



# Semiannual Report

SEPTEMBER 30, 2005

Ivy Asset Strategy Fund

Ivy Capital Appreciation Fund

Ivy Core Equity Fund

Ivy High Income Fund

Ivy International Growth Fund

Ivy Large Cap Growth Fund

Ivy Limited-Term Bond Fund

Ivy Mid Cap Growth Fund

Ivy Money Market Fund

Ivy Municipal Bond Fund

Ivy Science and Technology Fund

Ivy Small Cap Growth Fund



IVY FUNDS

# CONTENTS

|     |   |
|-----|---|
| 3   | President's Letter                                      |
| 5   | Illustration of Fund Expenses                           |
| 11  | Ivy Asset Strategy Fund                                 |
| 28  | Ivy Capital Appreciation Fund                           |
| 41  | Ivy Core Equity Fund                                    |
| 53  | Ivy High Income Fund                                    |
| 75  | Ivy International Growth Fund                           |
| 87  | Ivy Large Cap Growth Fund                               |
| 98  | Ivy Limited-Term Bond Fund                              |
| 110 | Ivy Mid Cap Growth Fund                                 |
| 122 | Ivy Money Market Fund                                   |
| 135 | Ivy Municipal Bond Fund                                 |
| 151 | Ivy Science and Technology Fund                         |
| 162 | Ivy Small Cap Growth Fund                               |
| 174 | Notes to Financial Statements                           |
| 196 | Report of Independent Registered Public Accounting Firm |
| 197 | Renewal of Investment Management Agreement              |
| 201 | Proxy Voting Information                                |
| 202 | Quarterly Portfolio Schedule Information                |
| 202 | IRA Disclosure  |

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

---

# President's Letter

September 30, 2005



## DEAR SHAREHOLDER:

Enclosed is our report on your Fund's operations for the six months ended September 30, 2005. Over the period, the financial markets remained fairly resilient in the face of challenges from a variety of directions. The S&P 500 Index increased 5.02 percent during the six-month period, while the Dow Jones Industrial Average rose 1.76 percent. Bonds also rose slightly, with the Citigroup Broad Investment Grade Index returning 2.43 percent over the last six months.

Between April and September, the financial markets weathered increasing energy prices, rising interest rates, budding inflationary pressures and, most dramatically, the fallout from two major hurricanes that tragically struck this country's Gulf Coast. Hurricane Katrina silenced an entire major American city, along with the largest port facility in the country, which is the fifth largest port in the world. Compounded by Hurricane Rita several weeks later, it brought devastating circumstances across four states and an economic impact that is still being evaluated.

Despite the setbacks, the U.S. economy has remained solid. Corporate profits overall have generally been relatively strong, and global economies remain fundamentally sound. We do believe, however, that economic growth likely will slow somewhat in the U.S. in the third and fourth quarters of 2005, due to higher interest rates and higher energy prices.

The Federal Reserve apparently believes the economy is sound enough that it has continued its campaign of steadily raising short-term interest rates. Most recently, the Fed enacted another quarter-point increase in late September, bringing interest rates to 3.75 percent. The Fed stated that it still believes monetary conditions remain "accommodative," indicating apparently that they intend to continue raising rates somewhat further.

The other major development during the period was the rapid rise of oil prices. Crude oil hovered just above \$40 per barrel at the onset of 2005. By the end of September, the price surpassed \$65 per barrel. The world is facing constraints in supply such as we have never seen before. Many are forecasting that prices may ease some toward year-end, but we believe that, longer term, higher prices are here to stay. As investors, we must remain aware of that reality, its impact on the world economies, and any opportunities that it may create.

Regardless of the short-term challenges brought on by economic or geopolitical events – and although past performance is no guarantee of future results – stocks have historically continued to rise over time. That is why we believe it is important to develop and maintain a long-term financial plan for your personal situation. Through appropriate diversification among four or five or so

---

different asset classes, you can potentially provide more balance to your investment portfolio over time.

Your financial advisor can help you with these strategies and work with you to develop and maintain a customized plan based on your individual situation. We believe that focusing

on that plan, despite the swings of the market, is important as you work toward a sound financial future.

Thank you for your partnership and your continued commitment to your investment program.

Respectfully,



Henry J. Herrmann, CFA  
President

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

---

## Illustration of Fund Expenses

As a shareholder of a Fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchase payments, redemption fees and exchange fees; and (2) ongoing costs, including management fees, distribution and service fees, and other Fund expenses. The following tables are intended to help you understand your ongoing costs (in dollars) of investing in a Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of \$1,000 invested at the beginning of the period and held for the six-month period ended September 30, 2005.

### Actual Expenses

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

### Hypothetical Example for Comparison Purposes

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

### Ivy Asset Strategy Fund Expenses

|   | Beginning<br>Account<br>Value<br>3-31-05 | Ending<br>Account<br>Value<br>9-30-05 | Annualized<br>Expense Ratio<br>Based on the<br>Six-Month<br>Period | Expenses<br>Paid<br>During<br>Period* |
|---|--|---------------------------------------|--|---------------------------------------|
| For the Six Months Ended September 30, 2005 |  |                                       |  |                                       |
| Based on Actual Fund Return <sup>(1)</sup>  |  |                                       |  |                                       |
| Class A .....                               | \$1,000                                  | \$1,159.80                            | 1.37%  | \$ 7.44                               |
| Class B .....                               | 1,000                                    | 1,154.50                              | 2.23   | 12.02                                 |
| Class C .....                               | 1,000                                    | 1,155.80                              | 2.10   | 11.34                                 |
| Class Y .....                               | 1,000                                    | 1,160.30                              | 1.28   | 6.91                                  |
| Based on 5% Return <sup>(2)</sup>           |  |                                       |  |                                       |
| Class A .....                               | \$1,000                                  | \$1,018.18                            | 1.37%  | \$ 6.95                               |
| Class B .....                               | 1,000                                    | 1,013.91                              | 2.23   | 11.24                                 |
| Class C .....                               | 1,000                                    | 1,014.55                              | 2.10   | 10.60                                 |
| Class Y .....                               | 1,000                                    | 1,018.67                              | 1.28   | 6.46                                  |

### Ivy Capital Appreciation Fund Expenses

|   | Beginning<br>Account<br>Value<br>3-31-05 | Ending<br>Account<br>Value<br>9-30-05 | Annualized<br>Expense Ratio<br>Based on the<br>Six-Month<br>Period | Expenses<br>Paid<br>During<br>Period* |
|---|--|---------------------------------------|--|---------------------------------------|
| For the Six Months Ended September 30, 2005 |  |                                       |  |                                       |
| Based on Actual Fund Return <sup>(1)</sup>  |  |                                       |  |                                       |
| Class A .....                               | \$1,000                                  | \$1,073.80                            | 1.22%  | \$ 6.33                               |
| Class B .....                               | 1,000                                    | 1,069.60                              | 2.16   | 11.22                                 |
| Class C .....                               | 1,000                                    | 1,069.70                              | 1.99   | 10.35                                 |
| Class Y .....                               | 1,000                                    | 1,073.80                              | 1.09   | 5.65                                  |
| Based on 5% Return <sup>(2)</sup>           |  |                                       |  |                                       |
| Class A .....                               | \$1,000                                  | \$1,018.97                            | 1.22%  | \$ 6.16                               |
| Class B .....                               | 1,000                                    | 1,014.23                              | 2.16   | 10.92                                 |
| Class C .....                               | 1,000                                    | 1,015.07                              | 1.99   | 10.08                                 |
| Class Y .....                               | 1,000                                    | 1,019.62                              | 1.09   | 5.50                                  |

### Ivy Core Equity Fund Expenses

|   | Beginning<br>Account<br>Value<br>3-31-05 | Ending<br>Account<br>Value<br>9-30-05 | Annualized<br>Expense Ratio<br>Based on the<br>Six-Month<br>Period | Expenses<br>Paid<br>During<br>Period* |
|---|--|---------------------------------------|--|---------------------------------------|
| For the Six Months Ended September 30, 2005 |  |                                       |  |                                       |
| Based on Actual Fund Return <sup>(1)</sup>  |  |                                       |  |                                       |
| Class A .....                               | \$1,000                                  | \$1,054.30                            | 1.44%  | \$ 7.42                               |
| Class B .....                               | 1,000                                    | 1,048.70                              | 2.34   | 12.02                                 |
| Class C .....                               | 1,000                                    | 1,050.70                              | 2.19   | 11.26                                 |
| Class Y .....                               | 1,000                                    | 1,054.40                              | 1.22   | 6.27                                  |
| Based on 5% Return <sup>(2)</sup>           |  |                                       |  |                                       |
| Class A .....                               | \$1,000                                  | \$1,017.85                            | 1.44%  | \$ 7.28                               |
| Class B .....                               | 1,000                                    | 1,013.34                              | 2.34   | 11.81                                 |
| Class C .....                               | 1,000                                    | 1,014.09                              | 2.19   | 11.06                                 |
| Class Y .....                               | 1,000                                    | 1,018.97                              | 1.22   | 6.16                                  |

See footnotes on page 10.

### Ivy High Income Fund Expenses

|   | Beginning<br>Account<br>Value<br>3-31-05 | Ending<br>Account<br>Value<br>9-30-05 | Annualized<br>Expense Ratio<br>Based on the<br>Six-Month<br>Period | Expenses<br>Paid<br>During<br>Period* |
|---|--|---------------------------------------|--|---------------------------------------|
| For the Six Months Ended September 30, 2005 |  |                                       |  |                                       |
| Based on Actual Fund Return <sup>(1)</sup>  |  |                                       |  |                                       |
| Class A .....                               | \$1,000                                  | \$1,024.50                            | 1.44%  | \$ 7.33                               |
| Class B .....                               | 1,000                                    | 1,019.90                              | 2.34   | 11.83                                 |
| Class C .....                               | 1,000                                    | 1,020.50                              | 2.21   | 11.19                                 |
| Class Y .....                               | 1,000                                    | 1,025.40                              | 1.26   | 6.42                                  |
| Based on 5% Return <sup>(2)</sup>           |  |                                       |  |                                       |
| Class A .....                               | \$1,000                                  | \$1,017.83                            | 1.44%  | \$ 7.30                               |
| Class B .....                               | 1,000                                    | 1,013.36                              | 2.34   | 11.79                                 |
| Class C .....                               | 1,000                                    | 1,013.99                              | 2.21   | 11.16                                 |
| Class Y .....                               | 1,000                                    | 1,018.73                              | 1.26   | 6.40                                  |

### Ivy International Growth Fund Expenses

|   | Beginning<br>Account<br>Value<br>3-31-05 | Ending<br>Account<br>Value<br>9-30-05 | Annualized<br>Expense Ratio<br>Based on the<br>Six-Month<br>Period | Expenses<br>Paid<br>During<br>Period* |
|---|--|---------------------------------------|--|---------------------------------------|
| For the Six Months Ended September 30, 2005 |  |                                       |  |                                       |
| Based on Actual Fund Return <sup>(1)</sup>  |  |                                       |  |                                       |
| Class A .....                               | \$1,000                                  | \$1,126.00                            | 1.88%  | \$10.03                               |
| Class B .....                               | 1,000                                    | 1,120.80                              | 2.88   | 15.30                                 |
| Class C .....                               | 1,000                                    | 1,121.60                              | 2.77   | 14.71                                 |
| Class Y .....                               | 1,000                                    | 1,128.10                              | 1.55   | 8.28                                  |
| Based on 5% Return <sup>(2)</sup>           |  |                                       |  |                                       |
| Class A .....                               | \$1,000                                  | \$1,015.63                            | 1.88%  | \$ 9.51                               |
| Class B .....                               | 1,000                                    | 1,010.64                              | 2.88   | 14.51                                 |
| Class C .....                               | 1,000                                    | 1,011.20                              | 2.77   | 13.95                                 |
| Class Y .....                               | 1,000                                    | 1,017.29                              | 1.55   | 7.85                                  |

### Ivy Large Cap Growth Fund Expenses

|   | Beginning<br>Account<br>Value<br>3-31-05 | Ending<br>Account<br>Value<br>9-30-05 | Annualized<br>Expense Ratio<br>Based on the<br>Six-Month<br>Period | Expenses<br>Paid<br>During<br>Period* |
|---|--|---------------------------------------|--|---------------------------------------|
| For the Six Months Ended September 30, 2005 |  |                                       |  |                                       |
| Based on Actual Fund Return <sup>(1)</sup>  |  |                                       |  |                                       |
| Class A .....                               | \$1,000                                  | \$1,103.80                            | 1.47%  | \$ 7.77                               |
| Class B .....                               | 1,000                                    | 1,097.90                              | 2.49   | 13.07                                 |
| Class C .....                               | 1,000                                    | 1,099.10                              | 2.25   | 11.83                                 |
| Class Y .....                               | 1,000                                    | 1,106.00                              | 1.20   | 6.33                                  |
| Based on 5% Return <sup>(2)</sup>           |  |                                       |  |                                       |
| Class A .....                               | \$1,000                                  | \$1,017.68                            | 1.47%  | \$ 7.46                               |
| Class B .....                               | 1,000                                    | 1,012.61                              | 2.49   | 12.54                                 |
| Class C .....                               | 1,000                                    | 1,013.80                              | 2.25   | 11.35                                 |
| Class Y .....                               | 1,000                                    | 1,019.06                              | 1.20   | 6.07                                  |

See footnotes on page 10.

### Ivy Limited-Term Bond Fund Expenses

| For the Six Months Ended September 30, 2005      | Beginning Account Value<br>3-31-05 | Ending Account Value<br>9-30-05 | Annualized Expense Ratio Based on the Six-Month Period | Expenses Paid During Period* |
|--|------------------------------------|---------------------------------|--|------------------------------|
| <b>Based on Actual Fund Return<sup>(1)</sup></b> |                                    |                                 |  |                              |
| Class A .....                                    | \$1,000                            | \$1,013.80                      | 1.33%  | \$ 6.71                      |
| Class B .....                                    | 1,000                              | 1,009.30                        | 2.21   | 11.13                        |
| Class C .....                                    | 1,000                              | 1,009.50                        | 2.17   | 10.93                        |
| Class Y .....                                    | 1,000                              | 1,014.60                        | 1.18   | 5.95                         |
| <b>Based on 5% Return<sup>(2)</sup></b>          |                                    |                                 |  |                              |
| Class A .....                                    | \$1,000                            | \$1,018.41                      | 1.33%  | \$ 6.72                      |
| Class B .....                                    | 1,000                              | 1,013.99                        | 2.21   | 11.16                        |
| Class C .....                                    | 1,000                              | 1,014.19                        | 2.17   | 10.96                        |
| Class Y .....                                    | 1,000                              | 1,019.16                        | 1.18   | 5.97                         |

### Ivy Mid Cap Growth Fund Expenses

| For the Six Months Ended September 30, 2005      | Beginning Account Value<br>3-31-05 | Ending Account Value<br>9-30-05 | Annualized Expense Ratio Based on the Six-Month Period | Expenses Paid During Period* |
|--|------------------------------------|---------------------------------|--|------------------------------|
| <b>Based on Actual Fund Return<sup>(1)</sup></b> |                                    |                                 |  |                              |
| Class A .....                                    | \$1,000                            | \$1,121.10                      | 1.65%  | \$ 8.77                      |
| Class B .....                                    | 1,000                              | 1,115.80                        | 2.76   | 14.62                        |
| Class C .....                                    | 1,000                              | 1,117.90                        | 2.35   | 12.47                        |
| Class Y .....                                    | 1,000                              | 1,123.50                        | 1.25   | 6.65                         |
| <b>Based on 5% Return<sup>(2)</sup></b>          |                                    |                                 |  |                              |
| Class A .....                                    | \$1,000                            | \$1,016.80                      | 1.65%  | \$ 8.34                      |
| Class B .....                                    | 1,000                              | 1,011.25                        | 2.76   | 13.90                        |
| Class C .....                                    | 1,000                              | 1,013.29                        | 2.35   | 11.86                        |
| Class Y .....                                    | 1,000                              | 1,018.81                        | 1.25   | 6.32                         |

### Ivy Money Market Fund Expenses

| For the Six Months Ended September 30, 2005      | Beginning Account Value<br>3-31-05 | Ending Account Value<br>9-30-05 | Annualized Expense Ratio Based on the Six-Month Period | Expenses Paid During Period* |
|--|------------------------------------|---------------------------------|--|------------------------------|
| <b>Based on Actual Fund Return<sup>(1)</sup></b> |                                    |                                 |  |                              |
| Class A .....                                    | \$1,000                            | \$1,011.90                      | 0.92%  | \$ 4.64                      |
| Class B .....                                    | 1,000                              | 1,006.80                        | 1.91   | 9.61                         |
| Class C .....                                    | 1,000                              | 1,006.80                        | 1.92   | 9.67                         |
| <b>Based on 5% Return<sup>(2)</sup></b>          |                                    |                                 |  |                              |
| Class A .....                                    | \$1,000                            | \$1,020.46                      | 0.92%  | \$ 4.66                      |
| Class B .....                                    | 1,000                              | 1,015.49                        | 1.91   | 9.65                         |
| Class C .....                                    | 1,000                              | 1,015.43                        | 1.92   | 9.71                         |

See footnotes on page 10.



### Ivy Municipal Bond Fund Expenses

|   | Beginning<br>Account<br>Value<br>3-31-05 | Ending<br>Account<br>Value<br>9-30-05 | Annualized<br>Expense Ratio<br>Based on the<br>Six-Month<br>Period | Expenses<br>Paid<br>During<br>Period* |
|---|--|---------------------------------------|--|---------------------------------------|
| For the Six Months Ended September 30, 2005 |  |                                       |  |                                       |
| Based on Actual Fund Return <sup>(1)</sup>  |  |                                       |  |                                       |
| Class A .....                               | \$1,000                                  | \$1,024.00                            | 0.98%  | \$ 4.97                               |
| Class B .....                               | 1,000                                    | 1,020.10                              | 1.75   | 8.85                                  |
| Class C .....                               | 1,000                                    | 1,019.90                              | 1.78   | 8.99                                  |
| Class Y .....                               | 1,000                                    | 1,023.90                              | 0.99   | 5.04                                  |
| Based on 5% Return <sup>(2)</sup>           |  |                                       |  |                                       |
| Class A .....                               | \$1,000                                  | \$1,020.16                            | 0.98%  | \$ 4.96                               |
| Class B .....                               | 1,000                                    | 1,016.31                              | 1.75   | 8.83                                  |
| Class C .....                               | 1,000                                    | 1,016.17                              | 1.78   | 8.97                                  |
| Class Y .....                               | 1,000                                    | 1,020.09                              | 0.99   | 5.03                                  |

### Ivy Science and Technology Fund Expenses

|   | Beginning<br>Account<br>Value<br>3-31-05 | Ending<br>Account<br>Value<br>9-30-05 | Annualized<br>Expense Ratio<br>Based on the<br>Six-Month<br>Period | Expenses<br>Paid<br>During<br>Period* |
|---|--|---------------------------------------|--|---------------------------------------|
| For the Six Months Ended September 30, 2005 |  |                                       |  |                                       |
| Based on Actual Fund Return <sup>(1)</sup>  |  |                                       |  |                                       |
| Class A .....                               | \$1,000                                  | \$1,145.70                            | 1.55%  | \$ 8.36                               |
| Class B .....                               | 1,000                                    | 1,139.80                              | 2.64   | 14.19                                 |
| Class C .....                               | 1,000                                    | 1,141.30                              | 2.42   | 13.01                                 |
| Class Y .....                               | 1,000                                    | 1,147.10                              | 1.37   | 7.39                                  |
| Based on 5% Return <sup>(2)</sup>           |  |                                       |  |                                       |
| Class A .....                               | \$1,000                                  | \$1,017.28                            | 1.55%  | \$ 7.86                               |
| Class B .....                               | 1,000                                    | 1,011.81                              | 2.64   | 13.34                                 |
| Class C .....                               | 1,000                                    | 1,012.92                              | 2.42   | 12.23                                 |
| Class Y .....                               | 1,000                                    | 1,018.19                              | 1.37   | 6.94                                  |

### Ivy Small Cap Growth Fund Expenses

|   | Beginning<br>Account<br>Value<br>3-31-05 | Ending<br>Account<br>Value<br>9-30-05 | Annualized<br>Expense Ratio<br>Based on the<br>Six-Month<br>Period | Expenses<br>Paid<br>During<br>Period* |
|---|--|---------------------------------------|--|---------------------------------------|
| For the Six Months Ended September 30, 2005 |  |                                       |  |                                       |
| Based on Actual Fund Return <sup>(1)</sup>  |  |                                       |  |                                       |
| Class A .....                               | \$1,000                                  | \$1,131.50                            | 1.52%  | \$ 8.14                               |
| Class B .....                               | 1,000                                    | 1,126.20                              | 2.47   | 13.14                                 |
| Class C .....                               | 1,000                                    | 1,128.10                              | 2.21   | 11.80                                 |
| Class Y .....                               | 1,000                                    | 1,132.80                              | 1.33   | 7.11                                  |
| Based on 5% Return <sup>(2)</sup>           |  |                                       |  |                                       |
| Class A .....                               | \$1,000                                  | \$1,017.43                            | 1.52%  | \$ 7.71                               |
| Class B .....                               | 1,000                                    | 1,012.71                              | 2.47   | 12.44                                 |
| Class C .....                               | 1,000                                    | 1,013.98                              | 2.21   | 11.17                                 |
| Class Y .....                               | 1,000                                    | 1,018.40                              | 1.33   | 6.73                                  |

See footnotes on page 10.

---

\*Fund expenses for each share class are equal to the Fund's annualized expense ratio for each share class (provided in the table), multiplied by the average account value over the period, multiplied by 183 days in the six-month period ended September 30, 2005, and divided by 365.

- (1) This section uses the Fund's actual total return and actual Fund expenses. It is a guide to the actual expenses paid by the Fund in the period. The "Ending Account Value" shown is computed using the Fund's actual return and the "Expenses Paid During Period" column shows the dollar amount that would have been paid by an investor who started with \$1,000 in the Fund. A shareholder may use the information here, together with the dollar amount invested, to estimate the expenses that were paid over the period. For every thousand dollars a shareholder has invested, the expenses are listed in the fourth column.
- (2) This section uses a hypothetical 5% return and actual Fund expenses. It helps to compare the Fund's ongoing costs with other mutual funds. A shareholder can compare the Fund's ongoing costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

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

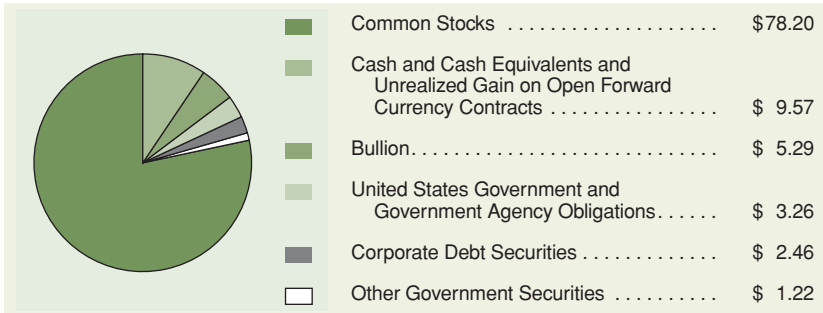
## SHAREHOLDER SUMMARY OF IVY ASSET STRATEGY FUND

### Portfolio Highlights

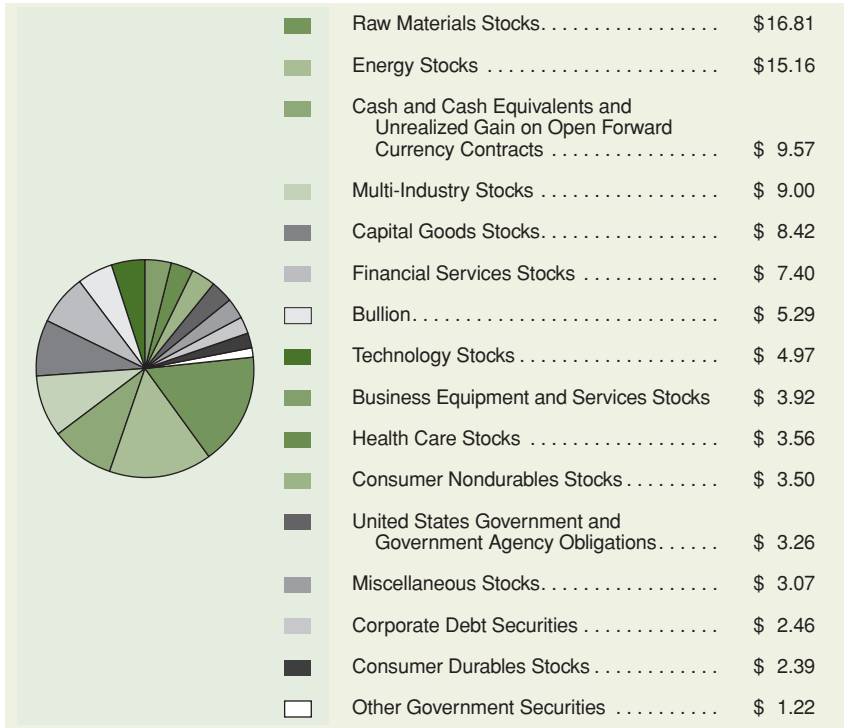
On September 30, 2005, Ivy Asset Strategy Fund had net assets totaling \$204,288,632 invested in a diversified portfolio of:

|        |  |
|--------|--|
| 78.20% | Common Stocks  |
| 9.57%  | Cash and Cash Equivalents and Unrealized Gain on Open Forward Currency Contracts |
| 5.29%  | Bullion  |
| 3.26%  | United States Government and Government Agency Obligations                       |
| 2.46%  | Corporate Debt Securities  |
| 1.22%  | Other Government Securities  |

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2005, your Fund owned:



As a shareholder of the Fund, for every \$100 you had invested on September 30, 2005, your Fund owned:



# The Investments of Ivy Asset Strategy Fund

September 30, 2005

| <b>BULLION – 5.29%</b>   | <b>Troy<br/>Ounces</b> | <b>Value</b>            |
|--|------------------------|-------------------------|
| Gold . . . . .<br>(Cost: \$9,331,408)                            | 23,020                 | <b>\$ 10,803,447</b>    |
| <hr/>  |                        |                         |
| <b>COMMON STOCKS</b>   | <b>Shares</b>          |                         |
| <hr/>  |                        |                         |
| <b>Aircraft – 2.43%</b>  |                        |                         |
| BAE SYSTEMS plc (A) . . . . .                                    | 258,060                | 1,563,407               |
| Boeing Company (The) . . . . .                                   | 31,850                 | 2,164,208               |
| United Technologies Corporation . . . . .                        | 23,900                 | 1,238,976               |
|  |                        | <u><b>4,966,591</b></u> |
| <b>Banks – 1.87%</b>   |                        |                         |
| Kabushiki Kaisha Mitsubishi Tokyo Financial Group (A) . . . . .  | 165                    | 2,165,793               |
| Unibanco – Uniao de Bancos Brasileiros S.A., GDR . . . . .       | 31,500                 | 1,656,900               |
|  |                        | <u><b>3,822,693</b></u> |
| <b>Broadcasting – 0.47%</b>                                      |                        |                         |
| XM Satellite Radio Holdings Inc., Class A* . . . . .             | 26,540                 | <u><b>952,919</b></u>   |
| <b>Business Equipment and Services – 3.92%</b>                   |                        |                         |
| Dentsu Inc. (A)* . . . . .                                       | 617                    | 1,750,200               |
| Headwaters Incorporated* . . . . .                               | 47,676                 | 1,783,082               |
| Jacobs Engineering Group Inc.* . . . . .                         | 18,000                 | 1,213,200               |
| Mitsubishi Corporation (A) . . . . .                             | 50,700                 | 1,000,467               |
| Mitsui & Co., Ltd. (A) . . . . .                                 | 159,000                | 1,990,389               |
| Pacific Basin Shipping Limited (A) . . . . .                     | 567,000                | 279,575                 |
|  |                        | <u><b>8,016,913</b></u> |
| <b>Capital Equipment – 4.37%</b>                                 |                        |                         |
| Caterpillar Inc. . . . .   | 53,000                 | 3,113,750               |
| Chicago Bridge & Iron Company N.V., NY Shares . . . . .          | 31,158                 | 968,702                 |
| China Shenhua Energy Company Limited,<br>H Shares (A)* . . . . . | 1,409,000              | 1,652,860               |
| Deere & Company (B) . . . . .                                    | 15,039                 | 920,387                 |
| SMC Corporation (A) . . . . .                                    | 13,300                 | 1,770,365               |
| Shaw Group Inc. (The)* . . . . .                                 | 20,400                 | 503,064                 |
|  |                        | <u><b>8,929,128</b></u> |
| <b>Chemicals – Petroleum and Inorganic – 0.75%</b>               |                        |                         |
| Yara International ASA (A) . . . . .                             | 84,700                 | <u><b>1,528,963</b></u> |
| <b>Chemicals – Specialty – 0.64%</b>                             |                        |                         |
| Scotts Miracle-Gro Company (The) . . . . .                       | 14,953                 | <u><b>1,314,817</b></u> |

See Notes to Schedule of Investments on page 20.

# The Investments of Ivy Asset Strategy Fund

September 30, 2005

| COMMON STOCKS (Continued)                             | Shares    | Value            |
|---|-----------|------------------|
| <b>Coal – 2.47%</b>                                   |           |                  |
| Foundation Coal Holdings, Inc. ....                   | 27,700    | \$ 1,065,065     |
| Peabody Energy Corporation. ....                      | 47,150    | 3,977,103        |
|   |           | <u>5,042,168</u> |
| <b>Construction Materials – 2.22%</b>                 |           |                  |
| CRH public limited company (A) ....                   | 30,340    | 822,369          |
| Cemex, S.A. de C.V., ADR. ....                        | 70,916    | 3,708,907        |
|   |           | <u>4,531,276</u> |
| <b>Electrical Equipment – 0.21%</b>                   |           |                  |
| Ushio Inc. (A) ....                                   | 20,800    | <u>422,358</u>   |
| <b>Electronic Components – 2.54%</b>                  |           |                  |
| Maxim Integrated Products, Inc. ....                  | 18,300    | 780,403          |
| Microchip Technology Incorporated. ....               | 30,900    | 930,399          |
| Samsung Electronics Co., Ltd. (A) ....                | 6,160     | 3,474,751        |
|   |           | <u>5,185,553</u> |
| <b>Finance Companies – 2.80%</b>                      |           |                  |
| Rio Tinto plc (A) ....                                | 115,100   | 4,705,583        |
| SLM Corporation ....                                  | 18,818    | 1,009,398        |
|   |           | <u>5,714,981</u> |
| <b>Food and Related – 2.92%</b>                       |           |                  |
| Archer Daniels Midland Company ....                   | 140,000   | 3,452,400        |
| Bunge Limited (B) ....                                | 47,800    | 2,515,236        |
|   |           | <u>5,967,636</u> |
| <b>Forest and Paper Products – 0.47%</b>              |           |                  |
| Aracruz Celulose S.A., ADR ....                       | 23,500    | <u>953,630</u>   |
| <b>Gold and Precious Metals – 4.47%</b>               |           |                  |
| Agnico-Eagle Mines Limited ....                       | 70,650    | 1,046,326        |
| Barrick Gold Corporation ....                         | 170,100   | 4,941,405        |
| Placer Dome Inc. ....                                 | 96,700    | 1,658,405        |
| Yanzhou Coal Mining Company Limited, Class H (A) .... | 1,874,560 | 1,486,135        |
|   |           | <u>9,132,271</u> |
| <b>Health Care – Drugs – 1.85%</b>                    |           |                  |
| Genentech, Inc.* ....                                 | 11,905    | 1,002,520        |
| Gilead Sciences, Inc.* ....                           | 40,085    | 1,952,540        |
| Neurocrine Biosciences, Inc.* ....                    | 16,600    | 816,305          |
|   |           | <u>3,771,365</u> |
| <b>Health Care – General – 0.36%</b>                  |           |                  |
| Schein (Henry), Inc.* ....                            | 17,550    | <u>747,542</u>   |

See Notes to Schedule of Investments on page 20.

# The Investments of Ivy Asset Strategy Fund

September 30, 2005

| COMMON STOCKS (Continued)                            | Shares    | Value             |
|--|-----------|-------------------|
| <b>Hospital Supply and Management – 1.35%</b>        |           |                   |
| Cerner Corporation*                                  | 21,400    | \$ 1,859,339      |
| Stryker Corporation                                  | 18,400    | 909,512           |
|  |           | <u>2,768,851</u>  |
| <b>Household – General Products – 0.58%</b>          |           |                   |
| Colgate-Palmolive Company                            | 22,550    | <u>1,190,415</u>  |
| <b>Mining – 10.95%</b>                               |           |                   |
| Alumina Limited (A)                                  | 216,400   | 1,008,313         |
| BHP Billiton Plc (A)                                 | 269,400   | 4,571,139         |
| Cameco Corporation (A)                               | 14,800    | 789,452           |
| Falconbridge Limited (A)                             | 68,400    | 1,827,804         |
| Freeport-McMoRan Copper & Gold Inc., Class B         | 40,514    | 1,968,575         |
| Inco Limited   | 51,300    | 2,429,055         |
| Newmont Mining Corporation                           | 102,600   | 4,839,642         |
| Phelps Dodge Corporation                             | 23,900    | 3,105,327         |
| Southern Peru Copper Corporation                     | 32,600    | 1,824,296         |
|  |           | <u>22,363,603</u> |
| <b>Motor Vehicles – 2.39%</b>                        |           |                   |
| Toyota Motor Corporation (A)                         | 106,400   | <u>4,874,070</u>  |
| <b>Multiple Industry – 9.00%</b>                     |           |                   |
| 3M Company   | 10,100    | 740,936           |
| Alpha Natural Resources, Inc.*                       | 50,240    | 1,509,210         |
| Bucyrus International, Inc., Class A                 | 21,750    | 1,066,402         |
| Companhia Vale do Rio Doce, ADR                      | 162,700   | 7,136,022         |
| General Electric Company                             | 113,103   | 3,808,178         |
| Hutchison Whampoa Limited, Ordinary Shares (A)       | 267,000   | 2,762,105         |
| Smiths Group plc (A)                                 | 80,200    | 1,356,493         |
|  |           | <u>18,379,346</u> |
| <b>Non-Residential Construction – 1.62%</b>          |           |                   |
| Fluor Corporation                                    | 19,964    | 1,285,282         |
| Hyundai Heavy Industries Co., Ltd. (A)               | 20,000    | 1,488,872         |
| Shimizu Corporation (A)                              | 81,000    | 530,177           |
|  |           | <u>3,304,331</u>  |
| <b>Petroleum – Domestic – 0.55%</b>                  |           |                   |
| PetroChina Company Limited (A)(C)                    | 1,350,000 | <u>1,131,178</u>  |
| <b>Petroleum – International – 7.91%</b>             |           |                   |
| Anadarko Petroleum Corporation                       | 38,391    | 3,675,938         |
| BP p.l.c., ADR                                       | 46,650    | 3,305,153         |
| Burlington Resources Inc.                            | 40,616    | 3,302,893         |
| China Petroleum & Chemical Corporation, H Shares (A) | 3,594,000 | 1,644,713         |
| Exxon Mobil Corporation                              | 66,603    | 4,231,955         |
|  |           | <u>16,160,652</u> |

See Notes to Schedule of Investments on page 20.

# The Investments of Ivy Asset Strategy Fund

September 30, 2005

| COMMON STOCKS (Continued)                         | Shares  | Value                |
|---|---------|----------------------|
| <b>Petroleum – Services – 4.23%</b>               |         |                      |
| Baker Hughes Incorporated . . . . .               | 28,100  | \$ 1,677,008         |
| Schlumberger Limited . . . . .                    | 38,850  | 3,278,163            |
| Transocean Inc.* . . . . .                        | 31,850  | 1,952,724            |
| Weatherford International Ltd.* . . . . .         | 25,400  | 1,743,964            |
|   |         | <u>8,651,859</u>     |
| <b>Real Estate Investment Trust – 0.41%</b>       |         |                      |
| Keppel Land Limited (A) . . . . .                 | 388,000 | <u>848,413</u>       |
| <b>Retail – Food Stores – 1.37%</b>               |         |                      |
| CVS Corporation . . . . .                         | 49,200  | 1,427,292            |
| Walgreen Co. . . . .                              | 31,404  | 1,364,504            |
|   |         | <u>2,791,796</u>     |
| <b>Security and Commodity Brokers – 2.73%</b>     |         |                      |
| Chicago Mercantile Exchange Holdings Inc. . . . . | 4,181   | 1,410,251            |
| Franklin Resources, Inc. . . . .                  | 9,400   | 789,224              |
| Goldman Sachs Group, Inc. (The) . . . . .         | 12,700  | 1,544,066            |
| Legg Mason, Inc. . . . .                          | 16,800  | 1,842,792            |
|   |         | <u>5,586,333</u>     |
| <b>Utilities – Electric – 0.35%</b>               |         |                      |
| Veolia Environment (A) . . . . .                  | 16,750  | <u>706,887</u>       |
| <b>TOTAL COMMON STOCKS – 78.20%</b>               |         | <b>\$159,758,538</b> |
| (Cost: \$124,077,707)                             |         |                      |

| CORPORATE DEBT SECURITIES  | Principal<br>Amount in<br>Thousands |                |
|--|-------------------------------------|----------------|
| <b>Beverages – 0.25%</b>   |                                     |                |
| Central European Distribution Corporation,<br>8.0%, 7–25–12 (C)(D) . . . . . | EUR400                              | <u>514,456</u> |
| <b>Capital Equipment – 0.16%</b>   |                                     |                |
| Hyundai Motor Company,<br>5.3%, 12–19–08 (C) . . . . .                       | \$320                               | <u>320,580</u> |
| <b>Construction Materials – 0.26%</b>  |                                     |                |
| Interface, Inc.:   |                                     |                |
| 7.3%, 4–1–08 . . . . .   | 160                                 | 160,000        |
| 9.5%, 2–1–14 . . . . .   | 170                                 | 170,000        |
| Ply Gem Industries, Inc.,  |                                     |                |
| 9.0%, 2–15–12 . . . . .  | 250                                 | 210,000        |
|  |                                     | <u>540,000</u> |

See Notes to Schedule of Investments on page 20.



# The Investments of Ivy Asset Strategy Fund

September 30, 2005

| CORPORATE DEBT SECURITIES (Continued)  | Principal<br>Amount in<br>Thousands | Value               |
|--|-------------------------------------|---------------------|
| <b>Finance Companies – 0.50%</b>   |                                     |                     |
| ALROSA Finance S.A.,<br>8.125%, 5–6–08 .....                                     | \$ 300                              | \$ 320,850          |
| Russian Standard Bank,<br>7.5%, 10–7–10 (C) .....                                | 200                                 | 200,000             |
| SLM Corporation,<br>4.0%, 7–25–14 .....  | 200                                 | 195,284             |
| Toyota Motor Credit Corporation,<br>4.67%, 1–18–15 .....                         | 325                                 | 311,844             |
|  |                                     | <u>1,027,978</u>    |
| <b>Food and Related – 0.09%</b>  |                                     |                     |
| ASG Consolidated LLC and ASG Finance, Inc.,<br>0.0%, 11–1–11 (E) .....           | 250                                 | <u>191,250</u>      |
| <b>Hospital Supply and Management – 0.18%</b>                                    |                                     |                     |
| US Oncology Holdings, Inc.,<br>9.26375%, 3–15–15 (C) .....                       | 375                                 | <u>369,375</u>      |
| <b>Mining – 0.27%</b>  |                                     |                     |
| Vedanta Resources plc,<br>6.625%, 2–22–10 (C) .....                              | 550                                 | <u>544,024</u>      |
| <b>Motion Pictures – 0.14%</b>   |                                     |                     |
| Cinemark, Inc.,<br>0.0%, 3–15–14 (E) .....                                       | 400                                 | <u>280,000</u>      |
| <b>Multiple Industry – 0.23%</b>   |                                     |                     |
| National Rural Utilities Cooperative Finance Corporation,<br>3.0%, 2–15–06 ..... | 250                                 | 248,842             |
| Sino-Forest Corporation,<br>9.125%, 8–17–11 (C) .....                            | 200                                 | 216,000             |
|  |                                     | <u>464,842</u>      |
| <b>Utilities – Telephone – 0.38%</b>   |                                     |                     |
| Open Joint Stock Company "Vimpel-Communications",<br>10.0%, 6–16–09 (C) .....    | 700                                 | <u>775,250</u>      |
| <b>TOTAL CORPORATE DEBT SECURITIES – 2.46%</b>                                   |                                     | <b>\$ 5,027,755</b> |
| (Cost: \$4,920,699)  |                                     |                     |

See Notes to Schedule of Investments on page 20.

# The Investments of Ivy Asset Strategy Fund

September 30, 2005

| OTHER GOVERNMENT SECURITIES                            | Principal<br>Amount in<br>Thousands | Value               |
|--|-------------------------------------|---------------------|
| <b>South Korea – 0.34%</b>                             |                                     |                     |
| Korea Development Bank (The),<br>3.98%, 10–29–06 ..... | \$ 700                              | <b>\$ 694,621</b>   |
| <b>United Kingdom – 0.88%</b>                          |                                     |                     |
| United Kingdom Treasury,<br>4.75%, 6–7–10 (D) .....    | GBP1,000                            | <b>1,803,895</b>    |
| <b>TOTAL OTHER GOVERNMENT SECURITIES – 1.22%</b>       |                                     | <b>\$ 2,498,516</b> |
| (Cost: \$2,561,244)                                    |                                     |                     |

## UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS

### Mortgage-Backed Obligations – 1.52%

|   |        |         |
|---|--------|---------|
| Federal Home Loan Mortgage Corporation Agency |        |         |
| REMIC/CMO (Interest Only):                    |        |         |
| 5.0%, 4–15–19 .....                           | \$ 607 | 92,105  |
| 5.0%, 4–15–19 .....                           | 297    | 47,740  |
| 5.0%, 2–15–20 .....                           | 725    | 53,660  |
| 5.0%, 7–15–21 .....                           | 369    | 42,722  |
| 5.0%, 6–15–22 .....                           | 721    | 46,674  |
| 5.0%, 7–15–22 .....                           | 2,619  | 186,881 |
| 5.0%, 11–15–22 .....                          | 730    | 123,397 |
| 5.0%, 1–15–23 .....                           | 523    | 39,160  |
| 5.0%, 4–15–23 .....                           | 231    | 25,203  |
| 5.0%, 5–15–23 .....                           | 506    | 84,357  |
| 5.0%, 8–15–23 .....                           | 375    | 61,684  |
| 5.5%, 11–15–23 .....                          | 1,100  | 141,685 |
| 5.5%, 11–15–23 .....                          | 1,018  | 100,981 |
| 5.0%, 9–15–24 .....                           | 749    | 75,457  |
| 5.5%, 9–15–24 .....                           | 435    | 41,594  |
| 5.5%, 4–15–25 .....                           | 264    | 31,689  |
| 5.5%, 4–15–25 .....                           | 95     | 13,804  |
| 5.0%, 9–15–25 .....                           | 963    | 113,526 |
| 5.0%, 4–15–26 .....                           | 4,083  | 439,649 |
| 5.5%, 2–15–30 .....                           | 364    | 51,304  |
| 5.0%, 8–15–30 .....                           | 547    | 65,961  |
| 5.5%, 3–15–31 .....                           | 500    | 75,856  |
| Federal National Mortgage Association Agency  |        |         |
| REMIC/CMO (Interest Only):                    |        |         |
| 5.5%, 11–25–17 .....                          | 668    | 74,705  |
| 5.0%, 5–25–22 .....                           | 433    | 70,497  |
| 5.5%, 9–25–25 .....                           | 387    | 42,399  |
| 5.5%, 11–25–25 .....                          | 998    | 98,529  |

See Notes to Schedule of Investments on page 20.

# The Investments of Ivy Asset Strategy Fund

September 30, 2005

| UNITED STATES GOVERNMENT AND<br>GOVERNMENT AGENCY OBLIGATIONS (Continued)           | Principal<br>Amount in<br>Thousands     | Value               |
|---|---|---------------------|
| <b>Mortgage-Backed Obligations (Continued)</b>                                      |   |                     |
| Government National Mortgage Association Agency                                     |   |                     |
| REMIC/CMO (Interest Only):  |   |                     |
| 5.0%, 1-20-30 .....   | \$ 920                                  | \$ 147,695          |
| 5.0%, 6-20-31 .....   | 1,003                                   | 156,469             |
| 5.0%, 7-20-33 .....   | 206                                     | 40,984              |
| 5.5%, 11-20-33 .....  | 1,069                                   | 195,757             |
| 5.5%, 7-1-35 .....  | 1,771                                   | 319,513             |
|   |   | <u>3,101,637</u>    |
| <b>Treasury Obligation – 1.74%</b>  |   |                     |
| United States Treasury Note,  |   |                     |
| 1.5%, 3-31-06 .....   | 3,600                                   | <u>3,557,671</u>    |
| <b>TOTAL UNITED STATES GOVERNMENT AND<br/>GOVERNMENT AGENCY OBLIGATIONS – 3.26%</b> |   | <b>\$ 6,659,308</b> |
| (Cost: \$6,458,155)   |   |                     |
| <b>UNREALIZED GAIN ON OPEN FORWARD<br/>CURRENCY CONTRACTS – 0.05%</b>               |   |                     |
|   | <b>Face<br/>Amount in<br/>Thousands</b> |                     |
| British Pound, 3-8-06 (D) .....   | GBP1,820                                | 83,506              |
| Euro, 6-8-06 (D) .....  | EUR 300                                 | 7,394               |
| Euro, 7-19-06 (D) .....   | 400                                     | 2,915               |
|   |   | <u>\$ 93,815</u>    |
| <b>SHORT-TERM SECURITIES</b>  |   |                     |
| <b>Capital Equipment – 1.47%</b>  |   |                     |
| Deere (John) Capital Corporation,   |   |                     |
| 3.7%, 10-5-05 .....   | \$3,000                                 | <u>2,998,767</u>    |
| <b>Finance Companies – 2.44%</b>  |   |                     |
| USAA Capital Corp.,   |   |                     |
| 3.75%, 10-4-05 .....  | 5,000                                   | <u>4,998,437</u>    |
| <b>Health Care – Drugs – 1.88%</b>  |   |                     |
| Alcon Capital Corporation (Nestle S.A.),  |   |                     |
| 3.8%, 10-6-05 .....   | 3,840                                   | <u>3,837,973</u>    |

See Notes to Schedule of Investments on page 20.

# The Investments of Ivy Asset Strategy Fund

September 30, 2005

| SHORT-TERM SECURITIES (Continued)                        | Principal<br>Amount in<br>Thousands | Value                |
|--|-------------------------------------|----------------------|
| <b>Utilities – Electric – 1.66%</b>                      |                                     |                      |
| Wisconsin Electric Power Co.,<br>3.88%, 10–3–05 .....    | \$3,392                             | \$ 3,391,269         |
| <b>TOTAL SHORT-TERM SECURITIES – 7.45%</b>               |                                     | <b>\$ 15,226,446</b> |
| (Cost: \$15,226,446)                                     |                                     |                      |
| <b>TOTAL INVESTMENT SECURITIES – 97.93%</b>              |                                     | <b>\$200,067,825</b> |
| (Cost: \$162,575,659)                                    |                                     |                      |
| <b>CASH AND OTHER ASSETS, NET OF LIABILITIES – 2.07%</b> |                                     | <b>4,220,807</b>     |
| <b>NET ASSETS – 100.00%</b>                              |                                     | <b>\$204,288,632</b> |

## Notes to Schedule of Investments

Certain acronyms are used within the body of the Fund's holdings. The definitions of these acronyms are as follows: REMIC – Real Estate Mortgage Investment Conduit; CMO – Collateralized Mortgage Obligation.

The following credit default swap agreements were outstanding at September 30, 2005. (See Note 7 to financial statements):

| Counterparty                | Reference Entity                                | Fixed Rate | Expiration Date | Notional Amount | Unrealized Appreciation/Depreciation |
|-----------------------------|---|------------|-----------------|-----------------|--------------------------------------|
| Merrill Lynch International | Dow Jones CDX Emerging Markets Series 4         | 1.8%       | 12-20-10        | \$ 1,800        | \$(16,290)                           |
| Merrill Lynch International | Dow Jones CDX North America High Yield Series 4 | 3.6%       | 6-20-10         | 1,188           | (35,350)                             |
|                             |   |            |                 |                 | <u>\$ (51,640)</u>                   |

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

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

(B) Securities serve as cover for the following written call options outstanding at September 30, 2005. (See Note 6 to financial statements):

| Underlying Security | Contracts Subject to Call | Expiration Month/Exercise Price | Premium Received | Market Value |
|---------------------|---------------------------|---------------------------------|------------------|--------------|
| Bunge Limited       | 120                       | October/62.5                    | \$ 6,653         | \$240        |
| Deere & Company     | 150                       | October/70                      | 7,199            | 375          |
|                     |                           |                                 | <u>\$13,852</u>  | <u>\$615</u> |

(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. At September 30, 2005, the total value of these securities amounted to \$4,070,863 or 1.99% of net assets.

(D) Principal amounts are denominated in the indicated foreign currency, where applicable (EUR – Euro, GBP – British Pound).

(E) The security does not bear interest for an initial period of time and subsequently becomes interest bearing.

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

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

# Statement of Assets and Liabilities

## IVY ASSET STRATEGY FUND

September 30, 2005

(In Thousands, Except for Per Share Amounts)

### ASSETS

|   |                |
|---|----------------|
| Investment securities – at value (Notes 1 and 3):               |                |
| Bullion (cost – \$9,332) . . . . .                              | \$ 10,803      |
| Securities (cost – \$153,244) . . . . .                         | 189,265        |
|   | <u>200,068</u> |
| Cash denominated in foreign currencies (cost – \$980) . . . . . | 980            |
| Receivables:  |                |
| Fund shares sold . . . . .                                      | 4,930          |
| Investment securities sold . . . . .                            | 969            |
| Dividends and interest . . . . .                                | 386            |
| Amortized swap premiums paid (Note 7) . . . . .                 | 25             |
| Prepaid and other assets . . . . .                              | 40             |
| Total assets . . . . .  | <u>207,398</u> |

### LIABILITIES

|  |                  |
|--|------------------|
| Payable for investment securities purchased . . . . .                              | 2,153            |
| Due to custodian . . . . .   | 497              |
| Payable to Fund shareholders . . . . .   | 319              |
| Unrealized depreciation on swap agreements . . . . .                               | 52               |
| Accrued shareholder servicing (Note 2) . . . . .                                   | 40               |
| Accrued accounting services fee (Note 2) . . . . .                                 | 6                |
| Accrued management fee (Note 2) . . . . .  | 4                |
| Accrued distribution fee (Note 2) . . . . .  | 2                |
| Accrued service fee (Note 2) . . . . .   | 2                |
| Amortized swap premiums received (Note 7) . . . . .                                | 2                |
| Outstanding written options at market (premium received – \$14) (Note 6) . . . . . | 1                |
| Other . . . . .  | 31               |
| Total liabilities . . . . .  | <u>3,109</u>     |
| Total net assets . . . . .   | <u>\$204,289</u> |

### NET ASSETS

|   |                  |
|---|------------------|
| \$0.01 par value capital stock:                                 |                  |
| Capital stock . . . . .   | \$ 125           |
| Additional paid-in capital . . . . .                            | 164,797          |
| Accumulated undistributed income:                               |                  |
| Accumulated undistributed net investment income . . . . .       | 245              |
| Accumulated undistributed net realized gain                     |                  |
| on investment transactions . . . . .                            | 1,665            |
| Net unrealized appreciation in value of investments . . . . .   | 37,457           |
| Net assets applicable to outstanding units of capital . . . . . | <u>\$204,289</u> |

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

|                   |         |
|-------------------|---------|
| Class A . . . . . | \$16.48 |
| Class B . . . . . | \$16.29 |
| Class C . . . . . | \$16.32 |
| Class Y . . . . . | \$16.50 |

### Capital shares outstanding:

|                   |       |
|-------------------|-------|
| Class A . . . . . | 5,341 |
| Class B . . . . . | 1,101 |
| Class C . . . . . | 5,544 |
| Class Y . . . . . | 476   |

|                                     |         |
|-------------------------------------|---------|
| Capital shares authorized . . . . . | 200,000 |
|-------------------------------------|---------|

See Notes to Financial Statements.

# Statement of Operations

## IVY ASSET STRATEGY FUND

For the Six Months Ended September 30, 2005

(In Thousands)

### INVESTMENT INCOME

|  |              |
|--|--------------|
| Income (Note 1B):  |              |
| Dividends (net of foreign withholding taxes of \$41) ..... | \$ 1,061     |
| Interest and amortization .....                            | 484          |
| Total income .....   | <u>1,545</u> |
| Expenses (Note 2):   |              |
| Investment management fee .....                            | 493          |
| Distribution fee:  |              |
| Class A .....  | 6            |
| Class B .....  | 52           |
| Class C .....  | 244          |
| Shareholder servicing:                                     |              |
| Class A .....  | 73           |
| Class B .....  | 24           |
| Class C .....  | 74           |
| Class Y .....  | 5            |
| Service fee:   |              |
| Class A .....  | 65           |
| Class B .....  | 17           |
| Class C .....  | 81           |
| Class Y .....  | 8            |
| Accounting services fee .....                              | 33           |
| Custodian fees .....                                       | 20           |
| Audit fees .....   | 11           |
| Other .....  | 62           |
| Total expenses .....                                       | <u>1,268</u> |
| Net investment income .....                                | <u>277</u>   |

### REALIZED AND UNREALIZED GAIN

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

|   |                 |
|---|-----------------|
| Realized net gain on securities .....   | 1,116           |
| Realized net loss on written options .....  | (318)           |
| Realized net gain on purchased options .....  | 96              |
| Realized net loss on foreign currency transactions .....                                  | (17)            |
| Realized net gain on investments .....  | <u>877</u>      |
| Unrealized appreciation in value of securities during the period .....                    | 22,754          |
| Unrealized appreciation in value of written options during the period .....               | 13              |
| Unrealized appreciation in value of forward currency contracts<br>during the period ..... | 316             |
| Unrealized appreciation in value of foreign currency during the period .....              | 2               |
| Unrealized appreciation in value of investments during the period .....                   | <u>23,085</u>   |
| Net gain on investments .....   | <u>23,962</u>   |
| Net increase in net assets resulting from operations .....                                | <u>\$24,239</u> |

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY ASSET STRATEGY FUND

(In Thousands)

|   | For the six<br>months ended<br>September 30,<br>2005 | For the fiscal<br>year ended<br>March 31,<br>2005 |
|---|--|---|
| <b>INCREASE IN NET ASSETS</b>                                 |  |   |
| Operations:   |  |   |
| Net investment income .....                                   | \$ 277   | \$ 13   |
| Realized net gain on investments .....                        | 877  | 906   |
| Unrealized appreciation .....                                 | 23,085   | 8,196   |
| Net increase in net assets resulting<br>from operations ..... | 24,239   | 9,115   |
| Distributions to shareholders from (Note 1F):(1)              |  |   |
| Net investment income:  |  |   |
| Class A .....   | (—)  | (100)   |
| Class B .....   | (—)  | (9)   |
| Class C .....   | (—)  | (60)  |
| Class Y .....   | (—)  | (11)  |
| Realized gains on investment transactions:                    |  |   |
| Class A .....   | (—)  | (207)   |
| Class B .....   | (—)  | (78)  |
| Class C .....   | (—)  | (396)   |
| Class Y .....   | (—)  | (24)  |
|   | (—)  | (885)   |
| Capital share transactions (Note 5) .....                     | 70,969   | 25,513  |
| Total increase .....  | 95,208   | 33,743  |
| <b>NET ASSETS</b>   |  |   |
| Beginning of period .....                                     | 109,081  | 75,338  |
| End of period .....   | \$204,289  | \$109,081   |
| Undistributed net investment income (loss) .....              | \$ 245   | \$ (15)   |

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

# Financial Highlights

## IVY ASSET STRATEGY FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|  | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |         |         |         | For the<br>period from<br>7-10-00 <sup>(1)</sup><br>to<br>3-31-01 |
|--|---|-------------------------------------|---------|---------|---------|---|
|  |   | 2005                                | 2004    | 2003    | 2002    |   |
| Net asset value,<br>beginning of period . . . . .                      | \$14.21                                   | \$12.86                             | \$11.18 | \$11.33 | \$11.98 | \$15.22   |
| Income (loss) from<br>investment operations:                           |   |                                     |         |         |         |   |
| Net investment income . . . . .  | 0.03                                      | 0.06                                | 0.08    | 0.16    | 0.25    | 0.15  |
| Net realized and<br>unrealized gain (loss)<br>on investments . . . . . | 2.24                                      | 1.47                                | 1.71    | (0.16)  | (0.40)  | (0.60)  |
| Total from investment<br>operations . . . . .                          | 2.27                                      | 1.53                                | 1.79    | (0.00)  | (0.15)  | (0.45)  |
| Less distributions from:   |   |                                     |         |         |         |   |
| Net investment income . . . . .  | (0.00)                                    | (0.07)                              | (0.11)  | (0.15)  | (0.30)  | (0.13)  |
| Capital gains . . . . .  | (0.00)                                    | (0.11)                              | (0.00)  | (0.00)  | (0.20)  | (2.66)  |
| Total distributions . . . . .  | (0.00)                                    | (0.18)                              | (0.11)  | (0.15)  | (0.50)  | (2.79)  |
| Net asset value,<br>end of period . . . . .                            | \$16.48                                   | \$14.21                             | \$12.86 | \$11.18 | \$11.33 | \$11.98   |
| Total return <sup>(2)</sup> . . . . .                                  | 15.98%                                    | 12.02%                              | 16.06%  | 0.00%   | -1.25%  | -3.77%  |
| Net assets, end of period<br>(in millions) . . . . .                   | \$88                                      | \$39                                | \$17    | \$9     | \$4     | \$2   |
| Ratio of expenses to<br>average net assets . . . . .                   | 1.37% <sup>(3)</sup>                      | 1.44%                               | 1.47%   | 1.40%   | 1.45%   | 1.26% <sup>(3)</sup>  |
| Ratio of net investment<br>income to average<br>net assets . . . . .   | 0.78% <sup>(3)</sup>                      | 0.56%                               | 0.53%   | 1.23%   | 2.28%   | 2.26% <sup>(3)</sup>  |
| Portfolio turnover rate . . . . .                                      | 25%                                       | 98%                                 | 254%    | 109%    | 143%    | 215% <sup>(4)</sup>   |

(1) Commencement of operations of the class.

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

(3) Annualized.

(4) For the fiscal year ended March 31, 2001.

See Notes to Financial Statements.



# Financial Highlights

## IVY ASSET STRATEGY FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|   | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |         |         |         | For the<br>period from<br>7-3-00 <sup>(1)</sup><br>to<br>3-31-01 |
|---|---|-------------------------------------|---------|---------|---------|--|
|   |   | 2005                                | 2004    | 2003    | 2002    |  |
| Net asset value,<br>beginning of period . . . . .                           | \$14.11                                   | \$12.83                             | \$11.17 | \$11.32 | \$11.97 | \$15.21  |
| Income (loss) from<br>investment operations:                                |   |                                     |         |         |         |  |
| Net investment<br>income (loss) . . . . .                                   | 0.01                                      | (0.03)                              | (0.03)  | 0.05    | 0.17    | 0.07   |
| Net realized and<br>unrealized gain (loss)<br>on investments . . . . .      | 2.17                                      | 1.44                                | 1.71    | (0.15)  | (0.41)  | (0.60)   |
| Total from investment<br>operations . . . . .                               | 2.18                                      | 1.41                                | 1.68    | (0.10)  | (0.24)  | (0.53)   |
| Less distributions from:  |   |                                     |         |         |         |  |
| Net investment income . . .   | (0.00)                                    | (0.02)                              | (0.02)  | (0.05)  | (0.21)  | (0.05)   |
| Capital gains . . . . .   | (0.00)                                    | (0.11)                              | (0.00)  | (0.00)  | (0.20)  | (2.66)   |
| Total distributions . . . . .   | (0.00)                                    | (0.13)                              | (0.02)  | (0.05)  | (0.41)  | (2.71)   |
| Net asset value,<br>end of period . . . . .                                 | \$16.29                                   | \$14.11                             | \$12.83 | \$11.17 | \$11.32 | \$11.97  |
| Total return . . . . .  | 15.45%                                    | 11.02%                              | 15.07%  | -0.92%  | -2.03%  | -4.35%   |
| Net assets, end of period<br>(in millions) . . . . .                        | \$18                                      | \$11                                | \$7     | \$3     | \$3     | \$2  |
| Ratio of expenses to<br>average net assets . . . . .                        | 2.23% <sup>(2)</sup>                      | 2.30%                               | 2.38%   | 2.35%   | 2.25%   | 2.15% <sup>(2)</sup>   |
| Ratio of net investment<br>income (loss) to<br>average net assets . . . . . | -0.05% <sup>(2)</sup>                     | -0.30%                              | -0.40%  | 0.31%   | 1.50%   | 1.37% <sup>(2)</sup>   |
| Portfolio turnover rate . . . . .   | 25%                                       | 98%                                 | 254%    | 109%    | 143%    | 215% <sup>(3)</sup>  |

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the fiscal year ended March 31, 2001.

See Notes to Financial Statements.

# Financial Highlights

## IVY ASSET STRATEGY FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|                                   | For the              | For the fiscal year ended March 31, |         |         |         |         |
|-----------------------------------|----------------------|-------------------------------------|---------|---------|---------|---------|
|                                   | six months<br>ended  | 2005                                | 2004    | 2003    | 2002    | 2001    |
|                                   | 9-30-05              |                                     |         |         |         |         |
| Net asset value,                  |                      |                                     |         |         |         |         |
| beginning of period . . . . .     | \$14.12              | \$12.83                             | \$11.17 | \$11.32 | \$11.97 | \$15.21 |
| Income (loss) from                |                      |                                     |         |         |         |         |
| investment operations:            |                      |                                     |         |         |         |         |
| Net investment                    |                      |                                     |         |         |         |         |
| income (loss) . . . . .           | 0.01                 | (0.03)                              | (0.03)  | 0.05    | 0.19    | 0.11    |
| Net realized and                  |                      |                                     |         |         |         |         |
| unrealized gain (loss)            |                      |                                     |         |         |         |         |
| on investments . . . . .          | 2.19                 | 1.45                                | 1.73    | (0.14)  | (0.43)  | (0.62)  |
| Total from investment             |                      |                                     |         |         |         |         |
| operations . . . . .              | 2.20                 | 1.42                                | 1.70    | (0.09)  | (0.24)  | (0.51)  |
| Less distributions from:          |                      |                                     |         |         |         |         |
| Net investment income . . . .     | (0.00)               | (0.02)                              | (0.04)  | (0.06)  | (0.21)  | (0.07)  |
| Capital gains . . . . .           | (0.00)               | (0.11)                              | (0.00)  | (0.00)  | (0.20)  | (2.66)  |
| Total distributions . . . . .     | (0.00)               | (0.13)                              | (0.04)  | (0.06)  | (0.41)  | (2.73)  |
| Net asset value,                  |                      |                                     |         |         |         |         |
| end of period . . . . .           | \$16.32              | \$14.12                             | \$12.83 | \$11.17 | \$11.32 | \$11.97 |
| Total return . . . . .            | 15.58%               | 11.11%                              | 15.21%  | -0.79%  | -1.98%  | -4.22%  |
| Net assets, end of period         |                      |                                     |         |         |         |         |
| (in millions) . . . . .           | \$90                 | \$55                                | \$49    | \$51    | \$47    | \$54    |
| Ratio of expenses to              |                      |                                     |         |         |         |         |
| average net assets . . . . .      | 2.10% <sup>(1)</sup> | 2.21%                               | 2.27%   | 2.20%   | 2.20%   | 2.15%   |
| Ratio of net investment           |                      |                                     |         |         |         |         |
| income (loss) to                  |                      |                                     |         |         |         |         |
| average net assets . . . . .      | 0.08% <sup>(1)</sup> | -0.22%                              | -0.26%  | 0.46%   | 1.59%   | 0.86%   |
| Portfolio turnover rate . . . . . | 25%                  | 98%                                 | 254%    | 109%    | 143%    | 215%    |

(1)Annualized.

