

Annual Report

December 31, 2009

Ivy Funds Variable Insurance Portfolios

Pathfinder Aggressive

Pathfinder Conservative

Pathfinder Moderate

Pathfinder Moderately Aggressive

Pathfinder Moderately Conservative

Asset Strategy

Balanced

Bond

Core Equity

Dividend Opportunities

Energy

Global Natural Resources

Growth

High Income

International Growth

International Value

Micro Cap Growth

Mid Cap Growth

Money Market

Mortgage Securities

Real Estate Securities

Science and Technology

Small Cap Growth

Small Cap Value

Value



IVY FUNDS
Variable Insurance Portfolios

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Henry J. Herrmann, CFA

Dear Shareholder:

Over the last 12 months, investors have endured what is perhaps best described as a Tale of Two Markets. The first market occurred in the first three months of the year, as the global financial crisis that began in 2008 persisted. Despite a \$787 billion federal stimulus package, the U.S. economy, like other developed markets receiving governmental stimulus, continued to struggle. Unemployment rose, banks failed at an alarming rate and the federal deficit soared. By March 9, 2009, U.S. equities had fallen to their lowest levels since 1997. Many millions of Americans had watched their savings evaporate, their investment portfolios shrink, and many lost their homes.

The second market emerged later that same month, when several stimulus programs were implemented, including a \$75 billion housing rescue plan, the Federal Reserve Bank's plan to buy long-term Treasury securities and mortgage-backed securities and the Treasury decision to buy toxic real estate assets from banks. These aggressive efforts, and similar monetary and fiscal policies being implemented in foreign developed markets, did much to deter the global financial and economic meltdown that had just months earlier been feared inevitable.

Despite a steady stream of relatively weak economic and earnings data, investors began to demonstrate a return of some appetite for risk. In early spring, a rise in existing home sales suggested that the housing market may have found its floor. In the third quarter, gross domestic product expanded at a 2.8 percent annualized rate. Progress continued into the fourth quarter, despite a minor stumble in November when the Dubai World conglomerate in the Persian Gulf asked creditors for a suspension of interest payments on \$60 billion of its \$80 billion in debt. The year ended with all the major indexes posting double-digit returns, and some posting record single-year gains. Specifically, the S&P 500 Index gained 26.47 percent for the year ended December 31, 2009. Fixed-income markets, as measured by the Citigroup Broad Investment Grade Index, did well, increasing 5.07 percent for the year.

Although numerous problems remain, we are optimistic that better days are ahead.

Economic Snapshot

	12/31/09	12/31/08
S&P 500 Index	1115.10	890.64
MSCI EAFE Index	1580.77	1237.42
Citigroup Broad Investment Grade Index (annualized yield to maturity)	3.49%	3.75%
U.S. unemployment rate	10.00%	7.20%
30-year fixed mortgage rate	5.14%	5.10%
Oil price per barrel	\$79.36	\$44.60

Sources: Bloomberg, U.S. Department of Labor

All government statistics shown are subject to periodic revision. The S&P 500 Index is an unmanaged index that tracks the stocks of 500 primarily large-cap U.S. companies. MSCI EAFE Index is an unmanaged index comprised of securities that represent the securities markets in Europe, Australasia and the Far East. Citigroup Broad Investment Grade Index is an unmanaged index comprised of securities that represent the bond market. Annualized yield to maturity is the rate of return anticipated on a bond if it is held until the maturity date. It is not possible to invest directly in any of these indexes. 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 always, we thank you for your continued trust, and encourage you to share in our optimism for the future.

Respectfully,

Henry J. Herrmann, CFA
President

The opinions expressed in this letter are those of the President of Ivy Funds Variable Insurance Portfolios, 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.

ILLUSTRATION OF PORTFOLIO EXPENSES

Ivy Funds VIP

(UNAUDITED)

As a shareholder of a Portfolio, you incur ongoing costs, including management fees, distribution and service fees, and other Portfolio expenses. The following tables are intended to help you understand your ongoing costs (in dollars) of investing in a Portfolio and to compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of \$1,000 invested at the beginning of the period and held for the six-month period ended December 31, 2009.

Actual Expenses

The first line in the following tables provides information about actual investment values and actual expenses. You may use the information in this line, together with your initial investment in Portfolio shares, to estimate the expenses that you paid over the period. Simply divide the value of that investment by \$1,000 (for example, a \$7,500 initial investment 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 investment during this period. In addition, there are fees and expenses imposed under the variable annuity or variable life insurance contract through

which shares of the Portfolio are held. Additional fees have the effect of reducing investment returns.

Hypothetical Example for Comparison Purposes

The second line in the following tables provides information about hypothetical investment values and hypothetical expenses based on the Portfolio's actual expense ratio and an assumed rate of return of five percent per year before expenses, which is not the Portfolio's actual return. The hypothetical investment values and expenses may not be used to estimate the actual investment value at the end of the period or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Portfolio 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 as a shareholder of the Portfolio and do not reflect any fees and expenses imposed under the variable annuity or variable life insurance contract through which shares of the Portfolio are held.

For the Six Months Ended December 31, 2009	Beginning Account Value 6-30-09	Ending Account Value 12-31-09	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
Pathfinder Aggressive				
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,168.10	0.10%	\$0.54
Based on 5% Return ⁽²⁾	\$1,000	\$1,024.71	0.10%	\$0.51
Pathfinder Conservative				
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,089.90	0.10%	\$0.52
Based on 5% Return ⁽²⁾	\$1,000	\$1,024.68	0.10%	\$0.51
Pathfinder Moderate				
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,128.80	0.05%	\$0.32
Based on 5% Return ⁽²⁾	\$1,000	\$1,024.94	0.05%	\$0.30
Pathfinder Moderately Aggressive				
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,148.90	0.05%	\$0.32
Based on 5% Return ⁽²⁾	\$1,000	\$1,024.95	0.05%	\$0.30

See footnotes on page 7.

For the Six Months Ended December 31, 2009	Beginning Account Value 6-30-09	Ending Account Value 12-31-09	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
Pathfinder Moderately Conservative				
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,109.50	0.07%	\$0.42
Based on 5% Return ⁽²⁾	\$1,000	\$1,024.84	0.07%	\$0.40
Asset Strategy				
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,169.20	1.05%	\$5.75
Based on 5% Return ⁽²⁾	\$1,000	\$1,019.93	1.05%	\$5.35
Balanced				
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,127.70	1.04%	\$5.53
Based on 5% Return ⁽²⁾	\$1,000	\$1,019.96	1.04%	\$5.25
Bond				
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,038.40	0.79%	\$4.08
Based on 5% Return ⁽²⁾	\$1,000	\$1,021.21	0.79%	\$4.04
Core Equity				
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,215.70	0.98%	\$5.54
Based on 5% Return ⁽²⁾	\$1,000	\$1,020.24	0.98%	\$5.05
Dividend Opportunities				
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,164.30	1.04%	\$5.63
Based on 5% Return ⁽²⁾	\$1,000	\$1,019.97	1.04%	\$5.25
Energy				
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,233.90	1.27%	\$7.15
Based on 5% Return ⁽²⁾	\$1,000	\$1,018.81	1.27%	\$6.46

See footnotes on page 7.

For the Six Months Ended December 31, 2009	Beginning Account Value 6-30-09	Ending Account Value 12-31-09	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
Global Natural Resources				
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,259.60	1.40%	\$8.02
Based on 5% Return ⁽²⁾	\$1,000	\$1,018.13	1.40%	\$7.16
For the Six Months Ended December 31, 2009	Beginning Account Value 6-30-09	Ending Account Value 12-31-09	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
Growth				
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,182.40	1.00%	\$5.46
Based on 5% Return ⁽²⁾	\$1,000	\$1,020.19	1.00%	\$5.05
For the Six Months Ended December 31, 2009	Beginning Account Value 6-30-09	Ending Account Value 12-31-09	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
High Income				
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,178.80	0.93%	\$5.12
Based on 5% Return ⁽²⁾	\$1,000	\$1,020.54	0.93%	\$4.75
For the Six Months Ended December 31, 2009	Beginning Account Value 6-30-09	Ending Account Value 12-31-09	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
International Growth				
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,201.90	1.19%	\$6.61
Based on 5% Return ⁽²⁾	\$1,000	\$1,019.22	1.19%	\$6.06
For the Six Months Ended December 31, 2009	Beginning Account Value 6-30-09	Ending Account Value 12-31-09	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
International Value				
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,237.50	1.23%	\$6.94
Based on 5% Return ⁽²⁾	\$1,000	\$1,019.00	1.23%	\$6.26
For the Six Months Ended December 31, 2009	Beginning Account Value 6-30-09	Ending Account Value 12-31-09	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
Micro Cap Growth				
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,185.50	1.41%	\$7.76
Based on 5% Return ⁽²⁾	\$1,000	\$1,018.11	1.41%	\$7.16
For the Six Months Ended December 31, 2009	Beginning Account Value 6-30-09	Ending Account Value 12-31-09	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
Mid Cap Growth				
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,253.60	1.19%	\$6.76
Based on 5% Return ⁽²⁾	\$1,000	\$1,019.19	1.19%	\$6.06
For the Six Months Ended December 31, 2009	Beginning Account Value 6-30-09	Ending Account Value 12-31-09	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
Money Market				
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,004.20	0.51%	\$2.61
Based on 5% Return ⁽²⁾	\$1,000	\$1,022.62	0.51%	\$2.63

See footnotes on page 7.

For the Six Months Ended December 31, 2009	Beginning Account Value 6-30-09	Ending Account Value 12-31-09	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
Mortgage Securities				
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,050.60	1.07%	\$5.54
Based on 5% Return ⁽²⁾	\$1,000	\$1,019.81	1.07%	\$5.45
For the Six Months Ended December 31, 2009	Beginning Account Value 6-30-09	Ending Account Value 12-31-09	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
Real Estate Securities				
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,412.50	1.38%	\$8.32
Based on 5% Return ⁽²⁾	\$1,000	\$1,018.26	1.38%	\$6.96
For the Six Months Ended December 31, 2009	Beginning Account Value 6-30-09	Ending Account Value 12-31-09	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
Science and Technology				
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,231.30	1.19%	\$6.69
Based on 5% Return ⁽²⁾	\$1,000	\$1,019.19	1.19%	\$6.06
For the Six Months Ended December 31, 2009	Beginning Account Value 6-30-09	Ending Account Value 12-31-09	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
Small Cap Growth				
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,168.00	1.18%	\$6.40
Based on 5% Return ⁽²⁾	\$1,000	\$1,019.27	1.18%	\$5.96
For the Six Months Ended December 31, 2009	Beginning Account Value 6-30-09	Ending Account Value 12-31-09	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
Small Cap Value				
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,237.30	1.22%	\$6.82
Based on 5% Return ⁽²⁾	\$1,000	\$1,019.07	1.22%	\$6.16
For the Six Months Ended December 31, 2009	Beginning Account Value 6-30-09	Ending Account Value 12-31-09	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
Value				
Based on Actual Portfolio Return ⁽¹⁾	\$1,000	\$1,245.70	1.04%	\$5.95
Based on 5% Return ⁽²⁾	\$1,000	\$1,019.94	1.04%	\$5.35

*Portfolio expenses are equal to the Portfolio's annualized expense ratio (provided in the table), multiplied by the average account value over the period, multiplied by 184 days in the six-month period ended December 31, 2009, and divided by 365.

(1) This line uses the Portfolio's actual total return and actual Portfolio expenses. It is a guide to the actual expenses paid by the Portfolio in the period. The "Ending Account Value" shown is computed using the Portfolio'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 Portfolio. 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 line uses a hypothetical five percent annual return and actual Portfolio expenses. It helps to compare the Portfolio's ongoing costs with other mutual funds. A shareholder can compare the Portfolio'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.



Michael L. Avery

Below, Michael L. Avery, portfolio manager of each of the five Ivy Funds VIP Pathfinder Portfolios, discusses positioning, performance and results for the fiscal year ended December 31, 2009. Mr. Avery has managed each Pathfinder Portfolio since their inception in March 2008. He has 31 years of industry experience.

Performance Summary

as of December 31, 2009	One-year total returns
Ivy Funds VIP Pathfinder Aggressive	23.32%
Ivy Funds VIP Pathfinder Conservative	12.95%
Ivy Funds VIP Pathfinder Moderate	17.95%
Ivy Funds VIP Pathfinder Moderately Aggressive	20.70%
Ivy Funds VIP Pathfinder Moderately Conservative	15.12%
Benchmark(s)	
S&P 500 Index (generally reflects the performance of large and medium-sized U.S. stocks)	26.47%
Citigroup Broad Investment Grade Index (generally reflects the performance of the bond market)	5.07%
Citigroup Short-Term Index for 1 Month Certificates of Deposit (generally reflects cash)	0.32%

Past performance is not necessarily indicative of future performance. For additional performance information for each Portfolio, please see the Comparison of Change in Value of a \$10,000 Investment and the Average Annual Total Return information for each Portfolio found on pages 12-16 of this report.

Please note that the Portfolio returns include applicable investment fees and expenses, whereas the index returns do not include any such fees. Also, the Portfolio's performance data does not take into account any product expenses or charges associated with owning a variable life or annuity policy, which is invested in Ivy Funds Variable Insurance Portfolios. Multiple indexes are shown because each Portfolio invests in multiple asset classes.

A tale of two markets

At the time of our last annual report to you, the global financial system tottered on the edge of collapse and the world's economies had slipped into the greatest recession since the 1930s. The malaise continued into 2009, as America's balance sheet recession deepened, home prices plummeted and unemployment spiraled. And then we witnessed the seminal event of the year, on March 6, 2009, the Dow Jones Industrial Average broke below 6500 and the S&P 500 Index declined to 666.79, falling another 25 percent from the end of 2008 and recording losses of more than 50 percent from their 2007 peaks. This ultimately proved to be the turning point.

Since then, due to massive stimulus implemented by governments in many developed economies, markets rallied impressively. Investors once again discovered their appetite for risk and demonstrated their preference for lower-quality or less financially secure businesses, driving a low-quality rally that ultimately drove up the prices of those businesses that had declined the most in the credit crisis. By May, news of improving

earnings and better consumer sentiment bolstered equities. Global stocks fared even better due to renewed strength in developed markets and a powerful rise in emerging markets. In the third quarter, U.S. gross domestic product registered growth for the first time in more than a year, and the final quarter of 2009 saw improvements in many economic indicators in the U.S. and abroad, particularly in non-Japan Asia.

The U.S. stock market's breathtaking decline and subsequent recovery were mirrored by the bond market, which staged its own roller coaster ride. As the year progressed and investors' risk tolerance returned to more normal levels, demand for corporate bonds increased, driving their prices higher and weighing on yields. During the 12 months, both taxable and municipal bonds returned more than 13 percent. At the same time, low interest rates had a negative effect on short-term instruments, such as money market funds.

As 2009 wound to a close, stock indices hit new recovery highs; the S&P 500 Index surged more than 65 percent from its March 2009 lows to record a 26.47 percent gain. Many global markets did even better; the MSCI EAFE Index ended the year with an annual gain of more than 32 percent. The Hang Seng Hong Kong Index returned 53.94 percent, while MSCI's emerging market index surged nearly 110 percent since early March.

Pathfinder Portfolios' performance

For the fiscal year ended December 31, 2009, each of the underlying portfolios within the Pathfinder Portfolios posted positive returns for the year, as did each of the Pathfinder Portfolios. The top-performing underlying portfolio included Ivy Funds VIP Mid Cap Growth. Most categories of stocks rose during the year, but growth stocks, in particular, were strong as investors' faith in the economic recovery strengthened as the year progressed. In this environment, they rewarded primarily small and mid-cap technology, retailing and energy companies, which were areas of emphasis for the underlying portfolio.

Other strongly contributing underlying portfolios were Ivy Funds VIP International Value and Ivy Funds VIP International Growth. The stronger performance of these underlying portfolios reflects, in part, the historical tendency exhibited by investors at the end of bear markets to buy cheap – in other words, lower-quality stocks and value stocks (those that appear to be undervalued relative to their prospects). It also reflects their eagerness to capitalize on the dramatic growth occurring in

many foreign – especially Asian – economies. Ivy Funds VIP International Value benefited from strong individual stock selection, particularly among technology and insurance holdings. Also beneficial was that portfolio's strategic underweight exposure to banks during the earliest part of the year when banks were struggling; the manager subsequently invested at attractive valuations in the second quarter and enjoyed rising performance through year end.

Relative safety, higher quality lagged

The greatest factor working against the more conservative Pathfinder Portfolios was their larger stakes in more conservative underlying portfolios, such as Ivy Funds VIP Money Market and Ivy Funds VIP Bond. While both of these underlying portfolios produced absolute returns, they were somewhat overlooked by investors with an eye for higher-yielding, lower-quality securities. By the end of the first quarter, investors were largely convinced that the Federal Reserve monetary policies and the Treasury Department's fiscal stimulus had helped establish a level of financial stability not seen in over a year. Within six months, Treasury bond yields returned to their pre-crisis levels. In the case of Ivy Funds VIP Bond, the portfolio's duration was simply too long, which restrained performance. At the same time, demand for spread product exploded. The portfolio's managers had increased Ivy Funds VIP Bond's exposure to spread product at the end of first-quarter 2009, which helped, but its preference for high-quality over yield ultimately restrained performance.

Volatility ahead, stock selection critical

We believe 2010 will likely be a volatile year for investors, due largely to concerns about sovereign credit risk. What we went through 18 months ago was a crisis of confidence; confidence may well have been restored, but a tremendous debt is still there, it's just been absorbed by governments that injected massive fiscal stimulus to create liquidity. We very well may encounter an environment in which volatility is punctuated by concern about what policy makers are going to do and what outcomes that may drive.

One of the significant themes we're anticipating in the months ahead is a transition from a liquidity-driven market to a "stock picker's" market. For that reason, we are less concerned with where a stock is domiciled – its geographical location – than we are in identifying what we feel are the steady-growth companies that fit our criteria for sustainable competitive advantage. We believe the way to succeed in 2010 is to spend less time on the macro view and more time on micro analysis and individual security selection. This plays very well into the investment theme that we've had in place for some time – our belief in the opportunities presented by the emerging middle class as the global economy rebalances.

Over all, we believe our flexibility to select a broad range of underlying portfolios is a strategic advantage in navigating the uncertain and potentially volatile markets in 2010. We are evaluating the global market as well as each of our underlying portfolio options as we allocate each Pathfinder Portfolio while the economy and markets continue on what appears to be a path of recovery.

As with any mutual fund, the value of each Portfolio'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 each Portfolio'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.

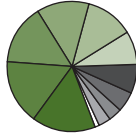
The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of any Pathfinder Portfolio.

PORTFOLIO HIGHLIGHTS

Pathfinder Portfolios

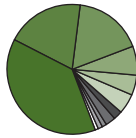
ALL DATA IS AS OF DECEMBER 31, 2009 (UNAUDITED)

Pathfinder Aggressive – Asset Allocation



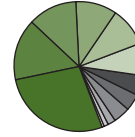
Ivy Funds VIP International Growth	16.07%
Ivy Funds VIP Bond	16.00%
Ivy Funds VIP Growth	15.36%
Ivy Funds VIP International Value	13.97%
Ivy Funds VIP Dividend Opportunities	12.17%
Ivy Funds VIP Small Cap Value	8.23%
Ivy Funds VIP Value	7.00%
Ivy Funds VIP Mid Cap Growth	5.09%
Ivy Funds VIP Small Cap Growth	3.06%
Ivy Funds VIP Mortgage Securities	2.85%
Cash and Cash Equivalents	0.20%

Pathfinder Conservative – Asset Allocation



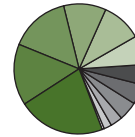
Ivy Funds VIP Bond	38.68%
Ivy Funds VIP Money Market ⁽¹⁾	19.39%
Ivy Funds VIP Dividend Opportunities	17.71%
Ivy Funds VIP Growth	7.37%
Ivy Funds VIP International Growth	5.16%
Ivy Funds VIP International Value	5.13%
Ivy Funds VIP Mid Cap Growth	2.09%
Ivy Funds VIP Value	2.05%
Ivy Funds VIP Small Cap Value	1.06%
Ivy Funds VIP Small Cap Growth	1.05%
Cash and Cash Equivalents	0.31%

Pathfinder Moderate – Asset Allocation



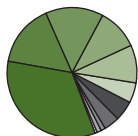
Ivy Funds VIP Bond	27.71%
Ivy Funds VIP Dividend Opportunities	15.30%
Ivy Funds VIP International Growth	12.15%
Ivy Funds VIP Growth	10.32%
Ivy Funds VIP Money Market ⁽¹⁾	9.59%
Ivy Funds VIP International Value	8.06%
Ivy Funds VIP Value	5.04%
Ivy Funds VIP Small Cap Value	4.15%
Ivy Funds VIP Mid Cap Growth	4.11%
Ivy Funds VIP Small Cap Growth	2.06%
Ivy Funds VIP Mortgage Securities	0.97%
Cash and Cash Equivalents	0.54%

Pathfinder Moderately Aggressive – Asset Allocation



Ivy Funds VIP Bond	21.85%
Ivy Funds VIP Dividend Opportunities	15.30%
Ivy Funds VIP International Growth	15.17%
Ivy Funds VIP Growth	10.31%
Ivy Funds VIP International Value	10.05%
Ivy Funds VIP Small Cap Value	7.25%
Ivy Funds VIP Mid Cap Growth	5.12%
Ivy Funds VIP Value	5.03%
Ivy Funds VIP Money Market ⁽¹⁾	4.76%
Ivy Funds VIP Small Cap Growth	3.08%
Ivy Funds VIP Mortgage Securities	1.92%
Cash and Cash Equivalents	0.16%

Pathfinder Moderately Conservative – Asset Allocation



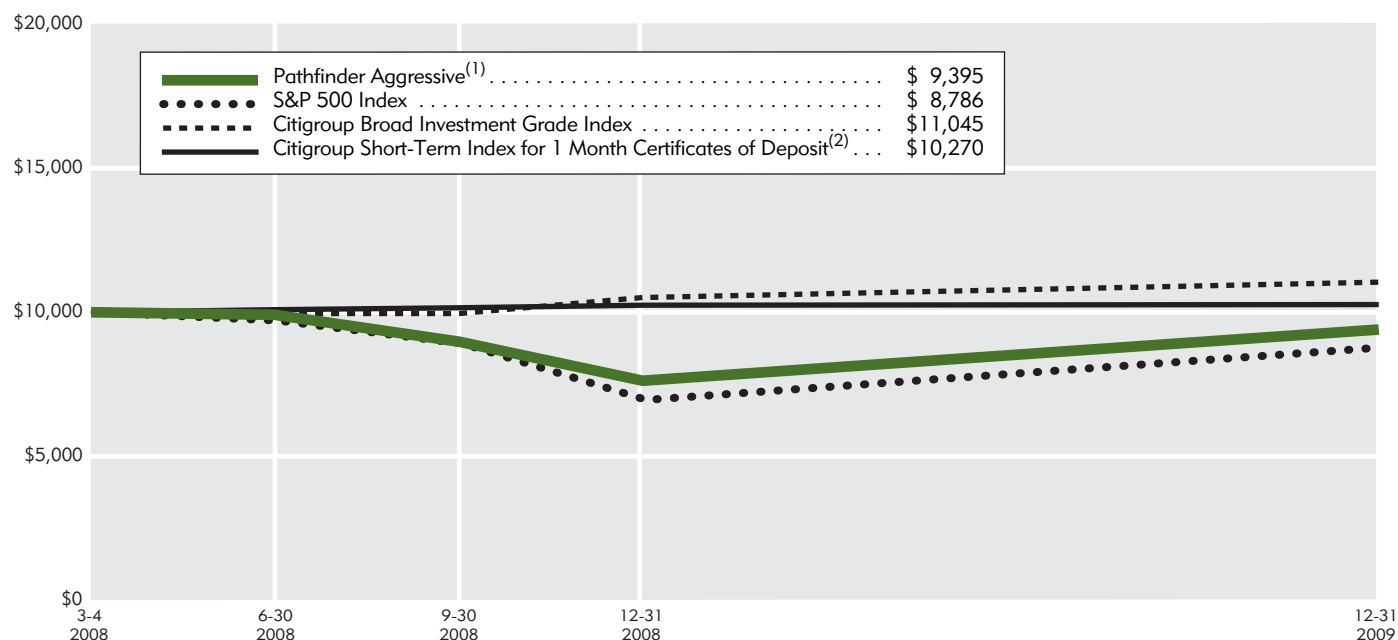
Ivy Funds VIP Bond	33.58%
Ivy Funds VIP Dividend Opportunities	15.48%
Ivy Funds VIP Money Market ⁽¹⁾	14.43%
Ivy Funds VIP International Growth	10.22%
Ivy Funds VIP Growth	9.39%
Ivy Funds VIP Value	5.09%
Ivy Funds VIP International Value	5.08%
Ivy Funds VIP Mid Cap Growth	4.15%
Ivy Funds VIP Small Cap Value	1.05%
Ivy Funds VIP Small Cap Growth	1.04%
Cash and Cash Equivalents	0.49%

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

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

Pathfinder Aggressive

(UNAUDITED)



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

(2) Because the Portfolio 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 February 29, 2008.

Average Annual Total Return ⁽³⁾	
1-year period ended 12-31-09	23.32%
5-year period ended 12-31-09	—
10-year period ended 12-31-09	—
Since inception of Portfolio ⁽⁴⁾ through 12-31-09	-3.36%

(3) Data quoted is past performance and 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 call 1.888.WADDELL for the Portfolio's most recent month-end performance. Performance data quoted does not reflect any expenses or charges associated with owning a variable life insurance policy or variable annuity contract that invests in the Portfolio's shares. When such charges are deducted, actual investment performance in a variable policy or contract will be lower.

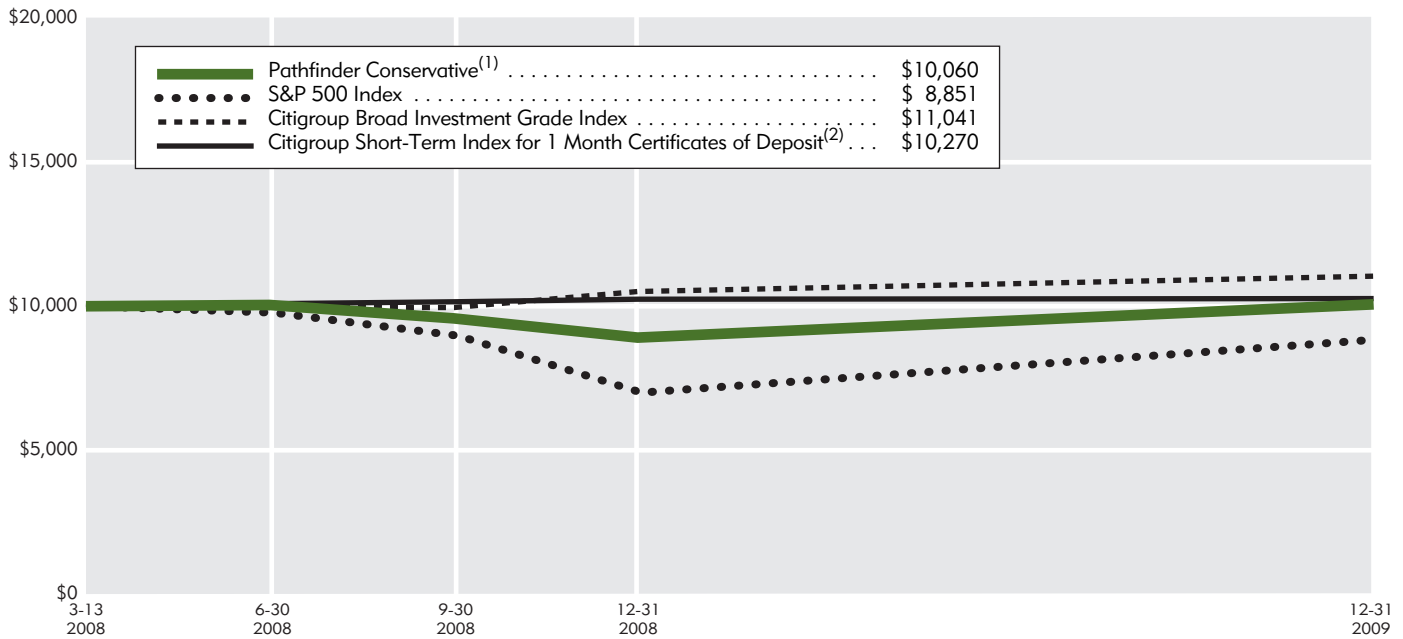
(4) 3-4-08 (the date on which shares were first acquired by shareholders).

Past performance is not necessarily indicative of future performance. Indexes are unmanaged.

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

Pathfinder Conservative

(UNAUDITED)



(1) The value of the investment in the Portfolio is impacted by the ongoing expenses of the Portfolio and assumes reinvestment of dividends and distributions.
 (2) Because the Portfolio 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 February 29, 2008.

Average Annual Total Return ⁽³⁾	
1-year period ended 12-31-09	12.95%
5-year period ended 12-31-09	—
10-year period ended 12-31-09	—
Since inception of Portfolio ⁽⁴⁾ through 12-31-09	0.33%

(3) Data quoted is past performance and 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 call 1.888.WADDELL for the Portfolio's most recent month-end performance. Performance data quoted does not reflect any expenses or charges associated with owning a variable life insurance policy or variable annuity contract that invests in the Portfolio's shares. When such charges are deducted, actual investment performance in a variable policy or contract will be lower.

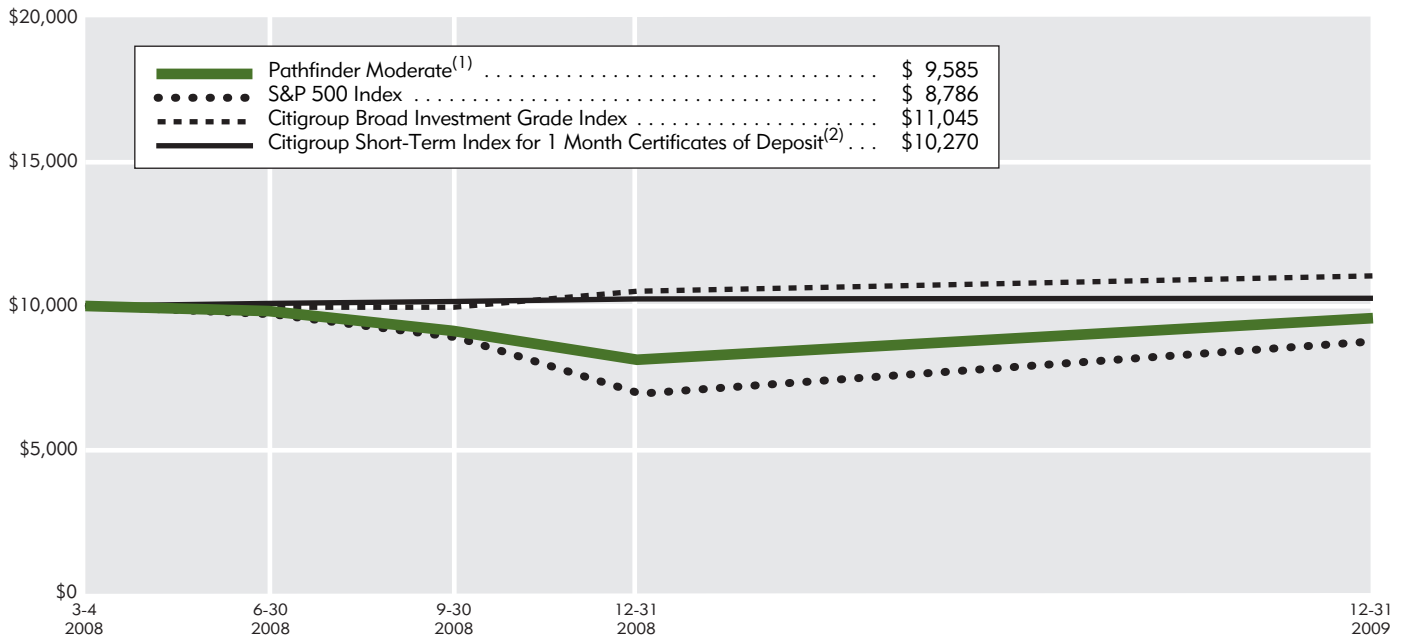
(4) 3-13-08 (the date on which shares were first acquired by shareholders).

Past performance is not necessarily indicative of future performance. Indexes are unmanaged.

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

Pathfinder Moderate

(UNAUDITED)



(1) The value of the investment in the Portfolio is impacted by the ongoing expenses of the Portfolio and assumes reinvestment of dividends and distributions.
 (2) Because the Portfolio 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 February 29, 2008.

Average Annual Total Return ⁽³⁾	
1-year period ended 12-31-09	17.95%
5-year period ended 12-31-09	—
10-year period ended 12-31-09	—
Since inception of Portfolio ⁽⁴⁾ through 12-31-09	-2.29%

(3) Data quoted is past performance and 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 call 1.888.WADDELL for the Portfolio's most recent month-end performance. Performance data quoted does not reflect any expenses or charges associated with owning a variable life insurance policy or variable annuity contract that invests in the Portfolio's shares. When such charges are deducted, actual investment performance in a variable policy or contract will be lower.

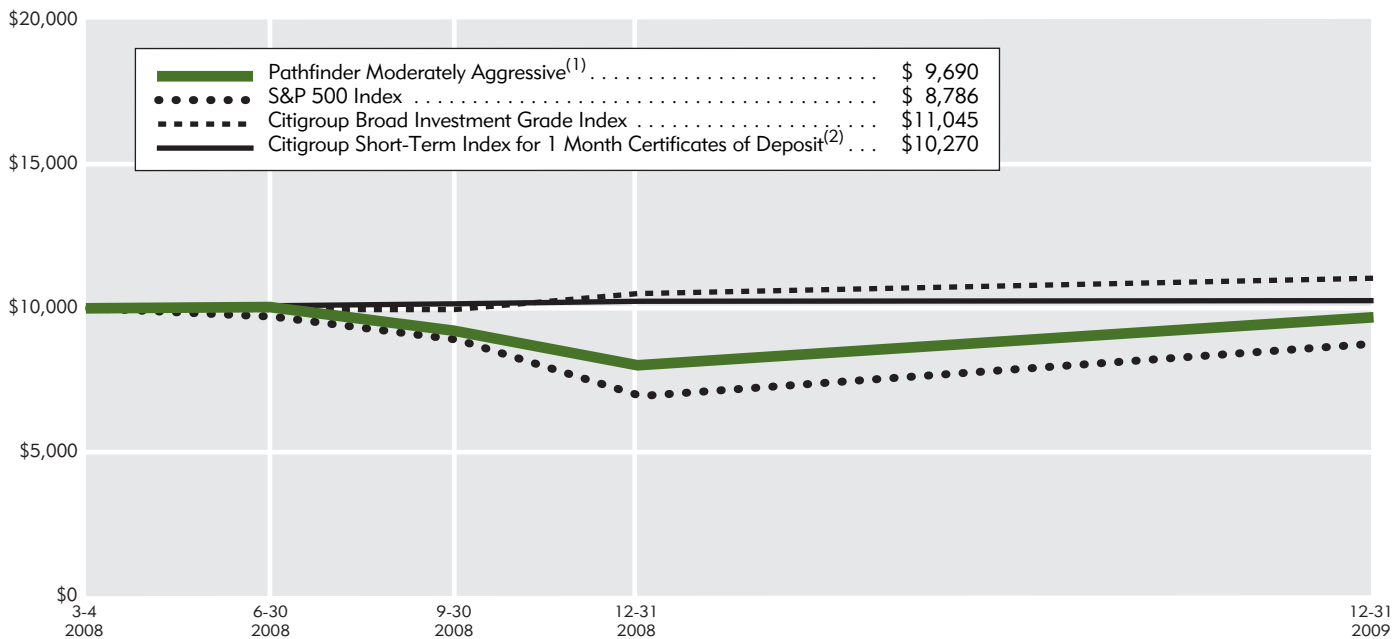
(4) 3-4-08 (the date on which shares were first acquired by shareholders).

Past performance is not necessarily indicative of future performance. Indexes are unmanaged.

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

Pathfinder Moderately Aggressive

(UNAUDITED)



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

(2) Because the Portfolio 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 February 29, 2008.

Average Annual Total Return ⁽³⁾	
1-year period ended 12-31-09	20.70%
5-year period ended 12-31-09	—
10-year period ended 12-31-09	—
Since inception of Portfolio ⁽⁴⁾ through 12-31-09	-1.71%

(3) Data quoted is past performance and 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 call 1.888.WADDELL for the Portfolio's most recent month-end performance. Performance data quoted does not reflect any expenses or charges associated with owning a variable life insurance policy or variable annuity contract that invests in the Portfolio's shares. When such charges are deducted, actual investment performance in a variable policy or contract will be lower.

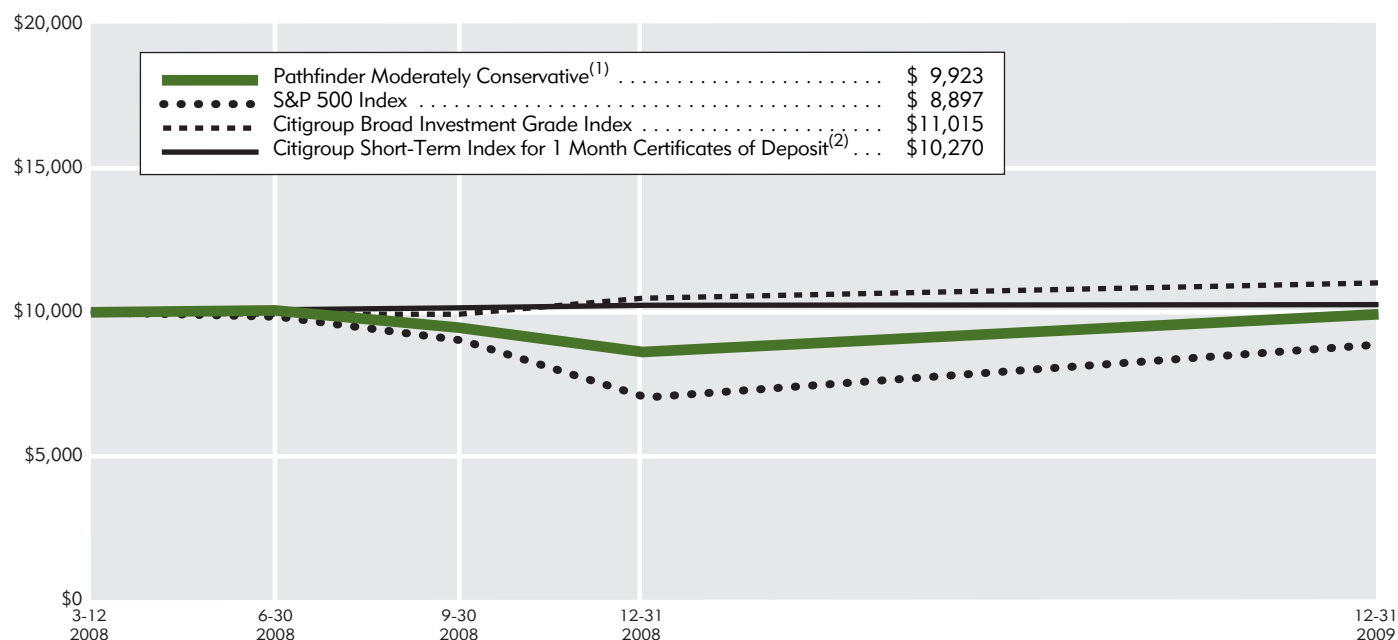
(4) 3-4-08 (the date on which shares were first acquired by shareholders).

Past performance is not necessarily indicative of future performance. Indexes are unmanaged.

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

Pathfinder Moderately Conservative

(UNAUDITED)



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

(2) Because the Portfolio 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 February 29, 2008.

Average Annual Total Return ⁽³⁾	
1-year period ended 12-31-09	15.12%
5-year period ended 12-31-09	—
10-year period ended 12-31-09	—
Since inception of Portfolio ⁽⁴⁾ through 12-31-09	-0.43%

(3) Data quoted is past performance and 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 call 1.888.WADDELL for the Portfolio's most recent month-end performance. Performance data quoted does not reflect any expenses or charges associated with owning a variable life insurance policy or variable annuity contract that invests in the Portfolio's shares. When such charges are deducted, actual investment performance in a variable policy or contract will be lower.

(4) 3-12-08 (the date on which shares were first acquired by shareholders).

Past performance is not necessarily indicative of future performance. Indexes are unmanaged.

SCHEDULE OF INVESTMENTS

Pathfinder Portfolios *(in thousands)*

DECEMBER 31, 2009

Pathfinder Aggressive

AFFILIATED MUTUAL FUNDS	Shares	Value
Ivy Funds VIP Bond	1,763	\$ 9,697
Ivy Funds VIP Dividend Opportunities	1,237	7,374
Ivy Funds VIP Growth	1,004	9,312
Ivy Funds VIP International Growth	1,300	9,740
Ivy Funds VIP International Value	551	8,469
Ivy Funds VIP Mid Cap Growth (A)	467	3,084
Ivy Funds VIP Mortgage Securities	385	1,730
Ivy Funds VIP Small Cap Growth	227	1,855
Ivy Funds VIP Small Cap Value (A)	375	4,988
Ivy Funds VIP Value	824	4,240
TOTAL AFFILIATED MUTUAL FUNDS – 99.80%		\$60,489

(Cost: \$63,566)

SHORT-TERM SECURITIES – 0.19%	Principal	
Master Note		
Toyota Motor Credit Corporation, 0.117%, 1–1–10 (B)	\$ 114	\$ 114

(Cost: \$114)

TOTAL INVESTMENT SECURITIES – 99.99% **\$60,603**

(Cost: \$63,680)

CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.01% **10**

NET ASSETS – 100.00% **\$60,613**

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 December 31, 2009. Date shown represents reset date.

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

Cost	\$63,680
Gross unrealized appreciation	704
Gross unrealized depreciation	(3,781)
Net unrealized depreciation	\$ (3,077)

Pathfinder Conservative

AFFILIATED MUTUAL FUNDS	Shares	Value
Ivy Funds VIP Bond	3,089	\$16,990
Ivy Funds VIP Dividend Opportunities	1,304	7,779
Ivy Funds VIP Growth	349	3,237
Ivy Funds VIP International Growth	302	2,266
Ivy Funds VIP International Value	146	2,252
Ivy Funds VIP Mid Cap Growth (A)	139	919
Ivy Funds VIP Money Market	8,516	8,516
Ivy Funds VIP Small Cap Growth	56	461
Ivy Funds VIP Small Cap Value (A)	35	464
Ivy Funds VIP Value	175	902
TOTAL AFFILIATED MUTUAL FUNDS – 99.69%		\$43,786

(Cost: \$41,108)

SHORT-TERM SECURITIES – 0.22%	Principal	
Master Note		
Toyota Motor Credit Corporation, 0.117%, 1–1–10 (B)	\$ 98	\$ 98

(Cost: \$98)

TOTAL INVESTMENT SECURITIES – 99.91% **\$43,884**

(Cost: \$41,206)

CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.09% **39**

NET ASSETS – 100.00% **\$43,923**

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 December 31, 2009. Date shown represents reset date.

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

Cost	\$41,206
Gross unrealized appreciation	2,678
Gross unrealized depreciation	—
Net unrealized appreciation	\$ 2,678

SCHEDULE OF INVESTMENTS

Pathfinder Portfolios *(in thousands)*

DECEMBER 31, 2009

Pathfinder Moderate

AFFILIATED MUTUAL FUNDS	Shares	Value
Ivy Funds VIP Bond	13,622	\$ 74,915
Ivy Funds VIP Dividend Opportunities	6,941	41,390
Ivy Funds VIP Growth	3,005	27,882
Ivy Funds VIP International Growth	4,386	32,856
Ivy Funds VIP International Value	1,416	21,774
Ivy Funds VIP Mid Cap Growth (A)	1,680	11,099
Ivy Funds VIP Money Market	25,909	25,909
Ivy Funds VIP Mortgage Securities	580	2,609
Ivy Funds VIP Small Cap Growth	681	5,568
Ivy Funds VIP Small Cap Value (A)	844	11,210
Ivy Funds VIP Value	2,648	13,623

TOTAL AFFILIATED MUTUAL FUNDS – 99.46% **\$268,835**

(Cost: \$253,490)

SHORT-TERM SECURITIES – 0.70% **Principal**

Master Note

Toyota Motor Credit Corporation, 0.117%, 1–10 (B)	\$1,904	\$ 1,904
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(Cost: \$1,904)

TOTAL INVESTMENT SECURITIES – 100.16% **\$270,739**

(Cost: \$255,394)

LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.16%) **(450)**

NET ASSETS – 100.00% **\$270,289**

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 December 31, 2009. Date shown represents reset date.

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

Cost	\$ 255,394
Gross unrealized appreciation	15,345
Gross unrealized depreciation	—
Net unrealized appreciation	\$ 15,345

Pathfinder Moderately Aggressive

AFFILIATED MUTUAL FUNDS	Shares	Value
Ivy Funds VIP Bond	11,984	\$ 65,908
Ivy Funds VIP Dividend Opportunities	7,744	46,183
Ivy Funds VIP Growth	3,354	31,122
Ivy Funds VIP International Growth	6,109	45,763
Ivy Funds VIP International Value	1,971	30,317
Ivy Funds VIP Mid Cap Growth (A)	2,340	15,463
Ivy Funds VIP Money Market	14,362	14,362
Ivy Funds VIP Mortgage Securities	1,289	5,793
Ivy Funds VIP Small Cap Growth	1,139	9,305
Ivy Funds VIP Small Cap Value (A)	1,647	21,878
Ivy Funds VIP Value	2,951	15,183

TOTAL AFFILIATED MUTUAL FUNDS – 99.84% **\$301,277**

(Cost: \$284,617)

SHORT-TERM SECURITIES – 0.06% **Principal**

Master Note

Toyota Motor Credit Corporation, 0.117%, 1–10 (B)	\$169	\$ 169
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(Cost: \$169)

TOTAL INVESTMENT SECURITIES – 99.90% **\$301,446**

(Cost: \$284,786)

CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.10% **310**

NET ASSETS – 100.00% **\$301,756**

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 December 31, 2009. Date shown represents reset date.

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

Cost	\$284,786
Gross unrealized appreciation	16,660
Gross unrealized depreciation	—
Net unrealized appreciation	\$ 16,660

SCHEDULE OF INVESTMENTS

Pathfinder Portfolios *(in thousands)*

DECEMBER 31, 2009

Pathfinder Moderately Conservative

AFFILIATED MUTUAL FUNDS	Shares	Value
Ivy Funds VIP Bond	5,633	\$30,981
Ivy Funds VIP Dividend Opportunities	2,395	14,283
Ivy Funds VIP Growth	933	8,660
Ivy Funds VIP International Growth	1,259	9,433
Ivy Funds VIP International Value	305	4,688
Ivy Funds VIP Mid Cap Growth (A)	579	3,825
Ivy Funds VIP Money Market	13,312	13,312
Ivy Funds VIP Small Cap Growth	117	959
Ivy Funds VIP Small Cap Value (A)	73	966
Ivy Funds VIP Value	913	4,695

TOTAL AFFILIATED MUTUAL FUNDS – 99.51% **\$91,802**

(Cost: \$86,252)

SHORT-TERM SECURITIES – 0.20% **Principal**

Master Note

Toyota Motor Credit Corporation, 0.117%, 1–1–10 (B)	\$189	\$ 189
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(Cost: \$189)

TOTAL INVESTMENT SECURITIES – 99.71% **\$91,991**

(Cost: \$86,441)

CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.29% **262**

NET ASSETS – 100.00% **\$92,253**

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 December 31, 2009. Date shown represents reset date.

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

Cost	\$86,481
Gross unrealized appreciation	5,510
Gross unrealized depreciation	—
Net unrealized appreciation	\$ 5,510



Michael L. Avery



Ryan F. Caldwell

Below, Michael L. Avery and Ryan F. Caldwell, portfolio managers of Ivy Funds VIP Asset Strategy, discuss positioning, performance and results for the fiscal year ended December 31, 2009. Mr. Avery has managed the Portfolio for 13 years and has 31 years of industry experience. Mr. Caldwell has managed the Portfolio for three years and he has 12 years of industry experience.

Fiscal year performance

For the 12 Months Ended December 31, 2009

Ivy Funds VIP Asset Strategy	25.04%
Benchmark(s)/Lipper Category	
S&P 500 Index (generally reflects the performance of large- and medium-sized U.S. stocks)	26.47%
Citigroup Broad Investment Grade Index (generally reflects the performance of the bond market)	5.06%
Citigroup Short-Term Index for 1-month Certificates of Deposit (generally reflects cash)	0.32%
Lipper Variable Annuity Flexible Portfolio Funds Universe Average (generally reflects the performance of the universe of funds with similar investment objectives)	18.50%

Please note that the Portfolio returns include applicable investment fees and expenses, whereas the index returns do not include any such fees. Also, the Portfolio's performance data does not take into account any product expenses or charges associated with owning a variable life or annuity policy, which is invested in Ivy Funds Variable Insurance Portfolios. Multiple indexes are shown because the Portfolio invests in multiple asset classes.

A year of highs, lows for global markets

At the time of our last annual report to you, the global financial system tottered on the edge of collapse as the burgeoning credit crisis in the United States served as the catalyst for the greatest worldwide recession since the 1930s. The malaise continued into 2009, as America's balance sheet recession deepened, home prices plummeted and unemployment spiraled. And then we witnessed the seminal event of the year; On March 6, 2009, the Dow Jones Industrial Average broke below 6500 and the S&P 500 declined to 666.79, falling another 25 percent from the end of 2008 and recording losses of more than 50 percent from their 2007 peaks. This ultimately proved to be the turning point.

Since then, due to massive stimulus implemented by governments in many developed economies, markets rallied impressively. Investment banks, particularly those that had received TARP assistance, began predicting a positive first quarter, which in turn sparked a reversal in investor sentiment. Investors once again discovered their appetite for risk and demonstrated their preference for lower-quality or less financially secure businesses, driving a low-quality rally that ultimately drove up the prices of those businesses that had declined the most in the credit crisis. In April, all capitalization segments of stocks recorded double-digit gains, and eight of the nine market sectors in the broad-based Russell 3000 Index were in positive territory. By May, news of improving earnings and better consumer sentiment about the global economic outlook bolstered equities, and the S&P 500 completed its third

consecutive months of gains. Global stocks fared even better due to renewed strength in developed markets and a powerful rise in emerging markets. The upward trajectory continued through the summer months.

During the third quarter of 2009, and for the first time in more than a year, U.S. gross domestic product registered growth, and the final quarter of 2009 saw improvements in rising home sales, better retail sales, less-negative employment trends and continued low interest rates. Manufacturing indices from Europe to Asia showed positive momentum, reflecting a potentially broad manufacturing recovery. Auto sales in places such as China surged as a burgeoning middle class there demonstrated its growing buying power. Strong investment in infrastructure also recovered, as did prices of commodities that support infrastructure build out.

The U.S. stock market's breathtaking decline and subsequent recovery were mirrored by the bond market, which staged its own roller coaster ride. When 2009 opened, the credit markets were virtually frozen and investors sought the relative safety of U.S. Treasuries, ultimately driving the yield curve to nearly unprecedented levels. As the year progressed and investors' risk tolerance returned to more normal levels, demand for corporate bonds increased, driving their prices higher and weighing on yields. During the 12 months, both taxable and municipal bonds returned more than 13 percent. At the same time, low interest rates had a negative effect on short-term instruments, such as money market funds.

As 2009 wound to a close, stock indices hit new recovery highs; the S&P 500 Index surged more than 65 percent from its March 2009 lows to record a 26.47 percent gain. Many global markets did even better; the all-country MSCI EAFE Index ended the year with an annual gain of more than 32 percent. The Hang Seng Hong Kong Index returned 53.94 percent, while MSCI's emerging market index surged nearly 110 percent since early March.

A responsive, yet steadfast approach

Our strategies during the year were taken to some extent in response to market events. We entered the year cautious and with a largely defensive posture. The Portfolio's cash weighting was certainly much higher in the early part of the year than it was at the end. We view cash as not only defensive, but as a form of hedge that enables us to capitalize on opportunities as they present themselves. We also had a large hedge on the equities portion of the Portfolio and increased its fixed-income exposure from essentially zero at the start of the year to about 13 percent by the end of the first quarter.

As the second quarter opened and investor confidence grew, we began reducing cash and fixed income and increasing allocations into equities we believed were likely to benefit from continued economic recovery in China. We favored banks, insurance companies and consumer/industrial companies we felt were likely to benefit from China's stimulus actions. It was a strategy that worked well for the Portfolio, as a number of these securities emerged as top contributors for the period. In general, we believe China's stimulus programs are more likely to be effective than fiscal stimulus efforts in the United States. Unlike their American counterparts, Asian consumers not only have healthier balance sheets but are also enjoying rising incomes. We think they're more likely than not to increase their use of financial leverage. In retrospect, despite our actions, we likely were a little too defensive in the second quarter and missed a bit of the growth out of the gate when sentiment abruptly turned.

The second half of the year was largely positive. The equity portion of the Portfolio, which remained focused on the emerging middle class, was the primary driver of gains in the third quarter. We maintained a low fixed-income weighting and continued to reduce the Portfolio's cash position. Sectors in which the Portfolio was most heavily concentrated included consumer discretionary, financials, property, information technology and entertainment, on the premise that they offer the greatest potential, despite a de-leveraging cycle on the part of the consumer.

Two events worth noting occurred in the final quarter of the year — the most important, in our view, was the evolving strength of the dollar. This was driven by improving investor sentiment, and the tendency for investment managers and investors who did well in 2009, particularly outside the United States, to rebalance their portfolios at year end and bring those profits home. This created a bit of a headwind for the Portfolio due to its hefty stake in gold bullion (15.33% of net assets as of 12/31/09), long a source of significant contribution, which pulled back as the dollar gained in strength versus foreign currencies.

The other event was the global response to an \$80 billion debt default in Dubai, when the state-owned Dubai World development company asked for more time to pay its debts. The event, which initially shook global markets, served both as a harsh reminder that though the credit crisis may be forgotten, it's not gone, and re-ignited concerns about the economic dire straits facing some of the weakest European countries — namely, Portugal, Ireland, Italy, Greece and Spain.

A volatile year, credit concerns persist

We believe 2010 will likely be a volatile year for investors, due largely to concerns about sovereign credit risk. What we went through 18 months ago was a crisis of confidence; confidence may well have been restored, but a tremendous debt is still there, it's just been absorbed by governments that injected massive fiscal stimulus to create liquidity. We very well may encounter an environment in which volatility is punctuated by concern about what policy makers are going to do and what outcomes that may drive.

As we mentioned earlier, the Portfolio has benefited greatly due to its heavy stake in gold bullion, which has remained steady at around 15 percent of assets. We may pare this stake down a bit,

due to the extent that the market in general is on board with the notion of gold as a currency play. In addition, when people are concerned about sovereign credit, the dollar has often become more attractive — a trend we witnessed in late 2009. We believe that we may see even more flight to the dollar in 2010. With respect to fixed income, although these products have outperformed equities over the last decade, we don't believe this trend to be sustainable. In our view, corporate bond spreads are tight and likely to grow tighter, and we think Treasuries are range bound, so equities simply look more attractive. We do not anticipate any near-term moves into that arena.

One of the significant themes we're anticipating in the months ahead is a transition from a liquidity-driven market to a "stock picker's" market. For that reason, we are less concerned with how the Portfolio is domiciled — its geographical exposure — than we are in identifying what we feel are the steady-growth companies that fit our criteria for sustainable competitive advantage. We believe the way to succeed in 2010 is to spend less time on the macro view and more time on micro analysis and individual security selection. This plays very well into the investment theme that's been in place in the Portfolio's management for some time — our belief in the opportunities presented by the emerging middle class as the global economy rebalances. As we have discussed previously, we have been and remain heavily focused on China, with nearly a quarter of the Portfolio's assets currently invested there, and which we think remains very attractive despite concerns about inflation. We believe the Portfolio is very well positioned to take advantage of China's burgeoning growth.

As with any mutual fund, the value of the Portfolio'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, so the Portfolio's net asset value may fall as interest rates rise. Investing in high-income securities may carry a greater risk of non-payment of interest or principal than higher-rated bonds. These and other risks are more fully described in the Portfolio'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.

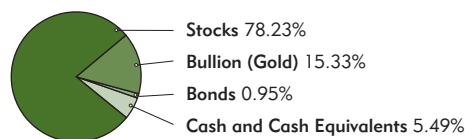
The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of Ivy Funds VIP Asset Strategy.

PORTFOLIO HIGHLIGHTS

Asset Strategy

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

Asset Allocation



Stocks	78.23%
Financials	21.24%
Information Technology	20.22%
Consumer Discretionary	12.39%
Energy	8.60%
Materials	6.42%
Industrials	5.02%
Consumer Staples	2.96%
Telecommunication Services	0.89%
Health Care	0.49%
Bullion (Gold)	15.33%
Bonds	0.95%
Corporate Debt Securities	0.69%
United States Government and Government Agency Obligations	0.26%
Cash and Cash Equivalents	5.49%

Bond Portfolio Characteristics

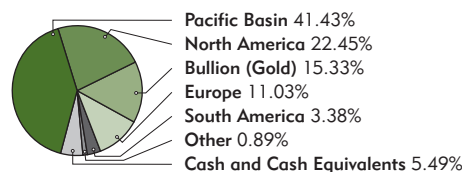
Average maturity	1.4 years
Effective duration	-0.4 years
Weighted average bond rating	AA+

Top 10 Equity Holdings

Company	Country	Sector
Taiwan Semiconductor Manufacturing Company Ltd.	Taiwan	Information Technology
China Life Insurance Company Limited, H Shares	China	Financials
Industrial and Commercial Bank of China (Asia) Limited	China	Financials
Wynn Resorts, Limited	United States	Consumer Discretionary
Hyundai Motor Company	South Korea	Consumer Discretionary
QUALCOMM Incorporated	United States	Information Technology
Samsung Electronics Co., Ltd.	South Korea	Information Technology
Standard Chartered PLC	United Kingdom	Financials
Visa Inc., Class A	United States	Information Technology
Sands China Ltd.	China	Consumer Discretionary

See your advisor for more information on the Portfolio's most recently published Top 10 Equity Holdings.

Country Weightings

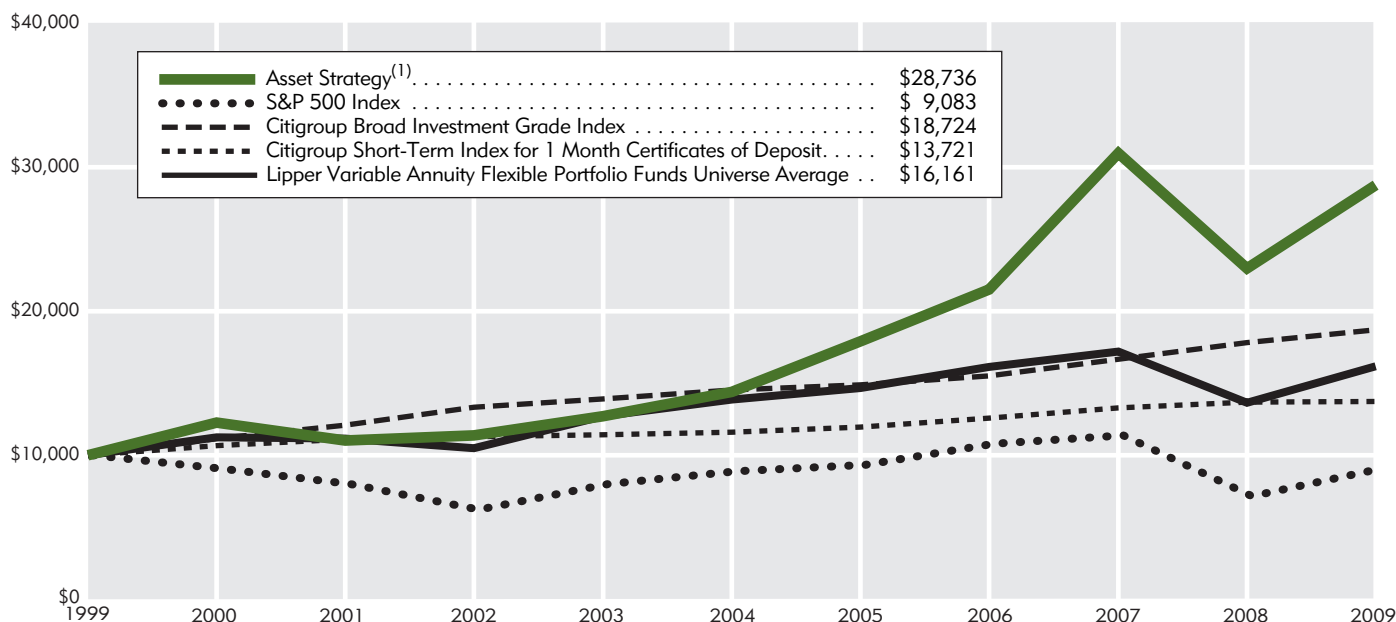


Pacific Basin	41.43%
China	17.52%
Taiwan	6.86%
South Korea	5.63%
Hong Kong	5.41%
India	4.76%
Other Pacific Basin	1.25%
North America	22.45%
United States	22.33%
Other North America	0.12%
Bullion (Gold)	15.33%
Europe	11.03%
United Kingdom	5.05%
Other Europe	5.98%
South America	3.38%
Other	0.89%
Cash and Cash Equivalents	5.49%

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

Asset Strategy

(UNAUDITED)



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

Average Annual Total Return⁽²⁾

1-year period ended 12-31-09	25.04%
5-year period ended 12-31-09	14.83%
10-year period ended 12-31-09	11.13%

(2) Data quoted is past performance and 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 call 1.888.WADDELL for the Portfolio's most recent month-end performance. Performance data quoted does not reflect any expenses or charges associated with owning a variable life insurance policy or variable annuity contract that invests in the Portfolio's shares. When such charges are deducted, actual investment performance in a variable policy or contract will be lower.

Past performance is not necessarily indicative of future performance. Indexes are unmanaged.

SCHEDULE OF INVESTMENTS

Asset Strategy *(in thousands)*

DECEMBER 31, 2009

COMMON STOCKS	Shares	Value	COMMON STOCKS (Continued)	Shares	Value
Apparel Retail – 0.21%			Diversified Metals & Mining – 3.34%		
Belle International Holdings Limited (A)	1,953	\$ 2,263	Companhia Vale de Rio Doce, ADR	281	\$ 8,152
			Southern Copper Corporation	422	13,877
			Xstrata plc (A)	822	14,661
					36,690
Automobile Manufacturers – 3.08%			Education Services – 0.54%		
Hyundai Motor Company (A)(B)	326	33,724	New Oriental Education & Technology Group Inc., ADR (B)	78	5,927
Biotechnology – 0.49%			Fertilizers & Agricultural Chemicals – 1.38%		
Vertex Pharmaceuticals Incorporated (B)	125	5,369	Monsanto Company	184	15,061
Casinos & Gaming – 5.99%			Heavy Electrical Equipment – 0.71%		
Sands China Ltd. (A)(B)(C)	19,288	23,533	ALSTOM (A)	112	7,802
Wynn Macau, Limited (A)(B)(C)	1,731	2,132			
Wynn Macau, Limited (A)(B)	4,113	5,066			
Wynn Resorts, Limited (B)	600	34,920			
		65,651			
Coal & Consumable Fuels – 1.25%			Hotels, Resorts & Cruise Lines – 1.51%		
China Shenhua Energy Company Limited, H Shares (A)	2,825	13,711	Ctrip.com International, Ltd. (B)	76	5,439
			Starwood Hotels & Resorts Worldwide, Inc.	303	11,084
					16,523
Communications Equipment – 3.07%			Household Products – 0.65%		
QUALCOMM Incorporated	726	33,592	Reckitt Benckiser Group plc (A)	132	7,167
Computer Hardware – 2.64%			Integrated Oil & Gas – 1.03%		
Acer Incorporated (A)	412	1,236	China Petroleum & Chemical Corporation, H Shares (A)	12,782	11,261
Apple Inc. (B)	110	23,237			
Lenovo Group Limited (A)	7,192	4,457			
		28,930			
Construction & Engineering – 1.91%			IT Consulting & Other Services – 1.15%		
China Communications Construction Company Limited, H Shares (A)	2,233	2,122	Accenture plc, Class A	302	12,537
Larsen & Toubro Limited (A)	520	18,722			
		20,844			
Construction & Farm Machinery & Heavy Trucks – 1.12%			Life & Health Insurance – 4.61%		
Komatsu Ltd. (A)	588	12,309	China Life Insurance Company Limited, H Shares (A)	10,323	50,514
Construction Materials – 0.21%			Mortgage REITs – 1.54%		
Holcim Ltd, Registered Shares (A)(B)	15	1,181	Annaly Capital Management, Inc.	970	16,825
Lafarge (A)	13	1,071			
		2,252			
Data Processing & Outsourced Services – 3.17%			Oil & Gas Drilling – 1.04%		
Redecard S.A. (A)	648	10,785	SeaDrill Limited (A)	447	11,368
Visa Inc., Class A	273	23,903			
		34,688			
Distributors – 1.06%			Oil & Gas Equipment & Services – 3.64%		
Li & Fung Limited (A)	2,796	11,561	Halliburton Company	668	20,113
			Schlumberger Limited	215	13,962
			Weatherford International Ltd. (B)	326	5,833
					39,908
Diversified Banks – 10.69%			Oil & Gas Exploration & Production – 1.64%		
Banco Santander (Brasil) S.A., Units (A)(C)	876	12,027	CNOOC Limited (A)	11,491	17,902
HDFC Bank Limited (A)	257	9,368			
ICICI Bank Limited (A)	688	12,889			
Industrial and Commercial Bank of China (Asia) Limited (A)	59,674	49,145			
Standard Chartered PLC (A)	1,081	27,293			
Standard Chartered PLC (A)(C)	250	6,309			
		117,031			
			Packaged Foods & Meats – 0.39%		
			BRF – Brasil Foods S.A. (A)(C)	163	4,256
			Personal Products – 0.78%		
			Hengan International Group Company Limited (A)	1,156	8,559

SCHEDULE OF INVESTMENTS

Asset Strategy *(in thousands)*

DECEMBER 31, 2009

COMMON STOCKS (Continued)	Shares	Value
Real Estate Development – 0.92%		
China Overseas Land & Investment Limited (A)	3,285	\$ 6,884
China Resources Land Limited (A)	1,408	3,169
		<u>10,053</u>
Real Estate Operating Companies – 0.84%		
Renhe Commercial Holdings Company Limited (A)(C)	40,686	9,203
Semiconductors – 10.19%		
MediaTek Incorporation (A)	1,134	19,709
PMC-Sierra, Inc. (B)	1,121	9,704
Samsung Electronics Co., Ltd. (A)	41	27,909
Taiwan Semiconductor Manufacturing Company Ltd. (A)	26,929	54,276
		<u>111,598</u>
Specialized Finance – 1.67%		
Hong Kong Exchanges and Clearing Limited (A)	1,027	18,264
Steel – 1.49%		
ARCELORMITTAL (A)	357	16,308
Thriffs & Mortgage Finance – 0.84%		
HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED (A)	161	9,190
Tobacco – 1.14%		
Philip Morris International Inc.	257	12,385
Trucking – 1.28%		
A.P. Moller-Maersk A/S (A)(C)	1	6,323
A.P. Moller-Maersk A/S (A)	1	7,729
		<u>14,052</u>
Wireless Telecommunication Service – 0.89%		
MTN Group Limited (A)	612	9,741
TOTAL COMMON STOCKS – 78.10%		\$ 855,019
(Cost: \$711,310)		
INVESTMENT FUNDS – 0.13%		
Multiple Industry		
Vietnam Azalea Fund Limited (B)(E)(F)	300	\$ 1,392
(Cost: \$1,982)		
CORPORATE DEBT SECURITIES		
	Principal	
Beverage / Bottling – 0.05%		
Companhia Brasileira de Bebidas, 10.500%, 12–15–11	\$ 500	576
Building Products – 0.03%		
Desarrolladora Homex, S.A. de C.V., 7.500%, 9–28–15	327	311
Consumer Products / Tobacco – 0.10%		
Central European Distribution Corporation, 8.000%, 7–25–12 (D)(G)	EUR720	1,074

CORPORATE DEBT SECURITIES (Continued)	Principal	Value
Finance Companies – 0.19%		
C5 Capital (SPV) Limited, 6.196%, 12–31–49 (C)(H)	\$1,500	\$ 1,027
Toyota Motor Credit Corporation, 1.320%, 1–18–15 (H)	1,050	1,043
		<u>2,070</u>
Forest Products – 0.05%		
Sino-Forest Corporation, 10.250%, 7–28–14 (C)	475	518
Metals / Mining – 0.16%		
Vedanta Resources plc, 6.625%, 2–22–10 (C)	1,800	1,804
Utilities – 0.11%		
CESP – Companhia Energetica de Sao Paulo, 9.750%, 1–15–15 (D)(G)	BRL1,800	1,211
TOTAL CORPORATE DEBT SECURITIES – 0.69%		\$ 7,564
(Cost: \$7,349)		

UNITED STATES GOVERNMENT AGENCY OBLIGATIONS – 0.26%

Mortgage-Backed Obligations	Principal	Value
Federal Home Loan Mortgage Corporation Agency REMIC/CMO (Interest Only): (I)		
5.500%, 9–15–17	\$3,163	293
5.000%, 11–15–17	262	23
5.000%, 4–15–19	556	53
5.000%, 4–15–19	274	25
5.000%, 11–15–22	264	17
5.500%, 3–15–23	535	76
5.000%, 5–15–23	488	47
5.000%, 8–15–23	380	40
5.000%, 9–15–24	75	—*
5.500%, 9–15–24	11	—*
5.500%, 4–15–25	108	6
5.500%, 4–15–25	65	1
5.000%, 9–15–25	154	1
5.500%, 10–15–25	1,252	201
5.000%, 4–15–26	452	7
5.000%, 10–15–28	459	29
5.500%, 2–15–30	261	13
5.000%, 8–15–30	474	23
5.500%, 3–15–31	450	31
6.000%, 11–15–35	709	115
Federal National Mortgage Association Agency REMIC/CMO (Interest Only): (I)		
5.500%, 11–25–17	52	—*
5.000%, 5–25–22	284	25
5.000%, 7–25–23	1,560	203
5.000%, 8–25–23	467	48
5.000%, 11–25–23	576	60
5.000%, 9–25–30	587	47
5.500%, 6–25–33	662	100
5.500%, 8–25–33	925	132
5.500%, 4–25–34	1,554	238
5.500%, 11–25–36	2,082	303

SCHEDULE OF INVESTMENTS

Asset Strategy *(in thousands)*

DECEMBER 31, 2009

UNITED STATES GOVERNMENT AGENCY OBLIGATIONS (Continued)		
	Principal	Value
Mortgage-Backed Obligations (Continued)		
Government National Mortgage Association		
Agency REMIC/CMO (Interest Only): (I)		
5.000%, 1-20-30	\$ 873	\$ 50
5.000%, 6-20-31	1,033	103
5.500%, 3-20-32	602	75
5.000%, 7-20-33	314	31
5.500%, 11-20-33	1,242	113
5.500%, 6-20-35	946	144
5.500%, 7-20-35	489	75
5.500%, 7-20-35	318	34
5.500%, 10-16-35	458	80
(Cost: \$3,791)		<u>\$ 2,862</u>
BULLION – 15.33%	Troy Ounces	
Gold	153	<u>\$ 167,853</u>
(Cost: \$134,846)		
SHORT-TERM SECURITIES	Principal	
Commercial Paper (J) – 6.27%		
American Honda Finance Corp.,		
0.150%, 1-13-10	\$ 5,000	5,000
GlaxoSmithKline Finance plc,		
0.110%, 1-20-10	8,000	7,999
Kitty Hawk Funding Corp.,		
0.140%, 1-6-10	5,000	5,000
Kraft Foods Inc.,		
0.070%, 1-4-10	1,082	1,082
Nestle Finance International Ltd.,		
0.110%, 1-19-10	5,000	5,000
Societe Generale N.A. Inc.,		
0.010%, 1-4-10	41,608	41,607
Volkswagen of America Inc.,		
0.280%, 1-15-10	2,900	2,900
		<u>68,588</u>
Master Note – 0.31%		
Toyota Motor Credit Corporation,		
0.117%, 1-1-10 (K)	3,438	3,438
TOTAL SHORT-TERM SECURITIES – 6.58%		<u>\$ 72,026</u>
(Cost: \$72,026)		
TOTAL INVESTMENT SECURITIES – 101.09%		<u>\$1,106,716</u>
(Cost: \$931,304)		
LIABILITIES, NET OF CASH AND OTHER ASSETS – (1.09%)		<u>(11,955)</u>
NET ASSETS – 100.00%		<u>\$1,094,761</u>

Notes to Schedule of Investments

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

Type	Currency	Counterparty	Principal Amount of Contract (Denominated in Indicated Currency)	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
Buy	Australian Dollar	Bank of America NT & SA	24,700	1-21-10	\$2,624	\$—
Sell	British Pound	Deutsche Bank AG	36,300	3-18-10	785	—
Buy	Chinese Yuan Renminbi	Deutsche Bank AG	214,600	9-15-10	—	299
Buy	Chinese Yuan Renminbi	Citibank, N.A.	62,400	10-25-10	—	228
Buy	Euro	Deutsche Bank AG	6,300	8-25-10	—	8
Sell	Euro	Citibank, N.A.	16,600	3-18-10	337	—
Sell	Euro	Deutsche Bank AG	4,600	5-27-10	262	—
Sell	Euro	Deutsche Bank AG	9,200	5-27-10	—	25
Sell	Japanese Yen	Bank of America NT & SA	1,824,651	1-21-10	—	68
Sell	Japanese Yen	Deutsche Bank AG	1,014,318	12-13-10	624	—
Sell	Japanese Yen	Citibank, N.A.	960,000	12-20-10	401	—
Buy	Norwegian Krone	Citibank, N.A.	34,181	10-20-10	84	—
Buy	Norwegian Krone	Citibank, N.A.	25,309	10-20-10	—	114
Sell	South African Rand	Deutsche Bank AG	68,700	3-18-10	—	59
Buy	Swedish Krona	Deutsche Bank AG	140,277	5-27-10	—	390
Buy	Swedish Krona	Deutsche Bank AG	16,500	12-13-10	44	—
Buy	Swedish Krona	Deutsche Bank AG	66,000	12-13-10	—	66
Sell	Swiss Franc	Deutsche Bank AG	9,500	8-25-10	—	174
Sell	Swiss Franc	Bank of America NT & SA	4,500	10-20-10	57	—
Sell	Swiss Franc	Bank of America NT & SA	6,000	10-20-10	—	87
					<u>\$5,218</u>	<u>\$1,518</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 liquid under guidelines established by the Board of Trustees. At December 31, 2009, the total value of these securities amounted to \$67,132 or 6.13% of net assets.

(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 December 31, 2009, the total value of these securities amounted to \$2,285 or 0.21% of net assets.

(E)Illiquid restricted security. At December 31, 2009, the following restricted security was owned:

Security	Acquisition Date(s)	Shares	Cost	Market Value
Vietnam Azalea Fund Limited	6-14-07 to 1-28-09	300	<u>\$1,982</u>	<u>\$1,392</u>

The total value of this security represented approximately 0.13% of net assets at December 31, 2009.

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

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

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

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

(J)Rate shown is the yield to maturity at December 31, 2009.

(K)Variable rate security. Interest rate disclosed is that which is in effect at December 31, 2009. Date shown represents reset date.

The following acronyms are used throughout this schedule:

ADR = American Depositary Receipts

CMO = Collateralized Mortgage Obligation

REIT = Real Estate Investment Trust

REMIC = Real Estate Mortgage Investment Conduit

Notes to Schedule of Investments (Continued)

Country Diversification

(as a % of net assets)

United States	22.33%
China	17.52%
Taiwan	6.86%
South Korea	5.63%
Hong Kong	5.41%
United Kingdom	5.05%
India	4.76%
Brazil	3.38%
Luxembourg	1.49%
Denmark	1.28%
Ireland	1.15%
Japan	1.12%
Norway	1.04%
South Africa	0.89%
France	0.81%
Vietnam	0.13%
Mexico	0.12%
Switzerland	0.11%
Poland	0.10%
Other+	20.82%

+ Includes gold bullion, cash and cash equivalents and other assets and liabilities

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

Cost	\$935,694
Gross unrealized appreciation	179,395
Gross unrealized depreciation	(8,373)
Net unrealized appreciation	\$171,022

Industry and geographical classifications are unaudited.



Cynthia P. Prince-Fox

Below, Cynthia P. Prince-Fox, portfolio manager of Ivy Funds VIP Balanced, discusses positioning, performance and results for the fiscal year ended December 31, 2009. She has managed the Portfolio for 15 years and has 26 years of industry experience.

Fiscal year performance

For the 12 Months Ended December 31, 2009

Ivy Funds VIP Balanced	13.23%
Benchmark(s)/Lipper Category	
S&P 500 Index	26.47%
(generally reflects the performance of large- and medium-sized U.S. stocks)	
Citigroup Treasury/Government Sponsored/Credit Index	4.46%
(generally reflects the performance of the government bond market)	
Lipper Variable Annuity Mixed-Asset Target Allocation Growth Funds Universe Average	24.56%
(generally reflects the performance of the universe of funds with similar investment objectives)	

Please note that the Portfolio returns include applicable investment fees and expenses, whereas the index returns do not include any such fees. Also, the Portfolio's performance data does not take into account any product expenses or charges associated with owning a variable life or annuity policy, which is invested in Ivy Funds Variable Insurance Portfolios. Multiple indexes are shown because the Portfolio invests in multiple asset classes.

Lower-quality stocks rallied, quality lagged

The Ivy Funds VIP Balanced underperformed for the year primarily due to stock selection versus sector selection. Some of the Portfolio's underperformance can be traced to the market environment in which lower-quality stocks outperformed higher-quality stocks, which is where we have traditionally positioned the Portfolio over the long-term. Additionally, we were overweight in traditional defensive sectors such as consumer staples and health care. These holdings served us well during the financial crisis but substantially lagged the rebound in sectors that had been hit the hardest. Within our fixed-income holdings, we were primarily in government Treasuries and highly rated corporate bonds, both of which trailed lower-rated bonds for most of the year. Lastly, we did carry cash early in the year, which was a drag on performance when the markets started to rebound off the March bottom. Cash was our strongest defense during the financial crisis that hit its crescendo in March with the S&P 500 hitting a low of 667 before rebounding. As we put our cash to work, we remained focused on companies that we felt were well-positioned to weather further economic fallout in the event that credit availability remained challenged.

