | <u>717</u>    |
| <b>Property &amp; Casualty Insurance – 1.03%</b>   |           |               |
| Chubb Corporation (The),<br>6.375%, 3-29-67 (D) .....  | 700       | 400           |
| Fund American Companies, Inc.,<br>5.875%, 5-15-13 .....  | 560       | 430           |
| Travelers Companies, Inc. (The),<br>6.250%, 3-15-37 (D) .....                                      | 700       | 371           |
|  |           | <u>1,201</u>  |
| <b>Railroads – 1.06%</b>   |           |               |
| CSX Corporation,<br>7.375%, 2-1-19 .....   | 800       | 742           |
| Norfolk Southern Corporation,<br>5.750%, 1-15-16 (B) .....   | 500       | 502           |
|  |           | <u>1,244</u>  |
| <b>REITs – 0.23%</b>   |           |               |
| Realty Income Corporation,<br>6.750%, 8-15-19 .....  | 395       | 273           |
| <b>Residential REITs – 0.51%</b>   |           |               |
| Camden Property Trust,<br>4.700%, 7-15-09 .....  | 600       | 596           |
| <b>Retail Stores – Food / Drug – 0.69%</b>   |           |               |
| Safeway Inc.,<br>6.250%, 3-15-14 .....   | 170       | 179           |
| Walgreen Co.,<br>5.250%, 1-15-19 .....   | 620       | 622           |
|  |           | <u>801</u>    |
| <b>Securities – 0.19%</b>  |           |               |
| Jefferies Group, Inc.,<br>6.250%, 1-15-36 .....  | 400       | 220           |

| CORPORATE DEBT SECURITIES (Continued)                         | Principal | Value           |
|---|-----------|-----------------|
| <b>Service – Other – 0.15%</b>                                |           |                 |
| ERAC USA Finance Company,<br>5.900%, 11-15-15 (C) .....       | \$ 265    | \$ 179          |
| <b>Specialized REIT's – 0.42%</b>                             |           |                 |
| Healthcare Realty Trust Incorporated,<br>5.125%, 4-1-14 ..... | 660       | 493             |
| <b>Telecommunications – 1.18%</b>                             |           |                 |
| Verizon Wireless Capital LLC,<br>5.550%, 2-1-14 (B) .....     | 1,375     | 1,377           |
| <b>Tobacco – 1.05%</b>  |           |                 |
| Altria Group, Inc.:   |           |                 |
| 9.950%, 11-10-38 .....  | 580       | 579             |
| 10.200%, 2-6-39 .....   | 640       | 654             |
|   |           | <u>1,233</u>    |
| <b>Wireless Telecommunication Service – 0.21%</b>             |           |                 |
| Nextel Communications, Inc.,<br>6.875%, 10-31-13 .....        | 440       | 251             |
| <b>TOTAL CORPORATE DEBT SECURITIES – 47.22%</b>               |           | <b>\$55,191</b> |
| (Cost: \$70,454)  |           |                 |

#### UNITED STATES GOVERNMENT AGENCY OBLIGATIONS

|  |       |              |
|--|-------|--------------|
| <b>Agency Obligations – 1.06%</b>  |       |              |
| Federal Home Loan Mortgage Corporation,<br>3.750%, 6-28-13 .....                 | 420   | 446          |
| Federal National Mortgage Association,<br>4.750%, 12-15-10 .....                 | 750   | 795          |
|  |       | <u>1,241</u> |
| <b>Mortgage-Backed Obligations – 37.99%</b>                                      |       |              |
| Federal Home Loan Mortgage Corporation,<br>5.000%, 4-1-35 TBA .....              | 1,150 | 1,186        |
| Federal Home Loan Mortgage Corporation<br>Fixed Rate Participation Certificates: |       |              |
| 6.500%, 9-1-32 .....   | 166   | 178          |
| 6.000%, 11-1-33 .....  | 348   | 366          |
| 5.500%, 5-1-34 .....   | 148   | 156          |
| 5.500%, 5-1-34 .....   | 92    | 97           |
| 5.500%, 6-1-34 .....   | 1,216 | 1,266        |
| 5.000%, 9-1-34 .....   | 36    | 37           |
| 5.500%, 9-1-34 .....   | 114   | 119          |
| 6.500%, 10-1-34 TBA .....  | 1,635 | 1,723        |
| 5.500%, 10-1-34 .....  | 286   | 299          |
| 5.500%, 3-1-35 TBA .....   | 2,995 | 3,107        |
| 6.000%, 4-1-35 TBA .....   | 2,000 | 2,091        |
| 5.500%, 7-1-35 .....   | 349   | 363          |
| 5.500%, 7-1-35 .....   | 156   | 163          |
| 5.500%, 10-1-35 .....  | 452   | 473          |
| 5.000%, 11-1-35 .....  | 3,020 | 3,121        |
| 7.000%, 12-1-37 .....  | 521   | 551          |

| UNITED STATES GOVERNMENT<br>AGENCY OBLIGATIONS (Continued)                  | Principal | Value  |
|---|-----------|--------|
| <b>Mortgage-Backed Obligations (Continued)</b>                              |           |        |
| Federal National Mortgage Association Fixed Rate Pass-Through Certificates: |           |        |
| 5.500%, 1-1-17  | \$ 114    | \$ 120 |
| 6.000%, 9-1-17  | 71        | 74     |
| 5.500%, 3-1-18  | 78        | 82     |
| 5.000%, 6-1-18  | 289       | 302    |
| 5.000%, 7-1-18  | 101       | 105    |
| 7.500%, 5-1-31  | 80        | 87     |
| 7.000%, 9-1-31  | 32        | 34     |
| 7.000%, 11-1-31   | 62        | 66     |
| 6.500%, 12-1-31   | 40        | 43     |
| 7.000%, 2-1-32  | 56        | 61     |
| 7.000%, 3-1-32  | 64        | 70     |
| 6.500%, 4-1-32  | 18        | 19     |
| 6.500%, 5-1-32  | 18        | 20     |
| 6.500%, 7-1-32  | 51        | 55     |
| 6.500%, 8-1-32  | 41        | 44     |
| 6.500%, 8-1-32  | 41        | 44     |
| 6.500%, 9-1-32  | 76        | 81     |
| 6.500%, 9-1-32  | 28        | 31     |
| 6.000%, 10-1-32   | 98        | 104    |
| 6.500%, 10-1-32   | 86        | 93     |
| 6.000%, 11-1-32   | 94        | 101    |
| 6.000%, 3-1-33  | 76        | 81     |
| 5.500%, 4-1-33  | 134       | 140    |
| 6.000%, 4-1-33  | 154       | 161    |
| 5.500%, 5-1-33  | 95        | 100    |
| 6.000%, 10-1-33   | 154       | 164    |
| 5.500%, 1-1-34  | 94        | 98     |
| 5.500%, 1-1-34  | 92        | 96     |
| 6.000%, 1-1-34  | 357       | 375    |
| 5.500%, 2-1-34 TBA  | 2,710     | 2,812  |
| 5.500%, 3-1-34  | 129       | 136    |
| 5.500%, 3-1-34  | 57        | 59     |
| 5.500%, 4-1-34  | 139       | 147    |
| 5.500%, 4-1-34  | 41        | 43     |
| 5.000%, 5-1-34  | 60        | 62     |
| 5.500%, 5-1-34  | 112       | 116    |
| 5.500%, 11-1-34   | 1,243     | 1,294  |
| 6.000%, 11-1-34   | 538       | 564    |
| 5.500%, 2-1-35  | 149       | 155    |
| 5.500%, 4-1-35  | 974       | 1,013  |
| 5.000%, 4-1-35 TBA  | 4,185     | 4,317  |
| 6.000%, 4-1-35 TBA  | 1,495     | 1,561  |
| 5.000%, 7-1-35  | 177       | 183    |
| 5.000%, 7-1-35  | 92        | 95     |
| 5.000%, 7-1-35  | 76        | 79     |
| 5.000%, 7-1-35  | 41        | 42     |
| 5.500%, 8-1-35  | 99        | 103    |
| 5.000%, 10-1-35   | 2,864     | 2,961  |
| 5.500%, 10-1-35   | 764       | 801    |
| 6.000%, 7-1-37  | 318       | 333    |
| 6.000%, 9-1-37  | 601       | 628    |
| 5.500%, 3-1-38  | 957       | 994    |
| 5.000%, 4-1-38  | 1,005     | 1,038  |
| 5.500%, 5-1-38  | 1,370     | 1,423  |
| 6.000%, 7-1-38  | 1,022     | 1,069  |
| 6.000%, 12-1-38   | 1,087     | 1,137  |

| UNITED STATES GOVERNMENT<br>AGENCY OBLIGATIONS (Continued)                     | Principal | Value             |
|--|-----------|-------------------|
| <b>Mortgage-Backed Obligations (Continued)</b>                                 |           |                   |
| Government National Mortgage Association Agency REMIC/CMO (Interest Only), (E) |           |                   |
| 0.901%, 6-17-45 (D)  | \$ 4,536  | \$ 177            |
| Government National Mortgage Association Fixed Rate Pass-Through Certificates: |           |                   |
| 5.500%, 4-1-35 TBA   | 635       | 661               |
| 5.500%, 7-15-38  | 899       | 937               |
| 5.500%, 10-15-38   | 670       | 698               |
| 5.500%, 2-15-39  | 595       | 620               |
|  |           | 44,405            |
| <b>TOTAL UNITED STATES GOVERNMENT AGENCY OBLIGATIONS – 39.05%</b>              |           |                   |
| (Cost: \$44,560)   |           |                   |
| <b>UNITED STATES GOVERNMENT OBLIGATIONS</b>                                    |           |                   |
| <b>Treasury Inflation Protected Obligations – 1.11%</b>                        |           |                   |
| United States Treasury Notes,  |           |                   |
| 1.875%, 7-15-13 (F)  | 1,265     | 1,297             |
| <b>Treasury Obligations – 9.60%</b>  |           |                   |
| United States Treasury Bonds:  |           |                   |
| 5.375%, 2-15-31 (G)  | 1,775     | 2,242             |
| 4.500%, 5-15-38  | 3,675     | 4,300             |
| United States Treasury Notes:  |           |                   |
| 0.875%, 2-28-11  | 1,220     | 1,222             |
| 1.375%, 3-15-12  | 180       | 181               |
| 1.875%, 2-28-14  | 1,185     | 1,199             |
| 2.750%, 2-15-19  | 2,065     | 2,077             |
|  |           | 11,221            |
| <b>TOTAL UNITED STATES GOVERNMENT OBLIGATIONS – 10.71%</b>                     |           |                   |
| (Cost: \$12,128)   |           |                   |
| <b>SHORT-TERM SECURITIES</b>   |           |                   |
| <b>Commercial Paper – 15.27%</b>   |           |                   |
| Campbell Soup Co.,   |           |                   |
| 0.200%, 4-7-09   | 5,000     | 5,000             |
| Danaher Corporation,   |           |                   |
| 0.200%, 4-2-09   | 4,000     | 4,000             |
| Kellogg Co.,   |           |                   |
| 0.930%, 4-2-09   | 2,000     | 2,000             |
| McCormick & Co. Inc.,  |           |                   |
| 0.400%, 4-1-09   | 4,847     | 4,847             |
| PACCAR Financial Corp.,  |           |                   |
| 0.270%, 4-16-09  | 2,000     | 1,999             |
|  |           | 17,846            |
| <b>Master Note – 1.20%</b>   |           |                   |
| Toyota Motor Credit Corporation,   |           |                   |
| 1.271%, 4-1-09 (D)   | 1,403     | 1,403             |
| <b>TOTAL SHORT-TERM SECURITIES – 16.47%</b>                                    |           |                   |
| (Cost: \$19,249)   |           |                   |
| <b>TOTAL INVESTMENT SECURITIES – 113.63%</b>                                   |           |                   |
| (Cost: \$146,706)  |           |                   |
| <b>LIABILITIES, NET OF CASH AND OTHER ASSETS – (13.63%)</b>                    |           | <b>(15,930)</b>   |
| <b>NET ASSETS – 100.00%</b>  |           | <b>\$ 116,880</b> |

## Notes to Schedule of Investments

\*Not shown due to rounding.

(A) Security is fully guaranteed by the Federal Deposit Insurance Corporation for both interest and principal under the Debt Guarantee Program of the Temporary Liquidity Guarantee Program.

(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. These securities have been determined to be liquid under guidelines established by the Board of Trustees. At March 31, 2009, the total value of these securities amounted to \$9,853 or 8.43% of net assets.

(C) 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. These securities have been determined to be illiquid under guidelines established by the Board of Trustees. At March 31, 2009, the total value of these securities amounted to \$2,904 or 2.48% of net assets.

(D) Variable rate security. Interest rate disclosed is that which is in effect at March 31, 2009.

(E) Amount shown in principal column represents notional amount for computation of interest.

(F) 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.

(G) Securities serve as collateral for the following open futures contracts at March 31, 2009:

| Description             | Type  | Expiration Date | Number of Contracts | Market Value    | Unrealized Appreciation (Depreciation) |
|-------------------------|-------|-----------------|---------------------|-----------------|--|
| 10-yr U.S Treasury Note | Long  | 6-19-09         | —*                  | \$11,788        | \$268                                  |
| 30-yr U.S Treasury Bond | Short | 6-19-09         | —*                  | (8,820)         | (203)                                  |
| 5-yr U.S Treasury Note  | Short | 6-30-09         | —*                  | (7,126)         | (35)                                   |
| 2-yr U.S Treasury Note  | Long  | 6-30-09         | —*                  | 3,486           | 16                                     |
|                         |       |                 |                     | <u>\$ (672)</u> | <u>\$ 46</u>                           |

\*Not shown due to rounding.

The following acronyms are used throughout this portfolio:

CMO = Collateralized Mortgage Obligation

REMIC = Real Estate Mortgage Investment Conduit

TBA = To Be Announced

For Federal income tax purposes, cost of investments owned at March 31, 2009 and the related unrealized appreciation (depreciation) were as follows:

|                               |                 |
|-------------------------------|-----------------|
| Cost                          | \$ 146,994      |
| Gross unrealized appreciation | 2,205           |
| Gross unrealized depreciation | <u>(16,389)</u> |
| Net unrealized depreciation   | \$ (14,184)     |

Industry classifications are unaudited.





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policies will be. Furthermore, we feel that they have not done enough to establish a strong domestic-based source of growth and remain overly dependent on export markets.

The Fund's performance noted above is at net asset value (NAV), and does not include the effect of any applicable sales charges. If reflected, the sales charge would reduce the performance noted.

As with any mutual fund, the value of the Fund's shares will change, and you could lose money on your investment.

International investing involves additional risks including currency fluctuations, political or economic conditions affecting the foreign country, and differences in accounting standards and foreign regulations.

Fixed-income securities are subject to interest rate risk and, as such, the Fund's net asset value may fall as interest rates rise.

These and other risks are more fully described in the Fund's prospectus.

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

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. 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.

On Sept. 7, 2008, the Federal Housing Finance Agency (FHFA), an agency of the U.S. government, placed Fannie Mae and Freddie Mac into conservatorship, a statutory process with the objective of returning the entities to normal business operations. FHFA will act as the conservator to operate Fannie Mae and Freddie Mac until they are stabilized. It is unclear what effect this conservatorship will have on the securities issued or guaranteed by Fannie Mae or Freddie Mac.

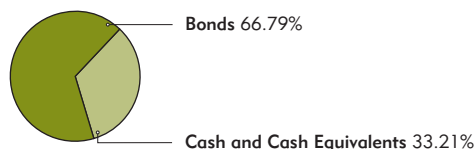
The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of the Ivy Global Bond Fund.

# PORTFOLIO HIGHLIGHTS

## Ivy Global Bond Fund

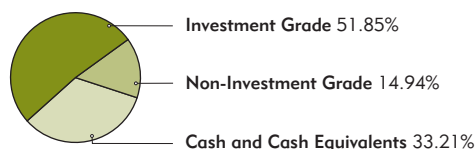
ALL DATA IS AS OF MARCH 31, 2009 (UNAUDITED)

### Asset Allocation



| Bonds                                       | 66.79%        |
|---|---------------|
| Corporate Debt Securities                   | 51.10%        |
| Other Government Securities                 | 11.01%        |
| United States Government Agency Obligations | 4.30%         |
| Senior Loans                                | 0.38%         |
| <b>Cash and Cash Equivalents</b>            | <b>33.21%</b> |

### Quality Weightings



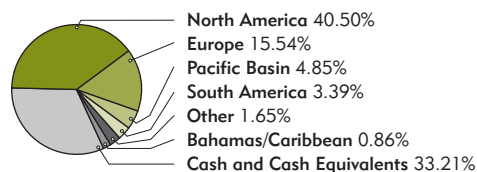
| Investment Grade                 | 51.85%        |
|----------------------------------|---------------|
| AAA                              | 14.63%        |
| AA                               | 1.93%         |
| A                                | 4.74%         |
| BBB                              | 30.55%        |
| <b>Non-Investment Grade</b>      | <b>14.94%</b> |
| BB                               | 9.40%         |
| B                                | 3.78%         |
| Below B                          | 0.48%         |
| Non-rated                        | 1.28%         |
| <b>Cash and Cash Equivalents</b> | <b>33.21%</b> |

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.

### Bond Portfolio Characteristics

|                              |           |
|------------------------------|-----------|
| Average maturity             | 2.3 years |
| Effective duration           | 1.3 years |
| Weighted average bond rating | A+        |

### Country Weightings



| North America                          | 40.50%        |
|--|---------------|
| United States                          | 34.92%        |
| Canada                                 | 3.98%         |
| Other North America <sup>(1)</sup>     | 1.60%         |
| <b>Europe</b>                          | <b>15.54%</b> |
| France                                 | 5.52%         |
| Other Europe <sup>(2)</sup>            | 10.02%        |
| <b>Pacific Basin<sup>(3)</sup></b>     | <b>4.85%</b>  |
| <b>South America<sup>(4)</sup></b>     | <b>3.39%</b>  |
| <b>Other<sup>(5)</sup></b>             | <b>1.65%</b>  |
| <b>Bahamas/Caribbean<sup>(6)</sup></b> | <b>0.86%</b>  |
| <b>Cash and Cash Equivalents</b>       | <b>33.21%</b> |

<sup>(1)</sup>Includes 1.60% Mexico.

<sup>(2)</sup>Includes 0.36% Finland, 1.05% Germany, 0.97% Ireland, 0.37% Luxembourg, 0.47% Netherlands, 0.80% Norway, 0.78% Portugal, 1.23% Russia, 1.42% Switzerland and 2.57% United Kingdom.

<sup>(3)</sup>Includes 0.38% Burma, 1.14% China, 0.98% Hong Kong, 0.28% Indonesia, 0.79% Japan, 0.55% Malaysia and 0.73% Singapore.

<sup>(4)</sup>Includes 2.12% Brazil and 1.27% Chile.

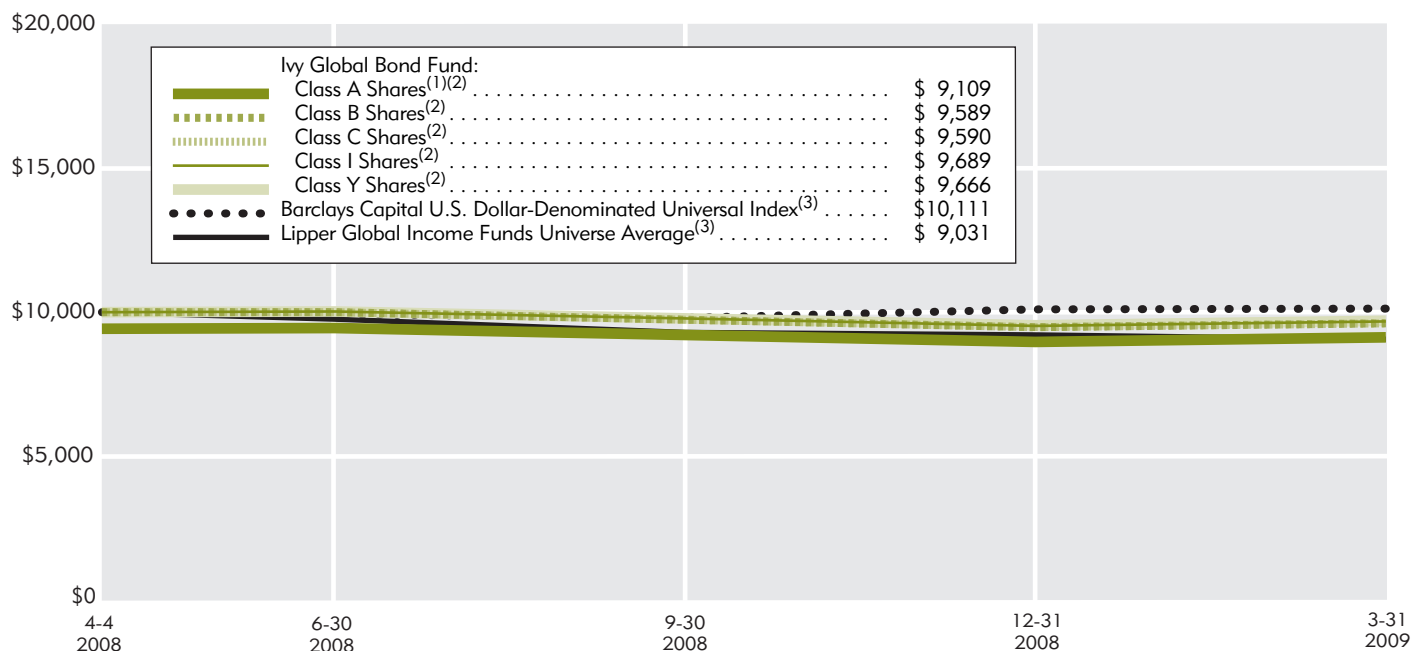
<sup>(5)</sup>Includes 0.51% Panama and 1.14% United Arab Emirates.

<sup>(6)</sup>Includes 0.25% Bahamas, 0.14% British Virgin Islands and 0.47% Cayman Islands.

# COMPARISON OF CHANGE IN VALUE OF \$10,000 INVESTMENT

## Ivy Global Bond Fund

(UNAUDITED)



(1) The value of the investment in the Fund is impacted by the sales load at the time of the investment.

(2) The value of the investment in the Fund is impacted by the ongoing expenses of the Fund and assumes reinvestment of dividends and distributions.

(3) Because the Fund commenced operations on a date other than at the end of a month, and partial month calculations of the performance of the indexes (including income) are not available, investment in the indexes was effected as of March 31, 2008.

| Cumulative Total Return <sup>(4)</sup>                  | Class A | Class B | Class C | Class I | Class Y |
|---|---------|---------|---------|---------|---------|
| 1-year period ended 3-31-09                             | —       | —       | —       | —       | —       |
| 5-year period ended 3-31-09                             | —       | —       | —       | —       | —       |
| 10-year period ended 3-31-09                            | —       | —       | —       | —       | —       |
| Since inception of Class <sup>(5)</sup> through 3-31-09 | -8.91%  | -8.80%  | -5.04%  | -3.11%  | -3.34%  |

(4) Data quoted is past performance and is based on deduction of the maximum applicable sales load for each of the periods. Current performance may be lower or higher. Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate and shares, when redeemed, may be worth more or less than their original cost. Please visit [www.ivyfund.com](http://www.ivyfund.com) for the Fund's most recent month-end performance. Class A shares carry a maximum front-end sales load of 5.75%. Class B and Class C shares carry maximum contingent deferred sales charges (CDSC) of 5% and 1%, respectively. Class I and Class Y shares are not subject to sales charges.

(5) 4-4-08 for Class A, Class B, Class C, Class I and Class Y shares (the date on which shares were first acquired by shareholders).

Past performance is not necessarily indicative of future performance. Indexes are unmanaged. The performance graph and table do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or on the redemption of Fund shares.

# ILLUSTRATION OF FUND EXPENSES

## Ivy Global Bond Fund

(UNAUDITED)

| For the Six Months Ended March 31, 2009          | Beginning Account Value 9-30-08 | Ending Account Value 3-31-09 | Annualized Expense Ratio Based on the Six-Month Period | Expenses Paid During Period* |
|--|---------------------------------|------------------------------|--|------------------------------|
| <b>Based on Actual Fund Return<sup>(1)</sup></b> |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$ 990.30                    | 0.99%  | \$4.88                       |
| Class B  | \$1,000                         | \$ 985.50                    | 1.74%  | \$8.64                       |
| Class C  | \$1,000                         | \$ 985.60                    | 1.74%  | \$8.64                       |
| Class I  | \$1,000                         | \$ 990.70                    | 0.74%  | \$3.68                       |
| Class Y  | \$1,000                         | \$ 989.40                    | 0.99%  | \$4.87                       |
| <b>Based on 5% Return<sup>(2)</sup></b>          |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$1,020.00                   | 0.99%  | \$4.95                       |
| Class B  | \$1,000                         | \$1,016.26                   | 1.74%  | \$8.77                       |
| Class C  | \$1,000                         | \$1,016.26                   | 1.74%  | \$8.77                       |
| Class I  | \$1,000                         | \$1,021.24                   | 0.74%  | \$3.74                       |
| Class Y  | \$1,000                         | \$1,020.00                   | 0.99%  | \$4.95                       |

\*Fund expenses for each share class are equal to the Fund's annualized expense ratio for each share class (provided in the table), multiplied by the average account value over the period, multiplied by 182 days in the six-month period ended March 31, 2009, 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 last column.

(2) This section uses a hypothetical five percent 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.

See "Disclosure of Expenses" on page 8 for further information on how expenses were calculated.

# SCHEDULE OF INVESTMENTS

## Ivy Global Bond Fund *(in thousands)*

MARCH 31, 2009

| CORPORATE DEBT SECURITIES  |           |              | CORPORATE DEBT SECURITIES (Continued)  |           |              |
|--|-----------|--------------|--|-----------|--------------|
|  | Principal | Value        |  | Principal | Value        |
| <b>Aerospace &amp; Defense – 0.79%</b>                                 |           |              | <b>Conglomerate / Diversified Mfg – 0.69%</b>  |           |              |
| BAE Systems Holdings Inc.,<br>4.750%, 8–15–10 (A) .....                | \$500     | \$ 505       | Bombardier Inc.,<br>6.750%, 5–1–12 .....   | \$250     | \$ 199       |
| <b>Agricultural Products – 0.75%</b>                                   |           |              | Ingersoll-Rand Global Holding Company<br>Limited,<br>6.000%, 8–15–13 .....           | 250       | 243          |
| Bunge Limited Finance Corp.:<br>7.800%, 10–15–12 .....                 | 250       | 232          |  |           | <u>442</u>   |
| 5.350%, 4–15–14 .....  | 300       | 250          | <b>Construction Business – 0.34%</b>   |           |              |
|  |           | <u>482</u>   | Odebrecht Finance Ltd.,<br>7.500%, 10–18–17 .....                                    | 250       | 217          |
| <b>Agriculture – 0.81%</b>   |           |              | <b>Consumer Non-Cyclical – 1.01%</b>   |           |              |
| Ciliandra Perkasa Finance Company Pte. Ltd.,<br>10.750%, 12–8–11 ..... | 250       | 183          | Paka Capital Ltd, Convertible,<br>0.000%, 3–12–13 .....                              | 200       | 180          |
| COSAN FINANCE LIMITED,<br>7.000%, 2–1–17 .....                         | 128       | 82           | Wilmar International Limited, Convertible,<br>0.000%, 12–18–12 .....                 | 500       | 472          |
| Cosan S.A. Industria e Comercio,<br>8.250%, 11–15–19 .....             | 175       | 82           |  |           | <u>652</u>   |
| IOI Resources (L) Berhad, Convertible,<br>0.000%, 1–15–13 .....        | 200       | 178          | <b>Electric – 8.33%</b>  |           |              |
|  |           | <u>525</u>   | Abu Dhabi National Energy Company PJSC,<br>5.620%, 10–25–12 .....                    | 750       | 733          |
| <b>Banking – 1.34%</b>   |           |              | Aquila, Inc.,<br>11.875%, 7–1–12 .....   | 500       | 525          |
| Banco BMG S.A.,<br>8.750%, 7–1–10 .....                                | 167       | 153          | DPL Inc.,<br>6.875%, 9–1–11 .....  | 500       | 512          |
| Bank of Tokyo-Mitsubishi, Ltd. (The),<br>8.400%, 4–15–10 .....         | 500       | 508          | EDP Finance B.V.,<br>5.375%, 11–2–12 .....   | 500       | 505          |
| VTB Capital S.A.,<br>6.609%, 10–31–12 .....                            | 250       | 200          | FirstEnergy Corp.,<br>6.450%, 11–15–11 .....   | 275       | 275          |
|  |           | <u>861</u>   | HQI Transelec Chile S.A.,<br>7.875%, 4–15–11 .....                                   | 300       | 304          |
| <b>Beverage / Bottling – 3.04%</b>                                     |           |              | NorthWestern Corporation,<br>5.875%, 11–1–14 .....                                   | 500       | 505          |
| AmBev International Finance Co. Ltd.,<br>9.500%, 7–24–17 (B) .....     | BRL450    | 159          | Oncor Electric Delivery Company,<br>6.375%, 5–1–12 .....                             | 1,000     | 989          |
| Diageo Capital plc,<br>7.375%, 1–15–14 .....                           | \$ 250    | 275          | PPL Energy Supply, LLC,<br>6.300%, 7–15–13 .....                                     | 500       | 500          |
| Miller Brewing Company,<br>5.500%, 8–15–13 .....                       | 500       | 482          | Southern Power Company,<br>6.250%, 7–15–12 .....                                     | 500       | 518          |
| Molson Coors Capital Finance,<br>4.850%, 9–22–10 .....                 | 500       | 507          |  |           | <u>5,366</u> |
| Panamerican Beverages, Inc.,<br>7.250%, 7–1–09 .....                   | 325       | 327          | <b>Electric Utilities – 1.68%</b>  |           |              |
| PepsiAmericas, Inc.,<br>5.750%, 7–31–12 .....                          | 200       | 207          | Monongahela Power Company,<br>7.950%, 12–15–13 (A) .....                             | 1,000     | 1,082        |
|  |           | <u>1,957</u> | <b>Energy – 1.12%</b>  |           |              |
| <b>Building Products – 0.26%</b>                                       |           |              | China Petroleum & Chemical Corporation,<br>Convertible,<br>0.000%, 4–24–14 (B) ..... | HKD800    | 106          |
| Desarrolladora Homex, S.A. de C.V.,<br>7.500%, 9–28–15 .....           | 250       | 169          | CITIC Resources Holdings Limited,<br>6.750%, 5–15–14 .....                           | \$ 400    | 300          |
| <b>Cable / Media – 0.88%</b>   |           |              | Suntech Power Holdings Co., Ltd., Convertible,<br>0.250%, 2–15–12 .....              | 350       | 314          |
| British Sky Broadcasting Group plc,<br>8.200%, 7–15–09 .....           | 250       | 253          |  |           | <u>720</u>   |
| Grupo Televisa, S.A.,<br>8.000%, 9–13–11 .....                         | 150       | 159          | <b>Finance Companies – 1.28%</b>   |           |              |
| Rogers Wireless Inc.,<br>8.000%, 12–15–12 .....                        | 150       | 151          | C5 Capital (SPV) Limited,<br>6.196%, 12–31–49 (C) .....                              | 250       | 88           |
|  |           | <u>563</u>   | Diageo Finance B.V.,<br>5.500%, 4–1–13 .....   | 250       | 258          |
| <b>Coal &amp; Consumable Fuels – 0.76%</b>                             |           |              | ISA Capital do Brasil S.A.,<br>7.875%, 1–30–12 .....                                 | 500       | 478          |
| Peabody Energy Corporation,<br>6.875%, 3–15–13 .....                   | 500       | 488          |  |           | <u>824</u>   |

| CORPORATE DEBT SECURITIES (Continued)   | Principal | Value        |
|---|-----------|--------------|
| <b>Food Processors / Bev / Bottling – 0.13%</b>                                     |           |              |
| Iansa Overseas Limited,<br>7.250%, 7–28–12 .....                                    | \$250     | \$ 82        |
| <b>Gas – Local Distribution – 2.39%</b>   |           |              |
| AGL Capital Corporation,<br>7.125%, 1–14–11 .....                                   | 1,000     | 1,015        |
| DCP Midstream, LLC,<br>9.700%, 12–1–13 (D).....                                     | 500       | 526          |
|   |           | <u>1,541</u> |
| <b>Gas Pipe Lines – 3.06%</b>   |           |              |
| KeySpan Corporation,<br>7.625%, 11–15–10 .....                                      | 500       | 524          |
| Plains All American Pipeline, L.P.,<br>PAA Finance Corp.,<br>7.750%, 10–15–12 ..... | 1,000     | 1,006        |
| Transneft,<br>6.103%, 6–27–12 .....   | 500       | 440          |
|   |           | <u>1,970</u> |
| <b>Health Care Facilities – 1.02%</b>   |           |              |
| HCA Inc.:   |           |              |
| 6.750%, 7–15–13 .....   | 300       | 224          |
| 9.125%, 11–15–14 .....  | 225       | 212          |
| HealthSouth Corporation,<br>10.750%, 6–15–16 .....                                  | 225       | 220          |
|   |           | <u>656</u>   |
| <b>Health Care Facilities / Supplies – 0.32%</b>                                    |           |              |
| DASA Finance Corporation,<br>8.750%, 5–29–18 .....                                  | 270       | 208          |
| <b>Leisure – 0.28%</b>  |           |              |
| Royal Caribbean Cruises Ltd.,<br>8.750%, 2–2–11 .....                               | 250       | 182          |
| <b>Metals / Mining – 1.12%</b>  |           |              |
| ALROSA Finance S.A.,<br>8.875%, 11–17–14 .....                                      | 250       | 175          |
| Indo Integrated Energy B.V.,<br>8.500%, 6–1–12 .....                                | 400       | 305          |
| Vedanta Resources plc,<br>6.625%, 2–22–10 .....                                     | 250       | 243          |
|   |           | <u>723</u>   |
| <b>Multi-Utilities – 1.44%</b>  |           |              |
| Black Hills Corporation,<br>6.500%, 5–15–13 .....                                   | 1,000     | 926          |
| <b>Office Electronics – 0.73%</b>   |           |              |
| Xerox Corporation:  |           |              |
| 7.125%, 6–15–10 .....   | 250       | 255          |
| 5.500%, 5–15–12 .....   | 250       | 217          |
|   |           | <u>472</u>   |
| <b>Oil &amp; Gas – 1.51%</b>  |           |              |
| Petro-Canada,<br>4.000%, 7–15–13 .....  | 500       | 458          |
| Sunoco Logistics Partners Operations L.P.,<br>8.750%, 2–15–14 .....                 | 500       | 511          |
|   |           | <u>969</u>   |

| CORPORATE DEBT SECURITIES (Continued)                             | Principal | Value        |
|---|-----------|--------------|
| <b>Oil &amp; Gas Storage &amp; Transportation – 1.56%</b>         |           |              |
| Northern Border Partners, L.P.,<br>8.875%, 6–15–10 .....          | \$500     | \$ 513       |
| ONEOK Partners, L.P.,<br>5.900%, 4–1–12 .....                     | 500       | 490          |
|   |           | <u>1,003</u> |
| <b>Oilfield Machinery &amp; Service – 1.63%</b>                   |           |              |
| Oceanografia, S.A. de C.V.,<br>11.250%, 7–15–15 .....             | 150       | 63           |
| Smith International, Inc.,<br>8.625%, 3–15–14 .....               | 500       | 509          |
| Weatherford International, Inc.,<br>5.950%, 6–15–12 .....         | 500       | 479          |
|   |           | <u>1,051</u> |
| <b>Packaged Foods &amp; Meats – 0.41%</b>                         |           |              |
| Kraft Foods Inc.,<br>6.000%, 2–11–13 .....                        | 250       | 263          |
| <b>Paper / Forest Products – 2.61%</b>                            |           |              |
| Celulosa Arauco y Constitucion S.A.,<br>8.625%, 8–15–10 .....     | 500       | 519          |
| International Paper Company,<br>7.400%, 6–15–14 .....             | 400       | 330          |
| Sino-Forest Corporation,<br>9.125%, 8–17–11 .....                 | 350       | 315          |
| Stora Enso Oyj,<br>7.375%, 5–15–11 .....                          | 275       | 230          |
| Weyerhaeuser Company,<br>6.750%, 3–15–12 .....                    | 300       | 289          |
|   |           | <u>1,683</u> |
| <b>Pharmaceuticals – 0.79%</b>                                    |           |              |
| Novartis Capital Corporation,<br>4.125%, 2–10–14 .....            | 500       | 511          |
| <b>Publishing – 0.51%</b>   |           |              |
| Pearson Dollar Finance Two plc,<br>5.500%, 5–6–13 .....           | 350       | 331          |
| <b>Railroads – 1.19%</b>  |           |              |
| Burlington Northern Santa Fe Corporation,<br>5.900%, 7–1–12 ..... | 300       | 314          |
| TFM, S.A. de C.V.,<br>9.375%, 5–1–12 .....                        | 500       | 455          |
|   |           | <u>769</u>   |
| <b>Service – Other – 1.10%</b>                                    |           |              |
| Allied Waste Industries, Inc.,<br>6.500%, 11–15–10 .....          | 250       | 249          |
| Waste Management, Inc.,<br>7.375%, 8–1–10 .....                   | 450       | 460          |
|   |           | <u>709</u>   |
| <b>Steel – 0.37%</b>  |           |              |
| Evraz Group S.A.,<br>8.875%, 4–24–13 .....                        | 375       | 238          |
| <b>Technology – 0.78%</b>   |           |              |
| L–3 Communications Corporation,<br>7.625%, 6–15–12 .....          | 500       | 502          |

| CORPORATE DEBT SECURITIES (Continued)                                  | Principal | Value           |
|--|-----------|-----------------|
| <b>Telecommunications – 1.00%</b>                                      |           |                 |
| Global Village Telecom,<br>12.000%, 6–30–11 .....                      | \$650     | \$ 644          |
| <b>Trading Companies &amp; Distributors – 0.98%</b>                    |           |                 |
| Noble Group Limited,<br>8.500%, 5–30–13 .....                          | 800       | 628             |
| <b>Transportation – Other – 0.25%</b>                                  |           |                 |
| Ultrapetrol (Bahamas) Limited,<br>9.000%, 11–24–14 .....               | 250       | 161             |
| <b>Trucking &amp; Shipping – 0.82%</b>                                 |           |                 |
| FedEx Corporation,<br>7.375%, 1–15–14 .....                            | 500       | 530             |
| <b>Utilities – 1.49%</b>   |           |                 |
| CESP – Companhia Energetica de Sao Paulo,<br>9.750%, 1–15–15 (B) ..... | BRL500    | 204             |
| Duke Energy Field Services, LLC,<br>7.875%, 8–16–10 .....              | \$500     | 507             |
| Veolia Environment,<br>5.250%, 6–3–13 .....                            | 250       | 250             |
|  |           | 961             |
| <b>Wireless Telecommunication Service – 0.53%</b>                      |           |                 |
| Mobile TeleSystems OJSC,<br>8.700%, 6–12–18 (B)(C) .....               | RUB6,000  | 162             |
| VIP Finance Ireland Limited,<br>8.375%, 4–30–13 .....                  | \$250     | 181             |
|  |           | 343             |
| <b>TOTAL CORPORATE DEBT SECURITIES – 51.10%</b>                        |           | <b>\$32,909</b> |
| (Cost: \$34,005)   |           |                 |
| <b>OTHER GOVERNMENT SECURITIES</b>                                     |           |                 |
| <b>Canada – 1.93%</b>  |           |                 |
| Canadian Government Bonds,<br>4.000%, 9–1–10 (B) .....                 | CAD1,500  | 1,244           |
| <b>France – 5.13%</b>  |           |                 |
| French Treasury Notes (BTAN),<br>3.750%, 9–12–10 (B) .....             | EUR2,400  | 3,303           |
| <b>Germany – 1.05%</b>   |           |                 |
| Bundesobligation,<br>3.250%, 4–9–10 (B) .....                          | 500       | 680             |
| <b>Mexico – 0.28%</b>  |           |                 |
| United Mexican States Government Bonds,<br>9.000%, 12–24–09 (B) .....  | MXN2,500  | 180             |
| <b>Norway – 0.80%</b>  |           |                 |
| Norway Government Bonds,<br>6.000%, 5–16–11 (B) .....                  | NOK3,200  | 514             |

| OTHER GOVERNMENT SECURITIES (Continued)                                      | Principal | Value           |
|--|-----------|-----------------|
| <b>Russia – 0.40%</b>  |           |                 |
| Open Joint Stock Company “Russian<br>Railroads”,<br>8.500%, 7–6–11 (B) ..... | RUB10,000 | \$ 256          |
| <b>Switzerland – 1.42%</b>   |           |                 |
| Switzerland Government Bonds,<br>3.500%, 8–7–10 (B) .....                    | CHF1,000  | 913             |
| <b>TOTAL OTHER GOVERNMENT SECURITIES – 11.01%</b>                            |           | <b>\$ 7,090</b> |
| (Cost: \$7,998)  |           |                 |

| SENIOR LOANS – 0.38%                                  |       |        |
|---|-------|--------|
| <b>Consumer Products</b>                              |       |        |
| Wm. Wrigley Jr. Company,<br>6.500%, 7–17–14 (C) ..... | \$247 | \$ 244 |
| (Cost: \$244)   |       |        |

#### UNITED STATES GOVERNMENT AGENCY OBLIGATIONS

|  |       |     |
|--|-------|-----|
| <b>Mortgage-Backed Obligations – 4.30%</b>   |       |     |
| Federal Home Loan Mortgage Corporation<br>Agency REMIC/CMO (Interest Only), (E)<br>5.500%, 1–15–38 .....   | 3,438 | 381 |
| Federal National Mortgage Association<br>Agency REMIC/CMO,<br>5.000%, 2–25–35 .....                        | 455   | 471 |
| Federal National Mortgage Association<br>Agency REMIC/CMO (Interest Only): (E)<br>5.000%, 6–25–22 .....    | 1,034 | 85  |
| 5.000%, 7–25–23 .....  | 888   | 88  |
| 5.500%, 1–25–33 .....  | 1,499 | 135 |
| Federal National Mortgage Association<br>Fixed Rate Pass-Through Certificates:<br>5.000%, 3–1–22 .....     | 724   | 751 |
| 5.000%, 8–1–23 .....   | 371   | 386 |
| Government National Mortgage Association<br>Agency REMIC/CMO (Interest Only), (E)<br>5.000%, 7–16–22 ..... | 944   | 81  |
| Government National Mortgage Association<br>Fixed Rate Pass-Through Certificates,<br>4.500%, 6–15–23 ..... | 373   | 389 |

|  |  |                 |
|--|--|-----------------|
| <b>TOTAL UNITED STATES GOVERNMENT AGENCY OBLIGATIONS – 4.30%</b> |  | <b>\$ 2,767</b> |
| (Cost: \$3,257)  |  |                 |

#### SHORT-TERM SECURITIES

|  |       |        |
|--|-------|--------|
| <b>Commercial Paper – 16.93%</b>                   |       |        |
| Abbott Laboratories,<br>0.320%, 4–14–09 .....      | 3,000 | 2,999  |
| Baxter International Inc.,<br>0.330%, 4–9–09 ..... | 3,000 | 3,000  |
| McCormick & Co. Inc.,<br>0.400%, 4–1–09 .....      | 2,903 | 2,903  |
| Sonoco Products Co.,<br>0.550%, 4–1–09 .....       | 2,000 | 2,000  |
|  |       | 10,902 |

| SHORT-TERM SECURITIES (Continued)                           | Principal | Value            |
|---|-----------|------------------|
| <b>Master Note – 4.61%</b>                                  |           |                  |
| Toyota Motor Credit Corporation,<br>1.271%, 4-1-09 (C)..... | \$2,971   | \$ 2,971         |
| <b>United States Government Obligations – 9.28%</b>         |           |                  |
| United States Treasury Bills:                               |           |                  |
| 0.000%, 4-2-09 .....  | 3,000     | 3,000            |
| 0.000%, 9-24-09 .....                                       | 3,000     | 2,980            |
|   |           | <u>5,980</u>     |
| <b>TOTAL SHORT-TERM SECURITIES – 30.82%</b>                 |           | <b>\$ 19,853</b> |
| (Cost: \$19,853)  |           |                  |
| <b>TOTAL INVESTMENT SECURITIES – 97.61%</b>                 |           | <b>\$ 62,863</b> |
| (Cost: \$65,357)  |           |                  |
| <b>CASH AND OTHER ASSETS, NET OF LIABILITIES – 2.39%</b>    |           | <b>1,540</b>     |
| <b>NET ASSETS – 100.00%</b>                                 |           | <b>\$ 64,403</b> |

#### Notes to Schedule of Investments

The following forward currency contracts were outstanding at March 31, 2009:

| Type | Currency        | Principal Amount of<br>Contract (Denominated<br>in Indicated Currency) | Settlement Date | Unrealized<br>Appreciation | Unrealized<br>Depreciation |
|------|-----------------|--|-----------------|----------------------------|----------------------------|
| Sell | Brazilian Real  | 1,015  | 12-2-09         | \$10                       | \$—                        |
| Sell | Canadian Dollar | 1,563  | 8-24-09         | 228                        | —                          |
| Sell | Euro            | 3,000  | 12-22-09        | 300                        | —                          |
| Sell | Mexican Peso    | 2,600  | 12-24-09        | 6                          | —                          |
| Sell | Norwegian Krone | 3,000  | 5-4-09          | —                          | 21                         |
| Sell | Norwegian Krone | 11   | 5-15-09         | —                          | —*                         |
| Sell | Norwegian Krone | 500  | 1-14-10         | —                          | 4                          |
| Sell | Russian Ruble   | 17,825   | 11-20-09        | 19                         | —                          |
| Sell | Swiss Franc     | 1,000  | 12-22-09        | 60                         | —                          |
|      |                 |  |                 | <u>\$623</u>               | <u>\$25</u>                |

\*Not Shown due to rounding.

(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. These securities have been determined to be illiquid under guidelines established by the Board of Trustees. At March 31, 2009, the total value of these securities amounted to \$1,587 or 2.46% of net assets.

(B) Principal amounts are denominated in the indicated foreign currency, where applicable (BRL – Brazilian Real, CAD – Canadian Dollar, CHF – Swiss Franc, EUR – Euro, HKD – Hong Kong Dollar, MXN – Mexican Peso, NOK – Norwegian Krone and RUB – Russian Ruble).

(C) Variable rate security. Interest rate disclosed is that which is in effect at March 31, 2009.

(D) 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. These securities have been determined to be liquid under guidelines established by the Board of Trustees. At March 31, 2009, the total value of these securities amounted to \$526 or 0.82% of net assets.

(E) Amount shown in principal column represents notional amount for computation of interest.

The following acronyms are used throughout this portfolio:

CMO = Collateralized Mortgage Obligation

REMIC = Real Estate Mortgage Investment Conduit



## Notes to Schedule of Investments (Continued)

### Country Diversification

(as a % of net assets)

|                        |        |
|------------------------|--------|
| United States          | 34.92% |
| France                 | 5.52%  |
| Canada                 | 3.98%  |
| United Kingdom         | 2.57%  |
| Brazil                 | 2.12%  |
| Mexico                 | 1.60%  |
| Switzerland            | 1.42%  |
| Chile                  | 1.27%  |
| Russia                 | 1.23%  |
| United Arab Emirates   | 1.14%  |
| China                  | 1.14%  |
| Germany                | 1.05%  |
| Hong Kong              | 0.98%  |
| Ireland                | 0.97%  |
| Norway                 | 0.80%  |
| Japan                  | 0.79%  |
| Portugal               | 0.78%  |
| Singapore              | 0.73%  |
| Malaysia               | 0.55%  |
| Panama                 | 0.51%  |
| Netherlands            | 0.47%  |
| Cayman Islands         | 0.47%  |
| Burma                  | 0.38%  |
| Luxembourg             | 0.37%  |
| Finland                | 0.36%  |
| Indonesia              | 0.28%  |
| Bahamas                | 0.25%  |
| British Virgin Islands | 0.14%  |
| Other+                 | 33.21% |

+ Includes cash and cash equivalents and other assets and liabilities

For Federal income tax purposes, cost of investments owned at March 31, 2009 and the related unrealized appreciation (depreciation) were as follows:

|                               |            |
|-------------------------------|------------|
| Cost                          | \$65,358   |
| Gross unrealized appreciation | 713        |
| Gross unrealized depreciation | (3,208)    |
| Net unrealized depreciation   | \$ (2,495) |

Industry and geographical classifications are unaudited.



David W. Land



Christopher R. Sebald

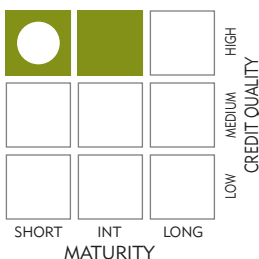
The Ivy Mortgage Securities Fund is subadvised by Advantus Capital Management, Inc.

Below, David W. Land, CFA, and Christopher R. Sebald, CFA, portfolio managers of the Ivy Mortgage Securities Fund, discuss positioning, performance and results for the fiscal year ended March 31, 2009. Mr. Land has managed the Fund for five years and has 18 years of industry experience. Mr. Sebald has managed the Fund for six years and has 20 years of industry experience.

**Investment Style**

○ Current ■ Historical

Source: Morningstar, Inc.



This diagram shows the Fund's fixed-income investment style by displaying the average credit quality of the bonds owned and the Fund's interest rate sensitivity, as measured by average maturity. Shaded areas show the past three years of quarterly data.

**Fiscal Year Performance**

For the 12 Months Ended March 31, 2009

|   |         |
|---|---------|
| <b>Ivy Mortgage Securities Fund</b><br>(Class A shares at net asset value)  | -15.15% |
| Benchmark(s) and/or Lipper Category   |         |
| <b>Barclays Capital Mortgage-Backed Securities Index</b><br>(generally reflects the performance of securities representing the mortgage-backed securities market) | 8.09%   |
| <b>Lipper U.S. Mortgage Funds Universe Average</b><br>(generally reflects the performance of the universe of funds with similar investment objectives)            | 0.47%   |

Please note that the Fund returns include applicable fees and expenses, whereas the index returns do not include any such fees. During the fiscal year, Barclays Capital acquired the index operations of Lehman Brothers and renamed Lehman's products, including the Fund's benchmark.

**Commercial and non-agency mortgages hurt results**

We significantly underperformed our Lipper peer group and benchmark index this past fiscal year due to the Fund's exposure to non-agency mortgage securities and commercial mortgage-backed securities. Due to the recession and significant credit crunch that enveloped the financial markets in 2008 and early 2009, there was a large disparity among the various sectors in which the Fund has typically focused and government-related securities that historically have not produced returns as competitive. Treasury securities offered the best performance during the year, followed by securities issued by government agencies (Fannie Mae and Freddie Mac, for example). Non-agency mortgage securities fell by as much as 30 percent, while Treasuries and agencies rose, in general, by 4 percent to 7 percent.

Lower quality securities performed worse than higher quality bonds during the year, with yields rising less on agency mortgage securities. The Fund had a lower proportion of high-quality bonds than the index (i.e. non-agency mortgages and commercial real estate), which negatively influenced the Fund's return.

Recognizing that our style was out of favor, we made efforts to increase our allocation to agency mortgage-backed securities and reduce our exposure to non-agency securities. We made some headway, but our efforts to accomplish this goal were slowed by challenging market conditions. In general, we tried not to sell interest-paying, distressed securities to sellers looking for bargains; instead, we waited until bursts of market momentum lifted prices enough to justify selling.

**Our outlook**

We feel that the markets have priced in a significant decline in the economy, including falling corporate profits, slower growth and very high bond defaults. In the fixed-income market, the rise in yields on non-government securities can only be compared with yields of similar bonds in the 1930s. While such a rise in yields seems in excess of expected losses, it is too soon to know whether government actions will be adequate to forestall a severe recession or worse. We feel that the economy is bound to suffer greater losses in the coming quarters in the event that companies and consumers continue to cut back on spending and investment. The unemployment rate is likely to rise throughout the rest of 2009, and corporate earnings are bound to see significant disappointment, in our opinion. We anticipate purchasing agency mortgage-backed securities throughout 2009, as the government appears committed to supporting the agency mortgage market through direct purchases of these securities.

**The Fund's performance noted above is at net asset value (NAV), and does not include the effect of any applicable sales charges. If reflected, the sales charge would reduce the performance noted.**

**As with any mutual fund, the value of the Fund's shares will change, and you could lose money on your investment. The risks incurred by mortgage securities include, but are not limited to, reinvestment of pre-paid loans at lower rates of return. In addition, the net asset value of mortgage securities may fluctuate in response to changes in interest rates and**

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are not guaranteed. Fixed-income securities are subject to interest rate risk and, as such, the Fund's net asset value may fall as interest rates rise. These and other risks are more fully described in the Fund's prospectus.

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. 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.

On Sept. 7, 2008, the Federal Housing Finance Agency (FHFA), an agency of the U.S. government, placed Fannie Mae and Freddie Mac into conservatorship, a statutory process with the objective of returning the entities to normal business operations. FHFA will act as the conservator to operate Fannie Mae and Freddie Mac until they are stabilized. It is unclear what effect this conservatorship will have on the securities issued or guaranteed by Fannie Mae or Freddie Mac.

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

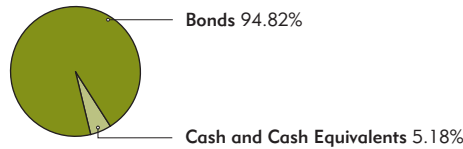
The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of the Ivy Mortgage Securities Fund.

# PORTFOLIO HIGHLIGHTS

## Ivy Mortgage Securities Fund

ALL DATA IS AS OF MARCH 31, 2009 (UNAUDITED)

### Asset Allocation



| Bonds  | 94.82%       |
|--|--------------|
| United States Government and Government Agency Obligations | 56.75%       |
| Corporate Debt Securities                                  | 38.07%       |
| <b>Cash and Cash Equivalents</b>                           | <b>5.18%</b> |

### Bond Portfolio Characteristics

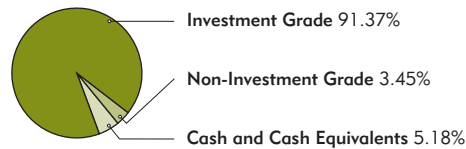
|                              |           |
|------------------------------|-----------|
| Average maturity             | 3.1 years |
| Effective duration           | 3.5 years |
| Weighted average bond rating | AA        |

### Lipper Rankings

| Category: Lipper U.S. Mortgage Funds | Rank  | Percentile |
|--------------------------------------|-------|------------|
| 1 Year                               | 91/95 | 95         |
| 3 Year                               | 85/88 | 96         |
| 5 Year                               | 82/85 | 96         |
| 10 Year                              | 55/56 | 97         |

Past performance is no guarantee of future results. Rankings are for Class A Shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.

### Quality Weightings



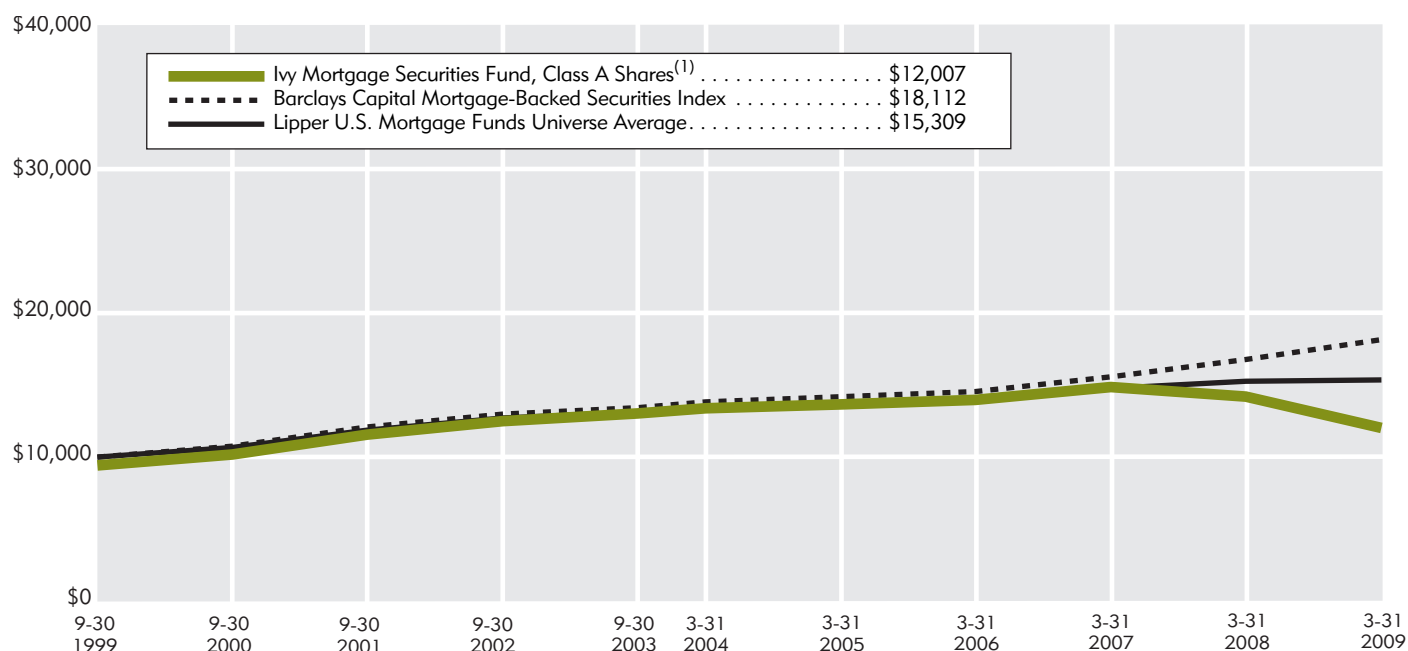
| Investment Grade                 | 91.37%       |
|----------------------------------|--------------|
| AAA                              | 71.03%       |
| AA                               | 8.87%        |
| A                                | 5.63%        |
| BBB                              | 5.84%        |
| <b>Non-Investment Grade</b>      | <b>3.45%</b> |
| BB                               | 2.98%        |
| B                                | 0.38%        |
| Below B                          | 0.09%        |
| <b>Cash and Cash Equivalents</b> | <b>5.18%</b> |

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.