See Notes to Financial Statements.

# Financial Highlights

## IVY ASSET STRATEGY FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|  | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |         |         |         |         |
|--|---|-------------------------------------|---------|---------|---------|---------|
|  |   | 2005                                | 2004    | 2003    | 2002    | 2001    |
| Net asset value,<br>beginning of period . . . . .                      | \$14.22                                   | \$12.87                             | \$11.18 | \$11.33 | \$11.98 | \$15.26 |
| Income (loss) from<br>investment operations:                           |   |                                     |         |         |         |         |
| Net investment income . . . . .  | 0.05                                      | 0.08                                | 0.09    | 0.11    | 0.28    | 0.24    |
| Net realized and<br>unrealized gain (loss)<br>on investments . . . . . | 2.23                                      | 1.45                                | 1.71    | (0.10)  | (0.42)  | (0.63)  |
| Total from investment<br>operations . . . . .                          | 2.28                                      | 1.53                                | 1.80    | 0.01    | (0.14)  | (0.39)  |
| Less distributions from:   |   |                                     |         |         |         |         |
| Net investment income . . . . .  | (0.00)                                    | (0.07)                              | (0.11)  | (0.16)  | (0.31)  | (0.23)  |
| Capital gains . . . . .  | (0.00)                                    | (0.11)                              | (0.00)  | (0.00)  | (0.20)  | (2.66)  |
| Total distributions . . . . .  | (0.00)                                    | (0.18)                              | (0.11)  | (0.16)  | (0.51)  | (2.89)  |
| Net asset value,<br>end of period . . . . .                            | \$16.50                                   | \$14.22                             | \$12.87 | \$11.18 | \$11.33 | \$11.98 |
| Total return . . . . .   | 16.03%                                    | 12.05%                              | 16.19%  | 0.08%   | -1.14%  | -3.39%  |
| Net assets, end of period<br>(in millions) . . . . .                   | \$8                                       | \$4                                 | \$2     | \$1     | \$1     | \$1     |
| Ratio of expenses to<br>average net assets . . . . .                   | 1.28% <sup>(1)</sup>                      | 1.35%                               | 1.39%   | 1.32%   | 1.33%   | 1.32%   |
| Ratio of net investment<br>income to average<br>net assets . . . . .   | 1.00% <sup>(1)</sup>                      | 0.66%                               | 0.67%   | 1.34%   | 2.44%   | 1.71%   |
| Portfolio turnover rate . . . . .                                      | 25%                                       | 98%                                 | 254%    | 109%    | 143%    | 215%    |

(1)Annualized.

See Notes to Financial Statements.

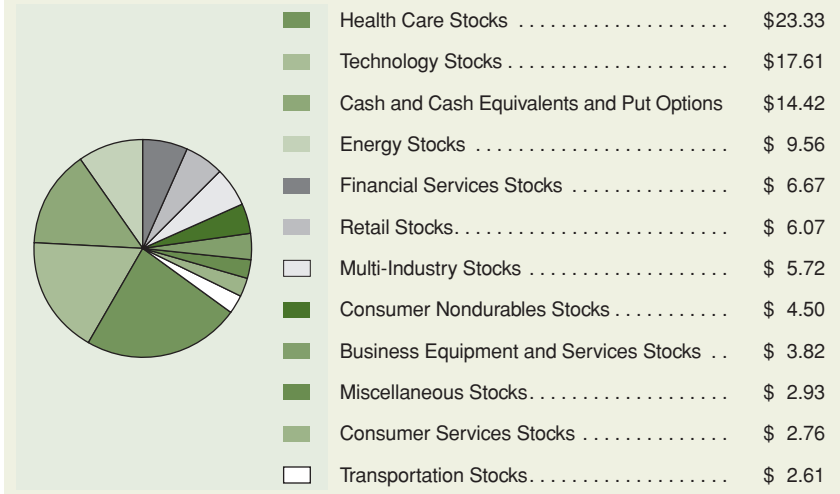
## SHAREHOLDER SUMMARY OF IVY CAPITAL APPRECIATION FUND

### Portfolio Highlights

On September 30, 2005, Ivy Capital Appreciation Fund had net assets totaling \$32,915,100 invested in a diversified portfolio of:

|        |   |
|--------|---|
| 85.58% | Common Stocks                             |
| 14.42% | Cash and Cash Equivalents and Put Options |

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2005, your Fund owned:



# The Investments of Ivy Capital Appreciation Fund

September 30, 2005

| COMMON STOCKS  | Shares | Value            |
|--|--------|------------------|
| <b>Air Transportation – 0.29%</b>                    |        |                  |
| Southwest Airlines Co. . . . .                       | 6,400  | \$ <u>95,040</u> |
| <b>Aircraft – 2.75%</b>                              |        |                  |
| Boeing Company (The) . . . . .                       | 8,000  | 543,600          |
| United Technologies Corporation . . . . .            | 7,000  | 362,880          |
|  |        | <u>906,480</u>   |
| <b>Aluminum – 0.22%</b>                              |        |                  |
| Alcoa Incorporated . . . . .                         | 3,000  | <u>73,260</u>    |
| <b>Banks – 1.19%</b>                                 |        |                  |
| Bank of America Corporation . . . . .                | 5,000  | 210,500          |
| Citigroup Inc. . . . .                               | 4,000  | 182,080          |
|  |        | <u>392,580</u>   |
| <b>Broadcasting – 1.56%</b>                          |        |                  |
| Comcast Corporation, Class A* . . . . .              | 10,000 | 293,250          |
| Viacom Inc., Class B . . . . .                       | 2,300  | 75,923           |
| XM Satellite Radio Holdings Inc., Class A* . . . . . | 4,000  | 143,620          |
|  |        | <u>512,793</u>   |
| <b>Business Equipment and Services – 1.02%</b>       |        |                  |
| Infosys Technologies Limited (A) . . . . .           | 4,500  | <u>334,440</u>   |
| <b>Capital Equipment – 0.11%</b>                     |        |                  |
| Dresser-Rand Group Inc.* . . . . .                   | 1,450  | <u>35,714</u>    |
| <b>Chemicals – Petroleum and Inorganic – 1.14%</b>   |        |                  |
| Monsanto Company . . . . .                           | 6,000  | <u>376,500</u>   |
| <b>Communications Equipment – 1.33%</b>              |        |                  |
| Cisco Systems, Inc.* . . . . .                       | 19,500 | 349,537          |
| QUALCOMM Incorporated . . . . .                      | 2,000  | 89,370           |
|  |        | <u>438,907</u>   |
| <b>Computers – Main and Mini – 0.83%</b>             |        |                  |
| Xerox Corporation* . . . . .                         | 20,000 | <u>273,000</u>   |
| <b>Computers – Micro – 2.40%</b>                     |        |                  |
| Apple Computer, Inc.* . . . . .                      | 4,500  | 241,267          |
| Dell Inc.* . . . . .                                 | 16,000 | 547,120          |
|  |        | <u>788,387</u>   |

See Notes to Schedule of Investments on page 33.

# The Investments of Ivy Capital Appreciation Fund

September 30, 2005

| COMMON STOCKS (Continued)                             | Shares | Value            |
|---|--------|------------------|
| <b>Computers – Peripherals – 4.47%</b>                |        |                  |
| EMC Corporation* . . . . .                            | 15,000 | \$ 194,100       |
| Microsoft Corporation . . . . .                       | 29,000 | 746,025          |
| Oracle Corporation* . . . . .                         | 15,000 | 185,925          |
| SAP Aktiengesellschaft, ADR . . . . .                 | 8,000  | 346,640          |
|   |        | <u>1,472,690</u> |
| <b>Defense – 1.64%</b>                                |        |                  |
| General Dynamics Corporation . . . . .                | 4,500  | <u>537,975</u>   |
| <b>Electronic Components – 3.56%</b>                  |        |                  |
| Analogue Devices, Inc. . . . .                        | 7,000  | 259,980          |
| Intel Corporation . . . . .                           | 19,000 | 468,255          |
| Maxim Integrated Products, Inc. . . . .               | 8,000  | 341,160          |
| Texas Instruments Incorporated . . . . .              | 3,000  | 101,700          |
|   |        | <u>1,171,095</u> |
| <b>Electronic Instruments – 0.63%</b>                 |        |                  |
| KLA-Tencor Corporation . . . . .                      | 1,700  | 82,884           |
| Novellus Systems, Inc. . . . .                        | 5,000  | 125,425          |
|   |        | <u>208,309</u>   |
| <b>Finance Companies – 1.83%</b>                      |        |                  |
| Fannie Mae . . . . .                                  | 1,500  | 67,230           |
| SLM Corporation . . . . .                             | 10,000 | 536,400          |
|   |        | <u>603,630</u>   |
| <b>Health Care – Drugs – 7.66%</b>                    |        |                  |
| Amgen Inc.* . . . . .                                 | 7,000  | 557,550          |
| Genentech, Inc.* . . . . .                            | 5,500  | 463,155          |
| Gilead Sciences, Inc. (A)* . . . . .                  | 8,000  | 389,680          |
| MedImmune, Inc.* . . . . .                            | 11,000 | 369,930          |
| Pfizer Inc. . . . .                                   | 12,000 | 299,640          |
| Schering-Plough Corporation . . . . .                 | 13,000 | 273,650          |
| Teva Pharmaceutical Industries Limited, ADR . . . . . | 5,000  | 167,050          |
|   |        | <u>2,520,655</u> |
| <b>Health Care – General – 6.52%</b>                  |        |                  |
| Da Vita Inc.* . . . . .                               | 10,000 | 460,700          |
| Johnson & Johnson . . . . .                           | 8,000  | 506,240          |
| Schein (Henry), Inc.* . . . . .                       | 10,000 | 425,950          |
| St. Jude Medical, Inc.* . . . . .                     | 8,000  | 374,400          |
| Zimmer Holdings, Inc.* . . . . .                      | 5,500  | 378,895          |
|   |        | <u>2,146,185</u> |

See Notes to Schedule of Investments on page 33.

# The Investments of Ivy Capital Appreciation Fund

September 30, 2005

| COMMON STOCKS (Continued)  | Shares | Value            |
|--|--------|------------------|
| <b>Hospital Supply and Management – 9.15%</b>                    |        |                  |
| Aetna Inc. ....  | 7,500  | \$ 646,050       |
| Caremark Rx, Inc.* .....   | 7,500  | 374,475          |
| HCA Inc. ....  | 1,575  | 75,474           |
| Health Net, Inc.* .....  | 8,000  | 378,560          |
| PSS World Medical, Inc.* .....                                   | 12,000 | 159,600          |
| PacificCare Health Systems, Inc.* .....                          | 7,500  | 598,350          |
| Triad Hospitals, Inc.* .....                                     | 5,500  | 248,985          |
| WellPoint, Inc.* .....   | 7,000  | 530,740          |
|  |        | <u>3,012,234</u> |
| <b>Hotels and Gaming – 0.54%</b>                                 |        |                  |
| Hilton Hotels Corporation .....                                  | 8,000  | <u>178,560</u>   |
| <b>Household – General Products – 2.71%</b>                      |        |                  |
| Colgate-Palmolive Company .....                                  | 9,000  | 475,110          |
| Procter & Gamble Company (The) .....                             | 7,000  | 416,220          |
|  |        | <u>891,330</u>   |
| <b>Insurance – Property and Casualty – 0.27%</b>                 |        |                  |
| Berkshire Hathaway Inc., Class B* .....                          | 32     | <u>87,392</u>    |
| <b>Leisure Time Industry – 0.66%</b>                             |        |                  |
| Royal Caribbean Cruises Ltd. ....                                | 5,000  | <u>216,000</u>   |
| <b>Multiple Industry – 5.72%</b>                                 |        |                  |
| China Netcom Group Corporation (Hong Kong)<br>Limited, ADR. .... | 3,000  | 103,020          |
| General Electric Company .....                                   | 16,000 | 538,720          |
| Google Inc., Class A* .....                                      | 3,100  | 979,972          |
| Huntsman Corporation* .....                                      | 5,000  | 97,750           |
| Las Vegas Sands, Inc.* .....                                     | 5,000  | 164,550          |
|  |        | <u>1,884,012</u> |
| <b>Petroleum – International – 4.89%</b>                         |        |                  |
| Anadarko Petroleum Corporation .....                             | 3,000  | 287,250          |
| Apache Corporation .....   | 5,000  | 376,100          |
| Burlington Resources Inc. ....                                   | 5,000  | 406,600          |
| Exxon Mobil Corporation .....                                    | 8,500  | 540,090          |
|  |        | <u>1,610,040</u> |
| <b>Petroleum – Services – 4.67%</b>                              |        |                  |
| Nabors Industries Ltd.* .....                                    | 5,500  | 395,065          |
| Patterson-UTI Energy, Inc. ....                                  | 11,000 | 396,495          |
| Schlumberger Limited .....                                       | 5,000  | 421,900          |
| Transocean Inc.* .....   | 5,300  | 324,943          |
|  |        | <u>1,538,403</u> |

See Notes to Schedule of Investments on page 33.

# The Investments of Ivy Capital Appreciation Fund

September 30, 2005

| COMMON STOCKS (Continued)                                 | Shares           | Value               |
|---|------------------|---------------------|
| <b>Railroad – 1.27%</b>                                   |                  |                     |
| Burlington Northern Santa Fe Corporation . . . . .        | 7,000            | <b>\$ 418,600</b>   |
| <b>Restaurants – 1.22%</b>                                |                  |                     |
| Applebee's International, Inc. . . . .                    | 3,000            | 62,055              |
| Cheesecake Factory Incorporated (The)* . . . . .          | 8,000            | 249,800             |
| P.F. Chang's China Bistro, Inc.* . . . . .                | 2,000            | 89,630              |
|   |                  | <b>401,485</b>      |
| <b>Retail – Food Stores – 3.39%</b>                       |                  |                     |
| CVS Corporation . . . . .                                 | 19,000           | 551,190             |
| Walgreen Co. . . . .                                      | 13,000           | 564,850             |
|   |                  | <b>1,116,040</b>    |
| <b>Retail – General Merchandise – 1.46%</b>               |                  |                     |
| Target Corporation . . . . .                              | 5,000            | 259,650             |
| Wal-Mart Stores, Inc. . . . .                             | 5,000            | 219,100             |
|   |                  | <b>478,750</b>      |
| <b>Security and Commodity Brokers – 3.38%</b>             |                  |                     |
| Goldman Sachs Group, Inc. (The) . . . . .                 | 4,000            | 486,320             |
| Legg Mason, Inc. . . . .                                  | 2,500            | 274,225             |
| Merrill Lynch & Co., Inc. . . . .                         | 4,000            | 245,400             |
| Morgan Stanley . . . . .                                  | 2,000            | 107,880             |
|   |                  | <b>1,113,825</b>    |
| <b>Timesharing and Software – 2.80%</b>                   |                  |                     |
| eBay Inc.* . . . . .                                      | 10,000           | 411,950             |
| Yahoo! Inc.* . . . . .                                    | 15,000           | 507,975             |
|   |                  | <b>919,925</b>      |
| <b>Tobacco – 1.79%</b>                                    |                  |                     |
| Altria Group, Inc. . . . .                                | 8,000            | <b>589,680</b>      |
| <b>Trucking and Shipping – 1.05%</b>                      |                  |                     |
| United Parcel Service, Inc., Class B . . . . .            | 5,000            | <b>345,650</b>      |
| <b>Utilities – Telephone – 1.46%</b>                      |                  |                     |
| SBC Communications Inc. . . . .                           | 20,000           | <b>479,400</b>      |
| <b>TOTAL COMMON STOCKS – 85.58%</b>                       |                  | <b>\$28,168,966</b> |
| (Cost: \$24,866,333)                                      |                  |                     |
| <b>PUT OPTIONS – 0.03%</b>                                |                  |                     |
|   | <b>Number of</b> |                     |
|   | <b>Contracts</b> |                     |
| CVS Corporation, October 27.5, Expires 10–22–05 . . . . . | 190              | 3,800               |
| Walgreen Co., October 42.5, Expires 10–22–05 . . . . .    | 130              | 4,550               |
| (Cost: \$24,051)  |                  | <b>\$ 8,350</b>     |

See Notes to Schedule of Investments on page 33.



# The Investments of Ivy Capital Appreciation Fund

September 30, 2005

| SHORT-TERM SECURITIES   | Principal<br>Amount in<br>Thousands | Value               |
|---|-------------------------------------|---------------------|
| <b>Commercial Paper</b>   |                                     |                     |
| <b>Capital Equipment – 4.25%</b>  |                                     |                     |
| Caterpillar Inc.,<br>3.74%, 10–14–05 .....  | \$ 1,400                            | <u>\$ 1,398,109</u> |
| <b>Publishing – 4.25%</b>   |                                     |                     |
| Tribune Co.,<br>3.91%, 10–3–05 .....  | 1,401                               | <u>1,400,696</u>    |
| <b>Total Commercial Paper – 8.50%</b>   |                                     | <u>2,798,805</u>    |
| <b>Repurchase Agreement – 4.71%</b>   |                                     |                     |
| J.P. Morgan Securities Inc., 2.75% Repurchase<br>agreement dated 9–30–05 to be repurchased<br>at \$1,549,355 on 10–3–05 (B) ..... | 1,549                               | <u>1,549,000</u>    |
| <b>TOTAL SHORT-TERM SECURITIES – 13.21%</b>   |                                     | <u>\$ 4,347,805</u> |
| (Cost: \$4,347,805)   |                                     |                     |
| <b>TOTAL INVESTMENT SECURITIES – 98.82%</b>   |                                     | <u>\$32,525,121</u> |
| (Cost: \$29,238,189)  |                                     |                     |
| <b>CASH AND OTHER ASSETS, NET OF LIABILITIES – 1.18%</b>  |                                     | <u>389,979</u>      |
| <b>NET ASSETS – 100.00%</b>   |                                     | <u>\$32,915,100</u> |

## Notes to Schedule of Investments

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

(A) Securities serve as cover for the following written call options outstanding at September 30, 2005.  
(See Note 6 to financial statements):

| Underlying<br>Security       | Contracts<br>Subject<br>to Call | Expiration Month/<br>Exercise Price | Premium<br>Received | Market<br>Value |
|------------------------------|---------------------------------|-------------------------------------|---------------------|-----------------|
| Gilead Sciences, Inc.        | 40                              | November/50                         | \$3,748             | \$ 5,600        |
| Infosys Technologies Limited | 43                              | October/75                          | 5,236               | 8,600           |
|                              |                                 |                                     | <u>\$8,984</u>      | <u>\$14,200</u> |

(B) Collateralized by \$1,533,344 United States Treasury Note, 6.5% due 10-15-06; market value and accrued interest aggregate \$1,579,594.

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

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

# Statement of Assets and Liabilities

## IVY CAPITAL APPRECIATION FUND

September 30, 2005

(In Thousands, Except for Per Share Amounts)

### ASSETS

|   |               |
|---|---------------|
| Investment securities – at value (Notes 1 and 3): |               |
| Securities (cost – \$27,689) . . . . .            | \$30,976      |
| Repurchase Agreement (cost – \$1,549) . . . . .   | 1,549         |
|   | <u>32,525</u> |
| Receivables:                                      |               |
| Investment securities sold . . . . .              | 386           |
| Fund shares sold . . . . .                        | 357           |
| Dividends and interest . . . . .                  | 14            |
| Prepaid and other assets . . . . .                | 45            |
| Total assets . . . . .                            | <u>33,327</u> |

### LIABILITIES

|   |                 |
|---|-----------------|
| Payable for investment securities purchased . . . . .                             | 243             |
| Due to custodian . . . . .  | 101             |
| Payable to Fund shareholders . . . . .  | 42              |
| Outstanding written options at market (premium received – \$9) (Note 6) . . . . . | 14              |
| Accrued shareholder servicing (Note 2) . . . . .                                  | 9               |
| Accrued accounting services fee (Note 2) . . . . .                                | 2               |
| Accrued management fee (Note 2) . . . . .   | 1               |
| Accrued distribution and service fees (Note 2) . . . . .                          | —*              |
| Total liabilities . . . . .   | <u>412</u>      |
| Total net assets . . . . .  | <u>\$32,915</u> |

### NET ASSETS

|  |                 |
|--|-----------------|
| \$0.01 par value capital stock:  |                 |
| Capital stock . . . . .  | \$ 39           |
| Additional paid-in capital . . . . .   | 32,026          |
| Accumulated undistributed income (loss):   |                 |
| Accumulated undistributed net investment loss . . . . .                          | (52)            |
| Accumulated undistributed net realized loss on investment transactions . . . . . | (2,380)         |
| Net unrealized appreciation in value of securities . . . . .                     | 3,282           |
| Net assets applicable to outstanding units of capital . . . . .                  | <u>\$32,915</u> |
| Net asset value per share (net assets divided by shares outstanding):            |                 |
| Class A . . . . .  | \$8.58          |
| Class B . . . . .  | \$8.15          |
| Class C . . . . .  | \$8.13          |
| Class Y . . . . .  | \$8.58          |
| Capital shares outstanding:  |                 |
| Class A . . . . .  | 2,893           |
| Class B . . . . .  | 228             |
| Class C . . . . .  | 748             |
| Class Y . . . . .  | 18              |
| Capital shares authorized . . . . .  | 350,000         |

\*Not shown due to rounding.

See Notes to Financial Statements.

# Statement of Operations

## IVY CAPITAL APPRECIATION FUND

For the Six Months Ended September 30, 2005

(In Thousands)

### INVESTMENT LOSS

|   |             |
|---|-------------|
| Income (Note 1B):   |             |
| Dividends . . . . .   | \$ 85       |
| Interest and amortization . . . . .                                   | 35          |
| Total income . . . . .  | <u>120</u>  |
| Expenses (Note 2):  |             |
| Investment management fee . . . . .                                   | 78          |
| Shareholder servicing:  |             |
| Class A . . . . .   | 25          |
| Class B . . . . .   | 4           |
| Class C . . . . .   | 6           |
| Class Y . . . . .   | —*          |
| Service fee:  |             |
| Class A . . . . .   | 21          |
| Class B . . . . .   | 2           |
| Class C . . . . .   | 5           |
| Class Y . . . . .   | —*          |
| Registration fees . . . . .   | 27          |
| Distribution fee:   |             |
| Class A . . . . .   | 2           |
| Class B . . . . .   | 6           |
| Class C . . . . .   | 16          |
| Audit fees . . . . .  | 13          |
| Accounting services fee . . . . .                                     | 10          |
| Custodian fees . . . . .  | 5           |
| Other . . . . .   | 5           |
| Total . . . . .   | <u>225</u>  |
| Less voluntary waiver of investment management fee (Note 2) . . . . . | (54)        |
| Total expenses . . . . .  | <u>171</u>  |
| Net investment loss . . . . .   | <u>(51)</u> |

### REALIZED AND UNREALIZED GAIN (LOSS)

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

|   |                |
|---|----------------|
| Realized net gain on securities . . . . .   | 312            |
| Realized net gain on written options . . . . .                                    | 13             |
| Realized net gain on investments . . . . .  | <u>325</u>     |
| Unrealized appreciation in value of securities during the period . . . . .        | 1,471          |
| Unrealized depreciation in value of purchased options during the period . . . . . | (16)           |
| Unrealized depreciation in value of written options during the period . . . . .   | (5)            |
| Unrealized appreciation in value of investments during the period . . . . .       | <u>1,450</u>   |
| Net gain on investments . . . . .   | <u>1,775</u>   |
| Net increase in net assets resulting from operations . . . . .                    | <u>\$1,724</u> |

\*Not shown due to rounding.

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY CAPITAL APPRECIATION FUND

(In Thousands)

|   | For the six<br>months ended<br>September 30,<br>2005 | For the fiscal<br>year ended<br>March 31,<br>2005 |
|---|--|---|
| <b>INCREASE IN NET ASSETS</b>                                     |  |   |
| Operations:   |  |   |
| Net investment loss . . . . .                                     | \$ (51)  | \$ (20)   |
| Realized net gain on investments . . . . .                        | 325  | 167   |
| Unrealized appreciation . . . . .                                 | 1,450  | 535   |
| Net increase in net assets resulting<br>from operations . . . . . | <u>1,724</u>   | <u>682</u>  |
| Distributions to shareholders from (Note 1F):(1)                  |  |   |
| Net investment income:  |  |   |
| Class A . . . . .   | (—)  | (—)   |
| Class B . . . . .   | (—)  | (—)   |
| Class C . . . . .   | (—)  | (—)   |
| Class Y . . . . .   | (—)  | (—)   |
| Realized gains on investment transactions:                        |  |   |
| Class A . . . . .   | (—)  | (—)   |
| Class B . . . . .   | (—)  | (—)   |
| Class C . . . . .   | (—)  | (—)   |
| Class Y . . . . .   | (—)  | (—)   |
|   | <u>(—)</u>   | <u>(—)</u>  |
| Capital share transactions (Note 5) . . . . .                     | 16,790   | 5,857   |
| Total increase . . . . .  | <u>18,514</u>  | <u>6,539</u>                                      |
| <b>NET ASSETS</b>   |  |   |
| Beginning of period . . . . .                                     | 14,401   | 7,862   |
| End of period . . . . .   | <u>\$32,915</u>                                      | <u>\$14,401</u>                                   |
| Undistributed net investment loss . . . . .                       | <u>\$ (52)</u>                                       | <u>\$ (1)</u>                                     |

(1) See "Financial Highlights" on pages 37 - 40.

# Financial Highlights

## IVY CAPITAL APPRECIATION FUND<sup>(1)</sup>

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|   | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |        |         |         | For the<br>period from<br>6-30-00 <sup>(2)</sup><br>to<br>3-31-01 |
|---|---|-------------------------------------|--------|---------|---------|---|
|   |   | 2005                                | 2004   | 2003    | 2002    |   |
| Net asset value,<br>beginning of period . . . . .   | \$7.99                                    | \$7.52                              | \$5.73 | \$6.43  | \$7.19  | \$10.00   |
| Income (loss) from<br>investment operations:  |   |                                     |        |         |         |   |
| Net investment<br>income (loss) . . . . .   | (0.01) <sup>(3)</sup>                     | (0.02)                              | (0.06) | (0.03)  | (0.08)  | 0.00  |
| Net realized and<br>unrealized gain (loss)<br>on investments . . . . .  | 0.60 <sup>(3)</sup>                       | 0.49                                | 1.85   | (0.67)  | (0.68)  | (2.81)  |
| Total from investment<br>operations . . . . .   | 0.59                                      | 0.47                                | 1.79   | (0.70)  | (0.76)  | (2.81)  |
| Less distributions from:  |   |                                     |        |         |         |   |
| Net investment income . . . .   | (0.00)                                    | (0.00)                              | (0.00) | (0.00)  | (0.00)  | (0.00)  |
| Capital gains . . . . .   | (0.00)                                    | (0.00)                              | (0.00) | (0.00)  | (0.00)  | (0.00)  |
| Total distributions . . . . .   | (0.00)                                    | (0.00)                              | (0.00) | (0.00)  | (0.00)  | (0.00)  |
| Net asset value, end of period . .  | \$8.58                                    | \$7.99                              | \$7.52 | \$5.73  | \$6.43  | \$ 7.19   |
| Total return <sup>(4)</sup> . . . . .   | 7.38%                                     | 6.25%                               | 31.24% | -10.89% | -10.57% | -28.10%   |
| Net assets, end of period<br>(in millions) . . . . .  | \$25                                      | \$11                                | \$6    | \$4     | \$4     | \$4   |
| Ratio of expenses to average<br>net assets including<br>voluntary expense waiver . . .                        | 1.22% <sup>(5)</sup>                      | 1.19%                               | 1.47%  | 1.50%   | 1.62%   | 1.27% <sup>(5)</sup>  |
| Ratio of net investment<br>income (loss) to average<br>net assets including<br>voluntary expense waiver . . . | -0.22% <sup>(5)</sup>                     | 0.03%                               | -1.05% | -0.67%  | -0.92%  | -0.09% <sup>(5)</sup>   |
| Ratio of expenses to average<br>net assets excluding<br>voluntary expense waiver . . .                        | 1.66% <sup>(5)</sup>                      | 1.84%                               | 2.12%  | 2.15%   | 2.17%   | 1.80% <sup>(5)</sup>  |
| Ratio of net investment loss to<br>average net assets excluding<br>voluntary expense waiver . . .             | -0.66% <sup>(5)</sup>                     | -0.62%                              | -1.70% | -1.32%  | -1.46%  | -0.62% <sup>(5)</sup>   |
| Portfolio turnover rate . . . . .   | 24%                                       | 62%                                 | 115%   | 145%    | 96%     | 73%   |

(1)Capital Appreciation Fund (formerly Tax-Managed Equity Fund) changed its name effective March 31, 2005.

(2)Commencement of operations of the class.

(3)Based on average weekly shares outstanding.

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

(5)Annualized.

See Notes to Financial Statements.

# Financial Highlights

## IVY CAPITAL APPRECIATION FUND<sup>(1)</sup>

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|  | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |               |               |               | For the<br>period from<br>7-13-00 <sup>(2)</sup><br>to<br>3-31-01 |
|--|---|-------------------------------------|---------------|---------------|---------------|---|
|  |   | 2005                                | 2004          | 2003          | 2002          |   |
| Net asset value,<br>beginning of period . . . . .  | \$7.62                                    | \$7.26                              | \$5.58        | \$6.31        | \$7.12        | \$10.06   |
| Income (loss) from<br>investment operations:   |   |                                     |               |               |               |   |
| Net investment loss. . . . .   | (0.05) <sup>(3)</sup>                     | (0.01)                              | (0.09)        | (0.11)        | (0.13)        | (0.05)  |
| Net realized and<br>unrealized gain (loss)<br>on investments. . . . .                                    | 0.58 <sup>(3)</sup>                       | 0.37                                | 1.77          | (0.62)        | (0.68)        | (2.89)  |
| Total from investment<br>operations . . . . .  | 0.53                                      | 0.36                                | 1.68          | (0.73)        | (0.81)        | (2.94)  |
| Less distributions from:   |   |                                     |               |               |               |   |
| Net investment income . . . . .  | (0.00)                                    | (0.00)                              | (0.00)        | (0.00)        | (0.00)        | (0.00)  |
| Capital gains . . . . .  | (0.00)                                    | (0.00)                              | (0.00)        | (0.00)        | (0.00)        | (0.00)  |
| Total distributions . . . . .  | (0.00)                                    | (0.00)                              | (0.00)        | (0.00)        | (0.00)        | (0.00)  |
| Net asset value, end of period . .   | <u>\$8.15</u>                             | <u>\$7.62</u>                       | <u>\$7.26</u> | <u>\$5.58</u> | <u>\$6.31</u> | <u>\$ 7.12</u>  |
| Total return . . . . .   | 6.96%                                     | 4.96%                               | 30.11%        | -11.57%       | -11.38%       | -29.22%   |
| Net assets, end of period<br>(in thousands). . . . .   | \$1,861                                   | \$1,068                             | \$538         | \$247         | \$358         | \$296   |
| Ratio of expenses to average<br>net assets including<br>voluntary expense waiver . . .                   | 2.16% <sup>(4)</sup>                      | 2.03%                               | 2.28%         | 2.47%         | 2.56%         | 2.45% <sup>(4)</sup>  |
| Ratio of net investment loss<br>to average net assets<br>including voluntary<br>expense waiver . . . . . | -1.17% <sup>(4)</sup>                     | -0.81%                              | -1.87%        | -1.63%        | -1.86%        | -1.74% <sup>(4)</sup>   |
| Ratio of expenses to average<br>net assets excluding<br>voluntary expense waiver . . .                   | 2.61% <sup>(4)</sup>                      | 2.68%                               | 2.93%         | 3.12%         | 3.42%         | 3.48% <sup>(4)</sup>  |
| Ratio of net investment loss<br>to average net assets<br>excluding voluntary<br>expense waiver . . . . . | -1.62% <sup>(4)</sup>                     | -1.46%                              | -2.52%        | -2.28%        | -2.71%        | -2.77% <sup>(4)</sup>   |
| Portfolio turnover rate. . . . .   | 24%                                       | 62%                                 | 115%          | 145%          | 96%           | 73%   |

(1)Capital Appreciation Fund (formerly Tax-Managed Equity Fund) changed its name effective March 31, 2005.

(2)Commencement of operations of the class.

(3)Based on average weekly shares outstanding.

(4)Annualized.

See Notes to Financial Statements.

# Financial Highlights

## IVY CAPITAL APPRECIATION FUND<sup>(1)</sup>

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|  | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |         |         |         | For the<br>period from<br>7-6-00 <sup>(2)</sup><br>to<br>3-31-01 |
|--|---|-------------------------------------|---------|---------|---------|--|
|  |   | 2005                                | 2004    | 2003    | 2002    |  |
| Net asset value,<br>beginning of period . . . . .  | \$7.60                                    | \$7.24                              | \$5.57  | \$ 6.32 | \$ 7.13 | \$10.01  |
| Income (loss) from<br>investment operations:   |   |                                     |         |         |         |  |
| Net investment<br>income (loss) . . . . .  | (0.04) <sup>(3)</sup>                     | 0.03                                | (0.11)  | (0.12)  | (0.19)  | (0.06)   |
| Net realized and<br>unrealized gain (loss)<br>on investments . . . . .                                   | 0.57 <sup>(3)</sup>                       | 0.33                                | 1.78    | (0.63)  | (0.62)  | (2.82)   |
| Total from investment<br>operations . . . . .  | 0.53                                      | 0.36                                | 1.67    | (0.75)  | (0.81)  | (2.88)   |
| Less distributions from:   |   |                                     |         |         |         |  |
| Net investment income . . . .  | (0.00)                                    | (0.00)                              | (0.00)  | (0.00)  | (0.00)  | (0.00)   |
| Capital gains . . . . .  | (0.00)                                    | (0.00)                              | (0.00)  | (0.00)  | (0.00)  | (0.00)   |
| Total distributions . . . . .  | (0.00)                                    | (0.00)                              | (0.00)  | (0.00)  | (0.00)  | (0.00)   |
| Net asset value,<br>end of period . . . . .  | \$8.13                                    | \$7.60                              | \$7.24  | \$ 5.57 | \$ 6.32 | \$ 7.13  |
| Total return . . . . .   | 6.97%                                     | 4.97%                               | 29.98%  | -11.87% | -11.36% | -28.77%  |
| Net assets, end of period<br>(in thousands) . . . . .  | \$6,079                                   | \$2,373                             | \$1,374 | \$685   | \$865   | \$2  |
| Ratio of expenses to average<br>net assets including<br>voluntary expense waiver . . .                   | 1.99% <sup>(4)</sup>                      | 2.15%                               | 2.46%   | 2.64%   | 2.76%   | 2.35% <sup>(4)</sup>   |
| Ratio of net investment<br>loss to average net<br>assets including voluntary<br>expense waiver . . . . . | -1.00% <sup>(4)</sup>                     | -0.96%                              | -2.05%  | -1.81%  | -2.07%  | -1.52% <sup>(4)</sup>  |
| Ratio of expenses to average<br>net assets excluding<br>voluntary expense waiver . . .                   | 2.43% <sup>(4)</sup>                      | 2.80%                               | 3.11%   | 3.29%   | 3.69%   | 3.34% <sup>(4)</sup>   |
| Ratio of net investment<br>loss to average net<br>assets excluding voluntary<br>expense waiver . . . . . | -1.44% <sup>(4)</sup>                     | -1.61%                              | -2.70%  | -2.46%  | -2.99%  | -2.50% <sup>(4)</sup>  |
| Portfolio turnover rate . . . . .  | 24%                                       | 62%                                 | 115%    | 145%    | 96%     | 73%  |

(1)Capital Appreciation Fund (formerly Tax-Managed Equity Fund) changed its name effective March 31, 2005.

(2)Commencement of operations of the class.

(3)Based on average weekly shares outstanding.

(4)Annualized.

See Notes to Financial Statements.

# Financial Highlights

## IVY CAPITAL APPRECIATION FUND<sup>(1)</sup>

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|   | For the<br>six months<br>ended<br><b>9-30-05</b> | For the<br>period from<br><b>9-15-04<sup>(2)</sup></b><br>to<br><b>3-31-05</b> |
|---|--|--|
| Net asset value, beginning of period . . . . .  | \$7.99   | \$7.33   |
| Income (loss) from investment operations:   |  |  |
| Net investment income (loss) . . . . .  | (0.00) <sup>(3)</sup>                            | 0.03   |
| Net realized and unrealized gain<br>on investments . . . . .  | 0.59 <sup>(3)</sup>                              | 0.63   |
| Total from investment operations . . . . .  | 0.59   | 0.66   |
| Less distributions from:  |  |  |
| Net investment income . . . . .   | (0.00)   | (0.00)   |
| Capital gains . . . . .   | (0.00)   | (0.00)   |
| Total distributions . . . . .   | (0.00)   | (0.00)   |
| Net asset value, end of period . . . . .  | <u>\$8.58</u>                                    | <u>\$7.99</u>  |
| Total return . . . . .  | 7.38%  | 9.00%  |
| Net assets, end of period (in thousands) . . . . .  | \$152  | \$108  |
| Ratio of expenses to average net assets<br>including voluntary expense waiver . . . . .                     | 1.09% <sup>(4)</sup>                             | 1.11% <sup>(4)</sup>   |
| Ratio of net investment income (loss) to average<br>net assets including voluntary expense waiver . . . . . | -0.11% <sup>(4)</sup>                            | 0.47% <sup>(4)</sup>   |
| Ratio of expenses to average net assets<br>excluding voluntary expense waiver . . . . .                     | 1.53% <sup>(4)</sup>                             | 1.76% <sup>(4)</sup>   |
| Ratio of net investment loss to average<br>net assets excluding voluntary expense waiver . . . . .          | -0.55% <sup>(4)</sup>                            | -0.18% <sup>(4)</sup>  |
| Portfolio turnover rate . . . . .   | 24%  | 62% <sup>(5)</sup>   |

(1)Capital Appreciation Fund (formerly Tax-Managed Equity Fund) changed its name effective March 31, 2005.

(2)Commencement of operations of the class.

(3)Based on average weekly shares outstanding.

(4)Annualized.

(5)For the fiscal year ended March 31, 2005.

See Notes to Financial Statements.



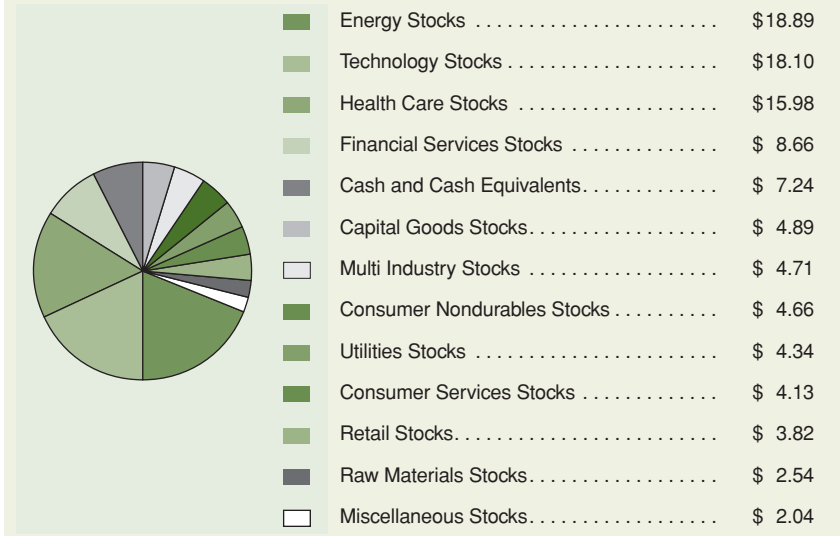
## SHAREHOLDER SUMMARY OF IVY CORE EQUITY FUND

### Portfolio Highlights

On September 30, 2005, Ivy Core Equity Fund had net assets totaling \$258,652,264 invested in a diversified portfolio of:

|        |                           |
|--------|---------------------------|
| 92.76% | Common Stocks             |
| 7.24%  | Cash and Cash Equivalents |

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2005, your Fund owned:



# The Investments of Ivy Core Equity Fund

September 30, 2005

| COMMON STOCKS                                   | Shares  | Value             |
|---|---------|-------------------|
| <b>Aircraft – 5.27%</b>                         |         |                   |
| Boeing Company (The) . . . . .                  | 95,100  | \$ 6,462,045      |
| Goodrich Corporation. . . . .                   | 12,300  | 545,382           |
| Lockheed Martin Corporation . . . . .           | 40,404  | 2,466,260         |
| United Technologies Corporation. . . . .        | 80,200  | 4,157,568         |
|   |         | <u>13,631,255</u> |
| <b>Banks – 0.51%</b>                            |         |                   |
| Bank of America Corporation. . . . .            | 2       | 84                |
| U.S. Bancorp . . . . .                          | 46,955  | 1,318,496         |
|   |         | <u>1,318,580</u>  |
| <b>Beverages – 1.65%</b>                        |         |                   |
| PepsiCo, Inc. . . . .                           | 75,366  | <u>4,274,006</u>  |
| <b>Broadcasting – 0.49%</b>                     |         |                   |
| Comcast Corporation, Class A Special . . . . .  | 44,400  | <u>1,279,830</u>  |
| <b>Capital Equipment – 3.81%</b>                |         |                   |
| Caterpillar Inc. . . . .                        | 79,846  | 4,690,953         |
| Deere & Company . . . . .                       | 44,711  | 2,736,313         |
| Illinois Tool Works Inc. . . . .                | 29,466  | 2,425,936         |
|   |         | <u>9,853,202</u>  |
| <b>Chemicals – Specialty – 2.54%</b>            |         |                   |
| Air Products and Chemicals, Inc. . . . .        | 118,959 | <u>6,559,399</u>  |
| <b>Communications Equipment – 0.00%</b>         |         |                   |
| Avaya Inc.* . . . . .                           | 1       | <u>10</u>         |
| <b>Computers – Micro – 0.88%</b>                |         |                   |
| Dell Inc.* . . . . .                            | 66,788  | <u>2,283,816</u>  |
| <b>Computers – Peripherals – 4.16%</b>          |         |                   |
| Computer Associates International, Inc. . . . . | 6       | 167               |
| Electronic Arts Inc.* . . . . .                 | 26,100  | 1,484,959         |
| Microsoft Corporation. . . . .                  | 107,060 | 2,754,118         |
| SAP Aktiengesellschaft, ADR . . . . .           | 150,347 | 6,514,536         |
|   |         | <u>10,753,780</u> |
| <b>Defense – 4.01%</b>                          |         |                   |
| General Dynamics Corporation . . . . .          | 86,700  | <u>10,364,985</u> |
| <b>Electronic Components – 3.78%</b>            |         |                   |
| Intel Corporation. . . . .                      | 150,416 | 3,707,002         |
| Maxim Integrated Products, Inc. . . . .         | 66,100  | 2,818,835         |
| Texas Instruments Incorporated. . . . .         | 95,600  | 3,240,840         |
|   |         | <u>9,766,677</u>  |

See Notes to Schedule of Investments on page 45.

# The Investments of Ivy Core Equity Fund

September 30, 2005

| COMMON STOCKS (Continued)                         | Shares  | Value               |
|---|---------|---------------------|
| <b>Finance Companies – 2.15%</b>                  |         |                     |
| SLM Corporation . . . . .                         | 103,900 | \$ <u>5,573,196</u> |
| <b>Food and Related – 2.16%</b>                   |         |                     |
| Campbell Soup Company . . . . .                   | 44,300  | 1,317,925           |
| Kellogg Company . . . . .                         | 92,553  | 4,269,470           |
|   |         | <u>5,587,395</u>    |
| <b>Health Care – Drugs – 7.06%</b>                |         |                     |
| Amgen Inc.* . . . . .                             | 47,588  | 3,790,384           |
| Genentech, Inc.* . . . . .                        | 22,700  | 1,911,567           |
| Gilead Sciences, Inc.* . . . . .                  | 80,300  | 3,911,413           |
| Novartis AG, Registered Shares (A) . . . . .      | 26,800  | 1,359,255           |
| Pfizer Inc. . . . .                               | 292,023 | 7,291,814           |
|   |         | <u>18,264,433</u>   |
| <b>Health Care – General – 3.32%</b>              |         |                     |
| Boston Scientific Corporation* . . . . .          | 90,200  | 2,107,974           |
| Johnson & Johnson . . . . .                       | 60,500  | 3,828,440           |
| Wyeth . . . . .                                   | 57,397  | 2,655,759           |
|   |         | <u>8,592,173</u>    |
| <b>Hospital Supply and Management – 5.60%</b>     |         |                     |
| Aetna Inc. . . . .                                | 29,800  | 2,566,972           |
| Caremark Rx, Inc.* . . . . .                      | 22,700  | 1,133,411           |
| Guidant Corporation . . . . .                     | 31,900  | 2,197,591           |
| Medtronic, Inc. . . . .                           | 82,701  | 4,434,428           |
| UnitedHealth Group Incorporated . . . . .         | 35,200  | 1,978,240           |
| WellPoint, Inc.* . . . . .                        | 28,800  | 2,183,616           |
|   |         | <u>14,494,258</u>   |
| <b>Hotels and Gaming – 1.77%</b>                  |         |                     |
| Marriott International, Inc., Class A . . . . .   | 38,278  | 2,411,514           |
| Starwood Hotels & Resorts Worldwide, Inc. . . . . | 38,000  | 2,172,460           |
|   |         | <u>4,583,974</u>    |
| <b>Household – General Products – 0.85%</b>       |         |                     |
| Colgate-Palmolive Company . . . . .               | 41,668  | <u>2,199,654</u>    |
| <b>Insurance – Property and Casualty – 2.38%</b>  |         |                     |
| Berkshire Hathaway Inc., Class B* . . . . .       | 2,250   | <u>6,144,750</u>    |
| <b>Leisure Time Industry – 1.87%</b>              |         |                     |
| Carnival Corporation . . . . .                    | 96,900  | <u>4,843,062</u>    |
| <b>Multiple Industry – 4.71%</b>                  |         |                     |
| General Electric Company . . . . .                | 278,857 | 9,389,115           |
| Las Vegas Sands, Inc.* . . . . .                  | 85,000  | 2,797,350           |
|   |         | <u>12,186,465</u>   |
| <b>Non-Residential Construction – 1.08%</b>       |         |                     |
| Fluor Corporation . . . . .                       | 43,300  | <u>2,787,654</u>    |

See Notes to Schedule of Investments on page 45.

# The Investments of Ivy Core Equity Fund

September 30, 2005

| COMMON STOCKS (Continued)                     | Shares  | Value                |
|---|---------|----------------------|
| <b>Petroleum – Canada – 0.33%</b>             |         |                      |
| Suncor Energy Inc. ....                       | 14,000  | \$ <u>847,420</u>    |
| <b>Petroleum – International – 6.15%</b>      |         |                      |
| Burlington Resources Inc. ....                | 85,936  | 6,988,316            |
| Exxon Mobil Corporation ....                  | 140,579 | 8,932,390            |
|   |         | <u>15,920,706</u>    |
| <b>Petroleum – Services – 12.41%</b>          |         |                      |
| Baker Hughes Incorporated ....                | 185,631 | 11,078,458           |
| Nabors Industries Ltd.* .....                 | 61,331  | 4,405,406            |
| Schlumberger Limited .....                    | 86,588  | 7,306,295            |
| Smith International, Inc. ....                | 42,000  | 1,399,020            |
| Transocean Inc.* .....                        | 39,300  | 2,409,483            |
| Weatherford International Ltd.* .....         | 80,000  | 5,492,800            |
|   |         | <u>32,091,462</u>    |
| <b>Retail – Food Stores – 0.95%</b>           |         |                      |
| Walgreen Co. ....                             | 56,400  | <u>2,450,580</u>     |
| <b>Retail – General Merchandise – 2.87%</b>   |         |                      |
| Family Dollar Stores, Inc. ....               | 116,200 | 2,308,894            |
| Kohl's Corporation* .....                     | 78,000  | 3,914,040            |
| Target Corporation .....                      | 22,900  | 1,189,197            |
|   |         | <u>7,412,131</u>     |
| <b>Security and Commodity Brokers – 3.62%</b> |         |                      |
| Goldman Sachs Group, Inc. (The) .....         | 64,000  | 7,781,120            |
| Lehman Brothers Holdings Inc. ....            | 13,600  | 1,584,128            |
|   |         | <u>9,365,248</u>     |
| <b>Timesharing and Software – 1.04%</b>       |         |                      |
| Yahoo! Inc.* .....                            | 79,600  | <u>2,695,654</u>     |
| <b>Trucking and Shipping – 1.00%</b>          |         |                      |
| United Parcel Service, Inc., Class B .....    | 37,266  | <u>2,576,199</u>     |
| <b>Utilities – Electric – 1.19%</b>           |         |                      |
| Dominion Resources, Inc. ....                 | 35,672  | <u>3,072,786</u>     |
| <b>Utilities – Telephone – 3.15%</b>          |         |                      |
| SBC Communications Inc. ....                  | 54,800  | 1,313,556            |
| Sprint Nextel Corporation .....               | 63,200  | 1,502,896            |
| Vodafone Group Plc, ADR .....                 | 205,077 | 5,325,850            |
|   |         | <u>8,142,302</u>     |
| <b>TOTAL COMMON STOCKS – 92.76%</b>           |         | <b>\$239,917,042</b> |
| (Cost: \$170,126,028)                         |         |                      |

See Notes to Schedule of Investments on page 45.

# The Investments of Ivy Core Equity Fund

September 30, 2005

| SHORT-TERM SECURITIES                                      | Principal<br>Amount in<br>Thousands | Value                |
|--|-------------------------------------|----------------------|
| <b>Finance Companies – 1.93%</b>                           |                                     |                      |
| USAA Capital Corp.,<br>3.75%, 10–4–05 .....                | \$5,000                             | <u>\$ 4,998,437</u>  |
| <b>Food and Related – 1.93%</b>                            |                                     |                      |
| Sara Lee Corporation,<br>3.82%, 10–18–05 .....             | 5,000                               | <u>4,990,981</u>     |
| <b>Forest and Paper Products – 1.18%</b>                   |                                     |                      |
| Sonoco Products Co.,<br>3.94%, 10–3–05 .....               | 3,047                               | <u>3,046,333</u>     |
| <b>Health Care – General – 1.55%</b>                       |                                     |                      |
| Baxter International Inc.,<br>3.87%, 10–3–05 .....         | 4,000                               | <u>3,999,140</u>     |
| <b>Retail – General Merchandise – 0.96%</b>                |                                     |                      |
| Target Corporation,<br>3.75%, 10–11–05 .....               | 2,500                               | <u>2,497,396</u>     |
| <b>TOTAL SHORT-TERM SECURITIES – 7.55%</b>                 |                                     | <u>\$ 19,532,287</u> |
| (Cost: \$19,532,287)                                       |                                     |                      |
| <b>TOTAL INVESTMENT SECURITIES – 100.31%</b>               |                                     | <u>\$259,449,329</u> |
| (Cost: \$189,658,315)                                      |                                     |                      |
| <b>LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.31%)</b> |                                     | <u>(797,065)</u>     |
| <b>NET ASSETS – 100.00%</b>                                |                                     | <u>\$258,652,264</u> |

## Notes to Schedule of Investments

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

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

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

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

# Statement of Assets and Liabilities

## IVY CORE EQUITY FUND

September 30, 2005

(In Thousands, Except for Per Share Amounts)

### ASSETS

|   |                |
|---|----------------|
| Investment securities – at value (cost – \$189,658) (Notes 1 and 3) . . . . . | \$259,449      |
| Receivables:  |                |
| Fund shares sold . . . . .  | 278            |
| Dividends and interest . . . . .  | 215            |
| Prepaid and other assets . . . . .  | 31             |
| Total assets . . . . .  | <u>259,973</u> |

### LIABILITIES

|   |                  |
|---|------------------|
| Payable for investment securities purchased . . . . . | 565              |
| Payable to Fund shareholders . . . . .                | 438              |
| Due to custodian . . . . .                            | 110              |
| Accrued shareholder servicing (Note 2) . . . . .      | 108              |
| Accrued accounting services fee (Note 2) . . . . .    | 8                |
| Accrued management fee (Note 2) . . . . .             | 5                |
| Accrued distribution fee (Note 2) . . . . .           | 4                |
| Accrued service fee (Note 2) . . . . .                | 2                |
| Other . . . . .                                       | 81               |
| Total liabilities . . . . .                           | <u>1,321</u>     |
| Total net assets . . . . .                            | <u>\$258,652</u> |

### NET ASSETS

|   |                  |
|---|------------------|
| \$0.01 par value capital stock:                                 |                  |
| Capital stock . . . . .   | \$ 280           |
| Additional paid-in capital . . . . .                            | 222,949          |
| Accumulated undistributed income (loss):                        |                  |
| Accumulated undistributed net investment loss . . . . .         | (941)            |
| Accumulated undistributed net realized loss                     |                  |
| on investment transactions . . . . .                            | (33,425)         |
| Net unrealized appreciation in value of investments . . . . .   | 69,789           |
| Net assets applicable to outstanding units of capital . . . . . | <u>\$258,652</u> |

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

|                   |        |
|-------------------|--------|
| Class A . . . . . | \$9.52 |
| Class B . . . . . | \$9.05 |
| Class C . . . . . | \$9.12 |
| Class Y . . . . . | \$9.89 |

### Capital shares outstanding:

|                   |        |
|-------------------|--------|
| Class A . . . . . | 7,294  |
| Class B . . . . . | 1,252  |
| Class C . . . . . | 19,334 |
| Class Y . . . . . | 166    |

Capital shares authorized . . . . . 450,000

See Notes to Financial Statements.

# Statement of Operations

## IVY CORE EQUITY FUND

For the Six Months Ended September 30, 2005

(In Thousands)

### INVESTMENT LOSS

|   |              |
|---|--------------|
| Income (Note 1B):   |              |
| Dividends (net of foreign withholding taxes of \$8) ..... | \$ 1,543     |
| Interest and amortization .....                           | 151          |
| Total income .....  | <u>1,694</u> |
| Expenses (Note 2):  |              |
| Investment management fee .....                           | 909          |
| Distribution fee:   |              |
| Class A .....   | 4            |
| Class B .....   | 43           |
| Class C .....   | 673          |
| Shareholder servicing:                                    |              |
| Class A .....   | 121          |
| Class B .....   | 29           |
| Class C .....   | 324          |
| Class Y .....   | 1            |
| Service fee:  |              |
| Class A .....   | 80           |
| Class B .....   | 14           |
| Class C .....   | 224          |
| Class Y .....   | 2            |
| Accounting services fee .....                             | 47           |
| Audit fees .....  | 19           |
| Custodian fees .....                                      | 9            |
| Legal fees .....  | 2            |
| Other .....   | 91           |
| Total expenses .....                                      | <u>2,592</u> |
| Net investment loss .....                                 | <u>(898)</u> |

### REALIZED AND UNREALIZED GAIN

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

|   |                 |
|---|-----------------|
| Realized net gain on securities .....                                   | 7,448           |
| Realized net gain on foreign currency transactions .....                | 6               |
| Realized net gain on investments .....                                  | <u>7,454</u>    |
| Unrealized appreciation in value of investments during the period ..... | 6,340           |
| Net gain on investments .....   | <u>13,794</u>   |
| Net increase in net assets resulting from operations .....              | <u>\$12,896</u> |

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY CORE EQUITY FUND

(In Thousands)

|   | For the six<br>months ended<br>September 30,<br>2005 | For the fiscal<br>year ended<br>March 31,<br>2005 |
|---|--|---|
| <b>DECREASE IN NET ASSETS</b>                                     |  |   |
| Operations:   |  |   |
| Net investment loss . . . . .                                     | \$ (898)   | \$ (1,241)  |
| Realized net gain on investments . . . . .                        | 7,454  | 27,867  |
| Unrealized appreciation. . . . .                                  | 6,340  | 1,599   |
| Net increase in net assets<br>resulting from operations . . . . . | 12,896   | 28,225  |
| Distributions to shareholders from (Note 1F):(1)                  |  |   |
| Net investment income:  |  |   |
| Class A . . . . .   | (—)  | (—)   |
| Class B . . . . .   | (—)  | (—)   |
| Class C . . . . .   | (—)  | (—)   |
| Class Y . . . . .   | (—)  | (—)   |
| Realized gains on investment transactions:                        |  |   |
| Class A . . . . .   | (—)  | (—)   |
| Class B . . . . .   | (—)  | (—)   |
| Class C . . . . .   | (—)  | (—)   |
| Class Y . . . . .   | (—)  | (—)   |
|   | (—)  | (—)   |
| Capital share transactions (Note 5) . . . . .                     | (16,236)   | (55,488)  |
| Total decrease . . . . .  | (3,340)  | (27,263)  |
| <b>NET ASSETS</b>   |  |   |
| Beginning of period. . . . .                                      | 261,992  | 289,255   |
| End of period. . . . .  | \$258,652  | \$261,992   |
| Undistributed net investment loss . . . . .                       | \$ (941)   | \$ (49)   |

(1) See "Financial Highlights" on pages 49 - 52.

See Notes to Financial Statements.



# Financial Highlights

## IVY CORE EQUITY FUND<sup>(1)</sup>

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|   | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |        |         |        | For the<br>period from<br>7-3-00 <sup>(2)</sup><br>to<br>3-31-01 |
|---|---|-------------------------------------|--------|---------|--------|--|
|   |   | 2005                                | 2004   | 2003    | 2002   |  |
| Net asset value,<br>beginning of period . . . . .                           | \$9.03                                    | \$8.08                              | \$6.63 | \$8.89  | \$9.51 | \$13.89  |
| Income (loss) from<br>investment operations:                                |   |                                     |        |         |        |  |
| Net investment<br>income (loss) . . . . .                                   | (0.01)                                    | 0.02                                | 0.01   | (0.08)  | (0.20) | 0.00   |
| Net realized and<br>unrealized gain<br>(loss) on investments. . .           | 0.50                                      | 0.93                                | 1.44   | (2.18)  | (0.11) | (2.00)   |
| Total from investment<br>operations . . . . .                               | 0.49                                      | 0.95                                | 1.45   | (2.26)  | (0.31) | (2.00)   |
| Less distributions from:  |   |                                     |        |         |        |  |
| Net investment income . . .   | (0.00)                                    | (0.00)                              | (0.00) | (0.00)  | (0.00) | (0.00)   |
| Capital gains . . . . .   | (0.00)                                    | (0.00)                              | (0.00) | (0.00)  | (0.31) | (2.38)   |
| Total distributions . . . . .   | (0.00)                                    | (0.00)                              | (0.00) | (0.00)  | (0.31) | (2.38)   |
| Net asset value,<br>end of period . . . . .                                 | \$9.52                                    | \$9.03                              | \$8.08 | \$6.63  | \$8.89 | \$ 9.51  |
| Total return <sup>(3)</sup> . . . . .                                       | 5.43%                                     | 11.76%                              | 21.87% | -25.42% | -3.18% | -16.72%  |
| Net assets, end of period<br>(in millions) . . . . .                        | \$70                                      | \$65                                | \$75   | \$13    | \$9    | \$4  |
| Ratio of expenses to<br>average net assets . . . . .                        | 1.44% <sup>(4)</sup>                      | 1.50%                               | 1.46%  | 1.31%   | 1.26%  | 1.18% <sup>(4)</sup>   |
| Ratio of net investment<br>income (loss) to<br>average net assets . . . . . | -0.13% <sup>(4)</sup>                     | 0.07%                               | 0.24%  | 0.28%   | -0.11% | -0.11% <sup>(4)</sup>  |
| Portfolio turnover rate . . . . .   | 20%                                       | 42%                                 | 59%    | 39%     | 22%    | 39% <sup>(5)</sup>   |

(1)Core Equity Fund (formerly Total Return Fund) changed its name effective October 2, 2000.

(2)Commencement of operations of the class.

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

(4)Annualized.

(5)For the fiscal year ended March 31, 2001.

See Notes to Financial Statements.

# Financial Highlights

## IVY CORE EQUITY FUND<sup>(1)</sup>

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|  | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |               |               |               | For the<br>period from<br>7-11-00 <sup>(2)</sup><br>to<br>3-31-01 |
|--|---|-------------------------------------|---------------|---------------|---------------|---|
|  |   | 2005                                | 2004          | 2003          | 2002          |   |
| Net asset value,<br>beginning of period . . . . .                      | \$8.63                                    | \$7.78                              | \$6.45        | \$8.74        | \$9.44        | \$14.10   |
| Income (loss) from<br>investment operations:                           |   |                                     |               |               |               |   |
| Net investment loss . . . . .  | (0.05)                                    | (0.07)                              | (0.05)        | (0.06)        | (0.14)        | (0.05)  |
| Net realized and<br>unrealized gain<br>(loss) on investments . . . . . | 0.47                                      | 0.92                                | 1.38          | (2.23)        | (0.25)        | (2.23)  |
| Total from investment<br>operations . . . . .                          | 0.42                                      | 0.85                                | 1.33          | (2.29)        | (0.39)        | (2.28)  |
| Less distributions from:   |   |                                     |               |               |               |   |
| Net investment income . . . . .  | (0.00)                                    | (0.00)                              | (0.00)        | (0.00)        | (0.00)        | (0.00)  |
| Capital gains . . . . .  | (0.00)                                    | (0.00)                              | (0.00)        | (0.00)        | (0.31)        | (2.38)  |
| Total distributions . . . . .  | (0.00)                                    | (0.00)                              | (0.00)        | (0.00)        | (0.31)        | (2.38)  |
| Net asset value,<br>end of period . . . . .                            | <u>\$9.05</u>                             | <u>\$8.63</u>                       | <u>\$7.78</u> | <u>\$6.45</u> | <u>\$8.74</u> | <u>\$ 9.44</u>  |
| Total return . . . . .   | 4.87%                                     | 10.93%                              | 20.62%        | -26.20%       | -4.06%        | -18.50%   |
| Net assets, end of period<br>(in millions) . . . . .                   | \$11                                      | \$12                                | \$12          | \$5           | \$6           | \$5   |
| Ratio of expenses to<br>average net assets . . . . .                   | 2.34% <sup>(3)</sup>                      | 2.36%                               | 2.42%         | 2.36%         | 2.18%         | 2.11% <sup>(3)</sup>  |
| Ratio of net investment<br>loss to average<br>net assets . . . . .     | -1.04% <sup>(3)</sup>                     | -0.77%                              | -0.66%        | -0.76%        | -1.04%        | -1.02% <sup>(3)</sup>   |
| Portfolio turnover rate . . . . .                                      | 20%                                       | 42%                                 | 59%           | 39%           | 22%           | 39% <sup>(4)</sup>  |

(1)Core Equity Fund (formerly Total Return Fund) changed its name effective October 2, 2000.

(2)Commencement of operations of the class.

(3)Annualized.

(4)For the fiscal year ended March 31, 2001.

See Notes to Financial Statements.