Technology and consumer discretionary helped performance

Our top contributors (on an absolute basis) for the year were populated by our technology positions as six of our top 10

performers were in this sector. The technology sector turned in the best performance for the year, up over 60 percent on a year-to-date basis. Apple Inc. was our lead contributor. As we have commented in past commentaries, the rapid growth of new mobile devices is moving beyond the simply "better devices on better networks" of the last two years. For now, Apple's iTunes/AppStore is the dominant mobile applications set, with more than 100,000 applications available. The second best sector was consumer discretionary. Cosmetics leader Estee Lauder Companies Inc. (The) was a top contributor to performance as the company cut costs under new leadership and appears set to benefit from recent signs of an improving operating environment in key areas, such as travel, retail, emerging markets and restocking of department store inventories in the U.S.

Another holding that had a positive overall impact on performance was Ford Motor Company. In some ways Ford is symbolic of what corporate America has been dealing with over the past several years. It came into this downturn with a heavily leveraged balance sheet, only to watch the annualized selling rate of autos collapse by 35 percent. However, in the same year that we witnessed the near collapse of General Motors and Chrysler, Ford turned in a profit for the third quarter, gained market share and had a 33 percent increase in sales in the final month of the year. They were able to produce these results because of aggressive moves to refocus the company to be a world competitor. This will be critical in the globalization race, as China surpassed the United States as the largest car maker in the world with 13.5 million cars sold in 2009.

Financials, utilities hamper performance

The biggest detractors to performance were in financials and utilities. The financial group rallied significantly off the March lows, turning in double digit gains in both the second and third quarters. Some of our larger positions in the trust banks and insurance stocks lagged the initial rally in March, primarily because they had held up well during the crisis. As we began the year our interest was in owning the financial institutions that we believed would be the survivors and that remains our focus as we head into 2010. In utilities our largest holding was Exelon Corporation, which was hit by lower power prices and volumes. We continue to maintain our position as we believe the company has the most leverage to a power price recovery and would also benefit from passage of federal climate change regulation.

We began 2009 with a euphoria associated with a new American president. This 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. As we moved through the year, markets focused on the \$800 billion stimulus package and the role it was playing in restoring the credit markets. Junk bond yields plunged from their all time high as did other credit spreads, providing a very positive backdrop for equities.

Recovery continues

Given the rally in equity markets in 2009, we expect returns to be more muted in 2010 as countries and economies continue to work through the lasting effects of the global financial crisis. While uncertainties remain, we do not think that improved sentiment is the only driving factor behind the current rebound. Across numerous industries we have seen corporate earnings improve on the back of cost cutting efforts. We feel that this should open the door for powerful earnings growth when top line sales recover. We believe that one of the key drivers of markets from here is the speed and extent to which we see a recovery in top line growth.

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

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

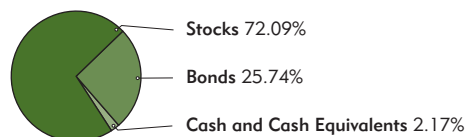
The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of Ivy Funds VIP Balanced.

PORTFOLIO HIGHLIGHTS

Balanced

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

Asset Allocation



Stocks	72.09%
Information Technology	14.44%
Consumer Staples	11.16%
Consumer Discretionary	11.04%
Financials	10.40%
Health Care	8.25%
Industrials	7.17%
Energy	6.70%
Utilities	1.47%
Materials	1.46%
Bonds	25.74%
Corporate Debt Securities	12.87%
United States Government and Government Agency Obligations	12.66%
Other Government Securities	0.21%
Cash and Cash Equivalents	2.17%

Top 10 Equity Holdings

Company	Sector
Apple Inc.	Information Technology
JPMorgan Chase & Co.	Financials
Colgate-Palmolive Company	Consumer Staples
Cisco Systems, Inc.	Information Technology
Microchip Technology Incorporated	Information Technology
PepsiCo, Inc.	Consumer Staples
Hewlett-Packard Company	Information Technology
Emerson Electric Co.	Industrials
DENTSPLY International Inc.	Health Care
Travelers Companies, Inc. (The)	Financials

See your advisor for more information on the Portfolio's most recently published Top 10 Equity Holdings

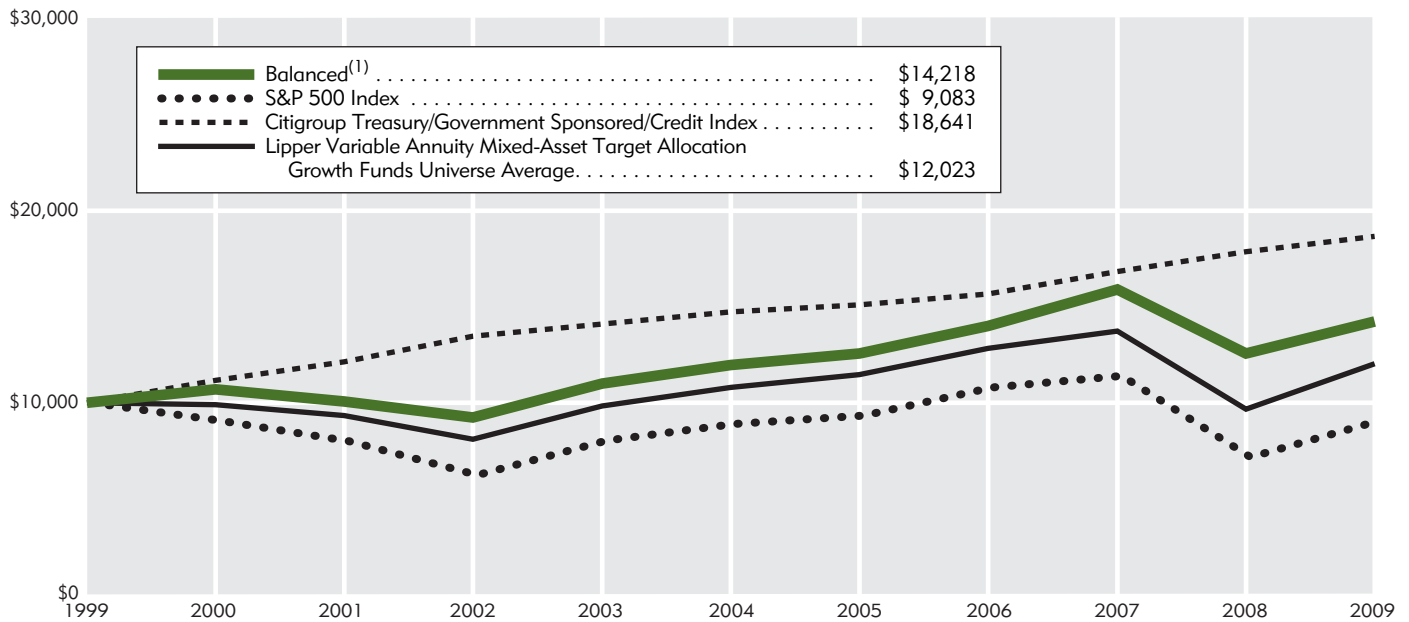
Bond Portfolio Characteristics

Average maturity	4.6 years
Effective duration	3.7 years
Weighted average bond rating	AA+

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

Balanced

(UNAUDITED)



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

Average Annual Total Return ⁽²⁾	
1-year period ended 12-31-09	13.23%
5-year period ended 12-31-09	3.50%
10-year period ended 12-31-09	3.58%

(2) Data quoted is past performance and 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 call 1.888.WADDELL for the Portfolio's most recent month-end performance. Performance data quoted does not reflect any expenses or charges associated with owning a variable life insurance policy or variable annuity contract that invests in the Portfolio's shares. When such charges are deducted, actual investment performance in a variable policy or contract will be lower.

Past performance is not necessarily indicative of future performance. Indexes are unmanaged.

SCHEDULE OF INVESTMENTS

Balanced *(in thousands)*

DECEMBER 31, 2009

COMMON STOCKS	Shares	Value	COMMON STOCKS (Continued)	Shares	Value
Aerospace & Defense – 1.37%			Home Improvement Retail – 1.70%		
Honeywell International Inc.	126	\$ 4,947	Home Depot, Inc. (The)	212	\$ 6,132
Apparel Retail – 0.81%			Hotels, Resorts & Cruise Lines – 1.26%		
Urban Outfitters, Inc. (A)	84	2,922	Carnival Corporation (A)	65	2,050
Apparel, Accessories & Luxury Goods – 1.25%			Hyatt Hotels Corporation, Class A (A)	83	2,481
V.F. Corporation	62	4,512			4,531
Auto Parts & Equipment – 0.96%			Household Products – 2.52%		
BorgWarner Inc.	104	3,465	Colgate-Palmolive Company	111	9,078
Automobile Manufacturers – 0.85%			Industrial Conglomerates – 0.91%		
Ford Motor Company (A)	306	3,064	Textron Inc.	175	3,292
Biotechnology – 1.72%			Industrial Machinery – 1.29%		
Gilead Sciences, Inc. (A)	143	6,193	Illinois Tool Works Inc.	97	4,641
Casinos & Gaming – 1.15%			Integrated Oil & Gas – 2.19%		
Wynn Resorts, Limited (A)	71	4,134	ConocoPhillips	78	3,983
Communications Equipment – 4.04%			Exxon Mobil Corporation	58	3,931
Cisco Systems, Inc. (A)	374	8,951			7,914
QUALCOMM Incorporated	122	5,621	Investment Banking & Brokerage – 0.61%		
		14,572	Lazard Group LLC	58	2,198
Computer Hardware – 5.01%			Oil & Gas Equipment & Services – 3.59%		
Apple Inc. (A)	46	9,699	Halliburton Company	164	4,944
Hewlett-Packard Company	164	8,427	National Oilwell Varco, Inc.	59	2,610
		18,126	Schlumberger Limited	83	5,402
Data Processing & Outsourced Services – 1.02%					12,956
Paychex, Inc.	120	3,668	Oil & Gas Exploration & Production – 0.92%		
Department Stores – 1.21%			XTO Energy Inc.	71	3,304
Macy's Inc.	261	4,379	Other Diversified Financial Services – 4.03%		
Distillers & Vintners – 1.32%			Bank of America Corporation	336	5,057
Brown-Forman Corporation, Class B	89	4,768	JPMorgan Chase & Co.	228	9,485
Diversified Chemicals – 1.46%					14,542
Dow Chemical Company (The)	191	5,269	Packaged Foods & Meats – 0.69%		
Electric Utilities – 1.47%			Hershey Foods Corporation	70	2,505
Exelon Corporation	109	5,317	Personal Products – 1.64%		
Electrical Components & Equipment – 2.16%			Estee Lauder Companies Inc. (The), Class A	122	5,910
Emerson Electric Co.	183	7,800	Pharmaceuticals – 4.46%		
Footwear – 0.94%			Abbott Laboratories	122	6,609
NIKE, Inc., Class B	52	3,403	Allergan, Inc.	85	5,343
General Merchandise Stores – 0.91%			Johnson & Johnson	65	4,167
Target Corporation	68	3,289			16,119
Health Care Supplies – 2.07%			Property & Casualty Insurance – 3.66%		
DENTSPLY International Inc.	213	7,474	Berkshire Hathaway Inc., Class B (A)	2	6,243
COMMON STOCKS (Continued)			Travelers Companies, Inc. (The)	140	6,956
					13,199
			Railroads – 1.44%		
			Union Pacific Corporation	82	5,214
			Real Estate Management & Development – 0.39%		
			CB Richard Ellis Group, Inc., Class A (A)	105	1,423

SCHEDULE OF INVESTMENTS

Balanced (in thousands)

DECEMBER 31, 2009

COMMON STOCKS (Continued)			CORPORATE DEBT SECURITIES (Continued)		
	Shares	Value	Principal	Value	
Regional Banks – 1.71%			Distillers & Vintners – 0.56%		
PNC Financial Services Group, Inc. (The)	117	\$ 6,187	Diageo Capital plc, 4.375%, 5–3–10	\$2,000	\$ 2,028
Semiconductors – 2.46%			Diversified Banks – 0.36%		
Microchip Technology Incorporated	306	8,884	Wells Fargo Bank, N.A., 7.550%, 6–21–10	1,250	1,291
Soft Drinks – 3.90%			Electric – 0.48%		
Coca-Cola Company (The)	92	5,232	Hydro-Quebec, 8.000%, 2–1–13	1,500	1,716
PepsiCo, Inc.	146	8,870			
		14,102			
Systems Software – 1.91%			Food Processors – 0.35%		
Microsoft Corporation	226	6,882	Cargill, Inc., 6.375%, 6–1–12 (D)	1,150	1,253
Tobacco – 1.09%			Food Retail – 0.61%		
Philip Morris International Inc.	81	3,923	Kroger Co. (The), 6.200%, 6–15–12	2,000	2,178
TOTAL COMMON STOCKS – 72.09%		\$260,238	Home Improvement Retail – 0.57%		
(Cost: \$210,466)			Home Depot, Inc. (The), 5.200%, 3–1–11	2,000	2,075
CORPORATE DEBT SECURITIES			Industrial Conglomerates – 0.10%		
Agricultural Products – 0.43%			Textron Inc., 6.200%, 3–15–15	350	364
Archer-Daniels-Midland Company, 7.000%, 2–1–31	\$1,350	1,538	Industrial Gases – 0.44%		
Automobile Manufacturers – 0.70%			Praxair, Inc., 4.375%, 3–31–14	1,500	1,582
Ford Motor Company, Convertible, 4.250%, 11–15–16	2,000	2,508	Industrial Machinery – 0.45%		
Banking – 0.57%			Illinois Tool Works Inc., 5.150%, 4–1–14	1,500	1,634
JPMorgan Chase & Co.: 4.650%, 6–1–14	1,000	1,053	Integrated Oil & Gas – 0.59%		
7.900%, 4–29–49 (B)	500	516	Chevron Corporation, 3.450%, 3–3–12	500	520
U.S. BANCORP, 4.200%, 5–15–14	500	519	ConocoPhillips, 4.750%, 2–1–14	1,500	1,610
		2,088	2,130		
Beverage / Bottling – 0.29%			Integrated Telecommunication Services – 0.29%		
Anheuser-Busch InBev Worldwide Inc.: 3.000%, 10–15–12 (C)	500	502	AT&T Inc., 4.850%, 2–15–14	1,000	1,063
5.375%, 11–15–14 (D)	500	530	Life Insurance – 0.57%		
		1,032	Principal Life Global, 6.250%, 2–15–12 (D)	1,500	1,575
Communications Equipment – 0.58%			Prudential Financial, Inc., 4.750%, 9–17–15	500	507
Cisco Systems, Inc., 5.250%, 2–22–11	2,000	2,099	2,082		
Construction & Farm Machinery & Heavy Trucks – 0.22%			Metals / Mining – 0.79%		
John Deere Capital Corporation, 5.250%, 10–1–12	750	810	Newmont Mining Corporation, Convertible, 3.000%, 2–15–12	1,800	2,268
Consumer Finance – 0.12%			Rio Tinto Finance (USA) Limited, 8.950%, 5–1–14	500	599
American Express Credit Corporation, 5.125%, 8–25–14	400	421	2,867		
Department Stores – 0.58%					
Kohl's Corporation, 6.300%, 3–1–11	2,000	2,103			

SCHEDULE OF INVESTMENTS

Balanced (in thousands)

DECEMBER 31, 2009

CORPORATE DEBT SECURITIES (Continued)	Principal	Value
Movies & Entertainment – 0.14%		
Viacom Inc., 4.375%, 9–15–14	\$ 500	\$ 516
Oil & Gas – 0.07%		
Cenovus Energy Inc., 4.500%, 9–15–14 (D)	250	258
Oil & Gas Exploration & Production – 0.31%		
XTO Energy Inc., 7.500%, 4–15–12	1,000	1,115
Other Non-Agency REMIC/CMO – 0.01%		
Banco Hipotecario Nacional: 7.916%, 7–25–09 (C)	17	—*
8.000%, 3–31–11 (C)	4	—*
Mellon Residential Funding, 6.750%, 6–25–28	30	26
		26
Packaged Foods & Meats – 0.43%		
Unilever Capital Corporation, 5.900%, 11–15–32	1,450	1,546
Pharmaceuticals – 1.46%		
Abbott Laboratories, 3.750%, 3–15–11	2,000	2,066
Pfizer Inc., 4.450%, 3–15–12	1,500	1,586
Roche Holdings Ltd, 5.000%, 3–1–14 (D)	1,500	1,605
		5,257
Property & Casualty Insurance – 0.15%		
Berkshire Hathaway Finance Corporation, 4.000%, 4–15–12 (D)	500	524
Restaurants – 0.14%		
YUM! Brands, Inc., 4.250%, 9–15–15	500	502
Soft Drinks – 0.37%		
Coca-Cola Enterprises Inc., 6.700%, 10–15–36	500	570
PepsiCo, Inc., 3.750%, 3–1–14	750	775
		1,345
Systems Software – 0.14%		
Microsoft Corporation, 2.950%, 6–1–14	500	505
TOTAL CORPORATE DEBT SECURITIES – 12.87%		\$ 46,456

(Cost: \$42,982)

OTHER GOVERNMENT SECURITIES – 0.21%	Principal	Value
Qatar		
State of Qatar, 4.000%, 1–20–15 (D)	\$ 750	\$ 752
(Cost: \$749)		
UNITED STATES GOVERNMENT AGENCY OBLIGATIONS		
Agency Obligations – 0.28%		
Federal National Mortgage Association, 7.250%, 1–15–10	1,000	1,002
Mortgage-Backed Obligations – 2.94%		
Federal National Mortgage Association Fixed Rate Pass-Through Certificates:		
6.000%, 9–1–17	338	365
5.000%, 1–1–18	263	277
5.500%, 4–1–18	74	79
5.000%, 5–1–18	124	130
4.500%, 7–1–18	1,855	1,934
7.000%, 9–1–25	77	86
6.500%, 10–1–28	265	286
6.500%, 2–1–29	160	173
7.500%, 4–1–31	167	189
7.000%, 7–1–31	232	260
7.000%, 9–1–31	219	243
7.000%, 9–1–31	176	197
7.000%, 11–1–31	52	57
6.500%, 2–1–32	809	887
7.000%, 2–1–32	265	297
7.000%, 2–1–32	248	277
7.000%, 3–1–32	174	196
7.000%, 7–1–32	393	441
6.000%, 9–1–32	1,583	1,692
6.000%, 2–1–33	356	380
5.500%, 5–1–33	648	681
5.500%, 5–1–33	471	495
5.500%, 5–1–33	273	287
5.500%, 6–1–33	502	528
Government National Mortgage Association		
Fixed Rate Pass-Through Certificates:		
6.000%, 8–15–28	25	26
6.500%, 8–15–28	34	37
United States Department of Veterans Affairs, Guaranteed REMIC Pass-Through Certificates, Vendee Mortgage Trust, 1997-A Class 3-A, 8.293%, 12–15–26		
	93	104
		10,604
TOTAL UNITED STATES GOVERNMENT AGENCY OBLIGATIONS – 3.22%		\$ 11,606

(Cost: \$11,082)

SCHEDULE OF INVESTMENTS

Balanced (in thousands)

DECEMBER 31, 2009

UNITED STATES GOVERNMENT OBLIGATIONS	Principal	Value
Treasury Inflation Protected Obligations – 0.36%		
United States Treasury Notes,		
3.000%, 7-15-12 (E)	\$ 1,202	\$ 1,293
Treasury Obligations – 9.08%		
United States Treasury Bonds:		
7.500%, 11-15-16	1,500	1,890
6.250%, 8-15-23	5,250	6,270
United States Treasury Notes:		
4.000%, 3-15-10	3,200	3,224
3.875%, 2-15-13	3,000	3,195
3.625%, 5-15-13	3,000	3,176
4.250%, 8-15-13	4,000	4,316
4.250%, 8-15-15	10,000	10,704
		<u>32,775</u>
TOTAL UNITED STATES GOVERNMENT OBLIGATIONS – 9.44%		\$ 34,068
(Cost: \$31,544)		
SHORT-TERM SECURITIES		
Commercial Paper (F) – 1.05%		
ITT Corporation,		
0.090%, 1-4-10	3,800	3,800
Master Note – 0.75%		
Toyota Motor Credit Corporation,		
0.117%, 1-1-10 (G)	2,697	2,697
TOTAL SHORT-TERM SECURITIES – 1.80%		\$ 6,497
(Cost: \$6,497)		
TOTAL INVESTMENT SECURITIES – 99.63%		\$359,617
(Cost: \$303,320)		
CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.37%		1,329
NET ASSETS – 100.00%		\$360,946

Notes to Schedule of Investments

*Not shown due to rounding.

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

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

(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 December 31, 2009, the total value of these securities amounted to \$502 or 0.14% of net assets.

(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 December 31, 2009, the total value of these securities amounted to \$6,497 or 1.80% of net assets.

(E) 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.

(F) Rate shown is the yield to maturity at December 31, 2009.

(G) Variable rate security. Interest rate disclosed is that which is in effect at December 31, 2009. Date shown represents reset date.

The following acronyms are used throughout this schedule:

CMO = Collateralized Mortgage Obligation
REMIC = Real Estate Mortgage Investment Conduit

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

Cost	\$ 303,320
Gross unrealized appreciation	58,031
Gross unrealized depreciation	(1,734)
Net unrealized appreciation	<u>\$ 56,297</u>

Industry classifications are unaudited.

See Accompanying Notes to Financial Statements.



Mark J. Otterstrom

Below, Mark J. Otterstrom, CFA, portfolio manager of Ivy Funds VIP Bond, discusses positioning, performance and results for the fiscal year ended December 31, 2009. He has managed the Portfolio since September 2008 and has 23 years of industry experience.

Fiscal year performance

For the 12 Months Ended December 31, 2009

Ivy Funds VIP Bond	7.16%
Benchmark(s)/Lipper Category	
Citigroup Broad Investment Grade Index (generally reflects the performance of securities representing the bond market)	5.06%
Lipper Variable Annuity Corporate Debt Funds A Rated Funds Universe Average (generally reflects the performance of the universe of funds with similar investment objectives)	13.56%

Please note that the Portfolio returns include applicable investment fees and expenses, whereas the index returns do not include any such fees. Also, the Portfolio's performance data does not take into account any product expenses or charges associated with owning a variable life or annuity policy, which is invested in Ivy Funds Variable Insurance Portfolios.

A year of two markets

The fiscal year ending December 31, 2009 witnessed dramatic changes throughout the financial markets. At the end of 2008, Ivy Funds VIP Bond was well positioned to take advantage of the market turmoil. The Portfolio was underweight in spread product at a time when spread product greatly underperformed. We lengthened our duration and maintained a very high credit quality, thus benefiting from the rally in long Treasury yields experienced at the end of last year.

That all changed in early 2009. By the end of the first quarter, market participants had become convinced that the Federal Reserve monetary policies and the Treasury Department's fiscal stimulus had helped establish a level of financial stability not seen in over a year. Within six months, Treasury bond yields returned to their pre-crisis levels. The duration of the Portfolio was too long and consequently did not perform well during this period. At the same time, demand for spread product exploded. The funds that performed the worst in 2008 experienced the largest rebound in 2009. We had increased Ivy Funds VIP Bond's exposure to spread product at the end of first-quarter 2009 and benefited from this rally in spread product. However, we still maintained our high credit quality, which caused the Portfolio to significantly underperform its peer funds that had overweighted low-grade and non-investment-grade debt. As a result, Ivy Funds VIP Bond significantly underperformed its Lipper average over the last 12 months.

A challenging environment for bond fund managers

The market turbulence of the last year has provided significant challenges for bond fund managers. Bond market volatility soared at the end of 2008 and has yet to return to pre-crisis levels. There was a massive amount of fiscal and monetary stimulus pumped into the system at the end of 2008 and early 2009. The Fed has more than doubled the size of its balance sheet as it purchased a broad range of securities that added much-needed liquidity into the U.S. banking system. There was a massive flight-to-quality trade that occurred during that period. Cash flows into the funds were very healthy during the fourth quarter of 2008. Return of capital became much more important to investors than return on capital.

In addition to keeping the Fed funds rate near zero, the Fed also began several quantitative easing programs. One of these programs, designed to keep home mortgage rates low and stabilize the collapsing residential real estate markets, was to begin directly purchasing agency-backed mortgage pools. This direct purchasing program had the effect of significantly lowering the spreads between agency-backed mortgage pools and Treasury bonds. Ivy Funds VIP Bond was underweight in agency-backed mortgage pools during a period of rapid price appreciation. The portfolios in our Lipper peer group that were overweight in agency-backed mortgage pools experienced returns far in excess of the Lipper average. The benchmark index was also significantly overweight in the agency-backed mortgage pool asset class when prices were appreciating rapidly.

Treasury bonds may play diminished role

The driving forces behind the Portfolio's performance are typically duration management and sector selection. We were very concerned about the size of the Treasury bond auctions that were in the pipeline for this year and several years to come. We had shortened our duration by mid-2009, ahead of the slate of new Treasury auctions. The aggressive yields received at auction surprised many market participants. Throughout the summer it became apparent that the worldwide fiscal and monetary easing was having an effect on bond yields. The liquidity that was pumped into the system is finding its way into equity and bond investment vehicles, and drove very strong demand for bonds in the third quarter of 2009. That demand has diminished slightly through the end of the year.

As economies worldwide begin their recoveries and monetary policies become less accommodating, we believe that these extraordinary measures will have a reduced influence on the fixed-income markets. As demand for other asset classes continues to grow, we feel that we may see a reduction in the demand for Treasury bonds even as the U.S. continues its healthy supply of new issuance. We could begin to see these relatively low Treasury bond yields come under pressure.

A focus on preserving gains

Being focused on Treasury bonds, FDIC insured bonds and high-grade corporate bonds at the end of last year allowed the Portfolio to ride out a very turbulent investment cycle. Under normal market conditions, Treasury bonds will play a smaller role in the total returns of this Portfolio. Even with the Fed slowing its purchase of new mortgage pools, demand for these securities remains strong. These securities offer stable income while providing a versatile duration management tool. Going forward, we anticipate that agency-backed mortgage securities will play a bigger role in the Portfolio.

While long-duration portfolios have benefited from the recent rally in Treasury yields, we feel that the biggest challenge going forward will be to preserve the recent gains we have seen. Growing fiscal deficits will require the Treasury to continually increase the size of the Treasury bond auctions. These auctions have been well received with significant purchases made by foreign investors. With the supply of new bonds growing and weakness in the dollar emerging, we believe that this reliance on foreign purchases will provide a major vulnerability to the current Treasury bond yields.

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

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

Certain U.S. government securities in which the Portfolio 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 Portfolio 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 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.

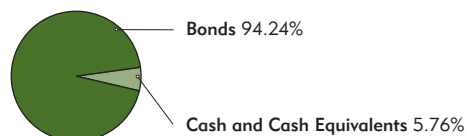
The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of Ivy Funds VIP Bond.

PORTFOLIO HIGHLIGHTS

Bond

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

Asset Allocation

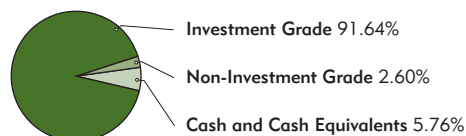


Bonds	94.24%
Corporate Debt Securities	45.46%
United States Government and Government Agency Obligations	45.14%
Municipal Bonds – Taxable	3.17%
Other Government Securities	0.47%
Cash and Cash Equivalents	5.76%

Bond Portfolio Characteristics

Average maturity	5.9 years
Effective duration	4.4 years
Weighted average bond rating	AA

Quality Weightings



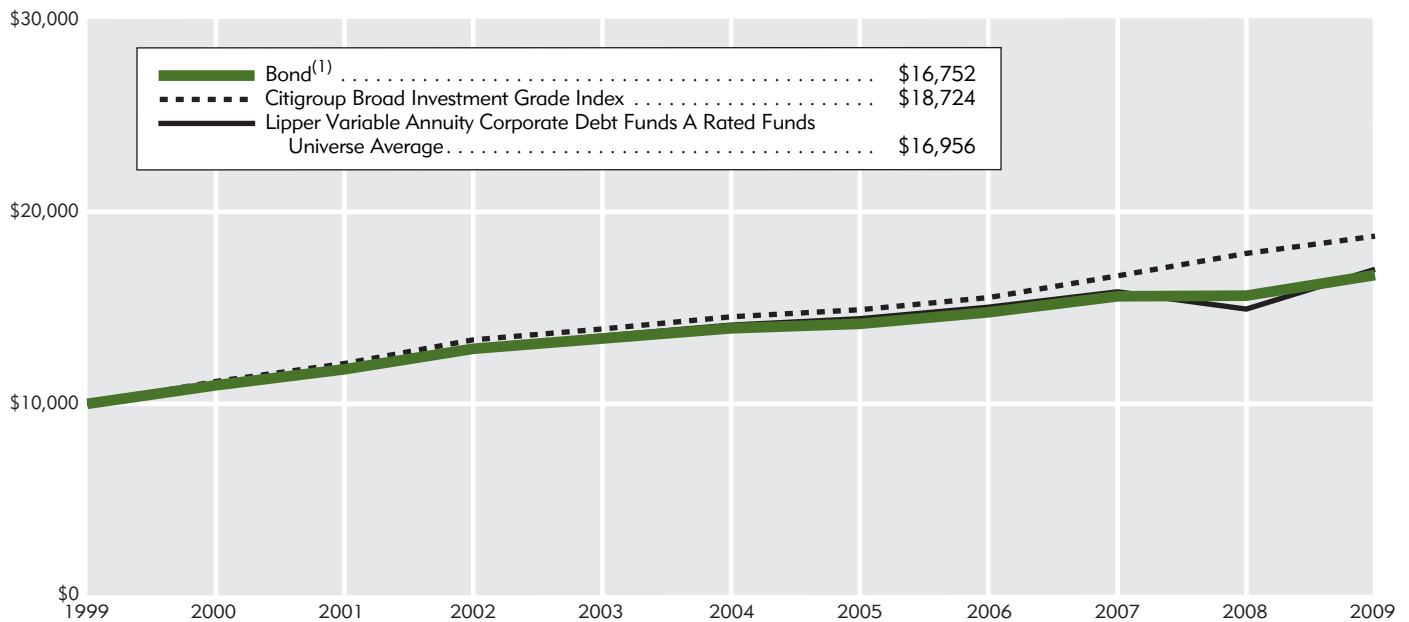
Investment Grade	91.64%
AAA	54.43%
AA	6.83%
A	17.50%
BBB	12.88%
Non-Investment Grade	2.60%
BB	1.18%
B	1.05%
Below B	0.37%
Cash and Cash Equivalents	5.76%

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

Bond

(UNAUDITED)



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

Average Annual Total Return ⁽²⁾	
1-year period ended 12-31-09	7.16%
5-year period ended 12-31-09	3.77%
10-year period ended 12-31-09	5.29%

(2) Data quoted is past performance and 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 call 1.888.WADDELL for the Portfolio's most recent month-end performance. Performance data quoted does not reflect any expenses or charges associated with owning a variable life insurance policy or variable annuity contract that invests in the Portfolio's shares. When such charges are deducted, actual investment performance in a variable policy or contract will be lower.

Past performance is not necessarily indicative of future performance. Indexes are unmanaged.

SCHEDULE OF INVESTMENTS

Bond (in thousands)

DECEMBER 31, 2009

CORPORATE DEBT SECURITIES			CORPORATE DEBT SECURITIES (Continued)		
	Principal	Value		Principal	Value
Aerospace & Defense – 1.19%			Computer Hardware – 1.33%		
Honeywell International Inc.,			Hewlett-Packard Company:		
5.000%, 2-15-19	\$2,225	\$ 2,304	6.500%, 7-1-12	\$3,000	\$ 3,314
United Technologies Corporation,			4.750%, 6-2-14	500	534
6.125%, 2-1-19	3,000	3,316	International Business Machines Corporation,		
		<u>5,620</u>	7.625%, 10-15-18	2,000	2,442
					<u>6,290</u>
Air Freight & Logistics – 0.36%			Conglomerate / Diversified Mfg – 0.12%		
FedEx Corporation,			Westinghouse Electric Corporation,		
7.375%, 1-15-14	1,500	1,702	8.875%, 6-14-14	500	549
Banking – 4.40%			Consumer Finance – 0.80%		
Barclays Bank PLC,			American Express Travel Related Services		
5.000%, 9-22-16	1,000	1,022	Co., Inc.,		
JPMorgan Chase & Co.:			5.250%, 11-21-11 (C)	3,600	3,775
4.650%, 6-1-14	3,000	3,160			
6.000%, 1-15-18	3,000	3,225	Diversified Banks – 0.34%		
PNC Funding Corp,			Wells Fargo Financial, Inc.,		
4.250%, 9-21-15	5,000	5,101	5.500%, 8-1-12	1,500	1,606
Sovereign Bank (Federal Deposit					
Insurance Corporation),			Diversified Chemicals – 1.53%		
2.750%, 1-17-12 (A)	5,000	5,133	E.I. du Pont de Nemours and Company:		
U.S. BANCORP,			5.000%, 1-15-13	2,000	2,142
4.200%, 5-15-14	3,000	3,114	5.750%, 3-15-19	4,725	5,065
		<u>20,755</u>			<u>7,207</u>
Beverage / Bottling – 1.22%			Diversified Metals & Mining – 0.58%		
Anheuser-Busch InBev Worldwide Inc.:			BHP Billiton Finance (USA) Limited,		
5.375%, 11-15-14 (B)	3,500	3,705	5.500%, 4-1-14	2,500	2,742
5.375%, 1-15-20 (C)	2,000	2,041			
		<u>5,746</u>	Electric – 3.04%		
			Duke Energy Ohio, Inc.,		
Biotechnology – 0.42%			HQI Transelec Chile S.A.,		
Amgen Inc.:			7.875%, 4-15-11	281	291
6.150%, 6-1-18	1,000	1,108	NorthWestern Corporation,		
5.700%, 2-1-19	800	858	6.340%, 4-1-19	3,000	3,105
		<u>1,966</u>	Oncor Electric Delivery Company,		
Building Products – 0.55%			6.375%, 5-1-12	4,615	4,984
Hanson PLC,			PacifiCorp,		
7.875%, 9-27-10	2,500	2,591	5.500%, 1-15-19	1,000	1,059
			Pepco Holdings, Inc.,		
Cable & Satellite – 0.81%			4.000%, 5-15-10	750	757
Comcast Cable Communications, Inc.,			Southern Power Company,		
8.500%, 5-1-27	1,250	1,418	6.250%, 7-15-12	2,000	2,178
EchoStar DBS Corporation,					<u>14,349</u>
6.375%, 10-1-11	750	774	Electrical Components & Equipment – 0.54%		
Walt Disney Company (The),			Emerson Electric Co.,		
4.700%, 12-1-12	1,500	1,616	4.875%, 10-15-19	2,500	2,555
		<u>3,808</u>			
CMBS Other – 2.13%			Finance – Other – 2.04%		
COMM 2005-C6,			CHYPS CBO 1997-1 Ltd.,		
5.144%, 6-10-44	6,000	6,095	6.720%, 1-15-10 (C)	146	1
J.P. Morgan Chase Commercial Mortgage			General Electric Capital Corporation:		
Securities Corp., Commercial Mortgage			3.750%, 11-14-14	5,000	4,991
Pass-Through Certificates, Series 2004-C1,			5.625%, 5-1-18	2,000	2,049
4.719%, 1-15-38	2,000	1,943	Student Loan Marketing Association,		
Merrill Lynch Mortgage Trust 2005-CIP1,			0.000%, 10-3-22 (E)	3,000	1,478
4.949%, 7-12-38 (D)	2,000	2,013	TIAA Global Markets, Inc.,		
		<u>10,051</u>	5.125%, 10-10-12 (B)	1,000	1,078
Coal & Consumable Fuels – 0.21%					<u>9,597</u>
Peabody Energy Corporation,					
6.875%, 3-15-13	1,000	1,011			

SCHEDULE OF INVESTMENTS

Bond (in thousands)

DECEMBER 31, 2009

CORPORATE DEBT SECURITIES (Continued)	Principal	Value
Finance Companies – 0.11%		
ISA Capital do Brasil S.A., 7.875%, 1–30–12 (C)	\$ 500	\$ 521
Food Processors – 0.87%		
Cadbury Schweppes US Finance LLC, 5.125%, 10–1–13	3,000	3,120
Campbell Soup Company, 4.500%, 2–15–19	1,000	1,001
		<u>4,121</u>
Gas – Local Distribution – 0.67%		
AGL Capital Corporation, 7.125%, 1–14–11	3,000	3,166
Gas Pipe Lines – 2.06%		
Maritimes & Northeast Pipeline, L.L.C., 7.500%, 5–31–14 (B)	3,924	4,294
Northern Natural Gas, 7.000%, 6–1–11 (C)	3,000	3,224
Tennessee Gas Pipeline Company, 7.000%, 3–15–27	2,000	2,126
		<u>9,644</u>
Health Care Facilities – 0.08%		
HCA – The Healthcare Company, 8.750%, 9–1–10	381	390
Household Appliances – 0.20%		
Controladora Mabe, S.A. de C.V., 6.500%, 12–15–15 (C)	1,000	960
Household Products – 1.22%		
Procter & Gamble Company (The): 4.950%, 8–15–14	3,000	3,264
8.000%, 9–1–24	2,000	2,476
		<u>5,740</u>
Industrial Machinery – 0.69%		
Illinois Tool Works Inc., 5.150%, 4–1–14	3,000	3,268
Integrated Telecommunication Services – 0.90%		
AT&T Inc.: 4.950%, 1–15–13	750	800
5.800%, 2–15–19	1,500	1,599
AT&T Wireless Services, Inc., 7.875%, 3–1–11	1,700	1,827
		<u>4,226</u>
Life Insurance – 1.08%		
Prudential Financial, Inc., 4.750%, 9–17–15	5,000	5,070
Metals / Mining – 1.27%		
Rio Tinto Finance (USA) Limited, 8.950%, 5–1–14	5,000	5,992

CORPORATE DEBT SECURITIES (Continued)	Principal	Value
Multi-Utilities – 0.78%		
Dominion Resources, Inc., 5.250%, 8–1–33	\$ 2,500	\$ 2,605
Duke Energy Corporation, 6.250%, 1–15–12	1,000	1,081
		<u>3,686</u>
Oil & Gas – 2.60%		
Shell International Finance B.V., 3.250%, 9–22–15	10,000	10,008
Sunoco Logistics Partners Operations L.P., 8.750%, 2–15–14	2,000	2,225
		<u>12,233</u>
Oil & Gas Equipment & Services – 0.65%		
Halliburton Company: 6.150%, 9–15–19	1,375	1,536
6.750%, 2–1–27	1,400	1,528
		<u>3,064</u>
Oilfield Machinery & Service – 0.79%		
Weatherford International, Inc., 5.950%, 6–15–12	3,500	3,746
Other Diversified Financial Services – 0.46%		
Bank of America Corporation, 6.500%, 8–1–16	2,000	2,151
Other Mortgage-Backed Securities – 0.54%		
Banc of America Commercial Mortgage Inc., Commercial Mortgage Pass-Through Certificates, Series 2005–2, 4.783%, 7–10–43 (D)	2,500	2,530
Other Non-Agency REMIC/CMO – 2.37%		
Countrywide Home Loans Mortgage Pass- Through Trust 2005–28, 5.250%, 1–25–19	2,416	1,988
Countrywide Home Loans Mortgage Trust 2005–J4, 5.500%, 11–25–35	1,750	1,189
First Horizon Alternative Mortgage Securities Trust 2005–FA6, 5.500%, 9–25–35	2,265	1,353
GSR Mortgage Loan Trust 2004–2F, 7.000%, 1–25–34	604	607
MASTR Adjustable Rate Mortgages Trust 2005–1, 4.481%, 3–25–35 (D)	2,712	371
Structured Adjustable Rate Mortgage Loan Trust, Mortgage Pass-Through Certificates, Series 2004–1, 3.709%, 2–25–34 (D)	724	302
Structured Adjustable Rate Mortgage Loan Trust, Mortgage Pass-Through Certificates, Series 2004–12, 3.708%, 9–25–34 (D)	2,178	294
Structured Adjustable Rate Mortgage Loan Trust, Mortgage Pass-Through Certificates, Series 2004–18, 3.265%, 12–25–34 (D)	3,071	32
Structured Adjustable Rate Mortgage Loan Trust, Mortgage Pass-Through Certificates, Series 2004–3AC, 3.258%, 3–25–34 (D)	1,217	170

SCHEDULE OF INVESTMENTS

Bond (in thousands)

DECEMBER 31, 2009

CORPORATE DEBT SECURITIES (Continued)	Principal	Value
Other Non-Agency REMIC/CMO (Continued)		
Structured Adjustable Rate Mortgage Loan Trust, Mortgage Pass-Through Certificates, Series 2004-5, 3.464%, 5-25-34 (D)	\$ 1,461	\$ 85
Structured Adjustable Rate Mortgage Loan Trust, Mortgage Pass-Through Certificates, Series 2005-21, 5.644%, 11-25-35 (D)	698	2
Structured Adjustable Rate Mortgage Loan Trust, Series 2005-22, 5.454%, 12-25-35 (D)	879	2
Structured Asset Securities Corporation Trust 2005-16, 5.500%, 9-25-35	3,000	2,537
Wells Fargo Mortgage Pass-Through Certificates, Series 2003-10, 4.500%, 9-25-18	2,305	2,255
		<u>11,187</u>
Paper / Forest Products – 0.06%		
Westvaco Corporation, 7.500%, 6-15-27	309	271
Pharmaceuticals – 1.48%		
GlaxoSmithKline Capital Inc., 5.650%, 5-15-18	2,500	2,696
Johnson & Johnson, 5.150%, 7-15-18	2,000	2,151
Roche Holdings Ltd, 5.000%, 3-1-14 (B)	2,000	2,140
		<u>6,987</u>
Property & Casualty Insurance – 1.69%		
Berkshire Hathaway Finance Corporation:		
4.000%, 4-15-12	3,000	3,144
4.750%, 5-15-12	2,000	2,132
5.000%, 8-15-13	2,500	2,688
		<u>7,964</u>
Soft Drinks – 0.51%		
Coca-Cola Company (The), 5.350%, 11-15-17	2,250	2,424
Telecommunications – 2.33%		
British Telecommunications plc, 5.150%, 1-15-13	3,500	3,650
Deutsche Telekom International Finance B.V., 4.875%, 7-8-14	5,000	5,243
New York Telephone Company, 6.700%, 11-1-23	750	742
Telecom Italia Capital, 6.999%, 6-4-18	1,250	1,375
		<u>11,010</u>
Utilities – Water – 0.44%		
California Water Service Company, 5.875%, 5-1-19	2,000	2,055
TOTAL CORPORATE DEBT SECURITIES – 45.46%		\$214,326
(Cost: \$217,454)		

MUNICIPAL BONDS – TAXABLE	Principal	Value
California – 1.96%		
City of Stockton, 2007 Taxable Pension Obligation Bonds, Series A, 5.140%, 9-1-17	\$ 9,670	\$ 9,206
Massachusetts – 0.27%		
Massachusetts Health and Educational Facilities Authority, Revenue Bonds, Harvard University Issue, Series C (2008), 5.260%, 10-1-18	1,250	1,290
New York – 0.94%		
New York City Industrial Development Agency, 11.000%, 3-1-29 (C)	4,000	4,446
TOTAL MUNICIPAL BONDS – TAXABLE – 3.17%		\$ 14,942
(Cost: \$14,500)		
OTHER GOVERNMENT SECURITIES		
Brazil – 0.11%		
Federative Republic of Brazil (The), 9.250%, 10-22-10	500	536
Canada – 0.36%		
Province de Quebec, 7.140%, 2-27-26	1,500	1,668
TOTAL OTHER GOVERNMENT SECURITIES – 0.47%		\$ 2,204
(Cost: \$2,051)		
UNITED STATES GOVERNMENT AGENCY OBLIGATIONS		
Agency Obligations – 2.67%		
Federal Farm Credit Bank:		
4.350%, 9-2-14	4,400	4,687
5.200%, 11-28-16	5,000	5,417
4.600%, 1-29-20	2,500	2,487
		<u>12,591</u>
Mortgage-Backed Obligations – 30.34%		
Federal Home Loan Mortgage Corporation Adjustable Rate Participation Certificates:		
4.500%, 6-15-27	4,953	5,151
4.500%, 5-15-32	4,000	4,137
4.000%, 11-15-36	4,283	4,390
5.508%, 12-1-36 (D)	1,555	1,641
Federal Home Loan Mortgage Corporation Agency REMIC/CMO:		
5.000%, 5-15-19	1,000	1,059
5.000%, 5-15-23	1,500	1,556
5.000%, 3-15-25	4,000	4,123
7.500%, 9-15-29	366	404
5.000%, 5-15-31	2,361	2,447
5.500%, 9-15-31	2,081	2,126
5.000%, 9-15-32	1,500	1,568

SCHEDULE OF INVESTMENTS

Bond (in thousands)

DECEMBER 31, 2009

UNITED STATES GOVERNMENT AGENCY OBLIGATIONS (Continued)	Principal	Value
Mortgage-Backed Obligations (Continued)		
Federal Home Loan Mortgage Corporation		
Agency REMIC/CMO (Interest Only): (F)		
5.500%, 12-15-13	\$ 511	\$ 22
5.000%, 6-15-24	229	2
5.000%, 7-15-29	765	40
5.000%, 9-15-31	1,660	149
5.500%, 10-15-31	2,125	188
Federal Home Loan Mortgage Corporation		
Fixed Rate Participation Certificates:		
4.500%, 3-1-19	854	887
4.500%, 10-1-20	2,495	2,598
5.000%, 6-1-21	1,037	1,090
5.000%, 11-1-21	1,268	1,331
6.000%, 8-1-22	1,754	1,874
5.000%, 7-1-25	1,603	1,658
6.000%, 2-1-27	1,500	1,604
5.000%, 3-1-35	1,158	1,190
5.500%, 10-1-35	889	935
5.500%, 8-1-36	1,299	1,363
Federal National Mortgage Association		
Adjustable Rate Pass-Through Certificates,		
3.427%, 12-1-36 (D)	991	1,014
Federal National Mortgage Association		
Agency REMIC/CMO:		
4.780%, 1-25-17	4,740	4,942
5.000%, 3-25-18	3,500	3,710
5.000%, 6-25-18	2,173	2,299
5.000%, 9-25-18	3,528	3,724
5.000%, 3-25-29	5,100	5,297
5.500%, 2-25-32	975	990
5.500%, 10-25-32	3,500	3,675
5.000%, 7-15-33	10,000	10,403
3.500%, 8-25-33	988	996
4.500%, 12-25-34	1,715	1,762
5.500%, 7-15-36	6,384	6,737
4.000%, 3-25-39	4,152	4,215
Federal National Mortgage Association		
Agency REMIC/CMO (Interest Only): (F)		
5.000%, 3-25-18	86	1
5.500%, 1-25-33	1,386	189
5.500%, 11-25-36	8,177	1,189
5.500%, 8-25-37	2,971	456
Federal National Mortgage Association		
Fixed Rate Participation Certificates		
(Interest Only), (F)		
5.750%, 8-25-32	837	100
Federal National Mortgage Association Fixed		
Rate Pass-Through Certificates:		
5.000%, 3-1-18	1,181	1,244
4.500%, 6-1-19	2,051	2,133
4.500%, 8-1-19	2,754	2,864
4.500%, 9-1-19	4,577	4,759
5.000%, 12-1-19	1,816	1,911
6.000%, 6-1-22	5,627	6,020
5.500%, 11-1-22	2,298	2,449
5.000%, 4-1-24	1,635	1,697
4.500%, 7-25-24	1,000	1,018
5.000%, 5-1-28	3,323	3,439
5.500%, 9-25-31	934	979
5.000%, 6-25-32	5,000	5,206

UNITED STATES GOVERNMENT AGENCY OBLIGATIONS (Continued)	Principal	Value
Mortgage-Backed Obligations (Continued)		
Federal National Mortgage Association Fixed		
Rate Pass-Through Certificates: (Continued)		
5.500%, 2-1-33	\$ 1,927	\$ 2,028
5.500%, 6-1-33	1,458	1,533
5.000%, 9-1-33	2,960	3,049
5.500%, 2-1-35	3,571	3,752
5.000%, 5-1-35	1,503	1,546
Government National Mortgage Association		
Agency REMIC/CMO,		
4.585%, 8-16-34	2,000	2,085
Government National Mortgage Association		
Agency REMIC/CMO (Interest Only), (F)		
5.000%, 7-16-22	1,034	116
		<u>143,060</u>
TOTAL UNITED STATES GOVERNMENT AGENCY OBLIGATIONS – 33.01%		\$ 155,651
(Cost: \$152,410)		

UNITED STATES GOVERNMENT OBLIGATIONS – 12.13%	Principal	Value
Treasury Obligations		
United States Treasury Bond Principal STRIPS,		
0.000%, 11-15-21 (E)	3,050	1,796
United States Treasury Bonds:		
8.000%, 11-15-21	1,000	1,362
6.125%, 11-15-27	5,000	5,956
4.500%, 8-15-39	10,000	9,773
United States Treasury Notes:		
4.125%, 8-31-12	7,000	7,483
4.250%, 8-15-13	8,950	9,658
4.000%, 2-15-14	6,000	6,416
3.625%, 8-15-19	15,000	14,747
		<u>\$ 57,191</u>
(Cost: \$57,383)		

SHORT-TERM SECURITIES	Principal	Value
Commercial Paper (G) – 3.04%		
Abbott Laboratories,		
0.010%, 1-4-10	5,350	5,350
Kitty Hawk Funding Corp.,		
0.170%, 1-19-10	4,000	4,000
Toyota Motor Credit Corporation,		
0.130%, 2-16-10	5,000	4,999
		<u>14,349</u>
Master Note – 0.47%		
Toyota Motor Credit Corporation,		
0.117%, 1-1-10 (H)	2,230	2,230
Notes – 1.14%		
American Honda Finance Corp.,		
0.631%, 1-29-10 (D)	2,000	1,999
BellSouth Corporation (AT&T Inc.),		
4.950%, 4-26-10 (D)	3,300	3,339
		<u>5,338</u>
TOTAL SHORT-TERM SECURITIES – 4.65%		\$ 21,917
(Cost: \$21,917)		

SCHEDULE OF INVESTMENTS

Bond *(in thousands)*

DECEMBER 31, 2009

TOTAL INVESTMENT SECURITIES – 98.89% **\$466,231**

(Cost: \$465,715)

CASH AND OTHER ASSETS, NET OF LIABILITIES – 1.11% **5,237**

NET ASSETS – 100.00% **\$471,468**

Notes to Schedule of Investments

(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. The guarantee expires at the earlier of the security's maturity date or December 31, 2012.

(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 December 31, 2009, the total value of these securities amounted to \$11,217 or 2.38% 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 December 31, 2009, the total value of these securities amounted to \$14,968 or 3.17% of net assets.

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

(E) Zero coupon bond.

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

(G) Rate shown is the yield to maturity at December 31, 2009.

(H) Variable rate security. Interest rate disclosed is that which is in effect at December 31, 2009. Date shown represents reset date.

The following acronyms are used throughout this schedule:

CMBS = Commercial Mortgage-Backed Security

CMO = Collateralized Mortgage Obligation

REMIC = Real Estate Mortgage Investment Conduit

STRIPS = Separate Trading of Registered Interest and Principal Securities

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

Cost	\$ 465,715
Gross unrealized appreciation	17,665
Gross unrealized depreciation	(17,149)
Net unrealized appreciation	\$ 516

Industry classifications are unaudited.



Erik R. Becker



Gustaf C. Zinn

Below, Erik R. Becker, CFA, and Gustaf C. Zinn, CFA, portfolio managers of Ivy Funds VIP Core Equity, discuss positioning, performance and results for the fiscal year ended December 31, 2009. They have managed the Portfolio since July 2006. Mr. Becker has 10 years of industry experience while Mr. Zinn has 11.

Fiscal year performance

For the 12 Months Ended December 31, 2009

Ivy Funds VIP Core Equity	24.02%
Benchmark(s)/Lipper Category	
S&P 500 Index	26.47%
(generally reflects the performance of large- and medium-sized U.S. stocks)	
Lipper Variable Annuity Large-Cap Core Funds Universe Average	27.86%
(generally reflects the performance of the universe of funds with similar investment objectives)	

Please note that the Portfolio returns include applicable investment fees and expenses, whereas the index returns do not include any such fees. Also, the Portfolio's performance data does not take into account any product expenses or charges associated with owning a variable life or annuity policy, which is invested in Ivy Funds Variable Insurance Portfolios.

Finding a market floor

During 2009, market performance was led by technology, materials and consumer discretionary, though all sectors were positive for the year. Telecomm, utilities, energy and consumer staples were the worst performing S&P 500 sectors for the year. For the year, the Portfolio's underperformance was driven primarily by negative stock selection within the technology and health care arenas and largely tied to the fourth quarter. Fiscal year 2009 was certainly a wild one for equity returns. After falling almost 11 percent in the first quarter of 2009, the S&P 500 surged 16 percent in the second quarter, 16 percent in the third quarter and 6 percent in the fourth quarter.

First-quarter returns were negative as most business indicators continued their downward trajectory from 2008. However, two very important policy responses occurred in the first quarter and likely created a market floor. The first was the Financial Stability Plan released by Treasury Secretary Geithner. The plan had multiple components but central was a "stress test" of the nation's 19 largest banks to see how much additional capital was needed under varying economic scenarios. This stress test was critical in boosting confidence in the nation's financial system. Other aspects of the plan included plans to purchase illiquid assets from bank balance sheets and efforts to temporarily replace broken securitization markets. The second major policy response was the signing in February of the \$787 billion stimulus program called the American Recovery and

Reinvestment Act. While initial spending under this program was minimal, expectations for stimulus-related economic benefits rose for future quarters, again adding support to financial markets.

Rough start, then smooth sailing

After a rocky start for the markets in early 2009, business indicators began to turn up in the second quarter, providing much needed support for the market. Among them were existing home sales which increased in the second quarter to nearly 4.8 million units versus 4.6 million units in the first quarter. Low interest rates and record home affordability drove buyers into the market that had led the economic downturn since the housing peak in the third quarter of 2005. Auto sales bottomed at 9.7 million units at an annual rate in the second quarter as well, after having declined from more than 17 million units at the peak. Initial claims for unemployment insurance, a leading indicator for broader employment indicators, also began to decline in April of '09 after a steady march higher. Additionally, the banking system was highly successful in the second quarter, raising more than \$500 billion in fresh capital to help offset losses on bad loans.

The third and fourth quarters were marked by a general improvement in most key economic indicators, which were suggestive of a continued improvement in real economic growth in the U.S. as well as abroad. In fact, economic indicators seemed to suggest that the extremely rapid deterioration in economic activity in the latter half of 2008 and early 2009 would be met by a stronger-than-normal recovery, or a "V" shaped recovery, if you will. For example, non-farm jobs lost totaled 11,000 in the month of November versus 139,000 jobs lost in June and 741,000 at the peak in January of 2009. The Institute for Supply Management's survey of industrial activity rose to 55.9 in December after 52.6 in September and 32.9 at the trough in December of 2008. Existing home sales, after falling to 4.9 million at an annualized rate in January of 2009, improved to a level of 6.5 million in November. Auto sales improved to 11.4 million on an annual basis in the month of December after falling to 9.3 million in the month of February. And Christmas season sales, after much trepidation, actually surprised retailers and economists to the upside.

Importantly, economic indicators outside the U.S. also appear robust. Manufacturing indices from Europe to Asia appear to be on the upswing and are suggestive of a potential broad manufacturing recovery. Auto sales in places such as China are surging as her growing middle class flexes newfound buying power. Investment in infrastructure – from roads and bridges to electrical generation capacity, high speed trains, airports and tourist destinations – has recovered (as have the prices of commodities that go into many of those investments).

Recovery continues

The outlook over the next six to 12 months appears reasonably bright, in our opinion, as it relates to both economic activity and potential stock market returns. For one, companies have yet to engage in inventory replenishment on a broad scale. After seven consecutive quarters of inventory liquidation in the private sector and considering an improved sales environment in a number of areas, it seems reasonable to expect a significant inventory benefit to GDP growth through the next four quarters. Employment could improve meaningfully as it is our belief that the swiftness of the onset of the credit crisis, efforts to slash inventories, and falling sales led employers to over-cut headcount in an effort to preserve cash flow and profitability. The result of better employment, we believe, will be improved sales even if consumers decide to continue to boost the rate at which they save. We feel that government stimulus should continue to benefit the economy for at least the next two quarters with waning benefits thereafter. And after spending the last six to eight quarters dealing with problem loans and trying to fix their balance sheets, we believe it will be only natural for banks to capitalize on their relatively low borrowing costs and high lending rates by increasing lending and further supporting economic recovery. We believe that equity markets should respond favorably for a number of reasons. First, S&P earnings growth could approximate 30 percent or so in 2010, with further gains possible should financial companies return to profitability faster than currently expected. Second, equity investors have largely not increased participation in the market as evidenced by the \$351 billion in total fund flows into bond funds and only \$6.2 billion into equity funds throughout 2009. We believe that significant buying capacity exists that could push equity prices higher. And finally, market valuations at approximately 14 times estimated 2010 earnings appear reasonable.

Opportunities abound

Areas of emphasis for the Portfolio continue to be groups or themes and companies where we continue to have high conviction in the ability to meaningfully exceed earnings forecasts on a multi-year basis. The most glaring opportunity to us today lies in the financial sector where companies appear poised to embark on a multiyear improvement in profitability as the result of a normalization in credit losses, significant consolidation in the financial landscape, and wider lending spreads. We continue to focus on those companies that as a

result of the recent credit crisis were able to augment their franchise with strategic asset purchases that enhanced their competitive positioning. Other key themes include energy services and mobile internet adoption.

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

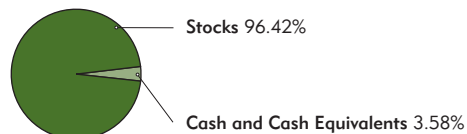
The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of Ivy Funds VIP Core Equity.

PORTFOLIO HIGHLIGHTS

Core Equity

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

Asset Allocation



Stocks	96.42%
Information Technology	21.91%
Financials	20.68%
Consumer Discretionary	11.06%
Energy	10.99%
Industrials	10.51%
Consumer Staples	10.35%
Health Care	6.07%
Materials	4.85%
Cash and Cash Equivalents	3.58%

Top 10 Equity Holdings

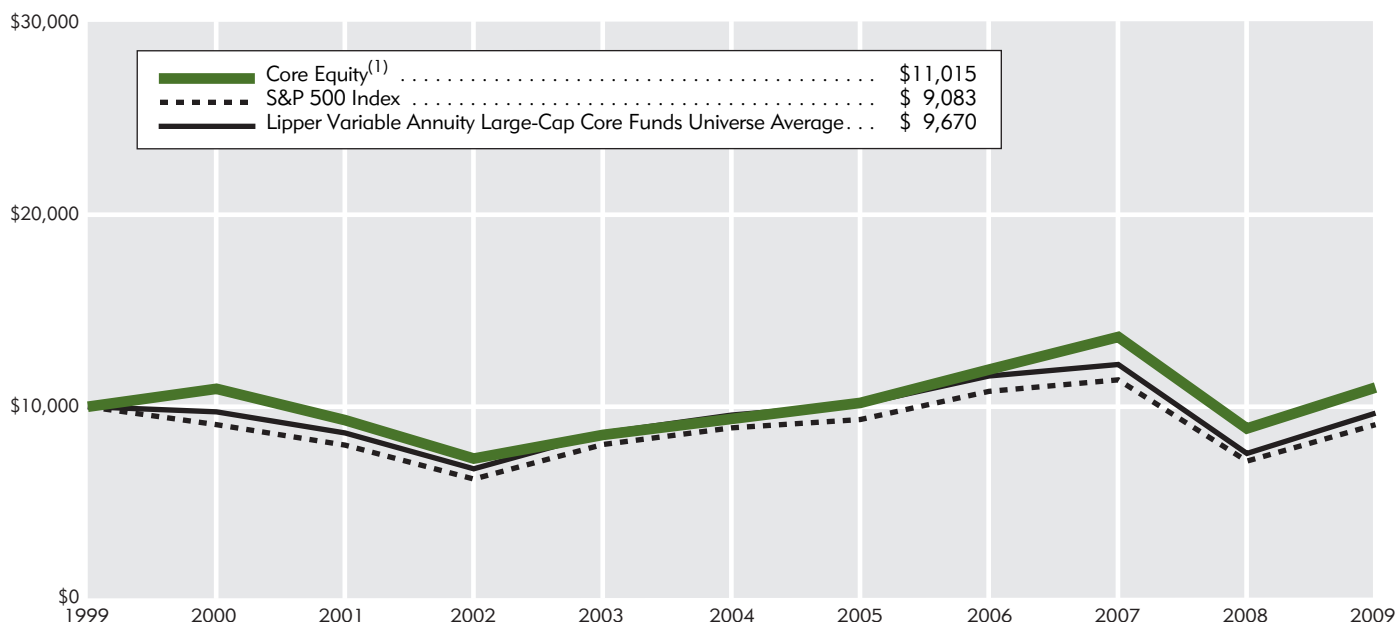
Company	Sector
Hewlett-Packard Company	Information Technology
Capital One Financial Corporation	Financials
QUALCOMM Incorporated	Information Technology
Union Pacific Corporation	Industrials
Textron Inc.	Industrials
Bank of America Corporation	Financials
JPMorgan Chase & Co.	Financials
Halliburton Company	Energy
Wells Fargo & Company	Financials
Coca-Cola Company (The)	Consumer Staples

See your advisor for more information on the Portfolio's most recently published Top 10 Equity Holdings.

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

Core Equity

(UNAUDITED)



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

Average Annual Total Return ⁽²⁾	
1-year period ended 12-31-09	24.02%
5-year period ended 12-31-09	3.30%
10-year period ended 12-31-09	0.97%

(2) Data quoted is past performance and 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 call 1.888.WADDELL for the Portfolio's most recent month-end performance. Performance data quoted does not reflect any expenses or charges associated with owning a variable life insurance policy or variable annuity contract that invests in the Portfolio's shares. When such charges are deducted, actual investment performance in a variable policy or contract will be lower.

Past performance is not necessarily indicative of future performance. Indexes are unmanaged.

SCHEDULE OF INVESTMENTS

Core Equity *(in thousands)*

DECEMBER 31, 2009

COMMON STOCKS	Shares	Value	COMMON STOCKS (Continued)	Shares	Value
Advertising – 2.19%			Hypermarkets & Super Centers – 1.99%		
Omnicom Group Inc.	232	\$ 9,098	Costco Wholesale Corporation	139	\$ 8,242
Asset Management & Custody Banks – 1.05%			Industrial Conglomerates – 3.35%		
Blackstone Group L.P. (The)	331	4,339	Textron Inc.	740	13,921
Biotechnology – 2.76%			Industrial Gases – 1.97%		
Amgen Inc. (A)	202	11,410	Air Products and Chemicals, Inc.	51	4,114
Brewers – 1.71%			Praxair, Inc.	51	4,072
Molson Coors Brewing Company, Class B	157	7,095			8,186
Casinos & Gaming – 1.35%			Industrial Machinery – 2.33%		
Wynn Resorts, Limited (A)	96	5,590	Parker Hannifin Corporation	179	9,666
Communications Equipment – 7.43%			Integrated Oil & Gas – 1.61%		
Juniper Networks, Inc. (A)	439	11,705	Suncor Energy Inc.	189	6,663
QUALCOMM Incorporated	318	14,697	Internet Retail – 0.10%		
Telefonaktiebolaget LM Ericsson, ADR	478	4,388	Amazon.com, Inc. (A)	3	404
		30,790	Investment Banking & Brokerage – 4.16%		
Computer Hardware – 5.16%			Charles Schwab Corporation (The)	291	5,469
Apple Inc. (A)	20	4,175	Goldman Sachs Group, Inc. (The)	35	5,893
Hewlett-Packard Company	335	17,251	Lazard Group LLC	155	5,900
		21,426			17,262
Computer Storage & Peripherals – 1.09%			IT Consulting & Other Services – 0.49%		
NetApp, Inc. (A)	132	4,543	Accenture plc, Class A	49	2,042
Construction & Farm Machinery & Heavy Trucks – 1.30%			Oil & Gas Equipment & Services – 6.75%		
PACCAR Inc	149	5,390	Halliburton Company	438	13,189
Consumer Finance – 3.88%			Schlumberger Limited	149	9,724
Capital One Financial Corporation	420	16,109	Smith International, Inc.	189	5,124
Data Processing & Outsourced Services – 2.22%					28,037
Visa Inc., Class A	105	9,201	Oil & Gas Exploration & Production – 2.63%		
Department Stores – 4.67%			Noble Energy, Inc.	92	6,581
Macy's Inc.	436	7,301	Southwestern Energy Company (A)	90	4,343
Nordstrom, Inc.	322	12,100			10,924
		19,401	Other Diversified Financial Services – 6.47%		
Diversified Banks – 3.08%			Bank of America Corporation	910	13,699
Wells Fargo & Company	474	12,782	JPMorgan Chase & Co.	317	13,201
Diversified Chemicals – 2.88%					26,900
Dow Chemical Company (The)	433	11,966	Personal Products – 0.91%		
General Merchandise Stores – 1.25%			Estee Lauder Companies Inc. (The), Class A	78	3,757
Target Corporation	107	5,190	Pharmaceuticals – 1.23%		
Health Care Equipment – 2.08%			Teva Pharmaceutical Industries Limited, ADR	91	5,124
Baxter International Inc.	148	8,655	Railroads – 3.53%		
Hotels, Resorts & Cruise Lines – 1.50%			Union Pacific Corporation	230	14,672
Starwood Hotels & Resorts Worldwide, Inc.	170	6,228	Regional Banks – 0.68%		
			Marshall & Ilsley Corporation	520	2,832
			Semiconductor Equipment – 2.70%		
			Applied Materials, Inc.	803	11,192
			Semiconductors – 2.82%		
			Microchip Technology Incorporated	403	11,714

SCHEDULE OF INVESTMENTS

Core Equity *(in thousands)*

DECEMBER 31, 2009

COMMON STOCKS (Continued)	Shares	Value
Soft Drinks – 3.01%		
Coca-Cola Company (The)	220	\$ 12,535
Specialized Finance – 1.36%		
IntercontinentalExchange, Inc. (A)	50	5,626
Tobacco – 2.73%		
Lorillard, Inc.	41	3,289
Philip Morris International Inc.	167	8,067
		<u>11,356</u>
TOTAL COMMON STOCKS – 96.42%		\$400,268
(Cost: \$365,702)		
SHORT-TERM SECURITIES	Principal	
Commercial Paper (B) – 3.24%		
Abbott Laboratories, 0.010%, 1–4–10	\$11,440	11,440
Wisconsin Electric Power Co., 0.110%, 1–4–10	2,000	2,000
		<u>13,440</u>
Master Note – 0.30%		
Toyota Motor Credit Corporation, 0.117%, 1–1–10 (C)	1,262	1,262
TOTAL SHORT-TERM SECURITIES – 3.54%		\$ 14,702
(Cost: \$14,702)		
TOTAL INVESTMENT SECURITIES – 99.96%		\$414,970
(Cost: \$380,404)		
CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.04%		160
NET ASSETS – 100.00%		\$415,130

Notes to Schedule of Investments

- (A) No dividends were paid during the preceding 12 months.
 (B) Rate shown is the yield to maturity at December 31, 2009.
 (C) Variable rate security. Interest rate disclosed is that which is in effect at December 31, 2009. Date shown represents reset date.

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

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

Cost	\$ 382,362
Gross unrealized appreciation	46,946
Gross unrealized depreciation	(14,338)
Net unrealized appreciation	<u>\$ 32,608</u>

Industry classifications are unaudited.



Below, David P. Ginther, CPA, portfolio manager of Ivy Funds VIP Dividend Opportunities, discusses positioning, performance and results for the fiscal year ended December 31, 2009. He has managed the Portfolio for six years and has 14 years of industry experience.

David P. Ginther

Fiscal year performance

For the 12 Months Ended December 31, 2009

Ivy Funds VIP Dividend Opportunities	17.88%
Benchmark(s) Lipper Category	
Russell 1000 Index	28.43%
(generally reflects the performance of stocks that represent the equity market)	
Lipper Variable Annuity Equity Income Funds Universe Average	23.22%
(generally reflects the performance of the universe of funds with similar investment objectives)	

Please note that the Portfolio returns include applicable investment fees and expenses, whereas the index returns do not include any such fees. Also, the Portfolio's performance data does not take into account any product expenses or charges associated with owning a variable life or annuity policy, which is invested in Ivy Funds Variable Insurance Portfolios.

Rocky start, dramatic finish

Fiscal year 2009 proved to be a year of dramatic change in the investment markets. When the year began, the U.S. financial system stood at the brink of collapse and the global economy threatened to slip into the greatest worldwide recession since the 1930s. The malaise continued into the first quarter of 2009, as our balance sheet recession deepened, home prices plummeted and unemployment spiraled. But then, on March 6, 2009, the Dow Jones Industrial Average broke below 6500 and the S&P 500 declined to 666.79, falling another 25 percent from the end of 2008 and recording losses of more than 50 percent from their 2007 peaks. The market found its floor.

Since then, markets rallied impressively. Investment banks began predicting a positive first quarter of 2009, which in turn sparked a reversal in investor sentiment. Investors once again discovered their appetite for risk and demonstrated their preference for lower-quality or less financially secure businesses, driving a low-quality rally that ultimately drove up the prices of those businesses that had declined the most in the credit crisis. By mid-year news of improving earnings and better consumer sentiment about the global economic outlook bolstered equities, and the S&P 500 completed its third consecutive month of gains.

This upward trajectory continued during the second half of the year. U.S. gross domestic product registered growth in the third quarter for the first time in more than a year, while the final quarter of 2009 saw a broad based advance, with all sectors recording gains and a number of economic indicators

improving, suggesting that continued recovery may be moving toward sustainability. Also notable during the fourth quarter was the strengthening of the dollar versus many foreign currencies and the global response to the debt default by Dubai World, a state-owned development company in the United Arab Emirates. This event served as a harsh reminder that while the credit crisis may have faded from the forefront of investors' minds, it's not over. Although U.S. markets stumbled only briefly in response, the default re-ignited concern about the economic challenges facing some of the weakest European countries – particularly Greece. But the year ended on a decidedly positive note, with the market rebounding nearly 65 percent off the bottom to end 2009 near its high for the year.

Steadfast approach

Despite the rapidly evolving market that characterized fiscal year 2009, we did not stray from our long-held approach to identifying those companies that we feel possess the balance-sheet strength, sustainable business models and earning power and that we believe stand to benefit the most in the early stages of economic recovery. We entered the year defensively positioned, emphasizing stocks that we thought were less sensitive to the recession, but this overly defensive posture ultimately restrained the Portfolio's performance relative to its benchmark and peers. On the plus side, absolute performance was helped by the Portfolio's substantially overweight stake in energy – a position we undertook on the belief that the oil and gas oversupply that characterized the market earlier in the year was temporary and that energy prices would move higher. An overweight in consumer staples also proved beneficial.

As the year progressed, earnings growth, driven by revenue growth and the ongoing benefits of cost cutting, continued to surprise on the upside. We did make some tactical shifts in an effort to take advantage of this changing environment during the quarter. One of our larger efforts was to position a bit more aggressively. Specifically, we increased exposure to the consumer discretionary, industrials and materials sectors and also added selected names in information technology and financials, bringing the Portfolio's weighting there more in line with that of its index. We eliminated some higher-yielding telecom names – firms that did not appear to us to have upside opportunity – in favor of other holdings that we think are more likely to provide dividend growth and capital appreciation for total return as the economy improves. Our thinking regarding energy remains

unchanged, and we have added to our stake in selected firms we think are well positioned to benefit from demand for energy that we believe will likely outstrip supply.

Cautiously optimistic

The economic outlook continues to improve, although concerns remain about the strength and sustainability of recovery. We fully expect credit to continue to improve in 2010, although we think stimulus will begin to slow in the latter half of the year. We are not yet concerned about inflation, despite the enormous liquidity that was injected by the Federal government in an effort to stimulate the economy, because unemployment remains high – a factor that we believe will keep wages from rising too quickly. We are concerned, however, about the effect of increased regulation and taxes, which could restrain economic growth and recovery. In the near term, we remain cautious on consumer spending due to the high unemployment rate. We are encouraged by the growth in temporary jobs, which we believe is an early indicator of employment growth that we anticipate will emerge in early 2010. Finally, we believe that dividend-paying stocks should benefit from a continued low-interest-rate environment in which total returns become increasingly important.

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

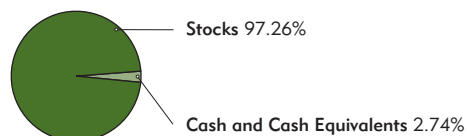
The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of Ivy Funds VIP Dividend Opportunities.

PORTFOLIO HIGHLIGHTS

Dividend Opportunities

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

Asset Allocation



Stocks	97.26%
Energy	18.69%
Consumer Staples	15.84%
Financials	13.76%
Industrials	12.56%
Information Technology	11.62%
Materials	9.71%
Consumer Discretionary	7.34%
Health Care	4.98%
Telecommunication Services	1.67%
Utilities	1.09%
Cash and Cash Equivalents	2.74%

Top 10 Equity Holdings

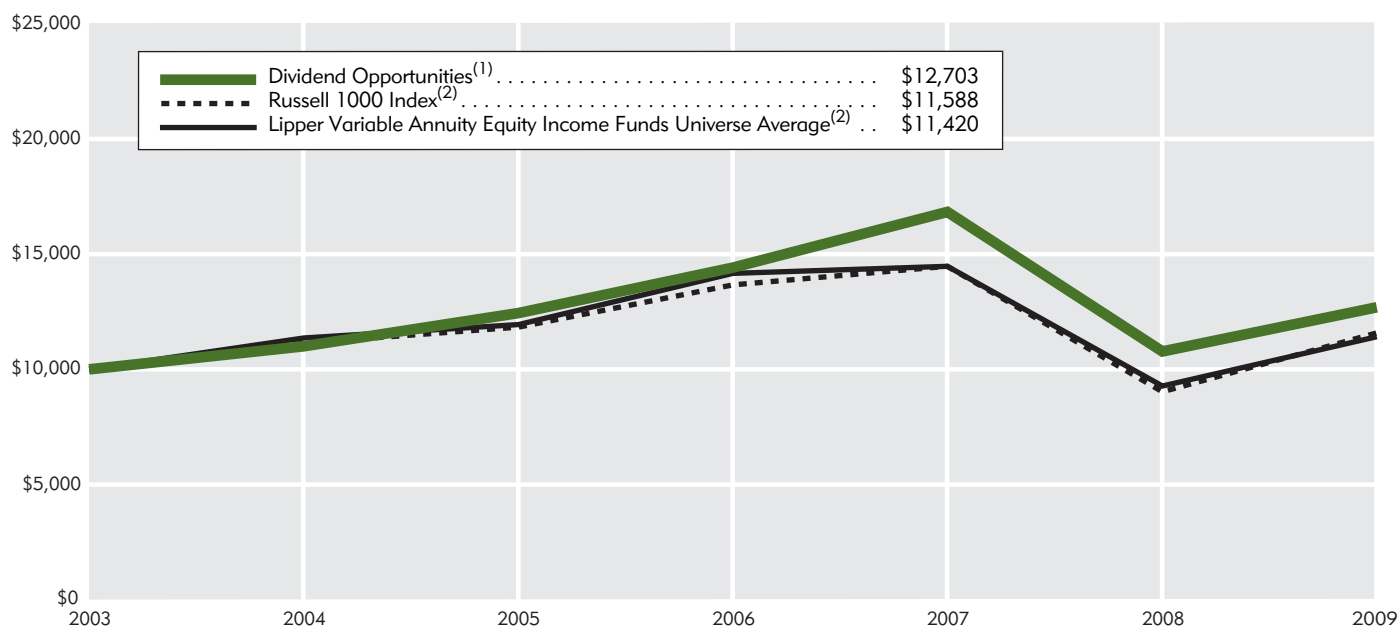
Company	Sector
Schlumberger Limited	Energy
Microchip Technology Incorporated	Information Technology
Halliburton Company	Energy
Colgate-Palmolive Company	Consumer Staples
Lorillard, Inc.	Consumer Staples
Exxon Mobil Corporation	Energy
Philip Morris International Inc.	Consumer Staples
Deere & Company	Industrials
Union Pacific Corporation	Industrials
JPMorgan Chase & Co.	Financials

See your advisor for more information on the Portfolio's most recently published Top 10 Equity Holdings.

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

Dividend Opportunities

(UNAUDITED)



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

(2) Because the Portfolio 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 December 31, 2003.

Average Annual Total Return ⁽³⁾	
1-year period ended 12-31-09	17.88%
5-year period ended 12-31-09	2.93%
10-year period ended 12-31-09	—
Since inception of Portfolio ⁽⁴⁾ through 12-31-09	4.06%

(3) Data quoted is past performance and 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 call 1.888.WADDELL for the Portfolio's most recent month-end performance. Performance data quoted does not reflect any expenses or charges associated with owning a variable life insurance policy or variable annuity contract that invests in the Portfolio's shares. When such charges are deducted, actual investment performance in a variable policy or contract will be lower.

(4) 12-30-03 (the date on which shares were first acquired by shareholders).

Past performance is not necessarily indicative of future performance. Indexes are unmanaged.