# COMPARISON OF CHANGE IN VALUE OF \$10,000 INVESTMENT

## Ivy Mortgage Securities Fund

(UNAUDITED)



Please note that the performance of the Fund's other share classes will be greater or less than the performance shown above for Class A based on the differences in loads and fees paid by shareholders investing in the different classes.

(1) The value of the investment in the Fund is impacted by the sales load at the time of the investment and by the ongoing expenses of the Fund and assumes reinvestment of dividends and distributions.

| Average Annual Total Return <sup>(2)</sup>              | Class A | Class B | Class C | Class E | Class I | Class Y |
|---|---------|---------|---------|---------|---------|---------|
| 1-year period ended 3-31-09                             | -20.03% | -19.27% | -15.77% | -20.09% | -14.70% | -14.91% |
| 5-year period ended 3-31-09                             | -3.25%  | -3.30%  | -2.92%  | —       | —       | -2.02%  |
| 10-year period ended 3-31-09                            | 1.88%   | —       | —       | —       | —       | —       |
| Since inception of Class <sup>(3)</sup> through 3-31-09 | —       | -2.69%  | -2.33%  | -12.98% | -9.54%  | -1.43%  |

(2) Data quoted is past performance and is based on deduction of the maximum applicable sales load for each of the periods. Current performance may be lower or higher. Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate and shares, when redeemed, may be worth more or less than their original cost. Please visit [www.ivyfund.com](http://www.ivyfund.com) for the Fund's most recent month-end performance. Class A and Class E shares carry a maximum front-end sales load of 5.75%. Class B and Class C shares carry maximum contingent deferred sales charges (CDSC) of 5% and 1%, respectively. (Accordingly, the Class C shares reflect no CDSC since it only applies to Class C shares redeemed within twelve months after purchase.) Class I and Class Y shares are not subject to sales charges.

(3) 12-8-03 for Class B, Class C and Class Y shares and 4-2-07 for Class E and Class I shares (the date on which shares were first acquired by shareholders).

Past performance is not necessarily indicative of future performance. Indexes are unmanaged. The performance graph and table do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or on the redemption of Fund shares.

The Advantus Mortgage Securities Fund merged into the Ivy Mortgage Securities Fund on December 8, 2003. The performance shown for periods prior to this date is that of the Advantus Mortgage Securities Fund Class A shares, restated to reflect current sales charges applicable to Ivy Mortgage Securities Fund Class A shares. Performance has not been restated to reflect the fees and expenses applicable to the Ivy Mortgage Securities Fund. If these expenses were reflected, performance shown would differ.

ILLUSTRATION OF FUND EXPENSES  
**Ivy Mortgage Securities Fund**

(UNAUDITED)

| For the Six Months Ended March 31, 2009          | Beginning Account Value 9-30-08 | Ending Account Value 3-31-09 | Annualized Expense Ratio Based on the Six-Month Period | Expenses Paid During Period* |
|--|---------------------------------|------------------------------|--|------------------------------|
| <b>Based on Actual Fund Return<sup>(1)</sup></b> |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$ 884.90                    | 1.33%  | \$ 6.22                      |
| Class B  | \$1,000                         | \$ 879.90                    | 2.45%  | \$11.47                      |
| Class C  | \$1,000                         | \$ 881.90                    | 2.02%  | \$ 9.50                      |
| Class E  | \$1,000                         | \$ 885.90                    | 1.14%  | \$ 5.37                      |
| Class I  | \$1,000                         | \$ 887.40                    | 0.79%  | \$ 3.68                      |
| Class Y  | \$1,000                         | \$ 886.40                    | 1.02%  | \$ 4.81                      |
| <b>Based on 5% Return<sup>(2)</sup></b>          |                                 |                              |  |                              |
| Class A  | \$1,000                         | \$1,018.31                   | 1.33%  | \$ 6.66                      |
| Class B  | \$1,000                         | \$1,012.72                   | 2.45%  | \$12.28                      |
| Class C  | \$1,000                         | \$1,014.86                   | 2.02%  | \$10.18                      |
| Class E  | \$1,000                         | \$1,019.24                   | 1.14%  | \$ 5.75                      |
| Class I  | \$1,000                         | \$1,020.99                   | 0.79%  | \$ 3.94                      |
| Class Y  | \$1,000                         | \$1,019.83                   | 1.02%  | \$ 5.15                      |

\*Fund expenses for each share class are equal to the Fund's annualized expense ratio for each share class (provided in the table), multiplied by the average account value over the period, multiplied by 182 days in the six-month period ended March 31, 2009, 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 last column.

(2) This section uses a hypothetical five percent 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.

See "Disclosure of Expenses" on page 8 for further information on how expenses were calculated.

# SCHEDULE OF INVESTMENTS

## Ivy Mortgage Securities Fund *(in thousands)*

MARCH 31, 2009

| CORPORATE DEBT SECURITIES  | Principal | Value  | CORPORATE DEBT SECURITIES (Continued)  | Principal | Value  |
|--|-----------|--------|--|-----------|--------|
| <b>Car Loan – 0.51%</b>  |           |        | <b>Other Mortgage-Backed Securities (Continued)</b>  |           |        |
| Capital Auto Receivables Asset Trust 2007–2,<br>8.300%, 2–18–14 (A) . . . . .  | \$1,105   | \$ 763 | Banc of America Mortgage Trust 2004–2:<br>5.000%, 3–25–19 . . . . .  | \$ 262    | \$ 213 |
|  |           |        | 5.000%, 3–25–19 . . . . .  | 204       | 147    |
| <b>Consumer Finance – 0.20%</b>  |           |        | 5.500%, 3–25–34 . . . . .  | 471       | 330    |
| Green Tree Financial Corporation,<br>8.300%, 11–15–19 . . . . .  | 322       | 296    | Banc of America Mortgage Trust 2004–3:<br>4.875%, 4–25–19 . . . . .  | 360       | 247    |
|  |           |        | 4.875%, 4–25–19 . . . . .  | 193       | 100    |
| <b>Other Mortgage-Backed Securities – 37.13%</b>   |           |        | Banc of America Mortgage Trust 2004–7,<br>5.750%, 8–25–34 . . . . .  | 920       | 730    |
| Aames Mortgage Trust 2001–4,<br>6.650%, 1–25–32 (B) . . . . .  | 386       | 240    | Banc of America Structured Securities Trust 2002–<br>X1 F,<br>6.274%, 10–11–33 (D) . . . . .                                       | 1,750     | 1,340  |
| ABFS Mortgage Loan Trust 2001–2,<br>6.990%, 12–25–31 (B) . . . . .   | 824       | 331    | BankAmerica Manufactured Housing Contract<br>Trust:<br>7.800%, 10–10–26 . . . . .  | 1,268     | 1,272  |
| ABFS Mortgage Loan Trust 2002–4,<br>7.423%, 12–15–33 (B) . . . . .   | 1,274     | 570    | 7.015%, 1–10–28 . . . . .  | 495       | 476    |
| Asset Securitization Corporation (Interest Only):<br>1.422%, 10–13–26 (A)(B)(C) . . . . .  | 3,733     | 86     | Bear Stearns Commercial Mortgage Securities<br>Inc., Series 2000-WF1 Trust Fund,<br>6.500%, 2–15–32 . . . . .                      | 1,015     | 695    |
| 8.621%, 8–13–29 (B)(C) . . . . .   | 1,089     | 198    | Bear Stearns Commercial Mortgage Securities<br>Trust 2002-TOP6,<br>6.000%, 10–15–36 (A) . . . . .                                  | 938       | 260    |
| Associates Manufactured Housing Contract<br>Pass-Through Certificates,<br>7.900%, 3–15–27 . . . . .  | 355       | 352    | BlackRock Capital Finance,<br>7.750%, 9–25–26 (A) . . . . .  | 495       | 173    |
| Banc of America Alternative Loan Trust 2004–11,<br>6.000%, 12–25–34 . . . . .  | 968       | 672    | C-Bass 2005-CB3 Trust,<br>5.109%, 5–25–35 (B) . . . . .  | 971       | 912    |
| Banc of America Alternative Loan Trust 2005–10,<br>5.669%, 11–25–35 (B) . . . . .  | 1,121     | 64     | C-Bass 2006-MH1 Trust,<br>5.970%, 10–25–36 (A)(B) . . . . .  | 1,351     | 1,025  |
| Banc of America Alternative Loan Trust 2005–12,<br>5.806%, 1–25–36 (B) . . . . .   | 1,580     | 177    | C-Bass Mortgage Loan Trust 2007-CB2,<br>5.891%, 2–25–37 (B) . . . . .  | 224       | 185    |
| Banc of America Alternative Loan Trust 2005–6,<br>6.000%, 7–25–35 . . . . .  | 776       | 438    | Centex Home Equity Loan Trust 2005-C,<br>5.048%, 6–25–35 (B) . . . . .   | 2,301     | 1,534  |
| Banc of America Alternative Loan Trust 2005–8:<br>5.583%, 9–25–35 (B) . . . . .  | 1,966     | 316    | CHEQ Home Equity Loan Trust, Series 2006-S2,<br>0.632%, 7–25–27 (B) . . . . .  | 199       | 182    |
| 5.583%, 9–25–35 (B) . . . . .  | 390       | 32     | CHL Mortgage Pass-Through Trust 2002–32,<br>5.547%, 1–25–33 (B)(D) . . . . .   | 1,184     | 649    |
| Banc of America Alternative Loan Trust 2006–4:<br>6.223%, 5–25–46 (B) . . . . .  | 626       | 118    | CitiMortgage Alternative Loan Trust,<br>Series 2007-A7,<br>6.238%, 7–25–37 (B) . . . . .   | 637       | 12     |
| 6.223%, 5–25–46 (B) . . . . .  | 874       | 54     | Collateralized Mortgage Obligation Trust,<br>5.000%, 7–1–18 . . . . .  | 25        | 26     |
| Banc of America Commercial Mortgage Inc.,<br>Commercial Mortgage Pass-Through<br>Certificates, Series 2002–2:<br>6.200%, 7–11–43 (A) . . . . .     | 1,200     | 649    | COMM 2006-CNL2,<br>5.756%, 2–5–19 (A)(B) . . . . .   | 475       | 152    |
| 4.772%, 7–11–43 . . . . .  | 438       | 438    | Commercial Mortgage Asset Trust,<br>7.800%, 11–17–32 (B) . . . . .   | 1,000     | 913    |
| Banc of America Commercial Mortgage Inc.,<br>Commercial Mortgage Pass-Through<br>Certificates, Series 2003–1,<br>4.900%, 9–11–36 (A) . . . . .     | 1,000     | 453    | Commercial Mortgage Asset Trust,<br>Commercial Mortgage Pass-Through<br>Certificates, Series 1999-C1,<br>6.640%, 1–17–32 . . . . . | 232       | 232    |
| Banc of America Commercial Mortgage Inc.,<br>Commercial Mortgage Pass-Through<br>Certificates, Series 2004–6,<br>5.104%, 12–10–42 (A)(B) . . . . . | 800       | 264    | CountryPlace Manufactured Housing Contract<br>Trust 2005–1,<br>4.800%, 12–15–35 (B)(D) . . . . .                                   | 1,275     | 814    |
| Banc of America Funding 2004–2 Trust,<br>6.500%, 7–20–32 . . . . .   | 1,164     | 819    | CSFB Commercial Mortgage Trust 2003-C4,<br>5.322%, 8–15–36 (A)(B) . . . . .  | 1,000     | 228    |
| Banc of America Funding Corporation,<br>5.007%, 9–20–34 (B) . . . . .  | 1,096     | 675    | CWHEQ Home Equity Loan Trust,<br>Series 2006-S3,<br>6.518%, 1–25–29 (B) . . . . .  | 2,125     | 274    |
| Banc of America Mortgage 2007–1 Trust,<br>6.000%, 3–25–37 . . . . .  | 3,544     | 658    | FFCA Secured Lending Corporation:<br>1.656%, 2–18–22 (B)(D) . . . . .  | 1,500     | 1,443  |
| Banc of America Mortgage Alternative Loan<br>Trust 2003–5,<br>5.500%, 7–25–33 . . . . .  | 1,223     | 417    | 1.906%, 2–18–22 (B)(D) . . . . .   | 1,000     | 951    |
| Banc of America Mortgage Trust 2003–9,<br>5.500%, 12–25–33 . . . . .   | 787       | 261    |  |           |        |
| Banc of America Mortgage Trust 2004–1,<br>5.500%, 2–25–34 . . . . .  | 1,910     | 1,461  |  |           |        |

| CORPORATE DEBT SECURITIES (Continued)  | Principal | Value |
|--|-----------|-------|
| <b>Other Mortgage-Backed Securities (Continued)</b>  |           |       |
| First Horizon Mortgage Pass-Through Trust 2003-8,<br>5.136%, 10-25-33 (B) . . . . .  | \$ 346    | \$ 90 |
| First Horizon Mortgage Pass-Through Trust 2007-4,<br>5.500%, 8-25-22 . . . . .   | 931       | 645   |
| Flagstar Home Equity Loan Trust 2007-1,<br>5.997%, 1-25-35 (A)(B) . . . . .  | 1,630     | 213   |
| Ford Credit Auto Owner Trust 2006-B,<br>7.120%, 2-15-13 (D) . . . . .  | 635       | 423   |
| Ford Credit Auto Owner Trust 2007-A,<br>7.050%, 12-15-13 (D) . . . . .   | 390       | 227   |
| Global Mortgage Securitization 2005-A Ltd. and<br>Global Mortgage Securitization 2005-A LLC:<br>5.250%, 4-25-32 . . . . .        | 696       | 416   |
| 5.399%, 4-25-32 (B) . . . . .  | 1,082     | 341   |
| Global Mortgage Securitization Ltd. and Global<br>Mortgage Securitization, LLC:<br>5.250%, 11-25-32 (D) . . . . .                | 946       | 653   |
| 5.250%, 11-25-32 (D) . . . . .   | 441       | 334   |
| GMAC Commercial Mortgage Securities,<br>5.940%, 7-1-13 (D) . . . . .   | 61        | 53    |
| Home Equity Loan Trust 2003-HS2,<br>5.090%, 7-25-33 (B) . . . . .  | 50        | 44    |
| Hometown Commercial Capital, LLC Hometown<br>Commercial Mortgage Pass-Through Notes<br>2006-1,<br>5.506%, 11-11-38 (D) . . . . . | 1,947     | 797   |
| Impac CMB Trust Series 2003-2F,<br>6.000%, 1-25-33 (B) . . . . .   | 704       | 425   |
| J.P. Morgan Alternative Loan Trust 2006-A6,<br>5.950%, 11-25-36 (B) . . . . .  | 2,500     | 1,270 |
| J.P. Morgan Chase Commercial Mortgage<br>Securities Corp.,<br>6.221%, 10-12-37 (A) . . . . .                                     | 2,300     | 1,393 |
| J.P. Morgan Chase Commercial Mortgage<br>Securities Corp., Series 2004 - CIBC8,<br>3.837%, 1-12-39 . . . . .                     | 850       | 748   |
| J.P. Morgan Mortgage Acquisition Trust<br>2006-CW2,<br>6.337%, 8-25-36 (B) . . . . .   | 2,725     | 879   |
| J.P. Morgan Mortgage Trust 2004-A3,<br>4.290%, 7-25-34 (B) . . . . .   | 1,110     | 571   |
| J.P. Morgan Mortgage Trust 2005-S2:<br>5.674%, 9-25-35 (B) . . . . .   | 2,157     | 376   |
| 6.500%, 9-25-35 . . . . .  | —         | —*    |
| J.P. Morgan Mortgage Trust 2006-A2:<br>5.137%, 11-25-33 (B) . . . . .  | 867       | 483   |
| 4.543%, 8-25-34 (B) . . . . .  | 2,054     | 935   |
| J.P. Morgan Mortgage Trust 2006-A6,<br>6.040%, 10-25-36 (B) . . . . .  | 2,510     | 1,169 |
| J.P. Morgan Mortgage Trust 2006-S3,<br>6.187%, 8-25-36 . . . . .   | 1,163     | 149   |
| J.P. Morgan Mortgage Trust 2007-A1,<br>4.813%, 7-25-35 (B) . . . . .   | 2,159     | 185   |
| J.P. Morgan Mortgage Trust 2007-A2,<br>5.686%, 4-25-37 (B) . . . . .   | 2,475     | 1,548 |
| LB-UBS Commercial Mortgage Trust 2003-C3,<br>4.846%, 2-15-37 (A)(B) . . . . .  | 300       | 130   |
| Lehman Mortgage Trust Mortgage Pass-Through<br>Certificates, Series 2006-5,<br>6.867%, 9-25-36 (B) . . . . .                     | 1,986     | 138   |
| Lehman XS Trust, Series 2005-8,<br>5.690%, 12-25-35 . . . . .  | 3,015     | 2,095 |

| CORPORATE DEBT SECURITIES (Continued)  | Principal | Value  |
|--|-----------|--------|
| <b>Other Mortgage-Backed Securities (Continued)</b>  |           |        |
| Mid-State Capital Corporation 2004-1 Trust:<br>6.005%, 8-15-37 . . . . .   | \$ 342    | \$ 242 |
| 6.497%, 8-15-37 . . . . .  | 1,076     | 650    |
| Morgan Stanley Dean Witter Capital I Inc. Trust<br>2002-WL1,<br>6.397%, 4-25-17 (B) . . . . .  | 203       | 157    |
| Multi Security Asset Trust LP, Commercial<br>Mortgage-Backed Securities Pass-Through<br>Certificates, Series 2005-RR4:<br>5.880%, 11-28-35 (B)(D) . . . . .                    | 680       | 48     |
| 5.880%, 11-28-35 (B)(D) . . . . .  | 340       | 24     |
| Multi Security Asset Trust LP, Commercial<br>Mortgage-Backed Securities Pass-Through<br>Certificates, Series 2005-RR4 (Interest Only),<br>1.146%, 11-28-35 (B)(C)(D) . . . . . | 13,539    | 186    |
| Multi Security Asset Trust, Commercial Mortgage<br>Pass-Through Certificates, Series 2005-RR4,<br>5.000%, 11-28-35 (D) . . . . .   | 2,000     | 1,200  |
| NationsLink Funding Corporation, Commercial<br>Mortgage Pass-Through Certificates, Series<br>1998-2,<br>5.000%, 8-20-30 (A) . . . . .  | 500       | 423    |
| Oakwood Mortgage Investors, Inc.:<br>8.100%, 10-15-21 (D) . . . . .  | 109       | 104    |
| 7.375%, 8-15-27 . . . . .  | 110       | 104    |
| Origen Manufactured Housing Contract Trust<br>2004-A,<br>5.700%, 1-15-35 . . . . .   | 543       | 390    |
| Origen Manufactured Housing Contract Trust<br>2004-B,<br>4.750%, 8-15-21 . . . . .   | 400       | 318    |
| Origen Manufactured Housing Contract Trust<br>2005-B:<br>5.605%, 5-15-22 . . . . .   | 360       | 252    |
| 5.910%, 1-15-37 . . . . .  | 700       | 374    |
| PHH Alternative Mortgage Trust, Series 2007-1,<br>Class II-B-2,<br>6.000%, 2-25-37 . . . . .   | 1,534     | 113    |
| Prudential Home Mortgage Securities:<br>6.730%, 4-28-24 (B)(D) . . . . .   | 3         | 2      |
| 7.963%, 9-28-24 (A)(B) . . . . .   | 13        | 9      |
| RALI Series 2003-QS11 Trust,<br>5.750%, 6-25-33 . . . . .  | 2,375     | 1,592  |
| RAMP Series 2005-RS1 Trust,<br>5.145%, 1-25-35 (B) . . . . .   | 1,013     | 240    |
| RASC Series 2003-KS10 Trust,<br>6.410%, 12-25-33 . . . . .   | 263       | 74     |
| RESI Finance Limited Partnership 2003-C and<br>RESI Finance DE Corporation 2003-C,<br>1.946%, 9-10-35 (B)(D) . . . . .   | 1,329     | 544    |
| RFMSI Series 2004-S5 Trust:<br>4.500%, 5-25-19 . . . . .   | 301       | 232    |
| 4.500%, 5-25-19 . . . . .  | 150       | 102    |
| Salomon Brothers Mortgage Securities VII, Inc.,<br>Mortgage Pass-Through Certificates, Series<br>1997-HUD1,<br>7.750%, 12-25-30 (B) . . . . .                                  | 1,030     | 569    |
| Structured Adjustable Rate Mortgage Loan Trust,<br>Series 2005-21,<br>5.400%, 11-25-35 (B) . . . . .   | 1,575     | 369    |
| Structured Asset Mortgage Investments, Inc.:<br>5.480%, 4-30-30 (B) . . . . .  | 16        | 14     |
| 5.480%, 4-30-30 (B) . . . . .  | 7         | 6      |



| <b>CORPORATE DEBT SECURITIES (Continued)</b>  | <b>Principal</b> | <b>Value</b>    |
|---|------------------|-----------------|
| <b>Other Mortgage-Backed Securities (Continued)</b>                                 |                  |                 |
| Structured Asset Securities Corporation:  |                  |                 |
| 6.290%, 11-25-32 (B) . . . . .  | \$ 221           | \$ 106          |
| 5.250%, 8-25-33 . . . . .   | 1,265            | 784             |
| 5.250%, 8-25-33 . . . . .   | 551              | 261             |
| 5.630%, 5-25-34 (B) . . . . .   | 711              | 355             |
| 6.000%, 6-25-34 (B) . . . . .   | 2,019            | 1,105           |
| Washington Mutual MSC Mortgage Pass-Through<br>Certificates Series 2002-MS11 Trust, |                  |                 |
| 5.621%, 12-25-32 (B) . . . . .  | 840              | 471             |
| Wells Fargo Alternative Loan 2007-PA3 Trust:  |                  |                 |
| 5.750%, 7-25-37 . . . . .   | 1,079            | 368             |
| 6.158%, 7-25-37 (B) . . . . .   | 1,763            | 125             |
| 6.158%, 7-25-37 (B) . . . . .   | 1,552            | 74              |
| Wells Fargo Mortgage Backed Securities<br>2003-2 Trust,                             |                  |                 |
| 5.250%, 2-25-18 (D) . . . . .   | 224              | 146             |
| Wells Fargo Mortgage Backed Securities<br>2003-4 Trust,                             |                  |                 |
| 5.500%, 6-25-33 . . . . .   | 879              | 482             |
| Wells Fargo Mortgage Backed Securities<br>2003-9 Trust,                             |                  |                 |
| 5.250%, 8-25-33 (A) . . . . .   | 1,077            | 479             |
| Wells Fargo Mortgage Backed Securities<br>2005-16 Trust,                            |                  |                 |
| 5.750%, 1-25-36 . . . . .   | 500              | 405             |
|   |                  | 55,487          |
| <b>Other Non-Agency REMIC/CMO – 0.23%</b>   |                  |                 |
| Banco Hipotecario Nacional:   |                  |                 |
| 7.916%, 7-25-09 (D) . . . . .   | 23               | —*              |
| 1.972%, 3-25-11 (D) . . . . .   | 10               | —*              |
| 7.540%, 5-31-17 (D) . . . . .   | —*               | —*              |
| Bear Stearns Mortgage Securities Inc.,  |                  |                 |
| 8.000%, 11-25-29 . . . . .  | 337              | 349             |
|   |                  | 349             |
| <b>TOTAL CORPORATE DEBT SECURITIES – 38.07%</b>                                     |                  | <b>\$56,895</b> |

(Cost: \$117,072)

**UNITED STATES GOVERNMENT  
AGENCY OBLIGATIONS**

|  |       |       |
|--|-------|-------|
| <b>Agency Obligations – 0.28%</b>  |       |       |
| Federal National Mortgage Association,   |       |       |
| 4.750%, 12-15-10 (E) . . . . .   | 400   | 424   |
| <b>Mortgage-Backed Obligations – 56.10%</b>                                      |       |       |
| Federal Home Loan Mortgage Corporation,  |       |       |
| 5.000%, 4-1-35 TBA . . . . .   | 1,380 | 1,423 |
| Federal Home Loan Mortgage Corporation<br>Agency REMIC/CMO,                      |       |       |
| 5.000%, 6-15-31 . . . . .  | 2,000 | 2,083 |
| Federal Home Loan Mortgage Corporation<br>Fixed Rate Participation Certificates: |       |       |
| 5.500%, 12-1-17 . . . . .  | 519   | 544   |
| 5.500%, 9-1-19 . . . . .   | 863   | 903   |
| 5.300%, 1-15-33 . . . . .  | 206   | 216   |
| 5.000%, 7-15-33 . . . . .  | 2,064 | 2,095 |
| 5.500%, 5-1-34 . . . . .   | 1,051 | 1,103 |
| 5.500%, 5-1-34 . . . . .   | 647   | 679   |
| 6.500%, 5-1-34 . . . . .   | 657   | 696   |
| 6.500%, 10-1-34 TBA . . . . .  | 1,262 | 1,330 |
| 5.500%, 10-1-34 . . . . .  | 862   | 901   |

| <b>UNITED STATES GOVERNMENT<br/>AGENCY OBLIGATIONS (Continued)</b>                           | <b>Principal</b> | <b>Value</b> |
|--|------------------|--------------|
| <b>Mortgage-Backed Obligations (Continued)</b>   |                  |              |
| Federal Home Loan Mortgage Corporation<br>Fixed Rate Participation Certificates: (Continued) |                  |              |
| 5.500%, 3-1-35 TBA . . . . .   | \$3,000          | \$ 3,113     |
| 5.000%, 5-15-35 . . . . .  | 2,196            | 2,210        |
| 5.000%, 8-1-35 . . . . .   | 787              | 813          |
| 5.500%, 10-1-35 . . . . .  | 1,340            | 1,401        |
| 5.000%, 12-1-35 . . . . .  | 693              | 716          |
| 6.500%, 7-1-36 . . . . .   | 856              | 903          |
| 7.000%, 12-1-37 . . . . .  | 659              | 698          |
| Federal National Mortgage Association Fixed<br>Rate Pass-Through Certificates:               |                  |              |
| 6.000%, 1-1-18 . . . . .   | 292              | 307          |
| 5.500%, 2-1-18 . . . . .   | 311              | 326          |
| 5.000%, 5-1-18 . . . . .   | 1,022            | 1,067        |
| 5.000%, 10-1-18 . . . . .  | 977              | 1,021        |
| 5.500%, 9-1-19 . . . . .   | 250              | 262          |
| 5.500%, 2-1-24 . . . . .   | 405              | 423          |
| 6.000%, 8-1-29 . . . . .   | 339              | 356          |
| 7.000%, 11-1-31 . . . . .  | 154              | 166          |
| 6.500%, 2-1-32 . . . . .   | 155              | 166          |
| 6.500%, 2-1-32 . . . . .   | 116              | 125          |
| 6.500%, 2-1-32 . . . . .   | 101              | 108          |
| 7.000%, 2-1-32 . . . . .   | 212              | 230          |
| 7.000%, 3-1-32 . . . . .   | 275              | 298          |
| 6.500%, 4-1-32 . . . . .   | 61               | 65           |
| 6.500%, 5-1-32 . . . . .   | 110              | 118          |
| 6.500%, 5-1-32 . . . . .   | 68               | 73           |
| 6.000%, 9-1-32 . . . . .   | 124              | 132          |
| 6.500%, 9-1-32 . . . . .   | 64               | 68           |
| 6.000%, 10-1-32 . . . . .  | 808              | 861          |
| 6.000%, 10-1-32 . . . . .  | 801              | 853          |
| 6.500%, 10-1-32 . . . . .  | 52               | 56           |
| 6.000%, 11-1-32 . . . . .  | 630              | 671          |
| 6.000%, 11-1-32 . . . . .  | 385              | 410          |
| 6.000%, 3-1-33 . . . . .   | 955              | 1,017        |
| 6.000%, 3-1-33 . . . . .   | 752              | 801          |
| 6.000%, 3-1-33 . . . . .   | 204              | 217          |
| 5.500%, 4-1-33 . . . . .   | 1,448            | 1,520        |
| 5.500%, 5-1-33 . . . . .   | 458              | 478          |
| 5.500%, 5-1-33 . . . . .   | 238              | 250          |
| 6.000%, 6-1-33 . . . . .   | 1,593            | 1,673        |
| 6.000%, 6-1-33 . . . . .   | 622              | 653          |
| 6.500%, 8-1-33 . . . . .   | 42               | 44           |
| 6.000%, 10-1-33 . . . . .  | 232              | 246          |
| 6.000%, 12-1-33 . . . . .  | 438              | 465          |
| 5.500%, 1-1-34 . . . . .   | 729              | 760          |
| 5.500%, 1-1-34 . . . . .   | 566              | 590          |
| 5.500%, 2-1-34 . . . . .   | 8,209            | 8,519        |
| 5.000%, 3-1-34 . . . . .   | 835              | 864          |
| 5.000%, 3-1-34 . . . . .   | 362              | 375          |
| 5.500%, 4-1-34 . . . . .   | 517              | 538          |
| 5.000%, 5-1-34 . . . . .   | 161              | 167          |
| 6.000%, 8-1-34 . . . . .   | 532              | 558          |
| 5.500%, 9-1-34 . . . . .   | 955              | 1,001        |
| 6.000%, 9-1-34 . . . . .   | 656              | 688          |
| 6.500%, 9-1-34 . . . . .   | 792              | 837          |
| 5.500%, 11-1-34 . . . . .  | 553              | 575          |
| 6.000%, 11-1-34 . . . . .  | 269              | 282          |
| 6.500%, 11-1-34 . . . . .  | 55               | 59           |
| 5.500%, 1-1-35 . . . . .   | 488              | 507          |

| UNITED STATES GOVERNMENT<br>AGENCY OBLIGATIONS (Continued)   | Principal | Value           |
|--|-----------|-----------------|
| <b>Mortgage-Backed Obligations (Continued)</b>   |           |                 |
| Federal National Mortgage Association Fixed Rate Pass-Through Certificates: (Continued)  |           |                 |
| 5.500%, 2-1-35 .....   | \$1,967   | \$ 2,061        |
| 6.500%, 3-1-35 .....   | 946       | 1,004           |
| 5.000%, 4-1-35 TBA .....   | 2,525     | 2,605           |
| 6.000%, 4-1-35 TBA .....   | 2,000     | 2,089           |
| 5.000%, 7-1-35 .....   | 686       | 709             |
| 5.500%, 7-1-35 .....   | 641       | 667             |
| 5.500%, 10-1-35 .....  | 1,311     | 1,374           |
| 5.500%, 10-1-35 .....  | 780       | 818             |
| 5.500%, 2-1-36 .....   | 1,391     | 1,437           |
| 6.500%, 2-1-36 .....   | 583       | 617             |
| 6.500%, 6-1-36 .....   | 1,060     | 1,118           |
| 6.000%, 11-1-36 .....  | 1,721     | 1,800           |
| 6.000%, 5-1-37 .....   | 858       | 898             |
| 5.500%, 6-1-37 .....   | 252       | 261             |
| 6.500%, 8-1-37 .....   | 1,692     | 1,784           |
| 6.500%, 9-1-37 .....   | 1,515     | 1,597           |
| 6.000%, 9-1-37 .....   | 91        | 95              |
| 7.000%, 10-1-37 .....  | 217       | 231             |
| 7.000%, 10-1-37 .....  | 213       | 227             |
| 5.500%, 3-1-38 .....   | 220       | 228             |
| 5.500%, 5-1-38 .....   | 328       | 341             |
| Government National Mortgage Association Agency REMIC/CMO (Interest Only): (C)   |           |                 |
| 0.911%, 3-16-34 (B) .....  | 6,553     | 196             |
| 0.742%, 7-16-40 (B) .....  | 3,108     | 84              |
| 0.141%, 3-16-42 (B) .....  | 11,634    | 61              |
| 0.901%, 6-17-45 (B) .....  | 17,792    | 692             |
| Government National Mortgage Association Fixed Rate Pass-Through Certificates:   |           |                 |
| 7.875%, 5-15-17 .....  | 554       | 568             |
| 6.250%, 7-15-24 .....  | 214       | 226             |
| 5.000%, 7-15-33 .....  | 822       | 856             |
| 5.000%, 7-15-34 .....  | 725       | 755             |
| 5.500%, 12-15-34 .....   | 800       | 835             |
| 5.500%, 12-15-34 .....   | 489       | 511             |
| 5.000%, 1-15-35 .....  | 1,402     | 1,458           |
| 5.000%, 12-15-35 .....   | 1,637     | 1,702           |
| United States Department of Veterans Affairs, Guaranteed REMIC Pass-Through Certificates, Vendee Mortgage Trust, 1995-1 Class 1, 7.214%, 2-15-25 (B) ..... |           |                 |
|  | 186       | 198             |
| United States Department of Veterans Affairs, Guaranteed REMIC Pass-Through Certificates, Vendee Mortgage Trust, 1995-1 Class 2, 7.793%, 2-15-25 .....     |           |                 |
|  | 59        | 63              |
|  |           | <u>83,839</u>   |
| <b>TOTAL UNITED STATES GOVERNMENT AGENCY OBLIGATIONS - 56.38%</b>  |           | <b>\$84,263</b> |
| (Cost: \$82,683)   |           |                 |

| UNITED STATES GOVERNMENT<br>OBLIGATIONS- 0.37%              | Principal | Value            |
|---|-----------|------------------|
| <b>Treasury Obligations</b>                                 |           |                  |
| United States Treasury Notes, 4.500%, 3-31-12 (E) .....     | \$500     | \$ 549           |
| (Cost: \$514)   |           |                  |
| <b>SHORT-TERM SECURITIES</b>                                |           |                  |
| <b>Commercial Paper - 17.11%</b>                            |           |                  |
| Abbott Laboratories, 0.320%, 4-14-09 .....                  | 3,000     | 3,000            |
| Baxter International Inc., 0.330%, 4-9-09 .....             | 5,000     | 4,999            |
| Kraft Foods Inc., 0.700%, 4-28-09 .....                     | 2,000     | 1,999            |
| Merck & Co., Inc., 0.250%, 4-20-09 .....                    | 4,000     | 3,999            |
| PACCAR Financial Corp., 0.150%, 4-13-09 .....               | 5,000     | 5,000            |
| Wisconsin Electric Power Co., 0.150%, 4-1-09 .....          | 6,574     | 6,574            |
|   |           | <u>25,571</u>    |
| <b>Master Note - 0.64%</b>                                  |           |                  |
| Toyota Motor Credit Corporation, 1.271%, 4-1-09 (B) .....   | 963       | 963              |
| <b>TOTAL SHORT-TERM SECURITIES - 17.75%</b>                 |           | <b>\$ 26,534</b> |
| (Cost: \$26,534)  |           |                  |
| <b>TOTAL INVESTMENT SECURITIES - 112.57%</b>                |           | <b>\$168,241</b> |
| (Cost: \$226,803)   |           |                  |
| <b>LIABILITIES, NET OF CASH AND OTHER ASSETS - (12.57%)</b> |           | <b>(18,791)</b>  |
| <b>NET ASSETS - 100.00%</b>                                 |           | <b>\$149,450</b> |

## Notes to Schedule of Investments

\*Not shown due to rounding.

(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. These securities have been determined to be liquid under guidelines established by the Board of Trustees. At March 31, 2009, the total value of these securities amounted to \$6,700 or 4.48% of net assets.

(B) Variable rate security. Interest rate disclosed is that which is in effect at March 31, 2009.

(C) Amount shown in principal column represents notional amount for computation of interest.

(D) 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. These securities have been determined to be illiquid under guidelines established by the Board of Trustees. At March 31, 2009, the total value of these securities amounted to \$9,938 or 6.65% of net assets.

(E) Securities serve as collateral for the following open futures contracts at March 31, 2009:

| Description              | Type  | Expiration Date | Number of Contracts | Market Value      | Unrealized Depreciation |
|--------------------------|-------|-----------------|---------------------|-------------------|-------------------------|
| 30-yr U.S. Treasury Bond | Short | 6-19-09         | —*                  | \$(9,598)         | \$(221)                 |
| 10-yr U.S. Treasury Note | Short | 6-19-09         | —*                  | (6,700)           | (222)                   |
| 5-yr U.S. Treasury Note  | Short | 6-30-09         | —*                  | (4,751)           | (93)                    |
|                          |       |                 |                     | <u>\$(21,049)</u> | <u>\$(536)</u>          |

\*Not shown due to rounding.

The following acronyms are used throughout this portfolio:

CMO = Collateralized Mortgage Obligation

REMIC = Real Estate Mortgage Investment Conduit

TBA = To Be Announced

For Federal income tax purposes, cost of investments owned at March 31, 2009 and the related unrealized appreciation (depreciation) were as follows:

|                               |                 |
|-------------------------------|-----------------|
| Cost                          | \$ 226,891      |
| Gross unrealized appreciation | <u>3,129</u>    |
| Gross unrealized depreciation | <u>(61,779)</u> |
| Net unrealized appreciation   | \$ (58,650)     |

Industry and geographical classifications are unaudited.

# STATEMENT OF ASSETS AND LIABILITIES

## Ivy Funds

AS OF MARCH 31, 2009

| (In thousands, except per share amounts)                         | Ivy Dividend Opportunities Fund | Ivy Micro Cap Growth Fund | Ivy Small Cap Value Fund | Ivy Value Fund   | Ivy Managed European/Pacific Fund | Ivy Managed International Opportunities Fund |
|--|---------------------------------|---------------------------|--------------------------|------------------|-----------------------------------|--|
| <b>ASSETS</b>  |                                 |                           |                          |                  |                                   |  |
| Investments in unaffiliated securities at market value+          | \$ 197,097                      | \$ 3,849                  | \$ 125,312               | \$ 38,642        | \$ 170                            | \$ 252                                       |
| Investments in affiliated securities at market value+            | —                               | —                         | —                        | —                | 41,420                            | 89,467                                       |
| <b>Investments at Market Value</b>                               | <b>197,097</b>                  | <b>3,849</b>              | <b>125,312</b>           | <b>38,642</b>    | <b>41,590</b>                     | <b>89,719</b>                                |
| Cash   | —                               | 1                         | —                        | 1                | —                                 | —  |
| Investments sold receivable                                      | —                               | 13                        | 354                      | 13               | —                                 | —  |
| Dividends and interest receivable                                | 533                             | —*                        | 66                       | 127              | —*                                | —*   |
| Capital shares sold receivable                                   | 556                             | 105                       | 294                      | 132              | 70                                | 285  |
| Receivable from affiliates                                       | 10                              | —                         | —                        | —                | —                                 | —*   |
| Prepaid and other assets   | 32                              | 2                         | 34                       | 27               | 10                                | 13   |
| <b>Total Assets</b>  | <b>198,228</b>                  | <b>3,970</b>              | <b>126,060</b>           | <b>38,942</b>    | <b>41,670</b>                     | <b>90,017</b>                                |
| <b>LIABILITIES</b>   |                                 |                           |                          |                  |                                   |  |
| Investments purchased payable                                    | —                               | 193                       | 494                      | 49               | 81                                | 186  |
| Capital shares redeemed payable                                  | 232                             | 48                        | 165                      | 35               | 56                                | 185  |
| Trustees' fees payable   | 8                               | —                         | 13                       | 8                | 1                                 | 1  |
| Due to custodian   | 31                              | —                         | 16                       | —                | 6                                 | 3  |
| Distribution and service fees payable                            | 80                              | 1                         | 45                       | 20               | —*                                | 1  |
| Shareholder servicing payable                                    | 92                              | 1                         | 102                      | 37               | 16                                | 24   |
| Investment management fee payable                                | 115                             | 3                         | 84                       | 22               | 2                                 | 4  |
| Accounting services fee payable                                  | 8                               | —                         | 6                        | 2                | 1                                 | 2  |
| Written options at market value+                                 | —                               | —                         | —                        | 44               | —                                 | —  |
| Other liabilities  | 52                              | —*                        | 50                       | 31               | 29                                | 36   |
| <b>Total Liabilities</b>   | <b>618</b>                      | <b>246</b>                | <b>975</b>               | <b>248</b>       | <b>192</b>                        | <b>442</b>                                   |
| <b>Total Net Assets</b>  | <b>\$ 197,610</b>               | <b>\$ 3,724</b>           | <b>\$ 125,085</b>        | <b>\$ 38,694</b> | <b>\$ 41,478</b>                  | <b>\$ 89,575</b>                             |
| <b>NET ASSETS</b>  |                                 |                           |                          |                  |                                   |  |
| Capital paid in (shares authorized - unlimited)                  | \$ 274,510                      | \$ 3,778                  | \$ 171,977               | \$ 57,222        | \$ 84,723                         | \$ 159,412                                   |
| Undistributed (distributions in excess of) net investment income | 17                              | —                         | (765)                    | 58               | 20                                | (1)  |
| Accumulated net realized loss                                    | (31,935)                        | (9)                       | (34,297)                 | (8,015)          | (17,199)                          | (14,619)                                     |
| Net unrealized depreciation                                      | (44,982)                        | (45)                      | (11,830)                 | (10,571)         | (26,066)                          | (55,217)                                     |
| <b>Total Net Assets</b>  | <b>\$ 197,610</b>               | <b>\$ 3,724</b>           | <b>\$ 125,085</b>        | <b>\$ 38,694</b> | <b>\$ 41,478</b>                  | <b>\$ 89,575</b>                             |
| <b>CAPITAL SHARES OUTSTANDING:</b>                               |                                 |                           |                          |                  |                                   |  |
| Class A  | 13,531                          | 330                       | 10,722                   | 3,422            | 7,956                             | 14,951                                       |
| Class B  | 890                             | 16                        | 413                      | 203              | 165                               | 417  |
| Class C  | 3,770                           | 15                        | 687                      | 226              | 256                               | 489  |
| Class E  | 162                             | N/A                       | 7                        | 6                | 24                                | 22   |
| Class I  | 216                             | 10                        | 58                       | 6                | 24                                | 22   |
| Class Y  | 1,491                           | 10                        | 825                      | 34               | 45                                | 48   |
| <b>NET ASSET VALUE PER SHARE:</b>                                |                                 |                           |                          |                  |                                   |  |
| Class A  | \$9.86                          | \$9.77                    | \$9.87                   | \$9.94           | \$4.90                            | \$5.62                                       |
| Class B  | \$9.79                          | \$9.76                    | \$9.29                   | \$9.78           | \$4.86                            | \$5.59                                       |
| Class C  | \$9.81                          | \$9.76                    | \$9.45                   | \$9.86           | \$4.87                            | \$5.59                                       |
| Class E  | \$9.84                          | N/A                       | \$9.94                   | \$9.95           | \$4.91                            | \$5.62                                       |
| Class I  | \$9.88                          | \$9.77                    | \$10.13                  | \$9.95           | \$4.92                            | \$5.63                                       |
| Class Y  | \$9.87                          | \$9.77                    | \$10.05                  | \$9.95           | \$4.91                            | \$5.61                                       |
| <b>+ COST</b>  |                                 |                           |                          |                  |                                   |  |
| Investments in unaffiliated securities at cost                   | \$ 242,079                      | \$ 3,894                  | \$ 137,142               | \$ 49,255        | \$ 170                            | \$ 252                                       |
| Investments in affiliated securities at cost                     | —                               | —                         | —                        | —                | 67,486                            | 144,684                                      |
| Written options premiums received at cost                        | —                               | —                         | —                        | 86               | —                                 | —  |

\*Not shown due to rounding.

See Accompanying Notes to Financial Statements.

# STATEMENT OF ASSETS AND LIABILITIES

## Ivy Funds

AS OF MARCH 31, 2009

| (In thousands, except per share amounts)                         | Ivy<br>Cundill Global<br>Value<br>Fund | Ivy<br>European<br>Opportunities<br>Fund | Ivy<br>International<br>Balanced<br>Fund | Ivy<br>International<br>Core Equity<br>Fund | Ivy<br>International<br>Growth<br>Fund | Ivy<br>Pacific<br>Opportunities<br>Fund |
|--|--|--|--|---|--|---|
| <b>ASSETS</b>  |  |  |  |   |  |   |
| Investments in unaffiliated securities at market value+          | \$ 258,318                             | \$ 188,677                               | \$ 188,920                               | \$ 231,902                                  | \$ 129,431                             | \$ 313,421                              |
| Investments in affiliated securities at market value+            | —                                      | —  | —  | —   | —                                      | 1,290                                   |
| Repurchase agreements (cost approximates market value)           | 29,252                                 | —  | —  | —   | —                                      | —                                       |
| <b>Investments at Market Value</b>                               | <b>287,570</b>                         | <b>188,677</b>                           | <b>188,920</b>                           | <b>231,902</b>                              | <b>129,431</b>                         | <b>314,711</b>                          |
| Cash   | —                                      | —  | —  | —   | 6                                      | —                                       |
| Cash denominated in foreign currencies at market value+          | —                                      | —  | 732                                      | —   | —                                      | 348                                     |
| Unrealized appreciation on forward currency contracts            | 1,074                                  | —  | 139                                      | 382   | —                                      | 282                                     |
| Investments sold receivable                                      | 449                                    | 76                                       | 822                                      | 1,787                                       | 5                                      | 846                                     |
| Dividends and interest receivable                                | 1,611                                  | 1,220                                    | 1,854                                    | 1,566                                       | 1,213                                  | 465                                     |
| Capital shares sold receivable                                   | 193                                    | 184                                      | 378                                      | 766   | 58                                     | 518                                     |
| Receivable from affiliates                                       | 15                                     | —  | 5  | 7   | 2                                      | —                                       |
| Prepaid and other assets   | 26                                     | 19                                       | 34                                       | 26  | 22                                     | 58                                      |
| <b>Total Assets</b>  | <b>290,938</b>                         | <b>190,176</b>                           | <b>192,884</b>                           | <b>236,436</b>                              | <b>130,737</b>                         | <b>317,228</b>                          |
| <b>LIABILITIES</b>   |  |  |  |   |  |   |
| Investments purchased payable                                    | 7,928                                  | 2,737                                    | 22                                       | 773   | 2,119                                  | 658                                     |
| Variation margin payable   | —                                      | —  | —  | —   | —                                      | 586                                     |
| Unrealized depreciation on forward currency contracts            | 3,626                                  | —  | 1,741                                    | —   | 241                                    | —                                       |
| Capital shares redeemed payable                                  | 512                                    | 395                                      | 314                                      | 386   | 119                                    | 453                                     |
| Trustees' fees payable   | 57                                     | 35                                       | 15                                       | 14  | 44                                     | 22                                      |
| Due to custodian   | 159                                    | 63                                       | 57                                       | 44  | —                                      | 46                                      |
| Distribution and service fees payable                            | 129                                    | 80                                       | 76                                       | 81  | 69                                     | 104                                     |
| Shareholder servicing payable                                    | 242                                    | 196                                      | 118                                      | 165   | 103                                    | 235                                     |
| Investment management fee payable                                | 230                                    | 153                                      | 109                                      | 160   | 90                                     | 245                                     |
| Accounting services fee payable                                  | 8                                      | 8  | 8  | 8   | 6                                      | 9                                       |
| Written options at market value+                                 | —                                      | —  | —  | —   | —                                      | 1,058                                   |
| Other liabilities  | 125                                    | 102                                      | 77                                       | 81  | 58                                     | 166                                     |
| <b>Total Liabilities</b>   | <b>13,016</b>                          | <b>3,769</b>                             | <b>2,537</b>                             | <b>1,712</b>                                | <b>2,849</b>                           | <b>3,582</b>                            |
| <b>Total Net Assets</b>  | <b>\$ 277,922</b>                      | <b>\$ 186,407</b>                        | <b>\$ 190,347</b>                        | <b>\$ 234,724</b>                           | <b>\$ 127,888</b>                      | <b>\$ 313,646</b>                       |
| <b>NET ASSETS</b>  |  |  |  |   |  |   |
| Capital paid in (shares authorized - unlimited)                  | \$ 447,158                             | \$ 430,241                               | \$ 314,941                               | \$ 386,616                                  | \$ 392,759                             | \$ 500,776                              |
| Undistributed (distributions in excess of) net investment income | 37                                     | (390)                                    | 220                                      | 170   | 12                                     | (1,048)                                 |
| Accumulated net realized loss                                    | (85,031)                               | (163,921)                                | (23,604)                                 | (96,488)                                    | (233,419)                              | (88,655)                                |
| Net unrealized depreciation                                      | (84,242)                               | (79,523)                                 | (101,210)                                | (55,574)                                    | (31,464)                               | (97,427)                                |
| <b>Total Net Assets</b>  | <b>\$ 277,922</b>                      | <b>\$ 186,407</b>                        | <b>\$ 190,347</b>                        | <b>\$ 234,724</b>                           | <b>\$ 127,888</b>                      | <b>\$ 313,646</b>                       |
| <b>CAPITAL SHARES OUTSTANDING:</b>                               |  |  |  |   |  |   |
| Class A  | 24,153                                 | 8,993                                    | 13,389                                   | 16,032                                      | 4,186                                  | 27,026                                  |
| Class B  | 2,104                                  | 573                                      | 660                                      | 879   | 208                                    | 1,281                                   |
| Class C  | 4,815                                  | 1,133                                    | 2,093                                    | 3,374                                       | 1,328                                  | 1,923                                   |
| Class E  | 37                                     | 3  | 78                                       | 89  | 3                                      | 8                                       |
| Class I  | 406                                    | 1,551                                    | 3,562                                    | 3,409                                       | 765                                    | 4,959                                   |
| Class Y  | 999                                    | 124                                      | 134                                      | 1,145                                       | 93                                     | 441                                     |
| Advisor Class  | 175                                    | 45                                       | N/A                                      | N/A   | N/A                                    | 5                                       |
| <b>NET ASSET VALUE PER SHARE:</b>                                |  |  |  |   |  |   |
| Class A  | \$8.55                                 | \$15.08                                  | \$9.56                                   | \$9.54                                      | \$19.83                                | \$8.86                                  |
| Class B  | \$8.31                                 | \$14.50                                  | \$9.52                                   | \$8.77                                      | \$18.06                                | \$7.83                                  |
| Class C  | \$8.30                                 | \$14.55                                  | \$9.53                                   | \$8.76                                      | \$18.02                                | \$8.01                                  |
| Class E  | \$8.55                                 | \$15.08                                  | \$9.54                                   | \$9.59                                      | \$19.83                                | \$8.90                                  |
| Class I  | \$8.64                                 | \$15.09                                  | \$9.57                                   | \$9.58                                      | \$19.98                                | \$9.00                                  |
| Class Y  | \$8.58                                 | \$15.10                                  | \$9.57                                   | \$9.59                                      | \$19.86                                | \$8.98                                  |
| Advisor Class  | \$8.56                                 | \$15.22                                  | N/A                                      | N/A   | N/A                                    | \$8.64                                  |
| <b>+COST</b>   |  |  |  |   |  |   |
| Investments in unaffiliated securities at cost                   | \$ 339,957                             | \$ 268,147                               | \$ 288,448                               | \$ 287,839                                  | \$ 160,677                             | \$ 409,273                              |
| Investments in affiliated securities at cost                     | —                                      | —  | —  | —   | —                                      | 3,304                                   |
| Cash denominated in foreign currencies at cost                   | —                                      | —  | 718                                      | —   | —                                      | 341                                     |
| Written options premiums received at cost                        | —                                      | —  | —  | —   | —                                      | 1,226                                   |

See Accompanying Notes to Financial Statements.

# STATEMENT OF ASSETS AND LIABILITIES

## Ivy Funds

AS OF MARCH 31, 2009

| (In thousands, except per share amounts)                         | Ivy<br>Balanced<br>Fund | Ivy<br>Global Natural<br>Resources<br>Fund | Ivy<br>Real Estate<br>Securities<br>Fund | Ivy<br>Bond<br>Fund | Ivy<br>Global Bond<br>Fund | Ivy<br>Mortgage<br>Securities<br>Fund |
|--|-------------------------|--|--|---------------------|----------------------------|---------------------------------------|
| <b>ASSETS</b>  |                         |  |  |                     |                            |                                       |
| Investments in unaffiliated securities at market value+          | \$ 158,264              | \$2,773,634                                | \$ 162,671                               | \$ 132,810          | \$62,863                   | \$ 168,241                            |
| Investments in affiliated securities at market value+            | —                       | 48,160                                     | —  | —                   | —                          | —                                     |
| <b>Investments at Market Value</b>                               | <b>158,264</b>          | <b>2,821,794</b>                           | <b>162,671</b>                           | <b>132,810</b>      | <b>62,863</b>              | <b>168,241</b>                        |
| Cash   | —                       | —  | —  | 500                 | —                          | —                                     |
| Cash denominated in foreign currencies at market value+          | —                       | —*   | —  | —                   | —                          | —                                     |
| Unrealized appreciation on forward currency contracts            | —                       | 102  | —  | —                   | 623                        | —                                     |
| Investments sold receivable                                      | 1,639                   | 8,259                                      | 696                                      | 1,080               | 583                        | 3,099                                 |
| Dividends and interest receivable                                | 430                     | 7,135                                      | 1,086                                    | 933                 | 885                        | 921                                   |
| Capital shares sold receivable                                   | 934                     | 20,871                                     | 641                                      | 380                 | 520                        | 133                                   |
| Variation margin receivable                                      | —                       | —  | —  | 34                  | —                          | —                                     |
| Receivable from affiliates                                       | —                       | 292  | 4  | 3                   | 129                        | 1                                     |
| Prepaid and other assets   | 41                      | 73   | 42                                       | 30                  | 29                         | 30                                    |
| <b>Total Assets</b>  | <b>161,308</b>          | <b>2,858,526</b>                           | <b>165,140</b>                           | <b>135,770</b>      | <b>65,632</b>              | <b>172,425</b>                        |
| <b>LIABILITIES</b>   |                         |  |  |                     |                            |                                       |
| Investments purchased payable                                    | 998                     | 11,674                                     | —  | 18,318              | 966                        | 21,943                                |
| Variation margin payable   | —                       | —  | —  | 67                  | —                          | 83                                    |
| Unrealized depreciation on forward currency contracts            | —                       | 2,184                                      | —  | —                   | 25                         | —                                     |
| Capital shares redeemed payable                                  | 401                     | 4,753                                      | 278                                      | 256                 | 114                        | 403                                   |
| Distributions payable  | —                       | —  | —  | 19                  | —                          | 40                                    |
| Trustees' fees payable   | 11                      | 273  | 38                                       | 6                   | —*                         | 24                                    |
| Due to custodian   | 39                      | 2,287                                      | 20                                       | —                   | 2                          | 118                                   |
| Distribution and service fees payable                            | 79                      | 1,474                                      | 49                                       | 54                  | 20                         | 68                                    |
| Shareholder servicing payable                                    | 45                      | 2,762                                      | 194                                      | 47                  | 19                         | 129                                   |
| Investment management fee payable                                | 95                      | 1,961                                      | 125                                      | 51                  | 33                         | 64                                    |
| Accounting services fee payable                                  | 6                       | 23   | 6  | 6                   | 4                          | 6                                     |
| Other liabilities  | 35                      | 963  | 89                                       | 66                  | 46                         | 97                                    |
| <b>Total Liabilities</b>   | <b>1,709</b>            | <b>28,354</b>                              | <b>799</b>                               | <b>18,890</b>       | <b>1,229</b>               | <b>22,975</b>                         |
| <b>Total Net Assets</b>  | <b>\$ 159,599</b>       | <b>\$2,830,172</b>                         | <b>\$ 164,341</b>                        | <b>\$ 116,880</b>   | <b>\$64,403</b>            | <b>\$ 149,450</b>                     |
| <b>NET ASSETS</b>  |                         |  |  |                     |                            |                                       |
| Capital paid in (shares authorized - unlimited)                  | \$ 172,163              | \$6,465,191                                | \$ 355,009                               | \$ 136,336          | \$66,843                   | \$ 232,521                            |
| Undistributed (distributions in excess of) net investment income | 56                      | 867  | 1,996                                    | —                   | (189)                      | —                                     |
| Accumulated net realized loss                                    | (12,068)                | (2,239,199)                                | (68,228)                                 | (5,606)             | (350)                      | (23,973)                              |
| Net unrealized depreciation                                      | (552)                   | (1,396,687)                                | (124,436)                                | (13,850)            | (1,901)                    | (59,098)                              |
| <b>Total Net Assets</b>  | <b>\$ 159,599</b>       | <b>\$2,830,172</b>                         | <b>\$ 164,341</b>                        | <b>\$ 116,880</b>   | <b>\$64,403</b>            | <b>\$ 149,450</b>                     |
| <b>CAPITAL SHARES OUTSTANDING:</b>                               |                         |  |  |                     |                            |                                       |
| Class A  | 5,261                   | 147,814                                    | 12,000                                   | 11,170              | 3,472                      | 17,119                                |
| Class B  | 334                     | 11,597                                     | 513                                      | 381                 | 632                        | 603                                   |
| Class C  | 3,750                   | 55,193                                     | 636                                      | 1,474               | 1,361                      | 1,099                                 |
| Class E  | 7                       | 211  | 30                                       | 134                 | N/A                        | 35                                    |
| Class I  | 11                      | 20,689                                     | 67                                       | 20                  | 541                        | 29                                    |
| Class R  | N/A                     | 2,001                                      | 18                                       | N/A                 | N/A                        | N/A                                   |
| Class Y  | 2,915                   | 24,909                                     | 6,523                                    | 160                 | 857                        | 450                                   |
| Advisor Class  | N/A                     | 14   | N/A                                      | N/A                 | N/A                        | N/A                                   |
| <b>NET ASSET VALUE PER SHARE:</b>                                |                         |  |  |                     |                            |                                       |
| Class A  | \$13.01                 | \$11.08                                    | \$8.31                                   | \$8.76              | \$9.39                     | \$7.73                                |
| Class B  | \$12.97                 | \$10.08                                    | \$8.24                                   | \$8.76              | \$9.38                     | \$7.73                                |
| Class C  | \$12.98                 | \$9.75                                     | \$8.26                                   | \$8.76              | \$9.38                     | \$7.73                                |
| Class E  | \$13.02                 | \$11.16                                    | \$8.32                                   | \$8.76              | N/A                        | \$7.73                                |
| Class I  | \$13.01                 | \$11.22                                    | \$8.34                                   | \$8.76              | \$9.39                     | \$7.73                                |
| Class R  | N/A                     | \$11.02                                    | \$8.31                                   | N/A                 | N/A                        | N/A                                   |
| Class Y  | \$13.01                 | \$11.17                                    | \$8.31                                   | \$8.76              | \$9.39                     | \$7.73                                |
| Advisor Class  | N/A                     | \$10.95                                    | N/A                                      | N/A                 | N/A                        | N/A                                   |
| <b>+COST</b>   |                         |  |  |                     |                            |                                       |
| Investments in unaffiliated securities at cost                   | \$ 158,816              | \$4,112,047                                | \$ 287,107                               | \$ 146,706          | \$65,357                   | \$ 226,803                            |
| Investments in affiliated securities at cost                     | —                       | 103,752                                    | —  | —                   | —                          | —                                     |
| Cash denominated in foreign currencies at cost                   | —                       | —  | —  | —                   | —                          | —                                     |

\*Not shown due to rounding.