# Financial Highlights

## IVY CORE EQUITY FUND<sup>(1)</sup>

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|                                   | For the               | For the fiscal year ended March 31, |        |         |        |         |
|-----------------------------------|-----------------------|-------------------------------------|--------|---------|--------|---------|
|                                   | six months<br>ended   | 2005                                | 2004   | 2003    | 2002   | 2001    |
|                                   | 9-30-05               |                                     |        |         |        |         |
| Net asset value,                  |                       |                                     |        |         |        |         |
| beginning of period . . . . .     | \$8.68                | \$7.82                              | \$6.48 | \$8.76  | \$9.45 | \$13.76 |
| Income (loss) from                |                       |                                     |        |         |        |         |
| investment operations:            |                       |                                     |        |         |        |         |
| Net investment loss . . . . .     | (0.05)                | (0.06)                              | (0.04) | (0.04)  | (0.08) | (0.11)  |
| Net realized and                  |                       |                                     |        |         |        |         |
| unrealized gain                   |                       |                                     |        |         |        |         |
| (loss) on investments. . . . .    | 0.49                  | 0.92                                | 1.38   | (2.24)  | (0.30) | (1.82)  |
| Total from investment             |                       |                                     |        |         |        |         |
| operations . . . . .              | 0.44                  | 0.86                                | 1.34   | (2.28)  | (0.38) | (1.93)  |
| Less distributions from:          |                       |                                     |        |         |        |         |
| Net investment income . . . . .   | (0.00)                | (0.00)                              | (0.00) | (0.00)  | (0.00) | (0.00)  |
| Capital gains . . . . .           | (0.00)                | (0.00)                              | (0.00) | (0.00)  | (0.31) | (2.38)  |
| Total distributions . . . . .     | (0.00)                | (0.00)                              | (0.00) | (0.00)  | (0.31) | (2.38)  |
| Net asset value,                  |                       |                                     |        |         |        |         |
| end of period . . . . .           | \$9.12                | \$8.68                              | \$7.82 | \$6.48  | \$8.76 | \$ 9.45 |
| Total return . . . . .            | 5.07%                 | 11.00%                              | 20.68% | -26.03% | -3.94% | -16.40% |
| Net assets, end of period         |                       |                                     |        |         |        |         |
| (in millions) . . . . .           | \$176                 | \$183                               | \$200  | \$200   | \$356  | \$440   |
| Ratio of expenses to              |                       |                                     |        |         |        |         |
| average net assets . . . . .      | 2.19% <sup>(2)</sup>  | 2.22%                               | 2.27%  | 2.18%   | 2.05%  | 1.97%   |
| Ratio of net investment           |                       |                                     |        |         |        |         |
| loss to average                   |                       |                                     |        |         |        |         |
| net assets . . . . .              | -0.89% <sup>(2)</sup> | -0.63%                              | -0.45% | -0.58%  | -0.91% | -0.93%  |
| Portfolio turnover rate . . . . . | 20%                   | 42%                                 | 59%    | 39%     | 22%    | 39%     |

(1)Core Equity Fund (formerly Total Return Fund) changed its name effective October 2, 2000.

(2)Annualized.

See Notes to Financial Statements.

# Financial Highlights

## IVY CORE EQUITY FUND<sup>(1)</sup>

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|   | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |        |         |        |         |
|---|---|-------------------------------------|--------|---------|--------|---------|
|   |   | 2005                                | 2004   | 2003    | 2002   | 2001    |
| Net asset value,<br>beginning of period . . . . .                           | \$9.38                                    | \$8.37                              | \$6.86 | \$9.19  | \$9.82 | \$14.08 |
| Income (loss) from<br>investment operations:                                |   |                                     |        |         |        |         |
| Net investment<br>income (loss) . . . . .                                   | 0.02                                      | 0.25                                | 0.05   | 0.04    | (0.11) | (0.04)  |
| Net realized and<br>unrealized gain<br>(loss) on investments. . . . .       | 0.49                                      | 0.76                                | 1.46   | (2.37)  | (0.21) | (1.84)  |
| Total from investment<br>operations . . . . .                               | 0.51                                      | 1.01                                | 1.51   | (2.33)  | (0.32) | (1.88)  |
| Less distributions from:  |   |                                     |        |         |        |         |
| Net investment income . . . . .   | (0.00)                                    | (0.00)                              | (0.00) | (0.00)  | (0.00) | (0.00)  |
| Capital gains . . . . .   | (0.00)                                    | (0.00)                              | (0.00) | (0.00)  | (0.31) | (2.38)  |
| Total distributions . . . . .   | (0.00)                                    | (0.00)                              | (0.00) | (0.00)  | (0.31) | (2.38)  |
| Net asset value,<br>end of period . . . . .                                 | \$9.89                                    | \$9.38                              | \$8.37 | \$6.86  | \$9.19 | \$ 9.82 |
| Total return . . . . .  | 5.44%                                     | 12.07%                              | 22.01% | -25.35% | -3.18% | -15.62% |
| Net assets, end of period<br>(in millions) . . . . .                        | \$2                                       | \$2                                 | \$2    | \$2     | \$4    | \$2     |
| Ratio of expenses to<br>average net assets . . . . .                        | 1.22% <sup>(2)</sup>                      | 1.24%                               | 1.26%  | 1.20%   | 1.17%  | 1.15%   |
| Ratio of net investment<br>income (loss) to<br>average net assets . . . . . | 0.09% <sup>(2)</sup>                      | 0.34%                               | 0.61%  | 0.40%   | -0.03% | -0.11%  |
| Portfolio turnover rate . . . . .   | 20%                                       | 42%                                 | 59%    | 39%     | 22%    | 39%     |

(1)Core Equity Fund (formerly Total Return Fund) changed its name effective October 2, 2000.

(2)Annualized.

See Notes to Financial Statements.

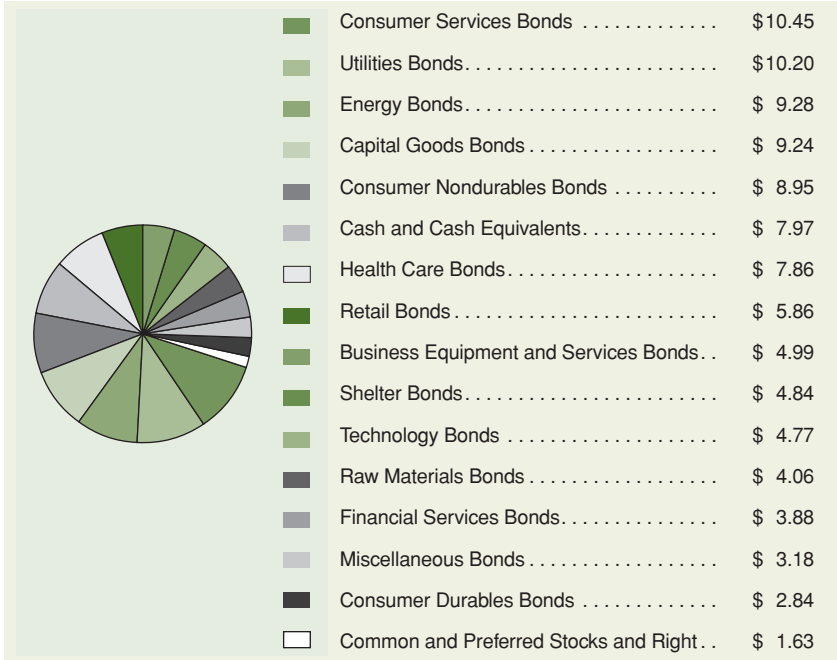
## SHAREHOLDER SUMMARY OF IVY HIGH INCOME FUND

### Portfolio Highlights

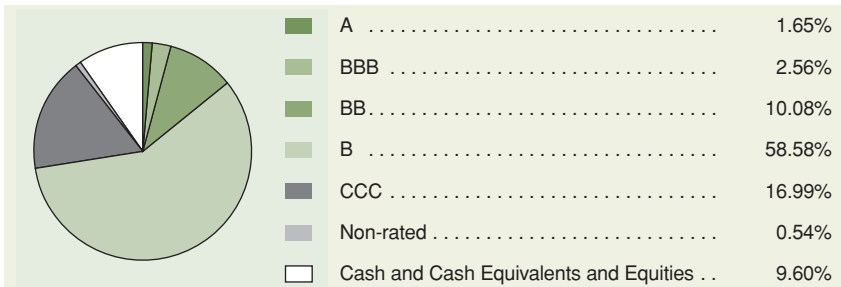
On September 30, 2005, Ivy High Income Fund had net assets totaling \$68,312,023 invested in a diversified portfolio of:

|        |                                       |
|--------|---------------------------------------|
| 90.40% | Corporate Debt Securities             |
| 7.97%  | Cash and Cash Equivalents             |
| 1.63%  | Common and Preferred Stocks and Right |

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2005, your Fund owned:



On September 30, 2005, the breakdown of bonds (by ratings) held by the Fund was as follows:



# The Investments of Ivy High Income Fund

September 30, 2005

| COMMON STOCKS AND RIGHT                      | Shares | Value               |
|--|--------|---------------------|
| <b>Capital Equipment – 0.14%</b>             |        |                     |
| Dresser-Rand Group Inc.* . . . . .           | 4,000  | \$ <u>98,520</u>    |
| <b>Finance Companies – 0.01%</b>             |        |                     |
| ONO Finance Plc, Rights (A)* . . . . .       | 250    | <u>5,000</u>        |
| <b>Mining – 0.44%</b>                        |        |                     |
| Phelps Dodge Corporation. . . . .            | 2,300  | <u>298,839</u>      |
| <b>Petroleum – International – 0.58%</b>     |        |                     |
| Forest Oil Corporation* . . . . .            | 7,600  | <u>395,960</u>      |
| <b>Utilities – Gas and Pipeline – 0.35%</b>  |        |                     |
| Williams Companies, Inc. (The) . . . . .     | 9,600  | <u>240,480</u>      |
| <b>TOTAL COMMON STOCKS AND RIGHT – 1.52%</b> |        | <b>\$ 1,038,799</b> |
| (Cost: \$744,610)                            |        |                     |

## PREFERRED STOCKS

|  |        |                  |
|--|--------|------------------|
| <b>Apparel – 0.11%</b>                                   |        |                  |
| Anvil Holdings, Inc., 13.0%* . . . . .                   | 14,774 | <u>77,564</u>    |
| <b>Broadcasting – 0.00%</b>                              |        |                  |
| Adelphia Communications Corporation,<br>13.0%* . . . . . | 2,500  | <u>1,125</u>     |
| <b>TOTAL PREFERRED STOCKS – 0.11%</b>                    |        | <b>\$ 78,689</b> |
| (Cost: \$520,004)  |        |                  |

| CORPORATE DEBT SECURITIES  | Principal<br>Amount in<br>Thousands |         |
|--|-------------------------------------|---------|
| <b>Aircraft – 2.09%</b>  |                                     |         |
| Argo-Tech Corporation,<br>9.25%, 6–1–11 . . . . .                    | \$ 75                               | 79,500  |
| BE Aerospace, Inc.,<br>8.5%, 10–1–10 . . . . .                       | 200                                 | 218,000 |
| Bombardier Recreational Products Inc.,<br>8.375%, 12–15–13 . . . . . | 75                                  | 78,563  |
| Esterline Technologies Corporation,<br>7.75%, 6–15–13 . . . . .      | 250                                 | 263,750 |

See Notes to Schedule of Investments on page 67.

# The Investments of Ivy High Income Fund

September 30, 2005

| CORPORATE DEBT SECURITIES (Continued)  | Principal<br>Amount in<br>Thousands | Value            |
|--|-------------------------------------|------------------|
| <b>Aircraft (Continued)</b>  |                                     |                  |
| L-3 Communications Corporation,<br>6.125%, 1-15-14 .....   | \$ 250                              | \$ 247,500       |
| Orbital Sciences Corporation,<br>9.0%, 7-15-11 .....   | 500                                 | 542,500          |
|  |                                     | <u>1,429,813</u> |
| <b>Aluminum – 0.38%</b>  |                                     |                  |
| Century Aluminum Company,<br>7.5%, 8-15-14 .....   | 250                                 | <u>257,500</u>   |
| <b>Apparel – 1.27%</b>   |                                     |                  |
| Perry Ellis International, Inc.,<br>8.875%, 9-15-13 .....  | 750                                 | 768,750          |
| Quiksilver, Inc.,<br>6.875%, 4-15-15 (A) .....   | 100                                 | 96,000           |
|  |                                     | <u>864,750</u>   |
| <b>Beverages – 0.39%</b>   |                                     |                  |
| Constellation Brands, Inc.,<br>8.125%, 1-15-12 .....   | 250                                 | <u>264,062</u>   |
| <b>Broadcasting – 2.19%</b>  |                                     |                  |
| CCH II and CCH II Capital,<br>10.25%, 9-15-10 .....  | 320                                 | 328,000          |
| Charter Communications Operating, LLC<br>and Charter Communications Operating<br>Capital Corp.,<br>8.0%, 4-30-12 (A) ..... | 300                                 | 302,250          |
| Gray Communications Systems, Inc.,<br>9.25%, 12-15-11 .....  | 375                                 | 405,937          |
| LIN Television Corporation,<br>6.5%, 5-15-13 (A) .....   | 75                                  | 71,063           |
| NTL Cable PLC,<br>8.75%, 4-15-14 .....   | 125                                 | 129,063          |
| Susquehanna Media Co.,<br>7.375%, 4-15-13 .....  | 250                                 | 260,938          |
|  |                                     | <u>1,497,251</u> |
| <b>Business Equipment and Services – 4.99%</b>   |                                     |                  |
| Ahern Rentals, Inc.,<br>9.25%, 8-15-13 (A) .....   | 125                                 | 127,812          |
| Alderwoods Group, Inc.,<br>7.75%, 9-15-12 .....  | 625                                 | 656,250          |
| Cardtronics, Inc.,<br>9.25%, 8-15-13 (A) .....   | 50                                  | 51,125           |

See Notes to Schedule of Investments on page 67.

# The Investments of Ivy High Income Fund

September 30, 2005

| CORPORATE DEBT SECURITIES (Continued)   | Principal<br>Amount in<br>Thousands | Value                   |
|---|-------------------------------------|-------------------------|
| <b>Business Equipment and Services (Continued)</b>  |                                     |                         |
| Carriage Services, Inc.,<br>7.875%, 1-15-15 .....   | \$ 250                              | \$ 258,750              |
| Iron Mountain Incorporated,<br>8.625%, 4-1-13 .....   | 300                                 | 314,250                 |
| Mac-Gray Corporation,<br>7.625%, 8-15-15 (A) .....  | 50                                  | 51,000                  |
| MagnaChip Semiconductor S.A. and MagnaChip<br>Semiconductor Finance Company:<br>7.12%, 12-15-11 ..... | 550                                 | 544,500                 |
| 8.0%, 12-15-14 .....  | 50                                  | 46,000                  |
| Owens & Minor, Inc.,<br>8.5%, 7-15-11 .....   | 250                                 | 265,625                 |
| Service Corporation International,<br>7.0%, 6-15-17 (A) .....   | 100                                 | 101,000                 |
| Syniverse Technologies, Inc.,<br>7.75%, 8-15-13 (A) .....   | 50                                  | 50,375                  |
| UCAR Finance Inc.,<br>10.25%, 2-15-12 .....   | 275                                 | 294,938                 |
| Vertis, Inc.:   |                                     |                         |
| 9.75%, 4-1-09 .....   | 25                                  | 25,813                  |
| 10.875%, 6-15-09 .....  | 500                                 | 491,250                 |
| 13.5%, 12-7-09 (A) .....  | 150                                 | 127,500                 |
|   |                                     | <b><u>3,406,188</u></b> |
| <b>Capital Equipment – 2.47%</b>  |                                     |                         |
| Case New Holland Inc.,<br>9.25%, 8-1-11 .....   | 400                                 | 423,000                 |
| Columbus McKinnon Corporation,<br>8.875%, 11-1-13 (A) .....   | 50                                  | 50,500                  |
| Dresser-Rand Group Inc.,<br>7.375%, 11-1-14 (A) .....   | 220                                 | 228,250                 |
| IMCO Recycling Inc.,<br>10.375%, 10-15-10 .....   | 75                                  | 82,687                  |
| Mueller Group, Inc.:  |                                     |                         |
| 8.44313%, 11-1-11 .....   | 100                                 | 102,000                 |
| 10.0%, 5-1-12 .....   | 275                                 | 291,500                 |
| Simmons Company,<br>0.0%, 12-15-14 (A)(B) .....   | 500                                 | 265,000                 |
| Standard Aero Holdings, Inc.,<br>8.25%, 9-1-14 .....  | 250                                 | 241,875                 |
|   |                                     | <b><u>1,684,812</u></b> |

See Notes to Schedule of Investments on page 67.



# The Investments of Ivy High Income Fund

September 30, 2005

| CORPORATE DEBT SECURITIES (Continued)  | Principal<br>Amount in<br>Thousands | Value            |
|--|-------------------------------------|------------------|
| <b>Chemicals – Petroleum and Inorganic – 1.37%</b>   |                                     |                  |
| Methanex Corporation,<br>6.0%, 8–15–15 .....   | \$ 150                              | \$ 146,417       |
| Resolution Performance Products LLC and<br>RPP Capital Corporation:<br>9.5%, 4–15–10 ..... | 250                                 | 258,125          |
| 13.5%, 11–15–10 .....  | 300                                 | 318,750          |
| UAP Holding Corp.,<br>0.0%, 7–15–12 (B) .....  | 250                                 | 212,500          |
|  |                                     | <u>935,792</u>   |
| <b>Chemicals – Specialty – 2.31%</b>   |                                     |                  |
| Compass Minerals International, Inc.:<br>0.0%, 12–15–12 (B) .....                          | 250                                 | 220,000          |
| 0.0%, 6–1–13 (B) .....   | 1,000                               | 835,000          |
| Ethyl Corporation,<br>8.875%, 5–1–10 .....   | 475                                 | 498,156          |
| PQ Corporation,<br>7.5%, 2–15–13 (A) .....   | 25                                  | 24,250           |
|  |                                     | <u>1,577,406</u> |
| <b>Coal – 2.25%</b>  |                                     |                  |
| Foundation PA Coal Company,<br>7.25%, 8–1–14 .....   | 710                                 | 740,175          |
| James River Coal Company,<br>9.375%, 6–1–12 .....  | 500                                 | 532,500          |
| Southern Star Central Corp.,<br>8.5%, 8–1–10 .....   | 250                                 | 268,125          |
|  |                                     | <u>1,540,800</u> |
| <b>Communications Equipment – 0.76%</b>  |                                     |                  |
| AirGate PCS, Inc.,<br>7.349%, 10–15–11 .....   | 250                                 | 257,500          |
| General Cable Corporation,<br>9.5%, 11–15–10 .....   | 250                                 | 263,125          |
|  |                                     | <u>520,625</u>   |
| <b>Computers – Main and Mini – 0.22%</b>   |                                     |                  |
| Unisys Corporation,<br>8.0%, 10–15–12 .....  | 150                                 | 147,375          |

See Notes to Schedule of Investments on page 67.

# The Investments of Ivy High Income Fund

September 30, 2005

| CORPORATE DEBT SECURITIES (Continued)                                      | Principal<br>Amount in<br>Thousands | Value            |
|--|-------------------------------------|------------------|
| <b>Computers – Peripherals – 1.16%</b>                                     |                                     |                  |
| ASG Consolidated LLC and ASG Finance, Inc.,<br>0.0%, 11–11 (B) .....       | \$ 625                              | \$ 478,125       |
| Activant Solutions Inc.:   |                                     |                  |
| 9.504%, 4–1–10 (A) .....   | 50                                  | 51,000           |
| 10.5%, 6–15–11 .....   | 250                                 | 261,250          |
|  |                                     | <u>790,375</u>   |
| <b>Construction Materials – 6.29%</b>                                      |                                     |                  |
| AMH Holdings, Inc.,<br>0.0%, 3–1–14 (B) .....                              | 475                                 | 237,500          |
| Associated Materials Incorporated,<br>9.750%, 4–15–12 .....                | 505                                 | 488,587          |
| Brand Services, Inc.,<br>12.0%, 10–15–12 .....                             | 100                                 | 106,000          |
| Builders FirstSource, Inc.,<br>8.04%, 2–15–12 (A) .....                    | 400                                 | 404,000          |
| Interface, Inc.:   |                                     |                  |
| 7.3%, 4–1–08 .....   | 250                                 | 250,000          |
| 10.375%, 2–1–10 .....  | 250                                 | 270,000          |
| 9.5%, 2–1–14 .....   | 250                                 | 250,000          |
| Jacuzzi Brands, Inc.,<br>9.625%, 7–1–10 .....                              | 500                                 | 530,000          |
| MAAX Corporation,<br>9.75%, 6–15–12 .....                                  | 500                                 | 435,000          |
| Norcraft Holdings, L.P. and Norcraft Capital Corp.,<br>9.0%, 11–1–11 ..... | 500                                 | 517,500          |
| Nortek, Inc.,<br>8.5%, 9–1–14 .....  | 350                                 | 322,000          |
| Ply Gem Industries, Inc.,<br>9.0%, 2–15–12 .....                           | 400                                 | 336,000          |
| Texas Industries, Inc.,<br>7.25%, 7–15–13 (A) .....                        | 25                                  | 26,000           |
| WII Components, Inc.,<br>10.0%, 2–15–12 .....                              | 125                                 | 123,125          |
|  |                                     | <u>4,295,712</u> |
| <b>Containers – 2.90%</b>  |                                     |                  |
| Alltrista Corporation,<br>9.75%, 5–1–12 .....                              | 250                                 | 266,250          |
| Constar International Inc.,<br>7.165%, 2–15–12 (A) .....                   | 100                                 | 92,750           |
| Crown European Holdings,<br>9.5%, 3–1–11 .....                             | 500                                 | 547,500          |

See Notes to Schedule of Investments on page 67.

# The Investments of Ivy High Income Fund

September 30, 2005

| CORPORATE DEBT SECURITIES (Continued)                        | Principal<br>Amount in<br>Thousands | Value            |
|--|-------------------------------------|------------------|
| <b>Containers (Continued)</b>                                |                                     |                  |
| Graham Packaging Company, L.P. and<br>GPC Capital Corp. I:   |                                     |                  |
| 8.5%, 10-15-12 .....   | \$ 50                               | \$ 49,750        |
| 9.875%, 10-15-14 .....                                       | 100                                 | 96,000           |
| MDP Acquisitions plc,  |                                     |                  |
| 9.625%, 10-1-12 .....  | 280                                 | 281,400          |
| Owens-Brockway Glass Container Inc.,                         |                                     |                  |
| 8.75%, 11-15-12 .....  | 520                                 | 561,600          |
| Stone Container Finance Company of Canada II,                |                                     |                  |
| 7.375%, 7-15-14 .....  | 100                                 | 89,000           |
|  |                                     | <u>1,984,250</u> |
| <b>Cosmetics and Toiletries – 0.37%</b>                      |                                     |                  |
| Chattem, Inc.,   |                                     |                  |
| 7.0%, 3-1-14 .....   | 250                                 | <u>253,750</u>   |
| <b>Defense – 0.54%</b>                                       |                                     |                  |
| Armor Holdings, Inc.,  |                                     |                  |
| 8.25%, 8-15-13 .....   | 250                                 | 269,375          |
| DRS Technologies, Inc.,                                      |                                     |                  |
| 6.875%, 11-1-13 .....  | 100                                 | 96,500           |
|  |                                     | <u>365,875</u>   |
| <b>Electrical Equipment – 0.48%</b>                          |                                     |                  |
| Coleman Cable Inc.,  |                                     |                  |
| 9.875%, 10-1-12 .....  | 250                                 | 220,312          |
| Rexnord Corporation,   |                                     |                  |
| 10.125%, 12-15-12 .....                                      | 100                                 | 109,500          |
|  |                                     | <u>329,812</u>   |
| <b>Finance Companies – 2.86%</b>                             |                                     |                  |
| Dollar Financial Group, Inc.:                                |                                     |                  |
| 9.75%, 11-15-11 .....  | 250                                 | 260,000          |
| 9.75%, 11-15-11 (A) .....                                    | 100                                 | 104,000          |
| Goodman Global Holdings, Inc.,                               |                                     |                  |
| 7.875%, 12-15-12 (A) .....                                   | 300                                 | 271,500          |
| Hanover Equipment Trust 2001B,                               |                                     |                  |
| 8.75%, 9-1-11 .....  | 150                                 | 159,375          |
| MSW Energy Holdings LLC and MSW Energy<br>Finance Co., Inc., |                                     |                  |
| 8.5%, 9-1-10 .....   | 100                                 | 107,250          |
| Norcraft Companies, L.P. and Norcraft Finance Corp.,         |                                     |                  |
| 0.0%, 9-1-12 (B) .....                                       | 500                                 | 350,000          |

See Notes to Schedule of Investments on page 67.

# The Investments of Ivy High Income Fund

September 30, 2005

| CORPORATE DEBT SECURITIES (Continued)  | Principal<br>Amount in<br>Thousands | Value            |
|--|-------------------------------------|------------------|
| <b>Finance Companies (Continued)</b>   |                                     |                  |
| PIH Acquisition Co.,<br>10.75%, 10-1-13 (A) .....  | \$ 175                              | \$ 172,813       |
| Vanguard Health Holding Company II, LLC and<br>Vanguard Holding Company II, Inc.,<br>9.0%, 10-1-14 ..... | 500                                 | 532,500          |
|  |                                     | <u>1,957,438</u> |
| <b>Food and Related – 3.65%</b>  |                                     |                  |
| American Seafoods Group LLC and American<br>Seafoods, Inc.,<br>10.125%, 4-15-10 .....                    | 425                                 | 454,750          |
| Doane Pet Care Company,<br>10.75%, 3-1-10 .....  | 500                                 | 545,000          |
| Merisant Company,<br>10.75%, 7-15-13 (A) .....   | 150                                 | 102,000          |
| Pierre Merger Corp.,<br>9.875%, 7-15-12 .....  | 500                                 | 515,000          |
| Pilgrim's Pride Corporation,<br>9.25%, 11-15-13 .....  | 150                                 | 165,000          |
| Pinnacle Foods Holding Corporation,<br>8.25%, 12-1-13 .....  | 750                                 | 708,750          |
|  |                                     | <u>2,490,500</u> |
| <b>Forest and Paper Products – 2.98%</b>   |                                     |                  |
| Buckeye Cellulose Corporation,<br>9.25%, 9-15-08 .....   | 94                                  | 94,000           |
| Buckeye Technologies Inc.:<br>8.0%, 10-15-10 .....   | 500                                 | 475,000          |
| 8.5%, 10-1-13 .....  | 250                                 | 253,750          |
| Cellu Tissue Holdings, Inc.,<br>9.75%, 3-15-10 .....   | 500                                 | 501,250          |
| Georgia-Pacific Corporation:<br>7.375%, 7-15-08 .....  | 200                                 | 209,500          |
| 8.875%, 2-1-10 .....   | 200                                 | 223,000          |
| 9.375%, 2-1-13 .....   | 100                                 | 111,500          |
| 8.0%, 1-15-24 .....  | 150                                 | 165,375          |
|  |                                     | <u>2,033,375</u> |
| <b>Health Care – Drugs – 0.25%</b>   |                                     |                  |
| AmerisourceBergen Corporation,<br>5.875%, 9-15-15 (A) .....  | 175                                 | 172,812          |

See Notes to Schedule of Investments on page 67.

# The Investments of Ivy High Income Fund

September 30, 2005

| CORPORATE DEBT SECURITIES (Continued)   | Principal<br>Amount in<br>Thousands | Value            |
|---|-------------------------------------|------------------|
| <b>Health Care – General – 2.38%</b>  |                                     |                  |
| Encore Medical IHC, Inc.,<br>9.75%, 10–1–12 .....   | \$ 750                              | \$ 746,250       |
| Eye Care Centers of America, Inc.,<br>10.75%, 2–15–15 (A) .....                                     | 400                                 | 376,000          |
| MQ Associates, Inc.,<br>0.0%, 8–15–12 (B) .....   | 625                                 | 396,875          |
| Medical Device Manufacturing, Inc.,<br>10.0%, 7–15–12 .....   | 100                                 | 108,500          |
|   |                                     | <u>1,627,625</u> |
| <b>Homebuilders, Mobile Homes – 1.10%</b>   |                                     |                  |
| Meritage Corporation,<br>7.0%, 5–1–14 .....   | 200                                 | 192,500          |
| Standard Pacific Corp.:<br>6.5%, 8–15–10 .....  | 150                                 | 145,125          |
| 7.0%, 8–15–15 .....   | 50                                  | 47,750           |
| Technical Olympic USA, Inc.:<br>7.5%, 3–15–11 .....   | 150                                 | 140,625          |
| 7.5%, 1–15–15 .....   | 250                                 | 226,250          |
|   |                                     | <u>752,250</u>   |
| <b>Hospital Supply and Management – 5.23%</b>   |                                     |                  |
| EGL Acquisition Corp.,<br>7.625%, 2–1–15 .....  | 200                                 | 191,500          |
| Psychiatric Solutions, Inc.:<br>10.625%, 6–15–13 .....  | 516                                 | 588,240          |
| 7.75%, 7–15–15 (A) .....  | 525                                 | 542,063          |
| Rural/Metro Corporation,<br>0.0%, 3–15–16 (A)(B) .....  | 500                                 | 310,000          |
| Rural/Metro Operating Company, LLC and<br>Rural/Metro (Delaware) Inc.,<br>9.875%, 3–15–15 (A) ..... | 300                                 | 319,500          |
| Triad Hospitals, Inc.,<br>7.0%, 11–15–13 .....  | 250                                 | 253,125          |
| US Oncology Holdings, Inc.,<br>9.26375%, 3–15–15 (A) .....  | 700                                 | 689,500          |
| US Oncology, Inc.,<br>9.0%, 8–15–12 .....   | 500                                 | 540,000          |
| United Surgical Partners Holdings, Inc.,<br>10.0%, 12–15–11 .....                                   | 125                                 | 136,250          |
|   |                                     | <u>3,570,178</u> |

See Notes to Schedule of Investments on page 67.

# The Investments of Ivy High Income Fund

September 30, 2005

| CORPORATE DEBT SECURITIES (Continued)                                 | Principal<br>Amount in<br>Thousands | Value            |
|---|-------------------------------------|------------------|
| <b>Hotels and Gaming – 3.68%</b>                                      |                                     |                  |
| Inn of the Mountain Gods Resort and Casino,<br>12.0%, 11–15–10 .....  | \$ 750                              | \$ 847,500       |
| MGM MIRAGE:   |                                     |                  |
| 8.5%, 9–15–10 .....   | 250                                 | 271,875          |
| 8.375%, 2–1–11 .....  | 500                                 | 537,500          |
| Pinnacle Entertainment, Inc.,<br>8.25%, 3–15–12 .....                 | 500                                 | 500,000          |
| Station Casinos, Inc.,<br>6.875%, 3–1–16 .....                        | 250                                 | 253,438          |
| Turning Stone Casino Resort Enterprise,<br>9.125%, 12–15–10 (A) ..... | 100                                 | 104,000          |
|   |                                     | <u>2,514,313</u> |
| <b>Household – General Products – 0.37%</b>                           |                                     |                  |
| Sealy Mattress Company,<br>8.25%, 6–15–14 .....                       | 250                                 | <u>251,250</u>   |
| <b>Leisure Time Industry – 0.40%</b>                                  |                                     |                  |
| Royal Caribbean Cruises Ltd.,<br>8.0%, 5–15–10 .....                  | 250                                 | <u>270,625</u>   |
| <b>Motion Pictures – 3.70%</b>  |                                     |                  |
| AMC Entertainment Inc.,<br>8.0%, 3–1–14 .....                         | 300                                 | 264,000          |
| Carmike Cinemas, Inc.,<br>7.5%, 2–15–14 .....                         | 500                                 | 433,750          |
| Cinemark, Inc.,<br>0.0%, 3–15–14 (B) .....                            | 900                                 | 630,000          |
| Cinemark USA, Inc.,<br>9.0%, 2–1–13 .....                             | 100                                 | 103,250          |
| LCE Acquisition Corporation,<br>9.0%, 8–1–14 .....                    | 1,125                               | 1,094,062        |
|   |                                     | <u>2,525,062</u> |
| <b>Motor Vehicle Parts – 0.65%</b>                                    |                                     |                  |
| Tenneco Automotive Inc.,<br>10.25%, 7–15–13 .....                     | 400                                 | <u>447,000</u>   |

See Notes to Schedule of Investments on page 67.

# The Investments of Ivy High Income Fund

September 30, 2005

| CORPORATE DEBT SECURITIES (Continued)  | Principal<br>Amount in<br>Thousands | Value            |
|--|-------------------------------------|------------------|
| <b>Motor Vehicles – 2.19%</b>  |                                     |                  |
| AutoNation, Inc.,<br>9.0%, 8–1–08 . . . . .  | \$ 250                              | \$ 270,000       |
| Group 1 Automotive, Inc.,<br>8.25%, 8–15–13 . . . . .  | 125                                 | 122,500          |
| Sonic Automotive, Inc.,<br>8.625%, 8–15–13 . . . . .   | 750                                 | 742,500          |
| United Auto Group, Inc.,<br>9.625%, 3–15–12 . . . . .  | 350                                 | 364,000          |
|  |                                     | <u>1,499,000</u> |
| <b>Multiple Industry – 2.01%</b>   |                                     |                  |
| AMR HoldCo, Inc. and EmCare HoldCo, Inc.,<br>10.0%, 2–15–15 (A) . . . . .                              | 50                                  | 54,000           |
| CBD Media Holdings LLC and CBD Holdings<br>Finance, Inc.,<br>9.25%, 7–15–12 . . . . .                  | 200                                 | 203,500          |
| CBD Media LLC and CBD Finance, Inc.,<br>8.625%, 6–1–11 . . . . .                                       | 300                                 | 309,750          |
| Commercial Vehicle Group, Inc.,<br>8.0%, 7–1–13 (A) . . . . .  | 50                                  | 50,250           |
| IWO Escrow Company:<br>7.349%, 1–15–12 . . . . .   | 50                                  | 52,000           |
| 0.0%, 1–15–15 (B) . . . . .  | 250                                 | 175,625          |
| K&F Acquisition, Inc.,<br>7.75%, 11–15–14 . . . . .  | 100                                 | 101,000          |
| Stanley-Martin Communities, LLC and<br>Stanley-Martin Financing Corp.,<br>9.75%, 8–15–15 (A) . . . . . | 300                                 | 293,250          |
| Tyco International Group S.A., Convertible,<br>3.125%, 1–15–23 (A) . . . . .                           | 100                                 | 132,375          |
|  |                                     | <u>1,371,750</u> |
| <b>Petroleum – Domestic – 3.22%</b>  |                                     |                  |
| Clayton Williams Energy, Inc.,<br>7.75%, 8–1–13 (A) . . . . .  | 125                                 | 122,188          |
| Coastal Corporation (The),<br>9.625%, 5–15–12 . . . . .  | 665                                 | 734,825          |
| Delta Petroleum Corporation,<br>7.0%, 4–1–15 . . . . .   | 50                                  | 47,750           |
| EXCO Resources, Inc.,<br>7.25%, 1–15–11 . . . . .  | 350                                 | 362,250          |

See Notes to Schedule of Investments on page 67.

# The Investments of Ivy High Income Fund

September 30, 2005

| CORPORATE DEBT SECURITIES (Continued)                                | Principal<br>Amount in<br>Thousands | Value            |
|--|-------------------------------------|------------------|
| <b>Petroleum – Domestic (Continued)</b>                              |                                     |                  |
| Frontier Oil Corporation,<br>6.625%, 10–1–11 .....                   | \$ 300                              | \$ 309,375       |
| KCS Energy, Inc.,<br>7.125%, 4–1–12 .....                            | 100                                 | 102,500          |
| Stone Energy Corporation,<br>6.75%, 12–15–14 .....                   | 125                                 | 122,813          |
| Swift Energy Company,<br>9.375%, 5–1–12 .....                        | 250                                 | 270,000          |
| Whiting Petroleum Corporation,<br>7.25%, 5–1–12 .....                | 125                                 | 127,188          |
|  |                                     | <u>2,198,889</u> |
| <b>Petroleum – International – 1.15%</b>                             |                                     |                  |
| Forest Oil Corporation,<br>8.0%, 6–15–08 .....                       | 250                                 | 265,312          |
| Inergy, L.P. and Inergy Finance Corp.,<br>6.875%, 12–15–14 (A) ..... | 400                                 | 382,000          |
| Newfield Exploration Company,<br>7.625%, 3–1–11 .....                | 125                                 | 135,313          |
|  |                                     | <u>782,625</u>   |
| <b>Petroleum – Services – 2.66%</b>                                  |                                     |                  |
| Grant Prideco, Inc.,<br>6.125%, 8–15–15 (A) .....                    | 50                                  | 50,500           |
| Hanover Compressor Company:<br>0.0%, 3–31–07 .....                   | 375                                 | 337,500          |
| 8.625%, 12–15–10 .....   | 650                                 | 700,375          |
| 9.0%, 6–1–14 .....   | 100                                 | 111,125          |
| Pemex Project Funding Master Trust,<br>7.375%, 12–15–14 .....        | 300                                 | 333,000          |
| R&B Falcon Corporation,<br>9.5%, 12–15–08 .....                      | 250                                 | 284,047          |
|  |                                     | <u>1,816,547</u> |
| <b>Publishing – 0.48%</b>  |                                     |                  |
| Dex Media West LLC and Dex Media West<br>Finance Co.:                |                                     |                  |
| 8.5%, 8–15–10 .....  | 100                                 | 105,750          |
| 9.875%, 8–15–13 .....  | 200                                 | 220,750          |
|  |                                     | <u>326,500</u>   |
| <b>Railroad – 1.17%</b>  |                                     |                  |
| Kansas City Southern Railway Company (The),<br>7.5%, 6–15–09 .....   | 375                                 | 392,813          |
| TFM, S.A. de C.V.,<br>9.375%, 5–1–12 (A) .....                       | 375                                 | 405,000          |
|  |                                     | <u>797,813</u>   |

See Notes to Schedule of Investments on page 67.



# The Investments of Ivy High Income Fund

September 30, 2005

| CORPORATE DEBT SECURITIES (Continued)                                     | Principal<br>Amount in<br>Thousands | Value            |
|---|-------------------------------------|------------------|
| <b>Real Estate Investment Trust – 0.76%</b>                               |                                     |                  |
| Host Marriott, L.P.:  |                                     |                  |
| 9.25%, 10–1–07 .....  | \$ 250                              | \$ 263,437       |
| 7.125%, 11–1–13 .....   | 250                                 | 255,313          |
|   |                                     | <u>518,750</u>   |
| <b>Restaurants – 0.07%</b>  |                                     |                  |
| Carrols Corporation,  |                                     |                  |
| 9.0%, 1–15–13 (A) .....   | 50                                  | <u>50,750</u>    |
| <b>Retail – Food Stores – 1.82%</b>                                       |                                     |                  |
| Couche-Tard U.S. L.P. and Couche-Tard<br>Financing Corp.,                 |                                     |                  |
| 7.5%, 12–15–13 .....  | 150                                 | 154,500          |
| Domino's Inc.,  |                                     |                  |
| 8.25%, 7–1–11 .....   | 110                                 | 115,500          |
| Roundy's, Inc.,   |                                     |                  |
| 8.875%, 6–15–12 .....   | 300                                 | 331,500          |
| Stater Bros. Holdings Inc.:   |                                     |                  |
| 7.37%, 6–15–10 .....  | 150                                 | 147,750          |
| 8.125%, 6–15–12 .....   | 500                                 | 493,750          |
|   |                                     | <u>1,243,000</u> |
| <b>Retail – Specialty Stores – 3.97%</b>                                  |                                     |                  |
| CSK Auto, Inc.,   |                                     |                  |
| 7.0%, 1–15–14 .....   | 500                                 | 467,500          |
| FTD, Inc.,  |                                     |                  |
| 7.75%, 2–15–14 .....  | 291                                 | 291,727          |
| Jean Coutu Group (PJC) Inc. (The),  |                                     |                  |
| 8.5%, 8–1–14 .....  | 500                                 | 497,500          |
| Jo-Ann Stores, Inc.,  |                                     |                  |
| 7.5%, 3–1–12 .....  | 500                                 | 471,250          |
| Nebraska Book Company, Inc.,  |                                     |                  |
| 8.625%, 3–15–12 .....   | 1,050                               | 987,000          |
|   |                                     | <u>2,714,977</u> |
| <b>Security and Commodity Brokers – 1.02%</b>                             |                                     |                  |
| Global Cash Access, L.L.C. and Global Cash<br>Access Finance Corporation, |                                     |                  |
| 8.75%, 3–15–12 .....  | 650                                 | <u>698,750</u>   |
| <b>Utilities – Electric – 0.80%</b>                                       |                                     |                  |
| DPL Inc.,   |                                     |                  |
| 8.25%, 3–1–07 .....   | 185                                 | 194,250          |
| Sierra Pacific Resources,   |                                     |                  |
| 6.75%, 8–15–17 (A) .....  | 150                                 | 150,375          |

See Notes to Schedule of Investments on page 67.

# The Investments of Ivy High Income Fund

September 30, 2005

| CORPORATE DEBT SECURITIES (Continued)   | Principal<br>Amount in<br>Thousands | Value            |
|---|-------------------------------------|------------------|
| <b>Utilities – Electric (Continued)</b>   |                                     |                  |
| Tenaska Alabama Partners, L.P.,<br>7.0%, 6–30–21 (A) .....  | \$ 150                              | \$ 151,877       |
| Texas Genco LLC and Texas Genco Financing Corp.,<br>6.875%, 12–15–14 (A) .....  | 50                                  | 50,875           |
|   |                                     | <u>547,377</u>   |
| <b>Utilities – Gas and Pipeline – 1.89%</b>   |                                     |                  |
| ANR Pipeline Company,<br>8.875%, 3–15–10 .....  | 100                                 | 108,091          |
| Northwest Pipeline Corporation,<br>8.125%, 3–1–10 .....   | 450                                 | 480,375          |
| Williams Companies, Inc. (The):<br>8.125%, 3–15–12 .....  | 250                                 | 273,125          |
| 7.75%, 6–15–31 .....  | 400                                 | 433,000          |
|   |                                     | <u>1,294,591</u> |
| <b>Utilities – Telephone – 7.51%</b>  |                                     |                  |
| Alamosa (Delaware), Inc.:<br>12.0%, 7–31–09 .....   | 500                                 | 553,750          |
| 8.5%, 1–31–12 .....   | 175                                 | 186,812          |
| American Tower Corporation,<br>7.5%, 5–1–12 .....   | 250                                 | 265,000          |
| American Towers, Inc.,<br>7.25%, 12–1–11 .....  | 250                                 | 265,625          |
| Centennial Cellular Corp. and Centennial<br>Cellular Operating Co. LLC,<br>10.75%, 12–15–08 .....   | 121                                 | 124,327          |
| Centennial Communications Corp., Centennial<br>Cellular Operating Co. LLC and Centennial<br>Puerto Rico Operations Corp.,<br>8.125%, 2–1–14 ..... | 100                                 | 105,750          |
| LCI International, Inc.,<br>7.25%, 6–15–07 .....  | 250                                 | 243,750          |
| MCI, Inc.,<br>6.908%, 5–1–07 .....  | 503                                 | 506,772          |
| Nextel Communications, Inc.:<br>5.95%, 3–15–14 .....  | 300                                 | 307,100          |
| 7.375%, 8–1–15 .....  | 500                                 | 535,283          |
| Nextel Partners, Inc.,<br>8.125%, 7–1–11 .....  | 400                                 | 432,000          |
| Qwest Capital Funding, Inc.,<br>7.75%, 8–15–06 .....  | 250                                 | 252,500          |

See Notes to Schedule of Investments on page 67.

# The Investments of Ivy High Income Fund

September 30, 2005

| CORPORATE DEBT SECURITIES (Continued)                                | Principal<br>Amount in<br>Thousands | Value               |
|--|-------------------------------------|---------------------|
| <b>Utilities – Telephone (Continued)</b>                             |                                     |                     |
| SBA Communications Corporation,<br>8.5%, 12–1–12 .....               | \$ 350                              | \$ 380,625          |
| US Unwired Inc.,<br>10.0%, 6–15–12 .....                             | 750                                 | 862,500             |
| Ubiquitel Operating Company,<br>9.875%, 3–1–11 .....                 | 100                                 | 111,000             |
|  |                                     | <u>5,132,794</u>    |
| <b>TOTAL CORPORATE DEBT SECURITIES – 90.40%</b>                      |                                     | <b>\$61,752,689</b> |
| (Cost: \$60,938,711)   |                                     |                     |
| <b>SHORT-TERM SECURITIES</b>   |                                     |                     |
| <b>Food and Related – 2.19%</b>                                      |                                     |                     |
| Heinz (H.J.) Finance Co. (Heinz (H.J.) Co.),<br>3.9%, 10–19–05 ..... | 1,500                               | <u>1,497,075</u>    |
| <b>Retail – Food Stores – 3.62%</b>                                  |                                     |                     |
| Kroger Co. (The),<br>3.98%, 10–3–05 .....                            | 2,469                               | <u>2,468,454</u>    |
| <b>TOTAL SHORT-TERM SECURITIES – 5.81%</b>                           |                                     | <b>\$ 3,965,529</b> |
| (Cost: \$3,965,529)  |                                     |                     |
| <b>TOTAL INVESTMENT SECURITIES – 97.84%</b>                          |                                     | <b>\$66,835,706</b> |
| (Cost: \$66,168,854)   |                                     |                     |
| <b>CASH AND OTHER ASSETS, NET OF LIABILITIES – 2.16%</b>             |                                     | <b>1,476,317</b>    |
| <b>NET ASSETS – 100.00%</b>  |                                     | <b>\$68,312,023</b> |

## Notes to Schedule of Investments

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

(A) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At September 30, 2005, the total value of these securities amounted to \$7,182,503 or 10.51% of net assets.

(B) The security does not bear interest for an initial period of time and subsequently becomes interest bearing.

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

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

# Statement of Assets and Liabilities

## IVY HIGH INCOME FUND

September 30, 2005

(In Thousands, Except for Per Share Amounts)

### ASSETS

|  |               |
|--|---------------|
| Investment securities – at value (cost – \$66,169) (Notes 1 and 3) . . . . . | \$ 66,836     |
| Receivables:   |               |
| Dividends and interest . . . . .   | 1,152         |
| Fund shares sold . . . . .   | 470           |
| Investment securities sold . . . . .   | 219           |
| Prepaid and other assets . . . . .   | 32            |
| Total assets . . . . .   | <u>68,709</u> |

### LIABILITIES

|  |                 |
|--|-----------------|
| Payable for investment securities purchased . . . . .    | 137             |
| Payable to Fund shareholders . . . . .                   | 127             |
| Due to custodian . . . . .                               | 48              |
| Dividends payable . . . . .                              | 37              |
| Accrued shareholder servicing (Note 2) . . . . .         | 24              |
| Accrued accounting services fee (Note 2) . . . . .       | 4               |
| Accrued distribution and service fees (Note 2) . . . . . | 1               |
| Accrued management fee (Note 2) . . . . .                | 1               |
| Other . . . . .  | 18              |
| Total liabilities . . . . .                              | <u>397</u>      |
| Total net assets . . . . .                               | <u>\$68,312</u> |

### NET ASSETS

|   |                 |
|---|-----------------|
| \$0.01 par value capital stock:                                       |                 |
| Capital stock . . . . .   | \$ 79           |
| Additional paid-in capital . . . . .                                  | 71,660          |
| Accumulated undistributed income (loss):                              |                 |
| Accumulated undistributed net realized loss                           |                 |
| on investment transactions . . . . .                                  | (4,094)         |
| Net unrealized appreciation in value of investments . . . . .         | 667             |
| Net assets applicable to outstanding units of capital . . . . .       | <u>\$68,312</u> |
| Net asset value per share (net assets divided by shares outstanding): |                 |
| Class A . . . . .   | \$8.61          |
| Class B . . . . .   | \$8.61          |
| Class C . . . . .   | \$8.61          |
| Class Y . . . . .   | \$8.61          |
| Capital shares outstanding:   |                 |
| Class A . . . . .   | 3,983           |
| Class B . . . . .   | 657             |
| Class C . . . . .   | 2,190           |
| Class Y . . . . .   | 1,101           |
| Capital shares authorized . . . . .                                   | 200,000         |

See Notes to Financial Statements.

# Statement of Operations

## IVY HIGH INCOME FUND

For the Six Months Ended September 30, 2005

(In Thousands)

### INVESTMENT INCOME

|                                 |              |
|---------------------------------|--------------|
| Income (Note 1B):               |              |
| Interest and amortization ..... | \$2,735      |
| Dividends .....                 | 3            |
| Total income .....              | <u>2,738</u> |
| Expenses (Note 2):              |              |
| Investment management fee ..... | 211          |
| Shareholder servicing:          |              |
| Class A .....                   | 53           |
| Class B .....                   | 13           |
| Class C .....                   | 34           |
| Class Y .....                   | 7            |
| Distribution fee:               |              |
| Class A .....                   | 5            |
| Class B .....                   | 20           |
| Class C .....                   | 76           |
| Service fee:                    |              |
| Class A .....                   | 36           |
| Class B .....                   | 7            |
| Class C .....                   | 25           |
| Class Y .....                   | 12           |
| Accounting services fee .....   | 23           |
| Audit fees .....                | 10           |
| Custodian fees .....            | 5            |
| Other .....                     | 45           |
| Total expenses .....            | <u>582</u>   |
| Net investment income .....     | <u>2,156</u> |

### REALIZED AND UNREALIZED GAIN

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

|   |                |
|---|----------------|
| Realized net loss on investments .....                                  | (64)           |
| Unrealized depreciation in value of investments during the period ..... | (523)          |
| Net loss on investments .....   | <u>(587)</u>   |
| Net increase in net assets resulting from operations .....              | <u>\$1,569</u> |

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY HIGH INCOME FUND

(In Thousands)

|  | For the six<br>months ended<br>September 30,<br>2005 | For the fiscal<br>year ended<br>March 31,<br>2005 |
|--|--|---|
| <b>INCREASE IN NET ASSETS</b>                                    |  |   |
| Operations:  |  |   |
| Net investment income . . . . .                                  | \$ 2,156   | \$ 3,697  |
| Realized net gain (loss) on investments . . . . .                | (64)   | 576   |
| Unrealized depreciation. . . . .                                 | (523)  | (1,808)   |
| Net increase in net assets resulting<br>from operations. . . . . | 1,569  | 2,465   |
| Distributions to shareholders from (Note 1F):(1)                 |  |   |
| Net investment income:   |  |   |
| Class A . . . . .  | (1,085)  | (1,535)   |
| Class B . . . . .  | (155)  | (243)   |
| Class C . . . . .  | (597)  | (1,278)   |
| Class Y . . . . .  | (319)  | (649)   |
| Realized gains on investment transactions:                       |  |   |
| Class A . . . . .  | (—)  | (—)   |
| Class B . . . . .  | (—)  | (—)   |
| Class C . . . . .  | (—)  | (—)   |
| Class Y . . . . .  | (—)  | (—)   |
|  | (2,156)  | (3,705)   |
| Capital share transactions (Note 5) . . . . .                    | 814  | 15,117  |
| Total increase . . . . .   | 227  | 13,877  |
| <b>NET ASSETS</b>  |  |   |
| Beginning of period. . . . .                                     | 68,085   | 54,208  |
| End of period. . . . .   | \$68,312   | \$68,085  |
| Undistributed net investment income . . . . .                    | \$ —   | \$ —  |

(1) See "Financial Highlights" on pages 71 - 74.

# Financial Highlights

## IVY HIGH INCOME FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|  | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |                  |         |         | For the<br>period from<br>7-3-00 <sup>(1)</sup><br>to<br>3-31-01 |
|--|---|-------------------------------------|------------------|---------|---------|--|
|  |   | 2005                                | 2004             | 2003    | 2002    |  |
| Net asset value,<br>beginning of period . . . . .  | \$8.69                                    | \$8.85                              | \$8.07           | \$8.48  | \$8.54  | \$9.04   |
| Income (loss) from<br>investment operations:   |   |                                     |                  |         |         |  |
| Net investment income . . . . .  | 0.29                                      | 0.57                                | 0.56             | 0.64    | 0.74    | 0.58   |
| Net realized and unrealized<br>gain (loss) on<br>investments . . . . .                                     | (0.08)                                    | (0.16)                              | 0.78             | (0.41)  | (0.06)  | (0.50)   |
| Total from investment<br>operations . . . . .  | 0.21                                      | 0.41                                | 1.34             | 0.23    | 0.68    | 0.08   |
| Less distributions from:   |   |                                     |                  |         |         |  |
| Net investment income . . . . .  | (0.29)                                    | (0.57)                              | (0.56)           | (0.64)  | (0.74)  | (0.58)   |
| Capital gains . . . . .  | (0.00)                                    | (0.00)                              | (0.00)           | (0.00)  | (0.00)  | (0.00)   |
| Total distributions . . . . .  | (0.29)                                    | (0.57)                              | (0.56)           | (0.64)  | (0.74)  | (0.58)   |
| Net asset value,<br>end of period . . . . .  | \$8.61                                    | \$8.69                              | \$8.85           | \$8.07  | \$8.48  | \$8.54   |
| Total return <sup>(2)</sup> . . . . .  | 2.45%                                     | 4.69%                               | 17.24%           | 3.02%   | 8.46%   | 0.90%  |
| Net assets, end of period<br>(in thousands) . . . . .  | \$34,308                                  | \$31,633                            | \$18,036         | \$6,269 | \$1,895 | \$442  |
| Ratio of expenses to average<br>net assets including<br>voluntary expense waiver . . .                     | 1.44% <sup>(3)</sup>                      | 1.44%                               | 1.39%            | 0.91%   | 0.84%   | 1.05% <sup>(3)</sup>   |
| Ratio of net investment<br>income to average net<br>assets including voluntary<br>expense waiver . . . . . | 6.65% <sup>(3)</sup>                      | 6.43%                               | 6.62%            | 7.83%   | 9.00%   | 9.01% <sup>(3)</sup>   |
| Ratio of expenses to average<br>net assets excluding<br>voluntary expense waiver . . .                     | — <sup>(4)</sup>                          | — <sup>(4)</sup>                    | — <sup>(4)</sup> | 1.44%   | 1.14%   | 1.42% <sup>(3)</sup>   |
| Ratio of net investment<br>income to average net<br>assets excluding voluntary<br>expense waiver . . . . . | — <sup>(4)</sup>                          | — <sup>(4)</sup>                    | — <sup>(4)</sup> | 7.30%   | 8.70%   | 8.64% <sup>(3)</sup>   |
| Portfolio turnover rate . . . . .  | 17%                                       | 54%                                 | 78%              | 52%     | 82%     | 115% <sup>(5)</sup>  |

(1) Commencement of operations of the class.

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

(3) Annualized.

(4) Because the Fund's net assets exceeded \$25 million, there was no waiver of expenses. Therefore, no ratio is provided.

(5) For the fiscal year ended March 31, 2001.

See Notes to Financial Statements.

# Financial Highlights

## IVY HIGH INCOME FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|  | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |                  |        |        | For the<br>period from<br>7-18-00 <sup>(1)</sup><br>to<br>3-31-01 |
|--|---|-------------------------------------|------------------|--------|--------|---|
|  |   | 2005                                | 2004             | 2003   | 2002   |   |
| Net asset value,<br>beginning of period . . . . .  | \$8.69                                    | \$8.85                              | \$8.07           | \$8.48 | \$8.54 | \$9.03  |
| Income (loss) from<br>investment operations:   |   |                                     |                  |        |        |   |
| Net investment income . . . . .  | 0.25                                      | 0.49                                | 0.50             | 0.56   | 0.68   | 0.48  |
| Net realized and<br>unrealized gain (loss)<br>on investments . . . . .                                     | (0.08)                                    | (0.16)                              | 0.78             | (0.41) | (0.06) | (0.49)  |
| Total from investment<br>operations . . . . .  | 0.17                                      | 0.33                                | 1.28             | 0.15   | 0.62   | (0.01)  |
| Less distributions from:   |   |                                     |                  |        |        |   |
| Net investment income . . . . .  | (0.25)                                    | (0.49)                              | (0.50)           | (0.56) | (0.68) | (0.48)  |
| Capital gains . . . . .  | (0.00)                                    | (0.00)                              | (0.00)           | (0.00) | (0.00) | (0.00)  |
| Total distributions . . . . .  | (0.25)                                    | (0.49)                              | (0.50)           | (0.56) | (0.68) | (0.48)  |
| Net asset value,<br>end of period . . . . .  | \$8.61                                    | \$8.69                              | \$8.85           | \$8.07 | \$8.48 | \$8.54  |
| Total return . . . . .   | 1.99%                                     | 3.80%                               | 16.22%           | 2.06%  | 7.64%  | 0.09%   |
| Net assets, end of period<br>(in millions) . . . . .   | \$6                                       | \$5                                 | \$4              | \$2    | \$1    | \$1   |
| Ratio of expenses to average<br>net assets including<br>voluntary expense waiver . . .                     | 2.34% <sup>(2)</sup>                      | 2.31%                               | 2.28%            | 1.84%  | 1.74%  | 1.85% <sup>(2)</sup>  |
| Ratio of net investment<br>income to average net<br>assets including voluntary<br>expense waiver . . . . . | 5.76% <sup>(2)</sup>                      | 5.56%                               | 5.78%            | 6.90%  | 8.09%  | 8.30% <sup>(2)</sup>  |
| Ratio of expenses to average<br>net assets excluding<br>voluntary expense waiver . . .                     | — <sup>(3)</sup>                          | — <sup>(3)</sup>                    | — <sup>(3)</sup> | 2.37%  | 2.36%  | 2.50% <sup>(2)</sup>  |
| Ratio of net investment<br>income to average net<br>assets excluding voluntary<br>expense waiver . . . . . | — <sup>(3)</sup>                          | — <sup>(3)</sup>                    | — <sup>(3)</sup> | 6.37%  | 7.47%  | 7.65% <sup>(2)</sup>  |
| Portfolio turnover rate . . . . .  | 17%                                       | 54%                                 | 78%              | 52%    | 82%    | 115% <sup>(4)</sup>   |

(1) Commencement of operations of the class.

(2) Annualized.

(3) Because the Fund's net assets exceeded \$25 million, there was no waiver of expenses. Therefore, no ratio is provided.

(4) For the fiscal year ended March 31, 2001.

See Notes to Financial Statements.



# Financial Highlights

## IVY HIGH INCOME FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|  | For the              | For the fiscal year ended March 31, |                  |               |               |               |
|--|----------------------|-------------------------------------|------------------|---------------|---------------|---------------|
|  | six months<br>ended  | 2005                                | 2004             | 2003          | 2002          | 2001          |
|  | 9-30-05              |                                     |                  |               |               |               |
| Net asset value,<br>beginning of period . . . . .  | \$8.69               | \$8.85                              | \$8.07           | \$8.48        | \$8.54        | \$9.27        |
| Income (loss) from<br>investment operations:   |                      |                                     |                  |               |               |               |
| Net investment income . . . . .  | 0.26                 | 0.50                                | 0.50             | 0.57          | 0.68          | 0.73          |
| Net realized and<br>unrealized gain (loss)<br>on investments . . . . .                                     | (0.08)               | (0.16)                              | 0.78             | (0.41)        | (0.06)        | (0.73)        |
| Total from investment<br>operations . . . . .  | 0.18                 | 0.34                                | 1.28             | 0.16          | 0.62          | 0.00          |
| Less distributions from:   |                      |                                     |                  |               |               |               |
| Net investment income . . . . .  | (0.26)               | (0.50)                              | (0.50)           | (0.57)        | (0.68)        | (0.73)        |
| Capital gains . . . . .  | (0.00)               | (0.00)                              | (0.00)           | (0.00)        | (0.00)        | (0.00)        |
| Total distributions . . . . .  | (0.26)               | (0.50)                              | (0.50)           | (0.57)        | (0.68)        | (0.73)        |
| Net asset value,<br>end of period . . . . .  | <u>\$8.61</u>        | <u>\$8.69</u>                       | <u>\$8.85</u>    | <u>\$8.07</u> | <u>\$8.48</u> | <u>\$8.54</u> |
| Total return . . . . .   | 2.05%                | 3.90%                               | 16.30%           | 2.15%         | 7.58%         | 0.18%         |
| Net assets, end of period<br>(in millions) . . . . .   | \$19                 | \$22                                | \$23             | \$18          | \$17          | \$19          |
| Ratio of expenses to average<br>net assets including<br>voluntary expense waiver . . .                     | 2.21% <sup>(1)</sup> | 2.20%                               | 2.21%            | 1.74%         | 1.82%         | 1.78%         |
| Ratio of net investment<br>income to average net<br>assets including voluntary<br>expense waiver . . . . . | 5.89% <sup>(1)</sup> | 5.67%                               | 5.89%            | 7.05%         | 8.01%         | 8.38%         |
| Ratio of expenses to average<br>net assets excluding voluntary<br>expense waiver . . . . .                 | — <sup>(2)</sup>     | — <sup>(2)</sup>                    | — <sup>(2)</sup> | 2.27%         | 2.46%         | 2.41%         |
| Ratio of net investment<br>income to average net<br>assets excluding voluntary<br>expense waiver . . . . . | — <sup>(2)</sup>     | — <sup>(2)</sup>                    | — <sup>(2)</sup> | 6.52%         | 7.36%         | 7.75%         |
| Portfolio turnover rate . . . . .  | 17%                  | 54%                                 | 78%              | 52%           | 82%           | 115%          |

(1) Annualized.

(2) Because the Fund's net assets exceeded \$25 million, there was no waiver of expenses. Therefore, no ratio is provided.

See Notes to Financial Statements.

# Financial Highlights

## IVY HIGH INCOME FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|  | For the                        | For the fiscal year ended March 31, |                  |         |        |        |
|--|--------------------------------|-------------------------------------|------------------|---------|--------|--------|
|  | six months<br>ended<br>9-30-05 | 2005                                | 2004             | 2003    | 2002   | 2001   |
| Net asset value,<br>beginning of period . . . . .  | \$8.69                         | \$8.85                              | \$8.07           | \$8.48  | \$8.54 | \$9.27 |
| Income (loss) from<br>investment operations:   |                                |                                     |                  |         |        |        |
| Net investment income . . . . .  | 0.30                           | 0.58                                | 0.58             | 0.64    | 0.75   | 0.78   |
| Net realized and<br>unrealized gain (loss)<br>on investments. . . . .                                      | (0.08)                         | (0.16)                              | 0.78             | (0.41)  | (0.06) | (0.73) |
| Total from<br>investment operations. . . . .   | 0.22                           | 0.42                                | 1.36             | 0.23    | 0.69   | 0.05   |
| Less distributions from:   |                                |                                     |                  |         |        |        |
| Net investment income . . . . .  | (0.30)                         | (0.58)                              | (0.58)           | (0.64)  | (0.75) | (0.78) |
| Capital gains . . . . .  | (0.00)                         | (0.00)                              | (0.00)           | (0.00)  | (0.00) | (0.00) |
| Total distributions . . . . .  | (0.30)                         | (0.58)                              | (0.58)           | (0.64)  | (0.75) | (0.78) |
| Net asset value,<br>end of period . . . . .  | \$8.61                         | \$8.69                              | \$8.85           | \$8.07  | \$8.48 | \$8.54 |
| Total return . . . . .   | 2.54%                          | 4.83%                               | 17.36%           | 3.03%   | 8.50%  | 0.79%  |
| Net assets, end of period<br>(in thousands). . . . .   | \$9,485                        | \$9,268                             | \$9,698          | \$3,643 | \$64   | \$12   |
| Ratio of expenses to<br>average net assets<br>including voluntary<br>expense waiver . . . . .              | 1.26% <sup>(1)</sup>           | 1.30%                               | 1.30%            | 1.08%   | 0.79%  | 1.20%  |
| Ratio of net investment<br>income to average net<br>assets including voluntary<br>expense waiver . . . . . | 6.83% <sup>(1)</sup>           | 6.57%                               | 6.82%            | 7.22%   | 8.99%  | 8.95%  |
| Ratio of expenses to<br>average net assets<br>excluding voluntary<br>expense waiver . . . . .              | — <sup>(2)</sup>               | — <sup>(2)</sup>                    | — <sup>(2)</sup> | 1.61%   | 1.08%  | 1.62%  |
| Ratio of net investment<br>income to average net<br>assets excluding voluntary<br>expense waiver . . . . . | — <sup>(2)</sup>               | — <sup>(2)</sup>                    | — <sup>(2)</sup> | 6.69%   | 8.71%  | 8.52%  |
| Portfolio turnover rate. . . . .   | 17%                            | 54%                                 | 78%              | 52%     | 82%    | 115%   |

(1) Annualized.