SCHEDULE OF INVESTMENTS

Dividend Opportunities *(in thousands)*

DECEMBER 31, 2009

COMMON STOCKS	Shares	Value	COMMON STOCKS (Continued)	Shares	Value
Apparel, Accessories & Luxury Goods – 0.73%			Health Care Equipment – 2.83%		
V.F. Corporation	20	\$ 1,472	Baxter International Inc.	13	\$ 786
			Medtronic, Inc.	79	3,477
Asset Management & Custody Banks – 1.34%			Stryker Corporation	29	1,438
T. Rowe Price Group, Inc.	51	2,697			5,701
			Home Improvement Retail – 0.95%		
Brewers – 1.62%			Lowe's Companies, Inc.	82	1,916
Molson Coors Brewing Company, Class B	72	3,270			
			Homebuilding – 0.85%		
Communications Equipment – 2.16%			D.R. Horton, Inc.	157	1,709
QUALCOMM Incorporated	94	4,342			
			Hotels, Resorts & Cruise Lines – 0.96%		
Computer Hardware – 2.15%			Starwood Hotels & Resorts Worldwide, Inc.	53	1,924
Hewlett-Packard Company	84	4,337			
			Household Products – 4.21%		
Construction & Engineering – 1.88%			Colgate-Palmolive Company	79	6,478
Fluor Corporation	84	3,789	Procter & Gamble Company (The)	33	1,990
					8,468
Construction & Farm Machinery & Heavy Trucks – 2.80%			Industrial Gases – 2.92%		
Deere & Company	104	5,637	Air Products and Chemicals, Inc.	49	3,954
			Praxair, Inc.	24	1,939
Consumer Finance – 2.59%					5,893
Capital One Financial Corporation	136	5,208	Industrial Machinery – 1.95%		
			Illinois Tool Works Inc.	82	3,935
Data Processing & Outsourced Services – 1.43%					
Visa Inc., Class A	33	2,886	Integrated Oil & Gas – 4.19%		
			BP p.l.c., ADR	37	2,156
Department Stores – 2.18%			Exxon Mobil Corporation	92	6,281
Macy's Inc.	263	4,399			8,437
			Integrated Telecommunication Services – 1.67%		
Distillers & Vintners – 1.13%			AT&T Inc.	120	3,357
Diageo plc, ADR	33	2,267			
			Multi-Utilities – 1.09%		
Diversified Banks – 0.96%			Dominion Resources, Inc.	57	2,199
Barclays PLC, ADR	40	708			
Wells Fargo & Company	45	1,224	Oil & Gas Equipment & Services – 10.95%		
		1,932	Halliburton Company	229	6,882
Diversified Capital Markets – 0.41%			National Oilwell Varco, Inc.	71	3,110
UBS AG	53	817	Schlumberger Limited	117	7,641
			Smith International, Inc.	95	2,593
Diversified Chemicals – 1.97%			Weatherford International Ltd. (A)	102	1,821
Dow Chemical Company (The)	37	1,022			22,047
PPG Industries, Inc.	50	2,945	Oil & Gas Exploration & Production – 3.55%		
		3,967	Apache Corporation	41	4,205
Diversified Metals & Mining – 1.86%			XTO Energy Inc.	63	2,938
Rio Tinto plc, ADR	17	3,737			7,143
			Other Diversified Financial Services – 4.24%		
Electrical Components & Equipment – 1.85%			Bank of America Corporation	214	3,222
Emerson Electric Co.	87	3,720	JPMorgan Chase & Co.	128	5,329
					8,551
Fertilizers & Agricultural Chemicals – 1.88%			Pharmaceuticals – 2.15%		
Monsanto Company	46	3,781	Abbott Laboratories	80	4,325

SCHEDULE OF INVESTMENTS

Dividend Opportunities *(in thousands)*

DECEMBER 31, 2009

COMMON STOCKS (Continued)	Shares	Value
Property & Casualty Insurance – 2.68%		
ACE Limited	57	\$ 2,873
Travelers Companies, Inc. (The)	51	2,530
		<u>5,403</u>
Railroads – 4.08%		
Burlington Northern Santa Fe Corporation	29	2,872
Union Pacific Corporation	83	5,331
		<u>8,203</u>
Restaurants – 1.67%		
McDonald's Corporation	54	3,354
Semiconductors – 3.79%		
Microchip Technology Incorporated	263	7,634
Soft Drinks – 1.87%		
Coca-Cola Company (The)	66	3,771
Specialized Finance – 1.54%		
CME Group Inc.	9	3,098
Steel – 1.08%		
Nucor Corporation	46	2,165
Systems Software – 2.09%		
Microsoft Corporation	138	4,200
Tobacco – 7.01%		
Altria Group, Inc.	91	1,782
Lorillard, Inc.	79	6,343
Philip Morris International Inc.	124	5,978
		<u>14,103</u>
TOTAL COMMON STOCKS – 97.26%		\$195,794
(Cost: \$179,399)		
SHORT-TERM SECURITIES		
	Principal	
Commercial Paper (B) – 1.99%		
CVS Caremark Corporation, 0.230%, 1-13-10	\$4,000	4,000
Master Note – 0.44%		
Toyota Motor Credit Corporation, 0.117%, 1-1-10 (C)	894	894
TOTAL SHORT-TERM SECURITIES – 2.43%		\$ 4,894
(Cost: \$4,894)		
TOTAL INVESTMENT SECURITIES – 99.69%		\$200,688
(Cost: \$184,293)		
CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.31%		616
NET ASSETS – 100.00%		\$201,304

Notes to Schedule of Investments

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

(B) Rate shown is the yield to maturity at December 31, 2009.

(C) Variable rate security. Interest rate disclosed is that which is in effect at December 31, 2009. Date shown represents reset date.

The following acronym is used throughout this schedule:

ADR = American Depositary Receipts

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

Cost	<u>\$184,372</u>
Gross unrealized appreciation	20,072
Gross unrealized depreciation	(3,756)
Net unrealized appreciation	<u>\$ 16,316</u>

Industry classifications are unaudited.

See Accompanying Notes to Financial Statements.



David P. Ginther

Below, David P. Ginther, CPA, portfolio manager of Ivy Funds VIP Energy, discusses positioning, performance and results for the fiscal year ended December 31, 2009. He has managed the Portfolio since its inception in May 2006 and has 14 years of industry experience.

Fiscal year performance

For the 12 Months Ended December 31, 2009

Ivy Funds VIP Energy	40.48%
Benchmark(s)/Lipper Category	
S&P 1500 Energy Sector Index	16.41%
(generally reflects the performance of stocks that represent the energy market)	
Lipper Variable Annuity Natural Resources Funds Universe Average	49.59%
(generally reflects the performance of the universe of funds with similar investment objectives)	

Please note that the Portfolio returns include applicable investment fees and expenses, whereas the index returns do not include any such fees. Also, the Portfolio's performance data does not take into account any product expenses or charges associated with owning a variable life or annuity policy, which is invested in Ivy Funds Variable Insurance Portfolios.

Rocky start, dramatic finish

Fiscal year 2009 proved to be a year of dramatic change in the investment markets. When the year began, the U.S. financial system stood at the brink of collapse and the global economy threatened to slip into the greatest worldwide recession since the 1930s. The malaise continued into the first quarter of 2009, as our balance sheet recession deepened, home prices plummeted and unemployment spiraled. But then, on March 6, 2009, the Dow Jones Industrial Average broke below 6500 and the S&P 500 declined to 666.79, falling another 25 percent from the end of 2008 and recording losses of more than 50 percent from their 2007 peaks. The market found its floor.

Since then, markets rallied impressively. Investment banks began predicting positive first-quarter 2009 results, which in turn sparked a reversal in investor sentiment. Investors once again discovered their appetite for risk and demonstrated their preference for lower-quality or less financially secure businesses, driving a low-quality rally that ultimately drove up the prices of those businesses that had declined the most in the credit crisis. By mid-year news of improving earnings and better consumer sentiment about the global economic outlook bolstered equities, and the S&P 500 completed its third consecutive month of gains.

This upward trajectory continued during the second half of the year. U.S. gross domestic product registered growth in the third quarter for the first time in more than a year, while the final quarter of 2009 saw a broad-based advance, with all sectors recording gains and a number of economic indicators

improving, suggesting that continued recovery may be moving toward sustainability. Also notable during the fourth quarter was the strengthening of the dollar versus many foreign currencies and the global response to the debt default by Dubai World, a state-owned development company in the United Arab Emirates. This event served as a harsh reminder that while the credit crisis may have faded from the forefront of investors' minds, it's not over. Although U.S. markets stumbled only briefly in response, the default re-ignited concern about the economic challenges facing some of the weakest European countries – particularly Greece. But the year ended on a decidedly positive note, with the market rebounding nearly 65 percent off the bottom to end 2009 near its high for the year.

A steadfast approach

Although the market environment was fluid and rapidly changing throughout the Portfolio's fiscal year, we remained focused on long-term fundamentals. An underweight stake in the energy sector proved very beneficial, providing the bulk of the Portfolio's dramatic outperformance of its benchmark. We maintained our preference for globally-diversified oil service and production companies, given our belief that they would be well positioned to gain from increased international exploration and spending and an upturn in the global economy. We also continued to pursue natural gas suppliers as fundamentals deteriorated and we anticipated the market was nearing a bottom, suggesting production would decrease due to falling rig count and lower prices.

The Fund's top contributor during the year was Bucyrus International, Inc., (1.75% of net assets as of 12/31/09), a maker of equipment for extracting coal and oil sands, among other minerals, that's benefiting from rising global demand. Bucyrus is also about to purchase a division of Terex Corp., another construction equipment manufacturer, which we feel bodes well for the company's ability to take market share. New holdings acquired during the year included Clean Energy Fuels Corp. and SandRidge Energy, Inc. (0.85% and 0.30% of net assets, respectively, as of 12/31/09). Clean Energy Fuels Corp. is the country's leading provider of natural gas for transportation. It owns two natural gas production plants and a landfill gas facility that produces renewable methane gas for delivery in the nation's gas pipeline network. It also owns BAF Technologies, Inc., a leading provider of natural gas vehicle systems. Rising public and government demand for clean air initiatives is driving

success for the firm, whose alternative-fuel vehicles and environment-friendly solutions play to burgeoning environmental concerns. SandRidge Energy, Inc. is a high-quality, rapidly growing natural gas and oil company focused primarily on Texas exploration and one that in our view is strategically positioned to prosper in line with continued economic recovery.

Cautiously optimistic

The economic outlook continues to improve, although concerns remain about the strength and sustainability of recovery. We fully expect credit to continue to improve in 2010, although we think stimulus will begin to slow in the latter half of the year. We believe oil prices will continue to move higher as the world economies continue to recover. We could see \$100-a-barrel prices again, in our opinion. Supply and demand remain tight, and we think demand will get even higher, led by Asia – mainly China, which now has the largest auto market in the world. Demand in China over the last year was up around a half-million barrels. We also anticipate oil production growth may be limited because capital expenditures for oil fell in 2009. We are hopeful that oil companies will start to spend more in the months ahead, given that the price of oil has moved higher.

As with any mutual fund, the value of the Portfolio'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. Investing in the energy sector can be riskier than other types of investment activities because of a range of factors, including price fluctuation caused by real and perceived inflationary trends and political developments, and the cost assumed by energy companies in complying with environmental safety regulations. These and other risks are more fully described in the Portfolio'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.

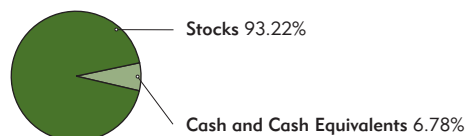
The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of Ivy Funds VIP Energy.

PORTFOLIO HIGHLIGHTS

Energy

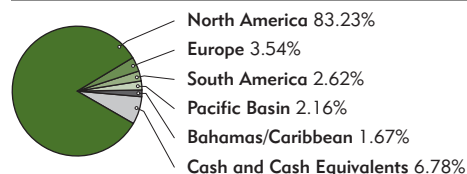
ALL DATA IS AS OF DECEMBER 31, 2009 (UNAUDITED)

Asset Allocation



Stocks	93.22%
Energy	82.32%
Industrials	6.01%
Utilities	2.60%
Information Technology	1.25%
Materials	1.04%
Cash and Cash Equivalents	6.78%

Country Weightings



North America	83.23%
United States	77.99%
Canada	5.24%
Europe	3.54%
South America	2.62%
Pacific Basin	2.16%
Bahamas/Caribbean	1.67%
Cash and Cash Equivalents	6.78%

Top 10 Equity Holdings

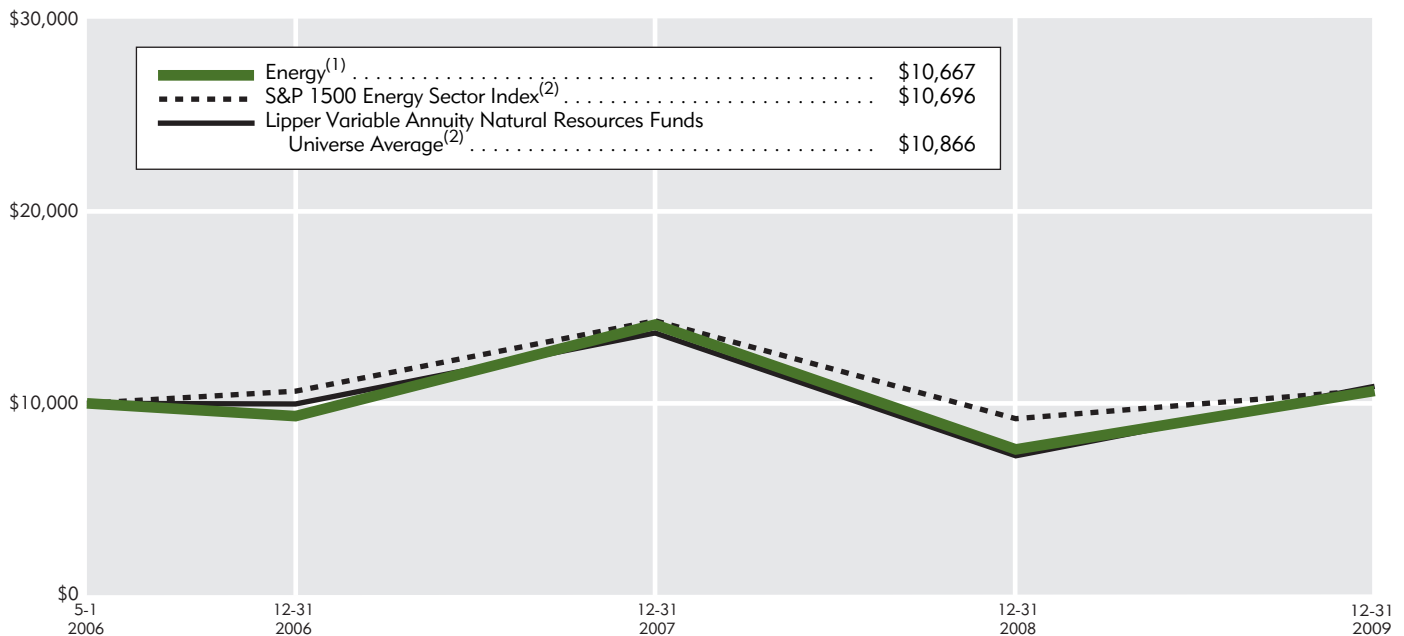
Company	Sector	Industry
Southwestern Energy Company	Energy	Oil & Gas Exploration & Production
Schlumberger Limited	Energy	Oil & Gas Equipment & Services
Halliburton Company	Energy	Oil & Gas Equipment & Services
National Oilwell Varco, Inc.	Energy	Oil & Gas Equipment & Services
Apache Corporation	Energy	Oil & Gas Exploration & Production
Occidental Petroleum Corporation	Energy	Integrated Oil & Gas
Newfield Exploration Company	Energy	Oil & Gas Exploration & Production
Exxon Mobil Corporation	Energy	Integrated Oil & Gas
Noble Energy, Inc.	Energy	Oil & Gas Exploration & Production
Cameron International Corporation	Energy	Oil & Gas Equipment & Services

See your advisor for more information on the Portfolio's most recently published Top 10 Equity Holdings.

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

Energy

(UNAUDITED)



(1) The value of the investment in the Portfolio is impacted by the ongoing expenses of the Portfolio and assumes reinvestment of dividends and distributions.
 (2) Because the Portfolio 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 April 30, 2006.

Average Annual Total Return ⁽³⁾	
1-year period ended 12-31-09	40.48%
5-year period ended 12-31-09	—
10-year period ended 12-31-09	—
Since inception of Portfolio ⁽⁴⁾ through 12-31-09	1.77%

(3) Data quoted is past performance and 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 call 1.888.WADDELL for the Portfolio's most recent month-end performance. Performance data quoted does not reflect any expenses or charges associated with owning a variable life insurance policy or variable annuity contract that invests in the Portfolio's shares. When such charges are deducted, actual investment performance in a variable policy or contract will be lower.

(4) 5-1-06 (the date on which shares were first acquired by shareholders).

Past performance is not necessarily indicative of future performance. Indexes are unmanaged.

SCHEDULE OF INVESTMENTS

Energy (in thousands)

DECEMBER 31, 2009

COMMON STOCKS			COMMON STOCKS (Continued)		
	Shares	Value		Shares	Value
Coal & Consumable Fuels – 3.85%			Oil & Gas Exploration & Production – 27.98%		
Alpha Natural Resources, Inc. (A)	6	\$ 240	Anadarko Petroleum Corporation	7	\$ 465
Arch Coal, Inc.	8	182	Apache Corporation	9	913
Cameco Corporation	5	175	Cabot Oil & Gas Corporation	9	388
CONSOL Energy Inc.	5	227	CNOOC Limited, ADR	2	350
Peabody Energy Corporation	9	384	Continental Resources, Inc. (A)	20	843
		<u>1,208</u>	Devon Energy Corporation	10	728
Construction & Engineering – 3.87%			EOG Resources, Inc.	8	744
Chicago Bridge & Iron Company N.V., NY Shares	8	158	Newfield Exploration Company (A)	19	904
Fluor Corporation	15	661	Noble Energy, Inc.	12	880
Jacobs Engineering Group Inc. (A)	10	393	Southwestern Energy Company (A)	30	1,435
		<u>1,212</u>	Ultra Petroleum Corp. (A)	7	366
Construction & Farm Machinery & Heavy Trucks – 1.75%			XTO Energy Inc.	16	752
Bucyrus International, Inc., Class A	10	550			<u>8,768</u>
Diversified Metals & Mining – 1.04%			Oil & Gas Refining & Marketing – 1.64%		
BHP Billiton Limited, ADR	4	325	Clean Energy Fuels Corp. (A)	17	265
Electric Utilities – 2.60%			Valero Energy Corporation	15	248
Entergy Corporation	6	462			<u>513</u>
Exelon Corporation	7	352	Oil & Gas Storage & Transportation – 4.64%		
		<u>814</u>	El Paso Corporation	45	440
Electrical Components & Equipment – 0.39%			El Paso Pipeline Partners, L.P.	16	415
First Solar, Inc. (A)	1	122	Enbridge Inc.	13	599
Integrated Oil & Gas – 13.93%					<u>1,454</u>
ConocoPhillips	9	447	Semiconductor Equipment – 1.25%		
Exxon Mobil Corporation	13	886	Applied Materials, Inc.	28	393
Hess Corporation	7	433	TOTAL COMMON STOCKS – 93.22%		
Marathon Oil Corporation	9	270			\$29,217
Occidental Petroleum Corporation	11	912	(Cost: \$29,531)		
Petroleo Brasileiro S.A. – Petrobras, ADR	17	822	SHORT-TERM SECURITIES – 6.80%		
SandRidge Energy, Inc. (A)	10	95	Master Note		
Suncor Energy Inc.	14	501	Toyota Motor Credit Corporation, 0.117%, 1–1–10 (B)	\$2,132	<u>\$ 2,132</u>
		<u>4,366</u>			(Cost: \$2,132)
Oil & Gas Drilling – 6.30%			TOTAL INVESTMENT SECURITIES – 100.02%		
ENSCO International Incorporated	7	272			\$31,349
Helmerich & Payne, Inc.	20	780	(Cost: \$31,663)		
Nabors Industries Ltd. (A)	24	523	LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.02%)		
Transocean Inc. (A)	5	400			(7)
		<u>1,975</u>	NET ASSETS – 100.00%		
Oil & Gas Equipment & Services – 23.98%					\$31,342
Baker Hughes Incorporated	10	413			
BJ Services Company	25	459			
Cameron International Corporation (A)	20	844			
FMC Technologies, Inc. (A)	9	544			
Halliburton Company	41	1,225			
National Oilwell Varco, Inc.	26	1,151			
Schlumberger Limited	19	1,230			
Smith International, Inc.	20	545			
Tenaris S.A., ADR	16	680			
Weatherford International Ltd. (A)	24	426			
		<u>7,517</u>			

SCHEDULE OF INVESTMENTS

Energy *(in thousands)*

DECEMBER 31, 2009

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 December 31, 2009. Date shown represents reset date.

The following acronym is used throughout this schedule:

ADR = American Depositary Receipts

Country Diversification

(as a % of net assets)

United States	77.99%
Canada	5.24%
Brazil	2.62%
Luxembourg	2.17%
Bermuda	1.67%
Hong Kong	1.12%
Australia	1.04%
United Kingdom	0.87%
Netherlands	0.50%
Other+	6.78%

+ Includes cash and cash equivalents and other assets and liabilities

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

Cost	\$31,666
Gross unrealized appreciation	3,550
Gross unrealized depreciation	(3,867)
Net unrealized depreciation	\$ (317)

Industry and geographical classifications are unaudited.



Frederick Sturm

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

Below, Frederick Sturm, CFA, portfolio manager of Ivy Funds VIP Global Natural Resources, discusses positioning, performance and results for the fiscal year ended December 31, 2009.

He has managed the Portfolio for five years and has 29 years of industry experience.

Fiscal year performance

For the 12 Months Ended December 31, 2009

Ivy Funds VIP Global Natural Resources 73.64%

Benchmark(s)/Lipper Category

Morgan Stanley Commodity Related Index 52.35%
 (generally representative of an unmanaged group of natural resources stocks)

Lipper Variable Annuity Natural Resources Funds

Universe Average 49.58%
 (generally representative of the performance of funds with similar investment objectives)

Please note that the Portfolio returns include applicable investment fees and expenses, whereas the index returns do not include any such fees. Also, the Portfolio's performance data does not take into account any product expenses or charges associated with owning a variable life or annuity policy, which is invested in Ivy Funds Variable Insurance Portfolios.

Last year was primarily one of implementing aggressive global reflationary policy as the first stage in restoring financial markets, investor confidence and economic activity. It was an important year for the Portfolio for two important reasons. First, we suggested that investors who were discouraged by 2008 should stay the course for the immediate recovery and long-term potential. Though a full recovery of all-time highs will take more time, we were encouraged by market gains. Second, it goes a long way to restoring credibility to the secular bull market trend we argued in the late 90s would last into the coming decade. We feel that the new year is likely to carry over the same theme, but we expect the first half to begin an important transition process. Specifically, the market will be looking for a necessary hand-off from government policy push to self-sustaining business and consumer spending. The good news is that we expect this transition to be successful over the next 12 months. However, we expect investors' memories of 2008 are too fresh to not temporarily reduce holdings that have rallied strongly over the past year. This would be consistent with market history following the first recovery year where markets rise in anticipation of economic recovery, but then briefly sell off on confirming news. This does suggest lower total returns than in 2009, but multi-month wiggles that will probably not prove meaningful in the context of 3–5 year investment plans, where we still expect equities to keep the pole position. Superior stock selection was the single largest contributor to the Portfolio's strong outperformance of its benchmark index and Lipper peer group during the period.

New year, new opportunities?

The new year starts with many parts of the global economy likely out of recession and embarking on the next potential period of growth, while last year provided further evidence of a growing leadership role in emerging markets. Historically, emerging markets were the assembly plants for excess Organization for Economic Cooperation and Development (OECD) demand that could not be supplied by local manufacturing and, as such, they tended to follow Western world leadership. This time China was the first out of the gate, already in growth mode and with many of their companies likely in position to post profitable results in 2010. The better companies in OECD countries lag in this process, probably by six to 24 months depending on industry and company specific dynamics. With double-digit unemployment and excess productive capacity, we believe that OECD policymakers will be reluctant to tighten early or dramatically this year. We believe emerging market policy will be more proactive in an effort to defend the hard-fought battle over the past decade of lowering local inflation. Given these circumstances, we expect economic growth somewhat below past recovery standards but growth, nonetheless, in 2010, 2011 and 2012.

The substantial realignment of unpegged currencies is well advanced. The U.S. dollar reached moderately undervalued levels on a purchasing power basis at the end of last year, providing rally support against a long-term trend that we feel should carry lower. The Portfolio has introduced partial hedges for Europe, the U.K, Canada, Brazil and Africa; China remains unhedged. The declining dollar was cited last year as a support for rising commodity prices, so a natural question is whether a rising dollar is necessarily bad for commodity prices. History suggests it depends on what the underlying economic conditions are that are causing the currency shift. If the dollar's increase is associated with global weakness, the prices likely would suffer. However, if the increase is associated with strong U.S. growth, then we feel industrial commodity prices can continue to rise. Gold has a more direct inverse link, and we feel it is likely that precious metals, having had a good run, will continue to trade around the long-term uptrend established since 2000. We maintain neutral- to moderately below-neutral holdings focused in a few select stocks. We expect the dollar to continue to feel the weight of trade deficits and drift lower over time, but we also expect all currencies to depreciate relative to baskets of hard assets.

We believe that the first revaluation trade in resource equity markets should largely be completed by the first quarter of 2010, so the year-to-year rate of change for the new bull market likely will peak. Valuations are not excessive, nor are they cheap in our opinion. Relative to other investment classes, we believe that resource equities still appear attractive for multiyear return potential. Investment markets have been hugely impacted by global macro factors for the past two years. Over the next two, we do not expect everything to be good or everything to be bad, which translates into industry- and company-specific factors being more dominant issues in investment returns. Stock picking will matter, as it did in 2009. Achieving above-historical returns will require a tighter focus on deeper relative value or stronger growth prospects.

Sectors, scarcity and solutions

Sustained low interest rates, increasing evidence of economic improvement and a persistent rise in equity markets have improved investor psychology, but there is little evidence of exuberance in our view. Investments have been focused on the rebound in companies that were excessively discounted in 2008 (particularly those with leverage), and more specifically companies that are more sensitive to a resumption of global growth. Emerging market consumer stocks, technology, and basic materials were the winners last year. The flow of funds continues to highlight a particular reluctance to reinvest in OECD markets; Japan has been the notable laggard. The health care sector was held back by policy risk in the U.S., while consumer stocks continue to await better employment numbers. More clarity in lagging sectors will help to substantially narrow the spread in returns in 2010, and we may see a brief rotation favoring the laggards, but we do not expect a major shift in long-term leadership. Meanwhile, the Portfolio has gradually reduced exposure to emerging markets like Brazil and increased OECD exposure for valuation reasons. Within the resources sectors, the highlight was “that which China must buy,” like copper, iron ore and coal. Basic materials have historically been early market leaders, but often sell off thereafter. Major integrated energy companies were the laggards. Historically, energy’s relative performance picks up with economic recovery, into the first hikes, and continues solid past the first hikes. The Portfolio has therefore been progressively harvesting profits out of basic materials and increasing exposure to energy.

We believe that investors will need to incorporate inflation protection within their portfolios in the years ahead as the economy recovers more fully. A lack of demand has been the overriding issue during the economic shutdown, and there remains sufficient spare capacity to produce almost anything, so aggregate inflation rates should remain muted for the next 18 months, we believe. Investors will therefore be sensitive to central bank policy tightening, potentially impacting demand and restricting profit growth. However, one of the biggest unintended consequences of the financial market disarray has been a drastic reduction in investment in new and additional capacity, as companies try to protect liquidity and await evidence

of demand. For the first time in 50 years, U.S. companies are investing less than depreciation. Oil is a good example. We suspect spare capacity is near its peak, and for years to come supply growth likely will trail demand growth, causing prices to trend higher. It bears repeating that inventories for several commodities appear to be peaking now, effectively launching our multi-decade blueprint into the third “scarcity” phase. We feel that the full weight of scarcity pricing pressures should not be felt until the middle of this decade, but select commodities like garlic, cocoa, coal and sugar are already giving evidence to supply constraint pricing pressures. From time to time, share prices may get ahead of projected earnings growth – justifying trading around core positions – but investors should remember that multi-year peaks in resource sectors tend to come after a period of global economic expansion, not at the beginning of one. This five-year perspective magnifies the importance for both current investors and potential investors to put last year’s strong returns into context and remain committed.

While from a thought leadership position we highlight the “scarcity” phase, the Portfolio is more interested in investing in what we feel are the solutions and companies that will be able to expand volumes. Over the past two quarters the Portfolio correctly augmented holdings of coal producers, both steam and metallurgical, in anticipation of tighter supply demand conditions. As we start this year, select coal-based electricity producers in China are restricting usage by some customers because coal inventories have fallen to critical levels below one week’s supply. Elsewhere, we believe that natural gas prices likely have seen their lows, but we do not expect a runaway to the upside. We continue to advocate a strong focus on companies that we feel can deliver low-cost growth deploying multi-stage fracturing. We may well take moderate profits into seasonal strength. Meanwhile, global expenditures on energy drilling and service could rise considerably in 2010, in our view. While we are monitoring value parameters to judge whether stocks temporarily get too far ahead of fundamentals, we are inclined to allow some overvaluation on near-term earnings as we feel it is too early to handicap how far earnings may advance over the course of this up cycle.

Our outlook

We believe that a new bull market in equities has taken hold, delivering a solid initial lift from the unprecedented liquidation in 2008. As every market goes through a number of stages, so too, must this one go through a process of advance and consolidation. Given our outlook that equities will be the better performing multi-year asset class, we feel that investors should continue to make commitments to equities. We stand prepared to redeploy partial hedging if equities spurt higher in the months ahead and investors may then also want to defer additional purchase. In the context of the launch of the third phase in the secular trend, our mindset remains to “buy the dips.”

As with any mutual fund, the value of the Portfolio'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 Portfolio'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.

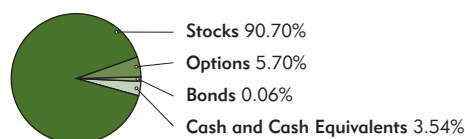
The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of Ivy Funds VIP Global Natural Resources.

PORTFOLIO HIGHLIGHTS

Global Natural Resources

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

Asset Allocation



Stocks	90.70%
Energy	51.33%
Materials	21.61%
Industrials	9.11%
Utilities	5.97%
Financials	1.20%
Consumer Staples	1.11%
Information Technology	0.37%
Options	5.70%
Bonds	0.06%
Corporate Debt Securities	0.06%
Cash and Cash Equivalents	3.54%

Country Weightings



North America	51.44%
United States	41.16%
Canada	10.28%
Europe	13.91%
Russia	5.45%
United Kingdom	4.27%
Other Europe	4.19%
Pacific Basin	10.38%
South America	8.76%
Brazil	8.55%
Other South America	0.21%
Other	4.08%
Bahamas/Caribbean	2.19%
Cash and Cash Equivalents and Options	9.24%

Top 10 Equity Holdings

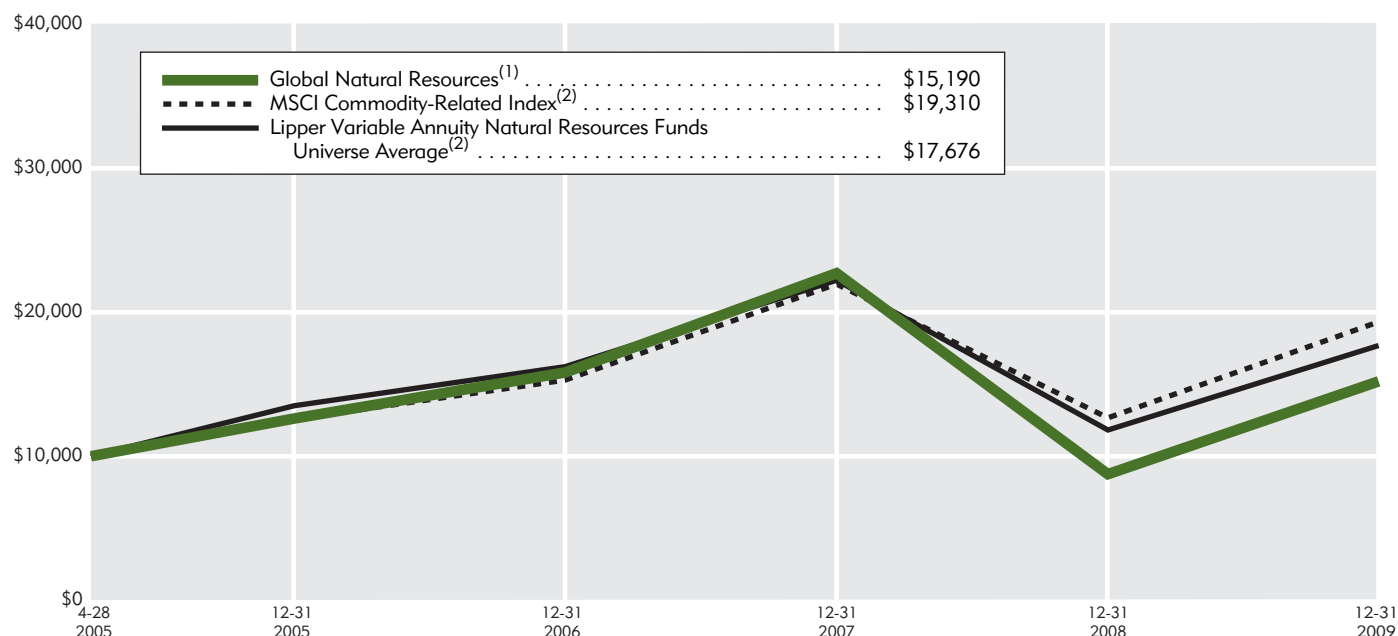
Company	Country	Sector	Industry
Alpha Natural Resources, Inc.	United States	Energy	Coal & Consumable Fuels
Petrohawk Energy Corporation	United States	Energy	Oil & Gas Exploration & Production
Cameron International Corporation	United States	Energy	Oil & Gas Equipment & Services
Randgold Resources Limited, ADR	United Kingdom	Materials	Gold
Open Joint Stock Company Gazprom, ADR	Russia	Energy	Integrated Oil & Gas
Mitsubishi Corporation	Japan	Industrials	Trading Companies & Distributors
Halliburton Company	United States	Energy	Oil & Gas Equipment & Services
El Paso Corporation	United States	Energy	Oil & Gas Storage & Transportation
Transocean Inc.	United States	Energy	Oil & Gas Drilling
Canadian Natural Resources Limited	Canada	Energy	Oil & Gas Exploration & Production

See your advisor for more information on the Portfolio's most recently published Top 10 Equity Holdings.

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

Global Natural Resources

(UNAUDITED)



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

(2) Because the Portfolio 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 April 30, 2005.

Average Annual Total Return ⁽³⁾	
1-year period ended 12-31-09	73.64%
5-year period ended 12-31-09	—
10-year period ended 12-31-09	—
Since inception of Portfolio ⁽⁴⁾ through 12-31-09	9.35%

(3) Data quoted is past performance and 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 call 1.888.WADDELL for the Portfolio's most recent month-end performance. Performance data quoted does not reflect any expenses or charges associated with owning a variable life insurance policy or variable annuity contract that invests in the Portfolio's shares. When such charges are deducted, actual investment performance in a variable policy or contract will be lower.

(4) 4-28-05 (the date on which shares were first acquired by shareholders).

Past performance is not necessarily indicative of future performance. Indexes are unmanaged.

SCHEDULE OF INVESTMENTS

Global Natural Resources *(in thousands)*

DECEMBER 31, 2009

COMMON STOCKS	Shares	Value	COMMON STOCKS (Continued)	Shares	Value
Australia – 0.33%			Indonesia – 0.56%		
Coal & Allied Industries Limited (A)	9	\$ 635	PT Tambang Batubara Bukit Asam (Persero) Tbk (A)	597	\$ 1,086
Bermuda – 0.83%			Israel – 1.13%		
Bunge Limited	25	1,596	Israel Chemicals Ltd. (A)	165	2,167
Brazil – 5.05%			Japan – 3.24%		
Companhia de Saneamento de Minas Gerais (A)	139	2,657	Mitsubishi Corporation (A)	250	6,227
Companhia Energetica de Minas Gerais – CEMIG, ADR	115	2,077	Kazakhstan – 0.42%		
Gerdau S.A., ADR	25	426	Joint Stock Company KazMunaiGas Exploration Production, GDR (A)	33	817
Light S.A. (A)	35	522	Norway – 0.40%		
Suzano Bahia Sul Papel E Celulose S.A. (A)	297	3,494	SeaDrill Limited (A)	30	763
Tractebel Energia S.A. (A)	44	544	Panama – 1.24%		
		9,720	McDermott International, Inc. (B)	100	2,389
Canada – 10.28%			Russia – 5.45%		
Agnico-Eagle Mines Limited	14	756	Mechel Steel Group OAO, ADR	50	941
Agrium Inc.	30	1,833	OJSC Oil Company Rosneft, GDR (A)	100	853
ARISE Technologies Corporation (A)(B)	72	19	Open Joint Stock Company “RusHydro”, ADR (A)(B)	75	284
Atacama Minerals Corp. (A)(B)(C)	120	68	Open Joint Stock Company Gazprom, ADR (A)	250	6,314
Barrick Gold Corporation	33	1,307	Uralkali Group, GDR (A)	100	2,079
Canadian Natural Resources Limited (A)	75	5,450			10,471
First Quantum Minerals Ltd. (A)	42	3,223	Singapore – 0.95%		
MGM Energy Corp. (A)(B)	416	113	Golden Agri-Resources Ltd (A)	850	306
Migao Corporation (A)(B)(D)	50	333	Straits Asia Resources Limited (A)	825	1,520
Migao Corporation (A)(B)	5	31			1,826
Potash Corporation of Saskatchewan Inc.	50	5,425	South Africa – 1.71%		
Suncor Energy Inc. (A)	34	1,210	AngloGold Ashanti Limited, ADR	30	1,206
		19,768	Gold Fields Limited, ADR	65	852
Cayman Islands – 1.36%			Impala Platinum Holdings Limited (A)	33	907
China High Speed Transmission Equipment Group Co., Ltd. (A)	401	974	Northam Platinum Limited (A)	50	324
Subsea 7 Inc. (A)(B)	83	1,372			3,289
Vinda International Holdings Limited (A)	325	230	South Korea – 0.72%		
Yingde Gases Group Company Limited (A)(B)	31	32	LG Chem, Ltd. (A)(B)	5	980
		2,608	Samsung SDI Co., Ltd. (A)(B)	3	407
Chile – 0.21%					1,387
Sociedad Quimica y Minera de Chile S.A., ADR	11	413	Switzerland – 2.81%		
China – 3.24%			Noble Corporation	133	5,401
Sino-Forest Corporation, Class A (A)(B)	124	2,292	Thailand – 1.12%		
Yingli Green Energy Holding Company Limited, ADR (B)	249	3,929	Banpu Public Company Limited (A)	95	1,647
		6,221	Banpu Public Company Limited, Registered Shares (A)	29	508
Cyprus – 0.07%					2,155
Buried Hill Energy (Cyprus) Public Company Limited (A)(B)(C)	70	126	United Kingdom – 4.27%		
Germany – 0.49%			Antofagasta plc (A)	79	1,263
Phoenix Solar Aktiengesellschaft, Sulzemoos (A)	3	200	BG Group plc (A)	17	307
SGL Carbon SE (A)(B)	25	740	Randgold Resources Limited, ADR	84	6,646
		940			8,216
Hong Kong – 0.22%					
Guangdong Investment Limited (A)	729	424			

SCHEDULE OF INVESTMENTS

Global Natural Resources *(in thousands)*

DECEMBER 31, 2009

COMMON STOCKS (Continued)	Shares	Value
United States – 41.00%		
Alpha Natural Resources, Inc. (B)	185	\$ 8,025
Cabot Oil & Gas Corporation	50	2,180
Cameron International Corporation (B)	160	6,689
Celanese Corporation, Series A	33	1,066
Chesapeake Energy Corporation	185	4,788
Cobalt International Energy, Inc. (B)	100	1,384
Comstock Resources, Inc. (B)	25	1,010
Dril-Quip, Inc. (B)	27	1,502
El Paso Corporation	580	5,705
Energy Recovery, Inc. (B)	33	228
Energy Transfer Partners, L.P.	16	724
EXCO Resources, Inc.	60	1,274
Foster Wheeler Ltd. (B)	25	724
GrafTech International Ltd. (B)	133	2,060
Halliburton Company	200	6,018
Occidental Petroleum Corporation	30	2,440
Oceaneering International, Inc. (B)	45	2,604
Owens-Illinois, Inc. (B)	80	2,630
Peabody Energy Corporation	55	2,487
Petrohawk Energy Corporation (B)	290	6,961
Plains Exploration and Production Company (B)	60	1,660
Questar Corporation	33	1,380
Regency Energy Partners LP	50	1,041
SandRidge Energy, Inc. (B)	141	1,328
Schlumberger Limited	9	553
Southwestern Energy Company (B)	17	819
Superior Energy Services, Inc. (B)	91	2,215
Swift Energy Company (B)	22	527
Transocean Inc. (B)	66	5,490
Weatherford International Ltd. (B)	30	537
Williams Companies, Inc. (The)	133	2,797
		<u>78,846</u>
TOTAL COMMON STOCKS – 87.10%		\$ 167,491
(Cost: \$ 147,527)		
PREFERRED STOCKS		
Brazil – 3.44%		
Bradespar S.A. (A)	104	2,290
CESP – Companhia Energetica de Sao Paulo (A)	133	1,832
Companhia Energetica de Minas Gerais – CEMIG (A)	90	1,634
Usinas Siderurgicas de Minas Gerais S.A. – USIMINAS (A)	30	851
		<u>6,607</u>
United States – 0.16%		
Konarka Technologies, Inc., 8.0% Cumulative (B)(C)	68	308
TOTAL PREFERRED STOCKS – 3.60%		\$ 6,915
(Cost: \$4,984)		

CALL OPTIONS	Number of Contracts	Value
Barrick Gold Corporation, Apr \$30.00, Expires 4–20–10	3	\$ 2,563
Chesapeake Energy Corporation, Apr \$20.00, Expires 4–19–10	2	1,548
El Paso Corporation: Jan \$5.00, Expires 1–19–10	2	768
Apr \$5.00, Expires 4–19–10	1	340
Occidental Petroleum Corporation, Feb \$60.00, Expires 2–22–10	1	1,720
Petrohawk Energy Corporation, Mar \$20.00, Expires 3–22–10	1	270
Transocean Inc., Feb \$70.00, Expires 2–22–10	1	674
Weatherford International Ltd., Feb \$14.00, Expires 2–22–10	3	1,075
Williams Companies, Inc. (The), Feb \$10.00, Expires 2–22–10	2	1,997
TOTAL CALL OPTIONS – 5.70%		\$ 10,955
(Cost: \$11,472)		

CORPORATE DEBT SECURITIES – 0.06%	Principal	
Brazil		
Bahia Sul Celulose S.A., 8.614%, 12–1–12 (D)(E)(F)	BRL180	\$ 123
(Cost: \$86)		

SHORT-TERM SECURITIES		
Commercial Paper (G) – 2.09%		
ITT Corporation, 0.090%, 1–4–10	\$3,004	3,004
Wisconsin Electric Power Co., 0.110%, 1–4–10	1,009	1,009
		<u>4,013</u>
Master Note – 1.72%		
Toyota Motor Credit Corporation, 0.117%, 1–1–10 (H)	3,309	3,309

TOTAL SHORT-TERM SECURITIES – 3.81%		\$ 7,322
(Cost: \$7,322)		
TOTAL INVESTMENT SECURITIES – 100.27%		\$ 192,806
(Cost: \$171,391)		

LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.27%)		(517)
NET ASSETS – 100.00%		\$ 192,289

Notes to Schedule of Investments

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

Type	Currency	Counterparty	Principal Amount of Contract (Denominated in Indicated Currency)	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
Sell	Brazilian Real	Toronto-Dominion Bank (The)	1,400	3-5-10	\$—	\$1
Sell	Brazilian Real	Mellon Bank N.A.	1,400	3-12-10	—	2
Sell	Brazilian Real	Royal Bank of Canada	1,400	3-19-10	—	1
Sell	Brazilian Real	Toronto-Dominion Bank (The)	1,440	3-26-10	—	—*
Sell	British Pound	Royal Bank of Canada	393	1-15-10	8	—
Sell	British Pound	Royal Bank of Canada	60	1-15-10	—	1
Sell	Canadian Dollar	Toronto-Dominion Bank (The)	3,000	3-5-10	—	31
Sell	Canadian Dollar	Mellon Bank N.A.	3,135	3-12-10	—	30
Sell	Euro	Toronto-Dominion Bank (The)	241	1-8-10	12	—
Sell	Euro	Canadian Imperial Bank of Commerce	100	2-5-10	5	—
Sell	South African Rand	Toronto-Dominion Bank (The)	1,415	1-6-10	—	6
Sell	South African Rand	Scotia Capital Inc. (USA)	1,100	1-27-10	—	3
Sell	South African Rand	Royal Bank of Canada	2,000	2-3-10	—	21
					<u>\$25</u>	<u>\$96</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) At December 31, 2009, the following restricted securities were owned (Buried Hill Energy and Konarka Technologies, Inc. are illiquid):

Security	Acquisition Date(s)	Shares	Cost	Market Value
Atacama Minerals Corp.	8-19-08	120	\$113	\$ 68
Buried Hill Energy (Cyprus) Public Company Limited	5-1-07 to 4-17-08	70	118	126
Konarka Technologies, Inc., 8.0% Cumulative	8-31-07	68	211	308
			<u>\$442</u>	<u>\$502</u>

The total value of these securities represented approximately 0.26% of net assets at December 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 December 31, 2009, the total value of these securities amounted to \$456 or 0.24% of net assets.

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

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

(G) Rate shown is the yield to maturity at December 31, 2009.

(H) Variable rate security. Interest rate disclosed is that which is in effect at December 31, 2009. Date shown represents reset date.

The following acronyms are used throughout this schedule:

ADR = American Depositary Receipts

GDR = Global Depositary Receipts

Market Sector Diversification

(as a % of net assets)	
Energy	51.33%
Materials	21.67%
Industrials	9.11%
Utilities	5.97%
Financials	1.20%
Consumer Staples	1.11%
Information Technology	0.37%
Other+	9.24%

+Includes options, cash and cash equivalents and other assets and liabilities

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

Cost	\$ 179,180
Gross unrealized appreciation	26,077
Gross unrealized depreciation	(12,451)
Net unrealized appreciation	\$ 13,626

Industry and geographical classifications are unaudited.

See Accompanying Notes to Financial Statements.



Daniel P. Becker



Philip J. Sanders

Below, Daniel P. Becker, CFA, and Philip J. Sanders, CFA, portfolio managers of Ivy Funds VIP Growth, discuss positioning, performance and results for the fiscal year ended December 31, 2009. Mr. Becker has managed the Portfolio for three years and has 21 years of industry experience, while Mr. Sanders has managed the Portfolio for 11 years and has 21 years of industry experience.

Fiscal year performance

For the 12 Months Ended December 31, 2009

Ivy Funds VIP Growth	27.07%
Benchmark(s)/Lipper Category	
Russell 1000 Growth Index (generally reflects the performance of securities that represent the large-cap growth market)	37.22%
Lipper Variable Annuity Large-Cap Growth Funds Universe Average (generally reflects the performance of the universe of funds with similar investment objectives)	37.84%

Please note that the Portfolio returns include applicable investment fees and expenses, whereas the index returns do not include any such fees. Also, the Portfolio's performance data does not take into account any product expenses or charges associated with owning a variable life or annuity policy, which is invested in Ivy Funds Variable Insurance Portfolios.

A dramatic year for equities

Ivy Funds VIP Growth posted a strong positive return during the fiscal year as the U.S. financial system stabilized and investor confidence in the sustainability of the economic recovery continued to build. The market experienced a historic rebound off the early March lows, surging about 65 percent off the bottom to end 2009 near its highs for the year. Despite the Portfolio's healthy absolute return, its performance meaningfully lagged the Russell 1000 Growth benchmark return.

The Portfolio's underperformance was driven by several factors. First, relative performance was hampered by the Portfolio's ongoing focus on what we believe are high-quality companies with structurally advantaged business models. This strategy served as a headwind in 2009 as the market rally was largely led by lower-quality, higher-beta stocks of companies whose business models were the most distressed and valuations were the most depressed. Once market conditions stabilized and prospects for an economic recovery improved, these low-quality companies experienced a much more dramatic rebound than the dominant market leaders with strong balance sheets that many investors had previously favored. Portfolio performance also was hindered by unfavorable stock selection in the consumer discretionary and health care sectors as key holdings such as McDonald's Corporation, Home Depot Inc., Gilead Sciences Inc. and Abbott Laboratories lagged the broad market advance. Additional holdings posting disappointing relative performance included Wells Fargo & Company, Wal-Mart, General Dynamics and Monsanto Company. On a positive note, the Portfolio did

benefit from favorable stock selection in the energy sector (Schlumberger Limited, National Oilwell Varco Inc.) and strong performance from key technology holdings such as Apple Inc., Google, Inc. and Visa Inc.

An improving investment landscape

The strong market rebound in 2009 clearly provided a favorable backdrop for Portfolio performance. While the early underpinnings of the rally were rooted in the stabilization of global credit markets and renewed confidence in the U.S. financial system, the market advance has recently been sustained by stronger-than-expected corporate profits, incrementally better employment data, strengthening confidence surveys and gradual improvements in the auto and housing markets. These factors have all combined to reinforce the "positive feedback loop" in the economy and aid investor sentiment. The U.S. economy has emerged from one of the longest and deepest recessions in recent memory and is now once again experiencing solid growth.

Our investment strategy has remained consistent over time and continues to focus on identifying what we feel are dominant companies that we believe can take a durable competitive advantage and sustain high levels of profitability and growth over the long term. While our high-quality focus did not particularly benefit Portfolio performance this year in relation to our index, we remain steadfast in our conviction regarding the merits of our investment philosophy and process.

Strategic reallocations

As the year unfolded, we became less defensive with respect to sector exposure and increasingly sought to position the Portfolio to benefit from the economic and corporate profit recovery. Areas of emphasis included the technology, consumer discretionary, financial and energy sectors as these sectors offer the best combination of valuation and earnings growth, in our view. The technology sector represents the Portfolio's largest overweight and appears particularly well positioned to benefit from the ongoing global economic rebound. We feel that many of these companies have a strong global presence, possess solid balance sheets, generate strong free cash flow and should benefit from a rebound in corporate spending and continued build out of advanced telecom networks. Key underweighted sectors for the Portfolio included consumer staples and health care, given their more defensive growth attributes and lower degree of operating leverage in a recovering economy.

From recovery to sustainability

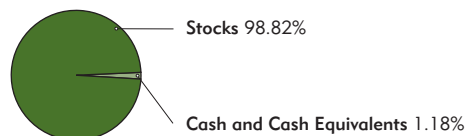
Although the market and economic recovery over the last year has clearly surpassed most expectations, notable headwinds such as high unemployment, the end of monetary and fiscal stimulus, increased regulation, consumer de-leveraging and the potential for higher taxes still remain. However, given the lean cost structures of many U.S. corporations, we expect operating leverage to be meaningful even with only a modest recovery in revenues. Consequently, we believe that corporate earnings could continue to surpass expectations, resulting in a profit recovery that could potentially prove to be more robust than the economic recovery. While cost cutting and inherent operating leverage have played a key role in the early stages of the profit recovery, we expect top-line growth will be an increasingly important driver to profit growth as the year progresses. In our view, this will benefit higher quality companies with strong balance sheets, superior margin profiles and structural advantages in the marketplace – providing a favorable backdrop for our investment style. We believe companies with these attributes have the best chance of emerging from the downturn in an even stronger competitive position relative to weakened competitors. As the market's focus shifts from “recovery” to “sustainability” in 2010, we are optimistic that our high-quality growth strategy will show improved relative performance.

As with any mutual fund, the value of the Portfolio's shares will change, and you could lose money on your investment. These and other risks are more fully described in the Portfolio'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 Ivy Funds VIP Growth.

Asset Allocation



Stocks	98.82%
Information Technology	40.80%
Consumer Discretionary	14.55%
Health Care	12.64%
Financials	11.04%
Consumer Staples	6.02%
Energy	5.92%
Materials	3.96%
Industrials	3.89%
Cash and Cash Equivalents	1.18%

Top 10 Equity Holdings

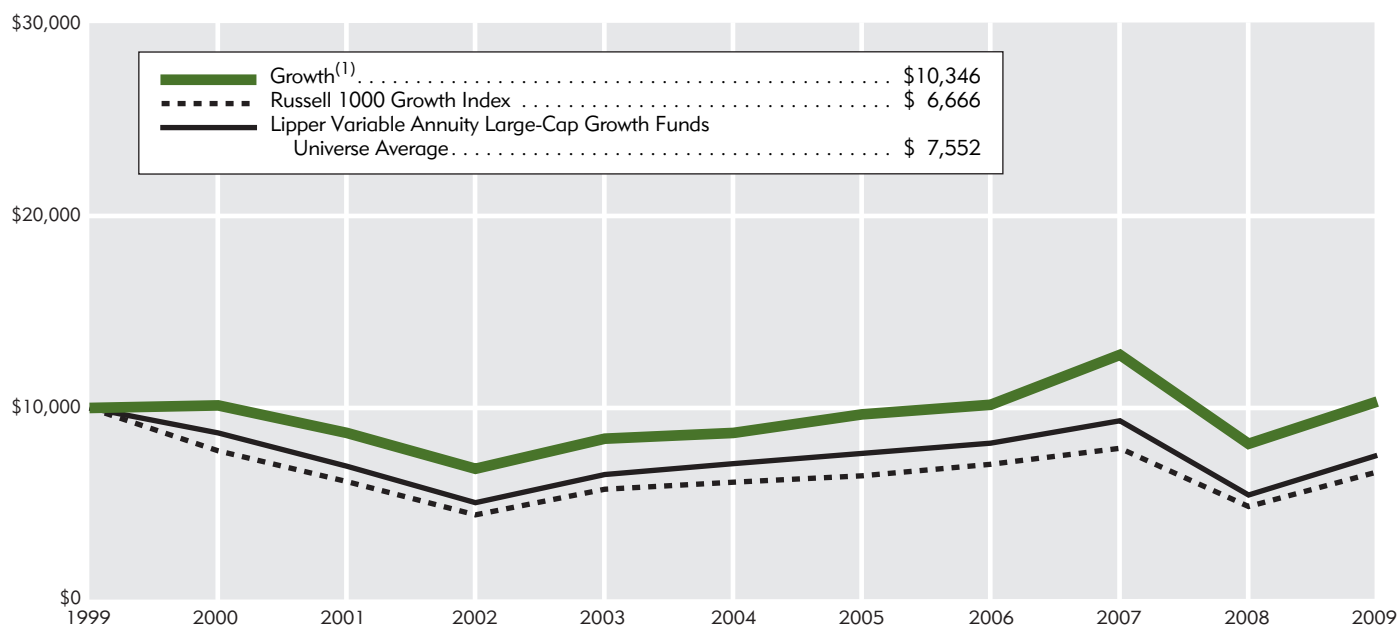
Company	Sector
Apple Inc.	Information Technology
Google Inc., Class A	Information Technology
Hewlett-Packard Company	Information Technology
Visa Inc., Class A	Information Technology
Colgate-Palmolive Company	Consumer Staples
Cisco Systems, Inc.	Information Technology
QUALCOMM Incorporated	Information Technology
Microchip Technology Incorporated	Information Technology
JPMorgan Chase & Co.	Financials
Schlumberger Limited	Energy

See your advisor for more information on the Portfolio's most recently published Top 10 Equity Holdings.

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

Growth

(UNAUDITED)



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

Average Annual Total Return⁽²⁾

1-year period ended 12-31-09	27.07%
5-year period ended 12-31-09	3.55%
10-year period ended 12-31-09	0.34%

(2) Data quoted is past performance and 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 call 1.888.WADDELL for the Portfolio's most recent month-end performance. Performance data quoted does not reflect any expenses or charges associated with owning a variable life insurance policy or variable annuity contract that invests in the Portfolio's shares. When such charges are deducted, actual investment performance in a variable policy or contract will be lower.

Past performance is not necessarily indicative of future performance. Indexes are unmanaged.

SCHEDULE OF INVESTMENTS

Growth *(in thousands)*

DECEMBER 31, 2009

COMMON STOCKS	Shares	Value	COMMON STOCKS (Continued)	Shares	Value
Aerospace & Defense – 1.08%			Health Care Equipment – 5.03%		
United Technologies Corporation	138	\$ 9,551	Baxter International Inc.	479	\$ 28,089
			Intuitive Surgical, Inc. (A)	36	10,920
			Stryker Corporation	104	5,249
					44,258
Air Freight & Logistics – 1.05%			Home Improvement Retail – 2.94%		
FedEx Corporation	111	9,230	Home Depot, Inc. (The)	602	17,421
			Lowe's Companies, Inc.	362	8,465
					25,886
Asset Management & Custody Banks – 2.92%			Hotels, Resorts & Cruise Lines – 1.19%		
BlackRock, Inc., Class A	56	12,910	Carnival Corporation (A)	331	10,477
T. Rowe Price Group, Inc.	240	12,759			
		25,669	Household Products – 4.27%		
Automotive Retail – 0.53%			Colgate-Palmolive Company	458	37,641
O'Reilly Automotive, Inc. (A)	122	4,651			
			Industrial Gases – 1.51%		
Biotechnology – 2.74%			Praxair, Inc.	165	13,267
Gilead Sciences, Inc. (A)	558	24,155			
			Internet Software & Services – 4.79%		
Casinos & Gaming – 2.34%			Google Inc., Class A (A)	68	42,134
Wynn Resorts, Limited (A)	353	20,573			
			Investment Banking & Brokerage – 1.53%		
Communications Equipment – 8.68%			Charles Schwab Corporation (The)	119	2,230
Cisco Systems, Inc. (A)	1,547	37,030	Goldman Sachs Group, Inc. (The)	67	11,262
QUALCOMM Incorporated	792	36,645			13,492
Research In Motion Limited (A)	41	2,776	Life Sciences Tools & Services – 1.32%		
		76,451	Thermo Fisher Scientific Inc. (A)	244	11,641
Computer Hardware – 9.91%					
Apple Inc. (A)	225	47,466	Oil & Gas Equipment & Services – 5.92%		
Hewlett-Packard Company	775	39,920	Halliburton Company	225	6,770
		87,386	National Oilwell Varco, Inc.	184	8,126
Consumer Finance – 1.02%			Schlumberger Limited	511	33,281
American Express Company	222	9,004	Smith International, Inc.	145	3,934
					52,111
Data Processing & Outsourced Services – 7.03%			Other Diversified Financial Services – 4.06%		
MasterCard Incorporated, Class A	86	22,065	JPMorgan Chase & Co.	858	35,749
Visa Inc., Class A	455	39,812			
		61,877	Personal Products – 0.75%		
Department Stores – 4.49%			Estee Lauder Companies Inc. (The), Class A	136	6,562
Kohl's Corporation (A)	598	32,222			
Nordstrom, Inc.	194	7,302	Pharmaceuticals – 3.55%		
		39,524	Abbott Laboratories	327	17,660
Diversified Banks – 0.75%			Teva Pharmaceutical Industries Limited, ADR	241	13,556
Wells Fargo & Company	245	6,621			31,216
			Restaurants – 0.97%		
Electrical Components & Equipment – 1.20%			McDonald's Corporation	137	8,567
Emerson Electric Co.	248	10,555			
			Semiconductors – 7.11%		
Environmental & Facilities Services – 0.56%			Altera Corporation	227	5,139
Stericycle, Inc. (A)	89	4,916	Broadcom Corporation, Class A (A)	375	11,791
			Linear Technology Corporation	309	9,431
Fertilizers & Agricultural Chemicals – 1.45%			Microchip Technology Incorporated	1,247	36,240
Monsanto Company	157	12,794			62,601
			Soft Drinks – 1.00%		
General Merchandise Stores – 2.09%			Coca-Cola Company (The)	155	8,807
Target Corporation	381	18,405			

SCHEDULE OF INVESTMENTS

Growth *(in thousands)*

DECEMBER 31, 2009

COMMON STOCKS (Continued)	Shares	Value
Specialized Finance – 0.76%		
CME Group Inc.	20	\$ 6,685
Specialty Chemicals – 1.00%		
Ecolab Inc.	197	8,771
Systems Software – 3.28%		
Microsoft Corporation	947	28,862
TOTAL COMMON STOCKS – 98.82%		\$870,089

(Cost: \$728,813)

SHORT-TERM SECURITIES	Principal	
Commercial Paper (B) – 0.58%		
ITT Corporation, 0.090%, 1–4–10	\$5,133	5,133
Master Note – 0.31%		
Toyota Motor Credit Corporation, 0.117%, 1–1–10 (C)	2,711	2,711
TOTAL SHORT-TERM SECURITIES – 0.89%		\$ 7,844

(Cost: \$7,844)

TOTAL INVESTMENT SECURITIES – 99.71% \$877,933

(Cost: \$736,657)

CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.29% 2,580

NET ASSETS – 100.00% \$880,513

Notes to Schedule of Investments

- (A) No dividends were paid during the preceding 12 months.
 (B) Rate shown is the yield to maturity at December 31, 2009.
 (C) Variable rate security. Interest rate disclosed is that which is in effect at December 31, 2009. Date shown represents reset date.

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

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

Cost	\$737,831
Gross unrealized appreciation	148,349
Gross unrealized depreciation	(8,247)
Net unrealized appreciation	\$140,102

Industry classifications are unaudited.



William M. Nelson

Below, William M. Nelson, portfolio manager of Ivy Funds VIP High Income, discusses positioning, performance and results for the fiscal year ended December 31, 2009. He has managed the Portfolio for 11 years and has 21 years of industry experience.

Fiscal year performance

For the 12 Months Ended December 31, 2009

Ivy Funds VIP High Income	46.42%
Benchmark(s)/ Lipper Category	
Citigroup High Yield Market Index (generally reflects the performance of securities representing the high yield bond market)	55.20%
Lipper Variable Annuity High Current Yield Funds Universe Average (generally reflects the performance of the universe of funds with similar investment objectives)	43.33%

Please note that the Portfolio returns include applicable investment fees and expenses, whereas the index returns do not include any such fees. Also, the Portfolio's performance data does not take into account any expenses or charges associated with owning a variable life or annuity policy, which is invested in Ivy Funds Variable Insurance Portfolios.

Strong return, but relative performance lagged

Ivy Funds VIP High Income produced a solid return for the year and solid performance relative to its peer group average, yet underperformed its benchmark index.

The Portfolio's underperformance relative to its benchmark index can be traced to the fact that, throughout the year, the Portfolio maintained a shorter duration and was also underweight the "risky" CCC sector, which performed surprisingly well during the year.

Low-quality led the rally

Another factor that influenced the Portfolio's performance during the period was the massive spread widening that occurred following the 2008 bankruptcy of Lehman Brothers. In early 2009, spreads were still near historically wide levels. As government intervention calmed the markets, high-yield bonds, along with other asset classes, rallied. Bonds that had widened significantly and underperformed in 2008 were the beneficiaries of a year-long rally in 2009. Those names that were highly leveraged and "beaten up" the most in 2008 were, for the most part, the stellar outperformers in 2009. Even though the Portfolio took on additional risk as the year unfolded, the technicals favored the lower-quality issuers, which continue to be highly leveraged and most susceptible to default, in our opinion.

Seeking value opportunities

From a sector standpoint, the Portfolio was overweight in the health care, retail and services sectors, among others. As the recovery continues, we intend to reallocate the Portfolio to potentially benefit from sectors and issues that we feel appear undervalued.

Volatility on the horizon

Going forward, our view is with an eye toward recovery. We would expect continued spread compression, though at a much more moderate pace than in 2009. In addition, we would expect some volatility throughout the year as investors, in general, react to economic data as the year progresses. To be sure, we believe 2009 was an extraordinary year for returns in high-yield. Finally, we feel that credit selection and the macro environment will drive overall performance in the year ahead.

As with any mutual fund, the value of the Portfolio'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 Portfolio's net asset value may fall as interest rates rise. Investing in high income securities may carry a greater risk of non-payment of interest or principal than higher-rated bonds. These and other risks are more fully described in the Portfolio'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.

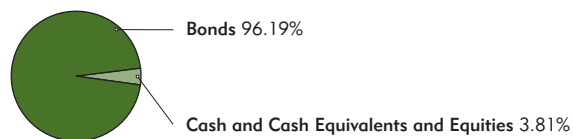
The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of Ivy Funds VIP High Income.

PORTFOLIO HIGHLIGHTS

High Income

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

Asset Allocation

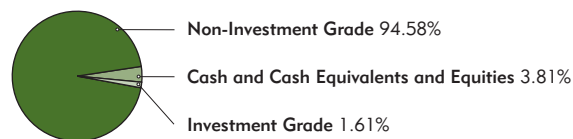


Bonds	96.19%
Corporate Debt Securities	92.10%
Senior Loans	4.09%
Cash and Cash Equivalents and Equities	3.81%

Bond Portfolio Characteristics

Average maturity	4.9 years
Effective duration	3.8 years
Weighted average bond rating	B

Quality Weightings



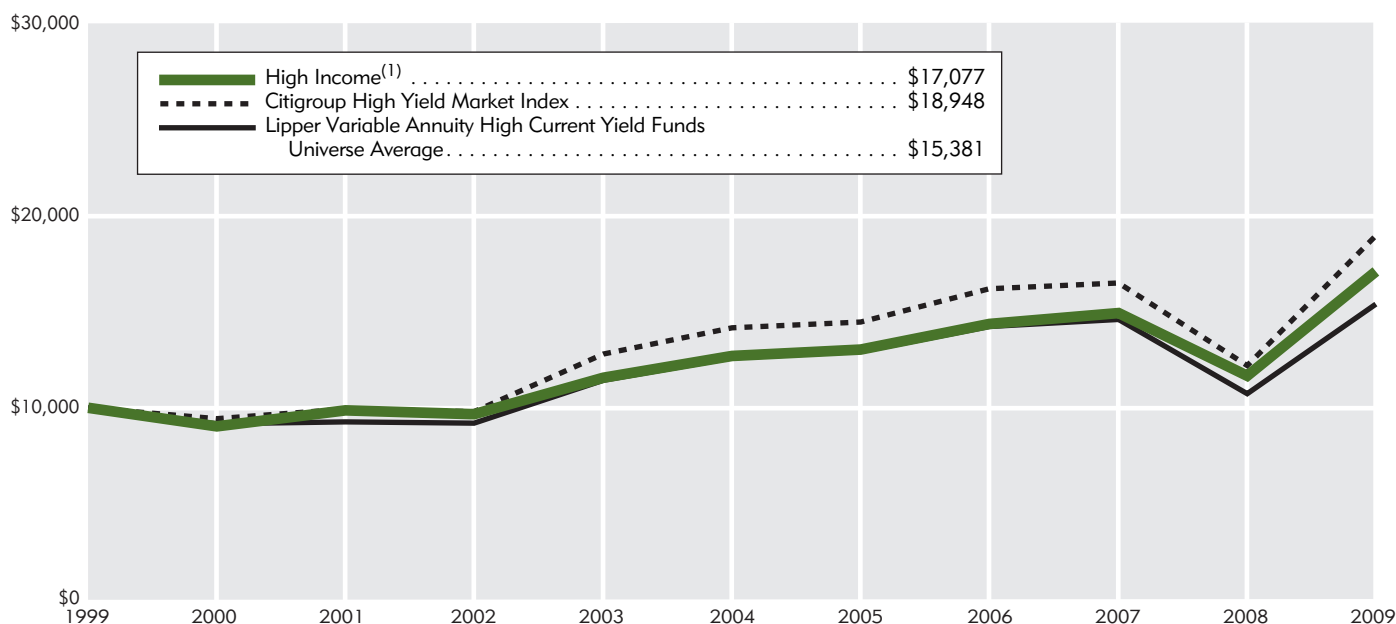
Investment Grade	1.61%
A	0.01%
BBB	1.60%
Non-Investment Grade	94.58%
BB	19.22%
B	51.41%
CCC	22.62%
Below CCC	1.33%
Cash and Cash Equivalents and Equities	3.81%

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

High Income

(UNAUDITED)



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

Average Annual Total Return ⁽²⁾	
1-year period ended 12-31-09	46.42%
5-year period ended 12-31-09	6.10%
10-year period ended 12-31-09	5.50%

(2) Data quoted is past performance and 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 call 1.888.WADDELL for the Portfolio's most recent month-end performance. Performance data quoted does not reflect any expenses or charges associated with owning a variable life insurance policy or variable annuity contract that invests in the Portfolio's shares. When such charges are deducted, actual investment performance in a variable policy or contract will be lower.

Past performance is not necessarily indicative of future performance. Indexes are unmanaged.

SCHEDULE OF INVESTMENTS

High Income *(in thousands)*

DECEMBER 31, 2009

COMMON STOCKS		Shares	Value	CORPORATE DEBT SECURITIES (Continued)		Principal	Value		
Broadcasting – 0.00%				Broadcast / Outdoor – 0.73%					
Citadel Broadcasting Corporation (A)	15	\$	—*	Salem Communications Corporation, 9.625%, 12-15-16 (B)	\$ 450	\$	471		
Casinos & Gaming – 0.05%				Sirius Satellite Radio Inc., 9.625%, 8-1-13	1,100		1,095		
Pinnacle Entertainment, Inc. (A)	13		112				1,566		
Food Distributors – 0.23%				Building Products – 3.23%					
Dole Food Company, Inc. (A)	40		496	CPG International I Inc., 10.500%, 7-1-13	1,500		1,418		
Oil & Gas Storage & Transportation – 0.17%				Goodman Global Group, Inc., 0.000%, 12-15-14 (B)(E)	2,695		1,529		
Inergy, L.P.	10		357	Goodman Global, Inc., 13.500%, 2-15-16	1,300		1,438		
Wireless Telecommunication Service – 0.06%				Norcraft Companies, L.P. and Norcraft Finance Corp.: 9.750%, 9-1-12	728		699		
NII Holdings, Inc. (A)	4		118	10.500%, 12-15-15 (B)	590		605		
TOTAL COMMON STOCKS – 0.51%			\$ 1,083	Ply Gem Industries, Inc., 11.750%, 6-15-13	1,250		1,250		
(Cost: \$1,535)							6,939		
CORPORATE DEBT SECURITIES		Principal		Cable & Satellite – 2.02%					
Aerospace – 1.83%				CSC Holdings, Inc.: 8.500%, 6-15-15 (B)				600	639
Global Aviation Holdings, Inc., 14.000%, 8-15-13 (B)	\$ 500		497	8.625%, 2-15-19 (B)	250		269		
Vought Aircraft Industries, Inc., 8.000%, 7-15-11	3,460		3,412	DISH DBS Corporation: 7.875%, 9-1-19 (B)	1,000		1,049		
			3,909	7.875%, 9-1-19	750		787		
Apparel, Accessories & Luxury Goods – 0.36%				EchoStar DBS Corporation, 7.750%, 5-31-15	1,500		1,571		
Oxford Industries, Inc., 11.375%, 7-15-15	700		770				4,315		
Automobile Manufacturers – 2.64%				Capital Goods – 0.85%					
Affinia Group Inc.: 9.000%, 11-30-14	941		913	RBS Global, Inc. and Rexnord LLC: 9.500%, 8-1-14	1,025		1,027		
10.750%, 8-15-16 (B)	1,000		1,084	9.500%, 8-1-14 (B)	286		287		
Asbury Automotive Group, Inc., 7.625%, 3-15-17	225		212	11.750%, 8-1-16	500		495		
Navistar International Corporation, 8.250%, 11-1-21	320		328				1,809		
UCI Holdco, Inc., 9.250%, 12-15-13 (C)(D)	2,258		1,909	Casinos & Gaming – 5.36%					
United Auto Group, Inc., 7.750%, 12-15-16	1,250		1,209	Ameristar Casinos, Inc., 9.250%, 6-1-14 (B)	3,150		3,267		
			5,655	Inn of the Mountain Gods Resort and Casino, 12.000%, 11-15-10 (F)	1,750		724		
Automotive Retail – 1.05%				MGM MIRAGE: 8.500%, 9-15-10	2,600		2,586		
Group 1 Automotive, Inc., 8.250%, 8-15-13	2,250		2,239	10.375%, 5-15-14 (B)	325		353		
Banking – 0.72%				7.625%, 1-15-17	500		389		
JPMorgan Chase & Co., 7.900%, 4-29-49 (C)	1,500		1,547	11.125%, 11-15-17 (B)	650		720		
Broadband – 0.42%				11.375%, 3-1-18 (B)	750		671		
Clearwire Communications LLC: 12.000%, 12-1-15 (B)	720		731	Peninsula Gaming, LLC: 8.375%, 8-15-15 (B)	550		549		
12.000%, 12-1-15 (B)	160		162	10.750%, 8-15-17 (B)	400		402		
			893	Pinnacle Entertainment, Inc.: 8.250%, 3-15-12	1,289		1,289		
Chemicals – 0.83%				8.625%, 8-1-17 (B)	525		536		
JohnsonDiversey Holdings, Inc.: 8.250%, 11-15-19 (B)	1,000		1,012				11,486		
10.500%, 5-15-20 (B)	750		754	Chemicals – 0.83%					
			1,766				1,766		

SCHEDULE OF INVESTMENTS

High Income *(in thousands)*

DECEMBER 31, 2009

CORPORATE DEBT SECURITIES (Continued)	Principal	Value
Construction Materials – 2.14%		
Headwaters Incorporated, 11.375%, 11–1–14 (B)	\$2,415	\$ 2,519
Headwaters Incorporated, Convertible: 2.500%, 2–1–14	75	55
14.750%, 2–1–14 (G)	1,696	1,810
16.000%, 6–1–16 (B)	200	220
		<u>4,604</u>
Consumer Finance – 2.79%		
ASG Consolidated LLC and ASG Finance, Inc., 11.500%, 11–1–11	3,325	3,333
Ford Motor Credit Company: 3.034%, 1–13–12 (C)	350	326
8.000%, 12–15–16	1,000	1,001
Ford Motor Credit Company LLC: 8.700%, 10–1–14	400	418
12.000%, 5–15–15	750	870
		<u>5,948</u>
Consumer Products – 1.60%		
Visant Holding Corp., 8.750%, 12–1–13	3,325	3,416
Containers – 1.50%		
Graham Packaging Company, L.P. and GPC Capital Corp. I, 9.875%, 10–15–14	1,000	1,021
Huntsman International LLC: 7.375%, 1–1–15	850	816
5.500%, 6–30–16 (B)	300	266
Plastipak Holdings, Inc.: 8.500%, 12–15–15 (B)	130	133
10.625%, 8–15–19 (B)	880	970
		<u>3,206</u>
Department Stores – 0.40%		
Federated Retail Holdings, Inc., 6.375%, 3–15–37	1,000	845
Diversified Chemicals – 0.04%		
Solutia Inc., 8.750%, 11–1–17	80	83
Diversified Support Services – 0.22%		
Iron Mountain Incorporated, 8.375%, 8–15–21	450	465
Diversified Telecom – 1.26%		
Frontier Communications Corporation, 8.125%, 10–1–18	800	810
Qwest Communications International Inc., 8.000%, 10–1–15	800	822
Qwest Corporation, 8.375%, 5–1–16	1,000	1,073
		<u>2,705</u>
Environmental Services – 0.28%		
Geokinetics Holdings USA, Inc., 9.750%, 12–15–14 (B)	600	590

CORPORATE DEBT SECURITIES (Continued)	Principal	Value
Finance – 1.79%		
CEMEX Finance LLC, 9.500%, 12–14–16 (B)	\$ 400	\$ 419
CPM Holdings, Inc., 10.625%, 9–1–14 (B)	1,250	1,319
Dollar Financial Corp., 10.375%, 12–15–16 (B)	2,050	2,096
		<u>3,834</u>
Food Distributors – 0.90%		
Dole Food Company, Inc., 13.875%, 3–15–14 (B)	785	944
Viskase Companies, Inc., 9.875%, 1–15–18 (B)	975	982
		<u>1,926</u>
General Merchandise Stores – 1.44%		
Dollar General Corporation: 10.625%, 7–15–15	1,462	1,619
11.875%, 7–15–17	1,262	1,458
		<u>3,077</u>
Health Care Equipment – 1.07%		
Biomet, Inc.: 10.000%, 10–15–17	750	815
10.375%, 10–15–17	500	543
11.625%, 10–15–17	850	938
		<u>2,296</u>
Health Care Facilities – 2.53%		
HCA Inc.: 9.625%, 11–15–16	1	1
9.875%, 2–15–17 (B)	300	332
8.500%, 4–15–19 (B)	1,000	1,078
7.875%, 2–15–20 (B)	500	521
HealthSouth Corporation: 10.750%, 6–15–16	1,750	1,902
8.125%, 2–15–20	1,600	1,576
		<u>5,410</u>
Health Care Facilities / Supplies – 5.49%		
Angiotech Pharmaceuticals, Inc., 7.750%, 4–1–14	1,175	758
Catalent Pharma Solutions, Inc.: 9.500%, 4–15–15 (D)	560	494
9.750%, 4–15–17 (H)	EUR275	288
ReAble Therapeutics Finance LLC and ReAble Therapeutics Finance Corporation: 10.875%, 11–15–14	\$1,000	1,055
11.750%, 11–15–14	1,500	1,556
Rural/Metro Corporation, 0.000%, 3–15–16 (I)	1,415	1,429
United Surgical Partners International, Inc., 8.875%, 5–1–17	2,000	2,060
US Oncology, Inc.: 10.750%, 8–15–14	2,530	2,656
9.125%, 8–15–17	1,370	1,439
		<u>11,735</u>
Hotels, Resorts & Cruise Lines – 1.80%		
Gaylord Entertainment Company, 6.750%, 11–15–14	2,350	2,185
Gaylord Entertainment Company, Convertible, 3.750%, 10–1–14 (B)	150	153
Starwood Hotels & Resorts Worldwide, Inc., 6.750%, 5–15–18	1,500	1,504
		<u>3,842</u>

SCHEDULE OF INVESTMENTS

High Income *(in thousands)*

DECEMBER 31, 2009

CORPORATE DEBT SECURITIES (Continued)	Principal	Value
Household Products – 0.64%		
Simmons Bedding Company, 7.875%, 1–15–14 (F)	\$1,225	\$ 1,127
Simmons Company, 10.000%, 12–15–14 (F)	3,000	240
		<u>1,367</u>
Independent Finance – 0.16%		
American General Finance Corporation, 6.900%, 12–15–17	500	347
Industrial – Other – 0.13%		
J.B. Poindexter & Co., Inc., 8.750%, 3–15–14	345	287
IT Consulting & Other Services – 0.87%		
SunGard Data Systems Inc.: 9.125%, 8–15–13	625	641
10.625%, 5–15–15	1,100	1,211
		<u>1,852</u>
Leisure – 1.15%		
Cinemark USA, Inc., 8.625%, 6–15–19 (B)	1,000	1,040
Speedway Motorsports, Inc., 8.750%, 6–1–16	1,350	1,424
		<u>2,464</u>
Machinery – 0.52%		
Terex Corporation, 10.875%, 6–1–16	1,000	1,115
Metals / Mining – 2.07%		
Compass Minerals International, Inc., 8.000%, 6–1–19 (B)	1,200	1,236
Teck Cominco Limited, 6.125%, 10–1–35	1,500	1,342
Teck Resources Limited: 10.250%, 5–15–16	780	909
10.750%, 5–15–19	780	932
		<u>4,419</u>
Movies & Entertainment – 1.12%		
AMC Entertainment Inc., 11.000%, 2–1–16	1,500	1,568
Marquee Holdings Inc., 9.505%, 8–15–14	1,000	831
		<u>2,399</u>
Office Services & Supplies – 2.01%		
Interface, Inc.: 11.375%, 11–1–13	1,200	1,341
9.500%, 2–1–14	3,000	2,951
		<u>4,292</u>
Oil & Gas Exploration & Production – 2.13%		
Chesapeake Energy Corporation, 9.500%, 2–15–15	700	768
Petrohawk Energy Corporation: 9.125%, 7–15–13	2,250	2,352
10.500%, 8–1–14	400	437
7.875%, 6–1–15	1,000	1,010
		<u>4,567</u>

CORPORATE DEBT SECURITIES (Continued)	Principal	Value
Oil & Gas Storage & Transportation – 2.16%		
Copano Energy, L.L.C., 8.125%, 3–1–16	\$ 650	\$ 657
El Paso Corporation, 8.250%, 2–15–16	275	294
Inergy, L.P., 8.750%, 3–1–15	1,600	1,643
Inergy, L.P. and Inergy Finance Corp., 8.250%, 3–1–16	2,000	2,029
		<u>4,623</u>
Oil Refining & Marketing – 1.41%		
Alon Refining Krotz Springs, Inc., 13.500%, 10–15–14 (B)	720	671
McMoRan Exploration Co., 11.875%, 11–15–14	1,250	1,282
Quicksilver Resources Inc.: 11.750%, 1–1–16	600	681
7.125%, 4–1–16	400	373
		<u>3,007</u>
Packaged Foods & Meats – 1.84%		
Central Garden & Pet Company, 9.125%, 2–1–13	3,874	3,928
Paper & Forest Products – 1.04%		
NewPage Corporation, 11.375%, 12–31–14 (B)	400	404
PE Paper Escrow GmbH, 12.000%, 8–1–14 (B)	1,640	1,812
		<u>2,216</u>
Paper Packaging – 0.42%		
Sealed Air Corporation, 7.875%, 6–15–17 (B)	850	905
Pharmaceuticals – 0.24%		
Talecris Biotherapeutics Holdings Corp., 7.750%, 11–15–16 (B)	500	508
Publishing – 0.97%		
Nielsen Finance LLC and Nielsen Finance Co.: 11.500%, 5–1–16	1,200	1,341
0.000%, 8–1–16 (I)	800	730
		<u>2,071</u>
Railroads – 2.88%		
Kansas City Southern de Mexico, S.A. de C.V., 12.500%, 4–1–16	1,500	1,725
Kansas City Southern Railway Company (The), 13.000%, 12–15–13	2,600	3,016
TFM, S.A. de C.V., 9.375%, 5–1–12	1,375	1,427
		<u>6,168</u>
Restaurants – 1.67%		
NPC International, Inc., 9.500%, 5–1–14	3,605	3,569
Retail Propane Distributors – 0.49%		
Ferrellgas, L.P. and Ferrellgas Finance Corp., 9.125%, 10–1–17 (B)	1,000	1,058

SCHEDULE OF INVESTMENTS

High Income *(in thousands)*

DECEMBER 31, 2009

CORPORATE DEBT SECURITIES (Continued)	Principal	Value
Retail Stores – 4.71%		
Limited Brands, Inc., 8.500%, 6–15–19 (B)	\$1,400	\$ 1,523
May Department Stores Company (The), 6.700%, 7–15–34	360	313
Pantry, Inc. (The), 7.750%, 2–15–14	1,000	960
QVC, Inc., 7.500%, 10–1–19 (B)	1,500	1,530
Rite Aid Corporation, 9.750%, 6–12–16	300	326
Sally Holdings LLC and Sally Capital Inc.: 9.250%, 11–15–14	1,750	1,816
10.500%, 11–15–16	1,000	1,075
Sonic Automotive, Inc., 8.625%, 8–15–13	2,578	2,564
		<u>10,107</u>
Service – Other – 10.25%		
Education Management LLC and Education Management Finance Corp.: 8.750%, 6–1–14	3,620	3,737
10.250%, 6–1–16	38	41
Expedia, Inc., 8.500%, 7–1–16 (B)	750	811
Interpublic Group of Companies, Inc. (The), 10.000%, 7–15–17	2,000	2,220
KAR Holdings, Inc., 4.281%, 5–1–14 (C)	1,750	1,632
Laureate Education, Inc.: 10.000%, 8–15–15 (B)	1,000	1,010
11.000%, 8–15–15 (B)(D)	3,758	3,550
11.750%, 8–15–17 (G)	375	379
Quintiles Transnational Holdings Inc., 9.500%, 12–30–14 (B)	1,040	1,045
Reddy Ice Holdings, Inc., 10.500%, 11–1–12	1,850	1,721
West Corporation: 9.500%, 10–15–14	1,500	1,523
11.000%, 10–15–16	4,090	4,273
		<u>21,942</u>
Technology – 4.28%		
DuPont Fabros Technology, L.P., 8.500%, 12–15–17 (B)	600	610
Jabil Circuit, Inc.: 7.750%, 7–15–16	1,520	1,596
8.250%, 3–15–18	580	621
Terremark Worldwide, Inc., 12.000%, 6–15–17 (B)	1,700	1,879
Xerox Capital Trust I, 8.000%, 2–1–27	4,500	4,454
		<u>9,160</u>
Utilities – 0.90%		
AES Corporation (The), 9.750%, 4–15–16 (B)	1,750	1,916
Wireless Telecommunication Service – 2.75%		
Cricket Communications, Inc., 7.750%, 5–15–16	1,200	1,196
Crown Castle International Corp.: 9.000%, 1–15–15	1,815	1,932
7.125%, 11–1–19	400	396

CORPORATE DEBT SECURITIES (Continued)	Principal	Value
Wireless Telecommunication Service (Continued)		
MetroPCS Communications, Inc., 9.250%, 11–1–14	\$ 850	\$ 861
SBA Telecommunications, Inc.: 8.000%, 8–15–16 (B)	300	314
8.250%, 8–15–19 (B)	300	318
Sprint Nextel Corporation, 8.375%, 8–15–17	200	204
Wind Acquisition Finance S.A., 11.750%, 7–15–17 (B)	600	656
		<u>5,877</u>
TOTAL CORPORATE DEBT SECURITIES – 92.10%		\$ 197,040
(Cost: \$191,130)		

SENIOR LOANS

Casinos & Gaming – 0.80%		
Las Vegas Sands, LLC: 2.010%, 5–23–14 (C)	1,639	1,431
2.010%, 5–23–14 (C)	331	289
		<u>1,720</u>
Diversified Chemicals – 0.71%		
Solutia Inc., 7.250%, 2–28–14 (C)	1,493	1,513
Retail Stores – 1.35%		
Rite Aid Corporation, 9.500%, 6–5–15 (C)	2,800	2,889
Technology – 0.58%		
Palm Inc., 3.760%, 4–24–14 (C)	1,445	1,236
Utilities – 0.65%		
Energy Future Competitive Holdings Company and Texas Competitive Electric Holdings Company, LLC: 3.735%, 10–10–14 (C)	1,693	1,371
3.751%, 10–10–14 (C)	18	14
		<u>1,385</u>
TOTAL SENIOR LOANS – 4.09%		\$ 8,743
(Cost: \$8,582)		

SHORT-TERM SECURITIES – 1.32%

Commercial Paper (J)		
Abbott Laboratories, 0.010%, 1–4–10	2,815	\$ 2,815
(Cost: \$2,815)		

TOTAL INVESTMENT SECURITIES – 98.02%		\$ 209,681
(Cost: \$204,062)		

CASH AND OTHER ASSETS, NET OF LIABILITIES – 1.98%		4,230
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NET ASSETS – 100.00%		\$ 213,911
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SCHEDULE OF INVESTMENTS

High Income *(in thousands)*

DECEMBER 31, 2009

Notes to Schedule of Investments

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

Type	Currency	Counterparty	Principal Amount of Contract (Denominated in Indicated Currency)	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
Sell	Euro	Citibank, N.A.	14	4-15-10	\$ 1	\$ —
Sell	Euro	Citibank, N.A.	13	10-15-10	1	—
Sell	Euro	Citibank, N.A.	13	4-15-11	1	—
Sell	Euro	Citibank, N.A.	13	10-14-11	1	—
Sell	Euro	Citibank, N.A.	13	4-13-12	1	—
Sell	Euro	Citibank, N.A.	13	10-15-12	1	—
Sell	Euro	Citibank, N.A.	13	4-15-13	1	—
Sell	Euro	Citibank, N.A.	13	10-15-13	1	—
Sell	Euro	Citibank, N.A.	14	4-15-14	1	—
Sell	Euro	Citibank, N.A.	14	10-15-14	1	—
Sell	Euro	Citibank, N.A.	14	4-15-15	1	—
Sell	Euro	Citibank, N.A.	14	10-15-15	1	—
Sell	Euro	Citibank, N.A.	13	4-15-16	1	—
Sell	Euro	Citibank, N.A.	13	10-14-16	1	—
Sell	Euro	Citibank, N.A.	289	4-13-17	24	—
					<u>\$ 38</u>	<u>\$ —</u>

*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 liquid under guidelines established by the Board of Trustees. At December 31, 2009, the total value of these securities amounted to \$50,925 or 23.81% of net assets.