See Accompanying Notes to Financial Statements.

# STATEMENT OF OPERATIONS

## Ivy Funds

FOR THE FISCAL YEAR ENDED MARCH 31, 2009

| (In thousands)  | Ivy Dividend Opportunities Fund | Ivy Micro Cap Growth Fund <sup>(1)</sup> | Ivy Small Cap Value Fund | Ivy Value Fund    | Ivy Managed European/Pacific Fund | Ivy Managed International Opportunities Fund |
|---|---------------------------------|--|--------------------------|-------------------|-----------------------------------|--|
| <b>INVESTMENT INCOME</b>                                    |                                 |  |                          |                   |                                   |  |
| Dividends   | \$ 4,880                        | \$ —*                                    | \$ 1,542                 | \$ 1,422          | \$ —                              | \$ —   |
| Dividends from affiliated mutual funds                      | —                               | —  | —                        | —                 | 1,668                             | 3,647  |
| Foreign dividend withholding tax                            | (17)                            | —  | —                        | (5)               | —                                 | —  |
| Interest and amortization                                   | 271                             | —*                                       | 242                      | 46                | 2                                 | 5  |
| <b>Total Investment Income</b>                              | <b>5,134</b>                    | <b>—*</b>                                | <b>1,784</b>             | <b>1,463</b>      | <b>1,670</b>                      | <b>3,652</b>                                 |
| <b>EXPENSES</b>   |                                 |  |                          |                   |                                   |  |
| Investment management fee                                   | 1,493                           | 3  | 1,096                    | 369               | 26                                | 53   |
| Distribution and service fees:                              |                                 |  |                          |                   |                                   |  |
| Class A   | 373                             | 1  | 265                      | 116               | 121                               | 249  |
| Class B   | 97                              | —*                                       | 47                       | 31                | 11                                | 32   |
| Class C   | 318                             | —*                                       | 71                       | 30                | 18                                | 35   |
| Class E   | 5                               | N/A                                      | —*                       | —*                | —*                                | —*   |
| Class Y   | 49                              | —*                                       | 27                       | 1                 | 1                                 | 1  |
| Shareholder servicing:                                      |                                 |  |                          |                   |                                   |  |
| Class A   | 467                             | 2  | 659                      | 250               | 70                                | 100  |
| Class B   | 57                              | —*                                       | 46                       | 32                | 4                                 | 6  |
| Class C   | 87                              | —*                                       | 46                       | 23                | 3                                 | 5  |
| Class E   | 23                              | N/A                                      | —*                       | —*                | —*                                | —*   |
| Class I   | 1                               | —*                                       | 1                        | —*                | —*                                | —*   |
| Class Y   | 32                              | —*                                       | 17                       | 1                 | —*                                | 1  |
| Registration fees   | 89                              | 1  | 78                       | 66                | 72                                | 76   |
| Custodian fees  | 13                              | —*                                       | 13                       | 8                 | 4                                 | 4  |
| Trustees' fees  | 3                               | —  | (2)                      | (2)               | 1                                 | 3  |
| Accounting services fee                                     | 90                              | —  | 67                       | 38                | 21                                | 34   |
| Legal fees  | 3                               | —*                                       | 8                        | 1                 | 1                                 | 3  |
| Audit fees  | 12                              | —  | 17                       | 11                | 10                                | 10   |
| Other   | 76                              | 2  | 76                       | 39                | 35                                | 48   |
| <b>Total Expenses</b>                                       | <b>3,288</b>                    | <b>9</b>                                 | <b>2,532</b>             | <b>1,014</b>      | <b>398</b>                        | <b>660</b>                                   |
| Less:   |                                 |  |                          |                   |                                   |  |
| Expenses in excess of limit                                 | (13)                            | —  | —                        | —                 | —                                 | —*   |
| <b>Total Net Expenses</b>                                   | <b>3,275</b>                    | <b>9</b>                                 | <b>2,532</b>             | <b>1,014</b>      | <b>398</b>                        | <b>660</b>                                   |
| <b>Net Investment Income (Loss)</b>                         | <b>1,859</b>                    | <b>(9)</b>                               | <b>(748)</b>             | <b>449</b>        | <b>1,272</b>                      | <b>2,992</b>                                 |
| <b>REALIZED AND UNREALIZED GAIN (LOSS)</b>                  |                                 |  |                          |                   |                                   |  |
| Net realized gain (loss) on:                                |                                 |  |                          |                   |                                   |  |
| Investments in unaffiliated securities                      | (28,939)                        | (9)                                      | (22,708)                 | (5,673)           | —                                 | —  |
| Investments in affiliated mutual funds                      | —                               | —  | —                        | —                 | (21,031)                          | (18,431)                                     |
| Capital gain distributions from affiliates                  | —                               | —  | —                        | —                 | 4,914                             | 4,787  |
| Written options   | —                               | —  | 340                      | 267               | —                                 | —  |
| Net change in unrealized appreciation (depreciation) on:    |                                 |  |                          |                   |                                   |  |
| Investments in unaffiliated securities                      | (74,397)                        | (45)                                     | (11,150)                 | (17,976)          | —                                 | —  |
| Investments in affiliated mutual funds                      | —                               | —  | —                        | —                 | (16,293)                          | (46,544)                                     |
| Written options   | —                               | —  | —                        | 31                | —                                 | —  |
| <b>Net Realized and Unrealized Loss</b>                     | <b>(103,336)</b>                | <b>(54)</b>                              | <b>(33,518)</b>          | <b>(23,351)</b>   | <b>(32,410)</b>                   | <b>(60,188)</b>                              |
| <b>Net Decrease in Net Assets Resulting from Operations</b> | <b>\$(101,477)</b>              | <b>\$(63)</b>                            | <b>\$(34,266)</b>        | <b>\$(22,902)</b> | <b>\$(31,138)</b>                 | <b>\$(57,196)</b>                            |

\*Not shown due to rounding.

(1)For the period from February 17, 2009 (commencement of operations) through March 31, 2009.

# STATEMENT OF OPERATIONS

## Ivy Funds

FOR THE FISCAL YEAR ENDED MARCH 31, 2009

| (In thousands)  | Ivy<br>Cundill Global<br>Value<br>Fund | Ivy<br>European<br>Opportunities<br>Fund | Ivy<br>International<br>Balanced<br>Fund | Ivy<br>International<br>Core Equity<br>Fund | Ivy<br>International<br>Growth<br>Fund | Ivy<br>Pacific<br>Opportunities<br>Fund |
|---|--|--|--|---|--|---|
| <b>INVESTMENT INCOME</b>                                    |  |  |  |   |  |   |
| Dividends   | \$ 14,440                              | \$ 22,577                                | \$ 8,348                                 | \$ 9,080                                    | \$ 5,302                               | \$ 9,882                                |
| Foreign dividend withholding tax                            | (1,453)                                | (1,400)                                  | (917)                                    | (725)                                       | (455)                                  | (564)                                   |
| Interest and amortization                                   | 193                                    | 253                                      | 3,972                                    | 475   | 239                                    | 230                                     |
| Foreign interest withholding tax                            | —                                      | —  | (132)                                    | —   | —                                      | —                                       |
| <b>Total Investment Income</b>                              | <b>13,180</b>                          | <b>21,430</b>                            | <b>11,271</b>                            | <b>8,830</b>                                | <b>5,086</b>                           | <b>9,548</b>                            |
| <b>EXPENSES</b>   |  |  |  |   |  |   |
| Investment management fee                                   | 4,249                                  | 3,480                                    | 2,037                                    | 2,442                                       | 1,627                                  | 4,156                                   |
| Distribution and service fees:                              |  |  |  |   |  |   |
| Class A   | 805                                    | 654                                      | 496                                      | 493   | 260                                    | 848                                     |
| Class B   | 271                                    | 200                                      | 103                                      | 122   | 68                                     | 145                                     |
| Class C   | 661                                    | 355                                      | 332                                      | 393   | 382                                    | 251                                     |
| Class E   | 1                                      | —*                                       | 2  | 3   | —*                                     | —*                                      |
| Class Y   | 20                                     | 8  | 6  | 27  | 7                                      | 13                                      |
| Shareholder servicing:                                      |  |  |  |   |  |   |
| Class A   | 1,436                                  | 1,287                                    | 679                                      | 786   | 379                                    | 1,634                                   |
| Class B   | 159                                    | 124                                      | 57                                       | 67  | 38                                     | 123                                     |
| Class C   | 201                                    | 134                                      | 88                                       | 117   | 181                                    | 126                                     |
| Class E   | 5                                      | —*                                       | 11                                       | 15  | —*                                     | —*                                      |
| Class I   | 4                                      | 70                                       | 70                                       | 41  | 30                                     | 55                                      |
| Class Y   | 13                                     | 6  | 5  | 18  | 5                                      | 8                                       |
| Advisor Class   | 1                                      | 3  | N/A                                      | N/A   | N/A                                    | —*                                      |
| Registration fees   | 90                                     | 84                                       | 83                                       | 93  | 75                                     | 94                                      |
| Custodian fees  | 97                                     | 123                                      | 132                                      | 74  | 144                                    | 354                                     |
| Trustees' fees  | (13)                                   | (5)                                      | 2  | 3   | (13)                                   | 3                                       |
| Accounting services fee                                     | 132                                    | 123                                      | 109                                      | 103   | 82                                     | 130                                     |
| Legal fees  | 5                                      | 5  | 5  | 5   | 2                                      | 6                                       |
| Audit fees  | 23                                     | 23                                       | 21                                       | 19  | 19                                     | 23                                      |
| Other   | 210                                    | 179                                      | 113                                      | 108   | 81                                     | 207                                     |
| <b>Total Expenses</b>                                       | <b>8,370</b>                           | <b>6,853</b>                             | <b>4,351</b>                             | <b>4,929</b>                                | <b>3,367</b>                           | <b>8,176</b>                            |
| Less:   |  |  |  |   |  |   |
| Expenses in excess of limit                                 | (28)                                   | —  | (7)                                      | (9)   | (2)                                    | —                                       |
| <b>Total Net Expenses</b>                                   | <b>8,342</b>                           | <b>6,853</b>                             | <b>4,344</b>                             | <b>4,920</b>                                | <b>3,365</b>                           | <b>8,176</b>                            |
| <b>Net Investment Income</b>                                | <b>4,838</b>                           | <b>14,577</b>                            | <b>6,927</b>                             | <b>3,910</b>                                | <b>1,721</b>                           | <b>1,372</b>                            |
| <b>REALIZED AND UNREALIZED GAIN (LOSS)</b>                  |  |  |  |   |  |   |
| Net realized gain (loss) on:                                |  |  |  |   |  |   |
| Investments in unaffiliated securities                      | (91,043)                               | (163,223)                                | (21,539)                                 | (95,542)                                    | (38,922)                               | (84,766)                                |
| Written options   | —                                      | —  | —  | —   | —                                      | 2,556                                   |
| Forward foreign currency contracts                          | 31,172                                 | —  | 2,201                                    | (115)                                       | (136)                                  | 1,929                                   |
| Foreign currency exchange transactions                      | (2,796)                                | (762)                                    | 2,198                                    | (318)                                       | (191)                                  | (2,764)                                 |
| Net change in unrealized appreciation (depreciation) on:    |  |  |  |   |  |   |
| Investments in unaffiliated securities                      | (115,938)                              | (93,235)                                 | (116,534)                                | (64,491) <sup>(1)</sup>                     | (72,824)                               | (139,938)                               |
| Investments in affiliated securities                        | —                                      | —  | —  | —   | —                                      | (1,851)                                 |
| Futures contracts   | —                                      | —  | —  | —   | —                                      | (38)                                    |
| Written options   | —                                      | —  | —  | —   | —                                      | 168                                     |
| Forward foreign currency contracts                          | 4,673                                  | —  | (4,424)                                  | 44  | (573)                                  | 255                                     |
| Foreign currency exchange transactions                      | (209)                                  | (104)                                    | (220)                                    | (48)  | (86)                                   | (359)                                   |
| <b>Net Realized and Unrealized Loss</b>                     | <b>(174,141)</b>                       | <b>(257,324)</b>                         | <b>(138,318)</b>                         | <b>(160,470)</b>                            | <b>(112,732)</b>                       | <b>(224,808)</b>                        |
| <b>Net Decrease in Net Assets Resulting from Operations</b> | <b>\$(169,303)</b>                     | <b>\$(242,747)</b>                       | <b>\$(131,391)</b>                       | <b>\$(156,560)</b>                          | <b>\$(111,011)</b>                     | <b>\$(223,436)</b>                      |

\*Not shown due to rounding.

(1)Net of India deferred tax liability of \$5.

See Accompanying Notes to Financial Statements.



# STATEMENT OF OPERATIONS

## Ivy Funds

FOR THE FISCAL YEAR ENDED MARCH 31, 2009

| (In thousands)  | Ivy<br>Balanced<br>Fund | Ivy<br>Global Natural<br>Resources<br>Fund | Ivy<br>Real Estate<br>Securities<br>Fund | Ivy<br>Bond<br>Fund | Ivy<br>Global Bond<br>Fund <sup>(1)</sup> | Ivy<br>Mortgage<br>Securities<br>Fund |
|---|-------------------------|--|--|---------------------|---|---------------------------------------|
| <b>INVESTMENT INCOME</b>                                    |                         |  |  |                     |   |                                       |
| Dividends   | \$ 2,018                | \$ 82,563                                  | \$ 12,301                                | \$ 29               | \$ —                                      | \$ —                                  |
| Foreign dividend withholding tax                            | (8)                     | (6,571)                                    | (18)                                     | —                   | —   | —                                     |
| Interest and amortization                                   | 1,356                   | 1,858                                      | 349                                      | 5,842               | 1,500                                     | 12,682                                |
| Foreign interest withholding tax                            | —                       | (70)                                       | —  | —                   | (5)                                       | —                                     |
| <b>Total Investment Income</b>                              | <b>3,366</b>            | <b>77,780</b>                              | <b>12,632</b>                            | <b>5,871</b>        | <b>1,495</b>                              | <b>12,682</b>                         |
| <b>EXPENSES</b>   |                         |  |  |                     |   |                                       |
| Investment management fee                                   | 951                     | 46,083                                     | 2,952                                    | 601                 | 249                                       | 1,127                                 |
| Distribution and service fees:                              |                         |  |  |                     |   |                                       |
| Class A   | 177                     | 8,817                                      | 520                                      | 253                 | 42  | 494                                   |
| Class B   | 34                      | 2,352                                      | 101                                      | 32                  | 48  | 80                                    |
| Class C   | 264                     | 11,833                                     | 112                                      | 84                  | 78  | 132                                   |
| Class E   | —*                      | 7  | 1  | 3                   | N/A                                       | 1                                     |
| Class R   | N/A                     | 123  | 1  | N/A                 | N/A                                       | N/A                                   |
| Class Y   | 87                      | 1,450                                      | 242                                      | 1                   | 15  | 16                                    |
| Shareholder servicing:                                      |                         |  |  |                     |   |                                       |
| Class A   | 181                     | 9,299                                      | 1,344                                    | 284                 | 41  | 783                                   |
| Class B   | 14                      | 730  | 112                                      | 27                  | 5   | 54                                    |
| Class C   | 32                      | 2,676                                      | 83                                       | 29                  | 9   | 50                                    |
| Class E   | —*                      | 44   | 8  | 8                   | N/A                                       | 3                                     |
| Class I   | —*                      | 257  | 2  | —*                  | 7   | —*                                    |
| Class R   | N/A                     | 50   | —*                                       | N/A                 | N/A                                       | N/A                                   |
| Class Y   | 54                      | 977  | 145                                      | 1                   | 9   | 10                                    |
| Advisor Class   | N/A                     | —*   | N/A                                      | N/A                 | N/A                                       | N/A                                   |
| Registration fees   | 72                      | 212  | 96                                       | 74                  | 90  | 76                                    |
| Custodian fees  | 14                      | 1,577                                      | 24                                       | 24                  | 19  | 32                                    |
| Trustees' fees  | —*                      | 48   | (6)                                      | 1                   | 1   | (4)                                   |
| Accounting services fee                                     | 69                      | 274  | 114                                      | 66                  | 31  | 88                                    |
| Legal fees  | 2                       | 81   | 4  | 2                   | 6   | 4                                     |
| Audit fees  | 11                      | 32   | 22                                       | 11                  | —*  | 23                                    |
| Other   | 35                      | 1,970                                      | 150                                      | 47                  | 25  | 113                                   |
| <b>Total Expenses</b>                                       | <b>1,997</b>            | <b>88,892</b>                              | <b>6,027</b>                             | <b>1,548</b>        | <b>675</b>                                | <b>3,082</b>                          |
| Less:   |                         |  |  |                     |   |                                       |
| Expenses in excess of limit                                 | —                       | (503)                                      | (5)                                      | (4)                 | (192)                                     | (1)                                   |
| <b>Total Net Expenses</b>                                   | <b>1,997</b>            | <b>88,389</b>                              | <b>6,022</b>                             | <b>1,544</b>        | <b>483</b>                                | <b>3,081</b>                          |
| <b>Net Investment Income (Loss)</b>                         | <b>1,369</b>            | <b>(10,609)</b>                            | <b>6,610</b>                             | <b>4,327</b>        | <b>1,012</b>                              | <b>9,601</b>                          |
| <b>REALIZED AND UNREALIZED GAIN (LOSS)</b>                  |                         |  |  |                     |   |                                       |
| Net realized gain (loss) on:                                |                         |  |  |                     |   |                                       |
| Investments in unaffiliated securities                      | (11,256)                | (2,282,623)                                | (61,951)                                 | (4,615)             | (71)                                      | (15,236)                              |
| Futures contracts   | —                       | —  | —  | (147)               | —   | (3,311)                               |
| Written options   | —                       | 8,038                                      | —  | —                   | —   | —                                     |
| Forward foreign currency contracts                          | —                       | 99,064                                     | —  | —                   | 384                                       | —                                     |
| Foreign currency exchange transactions                      | —                       | (5,920)                                    | —  | —                   | (469)                                     | —                                     |
| Net change in unrealized appreciation (depreciation) on:    |                         |  |  |                     |   |                                       |
| Investments in unaffiliated securities                      | (19,988)                | (2,466,322)                                | (180,131)                                | (8,425)             | (2,495)                                   | (28,819)                              |
| Investments in affiliated securities                        | —                       | (42,438)                                   | —  | —                   | —   | —                                     |
| Futures contracts   | —                       | —  | —  | 170                 | —   | 1,088                                 |
| Forward foreign currency contracts                          | —                       | (2,344)                                    | —  | —                   | 598                                       | —                                     |
| Foreign currency exchange transactions                      | —                       | (603)                                      | —  | —                   | (3)                                       | —                                     |
| <b>Net Realized and Unrealized Loss</b>                     | <b>(31,244)</b>         | <b>(4,693,148)</b>                         | <b>(242,082)</b>                         | <b>(13,017)</b>     | <b>(2,056)</b>                            | <b>(46,278)</b>                       |
| <b>Net Decrease in Net Assets Resulting from Operations</b> | <b>\$(29,875)</b>       | <b>\$(4,703,757)</b>                       | <b>\$(235,472)</b>                       | <b>\$ (8,690)</b>   | <b>\$(1,044)</b>                          | <b>\$(36,677)</b>                     |

\*Not shown due to rounding.

(1) For the period from April 4, 2008 (commencement of operations) through March 31, 2009.

See Accompanying Notes to Financial Statements.

# STATEMENT OF CHANGES IN NET ASSETS

## Ivy Funds

| (In thousands)   | Ivy<br>Dividend Opportunities Fund |                   | Ivy<br>Micro Cap Growth Fund | Ivy<br>Small Cap Value Fund |                   |
|--|------------------------------------|-------------------|------------------------------|-----------------------------|-------------------|
|  | Fiscal year ended                  |                   | Fiscal year ended            | Fiscal year ended           |                   |
|  | 3-31-09                            | 3-31-08           | 3-31-09 <sup>(1)</sup>       | 3-31-09                     | 3-31-08           |
| <b>INCREASE (DECREASE) IN NET ASSETS</b>                                   |                                    |                   |                              |                             |                   |
| <b>Operations:</b>   |                                    |                   |                              |                             |                   |
| Net investment income (loss)   | \$ 1,859                           | \$ 1,086          | \$ (9)                       | \$ (748)                    | \$ (1,085)        |
| Net realized loss on investments   | (28,939)                           | (2,385)           | (9)                          | (22,368)                    | (9,224)           |
| Net change in unrealized appreciation<br>(depreciation)                    | (74,397)                           | 4,858             | (45)                         | (11,150)                    | (14,609)          |
| <b>Net Increase (Decrease) in Net Assets<br/>Resulting from Operations</b> | <b>(101,477)</b>                   | <b>3,559</b>      | <b>(63)</b>                  | <b>(34,266)</b>             | <b>(24,918)</b>   |
| <b>Distributions to Shareholders From:</b>                                 |                                    |                   |                              |                             |                   |
| Net investment income:   |                                    |                   |                              |                             |                   |
| Class A  | (1,466)                            | (1,106)           | —                            | —                           | —                 |
| Class B  | —                                  | (14)              | —                            | —                           | —                 |
| Class C  | (113)                              | (53)              | —                            | —                           | —                 |
| Class E  | (14)                               | (3)               | —                            | —                           | —                 |
| Class I  | (24)                               | (2)               | —                            | —                           | —                 |
| Class Y  | (216)                              | (66)              | —                            | —                           | —                 |
| Net realized gains:  |                                    |                   |                              |                             |                   |
| Class A  | —                                  | (1,516)           | —                            | —                           | (6,914)           |
| Class B  | —                                  | (126)             | —                            | —                           | (343)             |
| Class C  | —                                  | (259)             | —                            | —                           | (513)             |
| Class E  | —                                  | (19)              | —                            | —                           | (6)               |
| Class I  | —                                  | (1)               | —                            | —                           | (31)              |
| Class Y  | —                                  | (95)              | —                            | —                           | (939)             |
| <b>Total Distributions to Shareholders</b>                                 | <b>(1,833)</b>                     | <b>(3,260)</b>    | <b>—</b>                     | <b>—</b>                    | <b>(8,746)</b>    |
| <b>Capital Share Transactions</b>  | <b>103,758</b>                     | <b>57,974</b>     | <b>3,787</b>                 | <b>27,436</b>               | <b>2,515</b>      |
| <b>Net Increase (Decrease) in Net Assets</b>                               | <b>448</b>                         | <b>58,273</b>     | <b>3,724</b>                 | <b>(6,830)</b>              | <b>(31,149)</b>   |
| <b>Net Assets, Beginning of Period</b>                                     | <b>197,162</b>                     | <b>138,889</b>    | <b>—</b>                     | <b>131,915</b>              | <b>163,064</b>    |
| <b>Net Assets, End of Period</b>   | <b>\$ 197,610</b>                  | <b>\$ 197,162</b> | <b>\$ 3,724</b>              | <b>\$ 125,085</b>           | <b>\$ 131,915</b> |
| Undistributed (distributions in excess of)<br>net investment income        | \$ 17                              | \$ (9)            | \$ —                         | \$ (765)                    | \$ (17)           |

(1) For the period from February 17, 2009 (commencement of operations) through March 31, 2009.

# STATEMENT OF CHANGES IN NET ASSETS

## Ivy Funds

| (In thousands)   | Ivy Value Fund    |                  | Ivy Managed European/Pacific Fund |                        | Ivy Managed International Opportunities Fund |                        |
|--|-------------------|------------------|-----------------------------------|------------------------|--|------------------------|
|  | Fiscal year ended |                  | Fiscal year ended                 |                        | Fiscal year ended                            |                        |
|  | 3-31-09           | 3-31-08          | 3-31-09                           | 3-31-08 <sup>(1)</sup> | 3-31-09 <sup>(2)</sup>                       | 3-31-08 <sup>(1)</sup> |
| <b>INCREASE (DECREASE) IN NET ASSETS</b>                         |                   |                  |                                   |                        |  |                        |
| <b>Operations:</b>   |                   |                  |                                   |                        |  |                        |
| Net investment income  | \$ 449            | \$ 434           | \$ 1,272                          | \$ 2,037               | \$ 2,992                                     | \$ 2,574               |
| Net realized gain (loss) on investments                          | (5,406)           | 1,656            | (16,117)                          | 2,549                  | (13,644)                                     | 2,172                  |
| Net change in unrealized depreciation                            | (17,945)          | (10,152)         | (16,293)                          | (9,773)                | (46,544)                                     | (8,673)                |
| <b>Net Decrease in Net Assets Resulting from Operations</b>      | <b>(22,902)</b>   | <b>(8,062)</b>   | <b>(31,138)</b>                   | <b>(5,187)</b>         | <b>(57,196)</b>                              | <b>(3,927)</b>         |
| <b>Distributions to Shareholders From:</b>                       |                   |                  |                                   |                        |  |                        |
| Net investment income:   |                   |                  |                                   |                        |  |                        |
| Class A  | (399)             | (458)            | (2,182)                           | (1,962)                | (4,021)                                      | (2,299)                |
| Class B  | —                 | —                | (38)                              | (50)                   | (91)   | (67)                   |
| Class C  | —                 | —                | (62)                              | (92)                   | (115)  | (75)                   |
| Class E  | (1)               | (1)              | (7)                               | (11)                   | (6)  | (7)                    |
| Class I  | (1)               | (1)              | (7)                               | (11)                   | (7)  | (7)                    |
| Class Y  | (5)               | (3)              | (12)                              | (13)                   | (13)   | (13)                   |
| Net realized gains:  |                   |                  |                                   |                        |  |                        |
| Class A  | —                 | (4,876)          | (2,320)                           | —                      | (2,030)                                      | —                      |
| Class B  | —                 | (372)            | (50)                              | —                      | (58)   | —                      |
| Class C  | —                 | (322)            | (78)                              | —                      | (72)   | —                      |
| Class E  | —                 | (7)              | (7)                               | —                      | (3)  | —                      |
| Class I  | —                 | (7)              | (7)                               | —                      | (3)  | —                      |
| Class Y  | —                 | (19)             | (12)                              | —                      | (7)  | —                      |
| <b>Total Distributions to Shareholders</b>                       | <b>(406)</b>      | <b>(6,066)</b>   | <b>(4,782)</b>                    | <b>(2,139)</b>         | <b>(6,426)</b>                               | <b>(2,468)</b>         |
| <b>Capital Share Transactions</b>                                | <b>(3,475)</b>    | <b>(4,139)</b>   | <b>19,299</b>                     | <b>65,425</b>          | <b>44,889</b>                                | <b>114,703</b>         |
| <b>Net Increase (Decrease) in Net Assets</b>                     | <b>(26,783)</b>   | <b>(18,267)</b>  | <b>(16,621)</b>                   | <b>58,099</b>          | <b>(18,733)</b>                              | <b>108,308</b>         |
| <b>Net Assets, Beginning of Period</b>                           | <b>65,477</b>     | <b>83,744</b>    | <b>58,099</b>                     | <b>—</b>               | <b>108,308</b>                               | <b>—</b>               |
| <b>Net Assets, End of Period</b>                                 | <b>\$ 38,694</b>  | <b>\$ 65,477</b> | <b>\$ 41,478</b>                  | <b>\$ 58,099</b>       | <b>\$ 89,575</b>                             | <b>\$ 108,308</b>      |
| Undistributed (distributions in excess of) net investment income | \$ 58             | \$ 15            | \$ 20                             | \$ —*                  | \$ (1)                                       | \$ 106                 |

\*Not shown due to rounding.

(1)For the period from April 2, 2007 (commencement of operations) through March 31, 2008.

(2)Distributions from net investment income include \$181 of return of capital.

# STATEMENT OF CHANGES IN NET ASSETS

## Ivy Funds

| (In thousands)   | Ivy<br>Cundill Global Value Fund |                   | Ivy<br>European Opportunities<br>Fund |                   | Ivy<br>International Balanced<br>Fund |                   |
|--|----------------------------------|-------------------|---------------------------------------|-------------------|---------------------------------------|-------------------|
|  | Fiscal year ended                |                   | Fiscal year ended                     |                   | Fiscal year ended                     |                   |
|  | 3-31-09                          | 3-31-08           | 3-31-09                               | 3-31-08           | 3-31-09                               | 3-31-08           |
| <b>INCREASE (DECREASE) IN NET ASSETS</b>                                   |                                  |                   |                                       |                   |                                       |                   |
| <b>Operations:</b>   |                                  |                   |                                       |                   |                                       |                   |
| Net investment income  | \$ 4,838                         | \$ 7,346          | \$ 14,577                             | \$ 7,608          | \$ 6,927                              | \$ 6,571          |
| Net realized gain (loss) on investments                                    | (62,667)                         | 5,194             | (163,985)                             | 65,885            | (17,140)                              | 17,757            |
| Net change in unrealized depreciation                                      | (111,474)                        | (113,157)         | (93,339)                              | (105,031)         | (121,178)                             | (18,023)          |
| <b>Net Increase (Decrease) in Net Assets<br/>Resulting from Operations</b> | <b>(169,303)</b>                 | <b>(100,617)</b>  | <b>(242,747)</b>                      | <b>(31,538)</b>   | <b>(131,391)</b>                      | <b>6,305</b>      |
| <b>Distributions to Shareholders From:</b>                                 |                                  |                   |                                       |                   |                                       |                   |
| Net investment income:   |                                  |                   |                                       |                   |                                       |                   |
| Class A  | (716)                            | (6,280)           | (10,436)                              | (5,178)           | (8,560)                               | (8,021)           |
| Class B  | —                                | (120)             | (583)                                 | (201)             | (377)                                 | (300)             |
| Class C  | —*                               | (749)             | (1,161)                               | (324)             | (1,252)                               | (979)             |
| Class E  | —                                | (3)               | (4)                                   | (1)               | (35)                                  | (12)              |
| Class I  | (43)                             | (29)              | (2,572)                               | (656)             | (2,276)                               | (888)             |
| Class Y  | (88)                             | (154)             | (140)                                 | (73)              | (91)                                  | (66)              |
| Advisor Class  | (18)                             | (46)              | (53)                                  | (34)              | —                                     | —                 |
| Class II   | NA                               | —                 | NA                                    | NA                | NA                                    | NA                |
| Net realized gains:  |                                  |                   |                                       |                   |                                       |                   |
| Class A  | (58)                             | (45,728)          | (12,966)                              | (41,414)          | (6,552)                               | (6,161)           |
| Class B  | —                                | (4,026)           | (947)                                 | (5,059)           | (344)                                 | (324)             |
| Class C  | —*                               | (12,421)          | (1,754)                               | (6,646)           | (1,129)                               | (1,037)           |
| Class E  | —                                | (31)              | (4)                                   | (10)              | (33)                                  | (13)              |
| Class I  | (1)                              | (159)             | (2,786)                               | (3,916)           | (1,961)                               | (766)             |
| Class Y  | (2)                              | (834)             | (162)                                 | (521)             | (66)                                  | (51)              |
| Advisor Class  | —*                               | (233)             | (58)                                  | (201)             | —                                     | —                 |
| Class II   | NA                               | —                 | NA                                    | NA                | NA                                    | NA                |
| Tax return of capital:   |                                  |                   |                                       |                   |                                       |                   |
| Class A  | —                                | —                 | (190)                                 | —                 | —                                     | —                 |
| Class B  | —                                | —                 | (14)                                  | —                 | —                                     | —                 |
| Class C  | —                                | —                 | (26)                                  | —                 | —                                     | —                 |
| Class E  | —                                | —                 | —*                                    | —                 | —                                     | —                 |
| Class I  | —                                | —                 | (41)                                  | —                 | —                                     | —                 |
| Class Y  | —                                | —                 | (2)                                   | —                 | —                                     | —                 |
| Advisor Class  | —                                | —                 | (1)                                   | —                 | —                                     | —                 |
| <b>Total Distributions to Shareholders</b>                                 | <b>(926)</b>                     | <b>(70,813)</b>   | <b>(33,900)</b>                       | <b>(64,234)</b>   | <b>(22,676)</b>                       | <b>(18,618)</b>   |
| <b>Capital Share Transactions</b>  | <b>(142,877)</b>                 | <b>(235,499)</b>  | <b>(79,657)</b>                       | <b>123,754</b>    | <b>(20,253)</b>                       | <b>98,036</b>     |
| <b>Net Increase (Decrease) in Net Assets</b>                               | <b>(313,106)</b>                 | <b>(406,929)</b>  | <b>(356,304)</b>                      | <b>27,982</b>     | <b>(174,320)</b>                      | <b>85,723</b>     |
| <b>Net Assets, Beginning of Period</b>                                     | <b>591,028</b>                   | <b>997,957</b>    | <b>542,711</b>                        | <b>514,729</b>    | <b>364,667</b>                        | <b>278,944</b>    |
| <b>Net Assets, End of Period</b>   | <b>\$ 277,922</b>                | <b>\$ 591,028</b> | <b>\$ 186,407</b>                     | <b>\$ 542,711</b> | <b>\$ 190,347</b>                     | <b>\$ 364,667</b> |
| Undistributed (distributions in excess of)<br>net investment income        | \$ 37                            | \$ (1,139)        | \$ (390)                              | \$ (57)           | \$ 220                                | \$ 3,686          |

\*Not shown due to rounding.

See Accompanying Notes to Financial Statements.

# STATEMENT OF CHANGES IN NET ASSETS

## Ivy Funds

| (In thousands)   | Ivy<br>International Core Equity Fund |                   | Ivy<br>International Growth Fund |                   | Ivy<br>Pacific Opportunities Fund |                   |
|--|---------------------------------------|-------------------|----------------------------------|-------------------|-----------------------------------|-------------------|
|  | Fiscal year ended                     |                   | Fiscal year ended                |                   | Fiscal year ended                 |                   |
|  | 3-31-09                               | 3-31-08           | 3-31-09                          | 3-31-08           | 3-31-09                           | 3-31-08           |
| <b>INCREASE (DECREASE) IN NET ASSETS</b>                                   |                                       |                   |                                  |                   |                                   |                   |
| <b>Operations:</b>   |                                       |                   |                                  |                   |                                   |                   |
| Net investment income (loss)   | \$ 3,910                              | \$ 1,391          | \$ 1,721                         | \$ 188            | \$ 1,372                          | \$ (983)          |
| Net realized gain (loss) on investments                                    | (95,975)                              | 19,374            | (39,249)                         | 26,773            | (83,045)                          | 89,854            |
| Net change in unrealized depreciation                                      | (64,495)                              | (12,793)          | (73,483)                         | (16,069)          | (141,763)                         | (36,653)          |
| <b>Net Increase (Decrease) in Net Assets<br/>Resulting from Operations</b> | <b>(156,560)</b>                      | <b>7,972</b>      | <b>(111,011)</b>                 | <b>10,892</b>     | <b>(223,436)</b>                  | <b>52,218</b>     |
| <b>Distributions to Shareholders From:</b>                                 |                                       |                   |                                  |                   |                                   |                   |
| Net investment income:   |                                       |                   |                                  |                   |                                   |                   |
| Class A  | (2,871)                               | (976)             | (1,147)                          | (320)             | —                                 | (1,229)           |
| Class B  | (63)                                  | —                 | (8)                              | —                 | —                                 | —                 |
| Class C  | (324)                                 | —                 | (79)                             | —                 | —                                 | —                 |
| Class E  | (8)                                   | (1)               | (1)                              | —*                | —                                 | (1)               |
| Class I  | (732)                                 | (142)             | (269)                            | (76)              | —                                 | (212)             |
| Class Y  | (182)                                 | (36)              | (24)                             | (5)               | —                                 | (34)              |
| Advisor Class  | —                                     | —                 | —                                | —                 | —                                 | (1)               |
| Class II   | NA                                    | NA                | NA                               | (1)               | NA                                | NA                |
| Net realized gains:  |                                       |                   |                                  |                   |                                   |                   |
| Class A  | (4,958)                               | (16,690)          | —                                | —                 | (42,553)                          | (50,174)          |
| Class B  | (314)                                 | (1,367)           | —                                | —                 | (1,951)                           | (2,457)           |
| Class C  | (1,101)                               | (3,600)           | —                                | —                 | (3,180)                           | (4,433)           |
| Class E  | (27)                                  | (71)              | —                                | —                 | (12)                              | (12)              |
| Class I  | (940)                                 | (1,288)           | —                                | —                 | (5,050)                           | (3,011)           |
| Class Y  | (279)                                 | (471)             | —                                | —                 | (682)                             | (815)             |
| Advisor Class  | —                                     | —                 | —                                | —                 | (8)                               | (11)              |
| Class II   | NA                                    | NA                | NA                               | —                 | NA                                | NA                |
| <b>Total Distributions to Shareholders</b>                                 | <b>(11,799)</b>                       | <b>(24,642)</b>   | <b>(1,528)</b>                   | <b>(402)</b>      | <b>(53,436)</b>                   | <b>(62,390)</b>   |
| <b>Capital Share Transactions</b>  | <b>85,924</b>                         | <b>118,394</b>    | <b>(9,855)</b>                   | <b>1,559</b>      | <b>15,258</b>                     | <b>148,302</b>    |
| <b>Net Increase (Decrease) in Net Assets</b>                               | <b>(82,435)</b>                       | <b>101,724</b>    | <b>(122,394)</b>                 | <b>12,049</b>     | <b>(261,614)</b>                  | <b>138,130</b>    |
| <b>Net Assets, Beginning of Period</b>                                     | <b>317,159</b>                        | <b>215,435</b>    | <b>250,282</b>                   | <b>238,233</b>    | <b>575,260</b>                    | <b>437,130</b>    |
| <b>Net Assets, End of Period</b>   | <b>\$ 234,724</b>                     | <b>\$ 317,159</b> | <b>\$ 127,888</b>                | <b>\$ 250,282</b> | <b>\$ 313,646</b>                 | <b>\$ 575,260</b> |
| Undistributed (distributions in excess of)<br>net investment income        | \$ 170                                | \$ 525            | \$ 12                            | \$ 13             | \$ (1,048)                        | \$ (924)          |

\*Not shown due to rounding.

# STATEMENT OF CHANGES IN NET ASSETS

## Ivy Funds

| (In thousands)   | Ivy<br>Balanced Fund |                  | Ivy<br>Global Natural Resources Fund |                     | Ivy<br>Real Estate Securities Fund |                   |
|--|----------------------|------------------|--------------------------------------|---------------------|------------------------------------|-------------------|
|  | Fiscal year ended    |                  | Fiscal year ended                    |                     | Fiscal year ended                  |                   |
|  | 3-31-09              | 3-31-08          | 3-31-09                              | 3-31-08             | 3-31-09                            | 3-31-08           |
| <b>INCREASE (DECREASE) IN NET ASSETS</b>                               |                      |                  |                                      |                     |                                    |                   |
| <b>Operations:</b>   |                      |                  |                                      |                     |                                    |                   |
| Net investment income (loss)   | \$ 1,369             | \$ 1,116         | \$ (10,609)                          | \$ (3,673)          | \$ 6,610                           | \$ 4,203          |
| Net realized gain (loss) on investments                                | (11,256)             | 1,341            | (2,181,441)                          | 1,263,117           | (61,951)                           | 15,420            |
| Net change in unrealized appreciation (depreciation)                   | (19,988)             | 4,030            | (2,511,707)                          | 170,936             | (180,131)                          | (134,861)         |
| <b>Net Increase (Decrease) in Net Assets Resulting from Operations</b> | <b>(29,875)</b>      | <b>6,487</b>     | <b>(4,703,757)</b>                   | <b>1,430,380</b>    | <b>(235,472)</b>                   | <b>(115,238)</b>  |
| <b>Distributions to Shareholders From:</b>                             |                      |                  |                                      |                     |                                    |                   |
| Net investment income:   |                      |                  |                                      |                     |                                    |                   |
| Class A  | (760)                | (740)            | (2,745)                              | (65,248)            | (3,439)                            | (1,960)           |
| Class B  | (6)                  | (7)              | —                                    | (695)               | (35)                               | (8)               |
| Class C  | (113)                | (15)             | —                                    | (7,927)             | (83)                               | (17)              |
| Class E  | (1)                  | (1)              | —                                    | (18)                | (6)                                | (1)               |
| Class I  | (4)                  | (2)              | (423)                                | (846)               | (26)                               | (15)              |
| Class R  | —                    | —                | —                                    | (226)               | (4)                                | (1)               |
| Class Y  | (419)                | (353)            | (341)                                | (11,854)            | (2,153)                            | (1,363)           |
| Advisor Class  | —                    | —                | —*                                   | (7)                 | —                                  | —                 |
| Net realized gains:  |                      |                  |                                      |                     |                                    |                   |
| Class A  | —                    | (1,854)          | (458,956)                            | (404,076)           | (83)                               | (25,382)          |
| Class B  | —                    | (85)             | (36,369)                             | (30,582)            | —*                                 | (1,303)           |
| Class C  | —                    | (100)            | (170,204)                            | (149,863)           | (7)                                | (1,366)           |
| Class E  | —                    | (3)              | (576)                                | (168)               | —*                                 | (35)              |
| Class I  | —                    | (3)              | (41,826)                             | (3,528)             | (1)                                | (120)             |
| Class R  | —                    | —                | (4,885)                              | (1,246)             | —*                                 | (14)              |
| Class Y  | —                    | (794)            | (72,901)                             | (56,028)            | (38)                               | (12,133)          |
| Advisor Class  | —                    | —                | (41)                                 | (30)                | —                                  | —                 |
| <b>Total Distributions to Shareholders</b>                             | <b>(1,303)</b>       | <b>(3,957)</b>   | <b>(789,267)</b>                     | <b>(732,342)</b>    | <b>(5,875)</b>                     | <b>(43,718)</b>   |
| <b>Capital Share Transactions</b>                                      | <b>94,080</b>        | <b>827</b>       | <b>149,426</b>                       | <b>2,390,679</b>    | <b>5,461</b>                       | <b>(148,593)</b>  |
| <b>Net Increase (Decrease) in Net Assets</b>                           | <b>62,902</b>        | <b>3,357</b>     | <b>(5,343,598)</b>                   | <b>3,088,717</b>    | <b>(235,886)</b>                   | <b>(307,549)</b>  |
| <b>Net Assets, Beginning of Period</b>                                 | <b>96,697</b>        | <b>93,340</b>    | <b>8,173,770</b>                     | <b>5,085,053</b>    | <b>400,227</b>                     | <b>707,776</b>    |
| <b>Net Assets, End of Period</b>                                       | <b>\$ 159,599</b>    | <b>\$ 96,697</b> | <b>\$ 2,830,172</b>                  | <b>\$ 8,173,770</b> | <b>\$ 164,341</b>                  | <b>\$ 400,227</b> |
| Undistributed (distributions in excess of) net investment income       | \$ 56                | \$ 24            | \$ 867                               | \$ (86,577)         | \$ 1,996                           | \$ 1,132          |

\*Not shown due to rounding.

See Accompanying Notes to Financial Statements.

# STATEMENT OF CHANGES IN NET ASSETS

## Ivy Funds

| (In thousands)  | Ivy<br>Bond Fund  |                   | Ivy<br>Global Bond Fund |                   | Ivy<br>Mortgage Securities Fund |  |
|---|-------------------|-------------------|-------------------------|-------------------|---------------------------------|--|
|   | Fiscal year ended |                   | Fiscal year ended       |                   | Fiscal year ended               |  |
|   | 3-31-09           | 3-31-08           | 3-31-09 <sup>(1)</sup>  | 3-31-09           | 3-31-08                         |  |
| <b>INCREASE (DECREASE) IN NET ASSETS</b>                    |                   |                   |                         |                   |                                 |  |
| <b>Operations:</b>  |                   |                   |                         |                   |                                 |  |
| Net investment income                                       | \$ 4,327          | \$ 3,918          | \$ 1,012                | \$ 9,601          | \$ 15,552                       |  |
| Net realized loss on investments                            | (4,762)           | (22)              | (156)                   | (18,547)          | (2,257)                         |  |
| Net change in unrealized depreciation                       | (8,255)           | (5,552)           | (1,900)                 | (27,731)          | (27,857)                        |  |
| <b>Net Decrease in Net Assets Resulting from Operations</b> | <b>(8,690)</b>    | <b>(1,656)</b>    | <b>(1,044)</b>          | <b>(36,677)</b>   | <b>(14,562)</b>                 |  |
| <b>Distributions to Shareholders From:</b>                  |                   |                   |                         |                   |                                 |  |
| Net investment income:                                      |                   |                   |                         |                   |                                 |  |
| Class A   | (4,133)           | (3,640)           | (407)                   | (10,499)          | (13,698)                        |  |
| Class B   | (86)              | (75)              | (46)                    | (342)             | (468)                           |  |
| Class C   | (270)             | (177)             | (91)                    | (606)             | (759)                           |  |
| Class E   | (40)              | (18)              | —                       | (15)              | (9)                             |  |
| Class I   | (8)               | (8)               | (87)                    | (14)              | (13)                            |  |
| Class Y   | (24)              | —*                | (103)                   | (354)             | (605)                           |  |
| Net realized gains:   |                   |                   |                         |                   |                                 |  |
| Class A   | —                 | —                 | (330)                   | —                 | —                               |  |
| Class B   | —                 | —                 | (65)                    | —                 | —                               |  |
| Class C   | —                 | —                 | (126)                   | —                 | —                               |  |
| Class E   | —                 | —                 | —                       | —                 | —                               |  |
| Class I   | —                 | —                 | (61)                    | —                 | —                               |  |
| Class Y   | —                 | —                 | (80)                    | —                 | —                               |  |
| <b>Total Distributions to Shareholders</b>                  | <b>(4,561)</b>    | <b>(3,918)</b>    | <b>(1,396)</b>          | <b>(11,830)</b>   | <b>(15,552)</b>                 |  |
| <b>Capital Share Transactions</b>                           | <b>26,689</b>     | <b>38,841</b>     | <b>66,843</b>           | <b>(95,038)</b>   | <b>1,606</b>                    |  |
| <b>Net Increase (Decrease) in Net Assets</b>                | <b>13,438</b>     | <b>33,267</b>     | <b>64,403</b>           | <b>(143,545)</b>  | <b>(28,508)</b>                 |  |
| <b>Net Assets, Beginning of Period</b>                      | <b>103,442</b>    | <b>70,175</b>     | <b>—</b>                | <b>292,995</b>    | <b>321,503</b>                  |  |
| <b>Net Assets, End of Period</b>                            | <b>\$ 116,880</b> | <b>\$ 103,442</b> | <b>\$ 64,403</b>        | <b>\$ 149,450</b> | <b>\$ 292,995</b>               |  |
| Distributions in excess of net investment income            | \$ —              | \$ —              | \$ (189)                | \$ —              | \$ —                            |  |

\*Not shown due to rounding.

(1)For the period from April 4, 2008 (commencement of operations) through March 31, 2009.

# FINANCIAL HIGHLIGHTS

## Ivy Funds

FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

### IVY DIVIDEND OPPORTUNITIES FUND

|  | Net Asset Value, Beginning of Period | Net Investment Income (Loss) | Net Realized and Unrealized Gain (Loss) on Investments | Total from Investment Operations | Distributions From Net Investment Income | Distributions From Net Realized Gains | Total Distributions |
|--|--------------------------------------|------------------------------|--|----------------------------------|--|---------------------------------------|---------------------|
| <b>Class A Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | \$ 16.05                             | \$ 0.12 <sup>(1)</sup>       | \$(6.19) <sup>(1)</sup>                                | \$(6.07)                         | \$(0.12)                                 | \$ —                                  | \$(0.12)            |
| Fiscal year ended 3-31-2008                | 15.70                                | 0.13 <sup>(1)</sup>          | 0.54 <sup>(1)</sup>                                    | 0.67                             | (0.14)                                   | (0.18)                                | (0.32)              |
| Fiscal year ended 3-31-2007                | 14.41                                | 0.17 <sup>(1)</sup>          | 1.49 <sup>(1)</sup>                                    | 1.66                             | (0.18)                                   | (0.19)                                | (0.37)              |
| Fiscal year ended 3-31-2006                | 12.13                                | 0.12 <sup>(1)</sup>          | 2.30 <sup>(1)</sup>                                    | 2.42                             | (0.11)                                   | (0.03)                                | (0.14)              |
| Fiscal year ended 3-31-2005                | 11.07                                | 0.09                         | 1.10   | 1.19                             | (0.09)                                   | (0.04)                                | (0.13)              |
| <b>Class B Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 15.93                                | 0.00                         | (6.14)   | (6.14)                           | —  | —                                     | —                   |
| Fiscal year ended 3-31-2008                | 15.63                                | (0.03)                       | 0.53   | 0.50                             | (0.02)                                   | (0.18)                                | (0.20)              |
| Fiscal year ended 3-31-2007                | 14.34                                | 0.05                         | 1.47   | 1.52                             | (0.04)                                   | (0.19)                                | (0.23)              |
| Fiscal year ended 3-31-2006                | 12.09                                | 0.01                         | 2.28   | 2.29                             | (0.01)                                   | (0.03)                                | (0.04)              |
| Fiscal year ended 3-31-2005                | 11.05                                | 0.02                         | 1.06   | 1.08                             | —  | (0.04)                                | (0.04)              |
| <b>Class C Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 15.95                                | 0.03 <sup>(1)</sup>          | (6.14) <sup>(1)</sup>                                  | (6.11)                           | (0.03)                                   | —                                     | (0.03)              |
| Fiscal year ended 3-31-2008                | 15.63                                | 0.00                         | 0.54   | 0.54                             | (0.04)                                   | (0.18)                                | (0.22)              |
| Fiscal year ended 3-31-2007                | 14.34                                | 0.07                         | 1.47   | 1.54                             | (0.06)                                   | (0.19)                                | (0.25)              |
| Fiscal year ended 3-31-2006                | 12.09                                | 0.01                         | 2.28   | 2.29                             | (0.01)                                   | (0.03)                                | (0.04)              |
| Fiscal year ended 3-31-2005                | 11.05                                | 0.01                         | 1.07   | 1.08                             | —  | (0.04)                                | (0.04)              |
| <b>Class E Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 16.01                                | 0.10                         | (6.17)   | (6.07)                           | (0.10)                                   | —                                     | (0.10)              |
| Fiscal year ended 3-31-2008 <sup>(3)</sup> | 15.76                                | (0.01) <sup>(1)</sup>        | 0.51 <sup>(1)</sup>                                    | 0.50                             | (0.07)                                   | (0.18)                                | (0.25)              |
| <b>Class I Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 16.07                                | 0.08 <sup>(1)</sup>          | (6.10) <sup>(1)</sup>                                  | (6.02)                           | (0.17)                                   | —                                     | (0.17)              |
| Fiscal year ended 3-31-2008 <sup>(3)</sup> | 15.76                                | 0.20                         | 0.47   | 0.67                             | (0.18)                                   | (0.18)                                | (0.36)              |
| <b>Class Y Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 16.06                                | 0.14 <sup>(1)</sup>          | (6.19) <sup>(1)</sup>                                  | (6.05)                           | (0.14)                                   | —                                     | (0.14)              |
| Fiscal year ended 3-31-2008                | 15.70                                | 0.14 <sup>(1)</sup>          | 0.55 <sup>(1)</sup>                                    | 0.69                             | (0.15)                                   | (0.18)                                | (0.33)              |
| Fiscal year ended 3-31-2007                | 14.41                                | 0.12 <sup>(1)</sup>          | 1.55 <sup>(1)</sup>                                    | 1.67                             | (0.19)                                   | (0.19)                                | (0.38)              |
| Fiscal year ended 3-31-2006                | 12.13                                | 0.15 <sup>(1)</sup>          | 2.29 <sup>(1)</sup>                                    | 2.44                             | (0.13)                                   | (0.03)                                | (0.16)              |
| Fiscal year ended 3-31-2005                | 11.07                                | 0.11                         | 1.10   | 1.21                             | (0.11)                                   | (0.04)                                | (0.15)              |

\*Not shown due to rounding.

(1)Based on average weekly shares outstanding.

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

(3)For the period from April 2, 2007 (commencement of operations of the class) through March 31, 2008.

(4)For the fiscal year ended March 31, 2008.

(5)Annualized.

Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.



|  | Net Asset Value, End of Period | Total Return           | Net Assets, End of Period (in millions) | Ratio of Expenses to Average Net Assets Including Expense Waiver | Ratio of Net Investment Income to Average Net Assets Including Expense Waiver | Ratio of Expenses to Average Net Assets Excluding Expense Waiver | Ratio of Net Investment Income to Average Net Assets Excluding Expense Waiver | Portfolio Turnover Rate |
|--|--------------------------------|------------------------|---|--|---|--|---|-------------------------|
| <b>Class A Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | \$ 9.86                        | -37.92% <sup>(2)</sup> | \$ 133                                  | 1.40%  | 1.00%   | —%   | —%  | 30%                     |
| Fiscal year ended 3-31-2008                | 16.05                          | 4.10% <sup>(2)</sup>   | 148                                     | 1.37%  | 0.77%   | —%   | —%  | 30%                     |
| Fiscal year ended 3-31-2007                | 15.70                          | 11.57% <sup>(2)</sup>  | 107                                     | 1.38%  | 1.16%   | —%   | —%  | 24%                     |
| Fiscal year ended 3-31-2006                | 14.41                          | 19.99% <sup>(2)</sup>  | 61                                      | 1.45%  | 0.92%   | —%   | —%  | 15%                     |
| Fiscal year ended 3-31-2005                | 12.13                          | 10.78% <sup>(2)</sup>  | 32                                      | 1.59%  | 0.94%   | —%   | —%  | 32%                     |
| <b>Class B Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 9.79                           | -38.54%                | 9                                       | 2.43%  | -0.04%  | —%   | —%  | 30%                     |
| Fiscal year ended 3-31-2008                | 15.93                          | 3.09%                  | 11                                      | 2.34%  | -0.16%  | —%   | —%  | 30%                     |
| Fiscal year ended 3-31-2007                | 15.63                          | 10.63%                 | 10                                      | 2.30%  | 0.29%   | —%   | —%  | 24%                     |
| Fiscal year ended 3-31-2006                | 14.34                          | 18.94%                 | 7                                       | 2.32%  | 0.03%   | —%   | —%  | 15%                     |
| Fiscal year ended 3-31-2005                | 12.09                          | 9.76%                  | 6                                       | 2.44%  | 0.11%   | —%   | —%  | 32%                     |
| <b>Class C Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 9.81                           | -38.33%                | 37                                      | 2.11%  | 0.39%   | —%   | —%  | 30%                     |
| Fiscal year ended 3-31-2008                | 15.95                          | 3.32%                  | 24                                      | 2.15%  | 0.00%   | —%   | —%  | 30%                     |
| Fiscal year ended 3-31-2007                | 15.63                          | 10.74%                 | 19                                      | 2.17%  | 0.42%   | —%   | —%  | 24%                     |
| Fiscal year ended 3-31-2006                | 14.34                          | 18.95%                 | 14                                      | 2.27%  | 0.08%   | —%   | —%  | 15%                     |
| Fiscal year ended 3-31-2005                | 12.09                          | 9.76%                  | 10                                      | 2.42%  | 0.10%   | —%   | —%  | 32%                     |
| <b>Class E Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 9.84                           | -37.98% <sup>(2)</sup> | 2                                       | 1.60%  | 0.78%   | 2.27%  | 0.11%   | 30%                     |
| Fiscal year ended 3-31-2008 <sup>(3)</sup> | 16.01                          | 3.01% <sup>(2)</sup>   | 2                                       | 2.17% <sup>(5)</sup>   | -0.18% <sup>(5)</sup>   | —%   | —%  | 30% <sup>(4)</sup>      |
| <b>Class I Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 9.88                           | -37.60%                | 2                                       | 0.99%  | 1.75%   | —%   | —%  | 30%                     |
| Fiscal year ended 3-31-2008 <sup>(3)</sup> | 16.07                          | 4.08%                  | —*                                      | 1.00% <sup>(5)</sup>   | 1.17% <sup>(5)</sup>  | —%   | —%  | 30% <sup>(4)</sup>      |
| <b>Class Y Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 9.87                           | -37.79%                | 15                                      | 1.24%  | 1.08%   | —%   | —%  | 30%                     |
| Fiscal year ended 3-31-2008                | 16.06                          | 4.23%                  | 12                                      | 1.26%  | 0.78%   | —%   | —%  | 30%                     |
| Fiscal year ended 3-31-2007                | 15.70                          | 11.65%                 | 3                                       | 1.29%  | 0.92%   | —%   | —%  | 24%                     |
| Fiscal year ended 3-31-2006                | 14.41                          | 20.14%                 | 1                                       | 1.34%  | 1.03%   | —%   | —%  | 15%                     |
| Fiscal year ended 3-31-2005                | 12.13                          | 10.94%                 | 1                                       | 1.44%  | 1.09%   | —%   | —%  | 32%                     |

See Accompanying Notes to Financial Statements.

# FINANCIAL HIGHLIGHTS

## Ivy Funds

FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

### IVY MICRO CAP GROWTH FUND

|  | Net Asset Value, Beginning of Period | Net Investment Loss | Net Realized and Unrealized Loss on Investments | Total from Investment Operations | Distributions From Net Investment Income | Distributions From Net Realized Gains | Total Distributions |
|--|--------------------------------------|---------------------|---|----------------------------------|--|---------------------------------------|---------------------|
| <b>Class A Shares</b>                      |                                      |                     |   |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009 <sup>(1)</sup> | \$ 10.00                             | \$(0.02)            | \$(0.21)  | \$(0.23)                         | \$ —                                     | \$ —                                  | \$ —                |
| <b>Class B Shares</b>                      |                                      |                     |   |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009 <sup>(1)</sup> | 10.00                                | (0.04)              | (0.20)  | (0.24)                           | —  | —                                     | —                   |
| <b>Class C Shares</b>                      |                                      |                     |   |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009 <sup>(1)</sup> | 10.00                                | (0.03)              | (0.21)  | (0.24)                           | —  | —                                     | —                   |
| <b>Class I Shares</b>                      |                                      |                     |   |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009 <sup>(1)</sup> | 10.00                                | (0.02)              | (0.21)  | (0.23)                           | —  | —                                     | —                   |
| <b>Class Y Shares</b>                      |                                      |                     |   |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009 <sup>(1)</sup> | 10.00                                | (0.02)              | (0.21)  | (0.23)                           | —  | —                                     | —                   |

\*Not shown due to rounding.