(2) Because the Fund's net assets exceeded \$25 million, there was no waiver of expenses. Therefore, no ratio is provided.

See Notes to Financial Statements.

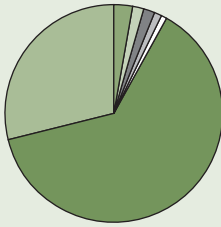
## SHAREHOLDER SUMMARY OF IVY INTERNATIONAL GROWTH FUND

### Portfolio Highlights

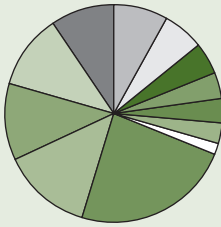
On September 30, 2005, Ivy International Growth Fund had net assets totaling \$69,604,430 invested in a diversified portfolio of:

|        |                           |
|--------|---------------------------|
| 98.29% | Common Stocks             |
| 1.71%  | Cash and Cash Equivalents |

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2005, your Fund was invested by geographic region and by industry, respectively, as follows:



|                           |         |
|---------------------------|---------|
| Europe                    | \$63.50 |
| Pacific Basin             | \$28.85 |
| Canada                    | \$ 2.88 |
| Cash and Cash Equivalents | \$ 1.71 |
| United States             | \$ 1.69 |
| Mexico                    | \$ 1.08 |
| South America             | \$ 0.29 |



|  |         |
|--|---------|
| Financial Services Stocks              | \$23.45 |
| Energy Stocks                          | \$13.33 |
| Technology Stocks                      | \$11.29 |
| Capital Goods Stocks                   | \$11.20 |
| Consumer Goods Stocks                  | \$ 9.35 |
| Utilities Stocks                       | \$ 8.19 |
| Health Care Stocks                     | \$ 6.18 |
| Business Equipment and Services Stocks | \$ 4.68 |
| Miscellaneous Stocks                   | \$ 3.98 |
| Raw Materials Stocks                   | \$ 3.63 |
| Retail Stocks                          | \$ 3.01 |
| Cash and Cash Equivalents              | \$ 1.71 |

# The Investments of Ivy International Growth Fund

September 30, 2005

| COMMON STOCKS                                      | Shares  | Value            |
|--|---------|------------------|
| <b>Australia – 3.59%</b>                           |         |                  |
| Novogen LTD (A)*                                   | 474,580 | \$ 1,748,048     |
| Westpac Banking Corporation (A)                    | 46,600  | 749,834          |
|  |         | <u>2,497,882</u> |
| <b>Austria – 5.38%</b>                             |         |                  |
| Bank Austria Creditanstalt (A)                     | 10,000  | 1,117,740        |
| Erste Bank der oesterreichischen Sparkassen AG (A) | 16,000  | 855,824          |
| Raiffeisen International Bank-Holding AG (A)*      | 13,200  | 881,379          |
| Raiffeisen International Bank-Holding AG (A)(B)*   | 13,300  | 888,056          |
|  |         | <u>3,742,999</u> |
| <b>Belgium – 0.44%</b>                             |         |                  |
| KBC Group NV (A)                                   | 3,800   | <u>307,856</u>   |
| <b>Brazil – 0.29%</b>                              |         |                  |
| Gol Linhas Aereas Inteligentes S.A., ADR           | 6,300   | <u>204,435</u>   |
| <b>Canada – 2.88%</b>                              |         |                  |
| EnCana Corporation (A)                             | 25,200  | 1,470,560        |
| Shoppers Drug Mart Corporation (A)(B)              | 15,100  | 533,766          |
|  |         | <u>2,004,326</u> |
| <b>Finland – 2.39%</b>                             |         |                  |
| Nokia OYJ (A)                                      | 28,500  | 477,543          |
| Nokian Tyres plc (A)                               | 50,000  | 1,184,571        |
|  |         | <u>1,662,114</u> |
| <b>France – 7.06%</b>                              |         |                  |
| France Telecom (A)                                 | 24,000  | 688,890          |
| Sanofi-Aventis (A)                                 | 9,800   | 809,848          |
| Total S.A. (A)                                     | 7,720   | 2,107,361        |
| VINCI (A)  | 15,200  | 1,309,074        |
|  |         | <u>4,915,173</u> |
| <b>Germany – 7.82%</b>                             |         |                  |
| Allianz Aktiengesellschaft, Registered Shares (A)  | 7,500   | 1,013,286        |
| BASF Aktiengesellschaft (A)                        | 10,600  | 797,599          |
| Bayerische Hypo- und Vereinsbank AG (A)*           | 39,500  | 1,111,009        |
| Fresenius AG (A)                                   | 2,100   | 290,914          |
| PUMA Aktiengesellschaft Rudolf Dassler Sport (A)   | 1,400   | 378,731          |
| SAP Aktiengesellschaft (A)                         | 3,900   | 675,043          |
| Siemens AG (A)                                     | 15,300  | 1,179,757        |
|  |         | <u>5,446,339</u> |

See Notes to Schedule of Investments on page 79.

# The Investments of Ivy International Growth Fund

September 30, 2005

| COMMON STOCKS (Continued)                                   | Shares | Value             |
|---|--------|-------------------|
| <b>Ireland – 1.80%</b>                                      |        |                   |
| Anglo Irish Bank Corporation plc (Ireland) (A) . . . . .    | 40,000 | \$ 544,746        |
| CRH public limited company (A) . . . . .                    | 26,000 | 704,733           |
|   |        | <u>1,249,479</u>  |
| <b>Italy- 3.68%</b>   |        |                   |
| Assicurazioni Generali SpA (A) . . . . .                    | 14,900 | 469,953           |
| Eni S.p.A. (A) . . . . .                                    | 51,500 | 1,529,623         |
| Saipem S.p.A. (A) . . . . .                                 | 33,300 | 561,573           |
|   |        | <u>2,561,149</u>  |
| <b>Japan – 24.04%</b>                                       |        |                   |
| ACOM CO., LTD. (A) . . . . .                                | 9,500  | 689,600           |
| Bank of Fukuoka, Ltd. (The) (A) . . . . .                   | 56,000 | 403,541           |
| Canon Inc. (A) . . . . .                                    | 16,730 | 903,448           |
| DENSO CORPORATION (A) . . . . .                             | 19,000 | 550,676           |
| Dentsu Inc. (A)* . . . . .                                  | 191    | 541,796           |
| FANUC LTD (A) . . . . .                                     | 5,000  | 404,352           |
| Hokuto Corporation (A) . . . . .                            | 20     | 348               |
| Honda Motor Co., Ltd. (A) . . . . .                         | 8,800  | 497,696           |
| Hoya Corporation (A) . . . . .                              | 22,800 | 757,222           |
| Kabushiki Kaisha Mitsubishi Tokyo Financial Group (A) . . . | 115    | 1,509,492         |
| Mitsubishi Corporation (A) . . . . .                        | 66,000 | 1,302,383         |
| Mitsubishi Estate Co., Ltd. (A) . . . . .                   | 29,000 | 398,027           |
| Mizuho Financial Group, Inc. (A) . . . . .                  | 160    | 1,017,663         |
| Nomura Holdings, Inc. (A) . . . . .                         | 27,600 | 428,169           |
| ORIX Corporation (A) . . . . .                              | 5,500  | 993,261           |
| SMC Corporation (A) . . . . .                               | 6,700  | 891,838           |
| Sega Sammy Holdings Inc. (A) . . . . .                      | 22,000 | 868,255           |
| Shinsei Bank, Limited (A)(B) . . . . .                      | 57,000 | 359,027           |
| Sumitomo Mitsui Financial Group, Inc. (A) . . . . .         | 55     | 518,434           |
| TDK Corporation (A) . . . . .                               | 9,500  | 677,047           |
| Tokyo Electric Power Company, Incorporated (The) (A) . . .  | 14,300 | 361,547           |
| Toyota Motor Corporation (A) . . . . .                      | 28,100 | 1,287,231         |
| TOYOTA TSUSHO CORPORATION (A) . . . . .                     | 28,000 | 509,360           |
| Ushio Inc. (A) . . . . .                                    | 14,400 | 292,402           |
| YAMADA-DENKI Co., Ltd. (A) . . . . .                        | 7,500  | 570,189           |
|   |        | <u>16,733,004</u> |

See Notes to Schedule of Investments on page 79.

# The Investments of Ivy International Growth Fund

September 30, 2005

| COMMON STOCKS (Continued)                                   | Shares  | Value             |
|---|---------|-------------------|
| <b>Luxembourg – 0.47%</b>                                   |         |                   |
| SES GLOBAL S.A., Fiduciary Depository                       |         |                   |
| Receipts (A)(B) . . . . .                                   | 21,000  | <u>\$ 329,408</u> |
| <b>Mexico – 1.08%</b>                                       |         |                   |
| Cemex, S.A. de C.V., ADR . . . . .                          | 14,392  | <u>752,702</u>    |
| <b>Netherlands – 3.89%</b>                                  |         |                   |
| ASML Holding N.V. (A)* . . . . .                            | 19,000  | 311,967           |
| Tom Tom N.V. (A)(B)* . . . . .                              | 53,000  | 2,392,160         |
|   |         | <u>2,704,127</u>  |
| <b>Norway – 2.22%</b>                                       |         |                   |
| Statoil ASA (A) . . . . .                                   | 21,700  | 538,301           |
| Stolt Offshore S.A. (A)* . . . . .                          | 87,000  | 1,006,038         |
|   |         | <u>1,544,339</u>  |
| <b>Russia – 2.77%</b>                                       |         |                   |
| OAOLUKOIL, ADR . . . . .                                    | 18,000  | 1,038,600         |
| Open Joint Stock Company                                    |         |                   |
| "Vimpel-Communications", ADR* . . . . .                     | 20,000  | 888,800           |
|   |         | <u>1,927,400</u>  |
| <b>South Korea – 1.22%</b>                                  |         |                   |
| Samsung Electronics Co., Ltd. (A) . . . . .                 | 1,500   | <u>846,124</u>    |
| <b>Spain – 3.07%</b>  |         |                   |
| Enagas, S.A. (A) . . . . .                                  | 39,000  | 700,826           |
| Fadesa Inmobiliaria, S.A. (A) . . . . .                     | 40,000  | 1,437,592         |
|   |         | <u>2,138,418</u>  |
| <b>Sweden – 1.23%</b>                                       |         |                   |
| Telefonaktiebolaget LM Ericsson, B Shares (A) . . . . .     | 235,000 | <u>857,996</u>    |
| <b>Switzerland – 9.12%</b>                                  |         |                   |
| Compagnie Financiere Richemont SA (A) . . . . .             | 15,500  | 613,701           |
| Credit Suisse Group, Registered Shares (A) . . . . .        | 14,200  | 628,600           |
| Holcim Ltd, Registered Shares (A) . . . . .                 | 10,300  | 683,935           |
| Nestle S.A., Registered Shares (A) . . . . .                | 4,400   | 1,288,319         |
| Novartis AG, Registered Shares (A) . . . . .                | 28,600  | 1,450,549         |
| UBS AG (A) . . . . .  | 16,000  | 1,359,703         |
| Zurich Financial Services, Registered Shares (A)* . . . . . | 1,900   | 323,663           |
|   |         | <u>6,348,470</u>  |
| <b>Turkey – 0.41%</b>                                       |         |                   |
| Turkiye Garanti Bankasi Anonim Sirketi (A) . . . . .        | 96,250  | <u>287,356</u>    |

See Notes to Schedule of Investments on page 79.

# The Investments of Ivy International Growth Fund

September 30, 2005

| COMMON STOCKS (Continued)                                  | Shares                                       | Value               |
|--|--|---------------------|
| <b>United Kingdom – 11.75%</b>                             |  |                     |
| BHP Billiton Plc (A) .....                                 | 76,400                                       | \$ 1,234,280        |
| BP p.l.c. (A) .....  | 161,500                                      | 1,918,381           |
| IG Group Holdings plc (A)(B)* .....                        | 71,000                                       | 216,635             |
| Reckitt Benckiser plc (A) .....                            | 23,500                                       | 715,789             |
| Royal Bank of Scotland Group plc (The) (A) .....           | 35,200                                       | 998,903             |
| Smiths Group plc (A) .....                                 | 23,600                                       | 399,168             |
| tesco plc (A) .....  | 182,000                                      | 993,475             |
| Vodafone Group Plc (A) .....                               | 653,000                                      | 1,698,752           |
|  |  | <b>8,175,383</b>    |
| <b>United States – 1.69%</b>                               |  |                     |
| Inco Limited .....   | 10,600                                       | 501,910             |
| Schlumberger Limited .....                                 | 8,000  | 675,040             |
|  |  | <b>1,176,950</b>    |
| <b>TOTAL COMMON STOCKS – 98.29%</b>                        |  | <b>\$68,413,429</b> |
| (Cost: \$52,167,642)                                       |  |                     |
|  | <b>Principal<br/>Amount in<br/>Thousands</b> |                     |
| <b>SHORT-TERM SECURITY – 1.72%</b>                         |  |                     |
| <b>Finance Companies</b>                                   |  |                     |
| BP Capital Markets p.l.c.,<br>3.88%, 10–3–05 .....         | \$1,200                                      | <b>\$ 1,199,741</b> |
| (Cost: \$1,199,741)  |  |                     |
| <b>TOTAL INVESTMENT SECURITIES – 100.01%</b>               |  | <b>\$69,613,170</b> |
| (Cost: \$53,367,383)                                       |  |                     |
| <b>LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.01%)</b> |  | <b>(8,740)</b>      |
| <b>NET ASSETS – 100.00%</b>                                |  | <b>\$69,604,430</b> |

## Notes to Schedule of Investments

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

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

(B) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At September 30, 2005, the total value of these securities amounted to \$4,719,052 or 6.78% of net assets.

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

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

# Statement of Assets and Liabilities

## IVY INTERNATIONAL GROWTH FUND

September 30, 2005

(In Thousands, Except for Per Share Amounts)

### ASSETS

|  |               |
|--|---------------|
| Investment securities – at value (cost – \$53,367) (Notes 1 and 3) . . . . . | \$ 69,613     |
| Receivables:   |               |
| Dividends and interest . . . . .   | 206           |
| Fund shares sold . . . . .   | 28            |
| Prepaid and other assets . . . . .   | 24            |
| Total assets . . . . .   | <u>69,871</u> |

### LIABILITIES

|  |                  |
|--|------------------|
| Payable to Fund shareholders . . . . .                   | 177              |
| Accrued shareholder servicing (Note 2) . . . . .         | 42               |
| Due to custodian . . . . .                               | 9                |
| Accrued accounting services fee (Note 2) . . . . .       | 4                |
| Accrued management fee (Note 2) . . . . .                | 2                |
| Accrued distribution and service fees (Note 2) . . . . . | 1                |
| Other . . . . .  | 32               |
| Total liabilities . . . . .                              | <u>267</u>       |
| Total net assets . . . . .                               | <u>\$ 69,604</u> |

### NET ASSETS

|   |                  |
|---|------------------|
| \$0.01 par value capital stock:                                 |                  |
| Capital stock . . . . .   | \$ 57            |
| Additional paid-in capital . . . . .                            | 97,562           |
| Accumulated undistributed income (loss):                        |                  |
| Accumulated undistributed net investment loss . . . . .         | (373)            |
| Accumulated undistributed net realized loss                     |                  |
| on investment transactions . . . . .                            | (43,887)         |
| Net unrealized appreciation in value of investments . . . . .   | <u>16,245</u>    |
| Net assets applicable to outstanding units of capital . . . . . | <u>\$ 69,604</u> |

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

|                   |         |
|-------------------|---------|
| Class A . . . . . | \$12.42 |
| Class B . . . . . | \$11.88 |
| Class C . . . . . | \$11.99 |
| Class Y . . . . . | \$13.56 |

### Capital shares outstanding:

|                   |       |
|-------------------|-------|
| Class A . . . . . | 1,237 |
| Class B . . . . . | 354   |
| Class C . . . . . | 3,738 |
| Class Y . . . . . | 386   |

Capital shares authorized . . . . . 400,000

See Notes to Financial Statements.



# Statement of Operations

## IVY INTERNATIONAL GROWTH FUND

For the Six Months Ended September 30, 2005

(In Thousands)

### INVESTMENT INCOME

|  |            |
|--|------------|
| Income (Note 1B):  |            |
| Dividends (net of foreign withholding taxes of \$91) ..... | \$ 832     |
| Interest and amortization .....                            | 23         |
| Total income .....   | <u>855</u> |
| Expenses (Note 2):   |            |
| Investment management fee .....                            | 282        |
| Shareholder servicing:                                     |            |
| Class A .....  | 34         |
| Class B .....  | 15         |
| Class C .....  | 135        |
| Class Y .....  | 4          |
| Distribution fee:  |            |
| Class A .....  | 3          |
| Class B .....  | 15         |
| Class C .....  | 163        |
| Service fee:   |            |
| Class A .....  | 14         |
| Class B .....  | 5          |
| Class C .....  | 54         |
| Class Y .....  | 6          |
| Accounting services fee .....                              | 23         |
| Custodian fees .....                                       | 18         |
| Audit fees .....   | 17         |
| Other .....  | 40         |
| Total expenses .....                                       | <u>828</u> |
| Net investment income .....                                | <u>27</u>  |

### REALIZED AND UNREALIZED GAIN (LOSS)

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

|   |                |
|---|----------------|
| Realized net gain on securities .....                                   | 2,645          |
| Realized net loss on foreign currency transactions .....                | (53)           |
| Realized net gain on investments .....                                  | <u>2,592</u>   |
| Unrealized appreciation in value of investments during the period ..... | 5,141          |
| Net gain on investments .....   | <u>7,733</u>   |
| Net increase in net assets resulting from operations .....              | <u>\$7,760</u> |

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY INTERNATIONAL GROWTH FUND

(In Thousands)

|   | For the six<br>months ended<br>September 30,<br>2005 | For the fiscal<br>year ended<br>March 31,<br>2005 |
|---|--|---|
| <b>INCREASE (DECREASE) IN NET ASSETS</b>                          |  |   |
| Operations:   |  |   |
| Net investment income (loss) . . . . .                            | \$ 27  | \$ (792)  |
| Realized net gain on investments . . . . .                        | 2,592  | 6,483   |
| Unrealized appreciation (depreciation) . . . . .                  | 5,141  | (2,503)   |
| Net increase in net assets<br>resulting from operations . . . . . | 7,760  | 3,188   |
| Distributions to shareholders from (Note 1F):(1)                  |  |   |
| Net investment income:  |  |   |
| Class A . . . . .   | (—)  | (192)   |
| Class B . . . . .   | (—)  | (24)  |
| Class C . . . . .   | (—)  | (291)   |
| Class Y . . . . .   | (—)  | (90)  |
| Realized gains on investment transactions:                        |  |   |
| Class A . . . . .   | (—)  | (—)   |
| Class B . . . . .   | (—)  | (—)   |
| Class C . . . . .   | (—)  | (—)   |
| Class Y . . . . .   | (—)  | (—)   |
|   | (—)  | (597)   |
| Capital share transactions (Note 5) . . . . .                     | (5,019)  | (11,336)  |
| Total increase (decrease) . . . . .                               | 2,741  | (8,745)   |
| <b>NET ASSETS</b>   |  |   |
| Beginning of period . . . . .                                     | 66,863   | 75,608  |
| End of period . . . . .   | \$69,604   | \$ 66,863   |
| Undistributed net investment loss . . . . .                       | \$ (373)   | \$ (347)  |

(1) See "Financial Highlights" on pages 83 - 86.

See Notes to Financial Statements.

# Financial Highlights

## IVY INTERNATIONAL GROWTH FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|   | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |         |         |         | For the<br>period from<br>7-3-00 <sup>(1)</sup><br>to<br>3-31-01 |
|---|---|-------------------------------------|---------|---------|---------|--|
|   |   | 2005                                | 2004    | 2003    | 2002    |  |
| Net asset value,<br>beginning of period . . . . .                           | \$11.03                                   | \$10.60                             | \$ 7.57 | \$9.82  | \$12.03 | \$24.33  |
| Income (loss) from<br>investment operations:                                |   |                                     |         |         |         |  |
| Net investment<br>income (loss) . . . . .                                   | 0.03                                      | (0.05)                              | (0.02)  | (0.03)  | (0.17)  | (0.02)   |
| Net realized and<br>unrealized gain<br>(loss) on<br>investments . . . . .   | 1.36                                      | 0.65                                | 3.05    | (2.22)  | (2.01)  | (6.46)   |
| Total from investment<br>operations . . . . .                               | 1.39                                      | 0.60                                | 3.03    | (2.25)  | (2.18)  | (6.48)   |
| Less distributions from:  |   |                                     |         |         |         |  |
| Net investment income . .   | (0.00)                                    | (0.17)                              | (0.00)  | (0.00)  | (0.00)  | (0.00)   |
| Capital gains . . . . .   | (0.00)                                    | (0.00)                              | (0.00)  | (0.00)  | (0.03)  | (5.82)   |
| Total distributions . . . . .   | (0.00)                                    | (0.17)                              | (0.00)  | (0.00)  | (0.03)  | (5.82)   |
| Net asset value,<br>end of period . . . . .                                 | \$12.42                                   | \$11.03                             | \$10.60 | \$ 7.57 | \$ 9.82 | \$12.03  |
| Total return <sup>(2)</sup> . . . . .                                       | 12.60%                                    | 5.65%                               | 40.03%  | -22.91% | -18.12% | -29.73%  |
| Net assets, end of period<br>(in millions) . . . . .                        | \$16                                      | \$13                                | \$12    | \$5     | \$7     | \$5  |
| Ratio of expenses to<br>average net assets . . . . .                        | 1.88% <sup>(3)</sup>                      | 1.90%                               | 2.01%   | 2.10%   | 1.89%   | 1.72% <sup>(3)</sup>   |
| Ratio of net investment<br>income (loss) to<br>average net assets . . . . . | 0.66% <sup>(3)</sup>                      | -0.51%                              | -0.23%  | -0.10%  | -0.49%  | -0.31% <sup>(3)</sup>  |
| Portfolio turnover rate . . . . .   | 37%                                       | 82%                                 | 176%    | 108%    | 134%    | 103% <sup>(4)</sup>  |

(1) Commencement of operations of the class.

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

(3) Annualized.

(4) For the fiscal year ended March 31, 2001.

See Notes to Financial Statements.

# Financial Highlights

## IVY INTERNATIONAL GROWTH FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|   | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |         |         |         | For the<br>period from<br>7-10-00 <sup>(1)</sup><br>to<br>3-31-01 |
|---|---|-------------------------------------|---------|---------|---------|---|
|   |   | 2005                                | 2004    | 2003    | 2002    |   |
| Net asset value,<br>beginning of period . . . . .                         | \$10.60                                   | \$10.19                             | \$ 7.35 | \$9.65  | \$11.94 | \$24.59   |
| Income (loss) from<br>investment operations:                              |   |                                     |         |         |         |   |
| Net investment loss . . . . .   | (0.04)                                    | (0.19)                              | (0.12)  | (0.11)  | (0.19)  | (0.09)  |
| Net realized and<br>unrealized gain<br>(loss) on<br>investments . . . . . | 1.32                                      | 0.65                                | 2.96    | (2.19)  | (2.07)  | (6.74)  |
| Total from investment<br>operations . . . . .                             | 1.28                                      | 0.46                                | 2.84    | (2.30)  | (2.26)  | (6.83)  |
| Less distributions from:  |   |                                     |         |         |         |   |
| Net investment income . .   | (0.00)                                    | (0.05)                              | (0.00)  | (0.00)  | (0.00)  | (0.00)  |
| Capital gains . . . . .   | (0.00)                                    | (0.00)                              | (0.00)  | (0.00)  | (0.03)  | (5.82)  |
| Total distributions . . . . .   | (0.00)                                    | (0.05)                              | (0.00)  | (0.00)  | (0.03)  | (5.82)  |
| Net asset value,<br>end of period . . . . .                               | \$11.88                                   | \$10.60                             | \$10.19 | \$ 7.35 | \$ 9.65 | \$11.94   |
| Total return . . . . .  | 12.08%                                    | 4.55%                               | 38.64%  | -23.83% | -18.93% | -30.89%   |
| Net assets, end of period<br>(in millions) . . . . .                      | \$4                                       | \$4                                 | \$5     | \$2     | \$2     | \$2   |
| Ratio of expenses to<br>average net assets . . . . .                      | 2.88% <sup>(2)</sup>                      | 2.93%                               | 3.02%   | 3.24%   | 2.89%   | 2.61% <sup>(2)</sup>  |
| Ratio of net investment<br>loss to average<br>net assets . . . . .        | -0.29% <sup>(2)</sup>                     | -1.53%                              | -1.46%  | -1.22%  | -1.42%  | -1.30% <sup>(2)</sup>   |
| Portfolio turnover rate . . . . .   | 37%                                       | 82%                                 | 176%    | 108%    | 134%    | 103% <sup>(3)</sup>   |

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the fiscal year ended March 31, 2001.

See Notes to Financial Statements.

# Financial Highlights

## IVY INTERNATIONAL GROWTH FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|                                   | For the               | For the fiscal year ended March 31, |         |         |         |         |
|-----------------------------------|-----------------------|-------------------------------------|---------|---------|---------|---------|
|                                   | six months<br>ended   | 2005                                | 2004    | 2003    | 2002    | 2001    |
|                                   | 9-30-05               |                                     |         |         |         |         |
| Net asset value,                  |                       |                                     |         |         |         |         |
| beginning of period . . . . .     | \$10.69               | \$10.27                             | \$ 7.40 | \$9.69  | \$11.96 | \$28.58 |
| Income (loss) from                |                       |                                     |         |         |         |         |
| investment operations:            |                       |                                     |         |         |         |         |
| Net investment loss . . . . .     | (0.04)                | (0.19)                              | (0.10)  | (0.08)  | (0.11)  | (0.17)  |
| Net realized and                  |                       |                                     |         |         |         |         |
| unrealized gain                   |                       |                                     |         |         |         |         |
| (loss) on                         |                       |                                     |         |         |         |         |
| investments . . . . .             | 1.34                  | 0.68                                | 2.97    | (2.21)  | (2.13)  | (10.63) |
| Total from investment             |                       |                                     |         |         |         |         |
| operations . . . . .              | 1.30                  | 0.49                                | 2.87    | (2.29)  | (2.24)  | (10.80) |
| Less distributions from:          |                       |                                     |         |         |         |         |
| Net investment income . . .       | (0.00)                | (0.07)                              | (0.00)  | (0.00)  | (0.00)  | (0.00)  |
| Capital gains . . . . .           | (0.00)                | (0.00)                              | (0.00)  | (0.00)  | (0.03)  | (5.82)  |
| Total distributions . . . . .     | (0.00)                | (0.07)                              | (0.00)  | (0.00)  | (0.03)  | (5.82)  |
| Net asset value,                  |                       |                                     |         |         |         |         |
| end of period . . . . .           | \$11.99               | \$10.69                             | \$10.27 | \$7.40  | \$ 9.69 | \$11.96 |
| Total return . . . . .            | 12.16%                | 4.72%                               | 38.78%  | -23.63% | -18.73% | -40.45% |
| Net assets, end of period         |                       |                                     |         |         |         |         |
| (in millions) . . . . .           | \$45                  | \$45                                | \$54    | \$46    | \$74    | \$123   |
| Ratio of expenses to              |                       |                                     |         |         |         |         |
| average net assets . . . . .      | 2.77% <sup>(1)</sup>  | 2.77%                               | 2.85%   | 2.93%   | 2.62%   | 2.36%   |
| Ratio of net investment           |                       |                                     |         |         |         |         |
| loss to average                   |                       |                                     |         |         |         |         |
| net assets . . . . .              | -0.17% <sup>(1)</sup> | -1.35%                              | -0.96%  | -0.86%  | -1.03%  | -1.03%  |
| Portfolio turnover rate . . . . . | 37%                   | 82%                                 | 176%    | 108%    | 134%    | 103%    |

(1)Annualized.

See Notes to Financial Statements.

# Financial Highlights

## IVY INTERNATIONAL GROWTH FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|                                   | For the              | For the fiscal year ended March 31, |         |         |         |         |
|-----------------------------------|----------------------|-------------------------------------|---------|---------|---------|---------|
|                                   | six months<br>ended  | 2005                                | 2004    | 2003    | 2002    | 2001    |
|                                   | 9-30-05              |                                     |         |         |         |         |
| Net asset value,                  |                      |                                     |         |         |         |         |
| beginning of period . . . . .     | \$12.02              | \$11.53                             | \$ 8.17 | \$10.55 | \$12.87 | \$29.86 |
| Income (loss) from                |                      |                                     |         |         |         |         |
| investment operations:            |                      |                                     |         |         |         |         |
| Net investment                    |                      |                                     |         |         |         |         |
| income (loss) . . . . .           | 0.13                 | 0.11                                | 0.10    | (0.16)  | (0.18)  | (0.17)  |
| Net realized and                  |                      |                                     |         |         |         |         |
| unrealized gain                   |                      |                                     |         |         |         |         |
| (loss) on                         |                      |                                     |         |         |         |         |
| investments . . . . .             | 1.41                 | 0.59                                | 3.26    | (2.22)  | (2.11)  | (11.00) |
| Total from investment             |                      |                                     |         |         |         |         |
| operations . . . . .              | 1.54                 | 0.70                                | 3.36    | (2.38)  | (2.29)  | (11.17) |
| Less distributions from:          |                      |                                     |         |         |         |         |
| Net investment income . . .       | (0.00)               | (0.21)                              | (0.00)  | (0.00)  | (0.00)  | (0.00)  |
| Capital gains . . . . .           | (0.00)               | (0.00)                              | (0.00)  | (0.00)  | (0.03)  | (5.82)  |
| Total distributions . . . . .     | (0.00)               | (0.21)                              | (0.00)  | (0.00)  | (0.03)  | (5.82)  |
| Net asset value,                  |                      |                                     |         |         |         |         |
| end of period . . . . .           | \$13.56              | \$12.02                             | \$11.53 | \$ 8.17 | \$10.55 | \$12.87 |
| Total return . . . . .            | 12.81%               | 6.09%                               | 41.13%  | -22.56% | -17.79% | -39.91% |
| Net assets, end of period         |                      |                                     |         |         |         |         |
| (in millions) . . . . .           | \$5                  | \$5                                 | \$5     | \$11    | \$8     | \$7     |
| Ratio of expenses to              |                      |                                     |         |         |         |         |
| average net assets . . . . .      | 1.55% <sup>(1)</sup> | 1.57%                               | 1.62%   | 1.63%   | 1.52%   | 1.44%   |
| Ratio of net investment           |                      |                                     |         |         |         |         |
| income (loss) to                  |                      |                                     |         |         |         |         |
| average net assets . . . . .      | 1.02% <sup>(1)</sup> | -0.19%                              | 0.63%   | 0.39%   | -0.11%  | -0.02%  |
| Portfolio turnover rate . . . . . | 37%                  | 82%                                 | 176%    | 108%    | 134%    | 103%    |

(1)Annualized.

See Notes to Financial Statements.

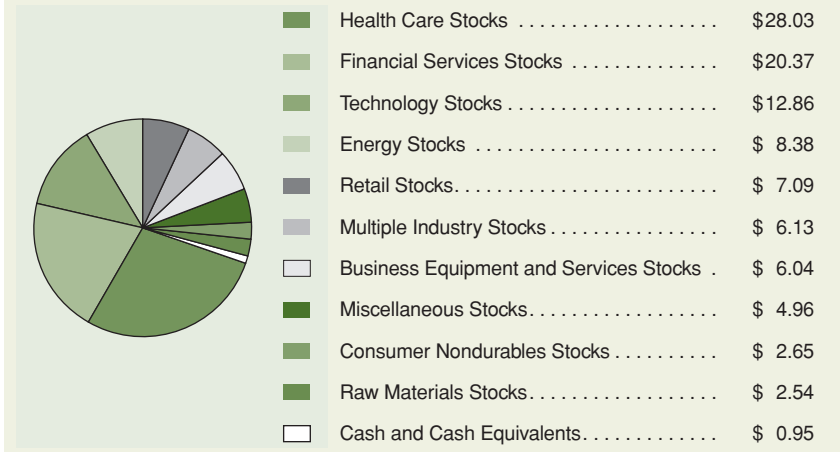
## SHAREHOLDER SUMMARY OF IVY LARGE CAP GROWTH FUND

### Portfolio Highlights

On September 30, 2005, Ivy Large Cap Growth Fund had net assets totaling \$185,286,084 invested in a diversified portfolio of:

|        |                           |
|--------|---------------------------|
| 99.05% | Common Stocks             |
| 0.95%  | Cash and Cash Equivalents |

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2005, your Fund owned:



# The Investments of Ivy Large Cap Growth Fund

September 30, 2005

| COMMON STOCKS                                       | Shares  | Value                   |
|---|---------|-------------------------|
| <b>Apparel – 0.00%</b>                              |         |                         |
| Coach, Inc.* .....                                  | 100     | <u>\$ 3,136</u>         |
| <b>Business Equipment and Services – 3.33%</b>      |         |                         |
| Robert Half International Inc. ....                 | 104,510 | 3,719,511               |
| Weight Watchers International, Inc.* .....          | 47,500  | <u>2,450,050</u>        |
|   |         | <b><u>6,169,561</u></b> |
| <b>Capital Equipment – 1.96%</b>                    |         |                         |
| Caterpillar Inc. ....                               | 61,800  | <u>3,630,750</u>        |
| <b>Chemicals – Petroleum and Inorganic – 2.54%</b>  |         |                         |
| Monsanto Company .....                              | 75,000  | <u>4,706,250</u>        |
| <b>Computers – Micro 3.20%</b>                      |         |                         |
| Apple Computer, Inc.* .....                         | 70,100  | 3,758,411               |
| Dell Inc.* .....                                    | 63,736  | <u>2,179,453</u>        |
|   |         | <b><u>5,937,864</u></b> |
| <b>Computers – Peripherals – 3.81%</b>              |         |                         |
| Microsoft Corporation .....                         | 137,073 | 3,526,203               |
| SAP Aktiengesellschaft, ADR .....                   | 81,350  | <u>3,524,896</u>        |
|   |         | <b><u>7,051,099</u></b> |
| <b>Consumer Electronics – 1.96%</b>                 |         |                         |
| Harman International Industries, Incorporated ..... | 35,567  | <u>3,637,437</u>        |
| <b>Defense – 2.41%</b>                              |         |                         |
| General Dynamics Corporation .....                  | 37,400  | <u>4,471,170</u>        |
| <b>Electronic Components – 3.44%</b>                |         |                         |
| Intel Corporation .....                             | 50      | 1,232                   |
| Linear Technology Corporation .....                 | 37      | 1,391                   |
| Microchip Technology Incorporated .....             | 146,400 | 4,408,104               |
| SanDisk Corporation* .....                          | 40,600  | 1,958,747               |
| Xilinx, Inc. ....                                   | 50      | 1,392                   |
|   |         | <u>6,370,866</u>        |
| <b>Finance Companies – 6.33%</b>                    |         |                         |
| SLM Corporation .....                               | 218,550 | <u>11,723,022</u>       |
| <b>Health Care – Drugs – 14.52%</b>                 |         |                         |
| Alcon, Inc. ....                                    | 64,700  | 8,273,836               |
| Amgen Inc.* .....                                   | 65,700  | 5,233,005               |
| Genentech, Inc.* .....                              | 99,200  | 8,353,632               |
| Gilead Sciences, Inc.* .....                        | 103,400 | 5,036,614               |
|   |         | <u>26,897,087</u>       |

See Notes to Schedule of Investments on page 90.



# The Investments of Ivy Large Cap Growth Fund

September 30, 2005

| COMMON STOCKS (Continued)                      | Shares  | Value             |
|--|---------|-------------------|
| <b>Health Care – General – 3.99%</b>           |         |                   |
| Johnson & Johnson .....                        | 69,400  | \$ 4,391,632      |
| Zimmer Holdings, Inc.* .....                   | 43,650  | 3,007,048         |
|  |         | <u>7,398,680</u>  |
| <b>Hospital Supply and Management – 9.52%</b>  |         |                   |
| Medtronic, Inc. ....                           | 67,150  | 3,600,583         |
| Stryker Corporation .....                      | 71,600  | 3,539,188         |
| UnitedHealth Group Incorporated .....          | 186,900 | 10,503,780        |
|  |         | <u>17,643,551</u> |
| <b>Household – General Products – 1.03%</b>    |         |                   |
| Procter & Gamble Company (The) .....           | 32,200  | <u>1,914,612</u>  |
| <b>Leisure Time Industry – 0.00%</b>           |         |                   |
| Carnival Corporation .....                     | 44      | <u>2,199</u>      |
| <b>Multiple Industry – 6.13%</b>               |         |                   |
| Google Inc., Class A* .....                    | 30,600  | 9,673,272         |
| Research In Motion Limited* .....              | 24,600  | 1,679,688         |
|  |         | <u>11,352,960</u> |
| <b>Petroleum – Services – 8.38%</b>            |         |                   |
| Schlumberger Limited .....                     | 63,300  | 5,341,254         |
| Smith International, Inc. ....                 | 305,724 | 10,183,666        |
|  |         | <u>15,524,920</u> |
| <b>Retail – Food Stores – 3.62%</b>            |         |                   |
| Walgreen Co. ....                              | 154,214 | <u>6,700,598</u>  |
| <b>Retail – General Merchandise – 0.00%</b>    |         |                   |
| Dollar General Corporation .....               | 50      | <u>917</u>        |
| <b>Retail – Specialty Stores – 3.47%</b>       |         |                   |
| Best Buy Co., Inc. ....                        | 71,950  | 3,131,983         |
| Home Depot, Inc. (The) .....                   | 86,600  | 3,302,924         |
|  |         | <u>6,434,907</u>  |
| <b>Security and Commodity Brokers – 14.04%</b> |         |                   |
| American Express Company .....                 | 36,600  | 2,102,304         |
| Chicago Mercantile Exchange Holdings Inc. .... | 13,743  | 4,635,514         |
| Franklin Resources, Inc. ....                  | 45,300  | 3,803,388         |
| Goldman Sachs Group, Inc. (The) .....          | 32,500  | 3,951,350         |
| Legg Mason, Inc. ....                          | 75,875  | 8,322,729         |
| Moody's Corporation .....                      | 62,600  | 3,197,608         |
|  |         | <u>26,012,893</u> |

See Notes to Schedule of Investments on page 90.

# The Investments of Ivy Large Cap Growth Fund

September 30, 2005

| COMMON STOCKS (Continued)                                | Shares                                       | Value                |
|--|--|----------------------|
| <b>Timesharing and Software – 2.71%</b>                  |  |                      |
| Paychex, Inc. ....                                       | 135,700                                      | \$ <u>5,029,721</u>  |
| <b>Tobacco – 1.62%</b>                                   |  |                      |
| Altria Group, Inc. ....                                  | 40,600                                       | <u>2,992,626</u>     |
| <b>Trucking and Shipping – 1.04%</b>                     |  |                      |
| Expeditors International of Washington, Inc. ....        | 33,800                                       | <u>1,918,995</u>     |
| <b>TOTAL COMMON STOCKS – 99.05%</b>                      |  | <b>\$183,525,821</b> |
| (Cost: \$150,535,707)                                    |  |                      |
|  | <b>Principal<br/>Amount in<br/>Thousands</b> |                      |
| <b>SHORT-TERM SECURITY – 0.89%</b>                       |  |                      |
| <b>Utilities – Electric</b>                              |  |                      |
| Wisconsin Electric Power Co.,<br>3.88%, 10–3–05 .....    | \$ 1,657                                     | \$ <u>1,656,643</u>  |
| (Cost: \$1,656,643)                                      |  |                      |
| <b>TOTAL INVESTMENT SECURITIES – 99.94%</b>              |  | <b>\$185,182,464</b> |
| (Cost: \$152,192,350)                                    |  |                      |
| <b>CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.06%</b> |  | <b>103,620</b>       |
| <b>NET ASSETS – 100.00%</b>                              |  | <b>\$185,286,084</b> |

## Notes to Schedule of Investments

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

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

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

# Statement of Assets and Liabilities

## IVY LARGE CAP GROWTH FUND

September 30, 2005

(In Thousands, Except for Per Share Amounts)

### ASSETS

|   |                |
|---|----------------|
| Investment securities – at value (cost – \$152,192) (Notes 1 and 3) . . . . . | \$ 185,182     |
| Receivables:  |                |
| Fund shares sold . . . . .  | 1,551          |
| Dividends and interest . . . . .  | 106            |
| Prepaid and other assets . . . . .  | 30             |
| Total assets . . . . .  | <u>186,869</u> |

### LIABILITIES

|  |                  |
|--|------------------|
| Payable for investment securities purchased . . . . .    | 1,105            |
| Payable to Fund shareholders . . . . .                   | 278              |
| Due to custodian . . . . .                               | 100              |
| Accrued shareholder servicing (Note 2) . . . . .         | 58               |
| Accrued accounting services fee (Note 2) . . . . .       | 6                |
| Accrued management fee (Note 2) . . . . .                | 4                |
| Accrued distribution and service fees (Note 2) . . . . . | 2                |
| Other liabilities . . . . .                              | 30               |
| Total liabilities . . . . .                              | <u>1,583</u>     |
| Total net assets . . . . .                               | <u>\$185,286</u> |

### NET ASSETS

|   |                  |
|---|------------------|
| \$0.01 par value capital stock:                                 |                  |
| Capital stock . . . . .   | \$ 177           |
| Additional paid-in capital . . . . .                            | 174,886          |
| Accumulated undistributed income (loss):                        |                  |
| Accumulated undistributed net investment loss . . . . .         | (495)            |
| Accumulated undistributed net realized loss                     |                  |
| on investment transactions . . . . .                            | (22,272)         |
| Net unrealized appreciation in value of investments . . . . .   | 32,990           |
| Net assets applicable to outstanding units of capital . . . . . | <u>\$185,286</u> |

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

|                   |          |
|-------------------|----------|
| Class A . . . . . | \$ 10.53 |
| Class B . . . . . | \$ 9.87  |
| Class C . . . . . | \$ 10.09 |
| Class Y . . . . . | \$ 10.64 |

### Capital shares outstanding:

|                   |        |
|-------------------|--------|
| Class A . . . . . | 10,307 |
| Class B . . . . . | 927    |
| Class C . . . . . | 1,288  |
| Class Y . . . . . | 5,134  |

Capital shares authorized . . . . . 400,000

See Notes to Financial Statements.

# Statement of Operations

## IVY LARGE CAP GROWTH FUND

For the Six Months Ended September 30, 2005

(In Thousands)

### INVESTMENT LOSS

|   |              |
|---|--------------|
| Income (Note 1B):   |              |
| Dividends (net of foreign withholding taxes of \$9) ..... | \$ 668       |
| Interest and amortization .....                           | 74           |
| Total income .....  | <u>742</u>   |
| Expenses (Note 2):  |              |
| Investment management fee .....                           | 570          |
| Shareholder servicing:                                    |              |
| Class A .....   | 173          |
| Class B .....   | 26           |
| Class C .....   | 26           |
| Class Y .....   | 39           |
| Service fee:  |              |
| Class A .....   | 103          |
| Class B .....   | 11           |
| Class C .....   | 15           |
| Class Y .....   | 65           |
| Distribution fee:   |              |
| Class A .....   | 11           |
| Class B .....   | 31           |
| Class C .....   | 46           |
| Accounting services fee .....                             | 34           |
| Registration fees .....                                   | 27           |
| Audit fees .....  | 15           |
| Custodian fees .....                                      | 5            |
| Other .....   | 34           |
| Total .....   | <u>1,231</u> |
| Less expenses in excess of voluntary limit (Note 2) ..... | (6)          |
| Total expenses .....                                      | <u>1,225</u> |
| Net investment loss .....                                 | <u>(483)</u> |

### REALIZED AND UNREALIZED GAIN

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

|   |                  |
|---|------------------|
| Realized net gain on investments .....                                  | 4,583            |
| Unrealized appreciation in value of investments during the period ..... | 11,891           |
| Net gain on investments .....   | <u>16,474</u>    |
| Net increase in net assets resulting from operations .....              | <u>\$ 15,991</u> |

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY LARGE CAP GROWTH FUND

(In Thousands)

|  | For the six<br>months ended<br>September 30,<br>2005 | For the fiscal<br>year ended<br>March 31,<br>2005 |
|--|--|---|
| <b>INCREASE IN NET ASSETS</b>                                    |  |   |
| Operations:  |  |   |
| Net investment loss . . . . .                                    | \$ (483)   | \$ (451)  |
| Realized net gain on investments . . . . .                       | 4,583  | 958   |
| Unrealized appreciation. . . . .                                 | 11,891   | 3,253   |
| Net increase in net assets resulting<br>from operations. . . . . | <u>15,991</u>  | <u>3,760</u>                                      |
| Distributions to shareholders from (Note 1F):(1)                 |  |   |
| Net investment income:   |  |   |
| Class A. . . . .   | (—)  | (—)   |
| Class B. . . . .   | (—)  | (—)   |
| Class C. . . . .   | (—)  | (—)   |
| Class Y. . . . .   | (—)  | (—)   |
| Realized gains on investment transactions:                       |  |   |
| Class A. . . . .   | (—)  | (—)   |
| Class B. . . . .   | (—)  | (—)   |
| Class C. . . . .   | (—)  | (—)   |
| Class Y. . . . .   | (—)  | (—)   |
|  | <u>(—)</u>   | <u>(—)</u>  |
| Capital share transactions (Note 5) . . . . .                    | 17,512   | (3,734)   |
| Total increase . . . . .   | <u>33,503</u>  | <u>26</u>   |
| <b>NET ASSETS</b>  |  |   |
| Beginning of period. . . . .                                     | 151,783  | 151,757   |
| End of period. . . . .   | <u>\$185,286</u>                                     | <u>\$151,783</u>                                  |
| Undistributed net investment loss . . . . .                      | <u>\$ (495)</u>                                      | <u>\$ (12)</u>                                    |

(1) See "Financial Highlights" on pages 94 - 97.

# Financial Highlights

## IVY LARGE CAP GROWTH FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|   | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |        |         |        | For the<br>period from<br>6-30-00 <sup>(1)</sup><br>to<br>3-31-01 |
|---|---|-------------------------------------|--------|---------|--------|---|
|   |   | 2005                                | 2004   | 2003    | 2002   |   |
| Net asset value,<br>beginning of period . . . . .   | \$ 9.54                                   | \$9.27                              | \$7.24 | \$9.21  | \$9.48 | \$10.00   |
| Income (loss) from<br>investment operations:  |   |                                     |        |         |        |   |
| Net investment<br>income (loss) . . . . .   | (0.03)                                    | (0.03)                              | (0.04) | (0.03)  | (0.04) | 0.05  |
| Net realized and<br>unrealized gain (loss)<br>on investments . . . . .  | 1.02                                      | 0.30                                | 2.07   | (1.94)  | (0.23) | (0.45)  |
| Total from investment<br>operations . . . . .   | 0.99                                      | 0.27                                | 2.03   | (1.97)  | (0.27) | (0.40)  |
| Less distributions from:  |   |                                     |        |         |        |   |
| Net investment income . . . . .   | (0.00)                                    | (0.00)                              | (0.00) | (0.00)  | (0.00) | (0.06)  |
| Capital gains . . . . .   | (0.00)                                    | (0.00)                              | (0.00) | (0.00)  | (0.00) | (0.06)  |
| Total distributions . . . . .   | (0.00)                                    | (0.00)                              | (0.00) | (0.00)  | (0.00) | (0.12)  |
| Net asset value,<br>end of period . . . . .   | \$10.53                                   | \$9.54                              | \$9.27 | \$7.24  | \$9.21 | \$ 9.48   |
| Total return <sup>(2)</sup> . . . . .   | 10.38%                                    | 2.91%                               | 28.04% | -21.39% | -2.85% | -4.27%  |
| Net assets, end of period<br>(in millions) . . . . .  | \$108                                     | \$82                                | \$76   | \$21    | \$20   | \$19  |
| Ratio of expenses to<br>average net assets<br>including voluntary<br>expense waiver <sup>(3)</sup> . . . . .                        | 1.47% <sup>(4)</sup>                      | 1.50%                               | 1.55%  | 1.28%   | 1.58%  | 1.13% <sup>(4)</sup>  |
| Ratio of net investment<br>income (loss) to average<br>net assets including<br>voluntary expense<br>waiver <sup>(3)</sup> . . . . . | -0.57% <sup>(4)</sup>                     | -0.31%                              | -0.89% | -0.23%  | -0.38% | 0.89% <sup>(4)</sup>  |
| Ratio of expenses to<br>average net assets<br>excluding voluntary<br>expense waiver <sup>(3)</sup> . . . . .                        | —   | 1.52%                               | —      | 1.66%   | 1.69%  | 1.34% <sup>(4)</sup>  |
| Ratio of net investment<br>income (loss) to average<br>net assets excluding<br>voluntary expense<br>waiver <sup>(3)</sup> . . . . . | —   | -0.33%                              | —      | -0.61%  | -0.49% | 0.68% <sup>(4)</sup>  |
| Portfolio turnover rate . . . . .   | 45%                                       | 131%                                | 162%   | 72%     | 99%    | 75%   |

(1) Commencement of operations of the class.

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

(3) See Note 2.

(4) Annualized.

See Notes to Financial Statements.

# Financial Highlights

## IVY LARGE CAP GROWTH FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|   | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |        |         |        | For the<br>period from<br>7-6-00 <sup>(1)</sup><br>to<br>3-31-01 |
|---|---|-------------------------------------|--------|---------|--------|--|
|   |   | 2005                                | 2004   | 2003    | 2002   |  |
| Net asset value,<br>beginning of period . . . . .   | \$8.99                                    | \$8.83                              | \$6.99 | \$9.05  | \$9.44 | \$10.02  |
| Income (loss) from<br>investment operations:  |   |                                     |        |         |        |  |
| Net investment loss . . . . .   | (0.06)                                    | (0.05)                              | (0.13) | (0.14)  | (0.16) | (0.03)   |
| Net realized and<br>unrealized gain (loss)<br>on investments . . . . .  | 0.94                                      | 0.21                                | 1.97   | (1.92)  | (0.23) | (0.49)   |
| Total from investment<br>operations . . . . .   | 0.88                                      | 0.16                                | 1.84   | (2.06)  | (0.39) | (0.52)   |
| Less distributions from:  |   |                                     |        |         |        |  |
| Net investment income . . . . .   | (0.00)                                    | (0.00)                              | (0.00) | (0.00)  | (0.00) | (0.00)   |
| Capital gains . . . . .   | (0.00)                                    | (0.00)                              | (0.00) | (0.00)  | (0.00) | (0.06)   |
| Total distributions . . . . .   | (0.00)                                    | (0.00)                              | (0.00) | (0.00)  | (0.00) | (0.06)   |
| Net asset value,<br>end of period . . . . .   | \$9.87                                    | \$8.99                              | \$8.83 | \$6.99  | \$9.05 | \$ 9.44  |
| Total return . . . . .  | 9.79%                                     | 1.81%                               | 26.32% | -22.76% | -4.13% | -5.32%   |
| Net assets, end of period<br>(in millions) . . . . .  | \$9                                       | \$8                                 | \$5    | \$2     | \$2    | \$2  |
| Ratio of expenses to<br>average net assets<br>including voluntary<br>expense waiver <sup>(2)</sup> . . . . .            | 2.49% <sup>(3)</sup>                      | 2.53%                               | 2.85%  | 2.93%   | 2.98%  | 2.53% <sup>(3)</sup>   |
| Ratio of net investment<br>loss to average net<br>assets including voluntary<br>expense waiver <sup>(2)</sup> . . . . . | -1.58% <sup>(3)</sup>                     | -1.30%                              | -2.16% | -1.87%  | -1.79% | -0.60% <sup>(3)</sup>  |
| Ratio of expenses to<br>average net assets<br>excluding voluntary<br>expense waiver <sup>(2)</sup> . . . . .            | —   | —                                   | —      | 3.31%   | 3.19%  | 3.00% <sup>(3)</sup>   |
| Ratio of net investment loss<br>to average net assets<br>excluding voluntary<br>expense waiver <sup>(2)</sup> . . . . . | —   | —                                   | —      | -2.25%  | -2.00% | -1.07% <sup>(3)</sup>  |
| Portfolio turnover rate . . . . .   | 45%                                       | 131%                                | 162%   | 72%     | 99%    | 75%  |

(1) Commencement of operations of the class.

(2) See Note 2.

(3) Annualized.

See Notes to Financial Statements.

# Financial Highlights

## IVY LARGE CAP GROWTH FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|   | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |               |               |               | For the<br>period from<br>7-3-00 <sup>(1)</sup><br>to<br>3-31-01 |
|---|---|-------------------------------------|---------------|---------------|---------------|--|
|   |   | 2005                                | 2004          | 2003          | 2002          |  |
| Net asset value,<br>beginning of period . . . . .   | \$ 9.18                                   | \$8.99                              | \$7.08        | \$9.10        | \$9.45        | \$10.00  |
| Income (loss) from<br>investment operations:  |   |                                     |               |               |               |  |
| Net investment loss . . . . .   | (0.07)                                    | (0.09)                              | (0.11)        | (0.10)        | (0.12)        | (0.00)   |
| Net realized and<br>unrealized gain (loss)<br>on investments . . . . .  | 0.98                                      | 0.28                                | 2.02          | (1.92)        | (0.23)        | (0.48)   |
| Total from investment<br>operations . . . . .   | 0.91                                      | 0.19                                | 1.91          | (2.02)        | (0.35)        | (0.48)   |
| Less distributions from:  |   |                                     |               |               |               |  |
| Net investment income . . . . .   | (0.00)                                    | (0.00)                              | (0.00)        | (0.00)        | (0.00)        | (0.01)   |
| Capital gains . . . . .   | (0.00)                                    | (0.00)                              | (0.00)        | (0.00)        | (0.00)        | (0.06)   |
| Total distributions . . . . .   | (0.00)                                    | (0.00)                              | (0.00)        | (0.00)        | (0.00)        | (0.07)   |
| Net asset value,<br>end of period . . . . .   | <u>\$10.09</u>                            | <u>\$9.18</u>                       | <u>\$8.99</u> | <u>\$7.08</u> | <u>\$9.10</u> | <u>\$ 9.45</u>   |
| Total return . . . . .  | 9.91%                                     | 2.11%                               | 26.98%        | -22.28%       | -3.60%        | -4.93%   |
| Net assets, end of period<br>(in millions) . . . . .  | \$13                                      | \$12                                | \$11          | \$4           | \$7           | \$7  |
| Ratio of expenses to<br>average net assets<br>including voluntary<br>expense waiver <sup>(2)</sup> . . . . .            | 2.25% <sup>(3)</sup>                      | 2.25%                               | 2.44%         | 2.26%         | 2.51%         | 2.06% <sup>(3)</sup>   |
| Ratio of net investment loss<br>to average net assets<br>including voluntary<br>expense waiver <sup>(2)</sup> . . . . . | -1.34% <sup>(3)</sup>                     | -1.06%                              | -1.75%        | -1.20%        | -1.31%        | -0.08% <sup>(3)</sup>  |
| Ratio of expenses to<br>average net assets<br>excluding voluntary<br>expense waiver <sup>(2)</sup> . . . . .            | 2.26% <sup>(3)</sup>                      | 2.28%                               | —             | 2.64%         | 2.68%         | 2.44% <sup>(3)</sup>   |
| Ratio of net investment loss<br>to average net assets<br>excluding voluntary<br>expense waiver <sup>(2)</sup> . . . . . | -1.35% <sup>(3)</sup>                     | -1.09%                              | —             | -1.58%        | -1.48%        | -0.46% <sup>(3)</sup>  |
| Portfolio turnover rate . . . . .   | 45%                                       | 131%                                | 162%          | 72%           | 99%           | 75%  |

(1) Commencement of operations of the class.

(2) See Note 2.

(3) Annualized.

See Notes to Financial Statements.



# Financial Highlights

## IVY LARGE CAP GROWTH FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|   | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |          |         |        | For the<br>period from<br>7-6-00 <sup>(1)</sup><br>to<br>3-31-01 |
|---|---|-------------------------------------|----------|---------|--------|--|
|   |   | 2005                                | 2004     | 2003    | 2002   |  |
| Net asset value,<br>beginning of period . . . . .   | \$ 9.62                                   | \$9.32                              | \$7.26   | \$9.22  | \$9.48 | \$10.02  |
| Income (loss) from<br>investment operations:  |   |                                     |          |         |        |  |
| Net investment<br>income (loss) . . . . .   | (0.01)                                    | 0.00                                | (0.03)   | (0.30)  | (0.01) | 0.09   |
| Net realized and<br>unrealized gain (loss)<br>on investments . . . . .  | 1.03                                      | 0.30                                | 2.09     | (1.66)  | (0.25) | (0.50)   |
| Total from investment<br>operations . . . . .   | 1.02                                      | 0.30                                | 2.06     | (1.96)  | (0.26) | (0.41)   |
| Less distributions from:  |   |                                     |          |         |        |  |
| Net investment income . . .   | (0.00)                                    | (0.00)                              | (0.00)   | (0.00)  | (0.00) | (0.07)   |
| Capital gains . . . . .   | (0.00)                                    | (0.00)                              | (0.00)   | (0.00)  | (0.00) | (0.06)   |
| Total distributions . . . . .   | (0.00)                                    | (0.00)                              | (0.00)   | (0.00)  | (0.00) | (0.13)   |
| Net asset value,<br>end of period . . . . .   | \$10.64                                   | \$9.62                              | \$9.32   | \$7.26  | \$9.22 | \$ 9.48  |
| Total return . . . . .  | 10.60%                                    | 3.22%                               | 28.38%   | -21.26% | -2.74% | -4.38%   |
| Net assets, end of period<br>(in thousands) . . . . .   | \$54,606                                  | \$49,661                            | \$59,483 | \$892   | \$768  | \$279  |
| Ratio of expenses to<br>average net assets<br>including voluntary<br>expense waiver <sup>(2)</sup> . . . . .                        | 1.20% <sup>(3)</sup>                      | 1.20%                               | 1.26%    | 1.05%   | 1.36%  | 1.13% <sup>(3)</sup>   |
| Ratio of net investment<br>income (loss) to<br>average net assets<br>including voluntary<br>expense waiver <sup>(2)</sup> . . . . . | -0.29% <sup>(3)</sup>                     | -0.01%                              | -0.64%   | 0.00%   | -0.20% | 1.11% <sup>(3)</sup>   |
| Ratio of expenses to<br>average net assets<br>excluding voluntary<br>expense waiver <sup>(2)</sup> . . . . .                        | 1.22% <sup>(3)</sup>                      | 1.25%                               | —        | 1.43%   | 1.45%  | 1.34% <sup>(3)</sup>   |
| Ratio of net investment<br>income (loss) to<br>average net assets<br>excluding voluntary<br>expense waiver <sup>(2)</sup> . . . . . | -0.31% <sup>(3)</sup>                     | -0.06%                              | —        | -0.38%  | -0.29% | 0.90% <sup>(3)</sup>   |
| Portfolio turnover rate . . . . .   | 45%                                       | 131%                                | 162%     | 72%     | 99%    | 75%  |

(1) Commencement of operations of the class.

(2) See Note 2.

(3) Annualized.

See Notes to Financial Statements.

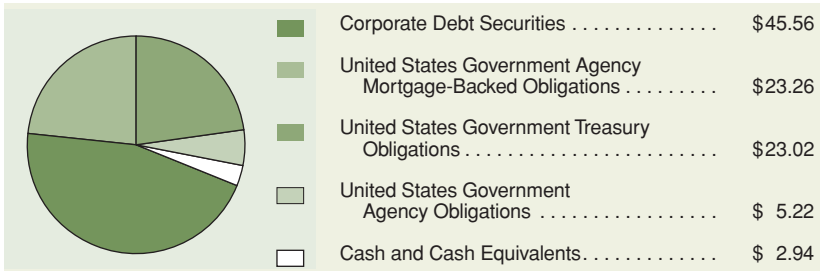
## SHAREHOLDER SUMMARY OF IVY LIMITED-TERM BOND FUND

### Portfolio Highlights

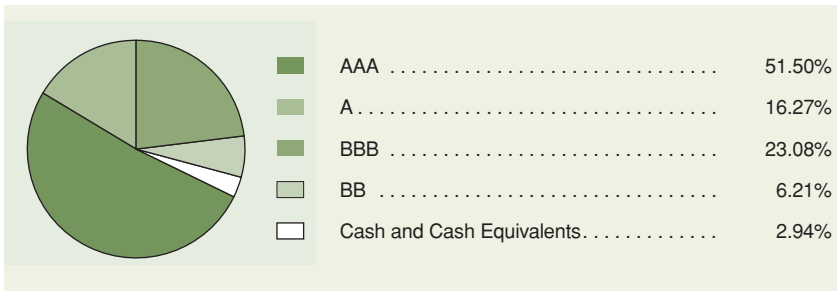
On September 30, 2005, Ivy Limited-Term Bond Fund had net assets totaling \$56,550,779 invested in a diversified portfolio of:

|        |  |
|--------|--|
| 51.50% | United States Government and Government Agency Obligations |
| 45.56% | Corporate Debt Securities                                  |
| 2.94%  | Cash and Cash Equivalents                                  |

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2005, your Fund owned:



On September 30, 2005, the breakdown of bonds (by ratings) held by the Fund was as follows:



# The Investments of Ivy Limited-Term Bond Fund

September 30, 2005

| CORPORATE DEBT SECURITIES  | Principal<br>Amount in<br>Thousands | Value                   |
|--|-------------------------------------|-------------------------|
| <b>Aircraft – 3.29%</b>  |                                     |                         |
| Raytheon Company,<br>6.75%, 8–15–07 .....  | \$1,800                             | <u>\$ 1,859,998</u>     |
| <b>Business Equipment and Services – 3.69%</b>                                   |                                     |                         |
| USA Waste Services, Inc.,<br>7.125%, 10–1–07 .....                               | 2,000                               | <u>2,085,268</u>        |
| <b>Capital Equipment – 1.42%</b>   |                                     |                         |
| John Deere Capital Corporation,<br>5.125%, 10–19–06 .....                        | 800                                 | <u>805,034</u>          |
| <b>Chemicals – Specialty – 2.22%</b>   |                                     |                         |
| Praxair, Inc.,<br>4.75%, 7–15–07 .....   | 1,250                               | <u>1,254,122</u>        |
| <b>Finance Companies – 6.21%</b>   |                                     |                         |
| Ford Motor Credit Company,<br>6.875%, 2–1–06 .....                               | 2,000                               | 2,008,184               |
| General Motors Acceptance Corporation,<br>6.625%, 10–15–05 .....                 | 1,500                               | <u>1,500,903</u>        |
|  |                                     | <u><b>3,509,087</b></u> |
| <b>Food and Related – 1.24%</b>  |                                     |                         |
| Kellogg Company,<br>4.875%, 10–15–05 .....                                       | 700                                 | <u>700,158</u>          |
| <b>Forest and Paper Products – 1.91%</b>   |                                     |                         |
| International Paper Company,<br>4.25%, 1–15–09 .....                             | 1,105                               | <u>1,080,908</u>        |
| <b>Multiple Industry – 6.95%</b>   |                                     |                         |
| Household Finance Corporation,<br>6.5%, 1–24–06 .....                            | 950                                 | 956,499                 |
| Kansas City Power & Light Company,<br>7.125%, 12–15–05 .....                     | 950                                 | 954,995                 |
| National Rural Utilities Cooperative Finance Corporation,<br>6.0%, 5–15–06 ..... | 2,000                               | <u>2,019,156</u>        |
|  |                                     | <u><b>3,930,650</b></u> |
| <b>Petroleum – International – 3.61%</b>   |                                     |                         |
| Anadarko Petroleum Corporation,<br>5.375%, 3–1–07 .....                          | 2,025                               | <u>2,042,723</u>        |

See Notes to Schedule of Investments on page 102.