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

(D)Payment in kind bonds.

(E)Zero coupon bond.

(F)Non-income producing as the issuer has either missed its most recent interest payment or declared bankruptcy.

(G)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 December 31, 2009, the total value of these securities amounted to \$2,189 or 1.02% of net assets.

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

(I)Securities do not bear interest for an initial period of time and subsequently become interest bearing.

(J)Rate shown is the yield to maturity at December 31, 2009.

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

Cost	\$204,135
Gross unrealized appreciation	11,784
Gross unrealized depreciation	(6,238)
Net unrealized appreciation	<u>\$ 5,546</u>

Industry classifications are unaudited.



Chace Brundige

Below, Chace Brundige, CFA, portfolio manager of Ivy Funds VIP International Growth, discusses positioning, performance and results for the fiscal year ended December 31, 2009. Mr. Brundige has managed the Portfolio for one year and has 16 years of industry experience.

Fiscal year performance

For the 12 Months Ended December 31, 2009

Ivy Funds VIP International Growth	26.89%
Benchmark(s)/Lipper Category	
MSCI EAFE Growth Index	29.37%
(generally reflects the performance of international growth stocks)	
Lipper Variable Annuity International Growth Funds Universe Average	38.33%
(generally reflects the performance of the universe of funds with similar investment objectives)	

Please note that the Portfolio returns include applicable investment fees and expenses, whereas the index returns do not include any such fees. Also, the Portfolio's performance data does not take into account any product expenses or charges associated with owning a variable life or annuity policy, which is invested in Ivy Funds Variable Insurance Portfolios.

A year of dramatic change, reversal

The fiscal year ended December 31, 2009 was a period in which the market demonstrated two distinctly different psychologies. The year began on a note of heightened anxiety, as the global financial system teetered on the brink of collapse in the aftermath of the western housing slump and the worst credit crunch in decades. However, thanks to unprecedented intervention by governments in many developed and emerging markets, markets began to anticipate a global recovery in March. As the U.S. launched into quantitative easing and China's rapid loan growth materialized, markets correctly bid up assets – gold, real estate and equities – and left the U.S. dollar in the dust. All of this provided a strong environment for international equities for the year.

This positive momentum continued largely unabated throughout the second and third quarters. Equity valuation spreads had widened to unprecedented levels at the beginning of the year. The value style began to dramatically outperform its growth counterpart and the dollar continued to weaken against international currencies as investors moved away from safety and increasingly used it as a source of funds. Credit spreads that had been so wide tightened dramatically causing the credit window to open once again (at least for large corporations). European and Japanese banks began to recapitalize and leveraged companies of all kinds began to refinance.

As the year wound to a close, however, momentum slowed perceptibly, and the U.S. dollar began to strengthen versus the index basket of international currencies, breaking a sixth-month

trend of significant weakening. In general, the availability and cost of money continued to improve globally, although credit availability to consumers and small businesses remains tight in most developed markets. The Dubai World credit default issues and growing concern over Greek sovereign financing during the final quarter served as a reminder that credit has improved but significant risks remain. Global GDP growth has rebounded, led by China and other emerging economies, while many in the west face a tepid rebound, especially once the inventory effect fades.

Factors impacting performance

Sector returns for 2009 were fairly balanced, with both stable and cyclical sectors sprinkled among the outperformers. One of the strongest sectors during the year was the materials sector, which provided outperformance in each quarter of the year. Unfortunately, the Portfolio's exposure in this arena was underweight, which weighed on the Portfolio's relative results. While we do like certain companies within that sector, primarily those in resources and metals, we have not forced a particular sector weighting into the Portfolio as our process is generally focused on finding companies that fit our investment style, rather than making broad sector bets.

With respect to geographical allocation, the Portfolio benefited from its stock selection in China, particularly among banks and life insurance providers, and in France, where top producers were found in the energy and consumer discretionary sectors. The Portfolio also benefited from a strategic underweight in slow-growing Japan, which continues to struggle with a deep and prolonged recession, although several Japanese materials and information technology holdings there added to results.

Positioning for 2010

We have made some changes near the end of the year to position for a different market in 2010. We have increased our weight in Japan (though still well below the index) and have focused on export-driven companies that we feel are competitively well-positioned and stand to gain from a weakening of the Japanese yen. While currencies are always difficult to call, from our vantage point the risk to the yen versus the USD is solidly skewed to the downside. Therefore, we have entered 2010 having hedged our entire yen exposure.

As the year wound to a close, the Portfolio's cyclical exposure was focused in information technology and energy through a handful of companies in oilfield services. While this is an

outcome of stock picking versus an outright sector bet, we feel information technology will benefit over this business cycle as companies generally focus precious cap-ex budgets on driving efficiencies and cost savings versus increasing production. We believe that our oil service positions could benefit from a global recovery and we prefer that commodity to others based upon secular consumer demand in emerging economies as well as a relatively unresponsive global supply. Our concern regarding the materials sector, generally speaking, is that much near-term demand has been generated through stimulus policy decisions in China combined with a focused inventory build ahead of the use of those materials at prices that were considered attractive. Therefore, we feel that the demand outlook, while solid, could be bumpy in 2010.

A halting recovery, significant headwinds

We entered 2010 on the tailwind of a recovery that we feel was largely driven by a collective global policy response to the credit-driven recession of 2009. Massive fiscal stimulus and monetary accommodation were the rule last year. As monetary impact fades and government debt piles up globally, we anticipate a more difficult market environment in 2010.

We think a number of positives and negatives will play tug-of-war in the equity markets in the months ahead. Unprecedented corporate cuts in fixed expenses and capital spending have generally prepared companies for strong margin expansion in the recovery. Earnings estimates that came down so sharply since late 2007 appear to have bottomed and begun to turn up. We believe stocks have anticipated this, but strengthening economic growth could drive marked positive earnings estimate revisions – a clear positive for the market.

As the credit crunch in developed markets caused companies to cut expenses and conserve working capital, inventories broadly drew down to very low levels. We think those markets should see at least a couple quarters of traditional inventory restocking. With a pickup in end demand, the effect may be pronounced. While we often hear anecdotes of companies and supply chains having learned to exist with lower inventories, any hint of shortages would quickly result in a snapback. This will probably occur in certain industries and geographies.

The elephant in the room is that developed economies will eventually be forced to increase taxes and cut spending. Budget deficits cannot perpetually expand, and without a strong multi-year recovery, this mess won't be outgrown. China injected \$1 trillion into its economy in the first half of 2009 through a policy-driven increase in bank lending. This had an immediate and positive effect on the economy and more directly on asset prices. We believe a good chunk of that is likely still to be deployed into the real economy through infrastructure projects. However, loan growth has slowed and we believe will continue at a slower rate. Also, the dramatic effect on the property market has caused the government to tighten real estate policies somewhat in an effort to avoid a bubble. As non-traditional monetary measures are unwound, short-term rates are increased

and stimulus spending growth fades, we believe the effects will weigh on equity markets.

As always, we will continue to augment our economic view with focused fundamental analysis, attempting to find companies that we feel are erecting long-term competitive advantages and benefiting from secular tailwinds.

As with any mutual fund, the value of the Portfolio'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 Portfolio'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.

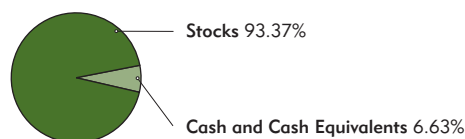
The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of Ivy Funds VIP International Growth.

PORTFOLIO HIGHLIGHTS

International Growth

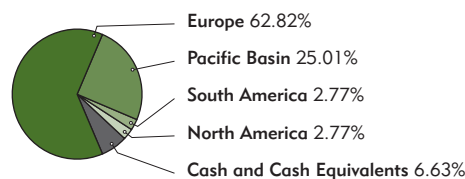
ALL DATA IS AS OF DECEMBER 31, 2009 (UNAUDITED)

Asset Allocation



Stocks	93.37%
Consumer Staples	16.08%
Financials	15.50%
Industrials	12.75%
Information Technology	11.93%
Energy	8.91%
Consumer Discretionary	6.90%
Telecommunication Services	6.79%
Materials	6.36%
Health Care	5.19%
Utilities	2.96%
Cash and Cash Equivalents	6.63%

Country Weightings



Europe	62.82%
United Kingdom	26.55%
Switzerland	8.74%
Germany	8.04%
France	7.41%
Italy	4.40%
Other Europe	7.68%
Pacific Basin	25.01%
Japan	11.20%
China	7.83%
Australia	3.61%
Other Pacific Basin	2.37%
South America	2.77%
North America	2.77%
Cash and Cash Equivalents	6.63%

Top 10 Equity Holdings

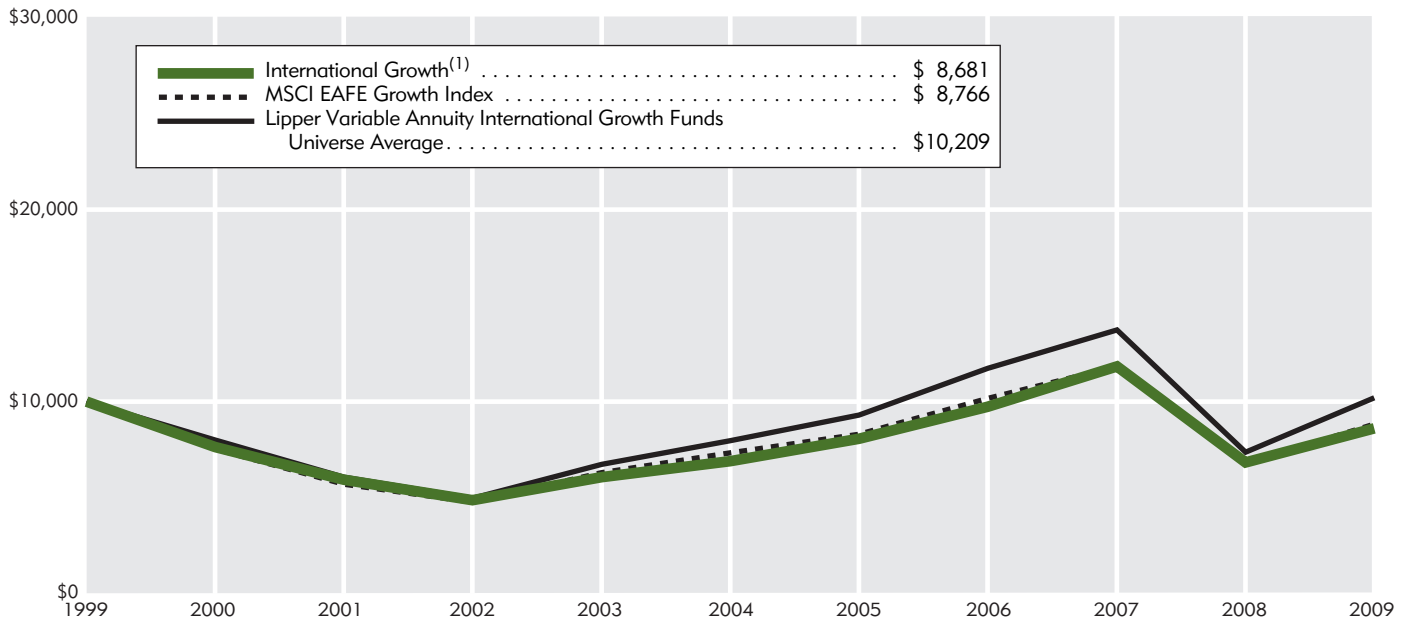
Company	Country	Sector	Industry
Nestle S.A., Registered Shares	Switzerland	Consumer Staples	Packaged Foods & Meats
VINCI	France	Industrials	Construction & Engineering
Tokyo Electron Limited	Japan	Information Technology	Semiconductor Equipment
British American Tobacco p.l.c.	United Kingdom	Consumer Staples	Tobacco
Reckitt Benckiser Group plc	United Kingdom	Consumer Staples	Household Products
Roche Holdings AG, Genusscheine	Switzerland	Health Care	Pharmaceuticals
Xstrata plc	United Kingdom	Materials	Diversified Metals & Mining
Vodafone Group Plc	United Kingdom	Telecommunication Services	Wireless Telecommunication Service
Fresenius AG	Germany	Health Care	Health Care Facilities/Supplies
Prudential plc	United Kingdom	Financials	Life & Health Insurance

See your advisor for more information on the Portfolio's most recently published Top 10 Equity Holdings.

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

International Growth

(UNAUDITED)



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

Average Annual Total Return ⁽²⁾	
1-year period ended 12-31-09	26.89%
5-year period ended 12-31-09	4.64%
10-year period ended 12-31-09	-1.40%

(2) Data quoted is past performance and 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 call 1.888.WADDELL for the Portfolio's most recent month-end performance. Performance data quoted does not reflect any expenses or charges associated with owning a variable life insurance policy or variable annuity contract that invests in the Portfolio's shares. When such charges are deducted, actual investment performance in a variable policy or contract will be lower.

Past performance is not necessarily indicative of future performance. Indexes are unmanaged.

SCHEDULE OF INVESTMENTS

International Growth *(in thousands)*

DECEMBER 31, 2009

SHORT-TERM SECURITIES (Continued)	Principal	Value
Master Note – 0.53%		
Toyota Motor Credit Corporation, 0.117%, 1–1–10 (E)	\$1,375	\$ 1,375
TOTAL SHORT-TERM SECURITIES – 6.05%		\$ 15,805
(Cost: \$15,805)		
TOTAL INVESTMENT SECURITIES – 99.42%		\$259,708
(Cost: \$234,580)		
CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.58%		1,521
NET ASSETS – 100.00%		\$261,229

Notes to Schedule of Investments

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

Type	Currency	Counterparty	Principal Amount of Contract (Denominated in Indicated Currency)	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
Sell	Japanese Yen	Citibank, N.A.	2,294,000	12–20–10	\$928	\$ —

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

(B) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. These securities have been determined to be liquid under guidelines established by the Board of Trustees. At December 31, 2009, the total value of these securities amounted to \$9,929 or 3.80% of net assets.

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

(D) Rate shown is the yield to maturity at December 31, 2009.

(E) Variable rate security. Interest rate disclosed is that which is in effect at December 31, 2009. Date shown represents reset date.

The following acronym is used throughout this schedule:

ADR = American Depositary Receipts

Market Sector Diversification

(as a % of net assets)

Consumer Staples	16.08%
Financials	15.50%
Industrials	12.75%
Information Technology	11.93%
Energy	8.91%
Consumer Discretionary	6.90%
Telecommunication Services	6.79%
Materials	6.36%
Health Care	5.19%
Utilities	2.96%
Other+	6.63%

+Includes cash and cash equivalents and other assets and liabilities

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

Cost	\$ 234,869
Gross unrealized appreciation	34,502
Gross unrealized depreciation	(9,663)
Net unrealized appreciation	\$ 24,839

Industry and geographical classifications are unaudited.

See Accompanying Notes to Financial Statements.



John C. Maxwell

Below, John C. Maxwell, CFA, portfolio manager of Ivy Funds VIP International Value, discusses positioning, performance and results for the fiscal year ended December 31, 2009. He has managed the Portfolio since May 27, 2009, when Waddell & Reed Investment Management Company assumed direct investment management responsibilities of the Portfolio from Templeton Investment Counsel, LLC, the Portfolio's former investment subadviser. Mr. Maxwell has 16 years of industry experience.

Fiscal year performance

For the 12 Months Ended December 31, 2009

Ivy Funds VIP International Value	36.96%
Benchmark(s)/Lipper Category	
MSCI AC World ex U.S.A. Index	41.47%
(generally reflects the performance of the international securities markets)	
Lipper Variable Annuity International Value Funds Universe Average	32.62%
(generally reflects the performance of the universe of funds with similar investment objectives)	

Please note that the Portfolio returns include applicable investment fees and expenses, whereas the index returns do not include any such fees. Also, the Portfolio's performance data does not take into account any product expenses or charges associated with owning a variable life or annuity policy, which is invested in Ivy Funds Variable Insurance Portfolios.

Defensive posturing restrained relative performance

While the return was quite strong last year, the Portfolio's underperformance relative to the benchmark was driven by its below-index weighting and underperformance in the cyclical financial and basic materials sectors – two of the best-performing sectors during the period. Additionally, from a geographic stand point, our direct exposure to emerging markets was significantly smaller than that of the benchmark. Collectively, the emerging markets were the best performing “region” in the index by a wide margin. In utilities, consumer staples, industrials and consumer discretionary the Portfolio outperformed the index on stock selection, and astute weightings also added to the outperformance in these sectors. On a geographic basis, Germany, Japan and the U.K. all outperformed the index and our weightings also contributed to our performance. In the end, the Portfolio took significantly less risk than the index, resulting in lower returns. However, we outperformed our Lipper peer group during the period.

Fiscal year 2009 was a welcome relief from the very difficult year that was 2008. In our view, there were three parts to the year. The first part was the continued negative momentum from 2008, in which forced selling of stocks pushed the index down at a rapid clip and a depression began to be discounted in stocks. This phase ended in early March when February economic data surprised on the upside; it did not continue to deteriorate. The second phase also lasted two months, and it was driven by some investors buying oversold stocks in the wake of the February inflection. In May, the economic forecasts caught up with the

economic data and the consistent string of positively surprising economic data stopped – at least in the developed markets. This led to the third and final phase, which lasted the balance of the year. Here the news generally was that of an increasingly likely tepid developed markets recovery with most emerging markets returning to strong growth trajectories. Throughout the year, companies surprised on cost cutting and earnings – this was particularly powerful in the June quarter. All three phases led to moves of similar magnitude.

As the year comes to the close the market is anticipating the next phase and some of the big questions are: How will governments remove all the stimulus without damaging the recovery? Will the bloated government debt burdens lead to a crisis in credit? It is estimated that the stimulus measures to resurrect the global economy are five times greater than any previous peacetime program. Removing the punchbowl (i.e. stimulus) without spoiling the party (recovery) will be a delicate process.

Strategic structural shifts

In late May, upon assuming direct investment management responsibilities of the Portfolio, we began to reallocate the Portfolio's positions to reflect our stock selection methodology. This process was mostly complete by the end of the third quarter. From a sector standpoint, we reduced the large overweight positions in telecom services and consumer discretionary stocks to market weight while taking energy and consumer staples to an overweight from an underweight. We moved industrials from a market weight to an overweight. In general, we wanted to increase the Portfolio's emerging markets exposure, so we substituted global staples for developed markets' telecom companies. And, we bought global energy and industrial names funded with developed markets consumer discretionary names.

Since implementing those changes, we have had a positive bias on the market and have kept cash in the zero to five percent range, meaning the Portfolio generally has been fully invested. Direct investment in emerging markets is just over 10 percent of assets as of December 31, 2009. Thematically, we moved the Portfolio to better align with the major themes we think will drive outperformance: Disproportionate growth of emerging markets consumers, particularly in Asia; strong growth in infrastructure; and, strong and believable dividend yield.

Likely surprises, continued growth ahead

As we enter 2010 the outlook among market forecasters is almost universal. They believe emerging markets will continue to grow at a strong pace. They believe that developed markets will grow in the low- to mid-single digits during the first half of the year, but will slow to a 1 to 3 percent pace in the second half of the year, and a subdued recovery will ensue. The biggest risks cited are the pace of stimulus removal and the potential for heavily indebted countries to have problems financing their debt. In the end, most expect an up market and favor cyclical over stable companies.

The global stimulus that has been estimated at five times the size of any previous non-war program is probably going to have a few major surprises along the way, and it is hard to believe that the consensus “Goldilocks” scenario is so universally embraced. We think there has to be a significant probability that the enormous stimulus coupled with the still very low levels of available credit and inventory in the system could lead to surprisingly strong growth across the globe. Additionally, we think there has to be a significant probability that excessive debt which has been transferred to the public sector from the private sector leads to a reversal of the recovery.

Today we place a higher probability on global growth exceeding current expectations, but our confidence is not high. It seems unlikely to us that governments will remove stimulus at a pace that will damage the recovery.

From a positioning standpoint we have moved slightly over ten percent of the Portfolio directly into what we feel are reasonably priced emerging market equities. We have a strong weighting in developed market multinationals that we believe should benefit from economic growth in the emerging markets while keeping a slightly below market weighting in stable/defensive stocks. On the inflation front, we are not concerned in most developed markets over the next 12 months but we will watch this data closely in faster growing emerging markets.

Investor directed/retail money flows into developed market equities remain surprisingly weak considering the strong run from March 2009. Investor exposure to low yielding bonds and cash remain very high when compared to history across the developed markets. In the short term we think it is likely that investors will increasingly allocate these low yielding investments to higher return opportunities in the equity markets. However this is far from certain as buy and hold investors have lost money over the last 10 years in equities and many people who chased performance performed even worse.

For the long term, we continue to believe that the emerging populations in countries like China, India, Russia and Brazil will continue to try to create a standard of living closer to that in the United States. To accomplish this, they will require vast amounts of infrastructure and increasingly productive economies. We believe that these trends will help drive consumer-facing companies serving these markets and infrastructure companies.

We remain focused on solid dividend yields. We will continue to emphasize strong cash generation, less leveraged balance sheets and solid top-line growth in our stock selection.

As with any mutual fund, the value of the Portfolio'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 Portfolio'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.

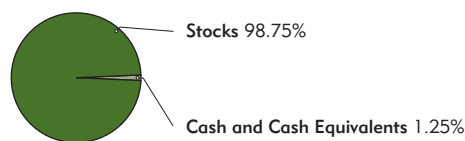
The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of Ivy Funds VIP International Value.

PORTFOLIO HIGHLIGHTS

International Value

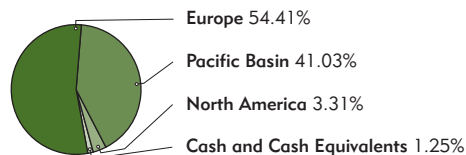
ALL DATA IS AS OF DECEMBER 31, 2009 (UNAUDITED)

Asset Allocation



Stocks	98.75%
Financials	17.93%
Industrials	16.33%
Energy	13.05%
Information Technology	11.24%
Consumer Staples	10.62%
Consumer Discretionary	9.14%
Telecommunication Services	6.94%
Materials	6.39%
Health Care	5.62%
Utilities	1.49%
Cash and Cash Equivalents	1.25%

Country Weightings



Europe	54.41%
United Kingdom	20.73%
France	14.64%
Switzerland	5.59%
Germany	5.52%
Other Europe	7.93%
Pacific Basin	41.03%
Japan	15.50%
Australia	9.84%
China	4.44%
Hong Kong	4.38%
Singapore	4.00%
Other Pacific Basin	2.87%
North America	3.31%
Cash and Cash Equivalents	1.25%

Top 10 Equity Holdings

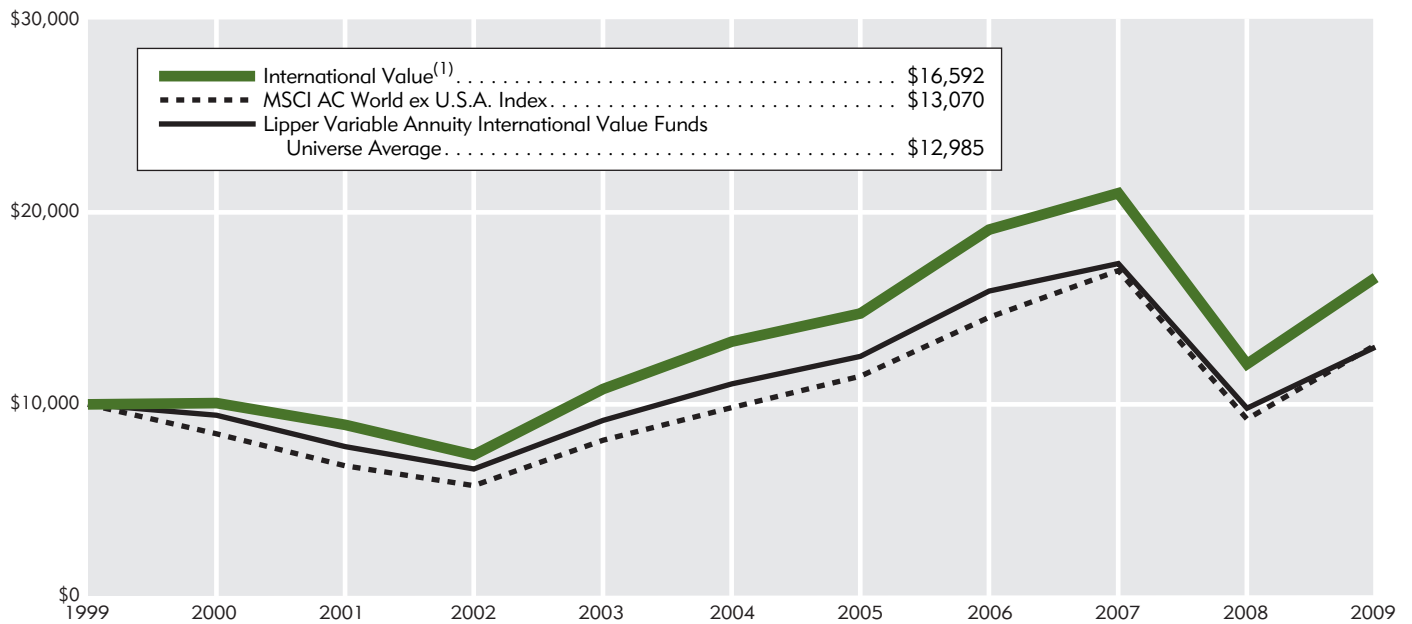
Company	Country	Sector	Industry
Sanofi-Aventis	France	Health Care	Pharmaceuticals
TOTAL S.A.	France	Energy	Integrated Oil & Gas
Unilever PLC	United Kingdom	Consumer Staples	Packaged Foods & Meats
Nestle S.A., Registered Shares	Switzerland	Consumer Staples	Packaged Foods & Meats
Foster's Group Limited	Australia	Consumer Staples	Brewers
Mitsui & Co., Ltd.	Japan	Industrials	Trading Companies & Distributors
BP p.l.c.	United Kingdom	Energy	Integrated Oil & Gas
Telstra Corporation Limited	Australia	Telecommunication Services	Integrated Telecommunication Services
Nissin Kogyo Co., Ltd.	Japan	Consumer Discretionary	Auto Parts & Equipment
Vivendi Universal	France	Consumer Discretionary	Movies & Entertainment

See your advisor for more information on the Portfolio's most recently published Top 10 Equity Holdings.

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

International Value

(UNAUDITED)



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

Average Annual Total Return ⁽²⁾	
1-year period ended 12-31-09	36.96%
5-year period ended 12-31-09	4.60%
10-year period ended 12-31-09	5.19%

(2) Data quoted is past performance and 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 call 1.888.WADDELL for the Portfolio's most recent month-end performance. Performance data quoted does not reflect any expenses or charges associated with owning a variable life insurance policy or variable annuity contract that invests in the Portfolio's shares. When such charges are deducted, actual investment performance in a variable policy or contract will be lower.

Past performance is not necessarily indicative of future performance. Indexes are unmanaged.

Advantus International Stock Portfolio was reorganized as Ivy Funds VIP International Value (formerly W&R Target International Value Portfolio) on September 22, 2003. Performance shown for the period prior to this date is the performance of the Advantus International Stock Portfolio. This performance has not been restated to reflect the expenses of Ivy Funds VIP International Value. If those expenses were reflected, performance of Ivy Funds VIP International Value would differ.

SCHEDULE OF INVESTMENTS

International Value *(in thousands)*

DECEMBER 31, 2009

COMMON STOCKS	Shares	Value	COMMON STOCKS (Continued)	Shares	Value
Australia – 9.84%			Japan – 15.50%		
Arcor Limited (A)	1,427	\$ 7,943	East Japan Railway Company (A)	100	\$ 6,341
Crown Limited (A)	968	6,927	Japan Steel Works, Ltd., (The) (A)	219	2,792
Foster's Group Limited (A)	2,436	11,982	JTEKT Corporation (A)	461	5,927
Oxiana Limited (A)	5,704	6,079	KONAMI CORPORATION (A)	388	6,919
Telstra Corporation Limited (A)(B)	159	489	Mitsubishi Electric Corporation (A)	1,220	9,063
Telstra Corporation Limited (A)	3,633	11,168	Mitsui & Co., Ltd. (A)	820	11,632
Toll Holdings Limited (A)	748	5,844	Nintendo Co., Ltd. (A)	25	5,875
		<u>50,432</u>	Nissin Kogyo Co., Ltd. (A)	693	10,804
Canada – 2.21%			NTT DoCoMo, Inc. (A)	5	7,005
Canadian Natural Resources Limited (A)	103	7,470	Sumitomo Corporation (A)	737	7,505
Research In Motion Limited (C)	57	3,839	Toyota Motor Corporation (A)	134	5,628
		<u>11,309</u>			<u>79,491</u>
China – 4.44%			Mexico – 1.10%		
Industrial and Commercial Bank of China (Asia) Limited (A)	3,373	2,778	Grupo Modelo, S.A.B. de C.V., Series C (A)	1,016	5,640
Industrial and Commercial Bank of China Limited, H Shares (A)(B)	7,148	5,887	Netherlands – 1.41%		
Renhe Commercial Holdings Company Limited (A)	8,514	1,926	Fugro N.V. (A)	126	7,244
Renhe Commercial Holdings Company Limited (A)(B)	18,946	4,285	Singapore – 4.00%		
Shanda Interactive Entertainment Limited, ADR (C)	150	7,894	CapitaCommercial Trust (A)	6,719	5,564
		<u>22,770</u>	DBS Group Holdings Ltd (A)	791	8,599
France – 14.64%			Singapore Telecommunications Limited (A)	2,887	6,359
ALSTOM (A)	133	9,329			<u>20,522</u>
AXA S.A. (A)	331	7,774	Spain – 2.40%		
Sanofi-Aventis (A)	232	18,283	Banco Santander Central Hispano, S.A. (A)	376	6,214
Societe Generale (A)	111	7,739	Tecnicas Reunidas, S.A. (A)	106	6,098
Technip-Coflexip (A)	111	7,817			<u>12,312</u>
TOTAL S.A. (A)	209	13,414	Sweden – 1.37%		
Vivendi Universal (A)	361	10,700	Telefonaktiebolaget LM Ericsson, B Shares (A)	766	7,048
		<u>75,056</u>	Switzerland – 5.59%		
Germany – 5.52%			Nestle S.A., Registered Shares (A)	248	12,022
Bayer Aktiengesellschaft (A)	104	8,361	Roche Holdings AG, Genussscheine (A)	62	10,574
Deutsche Boerse AG (A)	80	6,624	TEMENOS Group AG (A)(C)	234	6,042
Deutsche Lufthansa Aktiengesellschaft (A)	471	7,971			<u>28,638</u>
SAP Aktiengesellschaft (A)	112	5,355	Taiwan – 1.65%		
		<u>28,311</u>	Taiwan Semiconductor Manufacturing Company Ltd. (A)	4,199	8,463
Greece – 1.29%			United Kingdom – 20.73%		
Coca-Cola Hellenic Bottling Company S.A. (A)	290	6,610	BAE Systems plc (A)	1,769	10,239
Hong Kong – 4.38%			Barclays PLC (A)	1,299	5,722
Cheung Kong (Holdings) Limited (A)	818	10,511	Barclays PLC (A)(B)	877	3,863
CNOOC Limited (A)	3,813	5,940	BP p.l.c. (A)	1,190	11,489
New World Development Company Limited (A)	2,955	6,021	Home Retail Group plc (A)	1,363	6,180
		<u>22,472</u>	Informa plc (A)	1,277	6,564
India – 1.22%			International Power plc (A)	1,530	7,624
Infosys Technologies Limited, ADR	113	6,246	Prudential plc (A)	829	8,483
		<u>6,246</u>	Reckitt Benckiser Group plc (A)	108	5,853
Italy – 1.46%			Sercos Group plc (A)	835	7,123
Tenaris S.A. (A)	346	7,464	Unilever PLC (A)	385	12,335
		<u>7,464</u>	Vodafone Group Plc (A)	4,555	10,549
			Xstrata plc (A)	578	10,315
					<u>106,339</u>
			TOTAL COMMON STOCKS – 98.75%		\$506,367
			(Cost: \$451,534)		

SCHEDULE OF INVESTMENTS

International Value *(in thousands)*

DECEMBER 31, 2009

SHORT-TERM SECURITIES	Principal	Value
Commercial Paper (D) – 0.59%		
Nokia Corp., 0.120%, 1–13–10	\$3,000	\$ 3,000
Master Note – 0.53%		
Toyota Motor Credit Corporation, 0.117%, 1–1–10 (E)	2,740	2,740
TOTAL SHORT-TERM SECURITIES – 1.12%		\$ 5,740
(Cost: \$5,740)		
TOTAL INVESTMENT SECURITIES – 99.87%		\$512,107
(Cost: \$457,274)		
CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.13%		654
NET ASSETS – 100.00%		\$512,761

Notes to Schedule of Investments

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

(B) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. These securities have been determined to be liquid under guidelines established by the Board of Trustees. At December 31, 2009, the total value of these securities amounted to \$14,524 or 2.83% of net assets.

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The following acronym is used throughout this schedule:

ADR = American Depositary Receipts

Market Sector Diversification

(as a % of net assets)

Financials	17.93%
Industrials	16.33%
Energy	13.05%
Information Technology	11.24%
Consumer Staples	10.62%
Consumer Discretionary	9.14%
Telecommunication Services	6.94%
Materials	6.39%
Health Care	5.62%
Utilities	1.49%
Other+	1.25%

+Includes cash and cash equivalents and other assets and liabilities

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

Cost	\$457,274
Gross unrealized appreciation	61,773
Gross unrealized depreciation	(6,940)
Net unrealized appreciation	\$ 54,833

Industry and geographical classifications are unaudited.

See Accompanying Notes to Financial Statements.



Paul J. Ariano



William Jeffrey III



Paul K. LeCoq



Kenneth F. McCain



Carl Wiese

Ivy Funds VIP Micro Cap Growth is subadvised by Wall Street Associates.

Below, Paul J. Ariano, CFA, William Jeffrey III, Paul K. LeCoq, Kenneth F. McCain and Carl Wiese, CFA, portfolio managers of Ivy Funds VIP Micro Cap Growth, discuss positioning, performance and results for the fiscal year ended December 31, 2009.

Fiscal year performance

For the 12 Months Ended December 31, 2009

Ivy Funds VIP Micro Cap Growth	41.29%
Benchmark(s)/Lipper Category	
Russell 2000 Growth Index (generally reflects the performance of smaller company stocks)	34.45%
Russell Microcap Growth Index (generally reflects the performance of microcap growth stocks):	39.16%
Lipper Variable Annuity Small-Cap Growth Funds Universe Average (generally reflects the performance of the universe of funds with similar investment objectives)	35.67%

Please note that the Portfolio returns include applicable investment fees and expenses, whereas the index returns do not include any such fees. Also, the Portfolio's performance data does not take into account any product expenses or charges associated with owning a variable life or annuity policy, which is invested in Ivy Funds Variable Insurance Portfolios. Please note that the Russell Microcap Growth Index has been added as an additional comparative broad-based index for the Portfolio.

A market turnaround of historic proportions

As the year began, stock market indices plunged to levels not seen in well over a decade. On March 6th, the Dow Jones Industrial Average broke below 6500 and the S&P 500 declined to 666.79, falling another 25 percent from the end of 2008 and yielding losses of over 50 percent from their 2007 peaks.

Since that time, investors have enjoyed one of the most massive stock and commodities market rallies in decades. Investors began their re-entry to the markets as the depression fears faded out. The fourth quarter capped a year of sharp contrasts and strong equity returns typical of an emerging cyclical recovery. Markets extended their dramatic gains as the economy – having experienced its worst downturn since WWII – entered a recovery phase. Indeed, the global economy appears to be improving and the U.S. is participating thanks to “shock and awe” monetary and fiscal stimulus, Cash-for-Clunkers, rising home sales, better retail sales, less negative employment trends and sustained rock bottom interest rates. In their last meeting of the year, the Federal Reserve resolved to maintain “exceptionally low” interest rates for “an extended period” and by the end of the quarter, stock indices hit new recovery highs (the S&P 500 surged more than 65 percent from its March 2009 lows).

Technology and energy led

Micro-cap stocks generally outperformed their small-cap counterparts for the year, despite lagging them in the fourth quarter. Investments in the technology group produced the largest contribution to return for the year, as tech stocks were one of the leaders coming out of the downturn. An overweight position and strong stock selection helped to drive performance for the Portfolio. Investments in the energy sector produced the largest absolute returns as commodity prices rebounded dramatically from their lows. Stock selection was again very additive to the Portfolio's performance. Consumer stocks rebounded nicely, despite the many headwinds faced by consumers. Drastic cost cutting drove an improvement in earnings for the group. The one area that diminished performance was the health care sector, which was under significant pressure as Congress fought over health care reform throughout the year.

The Portfolio's current portfolio structure reflects an emphasis on several long-term themes (in place throughout 2009) 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 remain overweight there, with particular emphasis on oil and gas drilling, service, exploration, production, infrastructure building and associated technologies. While short-run demand destruction, deleveraging and a “speculative unwind” negatively impacted these groups in 2008, energy and resource-oriented companies have performed well during the recent market recovery – in recognition that they remain tied to a global secular infrastructure theme.

Many of the same short- and long-term factors that drive the energy markets also affect materials and processing stocks. We still view “infrastructure” as a popular investment theme and believe that the market is now beginning to recognize its merits. We believe that there's a strong secular infrastructure and commodities cycle ahead, resulting directly from industrialization efforts and fiscal stimulus plans in developed and emerging markets, particularly in China and the U.S. We feel that this long-term cycle creates an extremely profitable opportunity for companies leveraged toward energy/power/transportation infrastructure, engineering components, water

projects, agriculture and manufacturers of pipeline and dredging machinery. We believe that these types of companies have the potential to experience strong revenue and earnings growth, large and growing backlogs and prolonged periods where demand outstrips supply. We continue to hold materials and processing positions in anticipation of what we see as a rewarding time for these stocks.

We continue to believe health care companies will become important contributors to long-term performance and maintain an overweight target for our Portfolio versus comparable benchmarks in this sector. Despite short-term underperformance as investor uncertainty increased regarding the fate of the health care industry (in large part due to intense regulatory pressures), we believe there's a clear fundamental positive case for health care companies as many are experiencing high relative profitability, attractive valuations and improving profit margins. Demographic trends and revenue increases are positive factors for health care technology, equipment, services and pharmaceutical companies. Biotechnology companies should continue to see above-average prospects, in our opinion, as they experience a greater share of new drug approvals and "big pharma" pushes hard via partnerships to replace many large drugs coming off patent. So while health care-related companies historically have been resistant to economic downturns, the intense political scrutiny recently faced by this sector has raised investors' concern.

Many factors continue to negatively affect household budgets, making stock selection extremely challenging and important within the consumer discretionary sector. This has been a difficult period, yet consumers appear to have come out of hibernation – spurred by the fiscal stimulus, Cash-for-Clunkers, a rebounding stock market and pent-up demand that needs to be satisfied. We remain very cautious and maintain an equal-weight target weighting versus comparable benchmarks in this sector. We favor higher-end/niche retailers that we feel possess the strongest fundamentals and growth prospects. The companies most attractive to us are those with rapidly expanding consumer products and high unit growth rates, as well as Internet-based versions of traditional industries such as online education providers (which experience a boost in enrollment as unemployment goes up), advertising, retail and digital media that allow businesses to enhance productivity and lower costs.

The outlook for technology-related companies is now improved and we believe the diverse thematic influences within technology sub-industry groups will positively impact select companies that are either gaining market share or bucking the trend and exhibiting strong growth rates. We expect our software- and hardware-related positions will benefit from outsourcing, security, data storage, business redundancy, disaster preparedness and digitization trends. Software as a Service ("SAAS") and cloud computing companies have found a growth niche by focusing on underpenetrated "vertical" markets – customer relationship management, Web site analytics, travel &

entertainment booking, online education content management, payroll and workforce management – with the added benefit that these companies provide a visible recurring revenue stream that is typically in the 15 percent to 30 percent growth range. Data storage and archiving solutions providers are also experiencing rapid growth. The need for data storage – much of which is required by law and regulatory bodies to be archived – continues to expand with the vast amounts of information being created daily.

Prolonged sluggishness ahead

Our themes worked well in 2009, which lends confidence to our strategy moving forward. Yes, market psychology has improved and there are fewer price opportunities present now compared to early March 2009, but we feel opportunities still abound. Indeed, we believe that much of the economic upheaval has been reflected in the stock market, policy makers have intervened and we must no longer wait for investor panic to mount and run its course. The economy has transitioned through a low point and we see a prolonged period of sluggishness ahead. History suggests to us that at points like this, company fundamentals become the primary driver for stock market action and a positive scenario for small- and mid-cap growth stocks begins to unfold. We feel that our Portfolio remains actively and optimistically positioned.

As with any mutual fund, the value of the Portfolio'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 Portfolio'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.

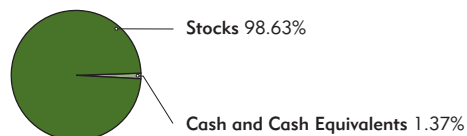
The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of Ivy Funds VIP Micro Cap Growth.

PORTFOLIO HIGHLIGHTS

Micro Cap Growth

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

Asset Allocation



Stocks	98.63%
Information Technology	30.90%
Health Care	28.99%
Consumer Discretionary	18.48%
Industrials	8.67%
Energy	7.33%
Materials	2.34%
Consumer Staples	1.92%
Cash and Cash Equivalents	1.37%

Top 10 Equity Holdings

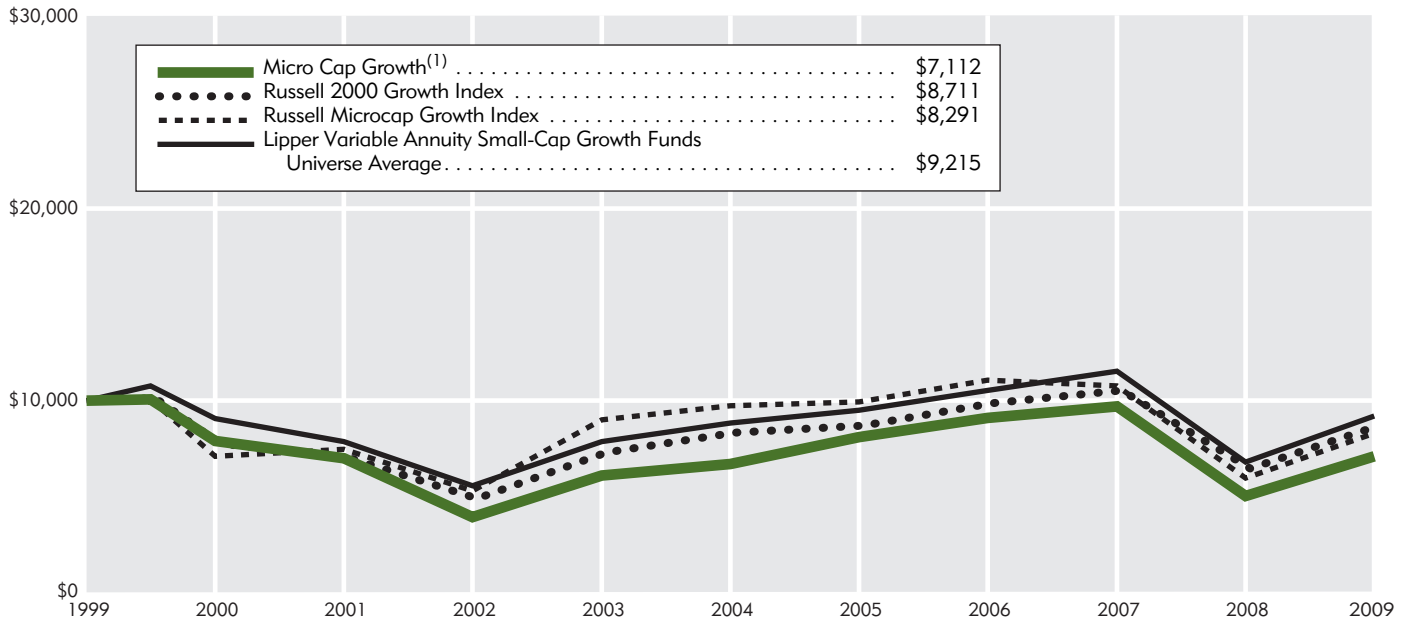
Company	Sector
Grand Canyon Education, Inc.	Consumer Discretionary
CommVault Systems, Inc.	Information Technology
Phase Forward Incorporated	Health Care
T-3 Energy Services, Inc.	Energy
NetLogic Microsystems, Inc.	Information Technology
NetScout Systems, Inc.	Information Technology
Spectranetics Corporation (The)	Health Care
Brigham Exploration Company	Energy
Genoptix, Inc.	Health Care
Isilon Systems, Inc.	Information Technology

See your advisor for more information on the Portfolio's most recently published Top 10 Equity Holdings.

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

Micro Cap Growth

(UNAUDITED)



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

Average Annual Total Return ⁽²⁾	
1-year period ended 12-31-09	41.29%
5-year period ended 12-31-09	1.19%
10-year period ended 12-31-09	-3.35%

(2) Data quoted is past performance and 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 call 1.888.WADDELL for the Portfolio's most recent month-end performance. Performance data quoted does not reflect any expenses or charges associated with owning a variable life insurance policy or variable annuity contract that invests in the Portfolio's shares. When such charges are deducted, actual investment performance in a variable policy or contract will be lower.

Past performance is not necessarily indicative of future performance. Indexes are unmanaged.

The Advantus Micro-Cap Growth Portfolio was reorganized as Ivy Funds VIP Micro Cap Growth (formerly W&R Target Micro Cap Growth Portfolio) on September 22, 2003. Performance shown for the period prior to this date is the performance of the Advantus Micro-Cap Growth Portfolio. This performance has not been restated to reflect the expenses of Ivy Funds VIP Micro Cap Growth. If those expenses were reflected, performance of Ivy Funds VIP Micro Cap Growth would differ.

SCHEDULE OF INVESTMENTS

Micro Cap Growth *(in thousands)*

DECEMBER 31, 2009

COMMON STOCKS	Shares	Value	COMMON STOCKS (Continued)	Shares	Value
Advertising – 1.11%			Data Processing & Outsourced Services – 0.47%		
MDC Partners Inc., Class A (A)	51	\$ 425	Echo Global Logisitics, Inc. (A)	14	\$ 180
Aerospace & Defense – 1.70%			Distributors – 1.24%		
Global Defense Technology & Systems, Inc. (A)	40	650	DXP Enterprises, Inc. (A)	36	472
Apparel Retail – 2.46%			Education Services – 3.70%		
Citi Trends Inc. (A)	22	594	ChinaCast Education Corporation (A)	51	383
New York & Company, Inc. (A)	81	347	Grand Canyon Education, Inc. (A)	54	1,032
		941			1,415
Apparel, Accessories & Luxury Goods – 2.40%			Electrical Components & Equipment – 1.08%		
True Religion Apparel, Inc. (A)	30	545	Harbin Electric, Inc. (A)	20	413
Volcom, Inc. (A)	22	372			
		917	Electronic Manufacturing Services – 0.76%		
Application Software – 5.71%			Maxwell Technologies, Inc. (A)	16	291
NetScout Systems, Inc. (A)	52	757	Fertilizers & Agricultural Chemicals – 0.90%		
OPNET Technologies, Inc.	19	236	Yongye Biotechnology International, Inc. (A)	42	345
SolarWinds, Inc. (A)	19	426	Food Retail – 0.73%		
Ultimate Software Group, Inc. (The) (A)	13	373	QKL Stores Inc. (A)	42	279
VancelInfo Technologies Inc. (A)	20	388			
		2,180	Health Care Equipment – 7.60%		
Auto Parts & Equipment – 2.23%			ABIOMED, Inc. (A)	42	368
Westport Innovations Inc. (A)	56	650	Greatbatch, Inc. (A)	10	183
Wonder Auto Technology, Inc. (A)	17	202	Micrus Endovascular Corporation (A)	23	347
		852	NuVasive, Inc. (A)	7	230
Biotechnology – 6.33%			Quidel Corporation (A)	30	413
Allos Therapeutics, Inc. (A)	86	563	Somanetics Corporation (A)	26	463
Dyax Corp. (A)	70	238	Spectranetics Corporation (The) (A)	103	717
Idenix Pharmaceuticals, Inc. (A)	55	118	Synovis Life Technologies, Inc. (A)	14	183
InterMune, Inc. (A)	41	529			2,904
Nanosphere, Inc. (A)	56	362	Health Care Services – 3.82%		
Pharmasset, Inc. (A)	29	607	Genoptix, Inc. (A)	20	696
		2,417	Health Grades, Inc. (A)	131	560
Broadcasting – 0.63%			Sharps Compliance Corp. (A)	21	203
Global Traffic Network, Inc. (A)	58	242			1,459
Communications Equipment – 3.67%			Health Care Supplies – 0.72%		
Aruba Networks, Inc. (A)	40	421	Rochester Medical Corporation (A)	25	277
Blue Coat Systems, Inc. (A)	20	579	Health Care Technology – 2.23%		
Neutral Tandem, Inc. (A)	18	403	Phase Forward Incorporated (A)	56	853
		1,403	Household Appliances – 0.92%		
Computer Hardware – 1.44%			Deer Consumer Products, Inc. (A)	31	350
3PAR Inc. (A)	27	314	Internet Software & Services – 1.06%		
Super Micro Computer, Inc. (A)	21	238	Terremark Worldwide, Inc. (A)	59	404
		552	Life Sciences Tools & Services – 1.07%		
Computer Storage & Peripherals – 3.79%			Bruker Corporation (A)	34	409
Compellent Technologies, Inc. (A)	18	408	Managed Health Care – 0.83%		
Isilon Systems, Inc. (A)	101	695	Molina Healthcare, Inc. (A)	14	318
Netezza Corporation (A)	36	346			
		1,449			
Construction & Engineering – 1.38%					
Orion Marine Group, Inc. (A)	25	529			

SCHEDULE OF INVESTMENTS

Micro Cap Growth *(in thousands)*

DECEMBER 31, 2009

COMMON STOCKS (Continued)	Shares	Value
Movies & Entertainment – 1.63%		
Rentrak Corporation (A)	35	\$ 624
Oil & Gas Drilling – 1.04%		
Pioneer Drilling Company (A)	50	398
Oil & Gas Equipment & Services – 3.38%		
Natural Gas Services Group, Inc. (A)	24	458
T-3 Energy Services, Inc. (A)	33	834
		<u>1,292</u>
Oil & Gas Exploration & Production – 1.86%		
Brigham Exploration Company (A)	52	709
Oil & Gas Refining & Marketing – 1.05%		
China Integrated Energy, Inc. (A)	57	403
Personal Products – 1.19%		
China-Biotics, Inc. (A)	29	453
Pharmaceuticals – 6.39%		
Auxilium Pharmaceuticals, Inc. (A)	16	483
Biodel Inc. (A)	34	145
BioMimetic Therapeutics, Inc. (A)	24	291
Obagi Medical Products, Inc. (A)	48	575
Questcor Pharmaceuticals, Inc. (A)	128	607
SuperGen, Inc. (A)	130	340
		<u>2,441</u>
Research & Consulting Services – 1.76%		
ICF International, Inc. (A)	9	249
Mistras Group, Inc. (A)	28	422
		<u>671</u>
Restaurants – 2.16%		
BJ's Restaurants, Inc. (A)	20	369
McCormick & Schmick's Seafood Restaurants, Inc. (A)	23	159
Red Robin Gourmet Burgers, Inc. (A)	14	245
Ruth's Hospitality Group, Inc. (A)	24	51
		<u>824</u>
Semiconductor Equipment – 0.62%		
Nanometrics Incorporated (A)	21	238
Semiconductors – 8.01%		
Cavium Networks, Inc. (A)	14	336
Diodes Incorporated (A)	25	501
Mellanox Technologies, Ltd. (A)	21	394
Monolithic Power Systems, Inc. (A)	22	535
NetLogic Microsystems, Inc. (A)	18	814
Pericom Semiconductor Corporation (A)	42	478
		<u>3,058</u>
Specialty Chemicals – 0.95%		
Chemspec International Limited, ADR (A)	47	309
Flotek Industries, Inc. (A)	40	54
		<u>363</u>

COMMON STOCKS (Continued)	Shares	Value
Steel – 0.49%		
China Gerui Advanced Materials Group Limited (A)	33	\$ 186
Systems Software – 5.37%		
CommVault Systems, Inc. (A)	43	1,007
DemandTec, Inc. (A)	27	239
Fortinet, Inc. (A)	26	453
TeleCommunication Systems, Inc. (A)	36	352
		<u>2,051</u>
Trucking – 2.75%		
Celadon Group, Inc. (A)	38	411
Marten Transport, Ltd. (A)	17	312
Vitrans Corporation Inc., Class A (A)	30	328
		<u>1,051</u>
TOTAL COMMON STOCKS – 98.63%		\$37,688
(Cost: \$35,415)		

SHORT-TERM SECURITIES – 1.45%	Principal	
Master Note		
Toyota Motor Credit Corporation, 0.117%, 1–1–10 (B)	\$555	\$ 555
(Cost: \$555)		
TOTAL INVESTMENT SECURITIES – 100.08%		\$38,243
(Cost: \$35,970)		

LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.08%)	(32)
NET ASSETS – 100.00%	\$38,211

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 December 31, 2009. Date shown represents reset date.

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

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

Cost	\$36,021
Gross unrealized appreciation	6,770
Gross unrealized depreciation	(4,548)
Net unrealized appreciation	\$ 2,222

Industry classifications are unaudited.



Kimberly A. Scott

Below, Kimberly A. Scott, CFA, portfolio manager of Ivy Funds VIP Mid Cap Growth, discusses positioning, performance and results for the fiscal year ended December 31, 2009. She has managed the Portfolio since inception and has 22 years of industry experience.

Fiscal year performance

For the 12 Months Ended December 31, 2009

Ivy Funds VIP Mid Cap Growth	46.66%
Benchmark(s)/Lipper Category	
Russell Mid-Cap Growth Index	46.29%
(generally reflects the performance of securities that represent the mid-cap sector of the stock market)	
Lipper Variable Annuity Mid-Cap Growth Funds Universe Average	43.27%
(generally reflects the performance of the universe of funds with similar investment objectives)	

Please note that the Portfolio returns include applicable investment fees and expenses, whereas the index returns do not include any such fees. Also, the Portfolio's performance data does not take into account any product expenses or charges associated with owning a variable life or annuity policy, which is invested in Ivy Funds Variable Insurance Portfolios.

A turn for the better

The market was very weak early in the year as it worked through the late stages of the credit crisis and economic recession that gripped the globe for much of 2007, 2008, and early 2009. This factor had us conservatively holding our cash position at close to 10 percent during the first quarter, and throughout much of the rest of the year. However, we became encouraged by a number of economic data points, both domestic and international, as the first quarter progressed into the second quarter of the year. This led us to focus our portfolio investments on the front end of the economy in an effort to take advantage of an anticipated turn in economic and market conditions. As such, we were overweight the consumer discretionary, information technology, and energy sectors early in the year. We also increased our exposure to the materials sector to try to take advantage of an economic turn here and in emerging markets. These were very important moves that positively impacted the portfolio's return in 2009, as we were correct in our assessment that the economy and the stock markets were on the cusp of a turn for the better – and as it turned out, much better.

Sources of strength, weakness

In particular, our consumer discretionary investments made the greatest contribution to the Portfolio's overall return in 2009, with a gain of 96.78 percent, twice that of the sector in the benchmark. Every holding had positive returns for the year. J Crew Group, Inc. (2.15% of net assets at 12/31/09), Nordstrom, Inc. (1.12% of net assets as of 12/31/09), Urban Outfitters, Inc. (1.71% of net assets at 12/31/09) and Royal Caribbean Cruises

Ltd. (1.00% of net assets at 12/31/09) all posted returns of greater than 100 percent. Our information technology investments also performed well, with NetApp, Inc. (2.53% of net assets at 12/31/09) and NVIDIA Corporation (1.86% of net assets as of 12/31/09) notable investments. Our exposure to the energy sector boosted our return relative to the benchmark. Our oil service investments, Dresser-Rand Group Inc. (1.16% of net assets as of 12/31/09) and National Oilwell Varco, Inc. (1.45% of net assets as of 12/31/09), in particular, posted strong returns. Our health care investments also posted superior returns as a group last year.

The Portfolio's return was limited somewhat by some weak stock selection in the industrials and financial services sectors, and by a cash position of roughly ten percent during much of the year. However, all sectors posted positive returns overall for the year.

We emphasized consumer discretionary, information technology, financial, energy and even consumer staples stocks during much of the fiscal year. The Portfolio maintained a slight overweight in these sectors as the year wound to a close, with the exception of information technology, which is now underweight in favor of a significant overweight in the industrials sector.

Outlook is largely positive

Our outlook for the market in 2010 is constructive. We believe we'll see a continued rebound in the global economy based on the ongoing effects of stimulus programs worldwide, and an evolution to self-sustaining economic growth. In our opinion, valuations on the market are still reasonable, and the interest rate environment is still stimulative. However, the course of interest rates and government policy and regulation are two areas to watch as potential sources of negative pressure on the markets. We think we'll see the U.S. equity market as transitioning to a fundamentally focused "stock-picker's" market from the macro-economic focus of the past two years. We also feel current profitability profiles and demographic trends favor U.S. companies. In our view, domestic mid-cap growth companies potentially can be strong investments in this environment, as they tend to be innovation leaders that take share in the broad and diverse U.S. economy, and they also have significant exposure to vibrant global markets.

We intend to continue to overweight industrials in an effort to take advantage of the economic recovery that is rolling from the front end of the economy to the back end. Broadly across the

Portfolio, we intend to concentrate less on sector calls and more on stock-specific investments as the market transitions to one that rewards the stocks of companies with sustainable and innovative growth opportunities across the economic cycle.

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

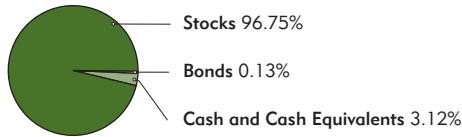
The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of Ivy Funds VIP Mid Cap Growth.

PORTFOLIO HIGHLIGHTS

Mid Cap Growth

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

Asset Allocation



Stocks	96.75%
Information Technology	20.37%
Consumer Discretionary	17.85%
Industrials	17.71%
Health Care	12.18%
Financials	10.01%
Consumer Staples	8.15%
Energy	6.12%
Materials	2.51%
Utilities	1.85%
Bonds	0.13%
Corporate Debt Securities	0.13%
Cash and Cash Equivalents	3.12%

Top 10 Equity Holdings

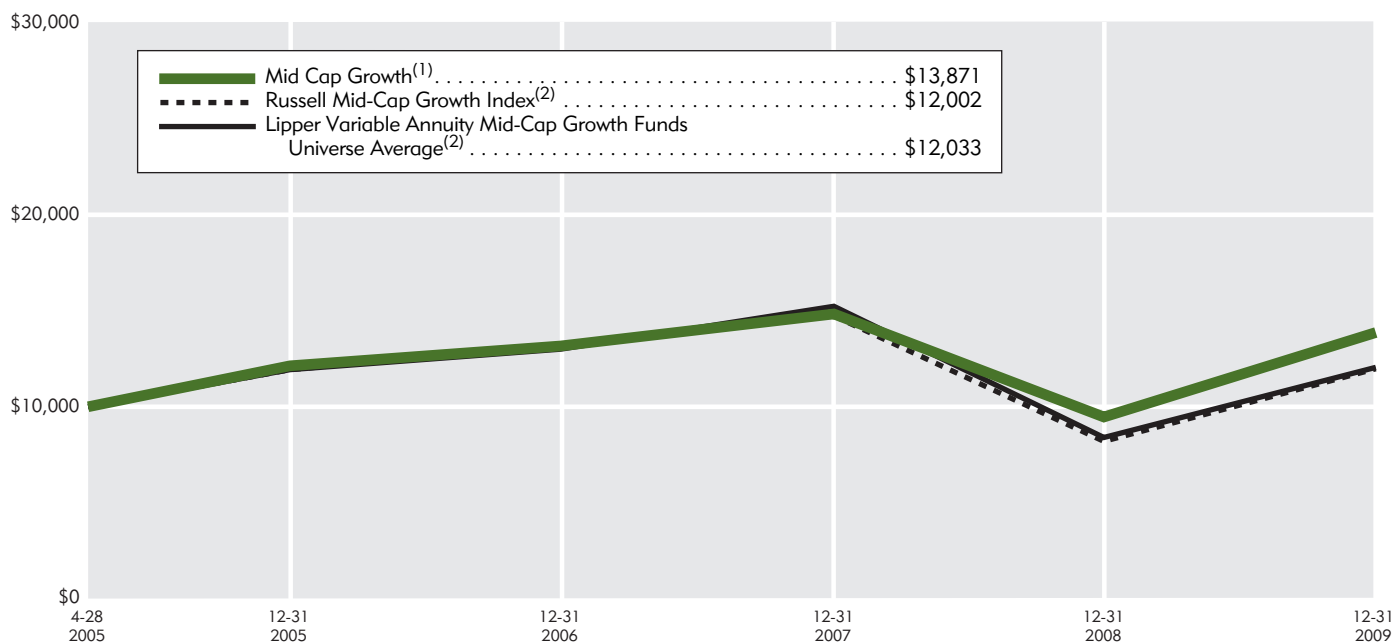
Company	Sector
Whole Foods Market, Inc.	Consumer Staples
Microchip Technology Incorporated	Information Technology
Paychex, Inc.	Information Technology
Solera Holdings, Inc.	Information Technology
Fastenal Company	Industrials
Allergan, Inc.	Health Care
Hospira, Inc.	Health Care
Noble Energy, Inc.	Energy
NetApp, Inc.	Information Technology
Meredith Corporation	Consumer Discretionary

See your advisor for more information on the Portfolio's most recently published Top 10 Equity Holdings.

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

Mid Cap Growth

(UNAUDITED)



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

(2) Because the Portfolio 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 April 30, 2005.

Average Annual Total Return ⁽³⁾	
1-year period ended 12-31-09	46.66%
5-year period ended 12-31-09	—
10-year period ended 12-31-09	—
Since inception of Portfolio ⁽⁴⁾ through 12-31-09	7.24%

(3) Data quoted is past performance and 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 call 1.888.WADDELL for the Portfolio's most recent month-end performance. Performance data quoted does not reflect any expenses or charges associated with owning a variable life insurance policy or variable annuity contract that invests in the Portfolio's shares. When such charges are deducted, actual investment performance in a variable policy or contract will be lower.

(4) 4-28-05 (the date on which shares were first acquired by shareholders).

Past performance is not necessarily indicative of future performance. Indexes are unmanaged.

SCHEDULE OF INVESTMENTS

Mid Cap Growth *(in thousands)*

DECEMBER 31, 2009

COMMON STOCKS	Shares	Value	COMMON STOCKS (Continued)	Shares	Value
Air Freight & Logistics – 3.63%			Food Retail – 3.31%		
C.H. Robinson Worldwide, Inc.	25	\$ 1,489	Whole Foods Market, Inc. (A)	111	\$ 3,050
Expeditors International of Washington, Inc.	53	1,854			
		<u>3,343</u>	Gas Utilities – 1.85%		
Apparel Retail – 3.87%			Equitable Resources, Inc.	39	1,708
J. Crew Group, Inc. (A)	44	1,980			
Urban Outfitters, Inc. (A)	45	1,580	Health Care Distributors – 1.79%		
		<u>3,560</u>	Henry Schein, Inc. (A)	31	1,654
Apparel, Accessories & Luxury Goods – 0.83%					
lululemon athletica inc. (A)	26	769	Health Care Equipment – 5.78%		
			Hologic, Inc. (A)	112	1,624
Application Software – 2.85%			Hospira, Inc. (A)	47	2,400
Solera Holdings, Inc.	73	2,627	Intuitive Surgical, Inc. (A)	3	834
			Wright Medical Group, Inc. (A)	25	467
Auto Parts & Equipment – 1.00%					<u>5,325</u>
BorgWarner Inc.	28	925	Health Care Supplies – 2.00%		
			DENTSPLY International Inc.	52	1,839
Automotive Retail – 0.86%					
Penske Automotive Group, Inc.	52	793	Hotels, Resorts & Cruise Lines – 2.01%		
			Royal Caribbean Cruises Ltd. (A)	36	920
Brewers – 0.80%			Starwood Hotels & Resorts Worldwide, Inc.	26	933
Molson Coors Brewing Company, Class B	16	736			<u>1,853</u>
			Industrial Machinery – 5.01%		
Casinos & Gaming – 0.51%			Donaldson Company, Inc.	25	1,068
Las Vegas Sands, Inc. (A)	31	469	Flowsolve Corporation	5	463
			IDEX Corporation	63	1,949
Catalog Retail – 0.85%			Kaydon Corporation	32	1,132
Coldwater Creek Inc. (A)	175	781			<u>4,612</u>
			Internet Software & Services – 1.48%		
Computer Storage & Peripherals – 3.53%			DealerTrack Holdings, Inc. (A)	73	1,364
NetApp, Inc. (A)	68	2,327			
QLogic Corporation (A)	49	929	Investment Banking & Brokerage – 3.51%		
		<u>3,256</u>	Lazard Group LLC	39	1,498
Construction & Engineering – 1.04%			TD Ameritrade Holding Corporation (A)	89	1,731
Quanta Services, Inc. (A)	46	962			<u>3,229</u>
			Oil & Gas Equipment & Services – 2.61%		
Consumer Finance – 1.98%			Dresser-Rand Group Inc. (A)	34	1,070
Discover Financial Services	124	1,819	National Oilwell Varco, Inc.	30	1,338
					<u>2,408</u>
Data Processing & Outsourced Services – 4.93%			Oil & Gas Exploration & Production – 3.51%		
Global Payments Inc.	34	1,812	Noble Energy, Inc.	34	2,389
Paychex, Inc.	89	2,732	Ultra Petroleum Corp. (A)	17	843
		<u>4,544</u>			<u>3,232</u>
Department Stores – 1.12%			Packaged Foods & Meats – 2.51%		
Nordstrom, Inc.	27	1,032	Hershey Foods Corporation	39	1,397
			Ralcorp Holdings, Inc. (A)	15	917
Distillers & Vintners – 1.53%					<u>2,314</u>
Brown-Forman Corporation, Class B	26	1,413	Paper Packaging – 1.49%		
			Sealed Air Corporation	22	479
Electrical Components & Equipment – 3.01%			Sonoco Products Company	31	896
Cooper Industries, Ltd., Class A	23	969			<u>1,375</u>
Hubbell Incorporated, Class B	20	951	Pharmaceuticals – 2.61%		
Roper Industries, Inc.	16	854	Allergan, Inc.	38	2,407
		<u>2,774</u>			

SCHEDULE OF INVESTMENTS

Mid Cap Growth *(in thousands)*

DECEMBER 31, 2009

COMMON STOCKS (Continued)	Shares	Value
Publishing – 2.26%		
Meredith Corporation	68	\$ 2,084
Real Estate Management & Development – 0.23%		
CB Richard Ellis Group, Inc., Class A (A)	16	215
Regional Banks – 1.79%		
Signature Bank (A)	52	1,654
Research & Consulting Services – 0.85%		
Verisk Analytics, Inc., Class A (A)	26	779
Restaurants – 2.59%		
Chipotle Mexican Grill, Inc., Class A (A)	11	965
P.F. Chang's China Bistro, Inc. (A)	37	1,420
		<u>2,385</u>
Semiconductors – 6.76%		
Linear Technology Corporation	53	1,632
Microchip Technology Incorporated	99	2,869
NVIDIA Corporation (A)	92	1,716
		<u>6,217</u>
Specialized Finance – 1.53%		
CME Group Inc.	4	1,408
Specialty Chemicals – 1.02%		
RPM International Inc.	46	938
Specialty Stores – 1.95%		
PetSmart, Inc.	67	1,800
Systems Software – 0.82%		
ArcSight, Inc. (A)	30	757
Thrifts & Mortgage Finance – 0.97%		
People's United Financial, Inc.	54	896
Trading Companies & Distributors – 2.64%		
Fastenal Company	59	2,436
Trucking – 1.53%		
J.B. Hunt Transport Services, Inc.	20	643
Knight Transportation, Inc.	40	768
		<u>1,411</u>
TOTAL COMMON STOCKS – 96.75%		\$89,153

(Cost: \$78,373)

CORPORATE DEBT SECURITIES – 0.13%	Principal	
Health Care Equipment		
Wright Medical Group, Inc., Convertible, 2.625%, 12–1–14	\$ 140	\$ 123
(Cost: \$109)		

SHORT-TERM SECURITIES – 3.01%	Principal	Value
Master Note		
Toyota Motor Credit Corporation, 0.117%, 1–1–10 (B)	\$2,777	\$ 2,777
(Cost: \$2,777)		
TOTAL INVESTMENT SECURITIES – 99.89%		\$92,053
(Cost: \$81,259)		
CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.11%		104
NET ASSETS – 100.00%		\$92,157

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 December 31, 2009. Date shown represents reset date.

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

Cost	\$81,360
Gross unrealized appreciation	12,971
Gross unrealized depreciation	(2,278)
Net unrealized appreciation	\$10,693

Industry classifications are unaudited.

See Accompanying Notes to Financial Statements.



Mira Stevovich

Below, Mira Stevovich, CFA, portfolio manager of Ivy Funds VIP Money Market, discusses positioning, performance and results for the fiscal year ended December 31, 2009. She has managed the Portfolio for 11 years and has 22 years of industry experience.

Low Fed Funds Rate weighed on performance

The Portfolio's returns were competitive with the peer group money market funds over the fiscal year. The Portfolio's fiscal year started with the Federal Funds rate at the target rate of a range of between 0 percent and 0.25 percent, where it remains to date.

The drastically low Federal Funds rate during the Portfolio's fiscal year affected the performance of the Portfolio and rates on money market investments in general. We sought to maintain the Portfolio's yield initially by purchasing longer dated maturities prior to the lowering of rates, and later by investing in floating rate notes based on the three-month LIBOR (London Interbank Offered Rate), which remained high.

Credit quality remained an important factor in the management and performance of the Portfolio. We have been especially mindful of this as the sub prime mortgage market problems, and subsequent financial system problems, negatively affected the money markets. As always, we are vigilant in our review of the companies and securities in which we invest. We select investments that we believe to be of the highest credit quality, based on our strict credit risk constraints. However, these securities do not always pay the highest rates of interest, meaning that the overall yield can be held down somewhat by the higher-quality bias.

Navigating the credit crisis

The overall money market was seriously affected by the financial market crisis, which created a credit crisis. All short-term borrowing by corporations and financial institutions was affected. As a result, the Portfolio invested at rates below the Federal Funds rate, because higher quality securities were issued at rates below the Federal Funds rate, therefore causing the return on the Portfolio to decrease. However, as we increased exposure to floating rate securities with rates based on three-month LIBOR, which remained high, the yield on the Portfolio increased.