(1)For the period from February 17, 2009 (commencement of operations of the class) through March 31, 2009.

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

(3)Annualized.

Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

|  | Net Asset Value, End of Period | Total Return          | Net Assets, End of Period (in millions) | Ratio of Expenses to Average Net Assets Including Expense Waiver | Ratio of Net Investment Income to Average Net Assets Including Expense Waiver | Ratio of Expenses to Average Net Assets Excluding Expense Waiver | Ratio of Net Investment Income to Average Net Assets Excluding Expense Waiver | Portfolio Turnover Rate |
|--|--------------------------------|-----------------------|---|--|---|--|---|-------------------------|
| <b>Class A Shares</b>                      |                                |                       |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009 <sup>(1)</sup> | \$ 9.77                        | -2.30% <sup>(2)</sup> | \$3                                     | 2.55% <sup>(3)</sup>   | -2.38% <sup>(3)</sup>   | —%   | —%  | 5%                      |
| <b>Class B Shares</b>                      |                                |                       |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009 <sup>(1)</sup> | 9.76                           | -2.40%                | —*                                      | 3.49% <sup>(3)</sup>   | -3.32% <sup>(3)</sup>   | —%   | —%  | 5%                      |
| <b>Class C Shares</b>                      |                                |                       |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009 <sup>(1)</sup> | 9.76                           | -2.40%                | —*                                      | 3.24% <sup>(3)</sup>   | -3.07% <sup>(3)</sup>   | —%   | —%  | 5%                      |
| <b>Class I Shares</b>                      |                                |                       |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009 <sup>(1)</sup> | 9.77                           | -2.30%                | —*                                      | 1.97% <sup>(3)</sup>   | -1.80% <sup>(3)</sup>   | —%   | —%  | 5%                      |
| <b>Class Y Shares</b>                      |                                |                       |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009 <sup>(1)</sup> | 9.77                           | -2.30%                | —*                                      | 2.21% <sup>(3)</sup>   | -2.03% <sup>(3)</sup>   | —%   | —%  | 5%                      |

See Accompanying Notes to Financial Statements.

# FINANCIAL HIGHLIGHTS

## Ivy Funds

FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

### IVY SMALL CAP VALUE FUND

|  | Net Asset Value, Beginning of Period | Net Investment Income (Loss) | Net Realized and Unrealized Gain (Loss) on Investments | Total from Investment Operations | Distributions From Net Investment Income | Distributions From Net Realized Gains | Total Distributions |
|--|--------------------------------------|------------------------------|--|----------------------------------|--|---------------------------------------|---------------------|
| <b>Class A Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | \$ 12.96                             | \$(0.06)                     | \$(3.03)   | \$(3.09)                         | \$ —                                     | \$ —                                  | \$ —                |
| Fiscal year ended 3-31-2008                | 16.22                                | (0.10)                       | (2.28)   | (2.38)                           | —  | (0.88)                                | (0.88)              |
| Fiscal year ended 3-31-2007                | 16.24                                | (0.03)                       | 1.35   | 1.32                             | —  | (1.34)                                | (1.34)              |
| Fiscal year ended 3-31-2006                | 16.88                                | (0.11)                       | 2.62   | 2.51                             | —  | (3.15)                                | (3.15)              |
| Fiscal year ended 3-31-2005                | 16.68                                | (0.13)                       | 1.52   | 1.39                             | —  | (1.19)                                | (1.19)              |
| <b>Class B Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 12.34                                | (0.23)                       | (2.82)   | (3.05)                           | —  | —                                     | —                   |
| Fiscal year ended 3-31-2008                | 15.48                                | (0.35)                       | (2.08)   | (2.43)                           | —  | (0.71)                                | (0.71)              |
| Fiscal year ended 3-31-2007                | 15.72                                | (0.14)                       | 1.24   | 1.10                             | —  | (1.34)                                | (1.34)              |
| Fiscal year ended 3-31-2006                | 16.59                                | (0.25)                       | 2.53   | 2.28                             | —  | (3.15)                                | (3.15)              |
| Fiscal year ended 3-31-2005                | 16.61                                | (0.23)                       | 1.40   | 1.17                             | —  | (1.19)                                | (1.19)              |
| <b>Class C Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 12.51                                | (0.11)                       | (2.95)   | (3.06)                           | —  | —                                     | —                   |
| Fiscal year ended 3-31-2008                | 15.69                                | (0.28)                       | (2.14)   | (2.42)                           | —  | (0.76)                                | (0.76)              |
| Fiscal year ended 3-31-2007                | 15.87                                | (0.12)                       | 1.28   | 1.16                             | —  | (1.34)                                | (1.34)              |
| Fiscal year ended 3-31-2006                | 16.67                                | (0.21)                       | 2.56   | 2.35                             | —  | (3.15)                                | (3.15)              |
| Fiscal year ended 3-31-2005                | 16.63                                | (0.19)                       | 1.42   | 1.23                             | —  | (1.19)                                | (1.19)              |
| <b>Class E Shares<sup>(2)</sup></b>        |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 12.98                                | 0.01                         | (3.05)   | (3.04)                           | —  | —                                     | —                   |
| Fiscal year ended 3-31-2008 <sup>(3)</sup> | 16.23                                | (0.02)                       | (2.30)   | (2.32)                           | —  | (0.93)                                | (0.93)              |
| <b>Class I Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 13.20                                | 0.02 <sup>(6)</sup>          | (3.09) <sup>(6)</sup>                                  | (3.07)                           | —  | —                                     | —                   |
| Fiscal year ended 3-31-2008 <sup>(3)</sup> | 16.43                                | (0.01)                       | (2.26)   | (2.27)                           | —  | (0.96)                                | (0.96)              |
| <b>Class Y Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 13.13                                | (0.01) <sup>(6)</sup>        | (3.07) <sup>(6)</sup>                                  | (3.08)                           | —  | —                                     | —                   |
| Fiscal year ended 3-31-2008                | 16.42                                | (0.04) <sup>(6)</sup>        | (2.32) <sup>(6)</sup>                                  | (2.36)                           | —  | (0.93)                                | (0.93)              |
| Fiscal year ended 3-31-2007                | 16.36                                | 0.03                         | 1.37   | 1.40                             | —  | (1.34)                                | (1.34)              |
| Fiscal year ended 3-31-2006                | 16.92                                | (0.06)                       | 2.65   | 2.59                             | —  | (3.15)                                | (3.15)              |
| Fiscal year ended 3-31-2005                | 16.68                                | (0.10)                       | 1.53   | 1.43                             | —  | (1.19)                                | (1.19)              |

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

(2) Class is closed to investment.

(3) For the period from April 2, 2007 (commencement of operations of the class) through March 31, 2008.

(4) For the fiscal year ended March 31, 2008.

(5) Annualized.

(6) Based on average weekly shares outstanding.

Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

|  | Net Asset Value, End of Period | Total Return           | Net Assets, End of Period (in millions) | Ratio of Expenses to Average Net Assets Including Expense Waiver | Ratio of Net Investment Income to Average Net Assets Including Expense Waiver | Ratio of Expenses to Average Net Assets Excluding Expense Waiver | Ratio of Net Investment Income to Average Net Assets Excluding Expense Waiver | Portfolio Turnover Rate |
|--|--------------------------------|------------------------|---|--|---|--|---|-------------------------|
| <b>Class A Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | \$ 9.87                        | -23.84% <sup>(1)</sup> | \$ 106                                  | 1.93%  | -0.54%  | —%   | —%  | 101%                    |
| Fiscal year ended 3-31-2008                | 12.96                          | -15.19% <sup>(1)</sup> | 104                                     | 1.76%  | -0.63%  | —%   | —%  | 118%                    |
| Fiscal year ended 3-31-2007                | 16.22                          | 8.26% <sup>(1)</sup>   | 121                                     | 1.74%  | -0.24%  | —%   | —%  | 123%                    |
| Fiscal year ended 3-31-2006                | 16.24                          | 16.44% <sup>(1)</sup>  | 86                                      | 1.80%  | -0.76%  | —%   | —%  | 157%                    |
| Fiscal year ended 3-31-2005                | 16.88                          | 8.23% <sup>(1)</sup>   | 66                                      | 1.76%  | -0.79%  | —%   | —%  | 124%                    |
| <b>Class B Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 9.29                           | -24.72%                | 4                                       | 3.04%  | -1.67%  | —%   | —%  | 101%                    |
| Fiscal year ended 3-31-2008                | 12.34                          | -16.14%                | 5                                       | 2.83%  | -1.69%  | —%   | —%  | 118%                    |
| Fiscal year ended 3-31-2007                | 15.48                          | 7.11%                  | 9                                       | 2.82%  | -1.33%  | —%   | —%  | 123%                    |
| Fiscal year ended 3-31-2006                | 15.72                          | 15.28%                 | 7                                       | 2.84%  | -1.80%  | —%   | —%  | 157%                    |
| Fiscal year ended 3-31-2005                | 16.59                          | 6.92%                  | 5                                       | 3.02%  | -1.88%  | —%   | —%  | 124%                    |
| <b>Class C Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 9.45                           | -24.46%                | 6                                       | 2.72%  | -1.34%  | —%   | —%  | 101%                    |
| Fiscal year ended 3-31-2008                | 12.51                          | -15.91%                | 8                                       | 2.54%  | -1.40%  | —%   | —%  | 118%                    |
| Fiscal year ended 3-31-2007                | 15.69                          | 7.43%                  | 12                                      | 2.52%  | -1.04%  | —%   | —%  | 123%                    |
| Fiscal year ended 3-31-2006                | 15.87                          | 15.64%                 | 10                                      | 2.54%  | -1.50%  | —%   | —%  | 157%                    |
| Fiscal year ended 3-31-2005                | 16.67                          | 7.28%                  | 8                                       | 2.65%  | -1.53%  | —%   | —%  | 124%                    |
| <b>Class E Shares<sup>(2)</sup></b>        |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 9.94                           | -23.42% <sup>(1)</sup> | —*                                      | 1.30%  | 0.07%   | —%   | —%  | 101%                    |
| Fiscal year ended 3-31-2008 <sup>(3)</sup> | 12.98                          | -14.82% <sup>(1)</sup> | —*                                      | 1.26% <sup>(5)</sup>   | -0.14% <sup>(5)</sup>   | —%   | —%  | 118% <sup>(4)</sup>     |
| <b>Class I Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 10.13                          | -23.26%                | 1                                       | 1.18%  | 0.20%   | —%   | —%  | 101%                    |
| Fiscal year ended 3-31-2008 <sup>(3)</sup> | 13.20                          | -14.39%                | —*                                      | 1.19% <sup>(5)</sup>   | -0.07% <sup>(5)</sup>   | —%   | —%  | 118% <sup>(4)</sup>     |
| <b>Class Y Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 10.05                          | -23.46%                | 8                                       | 1.42%  | -0.06%  | —%   | —%  | 101%                    |
| Fiscal year ended 3-31-2008                | 13.13                          | -14.89%                | 14                                      | 1.39%  | -0.25%  | —%   | —%  | 118%                    |
| Fiscal year ended 3-31-2007                | 16.42                          | 8.70%                  | 21                                      | 1.39%  | 0.08%   | —%   | —%  | 123%                    |
| Fiscal year ended 3-31-2006                | 16.36                          | 16.88%                 | 24                                      | 1.41%  | -0.37%  | —%   | —%  | 157%                    |
| Fiscal year ended 3-31-2005                | 16.92                          | 8.48%                  | 25                                      | 1.53%  | -0.56%  | —%   | —%  | 124%                    |

See Accompanying Notes to Financial Statements.

# FINANCIAL HIGHLIGHTS

## Ivy Funds

FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

### IVY VALUE FUND

|  | Net Asset Value, Beginning of Period | Net Investment Income (Loss) | Net Realized and Unrealized Gain (Loss) on Investments | Total from Investment Operations | Distributions From Net Investment Income | Distributions From Net Realized Gains | Total Distributions |
|--|--------------------------------------|------------------------------|--|----------------------------------|--|---------------------------------------|---------------------|
| <b>Class A Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | \$ 15.95                             | \$ 0.13                      | \$(6.03)   | \$(5.90)                         | \$(0.11)                                 | \$ —                                  | \$(0.11)            |
| Fiscal year ended 3-31-2008                | 19.04                                | 0.12                         | (1.85)   | (1.73)                           | (0.12)                                   | (1.24)                                | (1.36)              |
| Fiscal year ended 3-31-2007                | 17.17                                | 0.13                         | 2.28   | 2.41                             | (0.13)                                   | (0.41)                                | (0.54)              |
| Fiscal year ended 3-31-2006                | 16.04                                | 0.10                         | 1.14   | 1.24                             | (0.11)                                   | —                                     | (0.11)              |
| Fiscal year ended 3-31-2005                | 14.54                                | 0.15                         | 1.48   | 1.63                             | (0.13)                                   | —                                     | (0.13)              |
| <b>Class B Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 15.76                                | (0.10)                       | (5.88)   | (5.98)                           | —  | —                                     | —                   |
| Fiscal year ended 3-31-2008                | 18.83                                | (0.09)                       | (1.80)   | (1.89)                           | —  | (1.18)                                | (1.18)              |
| Fiscal year ended 3-31-2007                | 17.04                                | (0.03)                       | 2.23   | 2.20                             | —  | (0.41)                                | (0.41)              |
| Fiscal year ended 3-31-2006                | 15.97                                | (0.04)                       | 1.12   | 1.08                             | (0.01)                                   | —                                     | (0.01)              |
| Fiscal year ended 3-31-2005                | 14.50                                | 0.03                         | 1.44   | 1.47                             | —  | —                                     | —                   |
| <b>Class C Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 15.83                                | 0.00 <sup>(2)</sup>          | (5.97) <sup>(2)</sup>                                  | (5.97)                           | —  | —                                     | —                   |
| Fiscal year ended 3-31-2008                | 18.90                                | (0.06)                       | (1.81)   | (1.87)                           | —  | (1.20)                                | (1.20)              |
| Fiscal year ended 3-31-2007                | 17.08                                | (0.01)                       | 2.24   | 2.23                             | —  | (0.41)                                | (0.41)              |
| Fiscal year ended 3-31-2006                | 16.00                                | (0.04)                       | 1.13   | 1.09                             | (0.01)                                   | —                                     | (0.01)              |
| Fiscal year ended 3-31-2005                | 14.51                                | 0.03                         | 1.46   | 1.49                             | —  | —                                     | —                   |
| <b>Class E Shares<sup>(3)</sup></b>        |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 15.97                                | 0.20                         | (6.04)   | (5.84)                           | (0.18)                                   | —                                     | (0.18)              |
| Fiscal year ended 3-31-2008 <sup>(4)</sup> | 19.09                                | 0.18                         | (1.90)   | (1.72)                           | (0.16)                                   | (1.24)                                | (1.40)              |
| <b>Class I Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 15.97                                | 0.22                         | (6.04)   | (5.82)                           | (0.20)                                   | —                                     | (0.20)              |
| Fiscal year ended 3-31-2008 <sup>(4)</sup> | 19.10                                | 0.20                         | (1.90)   | (1.70)                           | (0.19)                                   | (1.24)                                | (1.43)              |
| <b>Class Y Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 15.96                                | 0.26                         | (6.11)   | (5.85)                           | (0.16)                                   | —                                     | (0.16)              |
| Fiscal year ended 3-31-2008                | 19.04                                | 0.16 <sup>(2)</sup>          | (1.85) <sup>(2)</sup>                                  | (1.69)                           | (0.15)                                   | (1.24)                                | (1.39)              |
| Fiscal year ended 3-31-2007                | 17.18                                | 0.22 <sup>(2)</sup>          | 2.22 <sup>(2)</sup>                                    | 2.44                             | (0.17)                                   | (0.41)                                | (0.58)              |
| Fiscal year ended 3-31-2006                | 16.05                                | 0.13                         | 1.15   | 1.28                             | (0.15)                                   | —                                     | (0.15)              |
| Fiscal year ended 3-31-2005                | 14.54                                | 0.17                         | 1.49   | 1.66                             | (0.15)                                   | —                                     | (0.15)              |

\*Not shown due to rounding.

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

(2) Based on average weekly shares outstanding.

(3) Class is closed to investment.

(4) For the period from April 2, 2007 (commencement of operations of the class) through March 31, 2008.

(5) For the fiscal year ended March 31, 2008.

(6) Annualized.

Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

|  | Net Asset Value, End of Period | Total Return           | Net Assets, End of Period (in millions) | Ratio of Expenses to Average Net Assets Including Expense Waiver | Ratio of Investment Income to Average Net Assets Including Expense Waiver | Ratio of Expenses to Average Net Assets Excluding Expense Waiver | Ratio of Investment Income to Average Net Assets Excluding Expense Waiver | Portfolio Turnover Rate |
|--|--------------------------------|------------------------|---|--|---|--|---|-------------------------|
| <b>Class A Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | \$ 9.94                        | -37.09% <sup>(1)</sup> | \$ 34                                   | 1.79%  | 0.98%   | —%   | —%  | 57%                     |
| Fiscal year ended 3-31-2008                | 15.95                          | -9.83% <sup>(1)</sup>  | 57                                      | 1.52%  | 0.63%   | —%   | —%  | 66%                     |
| Fiscal year ended 3-31-2007                | 19.04                          | 14.12% <sup>(1)</sup>  | 73                                      | 1.49%  | 0.76%   | —%   | —%  | 61%                     |
| Fiscal year ended 3-31-2006                | 17.17                          | 7.75% <sup>(1)</sup>   | 58                                      | 1.53%  | 0.65%   | —%   | —%  | 63%                     |
| Fiscal year ended 3-31-2005                | 16.04                          | 11.21% <sup>(1)</sup>  | 41                                      | 1.47%  | 0.92%   | —%   | —%  | 81%                     |
| <b>Class B Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 9.78                           | -37.94%                | 2                                       | 3.08%  | -0.35%  | —%   | —%  | 57%                     |
| Fiscal year ended 3-31-2008                | 15.76                          | -10.72%                | 4                                       | 2.51%  | -0.35%  | —%   | —%  | 66%                     |
| Fiscal year ended 3-31-2007                | 18.83                          | 12.99%                 | 6                                       | 2.46%  | -0.21%  | —%   | —%  | 61%                     |
| Fiscal year ended 3-31-2006                | 17.04                          | 6.73%                  | 5                                       | 2.50%  | -0.33%  | —%   | —%  | 63%                     |
| Fiscal year ended 3-31-2005                | 15.97                          | 10.14%                 | 2                                       | 2.53%  | 0.07%   | —%   | —%  | 81%                     |
| <b>Class C Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 9.86                           | -37.71%                | 2                                       | 2.79%  | 0.01%   | —%   | —%  | 57%                     |
| Fiscal year ended 3-31-2008                | 15.83                          | -10.56%                | 4                                       | 2.41%  | -0.25%  | —%   | —%  | 66%                     |
| Fiscal year ended 3-31-2007                | 18.90                          | 13.09%                 | 5                                       | 2.38%  | -0.12%  | —%   | —%  | 61%                     |
| Fiscal year ended 3-31-2006                | 17.08                          | 6.80%                  | 4                                       | 2.41%  | -0.23%  | —%   | —%  | 63%                     |
| Fiscal year ended 3-31-2005                | 16.00                          | 10.27%                 | 3                                       | 2.42%  | 0.15%   | —%   | —%  | 81%                     |
| <b>Class E Shares<sup>(3)</sup></b>        |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 9.95                           | -36.75% <sup>(1)</sup> | —*                                      | 1.25%  | 1.52%   | —%   | —%  | 57%                     |
| Fiscal year ended 3-31-2008 <sup>(4)</sup> | 15.97                          | -9.76% <sup>(1)</sup>  | —*                                      | 1.18% <sup>(6)</sup>   | 0.98% <sup>(6)</sup>  | —%   | —%  | 66% <sup>(5)</sup>      |
| <b>Class I Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 9.95                           | -36.67%                | —*                                      | 1.11%  | 1.66%   | —%   | —%  | 57%                     |
| Fiscal year ended 3-31-2008 <sup>(4)</sup> | 15.97                          | -9.63%                 | —*                                      | 1.07% <sup>(6)</sup>   | 1.09% <sup>(6)</sup>  | —%   | —%  | 66% <sup>(5)</sup>      |
| <b>Class Y Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 9.95                           | -36.80%                | —*                                      | 1.40%  | 1.41%   | —%   | —%  | 57%                     |
| Fiscal year ended 3-31-2008                | 15.96                          | -9.60%                 | —*                                      | 1.31%  | 0.85%   | —%   | —%  | 66%                     |
| Fiscal year ended 3-31-2007                | 19.04                          | 14.28%                 | —*                                      | 1.29%  | 0.96%   | —%   | —%  | 61%                     |
| Fiscal year ended 3-31-2006                | 17.18                          | 7.99%                  | 12                                      | 1.31%  | 0.89%   | —%   | —%  | 63%                     |
| Fiscal year ended 3-31-2005                | 16.05                          | 11.44%                 | 20                                      | 1.34%  | 1.09%   | —%   | —%  | 81%                     |

See Accompanying Notes to Financial Statements.

# FINANCIAL HIGHLIGHTS

## Ivy Funds

FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

### IVY MANAGED EUROPEAN/PACIFIC FUND

|  | Net Asset Value, Beginning of Period | Net Investment Income | Net Realized and Unrealized Loss on Investments | Total from Investment Operations | Distributions From Net Investment Income | Distributions From Net Realized Gains | Total Distributions |
|--|--------------------------------------|-----------------------|---|----------------------------------|--|---------------------------------------|---------------------|
| <b>Class A Shares</b>                      |                                      |                       |   |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | \$ 9.81                              | \$0.19                | \$(4.46)  | \$(4.27)                         | \$(0.31)                                 | \$(0.33)                              | \$(0.64)            |
| Fiscal year ended 3-31-2008 <sup>(2)</sup> | 10.00                                | 0.47 <sup>(3)</sup>   | (0.15) <sup>(3)</sup>                           | 0.32                             | (0.51)                                   | —                                     | (0.51)              |
| <b>Class B Shares</b>                      |                                      |                       |   |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 9.78                                 | 0.12                  | (4.46)  | (4.34)                           | (0.25)                                   | (0.33)                                | (0.58)              |
| Fiscal year ended 3-31-2008 <sup>(2)</sup> | 10.00                                | 0.44 <sup>(3)</sup>   | (0.21) <sup>(3)</sup>                           | 0.23                             | (0.45)                                   | —                                     | (0.45)              |
| <b>Class C Shares</b>                      |                                      |                       |   |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 9.79                                 | 0.13                  | (4.46)  | (4.33)                           | (0.26)                                   | (0.33)                                | (0.59)              |
| Fiscal year ended 3-31-2008 <sup>(2)</sup> | 10.00                                | 0.45 <sup>(3)</sup>   | (0.21) <sup>(3)</sup>                           | 0.24                             | (0.45)                                   | —                                     | (0.45)              |
| <b>Class E Shares<sup>(5)</sup></b>        |                                      |                       |   |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 9.81                                 | 0.20                  | (4.45)  | (4.25)                           | (0.32)                                   | (0.33)                                | (0.65)              |
| Fiscal year ended 3-31-2008 <sup>(2)</sup> | 10.00                                | 0.49 <sup>(3)</sup>   | (0.16) <sup>(3)</sup>                           | 0.33                             | (0.52)                                   | —                                     | (0.52)              |
| <b>Class I Shares</b>                      |                                      |                       |   |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 9.82                                 | 0.21                  | (4.45)  | (4.24)                           | (0.33)                                   | (0.33)                                | (0.66)              |
| Fiscal year ended 3-31-2008 <sup>(2)</sup> | 10.00                                | 0.52 <sup>(3)</sup>   | (0.16) <sup>(3)</sup>                           | 0.36                             | (0.54)                                   | —                                     | (0.54)              |
| <b>Class Y Shares</b>                      |                                      |                       |   |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 9.81                                 | 0.19                  | (4.45)  | (4.26)                           | (0.31)                                   | (0.33)                                | (0.64)              |
| Fiscal year ended 3-31-2008 <sup>(2)</sup> | 10.00                                | 0.49 <sup>(3)</sup>   | (0.16) <sup>(3)</sup>                           | 0.33                             | (0.52)                                   | —                                     | (0.52)              |

\*Not shown due to rounding.

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

(2) For the period from April 2, 2007 (commencement of operations of the class) through March 31, 2008.

(3) Based on average weekly shares outstanding.

(4) Annualized.

(5) Class is closed to investment.

Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.



|  | Net Asset Value, End of Period | Total Return           | Net Assets, End of Period (in millions) | Ratio of Expenses to Average Net Assets Including Expense Waiver | Ratio of Net Investment Income to Average Net Assets Including Expense Waiver | Ratio of Expenses to Average Net Assets Excluding Expense Waiver | Ratio of Net Investment Income to Average Net Assets Excluding Expense Waiver | Portfolio Turnover Rate |
|--|--------------------------------|------------------------|---|--|---|--|---|-------------------------|
| <b>Class A Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | \$4.90                         | -43.93% <sup>(1)</sup> | \$39                                    | 0.72%  | 2.51%   | —%   | —%  | 25%                     |
| Fiscal year ended 3-31-2008 <sup>(2)</sup> | 9.81                           | 2.67% <sup>(1)</sup>   | 54                                      | 0.88% <sup>(4)</sup>   | 6.52% <sup>(4)</sup>  | 0.89% <sup>(4)</sup>   | 6.51% <sup>(4)</sup>  | 0%*                     |
| <b>Class B Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 4.86                           | -44.75%                | 1                                       | 1.70%  | 1.53%   | —%   | —%  | 25%                     |
| Fiscal year ended 3-31-2008 <sup>(2)</sup> | 9.78                           | 1.87%                  | 1                                       | 1.77% <sup>(4)</sup>   | 5.43% <sup>(4)</sup>  | 1.78% <sup>(4)</sup>   | 5.42% <sup>(4)</sup>  | 0%*                     |
| <b>Class C Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 4.87                           | -44.59%                | 1                                       | 1.52%  | 1.53%   | —%   | —%  | 25%                     |
| Fiscal year ended 3-31-2008 <sup>(2)</sup> | 9.79                           | 1.90%                  | 3                                       | 1.65% <sup>(4)</sup>   | 6.18% <sup>(4)</sup>  | 1.66% <sup>(4)</sup>   | 6.17% <sup>(4)</sup>  | 0%*                     |
| <b>Class E Shares<sup>(5)</sup></b>        |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 4.91                           | -43.74% <sup>(1)</sup> | —*                                      | 0.53%  | 2.49%   | —%   | —%  | 25%                     |
| Fiscal year ended 3-31-2008 <sup>(2)</sup> | 9.81                           | 2.79% <sup>(1)</sup>   | —*                                      | 0.79% <sup>(4)</sup>   | 4.44% <sup>(4)</sup>  | 0.80% <sup>(4)</sup>   | 4.43% <sup>(4)</sup>  | 0%*                     |
| <b>Class I Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 4.92                           | -43.56%                | —*                                      | 0.27%  | 2.73%   | —%   | —%  | 25%                     |
| Fiscal year ended 3-31-2008 <sup>(2)</sup> | 9.82                           | 3.07%                  | —*                                      | 0.55% <sup>(4)</sup>   | 4.67% <sup>(4)</sup>  | 0.56% <sup>(4)</sup>   | 4.66% <sup>(4)</sup>  | 0%*                     |
| <b>Class Y Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 4.91                           | -43.84%                | —*                                      | 0.73%  | 2.45%   | —%   | —%  | 25%                     |
| Fiscal year ended 3-31-2008 <sup>(2)</sup> | 9.81                           | 2.77%                  | —*                                      | 0.81% <sup>(4)</sup>   | 4.76% <sup>(4)</sup>  | 0.82% <sup>(4)</sup>   | 4.75% <sup>(4)</sup>  | 0%*                     |

See Accompanying Notes to Financial Statements.

# FINANCIAL HIGHLIGHTS

## Ivy Funds

FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

### IVY MANAGED INTERNATIONAL OPPORTUNITIES FUND

|  | Net Asset Value, Beginning of Period | Net Investment Income | Net Realized and Unrealized Gain (Loss) on Investments | Total from Investment Operations | Distributions From Net Investment Income | Distributions From Net Realized Gains | Total Distributions |
|--|--------------------------------------|-----------------------|--|----------------------------------|--|---------------------------------------|---------------------|
| <b>CLASS A SHARES</b>                      |                                      |                       |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | \$ 10.06                             | \$0.21                | \$ (4.21)  | \$ (4.00)                        | \$ (0.29)                                | \$ (0.15)                             | \$ (0.44)           |
| Fiscal year ended 3-31-2008 <sup>(2)</sup> | 10.00                                | 0.35 <sup>(3)</sup>   | 0.04 <sup>(3)</sup>                                    | 0.39                             | (0.33)                                   | —                                     | (0.33)              |
| <b>Class B Shares</b>                      |                                      |                       |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 10.04                                | 0.16 <sup>(3)</sup>   | (4.23) <sup>(3)</sup>                                  | (4.07)                           | (0.23)                                   | (0.15)                                | (0.38)              |
| Fiscal year ended 3-31-2008 <sup>(2)</sup> | 10.00                                | 0.33 <sup>(3)</sup>   | (0.02) <sup>(3)</sup>                                  | 0.31                             | (0.27)                                   | —                                     | (0.27)              |
| <b>Class C Shares</b>                      |                                      |                       |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 10.04                                | 0.15 <sup>(3)</sup>   | (4.22) <sup>(3)</sup>                                  | (4.07)                           | (0.23)                                   | (0.15)                                | (0.38)              |
| Fiscal year ended 3-31-2008 <sup>(2)</sup> | 10.00                                | 0.30 <sup>(3)</sup>   | 0.02 <sup>(3)</sup>                                    | 0.32                             | (0.28)                                   | —                                     | (0.28)              |
| <b>Class E Shares<sup>(5)</sup></b>        |                                      |                       |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 10.06                                | 0.23                  | (4.23)   | (4.00)                           | (0.30)                                   | (0.14)                                | (0.44)              |
| Fiscal year ended 3-31-2008 <sup>(2)</sup> | 10.00                                | 0.38 <sup>(3)</sup>   | 0.02 <sup>(3)</sup>                                    | 0.40                             | (0.34)                                   | —                                     | (0.34)              |
| <b>Class I Shares</b>                      |                                      |                       |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 10.07                                | 0.24                  | (4.21)   | (3.97)                           | (0.32)                                   | (0.15)                                | (0.47)              |
| Fiscal year ended 3-31-2008 <sup>(2)</sup> | 10.00                                | 0.41 <sup>(3)</sup>   | 0.02 <sup>(3)</sup>                                    | 0.43                             | (0.36)                                   | —                                     | (0.36)              |
| <b>Class Y Shares</b>                      |                                      |                       |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 10.06                                | 0.22                  | (4.22)   | (4.00)                           | (0.30)                                   | (0.15)                                | (0.45)              |
| Fiscal year ended 3-31-2008 <sup>(2)</sup> | 10.00                                | 0.37 <sup>(3)</sup>   | 0.03 <sup>(3)</sup>                                    | 0.40                             | (0.34)                                   | —                                     | (0.34)              |

\*Not shown due to rounding.

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

(2) For the period from April 2, 2007 (commencement of operations of the class) through March 31, 2008.

(3) Based on average weekly shares outstanding.

(4) Annualized.

(5) Class is closed to investment.

Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

|  | Net Asset Value, End of Period | Total Return           | Net Assets, End of Period (in millions) | Ratio of Expenses to Average Net Assets Including Expense Waiver | Ratio of Net Investment Income to Average Net Assets Including Expense Waiver | Ratio of Expenses to Average Net Assets Excluding Expense Waiver | Ratio of Net Investment Income to Average Net Assets Excluding Expense Waiver | Portfolio Turnover Rate |
|--|--------------------------------|------------------------|---|--|---|--|---|-------------------------|
| <b>CLASS A SHARES</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | \$ 5.62                        | -40.20% <sup>(1)</sup> | \$ 84                                   | 0.57%  | 2.85%   | —%   | —%  | 16%                     |
| Fiscal year ended 3-31-2008 <sup>(2)</sup> | 10.06                          | 3.75% <sup>(1)</sup>   | 100                                     | 0.67% <sup>(4)</sup>   | 4.67% <sup>(4)</sup>  | 0.68% <sup>(4)</sup>   | 4.66% <sup>(4)</sup>  | —%                      |
| <b>Class B Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 5.59                           | -40.93%                | 3                                       | 1.41%  | 1.92%   | —%   | —%  | 16%                     |
| Fiscal year ended 3-31-2008 <sup>(2)</sup> | 10.04                          | 2.98%                  | 4                                       | 1.48% <sup>(4)</sup>   | 4.05% <sup>(4)</sup>  | 1.49% <sup>(4)</sup>   | 4.04% <sup>(4)</sup>  | —%                      |
| <b>Class C Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 5.59                           | -40.91%                | 3                                       | 1.35%  | 2.19%   | —%   | —%  | 16%                     |
| Fiscal year ended 3-31-2008 <sup>(2)</sup> | 10.04                          | 3.05%                  | 4                                       | 1.44% <sup>(4)</sup>   | 3.70% <sup>(4)</sup>  | 1.45% <sup>(4)</sup>   | 3.69% <sup>(4)</sup>  | —%                      |
| <b>Class E Shares<sup>(5)</sup></b>        |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 5.62                           | -40.12% <sup>(1)</sup> | —*                                      | 0.45%  | 2.83%   | —%   | —%  | 16%                     |
| Fiscal year ended 3-31-2008 <sup>(2)</sup> | 10.06                          | 3.82% <sup>(1)</sup>   | —*                                      | 0.60% <sup>(4)</sup>   | 3.57% <sup>(4)</sup>  | 0.61% <sup>(4)</sup>   | 3.56% <sup>(4)</sup>  | —%                      |
| <b>Class I Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 5.63                           | -39.86%                | —*                                      | 0.18%  | 3.08%   | —%   | —%  | 16%                     |
| Fiscal year ended 3-31-2008 <sup>(2)</sup> | 10.07                          | 4.10%                  | —*                                      | 0.36% <sup>(4)</sup>   | 3.81% <sup>(4)</sup>  | 0.37% <sup>(4)</sup>   | 3.80% <sup>(4)</sup>  | —%                      |
| <b>Class Y Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 5.61                           | -40.21%                | —*                                      | 0.59%  | 2.56%   | 0.60%  | 2.55%   | 16%                     |
| Fiscal year ended 3-31-2008 <sup>(2)</sup> | 10.06                          | 3.81%                  | —*                                      | 0.64% <sup>(4)</sup>   | 3.83% <sup>(4)</sup>  | 0.65% <sup>(4)</sup>   | 3.82% <sup>(4)</sup>  | —%                      |

See Accompanying Notes to Financial Statements.

# FINANCIAL HIGHLIGHTS

## Ivy Funds

FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

### IVY CUNDILL GLOBAL VALUE FUND

|  | Net Asset Value, Beginning of Period | Net Investment Income (Loss) | Net Realized and Unrealized Gain (Loss) on Investments | Total from Investment Operations | Distributions From Net Investment Income | Distributions From Net Realized Gains | Total Distributions |
|--|--------------------------------------|------------------------------|--|----------------------------------|--|---------------------------------------|---------------------|
| <b>Class A Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | \$ 12.97                             | \$ 0.16                      | \$(4.55)   | \$(4.39)                         | \$(0.03)                                 | \$ —*                                 | \$(0.03)            |
| Fiscal year ended 3-31-2008                | 16.28                                | 0.18                         | (2.00)   | (1.82)                           | (0.18)                                   | (1.31)                                | (1.49)              |
| Fiscal year ended 3-31-2007                | 15.52                                | 0.13                         | 1.49   | 1.62                             | (0.11)                                   | (0.75)                                | (0.86)              |
| Fiscal year ended 3-31-2006                | 13.79                                | 0.17                         | 2.21   | 2.38                             | (0.16)                                   | (0.49)                                | (0.65)              |
| Fiscal year ended 3-31-2005                | 12.57                                | 0.04                         | 1.25   | 1.29                             | (0.07)                                   | —                                     | (0.07)              |
| <b>Class B Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 12.68                                | 0.01                         | (4.38)   | (4.37)                           | —  | —                                     | —                   |
| Fiscal year ended 3-31-2008                | 15.93                                | 0.03 <sup>(3)</sup>          | (1.93) <sup>(3)</sup>                                  | (1.90)                           | (0.04)                                   | (1.31)                                | (1.35)              |
| Fiscal year ended 3-31-2007                | 15.23                                | (0.01)                       | 1.46   | 1.45                             | —  | (0.75)                                | (0.75)              |
| Fiscal year ended 3-31-2006                | 13.54                                | 0.06                         | 2.14   | 2.20                             | (0.02)                                   | (0.49)                                | (0.51)              |
| Fiscal year ended 3-31-2005                | 12.38                                | (0.01)                       | 1.17   | 1.16                             | —  | —                                     | —                   |
| <b>Class C Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 12.62                                | 0.06                         | (4.38)   | (4.32)                           | —  | —                                     | —                   |
| Fiscal year ended 3-31-2008                | 15.88                                | 0.05                         | (1.92)   | (1.87)                           | (0.08)                                   | (1.31)                                | (1.39)              |
| Fiscal year ended 3-31-2007                | 15.16                                | 0.03                         | 1.46   | 1.49                             | (0.02)                                   | (0.75)                                | (0.77)              |
| Fiscal year ended 3-31-2006                | 13.48                                | 0.08                         | 2.14   | 2.22                             | (0.05)                                   | (0.49)                                | (0.54)              |
| Fiscal year ended 3-31-2005                | 12.30                                | (0.02)                       | 1.20   | 1.18                             | —  | —                                     | —                   |
| <b>Class E Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 12.93                                | 0.10                         | (4.48)   | (4.38)                           | —  | —                                     | —                   |
| Fiscal year ended 3-31-2008 <sup>(4)</sup> | 16.23                                | 0.02 <sup>(3)</sup>          | (1.87) <sup>(3)</sup>                                  | (1.85)                           | (0.14)                                   | (1.31)                                | (1.45)              |
| <b>Class I Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 13.11                                | 0.05 <sup>(3)</sup>          | (4.43) <sup>(3)</sup>                                  | (4.38)                           | (0.09)                                   | —*                                    | (0.09)              |
| Fiscal year ended 3-31-2008 <sup>(4)</sup> | 16.29                                | 0.24 <sup>(3)</sup>          | (1.87) <sup>(3)</sup>                                  | (1.63)                           | (0.24)                                   | (1.31)                                | (1.55)              |
| <b>Class Y Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 13.02                                | 0.14 <sup>(3)</sup>          | (4.49) <sup>(3)</sup>                                  | (4.35)                           | (0.09)                                   | —*                                    | (0.09)              |
| Fiscal year ended 3-31-2008                | 16.33                                | 0.25 <sup>(3)</sup>          | (2.01) <sup>(3)</sup>                                  | (1.76)                           | (0.24)                                   | (1.31)                                | (1.55)              |
| Fiscal year ended 3-31-2007                | 15.56                                | 0.19                         | 1.49   | 1.68                             | (0.16)                                   | (0.75)                                | (0.91)              |
| Fiscal year ended 3-31-2006                | 13.82                                | 0.19                         | 2.26   | 2.45                             | (0.22)                                   | (0.49)                                | (0.71)              |
| Fiscal year ended 3-31-2005                | 12.58                                | 0.07                         | 1.29   | 1.36                             | (0.12)                                   | —                                     | (0.12)              |
| <b>Advisor Class Shares<sup>(2)</sup></b>  |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 13.01                                | 0.20                         | (4.54)   | (4.34)                           | (0.11)                                   | —*                                    | (0.11)              |
| Fiscal year ended 3-31-2008                | 16.30                                | 0.25                         | (1.97)   | (1.72)                           | (0.26)                                   | (1.31)                                | (1.57)              |
| Fiscal year ended 3-31-2007                | 15.54                                | 0.21                         | 1.49   | 1.70                             | (0.19)                                   | (0.75)                                | (0.94)              |
| Fiscal year ended 3-31-2006                | 13.77                                | 0.22                         | 2.23   | 2.45                             | (0.19)                                   | (0.49)                                | (0.68)              |
| Fiscal year ended 3-31-2005                | 12.54                                | 0.04                         | 1.32   | 1.36                             | (0.13)                                   | —                                     | (0.13)              |

\*Not shown due to rounding.

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

(2) Class is closed to investment.

(3) Based on average weekly shares outstanding.

(4) For the period from April 2, 2007 (commencement of operations of the class) through March 31, 2008.

(5) For the fiscal year ended March 31, 2008.

(6) Annualized.

Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

|  | Net Asset Value, End of Period | Total Return           | Net Assets, End of Period (in millions) | Ratio of Expenses to Average Net Assets Including Expense Waiver | Ratio of Net Investment Income to Average Net Assets Including Expense Waiver | Ratio of Expenses to Average Net Assets Excluding Expense Waiver | Ratio of Net Investment Income to Average Net Assets Excluding Expense Waiver | Portfolio Turnover Rate |
|--|--------------------------------|------------------------|---|--|---|--|---|-------------------------|
| <b>Class A Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | \$ 8.55                        | -33.87% <sup>(1)</sup> | \$207                                   | 1.81%  | 1.26%   | —%   | —%  | 43%                     |
| Fiscal year ended 3-31-2008                | 12.97                          | -12.07% <sup>(1)</sup> | 443                                     | 1.59%  | 1.05%   | —%   | —%  | 39%                     |
| Fiscal year ended 3-31-2007                | 16.28                          | 10.71% <sup>(1)</sup>  | 688                                     | 1.55%  | 0.81%   | —%   | —%  | 42%                     |
| Fiscal year ended 3-31-2006                | 15.52                          | 17.49% <sup>(1)</sup>  | 625                                     | 1.62%  | 1.09%   | —%   | —%  | 4%                      |
| Fiscal year ended 3-31-2005                | 13.79                          | 10.29% <sup>(1)</sup>  | 321                                     | 1.74%  | 0.08%   | —%   | —%  | 5%                      |
| <b>Class B Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 8.31                           | -34.46%                | 17                                      | 2.71%  | 0.35%   | —%   | —%  | 43%                     |
| Fiscal year ended 3-31-2008                | 12.68                          | -12.83%                | 37                                      | 2.48%  | 0.18%   | —%   | —%  | 39%                     |
| Fiscal year ended 3-31-2007                | 15.93                          | 9.82%                  | 59                                      | 2.44%  | -0.07%  | —%   | —%  | 42%                     |
| Fiscal year ended 3-31-2006                | 15.23                          | 16.43%                 | 57                                      | 2.51%  | 0.21%   | —%   | —%  | 4%                      |
| Fiscal year ended 3-31-2005                | 13.54                          | 9.37%                  | 37                                      | 2.62%  | -0.86%  | —%   | —%  | 5%                      |
| <b>Class C Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 8.30                           | -34.23%                | 40                                      | 2.42%  | 0.72%   | —%   | —%  | 43%                     |
| Fiscal year ended 3-31-2008                | 12.62                          | -12.65%                | 99                                      | 2.25%  | 0.37%   | —%   | —%  | 39%                     |
| Fiscal year ended 3-31-2007                | 15.88                          | 10.03%                 | 233                                     | 2.21%  | 0.15%   | —%   | —%  | 42%                     |
| Fiscal year ended 3-31-2006                | 15.16                          | 16.70%                 | 211                                     | 2.28%  | 0.43%   | —%   | —%  | 4%                      |
| Fiscal year ended 3-31-2005                | 13.48                          | 9.59%                  | 96                                      | 2.42%  | -0.62%  | —%   | —%  | 5%                      |
| <b>Class E Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 8.55                           | -33.87% <sup>(1)</sup> | —*                                      | 1.93%  | 0.98%   | 2.72%  | 0.19%   | 43%                     |
| Fiscal year ended 3-31-2008 <sup>(4)</sup> | 12.93                          | -12.31% <sup>(1)</sup> | —*                                      | 2.31% <sup>(6)</sup>   | 0.29% <sup>(6)</sup>  | —%   | —%  | 39% <sup>(5)</sup>      |
| <b>Class I Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 8.64                           | -33.46%                | 4                                       | 1.25%  | 1.25%   | —%   | —%  | 43%                     |
| Fiscal year ended 3-31-2008 <sup>(4)</sup> | 13.11                          | -10.93%                | 2                                       | 1.21% <sup>(6)</sup>   | 1.45% <sup>(6)</sup>  | —%   | —%  | 39% <sup>(5)</sup>      |
| <b>Class Y Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 8.58                           | -33.44%                | 9                                       | 1.19%  | 1.59%   | 1.50%  | 1.28%   | 43%                     |
| Fiscal year ended 3-31-2008                | 13.02                          | -11.73%                | 8                                       | 1.20%  | 1.42%   | 1.45%  | 1.17%   | 39%                     |
| Fiscal year ended 3-31-2007                | 16.33                          | 11.14%                 | 15                                      | 1.20%  | 1.18%   | 1.42%  | 0.96%   | 42%                     |
| Fiscal year ended 3-31-2006                | 15.56                          | 17.99%                 | 17                                      | 1.19%  | 1.46%   | 1.46%  | 1.19%   | 4%                      |
| Fiscal year ended 3-31-2005                | 13.82                          | 10.90%                 | 10                                      | 1.20%  | 0.52%   | 1.56%  | 0.16%   | 5%                      |
| <b>Advisor Class Shares<sup>(2)</sup></b>  |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 8.56                           | -33.43%                | 1                                       | 1.14%  | 1.85%   | —%   | —%  | 43%                     |
| Fiscal year ended 3-31-2008                | 13.01                          | -11.54%                | 2                                       | 1.05%  | 1.62%   | —%   | —%  | 39%                     |
| Fiscal year ended 3-31-2007                | 16.30                          | 11.33%                 | 3                                       | 1.05%  | 1.31%   | —%   | —%  | 42%                     |
| Fiscal year ended 3-31-2006                | 15.54                          | 18.09%                 | 3                                       | 1.12%  | 1.57%   | —%   | —%  | 4%                      |
| Fiscal year ended 3-31-2005                | 13.77                          | 10.86%                 | 3                                       | 1.23%  | 0.41%   | —%   | —%  | 5%                      |

See Accompanying Notes to Financial Statements.

# FINANCIAL HIGHLIGHTS

## Ivy Funds

FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

### IVY EUROPEAN OPPORTUNITIES FUND

|  | Net Asset Value, Beginning of Period | Net Investment Income (Loss) | Net Realized and Unrealized Gain (Loss) on Investments | Total from Investment Operations | Distributions From Net Investment Income | Distributions From Net Realized Gains | Distributions From Return of Capital |
|--|--------------------------------------|------------------------------|--|----------------------------------|--|---------------------------------------|--------------------------------------|
| <b>Class A Shares</b>                      |                                      |                              |  |                                  |  |                                       |                                      |
| Fiscal year ended 3-31-2009                | \$ 34.70                             | \$ 1.18                      | \$(18.18)  | \$(17.00)                        | \$(1.16)                                 | \$(1.44)                              | \$(0.02)                             |
| Fiscal year ended 3-31-2008                | 40.58                                | 0.60                         | (1.98)   | (1.38)                           | (0.50)                                   | (4.00)                                | —                                    |
| Fiscal year ended 3-31-2007                | 33.58                                | 0.31                         | 7.11   | 7.42                             | (0.42)                                   | —                                     | —                                    |
| Fiscal year ended 3-31-2006                | 28.31                                | 0.10                         | 5.37   | 5.47                             | (0.20)                                   | —                                     | —                                    |
| Fiscal year ended 3-31-2005                | 22.30                                | (0.03)                       | 6.05   | 6.02                             | (0.01)                                   | —                                     | —                                    |
| <b>Class B Shares</b>                      |                                      |                              |  |                                  |  |                                       |                                      |
| Fiscal year ended 3-31-2009                | 33.35                                | 1.06 <sup>(3)</sup>          | (17.56) <sup>(3)</sup>                                 | (16.50)                          | (0.89)                                   | (1.44)                                | (0.02)                               |
| Fiscal year ended 3-31-2008                | 39.14                                | 0.27 <sup>(3)</sup>          | (1.90) <sup>(3)</sup>                                  | (1.63)                           | (0.16)                                   | (4.00)                                | —                                    |
| Fiscal year ended 3-31-2007                | 32.40                                | 0.09                         | 6.78   | 6.87                             | (0.13)                                   | —                                     | —                                    |
| Fiscal year ended 3-31-2006                | 27.32                                | (0.11)                       | 5.19   | 5.08                             | —  | —                                     | —                                    |
| Fiscal year ended 3-31-2005                | 21.66                                | (0.17)                       | 5.83   | 5.66                             | —  | —                                     | —                                    |
| <b>Class C Shares</b>                      |                                      |                              |  |                                  |  |                                       |                                      |
| Fiscal year ended 3-31-2009                | 33.49                                | 1.02                         | (17.54)  | (16.52)                          | (0.96)                                   | (1.44)                                | (0.02)                               |
| Fiscal year ended 3-31-2008                | 39.28                                | 0.32                         | (1.91)   | (1.59)                           | (0.20)                                   | (4.00)                                | —                                    |
| Fiscal year ended 3-31-2007                | 32.52                                | 0.12                         | 6.81   | 6.93                             | (0.17)                                   | —                                     | —                                    |
| Fiscal year ended 3-31-2006                | 27.42                                | (0.09)                       | 5.19   | 5.10                             | —  | —                                     | —                                    |
| Fiscal year ended 3-31-2005                | 21.74                                | (0.14)                       | 5.82   | 5.68                             | —  | —                                     | —                                    |
| <b>Class E Shares<sup>(2)</sup></b>        |                                      |                              |  |                                  |  |                                       |                                      |
| Fiscal year ended 3-31-2009                | 34.73                                | 1.09                         | (18.00)  | (16.91)                          | (1.28)                                   | (1.44)                                | (0.02)                               |
| Fiscal year ended 3-31-2008 <sup>(4)</sup> | 40.69                                | 0.73                         | (2.11)   | (1.38)                           | (0.58)                                   | (4.00)                                | —                                    |
| <b>Class I Shares</b>                      |                                      |                              |  |                                  |  |                                       |                                      |
| Fiscal year ended 3-31-2009                | 34.80                                | 0.95 <sup>(3)</sup>          | (17.87) <sup>(3)</sup>                                 | (16.92)                          | (1.33)                                   | (1.44)                                | (0.02)                               |
| Fiscal year ended 3-31-2008 <sup>(4)</sup> | 40.73                                | 0.35 <sup>(3)</sup>          | (1.61) <sup>(3)</sup>                                  | (1.26)                           | (0.67)                                   | (4.00)                                | —                                    |
| <b>Class Y Shares</b>                      |                                      |                              |  |                                  |  |                                       |                                      |
| Fiscal year ended 3-31-2009                | 34.75                                | 1.20                         | (18.14)  | (16.94)                          | (1.25)                                   | (1.44)                                | (0.02)                               |
| Fiscal year ended 3-31-2008                | 40.61                                | 0.61                         | (1.91)   | (1.30)                           | (0.56)                                   | (4.00)                                | —                                    |
| Fiscal year ended 3-31-2007                | 33.60                                | 0.44                         | 7.05   | 7.49                             | (0.48)                                   | —                                     | —                                    |
| Fiscal year ended 3-31-2006                | 28.33                                | 0.18                         | 5.34   | 5.52                             | (0.25)                                   | —                                     | —                                    |
| Fiscal year ended 3-31-2005                | 22.30                                | 0.09                         | 6.00   | 6.09                             | (0.06)                                   | —                                     | —                                    |
| <b>Advisor Class Shares<sup>(2)</sup></b>  |                                      |                              |  |                                  |  |                                       |                                      |
| Fiscal year ended 3-31-2009                | 35.07                                | 1.61                         | (18.68)  | (17.07)                          | (1.32)                                   | (1.44)                                | (0.02)                               |
| Fiscal year ended 3-31-2008                | 40.96                                | 0.92                         | (2.13)   | (1.21)                           | (0.68)                                   | (4.00)                                | —                                    |
| Fiscal year ended 3-31-2007                | 33.88                                | 0.94                         | 6.73   | 7.67                             | (0.59)                                   | —                                     | —                                    |
| Fiscal year ended 3-31-2006                | 28.55                                | 0.35 <sup>(3)</sup>          | 5.32 <sup>(3)</sup>                                    | 5.67                             | (0.34)                                   | —                                     | —                                    |
| Fiscal year ended 3-31-2005                | 22.48                                | 0.21                         | 5.99   | 6.20                             | (0.13)                                   | —                                     | —                                    |

\*Not shown due to rounding.

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

(2) Class is closed to investment.

(3) Based on average weekly shares outstanding.

(4) For the period from April 2, 2007 (commencement of operations of the class) through March 31, 2008.

(5) For the fiscal year ended March 31, 2008.

(6) Annualized.

Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

|  | Total Distributions | Net Asset Value, End of Period | Total Return           | Net Assets, End of Period (in millions) | Ratio of Expenses to Average Net Assets Including Expense Waiver | Ratio of Net Investment Income to Average Net Assets Including Expense Waiver | Ratio of Expenses to Average Net Assets Excluding Expense Waiver | Ratio of Net Investment Income to Average Net Assets Excluding Expense Waiver | Portfolio Turnover Rate |
|--|---------------------|--------------------------------|------------------------|---|--|---|--|---|-------------------------|
| <b>Class A Shares</b>                      |                     |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | \$(2.62)            | \$ 15.08                       | -49.74% <sup>(1)</sup> | \$ 136                                  | 1.84%  | 4.03%   | —%   | —%  | 88%                     |
| Fiscal year ended 3-31-2008                | (4.50)              | 34.70                          | -4.52% <sup>(1)</sup>  | 390                                     | 1.58%  | 1.43%   | —%   | —%  | 65%                     |
| Fiscal year ended 3-31-2007                | (0.42)              | 40.58                          | 22.17% <sup>(1)</sup>  | 389                                     | 1.64%  | 0.91%   | —%   | —%  | 42%                     |
| Fiscal year ended 3-31-2006                | (0.20)              | 33.58                          | 19.41% <sup>(1)</sup>  | 235                                     | 1.72%  | 0.35%   | —%   | —%  | 62%                     |
| Fiscal year ended 3-31-2005                | (0.01)              | 28.31                          | 27.02% <sup>(1)</sup>  | 170                                     | 1.79%  | -0.07%  | —%   | —%  | 63%                     |
| <b>Class B Shares</b>                      |                     |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | (2.35)              | 14.50                          | -50.19%                | 8                                       | 2.73%  | 3.59%   | —%   | —%  | 88%                     |
| Fiscal year ended 3-31-2008                | (4.16)              | 33.35                          | -5.27%                 | 37                                      | 2.35%  | 0.68%   | —%   | —%  | 65%                     |
| Fiscal year ended 3-31-2007                | (0.13)              | 39.14                          | 21.24%                 | 52                                      | 2.40%  | 0.27%   | —%   | —%  | 42%                     |
| Fiscal year ended 3-31-2006                | —                   | 32.40                          | 18.59%                 | 44                                      | 2.45%  | -0.30%  | —%   | —%  | 62%                     |
| Fiscal year ended 3-31-2005                | —                   | 27.32                          | 26.13%                 | 40                                      | 2.53%  | -0.73%  | —%   | —%  | 63%                     |
| <b>Class C Shares</b>                      |                     |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | (2.42)              | 14.55                          | -50.07%                | 16                                      | 2.47%  | 3.55%   | —%   | —%  | 88%                     |
| Fiscal year ended 3-31-2008                | (4.20)              | 33.49                          | -5.16%                 | 57                                      | 2.26%  | 0.78%   | —%   | —%  | 65%                     |
| Fiscal year ended 3-31-2007                | (0.17)              | 39.28                          | 21.33%                 | 65                                      | 2.32%  | 0.32%   | —%   | —%  | 42%                     |
| Fiscal year ended 3-31-2006                | —                   | 32.52                          | 18.60%                 | 51                                      | 2.42%  | -0.29%  | —%   | —%  | 62%                     |
| Fiscal year ended 3-31-2005                | —                   | 27.42                          | 26.13%                 | 45                                      | 2.51%  | -0.79%  | —%   | —%  | 63%                     |
| <b>Class E Shares<sup>(2)</sup></b>        |                     |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | (2.74)              | 15.08                          | -49.46% <sup>(1)</sup> | —*                                      | 1.36%  | 4.14%   | —%   | —%  | 88%                     |
| Fiscal year ended 3-31-2008 <sup>(4)</sup> | (4.58)              | 34.73                          | -4.52% <sup>(1)</sup>  | —*                                      | 1.28% <sup>(6)</sup>   | 1.78% <sup>(6)</sup>  | —%   | —%  | 65% <sup>(5)</sup>      |
| <b>Class I Shares</b>                      |                     |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | (2.79)              | 15.09                          | -49.39%                | 23                                      | 1.22%  | 4.08%   | —%   | —%  | 88%                     |
| Fiscal year ended 3-31-2008 <sup>(4)</sup> | (4.67)              | 34.80                          | -4.24%                 | 53                                      | 1.17% <sup>(6)</sup>   | 1.44% <sup>(6)</sup>  | —%   | —%  | 65% <sup>(5)</sup>      |
| <b>Class Y Shares</b>                      |                     |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | (2.71)              | 15.10                          | -49.52%                | 2                                       | 1.49%  | 4.27%   | —%   | —%  | 88%                     |
| Fiscal year ended 3-31-2008                | (4.56)              | 34.75                          | -4.33%                 | 4                                       | 1.41%  | 1.60%   | —%   | —%  | 65%                     |
| Fiscal year ended 3-31-2007                | (0.48)              | 40.61                          | 22.38%                 | 7                                       | 1.44%  | 1.14%   | —%   | —%  | 42%                     |
| Fiscal year ended 3-31-2006                | (0.25)              | 33.60                          | 19.60%                 | 4                                       | 1.55%  | 0.60%   | —%   | —%  | 62%                     |
| Fiscal year ended 3-31-2005                | (0.06)              | 28.33                          | 27.32%                 | 4                                       | 1.61%  | 0.53%   | —%   | —%  | 63%                     |
| <b>Advisor Class Shares<sup>(2)</sup></b>  |                     |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | (2.78)              | 15.22                          | -49.44%                | 1                                       | 1.29%  | 4.55%   | —%   | —%  | 88%                     |
| Fiscal year ended 3-31-2008                | (4.68)              | 35.07                          | -4.12%                 | 2                                       | 1.15%  | 1.94%   | —%   | —%  | 65%                     |
| Fiscal year ended 3-31-2007                | (0.59)              | 40.96                          | 22.76%                 | 2                                       | 1.19%  | 1.60%   | —%   | —%  | 42%                     |
| Fiscal year ended 3-31-2006                | (0.34)              | 33.88                          | 20.00%                 | 2                                       | 1.25%  | 1.13%   | —%   | —%  | 62%                     |
| Fiscal year ended 3-31-2005                | (0.13)              | 28.55                          | 27.64%                 | 4                                       | 1.36%  | 0.51%   | —%   | —%  | 63%                     |

See Accompanying Notes to Financial Statements.