# The Investments of Ivy Limited-Term Bond Fund

September 30, 2005

| CORPORATE DEBT SECURITIES (Continued)                        | Principal<br>Amount in<br>Thousands | Value               |
|--|-------------------------------------|---------------------|
| <b>Railroad – 4.35%</b>                                      |                                     |                     |
| Norfolk Southern Corporation,<br>7.35%, 5–15–07 .....        | \$1,850                             | \$ 1,924,792        |
| Union Pacific Corporation,<br>6.7%, 12–1–06 .....            | 525                                 | 537,591             |
|  |                                     | <u>2,462,383</u>    |
| <b>Utilities – Electric – 6.92%</b>                          |                                     |                     |
| FPL Group Capital Inc,<br>6.125%, 5–15–07 .....              | 2,000                               | 2,046,568           |
| Virginia Electric and Power Company,<br>5.375%, 2–1–07 ..... | 1,500                               | 1,513,014           |
| Wisconsin Energy Corporation,<br>5.875%, 4–1–06 .....        | 350                                 | 352,407             |
|  |                                     | <u>3,911,989</u>    |
| <b>Utilities – Telephone – 3.75%</b>                         |                                     |                     |
| GTE Corporation,<br>6.36%, 4–15–06 .....                     | 2,100                               | <u>2,120,383</u>    |
| <b>TOTAL CORPORATE DEBT SECURITIES – 45.56%</b>              |                                     | <b>\$25,762,703</b> |
| (Cost: \$25,892,373)   |                                     |                     |

## UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS

|  |       |                  |
|--|-------|------------------|
| <b>Agency Obligations – 5.22%</b>                                |       |                  |
| Federal Home Loan Mortgage Corporation,<br>3.625%, 9–15–08 ..... | 2,000 | 1,956,568        |
| Federal National Mortgage Association,<br>4.25%, 7–15–07 .....   | 1,000 | 997,469          |
|  |       | <u>2,954,037</u> |
| <b>Mortgage-Backed Obligations – 23.26%</b>                      |       |                  |
| Federal Home Loan Mortgage Corporation Agency<br>REMIC/CMO:      |       |                  |
| 4.0%, 12–15–12 .....   | 587   | 574,320          |
| 3.5%, 12–15–16 .....   | 1,068 | 1,029,382        |
| 5.5%, 7–15–17 (Interest Only) .....                              | 1,000 | 64,556           |
| 5.5%, 10–15–23 (Interest Only) .....                             | 4,374 | 341,769          |
| 5.5%, 4–15–24 (Interest Only) .....                              | 1,393 | 128,573          |
| 5.0%, 6–15–24 (Interest Only) .....                              | 2,000 | 266,912          |
| 4.0%, 11–15–32 .....   | 1,233 | 1,196,228        |

See Notes to Schedule of Investments on page 102.

# The Investments of Ivy Limited-Term Bond Fund

September 30, 2005

| UNITED STATES GOVERNMENT AND<br>GOVERNMENT AGENCY OBLIGATIONS (Continued)            | Principal<br>Amount in<br>Thousands | Value               |
|--|-------------------------------------|---------------------|
| <b>Mortgage-Backed Obligations (Continued)</b>                                       |                                     |                     |
| Federal Home Loan Mortgage Corporation Fixed   |                                     |                     |
| Rate Participation Certificates:   |                                     |                     |
| 4.5%, 5-1-10 .....   | \$ 827                              | \$ 822,443          |
| 5.5%, 1-1-17 .....   | 230                                 | 233,774             |
| 5.5%, 5-1-17 .....   | 224                                 | 227,635             |
| 4.5%, 4-1-18 .....   | 1,343                               | 1,317,621           |
| Federal National Mortgage Association Fixed Rate                                     |                                     |                     |
| Pass-Through Certificates:   |                                     |                     |
| 8.0%, 2-1-08 .....   | 2                                   | 1,952               |
| 7.0%, 10-1-14 .....  | 45                                  | 47,107              |
| 5.5%, 2-1-17 .....   | 744                                 | 754,953             |
| 5.0%, 11-1-17 .....  | 826                                 | 825,106             |
| 5.5%, 1-1-18 .....   | 842                                 | 854,520             |
| Government National Mortgage Association Fixed                                       |                                     |                     |
| Rate Pass-Through Certificates:  |                                     |                     |
| 6.5%, 1-15-14 .....  | 82                                  | 85,625              |
| 6.0%, 5-15-14 .....  | 208                                 | 215,732             |
| 5.5%, 1-15-17 .....  | 369                                 | 377,992             |
| 6.0%, 1-15-17 .....  | 252                                 | 260,949             |
| 5.5%, 7-15-17 .....  | 704                                 | 719,880             |
| 5.0%, 12-15-17 .....   | 1,228                               | 1,235,264           |
| 4.0%, 9-15-18 .....  | 1,469                               | 1,418,931           |
| 7.0%, 10-15-28 .....   | 48                                  | 50,094              |
| 7.0%, 4-15-29 .....  | 32                                  | 33,375              |
| 7.0%, 7-15-29 .....  | 64                                  | 67,875              |
|  |                                     | <b>13,152,568</b>   |
| <b>Treasury Obligations – 23.02%</b>   |                                     |                     |
| United States Treasury Notes:  |                                     |                     |
| 4.75%, 11-15-08 .....  | 2,000                               | 2,032,110           |
| 3.125%, 4-15-09 .....  | 2,000                               | 1,929,922           |
| 4.0%, 6-15-09 .....  | 1,000                               | 993,125             |
| 4.0%, 3-15-10 .....  | 2,000                               | 1,982,188           |
| 5.0%, 8-15-11 .....  | 2,000                               | 2,078,204           |
| 4.375%, 8-15-12 .....  | 2,000                               | 2,011,796           |
| 4.25%, 8-15-14 .....   | 2,000                               | 1,987,500           |
|  |                                     | <b>13,014,845</b>   |
| <b>TOTAL UNITED STATES GOVERNMENT AND<br/>GOVERNMENT AGENCY OBLIGATIONS – 51.50%</b> |                                     | <b>\$29,121,450</b> |
| (Cost: \$29,393,813)   |                                     |                     |

See Notes to Schedule of Investments on page 102.

# The Investments of Ivy Limited-Term Bond Fund

September 30, 2005

| <b>SHORT-TERM SECURITY – 1.91%</b>                       | <b>Principal<br/>Amount in<br/>Thousands</b> | <b>Value</b>               |
|--|--|----------------------------|
| <b>Forest and Paper Products</b>                         |  |                            |
| Sonoco Products Co.,<br>3.94%, 10–3–05 . . . . .         | \$1,083                                      | <u>\$ 1,082,763</u>        |
| (Cost: \$1,082,763)                                      |  |                            |
| <b>TOTAL INVESTMENT SECURITIES – 98.97%</b>              |  | <u><b>\$55,966,916</b></u> |
| (Cost: \$56,368,949)                                     |  |                            |
| <b>CASH AND OTHER ASSETS, NET OF LIABILITIES – 1.03%</b> |  | <u><b>583,863</b></u>      |
| <b>NET ASSETS – 100.00%</b>                              |  | <u><b>\$56,550,779</b></u> |

## Notes to Schedule of Investments

Certain acronyms are used within the body of the Fund's holdings. The definitions of these acronyms are as follows: REMIC – Real Estate Mortgage Investment Conduit; CMO – Collateralized Mortgage Obligation.

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

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

# Statement of Assets and Liabilities

## IVY LIMITED-TERM BOND FUND

September 30, 2005

(In Thousands, Except for Per Share Amounts)

### ASSETS

|  |               |
|--|---------------|
| Investment securities – at value (cost – \$56,369) (Notes 1 and 3) . . . . . | \$ 55,967     |
| Receivables:   |               |
| Interest . . . . .   | 708           |
| Fund shares sold . . . . .   | 292           |
| Prepaid and other assets . . . . .   | 28            |
| Total assets . . . . .   | <u>56,995</u> |

### LIABILITIES

|  |                 |
|--|-----------------|
| Payable to Fund shareholders . . . . .                   | 356             |
| Due to custodian . . . . .                               | 27              |
| Accrued shareholder servicing (Note 2) . . . . .         | 23              |
| Dividends payable . . . . .                              | 11              |
| Accrued accounting services fee (Note 2) . . . . .       | 3               |
| Accrued distribution and service fees (Note 2) . . . . . | 1               |
| Accrued management fee (Note 2) . . . . .                | 1               |
| Other . . . . .  | 22              |
| Total liabilities . . . . .                              | <u>444</u>      |
| Total net assets . . . . .                               | <u>\$56,551</u> |

### NET ASSETS

|   |                 |
|---|-----------------|
| \$0.01 par value capital stock:                                       |                 |
| Capital stock . . . . .   | \$ 56           |
| Additional paid-in capital . . . . .                                  | 57,508          |
| Accumulated undistributed loss:                                       |                 |
| Accumulated undistributed net realized loss                           |                 |
| on investment transactions . . . . .                                  | (611)           |
| Net unrealized depreciation in value of investments . . . . .         | <u>(402)</u>    |
| Net assets applicable to outstanding units of capital . . . . .       | <u>\$56,551</u> |
| Net asset value per share (net assets divided by shares outstanding): |                 |
| Class A . . . . .   | \$10.13         |
| Class B . . . . .   | \$10.13         |
| Class C . . . . .   | \$10.13         |
| Class Y . . . . .   | \$10.13         |
| Capital shares outstanding:   |                 |
| Class A . . . . .   | 3,320           |
| Class B . . . . .   | 553             |
| Class C . . . . .   | 1,526           |
| Class Y . . . . .   | 186             |
| Capital shares authorized . . . . .                                   | 200,000         |

See Notes to Financial Statements.

# Statement of Operations

## IVY LIMITED-TERM BOND FUND

For the Six Months Ended September 30, 2005

(In Thousands)

### INVESTMENT INCOME

|                                     |         |
|-------------------------------------|---------|
| Income (Note 1B):                   |         |
| Interest and amortization . . . . . | \$1,259 |
| Expenses (Note 2):                  |         |
| Investment management fee . . . . . | 148     |
| Shareholder servicing:              |         |
| Class A . . . . .                   | 54      |
| Class B . . . . .                   | 14      |
| Class C . . . . .                   | 32      |
| Class Y . . . . .                   | 2       |
| Distribution fee:                   |         |
| Class A . . . . .                   | 6       |
| Class B . . . . .                   | 23      |
| Class C . . . . .                   | 61      |
| Service fee:                        |         |
| Class A . . . . .                   | 38      |
| Class B . . . . .                   | 8       |
| Class C . . . . .                   | 20      |
| Class Y . . . . .                   | 2       |
| Registration fees . . . . .         | 28      |
| Accounting services fee . . . . .   | 22      |
| Audit fees . . . . .                | 11      |
| Custodian fees . . . . .            | 4       |
| Other . . . . .                     | 16      |
| Total expenses . . . . .            | 489     |
| Net investment income . . . . .     | 770     |

### REALIZED AND UNREALIZED GAIN (LOSS)

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

|   |        |
|---|--------|
| Realized net loss on investments . . . . .                                  | (26)   |
| Unrealized depreciation in value of investments during the period . . . . . | (52)   |
| Net loss on investments . . . . .   | (78)   |
| Net increase in net assets resulting from operations . . . . .              | \$ 692 |

See Notes to Financial Statements.



# Statement of Changes in Net Assets

## IVY LIMITED-TERM BOND FUND

(In Thousands)

|  | For the six<br>months ended<br>September 30,<br>2005 | For the fiscal<br>year ended<br>March 31,<br>2005 |
|--|--|---|
| <b>DECREASE IN NET ASSETS</b>  |  |   |
| Operations:  |  |   |
| Net investment income .....  | \$ 770   | \$ 1,586  |
| Realized net loss on investments .....                                   | (26)   | (80)  |
| Unrealized depreciation .....  | (52)   | (2,076)   |
| Net increase (decrease) in net assets<br>resulting from operations ..... | 692  | (570)   |
| Distributions to shareholders from (Note 1F):(1)                         |  |   |
| Net investment income:   |  |   |
| Class A .....  | (512)  | (1,057)   |
| Class B .....  | (62)   | (114)   |
| Class C .....  | (168)  | (359)   |
| Class Y .....  | (28)   | (56)  |
| Realized gains on investment transactions:                               |  |   |
| Class A .....  | (—)  | (—)   |
| Class B .....  | (—)  | (—)   |
| Class C .....  | (—)  | (—)   |
| Class Y .....  | (—)  | (—)   |
|  | (770)  | (1,586)   |
| Capital share transactions (Note 5) .....                                | (7,196)  | 1,791   |
| Total decrease .....   | (7,274)  | (365)   |
| <b>NET ASSETS</b>  |  |   |
| Beginning of period .....  | 63,825   | 64,190  |
| End of period .....  | <u>\$56,551</u>                                      | <u>\$63,825</u>                                   |
| Undistributed net investment income .....                                | <u>\$ —</u>  | <u>\$ —</u>                                       |

(1) See "Financial Highlights" on pages 106 - 109.

# Financial Highlights

## IVY LIMITED-TERM BOND FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|  | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |                  |                  |         | For the<br>period from<br>8-17-00 <sup>(1)</sup><br>to<br>3-31-01 |
|--|---|-------------------------------------|------------------|------------------|---------|---|
|  |   | 2005                                | 2004             | 2003             | 2002    |   |
| Net asset value,<br>beginning of period . . . . .  | \$10.14                                   | \$10.48                             | \$10.45          | \$10.20          | \$10.17 | \$ 9.84   |
| Income (loss) from<br>investment operations:   |   |                                     |                  |                  |         |   |
| Net investment income . . . . .  | 0.15                                      | 0.28                                | 0.29             | 0.36             | 0.51    | 0.36  |
| Net realized and<br>unrealized gain (loss)<br>on investments . . . . .                                     | (0.01)                                    | (0.34)                              | 0.03             | 0.25             | 0.03    | 0.33  |
| Total from investment<br>operations . . . . .  | 0.14                                      | (0.06)                              | 0.32             | 0.61             | 0.54    | 0.69  |
| Less distributions from:   |   |                                     |                  |                  |         |   |
| Net investment income . . . . .  | (0.15)                                    | (0.28)                              | (0.29)           | (0.36)           | (0.51)  | (0.36)  |
| Capital gains . . . . .  | (0.00)                                    | (0.00)                              | (0.00)           | (0.00)           | (0.00)  | (0.00)  |
| Total distributions . . . . .  | (0.15)                                    | (0.28)                              | (0.29)           | (0.36)           | (0.51)  | (0.36)  |
| Net asset value, end of period . . .   | \$10.13                                   | \$10.14                             | \$10.48          | \$10.45          | \$10.20 | \$10.17   |
| Total return <sup>(2)</sup> . . . . .  | 1.38%                                     | -0.60%                              | 3.13%            | 6.15%            | 5.42%   | 7.01%   |
| Net assets, end of period<br>(in thousands) . . . . .  | \$33,611                                  | \$38,482                            | \$34,970         | \$39,765         | \$6,124 | \$494   |
| Ratio of expenses to average<br>net assets including<br>voluntary expense waiver . . . . .                 | 1.33% <sup>(3)</sup>                      | 1.27%                               | 1.18%            | 1.09%            | 1.04%   | 0.85% <sup>(3)</sup>  |
| Ratio of net investment<br>income to average net<br>assets including voluntary<br>expense waiver . . . . . | 2.91% <sup>(3)</sup>                      | 2.71%                               | 2.79%            | 3.32%            | 4.76%   | 5.83% <sup>(3)</sup>  |
| Ratio of expenses to average<br>net assets excluding<br>voluntary expense waiver . . . . .                 | — <sup>(4)</sup>                          | — <sup>(4)</sup>                    | — <sup>(4)</sup> | — <sup>(4)</sup> | 1.19%   | 1.09% <sup>(3)</sup>  |
| Ratio of net investment<br>income to average net<br>assets excluding voluntary<br>expense waiver . . . . . | — <sup>(4)</sup>                          | — <sup>(4)</sup>                    | — <sup>(4)</sup> | — <sup>(4)</sup> | 4.61%   | 5.59% <sup>(3)</sup>  |
| Portfolio turnover rate . . . . .  | 9%  | 36%                                 | 30%              | 49%              | 33%     | 16% <sup>(5)</sup>  |

(1) Commencement of operations of the class.

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

(3) Annualized.

(4) Because the Fund's net assets exceeded \$25 million, there was no waiver of expenses. Therefore, no ratio is provided.

(5) For the fiscal year ended March 31, 2001.

See Notes to Financial Statements.

# Financial Highlights

## IVY LIMITED-TERM BOND FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|  | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |                  |                  |         | For the<br>period from<br>7-3-00 <sup>(1)</sup><br>to<br>3-31-01 |
|--|---|-------------------------------------|------------------|------------------|---------|--|
|  |   | 2005                                | 2004             | 2003             | 2002    |  |
| Net asset value,<br>beginning of period . . . . .  | \$10.14                                   | \$10.48                             | \$10.45          | \$10.20          | \$10.17 | \$ 9.80  |
| Income (loss) from<br>investment operations:   |   |                                     |                  |                  |         |  |
| Net investment income . . . . .  | 0.10                                      | 0.18                                | 0.19             | 0.27             | 0.42    | 0.36   |
| Net realized and unrealized<br>gain (loss) on<br>investments . . . . .                                     | (0.01)                                    | (0.34)                              | 0.03             | 0.25             | 0.03    | 0.37   |
| Total from investment<br>operations . . . . .  | 0.09                                      | (0.16)                              | 0.22             | 0.52             | 0.45    | 0.73   |
| Less distributions from:   |   |                                     |                  |                  |         |  |
| Net investment income . . . . .  | (0.10)                                    | (0.18)                              | (0.19)           | (0.27)           | (0.42)  | (0.36)   |
| Capital gains . . . . .  | (0.00)                                    | (0.00)                              | (0.00)           | (0.00)           | (0.00)  | (0.00)   |
| Total distributions . . . . .  | (0.10)                                    | (0.18)                              | (0.19)           | (0.27)           | (0.42)  | (0.36)   |
| Net asset value, end of period . . . . .   | \$10.13                                   | \$10.14                             | \$10.48          | \$10.45          | \$10.20 | \$10.17  |
| Total return . . . . .   | 0.93%                                     | -1.51%                              | 2.18%            | 5.18%            | 4.52%   | 7.54%  |
| Net assets, end of period<br>(in thousands) . . . . .  | \$5,602                                   | \$6,649                             | \$5,812          | \$5,471          | \$1,419 | \$425  |
| Ratio of expenses to average net<br>assets including voluntary<br>expense waiver . . . . .                 | 2.21% <sup>(2)</sup>                      | 2.20%                               | 2.11%            | 2.01%            | 1.88%   | 1.81% <sup>(2)</sup>   |
| Ratio of net investment<br>income to average net<br>assets including voluntary<br>expense waiver . . . . . | 2.03% <sup>(2)</sup>                      | 1.78%                               | 1.86%            | 2.47%            | 4.02%   | 4.91% <sup>(2)</sup>   |
| Ratio of expenses to average net<br>assets excluding voluntary<br>expense waiver . . . . .                 | — <sup>(3)</sup>                          | — <sup>(3)</sup>                    | — <sup>(3)</sup> | — <sup>(3)</sup> | 2.15%   | 2.33% <sup>(2)</sup>   |
| Ratio of net investment<br>income to average net<br>assets excluding voluntary<br>expense waiver . . . . . | — <sup>(3)</sup>                          | — <sup>(3)</sup>                    | — <sup>(3)</sup> | — <sup>(3)</sup> | 3.76%   | 4.39% <sup>(2)</sup>   |
| Portfolio turnover rate . . . . .  | 9%  | 36%                                 | 30%              | 49%              | 33%     | 16% <sup>(4)</sup>   |

(1) Commencement of operations of the class.

(2) Annualized.

(3) Because the Fund's net assets exceeded \$25 million, there was no waiver of expenses. Therefore, no ratio is provided.

(4) For the fiscal year ended March 31, 2001.

See Notes to Financial Statements.

# Financial Highlights

## IVY LIMITED-TERM BOND FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|                                   | For the              | For the fiscal year ended March 31, |                  |                  |         |         |
|-----------------------------------|----------------------|-------------------------------------|------------------|------------------|---------|---------|
|                                   | six months<br>ended  | 2005                                | 2004             | 2003             | 2002    | 2001    |
|                                   | 9-30-05              |                                     |                  |                  |         |         |
| Net asset value,                  |                      |                                     |                  |                  |         |         |
| beginning of period . . . . .     | \$10.14              | \$10.48                             | \$10.45          | \$10.20          | \$10.17 | \$ 9.76 |
| Income (loss) from                |                      |                                     |                  |                  |         |         |
| investment operations:            |                      |                                     |                  |                  |         |         |
| Net investment income . . . . .   | 0.10                 | 0.19                                | 0.20             | 0.27             | 0.42    | 0.48    |
| Net realized and                  |                      |                                     |                  |                  |         |         |
| unrealized gain (loss)            |                      |                                     |                  |                  |         |         |
| on investments . . . . .          | (0.01)               | (0.34)                              | 0.03             | 0.25             | 0.03    | 0.41    |
| Total from investment             |                      |                                     |                  |                  |         |         |
| operations . . . . .              | 0.09                 | (0.15)                              | 0.23             | 0.52             | 0.45    | 0.89    |
| Less distributions from:          |                      |                                     |                  |                  |         |         |
| Net investment income . . . . .   | (0.10)               | (0.19)                              | (0.20)           | (0.27)           | (0.42)  | (0.48)  |
| Capital gains . . . . .           | (0.00)               | (0.00)                              | (0.00)           | (0.00)           | (0.00)  | (0.00)  |
| Total distributions . . . . .     | (0.10)               | (0.19)                              | (0.20)           | (0.27)           | (0.42)  | (0.48)  |
| Net asset value,                  |                      |                                     |                  |                  |         |         |
| end of period . . . . .           | \$10.13              | \$10.14                             | \$10.48          | \$10.45          | \$10.20 | \$10.17 |
| Total return . . . . .            | 0.95%                | -1.45%                              | 2.23%            | 5.22%            | 4.46%   | 9.48%   |
| Net assets, end of period         |                      |                                     |                  |                  |         |         |
| (in millions) . . . . .           | \$15                 | \$17                                | \$22             | \$30             | \$20    | \$18    |
| Ratio of expenses to              |                      |                                     |                  |                  |         |         |
| average net assets                |                      |                                     |                  |                  |         |         |
| including voluntary               |                      |                                     |                  |                  |         |         |
| expense waiver . . . . .          | 2.17% <sup>(1)</sup> | 2.14%                               | 2.05%            | 1.98%            | 1.94%   | 1.82%   |
| Ratio of net investment           |                      |                                     |                  |                  |         |         |
| income to average                 |                      |                                     |                  |                  |         |         |
| net assets including              |                      |                                     |                  |                  |         |         |
| voluntary expense waiver . . .    | 2.07% <sup>(1)</sup> | 1.84%                               | 1.92%            | 2.59%            | 4.04%   | 4.97%   |
| Ratio of expenses to              |                      |                                     |                  |                  |         |         |
| average net assets                |                      |                                     |                  |                  |         |         |
| excluding voluntary               |                      |                                     |                  |                  |         |         |
| expense waiver . . . . .          | — <sup>(2)</sup>     | — <sup>(2)</sup>                    | — <sup>(2)</sup> | — <sup>(2)</sup> | 2.21%   | 2.34%   |
| Ratio of net investment           |                      |                                     |                  |                  |         |         |
| income to average                 |                      |                                     |                  |                  |         |         |
| net assets excluding              |                      |                                     |                  |                  |         |         |
| voluntary expense waiver . . .    | — <sup>(2)</sup>     | — <sup>(2)</sup>                    | — <sup>(2)</sup> | — <sup>(2)</sup> | 3.77%   | 4.44%   |
| Portfolio turnover rate . . . . . | 9%                   | 36%                                 | 30%              | 49%              | 33%     | 16%     |

(1) Annualized.

(2) Because the Fund's net assets exceeded \$25 million, there was no waiver of expenses. Therefore, no ratio is provided.

See Notes to Financial Statements.

# Financial Highlights

## IVY LIMITED-TERM BOND FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|  | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |                  |                  |         |         |
|--|---|-------------------------------------|------------------|------------------|---------|---------|
|  |   | 2005                                | 2004             | 2003             | 2002    | 2001    |
| Net asset value,<br>beginning of period . . . . .  | \$10.14                                   | \$10.48                             | \$10.45          | \$10.20          | \$10.17 | \$ 9.76 |
| Income (loss) from<br>investment operations:   |   |                                     |                  |                  |         |         |
| Net investment income . . .  | 0.15                                      | 0.29                                | 0.29             | 0.36             | 0.51    | 0.59    |
| Net realized and<br>unrealized gain (loss)<br>on investments. . . . .                                      | (0.01)                                    | (0.34)                              | 0.03             | 0.25             | 0.03    | 0.41    |
| Total from investment<br>operations . . . . .  | 0.14                                      | (0.05)                              | 0.32             | 0.61             | 0.54    | 1.00    |
| Less distributions from:   |   |                                     |                  |                  |         |         |
| Net investment income . . .  | (0.15)                                    | (0.29)                              | (0.29)           | (0.36)           | (0.51)  | (0.59)  |
| Capital gains . . . . .  | (0.00)                                    | (0.00)                              | (0.00)           | (0.00)           | (0.00)  | (0.00)  |
| Total distributions . . . . .  | (0.15)                                    | (0.29)                              | (0.29)           | (0.36)           | (0.51)  | (0.59)  |
| Net asset value,<br>end of period . . . . .  | \$10.13                                   | \$10.14                             | \$10.48          | \$10.45          | \$10.20 | \$10.17 |
| Total return . . . . .   | 1.46%                                     | -0.49%                              | 3.18%            | 6.14%            | 5.41%   | 10.56%  |
| Net assets, end of period<br>(in millions) . . . . .   | \$2                                       | \$2                                 | \$2              | \$2              | \$1     | \$2     |
| Ratio of expenses to<br>average net assets<br>including voluntary<br>expense waiver . . . . .              | 1.18% <sup>(1)</sup>                      | 1.16%                               | 1.13%            | 1.09%            | 1.04%   | 0.83%   |
| Ratio of net investment<br>income to average net<br>assets including voluntary<br>expense waiver . . . . . | 3.06% <sup>(1)</sup>                      | 2.82%                               | 2.83%            | 3.42%            | 4.97%   | 5.95%   |
| Ratio of expenses to<br>average net assets<br>excluding voluntary<br>expense waiver . . . . .              | — <sup>(2)</sup>                          | — <sup>(2)</sup>                    | — <sup>(2)</sup> | — <sup>(2)</sup> | 1.18%   | 1.07%   |
| Ratio of net investment<br>income to average net<br>assets excluding voluntary<br>expense waiver . . . . . | — <sup>(2)</sup>                          | — <sup>(2)</sup>                    | — <sup>(2)</sup> | — <sup>(2)</sup> | 4.83%   | 5.71%   |
| Portfolio turnover rate . . . . .  | 9%  | 36%                                 | 30%              | 49%              | 33%     | 16%     |

(1) Annualized.

(2) Because the Fund's net assets exceeded \$25 million, there was no waiver of expenses. Therefore, no ratio is provided.

See Notes to Financial Statements.

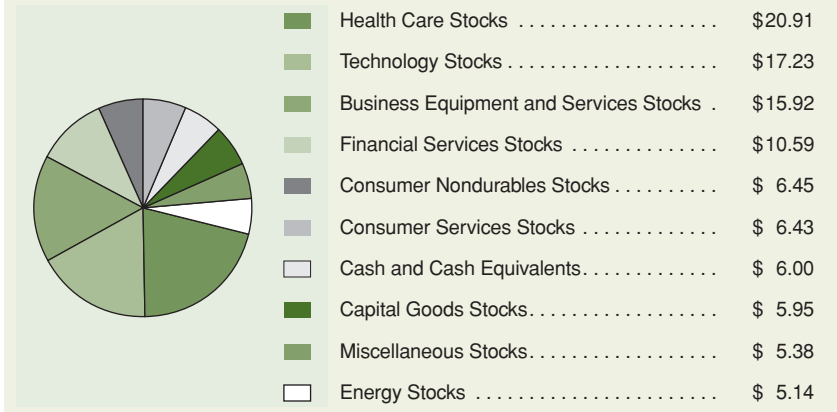
## SHAREHOLDER SUMMARY OF IVY MID CAP GROWTH FUND

### Portfolio Highlights

On September 30, 2005, the Ivy Mid Cap Growth Fund had net assets totaling \$106,646,896 invested in a diversified portfolio of:

|        |                           |
|--------|---------------------------|
| 94.00% | Common Stocks             |
| 6.00%  | Cash and Cash Equivalents |

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2005, your Fund owned:



# The Investments of Ivy Mid Cap Growth Fund

September 30, 2005

| COMMON STOCKS                                   | Shares  | Value             |
|---|---------|-------------------|
| <b>Air Transportation – 0.30%</b>               |         |                   |
| Southwest Airlines Co. ....                     | 21,750  | \$ <u>322,988</u> |
| <b>Aircraft – 1.55%</b>                         |         |                   |
| L-3 Communications Holdings, Inc. ....          | 20,850  | <u>1,648,609</u>  |
| <b>Banks – 5.18%</b>                            |         |                   |
| Amegy Bancorporation, Inc. ....                 | 31,700  | 717,529           |
| Northern Trust Corporation ....                 | 44,500  | 2,249,698         |
| Synovus Financial Corp. ....                    | 92,450  | 2,562,714         |
|   |         | <u>5,529,941</u>  |
| <b>Beverages – 2.59%</b>                        |         |                   |
| Brown-Forman Corporation, Class B. ....         | 25,200  | 1,500,408         |
| Coca-Cola Enterprises Inc. ....                 | 64,950  | 1,266,525         |
|   |         | <u>2,766,933</u>  |
| <b>Broadcasting – 1.21%</b>                     |         |                   |
| Cox Radio, Inc., Class A* ....                  | 48,700  | 740,240           |
| XM Satellite Radio Holdings Inc., Class A* .... | 15,400  | 552,937           |
|   |         | <u>1,293,177</u>  |
| <b>Business Equipment and Services – 6.00%</b>  |         |                   |
| Cintas Corporation ....                         | 36,850  | 1,512,877         |
| Lamar Advertising Company, Class A* ....        | 59,550  | 2,700,295         |
| Stericycle, Inc.* ....                          | 38,200  | 2,182,748         |
|   |         | <u>6,395,920</u>  |
| <b>Capital Equipment – 2.11%</b>                |         |                   |
| IDEX Corporation. ....                          | 52,775  | <u>2,245,576</u>  |
| <b>Communications Equipment – 1.29%</b>         |         |                   |
| Juniper Networks, Inc.* ....                    | 57,800  | <u>1,375,351</u>  |
| <b>Computers – Micro – 3.93%</b>                |         |                   |
| Apple Computer, Inc.* ....                      | 69,250  | 3,712,839         |
| Sun Microsystems, Inc.* ....                    | 122,400 | 480,420           |
|   |         | <u>4,193,259</u>  |
| <b>Computers – Peripherals – 1.84%</b>          |         |                   |
| EMC Corporation* ....                           | 70,950  | 918,093           |
| Mercury Interactive Corporation* ....           | 26,450  | 1,047,156         |
|   |         | <u>1,965,249</u>  |
| <b>Cosmetics and Toiletries – 1.79%</b>         |         |                   |
| Estee Lauder Companies Inc. (The), Class A .... | 54,950  | <u>1,913,908</u>  |

See Notes to Schedule of Investments on page 114.

# The Investments of Ivy Mid Cap Growth Fund

September 30, 2005

| COMMON STOCKS (Continued)                             | Shares | Value            |
|---|--------|------------------|
| <b>Electrical Equipment – 1.47%</b>                   |        |                  |
| Molex Incorporated . . . . .                          | 9,150  | \$ 244,076       |
| Molex Incorporated, Class A . . . . .                 | 51,600 | 1,325,088        |
|   |        | <u>1,569,164</u> |
| <b>Electronic Components – 7.18%</b>                  |        |                  |
| Analog Devices, Inc. . . . .                          | 25,450 | 945,213          |
| Broadcom Corporation, Class A* . . . . .              | 39,250 | 1,841,414        |
| Maxim Integrated Products, Inc. . . . .               | 24,750 | 1,055,464        |
| Microchip Technology Incorporated . . . . .           | 56,950 | 1,714,765        |
| Network Appliance, Inc.* . . . . .                    | 88,350 | 2,096,987        |
|   |        | <u>7,653,843</u> |
| <b>Electronic Instruments – 1.44%</b>                 |        |                  |
| Lam Research Corporation* . . . . .                   | 50,250 | 1,530,866        |
|   |        | <u>1,530,866</u> |
| <b>Food and Related – 2.07%</b>                       |        |                  |
| Campbell Soup Company . . . . .                       | 38,100 | 1,133,475        |
| Hershey Foods Corporation . . . . .                   | 19,050 | 1,072,706        |
|   |        | <u>2,206,181</u> |
| <b>Health Care – Drugs – 6.73%</b>                    |        |                  |
| Allergan, Inc. . . . .                                | 31,600 | 2,895,192        |
| Gilead Sciences, Inc.* . . . . .                      | 44,400 | 2,162,724        |
| ICOS Corporation* . . . . .                           | 39,550 | 1,092,173        |
| Neurocrine Biosciences, Inc.* . . . . .               | 21,000 | 1,032,675        |
|   |        | <u>7,182,764</u> |
| <b>Health Care – General – 7.73%</b>                  |        |                  |
| Biomet, Inc. . . . .                                  | 57,225 | 1,985,994        |
| DENTSPLY International Inc. . . . .                   | 15,200 | 821,028          |
| Gen-Probe Incorporated* . . . . .                     | 24,200 | 1,195,843        |
| Kyphon Inc.* . . . . .                                | 35,900 | 1,576,189        |
| Schein (Henry), Inc.* . . . . .                       | 62,450 | 2,660,058        |
|   |        | <u>8,239,112</u> |
| <b>Hospital Supply and Management – 6.45%</b>         |        |                  |
| Bard (C. R.), Inc. . . . .                            | 48,450 | 3,199,153        |
| Health Management Associates, Inc., Class A . . . . . | 63,800 | 1,497,386        |
| Laboratory Corporation of America Holdings* . . . . . | 44,800 | 2,182,208        |
|   |        | <u>6,878,747</u> |
| <b>Hotels and Gaming – 1.82%</b>                      |        |                  |
| Orient-Express Hotels Ltd. . . . .                    | 11,200 | 318,304          |
| Starwood Hotels & Resorts Worldwide, Inc. . . . .     | 28,400 | 1,623,628        |
|   |        | <u>1,941,932</u> |
| <b>Metal Fabrication – 2.37%</b>                      |        |                  |
| Fastenal Company (A) . . . . .                        | 41,450 | 2,530,522        |
|   |        | <u>2,530,522</u> |

See Notes to Schedule of Investments on page 114.



# The Investments of Ivy Mid Cap Growth Fund

September 30, 2005

| COMMON STOCKS (Continued)                      | Shares | Value                |
|--|--------|----------------------|
| <b>Motor Vehicles – 0.76%</b>                  |        |                      |
| Harley-Davidson, Inc. ....                     | 16,650 | \$ <u>806,526</u>    |
| <b>Multiple Industry – 1.20%</b>               |        |                      |
| AXIS Capital Holdings Limited.....             | 45,000 | <u>1,282,950</u>     |
| <b>Petroleum – Domestic – 1.21%</b>            |        |                      |
| XTO Energy Inc. ....                           | 28,366 | <u>1,285,547</u>     |
| <b>Petroleum – International – 3.44%</b>       |        |                      |
| Burlington Resources Inc. ....                 | 31,100 | 2,529,052            |
| Noble Energy, Inc. ....                        | 24,200 | 1,134,980            |
|  |        | <u>3,664,032</u>     |
| <b>Petroleum – Services – 0.49%</b>            |        |                      |
| Smith International, Inc. ....                 | 15,700 | <u>522,967</u>       |
| <b>Publishing – 3.40%</b>                      |        |                      |
| Getty Images, Inc.*.....                       | 23,900 | 2,056,356            |
| Meredith Corporation.....                      | 31,450 | 1,569,041            |
|  |        | <u>3,625,397</u>     |
| <b>Retail – Food Stores – 0.66%</b>            |        |                      |
| Longs Drug Stores Corporation.....             | 16,350 | <u>701,252</u>       |
| <b>Retail – General Merchandise – 0.74%</b>    |        |                      |
| Nordstrom, Inc. ....                           | 23,100 | <u>792,792</u>       |
| <b>Security and Commodity Brokers – 5.41%</b>  |        |                      |
| Ameritrade Holding Corporation*.....           | 62,650 | 1,344,782            |
| Chicago Mercantile Exchange Holdings Inc. .... | 9,350  | 3,153,755            |
| Prudential Financial, Inc. ....                | 18,848 | 1,273,371            |
|  |        | <u>5,771,908</u>     |
| <b>Timesharing and Software – 9.92%</b>        |        |                      |
| Alliance Data Systems Corporation*.....        | 55,250 | 2,163,037            |
| eBay Inc.*.....                                | 74,950 | 3,087,565            |
| Global Payments Inc. ....                      | 25,150 | 1,954,658            |
| Paychex, Inc. ....                             | 70,250 | 2,603,816            |
| Total System Services, Inc. ....               | 32,850 | 765,734              |
|  |        | <u>10,574,810</u>    |
| <b>Trucking and Shipping – 1.72%</b>           |        |                      |
| C.H. Robinson Worldwide, Inc. ....             | 28,650 | <u>1,836,751</u>     |
| <b>TOTAL COMMON STOCKS – 94.00%</b>            |        | <b>\$100,248,974</b> |
| (Cost: \$68,606,176)                           |        |                      |

See Notes to Schedule of Investments on page 114.

# The Investments of Ivy Mid Cap Growth Fund

September 30, 2005

| SHORT-TERM SECURITIES                                      | Principal<br>Amount in<br>Thousands | Value                |
|--|-------------------------------------|----------------------|
| <b>Multiple Industry – 3.74%</b>                           |                                     |                      |
| Wisconsin Electric Power Co.,<br>3.88%, 10–3–05 .....      | \$3,982                             | <u>\$ 3,981,142</u>  |
| <b>Utilities – Electric – 2.81%</b>                        |                                     |                      |
| Michigan Consolidated Gas Co.,<br>3.87%, 10–5–05 .....     | 3,000                               | <u>2,998,710</u>     |
| <b>TOTAL SHORT-TERM SECURITIES – 6.55%</b>                 |                                     | <u>\$ 6,979,852</u>  |
| (Cost: \$6,979,852)  |                                     |                      |
| <b>TOTAL INVESTMENT SECURITIES – 100.55%</b>               |                                     | <u>\$107,228,826</u> |
| (Cost: \$75,586,028)                                       |                                     |                      |
| <b>LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.55%)</b> |                                     | <u>(581,930)</u>     |
| <b>NET ASSETS – 100.00%</b>                                |                                     | <u>\$106,646,896</u> |

## Notes to Schedule of Investments

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

(A) Security serves as cover for the following written call option outstanding at September 30, 2005. (See Note 6 to financial statements):

| Underlying<br>Security | Contracts<br>Subject<br>to Call | Expiration Month/<br>Exercise Price | Premium<br>Received | Market<br>Value |
|------------------------|---------------------------------|-------------------------------------|---------------------|-----------------|
| Fastenal Company       | 204                             | November/68                         | <u>\$24,837</u>     | <u>\$4,192</u>  |

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

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

# Statement of Assets and Liabilities

## IVY MID CAP GROWTH FUND

September 30, 2005

(In Thousands, Except for Per Share Amounts)

### ASSETS

|  |                |
|--|----------------|
| Investment securities – at value (cost – \$75,586) (Notes 1 and 3) . . . . . | \$ 107,229     |
| Receivables:   |                |
| Fund shares sold . . . . .   | 224            |
| Dividends and interest . . . . .   | 61             |
| Investment securities sold . . . . .   | 46             |
| Prepaid and other assets . . . . .   | 28             |
| Total assets . . . . .   | <u>107,588</u> |

### LIABILITIES

|   |                  |
|---|------------------|
| Payable for investment securities purchased . . . . .                                 | 648              |
| Payable to Fund shareholders . . . . .  | 170              |
| Accrued shareholder servicing (Note 2) . . . . .                                      | 44               |
| Due to custodian . . . . .  | 44               |
| Accrued accounting services fee (Note 2) . . . . .                                    | 5                |
| Outstanding written options at market<br>(premium received – \$25) (Note 6) . . . . . | 4                |
| Accrued management fee (Note 2) . . . . .   | 3                |
| Accrued distribution and service fees (Note 2) . . . . .                              | 1                |
| Other . . . . .   | 22               |
| Total liabilities . . . . .   | <u>941</u>       |
| Total net assets . . . . .  | <u>\$106,647</u> |

### NET ASSETS

|   |                  |
|---|------------------|
| \$0.01 par value capital stock:   |                  |
| Capital stock . . . . .   | \$ 96            |
| Additional paid-in capital . . . . .  | 120,113          |
| Accumulated undistributed income (loss):  |                  |
| Accumulated undistributed net investment loss . . . . .                             | (570)            |
| Accumulated undistributed net realized loss<br>on investment transactions . . . . . | (44,655)         |
| Net unrealized appreciation in value of investments . . . . .                       | 31,663           |
| Net assets applicable to outstanding units of capital . . . . .                     | <u>\$106,647</u> |
| Net asset value per share (net assets divided by shares outstanding):               |                  |
| Class A . . . . .   | \$11.20          |
| Class B . . . . .   | \$10.60          |
| Class C . . . . .   | \$10.81          |
| Class Y . . . . .   | \$11.28          |
| Capital shares outstanding:   |                  |
| Class A . . . . .   | 7,247            |
| Class B . . . . .   | 1,038            |
| Class C . . . . .   | 1,133            |
| Class Y . . . . .   | 196              |
| Capital shares authorized . . . . .   | 350,000          |

See Notes to Financial Statements.

# Statement of Operations

## IVY MID CAP GROWTH FUND

For the Six Months Ended September 30, 2005

(In Thousands)

### INVESTMENT LOSS

|   |              |
|---|--------------|
| Income (Note 1B):   |              |
| Dividends . . . . .   | \$ 271       |
| Interest and amortization . . . . .                           | 77           |
| Total income . . . . .  | <u>348</u>   |
| Expenses (Note 2):  |              |
| Investment management fee . . . . .                           | 420          |
| Shareholder servicing:  |              |
| Class A . . . . .   | 132          |
| Class B . . . . .   | 37           |
| Class C . . . . .   | 23           |
| Class Y . . . . .   | 2            |
| Service fee:  |              |
| Class A . . . . .   | 82           |
| Class B . . . . .   | 13           |
| Class C . . . . .   | 15           |
| Class Y . . . . .   | 3            |
| Distribution fee:   |              |
| Class A . . . . .   | 11           |
| Class B . . . . .   | 40           |
| Class C . . . . .   | 45           |
| Accounting services fee . . . . .                             | 27           |
| Audit fees . . . . .  | 16           |
| Custodian fees . . . . .                                      | 4            |
| Legal fees . . . . .  | 1            |
| Other . . . . .   | 50           |
| Total . . . . .   | <u>921</u>   |
| Less expenses in excess of voluntary limit (Note 2) . . . . . | (10)         |
| Total expenses . . . . .                                      | <u>911</u>   |
| Net investment loss . . . . .                                 | <u>(563)</u> |

### REALIZED AND UNREALIZED GAIN

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

|   |                 |
|---|-----------------|
| Realized net gain on securities . . . . .                                       | 1,918           |
| Realized net loss on purchased options . . . . .                                | (21)            |
| Realized net gain on written options . . . . .                                  | 118             |
| Realized net gain on investments . . . . .                                      | <u>2,015</u>    |
| Unrealized appreciation in value of securities during the period . . . . .      | 9,861           |
| Unrealized appreciation in value of written options during the period . . . . . | 49              |
| Unrealized appreciation in value of investments during the period . . . . .     | <u>9,910</u>    |
| Net gain on investments . . . . .   | <u>11,925</u>   |
| Net increase in net assets resulting from operations . . . . .                  | <u>\$11,362</u> |

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY MID CAP GROWTH FUND

(In Thousands)

|  | For the six<br>months ended<br>September 30,<br>2005 | For the fiscal<br>year ended<br>March 31,<br>2005 |
|--|--|---|
| <b>INCREASE IN NET ASSETS</b>                                    |  |   |
| Operations:  |  |   |
| Net investment loss . . . . .                                    | \$ (563)   | \$ (989)  |
| Realized net gain on investments . . . . .                       | 2,015  | 2,202   |
| Unrealized appreciation. . . . .                                 | 9,910  | 6,472   |
| Net increase in net assets resulting<br>from operations. . . . . | 11,362   | 7,685   |
| Distributions to shareholders from (Note 1F):(1)                 |  |   |
| Net investment income:   |  |   |
| Class A . . . . .  | (—)  | (—)   |
| Class B . . . . .  | (—)  | (—)   |
| Class C . . . . .  | (—)  | (—)   |
| Class Y . . . . .  | (—)  | (—)   |
| Realized gains on investment transactions:                       |  |   |
| Class A . . . . .  | (—)  | (—)   |
| Class B . . . . .  | (—)  | (—)   |
| Class C . . . . .  | (—)  | (—)   |
| Class Y . . . . .  | (—)  | (—)   |
|  | (—)  | (—)   |
| Capital share transactions (Note 5) . . . . .                    | 3,338  | 11,632  |
| Total increase . . . . .   | 14,700   | 19,317  |
| <b>NET ASSETS</b>  |  |   |
| Beginning of period. . . . .                                     | 91,947   | 72,630  |
| End of period. . . . .   | \$106,647  | \$91,947  |
| Undistributed net investment loss . . . . .                      | \$ (570)   | \$ (7)  |

(1) See "Financial Highlights" on pages 118 - 121.

# Financial Highlights

## IVY MID CAP GROWTH FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|   | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |        |         |        | For the<br>period from<br>6-30-00 <sup>(1)</sup><br>to<br>3-31-01 |
|---|---|-------------------------------------|--------|---------|--------|---|
|   |   | 2005                                | 2004   | 2003    | 2002   |   |
| Net asset value,<br>beginning of period . . . . .   | \$ 9.99                                   | \$9.09                              | \$6.67 | \$8.91  | \$9.11 | \$10.00   |
| Income (loss) from<br>investment operations:  |   |                                     |        |         |        |   |
| Net investment<br>income (loss) . . . . .   | (0.05)                                    | (0.09)                              | (0.08) | (0.05)  | 0.02   | 0.11  |
| Net realized and<br>unrealized gain (loss)<br>on investments . . . . .  | 1.26                                      | 0.99                                | 2.50   | (2.19)  | (0.17) | (0.65)  |
| Total from investment<br>operations . . . . .   | 1.21                                      | 0.90                                | 2.42   | (2.24)  | (0.15) | (0.54)  |
| Less distributions from:  |   |                                     |        |         |        |   |
| Net investment income . . . . .   | (0.00)                                    | (0.00)                              | (0.00) | (0.00)* | (0.05) | (0.06)  |
| Capital gains . . . . .   | (0.00)                                    | (0.00)                              | (0.00) | (0.00)  | (0.00) | (0.29)  |
| Total distributions . . . . .   | (0.00)                                    | (0.00)                              | (0.00) | (0.00)* | (0.05) | (0.35)  |
| Net asset value, end of period . .  | \$11.20                                   | \$9.99                              | \$9.09 | \$6.67  | \$8.91 | \$ 9.11   |
| Total return <sup>(2)</sup> . . . . .   | 12.11%                                    | 9.90%                               | 36.28% | -25.13% | -1.67% | -5.88%  |
| Net assets, end of period<br>(in millions) . . . . .  | \$81                                      | \$68                                | \$50   | \$14    | \$15   | \$11  |
| Ratio of expenses to<br>average net assets<br>including voluntary<br>expense waiver <sup>(3)</sup> . . . . .                        | 1.65% <sup>(4)</sup>                      | 1.65%                               | 1.84%  | 1.17%   | 1.17%  | 1.01% <sup>(4)</sup>  |
| Ratio of net investment<br>income (loss) to<br>average net assets<br>including voluntary<br>expense waiver <sup>(3)</sup> . . . . . | -0.94% <sup>(4)</sup>                     | -0.95%                              | -1.20% | -0.49%  | 0.34%  | 1.85% <sup>(4)</sup>  |
| Ratio of expenses to<br>average net assets<br>excluding voluntary<br>expense waiver <sup>(3)</sup> . . . . .                        | 1.66% <sup>(4)</sup>                      | 1.70%                               | 1.89%  | 2.02%   | 1.84%  | 1.65% <sup>(4)</sup>  |
| Ratio of net investment<br>income (loss) to<br>average net assets<br>excluding voluntary<br>expense waiver <sup>(3)</sup> . . . . . | -0.95% <sup>(4)</sup>                     | -1.00%                              | -1.25% | -1.34%  | -0.33% | 1.21% <sup>(4)</sup>  |
| Portfolio turnover rate . . . . .   | 10%                                       | 25%                                 | 24%    | 36%     | 39%    | 110%  |

\*Not shown due to rounding.

(1) Commencement of operations of the class.

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

(3) See Note 2.

(4) Annualized.

See Notes to Financial Statements.

# Financial Highlights

## IVY MID CAP GROWTH FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|  | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |        |         |        | For the<br>period from<br>7-6-00 <sup>(1)</sup><br>to<br>3-31-01 |
|--|---|-------------------------------------|--------|---------|--------|--|
|  |   | 2005                                | 2004   | 2003    | 2002   |  |
| Net asset value,<br>beginning of period . . . . .  | \$ 9.50                                   | \$8.75                              | \$6.49 | \$8.81  | \$9.07 | \$10.01  |
| Income (loss) from<br>investment operations:   |   |                                     |        |         |        |  |
| Net investment<br>income (loss) . . . . .  | (0.12)                                    | (0.23)                              | (0.17) | (0.14)  | (0.09) | 0.02   |
| Net realized and<br>unrealized gain (loss)<br>on investments . . . . .   | 1.22                                      | 0.98                                | 2.43   | (2.18)  | (0.17) | (0.66)   |
| Total from investment<br>operations . . . . .  | 1.10                                      | 0.75                                | 2.26   | (2.32)  | (0.26) | (0.64)   |
| Less distributions from:   |   |                                     |        |         |        |  |
| Net investment income . . . . .  | (0.00)                                    | (0.00)                              | (0.00) | (0.00)  | (0.00) | (0.01)   |
| Capital gains . . . . .  | (0.00)                                    | (0.00)                              | (0.00) | (0.00)  | (0.00) | (0.29)   |
| Total distributions . . . . .  | (0.00)                                    | (0.00)                              | (0.00) | (0.00)  | (0.00) | (0.30)   |
| Net asset value,<br>end of period . . . . .  | \$10.60                                   | \$9.50                              | \$8.75 | \$6.49  | \$8.81 | \$ 9.07  |
| Total return . . . . .   | 11.58%                                    | 8.57%                               | 34.82% | -26.33% | -2.87% | -6.85%   |
| Net assets, end of period<br>(in millions) . . . . .   | \$11                                      | \$11                                | \$12   | \$2     | \$2    | \$2  |
| Ratio of expenses to<br>average net assets<br>including voluntary<br>expense waiver <sup>(2)</sup> . . . . .                     | 2.76% <sup>(3)</sup>                      | 2.81%                               | 3.04%  | 2.73%   | 2.49%  | 2.40% <sup>(3)</sup>   |
| Ratio of net investment<br>income (loss) to average net<br>assets including voluntary<br>expense waiver <sup>(2)</sup> . . . . . | -2.06% <sup>(3)</sup>                     | -2.12%                              | -2.37% | -2.05%  | -0.95% | 0.44% <sup>(3)</sup>   |
| Ratio of expenses to<br>average net assets<br>excluding voluntary<br>expense waiver <sup>(2)</sup> . . . . .                     | —   | —                                   | 3.09%  | 3.58%   | 3.90%  | 3.93% <sup>(3)</sup>   |
| Ratio of net investment loss<br>to average net assets<br>excluding voluntary<br>expense waiver <sup>(2)</sup> . . . . .          | —   | —                                   | -2.43% | -2.90%  | -2.37% | -1.09% <sup>(3)</sup>  |
| Portfolio turnover rate . . . . .  | 10%                                       | 25%                                 | 24%    | 36%     | 39%    | 110%   |

(1) Commencement of operations of the class.

(2) See Note 2.

(3) Annualized.

See Notes to Financial Statements.

# Financial Highlights

## IVY MID CAP GROWTH FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|  | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |        |         |        | For the<br>period from<br>7-3-00 <sup>(1)</sup><br>to<br>3-31-01 |
|--|---|-------------------------------------|--------|---------|--------|--|
|  |   | 2005                                | 2004   | 2003    | 2002   |  |
| Net asset value,<br>beginning of period . . . . .  | \$ 9.67                                   | \$8.86                              | \$6.56 | \$8.85  | \$9.08 | \$10.00  |
| Income (loss) from<br>investment operations:   |   |                                     |        |         |        |  |
| Net investment<br>income (loss) . . . . .  | (0.09)                                    | (0.15)                              | (0.13) | (0.10)  | (0.05) | 0.04   |
| Net realized and<br>unrealized gain (loss)<br>on investments . . . . .   | 1.23                                      | 0.96                                | 2.43   | (2.19)  | (0.18) | (0.66)   |
| Total from investment<br>operations . . . . .  | 1.14                                      | 0.81                                | 2.30   | (2.29)  | (0.23) | (0.62)   |
| Less distributions from:   |   |                                     |        |         |        |  |
| Net investment income . . .  | (0.00)                                    | (0.00)                              | (0.00) | (0.00)  | (0.00) | (0.01)   |
| Capital gains . . . . .  | (0.00)                                    | (0.00)                              | (0.00) | (0.00)  | (0.00) | (0.29)   |
| Total distributions . . . . .  | (0.00)                                    | (0.00)                              | (0.00) | (0.00)  | (0.00) | (0.30)   |
| Net asset value,<br>end of period . . . . .  | \$10.81                                   | \$9.67                              | \$8.86 | \$6.56  | \$8.85 | \$ 9.08  |
| Total return . . . . .   | 11.79%                                    | 9.14%                               | 35.06% | -25.88% | -2.53% | -6.58%   |
| Net assets, end of period<br>(in millions) . . . . .   | \$13                                      | \$11                                | \$10   | \$3     | \$4    | \$4  |
| Ratio of expenses to<br>average net assets<br>including voluntary<br>expense waiver <sup>(2)</sup> . . . . .                     | 2.35% <sup>(3)</sup>                      | 2.35%                               | 2.59%  | 2.18%   | 2.10%  | 1.99% <sup>(3)</sup>   |
| Ratio of net investment<br>income (loss) to average net<br>assets including voluntary<br>expense waiver <sup>(2)</sup> . . . . . | -1.65% <sup>(3)</sup>                     | -1.66%                              | -1.98% | -1.50%  | -0.55% | 0.84% <sup>(3)</sup>   |
| Ratio of expenses to<br>average net assets<br>excluding voluntary<br>expense waiver <sup>(2)</sup> . . . . .                     | 2.44% <sup>(3)</sup>                      | 2.46%                               | 2.64%  | 3.03%   | 3.30%  | 3.26% <sup>(3)</sup>   |
| Ratio of net investment loss<br>to average net assets<br>excluding voluntary<br>expense waiver <sup>(2)</sup> . . . . .          | -1.74% <sup>(3)</sup>                     | -1.77%                              | -2.03% | -2.35%  | -1.74% | -0.43% <sup>(3)</sup>  |
| Portfolio turnover rate . . . . .  | 10%                                       | 25%                                 | 24%    | 36%     | 39%    | 110%   |

(1) Commencement of operations of the class.

(2) See Note 2.

(3) Annualized.

See Notes to Financial Statements.



# Financial Highlights

## IVY MID CAP GROWTH FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|  | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |         |         |        | For the<br>period from<br>7-10-00 <sup>(1)</sup><br>to<br>3-31-01 |
|--|---|-------------------------------------|---------|---------|--------|---|
|  |   | 2005                                | 2004    | 2003    | 2002   |   |
| Net asset value,<br>beginning of period . . . . .  | \$10.04                                   | \$ 9.09                             | \$6.67  | \$8.91  | \$9.11 | \$10.23   |
| Income (loss) from<br>investment operations:   |   |                                     |         |         |        |   |
| Net investment<br>income (loss) . . . . .  | (0.03)                                    | (0.06)                              | (0.05)  | (0.01)  | 0.00   | 0.11  |
| Net realized and<br>unrealized gain (loss)<br>on investments . . . . .   | 1.27                                      | 1.01                                | 2.47    | (2.20)  | (0.14) | (0.88)  |
| Total from investment<br>operations . . . . .  | 1.24                                      | 0.95                                | 2.42    | (2.21)  | (0.14) | (0.77)  |
| Less distributions from:   |   |                                     |         |         |        |   |
| Net investment income . . . . .  | (0.00)                                    | (0.00)                              | (0.00)  | (0.03)  | (0.06) | (0.06)  |
| Capital gains . . . . .  | (0.00)                                    | (0.00)                              | (0.00)  | (0.00)  | (0.00) | (0.29)  |
| Total distributions . . . . .  | (0.00)                                    | (0.00)                              | (0.00)  | (0.03)  | (0.06) | (0.35)  |
| Net asset value,<br>end of period . . . . .  | \$11.28                                   | \$10.04                             | \$9.09  | \$6.67  | \$8.91 | \$ 9.11   |
| Total return . . . . .   | 12.35%                                    | 10.45%                              | 36.28%  | -24.86% | -1.52% | -7.97%  |
| Net assets, end of period<br>(in thousands) . . . . .  | \$2,218                                   | \$1,961                             | \$1,363 | \$329   | \$438  | \$184   |
| Ratio of expenses to average<br>net assets including<br>voluntary expense waiver <sup>(2)</sup> . .                        | 1.25% <sup>(3)</sup>                      | 1.25%                               | 1.72%   | 0.86%   | 0.83%  | 1.03% <sup>(3)</sup>  |
| Ratio of net investment<br>income (loss) to average<br>net assets including<br>voluntary expense waiver <sup>(2)</sup> . . | -0.55% <sup>(3)</sup>                     | -0.55%                              | -0.91%  | -0.18%  | 0.50%  | 1.77% <sup>(3)</sup>  |
| Ratio of expenses to average<br>net assets excluding<br>voluntary expense waiver <sup>(2)</sup> . .                        | 1.45% <sup>(3)</sup>                      | 1.48%                               | 1.77%   | 1.71%   | 1.30%  | 1.68% <sup>(3)</sup>  |
| Ratio of net investment<br>income (loss) to average<br>net assets excluding<br>voluntary expense waiver <sup>(2)</sup> . . | -0.75% <sup>(3)</sup>                     | -0.78%                              | -0.96%  | -1.03%  | 0.03%  | 1.11% <sup>(3)</sup>  |
| Portfolio turnover rate . . . . .  | 10%                                       | 25%                                 | 24%     | 36%     | 39%    | 110%  |

(1) Commencement of operations of the class.

(2) See Note 2.

(3) Annualized.

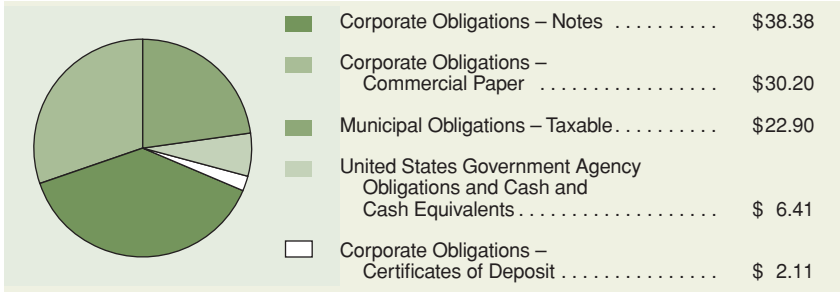
See Notes to Financial Statements.

---

## SHAREHOLDER SUMMARY OF IVY MONEY MARKET FUND

### Portfolio Highlights

On September 30, 2005, Ivy Money Market Fund had net assets totaling \$47,417,303. As a shareholder of the Fund, for every \$100 you had invested on September 30, 2005, your Fund owned:



# The Investments of Ivy Money Market Fund

September 30, 2005

| CORPORATE OBLIGATIONS   | Principal<br>Amount in<br>Thousands | Value                                |
|---|-------------------------------------|--------------------------------------|
| <b>Certificates of Deposit – 2.11%</b>  |                                     |                                      |
| <b>Banks</b>  |                                     |                                      |
| Citibank, N.A.,<br>3.77%, 11–22–05 .....  | \$ 1,000                            | <u>\$ 1,000,000</u>                  |
| <b>Commercial Paper</b>   |                                     |                                      |
| <b>Banks – 4.85%</b>  |                                     |                                      |
| Rabobank USA Financial Corp.,<br>3.3%, 10–20–05 .....                                 | 600                                 | 598,955                              |
| Rabobank USA Financial Corp.<br>(Rabobank Nederland),<br>3.88%, 10–3–05 .....         | 1,700                               | <u>1,699,634</u><br><u>2,298,589</u> |
| <b>Consumer Electronics – 1.05%</b>   |                                     |                                      |
| Sony Global Treasury Services PLC,<br>3.67%, 10–21–05 .....                           | 500                                 | <u>498,980</u>                       |
| <b>Finance Companies – 11.56%</b>   |                                     |                                      |
| BP Capital Markets p.l.c.,<br>3.88%, 10–3–05 .....                                    | 338                                 | 337,927                              |
| Ciesco, LLC,<br>3.6%, 10–7–05 .....   | 2,000                               | 1,998,800                            |
| PACCAR Financial Corp.,<br>3.49%, 1–19–06 .....                                       | 353                                 | 349,236                              |
| Preferred Receivables Funding Corp.,<br>3.62%, 10–6–05 .....                          | 300                                 | 299,849                              |
| River Fuel Company #2, Inc.<br>(Bank of New York (The)),<br>3.64%, 10–14–05 .....     | 2,300                               | 2,296,977                            |
| Vehicle Services of America Ltd.<br>(Bank of America, N.A.),<br>3.72%, 10–13–05 ..... | 200                                 | 199,752<br><u>5,482,541</u>          |
| <b>Food and Related – 4.37%</b>   |                                     |                                      |
| Golden Peanut Company LLC<br>(Archer Daniels Midland Company),<br>3.9%, 2–22–06 ..... | 600                                 | 590,640                              |
| McCormick & Co. Inc.,<br>3.27%, 11–15–05 .....  | 700                                 | 697,139                              |
| Wm. Wrigley Jr. Company,<br>3.95%, 3–20–06 .....                                      | 800                                 | 785,078<br><u>2,072,857</u>          |

See Notes to Schedule of Investments on page 128.