In an effort to help ease the pressure on the money markets, the Federal Reserve injected liquidity into the market. It also provided various facilities whereby banks, broker-dealers, and even money market funds could submit securities to the Federal Reserve and obtain liquidity. The FDIC provided its insurance protection to major banking institutions, as well as some regional banks, to back securities issued by these banks based on

a set of guidelines. In addition, the U.S. Treasury instituted a temporary insurance program in September 2008 to insure money market funds that applied and paid a fee based on assets under management. This measure, which helped stop a potential run on money market funds, was extended twice for original participants. Our Portfolio participated in this program until its conclusion on September 18, 2009.

As the fiscal year ended, the credit markets were more settled and credit spreads had substantially narrowed. The markets had been helped by the various forms of government support; the economy was slowly emerging from the recession; and investment grade money market rates remained at historic lows.

An emphasis on careful selection, a focus on quality

As always, we carefully select securities that we feel are of the highest credit quality. This approach ultimately affects the Portfolio's yield, because high-quality securities are issued at premium rates of interest (lower-yielding securities). However, this conservative approach kept us out of much of the problematic situation that developed in the money markets over the last year.

In an effort to compensate for this, we have purchased some longer-dated (higher-yielding) high-quality securities as opportunities presented themselves. Floating rate corporate and taxable municipal securities proved to be excellent investment vehicles for the portfolio, especially in the current environment, as LIBOR rates, off of which these securities are priced, remain above the Federal Funds rate.

Corporate credit spreads were very wide early during the fiscal year. As a result, we took advantage of this by purchasing longer-dated corporate securities with substantially higher yields. This move positively affected the performance of the Portfolio and supported the Portfolio's yield for most of the fiscal year.

Staying the course

We have emphasized investments of the highest credit quality this past year from all industries and sectors, and we intend to continue to do so going forward. Because banks have been particularly negatively affected by the financial crisis, we have been very selective in our investment in the banking sector. We have used floating rate securities this year, and we anticipate doing so in the coming fiscal year, pending future developments in the money markets. We have substituted short corporate

notes for commercial paper, when possible, since the notes yield higher rates of return. We intend to continue to include U.S. Treasury and government agency securities in an effort to preserve the value of the Portfolio, as necessary.

Please remember that an investment in the Portfolio is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency. Although the Portfolio seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Portfolio.

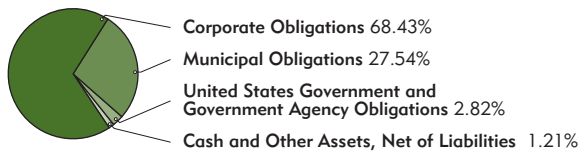
The opinions expressed in this report are those of the portfolio manager and are current only through the end of the period of the report as stated on the cover. The manager's views are subject to change at any time based on market and other conditions, and no forecasts can be guaranteed.

PORTFOLIO HIGHLIGHTS

Money Market

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

Asset Allocation



Corporate Obligations	68.43%
Notes	50.83%
Commercial Paper (backed by irrevocable bank letter of credit)	8.82%
Commercial Paper	4.75%
Notes (backed by irrevocable bank letter of credit)	3.46%
Master Note	0.57%
Municipal Obligations	27.54%
United States Government and Government Agency Obligations	2.82%
Cash and Other Assets, Net of Liabilities	1.21%

SCHEDULE OF INVESTMENTS

Money Market *(in thousands)*

DECEMBER 31, 2009

CORPORATE OBLIGATIONS	Principal	Value	CORPORATE OBLIGATIONS (Continued)	Principal	Value
Commercial Paper (A)			Notes (Continued)		
Corporacion Andina de Fomento:			Citigroup Funding Inc. (Federal Deposit Insurance Corporation),		
1.370%, 2-12-10	\$2,200	\$ 2,196	0.381%, 1-29-10 (B)(D)	\$2,400	\$ 2,400
1.140%, 4-13-10	2,500	2,492	Citigroup Inc.:		
1.090%, 10-5-10	1,200	1,190	4.625%, 8-3-10	2,790	2,839
1.110%, 10-15-10	1,300	1,289	6.500%, 1-18-11	1,770	1,851
Total Commercial Paper – 4.75%		7,167	Countrywide Financial Corporation,		
Commercial Paper (backed by irrevocable bank letter of credit) (A)			4.500%, 6-15-10	810	822
Baystate Health, Inc., (Bank of America, N.A.)			IBM International Group Capital LLC		
0.200%, 1-6-10	1,000	1,000	(International Business Machines Corporation),		
COFCO Capital Corp. (Rabobank Nederland):			0.496%, 2-26-10 (B)	1,500	1,500
0.300%, 1-7-10	2,925	2,925	John Deere Capital Corporation,		
0.330%, 1-14-10	4,454	4,453	0.706%, 2-26-10 (C)	1,000	999
River Fuel Company #2, Inc.			JPMorgan Chase & Co.:		
(Bank of New York (The)),			0.783%, 1-22-10 (C)	1,420	1,419
0.220%, 1-29-10	2,426	2,426	0.331%, 3-25-10 (B)	1,100	1,098
River Fuel Trust #1 (Bank of New York (The)),			Praxair Inc.,		
0.230%, 1-15-10	2,000	2,000	0.346%, 2-26-10 (B)	1,600	1,600
0.250%, 3-15-10	500	499	Procter & Gamble Company (The),		
Total Commercial Paper (backed by irrevocable bank letter of credit) – 8.82%		13,303	0.285%, 2-8-10 (B)	1,000	1,000
Master Note – 0.57%			Procter & Gamble International Funding S.C.A.		
Toyota Motor Credit Corporation,			(Procter & Gamble Company (The)),		
0.117%, 1-1-10 (B)	860	860	0.525%, 2-8-10 (C)	500	500
Notes			Rabobank Nederland,		
3M Company,			0.273%, 2-16-10 (B)	1,000	1,000
5.610%, 12-12-10	5,000	5,248	Roche Holdings, Inc.,		
American Honda Finance Corp.:			1.262%, 2-25-10 (C)	6,600	6,601
0.631%, 1-29-10 (C)	4,000	3,996	Royal Bank of Scotland PLC (The),		
0.678%, 2-5-10 (C)	1,000	998	0.981%, 1-28-10 (B)	4,000	4,000
1.773%, 2-16-10 (B)	2,500	2,500	Toyota Motor Credit Corporation,		
Bank of America Corporation,			1.304%, 1-15-10 (C)	2,000	2,000
4.500%, 8-1-10	1,105	1,125	Wells Fargo & Company,		
Bank of America Corporation			4.200%, 1-15-10	2,000	2,002
(Federal Deposit Insurance Corporation),			Total Notes – 50.83%		76,688
0.284%, 3-15-10 (B)(D)	9,850	9,850	Notes (backed by irrevocable bank letter of credit)		
Bank of America, N.A.:			Conestoga Wood Specialties Corporation,		
0.657%, 1-22-10 (B)	1,300	1,300	Variable/Fixed Rate Taxable Demand		
0.873%, 2-12-10 (B)	4,000	3,983	Revenue Bonds, Series 2000		
Bear Stearns Companies Inc. (The)			(Wachovia Bank, N.A.),		
(JPMorgan Chase & Co.),			0.290%, 1-1-10 (B)	1,725	1,725
0.391%, 2-18-10 (B)	2,375	2,374	The Academy of the New Church,		
BellSouth Corporation (AT&T Inc.),			Taxable Variable Rate Demand Bonds,		
4.950%, 4-26-10 (C)	5,000	5,037	Series 2008 (Wachovia Bank, N.A.),		
BP Capital Markets p.l.c.,			0.240%, 1-1-10 (B)	2,000	2,000
0.385%, 3-11-10 (B)	1,400	1,400	Trap Rock Industries, Inc., Taxable Variable		
Citibank, N.A. (Federal Deposit Insurance Corporation),			Demand Bonds, Series 2005		
0.301%, 3-30-10 (B)(D)	5,000	5,000	(Wachovia Bank, N.A.),		
Citigroup Funding Inc.:			0.240%, 1-1-10 (B)	1,500	1,500
1.325%, 2-8-10 (B)	750	749	Total Notes (backed by irrevocable bank letter of credit) – 3.46%		5,225
0.423%, 2-16-10 (B)	800	798	TOTAL CORPORATE OBLIGATIONS – 68.43%		\$ 103,243
0.421%, 2-18-10 (B)	700	699	(Cost: \$103,243)		

SCHEDULE OF INVESTMENTS

Money Market *(in thousands)*

DECEMBER 31, 2009

MUNICIPAL OBLIGATIONS	Principal	Value	MUNICIPAL OBLIGATIONS (Continued)	Principal	Value
California – 1.86%			Louisiana – 3.15%		
California Pollution Control Financing Authority, Environmental Improvement Revenue Bonds (Atlantic Richfield Company Project), Series 1997A (BP p.l.c.), 0.240%, 3–1–10	\$ 750	\$ 750	Louisiana Public Facilities Authority, Revenue Bonds (Air Products and Chemicals Project), Series 2009A (The Bank of New York Mellon Trust Company, N.A.), 0.290%, 1–4–10 (B)	\$ 2,000	\$ 2,000
City of Los Angeles, Wastewater System Subordinate Revenue Bonds, Variable Rate Refunding, Series 2008-G (Bank of America, N.A.), 0.190%, 1–4–10 (B)	2,055	2,055	Louisiana Public Facilities Authority, Variable Rate Revenue Refunding Bonds, Series 2009B–1 (The Bank of New York Mellon Trust Company, N.A.), 0.170%, 1–6–10 (B)	750	750
		<u>2,805</u>	Parish of St. Bernard, State of Louisiana, Exempt Facility Revenue Bonds (Mobil Oil Corporation Project), Series 1996 (Exxon Mobil Corporation), 0.200%, 1–4–10 (B)	2,000	2,000
Colorado – 2.02%					<u>4,750</u>
Colorado Health Facilities Authority, Variable Rate Revenue Bonds (Exempla, Inc.), Series 2009A (U.S. Bank N.A.), 0.200%, 1–6–10 (B)	1,500	1,500	Maryland – 0.65%		
Exempla General Improvement District, City of Lafayette, Colorado, Special Improvement District No. 02–01, Special Assessment Revenue Refunding and Improvement Bonds, Series 2002 (Wells Fargo Bank, N.A.), 0.250%, 1–1–10 (B)	250	250	Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Anne Arundel Health Systems Issue, Series 2009A (Wachovia Bank, N.A.), 0.240%, 1–1–10 (B)	975	975
The Town of Castle Rock, Colorado, Certificates of Participation, Series 2008 (Wells Fargo Bank, N.A.), 0.250%, 1–4–10 (B)	1,300	1,300			
		<u>3,050</u>	Mississippi – 2.61%		
Georgia – 2.60%			Mississippi Business Finance Corporation, Adjustable Mode Industrial Development Revenue Bonds (Belk, Inc. Project), Series 2005 (Wachovia Bank, N.A.), 0.240%, 1–4–10 (B)	3,936	3,936
Development Authority of Talbot County, Incremental Taxable Industrial Development Revenue Bonds (Junction City Mining Company, LLC Project), Series 2000 (Wachovia Bank, N.A.), 0.240%, 1–4–10 (B)	425	425	Missouri – 0.93%		
Municipal Electric Authority of Georgia (MEAG): 0.470%, 1–6–10	2,000	2,000	City of Kansas City, Missouri, Variable Rate Demand Taxable Special Obligation Refunding Bonds (President Hotel Redevelopment Project), Series 2009B (JPMorgan Chase Bank, N.A.), 0.280%, 1–1–10 (B)	1,400	1,400
0.680%, 2–4–10	1,500	1,500			
		<u>3,925</u>	New York – 1.42%		
Illinois – 5.09%			New York State Housing Finance Agency, Archstone Westbury Housing Revenue Bonds, Series A (Bank of America, N.A.), 0.270%, 1–4–10 (B)	1,740	1,740
City of Chicago, General Obligation Tender Notes, Taxable Series 2009 (U.S. Bank N.A.), 1.340%, 7–8–10	3,000	3,000	New York State Housing Finance Agency, Related-Caroline Apartments Housing Revenue Bonds, 2008 Series A (Federal Home Loan Mortgage Corporation), 0.300%, 1–1–10 (B)	400	400
Illinois Finance Authority, Variable Rate Demand Revenue Bonds, Series 2009 (The Carle Foundation) (JPMorgan Chase Bank, N.A.), 0.200%, 1–4–10 (B)	400	400			<u>2,140</u>
State of Illinois, General Obligation Certificates of August, 2009, 2.000%, 6–10–10	2,250	2,259	North Carolina – 1.26%		
State of Illinois, General Obligation Certificates of May, 2009, 4.000%, 4–26–10	2,000	2,016	North Carolina Capital Facilities Finance Agency, Exempt Facilities Revenue Bonds (Republic Services, Inc. Project), Series 2004 (Bank of America, N.A.), 0.210%, 1–4–10 (B)	1,895	1,895
		<u>7,675</u>			
Indiana – 0.33%			Ohio – 1.19%		
City of Whiting, Indiana, Environmental Facilities Revenue Bonds (BP Products North America Inc. Project), Series 2009 (BP p.l.c.), 0.230%, 2–1–10	500	500	County of Lucas, Ohio, Taxable Arena Improvement Notes, Series 2009, General Obligation Bond, Anticipation Notes, 1.750%, 7–22–10	1,800	1,802

SCHEDULE OF INVESTMENTS

Money Market *(in thousands)*

DECEMBER 31, 2009

MUNICIPAL OBLIGATIONS (Continued)	Principal	Value
Tennessee – 0.66%		
The Public Building Authority of The County of Montgomery, Tennessee, Adjustable Rate Pooled Financing, Revenue Bonds, Series 2008 (Tennessee County Loan Pool) (Bank of America, N.A.), 0.260%, 1–1–10 (B)	\$ 1,000	<u>\$ 1,000</u>
Texas – 0.66%		
Port Arthur Navigation District Industrial Development Corporation, Exempt Facilities Revenue Bonds (Air Products Project), Series 2005 (Air Products and Chemicals, Inc.), 0.250%, 1–4–10 (B)	1,000	<u>1,000</u>
Virginia – 0.33%		
Peninsula Ports Authority of Virginia, Coal Terminal Revenue Refunding Bonds (Dominion Terminal Associates Project), Series 1987-A (U.S. Bank, N.A.), 0.220%, 1–6–10	500	<u>500</u>
Washington – 0.99%		
Industrial Development Corporation of the Port of Bellingham (Washington), Environmental Facilities Industrial Revenue Bonds (BP West Coast Products LLC Project), Series 2003 (BP p.l.c.), 0.230%, 1–4–10 (B)	1,500	<u>1,500</u>
Wisconsin – 1.79%		
Wisconsin Health and Educational Facilities Authority Variable Rate, Demand Revenue Bonds, Series 1998B (Wausau Hospital, Inc.) (JPMorgan Chase Bank, N.A.), 0.250%, 1–4–10 (B)	700	700
Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Series 2008-A (U.S. Bank N.A.), 0.600%, 12–2–10	2,000	<u>2,000</u>
		<u>2,700</u>
TOTAL MUNICIPAL OBLIGATIONS – 27.54%		\$ 41,553
(Cost: \$41,553)		

UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS	Principal	Value
United States Government Agency Obligations		
Overseas Private Investment Corporation:		
0.160%, 2–15–10 (B)	\$ 1,116	\$ 1,116
0.160%, 3–15–10 (B)	1,000	1,000
Totem Ocean Trailer Express, Inc. (United States Government Guaranteed Ship Financing Obligations), 0.504%, 4–15–10 (B)		
	2,143	<u>2,143</u>
TOTAL UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS – 2.82%		\$ 4,259
(Cost: \$4,259)		
TOTAL INVESTMENT SECURITIES – 98.79%		\$ 149,055
(Cost: \$149,055)		
CASH AND OTHER ASSETS, NET OF LIABILITIES – 1.21%		1,808
NET ASSETS – 100.00%		\$ 150,863

Notes to Schedule of Investments

(A)Rate shown is the yield to maturity at December 31, 2009.

(B)Variable rate security. Interest rate disclosed is that which is in effect at December 31, 2009. Date shown represents reset date.

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

(D)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. The guarantee expires at the earlier of the security's maturity date or December 31, 2012.

For money market funds, the cost of investments for Federal income tax purposes is the same as the cost for financial statement purposes.



David W. Land



Christopher R. Sebald

Ivy Funds VIP Mortgage Securities is subadvised by Advantus Capital Management, Inc.

Below, David W. Land, CFA, and Christopher R. Sebald, CFA, portfolio managers of Ivy Funds VIP Mortgage Securities, discuss positioning, performance and results for the fiscal year ended December 31, 2009. They have each managed the Portfolio for five years. Mr. Land has 19 years of industry experience while Mr. Sebald has 21 years of industry experience.

Fiscal year performance

For the 12 Months Ended December 31, 2009

Ivy Funds VIP Mortgage Securities	8.37%
Benchmark(s)/Lipper Category	
Barclays Capital Mortgage-Backed Securities Index (generally reflects the performance of securities that represent the mortgage-backed securities market)	5.89%
Lipper Variable Annuity U.S. Mortgage Funds Universe Average (generally reflects the performance of the universe of funds with similar investment objectives)	6.70%

Please note that the Portfolio returns include applicable investment fees and expenses, whereas the index returns do not include any such fees. Also, the Portfolio's performance data does not take into account any product expenses or charges associated with owning a variable life or annuity policy, which is invested in Ivy Funds Variable Insurance Portfolios.

Strong relative performance, overweights helped

During 2008, a historic credit crisis and deep recession kept our style of investing out of favor. In March of 2009, the market environment changed dramatically, and the Portfolio benefitted. To counter the biggest recession in more than 30 years and avoid another depression, the federal government threw most everything it had at the problem. Its support of broad sectors of the fixed-income market substantially expanded liquidity, and investors returned to the markets. The Portfolio's overweight positions in asset-backed securities (ABS) and commercial mortgage-backed securities (CMBS) had a significant impact on returns for the year.

With the recovery in the markets, long-term Treasury yields rose significantly during the year, while short-term yields were essentially unchanged. Additionally, after the largest drop in home prices in the past 100 years, we saw a nice string of gains in home prices, primarily driven by government programs to spur home buying (first-time home-buyer credit) and to forestall foreclosure (modification programs). The improvement in home prices, along with the government's other market liquidity programs, served to boost the Portfolio's non-agency mortgage-backed securities (MBS) and add to returns.

Tactical changes

Because the timing and magnitude of the housing recovery remained in question, we believed it was prudent to increase our exposure to agency pass-throughs, even though there appears to be significant value on the non-agency market. We maintained

this strategy throughout the year. When selecting mortgage pools we look for collateral characteristics that we believe will provide us some advantage over generic pools. Currently, we believe that mortgage pools originated between 2003 and 2005 are preferable to newer origination. These older pools tend to have more predictable prepayment behavior, which investors find desirable.

We added to our agency pass-through holdings during the year while maintaining exposures to non-agency mortgages, commercial real estate and asset-backed securities.

The positive beat likely to continue

The good times for risk assets are likely to last a little while longer in our opinion. Government stimulus is still having a positive impact and that activity may now be shifted from the banking sector into more direct jobs programs as banks repay Troubled Asset Relief Program (TARP) funds. As a result, we believe growth in the near quarters is likely to continue to confound the pessimists and embolden the optimists. However, as the Fed eliminates its MBS and Treasury bond buying programs — and without a follow-on program of some sort — the first signals of tightening will effectively be in place. Normally, markets continue to improve somewhat after Fed tightening policy begins and growth continues. All else equal, we would expect a similar economic path to play out. But, no one can be certain that the withdrawal of the largest stimulus in the history of the Fed won't cause violent reactions. For example, we believe that a quick change in interest rates will likely cause a sell-off in risk assets. So we are being especially cautious regarding our risk exposures, especially those more sensitive to long-term interest rates (agencies, MBS and CMBS), as the Fed makes some moves to remove stimulus.

The past year was great for risk assets, as we rebounded from the worst financial calamity since the Great Depression. And such a rebound merited overweighting risk assets. We expect that 2010 won't be nearly as strong for the markets. With the prospect of central banks raising rates around the world, we can definitely see a time in 2010 when our risk exposures are near neutral and our portfolios look more like the benchmark. Due to government and Fed measures, 2009 was the best year ever for corporate bonds, CMBS, ABS and other non-government investment-grade bonds. In 2010, we believe that bond performance will likely be ruled more by the market's

interpretation of the huge imbalances that still exist in the economy and less by the government intervention. These can't be ignored forever.

As with any mutual fund, the value of the Portfolio'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 prepaid 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 are not guaranteed. Fixed-income securities are subject to interest rate risk, so the Portfolio's net asset value may fall as interest rates rise. These and other risks are more fully described in the Portfolio's prospectus.

Certain U.S. government securities in which the Portfolio 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 Portfolio 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 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 Ivy Funds VIP Mortgage Securities.

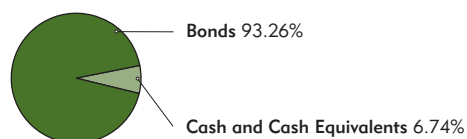
At a meeting held on November 11, 2009, the Board of Trustees of Ivy Funds Variable Insurance Portfolios unanimously approved and recommended that shareholders of Ivy Funds VIP Mortgage Securities approve the merger of Ivy Funds VIP Mortgage Securities into Ivy Funds VIP Bond. Ivy Funds VIP Mortgage Securities shareholders of record on December 1, 2009 will be asked to vote on the proposed merger at a special meeting called for this purpose, tentatively scheduled for March 1, 2010.

PORTFOLIO HIGHLIGHTS

Mortgage Securities

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

Asset Allocation

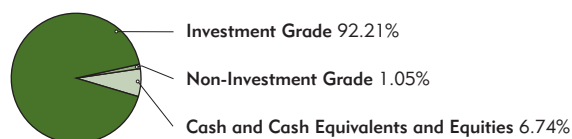


Bonds	93.26%
United States Government and Government Agency Obligations	82.35%
Corporate Debt Securities	10.91%
Cash and Cash Equivalents	6.74%

Bond Portfolio Characteristics

Average maturity	5.0 years
Effective duration	3.3 years
Weighted average bond rating	AAA

Quality Weightings



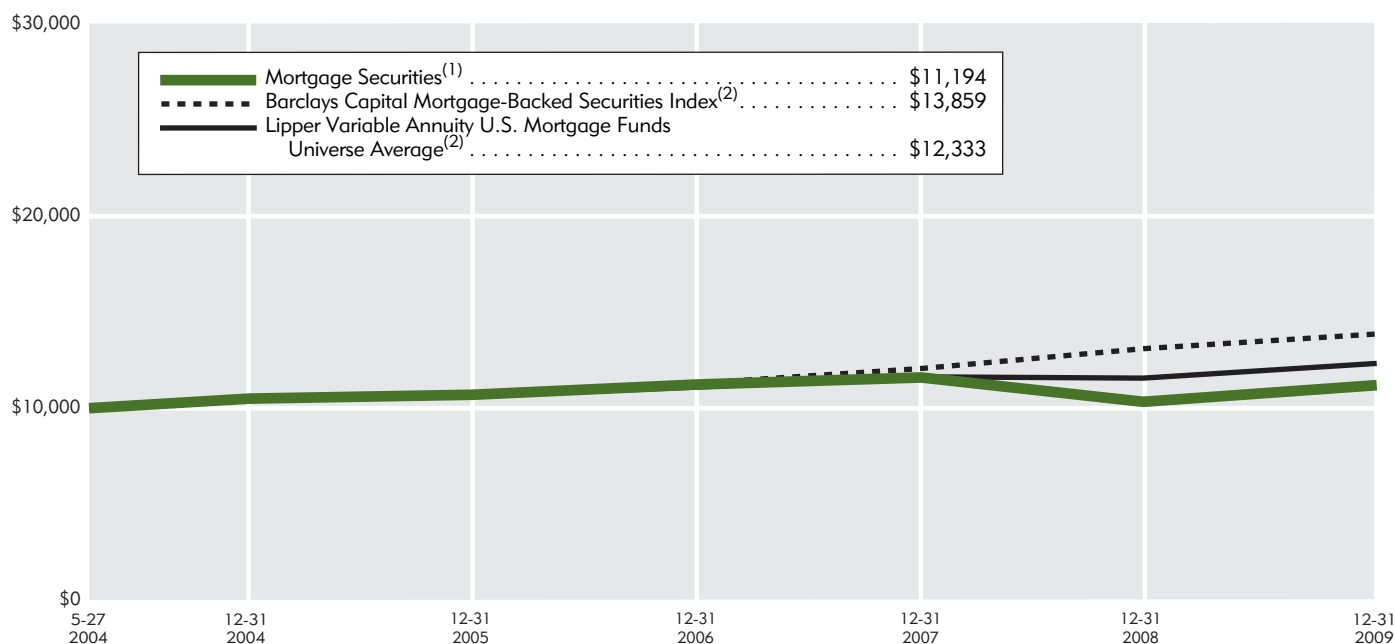
Investment Grade	92.21%
AAA	86.89%
AA	1.56%
A	2.05%
BBB	1.71%
Non-Investment Grade	1.05%
BB	1.00%
B	0.02%
Below B	0.03%
Cash and Cash Equivalents	6.74%

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

Mortgage Securities

(UNAUDITED)



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

(2) Because the Portfolio 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, 2004.

Average Annual Total Return ⁽³⁾	
1-year period ended 12-31-09	8.37%
5-year period ended 12-31-09	1.29%
10-year period ended 12-31-09	—
Since inception of Portfolio ⁽⁴⁾ through 12-31-09	2.04%

(3) Data quoted is past performance and 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 call 1.888.WADDELL for the Portfolio's most recent month-end performance. Performance data quoted does not reflect any expenses or charges associated with owning a variable life insurance policy or variable annuity contract that invests in the Portfolio's shares. When such charges are deducted, actual investment performance in a variable policy or contract will be lower.

(4) 5-27-04 (the date on which shares were first acquired by shareholders).

Past performance is not necessarily indicative of future performance. Indexes are unmanaged.

SCHEDULE OF INVESTMENTS

Mortgage Securities *(in thousands)*

DECEMBER 31, 2009

CORPORATE DEBT SECURITIES			CORPORATE DEBT SECURITIES (Continued)		
	Principal	Value		Principal	Value
Asset-Backed Security – 0.08%			Other Mortgage-Backed Securities (Continued)		
Ford Credit Auto Owner Trust 2007-A, 7.050%, 12–15–13 (A)	\$ 30	\$ 31	Centex Home Equity Loan Trust 2005-C, 5.048%, 6–25–35 (B)	\$ 210	\$ 190
Consumer Finance – 2.30%			Citigroup Mortgage Loan Trust Inc., Mortgage Pass-Through Certificates, Series 2004–2, 6.500%, 8–25–18 (C)	5	5
Green Tree Financial Corporation:			CitiMortgage Alternative Loan Trust, Series 2007-A7, 6.234%, 7–25–37 (B)(F)	15	—
7.650%, 4–15–19	85	84	CountryPlace Manufactured Housing Contract Trust 2005–1, 4.800%, 12–15–35 (A)(B)	245	179
9.000%, 6–15–25	60	60	CWHEQ Home Equity Loan Trust, Series 2006-S3, 6.518%, 1–25–29 (B)	185	51
7.950%, 8–15–25	22	22	Flagstar Home Equity Loan Trust 2007–1, 5.997%, 1–25–35 (B)(C)	125	32
Origen Manufactured Housing Contract Trust 2004-A, 5.700%, 1–15–35	200	182	Global Mortgage Securitization 2005-A Ltd. and Global Mortgage Securitization 2005-A LLC: 5.250%, 4–25–32	72	52
Origen Manufactured Housing Contract Trust 2004-B, 4.750%, 8–15–21	191	190	5.409%, 4–25–32 (B)	105	57
Origen Manufactured Housing Contract Trust 2005-B: 5.605%, 5–15–22	35	34	Global Mortgage Securitization Ltd. and Global Mortgage Securitization, LLC, 5.250%, 11–25–32 (A)	136	99
5.910%, 1–15–37	100	89	Hometown Commercial Capital, LLC Hometown Commercial Mortgage Pass-Through Notes 2006–1, 5.506%, 11–11–38 (A)	182	81
Vanderbilt Mortgage & Finance, Inc., Manufactured Housing Contract Senior/ Subordinate Pass-Through Certificates, Series 1999A, Class I A–5, 6.555%, 3–7–23	184	187	J.P. Morgan Mortgage Trust 2006-A2, 3.445%, 11–25–33 (B)	51	31
		848	J.P. Morgan Mortgage Trust 2006-S3, 6.187%, 8–25–36	373	13
Other Mortgage-Backed Securities – 8.46%			J.P. Morgan Mortgage Trust 2007-A1, 4.475%, 7–25–35 (B)	292	16
ABFS Mortgage Loan Trust 2001–2, 7.490%, 12–25–31 (B)	157	64	LB-UBS Commercial Mortgage Trust 2003-C3, 4.846%, 2–15–37 (B)(C)	100	57
ABN AMRO Mortgage Corporation, Series 2003–2, 5.329%, 3–25–18 (B)	70	48	LB-UBS Westfield Trust, Commercial Mortgage Pass-Through Certificates, Series 2001-WM, 6.647%, 7–14–16 (C)	250	257
Banc of America Alternative Loan Trust 2005–10, 5.662%, 11–25–35 (B)	115	5	Lehman ABS Manufactured Housing Contract Trust 2001-B, 3.010%, 3–15–10	89	76
Banc of America Alternative Loan Trust 2005–12, 5.801%, 1–25–36 (B)	160	6	Mid-State Capital Corporation 2004–1 Trust, 6.005%, 8–15–37	107	101
Banc of America Alternative Loan Trust 2005–6, 6.000%, 7–25–35	273	152	Morgan Stanley Capital I Trust 2004-TOP15, 4.690%, 6–13–41	95	96
Banc of America Alternative Loan Trust 2005–8: 5.562%, 9–25–35 (B)	196	21	Nomura Asset Securities Corporation, Commercial Mortgage Pass-Through Certificates, Series 1998-D6, 6.000%, 3–15–30 (C)	200	167
5.562%, 9–25–35 (B)	41	1	PHH Alternative Mortgage Trust, Series 2007–1, Class II-B–2, 6.000%, 2–25–37	97	6
Banc of America Alternative Loan Trust 2006–4: 6.210%, 5–25–46 (B)	61	11	RALI Series 2003-QS11 Trust, 5.750%, 6–25–33	191	114
6.210%, 5–25–46 (B)	81	3	RAMP Series 2005-RS1 Trust, 5.145%, 1–25–35 (B)	212	46
Banc of America Funding 2004–2 Trust, 6.500%, 7–20–32	128	103	RASC Series 2003-KS10 Trust, 6.410%, 12–25–33	23	5
Banc of America Mortgage Trust 2004–3, 4.875%, 4–25–19	65	40	RESI Finance Limited Partnership 2003-C and RESI Finance DE Corporation 2003-C, 1.631%, 9–10–35 (A)(B)	102	66
Banc of America Structured Securities Trust 2002-X1 F, 6.274%, 10–11–33 (A)	250	249	RFMSI Series 2004-S5 Trust, 4.500%, 5–25–19	66	51
BankAmerica Manufactured Housing Contract Trust, 7.015%, 1–10–28	23	23			
Bear Stearns Commercial Mortgage Securities Inc., Series 2000-WF1 Trust Fund, 6.500%, 2–15–32	150	130			
C-Bass 2005-CB3 Trust, 5.109%, 5–25–35 (B)	45	45			
C-Bass 2006-CB2 Trust, 5.860%, 12–25–36	285	90			
C-Bass 2006-MH1 Trust, 5.970%, 10–25–36 (B)(C)	133	135			

SCHEDULE OF INVESTMENTS

Mortgage Securities *(in thousands)*

DECEMBER 31, 2009

CORPORATE DEBT SECURITIES (Continued)	Principal	Value
Other Mortgage-Backed Securities (Continued)		
Structured Asset Securities Corporation:		
6.290%, 11-25-32 (B)	\$ 23	\$ 7
5.250%, 8-25-33	117	71
6.000%, 6-25-34 (B)	184	69
		3,121
Other Non-Agency REMIC/CMO – 0.07%		
Structured Adjustable Rate Mortgage Loan Trust, Series 2005-21,		
5.400%, 11-25-35 (B)	144	26
		26
TOTAL CORPORATE DEBT SECURITIES – 10.91%		\$ 4,026

(Cost: \$7,078)

UNITED STATES GOVERNMENT AGENCY OBLIGATIONS

Agency Obligations – 0.58%

Federal National Mortgage Association, 3.875%, 7-12-13	200	213
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Mortgage-Backed Obligations – 80.35%

Federal Home Loan Mortgage Corporation Fixed Rate Participation Certificates:		
5.000%, 5-1-18	179	189
5.500%, 6-1-19	112	119
6.000%, 9-1-22	378	404
5.000%, 4-1-23	449	470
5.300%, 1-15-33	228	237
6.000%, 10-1-33	377	407
5.500%, 1-1-35 TBA	2,040	2,138
5.500%, 2-1-35	138	146
5.500%, 2-1-35	69	73
5.000%, 8-1-35	271	278
5.000%, 11-1-35	436	448
5.000%, 12-1-35 TBA	740	759
6.000%, 1-1-36 TBA	960	1,018
6.500%, 7-1-36	396	424
5.500%, 6-1-37	1,296	1,359
6.500%, 9-1-37	466	499
7.000%, 12-1-37	55	60
4.500%, 1-1-38 TBA	95	95
Federal National Mortgage Association:		
5.500%, 2-1-35	496	522
5.000%, 4-1-35	485	500
Federal National Mortgage Association Fixed Rate Pass-Through Certificates:		
5.500%, 3-1-18	104	111
5.000%, 10-1-18	92	97
5.500%, 9-1-19	61	66
4.500%, 1-1-20 TBA	1,045	1,075
7.000%, 11-1-32	85	95
6.000%, 6-1-33	286	306
6.000%, 12-1-33	186	200
5.500%, 1-1-34	105	110
5.500%, 1-1-34	105	110
5.000%, 2-1-34	240	247
5.500%, 2-1-34	438	460
5.500%, 2-1-34	273	287
5.000%, 3-1-34	464	478
6.000%, 4-1-34	128	136
5.500%, 9-1-34	63	67
6.500%, 9-1-34	43	46

UNITED STATES GOVERNMENT AGENCY OBLIGATIONS (Continued)	Principal	Value
Mortgage-Backed Obligations (Continued)		
Federal Home Loan Mortgage Corporation Fixed Rate Participation Certificates: (Continued)		
5.500%, 11-1-34	\$ 170	\$ 180
6.000%, 11-1-34	50	54
6.500%, 11-1-34	123	133
6.500%, 11-1-34	84	90
6.000%, 12-1-34	290	310
4.500%, 1-1-35 TBA	500	499
5.500%, 2-1-35	388	411
6.500%, 3-1-35	82	88
6.000%, 4-1-35	363	388
6.000%, 6-1-35	289	308
5.000%, 7-1-35	398	409
5.000%, 7-1-35	296	305
5.000%, 7-1-35	60	62
5.500%, 7-1-35	128	135
5.500%, 8-1-35	73	77
5.500%, 10-1-35	405	430
5.500%, 10-1-35	117	125
6.000%, 10-1-35	481	512
5.500%, 11-1-35	439	461
6.000%, 1-1-36	767	816
5.000%, 2-1-36	373	384
6.500%, 2-1-36	68	73
6.500%, 6-1-36	116	124
5.500%, 9-1-36	491	516
5.500%, 11-1-36	909	954
6.000%, 11-1-36	461	490
6.500%, 11-1-36	172	185
5.000%, 1-1-37 TBA	1,595	1,637
6.000%, 2-1-37	697	740
6.500%, 8-1-37	240	257
6.000%, 9-1-37	117	124
6.500%, 9-1-37	213	227
6.000%, 12-1-37	467	495
5.500%, 5-1-38	827	867
6.000%, 7-1-38	152	161
Government National Mortgage Association Agency REMIC/CMO (Interest Only), (D) 0.862%, 6-17-45 (B)		
	1,299	47
Government National Mortgage Association Fixed Rate Pass-Through Certificates:		
6.250%, 7-15-24	58	62
5.500%, 12-15-34	214	225
5.000%, 1-1-35 TBA	500	514
5.500%, 1-1-35 TBA	195	204
5.500%, 7-15-38	127	133
5.500%, 10-15-38	97	101
5.000%, 7-20-39	1,274	1,312
		29,661
Non-Agency REMIC/CMO – 1.42%		
Government National Mortgage Association Non-Agency REMIC/CMO, 5.008%, 12-16-25 (B)		
	500	524
		524
TOTAL UNITED STATES GOVERNMENT AGENCY OBLIGATIONS – 82.35%		\$ 30,398

(Cost: \$29,905)

SCHEDULE OF INVESTMENTS

Mortgage Securities *(in thousands)*

DECEMBER 31, 2009

SHORT-TERM SECURITIES	Principal	Value
Commercial Paper (E) – 27.36%		
CVS Caremark Corporation, 0.230%, 1–13–10	\$ 1,500	\$ 1,500
Heinz (H.J.) Finance Co. (Heinz (H.J.) Co.), 0.290%, 1–21–10	1,800	1,800
ITT Corporation, 0.090%, 1–4–10	2,098	2,097
Kitty Hawk Funding Corp., 0.140%, 1–6–10	1,800	1,800
Straight-A Funding, LLC (Federal Financing Bank), 0.120%, 1–5–10	1,600	1,600
Wisconsin Electric Power Co., 0.110%, 1–4–10	1,300	1,300
		10,097
Master Note – 1.96%		
Toyota Motor Credit Corporation, 0.117%, 1–1–10 (G)	724	724
		724
TOTAL SHORT-TERM SECURITIES – 29.32%		\$ 10,821
(Cost: \$10,821)		
TOTAL INVESTMENT SECURITIES – 122.58%		\$ 45,245
(Cost: \$47,804)		
LIABILITIES, NET OF CASH AND OTHER ASSETS – (22.58%)		(8,336)
NET ASSETS – 100.00%		\$ 36,909

The following acronyms are used throughout this schedule:

CMO = Collateralized Mortgage Obligation
 REMIC = Real Estate Mortgage Investment Conduit
 TBA = To Be Announced

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

Cost	\$47,845
Gross unrealized appreciation	554
Gross unrealized depreciation	(3,154)
Net unrealized depreciation	\$ (2,600)

Industry classifications are unaudited.

Notes to Schedule of Investments

- (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 December 31, 2009, the total value of these securities amounted to \$705 or 1.91% of net assets.
- (B) Variable rate security. Interest rate disclosed is that which is in effect at December 31, 2009.
- (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 December 31, 2009, the total value of these securities amounted to \$653 or 1.77% of net assets.
- (D) Amount shown in principal column represents notional amount for computation of interest.
- (E) Rate shown is the yield to maturity at December 31, 2009.
- (F) Non-income producing as the issuer has either missed its most recent interest payment or declared bankruptcy.
- (G) Variable rate security. Interest rate disclosed is that which is in effect at December 31, 2009. Date shown represents reset date.

See Accompanying Notes to Financial Statements.



Joseph R. Betlej



Lowell R. Bolken

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

Below, Joseph R. Betlej, CFA, and Lowell R. Bolken, CFA, portfolio managers of Ivy Funds VIP Real Estate Securities, discuss positioning, performance and results for the fiscal year ended December 31, 2009. Mr. Betlej has managed the Portfolio since its inception in 2004 and has 25 years of industry experience, while Mr. Bolken has managed the Portfolio for four years and has 20 years of industry experience.

Fiscal year performance

For the 12 Months Ended December 31, 2009

Ivy Funds VIP Real Estate Securities	23.62%
Benchmark(s)/Lipper Category	
Wilshire Real Estate Securities Index (generally reflects stocks of commercial real estate companies)	29.21%
Lipper Variable Annuity Real Estate Funds Universe Average (generally reflects the performance of the universe of funds with similar investment objectives)	31.44%

Please note that the Portfolio returns include applicable investment fees and expenses, whereas the index returns do not include any such fees. Also, the Portfolio's performance data does not take into account any product expenses or charges associated with owning a variable life or annuity policy, which is invested in Ivy Funds Variable Insurance Portfolio.

A volatile, evolving year

The performance of real estate investment trusts (REITs) was quite volatile during the past year. Performance of the index through the early part of March was dismal. Fundamentals were in the early stages of decline. Cost of capital increased substantially for REITs as the cost of debt skyrocketed, if you could find it. Many REITs cut back or suspended their dividends in order to hoard cash. In light of all this, the Portfolio was defensively positioned and had higher than normal cash levels, allowing it to generate better relative performance during the early part of the year.

As the second quarter of 2009 evolved, many REITs realized they had to deal with the unfortunate position of being over-leveraged and facing near-term maturities of debt. As such, many companies began to issue equity at very dilutive prices. This, however, allowed these entities to put aside the refinancing issues and better position themselves to take advantage of opportunities that might be created due to the dislocation in the financial markets. Investors began to recognize that the move to raise equity better positioned REITs and removed much of the near-term pressure on these stocks. With the continued issuance of equity, the benchmark index rebounded considerably by midyear, marking the beginning of another significant upward move that was largely driven by a rebirth of interest in mortgage financing for commercial real estate. The rebound in availability of capital allowed the lesser-quality companies to outperform. The Portfolio's weighting in higher quality names – coupled with

more defensive positioning – did not allow it to participate to the same degree in the very impressive rebound in REIT share pricing.

Hotel REITs and regional mall companies led performance for the year, as both sectors started the year with very low expectations. The Portfolio's performance suffered with an underweight to both property types, though non-benchmark tower companies and real estate brokers positively impacted Portfolio performance. The worst performers were clearly the shopping center retail companies, largely due to their large development pipelines, excessive leverage and poor fundamental outlook. Fortunately, the Portfolio was underweight shopping centers. Above-average cash levels in the Portfolio also diminished returns as the market rallied substantially after March of this year.

REITs well positioned for future growth

As the year wore on, the market clearly regarded REITs as the favored way to own commercial real estate in today's market. The liquidity of REITs during this downturn has been magnified versus illiquid private options. REITs have used their improved balance sheets and liquidity to lease more aggressively, resulting in more stable cash flow. With the relative balance sheet strength, we believe REITs are positioned to take advantage of attractive acquisition opportunities that we feel should be available as the significant mortgage debt coming due in the next few years forces assets onto the market.

REIT stock prices suggest to us that the companies are now trading modestly above the underlying value of assets, helping to confirm the status of the REIT business model. We believe that REITs should trade at above the value of their assets due to their liquidity, company management teams and systems, all of which are part of the value proposition. Additionally, REITs are trading at cash flow multiples that are above historic averages, although this is typical of markets as they trade on trough earnings.

Contrary to the positive move in valuations, the fundamental earnings drivers of market occupancy and rental rate declined through the year. We believe that it will likely be late in 2010 or early 2011 before these fundamentals begin to turn as real estate tends to be a trailing segment in the economy. Meanwhile, early signs indicate that the economy, in general, is improving. These signs will need to be well recognized by employers before they begin to seek new offices for their employees or retail space and

warehouses for their goods. Seeing weakness in near-term fundamentals, we applauded the companies that have been aggressive in leasing their portfolios, extending lease terms in an effort to stabilize earnings through a tough operating environment, and “right sizing” expenses to the new operating environment. REITs benefit from scale and stronger balance sheets to bring out these efficiencies and market share gains.

Early in the year, the Portfolio was positioned defensively, favoring health care and net lease companies. As availability of capital to the real estate sector improved in the second half of the year, we began to seek companies with balance sheet issues that could be corrected. Equity raises, asset sales and joint ventures were among opportunities used by some of these companies to create cash to pay down debt and, in particular, short-term maturities. The result has been a better foundation to operate their assets in the future. To this end, we added exposure to companies that we feel have the potential for acquisitions that are accretive to their cost of capital. Nonetheless, concerns about the timing of a rebound in real estate fundamentals had us remaining cautious, continuing our solid exposure to high-quality companies with more predictable cash flow. Unfortunately, it was the poorest quality stocks that had very strong outperformance in the second half of the year, impacting the Portfolio’s performance negatively.

Our outlook

As REITs pivoted from capital starvation during 2009 to relative balance sheet stability, their share prices rebounded. Fundamentals likely will continue to weaken through 2010, but the market has already begun to focus on a 2011 fundamental rebound. The best opportunities may be with the best operators who can run their operating expenses efficiently while seeking to optimize Portfolio occupancy. In our opinion, these companies with higher cash flow stability will likely be favored by investors. Investment portfolios with broader mandates that are underweight to REITs may begin to accumulate some of the higher quality, bellwether names. As REIT stocks trade at higher levels, acquisition and merger opportunities may be found for companies or properties that are inadequately capitalized.

REITs have established themselves as the preferred way to own real estate, and they have survived a major test to their capital structure. Many are well-positioned to go on the offensive when a large number of undercapitalized and foreclosed properties are forced onto the market. The REIT model has benefited from scale opportunities and should, in our opinion, generate substantial cash flow growth once the economy picks up and real estate revenue growth gains traction. We expect REITs to increase their dividends once cash flow begins to grow, bringing further investor attraction to these companies.

Despite the competitive advantage, cost of capital to REITs may increase with rising interest rates and may face growing pressure as government deficit-related borrowing grows. In addition, state and local government budgets will be under significant pressures in 2010. Commercial real estate could become a source to cover these deficits through property tax and fee increases, reducing the profitability of a real estate venture. Pressures remain on a sector that potentially has strong prospects.

As with any mutual fund, the value of the Portfolio’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 Portfolio’s net asset value may fall as interest rates rise. These and other risks are more fully described in the Portfolio’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.

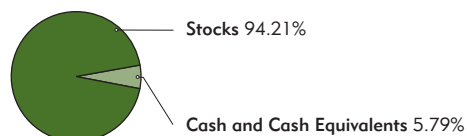
The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of Ivy Funds VIP Real Estate Securities.

PORTFOLIO HIGHLIGHTS

Real Estate Securities

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

Asset Allocation



Stocks	94.21%
Financials	91.14%
Consumer Discretionary	1.41%
Health Care	1.01%
Telecommunication Services	0.65%
Cash and Cash Equivalents	5.79%

Top 10 Equity Holdings

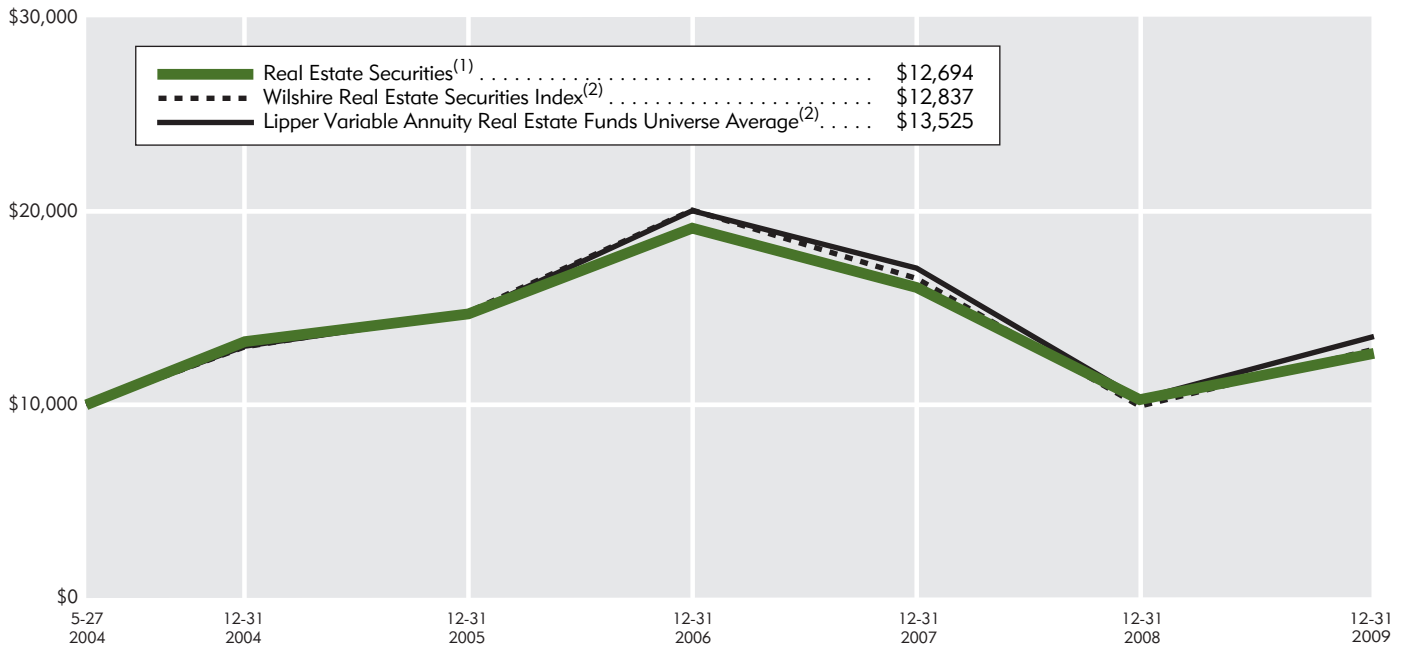
Company	Sector	Industry
Simon Property Group, Inc.	Financials	Retail REITs
Health Care Property Investors, Inc.	Financials	Specialized REITs
Vornado Realty Trust	Financials	Diversified REITs
Boston Properties, Inc.	Financials	Office REITs
Public Storage, Inc.	Financials	Specialized REITs
Equity Residential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

See your advisor for more information on the Portfolio's most recently published Top 10 Equity Holdings.

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

Real Estate Securities

(UNAUDITED)



(1) The value of the investment in the Portfolio is impacted by the ongoing expenses of the Portfolio and assumes reinvestment of dividends and distributions.
 (2) Because the Portfolio 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, 2004.

Average Annual Total Return ⁽³⁾	
1-year period ended 12-31-09	23.62%
5-year period ended 12-31-09	-0.88%
10-year period ended 12-31-09	—
Since inception of Portfolio ⁽⁴⁾ through 12-31-09	4.35%

(3) Data quoted is past performance and 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 call 1.888.WADDELL for the Portfolio's most recent month-end performance. Performance data quoted does not reflect any expenses or charges associated with owning a variable life insurance policy or variable annuity contract that invests in the Portfolio's shares. When such charges are deducted, actual investment performance in a variable policy or contract will be lower.

(4) 5-27-04 (the date on which shares were first acquired by shareholders).

Past performance is not necessarily indicative of future performance. Indexes are unmanaged.

SCHEDULE OF INVESTMENTS

Real Estate Securities *(in thousands)*

DECEMBER 31, 2009

COMMON STOCKS	Shares	Value	COMMON STOCKS (Continued)	Shares	Value
Diversified REITs – 8.68%			Retail REITs – 21.80%		
Colonial Properties Trust	14	\$ 160	Acadia Realty Trust	23	\$ 380
Colony Financial, Inc.	10	204	CBL & Associates Properties, Inc.	47	450
Liberty Property Trust	18	586	Federal Realty Investment Trust	8	542
Vornado Realty Trust	21	1,481	Kimco Realty Corporation	58	786
Washington Real Estate Investment Trust	18	485	Macerich Company (The)	19	669
		<u>2,916</u>	National Retail Properties, Inc.	16	329
Health Care Facilities – 1.02%			Regency Centers Corporation	14	505
Brookdale Senior Living, Inc. (A)	19	341	Simon Property Group, Inc.	41	3,266
		<u>341</u>	Tanger Factory Outlet Centers, Inc.	5	178
Hotels, Resorts & Cruise Lines – 1.41%			Taubman Centers, Inc.	6	219
Gaylord Entertainment Company (A)	6	115			<u>7,324</u>
Marriott International, Inc., Class A	7	202	Specialized REITs – 20.08%		
Starwood Hotels & Resorts Worldwide, Inc.	4	157	DiamondRock Hospitality Company	21	181
		<u>474</u>	Extra Space Storage Inc.	3	36
Industrial REITs – 4.74%			Health Care Property Investors, Inc.	49	1,492
AMB Property Corporation	19	488	Health Care REIT, Inc.	17	736
EastGroup Properties, Inc.	12	444	Host Hotels & Resorts, Inc.	105	1,221
First Potomac Realty Trust	7	92	Nationwide Health Properties, Inc.	17	609
ProLogis	41	567	Public Storage, Inc.	17	1,377
		<u>1,591</u>	Ventas, Inc.	25	1,089
Mortgage REITs – 1.03%					<u>6,741</u>
Starwood Property Trust, Inc.	18	346	Wireless Telecommunication Service – 0.65%		
		<u>346</u>	American Tower Corporation, Class A (A)	2	65
Office REITs – 20.31%			Crown Castle International Corp. (A)	4	152
Alexandria Real Estate Equities, Inc.	5	321			<u>217</u>
BioMed Realty Trust, Inc.	30	480	TOTAL COMMON STOCKS – 94.21%		
Boston Properties, Inc.	22	1,470			\$31,632
Brandywine Realty Trust	46	526	(Cost: \$33,144)		
Corporate Office Properties Trust	14	502	SHORT-TERM SECURITIES – 3.86%		
Digital Realty Trust, Inc.	22	1,081	Master Note		
Douglas Emmett, Inc.	45	637	Toyota Motor Credit Corporation,		
Duke Realty Corporation	29	350	0.117%, 1–1–10 (B)		
Franklin Street Properties Corp.	9	127	\$ 1,296		<u>\$ 1,296</u>
Highwoods Properties, Inc.	11	380	(Cost: \$1,296)		
Mack-Cali Realty Corporation	15	532	TOTAL INVESTMENT SECURITIES – 98.07%		
SL Green Realty Corp.	8	412			\$32,928
		<u>6,818</u>	(Cost: \$34,440)		
Real Estate Management & Development – 1.80%			CASH AND OTHER ASSETS, NET OF LIABILITIES – 1.93%		
Brookfield Properties Corporation	40	484			649
CB Richard Ellis Group, Inc., Class A (A)	9	119	NET ASSETS – 100.00%		
		<u>603</u>			\$33,577
Real Estate Operating Companies – 0.37%			Notes to Schedule of Investments		
Forest City Enterprises, Inc., Class A (A)	11	124	(A) No dividends were paid during the preceding 12 months.		
		<u>124</u>	(B) Variable rate security. Interest rate disclosed is that which is in effect at December 31, 2009. Date shown represents reset date.		
Residential REITs – 12.32%			The following acronym is used throughout this schedule: REIT = Real Estate Investment Trust		
Associated Estates Realty Corporation	3	38	For Federal income tax purposes, cost of investments owned at December 31, 2009 and the related unrealized appreciation (depreciation) were as follows:		
AvalonBay Communities, Inc.	10	810	Cost		<u>\$34,998</u>
BRE Properties, Inc., Class A	8	268	Gross unrealized appreciation		1,930
Camden Property Trust	8	339	Gross unrealized depreciation		(4,000)
Equity Lifestyle Properties, Inc.	2	81	Net unrealized depreciation		<u>\$ (2,070)</u>
Equity Residential	37	1,244	Industry classifications are unaudited.		
Essex Property Trust, Inc.	7	567			
Home Properties, Inc.	10	491			
Mid-America Apartment Communities, Inc.	6	299			
		<u>4,137</u>			

See Accompanying Notes to Financial Statements.



Zachary H. Shafran

Below, Zachary H. Shafran, portfolio manager of Ivy Funds VIP Science and Technology, discusses positioning, performance and results for the fiscal year ended December 31, 2009. He has managed the Portfolio for nine years and has 21 years of industry experience.

Fiscal year performance

For the 12 Months Ended December 31, 2009

Ivy Funds VIP Science and Technology	43.84%
Benchmark(s)/Lipper Category	
S&P North American Technology Sector Index (generally reflects the performance of U.S. science and technology stocks)	63.21%
Lipper Variable Annuity Science & Technology Funds Universe Average (generally reflects the performance of the universe of funds with similar investment objectives)	56.96%

Please note that the Portfolio returns include applicable investment fees and expenses, whereas the index returns do not include any such fees. Also, the Portfolio's performance data does not take into account any product expenses or charges associated with owning a variable life or annuity policy, which is invested in Ivy Funds Variable Insurance Portfolios.

Conservative posture, a low-quality rally

Although the Portfolio produced a solid absolute return and performed strongly relative to the broader equity market, results trailed those of our benchmark index. Three factors drove this relative underperformance. First, we entered the period conservatively positioned, both in our investment selections as well as our higher-than-normal cash reserves, and we remained in that position for too long. Second, we underestimated the very aggressive response so many companies took in reducing costs and expenses, particularly semiconductor companies. Finally, our bias toward high-quality companies worked against us, as lower-quality securities fueled much of the 2009 rally.

Due to the broader view that we employ in seeking to identify what we feel are compelling investment opportunities around the globe, we were affected by several other factors. Until quite late in the calendar year, health care stocks underperformed, in some cases quite significantly. This was largely due to the threat of potentially significant changes in the health care reform and the battle being waged in Congress. It became increasingly likely in the final weeks of the year that legislation, were it to be enacted in the near-term, would likely be much less onerous than initially feared. Some lingering issues related to reimbursement and other more company-specific issues also negatively impacted a portion of the Portfolio invested in biotechnology.

Tactical shifts

As we mentioned earlier, and something we have been suggesting for several years, we significantly increased our exposure to the biotechnology sector. We did so earlier in the year due to a number of clinical developments and increased our exposure yet again later in the year as the market made some previously overvalued stocks outright cheap in our view. It is also worth noting that, with respect to geographical exposure, the Portfolio is currently more globally diversified than it has ever been, as we have expanded our reach into Asia Pacific, South America and several less-developed markets around the globe.

Seeking companies with staying power

Our strategy continues unchanged as we enter 2010. We are adhering to our long-held approach and methodology in seeking to identify what we feel are compelling investment opportunities around the globe that meet our investment criteria. We do this by applying a largely bottom-up, fundamentally driven research process with an overarching top-down perspective. We are looking to sectors and companies that we think will be relatively better prepared to weather a difficult economic environment – companies that appear to be more attractively valued and whose businesses we believe are stable and are largely self sufficient when it comes to the need for capital.

As for our global outlook, we remain mostly optimistic, despite some lingering concerns about the financial state of affairs in several pockets of the world. We're also concerned about potential geopolitical disruptions, most specifically the threat of terrorism in whatever form or forms it may materialize. We believe that the tremendous opportunities in science and technology remain as great as we have seen in several years, and we look forward to the ongoing innovation and discovery that characterize these two dynamic areas.

As with any mutual fund, the value of the Portfolio'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 Portfolio'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.

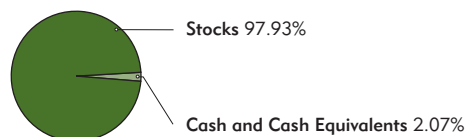
The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of Ivy Funds VIP Science and Technology.

PORTFOLIO HIGHLIGHTS

Science and Technology

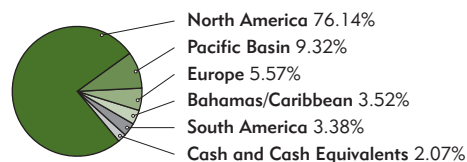
ALL DATA IS AS OF DECEMBER 31, 2009 (UNAUDITED)

Asset Allocation



Stocks	97.93%
Information Technology	62.62%
Health Care	14.18%
Consumer Staples	6.91%
Industrials	6.11%
Materials	3.42%
Telecommunication Services	2.58%
Financials	1.08%
Energy	0.53%
Consumer Discretionary	0.50%
Cash and Cash Equivalents	2.07%

Country Weightings



North America	76.14%
United States	72.20%
Canada	3.94%
Pacific Basin	9.32%
Europe	5.57%
Spain	4.64%
Other Europe	0.93%
Bahamas/Caribbean	3.52%
Bermuda	3.52%
South America	3.38%
Cash and Cash Equivalents	2.07%

Top 10 Equity Holdings

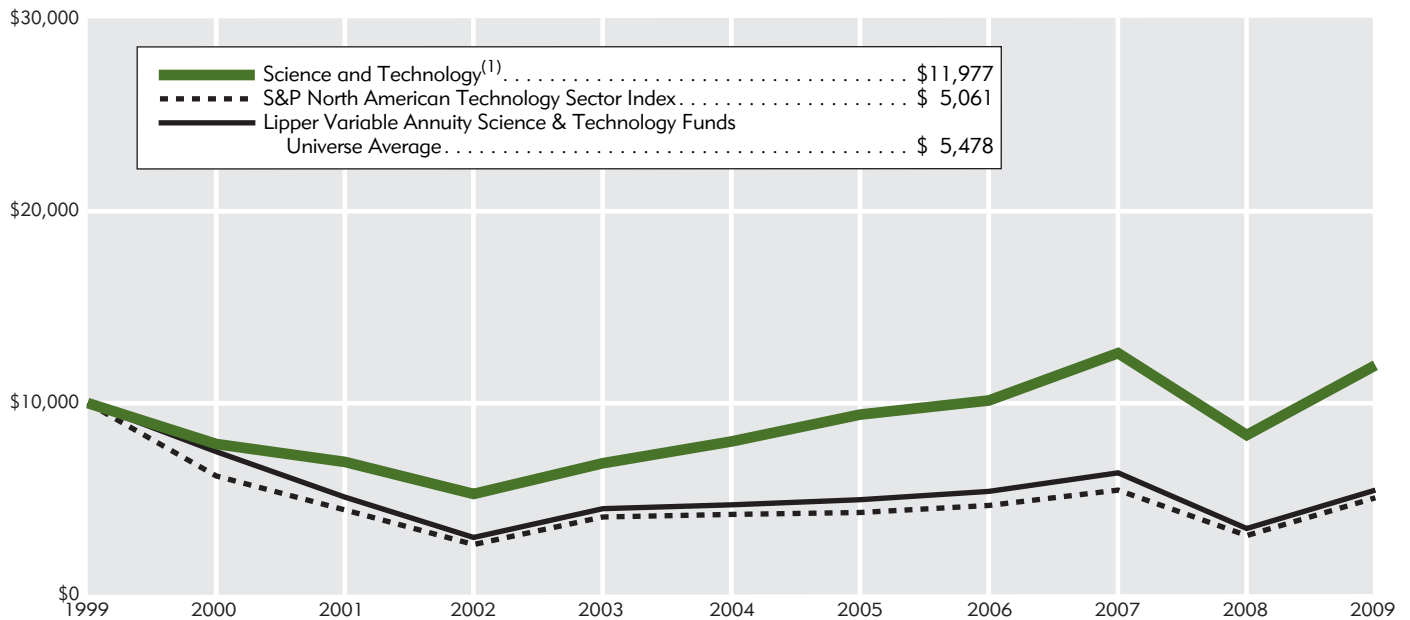
Company	Sector	Industry
Cree, Inc.	Information Technology	Semiconductors
Microsoft Corporation	Information Technology	Systems Software
Alliance Data Systems Corporation	Information Technology	Data Processing & Outsourced Services
Telvent GIT, S.A.	Information Technology	IT Consulting & Other Services
Research In Motion Limited	Information Technology	Communications Equipment
Aspen Technology, Inc.	Information Technology	Application Software
Vertex Pharmaceuticals Incorporated	Health Care	Biotechnology
Bunge Limited	Consumer Staples	Agricultural Products
Archer Daniels Midland Company	Consumer Staples	Agricultural Products
Samsung Electronics Co., Ltd.	Information Technology	Semiconductors

See your advisor for more information on the Portfolio's most recently published Top 10 Equity Holdings.

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

Science and Technology

(UNAUDITED)



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

Average Annual Total Return ⁽²⁾	
1-year period ended 12-31-09	43.84%
5-year period ended 12-31-09	8.39%
10-year period ended 12-31-09	1.82%

(2) Data quoted is past performance and 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 call 1.888.WADDELL for the Portfolio's most recent month-end performance. Performance data quoted does not reflect any expenses or charges associated with owning a variable life insurance policy or variable annuity contract that invests in the Portfolio's shares. When such charges are deducted, actual investment performance in a variable policy or contract will be lower.

Past performance is not necessarily indicative of future performance. Indexes are unmanaged.

SCHEDULE OF INVESTMENTS

Science and Technology *(in thousands)*

DECEMBER 31, 2009

COMMON STOCKS	Shares	Value	COMMON STOCKS (Continued)	Shares	Value
Agricultural Products – 6.91%			Health Care Distributors – 1.01%		
Archer Daniels Midland Company	343	\$ 10,736	Animal Health International, Inc. (A)	359	\$ 861
Bunge Limited	174	11,107	McKesson Corporation	38	2,344
		<u>21,843</u>			<u>3,205</u>
Application Software – 9.69%			Health Care Equipment – 1.37%		
ACI Worldwide, Inc. (A)	522	8,951	Varian Medical Systems, Inc. (A)	93	4,348
Aspen Technology, Inc. (A)	1,251	12,256			
i2 Technologies, Inc. (A)	46	881	Health Care Facilities – 2.08%		
Lawson Software, Inc. (A)	1,286	8,549	HealthSouth Corporation (A)	307	5,764
		<u>30,637</u>	LifePoint Hospitals, Inc. (A)	25	819
Biotechnology – 9.13%					<u>6,583</u>
Amgen Inc. (A)	132	7,479	Health Care Services – 0.59%		
Genzyme Corporation (A)	167	8,194	Fleury S.A. (A)(B)(C)	131	1,381
Isis Pharmaceuticals, Inc. (A)	155	1,724	Fleury S.A. (A)(B)	46	482
Vertex Pharmaceuticals Incorporated (A)	267	11,445			<u>1,863</u>
		<u>28,842</u>	Home Entertainment Software – 2.86%		
Communications Equipment – 4.87%			Activision Blizzard, Inc. (A)	200	2,222
Alcatel, ADR	888	2,949	Nintendo Co., Ltd. (B)	29	6,831
Research In Motion Limited (A)	185	12,461			<u>9,053</u>
		<u>15,410</u>	Industrial Machinery – 3.67%		
Computer Hardware – 2.57%			ESCO Technologies Inc.	247	8,869
Apple Inc. (A)	23	4,765	Pentair, Inc.	84	2,710
High Tech Computer Corp. (B)	292	3,350			<u>11,579</u>
		<u>8,115</u>	Integrated Telecommunication Services – 1.22%		
Consumer Electronics – 0.50%			CenturyTel, Inc.	106	3,853
Garmin Ltd.	51	1,572			
			Internet Software & Services – 1.27%		
Data Processing & Outsourced Services – 11.36%			SAVVIS, Inc. (A)	287	4,031
Alliance Data Systems Corporation (A)	249	16,050	IT Consulting & Other Services – 4.64%		
Euronet Worldwide, Inc. (A)	364	7,989	Telvent GIT, S.A.	376	14,663
Lender Processing Services, Inc.	186	7,563			
Tivit Terceirizacao de Tecnologia e Servicos (B)	128	1,180	Life & Health Insurance – 1.08%		
Tivit Terceirizacao de Tecnologia e Servicos (B)(C)	296	2,722	Amil Participacoes S.A. (B)	436	3,429
WNS (Holdings) Limited, ADR (A)	28	424			
		<u>35,928</u>	Oil & Gas Equipment & Services – 0.53%		
Diversified Chemicals – 2.94%			ION Geophysical Corporation (A)	285	1,687
E.I. du Pont de Nemours and Company	128	4,306			
FMC Corporation	89	4,985	Research & Consulting Services – 0.28%		
		<u>9,291</u>	Mistras Group, Inc. (A)	60	896
Diversified Support Services – 0.98%					
EnerNOC, Inc. (A)	102	3,106	Semiconductor Equipment – 0.50%		
			Photronics, Inc. (A)	354	1,576
Electrical Components & Equipment – 1.18%			Semiconductors – 16.93%		
POWER-ONE, INC. (A)	860	3,740	Avago Technologies Limited (A)	196	3,593
			Cree, Inc. (A)	290	16,363
Electronic Equipment & Instruments – 2.78%			Inotera Memories, Inc. (B)	6,989	5,869
IPG Photonics Corporation (A)	85	1,415	Micron Technology, Inc. (A)	798	8,427
Itron, Inc. (A)	109	7,371	PMC-Sierra, Inc. (A)	557	4,824
		<u>8,786</u>	Samsung Electronics Co., Ltd. (B)	14	9,395
Fertilizers & Agricultural Chemicals – 0.48%			Texas Instruments Incorporated	196	5,103
Sociedad Quimica y Minera de Chile S.A., ADR	40	1,518			<u>53,574</u>

SCHEDULE OF INVESTMENTS

Science and Technology *(in thousands)*

DECEMBER 31, 2009

COMMON STOCKS (Continued)	Shares	Value
Systems Software – 5.15%		
Microsoft Corporation	534	\$ 16,279
Wireless Telecommunication Service – 1.36%		
Clearwire Corporation, Class A (A)	63	424
Sprint Nextel Corporation (A)	1,058	3,871
		4,295
TOTAL COMMON STOCKS – 97.93%		\$ 309,702
(Cost: \$279,286)		

SHORT-TERM SECURITIES	Principal	
Commercial Paper (D) – 2.67%		
ITT Corporation, 0.090%, 1–4–10	\$5,445	5,445
Walt Disney Company (The), 0.100%, 1–8–10	3,000	3,000
		8,445
Master Note – 0.59%		
Toyota Motor Credit Corporation, 0.117%, 1–1–10 (E)	1,865	1,865
TOTAL SHORT-TERM SECURITIES – 3.26%		\$ 10,310
(Cost: \$10,310)		
TOTAL INVESTMENT SECURITIES – 101.19%		\$ 320,012
(Cost: \$289,596)		

LIABILITIES, NET OF CASH AND OTHER ASSETS – (1.19%) (3,760)

NET ASSETS – 100.00% \$ 316,252

Notes to Schedule of Investments

- (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 December 31, 2009, the total value of these securities amounted to \$4,103 or 1.30% of net assets.
- (D) Rate shown is the yield to maturity at December 31, 2009.
- (E) Variable rate security. Interest rate disclosed is that which is in effect at December 31, 2009. Date shown represents reset date.

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

Notes to Schedule of Investments (Continued)

Country Diversification (as a % of net assets)

United States	72.20%
Spain	4.64%
Canada	3.94%
Bermuda	3.52%
South Korea	2.97%
Taiwan	2.92%
Brazil	2.90%
Japan	2.16%
Singapore	1.14%
France	0.93%
Chile	0.48%
India	0.13%
Other+	2.07%

+ Includes cash and cash equivalents and other assets and liabilities

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

Cost	\$ 289,972
Gross unrealized appreciation	61,480
Gross unrealized depreciation	(31,440)
Net unrealized appreciation	\$ 30,040

Industry and geographical classifications are unaudited.



Kenneth G. McQuade

Below, Kenneth G. McQuade, portfolio manager of Ivy Funds VIP Small Cap Growth, discusses positioning, performance and results for the fiscal year ended December 31, 2009. He has managed the Portfolio for four years and has 14 years of industry experience.

Fiscal year performance

For the 12 Months Ended December 31, 2009

Ivy Funds VIP Small Cap Growth:	34.72%
Benchmark(s)/Lipper Category	
Russell 2000 Growth Index:	34.45%
(generally reflects the performance of small company growth stocks)	
Lipper Variable Annuity Small Cap Growth Funds Universe Average:	35.67%
(generally reflects the performance of the universe of funds with similar investment objectives)	

Please note that the Portfolio returns include applicable investment fees and expenses, whereas the index returns do not include any such fees. Also, the Portfolio's performance data does not take into account any product expenses or charges associated with owning a variable life or annuity policy, which is invested in Ivy Funds Variable Insurance Portfolios.

A market comeback of historic proportions

This fiscal year ended December 31, 2009 was largely positive. The market began to recover in March and continued to climb in the second and third quarters as earnings reports improved and investor confidence revived. Positive momentum continued in the fourth quarter with the Russell 2000 Growth Index rising 4 percent, bringing the full year's gain to 34.4 percent, the biggest annual gain since 2003. These gains were accomplished with a market comeback of historic proportions lasting more than 3 quarters. Once the significant downturn exhausted in the first quarter, the subsequent upturn accumulated a return of approximately 80 percent (one of the market's strongest rebounds in history) with no setbacks lasting more than a few weeks. The Portfolio also produced a strong absolute return that was superior to the benchmark during the final quarter and slightly outperformed the benchmark for the year.

Extreme cost cutting, a general unclogging of the credit markets and huge government stimulus lie behind the stock market's impressive rise. Investor sentiment vastly improved tied to corporate earnings that generally beat expectations from expense management and on beliefs that U.S. policymakers were fully committed to backstop the financial markets and economy. Due to a sense of protection, investors once again attained a higher level of risk tolerance and appetite for less financially secure business models than we would have expected. As a result of this behavior, a low-quality rally endured, as investors seemingly ignored profitability levels to focus on stocks that simply dropped the most in the credit crisis. Therefore, the smallest of

the small, unprofitable and highest-in-debt stocks tended to significantly outperform for the year, in total.

Technology, energy were market leaders

From a sector standpoint, every industry sector produced double-digit gains for the year. Technology produced the strongest annual returns which benefited the Portfolio given our overweight of the sector. Also benefiting the Portfolio were underweight positions of the three worst performing sectors – financials, industrials and health care. Consumer discretionary retail names significantly outperformed on “less bad” sales and cost cutting. The Portfolio remained cautious on retail due to concerns about household de-levering and high unemployment.

Uncertainty lingers

Looking forward, the Federal government's massive liquidity programs have given investors a big confidence boost to the stock market, but controversy continues over whether these initiatives are sufficient for lasting recovery and economic expansion. Still bothersome to us is the potential residual effect of high unemployment on housing, incomes, consumption and debt reduction. Uncertainty over government policy and huge deficits are another major concern. With so much debt leverage in all parts of the economy, we feel it likely that companies will remain downsized and overall consumption could slow. Therefore, we believe companies that can earlier and more substantially produce quality revenue growth non-dependent of government stimulus spending should be able to separate themselves in the market. Thus, we remain committed to focusing on what we feel are higher quality growth stocks that we believe have a more structured and sustainable revenue and earnings stream and can grow organically with positive cash flows.

As with any mutual fund, the value of the Portfolio'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. These and other risks are more fully described in the Portfolio'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.

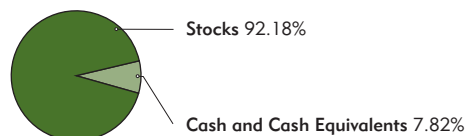
The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of Ivy Funds VIP Small Cap Growth.

PORTFOLIO HIGHLIGHTS

Small Cap Growth

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

Asset Allocation



Stocks	92.18%
Information Technology	29.93%
Consumer Discretionary	20.00%
Health Care	17.86%
Industrials	11.51%
Energy	5.08%
Consumer Staples	4.73%
Financials	3.07%
Cash and Cash Equivalents	7.82%

Top 10 Equity Holdings

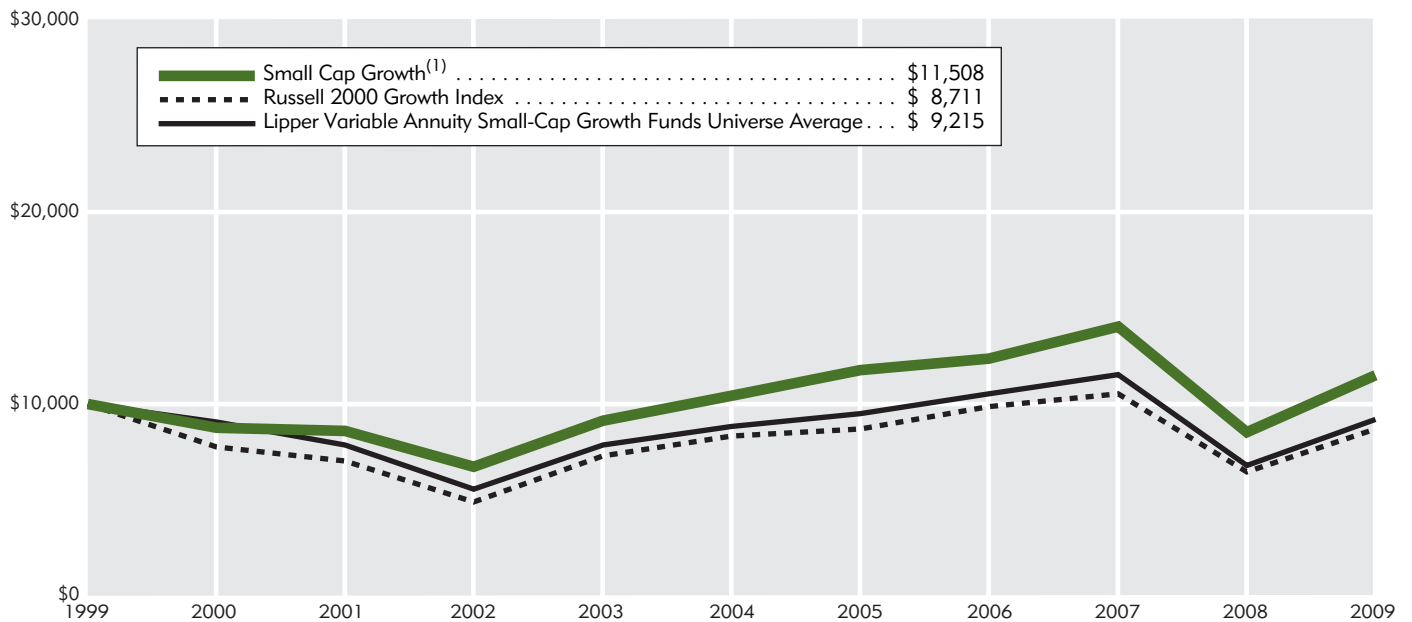
Company	Sector
MICROS Systems, Inc.	Information Technology
CommVault Systems, Inc.	Information Technology
Kansas City Southern	Industrials
Scientific Games Corporation, Class A	Consumer Discretionary
Capella Education Company	Consumer Discretionary
LKQ Corporation	Consumer Discretionary
Riverbed Technology, Inc.	Information Technology
DG FastChannel, Inc.	Consumer Discretionary
DTS, Inc.	Information Technology
American Public Education, Inc.	Consumer Discretionary

See your advisor for more information on the Portfolio's most recently published Top 10 Equity Holdings.

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

Small Cap Growth

(UNAUDITED)



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

Average Annual Total Return ⁽²⁾	
1-year period ended 12-31-09	34.72%
5-year period ended 12-31-09	1.98%
10-year period ended 12-31-09	1.41%

(2) Data quoted is past performance and 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 call 1.888.WADDELL for the Portfolio's most recent month-end performance. Performance data quoted does not reflect any expenses or charges associated with owning a variable life insurance policy or variable annuity contract that invests in the Portfolio's shares. When such charges are deducted, actual investment performance in a variable policy or contract will be lower.

Past performance is not necessarily indicative of future performance. Indexes are unmanaged.

