



IVY

Large Cap Growth Fund [WLGAX]

Q2/10 Portfolio information as of June 30, 2010

PORTFOLIO MANAGEMENT



Daniel P. Becker, CFA, has 21 years of experience in the industry and 10 years with the fund.

Daniel P. Becker, CFA, is a senior vice president of Ivy Investment Management Company. Mr. Becker graduated from the University of Wisconsin at Madison in 1987 with a B.S. in mathematical economics. He earned a M.S. with an emphasis in finance, investments and banking from the University of Wisconsin Graduate School of Business in 1989. He joined the Ivy organization in 1989 as an investment analyst. He was named portfolio manager of the Ivy Large Cap Growth Fund at its inception in July 2000. Mr. Becker is a member of the Association for Investment Management and Research.



Philip J. Sanders, CFA has 21 years of experience in the industry and three years with the fund.

Philip J. Sanders, CFA, is a senior vice president of Ivy Investment Management Company. Mr. Sanders received his B.A. in economics in 1980 from the University of Michigan. He earned a MBA from the University of North Carolina at Charlotte in 1986. Mr. Sanders joined the Ivy organization in 1998. He was appointed senior vice president in July 2000. He is portfolio manager of the Ivy Funds VIP Growth. He is co-portfolio manager of large-cap growth equity institutional accounts.

MARKET SECTOR UPDATE

After a one-year run of essentially uninterrupted gains, U.S. stocks suffered broad-based declines in the second quarter of 2010. The market pullback was the worst since the fourth quarter of 2008. For much of the past year, the global economic recovery appeared to be relatively solid. However, this changed last quarter as the European debt crisis sparked fears of an economic double-dip recession. The flash point was the European banking system, which was negatively impacted as investors called into question the credit quality of various sovereign governments. Without a fully integrated European Union (politically and economically), market concerns centered on the viability of a system that appears unprepared to address the current issues. The European crisis, combined with softer U.S. economic data and worries about China's ability to effectively navigate a soft landing, sparked a significant sell-off.

All sectors declined during the quarter, although more cyclical areas were generally harder hit. The financials, materials and energy sectors were the worst performing while the more defensive telecom, utilities and consumer staples sectors declined the least.

Second quarter performance was challenging as macro issues dominated headlines and concerns regarding global gross domestic product growth prospects intensified. International economies have become more correlated over time so recent events certainly have implications for U.S. investors. Waning stimulus spending and growing talk of austerity measures are likely to keep these issues at the forefront of investors' minds. However, we do not believe a severe global slowdown resulting in another U.S. recession is at hand. Yet that appears to be what the U.S. bond and equity markets are discounting. As stocks declined during the quarter, investors sought relative safety in U.S. government bonds, pushing yields down to historically low levels. Interestingly, international credit spreads have not widened to the point where they are signaling such a dire rate of growth in global GDP. Corporate America has historically high levels of cash on the balance sheet and has deferred capital spending, investment and labor force growth. The current level of economic activity has been so

measured that it is tough to see developing imbalances that typically cause recessions. Furthermore, company fundamentals, liquidity, capital adequacy, monetary policy and the level of understanding of our country's issues are much better than in 2007-08. We believe the U.S. economy will grow at a low single-digit rate which should be supportive of moderate profit growth next year.

PORTFOLIO STRATEGY

Your portfolio slightly underperformed the Russell 1000 Growth Index. Performance was hindered by an overweighting and relatively weak stock selection in the financials sector and weak performance by key holdings. Health care and industrial holdings retreated more than the index during the period. On a positive note, stock selection in the technology sector was solid and helped offset many of the previously mentioned factors.

OUTLOOK

As economic growth prospects weakened during the quarter, the portfolio's pro-cyclical tilt clearly hampered relative performance. However, we believe that earnings growth for well-positioned, structural-growth companies will ultimately prove to be more sustainable than current market expectations assume. Select companies with innovative products and barriers to entry will be able to post solid earnings growth and market share gains. We believe that near-term cyclical concerns are getting too much investor focus and favorable secular growth prospects are underappreciated. Simply put, more commodity-oriented businesses require stronger economic growth in order to prosper. We believe that many areas across the growth spectrum, including much of the technology sector, currently discount a recession. If one can maintain a longer term perspective, we believe the current environment is ripe with opportunity for high-quality, large-cap growth investors.

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 primarily in a single asset class (large cap) may be more risky and volatile than an investment with greater diversification. Because this fund expects to hold a concentrated portfolio of a limited number of securities, a decline in the value of these investments may cause the fund's overall value to decline to a greater degree than a less concentrated portfolio. 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. Please read the prospectus carefully before investing.



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