



IVY

Mid Cap Growth Fund [WMGAX]

Q2/10 Portfolio information as of June 30, 2010

PORTFOLIO MANAGEMENT



Kimberly A. Scott, CFA, has 23 years of experience in the industry and nine years with the fund.

Kimberly A. Scott, CFA, is a senior vice president of Ivy Investment Management Company. Ms. Scott graduated from the University of Kansas in 1982 with a B.S. in microbiology. She earned a M.B.A. from the University of Cincinnati in 1987. Prior to joining the Ivy organization, she was an equity analyst for Bartlett & Company in Cincinnati, Ohio. Ms. Scott joined the Ivy organization in 1999 as an investment analyst. She was named portfolio manager of the Ivy Mid Cap Growth Fund in February 2001. Ms. Scott is a Chartered Financial Analyst.

MARKET SECTOR UPDATE

Following solid performance in the first quarter and early in the second quarter, U.S. equities changed course abruptly, declining significantly in May and plummeting in June. The period included two robust rallies and two pronounced sell-offs. U.S. mid-cap growth equities declined sharply percent during the quarter.

Among the largest factors impacting market performance were intensifying concerns that Europe would lead the world into the second global recession in three years or at least spur a double-dip recession, and anxiety about slowing economic growth in many foreign economies. The U.S. economy also remains a top concern for investors as recovery slowed perceptibly during the first half of the year, especially in the second quarter. The U.S. unemployment rate currently hovers near 10 percent, and the beleaguered housing sector continues to struggle, particularly after government stimulus ended in the second quarter. Another major event impacting the market was the April 21 oil rig explosion and subsequent massive oil spill in the Gulf of Mexico, which continues to generate ominous headlines on a daily basis. These and other factors collectively have weighed on investor confidence. As one would expect in such an environment, and with little on the horizon generating hope, investors have experienced a crisis in confidence, remaining largely on the sidelines and waiting for direction.

PORTFOLIO STRATEGY

The Fund continues to be economically sensitive, with significant overweight exposure to the industrials, consumer discretionary and financials sectors, which benefited from healthy economic fundamentals despite the slowdown in economic growth that characterized the second quarter. The greatest contribution to relative performance was delivered by the Fund's underweight exposure to utilities and energy, both of which weighed on the index. The most significant changes to the Fund's holdings during the quarter were reducing exposure to consumer discretionary stocks and increased

exposure to information technology, financials and health care stocks.

OUTLOOK

While we recognize that the U.S. economic recovery has slowed in recent months, we are optimistic going forward. The market's current volatility is providing us with opportunities to invest in names in which we have high conviction in their near- and long-term outlooks. We continue to see opportunities in mid-cap equities, particularly those with exposure to the back end of the economy, such as industrials, energy and materials sectors. We firmly believe that economic health is being restored worldwide and that there's global transitioning from government-stimulus-led recoveries to self-sustaining growth. Against this backdrop, we will concentrate less on sector calls and more on stock-specific investments.

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 mid-cap stocks may carry more risk than investing in stocks of larger more well-established companies. 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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