SCHEDULE OF INVESTMENTS

Small Cap Growth *(in thousands)*

DECEMBER 31, 2009

COMMON STOCKS	Shares	Value	COMMON STOCKS (Continued)	Shares	Value
Apparel, Accessories & Luxury Goods – 1.40%			Health Care Technology – 4.77%		
Under Armour, Inc., Class A (A)	182	\$ 4,969	Allscripts Healthcare Solutions, Inc. (A)	251	\$ 5,074
			Omnicell, Inc. (A)	364	4,255
			Phase Forward Incorporated (A)	498	7,639
					<u>16,968</u>
Application Software – 6.47%			Home Entertainment Software – 0.75%		
Blackbaud, Inc.	413	9,754	Rosetta Stone Inc. (A)	149	2,667
Blackboard Inc. (A)	190	8,606			
FactSet Research Systems, Inc.	71	4,652			
		<u>23,012</u>			
Auto Parts & Equipment – 3.47%			Hotels, Resorts & Cruise Lines – 1.81%		
LKQ Corporation (A)	630	12,340	Gaylord Entertainment Company (A)	327	6,454
Broadcasting – 3.19%			Industrial Machinery – 1.00%		
DG FastChannel, Inc. (A)	406	11,340	Graco Inc.	125	3,574
Casinos & Gaming – 3.65%			Internet Software & Services – 6.49%		
Scientific Games Corporation, Class A (A)	892	12,980	Archipelago Learning, Inc. (A)	50	1,035
			Constant Contact, Inc. (A)	600	9,592
Communications Equipment – 4.60%			VistaPrint Limited (A)	102	5,801
Neutral Tandem, Inc. (A)	212	4,823	Vocus, Inc. (A)	371	6,674
Riverbed Technology, Inc. (A)	503	11,556			<u>23,102</u>
		<u>16,379</u>	Investment Banking & Brokerage – 1.57%		
Construction & Engineering – 3.22%			Evercore Partners Inc.	49	1,502
Chicago Bridge & Iron Company N.V.,			Greenhill & Co., Inc.	18	1,444
NY Shares	461	9,323	RiskMetrics Group, Inc. (A)	166	2,641
Insituform Technologies, Inc., Class A (A)	94	2,127			<u>5,587</u>
		<u>11,450</u>	Life Sciences Tools & Services – 0.56%		
Construction & Farm Machinery & Heavy Trucks – 2.15%			Illumina, Inc. (A)	65	1,977
Bucyrus International, Inc., Class A	72	4,064			
Westinghouse Air Brake			Oil & Gas Equipment & Services – 0.99%		
Technologies Corporation	88	3,598	Superior Energy Services, Inc. (A)	145	3,518
		<u>7,662</u>			
Consumer Finance – 1.50%			Oil & Gas Exploration & Production – 4.09%		
EZCORP, Inc., Class A (A)	311	5,349	Bill Barrett Corporation (A)	289	8,995
			Carrizo Oil & Gas, Inc. (A)	209	5,544
Education Services – 6.48%					<u>14,539</u>
American Public Education, Inc. (A)	299	10,263	Packaged Foods & Meats – 2.20%		
Capella Education Company (A)	170	12,793	Ralcorp Holdings, Inc. (A)	131	7,816
		<u>23,056</u>			
Electronic Components – 3.11%			Personal Products – 2.53%		
DTS, Inc. (A)	323	11,050	Alberto-Culver Company	307	9,001
Health Care Equipment – 7.37%			Railroads – 3.76%		
ABIOMED, Inc. (A)	530	4,635	Kansas City Southern (A)	401	13,343
Masimo Corporation (A)	89	2,707			
NuVasive, Inc. (A)	286	9,143	Systems Software – 8.51%		
Volcano Corporation (A)	560	9,735	CommVault Systems, Inc. (A)	623	14,754
		<u>26,220</u>	MICROS Systems, Inc. (A)	501	15,535
Health Care Services – 5.16%					<u>30,289</u>
athenahealth, Inc. (A)	135	6,094	Trucking – 1.38%		
Healthways, Inc. (A)	262	4,801	Knight Transportation, Inc.	254	4,896
HMS Holdings Corp. (A)	153	7,469			
		<u>18,364</u>	TOTAL COMMON STOCKS – 92.18%		\$327,902
			(Cost: \$311,342)		

SCHEDULE OF INVESTMENTS

Small Cap Growth *(in thousands)*

DECEMBER 31, 2009

SHORT-TERM SECURITIES	Principal	Value
Commercial Paper (B) – 7.26%		
CVS Caremark Corporation, 0.230%, 1–13–10	\$ 8,500	\$ 8,499
ITT Corporation, 0.090%, 1–4–10	4,090	4,090
Kitty Hawk Funding Corp., 0.170%, 1–19–10	2,000	2,000
Straight-A Funding, LLC (Federal Financing Bank), 0.130%, 1–22–10	7,241	7,240
Walt Disney Company (The), 0.100%, 1–8–10	4,000	4,000
		<u>25,829</u>
Master Note – 0.59%		
Toyota Motor Credit Corporation, 0.117%, 1–1–10 (C)	2,098	2,098
		<u>2,098</u>
TOTAL SHORT-TERM SECURITIES – 7.85%		\$ 27,927
(Cost: \$27,927)		
TOTAL INVESTMENT SECURITIES – 100.03%		\$355,829
(Cost: \$339,269)		
LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.03%)		(124)
NET ASSETS – 100.00%		\$355,705

Notes to Schedule of Investments

- (A) No dividends were paid during the preceding 12 months.
- (B) Rate shown is the yield to maturity at December 31, 2009.
- (C) Variable rate security. Interest rate disclosed is that which is in effect at December 31, 2009. Date shown represents reset date.

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

Cost	<u>\$ 341,499</u>
Gross unrealized appreciation	49,615
Gross unrealized depreciation	<u>(35,285)</u>
Net unrealized appreciation	<u>\$ 14,330</u>

Industry classifications are unaudited.



Timothy J. Miller

Below, Timothy J. Miller, portfolio manager of Ivy Funds VIP Small Cap Value, discusses positioning, performance and results for the fiscal year ended December 31, 2009. He has managed the Portfolio since March of 2008 and has 31 years of industry experience.

Fiscal year performance

For the 12 Months Ended December 31, 2009

Ivy Funds VIP Small Cap Value	29.15%
Benchmark(s)/Lipper Category	
Russell 2000 Value Index (generally reflects the performance of small-company value-style stocks)	20.53%
Lipper Variable Annuity Small-Cap Value Funds Universe Average (generally reflects the performance of the universe of funds with similar investment objectives)	30.65%

Please note that the Portfolio returns include applicable investment fees and expenses, whereas the index returns do not include any such fees. Also, the Portfolio's performance data does not take into account any product expenses or charges associated with owning a variable life or annuity policy, which is invested in Ivy Funds Variable Insurance Portfolios.

Low-quality leads as market direction changes course

The Russell 2000 Value Index recovery in 2009 was led by a sharp rebound in the low quality segment of the market. By March of 2009, the global economies were teetering on disaster and credit conditions were paralyzed, creating liquidity fears in many sectors of the market. The final plunge in many stocks reflected rising bankruptcy fears as a result of the chaos in the credit markets. As the favorable impact of federal intervention began to ease those fears, we experienced a sharp rebound in those stocks that were "left for dead." This rebound continued for the balance of the year, leading to spectacular gains for the highest-risk, most-leveraged companies in the Russell 2000 Value Index. Breaking down the index into quintiles of various quality metrics, the data confirms this pattern. In terms of return on equity (ROE), the lowest quintile of companies performed the best. Looking at price-to-earnings (P/E) ratios, it was the companies producing losses that performed the best for the year, and finally the smallest companies dramatically outperformed the largest companies for the year.

Ivy Funds VIP Small Cap Value outperformed the index in 2009 by overweighting the best performing sectors and underweighting the worst. The top-three performing sectors in 2009 were materials, consumer discretionary and technology. Ivy Funds VIP Small Cap Value had an overweight exposure to all of those sectors by a cumulative measure of approximately 18 percentage points. The largest overweights were in technology and consumer discretionary. The worst-performing sectors were financial services, utilities and industrials. Once again, Ivy Funds

VIP Small Cap Value was underweight in each of those sectors, particularly financial services. The weighting position was important in 2009 because the return difference between the best- and worst-performing sectors was dramatic. The top 3 sectors mentioned above were all up around 60 percent for the year while the financial services sector came in down 3 percent for the year.

Strength in technology, consumer discretionary

The fundamental appeal of the technology sector was a function of strong balance sheets, favorable operating characteristics and low valuation of many groups within the sector. The sector had been through many years of restructuring and shake-out, which led to a healthy position for the survivors. Companies entered this past recession with cash-heavy balance sheets, favorable margin positions and lean operating structures. The Portfolio emphasized the lower-valued companies in the software, semiconductor and contract-manufacturing industries. The technology distribution industry also generated a number of successful investments for the Portfolio, among them two leading semiconductor distributors and a broad line technology distributor that performed well. These companies adjusted quickly to the economic slowdown and generated substantial free cash flow from reductions in working capital, further bolstering their strong balance sheets.

Our strategy in the consumer discretionary sector in 2009 started defensively with an emphasis on the education services and low-end retail companies. As the market began to recover, we repositioned the Portfolio to areas such as casinos, media and entertainment. The focus was on "close to home" entertainment venues, including a riverboat casino operator and a theatre operator.

The Portfolio held a significant underweight position in financial services, which boosted its relative performance. In addition, our stock selection within the sector contributed positively to the Portfolio. The strategy in the banking sector had been to favor the strongest capitalized of the small community banks and then focus on the potential consolidators. We felt that banks with sound franchises and strong capital were the likely candidates to successfully take advantage of FDIC-assisted acquisition opportunities. Finally, the Portfolio was significantly underexposed to the REIT sector for the year, which helped in the first half but was a drag in the second half of the year as the group rallied strongly off of its lows.

Outlook for 2010 appears favorable

Small caps as a group generally tend to do well in the early stages of economic recovery when investors are often willing to take on more risk. Some of this was earned in 2009 but the value category significantly underperformed growth, and now appears poised for a good year. Much of that underperformance was due to the financial services sector, which is a heavy weighting in the index. We believe that financials should perform much better in 2010 as earnings growth recovers and capital positions are bolstered. Ivy Funds VIP Small Cap Value has boosted its weighting in financials with a continued emphasis on what we feel are the strong community banks, brokers and asset managers and an increased weighting in REITs. We also believe that the technology sector will be favored again in 2010, due to a strong earnings growth outlook and the potential lift from a renewed capital spending environment triggered by Windows 7, wireless, and other factors. Anticipated potential changes for the year also include a reduction in emphasis on the retail-oriented consumer sector in favor of advertising companies and increased interest in the later cycle industrials.

As with any mutual fund, the value of the Portfolio'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 Portfolio's manager, undervalued. The value of a security believed by the Portfolio'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 Portfolio'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.

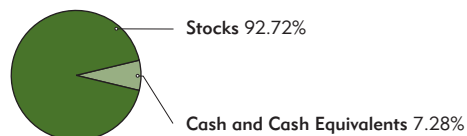
The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of Ivy Funds VIP Small Cap Value.

PORTFOLIO HIGHLIGHTS

Small Cap Value

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

Asset Allocation



Stocks	92.72%
Financials	31.19%
Information Technology	19.58%
Consumer Discretionary	14.64%
Industrials	11.65%
Materials	7.22%
Utilities	3.42%
Health Care	2.41%
Consumer Staples	2.08%
Energy	0.53%
Cash and Cash Equivalents	7.28%

Top 10 Equity Holdings

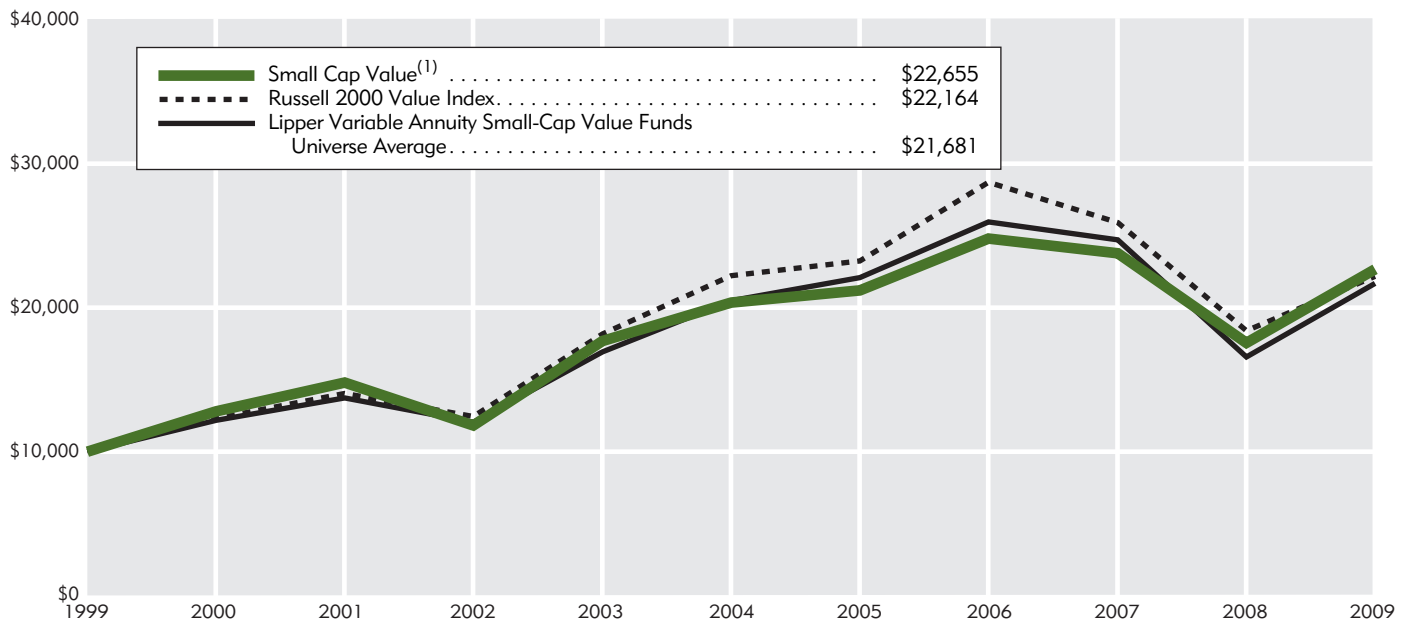
Company	Sector
East West Bancorp, Inc.	Financials
Southwest Gas Corporation	Utilities
IBERIABANK Corporation	Financials
Sybase, Inc.	Information Technology
Wintrust Financial Corporation	Financials
Validus Holdings, Ltd.	Financials
BE Aerospace, Inc.	Industrials
Avnet, Inc.	Information Technology
Celestica Inc.	Information Technology
TrueBlue, Inc.	Industrials

See your advisor for more information on the Portfolio's most recently published Top 10 Equity Holdings.

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

Small Cap Value

(UNAUDITED)



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

Average Annual Total Return ⁽²⁾	
1-year period ended 12-31-09	29.15%
5-year period ended 12-31-09	2.16%
10-year period ended 12-31-09	8.52%

(2) Data quoted is past performance and 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 call 1.888.WADDELL for the Portfolio's most recent month-end performance. Performance data quoted does not reflect any expenses or charges associated with owning a variable life insurance policy or variable annuity contract that invests in the Portfolio's shares. When such charges are deducted, actual investment performance in a variable policy or contract will be lower.

Past performance is not necessarily indicative of future performance. Indexes are unmanaged.

Advantus Small Company Value Portfolio was reorganized as Ivy Funds VIP Small Cap Value (formerly W&R Target Small Cap Value Portfolio) on September 22, 2003. Performance shown for the period prior to this date is the performance of the Advantus Small Company Value Portfolio. This performance has not been restated to reflect the expenses of Ivy Funds VIP Small Cap Value. If those expenses were reflected, performance of Ivy Funds VIP Small Cap Value would differ.

SCHEDULE OF INVESTMENTS

Small Cap Value *(in thousands)*

DECEMBER 31, 2009

COMMON STOCKS	Shares	Value	COMMON STOCKS (Continued)	Shares	Value
Advertising – 0.97%			Electronic Manufacturing Services – 2.59%		
MDC Partners Inc., Class A (A)	229	\$ 1,913	Celestica Inc. (A)	337	\$ 3,177
			Sanmina-SCI Corporation (A)	175	1,934
					5,111
Aerospace & Defense – 4.05%			Food Distributors – 0.70%		
AAR CORP. (A)	109	2,503	Dole Food Company, Inc. (A)	111	1,383
BE Aerospace, Inc. (A)	141	3,309			
Triumph Group, Inc.	45	2,181			
		7,993	Gas Utilities – 1.89%		
Apparel, Accessories & Luxury Goods – 2.46%			Southwest Gas Corporation		
Jones Apparel Group, Inc.	162	2,599	131	3,727	
Warnaco Group, Inc. (The) (A)	54	2,257			
		4,856	Gold – 1.17%		
Application Software – 2.32%			Red Back Mining Inc. (A)(B)		
Quest Software, Inc. (A)	124	2,274	161	2,309	
TIBCO Software Inc. (A)	240	2,310			
		4,584	Health Care Facilities – 1.21%		
Asset Management & Custody Banks – 2.76%			AmSurg Corp. (A)		
Ares Capital Corporation	238	2,967	108	2,385	
Hercules Technology Growth Capital, Inc.	239	2,480			
		5,447	Homebuilding – 1.50%		
Auto Parts & Equipment – 3.64%			M.D.C. Holdings, Inc.		
Modine Manufacturing Company	230	2,724	66	2,043	
Superior Industries International, Inc.	138	2,108	M/I Homes, Inc. (A)	88	911
Tenneco Automotive Inc. (A)	133	2,356			2,954
		7,188	Human Resource & Employment Services – 1.61%		
Broadcasting – 2.13%			TrueBlue, Inc. (A)		
E. W. Scripps Company (The) (A)	265	1,846	214	3,169	
Liberty Media Corporation, Liberty Capital Series A (A)	99	2,355			
		4,201	Hypermarkets & Super Centers – 1.38%		
Casinos & Gaming – 2.37%			BJ's Wholesale Club, Inc. (A)		
Bally Technologies, Inc. (A)	64	2,643	83	2,709	
WMS Industries Inc. (A)	51	2,024			
		4,667	Industrial Machinery – 2.24%		
Communications Equipment – 0.76%			Chart Industries, Inc. (A)		
Tellabs, Inc. (A)	264	1,502	101	1,676	
			IDEX Corporation	88	2,741
Computer Hardware – 0.77%					4,417
Silicon Graphics, Inc. (A)	217	1,520	Investment Banking & Brokerage – 3.86%		
			KBW, Inc. (A)		
Consumer Finance – 1.18%			85		
First Cash Financial Services, Inc. (A)	105	2,332	51		
			2,564		
Data Processing & Outsourced Services – 1.86%			46		
Global Cash Access, Inc. (A)	254	1,903	2,725		
Lender Processing Services, Inc.	43	1,757	7,609		
		3,660	Managed Health Care – 1.20%		
Diversified Chemicals – 2.15%			Coventry Health Care, Inc. (A)		
Ashland Inc.	54	2,151	98	2,373	
FMC Corporation	37	2,080			
		4,231	Metal & Glass Containers – 1.57%		
Diversified Metals & Mining – 0.89%			Silgan Holdings Inc.		
Thompson Creek Metals Company Inc. (A)	151	1,764	53	3,096	
			Movies & Entertainment – 1.57%		
Electric Utilities – 1.53%			Regal Entertainment Group		
NV Energy, Inc.	243	3,013	214	3,089	
			Office REITs – 2.39%		
			Alexandria Real Estate Equities, Inc.		
			40		
			2,546		
			63		
			2,164		
			4,710		
			Oil & Gas Exploration & Production – 0.53%		
			Whiting Petroleum Corporation (A)		
			15		
			1,036		
			Regional Banks – 12.85%		
			Bank of Marin Bancorp		
			55		
			1,804		
			107		
			1,725		
			260		
			4,103		
			169		
			2,263		

SCHEDULE OF INVESTMENTS

Small Cap Value *(in thousands)*

DECEMBER 31, 2009

COMMON STOCKS (Continued)	Shares	Value	SHORT-TERM SECURITIES	Principal	Value
Regional Banks (Continued)			Commercial Paper (C) – 6.02%		
Home BancShares, Inc.	81	\$ 1,945	Abbott Laboratories, 0.010%, 1–4–10	\$3,870	\$ 3,870
IBERIABANK Corporation	66	3,568	Danaher Corporation, 0.110%, 1–4–10	3,000	3,000
Nara Bancorp, Inc.	119	1,352	PACCAR Financial Corp., 0.080%, 1–6–10	5,000	5,000
Pacific Continental Corporation	143	1,635			<u>11,870</u>
PacWest Bancorp	91	1,828			
Texas Capital Bancshares, Inc. (A)	123	1,713			
Wintrust Financial Corporation	110	3,401			
		<u>25,337</u>	Master Note – 1.32%		
Reinsurance – 4.10%			Toyota Motor Credit Corporation, 0.117%, 1–1–10 (D)	2,603	2,603
Platinum Underwriters Holdings, Ltd.	53	2,036			
RenaissanceRe Holdings Ltd.	51	2,711			
Validus Holdings, Ltd.	124	3,333			
		<u>8,080</u>	TOTAL SHORT-TERM SECURITIES – 7.34%		\$ 14,473
Residential REITs – 1.59%			(Cost: \$14,473)		
American Campus Communities, Inc.	112	3,144	TOTAL INVESTMENT SECURITIES – 100.06%		\$ 197,304
			(Cost: \$166,814)		
Retail REITs – 0.98%			LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.06%)		(124)
CBL & Associates Properties, Inc.	200	1,931			
			NET ASSETS – 100.00%		\$ 197,180
Security & Alarm Services – 1.41%					
GEO Group, Inc. (The) (A)	127	2,781			
			Notes to Schedule of Investments		
Semiconductor Equipment – 2.05%			(A)No dividends were paid during the preceding 12 months.		
Lam Research Corporation (A)	54	2,118	(B)Listed on an exchange outside the United States.		
Verigy Ltd. (A)	150	1,925	(C)Rate shown is the yield to maturity at December 31, 2009.		
		<u>4,043</u>	(D)Variable rate security. Interest rate disclosed is that which is in effect at December 31, 2009. Date shown represents reset date.		
Semiconductors – 3.22%			The following acronym is used throughout this schedule: REIT = Real Estate Investment Trust		
Applied Micro Circuits Corporation (A)	252	1,882	For Federal income tax purposes, cost of investments owned at December 31, 2009 and the related unrealized appreciation (depreciation) were as follows:		
Atmel Corporation (A)	533	2,457	Cost	\$ 167,074	
Cirrus Logic, Inc. (A)	296	2,017	Gross unrealized appreciation	32,457	
		<u>6,356</u>	Gross unrealized depreciation	(2,227)	
Specialty Chemicals – 1.44%			Net unrealized appreciation	<u>\$ 30,230</u>	
Sensient Technologies Corporation	108	2,843	Industry classifications are unaudited.		
Systems Software – 1.76%					
Sybase, Inc. (A)	80	3,465			
Technology Distributors – 4.25%					
Arrow Electronics, Inc. (A)	73	2,164			
Avnet, Inc. (A)	107	3,239			
Tech Data Corporation (A)	63	2,958			
		<u>8,361</u>			
Thrifts & Mortgage Finance – 1.48%					
First Niagara Financial Group, Inc.	210	2,922			
Trucking – 2.34%					
Marten Transport, Ltd. (A)	118	2,113			
Werner Enterprises, Inc.	127	2,507			
		<u>4,620</u>			
TOTAL COMMON STOCKS – 92.72%		\$ 182,831			
(Cost: \$152,341)					

See Accompanying Notes to Financial Statements.



Matthew T. Norris

Below, Matthew T. Norris, CFA, portfolio manager of Ivy Funds VIP Value, discusses positioning, performance and results for the fiscal year ended December 31, 2009. He has managed the Portfolio for six years and has 18 years of industry experience.

Fiscal year performance

For the 12 Months Ended December 31, 2009

Ivy Funds VIP Value	26.64%
Benchmark(s)/Lipper Category	
Russell 1000 Value Index	19.68%
(generally reflects the performance of value-style stocks)	
Lipper Variable Annuity Large Cap Value Funds Universe Average	23.20%
(generally reflects the performance of the universe of funds with similar investment objectives)	

Please note that the Portfolio returns include applicable investment fees and expenses, whereas the index returns do not include any such fees. Also, the Portfolio's performance data does not take into account any product expenses or charges associated with owning a variable life or annuity policy, which is invested in Ivy Funds Variable Insurance Portfolios.

A tale of two markets

The equity market had a strong year, with most indices returning north of 20 percent. The first quarter was weak along with the economy. Then various governmental economic stimulus packages began to have an effect, and the market was up the rest of the year. The market advance was lead by technology, consumer discretionary and basic industry sectors. Lagging sectors included financials, telecommunications and energy. In this environment, Ivy Funds VIP Value performed well, handily beating the Russell 1000 Value Index. The Portfolio benefited from strong individual stock selection and a consistent approach to managing portfolio risk. We did not make large sector bets during the year, but rather focused on individual names that we identified as inexpensive with improving business fundamentals.

Value opportunities flourished

An important strategy of the Portfolio is to invest in individual equities that we feel are undervalued relative to their prospects, while also attempting to diversify investments in an effort to minimize the impact from macro events, which we think are primarily unpredictable. Individual stock selection was the primary contributor to the Portfolio's strong outperformance. A number of compelling value ideas presented themselves at the end of 2008 and early in 2009. The Portfolio invested and was rewarded.

Market watchers may recall that banking stocks were down notably through the first quarter, before suddenly rising strongly over the rest of the year. The Portfolio was absent from this area

during the downturn, but invested at attractive valuations in the first half of the year and enjoyed rising performance through year end.

The Portfolio, on average, was overweight in technology and insurance while being underweight in the utilities and telecommunications sectors. Areas of emphasis include technology and insurance. The technology area contains a number of large companies producing copious amounts of free cash flow that we feel will be re-deployed to shareholders benefit over time. The property and casualty insurance area contains a number of companies that we believe are trading below book value.

Adhering to strategy, bottom-up approach

We view the current valuation of the equity markets as fair. On the plus side, we have an economic backdrop that is improving; offset by the possibility of higher interest rates, we are left decidedly neutral on the total-return prospects of equities in the near future. A positive return is expected, but seems unlikely to repeat the 20 percent return of 2009, in our opinion.

Many U.S. corporations are nicely profitable with excess cash available to them, yet most are also at a loss to find growing areas to deploy that cash. This leads to the use of cash to pay higher dividends, and/or repurchase their own stock. Accordingly, we believe that more of an investors' return may be coming from these actions as opposed to significantly higher earnings or P/E multiple expansion.

Going forward, we do not anticipate meaningful change in our investment process or the management philosophy of the Portfolio, which remains close to fully invested. We continue to search diligently, one company at a time, for names that we think may offer good value investment opportunities. We continue to believe this is the best way to achieve strong, consistent returns over a full market cycle.

As with any mutual fund, the value of the Portfolio'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 Portfolio's manager, undervalued. The value of a security believed by the Portfolio'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 Portfolio'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.

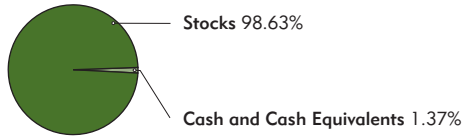
The index (indexes) noted are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index representative of Ivy Funds VIP Value.

PORTFOLIO HIGHLIGHTS

Value

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

Asset Allocation



Stocks	98.63%
Financials	24.20%
Energy	21.55%
Consumer Discretionary	13.35%
Information Technology	11.03%
Health Care	8.53%
Consumer Staples	6.82%
Industrials	6.05%
Materials	4.22%
Telecommunication Services	2.88%
Cash and Cash Equivalents	1.37%

Top 10 Equity Holdings

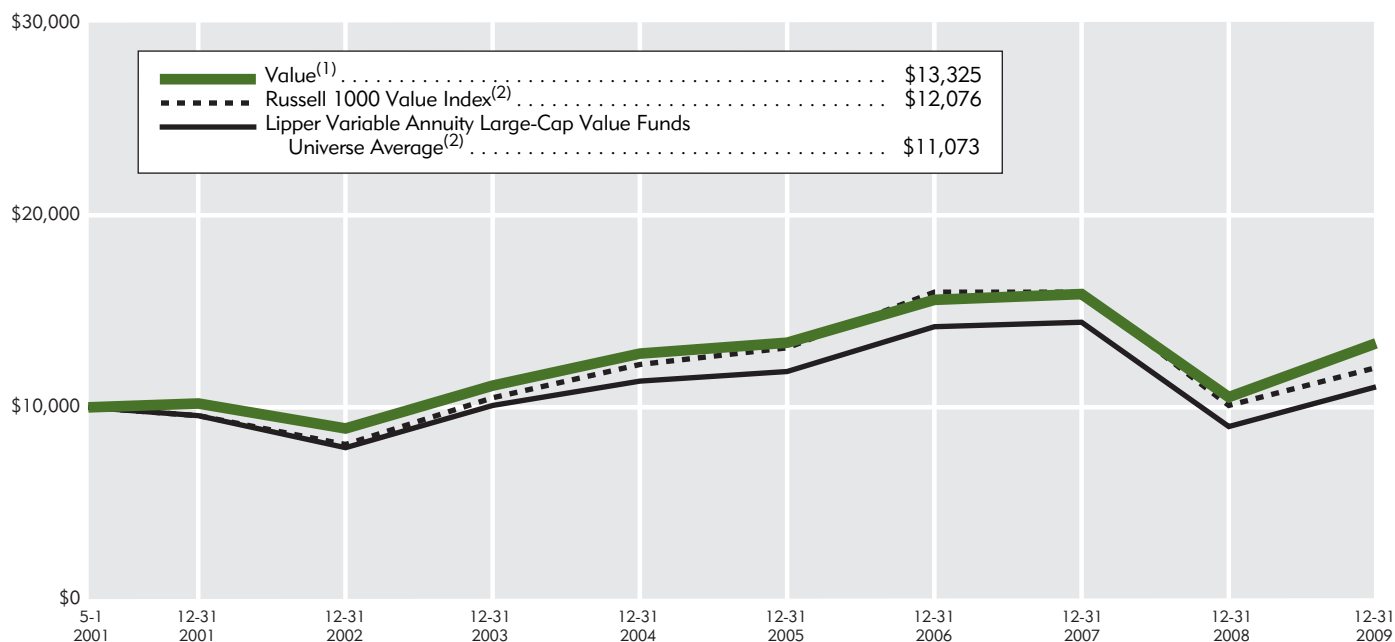
Company	Sector
Bank of America Corporation	Financials
Chevron Corporation	Energy
Hewlett-Packard Company	Information Technology
Travelers Companies, Inc. (The)	Financials
Occidental Petroleum Corporation	Energy
McKesson Corporation	Health Care
Lowe's Companies, Inc.	Consumer Discretionary
Union Pacific Corporation	Industrials
ACE Limited	Financials
Carnival Corporation	Consumer Discretionary

See your advisor for more information on the Portfolio's most recently published Top 10 Equity Holdings.

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

Value

(UNAUDITED)



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

(2) Because the Portfolio 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 April 30, 2001.

Average Annual Total Return ⁽³⁾	
1-year period ended 12-31-09	26.64%
5-year period ended 12-31-09	0.83%
10-year period ended 12-31-09	—
Since inception of Portfolio ⁽⁴⁾ through 12-31-09	3.36%

(3) Data quoted is past performance and 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 call 1.888.WADDELL for the Portfolio's most recent month-end performance. Performance data quoted does not reflect any expenses or charges associated with owning a variable life insurance policy or variable annuity contract that invests in the Portfolio's shares. When such charges are deducted, actual investment performance in a variable policy or contract will be lower.

(4) 5-1-01 (the date on which shares were first acquired by shareholders).

Past performance is not necessarily indicative of future performance. Indexes are unmanaged.

SCHEDULE OF INVESTMENTS

Value (in thousands)

DECEMBER 31, 2009

COMMON STOCKS	Shares	Value	COMMON STOCKS (Continued)	Shares	Value
Advertising – 2.10%			IT Consulting & Other Services – 0.82%		
Omnicom Group Inc.	149	\$ 5,814	Accenture plc, Class A	55	\$ 2,266
Aerospace & Defense – 1.84%			Managed Health Care – 1.73%		
Honeywell International Inc.	130	5,088	UnitedHealth Group Incorporated (A)	157	4,798
Apparel, Accessories & Luxury Goods – 1.75%			Mortgage REITs – 1.65%		
V.F. Corporation	66	4,856	Annaly Capital Management, Inc.	263	4,561
Brewers – 2.63%			Office Electronics – 2.47%		
Molson Coors Brewing Company, Class B	161	7,289	Xerox Corporation (A)	808	6,839
Computer Hardware – 6.74%			Oil & Gas Storage & Transportation – 7.16%		
Hewlett-Packard Company	250	12,897	Energy Transfer Equity, L.P.	190	5,814
International Business Machines Corporation	44	5,747	Enterprise Products Partners L.P.	176	5,531
		18,644	MarkWest Energy Partners, L.P.	131	3,834
Consumer Finance – 2.24%			Regency Energy Partners LP	222	4,651
Capital One Financial Corporation (A)	162	6,196			19,830
Department Stores – 2.11%			Other Diversified Financial Services – 5.21%		
Macy's Inc.	349	5,854	Bank of America Corporation	958	14,420
Diversified Chemicals – 4.22%			Pharmaceuticals – 0.51%		
Dow Chemical Company (The)	256	7,071	Johnson & Johnson	22	1,417
Solutia Inc. (B)	362	4,602	Property & Casualty Insurance – 7.49%		
		11,673	ACE Limited	170	8,563
Health Care Distributors – 6.29%			Travelers Companies, Inc. (The)	245	12,200
AmerisourceBergen Corporation	229	5,965			20,763
McKesson Corporation	183	11,424	Railroads – 3.24%		
		17,389	Union Pacific Corporation	141	8,991
Home Improvement Retail – 3.40%			Regional Banks – 3.33%		
Lowe's Companies, Inc.	401	9,377	PNC Financial Services Group, Inc. (The)	140	7,365
Hotels, Resorts & Cruise Lines – 2.97%			Zions Bancorporation	145	1,860
Carnival Corporation (B)	260	8,230			9,225
Industrial Machinery – 0.97%			Reinsurance – 1.63%		
Illinois Tool Works Inc.	56	2,678	RenaissanceRe Holdings Ltd.	85	4,518
Integrated Oil & Gas – 14.39%			Specialty Stores – 1.02%		
Chevron Corporation	180	13,851	Office Depot, Inc. (B)	440	2,837
Exxon Mobil Corporation	45	3,089	Systems Software – 1.00%		
Marathon Oil Corporation	214	6,678	Symantec Corporation (B)	155	2,775
Occidental Petroleum Corporation	147	11,958	Tobacco – 4.19%		
Targa Resources Partners LP	175	4,245	Altria Group, Inc.	201	3,940
		39,821	Lorillard, Inc.	61	4,901
Integrated Telecommunication Services – 2.88%			Philip Morris International Inc.	57	2,747
AT&T Inc.	285	7,977			11,588
Investment Banking & Brokerage – 2.65%			TOTAL COMMON STOCKS – 98.63%		\$273,043
Morgan Stanley	248	7,329	(Cost: \$252,064)		

SCHEDULE OF INVESTMENTS

Value (in thousands)

DECEMBER 31, 2009

SHORT-TERM SECURITIES	Principal	Value
Commercial Paper (C) – 0.41%		
Kraft Foods Inc., 0.070%, 1–4–10	\$1,146	\$ 1,146
Master Note – 0.91%		
Toyota Motor Credit Corporation, 0.117%, 1–1–10 (D)	2,516	2,516
TOTAL SHORT-TERM SECURITIES – 1.32%		\$ 3,662
(Cost: \$3,662)		
TOTAL INVESTMENT SECURITIES – 99.95%		\$276,705
(Cost: \$255,726)		
CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.05%		139
NET ASSETS – 100.00%		\$276,844

Notes to Schedule of Investments

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

Underlying Security	Counterparty	Contracts Subject to Call	Expiration Month	Exercise Price	Premium Received	Market Value
UnitedHealth Group Incorporated	Morgan Stanley Smith Barney LLC	2	January 2010	\$34.00	\$ 72	\$ (11)
Xerox Corporation	UBS Securities LLC	4	January 2010	10.00	43	(10)
					<u>\$115</u>	<u>\$ (21)</u>
Underlying Security	Counterparty	Contracts Subject to Put	Expiration Month	Exercise Price	Premium Received	Market Value
Energy Transfer Equity, L.P.	Morgan Stanley Smith Barney LLC	—*	January 2010	\$25.00	\$ 13	\$ (2)
	Morgan Stanley Smith Barney LLC	1	February 2010	30.00	80	(84)
Everest Re Group, Ltd.	Morgan Stanley Smith Barney LLC	—*	April 2010	80.00	122	(69)
MarkWest Energy Partners, L.P.	Morgan Stanley Smith Barney LLC	1	February 2010	27.50	35	(41)
Morgan Stanley	UBS Securities LLC	2	January 2010	26.00	91	(22)
Regency Energy Partners LP	Morgan Stanley Smith Barney LLC	1	February 2010	20.00	52	(47)
					<u>\$393</u>	<u>\$(265)</u>

*Not shown due to rounding.

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

(C) Rate shown is the yield to maturity at December 31, 2009.

(D) Variable rate security. Interest rate disclosed is that which is in effect at December 31, 2009. Date shown represents reset date.

The following acronym is used throughout this schedule:

REIT = Real Estate Investment Trust

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

Cost	\$258,732
Gross unrealized appreciation	37,575
Gross unrealized depreciation	(19,602)
Net unrealized appreciation	\$ 17,973

Industry classifications are unaudited.

See Accompanying Notes to Financial Statements.

STATEMENT OF ASSETS AND LIABILITIES

Ivy Funds VIP

AS OF DECEMBER 31, 2009

(In thousands, except per share amounts)	Pathfinder Aggressive	Pathfinder Conservative	Pathfinder Moderate	Pathfinder Moderately Aggressive	Pathfinder Moderately Conservative	Asset Strategy	Balanced
ASSETS							
Investments in unaffiliated securities at market value+	\$ 114	\$ 98	\$ 1,904	\$ 169	\$ 189	\$ 937,471	\$ 359,617
Investments in affiliated securities at market value+	60,489	43,786	268,835	301,277	91,802	1,392	—
Bullion at market value+	—	—	—	—	—	167,853	—
Investments at Market Value	60,603	43,884	270,739	301,446	91,991	1,106,716	359,617
Cash	2	2	1	2	2	5	4
Cash denominated in foreign currencies at market value+	—	—	—	—	—	100	—
Restricted cash	—	—	—	—	—	4,996	—
Unrealized appreciation on forward foreign currency contracts	—	—	—	—	—	5,218	—
Investment securities sold receivable	—	—	—	—	—	6,415	—
Dividends and interest receivable	—*	4	13	7	7	1,549	1,478
Capital shares sold receivable	14	40	1,364	390	355	954	24
Prepaid and other assets	1	—*	1	2	—*	12	6
Total Assets	60,620	43,930	272,118	301,847	92,355	1,125,965	361,129
LIABILITIES							
Investment securities purchased payable	—	4	1,817	77	97	29,248	—
Unrealized depreciation on forward foreign currency contracts	—	—	—	—	—	1,518	—
Capital shares redeemed payable	3	1	3	4	1	256	120
Trustees' fees payable	1	—*	2	3	1	41	38
Service fee payable	—	—	—	—	—	7	2
Shareholder servicing payable	—*	—*	—*	—*	—*	2	1
Investment management fee payable	—	—	—	—	—	21	7
Accounting services fee payable	2	1	5	5	2	21	10
Other liabilities	1	1	2	2	1	90	5
Total Liabilities	7	7	1,829	91	102	31,204	183
Total Net Assets	\$60,613	\$43,923	\$270,289	\$301,756	\$92,253	\$1,094,761	\$360,946
NET ASSETS							
Capital paid in (shares authorized – unlimited)	\$61,582	\$39,719	\$249,194	\$277,398	\$84,010	\$979,361	\$292,537
Undistributed net investment income	703	524	2,170	2,760	1,005	8,381	6,902
Accumulated net realized gain (loss)	1,405	1,002	3,580	4,938	1,688	(72,121)	5,211
Net unrealized appreciation (depreciation)	(3,077)	2,678	15,345	16,660	5,550	179,140	56,296
Total Net Assets	\$60,613	\$43,923	\$270,289	\$301,756	\$92,253	\$1,094,761	\$360,946
CAPITAL SHARES OUTSTANDING	13,093	8,750	56,749	62,806	18,670	118,669	42,573
NET ASSET VALUE PER SHARE	\$4.6294	\$5.0197	\$4.7629	\$4.8046	\$4.9413	\$9.2253	\$8.4782
+ COST							
Investments in unaffiliated securities at cost	\$ 114	\$ 98	\$ 1,904	\$ 169	\$ 189	\$ 794,476	\$ 303,320
Investments in affiliated securities at cost	63,566	41,108	253,490	284,617	86,252	1,982	—
Bullion at cost	—	—	—	—	—	134,846	—
Cash denominated in foreign currencies at cost	—	—	—	—	—	100	—

*Not shown due to rounding.

See Accompanying Notes to Financial Statements.

STATEMENT OF ASSETS AND LIABILITIES

Ivy Funds VIP

AS OF DECEMBER 31, 2009

(In thousands, except per share amounts)	Bond	Core Equity	Dividend Opportunities	Energy	Global Natural Resources	Growth	High Income
ASSETS							
Investments in unaffiliated securities at market value+	\$ 466,231	\$ 414,970	\$ 200,688	\$ 31,349	\$ 192,806	\$ 877,933	\$ 209,681
Investments at Market Value	466,231	414,970	200,688	31,349	192,806	877,933	209,681
Cash	3	5	2	2	—	57	94
Cash denominated in foreign currencies at market value+	—	—	—	—	—*	—	—
Unrealized appreciation on forward foreign currency contracts	—	—	—	—	25	—	38
Investment securities sold receivable	2	—	—	—	76	7,730	—
Dividends and interest receivable	4,879	532	327	20	170	424	4,456
Capital shares sold receivable	604	6	307	2	141	221	7
Prepaid and other assets	6	7	2	—*	1	12	3
Total Assets	471,725	415,520	201,326	31,373	193,219	886,377	214,279
LIABILITIES							
Investment securities purchased payable	—	—	—	—	575	5,321	—
Unrealized depreciation on forward foreign currency contracts	—	—	—	—	96	—	—
Capital shares redeemed payable	203	288	3	26	224	387	336
Trustees' fees payable	28	73	5	1	4	104	16
Overdraft due to custodian	—	—	—	—	6	—	—
Service fee payable	3	3	1	—*	1	6	2
Shareholder servicing payable	—*	1	—*	—*	—*	1	—*
Investment management fee payable	6	7	4	1	5	16	3
Accounting services fee payable	11	10	6	2	6	18	7
Other liabilities	6	8	3	1	13	11	4
Total Liabilities	257	390	22	31	930	5,864	368
Total Net Assets	\$ 471,468	\$ 415,130	\$ 201,304	\$ 31,342	\$ 192,289	\$ 880,513	\$ 213,911
NET ASSETS							
Capital paid in (shares authorized – unlimited)	\$ 456,828	\$ 398,196	\$ 203,318	\$ 34,799	\$ 195,648	\$ 756,003	\$ 227,768
Undistributed (distributions in excess of) net investment income	16,139	3,844	2,041	85	(11)	5,169	16,996
Accumulated net realized loss	(2,015)	(21,480)	(20,450)	(3,229)	(24,691)	(21,935)	(36,510)
Net unrealized appreciation (depreciation)	516	34,570	16,395	(313)	21,343	141,276	5,657
Total Net Assets	\$ 471,468	\$ 415,130	\$ 201,304	\$ 31,342	\$ 192,289	\$ 880,513	\$ 213,911
CAPITAL SHARES OUTSTANDING	85,727	41,714	33,757	5,960	33,454	94,903	64,825
NET ASSET VALUE PER SHARE	\$ 5.4996	\$ 9.9518	\$ 5.9634	\$ 5.2588	\$ 5.7479	\$ 9.2781	\$ 3.2997
+ COST							
Investments in unaffiliated securities at cost	\$ 465,715	\$ 380,404	\$ 184,293	\$ 31,663	\$ 171,391	\$ 736,657	\$ 204,062
Cash denominated in foreign currencies at cost	—	—	—	—	—*	—	—

*Not shown due to rounding.

See Accompanying Notes to Financial Statements.

STATEMENT OF ASSETS AND LIABILITIES

Ivy Funds VIP

AS OF DECEMBER 31, 2009

(In thousands, except per share amounts)	International Growth	International Value	Micro Cap Growth	Mid Cap Growth	Money Market	Mortgage Securities	Real Estate Securities
ASSETS							
Investments in unaffiliated securities at market value+	\$ 259,708	\$ 512,107	\$ 38,243	\$ 92,053	\$ 149,055	\$ 45,245	\$ 32,928
Investments at Market Value	259,708	512,107	38,243	92,053	149,055	45,245	32,928
Cash	4	—	2	1	2	1	4
Unrealized appreciation on forward foreign currency contracts	928	—	—	—	—	—	—
Investment securities sold receivable	318	—	13	—	—	—	648
Dividends and interest receivable	778	1,614	—*	45	502	149	118
Capital shares sold receivable	246	181	14	101	1,440	26	4
Prepaid and other assets	3	6	—*	1	4	1	—*
Total Assets	261,985	513,908	38,272	92,201	151,003	45,422	33,702
LIABILITIES							
Investment securities purchased payable	573	934	41	—	—	8,482	117
Capital shares redeemed payable	134	119	12	33	51	1	1
Distributions payable	—	—	—	—	71	—	—
Trustees' fees payable	20	27	3	2	10	2	2
Overdraft due to custodian	—	13	—	—	—	—	—
Service fee payable	2	3	—*	1	—	—*	—*
Shareholder servicing payable	—*	1	—*	—*	—*	—*	—*
Investment management fee payable	6	12	1	2	2	1	1
Accounting services fee payable	7	11	2	4	5	2	2
Other liabilities	14	27	2	2	1	25	2
Total Liabilities	756	1,147	61	44	140	8,513	125
Total Net Assets	\$ 261,229	\$ 512,761	\$ 38,211	\$ 92,157	\$ 150,863	\$ 36,909	\$ 33,577
NET ASSETS							
Capital paid in (shares authorized – unlimited)	\$ 259,598	\$ 524,892	\$ 42,945	\$ 83,743	\$ 150,857	\$ 40,485	\$ 44,952
Undistributed (distributions in excess of) net investment income	2,575	6,980	(54)	20	—	1,110	726
Accumulated net realized gain (loss)	(27,037)	(73,954)	(6,953)	(2,401)	6	(2,127)	(10,589)
Net unrealized appreciation (depreciation)	26,093	54,843	2,273	10,795	—	(2,559)	(1,512)
Total Net Assets	\$ 261,229	\$ 512,761	\$ 38,211	\$ 92,157	\$ 150,863	\$ 36,909	\$ 33,577
CAPITAL SHARES OUTSTANDING	34,870	33,338	2,434	13,946	150,857	8,213	6,535
NET ASSET VALUE PER SHARE	\$ 7.4915	\$ 15.3806	\$ 15.7002	\$ 6.6080	\$ 1.0000	\$ 4.4941	\$ 5.1379
+ COST							
Investments in unaffiliated securities at cost	\$ 234,580	\$ 457,274	\$ 35,970	\$ 81,259	\$ 149,055	\$ 47,804	\$ 34,440

*Not shown due to rounding.

See Accompanying Notes to Financial Statements.

STATEMENT OF ASSETS AND LIABILITIES

Ivy Funds VIP

AS OF DECEMBER 31, 2009

(In thousands, except per share amounts)	Science and Technology	Small Cap Growth	Small Cap Value	Value
ASSETS				
Investments in unaffiliated securities at market value+	\$ 320,012	\$ 355,829	\$ 197,304	\$ 276,705
Investments at Market Value	320,012	355,829	197,304	276,705
Cash	3	4	41	19
Cash denominated in foreign currencies at market value+	43	—	—	—
Investment securities sold receivable	—	—	—	3,799
Dividends and interest receivable	83	2	167	613
Capital shares sold receivable	85	84	79	99
Prepaid and other assets	4	4	3	4
Total Assets	320,230	355,923	197,594	281,239
LIABILITIES				
Investment securities purchased payable	3,711	—	372	3,905
Capital shares redeemed payable	212	151	17	164
Trustees' fees payable	28	43	9	20
Service fee payable	2	2	1	2
Shareholder servicing payable	1	1	—*	—*
Investment management fee payable	7	8	5	5
Accounting services fee payable	8	8	6	8
Written options at market value+	—	—	—	286
Other liabilities	9	5	4	5
Total Liabilities	3,978	218	414	4,395
Total Net Assets	\$ 316,252	\$ 355,705	\$ 197,180	\$ 276,844
NET ASSETS				
Capital paid in (shares authorized – unlimited)	\$ 277,153	\$ 383,501	\$ 204,578	\$ 287,105
Undistributed (distributions in excess of) net investment income	(28)	(38)	141	3,007
Accumulated net realized gain (loss)	8,711	(44,318)	(38,028)	(34,470)
Net unrealized appreciation	30,416	16,560	30,489	21,202
Total Net Assets	\$ 316,252	\$ 355,705	\$ 197,180	\$ 276,844
CAPITAL SHARES OUTSTANDING	20,675	43,524	14,842	53,812
NET ASSET VALUE PER SHARE	\$ 15.2964	\$ 8.1726	\$ 13.2850	\$ 5.1446
+ COST				
Investments in unaffiliated securities at cost	\$ 289,596	\$ 339,269	\$ 166,814	\$ 255,726
Cash denominated in foreign currencies at cost	43	—	—	—
Written options premiums received at cost	—	—	—	508

*Not shown due to rounding.

STATEMENT OF OPERATIONS

Ivy Funds VIP

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

(In thousands)	Pathfinder Aggressive	Pathfinder Conservative	Pathfinder Moderate	Pathfinder Moderately Aggressive	Pathfinder Moderately Conservative	Asset Strategy	Balanced
INVESTMENT INCOME							
Dividends from unaffiliated securities	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 14,401	\$ 5,877
Dividends from affiliated securities	757	561	2,266	2,880	1,061	—	—
Foreign dividend withholding tax	—	—	—	—	—	(859)	(13)
Interest and amortization from unaffiliated securities	—*	1	3	2	1	5,299	4,711
Foreign interest withholding tax	—	—	—	—	—	(18)	—
Total Investment Income	757	562	2,269	2,882	1,062	18,823	10,575
EXPENSES							
Investment management fee	—	—	—	—	—	5,921	2,483
Service fee	—	—	—	—	—	2,117	887
Shareholder servicing	3	3	5	5	3	41	35
Registration fees	2	2	2	2	2	—	—
Custodian fees	3	3	3	3	4	380	16
Trustees' fees	3	2	9	11	4	54	27
Accounting services fee	20	13	41	49	23	204	110
Legal fees	3	2	9	11	3	97	21
Audit fees	6	6	6	7	6	24	18
Other	12	6	21	26	10	141	73
Total Expenses	52	37	96	114	55	8,979	3,670
Less:							
Expenses in excess of limit	—	—	—	—	—	(83)	—
Total Net Expenses	52	37	96	114	55	8,896	3,670
Net Investment Income	705	525	2,173	2,768	1,007	9,927	6,905
REALIZED AND UNREALIZED GAIN (LOSS)							
Net realized gain (loss) on:							
Investments in unaffiliated securities	—	—	—	—	—	751	5,243
Investments in affiliated securities	808	833	2,536	3,224	1,334	—	—
Distributions of realized capital gains from affiliated investments	600	170	1,051	1,717	358	—	—
Futures contracts	—	—	—	—	—	(15,347)	—
Written options	—	—	—	—	—	3,042	—
Swap agreements	—	—	—	—	—	16	—
Forward foreign currency contracts	—	—	—	—	—	1,590	—
Foreign currency exchange transactions	—	—	—	—	—	(1,496)	—
Net change in unrealized appreciation (depreciation) on:							
Investments in unaffiliated securities	—	—	—	—	—	193,277	31,077
Investments in affiliated securities	9,069	3,300	25,344	36,547	8,112	181	—
Futures contracts	—	—	—	—	—	(12)	—
Forward foreign currency contracts	—	—	—	—	—	(929)	—
Foreign currency exchange transactions	—	—	—	—	—	925	—
Net Realized and Unrealized Gain	10,477	4,303	28,931	41,488	9,804	181,998	36,320
Net Increase in Net Assets Resulting from Operations	\$11,182	\$4,828	\$31,104	\$44,256	\$10,811	\$191,925	\$43,225

*Not shown due to rounding.

See Accompanying Notes to Financial Statements.

STATEMENT OF OPERATIONS

Ivy Funds VIP

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

(In thousands)	Bond	Core Equity	Dividend Opportunities	Energy	Global Natural Resources	Growth	High Income
INVESTMENT INCOME							
Dividends from unaffiliated securities	\$ —	\$ 7,738	\$ 3,917	\$ 340	\$ 1,194	\$ 13,044	\$ 3
Foreign dividend withholding tax	—	(82)	(16)	(7)	(106)	(16)	—
Interest and amortization from unaffiliated securities	17,130	36	53	8	53	69	18,787
Foreign interest withholding tax	(6)	—	—	—	(1)	—	—
Total Investment Income	17,124	7,692	3,954	341	1,140	13,097	18,790
EXPENSES							
Investment management fee	1,865	2,700	1,096	212	1,282	5,528	1,166
Service fee	981	965	391	62	320	1,971	466
Shareholder servicing	19	34	9	5	12	83	15
Custodian fees	19	22	10	8	110	30	13
Trustees' fees	27	36	10	2	7	63	13
Accounting services fee	115	120	64	20	57	190	73
Legal fees	23	22	9	2	13	45	11
Audit fees	15	13	15	11	26	13	28
Other	65	74	33	10	30	143	35
Total Expenses	3,129	3,986	1,637	332	1,857	8,066	1,820
Less:							
Expenses in excess of limit	—	(193)	—	(79)	—	(246)	(93)
Total Net Expenses	3,129	3,793	1,637	253	1,857	7,820	1,727
Net Investment Income (Loss)	13,995	3,899	2,317	88	(717)	5,277	17,063
REALIZED AND UNREALIZED GAIN (LOSS)							
Net realized gain (loss) on:							
Investments in unaffiliated securities	2,446	1,038	(14,283)	(1,949)	2,878	17,492	(8,545)
Futures contracts	—	2,751	—	—	(2,248)	—	—
Forward foreign currency contracts	—	—	—	—	(336)	—	—
Foreign currency exchange transactions	—	13	—	—	(47)	—	2
Net change in unrealized appreciation (depreciation) on:							
Investments in unaffiliated securities	10,531	75,065	42,262	10,422	64,800	169,568	61,190
Forward foreign currency contracts	—	—	—	—	23	—	38
Foreign currency exchange transactions	—	(19)	—	—	10	—	—*
Net Realized and Unrealized Gain	12,977	78,848	27,979	8,473	65,080	187,060	52,685
Net Increase in Net Assets Resulting from Operations	\$26,972	\$82,747	\$30,296	\$8,561	\$64,363	\$192,337	\$69,748

*Not shown due to rounding.

STATEMENT OF OPERATIONS

Ivy Funds VIP

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

(In thousands)	International Growth	International Value	Micro Cap Growth	Mid Cap Growth	Money Market	Mortgage Securities	Real Estate Securities
INVESTMENT INCOME							
Dividends from unaffiliated securities	\$ 5,264	\$ 12,888	\$ 22	\$ 807	\$ —	\$ —	\$ 1,059
Foreign dividend withholding tax	(454)	(923)	(2)	—	—	—	(1)
Interest and amortization from unaffiliated securities	36	24	4	29	2,843	1,256	5
Total Investment Income	4,846	11,989	24	836	2,843	1,256	1,063
EXPENSES							
Investment management fee	1,626	3,637	300	573	756	149	241
Service fee	478	1,070	79	168	—	74	67
Shareholder servicing	20	64	11	6	9	5	6
Custodian fees	60	184	6	8	11	15	13
Trustees' fees	14	28	2	4	14	2	2
Accounting services fee	74	122	25	39	76	26	20
Legal fees	10	25	3	4	13	23	4
Audit fees	18	19	11	11	7	21	19
Other	39	82	10	15	85	10	11
Total Expenses	2,339	5,231	447	828	971	325	383
Less:							
Expenses in excess of limit	(57)	—	—	(13)	—	—	—
Total Net Expenses	2,282	5,231	447	815	971	325	383
Net Investment Income (Loss)	2,564	6,758	(423)	21	1,872	931	680
REALIZED AND UNREALIZED GAIN (LOSS)							
Net realized gain (loss) on:							
Investments in unaffiliated securities	46	(73,164)	(4,233)	(1,427)	116	(1,310)	(4,660)
Futures contracts	—	—	—	—	—	33	—
Written options	—	—	—	495	—	—	—
Forward foreign currency contracts	(771)	—	—	—	—	—	—
Foreign currency exchange transactions	32	246	—	—	—	—	—
Net change in unrealized appreciation (depreciation) on:							
Investments in unaffiliated securities	45,530	206,368	15,676	27,645	—	2,632	10,351
Futures contracts	—	—	—	—	—	132	—
Forward foreign currency contracts	692	—	—	—	—	—	—
Foreign currency exchange transactions	14	43	—	—	—	—	—
Net Realized and Unrealized Gain	45,543	133,493	11,443	26,713	116	1,487	5,691
Net Increase in Net Assets Resulting from Operations	\$48,107	\$140,251	\$11,020	\$26,734	\$1,988	\$2,418	\$ 6,371

See Accompanying Notes to Financial Statements.

STATEMENT OF OPERATIONS

Ivy Funds VIP

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

(In thousands)	Science and Technology	Small Cap Growth	Small Cap Value	Value
INVESTMENT INCOME				
Dividends from unaffiliated securities	\$ 2,433	\$ 807	\$ 2,036	\$ 5,989
Foreign dividend withholding tax	(79)	—	—	(30)
Interest and amortization from unaffiliated securities	894	77	32	23
Total Investment Income	3,248	884	2,068	5,982
EXPENSES				
Investment management fee	2,208	2,621	1,388	1,680
Service fee	650	771	408	600
Shareholder servicing	28	58	35	32
Custodian fees	59	13	14	17
Trustees' fees	19	24	11	17
Accounting services fee	89	94	65	86
Legal fees	16	18	11	14
Audit fees	16	14	17	18
Other	47	56	33	59
Total Expenses	3,132	3,669	1,982	2,523
Less:				
Expenses in excess of limit	(52)	(62)	—	(24)
Total Net Expenses	3,080	3,607	1,982	2,499
Net Investment Income (Loss)	168	(2,723)	86	3,483
REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized gain (loss) on:				
Investments in unaffiliated securities	12,147	(2,514)	(4,887)	(436)
Investments in affiliated securities	—	(2,341)	—	—
Written options	(368)	—	397	2,366
Foreign currency exchange transactions	(351)	—	(2)	—
Net change in unrealized appreciation (depreciation) on:				
Investments in unaffiliated securities	84,450	98,805	48,729	53,920
Investments in affiliated securities	—	2,304	—	—
Written options	(916)	—	(104)	37
Foreign currency exchange transactions	316	—	—	—
Net Realized and Unrealized Gain	95,278	96,254	44,133	55,887
Net Increase in Net Assets Resulting from Operations	\$95,446	\$93,531	\$44,219	\$59,370

See Accompanying Notes to Financial Statements.

STATEMENT OF CHANGES IN NET ASSETS

Ivy Funds VIP

(In thousands)	Pathfinder Aggressive		Pathfinder Conservative		Pathfinder Moderate	
	Fiscal year ended 12-31-09	Fiscal year ended 12-31-08 ⁽¹⁾	Fiscal year ended 12-31-09	Fiscal year ended 12-31-08 ⁽²⁾	Fiscal year ended 12-31-09	Fiscal year ended 12-31-08 ⁽¹⁾
INCREASE (DECREASE) IN NET ASSETS						
Operations:						
Net investment income	\$ 705	\$ 108	\$ 525	\$ 16	\$ 2,173	\$ 188
Net realized gain on investments	1,408	588	1,003	44	3,587	630
Net change in unrealized appreciation (depreciation)	9,069	(12,146)	3,300	(622)	25,344	(9,999)
Net Increase (Decrease) in Net Assets Resulting from Operations	11,182	(11,450)	4,828	(562)	31,104	(9,181)
Distributions to Shareholders From:						
Net investment income	(214)	—	(22)	—	(291)	—
Net realized gains	(487)	—	(40)	—	(537)	—
Total Distributions to Shareholders	(701)	—	(62)	—	(828)	—
Capital Share Transactions						
Net Increase in Net Assets	17,715	42,898	31,948	11,975	191,844	78,445
Net Assets, Beginning of Period	42,898	—	11,975	—	78,445	—
Net Assets, End of Period	\$60,613	\$42,898	\$43,923	\$11,975	\$270,289	\$78,445
Undistributed net investment income	\$ 703	\$ 212	\$ 524	\$ 21	\$ 2,170	\$ 287

(In thousands)	Pathfinder Moderately Aggressive		Pathfinder Moderately Conservative		Asset Strategy	
	Fiscal year ended 12-31-09	Fiscal year ended 12-31-08 ⁽¹⁾	Fiscal year ended 12-31-09	Fiscal year ended 12-31-08 ⁽³⁾	Fiscal year ended 12-31-09	Fiscal year ended 12-31-08
INCREASE (DECREASE) IN NET ASSETS						
Operations:						
Net investment income	\$ 2,768	\$ 296	\$ 1,007	\$ 60	\$ 9,927	\$ 8,670
Net realized gain (loss) on investments	4,941	1,203	1,692	180	(11,444)	12,245
Net change in unrealized appreciation (depreciation)	36,547	(19,888)	8,112	(2,562)	193,442	(267,755)
Net Increase (Decrease) in Net Assets Resulting from Operations	44,256	(18,389)	10,811	(2,322)	191,925	(246,840)
Distributions to Shareholders From:						
Net investment income	(541)	—	(79)	—	(2,922)	(3,671)
Net realized gains	(970)	—	(167)	—	(78,982)	(60,338)
Total Distributions to Shareholders	(1,511)	—	(246)	—	(81,904)	(64,009)
Capital Share Transactions						
Net Increase (Decrease) in Net Assets	143,305	134,095	49,516	34,494	306,546	76,364
Net Assets, Beginning of Period	186,050	115,706	60,081	32,172	416,567	(234,485)
Net Assets, End of Period	\$301,756	\$115,706	\$92,253	\$32,172	\$1,094,761	\$678,194
Undistributed net investment income	\$ 2,760	\$ 533	\$ 1,005	\$ 77	\$ 8,381	\$ 2,989

(1) For the period from March 4, 2008 (commencement of operations) through December 31, 2008.

(2) For the period from March 13, 2008 (commencement of operations) through December 31, 2008.

(3) For the period from March 12, 2008 (commencement of operations) through December 31, 2008.

See Accompanying Notes to Financial Statements.

STATEMENT OF CHANGES IN NET ASSETS

Ivy Funds VIP

(In thousands)	Balanced		Bond		Core Equity	
	Fiscal year ended 12-31-09	Fiscal year ended 12-31-08	Fiscal year ended 12-31-09	Fiscal year ended 12-31-08	Fiscal year ended 12-31-09	Fiscal year ended 12-31-08
INCREASE (DECREASE) IN NET ASSETS						
Operations:						
Net investment income	\$ 6,905	\$ 7,291	\$ 13,995	\$ 13,698	\$ 3,899	\$ 3,964
Net realized gain (loss) on investments	5,243	4,018	2,446	818	3,802	(22,322)
Net change in unrealized appreciation (depreciation)	31,077	(120,303)	10,531	(13,278)	75,046	(215,618)
Net Increase (Decrease) in Net Assets Resulting from Operations	43,225	(108,994)	26,972	1,238	82,747	(233,976)
Distributions to Shareholders From:						
Net investment income	(7,291)	(472)	(13,706)	(306)	(3,943)	(968)
Net realized gains	(2,099)	(329)	—	—	—	(14,757)
Total Distributions to Shareholders	(9,390)	(801)	(13,706)	(306)	(3,943)	(15,725)
Capital Share Transactions						
Net Increase (Decrease) in Net Assets	(17,339)	(181,158)	137,329	37,899	13,003	(343,754)
Net Assets, Beginning of Period	378,285	559,443	334,139	296,240	402,127	745,881
Net Assets, End of Period	\$360,946	\$378,285	\$471,468	\$334,139	\$415,130	\$402,127
Undistributed net investment income	\$6,902	\$7,259	\$16,139	\$13,651	\$3,844	\$3,875

(In thousands)	Dividend Opportunities		Energy		Global Natural Resources	
	Fiscal year ended 12-31-09	Fiscal year ended 12-31-08	Fiscal year ended 12-31-09	Fiscal year ended 12-31-08	Fiscal year ended 12-31-09	Fiscal year ended 12-31-08
INCREASE (DECREASE) IN NET ASSETS						
Operations:						
Net investment income (loss)	\$ 2,317	\$ 1,148	\$ 88	\$ (43)	\$ (717)	\$ (107)
Net realized gain (loss) on investments	(14,283)	(6,271)	(1,949)	(1,276)	247	(24,375)
Net change in unrealized appreciation (depreciation)	42,262	(51,212)	10,422	(16,275)	64,833	(80,610)
Net Increase (Decrease) in Net Assets Resulting from Operations	30,296	(56,335)	8,561	(17,594)	64,363	(105,092)
Distributions to Shareholders From:						
Net investment income	(1,506)	(134)	—	(29)	—	(1,938)
Net realized gains	—	(245)	—	(32)	—	(7,876)
Total Distributions to Shareholders	(1,506)	(379)	—	(61)	—	(9,814)
Capital Share Transactions						
Net Increase (Decrease) in Net Assets	78,278	2,425	11,448	(6,363)	122,828	(95,161)
Net Assets, Beginning of Period	123,026	120,601	19,894	26,257	69,461	164,622
Net Assets, End of Period	\$201,304	\$123,026	\$31,342	\$19,894	\$192,289	\$69,461
Undistributed (distributions in excess of) net investment income	\$2,041	\$1,363	\$85	\$(2)	\$(11)	\$(29)

See Accompanying Notes to Financial Statements.

STATEMENT OF CHANGES IN NET ASSETS

Ivy Funds VIP

(In thousands)	Growth		High Income		International Growth	
	Fiscal year ended 12-31-09	Fiscal year ended 12-31-08	Fiscal year ended 12-31-09	Fiscal year ended 12-31-08	Fiscal year ended 12-31-09	Fiscal year ended 12-31-08
INCREASE (DECREASE) IN NET ASSETS						
Operations:						
Net investment income	\$ 5,277	\$ 2,988	\$ 17,063	\$ 16,659	\$ 2,564	\$ 2,821
Net realized gain (loss) on investments	17,492	18,776	(8,543)	(12,373)	(693)	(24,202)
Net change in unrealized appreciation (depreciation)	169,568	(469,869)	61,228	(48,052)	46,236	(96,086)
Net Increase (Decrease) in Net Assets Resulting from Operations	192,337	(448,105)	69,748	(43,766)	48,107	(117,467)
Distributions to Shareholders From:						
Net investment income	(2,992)	—	(16,681)	(1,165)	(2,688)	(569)
Net realized gains	(22,110)	(10,490)	—	—	—	(4,744)
Total Distributions to Shareholders	(25,102)	(10,490)	(16,681)	(1,165)	(2,688)	(5,313)
Capital Share Transactions						
Net Increase (Decrease) in Net Assets	123,468	(547,745)	67,178	(67,021)	101,731	(123,557)
Net Assets, Beginning of Period	757,045	1,304,790	146,733	213,754	159,498	283,055
Net Assets, End of Period	\$880,513	\$757,045	\$213,911	\$146,733	\$261,229	\$159,498
Undistributed net investment income	\$5,169	\$2,896	\$16,996	\$16,619	\$2,575	\$2,667

(In thousands)	International Value		Micro Cap Growth		Mid Cap Growth	
	Fiscal year ended 12-31-09	Fiscal year ended 12-31-08	Fiscal year ended 12-31-09	Fiscal year ended 12-31-08	Fiscal year ended 12-31-09	Fiscal year ended 12-31-08
INCREASE (DECREASE) IN NET ASSETS						
Operations:						
Net investment income (loss)	\$ 6,758	\$ 15,588	\$ (423)	\$ (532)	\$ 21	\$ (32)
Net realized gain (loss) on investments	(72,918)	24,222	(4,233)	(627)	(932)	(1,367)
Net change in unrealized appreciation (depreciation)	206,411	(310,201)	15,676	(25,974)	27,645	(22,811)
Net Increase (Decrease) in Net Assets Resulting from Operations	140,251	(270,391)	11,020	(27,133)	26,734	(24,210)
Distributions to Shareholders From:						
Net investment income	(15,263)	(2,657)	—	—	—	(21)
Net realized gains	(24,549)	(10,555)	—	—	—	(901)
Total Distributions to Shareholders	(39,812)	(13,212)	—	—	—	(922)
Capital Share Transactions						
Net Increase (Decrease) in Net Assets	33,209	27,050	(1,118)	(4,134)	16,544	16,547
Net Assets, Beginning of Period	133,648	(256,553)	9,902	(31,267)	43,278	(8,585)
Net Assets, End of Period	379,113	635,666	28,309	59,576	48,879	57,464
Undistributed (distributions in excess of) net investment income	\$6,980	\$14,458	\$(54)	\$(2)	\$20	\$(1)

See Accompanying Notes to Financial Statements.

STATEMENT OF CHANGES IN NET ASSETS

Ivy Funds VIP

(In thousands)	Money Market		Mortgage Securities		Real Estate Securities	
	Fiscal year ended 12-31-09	Fiscal year ended 12-31-08	Fiscal year ended 12-31-09	Fiscal year ended 12-31-08	Fiscal year ended 12-31-09	Fiscal year ended 12-31-08
INCREASE (DECREASE) IN NET ASSETS						
Operations:						
Net investment income	\$ 1,872	\$ 2,803	\$ 931	\$ 1,397	\$ 680	\$ 749
Net realized gain (loss) on investments	116	36	(1,277)	(436)	(4,660)	(5,660)
Net change in unrealized appreciation (depreciation)	—	—	2,764	(4,663)	10,351	(12,764)
Net Increase (Decrease) in Net Assets Resulting from Operations	1,988	2,839	2,418	(3,702)	6,371	(17,675)
Distributions to Shareholders From:						
Net investment income	(1,872)	(2,799)	(1,400)	(302)	(831)	(253)
Net realized gains	(118)	(26)	—	—	—	(730)
Total Distributions to Shareholders	(1,990)	(2,825)	(1,400)	(302)	(831)	(983)
Capital Share Transactions						
Net Increase (Decrease) in Net Assets	(49,900)	111,542	8,609	(2,281)	(897)	(711)
Net Assets, Beginning of Period	200,763	89,221	27,282	33,567	28,934	48,303
Net Assets, End of Period	\$150,863	\$200,763	\$36,909	\$27,282	\$33,577	\$28,934
Undistributed net investment income	\$—	\$—	\$1,110	\$1,396	\$726	\$876

(In thousands)	Science and Technology	
	Fiscal year ended 12-31-09	Fiscal year ended 12-31-08
INCREASE (DECREASE) IN NET ASSETS		
Operations:		
Net investment income (loss)	\$ 168	\$ (662)
Net realized gain on investments	11,428	14,966
Net change in unrealized appreciation (depreciation)	83,850	(138,855)
Net Increase (Decrease) in Net Assets Resulting from Operations	95,446	(124,551)
Distributions to Shareholders From:		
Net investment income	—	—
Net realized gains	(16,547)	(8,411)
Total Distributions to Shareholders	(16,547)	(8,411)
Capital Share Transactions		
Net Increase (Decrease) in Net Assets	11,200	(37,315)
Net Assets, Beginning of Period	226,153	396,430
Net Assets, End of Period	\$316,252	\$226,153
Distributions in excess of net investment income	\$(28)	\$(24)

See Accompanying Notes to Financial Statements.

STATEMENT OF CHANGES IN NET ASSETS

Ivy Funds VIP

(In thousands)	Small Cap Growth		Small Cap Value		Value	
	Fiscal year ended 12-31-09	Fiscal year ended 12-31-08	Fiscal year ended 12-31-09	Fiscal year ended 12-31-08	Fiscal year ended 12-31-09	Fiscal year ended 12-31-08
INCREASE (DECREASE) IN NET ASSETS						
Operations:						
Net investment income (loss)	\$ (2,723)	\$ 1,292	\$ 86	\$ (250)	\$ 3,483	\$ 4,573
Net realized gain (loss) on investments	(4,855)	(28,562)	(4,492)	(29,934)	1,930	(34,841)
Net change in unrealized appreciation (depreciation)	101,109	(173,577)	48,625	(22,739)	53,957	(89,725)
Net Increase (Decrease) in Net Assets Resulting from Operations	93,531	(200,847)	44,219	(52,923)	59,370	(119,993)
Distributions to Shareholders From:						
Net investment income	(1,298)	—	—	(364)	(4,928)	(747)
Net realized gains	—	(6,006)	—	(3,536)	—	(2,341)
Total Distributions to Shareholders	(1,298)	(6,006)	—	(3,900)	(4,928)	(3,088)
Capital Share Transactions						
Net Increase (Decrease) in Net Assets	65,521	(253,975)	47,064	(55,028)	45,416	(132,555)
Net Assets, Beginning of Period	290,184	544,159	150,116	205,144	231,428	363,983
Net Assets, End of Period	\$355,705	\$290,184	\$197,180	\$150,116	\$276,844	\$231,428
Undistributed (distributions in excess of) net investment income	\$(38)	\$1,253	\$141	\$68	\$3,007	\$4,557

See Accompanying Notes to Financial Statements.

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FINANCIAL HIGHLIGHTS

Ivy Funds VIP

FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

	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
Pathfinder Aggressive							
Fiscal year ended 12-31-2009	\$3.8093	\$0.0524	\$ 0.8251	\$ 0.8775	\$(0.0175)	\$(0.0399)	\$(0.0574)
Fiscal year ended 12-31-2008 ⁽²⁾	5.0000	0.0096	(1.2003)	(1.1907)	—	—	—
Pathfinder Conservative							
Fiscal year ended 12-31-2009	4.4530	0.0553	0.5206	0.5759	(0.0033)	(0.0059)	(0.0092)
Fiscal year ended 12-31-2008 ⁽⁴⁾	5.0000	0.0058	(0.5528)	(0.5470)	—	—	—
Pathfinder Moderate							
Fiscal year ended 12-31-2009	4.0630	0.0325	0.6933	0.7258	(0.0091)	(0.0168)	(0.0259)
Fiscal year ended 12-31-2008 ⁽²⁾	5.0000	0.0097	(0.9467)	(0.9370)	—	—	—
Pathfinder Moderately Aggressive							
Fiscal year ended 12-31-2009	4.0140	0.0379	0.7876	0.8255	(0.0125)	(0.0224)	(0.0349)
Fiscal year ended 12-31-2008 ⁽²⁾	5.0000	0.0103	(0.9963)	(0.9860)	—	—	—
Pathfinder Moderately Conservative							
Fiscal year ended 12-31-2009	4.3098	0.0494	0.6002	0.6496	(0.0058)	(0.0123)	(0.0181)
Fiscal year ended 12-31-2008 ⁽⁵⁾	5.0000	0.0080	(0.6982)	(0.6902)	—	—	—
Asset Strategy							
Fiscal year ended 12-31-2009	8.2749	0.0814	1.8135	1.8949	(0.0337)	(0.9108)	(0.9445)
Fiscal year ended 12-31-2008	12.3237	0.1062	(3.2919)	(3.1857)	(0.0495)	(0.8136)	(0.8631)
Fiscal year ended 12-31-2007	9.0016	0.0932	3.8531	3.9463	(0.0709)	(0.5533)	(0.6242)
Fiscal year ended 12-31-2006	8.8625	0.0958	1.7042	1.8000	(0.0354)	(1.6255)	(1.6609)
Fiscal year ended 12-31-2005	7.6926	0.0836	1.7847	1.8683	(0.0762)	(0.6222)	(0.6984)
Balanced							
Fiscal year ended 12-31-2009	7.6960	0.1729	0.8142	0.9871	(0.1591)	(0.0458)	(0.2049)
Fiscal year ended 12-31-2008	9.7624	0.1496	(2.1997)	(2.0501)	(0.0096)	(0.0067)	(0.0163)
Fiscal year ended 12-31-2007	8.7056	0.1388	1.0508	1.1896	(0.1326)	(0.0002)	(0.1328)
Fiscal year ended 12-31-2006	7.9631	0.1224	0.7704	0.8928	(0.1207)	(0.0296)	(0.1503)
Fiscal year ended 12-31-2005	7.6783	0.0999	0.2851	0.3850	(0.1002)	—	(0.1002)

(1) Ratios excluding expense waivers are included only for periods in which the Portfolio had waived or reimbursed expenses.

(2) For the period from March 4, 2008 (commencement of operations of the class) through December 31, 2008.

(3) Annualized.

(4) For the period from March 13, 2008 (commencement of operations of the class) through December 31, 2008.

(5) For the period from March 12, 2008 (commencement of operations of the class) through December 31, 2008.