# FINANCIAL HIGHLIGHTS

## Ivy Funds

FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

### IVY INTERNATIONAL BALANCED FUND

|  | Net Asset Value, Beginning of Period | Net Investment Income | Net Realized and Unrealized Gain (Loss) on Investments | Total from Investment Operations | Distributions From Net Investment Income | Distributions From Net Realized Gains | Total Distributions |
|--|--------------------------------------|-----------------------|--|----------------------------------|--|---------------------------------------|---------------------|
| <b>Class A Shares</b>                      |                                      |                       |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | \$ 16.36                             | \$0.33                | \$ (6.08)  | \$(5.75)                         | \$(0.57)                                 | \$(0.48)                              | \$(1.05)            |
| Fiscal year ended 3-31-2008                | 16.81                                | 0.37                  | 0.14   | 0.51                             | (0.55)                                   | (0.41)                                | (0.96)              |
| Fiscal year ended 3-31-2007                | 15.15                                | 0.24 <sup>(2)</sup>   | 2.36 <sup>(2)</sup>                                    | 2.60                             | (0.43)                                   | (0.51)                                | (0.94)              |
| Fiscal year ended 3-31-2006                | 14.63                                | 0.29                  | 1.14   | 1.43                             | (0.36)                                   | (0.55)                                | (0.91)              |
| Fiscal year ended 3-31-2005                | 13.07                                | 0.22                  | 1.69   | 1.91                             | (0.28)                                   | (0.07)                                | (0.35)              |
| <b>Class B Shares</b>                      |                                      |                       |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 16.31                                | 0.16                  | (6.01)   | (5.85)                           | (0.46)                                   | (0.48)                                | (0.94)              |
| Fiscal year ended 3-31-2008                | 16.77                                | 0.20                  | 0.14   | 0.34                             | (0.39)                                   | (0.41)                                | (0.80)              |
| Fiscal year ended 3-31-2007                | 15.11                                | 0.07 <sup>(2)</sup>   | 2.37 <sup>(2)</sup>                                    | 2.44                             | (0.27)                                   | (0.51)                                | (0.78)              |
| Fiscal year ended 3-31-2006                | 14.59                                | 0.08                  | 1.18   | 1.26                             | (0.19)                                   | (0.55)                                | (0.74)              |
| Fiscal year ended 3-31-2005                | 13.04                                | 0.03 <sup>(2)</sup>   | 1.70 <sup>(2)</sup>                                    | 1.73                             | (0.11)                                   | (0.07)                                | (0.18)              |
| <b>Class C Shares</b>                      |                                      |                       |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 16.33                                | 0.20                  | (6.03)   | (5.83)                           | (0.49)                                   | (0.48)                                | (0.97)              |
| Fiscal year ended 3-31-2008                | 16.78                                | 0.24                  | 0.15   | 0.39                             | (0.43)                                   | (0.41)                                | (0.84)              |
| Fiscal year ended 3-31-2007                | 15.12                                | 0.11 <sup>(2)</sup>   | 2.37 <sup>(2)</sup>                                    | 2.48                             | (0.31)                                   | (0.51)                                | (0.82)              |
| Fiscal year ended 3-31-2006                | 14.60                                | 0.11                  | 1.19   | 1.30                             | (0.23)                                   | (0.55)                                | (0.78)              |
| Fiscal year ended 3-31-2005                | 13.04                                | 0.07 <sup>(2)</sup>   | 1.69 <sup>(2)</sup>                                    | 1.76                             | (0.13)                                   | (0.07)                                | (0.20)              |
| <b>Class E Shares</b>                      |                                      |                       |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 16.33                                | 0.28 <sup>(2)</sup>   | (6.05) <sup>(2)</sup>                                  | (5.77)                           | (0.54)                                   | (0.48)                                | (1.02)              |
| Fiscal year ended 3-31-2008 <sup>(3)</sup> | 16.85                                | 0.17 <sup>(2)</sup>   | 0.18 <sup>(2)</sup>                                    | 0.35                             | (0.46)                                   | (0.41)                                | (0.87)              |
| <b>Class I Shares</b>                      |                                      |                       |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 16.38                                | 0.35 <sup>(2)</sup>   | (6.05) <sup>(2)</sup>                                  | (5.70)                           | (0.63)                                   | (0.48)                                | (1.11)              |
| Fiscal year ended 3-31-2008 <sup>(3)</sup> | 16.86                                | 0.30 <sup>(2)</sup>   | 0.23 <sup>(2)</sup>                                    | 0.53                             | (0.60)                                   | (0.41)                                | (1.01)              |
| <b>Class Y Shares</b>                      |                                      |                       |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 16.38                                | 0.45                  | (6.19)   | (5.74)                           | (0.59)                                   | (0.48)                                | (1.07)              |
| Fiscal year ended 3-31-2008                | 16.82                                | 0.39                  | 0.14   | 0.53                             | (0.56)                                   | (0.41)                                | (0.97)              |
| Fiscal year ended 3-31-2007                | 15.15                                | 0.25 <sup>(2)</sup>   | 2.37 <sup>(2)</sup>                                    | 2.62                             | (0.44)                                   | (0.51)                                | (0.95)              |
| Fiscal year ended 3-31-2006                | 14.63                                | 0.29 <sup>(2)</sup>   | 1.14 <sup>(2)</sup>                                    | 1.43                             | (0.36)                                   | (0.55)                                | (0.91)              |
| Fiscal year ended 3-31-2005                | 13.07                                | 0.24 <sup>(2)</sup>   | 1.67 <sup>(2)</sup>                                    | 1.91                             | (0.28)                                   | (0.07)                                | (0.35)              |

\*Not shown due to rounding.

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

(2) Based on average weekly shares outstanding.

(3) For the period from April 2, 2007 (commencement of operations of the class) through March 31, 2008.

(4) For the fiscal year ended March 31, 2008.

(5) Annualized.

Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.



|  | Net Asset Value, End of Period | Total Return           | Net Assets, End of Period (in millions) | Ratio of Expenses to Average Net Assets Including Expense Waiver | Ratio of Net Investment Income to Average Net Assets Including Expense Waiver | Ratio of Expenses to Average Net Assets Excluding Expense Waiver | Ratio of Net Investment Income to Average Net Assets Excluding Expense Waiver | Portfolio Turnover Rate |
|--|--------------------------------|------------------------|---|--|---|--|---|-------------------------|
| <b>Class A Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | \$ 9.56                        | -36.02% <sup>(1)</sup> | \$ 128                                  | 1.46%  | 2.45%   | —%   | —%  | 22%                     |
| Fiscal year ended 3-31-2008                | 16.36                          | 2.84% <sup>(1)</sup>   | 260                                     | 1.33%  | 2.11%   | —%   | —%  | 24%                     |
| Fiscal year ended 3-31-2007                | 16.81                          | 17.48% <sup>(1)</sup>  | 235                                     | 1.38%  | 1.52%   | —%   | —%  | 22%                     |
| Fiscal year ended 3-31-2006                | 15.15                          | 10.14% <sup>(1)</sup>  | 112                                     | 1.45%  | 1.94%   | —%   | —%  | 27%                     |
| Fiscal year ended 3-31-2005                | 14.63                          | 14.81% <sup>(1)</sup>  | 97                                      | 1.42%  | 1.71%   | —%   | —%  | 16%                     |
| <b>Class B Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 9.52                           | -36.62%                | 6                                       | 2.44%  | 1.48%   | —%   | —%  | 22%                     |
| Fiscal year ended 3-31-2008                | 16.31                          | 1.85%                  | 13                                      | 2.28%  | 1.15%   | —%   | —%  | 24%                     |
| Fiscal year ended 3-31-2007                | 16.77                          | 16.38%                 | 12                                      | 2.35%  | 0.46%   | —%   | —%  | 22%                     |
| Fiscal year ended 3-31-2006                | 15.11                          | 8.93%                  | 6                                       | 2.59%  | 0.73%   | —%   | —%  | 27%                     |
| Fiscal year ended 3-31-2005                | 14.59                          | 13.37%                 | 3                                       | 2.64%  | 0.20%   | —%   | —%  | 16%                     |
| <b>Class C Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 9.53                           | -36.50%                | 20                                      | 2.13%  | 1.76%   | —%   | —%  | 22%                     |
| Fiscal year ended 3-31-2008                | 16.33                          | 2.14%                  | 42                                      | 2.04%  | 1.34%   | —%   | —%  | 24%                     |
| Fiscal year ended 3-31-2007                | 16.78                          | 16.64%                 | 30                                      | 2.12%  | 0.70%   | —%   | —%  | 22%                     |
| Fiscal year ended 3-31-2006                | 15.12                          | 9.21%                  | 9                                       | 2.29%  | 0.98%   | —%   | —%  | 27%                     |
| Fiscal year ended 3-31-2005                | 14.60                          | 13.58%                 | 4                                       | 2.44%  | 0.44%   | —%   | —%  | 16%                     |
| <b>Class E Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 9.54                           | -36.11% <sup>(1)</sup> | 1                                       | 1.63%  | 2.10%   | 1.84%  | 1.89%   | 22%                     |
| Fiscal year ended 3-31-2008 <sup>(3)</sup> | 16.33                          | 1.92% <sup>(1)</sup>   | 1                                       | 2.23% <sup>(5)</sup>   | 1.00% <sup>(5)</sup>  | —%   | —%  | 24% <sup>(4)</sup>      |
| <b>Class I Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 9.57                           | -35.72%                | 34                                      | 0.99%  | 2.72%   | —%   | —%  | 22%                     |
| Fiscal year ended 3-31-2008 <sup>(3)</sup> | 16.38                          | 2.99%                  | 45                                      | 0.98% <sup>(5)</sup>   | 2.14% <sup>(5)</sup>  | —%   | —%  | 24% <sup>(4)</sup>      |
| <b>Class Y Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 9.57                           | -35.95%                | 1                                       | 1.33%  | 2.75%   | —%   | —%  | 22%                     |
| Fiscal year ended 3-31-2008                | 16.38                          | 2.96%                  | 3                                       | 1.26%  | 2.06%   | —%   | —%  | 24%                     |
| Fiscal year ended 3-31-2007                | 16.82                          | 17.61%                 | 2                                       | 1.24%  | 1.64%   | —%   | —%  | 22%                     |
| Fiscal year ended 3-31-2006                | 15.15                          | 10.18%                 | 1                                       | 1.41%  | 1.99%   | —%   | —%  | 27%                     |
| Fiscal year ended 3-31-2005                | 14.63                          | 14.84%                 | —*                                      | 1.40%  | 1.72%   | —%   | —%  | 16%                     |

See Accompanying Notes to Financial Statements.

# FINANCIAL HIGHLIGHTS

## Ivy Funds

FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

### IVY INTERNATIONAL CORE EQUITY FUND

|  | Net Asset Value, Beginning of Period | Net Investment Income (Loss) | Net Realized and Unrealized Gain (Loss) on Investments | Total from Investment Operations | Distributions From Net Investment Income | Distributions From Net Realized Gains | Total Distributions |
|--|--------------------------------------|------------------------------|--|----------------------------------|--|---------------------------------------|---------------------|
| <b>Class A Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | \$ 17.11                             | \$ 0.17                      | \$ (7.22)  | \$ (7.05)                        | \$ (0.19)                                | \$ (0.33)                             | \$ (0.52)           |
| Fiscal year ended 3-31-2008                | 17.63                                | 0.10                         | 0.98   | 1.08                             | (0.09)                                   | (1.51)                                | (1.60)              |
| Fiscal year ended 3-31-2007                | 15.73                                | 0.10 <sup>(2)</sup>          | 2.59 <sup>(2)</sup>                                    | 2.69                             | (0.06)                                   | (0.73)                                | (0.79)              |
| Fiscal year ended 3-31-2006                | 11.61                                | (0.06)                       | 4.18   | 4.12                             | —  | —                                     | —                   |
| Fiscal year ended 3-31-2005                | 10.14                                | (0.02)                       | 1.49   | 1.47                             | —  | —                                     | —                   |
| <b>Class B Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 15.74                                | 0.05                         | (6.62)   | (6.57)                           | (0.07)                                   | (0.33)                                | (0.40)              |
| Fiscal year ended 3-31-2008                | 16.31                                | (0.02)                       | 0.88   | 0.86                             | —  | (1.43)                                | (1.43)              |
| Fiscal year ended 3-31-2007                | 14.67                                | 0.00 <sup>(2)</sup>          | 2.37 <sup>(2)</sup>                                    | 2.37                             | —  | (0.73)                                | (0.73)              |
| Fiscal year ended 3-31-2006                | 10.91                                | (0.12)                       | 3.88   | 3.76                             | —  | —                                     | —                   |
| Fiscal year ended 3-31-2005                | 9.60                                 | (0.08)                       | 1.39   | 1.31                             | —  | —                                     | —                   |
| <b>Class C Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 15.72                                | 0.10                         | (6.63)   | (6.53)                           | (0.10)                                   | (0.33)                                | (0.43)              |
| Fiscal year ended 3-31-2008                | 16.30                                | 0.00 <sup>(2)</sup>          | 0.88 <sup>(2)</sup>                                    | 0.88                             | —  | (1.46)                                | (1.46)              |
| Fiscal year ended 3-31-2007                | 14.65                                | (0.01) <sup>(2)</sup>        | 2.39 <sup>(2)</sup>                                    | 2.38                             | —  | (0.73)                                | (0.73)              |
| Fiscal year ended 3-31-2006                | 10.90                                | (0.02)                       | 3.77   | 3.75                             | —  | —                                     | —                   |
| Fiscal year ended 3-31-2005                | 9.59                                 | (0.07)                       | 1.38   | 1.31                             | —  | —                                     | —                   |
| <b>Class E Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 17.05                                | 0.16                         | (7.20)   | (7.04)                           | (0.09)                                   | (0.33)                                | (0.42)              |
| Fiscal year ended 3-31-2008 <sup>(3)</sup> | 17.63                                | (0.02)                       | 0.98   | 0.96                             | (0.03)                                   | (1.51)                                | (1.54)              |
| <b>Class I Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 17.20                                | 0.20                         | (7.23)   | (7.03)                           | (0.26)                                   | (0.33)                                | (0.59)              |
| Fiscal year ended 3-31-2008 <sup>(3)</sup> | 17.71                                | 0.16                         | 1.01   | 1.17                             | (0.17)                                   | (1.51)                                | (1.68)              |
| <b>Class Y Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 17.19                                | 0.19                         | (7.24)   | (7.05)                           | (0.22)                                   | (0.33)                                | (0.55)              |
| Fiscal year ended 3-31-2008                | 17.70                                | 0.15 <sup>(2)</sup>          | 0.97 <sup>(2)</sup>                                    | 1.12                             | (0.12)                                   | (1.51)                                | (1.63)              |
| Fiscal year ended 3-31-2007                | 15.79                                | 0.12 <sup>(2)</sup>          | 2.59 <sup>(2)</sup>                                    | 2.71                             | (0.07)                                   | (0.73)                                | (0.80)              |
| Fiscal year ended 3-31-2006                | 11.64                                | (0.06)                       | 4.21   | 4.15                             | —  | —                                     | —                   |
| Fiscal year ended 3-31-2005                | 10.15                                | (0.01)                       | 1.50   | 1.49                             | —  | —                                     | —                   |

\*Not shown due to rounding.

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

(2) Based on average weekly shares outstanding.

(3) For the period from April 2, 2007 (commencement of operations of the class) through March 31, 2008.

(4) For the fiscal year ended March 31, 2008.

(5) Annualized.

Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

|  | Net Asset Value, End of Period | Total Return           | Net Assets, End of Period (in millions) | Ratio of Expenses to Average Net Assets Including Expense Waiver | Ratio of Net Investment Income to Average Net Assets Including Expense Waiver | Ratio of Expenses to Average Net Assets Excluding Expense Waiver | Ratio of Net Investment Income to Average Net Assets Excluding Expense Waiver | Portfolio Turnover Rate |
|--|--------------------------------|------------------------|---|--|---|--|---|-------------------------|
| <b>Class A Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | \$ 9.54                        | -41.28% <sup>(1)</sup> | \$ 152                                  | 1.64%  | 1.44%   | —%   | —%  | 108%                    |
| Fiscal year ended 3-31-2008                | 17.11                          | 5.39% <sup>(1)</sup>   | 222                                     | 1.53%  | 0.65%   | —%   | —%  | 101%                    |
| Fiscal year ended 3-31-2007                | 17.63                          | 17.35% <sup>(1)</sup>  | 161                                     | 1.56%  | 0.63%   | —%   | —%  | 108%                    |
| Fiscal year ended 3-31-2006                | 15.73                          | 35.49% <sup>(1)</sup>  | 67                                      | 1.82%  | 0.14%   | —%   | —%  | 90%                     |
| Fiscal year ended 3-31-2005                | 11.61                          | 14.50% <sup>(1)</sup>  | 17                                      | 1.99%  | 0.09%   | —%   | —%  | 106%                    |
| <b>Class B Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 8.77                           | -41.84%                | 8                                       | 2.55%  | 0.59%   | —%   | —%  | 108%                    |
| Fiscal year ended 3-31-2008                | 15.74                          | 4.56%                  | 16                                      | 2.35%  | -0.09%  | —%   | —%  | 101%                    |
| Fiscal year ended 3-31-2007                | 16.31                          | 16.39%                 | 17                                      | 2.35%  | -0.03%  | —%   | —%  | 108%                    |
| Fiscal year ended 3-31-2006                | 14.67                          | 34.46%                 | 15                                      | 2.62%  | -0.41%  | —%   | —%  | 90%                     |
| Fiscal year ended 3-31-2005                | 10.91                          | 13.65%                 | 20                                      | 2.76%  | -0.58%  | —%   | —%  | 106%                    |
| <b>Class C Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 8.76                           | -41.64%                | 30                                      | 2.29%  | 0.81%   | —%   | —%  | 108%                    |
| Fiscal year ended 3-31-2008                | 15.72                          | 4.68%                  | 45                                      | 2.20%  | -0.02%  | —%   | —%  | 101%                    |
| Fiscal year ended 3-31-2007                | 16.30                          | 16.48%                 | 34                                      | 2.29%  | -0.08%  | —%   | —%  | 108%                    |
| Fiscal year ended 3-31-2006                | 14.65                          | 34.40%                 | 15                                      | 2.58%  | -0.50%  | —%   | —%  | 90%                     |
| Fiscal year ended 3-31-2005                | 10.90                          | 13.66%                 | 7                                       | 2.79%  | -0.63%  | —%   | —%  | 106%                    |
| <b>Class E Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 9.59                           | -41.34% <sup>(1)</sup> | 1                                       | 1.87%  | 1.22%   | 2.74%  | 0.35%   | 108%                    |
| Fiscal year ended 3-31-2008 <sup>(3)</sup> | 17.05                          | 4.70% <sup>(1)</sup>   | 1                                       | 2.38% <sup>(5)</sup>   | -0.51% <sup>(5)</sup>   | —%   | —%  | 101% <sup>(4)</sup>     |
| <b>Class I Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 9.58                           | -40.98%                | 33                                      | 1.12%  | 1.86%   | —%   | —%  | 108%                    |
| Fiscal year ended 3-31-2008 <sup>(3)</sup> | 17.20                          | 5.83%                  | 23                                      | 1.13% <sup>(5)</sup>   | 0.69% <sup>(5)</sup>  | —%   | —%  | 101% <sup>(4)</sup>     |
| <b>Class Y Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 9.59                           | -41.12%                | 11                                      | 1.38%  | 1.64%   | —%   | —%  | 108%                    |
| Fiscal year ended 3-31-2008                | 17.19                          | 5.50%                  | 10                                      | 1.39%  | 0.77%   | —%   | —%  | 101%                    |
| Fiscal year ended 3-31-2007                | 17.70                          | 17.47%                 | 4                                       | 1.45%  | 0.76%   | —%   | —%  | 108%                    |
| Fiscal year ended 3-31-2006                | 15.79                          | 35.65%                 | 1                                       | 1.72%  | 0.13%   | —%   | —%  | 90%                     |
| Fiscal year ended 3-31-2005                | 11.64                          | 14.68%                 | —*                                      | 1.82%  | 0.29%   | —%   | —%  | 106%                    |

See Accompanying Notes to Financial Statements.

# FINANCIAL HIGHLIGHTS

## Ivy Funds

FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

### IVY INTERNATIONAL GROWTH FUND

|  | Net Asset Value, Beginning of Period | Net Investment Income (Loss) | Net Realized and Unrealized Gain (Loss) on Investments | Total from Investment Operations | Distributions From Net Investment Income | Distributions From Net Realized Gains | Total Distributions |
|--|--------------------------------------|------------------------------|--|----------------------------------|--|---------------------------------------|---------------------|
| <b>Class A Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | \$ 36.27                             | \$ 0.34                      | \$(16.52)  | \$(16.18)                        | \$(0.26)                                 | \$ —                                  | \$(0.26)            |
| Fiscal year ended 3-31-2008                | 34.60                                | 0.15                         | 1.59   | 1.74                             | (0.07)                                   | —                                     | (0.07)              |
| Fiscal year ended 3-31-2007                | 29.74                                | 0.19                         | 4.72   | 4.91                             | (0.05)                                   | —                                     | (0.05)              |
| Fiscal year ended 3-31-2006                | 22.86                                | 0.08                         | 6.97   | 7.05                             | (0.17)                                   | —                                     | (0.17)              |
| Fiscal year ended 3-31-2005                | 21.34                                | (0.02)                       | 1.54   | 1.52                             | —  | —                                     | —                   |
| <b>Class B Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 33.04                                | 0.03 <sup>(2)</sup>          | (14.98) <sup>(2)</sup>                                 | (14.95)                          | (0.03)                                   | —                                     | (0.03)              |
| Fiscal year ended 3-31-2008                | 31.79                                | (0.23) <sup>(2)</sup>        | 1.48 <sup>(2)</sup>                                    | 1.25                             | —  | —                                     | —                   |
| Fiscal year ended 3-31-2007                | 27.58                                | (0.15) <sup>(2)</sup>        | 4.36 <sup>(2)</sup>                                    | 4.21                             | —  | —                                     | —                   |
| Fiscal year ended 3-31-2006                | 21.30                                | (0.17) <sup>(2)</sup>        | 6.45 <sup>(2)</sup>                                    | 6.28                             | —  | —                                     | —                   |
| Fiscal year ended 3-31-2005                | 20.12                                | (0.22) <sup>(2)</sup>        | 1.40 <sup>(2)</sup>                                    | 1.18                             | —  | —                                     | —                   |
| <b>Class C Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 32.97                                | 0.05 <sup>(2)</sup>          | (14.94) <sup>(2)</sup>                                 | (14.89)                          | (0.06)                                   | —                                     | (0.06)              |
| Fiscal year ended 3-31-2008                | 31.71                                | (0.25)                       | 1.51   | 1.26                             | —  | —                                     | —                   |
| Fiscal year ended 3-31-2007                | 27.52                                | (0.15)                       | 4.34   | 4.19                             | —  | —                                     | —                   |
| Fiscal year ended 3-31-2006                | 21.20                                | (0.09) <sup>(2)</sup>        | 6.41 <sup>(2)</sup>                                    | 6.32                             | —  | —                                     | —                   |
| Fiscal year ended 3-31-2005                | 20.00                                | (0.32)                       | 1.52   | 1.20                             | —  | —                                     | —                   |
| <b>Class E Shares<sup>(3)</sup></b>        |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 36.28                                | 0.37                         | (16.50)  | (16.13)                          | (0.32)                                   | —                                     | (0.32)              |
| Fiscal year ended 3-31-2008 <sup>(4)</sup> | 34.54                                | 0.19                         | 1.67   | 1.86                             | (0.12)                                   | —                                     | (0.12)              |
| <b>Class I Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 36.57                                | 0.38                         | (16.60)  | (16.22)                          | (0.37)                                   | —                                     | (0.37)              |
| Fiscal year ended 3-31-2008 <sup>(4)</sup> | 34.52                                | 0.10                         | 2.12   | 2.22                             | (0.17)                                   | —                                     | (0.17)              |
| <b>Class Y Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 36.27                                | 0.35                         | (16.49)  | (16.14)                          | (0.27)                                   | —                                     | (0.27)              |
| Fiscal year ended 3-31-2008                | 34.59                                | 0.31                         | 1.42   | 1.73                             | (0.05)                                   | —                                     | (0.05)              |
| Fiscal year ended 3-31-2007                | 29.74                                | 0.28                         | 4.63   | 4.91                             | (0.06)                                   | —                                     | (0.06)              |
| Fiscal year ended 3-31-2006                | 22.86                                | 0.18 <sup>(2)</sup>          | 6.87 <sup>(2)</sup>                                    | 7.05                             | (0.17)                                   | —                                     | (0.17)              |
| Fiscal year ended 3-31-2005                | 21.35                                | (0.09)                       | 1.60   | 1.51                             | —  | —                                     | —                   |

\* Not shown due to rounding.

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

(2) Based on average weekly shares outstanding.

(3) Class is closed to investment.

(4) For the period from April 2, 2007 (commencement of operations of the class) through March 31, 2008.

(5) For the fiscal year ended March 31, 2008.

(6) Annualized.

Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

|  | Net Asset Value, End of Period | Total Return           | Net Assets, End of Period (in millions) | Ratio of Expenses to Average Net Assets Including Expense Waiver | Ratio of Net Investment Income to Average Net Assets Including Expense Waiver | Ratio of Expenses to Average Net Assets Excluding Expense Waiver | Ratio of Net Investment Income to Average Net Assets Excluding Expense Waiver | Portfolio Turnover Rate |
|--|--------------------------------|------------------------|---|--|---|--|---|-------------------------|
| <b>Class A Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | \$ 19.83                       | -44.65% <sup>(1)</sup> | \$ 83                                   | 1.57%  | 1.09%   | —%   | —%  | 93%                     |
| Fiscal year ended 3-31-2008                | 36.27                          | 5.01% <sup>(1)</sup>   | 163                                     | 1.42%  | 0.35%   | —%   | —%  | 103%                    |
| Fiscal year ended 3-31-2007                | 34.60                          | 16.51% <sup>(1)</sup>  | 165                                     | 1.46%  | 0.55%   | —%   | —%  | 97%                     |
| Fiscal year ended 3-31-2006                | 29.74                          | 30.92% <sup>(1)</sup>  | 156                                     | 1.59%  | 0.25%   | —%   | —%  | 75%                     |
| Fiscal year ended 3-31-2005                | 22.86                          | 7.12% <sup>(1)</sup>   | 122                                     | 1.61%  | -0.15%  | —%   | —%  | 76%                     |
| <b>Class B Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 18.06                          | -45.25%                | 4                                       | 2.62%  | 0.11%   | —%   | —%  | 93%                     |
| Fiscal year ended 3-31-2008                | 33.04                          | 3.96%                  | 10                                      | 2.45%  | -0.67%  | —%   | —%  | 103%                    |
| Fiscal year ended 3-31-2007                | 31.79                          | 15.23%                 | 11                                      | 2.55%  | -0.53%  | —%   | —%  | 97%                     |
| Fiscal year ended 3-31-2006                | 27.58                          | 29.48%                 | 13                                      | 2.74%  | -0.72%  | —%   | —%  | 75%                     |
| Fiscal year ended 3-31-2005                | 21.30                          | 5.87%                  | 17                                      | 2.75%  | -1.09%  | —%   | —%  | 76%                     |
| <b>Class C Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 18.02                          | -45.19%                | 24                                      | 2.54%  | 0.16%   | —%   | —%  | 93%                     |
| Fiscal year ended 3-31-2008                | 32.97                          | 3.97%                  | 53                                      | 2.42%  | -0.65%  | —%   | —%  | 103%                    |
| Fiscal year ended 3-31-2007                | 31.71                          | 15.23%                 | 57                                      | 2.54%  | -0.53%  | —%   | —%  | 97%                     |
| Fiscal year ended 3-31-2006                | 27.52                          | 29.81%                 | 56                                      | 2.43%  | -0.39%  | —%   | —%  | 75%                     |
| Fiscal year ended 3-31-2005                | 21.20                          | 6.00%                  | 9                                       | 2.64%  | -1.14%  | —%   | —%  | 76%                     |
| <b>Class E Shares<sup>(3)</sup></b>        |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 19.83                          | -44.52% <sup>(1)</sup> | —*                                      | 1.34%  | 1.31%   | —%   | —%  | 93%                     |
| Fiscal year ended 3-31-2008 <sup>(4)</sup> | 36.28                          | 5.34% <sup>(1)</sup>   | —*                                      | 1.27% <sup>(6)</sup>   | 0.49% <sup>(6)</sup>  | —%   | —%  | 103% <sup>(5)</sup>     |
| <b>Class I Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 19.98                          | -44.42%                | 15                                      | 1.18%  | 1.37%   | —%   | —%  | 93%                     |
| Fiscal year ended 3-31-2008 <sup>(4)</sup> | 36.57                          | 6.39%                  | 21                                      | 1.15% <sup>(6)</sup>   | 0.32% <sup>(6)</sup>  | —%   | —%  | 103% <sup>(5)</sup>     |
| <b>Class Y Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 19.86                          | -44.55%                | 2                                       | 1.43%  | 1.21%   | 1.50%  | 1.14%   | 93%                     |
| Fiscal year ended 3-31-2008                | 36.27                          | 4.99%                  | 3                                       | 1.44%  | 0.31%   | —%   | —%  | 103%                    |
| Fiscal year ended 3-31-2007                | 34.59                          | 16.50%                 | 5                                       | 1.46%  | 0.65%   | —%   | —%  | 97%                     |
| Fiscal year ended 3-31-2006                | 29.74                          | 30.95%                 | 6                                       | 1.58%  | 0.81%   | —%   | —%  | 75%                     |
| Fiscal year ended 3-31-2005                | 22.86                          | 7.07%                  | —*                                      | 1.66%  | -0.33%  | —%   | —%  | 76%                     |

See Accompanying Notes to Financial Statements.

# FINANCIAL HIGHLIGHTS

## Ivy Funds

FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

### IVY PACIFIC OPPORTUNITIES FUND

|  | Net Asset Value, Beginning of Period | Net Investment Income (Loss) | Net Realized and Unrealized Gain (Loss) on Investments | Total from Investment Operations | Distributions From Net Investment Income | Distributions From Net Realized Gains | Total Distributions |
|--|--------------------------------------|------------------------------|--|----------------------------------|--|---------------------------------------|---------------------|
| <b>Class A Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | \$ 17.61                             | \$ 0.05                      | \$(6.96)   | \$(6.91)                         | \$ —                                     | \$(1.84)                              | \$(1.84)            |
| Fiscal year ended 3-31-2008                | 16.91                                | (0.01)                       | 2.80   | 2.79                             | (0.05)                                   | (2.04)                                | (2.09)              |
| Fiscal year ended 3-31-2007                | 14.32                                | (0.02)                       | 3.23   | 3.21                             | (0.01)                                   | (0.61)                                | (0.62)              |
| Fiscal year ended 3-31-2006                | 10.61                                | 0.02 <sup>(5)</sup>          | 3.83 <sup>(5)</sup>                                    | 3.85                             | (0.04)                                   | (0.10)                                | (0.14)              |
| Fiscal year ended 3-31-2005                | 9.55                                 | (0.07)                       | 1.13   | 1.06                             | —  | —                                     | —                   |
| <b>Class B Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 16.01                                | (0.09)                       | (6.30)   | (6.39)                           | —  | (1.79)                                | (1.79)              |
| Fiscal year ended 3-31-2008                | 15.49                                | (0.19)                       | 2.56   | 2.37                             | —  | (1.85)                                | (1.85)              |
| Fiscal year ended 3-31-2007                | 13.29                                | (0.07)                       | 2.88   | 2.81                             | —  | (0.61)                                | (0.61)              |
| Fiscal year ended 3-31-2006                | 9.91                                 | (0.06) <sup>(5)</sup>        | 3.54 <sup>(5)</sup>                                    | 3.48                             | —  | (0.10)                                | (0.10)              |
| Fiscal year ended 3-31-2005                | 9.01                                 | (0.13)                       | 1.03   | 0.90                             | —  | —                                     | —                   |
| <b>Class C Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 16.27                                | (0.09)                       | (6.37)   | (6.46)                           | —  | (1.80)                                | (1.80)              |
| Fiscal year ended 3-31-2008                | 15.73                                | (0.14)                       | 2.58   | 2.44                             | —  | (1.90)                                | (1.90)              |
| Fiscal year ended 3-31-2007                | 13.45                                | (0.08)                       | 2.97   | 2.89                             | —  | (0.61)                                | (0.61)              |
| Fiscal year ended 3-31-2006                | 10.01                                | (0.06) <sup>(5)</sup>        | 3.60 <sup>(5)</sup>                                    | 3.54                             | —  | (0.10)                                | (0.10)              |
| Fiscal year ended 3-31-2005                | 9.09                                 | (0.09)                       | 1.01   | 0.92                             | —  | —                                     | —                   |
| <b>Class E Shares<sup>(2)</sup></b>        |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 17.62                                | 0.07                         | (6.93)   | (6.86)                           | —  | (1.86)                                | (1.86)              |
| Fiscal year ended 3-31-2008 <sup>(3)</sup> | 16.88                                | 0.06                         | 2.82   | 2.88                             | (0.10)                                   | (2.04)                                | (2.14)              |
| <b>Class I Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 17.77                                | 0.10 <sup>(5)</sup>          | (7.00) <sup>(5)</sup>                                  | (6.90)                           | —  | (1.87)                                | (1.87)              |
| Fiscal year ended 3-31-2008 <sup>(3)</sup> | 17.00                                | (0.03) <sup>(5)</sup>        | 2.98 <sup>(5)</sup>                                    | 2.95                             | (0.14)                                   | (2.04)                                | (2.18)              |
| <b>Class Y Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 17.75                                | 0.08                         | (6.99)   | (6.91)                           | —  | (1.86)                                | (1.86)              |
| Fiscal year ended 3-31-2008                | 17.03                                | 0.01                         | 2.83   | 2.84                             | (0.08)                                   | (2.04)                                | (2.12)              |
| Fiscal year ended 3-31-2007                | 14.41                                | 0.02                         | 3.26   | 3.28                             | (0.05)                                   | (0.61)                                | (0.66)              |
| Fiscal year ended 3-31-2006                | 10.67                                | 0.04 <sup>(5)</sup>          | 3.87 <sup>(5)</sup>                                    | 3.91                             | (0.07)                                   | (0.10)                                | (0.17)              |
| Fiscal year ended 3-31-2005                | 9.58                                 | (0.04)                       | 1.13   | 1.09                             | —  | —                                     | —                   |
| <b>Advisor Class Shares<sup>(2)</sup></b>  |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 17.19                                | 0.15                         | (6.82)   | (6.67)                           | —  | (1.88)                                | (1.88)              |
| Fiscal year ended 3-31-2008                | 16.54                                | 0.09                         | 2.76   | 2.85                             | (0.16)                                   | (2.04)                                | (2.20)              |
| Fiscal year ended 3-31-2007                | 14.01                                | 0.09                         | 3.15   | 3.24                             | (0.10)                                   | (0.61)                                | (0.71)              |
| Fiscal year ended 3-31-2006                | 10.38                                | 0.14 <sup>(5)</sup>          | 3.70 <sup>(5)</sup>                                    | 3.84                             | (0.11)                                   | (0.10)                                | (0.21)              |
| Fiscal year ended 3-31-2005                | 9.28                                 | (0.01)                       | 1.11   | 1.10                             | —  | —                                     | —                   |

\*Not shown due to rounding.

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

(2) Class is closed to investment.

(3) For the period from April 2, 2007 (commencement of operations of the class) through March 31, 2008.

(4) For the fiscal year ended March 31, 2008.

(5) Based on average weekly shares outstanding.

(6) Annualized.

Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

|  | Net Asset Value, End of Period | Total Return           | Net Assets, End of Period (in millions) | Ratio of Expenses to Average Net Assets Including Expense Waiver | Ratio of Net Investment Income to Average Net Assets Including Expense Waiver | Ratio of Expenses to Average Net Assets Excluding Expense Waiver | Ratio of Net Investment Income to Average Net Assets Excluding Expense Waiver | Portfolio Turnover Rate |
|--|--------------------------------|------------------------|---|--|---|--|---|-------------------------|
| <b>Class A Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | \$ 8.86                        | -38.76% <sup>(1)</sup> | \$239                                   | 1.92%  | 0.37%   | —%   | —%  | 112%                    |
| Fiscal year ended 3-31-2008                | 17.61                          | 14.30% <sup>(1)</sup>  | 471                                     | 1.74%  | -0.08%  | —%   | —%  | 96%                     |
| Fiscal year ended 3-31-2007                | 16.91                          | 22.60% <sup>(1)</sup>  | 375                                     | 1.84%  | -0.14%  | —%   | —%  | 74%                     |
| Fiscal year ended 3-31-2006                | 14.32                          | 36.51% <sup>(1)</sup>  | 191                                     | 1.95%  | 0.24%   | —%   | —%  | 87%                     |
| Fiscal year ended 3-31-2005                | 10.61                          | 11.10% <sup>(1)</sup>  | 64                                      | 2.22%  | -0.80%  | —%   | —%  | 87%                     |
| <b>Class B Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 7.83                           | -39.46%                | 10                                      | 3.07%  | -0.77%  | —%   | —%  | 112%                    |
| Fiscal year ended 3-31-2008                | 16.01                          | 13.16%                 | 21                                      | 2.74%  | -1.05%  | —%   | —%  | 96%                     |
| Fiscal year ended 3-31-2007                | 15.49                          | 21.33%                 | 20                                      | 2.88%  | -1.15%  | —%   | —%  | 74%                     |
| Fiscal year ended 3-31-2006                | 13.29                          | 35.26%                 | 11                                      | 2.91%  | -0.51%  | —%   | —%  | 87%                     |
| Fiscal year ended 3-31-2005                | 9.91                           | 9.99%                  | 6                                       | 3.06%  | -1.57%  | —%   | —%  | 87%                     |
| <b>Class C Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 8.01                           | -39.22%                | 16                                      | 2.69%  | -0.36%  | —%   | —%  | 112%                    |
| Fiscal year ended 3-31-2008                | 16.27                          | 13.36%                 | 38                                      | 2.49%  | -0.82%  | —%   | —%  | 96%                     |
| Fiscal year ended 3-31-2007                | 15.73                          | 21.68%                 | 34                                      | 2.60%  | -0.87%  | —%   | —%  | 74%                     |
| Fiscal year ended 3-31-2006                | 13.45                          | 35.51%                 | 18                                      | 2.75%  | -0.50%  | —%   | —%  | 87%                     |
| Fiscal year ended 3-31-2005                | 10.01                          | 10.12%                 | 7                                       | 3.06%  | -1.68%  | —%   | —%  | 87%                     |
| <b>Class E Shares<sup>(2)</sup></b>        |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 8.90                           | -38.43% <sup>(1)</sup> | —*                                      | 1.44%  | 0.79%   | —%   | —%  | 112%                    |
| Fiscal year ended 3-31-2008 <sup>(3)</sup> | 17.62                          | 14.79% <sup>(1)</sup>  | —*                                      | 1.43% <sup>(6)</sup>   | 0.26% <sup>(6)</sup>  | —%   | —%  | 96% <sup>(4)</sup>      |
| <b>Class I Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 9.00                           | -38.34%                | 45                                      | 1.31%  | 0.81%   | —%   | —%  | 112%                    |
| Fiscal year ended 3-31-2008 <sup>(3)</sup> | 17.77                          | 15.10%                 | 38                                      | 1.31% <sup>(6)</sup>   | 0.06% <sup>(6)</sup>  | —%   | —%  | 96% <sup>(4)</sup>      |
| <b>Class Y Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 8.98                           | -38.47%                | 4                                       | 1.57%  | 0.69%   | —%   | —%  | 112%                    |
| Fiscal year ended 3-31-2008                | 17.75                          | 14.48%                 | 7                                       | 1.55%  | 0.06%   | —%   | —%  | 96%                     |
| Fiscal year ended 3-31-2007                | 17.03                          | 22.95%                 | 8                                       | 1.58%  | 0.11%   | —%   | —%  | 74%                     |
| Fiscal year ended 3-31-2006                | 14.41                          | 36.90%                 | 4                                       | 1.68%  | 0.46%   | —%   | —%  | 87%                     |
| Fiscal year ended 3-31-2005                | 10.67                          | 11.38%                 | 1                                       | 1.88%  | -0.47%  | —%   | —%  | 87%                     |
| <b>Advisor Class Shares<sup>(2)</sup></b>  |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 8.64                           | -38.31%                | —*                                      | 1.27%  | 1.09%   | —%   | —%  | 112%                    |
| Fiscal year ended 3-31-2008                | 17.19                          | 14.86%                 | —*                                      | 1.22%  | 0.46%   | —%   | —%  | 96%                     |
| Fiscal year ended 3-31-2007                | 16.54                          | 23.33%                 | —*                                      | 1.28%  | 0.55%   | —%   | —%  | 74%                     |
| Fiscal year ended 3-31-2006                | 14.01                          | 37.28%                 | —*                                      | 1.42%  | 1.12%   | —%   | —%  | 87%                     |
| Fiscal year ended 3-31-2005                | 10.38                          | 11.85%                 | —*                                      | 1.56%  | -0.06%  | —%   | —%  | 87%                     |

See Accompanying Notes to Financial Statements.

# FINANCIAL HIGHLIGHTS

## Ivy Funds

FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

### IVY BALANCED FUND

|  | Net Asset Value, Beginning of Period | Net Investment Income | Net Realized and Unrealized Gain (Loss) on Investments | Total from Investment Operations | Distributions From Net Investment Income | Distributions From Net Realized Gains | Total Distributions |
|--|--------------------------------------|-----------------------|--|----------------------------------|--|---------------------------------------|---------------------|
| <b>Class A Shares</b>                      |                                      |                       |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | \$ 16.64                             | \$0.16                | \$(3.63)   | \$(3.47)                         | \$(0.16)                                 | \$ —                                  | \$(0.16)            |
| Fiscal year ended 3-31-2008                | 16.18                                | 0.20                  | 0.97   | 1.17                             | (0.20)                                   | (0.51)                                | (0.71)              |
| Fiscal year ended 3-31-2007                | 15.22                                | 0.16                  | 0.98   | 1.14                             | (0.18)                                   | —                                     | (0.18)              |
| Fiscal year ended 3-31-2006                | 14.00                                | 0.15                  | 1.21   | 1.36                             | (0.14)                                   | —                                     | (0.14)              |
| Fiscal year ended 3-31-2005                | 13.35                                | 0.14                  | 0.65   | 0.79                             | (0.14)                                   | —                                     | (0.14)              |
| <b>Class B Shares</b>                      |                                      |                       |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 16.60                                | 0.04                  | (3.64)   | (3.60)                           | (0.03)                                   | —                                     | (0.03)              |
| Fiscal year ended 3-31-2008                | 16.14                                | 0.04                  | 0.97   | 1.01                             | (0.04)                                   | (0.51)                                | (0.55)              |
| Fiscal year ended 3-31-2007                | 15.18                                | 0.01                  | 0.98   | 0.99                             | (0.03)                                   | —                                     | (0.03)              |
| Fiscal year ended 3-31-2006                | 13.98                                | 0.00                  | 1.21   | 1.21                             | (0.01)                                   | —                                     | (0.01)              |
| Fiscal year ended 3-31-2005                | 13.33                                | 0.01                  | 0.64   | 0.65                             | —*                                       | —                                     | —*                  |
| <b>Class C Shares</b>                      |                                      |                       |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 16.61                                | 0.07 <sup>(2)</sup>   | (3.64) <sup>(2)</sup>                                  | (3.57)                           | (0.06)                                   | —                                     | (0.06)              |
| Fiscal year ended 3-31-2008                | 16.15                                | 0.07                  | 0.97   | 1.04                             | (0.07)                                   | (0.51)                                | (0.58)              |
| Fiscal year ended 3-31-2007                | 15.20                                | 0.04                  | 0.97   | 1.01                             | (0.06)                                   | —                                     | (0.06)              |
| Fiscal year ended 3-31-2006                | 13.98                                | 0.03                  | 1.20   | 1.23                             | (0.01)                                   | —                                     | (0.01)              |
| Fiscal year ended 3-31-2005                | 13.34                                | 0.03                  | 0.63   | 0.66                             | (0.02)                                   | —                                     | (0.02)              |
| <b>Class E Shares<sup>(3)</sup></b>        |                                      |                       |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 16.65                                | 0.21                  | (3.65)   | (3.44)                           | (0.19)                                   | —                                     | (0.19)              |
| Fiscal year ended 3-31-2008 <sup>(4)</sup> | 16.21                                | 0.24                  | 0.94   | 1.18                             | (0.23)                                   | (0.51)                                | (0.74)              |
| <b>Class I Shares</b>                      |                                      |                       |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 16.65                                | 0.09                  | (3.52)   | (3.43)                           | (0.21)                                   | —                                     | (0.21)              |
| Fiscal year ended 3-31-2008 <sup>(4)</sup> | 16.21                                | 0.26                  | 0.95   | 1.21                             | (0.26)                                   | (0.51)                                | (0.77)              |
| <b>Class Y Shares</b>                      |                                      |                       |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 16.64                                | 0.19                  | (3.65)   | (3.46)                           | (0.17)                                   | —                                     | (0.17)              |
| Fiscal year ended 3-31-2008                | 16.18                                | 0.22                  | 0.97   | 1.19                             | (0.22)                                   | (0.51)                                | (0.73)              |
| Fiscal year ended 3-31-2007                | 15.22                                | 0.18                  | 0.98   | 1.16                             | (0.20)                                   | —                                     | (0.20)              |
| Fiscal year ended 3-31-2006                | 14.00                                | 0.17                  | 1.21   | 1.38                             | (0.16)                                   | —                                     | (0.16)              |
| Fiscal year ended 3-31-2005                | 13.35                                | 0.17                  | 0.65   | 0.82                             | (0.17)                                   | —                                     | (0.17)              |

\*Not shown due to rounding.

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

(2) Based on average weekly shares outstanding.

(3) Class is closed to investment.

(4) For the period from April 2, 2007 (commencement of operations of the class) through March 31, 2008.

(5) For the fiscal year ended March 31, 2008.

(6) Annualized.

Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.



|  | Net Asset Value, End of Period | Total Return           | Net Assets, End of Period (in millions) | Ratio of Expenses to Average Net Assets Including Expense Waiver | Ratio of Net Investment Income to Average Net Assets Including Expense Waiver | Ratio of Expenses to Average Net Assets Excluding Expense Waiver | Ratio of Net Investment Income to Average Net Assets Excluding Expense Waiver | Portfolio Turnover Rate |
|--|--------------------------------|------------------------|---|--|---|--|---|-------------------------|
| <b>Class A Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | \$ 13.01                       | -20.98% <sup>(1)</sup> | \$ 68                                   | 1.36%  | 1.12%   | —%   | —%  | 57%                     |
| Fiscal year ended 3-31-2008                | 16.64                          | 7.05% <sup>(1)</sup>   | 63                                      | 1.38%  | 1.16%   | —%   | —%  | 9%                      |
| Fiscal year ended 3-31-2007                | 16.18                          | 7.53% <sup>(1)</sup>   | 59                                      | 1.39%  | 1.03%   | —%   | —%  | 23%                     |
| Fiscal year ended 3-31-2006                | 15.22                          | 9.71% <sup>(1)</sup>   | 57                                      | 1.42%  | 1.00%   | —%   | —%  | 49%                     |
| Fiscal year ended 3-31-2005                | 14.00                          | 5.90% <sup>(1)</sup>   | 54                                      | 1.53%  | 1.02%   | —%   | —%  | 37%                     |
| <b>Class B Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 12.97                          | -21.73%                | 4                                       | 2.28%  | 0.22%   | —%   | —%  | 57%                     |
| Fiscal year ended 3-31-2008                | 16.60                          | 6.08%                  | 3                                       | 2.30%  | 0.24%   | —%   | —%  | 9%                      |
| Fiscal year ended 3-31-2007                | 16.14                          | 6.49%                  | 3                                       | 2.39%  | 0.03%   | —%   | —%  | 23%                     |
| Fiscal year ended 3-31-2006                | 15.18                          | 8.62%                  | 2                                       | 2.41%  | 0.01%   | —%   | —%  | 49%                     |
| Fiscal year ended 3-31-2005                | 13.98                          | 4.90%                  | 2                                       | 2.52%  | 0.06%   | —%   | —%  | 37%                     |
| <b>Class C Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 12.98                          | -21.53%                | 49                                      | 1.96%  | 0.49%   | —%   | —%  | 57%                     |
| Fiscal year ended 3-31-2008                | 16.61                          | 6.27%                  | 4                                       | 2.11%  | 0.42%   | —%   | —%  | 9%                      |
| Fiscal year ended 3-31-2007                | 16.15                          | 6.67%                  | 3                                       | 2.16%  | 0.27%   | —%   | —%  | 23%                     |
| Fiscal year ended 3-31-2006                | 15.20                          | 8.80%                  | 2                                       | 2.25%  | 0.21%   | —%   | —%  | 49%                     |
| Fiscal year ended 3-31-2005                | 13.98                          | 4.98%                  | 1                                       | 2.38%  | 0.19%   | —%   | —%  | 37%                     |
| <b>Class E Shares<sup>(3)</sup></b>        |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 13.02                          | -20.77% <sup>(1)</sup> | —*                                      | 1.12%  | 1.38%   | —%   | —%  | 57%                     |
| Fiscal year ended 3-31-2008 <sup>(4)</sup> | 16.65                          | 7.11% <sup>(1)</sup>   | —*                                      | 1.15% <sup>(6)</sup>   | 1.39% <sup>(6)</sup>  | —%   | —%  | 9% <sup>(5)</sup>       |
| <b>Class I Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 13.01                          | -20.72%                | —*                                      | 0.99%  | 1.34%   | —%   | —%  | 57%                     |
| Fiscal year ended 3-31-2008 <sup>(4)</sup> | 16.65                          | 7.25%                  | —*                                      | 1.04% <sup>(6)</sup>   | 1.51% <sup>(6)</sup>  | —%   | —%  | 9% <sup>(5)</sup>       |
| <b>Class Y Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 13.01                          | -20.89%                | 38                                      | 1.24%  | 1.26%   | —%   | —%  | 57%                     |
| Fiscal year ended 3-31-2008                | 16.64                          | 7.16%                  | 27                                      | 1.28%  | 1.27%   | —%   | —%  | 9%                      |
| Fiscal year ended 3-31-2007                | 16.18                          | 7.67%                  | 28                                      | 1.26%  | 1.16%   | —%   | —%  | 23%                     |
| Fiscal year ended 3-31-2006                | 15.22                          | 9.89%                  | 38                                      | 1.26%  | 1.15%   | —%   | —%  | 49%                     |
| Fiscal year ended 3-31-2005                | 14.00                          | 6.16%                  | 44                                      | 1.30%  | 1.25%   | —%   | —%  | 37%                     |

See Accompanying Notes to Financial Statements.

# FINANCIAL HIGHLIGHTS

## Ivy Funds

FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

### IVY GLOBAL NATURAL RESOURCES FUND

|  | Net Asset Value, Beginning of Period | Net Investment Income (Loss) | Net Realized and Unrealized Gain (Loss) on Investments | Total from Investment Operations | Distributions From Net Investment Income | Distributions From Net Realized Gains | Total Distributions |
|--|--------------------------------------|------------------------------|--|----------------------------------|--|---------------------------------------|---------------------|
| <b>Class A Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | \$ 36.53                             | \$ 0.02                      | \$(21.13)  | \$(21.11)                        | \$(0.03)                                 | \$(4.31)                              | \$(4.34)            |
| Fiscal year ended 3-31-2008                | 31.67                                | 0.05 <sup>(2)</sup>          | 8.54 <sup>(2)</sup>                                    | 8.59                             | (0.52)                                   | (3.21)                                | (3.73)              |
| Fiscal year ended 3-31-2007                | 30.13                                | 0.17 <sup>(2)</sup>          | 4.40 <sup>(2)</sup>                                    | 4.57                             | (0.16)                                   | (2.87)                                | (3.03)              |
| Fiscal year ended 3-31-2006                | 22.65                                | 0.12                         | 8.88   | 9.00                             | —  | (1.52)                                | (1.52)              |
| Fiscal year ended 3-31-2005                | 17.63                                | (0.04)                       | 5.06   | 5.02                             | —*                                       | —                                     | —*                  |
| <b>Class B Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 34.27                                | (0.10)                       | (19.82)  | (19.92)                          | —  | (4.27)                                | (4.27)              |
| Fiscal year ended 3-31-2008                | 29.78                                | (0.23) <sup>(2)</sup>        | 8.00 <sup>(2)</sup>                                    | 7.77                             | (0.07)                                   | (3.21)                                | (3.28)              |
| Fiscal year ended 3-31-2007                | 28.57                                | (0.05)                       | 4.13   | 4.08                             | —  | (2.87)                                | (2.87)              |
| Fiscal year ended 3-31-2006                | 21.72                                | 0.03                         | 8.34   | 8.37                             | —  | (1.52)                                | (1.52)              |
| Fiscal year ended 3-31-2005                | 17.04                                | (0.04)                       | 4.72   | 4.68                             | —  | —                                     | —                   |
| <b>Class C Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 33.47                                | (0.13)                       | (19.32)  | (19.45)                          | —  | (4.27)                                | (4.27)              |
| Fiscal year ended 3-31-2008                | 29.19                                | (0.20) <sup>(2)</sup>        | 7.86 <sup>(2)</sup>                                    | 7.66                             | (0.17)                                   | (3.21)                                | (3.38)              |
| Fiscal year ended 3-31-2007                | 28.04                                | (0.03)                       | 4.05   | 4.02                             | —  | (2.87)                                | (2.87)              |
| Fiscal year ended 3-31-2006                | 21.32                                | 0.02                         | 8.22   | 8.24                             | —  | (1.52)                                | (1.52)              |
| Fiscal year ended 3-31-2005                | 16.72                                | (0.09)                       | 4.69   | 4.60                             | —  | —                                     | —                   |
| <b>Class E Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 36.41                                | (0.06) <sup>(2)</sup>        | (20.98) <sup>(2)</sup>                                 | (21.04)                          | —  | (4.21)                                | (4.21)              |
| Fiscal year ended 3-31-2008 <sup>(4)</sup> | 32.00                                | 0.03                         | 7.94   | 7.97                             | (0.35)                                   | (3.21)                                | (3.56)              |
| <b>Class I Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 36.74                                | 0.03 <sup>(2)</sup>          | (21.19) <sup>(2)</sup>                                 | (21.16)                          | (0.04)                                   | (4.32)                                | (4.36)              |
| Fiscal year ended 3-31-2008 <sup>(4)</sup> | 32.16                                | 0.05 <sup>(2)</sup>          | 8.51 <sup>(2)</sup>                                    | 8.56                             | (0.77)                                   | (3.21)                                | (3.98)              |
| <b>Class R Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 36.30                                | (0.05) <sup>(2)</sup>        | (20.94) <sup>(2)</sup>                                 | (20.99)                          | —  | (4.29)                                | (4.29)              |
| Fiscal year ended 3-31-2008                | 31.62                                | 0.24                         | 8.23   | 8.47                             | (0.58)                                   | (3.21)                                | (3.79)              |
| Fiscal year ended 3-31-2007                | 30.10                                | 0.05 <sup>(2)</sup>          | 4.44 <sup>(2)</sup>                                    | 4.49                             | (0.10)                                   | (2.87)                                | (2.97)              |
| Fiscal year ended 3-31-2006 <sup>(6)</sup> | 26.11                                | 0.06                         | 3.93   | 3.99                             | —  | —                                     | —                   |
| <b>Class Y Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 36.62                                | 0.10                         | (21.21)  | (21.11)                          | (0.02)                                   | (4.32)                                | (4.34)              |
| Fiscal year ended 3-31-2008                | 31.84                                | 0.17                         | 8.50   | 8.67                             | (0.68)                                   | (3.21)                                | (3.89)              |
| Fiscal year ended 3-31-2007                | 30.27                                | 0.21 <sup>(2)</sup>          | 4.43 <sup>(2)</sup>                                    | 4.64                             | (0.20)                                   | (2.87)                                | (3.07)              |
| Fiscal year ended 3-31-2006                | 22.70                                | 0.24 <sup>(2)</sup>          | 8.85 <sup>(2)</sup>                                    | 9.09                             | —  | (1.52)                                | (1.52)              |
| Fiscal year ended 3-31-2005                | 17.66                                | (0.02)                       | 5.13   | 5.11                             | (0.07)                                   | —                                     | (0.07)              |
| <b>Advisor Class Shares<sup>(3)</sup></b>  |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 36.16                                | 0.24                         | (21.08)  | (20.84)                          | (0.06)                                   | (4.31)                                | (4.37)              |
| Fiscal year ended 3-31-2008                | 31.48                                | 0.26                         | 8.43   | 8.69                             | (0.80)                                   | (3.21)                                | (4.01)              |
| Fiscal year ended 3-31-2007                | 29.92                                | 0.31                         | 4.34   | 4.65                             | (0.22)                                   | (2.87)                                | (3.09)              |
| Fiscal year ended 3-31-2006                | 22.45                                | 0.13                         | 8.86   | 8.99                             | —  | (1.52)                                | (1.52)              |
| Fiscal year ended 3-31-2005                | 17.47                                | (0.14)                       | 5.14   | 5.00                             | (0.02)                                   | —                                     | (0.02)              |

\*Not shown due to rounding.

