



IVY

# Science and Technology Fund [WSTCX]

Q2/10 *Portfolio information as of June 30, 2010*

## PORTFOLIO MANAGEMENT



**Zachary H. Shafran**  
22 years of industry experience and nine years with the fund.

Zachary H. Shafran is a senior vice president of Ivy Investment Management Company and Global Director of Equity & Fixed Income. Mr. Shafran joined the Ivy organization in June 1990 as an investment analyst. He was portfolio manager of the Ivy Mid Cap Growth Fund since its inception on July 2000 until February 2001. Mr. Shafran was named portfolio manager of the Ivy Science and Technology Fund in 2001. Prior to joining the Ivy organization, Mr. Shafran was affiliated with Piper, Jaffray & Hopwood as an investment executive from 1988 through 1990. Mr. Shafran graduated from the University of Missouri at Kansas City in 1988 with a B.S.B.A. degree in business administration. He earned a M.B.A. with an emphasis in finance from the University of Missouri at Kansas City in 1992. Mr. Shafran is a member of the Kansas City Society of Financial Analysts.

## MARKET SECTOR UPDATE

After a very strong run in 2009, the technology sector lagged the broader market slightly during the first quarter of 2010 and then retreated significantly during the second quarter of 2010. Although capacity seems tight for many technology projects, concerns about demand persist. This is particularly pronounced in developed economies that continue to struggle, including the United States and the United Kingdom. Demand in developing economies remains strong. Nonetheless, expectations are that corporate information technology spending will increase, although probably not until the latter half of 2010. On the health care front, particularly in the United States, conditions continue to be overshadowed by the evolution of recently passed health care legislation and the potential for a more difficult and complicated regulatory environment, although health care stocks' reaction to the passage of the health care bill was largely positive. We view the health care reform to be more of an expansion of existing law than true reform. We think that over time, the new legislation will help many firms in this space alleviate some of their debt issues.

## PORTFOLIO STRATEGY

The primary factors driving the Fund's underperformance were its stakes in selected electronic components and heavy electrical equipment providers, not represented in the index. Also weighing on performance was the Fund's exposure to industrial machinery makers, also not represented in the index. The Fund's exposure to health care stocks was in line with that of its index, but better stock selection in this arena helped in relative terms. Despite the fact that this sector took a beating in the second quarter, we believe in the fundamental health and prospects for the firms the Fund owns, and are therefore maintaining those positions.

## OUTLOOK

Our strategy remains unchanged. We are adhering to our long-held approach and methodology in seeking to identify compelling investment opportunities around the globe that meet our investment criteria. Although conditions have improved over the last year, the economy is not yet on solid footing, and the markets are not yet bullish. This places additional importance on effective and careful stock picking. We are working diligently to identify companies that can find and deploy technologies to run their businesses more effectively, as consumers have less to spend and are being more judicious in their purchases.

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

The opinions expressed in this commentary are those of the Fund's manager and are current through June 30, 2010. The manager's views are subject to change at any time based on market and other conditions, and no forecasts can be guaranteed. Past performance is no guarantee of future results.

**Consider all factors.** Investing in companies involved in one specified sector may be more risky and volatile than an investment with greater diversification. As with any mutual fund, the value of the Fund's shares will change, and you could lose money on your investment. An investment in the Fund is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Not all funds or fund classes may be offered at all broker/dealers. These and other risks are more fully described in the Fund's prospectus.

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.



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