	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 ⁽¹⁾	Ratio of Net Investment Income to Average Net Assets Excluding Expense Waiver ⁽¹⁾	Portfolio Turnover Rate
Pathfinder Aggressive								
Fiscal year ended 12-31-2009	\$ 4.6294	23.32%	\$61	0.10%	1.40%	—%	—%	22%
Fiscal year ended 12-31-2008 ⁽²⁾	3.8093	-23.82	43	0.10 ⁽³⁾	0.44 ⁽³⁾	—	—	3
Pathfinder Conservative								
Fiscal year ended 12-31-2009	5.0197	12.95	44	0.12	1.66	—	—	27
Fiscal year ended 12-31-2008 ⁽⁴⁾	4.4530	-10.94	12	0.39 ⁽³⁾	0.45 ⁽³⁾	—	—	2
Pathfinder Moderate								
Fiscal year ended 12-31-2009	4.7629	17.95	270	0.06	1.35	—	—	18
Fiscal year ended 12-31-2008 ⁽²⁾	4.0630	-18.74	78	0.09 ⁽³⁾	0.64 ⁽³⁾	—	—	—
Pathfinder Moderately Aggressive								
Fiscal year ended 12-31-2009	4.8046	20.70	302	0.06	1.35	—	—	19
Fiscal year ended 12-31-2008 ⁽²⁾	4.0140	-19.72	116	0.07 ⁽³⁾	0.61 ⁽³⁾	—	—	—
Pathfinder Moderately Conservative								
Fiscal year ended 12-31-2009	4.9413	15.12	92	0.09	1.56	—	—	28
Fiscal year ended 12-31-2008 ⁽⁵⁾	4.3098	-13.80	32	0.18 ⁽³⁾	0.63 ⁽³⁾	—	—	—
Asset Strategy								
Fiscal year ended 12-31-2009	9.2253	25.04	1,095	1.05	1.17	1.06	1.16	113
Fiscal year ended 12-31-2008	8.2749	-25.79	678	1.04	1.02	1.05	1.01	190
Fiscal year ended 12-31-2007	12.3237	44.11	913	1.03	0.96	1.04	0.95	98
Fiscal year ended 12-31-2006	9.0016	20.15	602	1.02	1.16	1.03	1.15	148
Fiscal year ended 12-31-2005	8.8625	24.27	416	1.03	1.10	—	—	79
Balanced								
Fiscal year ended 12-31-2009	8.4782	13.23	361	1.03	1.95	—	—	46
Fiscal year ended 12-31-2008	7.6960	-21.00	378	1.01	1.53	—	—	19
Fiscal year ended 12-31-2007	9.7624	13.67	559	1.01	1.40	—	—	8
Fiscal year ended 12-31-2006	8.7056	11.21	565	1.01	1.37	—	—	28
Fiscal year ended 12-31-2005	7.9631	5.01	582	1.01	1.20	—	—	52

See Accompanying Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

Ivy Funds VIP

FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

	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
Bond							
Fiscal year ended 12-31-2009	\$ 5.3372	\$0.1550	\$0.2178	\$0.3728	\$(0.2104)	\$ —	\$(0.2104)
Fiscal year ended 12-31-2008	5.3255	0.2183	(0.2017)	0.0166	(0.0049)	—	(0.0049)
Fiscal year ended 12-31-2007	5.2752	0.2428	0.0489	0.2917	(0.2414)	—	(0.2414)
Fiscal year ended 12-31-2006	5.2928	0.2434	(0.0182)	0.2252	(0.2411)	(0.0017)	(0.2428)
Fiscal year ended 12-31-2005	5.4762	0.2356	(0.1464)	0.0892	(0.2464)	(0.0262)	(0.2726)
Core Equity							
Fiscal year ended 12-31-2009	8.1109	0.0996	1.8272	1.9268	(0.0859)	—	(0.0859)
Fiscal year ended 12-31-2008	12.9583	0.0832	(4.6008)	(4.5176)	(0.0203)	(0.3095)	(0.3298)
Fiscal year ended 12-31-2007	12.5485	0.0977	1.6632	1.7609	(0.0862)	(1.2649)	(1.3511)
Fiscal year ended 12-31-2006	11.1221	0.0805	1.8084	1.8889	(0.1093)	(0.3532)	(0.4625)
Fiscal year ended 12-31-2005	10.2369	0.0358	0.8859	0.9217	(0.0365)	—	(0.0365)
Dividend Opportunities							
Fiscal year ended 12-31-2009	5.1114	0.0599	0.8442	0.9041	(0.0521)	—	(0.0521)
Fiscal year ended 12-31-2008	8.0015	0.0391	(2.9133)	(2.8742)	(0.0056)	(0.0103)	(0.0159)
Fiscal year ended 12-31-2007	6.9651	0.0881	1.0765	1.1646	(0.0675)	(0.0607)	(0.1282)
Fiscal year ended 12-31-2006	6.1121	0.0857	0.8867	0.9724	(0.0849)	(0.0345)	(0.1194)
Fiscal year ended 12-31-2005	5.4645	0.0643	0.6476	0.7119	(0.0643)	—	(0.0643)
Energy							
Fiscal year ended 12-31-2009	3.7434	0.0147	1.5007	1.5154	—	—	—
Fiscal year ended 12-31-2008	6.9732	(0.0103)	(3.2080)	(3.2183)	(0.0055)	(0.0060)	(0.0115)
Fiscal year ended 12-31-2007	4.6351	0.0280	2.3497	2.3777	(0.0209)	(0.0187)	(0.0396)
Fiscal year ended 12-31-2006 ⁽²⁾	5.0000	0.0248	(0.3654)	(0.3406)	(0.0243)	—	(0.0243)
Global Natural Resources							
Fiscal year ended 12-31-2009	3.3102	(0.0209)	2.4586	2.4377	—	—	—
Fiscal year ended 12-31-2008	10.0838	0.0088	(6.2310)	(6.2222)	(0.1089)	(0.4425)	(0.5514)
Fiscal year ended 12-31-2007	7.5711	0.0148	3.2797	3.2945	(0.0022)	(0.7796)	(0.7818)
Fiscal year ended 12-31-2006	6.2719	0.0295	1.5690	1.5985	(0.0235)	(0.2758)	(0.2993)
Fiscal year ended 12-31-2005 ⁽⁴⁾	5.0000	(0.0112)	1.3132	1.3020	—	(0.0301)	(0.0301)
Growth							
Fiscal year ended 12-31-2009	7.5529	0.0567	1.9286	1.9853	(0.0310)	(0.2291)	(0.2601)
Fiscal year ended 12-31-2008	12.0237	0.0297	(4.3944)	(4.3647)	—	(0.1061)	(0.1061)
Fiscal year ended 12-31-2007	9.7813	(0.0008)	2.5262	2.5254	(0.0001)	(0.2829)	(0.2830)
Fiscal year ended 12-31-2006	9.3125	(0.0001)	0.4689	0.4688	—	—	—
Fiscal year ended 12-31-2005	8.3728	(0.0029)	0.9429	0.9400	(0.0003)	—	(0.0003)

(1) Ratios excluding expense waivers are included only for periods in which the Portfolio had waived or reimbursed expenses.

(2) For the period from May 1, 2006 (commencement of operations of the class) through December 31, 2006.

(3) Annualized.

(4) For the period from April 28, 2005 (commencement of operations of the class) through December 31, 2005.

	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 (Loss) to Average Net Assets Including Expense Waiver	Ratio of Expenses to Average Net Assets Excluding Expense Waiver ⁽¹⁾	Ratio of Net Investment Income (Loss) to Average Net Assets Excluding Expense Waiver ⁽¹⁾	Portfolio Turnover Rate
Bond								
Fiscal year ended 12-31-2009	\$5.4996	7.16%	\$471	0.80%	3.56%	—%	—%	30%
Fiscal year ended 12-31-2008	5.3372	0.31	334	0.79	4.38	—	—	29
Fiscal year ended 12-31-2007	5.3255	5.67	296	0.82	4.57	0.85	4.54	42
Fiscal year ended 12-31-2006	5.2752	4.24	213	0.84	4.49	0.85	4.48	54
Fiscal year ended 12-31-2005	5.2928	1.61	212	0.86	4.17	—	—	43
Core Equity								
Fiscal year ended 12-31-2009	9.9518	24.02	415	0.98	1.01	1.03	0.96	101
Fiscal year ended 12-31-2008	8.1109	-34.77	402	0.96	0.68	1.01	0.63	105
Fiscal year ended 12-31-2007	12.9583	14.03	746	0.96	0.68	1.01	0.63	83
Fiscal year ended 12-31-2006	12.5485	16.99	762	0.99	0.62	1.00	0.61	103
Fiscal year ended 12-31-2005	11.1221	9.01	723	1.01	0.32	—	—	62
Dividend Opportunities								
Fiscal year ended 12-31-2009	5.9634	17.88	201	1.05	1.48	—	—	31
Fiscal year ended 12-31-2008	5.1114	-35.91	123	1.07	0.92	—	—	35
Fiscal year ended 12-31-2007	8.0015	16.72	121	1.04	1.29	—	—	17
Fiscal year ended 12-31-2006	6.9651	15.91	81	1.07	1.63	—	—	17
Fiscal year ended 12-31-2005	6.1121	13.03	43	0.93	1.53	1.12	1.34	22
Energy								
Fiscal year ended 12-31-2009	5.2588	40.48	31	1.01	0.35	1.33	0.03	15
Fiscal year ended 12-31-2008	3.7434	-46.15	20	1.14	-0.15	1.31	-0.32	10
Fiscal year ended 12-31-2007	6.9732	51.30	26	0.52	0.78	1.32	-0.02	13
Fiscal year ended 12-31-2006 ⁽²⁾	4.6351	-6.81	7	0.64 ⁽³⁾	1.05 ⁽³⁾	1.49 ⁽³⁾	0.20 ⁽³⁾	12
Global Natural Resources								
Fiscal year ended 12-31-2009	5.7479	73.64	192	1.45	-0.56	—	—	101
Fiscal year ended 12-31-2008	3.3102	-61.46	69	1.43	-0.08	—	—	206
Fiscal year ended 12-31-2007	10.0838	43.50	165	1.38	0.20	—	—	122
Fiscal year ended 12-31-2006	7.5711	25.49	90	1.51	0.53	—	—	111
Fiscal year ended 12-31-2005 ⁽⁴⁾	6.2719	26.04	32	2.17 ⁽³⁾	-0.60 ⁽³⁾	—	—	66
Growth								
Fiscal year ended 12-31-2009	9.2781	27.07	881	0.99	0.67	1.02	0.64	59
Fiscal year ended 12-31-2008	7.5529	-36.27	757	0.97	0.29	1.00	0.26	53
Fiscal year ended 12-31-2007	12.0237	25.81	1,305	0.97	-0.01	0.99	-0.03	42
Fiscal year ended 12-31-2006	9.7813	5.04	1,177	0.99	0.00	1.00	-0.01	67
Fiscal year ended 12-31-2005	9.3125	11.23	1,252	1.00	-0.03	—	—	59

See Accompanying Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

Ivy Funds VIP

FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

	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
High Income							
Fiscal year ended 12-31-2009	\$ 2.4841	\$ 0.2537	\$ 0.8347	\$ 1.0884	\$(0.2728)	\$ —	\$(0.2728)
Fiscal year ended 12-31-2008	3.2031	0.2834	(0.9826)	(0.6992)	(0.0198)	—	(0.0198)
Fiscal year ended 12-31-2007	3.3398	0.2717	(0.1440)	0.1277	(0.2644)	—	(0.2644)
Fiscal year ended 12-31-2006	3.2521	0.2518	0.0827	0.3345	(0.2468)	—	(0.2468)
Fiscal year ended 12-31-2005	3.4276	0.2626	(0.1749)	0.0877	(0.2632)	—	(0.2632)
International Growth							
Fiscal year ended 12-31-2009	6.0050	0.0741	1.5140	1.5881	(0.1016)	—	(0.1016)
Fiscal year ended 12-31-2008	10.7486	0.1075	(4.6438)	(4.5363)	(0.0222)	(0.1851)	(0.2073)
Fiscal year ended 12-31-2007	9.1353	0.0630	1.8829	1.9459	(0.0587)	(0.2739)	(0.3326)
Fiscal year ended 12-31-2006	7.5943	0.0672	1.5263	1.5935	(0.0525)	—	(0.0525)
Fiscal year ended 12-31-2005	6.6534	0.0493	1.0465	1.0958	(0.1549)	—	(0.1549)
International Value							
Fiscal year ended 12-31-2009	12.4613	0.1992	4.0136	4.2128	(0.4959)	(0.7976)	(1.2935)
Fiscal year ended 12-31-2008	22.3935	0.5116	(9.9918)	(9.4802)	(0.0909)	(0.3611)	(0.4520)
Fiscal year ended 12-31-2007	22.7794	0.4391	1.8126	2.2517	(0.3937)	(2.2439)	(2.6376)
Fiscal year ended 12-31-2006	19.1711	0.4593	5.2176	5.6769	(0.4097)	(1.6589)	(2.0686)
Fiscal year ended 12-31-2005	19.1681	0.3199	1.8192	2.1391	(0.4226)	(1.7135)	(2.1361)
Micro Cap Growth							
Fiscal year ended 12-31-2009	11.1122	(0.1739)	4.7619	4.5880	—	—	—
Fiscal year ended 12-31-2008	21.3838	(0.2089)	(10.0627)	(10.2716)	—	—	—
Fiscal year ended 12-31-2007	20.0796	(0.2565)	1.5607	1.3042	—	—	—
Fiscal year ended 12-31-2006	17.8866	(0.2064)	2.3994	2.1930	—	—	—
Fiscal year ended 12-31-2005	14.7992	(0.1737)	3.2611	3.0874	—	—	—
Mid Cap Growth							
Fiscal year ended 12-31-2009	4.5056	0.0015	2.1009	2.1024	—	—	—
Fiscal year ended 12-31-2008	7.2091	(0.0036)	(2.6128)	(2.6164)	(0.0020)	(0.0851)	(0.0871)
Fiscal year ended 12-31-2007	6.5601	0.0034	0.8245	0.8279	(0.0013)	(0.1776)	(0.1789)
Fiscal year ended 12-31-2006	6.0653	0.0164	0.5025	0.5189	(0.0223)	(0.0018)	(0.0241)
Fiscal year ended 12-31-2005 ⁽²⁾	5.0000	0.0064	1.0589	1.0653	—	—	—
Money Market							
Fiscal year ended 12-31-2009	1.0000	0.0095	0.0006	0.0101	(0.0095)	(0.0006)	(0.0101)
Fiscal year ended 12-31-2008	1.0000	0.0215	0.0001	0.0216	(0.0215)	(0.0001)	(0.0216)
Fiscal year ended 12-31-2007	1.0000	0.0451	0.0000	0.0451	(0.0451)	—	(0.0451)
Fiscal year ended 12-31-2006	1.0000	0.0424	0.0000	0.0424	(0.0424)	—	(0.0424)
Fiscal year ended 12-31-2005	1.0000	0.0247	0.0000	0.0247	(0.0247)	—	(0.0247)

(1) Ratios excluding expense waivers are included only for periods in which the Portfolio had waived or reimbursed expenses.

(2) For the period from April 28, 2005 (commencement of operations of the class) through December 31, 2005.

(3) Annualized.

	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 (Loss) to Average Net Assets Including Expense Waiver	Ratio of Expenses to Average Net Assets Excluding Expense Waiver ⁽¹⁾	Ratio of Net Investment Income (Loss) to Average Net Assets Excluding Expense Waiver ⁽¹⁾	Portfolio Turnover Rate
High Income								
Fiscal year ended 12-31-2009	\$ 3.2997	46.42%	\$214	0.93%	9.15%	0.98%	9.10%	74%
Fiscal year ended 12-31-2008	2.4841	-21.82	147	0.91	8.72	0.96	8.67	37
Fiscal year ended 12-31-2007	3.2031	3.86	214	0.90	7.90	0.95	7.85	74
Fiscal year ended 12-31-2006	3.3398	10.27	204	0.94	7.48	0.95	7.47	71
Fiscal year ended 12-31-2005	3.2521	2.55	186	0.95	7.35	—	—	54
International Growth								
Fiscal year ended 12-31-2009	7.4915	26.89	261	1.19	1.34	1.22	1.31	80
Fiscal year ended 12-31-2008	6.0050	-42.15	159	1.18	1.27	1.21	1.24	96
Fiscal year ended 12-31-2007	10.7486	21.29	283	1.17	0.63	1.20	0.60	95
Fiscal year ended 12-31-2006	9.1353	20.99	245	1.20	0.81	1.21	0.80	96
Fiscal year ended 12-31-2005	7.5943	16.47	206	1.21	0.67	—	—	86
International Value								
Fiscal year ended 12-31-2009	15.3806	36.96	513	1.22	1.58	—	—	142
Fiscal year ended 12-31-2008	12.4613	-42.26	379	1.18	3.07	—	—	20
Fiscal year ended 12-31-2007	22.3935	9.88	636	1.18	1.81	—	—	23
Fiscal year ended 12-31-2006	22.7794	29.61	589	1.18	2.13	—	—	29
Fiscal year ended 12-31-2005	19.1711	11.16	463	1.19	1.63	—	—	23
Micro Cap Growth								
Fiscal year ended 12-31-2009	15.7002	41.29	38	1.42	-1.34	—	—	70
Fiscal year ended 12-31-2008	11.1122	-48.04	28	1.36	-1.23	—	—	60
Fiscal year ended 12-31-2007	21.3838	6.49	60	1.32	-1.18	—	—	57
Fiscal year ended 12-31-2006	20.0796	12.26	60	1.32	-1.06	—	—	60
Fiscal year ended 12-31-2005	17.8866	20.87	53	1.35	-1.15	—	—	54
Mid Cap Growth								
Fiscal year ended 12-31-2009	6.6080	46.66	92	1.21	0.03	1.23	0.01	33
Fiscal year ended 12-31-2008	4.5056	-36.23	49	1.23	-0.06	1.24	-0.07	46
Fiscal year ended 12-31-2007	7.2091	12.62	57	1.21	0.06	1.24	0.03	31
Fiscal year ended 12-31-2006	6.5601	8.56	37	0.97	0.45	1.31	0.11	23
Fiscal year ended 12-31-2005 ⁽²⁾	6.0653	21.31	13	0.69 ⁽³⁾	0.33 ⁽³⁾	1.54 ⁽³⁾	-0.51 ⁽³⁾	11
Money Market								
Fiscal year ended 12-31-2009	1.0000	1.02	151	0.51	0.99	—	—	—
Fiscal year ended 12-31-2008	1.0000	2.18	201	0.75	2.01	—	—	—
Fiscal year ended 12-31-2007	1.0000	4.60	89	0.76	4.51	—	—	—
Fiscal year ended 12-31-2006	1.0000	4.32	70	0.77	4.29	—	—	—
Fiscal year ended 12-31-2005	1.0000	2.50	52	0.79	2.46	—	—	—

See Accompanying Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

Ivy Funds VIP

FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

	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
Mortgage Securities							
Fiscal year ended 12-31-2009	\$4.3871	\$ 0.1340	\$ 0.2186	\$ 0.3526	\$(0.2456)	\$ —	\$(0.2456)
Fiscal year ended 12-31-2008	4.9813	0.2287	(0.7740)	(0.5453)	(0.0489)	—	(0.0489)
Fiscal year ended 12-31-2007	4.9818	0.2127	(0.0444)	0.1683	(0.1688)	—	(0.1688)
Fiscal year ended 12-31-2006	4.9801	0.2373	0.0010	0.2383	(0.2366)	—	(0.2366)
Fiscal year ended 12-31-2005	5.0791	0.2010	(0.0990)	0.1020	(0.2010)	—	(0.2010)
Real Estate Securities							
Fiscal year ended 12-31-2009	4.3040	0.1069	0.8531	0.9600	(0.1261)	—	(0.1261)
Fiscal year ended 12-31-2008	6.9867	0.1143	(2.6453)	(2.5310)	(0.0390)	(0.1127)	(0.1517)
Fiscal year ended 12-31-2007	8.7770	0.0938	(1.5033)	(1.4095)	(0.0473)	(0.3335)	(0.3808)
Fiscal year ended 12-31-2006	6.9610	0.0367	2.0572	2.0939	(0.0607)	(0.2172)	(0.2779)
Fiscal year ended 12-31-2005	6.5176	0.0779	0.6278	0.7057	(0.0954)	(0.1669)	(0.2623)
Science and Technology							
Fiscal year ended 12-31-2009	11.4251	0.0082	4.7292	4.7374	—	(0.8661)	(0.8661)
Fiscal year ended 12-31-2008	17.9777	(0.0336)	(6.0778)	(6.1114)	—	(0.4412)	(0.4412)
Fiscal year ended 12-31-2007	17.7170	(0.0712)	4.3892	4.3180	—	(4.0573)	(4.0573)
Fiscal year ended 12-31-2006	16.8844	(0.1178)	1.4468	1.3290	—	(0.4964)	(0.4964)
Fiscal year ended 12-31-2005	14.4014	(0.1145)	2.5975	2.4830	—	—	—
Small Cap Growth							
Fiscal year ended 12-31-2009	6.0933	(0.0613)	2.1692	2.1079	(0.0286)	—	(0.0286)
Fiscal year ended 12-31-2008	10.2422	0.0270	(4.0469)	(4.0199)	—	(0.1290)	(0.1290)
Fiscal year ended 12-31-2007	9.9749	(0.0641)	1.4127	1.3486	—	(1.0813)	(1.0813)
Fiscal year ended 12-31-2006	10.4866	(0.0584)	0.5883	0.5299	—	(1.0416)	(1.0416)
Fiscal year ended 12-31-2005	9.6810	(0.0647)	1.3116	1.2469	—	(0.4413)	(0.4413)
Small Cap Value							
Fiscal year ended 12-31-2009	10.2867	0.0057	2.9926	2.9983	—	—	—
Fiscal year ended 12-31-2008	14.3219	(0.0168)	(3.7428)	(3.7596)	(0.0257)	(0.2499)	(0.2756)
Fiscal year ended 12-31-2007	15.6884	0.0251	(0.6721)	(0.6470)	(0.0008)	(0.7187)	(0.7195)
Fiscal year ended 12-31-2006	14.5826	0.0226	2.4333	2.4559	(0.0232)	(1.3269)	(1.3501)
Fiscal year ended 12-31-2005	16.6329	0.0012	0.6886	0.6898	—	(2.7401)	(2.7401)
Value							
Fiscal year ended 12-31-2009	4.1537	0.0657	1.0149	1.0806	(0.0897)	—	(0.0897)
Fiscal year ended 12-31-2008	6.3640	0.0826	(2.2367)	(2.1541)	(0.0136)	(0.0426)	(0.0562)
Fiscal year ended 12-31-2007	6.7426	0.0802	0.0480	0.1282	(0.0680)	(0.4388)	(0.5068)
Fiscal year ended 12-31-2006	6.0701	0.0747	0.9499	1.0246	(0.0740)	(0.2781)	(0.3521)
Fiscal year ended 12-31-2005	6.2226	0.0918	0.1831	0.2749	(0.0916)	(0.3358)	(0.4274)

(1) Ratios excluding expense waivers are included only for periods in which the Portfolio 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 (Loss) to Average Net Assets Including Expense Waiver	Ratio of Expenses to Average Net Assets Excluding Expense Waiver ⁽¹⁾	Ratio of Net Investment Income (Loss) to Average Net Assets Excluding Expense Waiver ⁽¹⁾	Portfolio Turnover Rate
Mortgage Securities								
Fiscal year ended 12-31-2009	\$ 4.4941	8.37%	\$ 37	1.09%	3.13%	—%	—%	342%
Fiscal year ended 12-31-2008	4.3871	-10.95	27	0.99	4.21	—	—	288
Fiscal year ended 12-31-2007	4.9813	3.40	34	0.96	4.73	—	—	138
Fiscal year ended 12-31-2006	4.9818	4.77	30	0.97	4.76	—	—	158
Fiscal year ended 12-31-2005	4.9801	2.00	28	1.00	4.21	—	—	202
Real Estate Securities								
Fiscal year ended 12-31-2009	5.1379	23.62	34	1.43	2.54	—	—	62
Fiscal year ended 12-31-2008	4.3040	-36.04	29	1.31	1.73	—	—	45
Fiscal year ended 12-31-2007	6.9867	-16.07	48	1.30	1.08	—	—	50
Fiscal year ended 12-31-2006	8.7770	30.08	60	1.31	1.03	—	—	32
Fiscal year ended 12-31-2005	6.9610	10.83	33	1.38	1.26	—	—	48
Science and Technology								
Fiscal year ended 12-31-2009	15.2964	43.84	316	1.19	0.06	1.21	0.04	65
Fiscal year ended 12-31-2008	11.4251	-33.89	226	1.16	-0.21	1.18	-0.23	62
Fiscal year ended 12-31-2007	17.9777	24.37	396	1.15	-0.42	1.17	-0.44	73
Fiscal year ended 12-31-2006	17.7170	7.87	352	1.17	-0.65	1.18	-0.66	71
Fiscal year ended 12-31-2005	16.8844	17.25	361	1.17	-0.74	—	—	104
Small Cap Growth								
Fiscal year ended 12-31-2009	8.1726	34.72	356	1.17	-0.88	1.19	-0.90	44
Fiscal year ended 12-31-2008	6.0933	-39.18	290	1.14	0.32	1.16	0.30	82
Fiscal year ended 12-31-2007	10.2422	13.52	544	1.14	-0.61	1.16	-0.63	101
Fiscal year ended 12-31-2006	9.9749	5.05	555	1.15	-0.55	1.16	-0.56	94
Fiscal year ended 12-31-2005	10.4866	12.88	606	1.16	-0.63	—	—	71
Small Cap Value								
Fiscal year ended 12-31-2009	13.2850	29.15	197	1.21	0.05	—	—	100
Fiscal year ended 12-31-2008	10.2867	-26.13	150	1.18	-0.14	—	—	110
Fiscal year ended 12-31-2007	14.3219	-4.13	205	1.18	0.17	—	—	122
Fiscal year ended 12-31-2006	15.6884	16.84	199	1.18	0.15	—	—	131
Fiscal year ended 12-31-2005	14.5826	4.15	160	1.20	0.01	—	—	166
Value								
Fiscal year ended 12-31-2009	5.1446	26.64	277	1.04	1.45	1.05	1.44	73
Fiscal year ended 12-31-2008	4.1537	-33.81	231	1.01	1.52	1.02	1.51	48
Fiscal year ended 12-31-2007	6.3640	1.90	364	1.01	1.12	1.02	1.11	51
Fiscal year ended 12-31-2006	6.7426	16.88	374	1.01	1.12	1.02	1.11	73
Fiscal year ended 12-31-2005	6.0701	4.42	353	1.02	1.42	—	—	40

See Accompanying Notes to Financial Statements.

I. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Ivy Funds Variable Insurance Portfolios, a Delaware statutory trust (the Trust), is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as a diversified, open-end management investment company. The Trust is divided into twenty-five series (each a Portfolio). The assets belonging to each Portfolio, except the Pathfinder Portfolios, are held separately by the custodian. The investment objective, policies and risk factors of each Portfolio are described more fully in the prospectus and Statement of Additional Information. The Trust's investment adviser is Waddell & Reed Investment Management Company (WRIMCO).

The following is a summary of significant accounting policies consistently followed by each Portfolio.

Securities Valuation. Each Portfolio 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 utilizes 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.

Gold bullion is valued at the last traded spot price reported by a pricing service prior to the close of the NYSE.

Options and swaps are valued by the independent pricing service unless the price is unavailable, in which case they are valued at either the mean between the last bid and asked price or using a valuation obtained from a dealer in that security. Futures contracts traded on an exchange are generally valued at the settlement price. Mutual funds, including investment funds, are typically valued at the net asset value reported at the close of each business day.

Forward foreign currency 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.

All securities held by Money Market and short-term securities with maturities of 60 days or less 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 Portfolios, under the supervision of the Board of Trustees, evaluate the impact of these events each day and may adjust the valuation of foreign securities to reflect the fair value as of the close of the U.S. markets. In addition, all securities for which market values are not readily available or are deemed unreliable are appraised at fair value as determined in good faith under the direction of the Board of Trustees. As of December 31, 2009, the following had aggregate investments valued at fair value (unrealized appreciation (depreciation) for futures contracts) as shown:

Portfolio Name	Total Amount of Fair Valued Securities	Percent of Net Assets
Asset Strategy	\$ 525,301	47.98%
Balanced	—*	0.00%
Global Natural Resources	33,892	17.63%
International Growth	217,783	83.37%
International Value	475,278	92.69%
Science and Technology	25,444	8.05%

*Not shown due to rounding.

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 gains and losses are calculated on the identified cost basis. Interest income is recorded on the accrual basis and includes paydown gain (loss) and accretion of discounts and amortization of premiums. 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 Portfolio is informed of the ex-dividend date. Upon notification from issuers, some of the distributions received from a real estate investment trust or publically traded partnership may be redesignated as a reduction of cost of the related investment and/or realized gain.

Securities on a When-Issued or Delayed Delivery Basis.

Certain Portfolios 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 Portfolio on a when-issued basis normally take 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 Portfolio's net asset value to the extent the Portfolio executes such transactions while remaining substantially fully invested. When a Portfolio 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 Portfolio to lose the opportunity to obtain or dispose of the security at a price and yield it considers advantageous. The Portfolio maintains internally designated assets with a market value equal to or greater than the amount of its purchase commitments. The Portfolio may also sell securities that it purchased on a when-issued basis prior to settlement of the original purchase.

Mortgage Dollar Roll Transactions. Certain Portfolios 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 Portfolio 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 Portfolio forgoes principal and interest paid on the mortgage securities sold. The Portfolio is compensated from negotiated fees paid by brokers offered as an inducement to the Portfolio to "roll over" their purchase commitments. These fees, if any, are recognized over the roll period and are included in Interest and amortization in the Statement of Operations.

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. Certain Portfolios may hold high-yield and/or 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 Portfolios may acquire securities in default, and are not obligated to dispose of securities whose issuers subsequently default. As of December 31, 2009, High Income held defaulted securities with an aggregate market value of \$2,091, representing 0.98% of the Portfolio's net assets.

Foreign Currency Translation. Each Portfolio'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 Portfolio combines

fluctuations from currency exchange rates and fluctuations in market value when computing net realized gain (loss) and net change in unrealized appreciation (depreciation) on 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 is open for trading, primarily using an independent pricing service authorized by the Board of Trustees.

Repurchase Agreements. Each Portfolio may purchase securities subject to repurchase agreements, which are instruments under which the Portfolio 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 agreement, including accrued interest thereon. The collateral for the repurchase agreement is held by a custodian bank.

Investments with Off-Balance Sheet Risk. Certain Portfolios 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.

Segregation and Collateralization. In cases in which the 1940 Act and the interpretive positions of the Securities and Exchange Commission (SEC) require that a Portfolio either delivers collateral or segregates assets in connection with certain investments (e.g., dollar rolls, financial futures contracts, foreign currency exchange contracts, options written, securities with extended settlement periods and swaps), the Portfolio will segregate collateral or designate on its books and records cash or other liquid securities having a market value at least equal to the amount that is required to be physically segregated for the benefit of the counterparty. Furthermore, based on requirements and agreements with certain exchanges and third party broker-dealers, each party has requirements to deliver/deposit securities as collateral for certain investments.

Income Taxes. It is the policy of each Portfolio 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 Portfolio intends to pay distributions as required to avoid imposition of excise tax. Accordingly, no provision has been made for Federal income taxes. 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 and for the fiscal year ended December 31, 2009, management believes that under this standard no liability for unrecognized tax positions is required. The Portfolios are subject to examination by U.S. federal and state authorities for returns filed for tax years after 2005.

Dividends and Distributions to Shareholders. Dividends and distributions to shareholders are recorded by each Portfolio 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 Portfolio 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 Portfolio pays interest to its custodian on such cash overdrafts, to the extent they are not offset by positive cash balances maintained by that Portfolio, at a rate equal to the custodian’s prime rate less 150 basis points. The “Earnings credit” line item, if shown, represents earnings on cash balances maintained by that Portfolio 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 Portfolio 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 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.

Treasury’s Temporary Guarantee Program. On October 3, 2008, the Board of Trustees of the Trust approved the participation by Money Market in the U.S. Department of the Treasury’s Temporary Guarantee Program for Money Market Funds through December 18, 2008 (the Program). Participation in the Program required a payment to the Treasury Department

of 0.01% based on the net asset value of Money Market as of September 19, 2008. On November 24, 2008, the Treasury Department announced its decision to extend the Program for the period from December 19, 2008 through April 30, 2009; on March 31, 2009, the Program was further extended to September 18, 2009 (the Extended Program). The Board of Trustees of the Trust unanimously approved the continued participation of Money Market in the Extended Program. Participation in the Extended Program required a payment at each extension to the Treasury Department of 0.015% of the net asset value of Money Market as of September 19, 2008. The above expenses of \$45 have been borne by Money Market and are reflected as other expenses in the Statement of Operations for the fiscal year ended December 31, 2009 without regard to any contractual or voluntary expense limitation currently in effect for the Portfolio. At September 18, 2009, the Treasury Department allowed the Program to expire.

Concentration of Risk. Certain Portfolios may have a concentration of risk which includes, but is not limited to, investing in international securities. International investing involves additional risks including, but not limited to, currency fluctuations, political or economic conditions affecting the foreign country and differences in accounting standards and foreign regulations.

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. Management has performed a review for subsequent events through February 15, 2010, the date this report was issued.

2. INVESTMENT MANAGEMENT AND PAYMENTS TO AFFILIATED PERSONS

WRIMCO, a wholly owned subsidiary of Waddell & Reed, Inc. (W&R), serves as the Trust’s investment adviser. WRIMCO provides advice and supervises investments, for which services it is paid a fee. Until September 30, 2006, the fee was payable by each Portfolio, except for Pathfinder Aggressive, Pathfinder Conservative, Pathfinder Moderate, Pathfinder Moderately Aggressive and Pathfinder Moderately Conservative (collectively, the Pathfinder Portfolios) at the following annual rates and is accrued and paid daily:

Portfolio	Net Asset Breakpoints	Annual Rate
Asset Strategy	Up to \$1 Billion	0.700%
	Over \$1 Billion up to \$2 Billion	0.650%
	Over \$2 Billion up to \$3 Billion	0.600%
	Over \$3 Billion	0.550%
Balanced	Up to \$1 Billion	0.700%
	Over \$1 Billion up to \$2 Billion	0.650%
	Over \$2 Billion up to \$3 Billion	0.600%
	Over \$3 Billion	0.550%

Portfolio (Continued)	Net Asset Breakpoints	Annual Rate
Bond	Up to \$500 Million	0.525%
	Over \$500 Million up to \$1 Billion	0.500%
	Over \$1 Billion up to \$1.5 Billion	0.450%
	Over \$1.5 Billion	0.400%
Core Equity	Up to \$1 Billion	0.700%
	Over \$1 Billion up to \$2 Billion	0.650%
	Over \$2 Billion up to \$3 Billion	0.600%
	Over \$3 Billion	0.550%
Dividend Opportunities	Up to \$1 Billion	0.700%
	Over \$1 Billion up to \$2 Billion	0.650%
	Over \$2 Billion up to \$3 Billion	0.600%
	Over \$3 Billion	0.550%
Energy	Up to \$1 Billion	0.850%
	Over \$1 Billion up to \$2 Billion	0.830%
	Over \$2 Billion up to \$3 Billion	0.800%
	Over \$3 Billion	0.760%
Global Natural Resources	Up to \$500 Million	1.000%
	Over \$500 Million up to \$1 Billion	0.850%
	Over \$1 Billion up to \$2 Billion	0.830%
	Over \$2 Billion up to \$3 Billion	0.800%
Growth	Up to \$1 Billion	0.700%
	Over \$1 Billion up to \$2 Billion	0.650%
	Over \$2 Billion up to \$3 Billion	0.600%
	Over \$3 Billion	0.550%
High Income	Up to \$500 Million	0.625%
	Over \$500 Million up to \$1 Billion	0.600%
	Over \$1 Billion up to \$1.5 Billion	0.550%
	Over \$1.5 Billion	0.500%
International Growth	Up to \$1 Billion	0.850%
	Over \$1 Billion up to \$2 Billion	0.830%
	Over \$2 Billion up to \$3 Billion	0.800%
	Over \$3 Billion	0.760%
International Value	Up to \$1 Billion	0.850%
	Over \$1 Billion up to \$2 Billion	0.830%
	Over \$2 Billion up to \$3 Billion	0.800%
	Over \$3 Billion	0.760%
Micro Cap Growth	Up to \$1 Billion	0.950%
	Over \$1 Billion up to \$2 Billion	0.930%
	Over \$2 Billion up to \$3 Billion	0.900%
	Over \$3 Billion	0.860%
Mid Cap Growth	Up to \$1 Billion	0.850%
	Over \$1 Billion up to \$2 Billion	0.830%
	Over \$2 Billion up to \$3 Billion	0.800%
	Over \$3 Billion	0.760%
Money Market	All Net Assets	0.400%
Mortgage Securities	Up to \$500 Million	0.500%
	Over \$500 Million up to \$1 Billion	0.450%
	Over \$1 Billion up to \$1.5 Billion	0.400%
	Over \$1.5 Billion	0.350%
Real Estate Securities	Up to \$1 Billion	0.900%
	Over \$1 Billion up to \$2 Billion	0.870%
	Over \$2 Billion up to \$3 Billion	0.840%
	Over \$3 Billion	0.800%
Science and Technology	Up to \$1 Billion	0.850%
	Over \$1 Billion up to \$2 Billion	0.830%
	Over \$2 Billion up to \$3 Billion	0.800%
	Over \$3 Billion	0.760%
Small Cap Growth	Up to \$1 Billion	0.850%
	Over \$1 Billion up to \$2 Billion	0.830%
	Over \$2 Billion up to \$3 Billion	0.800%
	Over \$3 Billion	0.760%

Portfolio (Continued)	Net Asset Breakpoints	Annual Rate
Small Cap Value	Up to \$1 Billion	0.850%
	Over \$1 Billion up to \$2 Billion	0.830%
	Over \$2 Billion up to \$3 Billion	0.800%
	Over \$3 Billion	0.760%
Value	Up to \$1 Billion	0.700%
	Over \$1 Billion up to \$2 Billion	0.650%
	Over \$2 Billion up to \$3 Billion	0.600%
	Over \$3 Billion	0.550%

Effective October 1, 2006, under terms of a settlement agreement reached in July 2006 (see Note 14), the fee is payable by each Portfolio, except the Pathfinder Portfolios, at the following annual rates for those Portfolios included in the settlement agreement:

Portfolio	Net Asset Breakpoints	Annual Rate
Asset Strategy	Up to \$1 Billion	0.690%
	Over \$1 Billion up to \$2 Billion	0.650%
	Over \$2 Billion up to \$3 Billion	0.600%
	Over \$3 Billion	0.550%
Bond	Up to \$500 Million	0.485%
	Over \$500 Million up to \$1 Billion	0.500%
	Over \$1 Billion up to \$1.5 Billion	0.450%
	Over \$1.5 Billion	0.400%
Core Equity	Up to \$1 Billion	0.650%
	Over \$1 Billion up to \$2 Billion	0.650%
	Over \$2 Billion up to \$3 Billion	0.600%
	Over \$3 Billion	0.550%
Growth	Up to \$1 Billion	0.670%
	Over \$1 Billion up to \$2 Billion	0.650%
	Over \$2 Billion up to \$3 Billion	0.600%
	Over \$3 Billion	0.550%
High Income	Up to \$500 Million	0.575%
	Over \$500 Million up to \$1 Billion	0.600%
	Over \$1 Billion up to \$1.5 Billion	0.550%
	Over \$1.5 Billion	0.500%
International Growth	Up to \$1 Billion	0.820%
	Over \$1 Billion up to \$2 Billion	0.830%
	Over \$2 Billion up to \$3 Billion	0.800%
	Over \$3 Billion	0.760%
Mid Cap Growth	Up to \$1 Billion	0.830%
	Over \$1 Billion up to \$2 Billion	0.830%
	Over \$2 Billion up to \$3 Billion	0.800%
	Over \$3 Billion	0.760%
Science and Technology	Up to \$1 Billion	0.830%
	Over \$1 Billion up to \$2 Billion	0.830%
	Over \$2 Billion up to \$3 Billion	0.800%
	Over \$3 Billion	0.760%
Small Cap Growth	Up to \$1 Billion	0.830%
	Over \$1 Billion up to \$2 Billion	0.830%
	Over \$2 Billion up to \$3 Billion	0.800%
	Over \$3 Billion	0.760%
Value	Up to \$1 Billion	0.690%
	Over \$1 Billion up to \$2 Billion	0.650%
	Over \$2 Billion up to \$3 Billion	0.600%
	Over \$3 Billion	0.550%

Effective August 6, 2007, the fee is contractually payable by Bond as follows:

Bond	Up to \$1 Billion	0.475%
	Over \$1 Billion up to \$1.5 Billion	0.450%
	Over \$1.5 Billion	0.400%

The Pathfinder Portfolios pay no management fees; however, WRIMCO receives management fees from the underlying funds.

WRIMCO has agreed to waive a Portfolio's investment management fee on any Portfolio, except the Pathfinder Portfolios, that is not subadvised on any day that the Portfolio's net assets are less than \$25 million, subject to its right to change or modify this waiver.

WRIMCO has entered into Subadvisory Agreements with the following entities on behalf of certain Portfolios.

Under agreements between WRIMCO and the named entities, the following serve as subadvisors to certain Portfolios: Mackenzie Financial Corporation serves as subadvisor to Global Natural Resources. Wall Street Associates serves as subadvisor to Micro Cap Growth. Advantus Capital Management, Inc. serves as subadvisor to Mortgage Securities and Real Estate Securities. Each subadvisor makes investment decisions in accordance with the Portfolio's investment objectives, policies and restrictions under the supervision of WRIMCO and the Board of Trustees. WRIMCO pays all costs associated with retaining the subadvisors. From August 20, 2003 to May 27, 2009, Templeton Investment Counsel, LLC served as subadvisor to International Value. Effective May 27, 2009, WRIMCO serves as investment advisor to International Value.

Accounting Services Fees. The Trust has an Accounting Services Agreement with Waddell & Reed Services Company (WRSCO), doing business as WI Services Company (WISC), an affiliate of W&R. Under the agreement, WISC acts as the agent in providing bookkeeping and accounting services and assistance to the Trust, including maintenance of Portfolio records, pricing of Portfolio shares and preparation of certain shareholder reports. For these services, each Portfolio (excluding Pathfinder Portfolios) pays WISC a monthly fee of one-twelfth of the annual fee shown in the following table:

Accounting Services Fee		
Average Net Asset Level (in millions)		Annual Fee Rate for Each Level
From \$	0 to \$	10
		\$ 0
From \$	10 to \$	25
		\$ 11.5
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

Under the Accounting Services Agreement, each Pathfinder Portfolio pays WISC a monthly fee of one-twelfth of the annual fee shown in the following table.

Accounting Services Fee		
Average Net Asset Level (in millions)		Annual Fee Rate for Each Level
From \$	0 to \$	10
		\$ 0
From \$	10 to \$	25
		\$ 5.75
From \$	25 to \$	50
		\$ 11.55
From \$	50 to \$	100
		\$ 17.75
From \$	100 to \$	200
		\$ 24.20
From \$	200 to \$	350
		\$ 31.60
From \$	350 to \$	550
		\$ 41.25
From \$	550 to \$	750
		\$ 48.15
From \$	750 to \$	1,000
		\$ 60.80
From \$	1,000 and Over	
		\$ 74.25

Administrative Fee. Each Portfolio also pays WISC 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 is voluntarily waived by WISC until a Portfolio's net assets are at least \$10 million.

Shareholder Servicing. Under the Transfer Agency Agreement between the Trust and WISC, each Portfolio reimburses WISC for certain out-of-pocket costs.

Service Plan. Under a Service Plan adopted by the Trust pursuant to Rule 12b-1 under the Investment Company Act of 1940, each Portfolio, except Money Market, may pay a service fee to W&R in an amount not to exceed 0.25% of the Portfolio's average annual net assets. The fee is to be paid to compensate W&R for amounts it expends in connection with the provision of personal services to Policyowners and/or maintenance of Policyowner accounts.

Expense Reimbursements and/or Waivers. During the fiscal year ended December 31, 2009, the following amounts were waived as a result of the reduced management fees related to the settlement agreement:

Asset Strategy	\$ 83
Core Equity	193
Growth	246
High Income	93
International Growth	57
Mid Cap Growth	13
Science and Technology	52
Small Cap Growth	62
Value	24

During the fiscal year ended December 31, 2009, the following amounts were waived as a result of the reduced management fees related to the voluntary waiver of management fee to any Portfolio, excluding Pathfinder Portfolios, having less than \$25 million in net assets:

Energy	\$79
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3. INVESTMENT VALUATIONS

Fair value is defined as the price that each Portfolio would receive upon selling an asset or would pay upon satisfying a liability in an orderly transaction between market participants at the measurement date. Accounting standards establish 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 – unadjusted 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 Portfolio's own assumptions in determining the fair value of investments)

The following tables summarize the valuation of each Portfolio's investments by the above fair value hierarchy levels as of December 31, 2009:

Portfolio	Level 1	Level 2	Level 3
Pathfinder Aggressive			
Assets			
Investments in Securities			
Affiliated Mutual Funds	\$ 60,489	\$ —	\$ —
Short-Term Securities	—	114	—
Total Investments in Securities	\$ 60,489	\$ 114	\$ —
Pathfinder Conservative			
Assets			
Investments in Securities			
Affiliated Mutual Funds	\$ 43,786	\$ —	\$ —
Short-Term Securities	—	98	—
Total Investments in Securities	\$ 43,786	\$ 98	\$ —
Pathfinder Moderate			
Assets			
Investments in Securities			
Affiliated Mutual Funds	\$ 268,835	\$ —	\$ —
Short-Term Securities	—	1,904	—
Total Investments in Securities	\$ 268,835	\$ 1,904	\$ —

Portfolio (Continued)	Level 1	Level 2	Level 3
Pathfinder Moderately Aggressive			
Assets			
Investments in Securities			
Affiliated Mutual Funds	\$ 301,277	\$ —	\$ —
Short-Term Securities	—	169	—
Total Investments in Securities	\$ 301,277	\$ 169	\$ —
Pathfinder Moderately Conservative			
Assets			
Investments in Securities			
Affiliated Mutual Funds	\$ 91,802	\$ —	\$ —
Short-Term Securities	—	189	—
Total Investments in Securities	\$ 91,802	\$ 189	\$ —
Asset Strategy			
Assets			
Investments in Securities			
Common Stocks	\$ 329,718	\$ 525,301	\$ —
Investment Funds	—	—	1,392
Corporate Debt Securities	—	7,564	—
United States Government Agency Obligations	—	2,862	—
Bullion	167,853	—	—
Short-Term Securities	—	72,026	—
Total Investments in Securities	\$ 497,571	\$ 607,753	\$ 1,392
Forward Foreign Currency Contracts	\$ —	\$ 5,218	\$ —
Liabilities			
Forward Foreign Currency Contracts	\$ —	\$ 1,518	\$ —
Balanced			
Assets			
Investments in Securities			
Common Stocks	\$ 260,238	\$ —	\$ —
Corporate Debt Securities	—	46,456	—*
Other Government Securities	—	752	—
United States Government Agency Obligations	—	11,606	—
United States Government Obligations	—	34,068	—
Short-Term Securities	—	6,497	—
Total Investments in Securities	\$ 260,238	\$ 99,379	\$ —*
Bond			
Assets			
Investments in Securities			
Corporate Debt Securities	\$ —	\$ 214,325	\$ 1
Municipal Bonds	—	14,942	—
Other Government Securities	—	2,204	—
United States Government Agency Obligations	—	155,651	—
United States Government Obligations	—	57,191	—
Short-Term Securities	—	21,917	—
Total Investments in Securities	\$ —	\$ 466,230	\$ 1

*Not shown due to rounding.

Portfolio (Continued)	Level 1	Level 2	Level 3
Core Equity			
Assets			
Investments in Securities			
Common Stocks	\$ 400,268	\$ —	\$ —
Short-Term Securities	—	14,702	—
Total Investments in Securities	\$ 400,268	\$ 14,702	\$ —
Dividend Opportunities			
Assets			
Investments in Securities			
Common Stocks	\$ 195,794	\$ —	\$ —
Short-Term Securities	—	4,894	—
Total Investments in Securities	\$ 195,794	\$ 4,894	\$ —
Energy			
Assets			
Investments in Securities			
Common Stocks	\$ 29,217	\$ —	\$ —
Short-Term Securities	—	2,132	—
Total Investments in Securities	\$ 29,217	\$ 2,132	\$ —
Global Natural Resources			
Assets			
Investments in Securities			
Common Stocks	\$ 144,378	\$ 22,987	\$ 126
Preferred Stocks	6,607	—	308
Call Options	10,955	—	—
Corporate Debt Securities	—	—	123
Short-Term Securities	—	7,322	—
Total Investments in Securities	\$ 161,940	\$ 30,309	\$ 557
Forward Foreign Currency Contracts	\$ —	\$ 25	\$ —
Liabilities			
Forward Foreign Currency Contracts	\$ —	\$ 96	\$ —
Growth			
Assets			
Investments in Securities			
Common Stocks	\$ 870,089	\$ —	\$ —
Short-Term Securities	—	7,844	—
Total Investments in Securities	\$ 870,089	\$ 7,844	\$ —
High Income			
Assets			
Investments in Securities			
Common Stocks	\$ 1,083	\$ —	\$ —
Corporate Debt Securities	—	196,441	599
Senior Loans	—	8,743	—
Short-Term Securities	—	2,815	—
Total Investments in Securities	\$ 1,083	\$ 207,999	\$ 599
Forward Foreign Currency Contracts	\$ —	\$ 38	\$ —

Portfolio (Continued)	Level 1	Level 2	Level 3
International Growth			
Assets			
Investments in Securities			
Common Stocks	\$ 26,121	\$ 210,510	\$ —
Preferred Stocks	—	7,272	—
Short-Term Securities	—	15,805	—
Total Investments in Securities	\$ 26,121	\$ 233,587	\$ —
Forward Foreign Currency Contracts	\$ —	\$ 928	\$ —
International Value			
Assets			
Investments in Securities			
Common Stocks	\$ 31,089	\$ 475,278	\$ —
Short-Term Securities	—	5,740	—
Total Investments in Securities	\$ 31,089	\$ 481,018	\$ —
Micro Cap Growth			
Assets			
Investments in Securities			
Common Stocks	\$ 37,688	\$ —	\$ —
Short-Term Securities	—	555	—
Total Investments in Securities	\$ 37,688	\$ 555	\$ —
Mid Cap Growth			
Assets			
Investments in Securities			
Common Stocks	\$ 89,153	\$ —	\$ —
Corporate Debt Securities	—	123	—
Short-Term Securities	—	2,777	—
Total Investments in Securities	\$ 89,153	\$ 2,900	\$ —
Money Market			
Assets			
Investments in Securities			
Corporate Obligations	\$ —	\$ 103,243	\$ —
Municipal Obligations	—	41,553	—
United States Government Agency Obligations	—	4,259	—
Total Investments in Securities	\$ —	\$ 149,055	\$ —
Mortgage Securities			
Assets			
Investments in Securities			
Corporate Debt Securities	\$ —	\$ 3,781	\$ 245
United States Government Agency Obligations	—	30,398	—
Short-Term Securities	—	10,821	—
Total Investments in Securities	\$ —	\$ 45,000	\$ 245
Real Estate Securities			
Assets			
Investments in Securities			
Common Stocks	\$ 31,632	\$ —	\$ —
Short-Term Securities	—	1,296	—
Total Investments in Securities	\$ 31,632	\$ 1,296	\$ —

Portfolio (Continued)	Level 1	Level 2	Level 3	Portfolio (Continued)	Level 1	Level 2	Level 3
Science and Technology				Small Cap Value			
Assets				Assets			
Investments in Securities				Investments in Securities			
Common Stocks	\$ 284,258	\$ 25,444	\$ —	Common Stocks	\$ 182,831	\$ —	\$ —
Short-Term Securities	—	10,310	—	Short-Term Securities	—	14,473	—
Total Investments in Securities	\$ 284,258	\$ 35,754	\$ —	Total Investments in Securities	\$ 182,831	\$ 14,473	\$ —
Small Cap Growth				Value			
Assets				Assets			
Investments in Securities				Investments in Securities			
Common Stocks	\$ 327,902	\$ —	\$ —	Common Stocks	\$ 273,043	\$ —	\$ —
Short-Term Securities	—	27,927	—	Short-Term Securities	—	3,662	—
Total Investments in Securities	\$ 327,902	\$ 27,927	\$ —	Total Investments in Securities	\$ 273,043	\$ 3,662	\$ —
				Liabilities			
				Written Options	\$ 286	\$ —	\$ —

The following tables are a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value:

Portfolio	Common Stocks	Preferred Stocks	Investment Funds	Corporate Debt Securities	Put Options	Written Options
Asset Strategy						
Beginning Balance 1-1-09	\$ —	\$ —	\$ 969	\$ —	\$ —	\$ —
Net realized gain (loss)	—	—	—	—	(1,396)	—
Net unrealized appreciation (depreciation)	—	—	181	—	—	—
Net purchases (sales)	—	—	242	—	1,396	—
Transfers in and/or (out) of Level 3 during the period	—	—	—	—	—	—
Ending Balance 12-31-09	\$ —	\$ —	\$ 1,392	\$ —	\$ —	\$ —
Net change in unrealized appreciation (depreciation) for all Level 3 investments still held as of 12-31-09	\$ —	\$ —	\$ 181	\$ —	\$ —	\$ —
Balanced						
Beginning Balance 1-1-09	\$ —	\$ —	\$ —	\$ 2	\$ —	\$ —
Net realized gain (loss)	—	—	—	(118)	—	—
Net unrealized appreciation (depreciation)	—	—	—	173	—	—
Net purchases (sales)	—	—	—	(57)	—	—
Transfers in and/or (out) of Level 3 during the period	—	—	—	—	—	—
Ending Balance 12-31-09	\$ —	\$ —	\$ —	\$ —*	\$ —	\$ —
Net change in unrealized appreciation (depreciation) for all Level 3 investments still held as of 12-31-09	\$ —	\$ —	\$ —	\$ (2)	\$ —	\$ —
Bond						
Beginning Balance 1-1-09	\$ —	\$ —	\$ —	\$ 522	\$ —	\$ —
Net realized gain (loss)	—	—	—	(1,246)	—	—
Net unrealized appreciation (depreciation)	—	—	—	1,224	—	—
Net purchases (sales)	—	—	—	1	—	—
Transfers in and/or (out) of Level 3 during the period	—	—	—	(500)	—	—
Ending Balance 12-31-09	\$ —	\$ —	\$ —	\$ 1	\$ —	\$ —
Net change in unrealized appreciation (depreciation) for all Level 3 investments still held as of 12-31-09	\$ —	\$ —	\$ —	\$ (13)	\$ —	\$ —

*Not shown due to rounding.

Portfolio (Continued)	Common Stocks	Preferred Stocks	Investment Funds	Corporate Debt Securities	Put Options	Written Options
Global Natural Resources						
Beginning Balance 1-1-09	\$ 280	\$ 410	\$ -	\$ 77	\$ -	\$ -
Net realized gain (loss)	-	-	-	-	-	-
Net unrealized appreciation (depreciation)	(154)	(102)	-	46	-	-
Net purchases (sales)	-	-	-	-	-	-
Transfers in and/or (out) of Level 3 during the period	-	-	-	-	-	-
Ending Balance 12-31-09	\$ 126	\$ 308	\$ -	\$ 123	\$ -	\$ -
Net change in unrealized appreciation (depreciation) for all Level 3 investments still held as of 12-31-09	\$ (154)	\$ (101)	\$ -	\$ 46	\$ -	\$ -
High Income						
Beginning Balance 1-1-09	\$ -	\$ -	\$ -	\$ 1,935	\$ -	\$ -
Net realized gain (loss)	-	-	-	(463)	-	-
Net unrealized appreciation (depreciation)	-	-	-	676	-	-
Net purchases (sales)	-	-	-	(675)	-	-
Transfers in and/or (out) of Level 3 during the period	-	-	-	(874)	-	-
Ending Balance 12-31-09	\$ -	\$ -	\$ -	\$ 599	\$ -	\$ -
Net change in unrealized appreciation (depreciation) for all Level 3 investments still held as of 12-31-09	\$ -	\$ -	\$ -	\$ 224	\$ -	\$ -
International Growth						
Beginning Balance 1-1-09	\$ 2,508	\$ -	\$ -	\$ -	\$ -	\$ -
Net realized gain (loss)	-	-	-	-	-	-
Net unrealized appreciation (depreciation)	-	-	-	-	-	-
Net purchases (sales)	-	-	-	-	-	-
Transfers in and/or (out) of Level 3 during the period	(2,508)	-	-	-	-	-
Ending Balance 12-31-09	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in unrealized appreciation (depreciation) for all Level 3 investments still held as of 12-31-09	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Mortgage Securities						
Beginning Balance 1-1-09	\$ -	\$ -	\$ -	\$ 217	\$ -	\$ -
Net realized gain (loss)	-	-	-	-*	-	-
Net unrealized appreciation (depreciation)	-	-	-	49	-	-
Net purchases (sales)	-	-	-	(21)	-	-
Transfers in and/or (out) of Level 3 during the period	-	-	-	-	-	-
Ending Balance 12-31-09	\$ -	\$ -	\$ -	\$ 245	\$ -	\$ -
Net change in unrealized appreciation (depreciation) for all Level 3 investments still held as of 12-31-09	\$ -	\$ -	\$ -	\$ 72	\$ -	\$ -
Science and Technology						
Beginning Balance 1-1-09	\$ -	\$ -	\$ -	\$ -	\$ 981	\$(1,458)
Net realized gain (loss)	-	-	-	-	(999)	1,041
Net unrealized appreciation (depreciation)	-	-	-	-	187	(916)
Net purchases (sales)	-	-	-	-	(169)	1,333
Transfers in and/or (out) of Level 3 during the period	-	-	-	-	-	-
Ending Balance 12-31-09	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in unrealized appreciation (depreciation) for all Level 3 investments still held as of 12-31-09	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

*Not shown due to rounding.

Portfolio (Continued)	Common Stocks	Preferred Stocks	Investment Funds	Corporate Debt Securities	Put Options	Written Options
Value						
Beginning Balance 1-1-09	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (221)
Net realized gain (loss)	-	-	-	-	-	168
Net unrealized appreciation (depreciation)	-	-	-	-	-	53
Net purchases (sales)	-	-	-	-	-	-
Transfers in and/or (out) of Level 3 during the period	-	-	-	-	-	-
Ending Balance 12-31-09	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in unrealized appreciation (depreciation) for all Level 3 investments still held as of 12-31-09	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Net realized gain (loss) and net unrealized appreciation (depreciation), shown on the reconciliation of Level 3 investments, if applicable, are included on the Statement of Operations in net realized gain (loss) on investments in unaffiliated securities and in net change in unrealized appreciation (depreciation) on investments in unaffiliated securities, respectively. Additionally, the net change in unrealized appreciation for all Level 3 investments still held as of December 31, 2009, if applicable, is included on the Statement of Operations in net change in unrealized appreciation (depreciation) on investments in unaffiliated securities.

Securities' values included in the reconciliations above have been primarily determined through the use of a single quote (or multiple quotes) from dealer(s) in the securities using proprietary valuation models. These quotes involve significant unobservable inputs, and thus the related securities are classified as Level 3 investments.

4. INVESTMENT SECURITIES TRANSACTIONS

For the fiscal year ended December 31, 2009, the cost of purchases and the proceeds from maturities and sales of investment securities, other than U.S. Government and short-term securities, were as follows:

Portfolio	Purchases	Sales
Pathfinder Aggressive	\$ 18,716	\$ 10,845
Pathfinder Conservative	36,303	8,325
Pathfinder Moderate	192,233	29,362
Pathfinder Moderately Aggressive	184,546	38,153
Pathfinder Moderately Conservative	68,555	18,133
Asset Strategy	1,019,717	634,833
Balanced	158,516	159,579
Bond	164,264	43,814
Core Equity	377,768	442,327
Dividend Opportunities	101,566	43,134
Energy	4,963	3,348
Global Natural Resources	159,387	116,131
Growth	449,116	482,755
High Income	152,969	128,589
International Growth	203,534	140,467
International Value	603,881	583,250
Micro Cap Growth	21,279	22,228
Mid Cap Growth	39,603	20,703
Money Market	—	—
Mortgage Securities	750	4,334
Real Estate Securities	15,710	16,609
Science and Technology	157,041	158,471
Small Cap Growth	123,155	169,822
Small Cap Value	151,987	155,836
Value	170,315	173,762

Purchases of and proceeds from maturities and sales of U.S. Government securities were:

Portfolio	Purchases	Sales
Asset Strategy	\$ 34,264	\$ 40,509
Balanced	—	26,366
Bond	57,142	68,413
Mortgage Securities	102,150	91,509

5. FEDERAL INCOME TAX MATTERS

For Federal income tax purposes, the Portfolios' distributed and undistributed earnings and profit for the fiscal year ended December 31, 2009 and the related net capital losses and post-October activity were as follows:

	Pathfinder Aggressive	Pathfinder Conservative	Pathfinder Moderate	Pathfinder Moderately Aggressive	Pathfinder Moderately Conservative	Asset Strategy
Net ordinary income	\$ 1,502	\$ 1,350	\$4,709	\$ 5,986	\$2,372	\$12,429
Distributed ordinary income	255	24	297	541	82	2,931
Undistributed ordinary income	1,499	1,349	4,703	5,979	2,368	12,411
Realized long term capital gains	612	179	1,052	1,725	368	—
Distributed long term capital gains	446	38	531	969	165	78,973
Undistributed long term capital gains	610	177	1,048	1,721	365	—
Post-October losses deferred	—	—	—	—	—	—

	Balanced	Bond	Core Equity	Dividend Opportunities	Energy	Global Natural Resources
Net ordinary income	\$ 6,945	\$16,179	\$ 3,986	\$ 2,082	\$ 88	\$ —
Distributed ordinary income	7,291	13,706	3,943	1,506	—	—
Undistributed ordinary income	6,945	16,167	3,975	2,044	88	—
Realized long term capital gains	5,208	—	—	—	—	—
Distributed long term capital gains	2,098	—	—	—	—	—
Undistributed long term capital gains	5,205	—	—	—	—	—
Post-October losses deferred	—	242	—	113	—	755

	Growth	High Income	International Growth	International Value	Micro Cap Growth	Mid Cap Growth
Net ordinary income	\$ 5,377	\$17,043	\$ 2,599	\$ 7,009	\$ —	\$ 22
Distributed ordinary income	3,004	16,681	2,689	15,267	—	—
Undistributed ordinary income	5,358	17,034	2,594	7,001	—	22
Realized long term capital gains	—	—	—	—	—	—
Distributed long term capital gains	22,098	—	—	24,546	—	—
Undistributed long term capital gains	—	—	—	—	—	—
Post-October losses deferred	—	—	—	416	214	246

	Money Market	Mortgage Securities	Real Estate Securities	Science and Technology	Small Cap Growth	Small Cap Value
Net ordinary income	\$ 1,992	\$ 1,114	\$ 667	\$ 651	\$ —	\$ 136
Distributed ordinary income	1,990	1,400	831	944	1,298	—
Undistributed ordinary income	17	1,111	663	651	—	136
Realized long term capital gains	—	—	—	8,443	—	—
Distributed long term capital gains	—	—	—	15,604	—	—
Undistributed long term capital gains	—	—	—	8,436	—	—
Post-October losses deferred	—	328	337	—	—	—

	Value
Net ordinary income	\$ 3,320
Distributed ordinary income	4,928
Undistributed ordinary income	3,077
Realized long term capital gains	—
Distributed long term capital gains	—
Undistributed long term capital gains	—
Post-October losses deferred	706

Internal Revenue Code regulations permit each Portfolio 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 tables show the totals by year in which the capital loss carryovers will expire if not utilized.

	Asset Strategy	Bond	Core Equity	Dividend Opportunities	Energy	Global Natural Resources	Growth
December 31, 2010.....	\$ —	\$ —	\$ 2,963	\$ —	\$ —	\$ —	\$ 17,609
December 31, 2014.....	—	1,397	—	—	—	—	—
December 31, 2015.....	—	376	—	—	—	—	—
December 31, 2016.....	—	—	1,098	4,170	1,276	2,091	—
December 31, 2017.....	66,497	—	15,519	16,086	1,950	14,129	3,237
Total carryover.....	\$ 66,497	\$ 1,773	\$ 19,580	\$ 20,256	\$ 3,226	\$ 16,220	\$ 20,846

	High Income	International Growth	International Value	Micro Cap Growth	Mid Cap Growth	Mortgage Securities	Real Estate Securities
December 31, 2010.....	\$ 13,912	\$ —	\$ —	\$ 1,352	\$ —	\$ —	\$ —
December 31, 2013.....	—	—	—	—	—	28	—
December 31, 2014.....	1,102	—	—	—	—	168	—
December 31, 2016.....	9,328	8,420	—	765	998	292	1,888
December 31, 2017.....	12,095	17,399	73,533	4,622	1,055	1,269	7,802
Total carryover.....	\$ 36,437	\$ 25,819	\$ 73,533	\$ 6,739	\$ 2,053	\$ 1,757	\$ 9,690

	Small Cap Growth	Small Cap Value	Value
December 31, 2010.....	\$ 10,215	\$ —	\$ —
December 31, 2016.....	22,325	28,940	22,440
December 31, 2017.....	9,543	8,829	8,368
Total carryover.....	\$ 42,083	\$ 37,769	\$ 30,808

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 December 31, 2009, the following reclassifications were made: Asset Strategy reclassified permanent differences relating to differing treatments of investment fund expenses; Bond reclassified permanent differences relating to differing treatments of mortgage-backed security paydowns; Dividend Opportunities reclassified permanent differences relating to differing treatments of partnership distributions; Energy reclassified permanent differences relating to differing treatments of partnership distributions; Global Natural Resources reclassified permanent differences relating to differing

treatments of PFIC transactions, net operating losses and partnership distributions; Growth reclassified permanent differences relating to expiring capital loss carryovers; High Income reclassified permanent differences relating to differing treatments of expiring capital loss carryovers; International Value reclassified permanent differences relating to differing treatments of PFIC transactions; Micro Cap Growth reclassified permanent differences relating to differing treatments of net operating losses and PFIC transactions; Mortgage Securities reclassified permanent differences relating to differing treatments of mortgage-backed security paydowns; Science and Technology reclassified permanent differences relating to differing treatments of net operating losses; Small Cap Growth reclassified permanent differences relating to differing treatments of net operating losses and expiring capital loss carryovers; Small Cap Value reclassified permanent differences relating to differing treatments of partnership distributions; Value reclassified permanent differences relating to differing treatments of partnership distributions.

6. CAPITAL SHARE TRANSACTIONS

The Trust has authorized an unlimited number of no par value shares of beneficial interest. Transactions in shares of beneficial interest were as follows:

	For the fiscal year ended December 31,			
	2009		2008	
Pathfinder Aggressive	Shares	Value	Shares	Value
Shares issued from sale of shares.....	2,624	\$ 10,422	11,662	\$ 55,995
Shares issued in reinvestment of distributions to shareholders.....	179	701	—	—
Shares redeemed.....	(972)	(3,889)	(400)	(1,647)
Net increase.....	1,831	\$ 7,234	11,262	\$ 54,348

	For the fiscal year ended December 31,			
	2009		2008	
	Shares	Value	Shares	Value
Pathfinder Conservative				
Shares issued from sale of shares	6,808	\$ 30,698	2,781	\$ 12,959
Shares issued in reinvestment of distributions to shareholders	14	62	—	—
Shares redeemed	(761)	(3,578)	(92)	(422)
Net increase	6,061	\$ 27,182	2,689	\$ 12,537
	For the fiscal year ended December 31,			
	2009		2008	
	Shares	Value	Shares	Value
Pathfinder Moderate				
Shares issued from sale of shares	37,885	\$ 163,508	19,483	\$ 88,394
Shares issued in reinvestment of distributions to shareholders	198	828	—	—
Shares redeemed	(641)	(2,768)	(176)	(768)
Net increase	37,442	\$ 161,568	19,307	\$ 87,626
	For the fiscal year ended December 31,			
	2009		2008	
	Shares	Value	Shares	Value
Pathfinder Moderately Aggressive				
Shares issued from sale of shares	34,447	\$ 145,335	29,124	\$ 135,501
Shares issued in reinvestment of distributions to shareholders	366	1,511	—	—
Shares redeemed	(832)	(3,541)	(298)	(1,406)
Net increase	33,981	\$ 143,305	28,826	\$ 134,095
	For the fiscal year ended December 31,			
	2009		2008	
	Shares	Value	Shares	Value
Pathfinder Moderately Conservative				
Shares issued from sale of shares	12,987	\$ 57,365	7,533	\$ 34,821
Shares issued in reinvestment of distributions to shareholders	56	246	—	—
Shares redeemed	(1,838)	(8,095)	(68)	(327)
Net increase	11,205	\$ 49,516	7,465	\$ 34,494
	For the fiscal year ended December 31,			
	2009		2008	
	Shares	Value	Shares	Value
Asset Strategy				
Shares issued from sale of shares	40,223	\$ 344,900	12,786	\$ 145,585
Shares issued in reinvestment of distributions to shareholders	10,547	81,904	7,811	64,009
Shares redeemed	(14,058)	(120,258)	(12,698)	(133,230)
Net increase	36,712	\$ 306,546	7,899	\$ 76,364
	For the fiscal year ended December 31,			
	2009		2008	
	Shares	Value	Shares	Value
Balanced				
Shares issued from sale of shares	1,119	\$ 8,656	1,515	\$ 13,511
Shares issued in reinvestment of distributions to shareholders	1,274	9,390	106	801
Shares redeemed	(8,973)	(69,220)	(9,774)	(85,675)
Net decrease	(6,580)	\$ (51,174)	(8,153)	\$ (71,363)
	For the fiscal year ended December 31,			
	2009		2008	
	Shares	Value	Shares	Value
Bond				
Shares issued from sale of shares	30,955	\$ 166,609	17,868	\$ 94,325
Shares issued in reinvestment of distributions to shareholders	2,605	13,706	57	306
Shares redeemed	(10,439)	(56,252)	(10,946)	(57,664)
Net increase	23,121	\$ 124,063	6,979	\$ 36,967

	For the fiscal year ended December 31,			
	2009		2008	
	Shares	Value	Shares	Value
International Value				
Shares issued from sale of shares	4,221	\$ 54,038	4,300	\$ 73,282
Shares issued in reinvestment of distributions to shareholders	3,376	39,812	1,099	13,212
Shares redeemed	(4,682)	(60,641)	(3,362)	(59,444)
Net increase	2,915	\$ 33,209	2,037	\$ 27,050
	For the fiscal year ended December 31,			
	2009		2008	
	Shares	Value	Shares	Value
Micro Cap Growth				
Shares issued from sale of shares	358	\$ 4,631	282	\$ 4,357
Shares issued in reinvestment of distributions to shareholders	—	—	—	—
Shares redeemed	(472)	(5,749)	(520)	(8,491)
Net decrease	(114)	\$ (1,118)	(238)	\$ (4,134)
	For the fiscal year ended December 31,			
	2009		2008	
	Shares	Value	Shares	Value
Mid Cap Growth				
Shares issued from sale of shares	4,883	\$ 25,970	3,772	\$ 22,260
Shares issued in reinvestment of distributions to shareholders	—	—	216	922
Shares redeemed	(1,785)	(9,426)	(1,110)	(6,635)
Net increase	3,098	\$ 16,544	2,878	\$ 16,547
	For the fiscal year ended December 31,			
	2009		2008	
	Shares	Value	Shares	Value
Money Market				
Shares issued from sale of shares	109,614	\$ 109,614	177,389	\$ 177,389
Shares issued in reinvestment of distributions to shareholders	1,990	1,990	2,825	2,825
Shares redeemed	(161,502)	(161,502)	(68,686)	(68,686)
Net increase (decrease)	(49,898)	\$ (49,898)	111,528	\$ 111,528
	For the fiscal year ended December 31,			
	2009		2008	
	Shares	Value	Shares	Value
Mortgage Securities				
Shares issued from sale of shares	3,116	\$ 13,597	1,301	\$ 6,367
Shares issued in reinvestment of distributions to shareholders	330	1,400	69	302
Shares redeemed	(1,452)	(6,388)	(1,890)	(8,950)
Net increase (decrease)	1,994	\$ 8,609	(520)	\$ (2,281)
	For the fiscal year ended December 31,			
	2009		2008	
	Shares	Value	Shares	Value
Real Estate Securities				
Shares issued from sale of shares	1,336	\$ 5,183	1,306	\$ 8,526
Shares issued in reinvestment of distributions to shareholders	235	831	248	983
Shares redeemed	(1,758)	(6,911)	(1,745)	(10,220)
Net decrease	(187)	\$ (897)	(191)	\$ (711)

	For the fiscal year ended December 31,			
	2009		2008	
	Shares	Value	Shares	Value
Science and Technology				
Shares issued from sale of shares	2,986	\$ 38,880	1,167	\$ 17,258
Shares issued in reinvestment of distributions to shareholders	1,421	16,547	768	8,411
Shares redeemed	(3,527)	(44,227)	(4,192)	(62,984)
Net increase (decrease)	880	\$ 11,200	(2,257)	\$ (37,315)
Small Cap Growth				
Shares issued from sale of shares	2,903	\$ 19,551	2,501	\$ 19,652
Shares issued in reinvestment of distributions to shareholders	202	1,298	1,043	6,006
Shares redeemed	(7,204)	(47,561)	(9,050)	(72,780)
Net decrease	(4,099)	\$ (26,712)	(5,506)	\$ (47,122)
Small Cap Value				
Shares issued from sale of shares	2,522	\$ 27,359	3,204	\$ 40,078
Shares issued in reinvestment of distributions to shareholders	—	—	403	3,900
Shares redeemed	(2,273)	(24,514)	(3,338)	(42,183)
Net increase	249	\$ 2,845	269	\$ 1,795
Value				
Shares issued from sale of shares	6,289	\$ 26,481	6,712	\$ 34,913
Shares issued in reinvestment of distributions to shareholders	1,236	4,928	772	3,088
Shares redeemed	(9,429)	(40,435)	(8,963)	(47,475)
Net decrease	(1,904)	\$ (9,026)	(1,479)	\$ (9,474)

7. DERIVATIVE INSTRUMENTS

In March 2008, the Financial Accounting Standards Board (FASB) amended and expanded disclosures about derivative instruments and hedging activities, which were adopted by each Portfolio during the fiscal year ended December 31, 2009; it 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.

Forward Foreign Currency Contracts. Each Portfolio, other than Money Market and the Pathfinder Portfolios, 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 and 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 Portfolio 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 Portfolio's loss will consist of the net amount of contractual payments that the Portfolio has not yet received.

Futures Contracts. Each Portfolio, other than Money Market and the Pathfinder Portfolios, may engage in buying and selling futures contracts. Upon entering into a futures contract, the Portfolio 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 Portfolio each day, dependent on the daily fluctuations in the value of the underlying debt security or index.

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 identified 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 (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 Portfolio is unable to close 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 Portfolio's securities.

Swap Agreements. Each Portfolio, other than Money Market and the Pathfinder Portfolios, may invest in swap agreements.

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 Portfolio 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 Portfolio 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 Portfolio may enter into variance swaps to manage volatility risk.

The creditworthiness of firms with which a Portfolio enters into a swap agreement is monitored by WRIMCO. 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 Portfolio will have contractual remedies pursuant to the agreement related to the transaction.

Options Contracts. Options purchased by a Portfolio 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 Portfolio writes (sells) an option, an amount equal to the premium received by the Portfolio 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 Portfolio enters into a closing purchase transaction, the Portfolio 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 Portfolio has realized a gain or loss. For each Portfolio, when a written put is exercised, the cost basis of the securities purchased by a Portfolio 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 Portfolio's exposure to the underlying security (or basket of securities). With written options, there may be times when a Portfolio 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 Portfolio, due to unfavorable movement of the market price of the underlying security (or basket of securities). Additionally, to the extent a Portfolio enters into over-the-counter (OTC) option transactions with counterparties, the Portfolio will be exposed to the risk that counterparties to these OTC transactions will be unable to meet their obligations under the terms of the transaction.

Collateral. The Portfolio may mitigate counterparty risk through credit support annexes (CSA) included with an International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement which is the standard contract governing most derivative transactions between the Portfolio and each of its counterparties. The CSA allows the Portfolio to offset with its counterparty certain derivative financial instruments' payables and/or receivables with collateral, which is generally held by the Portfolio's custodian. The amount of collateral moved to/from applicable counterparties is based upon minimum transfer amounts specified in the CSA. To the extent amounts due to the Portfolio from its counterparties are not fully collateralized contractually or otherwise, the Portfolio bears the risk of loss from counterparty non-performance. See Note 1 "Segregation and Collateralization" for additional information with respect to collateral practices.

Objectives and Strategies

Asset Strategy. The Portfolio's objectives in using derivatives during the period included hedging market risk on equity securities, increasing exposure to various equity markets, managing exposure to various foreign currencies, managing exposure to precious metals, and hedging certain event risks on positions held by the Portfolio. To achieve the objective of hedging market risk and increasing exposure to equity markets, the Portfolio utilized futures and purchased option contracts, both short and long, on foreign and domestic equity indices. To manage foreign currency exposure, the Portfolio utilized forward contracts to either increase or decrease exposure to a given currency. To manage exposure to precious metals, the Portfolio utilized gold futures contracts. To manage event risks, the Portfolio utilized options, both written and purchased, on individual equity securities owned by the Portfolio.

Fair values of derivative instruments as of December 31, 2009:

Type of Derivative	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign currency	Unrealized appreciation on forward foreign currency contracts	\$5,218	Unrealized depreciation on forward foreign currency contracts	\$1,518

The effect of derivative instruments on the Statement of Operations for the fiscal year ended December 31, 2009:

Type of Derivative	Location of Gain (Loss) on Derivatives Recognized in Income	Realized Gain (Loss) on Derivatives Recognized in Income	Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized in Income
Equity	Net realized gain (loss) on investments in unaffiliated securities and written options and futures contracts/Net change in unrealized appreciation (depreciation) on investments in futures contracts	\$ (40,540)	\$ (12)
Foreign currency	Net realized gain (loss) on forward foreign currency contracts/Net change in unrealized appreciation (depreciation) on forward foreign currency contracts	1,590	(929)
Commodities	Net realized gain (loss) on futures contracts	1,533	N/A
Total		<u>\$ (37,417)</u>	<u>\$(941)</u>

During the fiscal year ended December 31, 2009, the Portfolio's average principal amount outstanding for forward contracts and market value outstanding for futures contracts were as follows: short forward contracts – \$98,345, long forward contracts – \$100,275, short futures contracts – \$30,430, long futures contracts – \$13,369. Additionally, the Portfolio's average number of purchased option contracts and written option contracts outstanding was 1 and 1, respectively.

Core Equity. The Portfolio's objective in using derivatives during the period was to hedge market risk for some or all of its existing equity security portfolio. To achieve this objective, the Portfolio utilizes futures contracts on broad domestic equity market indices.

There were no open derivative instruments as of December 31, 2009.

The effect of derivative instruments on the Statement of Operations for the fiscal year ended December 31, 2009:

Type of Derivative	Location of Gain (Loss) on Derivatives Recognized in Income	Realized Gain (Loss) on Derivatives Recognized in Income	Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized in Income
Equity	Net realized gain (loss) on futures contracts	\$2,751	N/A

During the fiscal year ended December 31, 2009, the Portfolio's average market value outstanding for short futures contracts was \$2,834.

Global Natural Resources. The Portfolio's objectives in using derivatives during the period were to hedge market risk on equity securities, increase exposure to specific sectors or companies, and manage exposure to various foreign currencies. To achieve the objective of hedging market risk and increasing exposure to equity markets, the Portfolio utilized futures on equity indices and purchased and written option contracts on individual equity securities. To manage foreign currency exposure, the Portfolio utilized forward foreign currency contracts to either increase or decrease exposure to a given currency.