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

(2) Based on average weekly shares outstanding.

(3) Class is closed to investment.

(4) For the period from April 2, 2007 (commencement of operations of the class) through March 31, 2008.

(5) For the fiscal year ended March 31, 2008.

(6) For the period from December 29, 2005 (commencement of operations of the class) through March 31, 2006.

(7) Annualized.

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

Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

IVY GLOBAL NATURAL RESOURCES FUND

|  | Net Asset Value, End of Period | Total Return           | Net Assets, End of Period (in millions) | Ratio of Expenses to Average Net Assets Including Expense Waiver | Ratio of Net Investment Income to Average Net Assets Including Expense Waiver | Ratio of Expenses to Average Net Assets Excluding Expense Waiver | Ratio of Net Investment Income to Average Net Assets Excluding Expense Waiver | Portfolio Turnover Rate |
|--|--------------------------------|------------------------|---|--|---|--|---|-------------------------|
| <b>Class A Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | \$ 11.08                       | -56.82% <sup>(1)</sup> | \$ 1,640                                | 1.40%  | -0.03%  | —%   | —%  | 191%                    |
| Fiscal year ended 3-31-2008                | 36.53                          | 26.65% <sup>(1)</sup>  | 5,168                                   | 1.27%  | 0.14%   | —%   | —%  | 142%                    |
| Fiscal year ended 3-31-2007                | 31.67                          | 15.47% <sup>(1)</sup>  | 3,360                                   | 1.31%  | 0.57%   | —%   | —%  | 106%                    |
| Fiscal year ended 3-31-2006                | 30.13                          | 40.76% <sup>(1)</sup>  | 2,343                                   | 1.40%  | 0.73%   | —%   | —%  | 104%                    |
| Fiscal year ended 3-31-2005                | 22.65                          | 28.50% <sup>(1)</sup>  | 895                                     | 1.55%  | -0.52%  | —%   | —%  | 110%                    |
| <b>Class B Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 10.08                          | -57.15%                | 117                                     | 2.19%  | -0.83%  | —%   | —%  | 191%                    |
| Fiscal year ended 3-31-2008                | 34.27                          | 25.64%                 | 345                                     | 2.07%  | -0.64%  | —%   | —%  | 142%                    |
| Fiscal year ended 3-31-2007                | 29.78                          | 14.55%                 | 272                                     | 2.12%  | -0.24%  | —%   | —%  | 106%                    |
| Fiscal year ended 3-31-2006                | 28.57                          | 39.59%                 | 223                                     | 2.23%  | -0.10%  | —%   | —%  | 104%                    |
| Fiscal year ended 3-31-2005                | 21.72                          | 27.46%                 | 110                                     | 2.39%  | -1.35%  | —%   | —%  | 110%                    |
| <b>Class C Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 9.75                           | -57.10%                | 539                                     | 2.10%  | -0.74%  | —%   | —%  | 191%                    |
| Fiscal year ended 3-31-2008                | 33.47                          | 25.72%                 | 1,749                                   | 1.99%  | -0.58%  | —%   | —%  | 142%                    |
| Fiscal year ended 3-31-2007                | 29.19                          | 14.65%                 | 1,138                                   | 2.04%  | -0.16%  | —%   | —%  | 106%                    |
| Fiscal year ended 3-31-2006                | 28.04                          | 39.72%                 | 801                                     | 2.15%  | -0.02%  | —%   | —%  | 104%                    |
| Fiscal year ended 3-31-2005                | 21.32                          | 27.51%                 | 312                                     | 2.31%  | -1.28%  | —%   | —%  | 110%                    |
| <b>Class E Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 11.16                          | -56.83% <sup>(1)</sup> | 2                                       | 1.66%  | -0.29%  | 2.68%  | -1.31%  | 191%                    |
| Fiscal year ended 3-31-2008 <sup>(4)</sup> | 36.41                          | 24.42% <sup>(1)</sup>  | 3                                       | 2.29% <sup>(7)</sup>   | -1.02% <sup>(7)</sup>   | —%   | —%  | 142% <sup>(5)</sup>     |
| <b>Class I Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 11.22                          | -56.60%                | 232                                     | 1.05%  | 0.22%   | —%   | —%  | 191%                    |
| Fiscal year ended 3-31-2008 <sup>(4)</sup> | 36.74                          | 26.14%                 | 71                                      | 1.00% <sup>(7)</sup>   | 0.30% <sup>(7)</sup>  | —%   | —%  | 142% <sup>(5)</sup>     |
| <b>Class R Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 11.02                          | -56.86%                | 22                                      | 1.57%  | -0.22%  | —%   | —%  | 191%                    |
| Fiscal year ended 3-31-2008                | 36.30                          | 26.31%                 | 25                                      | 1.55%  | -0.22%  | —%   | —%  | 142%                    |
| Fiscal year ended 3-31-2007                | 31.62                          | 15.20%                 | 4                                       | 1.58%  | 0.23%   | —%   | —%  | 106%                    |
| Fiscal year ended 3-31-2006 <sup>(6)</sup> | 30.10                          | 15.28%                 | —*                                      | 1.69% <sup>(7)</sup>   | 0.82% <sup>(7)</sup>  | —%   | —%  | 104% <sup>(8)</sup>     |
| <b>Class Y Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 11.17                          | -56.67%                | 278                                     | 1.20%  | 0.16%   | 1.28%  | 0.08%   | 191%                    |
| Fiscal year ended 3-31-2008                | 36.62                          | 26.74%                 | 813                                     | 1.20%  | 0.16%   | 1.26%  | 0.11%   | 142%                    |
| Fiscal year ended 3-31-2007                | 31.84                          | 15.63%                 | 311                                     | 1.20%  | 0.66%   | 1.27%  | 0.59%   | 106%                    |
| Fiscal year ended 3-31-2006                | 30.27                          | 41.07%                 | 116                                     | 1.20%  | 0.91%   | 1.35%  | 0.76%   | 104%                    |
| Fiscal year ended 3-31-2005                | 22.70                          | 28.98%                 | 21                                      | 1.20%  | -0.19%  | 1.48%  | -0.47%  | 110%                    |
| <b>Advisor Class Shares<sup>(3)</sup></b>  |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 10.95                          | -56.62%                | —*                                      | 0.97%  | 0.40%   | —%   | —%  | 191%                    |
| Fiscal year ended 3-31-2008                | 36.16                          | 27.09%                 | —*                                      | 0.93%  | 0.52%   | —%   | —%  | 142%                    |
| Fiscal year ended 3-31-2007                | 31.48                          | 15.86%                 | —*                                      | 0.95%  | 0.94%   | —%   | —%  | 106%                    |
| Fiscal year ended 3-31-2006                | 29.92                          | 41.09%                 | —*                                      | 1.25%  | 0.97%   | —%   | —%  | 104%                    |
| Fiscal year ended 3-31-2005                | 22.45                          | 28.63%                 | —*                                      | 1.47%  | -0.36%  | —%   | —%  | 110%                    |

See Accompanying Notes to Financial Statements.

# FINANCIAL HIGHLIGHTS

## Ivy Funds

FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

### IVY REAL ESTATE SECURITIES FUND

|  | Net Asset Value, Beginning of Period | Net Investment Income (Loss) | Net Realized and Unrealized Gain (Loss) on Investments | Total from Investment Operations | Distributions From Net Investment Income | Distributions From Net Realized Gains | Total Distributions |
|--|--------------------------------------|------------------------------|--|----------------------------------|--|---------------------------------------|---------------------|
| <b>Class A Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | \$ 19.34                             | \$ 0.23                      | \$(11.00)  | \$(10.77)                        | \$(0.26)                                 | \$ —*                                 | \$(0.26)            |
| Fiscal year ended 3-31-2008                | 26.14                                | 0.19                         | (4.87)   | (4.68)                           | (0.15)                                   | (1.97)                                | (2.12)              |
| Fiscal year ended 3-31-2007                | 23.11                                | 0.10                         | 4.05   | 4.15                             | (0.15)                                   | (0.97)                                | (1.12)              |
| Fiscal year ended 3-31-2006                | 18.13                                | 0.15                         | 5.81   | 5.96                             | (0.18)                                   | (0.80)                                | (0.98)              |
| Fiscal year ended 3-31-2005                | 16.99                                | 0.15 <sup>(3)</sup>          | 1.93 <sup>(3)</sup>                                    | 2.08                             | (0.25)                                   | (0.69)                                | (0.94)              |
| <b>Class B Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 19.15                                | 0.00                         | (10.85)  | (10.85)                          | (0.06)                                   | —*                                    | (0.06)              |
| Fiscal year ended 3-31-2008                | 25.91                                | (0.08)                       | (4.79)   | (4.87)                           | (0.01)                                   | (1.88)                                | (1.89)              |
| Fiscal year ended 3-31-2007                | 23.00                                | (0.09)                       | 3.97   | 3.88                             | —  | (0.97)                                | (0.97)              |
| Fiscal year ended 3-31-2006                | 18.08                                | 0.01                         | 5.72   | 5.73                             | (0.01)                                   | (0.80)                                | (0.81)              |
| Fiscal year ended 3-31-2005                | 16.97                                | (0.07) <sup>(3)</sup>        | 1.95 <sup>(3)</sup>                                    | 1.88                             | (0.08)                                   | (0.69)                                | (0.77)              |
| <b>Class C Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 19.22                                | 0.09                         | (10.92)  | (10.83)                          | (0.12)                                   | (0.01)                                | (0.13)              |
| Fiscal year ended 3-31-2008                | 26.01                                | 0.00                         | (4.85)   | (4.85)                           | (0.02)                                   | (1.92)                                | (1.94)              |
| Fiscal year ended 3-31-2007                | 23.04                                | (0.06)                       | 4.00   | 3.94                             | —  | (0.97)                                | (0.97)              |
| Fiscal year ended 3-31-2006                | 18.10                                | 0.03                         | 5.73   | 5.76                             | (0.02)                                   | (0.80)                                | (0.82)              |
| Fiscal year ended 3-31-2005                | 16.99                                | 0.12                         | 1.82   | 1.94                             | (0.14)                                   | (0.69)                                | (0.83)              |
| <b>Class E Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 19.36                                | 0.18                         | (11.00)  | (10.82)                          | (0.22)                                   | —*                                    | (0.22)              |
| Fiscal year ended 3-31-2008 <sup>(2)</sup> | 26.37                                | (0.32) <sup>(3)</sup>        | (4.78) <sup>(3)</sup>                                  | (5.10)                           | (0.03)                                   | (1.88)                                | (1.91)              |
| <b>Class I Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 19.43                                | 0.32                         | (11.03)  | (10.71)                          | (0.37)                                   | (0.01)                                | (0.38)              |
| Fiscal year ended 3-31-2008 <sup>(2)</sup> | 26.38                                | 0.18 <sup>(3)</sup>          | (4.92) <sup>(3)</sup>                                  | (4.74)                           | (0.24)                                   | (1.97)                                | (2.21)              |
| <b>Class R Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 19.35                                | 0.12 <sup>(3)</sup>          | (10.86) <sup>(3)</sup>                                 | (10.74)                          | (0.29)                                   | (0.01)                                | (0.30)              |
| Fiscal year ended 3-31-2008                | 26.14                                | 0.12                         | (4.81)   | (4.69)                           | (0.13)                                   | (1.97)                                | (2.10)              |
| Fiscal year ended 3-31-2007                | 23.11                                | 0.15                         | 3.98   | 4.13                             | (0.13)                                   | (0.97)                                | (1.10)              |
| Fiscal year ended 3-31-2006 <sup>(5)</sup> | 20.55                                | (0.20)                       | 2.79   | 2.59                             | (0.03)                                   | —                                     | (0.03)              |
| <b>Class Y Shares</b>                      |                                      |                              |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 19.35                                | 0.26                         | (10.95)  | (10.69)                          | (0.34)                                   | (0.01)                                | (0.35)              |
| Fiscal year ended 3-31-2008                | 26.15                                | 0.36                         | (4.99)   | (4.63)                           | (0.20)                                   | (1.97)                                | (2.17)              |
| Fiscal year ended 3-31-2007                | 23.12                                | 0.23                         | 3.97   | 4.20                             | (0.20)                                   | (0.97)                                | (1.17)              |
| Fiscal year ended 3-31-2006                | 18.14                                | 0.27                         | 5.75   | 6.02                             | (0.24)                                   | (0.80)                                | (1.04)              |
| Fiscal year ended 3-31-2005                | 16.99                                | 0.26 <sup>(3)</sup>          | 1.87 <sup>(3)</sup>                                    | 2.13                             | (0.29)                                   | (0.69)                                | (0.98)              |

\*Not shown due to rounding.

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

(2) For the period from April 2, 2007 (commencement of operations of the class) through March 31, 2008.

(3) Based on average weekly shares outstanding.

(4) For the fiscal year ended March 31, 2008.

(5) For the period from December 29, 2005 (commencement of operations of the class) through March 31, 2006.

(6) Annualized.

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

Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

|  | Net Asset Value, End of Period | Total Return           | Net Assets, End of Period (in millions) | Ratio of Expenses to Average Net Assets Including Expense Waiver | Ratio of Net Investment Income to Average Net Assets Including Expense Waiver | Ratio of Expenses to Average Net Assets Excluding Expense Waiver | Ratio of Net Investment Income to Average Net Assets Excluding Expense Waiver | Portfolio Turnover Rate |
|--|--------------------------------|------------------------|---|--|---|--|---|-------------------------|
| <b>Class A Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | \$ 8.31                        | -56.07% <sup>(1)</sup> | \$ 100                                  | 1.93%  | 1.41%   | —%   | —%  | 42%                     |
| Fiscal year ended 3-31-2008                | 19.34                          | -18.13% <sup>(1)</sup> | 253                                     | 1.67%  | 0.70%   | —%   | —%  | 27%                     |
| Fiscal year ended 3-31-2007                | 26.14                          | 18.09% <sup>(1)</sup>  | 395                                     | 1.57%  | 0.54%   | —%   | —%  | 35%                     |
| Fiscal year ended 3-31-2006                | 23.11                          | 33.53% <sup>(1)</sup>  | 256                                     | 1.64%  | 0.91%   | —%   | —%  | 35%                     |
| Fiscal year ended 3-31-2005                | 18.13                          | 12.09% <sup>(1)</sup>  | 155                                     | 1.67%  | 0.95%   | —%   | —%  | 48%                     |
| <b>Class B Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 8.24                           | -56.69%                | 4                                       | 3.18%  | 0.29%   | —%   | —%  | 42%                     |
| Fiscal year ended 3-31-2008                | 19.15                          | -18.98%                | 13                                      | 2.71%  | -0.24%  | —%   | —%  | 27%                     |
| Fiscal year ended 3-31-2007                | 25.91                          | 16.93%                 | 22                                      | 2.57%  | -0.42%  | —%   | —%  | 35%                     |
| Fiscal year ended 3-31-2006                | 23.00                          | 32.19%                 | 15                                      | 2.66%  | 0.01%   | —%   | —%  | 35%                     |
| Fiscal year ended 3-31-2005                | 18.08                          | 10.91%                 | 10                                      | 2.73%  | -0.24%  | —%   | —%  | 48%                     |
| <b>Class C Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 8.26                           | -56.47%                | 5                                       | 2.79%  | 0.57%   | —%   | —%  | 42%                     |
| Fiscal year ended 3-31-2008                | 19.22                          | -18.84%                | 13                                      | 2.50%  | 0.03%   | —%   | —%  | 27%                     |
| Fiscal year ended 3-31-2007                | 26.01                          | 17.17%                 | 26                                      | 2.39%  | -0.28%  | —%   | —%  | 35%                     |
| Fiscal year ended 3-31-2006                | 23.04                          | 32.38%                 | 17                                      | 2.46%  | 0.15%   | —%   | —%  | 35%                     |
| Fiscal year ended 3-31-2005                | 18.10                          | 11.21%                 | 10                                      | 2.49%  | 0.14%   | —%   | —%  | 48%                     |
| <b>Class E Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 8.32                           | -56.07% <sup>(1)</sup> | —*                                      | 2.12%  | 1.01%   | 3.33%  | -0.20%  | 42%                     |
| Fiscal year ended 3-31-2008 <sup>(2)</sup> | 19.36                          | -19.55% <sup>(1)</sup> | —*                                      | 2.77% <sup>(6)</sup>   | -1.47% <sup>(6)</sup>   | —%   | —%  | 27% <sup>(4)</sup>      |
| <b>Class I Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 8.34                           | -55.70%                | 1                                       | 1.16%  | 2.13%   | —%   | —%  | 42%                     |
| Fiscal year ended 3-31-2008 <sup>(2)</sup> | 19.43                          | -18.17%                | 1                                       | 1.17% <sup>(6)</sup>   | 0.75% <sup>(6)</sup>  | —%   | —%  | 27% <sup>(4)</sup>      |
| <b>Class R Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 8.31                           | -55.94%                | —*                                      | 1.70%  | 1.04%   | —%   | —%  | 42%                     |
| Fiscal year ended 3-31-2008                | 19.35                          | -18.12%                | —*                                      | 1.68%  | 0.26%   | —%   | —%  | 27%                     |
| Fiscal year ended 3-31-2007                | 26.14                          | 17.98%                 | —*                                      | 1.68%  | 0.43%   | —%   | —%  | 35%                     |
| Fiscal year ended 3-31-2006 <sup>(5)</sup> | 23.11                          | 12.59%                 | —*                                      | 1.73% <sup>(6)</sup>   | -3.64% <sup>(6)</sup>   | —%   | —%  | 35% <sup>(7)</sup>      |
| <b>Class Y Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 8.31                           | -55.78%                | 54                                      | 1.39%  | 1.77%   | —%   | —%  | 42%                     |
| Fiscal year ended 3-31-2008                | 19.35                          | -17.89%                | 120                                     | 1.38%  | 1.19%   | —%   | —%  | 27%                     |
| Fiscal year ended 3-31-2007                | 26.15                          | 18.32%                 | 265                                     | 1.37%  | 0.94%   | —%   | —%  | 35%                     |
| Fiscal year ended 3-31-2006                | 23.12                          | 33.86%                 | 216                                     | 1.39%  | 1.27%   | —%   | —%  | 35%                     |
| Fiscal year ended 3-31-2005                | 18.14                          | 12.40%                 | 148                                     | 1.44%  | 1.59%   | —%   | —%  | 48%                     |

See Accompanying Notes to Financial Statements.

# FINANCIAL HIGHLIGHTS

## Ivy Funds

FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

### IVY BOND FUND

|  | Net Asset Value, Beginning of Period | Net Investment Income | Net Realized and Unrealized Gain (Loss) on Investments | Total from Investment Operations | Distributions From Net Investment Income | Distributions From Net Realized Gains | Total Distributions |
|--|--------------------------------------|-----------------------|--|----------------------------------|--|---------------------------------------|---------------------|
| <b>Class A Shares</b>                      |                                      |                       |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | \$ 9.84                              | \$0.36                | \$(1.06)   | \$(0.70)                         | \$(0.38)                                 | \$ —                                  | \$(0.38)            |
| Fiscal year ended 3-31-2008                | 10.46                                | 0.47                  | (0.62)   | (0.15)                           | (0.47)                                   | —                                     | (0.47)              |
| Fiscal year ended 3-31-2007                | 10.28                                | 0.46                  | 0.18   | 0.64                             | (0.46)                                   | —                                     | (0.46)              |
| Fiscal year ended 3-31-2006                | 10.52                                | 0.42                  | (0.24)   | 0.18                             | (0.42)                                   | —                                     | (0.42)              |
| Fiscal year ended 3-31-2005                | 10.83                                | 0.41                  | (0.30)   | 0.11                             | (0.42)                                   | —                                     | (0.42)              |
| <b>Class B Shares</b>                      |                                      |                       |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 9.84                                 | 0.24                  | (1.06)   | (0.82)                           | (0.26)                                   | —                                     | (0.26)              |
| Fiscal year ended 3-31-2008                | 10.46                                | 0.36                  | (0.62)   | (0.26)                           | (0.36)                                   | —                                     | (0.36)              |
| Fiscal year ended 3-31-2007                | 10.28                                | 0.34                  | 0.18   | 0.52                             | (0.34)                                   | —                                     | (0.34)              |
| Fiscal year ended 3-31-2006                | 10.52                                | 0.30                  | (0.24)   | 0.06                             | (0.30)                                   | —                                     | (0.30)              |
| Fiscal year ended 3-31-2005                | 10.83                                | 0.28                  | (0.31)   | (0.03)                           | (0.28)                                   | —                                     | (0.28)              |
| <b>Class C Shares</b>                      |                                      |                       |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 9.84                                 | 0.27 <sup>(2)</sup>   | (1.05) <sup>(2)</sup>                                  | (0.78)                           | (0.30)                                   | —                                     | (0.30)              |
| Fiscal year ended 3-31-2008                | 10.46                                | 0.39                  | (0.62)   | (0.23)                           | (0.39)                                   | —                                     | (0.39)              |
| Fiscal year ended 3-31-2007                | 10.28                                | 0.37                  | 0.18   | 0.55                             | (0.37)                                   | —                                     | (0.37)              |
| Fiscal year ended 3-31-2006                | 10.52                                | 0.31                  | (0.24)   | 0.07                             | (0.31)                                   | —                                     | (0.31)              |
| Fiscal year ended 3-31-2005                | 10.83                                | 0.27                  | (0.31)   | (0.04)                           | (0.27)                                   | —                                     | (0.27)              |
| <b>Class E Shares</b>                      |                                      |                       |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 9.84                                 | 0.34                  | (1.06)   | (0.72)                           | (0.36)                                   | —                                     | (0.36)              |
| Fiscal year ended 3-31-2008 <sup>(3)</sup> | 10.46                                | 0.43 <sup>(2)</sup>   | (0.62) <sup>(2)</sup>                                  | (0.19)                           | (0.43)                                   | —                                     | (0.43)              |
| <b>Class I Shares</b>                      |                                      |                       |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 9.84                                 | 0.39                  | (1.06)   | (0.67)                           | (0.41)                                   | —                                     | (0.41)              |
| Fiscal year ended 3-31-2008 <sup>(3)</sup> | 10.46                                | 0.50 <sup>(2)</sup>   | (0.62) <sup>(2)</sup>                                  | (0.12)                           | (0.50)                                   | —                                     | (0.50)              |
| <b>Class Y Shares</b>                      |                                      |                       |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 9.84                                 | 0.33 <sup>(2)</sup>   | (1.03) <sup>(2)</sup>                                  | (0.70)                           | (0.38)                                   | —                                     | (0.38)              |
| Fiscal year ended 3-31-2008                | 10.46                                | 0.46 <sup>(2)</sup>   | (0.62) <sup>(2)</sup>                                  | (0.16)                           | (0.46)                                   | —                                     | (0.46)              |
| Fiscal year ended 3-31-2007                | 10.28                                | 0.46                  | 0.18   | 0.64                             | (0.46)                                   | —                                     | (0.46)              |
| Fiscal year ended 3-31-2006                | 10.52                                | 0.41                  | (0.24)   | 0.17                             | (0.41)                                   | —                                     | (0.41)              |
| Fiscal year ended 3-31-2005                | 10.83                                | 0.39                  | (0.31)   | 0.08                             | (0.39)                                   | —                                     | (0.39)              |

\*Not shown due to rounding.

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

(2) Based on average weekly shares outstanding.

(3) For the period from April 2, 2007 (commencement of operations of the class) through March 31, 2008.

(4) For the fiscal year ended March 31, 2008.

(5) Annualized.

Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

IVY BOND FUND

|  | Net Asset Value, End of Period | Total Return          | Net Assets, End of Period (in millions) | Ratio of Expenses to Average Net Assets Including Expense Waiver | Ratio of Net Investment Income to Average Net Assets Including Expense Waiver | Ratio of Expenses to Average Net Assets Excluding Expense Waiver | Ratio of Net Investment Income to Average Net Assets Excluding Expense Waiver | Portfolio Turnover Rate |
|--|--------------------------------|-----------------------|---|--|---|--|---|-------------------------|
| <b>Class A Shares</b>                      |                                |                       |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | \$ 8.76                        | -7.22% <sup>(1)</sup> | \$ 98                                   | 1.25%  | 3.89%   | —%   | —%  | 441%                    |
| Fiscal year ended 3-31-2008                | 9.84                           | -1.51% <sup>(1)</sup> | 95                                      | 1.21%  | 4.57%   | —%   | —%  | 75%                     |
| Fiscal year ended 3-31-2007                | 10.46                          | 6.40% <sup>(1)</sup>  | 64                                      | 1.20%  | 4.48%   | —%   | —%  | 91%                     |
| Fiscal year ended 3-31-2006                | 10.28                          | 1.74% <sup>(1)</sup>  | 56                                      | 1.23%  | 4.03%   | —%   | —%  | 126%                    |
| Fiscal year ended 3-31-2005                | 10.52                          | 1.04% <sup>(1)</sup>  | 49                                      | 1.17%  | 3.84%   | 1.43%  | 3.58%   | 200%                    |
| <b>Class B Shares</b>                      |                                |                       |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 8.76                           | -8.45%                | 3                                       | 2.60%  | 2.51%   | —%   | —%  | 441%                    |
| Fiscal year ended 3-31-2008                | 9.84                           | -2.59%                | 2                                       | 2.31%  | 3.46%   | —%   | —%  | 75%                     |
| Fiscal year ended 3-31-2007                | 10.46                          | 5.22%                 | 2                                       | 2.32%  | 3.37%   | —%   | —%  | 91%                     |
| Fiscal year ended 3-31-2006                | 10.28                          | 0.57%                 | 1                                       | 2.38%  | 2.90%   | —%   | —%  | 126%                    |
| Fiscal year ended 3-31-2005                | 10.52                          | -0.23%                | 1                                       | 2.45%  | 2.63%   | —%   | —%  | 200%                    |
| <b>Class C Shares</b>                      |                                |                       |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 8.76                           | -7.99%                | 13                                      | 2.06%  | 2.92%   | —%   | —%  | 441%                    |
| Fiscal year ended 3-31-2008                | 9.84                           | -2.31%                | 5                                       | 2.02%  | 3.76%   | —%   | —%  | 75%                     |
| Fiscal year ended 3-31-2007                | 10.46                          | 5.48%                 | 4                                       | 2.06%  | 3.62%   | —%   | —%  | 91%                     |
| Fiscal year ended 3-31-2006                | 10.28                          | 0.66%                 | 2                                       | 2.28%  | 3.01%   | —%   | —%  | 126%                    |
| Fiscal year ended 3-31-2005                | 10.52                          | -0.40%                | 1                                       | 2.59%  | 2.47%   | —%   | —%  | 200%                    |
| <b>Class E Shares</b>                      |                                |                       |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 8.76                           | -7.37% <sup>(1)</sup> | 1                                       | 1.37%  | 3.73%   | 1.77%  | 3.33%   | 441%                    |
| Fiscal year ended 3-31-2008 <sup>(3)</sup> | 9.84                           | -1.85% <sup>(1)</sup> | 1                                       | 1.59% <sup>(5)</sup>   | 4.14% <sup>(5)</sup>  | —%   | —%  | 75% <sup>(4)</sup>      |
| <b>Class I Shares</b>                      |                                |                       |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 8.76                           | -6.88%                | —*                                      | 0.88%  | 4.26%   | —%   | —%  | 441%                    |
| Fiscal year ended 3-31-2008 <sup>(3)</sup> | 9.84                           | -1.17%                | —*                                      | 0.91% <sup>(5)</sup>   | 4.87% <sup>(5)</sup>  | —%   | —%  | 75% <sup>(4)</sup>      |
| <b>Class Y Shares</b>                      |                                |                       |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 8.76                           | -7.23%                | 1                                       | 1.19%  | 3.61%   | 1.21%  | 3.59%   | 441%                    |
| Fiscal year ended 3-31-2008                | 9.84                           | -1.60%                | —*                                      | 1.34%  | 4.42%   | —%   | —%  | 75%                     |
| Fiscal year ended 3-31-2007                | 10.46                          | 6.43%                 | —*                                      | 1.09%  | 4.60%   | —%   | —%  | 91%                     |
| Fiscal year ended 3-31-2006                | 10.28                          | 1.62%                 | —*                                      | 1.34%  | 3.91%   | —%   | —%  | 126%                    |
| Fiscal year ended 3-31-2005                | 10.52                          | 0.75%                 | —*                                      | 1.46%  | 3.65%   | —%   | —%  | 200%                    |

See Accompanying Notes to Financial Statements.

# FINANCIAL HIGHLIGHTS

## Ivy Funds

FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

### IVY GLOBAL BOND FUND

|  | Net Asset Value, Beginning of Period | Net Investment Income | Net Realized and Unrealized Loss on Investments | Total from Investment Operations | Distributions From Net Investment Income | Distributions From Net Realized Gains | Total Distributions |
|--|--------------------------------------|-----------------------|---|----------------------------------|--|---------------------------------------|---------------------|
| <b>Class A Shares</b>                      |                                      |                       |   |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009 <sup>(1)</sup> | \$ 10.00                             | \$0.19 <sup>(2)</sup> | \$(0.53) <sup>(2)</sup>                         | \$(0.34)                         | \$(0.15)                                 | \$(0.12)                              | \$(0.27)            |
| <b>Class B Shares</b>                      |                                      |                       |   |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009 <sup>(1)</sup> | 10.00                                | 0.16 <sup>(2)</sup>   | (0.58) <sup>(2)</sup>                           | (0.42)                           | (0.08)                                   | (0.12)                                | (0.20)              |
| <b>Class C Shares</b>                      |                                      |                       |   |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009 <sup>(1)</sup> | 10.00                                | 0.16 <sup>(2)</sup>   | (0.58) <sup>(2)</sup>                           | (0.42)                           | (0.08)                                   | (0.12)                                | (0.20)              |
| <b>Class I Shares</b>                      |                                      |                       |   |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009 <sup>(1)</sup> | 10.00                                | 0.25 <sup>(2)</sup>   | (0.57) <sup>(2)</sup>                           | (0.32)                           | (0.17)                                   | (0.12)                                | (0.29)              |
| <b>Class Y Shares</b>                      |                                      |                       |   |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009 <sup>(1)</sup> | 10.00                                | 0.23 <sup>(2)</sup>   | (0.57) <sup>(2)</sup>                           | (0.34)                           | (0.15)                                   | (0.12)                                | (0.27)              |

(1)For the period from April 4, 2008 (commencement of operations of the class) through March 31, 2009.

(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.

Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.



|  | Net Asset Value, End of Period | Total Return          | Net Assets, End of Period (in millions) | Ratio of Expenses to Average Net Assets Including Expense Waiver | Ratio of Net Investment Income to Average Net Assets Including Expense Waiver | Ratio of Expenses to Average Net Assets Excluding Expense Waiver | Ratio of Net Investment Income to Average Net Assets Excluding Expense Waiver | Portfolio Turnover Rate |
|--|--------------------------------|-----------------------|---|--|---|--|---|-------------------------|
| <b>Class A Shares</b>                      |                                |                       |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009 <sup>(1)</sup> | \$9.39                         | -3.35% <sup>(3)</sup> | \$32                                    | 1.01% <sup>(4)</sup>   | 2.87% <sup>(4)</sup>  | 1.56% <sup>(4)</sup>   | 2.32% <sup>(4)</sup>  | 18%                     |
| <b>Class B Shares</b>                      |                                |                       |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009 <sup>(1)</sup> | 9.38                           | -4.11%                | 6                                       | 1.76% <sup>(4)</sup>   | 1.85% <sup>(4)</sup>  | 2.16% <sup>(4)</sup>   | 1.45% <sup>(4)</sup>  | 18%                     |
| <b>Class C Shares</b>                      |                                |                       |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009 <sup>(1)</sup> | 9.38                           | -4.10%                | 13                                      | 1.74% <sup>(4)</sup>   | 2.03% <sup>(4)</sup>  | 2.17% <sup>(4)</sup>   | 1.61% <sup>(4)</sup>  | 18%                     |
| <b>Class I Shares</b>                      |                                |                       |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009 <sup>(1)</sup> | 9.39                           | -3.11%                | 5                                       | 0.76% <sup>(4)</sup>   | 2.80% <sup>(4)</sup>  | 1.21% <sup>(4)</sup>   | 2.35% <sup>(4)</sup>  | 18%                     |
| <b>Class Y Shares</b>                      |                                |                       |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009 <sup>(1)</sup> | 9.39                           | -3.34%                | 8                                       | 1.01% <sup>(4)</sup>   | 2.65% <sup>(4)</sup>  | 1.47% <sup>(4)</sup>   | 2.19% <sup>(4)</sup>  | 18%                     |

See Accompanying Notes to Financial Statements.

# FINANCIAL HIGHLIGHTS

## Ivy Funds

FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

### IVY MORTGAGE SECURITIES FUND

|  | Net Asset Value, Beginning of Period | Net Investment Income | Net Realized and Unrealized Gain (Loss) on Investments | Total from Investment Operations | Distributions From Net Investment Income | Distributions From Net Realized Gains | Total Distributions |
|--|--------------------------------------|-----------------------|--|----------------------------------|--|---------------------------------------|---------------------|
| <b>Class A Shares</b>                      |                                      |                       |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | \$ 9.62                              | \$0.35                | \$(1.77)   | \$(1.42)                         | \$(0.47)                                 | \$ —                                  | \$(0.47)            |
| Fiscal year ended 3-31-2008                | 10.59                                | 0.49                  | (0.97)   | (0.48)                           | (0.49)                                   | —                                     | (0.49)              |
| Fiscal year ended 3-31-2007                | 10.44                                | 0.51                  | 0.15   | 0.66                             | (0.51)                                   | —                                     | (0.51)              |
| Fiscal year ended 3-31-2006                | 10.68                                | 0.48                  | (0.24)   | 0.24                             | (0.48)                                   | —                                     | (0.48)              |
| Fiscal year ended 3-31-2005                | 10.96                                | 0.49                  | (0.27)   | 0.22                             | (0.49)                                   | (0.01)                                | (0.50)              |
| <b>Class B Shares</b>                      |                                      |                       |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 9.62                                 | 0.26                  | (1.77)   | (1.51)                           | (0.38)                                   | —                                     | (0.38)              |
| Fiscal year ended 3-31-2008                | 10.59                                | 0.39                  | (0.97)   | (0.58)                           | (0.39)                                   | —                                     | (0.39)              |
| Fiscal year ended 3-31-2007                | 10.44                                | 0.40                  | 0.15   | 0.55                             | (0.40)                                   | —                                     | (0.40)              |
| Fiscal year ended 3-31-2006                | 10.68                                | 0.36                  | (0.24)   | 0.12                             | (0.36)                                   | —                                     | (0.36)              |
| Fiscal year ended 3-31-2005                | 10.96                                | 0.37                  | (0.27)   | 0.10                             | (0.37)                                   | (0.01)                                | (0.38)              |
| <b>Class C Shares</b>                      |                                      |                       |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 9.62                                 | 0.29                  | (1.77)   | (1.48)                           | (0.41)                                   | —                                     | (0.41)              |
| Fiscal year ended 3-31-2008                | 10.59                                | 0.41                  | (0.97)   | (0.56)                           | (0.41)                                   | —                                     | (0.41)              |
| Fiscal year ended 3-31-2007                | 10.44                                | 0.42                  | 0.15   | 0.57                             | (0.42)                                   | —                                     | (0.42)              |
| Fiscal year ended 3-31-2006                | 10.68                                | 0.38                  | (0.24)   | 0.14                             | (0.38)                                   | —                                     | (0.38)              |
| Fiscal year ended 3-31-2005                | 10.96                                | 0.38                  | (0.27)   | 0.11                             | (0.38)                                   | (0.01)                                | (0.39)              |
| <b>Class E Shares</b>                      |                                      |                       |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 9.62                                 | 0.34                  | (1.77)   | (1.43)                           | (0.46)                                   | —                                     | (0.46)              |
| Fiscal year ended 3-31-2008 <sup>(2)</sup> | 10.59                                | 0.44                  | (0.97)   | (0.53)                           | (0.44)                                   | —                                     | (0.44)              |
| <b>Class I Shares</b>                      |                                      |                       |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 9.62                                 | 0.40                  | (1.77)   | (1.37)                           | (0.52)                                   | —                                     | (0.52)              |
| Fiscal year ended 3-31-2008 <sup>(2)</sup> | 10.59                                | 0.57                  | (0.97)   | (0.40)                           | (0.57)                                   | —                                     | (0.57)              |
| <b>Class Y Shares</b>                      |                                      |                       |  |                                  |  |                                       |                     |
| Fiscal year ended 3-31-2009                | 9.62                                 | 0.38                  | (1.77)   | (1.39)                           | (0.50)                                   | —                                     | (0.50)              |
| Fiscal year ended 3-31-2008                | 10.59                                | 0.51                  | (0.97)   | (0.46)                           | (0.51)                                   | —                                     | (0.51)              |
| Fiscal year ended 3-31-2007                | 10.44                                | 0.52                  | 0.15   | 0.67                             | (0.52)                                   | —                                     | (0.52)              |
| Fiscal year ended 3-31-2006                | 10.68                                | 0.48                  | (0.24)   | 0.24                             | (0.48)                                   | —                                     | (0.48)              |
| Fiscal year ended 3-31-2005                | 10.96                                | 0.48                  | (0.27)   | 0.21                             | (0.48)                                   | (0.01)                                | (0.49)              |

\*Not shown due to rounding.

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

(2) For the period from April 2, 2007 (commencement of operations of the class) through March 31, 2008.

(3) For the fiscal year ended March 31, 2008.

(4) Annualized.

Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

IVY MORTGAGE SECURITIES FUND

|  | Net Asset Value, End of Period | Total Return           | Net Assets, End of Period (in millions) | Ratio of Expenses to Average Net Assets Including Expense Waiver | Ratio of Net Investment Income to Average Net Assets Including Expense Waiver | Ratio of Expenses to Average Net Assets Excluding Expense Waiver | Ratio of Net Investment Income to Average Net Assets Excluding Expense Waiver | Portfolio Turnover Rate |
|--|--------------------------------|------------------------|---|--|---|--|---|-------------------------|
| <b>Class A Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | \$ 7.73                        | -15.15% <sup>(1)</sup> | \$ 132                                  | 1.29%  | 4.32%   | —%   | —%  | 149%                    |
| Fiscal year ended 3-31-2008                | 9.62                           | -4.69% <sup>(1)</sup>  | 256                                     | 1.14%  | 4.80%   | —%   | —%  | 98%                     |
| Fiscal year ended 3-31-2007                | 10.59                          | 6.52% <sup>(1)</sup>   | 278                                     | 1.14%  | 4.90%   | —%   | —%  | 121%                    |
| Fiscal year ended 3-31-2006                | 10.44                          | 2.24% <sup>(1)</sup>   | 243                                     | 1.05%  | 4.51%   | 1.16%  | 4.40%   | 154%                    |
| Fiscal year ended 3-31-2005                | 10.68                          | 2.12% <sup>(1)</sup>   | 188                                     | 0.95%  | 4.59%   | 1.23%  | 4.31%   | 200%                    |
| <b>Class B Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 7.73                           | -16.06%                | 5                                       | 2.33%  | 3.39%   | —%   | —%  | 149%                    |
| Fiscal year ended 3-31-2008                | 9.62                           | -5.62%                 | 11                                      | 2.11%  | 3.82%   | —%   | —%  | 98%                     |
| Fiscal year ended 3-31-2007                | 10.59                          | 5.45%                  | 12                                      | 2.16%  | 3.88%   | —%   | —%  | 121%                    |
| Fiscal year ended 3-31-2006                | 10.44                          | 1.12%                  | 11                                      | 2.16%  | 3.41%   | —%   | —%  | 154%                    |
| Fiscal year ended 3-31-2005                | 10.68                          | 0.92%                  | 7                                       | 2.16%  | 3.29%   | —%   | —%  | 200%                    |
| <b>Class C Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 7.73                           | -15.77%                | 8                                       | 2.02%  | 3.64%   | —%   | —%  | 149%                    |
| Fiscal year ended 3-31-2008                | 9.62                           | -5.43%                 | 17                                      | 1.92%  | 4.02%   | —%   | —%  | 98%                     |
| Fiscal year ended 3-31-2007                | 10.59                          | 5.69%                  | 19                                      | 1.93%  | 4.11%   | —%   | —%  | 121%                    |
| Fiscal year ended 3-31-2006                | 10.44                          | 1.34%                  | 19                                      | 1.93%  | 3.63%   | —%   | —%  | 154%                    |
| Fiscal year ended 3-31-2005                | 10.68                          | 1.05%                  | 12                                      | 2.03%  | 3.41%   | —%   | —%  | 200%                    |
| <b>Class E Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 7.73                           | -15.21% <sup>(1)</sup> | —*                                      | 1.38%  | 3.87%   | 1.94%  | 3.31%   | 149%                    |
| Fiscal year ended 3-31-2008 <sup>(2)</sup> | 9.62                           | -5.20% <sup>(1)</sup>  | —*                                      | 1.73% <sup>(4)</sup>   | 4.20% <sup>(4)</sup>  | —%   | —%  | 98% <sup>(3)</sup>      |
| <b>Class I Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 7.73                           | -14.70%                | —*                                      | 0.79%  | 4.52%   | —%   | —%  | 149%                    |
| Fiscal year ended 3-31-2008 <sup>(2)</sup> | 9.62                           | -4.05%                 | —*                                      | 0.78% <sup>(4)</sup>   | 5.15% <sup>(4)</sup>  | —%   | —%  | 98% <sup>(3)</sup>      |
| <b>Class Y Shares</b>                      |                                |                        |   |  |   |  |   |                         |
| Fiscal year ended 3-31-2009                | 7.73                           | -14.91%                | 3                                       | 1.02%  | 4.73%   | —%   | —%  | 149%                    |
| Fiscal year ended 3-31-2008                | 9.62                           | -4.57%                 | 9                                       | 1.01%  | 4.93%   | —%   | —%  | 98%                     |
| Fiscal year ended 3-31-2007                | 10.59                          | 6.66%                  | 13                                      | 1.00%  | 5.04%   | —%   | —%  | 121%                    |
| Fiscal year ended 3-31-2006                | 10.44                          | 2.26%                  | 7                                       | 1.03%  | 4.53%   | —%   | —%  | 154%                    |
| Fiscal year ended 3-31-2005                | 10.68                          | 1.95%                  | 6                                       | 1.12%  | 4.41%   | —%   | —%  | 200%                    |

See Accompanying Notes to Financial Statements.

## 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Ivy Funds (the Trust) is registered under the Investment Company Act of 1940, as amended, as a diversified, open-end management investment company. The Trust issues eighteen series of capital shares; each series represents ownership of a separate mutual fund (Fund). The investment objective(s), policies and risk factors of each Fund are described more fully in that Fund's prospectus and Statement of Additional Information. The Trust's investment manager is Ivy Investment Management Company (IICO or the Manager).

Each Fund offers Class A, Class B, Class C, Class I and Class Y shares. Certain Funds may offer Class E and/or Class R shares. Class A and Class E shares are sold at their offering price, which is normally net asset value plus a front-end sales charge. Class B and Class C shares are sold without a front-end sales charge but may be subject to a contingent deferred sales charge (CDSC). Class I, Class R and Class Y shares are sold without either a front-end sales charge or a CDSC. Class II and Advisor Class shares were formerly offered by certain Funds, but are no longer available for sale. All classes of shares have identical rights and voting privileges with respect to the Fund in general and exclusive voting rights on matters that affect that class alone. Earnings, net assets and net asset value per share may differ due to each class having its own expenses, such as transfer agent and shareholder servicing fees, directly attributable to that class. Class A, B, C, E, R and Y have separate distribution and/or service plans. No such plan has been adopted for Class I shares. Class B shares will automatically convert to Class A shares 96 months after the date of purchase.

The following is a summary of significant accounting policies consistently followed by each Fund.

**Securities Valuation.** Each Fund calculates the net asset value of its shares as of the close of the New York Stock Exchange (the NYSE), normally 4:00 P.M. Eastern time, on each day the NYSE is open for trading.

Securities traded on U.S. or foreign securities exchanges or included in a national market system are valued at the official closing price at the close of each business day unless otherwise stated below. Over-the-counter securities and listed securities for which no price is readily available are valued at the average of the last bid and asked prices. Security prices are based on quotes that are obtained from an independent pricing service approved by the Board of Trustees.

To determine values of fixed-income securities, the independent pricing service takes into consideration such factors as current quotations by broker/dealers, coupon, maturity, quality, type of issue, trading characteristics, and other yield and risk factors it deems relevant in determining valuations. Securities which cannot be valued by the independent pricing service are valued using valuations obtained from dealers that make markets in the securities.

Options and swaps are valued by the independent pricing service unless the price is unavailable, in which case they are valued at the mean between the last bid and asked price. Futures contracts traded on an exchange are generally valued at the settlement price. Mutual funds, including investments in other Funds, are valued at the net asset value at the close of each business day.

Forward currency exchange contracts are valued daily based upon the closing prices of the forward currency rates determined at the close of the NYSE as provided by a bank, dealer or independent pricing service.

Senior loans are valued using a composite price from more than one broker or dealer as obtained from an independent pricing service.

Short-term securities are valued on the basis of amortized cost (which approximates market value), whereby a portfolio security is valued at its cost initially, and thereafter valued to reflect a constant amortization to maturity of any discount or premium.

Because many foreign markets close before the U.S. markets, events may occur between the close of the foreign market and the close of the U.S. markets that could have a material impact on the valuation of foreign securities. The Funds, under the supervision of the Board of Trustees, evaluate the impact of these events and may adjust the valuation of foreign securities to reflect the fair value as of the close of the U.S. markets. As of March 31, 2009, the following Funds had aggregate investments valued at fair value (unrealized appreciation (depreciation) for futures contracts) as shown:

| Fund Name                                    | Total Amount of Fair Valued Securities | Percent of Net Assets |
|--|--|-----------------------|
| Ivy Cundill Global Value Fund . . . . .      | \$ 142,370                             | 51.23%                |
| Ivy European Opportunities Fund . . . . .    | 174,430                                | 93.57%                |
| Ivy International Balanced Fund . . . . .    | 103,185                                | 54.21%                |
| Ivy International Core Equity Fund . . . . . | 199,938                                | 85.18%                |
| Ivy International Growth Fund . . . . .      | 100,313                                | 78.44%                |
| Ivy Pacific Opportunities Fund . . . . .     | 262,810                                | 83.79%                |
| Ivy Balanced Fund . . . . .                  | 2,623                                  | 1.64%                 |
| Ivy Global Natural Resources Fund . . . . .  | 520,268                                | 18.38%                |
| Ivy Bond Fund . . . . .                      | 29                                     | 0.02%                 |

### Security Transactions and Related Investment Income.

Security transactions are accounted for on the trade date (date the order to buy or sell is executed). Realized securities gains and losses are calculated on the identified cost basis. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date, except certain dividends from foreign securities where the ex-dividend date may have passed, which are recorded as soon as the Fund is informed of the ex-dividend date.

### Securities on a When-Issued or Delayed Delivery Basis.

Each Fund may purchase securities on a "when-issued" basis, and may purchase or sell securities on a "delayed delivery" basis. "When-issued" or "delayed delivery" refers to securities whose terms and indenture are available and for which a market exists, but which are not available for immediate delivery. Delivery and

payment for securities that have been purchased by the Fund on a when-issued basis normally takes place within six months and possibly as long as two years or more after the trade date. During this period, such securities do not earn interest, are subject to market fluctuation and may increase or decrease in value prior to their delivery. The purchase of securities on a when-issued basis may increase the volatility of the Fund's net asset value to the extent the Fund executes such transactions while remaining substantially fully invested. When the Fund engages in when-issued or delayed delivery transactions, it relies on the buyer or seller, as the case may be, to complete the transaction. Their failure to do so may cause the Fund to lose the opportunity to obtain or dispose of the security at a price and yield it considers advantageous. The Fund maintains internally designated assets with a market value equal to or greater than the amount of its purchase commitments. The Fund may also sell securities that it purchased on a when-issued or delayed-delivery basis prior to settlement of the original purchase.

**Mortgage Dollar Roll Transactions.** Certain Funds enter into dollar roll transactions on securities issued or to be issued by the Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation, in which the Fund sells mortgage securities and simultaneously agrees to repurchase similar (same type, coupon and maturity) securities at a later date at an agreed upon price. During the period between the sale and repurchase, the Fund forgoes principal and interest paid on the mortgage securities sold. The Fund is compensated from negotiated fees paid by brokers offered as an inducement to the Fund to "roll over" their purchase commitments. These fees, if any, are recognized over the roll period and are included in Income from mortgage dollar rolls in the Statement of Operations. During the fiscal year ended March 31, 2009, Ivy Bond Fund and Ivy Mortgage Securities Fund engaged in this type of transaction.

**Interest Only Obligations.** These securities entitle the owner to receive only the interest portion from a bond, Treasury note or pool of mortgages. These securities are generally created by a third party separating a bond or pool of mortgages into distinct interest-only and principal-only securities. As the principal (par) amount of a bond or pool of mortgages is paid down, the amount of interest income earned by the owner will decline as well.

**Credit Risk.** Ivy Global Bond Fund invests in high-yield, non-investment-grade bonds, which may be subject to a greater degree of credit risk. Credit risk relates to the ability of the issuer to meet interest or principal payments or both as they become due. The Fund may acquire securities in default, and is not obligated to dispose of securities whose issuers subsequently default.

**Foreign Currency Translation.** Each Fund's accounting records are maintained in U.S. dollars. All assets and liabilities denominated in foreign currencies are translated into U.S. dollars daily, using foreign exchange rates obtained from an independent pricing service authorized by the Board of Trustees.

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. Each Fund combines fluctuations from currency exchange rates and fluctuations in market value when computing net realized and unrealized gain or loss from investments. Foreign exchange rates are valued as of the close of the NYSE, normally 4:00 P.M. Eastern time, on each day the NYSE open for trading, primarily using an independent pricing service authorized by the Board of Trustees.

**Repurchase Agreements.** Each Fund may purchase securities subject to repurchase agreements, which are instruments under which the Fund purchases a security and the seller (normally a commercial bank or broker-dealer) agrees, at the time of purchase, that it will repurchase the security at a specified time and price. Repurchase agreements are collateralized by the value of the resold securities which, during the entire period of the agreement, generally remains at least equal to the value of the loan, including accrued interest thereon. The collateral for the repurchase agreement is held by a custodian bank.

**Investments with Off-Balance Sheet Risk.** Each Fund may enter into financial instrument transactions (such as swaps, futures, options and other derivatives) that may have off-balance sheet market risk. Off-balance sheet market risk exists when the maximum potential loss on a particular financial instrument is greater than the value of such financial instrument, as reflected in the Statement of Assets and Liabilities.

**Allocation of Income, Expenses, Gains and Losses.** Income, expenses (other than those attributable to a specific class), gains and losses are allocated on a daily basis to each class of shares based upon the relative proportion of net assets represented by such class. Operating expenses directly attributable to a specific class are charged against the operations of that class.

**Federal Taxes.** It is the policy of each Fund 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, each Fund intends to pay distributions as required to avoid imposition of excise tax. Accordingly, no provision has been made for Federal income taxes. As required by Financial Accounting Standards Board No. 48 "Accounting for Uncertainty in Income Taxes" (FIN 48), management of the Trust periodically reviews all tax positions to assess that it is more likely than not that the position would be sustained upon examination by the relevant tax authority based on the technical merits of each position. As of March 31, 2009, management believes that under this standard no liability for unrecognized tax positions is required. The Funds are subject to examination by U.S. federal and state authorities for returns filed for years after 2004.

**Dividends and Distributions to Shareholders.** 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.

**Custodian Fees.** “Custodian fees” in the Statement of Operations may include interest expense incurred by a Fund on any cash overdrafts of its custodian account during the period. Such cash overdrafts may result from the effects of failed trades in portfolio securities and from cash outflows resulting from unanticipated shareholder redemption activity. A Fund pays interest to its custodian on such cash overdrafts, to the extent they are not offset by positive cash balances maintained by that Fund, at a rate equal to the Federal Funds Rate plus 0.50%. The “Earnings credit” line item, if applicable, represents earnings on cash balances maintained by that Fund during the period. Such interest expense and other custodian fees may be paid with these earnings.

**Trustees’ Fees.** Fees paid to the Trustees can be paid in cash or deferred to a later date, at the election of each Trustee according to the Deferred Fee Agreement entered into between the Trust and the Trustee(s). Each Fund records its portion of the deferred fees as a liability on the Statement of Assets and Liabilities. All fees paid in cash plus any appreciation (depreciation) in the underlying investments of the deferred plan are shown on the Statement of Operations.

**Indemnifications.** The Trust’s organizational documents provide current and former Trustees and Officers with a limited indemnification against liabilities arising in connection with the performance of their duties to the Trust. In the normal course of business, the Trust may also enter into contracts that provide general indemnifications. The Trust’s maximum exposure under these arrangements is unknown and is dependent on future claims that may be made against the Trust. The risk of material loss from such claims is considered remote.

**Concentration of Risk.** Certain of the Funds may have a significant investment in international securities. International investing involves additional risks, including currency fluctuations, political or economic conditions affecting the foreign country and differences in accounting standards and foreign regulations.

**Recent Accounting Pronouncements.** In March 2008, the Financial Accounting Standards Board (FASB) issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133” (SFAS 161). SFAS 161 amends and expands disclosures about derivative instruments and hedging activities. SFAS 161 requires qualitative disclosures about the objectives and strategies of derivative instruments, quantitative disclosures about the fair value amounts of and gains and losses on derivative instruments, and disclosures of credit-risk-related contingent features in hedging activities. SFAS 161 is effective for fiscal years beginning after November 15, 2008. The Trust will institute SFAS 161 during the fiscal year ending March 31, 2010 and its potential impact, if any, on the financial statements is currently being assessed by management.

**Other.** 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.

## 2. INVESTMENT MANAGEMENT AND PAYMENTS TO AFFILIATED PERSONS

**Management Fees.** Ivy Investment Management Company (IICO), a wholly owned subsidiary of Waddell & Reed Financial, Inc. (WDR), serves as the Trust’s investment manager. IICO provides investment advice, for which services it is paid a fee. The fee is payable by each Fund at the following annual rates:

| Fund                              | Net Asset Breakpoints              | Annual Rate |
|-----------------------------------|------------------------------------|-------------|
| Ivy Dividend Opportunities 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 Micro Cap Growth Fund         | Up to \$1 Billion                  | 0.95%       |
|                                   | Over \$1 Billion up to \$2 Billion | 0.93%       |
|                                   | Over \$2 Billion up to \$3 Billion | 0.90%       |
|                                   | Over \$3 Billion                   | 0.86%       |
| 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%       |
| Ivy Managed European/Pacific Fund | All levels                         | 0.05%       |

| Fund (Continued)                             | Net Asset Breakpoints                  | Annual Rate |
|--|--|-------------|
| Ivy Managed International Opportunities Fund | All levels                             | 0.05%       |
| Ivy Cundill Global Value Fund                | Up to \$500 Million                    | 1.00%       |
|  | Over \$500 Million 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 European Opportunities Fund              | Up to \$250 Million                    | 1.00%       |
|  | Over \$250 Million up to \$500 Million | 0.85%       |
|  | Over \$500 Million                     | 0.75%       |
| 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 Core Equity 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 Growth 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 Pacific Opportunities Fund               | Up to \$500 Million                    | 1.00%       |
|  | Over \$500 Million 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 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 Global Natural Resources Fund            | Up to \$500 Million                    | 1.00%       |
|  | Over \$500 Million 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 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 Bond Fund                                | Up to \$500 Million                    | 0.525%      |
|  | Over \$500 Million up to \$1 Billion   | 0.50%       |
|  | Over \$1 Billion up to \$1.5 Billion   | 0.45%       |
|  | Over \$1.5 Billion                     | 0.40%       |
| Ivy Global Bond Fund                         | Up to \$500 Million                    | 0.625%      |
|  | Over \$500 Million up to \$1 Billion   | 0.60%       |
|  | Over \$1 Billion up to \$1.5 Billion   | 0.55%       |
|  | Over \$1.5 Billion                     | 0.50%       |
| Ivy Mortgage Securities Fund                 | Up to \$500 Million                    | 0.50%       |
|  | Over \$500 Million up to \$1 Billion   | 0.45%       |
|  | Over \$1 Billion up to \$1.5 Billion   | 0.40%       |
|  | Over \$1.5 Billion                     | 0.35%       |

The fee is accrued daily and paid monthly.

IICO has entered into Subadvisory Agreements with the following entities on behalf of certain Funds.

Under an agreement between IICO and Mackenzie Financial Corporation (Mackenzie), MacKenzie serves as subadvisor to Ivy Global Natural Resources Fund. Under an agreement between IICO and Mackenzie, Mackenzie also serves as subadvisor to Ivy Cundill Global Value Fund. Mackenzie Cundill Investment Management Ltd. (Cundill) is one of the companies that

comprises The Cundill Division of Mackenzie and, under a Memorandum of Understanding with Mackenzie, serves as the investment subadvisor to, and as such provides investment advice to, and generally conducts the investment management program for, Ivy Cundill Global Value Fund. Templeton Investment Counsel, LLC (Templeton) serves as subadvisor to Ivy International Balanced Fund pursuant to an agreement with IICO. Templeton has an agreement with its affiliate, Templeton Global Advisors Limited, under which Edgerton Tucker Scott provides his services to Ivy International Balanced Fund. In

In addition, Templeton has an agreement with its affiliate, Franklin Advisors, Inc., under which Michael Hasenstab, Ph.D. provides his services to the Fund. Wall Street Associates serves as subadvisor to Ivy Micro Cap Growth Fund. Henderson Global Investors (North America) Inc. (HGINA) serves as subadvisor to Ivy European Opportunities Fund. Henderson Investment Management Ltd., under a subadvisory agreement with HGINA, serves as subadvisor to that Fund. Advantus Capital Management, Inc. serves as subadvisor to Ivy Real Estate Securities Fund, Ivy Bond Fund and Ivy Mortgage Securities Fund. Each subadvisor makes investment decisions in accordance with the Fund's investment objectives, policies and restrictions under the supervision of IICO and the Board of Trustees. IICO pays all costs associated with retaining the subadvisors. Effective March 24, 2008, IICO serves as investment manager to Ivy Small Cap Value Fund. From February 2, 2007 to March 24, 2008, BlackRock Capital Management, Inc. served as subadvisor to Ivy Small Cap Value Fund.

