

September 21, 2009

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## MICHAEL AVERY

Winner, Rising Star Award  
Finalist, Most Influential Fund Manager Award

By David Hoffman



**W**HEN IT COMES to investing, the time to play defense has ended, says Michael Avery, a senior vice president and chief investment officer of Waddell & Reed Financial Inc.

That means change for the \$3 billion Waddell & Reed Asset Strategy Fund (UNASX) and the \$15.9 billion Ivy Asset Strategy Fund (WASAX).

The Waddell & Reed fund is advised by Waddell & Reed Investment Management Co., and the Ivy fund is advised by Ivy Investment Management Co., both units of Waddell & Reed Financial, and both co-managed by Mr. Avery.

The funds had about 45% of their assets in cash at the start of the year.

But Mr. Avery and his co-manager, Ryan Caldwell, redeployed those assets back into stocks, and, on average, about 17% of total assets are now in Chinese stocks.

"Prospects for growth in the [United States] are limited at best, but in other places around the world the demographics combined with government spending will propel growth," Mr. Avery said. "That's where you want to be."

The willingness to make such a substantial portfolio change would normally raise red flags, said Michael Herbst, an analyst with Morningstar Inc.

But Mr. Avery has proven he's able to manage the risk, Mr. Herbst said.

It's an impressive long-term track record that Mr. Avery attributes not only to the co-managers' skill, but to the collaborative environment at Waddell & Reed.

"How do two people manage a global allocation fund?" he said. "The answer is we can't. We have 60 people behind us."

Of course, other fund managers can claim an army of analysts.

What makes Mr. Avery different is the frequency with which he meets with analysts and portfolio managers, Mr. Herbst said.

"It's not unusual for us to hear of collaborative environments, but what works in this case is this team is meeting formally every day and meeting informally throughout the day," he said. "That daily structure is not quite as common."

Also not as common is the frequency with which Mr. Avery talks with

financial advisers.

He goes out and meets with advisers and holds monthly calls with them to discuss what changes were made to the funds, and why he and Mr. Caldwell made those changes.

At first he was leery of taking so much time to talk with advisers, but quickly realized it was another way for him to gather information crucial to running the fund.

"We are big believers in behavioral finance," Mr. Avery said. "The questions and feedback we get from advisers are invaluable to us in terms of having another yardstick to gauge the mind-set of the market."

That doesn't mean he will always take their advice.

For example, if too many advisers start to ask him about taking a larger position in gold — something many were asking about at the beginning of the year — that's an indication that it might be a good time to cut back, Mr. Avery said.

"Human behavior is such [that] the easy trade is the last trade," he said.

It's that kind of thinking that allowed Mr. Avery to rise through the ranks at Waddell & Reed.

Mr. Avery joined the firm in 1981 as a senior investment analyst following the health care industry.

In June 1986, he was appointed vice president of investor relations at Torchmark Corp., then Waddell's parent.

Mr. Avery rejoined Waddell in August 1987 as director of investment research.

In 1994, he assumed portfolio manager responsibilities, and was appointed co-manager of the Waddell Asset Strategy Fund in 1997 and of the Ivy Asset Strategy Fund in 2000.

Mr. Avery was named chief investment officer of Waddell in 2005.

He became manager of the \$131.1 million Ivy Managed International Opportunities Fund (IVTAX) and Ivy Managed European/Pacific Fund \$63.3 million (IVMAX) at their inception in 2007, and of the Pathfinder Portfolios for variable annuities at their inception in 2008.

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## Fund Performance

| As of 06/30/2010                            | QUOTRON | INCEPTION DATE | 1-YEAR | 3-YEAR | 5-YEAR | 10-YEAR | LIFE   | EXPENSE |
|---|---------|----------------|--------|--------|--------|---------|--------|---------|
| Ivy Asset Strategy Fund A (NAV)             | WASAX   | 07/10/2000     | 7.95%  | 2.27%  | 11.25% | –       | 7.84%  | 1.03%   |
| Ivy Asset Strategy Fund A (Load)            | WASAX   | 07/10/2000     | 1.74%  | 0.27%  | 9.94%  | –       | 7.20%  | 1.03%   |
| Waddell & Reed Asset Strategy Fund A (NAV)  | UNASX   | 03/09/1995     | 8.23%  | 2.93%  | 12.06% | 8.33%   | 10.06% | 1.20%   |
| Waddell & Reed Asset Strategy Fund A (Load) | UNASX   | 03/09/1995     | 2.00%  | 0.92%  | 10.74% | 7.69%   | 9.64%  | 1.20%   |
| Citigroup BIG                               | –       | –              | 9.03%  | 7.95%  | 5.77%  | 6.61%   | –      | –       |
| Citigroup Certificate of Deposit 1-Month    | –       | –              | 0.22%  | 2.05%  | 3.17%  | 2.91%   | –      | –       |
| S&P 500 Index                               | –       | –              | 14.43% | -9.81% | -0.79% | -1.59%  | –      | –       |
| Lipper Global Flexible Portfolio            | –       | –              | 10.65% | -3.19% | 5.08%  | 5.60%   | –      | –       |

**Data quoted is past performance and current performance may be lower or higher. Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate, and shares, when redeemed, may be worth more or less than their original cost. Please visit [www.ivyfund.com](http://www.ivyfund.com) for the Fund's most recent month-end performance. Class A share performance, including sales charges, reflects the maximum applicable front-end sales load of 5.75 percent.** Performance at net asset value (NAV) does not include the effect of sales charges. Citigroup Broad Investment Grade Index is an unmanaged index comprised of securities that represent the bond market. Citigroup Certificate of Deposit 1-Month is an unmanaged index of certificates of deposits maturing in one month. S&P 500 is an unmanaged index of common stocks. It is not possible to invest directly in an index.

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