Fair values of derivative instruments as of December 31, 2009:

Type of Derivative	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Equity	Investments in unaffiliated securities	\$ 10,955	N/A	N/A
Foreign currency	Unrealized appreciation on forward foreign currency contracts	25	Unrealized depreciation on forward foreign currency contracts	\$ 96
Total		<u>\$ 10,980</u>		<u>\$ 96</u>

The effect of derivative instruments on the Statement of Operations for the fiscal year ended December 31, 2009:

Type of Derivative	Location of Gain (Loss) on Derivatives Recognized in Income	Realized Gain (Loss) on Derivatives Recognized in Income	Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized in Income
Equity	Net realized gain (loss) on investments in unaffiliated securities and futures contracts/ Net change in unrealized appreciation (depreciation) on investments in unaffiliated securities	\$(431)	\$(517)
Foreign currency	Net realized gain (loss) on forward foreign currency contracts/Net change in unrealized appreciation (depreciation) on forward foreign currency contracts	(336)	23
Total		<u>\$(767)</u>	<u>\$(494)</u>

During the fiscal year ended December 31, 2009, the Portfolio's average principal amount outstanding for forward contracts and market value outstanding for futures contracts were as follows: short forward contracts – \$2,045, long forward contracts – \$2,002, short futures contracts – \$7,500. Additionally, the Portfolio's average number of purchased option contracts outstanding was 5.

High Income. The Portfolio's objective in using derivatives during the period was to hedge the exposure to foreign currencies from securities held in the portfolio. To achieve this objective, the Portfolio utilized forward contracts.

Fair values of derivative instruments as of December 31, 2009:

Type of Derivative	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign currency	Unrealized appreciation on forward foreign currency contracts	\$38	N/A	N/A

The effect of derivative instruments on the Statement of Operations for the fiscal year ended December 31, 2009:

Type of Derivative	Location of Gain (Loss) on Derivatives Recognized in Income	Realized Gain (Loss) on Derivatives Recognized in Income	Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized in Income
Foreign currency	Net change in unrealized appreciation (depreciation) on forward foreign currency contracts	N/A	\$38

During the fiscal year ended December 31, 2009, the Portfolio's average principal amount outstanding for short forward contracts and long forward contracts was \$161 and \$166, respectively.

International Growth. The Portfolio's objective in using derivatives during the period was to manage the exposure to various foreign currencies. To achieve this objective, the Portfolio utilized forward contracts to either increase or decrease exposure to a given currency.

Fair values of derivative instruments as of December 31, 2009:

Type of Derivative	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign currency	Unrealized appreciation on forward foreign currency contracts	\$928	N/A	N/A

The effect of derivative instruments on the Statement of Operations for the fiscal year ended December 31, 2009:

Type of Derivative	Location of Gain (Loss) on Derivatives Recognized in Income	Realized Gain (Loss) on Derivatives Recognized in Income	Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized in Income
Foreign currency	Net realized gain (loss) on forward foreign currency contracts/Net change in unrealized appreciation (depreciation) on forward foreign currency contracts	\$(771)	\$692

During the fiscal year ended December 31, 2009, the Portfolio's average principal amount outstanding for short forward contracts and long forward contracts was \$3,412 and \$3,484, respectively.

Mid Cap Growth. The Portfolio's objectives in using derivatives during the period were to both gain exposure to certain sectors and to hedge certain event risks on positions held by the Portfolio. To achieve these objectives, the Portfolio utilized options, both written and purchased, on either an index or on individual or baskets of equity securities.

There were no open derivative instruments as of December 31, 2009.

The effect of derivative instruments on the Statement of Operations for the fiscal year ended December 31, 2009:

Type of Derivative	Location of Gain (Loss) on Derivatives Recognized in Income	Realized Gain (Loss) on Derivatives Recognized in Income	Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized in Income
Equity	Net realized gain (loss) on investments in unaffiliated securities and written options	\$894	N/A

During the fiscal year ended December 31, 2009, the Portfolio's average number of purchased option contracts and written option contracts outstanding was 1 and 1, respectively.

Mortgage Securities. The Portfolio's objective in using derivatives during the period was to adjust the overall duration of the portfolio. To achieve this objective, the Portfolio primarily utilized Treasury futures contracts of varying lengths to either shorten or lengthen, as determined by the Portfolio's subadvisor, the duration of the Portfolio.

There were no open derivative instruments as of December 31, 2009.

The effect of derivative instruments on the Statement of Operations for the fiscal year ended December 31, 2009:

Type of Derivative	Location of Gain (Loss) on Derivatives Recognized in Income	Realized Gain (Loss) on Derivatives Recognized in Income	Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized in Income
Interest rate	Net realized gain (loss) on futures contracts/ Net change in unrealized appreciation (depreciation) on futures contracts	\$33	\$132

During the fiscal year ended December 31, 2009, the Portfolio's average market value outstanding for short futures contracts was \$1,148.

Science and Technology. The Portfolio's objective in using derivatives during the period was to hedge market risk on securities in its portfolio. To achieve this objective, the Portfolio utilized options, both written and purchased, on individual equity securities owned by the Portfolio.

There were no open derivative instruments as of December 31, 2009.

The effect of derivative instruments on the Statement of Operations for the fiscal year ended December 31, 2009:

Type of Derivative	Location of Gain (Loss) on Derivatives Recognized in Income	Realized Gain (Loss) on Derivatives Recognized in Income	Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized in Income
Equity	Net realized gain (loss) on investments in unaffiliated securities and written options/ Net change in unrealized appreciation (depreciation) on investments in unaffiliated securities and written options	\$(2,266)	\$(728)

During the fiscal year ended December 31, 2009, the Portfolio's average number of purchased option contracts and written option contracts outstanding was 2 and 2, respectively.

Small Cap Value. The Portfolio's objective in using derivatives during the period was to gain exposure to certain market sectors that it cannot get through the purchase of equity securities. To achieve this objective, the Portfolio utilized options, both written and purchased, on an index in the sector it wishes to gain exposure to.

There were no open derivative instruments as of December 31, 2009.

The effect of derivative instruments on the Statement of Operations for the fiscal year ended December 31, 2009:

Type of Derivative	Location of Gain (Loss) on Derivatives Recognized in Income	Realized Gain (Loss) on Derivatives Recognized in Income	Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized in Income
Equity	Net realized gain (loss) on investments in unaffiliated securities and written options/ Net change in unrealized appreciation (depreciation) on investments in unaffiliated securities and written options	\$207	\$29

During the fiscal year ended December 31, 2009, the Portfolio's average number of purchased option contracts and written option contracts outstanding was less than 1.

Value. The Portfolio's objective in using derivatives during the period was to generate additional income from written option premiums. To achieve these objectives, the Portfolio had primarily written put and call options on equity securities the Portfolio owns.

Fair values of derivative instruments as of December 31, 2009:

Type of Derivative	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Equity	N/A	N/A	Written options at market value	\$286

The effect of derivative instruments on the Statement of Operations for the fiscal year ended December 31, 2009:

Type of Derivative	Location of Gain (Loss) on Derivatives Recognized in Income	Realized Gain (Loss) on Derivatives Recognized in Income	Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized in Income
Equity	Net realized gain (loss) on investments in unaffiliated securities and written options/Net change in unrealized appreciation (depreciation) on investments in written options	\$2,364	\$37

During the fiscal year ended December 31, 2009, the Portfolio's average number of written option contracts outstanding was 9.

8. COMMITMENT

In connection with Asset Strategy's investment in Vietnam Azalea Fund Limited (VAF), the Portfolio is contractually committed to provide additional capital of up to \$1,018 if and when VAF requests such contributions or draw downs. The total commitment is limited to \$3,000. At December 31, 2009, Asset Strategy had made a total contribution of \$1,982. No public market currently exists for the shares of VAF nor are shares currently redeemable by VAF. VAF intends to become listed within one year after the final commitment has been drawn down. VAF's investment strategy is to make minority investments in future blue-chip Vietnamese companies that are already listed or intend to be listed in the next 24 months.

9. AFFILIATED COMPANY TRANSACTIONS

A summary of the transactions in affiliated companies during the fiscal year ended December 31, 2009 follows:

	12-31-08 Share Balance	Purchases at Cost	Sales at Cost	Realized Gain (Loss) ⁽³⁾	Distributions Received	12-31-09 Share Balance	12-31-09 Market Value
Pathfinder Aggressive							
Ivy Funds VIP Bond	1,028	\$4,318	\$ 359	\$ 19	\$230	1,763	\$ 9,697
Ivy Funds VIP Dividend Opportunities	1,159	1,463	983	139	66	1,237	7,374
Ivy Funds VIP Growth	891	1,875	898	372	30	1,004	9,312
Ivy Funds VIP International Growth	692	4,489	372	98	78	1,300	9,740
Ivy Funds VIP International Value	428	2,034	433	502	234	551	8,469
Ivy Funds VIP Mid Cap Growth ⁽¹⁾	444	462	288	106	—	467	3,084
Ivy Funds VIP Money Market	5,465	580	6,045	—	44	—	—
Ivy Funds VIP Mortgage Securities	—	1,708	40	1	—	385	1,730
Ivy Funds VIP Small Cap Growth	200	283	86	27	6	227	1,855
Ivy Funds VIP Small Cap Value ⁽¹⁾	344	775	376	99	—	375	4,988
Ivy Funds VIP Value	697	729	157	45	69	824	4,240
					<u>\$757</u>		<u>\$60,489</u>
Pathfinder Conservative							
Ivy Funds VIP Bond	702	\$13,712	\$ 868	\$ 42	\$343	3,089	\$16,990
Ivy Funds VIP Dividend Opportunities	412	5,876	1,326	333	59	1,304	7,779
Ivy Funds VIP Growth	125	2,655	883	265	10	349	3,237
Ivy Funds VIP International Growth	—	2,134	80	4	—	302	2,266
Ivy Funds VIP International Value	43	1,628	335	215	58	146	2,252
Ivy Funds VIP Mid Cap Growth ⁽¹⁾	47	590	127	64	—	139	919
Ivy Funds VIP Money Market	3,685	8,513	3,681	—	77	8,516	8,516
Ivy Funds VIP Small Cap Growth	18	296	49	21	1	56	461
Ivy Funds VIP Small Cap Value ⁽¹⁾	11	296	44	18	—	35	464
Ivy Funds VIP Value	53	603	99	41	13	175	902
					<u>\$561</u>		<u>\$43,786</u>

See footnotes on page 198.

	12-31-08 Share Balance	Purchases at Cost	Sales at Cost	Realized Gain (Loss) ⁽³⁾	Distributions Received	12-31-09 Share Balance	12-31-09 Market Value
Pathfinder Moderate							
Ivy Funds VIP Bond	3,327	\$ 56,049	\$ 493	\$ 34	\$ 1,063	13,622	\$ 74,915
Ivy Funds VIP Dividend Opportunities	2,483	27,414	3,439	768	221	6,941	41,390
Ivy Funds VIP Growth	1,120	18,545	2,921	1,021	58	3,005	27,882
Ivy Funds VIP International Growth	822	24,037	314	127	144	4,386	32,856
Ivy Funds VIP International Value	452	13,838	1,019	1,000	386	1,416	21,774
Ivy Funds VIP Mid Cap Growth ⁽¹⁾	634	6,416	615	297	—	1,680	11,099
Ivy Funds VIP Money Market	17,554	25,554	17,199	—	248	25,909	25,909
Ivy Funds VIP Mortgage Securities	—	2,547	14	—*	—	580	2,609
Ivy Funds VIP Small Cap Growth	240	3,219	147	64	11	681	5,568
Ivy Funds VIP Small Cap Value ⁽¹⁾	297	6,455	285	115	—	844	11,210
Ivy Funds VIP Value	888	8,159	380	161	135	2,648	13,623
					<u>\$ 2,266</u>		<u>\$ 268,835</u>

	12-31-08 Share Balance	Purchases at Cost	Sales at Cost	Realized Gain (Loss) ⁽³⁾	Distributions Received	12-31-09 Share Balance	12-31-09 Market Value
Pathfinder Moderately Aggressive							
Ivy Funds VIP Bond	3,810	\$ 44,230	\$ 271	\$ 20	\$ 1,113	11,984	\$ 65,908
Ivy Funds VIP Dividend Opportunities	3,712	24,985	3,619	758	298	7,744	46,183
Ivy Funds VIP Growth	1,676	17,028	3,303	1,204	79	3,354	31,122
Ivy Funds VIP International Growth	1,558	30,320	386	156	246	6,109	45,763
Ivy Funds VIP International Value	919	16,965	3,068	2,002	706	1,971	30,317
Ivy Funds VIP Mid Cap Growth ⁽¹⁾	1,185	7,111	853	393	—	2,340	15,463
Ivy Funds VIP Money Market	20,157	16,611	22,406	—	234	14,362	14,362
Ivy Funds VIP Mortgage Securities	—	5,618	17	1	—	1,289	5,793
Ivy Funds VIP Small Cap Growth	536	4,290	195	84	23	1,139	9,305
Ivy Funds VIP Small Cap Value ⁽¹⁾	784	10,069	515	201	—	1,647	21,878
Ivy Funds VIP Value	1,325	7,319	296	122	181	2,951	15,183
					<u>\$ 2,880</u>		<u>\$ 301,277</u>

	12-31-08 Share Balance	Purchases at Cost	Sales at Cost	Realized Gain (Loss) ⁽³⁾	Distributions Received	12-31-09 Share Balance	12-31-09 Market Value
Pathfinder Moderately Conservative							
Ivy Funds VIP Bond	1,631	\$ 23,489	\$ 1,921	\$ 83	\$ 582	5,633	\$ 30,981
Ivy Funds VIP Dividend Opportunities	1,022	9,828	2,603	397	101	2,395	14,283
Ivy Funds VIP Growth	422	6,095	1,941	462	24	933	8,660
Ivy Funds VIP International Growth	244	7,134	438	99	47	1,259	9,433
Ivy Funds VIP International Value	117	3,068	643	321	111	305	4,688
Ivy Funds VIP Mid Cap Growth ⁽¹⁾	261	2,224	525	174	—	579	3,825
Ivy Funds VIP Money Market	8,603	12,759	8,050	—	132	13,312	13,312
Ivy Funds VIP Small Cap Growth	49	558	98	26	3	117	959
Ivy Funds VIP Small Cap Value ⁽¹⁾	30	559	92	20	—	73	966
Ivy Funds VIP Value	364	2,841	488	110	61	913	4,695
					<u>\$ 1,061</u>		<u>\$ 91,802</u>

See footnotes on page 198.

	12-31-08 Share Balance	Purchases at Cost	Sales at Cost	Realized Gain/(Loss)	Distributions Received	12-31-09 Share Balance	12-31-09 Market Value
Asset Strategy							
Vietnam Azalea Fund Limited ⁽¹⁾	300	\$242	\$ —	\$ —	\$ —	300	\$1,392
	12-31-08 Share Balance	Purchases at Cost	Sales at Cost	Realized Gain/(Loss)	Distributions Received	12-31-09 Share Balance	12-31-09 Market Value
Small Cap Growth							
Argyle Security, Inc. ⁽¹⁾⁽²⁾	300	\$ —	\$2,412	\$(2,341)	\$ —	—	N/A

*Not shown due to rounding.

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

(2)Company was no longer an affiliate at December 31, 2009.

(3)Distributions from capital gains from the underlying portfolios, if applicable, are included here.

10. SENIOR LOANS

A Portfolio invests in senior secured corporate loans (senior 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 Portfolio to fund future commitments at the borrower's discretion. At December 31, 2009, there were no such unfunded commitments.

11. WRITTEN OPTION ACTIVITY

For Asset Strategy, transactions in written call options were as follows:

	Number of Contracts	Premium Received
Outstanding at December 31, 2008 . . .	—	\$ —
Options written	1	2,204
Options terminated in closing purchase transactions	(1)	(2,007)
Options exercised	—	—
Options expired	—*	(197)
Outstanding at December 31, 2009 . . .	—	\$ —

For Asset Strategy, transactions in written put options were as follows:

	Number of Contracts	Premium Received
Outstanding at December 31, 2008 . . .	—	\$ —
Options written	3	3,686
Options terminated in closing purchase transactions	(2)	(2,005)
Options exercised	—	—
Options expired	(1)	(1,681)
Outstanding at December 31, 2009 . . .	—	\$ —

*Not shown due to rounding.

For Mid Cap Growth, transactions in written call options were as follows:

	Number of Contracts	Premium Received
Outstanding at December 31, 2008. . .	—	\$ —
Options written	1	48
Options terminated in closing purchase transactions	—*	(31)
Options exercised	—*	(3)
Options expired	—*	(14)
Outstanding at December 31, 2009. . .	—	\$ —

For Mid Cap Growth, transactions in written put options were as follows:

	Number of Contracts	Premium Received
Outstanding at December 31, 2008. . .	—	\$ —
Options written	4	517
Options terminated in closing purchase transactions	(3)	(481)
Options exercised	—*	(10)
Options expired	—*	(26)
Outstanding at December 31, 2009. . .	—	\$ —

For Science and Technology, transactions in written call options were as follows:

	Number of Contracts	Premium Received
Outstanding at December 31, 2008. . .	7	\$ 2,374
Options written	4	1,907
Options terminated in closing purchase transactions	(5)	(2,561)
Options exercised	(4)	(884)
Options expired	(2)	(836)
Outstanding at December 31, 2009. . .	—	\$ —

For Small Cap Value, transactions in written call options were as follows:

	Number of Contracts	Premium Received
Outstanding at December 31, 2008 . . .	—	\$ —
Options written	2	209
Options terminated in closing purchase transactions	(2)	(209)
Options exercised	—	—
Options expired	—	—
Outstanding at December 31, 2009 . . .	—	\$ —

For Small Cap Value, transactions in written put options were as follows:

	Number of Contracts	Premium Received
Outstanding at December 31, 2008 . . .	—*	\$ 884
Options written	—	—
Options terminated in closing purchase transactions	—*	(884)
Options exercised	—	—
Options expired	—	—
Outstanding at December 31, 2009 . . .	—	\$ —

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

	Number of Contracts	Premium Received
Outstanding at December 31, 2008 . . .	5	\$ 646
Options written	50	2,417
Options terminated in closing purchase transactions	(20)	(1,453)
Options exercised	(4)	(406)
Options expired	(25)	(1,089)
Outstanding at December 31, 2009 . . .	6	\$ 115

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

	Number of Contracts	Premium Received
Outstanding at December 31, 2008 . . .	—*	\$ 39
Options written	17	1,059
Options terminated in closing purchase transactions	(2)	(136)
Options exercised	—*	(39)
Options expired	(9)	(530)
Outstanding at December 31, 2009 . . .	6	\$ 393

*Not shown due to rounding.

12. CHANGE IN STRUCTURE

On April 30, 2009, the 25 series of Ivy Funds Variable Insurance Portfolios, Inc., a Maryland corporation, were reorganized as a corresponding series of Ivy Funds Variable Insurance Portfolios, a Delaware statutory trust, pursuant to a Plan of Reorganization and Termination that was approved by shareholders. The reorganization was accomplished through a tax-free exchange of shares, which had no impact on net assets, operations and number of shares outstanding.

13. SUBSEQUENT EVENTS

At a meeting held on November 11, 2009, the Board of Trustees of Ivy Funds Variable Insurance Portfolios unanimously approved and recommended that shareholders of Ivy Funds VIP Mortgage Securities approve the merger of Ivy Funds VIP Mortgage Securities into Ivy Funds VIP Bond. Ivy Funds VIP Mortgage Securities shareholders of record on December 1, 2009 will be asked to vote on the proposed merger at a special meeting called for this purpose, tentatively scheduled for March 1, 2010.

14. REGULATORY AND LITIGATION MATTERS

On July 24, 2006, WRIMCO, W&R and WRSCO (collectively, Waddell & Reed) reached a settlement with each of the SEC, the New York Attorney General (NYAG) and the Securities Commissioner of the State of Kansas to resolve proceedings brought by each regulator in connection with its investigation of frequent trading and market timing in certain Waddell & Reed Advisors Funds.

Under the terms of the SEC's cease-and desist order (SEC Order), pursuant to which Waddell & Reed neither admitted nor denied any of the findings contained therein, among other provisions Waddell & Reed has agreed to: pay \$40 million in disgorgement and \$10 million in civil money penalties; cease and desist from violations of the antifraud provisions and certain other provisions of the federal securities laws; maintain certain compliance and ethics oversight structures; retain an independent consultant to periodically review Waddell & Reed's supervisory, compliance, control and other policies and procedures; and retain an independent distribution consultant (described below). According to the SEC Order, the SEC found that some market timers made profits in some of the Waddell & Reed Advisors Funds, and that this may have caused some dilution in those Funds. Also, the SEC found that Waddell & Reed failed to make certain disclosures to the Waddell & Reed Advisors Funds' Boards of Directors (now Trustees) and shareholders regarding the market timing activity and Waddell & Reed's acceptance of service fees from some market timers.

The Assurance of Discontinuance with the NYAG (NYAG Settlement), pursuant to which Waddell & Reed neither admitted nor denied any of the findings contained therein, among its conditions requires that Waddell & Reed: reduce the aggregate investment management fees paid by certain of the Waddell & Reed Advisors Funds and certain of the Ivy Funds Variable Insurance Portfolios (the Funds) by \$5 million per year for five years, for a projected total of \$25 million in investment management fee reductions; bear the costs of an independent fee consultant to be retained by the Funds to review and consult regarding the Funds' investment management fee arrangements; and make additional investment management fee-related disclosures to Fund shareholders. The NYAG Settlement also effectively requires that the Funds implement certain governance measures designed to maintain the independence of the Funds' Boards of Directors (now Trustees) and appoint an independent

compliance consultant responsible for monitoring the Funds' and WRIMCO's compliance with applicable laws.

The consent order issued by the Securities Commissioner of the State of Kansas (Kansas Order), pursuant to which Waddell & Reed neither admitted nor denied any of the findings contained therein, requires Waddell & Reed to pay a fine of \$2 million to the Office of the Commissioner.

The SEC Order further requires that the \$50 million in settlement amounts described above will be distributed in accordance with a distribution plan developed by an independent distribution consultant, in consultation with Waddell & Reed, and that is agreed to by the SEC staff and the Funds' Disinterested Directors. The SEC Order requires that the independent distribution consultant develop a methodology and distribution plan pursuant to which Fund shareholders shall receive their proportionate share of losses, if any, suffered by the Funds due to market timing. Therefore, it is not currently possible to specify which particular Fund shareholders or groups of Fund shareholders will receive distributions of those settlement monies or in what proportion and amounts. However, as noted above, the SEC Order makes certain findings with respect to market timing activities in some of the Waddell & Reed Advisors Funds only. Accordingly, it is not expected that shareholders of Ivy Funds Variable Insurance Portfolios will receive distributions of settlement monies.

The foregoing is only a summary of the SEC Order, NYAG Settlement and Kansas Order. A copy of the SEC Order is available on the SEC's website at www.sec.gov. A copy of the SEC Order, NYAG Settlement and Kansas Order is available as part of the Waddell & Reed Financial, Inc. Form 8-K as filed on July 24, 2006.

In addition, pursuant to the terms of agreement in the dismissal of separate litigation, Waddell & Reed has also agreed to extend the reduction in the aggregate investment management fees paid by the Funds, as described above, for an additional five years.

**To the Shareholders and Board of Trustees of
Ivy Funds Variable Insurance Portfolios:**

We have audited the accompanying statements of assets and liabilities, including the schedules of investments of Ivy Funds VIP Asset Strategy, Ivy Funds VIP Balanced, Ivy Funds VIP Bond, Ivy Funds VIP Core Equity, Ivy Funds VIP Dividend Opportunities, Ivy Funds VIP Energy, Ivy Funds VIP Global Natural Resources, Ivy Funds VIP Growth, Ivy Funds VIP High Income, Ivy Funds VIP International Growth, Ivy Funds VIP International Value, Ivy Funds VIP Micro Cap Growth, Ivy Funds VIP Mid Cap Growth, Ivy Funds VIP Money Market, Ivy Funds VIP Mortgage Securities, Ivy Funds VIP Real Estate Securities, Ivy Funds VIP Science and Technology, Ivy Funds VIP Small Cap Growth, Ivy Funds VIP Small Cap Value, and Ivy Funds VIP Value, twenty of the portfolios constituting Ivy Funds Variable Insurance Portfolios (the "Trust") (formerly Ivy Funds Variable Insurance Portfolios, Inc.) as of December 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 years 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 Funds VIP Pathfinder Aggressive, Ivy Funds VIP Pathfinder Conservative, Ivy Funds VIP Pathfinder Moderate, Ivy Funds VIP Pathfinder Moderately Aggressive, and Ivy Funds VIP Pathfinder Moderately Conservative, five of the portfolios constituting the Trust as of December 31, 2009, and the related statements of operations for the fiscal year then ended, and the statements of changes in net assets and the financial highlights for the fiscal year then ended and for the fiscal period from March 4, 2008 (March 13, 2008 and March 12, 2008 for Ivy Funds VIP Pathfinder Conservative and Ivy Funds VIP Pathfinder Moderately Conservative, respectively) (the commencements of their operations) through December 31, 2008. 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 December 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 portfolios constituting Ivy Funds Variable Insurance Portfolios as of December 31, 2009, the results of their operations for the fiscal year then ended, the changes in their 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, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP
Kansas City, Missouri
February 15, 2010

INCOME TAX INFORMATION

Ivy Funds VIP

AMOUNTS NOT ROUNDED

The Portfolios hereby designate the following amounts of dividends paid from net ordinary income as dividends qualifying for the 70% dividends received deduction for corporations for the tax period ended December 31, 2009:

	Dividends Received Deduction for Corporations
Pathfinder Aggressive	\$ 45,522
Pathfinder Conservative	4,490
Pathfinder Moderate	54,460
Pathfinder Moderately Aggressive	107,722
Pathfinder Moderately Conservative	15,533
Asset Strategy	2,240,219
Balanced	6,322,297
Bond	—
Core Equity	3,943,380
Dividend Opportunities	1,506,260
Energy	—
Global Natural Resources	—
Growth	3,004,451
High Income	—
International Growth	—
International Value	—
Micro Cap Growth	—
Mid Cap Growth	—
Money Market	—
Mortgage Securities	—
Real Estate Securities	—
Science and Technology	943,590
Small Cap Growth	1,285,463
Small Cap Value	—
Value	4,928,139

Internal Revenue code regulations permit each qualifying Portfolio to elect to pass through a foreign tax credit to shareholders with respect to foreign taxes paid by the Portfolio. Each Portfolio elected to pass the following amounts of creditable foreign taxes through to their shareholders:

	Foreign Tax Credit	Foreign Derived Income
Asset Strategy	\$ 876,681	\$ 8,608,449
International Growth	454,443	5,248,353
International Value	922,933	12,887,759

The Portfolios hereby designate the following amounts as distributions of long-term capital gains:

Pathfinder Aggressive	\$ 446,043
Pathfinder Conservative	37,644
Pathfinder Moderate	530,688
Pathfinder Moderately Aggressive	969,368
Pathfinder Moderately Conservative	164,508
Asset Strategy	78,973,168
Balanced	2,098,449
Bond	—
Core Equity	—
Dividend Opportunities	—
Energy	—
Global Natural Resources	—
Growth	22,097,924
High Income	—
International Growth	—
International Value	24,546,103
Micro Cap Growth	—
Mid Cap Growth	—
Money Market	—
Mortgage Securities	—
Real Estate Securities	—
Science and Technology	15,603,910
Small Cap Growth	—
Small Cap Value	—
Value	—

BOARD OF TRUSTEES AND OFFICERS

Ivy Funds VIP

Each of the individuals listed below serves as a trustee for the Trust (25 portfolios), and for the portfolios within the Waddell & Reed Advisors Funds (20 portfolios) and Waddell & Reed InvestEd Portfolios (3 portfolios) (collectively, the Advisors Fund Complex). The Advisors Fund Complex, together with the Ivy Family of Funds, comprises the Waddell & Reed/Ivy Fund Complex (Fund Complex). The Ivy Family of Funds consists of the portfolios in the Ivy Funds (18 portfolios) and Ivy Funds, Inc. (14 portfolios).

Board members who are not “interested persons” of the Portfolios as defined in Section 2(a)(19) of the 1940 Act (Disinterested Trustees) constitute at least 75% of the Board.

DISINTERESTED TRUSTEES

NAME, ADDRESS AND YEAR OF BIRTH	POSITION HELD WITH THE TRUST AND FUND COMPLEX	TRUSTEE SINCE*	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS	OTHER DIRECTORSHIPS HELD
Jarold W. Boettcher 6300 Lamar Avenue Overland Park, KS 66202 1940	Trustee	Trust: 2009 Fund Complex: 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) (1979 to present)	Director of Guaranty State Bank & Trust Co. (financial services); Director of Guaranty, Inc. (financial services); Director, Ivy Funds, Inc.; Trustee, Ivy Funds (32 portfolios overseen); Member of Kansas Board of Regents (2007 to present)
James M. Concannon 6300 Lamar Avenue Overland Park, KS 66202 1947	Trustee	Trust: 2009 Fund Complex: 1997	Professor of Law, Washburn School of Law (1973 to present)	Director, Kansas Legal Services for Prisoners, Inc.; Director, U.S. Alliance Corporation (insurance)
John A. Dillingham 6300 Lamar Avenue Overland Park, KS 66202 1939	Trustee	Trust: 2009 Fund Complex: 1997	President and Director, JoDill Corp. (1997 to present) and Dillingham Enterprises, Inc. (1997 to present), both farming enterprises	Advisory Director, UMB Northland Board (financial services); Chairman, Clay Co. Millenium Historical Commission; Director, Clay Co. Industrial Development Authority
David P. Gardner 6300 Lamar Avenue Overland Park, KS 66202 1933	Trustee Independent Chairman	Trust: 2009 Fund Complex: 1998 Trust: 2009 Fund Complex: 2006	President Emeritus, University of Utah; President Emeritus, University of California; Chairman, Board of Trustees, J. Paul Getty Trust (until 2004); Professor, University of Utah (until 2005)	Director, Fluor Corporation (construction and engineering) (until 2005); Director, Salzberg Seminar (non-profit education) (2003–2005); Trustee, Tanner Lectures on Human Values (1978–2005); Consultant, Huntsman Cancer Foundation (2000–2006)
Joseph Harroz, Jr. 6300 Lamar Avenue Overland Park, KS 66202 1967	Trustee	Trust: 2009 Fund Complex: 1998	President and Chief Operating Officer, Graymark HealthCare (a NASDAQ listed company) (2008 to present); Vice President and General Counsel of the Board of Regents, University of Oklahoma (1996 to 2008); Adjunct Professor, University of Oklahoma Law School (1997 to present); Managing Member, Harroz Investments, LLC, (commercial enterprise investments) (1998 to present); LSQ Manager, Inc. (2007 to present)	Director and Shareholder, Valliance Bank; Independent Chairman and Director, Ivy Funds, Inc.; Independent Chairman and Trustee, Ivy Funds (32 portfolios overseen)
Robert L. Hechler 6300 Lamar Avenue Overland Park, KS 66202 1936	Trustee	Trust: 2009 Fund Complex: 1998	Formerly, consultant of WDR and Waddell & Reed (2001 to 2008)	None

David P. Gardner serves as the Independent Chairman of the Trust’s Board and of the board of trustees of the other funds in the Advisors Fund Complex. Subject to the Trustee Emeritus and Retirement Policy, a Trustee serves until his or her successor is elected and qualified or until his or her earlier death, resignation or removal.

Additional Information about Trustees

The Statement of Additional Information (SAI) for the Trust includes additional information about the Trust’s trustees. The SAI is available without charge, upon request, by calling 1.888.WADDELL. It is also available on the Waddell & Reed website, www.waddell.com.

NAME, ADDRESS AND YEAR OF BIRTH	POSITION HELD WITH THE TRUST AND FUND COMPLEX	TRUSTEE SINCE*	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS	OTHER DIRECTORSHIPS HELD
Albert W. Herman, FHFMA, CPA 6300 Lamar Avenue Overland Park, KS 66202 1938	Trustee	Trust: 2009 Fund Complex: 2008	Business Consultant (1998 to present); Treasurer and Director, Wellness Council of America (health care initiatives) (1996 to present)	Finance Committee Member, Ascension Health (non-profit health system) (2007 to present); Director, Baylor Health Care System Foundation (health care) (1998–2009)
Glendon E. Johnson, Sr. 6300 Lamar Avenue Overland Park, KS 66202 1924	Trustee	Trust: 2009 Fund Complex: 1971	Chairman and Chief Executive Officer (CEO), Castle Valley Ranches, LLC (ranching and farming) (1995 to present)	Chairman Emeritus, Wellness Council of America (health care initiatives); Executive Board and Committee Member, Boy Scouts of America
Frank J. Ross, Jr. Polsinelli Shughart PC 700 West 47th Street Suite 1000 Kansas City, MO 64112 1953	Trustee	Trust: 2009 Fund Complex: 1996	Shareholder/Director, Polsinelli Shughart PC, a law firm (1980 to present)	Director, Rockhurst University (education)
Eleanor B. Schwartz 6300 Lamar Avenue Overland Park, KS 66202 1937	Trustee	Trust: 2009 Fund Complex: 1995	Professor Emeritus, University of Missouri at Kansas City (2003 to present); formerly, Dean, Block School of Business (1980–1986), Vice Chancellor (1988–1991), Chancellor (1992–1999) and Professor of Business Administration, University of Missouri at Kansas City (until 2003)	Director, Ivy Funds, Inc.; Trustee, Ivy Funds (32 portfolios overseen)

*Each Trustee became a Trustee in 2009, as reflected by the first date shown. The second date shows when the Trustee first became a director of one or more of the funds that are the predecessors to current funds within the Advisors Fund Complex.

INTERESTED TRUSTEES

Messrs. Avery and Herrmann are “interested” by virtue of their current or former engagement as officers of Waddell & Reed Financial, Inc. (WDR) or its wholly owned subsidiaries, including each Fund’s investment manager, WRIMCO, each Fund’s principal underwriter, Waddell & Reed, Inc. (Waddell & Reed), and each Fund’s shareholder servicing and accounting services agent, Waddell & Reed Services Company, doing business as WI Services Company (WI Services Company), as well as by virtue of their personal ownership of shares of WDR. The address for each Interested Trustee and each of the officers in the following tables is 6300 Lamar Avenue, Overland Park, KS 66202.

NAME, ADDRESS AND YEAR OF BIRTH	POSITION(S) HELD WITH THE TRUST AND FUND COMPLEX	TRUSTEE/ OFFICER SINCE*	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS	OTHER DIRECTORSHIPS HELD
Michael L. Avery 1953	Trustee	Trust: 2009 Fund Complex: 2007	Chief Investment Officer (CIO) of WDR, WRIMCO and IICO (2005 to present); Senior Vice President of WDR (2005 to present); Executive Vice President of WRIMCO and IICO (2005 to present); portfolio manager for investment companies managed by WRIMCO and IICO (1994 to present); Director of Research for WRIMCO and IICO (1987 to 2005)	Director of WRIMCO and IICO
Henry J. Herrmann 1942	President Trustee	Trust: 2009 Fund Complex: 2001 Trust: 2009 Fund Complex: 1998	CEO of WDR (2005 to present); President, CEO and Chairman of WRIMCO (1993 to present); President, CEO and Chairman of IICO (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, WI Services Company and Waddell & Reed; Director, Ivy Funds, Inc.; Trustee, Ivy Funds (32 portfolios overseen)

*Each Trustee became a Trustee (and, as applicable, an officer) in 2009 as reflected by the first date shown. The second date shows when the Trustee first became a director (and, as applicable, an officer) of one or more of the funds that are the predecessors to current funds within the Advisors Fund Complex.

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 Trust's principal officers are:

NAME, ADDRESS AND YEAR OF BIRTH	POSITION(S) HELD WITH THE TRUST AND FUND COMPLEX	OFFICER OF TRUST SINCE	OFFICER OF FUND COMPLEX SINCE*	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS
Mara D. Herrington 1964	Vice President Secretary	2009 2009	2006 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)
Joseph W. Kauten 1969	Vice President Treasurer Principal Financial Officer Principal Accounting Officer	2009 2009 2009 2009	2006 2006 2007 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)
Kristen A. Richards 1967	Vice President Assistant Secretary Associate General Counsel	2009 2009 2009	2000 2006 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)
Scott J. Schneider 1968	Vice President Chief Compliance Officer	2009 2009	2006 2004	Chief Compliance Officer (2004 to present) and Vice President (2006 to present) of each of the funds in the Fund Complex
Daniel C. Schulte 1965	Vice President General Counsel Assistant Secretary	2009 2009 2009	2000 2000 2000	Senior Vice President and General Counsel of WDR, Waddell & Reed, WRIMCO and WI Services Company (2000 to present); Senior Vice President and General Counsel of IICO (2002 to present); Vice President, General Counsel and Assistant Secretary for each of the funds in the Fund Complex (2000 to present)

*This is the date when the officer first became an officer of one or more of the funds that are the predecessors to current funds within the Advisors Fund Complex.

At its meeting on August 10, 11 and 12, 2009, the Trust's Board of Trustees, including all of the Disinterested Trustees, considered and approved the continuance of the existing Investment Management Agreement ("Management Agreement") between WRIMCO and the Trust as to each of its Portfolios and, for certain Portfolios, of the Investment Subadvisory Agreement (each, a "Subadvisory Agreement") between WRIMCO and the Portfolio subadvisor pursuant to which the subadvisor provides day-to-day investment advisory services. The Disinterested Trustees were assisted in their review by independent legal counsel and met with such counsel separately from representatives of WRIMCO. The Disinterested Trustees also received and considered a memorandum from their independent legal counsel regarding the Disinterested Trustees' responsibilities in evaluating the Management Agreement and, if applicable, the Subadvisory Agreement, for each Portfolio. This memorandum explained the regulatory requirements pertaining to the Disinterested Trustees' evaluation of the Management Agreement and the Subadvisory Agreements. In addition, the Disinterested Trustees engaged an independent fee consultant whose responsibilities included managing the process by which the proposed management fees under the Management Agreement were negotiated with WRIMCO.

Prior to the Board meeting, independent legal counsel sent to WRIMCO and, as applicable, to each subadvisor a request for information to be provided to the Trustees in connection with their consideration of the continuance of the Management Agreement with respect to each Portfolio and of the Subadvisory Agreements, as applicable. WRIMCO and each subadvisor provided materials to the Trustees that included responses to the request letter and other information WRIMCO and the subadvisor, as applicable, believed was useful in evaluating the continuation of the Management Agreement and the Subadvisory Agreements (the "Initial Response"). Thereafter, independent legal counsel sent to WRIMCO a supplemental request for certain additional information, and WRIMCO provided additional information in response to this request (the "Supplemental Response"). The Trustees also received reports prepared by an independent third party, Lipper Inc. ("Lipper"), relating to each Portfolio's performance and expenses compared to the performance of the universe of comparable mutual funds selected by Lipper (the "Performance Universe") and to the expenses of a peer group of comparable funds selected by Lipper (the "Peer Group"), respectively. Further, the Trustees received a written evaluation from the independent fee consultant, a summary of which is included in this Annual Report. At their meeting, the Trustees received a presentation from representatives of WRIMCO regarding services provided by it and its affiliates (collectively, "W&R") to each Portfolio. In addition, during the course of the year, WRIMCO and, as applicable, the subadvisors had provided information relevant to the Trustees' consideration of the continuance of the Management Agreement with respect to each Portfolio and the Subadvisory Agreements.

Nature, Extent and Quality of Services Provided to the Portfolios

The Trustees considered the nature, extent and quality of the services provided to each Portfolio pursuant to the Management Agreement and by each subadvisor pursuant to its Subadvisory Agreement and also the overall fairness of the Management Agreement as to each Portfolio and, as applicable, the Subadvisory Agreement.

The Trustees considered WRIMCO's and, as applicable, each subadvisor's research and portfolio management capabilities and that W&R also provides oversight of day-to-day portfolio operations, including but not limited to portfolio accounting and administration and assistance in meeting legal and regulatory requirements. The Trustees also considered WRIMCO's and, as applicable, each subadvisor's practices regarding the selection and compensation of brokers and dealers that execute portfolio transactions for each Portfolio and, as applicable, those brokers' and dealers' provision of brokerage and research services to WRIMCO, and the benefits derived by the other funds in the Advisors Fund Complex and by other clients of WRIMCO from such services. The Trustees considered the information provided by WRIMCO and, as applicable, each subadvisor regarding its compliance program and compliance matters, if any, over the past year. The Trustees also considered the favorable history, reputation, qualification and background of WRIMCO and W&R's extensive administrative, accounting and compliance infrastructure, as well as WRIMCO's supervisory activities over each subadvisor.

The Trustees considered each Portfolio's performance, both on an absolute basis and in relation to the performance of its Performance Universe. Each Portfolio's performance was also compared to relevant market indices and to a Lipper index, as applicable. The Trustees noted the independent fee consultant's finding that the Portfolios had generally strong and improving performance for the periods reviewed.

The Trustees considered the management fees and total expenses of each Portfolio and also considered each Portfolio's management fees and total expenses in relation to the management fees and total expenses, respectively, of its Peer Group. The Trustees' review also included consideration of each Portfolio's management fees at various asset levels in relation to the management fees at those asset levels of funds within a peer group of comparable mutual funds selected by and as shown in the reports from Lipper ("Lipper Group"). They also considered each Portfolio's non-management fees in relation to the non-management fees of its Peer Group, the amount of assets in each Portfolio, and factors affecting the Portfolios' expense ratios. In addition, the Trustees considered, for each Portfolio, the investment management fees, if any, paid to WRIMCO (or its affiliate) by other mutual funds managed by WRIMCO (or its affiliate) with a similar investment objective (or objectives) and similar investment policies and strategies as the Portfolio ("Similar Funds"). The Trustees also considered, for each Portfolio, the subadvisory fees, if any, paid to WRIMCO or the

subadvisor, as applicable, (or their respective affiliates) by other mutual funds advised by WRIMCO or the subadvisor (or their respective affiliates), as well as the management fees, if any, paid by other client accounts managed by WRIMCO or the subadvisor (or their respective affiliates), with a similar investment objective (or objectives) and similar investment policies and strategies as the Portfolio (“Other Accounts”).

Additional Considerations with Respect to Each Portfolio

Asset Strategy

The Trustees considered that Asset Strategy’s total return performance was higher than the Performance Universe median and the Lipper index for the one-, three-, five-, seven-, and ten-year periods.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Portfolio’s management fee and overall expense ratio were higher than the Peer Group median. They also considered that, with the breakpoints in the fee schedule, the Portfolio’s effective management fees at certain asset levels were lower than the median for its Lipper Group.

The Trustees also considered that the Similar Funds had advisory fee schedules that were the same as the Portfolio’s advisory fee schedule, except that one Similar Fund’s advisory fee was higher for an asset level, and that there were no Other Accounts managed by WRIMCO or its affiliates with a similar investment objective and similar investment policies and strategies as the Portfolio. The Trustees considered the relevance of the fee information provided for the Similar Funds to evaluate the appropriateness and reasonableness of the Portfolio’s management fee.

Balanced

The Trustees considered that Balanced’s total return performance was higher than the Performance Universe median and the Lipper index for the one-, three-, five-, seven-, and ten-year periods.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Portfolio’s management fee was lower than the Peer Group median but that the overall expense ratio was higher than the Peer Group median. They also considered that, with the breakpoints in the fee schedule, the Portfolio’s effective management fees at certain asset levels were higher than, and at other asset levels were lower than, the median for its Lipper Group.

The Trustees also considered that the Similar Funds had advisory fee schedules that were the same as the Portfolio’s advisory fee schedule and that the Other Accounts had average advisory fees that were lower than the management fee of the Portfolio. The Trustees considered the relevance of the fee information provided for the Similar Funds and Other Accounts to evaluate the appropriateness and reasonableness of the

Portfolio’s management fee. The Trustees recognized that differences in fees paid by the Other Accounts were consistent with the additional management and other services provided by WRIMCO to the Portfolio.

Bond

The Trustees considered that Bond’s total return performance was higher than the Performance Universe median and the Lipper index for the one-, three-, five-, seven-, and ten-year periods.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Portfolio’s management fee and overall expense ratio were lower than the Peer Group median. They also considered that, with the breakpoints in the fee schedule, the Portfolio’s effective management fees at certain asset levels were higher than, and at other asset levels were lower than or equal to, the median for its Lipper Group.

The Trustees also considered that the Similar Funds had advisory fee schedules that were the same as the Portfolio’s advisory fee schedule, except that one Similar Fund’s advisory fee was higher for certain asset levels, and that the Other Accounts had average advisory fees that were lower than the management fee of the Portfolio. The Trustees considered the relevance of the fee information provided for the Similar Funds and Other Accounts to evaluate the appropriateness and reasonableness of the Portfolio’s management fee. The Trustees recognized that differences in fees paid by the Other Accounts were consistent with the additional management and other services provided by WRIMCO to the Portfolio.

Core Equity

The Trustees considered that Core Equity’s total return performance was higher than the Performance Universe median and the Lipper index for the one-, three-, five-, seven-, and ten-year periods.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Portfolio’s management fee and overall expense ratio were lower than the Peer Group median. They also considered that, with the breakpoints in the fee schedule, the Portfolio’s effective management fees at certain asset levels were lower than the median for its Lipper Group.

The Trustees also considered that the Similar Funds had advisory fee schedules that were the same as the Portfolio’s advisory fee schedule, except that one Similar Fund’s advisory fee was higher for an asset level and the Similar Funds’ advisory fees were lower for other asset levels, and that the Other Accounts had average advisory fees that were lower than the management fee of the Portfolio. The Trustees considered the relevance of the fee information provided for the Similar Funds and Other Accounts to evaluate the appropriateness and reasonableness of the Portfolio’s management fee. The Trustees recognized that differences in fees paid by the Other Accounts

were consistent with the additional management and other services provided by WRIMCO to the Portfolio.

Dividend Opportunities

The Trustees considered that Dividend Opportunities' total return performance was higher than the Performance Universe median and the Lipper index for the one-, three-, and five-year periods for which information was provided, since the Portfolio did not have a seven-year performance record as of March 31, 2009.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Portfolio's management fee was lower than the Peer Group median but that the overall expense ratio was higher than the Peer Group median. They also considered that, with the breakpoints in the fee schedule, the Portfolio's effective management fees at various asset levels were lower than the median for its Lipper Group.

The Trustees also considered that the Similar Funds had advisory fee schedules that were the same as the Portfolio's advisory fee schedule and that the Other Accounts had average advisory fees that were lower than the management fee of the Portfolio. The Trustees considered the relevance of the fee information provided for the Similar Funds and Other Accounts to evaluate the appropriateness and reasonableness of the Portfolio's management fee.

Energy

The Trustees considered that Energy's total return performance was equal to the Performance Universe median for the one-year period and was higher than the Lipper index for the one-year period for which information was provided, since the Portfolio did not have a three-year performance record as of March 31, 2009.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Portfolio's management fee was equal to the Peer Group median but that the overall expense ratio was higher than the Peer Group median. They also considered that, with the breakpoints in the fee schedule, the Portfolio's effective management fees at certain asset levels were equal to the median for its Lipper Group. The Trustees considered that WRIMCO had voluntarily agreed to waive the management fee if Portfolio assets totaled less than \$25 million, which resulted in a fee waiver for the fiscal year ended December 31, 2008.

The Trustees also considered that the Similar Funds had advisory fee schedules that were the same as the Portfolio's advisory fee schedule and that there were no Other Accounts managed by WRIMCO or its affiliates with a similar investment objective and similar investment policies and strategies as the Portfolio. The Trustees considered the relevance of the fee information provided for the Similar Funds to evaluate the appropriateness and reasonableness of the Portfolio's management fee.

Global Natural Resources

The Trustees considered that Global Natural Resources' total return performance was lower than the Performance Universe median and the Lipper index for the one- and three-year periods for which information was provided, since the Portfolio did not have a five-year performance record as of March 31, 2009. They also considered the information provided by WRIMCO in its Initial Response and Supplemental Response explaining that, among other factors, certain Portfolio investments in international materials stocks had contributed to the Portfolio's poor performance over the last year. They further considered the improved year-to-date performance information through June 10, 2009, provided by WRIMCO in its Initial Response. The Trustees also noted that WRIMCO recommended the continuance of the Subadvisory Agreement with the Portfolio's subadviser, Mackenzie Financial Corporation.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Portfolio's management fee and overall expense ratio were higher than the Peer Group median. They also considered that, with the breakpoints in the fee schedule, the Portfolio's effective management fees at various asset levels were higher than the median for its Lipper Group.

The Trustees also considered that there was a Similar Fund that had an advisory fee schedule that was the same as the Portfolio's advisory fee schedule (including a subadvisory fee to the sub-adviser that was the same as the Portfolio's) and that there were no Other Accounts managed by WRIMCO or its affiliates with a similar investment objective and similar investment policies and strategies as the Portfolio. The Trustees considered the relevance of the fee information provided for the Similar Fund to evaluate the appropriateness and reasonableness of the Portfolio's management fee.

Growth

The Trustees considered that Growth's total return performance was higher than the Performance Universe median and the Lipper index for the one-, three-, five-, seven-, and ten-year periods.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Portfolio's management fee was lower than the Peer Group median but that the overall expense ratio was higher than the Peer Group median. They also considered that, with the breakpoints in the fee schedule, the Portfolio's effective management fees at various asset levels were lower than the median for its Lipper Group.

The Trustees also considered that the Similar Funds had advisory fee schedules that were the same as the Portfolio's advisory fee schedule, except that one Similar Fund's advisory fee was higher for an asset level, and that the Other Accounts had average advisory fees that were lower than the management fee of the Portfolio. The Trustees considered the relevance of the

fee information provided for the Similar Funds and Other Accounts to evaluate the appropriateness and reasonableness of the Portfolio's management fee. The Trustees recognized that differences in fees paid by the Other Accounts were consistent with the additional management and other services provided by WRIMCO to the Portfolio.

High Income

The Trustees considered that High Income's total return performance was higher than the Performance Universe median and the Lipper index for the one-, three-, five-, seven-, and ten-year periods.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Portfolio's management fee and overall expense ratio were lower than the Peer Group median. They also considered that, with the breakpoints in the fee schedule, the Portfolio's effective management fees at various asset levels were lower than the median for its Lipper Group.

The Trustees also considered that the Similar Funds had advisory fee schedules that were the same as the Portfolio's advisory fee schedule, except that one Similar Fund's advisory fee was higher for an asset level, and that the Other Accounts had average advisory fees that were lower than the management fee of the Portfolio. The Trustees considered the relevance of the fee information provided for the Similar Funds and Other Accounts to evaluate the appropriateness and reasonableness of the Portfolio's management fee. The Trustees recognized that differences in fees paid by the Other Accounts were consistent with the additional management and other services provided by WRIMCO to the Portfolio.

International Growth

The Trustees considered that International Growth's total return performance was higher than the Performance Universe median for the one-, three-, and five-year periods and was higher than the Lipper index for the one-, three-, five-, seven-, and ten-year periods.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Portfolio's management fee and overall expense ratio were lower than the Peer Group median. They also considered that, with the breakpoints in the fee schedule, the Portfolio's effective management fees at various asset levels were lower than the median for its Lipper Group.

The Trustees also considered that the Similar Funds had advisory fee schedules that were the same as the Portfolio's advisory fee schedule, except that one Similar Fund's advisory fee was higher for an asset level, and that the Other Accounts had average advisory fees that were lower than the management fee of the Portfolio. The Trustees considered the relevance of the fee information provided for the Similar Funds and Other Accounts to evaluate the appropriateness and reasonableness of the Portfolio's management fee. The Trustees recognized that

differences in fees paid by the Other Accounts were consistent with the additional management and other services provided by WRIMCO to the Portfolio.

International Value

The Trustees considered that International Value's total return performance was higher than the Performance Universe median and the Lipper index for the one-, three-, five-, seven-, and ten-year periods.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Portfolio's management fee and overall expense ratio were lower than the Peer Group median. They also considered that, with the breakpoints in the fee schedule, the Portfolio's effective management fees at certain asset levels were higher than, and at other asset levels were equal to, the median for its Lipper Group.

The Trustees also considered that there were no Similar Funds and no Other Accounts managed by WRIMCO or its affiliates with a similar investment objective and similar investment policies and strategies as the Portfolio.

Micro Cap Growth

The Trustees considered that Micro Cap Growth's total return performance was lower than the Performance Universe median for the one-, three-, five-, seven-, and ten-year periods and was lower than the Lipper index for the one-, three-, five-, and seven-year periods. They also considered the information provided by WRIMCO in its Initial Response and Supplemental Response explaining that the Portfolio tends to outperform in stronger markets and underperform in weaker markets and that the Portfolio's overweighting in technology and stock selection in this sector had contributed to its poor performance. They further considered the improved year-to-date performance information through June 10, 2009, provided by WRIMCO in its Initial Response. The Trustees also noted that WRIMCO recommended the continuance of the Subadvisory Agreement with the Portfolio's subadviser, Wall Street Associates.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Portfolio's management fee and overall expense ratio were higher than the Peer Group median. They also considered that, with the breakpoints in the fee schedule, the Portfolio's effective management fees at various asset levels were higher than the median for its Lipper Group.

The Trustees also considered that there was a Similar Fund that had an advisory fee schedule that was the same as the Portfolio's advisory fee schedule (including a subadvisory fee to the subadviser that was the same as the Portfolio's) and that there were no Other Accounts managed by WRIMCO or its affiliates with a similar investment objective and similar investment policies and strategies as the Portfolio. The Trustees also considered that the Other Accounts of a similar size managed by the subadviser had advisory fees that were higher than the subadvisory fees for the

Portfolio. The Trustees considered the relevance of the fee information provided for the Similar Fund and Other Accounts to evaluate the appropriateness and reasonableness of the Portfolio's management fee.

Mid Cap Growth

The Trustees considered that Mid Cap Growth's total return performance was higher than the Performance Universe median and the Lipper index for the one- and three-year periods for which information was provided, since the Portfolio did not have a five-year performance record as of March 31, 2009.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Portfolio's management fee and overall expense ratio were higher than the Peer Group median. They also considered that, with the breakpoints in the fee schedule, the Portfolio's effective management fees at various asset levels were higher than the median for its Lipper Group.

The Trustees also considered that the Similar Funds had advisory fee schedules that were the same as the Portfolio's advisory fee schedule, except that one Similar Fund's advisory fee was higher for an asset level, and that there were no Other Accounts managed by WRIMCO or its affiliates with a similar investment objective and similar investment policies and strategies as the Portfolio. The Trustees considered the relevance of the fee information provided for the Similar Funds to evaluate the appropriateness and reasonableness of the Portfolio's management fee.

Money Market

The Trustees considered that Money Market's total return performance was lower than the Performance Universe median and the Lipper index for the three-, five-, seven-, and ten-year periods.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Portfolio's management fee and overall expense ratio were lower than the Peer Group median. They also considered that the Portfolio's effective management fees at certain asset levels were higher than, and at other asset levels were lower than or equal to, the median for its Lipper Group.

The Trustees also considered that the Similar Funds had advisory fee schedules that were the same as the Portfolio's advisory fee schedule and that there were no Other Accounts managed by WRIMCO or its affiliates with a similar investment objective and similar investment policies and strategies as the Portfolio. The Trustees considered the relevance of the fee information provided for the Similar Funds to evaluate the appropriateness and reasonableness of the Portfolio's management fee.

Mortgage Securities

The Trustees considered that Mortgage Securities' total return performance was lower than the Performance Universe median for the one- and three-year periods for which such information was provided, since the Portfolio did not have a five-year performance record as of March 31, 2009. They also considered the information provided by WRIMCO in its Initial Response and Supplemental Response explaining that the Portfolio's holdings of non-agency asset-backed securities had contributed to the Portfolio's poor performance and also noting that the Portfolio's subadviser, Advantus Capital Management, Inc. ("Advantus Capital"), has continued to take steps to enhance the Portfolio's credit and liquidity profile. They further considered the improved year-to-date performance information through June 10, 2009, provided by WRIMCO in its Initial Response. The Trustees noted that WRIMCO recommended the continuance of the Subadvisory Agreement with Advantus Capital.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Portfolio's management fee was lower than the Peer Group median but that the overall expense ratio was higher than the Peer Group median. They also considered that, with the breakpoints in the fee schedule, the Portfolio's effective management fees at various asset levels were lower than the median for its Lipper Group.

The Trustees also considered that there was a Similar Fund that had an advisory fee schedule that was the same as the Portfolio's advisory fee schedule (including a subadvisory fee to the subadviser that was the same as the Portfolio's) and that there were no Other Accounts managed by WRIMCO or its affiliates with a similar investment objective and similar investment policies and strategies as the Portfolio. The Trustees also concluded that the Other Accounts of a similar size managed by the subadviser had advisory fees that were close to or higher than the subadvisory fees for the Portfolio. The Trustees considered the relevance of the fee information provided for the Similar Fund and Other Accounts to evaluate the appropriateness and reasonableness of the Portfolio's management fee.

Pathfinder Aggressive

The Trustees considered that Pathfinder Aggressive's total return performance was higher than the Performance Universe median and the Lipper index for the one-year period for which information was provided, since the Portfolio did not have a three-year performance record as of March 31, 2009.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Portfolio did not have a management fee but that the Portfolio's overall expense ratio was higher than the Peer Group median.

Pathfinder Conservative

The Trustees considered that Pathfinder Conservative's total return performance was higher than the Performance Universe median and the Lipper index for the one-year period for which information was provided, since the Portfolio did not have a three-year performance record as of March 31, 2009.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Portfolio did not have a management fee but that the Portfolio's overall expense ratio was higher than the Peer Group median.

Pathfinder Moderate

The Trustees considered that Pathfinder Moderate's total return performance was higher than the Performance Universe median and the Lipper index for the one-year period for which information was provided, since the Portfolio did not have a three-year performance record as of March 31, 2009.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Portfolio did not have a management fee but that the Portfolio's overall expense ratio was higher than the Peer Group median.

Pathfinder Moderately Aggressive

The Trustees considered that Pathfinder Moderately Aggressive's total return performance was higher than the Performance Universe median and the Lipper index for the one-year period for which information was provided, since the Portfolio did not have a three-year performance record as of March 31, 2009.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Portfolio did not have a management fee but that the Portfolio's overall expense ratio was higher than the Peer Group median.

Pathfinder Moderately Conservative

The Trustees considered that Pathfinder Moderately Conservative's total return performance was higher than the Performance Universe median and the Lipper index for the one-year period for which information was provided, since the Portfolio did not have a three-year performance record as of March 31, 2009.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Portfolio did not have a management fee but that the Portfolio's overall expense ratio was higher than the Peer Group median.

Real Estate Securities

The Trustees considered that Real Estate Securities' total return performance was higher than the Performance Universe median for the one- and three-year periods and was higher than the

Lipper index for the one-year period for which information was provided, since the Portfolio did not have a five-year performance record as of March 31, 2009. The Trustees noted that WRIMCO recommended the continuance of the Subadvisory Agreement with Advantus Capital.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Portfolio's management fee and overall expense ratio were higher than the Peer Group median. They also considered that, with the breakpoints in the fee schedule, the Portfolio's effective management fees at various asset levels were higher than the median for its Lipper Group.

The Trustees also considered that there was a Similar Fund that had an advisory fee schedule that was the same as the Portfolio's advisory fee schedule (including a subadvisory fee to the sub-adviser that was the same as the Portfolio's) and that there were no Other Accounts managed by WRIMCO or its affiliates with a similar investment objective and similar investment policies and strategies as the Portfolio. The Trustees also concluded that the Other Accounts of a similar size managed by the subadviser had advisory fees that were close to or higher than the subadvisory fees for the Portfolio. The Trustees considered the relevance of the fee information provided for the Similar Fund and Other Accounts to evaluate the appropriateness and reasonableness of the Portfolio's management fee.

Science and Technology

The Trustees considered that Science and Technology's total return performance was higher than the Performance Universe median for the one-, three-, five-, seven-, and ten-year periods and the Lipper index for the one-, three-, five-, and seven-year periods.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Portfolio's management fee was higher than the Peer Group median but that the overall expense ratio was equal to the Peer Group median. They also considered that, with the breakpoints in the fee schedule, the Portfolio's effective management fees at various asset levels were lower than the median for its Lipper Group.

The Trustees also considered that the Similar Funds had advisory fee schedules that were the same as the Portfolio's advisory fee schedule, except that one Similar Fund's advisory fee was higher for an asset level, and that the Other Accounts had average advisory fees that were lower than the management fee of the Portfolio. The Trustees considered the relevance of the fee information provided for the Similar Funds and Other Accounts to evaluate the appropriateness and reasonableness of the Portfolio's management fee. The Trustees recognized that differences in fees paid by the Other Accounts were consistent with the additional management and other services provided by WRIMCO to the Portfolio.

Small Cap Growth

The Trustees considered that Small Cap Growth's total return performance was higher than the Performance Universe median and the Lipper index for the one-, three-, five-, seven-, and ten-year periods.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Portfolio's management fee was lower than the Peer Group median but that the overall expense ratio was higher than the Peer Group median. They also considered that, with the breakpoints in the fee schedule, the Portfolio's effective management fees at various asset levels were lower than the median for its Lipper Group.

The Trustees also considered that the Similar Funds had advisory fee schedules that were the same as the Portfolio's advisory fee schedule, except that one Similar Fund's advisory fee was higher for an asset level, and that the Other Accounts had average advisory fees that were lower than the management fee of the Portfolio. The Trustees considered the relevance of the fee information provided for the Similar Funds and Other Accounts to evaluate the appropriateness and reasonableness of the Portfolio's management fee. The Trustees recognized that differences in fees paid by the Other Accounts were consistent with the additional management and other services provided by WRIMCO to the Portfolio.

Small Cap Value

The Trustees considered that Small Cap Value's total return performance was higher than the Performance Universe median for the one-, three-, five-, seven-, and ten-year periods and the Lipper index for the one-, three-, five-, and seven-year periods.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Portfolio's management fee and overall expense ratio were higher than the Peer Group median. They also considered that, with the breakpoints in the fee schedule, the Portfolio's effective management fees at various asset levels were higher than the median for its Lipper Group.

The Trustees also considered that there was a Similar Fund that had an advisory fee schedule that was the same as the Portfolio's advisory fee schedule and that there were no Other Accounts managed by WRIMCO or its affiliates with a similar investment objective and similar investment policies and strategies as the Portfolio. The Trustees considered the relevance of the fee information provided for the Similar Fund to evaluate the appropriateness and reasonableness of the Portfolio's management fee.

Value

The Trustees considered that Value's total return performance was higher than the Performance Universe median and the Lipper index for the one-, three-, five-, and seven-year periods

for which information was provided, since the Portfolio did not have a ten-year performance record as of March 31, 2009.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Portfolio's management fee and overall expense ratio were lower than the Peer Group median. They also considered that, with the breakpoints in the fee schedule, the Portfolio's effective management fees at various asset levels were lower than the median for its Lipper Group.

The Trustees also considered that the Similar Funds had advisory fee schedules that were the same as the Portfolio's advisory fee schedule, except that one Similar Fund's advisory fee was higher for an asset level, and that the Other Accounts had average advisory fees that were lower than the management fee of the Portfolio. The Trustees considered the relevance of the fee information provided for the Similar Funds and Other Accounts to evaluate the appropriateness and reasonableness of the Portfolio's management fee. The Trustees recognized that differences in fees paid by the Other Accounts were consistent with the additional management and other services provided by WRIMCO to the Portfolio.

Profitability and Economies of Scale

The Trustees also considered that the management fee structure of each Portfolio (except Money Market, which has a single management fee rate, and Pathfinder Aggressive, Pathfinder Conservative, Pathfinder Moderate, Pathfinder Moderately Aggressive and Pathfinder Moderately Conservative (each, a "Pathfinder Portfolio"), which has no management fee) includes breakpoints that provide for a reduction of payments to reflect anticipated economies of scale. The Trustees also considered the management fee rate reductions that became effective October 1, 2006, for Asset Strategy, Bond, Core Equity, Growth, High Income, International Growth, Mid Cap Growth, Science and Technology, Small Cap Growth, Value and certain other funds in the Advisors Fund Complex, and the anticipated impact of the fee rate reduction for each of these Portfolios on its investment management fees and overall expense ratio. In concluding that the benefits accruing to WRIMCO and its affiliates by virtue of their relationship to each Portfolio were reasonable in comparison with the costs of providing the investment management services and the benefits accruing to the Portfolio, the Trustees considered specific data as to WRIMCO's profit or loss with respect to the Portfolio for a recent period. The Trustees also considered WRIMCO's methodology for determining this data. In addition, the Trustees considered the soft dollar arrangements with respect to Portfolio portfolio transactions, as applicable.

In determining whether to approve the proposed continuance of the Management Agreement as to a Portfolio and, as applicable, a Portfolio's Subadvisory Agreement, the Trustees considered the best interests of the Portfolio and the overall fairness of the proposed Management Agreement, and, as applicable, the Subadvisory Agreement. The Trustees considered the following

factors to be of primary importance to their approval of the continuance of the Management Agreement as to a Portfolio and, as applicable, its Subadvisory Agreement, without any one factor being dispositive:

- the performance of the Portfolio compared with the performance of its Performance Universe and with relevant indices;
- the Portfolio's investment management fees and total expenses compared with the management fees and total expenses of the Peer Group;
- the existence or appropriateness of breakpoints in the Portfolio's management fees (except for the Pathfinder Portfolios);
- the cost/profitability to WRIMCO and any actual or anticipated economies of scale in relation to the services it provides to the Portfolio;
- the other benefits that accrue to WRIMCO as a result of its relationship to the Portfolio; and
- the favorable history, reputation, qualification and background of WRIMCO as well as the qualifications of its personnel.

Based on the discussions, considerations and information described generally above, including the evaluation provided by the independent fee consultant, the Board determined that each Portfolio's Management Agreement and, as applicable, its Subadvisory Agreement are fair and reasonable and that continuance of the Management Agreement and, as applicable, the Subadvisory Agreement, is in the best interests of the Portfolio. In reaching these determinations as to each Portfolio, the Board concluded that: the nature, extent and quality of the services provided by WRIMCO for the Portfolio are adequate and appropriate; it retained confidence in WRIMCO's overall ability to manage the Portfolio; and the management fee paid to WRIMCO is reasonable in light of comparative management fee information, the breakpoints in the proposed management fee for the Portfolio (other than Money Market and the Pathfinder Portfolios), the services provided by WRIMCO, the costs of the services provided, and the profits realized and other benefits likely to be derived by WRIMCO from its relationship with the Portfolio.

SUMMARY OF INDEPENDENT FEE CONSULTANT'S REPORT

Pursuant to the Assurance of Discontinuance between Waddell & Reed, Inc., Waddell & Reed Investment Management Company ("WRIMCO") and Waddell & Reed Services Company ("WISC") (collectively, "Waddell") and the Office of the New York Attorney General dated July 10, 2006 ("AOD"), the Disinterested Trustees of each Fund's Board appointed an Independent Fee Consultant ("IFC") to manage the process by which proposed management fees paid by the Fund to WRIMCO are negotiated. The IFC does not replace the Trustees in negotiating management fees and does not substitute his or her judgment for that of the Trustees about the reasonableness of the proposed fees.

In the IFC's 2009 written evaluation of the proposed management fees of the Funds ("Report"), the IFC addressed the following six factors:

1. The nature and quality of Waddell's services, including Fund performance
2. Management fees (including any components thereof) charged by other mutual fund companies for like services
3. Possible economies of scale as the Funds grow larger
4. Management fees (including any components thereof) charged to institutional and other clients of Waddell for like services
5. Costs to Waddell and its affiliates of supplying services pursuant to the management fee agreements, excluding any intra corporate profit
6. Profit margins of Waddell and its affiliates from supplying such services

The following is a summary of the Report's discussion of the process followed by the Disinterested Trustees and Waddell in connection with the renewal of each Fund's investment management agreement with WRIMCO, related materials, and the IFC's findings.

ANALYSIS OF THE PROCESS

The Report noted that each Board previously created a Special Compliance & Governance Committee ("Compliance Committee"), which is composed solely of Disinterested Trustees and charged with the responsibility for certain work associated with the contract renewal process.

The Report stated that the contract renewal process includes a number of sequential steps by which the Disinterested Trustees go about determining the reasonableness of the proposed management fees for the Funds in the context of their annual consideration of the proposed continuance of the Funds' respective investment management agreements with WRIMCO and the subadvisory agreements with certain subadvisors. The Report stated that the IFC participated throughout the contract renewal process.

The Disinterested Trustees instructed independent legal counsel to the Disinterested Trustees, K&L Gates LLP ("K&L Gates"), to prepare a letter requesting information from WRIMCO needed for the contract renewal process, which was provided. The Lipper Company ("Lipper") was asked to provide independently compiled comparative information about the Funds.

The Report noted that the Compliance Committee met with the IFC and K&L Gates to discuss the information provided by WRIMCO and Lipper and to determine whether to request any additional information from WRIMCO prior to the August Disinterested Trustees and Board meetings. At the Compliance Committee's direction, K&L Gates sent a supplemental request to WRIMCO for certain additional information, which was provided prior to the Disinterested Trustees' August 2009 meetings.

ANALYSIS OF MATERIALS

The Disinterested Trustees received and considered informational materials that were prepared by Waddell and Lipper in response to the data requested by the Disinterested Trustees through the Compliance Committee and K&L Gates. The IFC reviewed the information produced and found it to be responsive to the requests by the Disinterested Trustees. He also reviewed certain other materials that he considered relevant.

The IFC used these materials to analyze trends and comparative information about the six factors listed above. The Report noted that, apart from these materials, the Disinterested Trustees also received and considered information throughout the year, some of which the IFC reviewed, that was also relevant to the contract renewal process.

(1) Nature and Quality of Services

The Report stated that, overall, the Funds reflect strong performance. The performance information was provided by Lipper and was based on March 31, 2009 data. For the three-year period ended March 31, 2009, the IFC noted that 86% of the Funds in the Advisors Fund Complex (Advisors Funds, Ivy Funds VIP Portfolios and InvestEd Portfolios together) were in the top two quintiles.

Although the IFC found that the Funds have strong performance, it also noted that certain Funds have experienced either continuing or recent challenges. The IFC suggested that the Disinterested Trustees request additional information from WRIMCO regarding these Funds which the Disinterested Trustees reviewed. The Report noted that the on-going performance of these Funds will be subject to evaluation by both WRIMCO and the Board.

The Report noted that the IFC considered, with respect to service provided by WRIMCO affiliates, the internal statistics maintained by WISC to track shareholder service quality which showed continued improvement in 2009 and that WISC also retained Dalbar, Inc. to provide an independent quality assessment.

The Report stated that information for this metric is drawn from the Lipper analysis and that the IFC compared the management fee for each Fund to its peer group. The Report noted that the IFC reviewed how actual management fees for each of the Funds have changed in ranking from 2008 to 2009. With respect to the Advisors Funds, the Report stated that, in aggregate, 45% of the Advisors Funds have management fees above their peer group median and that the IFC reviewed information that showed that 65% of the Advisors Funds have the same or have improved their ranking from 2008 to 2009 and that 35% of the Advisors Funds have a lower ranking. With respect to the Ivy Funds VIP Portfolios, the Report stated that, in aggregate, the majority of the Funds (excluding the Pathfinder Portfolios) have management fees above their peer group median and noted that this was a slight improvement from last year when 65% of the Ivy Funds VIP Portfolios had management fees above their peer group median. With respect to the InvestEd Portfolios, the Report noted the first percentile ranking.

(2) Management Fees

The Report also noted that certain Funds have higher total expenses than the peer group and that this is often caused by non-management fees. The Report commented that Waddell's business model tends to result in higher non-management expenses. This business model targets the small- to mid-level investor population, an approach that has resulted in many smaller accounts relative to the general mutual fund industry. The Disinterested Trustees requested additional information from WRIMCO regarding future control of non-management expenses, which Waddell provided.

(3) Possible Economies of Scale

The Report noted that economies of scale occur when assets grow and a fund's fixed costs are spread over a larger asset base. The Report also pointed out that fund managers usually share economies of scale by implementing breakpoints, or scale-downs, in the structure of the management fee. As a general rule, fund trustees establish breakpoints prospectively at an asset level beyond the current asset level so that shareholders benefit from future asset growth. Lipper compared the Funds' and peer groups' effective fees at uniform asset levels.

The IFC Report noted that all Funds except money market Funds already have breakpoints in place that appear adequate in providing economies of scale.

(4) Management Fees for Other Clients

The Report noted that the Advisors Funds and Ivy Funds VIP have Funds with similar investment strategies and therefore anticipated comparable contractual management fees. The Report stated that actual management fee variances can be explained with the larger average asset size of the Advisors Funds, causing some of the Funds to reach breakpoints and reductions in management fees, or Funds that have remaining waivers. The Report further noted that the Funds within Advisors Funds and Ivy Funds VIP that correspond to funds

within the Ivy Fund Family having similar investment strategies also have comparable contractual management fees.

The Report noted that WRIMCO manages money for different types of clients in addition to mutual funds. These clients may include corporate and municipal pension funds and investment pools for wealthy individuals (collectively, "separate accounts"). Several of these separate accounts are managed with the same investment objective and in the same style as some of the Advisors Funds and Ivy Funds VIP Portfolios. In most cases, the data provided by WRIMCO showed that net management fees for the Funds are higher than that of the equivalent separate accounts. WRIMCO has explained these differences by reference to the different type of responsibilities borne by WRIMCO as a mutual fund manager compared to a separate account manager. The IFC found these differences reasonable.

(5) and (6) WRIMCO Cost and Profitability

The Report noted that the disinterested trustees of mutual funds generally are required to consider the cost and profitability of the advisory contracts to advisors. In connection with the Fund-by-Fund profitability review, WRIMCO provided an analysis of the profitability of each Fund. The IFC did not find the profit margins excessive.

The Report also noted that disinterested trustees often review the overall profitability of their funds and investment advisors. Lipper provided benchmarks against which to evaluate the overall profitability of Waddell's parent company and other public companies in the investment business. The Report found that this analysis places Waddell's parent company near the median of Lipper peers.

The Report stated that the IFC monitored the process, reviewed the materials, and reached the following conclusions:

- The contract renewal process conducted under the supervision of the Disinterested Trustees has been careful, deliberate, and conscientious.
- The materials were prepared without bias and in sufficient detail to facilitate meaningful decisions by the Disinterested Trustees and the full Boards.
- The discussion which took place leading up to and at the Disinterested Trustees and Board meetings was substantive and conducted in accordance with the best interests of the shareholders of the Funds.

ANNUAL PRIVACY NOTICE

Ivy Funds VIP

Waddell & Reed, Inc., the Waddell & Reed Advisors Funds, the Ivy Funds Variable Insurance Portfolios and the Waddell & Reed InvestEd Portfolios (“Waddell & Reed”) are committed to ensuring their clients have access to a broad range of products and services to help them achieve their personal financial goals. Accurate information lies at the heart of our pledge to provide these products and services, and we strive to protect your personal nonpublic information. In the course of doing business with Waddell & Reed, clients are requested to share financial information and they may be asked to provide other personal details. Clients can be assured that Waddell & Reed is diligent in its efforts to keep such information confidential.

Recognition of a Client’s Expectation of Privacy

At Waddell & Reed, we believe the confidentiality and protection of client information is one of our fundamental responsibilities. And while information is critical to providing quality service, we recognize that one of our most important assets is our clients’ trust. Thus, the safekeeping of client information is a priority for Waddell & Reed.

Information Collected

In order to tailor available financial products to your specific needs, Waddell & Reed may request that you complete a variety of forms that require nonpublic personal information about your financial history and other personal details, including but not limited to, your name, address, social security number, assets, income and investments. Waddell & Reed may also gather information about your transactions with us, our affiliates and others.

Categories of Information that may be Disclosed

While Waddell & Reed may disclose information it collects from applications and other forms, as described above, we at Waddell & Reed also want to assure all of our clients that whenever information is used, it is done with discretion. The safeguarding of client information is an issue we take seriously.

Categories of Parties to whom we disclose nonpublic personal information

Waddell & Reed may disclose nonpublic personal information about you to selectively chosen financial service providers, whom we believe have valuable products or services that could benefit you. Whenever we do this, we carefully review the company and the product or service to make sure that it provides value to our clients. We share the minimum amount of information necessary for that company to offer its product or service. We may also share information with unaffiliated companies that assist us in providing our products and services to our clients; in the normal course of our business (for example, with consumer reporting agencies and government agencies); when legally required or permitted in connection with fraud investigations and litigation; and at the request or with the permission of a client.

In addition, Waddell & Reed, Inc. has entered into a Protocol with a number of other brokerage firms intended to further our clients’ freedom of choice in connection with the movement of their financial advisors to new firms. In the event your account is maintained through Waddell & Reed, Inc. and your financial advisor leaves Waddell & Reed to join a firm that has likewise entered the Protocol, Waddell & Reed may disclose your name, address and telephone number to the departed advisor’s new firm.

Opt Out Right

If you prefer that we not disclose nonpublic personal information about you to nonaffiliated third parties, you may opt out of those disclosures; that is, you may direct us not to make those disclosures (other than disclosures permitted by law). If you wish to opt out of disclosures to nonaffiliated third parties, you may make this request in writing to: Waddell & Reed, Attn: Opt Out Notices, P.O. Box 29220, Shawnee Mission, KS 66201, or you may call 1.888.WADDELL and a Client Services Representative will assist you.

Confidentiality and Security

We restrict access to nonpublic personal information about you to those employees who need to know that information to provide products and services to you. We maintain physical, electronic, and procedural safeguards that comply with federal standards to guard your nonpublic personal information. If you decide to close your account(s) or become an inactive client, we will adhere to the privacy policies and practices as described in this notice.

PROXY VOTING INFORMATION

Ivy Funds VIP

Proxy Voting Guidelines

A description of the policies and procedures Ivy Funds Variable Insurance Portfolios uses to determine how to vote proxies relating to portfolio securities is available (i) without charge, upon request, by calling 1.888.WADDELL and (ii) on the Securities and Exchange Commission's (SEC) web site at www.sec.gov.

Proxy Voting Records

Information regarding how the Portfolio voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available on Form N-PX through Waddell & Reed's website at www.waddell.com and on the SEC's website at www.sec.gov.

QUARTERLY PORTFOLIO SCHEDULE INFORMATION

Ivy Funds VIP

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.
- 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 Waddell & Reed's website at www.waddell.com.

The Ivy Funds Variable Insurance Portfolios Family

Global/International Portfolios

International Growth
International Value

Domestic Equity Portfolios

Core Equity
Dividend Opportunities
Growth
Micro Cap Growth
Mid Cap Growth
Small Cap Growth
Small Cap Value
Value

Fixed Income Portfolios

Bond
High Income
Mortgage Securities

Money Market Portfolios

Money Market

Specialty Portfolios

Asset Strategy
Balanced
Energy
Global Natural Resources
Pathfinder Aggressive
Pathfinder Conservative
Pathfinder Moderate
Pathfinder Moderately Aggressive
Pathfinder Moderately Conservative
Real Estate Securities
Science and Technology

The underlying portfolios discussed in this report are only available as investment options in variable annuity and variable life insurance contracts issued by life insurance companies. They are not offered or made available directly to the general public.

This report is submitted for the general information of the shareholders of Ivy Funds Variable Insurance Portfolios. It is not authorized for distribution to prospective investors in a Portfolio unless accompanied with or preceded by the current Portfolio prospectus, or summary prospectus, if available, as well as the variable product prospectus.



IVY FUNDS
Variable Insurance Portfolios

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