**Accounting Services Fees.** Pursuant to a Master Fund Accounting Services Agreement, IICO provides certain accounting and pricing services for each Fund. As of March 31, 2003, IICO assigned its responsibilities under the Accounting Services Agreement to Waddell & Reed Services Company (WRSCO), an indirect subsidiary of WDR. WRSCO acts as the agent in providing bookkeeping and accounting services and assistance to the Trust, including maintenance of Fund records, pricing of Fund shares and preparation of certain shareholder reports. For these services, each Fund, other than Ivy Managed European/Pacific Fund and Ivy Managed International Opportunities Fund (the Ivy Managed Funds), pays WRSCO a monthly fee of one-twelfth of the annual fee shown in the following table:

| Accounting Services Fee                  |  |                                   |
|--|--|-----------------------------------|
| Average Net Asset Level<br>(in millions) |  | Annual Fee Rate<br>for Each Level |
| From \$ 0 to \$ 10                       |  | \$ 0                              |
| From \$ 10 to \$ 25                      |  | \$ 11.5                           |
| From \$ 25 to \$ 50                      |  | \$ 23.1                           |
| From \$ 50 to \$ 100                     |  | \$ 35.5                           |
| From \$ 100 to \$ 200                    |  | \$ 48.4                           |
| From \$ 200 to \$ 350                    |  | \$ 63.2                           |
| From \$ 350 to \$ 550                    |  | \$ 82.5                           |
| From \$ 550 to \$ 750                    |  | \$ 96.3                           |
| From \$ 750 to \$ 1,000                  |  | \$ 121.6                          |
| From \$ 1,000 and Over                   |  | \$ 148.5                          |

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 Accounting and Administrative Services Agreement for the Ivy Managed Funds, each Fund pays WRSCO, for its services, a monthly fee of one-twelfth of the annual fee shown in the following table:

| Accounting Services Fee                  |  |                                   |
|--|--|-----------------------------------|
| Average Net Asset Level<br>(in millions) |  | Annual Fee Rate<br>for Each Level |
| From \$ 0 to \$ 10                       |  | \$ 0                              |
| From \$ 10 to \$ 25                      |  | \$ 5.748                          |
| From \$ 25 to \$ 50                      |  | \$ 11.550                         |
| From \$ 50 to \$ 100                     |  | \$ 17.748                         |
| From \$ 100 to \$ 200                    |  | \$ 24.198                         |
| From \$ 200 to \$ 350                    |  | \$ 31.602                         |
| From \$ 350 to \$ 550                    |  | \$ 41.250                         |
| From \$ 550 to \$ 750                    |  | \$ 48.150                         |
| From \$ 750 to \$ 1,000                  |  | \$ 60.798                         |
| From \$ 1,000 and Over                   |  | \$ 74.250                         |

In addition, for each class of shares in excess of one, each of the Ivy Managed Funds pays WRSCO a monthly per-class fee equal to 1.25% of the monthly accounting services base fee.

**Administrative Fee.** Each Fund also pays WRSCO a monthly fee at the annual rate of 0.01%, or one basis point, for the first \$1 billion of net assets with no fee charged for net assets in excess of \$1 billion. This fee may be voluntarily waived by WRSCO until a Fund's net assets are at least \$10 million.

**Shareholder Servicing.** General. Under the Shareholder Servicing Agreement between the Trust and WRSCO, with respect to Class A, Class B, Class C and Class E shares, for each shareholder account that was in existence at any time during the prior month, each Fund pays a monthly fee as follows: Ivy Dividend Opportunities Fund, Ivy Small Cap Value Fund, Ivy Value Fund, Ivy International Balanced Fund, Ivy Balanced Fund and Ivy Real Estate Securities Fund each pay a monthly fee of \$1.5792; Ivy Bond Fund, Ivy Global Bond Fund and Ivy Mortgage Securities Fund each pay a monthly fee of \$1.6958; and Ivy Micro Cap Growth Fund, Ivy Cundill Global Value Fund, Ivy European Opportunities Fund, Ivy International Core Equity Fund, Ivy International Growth Fund, Ivy Pacific Opportunities Fund and Ivy Global Natural Resources Fund each pay a monthly fee of \$1.5042. For Class R shares, each Fund pays a monthly fee equal to one-twelfth of 0.20 of 1% of the average daily net assets of the class for the preceding month. For Class I and Class Y shares, each Fund pays a monthly fee equal to one-twelfth of 0.15 of 1% of the average daily net assets of the class for the preceding month. Each Fund also reimburses WRSCO for certain out-of-pocket costs for all classes.

**Networked accounts.** For certain networked accounts (that is, those accounts whose Fund shares are purchased through certain financial intermediaries), WRSCO has agreed to reduce its per account fees charged to the Funds to \$0.50 per month per shareholder account. Additional fees may be paid by the Funds to those intermediaries.

**Non-networked accounts.** Each Fund pays WRSCO an annual fee (payable monthly) for each account of the Fund that is non-networked as shown above; however, WRSCO has agreed to reduce that fee if the number of total shareholders accounts within the Complex (Waddell & Reed Advisors Funds, Waddell & Reed InvestEd Portfolios, Ivy Funds and Ivy Funds, Inc.) reaches certain levels.



**Broker accounts.** 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. Each Fund may pay such broker-dealers a per account fee for each open account within the omnibus account, or a fixed rate (e.g., 0.30%) fee, based on the average daily net asset value of the omnibus account (or a combination thereof).

**Distribution and Service Plan. General.** Under a Distribution and Service Plan for Class A, Class B, Class C, Class E, Class R and Class Y shares adopted by the Trust on behalf of each Fund (other than the Ivy Managed Funds, Ivy Micro Cap Growth Fund and Ivy Global Bond Fund) and a Distribution and Service Plan for Class A, Class B, Class C, Class E and Class Y shares adopted by the Trust on behalf of the Ivy Managed Funds, Ivy Micro Cap Growth Fund and Ivy Global Bond Fund, each Fund may pay certain amounts pursuant to Rule 12b-1 under the Investment Company Act of 1940.

**Class A Shares.** Each Fund may pay a distribution and/or service fee to Ivy Funds Distributors, Inc. (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 (or compensate IFDI with respect to the Ivy Managed Funds, Ivy Micro Cap Growth Fund and Ivy Global Bond Fund) 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 of that class.

**Class B and Class C Shares.** Each Fund may pay IFDI a service fee 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 (or compensate IFDI with respect to the Ivy Managed Funds, Ivy Micro Cap Growth Fund and Ivy Global Bond Fund) for amounts it expends in connection with the provision of personal services to Fund shareholders and/or maintenance of shareholder accounts. 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.

**Class E Shares.** Each Fund may pay IFDI a fee up to 0.25% of the Fund's average annual net assets attributable to that class, paid daily, to compensate IFDI for its costs and expenses in connection with, either directly or through others, the distribution of the Class E shares, the provision of personal services to Class E shareholders and/or maintenance of Class E shareholder accounts. The Class E Plan permits IFDI to be compensated for these Class E-related distribution activities through the distribution fee, subject to the limit contained in the Plan.

**Class R Shares.** Ivy Global Natural Resources Fund and Ivy Real Estate Securities Fund may pay IFDI a fee of up to 0.50%, on an annual basis, of the average daily net assets of the Fund' 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.

**Class Y Shares.** 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.

As described above, the Distribution and Service Plan adopted by each Fund (other than the Ivy Managed Funds, Ivy Micro Cap Growth Fund and Ivy Global Bond Fund) provides for the payment of a fee to IFDI to reimburse IFDI for amounts expended and further provides that expenses for a period not reimbursed due to expense limitations may be carried forward to subsequent periods to be reimbursed. The amounts of these non-reimbursed expenses are set forth below:

|  | Class A | Class B | Class C |
|--|---------|---------|---------|
| Ivy Dividend Opportunities Fund . . . . .    | \$ 63   | \$ —    | \$ 18   |
| Ivy Small Cap Value Fund . . . . .           | 99      | —*      | 11      |
| Ivy Value Fund . . . . .                     | 26      | —*      | 1       |
| Ivy Cundill Global Value Fund . . . . .      | 378     | —*      | 3       |
| Ivy European Opportunities Fund . . . . .    | 185     | —       | 25      |
| Ivy International Balanced Fund . . . . .    | 134     | —*      | 25      |
| Ivy International Core Equity Fund . . . . . | 109     | 1       | 27      |
| Ivy International Growth Fund . . . . .      | 213     | —       | 6       |
| Ivy Pacific Opportunities Fund . . . . .     | 219     | 1       | 44      |
| Ivy Balanced Fund . . . . .                  | 21      | —*      | 4       |
| Ivy Global Natural Resources Fund . . . . .  | 965     | 8       | 344     |
| Ivy Real Estate Securities Fund . . . . .    | 212     | —*      | 23      |
| Ivy Bond Fund . . . . .                      | 38      | —*      | 6       |
| Ivy Mortgage Securities Fund . . . . .       | 166     | —       | 30      |

\*Not shown due to rounding.

The Funds have not recorded a liability for this potential reimbursement since the obligation to reimburse for these unrecovered service fees ceases upon termination of the expense reimbursement plan.

**Sales Charges.** As principal underwriter for the Trust's shares, IFDI receives sales commissions (which are not an expense of

the Trust) for Class A and Class E 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 and Class E shares and is paid to IFDI. During the fiscal year ended March 31, 2009, IFDI received the following amounts in sales commissions and CDSC:

|  | Gross Sales Commissions | CDSC    |         |         |         |
|--|-------------------------|---------|---------|---------|---------|
|  |                         | Class A | Class B | Class C | Class E |
| Ivy Dividend Opportunities Fund              | \$ 363                  | \$ 2    | \$ 21   | \$ 14   | \$ —    |
| Ivy Micro Cap Growth Fund                    | 41                      | —       | —       | —       | —       |
| Ivy Small Cap Value Fund                     | 283                     | 1       | 7       | 1       | —       |
| Ivy Value Fund                               | 49                      | 3       | 4       | —*      | —       |
| Ivy Managed European/Pacific Fund            | 234                     | —*      | 3       | 1       | —       |
| Ivy Managed International Opportunities Fund | 436                     | —*      | 3       | 1       | —       |
| Ivy Cundill Global Value Fund                | 425                     | 2       | 78      | 17      | —       |
| Ivy European Opportunities Fund              | 450                     | 1       | 45      | 5       | —       |
| Ivy International Balanced Fund              | 411                     | 1       | 22      | 23      | —       |
| Ivy International Core Equity Fund           | 400                     | 3       | 12      | 15      | —       |
| Ivy International Growth Fund                | 111                     | —*      | 18      | 4       | —       |
| Ivy Pacific Opportunities Fund               | 898                     | 1       | 21      | 7       | —       |
| Ivy Balanced Fund                            | 127                     | —*      | 4       | 15      | —       |
| Ivy Global Natural Resources Fund            | 4,054                   | 62      | 702     | 444     | —       |
| Ivy Real Estate Securities Fund              | 567                     | 1       | 15      | 2       | —       |
| Ivy Bond Fund                                | 148                     | 1       | 6       | 3       | —       |
| Ivy Global Bond Fund                         | 58                      | 19      | 2       | 2       | —       |
| Ivy Mortgage Securities Fund                 | 180                     | —*      | 22      | 8       | —       |

\*Not shown due to rounding.

With respect to Class A, Class B, Class C and Class E 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 fiscal year ended March 31, 2009, the following amounts were paid for such commissions:

|  |        |
|--|--------|
| Ivy Dividend Opportunities Fund              | \$ 452 |
| Ivy Micro Cap Growth Fund                    | 36     |
| Ivy Small Cap Value Fund                     | 293    |
| Ivy Value Fund                               | 53     |
| Ivy Managed European/Pacific Fund            | 209    |
| Ivy Managed International Opportunities Fund | 391    |
| Ivy Cundill Global Value Fund                | 456    |
| Ivy European Opportunities Fund              | 471    |
| Ivy International Balanced Fund              | 470    |
| Ivy International Core Equity Fund           | 568    |
| Ivy International Growth Fund                | 140    |
| Ivy Pacific Opportunities Fund               | 931    |
| Ivy Balanced Fund                            | 239    |
| Ivy Global Natural Resources Fund            | 6,186  |
| Ivy Real Estate Securities Fund              | 589    |
| Ivy Bond Fund                                | 154    |
| Ivy Global Bond Fund                         | 92     |
| Ivy Mortgage Securities Fund                 | 194    |

#### Expense Reimbursements and/or Waivers.

IICO has voluntarily agreed to waive its management fee for those funds that it manages directly 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. During the fiscal year ended March 31, 2009, the following amounts were waived:

|                      |       |
|----------------------|-------|
| Ivy Global Bond Fund | \$126 |
|----------------------|-------|

For Ivy Cundill Global Value Fund, Ivy Global Natural Resources Fund, Ivy International Core Equity Fund and Ivy Pacific Opportunities Fund, IICO has contractually agreed to reimburse a Fund's expenses, for the calendar year ended December 31, 2006, and for the following five years, to the extent necessary to ensure that the Fund's annual operating expenses, when calculated at the Fund level, do not exceed 2.50% of the Fund's average net assets (excluding 12b-1 fees and certain other expenses). During the fiscal year ended March 31, 2009, IICO did not reimburse any expenses under this agreement.

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

| Fund and Class                             | Expense Limitation (as a % of average net assets of each Class) |
|--|---|
| 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 fiscal year ended March 31, 2009, IFDI reimbursed the Fund's service fees as shown:

|  |       |
|--|-------|
| Ivy Cundill Global Value Fund, Class Y     | \$ 25 |
| Ivy Global Natural Resources Fund, Class Y | 473   |

From August 1, 2008 through July 31, 2009, IICO, IFDI and WRSCO have contractually agreed to reimburse sufficient 12b-1 and/or shareholder servicing fees to ensure the expenses for Ivy International Growth Fund, Class Y do not exceed the following level:

| Fund and Class                         | Expense Limitation (as a % of average net assets of each Class) |
|--|---|
| Ivy International Growth Fund, Class Y | 1.42 %  |

During the fiscal year ended March 31, 2009, IFDI reimbursed the Fund's fees as shown:

|  |      |
|--|------|
| Ivy International Growth Fund, Class Y | \$ 2 |
|--|------|

From June 2, 2008 to July 31, 2009, IICO, IFDI and WRSCO have contractually agreed to reimburse sufficient management fees, 12b-1 and/or shareholder servicing fees to ensure the expenses for each Class of Ivy Global Bond Fund do not exceed the following levels:

| Fund and Class                | Expense Limitation (as a % of average net assets of each Class) |
|-------------------------------|---|
| Ivy Global Bond Fund, Class A | 0.99 %  |
| Ivy Global Bond Fund, Class B | 1.74 %  |
| Ivy Global Bond Fund, Class C | 1.74 %  |
| Ivy Global Bond Fund, Class I | 0.74 %  |
| Ivy Global Bond Fund, Class Y | 0.99 %  |

During the fiscal year ended March 31, 2009, IFDI reimbursed the Fund's fees as shown:

|                               |       |
|-------------------------------|-------|
| Ivy Global Bond Fund, Class A | \$ 39 |
| Ivy Global Bond Fund, Class B | 4     |
| Ivy Global Bond Fund, Class C | 9     |
| Ivy Global Bond Fund, Class I | 6     |
| Ivy Global Bond Fund, Class Y | 8     |

From August 1, 2008 through July 31, 2009, IFDI and WRSCO have contractually agreed to reimburse sufficient 12b-1 and/or

shareholder servicing fees to ensure that the total annual Class E operating expenses do not exceed the following levels for the specified Funds:

|                                    | Expense Limitation (as a % of average net assets of Class E) |
|------------------------------------|--|
| Ivy Dividend Opportunities Fund    | 1.37%  |
| Ivy Cundill Global Value Fund      | 1.59%  |
| Ivy International Balanced Fund    | 1.33%  |
| Ivy International Core Equity Fund | 1.53%  |
| Ivy Global Natural Resources Fund  | 1.27%  |
| Ivy Real Estate Securities Fund    | 1.67%  |
| Ivy Bond Fund                      | 1.21%  |
| Ivy Mortgage Securities Fund       | 1.14%  |

During the fiscal year ended March 31, 2009, the following amounts were reimbursed as shown:

|                                    |       |
|------------------------------------|-------|
| Ivy Dividend Opportunities Fund    | \$ 13 |
| Ivy Cundill Global Value Fund      | 3     |
| Ivy International Balanced Fund    | 7     |
| Ivy International Core Equity Fund | 9     |
| Ivy Global Natural Resources Fund  | 30    |
| Ivy Real Estate Securities Fund    | 5     |
| Ivy Bond Fund                      | 4     |
| Ivy Mortgage Securities Fund       | 1     |

In addition, effective September 1, 2008, IFDI and WRSCO have voluntarily agreed to reimburse Class Y expenses of certain funds to ensure that Class Y expenses do not exceed Class A expenses. Ivy Managed International Opportunities Fund and Ivy Bond Fund had reimbursements that are not shown due to rounding.

Any amounts due to the Funds as a reimbursement but not paid as of March 31, 2009 are shown as a receivable from affiliate on the Statement of Assets and Liabilities.

### 3. INVESTMENT VALUATIONS

The Funds have adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No.157, Fair Value Measurements (FAS 157). In accordance with FAS 157, fair value is defined as the price that each Fund would receive upon selling an asset or paying to transfer a liability in an orderly transaction between market participants at the measurement date. FAS 157 also establishes a framework for measuring fair value and a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the factors that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. An individual investment's fair value measurement is assigned a level based upon the observability of the inputs which are significant to the overall valuation. The three-tier hierarchy of inputs is summarized below.

Level 1 – quoted prices in active markets for identical securities

Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 – significant unobservable inputs (including each Fund's own assumptions in determining the fair value of investments)

The following tables summarize the valuation of each Fund's investments by the above FAS 157 fair value hierarchy levels as of March 31, 2009:

| Fund  | Investments       | Other Financial Instruments <sup>+</sup> |
|---|-------------------|--|
| <b>Ivy Dividend Opportunities Fund</b>                    |                   |  |
| Level One – Quoted Prices . . . . .                       | \$ 178,837        | \$ —                                     |
| Level Two – Other Significant Observable Inputs . . . . . | 18,260            | —  |
| Level Three – Significant Unobservable Inputs . . . . .   | —                 | —  |
| <b>Total</b> . . . . .                                    | <b>\$ 197,097</b> | <b>\$ —</b>                              |
| <b>Ivy Micro Cap Growth Fund</b>                          |                   |  |
| Level One – Quoted Prices . . . . .                       | \$ 3,543          | \$ —                                     |
| Level Two – Other Significant Observable Inputs . . . . . | 306               | —  |
| Level Three – Significant Unobservable Inputs . . . . .   | —                 | —  |
| <b>Total</b> . . . . .                                    | <b>\$ 3,849</b>   | <b>\$ —</b>                              |
| <b>Ivy Small Cap Value Fund</b>                           |                   |  |
| Level One – Quoted Prices . . . . .                       | \$ 111,698        | \$ —                                     |
| Level Two – Other Significant Observable Inputs . . . . . | 13,614            | —  |
| Level Three – Significant Unobservable Inputs . . . . .   | —                 | —  |
| <b>Total</b> . . . . .                                    | <b>\$ 125,312</b> | <b>\$ —</b>                              |
| <b>Ivy Value Fund</b>                                     |                   |  |
| Level One – Quoted Prices . . . . .                       | \$ 37,131         | \$ (44)                                  |
| Level Two – Other Significant Observable Inputs . . . . . | 1,511             | —  |
| Level Three – Significant Unobservable Inputs . . . . .   | —                 | —  |
| <b>Total</b> . . . . .                                    | <b>\$ 38,642</b>  | <b>\$ (44)</b>                           |
| <b>Ivy Managed European/Pacific Fund</b>                  |                   |  |
| Level One – Quoted Prices . . . . .                       | \$ 41,420         | \$ —                                     |
| Level Two – Other Significant Observable Inputs . . . . . | 170               | —  |
| Level Three – Significant Unobservable Inputs . . . . .   | —                 | —  |
| <b>Total</b> . . . . .                                    | <b>\$ 41,590</b>  | <b>\$ —</b>                              |

<sup>+</sup>Other financial instruments are derivative instruments not reflected in the Schedule of Investments, such as written options, futures and forward foreign currency contracts.

| Fund (Continued)  | Investments       | Other Financial Instruments <sup>+</sup> |
|---|-------------------|--|
| <b>Ivy Managed International Opportunities Fund</b>       |                   |  |
| Level One – Quoted Prices . . . . .                       | \$ 89,467         | \$ —                                     |
| Level Two – Other Significant Observable Inputs . . . . . | 252               | —  |
| Level Three – Significant Unobservable Inputs . . . . .   | —                 | —  |
| <b>Total</b> . . . . .                                    | <b>\$ 89,719</b>  | <b>\$ —</b>                              |
| <b>Ivy Cundill Global Value Fund</b>                      |                   |  |
| Level One – Quoted Prices . . . . .                       | \$ 115,057        | \$ —                                     |
| Level Two – Other Significant Observable Inputs . . . . . | 172,513           | (2,552)                                  |
| Level Three – Significant Unobservable Inputs . . . . .   | —                 | —  |
| <b>Total</b> . . . . .                                    | <b>\$ 287,570</b> | <b>\$ (2,552)</b>                        |
| <b>Ivy European Opportunities Fund</b>                    |                   |  |
| Level One – Quoted Prices . . . . .                       | \$ 10,000         | \$ —                                     |
| Level Two – Other Significant Observable Inputs . . . . . | 178,677           | —  |
| Level Three – Significant Unobservable Inputs . . . . .   | —                 | —  |
| <b>Total</b> . . . . .                                    | <b>\$ 188,677</b> | <b>\$ —</b>                              |
| <b>Ivy International Balanced Fund</b>                    |                   |  |
| Level One – Quoted Prices . . . . .                       | \$ 14,750         | \$ —                                     |
| Level Two – Other Significant Observable Inputs . . . . . | 174,170           | (1,602)                                  |
| Level Three – Significant Unobservable Inputs . . . . .   | —                 | —  |
| <b>Total</b> . . . . .                                    | <b>\$ 188,920</b> | <b>\$ (1,602)</b>                        |
| <b>Ivy International Core Equity Fund</b>                 |                   |  |
| Level One – Quoted Prices . . . . .                       | \$ 15,157         | \$ —                                     |
| Level Two – Other Significant Observable Inputs . . . . . | 216,745           | 382                                      |
| Level Three – Significant Unobservable Inputs . . . . .   | —                 | —  |
| <b>Total</b> . . . . .                                    | <b>\$ 231,902</b> | <b>\$ 382</b>                            |
| <b>Ivy International Growth Fund</b>                      |                   |  |
| Level One – Quoted Prices . . . . .                       | \$ 8,764          | \$ —                                     |
| Level Two – Other Significant Observable Inputs . . . . . | 120,667           | (241)                                    |
| Level Three – Significant Unobservable Inputs . . . . .   | —                 | —  |
| <b>Total</b> . . . . .                                    | <b>\$ 129,431</b> | <b>\$ (241)</b>                          |
| <b>Ivy Pacific Opportunities Fund</b>                     |                   |  |
| Level One – Quoted Prices . . . . .                       | \$ 33,309         | \$ (511)                                 |
| Level Two – Other Significant Observable Inputs . . . . . | 280,112           | 282                                      |
| Level Three – Significant Unobservable Inputs . . . . .   | 1,290             | (585)                                    |
| <b>Total</b> . . . . .                                    | <b>\$ 314,711</b> | <b>\$ (814)</b>                          |

<sup>+</sup>Other financial instruments are derivative instruments not reflected in the Schedule of Investments, such as written options, futures and forward foreign currency contracts.

| Fund (Continued)   | Investments        | Other Financial Instruments <sup>+</sup> |
|--|--------------------|--|
| <b>Ivy Balanced Fund</b>                                     |                    |  |
| Level One – Quoted Prices . . . . .                          | \$ 108,767         | \$ —                                     |
| Level Two – Other Significant Observable<br>Inputs . . . . . | 49,497             | —  |
| Level Three – Significant Unobservable<br>Inputs . . . . .   | —*                 | —  |
| <b>Total</b> . . . . .                                       | <b>\$ 158,264</b>  | <b>\$ —</b>                              |
| <b>Ivy Global Natural Resources Fund</b>                     |                    |  |
| Level One – Quoted Prices . . . . .                          | \$2,151,006        | \$ —                                     |
| Level Two – Other Significant Observable<br>Inputs . . . . . | 640,330            | (2,082)                                  |
| Level Three – Significant Unobservable<br>Inputs . . . . .   | 30,458             | —  |
| <b>Total</b> . . . . .                                       | <b>\$2,821,794</b> | <b>\$ (2,082)</b>                        |
| <b>Ivy Real Estate Securities Fund</b>                       |                    |  |
| Level One – Quoted Prices . . . . .                          | \$ 152,942         | \$ —                                     |
| Level Two – Other Significant Observable<br>Inputs . . . . . | 9,729              | —  |
| Level Three – Significant Unobservable<br>Inputs . . . . .   | —                  | —  |
| <b>Total</b> . . . . .                                       | <b>\$ 162,671</b>  | <b>\$ —</b>                              |
| <b>Ivy Bond Fund</b>   |                    |  |
| Level One – Quoted Prices . . . . .                          | \$ 206             | \$ 46                                    |
| Level Two – Other Significant Observable<br>Inputs . . . . . | 131,812            | —  |
| Level Three – Significant Unobservable<br>Inputs . . . . .   | 792                | —  |
| <b>Total</b> . . . . .                                       | <b>\$ 132,810</b>  | <b>\$ 46</b>                             |
| <b>Ivy Global Bond Fund</b>                                  |                    |  |
| Level One – Quoted Prices . . . . .                          | \$ —               | \$ —                                     |
| Level Two – Other Significant Observable<br>Inputs . . . . . | 62,607             | 598                                      |
| Level Three – Significant Unobservable<br>Inputs . . . . .   | 256                | —  |
| <b>Total</b> . . . . .                                       | <b>\$ 62,863</b>   | <b>\$ 598</b>                            |
| <b>Ivy Mortgage Securities Fund</b>                          |                    |  |
| Level One – Quoted Prices . . . . .                          | \$ —               | \$ (536)                                 |
| Level Two – Other Significant Observable<br>Inputs . . . . . | 164,632            | —  |
| Level Three – Significant Unobservable<br>Inputs . . . . .   | 3,610              | —  |
| <b>Total</b> . . . . .                                       | <b>\$ 168,242</b>  | <b>\$ (536)</b>                          |

<sup>+</sup>Other financial instruments are derivative instruments not reflected in the Schedule of Investments, such as written options, futures and forward foreign currency contracts.

The following tables are a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value:

| Fund   | Investments | Other Financial Instruments <sup>+</sup> |
|--|-------------|--|
| <b>Ivy Pacific Opportunities Fund</b>  |             |  |
| Beginning balance 4/1/08 . . . . .   | \$ 1,987    | \$ —                                     |
| Net realized gain (loss) . . . . .   | —           | —  |
| Net unrealized appreciation (depreciation)   | (1,850)     | (34)                                     |
| Net purchases (sales) . . . . .  | 1,153       | (551)                                    |
| Transfers in and/or (out) of Level 3<br>during the period . . . . .  | —           | —  |
| Ending Balance 03/31/09 . . . . .  | \$ 1,290    | \$ (585)                                 |
| Net change in unrealized appreciation<br>(depreciation) for all Level 3<br>investments still held as of 03/31/09 . . . . . | \$ (1,850)  | \$ (34)                                  |

|  |         |      |
|--|---------|------|
| <b>Ivy Balanced Fund</b>   |         |      |
| Beginning balance 3/31/08 . . . . .  | \$ —*   | \$ — |
| Net realized gain (loss) . . . . .   | —       | —    |
| Net unrealized appreciation (depreciation)   | —*      | —    |
| Net purchases (sales) . . . . .  | —       | —    |
| Transfers in and/or (out) of Level 3<br>during the period . . . . .  | —*      | —    |
| Ending Balance 03/31/09 . . . . .  | \$ —*   | \$ — |
| Net change in unrealized appreciation<br>(depreciation) for all Level 3<br>investments still held as of 03/31/09 . . . . . | \$ (23) | \$ — |

\*Not shown due to rounding.

|   |           |      |
|---|-----------|------|
| <b>Ivy Global Natural Resources Fund</b>  |           |      |
| Beginning balance 4/1/08 . . . . .  | \$ 27,887 | \$ — |
| Net realized gain (loss) . . . . .  | 961       | —    |
| Net unrealized appreciation (depreciation)  | 2,545     | —    |
| Net purchases (sales) . . . . .   | (935)     | —    |
| Transfers in and/or (out) of Level 3<br>during the period . . . . .   | —         | —    |
| Ending Balance 03/31/09 . . . . .   | \$ 30,458 | \$ — |
| Net change in unrealized appreciation<br>(depreciation) for all Level 3<br>investments still held as of 03/31/09* . . . . . | \$ 2,996  | \$ — |

\*Net change in unrealized appreciation (depreciation) includes \$(70) from change in accrued amortization.

|   |          |      |
|---|----------|------|
| <b>Ivy Bond Fund</b>  |          |      |
| Beginning balance 4/1/08 . . . . .  | \$ 2,334 | \$ — |
| Net realized gain (loss) . . . . .  | (297)    | —    |
| Net unrealized appreciation (depreciation)  | (100)    | —    |
| Net purchases (sales) . . . . .   | (273)    | —    |
| Transfers in and/or (out) of Level 3<br>during the period . . . . .   | (872)    | —    |
| Ending Balance 03/31/09 . . . . .   | \$ 792   | \$ — |
| Net change in unrealized appreciation<br>(depreciation) for all Level 3<br>investments still held as of 03/31/09* . . . . . | \$ (415) | \$ — |

\*Net change in unrealized appreciation (depreciation) includes \$2 from change in accrued amortization.

<sup>+</sup>Other financial instruments are derivative instruments not reflected in the Schedule of Investments, such as written options, futures and forward foreign currency contracts.

#### 4. INVESTMENT SECURITIES TRANSACTIONS

For the fiscal year ended March 31, 2009, the cost of purchases and the proceeds from maturities and sales of investments securities, other than U.S. Government and short-term securities, were as follows:

|  | Purchases  | Sales      |
|--|------------|------------|
| Ivy Dividend Opportunities Fund . . . . .              | \$ 154,031 | \$ 56,972  |
| Ivy Micro Cap Growth Fund . . . . .                    | 3,738      | 141        |
| Ivy Small Cap Value Fund . . . . .                     | 137,976    | 117,053    |
| Ivy Value Fund . . . . .                               | 29,041     | 30,310     |
| Ivy Managed European/Pacific Fund . . . . .            | 33,937     | 12,932     |
| Ivy Managed International Opportunities Fund . . . . . | 63,324     | 16,829     |
| Ivy Cundill Global Value Fund . . . . .                | 172,311    | 215,649    |
| Ivy European Opportunities Fund . . . . .              | 312,923    | 383,511    |
| Ivy International Balanced Fund . . . . .              | 67,443     | 59,804     |
| Ivy International Core Equity Fund . . . . .           | 363,234    | 286,243    |
| Ivy International Growth Fund . . . . .                | 162,892    | 175,438    |
| Ivy Pacific Opportunities Fund . . . . .               | 442,514    | 442,019    |
| Ivy Balanced Fund . . . . .                            | 153,679    | 60,182     |
| Ivy Global Natural Resources Fund . . . . .            | 10,822,790 | 11,468,511 |
| Ivy Real Estate Securities Fund . . . . .              | 149,434    | 129,560    |
| Ivy Bond Fund . . . . .                                | 94,803     | 87,704     |
| Ivy Global Bond Fund . . . . .                         | 42,951     | 994        |
| Ivy Mortgage Securities Fund . . . . .                 | 4,701      | 63,649     |

Purchases and proceeds from maturities and sales of U.S. Government securities were:

|  | Purchases | Sales   |
|--|-----------|---------|
| Ivy Balanced Fund . . . . .            | \$ —      | \$ 522  |
| Ivy Bond Fund . . . . .                | 414,899   | 391,116 |
| Ivy Global Bond Fund . . . . .         | 6,515     | 2,816   |
| Ivy Mortgage Securities Fund . . . . . | 325,481   | 366,733 |

| Fund (Continued)  | Investments | Other Financial Instruments <sup>+</sup> |
|---|-------------|--|
| <b>Ivy Global Bond Fund</b>   |             |  |
| Beginning balance 4/1/08 . . . . .  | \$ —        | \$ —                                     |
| Net realized gain (loss) . . . . .  | —           | —  |
| Net unrealized appreciation (depreciation) . . . . .  | (173)       | —  |
| Net purchases (sales) . . . . .   | 429         | —  |
| Transfers in and/or (out) of Level 3 during the period . . . . .  | —           | —  |
| Ending Balance 03/31/09 . . . . .   | \$ 256      | \$ —                                     |
| Net change in unrealized appreciation (depreciation) for all Level 3 investments still held as of 03/31/09* . . . . . | \$ (173)    | \$ —                                     |

\*Net change in unrealized appreciation (depreciation) includes \$—\*\* from change in accrued amortization.

\*\*Not shown due to rounding.

|  |             |      |
|--|-------------|------|
| <b>Ivy Mortgage Securities Fund</b>  |             |      |
| Beginning balance 4/1/08 . . . . .   | \$ 3,765    | \$ — |
| Net realized gain (loss) . . . . .   | 1           | —    |
| Net unrealized appreciation (depreciation) . . . . .   | (1,153)     | —    |
| Net purchases (sales) . . . . .  | (289)       | —    |
| Transfers in and/or (out) of Level 3 during the period . . . . .   | 1,286       | —    |
| Ending Balance 03/31/09 . . . . .  | \$ 3,610    | \$ — |
| Net change in unrealized appreciation (depreciation) for all Level 3 investments still held as of 03/31/09 . . . . . | \$ (2,368)* | \$ — |

\*Net change in unrealized appreciation (depreciation) includes \$11 from change in accrued amortization.

<sup>+</sup>Other financial instruments are derivative instruments not reflected in the Schedule of Investments, such as written options, futures and forward foreign currency contracts.

## 5. FEDERAL INCOME TAX MATTERS

For Federal income tax purposes, the Funds' distributed and undistributed earnings and profit for the fiscal year ended March 31, 2009 and the related net capital losses and post-October activity were as follows:

|   | Ivy<br>Dividend<br>Opportunities<br>Fund | Ivy<br>Micro Cap<br>Growth<br>Fund         | Ivy<br>Small Cap<br>Value<br>Fund        | Ivy<br>Value<br>Fund                        | Ivy<br>Managed<br>European/<br>Pacific<br>Fund | Ivy<br>Managed<br>International<br>Opportunities<br>Fund |
|---|--|--|--|---|--|--|
| Net ordinary income . . . . .                   | \$ 1,931                                 | \$ —                                       | \$ —                                     | \$ 420                                      | \$ 2,327                                       | \$ 3,967   |
| Distributed ordinary income . . . . .           | 1,833                                    | —  | —  | 406   | 2,306  | 4,073  |
| Undistributed ordinary income . . . . .         | 97                                       | —  | —  | 41  | 21   | —  |
| Realized long term capital gains . . . . .      | —  | —  | —  | —   | —  | —  |
| Distributed long term capital gains . . . . .   | —  | —  | —  | 1   | 2,475  | 2,172  |
| Undistributed long term capital gains . . . . . | —  | —  | —  | —   | —  | —  |
| Tax return of capital . . . . .                 | —  | —  | —  | —   | —  | 181  |
| Post-October losses deferred . . . . .          | 23,580                                   | 5  | 13,796                                   | 2,798                                       | 11,467   | 7,275  |
|   | Ivy<br>Cundill Global<br>Value<br>Fund   | Ivy<br>European<br>Opportunities<br>Fund   | Ivy<br>International<br>Balanced<br>Fund | Ivy<br>International<br>Core Equity<br>Fund | Ivy<br>International<br>Growth<br>Fund         | Ivy<br>Pacific<br>Opportunities<br>Fund                  |
| Net ordinary income . . . . .                   | \$ 155                                   | \$ 12,517                                  | \$ 9,256                                 | \$ 3,960                                    | \$ 1,555                                       | \$ —   |
| Distributed ordinary income . . . . .           | 923                                      | 14,674                                     | 13,924                                   | 7,088                                       | 1,528  | 17,772   |
| Undistributed ordinary income . . . . .         | 90                                       | —  | 375                                      | 322   | 102  | —  |
| Realized long term capital gains . . . . .      | —  | —  | 1,427                                    | —   | —  | —  |
| Distributed long term capital gains . . . . .   | 3  | 18,952                                     | 8,752                                    | 4,711                                       | —  | 35,673   |
| Undistributed long term capital gains . . . . . | —  | —  | —  | —   | —  | —  |
| Tax return of capital . . . . .                 | —  | 274  | —  | —   | —  | —  |
| Post-October losses deferred . . . . .          | 71,319                                   | 104,368                                    | 25,307                                   | 47,903                                      | 29,793   | 52,835   |
|   | Ivy<br>Balanced<br>Fund                  | Ivy<br>Global Natural<br>Resources<br>Fund | Ivy<br>Real Estate<br>Securities<br>Fund | Ivy<br>Bond<br>Fund                         | Ivy<br>Global Bond<br>Fund                     | Ivy<br>Mortgage<br>Securities<br>Fund                    |
| Net ordinary income . . . . .                   | \$ 1,331                                 | \$ —                                       | \$ 5,398                                 | \$ 4,560                                    | \$ 1,243                                       | \$11,820   |
| Distributed ordinary income . . . . .           | 1,303                                    | 248,880                                    | 5,873                                    | 4,582                                       | 978  | 11,943   |
| Undistributed ordinary income . . . . .         | 67                                       | —  | 836                                      | 25  | 265  | 64   |
| Realized long term capital gains . . . . .      | —  | —  | —  | —   | 418  | —  |
| Distributed long term capital gains . . . . .   | —*                                       | 540,665                                    | 2  | —   | 418  | —  |
| Undistributed long term capital gains . . . . . | —  | —  | —  | —   | —  | —  |
| Post-October losses deferred . . . . .          | 11,436                                   | 1,095,485                                  | 47,633                                   | 2,695                                       | 206  | 15,425   |

\*Not shown due to rounding.

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 incurred in the eight taxable years succeeding the loss year for Federal income tax purposes. The following table shows the totals by year in which the capital loss carryovers will expire if not utilized.

|                           | Ivy<br>Dividend<br>Opportunities<br>Fund | Ivy<br>Small Cap<br>Value<br>Fund        | Ivy<br>Value<br>Fund                        | Ivy<br>Managed<br>European/<br>Pacific<br>Fund | Ivy<br>Managed<br>International<br>Opportunities<br>Fund |
|---------------------------|--|--|---|--|--|
| March 31, 2017 . . . . .  | \$ 5,985                                 | \$ 20,016                                | \$ 4,155                                    | \$ 3   | \$ 3   |
|                           | Ivy<br>Cundill<br>Global Value<br>Fund   | Ivy<br>European<br>Opportunities<br>Fund | Ivy<br>International<br>Core Equity<br>Fund | Ivy<br>International<br>Growth<br>Fund         | Ivy<br>Pacific<br>Opportunities<br>Fund                  |
| March 31, 2010 . . . . .  | \$ —                                     | \$ —                                     | \$ —  | \$ 146,785                                     | \$ 157   |
| March 31, 2011 . . . . .  | —  | —  | —   | 47,214   | —  |
| March 31, 2017 . . . . .  | 16,672                                   | 49,771                                   | 35,471                                      | 8,672  | 31,589   |
| Total carryover . . . . . | \$ 16,672                                | \$ 49,771                                | \$ 35,471                                   | \$ 202,671                                     | \$ 31,746  |

|                       | Ivy<br>Balanced<br>Fund | Ivy<br>Global Natural<br>Resources<br>Fund | Ivy<br>Real Estate<br>Securities<br>Fund | Ivy<br>Bond<br>Fund | Ivy<br>Mortgage<br>Securities<br>Fund |
|-----------------------|-------------------------|--|--|---------------------|---------------------------------------|
| March 31, 2010 .....  | \$ —                    | \$ 25                                      | \$ —                                     | \$ —                | \$ —                                  |
| March 31, 2014 .....  | —                       | —  | —  | —                   | 165                                   |
| March 31, 2015 .....  | —                       | —  | —  | 336                 | 484                                   |
| March 31, 2016 .....  | —                       | —  | —  | —                   | 902                                   |
| March 31, 2017 .....  | 606                     | 483,760                                    | 6,148                                    | 2,004               | 6,909                                 |
| Total carryover ..... | <b>\$ 606</b>           | <b>\$ 483,785</b>                          | <b>\$ 6,148</b>                          | <b>\$ 2,340</b>     | <b>\$ 8,460</b>                       |

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 for the period ending March 31, 2010.

Ivy International Growth Fund was merged into Ivy International Growth Fund (formerly, Ivy International Fund) as of March 27, 2006. 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 \$3,234 for the period ending March 31, 2010 plus the amount of certain built-in gains realized, if any.

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.

At March 31, 2009, the following reclassifications were made: Ivy Dividend Opportunities Fund reclassified permanent differences relating to differing treatments of partnership income; Ivy Micro Cap Growth Fund reclassified permanent differences relating to differing treatments of net operating losses; Ivy Small Cap Value Fund reclassified permanent differences relating to differing treatments of net operating losses; Ivy Value Fund reclassified permanent differences relating to differing treatments of partnership income; Ivy Managed European/Pacific Fund reclassified permanent differences relating to differing treatments of distributions from underlying affiliated funds; Ivy Managed International Opportunities Fund reclassified permanent differences relating to differing treatments of distributions from underlying affiliated funds and return of capital; Ivy European Opportunities Fund reclassified permanent differences relating to differing treatments of PFIC transactions and return of capital; Ivy International Core Equity Fund reclassified permanent differences relating to differing treatments of PFIC transactions; Ivy International Growth Fund reclassified permanent differences relating to differing treatments of expired capital loss carryovers; Ivy Pacific Opportunities Fund reclassified permanent differences relating to differing treatments of net operating losses and expired capital loss carryovers; Ivy Balanced Fund reclassified permanent differences relating to differing treatments of partnership income; Ivy Global Natural Resources Fund reclassified permanent differences relating to differing treatments of net operating losses, partnership income and PFIC transactions; Ivy Bond Fund reclassified permanent differences relating to differing treatments of mortgage-backed security paydowns; and Ivy Mortgage Securities Fund reclassified permanent differences relating to differing treatments of mortgage-backed security paydowns.



## 6. MULTICLASS OPERATIONS

Transactions in capital stock are summarized below.

| Ivy Dividend Opportunities Fund   | For the fiscal year ended March 31, |                   |              |                  |
|---|-------------------------------------|-------------------|--------------|------------------|
|   | 2009                                |                   | 2008         |                  |
|   | Shares                              | Value             | Shares       | Value            |
| Shares issued from sale of shares:  |                                     |                   |              |                  |
| Class A .....   | 9,915                               | \$ 124,798        | 4,850        | \$ 81,475        |
| Class B .....   | 507                                 | 6,136             | 221          | 3,680            |
| Class C .....   | 4,154                               | 48,546            | 678          | 11,355           |
| Class E .....   | 59                                  | 818               | 134          | 2,304            |
| Class I .....   | 325                                 | 3,526             | 6            | 100              |
| Class Y .....   | 1,955                               | 28,123            | 719          | 12,095           |
| Shares issued in reinvestment of dividends and/or capital gains distribution: |                                     |                   |              |                  |
| Class A .....   | 123                                 | 1,394             | 144          | 2,518            |
| Class B .....   | —                                   | —                 | 7            | 128              |
| Class C .....   | 9                                   | 92                | 16           | 282              |
| Class E .....   | 1                                   | 14                | 1            | 21               |
| Class I .....   | 2                                   | 24                | —*           | 2                |
| Class Y .....   | 13                                  | 149               | 4            | 60               |
| Shares redeemed:  |                                     |                   |              |                  |
| Class A .....   | (5,736)                             | (68,671)          | (2,574)      | (43,339)         |
| Class B .....   | (273)                               | (3,317)           | (212)        | (3,556)          |
| Class C .....   | (1,906)                             | (21,102)          | (419)        | (6,973)          |
| Class E .....   | (21)                                | (284)             | (11)         | (196)            |
| Class I .....   | (118)                               | (1,212)           | —            | —                |
| Class Y .....   | (1,247)                             | (15,276)          | (120)        | (1,982)          |
| Net increase .....  | <b>7,762</b>                        | <b>\$ 103,758</b> | <b>3,444</b> | <b>\$ 57,974</b> |

\*Not shown due to rounding.

| Ivy Micro Cap Growth Fund   | For the fiscal year ended March 31, |                 |
|---|-------------------------------------|-----------------|
|   | 2009                                |                 |
|   | Shares                              | Value           |
| Shares issued from sale of shares:  |                                     |                 |
| Class A .....   | 34                                  | \$ 3,336        |
| Class B .....   | 2                                   | 168             |
| Class C .....   | 1                                   | 148             |
| Class Y .....   | 1                                   | 100             |
| Class I .....   | 1                                   | 100             |
| Shares issued in reinvestment of dividends and/or capital gains distribution: |                                     |                 |
| Class A .....   | —                                   | —               |
| Class B .....   | —                                   | —               |
| Class C .....   | —                                   | —               |
| Class Y .....   | —                                   | —               |
| Class I .....   | —                                   | —               |
| Shares redeemed:  |                                     |                 |
| Class A .....   | (1)                                 | (59)            |
| Class B .....   | —*                                  | (6)             |
| Class C .....   | —                                   | —               |
| Class Y .....   | —                                   | —               |
| Class I .....   | —                                   | —               |
| Net increase .....  | <b>38</b>                           | <b>\$ 3,787</b> |

\*Not shown due to rounding.

| Ivy Small Cap Value Fund  | For the fiscal year ended March 31, |                  |            |                 |
|---|-------------------------------------|------------------|------------|-----------------|
|   | 2009                                |                  | 2008       |                 |
|   | Shares                              | Value            | Shares     | Value           |
| Shares issued from sale of shares:  |                                     |                  |            |                 |
| Class A   | 6,391                               | \$ 71,301        | 3,446      | \$ 52,888       |
| Class B   | 126                                 | 1,337            | 107        | 1,584           |
| Class C   | 466                                 | 4,985            | 128        | 1,921           |
| Class E   | —                                   | —                | 6          | 100             |
| Class I   | 38                                  | 439              | 48         | 778             |
| Class Y   | 189                                 | 2,177            | 131        | 1,985           |
| Shares issued in reinvestment of dividends and/or capital gains distribution: |                                     |                  |            |                 |
| Class A   | —                                   | —                | 474        | 6,794           |
| Class B   | —                                   | —                | 22         | 306             |
| Class C   | —                                   | —                | 35         | 483             |
| Class E   | —                                   | —                | —*         | 6               |
| Class I   | —                                   | —                | 2          | 31              |
| Class Y   | —                                   | —                | 65         | 938             |
| Shares redeemed:  |                                     |                  |            |                 |
| Class A   | (3,710)                             | (41,488)         | (3,327)    | (50,030)        |
| Class B   | (160)                               | (1,705)          | (234)      | (3,376)         |
| Class C   | (415)                               | (4,481)          | (315)      | (4,582)         |
| Class E   | —                                   | —                | —          | —               |
| Class I   | (15)                                | (165)            | (15)       | (232)           |
| Class Y   | (410)                               | (4,964)          | (451)      | (7,079)         |
| Net increase  | <b>2,500</b>                        | <b>\$ 27,436</b> | <b>122</b> | <b>\$ 2,515</b> |

\*Not shown due to rounding.

| Ivy Value Fund  | For the fiscal year ended March 31, |                   |              |                   |
|---|-------------------------------------|-------------------|--------------|-------------------|
|   | 2009                                |                   | 2008         |                   |
|   | Shares                              | Value             | Shares       | Value             |
| Shares issued from sale of shares:  |                                     |                   |              |                   |
| Class A   | 1,010                               | \$ 12,636         | 1,215        | \$ 23,306         |
| Class B   | 44                                  | 582               | 92           | 1,750             |
| Class C   | 161                                 | 1,887             | 93           | 1,774             |
| Class E   | —                                   | —                 | 5            | 100               |
| Class I   | —                                   | —                 | 5            | 100               |
| Class Y   | 15                                  | 193               | 11           | 185               |
| Shares issued in reinvestment of dividends and/or capital gains distribution: |                                     |                   |              |                   |
| Class A   | 31                                  | 376               | 290          | 5,180             |
| Class B   | —                                   | —                 | 21           | 360               |
| Class C   | —                                   | —                 | 18           | 310               |
| Class E   | —*                                  | 1                 | —*           | 7                 |
| Class I   | —*                                  | 1                 | —*           | 8                 |
| Class Y   | —*                                  | 5                 | 1            | 22                |
| Shares redeemed:  |                                     |                   |              |                   |
| Class A   | (1,197)                             | (15,616)          | (1,727)      | (31,497)          |
| Class B   | (104)                               | (1,406)           | (162)        | (2,919)           |
| Class C   | (166)                               | (2,032)           | (154)        | (2,797)           |
| Class E   | —                                   | —                 | —            | —                 |
| Class I   | —                                   | —                 | —            | —                 |
| Class Y   | (7)                                 | (102)             | (2)          | (28)              |
| Net decrease  | <b>(213)</b>                        | <b>\$ (3,475)</b> | <b>(294)</b> | <b>\$ (4,139)</b> |

\*Not shown due to rounding.

| Ivy Managed European/Pacific Fund   | For the fiscal year ended March 31, |                  |              |                  |
|---|-------------------------------------|------------------|--------------|------------------|
|   | 2009                                |                  | 2008         |                  |
|   | Shares                              | Value            | Shares       | Value            |
| Shares issued from sale of shares:  |                                     |                  |              |                  |
| Class A .....   | 4,178                               | \$ 30,391        | 5,764        | \$ 63,478        |
| Class B .....   | 74                                  | 535              | 159          | 1,743            |
| Class C .....   | 144                                 | 986              | 254          | 2,828            |
| Class E .....   | —                                   | —                | 20           | 200              |
| Class I .....   | —                                   | —                | 20           | 200              |
| Class Y .....   | 18                                  | 127              | 28           | 283              |
| Shares issued in reinvestment of dividends and/or capital gains distribution: |                                     |                  |              |                  |
| Class A .....   | 855                                 | 4,454            | 178          | 1,938            |
| Class B .....   | 17                                  | 88               | 5            | 50               |
| Class C .....   | 24                                  | 126              | 8            | 89               |
| Class E .....   | 3                                   | 14               | 1            | 10               |
| Class I .....   | 3                                   | 14               | 1            | 11               |
| Class Y .....   | 5                                   | 24               | 1            | 13               |
| Shares redeemed:  |                                     |                  |              |                  |
| Class A .....   | (2,542)                             | (15,898)         | (478)        | (5,029)          |
| Class B .....   | (66)                                | (428)            | (24)         | (264)            |
| Class C .....   | (163)                               | (1,098)          | (12)         | (125)            |
| Class E .....   | —                                   | —                | —            | —                |
| Class I .....   | —                                   | —                | —            | —                |
| Class Y .....   | (6)                                 | (36)             | —            | —                |
| Net increase .....  | <b>2,544</b>                        | <b>\$ 19,299</b> | <b>5,925</b> | <b>\$ 65,425</b> |

\*Not shown due to rounding.

| Ivy Managed International Opportunities Fund                                  | For the fiscal year ended March 31, |                 |               |                   |
|---|-------------------------------------|-----------------|---------------|-------------------|
|   | 2009                                |                 | 2008          |                   |
|   | Shares                              | Value           | Shares        | Value             |
| Shares issued from sale of shares:  |                                     |                 |               |                   |
| Class A .....   | 8,369                               | \$ 66,366       | 10,440        | \$ 111,227        |
| Class B .....   | 192                                 | 1,593           | 398           | 4,237             |
| Class C .....   | 272                                 | 2,147           | 406           | 4,287             |
| Class E .....   | —                                   | —               | 20            | 200               |
| Class I .....   | —                                   | —               | 20            | 200               |
| Class Y .....   | 12                                  | 90              | 43            | 456               |
| Shares issued in reinvestment of dividends and/or capital gains distribution: |                                     |                 |               |                   |
| Class A .....   | 968                                 | 5,990           | 215           | 2,280             |
| Class B .....   | 24                                  | 147             | 6             | 65                |
| Class C .....   | 29                                  | 179             | 7             | 73                |
| Class E .....   | 1                                   | 9               | 1             | 7                 |
| Class I .....   | 2                                   | 10              | 1             | 7                 |
| Class Y .....   | 3                                   | 20              | 1             | 13                |
| Shares redeemed:  |                                     |                 |               |                   |
| Class A .....   | (4,338)                             | (29,282)        | (703)         | (7,406)           |
| Class B .....   | (161)                               | (1,109)         | (42)          | (456)             |
| Class C .....   | (180)                               | (1,203)         | (46)          | (483)             |
| Class E .....   | —                                   | —               | —             | —                 |
| Class I .....   | —                                   | —               | —             | —                 |
| Class Y .....   | (11)                                | (68)            | —*            | (4)               |
| Net increase .....  | <b>5,182</b>                        | <b>\$44,889</b> | <b>10,767</b> | <b>\$ 114,703</b> |

\*Not shown due to rounding.

| Ivy Cundill Global Value Fund   | For the fiscal year ended March 31, |                    |                 |                    |
|---|-------------------------------------|--------------------|-----------------|--------------------|
|   | 2009                                |                    | 2008            |                    |
|   | Shares                              | Value              | Shares          | Value              |
| Shares issued from sale of shares:  |                                     |                    |                 |                    |
| Class A   | 4,131                               | \$ 44,244          | 7,452           | \$ 116,197         |
| Class B   | 146                                 | 1,521              | 275             | 4,131              |
| Class C   | 991                                 | 9,380              | 1,219           | 18,952             |
| Class E   | 9                                   | 98                 | 31              | 487                |
| Class I   | 442                                 | 4,125              | 173             | 2,793              |
| Class Y   | 790                                 | 7,779              | 211             | 3,209              |
| Advisor Class   | —*                                  | —*                 | —               | —                  |
| Shares issued in reinvestment of dividends and/or capital gains distribution: |                                     |                    |                 |                    |
| Class A   | 79                                  | 732                | 3,403           | 48,928             |
| Class B   | —                                   | —                  | 258             | 3,631              |
| Class C   | —*                                  | —*                 | 813             | 11,392             |
| Class E   | —                                   | —                  | 2               | 34                 |
| Class I   | 5                                   | 44                 | 13              | 188                |
| Class Y   | 3                                   | 32                 | 59              | 852                |
| Advisor Class   | 2                                   | 19                 | 19              | 277                |
| Shares redeemed:  |                                     |                    |                 |                    |
| Class A   | (14,179)                            | (152,322)          | (18,983)        | (286,653)          |
| Class B   | (948)                               | (9,808)            | (1,309)         | (19,233)           |
| Class C   | (4,019)                             | (42,646)           | (8,863)         | (130,403)          |
| Class E   | (4)                                 | (46)               | (2)             | (23)               |
| Class I   | (172)                               | (1,620)            | (55)            | (843)              |
| Class Y   | (412)                               | (4,293)            | (583)           | (8,874)            |
| Advisor Class   | (9)                                 | (116)              | (34)            | (516)              |
| Class II  | —                                   | —                  | (2)             | (25)               |
| Net decrease  | <b>(13,145)</b>                     | <b>\$(142,877)</b> | <b>(15,903)</b> | <b>\$(235,499)</b> |

\*Not shown due to rounding.

| Ivy European Opportunities Fund   | For the fiscal year ended March 31, |                   |              |                   |
|---|-------------------------------------|-------------------|--------------|-------------------|
|   | 2009                                |                   | 2008         |                   |
|   | Shares                              | Value             | Shares       | Value             |
| Shares issued from sale of shares:  |                                     |                   |              |                   |
| Class A   | 2,213                               | \$ 56,851         | 3,662        | \$ 150,552        |
| Class B   | 55                                  | 1,345             | 246          | 9,926             |
| Class C   | 111                                 | 2,732             | 373          | 14,778            |
| Class E   | —                                   | —                 | 3            | 100               |
| Class I   | 637                                 | 17,722            | 1,434        | 58,674            |
| Class Y   | 31                                  | 708               | 49           | 2,024             |
| Advisor Class   | 3                                   | 49                | 3            | 97                |
| Shares issued in reinvestment of dividends and/or capital gains distribution: |                                     |                   |              |                   |
| Class A   | 1,344                               | 22,503            | 1,143        | 44,135            |
| Class B   | 82                                  | 1,324             | 113          | 4,191             |
| Class C   | 140                                 | 2,264             | 142          | 5,317             |
| Class E   | —*                                  | 8                 | —*           | 11                |
| Class I   | 323                                 | 5,390             | 118          | 4,571             |
| Class Y   | 18                                  | 298               | 15           | 580               |
| Advisor Class   | 3                                   | 48                | 3            | 101               |
| Shares redeemed:  |                                     |                   |              |                   |
| Class A   | (5,798)                             | (137,515)         | (3,156)      | (125,648)         |
| Class B   | (670)                               | (17,142)          | (571)        | (21,682)          |
| Class C   | (809)                               | (19,036)          | (471)        | (17,803)          |
| Class E   | —                                   | —                 | —            | —                 |
| Class I   | (932)                               | (15,633)          | (29)         | (1,199)           |
| Class Y   | (53)                                | (1,237)           | (115)        | (4,619)           |
| Advisor Class   | (13)                                | (336)             | (9)          | (352)             |
| Net increase (decrease)   | <b>(3,315)</b>                      | <b>\$(79,657)</b> | <b>2,953</b> | <b>\$ 123,754</b> |

\*Not shown due to rounding.