# The Investments of Ivy Money Market Fund

September 30, 2005

| CORPORATE OBLIGATIONS (Continued)  | Principal<br>Amount in<br>Thousands | Value             |
|--|-------------------------------------|-------------------|
| <b>Commercial Paper (Continued)</b>  |                                     |                   |
| <b>Multiple Industry – 1.58%</b>   |                                     |                   |
| General Electric Capital Corporation,<br>3.64%, 10–26–05 .....   | \$ 750                              | <u>\$ 748,104</u> |
| <b>Security and Commodity Brokers – 1.84%</b>  |                                     |                   |
| UBS Finance Delaware LLC (UBS AG):   |                                     |                   |
| 3.3%, 10–3–05 .....  | 525                                 | 524,904           |
| 3.8%, 12–23–05 .....   | 350                                 | <u>346,934</u>    |
|  |                                     | <u>871,838</u>    |
| <b>Utilities – Telephone – 4.95%</b>   |                                     |                   |
| SBC Communications Inc.:   |                                     |                   |
| 3.65%, 10–12–05 .....  | 2,000                               | 1,997,769         |
| 3.74%, 11–15–05 .....  | 350                                 | <u>348,364</u>    |
|  |                                     | <u>2,346,133</u>  |
| <b>Total Commercial Paper – 30.20%</b>   |                                     | <b>14,319,042</b> |
| <b>Notes</b>   |                                     |                   |
| <b>Banks – 5.36%</b>   |                                     |                   |
| Bank of New York Company Inc. (The),<br>2.2%, 5–12–06 .....  |                                     |                   |
|  | 850                                 | 842,254           |
| Wells Fargo & Company:   |                                     |                   |
| 3.75%, 10–3–05 .....   | 500                                 | 500,000           |
| 3.75813%, 10–17–05 .....   | 1,200                               | <u>1,200,000</u>  |
|  |                                     | <u>2,542,254</u>  |
| <b>Business Equipment and Services – 1.71%</b>   |                                     |                   |
| Playworld Systems Incorporated, Taxable Variable<br>Rate Demand/Fixed Rate Revenue Bonds,<br>Series A of 1998 (Wachovia Bank, N.A.),<br>3.91%, 10–5–05 ..... |                                     |                   |
|  | 810                                 | <u>810,000</u>    |
| <b>Computers – Main and Mini – 2.11%</b>   |                                     |                   |
| International Business Machines Corporation,<br>3.6725%, 10–11–05 .....  |                                     |                   |
|  | 1,000                               | <u>1,000,000</u>  |
| <b>Electrical Equipment – 1.18%</b>  |                                     |                   |
| Emerson Electric Co.,<br>6.3%, 11–1–05 .....   |                                     |                   |
|  | 560                                 | <u>561,311</u>    |

See Notes to Schedule of Investments on page 128.

# The Investments of Ivy Money Market Fund

September 30, 2005

| CORPORATE OBLIGATIONS (Continued)  | Principal<br>Amount in<br>Thousands | Value            |
|--|-------------------------------------|------------------|
| <b>Notes (Continued)</b>   |                                     |                  |
| <b>Finance Companies – 8.72%</b>   |                                     |                  |
| Caterpillar Financial Services Corp.:  |                                     |                  |
| 2.65%, 1–30–06 .....   | \$ 1,200                            | \$ 1,196,171     |
| 2.35%, 9–15–06 .....   | 500                                 | 491,392          |
| Lowell Family, LLC, Variable Rate Taxable Demand<br>Bonds (LaSalle Bank National Association),<br>3.88%, 10–6–05 .....   |                                     |                  |
|  | 250                                 | 250,000          |
| P&W Holdings, LLC, Taxable Variable Rate Demand<br>Bonds, Series 2005 (Wachovia Bank, N.A.),<br>3.84%, 10–6–05 .....   |                                     |                  |
|  | 395                                 | 395,000          |
| Park Street Properties I, LLC, Taxable Variable<br>Rate Demand Notes, Series 2004<br>(University of Wisconsin – Madison Projects),<br>(U.S. Bank, National Association),<br>3.79%, 10–6–05 ..... |                                     |                  |
|  | 875                                 | 875,000          |
| Unilever Capital Corporation,<br>6.875%, 11–1–05 .....   |                                     |                  |
|  | 925                                 | 927,912          |
|  |                                     | <u>4,135,475</u> |
| <b>Health Care – Drugs – 1.27%</b>   |                                     |                  |
| Lilly (Eli) and Company,<br>3.66313%, 10–3–05 .....  |                                     |                  |
|  | 600                                 | <u>600,000</u>   |
| <b>Health Care – General – 1.58%</b>   |                                     |                  |
| B & D Associates, LLP and Eye Associates of<br>Boca Raton, P.A., Taxable Variable Rate Demand<br>Bonds (B & D Associates Project), Series 2005<br>(Wachovia Bank, N.A.),<br>3.89%, 10–6–05 ..... |                                     |                  |
|  | 750                                 | <u>750,000</u>   |
| <b>Hospital Supply and Management – 0.81%</b>  |                                     |                  |
| Autumn House at Powder Mill, Inc.,<br>Taxable Variable Rate Demand Bonds,<br>Series of 2003 (Suntrust Bank),<br>3.85%, 10–6–05 .....   |                                     |                  |
|  | 150                                 | 150,000          |
| Meriter Management Services, Inc.,<br>Taxable Variable Rate Demand Notes,<br>Series 1996 (U.S. Bank Milwaukee, N.A.),<br>3.8%, 10–5–05 .....   |                                     |                  |
|  | 235                                 | 235,000          |
|  |                                     | <u>385,000</u>   |
| <b>Household – General Products – 2.64%</b>  |                                     |                  |
| Procter & Gamble Company (The),<br>3.78813%, 12–9–05 .....   |                                     |                  |
|  | 1,250                               | <u>1,250,000</u> |

See Notes to Schedule of Investments on page 128.

# The Investments of Ivy Money Market Fund

September 30, 2005

| CORPORATE OBLIGATIONS (Continued)   | Principal<br>Amount in<br>Thousands | Value               |
|---|-------------------------------------|---------------------|
| <b>Notes (Continued)</b>  |                                     |                     |
| <b>Multiple Industry – 5.61%</b>  |                                     |                     |
| Heller Financial, Inc.,<br>6.375%, 3–15–06 .....  | \$ 900                              | \$ 912,160          |
| The Salvation Army, Taxable Multi-Modal<br>Revenue Bonds, Series 2005A<br>(The Bank of New York),<br>3.82%, 10–6–05 .....                               | 1,750                               | 1,750,000           |
|   |                                     | <u>2,662,160</u>    |
| <b>Restaurants – 1.16%</b>  |                                     |                     |
| McDonald's Corporation,<br>4.488%, 3–7–06 (A) .....   | 550                                 | <u>552,056</u>      |
| <b>Retail – General Merchandise – 5.11%</b>   |                                     |                     |
| Service Oil, Inc., Taxable Variable Rate<br>Demand Bonds (Service Oil, Inc.),<br>Series 2002 (U.S. Bank, National Association),<br>3.93%, 10–3–05 ..... | 500                                 | 500,000             |
| Wal-Mart Stores, Inc.,<br>5.586%, 6–1–06 .....  | 1,900                               | 1,922,475           |
|   |                                     | <u>2,422,475</u>    |
| <b>Trucking and Shipping – 1.12%</b>  |                                     |                     |
| Volpe Family Partnership, L.P., Taxable Variable<br>Rate Demand Revenue Bonds,<br>Series of 2001 (Wachovia Bank, N.A.),<br>3.89%, 10–6–05 .....         | 530                                 | <u>530,000</u>      |
| <b>Total Notes – 38.38%</b>   |                                     | <b>18,200,731</b>   |
| <b>TOTAL CORPORATE OBLIGATIONS – 70.69%</b>   |                                     | <b>\$33,519,773</b> |
| (Cost: \$33,519,773)  |                                     |                     |

## MUNICIPAL OBLIGATIONS – TAXABLE

### California – 9.12%

|  |       |           |
|--|-------|-----------|
| California Pollution Control Financing Authority,<br>Environmental Improvement Revenue Bonds (Air<br>Products and Chemicals, Inc./Wilmington Facility),<br>Taxable Series 1997A,<br>3.71%, 11–2–05 ..... | 2,250 | 2,250,000 |
|--|-------|-----------|

See Notes to Schedule of Investments on page 128.

# The Investments of Ivy Money Market Fund

September 30, 2005

| MUNICIPAL OBLIGATIONS – TAXABLE (Continued)   | Principal<br>Amount in<br>Thousands | Value            |
|---|-------------------------------------|------------------|
| <b>California (Continued)</b>   |                                     |                  |
| County of Sacramento, Taxable Pension Funding Bonds,<br>Series 1995B (Bayerische Landesbank Girozentrale,<br>New York Branch),<br>3.85%, 10–5–05 .....  | \$2,075                             | \$ 2,075,000     |
|   |                                     | <u>4,325,000</u> |
| <b>Florida – 1.05%</b>  |                                     |                  |
| University of South Florida Research Foundation,<br>Incorporated, Variable Rate Demand Revenue<br>Bonds (Interdisciplinary Research Building Project),<br>Taxable Series 2004B (Bank of America, N.A.),<br>3.8%, 10–5–05 .....                                      | 500                                 | <u>500,000</u>   |
| <b>Maryland – 3.98%</b>   |                                     |                  |
| Mayor and City Council of Baltimore (City of Baltimore,<br>Maryland), General Obligation Bonds, Consolidated<br>Public Improvement Refunding Bonds, Series 2003C<br>(Variable Rate Demand/Taxable), (Financial Security<br>Assurance Inc.),<br>3.84%, 10–6–05 ..... | 1,885                               | <u>1,885,000</u> |
| <b>New York – 2.51%</b>   |                                     |                  |
| Nassau County Industrial Development Agency,<br>Taxable Variable Rate Demand Revenue Bonds<br>(57 Seaview Realty Associates, LLC 2004 Project),<br>(Wachovia Bank, N.A.),<br>3.84%, 10–6–05 .....   | 1,190                               | <u>1,190,000</u> |
| <b>Washington – 3.09%</b>   |                                     |                  |
| Washington State Housing Finance Commission:<br>Taxable Variable Rate Demand Multifamily<br>Revenue Bonds:<br>Brittany Park Project, Series 1996B (U.S. Bank of<br>Washington, National Association),<br>3.88%, 10–6–05 .....                                       | 595                                 | 595,000          |
| Columbia Heights Retirement Project,<br>Series 2004 B (Wells Fargo Bank, N.A.),<br>3.87%, 10–3–05 .....   | 380                                 | 380,000          |
| Mill Pointe Apartments Project, Series 1999B<br>(U. S. Bank, National Association),<br>3.93%, 10–3–05 .....   | 225                                 | 225,000          |

See Notes to Schedule of Investments on page 128.

# The Investments of Ivy Money Market Fund

September 30, 2005

| MUNICIPAL OBLIGATIONS – TAXABLE (Continued)   | Principal<br>Amount in<br>Thousands | Value                |
|---|-------------------------------------|----------------------|
| <b>Washington (Continued)</b>   |                                     |                      |
| Taxable Variable Rate Demand Nonprofit Revenue Bonds,<br>Virginia Mason Research Center Project, Series<br>1997B (U.S. Bank, National Association),<br>3.89%, 10–6–05 .....   |                                     |                      |
|   | \$ 265                              | \$ 265,000           |
|   |                                     | <u>1,465,000</u>     |
| <b>Wisconsin – 3.15%</b>  |                                     |                      |
| Town of Wood River, Wisconsin, Taxable Variable Rate<br>Demand Industrial Development Revenue Bonds<br>(Burnett Dairy Cooperative Project), Series 2001B<br>(U. S. Bank, National Association),<br>3.93%, 10–3–05 ..... |                                     |                      |
|   | 1,495                               | <u>1,495,000</u>     |
| <b>TOTAL MUNICIPAL OBLIGATIONS – TAXABLE – 22.90%</b>   |                                     | <b>\$ 10,860,000</b> |
| (Cost: \$10,860,000)  |                                     |                      |
| <b>UNITED STATES GOVERNMENT AGENCY OBLIGATIONS</b>  |                                     |                      |
| Federal Home Loan Bank,<br>3.6809%, 10–13–05 .....  |                                     |                      |
|   | 700                                 | 700,000              |
| Federal National Mortgage Association,<br>4.05%, 8–14–06 .....  |                                     |                      |
|   | 750                                 | 750,000              |
| Overseas Private Investment Corporation:<br>3.8%, 10–5–05 .....   |                                     |                      |
|   | 1,001                               | 1,001,000            |
| 3.84%, 10–5–05 .....  |                                     |                      |
|   | 384                                 | 383,721              |
| <b>TOTAL UNITED STATES GOVERNMENT<br/>AGENCY OBLIGATIONS – 5.98%</b>  |                                     | <b>\$ 2,834,721</b>  |
| (Cost: \$2,834,721)   |                                     |                      |
| <b>TOTAL INVESTMENT SECURITIES – 99.57%</b>   |                                     | <b>\$47,214,494</b>  |
| (Cost: \$47,214,494)  |                                     |                      |
| <b>CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.43%</b>  |                                     | <b>202,809</b>       |
| <b>NET ASSETS – 100.00%</b>   |                                     | <b>\$47,417,303</b>  |

## Notes to Schedule of Investments

(A) Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At September 30, 2005, the total value of this security amounted to 1.16% of net assets.

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



# Statement of Assets and Liabilities

## IVY MONEY MARKET FUND

September 30, 2005

(In Thousands, Except for Per Share Amounts)

### ASSETS

|   |               |
|---|---------------|
| Investment securities – at value (cost – \$47,214) (Note 1) . . . . . | \$47,214      |
| Cash . . . . .  | 72            |
| Receivables:  |               |
| Interest . . . . .  | 194           |
| Fund shares sold . . . . .  | 150           |
| Prepaid and other assets . . . . .                                    | 36            |
| Total assets . . . . .  | <u>47,666</u> |

### LIABILITIES

|  |                 |
|--|-----------------|
| Payable to Fund shareholders . . . . .                   | 209             |
| Accrued shareholder servicing (Note 2) . . . . .         | 25              |
| Dividends payable . . . . .                              | 12              |
| Accrued accounting services fee (Note 2) . . . . .       | 2               |
| Accrued management fee (Note 2) . . . . .                | 1               |
| Accrued distribution and service fees (Note 2) . . . . . | —*              |
| Total liabilities . . . . .                              | <u>249</u>      |
| Total net assets . . . . .                               | <u>\$47,417</u> |

### NET ASSETS

|   |                 |
|---|-----------------|
| \$0.01 par value capital stock:                                 |                 |
| Capital stock . . . . .   | \$ 474          |
| Additional paid-in capital . . . . .                            | 46,943          |
| Net assets applicable to outstanding units of capital . . . . . | <u>\$47,417</u> |

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

|                   |        |
|-------------------|--------|
| Class A . . . . . | \$1.00 |
| Class B . . . . . | \$1.00 |
| Class C . . . . . | \$1.00 |

### Capital shares outstanding:

|                   |        |
|-------------------|--------|
| Class A . . . . . | 42,459 |
| Class B . . . . . | 1,349  |
| Class C . . . . . | 3,609  |

|                                     |         |
|-------------------------------------|---------|
| Capital shares authorized . . . . . | 350,000 |
|-------------------------------------|---------|

\*Not shown due to rounding.

---

# Statement of Operations

## IVY MONEY MARKET FUND

For the Six Months Ended September 30, 2005

(In Thousands)

---

### INVESTMENT INCOME

|   |               |
|---|---------------|
| Income (Note 1B):   |               |
| Interest and amortization .....   | \$ 792        |
| Expenses (Note 2):  |               |
| Investment management fee .....   | 97            |
| Shareholder servicing:  |               |
| Class A .....   | 86            |
| Class B .....   | 2             |
| Class C .....   | 6             |
| Registration fees .....   | 29            |
| Distribution fee:   |               |
| Class B .....   | 6             |
| Class C .....   | 16            |
| Accounting services fee .....   | 15            |
| Audit fees .....  | 11            |
| Service fee:  |               |
| Class B .....   | 2             |
| Class C .....   | 5             |
| Custodian fees .....  | 4             |
| Other .....   | 10            |
| Total .....   | <u>289</u>    |
| Less expenses in excess of voluntary waiver<br>for Class A (Note 2) ..... | (37)          |
| Total expenses .....  | <u>252</u>    |
| Net investment income .....   | <u>540</u>    |
| Net increase in net assets resulting<br>from operations .....             | <u>\$ 540</u> |

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY MONEY MARKET FUND

(In Thousands)

|   | For the<br>six months<br>ended<br>September 30,<br>2005 | For the<br>fiscal year<br>ended<br>March 31,<br>2005 |
|---|---|--|
| <b>INCREASE (DECREASE) IN NET ASSETS</b>  |   |  |
| Operations:   |   |  |
| Net investment income .....   | \$ 540  | \$ 345   |
| Net increase in net assets resulting<br>from operations .....                         | 540   | 345  |
| Distributions to shareholders from net investment<br>income (Note 1F): <sup>(1)</sup> |   |  |
| Class A .....   | (500)   | (337)  |
| Class B .....   | (11)  | (2)  |
| Class C .....   | (29)  | (6)  |
|   | (540)   | (345)  |
| Capital share transactions (Note 5) .....   | 1,816   | (6,679)  |
| Total increase (decrease) .....   | 1,816   | (6,679)  |
| <b>NET ASSETS</b>   |   |  |
| Beginning of period .....   | 45,601  | 52,280   |
| End of period .....   | \$47,417  | \$45,601   |
| Undistributed net investment income .....   | \$ —  | \$ —   |

(1) See "Financial Highlights" on pages 132 - 134.

# Financial Highlights

## IVY MONEY MARKET FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|   | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |          |          |          | For the<br>period from<br>6-30-00 <sup>(1)</sup><br>to<br>3-31-01 |
|---|---|-------------------------------------|----------|----------|----------|---|
|   |   | 2005                                | 2004     | 2003     | 2002     |   |
| Net asset value,<br>beginning of period . . . .   | \$1.00                                    | \$1.00                              | \$1.00   | \$1.00   | \$1.00   | \$1.00  |
| Net investment<br>income . . . . .  | 0.0120                                    | 0.0083                              | 0.0061   | 0.0124   | 0.0259   | 0.0413  |
| Less dividends<br>declared . . . . .  | (0.0120)                                  | (0.0083)                            | (0.0061) | (0.0124) | (0.0259) | (0.0413)  |
| Net asset value,<br>end of period . . . . .   | \$1.00                                    | \$1.00                              | \$1.00   | \$1.00   | \$1.00   | \$1.00  |
| Total return . . . . .  | 1.19%                                     | 0.82%                               | 0.62%    | 1.25%    | 2.70%    | 4.11%   |
| Net assets, end of period<br>(in millions) . . . . .  | \$42                                      | \$39                                | \$45     | \$10     | \$5      | \$5   |
| Ratio of expenses to<br>average net assets<br>including voluntary<br>expense waiver . . . . .                 | 0.92% <sup>(2)</sup>                      | 0.89%                               | 0.67%    | 0.52%    | 0.81%    | 0.92% <sup>(2)</sup>  |
| Ratio of net investment<br>income to average<br>net assets including<br>voluntary expense<br>waiver . . . . . | 2.37% <sup>(2)</sup>                      | 0.81%                               | 0.48%    | 1.26%    | 2.60%    | 5.49% <sup>(2)</sup>  |
| Ratio of expenses to<br>average net assets<br>excluding voluntary<br>expense waiver . . . . .                 | 1.10% <sup>(2)</sup>                      | 1.20%                               | 0.87%    | 0.92%    | 1.03%    | 1.18% <sup>(2)</sup>  |
| Ratio of net investment<br>income to average<br>net assets excluding<br>voluntary expense<br>waiver . . . . . | 2.19% <sup>(2)</sup>                      | 0.50%                               | 0.28%    | 0.86%    | 2.38%    | 5.23% <sup>(2)</sup>  |

(1) Commencement of operations of the class.

(2) Annualized.

See Notes to Financial Statements.

# Financial Highlights

## IVY MONEY MARKET FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|  | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |          |          |          | For the<br>period from<br>7-12-00 <sup>(1)</sup><br>to<br>3-31-01 |
|--|---|-------------------------------------|----------|----------|----------|---|
|  |   | 2005                                | 2004     | 2003     | 2002     |   |
| Net asset value,<br>beginning of period . . . .  | \$ 1.00                                   | \$ 1.00                             | \$ 1.00  | \$ 1.00  | \$ 1.00  | \$ 1.00   |
| Net investment<br>income . . . . .   | 0.0070                                    | 0.0014                              | 0.0002   | 0.0015   | 0.0147   | 0.0299  |
| Less dividends<br>declared . . . . .   | (0.0070)                                  | (0.0014)                            | (0.0002) | (0.0015) | (0.0147) | (0.0299)  |
| Net asset value,<br>end of period . . . . .  | \$ 1.00                                   | \$ 1.00                             | \$ 1.00  | \$ 1.00  | \$ 1.00  | \$ 1.00   |
| Total return . . . . .   | 0.68%                                     | 0.14%                               | 0.02%    | 0.16%    | 1.55%    | 2.97%   |
| Net assets, end of period<br>(in thousands) . . . . .  | \$1,349                                   | \$1,396                             | \$1,225  | \$1,188  | \$578    | \$431   |
| Ratio of expenses to<br>average net assets<br>including voluntary<br>expense waiver . . . . .                        | 1.91% <sup>(2)</sup>                      | 1.57%                               | 1.14%    | 1.59%    | 1.88%    | 2.29% <sup>(2)</sup>  |
| Ratio of net investment<br>income to average<br>net assets including<br>voluntary expense<br>waiver . . . . .        | 1.35% <sup>(2)</sup>                      | 0.12%                               | 0.02%    | 0.14%    | 1.33%    | 4.05% <sup>(2)</sup>  |
| Ratio of expenses to<br>average net assets<br>excluding voluntary<br>expense waiver . . . . .                        | NA  | 1.95%                               | 1.34%    | 2.06%    | 2.39%    | 2.94% <sup>(2)</sup>  |
| Ratio of net investment<br>income (loss) to<br>average net assets<br>excluding voluntary<br>expense waiver . . . . . | NA  | -0.26%                              | -0.18%   | -0.33%   | 0.82%    | 3.41% <sup>(2)</sup>  |

(1) Commencement of operations of the class.

(2) Annualized.

See Notes to Financial Statements.

# Financial Highlights

## IVY MONEY MARKET FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|  | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |          |          |          | For the<br>period from<br>7-3-00 <sup>(1)</sup><br>to<br>3-31-01 |
|--|---|-------------------------------------|----------|----------|----------|--|
|  |   | 2005                                | 2004     | 2003     | 2002     |  |
| Net asset value,<br>beginning of period . . . .  | \$1.00                                    | \$1.00                              | \$1.00   | \$1.00   | \$1.00   | \$1.00   |
| Net investment<br>income . . . . .   | 0.0069                                    | 0.0013                              | 0.0002   | 0.0019   | 0.0157   | 0.0332   |
| Less dividends<br>declared . . . . .   | (0.0069)                                  | (0.0013)                            | (0.0002) | (0.0019) | (0.0157) | (0.0332)   |
| Net asset value,<br>end of period . . . . .  | \$1.00                                    | \$1.00                              | \$1.00   | \$1.00   | \$1.00   | \$1.00   |
| Total return . . . . .   | 0.68%                                     | 0.12%                               | 0.02%    | 0.20%    | 1.63%    | 3.32%  |
| Net assets, end of period<br>(in millions) . . . . .   | \$4                                       | \$5                                 | \$6      | \$10     | \$7      | \$10   |
| Ratio of expenses to<br>average net assets<br>including voluntary<br>expense waiver . . . . .                        | 1.92% <sup>(2)</sup>                      | 1.58%                               | 1.16%    | 1.56%    | 1.81%    | 1.98% <sup>(2)</sup>   |
| Ratio of net investment<br>income to average<br>net assets including<br>voluntary expense<br>waiver . . . . .        | 1.32% <sup>(2)</sup>                      | 0.12%                               | 0.03%    | 0.18%    | 1.58%    | 4.34% <sup>(2)</sup>   |
| Ratio of expenses to<br>average net assets<br>excluding voluntary<br>expense waiver . . . . .                        | NA  | 1.99%                               | 1.35%    | 1.99%    | 2.31%    | 2.54% <sup>(2)</sup>   |
| Ratio of net investment<br>income (loss) to<br>average net assets<br>excluding voluntary<br>expense waiver . . . . . | NA  | -0.29%                              | -0.17%   | -0.25%   | 1.08%    | 3.78% <sup>(2)</sup>   |

(1) Commencement of operations of the class.

(2) Annualized.

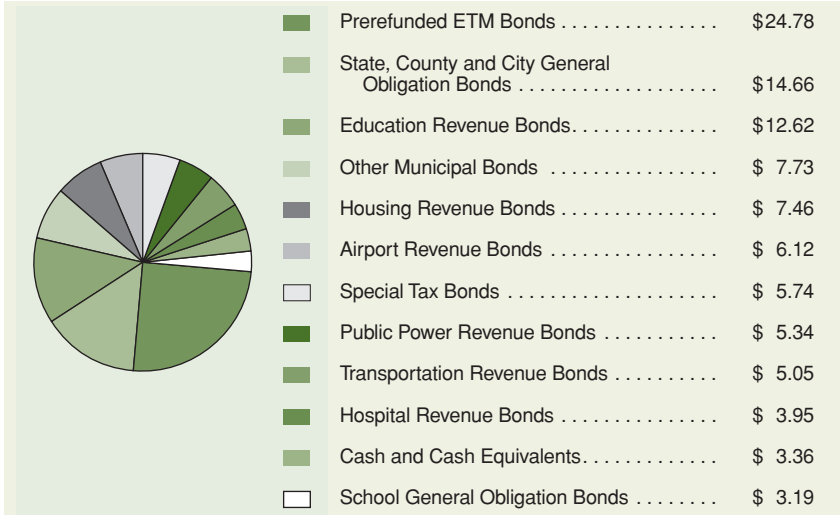
See Notes to Financial Statements.

## SHAREHOLDER SUMMARY OF IVY MUNICIPAL BOND FUND

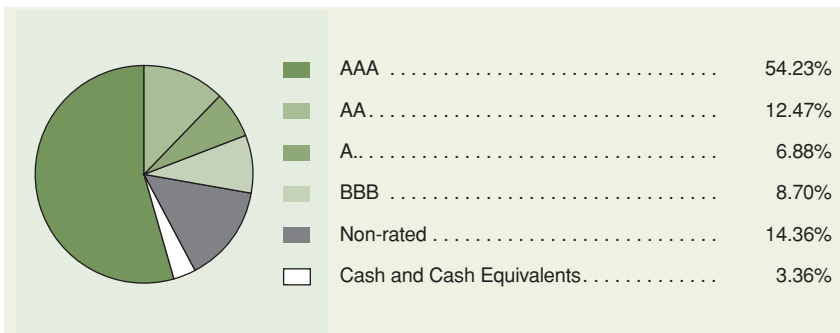
### Portfolio Highlights

On September 30, 2005, Ivy Municipal Bond Fund had net assets totaling \$24,531,644 invested in a diversified portfolio.

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2005, your Fund owned:



On September 30, 2005, the breakdown of municipal bonds (by ratings) held by the Fund, including cash and cash equivalents, was as follows:



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

## 2005 Tax Year Taxable Equivalent Yields<sup>(1)</sup>

| If your Taxable Income is: |                      | Your<br>Marginal Tax<br>Bracket Is | Equivalent Tax Free Yields |       |       |       |
|----------------------------|----------------------|------------------------------------|----------------------------|-------|-------|-------|
| Joint Return               | Single Return        |                                    | 3%                         | 4%    | 5%    | 6%    |
| \$ 0 - 14,600              | \$ 0 - 7,300         | 10%                                | 3.33%                      | 4.44% | 5.56% | 6.67% |
| \$ 14,601 - 59,400         | \$ 7,301 - 29,700    | 15%                                | 3.53%                      | 4.71% | 5.88% | 7.06% |
| \$ 59,401 - 119,950        | \$ 29,701 - 71,950   | 25%                                | 4.00%                      | 5.33% | 6.67% | 8.00% |
| \$ 119,951 - 182,800       | \$ 71,951 - 150,150  | 28%                                | 4.17%                      | 5.56% | 6.94% | 8.33% |
| \$ 182,801 - 326,450       | \$ 150,151 - 326,450 | 33%                                | 4.48%                      | 5.97% | 7.46% | 8.96% |
| \$326,451 and above        | \$326,451 and above  | 35%                                | 4.62%                      | 6.15% | 7.69% | 9.23% |

(1) Table is for illustration only and does not represent the actual performance of Ivy Municipal Bond Fund.



# The Investments of Ivy Municipal Bond Fund

September 30, 2005

| MUNICIPAL BONDS  | Principal<br>Amount in<br>Thousands | Value                   |
|--|-------------------------------------|-------------------------|
| <b>Arizona – 1.81%</b>   |                                     |                         |
| City of Bullhead City, Arizona, Bullhead Parkway<br>Improvement District, Improvement Bonds,<br>6.1%, 1–1–13 .....   | \$250                               | \$ 251,045              |
| The Industrial Development Authority of the City of<br>Phoenix, Arizona, Single Family Mortgage Revenue<br>Bonds, Series 2002–1A,<br>6.2%, 3–1–34 .....  | 185                                 | <u>192,393</u>          |
|  |                                     | <b><u>443,438</u></b>   |
| <b>California – 7.51%</b>  |                                     |                         |
| San Mateo County Community College District<br>(County of San Mateo, California),<br>2002 General Obligation Bonds (Election of 2001),<br>Series A (Current Interest Bonds),<br>5.375%, 9–1–15 ..... | 500                                 | 556,730                 |
| State of California, Various Purpose General<br>Obligation Bonds,<br>5.0%, 2–1–22 .....  | 495                                 | 518,646                 |
| Trustees of the California State University Systemwide<br>Revenue Bonds, Series 2002A,<br>5.5%, 11–1–15 .....  | 250                                 | 278,427                 |
| Moreno Valley Unified School District, General<br>Obligation Bonds, 2004 Election,<br>Series A (Riverside County, California),<br>5.25%, 8–1–22 .....  | 240                                 | 260,062                 |
| Riverside Community College District, Riverside<br>County, California, Election of 2004, General<br>Obligation Bonds, Series 2004A,<br>5.5%, 8–1–29 .....  | 200                                 | <u>228,006</u>          |
|  |                                     | <b><u>1,841,871</u></b> |
| <b>Colorado – 4.32%</b>  |                                     |                         |
| City of Aspen, Colorado, Sales Tax Revenue Bonds,<br>Series 1999,<br>5.25%, 11–1–15 .....  | 500                                 | 537,055                 |
| El Paso County School District No. 12 – Cheyenne<br>Mountain, El Paso County, Colorado, General<br>Obligation Refunding Bonds, Series 2002,<br>0.0%, 9–15–12 .....                                   | 685                                 | <u>521,353</u>          |
|  |                                     | <b><u>1,058,408</u></b> |
| <b>Delaware – 0.88%</b>  |                                     |                         |
| Delaware State Housing Authority, Senior Single Family<br>Mortgage Revenue Bonds, 2005 Series A,<br>5.8%, 7–1–35 .....   | 200                                 | <u>215,276</u>          |

See Notes to Schedule of Investments on page 143.

# The Investments of Ivy Municipal Bond Fund

September 30, 2005

| MUNICIPAL BONDS (Continued)  | Principal<br>Amount in<br>Thousands | Value                   |
|--|-------------------------------------|-------------------------|
| <b>Florida – 3.37%</b>   |                                     |                         |
| School District of Hillsborough County, Florida,<br>Sales Tax Revenue Bonds, Series 2002,<br>5.375%, 10–1–13 .....   | \$ 500                              | \$ 553,670              |
| City of Jacksonville, Florida, Better Jacksonville<br>Sales Tax Revenue Bonds, Series 2003,<br>5.25%, 10–1–19 .....  | 250                                 | <u>273,872</u>          |
|  |                                     | <b><u>827,542</u></b>   |
| <b>Georgia – 0.94%</b>   |                                     |                         |
| Hospital Authority of Cobb County (Georgia),<br>Revenue Anticipation Refunding and Improvement<br>Certificates, Series 2003,<br>5.25%, 4–1–20 .....                                      | 210                                 | <u>229,454</u>          |
| <b>Illinois – 8.10%</b>  |                                     |                         |
| Village of Bedford Park, Cook County, Illinois,<br>Water Revenue Bonds, Series 2000A,<br>6.0%, 12–15–12 .....  | 955                                 | 1,066,764               |
| Bloomington-Normal Airport Authority of McLean County,<br>Illinois, Central Illinois Regional Airport, Passenger<br>Facility Charge Revenue Bonds, Series 2001,<br>6.05%, 12–15–19 ..... | 645                                 | 649,889                 |
| City of Chicago, General Obligation Bonds, Project and<br>Refunding, Series 2004A,<br>5.25%, 1–1–21 .....  | 250                                 | <u>271,005</u>          |
|  |                                     | <b><u>1,987,658</u></b> |
| <b>Indiana – 8.20%</b>   |                                     |                         |
| New Albany-Floyd County School Building<br>Corporation, First Mortgage Bonds, Series 2002<br>(Floyd County, Indiana),<br>5.75%, 7–15–17 .....  | 675                                 | 765,025                 |
| Ball State University Board of Trustees, Ball State<br>University Student Fee Bonds, Series K,<br>5.75%, 7–1–18 .....  | 500                                 | 551,045                 |
| East Chicago Elementary School Building Corporation<br>(Lake County, Indiana), First Mortgage Bonds,<br>Series 1993A,<br>5.5%, 1–15–16 .....   | 355                                 | 358,028                 |
| Dyer (Indiana) Redevelopment Authority, Economic<br>Development Lease Rental Bonds, Series 1999,<br>6.5%, 1–15–24 .....  | 300                                 | <u>337,608</u>          |
|  |                                     | <b><u>2,011,706</u></b> |

See Notes to Schedule of Investments on page 143.

# The Investments of Ivy Municipal Bond Fund

September 30, 2005

| MUNICIPAL BONDS (Continued)   | Principal<br>Amount in<br>Thousands | Value            |
|---|-------------------------------------|------------------|
| <b>Kansas – 4.71%</b>   |                                     |                  |
| Sedgwick County, Kansas and Shawnee County, Kansas,<br>Single Family Mortgage Revenue Bonds<br>(Mortgage-Backed Securities Program):  |                                     |                  |
| 2002 Series A–5,<br>5.55%, 12–1–33 .....  | \$ 500                              | \$ 532,515       |
| 2003 Series A–2,<br>5.65%, 6–1–35 .....   | 335                                 | 356,396          |
| 2001 Series A–1 (AMT),<br>6.3%, 12–1–32 .....   | 255                                 | 267,033          |
|   |                                     | <u>1,155,944</u> |
| <b>Louisiana – 4.14%</b>  |                                     |                  |
| State of Louisiana, Gasoline and Fuels Tax<br>Revenue Bonds:  |                                     |                  |
| 2002 Series A,<br>5.25%, 6–1–13 .....   | 500                                 | 539,510          |
| 2005 Series A,<br>5.0%, 5–1–26 .....  | 200                                 | 209,604          |
| Louisiana Local Government Environmental Facilities and<br>Community Development Authority, Mortgage Revenue<br>Bonds, Series 2004A (GNMA Collateralized – Cypress<br>Apartments Project),<br>5.5%, 4–20–38 ..... | 250                                 | 266,613          |
|   |                                     | <u>1,015,727</u> |
| <b>Maryland – 2.20%</b>   |                                     |                  |
| Maryland Transportation Authority, Airport<br>Parking Revenue Bonds, Series 2002B,<br>Baltimore/Washington International Airport<br>Projects (Qualified Airport Bonds – AMT),<br>5.375%, 3–1–15 .....             | 500                                 | <u>539,725</u>   |
| <b>Massachusetts – 2.40%</b>  |                                     |                  |
| Massachusetts Bay Transportation Authority,<br>Assessment Bonds:  |                                     |                  |
| 2004 Series A,<br>5.25%, 7–1–20 .....   | 200                                 | 222,482          |
| 2005 Series A,<br>5.0%, 7–1–31 .....  | 150                                 | 157,178          |
| Massachusetts School Building Authority, Dedicated<br>Sales Tax Bonds, 2005 Series A,<br>5.0%, 8–15–30 .....  | 200                                 | 209,996          |
|   |                                     | <u>589,656</u>   |

See Notes to Schedule of Investments on page 143.

# The Investments of Ivy Municipal Bond Fund

September 30, 2005

| MUNICIPAL BONDS (Continued)  | Principal<br>Amount in<br>Thousands | Value             |
|--|-------------------------------------|-------------------|
| <b>Michigan – 0.88%</b>  |                                     |                   |
| City of Detroit, Michigan, General Obligation Bonds<br>(Unlimited Tax), Series 2004-A(1),<br>5.25%, 4–1–23 .....   | \$ 200                              | <u>\$ 215,012</u> |
| <b>Minnesota – 5.13%</b>   |                                     |                   |
| City of Perham, Minnesota, General Obligation Disposal<br>System Revenue Bonds, Series 2001,<br>6.0%, 5–1–22 .....   | 500                                 | 531,015           |
| City of Victoria, Minnesota, Private School Facility<br>Revenue Bonds (Holy Family Catholic High School<br>Project), Series 1999A,<br>5.6%, 9–1–19 .....   | 400                                 | 403,880           |
| City of Minneapolis, Minnesota, General Obligation<br>Convention Center Bonds, Series 2002,<br>5.0%, 12–1–10 .....   | 300                                 | 323,688           |
|  |                                     | <u>1,258,583</u>  |
| <b>Missouri – 5.41%</b>  |                                     |                   |
| The City of St. Louis, Missouri, Airport Revenue Bonds,<br>Series 2001A (Airport Development Program):<br>5.0%, 7–1–11 .....                               | 290                                 | 311,643           |
| 5.0%, 7–1–11 .....   | 210                                 | 227,602           |
| City of Kearney, Missouri, General Obligation Bonds,<br>Series 2001,<br>5.5%, 3–1–16 .....   | 350                                 | 380,419           |
| The Industrial Development Authority of the City of<br>Kansas City, Missouri, Revenue Bonds,<br>Series 2004 (Plaza Library Project),<br>5.9%, 3–1–24 ..... | 200                                 | 204,102           |
| City of Belton, Missouri, Tax Increment Revenue Bonds<br>(Belton Town Centre Project), Series 2004,<br>6.25%, 3–1–24 .....                                 | 200                                 | 203,514           |
|  |                                     | <u>1,327,280</u>  |
| <b>Nebraska – 1.69%</b>  |                                     |                   |
| Nebraska Higher Education Loan Program, Inc., Senior<br>Subordinate Bonds, 1993–2, Series A–5A,<br>6.2%, 6–1–13 .....                                      | 400                                 | <u>415,216</u>    |

See Notes to Schedule of Investments on page 143.

# The Investments of Ivy Municipal Bond Fund

September 30, 2005

| MUNICIPAL BONDS (Continued)   | Principal<br>Amount in<br>Thousands | Value            |
|---|-------------------------------------|------------------|
| <b>New Jersey – 2.86%</b>   |                                     |                  |
| New Jersey Economic Development Authority, School<br>Facilities Construction Bonds:   |                                     |                  |
| 2004 Series I,<br>5.25%, 9–1–24 .....   | \$250                               | \$ 277,560       |
| 2005 Series 0,<br>5.125%, 3–1–30 .....  | 250                                 | 262,255          |
| Tobacco Settlement Financing Corporation, Tobacco<br>Settlement Asset-Backed Bonds, Series 2002,<br>5.5%, 6–1–11 .....  | 150                                 | 160,340          |
|   |                                     | <u>700,155</u>   |
| <b>New York – 10.99%</b>  |                                     |                  |
| The City of New York, General Obligation Bonds:   |                                     |                  |
| Fiscal 2003 Series A Current Interest Bonds,<br>5.5%, 8–1–10 .....  | 500                                 | 543,760          |
| Fiscal 2004 Series E,<br>5.25%, 8–1–09 .....  | 250                                 | 266,620          |
| The Port Authority of New York and<br>New Jersey, Consolidated Bonds,<br>One Hundred Twenty-Seventh Series,<br>5.5%, 12–15–14 .....   | 500                                 | 545,010          |
| New York State Thruway Authority, State Personal<br>Income Tax Revenue Bonds (Transportation),<br>Series 2002A,<br>5.25%, 3–15–10 .....   | 500                                 | 537,635          |
| New York City, Municipal Water Finance Authority,<br>Water and Sewer System Revenue Bonds,<br>Fiscal 2003, Series D,<br>5.0%, 6–15–09 .....   | 500                                 | 532,900          |
| Dormitory Authority of the State of New York,<br>Third General Resolution Revenue Bonds<br>(State University Educational Facilities Issue),<br>Series 2002B,<br>5.25%, 11–15–23 ..... | 250                                 | 270,400          |
|   |                                     | <u>2,696,325</u> |
| <b>Oklahoma – 1.58%</b>   |                                     |                  |
| Tulsa Public Facilities Authority (Oklahoma),<br>Assembly Center Lease Payment Revenue Bonds,<br>Refunding Series 1985,<br>6.6%, 7–1–14 .....   | 335                                 | 388,489          |

See Notes to Schedule of Investments on page 143.

# The Investments of Ivy Municipal Bond Fund

September 30, 2005

| MUNICIPAL BONDS (Continued)  | Principal<br>Amount in<br>Thousands | Value                 |
|--|-------------------------------------|-----------------------|
| <b>Pennsylvania – 3.62%</b>  |                                     |                       |
| The School District of Philadelphia, Pennsylvania,<br>General Obligation Bonds, Series A of 2002,<br>Prerefunded 2–1–12,<br>5.5%, 2–1–18 .....   | \$ 500                              | \$ 555,350            |
| Schuylkill County Industrial Development Authority,<br>Variable Rate Demand Revenue Bonds (Pine Grove<br>Landfill, Inc. Project), 1995 Series,<br>5.1%, 10–1–19 .....                      | 320                                 | <u>333,683</u>        |
|  |                                     | <b><u>889,033</u></b> |
| <b>Rhode Island – 3.02%</b>  |                                     |                       |
| Rhode Island Health and Educational Building<br>Corporation, Hospital Financing Revenue Bonds,<br>St. Joseph Health Services of Rhode Island Issue,<br>Series 1999,<br>5.4%, 10–1–09 ..... | 725                                 | <u>740,356</u>        |
| <b>South Carolina – 2.18%</b>  |                                     |                       |
| South Carolina Public Service Authority, Santee Cooper,<br>Revenue Obligations, 2002 Refunding Series D,<br>5.0%, 1–1–10 .....   | 500                                 | <u>535,795</u>        |
| <b>Texas – 3.15%</b>   |                                     |                       |
| Lufkin Health Facilities Development Corporation,<br>Health System Revenue and Refunding Bonds<br>(Memorial Health System of East Texas),<br>Series 1995,<br>6.875%, 2–15–26 .....         | 480                                 | 495,984               |
| Pflugerville Independent School District (Travis County,<br>Texas), Unlimited Tax School Building Bonds,<br>Series 2001,<br>5.5%, 8–15–19 .....  | 250                                 | <u>277,955</u>        |
|  |                                     | <b><u>773,939</u></b> |
| <b>Virginia – 2.23%</b>  |                                     |                       |
| City of Chesapeake, Virginia, General Obligation Public<br>Improvement and Refunding Bonds, Series of 2001,<br>5.5%, 12–1–17 .....   | 500                                 | <u>546,525</u>        |

See Notes to Schedule of Investments on page 143.

# The Investments of Ivy Municipal Bond Fund

September 30, 2005

| MUNICIPAL BONDS (Continued)  | Principal<br>Amount in<br>Thousands | Value               |
|--|-------------------------------------|---------------------|
| <b>Washington – 3.15%</b>  |                                     |                     |
| Energy Northwest:  |                                     |                     |
| Project No. 1 Refunding Electric Revenue Bonds,<br>Series 2002-A,<br>5.75%, 7–1–16 .....                                 | \$500                               | \$ 556,510          |
| Columbia Generating Station Electric Revenue<br>Refunding Bonds, Series 2004-A,<br>5.25%, 7–1–10 .....                   | 200                                 | 216,240             |
|  |                                     | <u>772,750</u>      |
| <b>Wyoming – 2.17%</b>   |                                     |                     |
| Wyoming Student Loan Corporation, Student Loan Revenue<br>Refunding Bonds, Series 1999A (Non-AMT),<br>6.2%, 6–1–24 ..... |                                     |                     |
|  | 500                                 | <u>531,930</u>      |
| <b>TOTAL MUNICIPAL BONDS – 96.64%</b>  |                                     | <b>\$23,707,793</b> |
| (Cost: \$22,815,915)   |                                     |                     |
| <b>SHORT-TERM SECURITY – 3.25%</b>   |                                     |                     |
| <b>Forest and Paper Products</b>   |                                     |                     |
| Sonoco Products Co.,<br>3.94%, 10–3–05 .....   |                                     |                     |
|  | 798                                 | <u>\$ 797,825</u>   |
| (Cost \$797,825)   |                                     |                     |
| <b>TOTAL INVESTMENT SECURITIES – 99.89%</b>  |                                     | <b>\$24,505,618</b> |
| (Cost: \$23,613,740)   |                                     |                     |
| <b>CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.11%</b>   |                                     | <b>26,026</b>       |
| <b>NET ASSETS – 100.00%</b>  |                                     | <b>\$24,531,644</b> |

## Notes to Schedule of Investments

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

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

# Statement of Assets and Liabilities

## IVY MUNICIPAL BOND FUND

September 30, 2005

(In Thousands, Except for Per Share Amounts)

### ASSETS

|  |               |
|--|---------------|
| Investment securities – at value (cost – \$23,614) (Notes 1 and 3) . . . . . | \$24,506      |
| Cash . . . . .   | —*            |
| Receivables:   |               |
| Interest . . . . .   | 317           |
| Fund shares sold . . . . .   | 11            |
| Prepaid and other assets . . . . .   | 25            |
| Total assets . . . . .   | <u>24,859</u> |

### LIABILITIES

|  |                 |
|--|-----------------|
| Payable for investment securities purchased . . . . .    | 263             |
| Payable to Fund shareholders . . . . .                   | 38              |
| Dividends payable . . . . .                              | 7               |
| Accrued shareholder servicing (Note 2) . . . . .         | 6               |
| Accrued accounting services fee (Note 2) . . . . .       | 1               |
| Accrued distribution and service fees (Note 2) . . . . . | —*              |
| Other . . . . .  | 12              |
| Total liabilities . . . . .                              | <u>327</u>      |
| Total net assets . . . . .                               | <u>\$24,532</u> |

### NET ASSETS

|   |                 |
|---|-----------------|
| \$0.01 par value capital stock:                                 |                 |
| Capital stock . . . . .   | \$ 22           |
| Additional paid-in capital . . . . .                            | 24,197          |
| Accumulated undistributed income (loss):                        |                 |
| Accumulated undistributed net investment income . . . . .       | 12              |
| Accumulated undistributed net realized loss                     |                 |
| on investment transactions . . . . .                            | (591)           |
| Net unrealized appreciation in value of investments . . . . .   | 892             |
| Net assets applicable to outstanding units of capital . . . . . | <u>\$24,532</u> |

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

|                   |         |
|-------------------|---------|
| Class A . . . . . | \$11.19 |
| Class B . . . . . | \$11.19 |
| Class C . . . . . | \$11.19 |
| Class Y . . . . . | \$11.19 |

### Capital shares outstanding:

|                   |       |
|-------------------|-------|
| Class A . . . . . | 572   |
| Class B . . . . . | 126   |
| Class C . . . . . | 1,491 |
| Class Y . . . . . | 4     |

|                                     |         |
|-------------------------------------|---------|
| Capital shares authorized . . . . . | 200,000 |
|-------------------------------------|---------|

\*Not shown due to rounding.

See Notes to Financial Statements.



# Statement of Operations

## IVY MUNICIPAL BOND FUND

For the Six Months Ended September 30, 2005

(In Thousands)

### INVESTMENT INCOME

|   |            |
|---|------------|
| Income (Note 1B):   |            |
| Interest and amortization . . . . .                                   | \$572      |
| Expenses (Note 2):  |            |
| Distribution fee:   |            |
| Class A . . . . .   | 1          |
| Class B . . . . .   | 5          |
| Class C . . . . .   | 65         |
| Investment management fee . . . . .                                   | 65         |
| Service fee:  |            |
| Class A . . . . .   | 6          |
| Class B . . . . .   | 2          |
| Class C . . . . .   | 22         |
| Class Y . . . . .   | —*         |
| Registration fees . . . . .   | 24         |
| Shareholder servicing:  |            |
| Class A . . . . .   | 5          |
| Class B . . . . .   | 1          |
| Class C . . . . .   | 18         |
| Class Y . . . . .   | —*         |
| Accounting services fee . . . . .                                     | 10         |
| Audit fees . . . . .  | 10         |
| Custodian fees . . . . .  | 2          |
| Other . . . . .   | 2          |
| Total . . . . .   | <u>238</u> |
| Less voluntary waiver of investment management fee (Note 2) . . . . . | (42)       |
| Total expenses . . . . .  | <u>196</u> |
| Net investment income . . . . .                                       | <u>376</u> |

### REALIZED AND UNREALIZED GAIN (LOSS)

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

|   |              |
|---|--------------|
| Realized net loss on investments . . . . .                                  | (7)          |
| Unrealized appreciation in value of investments during the period . . . . . | 131          |
| Net gain on investments . . . . .   | <u>124</u>   |
| Net increase in net assets resulting from operations . . . . .              | <u>\$500</u> |

\*Not shown due to rounding.

# Statement of Changes in Net Assets

## IVY MUNICIPAL BOND FUND

(In Thousands)

|   | For the six<br>months ended<br>September 30,<br>2005 | For the fiscal<br>year ended<br>March 31,<br>2005 |
|---|--|---|
| <b>INCREASE (DECREASE) IN NET ASSETS</b>                          |  |   |
| Operations:   |  |   |
| Net investment income . . . . .                                   | \$ 376   | \$ 691  |
| Realized net gain (loss) on investments . . . . .                 | (7)  | 55  |
| Unrealized appreciation (depreciation) . . . . .                  | 131  | (459)   |
| Net increase in net assets<br>resulting from operations . . . . . | 500  | 287   |
| Distributions to shareholders from (Note 1F):(1)                  |  |   |
| Net investment income:  |  |   |
| Class A . . . . .   | (107)  | (168)   |
| Class B . . . . .   | (20)   | (26)  |
| Class C . . . . .   | (246)  | (506)   |
| Class Y . . . . .   | (1)  | (1)   |
| Realized gains on investment transactions:                        |  |   |
| Class A . . . . .   | (—)  | (—)   |
| Class B . . . . .   | (—)  | (—)   |
| Class C . . . . .   | (—)  | (—)   |
| Class Y . . . . .   | (—)  | (—)   |
|   | (374)  | (701)   |
| Capital share transactions (Note 5) . . . . .                     | 113  | (623)   |
| Total increase (decrease) . . . . .                               | 239  | (1,037)   |
| <b>NET ASSETS</b>   |  |   |
| Beginning of period . . . . .                                     | 24,293   | 25,330  |
| End of period . . . . .   | \$24,532   | \$24,293  |
| Undistributed net investment income . . . . .                     | \$ 12  | \$ 10   |

(1) See "Financial Highlights" on pages 147 - 150.

See Notes to Financial Statements.

# Financial Highlights

## IVY MUNICIPAL BOND FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|  | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |         |         |         | For the<br>period from<br>9-15-00 <sup>(1)</sup><br>to<br>3-31-01 |
|--|---|-------------------------------------|---------|---------|---------|---|
|  |   | 2005                                | 2004    | 2003    | 2002    |   |
| Net asset value,<br>beginning of period . . . . .  | \$11.13                                   | \$11.31                             | \$11.10 | \$10.61 | \$10.52 | \$10.33   |
| Income (loss) from<br>investment operations:   |   |                                     |         |         |         |   |
| Net investment income . . . . .  | 0.21                                      | 0.38                                | 0.37    | 0.42    | 0.47    | 0.26  |
| Net realized and<br>unrealized gain (loss)<br>on investments . . . . .                                     | 0.06                                      | (0.17)                              | 0.21    | 0.49    | 0.09    | 0.19  |
| Total from investment<br>operations . . . . .  | 0.27                                      | 0.21                                | 0.58    | 0.91    | 0.56    | 0.45  |
| Less distributions from:   |   |                                     |         |         |         |   |
| Net investment income . . . . .  | (0.21)                                    | (0.39)                              | (0.37)  | (0.42)  | (0.47)  | (0.26)  |
| Capital gains . . . . .  | (0.00)                                    | (0.00)                              | (0.00)  | (0.00)  | (0.00)  | (0.00)  |
| Total distributions . . . . .  | (0.21)                                    | (0.39)                              | (0.37)  | (0.42)  | (0.47)  | (0.26)  |
| Net asset value,<br>end of period . . . . .  | \$11.19                                   | \$11.13                             | \$11.31 | \$11.10 | \$10.61 | \$10.52   |
| Total return <sup>(2)</sup> . . . . .  | 2.40%                                     | 1.89%                               | 5.36%   | 8.71%   | 5.38%   | 4.32%   |
| Net assets, end of period<br>(in millions) . . . . .   | \$7                                       | \$5                                 | \$4     | \$3     | \$2     | \$1   |
| Ratio of expenses to<br>average net assets<br>including voluntary<br>expense waiver . . . . .              | 0.98% <sup>(3)</sup>                      | 1.13%                               | 1.25%   | 1.15%   | 1.17%   | 1.21% <sup>(3)</sup>  |
| Ratio of net investment income<br>to average net assets<br>including voluntary<br>expense waiver . . . . . | 3.65% <sup>(3)</sup>                      | 3.42%                               | 3.35%   | 3.79%   | 4.37%   | 4.69% <sup>(3)</sup>  |
| Ratio of expenses to<br>average net assets<br>excluding voluntary<br>expense waiver . . . . .              | 1.32% <sup>(3)</sup>                      | 1.39%                               | —       | —       | —       | —   |
| Ratio of net investment income<br>to average net assets<br>excluding voluntary<br>expense waiver . . . . . | 3.31% <sup>(3)</sup>                      | 3.16%                               | —       | —       | —       | —   |
| Portfolio turnover rate . . . . .  | 9%  | 17%                                 | 11%     | 40%     | 36%     | 35% <sup>(4)</sup>  |

(1) Commencement of operations of the class.

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

(3) Annualized.

(4) For the fiscal year ended March 31, 2001.

See Notes to Financial Statements.

# Financial Highlights

## IVY MUNICIPAL BOND FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|  | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |         |         |         | For the<br>period from<br>8-8-00 <sup>(1)</sup><br>to<br>3-31-01 |
|--|---|-------------------------------------|---------|---------|---------|--|
|  |   | 2005                                | 2004    | 2003    | 2002    |  |
| Net asset value,<br>beginning of period . . . . .  | \$11.13                                   | \$11.31                             | \$11.10 | \$10.61 | \$10.52 | \$10.26  |
| Income (loss) from<br>investment operations:   |   |                                     |         |         |         |  |
| Net investment income . . . . .  | 0.16                                      | 0.30                                | 0.28    | 0.33    | 0.32    | 0.22   |
| Net realized and<br>unrealized gain (loss)<br>on investments . . . . .                                     | 0.06                                      | (0.18)                              | 0.21    | 0.49    | 0.09    | 0.26   |
| Total from investment<br>operations . . . . .  | 0.22                                      | 0.12                                | 0.49    | 0.82    | 0.41    | 0.48   |
| Less distributions from:   |   |                                     |         |         |         |  |
| Net investment income . . . . .  | (0.16)                                    | (0.30)                              | (0.28)  | (0.33)  | (0.32)  | (0.22)   |
| Capital gains . . . . .  | (0.00)                                    | (0.00)                              | (0.00)  | (0.00)  | (0.00)  | (0.00)   |
| Total distributions . . . . .  | (0.16)                                    | (0.30)                              | (0.28)  | (0.33)  | (0.32)  | (0.22)   |
| Net asset value,<br>end of period . . . . .  | \$11.19                                   | \$11.13                             | \$11.31 | \$11.10 | \$10.61 | \$10.52  |
| Total return . . . . .   | 2.01%                                     | 1.09%                               | 4.50%   | 7.81%   | 3.97%   | 4.66%  |
| Net assets, end of period<br>(in thousands) . . . . .  | \$1,405                                   | \$1,025                             | \$863   | \$532   | \$120   | \$37   |
| Ratio of expenses to<br>average net assets<br>including voluntary<br>expense waiver . . . . .              | 1.75% <sup>(2)</sup>                      | 1.90%                               | 2.06%   | 1.96%   | 2.44%   | 2.82% <sup>(2)</sup>   |
| Ratio of net investment<br>income to average net<br>assets including voluntary<br>expense waiver . . . . . | 2.85% <sup>(2)</sup>                      | 2.65%                               | 2.54%   | 2.98%   | 3.09%   | 3.11% <sup>(2)</sup>   |
| Ratio of expenses to<br>average net assets<br>excluding voluntary<br>expense waiver . . . . .              | 2.09% <sup>(2)</sup>                      | 2.16%                               | —       | —       | —       | —  |
| Ratio of net investment<br>income to average net<br>assets excluding voluntary<br>expense waiver . . . . . | 2.51% <sup>(2)</sup>                      | 2.39%                               | —       | —       | —       | —  |
| Portfolio turnover rate . . . . .  | 9%  | 17%                                 | 11%     | 40%     | 36%     | 35% <sup>(3)</sup>   |

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the fiscal year ended March 31, 2001.

See Notes to Financial Statements.

# Financial Highlights

## IVY MUNICIPAL BOND FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|                                  | For the              | For the fiscal year ended March 31, |         |         |         |         |
|----------------------------------|----------------------|-------------------------------------|---------|---------|---------|---------|
|                                  | six months<br>ended  | 2005                                | 2004    | 2003    | 2002    | 2001    |
|                                  | 9-30-05              |                                     |         |         |         |         |
| Net asset value,                 |                      |                                     |         |         |         |         |
| beginning of period . . . . .    | \$11.13              | \$11.31                             | \$11.10 | \$10.61 | \$10.52 | \$10.11 |
| Income (loss) from               |                      |                                     |         |         |         |         |
| investment operations:           |                      |                                     |         |         |         |         |
| Net investment income . . .      | 0.16                 | 0.29                                | 0.28    | 0.32    | 0.37    | 0.40    |
| Net realized and                 |                      |                                     |         |         |         |         |
| unrealized gain (loss)           |                      |                                     |         |         |         |         |
| on investments. . . . .          | 0.06                 | (0.17)                              | 0.21    | 0.49    | 0.09    | 0.41    |
| Total from investment            |                      |                                     |         |         |         |         |
| operations . . . . .             | 0.22                 | 0.12                                | 0.49    | 0.81    | 0.46    | 0.81    |
| Less distributions from:         |                      |                                     |         |         |         |         |
| Net investment                   |                      |                                     |         |         |         |         |
| income . . . . .                 | (0.16)               | (0.30)                              | (0.28)  | (0.32)  | (0.37)  | (0.40)  |
| Capital gains . . . . .          | (0.00)               | (0.00)                              | (0.00)  | (0.00)  | (0.00)  | (0.00)  |
| Total distributions . . . . .    | (0.16)               | (0.30)                              | (0.28)  | (0.32)  | (0.37)  | (0.40)  |
| Net asset value,                 |                      |                                     |         |         |         |         |
| end of period . . . . .          | \$11.19              | \$11.13                             | \$11.31 | \$11.10 | \$10.61 | \$10.52 |
| Total return . . . . .           | 1.99%                | 1.04%                               | 4.45%   | 7.75%   | 4.40%   | 8.22%   |
| Net assets, end of period        |                      |                                     |         |         |         |         |
| (in millions) . . . . .          | \$17                 | \$18                                | \$20    | \$25    | \$24    | \$26    |
| Ratio of expenses to             |                      |                                     |         |         |         |         |
| average net assets               |                      |                                     |         |         |         |         |
| including voluntary              |                      |                                     |         |         |         |         |
| expense waiver . . . . .         | 1.78% <sup>(1)</sup> | 1.93%                               | 2.10%   | 2.03%   | 2.13%   | 2.13%   |
| Ratio of net investment          |                      |                                     |         |         |         |         |
| income to average                |                      |                                     |         |         |         |         |
| net assets including             |                      |                                     |         |         |         |         |
| voluntary expense                |                      |                                     |         |         |         |         |
| waiver . . . . .                 | 2.86% <sup>(1)</sup> | 2.62%                               | 2.50%   | 2.95%   | 3.44%   | 3.94%   |
| Ratio of expenses to             |                      |                                     |         |         |         |         |
| average net assets               |                      |                                     |         |         |         |         |
| excluding voluntary              |                      |                                     |         |         |         |         |
| expense waiver . . . . .         | 2.12% <sup>(1)</sup> | 2.19%                               | —       | —       | —       | —       |
| Ratio of net investment          |                      |                                     |         |         |         |         |
| income to average                |                      |                                     |         |         |         |         |
| net assets excluding             |                      |                                     |         |         |         |         |
| voluntary expense                |                      |                                     |         |         |         |         |
| waiver . . . . .                 | 2.52% <sup>(1)</sup> | 2.36%                               | —       | —       | —       | —       |
| Portfolio turnover rate. . . . . | 9%                   | 17%                                 | 11%     | 40%     | 36%     | 35%     |

(1)Annualized.

See Notes to Financial Statements.

# Financial Highlights

## IVY MUNICIPAL BOND FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|                                   | For the              | For the fiscal year ended March 31, |         |         |         |         |
|-----------------------------------|----------------------|-------------------------------------|---------|---------|---------|---------|
|                                   | six months<br>ended  | 2005                                | 2004    | 2003    | 2002    | 2001    |
|                                   | 9-30-05              |                                     |         |         |         |         |
| Net asset value,                  |                      |                                     |         |         |         |         |
| beginning of period . . . . .     | \$11.13              | \$11.31                             | \$11.10 | \$10.61 | \$10.52 | \$10.11 |
| Income (loss) from                |                      |                                     |         |         |         |         |
| investment operations:            |                      |                                     |         |         |         |         |
| Net investment income . . . . .   | 0.21                 | 0.37                                | 0.35    | 0.40    | 0.44    | 0.47    |
| Net realized and                  |                      |                                     |         |         |         |         |
| unrealized gain (loss)            |                      |                                     |         |         |         |         |
| on investments . . . . .          | 0.06                 | (0.18)                              | 0.21    | 0.49    | 0.09    | 0.41    |
| Total from investment             |                      |                                     |         |         |         |         |
| operations . . . . .              | 0.27                 | 0.19                                | 0.56    | 0.89    | 0.53    | 0.88    |
| Less distributions from:          |                      |                                     |         |         |         |         |
| Net investment income . . . . .   | (0.21)               | (0.37)                              | (0.35)  | (0.40)  | (0.44)  | (0.47)  |
| Capital gains . . . . .           | (0.00)               | (0.00)                              | (0.00)  | (0.00)  | (0.00)  | (0.00)  |
| Total distributions . . . . .     | (0.21)               | (0.37)                              | (0.35)  | (0.40)  | (0.44)  | (0.47)  |
| Net asset value,                  |                      |                                     |         |         |         |         |
| end of period . . . . .           | \$11.19              | \$11.13                             | \$11.31 | \$11.10 | \$10.61 | \$10.52 |
| Total return . . . . .            | 2.39%                | 1.75%                               | 5.13%   | 8.52%   | 5.10%   | 9.04%   |
| Net assets, end of period         |                      |                                     |         |         |         |         |
| (in thousands) . . . . .          | \$45                 | \$44                                | \$5     | \$4     | \$2     | \$2     |
| Ratio of expenses to              |                      |                                     |         |         |         |         |
| average net assets                |                      |                                     |         |         |         |         |
| including voluntary               |                      |                                     |         |         |         |         |
| expense waiver . . . . .          | 0.99% <sup>(1)</sup> | 1.22%                               | 1.44%   | 1.33%   | 1.44%   | 1.47%   |
| Ratio of net investment           |                      |                                     |         |         |         |         |
| income to average                 |                      |                                     |         |         |         |         |
| net assets including              |                      |                                     |         |         |         |         |
| voluntary expense                 |                      |                                     |         |         |         |         |
| waiver . . . . .                  | 3.64% <sup>(1)</sup> | 3.13%                               | 3.14%   | 3.64%   | 4.09%   | 4.61%   |
| Ratio of expenses to              |                      |                                     |         |         |         |         |
| average net assets                |                      |                                     |         |         |         |         |
| excluding voluntary               |                      |                                     |         |         |         |         |
| expense waiver . . . . .          | 1.33% <sup>(1)</sup> | 1.48%                               | —       | —       | —       | —       |
| Ratio of net investment           |                      |                                     |         |         |         |         |
| income to average                 |                      |                                     |         |         |         |         |
| net assets excluding              |                      |                                     |         |         |         |         |
| voluntary expense                 |                      |                                     |         |         |         |         |
| waiver . . . . .                  | 3.30% <sup>(1)</sup> | 2.87%                               | —       | —       | —       | —       |
| Portfolio turnover rate . . . . . | 9%                   | 17%                                 | 11%     | 40%     | 36%     | 35%     |

(1)Annualized.