| Ivy International Balanced Fund   | For the fiscal year ended March 31, |                    |              |                  |
|---|-------------------------------------|--------------------|--------------|------------------|
|   | 2009                                |                    | 2008         |                  |
|   | Shares                              | Value              | Shares       | Value            |
| Shares issued from sale of shares:  |                                     |                    |              |                  |
| Class A   | 4,904                               | \$ 63,328          | 5,434        | \$ 93,333        |
| Class B   | 280                                 | 4,260              | 250          | 4,244            |
| Class C   | 953                                 | 12,940             | 1,450        | 25,015           |
| Class E   | 34                                  | 466                | 46           | 783              |
| Class I   | 1,567                               | 21,082             | 2,667        | 45,814           |
| Class Y   | 98                                  | 1,332              | 200          | 3,389            |
| Shares issued in reinvestment of dividends and/or capital gains distribution: |                                     |                    |              |                  |
| Class A   | 1,261                               | 14,400             | 769          | 13,166           |
| Class B   | 54                                  | 607                | 30           | 519              |
| Class C   | 184                                 | 2,080              | 102          | 1,744            |
| Class E   | 6                                   | 68                 | 1            | 25               |
| Class I   | 381                                 | 4,236              | 97           | 1,654            |
| Class Y   | 7                                   | 81                 | 3            | 46               |
| Shares redeemed:  |                                     |                    |              |                  |
| Class A   | (8,663)                             | (105,959)          | (4,313)      | (73,971)         |
| Class B   | (481)                               | (6,180)            | (193)        | (3,296)          |
| Class C   | (1,632)                             | (19,469)           | (747)        | (12,642)         |
| Class E   | (9)                                 | (99)               | (1)          | (13)             |
| Class I   | (1,138)                             | (10,971)           | (12)         | (203)            |
| Class Y   | (180)                               | (2,455)            | (92)         | (1,571)          |
| Net increase (decrease)   | <b>(2,374)</b>                      | <b>\$ (20,253)</b> | <b>5,691</b> | <b>\$ 98,036</b> |

| Ivy International Core Equity Fund  | For the fiscal year ended March 31, |                  |              |                   |
|---|-------------------------------------|------------------|--------------|-------------------|
|   | 2009                                |                  | 2008         |                   |
|   | Shares                              | Value            | Shares       | Value             |
| Shares issued from sale of shares:  |                                     |                  |              |                   |
| Class A   | 10,066                              | \$ 129,605       | 5,995        | \$ 111,517        |
| Class B   | 282                                 | 3,806            | 311          | 5,340             |
| Class C   | 1,614                               | 20,174           | 1,251        | 21,399            |
| Class E   | 31                                  | 417              | 65           | 1,197             |
| Class I   | 2,378                               | 25,849           | 1,270        | 23,654            |
| Class Y   | 878                                 | 11,125           | 459          | 8,284             |
| Shares issued in reinvestment of dividends and/or capital gains distribution: |                                     |                  |              |                   |
| Class A   | 718                                 | 7,086            | 844          | 15,658            |
| Class B   | 28                                  | 253              | 47           | 804               |
| Class C   | 117                                 | 1,064            | 162          | 2,762             |
| Class E   | 4                                   | 35               | 4            | 72                |
| Class I   | 167                                 | 1,653            | 77           | 1,430             |
| Class Y   | 46                                  | 461              | 25           | 458               |
| Shares redeemed:  |                                     |                  |              |                   |
| Class A   | (7,730)                             | (88,233)         | (2,976)      | (54,756)          |
| Class B   | (420)                               | (4,623)          | (413)        | (7,063)           |
| Class C   | (1,245)                             | (13,814)         | (606)        | (10,068)          |
| Class E   | (10)                                | (127)            | (3)          | (60)              |
| Class I   | (465)                               | (4,510)          | (18)         | (340)             |
| Class Y   | (375)                               | (4,297)          | (106)        | (1,893)           |
| Advisor Class   | —                                   | —                | —*           | (1)               |
| Net increase  | <b>6,084</b>                        | <b>\$ 85,924</b> | <b>6,388</b> | <b>\$ 118,394</b> |

\*Not shown due to rounding.

| Ivy International Growth Fund   | For the fiscal year ended March 31, |            |         |           |
|---|-------------------------------------|------------|---------|-----------|
|   | 2009                                |            | 2008    |           |
|   | Shares                              | Value      | Shares  | Value     |
| Shares issued from sale of shares:  |                                     |            |         |           |
| Class A   | 835                                 | \$ 23,301  | 789     | \$ 29,963 |
| Class B   | 30                                  | 833        | 42      | 1,415     |
| Class C   | 73                                  | 1,996      | 133     | 4,596     |
| Class E   | —                                   | —*         | 3       | 100       |
| Class I   | 266                                 | 7,783      | 593     | 22,300    |
| Class Y   | 23                                  | 699        | 16      | 600       |
| Shares issued in reinvestment of dividends and/or capital gains distribution: |                                     |            |         |           |
| Class A   | 46                                  | 966        | 7       | 265       |
| Class B   | —*                                  | 6          | —       | —         |
| Class C   | 4                                   | 71         | —       | —         |
| Class E   | —*                                  | 1          | —*      | —*        |
| Class I   | 11                                  | 240        | 2       | 59        |
| Class Y   | 1                                   | 24         | —*      | 5         |
| Class II  | —                                   | —          | —*      | 1         |
| Shares redeemed:  |                                     |            |         |           |
| Class A   | (1,179)                             | (31,022)   | (1,081) | (40,504)  |
| Class B   | (128)                               | (3,209)    | (96)    | (3,310)   |
| Class C   | (363)                               | (9,058)    | (299)   | (10,278)  |
| Class E   | —                                   | —          | —       | —         |
| Class I   | (83)                                | (1,891)    | (24)    | (901)     |
| Class Y   | (23)                                | (595)      | (68)    | (2,424)   |
| Advisor Class   | —                                   | —          | —*      | (1)       |
| Class II  | —                                   | —          | (9)     | (327)     |
| Net increase (decrease)   | (487)                               | \$ (9,855) | 8       | \$ 1,559  |

\*Not shown due to rounding.

| Ivy Pacific Opportunities Fund  | For the fiscal year ended March 31, |           |         |            |
|---|-------------------------------------|-----------|---------|------------|
|   | 2009                                |           | 2008    |            |
|   | Shares                              | Value     | Shares  | Value      |
| Shares issued from sale of shares:  |                                     |           |         |            |
| Class A   | 7,164                               | \$ 90,572 | 9,852   | \$ 201,372 |
| Class B   | 195                                 | 2,086     | 387     | 7,206      |
| Class C   | 330                                 | 3,955     | 761     | 15,041     |
| Class E   | —                                   | —         | 6       | 100        |
| Class I   | 2,644                               | 27,480    | 2,094   | 42,320     |
| Class Y   | 184                                 | 2,414     | 260     | 5,567      |
| Advisor Class   | —                                   | —         | —       | —          |
| Shares issued in reinvestment of dividends and/or capital gains distribution: |                                     |           |         |            |
| Class A   | 4,898                               | 41,588    | 2,325   | 49,834     |
| Class B   | 250                                 | 1,883     | 117     | 2,296      |
| Class C   | 354                                 | 2,719     | 191     | 3,788      |
| Class E   | 2                                   | 12        | 1       | 13         |
| Class I   | 587                                 | 5,049     | 149     | 3,223      |
| Class Y   | 79                                  | 675       | 39      | 834        |
| Advisor Class   | 1                                   | 8         | 1       | 12         |
| Shares redeemed:  |                                     |           |         |            |
| Class A   | (11,804)                            | (139,228) | (7,611) | (151,434)  |
| Class B   | (471)                               | (5,089)   | (477)   | (8,705)    |
| Class C   | (1,067)                             | (11,766)  | (786)   | (14,352)   |
| Class E   | —                                   | —         | —       | —          |
| Class I   | (422)                               | (4,168)   | (93)    | (1,857)    |
| Class Y   | (225)                               | (2,911)   | (372)   | (6,956)    |
| Advisor Class   | (2)                                 | (21)      | —       | —          |
| Net increase  | 2,697                               | \$ 15,258 | 6,844   | \$ 148,302 |

\*Not shown due to rounding.

| Ivy Balanced Fund   | For the fiscal year ended March 31, |                  |           |               |
|---|-------------------------------------|------------------|-----------|---------------|
|   | 2009                                |                  | 2008      |               |
|   | Shares                              | Value            | Shares    | Value         |
| Shares issued from sale of shares:  |                                     |                  |           |               |
| Class A   | 5,610                               | \$ 78,310        | 736       | \$ 12,611     |
| Class B   | 262                                 | 3,681            | 52        | 877           |
| Class C   | 7,295                               | 101,321          | 144       | 2,471         |
| Class E   | —                                   | —                | 6         | 100           |
| Class I   | 63                                  | 829              | 6         | 100           |
| Class Y   | 2,931                               | 41,647           | 178       | 3,067         |
| Shares issued in reinvestment of dividends and/or capital gains distribution: |                                     |                  |           |               |
| Class A   | 48                                  | 695              | 142       | 2,489         |
| Class B   | —*                                  | 6                | 5         | 88            |
| Class C   | 5                                   | 63               | 5         | 94            |
| Class E   | —*                                  | 1                | —*        | 4             |
| Class I   | —*                                  | 2                | —*        | 5             |
| Class Y   | 24                                  | 342              | 65        | 1,146         |
| Shares redeemed:  |                                     |                  |           |               |
| Class A   | (4,178)                             | (57,174)         | (766)     | (13,091)      |
| Class B   | (107)                               | (1,500)          | (33)      | (573)         |
| Class C   | (3,792)                             | (50,871)         | (94)      | (1,605)       |
| Class E   | —                                   | —                | —         | —             |
| Class I   | (58)                                | (815)            | —         | —             |
| Class Y   | (1,636)                             | (22,457)         | (404)     | (6,956)       |
| Net increase  | <b>6,467</b>                        | <b>\$ 94,080</b> | <b>42</b> | <b>\$ 827</b> |

\*Not shown due to rounding.

| Ivy Global Natural Resources Fund   | For the fiscal year ended March 31, |                   |               |                    |
|---|-------------------------------------|-------------------|---------------|--------------------|
|   | 2009                                |                   | 2008          |                    |
|   | Shares                              | Value             | Shares        | Value              |
| Shares issued from sale of shares:  |                                     |                   |               |                    |
| Class A   | 58,691                              | \$1,228,279       | 55,612        | \$2,067,009        |
| Class B   | 1,981                               | 34,929            | 1,955         | 68,577             |
| Class C   | 15,393                              | 284,690           | 16,928        | 581,343            |
| Class E   | 88                                  | 2,141             | 79            | 2,930              |
| Class I   | 24,132                              | 460,737           | 1,881         | 68,389             |
| Class R   | 1,394                               | 29,031            | 636           | 23,676             |
| Class Y   | 15,701                              | 311,971           | 14,190        | 528,496            |
| Advisor Class   | 1                                   | 10                | —*            | 3                  |
| Shares issued in reinvestment of dividends and/or capital gains distribution: |                                     |                   |               |                    |
| Class A   | 39,332                              | 403,157           | 10,279        | 391,527            |
| Class B   | 3,095                               | 28,905            | 688           | 24,609             |
| Class C   | 14,755                              | 133,241           | 3,486         | 121,921            |
| Class E   | 56                                  | 576               | 5             | 186                |
| Class I   | 3,069                               | 31,767            | 114           | 4,374              |
| Class R   | 387                                 | 3,942             | 32            | 1,236              |
| Class Y   | 6,733                               | 69,418            | 1,708         | 65,199             |
| Advisor Class   | 3                                   | 32                | 1             | 37                 |
| Shares redeemed:  |                                     |                   |               |                    |
| Class A   | (91,659)                            | (1,819,214)       | (30,526)      | (1,124,546)        |
| Class B   | (3,549)                             | (68,403)          | (1,695)       | (58,685)           |
| Class C   | (27,215)                            | (490,677)         | (7,152)       | (241,166)          |
| Class E   | (14)                                | (226)             | (2)           | (71)               |
| Class I   | (8,458)                             | (124,906)         | (49)          | (1,821)            |
| Class R   | (459)                               | (9,840)           | (113)         | (4,175)            |
| Class Y   | (19,714)                            | (360,105)         | (3,472)       | (128,331)          |
| Advisor Class   | (1)                                 | (29)              | (1)           | (38)               |
| Net increase  | <b>33,742</b>                       | <b>\$ 149,426</b> | <b>64,584</b> | <b>\$2,390,679</b> |

\*Not shown due to rounding.

| Ivy Real Estate Securities Fund   | For the fiscal year ended March 31, |                 |                |                    |
|---|-------------------------------------|-----------------|----------------|--------------------|
|   | 2009                                |                 | 2008           |                    |
|   | Shares                              | Value           | Shares         | Value              |
| Shares issued from sale of shares:  |                                     |                 |                |                    |
| Class A   | 4,984                               | \$ 80,972       | 3,497          | \$ 79,829          |
| Class B   | 173                                 | 3,012           | 102            | 2,333              |
| Class C   | 333                                 | 5,666           | 141            | 3,288              |
| Class E   | 12                                  | 202             | 22             | 532                |
| Class I   | 34                                  | 556             | 94             | 2,408              |
| Class R   | 9                                   | 130             | 3              | 74                 |
| Class Y   | 1,295                               | 19,401          | 214            | 4,733              |
| Shares issued in reinvestment of dividends and/or capital gains distribution: |                                     |                 |                |                    |
| Class A   | 289                                 | 3,432           | 1,329          | 26,473             |
| Class B   | 3                                   | 34              | 62             | 1,224              |
| Class C   | 8                                   | 87              | 66             | 1,305              |
| Class E   | 1                                   | 6               | 2              | 35                 |
| Class I   | 2                                   | 27              | 7              | 135                |
| Class R   | —*                                  | 4               | 1              | 15                 |
| Class Y   | 184                                 | 2,189           | 675            | 13,488             |
| Shares redeemed:  |                                     |                 |                |                    |
| Class A   | (6,344)                             | (83,751)        | (6,872)        | (152,493)          |
| Class B   | (321)                               | (4,111)         | (344)          | (7,458)            |
| Class C   | (393)                               | (5,202)         | (516)          | (11,542)           |
| Class E   | (4)                                 | (58)            | (2)            | (33)               |
| Class I   | (30)                                | (393)           | (39)           | (872)              |
| Class R   | —*                                  | (5)             | (1)            | (22)               |
| Class Y   | (1,147)                             | (16,737)        | (4,826)        | (112,045)          |
| Net increase (decrease)   | <b>(912)</b>                        | <b>\$ 5,461</b> | <b>(6,385)</b> | <b>\$(148,593)</b> |

\*Not shown due to rounding.

| Ivy Bond Fund   | For the fiscal year ended March 31, |                  |              |                  |
|---|-------------------------------------|------------------|--------------|------------------|
|   | 2009                                |                  | 2008         |                  |
|   | Shares                              | Value            | Shares       | Value            |
| Shares issued from sale of shares:  |                                     |                  |              |                  |
| Class A   | 5,285                               | \$ 48,655        | 4,751        | \$ 48,475        |
| Class B   | 323                                 | 2,952            | 143          | 1,467            |
| Class C   | 1,702                               | 15,393           | 527          | 5,385            |
| Class E   | 74                                  | 674              | 83           | 851              |
| Class I   | 7                                   | 60               | 19           | 196              |
| Class Y   | 182                                 | 1,632            | 2            | 25               |
| Shares issued in reinvestment of dividends and/or capital gains distribution: |                                     |                  |              |                  |
| Class A   | 324                                 | 2,962            | 217          | 2,204            |
| Class B   | 8                                   | 77               | 7            | 69               |
| Class C   | 22                                  | 202              | 14           | 139              |
| Class E   | 4                                   | 40               | 2            | 18               |
| Class I   | 1                                   | 8                | 1            | 8                |
| Class Y   | 2                                   | 13               | —*           | —*               |
| Shares redeemed:  |                                     |                  |              |                  |
| Class A   | (4,059)                             | (36,603)         | (1,485)      | (15,108)         |
| Class B   | (202)                               | (1,815)          | (73)         | (747)            |
| Class C   | (785)                               | (7,052)          | (398)        | (4,059)          |
| Class E   | (26)                                | (230)            | (3)          | (26)             |
| Class I   | (6)                                 | (52)             | (1)          | (14)             |
| Class Y   | (26)                                | (227)            | (4)          | (42)             |
| Net increase  | <b>2,830</b>                        | <b>\$ 26,689</b> | <b>3,802</b> | <b>\$ 38,841</b> |

\*Not shown due to rounding.



|  | For the fiscal year<br>ended March 31, |                  |
|--|--|------------------|
|  | 2009                                   |                  |
| Ivy Global Bond Fund   | Shares                                 | Value            |
| Shares issued from sale of shares:   |  |                  |
| Class A .....  | 5,104                                  | \$ 48,927        |
| Class B .....  | 643                                    | 6,358            |
| Class C .....  | 1,673                                  | 16,246           |
| Class I .....  | 527                                    | 5,256            |
| Class Y .....  | 1,041                                  | 10,190           |
| Shares issued in reinvestment of dividends and/or<br>capital gains distribution: |  |                  |
| Class A .....  | 77                                     | 709              |
| Class B .....  | 12                                     | 106              |
| Class C .....  | 17                                     | 154              |
| Class I .....  | 16                                     | 148              |
| Class Y .....  | 17                                     | 160              |
| Shares redeemed:   |  |                  |
| Class A .....  | (1,709)                                | (16,138)         |
| Class B .....  | (23)                                   | (216)            |
| Class C .....  | (329)                                  | (3,085)          |
| Class I .....  | (2)                                    | (21)             |
| Class Y .....  | (201)                                  | (1,951)          |
| Net increase .....   | <b>6,863</b>                           | <b>\$ 66,843</b> |

|  | For the fiscal year ended March 31, |                    |           |                 |
|--|-------------------------------------|--------------------|-----------|-----------------|
|  | 2009                                |                    | 2008      |                 |
| Ivy Mortgage Securities Fund   | Shares                              | Value              | Shares    | Value           |
| Shares issued from sale of shares:   |                                     |                    |           |                 |
| Class A .....  | 4,120                               | \$ 36,588          | 9,682     | \$ 100,326      |
| Class B .....  | 133                                 | 1,148              | 434       | 4,501           |
| Class C .....  | 602                                 | 5,235              | 680       | 7,030           |
| Class E .....  | 8                                   | 71                 | 32        | 334             |
| Class I .....  | 9                                   | 73                 | 34        | 360             |
| Class Y .....  | 253                                 | 2,355              | 493       | 5,119           |
| Shares issued in reinvestment of dividends and/or<br>capital gains distribution: |                                     |                    |           |                 |
| Class A .....  | 1,117                               | 9,731              | 1,210     | 12,454          |
| Class B .....  | 37                                  | 321                | 42        | 431             |
| Class C .....  | 62                                  | 535                | 66        | 684             |
| Class E .....  | 2                                   | 15                 | 1         | 9               |
| Class I .....  | 2                                   | 14                 | 1         | 13              |
| Class Y .....  | 36                                  | 317                | 44        | 459             |
| Shares redeemed:   |                                     |                    |           |                 |
| Class A .....  | (14,682)                            | (127,097)          | (10,536)  | (108,564)       |
| Class B .....  | (728)                               | (6,271)            | (400)     | (4,126)         |
| Class C .....  | (1,297)                             | (11,088)           | (835)     | (8,610)         |
| Class E .....  | (5)                                 | (45)               | (2)       | (23)            |
| Class I .....  | (8)                                 | (65)               | (9)       | (96)            |
| Class Y .....  | (778)                               | (6,875)            | (845)     | (8,695)         |
| Net increase (decrease) .....  | <b>(11,117)</b>                     | <b>\$ (95,038)</b> | <b>92</b> | <b>\$ 1,606</b> |

## 7. FORWARD FOREIGN CURRENCY CONTRACTS

Each Fund (other than the Ivy Managed Funds) may enter into forward foreign currency contracts (forward contracts) for the purchase or sale of a foreign currency at a negotiated rate at a future date. Forward contracts are reported on a schedule following the Schedule of Investments. Forward contracts will be valued daily based upon the closing prices of the forward currency rates determined at the close of the NYSE as provided by a bank, dealer or independent pricing service. The resulting unrealized appreciation (depreciation) is reported in the Statement of Assets and Liabilities as a receivable or payable and

in the Statement of Operations within the change in unrealized appreciation (depreciation). At contract close, the difference between the original cost of the contract and the value at the close date is recorded as a realized gain (loss) in the Statement of Operations.

Risks to a Fund include both market and credit risk. Market risk is the risk that the value of the forward contract will depreciate due to unfavorable changes in the exchange rates. Credit risk arises from the possibility that the counterparty will default. If

the counterparty defaults, a Fund's loss will consist of the net amount of contractual payments that the Fund has not yet received.

As of March 31, 2009, the following Funds had open forward contracts as shown:

| Fund Name                                    | Net Unrealized Appreciation (Depreciation) | Percent of Net Assets |
|--|--|-----------------------|
| Ivy Cundill Global Value Fund . . . . .      | \$ (2,552)                                 | 0.92%                 |
| Ivy International Balanced Fund . . . . .    | (1,602)                                    | 0.84%                 |
| Ivy International Core Equity Fund . . . . . | \$ 382                                     | 0.16%                 |
| Ivy International Growth Fund . . . . .      | (241)                                      | 0.19%                 |
| Ivy Pacific Opportunities Fund . . . . .     | 282  | 0.09%                 |
| Ivy Global Natural Resources Fund . . . . .  | (2,082)                                    | 0.07%                 |
| Ivy Global Bond Fund . . . . .               | 598  | 0.93%                 |

## 8. FUTURES CONTRACTS

Each Fund (other than the Ivy Managed Funds) may engage in buying and selling futures contracts. Upon entering into a futures contract, the Fund is required to deposit, in a segregated account, an amount 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 Fund each day, dependent on the daily fluctuations in the value of the underlying debt security or index. The Fund uses futures to attempt to reduce the overall risk of its investments.

Futures contracts are reported on a schedule following the Schedule of Investments. Securities held in collateralized accounts to cover initial margin requirements on open futures contracts are noted in the Schedule of Investments. Cash held by the broker to cover initial margin requirements on open futures contracts and the receivable and/or payable for the daily mark to market for the variation margin are noted in the Statement of Assets and Liabilities. The net change in unrealized appreciation and depreciation is reported in the Statement of Operations. Realized gains (losses) are reported in the Statement of Operations at the closing or expiration of futures contracts.

Risks of entering into futures contracts include the possibility of loss of securities or cash held as collateral, that there may be an illiquid market where the Fund is unable to liquidate the contract or enter into an offsetting position and, if used for hedging purposes, the risk that the price of the contract will correlate imperfectly with the prices of the Fund's securities.

As of March 31, 2009, the following Funds had open futures contracts as shown:

| Fund Name                                | Net Unrealized Appreciation (Depreciation) | Percent of Net Assets |
|--|--|-----------------------|
| Ivy Pacific Opportunities Fund . . . . . | \$ (38)                                    | 0.01%                 |
| Ivy Bond Fund . . . . .                  | 46   | 0.04%                 |
| Ivy Mortgage Securities Fund . . . . .   | (536)                                      | 0.36%                 |

## 9. SWAPS

Each Fund (other than the Ivy Managed Funds) may invest in swap agreements, which are agreements to exchange the return generated by one instrument for the return generated by another instrument. A 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. A 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 security 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. A 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.

As of March 31, 2009, there were no outstanding swap contracts.

## 10. COMMITMENT

In connection with Ivy Pacific Opportunities Fund's investment in Vietnam Azalea Fund Limited (VAF), the Fund is contractually committed to provide additional capital of up to \$1,696 if and when VAF requests such contributions or draw downs. The total commitment is limited to \$5,000. At March 31, 2009, Ivy Pacific Opportunities Fund had made a total contribution of \$3,304. No public market currently exists for the shares of VAF nor are the shares listed on any securities exchange. VAF intends to become listed within one year after the final commitment has been drawn down.

## 11. AFFILIATED COMPANY TRANSACTIONS

A summary of the transactions in affiliated companies during the fiscal year ended March 31, 2009 follows:

|  | 3-31-08<br>Share<br>Balance | Purchases<br>at Cost | Sales at<br>Cost | Realized<br>Gain/(Loss) | Distribu-<br>tions<br>Received <sup>(1)</sup> | 3-31-09<br>Share<br>Balance | 3-31-09<br>Market<br>Value |
|--|-----------------------------|----------------------|------------------|-------------------------|---|-----------------------------|----------------------------|
| <b>Ivy Managed European/Pacific Fund</b>                           |                             |                      |                  |                         |   |                             |                            |
| Ivy European Opportunities Fund,<br>Class I                        | 998                         | \$ 14,049            | \$ 29,239        | \$ (18,098)             | \$ 3,502                                      | 904                         | \$ 13,637                  |
| Ivy Pacific Opportunities Fund,<br>Class I                         | 1,313                       | 19,569               | 4,724            | (2,933)                 | 3,081   | 3,087                       | 27,783                     |
|  | 3-31-08<br>Share<br>Balance | Purchases<br>at Cost | Sales at<br>Cost | Realized<br>Gain/(Loss) | Distribu-<br>tions<br>Received <sup>(1)</sup> | 3-31-09<br>Share<br>Balance | 3-31-09<br>Market<br>Value |
| <b>Ivy Managed International Opportunities Fund</b>                |                             |                      |                  |                         |   |                             |                            |
| Ivy Pacific Opportunities Fund,<br>Class I                         | 591                         | \$ 11,303            | \$ 2,772         | \$ (1,772)              | \$ 1,520                                      | 1,583                       | \$ 14,243                  |
| Ivy International Core Equity Fund,<br>Class I                     | 1,271                       | 14,224               | 2,801            | (1,452)                 | 1,016   | 2,336                       | 22,379                     |
| Ivy International Growth Fund,<br>Class I                          | 444                         | 7,446                | 2,211            | (1,086)                 | 222   | 642                         | 12,834                     |
| Ivy International Balanced Fund,<br>Class I                        | 2,698                       | 21,520               | 18,215           | (8,374)                 | 3,956   | 3,261                       | 31,210                     |
| Ivy European Opportunities Fund,<br>Class I                        | 446                         | 8,471                | 9,261            | (5,748)                 | 1,721   | 583                         | 8,801                      |
|  | 3-31-08<br>Share<br>Balance | Purchases<br>at Cost | Sales at<br>Cost | Realized<br>Gain/(Loss) | Distribu-<br>tions<br>Received                | 3-31-09<br>Share<br>Balance | 3-31-09<br>Market<br>Value |
| <b>Ivy Pacific Opportunities Fund</b>                              |                             |                      |                  |                         |   |                             |                            |
| Vietnam Azalea Fund Limited <sup>(2)</sup>                         | 500                         | \$ 1,154             | \$ —             | \$ —                    | \$ —  | 500                         | \$ 1,290                   |
|  | 3-31-08<br>Share<br>Balance | Purchases<br>at Cost | Sales at<br>Cost | Realized<br>Gain/(Loss) | Distribu-<br>tions<br>Received                | 3-31-09<br>Share<br>Balance | 3-31-09<br>Market<br>Value |
| <b>Ivy Global Natural Resources Fund</b>                           |                             |                      |                  |                         |   |                             |                            |
| Domtar Corporation <sup>(2)</sup>                                  | 25,000                      | \$ 46,470            | \$ 233,438       | \$ (121,095)            | \$ —  | —                           | \$ —                       |
| Yingli Green Energy Holding<br>Company Limited, ADR <sup>(2)</sup> | 7,500                       | 36,278               | 57,712           | (43,883)                | —   | 8,000                       | 48,160                     |

(1) Distributions received includes distributions from net investment income and/or from capital gains from the underlying funds.

(2) Non-income producing during the period.

## 12. SENIOR LOANS

A Fund invests in senior secured corporate loans either as an original lender or as a purchaser of a loan assignment or a participation interest in a loan. Senior Loans are generally made to U.S. and foreign borrowers that are corporations, partnerships, or other business entities. Senior Loans are generally readily marketable, but some loans may be illiquid or be subject to some restrictions on resale.

Certain Senior Loans contain provisions that obligate a Fund to fund future commitments at the borrower's discretion. At March 31, 2009, there were no such unfunded commitments.

## 13. 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 a Fund has realized a gain or loss. For each Fund, when a written put is exercised, the cost basis of the securities purchased by a Fund is reduced by the amount of the premium received.

Investments in options, whether purchased or written, involve certain risks. Writing put options and purchasing call options may increase a Fund's exposure to the underlying security (or basket of securities). Purchasing put options and writing call options may decrease a Fund's exposure to the underlying security (or basket of securities). With written options, there may be times when a Fund will be required to purchase or sell securities to meet its obligation under the option contract where the required action is not beneficial to the Fund, due to unfavorable movement of the market price of the underlying security (or basket of securities). Additionally, to the extent a Fund enters into over-the-counter (OTC) option transactions with counterparties, the Fund will be exposed to the risk that counterparties to these OTC transactions, for whatever reason, will be unable to meet their obligations under the terms of the transaction.

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

|   | Number of Contracts | Premium Received |
|---|---------------------|------------------|
| Outstanding at March 31, 2008                       | —                   | \$ —             |
| Options written                                     | —*                  | 775              |
| Options terminated in closing purchase transactions | —*                  | (775)            |
| Options exercised                                   | —                   | —                |
| Options expired                                     | —                   | —                |
| Outstanding at March 31, 2009                       | —                   | \$ —             |

\*Not shown due to rounding.

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

|   | Number of Contracts | Premium Received |
|---|---------------------|------------------|
| Outstanding at March 31, 2008                       | —*                  | \$ 3             |
| Options written                                     | 6                   | 758              |
| Options terminated in closing purchase transactions | (3)                 | (474)            |
| Options exercised                                   | —*                  | (44)             |
| Options expired                                     | (2)                 | (173)            |
| Outstanding at March 31, 2009                       | 1                   | \$ 70            |

\*Not shown due to rounding.

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

|                               | Number of Contracts | Premium Received |
|-------------------------------|---------------------|------------------|
| Outstanding at March 31, 2008 | —*                  | \$ 20            |
| Options written               | 1                   | 172              |

|   | Number of Contracts | Premium Received |
|---|---------------------|------------------|
| Options terminated in closing purchase transactions | —*                  | (34)             |
| Options exercised                                   | (1)                 | (87)             |
| Options expired                                     | —*                  | (55)             |
| Outstanding at March 31, 2009                       | —*                  | \$ 16            |

\*Not shown due to rounding.

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

|   | Number of Contracts | Premium Received |
|---|---------------------|------------------|
| Outstanding at March 31, 2008                       | —                   | \$ —             |
| Options written                                     | 31,761              | 3,906            |
| Options terminated in closing purchase transactions | (16,796)            | (3,143)          |
| Options exercised                                   | —                   | —                |
| Options expired                                     | (3,100)             | (533)            |
| Outstanding at March 31, 2009                       | 11,865              | \$ 230           |

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

|   | Number of Contracts | Premium Received |
|---|---------------------|------------------|
| Outstanding at March 31, 2008                       | —                   | \$ —             |
| Options written                                     | 31,762              | 6,278            |
| Options terminated in closing purchase transactions | (94)                | (4,330)          |
| Options exercised                                   | —                   | —                |
| Options expired                                     | (19,800)            | (952)            |
| Outstanding at March 31, 2009                       | 11,868              | \$ 996           |

For Ivy Global Natural Resources Fund, transactions in written call options were as follows:

|   | Number of Contracts | Premium Received |
|---|---------------------|------------------|
| Outstanding at March 31, 2008                       | —                   | \$ —             |
| Options written                                     | 30                  | 8,038            |
| Options terminated in closing purchase transactions | —                   | —                |
| Options exercised                                   | —                   | —                |
| Options expired                                     | (30)                | (8,038)          |
| Outstanding at March 31, 2009                       | —                   | \$ —             |

## 14. NAME CHANGES

On June 2, 2008, Ivy Dividend Income Fund changed its name to Ivy Dividend Opportunities Fund and changed its investment objective to the provision of total return. In addition, Ivy Global Strategic Income Fund changed its name to Ivy Global Bond Fund on the same date.

## 15. SUBSEQUENT EVENT

Effective April 15, 2009, IICO assumed direct management of Ivy International Balanced Fund and terminated the subadvisory agreement with Templeton Investment Counsel, LLC.

**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 Ivy Dividend Opportunities Fund, Ivy Small Cap Value Fund, Ivy Value Fund, Ivy Managed European/Pacific Fund, Ivy Managed International Opportunities Fund, Ivy Cundill Global Value Fund, Ivy European Opportunities Fund, Ivy International Balanced Fund, Ivy International Core Equity Fund, Ivy International Growth Fund, Ivy Pacific Opportunities Fund, Ivy Balanced Fund, Ivy Global Natural Resources Fund, Ivy Real Estate Securities Fund, Ivy Bond Fund, and Ivy Mortgage Securities Fund, sixteen of the funds constituting Ivy Funds (the "Trust") as of March 31, 2009, and the related statements of operations for the fiscal year then ended, the statements of changes in net assets for each of the two fiscal periods in the period then ended, and the financial highlights for each of the fiscal periods presented. We have also audited the statements of assets and liabilities, including the schedules of investments, of Ivy Micro Cap Growth Fund and Ivy Global Bond Fund, two of the funds constituting the Trust as of March 31, 2009, and the related statements of operations, statements of changes in net assets, and the financial highlights for the fiscal periods from February 17, 2009 (commencement of operations) through March 31, 2009 for Ivy Micro Cap Growth Fund and from April 4, 2008 (commencement of operations) through March 31, 2009 for Ivy Global Bond Fund. These financial statements and financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

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 Trust is not required to have, nor were we engaged to perform, an audit of its 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 Trust's 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 March 31, 2009, by correspondence with the custodian, brokers, and transfer agent; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

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 funds constituting Ivy Funds as of March 31, 2009, the results of their operations for the fiscal periods then ended, the changes in their net assets for each of the fiscal periods presented, and the financial highlights for each of the fiscal periods presented, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP  
Kansas City, Missouri  
May 20, 2009

# INCOME TAX INFORMATION

## Ivy Funds

AMOUNTS NOT ROUNDED

The Funds hereby designate the following amounts of dividends paid from net ordinary income as dividends qualifying for the 70% dividends received deduction for corporations or as qualified dividend income for individuals for the tax period ending March 31, 2009:

|  | Dividends Received Deduction for Corporations | Qualified Dividend Income for Individuals |
|--|---|---|
| Ivy Dividend Opportunities Fund . . . . .              | \$1,833,407                                   | \$1,833,407                               |
| Ivy Micro Cap Growth Fund . . . . .                    | —   | —   |
| Ivy Small Cap Value Fund . . . . .                     | —   | —   |
| Ivy Value Fund . . . . .                               | 405,858                                       | 405,858                                   |
| Ivy Managed European/Pacific Fund . . . . .            | —   | 1,763,947                                 |
| Ivy Managed International Opportunities Fund . . . . . | —   | 3,056,523                                 |
| Ivy Cundill Global Value Fund . . . . .                | 453,229                                       | 2,803,178                                 |
| Ivy European Opportunities Fund . . . . .              | —   | 16,114,824                                |
| Ivy International Balanced Fund . . . . .              | —   | 8,615,414                                 |
| Ivy International Core Equity Fund . . . . .           | —   | 5,620,261                                 |
| Ivy International Growth Fund . . . . .                | —   | 1,910,855                                 |
| Ivy Pacific Opportunities Fund . . . . .               | —   | 3,172,784                                 |
| Ivy Balanced Fund . . . . .                            | 1,287,591                                     | 1,302,967                                 |
| Ivy Global Natural Resources Fund . . . . .            | 9,032,639                                     | 23,082,478                                |
| Ivy Real Estate Securities Fund . . . . .              | 55,324  | 55,324                                    |
| Ivy Bond Fund . . . . .                                | —   | —   |
| Ivy Global Bond Fund . . . . .                         | —   | —   |
| Ivy Mortgage Securities Fund . . . . .                 | —   | —   |

The Funds hereby designate the following amounts as distributions of long-term capital gains:

|  |             |
|--|-------------|
| Ivy Dividend Opportunities Fund . . . . .              | \$—         |
| Ivy Micro Cap Growth Fund . . . . .                    | —           |
| Ivy Small Cap Value Fund . . . . .                     | —           |
| Ivy Value Fund . . . . .                               | 610         |
| Ivy Managed European/Pacific Fund . . . . .            | 2,475,268   |
| Ivy Managed International Opportunities Fund . . . . . | 2,171,746   |
| Ivy Cundill Global Value Fund . . . . .                | 3,183       |
| Ivy European Opportunities Fund . . . . .              | 18,952,359  |
| Ivy International Balanced Fund . . . . .              | 8,752,218   |
| Ivy International Core Equity Fund . . . . .           | 4,710,841   |
| Ivy International Growth Fund . . . . .                | —           |
| Ivy Pacific Opportunities Fund . . . . .               | 35,672,676  |
| Ivy Balanced Fund . . . . .                            | 184         |
| Ivy Global Natural Resources Fund . . . . .            | 540,665,321 |
| Ivy Real Estate Securities Fund . . . . .              | 1,531       |
| Ivy Bond Fund . . . . .                                | —           |
| Ivy Global Bond Fund . . . . .                         | 418,215     |
| Ivy Mortgage Securities Fund . . . . .                 | —           |

Shareholders are advised to consult with their tax advisors concerning the tax treatment of dividends and distributions from all the Funds.

Internal Revenue Code regulations permit each qualifying Fund to elect to pass through a foreign tax credit to shareholders with respect to foreign taxes paid by the Fund. Each Fund elected to pass the following amounts of creditable foreign taxes through to their shareholders:

|  | Foreign Tax Credit | Foreign Derived Income |
|--|--------------------|------------------------|
| Ivy Dividend Opportunities Fund . . . . .              | \$ —               | \$ —                   |
| Ivy Micro Cap Growth Fund . . . . .                    | —                  | —                      |
| Ivy Small Cap Value Fund . . . . .                     | —                  | —                      |
| Ivy Value Fund . . . . .                               | —                  | —                      |
| Ivy Managed European/Pacific Fund . . . . .            | —                  | —                      |
| Ivy Managed International Opportunities Fund . . . . . | —                  | —                      |
| Ivy Cundill Global Value Fund . . . . .                | 1,453,053          | 12,366,601             |
| Ivy European Opportunities Fund . . . . .              | 1,400,361          | 22,576,674             |
| Ivy International Balanced Fund . . . . .              | 1,048,436          | 12,446,858             |
| Ivy International Core Equity Fund . . . . .           | 725,334            | 9,080,085              |
| Ivy International Growth Fund . . . . .                | 455,361            | 5,302,529              |
| Ivy Pacific Opportunities Fund . . . . .               | 563,561            | 9,882,517              |
| Ivy Balanced Fund . . . . .                            | —                  | —                      |
| Ivy Global Natural Resources Fund . . . . .            | 6,640,991          | 67,094,040             |
| Ivy Real Estate Securities Fund . . . . .              | —                  | —                      |
| Ivy Bond Fund . . . . .                                | —                  | —                      |
| Ivy Global Bond Fund . . . . .                         | —                  | —                      |
| Ivy Mortgage Securities Fund . . . . .                 | —                  | —                      |

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

# INVESTMENT MANAGEMENT AGREEMENT APPROVAL

## Ivy Micro Cap Growth Fund

At a Meeting of the Board of Trustees of Ivy Funds (the “Trust”) held on November 11 and 12, 2008, the Trustees, including all of the Trustees who are not “interested persons” as defined in Section 2(a)(19) of the Investment Company Act of 1940, considered and approved an amendment to the Investment Management Agreement between Ivy Investment Management Company (“IICO”) and the Trust (the “Agreement”) to include Ivy Micro Cap Growth Fund (the “Fund”) to the Agreement, and considered and approved the Subadvisory Agreement between IICO and Wall Street Associates, LLC (“Wall Street”) to permit Wall Street to serve as investment sub-adviser to the Fund (the “Subadvisory Agreement”).

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 had provided the Board with a memorandum that discusses the various factors that the Board should consider as part of its consideration of the amendment to the Agreement and its approval of the Subadvisory Agreement (collectively, the “Agreements”), including, among other things, the nature and the quality of the services proposed to be provided by IICO and Wall Street to the Fund, the projected profitability (including any fall-out benefits) to each from their proposed relationships with the Fund, projected economies of scale, the role played by the Independent Trustees and information on comparative fees and expenses. The Board received information on the Ivy Funds VIP Micro Cap Growth Fund, a fund for which an affiliate of IICO is the named investment manager and that is sub-advised and managed day-to-day by the same portfolio managers at Wall Street that were proposed to manage the Fund. IICO advised the Board that that fund has been managed in the substantially the same fashion as is contemplated for the Fund. The material factors and conclusions that formed the basis for the Board’s determination to approve the Agreements are discussed below.

In considering the Agreements, the Board discussed the performance of the Ivy Funds VIP Micro Cap Growth Fund, including how the performance of that fund compared to relevant indices and peer funds. Although the Fund had not yet commenced operations and therefore the Board did not have specific information to examine, the Board concluded that the Fund appeared to be designed to be able to achieve acceptable performance. The Board also considered the proposed expenses of the Fund and the cost of the services proposed to be provided by IICO and Wall Street, including as compared to other funds,

and concluded that the proposed expenses of the Fund were reasonable. However, the Board did not discuss the projected profitability of either IICO or Wall Street in managing the Fund because the Fund had not yet commenced operations, but noted that they would monitor their profitability once the Fund begins operations. The Board considered the nature, extent and quality of services proposed to be provided to the Fund by IICO and Wall Street, taking into account the investment objective and strategy of the Fund based upon their experience with IICO and management’s recommendations of Wall Street, as well as the materials previously provided to the Board relating to the Fund. In addition, the Board reviewed the resources and key personnel at each of IICO and Wall Street, especially those proposed to provide investment day-to-day management services to the Fund. The Board also considered other services proposed to be provided to the Fund by IICO based upon their current experiences with IICO, such as monitoring adherence to the Fund’s 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 proposed to be provided by IICO and Wall Street are reasonable, considering the quality of the services currently provided by IICO for other Ivy Funds, and, with respect to Wall Street, as reported by management on Wall Street’s provision of services to the Ivy Funds VIP Micro Cap Growth Fund. The Board discussed whether IICO or Wall Street would derive any other direct or indirect benefits from serving as investment adviser and investment sub-adviser, respectively, to the Fund. In that regard, the Board considered the benefits that would accrue to each from their respective relationship with the Fund, including the fact, with respect to IICO, that a variety of services are provided by affiliates of IICO, including distribution, shareholder servicing and transfer agency services. The Board did not discuss possible economies of scale because the Fund had not commenced operations, but took note of the Fund’s proposed advisory fee breakpoint schedule. After consideration of these and other factors, the Board concluded that none of IICO, Wall Street or any of their affiliates would receive any additional direct benefits that would preclude the Board from approving the Agreement with IICO of the Subadvisory Agreement for Wall Street.

# BOARD OF TRUSTEES AND OFFICERS

## Ivy Funds

The Waddell & Reed Fund Complex (Fund Complex) is comprised of the Ivy Family of Funds and the Advisors Fund Complex. The Ivy Family of Funds is comprised of the funds in Ivy Funds (18 portfolios) and Ivy Funds, Inc. (12 portfolios). The Advisors Fund Complex is comprised of each of the funds in the Waddell & Reed Advisors Funds (21 portfolios), Waddell & Reed InvestEd Portfolios (3 portfolios) and Ivy Funds Variable Insurance Portfolios (25 portfolios).

Each of the individuals listed below serves as a trustee or director for each of the funds within the Ivy Family of Funds. Jarold W. Boettcher, Eleanor B. Schwartz, Joseph Harroz, Jr. and Henry J. Herrmann also serve as trustees of each of the funds in the Advisors Fund Complex. Each Trustee serves an indefinite term, until he or she dies, resigns, is removed or becomes disqualified.

A Trustee is considered by Ivy Funds and its counsel to be an “interested person” of the Funds or of their investment manager

by virtue of his or her employment by Waddell & Reed Financial, Inc. (WDR) or its wholly owned subsidiaries. The other Trustees (more than a majority of the total number) are independent; that is, they are not employees or officers of, and have no financial interest in, WDR or any of its wholly owned subsidiaries, including Ivy Funds Distributor, Inc. (IFDI), Ivy Investment Management Company (IICO) (formerly, Waddell & Reed Ivy Investment Company), and Waddell & Reed Services Company (WRSCO).

### Additional Information about Trustees

The Statement of Additional Information (SAI) for Ivy Funds (the “Trust”) includes additional information about Fund Trustees. The SAI is available without charge, upon request, by calling 1.800.777.6472. It is also available on the Ivy Funds website, [www.ivyfund.com](http://www.ivyfund.com).

### INDEPENDENT TRUSTEES

| NAME, ADDRESS and YEAR OF BIRTH   | POSITIONS HELD WITH THE TRUST AND LENGTH OF SERVICE | PRINCIPAL OCCUPATION DURING THE PAST FIVE YEARS  | OTHER DIRECTORSHIPS HELD  |
|---|---|--|---|
| Jarold W. Boettcher<br>6300 Lamar Avenue<br>Overland Park, KS 66202<br>1940     | Trustee since 2003                                  | President of Boettcher Enterprises, Inc. (agriculture products and services) (1979 to present); Boettcher Supply, Inc. (electrical and plumbing supplies distributor) (1979 to present), Boettcher Aerial, Inc. (Aerial Ag Applicator) (1983 to present)   | Director of Guaranty State Bank & Trust Co. (financial services); Director of Guaranty, Inc. (financial services); Trustee of Advisors Fund Complex (53 portfolios overseen); Member, Kansas Board of Regents (2007 to present) |
| James D. Gressett<br>6300 Lamar Avenue<br>Overland Park, KS 66202<br>1950       | Trustee since 2003                                  | Secretary of Streetman Homes, LLP (homebuilding company) (2001 to present); Chief Executive Officer (CEO) of PacPizza LLC (Pizza Hut franchise) (2000 to 2004); Partner, Century Bridge Partners (2007 to present); Manager, Premium Gold Foods (2007 to present)  | None  |
| Joseph Harroz, Jr.<br>6300 Lamar Avenue<br>Overland Park, KS 66202<br>1967      | Independent Chair since 2006<br>Trustee since 1998  | President and Chief Operating Officer (COO) of Graymark HealthCare (medical holding company) (2008 to present); Managing Member, Harroz Investments, LLC (commercial enterprise investments) (1998 to present); Independent Director, LSQ Manager, Inc. (real estate) (2007 to present); Vice President and General Counsel of the Board of Regents, University of Oklahoma (1996 to 2008); Adjunct Professor, University of Oklahoma School of Law (1997 to 2008) | Director of Valliance Bank NA; Trustee of Advisors Fund Complex (53 portfolios overseen); Director, Melbourne Family Support Organization (non-profit); Member, Oklahoma Foundation of Excellence (non-profit)                  |
| Glendon E. Johnson, Jr.<br>6300 Lamar Avenue<br>Overland Park, KS 66202<br>1951 | Trustee since 2003                                  | Of Counsel, Lee & Smith, PC (law firm) (1996 to present); Member/Manager, Castle Valley Ranches, LLC (ranching) (1995 to present)  | Director, Thomas Foundation of Cancer Research  |
| Eleanor B. Schwartz<br>6300 Lamar Avenue<br>Overland Park, KS 66202<br>1937     | Trustee since 1995                                  | Professor Emeritus, University of Missouri at Kansas City (2003 to present); Dean, Block School of Business (1980-1986), Vice Chancellor (1988-1991) and Professor of Business Administration, University of Missouri at Kansas City (1980 until 2003)   | Trustee of Advisors Fund Complex (53 portfolios overseen)   |



| NAME, ADDRESS and YEAR OF BIRTH  | POSITIONS HELD WITH THE TRUST AND LENGTH OF SERVICE | PRINCIPAL OCCUPATION DURING THE PAST FIVE YEARS  | OTHER DIRECTORSHIPS HELD  |
|--|---|--|---|
| Michael G. Smith<br>6300 Lamar Avenue<br>Overland Park, KS 66202<br>1944 | Trustee since 2003                                  | Retired  | Director of Executive Board, Cox Business School, Southern Methodist University; Director of Northwestern Mutual Life Series Funds (18 portfolios overseen); TDAX Funds (5 portfolios overseen) |
| Edward M. Tighe<br>6300 Lamar Avenue<br>Overland Park, KS 66202<br>1942  | Trustee since 2003                                  | Retired; CEO and Director of Asgard Holding, LLC (computer network and security services) (2002 to 2004) | None  |

## INTERESTED TRUSTEE

| NAME, ADDRESS AND YEAR OF BIRTH   | POSITIONS HELD WITH THE TRUST AND LENGTH OF SERVICE | PRINCIPAL OCCUPATION DURING THE PAST FIVE YEARS  | OTHER DIRECTORSHIPS HELD  |
|---|---|--|---|
| Henry J. Herrmann<br>6300 Lamar Avenue<br>Overland Park, KS 66202<br>1942 | Trustee since 1998<br>President<br>since 2001       | CEO of WDR (2005 to present); President, CEO and Chairman of WRIMCO (1993 to present); President, CEO and Chairman of IICO, an affiliate of WDR (2002 to present); formerly, President and CIO of WDR, WRIMCO and IICO (until 2005); President and Director/Trustee of each of the funds in the Fund Complex | Director of WDR, WRSCO and Waddell & Reed; Trustee/Director of the funds in the Advisors Complex (53 portfolios overseen); Director, Austin, Calvert & Flavin, Inc., an affiliate of WRIMCO |

## OFFICERS

The Board has appointed officers who are responsible for the day-to-day business decisions based on policies it has established. The officers serve at the pleasure of the Board. In addition to Mr. Herrmann, who is President, the principal officers of Ivy Funds are:

| NAME, ADDRESS AND YEAR OF BIRTH   | POSITIONS HELD WITH THE TRUST AND LENGTH OF SERVICE  | PRINCIPAL OCCUPATION DURING THE PAST FIVE YEARS  | OTHER DIRECTORSHIPS HELD |
|---|--|--|--------------------------|
| Mara D. Herrington<br>6300 Lamar Avenue<br>Overland Park, KS 66202<br>1964  | Vice President since 2006<br>Secretary since 2006  | Vice President and Secretary of each of the funds in the Fund Complex (2006 to present); Vice President of WRIMCO and IICO (2006 to present); formerly, Vice President and Associate General Counsel, Deutsche Investment Management Americas, Inc. (financial services) (1994 to 2005)  | None                     |
| Joseph W. Kauten<br>6300 Lamar Avenue<br>Overland Park, KS 66202<br>1969    | Vice President since 2006<br>Treasurer since 2006<br>Principal Financial Officer since 2007<br>Principal Accounting Officer since 2006 | Principal Financial Officer of each of the funds in the Fund Complex (2007 to present); Vice President, Treasurer and Principal Accounting Officer of each of the funds in the Fund Complex (2006 to present); Assistant Treasurer of each of the funds in the Fund Complex (2003 to 2006)   | None                     |
| Kristen A. Richards<br>6300 Lamar Avenue<br>Overland Park, KS 66202<br>1967 | Vice President since 2000<br>Assistant Secretary since 2006<br>Associate General Counsel since 2000                                    | Senior Vice President of WRIMCO and IICO (2007 to present); Associate General Counsel and Chief Compliance Officer of WRIMCO (2000 to present) and IICO (2002 to present); Vice President and Associate General Counsel of each of the funds in the Fund Complex (2000 to present); Assistant Secretary of each of the funds in the Fund Complex (2006 to present); formerly, Vice President of WRIMCO (2000 to 2007) and IICO (2002 to 2007); formerly, Secretary of each of the funds in the Fund Complex (2000 to 2006) | None                     |

| NAME, ADDRESS AND YEAR OF BIRTH  | POSITIONS HELD WITH THE TRUST AND LENGTH OF SERVICE   | PRINCIPAL OCCUPATION DURING THE PAST FIVE YEARS   | OTHER DIRECTORSHIPS HELD |
|--|---|---|--------------------------|
| Scott J. Schneider<br>6300 Lamar Avenue<br>Overland Park, KS 66202<br>1968 | Chief Compliance Officer<br>since 2004  | Chief Compliance Officer (2004 to present) and Vice President (2006 to present) of each of the funds in the Fund Complex; formerly, Senior Attorney and Compliance Officer for each of the funds in the Fund Complex (2000 to 2004)   | None                     |
| Daniel C. Schulte<br>6300 Lamar Avenue<br>Overland Park, KS 66202<br>1965  | Vice President since 2000<br>General Counsel<br>since 2000<br>Assistant Secretary<br>since 2000 | Senior Vice President and General Counsel of WDR, Waddell & Reed, WRIMCO and WRSCO (2000 to present); Senior Vice President and General Counsel of IICO (2002 to present); Vice President, General Counsel and Assistant Secretary of each of the funds in the Fund Complex (2000 to present) | None                     |

## SHAREHOLDER MEETING RESULTS

### Ivy Funds

On January 15, 2009, a joint special meeting of the shareholders of each series of Ivy Funds set forth below (Meeting) was held at the offices of Waddell & Reed Financial, Inc., 6300 Lamar Avenue, Overland Park, Kansas, 66202. The Meeting was held for the following purpose (and with the following results):

**Proposal:** To approve for the Fund a proposed Agreement and Plan of Reorganization and Termination, pursuant to which the Fund would be reorganized into a corresponding series of a newly established Delaware statutory trust, to be named Ivy Funds.

| FUND NAME  | FOR             | AGAINST       | ABSTAIN       |
|--|-----------------|---------------|---------------|
| Ivy Balanced Fund                                | 4,301,172.951   | 71,028.640    | 151,134.775   |
| Ivy Bond Fund                                    | 9,072,184.188   | 167,884.106   | 119,972.788   |
| Ivy Cundill Global Value Fund                    | 20,734,712.976  | 441,984.958   | 842,630.531   |
| Ivy Dividend Opportunities Fund                  | 8,000,953.908   | 215,829.770   | 237,656.913   |
| Ivy European Opportunities Fund                  | 8,377,291.525   | 163,669.744   | 252,511.851   |
| Ivy Global Bond Fund                             | 3,165,262.506   | 21,040.307    | 18,933.359    |
| Ivy Global Natural Resources Fund <sup>(1)</sup> | 103,802,727.716 | 3,092,541.182 | 3,607,848.378 |
| Ivy International Balanced Fund                  | 14,012,326.668  | 207,868.624   | 321,325.872   |
| Ivy International Core Equity Fund               | 11,760,779.447  | 211,091.977   | 413,450.699   |
| Ivy International Growth Fund                    | 3,415,765.068   | 152,744.243   | 136,793.000   |
| Ivy Managed European/Pacific Fund                | 5,406,464.047   | 147,394.726   | 154,778.608   |
| Ivy Managed International Opportunities Fund     | 10,488,654.490  | 279,514.251   | 278,095.018   |
| Ivy Mortgage Securities Fund                     | 13,929,179.329  | 370,769.899   | 501,506.514   |
| Ivy Pacific Opportunities Fund                   | 21,246,314.604  | 478,984.681   | 564,959.202   |
| Ivy Real Estate Securities Fund                  | 16,614,663.817  | 274,405.158   | 380,376.888   |
| Ivy Small Cap Value Fund                         | 8,003,326.197   | 191,991.492   | 245,533.670   |
| Ivy Value Fund                                   | 2,171,461.095   | 65,442.622    | 55,832.519    |

*(1)The meeting for Ivy Global Natural Resources Fund was adjourned and held on March 27, 2009 with the results indicated.*

On February 13, 2009, the initial shareholder of Ivy Micro Cap Growth Fund approved the reorganization.

It is anticipated that the reorganization for each series of Ivy Funds will take place in the third or fourth quarter of 2009.

# ANNUAL PRIVACY NOTICE

## Ivy Funds

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The following privacy notice is issued by Ivy Funds (the Funds), Ivy Investment Management Company (IICO) and Ivy Funds Distributor, Inc. (IFDI).

### Information Collected

We collect nonpublic personal information about you from your account application and other forms that you may deliver to us, and from your transactions with us and our affiliates. This is information that regulators consider necessary for the proper servicing of your account. In order to effect your transactions and service your account properly, we may disclose all of the information that we collect, as described above, to firms that assist us in servicing your account, such as our transfer agent.

### Confidentiality of Information Collected

All records containing your nonpublic personal information are kept at our various service providers. These entities include IICO, IFDI and our transfer agent and administrative services provider. We require these affiliates, and any non-affiliated service providers, to protect the confidentiality of your information and to use the information only for the purposes for which disclosure to them is made. The Funds, IICO, IFDI and other service providers restrict access to nonpublic personal information about you to those employees who need to know that information to provide products and services to you and maintain physical, electronic, and procedural safeguards that comply with federal standards to maintain the security of your nonpublic personal information.

### Disclosure of Information in Limited Circumstances

We do not disclose nonpublic personal information about present or former customers to nonaffiliated third parties, except as permitted or required by law. In connection with servicing your account, your nonpublic personal information may be shared among the entities named in this notice, their affiliates, and non-affiliates, including a transfer agent or other service companies. We will adhere to the policies and practices above for both current and former customers.

## PROXY VOTING INFORMATION

### Ivy Funds

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#### **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.ivyfunds.com](http://www.ivyfunds.com) and on the SEC's website at [www.sec.gov](http://www.sec.gov).

## QUARTERLY PORTFOLIO SCHEDULE INFORMATION

### Ivy Funds

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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 Trust'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).

## HOUSEHOLDING NOTICE

### Ivy Funds

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If you currently receive one copy of the shareholder reports and prospectus for your household (even if more than one person in your household owns shares of the Trust) and you would prefer to receive separate shareholder reports and prospectuses for each account holder living at your address, you can do either of the following:

Fax your request to 800.532.2749.

Write to us at the address listed on the back cover.

Please list each account for which you would like to receive separate shareholder reports and prospectus mailings. We will resume sending separate documents within 30 days of receiving your request.

## TO ALL TRADITIONAL IRA PLANHOLDERS: **Ivy Funds**

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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. A 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

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## Domestic Equity Funds

Capital Appreciation Fund  
Core Equity Fund  
Dividend Opportunities Fund  
Large Cap Growth Fund  
Micro Cap Growth Fund  
Mid Cap Growth Fund  
Small Cap Growth Fund  
Small Cap Value Fund  
Value Fund

## Global/International Funds

Managed European/Pacific Fund  
Managed International Opportunities Fund  
Cundill Global Value Fund  
European Opportunities Fund  
International Balanced Fund  
International Core Equity Fund  
International Growth Fund  
Pacific Opportunities Fund

## Specialty Funds

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

## Fixed Income Funds

Bond Fund  
Global Bond Fund  
High Income Fund  
Limited-Term Bond Fund  
Money Market Fund  
Mortgage Securities Fund  
Municipal Bond 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®

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