See Notes to Financial Statements.

---

## SHAREHOLDER SUMMARY OF IVY SCIENCE AND TECHNOLOGY FUND

### Portfolio Highlights

On September 30, 2005, Ivy Science and Technology Fund had net assets totaling \$270,270,659 invested in a diversified portfolio of:

|        |                           |
|--------|---------------------------|
| 84.63% | Common Stocks             |
| 15.37% | Cash and Cash Equivalents |

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2005, your Fund owned:



# The Investments of Ivy Science and Technology Fund

September 30, 2005

| COMMON STOCKS   | Shares  | Value               |
|---|---------|---------------------|
| <b>Broadcasting – 2.02%</b>                           |         |                     |
| XM Satellite Radio Holdings Inc., Class A* . . . . .  | 152,400 | <u>\$ 5,471,922</u> |
| <b>Business Equipment and Services – 9.50%</b>        |         |                     |
| ATI Technologies Inc.* . . . . .                      | 211,900 | 2,952,827           |
| CheckFree Corporation* . . . . .                      | 158,500 | 5,991,300           |
| Euronet Worldwide, Inc.* . . . . .                    | 198,700 | 5,870,591           |
| Global Cash Access, Inc.* . . . . .                   | 89,500  | 1,261,950           |
| Headwaters Incorporated* . . . . .                    | 143,700 | 5,374,380           |
| Satyam Computer Services (Shanghai) Co., Ltd. . . . . | 140,100 | 4,233,822           |
|   |         | <u>25,684,870</u>   |
| <b>Communications Equipment – 1.05%</b>               |         |                     |
| Nokia Corporation, Series A, ADR. . . . .             | 168,200 | <u>2,844,262</u>    |
| <b>Computers – Peripherals – 10.89%</b>               |         |                     |
| Microsoft Corporation . . . . .                       | 304,600 | 7,835,835           |
| Oracle Corporation* . . . . .                         | 358,500 | 4,443,607           |
| Red Hat, Inc.* . . . . .                              | 331,400 | 7,024,023           |
| Symantec Corporation* . . . . .                       | 191,900 | 4,345,576           |
| Symbol Technologies, Inc. . . . .                     | 597,860 | 5,787,285           |
|   |         | <u>29,436,326</u>   |
| <b>Electronic Components – 7.71%</b>                  |         |                     |
| MediaTek Incorporation (A)* . . . . .                 | 28,550  | 269,274             |
| Microchip Technology Incorporated . . . . .           | 134,700 | 4,055,817           |
| Micron Technology, Inc.* . . . . .                    | 427,300 | 5,683,090           |
| Samsung Electronics Co., Ltd. (A)* . . . . .          | 19,200  | 10,830,391          |
|   |         | <u>20,838,572</u>   |
| <b>Electronic Instruments – 1.38%</b>                 |         |                     |
| ASML Holding N.V., Ordinary Shares* . . . . .         | 145,800 | 2,406,429           |
| Mattson Technology, Inc.* . . . . .                   | 176,600 | 1,325,383           |
|   |         | <u>3,731,812</u>    |
| <b>Health Care – Drugs – 7.01%</b>                    |         |                     |
| Amgen Inc.* . . . . .                                 | 67,600  | 5,384,340           |
| Genzyme Corporation* . . . . .                        | 118,800 | 8,507,268           |
| Neurocrine Biosciences, Inc.* . . . . .               | 102,600 | 5,045,355           |
|   |         | <u>18,936,963</u>   |
| <b>Health Care – General – 1.94%</b>                  |         |                     |
| Advanced Medical Optics, Inc.* . . . . .              | 138,000 | <u>5,237,100</u>    |
| <b>Hospital Supply and Management – 19.56%</b>        |         |                     |
| Cerner Corporation* . . . . .                         | 241,800 | 21,008,793          |
| Triad Hospitals, Inc.* . . . . .                      | 192,500 | 8,714,475           |
| UnitedHealth Group Incorporated . . . . .             | 121,100 | 6,805,820           |

See Notes to Schedule of Investments on page 154.



# The Investments of Ivy Science and Technology Fund

September 30, 2005

| COMMON STOCKS (Continued)                         | Shares  | Value                |
|---|---------|----------------------|
| <b>Hospital Supply and Management (Continued)</b> |         |                      |
| WellCare Health Plans, Inc.*                      | 294,600 | \$ 10,914,930        |
| WellPoint, Inc.*                                  | 71,400  | 5,413,548            |
|   |         | <u>52,857,566</u>    |
| <b>Multiple Industry – 16.15%</b>                 |         |                      |
| Cogent, Inc.*                                     | 98,600  | 2,341,257            |
| Google Inc., Class A*                             | 25,100  | 7,934,612            |
| PRA International*                                | 102,200 | 3,093,594            |
| PortalPlayer, Inc.*                               | 148,200 | 4,055,493            |
| Refco Inc.*                                       | 74,700  | 2,111,769            |
| Research In Motion Limited*                       | 177,450 | 12,116,286           |
| Telvent GIT, S.A.*                                | 123,200 | 1,350,272            |
| VeriFone Holdings, Inc.*                          | 289,500 | 5,821,845            |
| Volterra Semiconductor Corporation*               | 196,400 | 2,411,792            |
| WorldSpace, Inc., Class A*                        | 169,700 | 2,412,286            |
|   |         | <u>43,649,206</u>    |
| <b>Security and Commodity Brokers – 3.01%</b>     |         |                      |
| Chicago Mercantile Exchange Holdings Inc.         | 24,100  | <u>8,128,930</u>     |
| <b>Timesharing and Software – 3.92%</b>           |         |                      |
| Alliance Data Systems Corporation*                | 270,500 | <u>10,590,075</u>    |
| <b>Utilities – Electric – 0.49%</b>               |         |                      |
| Plug Power Inc.*                                  | 194,500 | <u>1,321,628</u>     |
| <b>TOTAL COMMON STOCKS – 84.63%</b>               |         | <b>\$228,729,232</b> |
| (Cost: \$184,856,655)                             |         |                      |

| SHORT-TERM SECURITIES                               | Principal<br>Amount in<br>Thousands |                  |
|---|-------------------------------------|------------------|
| <b>Certificate of Deposit – 1.85%</b>               |                                     |                  |
| <b>Banks</b>  |                                     |                  |
| Wells Fargo Bank, N.A.,<br>3.74%, 10–18–05          | \$5,000                             | <u>5,000,000</u> |
| <b>Commercial Paper</b>                             |                                     |                  |
| <b>Capital Equipment – 3.33%</b>                    |                                     |                  |
| Caterpillar Inc.,<br>3.74%, 10–14–05                | 5,000                               | 4,993,247        |
| Deere (John) Capital Corporation,<br>3.67%, 10–6–05 | 4,000                               | 3,997,961        |
|   |                                     | <u>8,991,208</u> |

See Notes to Schedule of Investments on page 154.

# The Investments of Ivy Science and Technology Fund

September 30, 2005

| SHORT-TERM SECURITIES (Continued)                             | Principal<br>Amount in<br>Thousands | Value                |
|---|-------------------------------------|----------------------|
| <b>Commercial Paper (Continued)</b>                           |                                     |                      |
| <b>Finance Companies – 0.74%</b>                              |                                     |                      |
| Preferred Receivables Funding Corp.,<br>3.75%, 10–19–05 ..... | \$2,000                             | <u>\$ 1,996,250</u>  |
| <b>Forest and Paper Products – 2.27%</b>                      |                                     |                      |
| Sonoco Products Co.,<br>3.94%, 10–3–05 .....                  | 6,152                               | <u>6,150,653</u>     |
| <b>Health Care – General – 1.85%</b>                          |                                     |                      |
| Baxter International Inc.,<br>3.87%, 10–3–05 .....            | 5,000                               | <u>4,998,925</u>     |
| <b>Multiple Industry – 1.85%</b>                              |                                     |                      |
| Michigan Consolidated Gas Co.,<br>3.87%, 10–5–05 .....        | 5,000                               | <u>4,997,850</u>     |
| <b>Utilities – Electric – 1.48%</b>                           |                                     |                      |
| Wisconsin Electric Power Co.,<br>3.88%, 10–3–05 .....         | 4,000                               | <u>3,999,138</u>     |
| <b>Total Commercial Paper – 11.52%</b>                        |                                     | <b>31,134,024</b>    |
| <b>TOTAL SHORT-TERM SECURITIES – 13.37%</b>                   |                                     | <b>\$ 36,134,024</b> |
| (Cost: \$36,134,024)  |                                     |                      |
| <b>TOTAL INVESTMENT SECURITIES – 98.00%</b>                   |                                     | <b>\$264,863,256</b> |
| (Cost: \$220,990,679)   |                                     |                      |
| <b>CASH AND OTHER ASSETS, NET OF LIABILITIES – 2.00%</b>      |                                     | <b>5,407,403</b>     |
| <b>NET ASSETS – 100.00%</b>                                   |                                     | <b>\$270,270,659</b> |

## Notes to Schedule of Investments

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

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

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

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

# Statement of Assets and Liabilities

## IVY SCIENCE AND TECHNOLOGY FUND

September 30, 2005

(In Thousands, Except for Per Share Amounts)

### ASSETS

|   |                |
|---|----------------|
| Investment securities – at value (cost – \$220,991) (Notes 1 and 3) . . . . . | \$264,863      |
| Cash denominated in foreign currencies (cost – \$2,799) . . . . .             | 2,801          |
| Receivables:  |                |
| Investment securities sold . . . . .  | 2,918          |
| Fund shares sold . . . . .  | 1,601          |
| Dividends and interest . . . . .  | 81             |
| Prepaid and other assets . . . . .  | 37             |
| Total assets . . . . .  | <u>272,301</u> |

### LIABILITIES

|   |                  |
|---|------------------|
| Payable for investment securities purchased . . . . . | 1,112            |
| Payable to Fund shareholders . . . . .                | 516              |
| Due to custodian . . . . .                            | 219              |
| Accrued shareholder servicing (Note 2) . . . . .      | 97               |
| Accrued accounting services fee (Note 2) . . . . .    | 8                |
| Accrued management fee (Note 2) . . . . .             | 6                |
| Accrued distribution fee (Note 2) . . . . .           | 3                |
| Accrued service fee (Note 2) . . . . .                | 2                |
| Other . . . . .                                       | 67               |
| Total liabilities . . . . .                           | <u>2,030</u>     |
| Total net assets . . . . .                            | <u>\$270,271</u> |

### NET ASSETS

|   |                  |
|---|------------------|
| \$0.01 par value capital stock:                                       |                  |
| Capital stock . . . . .   | \$ 112           |
| Additional paid-in capital . . . . .                                  | 244,456          |
| Accumulated undistributed income (loss):                              |                  |
| Accumulated undistributed net investment loss . . . . .               | (1,697)          |
| Accumulated undistributed net realized loss                           |                  |
| on investment transactions . . . . .                                  | (16,474)         |
| Net unrealized appreciation in value of investments . . . . .         | 43,874           |
| Net assets applicable to outstanding units of capital . . . . .       | <u>\$270,271</u> |
| Net asset value per share (net assets divided by shares outstanding): |                  |
| Class A . . . . .   | \$24.45          |
| Class B . . . . .   | \$23.07          |
| Class C . . . . .   | \$23.43          |
| Class Y . . . . .   | \$25.19          |
| Capital shares outstanding:   |                  |
| Class A . . . . .   | 4,666            |
| Class B . . . . .   | 657              |
| Class C . . . . .   | 4,239            |
| Class Y . . . . .   | 1,655            |
| Capital shares authorized . . . . .                                   | 350,000          |

See Notes to Financial Statements.

# Statement of Operations

## IVY SCIENCE AND TECHNOLOGY FUND

For the Six Months Ended September 30, 2005

(In Thousands)

### INVESTMENT LOSS

|  |                |
|--|----------------|
| Income (Note 1B):  |                |
| Dividends (net of foreign withholding taxes of \$29) ..... | \$ 299         |
| Interest and amortization .....                            | 238            |
| Total income .....   | <u>537</u>     |
| Expenses (Note 2):   |                |
| Investment management fee .....                            | 959            |
| Shareholder servicing:                                     |                |
| Class A .....  | 144            |
| Class B .....  | 45             |
| Class C .....  | 210            |
| Class Y .....  | 29             |
| Distribution fee:  |                |
| Class A .....  | 9              |
| Class B .....  | 51             |
| Class C .....  | 350            |
| Service fee:   |                |
| Class A .....  | 97             |
| Class B .....  | 17             |
| Class C .....  | 116            |
| Class Y .....  | 44             |
| Accounting services fee .....                              | 43             |
| Audit fees .....   | 13             |
| Legal fees .....   | 2              |
| Custodian fees .....                                       | 1              |
| Other .....  | 77             |
| Total expenses .....                                       | <u>2,207</u>   |
| Net investment loss .....                                  | <u>(1,670)</u> |

### REALIZED AND UNREALIZED GAIN

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

|   |                 |
|---|-----------------|
| Realized net gain on securities .....                                   | 12,908          |
| Realized net loss on purchased options .....                            | (22)            |
| Realized net loss on foreign currency transactions .....                | (5)             |
| Realized net gain on investments .....                                  | <u>12,881</u>   |
| Unrealized appreciation in value of investments during the period ..... | 18,377          |
| Net gain on investments .....   | <u>31,258</u>   |
| Net increase in net assets resulting from operations .....              | <u>\$29,588</u> |

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY SCIENCE AND TECHNOLOGY FUND

(In Thousands)

|  | For the six<br>months ended<br>September 30,<br>2005 | For the fiscal<br>year ended<br>March 31,<br>2005 |
|--|--|---|
| <b>INCREASE IN NET ASSETS</b>                                    |  |   |
| Operations:  |  |   |
| Net investment loss . . . . .                                    | \$ (1,670)   | \$ (2,655)  |
| Realized net gain on investments . . . . .                       | 12,881   | 14,718  |
| Unrealized appreciation. . . . .                                 | 18,377   | 1,708   |
| Net increase in net assets resulting<br>from operations. . . . . | 29,588   | 13,771  |
| Distributions to shareholders from (Note 1F):(1)                 |  |   |
| Net investment income:   |  |   |
| Class A . . . . .  | (—)  | (—)   |
| Class B . . . . .  | (—)  | (—)   |
| Class C . . . . .  | (—)  | (—)   |
| Class Y . . . . .  | (—)  | (—)   |
| Realized gains on investment transactions:                       |  |   |
| Class A . . . . .  | (—)  | (—)   |
| Class B . . . . .  | (—)  | (—)   |
| Class C . . . . .  | (—)  | (—)   |
| Class Y . . . . .  | (—)  | (—)   |
|  | (—)  | (—)   |
| Capital share transactions (Note 5) . . . . .                    | 52,822   | 28,842  |
| Total increase . . . . .   | 82,410   | 42,613  |
| <b>NET ASSETS</b>  |  |   |
| Beginning of period. . . . .                                     | 187,861  | 145,248   |
| End of period. . . . .   | \$ 270,271   | \$ 187,861  |
| Undistributed net investment loss . . . . .                      | \$ (1,697)   | \$ (22)   |

(1) See "Financial Highlights" on pages 158 - 161.

# Financial Highlights

## IVY SCIENCE AND TECHNOLOGY FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|   | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |         |         |         | For the<br>period from<br>7-3-00 <sup>(1)</sup><br>to<br>3-31-01 |
|---|---|-------------------------------------|---------|---------|---------|--|
|   |   | 2005                                | 2004    | 2003    | 2002    |  |
| Net asset value,<br>beginning of period . . . . .                           | \$21.34                                   | \$19.55                             | \$14.17 | \$18.19 | \$17.93 | \$34.91  |
| Income (loss) from<br>investment operations:                                |   |                                     |         |         |         |  |
| Net investment<br>income (loss) . . . . .                                   | (0.18)                                    | (0.28)                              | (0.19)  | (0.32)  | (0.45)  | 0.02   |
| Net realized and<br>unrealized gain<br>(loss) on<br>investments . . . . .   | 3.29                                      | 2.07                                | 5.57    | (3.70)  | 0.73    | (9.35)   |
| Total from investment<br>operations . . . . .                               | 3.11                                      | 1.79                                | 5.38    | (4.02)  | 0.28    | (9.33)   |
| Less distributions from:  |   |                                     |         |         |         |  |
| Net investment<br>income . . . . .  | (0.00)                                    | (0.00)                              | (0.00)  | (0.00)  | (0.00)  | (0.00)   |
| Capital gains . . . . .   | (0.00)                                    | (0.00)                              | (0.00)  | (0.00)  | (0.02)  | (7.65)   |
| Total distributions . . . . .   | (0.00)                                    | (0.00)                              | (0.00)  | (0.00)  | (0.02)  | (7.65)   |
| Net asset value,<br>end of period . . . . .                                 | \$24.45                                   | \$21.34                             | \$19.55 | \$14.17 | \$18.19 | \$17.93  |
| Total return <sup>(2)</sup> . . . . .                                       | 14.57%                                    | 9.16%                               | 37.97%  | -22.10% | 1.56%   | -31.95%  |
| Net assets, end of<br>period (in millions) . . . . .                        | \$114                                     | \$55                                | \$36    | \$14    | \$12    | \$6  |
| Ratio of expenses to<br>average net assets . . . . .                        | 1.55% <sup>(3)</sup>                      | 1.70%                               | 1.80%   | 1.79%   | 1.75%   | 1.70% <sup>(3)</sup>   |
| Ratio of net investment<br>income (loss) to<br>average net assets . . . . . | -1.06% <sup>(3)</sup>                     | -1.09%                              | -1.35%  | -0.92%  | -0.76%  | 0.26% <sup>(3)</sup>   |
| Portfolio turnover rate . . . . .   | 76%                                       | 106%                                | 114%    | 74%     | 91%     | 111% <sup>(4)</sup>  |

(1) Commencement of operations of the class.

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

(3) Annualized.

(4) For the fiscal year ended March 31, 2001.

See Notes to Financial Statements.

# Financial Highlights

## IVY SCIENCE AND TECHNOLOGY FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|   | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |         |         |         | For the<br>period from<br>7-3-00 <sup>(1)</sup><br>to<br>3-31-01 |
|---|---|-------------------------------------|---------|---------|---------|--|
|   |   | 2005                                | 2004    | 2003    | 2002    |  |
| Net asset value,<br>beginning of period . . . .                           | \$20.24                                   | \$18.77                             | \$13.77 | \$17.88 | \$17.80 | \$34.91  |
| Income (loss) from<br>investment operations:                              |   |                                     |         |         |         |  |
| Net investment loss . . . .   | (0.20)                                    | (0.42)                              | (0.39)  | (0.34)  | (0.38)  | (0.06)   |
| Net realized and<br>unrealized gain<br>(loss) on<br>investments . . . . . | 3.03                                      | 1.89                                | 5.39    | (3.77)  | 0.48    | (9.40)   |
| Total from investment<br>operations . . . . .                             | 2.83                                      | 1.47                                | 5.00    | (4.11)  | 0.10    | (9.46)   |
| Less distributions from:  |   |                                     |         |         |         |  |
| Net investment<br>income . . . . .  | (0.00)                                    | (0.00)                              | (0.00)  | (0.00)  | (0.00)  | (0.00)   |
| Capital gains . . . . .   | (0.00)                                    | (0.00)                              | (0.00)  | (0.00)  | (0.02)  | (7.65)   |
| Total distributions . . . . .   | (0.00)                                    | (0.00)                              | (0.00)  | (0.00)  | (0.02)  | (7.65)   |
| Net asset value,<br>end of period . . . . .                               | \$23.07                                   | \$20.24                             | \$18.77 | \$13.77 | \$17.88 | \$17.80  |
| Total return . . . . .  | 13.98%                                    | 7.83%                               | 36.31%  | -22.99% | 0.56%   | -32.37%  |
| Net assets, end of<br>period (in millions) . . . .                        | \$15                                      | \$12                                | \$11    | \$4     | \$4     | \$3  |
| Ratio of expenses to<br>average net assets . . . .                        | 2.64% <sup>(2)</sup>                      | 2.90%                               | 3.06%   | 3.00%   | 2.75%   | 2.53% <sup>(2)</sup>   |
| Ratio of net investment<br>loss to average<br>net assets . . . . .        | -2.18% <sup>(2)</sup>                     | -2.31%                              | -2.60%  | -2.12%  | -1.73%  | -0.55% <sup>(2)</sup>  |
| Portfolio turnover rate . . . .   | 76%                                       | 106%                                | 114%    | 74%     | 91%     | 111% <sup>(3)</sup>  |

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the fiscal year ended March 31, 2001.

See Notes to Financial Statements.

# Financial Highlights

## IVY SCIENCE AND TECHNOLOGY FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|                                   | For the               | For the fiscal year ended March 31, |         |         |         |         |
|-----------------------------------|-----------------------|-------------------------------------|---------|---------|---------|---------|
|                                   | six months<br>ended   | 2005                                | 2004    | 2003    | 2002    | 2001    |
|                                   | 9-30-05               |                                     |         |         |         |         |
| Net asset value,                  |                       |                                     |         |         |         |         |
| beginning of period . . . . .     | \$20.53               | \$18.98                             | \$13.88 | \$17.97 | \$17.83 | \$45.03 |
| Income (loss) from                |                       |                                     |         |         |         |         |
| investment operations:            |                       |                                     |         |         |         |         |
| Net investment loss . . . . .     | (0.22)                | (0.42)                              | (0.38)  | (0.25)  | (0.24)  | (0.12)  |
| Net realized and                  |                       |                                     |         |         |         |         |
| unrealized gain                   |                       |                                     |         |         |         |         |
| (loss) on                         |                       |                                     |         |         |         |         |
| investments . . . . .             | 3.12                  | 1.97                                | 5.48    | (3.84)  | 0.40    | (19.43) |
| Total from investment             |                       |                                     |         |         |         |         |
| operations . . . . .              | 2.90                  | 1.55                                | 5.10    | (4.09)  | 0.16    | (19.55) |
| Less distributions from:          |                       |                                     |         |         |         |         |
| Net investment                    |                       |                                     |         |         |         |         |
| income . . . . .                  | (0.00)                | (0.00)                              | (0.00)  | (0.00)  | (0.00)  | (0.00)  |
| Capital gains . . . . .           | (0.00)                | (0.00)                              | (0.00)  | (0.00)  | (0.02)  | (7.65)  |
| Total distributions . . . . .     | (0.00)                | (0.00)                              | (0.00)  | (0.00)  | (0.02)  | (7.65)  |
| Net asset value,                  |                       |                                     |         |         |         |         |
| end of period . . . . .           | \$23.43               | \$20.53                             | \$18.98 | \$13.88 | \$17.97 | \$17.83 |
| Total return . . . . .            | 14.13%                | 8.17%                               | 36.74%  | -22.76% | 0.89%   | -47.49% |
| Net assets, end of                |                       |                                     |         |         |         |         |
| period (in millions) . . . . .    | \$99                  | \$88                                | \$89    | \$70    | \$112   | \$134   |
| Ratio of expenses to              |                       |                                     |         |         |         |         |
| average net assets . . . . .      | 2.42% <sup>(1)</sup>  | 2.58%                               | 2.66%   | 2.67%   | 2.45%   | 2.27%   |
| Ratio of net investment           |                       |                                     |         |         |         |         |
| loss to average                   |                       |                                     |         |         |         |         |
| net assets . . . . .              | -1.96% <sup>(1)</sup> | -2.00%                              | -2.15%  | -1.77%  | -1.40%  | -0.44%  |
| Portfolio turnover rate . . . . . | 76%                   | 106%                                | 114%    | 74%     | 91%     | 111%    |

(1) Annualized.

See Notes to Financial Statements.



# Financial Highlights

## IVY SCIENCE AND TECHNOLOGY FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|                                   | For the               | For the fiscal year ended March 31, |         |         |         |         |
|-----------------------------------|-----------------------|-------------------------------------|---------|---------|---------|---------|
|                                   | six months<br>ended   | 2005                                | 2004    | 2003    | 2002    | 2001    |
|                                   | 9-30-05               |                                     |         |         |         |         |
| Net asset value,                  |                       |                                     |         |         |         |         |
| beginning of period . . . . .     | \$21.96               | \$20.07                             | \$14.51 | \$18.54 | \$18.21 | \$45.36 |
| Income (loss) from                |                       |                                     |         |         |         |         |
| investment operations:            |                       |                                     |         |         |         |         |
| Net investment loss . . . . .     | (0.17)                | (0.18) <sup>(1)</sup>               | (0.15)  | (0.26)  | (0.51)  | (0.01)  |
| Net realized and                  |                       |                                     |         |         |         |         |
| unrealized gain                   |                       |                                     |         |         |         |         |
| (loss) on                         |                       |                                     |         |         |         |         |
| investments . . . . .             | 3.40                  | 2.07 <sup>(1)</sup>                 | 5.71    | (3.77)  | 0.86    | (19.49) |
| Total from investment             |                       |                                     |         |         |         |         |
| operations . . . . .              | 3.23                  | 1.89                                | 5.56    | (4.03)  | 0.35    | (19.50) |
| Less distributions from:          |                       |                                     |         |         |         |         |
| Net investment                    |                       |                                     |         |         |         |         |
| income . . . . .                  | (0.00)                | (0.00)                              | (0.00)  | (0.00)  | (0.00)  | (0.00)  |
| Capital gains . . . . .           | (0.00)                | (0.00)                              | (0.00)  | (0.00)  | (0.02)  | (7.65)  |
| Total distributions . . . . .     | (0.00)                | (0.00)                              | (0.00)  | (0.00)  | (0.02)  | (7.65)  |
| Net asset value,                  |                       |                                     |         |         |         |         |
| end of period . . . . .           | \$25.19               | \$21.96                             | \$20.07 | \$14.51 | \$18.54 | \$18.21 |
| Total return . . . . .            | 14.71%                | 9.42%                               | 38.32%  | -21.74% | 1.92%   | -47.00% |
| Net assets, end of                |                       |                                     |         |         |         |         |
| period (in millions) . . . . .    | \$42                  | \$33                                | \$9     | \$3     | \$3     | \$1     |
| Ratio of expenses to              |                       |                                     |         |         |         |         |
| average net assets . . . . .      | 1.37% <sup>(2)</sup>  | 1.45%                               | 1.45%   | 1.41%   | 1.39%   | 1.35%   |
| Ratio of net investment           |                       |                                     |         |         |         |         |
| income (loss) to                  |                       |                                     |         |         |         |         |
| average net assets . . . . .      | -0.89% <sup>(2)</sup> | -0.87%                              | -1.03%  | -0.53%  | -0.43%  | 0.47%   |
| Portfolio turnover rate . . . . . | 76%                   | 106%                                | 114%    | 74%     | 91%     | 111%    |

(1)Based on average weekly shares outstanding.

(2)Annualized.

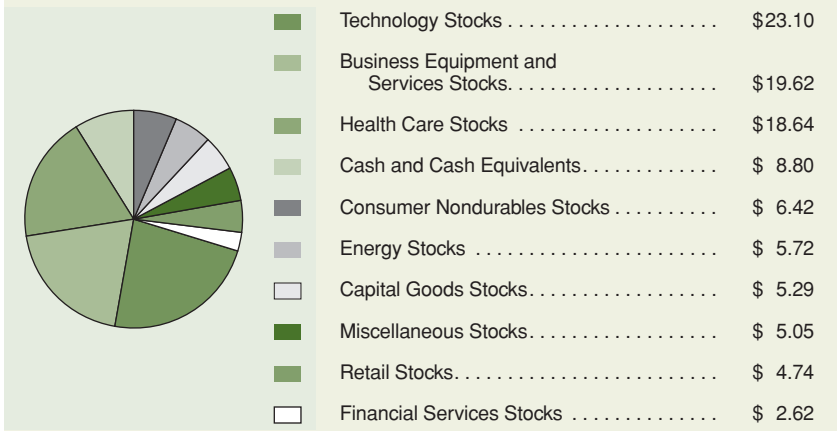
## SHAREHOLDER SUMMARY OF IVY SMALL CAP GROWTH FUND

### Portfolio Highlights

On September 30, 2005, Ivy Small Cap Growth Fund had net assets totaling \$590,901,486 invested in a diversified portfolio of:

|        |                           |
|--------|---------------------------|
| 91.20% | Common Stocks and Warrant |
| 8.80%  | Cash and Cash Equivalents |

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2005, your Fund owned:



# The Investments of Ivy Small Cap Growth Fund

September 30, 2005

| COMMON STOCKS AND WARRANT                           | Shares  | Value             |
|---|---------|-------------------|
| <b>Apparel – 3.27%</b>                              |         |                   |
| Oxford Industries, Inc. ....                        | 241,700 | \$ 10,905,504     |
| Quiksilver, Inc.* .....                             | 580,900 | 8,394,005         |
|   |         | <u>19,299,509</u> |
| <b>Banks – 1.23%</b>                                |         |                   |
| City National Corporation .....                     | 104,150 | <u>7,299,873</u>  |
| <b>Business Equipment and Services – 11.97%</b>     |         |                   |
| ATI Technologies Inc.* .....                        | 505,000 | 7,037,175         |
| CheckFree Corporation* .....                        | 385,144 | 14,558,443        |
| Headwaters Incorporated* .....                      | 211,350 | 7,904,490         |
| Jacobs Engineering Group Inc.* .....                | 102,900 | 6,935,460         |
| Macrovision Corporation* .....                      | 535,650 | 10,233,593        |
| Resources Connection, Inc.* .....                   | 539,302 | 15,976,822        |
| Strayer Education, Inc. ....                        | 85,800  | 8,075,925         |
|   |         | <u>70,721,908</u> |
| <b>Capital Equipment – 4.07%</b>                    |         |                   |
| Chicago Bridge & Iron Company N.V., NY Shares ..... | 240,700 | 7,483,363         |
| Cooper Cameron Corporation* .....                   | 110,600 | 8,176,658         |
| Shaw Group Inc. (The)* .....                        | 340,300 | 8,391,798         |
|   |         | <u>24,051,819</u> |
| <b>Communications Equipment – 6.26%</b>             |         |                   |
| ADTRAN, Inc. ....                                   | 290,350 | 9,150,380         |
| Andrew Corporation* .....                           | 440,600 | 4,914,893         |
| General Cable Corporation* .....                    | 319,700 | 5,370,960         |
| Plantronics, Inc. ....                              | 361,100 | 11,125,491        |
| Tekelec* .....                                      | 309,000 | 6,459,645         |
|   |         | <u>37,021,369</u> |
| <b>Computers – Peripherals – 11.27%</b>             |         |                   |
| Allscripts Healthcare Solutions, Inc.* .....        | 365,200 | 6,577,252         |
| Avid Technology, Inc.* .....                        | 316,800 | 13,126,608        |
| Cognex Corporation .....                            | 383,350 | 11,542,668        |
| Epicor Software Corporation* .....                  | 446,300 | 5,786,279         |
| Kronos Incorporated* .....                          | 197,750 | 8,813,718         |
| Nautilus Group, Inc. (The) .....                    | 459,600 | 10,143,372        |
| Red Hat, Inc.* .....                                | 426,100 | 9,031,190         |
| WebSideStory, Inc.* .....                           | 88,700  | 1,570,434         |
|   |         | <u>66,591,521</u> |
| <b>Cosmetics and Toiletries – 1.41%</b>             |         |                   |
| Nu Skin Enterprises, Inc., Class A .....            | 437,800 | <u>8,340,090</u>  |

See Notes to Schedule of Investments on page 166.

# The Investments of Ivy Small Cap Growth Fund

September 30, 2005

| <b>COMMON STOCKS AND WARRANT (Continued)</b>  | <b>Shares</b> | <b>Value</b>        |
|---|---------------|---------------------|
| <b>Electrical Equipment – 1.22%</b>           |               |                     |
| Microsemi Corporation*                        | 282,200       | <u>\$ 7,205,977</u> |
| <b>Electronic Components – 1.15%</b>          |               |                     |
| FormFactor, Inc.*                             | 298,700       | <u>6,807,373</u>    |
| <b>Electronic Instruments – 4.42%</b>         |               |                     |
| APW Ltd., Warrants (A)*                       | 19            | 0                   |
| FLIR Systems, Inc.*                           | 353,700       | 10,457,141          |
| Trimble Navigation Limited*                   | 176,200       | 5,931,773           |
| WMS Industries Inc.*                          | 346,500       | 9,747,045           |
|   |               | <u>26,135,959</u>   |
| <b>Finance Companies – 1.39%</b>              |               |                     |
| Financial Federal Corporation                 | 205,950       | <u>8,196,810</u>    |
| <b>Food and Related – 1.74%</b>               |               |                     |
| J.M. Smucker Company (The)                    | 211,350       | <u>10,258,929</u>   |
| <b>Health Care – Drugs – 4.11%</b>            |               |                     |
| Angiotech Pharmaceuticals, Inc.*              | 482,350       | 6,750,488           |
| Encysive Pharmaceuticals Inc.*                | 225,100       | 2,650,552           |
| MGI PHARMA, INC.*                             | 109,700       | 2,556,010           |
| Martek Biosciences Corporation*               | 255,622       | 8,981,279           |
| Neurocrine Biosciences, Inc.*                 | 67,800        | 3,334,065           |
|   |               | <u>24,272,394</u>   |
| <b>Health Care – General – 8.31%</b>          |               |                     |
| Advanced Neuromodulation Systems, Inc.*       | 115,900       | 5,500,034           |
| American Medical Systems Holdings, Inc.*      | 333,200       | 6,697,320           |
| Digene Corporation*                           | 252,000       | 7,173,180           |
| Hologic, Inc.*                                | 172,200       | 9,945,411           |
| OraSure Technologies, Inc.*                   | 87,900        | 829,776             |
| ResMed Inc.*                                  | 126,250       | 10,055,813          |
| Schein (Henry), Inc.*                         | 209,600       | 8,927,912           |
|   |               | <u>49,129,446</u>   |
| <b>Hospital Supply and Management – 6.22%</b> |               |                     |
| Advisory Board Company (The)*                 | 140,335       | 7,302,332           |
| Cerner Corporation*                           | 123,200       | 10,704,232          |
| PSS World Medical, Inc.*                      | 334,500       | 4,448,850           |
| VCA Antech, Inc.*                             | 243,350       | 6,200,558           |
| WellCare Health Plans, Inc.*                  | 218,700       | 8,102,835           |
|   |               | <u>36,758,807</u>   |

See Notes to Schedule of Investments on page 166.

# The Investments of Ivy Small Cap Growth Fund

September 30, 2005

| COMMON STOCKS AND WARRANT (Continued)           | Shares  | Value                |
|---|---------|----------------------|
| <b>Leisure Time Industry – 0.97%</b>            |         |                      |
| THQ Inc.* .....                                 | 268,525 | <u>\$ 5,724,953</u>  |
| <b>Multiple Industry – 1.59%</b>                |         |                      |
| FoxHollow Technologies, Inc.* .....             | 197,300 | <u>9,387,534</u>     |
| <b>Petroleum – Domestic – 1.87%</b>             |         |                      |
| Western Gas Resources, Inc. ....                | 215,400 | <u>11,034,942</u>    |
| <b>Petroleum – International – 1.97%</b>        |         |                      |
| Newfield Exploration Company* .....             | 237,300 | <u>11,651,430</u>    |
| <b>Petroleum – Services – 1.88%</b>             |         |                      |
| Patterson-UTI Energy, Inc. ....                 | 307,950 | <u>11,100,058</u>    |
| <b>Publishing – 0.87%</b>                       |         |                      |
| Getty Images, Inc.* .....                       | 59,844  | <u>5,148,978</u>     |
| <b>Railroad – 1.62%</b>                         |         |                      |
| Kansas City Southern* .....                     | 409,600 | <u>9,547,776</u>     |
| <b>Restaurants – 1.32%</b>                      |         |                      |
| P.F. Chang's China Bistro, Inc.* .....          | 174,600 | <u>7,824,699</u>     |
| <b>Retail – Specialty Stores – 3.42%</b>        |         |                      |
| Guitar Center, Inc.* .....                      | 117,800 | 6,503,149            |
| O'Reilly Automotive, Inc.* .....                | 324,100 | 9,136,379            |
| Tractor Supply Company* .....                   | 100,300 | 4,576,188            |
|   |         | <u>20,215,716</u>    |
| <b>Timesharing and Software – 7.65%</b>         |         |                      |
| CoStar Group, Inc.* .....                       | 101,500 | 4,733,960            |
| Digitas Inc.* .....                             | 859,600 | 9,747,864            |
| FactSet Research Systems, Inc. ....             | 394,525 | 13,903,061           |
| MicroStrategy Incorporated, Class A* .....      | 118,868 | 8,354,637            |
| Zebra Technologies Corporation, Class A* .....  | 216,200 | 8,441,529            |
|   |         | <u>45,181,051</u>    |
| <b>TOTAL COMMON STOCKS AND WARRANT – 91.20%</b> |         | <b>\$538,908,921</b> |
| (Cost: \$412,454,967)                           |         |                      |

See Notes to Schedule of Investments on page 166.

# The Investments of Ivy Small Cap Growth Fund

September 30, 2005

| SHORT-TERM SECURITIES  | Principal<br>Amount in<br>Thousands | Value                       |
|--|-------------------------------------|-----------------------------|
| <b>Certificate of Deposit – 0.85%</b>  |                                     |                             |
| <b>Banks</b>   |                                     |                             |
| Wells Fargo Bank, N.A.,<br>3.74%, 10–18–05 .....                               | \$ 5,000                            | <u>\$ 5,000,000</u>         |
| <b>Commercial Paper</b>  |                                     |                             |
| <b>Capital Equipment – 0.51%</b>   |                                     |                             |
| Caterpillar Inc.,<br>3.75%, 10–7–05 .....                                      | 3,000                               | <u>2,998,125</u>            |
| <b>Finance Companies – 5.55%</b>   |                                     |                             |
| BP Capital Markets p.l.c.,<br>3.88%, 10–3–05 .....                             | 13,266                              | 13,263,141                  |
| PACCAR Financial Corp.,<br>3.72%, 10–11–05 .....                               | 5,000                               | 4,994,833                   |
| Prudential Funding LLC,<br>3.7%, 10–13–05 .....                                | 5,000                               | 4,993,833                   |
| River Fuel Company #2, Inc. (Bank of New York (The)),<br>3.64%, 10–14–05 ..... | 4,550                               | 4,544,019                   |
| USAA Capital Corp.,<br>3.75%, 10–4–05 .....                                    | 5,000                               | <u>4,998,438</u>            |
|  |                                     | <u><b>32,794,264</b></u>    |
| <b>Food and Related – 0.84%</b>  |                                     |                             |
| Sara Lee Corporation,<br>3.85%, 10–12–05 .....                                 | 5,000                               | <u>4,994,118</u>            |
| <b>Total Commercial Paper – 6.90%</b>  |                                     | <u><b>40,786,507</b></u>    |
| <b>TOTAL SHORT-TERM SECURITIES – 7.75%</b>                                     |                                     | <u><b>\$ 45,786,507</b></u> |
| (Cost: \$45,786,507)   |                                     |                             |
| <b>TOTAL INVESTMENT SECURITIES – 98.95%</b>                                    |                                     | <u><b>\$584,695,428</b></u> |
| (Cost: \$458,241,474)  |                                     |                             |
| <b>CASH AND OTHER ASSETS, NET OF LIABILITIES – 1.05%</b>                       |                                     | <u><b>6,206,058</b></u>     |
| <b>NET ASSETS – 100.00%</b>  |                                     | <u><b>\$590,901,486</b></u> |

## Notes to Schedule of Investments

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

(A) Security valued in good faith under procedures established by the Board of Directors.

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

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

# Statement of Assets and Liabilities

## IVY SMALL CAP GROWTH FUND

September 30, 2005

(In Thousands, Except for Per Share Amounts)

### ASSETS

|   |                |
|---|----------------|
| Investment securities – at value (cost – \$458,241) (Notes 1 and 3) . . . . . | \$584,695      |
| Receivables:  |                |
| Investment securities sold . . . . .  | 7,640          |
| Fund shares sold . . . . .  | 2,454          |
| Dividends and interest . . . . .  | 13             |
| Prepaid and other assets . . . . .  | 35             |
| Total assets . . . . .  | <u>594,837</u> |

### LIABILITIES

|   |                  |
|---|------------------|
| Payable for investment securities purchased . . . . . | 2,448            |
| Payable to Fund shareholders . . . . .                | 1,139            |
| Accrued shareholder servicing (Note 2) . . . . .      | 158              |
| Due to custodian . . . . .                            | 24               |
| Accrued accounting services fee (Note 2) . . . . .    | 14               |
| Accrued management fee (Note 2) . . . . .             | 14               |
| Accrued distribution fee (Note 2) . . . . .           | 7                |
| Accrued service fee (Note 2) . . . . .                | 4                |
| Other . . . . .                                       | 128              |
| Total liabilities . . . . .                           | <u>3,936</u>     |
| Total net assets . . . . .                            | <u>\$590,901</u> |

### NET ASSETS

|   |                  |
|---|------------------|
| \$0.01 par value capital stock:                                 |                  |
| Capital stock . . . . .   | \$ 426           |
| Additional paid-in capital . . . . .                            | 468,902          |
| Accumulated undistributed income (loss):                        |                  |
| Accumulated undistributed net investment loss . . . . .         | (3,923)          |
| Accumulated undistributed net realized loss                     |                  |
| on investment transactions . . . . .                            | (958)            |
| Net unrealized appreciation in value of investments . . . . .   | 126,454          |
| Net assets applicable to outstanding units of capital . . . . . | <u>\$590,901</u> |

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

|                   |         |
|-------------------|---------|
| Class A . . . . . | \$13.94 |
| Class B . . . . . | \$13.21 |
| Class C . . . . . | \$13.39 |
| Class Y . . . . . | \$15.10 |

### Capital shares outstanding:

|                   |        |
|-------------------|--------|
| Class A . . . . . | 7,739  |
| Class B . . . . . | 1,285  |
| Class C . . . . . | 23,988 |
| Class Y . . . . . | 9,596  |

|                                     |         |
|-------------------------------------|---------|
| Capital shares authorized . . . . . | 400,000 |
|-------------------------------------|---------|

See Notes to Financial Statements.

# Statement of Operations

## IVY SMALL CAP GROWTH FUND

For the Six Months Ended September 30, 2005

(In Thousands)

### INVESTMENT LOSS

Income (Note 1B):

|   |              |
|---|--------------|
| Dividends (net of foreign withholding taxes of \$3) ..... | \$ 773       |
| Interest and amortization .....                           | 624          |
| Total income .....  | <u>1,397</u> |

Expenses (Note 2):

|                                 |                |
|---------------------------------|----------------|
| Investment management fee ..... | 2,345          |
| Distribution fee:               |                |
| Class A .....                   | 11             |
| Class B .....                   | 60             |
| Class C .....                   | 1,191          |
| Shareholder servicing:          |                |
| Class A .....                   | 144            |
| Class B .....                   | 41             |
| Class C .....                   | 433            |
| Class Y .....                   | 100            |
| Service fee:                    |                |
| Class A .....                   | 98             |
| Class B .....                   | 20             |
| Class C .....                   | 397            |
| Class Y .....                   | 164            |
| Accounting services fee .....   | 76             |
| Audit fees .....                | 17             |
| Custodian fees .....            | 15             |
| Legal fees .....                | 1              |
| Other .....                     | 136            |
| Total expenses .....            | <u>5,249</u>   |
| Net investment loss .....       | <u>(3,852)</u> |

### REALIZED AND UNREALIZED GAIN

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

|   |                 |
|---|-----------------|
| Realized net gain on investments .....                                  | 46,632          |
| Unrealized appreciation in value of investments during the period ..... | 22,889          |
| Net gain on investments .....   | <u>69,521</u>   |
| Net increase in net assets resulting from operations .....              | <u>\$65,669</u> |

See Notes to Financial Statements.



# Statement of Changes in Net Assets

## IVY SMALL CAP GROWTH FUND

(In Thousands)

|   | For the six<br>months ended<br>September 30,<br>2005 | For the fiscal<br>year ended<br>March 31,<br>2005 |
|---|--|---|
| <b>INCREASE (DECREASE) IN NET ASSETS</b>                          |  |   |
| Operations:   |  |   |
| Net investment loss . . . . .                                     | \$ (3,852)   | \$ (8,020)  |
| Realized net gain on investments . . . . .                        | 46,632   | 56,717  |
| Unrealized appreciation (depreciation) . . . . .                  | 22,889   | (12,102)  |
| Net increase in net assets<br>resulting from operations . . . . . | 65,669   | 36,595  |
| Distributions to shareholders from (Note 1F):(1)                  |  |   |
| Net investment income:  |  |   |
| Class A . . . . .   | (—)  | (—)   |
| Class B . . . . .   | (—)  | (—)   |
| Class C . . . . .   | (—)  | (—)   |
| Class Y . . . . .   | (—)  | (—)   |
| Realized gains on investment transactions:                        |  |   |
| Class A . . . . .   | (—)  | (—)   |
| Class B . . . . .   | (—)  | (—)   |
| Class C . . . . .   | (—)  | (—)   |
| Class Y . . . . .   | (—)  | (—)   |
|   | (—)  | (—)   |
| Capital share transactions (Note 5) . . . . .                     | 15,627   | (89,990)  |
| Total increase (decrease) . . . . .                               | 81,296   | (53,395)  |
| <b>NET ASSETS</b>   |  |   |
| Beginning of period . . . . .                                     | 509,605  | 563,000   |
| End of period . . . . .   | \$590,901  | \$509,605   |
| Undistributed net investment loss . . . . .                       | \$ (3,923)   | \$ (71)   |

(1) See "Financial Highlights" on pages 170 - 173.

# Financial Highlights

## IVY SMALL CAP GROWTH FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|   | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |         |         |         | For the<br>period from<br>7-3-00 <sup>(1)</sup><br>to<br>3-31-01 |
|---|---|-------------------------------------|---------|---------|---------|--|
|   |   | 2005                                | 2004    | 2003    | 2002    |  |
| Net asset value,<br>beginning of period . . . .                           | \$12.32                                   | \$11.36                             | \$ 8.25 | \$10.59 | \$ 9.43 | \$19.64  |
| Income (loss) from<br>investment operations:                              |   |                                     |         |         |         |  |
| Net investment loss . . . .   | (0.12)                                    | (0.08)                              | (0.08)  | (0.23)  | (0.59)  | (0.02)   |
| Net realized and<br>unrealized gain<br>(loss) on<br>investments . . . . . | 1.74                                      | 1.04                                | 3.19    | (2.11)  | 1.75    | (4.74)   |
| Total from investment<br>operations . . . . .                             | 1.62                                      | 0.96                                | 3.11    | (2.34)  | 1.16    | (4.76)   |
| Less distributions from:  |   |                                     |         |         |         |  |
| Net investment<br>income . . . . .  | (0.00)                                    | (0.00)                              | (0.00)  | (0.00)  | (0.00)  | (0.00)   |
| Capital gains . . . . .   | (0.00)                                    | (0.00)                              | (0.00)  | (0.00)  | (0.00)  | (5.45)   |
| Total distributions . . . . .   | (0.00)                                    | (0.00)                              | (0.00)  | (0.00)  | (0.00)  | (5.45)   |
| Net asset value,<br>end of period . . . . .                               | \$13.94                                   | \$12.32                             | \$11.36 | \$ 8.25 | \$10.59 | \$ 9.43  |
| Total return <sup>(2)</sup> . . . . .                                     | 13.15%                                    | 8.45%                               | 37.70%  | -22.10% | 12.30%  | -28.30%  |
| Net assets, end of period<br>(in millions) . . . . .                      | \$108                                     | \$72                                | \$92    | \$20    | \$16    | \$4  |
| Ratio of expenses to<br>average net assets . . . .                        | 1.52% <sup>(3)</sup>                      | 1.54%                               | 1.48%   | 1.54%   | 1.39%   | 1.49% <sup>(3)</sup>   |
| Ratio of net investment<br>loss to average<br>net assets . . . . .        | -1.02% <sup>(3)</sup>                     | -1.14%                              | -1.21%  | -1.22%  | -0.93%  | -0.39% <sup>(3)</sup>  |
| Portfolio turnover rate . . . .   | 35%                                       | 83%                                 | 91%     | 31%     | 29%     | 48% <sup>(4)</sup>   |

(1) Commencement of operations of the class.

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

(3) Annualized.

(4) For the fiscal year ended March 31, 2001.

See Notes to Financial Statements.

# Financial Highlights

## IVY SMALL CAP GROWTH FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|   | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |         |         |         | For the<br>period from<br>7-6-00 <sup>(1)</sup><br>to<br>3-31-01 |
|---|---|-------------------------------------|---------|---------|---------|--|
|   |   | 2005                                | 2004    | 2003    | 2002    |  |
| Net asset value,<br>beginning of period . . . .                           | \$11.73                                   | \$10.91                             | \$ 8.01 | \$10.40 | \$ 9.36 | \$19.26  |
| Income (loss) from<br>investment operations:                              |   |                                     |         |         |         |  |
| Net investment loss . . . .   | (0.12)                                    | (0.23)                              | (0.20)  | (0.21)  | (0.26)  | (0.06)   |
| Net realized and<br>unrealized gain<br>(loss) on<br>investments . . . . . | 1.60                                      | 1.05                                | 3.10    | (2.18)  | 1.30    | (4.39)   |
| Total from investment<br>operations . . . . .                             | 1.48                                      | 0.82                                | 2.90    | (2.39)  | 1.04    | (4.45)   |
| Less distributions from:  |   |                                     |         |         |         |  |
| Net investment<br>income . . . . .  | (0.00)                                    | (0.00)                              | (0.00)  | (0.00)  | (0.00)  | (0.00)   |
| Capital gains . . . . .   | (0.00)                                    | (0.00)                              | (0.00)  | (0.00)  | (0.00)  | (5.45)   |
| Total distributions . . . . .   | (0.00)                                    | (0.00)                              | (0.00)  | (0.00)  | (0.00)  | (5.45)   |
| Net asset value,<br>end of period . . . . .                               | \$13.21                                   | \$11.73                             | \$10.91 | \$ 8.01 | \$10.40 | \$ 9.36  |
| Total return . . . . .  | 12.62%                                    | 7.52%                               | 36.21%  | -22.98% | 11.11%  | -27.29%  |
| Net assets, end of period<br>(in millions) . . . . .                      | \$17                                      | \$15                                | \$13    | \$7     | \$8     | \$5  |
| Ratio of expenses to<br>average net assets . . . .                        | 2.47% <sup>(2)</sup>                      | 2.52%                               | 2.57%   | 2.64%   | 2.43%   | 2.31% <sup>(2)</sup>   |
| Ratio of net investment<br>loss to average<br>net assets . . . . .        | -1.96% <sup>(2)</sup>                     | -2.11%                              | -2.29%  | -2.31%  | -1.94%  | -1.18% <sup>(2)</sup>  |
| Portfolio turnover rate . . . .   | 35%                                       | 83%                                 | 91%     | 31%     | 29%     | 48% <sup>(3)</sup>   |

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the fiscal year ended March 31, 2001.

See Notes to Financial Statements.

# Financial Highlights

## IVY SMALL CAP GROWTH FUND<sup>(1)</sup>

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|                                   | For the<br>six months<br>ended<br>9-30-05 | For the fiscal year ended March 31, |         |         |         |         |
|-----------------------------------|---|-------------------------------------|---------|---------|---------|---------|
|                                   |   | 2005                                | 2004    | 2003    | 2002    | 2001    |
| Net asset value,                  |   |                                     |         |         |         |         |
| beginning of period . . . . .     | \$11.87                                   | \$11.02                             | \$ 8.07 | \$10.44 | \$ 9.38 | \$21.64 |
| Income (loss) from                |   |                                     |         |         |         |         |
| investment operations:            |   |                                     |         |         |         |         |
| Net investment loss . . . . .     | (0.13)                                    | (0.24)                              | (0.21)  | (0.16)  | (0.16)  | (0.10)  |
| Net realized and                  |   |                                     |         |         |         |         |
| unrealized gain                   |   |                                     |         |         |         |         |
| (loss) on                         |   |                                     |         |         |         |         |
| investments . . . . .             | 1.65                                      | 1.09                                | 3.16    | (2.21)  | 1.22    | (6.71)  |
| Total from investment             |   |                                     |         |         |         |         |
| operations . . . . .              | 1.52                                      | 0.85                                | 2.95    | (2.37)  | 1.06    | (6.81)  |
| Less distributions from:          |   |                                     |         |         |         |         |
| Net investment income . . .       | (0.00)                                    | (0.00)                              | (0.00)  | (0.00)  | (0.00)  | (0.00)  |
| Capital gains . . . . .           | (0.00)                                    | (0.00)                              | (0.00)  | (0.00)  | (0.00)  | (5.45)  |
| Total distributions . . . . .     | (0.00)                                    | (0.00)                              | (0.00)  | (0.00)  | (0.00)  | (5.45)  |
| Net asset value,                  |   |                                     |         |         |         |         |
| end of period . . . . .           | \$13.39                                   | \$11.87                             | \$11.02 | \$ 8.07 | \$10.44 | \$ 9.38 |
| Total return . . . . .            | 12.81%                                    | 7.71%                               | 36.56%  | -22.70% | 11.30%  | -35.17% |
| Net assets, end of period         |   |                                     |         |         |         |         |
| (in millions) . . . . .           | \$321                                     | \$308                               | \$334   | \$273   | \$435   | \$459   |
| Ratio of expenses to              |   |                                     |         |         |         |         |
| average net assets . . . . .      | 2.21% <sup>(2)</sup>                      | 2.26%                               | 2.31%   | 2.31%   | 2.20%   | 2.12%   |
| Ratio of net investment           |   |                                     |         |         |         |         |
| loss to average                   |   |                                     |         |         |         |         |
| net assets . . . . .              | -1.71% <sup>(2)</sup>                     | -1.85%                              | -2.03%  | -1.98%  | -1.70%  | -0.81%  |
| Portfolio turnover rate . . . . . | 35%                                       | 83%                                 | 91%     | 31%     | 29%     | 48%     |

(1)Small Cap Growth Fund (formerly Growth Fund) changed its name effective June 30, 2000.

(2)Annualized.

See Notes to Financial Statements.

# Financial Highlights

## IVY SMALL CAP GROWTH FUND<sup>(1)</sup>

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

|                                   | For the                        | For the fiscal year ended March 31, |         |         |         |         |
|-----------------------------------|--------------------------------|-------------------------------------|---------|---------|---------|---------|
|                                   | six months<br>ended<br>9-30-05 | 2005                                | 2004    | 2003    | 2002    | 2001    |
| Net asset value,                  |                                |                                     |         |         |         |         |
| beginning of period . . . . .     | \$13.33                        | \$12.26                             | \$ 8.89 | \$11.39 | \$10.14 | \$22.65 |
| Income (loss) from                |                                |                                     |         |         |         |         |
| investment operations:            |                                |                                     |         |         |         |         |
| Net investment loss . . . . .     | (0.09)                         | (0.09)                              | (0.10)  | (0.11)  | (0.34)  | (0.20)  |
| Net realized and                  |                                |                                     |         |         |         |         |
| unrealized gain                   |                                |                                     |         |         |         |         |
| (loss) on                         |                                |                                     |         |         |         |         |
| investments . . . . .             | 1.86                           | 1.16                                | 3.47    | (2.39)  | 1.59    | (6.86)  |
| Total from investment             |                                |                                     |         |         |         |         |
| operations . . . . .              | 1.77                           | 1.07                                | 3.37    | (2.50)  | 1.25    | (7.06)  |
| Less distributions from:          |                                |                                     |         |         |         |         |
| Net investment                    |                                |                                     |         |         |         |         |
| income . . . . .                  | (0.00)                         | (0.00)                              | (0.00)  | (0.00)  | (0.00)  | (0.00)  |
| Capital gains . . . . .           | (0.00)                         | (0.00)                              | (0.00)  | (0.00)  | (0.00)  | (5.45)  |
| Total distributions . . . . .     | (0.00)                         | (0.00)                              | (0.00)  | (0.00)  | (0.00)  | (5.45)  |
| Net asset value,                  |                                |                                     |         |         |         |         |
| end of period . . . . .           | \$15.10                        | \$13.33                             | \$12.26 | \$ 8.89 | \$11.39 | \$10.14 |
| Total return . . . . .            | 13.28%                         | 8.73%                               | 37.91%  | -21.95% | 12.33%  | -34.67% |
| Net assets, end of period         |                                |                                     |         |         |         |         |
| (in millions) . . . . .           | \$145                          | \$115                               | \$124   | \$42    | \$48    | \$21    |
| Ratio of expenses to              |                                |                                     |         |         |         |         |
| average net assets . . . . .      | 1.33% <sup>(2)</sup>           | 1.36%                               | 1.35%   | 1.33%   | 1.31%   | 1.30%   |
| Ratio of net investment           |                                |                                     |         |         |         |         |
| loss to average                   |                                |                                     |         |         |         |         |
| net assets . . . . .              | -0.82% <sup>(2)</sup>          | -0.95%                              | -1.09%  | -1.00%  | -0.83%  | -0.02%  |
| Portfolio turnover rate . . . . . | 35%                            | 83%                                 | 91%     | 31%     | 29%     | 48%     |

(1)Small Cap Growth Fund (formerly Growth Fund) changed its name effective June 30, 2000.

(2)Annualized.

---

# Notes to Financial Statements

September 30, 2005

## NOTE 1 – Significant Accounting Policies

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

- A. Security valuation** – Each stock and convertible bond is valued at the latest sale price thereof on each business day of the fiscal period as reported by the principal securities exchange on which the issue is traded or, if no sale is reported for a stock, the average of the latest bid and asked prices. Bonds, other than convertible bonds, are valued using a pricing system provided by a pricing service or dealer in bonds. Convertible bonds are valued using this pricing system only on days when there is no sale reported. Stocks which are traded over-the-counter are priced using the Nasdaq Stock Market, which provides information on bid and asked prices quoted by major dealers in such stocks. Gold bullion is valued at the last settlement price for current delivery as calculated by the Commodity Exchange, Inc. as of the close of that exchange. Restricted securities and securities for which quotations are not readily available or are deemed not to be reliable because of significant events or circumstances identified between the closing of their principal markets and the closing of the New York Stock Exchange are valued at fair value as determined in good faith under procedures established by and under the general supervision of the Corporation's Board of Directors. In deciding whether to make fair value adjustments, each Fund reviews a variety of factors, including news relating to security specific events, developments in foreign markets, the performance of U.S. securities markets, and the performance of instruments trading in U.S. markets that represent foreign securities. In these cases, the Fund may utilize information from a pricing service to adjust closing market quotations of foreign securities to reflect what it believes to be fair value. Short-term debt securities are valued at amortized cost, which approximates market value. Short-term debt securities denominated in foreign currencies are valued at amortized cost in that currency.
- B. Security transactions and related investment income** – Security transactions are accounted for on the trade date (date the order to buy or sell is executed). Securities gains and losses are calculated on the identified cost basis. Premium and discount on the purchase of bonds are amortized for both financial and tax reporting purposes over the remaining lives of the bonds. Dividend income is recorded on the ex-dividend date except that certain dividends from foreign securities are recorded as soon as the Fund is informed of the ex-dividend date. Interest income is recorded on the accrual basis. See Note 3 – Investment Securities Transactions.
- C. Foreign currency translations**– All assets and liabilities denominated in foreign currencies are translated into United States dollars daily. Purchases and sales of investment securities and accruals of income and expenses are translated at the rate of exchange prevailing on the date of the transaction. For assets and liabilities other than investments in securities, net realized and unrealized gains and losses from foreign currency translation arise from changes in

---

currency exchange rates. The Corporation combines fluctuations from currency exchange rates and fluctuations in market value when computing net realized and unrealized gain or loss from investments.

- D. Forward foreign currency exchange contracts** – A forward foreign currency exchange contract (Forward Contract) is an obligation to purchase or sell a specific currency at a future date at a fixed price. Forward Contracts are “marked-to-market” daily at the applicable translation rates and the resulting unrealized gains or losses are reflected in the Corporation’s financial statements. Gains or losses are realized by the Corporation at the time the Forward Contract is extinguished. Contracts may be extinguished either by entry into a closing transaction or by delivery of the currency. Risks may arise from the possibility that the other party will not complete the obligations of the contract and from unanticipated movements in the value of the foreign currency relative to the United States dollar. The Corporation uses Forward Contracts to attempt to reduce the overall risk of its investments.
- E. Federal income taxes** – It is the Corporation’s policy to distribute all of its taxable income and capital gains to its shareholders and otherwise qualify as a regulated investment company under Subchapter M of the Internal Revenue Code. In addition, the Corporation intends to pay distributions as required to avoid imposition of excise tax. Accordingly, provision has not been made for Federal income taxes. See Note 4 – Federal Income Tax Matters.
- F. Dividends and distributions** – Dividends and distributions to shareholders are recorded by each Fund on the business day following the applicable record date. Net investment income dividends and capital gains distributions are determined in accordance with income tax regulations which may differ from accounting principles generally accepted in the United States of America. These differences are due to differing treatments for items such as deferral of wash sales and post-October losses, foreign currency transactions, net operating losses and expiring capital loss carryovers.
- G. Repurchase agreements** – Repurchase agreements are collateralized by the value of the resold securities which, during the entire period of the agreement, remains at least equal to the value of the loan, including accrued interest thereon. The collateral for the repurchase agreement is held by the custodian bank.

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

## **NOTE 2 – Investment Management and Payments to Affiliated Persons**

Ivy Investment Management Company (IICO), a wholly owned subsidiary of Waddell & Reed Financial, Inc. (WDR), serves as the Corporation’s investment manager. Prior to March 8, 2005, IICO was known as Waddell & Reed Ivy Investment Company. IICO provides advice and supervises investments, for which services it is paid a fee. Prior to June 30, 2003, Waddell & Reed Investment Management Company (WRIMCO), a wholly owned subsidiary of Waddell & Reed, Inc. (W&R), served as the investment manager. On June 30, 2003, WRIMCO assigned the investment management agreement between it and the Corporation to Waddell & Reed Ivy Investment Company, an affiliated entity. The fee is payable by each Fund at the following annual rates:

| <b>Fund</b>                     | <b>Net Assets Breakpoints</b>        | <b>Annual Rate</b> |
|---------------------------------|--------------------------------------|--------------------|
| Ivy Asset Strategy Fund         | Up to \$1 Billion                    | .700%              |
|                                 | Over \$1 Billion up to \$2 Billion   | .650%              |
|                                 | Over \$2 Billion up to \$3 Billion   | .600%              |
|                                 | Over \$3 Billion                     | .550%              |
| Ivy Capital Appreciation Fund   | Up to \$1 Billion                    | .650%              |
|                                 | Over \$1 Billion up to \$2 Billion   | .600%              |
|                                 | Over \$2 Billion up to \$3 Billion   | .550%              |
|                                 | Over \$3 Billion                     | .500%              |
| Ivy Core Equity Fund            | Up to \$1 Billion                    | .700%              |
|                                 | Over \$1 Billion up to \$2 Billion   | .650%              |
|                                 | Over \$2 Billion up to \$3 Billion   | .600%              |
|                                 | Over \$3 Billion                     | .550%              |
| Ivy High Income Fund            | Up to \$500 Million                  | .625%              |
|                                 | Over \$500 Million up to \$1 Billion | .600%              |
|                                 | Over \$1 Billion up to \$1.5 Billion | .550%              |
|                                 | Over \$1.5 Billion                   | .500%              |
| Ivy International Growth Fund   | Up to \$1 Billion                    | .850%              |
|                                 | Over \$1 Billion up to \$2 Billion   | .830%              |
|                                 | Over \$2 Billion up to \$3 Billion   | .800%              |
|                                 | Over \$3 Billion                     | .760%              |
| Ivy Large Cap Growth Fund       | Up to \$1 Billion                    | .700%              |
|                                 | Over \$1 Billion up to \$2 Billion   | .650%              |
|                                 | Over \$2 Billion up to \$3 Billion   | .600%              |
|                                 | Over \$3 Billion                     | .550%              |
| Ivy Limited-Term Bond Fund      | Up to \$500 Million                  | .500%              |
|                                 | Over \$500 Million up to \$1 Billion | .450%              |
|                                 | Over \$1 Billion up to \$1.5 Billion | .400%              |
|                                 | Over \$1.5 Billion                   | .350%              |
| Ivy Mid Cap Growth Fund         | Up to \$1 Billion                    | .850%              |
|                                 | Over \$1 Billion up to \$2 Billion   | .830%              |
|                                 | Over \$2 Billion up to \$3 Billion   | .800%              |
|                                 | Over \$3 Billion                     | .760%              |
| Ivy Money Market Fund           | All levels                           | .400%              |
| Ivy Municipal Bond Fund         | Up to \$500 Million                  | .525%              |
|                                 | Over \$500 Million up to \$1 Billion | .500%              |
|                                 | Over \$1 Billion up to \$1.5 Billion | .450%              |
|                                 | Over \$1.5 Billion                   | .400%              |
| Ivy Science and Technology Fund | Up to \$1 Billion                    | .850%              |
|                                 | Over \$1 Billion up to \$2 Billion   | .830%              |
|                                 | Over \$2 Billion up to \$3 Billion   | .800%              |
|                                 | Over \$3 Billion                     | .760%              |



| <b>Fund</b>               | <b>Net Assets Breakpoints</b>      | <b>Annual Rate</b> |
|---------------------------|------------------------------------|--------------------|
| Ivy Small Cap Growth Fund | Up to \$1 Billion                  | .850%              |
|                           | Over \$1 Billion up to \$2 Billion | .830%              |
|                           | Over \$2 Billion up to \$3 Billion | .800%              |
|                           | Over \$3 Billion                   | .760%              |

The fee is accrued and paid daily. However, IICO has voluntarily agreed to waive a Fund's management fee on any day that the Fund's net assets are less than \$25 million, subject to IICO's right to change or modify this waiver. During the six month period ended September 30, 2005, IICO voluntarily waived its fee (in thousands) as shown in the following table:

|                               |      |
|-------------------------------|------|
| Ivy Capital Appreciation Fund | \$54 |
| Ivy Municipal Bond Fund       | 42   |

The Corporation has an Accounting Services Agreement with Waddell & Reed Services Company (WRSCO), an indirect subsidiary of WDR. Under the agreement, WRSCO acts as the agent in providing bookkeeping and accounting services and assistance to the Corporation, including maintenance of Fund records, pricing of Fund shares, preparation of prospectuses for existing shareholders, preparation of proxy statements and certain shareholder reports. For these services, each of the Funds paid WRSCO a monthly fee of one-twelfth of the annual fee shown in the following table:

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

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

Each Fund also pays monthly a fee at the annual rate of 0.01% or one basis point for the first \$1 billion of net assets with no fee charged for net assets in excess of \$1 billion. This fee may be voluntarily waived until Fund net assets are at least \$10 million.

Under the Shareholder Servicing Agreement between the Corporation and WRSCO, with respect to Class A, Class B and Class C shares, for each shareholder account that was in existence at any time during the prior month: Ivy Asset Strategy Fund pays a monthly fee of \$1.5792; Ivy High Income Fund, Ivy Limited-Term Bond Fund and Ivy Municipal Bond Fund each pay a monthly fee of \$1.6958; and Ivy Capital Appreciation Fund, Ivy Core Equity Fund, Ivy International Growth Fund, Ivy Large Cap Growth Fund, Ivy Mid Cap Growth Fund, Ivy Science and Technology Fund and Ivy Small Cap Growth Fund each pay a monthly fee of \$1.5042. Ivy Money Market Fund pays a monthly fee of \$1.75 for each shareholder account that was in existence at any time during the prior month plus, for Class A shareholder accounts, \$0.75 for each shareholder check processed in the prior month. Ivy Limited-Term Bond Fund Class A, which also has check writing privileges, pays \$0.75 for each shareholder check processed in the prior

month. For Class Y shares, each Fund pays a monthly fee equal to one-twelfth of 0.15 of 1% of the average daily net assets of the class for the preceding month. Each Fund also reimburses WRSCO for certain out-of-pocket costs for all classes.

As principal underwriter for the Corporation's shares, Ivy Funds Distributor, Inc. (IFDI) receives sales commissions (which are not an expense of the Corporation) for Class A shares. A contingent deferred sales charge (CDSC) may be assessed against a shareholder's redemption amount of Class B, Class C or certain Class A shares and is paid to IFDI. During the six month period ended September 30, 2005, IFDI received the following amounts in sales commissions and CDSC:

|   | Sales<br>Commissions | CDSC    |          |         |
|---|----------------------|---------|----------|---------|
|   |                      | Class A | Class B  | Class C |
| Ivy Asset Strategy Fund . . . . .         | \$439,927            | \$ —    | \$ 8,106 | \$2,894 |
| Ivy Capital Appreciation Fund . . . . .   | 80,076               | —       | 762      | 183     |
| Ivy Core Equity Fund . . . . .            | 99,800               | —       | 9,960    | 2,379   |
| Ivy High Income Fund . . . . .            | 108,980              | 846     | 3,980    | 1,257   |
| Ivy International Growth Fund . . . . .   | 40,299               | —       | 4,306    | 641     |
| Ivy Large Cap Growth Fund . . . . .       | 670,810              | 1,797   | 6,575    | 636     |
| Ivy Limited-Term Bond Fund . . . . .      | 55,237               | 4,340   | 8,113    | 615     |
| Ivy Mid Cap Growth Fund . . . . .         | 202,333              | 1,812   | 3,881    | 446     |
| Ivy Money Market Fund . . . . .           | —                    | —       | 39,929   | 5,656   |
| Ivy Municipal Bond Fund . . . . .         | 13,864               | —       | 5,860    | 565     |
| Ivy Science and Technology Fund . . . . . | 207,660              | 342     | 9,548    | 3,227   |
| Ivy Small Cap Growth Fund . . . . .       | 245,193              | —       | 9,979    | 3,847   |

With respect to Class A, Class B and Class C shares, IFDI pays sales commissions and all expenses in connection with the sale of the Corporation's shares, except for registration fees and related expenses. During the six month period ended September 30, 2005, the following amounts were paid:

|   |           |
|---|-----------|
| Ivy Asset Strategy Fund . . . . .         | \$764,672 |
| Ivy Capital Appreciation Fund . . . . .   | 128,810   |
| Ivy Core Equity Fund . . . . .            | 134,650   |
| Ivy High Income Fund . . . . .            | 127,729   |
| Ivy International Growth Fund . . . . .   | 51,950    |
| Ivy Large Cap Growth Fund . . . . .       | 768,861   |
| Ivy Limited-Term Bond Fund . . . . .      | 71,669    |
| Ivy Mid Cap Growth Fund . . . . .         | 227,747   |
| Ivy Money Market Fund . . . . .           | —         |
| Ivy Municipal Bond Fund . . . . .         | 18,029    |
| Ivy Science and Technology Fund . . . . . | 313,833   |
| Ivy Small Cap Growth Fund . . . . .       | 323,150   |

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

Under the Distribution and Service Plan adopted by the Corporation for Class B shares and Class C shares, respectively, each Fund may pay IFDI a service fee not to exceed 0.25% and a distribution fee not to exceed 0.75% of a Fund's average annual net assets attributable to that class

to compensate IFDI for its services in connection with the distribution of shares of that class and/or the service and/or maintenance of shareholder accounts of that class. The Class B Plan and the Class C Plan each permit IFDI to receive compensation, through the distribution fee and service fee, respectively, for its distribution activities for that class, which are similar to the distribution activities described with respect to the Class A Plan, and for its activities in providing personal services to shareholders of that class and/or maintaining shareholder accounts of that class, which are similar to the corresponding activities for which it is entitled to compensation under the Class A Plan. Under the Class Y Plan, each Fund may pay IFDI a fee of up to 0.25%, on an annual basis, of the average daily net assets of the Fund's Class Y shares to compensate IFDI for, either directly or through third parties, distributing the Class Y shares of that Fund, providing personal service to Class Y shareholders and/or maintaining Class Y shareholder accounts.

IFDI and WRSCO have voluntarily agreed to waive sufficient expenses to Class A of Ivy Money Market Fund in order to maintain the yield at the level of that of Waddell & Reed Advisors Cash Management, Inc. Class A. As of September 30, 2005, \$37 (in thousands) of expenses was reimbursed to Ivy Money Market Fund Class A. This reimbursement serves to reduce shareholder servicing fees.

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

| Fund and Class                           | Expense Limitation (as a percentage of average net assets of each Class) |
|--|--|
| Ivy Large Cap Growth Fund, Class A ..... | 1.50%  |
| Ivy Large Cap Growth Fund, Class C ..... | 2.25%  |
| Ivy Large Cap Growth Fund, Class Y ..... | 1.20%  |
| Ivy Mid Cap Growth Fund, Class A .....   | 1.65%  |
| Ivy Mid Cap Growth Fund, Class C .....   | 2.35%  |
| Ivy Mid Cap Growth Fund, Class Y .....   | 1.25%  |

As of September 30, 2005, the amount of fees (in thousands) reimbursed under these agreements are as follows:

|                           |      |
|---------------------------|------|
| Ivy Large Cap Growth Fund |      |
| Class C .....             | \$ 1 |
| Class Y .....             | 5    |
| Ivy Mid Cap Growth Fund   |      |
| Class A .....             | \$ 2 |
| Class C .....             | 6    |
| Class Y .....             | 2    |

These reimbursements serve to reduce distribution and service fees.

The Corporation paid Directors' fees of \$58,284, which are included in other expenses.

### NOTE 3 – Investment Securities Transactions

Investment securities transactions for the six month period ended September 30, 2005 are summarized as follows:

|   | Ivy<br>Asset<br>Strategy<br>Fund | Ivy<br>Capital<br>Appreciation<br>Fund | Ivy<br>Core<br>Equity<br>Fund      |
|---|----------------------------------|--|------------------------------------|
| Purchases of investment securities,<br>excluding short-term and<br>U.S. government securities . . . .                           | \$ 87,889,737                    | \$ 19,689,220                          | \$ 49,220,605                      |
| Purchases of bullion . . . . .  | 4,044,263                        | —                                      | —                                  |
| Purchases of U.S. government<br>securities . . . . .  | 2,035,267                        | —                                      | —                                  |
| Purchases of short-term securities  | 777,090,415                      | 264,667,101                            | 644,534,411                        |
| Purchases of options . . . . .  | 361,881                          | 24,051                                 | —                                  |
| Proceeds from maturities and<br>sales of investment securities,<br>excluding short-term and<br>U.S. government securities . . . | 30,732,117                       | 5,186,619                              | 82,833,791                         |
| Proceeds from sales of bullion . . .  | —                                | —                                      | —                                  |
| Proceeds from maturities and sales<br>of U.S. government securities . .   | —                                | —                                      | —                                  |
| Proceeds from maturities and sales<br>of short-term securities . . . . .  | 772,203,833                      | 262,733,000                            | 628,042,922                        |
| Proceeds from options . . . . .   | 457,773                          | —                                      | —                                  |
|   | Ivy<br>High<br>Income<br>Fund    | Ivy<br>International<br>Growth<br>Fund | Ivy<br>Large Cap<br>Growth<br>Fund |
| Purchases of investment<br>securities, excluding<br>short-term and U.S.<br>government securities . . . . .                      | \$ 12,555,764                    | \$ 23,938,297                          | \$ 92,966,178                      |
| Purchases of U.S. government<br>securities . . . . .  | —                                | —                                      | —                                  |
| Purchases of short-term securities  | 332,117,481                      | 176,711,498                            | 429,445,233                        |
| Proceeds from maturities and<br>sales of investment securities,<br>excluding short-term and<br>U.S. government securities . . . | 10,733,319                       | 28,585,007                             | 71,267,190                         |
| Proceeds from maturities and<br>sales of U.S. government<br>securities . . . . .  | —                                | —                                      | —                                  |
| Proceeds from maturities and<br>sales of short-term securities . .  | 332,808,000                      | 176,562,000                            | 433,336,948                        |

|  | Ivy<br>Limited-<br>Term Bond<br>Fund | Ivy<br>Mid Cap<br>Growth<br>Fund         | Ivy Municipal<br>Bond<br>Fund      |
|--|--------------------------------------|--|------------------------------------|
| Purchases of investment securities,<br>excluding short-term and<br>U.S. government securities . . .                              | \$ 5,439,525                         | \$ 9,800,523                             | \$ 2,241,774                       |
| Purchases of U.S. government<br>securities . . . . .   | —                                    | —  | —                                  |
| Purchases of short-term securities   | 146,147,281                          | 448,122,547                              | 57,270,478                         |
| Purchases of options . . . . .   | —                                    | 162,217                                  | —                                  |
| Proceeds from maturities and<br>sales of investment securities,<br>excluding short-term and<br>U.S. government securities . . .  | 12,641,017                           | 9,886,336                                | 2,584,519                          |
| Proceeds from maturities and sales<br>of U.S. government securities .  | —                                    | —  | —                                  |
| Proceeds from maturities and sales<br>of short-term securities . . . . .   | 145,483,492                          | 444,469,813                              | 56,712,000                         |
| Proceeds from options . . . . .  | —                                    | 224,106                                  | —                                  |
|  |                                      | Ivy<br>Science and<br>Technology<br>Fund | Ivy<br>Small Cap<br>Growth<br>Fund |
| Purchases of investment securities, excluding<br>short-term and U.S. government securities . . . .                               | \$174,490,144                        | \$ 181,838,171                           |                                    |
| Purchases of U.S. government securities . . . . .  | —                                    | —  |                                    |
| Purchases of short-term securities . . . . .   | 751,822,297                          | 1,379,275,729                            |                                    |
| Purchases of options . . . . .   | 21,918                               | —  |                                    |
| Proceeds from maturities and sales of<br>investment securities, excluding short-term<br>and U.S. government securities . . . . . | 159,229,831                          | 196,188,875                              |                                    |
| Proceeds from maturities and sales of<br>U.S. government securities . . . . .  | —                                    | —  |                                    |
| Proceeds from maturities and sales of<br>short-term securities . . . . .   | 720,901,648                          | 1,364,515,013                            |                                    |
| Proceeds from options . . . . .  | —                                    | —  |                                    |

For Federal income tax purposes, cost of investments owned at September 30, 2005 and the related unrealized appreciation (depreciation) were as follows:

|  | Cost           | Appreciation  | Depreciation | Aggregate<br>Appreciation<br>(Depreciation) |
|--|----------------|---------------|--------------|---|
| Ivy Asset Strategy Fund . . .                | \$ 162,789,573 | \$ 37,643,377 | \$ 365,125   | \$ 37,278,252                               |
| Ivy Capital Appreciation<br>Fund . . . . .   | 29,254,970     | 3,845,570     | 575,419      | 3,270,151                                   |
| Ivy Core Equity Fund . . . . .               | 189,822,494    | 72,820,964    | 3,194,129    | 69,626,835                                  |
| Ivy High Income Fund . . . . .               | 66,168,854     | 2,276,892     | 1,610,040    | 666,852                                     |
| Ivy International Growth<br>Fund . . . . .   | 53,735,677     | 16,120,351    | 242,858      | 15,877,493                                  |
| Ivy Large Cap Growth<br>Fund . . . . .       | 152,268,097    | 34,129,249    | 1,214,882    | 32,914,367                                  |
| Ivy Limited-Term Bond<br>Fund . . . . .      | 56,368,949     | 138,868       | 540,901      | (402,033)                                   |
| Ivy Mid Cap Growth Fund . . .                | 76,047,859     | 32,210,220    | 1,029,253    | 31,180,967                                  |
| Ivy Money Market Fund . . . .                | 47,214,494     | —             | —            | —   |
| Ivy Municipal Bond Fund . . .                | 23,656,174     | 872,236       | 22,792       | 849,444                                     |
| Ivy Science and<br>Technology Fund . . . . . | 221,021,291    | 48,451,428    | 4,609,463    | 43,841,965                                  |
| Ivy Small Cap Growth<br>Fund . . . . .       | 458,799,656    | 140,741,285   | 14,845,513   | 125,895,772                                 |

#### NOTE 4 – Federal Income Tax Matters

For Federal income tax purposes, the Funds' distributed and undistributed earnings and profit for the fiscal year ended March 31, 2005 and the related Capital Loss Carryover and Post-October activity were as follows:

|   | Ivy<br>Asset<br>Strategy<br>Fund | Ivy<br>Capital<br>Appreciation<br>Fund | Ivy<br>Core<br>Equity<br>Fund |
|---|----------------------------------|--|-------------------------------|
| Net ordinary income . . . . .                   | \$208,746                        | \$ —                                   | \$ —                          |
| Distributed ordinary income . . . . .           | 180,383                          | —                                      | —                             |
| Undistributed ordinary income . . . . .         | 206,726                          | —                                      | —                             |
| Realized long-term capital gains . . . . .      | 490,361                          | —                                      | —                             |
| Distributed long-term capital gains . . . . .   | 705,308                          | —                                      | —                             |
| Undistributed long-term capital gains . . . . . | 490,361                          | —                                      | —                             |
| Capital loss carryover . . . . .                | —                                | —                                      | —                             |
| Post-October losses deferred . . . . .          | 2,421                            | 62,442                                 | 1,599                         |

|   | Ivy<br>High<br>Income<br>Fund        | Ivy<br>International<br>Growth<br>Fund   | Ivy<br>Large Cap<br>Growth<br>Fund |
|---|--------------------------------------|--|------------------------------------|
| Net ordinary income . . . . .                   | \$3,700,170                          | \$ —                                     | \$ —                               |
| Distributed ordinary income . . . . .           | 3,687,419                            | 596,184                                  | —                                  |
| Undistributed ordinary income . . . . .         | 66,540                               | —  | —                                  |
| Realized long-term capital gains . . . . .      | —                                    | —  | —                                  |
| Distributed long-term capital gains . . . . .   | —                                    | —  | —                                  |
| Undistributed long-term capital gains . . . . . | —                                    | —  | —                                  |
| Capital loss carryover . . . . .                | —                                    | —  | —                                  |
| Post-October losses deferred . . . . .          | —                                    | 14,783                                   | —                                  |
|   | Ivy<br>Limited-<br>Term Bond<br>Fund | Ivy<br>Mid Cap<br>Growth<br>Fund         | Ivy<br>Money<br>Market<br>Fund     |
| Net ordinary income . . . . .                   | \$1,589,308                          | \$ —                                     | \$347,083                          |
| Distributed ordinary income . . . . .           | 1,579,176                            | —  | 336,430                            |
| Undistributed ordinary income . . . . .         | 28,965                               | —  | 13,878                             |
| Realized long-term capital gains . . . . .      | —                                    | —  | —                                  |
| Distributed long-term capital gains . . . . .   | —                                    | —  | —                                  |
| Undistributed long-term capital gains . . . . . | —                                    | —  | —                                  |
| Capital loss carryover . . . . .                | —                                    | —  | —                                  |
| Post-October losses deferred . . . . .          | 91,289                               | —  | —                                  |
|   | Ivy<br>Municipal<br>Bond<br>Fund     | Ivy<br>Science and<br>Technology<br>Fund | Ivy<br>Small Cap<br>Growth<br>Fund |
| Net ordinary income . . . . .                   | \$ 702,840                           | \$ —                                     | \$ —                               |
| Distributed ordinary income . . . . .           | 697,508                              | —  | —                                  |
| Undistributed ordinary income . . . . .         | 13,316                               | —  | —                                  |
| Realized long-term capital gains . . . . .      | —                                    | —  | —                                  |
| Distributed long-term capital gains . . . . .   | —                                    | —  | —                                  |
| Undistributed long-term capital gains . . . . . | —                                    | —  | —                                  |
| Capital loss carryover . . . . .                | —                                    | —  | —                                  |
| Post-October losses deferred . . . . .          | —                                    | 1,859                                    | —                                  |

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

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

|                           | Ivy<br>Capital<br>Appreciation<br>Fund | Ivy<br>Core<br>Equity<br>Fund | Ivy<br>High<br>Income<br>Fund | Ivy<br>International<br>Growth<br>Fund |
|---------------------------|--|-------------------------------|-------------------------------|--|
| March 31, 2009 . . . . .  | \$ —                                   | \$ 4,268,163                  | \$ 1,574,985                  | \$ 1,629,853                           |
| March 31, 2010 . . . . .  | 1,620,668                              | 5,388,835                     | 1,271,702                     | 24,986,955                             |
| March 31, 2011 . . . . .  | 1,005,096                              | 30,984,614                    | 1,182,962                     | 19,867,500                             |
| Total carryover . . . . . | <u>\$2,625,764</u>                     | <u>\$40,641,612</u>           | <u>\$4,029,649</u>            | <u>\$46,484,308</u>                    |

|                           | Ivy<br>Large Cap<br>Growth<br>Fund | Ivy<br>Limited-Term<br>Bond<br>Fund | Ivy<br>Mid Cap<br>Growth<br>Fund | Ivy<br>Municipal<br>Bond<br>Fund |
|---------------------------|------------------------------------|-------------------------------------|----------------------------------|----------------------------------|
| March 31, 2008 . . . . .  | \$ 710,447                         | \$ —                                | \$ —                             | \$ —                             |
| March 31, 2009 . . . . .  | 11,368,220                         | 36,676                              | 22,505,437                       | 223,145                          |
| March 31, 2010 . . . . .  | 9,290,552                          | —                                   | 17,363,901                       | 230,753                          |
| March 31, 2011 . . . . .  | 4,727,341                          | 456,813                             | 5,387,010                        | 75,199                           |
| March 31, 2012 . . . . .  | 608,471                            | —                                   | 949,121                          | —                                |
| Total carryover . . . . . | <u>\$26,705,031</u>                | <u>\$493,489</u>                    | <u>\$46,205,469</u>              | <u>\$529,097</u>                 |

|                           | Ivy<br>Science and<br>Technology<br>Fund | Ivy<br>Small Cap<br>Growth<br>Fund |
|---------------------------|--|------------------------------------|
| March 31, 2008 . . . . .  | \$ 541,589                               | \$ 4,767,939                       |
| March 31, 2009 . . . . .  | 1,113,450                                | 3,509,351                          |
| March 31, 2010 . . . . .  | 10,616,042                               | 8,387,927                          |
| March 31, 2011 . . . . .  | 16,278,545                               | 25,225,254                         |
| March 31, 2012 . . . . .  | 398,136                                  | 4,912,837                          |
| Total carryover . . . . . | <u>\$28,947,762</u>                      | <u>\$46,803,308</u>                |

Ivy US Blue Chip Fund was merged into Ivy Core Equity Fund as of June 16, 2003 and Advantus Index 500 Fund was merged into Ivy Core Equity Fund as of December 8, 2003. At the time of the mergers, Ivy US Blue Chip Fund and Advantus Index 500 Fund had capital loss carryovers available to offset future gains of the Ivy Core Equity Fund. Ivy US Blue Chip Fund's carryovers are limited to \$1,479,061 for each period ending from March 31, 2006 through 2011 plus any unused limitations from prior years.

Ivy Global Fund and Ivy International Small Companies Fund were merged into Ivy International Growth Fund as of June 16, 2003. At the time of the merger, Ivy Global Fund and Ivy International Small Companies Fund had capital loss carryovers available to offset future gains of the Ivy International Growth Fund. These carryovers are limited to \$181,724 and \$225,739, respectively, for each period ending from March 31, 2006 through 2011 plus any unused limitations from prior years.

Advantus Horizon Fund was merged into Ivy Large Cap Growth Fund as of December 8, 2003. At the time of the merger, Advantus Horizon Fund had capital loss carryovers available to offset future gains of the Ivy Large Cap Growth Fund. These carryovers are limited to \$6,142,321 for the period ending March 31, 2006 and \$1,383,732 for each period ending from March 31, 2007 through 2010 plus any unused limitations from prior years and the amount of certain built-in gains realized, if any.

Ivy US Emerging Growth Fund was merged into Ivy Mid Cap Growth fund as of June 16, 2003. At the time of the merger, Ivy Mid Cap Growth Fund had capital loss carryovers available to offset



---

future gains. These carryovers are limited to \$3,301,377 for the period ending March 31, 2006 and \$1,182,294 for each period from March 31, 2007 through 2011 and \$197,085 for the period ending March 31, 2012 plus any unused limitations from prior years.

Ivy Global Science & Technology Fund was merged into Ivy Science and Technology Fund as of June 16, 2003. At the time of the merger, Ivy Global Science & Technology Fund had capital loss carryovers available to offset future gains of the Ivy Science and Technology Fund. These carryovers are limited to \$413,760 for each period ending from March 31, 2006 through 2011 plus any unused limitations from prior years.

Advantus Enterprise Fund was merged into Ivy Small Cap Growth Fund as of December 8, 2003. At the time of the merger, Advantus Enterprise Fund had capital loss carryovers available to offset future gains of the Ivy Small Cap Growth Fund. These carryovers are limited to \$2,069,323 for each period ending from March 31, 2006 through 2010 and \$564,364 for the period ending March 31, 2011 plus any unused limitations from prior years.

### **NOTE 5 – Multiclass Operations**

Each Fund within the Corporation currently offers four classes of shares, Class A, Class B, Class C and Class Y (other than Money Market Fund which offers only Class A shares), each of which have equal rights as to assets and voting privileges. Ivy Money Market Fund Class B and Class C shares are no longer available for investment. A comprehensive discussion of the terms under which shares of each class are offered is contained in the Prospectus and the Statement of Additional Information for the Corporation.

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

Transactions in capital stock for the fiscal period ended September 30, 2005 are summarized below. Amounts are in thousands.

|  | Ivy<br>Asset<br>Strategy<br>Fund | Ivy<br>Capital<br>Appreciation<br>Fund | Ivy<br>Core<br>Equity<br>Fund |
|--|----------------------------------|--|-------------------------------|
| Shares issued from sale of shares:   |                                  |  |                               |
| Class A .....  | 3,316                            | 1,740                                  | 1,085                         |
| Class B .....  | 364                              | 134                                    | 88                            |
| Class C .....  | 2,071                            | 453                                    | 497                           |
| Class Y .....  | 601                              | 4                                      | 8                             |
| Shares issued from reinvestment of dividends<br>and/or capital gains distribution: |                                  |  |                               |
| Class A .....  | —                                | —                                      | —                             |
| Class B .....  | —                                | —                                      | —                             |
| Class C .....  | —                                | —                                      | —                             |
| Class Y .....  | —                                | —                                      | —                             |
| Shares redeemed:   |                                  |  |                               |
| Class A .....  | (720)                            | (205)                                  | (1,010)                       |
| Class B .....  | (79)                             | (46)                                   | (210)                         |
| Class C .....  | (404)                            | (17)                                   | (2,284)                       |
| Class Y .....  | (393)                            | (—)                                    | (11)                          |
| Increase (decrease) in outstanding<br>capital shares .....                         | <u>4,756</u>                     | <u>2,063</u>                           | <u>(1,837)</u>                |
| Value issued from sale of shares:  |                                  |  |                               |
| Class A .....  | \$49,233                         | \$14,350                               | \$ 9,976                      |
| Class B .....  | 5,315                            | 1,058                                  | 761                           |
| Class C .....  | 30,902                           | 3,558                                  | 4,385                         |
| Class Y .....  | 8,758                            | 35                                     | 81                            |
| Value issued from reinvestment of dividends<br>and/or capital gains distribution:  |                                  |  |                               |
| Class A .....  | —                                | —                                      | —                             |
| Class B .....  | —                                | —                                      | —                             |
| Class C .....  | —                                | —                                      | —                             |
| Class Y .....  | —                                | —                                      | —                             |
| Value redeemed:  |                                  |  |                               |
| Class A .....  | (10,509)                         | (1,713)                                | (9,329)                       |
| Class B .....  | (1,129)                          | (367)                                  | (1,831)                       |
| Class C .....  | (5,891)                          | (131)                                  | (20,174)                      |
| Class Y .....  | (5,710)                          | (—)                                    | (105)                         |
| Increase (decrease) in outstanding capital .....                                   | <u>\$70,969</u>                  | <u>\$16,790</u>                        | <u>\$(16,236)</u>             |

|  | Ivy<br>High<br>Income<br>Fund | Ivy<br>International<br>Growth<br>Fund | Ivy<br>Large Cap<br>Growth<br>Fund |
|--|-------------------------------|--|------------------------------------|
| Shares issued from sale of shares:   |                               |  |                                    |
| Class A .....  | 855                           | 250                                    | 4,058                              |
| Class B .....  | 96                            | 27                                     | 292                                |
| Class C .....  | 150                           | 96                                     | 266                                |
| Class Y .....  | 48                            | 24                                     | 471                                |
| Shares issued from reinvestment of dividends<br>and/or capital gains distribution: |                               |  |                                    |
| Class A .....  | 100                           | —                                      | —                                  |
| Class B .....  | 14                            | —                                      | —                                  |
| Class C .....  | 65                            | —                                      | —                                  |
| Class Y .....  | 37                            | —                                      | —                                  |
| Shares redeemed:   |                               |  |                                    |
| Class A .....  | (614)                         | (191)                                  | (2,384)                            |
| Class B .....  | (63)                          | (78)                                   | (233)                              |
| Class C .....  | (546)                         | (542)                                  | (278)                              |
| Class Y .....  | (50)                          | (42)                                   | (497)                              |
| Increase (decrease) in outstanding<br>capital shares .....                         | 92                            | (456)                                  | 1,695                              |
| Value issued from sale of shares:  |                               |  |                                    |
| Class A .....  | \$7,393                       | \$ 2,817                               | \$40,963                           |
| Class B .....  | 828                           | 286                                    | 2,737                              |
| Class C .....  | 1,299                         | 1,042                                  | 2,555                              |
| Class Y .....  | 410                           | 292                                    | 4,894                              |
| Value issued from reinvestment of dividends<br>and/or capital gains distribution:  |                               |  |                                    |
| Class A .....  | 864                           | —                                      | —                                  |
| Class B .....  | 124                           | —                                      | —                                  |
| Class C .....  | 563                           | —                                      | —                                  |
| Class Y .....  | 319                           | —                                      | —                                  |
| Value redeemed:  |                               |  |                                    |
| Class A .....  | (5,292)                       | (2,175)                                | (23,752)                           |
| Class B .....  | (543)                         | (838)                                  | (2,188)                            |
| Class C .....  | (4,719)                       | (5,934)                                | (2,654)                            |
| Class Y .....  | (432)                         | (509)                                  | (5,043)                            |
| Increase (decrease) in outstanding capital .....                                   | \$ 814                        | \$(5,019)                              | \$17,512                           |

|  | Ivy<br>Limited-<br>Term Bond<br>Fund | Ivy<br>Mid Cap<br>Growth<br>Fund | Ivy<br>Money<br>Market<br>Fund |
|--|--------------------------------------|----------------------------------|--------------------------------|
| Shares issued from sale of shares:   |                                      |                                  |                                |
| Class A . . . . .  | 640                                  | 1,478                            | 27,762                         |
| Class B . . . . .  | 67                                   | 118                              | 2,161                          |
| Class C . . . . .  | 179                                  | 85                               | 3,548                          |
| Class Y . . . . .  | 21                                   | 26                               | NA                             |
| Shares issued from reinvestment of dividends<br>and/or capital gains distribution: |                                      |                                  |                                |
| Class A . . . . .  | 49                                   | —                                | 490                            |
| Class B . . . . .  | 5                                    | —                                | 10                             |
| Class C . . . . .  | 16                                   | —                                | 27                             |
| Class Y . . . . .  | 2                                    | —                                | NA                             |
| Shares redeemed:   |                                      |                                  |                                |
| Class A . . . . .  | (1,163)                              | (1,025)                          | (25,117)                       |
| Class B . . . . .  | (175)                                | (199)                            | (2,219)                        |
| Class C . . . . .  | (335)                                | (142)                            | (4,846)                        |
| Class Y . . . . .  | (13)                                 | (24)                             | NA                             |
| Increase (decrease) in outstanding<br>capital shares . . . . .                     | (707)                                | 317                              | 1,816                          |
| Value issued from sale of shares:  |                                      |                                  |                                |
| Class A . . . . .  | \$ 6,518                             | \$15,570                         | \$27,762                       |
| Class B . . . . .  | 686                                  | 1,172                            | 2,161                          |
| Class C . . . . .  | 1,827                                | 859                              | 3,548                          |
| Class Y . . . . .  | 215                                  | 272                              | NA                             |
| Value issued from reinvestment of dividends<br>and/or capital gains distribution:  |                                      |                                  |                                |
| Class A . . . . .  | 500                                  | —                                | 490                            |
| Class B . . . . .  | 54                                   | —                                | 10                             |
| Class C . . . . .  | 157                                  | —                                | 27                             |
| Class Y . . . . .  | 23                                   | —                                | NA                             |
| Value redeemed:  |                                      |                                  |                                |
| Class A . . . . .  | (11,844)                             | (10,881)                         | (25,117)                       |
| Class B . . . . .  | (1,781)                              | (1,952)                          | (2,219)                        |
| Class C . . . . .  | (3,411)                              | (1,448)                          | (4,846)                        |
| Class Y . . . . .  | (140)                                | (254)                            | NA                             |
| Increase (decrease) in outstanding capital . . . . .                               | \$ (7,196)                           | \$ 3,338                         | \$ 1,816                       |

|  | Ivy<br>Municipal<br>Bond<br>Fund | Ivy<br>Science and<br>Technology<br>Fund | Ivy<br>Small Cap<br>Growth<br>Fund |
|--|----------------------------------|--|------------------------------------|
| Shares issued from sale of shares:   |                                  |  |                                    |
| Class A .....  | 192                              | 2,447                                    | 2,547                              |
| Class B .....  | 84                               | 128                                      | 124                                |
| Class C .....  | 69                               | 379                                      | 642                                |
| Class Y .....  | —*                               | 617                                      | 2,308                              |
| Shares issued from reinvestment of dividends<br>and/or capital gains distribution: |                                  |  |                                    |
| Class A .....  | 8                                | —  | —                                  |
| Class B .....  | 1                                | —  | —                                  |
| Class C .....  | 19                               | —  | —                                  |
| Class Y .....  | —*                               | —  | —                                  |
| Shares redeemed:   |                                  |  |                                    |
| Class A .....  | (125)                            | (342)                                    | (612)                              |
| Class B .....  | (51)                             | (77)                                     | (89)                               |
| Class C .....  | (187)                            | (428)                                    | (2,634)                            |
| Class Y .....  | (—)*                             | (461)                                    | (1,340)                            |
| Increase in outstanding capital shares .....                                       | 10                               | 2,263                                    | 946                                |
| Value issued from sale of shares:  |                                  |  |                                    |
| Class A .....  | \$2,161                          | \$56,063                                 | \$34,409                           |
| Class B .....  | 943                              | 2,778                                    | 1,534                              |
| Class C .....  | 773                              | 8,441                                    | 8,151                              |
| Class Y .....  | —*                               | 14,688                                   | 33,191                             |
| Value issued from reinvestment of dividends<br>and/or capital gains distribution:  |                                  |  |                                    |
| Class A .....  | 94                               | —  | —                                  |
| Class B .....  | 10                               | —  | —                                  |
| Class C .....  | 214                              | —  | —                                  |
| Class Y .....  | 1                                | —  | —                                  |
| Value redeemed:  |                                  |  |                                    |
| Class A .....  | (1,401)                          | (7,802)                                  | (8,087)                            |
| Class B .....  | (573)                            | (1,650)                                  | (1,107)                            |
| Class C .....  | (2,109)                          | (9,334)                                  | (33,302)                           |
| Class Y .....  | (—)*                             | (10,362)                                 | (19,162)                           |
| Increase in outstanding capital .....  | \$ 113                           | \$52,822                                 | \$15,627                           |

\*Not shown due to rounding.

Transactions in capital stock for the fiscal year ended March 31, 2005 are summarized below. Amounts are in thousands.

|  | Ivy<br>Asset<br>Strategy<br>Fund | Ivy<br>Capital<br>Appreciation<br>Fund | Ivy<br>Core<br>Equity<br>Fund |
|--|----------------------------------|--|-------------------------------|
| Shares issued from sale of shares:   |                                  |  |                               |
| Class A .....  | 1,843                            | 728                                    | 1,173                         |
| Class B .....  | 364                              | 91                                     | 324                           |
| Class C .....  | 885                              | 196                                    | 1,221                         |
| Class Y .....  | 158                              | 17                                     | 24                            |
| Shares issued from reinvestment of dividends<br>and/or capital gains distribution: |                                  |  |                               |
| Class A .....  | 22                               | —                                      | —                             |
| Class B .....  | 6                                | —                                      | —                             |
| Class C .....  | 34                               | —                                      | —                             |
| Class Y .....  | 2                                | —                                      | —                             |
| Shares redeemed:   |                                  |  |                               |
| Class A .....  | (489)                            | (161)                                  | (3,223)                       |
| Class B .....  | (107)                            | (25)                                   | (511)                         |
| Class C .....  | (833)                            | (74)                                   | (5,690)                       |
| Class Y .....  | (46)                             | (3)                                    | (102)                         |
| Increase (decrease) in outstanding<br>capital shares                               | <u>1,839</u>                     | <u>769</u>                             | <u>(6,784)</u>                |
| Value issued from sale of shares:  |                                  |  |                               |
| Class A .....  | \$25,040                         | \$5,606                                | \$ 10,008                     |
| Class B .....  | 4,796                            | 662                                    | 2,628                         |
| Class C .....  | 11,912                           | 1,451                                  | 10,009                        |
| Class Y .....  | 2,099                            | 125                                    | 205                           |
| Value issued from reinvestment of dividends<br>and/or capital gains distribution:  |                                  |  |                               |
| Class A .....  | 293                              | —                                      | —                             |
| Class B .....  | 82                               | —                                      | —                             |
| Class C .....  | 449                              | —                                      | —                             |
| Class Y .....  | 33                               | —                                      | —                             |
| Value redeemed:  |                                  |  |                               |
| Class A .....  | (6,407)                          | (1,241)                                | (26,867)                      |
| Class B .....  | (1,391)                          | (180)                                  | (4,154)                       |
| Class C .....  | (10,775)                         | (539)                                  | (46,423)                      |
| Class Y .....  | (618)                            | (27)                                   | (894)                         |
| Increase (decrease) in outstanding capital .....                                   | <u>\$25,513</u>                  | <u>\$5,857</u>                         | <u>\$(55,488)</u>             |

|  | Ivy<br>High<br>Income<br>Fund | Ivy<br>International<br>Growth<br>Fund | Ivy<br>Large Cap<br>Growth<br>Fund |
|--|-------------------------------|--|------------------------------------|
| Shares issued from sale of shares:   |                               |  |                                    |
| Class A . . . . .  | 2,247                         | 353                                    | 5,034                              |
| Class B . . . . .  | 303                           | 70                                     | 573                                |
| Class C . . . . .  | 533                           | 286                                    | 532                                |
| Class Y . . . . .  | 139                           | 207                                    | 585                                |
| Shares issued from reinvestment of dividends<br>and/or capital gains distribution: |                               |  |                                    |
| Class A . . . . .  | 139                           | 17                                     | —                                  |
| Class B . . . . .  | 22                            | 2                                      | —                                  |
| Class C . . . . .  | 137                           | 26                                     | —                                  |
| Class Y . . . . .  | 73                            | 7                                      | —                                  |
| Shares redeemed:   |                               |  |                                    |
| Class A . . . . .  | (781)                         | (331)                                  | (4,551)                            |
| Class B . . . . .  | (120)                         | (141)                                  | (316)                              |
| Class C . . . . .  | (736)                         | (1,339)                                | (490)                              |
| Class Y . . . . .  | (241)                         | (261)                                  | (1,805)                            |
| Increase (decrease) in outstanding<br>capital shares . . . . .                     | 1,715                         | (1,104)                                | (438)                              |
| Value issued from sale of shares:  |                               |  |                                    |
| Class A . . . . .  | \$19,814                      | \$ 3,785                               | \$46,868                           |
| Class B . . . . .  | 2,674                         | 712                                    | 4,987                              |
| Class C . . . . .  | 4,694                         | 2,917                                  | 4,740                              |
| Class Y . . . . .  | 1,219                         | 2,401                                  | 5,432                              |
| Value issued from reinvestment of dividends<br>and/or capital gains distribution:  |                               |  |                                    |
| Class A . . . . .  | 1,224                         | 183                                    | —                                  |
| Class B . . . . .  | 193                           | 21                                     | —                                  |
| Class C . . . . .  | 1,205                         | 286                                    | —                                  |
| Class Y . . . . .  | 648                           | 87                                     | —                                  |
| Value redeemed:  |                               |  |                                    |
| Class A . . . . .  | (6,867)                       | (3,536)                                | (41,787)                           |
| Class B . . . . .  | (1,056)                       | (1,436)                                | (2,732)                            |
| Class C . . . . .  | (6,480)                       | (13,716)                               | (4,309)                            |
| Class Y . . . . .  | (2,151)                       | (3,040)                                | (16,933)                           |
| Increase (decrease) in outstanding capital . . .                                   | \$15,117                      | \$(11,336)                             | \$ (3,734)                         |

|  | Ivy<br>Limited-<br>Term Bond<br>Fund | Ivy<br>Mid Cap<br>Growth<br>Fund | Ivy<br>Money<br>Market<br>Fund |
|--|--------------------------------------|----------------------------------|--------------------------------|
| Shares issued from sale of shares:   |                                      |                                  |                                |
| Class A . . . . .  | 3,145                                | 2,730                            | 46,298                         |
| Class B . . . . .  | 304                                  | 286                              | 5,580                          |
| Class C . . . . .  | 385                                  | 340                              | 10,835                         |
| Class Y . . . . .  | 100                                  | 80                               | NA                             |
| Shares issued from reinvestment of dividends<br>and/or capital gains distribution: |                                      |                                  |                                |
| Class A . . . . .  | 96                                   | —                                | 324                            |
| Class B . . . . .  | 10                                   | —                                | 1                              |
| Class C . . . . .  | 33                                   | —                                | 5                              |
| Class Y . . . . .  | 5                                    | —                                | NA                             |
| Shares redeemed:   |                                      |                                  |                                |
| Class A . . . . .  | (2,785)                              | (1,403)                          | (52,704)                       |
| Class B . . . . .  | (213)                                | (496)                            | (5,410)                        |
| Class C . . . . .  | (811)                                | (276)                            | (11,608)                       |
| Class Y . . . . .  | (103)                                | (35)                             | NA                             |
| Increase (decrease) in outstanding<br>capital shares . . . . .                     | 166                                  | 1,226                            | (6,679)                        |
| Value issued from sale of shares:  |                                      |                                  |                                |
| Class A . . . . .  | \$32,300                             | \$26,012                         | \$46,298                       |
| Class B . . . . .  | 3,127                                | 2,618                            | 5,580                          |
| Class C . . . . .  | 3,953                                | 3,176                            | 10,835                         |
| Class Y . . . . .  | 1,032                                | 776                              | NA                             |
| Value issued from reinvestment of dividends<br>and/or capital gains distribution:  |                                      |                                  |                                |
| Class A . . . . .  | 990                                  | —                                | 324                            |
| Class B . . . . .  | 100                                  | —                                | 1                              |
| Class C . . . . .  | 339                                  | —                                | 5                              |
| Class Y . . . . .  | 52                                   | —                                | NA                             |
| Value redeemed:  |                                      |                                  |                                |
| Class A . . . . .  | (28,528)                             | (13,542)                         | (52,704)                       |
| Class B . . . . .  | (2,189)                              | (4,511)                          | (5,410)                        |
| Class C . . . . .  | (8,325)                              | (2,564)                          | (11,608)                       |
| Class Y . . . . .  | (1,060)                              | (333)                            | NA                             |
| Increase (decrease) in outstanding capital . . . . .                               | \$ 1,791                             | \$11,632                         | \$ (6,679)                     |



|  | Ivy<br>Municipal<br>Bond<br>Fund | Ivy<br>Science and<br>Technology<br>Fund | Ivy<br>Small Cap<br>Growth<br>Fund |
|--|----------------------------------|--|------------------------------------|
| Shares issued from sale of shares:   |                                  |  |                                    |
| Class A . . . . .  | 191                              | 1,571                                    | 2,763                              |
| Class B . . . . .  | 35                               | 196                                      | 331                                |
| Class C . . . . .  | 179                              | 557                                      | 1,511                              |
| Class Y . . . . .  | 4                                | 1,321                                    | 2,386                              |
| Shares issued from reinvestment of dividends<br>and/or capital gains distribution: |                                  |  |                                    |
| Class A . . . . .  | 12                               | —  | —                                  |
| Class B . . . . .  | 2                                | —  | —                                  |
| Class C . . . . .  | 40                               | —  | —                                  |
| Class Y . . . . .  | —*                               | —  | —                                  |
| Shares redeemed:   |                                  |  |                                    |
| Class A . . . . .  | (104)                            | (856)                                    | (5,108)                            |
| Class B . . . . .  | (21)                             | (154)                                    | (242)                              |
| Class C . . . . .  | (394)                            | (987)                                    | (5,823)                            |
| Class Y . . . . .  | (—)*                             | (273)                                    | (3,879)                            |
| Increase (decrease) in outstanding<br>capital shares . . . . .                     | (56)                             | 1,375                                    | (8,061)                            |
| Value issued from sale of shares:  |                                  |  |                                    |
| Class A . . . . .  | \$2,136                          | \$31,721                                 | \$ 31,601                          |
| Class B . . . . .  | 396                              | 3,732                                    | 3,657                              |
| Class C . . . . .  | 2,012                            | 10,871                                   | 16,856                             |
| Class Y . . . . .  | 43                               | 27,807                                   | 30,101                             |
| Value issued from reinvestment of dividends<br>and/or capital gains distribution:  |                                  |  |                                    |
| Class A . . . . .  | 135                              | —  | —                                  |
| Class B . . . . .  | 16                               | —  | —                                  |
| Class C . . . . .  | 447                              | —  | —                                  |
| Class Y . . . . .  | 1                                | —  | —                                  |
| Value redeemed:  |                                  |  |                                    |
| Class A . . . . .  | (1,156)                          | (17,589)                                 | (56,508)                           |
| Class B . . . . .  | (234)                            | (2,920)                                  | (2,657)                            |
| Class C . . . . .  | (4,415)                          | (19,034)                                 | (64,820)                           |
| Class Y . . . . .  | (4)                              | (5,746)                                  | (48,220)                           |
| Increase (decrease) in outstanding capital . . . .                                 | \$ (623)                         | \$28,842                                 | \$(89,990)                         |

\*Not shown due to rounding.

## NOTE 6 – Options

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

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

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

|   | Number of<br>Contracts | Premiums<br>Received |
|---|------------------------|----------------------|
| Outstanding at March 31, 2005 . . . . .                       | —                      | \$ —                 |
| Options written . . . . .                                     | 1,836                  | 121,653              |
| Options terminated in closing purchase transactions . . . . . | (1,144)                | (83,326)             |
| Options exercised . . . . .                                   | (—)                    | (—)                  |
| Options expired . . . . .                                     | (422)                  | (24,475)             |
| Outstanding at September 30, 2005 . . . . .                   | <u>270</u>             | <u>\$ 13,852</u>     |

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

|   | Number of<br>Contracts | Premiums<br>Received |
|---|------------------------|----------------------|
| Outstanding at March 31, 2005 . . . . .                       | —                      | \$ —                 |
| Options written . . . . .                                     | 1,804                  | 309,285              |
| Options terminated in closing purchase transactions . . . . . | (1,804)                | (309,285)            |
| Options exercised . . . . .                                   | (—)                    | (—)                  |
| Options expired . . . . .                                     | (—)                    | (—)                  |
| Outstanding at September 30, 2005 . . . . .                   | <u>—</u>               | <u>\$ —</u>          |

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

|   | Number of<br>Contracts | Premiums<br>Received |
|---|------------------------|----------------------|
| Outstanding at March 31, 2005 . . . . .                       | —                      | \$ —                 |
| Options written . . . . .                                     | 111                    | 22,782               |
| Options terminated in closing purchase transactions . . . . . | (28)                   | (13,798)             |
| Options exercised . . . . .                                   | (—)                    | (—)                  |
| Options expired . . . . .                                     | (—)                    | (—)                  |
| Outstanding at September 30, 2005 . . . . .                   | <u>83</u>              | <u>\$ 8,984</u>      |

For Ivy Mid Cap Growth Fund, transactions in call options written were as follows:

|   | <b>Number of<br/>Contracts</b> | <b>Premiums<br/>Received</b> |
|---|--------------------------------|------------------------------|
| Outstanding at March 31, 2005 . . . . .                       | 1,368                          | \$ 66,439                    |
| Options written . . . . .                                     | 1,525                          | 143,147                      |
| Options terminated in closing purchase transactions . . . . . | (1,311)                        | (112,253)                    |
| Options exercised. . . . .                                    | (11)                           | (5,060)                      |
| Options expired . . . . .                                     | (1,367)                        | (67,436)                     |
| Outstanding at September 30, 2005 . . . . .                   | <u>204</u>                     | <u>\$ 24,837</u>             |

### **NOTE 7 – Credit Default Swaps**

A Fund may enter into credit default swaps to 1) preserve a return or a spread on a particular investment or portion of its portfolio; 2) to protect against any increase in the price of securities the Fund anticipates purchasing at a later date; or 3) to attempt to enhance yield. Credit default swaps involve the exchange of a fixed rate premium for protection against the loss in value of an underlying debt instrument 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 credit event occurs. A Fund may enter into credit default swaps in which either it or its counterparty act as the guarantor.

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

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

---

# Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders,  
Ivy Funds, Inc.:

We have audited the accompanying statements of assets and liabilities, including the schedules of investments, of Asset Strategy Fund, Capital Appreciation Fund (formerly Tax-Managed Equity Fund), Core Equity Fund, High Income Fund, International Growth Fund, Large Cap Growth Fund, Limited-Term Bond Fund, Mid Cap Growth Fund, Money Market Fund, Municipal Bond Fund, Science and Technology Fund and Small Cap Growth Fund (collectively the "Funds") comprising Ivy Funds, Inc. as of September 30, 2005, and the related statements of operations for the six-month period then ended, the statements of changes in net assets for the six-month period then ended and the fiscal year ended March 31, 2005, and the financial highlights for the periods presented. These financial statements and financial highlights are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Funds are not required to have, nor were we engaged to perform, an audit of their internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of September 30, 2005, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial positions of each of the respective Funds comprising Ivy Funds, Inc., as of September 30, 2005, the results of their operations for the six-month period then ended, the changes in their net assets for the six-month period then ended and the fiscal year ended March 31, 2005, and their financial highlights for the periods presented, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP  
Kansas City, Missouri  
November 16, 2005

---

# Renewal of Investment Management Agreement for the Ivy Funds, Inc.

At a Meeting of the Board of Directors of the Corporation held on August 30 and 31, 2005, the Directors, including all of the Directors who are not “interested persons” as defined in Section 2(a)(19) of the 1940 Act considered and approved the continuance of the existing Investment Management Agreement between Ivy Investment Management Company (IICO) and the Funds.

The Board’s Independent Directors were assisted in their review by independent legal counsel and met with such counsel separately from representatives of IICO. Independent legal counsel provided the Board with a memorandum that discussed the various factors that the Board should consider as part of its review of the various agreements, including, among other things, the nature and the quality of the services provided by IICO, profitability (including any fall-out benefits) from their relationship with the Funds, economies of scale, the role played by the Independent Directors, and information on comparative fees and expenses. The Board also considered the written responses and supplementary materials produced by IICO in response to a 15(c) due diligence request list submitted by the Independent Directors’ counsel prior to the meeting. Included in those responses, which had been provided to the Board prior to the meeting, was a fund-by-fund profitability analysis prepared by IICO. The Board also received extensive materials on performance, expenses and comparable fund information from Lipper, Inc., an independent mutual fund rating service. Finally, the Independent Directors received a report from two of the Independent Directors who had been appointed to serve on an ad hoc contract review committee to conduct a preliminary review of all of this information prior to the meeting. The Independent Directors discussed all of this material extensively among themselves and with their independent legal counsel, and then discussed these materials and related information with the full Board prior to the Board’s final consideration of these issues. Based upon the examination by the Independent Directors, the Board made the following considerations and conclusions.

## Considerations with respect to each Fund

### Ivy International Growth Fund

The Board examined the investment performance of the Ivy International Growth Fund, noting that the Fund had been in the 5<sup>th</sup> quintile for performance for the one and three year time periods as indicated in the Lipper materials. The Board also examined the performance of the Fund against its peers included in the Lipper materials for those same time periods, as well against the Lipper International Large Cap Growth Index. The Board took into account the additional resources management has applied to the Fund, including keeping the Board apprised of its progress in this regard, and noted that management formally has indicated that the recent performance of the Fund had improved. The Board discussed management’s proposal to merge the Fund into the Ivy International Fund, a series of Ivy Funds, a Massachusetts business trust, and the possible benefits to each Fund’s shareholders that such a merger might create. The Board concluded that the Fund’s performance appears to be improving and currently is acceptable.

The Board considered the expenses of the Fund and the cost of the services provided by IICO. The Boards compared the Fund’s expenses, including IICO’s advisory fees, with the expenses and advisory fees of other investment advisers managing similarly-situated funds. The Board then discussed the profitability to IICO in managing the Fund and the derivation of that profitability analysis. After considering all of this information, the Board concluded that the Fund’s expenses appear to be reasonable.

The Board considered the nature, extent and quality of services provided to the Fund by IICO, taking into account the investment objective and strategy of the Fund and the knowledge the Board gained from their regular meetings with the IICO and personnel responsible for the

---

management of the Fund, as well as the materials provided in connection with those meetings. In addition, the Board reviewed IICO's resources and key personnel, especially those who provide investment management services to the Fund. The Board also considered other services provided to the Fund by IICO, such as managing the quality of execution of portfolio transactions and the selection of broker-dealers for those transactions, monitoring adherence to the Fund's investment restrictions, producing reports, providing support services for the Board and Board committees, communicating with shareholders and overseeing the activities of other service providers, including monitoring compliance with various Fund policies and procedures and with applicable securities laws and regulations. The Board concluded that the nature and extent of the services provided by IICO are appropriate, that the quality of those services is consistent with quality norms in the industry and that the Fund is likely to benefit from the continued provision of those services.

The Board discussed whether IICO derives any other direct or indirect benefits from serving as investment adviser to the Fund. The Board considered benefits that accrue to IICO from its relationship with the Fund, including the fact that a variety of services are provided by affiliates of IICO, including distribution, shareholder servicing and transfer agency services. After full consideration of these and other factors, the Board concluded that neither IICO nor its affiliate receive any additional direct benefits that would warrant re-consideration and/or preclude the Board from approving the continuation of the investment advisory contract with IICO.

The Board received and discussed information concerning whether economies of scale are being realized by the Fund and whether fee levels reflect those economies of scale for the benefit of the Fund's shareholders. The Board specifically noted that the assets in the Fund have been decreasing but deferred further discussion on economies of scale and fee schedules because these issues likely would be addressed as a result of the proposed merger.

#### **Ivy High Income Fund and Ivy Limited-Term Bond Fund**

The Board examined the investment performance of each Fund, noting that the Ivy High Income Fund had been in the 5<sup>th</sup> performance quintile for each of the one and three year periods, while the Ivy Limited Term Bond Fund had been in the 4<sup>th</sup> performance quintile for the one year period and the 5<sup>th</sup> quintile for the three year period, all as reported in the Lipper materials. The Board also examined the performance of the Funds against their respective peers included in the Lipper materials for those time periods, as well against their respective Lipper benchmarks. The Board discussed IICO's strategy for managing the Funds, noting how that strategy affects the Fund's performance, and determined that the Fund's performance was acceptable.

The Board considered the expenses of each Fund and the cost of the services provided by IICO. The Board compared the Funds' expenses, including IICO's advisory fees, with the expenses and advisory fees of other investment advisers managing similarly situated funds. The Board specifically noted that most of the Funds' peers' expenses appear to be more favorable because approximately 90% of the advisers of those entities provide expense waivers. The Board discussed the appropriateness of IICO's philosophy in conservatively managing these Funds, and agreed that it is appropriate to not optimize income given the risks required to be taken to achieve a higher return, in consideration of the current client base of Waddell & Reed. They further discussed the possibility of IICO granting a fee waiver, commenting that neither of these Funds was designed primarily as a flagship product, but as vehicles to obtain lower-risk income, and in that regard, IICO's management of these Funds was appropriate. The Board determined to confirm with management that these Funds were sold in that fashion to prospective and existing shareholders. The Board then discussed the profitability to IICO in managing the Funds, including the derivation of that profitability analysis. After considering all of this information, the Board concluded that the Funds' expenses appear to be reasonable.

---

The Board considered the nature, extent and quality of services provided to each Fund by IICO, taking into account the investment objective and strategy of the Fund and the knowledge the Board gained from their regular meetings with the IICO and personnel responsible for the management of the Fund, as well as the materials provided in connection with those meetings. In addition, the Board reviewed IICO's resources and key personnel, especially those who provide investment management services to the Funds. The Board also considered other services provided to the Funds by IICO, such as managing the quality of execution of portfolio transactions and the selection of broker-dealers for those transactions, monitoring adherence to the Fund's investment restrictions, producing reports, providing support services for the Board and Board committees, communicating with shareholders and overseeing the activities of other service providers, including monitoring compliance with various Fund policies and procedures and with applicable securities laws and regulations. The Board concluded that the nature and extent of the services provided by IICO are appropriate, that the quality of those services is consistent with quality norms in the industry and that each Fund is likely to benefit from the continued provision of those services.

The Board discussed whether IICO derives any other direct or indirect benefits from serving as investment adviser to each Fund. The Board considered benefits that accrue to IICO from its relationship with each, including the fact that a variety of services are provided by affiliates of IICO, including distribution, shareholder servicing and transfer agency services. After full consideration of these and other factors, the Board concluded that neither IICO nor its affiliate received any additional direct benefits that would warrant re-consideration and/or preclude the Board from approving the continuation of the investment advisory contract with IICO.

The Board received and discussed information concerning whether economies of scale are being realized by each Fund and whether fee levels reflect those economies of scale for the benefit of the Fund's shareholders. The Board considered the current and anticipated asset levels of each Fund and the potential for growth in that Fund's assets. The Board concluded that the current asset size of both Funds did not warrant reevaluating the fee schedule for the Fund at this time.

**Ivy Asset Strategy Fund, Ivy Capital Appreciation Fund, Ivy Core Equity Fund, Ivy Large Cap Growth Fund, Ivy Mid Cap Growth Fund, Ivy Money Market Fund, Ivy Municipal Bond Fund, Ivy Science and Technology Fund, Ivy Small Cap Growth Fund**

The Board evaluated the performance of the advisory contracts with IICO for each of the remaining Funds. The Board determined that it would be appropriate to review each such Fund based upon the information contained in the Lipper materials and the due diligence materials that the Board had received from IICO.

The Board examined the investment performance of each Fund, including their short-term and long-term quintile rankings as reported in the Lipper materials. The Board also examined the performance of each Fund against their respective peers included in the Lipper materials, as well as against the appropriate Lipper benchmark. The Board considered that it had met with the portfolio manager(s) of each such Fund during regularly scheduled meetings, during which they had had an opportunity to discuss all facets of each Fund, including performance. After further discussion, given each Fund's performance history, the Board concluded that each Fund's performance in their respective asset class is acceptable.

The Board considered the expenses of each Fund and the cost of the services provided by IICO. The Board compared each Fund's expenses with the expenses and advisory fees of other similarly situated funds as reported in the Lipper Reports. The Board then discussed the profitability to IICO in managing each Fund, as well as the derivation of that profitability analysis. After considering all of this information, the Board concluded that each Fund's expenses appear to be reasonable.

---

The Board considered the nature, extent and quality of services provided to each Fund by IICO, taking into account the investment objective and strategy of each Fund and the knowledge the Board gained from their regular meetings with the personnel directly responsible for the management of the Fund, as well as the materials provided in connection with those meetings. In addition, the Board reviewed the resources and key personnel of IICO, especially those portfolio managers who provide investment management services to the Fund. The Board also considered other services provided to each Fund by IICO, such as managing the quality of execution of portfolio transactions and the selection of broker-dealers for those transactions, monitoring adherence to the Fund's investment restrictions, producing reports, providing support services for the Board and Board committees, communicating with shareholders and overseeing the activities of other service providers, including monitoring compliance with various Fund policies and procedures and with applicable securities laws and regulations. The Board concluded that the nature and extent of the services provided by IICO with respect to each Fund are appropriate, that the quality of those services is consistent with quality norms in the industry and that the Fund is likely to benefit from the continued provision of those services.

The Board discussed whether IICO derives any other direct or indirect benefits from serving as investment adviser to each Fund. The Board considered benefits that accrue to IICO from its relationship with each respective Fund, including the fact that a variety of services are provided by affiliates of IICO, including distribution, shareholder servicing and transfer agency services. After full consideration of these and other factors, the Board concluded that neither IICO nor any of its affiliates receive any additional direct benefits that would warrant re-consideration and/or preclude the Board from approving the continuation of the investment advisory contract with IICO.

The Board received and discussed information concerning whether economies of scale are being realized by each Fund and whether fee levels reflect those economies of scale for the benefit of each Fund's respective shareholders. The Board considered the current and anticipated asset levels of each Fund and the potential for growth in each Fund's assets. The Board concluded that the current asset size of each Fund did not warrant reevaluating the fee schedule for any Fund at this time.



---

# Proxy Voting Information

## **Proxy Voting Guidelines**

A description of the policies and procedures Ivy Funds, Inc. uses to determine how to vote proxies relating to portfolio securities is available (i) without charge, upon request, by calling 1.800.777.6472 and (ii) on the Securities and Exchange Commission's (SEC) website at [www.sec.gov](http://www.sec.gov).

## **Proxy Voting Records**

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

---

## Quarterly Portfolio Schedule Information

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 Corporation's Form N-Q, 60 days after the end of the quarter. This form may be obtained in the following ways:

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

## To all Traditional IRA Planholders:

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

---

## THE IVY FUNDS FAMILY

### Global/International Funds

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

### Domestic Equity Funds

- Capital Appreciation Fund (formerly, Tax-Managed Equity Fund)
- Core Equity Fund
- Dividend Income Fund
- Large Cap Growth Fund
- Mid Cap Growth Fund
- Small Cap Growth Fund
- Small Cap Value Fund
- Value Fund

### Fixed Income Funds

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

### Money Market Funds

- Cash Reserves Fund
- Money Market Fund

### Specialty Funds

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

1.800.777.6472

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

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

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

**Ivy Funds**

6300 Lamar Avenue

P.O. Box 29217

Shawnee Mission, Kansas 66201-9217

PRSRT STD  
U.S. POSTAGE PAID  
WADDELL & REED



**IVY FUNDS**

WRR3000SA (9-05)